

International Examples

Two alternative ways of consolidating real assets

Alternative ways of consolidation



Following segmental lines

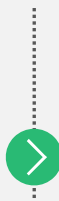
- Incorporating along segmental lines - e.g. consolidating the assets of existing institution
- No change of ownership leading to less internal political resistance
- Considerable improvement in transparency
- Enabling professional management



Special purpose company

- Consolidation across multiple owners with a common goal
- Comprehensive portfolio across a single jurisdiction
- Brownfield sites (e.g. city center plots, waterfronts, railway stations)

Successful case examples



drives city development and infrastructure investments



operates public transport and develops adjacent assets in 7 cities



develops obsolete military facilities back into use



owns and develops education facilities



builds HS rail, and develops adj. properties



funded world-class concert hall, housing and educational facilities



Sweden's leading real estate company in Commercial and Residential



Europe's largest UWF¹ that has funded part of the city's metro



owns and develops assets to fund HM Treasury



global investor focused on sustainable value creation for state

State-owned commercial investment company with global footprint

Case study: Temasek Holdings

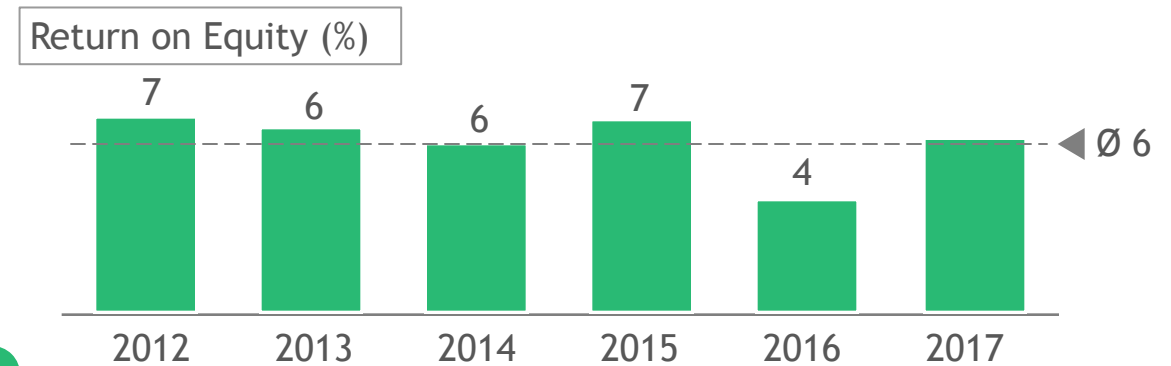


\$275Bn in holdings across all industries

- Government owned investment fund, focused on sustainable value over time
- Global footprint, and portfolio covering all large industries
- Heavy philanthropic engagement aimed at creating public value



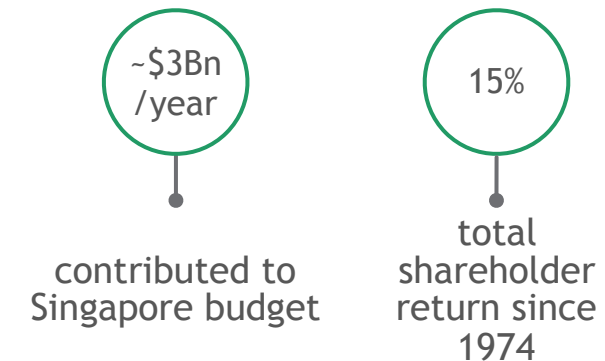
Stable returns over time



Transparent and professional governance

- **Transparency:** Follows Singapore Standards on Auditing; not obliged to publish annual report, but still does
- **Political insulation:** Board with majority of non-executive, independent private business leaders. Constitutionally forbidden for MoF to meddle in business decisions
- **Clear objectives:** Stated goal of sustainable value maximization

