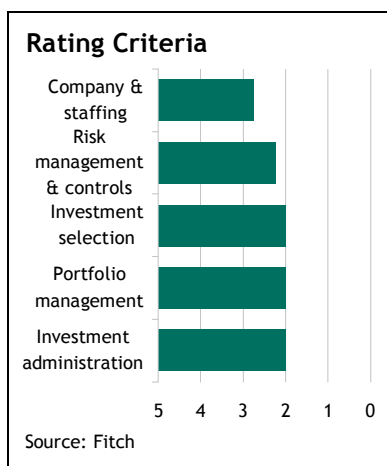


Real Estate Asset Managers/Germany Rating Report

**SEB Investment GmbH**  
Real Estate Investment Operations



**‘M2’ – Strong**

Asset manager operations demonstrating low vulnerability to operational and investment management failure

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**Related Research**

Applicable Criteria

- [Reviewing and Rating Real Estate Asset Managers \(June 2009\)](#)

**Summary**

Fitch Ratings has affirmed Frankfurt-based SEB Investment GmbH’s (SEB AM) Asset Manager Rating at ‘M2’, for its real estate investment operations.

The rating affirmation reflects the company’s high operational quality and the depth of its disciplined due diligence and property management procedures. However, Fitch is witnessing greater business risks resulting from the situation of SEB AM’s flagship investment vehicle, SEB ImmoInvest. This fund is largely retail-oriented, with EUR6.3bn in net assets under management (AUM), and it had to suspend share redemptions for a second time in May 2010.

The rating also factors in the continued uncertainty facing the entire open-ended real estate funds (OEREFs) sector in Germany – a EUR86bn AUM industry at end-2010. A new regulatory framework was proposed through the legislative process in early 2011, to be enforced in early-2012, which could dampen investors’ interest for these investment vehicles – in effect, raising the level of risk for SEB AM’s business model and growth strategy.

Fitch will closely monitor developments in this respect and shall take appropriate action on the rating if deemed necessary, i.e. if the new regulation should significantly affect investors’ commitment to the product and, consequently, SEB AM’s business franchise.

In the meantime, the agency points out that SEB AM has demonstrated an appreciable degree of stability, while experiencing considerable market pressure – notably during 2008-2009. In such a difficult environment, the company managed to achieve satisfactory financial results, which helped it to continue its planned business strategy.

In fact, the company has continued to invest in structure and staff, adding new specialised teams (sales, administration and asset management) to support growth in key areas such as Asian investments, asset enhancement/repositioning, and deal-structuring (SPVs). The agency has also witnessed continued progress in property/asset management: the integration and rationalisation of third-party providers globally under a unique operational set-up and a common IT infrastructure has reached an advanced stage of development.

Overall, 2010 EBITDA rose by about 41% while the cost/income ratio fell, due also to rising AUM, renewed deal activity in 2010, the capacity for the company to realign its management fees upward, and the rise of its institutional business segment.

However, as recognised in the category scores, Fitch remains conscious of the risks posed to SEB AM’s business model, should the company fail to successfully reopen its fund and if new regulation in 2011 deters investors from OEREFs. It thus remains important for the company to find new growth opportunities – notably in institutional business, new products, and international markets.

On the technical side, risk management is progressively enhancing stress-testing capabilities and their use in the decision-making framework. Investments are showing stability and financial flexibility, along with the intensified deal activity in 2010.

## Manager Profile

### SEB Investment GmbH (Real Estate Investment Operations)

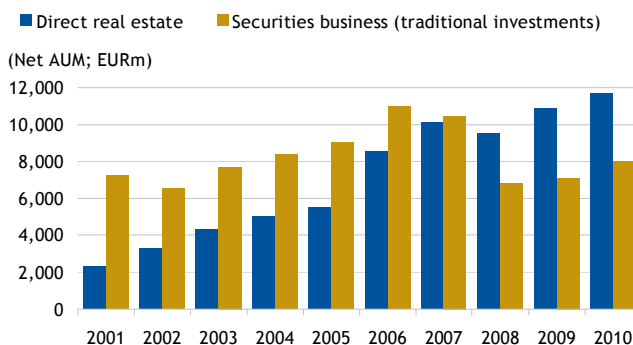
Founded in 1988 as BfG Immobilien-Investment GmbH, SEB ImmoInvest was acquired by SEB Stockholm in 2000. Merged with SEB Invest (Germany), its real estate operations are now run under the SEB Investment GmbH brand name. SEB AM (the holding company) is the asset management (AM) arm of SEB AG, the German subsidiary of Sweden's Skandinaviska Enskilda Banken (SEB). Alongside traditional asset management activities covering equity and fixed income, it focuses on real estate asset management, mainly for German retail investors.

As of end-2010, the firm was managing five real estate funds (four under German law and one Luxembourg SICAV) and an array of investment solutions for institutional investors based in Germany and abroad. The manager invests in properties located in Europe, the US and Asia. It aims to generate absolute returns by diversifying its portfolios internationally, focusing on high-quality properties in major cities and regional centres.

Address	Rotfeder-Ring 7, 60327 Frankfurt am Main - Germany	Parent/affiliates	SEB Asset Management AG
Website	<a href="http://www.sebassetmanagement.de">www.sebassetmanagement.de</a>	Senior managers	Barbara Knoflach (CEO, 20 years in real estate), Axel Kraus (MD, 30 years) and Choy-Soon Chua (MD, 15 years); Siegfried Cofalka (member of the board and MD, 18 years)
Type of organisation	Asset management company	CFO	Jose Molinero
Year founded	1988 (as BfG Immobilien-Investment GmbH)	Head of investments	Nils Hübener (13 years)
Domicile, place of incorporation	Germany	No. of employees (overall SEB AM AG)	180 (circa)
Registration(s)/jurisdiction(s)	BaFin (Germany), CSSF (Luxembourg)	No. of employees dedicated to real estate activity	96
Ownership	Indirectly owned by SEB AB (Sweden)	No. of RE investment professionals	18 (including Singapore and Stockholm)

## Assets Under Management

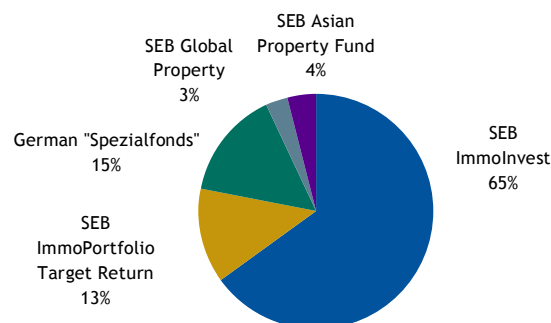
### Growth in Assets Under Management of SEB AM



Source: SEB AM

### AUM Breakdown by Investment Vehicle

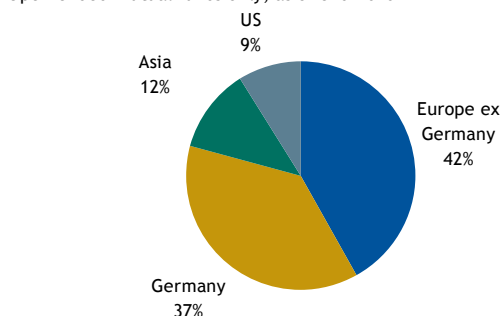
As of end-2010 (gross AUM)



