Spek ADVISORY

RETURN ENHANCEMENT REVIEW

Did you know that over half of a real estate fund return can be explained by market selection and strategy? The remainder will be explained by asset selection. For more specialized funds and portfolios consisting of more than 100 assets, the contribution of the strategic allocation could even be in the range of 60-80% of the total return. This highlights the importance of building an optimal strategic portfolio. Although asset selection is a substantial component, the majority of the performance will be driven by your strategy. For a diversified portfolio consisting of real estate funds, this is even more important.

Depending on the benchmark and portfolio, there are 9-13 factors that are critical in helping to improve the risk return profile on an absolute or relative basis. The Return Enhancement Review (RER) will identify the most relevant factors given the client's profile and asset allocation. In this review, a number of steps will be followed:

1. Understanding the client's objectives

The objectives are important as they are driving a lot of strategic investment decisions. A strategy can be focused on income return, diversification with other asset classes, a minimum liquidity, etc. Each objective will lead to a strategic shift, creating the ideal portfolio for the specific investor.

2. Reviewing the benchmark

A benchmark is a reflection of the desired risk return profile and should match with the investor's objectives. It can form the basis for the investment strategy.

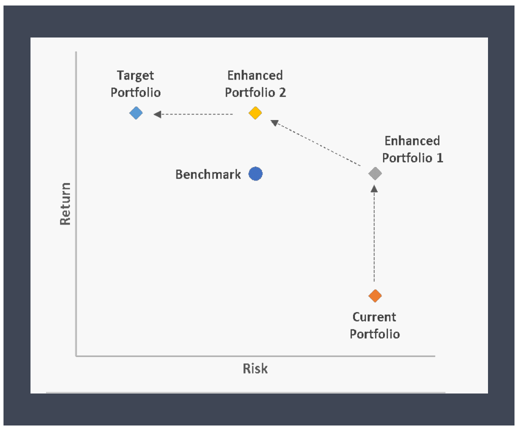
3. Review of portfolio, potentially including a portfolio attribution analysis

One of the most important things of portfolio management is knowledge of your own portfolio's strengths and weaknesses. A portfolio attribution analysis, either with or without benchmark, is a very powerful tool to get these insights and crucial in making the right decisions going forward.

4. Strategic positioning of the portfolio with investment advice per factor

The portfolio will be evaluated based on a list of essential risk/ return factors. Relative to the objectives, benchmark and strengths of the portfolio, investment strategy advice will be given for a number of factors which should lead to improving the risk return profile of the portfolio.

This review covers each step in detail, demonstrates the positioning for each factor, provides the investment strategy advice for a selection of factors and will eventually visualize the expected potential enhancement by investment advice. Expected time for a full RER is 4-8 weeks, depending on the availability of data, the size of the portfolio and the availability and/or inclusion of portfolio attribution analysis.



Investment advice 1:

Should lead to an increase in return of X bps

Investment advice 2:

Should lead to an increase in return of X bps and Y% reduction in risk

Investment advice 3:

Should lead to a Y% reduction in risk

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