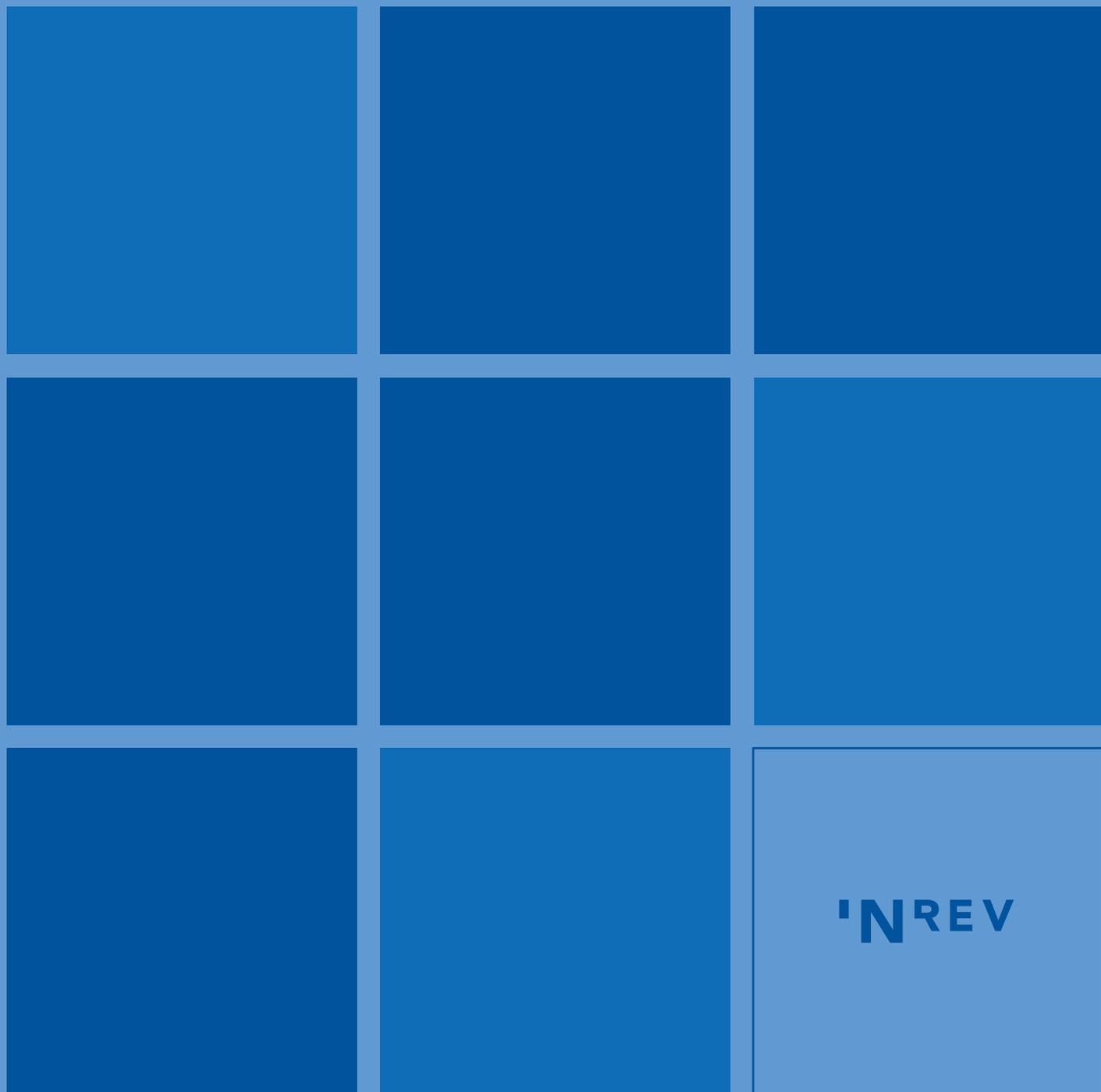


INREV RESEARCH & MARKET INFORMATION

# MANAGEMENT FEES AND TERMS STUDY 2012



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INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. Our aim is to improve the accessibility of non-listed real estate funds for institutional investors by promoting greater transparency, accessibility, professionalism and standards of best practice.

As a pan European body, INREV represents an excellent platform for the sharing and dissemination of knowledge on the non-listed real estate funds market.

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# CONTENTS

	<b>EXECUTIVE SUMMARY</b>	<b>03</b>
<b>1</b>	<b>INTRODUCTION</b>	<b>04</b>
<b>2</b>	<b>ANALYSIS</b>	<b>05</b>
2.1	TOTAL EXPENSE RATIO	05
2.2	MANAGEMENT FEES	09
2.3	PERFORMANCE FEES	13
<b>3</b>	<b>SPECIAL TOPIC: PREFERENTIAL RIGHTS FOR INVESTORS</b>	<b>17</b>
<b>4</b>	<b>REFERENCE DATA</b>	<b>19</b>
4.1	TOTAL EXPENSE RATIO	19
4.2	MANAGEMENT FEES	20
4.3	PERFORMANCE FEES	24
4.4	SPECIAL TOPIC	26
	<b>APPENDICES</b>	
	1. FUND OF FUNDS FEES STUDY 2012	28
	2. SAMPLE	32
	– METHOD	32
	– SAMPLE	32
	– CONTRIBUTING COMPANIES IN 2012	34
	3. EXAMPLE TER CALCULATION	36
	4. FEES GLOSSARY	37

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## EXECUTIVE SUMMARY

This report summarises the key findings of the 2012 INREV Management Fees and Terms Study. The sample includes information on 252 non-listed real estate funds targeted at institutional investors. This represents 54.3% of the INREV universe by number of funds.

A Total Expense Ratio (TER) is reported to investors by 40.6% of the total study sample. Two thirds report a TER calculated according to the INREV Fee Metrics guidelines and one third reports some other form of TER.

The INREV TER that is most commonly calculated is backward-looking and based on gross asset value (GAV). The TER levels for these are on average 1.55% for finite funds and 0.75% for infinite funds. Core funds report an average GAV based TER of 0.84% while this is 1.08% for value added funds and 2.78% for opportunity funds.

The majority of funds charge an annual management fee. For close to 90% of core and value added funds and 73% of opportunity funds, this is a fund management fee. The average GAV based fund management fee for core funds is 0.60% and 0.65% for value added funds. The highest fund management fees by vintage can be found in core funds with first closings in 2000 – 2001. For value added funds, the highest peak by vintage is funds with a first closing in 2006 – 2007.

Multi-sector funds have on average a higher fund management fee than single sector funds. Core industrial funds have the lowest rate at 0.44% and value added multi-sector funds have the highest at 0.72%. The retail sector's fund management fees are almost the same for core at 0.64% and value added at 0.63%.

Performance fees are calculated and distributed by over 90% of value added and opportunity funds but only by 72% of core funds. Charging performance fees only at the termination of the fund (compared with periodically, during the lifetime of the fund) has become more popular among finite funds with first closings after the financial crisis. The proportion of finite funds calculating performance fees only at termination of the fund has grown from 39% to 62% when looking at samples with first closes before and after the global financial crisis in 2007.

The first hurdle rates for periodic performance fees do not differ much between styles. The hurdle rate is close to 10% for core, value added, and opportunity funds. However, the performance fee grows from 21.67% for core funds to 28.75% for opportunity funds. Value added funds are in the middle with a 23.05% performance fee after the first hurdle. On the other hand, performance fees calculated at the termination of the fund have more variance within the hurdle rate than the performance fee.

This year's special topic focused on preferential rights for first close and large investors, and co-investment opportunities offered to investors. Offering preferential rights to first close investors is not very common. Only 20 funds reported offering any special rights, and these are mostly fee discounts or advisory board seats offered to large investors. In addition, offering co-investment opportunities to investors is also reported by only a small proportion of funds.

# 1 INTRODUCTION

This report is the ninth edition of the INREV Management Fees and Terms Study. The aim of the study is to analyse and compare the fee structures and fee levels of European non-listed real estate funds to increase transparency on this topic. It also includes an update to the Fund of Funds Fees Study.

The INREV Fee Metrics guidelines, which are part of the INREV Guidelines, provide a methodology for the disclosure of fees and expenses of non-listed real estate funds. The aim of these guidelines is to allow for the comparison of fees and other costs of funds. They split fees and costs into five different categories: initial charges, management fees, performance fees, fund expenses and property-specific costs.

Since 2007, the INREV Fee Metrics guidelines, which include the INREV Total Expense Ratios calculation model, have been used to structure the survey. More information can be found on the INREV Guidelines at [www.inrev.org](http://www.inrev.org)

Each year the study also includes a special topic, which this year looks more closely into the granting of preferential rights to first close and large investors, and co-investment opportunities offered to investors.

This report presents the key findings of the analysis on the TER, annual management fees and performance fees in Chapter 2 with additional content that is referred to in this section included in Chapter 4. This year's special topic is discussed in Chapter 3. The appendices include detailed information of the study method, sample and participating companies.

The update of the INREV Fund of Fund Fees Study can be found in Appendix 1. This table includes information on the fee structures and fee levels of 44 funds of funds targeted at institutional investors investing in Europe, Asia and globally. This covers 73% of the funds of funds in the INREV Fund of Funds database.

To ensure data confidentiality the average fee levels or other statistical indicators are only reported when data is available on at least four funds managed by a minimum of three fund managers. The cases where this is not possible are marked with a dash (-).

In some cases, average fee rates of groups with more than four funds and three fund managers have not been reported as it would have been possible to cross-calculate average fee levels for other smaller sample groups with less coverage. These cases are marked with an asterisk (\*). Where a fund manager has reported a range of possible fee levels, for example 0.5 – 1.0% of gross asset value (GAV), the average of the range of values (0.75%) has been used in the calculation of average fee levels.

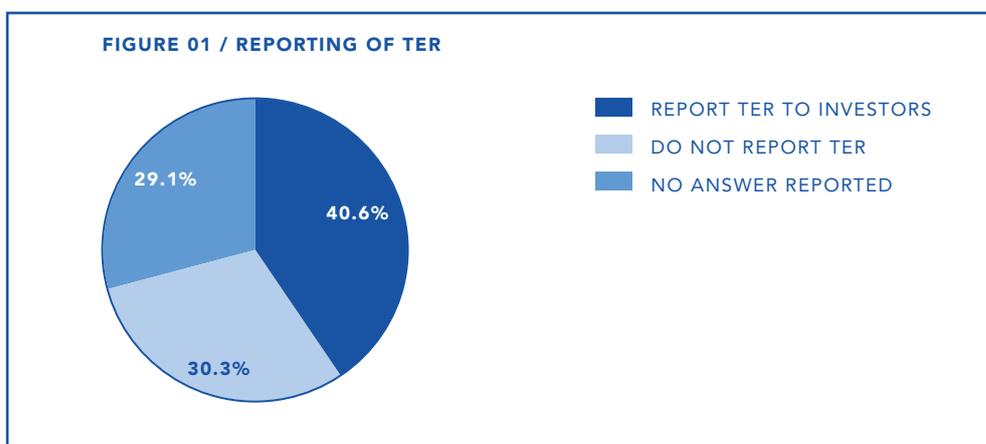
The INREV sample universe for this study consists of the 464 non-listed real estate funds listed in the INREV Vehicles Universe as of September 2012. In total, 252 funds participated in the study with 175 of those choosing to update their information. The remainder of the sample was updated in 2011.

## 2 ANALYSIS

### 2.1 Total Expense Ratio

The INREV Total Expense Ratio (TER) is part of the INREV Fee Metrics guidelines and expresses annual operating costs borne by a fund over one year as a proportion of average fund assets. In the INREV TER calculations, operating costs include management fees and fund expenses but the calculation does not include initial charges, property specific costs or performance fees. An example INREV TER calculation can be found in Appendix 3.

As a TER needs to be updated each year, this section of the study is based only on the 175 updated funds received from fund managers. Of the 175, 71 report a TER to investors, while 53 funds do not and 51 funds chose not to answer the question (Figure 01). The number of funds reporting a TER has been increasing each year as it was 67 in 2011 and 65 in 2010.



