

INREV Guidelines: Custom Build



Professional Standards



0. INREV GUIDELINES

0.1. INTRODUCTION TO INREV GUIDELINES

GL01 INREV aims to improve the transparency of and promote best practice and professionalism in the sector. INREV members have encouraged and strongly supported the establishment of industry guidelines over the past few years and developed an integrated set of principles and recommendations including tools and examples for governance and information provision for investors and investment managers and investors of non-listed real estate vehicles. The objectives of the INREV Guidelines are:

- to ensure that investors in non-listed real estate vehicles obtain consistent, understandable, easily accessible and reliable information that can be compared across investments and between different periods;
- to establish requirements and best practices within the industry and to help investment managers implement them in practice.

The INREV Guidelines are presented in an online format, allowing visitors to easily navigate and search through and view tailored guidelines for example for open end funds.

It is possible to download a full version of the Guidelines or to create a custom version module by module in a PDF format in our Guidelines section.

The INREV Guidelines are organised into nine modules.



The Guidelines are embedded in an Adoption and Compliance Framework which allows investment managers and investors to evaluate their implementation of the INREV Guidelines, module by module. To determine ways of implementation and add a hierarchy to the guidelines' requirements and best practices it is important to understand the underlying terminology:

Principles

Principles serve as a basis for the requirements and best practices.

Best practices

Best practices have been developed by INREV to enable investors and investment managers to design vehicle products with an effective corporate governance framework aligned with industry best practices and at the same time relevant to specific needs. Investment managers should evaluate themselves against such best practice frameworks and disclose their level of adoption.

Tools and Examples

Tools and examples are meant to assist in the application of the INREV Guidelines. Tools support market participants in assessing specific situations and in complying efficiently with INREV Guidelines and standards. Examples serve as a pattern to be followed by market participants to illustrate a certain standard.

Definitions

INREV definitions ('Global Definitions') were developed to achieve consistency of meaning and terminology within the non-listed real estate industry. Global definitions are being created via the collaboration with the NCREIF

PREA Reporting Standards. They are gradually replacing the INREV Definitions.

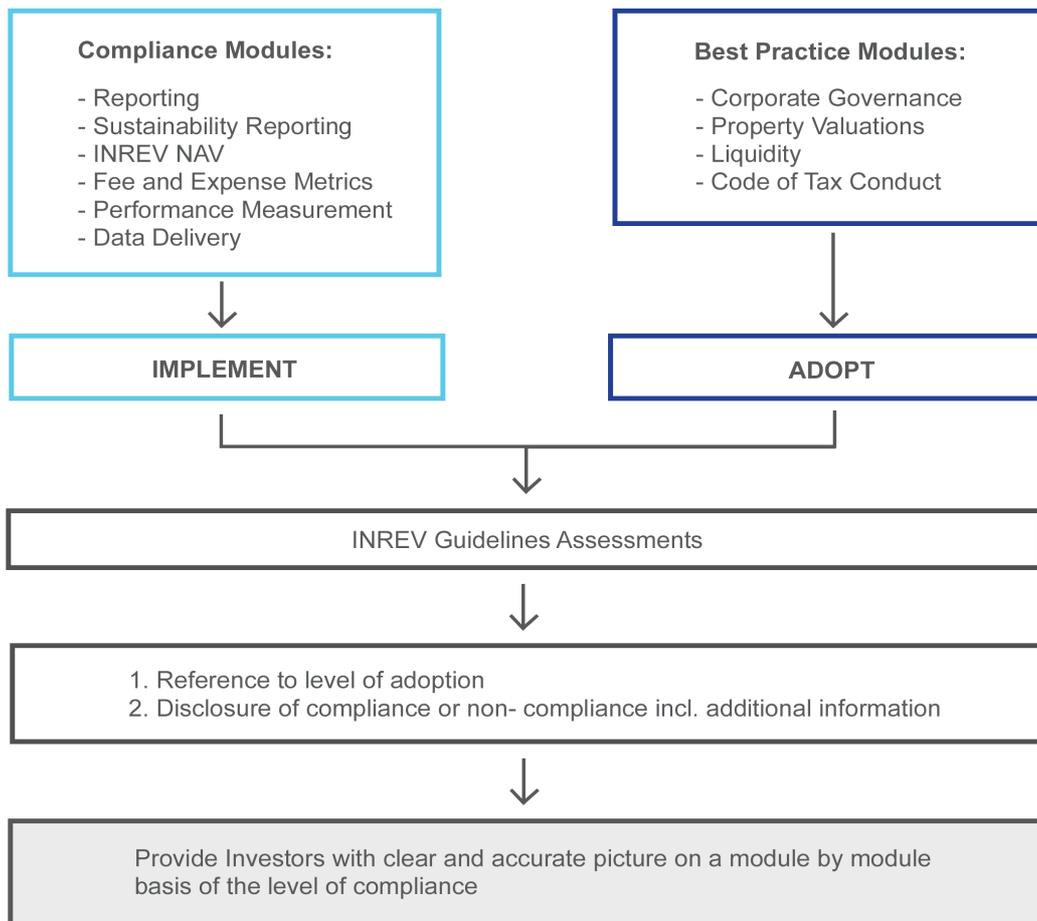
0.2. ADOPTION AND COMPLIANCE FRAMEWORK

GL02 The INREV Guidelines are designed for non-listed real estate vehicles for institutional investors. Since non-listed vehicles can differ considerably, INREV provides a modular approach to guide investors and managers in agreeing on an appropriate level of adoption of INREV best practices and in deciding on the level of compliance with INREV requirements for individual modules.

