



WARBURG INVEST

**ANNUAL REPORT**

from 1 January 2016 to 31 December 2016

**EII GLOBAL SUSTAINABLE PROPERTY FUND**





## CONTENTS

---

	page
Management and administration	2
Activity report	3
Income statement (incl. income adjustment) for the period from 1 January 2016 to 31 December 2016	5
Performance of the Fund	6
Use of revenues from investment fund	6
Comparison with previous financial years	6
Overview of assets as of 31 December 2016	7
Detailed schedule of assets	8
Transactions concluded during the reporting period which no longer appear in the schedule of assets:	11
Notes on the audited annual report as at 31 December 2016	12
Auditor's report	16
Taxation principles	17

### Financial investment management company

WARBURG INVEST  
KAPITALANLAGEGESELLSCHAFT MBH  
Ferdinandstraße 75  
20095 Hamburg

Subscribed and paid-up capital:  
EUR 5,600,000  
(As at: 31 December 2015)

### Sole partner

M.M.Warburg & CO (AG & Co.)  
Kommanditgesellschaft auf Aktien, Hamburg  
(hereinafter: M.M.Warburg & CO (AG & Co.))

### Supervisory Board

Joachim Olearius  
Partner spokesperson  
M.M.Warburg & CO (AG & Co.)  
- Chairman -

since 10 October 2016:  
Thomas Fischer  
Spokesman of the Board of Management  
MARCARD, STEIN & CO AG, Hamburg  
- Deputy Chairman -

until 9 October 2016:  
Eckhard Fiene  
Partner  
M.M.Warburg & CO (AG & Co.)  
- Deputy Chairman -

and

Dipl.-Kfm Uwe Wilhelm Kruschinski,  
Hamburg

### Management Board

Udo Hirschhäuser

Matthias Mansel

from 2 January 2017:  
Caroline Isabell Specht

### Depositary

State Street Bank International GmbH  
Briener Straße 59  
80333 Munich

Legal form: Private company limited by units

Liable equity: EUR 2,154,400,000.00  
(As at: 31 December 2015)

### Auditor

BDO AG  
Auditors  
Fuhrentwiete 12  
20355 Hamburg  
GERMANY  
[www.bdo.de](http://www.bdo.de)

### 1. Investment objectives and policy

The aim of the fund in the medium to long term is to achieve an increase in the value of the capital by investing worldwide, mainly in a diversified portfolio of at least 51% equities and equity-like securities of entities with business operations mainly in the areas of finance, acquisition, leasing or management of commercial or residential property. The selection of investment instruments shall incorporate environmental, ethical and social criteria. For this reason, the fund invests in securities of issuers who cooperate in the implementation of environmentally friendly and sustainable development, meet minimum standards for human rights, support the cause of reasonable working conditions and value the principles of good governance. Fund managers are supported in investment decisions by oekom research AG, a world leading ratings agency in the sustainable investment segment.

### 2. Investment strategy and results

With -0.49% growth (calculated according to the *Bundesverband Investment und Asset Management e.V. (BVI)*) the performance of the EII Global Sustainable Property Fund (the "Fund") during the financial year remained behind the Fund's reference index, the FTSE EPRA/NAREIT Developed Index, which returned 3.84%. It should be noted that past performance and volatility data of the Fund do not represent a projection of a similar performance in the future.

The Fund lagged behind the index in all three regions. The biggest deficit was in North America. In North America, the selection of stocks was particularly negative in the USA, while the lack of positions in Canada further depressed performance. In Asia, it was mainly Japan which was responsible for the below-average performance. The country's underweighting was appropriate as it remained below the region. However this was offset by the stock selection as Japanese developers remained behind J-REITs, which we had underweighted. Performance in Europe was impaired mainly by the positioning in the UK prior to the Brexit referendum. As already stated, the stock selection was the determining factor for the Fund's weak performance in 2016 as the currency positions and regional holdings had a much weaker effect. In some cases, the contribution of the Fund's stock selections showed a negative emphasis due to the smaller investment universe compared with the index, which was attributable to the Fund's sustainability criteria. In the USA the overweighting of the apartment sector through AvalonBay Communities, Inc. and Equity Residential affected performance negatively, as the results were surprisingly poor,

particularly in New York City and the San Francisco Bay Area. Our positions in the industrial sector through Prologis and Liberty Property Trust helped to compensate for some of the poor performance we referred to. Industrial REITs without doubt recorded the best fundamental trends in 2016 as they benefited from the growth in e-commerce. In Asia our positions in Japanese builders such as Aeon Mall Co., Ltd., Mitsui Fudosan Co., Ltd. and Mitsubishi Estate Co., Ltd. depressed performance as they remained below J-REITs. J-REITs benefited again from low interest rates and subdued economic growth. The stock selections were generally positive in most European countries but on the whole were negated by our UK positions. Our positions in Land Securities Group plc and Great Portland Estates plc, both UK blue chips with significant holdings in London, were negatively influenced by the Brexit vote.

### 3. Material risks in the reporting period

#### Currency risk

As at 31 December 2016, aside from investments in euros, 55.7% of investments in the Fund were in US dollars, 8.8% in Japanese yen, 8.1% in Australian dollars, 7.1% in Hong Kong dollars, 4.6% in British pounds, 2.2% in Singapore dollars and 0.9% in Swedish krona. This gives rise to a currency risk.