The most common calculation is the INREV backward-looking TER, which is either disclosed to investors or used internally by 56% of those funds that report a TER. The second most common is a non-INREV TER, which is based on regulators' or bodies' requirements such as the German funds association BVI. It is interesting to note that the funds that report an INREV forward-looking TER also always report the backward-looking version as well, which is in line with the INREV Fee Metrics guidelines. Table 01 shows the break down in reporting of TER by style.

**TABLE 01 / INREV TER REPORTING BY STYLE**

	CORE		VALUE ADDED		OPPORTUNITY		STYLE NOT REPORTED		ALL FUNDS	
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS	# FUNDS	% OF FUNDS
REPORT INREV TER	29	61.7	11	78.6	7	87.5	1	50.0	48	67.6
REPORT INREV BACKWARD-LOOKING TER ONLY	26	55.3	10	71.4	4	50.0	0	0.0	40	56.3
REPORT INREV BACKWARD-LOOKING AND FORWARD-LOOKING TER	3	6.4	1	7.1	3	37.5	1	50.0	8	11.3
REPORT NON-INREV TER ONLY	18	38.3	3	21.4	1	12.5	1	50.0	23	32.4
<b>TOTAL</b>	<b>47</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>8</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>71</b>	<b>100.0</b>

Not all funds that report a TER do so according to INREV Fee Metric guidelines. Those funds' reasons for this are listed in Table 02 with most stating "Other reasons" closely followed by there being no demand from investors. There were comments from some fund managers that they intended to start calculating a TER during 2013.

TABLE 02 / REASONS FOR NOT REPORTING INREV TER		
	# FUNDS	% OF FUNDS
NO DEMAND FROM INVESTOR SIDE	25	14.3
NOT ENOUGH RESOURCES	2	1.1
OTHER REASONS	32	18.3
TWO OR MORE REASONS	13	7.4
NO ANSWER / REPORT INREV TER	103	58.9
<b>TOTAL</b>	<b>175</b>	<b>100.0</b>

In 69% of cases, funds that report an INREV backward-looking TER do so based on both the GAV and net asset value (NAV) of the fund, which is in line with the fee guidelines. There are some funds that use either NAV or GAV as the calculation basis. The different samples behind these variations need to be taken into consideration when interpreting the TER levels in this study.

TABLE 03 / BASIS OF BACKWARD-LOOKING INREV TER		
	# FUNDS	% OF FUNDS
GAV	8	16.7
NAV	5	10.4
BOTH	33	68.8
BASIS NOT DEFINED	2	4.2
<b>ALL FUNDS</b>	<b>48</b>	<b>100.0</b>

Backward-looking TERs are on average 1.18% based on GAV and 2.30% based on NAV for the latest calculation period, which was either 2011 or the last twelve months to the end of quarter three 2012.

The expense ratio is influenced by the fund's structure with finite life funds reporting a higher expense ratio compared with an infinite life. For finite funds, the GAV-based INREV backward-looking TER is more than double that of infinite funds. When looking on an NAV basis, TERs for finite funds are almost triple those of infinite funds as NAV accounts for gearing.

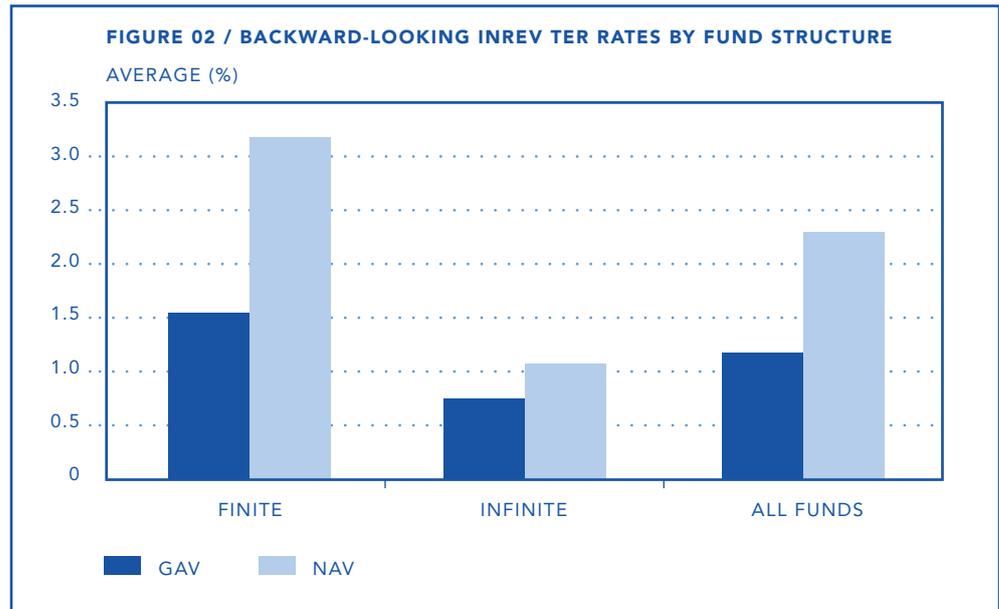
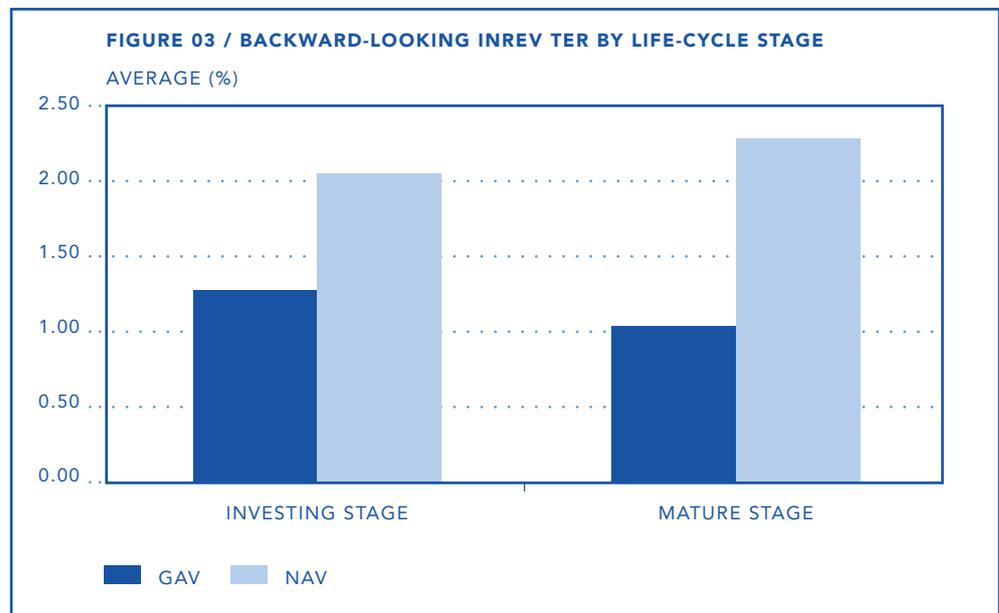
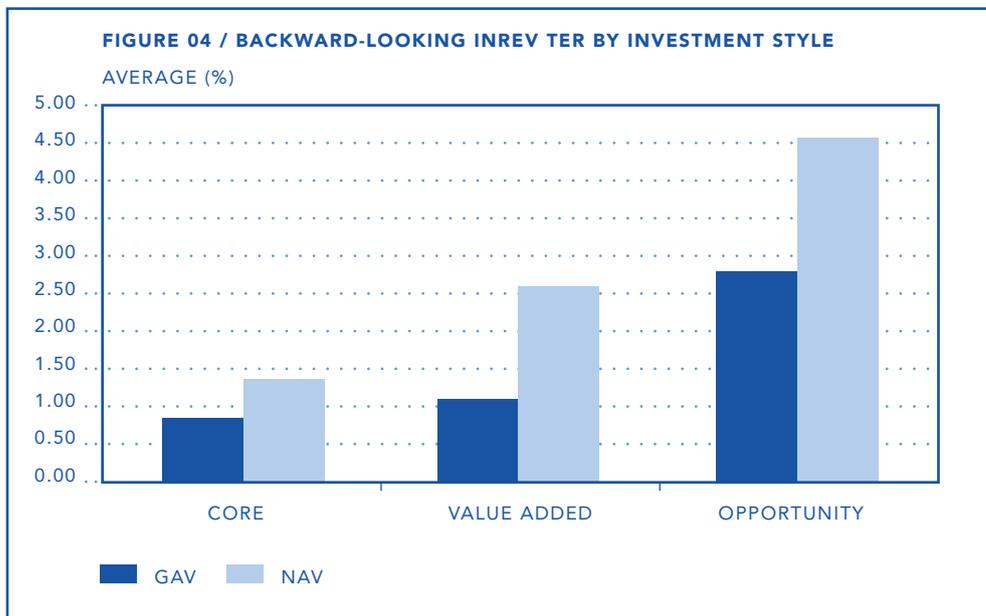


Figure 03 illustrates the difference in TERs between funds in different lifecycle stages. GAV-based figures for the investing stage are higher than those of mature stage funds, which reflect the higher levels of activity earlier in the cycle. It is interesting to note that the mature stage funds have a higher average TER when looking at NAV-based figures. This is probably due to the impact of leverage on the funds that are fully invested compared with those that are still making portfolio and capital structure decisions. The same does not hold for the GAV-based figures, which are lower for mature stage funds compared with investment stage funds.

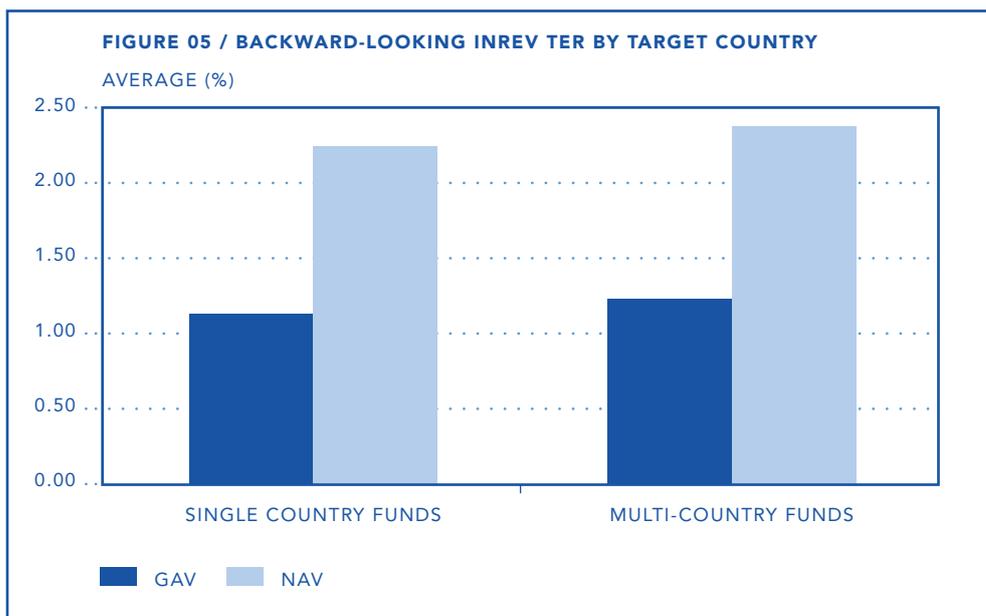


For funds reporting INREV backward-looking TERs, the results are in line with previous reports. The GAV based INREV TERs have narrow inter-quartile ranges than the NAV based ones, suggesting a more aligned and homogenous sample. The value added funds report a higher TER than core funds. Opportunity funds report the highest backward-looking INREV TERs at 2.78% of GAV based on six funds and 4.55% of NAV based on seven funds.

The use of leverage inflates the NAV based TER calculations to more than double of GAV in value added funds. Opportunity funds report significantly higher TERs with the GAV based average fee rate already higher than value added funds' NAV based TER, see Chapter 4 for detailed information.



In contrast to last year's results, the spread between backward-looking INREV TERs across single country and multi-country funds has narrowed. However, multi-country funds still report slightly higher average TERs by approximately 10 basis points over both GAV and NAV based figures, suggesting a greater need for resources managing a fund that invests across different countries.



The majority of funds that report backward-looking INREV TER have a leverage level of over 40% and this is subsequently reflected in a higher average NAV-based TER (Table 04).

