



AREF FutureGen Educational Series 2021
Event 1: Agreeing an Investment Management Agreement

Wednesday 26th May 2021



Welcome

Tom Goodwin, Real Estate Investment Research Specialist -
Alternatives at Mercers
& Member of the FutureGen Committee





Moderator Welcome

Matthew Brehaut, Senior Associate at
Carey Olsen



Agenda for today

- 10.15 Webinar start
- 10.15 Welcome and housekeeping - Tom Goodwin, Mercers
Introduction - Matthew Brehaut, Carey Olsen
- 10.20 Agreeing an Investment Management Agreement
Presentation from Frances Heeney, CBRE Global Investors &
Sam Faulkner, CBRE Global Investors
- 10.50 Member discussion / Q&A with speakers
- 11.00 Close

Speakers



Sam Faulkner
Portfolio Manager
CBRE Global Investors



Frances Heeney
Senior Associate,
Business Development
CBRE Global Investors



AREF FUTUREGEN EDUCATIONAL EVENT 1: AGREEING AN IMA

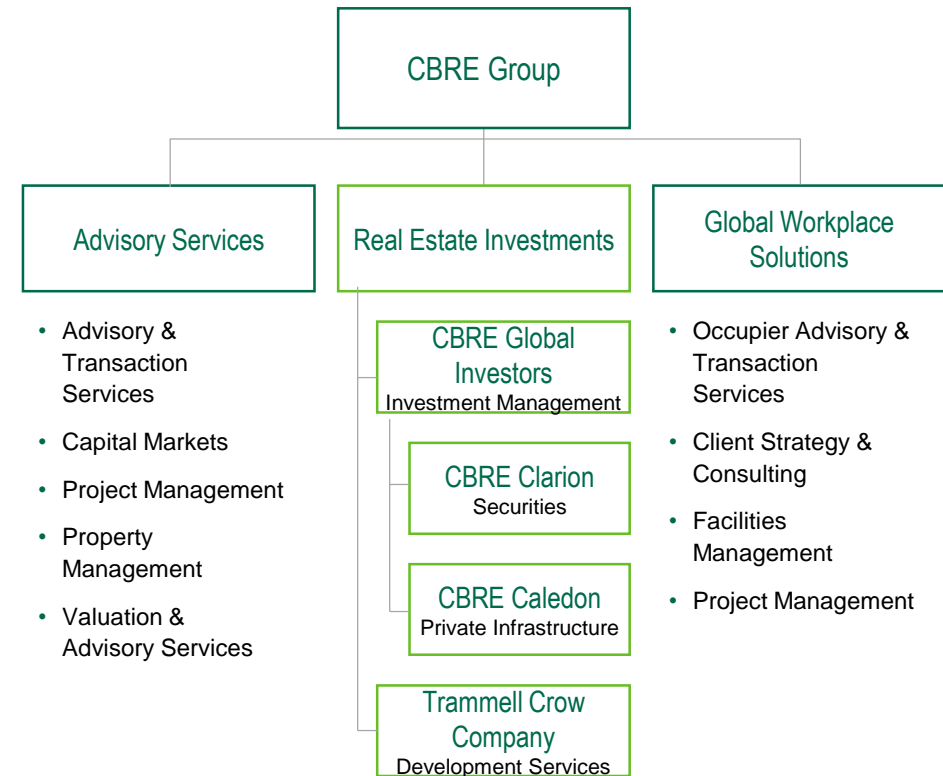
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26 May 2021



CBRE GROUP PLATFORM

- 100,000+ employees serving clients in more than 100 countries
- Lipsey’s #1 Commercial Real Estate brand for 20 consecutive years
- One of the “World’s Most Ethical Companies” awarded by Ethisphere Institute for eight consecutive years
- Fortune 500 company since 2008; ranked #128 in 2020
- 2020 Energy Star Sustained Excellence Award; “Partner of the Year” for 13 consecutive years



CBRE Group is a Global Leader in:	2020 Totals ¹
Sales	\$181.6 billion
Leases	\$108.5 billion
Development	\$14.9 billion in process
Property & Facilities Management	7.0 billion square feet ²
Loan Servicing	\$268.6 billion
Valuation and Advisory	518,425 assignments
Investment Management	\$122.7 billion in AUM ²

1. CBRE figures as of December 31, 2020. Awards shown are for CBRE Group, Inc. (NYSE: CBRE) and not solely for CBRE's investment advisor services. Excludes square feet managed by affiliate offices.
 2. As of December 31, 2020. Assets under management (AUM) refers to the fair market value of real assets-related investments with respect to which CBRE Global Investors provides, on a global basis, oversight, investment management services and other advice and which generally consist of investments in real assets; equity in funds and joint ventures; securities portfolios; operating companies and real assets-related loans. This AUM is intended principally to reflect the extent of CBRE Global Investors' presence in the global real assets market, and its calculation of AUM may differ from the calculations of other asset managers.