INREV's best practice frameworks developed for the modules of corporate governance, liquidity, property valuation and tax conduct, are qualitative in nature and individual vehicles will adopt them in different ways. INREV's objective is to ensure that investors are provided with a clear and accurate description of the corporate governance, liquidity, property valuation and tax conduct frameworks of a given non-listed vehicle. The INREV Guidelines Assessments have been developed to assess the compliance with some of these modules for managers as well as for investors. The assessment for the tax conduct module is being considered.

In contrast to best practices, INREV's requirements in the modules covering reporting, including sustainability reporting, performance measurement, INREV NAV, fee and expense metrics and INREV data delivery, are more technical in nature. These requirements leave no room for different interpretation: the requirements are either followed, or not. In addition, in the Reporting module, Performance Measurement module and Fee and expense module, some of the INREV Guidelines are recommendations rather than requirements. Although INREV would encourage members to follow such recommendations, they are not required to be followed in order to claim full compliance with the INREV reporting module. The INREV Guidelines Assessments include questionnaires to measure compliance with the Reporting module, the Sustainability reporting module, INREV NAV module and Fees and expense metrics module. The assessment for the Performance measurement module will be added soon.

The level of compliance can be assessed with the help of the INREV Guidelines Assessments. The online assessments include all the requirements that need to be followed to be in compliance with the guidelines, as well as providing an overview of the applicable recommendations. If all of the requirements for an individual module are fully implemented, the manager can disclose full compliance with the relevant module. If the requirements of a module are not fully met, the manager should disclose that the vehicle does not fully comply with that module of the INREV Guidelines and state the reasons for deviation including any additional information relevant to investors.



In all cases, investment managers should present investors with a clear and accurate picture of the level of compliance with the INREV Guidelines. The vehicle documentation should describe, on a module by module basis, the extent to which the vehicle aims to be in compliance with INREV Guidelines.

The level of adoption and compliance with the INREV Guidelines is a matter to be discussed during the launch process of the vehicle. INREV does not provide any assurance on the degree of adoption of best practices or on the level of compliance with requirements for individual vehicles.

The legal framework applicable to individual vehicles may require third party assurance on elements of compliance with INREV Guidelines, for instance where the legal NAV of the vehicle is the INREV NAV. We recommend that investors and managers discuss and agree the nature of such assurance as part of the launch process.

The INREV adoption and compliance framework is summarised below. The framework includes references to tools which can be used to assist in the application of the guidelines.

0.2.1. BEST PRACTICE MODULES

GL03	COMPLIANCE OBJECTIVE	SELF-ASSESSMENT PROCESS	DISCLOSURE	OVERSIGHT AND ASSURANCE
	1. Corporate governance			

Managers should evaluate the level of adoption of INREV best practices using the Corporate Governance INREV Guidelines Assessment Tool.	Managers and investors should refer to and consider adopting INREV corporate governance best practices when designing and implementing an oversight framework for a specific vehicle.	Managers should describe in their annual report and vehicle documentation their corporate governance practices and the degree to which they adopt INREV best practices.	Management and non-executive officers should review the adequacy of the description of the corporate governance framework.
3. Property valuation			
Managers should follow the valuation best practices when determining the fair value of the property portfolio and prepare required disclosures to investors.	Managers should evaluate the level of adoption of INREV property valuation best practices.	Managers should describe their property valuation policies and the degree to which they have adopted INREV valuation best practices in their annual report and vehicle documentation.	Management and non-executive officers should review the basis and adequacy of disclosure to investors summarising the level of adoption with the property valuation best practices.
7. Liquidity			
Managers and investors should refer to and consider adopting INREV liquidity best practices when designing non-listed vehicle products.	Managers should evaluate, using the Liquidity Guidelines Assessment, the level of adoption of INREV liquidity best practices.	Managers should describe their liquidity policies and the degree to which they have adopted INREV best practices in their annual report and vehicle documentation.	Management and non-executive officers should review the basis and adequacy of disclosure to investors summarising the level of adoption with the liquidity best practices.
9. Code of Tax Conduct			

