



# AREF GUIDE

Questions an Investor Should Ask  
Their Property Fund Manager

Updated June 2025

## Foreword

The Association of Real Estate Funds (AREF) is the body that represents the interests of its fund managers, those firms that advise and support them and the end customers that invest in our member funds.

This guide has been put together by AREF's Investor Committee, a collection of highly experienced investors in real estate funds. The guide is intended to provide some assistance to investors who may not be fully familiar with real estate investment and dealing with property fund managers. They have listed what they believe are the main topics for discussion. The suggested questions are not meant to be all inclusive within each topic hence this is not intended as a due diligence questionnaire. Investors are encouraged to embellish their questioning on any particular detail they wish.

Importantly, if a real estate fund is a member of AREF, it must adhere to our Code of Practice, as explained below. As such, an investor looking at one of our member funds can expect high levels of transparency and sound corporate governance and an increasing commitment towards a transition plan for net zero carbon. With an AREF Fund Member, investors can be assured that the discussion points suggested herein should be readily available to them.

AREF's membership includes about 50 property funds spanning the leading real estate fund management houses in the industry, through to smaller, specialist boutiques, with a collective net asset value of over £50bn\*.

We understand that sound corporate governance is high on most investors' agenda, perhaps more so now than ever, and [AREF's Code of Practice](#) promotes best practice in corporate governance and transparency. It is a principles-based code, focused on transparency, operational integrity and accountability. Indeed, our Code is widely acknowledged as the gold standard in corporate governance and every AREF member fund is required to adhere to it.

Each year, when the funds certify their adherence to our Code, they receive our Quality Mark. We hope the sight of our Quality Mark gives a degree of comfort to investors that a particular fund operates at such a high standard.

Member funds also submit quarterly data which is used to compile the [Property Fund Vision](#), a valuable compendium of data, providing considerable detail on each of the funds and available to all Investor Members of AREF, free-of-charge.

Much of what AREF is striving to achieve is ultimately for the benefit of the underlying investors. As an investor in property funds, you may wish to consider joining AREF – it's free, after all! For further details, please take a look at our [website](#).

**Paul Richards**  
CEO  
The Association of Real Estate Funds

\*As at 30 September 2023

## What are Indirect real Estate Funds?

Indirect Funds in the UK usually refers to unlisted Collective Investment Schemes (“CIS”) that invest in either physical property/buildings or in shares in property companies or in units in property funds. Customers can make lump-sum investments which are pooled together and used to purchase a range of assets. Most CIS are unitised and, in return for their investment customers receive units and so own a percentage of that CIS.

The CIS come in a variety of structures (e.g. off-shore and on-shore Property Unit Trusts (“PUTs”), Exempt Unit Trusts (“EUT”), Property Authorised Investment Funds (“PAIF”), Managed Pension Funds (“MPF”) or Insurance Wrapped Trustee Investment Plans (“TIPs”) etc). Some are restricted to or only suitable for certain types of Customer (e.g. Institutional or Retail Customers).

The CIS can be broken down into Open-ended funds which come with a variety of liquidity provisions such as daily liquidity, quarterly, semi-annual, or Closed-ended funds where a Customer may only withdraw its money at the end of the fund’s life or during specific and infrequent liquidity windows. As property is an illiquid asset class, most property CIS have an ability to defer or suspend redemptions, so Customers may face delays in their monies being paid out.

In the UK, Indirect Property covers a huge number of such CIS with a variety of strategies and performance objectives, many of which are members of the Association of Real Estate Funds (AREF).

## Organisation Overview

It is important to fully understand the fund management firm that will be managing the fund, to explore its history, how it has evolved over time and how the current fund and team managing it have developed. Get a sense of how stable the organisation is, how well the team work together and what resources are dedicated to running the fund, including any relevant people 'on the ground' where they are investing. With that, assess any key personnel risk.

Fund management firms have different approaches to investing, so an investor needs to understand the business model, assess how this has delivered returns for investors in the past, whether it was relevant to this strategy and any lessons learnt from any previously missed targets.

Finally, the investor must be comfortable the fund management firm remains financially stable.