Significant funding for government and infrastructure



MTR operates public transport and develops adjacent assets in 7 cities

Case study: MTR Corporation

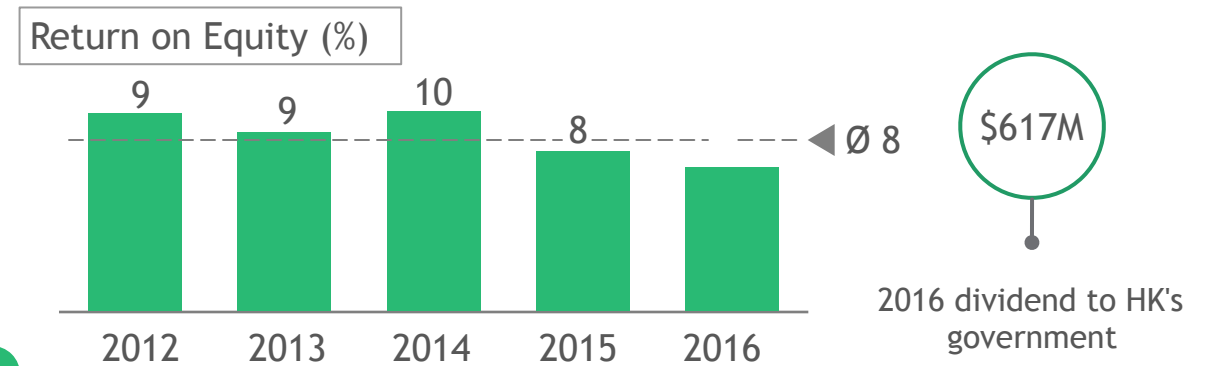


MTR's business is centered around railway

- Operates public transport, builds railway and develops adjacent property in 7 cities
- Listed company, 75% held by HK government
- It's 'Rail + Property' model is widely admired



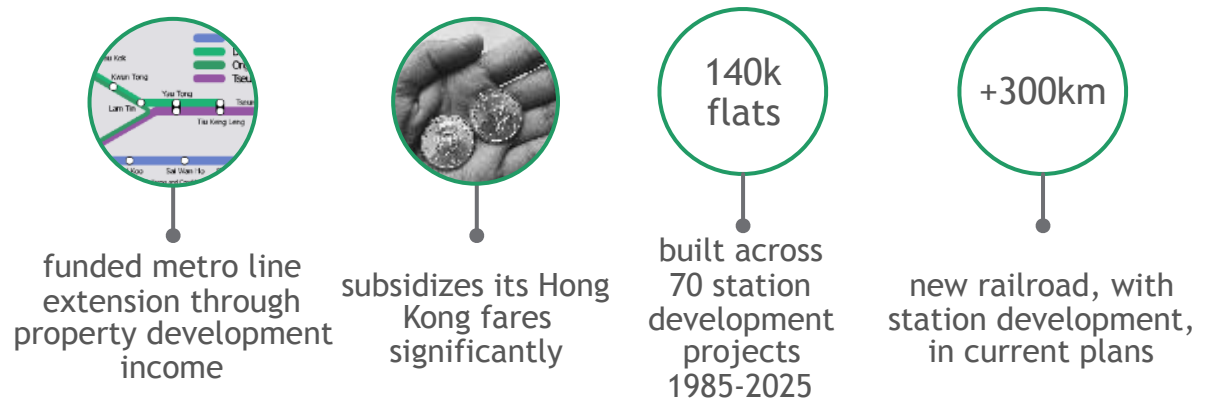
Steady returns and substantial dividends



Overall sound governance & clear objectives

- **Transparency:** Follows IFRS accounting standards & listed on Hong Kong's stock exchange
- **Political insulation:** Professionally elected non-executive board
- **Clear objectives:** Stated goal of value maximization

MTR's success has clear benefits to HK's citizens



Jernhusen drives Swedish city development and connectedness

Case study: Jernhusen



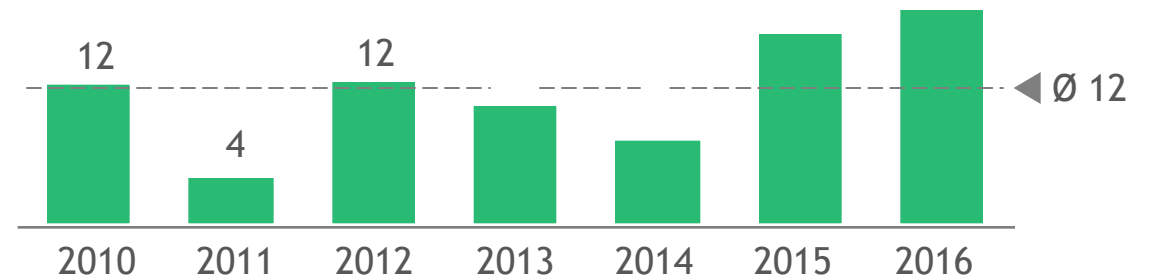
Swedish railway property owner

- Company wholly owned by the state
- Formed in 2001 through a separation from the railway operations
- \$2 billion real estate property portfolio incl. railway stations, land, freight terminals and office building



