



Total Global Expense Ratio (TGER)

**NCREIF 2020 Virtual
Summer Conference**

July 16, 2020

History of TGER

- 2015
 - Memo of understanding NCREIF/PREA, INREV, ANREV
 - Fee and expense ratio one of 5 global projects
- 2016-2019
 - Established key principles of global expense ratio
 - Identified components of the ratio
 - Created definitions for the components
 - Developed calculation methodology
- 2020
 - TGER approved and published by industry bodies



Key Principles

TGER is a principles based metric that is intended to provide investors with an understanding of fee and expense loads of funds, regardless of regional and operational differences.

Comparability

- Fees and costs should be consistently categorized, defined and presented, to enable investors and managers to compare fund performance.

Transparency

- There should be clear and appropriate disclosure of all the fees and costs charged to the fund.
- Investment managers should also explain the calculation methodology and assumptions used.
- Communication of all relevant information should be open, accessible and easy to understand.



TGER Components

- **Ongoing Management Fees** - Fund and asset management fees charged by investment managers for their services
- **Transaction Fees** - Fees charged by investment managers for their services regarding the acquisition/disposition of real estate.
- **Performance Fees** - Fees charged by investment managers after a predetermined investment performance hurdle has been attained.
- **Fund Vehicle Costs** - Third party costs incurred predominantly at fund level to maintain and grow its operations.
- **Gross Asset Value** - Total assets derived from the vehicle accounting standards, e.g. US GAAP, IFRS, and adjusted for specific elements to arrive at a market-relevant gross asset value in accordance with NCREIF PREA Reporting Standards/INREV-ANREV guidelines.



TGER Fees and Costs

Fund Fees (Investment Manager)

- Asset management fees
- Fund management fees
- Performance fees
- Wind-up fees
- Debt arrangement fees
- Commitment fees
- Subscription fees
- Redemption fees
- Property acquisition fees
- Property disposition fees
- Project management fees

Fund Vehicle Costs (Third Party)

- Audit costs
- Bank charges and custodian costs
- Debt arrangement advisory costs
- Other/misc. vehicle costs
- Placement agent costs
- Professional services costs
- Securities handling charges
- Staff costs
- Fund administration and transfer agent costs
- Fund formation costs
- Dead deal costs



TGER Calculation

Backward looking using rolling 12 months results.

Required

$$\text{TGER} = \frac{\text{Fund Fees} + \text{Fund Vehicle Costs}}{\text{Weighted Average Gross Asset Value}}$$

Recommended

$$\text{NAV TGER} = \frac{\text{Fund Fees} + \text{Fund Vehicle Costs}}{\text{Weighted Average Net Asset Value}}$$



Fundamentals of TGER

- **Nature vs Geography** – Fund costs pushed down to investment / property entities should be included in TGER.
- **Fees Paid Outside of Fund** – Fees paid by investors directly and outside of fund are included in TGER.
- **Rebates, Waivers, Offsets** – Rebates given to investors should also be factored into TGER total fees paid to manager.
- **Look Through** – In general, JV costs are typically investment related and not included in TGER. However, should any costs at the JV level be related to fund costs in nature (e.g. valuation fees), T1 gross up methodology may be applied.
- **Feeder Fund Costs** – Are considered specific to a group of investors and are not included in TGER. However, ongoing management fees recorded at a feeder level would be included in TGER.
- **Property Fees Paid and Fees Paid in Lieu of 3rd Party Costs to Investment Manager** – Are not included in TGER but should be disclosed. Reference to Related Party Disclosures in accordance with section 3.10(f) of Reporting Standards Fair Value Accounting Policy Manual is acceptable.



