AREF

The Association of Real Estate Funds

AREF GUIDANCE

Engagement with Investors during Fund Mergers & Acquisitions - Guidelines for AREF Members

Effective from November 2023

Introduction

This document has been prepared by the AREF Investor Committee to provide AREF members with guidance on how AREF Fund Members should communicate with investors during fund mergers and acquisitions.

In the cases of conflict between the provisions of this guidance and legislative/regulatory requirements, the latter will take precedence.

This document will be reviewed on an annual basis as a minimum.

If you have any questions regarding the guidance contained within this document, please email AREF at: info@aref.org.uk.

1. Governance

1.1 Funds' governance documents should include a clause on how investors will be kept informed of any structural changes to the fund, such as acquisitions, mergers or winding down.

1.2 There should be a formal investor approval process for both the funds involved in the merger or acquisition.

2. Transparency

2.1 When a decision has been made to go ahead with a merger or acquisition, investors should be advised in good time of any changes that are likely to affect the fund structure or the objectives, along with a clear rationale for the transaction.

2.2 There should be regular communication with all investors throughout the merger or acquisition process. Investors should receive the same information throughout the process regardless of the quantum of their investment.

2.3 Investors should be informed of any additional costs that may arise to the fund(s) due to an acquisition or merger.

2.4 On completion of the merger or acquisition, investors should be provided with updated fund documentation and advised of any new key appointments at the fund.

3. Oversight

3.1 During a merger or acquisition, there should be a named person from both funds involved who is acting in the best interests of all investors.

3.2 An independent governance committee could potentially oversee the merger or acquisition on the investors' behalf.

3.3 The oversight entity should ensure:

- there are sufficient resources within the management team for a successful merger or acquisition, as this will be a major distraction from day-to-day activities.
- the portfolios of both funds are properly managed during the process; properties are not neglected and no decisions are frozen unnecessarily.
- there is no cherry picking of assets or sales and there are fair independent valuations of each of the assets.

3.4 After the merger or acquisition there should be an external independent audit report confirming that:

- investors have not been materially disadvantaged;
- all assets have been accounted for; and
- the transition pathway can be tracked by investors from the original entity to the new fund.

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