#### Market risks

Fund manager European Investors Incorporated (EII) tests the market risk associated with investing in a specific region, country or sector based on fundamental factors related to politics, economics and the real estate market. Within the Fund, market risk is diversified by maintaining a portfolio that is spread across various regions, countries, and sectors.

## ACTIVITY REPORT

---

### Counterparty risk

EII makes considerable efforts to reduce and manage its counterparty risk and commitments. We manage counterparty risk by only conducting trading activities with the most financially sound banks and broker-dealers. We only conduct deals with persons or institutions which we have thoroughly analysed and assessed from the viewpoint of solidity and stability. EII conducts careful checks on the brokers through which it trades and maintains a list of approved brokers that meet our requirements. The financial data on the brokers is also updated on an annual basis. Furthermore neither EII nor the Fund enters into an “active” counterparty risk as we only examine brokers which act as intermediaries between buyers and sellers. We expressly confirm that EII does not conduct any derivative transactions. We thereby further reduce the counterparty risk.

### Liquidity risk

EII defines the liquidity risk as its ability to invest in or divest from a position – measured by the number of days required to acquire or dispose of a position with minimal market effects. We assess the risk of each position/transaction for the required time for the purchase or sale of a security held in the Fund. On average it normally takes around one day to acquire or sell a complete position held in a portfolio company. As at 31 December 2016, the Fund did not exhibit any significant liquidity risk because the real estate companies in which the Fund is invested are traded on regulated markets and can be disposed of within one day if necessary.

### Credit and operational risk of assets

In our extensive analysis of individual companies, EII analyses the credit risk and the operating risk with regard to borrowing, the soundness of the balance

sheet and the ability of the management to implement the required strategy. In principle, we endeavour to invest in countries and sectors that exhibit the highest potential for growth and the most attractive fundamentals in terms of economics and the real estate market. The Fund's investments are subject to continuous analysis by the portfolio manager and analysts to reduce risks and ensure that they continue to meet our investment guidelines.

### Operational risks

Operational risks are defined as the risk of losses as a result of the inadequacy or failure of internal controls and systems, people, or due to external events, including legal and reputational risks. In accordance with supervisory regulations the company has set up an independent compliance function whose role is to monitor and regularly evaluate whether the measures and procedures set up by the company to comply with external and internal regulations are appropriate and effective and thereby keep operational risks at the lowest possible level. In addition internal auditing monitors whether all the relevant activities and processes have been correctly performed. Outsourced activities are included in the monitoring. During the reporting period there were no particular incidents to report regarding the continuous existing operational risks.

### **4. Material events in the reporting period**

The former General Terms of Investment of the UCITS investment fund were revised with effect from 18 March 2016 to comply with the UCITS V Implementation Act.

## EII GLOBAL SUSTAINABLE PROPERTY FUND

---

### INCOME STATEMENT (INCL. INCOME ADJUSTMENT) FOR THE PERIOD FROM 1 JANUARY 2016 TO 31 DECEMBER 2016

	EUR
<b>I. Income</b>	
1. Dividends from foreign issuers (excl. deductions at source)	630,536.54
2. Domestic interest from liquidity portfolio	0.57
3. Deduction of foreign taxes at source	-149,594.33
4. Other revenues	67.16
of which withholding tax refund	67.16
<b>Total Income</b>	<b>481,009.94</b>
<b>II. Expenditures</b>	
1. Interest from borrowing	-682.01
2. Management fee	-181,012.52
of which is management remuneration	-140,986.29
3. Depository remuneration	-21,360.66
4. Auditing and publication expenses	-5,309.79
5. Other expenses	-8,909.90
of which are foreign custodian fees	-7,816.95
<b>Total expenditures</b>	<b>-217,274.88</b>
<b>III. Ordinary net income</b>	<b>263,735.06</b>
<b>IV. Sale transactions</b>	
<b>1. Realised gains</b>	<b>895,508.20</b>
of which from securities transactions	894,957.19
of which from foreign exchange spot transactions	551.01
<b>2. Realised losses</b>	<b>-374,945.12</b>
of which from securities transactions	-374,945.12
<b>Result from sales transactions</b>	<b>520,563.08</b>
<b>V. Realised profit in financial year</b>	<b>784,298.14</b>
1. Net change to unrealised gains	-714,149.18
2. Net change to unrealised losses	-146,771.46
<b>VI. Unrealised result from financial year</b>	<b>-860,920.64</b>
<b>VII. Profit for the financial year</b>	<b>-76,622.50</b>

## EII GLOBAL SUSTAINABLE PROPERTY FUND

---

### PERFORMANCE OF THE FUND

	EUR	EUR
<b>I. Value of the investment fund at the start of the financial year</b>		<b>15,290,625.10</b>
1. Dividend for the Spring		-79,086.00
2. Cash inflow (net)		12,322.45
a) Cash inflow from the sale of share certificates	12,322.45	
b) Cash outflow from the repurchase of share certificates	0.00	
3. Income adjustment/cost compensation		-359.45
4. Profit for the financial year		-76,622.50
of which net change to unrealised gains	-714,149.18	
of which net change to unrealised losses	-146,771.46	
<b>II. Value of the investment fund at the end of the financial year</b>		<b>15,146,879.60</b>