Listed below are a set of questions that should help draw out this information:

- Please outline the history of your organisation. Please include any ownership change / corporate takeovers and any that are expected to happen in the next 12 months.
- How long have the senior management team worked together?
- How many people are in the team and what is their function?
- How many people are dedicated to/devote time to this strategy? Which people?
- Please provide biographies for key team members.
- Where are your offices located? Which functions are located in these offices?
- What are your succession plans?
- Please describe your organisation's approach to investment management. (E.g. vertically integrated organisation or tight management team which outsources functions?)
- Please provide a fund by fund track record.
- Please provide an asset by asset track record (Most applicable to value add/opportunistic strategies – i.e. are returns well spread or have 'super star' asset carried performance?)
- Please provide your latest financial report and accounts.

## Fund Team & Key Personnel

Similar assessments should be made of the fund team, and any other key personnel involved, as those above for the fund management firm. An investor should gain comfort that there are sufficient resources in all areas relevant to the fund itself and that key personnel have the appropriate experience for their respective roles and to deliver on the aims of the investment strategy. In addition, check resource capacity also and whether any potential conflicts of interest could arise.

As with the firm, assess the stability of the team, as high staff turnover can indicate material issues with the team or the organisation. How the team is incentivised will demonstrate the level of alignment with investors and also indicate their ability to attract and retain the best people.

Listed below are a set of questions that should help draw out this information:

- Please detail staff resources, including a split by function (e.g. asset management, property management, acquisition / disposals, Fund management, research, ESG) and geography, including a team structure chart.
- Please provide the percentage of each staff member's time spent on the vehicle.
- Please provide summary biographies of the principal key personnel indicating the extent of their experience.
- If any of the key personnel is involved in other products offered by the investment manager, what are their additional responsibilities?
- Have there been any changes (joiners, leavers, changes in responsibilities) within the team over the last five years? If so, please describe these changes.
- What incentives are used to hire and retain personnel?
- Please outline what, if any, resource planning there is in place over the next two years.
- Please outline what, if any, succession planning is in place for key personnel?
- Do you have ESG dedicated staff within the team? If so, please outline their key responsibilities and deliverables (see also separate section on ESG).
- Please outline key functions that are outsourced and describe any oversight/how these groups are incentivised to allocate appropriate time to the fund.
- How do you ensure the organisation/fund team is appropriately diversified, i.e., gender, ethnicity etc.?

## Market Outlook

If the fund strategy incorporates taking a view on the market, it is important to appreciate how that view has been formed and to assess the resource and capability of the manager in this regard. The investor may want to ensure the manager's market view agrees with his/her own outlook. Certainly, investors should look for consistency between the manager's market view and the intended fund strategy. Furthermore, comparing the market outlook with the manager's fund level forecasts should give the investor some context in assessing the value-add of the manager.

While past performance is no guide to future returns, historic returns may provide some context for expectations for future returns. Looking ahead, investors should aim to assess potential market risks and what effect they may have on the strategy – as opposed to asset or manager specific risks. When considering the manager's view of risk, investors should also watch for any imbalance of upside versus downside which may highlight the manager is not adopting a balanced view.

Listed below are a set of questions that should help draw out this information:

- Does the manager have an internal research department, or does the fund rely on third party research?
- What are your expectations in regard to GDP growth, inflation, BoE base rates?
- Provide a summary narrative of your view/expectations of the target market over the next five years. What are the main drivers of those returns?
- Provide forecasts for the target markets (total return, capital growth, income return) over five years (annualised) and over the life of the product (if closed-ended).
- Provide historic target market performance over the last 1, 3, 5 years.
- What are the main downside risks to your market outlook? How would the materialisation of these risks affect expected fund returns? What probability do you ascribe to each risk?
- What are the main upside risks to your market outlook? How would the materialisation of these risks affect expected fund returns? What probability do you ascribe to each risk?

## Fund Strategy

Obviously, any potential investor in a fund should be comfortable that the fund's objectives and strategy are suitable for the investor's requirements. To that end, the investor should seek to fully understand the proposed fund itself by determining its expected composition with regard to such matters as: geography, sectors, development exposure, tenant diversification, tenant covenant exposure and any indirect exposure.

The investor should also make sure the fund structure is appropriate for the investor's requirements. If the strategy makes use of leverage, the investor should seek to understand whether this is passive or dynamic and any potential risk and additional volatility to returns this may bring. Similarly, if hedging is utilised, understand the potential gain or loss from such non-real estate factors.

