



The Association of Real Estate Funds

# **AREF FUNDamentals**

## **Training Series – Session 4**

### **Introduction to Fund Terms**

**4 March 2026**

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Q&A



Slido #3563 668

# Welcome from our Sponsors

## Aztec Group

# Introducing the Aztec Group

## Why leading global asset managers partner with us:

**Truly integrated multi-jurisdictional service model**, delivering cross-border continuity and consistency.

**Flexible, service model delivery model**, aligned with each client's unique requirements.

**Proven capability with complex structures**, administering major global funds for leading asset managers.

**An administration platform built for volume and velocity**, supporting high-volume investor activity, frequent distributions, and complex workflows.

**Scalable partnership**, with a track record of growing our teams, service offering and jurisdictional coverage to support clients' growth ambitions.

## What clients can expect from a relationship with us:

### Pride

We take pride in the quality and precision of our work across every mandate.

### Commitment

We are fully committed to our clients' goals and act as an extension of their teams.

### Trust

Our clients trust us because we consistently deliver, even in the most complex scenarios.

Today

Ambition  
'30

	<b>AuA</b>	€760bn	€1trn
	<b>No. of Employees</b>	2,200	3,400
	<b>No. of Clients</b>	360+	500+
	<b>Jurisdictional Footprint</b>	6	6
	<b>NPS</b>	48	55
	<b>Staff Retention</b>	80%+	80%+



## About NxtGen

**NxtGen is an Aztec Group initiative for early-stage professionals within the private funds industry.**

The aim of the group is to provide members with opportunities for networking, creating meaningful connections and supporting professional growth.

**Scan to join**

Aztec NxtGen LinkedIn



Established  
May  
**2024**

**250+**  
members  
on **LinkedIn**

**12+**  
successful  
events across UK  
Channel Islands and Lux



# Aztec NxtGen journey so far

May 2024 |

Rooftop drinks – The Madisson

September 2024 |

Breakfast Networking – The Happenstance

December 2024 |

Breakfast networking - Duck & Waffle

March 2025 |

Networking drinks - Oche The Strand

March 2025 |

NxtGen panel event (Luxembourg)

July 2025 |

Breakfast networking - The Wolesley

November 2025 |

Xmas Networking drinks – Little Scarlett Door

March 2026 |

Aztec & Banque de Luxembourg event (Lux)

March 2026 |

Insight Breakfast (Aztec office)

Summer 2026 |

Rooftop drinks – London



# Presenters



**William Lawrence**  
Partner  
CMS



**Martin Gilbert**  
DTZ Investors UK

# Agenda

**09:00 Welcome and housekeeping – Aztec, Chloe Morris**

**09:05 Presentation**

- William Lawrence, CMS
- Martin Gilbert, DTZ Investors

**10.20 Q&A**

**10:30 Close**

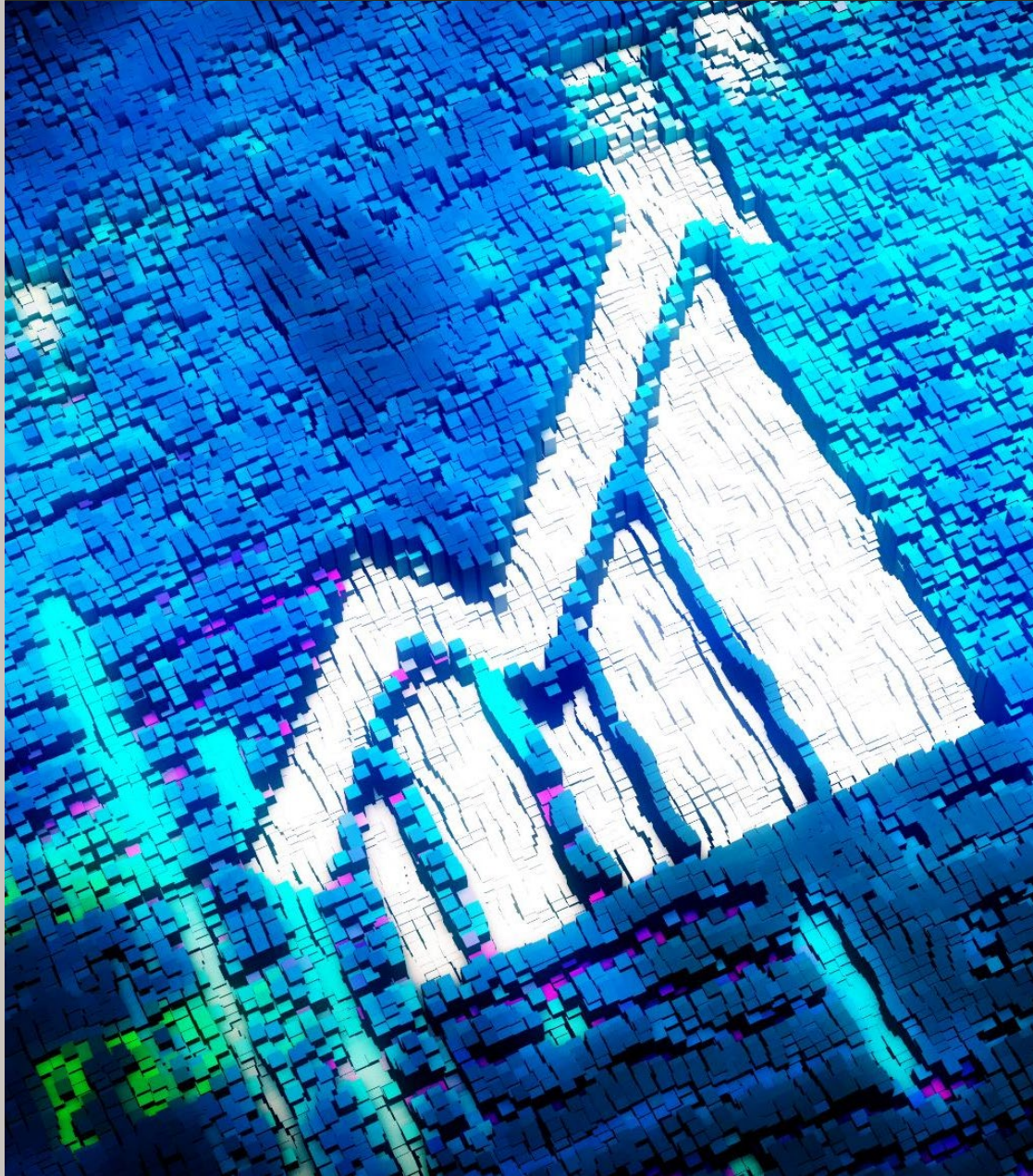
Q&A



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# The FUNDaamentals Series

- Session 1** Introduction to Funds Foundation – available on AREF website
- Session 2** Introduction to Fund Regulation & Structures - available on AREF website
- Session 3** Introduction to Fund Taxation - available on AREF website
- Session 4** Introduction to Fund Terms (Today)
- Session 5** Introduction to Fund Financials & Performance (Q2 2026)
- Session 6** Introduction to Fund Transactions (Q3 2026)



# PRIVATE FUNDS: GOVERNANCE, ECONOMICS & LIQUIDITY

# AGENDA

## **Governance**

- Why and How
- Core principles & Key players
- Some regulatory challenges

## **Economics**

- Fees
- Waterfalls

## **Liquidity Challenges**

- Open vs closed ended funds
- The liquidity crisis

# FUND GOVERNANCE



# FUND GOVERNANCE – WHY?

## Reputation

Bernard L. Madoff Investment Securities, LLC (2008)

Long-Term Capital Management (LTCM) (1998)

Woodford Investment Management (2019)

## Moral Hazard

Confidence and trust that investors' money will be skilfully and carefully managed

## Legal requirement

UK AIFM regulations and AIFMD for remuneration, liquidity, and risk oversight.



# FUND GOVERNANCE – HOW?

## **Contractual Protection**

Fund documents set out decision-making roles, processes, and safeguards to protect investor interests effectively.

