



NCREIF Summer Conference 2021

Reporting Standards Council
Meeting

July 22, 2021

NCREIF PREA Reporting Standards: Conversations Around the Office Water Cooler

Additional Resources: reportingstandards.info

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NCREIF PREA
Reporting Standards



Welcome

John Caruso, Reporting Standards
Council Chair

Agenda



Topic	Presenter(s)
Welcome, introductions, and agenda overview	John Caruso, Nuveen Council Chair
Conversation: ESG	Laura Craft, Heitman Michael Eisenberg, NY State Common Retirement Fund
Panel: Is a Standardized DDQ a real possibility?	Moderator: Allison Yager, Mercer, Board Member Panelists: Kathryn Gernert, Texas Education Agency, Council Member Neal Prunier, ILPA Candice Todd, Morgan Stanley, NCREIF Board Member
Presentation: Reporting Standards for Debt Funds	John Kjelstrom, Chatham Financial Council Member
Presentation: AUM – Progress and Next Steps	Barbara Flusk, Citco Council Member
Other projects, nominations, wrap up and closing	John Caruso Council Chair



ESG

A Conversation about efforts to bring transparency and consistency to ESG reporting to investors

ESG Discussion



Laura Craft
Heitman



Michael
Eisenberg
NY State
Common
Retirement Fund



Coming soon-First Deliverable: *ESG Principles of Reporting for Real Estate Funds*

Preliminary Timetable:

- Standing Committee Feedback July 26-August 9, 2021
- RS Council discussion, review and vote: August 18
- RS Board discussion, review and vote: September 9
- Publication Follows Board vote

KPI's and ESG Manual in process.



Is a Standardized DDQ a real possibility?

Panel Discussion



Standardized DDQ Panel



Allison Yager
Mercer
Moderator



Kathryn
Gernert
Texas
Education
Agency



Neal Prunier
ILPA



Candice Todd
Morgan
Stanley

Reporting Standards for Debt Funds

A presentation about the applicability of the
Reporting Standards for Debt Funds



John Kjelstrom

Chatham Financial



Project description

1. Seek to understand the relevancy of the Reporting Standards for debt funds
2. Make recommendations for proposed additions and/or changes to the Reporting Standards where relevant to debt funds

Task Force



Survey

Andrew Loeb - Oaktree Capital (RS Council)

Tony Marone – Blackstone

Bill Narde - BlackRock (Val Committee)

Aristidis Halikias - Alter Domus (Acct Committee)

Rebecca DeVries - Sundance Bay

Courtney Williams - Cross Harbor Capital

Jocelyn Friel – PGIM

Jim Allen - Starwood Capital Group (RS Board)

Kirill Bune – Mercer

Neil Zhang - UBS

Ken Richer – Chatham Financial

Standards Review

Courtney Popelka – Invesco

Gabe Glass - CBRE Global Investors (Perf. Comm.)

Tom Hester - Stepstone Global (RS Council)

Evan Cohen – PwC

Maritza Matlosz – MetLife (NCREIF Board)

Karina Rush – Chatham Financial

Rick Dugoff – Nuveen

Gerges Kirloes - Townsend

Exposure Draft

Diane Wild - LaSalle (RS Council)

John Kjelstrom – Chatham Financial (RS Council)

Marybeth Kronenwetter – NCREIF



Timetable

February: Draft prospectus, secure Council and Board approvals and populate task force - Complete

March – April: Conduct surveys and interviews with debt funds and investors - Complete

May – August: Task force work; monthly Council updates; presentation of preliminary findings at NCREIF summer conference; draft an exposure draft (if necessary)

September – October: 60-day public comment period (if necessary)

November: Final presentation at NCREIF conference; Council discussion and vote

December: Board vote (if substantive change to Reporting Standards is recommended by Council)



Survey Highlights

- Comprehensive survey was distributed in July 2021 to investment managers on the task force, RS Council and RS Board who manage debt funds.
- Purpose of the survey was to understand the applicability of current Reporting Standards requirements for debt funds.
- We received 100% participation from 17 investment managers.
- Most participants reported on more than one fund structure
 - 12 of 17 filled out questionnaire for open-end funds
 - 12 of 17 filled out questionnaire for closed-end funds
 - 11 of 17 filled out questionnaire for separate accounts



