

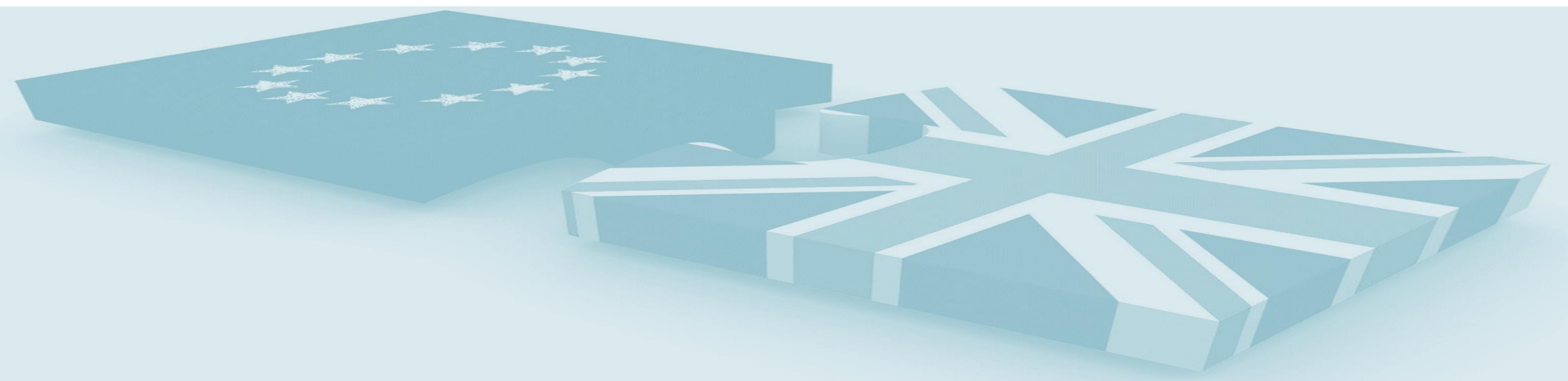
A 3D graphic featuring the European Union flag (a circle of twelve gold stars on a blue background) and the United Kingdom flag (the Union Jack). The flags are rendered in a light blue, semi-transparent style, giving them a three-dimensional appearance as if they are floating or resting on a surface.

