## Table of content

- Executive summary  
- Cost allocation by dimensions  
- Cost analysis  
- Cost analysis by dimensions  
- Ratios and reporting  
- How can EY help?  
- EY real estate  
- Glossary
Executive summary

EY Luxembourg carried out its first Luxembourg Real Estate Funds cost survey in 2011. The survey was a great success and was highly appreciated by market participants who benefited from the possibility to benchmark their cost structure with industry peers and identify cost trends. Since then, the alternative asset management sector has been exposed to much public discussion in the context of the new regulatory era in Europe. The alternative asset practitioners need not only be able to cope with current day-to-day issues but to be confident in analyzing and reacting to upcoming developments, such as the AIFM Directive and FATCA, a crisis in investor confidence, and the prospect of the beginning of a new economic cycle. More than ever, the fund managers and administrators need to position themselves optimally in terms of local presence, service offering, competitive pricing and service quality.

Following the positive feedback received on the first survey and EY commitment to support innovations and help to provide insights in developing the real estate management sector, we decided to carry out this survey again this year so as to provide additional and up-to-date insights into the costs incurred by regulated real estate funds domiciled in Luxembourg. In support of this aim, we launched an initiative to collect and analyze high level fund cost data covering regulated real estate investment structures domiciled in Luxembourg. The survey covers approximately 43% of net assets under management in Luxembourg real estate funds.

It is focused on typically internationally diversified and regulated funds and further work would need to be undertaken to confirm trends and findings at European level. In this report, we have analyzed industrial cost ratios of regulated real estate funds domiciled in Luxembourg in terms of investment strategy, investing sector, life cycle of the vehicle, location of assets and operating platform, in particular by taking the following into account:

- The current guidelines for the calculation of cost ratios – an effective cost monitoring tool
- How sensitive cost drivers are in terms of the product’s strategy
- What the implications on the operating cost of a fund are considering the location of assets within and beyond Europe
- What the correlation is amongst investing sectors
- How in-sourcing and outsourcing impact on the fund’s cost efficiency
- How fund managers are currently monitoring their costs
Revised INREV Guidelines 2014

In the first survey, we mentioned that there is a need to improve the current guidelines by INREV on the calculation of cost ratios. In Q4 2013, INREV has issued Revised INREV Guidelines 2014 (White paper). Included in those revised guidelines there are new provisions to enable a more precise and consistent calculation of the INREV NAV and GAV, which is an important component of calculation of cost ratios. In addition, the definitions and methods of calculation of INREV’s expense ratios, although not significantly, though in principle, have been made clearer and more precise. The Total Expense Ratio (TER) now expresses operating costs borne by the fund and Real Estate Expense Ratio (REER) captures only the expenses that relate to the management of the real estate assets excluding expenses wholly attributable to the management of the fund and costs capitalized as a component of the investment in a property. The REER will include all property specific costs. In addition, fee metrics requirements have been slightly modified compared with the previous guidelines and have been updated as follows:

- The fee metrics now follow the nature of costs rather than who charges these costs
- Disclosure requirements are more precise, and particularly when a single fee is charged to cover a variety of activities
- The allocation of costs between management, fund, property and finance/exempt expenses has been clarified to better reflect the costs incurred by real estate funds

The revised INREV Guidelines will be submitted to the INREV Management Board for final approval in Q1 2014 and, if approved, launched at the INREV annual conference, in April 2014. Overall, we believe these will provide a more robust methodology to calculate costs and fund ratios in the industry going forward.