Managers should evaluate their level of adoption of Code of Tax Conduct best practices when examining their own tax policies and practices.	Managers and investors should refer to and consider adopting Code of Tax Conduct best practices when designing and implementing an oversight framework for a specific vehicle.	Managers should describe in their annual report and vehicle documentation their practices referred to in the Code of Tax Conduct and the degree to which they adopt INREV best practices starting with reporting periods ending on or after 31 December 2021.	Management and non-executive officers should review the adequacy of the description of the Code of Tax Conduct framework.
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0.2.2. COMPLIANCE FRAMEWORK

GL04	COMPLIANCE OBJECTIVE	SELF-ASSESSMENT PROCESS	DISCLOSURE	OVERSIGHT AND ASSURANCE
	2.1 Reporting			
	Managers should make disclosure corresponding to all relevant INREV reporting requirements and recommendations as a component of their annual or interim reports to investors.	Managers should evaluate the level of compliance with INREV requirements and recommendations, using the Reporting Guidelines Assessment.	Managers should include all information corresponding to applicable INREV reporting requirements and recommendations in their annual and interim reports.	Management and non-executive officers should review the adequacy of the compliance disclosure to investors summarising the level of compliance with reporting requirements. Auditors could give negative assurance on the degree to which INREV reporting requirements and recommendations are complied with.
2.2 Sustainability Reporting				

Managers should make disclosure corresponding to all relevant INREV sustainability reporting requirements and recommendations as a component of their annual or interim reports to investors.	Managers should evaluate the level of compliance with INREV requirements and recommendations, using the Sustainability Reporting Guidelines Assessment.	Managers should include all information corresponding to applicable INREV sustainability reporting requirements and recommendations in their annual and interim reports.	Management and non-executive officers should review the adequacy of the compliance disclosure to investors summarising the level of compliance with sustainability reporting requirements. Auditors could give negative assurance on the degree to which INREV sustainability reporting requirements and recommendations are complied with.
4. Performance Measurement			
Managers should disclose all relevant INREV performance measures in accordance with performance measurement requirements.	Managers should evaluate the level of compliance with INREV requirements and recommendations.	Managers should include all information corresponding to applicable INREV performance measurement requirements and recommendations in their annual and interim reports.	Management and non-executive officers should review the adequacy of the compliance disclosure to investors summarising the level of compliance with performance measurement requirements. Auditors could give negative assurance on the degree to which INREV performance measurement requirements and recommendations are complied with.
5. INREV NAV			
Managers should calculate and disclose an INREV NAV in accordance with INREV requirements.	Managers should evaluate the level of compliance with INREV NAV requirements, using the INREV NAV Guidelines Assessment.	Managers should include the INREV NAV in their annual and interim reports along with required disclosures. Vehicle documentation should include the required information.	Management and non-executive officers should review the basis and adequacy of disclosure to investors summarising the level of compliance with INREV NAV requirements. Depending on circumstances, auditors can give assurance or negative assurance on the INREV NAV and level of compliance with related disclosure requirements.

6. Fee and expense metrics			
Managers should calculate and disclose fee and expense metrics in accordance with fee and expense metrics requirements.	Managers should evaluate the level of compliance with INREV fee and expense metrics requirements using the INREV Fee and Expense Metrics Guidelines Assessment.	Managers should include information corresponding to INREV fee and expense metrics requirements in their annual reports and in the vehicle documentation.	Management and non-executive officers should review the basis and adequacy of disclosure to investors summarising the level of compliance with fee and expense metrics requirements. Auditors could give negative assurance on the level of compliance with fee and expense metrics requirements.
8. INREV data delivery			
Managers should provide information to INREV in accordance with INREV data delivery requirements.	Managers should evaluate the level of compliance with INREV data delivery requirements.	Managers should provide INREV with all relevant information corresponding to INREV data delivery requirements.	Management and non-executive officers should review the basis and appropriateness of the compliance with INREV data delivery requirement disclosure to INREV.

0.3. REVISION AND CHANGE PROCEDURE

GL05 Since the launch of the revised Guidelines in April 2014, INREV received a growing number of questions and comments from members and non-members regarding the interpretation, adoption and implementation of the Guidelines. A document below describes the change procedure for updates to the INREV Guidelines.

- [Download the INREV Guidelines Revision and Change Procedure](#)

GL06 The last major revision of the INREV Guidelines was done in 2014. Since then the following modules were updated:

Corporate Governance: AIFMD Manager's Guidance published in July 2015. Executive summary published in June 2016. Assessment tool update in December 2018

