

# Luxemburg, Ihr Partner erster Wahl Zürich, 26. Januar 2009



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LUXEMBOURG

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# Luxemburg, ein internationales Zentrum für innovative Finanzdienstleistungen



**Fernand Grulms**  
CEO, Luxembourg for Finance

# Luxemburg: das Kompetenzzentrum für Investmentfonds

Claude Kremer, Präsident, ALFI  
Charles Muller, stellvertretender  
Generaldirektor

# Update on UCITS — Road to UCITS IV

***Chairman:* Gast Juncker, Elvinger, Hoss & Prussen**

**Barbara Michaelis, Deloitte S.A.  
Francine Keiser, Linklaters LLP  
Matthias Pelzer, European Fund  
Administration S.A.**

# Agenda

- **I. UCITS IN THE MARKET  
TURMOILS**
  
- **II. UCITS IV**

# UCITS IN THE MARKET TURMOILS

- 1. Impact of the Market Turmoils on UCITS
- 2. Protective Measures Implementation

## II. UCITS IV

- 1. Procedure and Timing
- 2. Content
  - Notification procedure
  - Key Investor Information Document
  - Master/feeder structures
  - Cross-border Mergers
  - Management Company Passport

### 3. Opportunities for Luxembourg

# THANK YOU

# Alternative Investments – Ein Überblick

Gilles Dusemon, Loyens & Loeff

# Hedge Funds and Funds of Hedge Funds

Claude Niedner, Arendt & Medernach

Claude Noesen, BGL

Alain Maechling, PricewaterhouseCoopers

# Agenda

- **The Global Hedge Fund Market**
- **The Luxembourg Hedge Fund Market – Figures, June 2008**
- **The Luxembourg FoHF Market – Figures, June 2008**
- **The Luxembourg Hedge Fund and FoHF Market - Promoters**
- **Available Structures**
- **SIF: Main Features**
- **Part II Funds : Main Features**
- **Convergence between Hedge Funds and UCITS**
- **Tax Aspects**
- **Distribution and Listing**
- **European Initiatives**

# The Global Hedge Fund Market

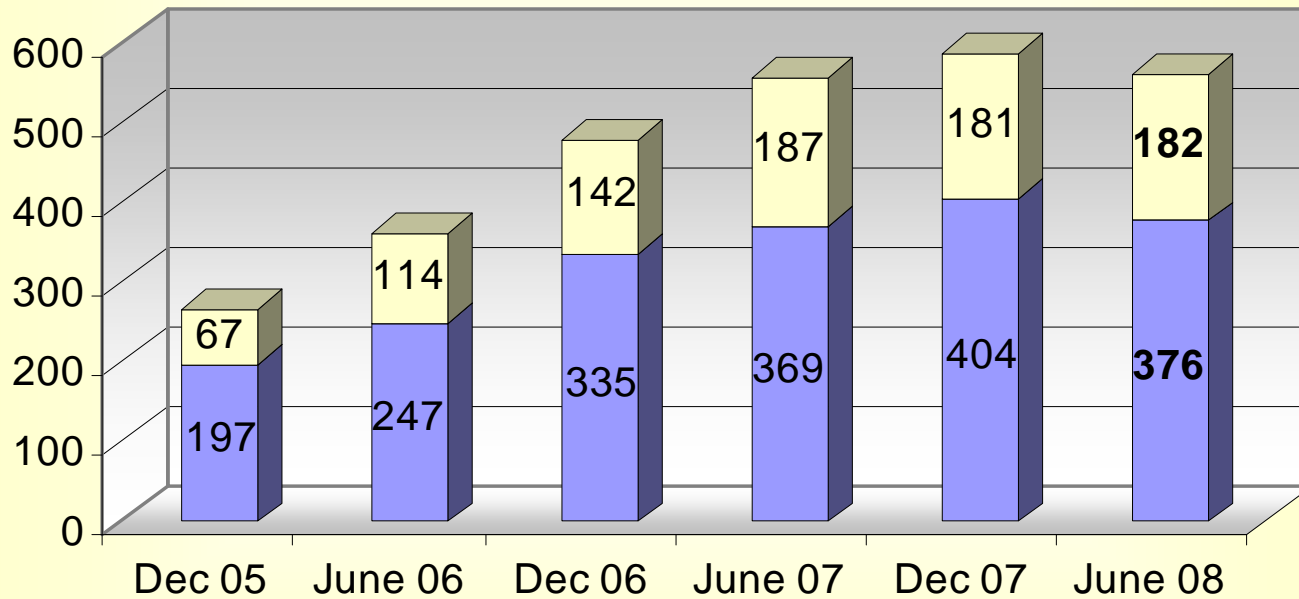
Date	Total Assets	Quarterly % Change	Net flows
Q1 08	\$2,847.50	-1.39%	+\$53.62
Q2 08	\$2,972.99	4.41%	+\$34.21
Q3 08	\$2,497.28	-16.00%	-\$128.20
Q4 08	\$1,841.17	-26.27%	-\$471.11

Source: HedgeFund. net

(2008 Estimated Hedge Fund Asset Flow)

# The Luxembourg Hedge Fund Market – Figures, June 2008

## Hedge fund units under administration in Luxembourg

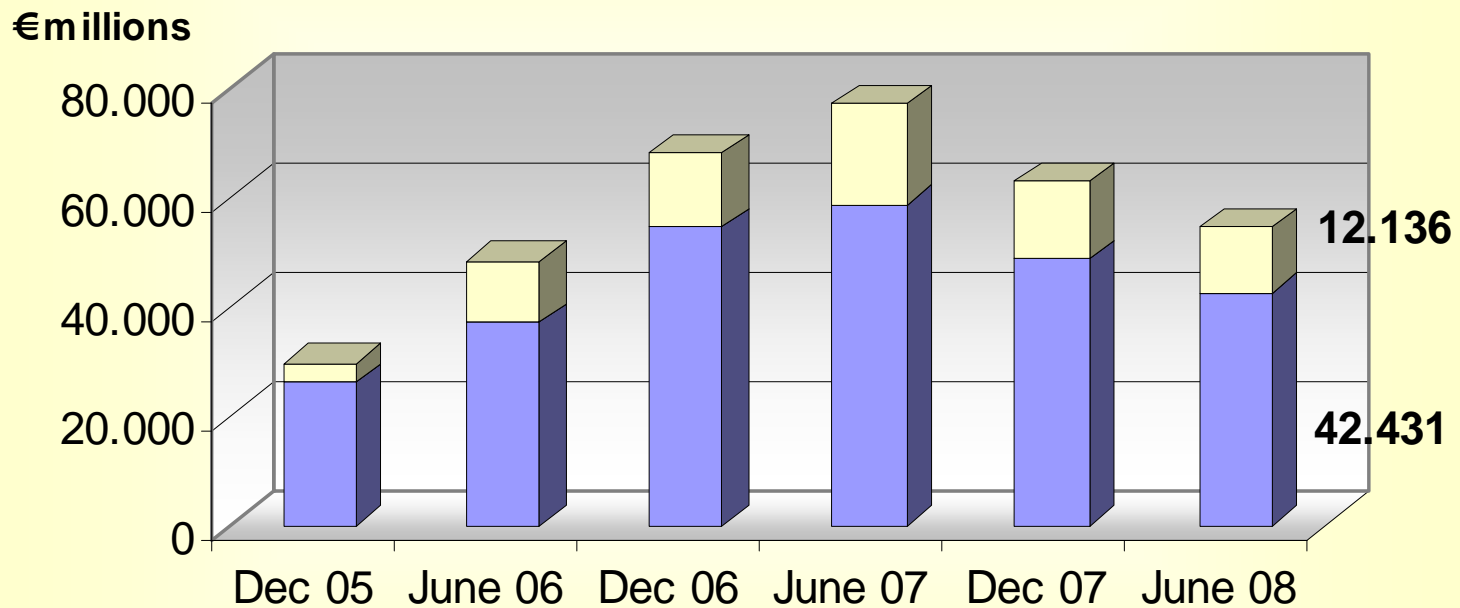


■ Domiciled & Administered    ■ Administered

Source : ALFI

# The Luxembourg Hedge Fund Market – Figures, June 2008

**Assets under management in Hedge funds administered in Luxembourg (€millions)**

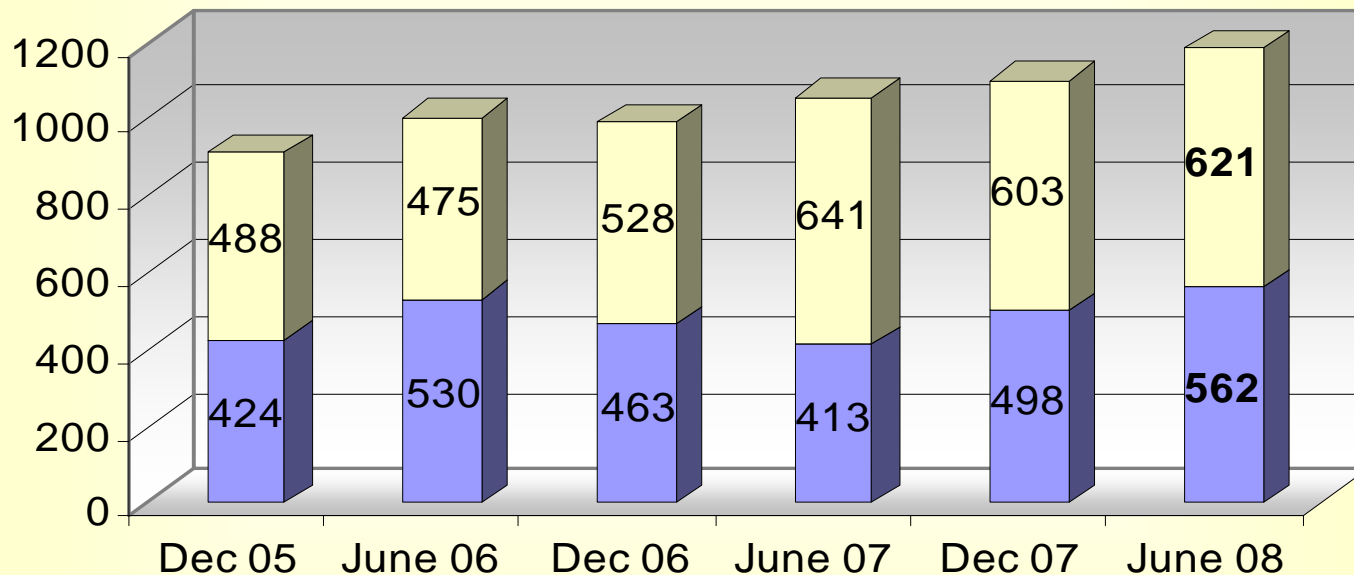


■ Domiciled & Administered
 ■ Administered

Source : ALFI

# The Luxembourg FoHF Market – Figures, June 2008

**Fund of hedge fund units  
under administration in Luxembourg**



■ Domiciled & Administered

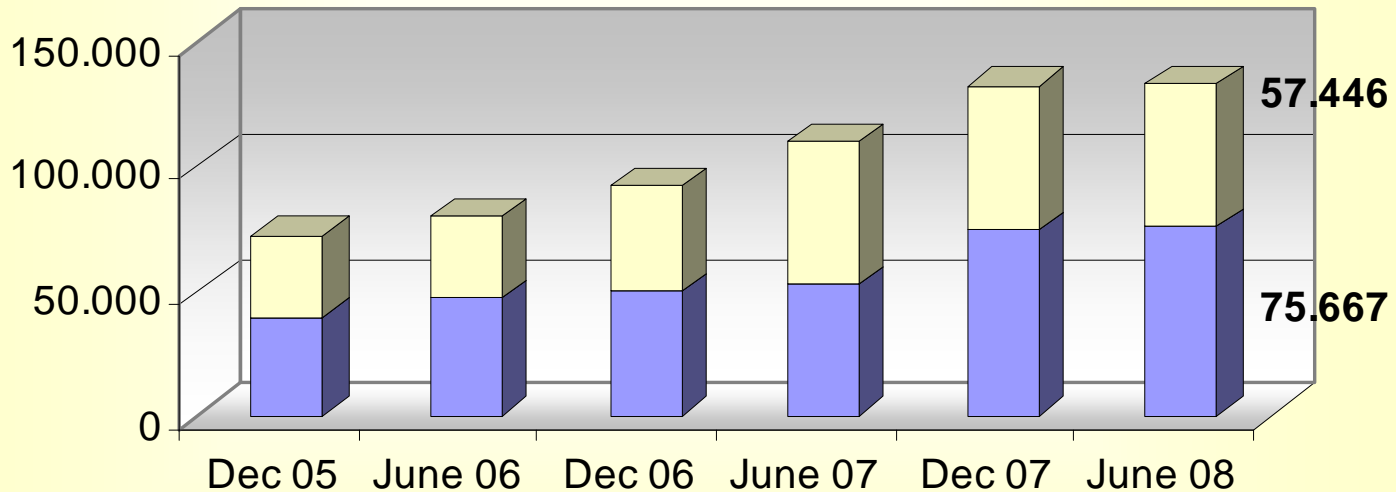
■ Administered

Source : ALFI

# The Luxembourg FoHF Market – Figures, June 2008

## Assets under management in funds of hedge funds administered in Luxembourg (€millions)

€millions



■ Domiciled & Administered ■ Administered

Source : ALFI

# The Luxembourg Hedge Fund and FoHF Market – Promoters

- BlueBay
- Brevan Howard
- Crédit Suisse Switzerland
- Feri
- Fortis Investments/Cadogan
- Fulcrum
- Gartmore
- Gems Ltd
- GWM
- Harcourt
- HDF Finance
- Man RMF
- Merrill Lynch
- Merit
- Nomura
- Peak Partners
- Sabadell
- SEB
- Select Management
- SMN
- 3A

# Available Structures

- Retail funds:
  - 2002 Law: Part II funds (HF+FoHF)
  - 2002 Law: UCITS (alternative investment strategies)
- Institutional funds:
  - 2007 Law: SIF (HF + FoHF)
- Contractual (FCP) or corporate form (SICAV/SICAF) available

# SIF: Main Features

- Lightly regulated vehicle
- Investors: Well-informed investors; minimum investment: EUR 125,000.-
- Flexible investment policy:
  - Single hedge fund
  - Fund of Hedge Funds
- Principle based risk diversification rules:
  - No more than 30% in same entity
  - 30% rule not applicable to investments in target UCIs with comparable risk diversification

# SIF : Main Features

- Time to market: ex post CSSF approval
- Directors:
  - Subject to CSSF approval
  - Must justify their sufficiently good repute and professional experience
- Administration agent in Luxembourg

# SIF: Main Features

- Depository:
  - Must be in Luxembourg
  - Must know at all times how the assets are invested and where and how the assets are available
- Prime Broker:
  - Must accept choice of the Prime Broker
  - Operational due diligence
  - Diligence regarding the credit worthiness and the solvency of the Prime Broker

# SIF: Main Features

- Corporate structure: flexibility regarding legal company form
- NAV calculation: at least once a year, at fair value
- Reporting: light reporting requirements (only annual report)
- Issuing document:
  - Investors must be able to make an informed judgment of proposed investments and risks
  - No minimum content required by law