### USE OF REVENUES FROM INVESTMENT FUND

#### CALCULATION OF THE DISTRIBUTION

		total	per share
<b>I. Available for distribution</b>	<b>EUR</b>	<b>2,986,310.89</b>	<b>26.410</b>
1. Balance from the previous year	EUR	2,202,012.75	19.474
2. Realised result from financial year	EUR	784,298.14	6.936
<b>II. Not distributed</b>	<b>EUR</b>	<b>2,837,051.89</b>	<b>25.090</b>
1. Allocated for reinvestment	EUR	565,019.95	4.997
2. Balance carried forward	EUR	2,272,031.94	20.093
<b>III. Total distribution</b>	<b>EUR</b>	<b>149,259.00</b>	<b>1.320</b>
1. Final distribution	EUR	149,259.00	1.320

### COMPARISON WITH PREVIOUS FINANCIAL YEARS

Financial year	Assets at the end of the financial year	Unit value
31/12/2016	EUR 15,146,879.60	EUR 133.95
31/12/2015	EUR 15,290,625.10	EUR 135.34
31/12/2014	EUR 13,952,344.91	EUR 123.52
31/12/2013	EUR 11,169,298.92	EUR 98.96

## EII GLOBAL SUSTAINABLE PROPERTY FUND

---

### OVERVIEW OF ASSETS AS OF 31 DECEMBER 2016

	Financial weighting		Geographic weighting	
<b>I. Assets</b>				
<b>1. Shares</b>				
	Other financial companies	66.75%	United States	55.65%
	Property and residential companies	23.45%	Japan	8.78%
	Other public and personal services	5.80%	Australia	8.09%
	Support and care	0.98%	Hong Kong	6.47%
			France	5.45%
			Other countries	12.54%
	<b>Total</b>	<b>96.98%</b>	<b>Total</b>	<b>96.98%</b>
<b>2. Bank deposits/money market funds</b>	-	2.55%	-	2.55%
<b>3. Other assets</b>	-	0.60%	-	0.60%
<b>II. Liabilities</b>	-	-0.13%	-	-0.13%
<b>III. Fund assets</b>		<b>100.00%</b>		<b>100.00%</b>

Economic and geographical weighting not provided unless specified.

## EII GLOBAL SUSTAINABLE PROPERTY FUND

### DETAILED SCHEDULE OF ASSETS

Category designation ISIN	Units, shares, or currency	As at 31/12/2016	Purchases/additions Sales/reductions in reporting period		Price in currency	Market value in EUR	% of Fund assets
<b>Security holdings</b>						<b>14,689,056.18</b>	<b>96.98</b>
<b>Publicly traded securities</b>						<b>14,128,059.49</b>	<b>93.28</b>
<b>Shares</b>							
Capitaland Ltd. SG1J27887962	Units	116,700	11,700	SGD	3.0500	233,813.97	1.54
China Overseas Land & Investment Ltd. HK0688002218	Units	36,000	36,000	HKD	20.3000	89,579.68	0.59
China Resources Land Ltd. KYG2108Y1052	Units	47,000	91,000	HKD	17.3000	99,667.81	0.66
Deutsche Wohnen AG DE000A0HN5C6	Units	11,100	11,100	EUR	29.8250	331,057.50	2.19
Grainger PLC GB00B04V1276	Units	28,500	28,500	GBP	2.3570	78,474.88	0.52
Hang Lung Properties Ltd. HK0101000591	Units	22,000	90,000	HKD	16.0200	43,201.24	0.29
Hulic Co. Ltd. JP3360800001	Units	16,600	5,400	JPY	1,041.0000	140,253.23	0.93
Mitsubishi Estate Co. Ltd. JP3899600005	Units	30,800	4,000	JPY	2,331.5000	582,827.69	3.84
Mitsui Fudosan Co. Ltd. JP3893200000	Units	27,300	7,500	JPY	2,741.5000	607,442.17	4.00
Sun Hung Kai Properties Ltd. HK0016000132	Units	38,000	9,000	HKD	97.4000	453,684.07	3.00
Unite Group PLC GB0006928617	Units	21,200	5,000	GBP	5.9800	148,102.80	0.98
Vonovia SE DE000A1ML7J1	Units	3,600	1,900	EUR	30.6900	110,484.00	0.73
<b>REITS</b>							
Avalonbay Communities Inc. REIT US0534841012	Units	4,500	0	USD	175.6000	750,997.91	4.96
Boston Properties Inc. REIT US1011211018	Units	4,200	500	USD	123.6700	493,645.69	3.26
CapitaLand Commercial Trust REIT SG1P32918333	Units	100,800	136,000	SGD	1.4650	97,005.85	0.64
DDR Corp. REIT US23317H1023	Units	12,700	17,300	USD	15.0700	181,894.13	1.20
DEXUS Property Group REIT AU000000DXS1	Units	25,400	34,800	AUD	9.5500	166,405.98	1.10
Equity Residential REIT US29476L1070	Units	12,800	2,500	USD	63.6800	774,666.41	5.11
Eurocommercial Properties N.V. REIT NL0000288876	Units	5,300	7,100	EUR	36.5900	193,927.00	1.28
Federal Realty Investment Trust REIT US3137472060	Units	4,100	1,500	USD	140.0500	545,718.49	3.60
Gecina S.A. REIT FR0010040865	Units	1,800	0	EUR	129.9500	233,910.00	1.54
General Growth Properties Inc. New REIT US3700231034	Units	19,800	4,500	USD	24.5100	461,222.20	3.04
Great Portland Estates PLC REIT GB00B01FLL16	Units	21,400	5,800	GBP	6.5550	163,875.00	1.08
Host Hotels & Resorts Inc. REIT US44107P1049	Units	27,000	0	USD	18.7500	481,134.77	3.18
Kilroy Realty Corp. REIT US49427F1084	Units	5,600	6,100	USD	71.4800	380,429.58	2.51

