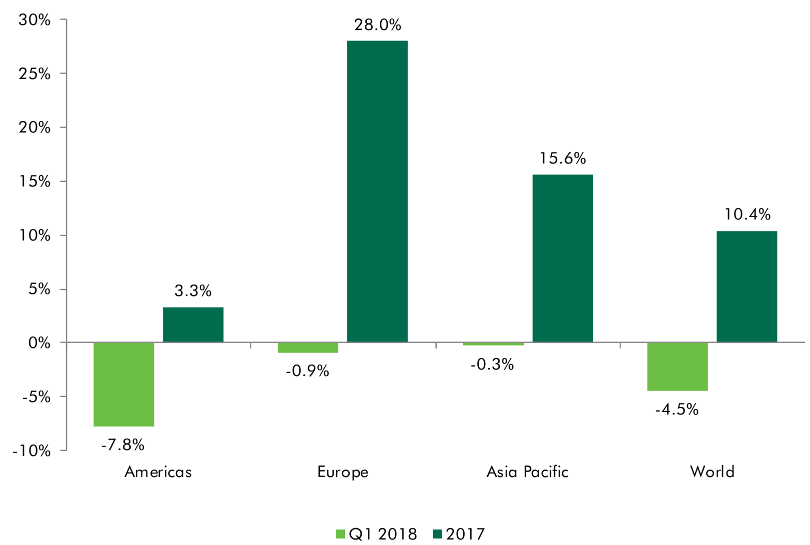
GLOBAL REAL ESTATE SECURITIES
Market Commentary Q1 2018

MARKET PERFORMANCE REVIEW

Performance of real estate stocks at this stage in the economic cycle has been underpinned by stable fundamentals, broad economic recovery, a strong private bid for real estate as an asset class, and attractive valuations versus the private market. On the heels of a strong 2017, listed real estate performance gave us some gains in Q1 2018. This was most evident in the U.S. where concerns surrounding a faster rise in interest rates generated headwinds for REITs and other income-oriented asset classes. Consistent with 2017, listed property companies in the Asia-Pacific region and Europe held up better than those in North America. (Exhibit 1)

International property companies have outperformed those in the U.S. as economic growth in Europe and the Asia-Pacific region has improved more than previous expectations. European property have surged on improved confidence that economic conditions and real estate fundamentals are improving. Asia-Pacific returns have also been good, as Hong Kong and Singapore property companies moved sharply higher in 2017 as it became clearer that property fundamentals in these markets were at a positive inflection point. U.S. REITs underperformed a global strategy for the first time in four years in 2017, the result of short-term negative sentiment from higher policy rates in the U.S. and net outflows from mutual funds in both the U.S. and Japan. The U.S. 10-year Treasury bond yielded 2.74% at March 31, 2018 versus 2.41% three months earlier.

EXHIBIT 1: GLOBAL REAL ESTATE SECURITIES PERFORMANCE AS OF MARCH 31, 2018



Source: FTSE EPRA/NAREIT Developed Index in USD (Net of Withholding Tax) as of 3/31/2018. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

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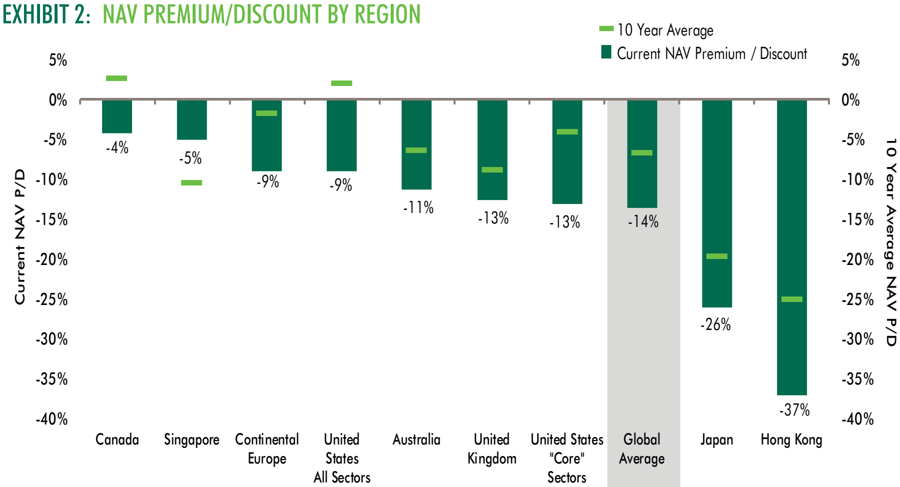
MARKET OUTLOOK

