# IPD Press Statement

30th March 2012

On the pulse of the property world

## Italian pooled property funds hit negative territory in H2 2011

**London, 30th March 2012:**

Italian real estate funds hit negative territory in H2 2012, with a total return of -2.6% in the period, according to the **IPD Italian Pooled Property Fund Indices** (Italian PPFI), released today. It was the worst performance recorded in the index series, and the second main negative trough in the current cycle.

The Italian PPFI measure the geared and ungeared fund total returns from one open market valuation to the next, thus reporting on the performance of the domestic closed end funds. The latest results brought the annual figure for the industry to -1.4% after a positive first semester in which the same sample posted a positive 1.2% return.

The downturn has not spared any particular fund type: drilling down into the sub-indices, balanced funds were the worst performer with a year on year performance of -3.9% (-3.5% in the semester), while specialist funds' positive return in H1 2011 (1.9%) was completely offset in H2, resulting in a yearly figure of -0.2%. Blind pools have posted a 12-month return of -2.3% (-2.4% in the semester), whilst seeded funds fared better at -0.8% (-2.8%). The Indices include now 2 new series, institutional and retail funds, in order to better exploit the synergies between the Italian PPFI and the Assogestioni-IPD Report on the Italian Property Funds: both types recorded a negative 6-month performance, at -2.2% and -2.9% respectively.

The indiscriminate fall in total returns reflects spillovers from the economy at large, as can be seen in the much more dramatic plunge in the performance of the various investment alternatives. Following the mildly positive return of the first six months of 2011, equities, real estate equities, and bonds delivered respectively -24.3%, -57.4% and -9.1% in H2, yet again making the Italian pooled property funds the best performer in the last semester and year.

Luigi Pischedda, Country Manager Italy at IPD, commented: “Although real estate markets feature elements which in certain instances may grant some sort of insulation, nevertheless they are part of the wider economy and move together with it. The negative NAV growth already noted in the first half of the year is a reflection of the deteriorated property market conditions and the increased risk associated to our particular asset class as well as to the rest of the investment universe (including the former risk-free asset *par excellence*!). Such decline has continued through the second half of 2011. Furthermore, distributions and drawdowns, which have historically kept returns in positive territory, have sensibly decreased in the last semester, exposing performances to the capital value movements of the underlying property investments.

In this scenario, regulators in Europe and elsewhere expect fund managers to gear up against further downside risks, as has been the case with Solvency II and is now with the AIFMD. Real estate fund managers are now in the process of assessing the impact of the Directive on their governance and policies. This will be the focus of the Italian PPFI Launch event, which will be held in Milan on 19th April 2012 (click here for more information).”

**Notes to editors:**

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The Italian PPFI universe consists of 39 funds with a combined net asset value of €8.3bn. IPD thanks Assogestioni and Deloitte, sponsors of the Index, and all fund constituents for the support provided in the development of this publication.

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