Source: SEB AM

### Property Assets Breakdown by Region

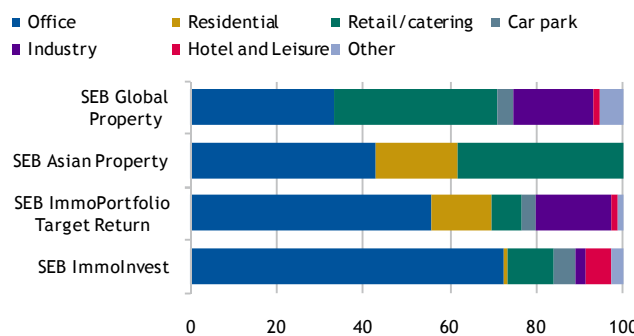
Open-ended mutual funds only, as of end-2010



Source: SEB AM

### AUM Breakdown by Property Type

As of end-2010



Source: SEB AM

**SEB Investment GmbH (Real Estate Investment Operations)**

**Rating**  
**M2**

**Key Rating Drivers**

**Strengths**

- Strong domestic market position, long track record, and demonstrated capacity to invest in international markets (Europe, Asia, US)
- Highly structured property selection process, and stable strategy focusing on income-generating prime-quality assets
- Very disciplined tenant and property monitoring processes; improved automation of procedures
- Increased market presence in Asia, notably through a larger Singapore office and a network of strategic partners

**Challenges**

- Subject to major industry regulation overhaul which could severely affect investor confidence; main fund still closed to redemptions.
- Need to adapt business strategy to a changing environment; to offer new types of investment solutions to institutional investors
- Need to continue and foster asset-gathering through third-party (non-SEB group) distribution networks
- Still room to strengthen second-level risk monitoring, top-down macro oversight of portfolios

**Score**  
**2.75**

**Company & Staffing**

By lowering the score in this category, Fitch reflects a heightened business risk caused by the current regulatory overhaul affecting real estate funds in Germany, which could have significant repercussions on investor confidence - 65% of SEB AM's assets are channelled through a fund that is still closed to redemptions. Nonetheless, the firm is demonstrating a good degree of financial flexibility, resilience and revenue generation capacity, while it has continued to invest in staff, specialisation and IT development

- 'A+' rated parent company, Stable Outlook; confirming its support for the marketing of real estate products to institutional investors
- 22-year track record; non-European investments since 1997, and development since 2006 in Asia
- Stable staff in 2008-2010; strengthened key areas (legal/tax, operations, Singapore); experience and quality present at all levels
- The impact of the 2008 crisis on 2009 financials was significant, but bounced back in 2010 thanks to renewed activity and higher AUM
- Institutional business gradually developing; expansion of product range operated progressively; development of tailor-made solutions

**Risk Management & Controls**

**2.25**

Risk management (RM) and controls remain governed by rigorous processes and in-depth understanding of real estate-specific risks. Second-level risk appraisal has improved at the portfolio level, with further integration in the decision-making framework

- Adequate internal control and operational risk management framework; also leverages on SEB group control and audit units
- Oversight of funds by supervisory board, management boards and custodian; independent expert committee for property valuation
- Structured procedures and well-organised teams for property-specific risks (acquisition, structuring, financing, valuation, legal, tax)

**Investment Selection**

**2.00**

Consistent philosophy focusing on "total return" approach and on high-quality properties in major global business centres. The crisis demonstrated that SEB AM has the necessary financial flexibility and an investment approach that can adapt opportunistically

- Highly refined investment acquisition processes, including a disciplined and in-depth due diligence procedure; high-quality teams
- Opportunistic in acquisition/disposal processes; favourable market positioning and good standing of property base during the crisis
- Network of strategic partners and connections established over recent years for overseas property sourcing and management
- Increased market presence in Asia via a large portfolio of assets (EUR1bn+); Singapore office gaining in size and momentum

**Portfolio Management**

**2.00**

Fitch recognises the constant progress achieved in this area over the last couple of years. The streamlining of operations and control procedures with outsourced functions has reached an advanced degree, and portfolio management is now better integrated

- Split of responsibilities and teams according to: technical AM, commercial AM and operational AM; efficient, well staffed
- Property management (PM) generally outsourced to third parties, with close oversight of PMs by operational AM; increased focus on letting and value-enhancement by commercial AM already bearing fruit (lower vacancy rates and default risk under control)
- New specialised teams created to focus on: repositioning/enhancement projects; special-purpose-vehicle (SPV) accounting
- Regular scanning of portfolio and formal scoring of properties based on 74 factors to build sell lists
- Efficient and improving liquidity management; well-planned and monitored cash requirements; use of a liquidity planning tool

**Investment Administration**

**2.00**

Progress made in the IT environment and automation of investment administration has properly kept pace with SEB AM's development and international expansion. The platform has reached an advanced degree of stability and scalability

- Good transparency through regular communication, newsletters, comprehensive reports; proved especially efficient during the crisis
- Retail-oriented newsletter; still room for enhancement of routine institutional reports
- Use of SEB Bank as custodian for all funds except the Luxembourg funds (Brown Brothers Harriman)
- SAP system used for accounting; portfolio analytics sub-system of SAP now operational as replacement of internal data warehouse
- Improved automation of processes; most European PMs forced to use SAP; inter-operability improving further with US-based PMs

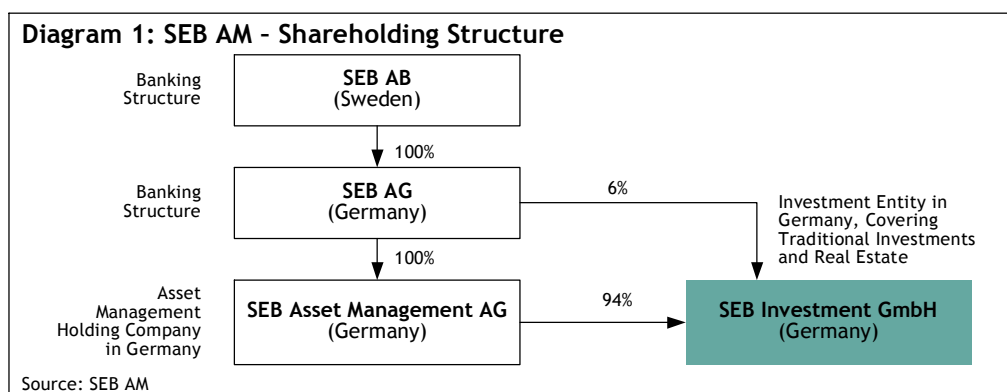
'A+' rated parent company, Stable Outlook; confirming its support for the marketing of real estate products to institutional investors

### Company & Staffing

#### Shareholders and Financial Standing

SEB Asset Management AG (SEB AM AG; the holding company of SEB Investment GmbH) is the asset management arm of SEB AG, the German subsidiary of Sweden's Skandinaviska Enskilda Banken (SEB AB). Fitch affirmed SEB AB's rating at 'A+' / Stable / 'F1' in September 2010. SEB is a north European financial banking group providing merchant and private banking services for companies, institutions and private individuals. Fitch's Asset Manager Rating focuses on SEB AM's direct real estate asset management expertise.

The current (February 2011) organisational structure of SEB AM was set up in June 2008, when SEB AM AG merged its two investment subsidiaries into a single entity involved in traditional equities, fixed income, funds of funds and real estate. The management board consists of seven managing directors, each responsible for a functional department. Diagram 1 depicts the current shareholding structure



The impact of the 2008 crisis on 2009 financials was significant, but bounced back in 2010 thanks to renewed activity and higher AUM

After a difficult 2008-2009 period – liquidity dry-out, client redemptions and falling asset prices – 2010 offered the prospects for normalising property prices and renewed deal activity. Part of this has materialised, but new regulation plans in Germany forced SEB AM to close its main flagship fund SEB ImmoInvest to redemptions – for a second time – in May 2010. Indeed, a revamp of the current legislation that controls the management and distribution of Open-Ended Real Estate Funds (OEREFs) in Germany – Europe's largest real estate investment industry with EUR86bn in assets – threatens to affect investor interest in these investment vehicles. Fitch will monitor the conditions in which SEB AM may prepare for the reopening of its fund, expected for May 2011.

