AREF

The Association of Real Estate Funds

Our History

Contents

Foreword

The History of AREF

The concept of an association to represent the property unit trust (PUT) industry was first conceived in the early 1970s. The Association of Real Estate Funds (AREF) began as an informal luncheon club for the few PUT fund managers that existed. The principal function was to exchange information on matters affecting the PUT industry but had no particular ambition or agenda. AREF was then known as the Association of Property Unit Trusts, or APUT, reflecting the much more restricted membership at the time.

The PUT industry of the 1970s was very different from the one found today. Firstly, there were less funds to invest in. In addition, there were very few independent real estate fund managers. Investment banks, such as Lazard, Fleming and Rothschild, dominated management of PUTs.

At the time, the largest PUT was the Pension Fund PUT (PFPUT). It was created as a ‘gentleman’s arrangement’ among a group of pension funds and its conception marked the commencement of collective investment in the real estate industry. A management team was employed to solely run PFPUT. Over time, however, investors became disillusioned with the management team, feeling it was running the business for its own benefit rather than for investors. A new fund manager was sought but while the majority of investors were eager for change, the 75% minimum investor agreement required for the removal of the manager was not reached. The fund was eventually wound up. At the time, it was around £100 million in size.

By the mid-1980s, in response to wide-ranging financial services legislation, it was decided that AREF’s brief should become more formalised. Its key aims were laid out in two statements. Firstly, it should represent the interests of the members of the Association and it should also promote the PUT movement as a whole. Secondly, it should make representations on behalf of the members to appropriate government departments and/or regulatory authorities on any proposed legislative or other matters affecting the well-being of PUTs.

The Association of
Property Unit Trusts

Original APUT logo

> The Association of Real Estate Funds (AREF) began as an informal luncheon club for the few PUT fund managers that existed.

The recession of the early 1990s led to the near-collapse of the real estate industry. Investors were disenchanted, although this was primarily focussed on directly-owned real estate rather than the indirect sector. AREF had a difficult job to repair the reputation of real estate as an investment and PUTs, in particular. It recognised

CODE OF PRACTICE

Following the early 1990s recession, the real estate PUT industry was in crisis. In the difficult times, it had come under considerable criticism for closing doors to investors wishing to leave or widening the bid-offer spread to discourage redemptions. As a vehicle, it was becoming less and less popular. Action was required to reverse the trend otherwise real estate PUTs were in danger of dying out.

The first step was to accurately ascertain investors’ and potential investors’ views of the PUT market. AREF commissioned Dr Robin Goodchild to carry out a survey of investors and advisors. Twenty-three investors responded.

When the results were published, in 1996, the general opinion of the real estate market was surprisingly positive. Investors liked the potential liquidity and cost effectiveness offered by secondary market trading. However, the report highlighted considerable criticism of members’ irregular documentation and procedures and the lack of important fund information which should have been provided. As collective investment schemes, unauthorised PUTs were bound by the then Investment Management Regulation Organisation’s (IMRO) conduct of business rules.

Accepted best practice for the form and content of report and accounts for authorised unit trusts was contained within the IMRO Standard of Recommend Practice (SORP). However, the SORP did not apply to most PUTs as they were unauthorised and this led to a tendency for minimum disclosure.

There were several areas of concern highlighted by the Goodchild report. There was little analysis of unitholder profile. This was particularly pertinent as many funds had parent companies who owned large stakes in funds and left little in the way of freely tradable units. There was also a lack of information on liquidity and the number of units being traded. There were also requests for clarification on costs and dealing policies.

The members of AREF took on board the comments from the Goodchild report and, in November 1997, the Code of Practice was launched, with the twin aims of providing transparency and freedom of information on the real estate PUT industry to investors. The central purpose of the Code was to provide a model of practice which both members and investors could refer to and to support investors to understand fund procedures more easily. It also provided a response to the increasing demands put upon AREF by the regulators. While the Code was voluntary, its aim was to encourage the members of AREF to adopt best investment practice wherever possible. The Code was to be reviewed at least annually, prior to publication in the Year Book.

Early Code of Practice and from 2015

As well as taking on board the issues highlighted in the Goodchild report, the Code also drew on several other sources; existing regulatory codes such as the SIB Regulations, the Statement of Recommended Practice (SORP) issued by IMRO for Authorised Unit Trusts, IMRO’s Conduct of Business Rules, National Association of Pension Funds (NAPF) Performance Codes and other, new measures which the Committee believed should be incorporated.

CONTINUED OVER

CODE OF PRACTICE

In 2001, the Code was enhanced with guidance on management committee roles, supported by NAPF, to improve the regulation of PUT structuring and the accountability to unitholders for the decision-making processes within the different management structures.