## **Internal policies and processes**

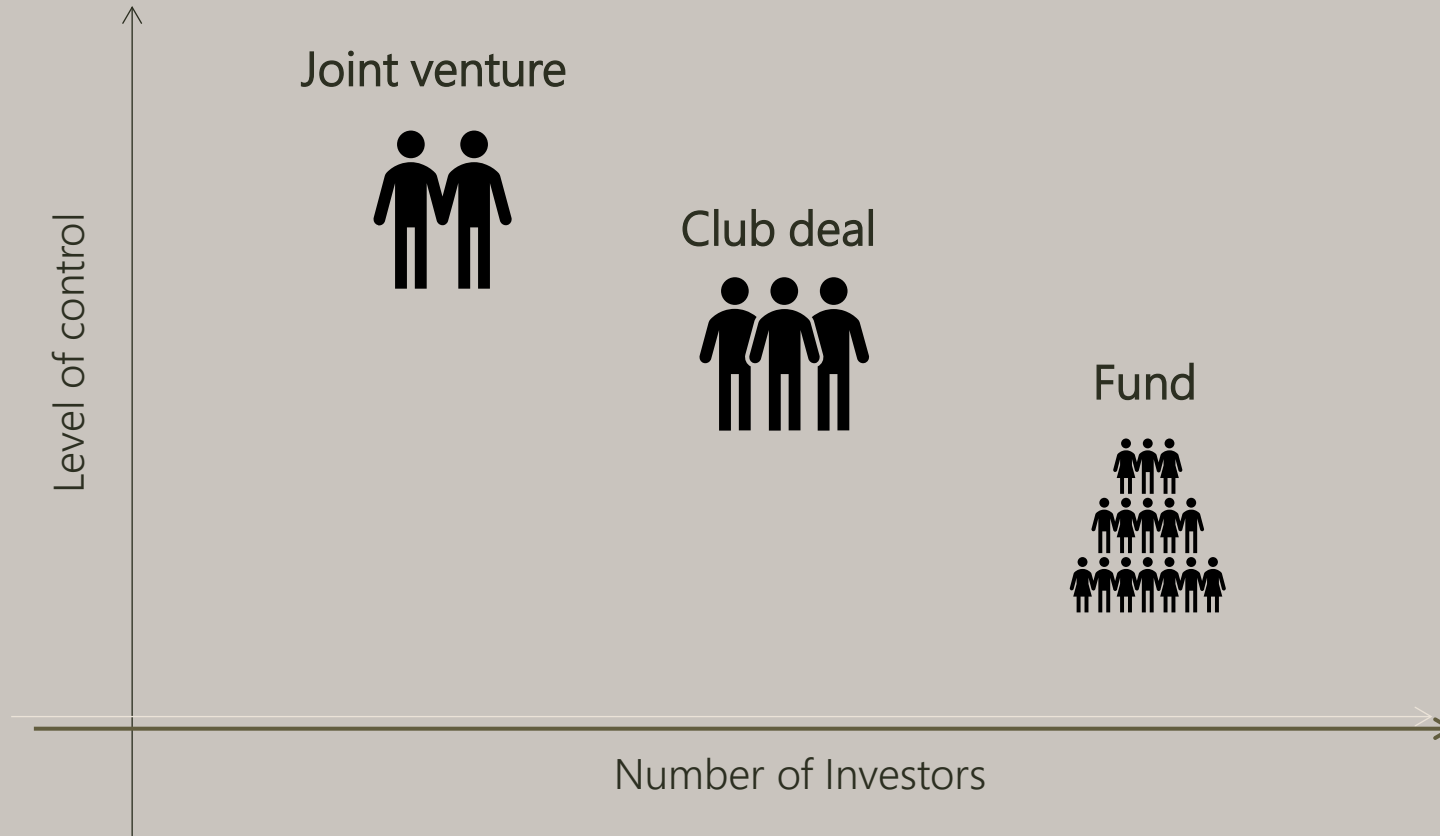
Robust governance ensures risks are monitored, mitigated, and conflicts of interest are appropriately managed.

## **Transparency and Investor communications**

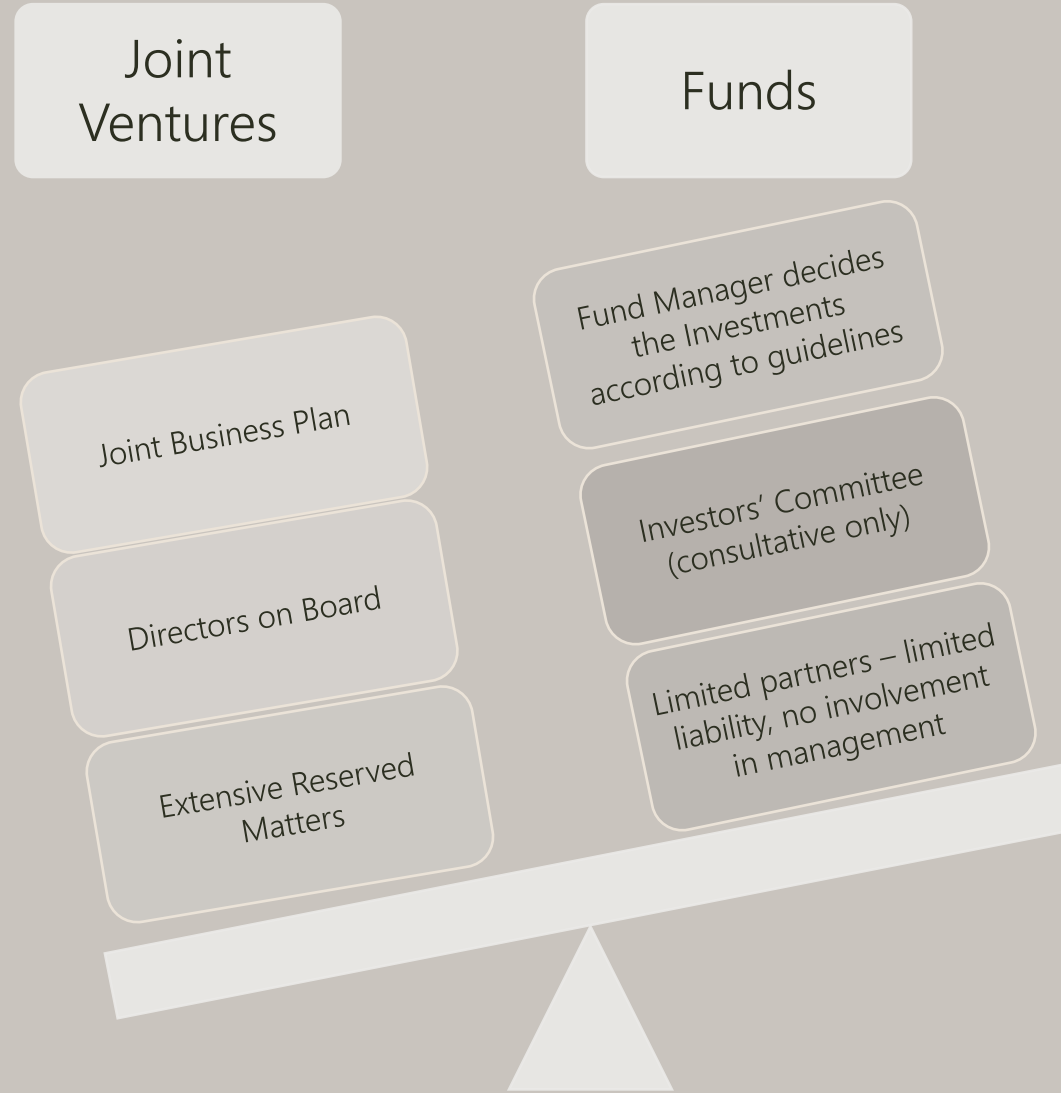
Clear communication, escalation rights, and oversight provide investors with confidence and control.