Key findings

- In line with our 2011 survey, property specific costs represent the major portion of costs out of the total operating costs incurred by the funds followed by the management fees and in our view, for finance teams this represent the area where the deployment of cost leakage and revenue assurance programs will have the most material positive impact on overall fund performance. This is particularly true in Europe given the often fragmented nature of property/asset management activities across the continent due to the use of multiple service providers and low level of automation
- Most funds have a simple mechanism for the management fees, representing the compensation paid to run the fund platform. Still a significant percentage of funds (32%) have a multi-component management fee, including component of compensation for asset level services
- Management fee charged by the funds range from 0.27% to 1.46% of Gross Asset Value (GAV). The average management fee charged by funds is 0.70%. The dispersion of management fee percentages around the average is relatively tight compared to property specific costs and fund expenses
- The running cost for an opportunistic fund is significantly higher than that of core funds. TER and REER for an opportunistic fund are 1.46% and 2.43% of GAV, respectively. Whereas the average TER and REER for core funds are 0.93% and 1.95%
- This year, in contrast with the result of our 2011 survey, the average property specific costs to GAV for funds investing in Core Europe are higher than those investing in Asia and other countries outside Europe
- Funds investing only in the industrial sector have much lower property specific costs than average, thus resulting in a lower REER
- The TER and REER of funds which are carrying out their functions internally is lower than average
- 79% of the fund managers are reporting ratios to investors
- Compared to our 2011 survey, the percentage of funds following INREV Guidelines has increased from 59% to 71%
Scope and methodology

In December 2011, EY launched for the first time in Luxembourg a survey of industrial cost ratios (i.e., TER and REER) of regulated funds domiciled in Luxembourg. Following the positive feedback received and discussions we had with Fund managers we decided in May 2013 to carry out this survey again to determine the impact of operating platform and different dimensions on the operating costs of the real estate funds domiciled in Luxembourg. The objective of the survey is to expand the existing internal database of fund’s expenses relevant information and ratios to include all real estate funds domiciled in Luxembourg and help Fund managers identify trends and better benchmark their cost structures with industry peers.

The analysis of the cost structure of the real estate funds includes the following basic dimensions:
- Geography
- Investment strategy
- Sector
- Life-cycle
- Design of the operating platform (i.e., in-sourced, outsourced, partially outsourced)

All data, for the purpose of this report, were gathered through a comprehensive survey sent to real estate fund managers in May 2013. The framework of the survey, as well as the data analysis, is based on INREV’s guidelines on cost ratios and analysed in accordance with the dimensions as shown in the diagram.

As per the INREV fee and expense classification matrix, the following are the main categories of expenses for real estate funds:

### Cost drivers

<table>
<thead>
<tr>
<th>Management fees</th>
<th>Fund expenses</th>
<th>Property specific costs</th>
<th>Performance fees</th>
<th>Other costs (exempt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various fees paid to the fund manager for its management services</td>
<td>Expenses incurred predominantly at fund level to maintain fund operations</td>
<td>Operating expenses directly attributable to the acquisition, management or disposal of a specific property</td>
<td>Fees payable out of the returns achieved by the fund to the fund manager</td>
<td>Specific fees and charges, which are not included in the TER and REER Calculations, such as initial charges, property valuation effects, finance expense, etc.</td>
</tr>
</tbody>
</table>

### Table

<table>
<thead>
<tr>
<th>Investment</th>
<th>Holding/Value creation</th>
<th>Divestment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offices</td>
<td></td>
<td>Multisector</td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value added</strong></td>
<td></td>
<td>Asia and others</td>
</tr>
<tr>
<td>Core Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central and Eastern Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Europe</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Opportunity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Europe</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In-sourced/Outsourced/Partially outsourced
All the data and analysis presented in this report are based on the responses received from the participants. To ensure data representation and confidentiality, only averaged trends or other statistical indicators are reported when sufficient data are available on at least three funds. For certain statistical analysis in a specific situation, certain extraordinary/exceptional costs or other data are adjusted or reclassified for a meaningful analysis. Given the fact that each fund has its own specific capital leverage strategy, most of the industrial ratios in this report are analyzed in relation to the GAV to present more comparable results.

Whilst we recognize that, in the context of the number of Luxembourg domiciled real estate funds, although the number of funds which participated in this survey may not be as many as we would have wished; in terms of net assets under management this report has covered a representative sample of the Luxembourg, regulated real estate fund sector. According to the ALFI Real Estate Investment Fund (REIF) Survey, net assets under management in Luxembourg real estate funds aggregate to EUR 25.9 billion as at 31 December 2012, while as a result of our survey we have gathered data for funds with an aggregate net asset under management of EUR 10.8 billion. Thus, it represents approximately 43% of total net assets under management in Luxembourg.

As shown below, this report provides reasonable coverage in terms of investment strategy, location of assets, investing sectors and lifecycle of assets.