In 2006, the Code of Practice was divided into the two levels that are evident today – Minimum Compliance and Best Practice. In addition, a fund check list was published to indicate where funds were or were not complying. The Code appeared on AREF's website for the first time in this year.

Since its inception, and after the global financial crisis in particular, there has been considerable debate about how the Code of Practice should be enforced. There were no sanctions when the Code was originally introduced as it was hoped peer comparison would encourage best practice. However, members felt that compliance should be "policed". When the IMA was employed, it ran an audit process but it was impractical to audit every member. A sample of funds was selected by the Corporate Governance Committee and all new members also underwent compliance checks. The remaining funds provided self-certification.

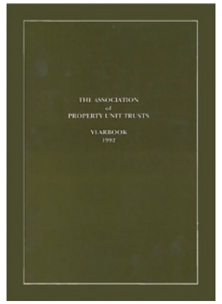
In 2015, the self-certification process was tightened with the introduction of the requirement that, on an annual basis, managers must self-certify the level of compliance they have reached with each element of the Code and provide documentary evidence in support. The results were published for the first time online as the Self-Certification Matrix in early 2016. Its introduction has allowed direct comparison of individual funds' ability to comply with the Code and should enable investors to trigger questions about why fund managers do not comply when many others are able.

If a member fund fails to comply with the Code of Practice, the Board prompts discussions with the fund manager to facilitate resolution. The Board, in these circumstances, is represented by non-conflicted directors. The ultimate sanction if a fund declined to resolve any issue is dismissal, albeit temporary, from the Association.

The processes around the Code of Practice were tested twice in 2015. One potential breach was remedied quickly after senior level contact with the fund in question. The other was a more complex case involving different interpretations of certain sections of the Code. With the assistance and co-operation of both the fund manager and investor representation, AREF's intervention helped promote a close future working relationship between the parties involved, omitting the need for any formal action by the Board. Following this incident, the Articles of Association were re-worked in 2016 to add a range of interim sanctions or remedies for failure to comply, given the Code more 'teeth'.

At the beginning of 2017, one of the legal affiliate firms volunteered to assist in the annual Code of Practice audit process. This will enable an increase in the quantum of reviews undertaken and in the depth of assessment. It is hoped that other firms will follow suit in the future and volunteer.

The Code of Practice is continually being refined and enhanced, most recently with the End of Fund Life Project. With the introduction of the Self-Certification Matrix, it is hoped that peer pressure will encourage not just members, but the wider real estate industry, to comply with the Code. If everyone commits to following best practice, it allows the bar to be raised and what is now best practice becomes minimum compliance.



First Yearbook 1992

the necessity to professionalise the unit trust industry and to convince investors about the liquidity benefits of PUTs. There was also an obligation to provide better governance and more transparency on performance and documentation and AREF was well placed to help implement this.

An annual publication, known as the Yearbook, was developed primarily as a marketing tool for AREF and the PUT industry. It contained very basic key facts on member funds. This was quite revolutionary at the time as there had not been a culture of sharing information among managers previously and there was concern that competitive advantage might be lost.

The 1992 Yearbook contained details of 20 member funds as well the Irish Property Unit Trust which had observer status as it was not a UK-domiciled PUT. The aggregate value of members' funds was £1.5 billion. Overseas investment was surprisingly common; geographical exposure was not just restricted to the UK commercial real estate market. Four PUTs were invested in US real estate, one was Pan-European as well as one fund invested in agriculture and the Irish PUT.

The 1992 Yearbook also included a piece written by the then Chair, Robert Houston, based on a speech given to US pension fund managers and consultants in San Diego. Robert had been asked to explain how the UK PUT industry had succeeded in meeting redemptions almost on request when the UK real estate market was struggling with a major crisis of confidence.

Yearbooks 1994 to 1998

The US indirect industry had not fared so well. The answer, Robert concluded, was "the comparative liquidity of the UK market, but most importantly, it is a reflection of the mature approach adopted by funds to asset management".

As far back as the early 1990s, the expansion of AREF membership beyond UK-based PUTs was regularly debated. At that point, the prospect of retail fund membership was deliberated but it was declined, citing dilution of the Association and its aims as the justification.

While the issue of promoting the real estate fund industry was being tackled, AREF also needed to consider how best to improve governance and transparency following the early 1990s recession. To help understand the intentions and the frustrations of the pension fund industry towards the beleaguered real estate funds industry, Dr Robin Goodchild was asked to carry out a survey of investors and advisors. This survey would lead to the development of AREF's Code of Practice which was launched in 1997 (see separate Code of Practice section).

During 1995, to make matters more difficult for the real estate industry, pension funds had to come to terms with the Pensions Act and the Minimum Funding Requirement. Real estate was not considered a matching asset, hence, some funds decided to dispose of their entire real estate holdings. However, this created something of an opportunity for real estate PUTs as they offered more flexibility and liquidity than owning real estate directly. Pension fund trustees could transfer some, or all, of their assets to one or more PUTs (and take units in consideration) to achieve an exposure to a wider basket of property without the issues associated with managing a portfolio of assets directly.