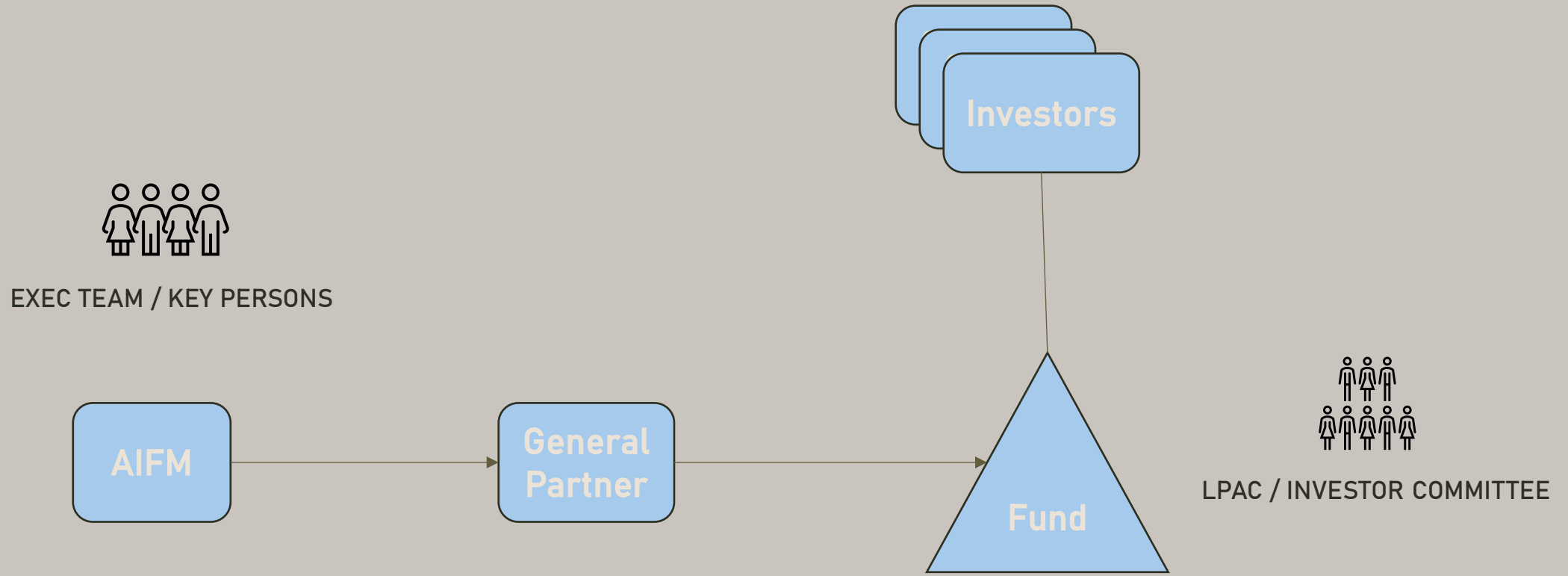
# FUND GOVERNANCE - CORE PRINCIPLES



# FUND GOVERNANCE - CORE PRINCIPLES



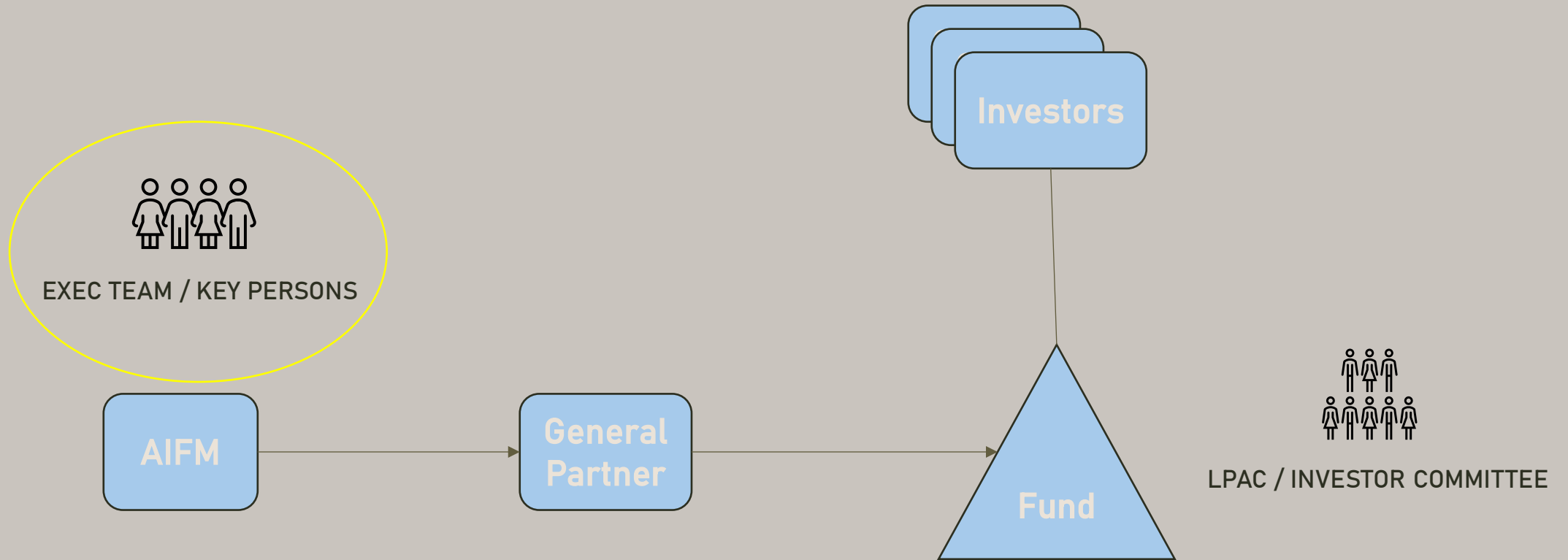
# FUND GOVERNANCE - KEY PLAYERS



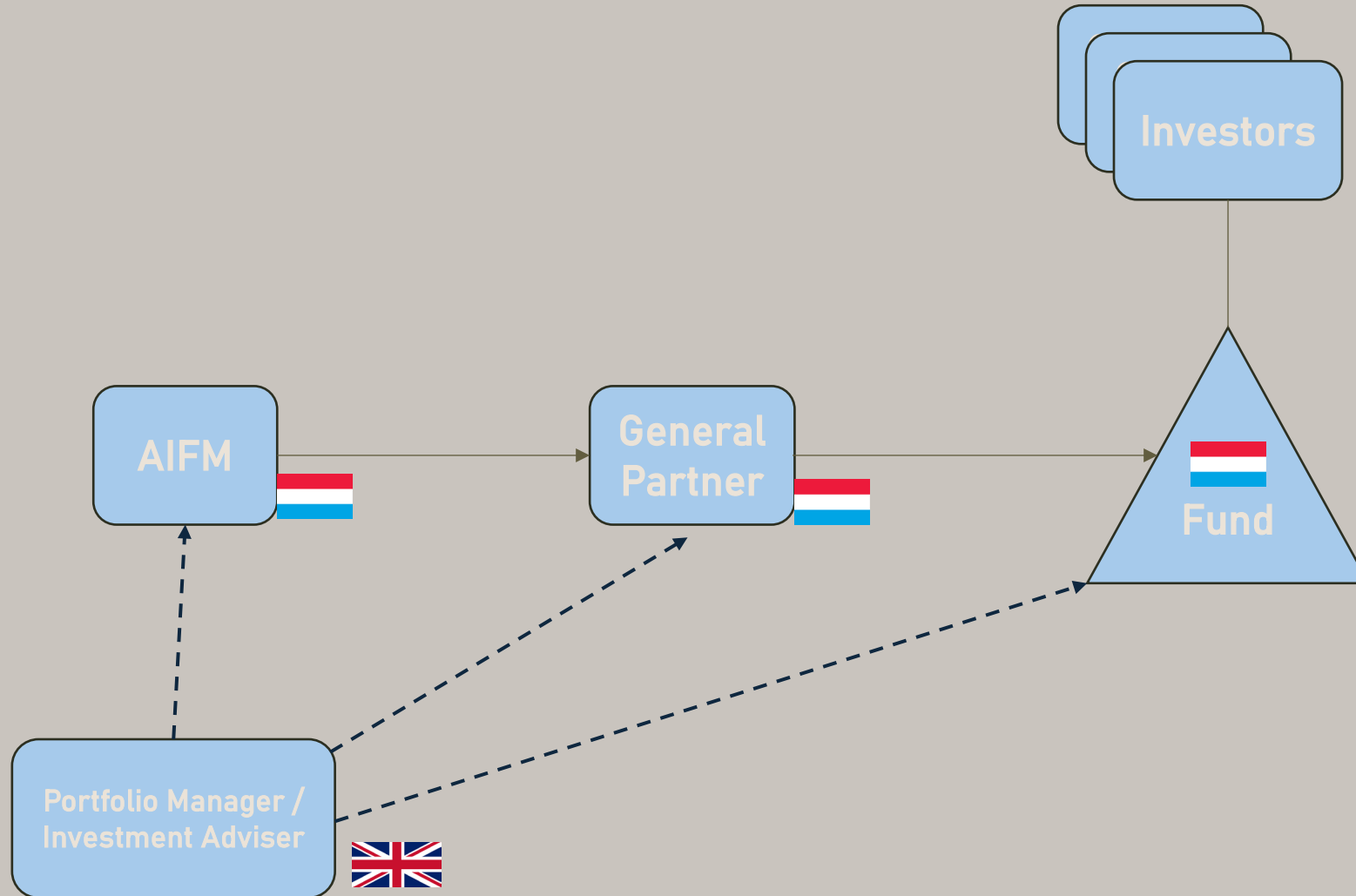


**What do you see as the role of investor committees within fund governance?**

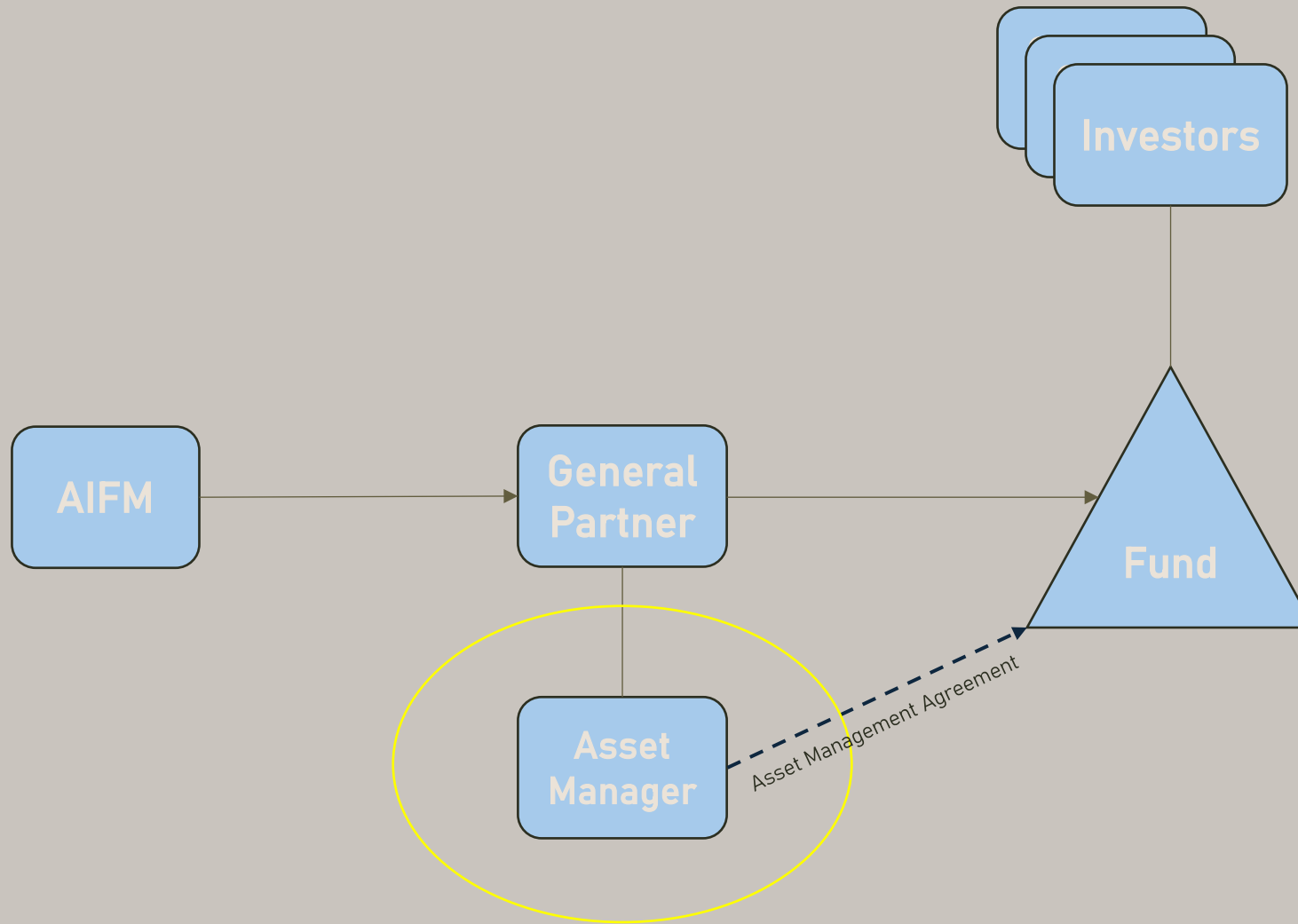
# FUND GOVERNANCE - KEY PLAYERS



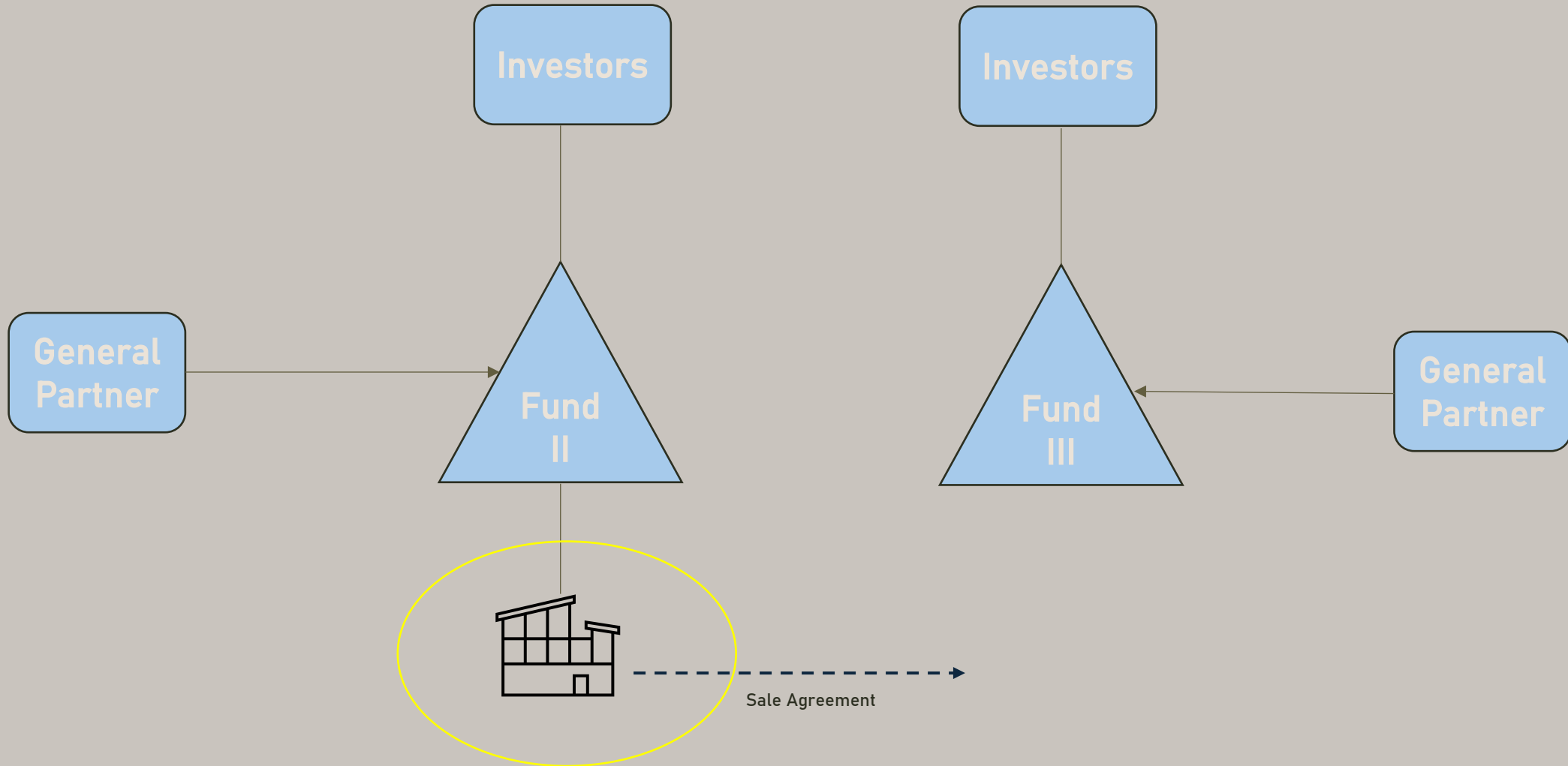
# FUND GOVERNANCE – REGULATORY CHALLENGES



# FUND GOVERNANCE - CONFLICTS



# FUND GOVERNANCE - CONFLICTS



# FUND GOVERNANCE – AREF CHARTER

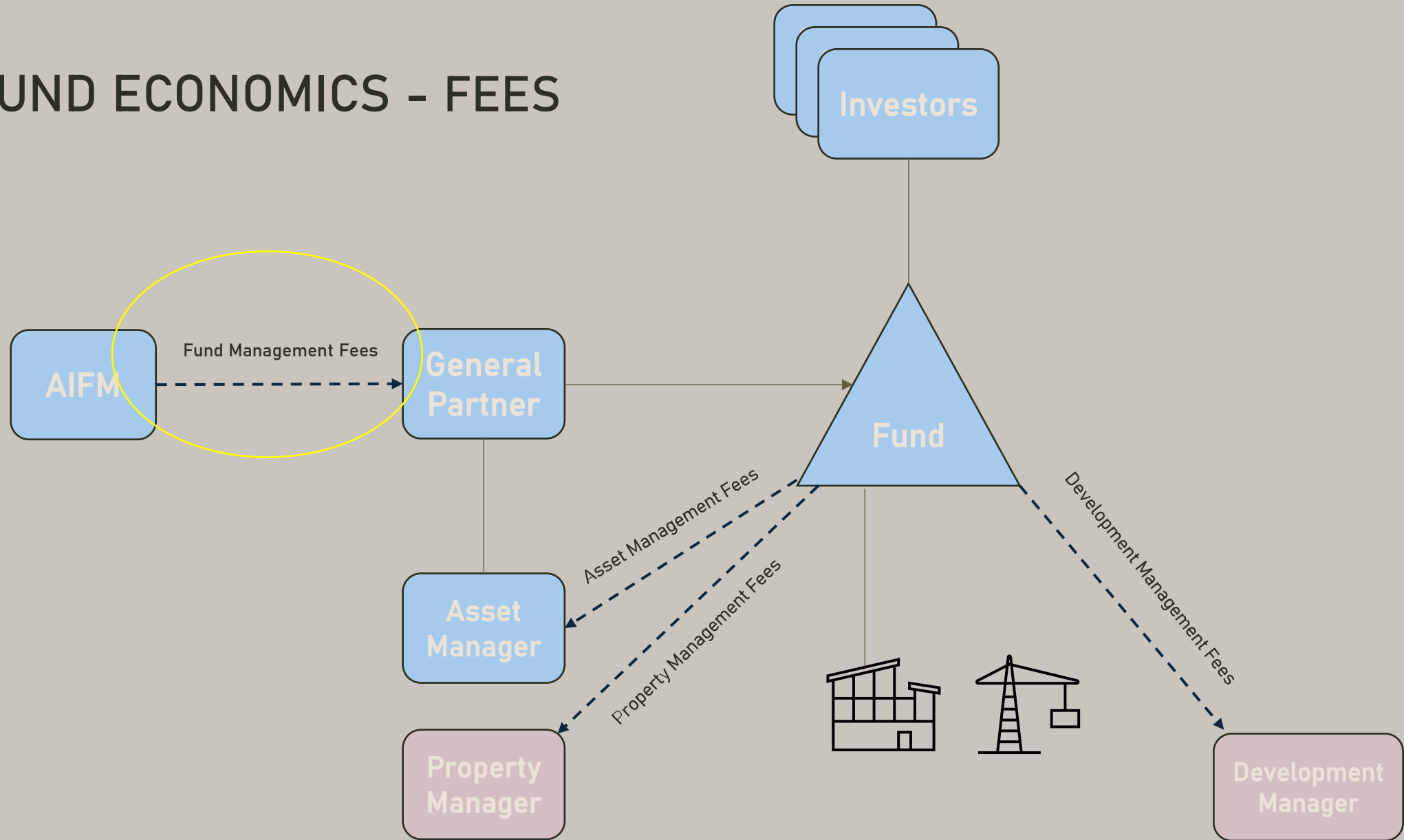
## Guiding Principles

1. **Stakeholder Focused:** Putting investors and other stakeholders at the centre of decision-making.
2. **Integrity:** Ensuring fairness and transparency in fund management.
3. **Accountability:** Promoting clear structures and alignment between managers and investors.
4. **Transparency:** Maintaining openness in communication, reporting, and operations.
5. **Resilience:** Building robust systems to handle market and economic shocks.
6. **Sustainability:** Committing to sustainable practices, including the transition to net zero.
7. **Collaboration:** Partnering with industry players to address challenges and share good practices.
8. **Innovation:** Encouraging continuous improvement to meet evolving investor needs.
9. **Diversity, Equity, and Inclusion:** Promoting equal opportunities and inclusivity within the industry.
10. **Regulatory Compliance:** Adhering to laws and regulations to protect investors.

