

Invista Real Estate Investment Management Holdings plc

2009 Results Presentation

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26 February 2010

Agenda

Highlights

Fund Performance

Financial Results

New Balance Sheet Co-Investment

Strategy and Outlook

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Key objectives

- Superior investment performance
- Grow recurring management fees
- Increase the number of opportunities for performance fees
- Deploy balance sheet into growth areas for our business
- Diversify the business into new fund types and geographies

2009 Highlights

- **Recurring revenue**

- Profit pre FVA £11.1m - business continues to generate a good margin at 32% - effective cost control with 17% reduction in administrative expenses
- Market passed the point of inflection - stabilisation of capital values
- Growth in listed funds
- Positive net fund inflows since Q3 2009

- **Strong investment performance** with 70%* of AUM meeting or outperforming benchmarks over 3 year period to 31 December 2009 (over 90% in 2009)

- **Performance fees** – BOSS fund offers new performance fees

- **Deployment of Capital**

- Capital discipline - £73.7 million of cash at year end
- International Fund acquisition of Big Orange Self Storage for £12.95m - year end valuation gains
- Investment in Invista European Real Estate Trust rights issue - £2.6 million up 41% (original investment up over 300%)
- Securities Fund - realised gains of £600,000 & the fund up c.35%

- **Diversification** - Take over of the Asian platform in Singapore and Hong Kong at no purchase cost

**Not all funds under management are listed, only those where benchmarks are available*

**Source: Invista, IPD, FTSE EPRA/NAREIT*

Key objectives since IPO

- Superior investment performance - *70%* of AUM met or outperformed over the last three years*
- Grow recurring management fees - *reduced by 5.5% compared with average asset values down by 38%***
- Increase the number of opportunities for performance fees - *Five new funds with performance fees*
- Deploy balance sheet into growth areas for our business - *in Europe, Asia, Opportunity fund, Securities & Residential (new Risk Committee to monitor balance sheet deployment)*
- Diversify the business into new fund types and geographies – *at IPO over 95% of income in UK commercial at IPO and now 23% from Europe, 7% from residential sector and 2% from Asia*

**Not all funds under management are listed, only those where benchmarks are available*

**Source: Invista, IPD, FTSE EPRA/NAREIT*

*** Source: IPD Monthly index*

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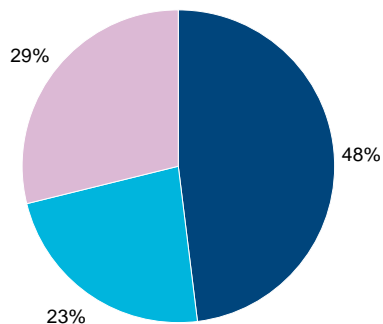
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AUM and Revenue

Assets Under Management

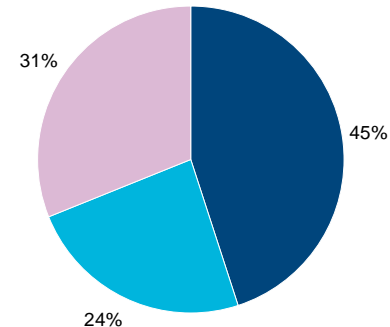
31 Dec 2008

■ HBOS Funds ■ Separate Accounts ■ Collective Investor Funds



31 Dec 2009

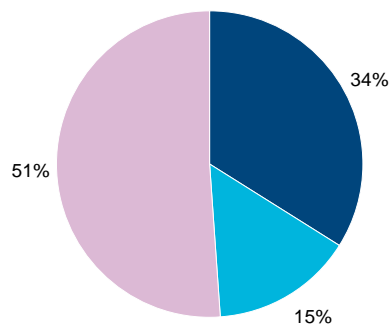
■ HBOS Funds ■ Separate Accounts ■ Collective Investor Funds