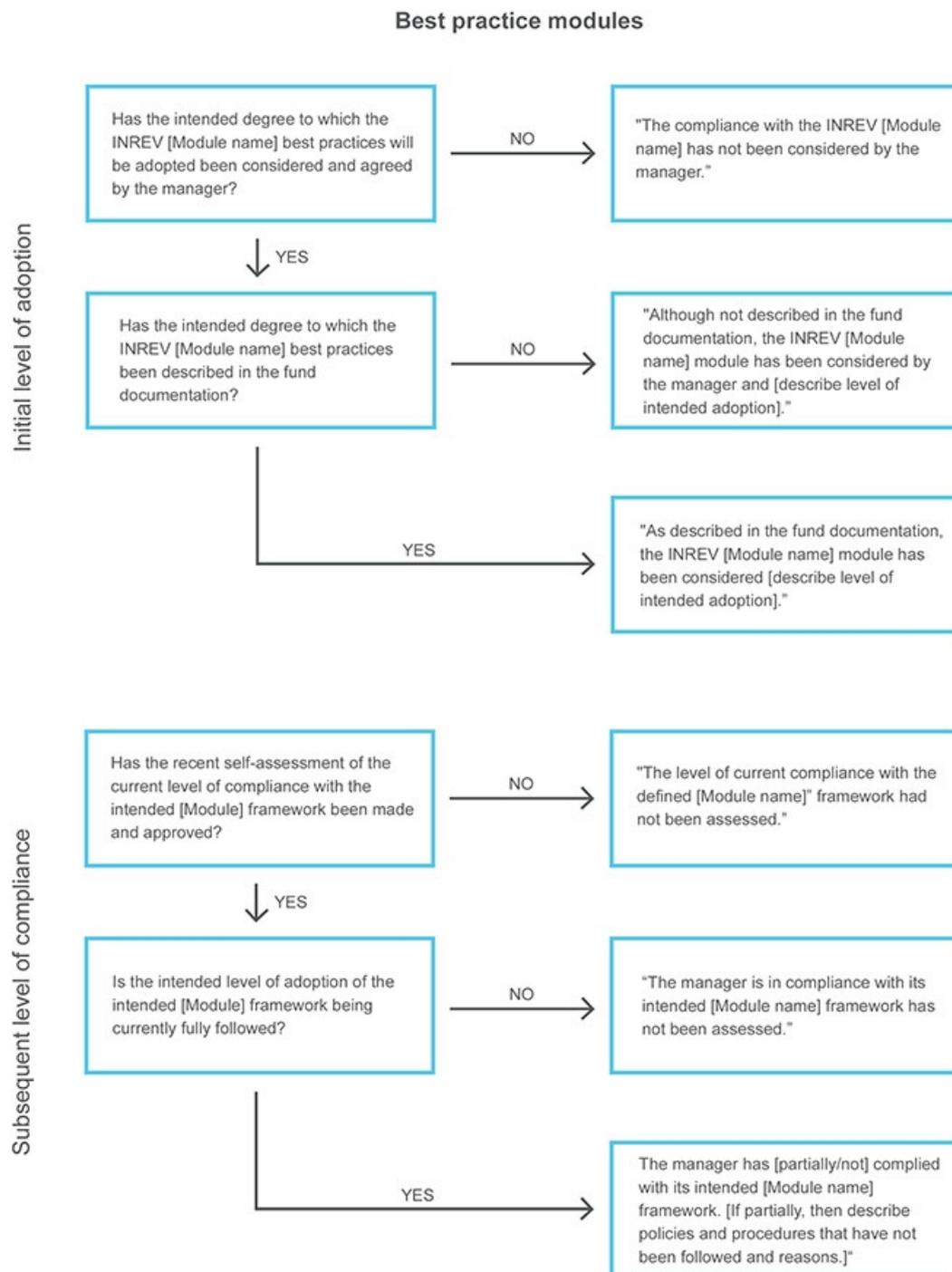
Performance Measurement: New module launched in November 2015

Fee and Expense Metrics: Update done in March 2020 to replace TER by the TGER

Liquidity: Update done in November 2018 to reflect End of Fund Life Report 2017

Code of Tax Conduct: Added in January 2021

0.4. TOOLS AND EXAMPLES

GL07 **Example - Statement of level of adoption of INREV Guidelines**

Management has assessed the degree to which the best practices of INREV's corporate governance, property valuation, liquidity and tax conduct frameworks have been adopted and followed by the vehicle. In addition, Management has assessed the level of compliance with INREV's reporting, sustainability reporting, performance measurement, INREV NAV and fee and expense metrics frameworks. The results of such assessment are summarised below:

MODULE	GUIDELINES	LEVEL OF ADOPTION OR COMPLIANCE
1	Corporate governance	Although not described in the vehicle documentation, the INREV corporate governance module has been considered by the manager. The intended framework partially complies with the INREV corporate governance best practices. All best practices have been adopted except for the fact that investors are not able to terminate the contract of the manager without cause. The vehicle formally assessed at the end of the financial year that it is currently following its intended corporate governance framework.
2.1	Reporting	Although not detailed in the vehicle documentation, the INREV reporting module has been considered by the manager. The manager has complied with all the requirements of the INREV reporting module.
2.2	Sustainability Reporting	Although not detailed in the vehicle documentation, the INREV sustainability reporting requirements have been considered by the manager. The results of the INREV Guidelines assessment show that the manager has complied with all the requirements of the INREV sustainability reporting module.
3	Property valuation	As described in the vehicle documentation, the INREV property valuation framework module has been considered. The manager has defined a valuation framework which fully adopts INREV valuation best practices. The level of current compliance with the defined valuation framework was last formally assessed during the financial year when it was determined that the vehicle was in compliance with all elements of the intended valuation framework.
4	Performance Measurement	The manager has disclosed all relevant INREV performance measures in accordance with the requirements of the INREV Performance Measurement module.
5	INREV NAV	The manager has complied with all the requirements of the INREV NAV module, except for the fact that assumptions used to determine the fair value of deferred taxes are not fully disclosed for confidentiality reasons.
6	Fee and expense metrics	As described in the vehicle documentation, the INREV fee and expense metrics framework module has been considered. The manager has fully complied with the requirements and recommendations of the INREV fee and expense metrics module.