It is essential for the investor to fully appreciate what the strategy is, how the fund management team add value, the breakdown of returns between income and growth, and where those expected returns are coming from; whether the focus be on capital value growth through active asset management, driving rents higher by improving the real estate, or on speculatively developing new space, as for two examples. Also, how ESG factors and attempts to achieve net zero carbon, affects the strategy.

Listed below are a set of questions that should help draw out this information:

- What is risk profile (core, core+, value-add, opportunistic)?
- Provide a summary of the investment objectives and the investment strategy (including target returns, gross and net and income distribution of the fund).
- What is the expected portfolio diversification of the fund including investment restrictions/guidelines?
- What are the target sector / regional / geographic weightings?
- Does the fund provide income, what is the expected income returns, and how often do distributions occur?
- What type of structure will the fund use: outline of summary terms in regard to investor liquidity, duration of fund or lock-in period, expected timing of investor commitment drawdowns?
- Explain the leverage strategy of the Fund (at both fund and asset level if applicable). Highlight the impact of the leverage strategy in both upside and downside return scenarios.
- Explain how the management team will add value and generate returns for investors?
- Explain the hedging strategy of the Fund. Please explain the impact (in regard to cost) of hedging, and where unhedged please explain the impact in both upside and downside scenarios.

## Fund Terms & Governance

### Principal Terms

An investor needs to ensure a fund vehicle is appropriate for their own particular circumstances. As such, the investor must consider the principal terms to understand the entire structure of the vehicle, including: determining its liquidity and the mechanisms in place to enter and exit the fund; the pricing structure; how long the Manager will take to invest capital, when it may be returned; the level of risk in the vehicle and any target or investment parameters or restrictions.

Furthermore, investors should seek to ensure the manager's capital raising aspirations are compatible with the scalability of the strategy, to ensure standing investors are not disadvantaged as the fund grows.

Obviously, fees need to be well understood from the outset too, from launch costs to ongoing costs to the unit/shareholder, whether there is a performance fee and if so, how that fee is calculated to determine if the Manager's interests are appropriately aligned with investors.

Listed below are a set of questions that should help to draw out information on the Principal Terms:

- Please provide a detailed structure chart/diagram of the vehicle including jurisdictions/domiciles.
- Is the Fund an open-ended or closed-ended fund?
- Is the fund structure evergreen (indefinite) or limited life?
- If open-ended, is there a bid-offer mechanism and if so, what is the current spread? If closed-ended is there an equalisation mechanism / dilution levy?
- What is the investment period and the term of the Fund?
- What is risk profile (core, core+, value-add, opportunistic)?
- What is the current, maximum and target loan-to-value ratio (LTV)?
- What are the target sector / regional / geographic weightings?
- What is the target performance objective for the fund?
- What is the target income distribution for the fund?
- What is the (target) size of the fund if open-ended or target commitments if closed-ended?
- Please provide a breakdown of the expense ratios according to the AREF guidelines.
- Is the management fee based on NAV, invested or committed funds?
- Is there any performance fee, and if so, how is this calculated?
- What type of investor base is this fund targeting?
- Have any redemptions been deferred or suspended?
- How many redemptions does the fund have awaiting settlement, when were they served and when are they due to be paid out? What is the long-term plan to meet outstanding redemptions?
- How is the redemption price calculated?
- Have there have been any incidences when the methodology for calculating the fund's redemption price has been changed and why?

## Governance

As mentioned in the introduction, AREF's Code of Practice is widely acknowledged as the gold standard in corporate governance and transparency – something all investors should be looking for in the funds they invest in. It is a principles-based code, built around the three key elements: Transparency, Operational Integrity and Accountability. While it wouldn't preclude asking any of the questions we suggest in this paper, investors should look for the AREF Quality Mark displayed on the fund materials they are considering and perhaps ask to see how the fund is performing against these measures, in terms of standard compliance or whether they have attained the level of 'best practice'.

Investors need to ensure the Manager has a suitable set of policy documents in place and determine what level of fund oversight there is in place, whether it is independent. They should discuss the composition of any investment committee, assessing its level of expertise and experience. Investors may also wish to understand how they or other investors may be represented for particular decision-making or transparency purposes. Investors should seek to ensure transparency for all, regardless of the size of investment made. Different funds also have differing threshold levels for voting, so investors should establish what these are.

Alignment of interest is an important factor to consider, so investors should seek detail on the Manager's or investment team's investment in the fund and whether it seems adequate.