Revenue

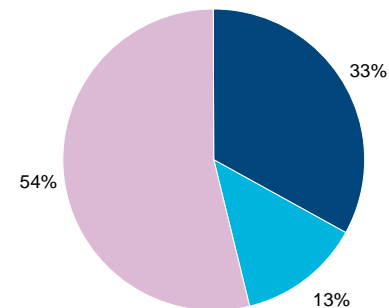
FY 2008

■ HBOS Funds ■ Separate Accounts ■ Collective Investor Funds



FY 2009

■ HBOS Funds ■ Separate Accounts ■ Collective Investor Funds

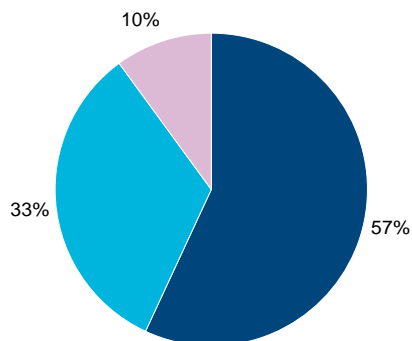


Diversification by AUM and Revenue

Assets Under Management

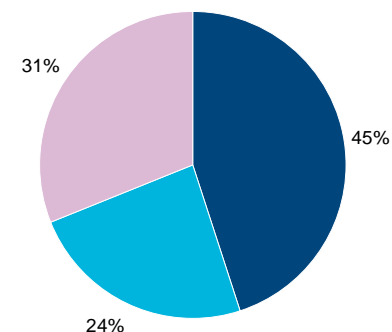
31 Dec 2005

■ HBOS Funds ■ Separate Accounts ■ Collective Investor Funds



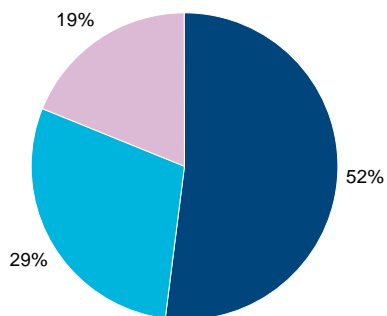
31 Dec 2009

■ HBOS Funds ■ Separate Accounts ■ Collective Investor Funds



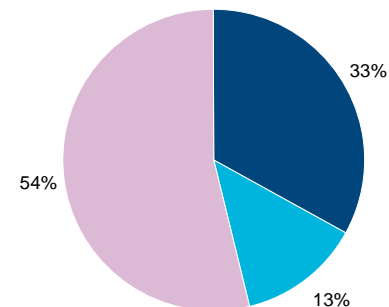
31 Dec 2005

■ HBOS Funds ■ Separate Accounts ■ Collective Investor Funds



31 Dec 2009

■ HBOS Funds ■ Separate Accounts ■ Collective Investor Funds



Revenue



Growth in higher margin CIFs for future profitability and with less dependency on group

Review of Results

AUM and Revenue

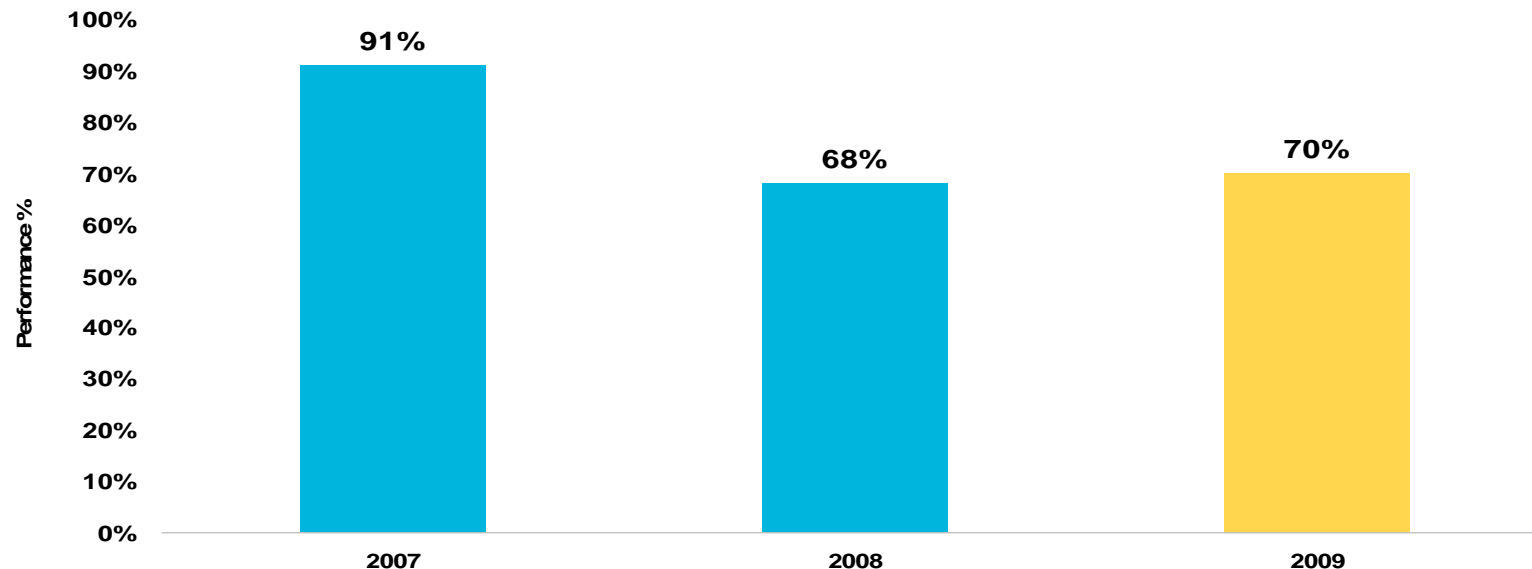
AUM/£million	31 Dec 2008	Net Fund Flows	Valuation Movements	31 Dec 2009	Revenue 2009	Revenue 2008
	£million	£million	£million	£million	£million	£million
HBOS Funds	3,025	(533)	(105)	2,387	11.4	15.5
Separate Accounts	1,481	(170)	(23)	1,288	4.3	7.0
Collective Investor Funds	1,816	81	(233)	1,664	18.7	23.1
Total	6,322	(622)	(361)	5,339	34.4	45.6

- AUM -16%
- Net fund flows -10%
- Valuations -6%

Three Year investment performance

Objective – maximise investment returns compared with benchmarks (set by funds/clients)

- 70%* of AUM meeting or outperforming benchmarks over 3 year period to 31 December 2009
- Over 90% of AUM meeting or outperforming benchmarks in 2009



Source: Source: Invista, IPD, MSS Real Estate, FTSE EPRA/NAREIT

Note: The publication deadline for this report typically precedes the release of benchmark returns for the most recently completed calendar year for two of the Invista funds. As a result, the published Invista fund performance figures for 2009 may yet be revised upwards or downwards; similarly, the performance figures for 2008 are now complete, given the subsequent receipt of benchmark returns since the publication of the previous Annual Report.