Solid economic growth and modestly increasing inflation is good for real estate fundamentals. The economic expansion is on track and will positively impact commercial real estate and listed real estate companies. Synchronized global economic growth is reflected in generally robust property fundamentals. Economic expansion continues to have "legs" at this point of an extended cycle.

A pullback in Q1 2018 has caused valuations of listed property companies to reach historically attractive levels, with property stocks now trading globally at an estimated 14% discount to our estimate of private market value (or net asset value). (Exhibit 2) M&A activity is also picking up as a material disconnect persists between the implied value of real estate in the listed sector versus estimated private market values. This increasingly active bid should provide support at these levels for real estate stocks. There is a record $254 billion of real estate private equity "dry powder" globally and another $192 billion in the fundraising process. Given the history of private capital acquiring listed property companies which trade at discounts to inherent private market value, M&A activity is likely to become a more prevalent theme in 2018.

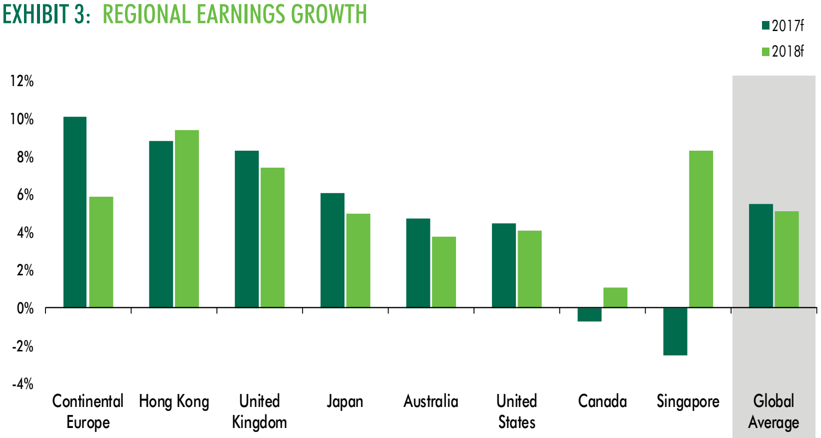
EXHIBIT 2: NAV PREMIUM/DISCOUNT BY REGION



Information is the opinion of CBRE Clarion as of 03/31/2018, is subject to change and is not intended to be a forecast of future events, or a guarantee of future results, or investment advice. Forecasts and any factors discussed are not indicative of future investment performance.

Real estate company earnings are forecast to grow in the 5% range in 2018. (Exhibit 3) Earnings growth will be generated by a combination of "internal" growth, which is derived from improving rate and occupancy among the existing tenant base, including the ability to "mark to market" tenants with expiring leases, plus "external" growth from accretive acquisition activity and the associated prudent recycling of capital. New supply is generally in check globally and the cost of capital remains attractively priced with a lower yield curve than previous cycles despite upward pressure on short-term interest rates.