We are thankful to all those fund managers and administrators who participated in this survey.
The above graphs illustrate the proportion of different types of costs out of the total operating costs incurred by the respective funds, based on their investment strategy, location of assets, investment sector and stage of the fund’s life-cycle.

**Key findings:**

- In line with our 2011 survey, property specific costs are in general the major costs out of the total operating costs incurred by the funds followed by the management fees.
- For funds investing in Central and Eastern Europe, in comparison with our 2011 survey, where the proportion of management fees out of the total operating expenses was slightly lower than property specific costs, in this survey management fees represent the major costs out of the total operating expenses incurred by funds investing in Central and Eastern Europe. The main reasons for this lie in the fact that in Central and Eastern Europe property specific costs are relatively lower than in core Europe or Asia.
- In line with our 2011 survey, proportion of fund expenses incurred by the funds during their divestment stage is higher than in the investment and holding/value creation stages.
- In line with our 2011 survey, proportion of property specific costs incurred by funds operating in sectors such as retail and office are higher than in the industrial sector.
Property specific costs

Property specific costs represent operating expenses directly attributable to the acquisition, management or disposal of specific properties. Property specific costs are in general the major costs out of the total operating costs incurred by the fund. These costs mainly comprise property management fees, taxes on property-related activities, service charge shortfalls, development fees, and repairs and maintenance etc.

As shown in the graph, the property specific costs of real estate funds range from 0.15% to 3.1% of GAV, with the weighted average of 1.03%. Although there is a distribution about the average, there is a very wide range of outcomes which reflects the strong correlation with location and sector.

In fact, it is noteworthy that the property specific costs incurred as percentage of GAV by funds investing in Central and Eastern Europe are lower than those incurred by funds investing in Core Europe and that the property specific costs incurred as percentage of GAV by funds investing in the office sector are higher than those incurred by funds operating in the industrial sector.

In comparison to our 2011 survey, there has been no significant change in the figures as the property specific costs ranged from 0.31% to 2.30% of the GAV, with the weighted average of 1.04%.

Fund expenses

Fund expenses represent general and administrative expenses incurred, predominantly at fund level, to maintain fund operations. These expenses mainly comprise administration and secretarial expenses and professional fees.

As seen in the graph, the fund expenses of real estate funds range from 0.10% to 1.56% of GAV, with the weighted average of 0.36%.

Like, property specific costs, the distribution of fund expenses is very dispersed (no concentration around the average). This outcome reflects the fact that accounting, auditing, custodian and other fund expenses are relatively fixed or semi-variable costs and therefore the dispersion reflects the range of fund sizes in the sample. Note also that these costs contribute the lowest portion of overall fund costs (generally around 20% of overall costs).

Such a result is also in line with our 2011 survey where the fund expenses of real estate funds ranged from 0.15% to 1.14% of GAV, with the weighted average of 0.47%.
Management fees

Management fees represent various fees paid to the fund managers for their management activities. Most of the funds, those that participated in this survey, have a simple mechanism for the management fees, i.e., only the fund management fee is charged to the fund as an overall remuneration to fund managers. On the other hand, 32% of the participating funds had multiple arrangements with the fund managers for their management activities. These multiple arrangements are composed of fund management fees, asset management fees, project management fees and acquisition fees.

This result for the Luxembourg market is in line with the analysis at European level published by INREV named INREV Management Fees and Terms Study 2012. As per INREV’s study, fund management is the most common management fee applied by most of the funds in their sample.

As shown in the graph, the management fees charged by the fund manager range from 0.27% to 1.46% of GAV, with the weighted average of 0.70%. This result is in line with the recent studies at European level published by INREV in the “INREV Management Fees and Terms Study 2012” where the annual management fee rates, based on GAV, amount to approximately 0.65%.

Such a result is also in line with our 2011 survey where the management fees ranged from 0.31% to 1.27% of GAV, with the weighted average of 0.78%.
Luxembourg real estate funds cost survey

By strategy

This graph illustrates the relationship of costs incurred by the funds with respect to their assets under management based on their investment strategy.