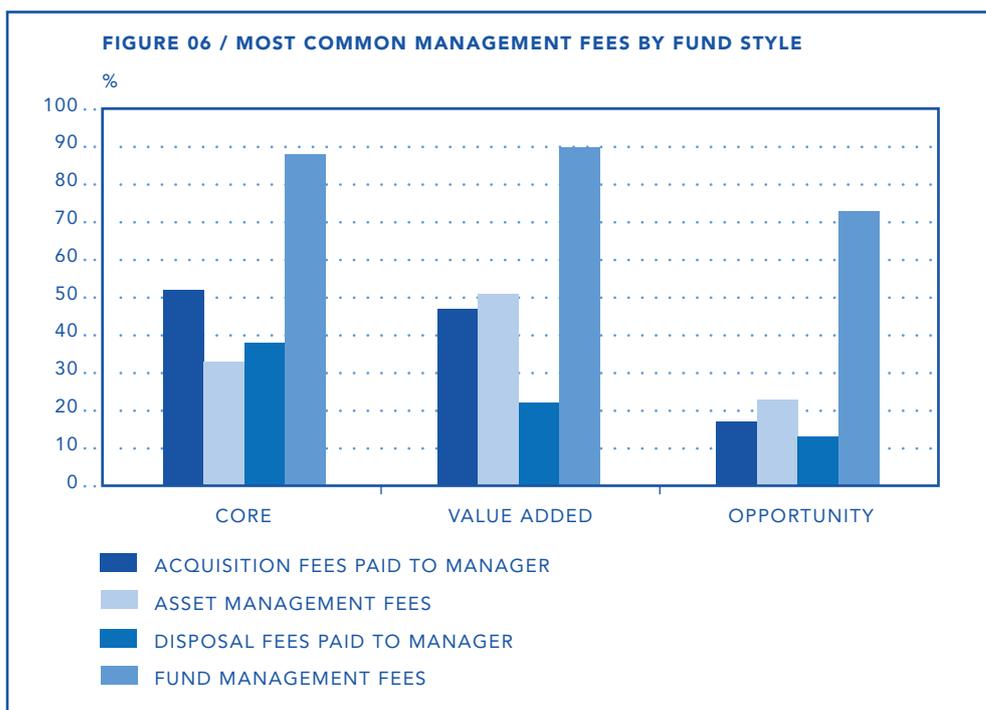
	NAV		GAV	
	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)
GEARING UNDER 40%	15	1.46	18	1.08
GEARING OVER 40%	22	2.91	23	1.26

## 2.2 Management fees

In the INREV Guidelines, the fund management fee is defined as “a charge paid to a fund’s manager for their fund management services to the fund” which covers activities such as: managing the fund level structure, arrangement of financing, fund administration, fund reporting and investor relations.

Only 12% of funds charge different management fees during the commitment period, which is the period of time after the first closing during which an investor is obliged to contribute capital when a drawdown notice is received from the fund manager. There is quite a lot of variation between investment styles, with opportunity funds having the highest probability of including a separate commitment period fee structure. More information on fees during the commitment period can be found in the Chapter 4. The remaining 88% of funds charge the same management fees throughout the lifecycle of the fund.

Of the management fees, fund management fees are the most applied and are charged by 86% of funds. Most of those that do not charge this fee charge asset management fees instead. However, asset management fees are the third most common fees after acquisition fees, which are especially typical among core funds. Disposal fees are also common with approximately 30% of funds charging them.



The following section will focus on fund management fees as these are applied by the majority of funds. The most common basis for annual fund management fees is GAV, which is used by 47% followed by NAV for 13%.

Core and value added funds in particular apply fees based on GAV or NAV while opportunity funds charge fund management fees based on drawn commitment, or a calculation basis specific to the fund.

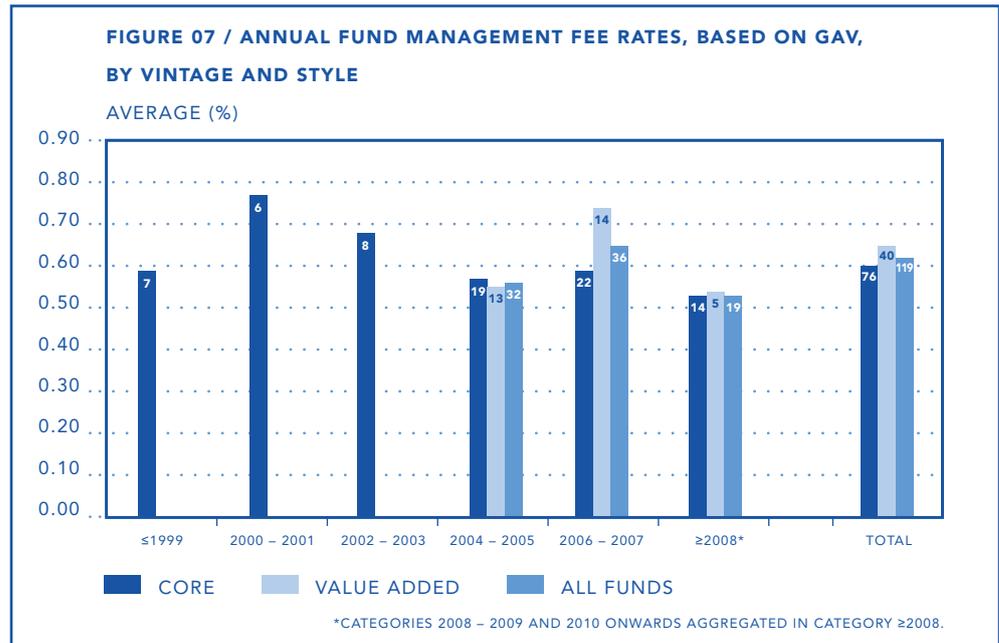
It would be logical that the basis with the largest notional value would have the smallest fee level attached to it, and while definitions can be different among participants, this seems to roughly be the case. Empirically this can be seen from GAV, NAV and property value having the smallest percentages, while commitment and rent basis have the largest.

**TABLE 05 / ANNUAL FUND MANAGEMENT FEE RATES AND BASIS BY STYLE**

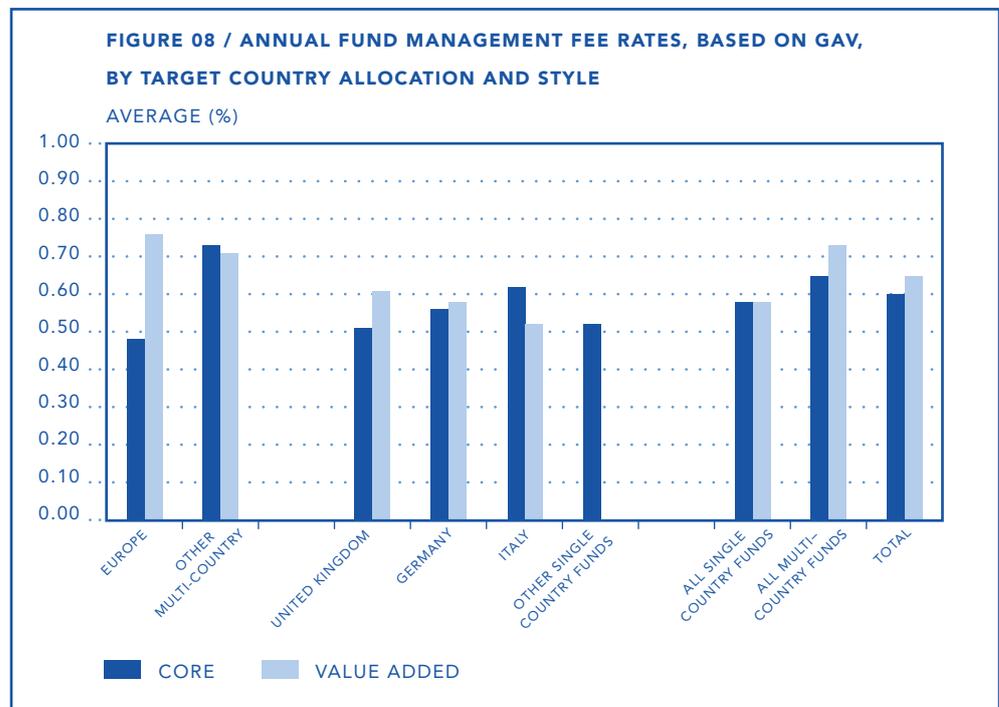
	CORE		VALUE ADDED		OPPORTUNITY		STYLE NOT REPORTED		ALL FUNDS	
BASIS	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
COMMITMENT	0	-	2	-	2	-	1	-	5	1.62
DRAWN COMMITMENT	1	-	4	1.60	5	1.50	2	-	12	1.48
GAV	76	0.60	40	0.65	0	-	3	-	119	0.62
NAV	28	0.80	5	1.05	0	-	1	-	34	0.83
PROPERTY VALUE	8	0.58	3	-	0	-	2	-	13	0.47
RENT	2	-	2	-	1	-	0	-	5	3.95
TWO OR MORE BASES	2	-	0	-	2	-	0	-	4	1.30
OTHER	6	0.54	5	0.58	11	1.49	1	-	23	1.02
BASIS NOT REPORTED	1	-	0	-	1	-	0	-	2	-
NO FUND MANAGEMENT FEE	17	-	7	-	8	-	3	-	35	-
<b>TOTAL</b>	<b>141</b>		<b>68</b>		<b>30</b>		<b>13</b>		<b>252</b>	

When comparing funds by vintage or year of first closing, fund management fees have fluctuated in recent years. For newly launched funds since 2008, the spread between core and value added funds’ fee rates based on GAV has been very small at less than five basis points.

From Figure 07 (page 11), we can see that fund management fees have been falling for core funds since 2000 – 2001, while value added funds have more variation in the annual fee levels. The vintage grouping of years 2000 – 2001 has the highest fund management fees for core funds, while value added funds’ fees are highest for 2006 – 2007. Core funds which closed in 2004 – 2005 have higher fees than value added funds from the same period. The lowest fees can be found in funds which were launched from 2008 onwards. See Table 14 in Chapter 4 for more detailed information.

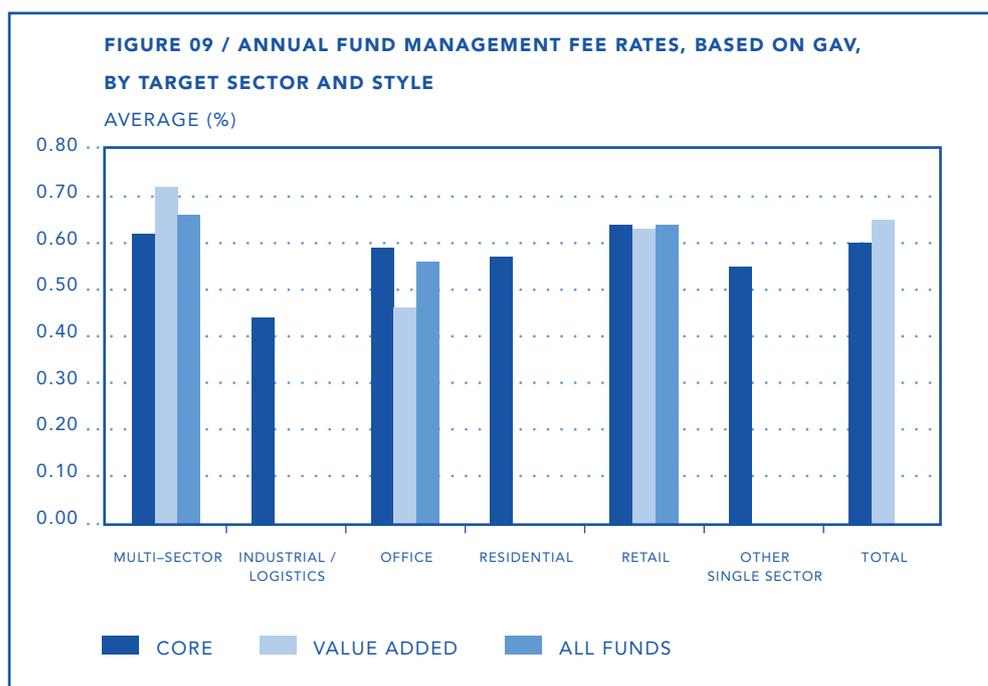


Fund management fee levels can also depend on the number of countries the fund invests in. This partly reflects the complexity of managing a fund in multiple jurisdictions due to the size of the underlying property markets, managing several operating platforms and in different regulatory environments. In general, fund management fees are similar across single country funds. Core single country funds investing in the UK have the lowest fees, while value added multi-country funds investing with a pan-European strategy have the highest.