> As far back as the early 1990s, the expansion of AREF membership beyond UK-based PUTs was regularly debated.

This requirement for flexibility and liquidity brought a more positive attitude from pension funds towards indirect real estate funds. For a long while, smaller pension funds had favoured PUTs as they could not afford to run their own direct portfolio. Now, even larger pension funds were waking up to the advantages of investing indirectly.

With improvements in the underlying real estate market and a wider audience of investors, the secondary market in real estate fund units expanded considerably in the mid-1990s, as it proved to be an efficient way of gaining entry

AREF/IPD UK QUARTERLY PROPERTY FUND INDEX

The Index has a long history stretching back beyond AREF's involvement. It originated from Philips & Drew, in 1978, a stockbroking and fund management business. Philips & Drew was one of the first fund managers to invest significantly in real estate PUTs as they preferred to be invested in the real estate industry without managing assets directly. A PUT performance index was created as a way of comparing individual funds' performance. It was also used for benchmarking purposes as well as for marketing the company itself. Philips & Drew offered a secondary trading service.

In 1986, Philips & Drew was taken over by UBS. The fund management and stockbroking business became separate entities and responsibility for calculating the Index moved from the fund management side to the stockbroking business. John Atkins, a key driver in the future development of the Index and, subsequent Property Fund Vision handbook, became involved during this time. At one point, the calculation of the Index was moved to an actuarial firm.

John Atkins left UBS in 1998 and joined HSBC Investment Bank in June 1999. At this time, HSBC had a strong desire to support its growing trading business with a robust performance index. John persuaded Investment Property Databank (IPD) to become involved; they were initially reluctant as the Index was based on fund performance rather than the underlying real estate. AREF was an obvious partner to provide governance.

In June 2000, the Pooled Property Fund Index was launched. It was jointly sponsored and published by AREF and HSBC, while the data was compiled and calculated by IPD. The quarterly index enabled investors to compare for the first time the performance of individual vehicles with the rest of the Pooled Property Fund industry and with IPD data. The 24 participating funds were split into three categories – balanced PUTs, specialist vehicles and managed property funds. The first set of results showed that all pooled funds returned 14.9% over 12 months to 20 June 2000, substantially outperforming the FTSE 5–15yr Gilts (4.6%) and the FTSE All-Share Index (5.1%).

> In June 2000, the Pooled Property Fund Index was launched. It was jointly sponsored and published by AREF and HSBC, while the data was compiled and calculated by IPD.

One of the disadvantages of the Index was that performance was measured on an offer to offer basis. To this end, in December 2003, there was a change in calculation methodology from an offer price to a net asset value basis. As well as eliminating the effects of changes in unit price spreads, it also allowed for the inclusion of limited partnerships and other closed-ended funds that did not publish offer prices.

A second change to the calculation methodology was made in June 2005. It was decided that the Index had reached a sufficient degree of coverage and maturity that their history should be

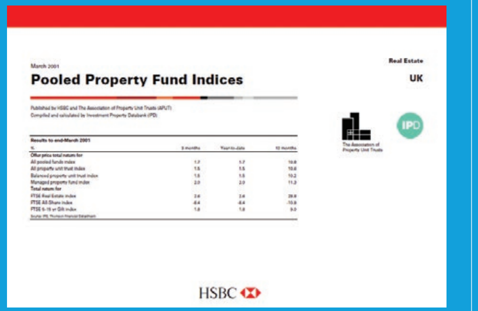
CONTINUED OVER

AREF/IPD UK QUARTERLY PROPERTY FUND INDEX

frozen, thus making them suitable for benchmarking and purposes that required a fixed history. By the end of 2005, 54 funds were monitored within the Index.

In 2006, AREF gained agreement that any new member of the Index must also be a member of AREF. It also expanded its membership rules and Code of Practice to include various rules and regulations required in the production of the Index including pricing, performance measurement methodology, data protection and timetabling.

In 2007, IPD took over ownership of the Index with AREF and HSBC becoming sponsors. The Index was rebranded to reflect IPD's change in status. HSBC subsequently terminated its sponsorship



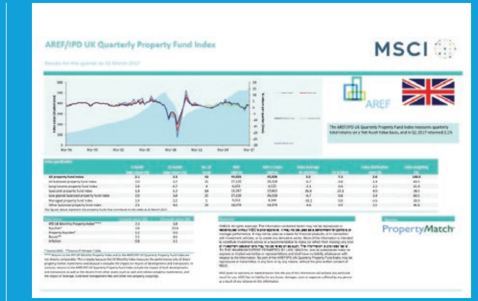
Pooled Property Fund Indices 2007

In 2007, IPD took over ownership of the Index with AREF and HSBC becoming sponsors.

as its business focus changed. The Index then became known as the AREF/IPD Quarterly Property Fund Index.

