

# **MSCI PAN- EUROPEAN QUARTERLY PROPERTY FUND INDEX (UNFROZEN) METHODOLOGY**

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## **1 Introduction**

The objective of the MSCI Pan-European Quarterly Property Fund Index (PEPFI) is to represent the performance of open-ended pooled funds with a Pan-European investment mandate. The Index is value weighted, denominated in Euros (EUR) and based on the Net Asset Value (NAV) of its constituent property funds each quarter.

## **2 Methodology Documentation Set**

The construction and maintenance rules for the PEPFI are collectively described in the following documents:

### **2.1 MSCI REAL ESTATE - INDEX POLICIES**

The [MSCI Real Estate – Index Policies](#) document describes the various governance policies related to the construction, maintenance and termination of the MSCI Private Real Estate indexes to provide consistency in decisions and avoid ambiguity in its responses to particular events.

### **2.2 MSCI PROPERTY FUND INDEXES METHODOLOGY**

The [MSCI Property Fund Indexes Methodology](#) describes the general methodology that is used for the calculation of the MSCI Property Fund Indexes and includes the methodology for the index composition, data requirements and index calculation methodology.

### **2.3 MSCI PAN-EUROPEAN QUARTERLY PROPERTY FUND INDEX (UNFROZEN) METHODOLOGY**

This document includes the rules and methods specific to the PEPFI.

### 3 MSCI Pan-European Quarterly Property Fund Index (Unfrozen) Specific Methodology

#### 3.1 INITIAL INDEX INCLUSION REQUIREMENTS

##### **SPECIFIC INCLUSION REQUIREMENTS FOR MSCI PAN-EUROPEAN QUARTERLY PROPERTY FUND INDEX (UNFROZEN)**

In addition to the standard MSCI requirements for property fund indexes (refer to [MSCI Property Fund Indexes Methodology](#) for further details), there are additional eligibility requirements for initial inclusion in the PEPFI. The PEPFI comprises of funds that adhere to specific criteria relating to their investment mandate and their structure, except for funds that are in the early stage of their investment period in which case the eligibility is based on the intended strategy as set out in fund documentation.

The criteria of investment mandate and structure is mentioned below.

1. Only professionally managed pooled / commingled property funds providing access to direct property returns, where at least 80% of the Gross Asset Value (GAV) is invested in direct property in Europe, are eligible for inclusion in the Index. Funds of property funds, debt funds and property derivative funds are not eligible for inclusion within the Index
2. Only funds marketed as open or semi open-ended structures will be eligible for inclusion in the index. In case a fund closes to new contributions or redemptions for a sustained period of time, its inclusion in the index will be reviewed.
  - Semi open-ended funds are classified as those where investors may be subject to an initial “lock up” for the first 3 to 5 years of the life, during which either
    - i. investors are not permitted to redeem their investment
    - ii. or redemptions by investors are restricted to a maximum fixed percentage of their investment in any one year
3. Only funds where the General Partner / Manager or equivalent for the fund has a discretionary mandate to manage its investments will be included in the Index.
4. Funds should have been incorporated using a recognised legal structure
5. Funds must have an intended strategy to invest in at least 3 regions of Europe (refer Appendix 6.1: Definition of Europe & Identified Regions for region definitions).
6. Any fund joining the Index must have Net Asset Value (NAV) greater than EUR 200 Million.

7. Funds must carry no more than 60% leverage, where leverage is defined as the ratio of total debt to the fund's GAV<sup>1</sup>.
8. Funds will be included in the index only if all their underlying direct property performance is measured by MSCI at least quarterly.

### 3.2 CHANGE IN COMPOSITION

The addition of new funds and withdrawal/termination of existing funds are normal events in the evolution of the MSCI Property Fund Indexes. However, for the PEPFI additional requirements and clarification have been provided.

#### New Funds:

- a. are required to provide sufficient and complete data to compile the longest possible history of their investment performance, subject to a minimum of either three years, or the period from the date of launch of the fund.
- b. must always provide descriptive data – GAV, NAV and asset allocation, for disclosure in the index products for the longest possible time period. Full performance history shall be shown for the fund until it retires from the Index or terminates. A change of mandate, structure, branding or manager does not warrant the removal of historical performance from the index and market information products.

#### Removed/Withdrawn Funds:

- a. Withdrawal from the Index should be through written communication to MSCI.

#### Re-admitted Funds:

- a. In order to be re-admitted to the Index, the funds must provide MSCI with the data to calculate their investment performance during the whole period since their last inclusion in the Index.
- b. Re-admitted funds are subject to the same eligibility requirements as potential new constituents.

Formal communication of a material change in the index composition will be done through an Index Announcement made available at [www.msci.com](http://www.msci.com), in accordance with the thresholds as defined in the MSCI Real Estate – Index Policies.