*Not all funds under management are listed, only those where benchmarks are available

Sustained outperformance over the long run

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	2009 £m	2008 £m	Change %
Fee income	26.6	40.0	(33)
Net rental income	7.8	5.6	39
Total revenue	34.4	45.6	(25)
Administrative expenses	17.7	21.4	(17)
Profit pre FVA and exceptional charge	11.1	23.7	(53)
Profit margin	32%	52%	
Earnings / (Loss) per share	2.4p	(4.0)p	6.4p
Profit / (Loss) before taxation	10.0	(3.7)	£13.7m
Proposed full year dividend per share	2.3p	2.3p	No change

Net Assets of £139.1m; Gross Cash of £73.7m as at 31 December 2009

Revenue

	31 Dec 2009	31 Dec 2008	Change
Years to 31 December	£million	£million	%
Management fees	26.6	38.3	(31)
Performance fees	-	1.7	(100)
Net rental income	7.8	5.6	39
Revenue	34.4	45.6	(25)
Average AUM	£5.51bn	£7.65bn	(28)
Management fee margin	48.3bps	50.1bps	-1.8bps

Profit and Loss Account

Year to 31 December 2009	31 Dec 2009 £millions	31 Dec 2008 £millions
Fee revenue	26.6	40.0
Net rental income	7.8	5.6
Administrative expenses	(17.7)	(21.4)
Joint venture losses (excluding FVA)	(1.7)	(1.8)
Profit / (loss) on Securities Fund activity	0.6	(0.3)
Net investment (expense) / income	(4.5)	1.6
Profit pre fair value adjustments	11.1	23.7
Margin	32%	52%
Fair value adjustments	2.7	(27.4)
Exceptional item	(3.8)	-
Pre-tax profit / (loss)	10.0	(3.7)
Corporation tax	(3.6)	(6.7)
Profit after tax	6.4	(10.4)
EPS / (LPS)	2.4p	(4.0)p
Dividend	2.3p	2.3p

Cash Flow

Year to 31 December 2009	£ millions
Cash as at 31 December 2008	£87.5m
Profit pre FVAs and exceptionals	11.1
Joint venture losses	1.7
Property Securities Fund cash returned to Group	2.0
International Fund drawdowns	(13.9)
Opportunity Fund drawdowns	(2.9)
Acquisition of IERET shares	(2.9)
EBT share purchases	(1.6)
Dividends paid	(6.1)
Scheduled repayment of loans	(1.4)
Working capital and other	0.2
Cash as at 31 December 2009	£73.7m
Invista Castle Debt	84.0
Net debt as at 31 December 2009	£10.3m

Cash

- £73.7m in cash as at 31 December 2009

- Outstanding commitments £m
 - Opportunity Fund 17.2
 - International Fund 10.4
 - **Net** **46.1**

- Net includes £8.9m of cash in the Invista Castle Group

Banking Arrangements

CASTLE (100% owned : on balance sheet)

- £13.6m Acquisition Loan due April 2011 has LTV covenant of 70%
- Current LTV 69%
- £70.4m Senior Debt (amortising 2028) has no LTV covenant
- Weighted average interest rate swapped out at 6.6%
- Secured on the underlying assets of Invista Castle Limited

CELSIUS (50% owned : being held at £nil)

- €141m Senior Debt & extension to facility from Kaupthing
- Loan not in default
- Non recourse to Invista

Balance Sheet Investments

Invista Castle £37.0m

- 317 residential family houses
- Across 5 sites; let to MoD on 25 year lease, 18 years remaining

Invista Real Estate International Fund £17.1m

- Principal asset is 50% interest in Big Orange Self Storage

Global Property Securities Fund £10.8m

- Booked realised profits of £0.6m; returned £2.0m to Invista

Invista Real Estate Opportunity Fund £6.1m

- Four investments; three UK, one Switzerland

Stakes in Listed Trusts £7.0m

- 6.4% stake in Invista European Real Estate Trust
- 2.25% stake in Invista Foundation Property Trust

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Big Orange Self Storage

- Met key objectives of:
 - diversification;
 - deployment of capital into key long term growth markets;
 - generation of new recurring revenues;
 - the opportunity to earn performance fees
- Distressed sale price – high forecast IRR
- Successful operation
- Five assets - Two Hong Kong, Three Singapore
- Immature property sub-sector (Asia)
- Retention of existing debt facilities
- Expert local management - proven track record
- Scalable platform for growth of self storage
- New investor in the fund and wider fund marketing to commence



Potential to leverage off corporate platform

Target markets and acquired assets



Hong Kong Portfolio (18,324 sq m)

- **Sha Tin (9,793 sq m)¹**
 - Current phase I occupancy 99%
 - Phase II in progress
- **Kwai Chung (8,531 sq m)¹**
 - Current phase I occupancy 64%
 - Phase II in progress

Singapore Portfolio (16,867 sq m)

- **Woodlands (8,000 sq m)¹**
 - Current phase I occupancy 68%
- **Bukit Batok (4,398 sq m)¹**
 - Current phase I occupancy 15%
- **Hougang (4,469 sq m)¹**
 - Phase I in progress

¹ Represents maximum lettable area for self storage

Invista Opportunity Fund

- Invests in UK and Continental Europe
- Fund's objective is to target a net return to investors of over 15%
- Five assets currently in the fund (Four investments)
- Created recurring revenue, minimum annual fee and diversification into a growth area
- Fund has £33.5 million of gross asset value
- Invested £17.3m of equity (i.e. 31% of commitments)
- Borrowing varies between 40% – 71% LTV
- Annualised rental income for entire portfolio £1.36m p.a.

Invista Opportunity Fund Assets



- 47 acres of agricultural land in Witney reserved for housing
- £4.3 million acquisition cost with £2.0 million senior debt
- Land subject to Option Agreement in 2012 at indexed price
- Value today without planning £5.0 million
- Strategy to acquire adjoining sites and renegotiate Option

- 100,000 sq ft Industrial property located in Etoy, between Geneva and Lausanne
- JV with Gicram, a well established French developer
- Acquired from a liquidation at auction, cost of £7.3 million
- Strategy to secure retail planning for new development



