

IPD INDEX ANNOUNCEMENT

April 2015

AREF IPD UK PROPERTY FUND INDEX ANNOUNCEMENT

CHANGE TO ACCOUNTING STANDARDS FROM Q1 2015

London, 20th April 2015

In September 2014, MSCI Real Estate consulted on how the mandated shift from the UK GAAP accounting standard, which still predominated amongst contributors until and including Q4 2014, to IFRS or FRS 102 should be accommodated in computing fund returns on NAV in all UK Fund level Indexes and Benchmarks from Q1 2015.

The clear preference of index users was to subsume the anticipated small impacts on NAV estimation within the overall return computation. The computation would thereby encompass not only the market and management activity impacts on fund NAV over the quarter, but also the impacts of accounting rules transition which were expected to be minimal. It was accepted that all contributors might not be able to change standards for 2015Q1 reporting, and therefore the impact of the change might be absorbed over several quarters.

Not all Index contributors have as yet implemented the accounting standard adjustments. It is not possible for MSCI to compute the impact of this partial transition at fund or index level, and so the main purpose of this note is to advise all Index users that this partial transition may have had a differential and unquantifiable (though in all probability small) impact on the return computed for the index and for several, but not all, contributors.

To enable a properly documented assessment of the impacts of the shift towards IFRS, it would be possible to provide contributors with parallel indications of how both Index and fund Q1 returns would have materialized had they not been impacted by accounting changes. However this could only be undertaken if all those contributors who have implemented the change this quarter were willing and able to provide NAV figures as at end Q4 2014 on the new IFRS or FRS 102 bases in addition to their original UK GAAP submissions.

Such an exercise would be conducted for exploratory purposes only. In accordance with our 2014 consultation feedback we have no intention of restating published Index numbers, and it would certainly confuse users if we were to do so. Given the process of transition towards IFRS may run on for several quarters, further small comparative tests may need to be run through the rest of the year.

MSCI client consultants will be in touch with those funds that did implement the switch in Q1 2015 to assess the feasibility of the provision of the required retrospective NAVs. We will then inform Index users if the impact analysis can go ahead.

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