# Part II Funds: Main Features

- Part II particularly adapted for FoHF
- Investment restrictions:
  - Single Hedge Funds: Circular 02/80
    - Risk diversification rules relating to short sales
    - Borrowings
    - Target UCIs
    - Use of financial derivative instruments and other techniques
    - Other investment restrictions
  - FoHF:
    - In principle, no more than 20% in same target fund

# Part II Funds: Main Features

- Ex ante CSSF approval
- Investors: retail and institutional investors; no minimum investment
- Depository:
  - Must be in Luxembourg
  - Must know at all times how the assets are invested and where and how the assets are available
- Administrative agent in Luxembourg

# Part II Funds: Main Features

- NAV calculation: at least once a quarter
- Corporate structure: limited choice for company form
- Reporting: annual report, semi-annual report, long form report
- Prospectus: minimum content requirements

# Convergence between Hedge Funds and UCITS

- Alternative strategies under UCITS III:

## Examples:

- Hedge fund indices
  - 130/30 strategy
  - Absolute return strategies (structured financial instruments)
- Open-ended funds: liquidity to meet redemption requests

# Convergence between Hedge Funds and UCITS

- Risk Management:
  - Sophisticated UCITS
  - Global exposure: VAR + stress testing
    - Definition of reference portfolio: relative VaR
    - No definition of reference portfolio: absolute VaR (absolute return UCITS)

# Tax Aspects

- Direct Tax: Tax exemption (+ transparency for FCP)
- Withholding tax on dividends: no
- Withholding tax on interests: in limited cases
- Treaty benefit
- Use of wholly owned subsidiaries: possible
- Indirect taxes:
  - No capital duty
  - 1bp or 5bp subscription tax (exemptions possible)
  - VAT exemption on management services

# Distribution and Listing

- Public offer:
  - UCITS: EU passport
  - Part II Funds: registration in EU countries according to Host Member State rules
- Private Placement:
  - Offers restricted to a limited number of previously known investors
  - Currently no harmonisation at EU level
- Listing
  - 2002 Law
  - SIF Law
  - Prospectus law (closed-ended funds)

# European Initiatives

- July 2006: Report of the Alternative Investment Expert Group
- September 2008: Proposals for EU legislation
  - Rasmussen Report (Hedge Funds and Private Equity)
  - Lehne Report (Transparency for institutional investors)
- December 2008: Commission launches consultation on Hedge Funds

Thank you.

# Private Equity

Moderator: Alain Kinsch, Ernst & Young

Panelists: Patrick Goebel, Allen & Overy  
Stéphane Ries, KBL European Private Bankers

# Contents

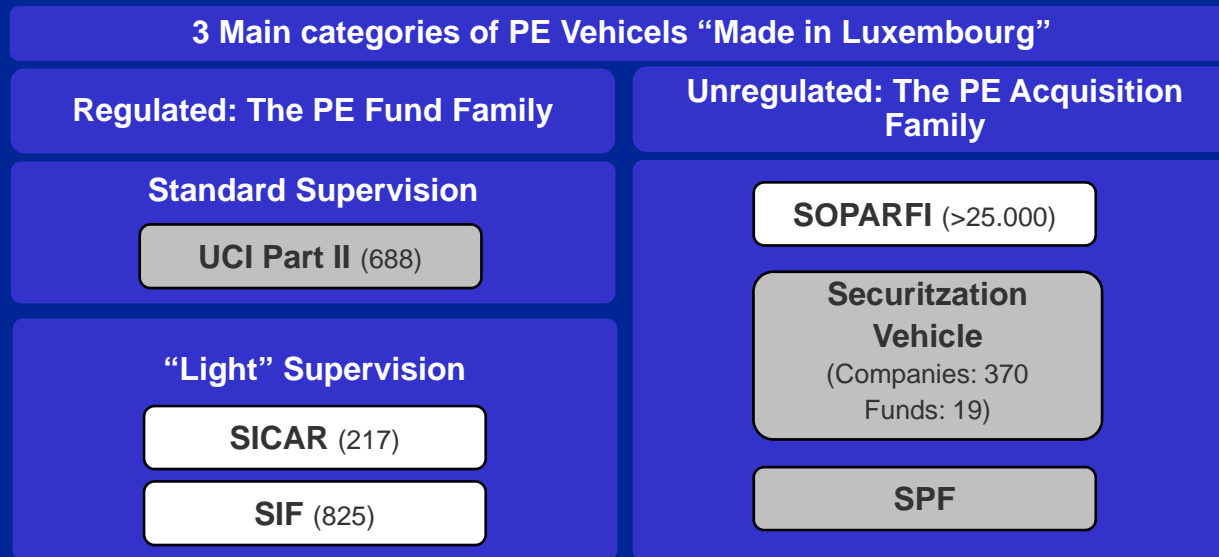
- I. Private Equity structures in Luxembourg
- II. Acquisition structures and funds
- III. The SICAR

# 1. Private Equity structures in Luxembourg

## *A strong product portfolio ...*

An exhaustive product portfolio

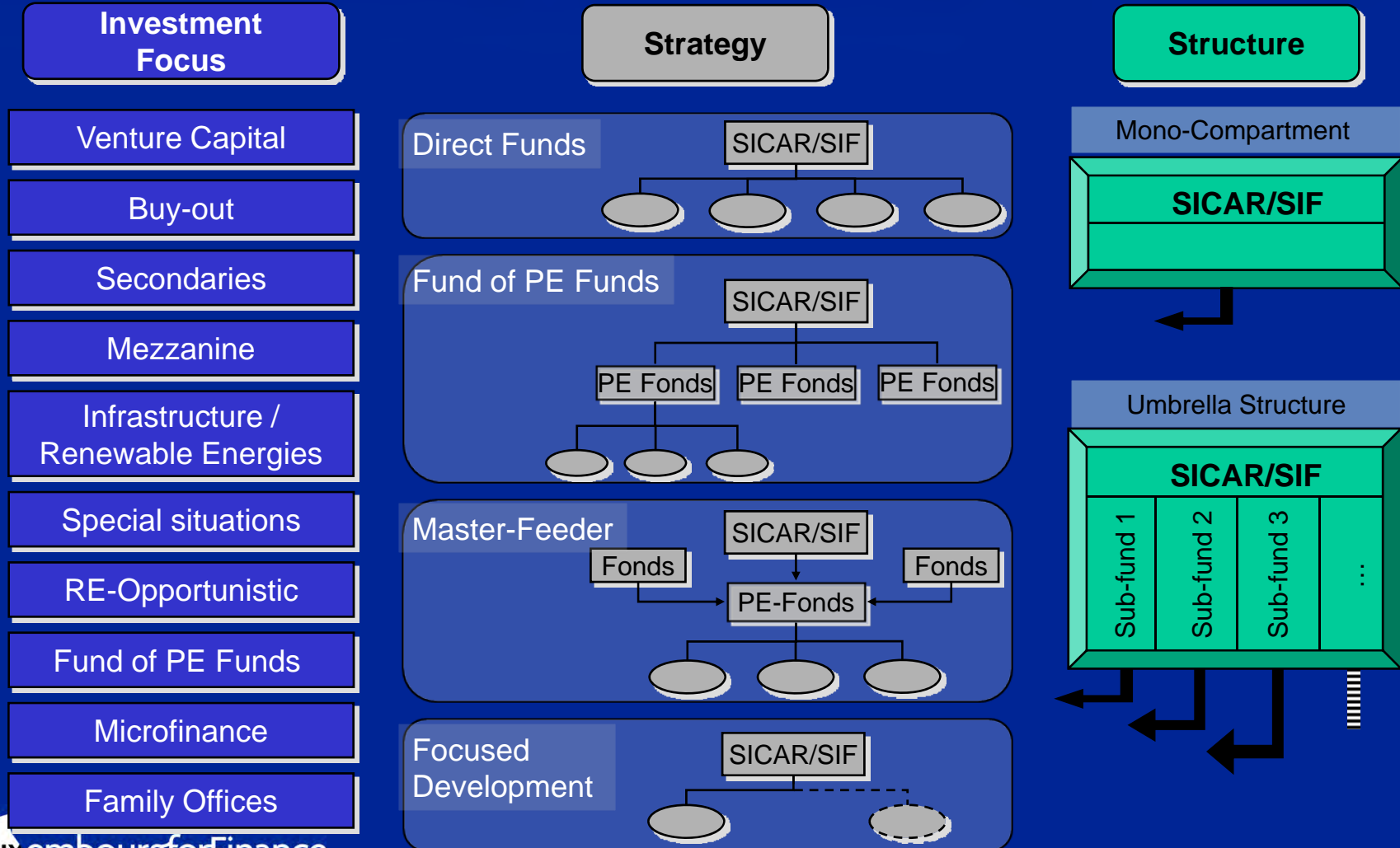
- The Luxembourg PE Fund products are increasingly used by the international Private Equity community.



Figures: December 2008

# 1. Private Equity structures in Luxembourg

## ...for which assets



# 1. Private Equity structures in Luxembourg

## *A cluster of Private Equity competencies*



**'Cluster' of  
PE  
competencies**

Specialized Private Equity back-office services (custody, accounting, reporting, value-added services).

Private Equity solutions for Private Banking.

Specialized Private Equity tax consultants, lawyers and auditors.

Specialized section for SICAR file approvals and monitoring within the Luxembourg regulatory authority (CSSF).

Existing local Private Equity GPs, deals and PE/VC initiatives.

Use of Luxembourg for international PE acquisitions.

## 2. Acquisition structures and funds

### *Acquisition structures: the SOPARFI*

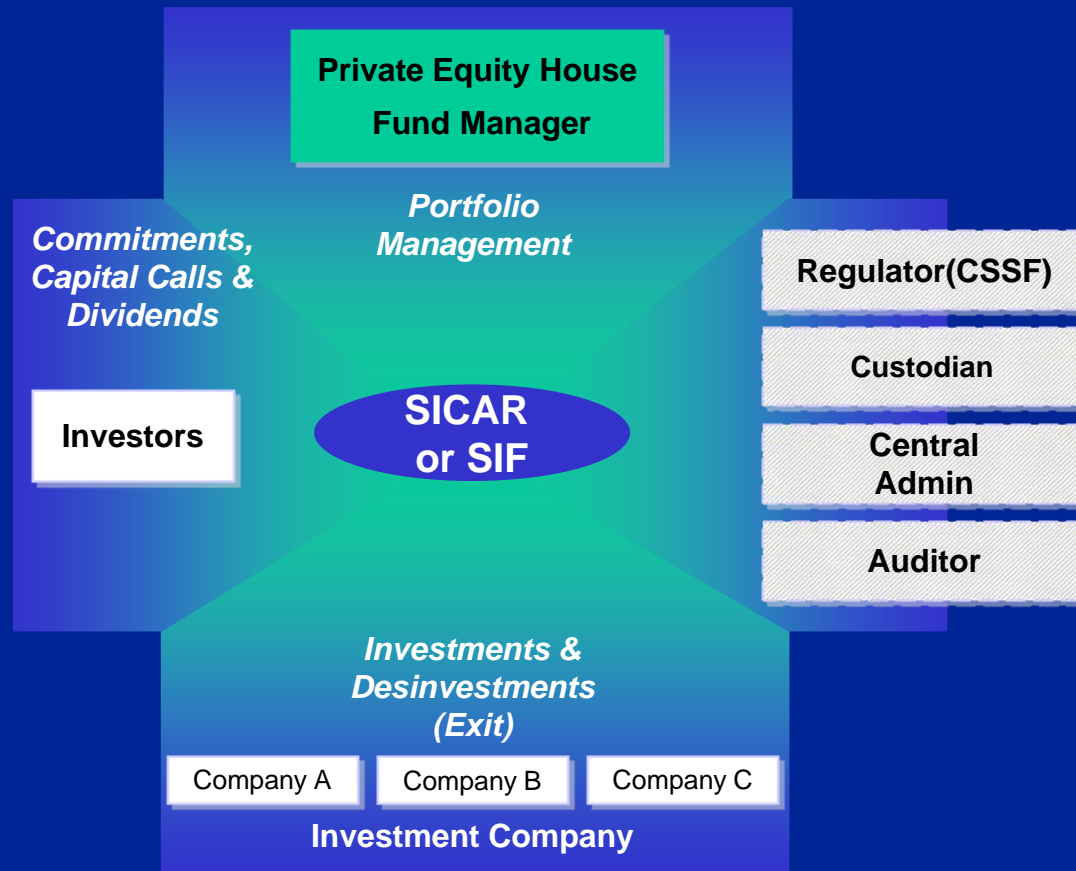
- The Luxembourg SOPARFI is a globally recognized vehicle used for structuring international Private Equity acquisitions.
- Key reasons for using the SOPARFI in the context of a Private Equity acquisition are, among others:
  - ✓ Efficient tax structuring
  - ✓ „Security net“ in case the SICAR would not be able to benefit from a particular Double Tax Treaty.

#### **Main competitive advantages**

- Access to Double Tax Treaties
- Low administrative costs
- Fiscally water-tight structure
- Channelling interest, dividends and capital gains from the target investment to the PE fund in a tax efficient manner
- Possible combination of a SOPARFI with additional innovative hybrid instruments (i.e. PECs, CPECs)