Littoral Park, Etoy, Switzerland

Highlights

Fund Performance

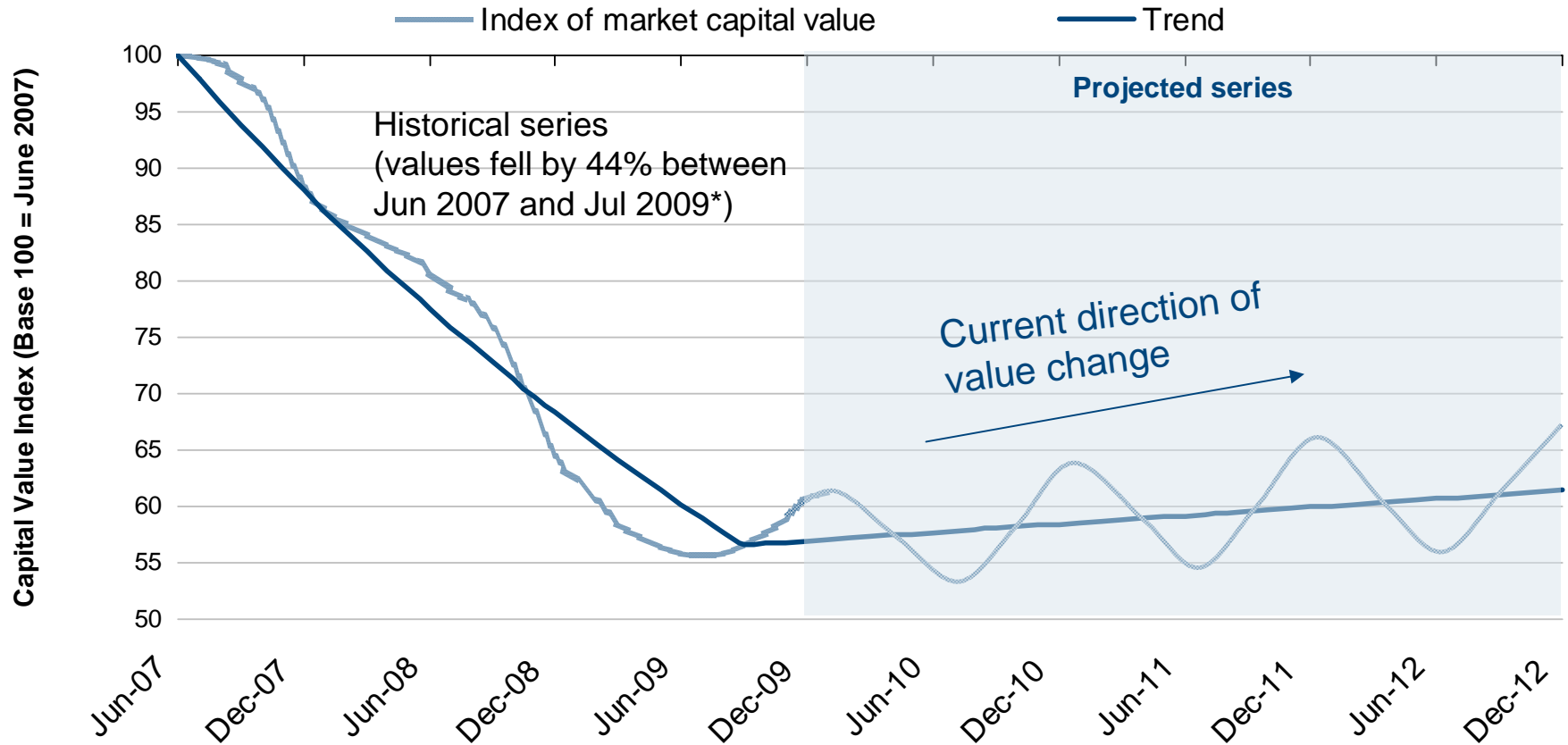
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UK commercial property market values



* Source: Invista REIM, IPD

Passed the point of inflection

Strategic Priorities

UK & continental European business is well placed for growth

- Focus on continued investment outperformance/proactive asset management
- Capture positive investor sentiment with growth into open ended funds & listed trusts
- Deploy third party capital and balance sheet into the opportunistic fund

International business expansion

- Focus on returns and deployment of capital in the international fund
- Growth of BOSS to gain scale
- Growth of Global Securities Fund

Corporate development

- Deployment of balance sheet capital into growth areas of the business - capital discipline
- Develop capability to broaden access to distribution
- Inorganic expansion possibilities

Platform well placed to take advantage of market opportunities

Summary

- Strong investment performance record
- Strong retail distribution partners and client relationships
- High operating margins
- Positioning to take advantage of industry trends
- History of fund innovation
- Ability to exploit new opportunities in continental Europe & Asia
- Proven ability to access real estate assets
- Diversified mix of funds and clients

Outlook

- Market stabilisation - real estate markets have reached a point of inflection
- Risks remain - to future performance with market sentiment over correcting
- Growth sector - optimistic that investor demand and allocations for property related funds will grow over the medium to long term
- Focus on developing and growing existing funds – introduce new investors capital
- Moving into 2010 in strong position, with
 - Strong balance sheet cash of £73.7m
 - Strong investment performance
 - Platforms in Asia and Europe

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Balance Sheet

Year to 31 December 2009	2009 £millions	2008 £millions
Investment Properties	121.5	122.0
Investments in joint ventures	23.2	5.2
Investments	19.5	11.6
Other non current assets	3.2	3.9
Total non current assets	167.4	142.7
Trade and other receivables	4.5	6.5
Cash	73.7	87.5
Total Assets	245.6	236.7
Current liabilities & other payables	(13.8)	(11.6)
Debt	(84.0)	(85.4)
Derivatives used for hedging	(8.7)	(14.5)
Net Assets	139.1	125.2