# FUND ECONOMICS

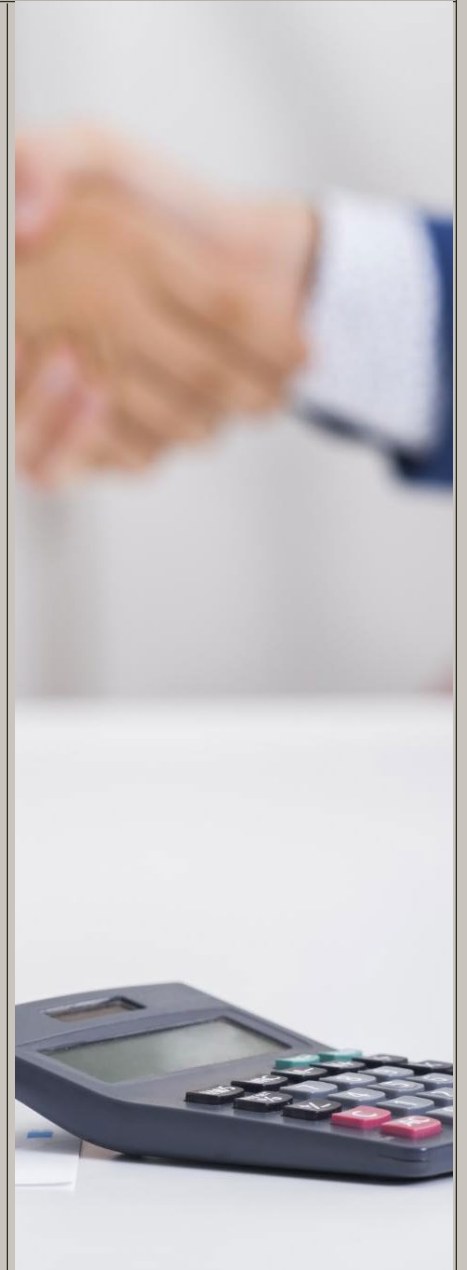


# FUND ECONOMICS - FEES



# MANGEMENT FEES

- % of Commitments
- % of Invested Capital
- % of NAV



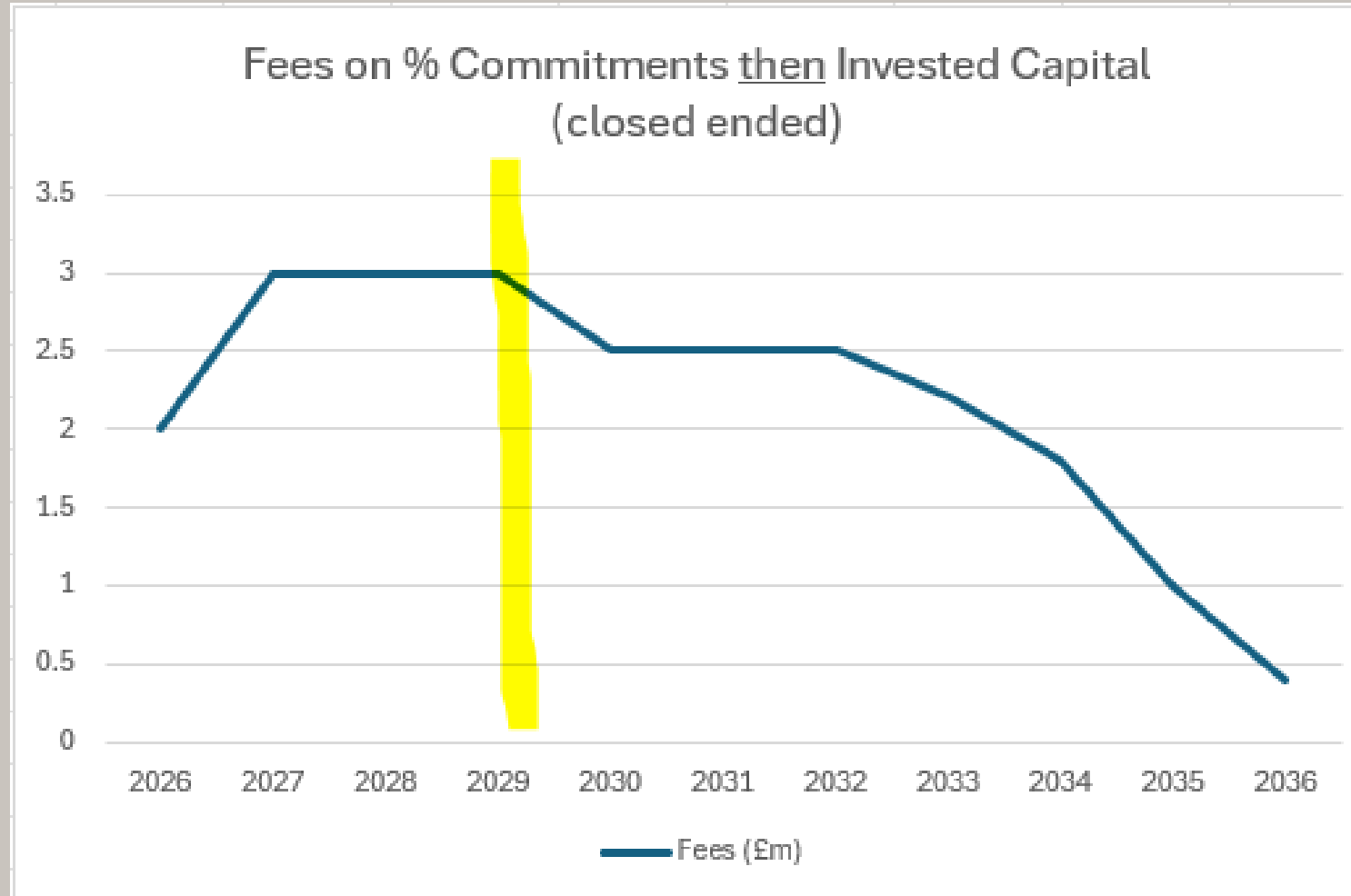
# MANGEMENT FEES



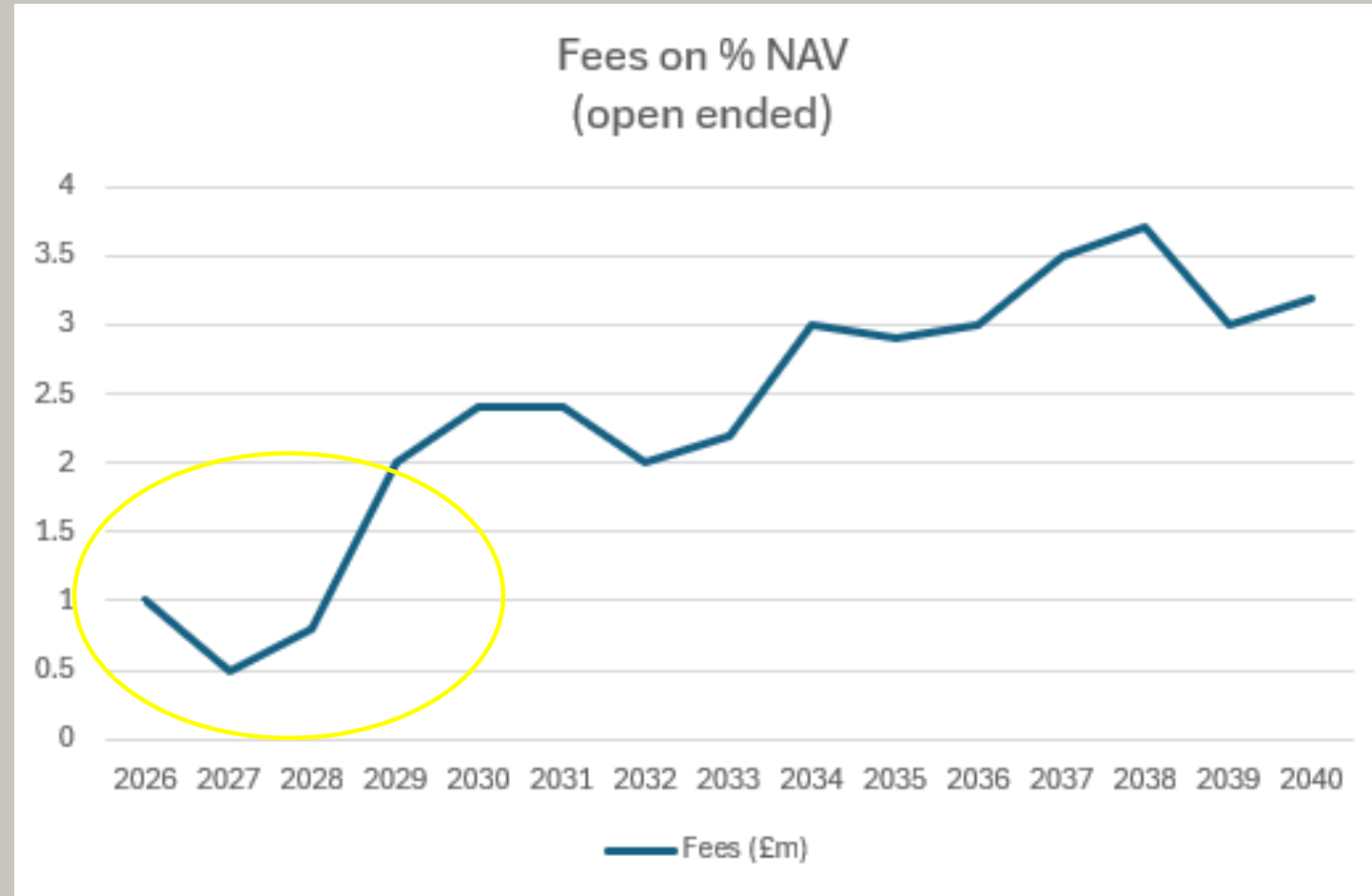
# MANGEMENT FEES



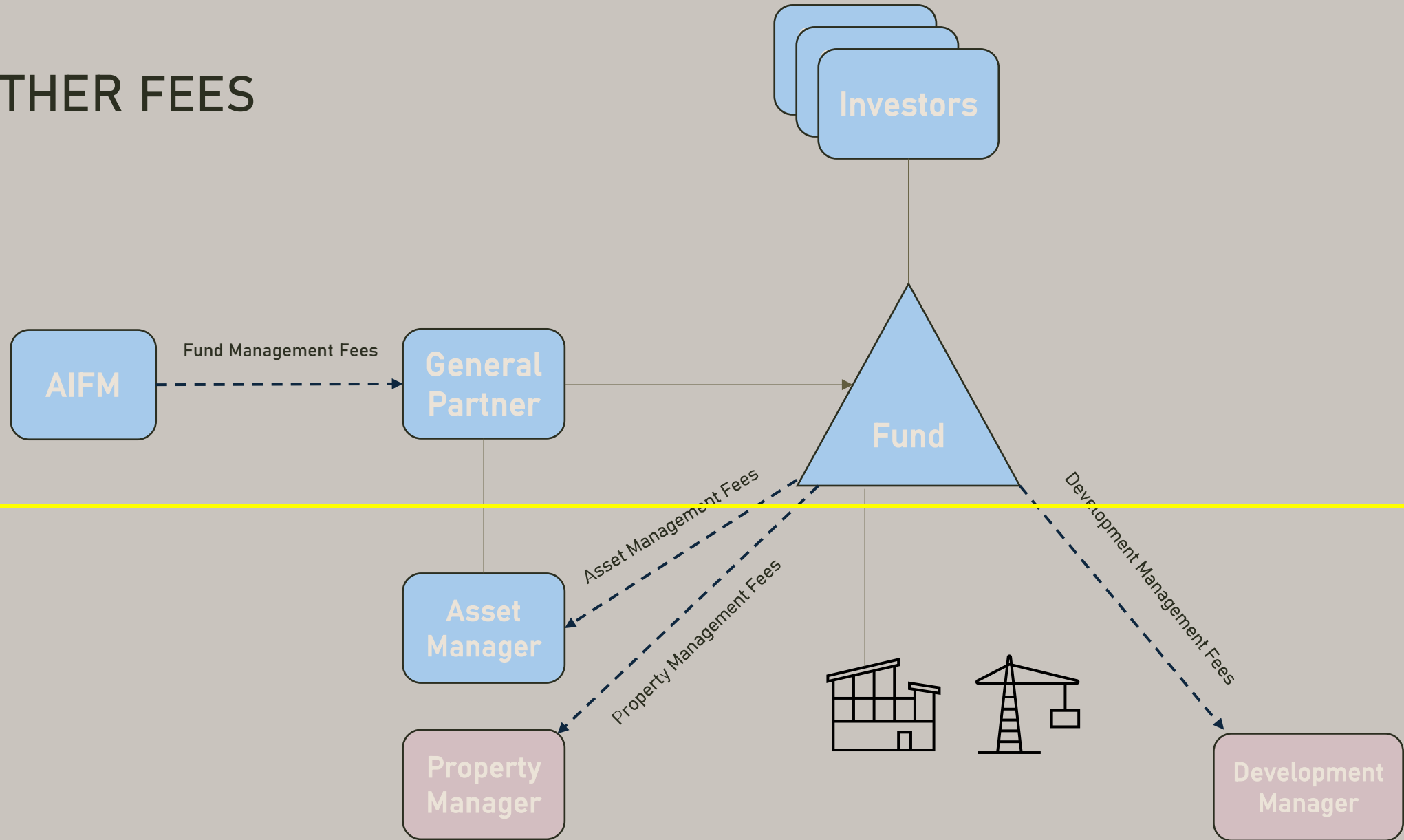
# MANGEMENT FEES



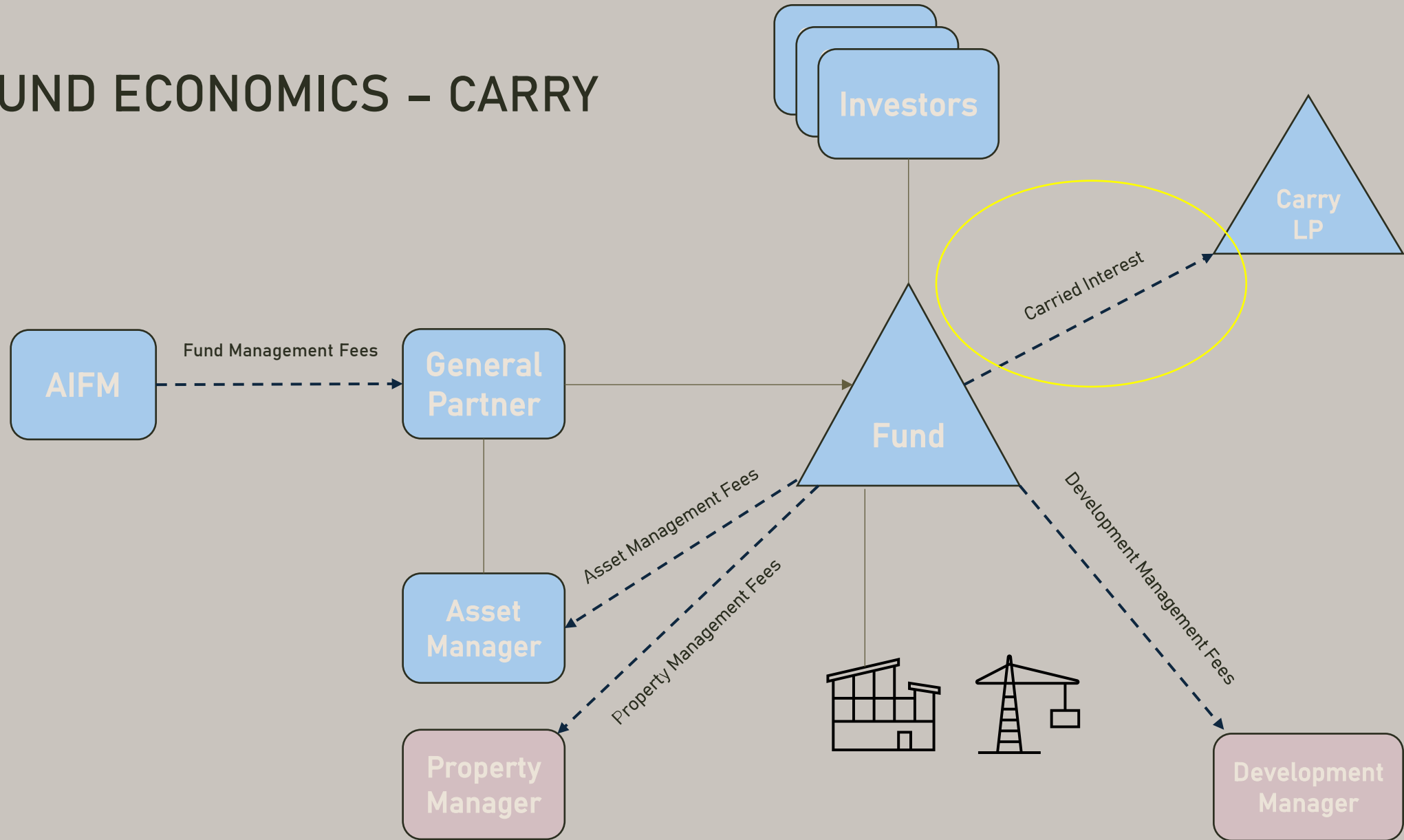
# MANGEMENT FEES



# OTHER FEES



# FUND ECONOMICS - CARRY



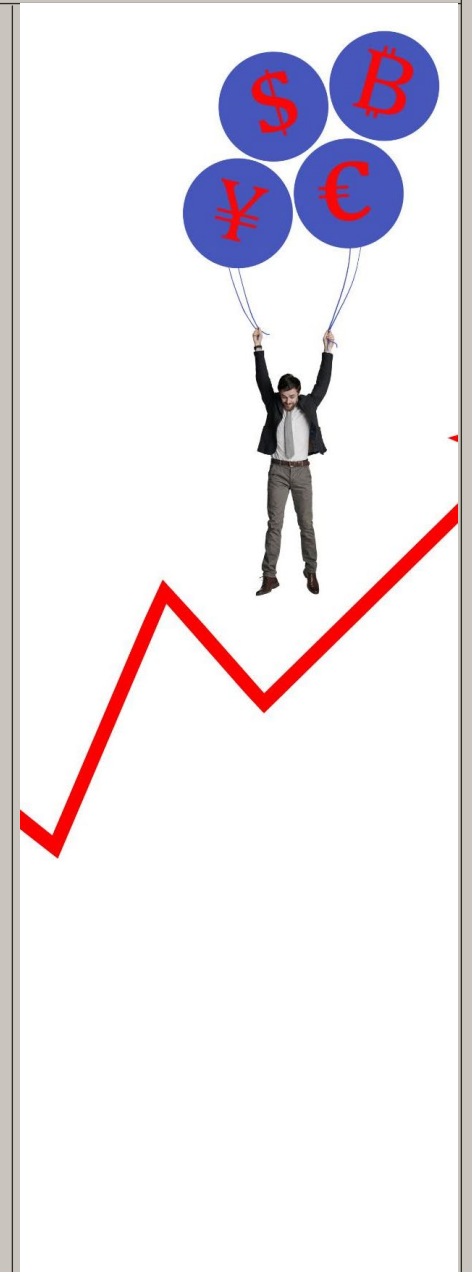
# CARRIED INTEREST

## Purpose

Aligns managers' economic interests with investors by awarding a **share of profits** after preferred returns.

## Carry Calculation Methods

Carry can be calculated on **whole-fund** or **deal-by-deal** basis



# DISTRIBUTION WATERFALLS IN PRACTICE

## Return of Capital Contributions

Initial capital is returned to investors before profit sharing begins, ensuring recovery of their original investment.