To reflect wider themes within real estate investment, the Long Income Fund Index was introduced in 2012. As at the end of March 2017, the All Property Fund Index comprised 43 funds valued at £44.8 billion, considerably more than the 24 funds, worth approximately £7 billion, covered back in 2000.

Since its creation in 2000, the Index has brought greater transparency to the measurement of real estate funds' performance. It has become the first of a number of real estate fund indices produced by MSCI, who took over IPD in 2012, around the globe but is widely regarded as the most robust and longstanding. Each quarter, it is keenly anticipated as it enables individual fund performance to be benchmarked against the rest of the industry. It remains one of the vital outputs that AREF produces.



AREF/IPD UK Quarterly PFI – 2017

First APUT Newsletter

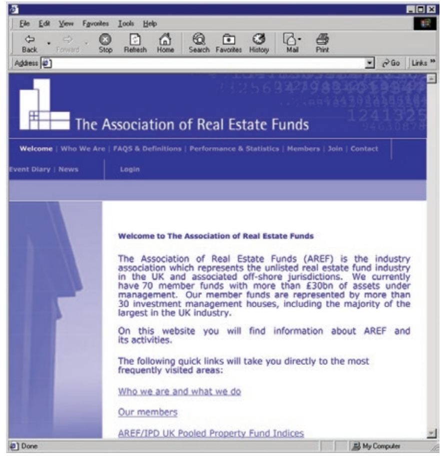
and/or exit to the market. This was reflected in the growth in value of AREF's membership. By the end of 1997, it had reached £4.5 billion.

The end of the 1990s marked the growth in offshore-based PUTs and the rise of the specialist funds as fund managers became more sophisticated and entrepreneurial in designing new vehicles. The increasing influence of the multi-manager business also helped drive the creation of new products.

The first AREF newsletter was introduced in 2000, in paper form, with the aim of keeping members and the industry in touch with developments of the Association and the wider PUT industry. Front page news in the first edition was the launch of the Pooled Property Fund Indices, jointly published by AREF and HSBC and compiled and calculated by IPD (See separate Index section). AREF's website was also unveiled in 2000 and replaced the Yearbook in 2001 as the primary source of information on the Association.

By the start of the new century, there were 27 members of AREF, with net assets in excess of £6 billion. By this time, all the US-invested funds had been wound up.

The 2000s marked the commencement of a restructuring and a professionalising of AREF. There was concern about the lack of legal



Early website

constitution and personal liability for the Chair and committee members so conversion to a limited company was sought. AREF was incorporated in November 2002.

In 2004, Rachel McIsaac became the first paid employee of AREF as its Chief Executive Officer. Her main priorities were to increase membership, prepare the Association's business plans and to take forward the Code of Practice.

Full Membership was expanded to cover other collective investment schemes beyond PUTs. In addition, Affiliate Membership was introduced for firms providing an advisory role to the funds industry, such as lawyers, administrators and valuers. The wider membership provided many benefits. It is very advantageous to have lawyers on your side to support a lobbying campaign!

PROPERTY FUND VISION HANDBOOK

Today, searching for fund information, such as fees or portfolio distribution, is very straightforward. You click on a link on the AREF website and you are quickly transported to the online version of the Property Fund Vision Handbook. Back in the early 2000s, it involved a little more work. This information was contained in a large weighty, white tome, which was then known as the Pooled Property Funds. It was 164 pages long and sponsored by HSBC. How was this vital source of information first produced?

Philips & Drew was not the only fund management firm operating in the PUT industry in the 1980s and 1990s. Others such as ING, Schroders and Deutsche were also actively trading. They would each send out their own questionnaire to prospective fund investments. Realising that there was a high degree of commonality between the questionnaires and a requirement to streamline the process, a common interest group was formed. The group devised what became known as the pooled property fund questionnaire. This standardised questionnaire helped streamline the gathering of information on investments.

HSBC realised the value of having the output from each fund's questionnaire contained in one place. John Atkins acted

Pooled Property Funds 2003

as consultant to produce what was then called Pooled Property Funds based on the questionnaire replies. The first issue was published in June 2003 and covered 29 funds. Remarkably, given the amount of data involved, John produced the handbook almost single-handedly from his home office. He became the guardian of the questionnaire and his role in sense checking the resultant data was crucial. During this time, the format of the questionnaire rarely changed given the manual nature of the input process.

The Property Fund Vision handbook became an essential publication to refer

Property Fund Vision Handbook – Q1 2017

to, particularly with the emergence of the real estate multi-manager business in the early 2000s and continuing expansion of secondary market trading. There was an increasing requirement for transparency and for easy access to data for analysis of potential investments.