## EII GLOBAL SUSTAINABLE PROPERTY FUND

### DETAILED SCHEDULE OF ASSETS

Category designation ISIN	Units, shares, or currency	As at 31/12/2016	Purchases/additions Sales/reductions in reporting period		Price in currency	Market value in EUR	% of Fund assets
Klepierre S.A. REIT FR0000121964	Units	9,300	1,900 0	EUR	36.9850	343,960.50	2.27
Land Securities Group PLC REIT GB0031809436	Units	14,400	0 8,700	GBP	10.4900	176,467.29	1.17
Liberty Property Trust REIT US5311721048	Units	10,200	10,200 9,900	USD	39.0200	378,258.89	2.50
ProLogis Inc. REIT US74340W1036	Units	6,000	0 10,800	USD	52.2700	298,061.21	1.97
Public Storage REIT US74460D1090	Units	3,800	1,300 0	USD	220.4000	795,970.35	5.25
Realty Income Corp. REIT US7561091049	Units	7,600	7,600 0	USD	56.6300	409,036.30	2.70
Regency Centers Corp. REIT US7588491032	Units	1,800	1,800 0	USD	68.0000	116,327.69	0.77
Scentre Group Ltd. REIT AU000000SCG8	Units	142,140	56,400 10,000	AUD	4.6000	448,544.97	2.96
Segro PLC REIT GB00B5ZN1N88	Units	23,600	23,600 0	GBP	4.5400	125,168.22	0.83
Simon Property Group Inc. REIT US8288061091	Units	4,100	200 400	USD	175.9800	685,723.25	4.53
SL Green Realty Corp. REIT US78440X1019	Units	4,200	5,800 1,600	USD	105.1000	419,521.00	2.77
The Link Real Estate Investment Trust REIT HK0823032773	Units	64,500	64,500 0	HKD	49.8000	393,731.38	2.60
The Macerich Co. REIT US5543821012	Units	2,400	1,400 0	USD	69.2500	157,954.76	1.04
Unibail-Rodamco SE REIT FR0000124711	Units	1,107	400 1,300	EUR	223.2000	247,082.40	1.63
Ventas Inc. REIT US92276F1003	Units	8,900	3,000 1,500	USD	61.7300	522,141.23	3.45
Welltower Inc. REIT US95040Q1040	Units	9,200	5,200 0	USD	65.7700	575,065.58	3.80
Westfield Corp. REIT AU000000WFD0	Units	30,100	0 9,700	AUD	9.2800	191,622.42	1.27
<b>Securities permitted on or included in organised markets</b>						<b>560,996.69</b>	<b>3.70</b>
<b>Shares</b>							
Fabege AB SE0000950636	Units	9,200	3,700 4,900	SEK	147.0000	141,434.85	0.93
<b>REITS</b>							
Stockland REIT AU000000SGP0	Units	135,010	20,639 0	AUD	4.5300	419,561.84	2.77

## EII GLOBAL SUSTAINABLE PROPERTY FUND

Category designation	Units, shares, or currency	As at 31/12/2016	Purchases/ additions	Sales/reductions	Price	Market value in EUR	% of Fund assets
<b>Other assets</b>							
<b>Bank deposits</b>						<b>16,965.61</b>	<b>0.11</b>
EUR bank deposits at:							
Depository	EUR	11,909.54				11,909.54	0.08
Balances in non-EU/EEA currencies							
Depository	USD	5,320.00				5,056.07	0.03
<b>Money market fund</b>						<b>370,000.00</b>	<b>2.44</b>
Money market funds, group external							
SSGA Liquidity-EUR LiquidityReg. I Stable NAV Shares npv /0.11% IE0003411307	ANT	370,000	632,208	477,208	1.00	370,000.00	2.44
<b>Other assets</b>						<b>91,243.75</b>	<b>0.60</b>
Dividend claims	EUR	62,178.97				62,178.97	0.41
Callable deductions at source	EUR	29,064.78				29,064.78	0.19
<b>Other liabilities</b>						<b>-20,385.94</b>	<b>-0.13</b>
Provisions from settlement of costs	EUR	-20,359.76				-20,359.76	-0.13
Interest due	EUR	-26.18				-26.18	0.00
<b>Fund assets</b>					<b>EUR</b>	<b>15,146,879.60</b>	<b>100.00</b>
<b>Unit value</b>					<b>EUR</b>	<b>133.95</b>	
<b>Circulating shares</b>					<b>Units</b>	<b>113.075</b>	

## EII GLOBAL SUSTAINABLE PROPERTY FUND

---

### TRANSACTIONS CONCLUDED DURING THE REPORTING PERIOD WHICH NO

### LONGER APPEAR IN THE SCHEDULE OF ASSETS:

Category designation ISIN	Units, shares or currency	Purchases/additions	Sales/reductions
------------------------------	---------------------------	---------------------	------------------