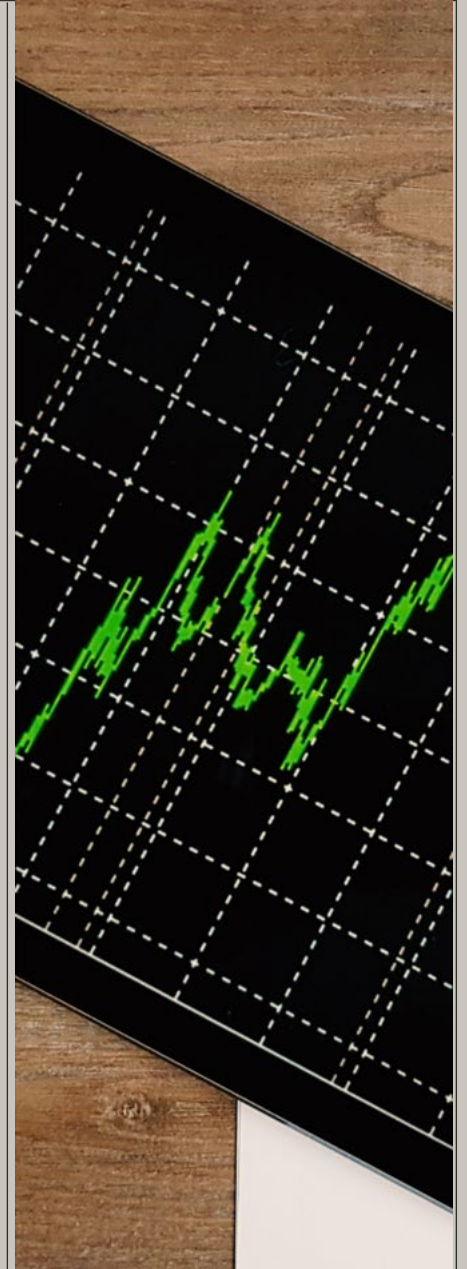
## Preferred Return and Catch-up

Preferred return ensures minimum investor gains; catch-up phase accelerates manager profits until carry ratio is met.

## Residual Profit Sharing

After hurdle rates, residual profits are shared between investors and managers according to agreed splits, e.g. 80:20.

Hurdle % and profit sharing % [dis]incentivise risk taking



# ESCROW, TRUE-UPS AND CLAWBACK PROTECTIONS

## Escrow Arrangements

Escrow holds a portion of carry until later fund stages to prevent premature or excessive payments.

## True-up Mechanisms

True-ups reconcile carry allocations periodically to reflect updated portfolio performance outcomes.

## Clawback Provisions

Clawbacks require managers to return excess carry if investors' preferred returns are not met by fund end.



