

WELCOME

Cost Transparency Study – consultation launch



London

8 December 2016

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John Cartwright - AREF



Programme

- 08:40 Presentation Cost Transparency Study
 John Forbes, Consultant, John Forbes Consulting
- 08:55 Panel discussion
- 09:45 Conclusions and wrap-up
- 10:00 End

INREV/AREF Cost Transparency Report launch



8th December 2016

John Forbes

CONSULTING LLP



Contents



- Background
- Key recommendations
- A rudimentary comparison
- Some areas for further discussion
- Next steps



Background



- Concerns across asset classes regarding the cost of investment;
- Real estate perceived as “an expensive asset”;
- Different vehicle characteristics:
 - Listed versus non listed
 - Internally managed versus externally managed
 - Open end versus closed end

The four Cs

- Clarity
- Completeness
- Convenience
- Comparability



Key recommendations



- Improvements to the disclosure of calculation and components of the ratios.
- Consider additional ratios for both listed and non-listed, especially for closed end funds where a gross to net IRR or return reduction metric might be more relevant.
- Promote wider adoption of guideline disclosures across the listed and non-listed sectors.
- Review cost terminology in light of recent and forthcoming changes to EU directives for non listed vehicles, particularly for products marketed to retail investors.
- Consider greater disclosure for a small number of very specific items. (e.g. property level expenses on grouped basis)



Key recommendations



- Improvements to the disclosure of calculation and components of the ratios.
- ✓ Greater confidence in the robustness of numbers;
- ✓ Easier for users to recalculate as they see fit;
- ✓ Improved comparability.



Key recommendations



- Consider additional ratios for both listed and non-listed, especially for closed end funds where a gross to net IRR or return reduction metric might be more relevant.
- ✓ TERs not the most useful ratios for all funds.
- ✓ Additional ratios might provide greater insight for users – e.g. ratios based on income;



Key recommendations



- Promote wider adoption of guideline disclosures across the listed and non-listed sectors.
- ✓ Adoption has not yet been universally adopted in listed or non listed. Progress is being made.



Key recommendations



- Review cost terminology in light of recent and forthcoming changes to EU directives for non listed vehicles, particularly for products marketed to retail investors.
- ✓ PRIIPs Directive will change disclosure of cost ratios for funds for retail investors;
- ✓ Introduction delayed by a year;
- ✓ Is TER an out of date concept and terminology?



Key recommendations



	UCITS (KIID)	PRIIPs KID	MIFID II
Disclosure	Percentage	Absolute and percentage, see note	Absolute and percentage
One off charges	Yes	Yes	Yes
Ongoing charges	Yes	Yes	Yes
Transaction costs	No	Yes	Yes
Incidental costs	Yes	Yes	Yes
Aggregate of costs above	No	Yes	Yes
Cumulative effect on returns	No	Yes	Yes



Key recommendations



- Consider greater disclosure for a small number of very specific items. (e.g. property level expenses on grouped basis)

Property breakdown



Provide a property expense ratio by type of property

- Shopping centres
- Office London
- Other industrial
- Retail warehouse
- Office rest of UK
- Other
- Other retail
- Multi let industrial
-



A rudimentary comparison



Funds

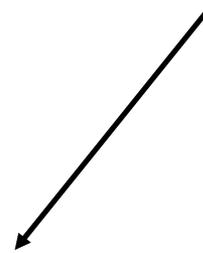
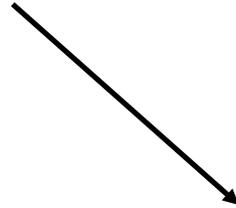
Published post performance fee TER

Listed companies

Administrative costs

Over

Gross Assets
EPRA NNAV



Comparative TER

	Listed	Non-listed
GAV	0.58	0.64
NAV	1.00	1.04



Some areas for further discussion



- The availability and use of accounts for non-listed funds;
- The use and comparability of AREF, INREV, EPRA and other calculations of Net Asset Value (NAV).



Next steps



Three month consultation period on:

Key recommendations

- Improvements to the disclosure of calculation and components of the ratios.
- Consider additional ratios for both listed and non-listed, especially for closed end funds where a gross to net IRR or return reduction metric might be more relevant.
- Promote wider adoption of guideline disclosures across the listed and non-listed sectors.
- Review cost terminology in light of recent and forthcoming changes to EU directives for non listed vehicles, particularly for products marketed to retail investors.
- Consider greater disclosure for a small number of very specific items. (e.g. property level expenses on grouped basis)

Areas for further discussion

- The availability and use of accounts for non-listed funds;
- The use and comparability of AREF, INREV, EPRA and other calculations of Net Asset Value (NAV).

Follow up roundtable discussions in February

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Panel discussion

Moderated by Neil Harris, SVP, GIC Real Estate (Europe)

- John Forbes, Consultant, John Forbes Consulting
- Oliver Hamilton, Principal Research Consultant, Aon Hewitt
- Jamie Lyon, European CFO/COO, LaSalle Investment Management
- Anthony Shayle, Global Real Estate Head of UK Debt Managing Director, UBS Global Asset Management

Wrap up