---

Securities, investment units and note loans (market allocation on report date)

#### Listed securities

##### Shares

Aeon Mall Co. Ltd. JP3131430005	Units	0	15,900
Castellum AB SE0000379190	Units	0	8,400
Hysan Development Co. Ltd. HK0014000126	Units	0	80,000
Nomura Real Estate Holdings Inc. JP3762900003	Units	0	10,000

##### REITS

Derwent London PLC REIT GB0002652740	Units	0	2,100
Hammerson PLC REIT GB0004065016	Units	0	9,000
HCP Inc. REIT US40414L1098	Units	0	7,200
Icade S.A. REIT FR0000035081	Units	0	3,300
Kimco Realty Corp. REIT US49446R1095	Units	0	8,700
Plum Creek Timber Co. Inc. REIT US7292511083	Units	0	2,700
The British Land Co. PLC REIT GB0001367019	Units	0	20,600
Vornado Realty Trust REIT US9290421091	Units	0	4,600
Weyerhaeuser Co. REIT US9621661043	Units	4,320	4,320

## NOTES ON THE AUDITED ANNUAL REPORT AS AT 31 DECEMBER 2016

### ACCOUNTING AND VALUATION METHODS

---

#### Description of valuation methods

- The valuation is performed by the investment management company.
- Securities and derivatives listed for trading on a stock exchange or another organised market or included on the regulated market or for over the counter trading on a stock exchange are always valued at trading prices, whenever available.
- Interest-bearing securities, bond-equivalent participation rights and certificates which are not listed or traded on a stock exchange or other organised market or whose stock market price does not appropriately reflect the actual market value are valued using external model prices such as broker quotes. In justifiable exceptional cases, internal model prices are used based on a recognised and suitable methodology.
- Other securities and derivatives for which there are no tradeable prices are valued using suitable valuation models that reflect current market conditions.
- Investment shares are valued at the repurchase price published by the investment company unless additional information is provided below the schedule of assets.
- Bank deposits are valued at the face value plus applied interest.
- Other assets are valued at face value and liabilities are valued at the repayment amount.

### EXPLANATIONS FOR SCHEDULE OF ASSETS

---

- Assets of the investment fund are valued based on the following prices/market rates:

German domestic assets	Prices on 29 December 2016
All other assets	Prices on 29 December 2016
Currencies	Prices on 30 December 2016

- Assets denominated in foreign currencies are translated into the euro at the exchange rate of the Reuters morning fixing at 10.00 h of the same day.

Australian dollar	1 EUR =	AUD	1.457700
British pound	1 EUR =	GBP	0.856000
Hong Kong dollar	1 EUR =	HKD	8.158100
Japanese yen	1 EUR =	JPY	123.210000
Swedish krona	1 EUR =	SEK	9.562000
Singapore dollar	1 EUR =	SGD	1.522300
US dollar	1 EUR =	USD	1.052200

- Capital measures:

All revenues from capital measures (technical revenues) are disclosed as inflows or outflows.

### NOTES ON THE INCOME STATEMENT

---

- Major components of other revenues and other expenses are subdivided in the income statement.
- Net changes to unrealised gains and losses are determined by comparing, in each financial year, the asset valuations flowing into the share price with the respective historical acquisition costs. Positive difference amounts flow into the total of unrealised gains; negative difference amounts flow into the total of unrealised losses; at the end of the financial year, the total positions are compared to the total positions at the beginning of the financial year to determine net changes.

### DISCLOSURES ACCORDING TO THE GERMAN DERIVATIVES REGULATION (*DERIVATEV*)

---

- Utilisation of the upper limit of the market risk potential was calculated for this investment fund in accordance with the German Derivatives Regulation using the qualified approach based on a benchmark asset.

Composition of the benchmark asset:

100% FTSE EPRA/NAREIT Developed EUR

- Potential risk amount for market risk:

Smallest potential risk amount	5.39083%
Largest potential risk amount	8.18670%
Average potential risk amount	7.13297%

With respect to the qualified approach under *DerivatV*, the potential market risk amount refers to the risk arising from the very unfavourable statistical performance of market parameters for the investment fund. It is measured using the value-at-risk (VaR) method, i.e. the potential loss that is not exceeded with a given degree of probability within a given period. The risk indicators were calculated for the period from 1 January 2016 to 31 December 2016 on the basis of the variance-covariance model with a 99% confidence level and a 10-day retention period as parameters and applying an effective, historical observation period of one year. The potential market risk amount of the investment fund is limited to twice the potential market risk amount of the derivative-free benchmark asset.

- Disclosures according to § 37 Paragraphs 1 and 2 of *DerivateV* do not apply because there were no corresponding open transactions at the year end. No loans on securities or pension transactions were made in the reporting period.
- Disclosures of the amount of leverage used in the reporting period (§ 37 Paragraph 4 *DerivateV*):

Average amount of leverage used according to gross method	1.00000
---	---------

Leverage is determined by dividing the total exposure of the investment fund by its net asset value. The total exposure of an investment fund is the sum of the capital requirements of the derivatives and any papers from the reinvestment of collateral in securities lending and repurchase transactions plus the net asset value of the investment fund. When calculating the capital requirements using the gross method (total nominal values) hedging transactions are not offset or imputed. The company may use derivatives for various purposes, including hedging or speculative purposes. The calculation of the total of the nominal values of the derivatives does not distinguish between the various purposes for which the derivatives are used. For this reason the average leverage stated using the gross method is not an indicator of the risk content of the investment fund.

