

Real Estate Fund

Legal framework:

Act No. 240/2013 Coll., on Management Companies and Investment Funds, particularly Articles 100 (2), 265 to 271.

Government Regulation No. 242/2013 Coll., on Key Investor Information Document of non-UCITS Fund and on a Way to Provide Information and on Fund Rules in Non-paper Form.

Government Regulation No. 243/2013 Coll., on Investing of Investment Funds and on Efficient Portfolio Management Techniques, particularly Articles 51 to 59, 68 to 70 and 73.

Act No. 256/2004 Sb., on Capital Market Undertakings, as amended, particularly Article 34.

Act No. 89/2012 Coll., Civil Code, particularly Article 126, with derogation pursuant to Articles 5 (3) and 203 (3) Act No. 240/2013 Coll.

Act No. 90/2012 Coll., on Commercial Companies and Cooperatives (Commercial Corporations Act), particularly Articles 8, 276 and 277, with derogation pursuant to Articles 157 (1), 159 (3) and 203 (1) Act No. 240/2013 Coll.

Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

Introduction:

The real estate fund is a non-UCITS fund that invests in real estate and entities whose primary business is the acquisition, development and operation of real estate. The real estate fund must be created either as open-ended common fund or as an investment company with variable capital (SICAV).

The investment limits must be strictly followed by a real estate fund, particularly on the value of the real estate that is in the portfolio of the fund. The investment limit of that value is 20% at the time of the property acquisition, inspired by the German legislation.

The investment strategy of a real estate fund cannot be fundamentally altered.

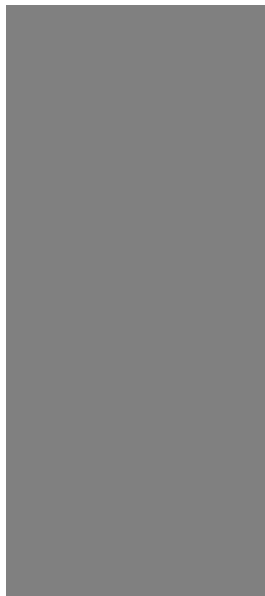
Qualified investors funds are allowed to invest in real estate. Qualified investors funds have special rules regarding investment limits, provided they inform investors about investing in real estate.

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Manager	<ul style="list-style-type: none"> • Investment fund with internal management • Management company authorised pursuant to AIFMD (external manager) • Non-EU management company authorised by the Czech national bank pursuant to AIFMD (external manager) • EU management company authorised by a competent authority of another Member State pursuant to AIFMD (external manager) 		<ul style="list-style-type: none"> • Investment firm or equivalent EU entity having its branch in the Czech Republic and complying with the highest capital adequacy ratio • Foreign bank without its branch in the Czech Republic (but no later than 22.7.2017)
Administrator	<ul style="list-style-type: none"> • Manager, in case he is authorized to perform the administration of non-UCITS funds • Management company, which is not a manager of this fund and is authorized to perform the administration of non-UCITS funds • Central administrator authorized to perform the administration of non-UCITS funds 	Prime broker	<ul style="list-style-type: none"> • Bank having its registered office in the Czech Republic • Foreign bank having its registered office in the Member State • Investment firm or equivalent foreign entity having its registered office in another Member State and complying with the highest capital adequacy ratio • Foreign entity having its registered office in the non-EU state and subject to prudential requirements and supervision
Legal forms	<ul style="list-style-type: none"> • Investment company with a variable capital (SICAV) • Open-ended common fund (FCP) 	Types of shares	Possible for shares and common fund units
Initial capital of the manager	<ul style="list-style-type: none"> • At least 125,000 EUR for a management company authorised pursuant to AIFMD, a non-EU management company authorised by the Czech national bank pursuant to AIFMD and for an EU management company authorised by a competent authority of another Member State pursuant to AIFMD • At least 300,000 EUR for the investment fund with internal management or for the equivalent non-EU manager authorized by the Czech National Bank 	Net asset value	At least 1,250,000 EUR within a 6 months of the day of incorporation the fund
Initial capital of the administrator	<ul style="list-style-type: none"> • In case an administrator is a manager, see the above mentioned initial capital requirement for a manager • At least 50,000 EUR in case an administrator is a central administrator • At least 50,000 EUR in case an administrator is a management company, which is not its manager and is not authorized to manage collective investment funds • At least 125,000 EUR in case an administrator is other management company, which is not its manager 	Eligible investors	No restrictions
Depository	<ul style="list-style-type: none"> • Bank having its registered office in the Czech Republic • Foreign bank having its branch in the Czech Republic 	Eligible investments	<ul style="list-style-type: none"> • Only cash • Capital calls are not permitted
		Issuance of bonds	Prohibited
		Establishment and incorporation of a fund	<ul style="list-style-type: none"> • Common fund is established by an agreement between founders and the manager on the content of the fund rules or by an adoption of the fund rules by the manager and it is incorporated by registration in the register maintained by the Czech national bank • Corporation (private/public limited company) is established by the instruments of incorporation or by the charter of incorporation or by an adoption of the fund rules and it is incorporated by registration in the public (business) register
		Public marketing	Investments in a fund may be marketed publicly provided that this fund is registered in the register maintained by the Czech National Bank