Investors should also be clear on how the assets in the fund will be valued and the level of reporting they will receive regarding this and general progress and developments within the fund.

Listed below are a set of questions that should help to draw out information on Governance:

- Please provide details of the vehicle's level of adoption to the AREF Code of Practice and Self Certification Process.
- Please provide a copy of all policy documents (conflicts of interest, allocation, sustainability, code of ethics etc.)
- Are there any independent external advisors to the Board?
- Is there an investment committee dedicated to this specific vehicle which has real estate representatives, or is there a general investment committee for the whole organisation/division? How are changes to the composition of the committee determined?
- Is there an advisory committee for investors or is there investor representation on the Board?
- Please outline all items that require approval by the board, investment and investor advisory committees.
- Please detail the conflict of interest provisions in the event an investment/advisory board member is conflicted.
- Please confirm that the minutes of the Advisory Board meetings will be made available to all investors.
- Please explain the voting/approval process for EGM/AGMs.
- Will the Manager and/or team make an investment in the fund? Please provide details.
- Please outline how frequently reports will be produced and distributed to investors?
- Which firm(s) value the portfolio and how frequently?
- What important lessons did you learn from Covid 19 pandemic which remain integral to the fund's operations/processes ?
- What policies does the manager have in place for cyber protection? Have there been any recent incidents where investors/transactions have been affected by cyber infiltration?
- In relation to developments, how are builders and developers selected and their finances monitored? Is there a back-up plan if the contractor fails e.g. due to increased costs especially where there is a fixed priced contract.

## ESG Strategy (Fund and Organisation)

Many investors now have a clearly defined environmental, social and corporate governance (ESG) agenda. As such, they may wish to understand how embedded ESG really is within the organisation they are talking to and the drivers behind this. Furthermore, the investor may wish to measure and compare the ESG performance of the fund they are considering and understand how ESG is actually incorporated into the strategic decisions of the fund.

Given the widespread focus on ESG amongst both landlords and tenants, investors would be prudent to seek to understand the risk to any assets not meeting minimum *regulatory and legal* standards and the costs required for remediation.

To better understand what a strategy incorporating ESG considerations means in practice, it is often useful to seek case studies in order to see what the Manager is actually doing.

Listed below are a set of questions that should help draw out this information:

### Organisation

- Is your organisation a signatory to industry wide commitments / initiatives e.g. the Net Zero Asset Managers Initiative / UK Stewardship Code?
- Are you a signatory to the Principles for Responsible Investment (PRI)? If so, please provide your real estate related score(s).
- Has your organisation set any organisation-wide targets on climate change?
- Do you have organisation-wide policies in place to promote human rights and/or prevent modern slavery?
- Do you have an organisation-wide diversity, equity and inclusion policy?
- Does the business have a set target date for Net Zero Carbon? Is there a pathway for the organisation meeting that target date?

### Real Estate Manager

- Please share your ESG policy for real estate
- What are the principal drivers behind your ESG policy?
- Does the Manager apply any ESG-related exclusions within real estate? Does the Manager have a policy to address biodiversity risks and impacts in real estate?

### Fund

- What is the Fund's ESG objective and / or targets?
- What ESG policies does the Fund adhere to?
- Do you currently provide ESG-related reporting on the proposed fund / strategy?
- Does the Fund report against regulatory requirements? Please provide information on this e.g. if reporting under SFDR is the fund classified as Article 6, 8 or 9; if complying with SDR, what is the fund's investment label.
- How is ESG integrated into Fund management activities?
- What is the Fund's GRESB result?
- How do you model ESG risk - transition (e.g. carbon) / physical risk (e.g. flood risk) and what tools / data sets are used to support this?
- What are the EPC ratings of all the properties held by the Fund? What percentage of assets are unrated and why? Please detail any remedial action planned, including the cap-ex required, to upgrade properties with EPC ratings below current minimum standards??
- Please provide examples of key ESG initiatives within the portfolio.
- Has the fund set a Net Zero Carbon (NZC) target date? Is there a pathway in place to reach that date?
- Has each asset been evaluated to reflect the NZC deadline and what plans have been agreed with asset managers to achieve those asset-by-asset targets?

