

# *Unlisted funds - lessons from the crisis*

Presentation to the IPE Real Estate  
Awards seminar  
16<sup>th</sup> May 2013

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# *Unlisted funds - Lessons from the crisis*

## Report for The Association of Real Estate Funds

**January 2012**

*AREF commissioned PwC to undertake research into the behaviour and practices of its member funds to determine whether there are lessons to be learned from the crisis.*



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## *Findings of the AREF report*

*“There is trade-off between  
liquidity, volatility,  
performance and risk”*

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*Findings of the AREF report*

*“A significant opportunity  
for product development”*

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## ***Findings of the AREF report***

### Key issues for product development

- Oversight of key decisions and independent representation of investors;
- Valuation policy and practice for both direct and indirect holdings;
- Creation and redemption policy and practice;
- The need for an active and transparent secondary marketplace;
- Communication and transparency
  - at the point of investment and subsequently
  - from manager to investor
  - from investor to manager;
- Fee structures and their potential influence on behaviour;

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# *Findings of the AREF report*

## Key issues for product development

- Alignment of interests and conflict management
  - between investors and manager
  - between manager and capital raisers
  - between different investor types
  - between departing, incoming and continuing investors;
- Liquidity
  - the mismatch between dealing frequency and property transaction timescales
  - the cost to investors of (often unused) liquidity;
- Debt management
  - disclosure of stress testing.

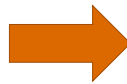
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## *What is new?*

- The international dimension;
- Changes over the last 18 months.

# *A changed environment for the industry*

## Investor pressure



Improved governance

Greater transparency

Stronger controls environment

More independent supervision



## Regulatory pressure

DIRECTIVE 2011/61/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
of 8 June 2011  
on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC  
and Regulations (EC) No 1060/2009 and (EU) No 1095/2010



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