CBRE GLOBAL INVESTORS

The global real assets investment management business within CBRE Group

Platforms	Real Estate		Infrastructure	
Programs	Credit	Private Direct	Private Indirect	Public Securities
Implementation	Separate Accounts		Commingled Funds	
Profile	Core	Value Add	Opportunistic	

Global Scale and Resources

\$122.7_B

AUM¹

676

Institutional Clients

31

Offices

869

Employees

As of December 31, 2020.


1. Assets under management (AUM) refers to the fair market value of real assets-related investments with respect to which CBRE Global Investors provides, on a global basis, oversight, investment management services and other advice and which generally consist of investments in real assets; equity in funds and joint ventures; securities portfolios; operating companies and real assets-related loans. This AUM is intended principally to reflect the extent of CBRE Global Investors' presence in the global real assets market, and its calculation of AUM may differ from the calculations of other asset managers.

Please note, AUM data is based on preliminary valuations and therefore may differ slightly from actuals. In addition, differences may occur due to rounding adjustments.


PITCHING FOR CLIENT MANDATES



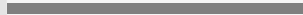
AGREEING AN INVESTMENT MANAGEMENT AGREEMENT (“IMA”)



An IMA sets out the terms and conditions in which a manager agrees to invest and manage client money.
It covers all aspects from sectors and geographies to fees and reporting.




The terms and scope of an IMA can vary greatly from one client to another depending on their objectives, size, in-house expertise, and risk profile.



The agreement of an IMA is a broad topic, in this presentation we have focussed on three key themes that are common to the discussions we typically have with various types of clients:

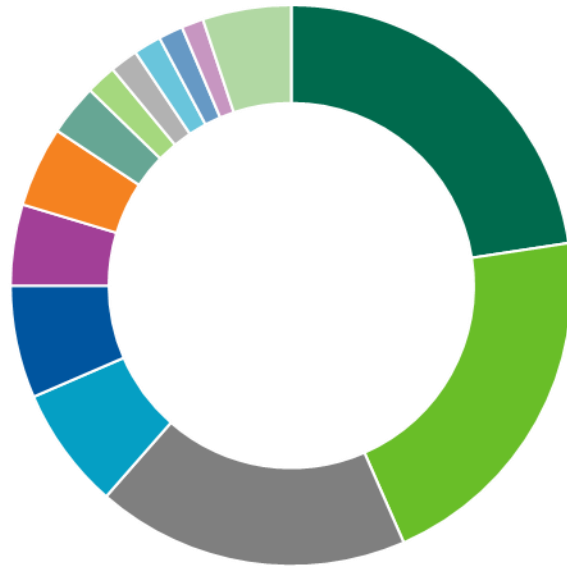
Return | Risk | Restrictions



Within each of these themes we touch on the main elements that are important to get right from the outset in order to have an enduring and successful partnership between client and manager

INVESTORS ARE ALL DIFFERENT!

Investor Domicile



- United Kingdom
- Netherlands
- United States
- Canada
- Japan
- Germany
- Switzerland
- South Korea
- Malaysia
- Kuwait
- Luxembourg
- Singapore
- Italy
- Other

Investor Type



- Public Pension Fund
- Insurance/Healthcare Company
- Sovereign Wealth Fund
- Bank
- Corporate / Private Sector Pension Fund
- Asset Manager
- Fund of Funds Manager
- Other

Source: CBRE Global Investors, Based on AUM. Assets under management refers to the fair market value of real asset related investments with respect to which CBRE Global Investors provides, on a global basis, oversight, investment management services and other advice and which generally consist of investments in real assets equity in funds and joint ventures securities portfolios operating companies and real asset related loans This AUM is intended principally to reflect the extent of CBRE Global Investors' presence in the global real asset market, and its calculation of AUM may differ from the calculations of other asset managers. Data as of March 31, 2021.

