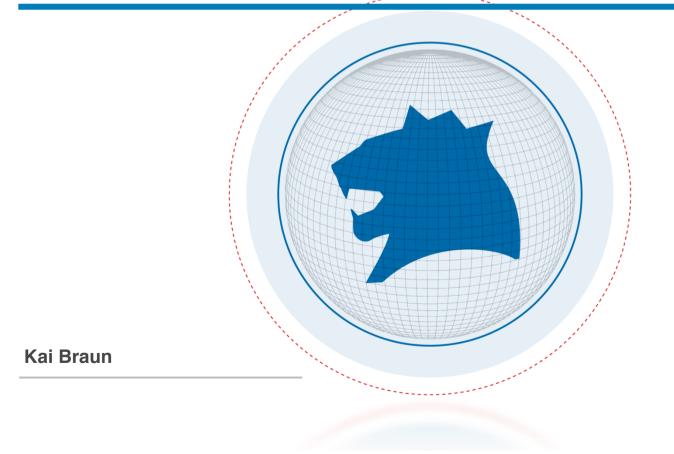


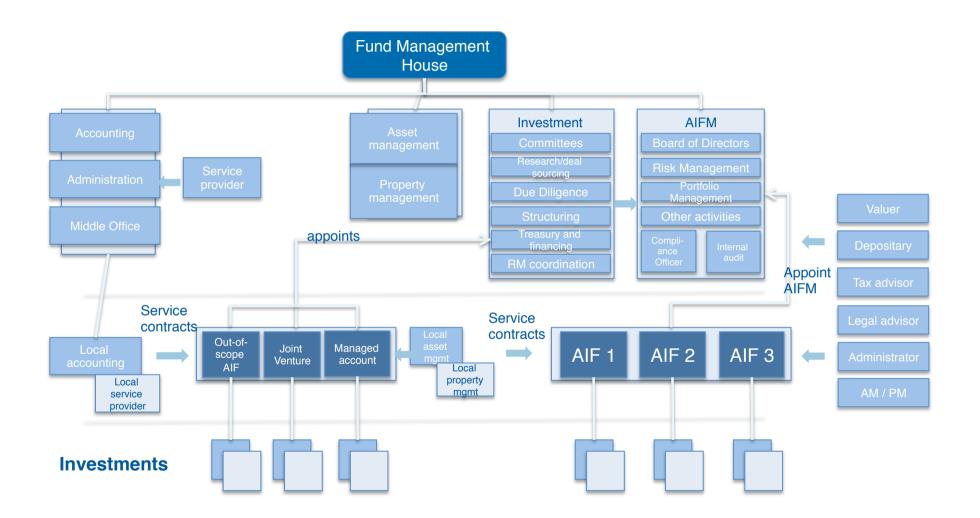
## **LUXEMBOURG**

### AIFMD READY FOR YOUR REAL ESTATE STRUCTURES





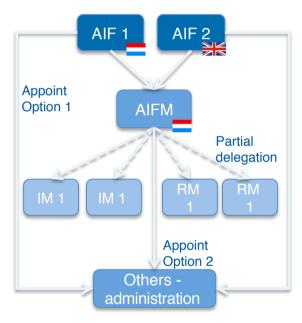
### **Fund platforms in Europe**



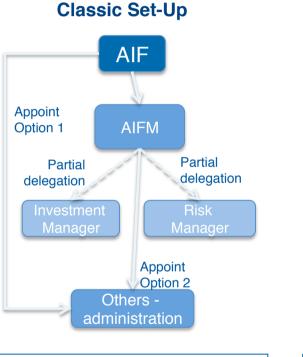


### Luxembourg business models



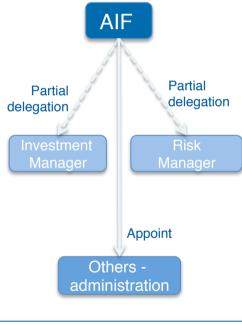


- Partial delegation will need to cope with third-party characteristics
- Service offering to attract small to medium size business
- Use of passport allows to centralize monitoring and supervision



- Anticipated model for large players
- Other functions than IM and RM can be monitored by the AIF itself





- Model only valid for a single AIF
- Structure cannot be leveraged for other AIF's