Sector allocation also results in differing fee rates. Multi-sector funds in general demand a higher GAV-based fund management fee than single-sector funds. Single-sector funds across investment styles have tighter inter-quartile ranges of fee rates, meaning that the sample is more homogenous than for multi-sector funds. This is particularly the case for core single-sector funds which have a minimal mean-median spread of two basis points. For more information on sector break downs, see Table 17 in Chapter 4.

Funds focusing on the retail sector have the closest average management fees to multi-sector funds; however, at 0.64% for retail compared with 0.66% for multi-sector, a difference remains. The smallest fee at 0.44% GAV is charged by core funds focusing on the industrial/logistics sector.



The study shows that fund size is not directly correlated with the fund management fee. When funds are grouped by target GAV, the lowest fees at 0.49% are among core style funds targeting GAV of €1500 – 1999 million. However, the category above, which targets a GAV of over €2000 million, charges the second highest rate at 0.64%.

Asset management fees can either be included in the fund management fee as is the case for 52 funds or charged separately, which is the case for 26 funds. At 0.44%, separate asset management fee rates based on GAV are lower than fees where it is included in the fund management fee, which are 0.53% of GAV.

The most common basis for the asset management fee is GAV but property values and rents are also used. Asset management fee rates based on rents are reported at 3.08% on average, whereas asset management fees based on GAV and property value are reported at 0.50% and 0.98% respectively (Table 19, Chapter 4).

It is interesting to look at the relationship between asset management fees and fund management fees from the management fees point. The data shows that the average GAV-based fund management fee is 0.59% when the asset management fee is included and 0.61% when the asset management fee is not. It would be expected that a fund management fee including the asset management fee would be higher, however this is not the case.

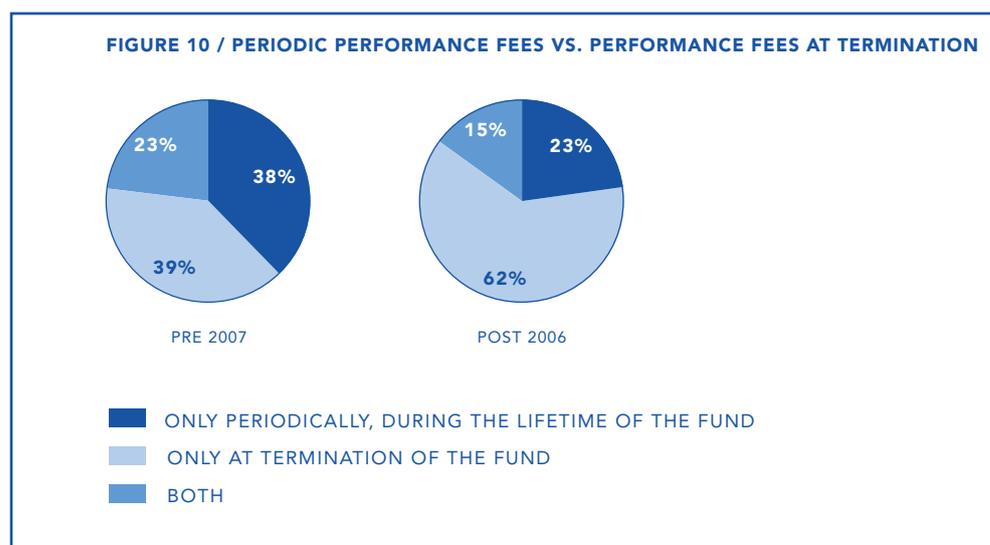
Looking more in-depth at the difference in investment style, for example, in the sample that uses GAV as the fund management fee basis, the result is skewed because of the effect of value added funds higher fees relative to the core funds in the group. Also, this includes one fund that did not report style and that has an expensive fund management fee.

The most common fees funds charge after fund management fees are acquisition fees, asset management fees and disposal fees. Acquisition fees are mostly based on the transaction price, and the average rate for the 72 funds is 0.98%. Disposal fees are most often based on the GAV and the average fee is 0.86%.

### 2.3 Performance fees

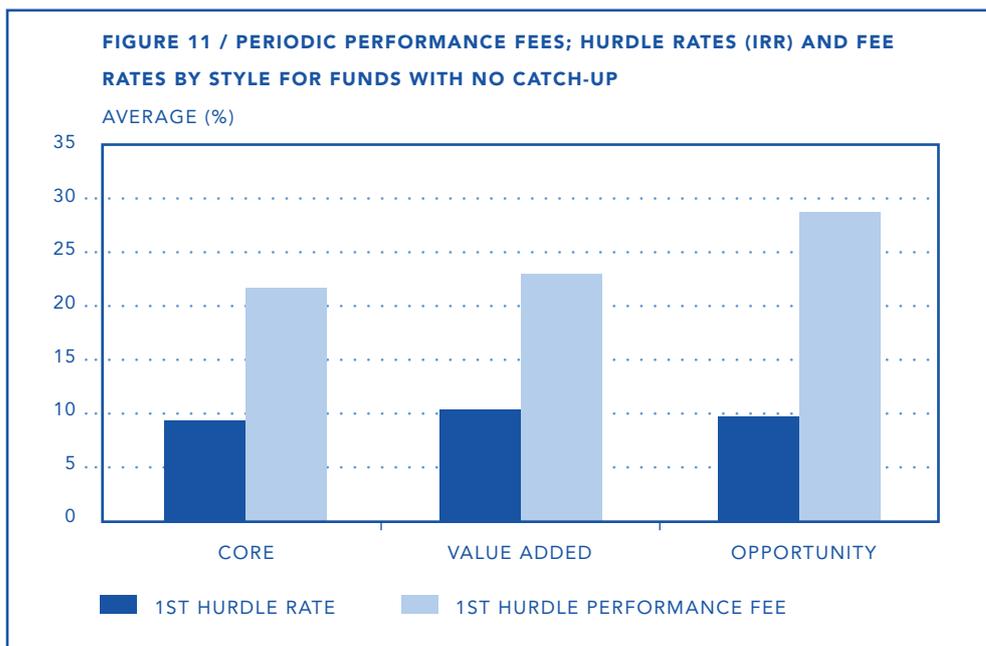
A performance fee is the fee payable from the returns achieved by the fund to the fund manager. The fee is calculated either during the life of the fund or at its termination as a percentage of the fund’s performance over a designated hurdle rate. Periodic performance fees are calculated during the life of the fund such as on a rolling basis or on a deal-by-deal basis.

Performance fees are charged by 205 funds or 81% of the sample. Of the 47 funds that do not charge performance fees, 39 are core. Almost all opportunity and value added funds charge performance fees. However, the difficult market situation has forced fund managers to change their approach since 2007. Finite life funds with a recent vintage have moved from charging performance fees periodically to charging only at end of the fund’s lifetime (Figure 10). This is likely to be due to investor demands.



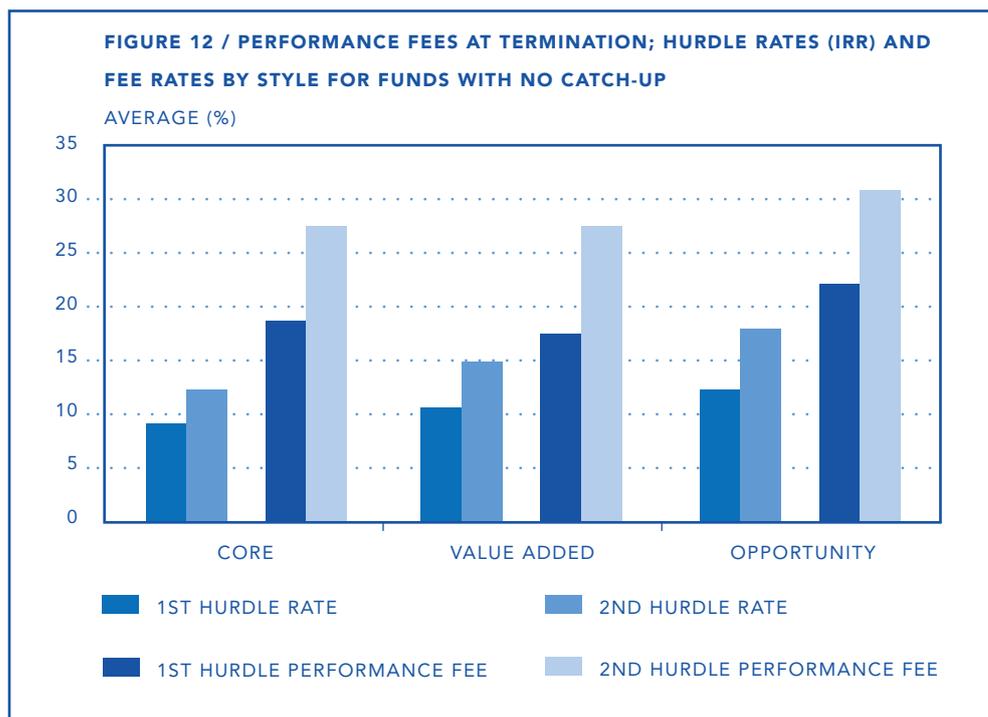
Funds collect performance fees based on a hurdle rate mechanism at fund termination, periodically or using both time period calculations. At 37%, most hurdle rates are based on internal rates of return (IRR) while 24% base them on IRR or total return relative to benchmarks such as IPD. A further 15% use total return. Figure 11 (page 14) demonstrates the IRR based hurdle rates and the respective performance fees charged by fund style.

For funds that charge periodic performance fees, the hurdle rate is on average at the same level for all three fund investing styles. This ranges from 9.32% for core funds to 10.37% for value added funds with opportunity funds in the middle at 9.75%. While the average hurdle rate stays within approximately one percentage point across the fund investing styles, the performance fee, however, does not. Higher risk opportunity funds demand on average a seven percentage point higher performance fee than core funds. The spread between the performance fees for core and value added funds is significantly smaller at only 1.38 percentage points. The use of a second hurdle rate is not common among funds that charge performance fees periodically.



Funds that charge performance fees at termination also more commonly report second hurdle rates. However, the number of core and value added funds that report having a second hurdle rate drops significantly (Table 27, Chapter 4). In contrast almost all opportunity funds that report a first hurdle at termination also report a second hurdle.

Core and value added funds have similar performance fees, with the first hurdle performance fee for value added funds lower than that for core funds. Opportunity funds charge more for both hurdles than core or value added funds (Figure 12, page 15).



Among core funds, half have achieved the first hurdle compared with a much smaller proportion among value added and opportunity funds (Table 06). This shows that although the hurdle rates rise for higher risk funds as shown in Figure 12 – which are expected to have a higher return for investors – a lower proportion reach their first hurdle. Only 30% of opportunity funds have so far achieved their first hurdle. The percentage is even lower for value added funds, of which only 28% report having reached their first hurdle.

**TABLE 06 / ACHIEVEMENT OF FIRST HURDLE DURING LIFETIME OF FUND**

	CORE		VALUE ADDED		OPPORTUNITY		STYLE NOT REPORTED		TOTAL
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS
1ST HURDLE ACHIEVED DURING FUND'S LIFETIME	46	45.1	18	28.1	9	30.0	2	22.2	75
1ST HURDLE NOT ACHIEVED DURING FUND'S LIFETIME	43	42.2	42	65.6	16	53.3	5	55.6	106
NOT REPORTED	13	12.7	4	6.3	5	16.7	2	22.2	24
<b>TOTAL</b>	<b>102</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>	<b>205</b>

Catch-up and clawback clauses are most widely used by opportunity funds. Of the 30 opportunity funds, 16 have both catch-up and clawback clauses in effect (Table 28a, Chapter 4). In addition, four other opportunity funds just have clawback clauses. These clauses are less common for value added funds and core funds with less than 23% and 13% reporting clawbacks and catch-ups, respectively. The most common split for catch-up clauses is 50/50, and the catch-up rate is between 8% and 13%.