Key findings:

- The average TER and REER for core funds are 0.93% and 1.95% of GAV, respectively whereas the average TER and REER for value added funds are 1.29% and 2.34% respectively.
- The running cost for an opportunistic fund is significantly higher than that of core funds. TER and REER for an opportunistic fund are 1.46% and 2.43% of GAV, respectively.
- This result is also in line with our 2011 survey where the running costs for an opportunistic funds were almost double than that of core funds.

Core and value added funds are seen as comparatively low risk funds that invest in high quality assets where cash flows are more predictable and have less capital leverage compared to the extreme end of opportunistic funds.

Due to the low risk level/expected return ratio, operating costs for core and value added funds are lower than that of opportunistic funds. This fact is also supported by the responses we have received for this survey and the results reached in 2011 survey where the opportunistic funds experienced the highest average of REER. It is however noteworthy that, in the case of opportunistic funds, cost levels vary significantly from one asset to another depending on the location, nature, condition and potential for value creation of a particular asset. In other words, expense ratios at the higher end of the risk return sections are difficult to analyze and benchmark, and are very fund/asset specific. It should also be noted that the number of the Luxembourg regulated real estate funds which have adopted an opportunistic strategy are relatively low if compared to funds which have adopted a core/value added strategy and this also results in a more difficult benchmarking.
This graph illustrates the relationship of costs incurred by the funds with respect to their assets under management based on the locations in which they have invested.

Operating costs in relation to assets under management for running a fund investing in Central and Eastern Europe are higher than those for funds investing within the boundaries of Core Europe. The main contributors for such a high operating cost are “management fees” and “fund expenses”. Fund expenses in relation to assets under management for funds investing in Core Europe are considerably lower than those for fund investing outside the boundaries of Core Europe.

The average property specific costs to GAV for funds investing in Core Europe are higher than those investing in Asia and other countries outside Europe. In the 2011 survey the property specific costs incurred by funds investing in Asia and other non-European countries were considerably higher than those for funds investing in Core Europe. Reasons for this change can be found in the fact that funds investing in Asia and other non-European countries have become more efficient in terms of costs and/or the funds investing in Asia and other countries have experienced higher increase in the value of their assets compared to funds investing in Core Europe and such an increase has in turn reduced the burden of their costs.

**Key findings:**
- The average property specific cost to GAV for funds investing in Core Europe and beyond Europe are 1.16% and 0.96%, respectively.
- The average TER of funds investing in Core Europe and Central and Eastern Europe is 0.98% and 1.50%, respectively.
- Management fees incurred by the funds largely remain the same irrespective of the countries in which they have invested.
This graph illustrates the relationship of costs incurred by the funds with respect to their assets under management based on the sectors in which they have invested.

In line with our 2011 survey, operating costs in relation to assets under management for running a fund investing only in the industrial sector are significantly lower than those for funds investing within the office and retail sectors. The industrial sector mainly includes warehouse and logistics buildings. Conversely, property specific costs in particular, incurred by the funds investing in retail and multi-sector including residential, are higher than average.

Key findings:

- Funds investing in the office sector have an average TER of 1.5% and an average REER of 2.9%. This represents higher property specific costs being incurred by the funds investing only in the office sector.
- Funds investing only in the industrial sector have much lower property specific costs than average, thus resulting in a lower REER.
- Management fees incurred by the funds largely remains the same irrespective of the sector in which they have invested.
By life-cycle

This graph illustrates the relationship of costs incurred by the funds with respect to their assets under management based on the stage of their life-cycle in which they are in.

The operating costs in relation to assets under management for running a fund in its divestment stage are significantly higher than those for funds during their investment and holding/value creation stages. Such a difference can be explained by the fact that many fund expenses are semi-variable in nature and funds in their divestment stage have a relatively lower GAV compared to funds undergoing through the investment and holding/value creation stage. In addition, it should also be noted that funds during their divestment stages incur disposal costs which might significantly increase the property specific costs.

This result is in line with our 2011 survey where funds in their divestment stage reached the highest average of funds expenses compared to GAV.