Fair Value Adjustments

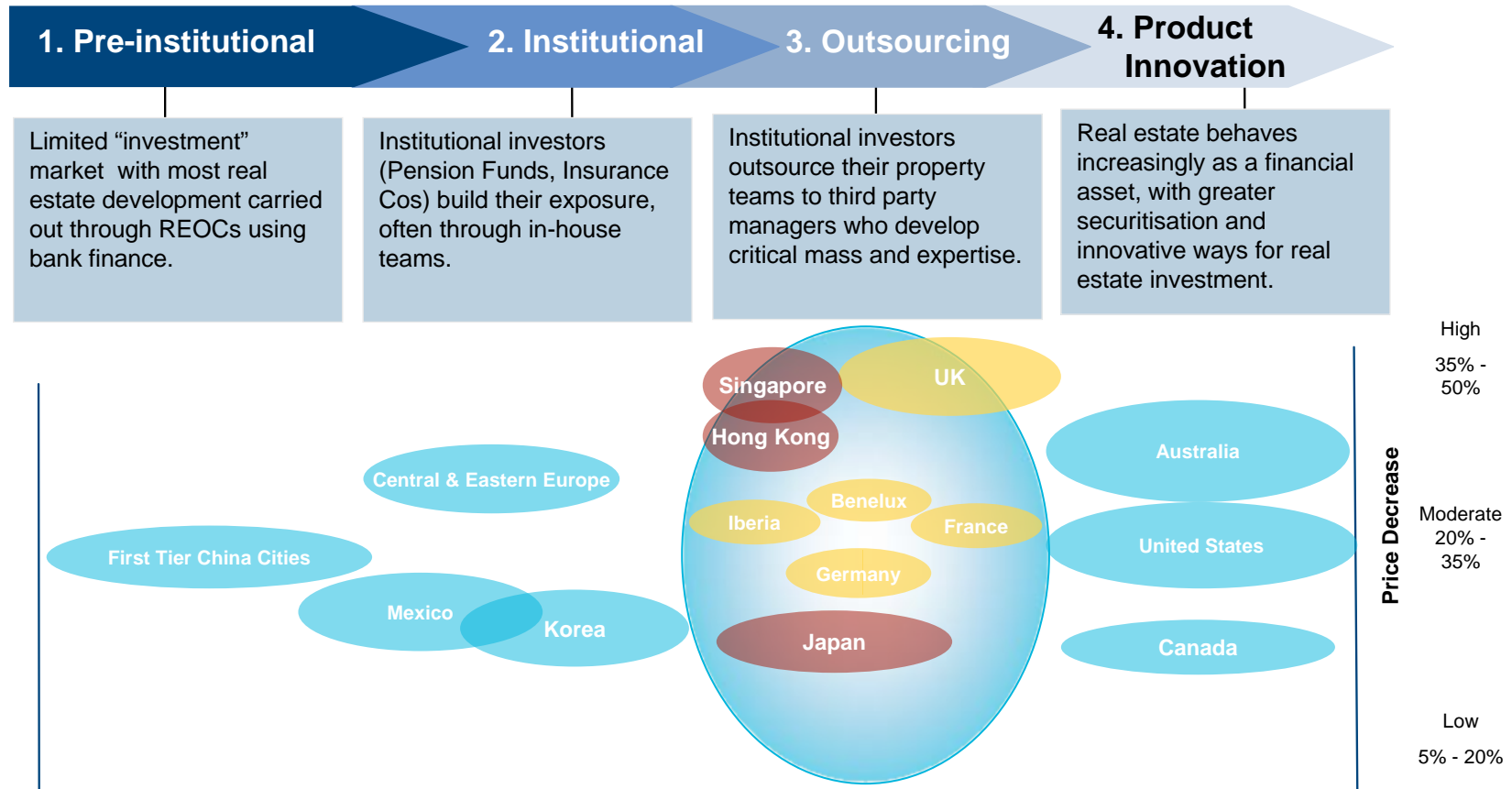
2009 Results

Reconciliation of Reported Profit pre FVA & exceptional charge

Year to 31 December 2009 Profit and Loss Account

	PBT Reported	Fair Value Adjustments & Exceptionals				PBT Pre-FVA
		Castle	IREIF	IREOF	Except'n	
	£m	£m	£m	£m	£m	£m
<u>Income</u>						
Revenue	34.4					34.4
Net interest income / (expense)	-4.5					-4.5
<u>Expenses</u>						
Admin	-17.7					-17.7
Joint Venture gains and losses	1.5		-4.2	1.0		-1.7
Net valuation losses from investments	0.1	0.5				0.6
Exceptional charge	-3.8				3.8	0
TOTAL PROFIT	£10.0m	0.5	-4.2	1.0	3.8	£11.1m

