

## Invista Real Estate Investment Management Holdings plc

### Trading Update

Invista Real Estate Investment Management Holdings plc ('Invista') today issues the following trading update in advance of its preliminary results for the year to 31 December 2007, which will be announced in late February 2008.

The business remains on track to deliver results and investment performance in line with management's expectations for the full year. Despite the deterioration in overall property market conditions in recent months Invista, as a fund management company, has still been able to build its business by successfully completing two significant balance sheet investments in the first half, and launching its pan European Opportunity Fund in October and another European core fund, both at attractive fee levels.

### Assets Under Management

	31 October 2007	30 June 2007	Increase/decrease
Total AUM	£ billion	£ billion	%
HBOS Funds	4.8	5.1	(6)
Separate Accounts	2.6	2.9	(10)
Collective Investor Funds	2.2	2.2	no change
Total	<u>9.6</u>	<u>10.2</u>	<u>(6)</u>

Assets under management as at 31 October 2007 stood at £9.6 billion compared with £10.2 billion as at 30 June 2007.

Net outflows of funds in the four months to 31 October 2007 were £301 million, largely as a result of the sale of the Westbury Property Fund, with a value of £278 million, which triggered a performance fee and a small termination fee. Other net outflows included £16 million of open ended funds. This compares with net inflows in the open ended funds in the first half of 2007 of £488 million. AUM is continuing to grow in Continental Europe and Invista now manages four funds investing across the region.

In line with previous guidance, fund outflows from the two With Profit funds are likely to occur during December and allowing for some further falls in valuations by the year end, Invista expects AUM as at 31 December 2007 to be in the region of £8.5 billion to £9.0 billion.

### Business Performance

**Invista continues to focus on growing recurring management fees and has done so with new fund launches at higher margins than the average fee rate across its existing range of funds.** Although year end AUM is forecast to fall from current levels, the improving mix of business and timing of expected fund outflows means that revenue and profitability for 2007 will remain in line with expectations. The improving mix of funds under management is expected to continue to

have a beneficial impact on profitability in 2008 and beyond, notwithstanding the anticipated lower level of AUM at the year end.

Due to the high performance fees paid so far this year and improved profit margins from new fund launches, Invista is also now in a positive position with significant cash funds to allow for further timely balance sheet investments and anticipates that attractive opportunities will arise over the next six to twelve months.

### **Investment Performance**

**Investment performance of the underlying funds is one of the very important priorities for Invista and continues to be strong.** 71 per cent. of funds under management have met or exceeded their most recent performance benchmark, according to the performance data that is currently available.

### **Balance Sheet Investments**

The values of the underlying property portfolios within the two principal balance sheet investments (the French portfolio and a UK residential portfolio, both acquired in May 2007) have held up well despite falls in valuations witnessed elsewhere and particularly in the UK commercial property sector in recent months. These investments are both well placed and were specifically chosen to avoid core UK commercial markets where it was envisaged that it may prove to be more difficult to launch new funds. In line with our business model, **we will continue to investigate the options for recycling these joint venture entities in the coming months as well as deploying other new balance sheets investments. Good opportunities may now become more available and Invista's significant cash position provides us with a strong competitive advantage.**

### **Performance Fees**

**Invista is focussing on developing more opportunities to earn performance fees with new funds.** Performance fees continue to exceed both this year's expectations and last year's record results. In addition to performance fees earned in the first half of £14.0 million, a performance fee of £2.7 million has also been received since 30 June 2007.

### **Investment Market**

The outlook for the commercial property sector is uncertain because the sector is going through a difficult period, with very little market activity on which to base definitive trends.

UK Commercial Property returns have diverged with better returns in offices (7.2 per cent. in the nine months to 30 September 2007) and much lower returns, for example, in the retail sector (1.3 per cent. over the same period). We anticipate values in commercial property will fall in aggregate approximately 10 per cent. between June and December 2007.

Valuations in Europe remain robust and have held up well when compared to UK markets. **Invista continues to develop its business with property funds across different sectors, fund types and alternative geographical areas where superior returns can be captured.**

### **Current Trading**

Invista is a fund management business that operates and grows by earning fees from managing property funds with additional performance fees resulting from out performance of benchmarks. The Company has also been able to continue to launch new funds and improve the margins resulting from new business. Invista therefore continues to trade in line with expectations in the face of current headwinds, particularly the tightening of credit markets and also against the backdrop of falling UK commercial property returns, which have been experienced on a widespread basis in the second half of the year.

Despite these challenges, Invista is set to record a year of strong growth in 2007.

### **Conference Call**

The Company will host an analyst and investor call at 8.15am GMT on 29 November 2007 to discuss the trading update. To participate in the conference call please contact Georgina Turner at Financial Dynamics on +44 20 7269 7136.

A recording of this conference call will be available from 11.00am GMT on 29 November 2007. Replay details will be accessible on the Group website [www.invistarealestate.com](http://www.invistarealestate.com).

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