## Asset management

- Does the investment team explicitly consider ESG / RI as part of its investment process? How is ESG progress measured?
- Is ESG considered at Investment Committee and if so, how?
- What oversight process is there in relation to ESG integration?
- How is transitional and physical risk reflected in acquisition and asset management processes?
- How is ESG data collected (carbon, energy, water, waste)?
- What is your approach to embodied carbon?
- What is your approach to onsite energy generation / renewable energy? How is the investment case assessed?
- What design standards are followed during major refurbishments and developments?
- What is your approach to social value and how do you measure it?

## Portfolio Update & Outlook

### Performance

While it does not determine the future potential for any fund, fully understanding a fund's performance-to-date, where the positives and negatives have come from, is key. Furthermore, an investor should assess the manager's expectations for both levels and sources of future performance, squaring these with the fund strategy in the context of the market outlook previously discussed.

Listed below are a set of questions that should help draw out this information on performance:

- Please detail the Fund's past performance – fund performance figures over the past 3, 12 and 36 months vs benchmark.
- Please detail the property past performance – property portfolio performance figures (i.e. excluding debt, cash and fees) over the past 3, 12 and 36 months vs benchmark.
- Please provide attribution and contribution analysis – sources of out/underperformance e.g. attribution (sector and stock scores) and top/bottom weighted contributions to relative performance.
- What are your expectations of performance over the next 1, 3 and 5 years?
- What do you consider to be the key drivers of performance within the portfolio going forward?

### Portfolio

It is also important to fully understand what has been going on within the portfolio and to analyse some key portfolio statistics. One of the most important elements of real estate investing is the income return, so an investor should focus too on the details of a fund's income profile and the level of risk implied by that.

For actively managed portfolios, investors should seek details of what has occurred already and what the planned initiatives are, the costs and the expected returns.

Listed below are a set of questions that should help draw out this information on the portfolio:

- Strategy - any changes since last update?
- Please provide portfolio statistics –general portfolio statistics e.g. gross asset value (GAV), net asset value (NAV), sector weightings vs benchmark, yield profile - net initial yield (NIY), equivalent yield (EY), reversionary Yield (RY) - lease profile, weighted average unexpired lease term (WAULT), void rate, development exposure.
- Please provide rent collection figures on a quarterly basis and over the past 12 months. What has the write off percentage been for last 1 and 3 years?
- Please provide the distribution rate per unit over the past 12 months (longer if available). Have distributions ever been suspended or deferred.
- Please discuss the top ten assets – with lot size, yield profile, rent per square foot, ERV per square foot, brief summary of asset and business plan.
- Please provide details of any active management –details of completed and proposed value add initiatives and development projects.
- Please provide details of completed and proposed purchases and sales.
- Please discuss portfolio risks –details of portfolio risks e.g. top ten tenant concentration, tenant covenant strengths, upcoming lease expiries, arrears, insolvencies.
- Please provide your strategy for ensuring diversification of cash holdings.

## Debt Funds

Debt funds can provide money to those in the real estate market, typically property owners who control commercial assets or developers. The risks of investing in debt funds are similar to investing in bonds. An advantage of a debt fund is that it takes on the responsibilities of being a direct lender.

As well as assessing the competency of the management of the debt fund, it is important to understand about the companies and assets receiving loans from the fund. Therefore, for debt funds the recommended assessments elsewhere in the guide all apply. In addition to these we would suggest the following questions are also asked:

- What is the fund manager's rationale for investing in a debt fund rather than "direct" fund.
- What type of assets will the fund be providing loans to?
- What are the reasons for the loans? Is it for development or existing property?
- Is there a LTV range in which the debt fund typically invests in?
- What processes are in place to assess the companies the loans are being made to and the underlying assets covering the loans?
- What anti- money laundering, sanction checking etc. are in place, including when the money is repaid.
- Has the fund manager made loans to any of the companies the fund is lending to before.
- How does the fund manager ensure there is an arms-length relationship with the borrowers?
- What is the accounting treatment of the loans. How are the loans valued: Mark to market or is there a discounted model? Does the value of the assets relate to their trading value or book value?
- If the fund is a selling loan, what is the reason for this?
- Will there be diversification of income?
- How risky are the loans made by the fund. Are they investment grade. Does the yield compensate for the risk?
- Will investors be advised of changes in ownership of any underlying assets receiving loans?
- What is the fund managers history/experience of running the same or similar strategies?
- What has been the level of defaults/ delinquencies in previous vehicles or similar strategies?
- Describe the fund manager's experience and resource/ability for loan servicing particularly in respect or non-performing loans or loans in default?



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