

GIPS TECHNICAL COMMITTEE
CFA INSTITUTE

Date: 28 February 2017

Subject: INREV's response to the Exposure Draft of the Revised
Guidance Statement on the Use of Supplemental Information

Dear Sir / Madam,

Please find attached INREV's response to the Revised Guidance Statement on the Use of Supplemental Information put forward by the GIPS Technical Committee.

We hope to provide a meaningful contribution to your work to support the development of a sound framework regarding disclosure of performance and performance-related information and remain available should you have any specific questions about the non-listed real estate industry.

Kind regards,



Matthias Thomas
Chief Executive INREV

Attachment:

INREV's response to the Revised Guidance Statement on the Use of Supplemental Information

Submitted via email: standards@cfainstitute.org.

About INREV: the voice of the European non-listed real estate investment industry

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property vehicles industry across Europe.

INREV currently has 383 members. Our member base includes institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds, as well as investment banks, fund managers, fund of funds managers and advisors representing all facets of investing into non-listed real estate vehicles in Europe.

Our fund manager members manage and market more than 500 European non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors. INREV's members represent almost all jurisdictions of the European Union's internal market and a range of underlying long-term investment vehicle structures, the vast majority of which are Alternative Investment Funds ("AIFs") subject to regulation under the European Alternative Investment Fund Directive ("AIFMD").

INREV executed a memorandum of understanding with NCREIF, PREA and ANREV for the purpose of collaboration on the development of global standards for our industry. In the spirit of our ongoing collaboration efforts, we have reviewed each other's response to you on this exposure draft to ensure that our responses are not inconsistent, thereby challenging our ongoing efforts.

Comments regarding the Revised Guidance Statement on the Use of Supplemental Information

INREV welcomes the opportunity to comment on the Exposure Draft of the Revised Guidance Statement on the Use of Supplemental Information ("Guidance Statement"). We are pleased that the GIPS Technical Committee seeks the view of the interested parties in order to establish a high quality approach to the disclosure of performance and performance-related information as supplemental information.

As the Performance Measurement module of the INREV Guidelines focuses primarily on computation and reporting of historic performance measures of a real estate investment vehicle, we believe that this Guidance Statement and the INREV Guidelines are not directly comparable but provide complementary information on the principles and standards for performance and performance-related information disclosure.

Our main focus in this response letter will therefore be the applicability of the proposed Guidance Statement to the real estate industry. As supplemental information can only be labelled as such if presented within the GIPS compliant presentation, this proposed Guidance Statement has limited applicability to GIPS compliant firms within our industry. Rather, for these firms, additional performance information is generally incorporated in their marketing materials (e.g. pitch book) and the proposed Guidance Statement makes it clear that within a pitch book, this information would not be considered supplemental. We understand that a pitch book could include a GIPS compliant presentation in an appendix to the pitch book.

As noted in our response below, we take exception to the treatment of theoretical information. In the non-listed real estate industry, investment managers frequently use theoretical information for their return expectations presented in the marketing materials. This is driven by the peculiarity of real estate

investments where active management decisions can directly impact the future cash flows of the underlying assets. The proposed Guidance Statement appears to not allow this type of presentation in any materials developed by GIPS compliant firms.

1. Should theoretical performance not based on assets managed by the firm and not related to the respective composite be allowed to be labelled as supplemental information and included in a compliant presentation?

As noted in the introduction to our response, investment managers of real estate portfolios may find this prohibition problematic as they generally present projected or pro forma returns as part of fund performance information through the final liquidation. In these situations, and in compliance with the ethical principles of GIPS, we support full disclosure and transparency with respect to the nature of the performance. In accordance with our understanding of the proposed Guidance Statement, such information would be acceptable for inclusion within marketing materials (e.g. pitch book). If our interpretation is not correct, we request further guidance from the GIPS Technical Committee.

2. Do the preceding 4 items accurately reflect misleading information? Should other examples of misleading information be included?

With the exception of #1, "Theoretical performance results mathematically or presentationally linked to actual performance results", we agree that the other examples provided represent misleading information. Real estate investment managers may include liquidation and projected returns (e.g. target IRRs for closed end funds) as part of their track record for an existing fund to market a new fund. Our interpretation of the proposed Guidance Statement would preclude this type of disclosure within both GIPS compliant presentations as well as all performance and performance-related information that a firm produces (see language on page 1 of proposed Guidance Statement related to GIPS provision 0.A.3.).

3. Do you agree that firms should not label information as supplemental information if it is presented outside of a compliant presentation?

We agree that firms should not label information as supplemental if presented outside of a compliant presentation. Please note that in the real estate industry, a compliant presentation would generally represent the 1-2 page schedule and related disclosures of a composite.

4. If information that would be supplemental if it were in a compliant presentation is presented outside of a compliant presentation, should firms be required to disclose how to obtain a compliant presentation?

Yes, we agree with this requirement.

5. Do you agree that firms should be required to direct the reader to a compliant presentation if the compliant presentation is included within a marketing document (e.g., pitch book)?

Yes, we agree with this requirement.

6. Do you believe that the prohibition against presenting any false or misleading performance-related information is strong enough to deter firms from doing so or should this prohibition be explained more?

We think the prohibition should be strong enough for firms interested in being GIPS compliant.

7. Do you agree with the proposed treatment of theoretical performance within supplemental information?

See answer to questions 1 and 2 above.

8. Do you agree with the proposed disclosures of theoretical performance? Do you believe any disclosures should be added or removed?

We agree with the ethical principles of GIPS for full transparency and disclosure (for further clarification, see answers to questions 1 and 2 above).