A RANGE OF REAL ESTATE INVESTMENT OPTIONS

The option that best suits a client will depend on their size, existing global real estate exposure and risk profile



SEPARATE ACCOUNTS

- Bespoke mandate that is the entire or component of a client's real estate portfolio
- Mandates range from diversified investments to a focused on select opportunities that offer enhancement of the client's existing global real estate portfolio
- Execution styles can include: direct, fund-of-funds, and hybrid (JVs, Co-Investments etc.)
- Governance can range from discretionary to non-discretionary
- Mandate requires bespoke IMA

Client profile

- Minimum investment size: USD 250+M
- Mid-Large cap institutional investors.
- c.6 – 10% Return (net)



DIRECT REAL ESTATE FUNDS

- Direct real estate investments into diversified or sector specific funds
- Geography of investment can range from single-country to globally
- Typically executed in with core – core plus risk-return profile
- Often utilised as part of a RE allocation

Client profile

- Minimum investment size: USD 5-10M
- Diverse, from small-mid cap institutional, some HNW (often via a feeder)
- c.6 – 9% Return (net)



INDIRECT REAL ESTATE FUNDS

- Series of parallel funds to address tax requirements of investors
- One stop shop for entire RE allocation
- Top down market and sector diversification globally

Client profile

- Minimum investment size: USD 5-10M
- Diverse, from small-mid cap institutional, some HNW (often via a feeder)
- 9 – 11% Return (net)



REGIONAL VALUE ADD SPECIAL SITUATIONS FUND

- Higher returning focussed strategies
- Typically for an investor managing RE in-house
- Co-investment opportunities

Client profile

- Minimum size between USD 5m – 10m
- Diverse, mid-large cap institutional, HNW/Family Office
- 15% Gross Return



RETURN

RETURN OBJECTIVES & BENCHMARKING OPTIONS

ABSOLUTE RETURN OBJECTIVE

"Deliver an annualised total return of 7% p.a. over a rolling 3 year period"

"Deliver an annualised return of CPI +5% p.a. over a rolling 3 year period"

NB: performance objective could be on a TWR or IRR basis

MARKET RELATIVE OBJECTIVE

"Outperform the MSCI Global Property Index by 3.0% p.a. over a rolling 3 year period"

Market cap weighted

Published annually

Unlevered directly held standing property

PEER RELATIVE OBJECTIVE

"Outperform the MSCI Global Property Funds Index by 1.0% p.a. over a rolling 3 year period"