Healthy returns across years, averaging ~12% '10-'16

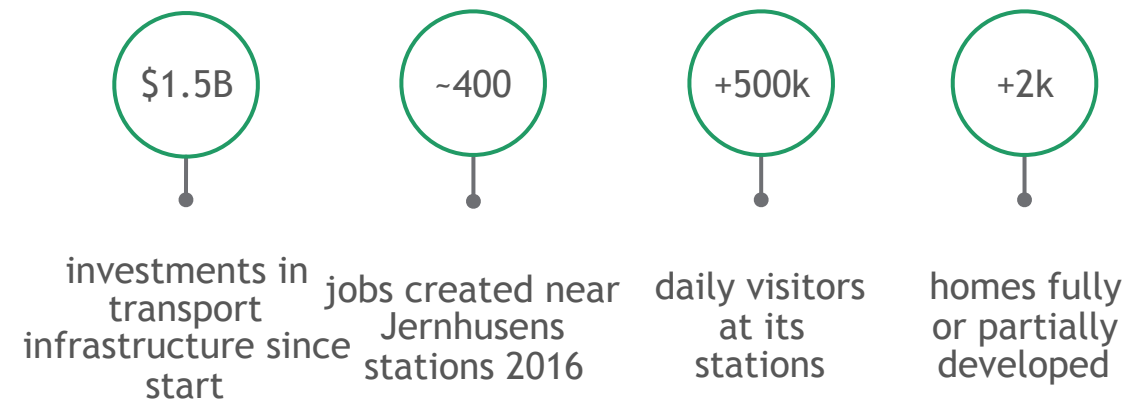
Return on Equity (%)



Adheres to the three governance principles

- **Transparency:** Follows IFRS accounting standards
- **Political insulation:** Professionally elected non-executive board
- **Clear objectives:** Stated goal of value maximization

Projects with major impact on the entire economy



State-owned developer of public lands within railway realm

Case study: London and Continental Railways



£0.5Bn in assets, which until 2016 incl. Kings Cross

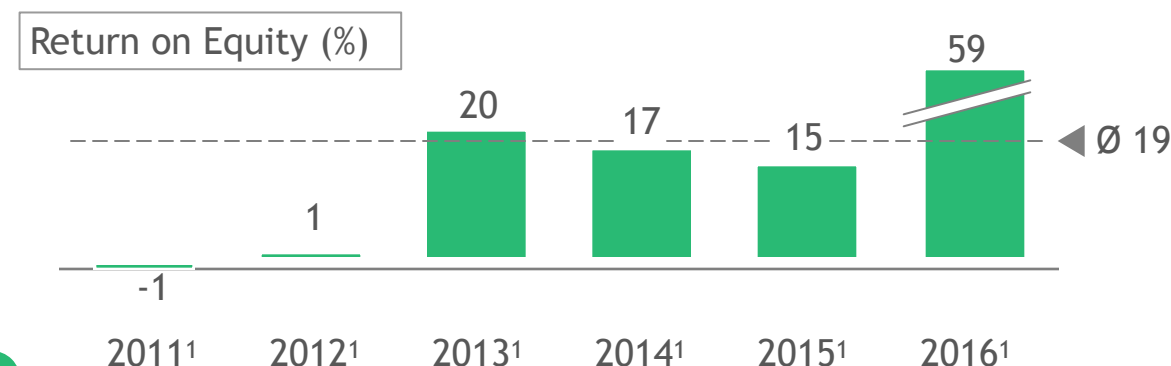
- Manages and develops land for and adjacent to public railway systems
- Leverages private-public partnerships for best effect to develop high-speed rail, housing and office space on public land



