

Compliance with the INREV Guidelines improved in 2015

- Fund managers used the 2014 survey to improve their compliance
- More demand for sustainability reporting and investor web portals

The annual Review of Investor Reporting Trends undertaken by PwC for ANREV provides insights into current market practices of investor reporting across non-listed real estate funds investing in Asia Pacific and looks to what extent reporting complies with the INREV reporting guidelines.

This year's review includes some tips to improve compliance with the different sections of the reporting module.

IMPROVEMENT IN COMPLIANCE

As anticipated last year, compliance levels are growing back towards the levels established with the "old" Guidelines, with headline compliance moving up from 57% last year to 68% this year.

- 91% of the funds participants comply with over 50% of the Guidelines compared to 58% in 2014;
- The number of funds complying with over 75% of the Guidelines increased from 11% last year to 30% this year.
- Recurring participants to the survey achieved a headline compliance of 70% compared to 64% for new joiners.

LEVEL OF COMPLIANCE BY SECTION

Sections of reporting guidelines	2014	2015
Fund documentation for reporting framework	41%	57%
Content and frequency of reporting	80%	80%
General vehicle information, organisation and governance	59%	67%
Capital structure and vehicle-level returns	63%	86%
Manager's report	69%	86%
Property report	52%	74%
Risk Management	55%	70%
Other disclosure requirements	20%	21%
Overall	57%	68%

COMPLIANCE VARIES DEPENDING ON STRUCTURE AND STYLE

Again this year, open-ended funds generally performed better (headline compliance of 72%) than closed-ended (headline compliance of 65%) funds, though closed-ended funds have somewhat closed the gap.

Section	Core	Value Added	Opportunity
No. of Funds	18	10	19
Fund documentation for reporting framework	69%	60%	43%
Content and frequency of reporting	81%	74%	82%
General vehicle information, organisation and governance	78%	61%	59%
Capital structure and vehicle-level returns	94%	75%	85%
Manager's Report	90%	81%	86%
Property Report	76%	72%	72%
Risk management	81%	61%	64%
Other disclosure requirements	15%	37%	17%
Overall	72%	66%	64%

Core funds scored better than either the value-added or opportunity funds. Their compliance is reflective of the Guidelines containing disclosures which are market practice for core funds to make. The difference between the compliance of value-added and opportunity funds is marginal, with the former group outperforming the latter by only 1-2%.

FUNDS REPORTING UNDER IFRS HAVE HIGHER LEVEL OF COMPLIANCE

The choice of GAAP continues to be heavily correlated with overall compliance. While the overall compliance of both US GAAP and the IFRS (and its equivalents) funds improved, the performance of the IFRS funds (even after excluding the Australian funds), was on average 3-4% better.

COMPLIANCE WITH INREV NAV REMAINS WEAK

The overall compliance with INREV NAV-related guidelines has improved slightly, but remains relatively low overall.

Many managers prefer to report INREV NAV only to individual investors who request it, with some commenting that they did not want to confuse other investors. This extends as well to the fee metrics, which are often prepared on an ad-hoc basis.

REPORTING TRENDS IN APAC

- Work in progress to comply with revised INREV Guidelines as managers are keen to achieve a high level of compliance
- Investments in technology with the use of online investor reporting portals
- Fund managers are putting more importance and effort in ESG reporting

FEEDBACK FROM FUND MANAGERS

As part of the 2015 review, private feedback, through interviews and calls, were organised with the 28 participating fund managers, covering all 47 respondent funds.

The groundwork for their adoption in the 2014 reporting cycle was laid out in 2015. A large number of recurrent participants to the survey used the 2014 survey and individual feedback to actually improve the level of compliance with the INREV reporting guidelines.

The scope of discussions with fund managers this year has tended to focus on the depth and content of commentary now required to supplement the existing quantitative disclosures. Some fund managers still wonder why some disclosures such as governance framework need to be repeated in the annual report when they are already part of the fund's constitution documents.

Issues raised during interviews provide feedback to INREV and ANREV for the ongoing development of the Guidelines. This year's feedback was more diverse, ranging from the development of sustainability guidelines, the global alignment of the Standard Data Delivery Sheet (SDDS), as well as greater alignment with US investor reporting requirements.

GOING FORWARD

In 2014, INREV, ANREV, NCREIF and PREA executed a Memorandum of Understanding to jointly collaborate with a goal to converge reporting standards globally. This development will help investors and fund managers to better understand regional differences and is a notable step towards the development of a set of globally consistent market practices.

The full report is available to members at www.anrev.org.

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