Discussion Forum

A Review of Real Estate Fund Behaviour Following the EU Referendum

30 March 2017





Welcome
John Forbes
John Forbes Consulting



The Report

CONSULTATION DRAFT

A review of real estate fund behaviour following the EU referendum

Report for The Association of Real
Estate Funds

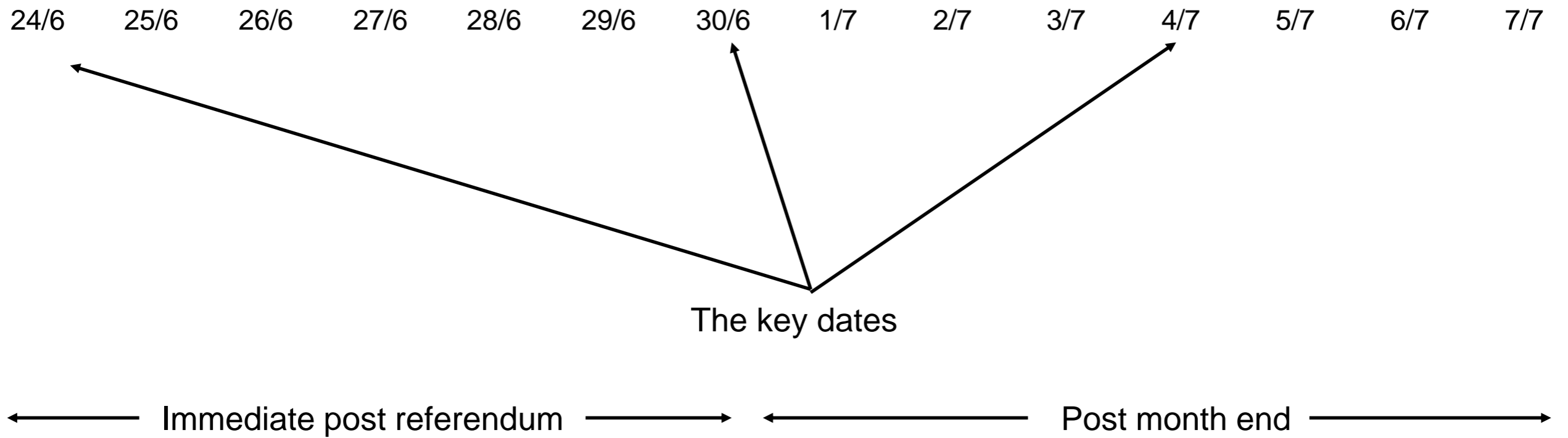


John Forbes
CONSULTING LLP

Background

- The EU referendum and the aftermath
- Scope of the report
- The 2012 report
- Timetable for publication of the final report