## 2. Acquisition structures and funds

### *Funds: SICAR and SIF*



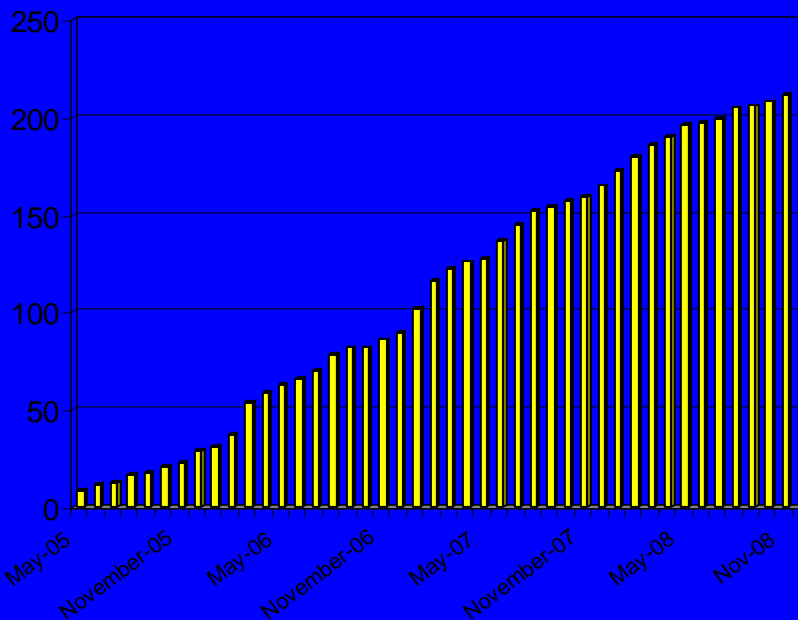
## 2. Acquisition structures and funds

### *Funds: SICAR and SIF*

#### Track Record & Critical Mass

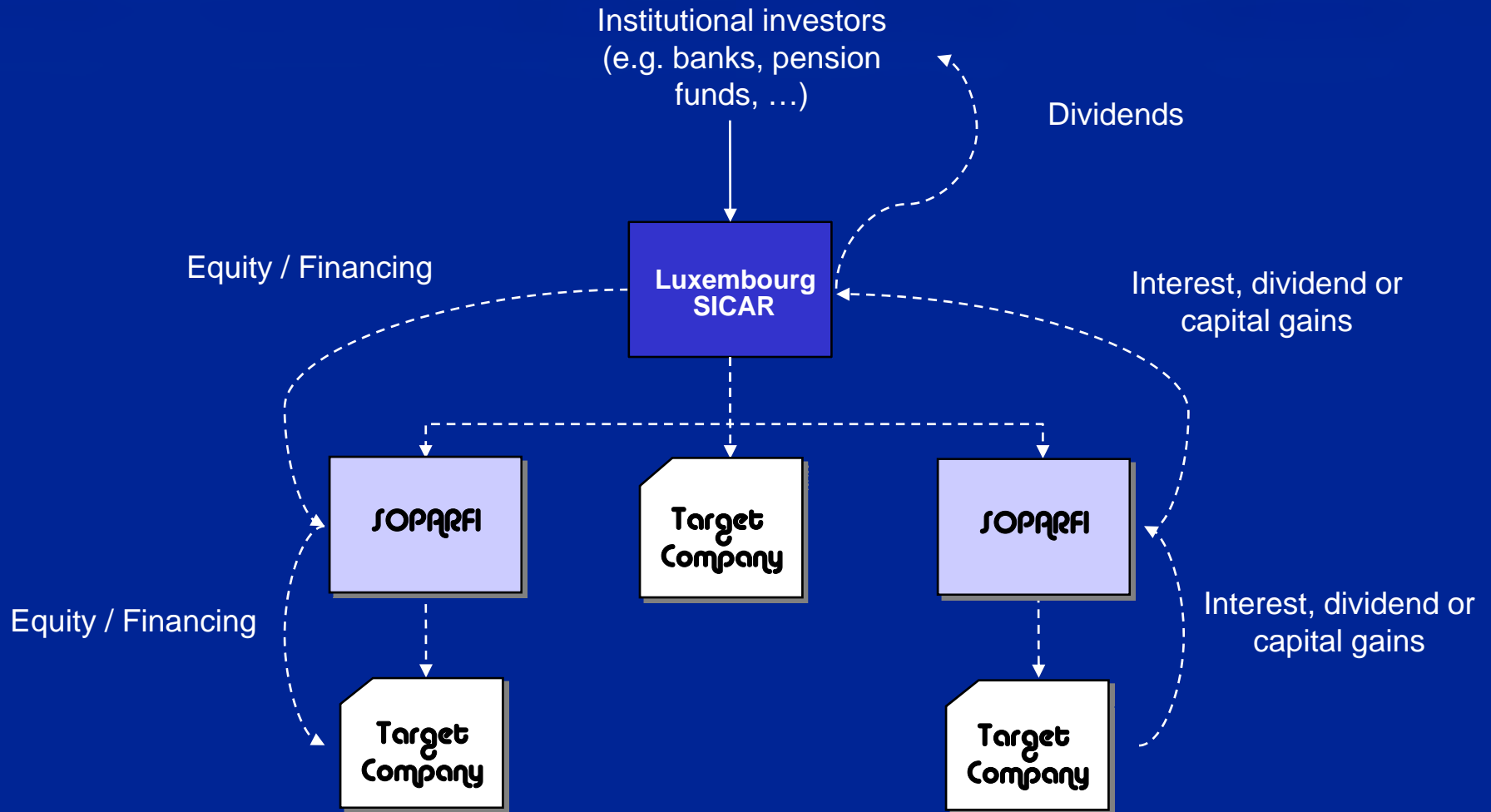
- Over 200 SICARs set-up over a period of 4 years
- Many of the Top 20 global PE houses as well as many small and medium-sized PE houses use Luxembourg SICARs
- SICARs are used for any type of investment in risk capital
- Luxembourg offers a 'cluster' of PE competencies

**Number of registered SICARs**



# 3. The SICAR

## Structuring examples



# 3. The SICAR

## *Upgrade of the SICAR Law*

- Law as of 24 October 2008
- Continuous improvement of the Law by the Government, the supervisory authority, ALFI and PE practitioners
- A few fundamental innovations: the Umbrella-SICAR and the LP-SICAR
- Certain practical simplifications: non-applicability of the Qualified Investor status for persons involved in the management, minimum capital, NAV, publication requirements
- Certain technical adjustments: name, description of duties of the Custodian, valuation principles

# 3. The SICAR

## *Scope of application*

- **Eligible assets:**
  - The Luxembourg Law of 15 July 2004 defines investments in risk capital as “direct or indirect contribution of assets to entities in view of their launch, their development or their listing on a stock exchange”.
- **The Circular Resolution 06/241 of 5 April 2006 published by the CSSF defines the notion of „risk capital“ as the combination of the following 2 criteria:**
  - A high level of risk (“risk capital”)
  - Contribution to the active development of the target entity (“active development”).
- **Investment Policy**
  - No risk diversification
  - No lending or leverage restrictions

### October 2008 amendments to the SICAR Law

- None

### Differences SICAR / SIF

- SIF can be used for all asset classes
- Principle of risk diversification for the SIF: 30%-rule (Circular 07/309)

# 3. The SICAR Approval Process

- 'Light' supervision:
  - No 'Promotor' requirement
- **Opportunity** for small and mid-sized PE houses to access a **regulated and highly reputable market**
- **Brand image** as an on-shore product of a reputable EU financial center
- An **Enabler** in fund raising

## October 2008 amendments to the SICAR Law

- None

## Differences SICAR / SIF

- SIF can be incorporated before approval ('ex post' approval)
- SICAR has brand image as '**pure**' Private Equity product

### 3. The SICAR Qualified Investor

- **Definition of a 'qualified investor'**: no obstacle for knowledgeable investors
- **Possibility of a stock exchange listing**

#### October 2008 amendments to the SICAR Law

- Persons involved in the management of the SICAR are eligible investors

#### Differences SICAR / SIF

- None

# 3. The SICAR

## Flexible legal and operational structures

- Availability of various **legal structures** (e.g. limited partnership, partnership limited by shares, limited company, public limited company).
- Variability of capital allows for **efficient draw-down structures** and **exit policies**.
- Stability of legal system and **investor protection**.

### October 2008 amendments to the SICAR Law

- Possibility to set up sub-funds
- Increased attractiveness of the SICAR set-up as a Société en Commandite Simple (S.C.S.), the equivalent of the UK Limited Partnership or the German Kommanditgesellschaft through removal of certain hurdles

### Differences SICAR / SIF

- SIF is a fund and is based on the UCI regulatory framework
- SIF can be set-up as an FCP-SIF, i.e. as a UCI with a management company

# 3. The SICAR

## Tax neutrality

Achievement of **tax efficiency** through the following means:

- Choice between tax transparent and non-transparent structures, both achieving tax neutrality for the investor.
- SICAR offers access to potentially all Double Tax Treaties concluded between Luxembourg and other countries.

### October 2008 amendments to the SICAR Law

- None

### Differences SICAR / SIF

- Different tax system of a SIF (subscription tax of 0,01% of NAV)
- SICAV/F-SIF has only limited access to DTTs
- FCP-SIF: access to DTT and EU directives to reduce withholding tax only on the level of the investor (as far as eligible)

### 3. The SICAR

#### *Operational aspects*

- Challenges for Custodian, Central Administrator and Auditor
- Explicit **exemption from consolidation requirement**
- **Pragmatic** approach for **reporting**
- Valuation of assets at 'Fair Value'
- **Competitive** central administration **cost-benefit ratio**
- Minimum capital of EUR 1 million: 12 months to achieve minimum capital

# 3. The SICAR

## Operational aspects

### October 2008 amendments to the SICAR Law

- Limited publication requirements
- The share premium can be taken into account to compute the minimum capital requirement
- No NAV calculation and publication requirement
- Clarification of the term Fair Value
- Clarification of the duties of a Custodian

### Differences SICAR / SIF

- SIF has a minimum capital of EUR 1,25 million
- The annual report follows the UCI accounting framework, not the Company accounting framework.

# Outlook

# Real Estate Funds

Moderator: Catherine Rückel, PricewaterhouseCoopers

Panellists:

Joëlle Hauser, Clifford Chance

Sven Rein, Brown Brothers Harriman

# Agenda

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- Market overview
- Structuring real estate funds
- Current trends and future developments

# Agenda

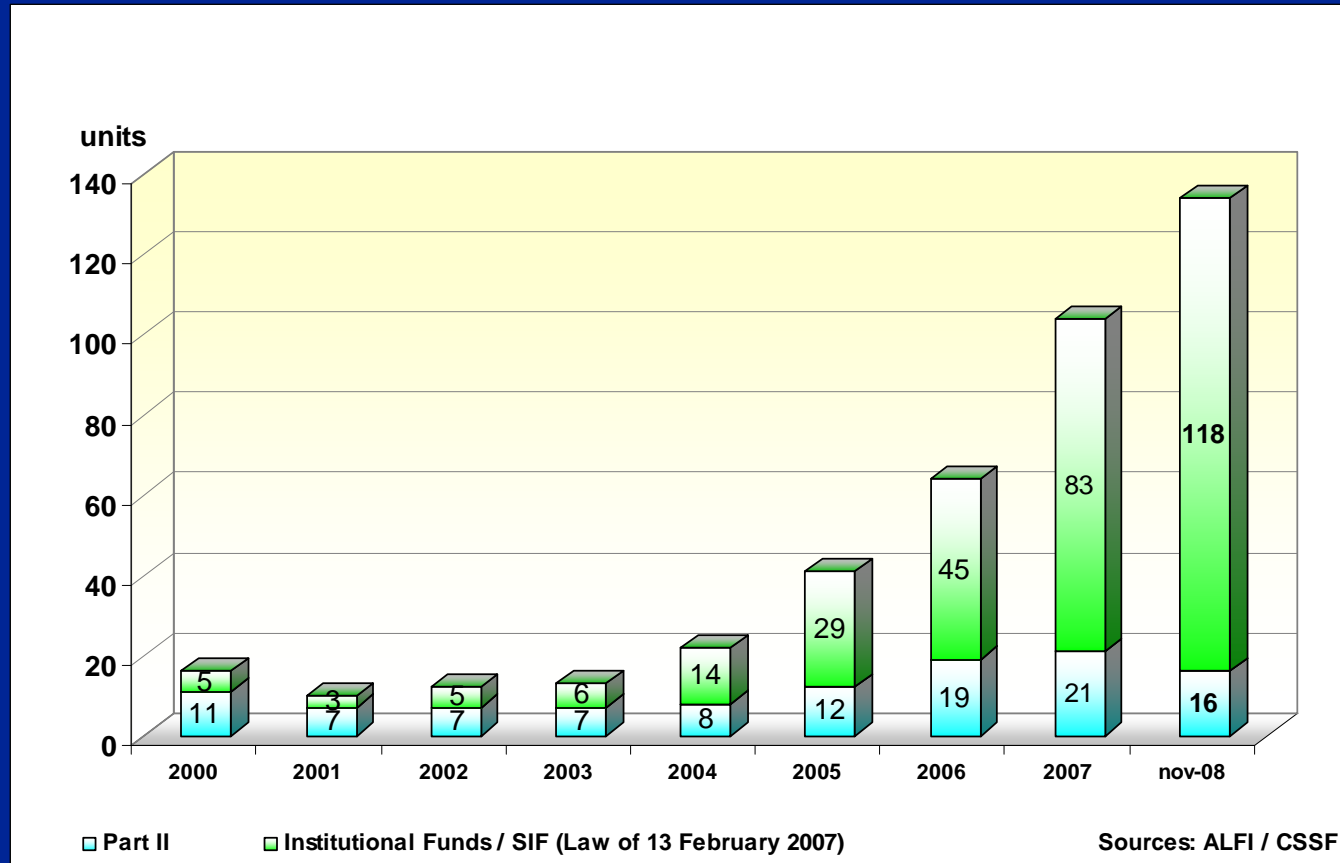
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- Market overview
  - Real estate funds in Luxembourg
  - Origin of fund promoters
  - Real estate promoters in Luxembourg
  - Regulated/non-regulated real estate structures
  - Approved real estate vehicles
- Structuring real estate funds
- Current trends and future developments