## EII GLOBAL SUSTAINABLE PROPERTY FUND

### DISCLOSURES ON TRANSPARENCY AND TOTAL EXPENSE RATIO

- Total expense ratio (synthetic) 1.46%

The total expense ratio (TER) expresses all costs and payments (excluding transaction costs, interest on borrowings and any performance fee) borne by the investment fund during the course of the year as a ratio of the average net asset value of the investment fund. Cost compensation for accrued costs is not taken into consideration. Since the investment fund may invest more than 10% of its assets in other investment funds ("target funds"), additional costs accrue in conjunction with the target funds, which are taken into consideration pro rata when calculating the TER. The calculation method corresponds to the method recommended according to CESR guideline 10-674 in conjunction with EU Regulation 583/2010.

- Transaction costs EUR 16,783.76

(Total of ancillary (incidental) costs of acquisition and costs of disposal of assets of the investment fund)

- Shares of WARBURG INVEST investment funds are usually acquired using third parties, i.e. banks, financial service providers, brokers and other authorised third-party individuals. Collaboration with these third parties is typically based on a contractual agreement stipulating that WARBURG INVEST shall pay the third party, in exchange for brokerage of the shares, a volume-based fee, and the third party shall be entitled to the issue fee in whole or in part. WARBURG INVEST shall pay the volume-based fee from the administrative fees to which it is entitled, i.e. from its own funds.
- In the financial year from 1 January 2016 to 31 December 2016, the investment management company WARBURG INVEST did not receive any reimbursements for fees paid to the depositary or third parties from the investment fund or expense refunds with the exception of financial information provided by the brokers for research purposes.

### DISCLOSURES ACCORDING TO SFTR 2015/2365

Disclosures according to SFT Regulation 2015/2365 do not apply since no transactions as defined in this regulation were conducted during the reporting period.

### DISCLOSURES ON EMPLOYEE REMUNERATION

Number of employees: 24 (incl. executive managers)		As at:	31/12/2015
Financial year: 1 January 2015 to 31 December 2015	in EUR	in EUR	in EUR
	Fixed remuneration	Variable remuneration	Total remuneration*
Total employee remunerations paid during past financial year	2,144,533.55	459,000.00	2,603,533.55
Total risk-taker remunerations paid during past financial year			1,195,252.52
of which to executive managers			582,214.28
of which to managers			1,054,635.10
of which to other risk-takers			140,617.42
of which to employees in control functions			307,159.75
of which to employees in same income group			0.00

\* No direct payments were made to employees from the investment assets.

### **Remuneration principles of the company**

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH (hereinafter: "Warburg Invest") is subject to the applicable supervisory regulations for investment management companies regarding the structure of its remuneration system. The detailed structure is contained in Warburg Invest's remuneration principles which aim to ensure a sustainable remuneration system avoiding inappropriate incentives that encourage the taking of excessive risks.

The structure of Warburg Invest as an investment management company with a single partner (M.M.Warburg & CO (AG & Co.) KGaA, hereinafter "MMWCO"), a Supervisory Board, managed investment assets and financial portfolio management mandates is not complex.

The remuneration principles apply to all employees and managers. The remuneration system should not create any incentives to take excessive risks. It should achieve the ability to control operational risk components combined with established responsibilities.

The Management Board of Warburg Invest sets the general principles of the remuneration policy, reviews these on a regular basis and is responsible for their implementation and, where necessary, amendment. The Supervisory Board of Warburg Invest supervises the implementation by the Management Board and ensures that the remuneration principles are consistent with solid and effective risk management. The Supervisory Board also ensures that the corporate governance principles and structures of Warburg Invest are observed in the structure and implementation of the remuneration principles and practice.

### **Disclosure of remuneration amount**

Some employees of Warburg Invest receive remunerations under the collective salary agreement for the private bank sector. All other employees receive a fixed remuneration as stated in an individual agreement. In addition to the fixed remuneration, employees may be granted variable fees in the form of special payments. These are established on a discretionary basis by the Management Board in conjunction with the relevant MMWCO managers.

The remunerations of Warburg Invest managers are governed by the applicable individual contractual agreements. The managers receive a fixed remuneration set by individual agreement. In addition they may be allocated variable fees in the form of special payments at the discretion of the Supervisory Board.

The allowance of a performance-related remuneration is dependent on an evaluation and the performance of the individual employee, the department employed in and the overall result of the company. Financial and non-financial criteria are taken into consideration to evaluate individual performance. Variable remuneration components are not linked to the performance of the assets under management. The variable remuneration is paid applying the principle of proportionality exclusively on a monetary basis and not deferred. In principle the variable remuneration does not exceed 40% of the fixed remuneration of an employee.

### **Remuneration report and annual review of remuneration policy**

The Management Board draws up an annual remunerations report in conjunction with the personnel department, the head of Risk Control and the Chief Compliance Officer. Based on the remunerations report, the Supervisory Board each year examines whether the remuneration principles have been implemented and, where necessary, updated. The Supervisory Board pays particular attention to maintaining an appropriate ratio between the fixed remuneration and the variable portion.