7	Liquidity	As described in the vehicle documentation, the INREV liquidity framework module has been considered. The manager has defined a liquidity framework which fully adopts INREV liquidity best practices. The manager formally assessed in at the end of the financial year that it currently follows the defined liquidity framework.
8	INREV data delivery	The manager is in compliance with the INREV data delivery module.
9	Code of Tax Conduct	(Starting with reporting periods ending on or after 31 December 2021) Although not described in the vehicle documentation, the INREV Code of Tax Conduct module has been considered by the manager. The intended framework complies with the INREV Code of Tax Conduct best practices. All best practices have been adopted. The vehicle formally assessed at the end of the financial year that it is currently following its intended Code of Tax Conduct framework.

As described in the vehicle documentation the results of the INREV Guidelines Assessments should be disclosed in investor reporting.

Extract from results page of the INREV Guidelines Assessments:

[Copy + paste the following statement into your annual and interim reports](#)

INREV Guidelines Compliance Statement

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV) published the revised INREV Guidelines in 2014 incorporating industry standards in the fields of Corporate Governance, Reporting, Property Valuation, Performance Measurement, INREV NAV, Fees and Expense Metrics, Liquidity and Sustainability Reporting. The Assessments follow these guidelines

INREV provides an Assessment Tool to determine a vehicles compliance rate with the INREV Guidelines as a whole and its modules in particular.

THE OVERALL INREV GUIDELINES COMPLIANCE RATE OF THE ANNE IS 90.8%, BASED ON 12 OUT OF 6 ASSESSMENTS

The compliance rate for each completed module is:

CORPORATE GOVERNANCE GUIDELINES IS 92.86%, BASED ON 49 / 49 QUESTIONS APPLICABLE.

REPORTING GUIDELINES IS 83.53%, BASED ON 249 / 268 QUESTIONS APPLICABLE.

INREV NAV GUIDELINES IS 95.12%, BASED ON 41 / 42 QUESTIONS APPLICABLE.

FEE AND EXPENSE METRICS GUIDELINES IS 94.12%, BASED ON 17 / 17 QUESTIONS APPLICABLE.

SUSTAINABILITY REPORTING GUIDELINES IS 90%, BASED ON 50 / 55 QUESTIONS APPLICABLE.

LIQUIDITY GUIDELINES IS 89.19%, BASED ON 37 / 39 QUESTIONS APPLICABLE.

4. PERFORMANCE MEASUREMENT

4.1. INTRODUCTION PERFORMANCE MEASUREMENT

PM-I01 The purpose of this Performance Measurement Module as part of the INREV Guidelines is to provide support to managers when computing and reporting historic performance measures of a vehicle. This module includes detailed computation formulae as well as examples to facilitate implementation. These guidelines have primarily been designed for direct property vehicles.

The guidelines aim to increase consistency in the reporting of performance to investors. The standardisation will also improve the relevance of indices, such as the INREV Index, which are potentially used as points of reference. Comparing the performance of a vehicle can add additional insight into a vehicle's performance. The point of reference should contain vehicles with similar investment mandates, objectives or strategies.

The guidelines have been developed as a consequence of increased demand for standardised performance measures for non-listed real estate vehicles. Global Investment Performance Standards ("GIPS") issued by the CFA Institute and the NCREIF PREA Reporting Standards have been considered when writing these recommendations. The level of effort for those managers that are in compliance with these standards should be limited to claim compliance with this module. Although the frameworks are different, the intention is to align the approaches and avoid conflicts in the methodologies. The Performance Measurement Module has also been developed in light of existing practice in the European non-listed real estate fund industry.

Performance measures and the level of disclosures may vary depending on the style of the vehicle (as determined in the INREV Fund Style Classification methodology). The level of discretion of a fund manager in determining the cash flows of a vehicle and investment restrictions vary significantly depending on the vehicle type. Some performance measures may not be appropriate for some vehicles. For instance, fund managers of closed ended vehicles have discretion over capital calls and distributions, while fund managers of open ended vehicles need to accommodate new issues and redemptions which may interfere with the portfolio strategy. In this context, money weighted returns are more relevant for closed ended vehicles whereas time weighted returns are more relevant for open ended vehicles.

