



NCREIF Winter Conference 2021

Performance Measurement
Committee – Better Ways to
do Attribution



Attribution Best Practices

- ODCE Fund Attribution:
 - Need for performance information for Portfolio Management to understand returns prior to receiving service providers
 - Investor Letters/Investor Calls



Non-ODCE Attribution

- How do you go about attribution for Non-ODCE accounts:
 - Smaller Separate Accounts
 - Closed-End Funds
- Resources to be able to provide this analysis
 - Who does the attribution
 - How do you staff for this while managing other responsibilities



Performance Accountability Model

- How do we dig deeper to with attribution to analyze investment operation performance?
 - Acquisition
 - Asset Management
- Who is drawing value?
 - How do you get buy in from your teams
 - How do you educate staff on portfolio performance
 - What does it mean
- Example of Internal Attribution
 - Asset Management Scorecard

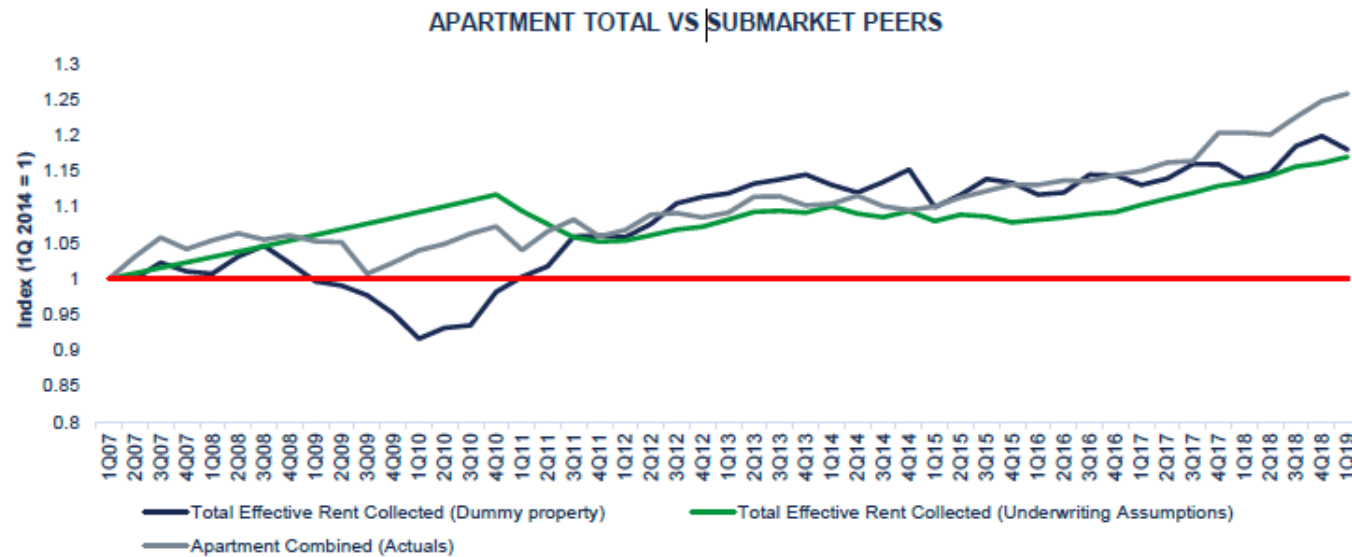
PURPOSE

- In all cases what we learn from this analysis leads us to more productive discussion with our in-house asset management teams, and helps Barings focus resources most efficiently and effectively to generate the best returns for our clients
- Track the performance of our assets against their submarket
- Ideally the analysis leads to more collaboration between portfolio, asset management and acquisitions teams on property selection and performance, as well as portfolio construction and contribution to client returns.
- Track against the original underwriting of the asset coming out of due diligence



Asset Management Scorecard

Indexed Effective Rent Outperforming Suggesting Accretive Asset Management



METHODOLOGY

- Effective rent is indexed against the initial effective rent in the first full quarter of the hold
- Dummy and Underwriting effective rent are initially based upon Actual market rent reduced by underwritten or submarket vacancy, subsequent quarters rent grows in line with underwritten rent or submarket rent growth, reduced by underwritten or submarket vacancy
- Values greater than one indicate a positive direction and values can be compared to each other for comparative top line growth and value creation/ drag
- Chart above shows indexed values

BASIC FINDINGS

- Unsurprisingly underwriting was optimistic for the period of 2009-2011
- When new properties started to come into the fund and underwriting assumptions reset to the new normal the picture stabilized
- Actuals strongly outperformed their submarkets (Dummy property) during the downturn
- Newer assets performed just under their submarkets from 2012 to 2014, keeping pace from 2015 to 2017 and again producing better indexed rent in late 2017 to present



Other Topics

- Updating guidance in performance manual
 - Task force
- Ideas from the group