In 2008, responsibility for the production of Property Fund Vision was moved to IPD with John employed as a consultant for a number of years, providing essential data cleansing before publication. IPD took the sensible decision to move the publication online. At the end of 2016, the publication monitored 54 funds, over 400 pages!

To reflect the broadening membership, and after significant debate, the Association officially changed its name to the Association of Real Estate Funds at the beginning of 2006.

AREF's first logo 2006

To reflect the broadening membership, and after significant debate, the Association officially changed its name to the Association of Real Estate Funds at the beginning of 2006. Sub-committees were created, such as the Index Committee and the Code of Practice Committee, to reflect the widening brief of the Association and the desire to get more members involved in decision-making. By the end of the decade, membership had increased to 56.

A further indication of AREF's increasing professionalism was the move to a professional secretariat. The Investment Management Association (IMA) was appointed in 2008. Key responsibilities included: provided lobbying assistance; running the membership; organising the website; and supporting data and information provision. The IMA became The Investment Association at the start of 2015.

The mid-2000s saw the increasing influence of Investors in Non-Listed Real Estate Vehicles (INREV) in the real estate funds industry. It had similar desires to AREF in terms of increasing transparency, improving reporting standards and building performance indices. However, it had a European-wide mandate and was, primarily, investor focussed. There was considerable discussion about whether AREF should forge closer ties with INREV, particularly as an increasing number of UK pension funds were considering widening their geographical exposure to buy in Europe. However, it was decided to agree to co-operate with INREV but remain distinct.

The five-year boom in the UK real estate market ended abruptly in the second half of 2007 with the start of the global financial crisis. Capital values collapsed overnight and there was little sign of recovery for the next two years. Highly geared funds were struck hardest. Following this period of turbulence, corporate governance took on a new importance, to provide desperately needed transparency and disclosure within the financial services industry. AREF was again well placed to be become immersed in two issues related to the real estate funds industry.

The Alternative Investment Fund Managers Directive (AIFMD) was first proposed by the European Commission in 2009 as part of an increased push for better investor protection. It applied to hedge funds, equity funds and real estate funds, which previously, were outside of EU financial regulations. The manager became the authorised entity rather than the fund. The Directive was implemented in July 2013.

The Directive has imposed significant obligations on fund managers, some of which are not appropriate for real estate funds. AREF has lobbied on specific aspects, one of which concerns valuation. The fund manager or an independent external valuer is required to carry out regular valuations on the assets of a fund. Under AIFMD, if an external valuer is used, he or she is subject to unlimited liability. This is expensive to offset and therefore increases the cost of valuations to the respective fund. AREF has lobbied for clarity on this issue as the unlimited liability protects the fund manager from the valuer and therefore provides no direct protection for investors. The issue is still unresolved.

The categorisation of real estate funds used by AIFMD has resulted in real estate falling under other EU directives. One of these is the European Market Infrastructure Regulation (EMIR) which became applicable in 2012. It imposes requirements on all types and sizes of entities that enter into any form of derivative. The use of interest rates swaps as part of a debt strategy falls into this category, which has penalised real estate funds by effectively raising the cost of borrowing. AREF has lobbied hard to get real estate funds carved out of the Directive but has ultimately failed as there is concern that carve outs would be abused.

AIFMD and EMIR are both good examples of regulations targeted at other parts of the fund management industry but that have had unintended consequences for the real estate funds industry. AIFMD was directed at hedge funds and EMIR at derivatives. AREF recognised that real estate funds had been inadvertently categorised, and therefore fallen within the bounds of these directives, and has fought to have this acknowledged.

At the beginning of the 2010s, AREF began an initiative to promote research by collaborating with others within the industry.

At the beginning of the 2010s, AREF began an initiative to promote research by collaborating with others within the industry. As part of this programme, AREF appointed PwC to undertake a study into the behaviour and practices of its member funds during the financial crisis to provide an objective account of manager behaviour and to determine what could be learned

LOBBYING

One of the main tenets of AREF is to inform, influence and lobby policy makers, tax and regulatory authorities and other official bodies to realise the best environment for real estate funds to operate in. AREF has petitioned on a vast number issues, including some less expected ones such as the 2012 Montague Review on housing investment.

One of the first examples of AREF's lobbying powers was in respect of the Royal Institution of Chartered Surveyors (RICS) in the early 1990s. An amendment was secured to the wording of the then Valuation Guidelines to recognise that valuations undertaken for PUTs (and other funds) were used as the basis for pricing units for subscription and/or redemption. In other words, they were price sensitive. In effect, AREF was looking for valuations to properly and accurately reflect the market at the valuation date, without any smoothing up or down. Until then, some valuations were poorly executed. Most of all, AREF wanted the valuers to understand the significance and importance of their valuations. The amendment has largely resolved the issue over time – at least in the UK!