The EU referendum and the aftermath



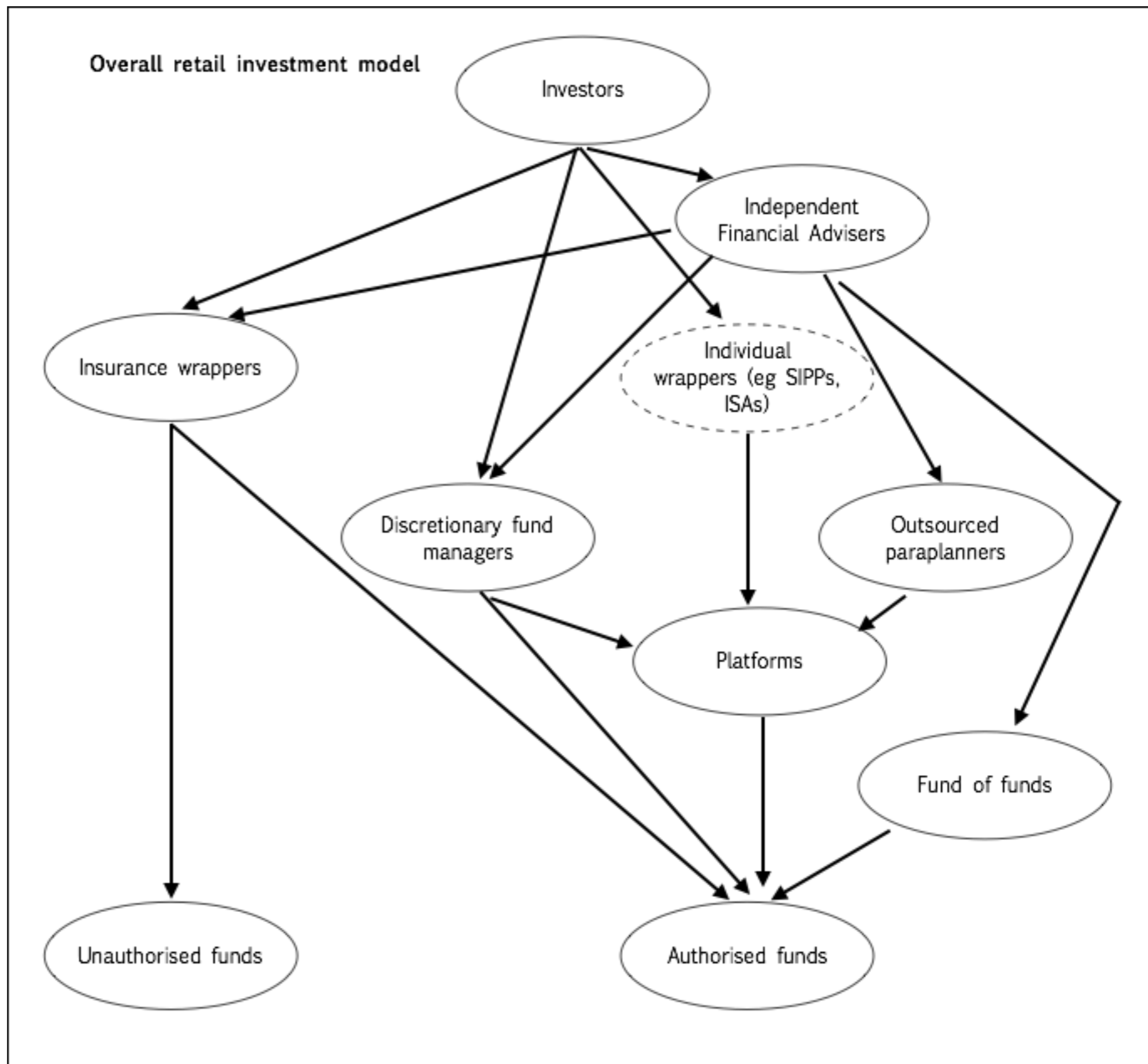
Retail distribution

Retail Distribution Review
2013

Regulation of retail funds

Operational issues from pla
tforms

Importance of this



Key findings

- Managers acted appropriately within the regulatory and operational limitations;
- Most managers had to choose between forced sales at distressed pricing or suspension. Investors did not know which route managers would follow;
- Uncertainty over valuation methodology;
- Limitations imposed by regulatory and operational framework;
- Retail investors have limited choice of different investment models;
- Similarity of issues in model portfolio money, unit linked insurance products and defined contribution pension schemes;
- Evolution rather than revolution in developing new fund models.

Recommendations

Review of regulation

We would recommend that the industry and the FCA work together to undertake a comprehensive review of the regulation governing retail investment in real estate as an asset class. We would recommend a review across all relevant regulation.

Valuation

A review is required of the approach to valuation of the underlying assets of open-ended funds. This review should be a joint initiative involving FCA, RICS, AREF, and the DATA. Other organisations may also have relevant views.

Communication

AREF should take a more active role in future in communication of broad real estate fund related matters for the retail investment industry and for the education of the intermediaries in that market, whilst taking care to ensure that this could not be seen as favouring any particular manager, fund or model.