Repricing: Magnitude & Timing Forecast



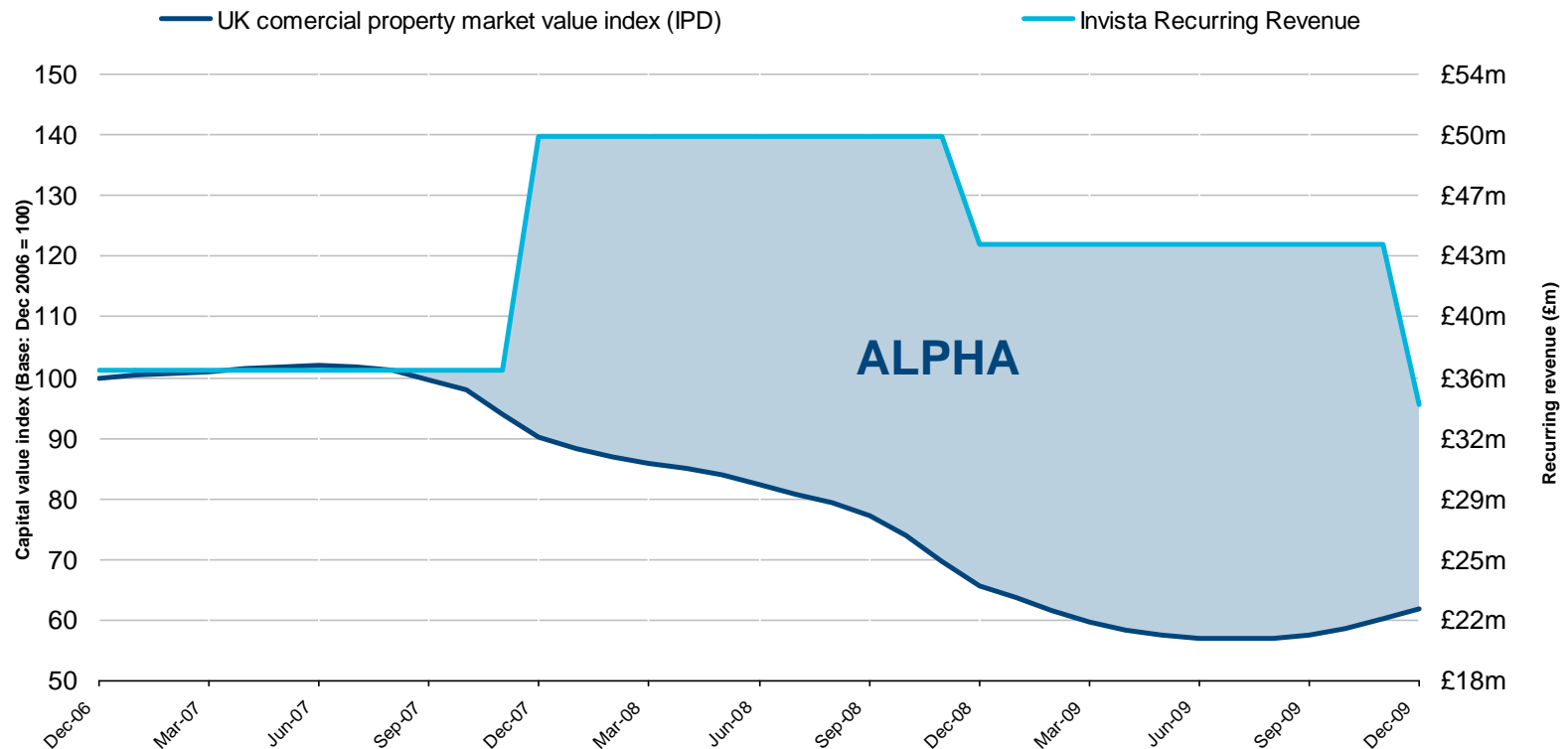
Source: JLL; IPD; DB Real Estate; DTZ;

Note: Real estate market maturity reflects the transparency and liquidity of each market, as well as the share of real estate market that is "investable"

Progress since IPO - Recurring revenue

Objective – to grow recurring revenue

- Revenue was £20.1m* pa vs. 2009 at £34.4m
- UK Capital values have fallen by 38% since Dec 2006 revenue has fallen by 5.5%



* Full year immediately preceding IPO

Progress since IPO

Performance fees

Objective – to increase the number of opportunities for performance fees

Five new funds since IPO with the ability to earn performance fees

- 2006 – Invista European Real Estate Trust listed trust launched with annual performance fee potential
- 2007 – launched Opportunity fund with performance fee on realisation
- 2008 – launched International fund with performance fee on realisation
- 2008 – Residential mandate with performance fee potential
- 2009 – BOSS fund acquisition with new investor and performance fee upon realisation
- 2006 & 2007 & 2008 – performance fees earned from listed trusts

Quote from 2006 Report & Accounts

“As time goes by, the number of funds which give Invista the opportunity to earn performance fees will increase giving rise to an enhanced probability of performance fee based income each year”

Progress since IPO

Deployment of capital

▪ **Objective – Deployment of balance sheet into growth areas**

- 2007 - Committed co-investment opportunistic fund – new minimum annual fee revenue of £840,000
- 2008 - Committed co-investment Asian fund – new minimum annual fee revenue of £750,000
- 2008 - Acquisition of Invista Castle portfolio residential target growth area
- 2009 - BOSS fund acquisition with new investor and performance fee upon – new minimum annual fee revenue
- 2009 - Supported Invista European Real Estate Trust rights issue which helped grow recurring revenue

Opportunities to recycle

- 2007 - Residential contract negotiated to retain management of the portfolio upon sale
- 2008 - Original French (Celsius) portfolio of 22 properties transferred to fund with profit of £1m and revenue now of £1.3m
- Property Securities – 2009 over £2m (i.e. 20% of original sum) realised with gain of over £600,000

Challenges – Need for balance sheet processes

- Celsius residual written down to NIL = value loss
- Castle positioning has failed to seed a fund and balance sheet is to be used only for co-investment and seeding