Caption caption caption xxxxxxx

A more recent example of AREF's involvement in lobbying the Government was to press for legislative change to encourage the creation of more Property Authorised Investment Funds (PAIFs). PAIFs were introduced a few years earlier, in April 2008, by HM Revenue and Customs (HMRC) in an attempt to create a more flexible and tax efficient environment for real estate investors. In particular, HMRC wanted to remove the anomaly in which tax-exempt investors were disadvantaged investing through UK authorised property funds compared to investing directly through REITs or generally through offshore accounts.

However, only a limited number of PAIFs were launched and, specifically, none of the major funds. The major impediment was an unforeseen tax issue affecting taxable investors which discouraged the major funds from converting their products to PAIFs. Following successful lobbying by AREF in 2011, along with fund managers, the Government amended the tax regulations applying to PAIFs to allow investors to exchange their units in a dedicated PAIF feeder fund for units in the PAIF and vice-versa, in specified circumstances, without incurring a charge to tax on capital gains at the time of the exchange. Since this event, many funds have converted to PAIFs, providing a wider choice of tax-efficient options for investors.

Following the EU Referendum decision, in June 2016, the role of AREF in lobbying the Government, and other relevant bodies, on behalf of the UK real estate funds industry will become even more essential in the future.

One of the main tenets of AREF is to inform, influence and lobby policy makers, tax and regulatory authorities and other official bodies to realise the best environment for real estate funds to operate in.

AREF DINNER

It is no surprise that in an industry with a heavy reliance on personal relationships, the AREF dinner has become a highlight in the real estate social calendar. It was launched in the late 1990s, to raise the profile of the Association and to create an opportunity for fund managers and their specialist advisors to network.

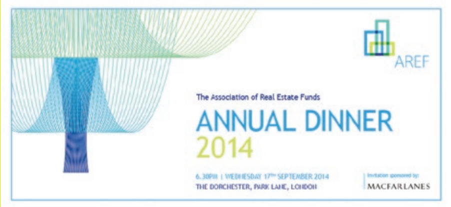
The first dinners were held at the Savoy, with a Monopoly challenge preceding dinner – a chance for individuals to truly show off their real estate skills! The loser was awarded with a toilet seat to be worn around their necks. Sadly, the Monopoly Challenge was eventually dropped to provide more opportunity for networking.

To facilitate the ever-increasing number of attendees, the dinner moved away from the Savoy. Following a brief sojourn at the Gibson Hall in the City, the dinner was hosted at the London Marriott Hotel Grosvenor Square. In 2009, given the difficult economic climate, it was felt a dinner was not appropriate so it was temporarily replaced by a wine-tasting evening at Vinopolis. In 2012, the AREF Dinner moved to its current venue, the Dorchester, again to accommodate the increasing demand. There were 482 attendees in 2016.

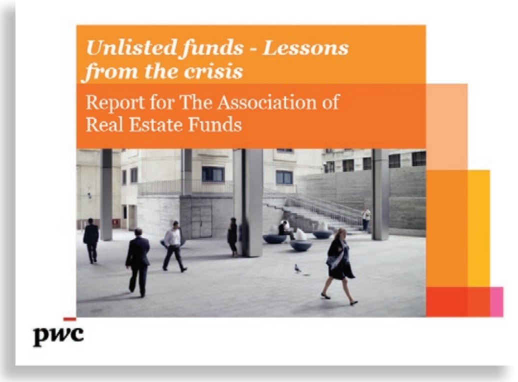
The dinner has hosted a vast array of speakers and entertainers, some more successful than others. In 2010, there was an impromptu visit from fake London police warning there was a security issue at the hotel. It had all been prearranged as a joke but not something to be repeated today!

In 2011, the AREF Annual Awards were introduced to recognise members for their achievements in terms of providing attractive, risk-adjusted performance to investors and for their contribution in supporting the work of AREF.

	Venue	Entertainment
1999	The Savoy	Monopoly/Ken Livingston
2000	The Savoy	Monopoly/Gyles Brandreth
2001	The Savoy	Monopoly/Derek Hatton
2002	The Savoy	Monopoly/Christine Farnish, CEO NAPF
2003	The Savoy	Monopoly/Craig Charles
2004	The Savoy	Monopoly/Martin Johnson/Martin Wheeler
2005	The Savoy	Monopoly
2006	The Savoy	
2007	Gibson Hall	Ian Hislop
2008	The Marriott Hotel, Grosvenor Square	Lord Sebastian Coe
2009	Vinopolis	Wine Tasting
2010	The Marriott Hotel, Grosvenor Square	Quiz
2011	The Marriott Hotel, Grosvenor Square	Magic with Etienne Pradier and colleagues
2012	Dorchester	The Three Waiters
2013	Dorchester	Graham Jolley, mind reader
2014	Dorchester	Three lady magicians and Kev Orkian, musical comedian
2015	Dorchester	Bianca Andrew from The Guildhall School of Music and Drama
2016	Dorchester	Rory Bremner



from the experience. Many felt this report was commissioned too late to have any real impact.