Performance measurement guidelines include the minimum requirements to claim compliance with INREV guidelines. Managers are free to compute and disclose additional measures where they see fit.

4.2. PRINCIPLES

PM-P01 Performance measures of a vehicle should represent fairly the performance of a vehicle. They should be reliable, consistently computed and presented to enable investors to understand and compare the performance of the vehicle.

PM-P02 Performance measurement should reflect the performance of the vehicle in the context of its style, type, structure and strategy.

4.3. GUIDELINES

PM01 Vehicle documentation should include the required performance measures disclosed by the

manager and the frequency of disclosure to investors.

Managers should disclose the computed performance measures and methodology used. If the manager chooses to use a formula not in line with the proposed methodology set out in this module, this should be fully disclosed and explained.

Presentation of the vehicle level performance should be accompanied by adequate disclosures. The purposes of such disclosures are to provide present and potential investors with a precise and complete picture of the vehicle’s historic performance.

PM02 Performance measures should be calculated at the same frequency as the published NAV valuation of the vehicle, with annual being the minimum frequency.

It is expected that the investments owned by a vehicle are measured at fair value, whatever GAAP is used by the manager to determine the NAV of the vehicle.

Periods where a vehicle does not perform valuations can still be a data point as long as a NAV is determined. For instance a vehicle may provide quarterly NAVs, but only annual property valuations. In interim periods the NAV would reflect all changes of the balance sheet while holding the value of the property portfolio constant.

Some measures required in the guidelines may be less relevant during the investment/disinvestment period. However, managers are still required to provide the measures included in this module. Managers may provide comments alongside the measures to explain that the measures may be distorted due to the fact that the vehicle is its investment/disinvestment period.

	Open end vehicles	Closed end vehicles
Performance measures described below are established at vehicle level. In addition, all performance measures are net of all costs borne by the vehicle. The Managers are free to disclose additional measures such as property level performance measures.	✓	✓

<p>Time weighted returns are the preferred performance measure to use when a manager does not have control over the cash flows of the investment. This is typically seen in open ended vehicles and non-discretionary single client account portfolios. The Modified-Dietz Method is the used throughout the financial industry.</p> <p>In closed ended vehicles, the manager has control over the drawdown of capital into the vehicle and the eventual distribution of capital and profits back to investors. Therefore, TWR may not be the best way to present performance, but in order for performance to be comparable to various market indices available TWRs is a requirement for closed ended vehicles.</p>	✓	✓
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PM03	<p>A total return on a time weighted basis should be disclosed in the annual report. This measure should be provided on a one, three, five and ten year period (where the track record exists) and since inception on an annualised basis.</p> <p>A total return is computed as follows:</p> $\frac{\text{NAV}_t - \text{NAV}_{t-1} - \text{contributions} + \text{redemptions} + \text{distributions}}{\text{NAV}_{t-1} + \text{TwdC} - \text{TwdR} - \text{TwdD}}$ <p>Annualisation is computed as follows:</p> <p>Where there is a return that is greater than 1 year, but not a full year period (e.g. one year and two months)</p> $AR_p = \left[(1 + R_p)^{\left(\frac{365}{\text{DHP}}\right)} \right] - 1$ <p>For full years the formula is as follows:</p> $AR_p = \left[(1 + R_p)^{\left(\frac{1}{y}\right)} \right] - 1$ <p>AR_p = Annualised return for the measurement period p R_p = Return for the measurement period p (non-annualised) DHP = number of days in the measurement period y = number of full year periods</p> <p>When a return greater than one year is annualised, it is also allowed to consider the exact number of days.</p>	✓	✓
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When component returns are presented for any period, the sum of the income return and capital return will generally equal the total return. When component returns are geometrically linked to create cumulative returns, the simple addition of the cumulative income return plus the cumulative capital return will not usually equal the cumulative total return. The difference is acceptable and no adjustment is required to any of the total return component.

PM04		Open ended vehicles	Closed ended vehicles

An income return should be disclosed. This measure should be provided on a one, three, five and ten year period (where a track record exists) and since inception on an annualised basis.

An income return is computed as follows:

$$\frac{\sum \text{Net investment income}}{\text{NAV}_{t-1} + \text{TwdC} - \text{TwdR} - \text{TwdD}}$$

Net investment income = the net operational income of a vehicle, on an accruals basis, containing the income and cost described below. This excludes any capital transactions or movements in the reported period, including valuation gains or losses on assets and liabilities, transaction costs, sale proceeds and taxes on capital profits and losses.

The components of net investment income are:

- Rental income from direct investments,
- Net investment income from indirect investments (being the net investment income equivalent of a vehicle's interest/holding in another vehicle)
- Bank interest receivable,
- The portion of the vehicle management and performance fees attributable to the net operational income of the vehicle,
- Property expenses as described in INREV Module 5 - **Fee and Expense Metrics**, excluding amortisation of property acquisition costs,
- Vehicle Expenses as described in the INREV Module 5 - **Fee and Expense Metrics**,
- Taxation Expenses as described in the INREV Module 5 - **Fee and Expense Metrics**, excluding taxes on real estate transactions.