Key findings:

- In line with our 2011 survey, fund expenses incurred by the funds during their divestment stage are higher. The average TER of funds during their divestment stage is 1.95%, whereas the overall average is 1.06%
- In line with our 2011 survey, the average TER of funds during their holding/value creation stage is lower
- In comparison with our 2011 survey where property specific costs incurred by the funds during their investment and holding/value creation stage were higher than during their divestment stage, this year we noticed the contrary. The reason for this change might lie in specific and significant costs incurred in this survey by funds in their divestment stages including disposal costs, marketing of vacant spaces, etc. Such a variation could be explained by the increase in the number of asset disposed of because pre-financial crisis vintage funds have come to the end of their lives and unwind often in a relatively distressed environment. It also reflects the extension of transactions timeframes and the increased intensity of due diligence performed by new investors.
By platform

Key findings:

• The TER and REER of funds which are carrying out their functions internally is generally lower than average. This trend is in line with our 2011 survey

• Similarly, in line with our 2011 survey, property specific costs in particular, incurred by the funds which are predominantly carrying out their functions in-house, is much lower than average

This graph illustrates the relationship of costs incurred by the funds with respect to their assets under management based on the operating platforms through which they are operating.

Based on the response of this survey, only 5% of the funds are fully managing accounting and administrative functions internally.
Ratios and reporting

The development of industry guidelines by organizations such as the European Public Real Estate Association (EPRA) and the European Association for Investors in Non-listed Real Estate Vehicles (INREV) has helped the real estate fund sector move forward in respect of ratios and reporting. One of the parameters recommended by these guidelines on cost monitoring is the calculation and reporting of backward and forward-looking cost ratios, i.e., Total Expense Ratio (TER) and Real Estate Expense Ratio (REER) as analyzed in the previous sections. These ratios describe the correlation between the cost bases and the value of assets under management.

One of the challenges of using these ratios is that they are genuinely compared with the right industry peers. Also, this information should not only be used for investor reporting to comply with best practices, but also be deeply analyzed internally for benchmarking and cost monitoring purposes.

In addition to these guidelines, other tools that are commonly used in establishing a cost monitoring mechanism are:
- Implementation of budgetary controls, including the process of setting budgets, financial calendars, variance analysis and periodical reporting, corrective actions etc.
- Setting key performance indicators for each process
- Benchmarking the results as per the leading real estate funds practice

According to this year survey, 79% of the participants report fee ratios to investors. This is a marked change from the 2011 survey where only 65% of managers reported such ratios.

The survey results also show that the most commonly followed guidelines for reporting purposes are the INREV guidelines (71%). It is also interesting to note that 26% do not follow any guidelines for reporting purposes. In comparison with our 2011 survey where only 59% of the respondents declared to follow INREV guidelines, this year we can notice an increase in the numbers of funds adopting INREV guidelines which, with no doubts, will improve the comparability of performance amongst funds.
How can EY help?

A tailor-made approach

EY’s real estate advisory professionals combine their knowledge of promoters’ and property managers’ expectations with their hands-on experience of real estate fund administration processes, risk and controls, their in-depth knowledge of the leading real estate processes as well as their robust project management skills. These allow us to support you in benchmarking your current cost base and in introducing a sustainable cost reduction program to your fund.

<table>
<thead>
<tr>
<th>Benchmarking</th>
<th>Cost reduction program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify</td>
<td>Design</td>
</tr>
<tr>
<td>Diagnose</td>
<td>Deliver</td>
</tr>
<tr>
<td>Sustain</td>
<td></td>
</tr>
</tbody>
</table>

Assessing the cost base
- Set targets and identify addressable cost base
- Clarify improvement opportunities
- Filter opportunities and design initiatives to produce roadmap
- Execute implementation of initiatives
- Stabilize program and rollout sustainable process

We can assist in a number of ways, with a sliding scale of involvement, from a high level discussion around the current cost base to design and implementation of an entity-specific intelligent cost reduction program such as:
- Understanding of cost drivers and establishing a baseline
- Identifying opportunities and areas of focus through process analysis and benchmarks
- Diagnostic review of cost drivers and key processes
- Review of controllable expenses
- Review of efficiency of outsourced services
- Review of middle and back office operations
- Establish key performance indicators of cost divers
- Redesign organization and key processes
- Develop implementation plan
- Risk and compliance cost reduction

If you would like to have more information, please contact:
- michael.hornsby@lu.ey.com