A further examination of funds split in two vintage groups – pre financial crisis and post financial crisis – does not reveal a significant change in the application of catch-up or clawback clauses. The use of catch-up clauses has fallen only 2.9 percentage points while clawbacks are only 4.3 percentage points more common.

<b>TABLE 07 / APPLICATION OF CATCH-UP AND CLAWBACK CLAUSES BY VINTAGE</b>		
	<b>PRE 2007</b>	<b>POST 2006</b>
	<b>%</b>	<b>%</b>
CATCH-UP / YES	15.4	12.5
CATCH-UP / NO	84.6	87.5
CLAWBACK / YES	19.1	23.4
CLAWBACK / NO	80.9	76.6

## 3

## SPECIAL TOPIC

## PREFERENTIAL RIGHTS FOR INVESTORS

This year's special topic is the preferential rights for first close and large investors, and co-investment opportunities offered to investors. Preferential rights are special rights typically offered to either first-close or large investors in order to encourage them to invest in a certain vehicle. They can include a fee break or discount in the fund management or asset management fee, or they can be governance-related such as being granted a seat on the advisory committee. Co-investment rights give an investor the opportunity to invest directly in an investment made by the fund alongside its participation through the fund.

When asked about these rights, the study found that large investors are more likely to be offered preferential rights than first-close investors. Co-investment opportunities are not always included as a right; they can just be offered, but if taken up, they should be at similar terms to the fund.

Around two thirds of the participating funds responded to this special section and of those, 11% offer preferential rights to investors. In addition, six fund managers were interviewed to gather some more in-depth information on the two topics.

Of the 20 funds that report offering preferential rights, all investment styles are represented which comprise 11 core, five value added, three opportunity, and one fund that did not report its style. The funds offering preferential rights are fairly new, with a first closing between 2005 and 2010, and most invest across multiple countries in Europe. Some funds offer management and/or performance fee discounts based on investment volume, while others would only offer seats on advisory boards without any fee discounts.

Preferential rights are not seen as an attractive way to boost fund raising efforts, according to the questionnaire results. Around 20% of the funds that do not offer special rights would not consider them even if it made a difference to capital raising. For an additional 12% they are not applicable as capital raising is not planned, or alternatively because the fund is open ended. Only 7% would consider giving preferential rights if it made raising capital easier.

Out of the funds that offer preferential rights to investors, 50% state them as part of the main documentation, while the other half is split into those that do not disclose preferential rights to other investors at all, and those that disclose them partially.

Co-investment opportunities were another focus area for the study, and received a similar number of answers. A total of 19 funds with vintages ranging from 2003 to 2010 report offering co-investment opportunities to investors. Within these funds, most offer co-investment to large investors. Investors are given a first right of refusal by nine of the funds that offer co-investment opportunities but in the main there are no preferential rights related to co-investments. However, the fee structure for co-investments and funds do differ, according to 18 funds, but most funds did not elaborate on how.

Among the funds that report offering preferential rights, the initiative to do so appears to have originated equally from the investor and the manager sides in the survey results. However, because of the small number of answers in this section of the questionnaire, the interpretation of results remains difficult.

The six interviewees for this study saw giving large investors preferential rights as a common practice that is often initiated by the investors, which is contrast to the survey results.

Large investors could receive either a place on the advisory board (governance rights) or a fee discount. Giving first close investors a discount is a newer concept met with little interest by the interviewees. They argue that later close investors demand similar treatment and should not have to pay larger fees only because of the timing of their investment.

A fee discount for first close investors could be used as a marketing incentive to encourage and commit investors for the first close and so ensure that the fund launches. Also, second or later close investors can invest only if the first close is successful, so rewarding the first close investors especially in a challenging market environment can be seen as "fair". Another point made in favour of giving first close investors a fee discount is that those investors that participate in the second or later close are already approached and marketed to before the first close.

Fees and governance are thought of as the top priorities for investors by the fund managers although there is no agreement on which is more important. They added that some small investors do not even want governance rights as they do not have the resources to be involved in steering the fund. The interviewees are unanimous about the fact that all major issues should be disclosed in the main documentation of the fund. This somewhat contrary to what the questionnaire results suggest.

For co-investing, a major disadvantage that the interviewees mentioned, is the timeliness of investors in initiating transaction procedures. Investors require more time to make a decision about co-investing than managers are prepared to give them. However, co-investments are also mentioned as advantageous if the fund wanted to invest in an asset that was too large for the fund. Co-investment then reduces the concentration results and allows the fund to gain access to investments that might be outside its investment parameters on size. This structure can also be advantageous as it further aligns the interests of the manager and investor.

## 4 REFERENCE DATA

### 4.1 Total Expense Ratios

TABLE 08 / REPORTING OF TER		
	# FUNDS	% OF FUNDS
REPORT TER TO INVESTORS	71	40.6
DO NOT REPORT TER	53	30.3
NO ANSWER REPORTED	51	29.1
<b>TOTAL</b>	<b>175</b>	<b>100.0</b>

TABLE 09 / BACKWARD-LOOKING INREV TER RATES BY VEHICLE LIFE-CYCLE STAGE*										
	EARLY STAGE		INVESTING STAGE		MATURE STAGE		DISINVESTING		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
GAV	1	–	17	1.28	21	1.04	2	–	41	1.18
NAV	1	–	15	2.06	20	2.29	2	–	38	2.30

\* EXCLUDING ONE NAV-BASED FUND

TABLE 10 / BACKWARD-LOOKING INREV TER RATES BY STYLE										
	CORE		VALUE ADDED		OPPORTUNITY		STYLE NOT REPORTED		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
GAV	25	0.84	10	1.08	6	2.78	0	0.00	41	1.18
NAV	19	1.35	11	2.58	7	4.55	1	–	38	2.30

TABLE 11 / BACKWARD-LOOKING INREV TER RATES BY TARGET COUNTRY							
	SINGLE COUNTRY FUNDS		MULTI-COUNTRY FUNDS		ALL FUNDS		
	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)	# FUNDS	AVERAGE (%)	
GAV	20	1.13	21	1.23	41	1.18	
NAV	16	2.25	22	2.34	38	2.30	

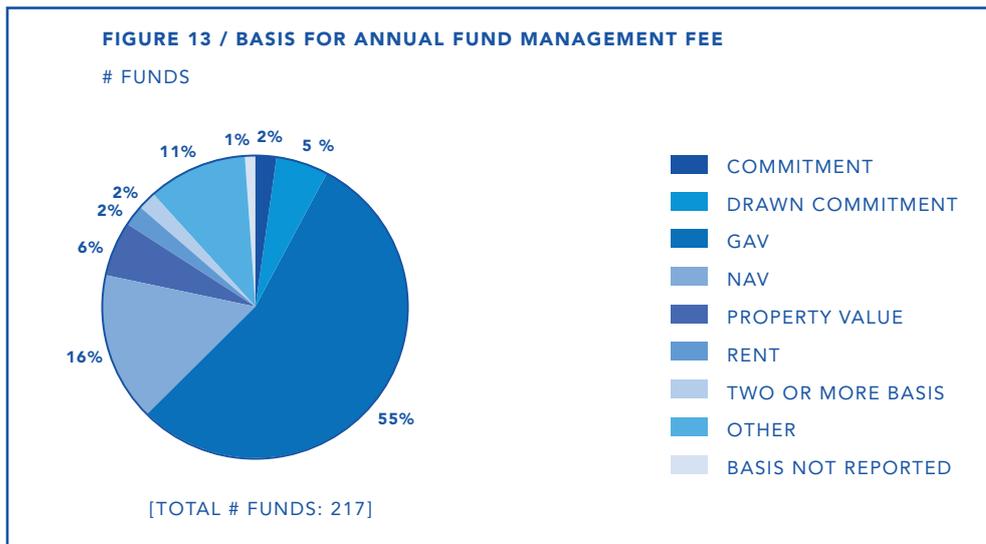
## 4.2 Management fees

**TABLE 12 / FUNDS THAT CHARGE DIFFERENT FEES DURING AND AFTER THE COMMITMENT PERIOD**

	CORE		VALUE ADDED		OPPORTUNITY		STYLE NOT REPORTED		ALL FUNDS	
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
REPORT SEPARATE COMMITMENT PERIOD	122	86.5	61	89.7	25	83.3	11	84.6	219	86.9
REPORT SEPARATE FEE STRUCTURE DURING COMMITMENT PERIOD	11	7.8	8	11.8	11	36.7	0	0.0	30	11.9
DO NOT REPORT SEPARATE FEE STRUCTURE DURING COMMITMENT PERIOD	111	78.7	53	77.9	14	46.7	11	84.6	189	75.0
DO NOT REPORT SEPARATE COMMITMENT PERIOD	7	5.0	0	0.0	0	0.0	0	0.0	7	2.8
NOT REPORTED	12	8.5	7	10.3	5	16.7	2	15.4	26	10.3
<b>TOTAL</b>	<b>141</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>13</b>	<b>100.0</b>	<b>252</b>	<b>100.0</b>

**TABLE 13 / FUND MANAGEMENT FEES REPORTED BY STYLE**

	CORE		VALUE ADDED		OPPORTUNITY		STYLE NOT REPORTED		ALL FUNDS	
FEE BASIS	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
ACQUISITION FEES	74	52.48	32	47.06	5	16.67	6	46.15	117	46.43
ASSET MANAGEMENT FEES	47	33.33	35	51.47	7	23.33	7	53.85	96	38.10
COMMITMENT FEES	6	4.26	2	2.94	2	6.67	-	-	10	3.97
DEBT ARRANGEMENT FEES	8	5.67	4	5.88	4	13.33	-	-	16	6.35
DISPOSAL FEES	54	38.30	15	22.06	4	13.33	3	23.08	76	30.16
FUND MANAGEMENT FEES	124	87.94	61	89.71	22	73.33	10	76.92	217	86.11
PROJECT MANAGEMENT FEES	27	19.15	8	11.76	6	20.00	3	23.08	44	17.46
PROPERTY ADVISER FEES	17	12.06	10	14.71	3	10.00	1	7.69	31	12.30
DEAD DEAL FEES	11	7.80	6	8.82	5	16.67	2	15.38	24	9.52
<b>TOTAL</b>	<b>141</b>	<b>100.00</b>	<b>68</b>	<b>100.00</b>	<b>30</b>	<b>100.00</b>	<b>13</b>	<b>100.00</b>	<b>252</b>	<b>100.00</b>



**TABLE 14 / ANNUAL FUND MANAGEMENT FEE RATES, BASED ON GAV, BY VINTAGE AND STYLE**

	CORE		VALUE ADDED		ALL FUNDS	
VINTAGE	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
≤1999	7	0.59	3	–	10	*
2000 – 2001	6	0.77	2	–	8	*
2002 – 2003	8	0.68	3	–	11	*
2004 – 2005	19	0.57	13	0.55	32	0.56
2006 – 2007	22	0.59	14	0.74	36	0.65
2008 – 2009	12	0.53	5	0.54	17	0.53
≥2010	2	–	0	–	2	–
VINTAGE NOT REPORTED	0	–	0	–	3	0.78
<b>TOTAL</b>	<b>76</b>	<b>0.60</b>	<b>40</b>	<b>0.65</b>	<b>119</b>	<b>0.62</b>

**TABLE 15 / ANNUAL FUND MANAGEMENT FEE RATES, BASED ON GAV, BY TARGET GAV AND STYLE**

TARGET GAV (€ MILLION)	CORE		VALUE ADDED		STYLE NOT REPORTED		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
0 – 499	31	0.59	24	0.61	0	–	55	0.60
500 – 999	11	0.59	8	0.65	0	–	19	0.62
1000 – 1499	14	0.67	5	0.87	0	–	19	0.72
1500 – 1999	11	0.49	2	–	0	–	13	*
≥2000	9	0.64	1	–	0	–	10	*
TARGET GAV NOT REPORTED	–	–	–	–	3	–	3	*
<b>TOTAL</b>	<b>76</b>	<b>0.60</b>	<b>40</b>	<b>0.65</b>	<b>3</b>	<b>–</b>	<b>119</b>	<b>0.62</b>