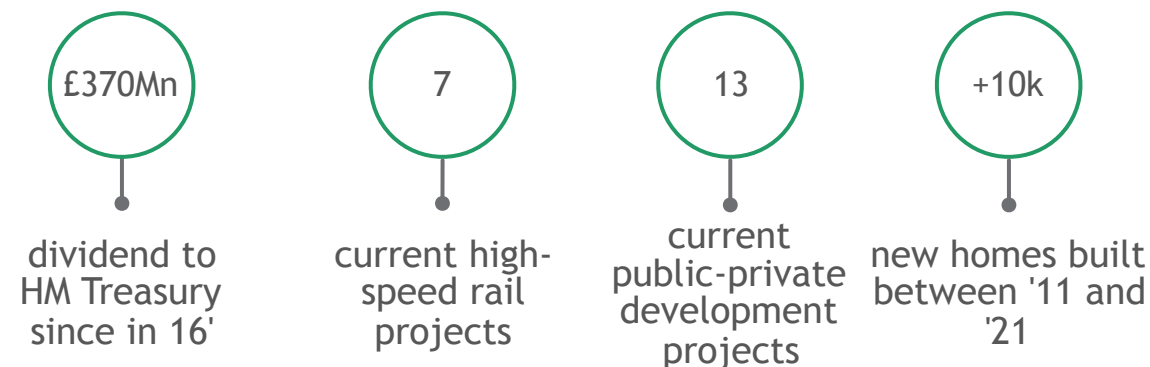
Transparent and professional governance

- **Transparency:** Follows IFRS accounting standards
- **Political insulation:** Independent non-executive board appointed by DfT, which in turn determines Executive team
- **Clear objectives:** Stated goal of value maximization through effective use of private and public assets and expertise

Small # of portfolio objects makes returns uneven



Delivers funding for government and effective infrastructure development simultaneously



1. LCR fiscal year ends 31st March
Source: Company website, annual reports & financial data

State-owned property company for education and research facilities

Case study: Akademiska hus



AKADEMISKA HUS



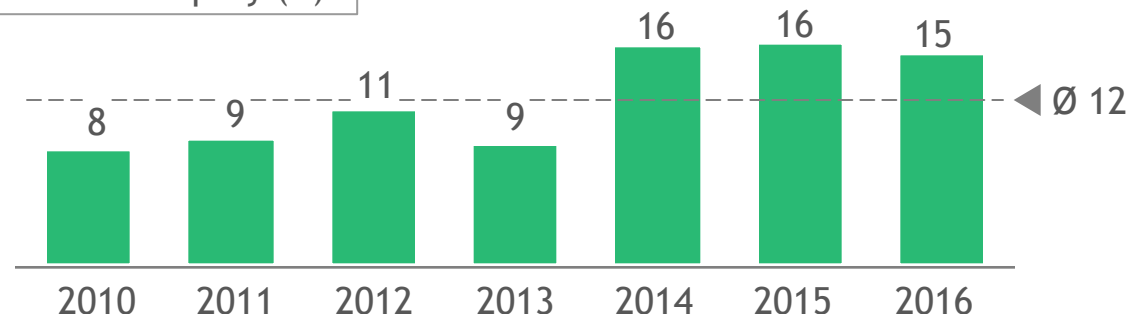
Holding properties of SEK ~80Bn all over Sweden

- Corporation wholly-owned by the state
- Founded in 1994 with the purpose to own and manage tertiary education facilities
- Currently ~60% market share
- Has a planned project portfolio of 17Bn

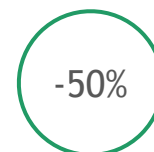


Healthy and growing returns growing over time

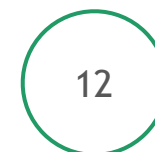
Return on Equity (%)



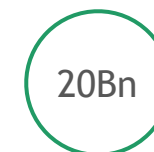
Transforming education in Sweden



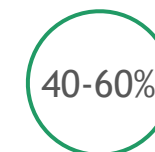
leading energy efficiency; aims to reduce energy by 50% before 2025



Has funded 12 newly built facilities 12'-18'



SEK ~20Bn increase in properties since 12'



dividends 40-60% yearly to the state



Transparent and professional governance

- **Transparency:** Follows IFRS accounting standards
- **Political insulation:** Professionally elected non-executive board (except from one member representing the Government Offices)
- **Clear objectives:** Stated goal of value maximization