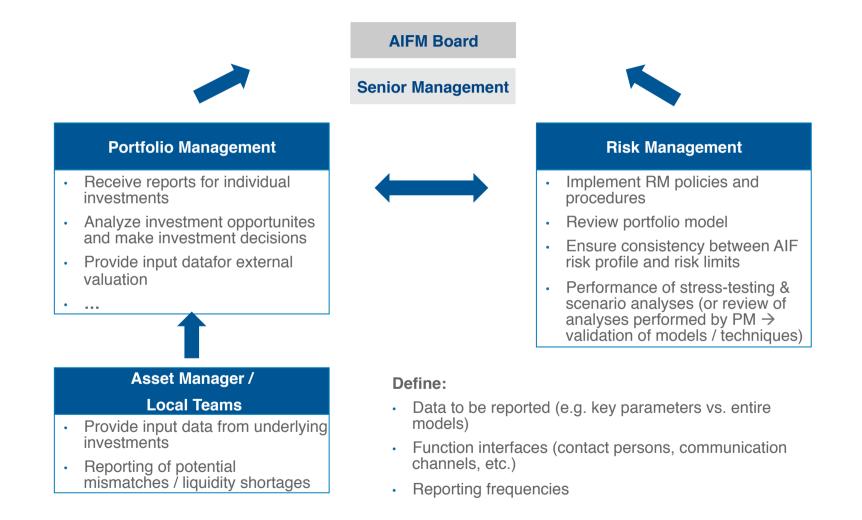
## **Risk management for Real Estate**

**Risk Management for RE** has traditionally been different from Risk Management for liquid assets.

	RE	Liquid assets (UCITS-like)
Organization	<ul> <li>RM often integrated in Portfolio Management operations and largely covered by transaction DD procedures</li> <li>No formalized or documented RM procedures</li> <li>Traditionally no independent or separate RM function</li> </ul>	<ul> <li>Regular RM procedures based on sophisticated statistical models</li> <li>Formalized and documented RM procedures</li> <li>Separate functions / departments in charge of RM</li> </ul>
Operation	<ul> <li>Due to heterogeneity of assets as well as often limited liquidity and market transparency, RM largely to be performed based on more asset- / fund-specific indicators</li> <li>Quantitative measurement not always possible, greater degree of judgment may be needed</li> </ul>	<ul> <li>Due to homogeneity of assets and sufficient data available, risk assessments based on statistical models possible (liquid and transparent markets)</li> <li>Usually quantitative measurement, lesser degree of judgment needed</li> </ul>