**TABLE 16 / ANNUAL FUND MANAGEMENT FEE RATES, BASED ON GAV, BY COUNTRY ALLOCATION AND STYLE**

COUNTRY ALLOCATION	CORE		VALUE ADDED		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
EASTERN AND CENTRAL EUROPE	3	–	1	–	4	0.83
EUROPE	17	0.48	7	0.76	24	0.57
EUROZONE	4	1.04	2	–	6	*
OTHER MULTI-COUNTRY FUNDS	8	0.73	5	0.71	13	0.72
ALL MULTI-COUNTRY FUNDS	32	0.65	15	0.73	47	0.68
UK	7	0.51	11	0.61	18	0.57
THE NETHERLANDS	10	0.60	1	–	11	*
GERMANY	8	0.56	5	0.58	13	0.57
ITALY	9	0.62	5	0.52	14	0.58
OTHER SINGLE COUNTRY FUNDS	9	0.52	3	–	12	*
NO TARGET OR STYLE REPORTED	1	–	–	–	1	–
ALL SINGLE COUNTRY FUNDS	44	0.58	25	0.58	69	0.58
NO TARGET OR STYLE REPORTED	–	–	–	–	3	–
<b>TOTAL</b>	<b>76</b>	<b>0.60</b>	<b>40</b>	<b>0.65</b>	<b>119</b>	<b>0.62</b>

**TABLE 17 / ANNUAL FUND MANAGEMENT FEE RATES, BASED ON GAV, BY TARGET SECTOR AND STYLE**

TARGET SECTOR	CORE		VALUE ADDED		STYLE NOT REPORTED		ALL FUNDS	
	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
MULTI-SECTOR	27	0.62	21	0.72	–	–	48	0.66
INDUSTRIAL / LOGISTICS	6	0.44	3	–	–	–	9	*
OFFICE	13	0.59	5	0.46	–	–	18	0.56
RESIDENTIAL	7	0.57	1	–	–	–	8	*
RETAIL	19	0.64	9	0.63	–	–	28	0.64
OTHER SINGLE SECTOR	4	0.55	1	–	3	–	8	*
<b>TOTAL</b>	<b>76</b>	<b>0.60</b>	<b>40</b>	<b>0.65</b>	<b>3</b>	<b>–</b>	<b>119</b>	<b>*</b>

<b>TABLE 18 / CHARGING OF ANNUAL ASSET MANAGEMENT FEE</b>	
	<b># FUNDS</b>
CHARGED SEPARATELY	26
INCLUDED IN FUND MANAGEMENT FEE	52

<b>TABLE 19 / ANNUAL ASSET MANAGEMENT FEE</b>		
<b>BASIS</b>	<b># FUNDS</b>	<b>AVERAGE (%)</b>
COMMITMENT	3	-
DRAWN COMMITMENT	3	-
GAV	20	0.50
NAV	1	-
PROPERTY VALUE	10	0.98
RENT	8	3.08
OTHER	8	0.82

<b>TABLE 20 / ASSET MANAGEMENT AND FUND MANAGEMENT FEES PAID TO MANAGER, BASES ON GAV</b>		
	<b># FUNDS</b>	<b>AVERAGE (%)</b>
ASSET MANAGEMENT FEE RATE, WHEN:		
- IT IS INCLUDED IN THE FUND MANAGEMENT FEE	6	0.53
- IT IS CHARGED SEPARATELY	9	0.44
FUND MANAGEMENT FEE RATE, WHEN ASSET MANAGEMENT:		
- IT IS INCLUDED IN THE FUND MANAGEMENT FEE	20	0.59
- IT IS CHARGED SEPARATELY	11	0.61

<b>TABLE 21 / ACQUISITION FEES PAID TO MANAGER</b>		
<b>BASIS</b>	<b># FUNDS</b>	<b>AVERAGE (%)</b>
GAV	18	1.07
NAV	3	-
PROPERTY VALUE	5	0.95
TRANSACTION PRICE	72	0.98
OTHER	5	1.00

<b>TABLE 22 / DISPOSAL FEES PAID TO MANAGER</b>		
<b>BASIS</b>	<b># FUNDS</b>	<b>AVERAGE (%)</b>
GAV	14	0.86
SALE PRICE	5	0.84
TWO OR MORE BASES	2	–
OTHER	5	1.30

### 4.3 Performance fees

<b>TABLE 23 / CHARGING OF PERFORMANCE FEES BY FUND STYLE</b>										
	<b>CORE</b>		<b>VALUE ADDED</b>		<b>OPPORTUNITY</b>		<b>STYLE NOT REPORTED</b>		<b>ALL FUNDS</b>	
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
CHARGE PERFORMANCE FEES	102	72	64	94	30	100	9	69	205	81
DO NOT CHARGE PERFORMANCE FEES	39	28	4	6	0	0	4	31	47	19
<b>TOTAL</b>	<b>141</b>	<b>100</b>	<b>68</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>13</b>	<b>100</b>	<b>252</b>	<b>100</b>

<b>TABLE 24 / REPORTING OF PERFORMANCE FEES BY FUND STRUCTURE</b>						
	<b>FINITE</b>		<b>INFINITE</b>		<b>ALL FUNDS</b>	
	# FUNDS	% OF STRUCTURE	# FUNDS	% OF STRUCTURE	# FUNDS	% OF FUNDS
ONLY AT TERMINATION OF THE FUND	70	46	0	0	70	34
ONLY PERIODICALLY, DURING THE LIFE OF THE FUND	50	33	42	93	92	45
BOTH	31	21	3	7	34	17
NOT REPORTED	0	0	0	0	9	4
<b>TOTAL</b>	<b>151</b>	<b>100</b>	<b>45</b>	<b>100</b>	<b>205</b>	<b>100</b>

**TABLE 25 / PERIODIC PERFORMANCE FEES, HURDLE RATES BASIS BY FUND STYLE**

	CORE		VALUE ADDED		OPPORTUNITY		STYLE NOT REPORTED		ALL FUNDS	
BASIS	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF FUNDS
IRR	19	26	17	52	12	60	1	20	49	37
TOTAL RETURN	9	12	5	15	6	30	0	0	20	15
IRR / TOTAL RETURN RELATIVE TO BENCHMARK	24	33	5	15	0	0	2	40	31	24
INCOME RETURN	3	4	0	0	0	0	0	0	3	2
OTHER	13	18	5	15	0	0	2	40	20	15
BASIS OF HURDLE NOT REPORTED	5	7	1	3	2	10	0	0	8	6
<b>TOTAL</b>	<b>73</b>	<b>100</b>	<b>33</b>	<b>100</b>	<b>20</b>	<b>100</b>	<b>5</b>	<b>100</b>	<b>131</b>	<b>100</b>

**TABLE 26 / PERIODIC HURDLE RATES (IRR) BY STYLE FOR FUNDS WITH NO CATCH-UP**

	CORE		VALUE ADDED		OPPORTUNITY		STYLE NOT REPORTED		ALL FUNDS	
IRR	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
1ST HURDLE RATE	18	9.32	13	10.37	4	9.75	1	-	36	-
1ST HURDLE PERFORMANCE FEE	18	21.67	12	23.05	4	28.75	1	-	35	-
2ND HURDLE RATE	-	-	3	-	-	-	-	-	3	-
2ND HURDLE PERFORMANCE FEE	-	-	3	-	-	-	-	-	3	-

**TABLE 27 / HURDLE RATES (IRR) OF PERFORMANCE FEES AT TERMINATION BY STYLE FOR FUNDS WITH NO CATCH-UP**

	CORE		VALUE ADDED		OPPORTUNITY		STYLE NOT REPORTED		ALL FUNDS	
IRR	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
1ST HURDLE RATE	32	9.08	24	10.58	7	12.29	4	11.00	67	10.07
1ST HURDLE PERFORMANCE FEE	32	18.72	21	17.48	7	22.14	3	23.33	63	18.90
2ND HURDLE RATE	10	12.25	11	14.91	6	17.92	3	-	30	14.77
2ND HURDLE PERFORMANCE FEE	10	27.50	11	27.57	6	30.83	2	-	29	28.73

**TABLE 28 / APPLICATION OF CATCH-UP AND CLAWBACK CLAUSES**

	CATCH-UP CLAUSES		CLAWBACK CLAUSES	
	# FUNDS	% OF FUNDS	# FUNDS	% OF FUNDS
YES	28	14	40	20
NO	175	85	164	80
NOT REPORTED	2	1	1	0
<b>TOTAL</b>	<b>205</b>	<b>100</b>	<b>205</b>	<b>100</b>

**TABLE 28A / APPLICATION OF CATCH-UP AND CLAWBACK CLAUSES BY STYLE**

	CORE	VALUE ADDED	OPPORTUNITY	ALL FUNDS
	# FUNDS	# FUNDS	# FUNDS	# FUNDS
CLAWBACK ONLY	8	8	4	20
CATCH-UP ONLY	4	4	0	8
BOTH	1	3	16	20
<b>TOTAL</b>	<b>13</b>	<b>15</b>	<b>20</b>	<b>48</b>

**TABLE 29 / WHEN PERFORMANCE FEES ARE CALCULATED AND PAID, BY VINTAGE, FINITE LIFE FUNDS**

	ONLY PERIODICALLY		ONLY AT TERMINATION		BOTH		TOTAL
	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS
PRE 2007	39	0.38	41	0.39	24	0.23	104
POST 2006	11	0.23	29	0.62	7	0.15	47

4.4 Special topic

**TABLE 30 / FUNDS OFFERING PREFERENTIAL RIGHTS**

	# FUNDS	% OF FUNDS
YES, TO FIRST CLOSE INVESTORS	7	4.0
YES, TO LARGE INVESTORS	7	4.0
YES, TO FIRST CLOSE AND LARGE INVESTORS	3	1.7
YES, TO OTHER INVESTORS	3	1.7
NO, THE FUND DOES NOT OFFER ANY PREFERENTIAL RIGHTS TO INVESTORS	100	57.1
NO ANSWER REPORTED	55	31.4
<b>TOTAL</b>	<b>175</b>	<b>100.0</b>

**TABLE 31 / WOULD THE FUND CONSIDER GIVING PREFERENTIAL RIGHTS IF IT MADE A SIGNIFICANT DIFFERENCE TO CAPITAL RAISING?**

	# FUNDS	% OF FUNDS
YES	12	6.9
NO	35	20.0
NOT APPLICABLE	21	12.0
NO ANSWER REPORTED	89	50.9
<b>TOTAL</b>	<b>157</b>	<b>89.7</b>

<b>TABLE 32 / REASONS FOR OFFERING PREFERENTIAL RIGHTS</b>		
	<b># FUNDS</b>	<b>% OF FUNDS</b>
INITIATIVE FROM THE FUND MANAGER	7	4.0
INVESTOR REQUESTS / DEMANDS	6	3.4
BOTH	3	1.7
OTHER REASON	4	2.3
NO ANSWER REPORTED	155	88.6
<b>TOTAL</b>	<b>175</b>	<b>100.0</b>

<b>TABLE 33 / DOES THE FUND OFFER CO-INVESTMENT OPPORTUNITIES?</b>		
	<b># FUNDS</b>	<b>% OF FUNDS</b>
YES, TO LARGE INVESTORS	5	2.9
YES, TO FIRST CLOSE INVESTORS	1	0.6
YES, TO OTHER INVESTORS	13	7.4
NO, THE FUND DOES NOT OFFER ANY CO-INVESTMENT OPPORTUNITIES TO INVESTORS	123	70.3
NO ANSWER REPORTED	33	18.9
<b>TOTAL</b>	<b>175</b>	<b>100.0</b>

<b>TABLE 34 / DO LP'S HAVE FIRST RIGHT OF REFUSAL?</b>		
	<b># FUNDS</b>	<b>% OF FUNDS</b>
YES	9	5.1
NO	34	19.4
NOT APPLICABLE	29	16.6
NO ANSWER REPORTED	103	58.9
<b>TOTAL</b>	<b>175</b>	<b>100.0</b>

## APPENDIX 1

### Fund of Funds Study 2012

TABLE A1.01 / COVERAGE BY INVESTMENT STYLE			
	# FUNDS		COVERAGE
INVESTMENT STYLE	SAMPLE	INREV UNIVERSE	%
CORE	14	18	78
VALUE ADDED	18	21	86
OPPORTUNITY	7	16	44
STYLE NOT REPORTED	5	5	100
<b>TOTAL</b>	<b>44</b>	<b>60</b>	<b>73</b>

