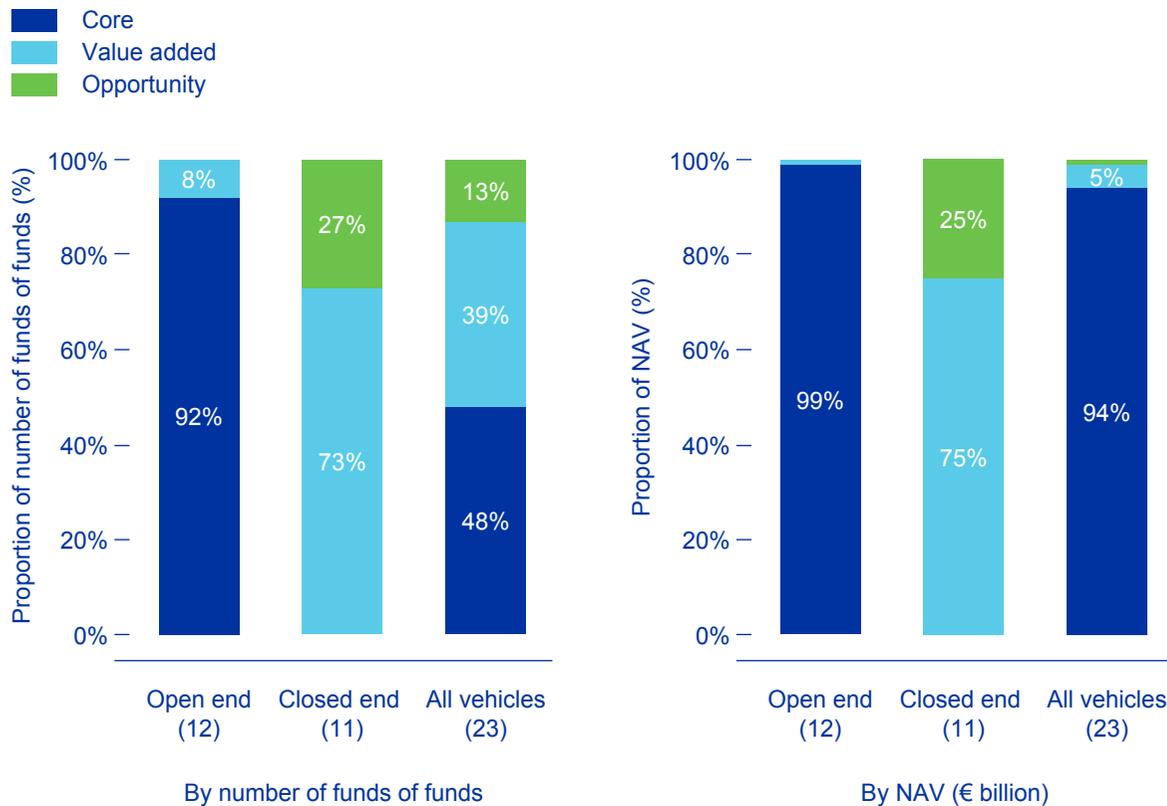


Funds of funds continue positive returns for eight consecutive year

- > Funds of funds assets under management rose to at least €43.4 billion globally at the end of 2020
- > As a group, funds of funds delivered a positive average net return of 1.6% in 2020
- > Large open end core funds of funds with a global strategy dominate

Figure 1: Funds of funds by style and structure



Funds of funds are important vehicles within the non-listed real estate universe, although they appeal to a specific group of investors. Globally assets under management by funds of funds continued to increase, reaching a record high level of at least €43.4 billion at the end of 2020, according to the [ANREV / INREV / NCREIF Fund Manager Survey 2021](#). Funds of funds can offer investors significant sector and regional diversification across a wide array of non-listed estate investment strategies.

The largest group of funds of funds are open end, core vehicles. These vehicles represent 48% of the Funds of Funds Universe by number, and this is equivalent to 94% of the total NAV. Open end core style vehicles are large in size, with an average NAV of €1.8 billion. Most of these funds of funds follow a global strategy.

The second largest group are closed end non-core funds of funds, which account for 39% by number and 5% by NAV. These vehicles exhibit a more diverse mix of regional strategies, including those targeting Europe and Asia Pacific.

Other funds of funds characteristics and differences between core and non-core, as well as between open end and closed end structures are reflected in their performance, the number of vehicles and managers

Source: Funds of Funds Vehicle Universe 2021

invested in, the average gearing and size of commitments and are explained in the full [ANREV / INREV Funds of Funds Study 2021](#).

Focusing on the performance of funds of funds of funds, those who contributed cash flow data to the [INREV Data Platform](#) reported an average total return of 1.6% in 2020

compared to 6.2% in 2019 and well below the 10-year average (4.9%). Nonetheless, funds of funds showed eight consecutive years of positive average total returns.

For core style funds of funds total returns slowed from 6.2% in 2019 to 1.9% in 2020. That said, core style funds of funds

outperformed their non-core peers for the fourth time in the last five years as the non-core peers' performance declined sharper from 6.7% in 2019 to -3.1% in 2020.

The performance of open end and closed end is similar to core and non-core funds of funds since most core vehicles are open end in structure, while most 'non-core' strategies are close ended. Open end vehicles remained in positive territory, delivering the 2020 total return of 1.9% while performance of closed end vehicles turned negative with a total return of -4.3%.

By target region, global strategy funds of funds posted average total returns of 1.6% compared to 0.8% for funds of funds with a European strategy. Looking over a longer period, global strategy funds of funds show a relatively stable performance compared to their single region strategy peers.

Looking at the performance by vintage years, older funds of funds, those launched between 2001-2007, have historically underperformed, and 2020 was no exception with a total return of -5.1%. Younger funds of funds with vintages between 2015-2020 posted a total return of 0.3% while those first closed between 2008-2014 returned 1.7%, delivering average positive net returns for eleven consecutive years.

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The full report is available to members at inrev.org/research

Figure 2: Performance of funds of funds by style



Source: INREV Data platform 2021

Numbers in brackets show sample size for the corresponding year