Market cap weighted

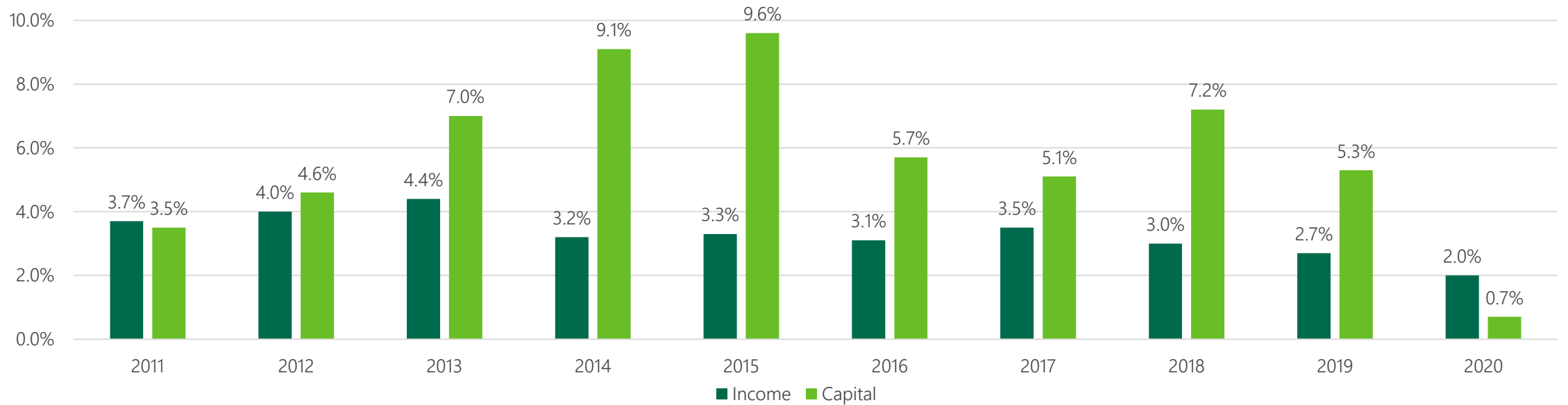
Core open ended funds across the globe

Published quarterly

Doesn't reflect the investable universe very well

INCOME VERSUS CAPITAL

CBRE Global Indirect Composite Income & Capital Returns



	Average	Volatility
Income Return	3.3%	0.7%
Capital Return	5.8%	2.6%

Source: CBRE Global Investors

IRR V TWR

<h2 style="text-align: center;">TIME-WEIGHTED RETURN ("TWR")</h2>		<h2 style="text-align: center;">INTERNAL RATE OF RETURN ("IRR")</h2>
<p>Return produced over time by a fund independent of contributions or withdrawals</p> <p>Measures a fund's compounded rate of growth over a specified time period</p>	DEFINITION	<p>Discount rate that equates the cost of an investment with the cash generated by that investment</p> <p>IRR tracks the performance of actual dollars invested and distributed over time</p>
<p>Eliminates the impact of timing of fund cash flows</p> <p>Makes manager comparisons possible over given time period</p>	PROS	<p>Accounts for the timing and magnitude of cashflows</p> <p>Useful where managers exercise a degree of control over the amount and timing of cashflows</p>
<p>Focuses on the percentages only</p> <p>All returns are equally weighted regardless of their size or cashflows</p> <p>Highly dependent on valuations and timing</p> <p>Not ideal for real estate investments due to illiquidity and the infrequency of transactions, results are highly impacted by valuations (especially developments).</p>	CONS	<p>Results over a short period of time may not be representative of performance</p> <p>Implies reinvestment at IRR rate for the remaining period measured</p> <p>Ignores valuations which are key for performance measurement for the industry</p> <p>When cash flows change from positive to negative can produce multiple solutions</p> <p>Cannot be benchmarked unless all investments have the same vintage</p>

