

FUND MANAGEMENT

OUR OBJECTIVE

is to offer fund management and co-investment opportunities in selected international markets where we can build upon the core skills, competence and local knowledge of our own proprietary investment and development business. We aim to deliver attractive returns, commensurate with the level of risk. Our investment process integrates a macroeconomic research led approach with local knowledge and expertise. We co-invest with our clients and we aim to build long term relationships with them, reflecting the Grosvenor values of 'property and partnership'.



Top to Bottom

John So, Investment Director, Asia Pacific;

Brett Dillon, Fund Manager, Australia;

John Flavin, Senior Vice President and Fund Management Director, Americas;

Neil Jones, Managing Director, Continental Europe;

Mervyn Howard, Fund Management Director, Britain and Ireland.



Our plans for Grosvenor Fund Management play a central role in the future of the business. Our aim is to enhance our reputation as an innovative international property group with high quality staff, which is able to balance the delivery of attractive returns with an opportunistic approach in the short term. We have built a team of investment specialists around the world and their local market knowledge is the single most important pillar supporting our investment strategy.



Stuart Beevor

Group Fund Management Director

FUND MANAGEMENT (continued)

PROPERTY HAS REASSERTED ITSELF AS A STRONG INVESTMENT ASSET CLASS OVER THE LAST DECADE RESULTING IN INCREASED INVESTOR INTEREST AROUND THE WORLD. WE EXPECT THIS TREND TO CONTINUE AS THE INCOME RETURNS AND THE POTENTIAL FOR GROWTH REMAIN ATTRACTIVE.

Funds

Our fund management business started in the 1970s, with a group of co-investors from the UK creating a portfolio of commercial investments in North America. From these origins, co-investment with our partners has been a key aspect of our approach. We now operate 15 funds across 14 countries, with total funds under management of £2.5 billion.

The funds we manage around the world vary in terms of structure and strategy and are active in the residential, office and retail sectors. In the UK, we have a vehicle that both funded the development of Festival Place in Basingstoke and now provides for its long term ownership and we are working on a similar structure for our £680 million regeneration project in Liverpool. Today, the funds we manage vary in size, the largest being our Grosvenor Shopping Centre Fund which has total assets in the UK of £350 million and ten investors drawn from the UK and continental Europe.

Partners

Our 27 investment partners include major institutions such as the BBC Pension Trust Ltd, which, at 28 years, is our longest co-investment relationship, clients of Hermes, PGGM Pensioenfond and other privately owned groups such as Buccleuch Estates Ltd, Getty Family Trusts and Omega Capital; insurance companies such as Equitable Life Assurance Society Ltd and Scottish Widows Investment Partnership and charitable foundations such as Wellcome Trust and Esmée Fairbairn Foundation. Investors are drawn from Canada, Denmark, Hong Kong, Japan, the Netherlands, Philippines, Spain, the UK and U.S.A.

Investment Process

The past few years have seen increasing interest amongst institutional investors in property funds as the performance of other asset classes has weakened. Investors recognise that a carefully selected portfolio and well planned fund strategy can ensure effective diversification of risk. Our

research led investment process is designed to ensure an integrated approach to optimising risk adjusted returns. It relies on input from both macroeconomic and local perspectives, coupled with a clear investment strategy for each fund and a rigorous hurdle rate approach to stock selection. This is set against a backdrop of an increasingly complex tax, legal and regulatory environment that we must monitor closely in order to manage the funds efficiently and to keep our investor clients up to date.

All this is coordinated across our operating regions to encourage the development of new initiatives and ensure consistency of style, standards and delivery.

Plans

In 2003, the foundations were prepared for a series of new funds that we intend to launch in 2004. The combined value of the new ventures will increase funds under management by over £1 billion. These new vehicles include Grosvenor Retail European Properties, a fund which will invest in town centre retail and retail warehousing in the Eurozone, primarily in France and Spain and a fund concept for our major regeneration project in Liverpool, for which we have strong interest from a number of potential investors. In Australia, we have been appointed by a group of Australian superannuation funds, represented by Industry Superannuation Property Trust, to create a vehicle which will enable them to invest internationally. In Japan, following the success of the Grosvenor Uni-Asia Fund which sold five properties and acquired three during the year, we are finalising a second fund which is expected to have a full investment value of over JPY 20bn.

We believe that the growth in demand for property fund management services will continue and that sophisticated investors will increasingly require exposure to international portfolios to achieve their performance objectives. We believe that Grosvenor Fund Management is well placed to assist them to meet their needs.



From top left clockwise: Festival Place, Basingstoke; Valley River Center, Eugene Oregon; Sarrià Forum, Barcelona (Lar Grosvenor); Chester Court, Tokyo