Progress since IPO

Diversification

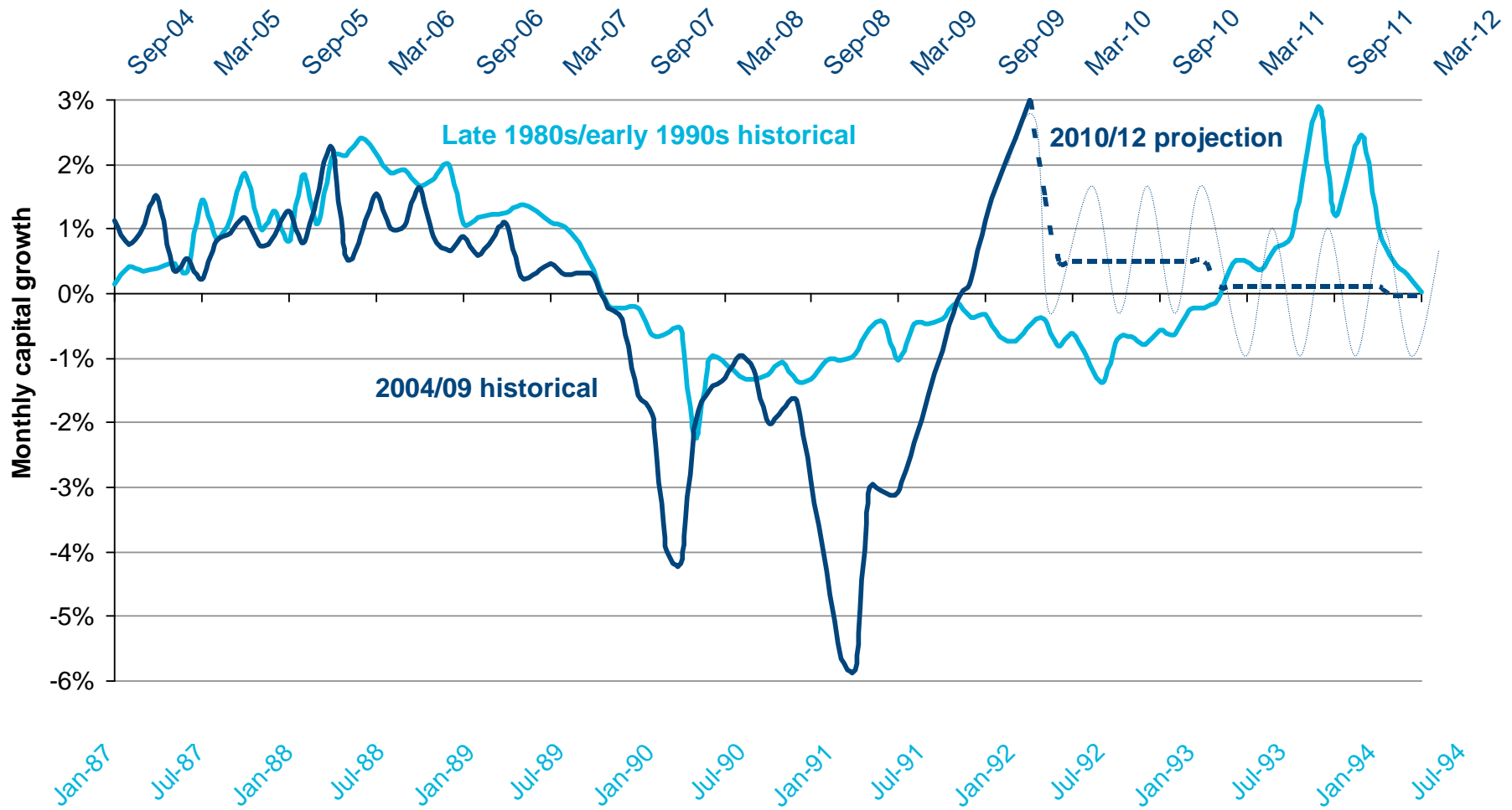
Objective – diversify by fund type and geography

- 2006 – Invista European Real Estate Trust listed trust IPO & European team established
- 2007 - Residential team established, fund of fund account won, new Opportunity fund
- 2008 - Paris office opened, invested in 8 European countries, international fund launched, securities team established
- 2009 - Platform acquired in Singapore and Hong Kong
- 2006 vs. 2009 fee income spread
 - At IPO 2006 – greater than 95% of management fees derived from UK Commercial funds
 - 2009 - 23% of management fees from continental European funds
 - 2009 - 2% of management fees from Asian funds
 - 2009 - 7% of management fees from Residential asset management

Quote from 2007 report & accounts

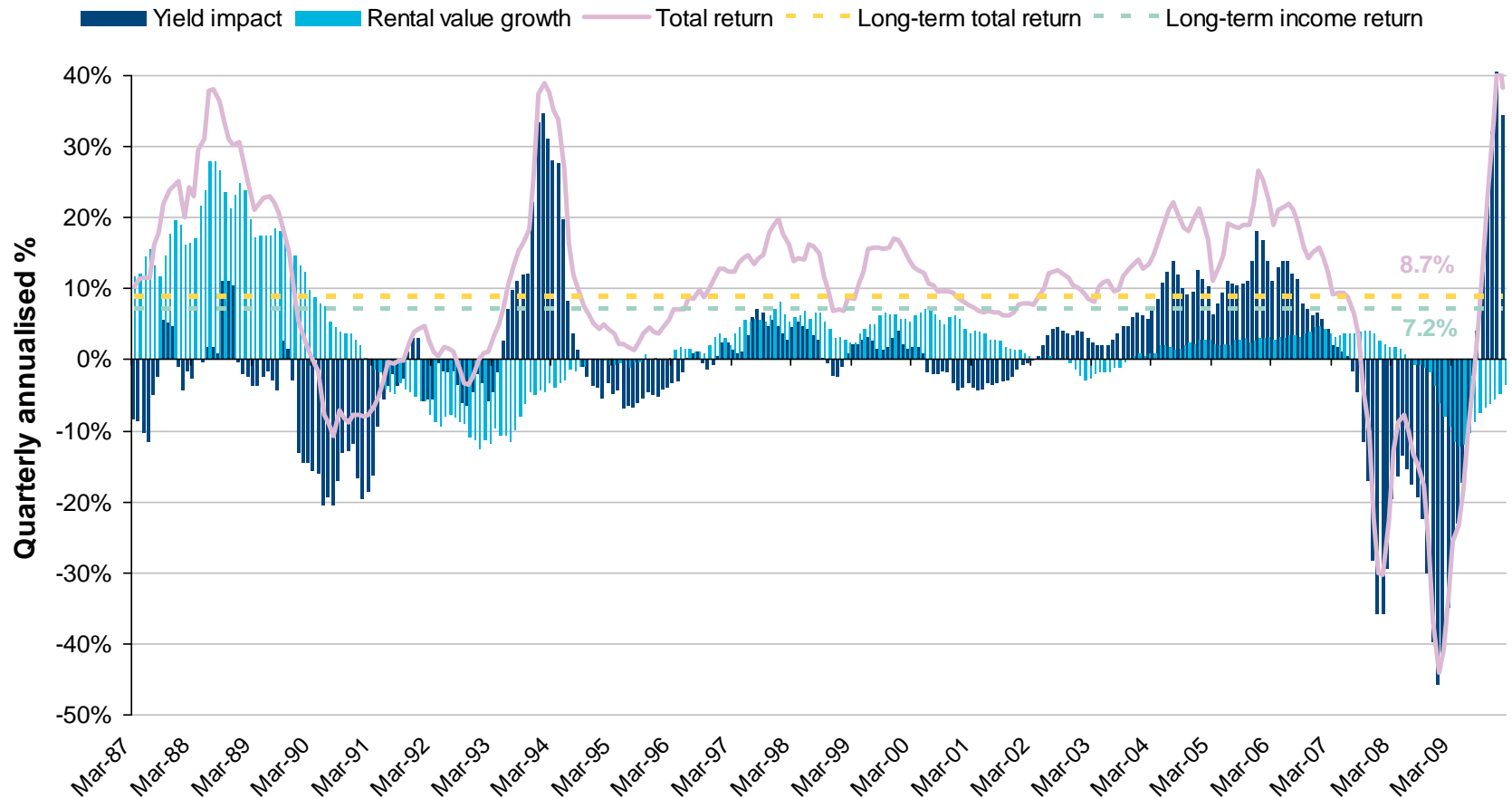
“Invista continues to develop its business with property funds across different sectors, fund types and alternative geographical areas”