Report: Lessons from the Crisis

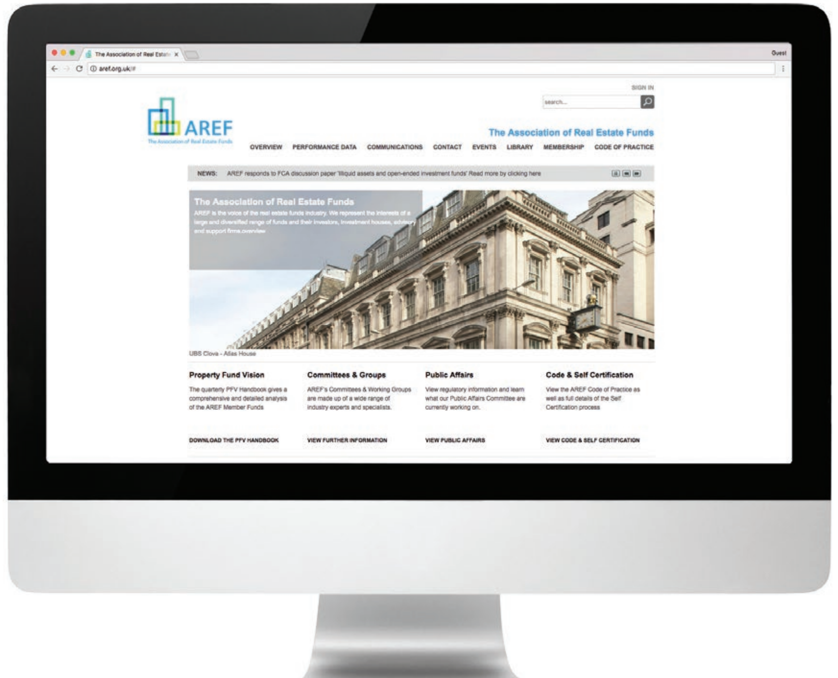
The report, entitled 'Unlisted funds – lessons from the crisis', was launched in 2012. It concluded that generally both open and closed-ended fund models had largely proved robust and that there had been significant improvements in transparency and communication, although investors still wanted further enhancements. However, it also highlighted a number of concerns raised by contributors that warranted further debate, to inform future product development and AREF's governance standards. These included more supervision, independent of the fund manager, and greater investor representation. There was considerable debate within AREF about whether the findings of the report, highlighting the shortcomings of the industry, should be published but it felt obliged to do so as AREF aims to protect investors' interests and transparency is one of its key tenets.

> The 2010s have not only been a time for AREF to help promote governance within the industry but also to promote its own internal governance.

The 2010s have not only been a time for AREF to help promote governance within the industry but also to promote its own internal governance. John Cartwright had taken over from Rachel as CEO in 2009 and, along with the Chair at the time, worked to clarify the roles of the various committees and working groups. The committees became more formally run, with terms of reference, and, in 2013, the range of members was widened to allow affiliate members to join the Management Committee. The roles of Board and Management Committee were also streamlined. An Investor Committee was created to facilitate better engagement with investors. In 2016, the Regulation Committee was scrapped, in favour of a Public Affairs Committee reflecting the widening opportunities for interaction with government departments, particularly following the EU Referendum. At the start of 2017,

Deborah Lloyd became the first non-fund manager to take up the role of Chair of AREF.

Improving communication with members, the industry and beyond has become essential in recent years. The website was updated in 2012 to contain more information and to provide better links through to all the committees and working groups. AREF also employed a second member of staff, Clare Whyte, as Marketing Manager to assist in improving communication with members and to help raise AREF's profile.



Expanding membership has been a continual theme over AREF's lifetime and the last few years have been no exception. In 2012, an Associate Membership was launched. It is offered, by invitation, to managers who do not currently manage eligible funds but intend to do so in the future. These members are obliged to move to full membership when the relevant fund is launched. In 2016, as part of a wider review of the Articles of Association, membership restrictions were updated to allow listed funds, including real estate investment trusts (REITs),

> The website was updated in 2012 to contain more information and to provide better links through to all the committees and working groups.