Vasakronan - became one Sweden's leading real estate companies

Case study: Vasakronan



\$15B real estate portfolio

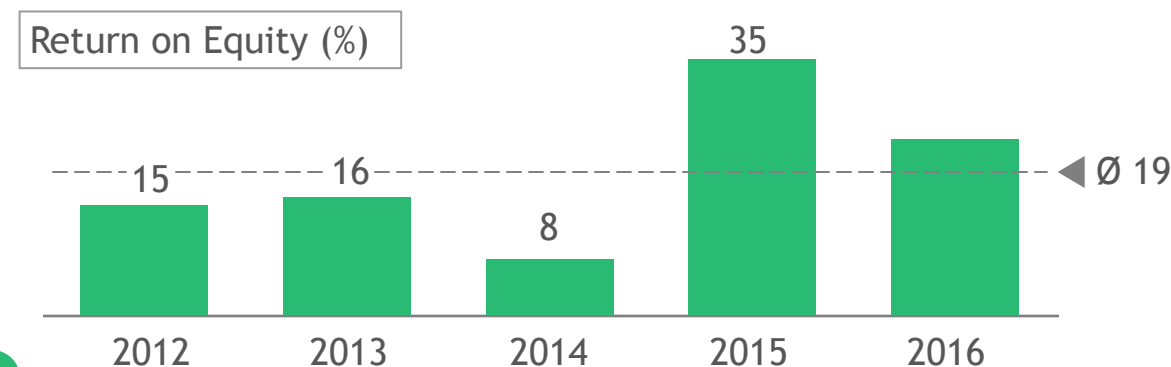
- Corporation established in 1993 after the decommissioning of the Swedish State Property Agency
- Manages property redevelopment and expansion projects
- Owns and manages 178 properties with a total area of approx. 2,400,000 m², valued at \$15 billion



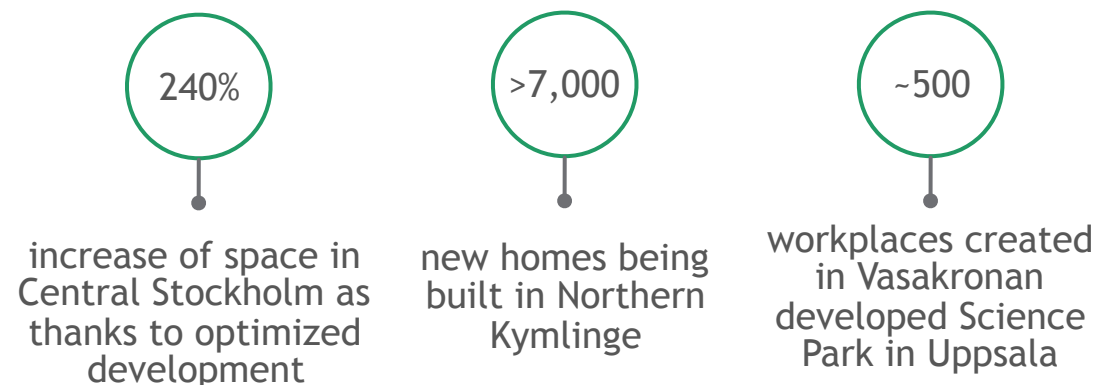
In view of general interest

- **Transparency:** Follows IFRS accounting standards
- **Political insulation:** Professionally elected non-executive board
- **Clear objectives:** Stated goal of value maximization

Highly attractive historical returns on equity



Has created thousands of new homes and workplaces



HafenCity - funded a world-class concert hall and educational facilities

Case study: HafenCity Hamburg



The creation of a city-center

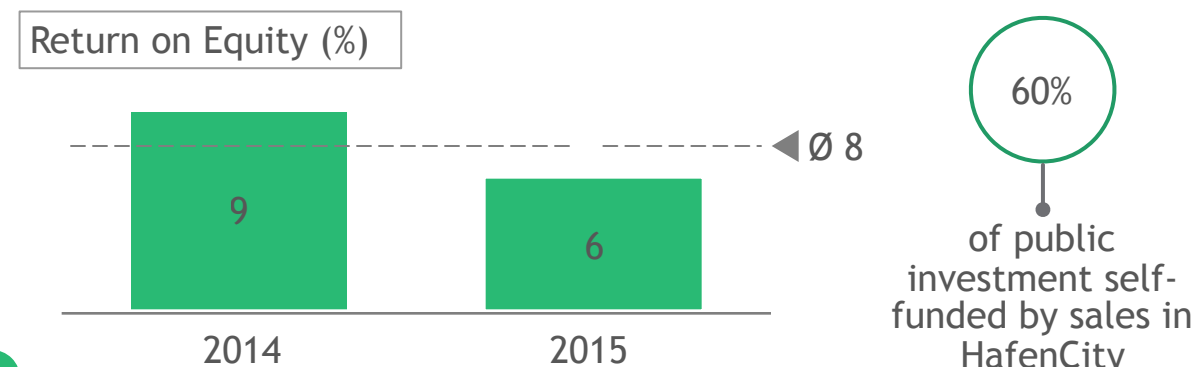
- Company owned by the City established in 1997
- Redeveloping harbor district into commercial and cultural hub
- Large investments in cultural, housing, commercial and educational facilities