Nevertheless, SEB AM's financial condition marked a significant improvement in 2010, thanks to: 1) renewed deal activity, resulting in higher transaction fees, after very low figures in 2008-2009; 2) realigned (heightened) fees charged on SEB ImmoInvest vehicle, which were partially used to enhance the terms with external distributors – a further push to develop non-SEB distribution networks; and 3) higher overall AUM, although the impact has been limited because most new money came in the institutional mandate business which commands lower margins.

Overall, SEB AM continues to demonstrate a good degree of resilience throughout economic cycles. Operating income in 2010 increased by 25% while operating profit (EBITDA) jumped by 41% year-on-year (yoy).

In the meantime, costs were kept stable, allowing the cost/income ratio to decrease significantly to 0.55x from 0.60x – i.e. to around the levels usually observed prior to 2008. Fitch also notes that the firm was able to avoid a cost-cutting plan. Indeed, it continued to invest in staff, organisation and IT systems in 2010.

Finally, the agency acknowledges the improvement in business diversification. In particular, the institutional business segment (mandates, "Spezialfonds" and

institutional mutual funds) is showing stronger signs of gaining traction, as a large segregated mandate was signed in 2010, worth EUR1.1bn in assets.

Furthermore, the retail bank branch network of SEB AG in Germany has been sold to Santander Group, which could offer SEB AM a new impetus for the distribution of its retail-oriented products. In the context of uncertainty regarding retail investors' medium-term investing trends (not least because of regulation changes), it will be important for SEB AM to be able to count on various sources for asset gathering.

### Experience in the Asset Management Industry

Founded in 1988 as BfG Immobilien Investment GmbH, the former SEB Immobilien Investment GmbH (now SEB Investment GmbH) was acquired by SEB in 2000. It launched its first open-ended real estate fund (SEB ImmoInvest) in 1989, acquired its first non-German property in 1995, its first non-European property in 1997, and its first Asian property in 2006.

In 2004, it converted an existing special fund into an open-ended fund (SEB ImmoPortfolio) designed for institutional clients with a "core-plus" strategy (7% annual return and 3% volatility). In September 2007, it launched an Asian real estate fund (SEB Asian Property Fund), and it also manages several dedicated products. With the issues caused by the 2008 financial crisis, the launch of the second Asian fund had been delayed, but management expects to commence activity in 2011.

On the other hand, the institutional product offering is now pretty much complete. The firm is able to offer a range of Spezialfonds vehicles, targeting mainly German institutions, with investments in Europe, Asia and North America. Clearly, as demonstrated by the latest mandate award of 2010, the underlying objective is to be able to act as a complete service provider in the field of real estate, from the establishment of the proper legal structure (eg a real estate master fund), to management of investments and the administration of the portfolio (valuation, tax, reporting). Fitch sees as a positive factor the progress made in this area and the quality achieved by the institutional platform.

22-year track record; non-European investments since 1997, and development since 2006 in Asia

**Table 1: SEB AM's Fund Range**

	Net AUM Dec 2010 (EURm)	Gross AUM Dec 2010 (EURm)	Launch date	Structure
<b>Core funds</b>				
SEB ImmoInvest	6,372	8,120	1989	German OEREF
SEB Global Property Fund	306	400	2006	German OEREF
<b>Core-plus</b>				
SEB ImmoPortfolio target return fund	922	1,631	Converted in 2004	German OEREF
<b>Institutional funds (core-plus)</b>				
SEB Europe REI	77	152	2009	German "spezialfonds"
SEB Americas REI	n.a.	n.a.	2011 (exp.)	German "spezialfonds"
SEB Asia REI	n.a.	n.a.	2011 (exp.)	German "spezialfonds"
SEB Asian Property Fund	249	522	2007	Luxembourg FIS SICAV
SEB Asian Property Fund II	n.a.	n.a.	2011 (in progress)	Luxembourg FIS SICAV

Source: SEB AM

SEB AM's strategic business objective is to offer a complete range of real estate products, from core to opportunistic funds, providing varying degrees of diversification (either global or region-specific) and leverage (50%-60% maximum at the portfolio level for the core and core-plus products).

Since the relative set-back in AUM caused by the crisis, the trend is now back to positive – considering the risks still posed to SEB ImmoInvest vehicle, should it be

Institutional business gradually developing; expansion of product range operated progressively; development of tailor-made solutions

reopened to redemption orders in May 2011. About 55% of the real estate (RE) AUM is primarily in retail-oriented open-ended funds – the historical strength and focus of SEB AM, which is relatively lower than in previous years thanks to the rise in pure institutional business (segregated mandates and Spezialfonds).

Fitch continues to believe that SEB AM’s efforts to diversify its business sources towards institutional investors and also outside of Germany is necessary to ensure sound future growth.

Admittedly, and not least because of the uncertainty surrounding upcoming regulation changes, SEB AM’s product range is becoming progressively better segregated between retail and institutional orientations. This should serve to assist clients in their product selection.

SEB ImmoInvest, with substantial AUM, is a well-established player in the real estate business, capable of entering into large deals. The company’s long experience in managing RE assets, and the in-depth knowledge of its managing directors (including several real estate cycles), means that it is contacted for many of the important transactions in Europe.

Asia, which is the second area of focus, has benefited from the international experience of one of the managing directors, and can now clearly capitalise on a growing team operating directly out of Singapore (business, operational and research/sourcing staff). With a portfolio of assets worth more than EUR1.0bn in Asia, and four years of active market presence, SEB is becoming a recognised player in the region, and is now well informed of “off-market” deals and market news – which was particularly important during the crisis, and remains the case as opportunities return.

SEB has operated for several years with agreed strategic partnerships for co-investment with major players (see Table 2) outside Europe, which proved crucial in 2008 and 2009 in ensuring optimal local market contact, knowledge of opportunities, risk reduction, asset management and operational oversight of local contractors – a definite advantage in the complex relationship-driven Asian market.

Being a core equity player – not excessively leveraged, and with a continued focus on prime properties (Grade A) in the prime business locations – also served as a mitigating factor in the difficult times, as SEB AM was never forced to sell at distressed prices. In 2010, it was flexible enough to benefit from the market opportunities that arose in the UK, the US and Asia – basically, by buying into sharply and momentarily depressed markets or selling at advantageous prices.

**Table 2: SEB AM’s Core Investment Partnerships**

Location and name	Date of first deal
<b>US</b>	
Paradigm	2005
Pitcairn Properties, Inc.	January 2007
Kimco Realty Corp.	June 2007
<b>Asia</b>	
Perennial Real Estate	September 2010
Lendlease	February 2010
Shanghai Forte Land & Co	October 2007

Source: SEB AM

### Corporate Independence and Governance

SEB AM is exposed to few sources of potential conflicts of interest with its shareholder, with the exception of the independent selection of the custodian and the financing of loans. A formal service level agreement (SLA) has been set up with SEB AG for its custodian services, and the fees are disclosed in the funds’ total expense ratio (TER).

This formalised agreement should mitigate the risk that the custody services provided to the asset manager may prove below market standards. SEB AM has a great deal of autonomy in its operations and investment activities, as it does not use the group's IT platform or research materials. The only two functions outsourced to SEB AG bank are internal audit and compliance, which are not real estate-specific business units.

Governance at the fund level is ensured by two bodies: the supervisory board (interested in the investment strategy) and the expert committee (in charge of property valuation). In 2008, the first of these was reinforced with the appointment of an independent member, as per regulations, with a significant real estate expertise in the case of SEB AM. The two other members are part of the SEB group.