Source CFA, Commonfund.org, efinancemanagement.com, CBRE GIP



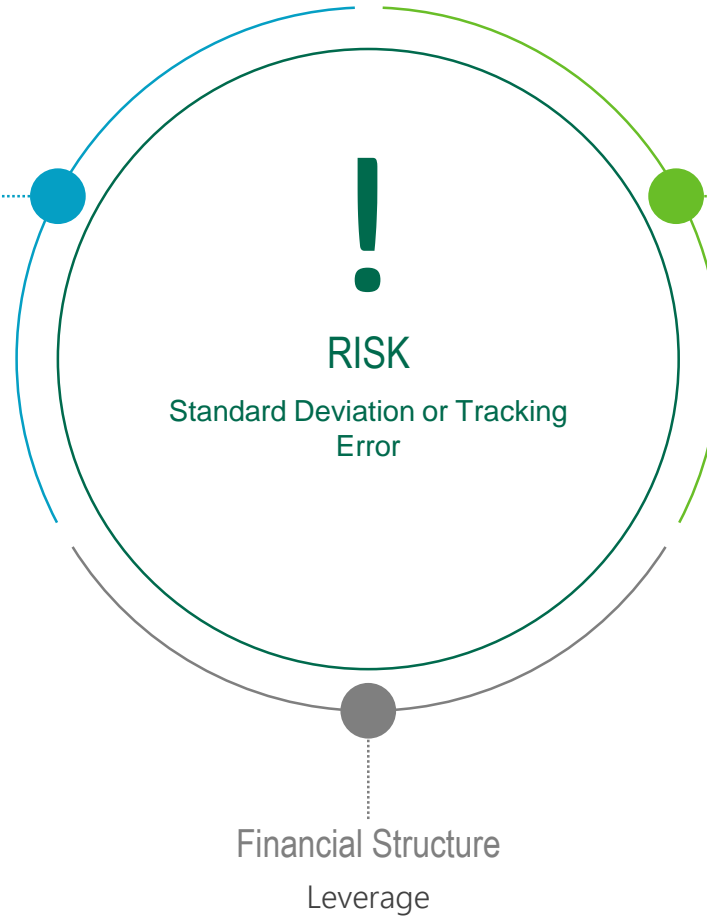
RISK

INVESTMENT RISK

Three broad sources of Real Estate risk

Market Composition

Exposure to geographies and property types

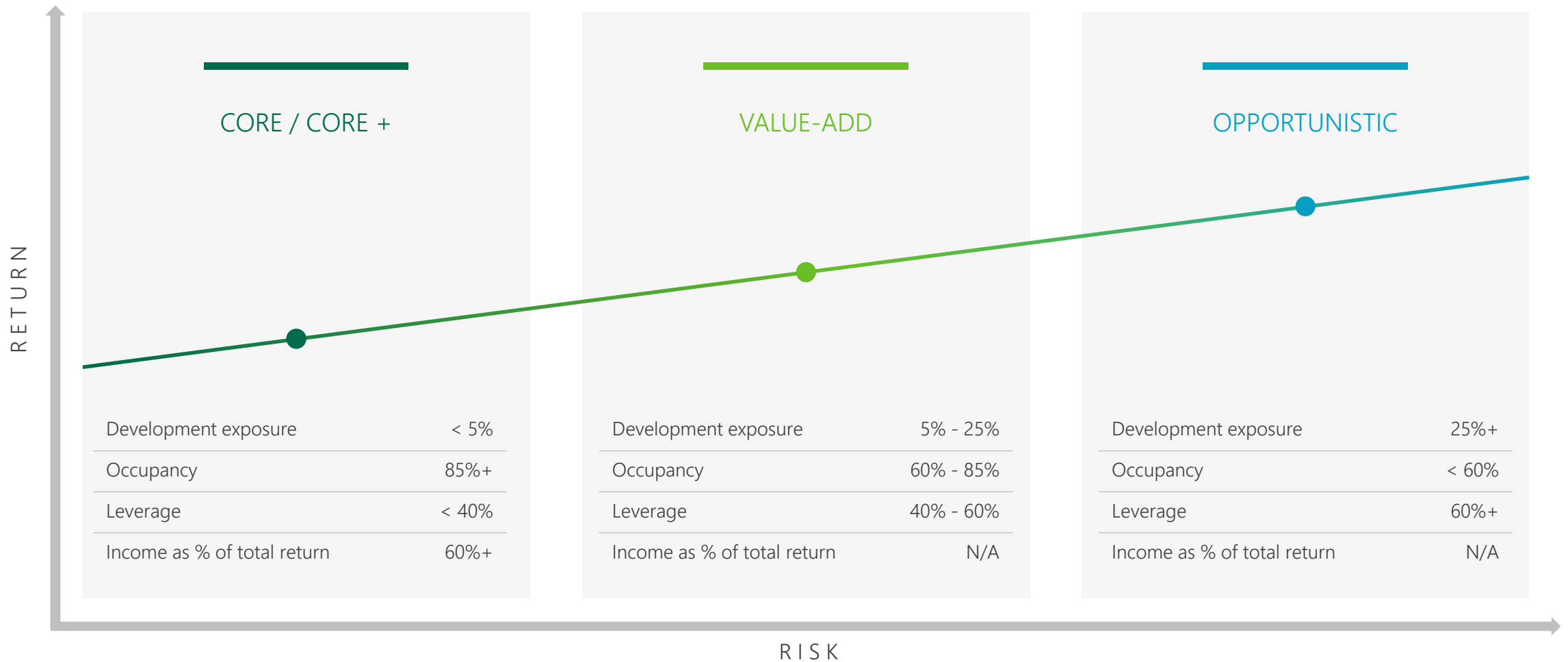


Property Specific Risks

Asset & tenant concentration, vacancy, lease length, development exposure

Financial Structure
Leverage

STYLE OF INVESTMENTS





RESTRICTIONS

CLIENT INVESTMENT PLAN



PORTFOLIO PROFILE

Portfolio NAV	XX%
Expected return	XX%
Expected distribution yield	XX%
Leverage ratio	XX%
Weighted average cost of debt	XX%
Advisory Board Seats Held	XX%