Survey Highlights

- Participants came from diverse functional roles
 - 41% from accounting
 - 29% from portfolio management
 - 24% from performance measurement
 - 6% from investor relations
- Most participants are familiar with NCREIF-PREA Reporting Standards
 - 65% very familiar
 - 29% somewhat familiar
 - 6% not familiar
- 94% indicated that NCREIF-PREA Reporting Standards would be helpful for debt funds



Survey Highlights

- 94% indicated the following:
 - Fair value accounting presentation
 - Obtain independent financial statement audits
 - Provide a schedule of investments to investors
 - Report NAV to investors
- Only 24% indicated that they make comparisons to a benchmark in investor reporting
- Open-ended funds report TWR
- Closed-ended funds and separate accounts report IRR



Survey Highlights

- LTV and fixed/floating allocation are the only performance and risk metrics consistently reported
- Other performance and risk metrics such as LTC, weighted average interest rate, debt yield, debt service coverage and weighted average time to maturity need more research with funds reporting these statistics between 33% and 67% of the time.
- Internal risk rating, Top highest risk assets and weighted loan risk rating are generally not reported
- Total leverage – at cost, total leverage – percentage, and structural leverage (i.e. mezzanine) are consistently reported. Otherwise, fund-level leverage statistics are not reported



Survey Highlights

- Fund-level multiples are generally not reported with the exception of investment multiple in closed-end funds
- Fund-level information such as distributions since inception, aggregate capital commitments, since-inception paid-in capital are generally reported with the exception of debt to distributable capital and total global expense ratio which are not reported.
- 94% indicated the funds have written valuation policies with elements similar to equity funds. The only exception is value acceptance and dispute resolution procedures where there were mixed responses.



Survey Highlights

- There is a wide variety of valuation frequency and outsourcing practices
 - 41% reported all valuations are conducted internally each quarter
 - 30% reported all valuations are performed externally each quarter
 - 29% reported nuanced frequency and outsourcing practices
- 82% obtain collateral valuations at origination
- 47% indicated collateral is revalued on an as-needed basis
 - 18% reported collateral is revalued annually
 - 18% reported unique or nuanced collateral revaluation policies
 - 12% reported collateral is not revalued after origination
 - 6% reported collateral is revalued quarterly



Survey Highlights

- 76% record origination fees as income in full day one
 - 24% amortize origination fees using the effective interest method in the income statement
- 71% record exit fees as income when earned
 - 12% amortize exit fees using the straight line method in the income statement
 - 12% include exit fees in the contractual cash flows used in valuation
 - 6% did not respond to this question



Next steps

- Design a shorter survey for broader market reach to gain additional clarity and to promote the initiative
- Draft proposed debt fund checklist for future inclusion in NCREIF-PREA Reporting Standards for review and comments
- Assuming a debt fund checklist and supporting standards can be developed and approved, write an Exposure Draft for a public comment period.

AUM: Progress and Next Steps

Presentation



Barbara Flusk

Citco



Other Projects, Nominations, and Close

John Caruso, Reporting Standards
Council Chair

And the rest....

(monthly updates are available on the RS website-current projects)

- Other projects
 - Global definitions
 - Asset/investment level best practices
 - TWR component returns: ODCE (operating model) vs. non-operating model report
- Education-Coming November 11, NCREIF Academy, *Digging Into the Reporting Standards**
- Publications and social media
- Council nominations





Critical Dates

Two seats are available

Through September 10, 2021: [Nominations](#) accepted

Send to Marybeth Kronenwetter (marybeth@reportingstandards.info)

September

Nominating Committee reviews and recommends candidates

Week of October 3

Reporting Standards Board approves selections

Week of October 10

Candidates notified

November 1

Terms begin

November 8-11

New Council members attend Fall NCREIF Conference and participate in closed and open Council sessions



Thank you for attending!

Visit the Reporting Standards:

- Online:

www.reportingstandards.info

- LinkedIn:

<https://www.linkedin.com/company/ncreif-prea-reporting-standards>

- Email:

administrator@reportingstandards.info

- RS Calendar: monthly meetings open

<https://reportingstandards.info/calendar/>