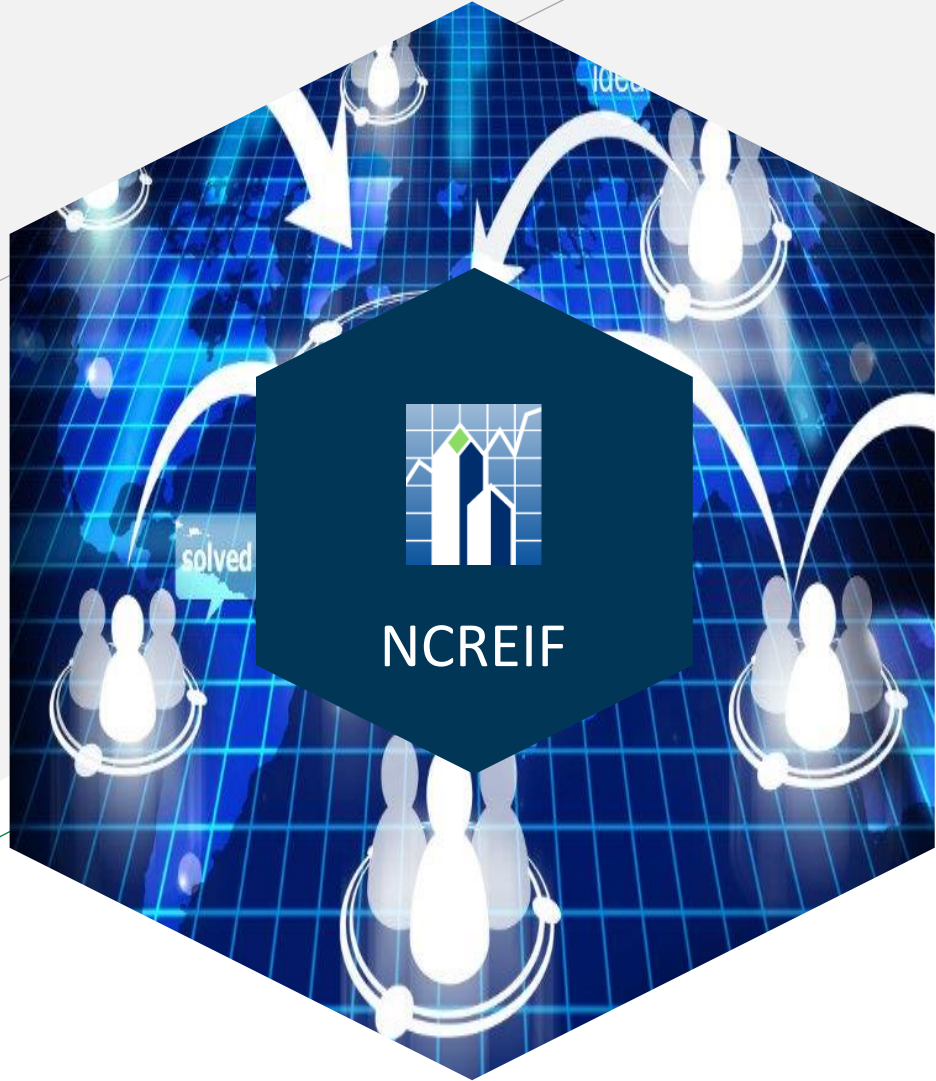
Reporting and Disclosures

- **Presentation** – The ratio should be presented in management notes section of annual financial report.
- **Disclosure** – TGER Components Table should include annual period over period changes in fees, costs and GAV/NAV. Reference to Related Party Disclosures in accordance with section 3.10(f) of Reporting Standards Fair Value Accounting Policy Manual is acceptable.
- **Weighted Average GAV** – Should follow guidance used for performance reporting. One method could be NCREIF Weighted Average NAV + Weighted Average Debt.
- **GAAP Expense Ratio** – Although this ratio reported in annual audited financial statements may be similar in some ways to TGER, the components of the GAAP ratio are different and should not be used as a proxy for TGER.
- **Task Force** – The Accounting Committee will be forming a task force to develop sample presentation guidance over the coming months. Volunteers requested so please email Benay Kirk (benay.kirk@alterdomus.com) if interested.



Effective Date and Reporting Guidance

- **Reporting Guidance**
 - **Required** - Open end funds.
 - **Required** - Closed end funds launched in 2020 and thereafter (reporting not required but recommended for closed end funds launched prior to 2020).
 - **Recommended** - Since inception for closed end funds to show trending at various stages of a fund's life cycle.
 - **Out of Scope** - Separately managed accounts as transparency into underlying fees/costs is already inherent in reporting.
- **Effective Date for Required Reporting**
 - Funds with fiscal years ending December 31, 2020 will be required to report TGER for the 12 months ending December 31, 2020 and thereafter.
 - Funds with fiscal years other than December 31, 2020 (e.g. March 31, June 30, September 30, etc.) will be required to report TGER for the 12 months ending March 31, June 30, September 30, 2021 and thereafter.
- **Frequency** – Required annually but recommended quarterly.



Thank You.



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