Calculation of value of units or shares	At least once per 2 years, in a way specified in the fund rules or in the Act.			Efficient portfolio management techniques	<ul style="list-style-type: none"> • Repurchase transactions, reverse repurchase transactions, securities lending transactions and securities borrowing transactions • Financial derivatives
Valuation of real estate properties	Valuation of real estate properties are performed by a committee of experts appointed by a manager or by a valuer pursuant to the Act on registered valuers.			Master-feeder structures	The fund may be both master and feeder
Eligible assets	<ul style="list-style-type: none"> • Transferable securities • Money market instruments • Securities and uncertificated securities issued by a collective investment fund or equivalent foreign investment fund that is not a real estate fund • Financial derivatives • Bank deposits • Commodities • Real estates¹⁾ • Real estate companies²⁾ 			Fund rules and prospectus	<ul style="list-style-type: none"> • Includes investment policy, description of risks associated with investment in the fund and other information necessary for investors to be able to make an informed judgement of investment, and it shall be regularly updated • Without an approval by the Czech national bank
Investment limits	Global	Counterparty	Concentration	Disclosure of information to investors prior to their investment	<ul style="list-style-type: none"> • Information about manager, administrator, prime broker, auditor and depository and depository contract • Investment policy • Current value of the NAV • Information about leverage • Past performance • Conditions for the issuance and redemption of securities and registered securities
Transferable securities	100 %	20 %	10 %	Mergers, acquisitions and alike	<ul style="list-style-type: none"> • Authorization by the Czech national bank is required • Conversion of an investment fund with legal personality is allowed. Transfer of assets to shareholder is prohibited unless this shareholder is an investment fund. • Conversion of a fund with legal form of private/public limited company into an investment company with variable capital and vice versa is allowed, by changing fund rules • Conversion of a closed-ended and open-ended common fund into an investment company with variable capital, conversion of a closed-ended common fund into a private/public limited company, and conversion of a closed-ended common fund into an open-ended common fund is allowed
Money market instruments	100 %	20 %	10 %		
Shares in collective investment funds	100 %	20 %, (35 % ³⁾)	25 %		
Financial derivatives	100 % ²⁾ (20 % ⁴⁾)	5 % (10 % ⁵⁾)	--		
Bank deposits ⁶⁾	100 %	20 %	--		
Commodities	80 %	10 %, 20 %	--		
Real estates	80 % (25 % ⁷⁾)	20 % (30 % ⁸⁾) (60 % ⁹⁾)	--		
Real estate companies	80 %	30 % (40 % ¹⁰⁾)	--		



- Merger of two common funds (real estate funds) into a common fund (real estate fund), and merger of a common fund (real estate fund) and a common fund (UCITS fund) into a common fund (UCITS fund) is allowed
- Acquisition of two common funds (real estate funds), acquisition of an investment company with variable capital and an open-ended common fund, and acquisition of a common fund (real estate fund) and a common fund (UCITS fund), provided that the acquirer is a common fund (UCITS fund), is allowed
- Conversion of a real estate fund into a UCITS fund is allowed, but not vice versa
- Conversion into a foreign investment fund as with legal personality and without is allowed
- For the conversion of a sub-fund the provisions of the Act providing for the conversion of a common fund shall apply *mutatis mutandis*



- For dissolution with liquidation of an investment fund with legal personality the provisions of the Act providing for dissolution with liquidation of a management company shall apply *mutatis mutandis*. The liquidator is appointed and dismissed by the Czech National Bank or by the court, in the case of dissolution by the court. The liquidator shall be registered in the register maintained by the Czech National Bank.
- Dissolution with liquidation of a common fund: the manager sells assets and pays off liabilities. The administrator ensures the redemption of units or shares.

- 7) Claims for the payment of cash from an account in Czech or foreign currency on one of the persons referred to in Article 72 (2) of the Act.
- 8) In case of real estate fund is valued by the comparative method, including real estate assets of a real estate company.
- 9) Maximum period of 3 years.
- 10) Maximum period of 3 years from the day of incorporation the real estate fund.

- 1) Investment in real estate means investment in real property, including both land and buildings.
- 2) Investment in real estate company means investment in share ownership of real estate companies (*sociétés immobilières*) (as well as loans to such companies) whose exclusive object must be the acquisition, sale, and leasing of their property.
- 3) In case of non-UCITS fund investing according to its fund rules more than 49 % of a value of its assets in securities or registered securities issued by collective investment funds or equivalent foreign investment funds.
- 4) If the global exposure is calculated by using the commitment approach.
- 5) If the global exposure is calculated pursuant to the absolute VaR approach. In case of calculation pursuant to the relative VaR approach, the maximum shall be double the VaR of the reference portfolio.
- 6) If the counterparty is a person referred to in Article 72 (2) of the Act.