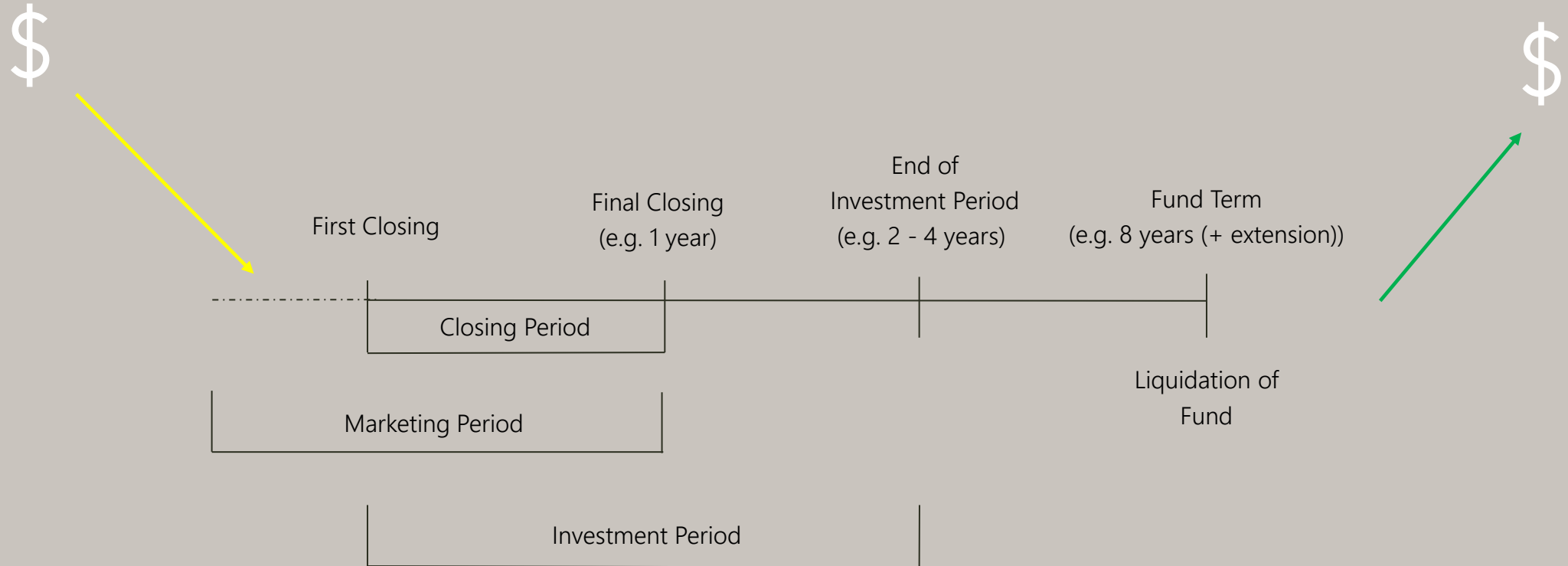


**What should we look out for when assessing performance fees?**

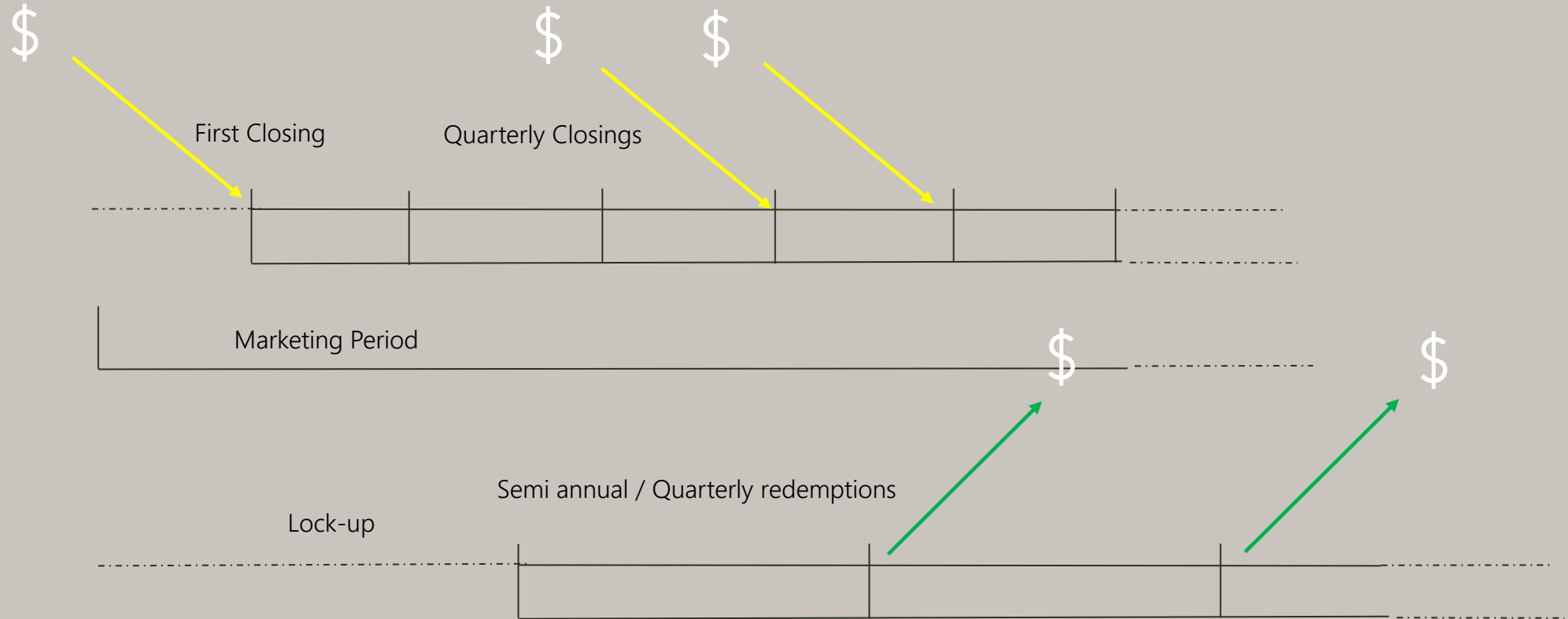
# LIQUIDITY



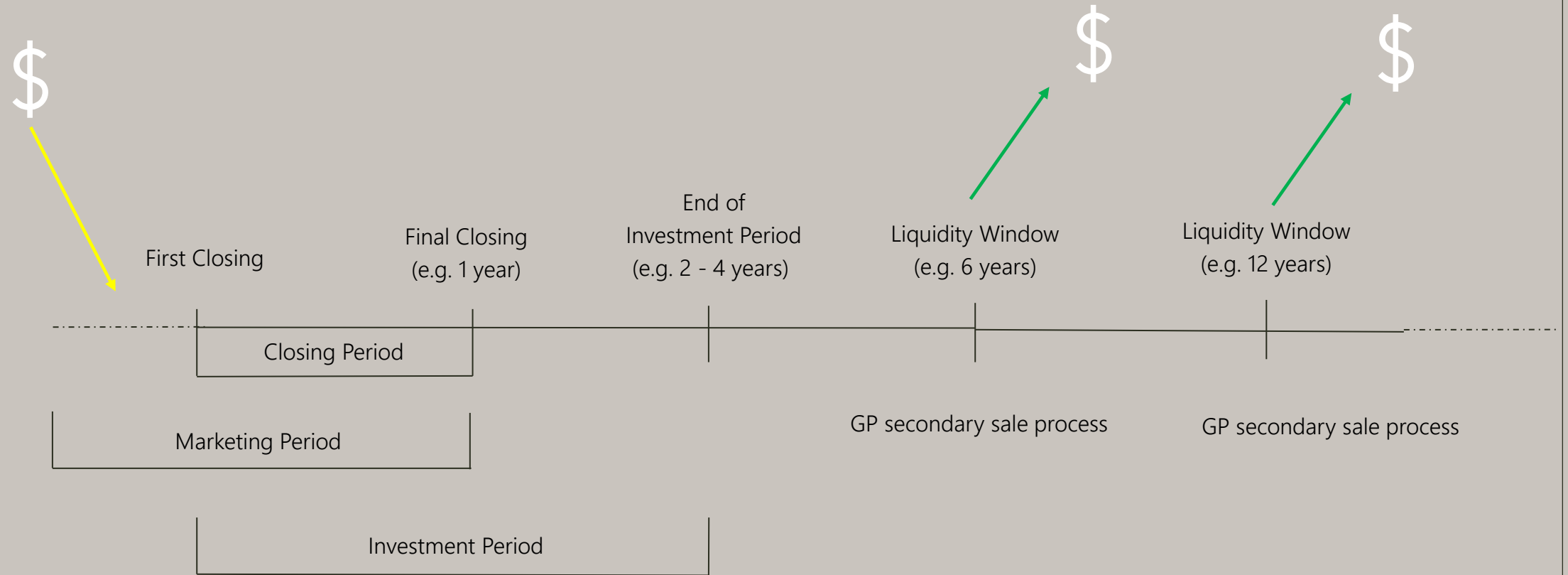
# LIQUIDITY - CLOSED ENDED FUNDS



# LIQUIDITY - OPEN ENDED FUNDS



# LIQUIDITY - "HYBRID" LONG LIFE FUNDS



# THE LIQUIDITY CRISIS



# THE LIQUIDITY CRISIS





**What impact has the current liquidity crisis had on fund terms – what should we be looking for in newly launched funds?**

# THE LIQUIDITY CRISIS - CLOSED ENDED FUNDS

**Selling in a bear market**



**Term extensions**

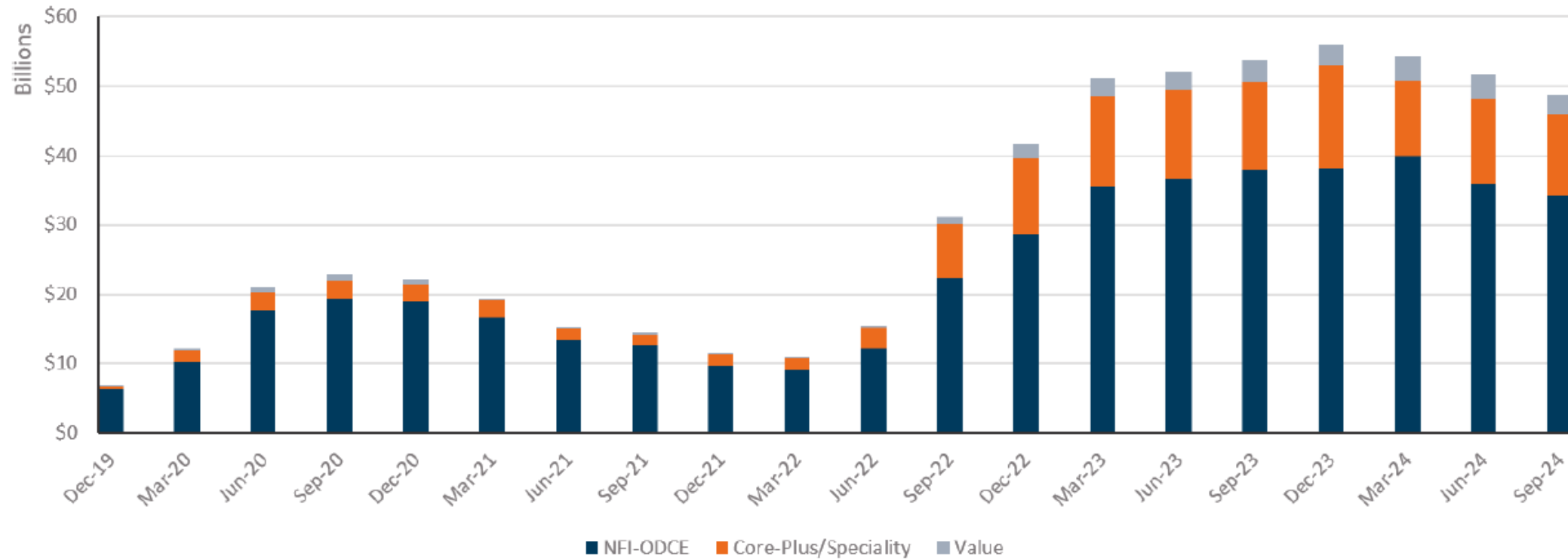
**“Fee Farming”**

**Continuation Vehicles**

**NAV Facilities**

# THE LIQUIDITY CRISIS – OPEN ENDED FUNDS

U.S. Open-End Commingled Fund Redemption Queues

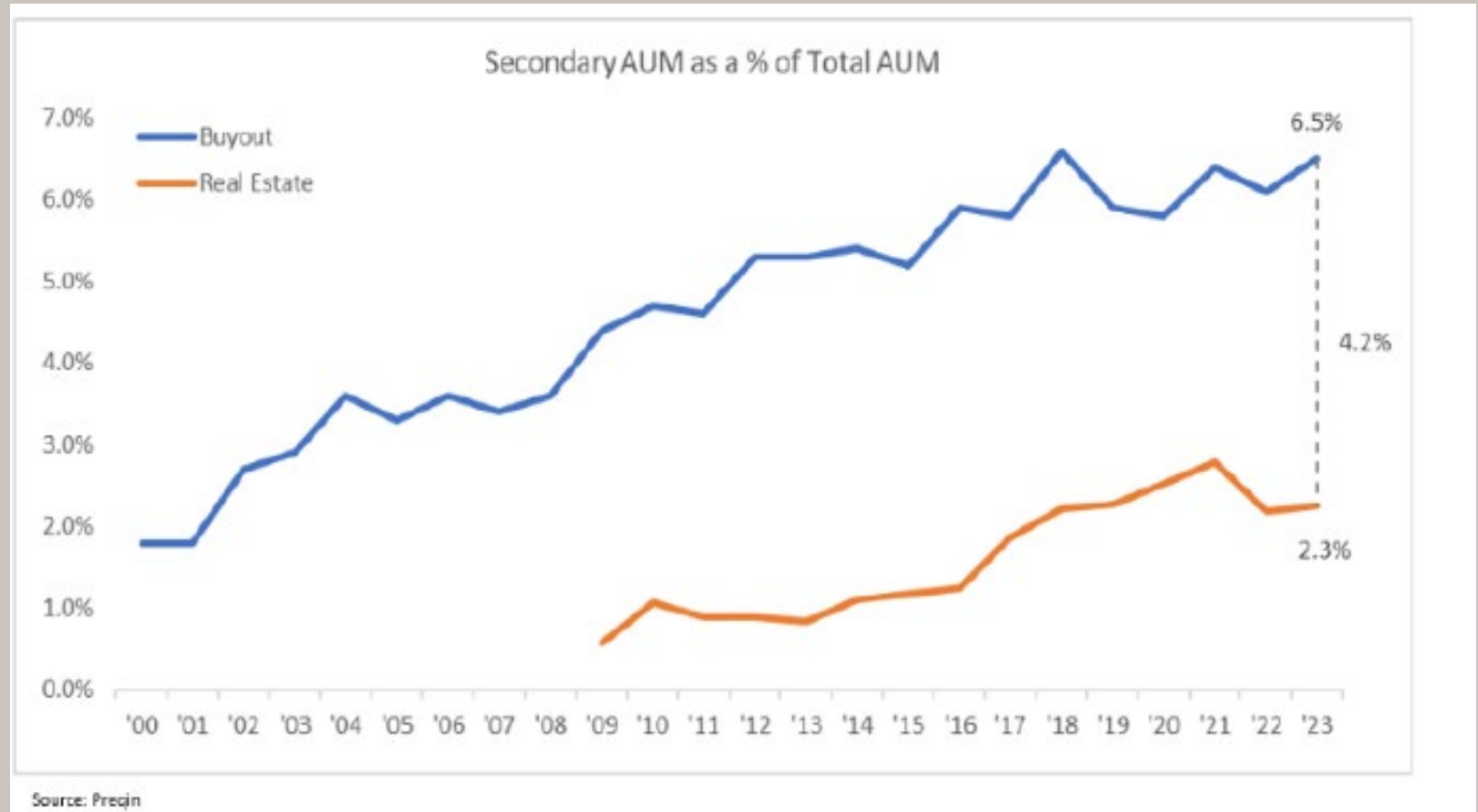


# THE LIQUIDITY CRISIS - OPPORTUNITY?

**CBRE** Investment Management

**STEPSTONE**

**TOWNSEND GROUP**



# Q&A

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