**Michael Hornsby**
**EMEIA Asset Management Real Estate Leader**
+352 42 124 8310
michael.hornsby@lu.ey.com

**Kai Braun**
**Executive Director - Risk and Business Advisory Services**
+352 42 124 8800
kai.braun@lu.ey.com

**Farhan Ahmed**
**Senior Manager**
+352 42 124 8061
farhan.ahmed@lu.ey.com

**Valerio Bove**
**Manager**
+352 42 124 8812
valerio.bove@lu.ey.com
Since 1 July 2008, our practices in Europe, the Middle East, India and Africa (EMEIA) have operated under a single EMEIA structure. We are the first major professional services organization to bring a borderless approach to the emerging markets of CIS, India, the Middle East, Africa and the established markets of Europe.

This enables us to better leverage our strengths and move more swiftly to bring together our teams to serve our clients, drawing on our industry experience across all our services in 87 countries.

**Luxembourg real estate group**

EY Luxembourg’s integrated real estate practice comprises over 120 experienced professionals providing audit and assurance, tax and legal, advisory and transaction services to real estate owners, investors, lenders, developers and users. Our team understands the industry issues that real estate stakeholders need to address. We have the largest global professional services real estate team in the world and our Luxembourg team is highly connected with our network of real estate professionals in all countries around the world, thanks to the highly international nature of the Luxembourg based REIFs.

Our Luxembourg real estate group is a hub within our EMEIA team, representing deep industry knowledge and experience, with industry thought leaders identifying and creating points of view on business risks, and relevant and practical thought leadership. This knowledge is proactively shared, not only at issue-based forums such as through the EY Alternative Investment Fund Club, which addresses industry, technical and regulatory issues, but also with facilitated sessions to help clients understand, prioritize and address matters critical to their success.

We can ensure our clients receive an all-round quality service offering executed by some of the most knowledgeable and experienced professionals within the real estate sector.
Our integrated service approach is described as follows:

<table>
<thead>
<tr>
<th>Service Area</th>
<th>Description</th>
<th>Contact(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and Assurance</td>
<td>A highly customized approach to audit and assurance is combined with deep real estate sector knowledge around accounting, reporting and key industry issues. We emphasize robust project management to master multi-location engagements and best practice investor reporting.</td>
<td>Michael Hornsby +352 42 124 8310 <a href="mailto:michael.hornsby@lu.ey.com">michael.hornsby@lu.ey.com</a></td>
</tr>
<tr>
<td></td>
<td>Our services:</td>
<td>Bruno Di Bartolomeo +352 42 124 8493 <a href="mailto:bruno.dibartolomeo@lu.ey.com">bruno.dibartolomeo@lu.ey.com</a></td>
</tr>
</tbody>
</table>
|                                        | ▶ High quality legal and contractual audits  
▶ Specific scope assurance reports  
▶ Capital markets transaction support  
▶ Internal control reviews  
▶ Compliance with key directives and regulatory frameworks | René Ensch +352 42 124 8373 rene.ensch@lu.ey.com                                                                                                       |
| Financial Accounting and Advisory Services | Our team of experts helps you to redesign and upgrade investor reporting to gain a competitive advantage.                                                                                                                                                                                                                           | Renaud Breyer +352 42 124 8255 renaud.breyer@lu.ey.com                                             |
|                                        | Our services:                                                                                                                                                                                                                                                                                                                                 | Dietmar Klos +352 42 124 7282 dietmar.klos@lu.ey.com                                               |
|                                        | ▶ Advise on complex accounting issues and critical judgment and estimates  
▶ Application of industry best practices, including INREV and EPRA  
▶ IFRS conversions and compliance  
▶ Financial statement reviews  
▶ Financial modeling  
▶ Financial statement close process efficiency reviews  
▶ Developing accounting manuals, reporting templates, checklists and other similar documentation  
▶ Training on accounting and regulatory frameworks | Mathieu Volckrick +352 42 124 7014 mathieu.volckrick@lu.ey.com                                       |
| Tax Advisory and Regulatory Services  | Our international tax network helps you navigate through the challenges of cross-border tax planning and administration to optimize outcomes in a commercially viable and practical way. Our team of legal experts helps you structure and implement your fund products and gain regulatory approval. They also assist with the legal implementation of fund transactions. | Koenraad De Witte +352 42 124 7495 koenrad.de-witte@lu.ey.com                                        |
| Advisory - Transaction and Project Management | Objective and responsive advice to support your strategic real estate decisions. We help you to develop capital market strategies for acquiring and disposing of real estate assets, including fund concepts, sale and leaseback transactions, debt restructuring and other transactions. | Alexander Flasak  
+352 42 124 8491  
alexander.flasak@lu.ey.com |
|---|---|---|
| Our services:  
  - Financial and technical due diligence  
  - Valuation  
  - Feasibility studies  
  - Mergers and acquisitions and capital markets advisory  
  - Strategic advisory  
  - Project management |

