

Steady growth in AUM as performance remained positive

- > Funds of funds' global AUM rose to over €80 billion at the end of 2022
- > At 2.93%, the funds of funds' average total return remained positive in 2022
- > Value add allocations increased to a record 10% but focus on core remains

The total assets under management (AUM) of funds of funds globally stood at €80.2 billion, nearly doubling in the last three years¹. According to the [ANREV/INREV/NCREIF Capital Raising Survey](#), funds of funds invested more than €5.2 billion into the global real estate market in 2022.

Around 66% of the total funds of funds managers' AUM is allocated to non-listed real estate funds, and by structure, there is a slight preference for closed-ended over open-ended structures.

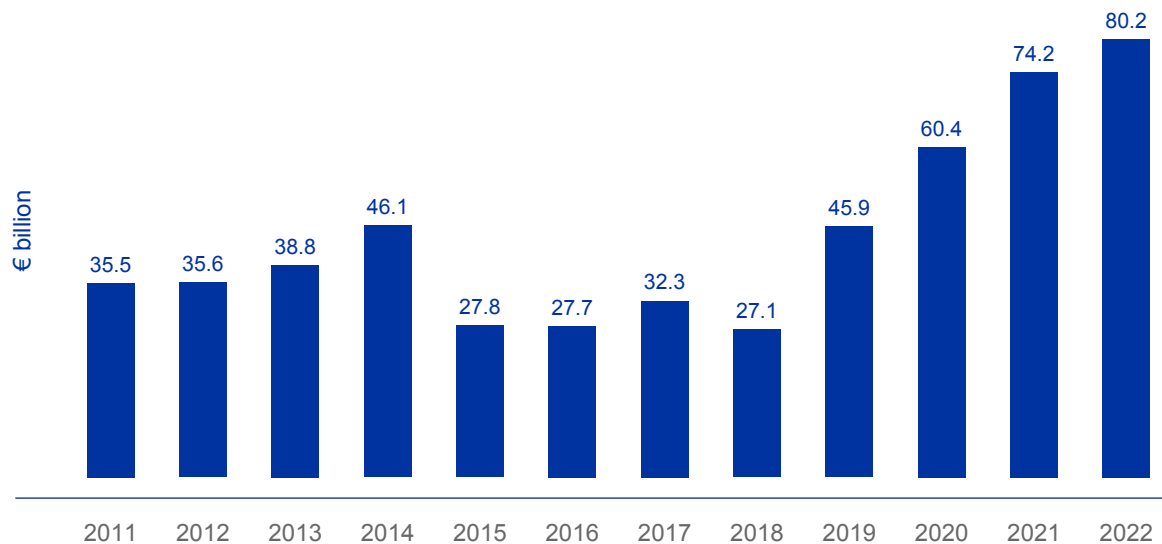
Funds of funds' global allocations are limited as they tend to invest directly into regional or individual market strategies. This trend accelerated in the recent past and is driven by the greater shift in sector preferences and, in some cases, specialisation.

Funds of funds have greater sector diversification than traditional institutional investors who display higher concentration in the main sectors. Industrial and logistics account for 28% of funds of funds' portfolios which is a notable increase from only 22% at the end of 2021². This showcases the funds of funds' ability to shift the dynamics of their portfolios to changes in sector outlooks relatively quickly by the non-listed real estate standards.

The funds of funds that contributed cash flow data to the [ANREV / INREV Data Platform](#) reported an average total return of 2.93% in 2022, compared with the 13.96% delivered for 2021. Despite the slowdown in performance, this marks the tenth consecutive year of positive returns.

With exception of 2021 and 2022, core, open ended funds of funds overperformed their

Figure 1: Total global funds of funds' assets under management



¹ ANREV/INREV/NCREIF Fund Manager Survey 2023

² As at the end of 2022, ANREV/INREV/PREA Investment Intentions Survey 2023

non-core closed end peers in all years since 2015. Closed end vehicles reported a total return of 3.78%, above the 2.89% posted by open end funds. This is a decrease from 16.50% and 13.88%, respectively, reported in 2021.

Global strategies are the most popular among funds of funds by number and net asset value. This is not surprising as one of preferred features is the global reach they offer to small and medium size investors, especially given

the flexibility to access some sectors that may be otherwise limited to those peers with only regional reach.

Historically, funds of funds with global strategy outperformed their European peers by an average of 322 bps per annum. At 611 bps, the outperformance was particularly strong in 2021. In 2022 funds of funds with European strategy reported a marginal 14 bps outperformance over their global peers.

Funds of funds' AUM is largely allocated to core strategies as most of their investors are looking for income return. However, at 10%, the 2023 edition of [ANREV/INREV/PREA Investment Intentions Survey](#) has shown the highest allocations to value add investments for funds of funds on record.

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Figure 2: Funds of funds' annual performance (%)