As SEB AM's business activities continue to expand, Fitch takes a positive view of this evolution towards a more independent board, with greater expertise in the real estate focus. The second committee, composed of six independent and experienced members (as per German regulations), is responsible for the valuation of both German and Luxembourg domiciled funds.

### Staffing

The real estate activities are well-staffed and efficiently organised. Four managing directors (including the CEO) have significant experience in real estate investments (including several market cycles), and each has a specific area of focus: fund management (strategy, controlling, treasury), investments (asset selection), asset management (construction management, property management and fund administration) and the special mandates (including a dedicated legal and tax team).

A Head of Investments with more than 10 years of experience in real estate is responsible for the investment team, which can also count on a dedicated real estate macroeconomic strategist sitting on the real estate equity desk<sup>1</sup>. This person looks after market and country analysis for both direct and equity real estate investments.

The investment team, which handles property sourcing and selection, has 18 members organised by region, and continues to be strengthened – notably in Asia, where the Singapore office now has seven professionals (research/sourcing, asset management, operations and now also project repositioning (see the *Portfolio Management* section). Fitch emphasises that the additions to – and progressive empowering of – the Singapore office is already bearing fruit, notably helping to reduce SEB AM's reliance on the managing director in charge of investments, who has been (and is still) pivotal to the acquisition process in Asia.

Table 3 summarises SEB AM's staff in RE activities (2010 new teams in italics):

**Table 3: SEB AM's Staff in Real Estate Activities**

Direct RE investments (research, sourcing, selection)	11
RE equities (investments)	4
RE strategy and controlling (fund management)	6
RE asset management	28
RE technical AM (architects, engineers)	9
RE commercial AM (tenants, relations with local contractors)	15
<i>RE repositioning projects (value enhancement)</i>	3
RE operational management	7
RE fund administration	13
<i>RE accounting SPV</i>	6
<i>RE institutional client relationship management</i>	2
Legal and tax	7
Singapore office	7
<b>Support staff shared with all SEB AM</b>	
Risk management	4
IT	13

Source: SEB AM

<sup>1</sup> SEB AM also manages several RE equity funds, investing in stocks of listed real estate companies

Stable staff in 2008-2010; strengthened key areas (legal/tax, operations, Singapore); experience and quality present at all levels

The general outsourcing of property management has already shown appreciable operational and efficiency improvements, as more staff are now dedicated to letting optimisation and value enhancement – given that routine administrative tasks are now more clearly undertaken by third-party contractors.

As already mentioned, SEB AM has shown a strong commitment to its organisation by adding new teams and staff in 2010 and 2011. Fitch could substantiate at least 10 net new hires in 2010-2011 (more expected in 2011). In addition, new specialised teams were added, directly focusing on areas which Fitch estimates are key to ensuring sound future growth – notably, repositioning projects and enhancement (will prove critical to value-added projects in Asia), SPV accounting (a direct consequence of the sophistication of deals, further demonstrating SEB AM's expertise in structuring), and a new team dedicated to continue developing the RE institutional business.

Overall, the agency highlights the high degree of specialisation observed throughout the teams, which span a wide array of RE-specific duties, with appropriate mechanisms and processes in place to ensure that communication and information-sharing remains efficient.

## Risk Management and Controls

### Control Organisation Structure

Overall, SEB AM's control framework is adequate, emphasising first-level controls embedded into the property selection and monitoring processes. Daily monitoring of real estate activities is decentralised and divided across five departments: portfolio strategy and control, technical asset management, commercial asset management, operational asset management, and investments.

Ultimately, oversight is ensured by both the management and supervisory boards, the latter being involved in decisions of a strategic nature and those where investment value exceeds EUR100m. Risk management and overall supervision took advantage of the rollout of the new data warehouse, in the form of a Business Intelligence (BI) sub-module within the SAP system, which provided clearer, more defined and better automated internal reports on a broad selection of property and portfolio management issues (tenants, leases, payment schedules, rent at risk, default risk).

As also explained in the *IT* sub-section, further developments are expected, which should improve the risk-budgeting features of the system – a full shift of budgeting/planning tasks from the old data warehouse to a new system expected in 2011.

At a second level, the risk management department (with a staff of four) is responsible for investment and operational risk monitoring for all of SEB AM AG's activities in Germany. Fitch has observed regular and incremental improvements, but continues to note that there is room to strengthen the second level of risk management, which senior management still identifies as a challenge. At a third level, SEB AM AG is also subject to regular auditing by the parent bank, SEB AG.

A monthly risk committee, established in 2006, informs and advises the management board on a monthly basis about all important risk issues and developments, while a weekly investment committee – made up of managing directors and heads of investments, asset management, fund management and risk management – analyses potential deals and concludes the due diligence processes, providing final approval.

The agency has noted that the firm has made an effort to improve the integration of risk management into its general decision-making framework. The Risk Committee can now count on a Risk Summary report, which helps assess the exposure to different kinds of risk and the status of limits.

Adequate internal control and operational risk management framework; also leverages on SEB group control and audit units

Oversight of funds by supervisory board, management boards and custodian; independent expert committee for property valuation

### Compliance, Procedures and Controls

Compliance and control procedures involve several recurring tasks and reporting requirements, which have been in place for a number of years now.

A comprehensive risk-mapping engine is being used on a monthly basis to report to senior management and SEB Group on key business risk indicators – AUM, costs, income variations, equity, full-time employees (FTEs), cross ratios – at the level of the GmbH investment subsidiary and the holding AG company.

The SEB AM AG risk management department, which is integrated into the bank's operational risk management framework, also maintains a comprehensive list of loss cases and incidents, as recommended by the Basel II directive. An operational risk system, ORMIS, allows the SEB group to efficiently monitor operational risk in a transparent and integrated fashion. Fitch did not detect any major operational issues with a direct business impact in 2009-2010.

In addition, SEB Group (control and audit) conducts an annual self-assessment programme on SEB AM AG, which consists of a large number of operational questions and perceived risk level per department.

Adequate procedures are in place to check compliance with regulatory limits – which was further enhanced thanks to the newly integrated BI sub-unit of the SAP accounting system, notably providing daily balance-sheet views for each fund. The transfer of assets between portfolios is prohibited; and, to ensure fair allocation between funds, priority lists are maintained for direct properties, while shares in SPVs are allocated on a pro rata basis to eligible funds.

For valuation purposes, SEB AM AG uses a committee of six independent German valuation professionals (three of whom are legally required to sign every property valuation). This committee is approved by the supervisory board.

Valuation is based on the income approach<sup>2</sup> and produced at acquisition, every year, and in the event of important changes to assumptions – the new regulation may change this frequency. The net asset value (NAV) calculation is also monitored by the custodian bank. For Luxembourg funds, SEB AM uses the same valuation committee.

### Real Estate Risk Management

With respect to transaction risk, new investments are evaluated at an early stage of the process by the investment committee, whose members include the managing directors, the respective heads of investments, commercial and technical asset management, risk management and portfolio strategy departments. Asset selection follows a disciplined protocol (see *Investment Selection*) where responsibilities are split between investment, technical, legal and structuring, providing the information set necessary to formulate an informed view of the relevant risks associated with investment alternatives.

The tenants' credit profiles are checked carefully, and risks are further mitigated through deposits or guarantees, depending on country and market norms. Moreover, SEB AM cross-checks exposure to the tenants' sectors to avoid over-exposure to any single industry. Strict procedures are in place to track, monitor and take action on delinquencies.