| Advisory – Risk, Regulation and Performance Improvement | Our advisory services aim to give you an edge through optimizing key business and risk management processes and targeted performance improvement projects. | Kai Braun  
+352 42 124 8800  
kai.braun@lu.ey.com |
|---|---|---|
| Our services:  
  - AIFMD implementation support  
  - Developing risk and liquidity management frameworks  
  - Designing and implementing governance frameworks  
  - Business process and operational performance improvement projects  
  - Cost optimization and working capital improvement projects (based on Total Expense Ratios and other performance analysis)  
  - Depositary and service provider operating models  
  - Advice on deployment of critical IT systems (property management, data rooms, workflow management, accounting and valuation systems) |

| Accounting and Corporate Secretarial Services | We provide practical but high end accounting for unregulated real estate structures and SPVs. | Bob Fischer  
+352 42 124 7526  
bob.fischer@lu.ey.com |
|---|---|---|
| Our services:  
  - Consolidation  
  - SPV Accounting  
  - Corporate secretarial services |

| Business Development | Anja Grenner  
+352 42 124 8730  
anja.grenner@lu.ey.com |
|---|---|---|

| The AIF Club | Mireille Pourpognot  
+352 42 124 8549  
mireille.pourpognot@lu.ey.com |
<table>
<thead>
<tr>
<th><strong>ALFI</strong></th>
<th>Association of the Luxembourg Fund Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EPRA</strong></td>
<td>European Public Real Estate Association</td>
</tr>
<tr>
<td><strong>GAV</strong></td>
<td>Gross asset value</td>
</tr>
<tr>
<td><strong>INREV</strong></td>
<td>European Association for Investors in Non listed Real Estate Vehicles</td>
</tr>
</tbody>
</table>
| **Investment style** | **Core**: Stable income returns, stabilized properties located in strong and low risk markets; geared at less than 50%  
**Value added**: Combination of income and capital return; stabilized properties located in low to medium risk markets, as well as an element in development or opportunistic investments; geared from 40% to 70%  
**Opportunistic**: primarily through capital return; higher risk properties (e.g., development projects, property repositioning, assets in higher risk countries or distressed assets); geared is in excess of 60% |
| **NAV**  | Net asset value                              |
| **Operating platform** | **In-sourced**: means fund is carrying out its accounting and administrative functions internally  
**Predominantly in-sourced**: means fund is carrying out most of its activities internally within accounting and administrative functions  
**Outsourced**: fund has outsourced its accounting and administrative functions to external service providers  
**Predominantly outsourced**: means fund has outsourced most of its activities within accounting and administrative functions to external service providers |
| **REER** | Real Estate Expense Ratio: It captures both the fund level expenses included in the TER and other property specific costs of the fund as a proportion of the value of its assets |
| **REIF** | Real estate investment fund                  |
| **Stage of the life-cycle** | **Investment**: means the period of time during the life of the fund that a fund is making capital calls and acquiring assets  
**Holding/Value creation**: means the period of time during the life of the fund in which the portfolio of real estate assets is optimized in accordance with the objective of the fund  
**Divestment**: means the period of time during the life of the closed ended or open ended funds with finite life, that is in exit stage in accordance with its objectives (i.e., asset disposal / return of in case of open ended funds with infinite life, divestment stage is rarely applicable |
| **TER**  | Total Expense Ratio: It expresses the annual operating costs of the fund and include both fund level expenses and management fees charged to the fund as a proportion of the value of its assets |
About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity, Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2014 EYGM Limited.
All Rights Reserved.

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com/luxembourg