TwdC = Time weighted (daily) contributions for the measurement period

TwdR = Time weighted (daily) redemptions for the measurement period

TwdD = Time weighted (daily) distributions for the measurement period

✓

✓

PM05

Open ended
vehiclesClosed ended
vehicles

<p>A capital return should be disclosed. This measure should be provided on a one, three, five and ten year period (where a track record exists) and since inception on an annualised basis.</p> <p>A capital return is computed as follows:</p> $\frac{(\text{NAV}_t - \text{NAV}_{t-1}) - \text{contributions} + \text{redemptions} + \text{distributions} - (\sum \text{Net investment income})}{\text{NAV}_{t-1} + \text{TwdC} - \text{TwdR} - \text{TwdD}}$ <p>TwdC = Time weighted (daily) contributions for the measurement period TwdR = Time weighted (daily) redemptions for the measurement period TwdD = Time weighted (daily) distributions for the measurement period</p>	✓	✓
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PM06	<p>A distributed income return should be disclosed.</p> <p>Distributed income return is computed as follows:</p> $\frac{\sum \text{distributions}}{\text{NAV}_{t-1} + \text{TwdC} - \text{TwdR} - \text{TwdD}}$ <p>TwdC = Time weighted (daily) contributions for the measurement period TwdR = Time weighted (daily) redemptions for the measurement period TwdD = Time weighted (daily) distributions for the measurement period</p> <p>Distributions include dividends and interests paid during the period.</p> <p>Returns should be calculated on a money weighted basis where weight is put on the size and timing of the cash flows reflecting the manager's control over in- and out-flows of the vehicles.</p>	Open ended vehicles	Closed ended vehicles
		✓	✓

PM07		Open ended vehicles	Closed ended vehicles
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<p>Since Inception Internal Rate of Return (“SI-IRR”) should be disclosed.</p> <p>SI-IRR is computed as follows:</p> $f_0 + \frac{f_1}{1 + IRR} + \frac{f_2}{(1 + IRR)^2} + \frac{f_3}{(1 + IRR)^3} + \dots + \frac{f_n}{(1 + IRR)^n} = 0$ <p>$f_0 \dots f_n$ = cash flow for the period 0 through n (Negative values for inflows and positive values for outflows) IRR = Internal Rate of Return</p> <p>This is otherwise known as a money-weighted return.</p>		✓
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PM08		Open ended vehicles	Closed ended vehicles
	<p>A paid-in capital multiple or paid-in capital to committed capital multiple (PIC) should be disclosed.</p> <p>PIC is computed as follows:</p> <p><u>PIC</u> CC</p> <p>PIC (Paid-in Capital) = Cumulative capital contributed to the vehicle CC (Committed Capital) = Cumulative capital plus undrawn capital.</p>		✓

PM09		Open ended vehicles	Closed ended vehicles

<p>An Investment Multiple or Total Value to Paid-in Capital Multiple (“TVPI”) should be disclosed.</p> <p>TVPI is computed as follows:</p> <p>$\frac{TV}{PIC}$</p> <p>TV (Total value) = Sum of residual vehicle net assets (NAV) plus aggregate vehicle distributions</p> <p>PIC (Paid in capital) = cumulative capital contributed to the vehicle</p>		✓
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PM10		Open ended vehicles	Closed ended vehicles
	<p>Realisation Multiple or Cumulative Distributions to Paid-in Capital multiple (“DPI”) should be disclosed.</p> <p>DPI is computed as follows:</p> <p>$\frac{D}{PIC}$</p> <p>D = Distributions</p> <p>PIC (Paid in capital) = cumulative capital contributed to the vehicle</p> <p>Distributions retained in the vehicle and not paid to the investors are considered as realised.</p>		✓

PM11		Open ended vehicles	Closed ended vehicles

<p>An Unrealised Multiple or Residual Value to Paid-in Capital Multiple (“RVPI”) should be disclosed.</p> <p>RVPI is computed as follows:</p> $\frac{RV}{PIC}$ <p>where, RV (Residual value) = Net asset value (NAV) of the vehicle PIC (Paid in capital) = cumulative capital contributed to the vehicle</p>		✓
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PM12		Open ended vehicles	Closed ended vehicles
	<p>The following items should be disclosed alongside the performance measures:</p> <ul style="list-style-type: none"> • What date the performance measures have been calculated to; • Currency used to express performance measure; • Fees have been deducting to reach the net performance; • Applied accounting standards; • If applicable, how performance fees have been accounted for; • Disclose the methodology to determine the date of cash flows. It can also include explanations on restrictions on cash flows, such as distributions that are restricted and affected by regulations. 	✓	✓

