

## Rating Action: Moody's upgrades Sorgente's Investment Manager Quality rating to MQ2

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London, 04 March 2011 -- Moody's Investors Service has upgraded today the Investment Manager Quality (MQ) rating of Sorgente SGR S.p.A. ("Soregente") to MQ2 from MQ3.

Moody's decision to upgrade the MQ rating to MQ2 is based on Sorgente's: (i) successful performance history with their flagship Michelangelo real estate fund, (ii) ability to retain existing investors and grow and diversify new investor bases, and (iii) continued implementation of additional management controls as part of its risk management and investment process.

During the past three years, Sorgente's assets under management have grown nearly 50%. Sorgente has remained focused on its strengths as an asset manager and this is reflected in the stability of the performance of its funds relative to the broader Italian real estate sector. The maturity and liquidation of the Michelangelo Fund during 2010 highlights Sorgente's ability to manage the full lifecycle of its fund product. The firm has retained many flagship fund investors in the follow-on Michelangelo II Fund, which demonstrates investor conviction in the fund's investments and Sorgente's ability to identify opportunities amongst trophy real estate assets.

"Since our initial rating, Sorgente has reinforced investment infrastructure and risk management practices. Key man risk has been addressed by a broadening of the investment team while accountability throughout the investment lifecycle is more clearly defined with internal and external parties ensuring high service levels and independence" says Michael Eberhardt, Moody's lead analyst for Sorgente.

However, the firm does face challenges shared by its fellow Italian real estate managers. The present uncertainty surrounding the reform of the Italian real estate fund sector may present difficulties for the industry in delivering performance to investors, although the local Italian real estate association is seeking to minimize the potential impact of such reform. An additional challenge that Sorgente faces is more company-specific. While Sorgente has historically experienced very low levels of staff turnover, the firm currently does not have defined retention measures, such as equity participation, which may increase turnover risk.

Sorgente was founded in November 1999 by Paolo Emilio Nistri and Valter Mainetti. Headquartered in Rome, Italy, Sorgente is one of the largest Italian real estate managers with €1.9 billion of AUM as of December 2010. The last rating action on Sorgente occurred on 8 May 2006, when Moody's assigned its initial MQ rating of MQ3.

The principal methodology used in assigning an MQ rating to Sorgente was "Moody's Approach to Evaluating and Assigning Investment Manager Quality Ratings to Asset Management Companies," published in August 2005 and available on [www.moody's.com](http://www.moody's.com) in the Ratings Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating these issuers can also be found in the Ratings Methodologies sub-directory on Moody's website.

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