# Market overview

## Real estate funds in Luxembourg

### Growth in the number of Luxembourg real estate fund units (\*)

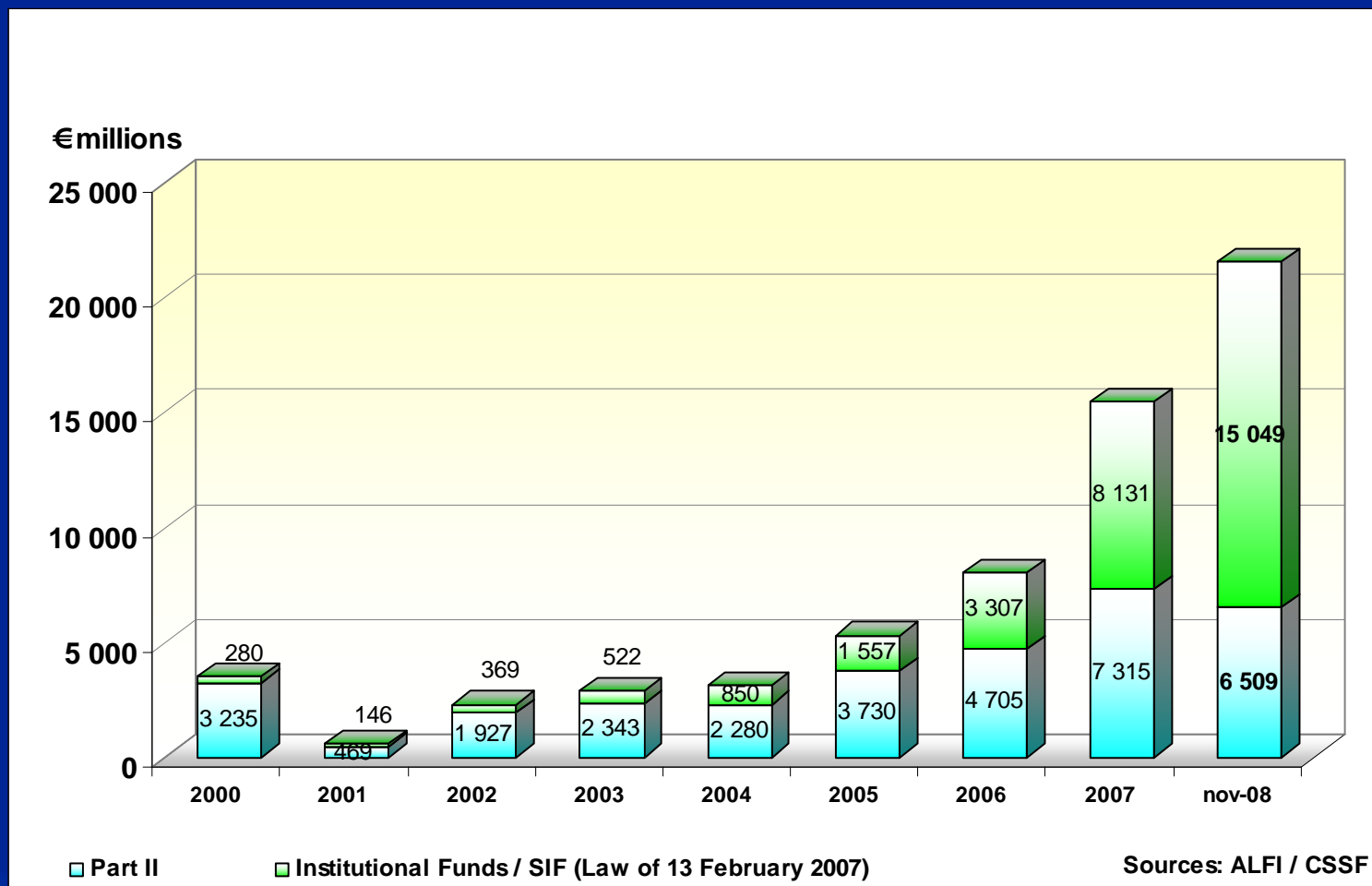


(\*) The number of single funds plus the sub-funds of umbrella funds

# Market overview

## Real estate funds in Luxembourg

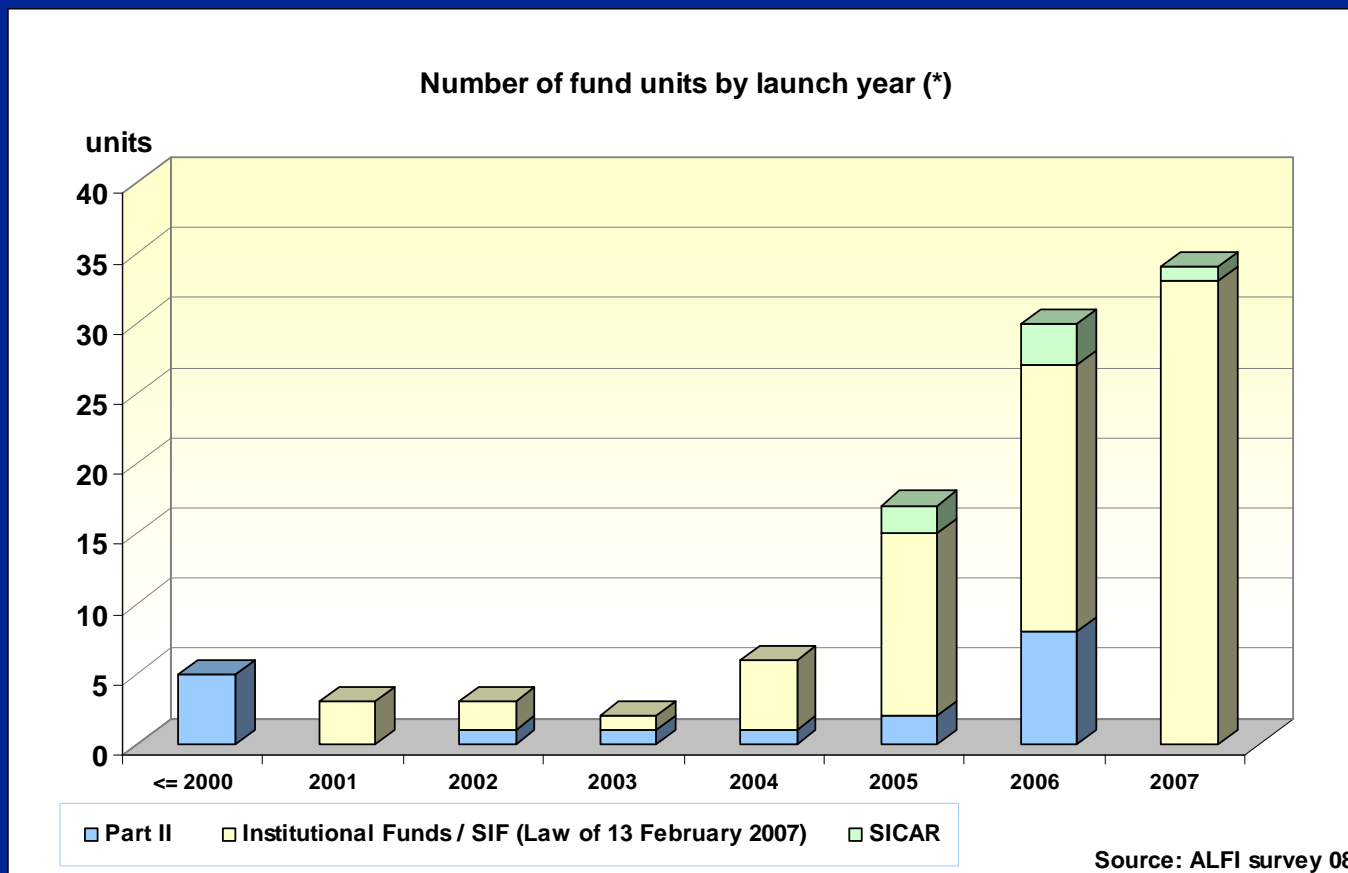
### Net assets under management in Luxembourg real estate funds



# Market overview

## Real estate funds in Luxembourg

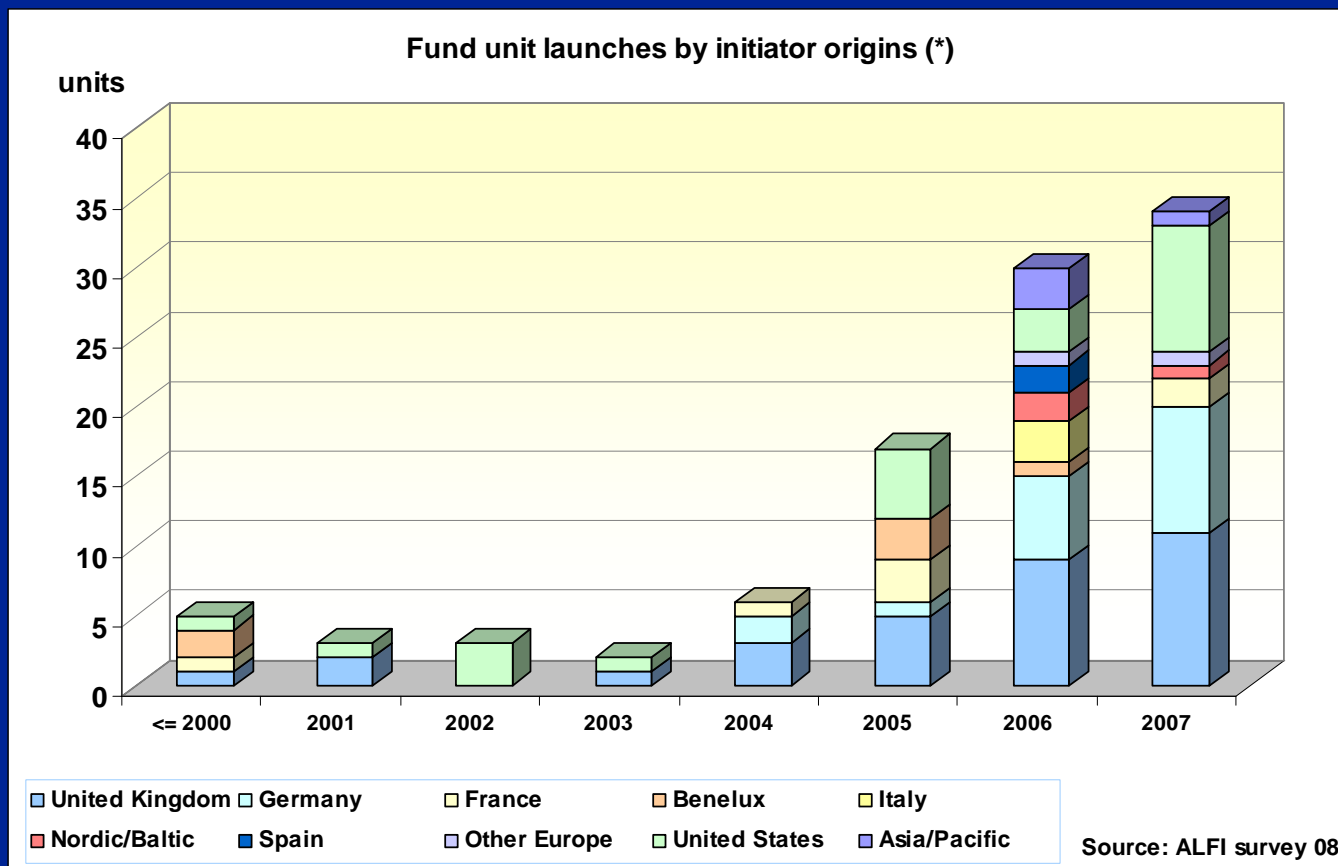
### Number of fund units by launch year (\*)



# Market overview

## Real estate funds in Luxembourg

### Fund unit launches by initiator origins (\*)



# Market overview

## Real estate promoters in Luxembourg

Aberdeen / DEGI / Goodman Henderson	Hines	Pillar
AMB Capital	iii-Investments	Pradera
Aviva / Morley	Invesco	Pramerica
Axa	Investec	Prologis
BlackRock	Invista	Protego
Commerz Real	IVG Immobilien AG	Sal Oppenheim
Cordea Savills	JPMorgan	Schroders
Deka	Jones Lang LaSalle	Scottish Widows
E.ON	M&G Investments	SEB
Fidelity	Macquarie GPA	SIREO
First State	MEAG	Societe Generale
Fortis	Morgan Stanley	Threadneedle
Franklin Templeton	New Star	Tishman Speyer / Archstone
GARBE	Orco	UBS
Generali	Pacific Star	Valartis
Henderson		

# Market overview

## Approved real estate vehicles (as of August 31, 2008)

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### Part II (according to the Law of December 20, 2002)

Asia Property Fund

Encore +

European Property Fund

Fortis Direct Real Estate Fund

Invista European Real Estate Trust Sicaf

JPMorgan European Property Fund

Leasinvest Immo Lux

Lend Lease Global Properties

Pharos Real Estate Fund

Prologis European Properties

Specialist Investment Funds (2)

# Market overview

## Approved real estate vehicles (as of August 31, 2008)

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### **SIF (according to the Law of February 13, 2007)**

4IP European Real Estate Fund of Funds

Aareal

Aberdeen European Balanced Property Fund

Aberdeen European Shopping Property Fund

Aberdeen Indirect Property Partners - Active

Aberdeen Property Funds Eastern Europe Sicav-FIS

Aberdeen Property Funds Sicav-FIS

Aberdeen Property Nordic Fund I Sicav

Accession Fund

Aerium Fairfield Special Opportunities Fund FCP-FIS

Alpina Real Estate Fund SCA Sicav-FIS

AMB Europe Fund I

Ardi Immo Sicav

Aviva Investors Asia Property Fund

Aviva Investors Central European Property Fund

# Market overview

## Approved real estate vehicles (as of August 31, 2008)

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Baek-Immo Sicav

BGV Bayerische Grundvermögen III Sicav-FIS

BlackRock Agriculture Fund-Master Fund

Bluehouse Accession Property III

Bouwfonds International Real Estate Fund

BPT Arista S.A. Sicav-SIF

BPT Hansa Lux Sicav-SIF

Brandenburg Fund Sicav-FIS

Central European Industrial Fund

CG Real Estate Master FCP-SIF

Cordea Savills European Commercial Fund

Cordea Savills German Retail Fund

Cordea Savills Italian Opportunities N0.2, S.C.A., Sicav-SIF

Cordea Savills Nordic Retail Fund

Deka-Immobilien Private Equity

Delta Lloyd Real Estate Fund

European Industrial Partnership

# Market overview

## Approved real estate vehicles (as of August 31, 2008)

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Euoprisa,  
Fareastfund OIK  
Fidelity International Real Estate Fund  
Garbe Logistic European Strategic Fund II  
Garbe Logistic European Strategic Fund  
Generali Real Estate Fund  
German Retail Investment Property Fund  
German Retail Property Fund FCP-SIF  
GLL AMB Generali Cross-Border Property Fund  
GLL Selection Fund II  
Goodman European Logistics Fund  
Hahn FCP-FIS  
Heitman Central Europe Property Partners II  
Heitman European Property Partners III  
Henderson Asia-Pacific Indirect Property Fund  
Henderson Indirect Property Fund (Europe)  
Henderson Joint Ventures Property Funds FCP-FIS

# Market overview

## Approved real estate vehicles (as of August 31, 2008)

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Herald, The Henderson European Retail Property Fund  
Hexagone French Regional Property Fund  
Hines European Value Added Fund  
Hines International Real Estate Fund  
Hines Real Estate Master FCP-FIS  
Historic Buildings Fund  
III European Property Sicav-FIS  
Immo-Croissance Sicav-FIS  
Invesco European Hotel Real Estate Fund  
Invesco Immobilien Fonds  
Invesco Real Estate-European Fund  
Investec GLL Global Special Opportunities Real Estate Fund  
Irus European Retail Property Fund  
IVG European Core+ Office  
LIC US Real Estate NO.1 Sicav-FIS  
Logaxes Fund  
Lorac Investment Fund

# Market overview

## Approved real estate vehicles (as of August 31, 2008)

---

Meag Luxembourg Real Estate Investment Fund

Milestone Property Fund S.C.A., Sicav-FIS

Morgan Stanley Eurozone Office Fund

Nordic Retail Fund

Orox Capital Investment

Outlet Mall Fund

Paramount US Real Estate Fund

Paribus German Property Fund 1 FCP-SIF

Pillar Retail Europark Fund

Pradera Central & Eastern Fund

Pradera European Retail Fund 2

Pradera European Retail Fund

Prologis European Properties Fund II

Rivington Real Estate Fund, FCP-SIF

Seb Asian Property Fund Sicav-FIS

SGAM AI Property FCP-FIS

SGAM AI Property Sicav-FIS

# Market overview

## Approved real estate vehicles (as of August 31, 2008)

---

Sireo Immobilienfonds NO. 4 Sicav  
Sireo Immobilienfonds NO. 5 Sicav  
Sireo Immobilienfonds NO. 6 Sicav  
Soparimmo Fonds-FIS  
Swip European Balanced Property Fund  
The Archstone German Fund  
The Endurance Real Estate Fund  
Tishman Speyer European Core Fund FCP-SIF  
Tyler Investment Fund  
UBS (Lux) Euro Value Added Real Estate Fund  
UBS (Lux) Real Estate - Euro Core Fund  
Valartis Global Real Estate Select  
Valartis Residential Health Care (Germany)



### Regulated by the CSSF:

Undertakings for Collective Investments in Transferable Securities (UCITS- Part I, Part II, SIF)

- Common Funds (FCP)
- Investment Company with Variable Capital (SICAV)
- Investment Company with Fixed Capital (SICAF)