In addition, the company's Internal Auditing department conducts an independent examination of the structure, implementation and effects of the remuneration principles of Warburg Invest.

In the course of reviewing the remuneration policy, no discrepancies were found with the remuneration principles.

### **Changes to the established remuneration policy**

There were no significant changes in the remunerations policy compared with the previous year.

**WARBURG INVEST**

**KAPITALANLAGEGESELLSCHAFT MBH**

**Hamburg, 30 March 2017**

**The Management**

---

## AUDITOR'S REPORT

*To WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH*

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH has retained us to audit the annual report of the EII Global Sustainable Property Fund for the financial year from 01 January 2016 to 31 December 2016 in accordance with § 102 of the German Capital Investment Code (*KAGB*).

*Responsibility of the legal representatives*

Preparation of the annual report according to the regulations of *KAGB* is the responsibility of the legal representatives of the financial investment management company.

*Responsibility of the auditor*

Our duty is to issue an opinion on the annual report based on the audit we have conducted.

We have conducted our audit in accordance with § 102 of *KAGB* in observance of the German principles of financial statement auditing from the Institute of Financial Auditors (*IDW*). These stipulate that the audit shall be planned and carried out in such a way that any inaccuracies or breaches of the law evident in the annual report are detected with an adequate degree of certainty. The specification of the audit activities took into account knowledge of the administration of the investment fund and expectations for potential errors. Within the framework of the audit, the effectiveness of the accounting-related internal verification systems and the evidence for the disclosures in the annual report were primarily evaluated on a test basis. The audit consists of the assessment of applied accounting principles for the annual report and the significant estimates of the legal representatives of the financial investment management company. We are of the opinion that our audit provides a foundation of adequate certainty for our assessment.

*Auditor's opinion*

According to our assessment based on the knowledge obtained during the audit, the annual report for the financial year from 01 January 2016 to 31 December 2016 meets the legal requirements.

Hamburg, 31 March 2017

**BDO AG**  
Auditors

Dr. Zemke  
Auditor

Rüdiger  
Auditor

## EII GLOBAL SUSTAINABLE PROPERTY FUND

---

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH  
Ferdinandstraße 75  
20095 Hamburg

EII Global Sustainable Property Fund

Investment fund pursuant to KAGB

Taxation principles as per Section 5(1), first sentence, points 1 and 2 of the German Investment Tax Act  
Financial year from 1 January 2016 to 31 December 2016 final distribution

ISIN: DE000A0RHE36  
Securities ID No.: A0RHE3  
  
Expiry date: 15 March 2017  
Payment date: 15 March 2017  
Distribution resolution date: 15 March 2017

As per Section 5(1), first sentence, points 1 and 2 of the German Investment Tax Act (“InvStG”) letter:	Amount per share in EUR		
	Natural persons with shares in private assets	Natural persons with shares in business assets <sup>1)</sup>	Corporations <sup>2)</sup>
<b>a) Amount of the distribution</b>	2.6423716	2.6423716	2.6423716
For information purposes only: Amount payable of the distribution	1.3200000	1.3200000	1.3200000
aa) Distribution-equivalent revenues of previous years contained in the distribution	0.0000000	0.0000000	0.0000000
bb) Portion of capital repayment included in the distribution of which based on depreciation for wear-and-tear or depreciation for depletion	0.0000000	0.0000000	0.0000000
<b>b) Total amount of distributed /distribution-equivalent revenues</b>	4.9731344	4.9731344	4.9731344
amount of which from distributed earnings	2.6423716	2.6423716	2.6423716
amount of which from earnings equivalent to distributions	2.3307628	2.3307628	2.3307628
<b>c) Contained in the total amount of distributed/distribution-equivalent revenues</b>			
aa) Earnings in the sense of § 2 Paragraph 2 Sentence 1 in conjunction with § 3 No. 40 <i>EStG</i> or in case of § 16 in conjunction with § 8b Paragraph 1 <i>KStG</i> <sup>3)</sup>	-	0.3517534	0.0000000
bb) Capital gains in the sense of § 2 Paragraph 2 Sentence 2 in conjunction with § 8b Paragraph 2 <i>KStG</i> or § 3 No. 40 <i>EStG</i> <sup>3)</sup>	-	0.0000000	0.0000000
cc) Earnings in the sense of Section 2(2a)	-	0.0000000	0.0000000
dd) Tax-exempt capital gains in the sense of Section 2(3.1), first sentence, in the version applicable on 31 December 2008	0.0000000	-	-
ee) Earnings in the sense of Section 2(3.1), second sentence, in the version applicable on 31 December 2008, provided the earnings are not capital income in the sense of Section 20 <i>EStG</i>	0.0000000	-	-