TABLE A1.02 / STUDY SAMPLE BY INVESTMENT STYLE AND FUND STRUCTURE								
	CLOSED END		OPEN END		STRUCTURE NOT REPORTED		TOTAL	
INVESTMENT STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE	# FUNDS	% OF STYLE
CORE	4	17.39	9	56.25	1	20.00	14	31.82
VALUE ADDED	13	56.52	5	31.25	0	-	18	40.91
OPPORTUNITY	6	26.09	1	6.25	0	-	7	15.91
STYLE NOT REPORTED	0	0.00	1	6.25	4	80.00	5	11.36
<b>TOTAL</b>	<b>23</b>	<b>100.00</b>	<b>16</b>	<b>100.00</b>	<b>5</b>	<b>100.00</b>	<b>44</b>	<b>100.00</b>

TABLE A1.03 / AVERAGE MANAGEMENT FEE DURING COMMITMENT PERIOD				
FEE BASIS	# FUNDS	AVERAGE (%)	MODE	MEDIAN
COMMITMENT TO FUND OF FUNDS	14	0.76	0.8	0.78
DRAWN COMMITMENT	1	0.50	-	-
OTHER	1	0.00	-	-
<b>TOTAL</b>	<b>16</b>	<b>0.74</b>	<b>-</b>	<b>-</b>

TABLE A1.04 / ANNUAL MANAGEMENT FEE			
FEE BASIS	# FUNDS	AVERAGE (%)	MODE
COMMITTED TO UNDERLYING FUNDS	9	0.67	0.55
DRAWN COMMITMENT	5	0.65	0.65
NAV	21	0.37	0.40
INVESTED EQUITY	7	0.86	1.00
BASIS NOT REPORTED	2	0.00	0.00
<b>TOTAL</b>	<b>44</b>	<b>0.55</b>	<b>0.50</b>

**TABLE A01.05 / ANNUAL MANAGEMENT FEE BY FUND TARGET EQUITY SIZE AND FEE BASIS**

	NAV		INVESTED EQUITY		DRAWN COMMITMENT		COMMITTED TO UNDERLYING FUNDS		BASIS NOT REPORTED		TOTAL	
TARGET EQUITY (€ MILLION)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)	# FUNDS	AVG (%)
0 – 499	7	0.44	6	0.88	3	0.65	4	0.76	0	–	20	0.67
500 – 1000	9	0.34	1	–	0	–	1	–	0	–	11	0.41
TARGET EQUITY NOT REPORTED	5	0.29	0	–	2	–	4	0.61	2	–	13	0.47

**TABLE A1.06 / MANAGEMENT FEE BASIS BY INVESTMENT STYLE**

FEE BASIS	CORE	VALUE ADDED	OPPOR-TUNITY	STYLE NOT REPORTED	TOTAL
	# FUNDS	# FUNDS	# FUNDS	# FUNDS	# FUNDS
COMMITTED TO UNDERLYING FUNDS	1	6	2	0	9
INVESTED EQUITY	0	3	4	0	7
NAV	12	6	1	2	21
DRAWN COMMITMENT	0	3	0	2	5
BASIS NOT REPORTED	1	0	0	1	2
<b>TOTAL</b>	<b>14</b>	<b>18</b>	<b>7</b>	<b>5</b>	<b>44</b>

**TABLE A1.07 / ANNUAL MANAGEMENT FEE BASED ON NAV BY INVESTMENT STYLE**

INVESTMENT STYLE	# FUNDS	AVERAGE (% OF NAV)
CORE	12	0.37
VALUE ADDED	6	0.41
OPPORTUNITY	1	–
STYLE NOT REPORTED	2	–
<b>TOTAL</b>	<b>21</b>	<b>0.37</b>

**TABLE A1.08 / MANAGEMENT FEE BASIS BY FUND STRUCTURE**

FEE BASIS	CLOSED END	OPEN END	STRUCTURE NOT REPORTED	TOTAL
	# FUNDS	# FUNDS	# FUNDS	# FUNDS
COMMITTED TO UNDERLYING FUNDS	9	0	0	9
DRAWN COMMITMENT	3	0	2	5
NAV	4	16	1	21
INVESTED EQUITY	7	0	0	7
BASIS NOT REPORTED	–	–	2	2
<b>TOTAL</b>	<b>23</b>	<b>16</b>	<b>5</b>	<b>44</b>

<b>TABLE A1.09 / ANNUAL MANAGEMENT FEE BASED ON NAV BY FUND STRUCTURE</b>		
<b>STRUCTURE</b>	<b># FUNDS</b>	<b>AVERAGE (% OF NAV)</b>
CLOSED END	4	0.51
OPEN END	16	0.34
NOT REPORTED	1	-
<b>TOTAL</b>	<b>21</b>	<b>0.37</b>

<b>TABLE A1.10 / ANNUAL MANAGEMENT FEE BASED ON NAV BY LAUNCH YEAR</b>		
<b>LAUNCH YEAR</b>	<b># FUNDS</b>	<b>AVERAGE (% OF NAV)</b>
≤2005	6	0.35
2006	4	0.46
2007	5	0.39
≥2008	5	0.30
YEAR NOT REPORTED	1	-
<b>TOTAL</b>	<b>21</b>	<b>*</b>

<b>TABLE A1.11 / ANNUAL MANAGEMENT FEE BASED ON NAV BY TARGET REGION</b>		
<b>TARGET REGION</b>	<b># FUNDS</b>	<b>AVERAGE (% OF NAV)</b>
EUROPE (INCLUDING UK)	13	0.41
ASIA	1	-
GLOBAL	5	0.27
NORTH AMERICA	1	-
REGION NOT REPORTED	1	-
<b>TOTAL</b>	<b>21</b>	<b>0.37</b>

<b>TABLE A1.12 / PERFORMANCE FEES AT TERMINATION</b>			
	<b># FUNDS</b>	<b>AVG (%)</b>	<b>MODE</b>
HURDLE RATE (IRR)	14	9.21	10
- SHARE OF OUTPERFORMANCE PAID TO THE MANAGER	14	10.71	10
- AVERAGE DIFFERENCE BETWEEN TARGET NET IRR AND HURDLE RATE	12	3.21	-

<b>TABLE A1.13 / PERIODIC PERFORMANCE FEES</b>			
	<b># FUNDS</b>	<b>AVERAGE (%)</b>	<b>MODE</b>
<b>IRR</b>			
HURDLE RATE	10	9.00	10
SHARE OF OUTPERFORMANCE PAID TO THE MANAGER	10	12.00	10
<b>TOTAL RETURN</b>			
HURDLE RATE	3	9.33	10
SHARE OF OUTPERFORMANCE PAID TO THE MANAGER	3	16.67	20

<b>TABLE A01.14 / FUND EXPENSES</b>					
<b>FUND EXPENSES</b>	<b># FUNDS</b>	<b>% OF STUDY SAMPLE</b>	<b>CHARGED SEPARATELY</b>	<b>INCLUDED IN MANAGEMENT FEE</b>	<b>INCLUSION NOT REPORTED</b>
ADMINISTRATION FEES	37	86.05	72.97	21.62	5.41
AMORTISATION OF FORMATION EXPENSES	27	62.79	85.19	7.41	7.41
AUDIT FEES	36	83.72	94.44	-	5.56
BANK CHARGES	21	48.84	100.00	-	-
CUSTODIAN FEES	28	65.12	89.29	0.00	10.71
DEAD DEAL COSTS*	12	27.91	91.67	8.33	-
DEPOSITORY FEES	10	23.26	90.00	-	10.00
DIRECTORS' EXPENSES / FEES	13	30.23	76.92	23.08	-
DISTRIBUTION FEES	1	2.33	100.00	-	-
LEGAL FEES	34	79.07	91.18	-	8.82
MARKETING FEES	9	20.93	88.89	11.11	-
PRINTING / PUBLICATION FEES	17	39.53	88.24	11.76	-
PROFESSIONAL FEES	23	53.49	86.96	-	13.04
REGULATORY / STATUTORY FEES	22	51.16	90.91	-	9.09
SECRETARIAL FEES	4	9.30	50.00	-	50.00
SET-UP FEES	27	62.79	88.89	3.70	7.41
TAXES RELATED TO THE OPERATION OF THE FUND AND FINANCING STRUCTURE	22	51.16	90.91	-	9.09
TRUSTEE FEES	7	16.28	100.00	-	-
VALUATION FEES	6	13.95	50.00	-	50.00
WIND-UP FEES	1	2.33	-	100.00	-
OTHER / MISCELLANEOUS / SUNDRY EXPENSES	13	30.23	84.62	15.38	-

\* FEES CHARGED DIRECTLY TO THE FUND BY EXTERNAL SERVICE PROVIDERS

## APPENDIX 2

### Method

Data was gathered through a survey questionnaire sent to fund managers of non-listed European real estate funds in September 2012. Fee levels reported in the study are based on the general agreement with investors which can be found in the final fund documents. Fees are therefore not based on special agreements with, for example, larger investors.

### Sample

The INREV universe for this study consists of the 464 non-listed real estate funds listed in the INREV Vehicles Universe database as of September 2012. Responses were also received from four funds not currently listed in the database, therefore increasing the INREV Universe to 468 funds with a total gross asset value (GAV) of €257 billion.

The 252 funds which participated in the study currently represent €127.2 billion GAV. This sample consists of 21 funds that contributed information for the first time this year, 175 funds that updated their information from the previous studies and 77 funds that did not update their data this year but did during the 2010 – 2011 studies.

Overall the sample covers 54% of the INREV Universe by number of funds and 49.5% by current GAV. Coverage by number of funds and by GAV is highest for core funds. The lowest coverage for both number of funds and GAV is for opportunity funds, although by a small margin.

INVESTMENT STYLE	SAMPLE		INREV UNIVERSE		COVERAGE	
	# FUNDS	GAV (€BN)	# FUNDS	GAV (€BN)	# FUNDS (%)	GAV (%)
CORE	141	92.33	245	159.27	58	58.0
VALUE ADDED	68	23.43	144	48.98	47	47.8
OPPORTUNITY	30	11.43	66	23.97	45	47.7
STYLE NOT REPORTED	13	-	9	24.80	-	-
<b>TOTAL</b>	<b>252</b>	<b>127.18</b>	<b>464</b>	<b>257.01</b>	<b>54</b>	<b>49.5</b>

TABLE A2.02 / DEVELOPMENT OF THE SAMPLE AND INREV UNIVERSE			
	# FUNDS		COVERAGE
	SAMPLE	INREV UNIVERSE	%
2005 <i>SPRING</i>	116	300	38.7
2005 <i>AUTUMN</i>	160	345	46.4
2006	184	406	45.3
2007	160	449	35.6
2008	243	489	49.7
2009	268	486	55.1
2010	284	479	59.3
2011	260	476	55.7
2012	252	464	54.3

## Contributing companies\* in 2012

Aberdeen Asset Management  
AEW Europe  
Alterra Vastgoed  
Apollo EU Real Estate Management II, L.P  
Aviva Investors  
AXA Real Estate Investment Managers  
Bluehouse Capital  
BNL Fondi Immobiliari SGR  
BNP Paribas REIM  
Bouwfonds Asset Management  
BPT Asset Management A/S  
CapMan Oy  
Catalyst Capital LLP  
CBRE Global Investors  
Commerz Real Spezialfondsgesellschaft mbH  
Cordea Savills  
Cornerstone Real Estate Advisers  
Credit Suisse  
Europa Capital LLP  
Exilion Capital Oy  
F&C REIT Asset Management and OFI REIM  
GELF Management S.à r.l.  
Generali Immobiliare Italia SGR SpA  
Genesta Property Nordic AB  
Grosvenor Fund Management  
HAHN Fonds und Asset Management GmbH  
Heitman LLC  
Henderson Global Investors  
Horizon French Property Partnership Management Sàrl  
IBUS Asset Management BV  
Imorendimento  
Internos Global Investors  
Kames Capital  
Kristensen Properties A/S  
LaSalle Investment Management  
Legal & General Investment Management  
MGPA  
Niam AB  
Nordic Real Estate Partners  
NORFIN  
Orco Property Group  
Palmer Capital Partners  
Pradera – AM PLC  
Prelios SGR S.p.A.  
Prologis Fund Management S.a.r.l.  
Quantum Immobilien Kapitalanlagegesellschaft mbH  
RREEF Investment GmbH  
Rynda Property Investors LLP  
Schroder Property Investment Management  
Scottish Widows Investment Partnership  
Sierra Asset Management – Gestão de Activos SA

SPF – Sierra Portugal (100% subsidiary of Sonae Sierra)  
Standard Life Investments  
Sveafastigheter  
Syntrus Achmea Real Estate & Finance  
Threadneedle  
Valad Property Group  
Vesteda Investment Management b.v.