SICAR

### Non-regulated:

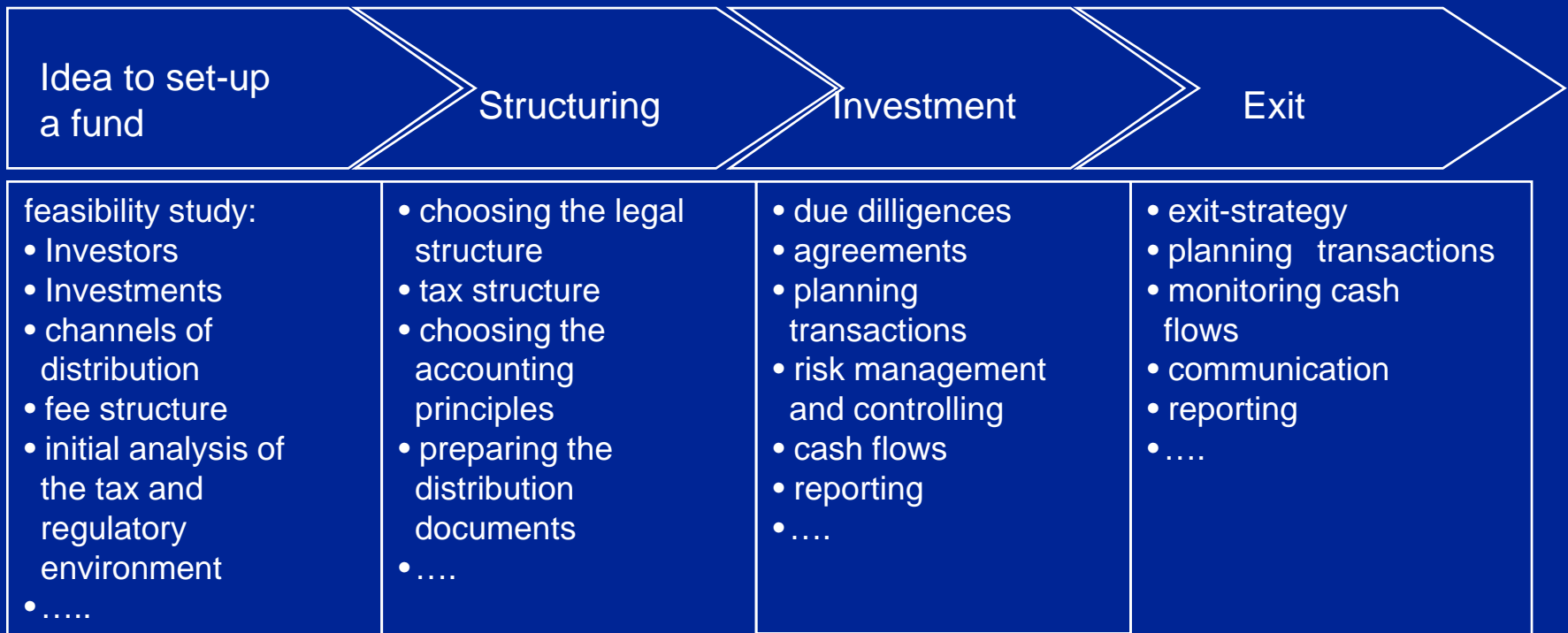
SOPARFI (financial holding) with offshore investment vehicles

# Agenda

- Market overview
- Structuring real estate funds
  - The Process
  - Criteria for choosing the fund vehicle
  - Specialised Investment Funds
  - SICAR
  - Tax
  - Accounting and Reporting
  - Setting-up a Luxembourg real estate structure
  - Real estate funds by location (April 2008)
- Current trends and future developments

# Structuring real estate funds

## The Process



# Structuring real estate funds

## Criteria for choosing the fund vehicle

### Part I Funds

- no direct investments in real estate
- investments in real estate indices
- investments in listed REITS or real estate shares
- risk diversification mandatory
- closed-ended or open-ended real estate funds
- derivatives on real estate (?)

### Part II Funds

- direct and indirect investments in real estate
- risk diversification mandatory, max. 20% per object
- debt financing possible

### SIF

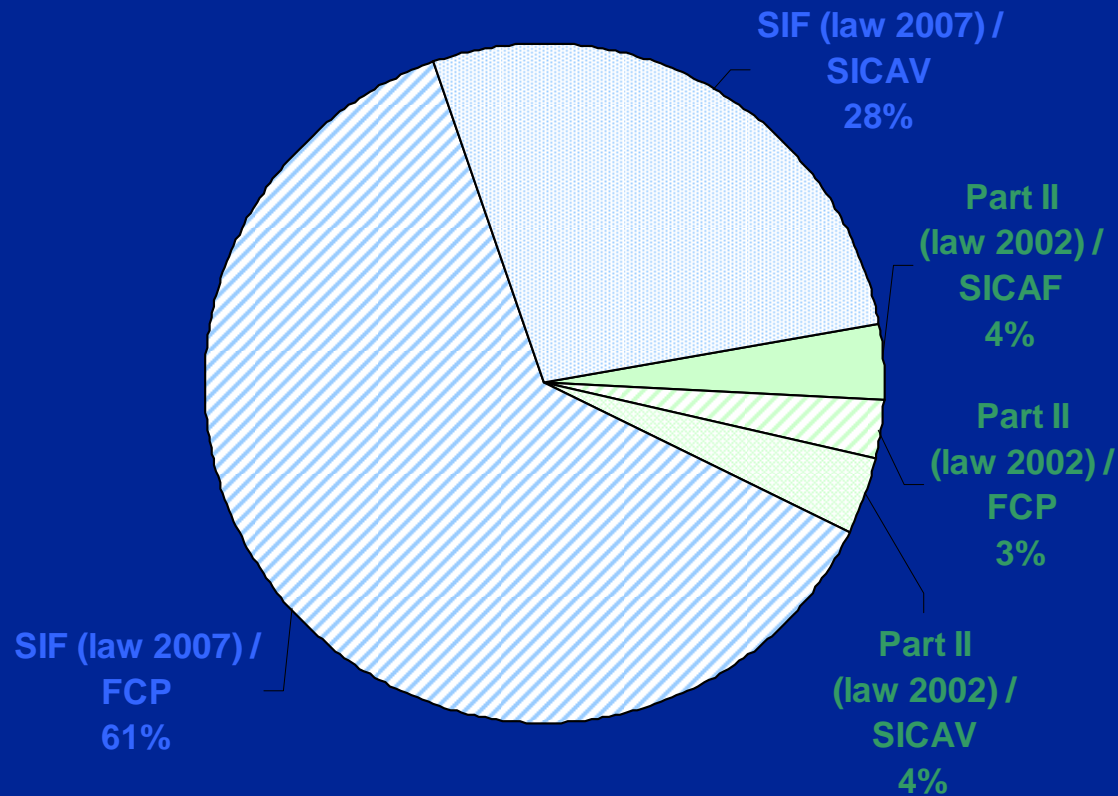
- all assets feasible
- risk diversification mandatory, max. 30% per object or prior negotiations with the CSSF
- more extensive debt financing feasible

### SICAR

- no risk diversification required
- investments restricted to risk capital
- no direct investments in real estate

# Structuring real estate funds

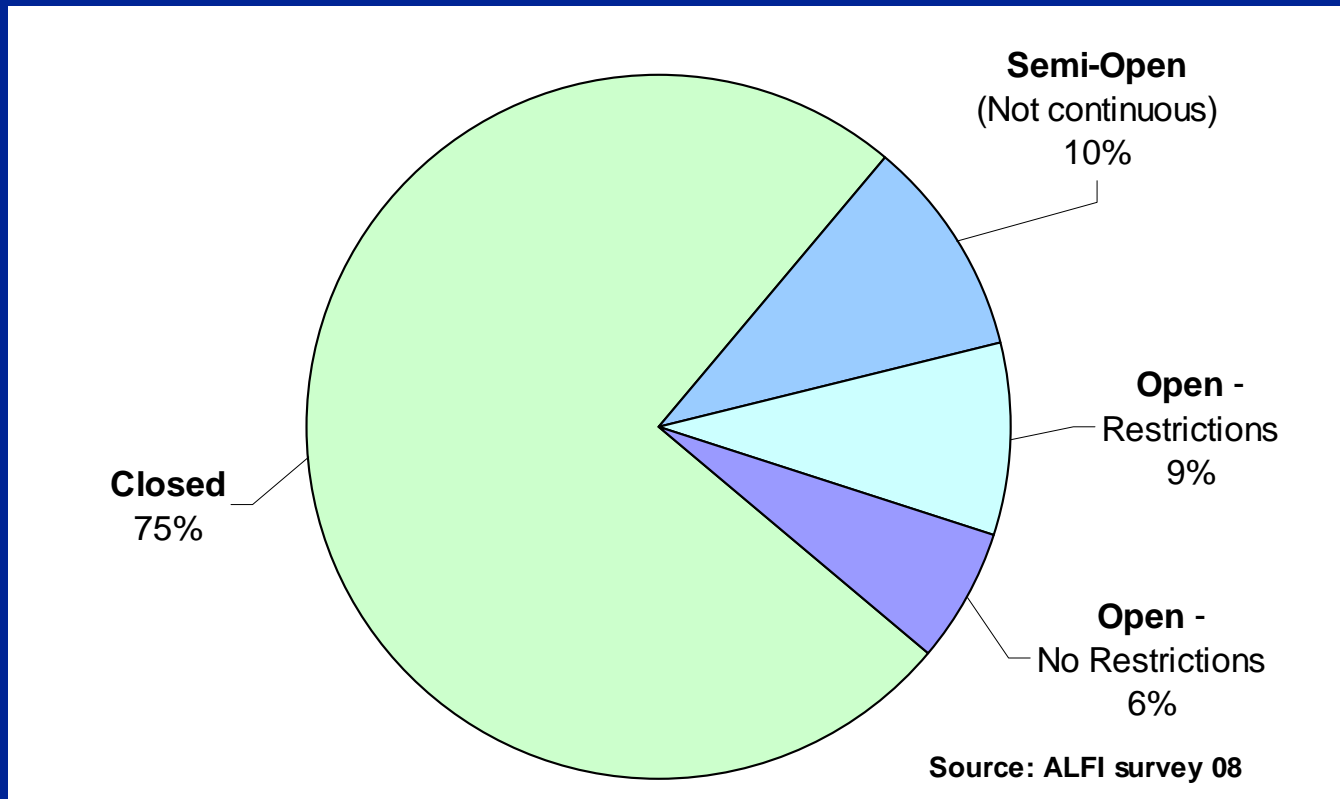
## Legal regime and structure combined



Figures as at 30 Sept. 2008  
Sources: ALFI / CSSF

# Structuring real estate funds

## Liquidity



# Structuring real estate funds

## Specialised Investment Funds

<b>Legal Form</b>	SICAV, SICAF, FCP, SCA, S.à.r.l.
<b>Capital</b>	variabel / fixed; with / without subscription requirement; partly / fully payable; shares, units or bonds
<b>Duration</b>	limited or unlimited
<b>Valuation</b>	fair value & special rules for specific assets
<b>Diversification</b>	30% counterparty, derogation during establishment
<b>Issue Price</b>	NAV or fixed price
<b>Investors</b>	„well-informed“ Investors, EUR 125'000 minimum subscription
<b>Taxes</b>	Luxembourg 0,01%, right to DTT in various cases, unlimited use of subsidiaries
<b>Custodian Bank</b>	in Luxembourg
<b>Administration</b>	in Luxembourg
<b>Supervising Authority</b>	CSSF
<b>Distribution</b>	private placement without prior approval of the CSSF
<b>Transferability</b>	free or with consent of the BoD; S.à r.l.: ¾ of the capital
<b>Distribution</b>	flexibel up to an amount equal to the mimimum capital of EUR 1,25 mio

# Structuring real estate funds

## SICAR

### SICAR - Law of 15 June 2004

Only for well-informed investors  
purpose is the investment in risk capital no  
risk diversification required  
investments in real estate only permitted if:

- investments with high development potential due to specific risks;
- creation of value on the level of the underlying real estate increased expected risk-profit-ratio.

### Changes October 2008

Amendments to the definition of the well-informed investor  
Umbrella SICARs.

“issue premiums” are taken into account for the calculation of the minimum capital.

Valuation of the assets according to the “fair value”.

SICAR may determine the valuation of the NAV and its frequency.

Adaptation of the functions of the custodian to the SIF-law.

# Structuring real estate funds

## Tax

### The 3-step approach to tax structuring:

#### Investor level:

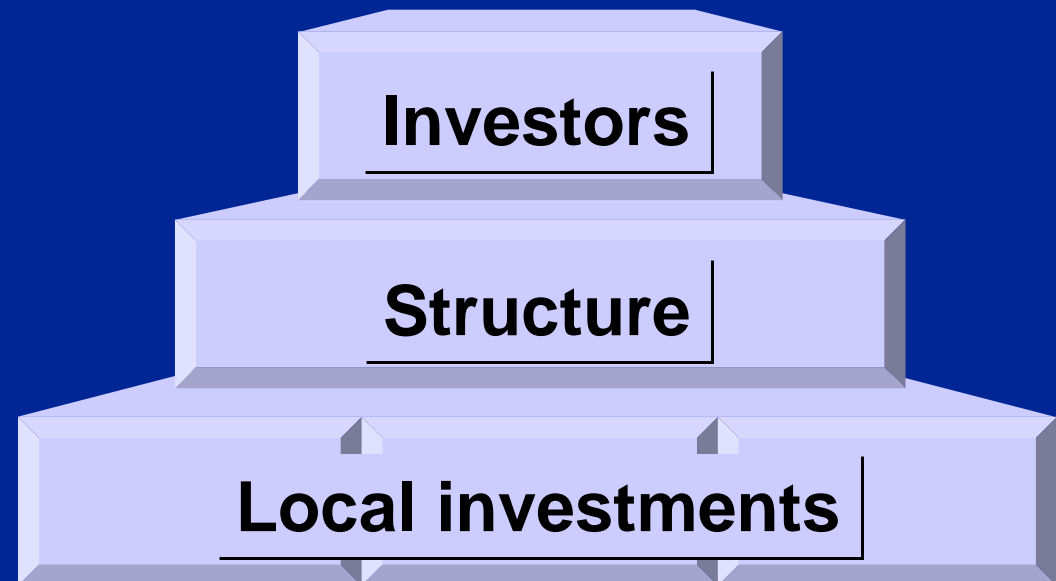
Taxation of income at investor level  
Reporting requirements

#### Issues related to structuring:

Structure of participations  
Structure of financing  
Location of management/substance  
Exit