## EII GLOBAL SUSTAINABLE PROPERTY FUND

ff)	Tax-exempt capital gains in the sense of Section 2(3) in the version applicable since 1 January 2009	0.0000000	-	-
gg)	Income in the sense of Section 4(1)	0.0000000	0.0000000	0.0000000
hh)	Income included in clause gg) not subject to the German tax progression clause (“Progressionsvorbehalt”)	-	0.0000000	-
ll)	Income in the sense of Section 4(2) for which a deduction as per paragraph 4 has not been made	4.3892163	4.3892163	4.3892163
ii)	Income included in clause ii that is subject to Section 2(2) in conjunction with Section 8b(2) KStG or Section 3(40) EStG or in the case of Section 16 in conjunction with Section 8b(1) KStG <sup>3)</sup>	-	0.1069875	0.0000000
kk)	Income included in clause ii in the sense of Section 4(2), which, according to a double taxation agreement, is entitled to credit a tax that has been deemed paid to income or corporation tax.	0.0000000	0.0000000	0.0000000
ll)	Income included in clause ii that is subject to Section 2(2) in conjunction with Section 8b(2) KStG or Section 3(40) EStG or in the case of Section 16 in conjunction with Section 8b(1) KStG <sup>3)</sup>	-	0.0000000	0.0000000
<b>d)</b>	<b>Portion of the distribution or earnings equivalent to distributions granting entitlement to the crediting of capital gains tax</b>			
aa)	in the sense of Section 7(1 and 2)	4.9731345	4.9731345	4.9731345
bb)	in the sense of Section 7(3) of which on earnings in the sense of § 7 Paragraph 3 Sentence 1 No. 1 of InvStG in conjunction with § 8b Paragraph 1 KStG or § 3 No. 40 EstG	0.0000000	0.0000000	0.0000000
	of which on earnings in the sense of Section 7(3), first sentence, point 2 InvStG	0.0000000	0.0000000	0.0000000
cc)	in the sense of § 7(1), fourth sentence, if included in clause aa) of which on foreign earnings in the sense of § 2 Paragraph 2 Sentence 1 in conjunction with § 8b Paragraph 1 KStG or § 3 No. 40 EStG	4.9731345	4.9731345	4.9731345
	of which taxable capital gains not included in c) dd) or in c) ff)	-	0.3517534	0.0000000
		0.0000000	0.0000000	0.0000000
<b>f)</b>	<b>Amount of foreign taxes that are allocated to income contained in revenues pursuant to § 4 Paragraph 2 and</b>			
aa)	which can be credited by virtue of Section 4(2) in conjunction with Section 32d(5) or Section 34c(1) EStG or a double taxation agreement if a deduction as per Section 4(4) has not been made <sup>4)</sup>	0.7183675	0.7183675	0.7183675
bb)	contained in clause aa and which applies to revenues to which § 2 Paragraph 2 in conjunction with § 8b Paragraph 2 of KStG or § 3 No. 40 of EStG, or in case of § 16 in conjunction with § 8b Paragraph 1 of KStG is applicable <sup>4)</sup>	-	0.0251605	0.0000000
cc)	which is deductible as per Section 4(2) in conjunction with § 34c(3) EStG if a deduction as per § 4(4) has not been made <sup>4)</sup>	0.0000000	0.0000000	0.0000000
dd)	contained in clause cc and which applies to revenues to which § 2 Paragraph 2 in conjunction with § 8b Paragraph 2 of KStG or § 3 No. 40 of EStG, or in case of § 16 in conjunction with § 8b Paragraph 1 of KStG is applicable <sup>4)</sup>	-	0.0000000	0.0000000

## EII GLOBAL SUSTAINABLE PROPERTY FUND

---

ee)	Which is deemed paid according to a double taxation agreement and can be credited as per Section 4(2) in conjunction with this agreement <sup>4)</sup>	0.0000000	0.0000000	0.0000000
ff)	contained in clause ee and which applies to revenues to which § 2 Paragraph 2 in conjunction with § 8b Paragraph 2 of KStG or § 3 No. 40 of EStG, or in case of § 16 in conjunction with § 8b Paragraph 1 of KStG is applicable <sup>4)</sup>	-	0.0000000	0.0000000
g)	<b>Sum of allowance for tax depreciation or asset depletion</b>	0.0000000	0.0000000	0.0000000
h)	<b>Withholding tax paid in the financial year, reduced by the permitted withholding tax of the financial year or earlier financial years</b>	1.3223717	1.3223717	1.3223717

Where applicable, the provisions of Section 1(3), third sentence, InvStG have been applied taking into consideration the data encryption by the financial databases and stock exchange information services (where available) established on the market.

This certificate is filed with the electronic version of the German National Gazette in the section for the publication of tax bases.

- 1) Information for investors who keep their shares in business assets and are taxed under the EStG (e.g. sole proprietors or partners in commercial partnerships).
- 2) Information for investors taxed under the KStG. For the information, it should be noted that Section 8b(1 to 6) KStG does not apply to investors who are certain types of corporations. The applicability of the aforementioned provisions may also affect whether foreign deductions at source can be credited.
- 3) 100% of the income must be reported.
- 4) For crediting and/or deducting foreign deductions at source, take into account Section 32d (5) EStG for natural persons with shares in private assets, Section 34c EStG for natural persons with shares in business assets and Section 26 KStG for corporations. Creditable deductions at source for natural persons with shares in private assets shall be reported taking into account the credit limitation according to the German Federal Ministry of Finance (BMF) Circular of 18 August 2009 (IV C 1 - S 1980-1/08/10019), Marginal 77a.

Hamburg, 07 March 2017

WARBURG INVEST KAPITALANLAGEGESELLSCHAFT MBH





**WARBURG INVEST**

Ferdinandstrasse 75 • 20095 Hamburg • Tel. +49 40 3282 – 5100

Website: [www.warburg-fonds.com](http://www.warburg-fonds.com) • Email: [info@warburg-invest.com](mailto:info@warburg-invest.com)