Once acquired, quality controls are applied to leases, tenants and rents, with regular reports produced at the portfolio, country and property levels. An "Immo Cockpit" report also provides historical details of return by property as well as

<sup>2</sup> A property's value is equal to the long-term net operating income divided by a capitalisation rate (yield) obtained from comparable sales data for the same market segment. The discounted cash flow technique, used internally by SEB AM, refers to a valuation based on the net present value of all future net operating incomes

Structured procedures and well-organised teams for property-specific risks (acquisition, structuring, financing, valuation, legal, tax)

forward-looking return projections. This gives management a tool for assessing the effectiveness of portfolio management at the property, country or portfolio level.

Property management risks are tracked, based on transparent organisation and the use of efficient, integrated systems such as SAP, its sub-module BI, and the historical data warehouse. As pointed out, the BI module has improved reporting capabilities. On a monthly basis, the portfolio strategy team reconciles the budget (decided and set once a year) against the cash flows from properties, and runs various scenario analyses – including changes in the property markets. Each property is also formally scored through criteria split into four families:

- macro/micro location;
- income/cost;
- property; and
- exit/alternative use.

At the portfolio level, Fitch notices incremental progression of the risk management framework, both in terms of organisation and intervention capacity. The team was split in two: one team now focuses on fund control from a compliance standpoint, whereas the other team concentrates on financial, operational and market risk management.

The stress tests in place were refined and further automated, although more granular tests are still expected at a portfolio level – future stress testing developments are expected to include the ability to further distinguish between asset types and market locations and to allow the production of more precise performance attribution analysis (including the impact of foreign exchange exposure and asset allocation) and to include SPV-related risks. Operational risk management was also improved, as the risk matrix was made more precise, distinguishing between departments and processes.

Fitch continues to view risk management as a key area that could benefit from the continuous development of the IT platform and automation of procedures.

SEB AM maintains a rather conservative liquidity management policy, and has generally increased the share of marketable securities in its RE funds following the crisis, so as to be best prepared in case of liquidity needs (eg the largest fund, SEB ImmoInvest, has EUR772.5m in liquidity, or 12% of net assets). The risk profile is still prudent, and looks primarily for safety – 100% of the portfolio is invested in investment-grade securities. Proper controls are in place related to duration, credit quality and value-at-risk (VaR).

Fitch notes that SEB AM's conservative approach to model-value its portfolio of rather illiquid ABS/MBS securities (about 29% of the cash portfolio) proved robust, as the team was able to further liquidate this portion by about 35%, obtaining prices at least equal to the model value.

Because of this rather uneasy situation where SEB ImmoInvest is still closed to redemptions, the company established specific stress tests to evaluate the potential liquidity needs when the fund reopens – the worst-case scenario being that the fund loses 30% of its assets.

Fitch remains particularly attentive as to how these tests may evolve in the coming periods. In order to mitigate redemption risk, SEB AM can count (as mentioned) on a rather large buffer of available liquidity, and also on a pipeline of properties identified as sellable and maintained by the investments department.

Regarding financing risk, the book of loans is closely monitored. Financing is fairly conservative overall (SEB ImmoInvest's leverage ratio stood at 28% in December

2010), with diversification among several counterparties (currently 26), and most loans have fixed rates (90% of portfolio) with four- to five-year maturities (the current average residual term is 3.2 years).

The Legal and Tax team was able to further rationalise the number of banking counterparties, so as to optimise the existing relationships and potentially reduce costs. The company used 15 of such counterparties at end-2010, down from 25 the previous year, with a reasonable distribution of risk.

### Investment Selection

Highly refined investment acquisition processes, including a disciplined and in-depth due diligence procedure; high-quality teams

SEB AM's main strength in managing real estate portfolios is the stability of its strategy and investment process, as well as its capacity to offer international asset diversification. Since the creation of SEB AM's funds, the strategy has been based on broad asset diversification and a focus on rental income (as opposed to an opportunistic buy-and-sell approach) through prime-quality properties.

Fitch notes that SEB AM has demonstrated its capacity to navigate well through market cycles. Its strong financial position and rigorous investment approach have proven their merit in several ways: 1) the impact of the crisis on the book of properties has been real (market values in Asia have suffered) but limited, and the firm did not have to report too severe a drop in occupancy rates; 2) its prudent cash management and financial standing has meant that the firm has never been found in a situation where it had to sell at potentially distressed prices, thus allowing it to wait for prices to normalise; 3) the firm proved it can adapt to changing market situations and capitalise on buying/selling opportunities when they occur, such as the purchases made in Asia in 2009-2010 and in the UK in early 2010; and 4) SEB AM has retained strong bargaining power when negotiating deals.

Opportunistic in acquisition/disposal processes; favourable market positioning and good standing of property base during the crisis

After buy-and-sell activity dropped to virtually zero in 2008 and H109 (the combination of difficult liquidity conditions with an uncertain reaction of real estate prices and very few comparable transactions to determine clear trends in value and market momentum all convinced SEB AM to temporarily suspend transacting activity, awaiting better visibility), activity picked up to some degree in late-2009 and 2010 – and Fitch could substantiate at least 11 purchases (Australia, UK, France, Spain, Germany, Poland and Singapore) and three sales (in Shanghai, at favourable terms) clinched since October 2009.

It is worth bearing in mind the very cautious stance which SEB AM retains regarding investments in the US. The company maintains a small allocation (8% in SEB ImmoInvest) so as to remain involved in the market, but does not yet see a strong rationale for reinvesting in the region – the impression is that distressed prices will not necessarily translate into lower effective deal prices at this time.

In early 2010, the “value-add” topic (properties with the potential for market value appreciation on top of the traditional rental income) was put on standby – not only because of client reluctance to commit further capital, but also because prices and yields observed in core markets were becoming interesting again, notably in the UK.

The situation has clearly become more nuanced since the end of 2010 and early 2011, notably in light of price normalisation. SEB AM does not yet see the need to contemplate investing in lower-class and riskier properties in Asia, but rather intends to profit from the value to be gained through enhancement and project repositioning. In this vein, the firm can now count on a team dedicated to this activity (at least three professionals, with one based in Singapore), which relieves direct oversight from the investments department.

Fitch takes a positive view of this search for specialisation in optimising the income potential of properties, which is definitely a differentiating factor. The second version of the Asian Property Fund is now in its funding phase.

SEB AM has also shown an ability to adapt its business practices to market conditions and to the specific nature of different markets. Its track record of investments in Asia shows an interesting variety of projects, with varying objectives (project development, repositioning, price-maximisation staggered sales of apartment units) in a number of different locations (China, Japan, Singapore, Malaysia, Australia). Its financial flexibility has also allowed the firm to accept, in certain cases, longer-term rental contracts so as to adjust to local or cyclical conditions.

### Investment Selection Process

The investment process combines top-down and bottom-up approaches, based on an annual strategic committee and weekly investment committees for property selection. Once a year, strategic decisions related to allocation and leverage are made at the board level. Based on a proprietary scoring model that includes macroeconomic and property market data, some markets are selected for future investment from a group of more than 400 (markets being defined by country and property type such as office, retail, logistics or industrial), while others are placed on a watchlist.

The target list is then used as a criterion in the deal-screening process. In view of market events since 2008, top-down and macroeconomic inputs (thanks notably to the dedicated RE strategy analyst) were given a higher importance, with a heightened systematisation of market metric reviews (yields per countries/regions, country macro fundamentals) and a more sustained interaction between the SEB group's research staff in Germany, Singapore and Stockholm.

SEB AM's property investment focus is on core properties, i.e. class A and B properties located in major or regional centres<sup>3</sup>. The portfolio currently contains five development projects – i.e. forward purchase of a building under construction – that require financial guarantees or covenants. For the Asian funds, SEB has the possibility to participate in projects with potential financial risk – and will therefore select developers carefully.