#### Investment level:

Local structure of acquisitions  
Local Joint Venture  
Cash flows



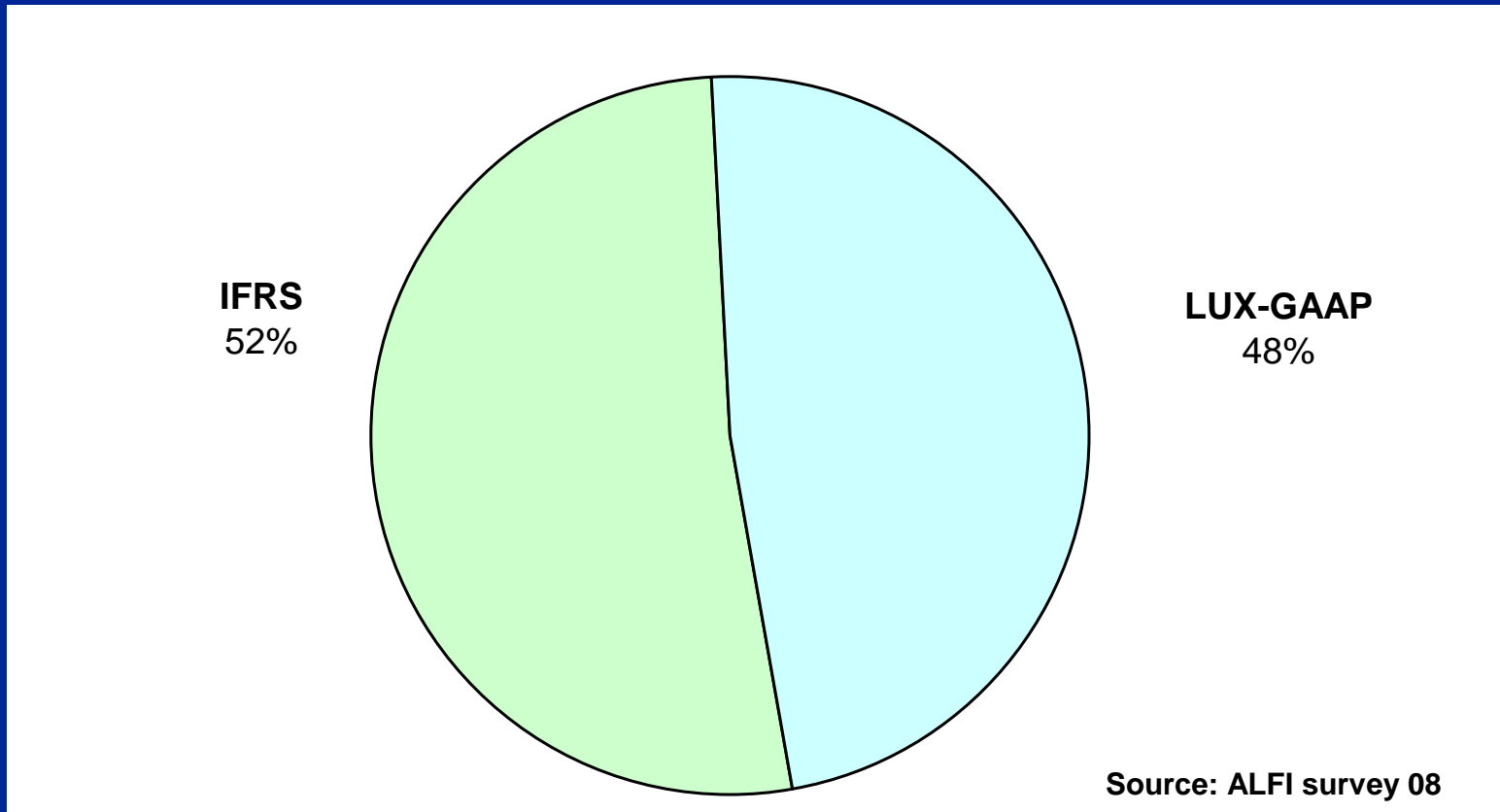
# Structuring real estate funds

## Accounting and reporting

- ✓ Financial reporting requirements
  - IFRS/LUX GAAP or others
  - Reporting NAV / Trading NAV
  - Consolidated / stand-alone financial statements
  
- ✓ Net Asset Value - INREV Guidelines
  - Frequency
  - Calculation
  - Valuation
    - Real estate (independent valuation,...)
    - Financial instruments (liabilities, bonds,.....)
  - Management and performance fees

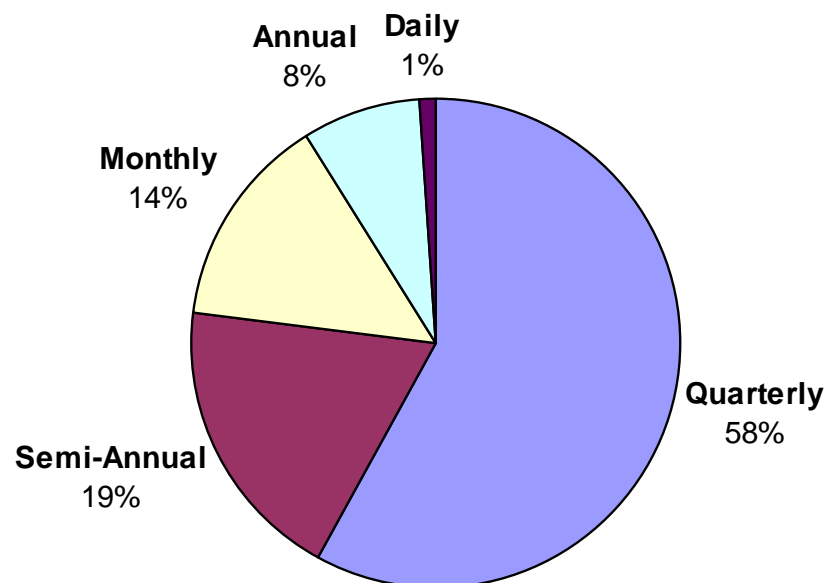
# Structuring real estate funds

## Accounting Standards



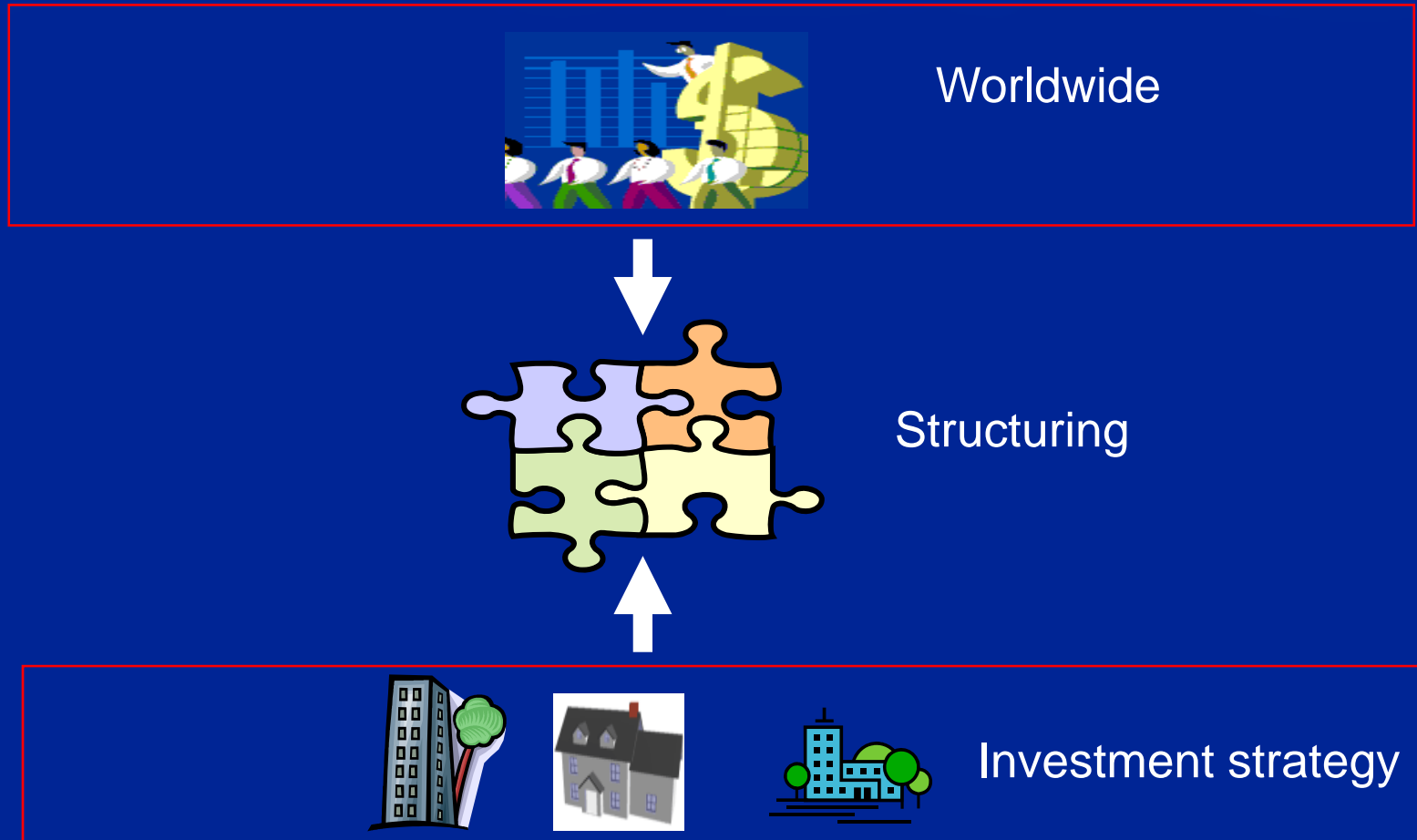
# Structuring real estate funds

## Frequency of NAV Calculation



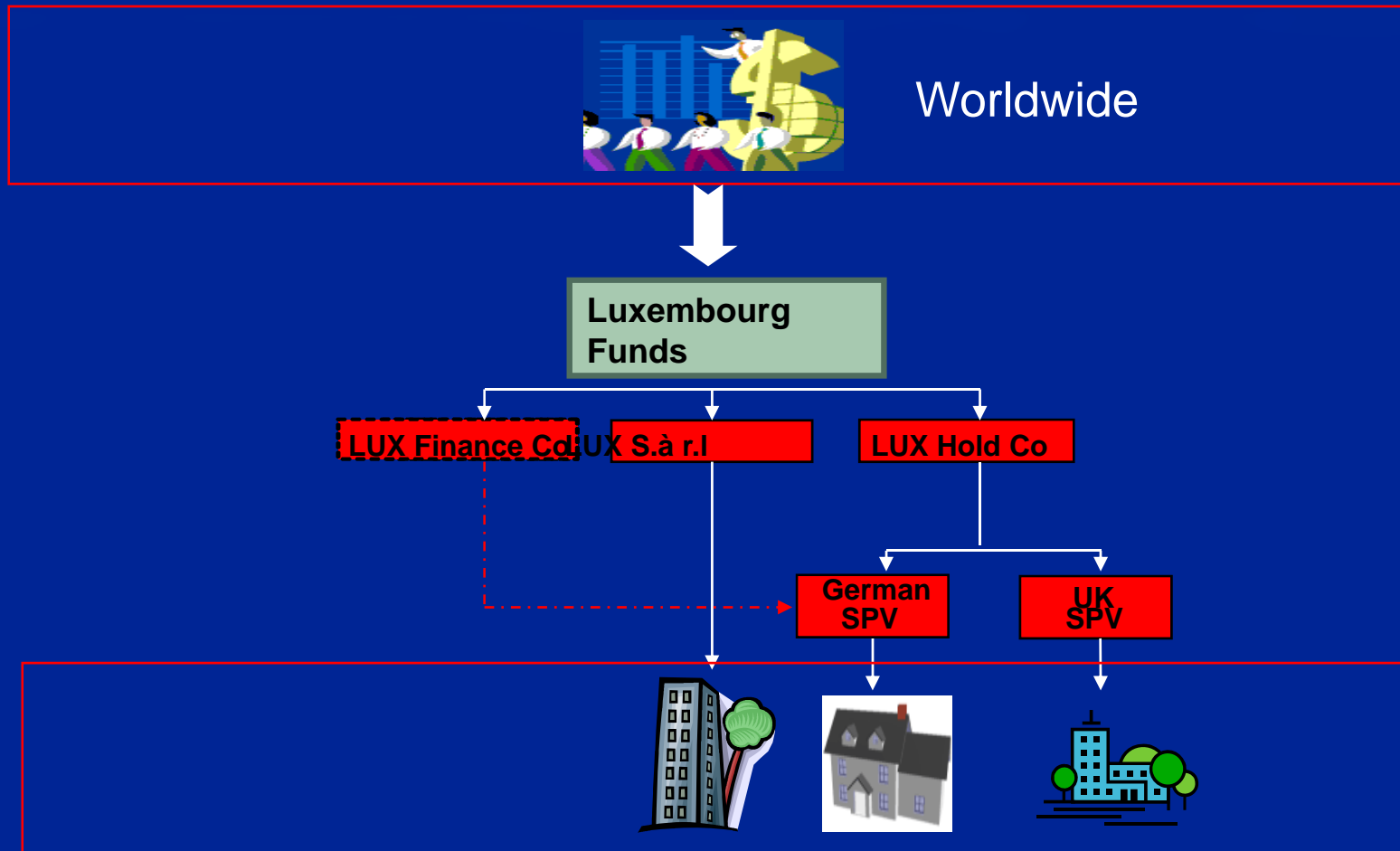
# Structuring real estate funds

## Setting-up a Luxembourg real estate structure



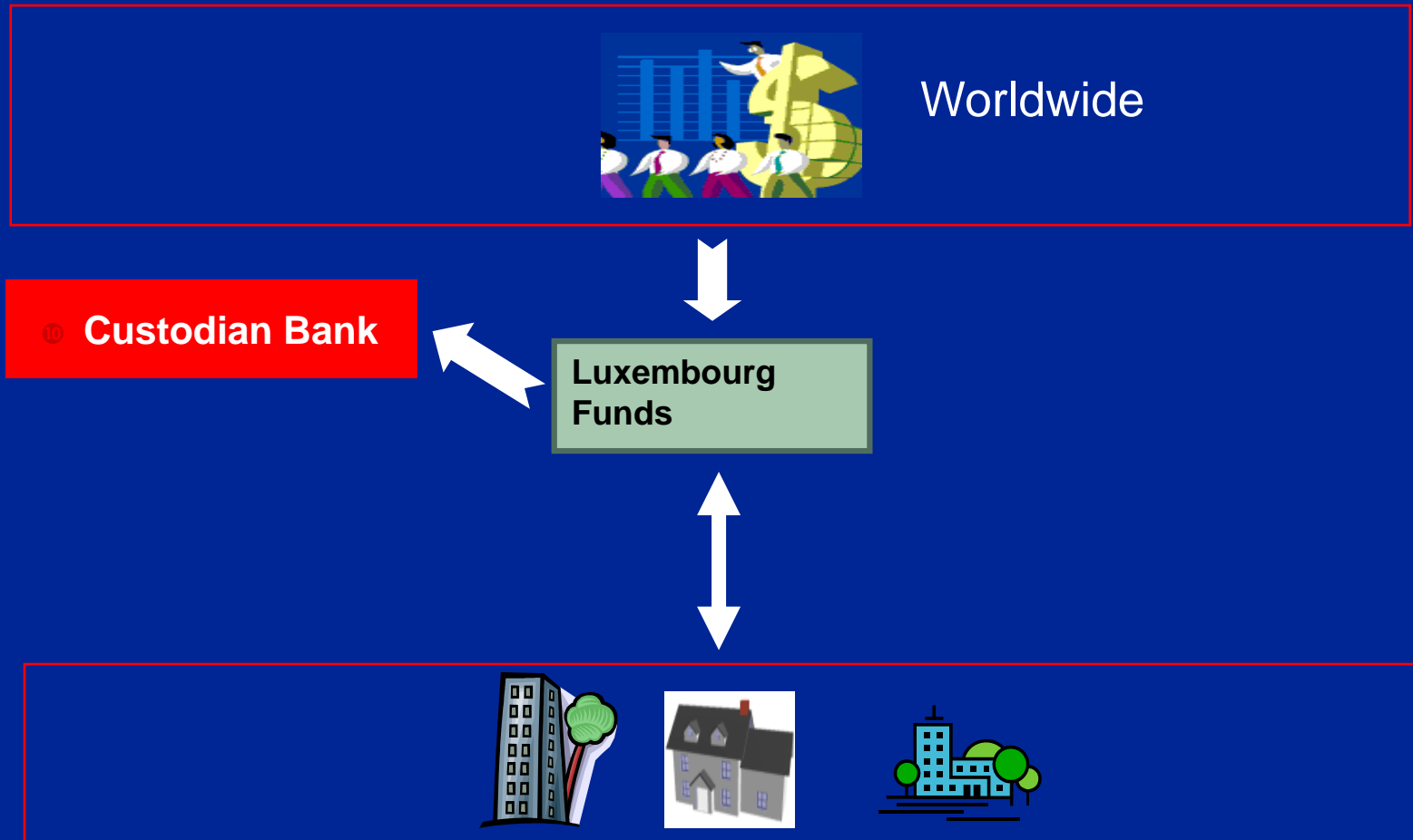
# Structuring real estate funds

## Setting-up a Luxembourg real estate structure



# Structuring real estate funds

## Setting-up a Luxembourg real estate structure



Which are the main responsibilities of the custodian bank?