PM13		Open ended vehicles	Closed ended vehicles

<p>Points of reference with the same vintage year or inception year should be disclosed if available and meaningful.</p> <p>Given the limited universe of vehicles in several markets, it may not be appropriate to use available main- or sub-real estate vehicle indices as points of reference. A manager should take reasonable care not to apply points of reference where the manager or vehicle in question accounts for a significant share of the underlying universe. When no appropriate point of reference exists, this must be disclosed. Where there is a difference between the performance objective and the point of reference, the objective may be used as a primary reference point as long as clearly disclosed.</p>		✓
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PM14		Open ended vehicles	Closed ended vehicles
	<p>Where a composite and a point of reference are disclosed, they should be described.</p>	✓	✓

PM15		Open ended vehicles	Closed ended vehicles
	<p>Vehicles should disclose their vintage year.</p>		✓

PM16		Open ended vehicles	Closed ended vehicles
	<p>Where a composite is presented a composite description must be disclosed.</p>	✓	✓

PM17		Open ended vehicles	Closed ended vehicles

The time period and frequency of cash flows used in the calculation should be disclosed.		✓
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4.3.1. CONSIDERATIONS

PM18 **The following considerations and methodologies are to be used when determining performance measures:**

Performance measurement computation

PM19 Unitised basis versus NAV basis

In some countries, the performance of vehicles may be reported at a unit level. The guidelines have been developed on the basis that performance has been determined on aggregate NAV and cash flow basis.

GAAP

The methodologies described below assume that components of measures are determined in accordance with module 4 - [INREV NAV](#), which is determined based on IFRS financial statements. Where this is not possible reference should be made to IFRS or local GAAP.

Dates of cash flows

Dates used for performance calculations should be based on cash flows between investors and the vehicle at the date as determined for accounting purposes. As a minimum, monthly and annual cash flows must be used however it is now common to use quarterly and daily cash flows where adoption would be encouraged, especially for open ended vehicles. For capital calls, the deadline of the capital call is to be used.

Open ended vehicles are subject to a potential constant in- and out-flow of capital. To accommodate for the large flows of capital, cash flows can be rolled up periodically, ideally on a monthly basis to the end of each month.

In the case of distributions for unitised vehicles the declared date should be used.

Closed ended vehicles should apply the dates where cash flows are called or distributed to investors. The date should reflect the effective date for capital calls where the capital should be paid in and for distributions where the capital was paid by the vehicle.

Valuation of properties

Property should be valued in accordance with guidelines defined in module 3 – [Property Valuation](#).

Fees

Vehicle level performance measures may be calculated on three main levels:

- net of both management and performance fees (required);
- net of management fees (as defined in module 6 - [Fee and Expense Metrics](#)), but gross of performance fees (carried interest) (optional);
- gross of all management fees (optional).

Performance measures are computed net of all fees and any materialised carried interest (or any other kind of performance fee) and forecasted future (provisions for) carried interest payments. However, fees charged to

investors as a result of the redemption of units or exit to/of the investors should not be considered when they are earned by the managers rather than the vehicle. Even though not required, performance measures may also be computed gross of management fees and carried interest payments.

When fees are charged to investors outside of the vehicle, performance measures should include these fees as if the fees had been billed directly to/inside the vehicle.

Currencies

Default performance should always be calculated in the vehicle denominated currency in order to reflect the true performance of the vehicle.

Performance measurement computation

PM20 To illustrate the combined performance of multiple vehicles, composite performance maybe presented which combines the performance of each vehicle in a standardised way over time.

Grouping criteria

To ensure fair representation of composite performance, vehicles included in the same composite must share one or more common attribute.

Composites should be defined by common attributes. A suggested hierarchy of grouping criteria is provided below:

- Style (please refer to the INREV Style classification paper, not manager defined);
- Structure (open vs closed ended);
- Strategy;
- Points of reference;
- Leverage.

For closed ended vehicles composite performance should preferably be defined by the combination of vintage year and one of the above mentioned attributes.

All vehicles (both historic and live) in a manager's track record must be included in a composite if a vehicle matches the grouping criteria. Where a vehicle matching the grouping criteria has been excluded from the composite, reasons for doing such is disclosed.

Calculation methodology

Time weighted return composite performance should be calculated by weighting the performance of each participating vehicle or segregated account with its share of the total composite's size. The weighting is done at the same frequency as the valuations of the vehicles and time weighted.

For closed ended vehicle composites a since inception IRR is presented. As cash flows of vehicles participating in the composite are all sharing common vintage year and attributes, aggregating cash flows do not constitute a problem.

Further considerations for multiple computation

Some vehicles have the ability to recycle capital during the investment period (to reinvest returned equity capital). For equity multiple calculation purposes, any distributions that are included as a return of equity or return on equity for the purpose of the calculation ('nominator') should, if reinvested (recycled), also be added to the amount of drawn capital ('denominator') to give a fair reflection of the true ratio of returned equity to investors. This should be the case whether the recycled equity is actually distributed and recalled, or reinvested direct by the manager

without physically distributing back to investors (to eliminate the back-and-forth flow of cash).