Network of strategic partners and connections established over recent years for overseas property sourcing and management

Increased market presence in Asia via a large portfolio of assets (EUR1bn+); Singapore office gaining in size and momentum

For bottom-up decisions, four managing directors and the 18 members of the investment team are responsible for seeking market opportunities. To foster a footprint in the Asian and US markets, strategic partnerships have been established (see *Company* section), with co-investment forming the basis for such relationships.

Given SEB AM's growing presence in Asia, the company benefits from greater connections – important for off-market deals – and is now regularly contacted, which eases sourcing. In this regard, the 2008 crisis has simply made it even more crucial to maintain a good network of third-party relationships and to ensure strict oversight.

Admittedly, the market is shifting to a rather opportunistic profile – with many distressed sellers in difficult situation – which entails in-depth market knowledge and close contact with market participants. Fitch stresses the importance of the growing Singapore office in this context.

The investment process is very well formalised, and is carried out by an investment committee consisting of people from various departments (including management, investments, technical, property management and legal and tax). The process formally includes:

<sup>3</sup> “Class A office space can be characterised as buildings with an excellent location and access, attract high-quality tenants, and are managed professionally. Building materials are of high quality, and rents are competitive with other new buildings. Class B buildings have good (versus excellent) locations, management and construction, and tenant standards are high. Buildings should have very little functional obsolescence and deterioration. Source: *Office Development Handbook*, the Urban Institute, 1998

- deal screening;
- first analysis;
- presentation to the investment committee (overview, returns, market, transaction comparables);
- letter of intent;
- due diligence (economics, legal, tax, technical, asset tenants, valuation);
- final approval by the investment committee; and
- closing.

The due diligence process – which is standardised, highly structured and comprehensive in terms of qualitative and quantitative analysis – involves several departments and external advisors, and is supervised by a due diligence task force. Every step is documented, and a final report sent for approval to the management board – or the supervisory board if the transaction exceeds EUR100m.

A thorough process is also in place for the pricing of properties, based on the cash flow valuation method. A robust cash flow model is used, including vacancy forecasts, rents and detailed charges. For acquisition, an independent valuation is performed by the expert committee (approved by BaFin). A dedicated legal department is also responsible for final verification prior to the final execution of the contract.

The technical asset management team, consisting of architects and engineers, is responsible for the technical aspects of acquisition and project development. It chooses a due diligence team from among a selection of external experts (eg architects, construction engineers), which performs a detailed technical analysis of the buildings. Using a standard due diligence document – including ratings on a number of criteria – the technical asset management team then provides management with a risk summary report to support the investment committee's decision-making process, as well as an evaluation of likely expenses for use in the cash flow modelling.

As noted, the overall acquisition process follows a very strict protocol. Selectivity is high, with around one deal out of 20 analysed by the investment team discussed at the investment committee. Around half of the deals discussed lead to a letter of intent.

Fitch notes incremental progression in the general investment selection framework. In particular, the summary of due diligence findings is now a better streamlined report, making it a more accessible resource for use at Investment Committee meetings.

Finally, the agency continues to note the good performance standing of SEB AM's property portfolio: the level of default is still low; the proportion of rents at risk is well under control at below 5%; vacancy rates are kept around 10% – although the figure rose in 2010; and the loan-to-value ratio reasonable at about 28% in SEB ImmoInvest in Q4 2010).

## Portfolio Management

### Property Management

Four different departments are in charge of day-to-day portfolio management, as follows:

- RE Technical Asset Management handles projects related to building construction or refurbishment.
- RE Operational Asset Management deals with the day-to-day administration of the properties in liaison with the local property managers.

Split of responsibilities and teams according to: technical AM, commercial AM and operational AM; efficient, well staffed

Property management generally outsourced to third parties, with close oversight of PMs by operational AM; increased focus on letting and value-enhancement by commercial AM already bearing fruit (lower vacancy rates and default risk under control)

- RE Commercial Asset Management focuses on leasing and enhancement.
- RE Strategy and Control (RESC) covers portfolio allocation and cash flow/income monitoring.

The Technical Asset Management department is in charge of property maintenance, development projects and the expense budget proposal. It also deals with the modernisation and optimisation of the properties, notably through the supervision of general planners and contractors.

After its on-site visits (during due diligence and at least annually, once acquired), the department provides the budget team with a standard inspection report (stored in SAP) and a five-year forecast detailing all the repairs needed. In the case of project development assets, the technical asset management team checks the payment schedule, monitors the quality of the building work during the construction phase, and is responsible for the acceptance phase (checking the building works, handing over to tenants, and dealing with documentation, warranty control and defect reviews).

The RE Commercial Asset Management focuses more specifically on the maximisation/optimisation of occupancy rates and lease contracts, whereas the RE Operational Asset Management is in charge of day-to-day property administration, monitoring of local property managers and budget planning.

Together, both teams oversee around 230 properties in 21 different countries and 4,900+ tenants for about 5,300+ lease contracts. Fitch continues to observe that the 2008 reorganisation (better segregation of duties between technical AM, commercial AM and Operational AM) and the increase in power of the legal and tax team have had a beneficial effect on asset management and value enhancement.

A list of top and worst performing properties is produced and reviewed monthly by the investment committee – SEB AM currently recognises that market pressures may drive rents somewhat lower, thus the importance of careful property selection (core properties prove generally less sensitive to cyclical market effects) and post-acquisition asset management to optimise income generation.

Table 4 is a summary of SEB AM’s property portfolio as of December 2010:

**Table 4: SEB AM – Total Property Portfolio (As of 31 December 2010)**

Total number of properties	232
Of which in Germany	84
Of which in Europe ex-Germany	99
Of which in Asia	23
Of which in the US	26
Total space (in m sq m))	3.3
Number of tenants	4,992
Number of lease contracts	5,361
Total market value of properties (EURbn)	10.26
Average market value of properties (EURm)	44.2

Source: SEB AM

New specialised teams created to focus on: repositioning/enhancement projects; special-purpose-vehicle (SPV) accounting

As illustrated by Fitch’s decision to improve the score in Portfolio Management, decisive progress was achieved in the streamlining of operations initiated in 2008. Essentially, SEB AM has made significant progress in the complete outsourcing process of direct PM tasks in Germany and abroad (most of Europe and Asia have been completed) to well-established international PM firms (see Table 5). In so doing, it has also achieved rationalisation by reducing the total number of PMs from 45 to 18 (basically one per country, with the exception of Germany, given the size of the portfolio). The growing Singapore office has also allowed for direct local supervision of Asian properties.

From an operational perspective, standardisation of procedures has been noticeably improved. All PMs agree to the same set of standards by way of a detailed and systematic SLA contract that governs the operational and legal framework for each relationship. System-wise, the firm has continued to progress in developing a common intermediary IT interface for data processing, based on its own SAP system – which, at term, aims to integrate every PM. Fitch will closely monitor the completion and effectiveness of this project.

As also discussed in *Investment Administration*, accounting of increasingly complex Special Purpose Vehicle (SPV) structures are now being assigned to a dedicated and specialised team.

Overall, external property managers must follow very strict reporting guidelines, in terms of content and frequency, all under the control of the RE Operational Asset Management team. The control framework includes detailed procedures for the selection of external PMs, as well as rigorous and frequent assessments of the quality delivered by these service providers – based notably on in-depth Key Performance Indicators (KPIs).

Given the different systems and framework in the US, the largest part of the supervision work remains manual, but security and efficiency was enhanced thanks to the appointment of a single point of contact in the US, acting as primary and central asset manager – RECP AM – overseeing the activity of all local contracted PMs. Further progress was also noticed in the standardisation of reporting.