ASSET PROFILE

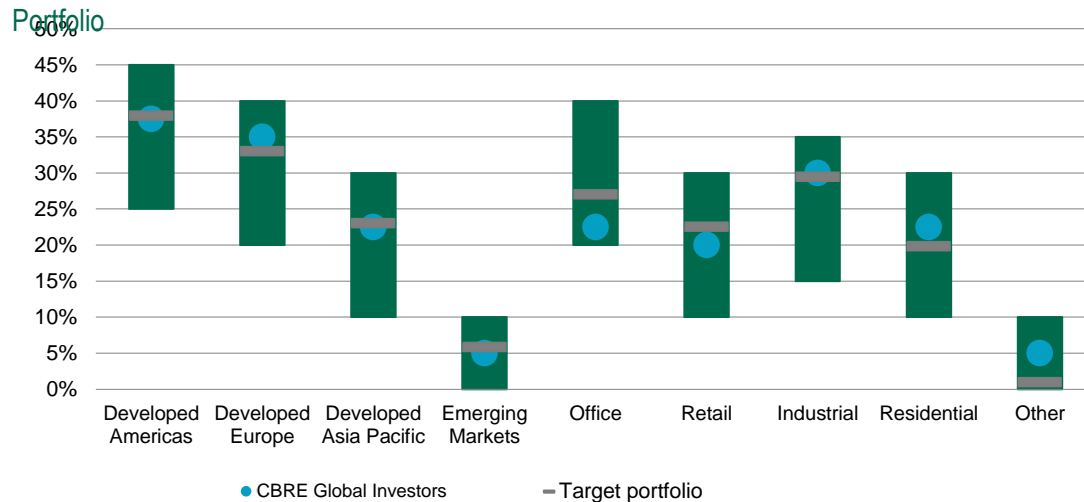
Number of Investments	XX%
Number of assets	XX%
Number of tenants	XX%
Total property value (USD bn)	XX%
Total net asset value (USD bn)	XX%
Net initial yield	XX%



INCOME PROFILE

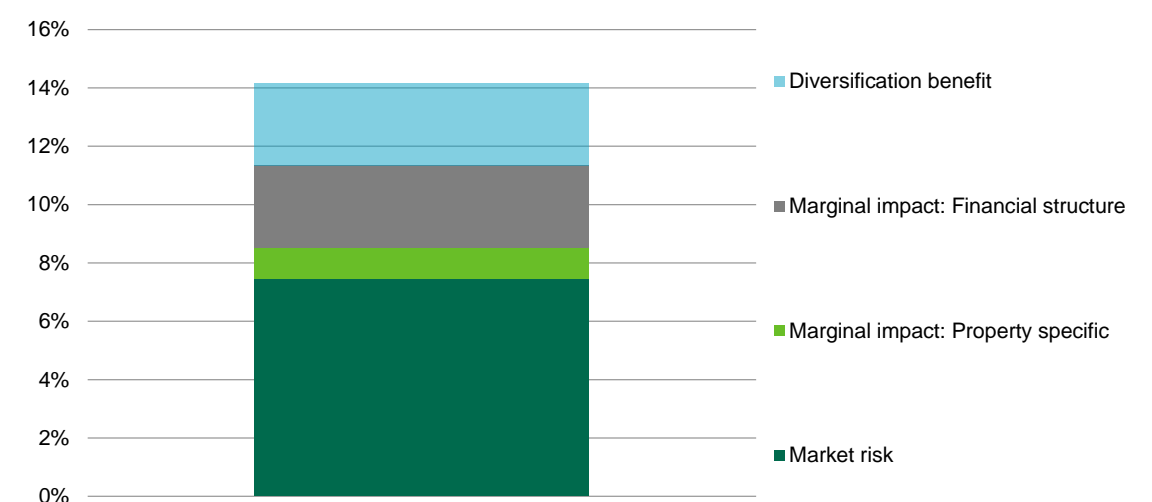
Occupancy Rate	XX%
Weighted average lease expiry	XX%
Income expiry <5yrs	XX%
Income expiry 5 – 10yrs	XX%
Income expiry >10yrs	XX%
Development Exposure	XX%

