

CBRE Pan European Core



We challenged CBRE PEC - one of Europe's leading multi-sector Private Real Estate Funds - to improve capital call governance and to treat all shareholders fairly.

Jasper de Fluiter, Portfolio Manager

Engagement rationale

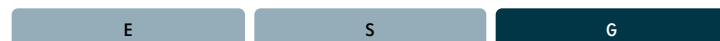
CBRE Pan European Core (PEC) Fund is one of the largest open-ended pan-European multi-sector funds. They have a portfolio worth €7.0bn, mainly consisting of logistics (€ 2.5bn) and offices (€ 1.8bn).

Background

We reached out to CBRE PEC in the context of a poorly timed capital call for one of our clients. The capital call was made using an old (2022 Q2) NAV that was calculated by the fund as they do at the end of each quarter. The problem for our client was that this was done a couple of days before the new and lower Q3 NAV was published, which meant that our client was confronted with immediate negative returns upon drawdown of their money. The capital call procedure involved poor timing on behalf of the fund and warrants improvement.

Theme for engagement

Governance



Engagement objectives

- CBRE PEC becoming aware of importance of having stringent capital call governance mechanism
- Improved and more fair capital call mechanism for the fund, which is then made official through a change in the official fund's documents.

Development

Neutral

Milestone



Engagement results

- *Getting CBRE PEC to understand our concerns*
We reached out on multiple occasions to the fund management of CBRE PEC. As the talks progressed, the broader CBRE Investment Management (IM) organization became involved as well, as the capital call procedure in place was a company wide policy. In the end, CBRE IM recognized why we and our clients felt duped by the capital call mechanism and they promised us to improve the mechanism.

- Agreeing on a timeline and follow-up with CBRE PEC
After a time of relative quietness we reached out to the fund, asking them when we could expect a follow-up from them regarding their capital call procedure. They assured us they would start the implementation of the new policy throughout the last quarter of 2023, and that we would be involved in the process.

Next steps

Follow-up with the company later in the fourth quarter of 2023 as they will look to include our proposed changes into the fund's official documents. They will do this through the following steps:

- New draft of fund documents will be shared with the fund's discussion group, in which we have a seat.
- Afterwards, the proposed changes will be discussed in December's investor meeting.
- Investors are not required to vote on the proposed changes, but they can voice their opinion in the shareholders meeting.

Company

CBRE Pan European Core

Country

Europe - Diversified

Sector

Private Real Estate

Market cap

€5.3 billion (INREV NAV)

Materiality

Improving the fund's governance will be a significant improvement for both current and prospective shareholders

ESG Research

GRESB: 87 (2022)

Engagement initiated

Q4 2022

Latest update

Q3 2023