### **Governance and role for RM**





### **Risk Management system for RE**

NF Name Reporting Date	RE-6x Fund 20.09 2013																		
sporary care													Risk Limits						
Risk Calegory	State Type	Priority of Risk	888		it for chosen		Limit Value (LV) at Reporting Date		ation from L		Linit Rule	Line Warning (automated)	Linit Warning (manual)	Indication from previous reports	Excelution to	Mitgating Action proposed	Last Reporting Date	Frequency of Mankaring	
	Neta-micro level	- 10	- development of fund performance vs. bechmark index	-	110	absolute	115		5.00	absolute	FLV <nnl*ned< td=""><td>ок</td><td></td><td></td><td>CR0/SM/Bob</td><td></td><td>30.06.2213</td><td>Quativity</td><td></td></nnl*ned<>	ок			CR0/SM/Bob		30.06.2213	Quativity	
		High	-changes in ERV	-2%	-4%	*	-2.02%	-33.32%	40.00%	wister	FLV>EWL (absolute) + yellow; FLV>MNL (absolute) + red	œ			CRO/SM/BoD		30.06.2213	Quarterly	
	Noo-Irwei Igenerzistanding and volatility of Iniewart submanara i rindustry benchmanking	Hgti	-changes in actual terms	-2%	-15	*	-1.00%	-60.00%	-76.00%	minter	FLV> EWL (absolute) = yellow; FLV> MNL (absolute) = red	ок			CRO/SM/BoD		30.06.2213	Quarterly	
		Hgh	-price changes / yield movements	25	50	bps	30	22.00%	-40.00%	absolute	FLV> SWL (absolute) = yellow; FLV> MNL (absolute) = red	Monitor Closely			CRD/SM/Bob		30.06.2213	Quarterly	_
	Currence fills		<ul> <li>% movements in the fund value resulting from exchange rate changes in the sensitivity analysis</li> </ul>	-2%	4%	~	-6.02%	65.67%	0.00%	wister	FLV> EWL (absolute) = yellow; FLV> MNL (absolute) = red	Escalate			CR0/SM/Bob		30.06.2213	Quarterly	
			S charge in currency-solatility above historic average	8%.	-	*	-4.02%	-20.02%		wister	fLV>EWL(absolute)+yellow	ox			CR0/SM/Bob		30.06.2013	Quarterly	
	Coverage (saliateral)		- sao "Loverage" under Liquidity nex	63	64	64	-	-		-	na timit assigned				CRO/SM/Bob		30.06.2213		
with Rich	Liability (according to contract)		•recourse vs. non-recourse	63	-	6/8	-		÷		na limit assigned				CR0/SM/Bob		30.06.2213	On occurrence	
	Property cash flows / adues		• see "Property cash flows./ velues" under Liquidity fisk	nia	nia	n/a			-	-	na limit assigned				CR0/SM/Bob		30.06.2213	- 14	
	Leviage		-LTV	45%	70%	*	64%	-1%	-4%	absolute	FLV> EWL (absolute) = yellow; FLV> MNL (absolute) = red	œ			CR0/SM/Bob		30.06.2213	Quarterly	
			-ICR	1.60	1.90	absolute	1.55	-0.05	0.55	absolute	FLV <ewl (absolute)="yellow;&lt;br">FLV<mnl (absolute)="red&lt;/td"><td>Monitor Closely</td><td></td><td></td><td>CR0/SM/Bob</td><td></td><td>30.06.2213</td><td>Quarterly</td><td></td></mnl></ewl>	Monitor Closely			CR0/SM/Bob		30.06.2213	Quarterly	
			-DECR	1.36	1.25	absolute	1.30	-0.05	0.55	absolute	FLV <rwl (absolute)="yellow;&lt;br">FLV<wl (absolute)="red&lt;/td"><td>Monitor Closely</td><td></td><td></td><td>CRD/SM/Bob</td><td></td><td>30.06.2213</td><td>Quarterly</td><td></td></wl></rwl>	Monitor Closely			CRD/SM/Bob		30.06.2213	Quarterly	
quidiy Rab	Asset liquidity		marketing period & achievable     market conditions			qualitative				qualitrise	Qualitative limit assessment based on assessment for respective market		œ		CR0/SM/Bob		30.06.2213	Quarterly	
	Property cash flows / whoes		% charge in NOI minus total financing casts (internal & external) miative to budget	-2%	4%	~	-3.52%	75.00%	-00.00%	~	FLV> EWL (absolute) = yellow; FLV> MNL (absolute) = red	Monitor Closely			CR0/SM/Bob		30.06.2213	Quarterly	
	Fund cash tows		Ns change in NOT minus total financing costs (internal & external) plus capital cats minus dividends relative to budget	-2%	4%	~	-6.02%	205.00%	22.00%	~	FLV> EWL (absolute) = yellow; FLV> MNL (absolute) = red	Escalate			CR0/SM/Bob		30.06.2213	Quarterly	
			amount / margin of net cash     nemaining relative to payment     obligations	105%	102%	~	110.00%	6.00%	7.00%	absolute	FLV <ewl (absolute)="" +="" yellow;<br="">FLV&lt; MNL (absolute) + red</ewl>	OK			CR0/SM/Bob		30.06.2213	Quarterly	
	Investors		<ul> <li>positive outcome of investor check</li> </ul>							quilitie	Qualitative limit assessment based on investor DD		œ		CR0/SM/Bob		30.06.2213	Quativity	
			-passed dues	> 3 months' rest	>é norths' ant	absolute	300,000			-	LV assigned pertenant, result links from separate sheet	Link aggregated result from tecart monitoring cheet			CR0/SM/Bob		30.06.2213	Quarterly	
	Tenara -		endernal credit rading	з	2	absolute	3	۰	,	qualitrise	FLV <ewl (absolute)="yellow;&lt;br">FLV&lt; MNL (absolute) = red</ewl>		Monitor Classify		CR0/SM/Bob		30.06.2213	Quarterly	
			-tenant industry performance	-	-	qualitative	-			qualitie	Qualitative limit assessment based on assessment for respective industry		ox		CRD/SM/BoD		30.06.2213	Quarterly	
			-tenant financial performance			qualitative	-			qualitrise	Qualitative limit assessment based on tenants financial performance		œ		CR0/SM/Bob		30.06.2213	Quarterly	
outimaria Tob	Custodian		- credit agency/s (kBP) assessment	-	^	absolute	88-			8316739	FLVworse than MNL + red	Escalate			CR0/SM/Bob		30.06.2213	Quarterly	
	Creditors		- credit agency's (kBP) assessment	-	^	qualitative	88-			qualitie	FLVworse than MML+ and		Escatate		CRO/SM/Bob		30.06.2013	Quativity	
			-bank guarantee			qualitative	-			qualitrise	Qualitative limit assessment based on developer's financial soundness		œ		CR0/SM/Bob		30.06.2213	Quarterly	
	Developers		-outcome of SOP checks / SOP memo	-	-	qualitative	-			qualitrise	Qualitative limit assessment based on developer 20		œ		CR0/SM/Bob		30.06.2213	Quarterly	
			-francial performance			outilitie				autible	Qualitative limit assessment based on developer's financial		~		CRO/RM/Bid		20.06.22113	Quarteria	