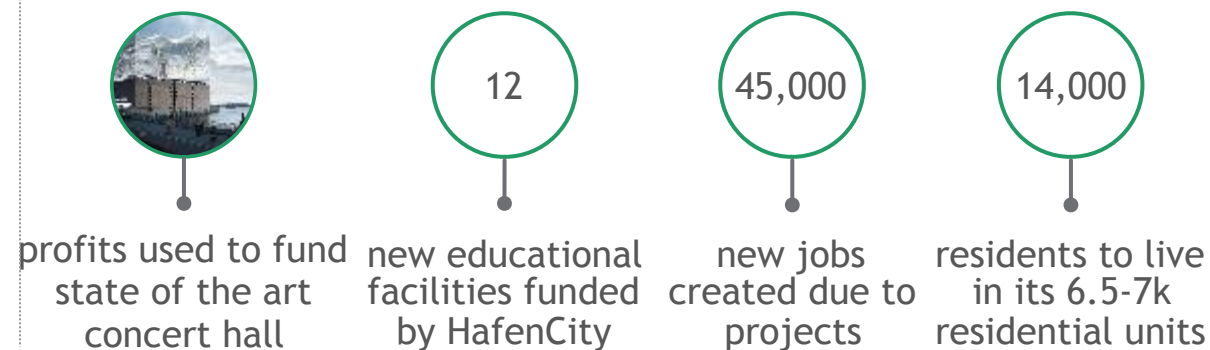
Clear objectives and goals govern management

- **Transparency:** Does not publish public financial reports
- **Political insulation:** *No publicly available information on board appointment procedure*
- **Clear objectives:** Stated goal of value maximization

Enjoying healthy returns¹- averaging 8% '14-'15



HafenCity has contributed to a new vibrant city-core



1. Showing only 2014-2015 as limited historical data available
Source: The Public Wealth of Cities (2017), Company website, annual reports & financial data

By & Havn - Europe's largest UWF funded part of city's metro system

Case study: CPH City & Port Development



Europe's largest Urban Wealth Fund

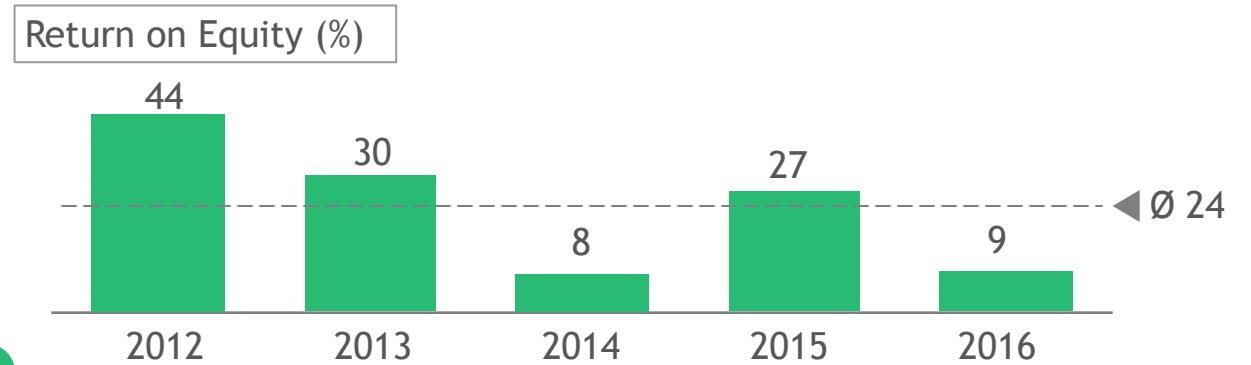
- Company owned mainly by the city and a 5% stake by the state.
- Largest UWF in Europe (1,290 acres) established in 2007
- Develops specific urban districts in Copenhagen such as the waterfront and the landlocked Örestad district



Explicit objective to fund CPH metro system

- **Transparency:** Publish annual reports with assets booked at market value (non-IFRS)
- **Political insulation:** Effectively an extension of the State government, due to its dependence on state financial guarantees and the politically influenced nomination to the Non-executive board
- **Clear objectives:** Effectively an asset recycling-model, i.e. selling of land instead of developing the assets in-house.

Overall high profits across years, averaging 24% ROE



Funded the expansion of Copenhagen's metro



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