UK commercial property capital value movement in context



Source: Invista REIM, IPD Monthly Index

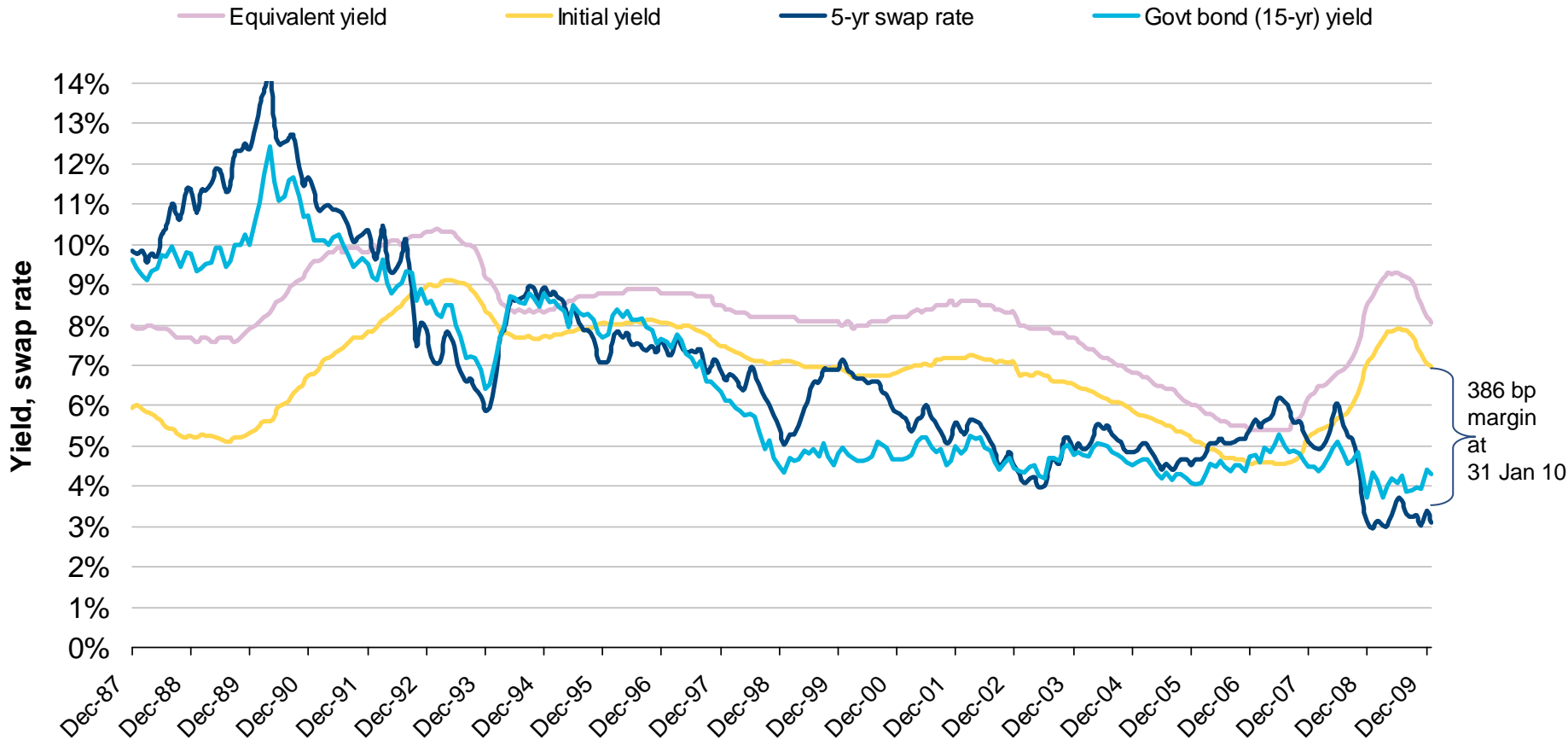
UK commercial property in nominal terms



Source: IPD Monthly Index (Full history)

Recoveries yield driven – not occupier

UK commercial property yields – full history



Source: Invista REIM, IPD Monthly Index, Thomson Datastream

Initial yield vs. swap rate margin at historically high levels

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