\* The list includes only those fund managers that have permitted the publication of their name. In total the report is based on data provided by 73 fund managers.

## APPENDIX 3

## Example Total Expense Ratio calculation

<b>TABEL A3.01 / TOTAL EXPENSE RATIO (TER) CALCULATION</b>			
AN EXAMPLE OF A CALCULATION OF A TER AND REER			
<b>CLASSIFICATION</b>	<b>FEE / EXPENSE ITEM</b>	<b>WORKINGS</b>	<b>AMOUNT (€)</b>
Management Fees	Fund Management Fee	A	3,903,387
	Asset Management Fee		8,249,511
Fund Expenses	Valuers Fees	B	720,156
	Audit Fees		76,500
	Bank Charges		33,337
	Other Administration Expenses		305,498
<b>SUBTOTAL FUND EXPENSES (MANAGEMENT FEES, FUND EXPENSES)</b>		C = A + B	<b>13,288,389</b>
Property-specific Costs	Amortisation of Acquisition Costs	D	475,312
	Dead Deal Costs (related to specific property)		8,657
	Marketing Expenses		999,428
	Staff Costs		769,669
	Non-recoverable Costs		33,421,784
	Property Management Fees		1,359,189
<b>TOTAL EXPENSES (MANAGEMENT FEES, FUND EXPENSES, PROPERTY COSTS)</b>		E = C + D	<b>50,322,428</b>
Exempt	Interest on Bank Loan	F	73,302,793
Performance Fees	Performance Fee Accrued	G	47,100,966
Performance Fee structure	(Details of structure should be provided here)		
Average Net Assets	Weighted Average INREV NAV	H	1,465,411,000
Average Gross Assets	Weighted Average INREV GAV	I	2,731,150,000
<b>Total Expense Ratio</b>	Subtotal Fund Expenses / Average NAV	= C / H	0.91%
	Subtotal Fund Expenses / Average GAV	= C / I	0.49%
<b>Real Estate Expense Ratio</b>	Total Expenses / Average NAV	= E / H	3.43%
	Total Expenses / Average GAV	= E / I	1.84%
<b>Performance Fees Charged</b>	Performance Fee / Average NAV	= G / H	2.93%
	Performance Fee / Average GAV	= G / I	1.72%

SOURCE: INREV FEE METRICS GUIDELINES

## APPENDIX 4

### Fees glossary

*This glossary is structured in line with the INREV Fee Metrics guidelines.*

*For more information see the INREV Guidelines at [www.inrev.org](http://www.inrev.org)*

#### 1. MANAGEMENT FEES

**Various fees paid to the fund managers for their management services, apart from third party services which managers recharge to the fund.**

##### ACQUISITION FEES PAID TO MANAGER

Acquisition and disposal fees are the fees that are charged to a *fund* on the acquisition and disposal of assets.

*Notes:*

- The acquisition and disposal fees are either apportioned between the fund manager and asset manager or paid to the asset manager alone.
- The fees can either be a percentage of the gross value of the asset or a fee that is paid at the discretion of the fund manager.
- Acquisition fees are not typically charged in the case where a property developer / operator contribute assets to a fund.

In some funds, the fund manager does not charge additional fees for acquisition and disposals. However, fees for external advisors (i.e. property agents) are passed onto the fund at cost.

##### ASSET MANAGEMENT FEES

A charge paid to a fund's manager for their services to manage the assets on behalf of the *fund*.

*Notes:*

Asset management fees generally cover services such as:

- strategic input and production of asset level business plans;
- management of assets including development and refurbishment;
- appointment of third party service providers; and
- reporting to the fund manager.

The asset management fee is generally a fixed percentage of NAV or GAV. In some circumstances, a manager will charge a development fee which can be a percentage of costs, or costs plus land value. There is generally a minimum development fee per project. Where the manager is also responsible for asset management, there will usually be a single fund management fee.

##### COMMITMENT FEES

A commitment fee is a charge to investors on undrawn committed capital for the duration of the commitment period.

*Note:*

These fees are charged instead of acquisition fees and enable the fund manager to employ the required level of resources during the acquisition phase without being subject to undue pressure to invest.

#### DEBT ARRANGEMENT FEES PAID TO MANAGER

A fee paid to the manager for its services for arranging debt for asset purchases or refinancing. This fee would be in addition to any arrangement fees paid to debt providers.

#### DISPOSAL FEES PAID TO MANAGER

See 'Acquisition fees paid to manager'.

#### FUND MANAGEMENT FEES

A charge paid to a fund's manager for their fund management services to the fund.

##### Notes:

Fund management fees generally cover services such as:

- managing the fund level structure;
- arrangement of financing;
- fund administration;
- fund reporting; and
- investor relations.

The fund management fee is generally a fixed percentage of NAV or GAV.

#### PROJECT MANAGEMENT FEES – STRATEGIC MANAGEMENT ADVICE

A fee paid to the fund manager for its strategic advice on project management during the life of the fund.

#### PROPERTY ADVISOR FEES

A fee paid to the fund manager for strategic property advice.

#### DEAD DEAL COSTS /REJECTED INVESTMENT PROJECT COSTS

A fee paid for work undertaken for projects which are later rejected by the fund's investment committee.

Dead deal costs can be classified either as management fees, fund expenses or property specific costs depending on their nature. External dead deal fees related to unsuccessful transactions are generally charged as Fund Expenses, whereas the dead deal costs charged by the manager are generally included under Management Fees. Finally, it is possible, although rarely, that certain costs related to the preparation of an asset for disposal could be charged to Property-specific Costs.

## 2. FUND EXPENSES

### **Expenses incurred predominantly at fund level to maintain the fund operations.**

#### ADMINISTRATION AND SECRETARIAL FEES

Fees (usually paid to a fund administrator) for maintaining fund book keeping and documentation and for administration support of the fund.

#### AMORTISATION OF FORMATION EXPENSES

A charge made to profit and loss account to reduce the value of the capitalised costs which are directly attributable to setting up of a fund (usually over five years as required by INREV NAV).

**AUDIT FEES**

Fees charged for audit services provided to the fund. Typically, these are costs passed through to the investor from the service provider so are a third party cost borne by the fund.

**BANK CHARGES**

Costs charged for banking services related to the fund.

**CUSTODIAN FEES**

Fees paid to a custodian bank (which is usually required by regulated funds especially in Luxembourg). These are usually a direct third party cost borne by the Fund.

**DEPOSITORY FEES**

Fees charged for bank depository services.

**DIRECTORS' EXPENSES /FEES**

Fees and expenses related to services provided by directors for their role in the governance of the fund.

**DISTRIBUTION FEES**

Distribution fee is a charge levied on investors when distributing the fund returns.

**LEGAL FEES (NOT PROPERTY-SPECIFIC)**

Fees charged for legal services to the fund not related to specific properties. This could be a service provided in-house or by a third party provider.

**MARKETING FEES**

Fees paid to the third parties for the service in promoting / marketing a fund as opposed to any specific project / property.

**OTHER /MISCELLANEOUS /SUNDRY EXPENSES**

Any other fund level expenses not falling under previous expense categories.

**PRINTING /PUBLICATION FEES**

Costs relating to the printing and publication of documents relating to the fund.

**PROFESSIONAL FEES**

Fees for the services of other professionals (e.g. tax advisers) not falling under other categories of fund expenses.

**REGULATORY /STATUTORY FEES**

Fees paid to regulatory authority (e.g. CSSF in Luxembourg). These are usually a direct third party costs borne by the fund.

**SET-UP FEES**

Set-up fees cover all costs that relate directly to the structuring and establishment of a viable fund.

**Note:**

Set-up costs are those costs that are directly attributable to the setting up of the fund. These costs include, for example, legal fees, tax advisory fees, structuring fees and administration costs.

#### TAXES ON THE FUND

Taxes which are charged in relation to the funds' structure e.g. *taxe d'abonnement* but excluding capitalrelated taxes such as withholding tax.

#### TRUSTEE FEES

Fees paid (usually to trust companies) for administrating and managing the fund or certain fund activities.

#### VALUATION FEES

Fees for valuation services relating to existing portfolio of properties rather than as part of an asset purchase or disposal.

#### WIND-UP FEES

Fees relating to the termination of the fund but not including those related to the disposal of assets for this purpose.

### **3. PROPERTY-SPECIFIC COSTS**

**Operating expenses directly attributable to the acquisition, management or disposal of a specific property.**

#### ACQUISITION /DISPOSAL RELATED COSTS

Costs related specifically to the acquisition and disposal of properties for the fund. These fees could be paid to the fund manger or be passed through to third parties, excluding any acquisition / disposal fees payable to the manager.

#### DEBT FINANCING FEES

Fee paid to the third party for arranging external financing of a fund. Commitment or facility fees paid to lenders or finance brokers may be borne out of this amount.

#### DEBT VALUATION FEES

Fee paid to a third party for valuation of the loans or other financial instruments.

#### DEVELOPMENT FEES

Fee paid to a fund manager for its services in supervising / project management the development of a property. Fees may be a proportion of total development cost / capital expenditure.

#### LETTING AND LEASE RENEWAL FEES

Fee paid to a fund manager for its services in supervising the letting or re-letting of a property.

#### MARKETING OF VACANT SPACE

Fees paid to the fund manager to market available space in the portfolio.

#### PROPERTY INSURANCE

Expenses related to insuring properties within the fund's portfolio.

#### PROPERTY MANAGEMENT FEES

A charge paid to a property manager for managing the operations of individual assets within a fund.

Note:

Property management fees generally cover services such as:

- collection of rents;
- payment of outgoings;
- maintenance including repair;
- provision of services, insurance and supervision of staff employed for services; and
- negotiations with tenants or prospective tenants.

#### SERVICE CHARGES SHORTFALL

An excess of property maintenance expenses over the expenses recharged to the tenants.

#### TAXES ON PROPERTIES, EXCLUDING TRANSFER TAXES THAT ARE NOT EMBEDDED IN NAV

Property taxes other than those reflected in the property valuation as transfer taxes.

### **4. PERFORMANCE FEES**

**A fee payable out of the returns achieved by the fund to the fund manager.**

#### PERFORMANCE FEES

A performance fee is the fee payable out of the returns achieved by the fund to the fund manager where the fee is calculated, either during the life of the fund or at the termination of the fund, as a percentage of the fund's performance over a designated hurdle rate.

#### CARRIED INTEREST

A carried interest is equivalent to the share of a fund's profit that will accrue to the general partner.

### **5. INITIAL CHARGES**

**Expenses directly associated with the launch of the fund.**

#### PLACEMENT FEES

The fee paid to join the fund, which is usually subtracted from the agreed equity amount. A fee paid to a placement agent may be borne directly by the manager.

#### SUBSCRIPTION FEES

A subscription fee is a charge levied on investors subscribing for units in a fund by the fund manager.

## 6. OTHER DEFINITIONS

### CATCH-UP

When investors' returns reach the defined hurdle rate, giving them an agreed level of preferred return, the fund manager enters a catch-up period, in which it may receive an agreed percentage of the profit until the profit split determined by the carried interest agreement is reached.

### CLAWBACK

Clawback is an arrangement in which either the investors / fund manager in a fund agree to use their prior dividends / performance fees received to, in the case of investors, cover any subsequent cash deficiencies for performance fees and, in the case of the fund manager, to cover poor performance over the entire life of the fund.

### HURDLE RATE

The hurdle rate is the annualised percentage return beyond which the outperformance of net investor returns are shared with the fund manager.

### PASS-THROUGH ITEM

An item for which the fund managers charges a fee but this amount is passed through to third party providers.

*Please note that more information on some of these definitions is available in the INREV Core Definitions paper. Please visit to [www.inrev.org](http://www.inrev.org) to download a copy.*

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