Safekeeping;

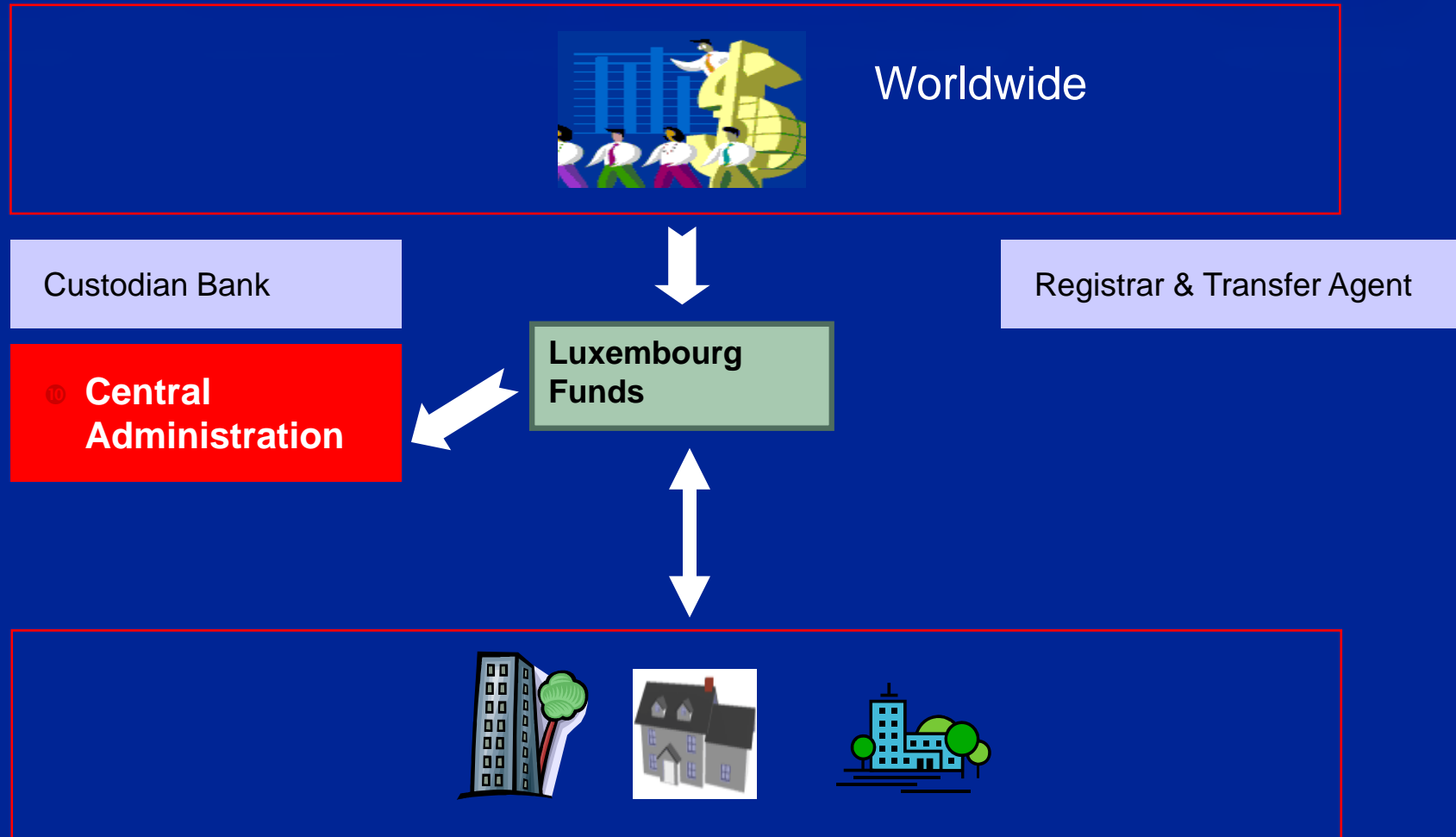
Executing cash, f/x and securities transactions;

Managing the due diligence process during asset acquisitions & disposals.

Optional: fund's compliance audit.

# Structuring real estate funds

## Setting-up a Luxembourg real estate structure



# Central administration

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## Calculating the value per share:

There is normally no accounting at PropCo level.

## Reporting to investors:

No requirement to publish Net Asset Values;

No requirement to prepare semi-annual Reports;

Audited financial statements have to be presented 6 months following the end of the financial year;

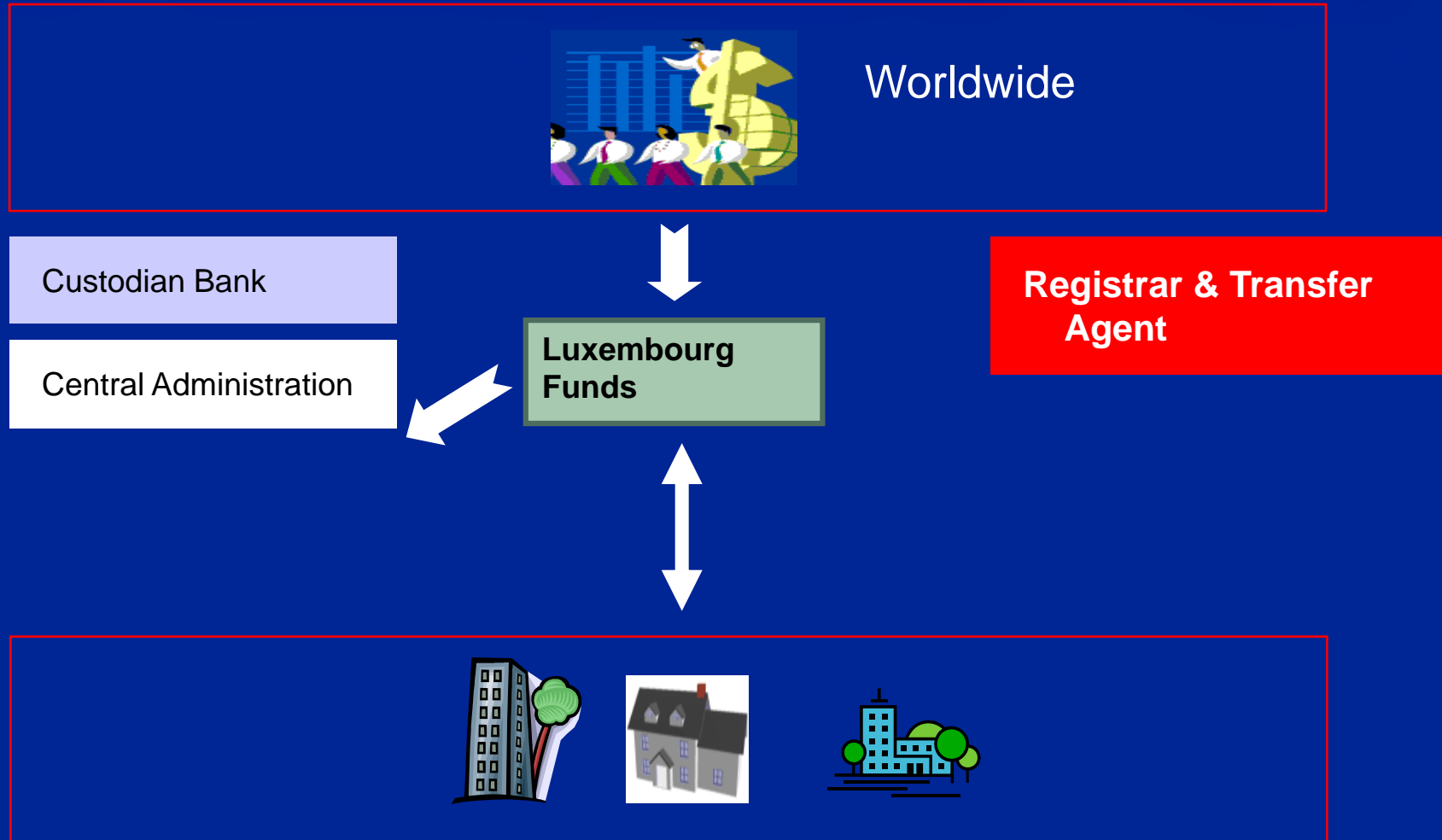
Restricted publication requirements concerning the portfolio.

## Reporting to financial regulator:

No Long Form Report required.

# Structuring real estate funds

## Setting-up a Luxembourg real estate structure



# Registrar and transfer agent

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## Responsibilities of the registrar and transfer agent:

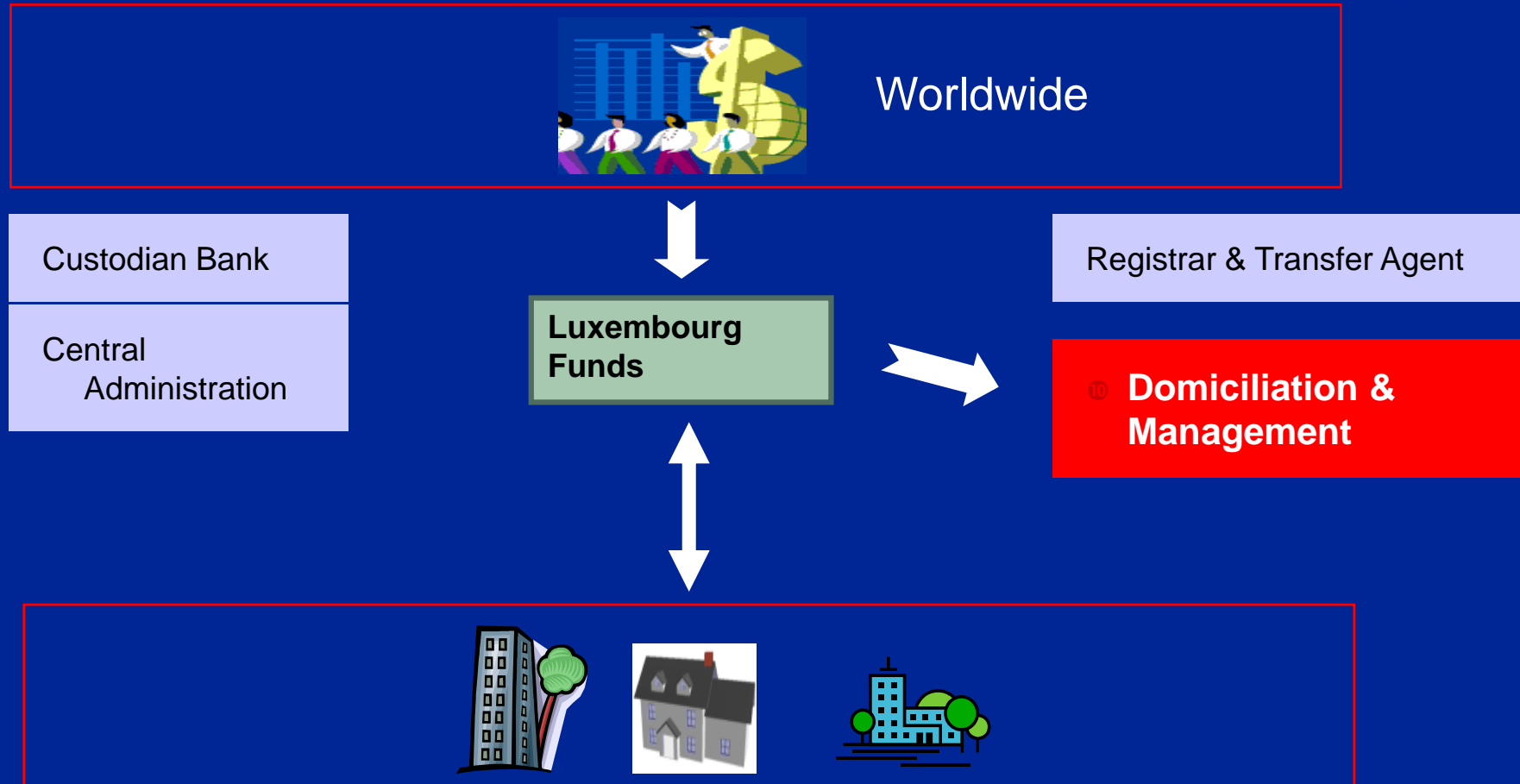
Issuing and redeeming shares in the fund;

KYC Checks;

AML Checks.

# Structuring real estate funds

## Setting-up a Luxembourg real estate structure



# Domiciliation and management

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## Domiciliation:

How much substance in Luxembourg?

Domiciliation with service provider?

Proper office in Luxembourg?

## Management:

How many company directors are mandatory?