AREF's current website – launched 2012

Membership currently stands at:

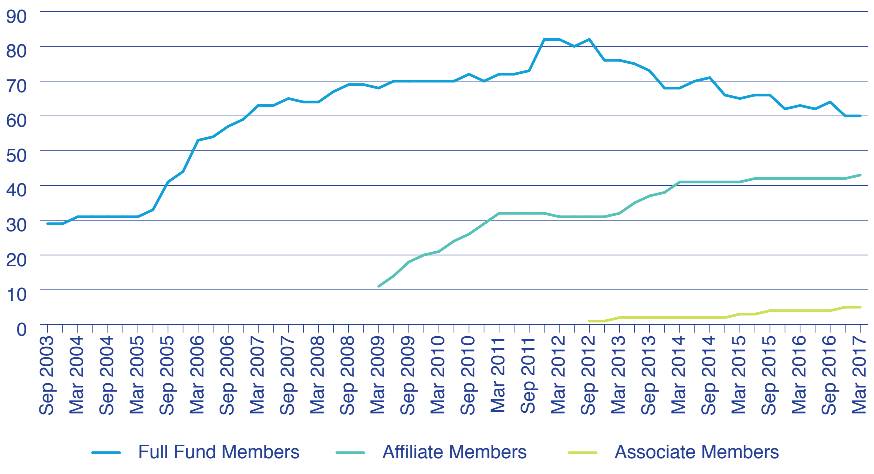
Full member	60 funds
Affiliate members	44 firms
Associate members	5 firms

to become members. In addition, to promote AREF among the next generation of fund managers, targeted seminars and events have been organised.

Following events after the global financial crisis, AREF has learnt the importance of acting quickly and collectively. Following the EU Referendum, through persistence, it implemented a programme of frequent meetings and calls between relevant members to discuss the implications. A report, by John Forbes Consulting, was also commissioned to review the behaviour of real estate funds following the vote. Its findings were launch in April 2017, within the consultation period of the Financial Conduct Authority (FCA)'s Discussion Paper 'Illiquid Assets and Open-ended Funds' allowing its conclusions to be noted.

AREF has undergone a tremendous transformation since its early days as a cosy luncheon club for PUT managers back in the 1970s. It has had to adapt to the changing investment environment to survive, enlarging

Growth of Membership 1970–2017



and broadening its membership. AREF has also had to respond to challenges directed at the real estate fund industry. Two of its principal achievements have been the introduction of the Code of Practice, to encourage superior governance, and the AREF/IPD Quarterly Pooled Fund Index, in a response to the call for greater transparency.

The years to come will be no less demanding. As an association purely representing UK real estate funds, it is uniquely placed to support and to lobby for the UK real estate industry in the challenging times ahead.

Thank You

AREF would like to thank the following individuals for kindly giving up their time to be interviewed for this project. Additional thanks go to Robert Houston who has held onto a number of APUT Yearbooks over many years – an invaluable source of information!

John Atkins, Nick Cooper, Ian Cullen, Paul Dennis-Jones, Peter Farnfield, Robin Goodchild, William Hill, Robert Houston, Bill Hughes, Ian Mason, Rachel McIsaac, Guy Morrell, Simon Radford, Mark Sherwin, Christopher Tabor and David Wise.

Many professionals, within the real estate industry, have given their time most generously over the years to support and guide AREF. Without this input, the Association would not exist as it does today. AREF would like to acknowledge everyone who has been involved, including all those that have sat on committees and working groups, too numerous to mention individually. AREF would like to thank the following individuals for the important roles they have played in helping to carve AREF's place in the real estate funds industry.

AREF Chairs

	Appointed	Resigned
Brian Wootten		December 1991
Robert Houston	January 1992	December 1995
Peter Farnfield	January 1996	December 1998
William Hill	January 1999	December 2000
Ian Mason	January 2001	December 2002
Simon Radford	January 2003	December 2003
Chris Laxton	January 2004	December 2005
Nick Cooper	January 2006	December 2008
Bill Hughes	December 2008	December 2011
Paul Dennis-Jones	December 2011	December 2013
David Wise	January 2014	January 2017
Deborah Lloyd	January 2017	

AREF Directors

	Appointed	Resigned
Simon Cooke	November 2002	September 2003
Andrew Strang	November 2002	December 2003
Ian Mason	November 2002 July 2012	November 2005
William Hill	November 2002	November 2005
Richard Tanner	November 2002 June 2006	November 2005 December 2008
David Hemmings	November 2002	November 2005
Chris Laxton	November 2002	June 2006
Nick Cooper	November 2002	December 2008
Simon Radford	November 2002	
Chris Morrogh	December 2003	June 2006
Fiona Sweeney	December 2003	June 2006
Bill Hughes	December 2008	March 2012
Paul Dennis-Jones	December 2010	
David Wise	June 2013	
Nick Thompson	January 2014	
Paul Richards	January 2014	
John Cartwright	June 2015	
Deborah Lloyd	July 2016	

AREF

The Association of Real Estate Funds

Camomile Court
23 Camomile Street
London
EC3A 7LL

T: 020 7269 4677
E: info@aref.org.uk

aref.org.uk