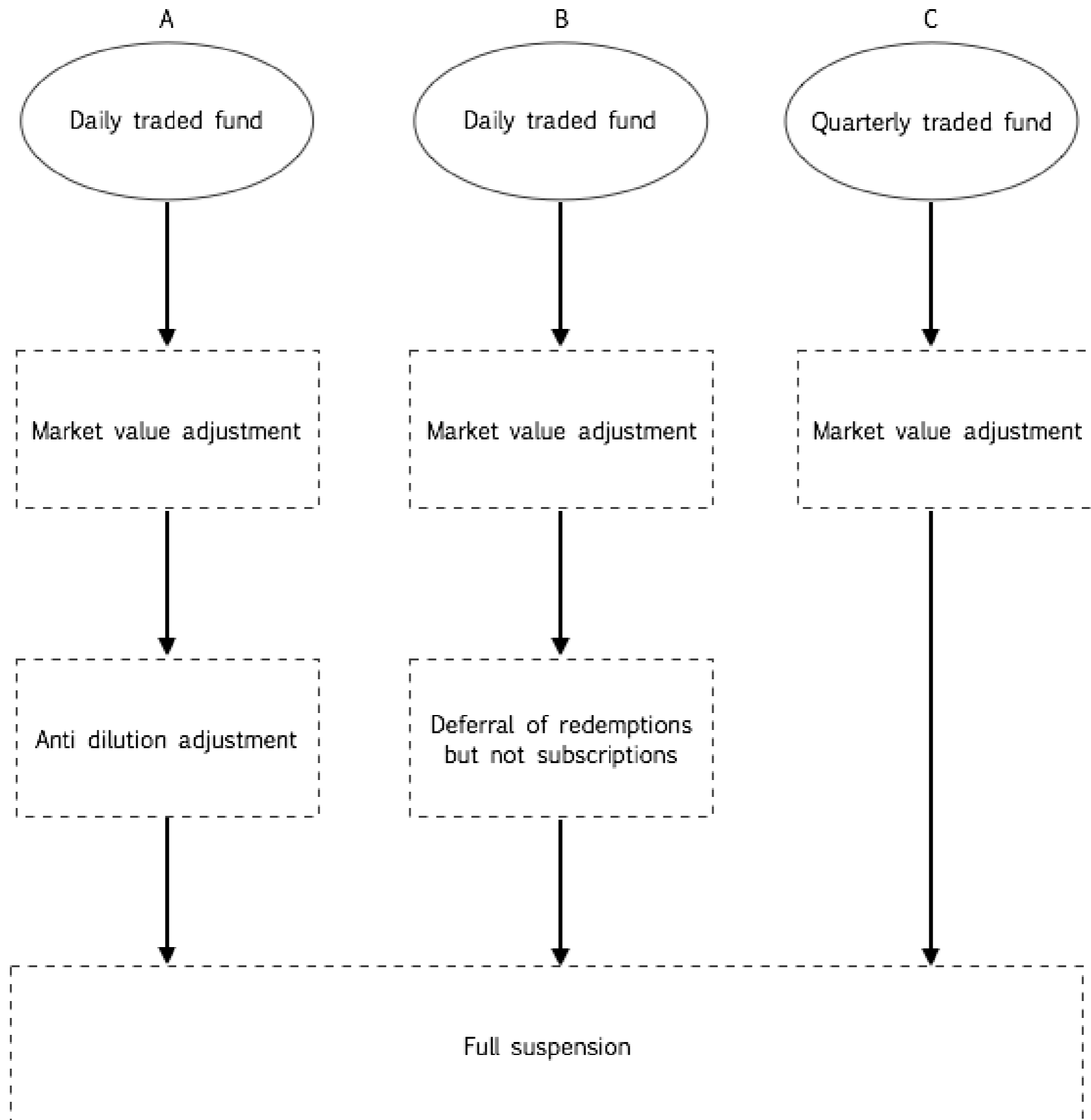
Product development

There would appear to be an opportunity following the post EU referendum liquidity events for product development for retail investors. We believe that this should go beyond direct retail investment and also look at insurance linked products and defined contribution pension schemes. AREF should take a lead on this, involving other organisations as appropriate.

Timetable

Any changes to the structure and operation of real estate funds for retail investors and the retail distribution structure between the investors and the funds should be undertaken slowly, with extensive consultation and by evolution rather than prescription.

A possible model



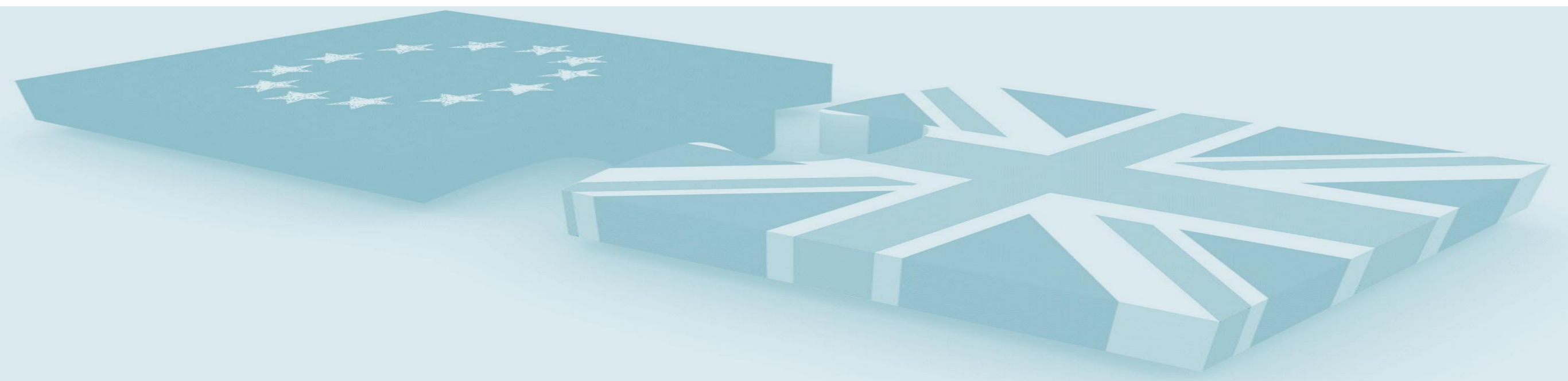
To discuss

- Do you agree with the key findings?
- Is there anything major missing?
- What should be the key points in responding to the FCA consultation?
- What are the key priorities for the industry?
- What would you like AREF to do?

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Thank you
John Cartwright
Chief Executive, AREF