Table 5 summarises the key contracted local PMs and AMs:

**Table 5: SEB AM – Asset and Property Managers**

Name	Region
<b>Asset managers</b>	
Real Estate Capital Partners (RECP)	US
Pitcairn Properties, Inc.	US
Pacific Star AM	Asia
Alpha Asset Management	Asia
Grosvenor (China)	Asia
<b>Property managers</b>	
Jones Lang LaSalle	US/Asia
Pitcairn Properties, Inc.	US
Rio Corporation	Asia
Collier International	Asia
CBRE	US/Asia/Europe
Strabag	Germany
EPM	Germany
SEC	Germany
ECE	Germany
Savills	Netherlands
Knight Frank	Poland
BNP Paribas Real Estate	France

Source: SEB AM

Fitch notes that the abovementioned progresses have had noticeable effects on the capacity for SEB AM staff to focus more on value-generation tasks and efficiency controls – the creation of a specialised team dedicated to value enhancement and project repositioning (optimisation) partakes of this effort.

Regular scanning of portfolio and formal scoring of properties based on 74 factors to build sell lists

Asset management is becoming an increasingly key differentiator in the industry in the current challenging economic context (rising default risk, harder lease contract renegotiation, development of value-add offers). SEB is positioned well in this area with its market penetration, numerous staff, procedures, tools and ongoing developments.

### Financial Portfolio and Liquidity Management

SEB AM's Money Market investment team manages the cash portion of RE funds directly within each vehicle. Investments are limited to highly rated credit securities (investment-grade only, and largely 'A' rated at a minimum), with a good degree of international diversification. The current portfolio exhibits 60% of securities with a duration of less than three years. About 63% of security holdings are used as collateral for repo operations, notably as a way to avoid outright sales of the instruments in a distressed market.

Fitch notes that further analytical and reporting tools (essentially MS Excel-based) have been developed and used by the RESC team – notably to better monitor, manage and report on liquidity risks during the crisis – namely, daily cash monitoring, liquidity planning and liquidity reporting for the management/supervisory board. During 2010 further KPIs were added to measure the performance of the liquidity portfolio (demanded by the regulator BaFin).

Another important point is that the RESC team has developed specific stress tests designed to assess the redemption risk in SEB ImmoInvest, which shall prove useful upon reopening the fund to redemptions – although tracking pure retail risk remains an imprecise task.

Finally, the agency notes that a project is currently underway, driven by the RESC team, to revamp the IT system in place for portfolio management and reporting. The general idea would be to integrate all aspects of fund management into a single system (real estate, securities and cash), coupled to an interface with SAP, so as to enhance straight-through-processing (STP) and better address institutional reporting needs.

### Sales Process

The sales process is under the responsibility of the investment committee, which regularly screens the portfolios. The asset manager maintains a priority list of the properties available for sale to match potential redemptions. This list is prepared and updated after a thorough analysis of each property – using the risk-scoring tool, which attributes a score to each property based on 74 criteria.

As mentioned, selling activity has started to pick-up in 2010 – timidly – after scant activity in 2008 and 2009.

In previous editions of this report, Fitch has questioned SEB AM's experience of carrying out asset disposals in difficult market conditions. The firm definitely remains an opportunistic seller, in that it has sufficient operational and financial flexibility to withstand stressed situations – which the agency recognises as a strength. With some visibility returning to real estate markets, SEB AM is well-positioned as a potential seller.

The firm has continued researching the market, and has been maintaining close contacts with its partners with a view to capitalising on market overtures when they become apparent – Fitch could identify several potential sales being considered by SEB AM for 2011, worth more than EUR500m, mostly core properties in Europe and Asia.

### Investment Administration

#### Reporting and Communication

Especially during the difficult times faced since 2008, Fitch recognises that SEB AM has been rather active and straightforward in its communication with its clients, and also to the investing community in general – by way of press releases, specially-made marketing documentation, and outright educational efforts. The agency also notes that SEB AM's senior management remains highly involved in industry discussions with government and regulatory authorities regarding the shape of the new legislation to

Efficient and improving liquidity management; well-planned and monitored cash requirements; use of a liquidity planning tool

Good transparency through regular communication, newsletters, comprehensive reports; proved especially efficient during the crisis

Retail-oriented newsletter; still room for enhancement of routine institutional reports

affect OEREFs – a key point in terms of access to information, and thus enhancing the firm's capacity to make forward-looking decisions.

As regards client reporting, the sales and marketing team produces standardised and in-depth annual and semi-annual reports for each fund. The reports' structure is consistent over time, and notably includes the following: presentation of property market developments accompanied by the firm's expectations; the allocation of fund properties by value class; economic age and geographical distribution; portfolio liquidity performance and the income components of the fund's return, split into rental return and valuation return.

Also covered are letting rates, expiring lease contracts, and tenant distribution by sector. Property records are available – detailing locations, the area in square metres, the year of construction, and an indication of quality. Also disclosed are property acquisition prices, vacancy rates, and indications of current letting rates at an individual property level. In addition, monthly fund factsheets provide investors with more condensed and frequent information on various fund metrics and their composition.

The fund reports include disclosure of the TER (total expense ratio), but property transaction fees could be better detailed in the annual report. Transaction prices are made public through press releases with the vendor's agreement, and appear in the annual report. Investors are also regularly informed of property acquisitions and disposals.

Fitch views as a positive the current plans to develop performance attribution models and further refine the understanding and distribution of risks, which could come in handy to better conclude what sources of performance are driving returns, and compare them with the risk that they consume – i.e. to be in a position to distinguish more clearly the causes of over/underperformance on the basis of strategic asset allocation and property selection decisions. Arguably, SEB AM aims to better answer institutional client needs in terms of report tailoring and sophistication, which will have a direct impact on its capacity to develop this clientele further.

### Operating Processes and Procedures

The progress observed in investment administration procedures, standardisation and securing of tasks – as well as the further specialisation of teams – has contributed to the improvement in the category score.

The segregation of duties in SEB AM's RE operations has reached an advanced degree. Previous sections have described the involvement of the RE operational AM team and RE commercial AM team in day-to-day property management oversight and the commercial aspects surrounding lease contracts, tenants and value enhancement.

In turn, the RE fund administration department is more directly in charge of all that concerns the funds' lives, i.e. the administration of investment vehicles. Tasks for which they are responsible include: general middle-office procedures, daily reconciliation of the 50+ bank account statements with internal records in the SAP system; processing of purchases and sales of buildings; and the settlement of chargeable operating costs.

The fund's NAV calculation is handled by the fund administration department, and a second level of control is performed by the custodian. No adjustments can be made to the property valuations produced by the independent external valuation professionals (expert committee). Rentals are booked on an accrued basis, expenses are provisioned regularly to smooth their impact on NAV, and the repricing of assets is staggered over time – except in the event of disposals, in which case the gain or loss is directly reflected in the NAV.

Use of SEB Bank as custodian for all funds except the Luxembourg funds (Brown Brothers Harriman)

Quite noteworthy is that a specific carve-out of the team in 2010 led to the creation of a specialised unit (six staff) for the handling of procedures related to SPVs, and, notably, the processing of monthly reports on the real estate companies in which the portfolios are invested (about 90 SPV companies, as of February 2011).

The agency emphasises that the rising sophistication of intermediate legal structures (in particular in Asia) leads also to heightened needs in terms of the knowledge of accounting rules and optimisation capabilities. In this regard, the collaboration of this team with the Legal & Tax department is already proving efficient and productive.

SAP system used for accounting; portfolio analytics sub-system of SAP now operational as replacement of internal data warehouse

Operating processes are highly disciplined, and benefit from the good relationships maintained with SEB Bank and from the quality and flexibility of the SAP system for book-keeping. With the development of dedicated institutional funds, multiple external custodians will potentially be used – and SEB AM will have to develop adequate procedures to interface efficiently with such external parties. However, Fitch notes the level of automation available is already high, thanks to SAP and its reporting sub-module BI.