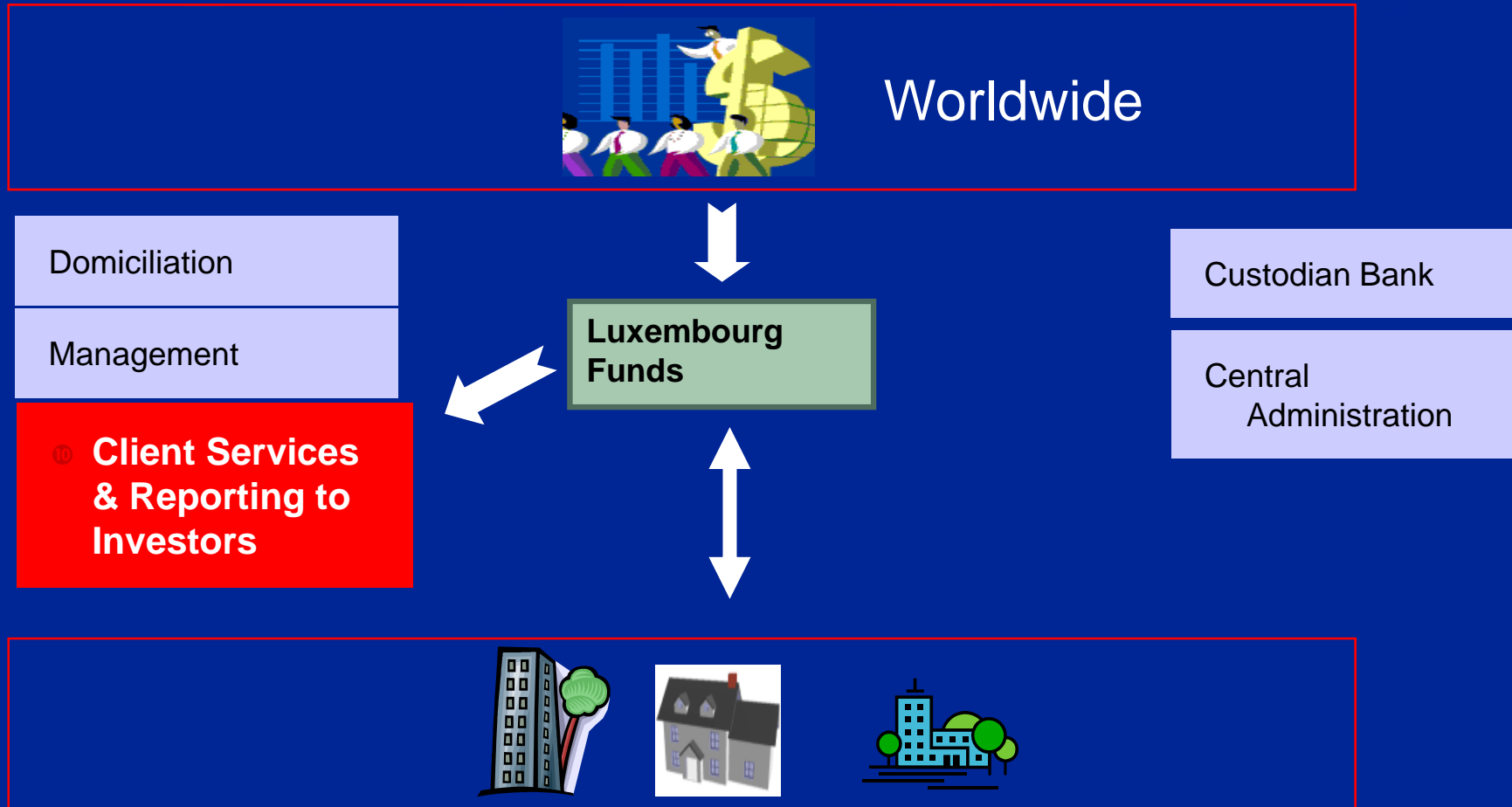
Do directors have to be domiciled in Luxembourg?

Where is „business management“ executed?

How to document the management process?

# Structuring real estate funds

## Setting-up a Luxembourg real estate structure



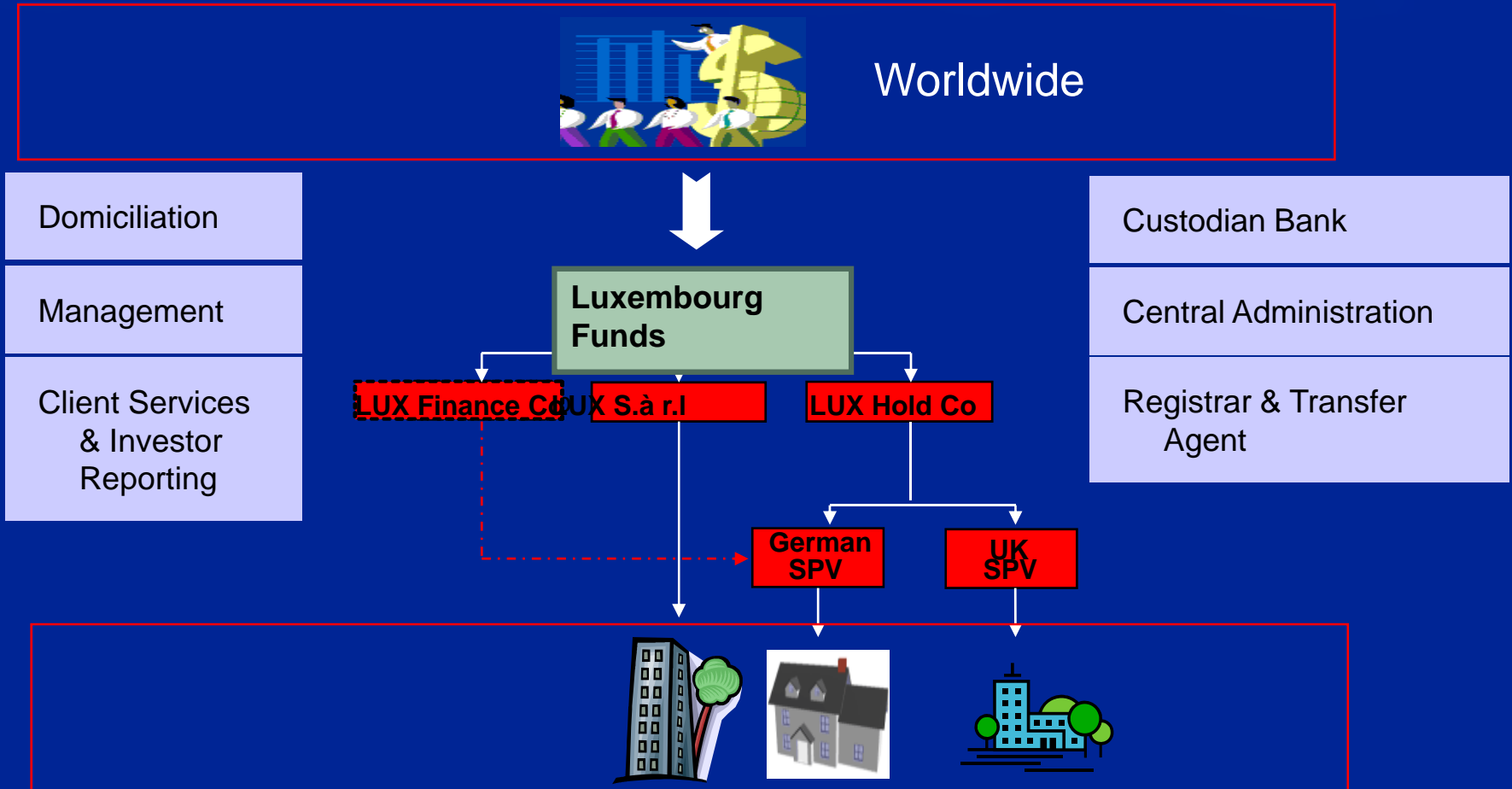
## Operating Memorandum

### Organisation:

- Company organisation (positions and responsibilities);
- Process organisation / documentation.

# Structuring real estate funds

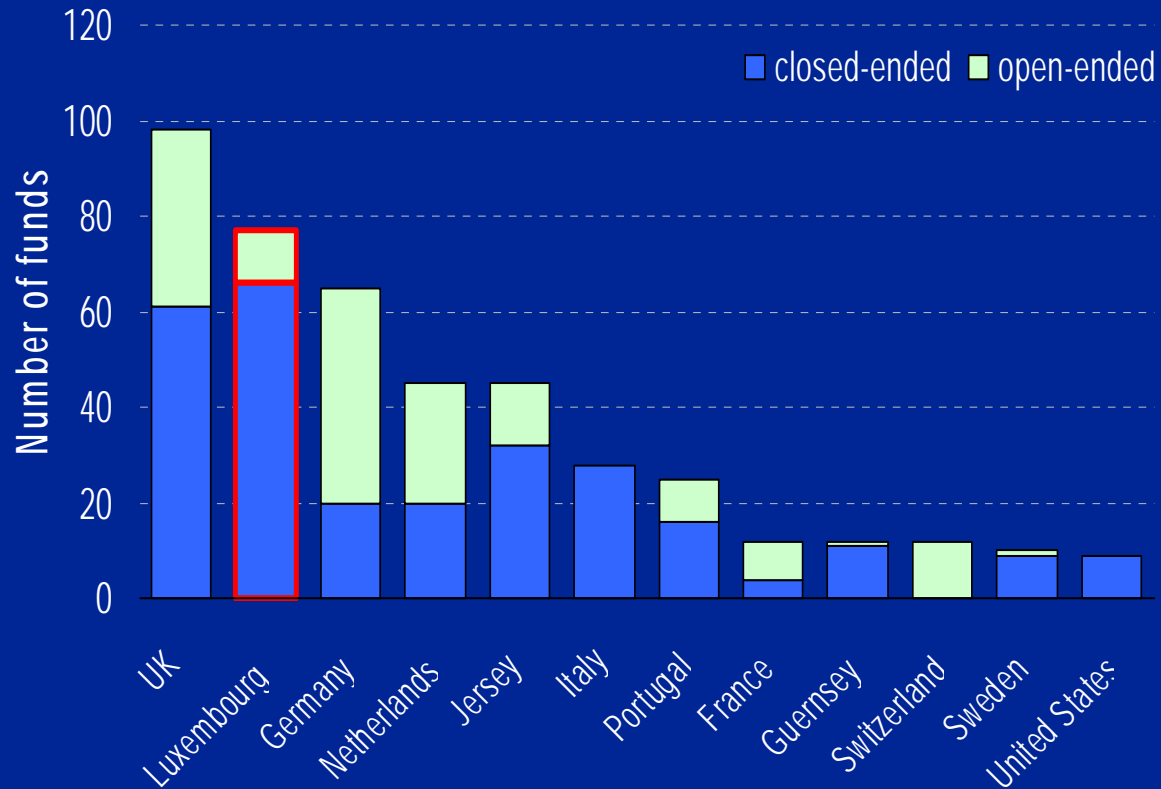
## Setting-up a Luxembourg real estate structure



# Structuring real estate funds

## Real estate funds by location (April 2008)

- ✓ Luxembourg improved its position in the European Ranking from 4th in 2007 to second
- ✓ Luxembourg has an important share in “multi-country funds”
- ✓ Strong growth in open-ended real estate funds



Funds (closed ended) : 177 funds; GAV €165.2 billion

Funds (open ended) : 307 funds; GAV €132.4 billion

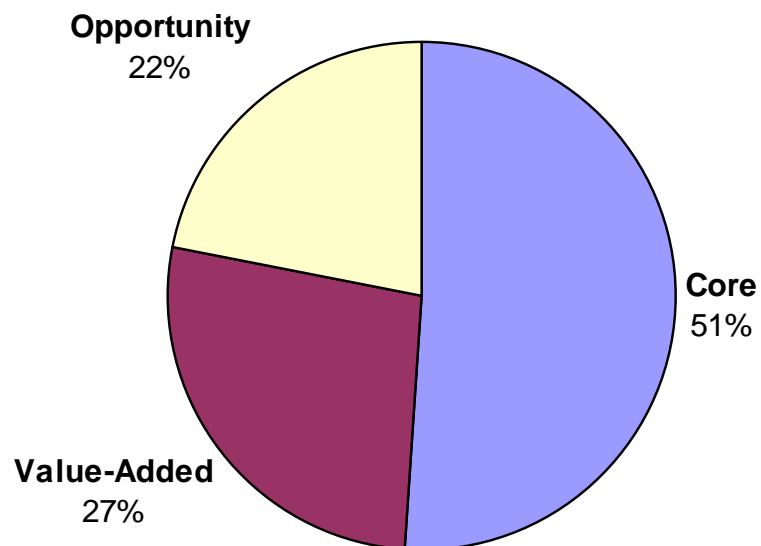
# Agenda

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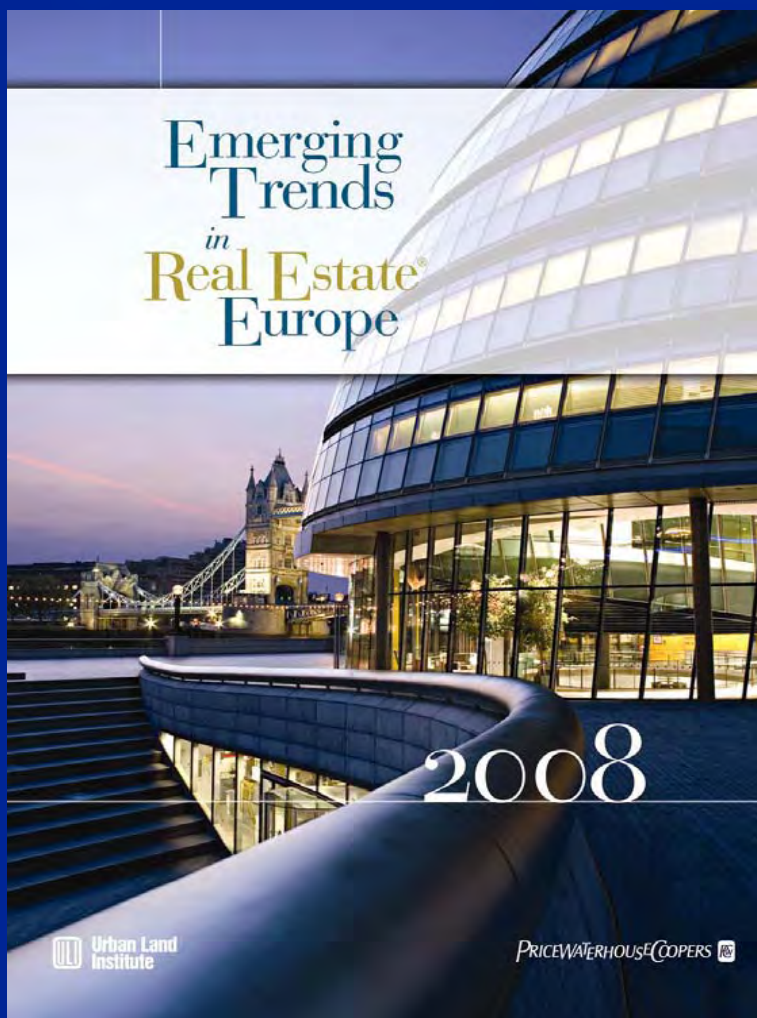
- Market overview
- Structuring real estate funds
- Current trends and future developments

# Current trends and future developments

## Investment Style



# Current trends and future developments



## Exhibit 4-3 Prospects for Prime Yields

	Prime Yields Nov. 2007 (Percentage)	Expected Prime Yields Dec. 2008 (Percentage)	Expected Prime Yield Shift (Basis Points)
Apartment Residential (Rental)	5.26	5.53	+27
Office	6.02	6.23	+21
Central City Office	5.72	5.89	+16
Suburban/Out-of-Town Office	6.40	6.67	+27
Retail	6.14	6.26	+12
Street Retail	5.91	6.02	+12
Shopping Centres	5.98	6.13	+15
Retail Parks	6.19	6.41	+22
Mixed Use	6.67	6.74	+7
Hotel	6.69	6.91	+23
Industrial/Distribution	6.97	7.09	+12
Warehouse Distribution	6.85	7.00	+15
Manufacturing	7.24	7.45	+21

## Developments

### ✓ New types of funds:

- Fund of Real Estate Funds;
- Infrastructure Funds;
- Other assets (agriculture, forest, ships);
- Distressed loans.

### ✓ Master Feeder Structures

# Current trends and future developments

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## European developments

### European Passport for open-ended Real Estate Funds (OEREF) and Private Placement

#### Problem:

- differing national regulation complicate cross-border distribution;
- there is only partial regulation on EU level.

#### Solution:

- a uniform EU regulation?
- Report of the EU-Commission dated July 2008, respectively the Report of the Expert Group.