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<sup>1</sup> GAV is being derived as the summation of the Debt and the Net Asset Value, except where the GAV is being provided

### 3.3 THE INDEX SERIES

The standard Index publication comprises of two series:

- a. MSCI Pan-European Quarterly Property Fund Index: It represents a combination of the Specialist Pan-European property funds and the funds in the MSCI Pan-European Balanced Funds Quarterly Property Fund Index. Specialist Pan-European property funds are those where more than 70% of the portfolio is invested in a single sector (i.e. retail, office, industrial or other property type). This index has a base date of 31 December 2003.
- b. MSCI Pan-European Balanced Funds Quarterly Property Fund Index : It comprises of funds whose portfolios are diversified by property type so that no sector (i.e. retail, office, industrial, residential, hotel or other property) represents more than 70% of its total capital value. This index has a base date of 31 December 2005.

## **4 Data Provision Requirements**

### **4.1 NET ASSET VALUE REPORTING REQUIREMENTS**

In addition to the standard requirements as part of the MSCI Global Data Standards for Real Estate Investments, there are additional requirements for the Net Asset Value (NAV). These requirements are as follows:

- a. Funds are required to report their NAV per unit at least quarterly and should have done so for the whole of the period of their performance history within the Index.
- b. The NAV should be based on the quarterly revaluation of at least 95% of the value of each fund's property portfolio (including the value of other assets held through joint/indirect investments, derivatives and cash)
- c. The revaluation of the property portfolio should be undertaken using RICS red-book or similar principles and completed at least quarterly by a third party appraiser.
- d. Constituents of the Index must agree to calculate their NAV data on a consistent basis from quarter to quarter. The method of calculation should be either that specified in the funds articles of incorporation or a recognised methodology as determined by international or local accounting standards. Constituent funds must agree to disclose the basis of NAV computation to MSCI.
- e. All NAVs used in performance calculations are net of fund management fees.

## **5 Index Calculation Methodology**

The MSCI Pan-European Quarterly Property Fund Index is constructed by applying the unitized computation methodology as detailed in the MSCI Property Fund Indexes Methodology.

### **5.1 RULES FOR PERFORMANCE REPORTING**

As part of the requirement for inclusion in the PEPFI, data providers agree to disclose their individual fund NAV and allocations<sup>2</sup> (by geography and sector). The individual fund allocations, including the NAV, are routinely included in market information products. However, MSCI applies both the standard confidentiality rule and the fund dominance rule to determine if index results will be made available. Please refer to MSCI Property Fund Index Methodology for details.

### **5.2 UNFROZEN HISTORY REPORTING**

The PEPFI returns are unfrozen, which means they do not have fixed histories and returns will be updated when new data becomes available or corrections are made. Therefore inclusion of a new fund with historical data impacts the historical Index returns.

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<sup>2</sup> Derived from Direct Property data provided by clients.



## 6 Appendix

### 6.1 DEFINITION OF EUROPE & IDENTIFIED REGIONS

Europe is defined in terms of geography as all EU and EU candidate countries as well as EFTA (European Free Trade Association) countries as defined by the European Union and the UK.

**Defined regions of Europe:**

<b>Alpine</b>	Austria, Switzerland
<b>Benelux</b>	Belgium, Luxembourg, Netherlands
<b>Central &amp; Eastern Europe</b>	Albania, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, North Macedonia, Lithuania, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Turkey
<b>France</b>	
<b>Germany</b>	
<b>Iberia</b>	Spain, Portugal
<b>Nordic</b>	Denmark, Finland, Iceland, Norway, Sweden
<b>Southern Europe</b>	Cyprus, Greece, Italy, Malta
<b>UK &amp; Ireland</b>	

## 6.2 INCLUSION CRITERIA FOR PAN-EUROPEAN PROPERTY FUND INDEX

Inclusion criteria - Pan-European Property Fund Index	
1. Type of Investment Vehicle	Professionally managed pooled/commingled fund
2. Minimum Direct Real Estate investment	80% of GAV
3. Fund Structure	Open or Semi-open ended
4. Does the General Partner/Manager or equivalent for the fund have a discretionary mandate to manage its investment?	Yes
5. Has the fund been incorporated as a legal structure?	Yes
6. Minimum number of regions in Europe where the fund has an intended investment strategy	Three
7. Minimum Fund NAV requirement	Euro 200 Million
8. Maximum Fund Leverage	60% of GAV
9. Are the underlying direct property performance of the fund measured by MSCI at least quarterly?	Yes
10. Minimum quarterly revaluation %	95% of NAV
11. Valuation standards	RICS Redbook or similar
12. Data provision requirement	Longest possible history, subject to a minimum of either three years, or the period from the date of launch of the fund

**6.3 VERSIONING TABLE**

Publication Date	Key Changes
October, 2020	Release of the first version of MSCI Pan-European Quarterly Property Fund Index Methodology Document

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