### IT

A team of 13 professionals in the IT department at the SEB AM AG level is responsible for coordinating the development and maintenance of the company's major systems and IT tools.

Improved automation of processes; most European PMs forced to use SAP; inter-operability improving further with US-based PMs

SAP has successfully been the firm's mainstream accounting and book-keeping system for all funds since 2006. SAP maintains the funds' balance sheets, each property being a separate profit centre with its own P&L. The software package offers robustness and flexibility in property monitoring and budget tracking. Integration with third parties (property managers) is being progressively deployed, allowing property managers to upload expenses and leasing data directly in the SAP system (system interoperability) – this work has continued to make progress.

Internal business reporting (portfolio analytics) was noticeably enhanced thanks to the rollout of a sub-module of SAP, BI. The historical data warehouse system (an in-house-developed database) continues to be used for cost and rental budgeting – which constitutes the current phase 3 of the SAP/BI development project.

Development plans are underway to revamp the general portfolio management framework (obviously through the purchase of an external vendor solution; to be confirmed in 2011), allowing greater flexibility in analysing data and producing reports from various perspectives (RE-specific data, market data, cash, portfolio view).

The company's technology resources are well suited to support its core business and its analytical and administrative processes. Greater integration around the core SAP system is still expected. The company also maintains a good business continuity plan, which is tested on an annual basis.

Appendix

Key Staff Biographies

Name	Experience
<p>Barbara A. Knoflach SEB Asset Management AG, CEO SEB Investment GmbH, Managing Director Years with SEB: 12 Experience in RE: 20 years</p>	<ul style="list-style-type: none"> <li>• Since 2005: SEB Asset Management AG, CEO</li> <li>• Since 1999: SEB Investment GmbH, Frankfurt, Managing Director (prior to June 2008: SEB Immobilien-Investment GmbH)</li> <li>• 1998-1999: FVH Frankfurt Vermögensholding GmbH, Frankfurt, Head of Structured RE Business</li> <li>• 1994-1998: SEB AG, Frankfurt, Deputy Head of Real Estate Investment</li> <li>• 1991-1993: Deutsche Immobilien Anlagegesellschaft mbH, Frankfurt, Consulting and Research</li> <li>• 1986-1991: Deutsche Bank Zentrale, Frankfurt, International Project Financing</li> </ul>
<p>Matthias Bart SEB Asset Management AG, Executive Committee SEB Investment GmbH, Managing Director Years with SEB: 10</p>	<ul style="list-style-type: none"> <li>• Since 2005: SEB Asset Management AG, Executive Committee and SEB Invest GmbH, Managing Director - responsible for sales and products</li> <li>• 2001-2005: SEB Immobilien-Investment GmbH, Frankfurt, Head of Sales and Communications</li> <li>• 2000-2001: DIT, Frankfurt, Head of Alternative Distribution Channels</li> <li>• 1998-2000: Dresdner Bank AG, Zurich, Portfolio Manager, Private Banking and Asset Management</li> <li>• 1996-1997: Deutsche Fonds- und Versorgungsberatung GmbH, Frankfurt, Managing Director</li> <li>• 1993-1997: Gesellschaft für Kontenservice, Frankfurt Managing Director</li> <li>• 1991-1993: DIT, Frankfurt, Head of Sales</li> <li>• 1989-1990: Dresdnerbank AM S.A., Luxemburg, Sales Account Manager for Company Banks</li> <li>• 1987-1989: DIT, Frankfurt, Accounts Officer for Investment Specialists</li> <li>• 1984-1987: Dresdner Bank AG, Wiesbaden, Portfolio Manager</li> </ul>
<p>Siegfried A. Cofalka SEB Asset Management AG, Executive Committee SEB Investment GmbH, Managing Director Years with SEB: 3 Experience in RE: 18 years</p>	<ul style="list-style-type: none"> <li>• Since 2008: SEB AM AG, Board of Directors - Head of special mandates and legal and tax department</li> <li>• 1996-2007: Oppenheim Immobilien-KAG (OIK), Wiesbaden, Managing Director</li> <li>• 1995: Financial &amp; Economic Research International, Bad Homburg, Director Institutional Business</li> <li>• 1987-1994: Schweizerische Kreditanstalt Trust, Frankfurt, Director</li> <li>• 1984-1986: Commerz Investment Management, Düsseldorf, Head of Marketing Institutional Sales</li> </ul>
<p>Choy-Soon Chua SEB Investment GmbH, Managing Director Years with SEB: 7 Experience in RE: 15 years</p>	<ul style="list-style-type: none"> <li>• Since 2006: SEB Investment GmbH, Frankfurt, Managing Director</li> <li>• 2003-2005: SEB Immobilien-Investment GmbH, Frankfurt, Head of Investments</li> <li>• 2000-2003: GIC Real Estate Pte Ltd., London, Senior Vice President, Head of Asset Management European Portfolio</li> <li>• 1996-2000: GIC Real Estate Pte Ltd., Frankfurt, Vice President Property Acquisitions</li> <li>• 1995-1996: GIC Real Estate Pte Ltd., Frankfurt, San Francisco, Asst. Vice President</li> <li>• 1993-1995: Ministry of Defence Singapore, Singapore, Deputy Head of Structural Mechanics</li> <li>• 1991-1993: Fokker Aircraft, Amsterdam, Head of Project Fokker 50</li> <li>• 1987-1991: Ministry of Defence, Singapore, America, Structural Flights</li> </ul>
<p>Axel Kraus SEB Investment GmbH, Managing Director Years with SEB: 7 Experience in RE: 30 years</p>	<ul style="list-style-type: none"> <li>• Since 2003: SEB Investment GmbH, Frankfurt, Managing Director</li> <li>• 2000-2003: Internationales Immobilien-Institut, Munich, Managing Director</li> <li>• 1997-1999: LHI Leasing für Handel und Industrie, Munich, Managing Director</li> <li>• 1987-1997: Bayerische Vereinsbank AG, Munich, Head of Real Estate Business Nordbayern</li> </ul>
<p>Thomas Körfgen SEB Investment GmbH, Managing Director Years with SEB: 7</p>	<ul style="list-style-type: none"> <li>• Since June 2008: SEB Investment GmbH, Frankfurt, Managing Director</li> <li>• 2008-June 2008: SEB Invest GmbH, Frankfurt, Managing Director</li> <li>• 2006-2008: SEB Invest GmbH, Frankfurt, Head of Real Estate Equities</li> <li>• 2003-2005: SEB Invest GmbH, Frankfurt, Head of Equities and Quantitative Fund Management</li> <li>• 1995-2002: DWS, Frankfurt, Senior Portfolio Manager European Equity Funds - management focused on global financial stocks and derivatives</li> </ul>
<p>Nils Hübener SEB Investment GmbH, Head of Investments Years with SEB: 5 Experience in RE: 13 years</p>	<ul style="list-style-type: none"> <li>• Since 2006: SEB Investment GmbH, Frankfurt, Head of Investments</li> <li>• 2004-2006: DB RE Investment GmbH, Eschborn, Head of Acquisitions Western and Southern Europe</li> <li>• 2003-2004: DB RE Investment GmbH, Eschborn, VP in the International Acquisitions Department</li> <li>• 2000-2003: Bavaria Objekt- und Baubetreuung GmbH, London, Head of Branch</li> <li>• 1999-2000: Bavaria Objekt- und Baubetreuung GmbH, Berlin, Acquisitions Manager</li> </ul>

Source: SEB AM

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