#### Steps:

- 1. Assigned limits are compared to actual limits values.
- 2. Depending on risk type and measurement approach, qualitative assessment and comments can / have to be supplemented.
- 3. Depending on the actual limit value / qualitative assessment, the Limit Warning is triggered.

*The Risk Monitoring Tool (RMT) contains information on:* 

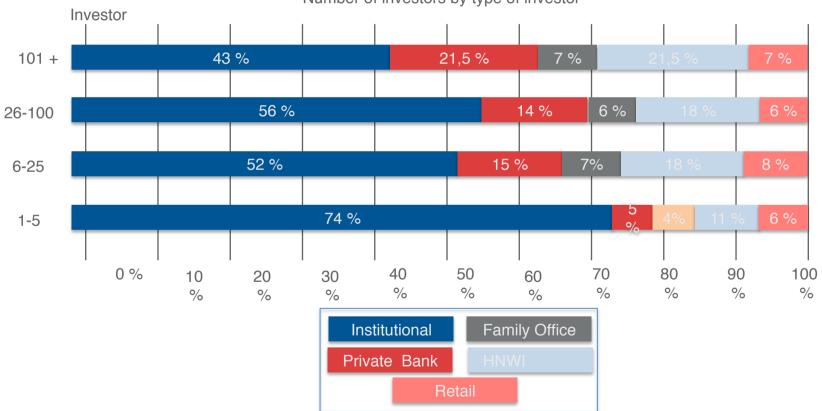
- Risk type
- Risk priority
- KRI
- Risk Limits & Limit Warning
- Escalation Lines
- Mitigating action (proposed)
- Last reporting date
- Monitoring frequency.

#### Advantages:

- Excel-based RMT is easy to adjust and integrate into running systems.
- Risk types with limit warnings can easily be extracted into a separate risk report (e.g. using a macro).
- Timely escalation is facilitated since escalation lines are provided.



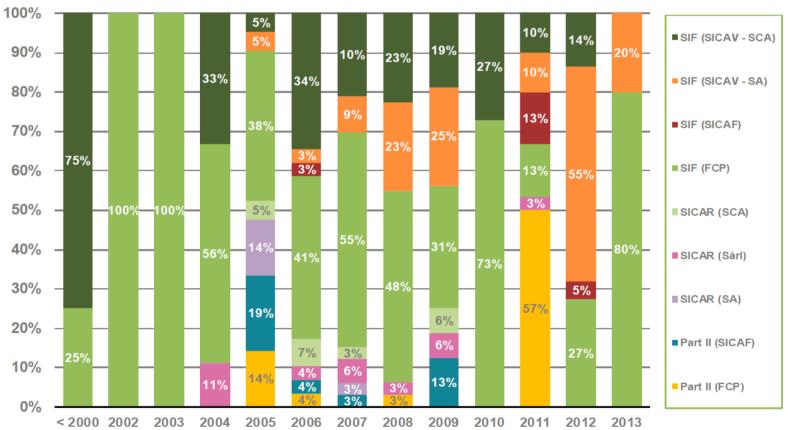
### Marketing to private investors will become more challenging in the future



Number of investors by type of investor



### Legal structure and regime



#### Legal regime and vehicle type combined by launch year (\*)

(\*) This graph shows the launch year of fund units that are included in the REIF Survey 2013. It is NOT a cumulative sequence.



# Questions