Indicative Portfolio Allocation vs. CBRE Global Investors Model



Expected returns and not indicative of future returns

Portfolio Risk Decomposition



CORE MANDATE RESTRICTIONS: TWO EXAMPLES

Restriction	Limit
Level of financial leverage (portfolio level, on GAV)	Max 35%
Level of leverage (property fund investment)	Max 50%
Exposure to developed markets	Min 85%
Exposure to emerging markets	Max 15%
Exposure to any one country (except the US and Australia)	Max 15%
Exposure to any single emerging country	Max 10%
Exposure to North America	25-45%
Exposure to USA	25-45%
Exposure to Canada	0-10%
Exposure to Europe	20-40%
Exposure to Western Europe	15-35%
Exposure to Northern and Southern Europe	Max 15%
Exposure to Eastern Europe	Max 5%
Exposure to Asia Pacific	10-30%
Exposure to Developed Asia	10-30%
Exposure to Emerging Asia	Max 10%
Exposure to retail	5-25%
Exposure to office	15-35%
Exposure to industrial	17.5-37.5%
Exposure to residential	17.5-37.5%
Exposure to other	Max 10%
Exposure to core/ core plus funds	Min 100%
Exposure to club deals, co-investments, joint ventures and programmatic ventures	Max 12.5%
Exposure to club deals	Max 10%
Exposure to co-investments	Max 10%
Exposure to joint ventures	Max 10%
Exposure to programmatic ventures	Max 10%
Allocation to any club deal, co-investment, joint venture or programmatic ventures	Max 5%
Exposure to closed-end funds	Max 60%
Level of development within a fund	Max 25%
Level of speculative development within a fund (% of Total Investment Value)	Max 15 %
Exposure to in-house funds	0%
Exposure to a single investment	Max 10%
Exposure to a single manager	Max 20%
Ownership in any one fund	Max 25%
Exposure to listed securities	0%
Exposure to funds predominantly invested in debt funds	0%
Maximum cash holding	10%

Restriction (Invested Portfolio excluding cash)	Limit
Portfolio leverage	50%
Highest exposure to a single region	50%
Overall exposure to emerging markets	20%
Highest exposure to each of the office, retail and industrial sectors	60%
Overall exposure to "Other "sectors combined	20%
Highest exposure to a single vehicle in the portfolio (on NAV)	15%
Highest exposure to a single manager (on NAV)	25%
Exposure to funds predominantly invested in developments (on NAV)	10%
Investments in listed securities	10%
Investments to funds with predominantly debt related investments (on NAV)	15%
Overall exposure to in-house funds (on NAV)	25%

EXECUTION TYPES

Direct Execution

DIRECT INVESTMENT

Description

Asset or portfolio of assets where asset management is performed by fund manager

Role

Access to prime quality real estate across predominantly gateway cities

Sector

Traditional

Indirect Execution

COMINGLED FUND

Description

Widely held vehicle operated by a fund manager typically focussed on a single country or region

Role

Increase portfolio diversification by providing exposure to a large pool of assets

Sector

Traditional

JOINT VENTURE

Description

Partial ownership in a tightly-held structure. Asset management performed by a local operating partner

Role

Exposure to a single asset or portfolio of assets that would be too large to invest in via direct ownership

Sector

Niche

PROGRAMMATIC VENTURE

Description

Exclusive vehicle for client(s) investing in a programme to acquire assets in a targeted theme

Role

Target exposure to preferred investment themes typically in niche sectors that are typically inaccessible through other execution routes

Sector

Niche



ESG

ESG CONSIDERATIONS – DOES THE CLIENT HAVE SPECIFIC ESG GOALS?



Client Expectation



Impact on Returns



Regional Trends



Client Perspective / Bias

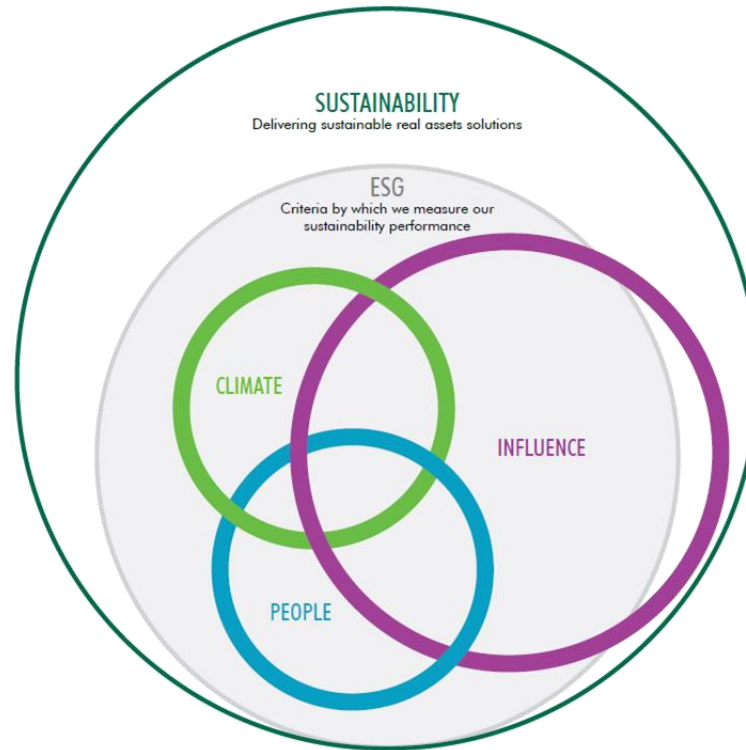
ESG investor requests
increased by **550%**
between 2018 to 2020

SUSTAINABILITY

We believe that sustainability is fundamental to our business and to driving long-term outperformance

Investor Benefits

- Value creation
- Future-proofing
- Improved user experience/recruitment
- Enhanced stakeholder and community well-being
- Regularity/social risk mitigation



CLIMATE – Net Zero Carbon Performance

We commit to address climate-related risks and opportunities by focusing on delivering net zero carbon performance and physical resilience.

Impact: Carbon Emissions Reduction | Renewable Electricity | Climate Resilience

PEOPLE – Stakeholder Well-being

We commit to champion diversity, equity, inclusion and well-being of our people and other stakeholders.

Impact: Health & Well-being | Diversity, Equity & Inclusion | Training & Education

INFLUENCE – Sustainability Partnership

We commit to engage with and positively influence key stakeholders where we do not have direct management control.

Impact: Stakeholder Engagement | Transparency | Compliance

There can be no assurance that any initiatives, goals, targets, commitments, intentions, projections or other forward-looking statements herein will ultimately be achieved or that they will be successful. Actual results may vary.



APPENDIX

BIOGRAPHIES



SAM FAULKNER CFA

Global Portfolio Manager, CBRE Global Investment Partners

sam.faulkner@cbreglobalinvestors.com | +44 207 809 9326

Sam Faulkner is a Global Portfolio Manager within the Global Indirect Real Estate Strategies team. Based in London, Sam is responsible for portfolio construction, performance, strategy and reporting on behalf of global separate account portfolios, as well as collaboration with Regional Investments Teams to source and manage real estate transactions.

Sam joined CBRE Global Investors in 2017 in the Investor Services team, where he was the product specialist responsible for global separate account clients. Prior to this, Sam worked in Auckland, New Zealand for the global multi-asset and investment consultancy firm Russell Investments. At Russell, Sam was involved in fund manager research and also provided strategic and tactical asset allocation advice to some of the largest institutional investment funds in New Zealand.

Sam has a Bachelors degree in both Law (LLB) and Science (BSc, Applied Mathematics) from the University of Auckland. He is part-qualified as an Actuary, a registered Barrister and Solicitor of the High Court of New Zealand and a CFA® charterholder. Sam is a Certified Person under the FCA's Senior Managers & Certification Regime (SMCR).



FRANCES HEENEY

Business Development | Investor Solutions

Frances.Heeney@Cbreglobalinvestors.com | +44 7827 307 322

Frances Heeney joined CBRE Global Investors in 2018 as part of the global Business Development team, a component on the Investor Solutions group. In her role, Frances works cross-functionally with the senior leaders to develop a strategic growth frameworks, assess business gaps, propose mitigation strategies, and execute high priority activities across all real assets. Through utilising a project management and analytical approach, Frances is focused on providing strategic and thoughtful solutions to our clients.

Prior to joining CBRE Global Investors, Frances worked at two international commercial real estate firms, a boutique urban planning and communications firm, as well as a global design and innovation-focused architecture firm, bringing European, Canadian and American commercial property markets experience.

Frances holds a Honours Bachelor of Arts, with a specialization in Geography and Urban Studies, from the University of Toronto, and attended the National University of Singapore, where she studied Urban Planning and the Geographies of Southeast Asia.

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Q&A Discussion

To ask a question to the speakers:

click the Q&A button at the bottom of your screen



Thank you