EXHIBIT 3: REGIONAL EARNINGS GROWTH



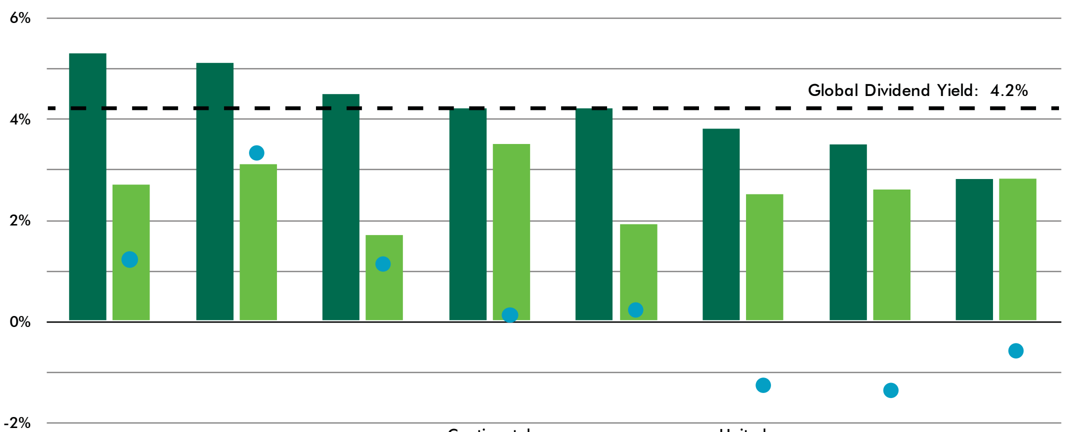
Source: CBRE Clarion as of 03/31/2018.
"F" refers to "forecasts". Forecasts are the opinion of CBRE Clarion, which is subject to change and is not intended to be a guarantee of future results or investment advice. Forecasts are not indicative of future investment performance.

Real estate dividend yield remains attractive and will grow again in 2018. (Exhibit 4) Current income generated by listed property's dividend yield remains a defining investment characteristic of the sector. Listed property companies' dividend yield currently averages nearly 4% globally and is growing at a very healthy clip. We project average dividend growth to exceed earnings growth in 2018, driven by a combination of improving company cash flows as well as an expansion of dividend payout policies which remain conservative. Increasing dividends are emblematic of healthy companies in improving markets.

Real estate companies can perform well in the face of rising interest rates. A short-term upward move in interest rates typically can cause short-term dislocation among yield-sensitive asset classes, including the listed property company sector. But history suggests that property company shares ultimately benefit from the underlying forces that cause rates to move higher, namely positive economic growth.

When examined more closely globally, evidence points to property shares generally performing well in a capital markets environment with higher bond yields. Exhibit 5 shows 180-day and 12-month performance of U.S. REITs versus the S&P 500 during periods in which U.S. interest rates materially rise (10-year Treasury). The positive returns during periods of rising interest rates may buck conventional wisdom for some, but the favorable performance is not surprising given that improving economic conditions also tend to lead to improvement of the revenue line for owners/operators of commercial property and that this over time typically more than offsets any increase in debt expenses.

EXHIBIT 4: DIVIDEND YIELD REMAINS ATTRACTIVE



	Australia	Canada	United States	Continental Europe	Singapore	United Kingdom	Hong Kong	Japan
Dividend Yield	5.3%	5.1%	4.5%	4.2%	4.2%	3.8%	3.5%	2.8%
Current Spread	2.7%	3.1%	1.7%	3.5%	1.9%	2.5%	2.6%	2.8%
Historical Spread	1.2%	3.3%	1.1%	0.1%	0.2%	-1.3%	-1.4%	-0.6%

Source: CBRE Clarion, FactSet and Bloomberg as of 03/31/2018. Not all countries included. Historical spread is from 1990 for all countries except: Canada is from June 1994 and Singapore is from June 1998. Past performance is no guarantee of future results. Yields fluctuate and are not guaranteed. This information is subject to change and should not be construed as investment advice.

EXHIBIT 5: U.S. REIT RETURNS DURING AND AFTER PERIODS OF RISING INTEREST RATES

Acute Periods of Interest Rate Fears				Total Return Period Interest Rate Fears			Total Return Post Sell-Off Period 180 Days		Total Return Post Sell-Off Period 1 Year	
Sell-Off Period		# Days	Increase in Bond Yields[1]	REITs[2]	Equities[3]	REITs vs. Equities	REITs	Equities	REITs	Equities
Jun-94	Nov-94	159	0.93%	-11.1%	-1.4%	-9.7%	8.8%	7.8%	24.1%	36.5%
May-99	Dec-99	157	0.72%	-18.6%	4.8%	-23.4%	23.8%	3.8%	33.9%	-6.5%
May-04	May-04	26	0.70%	-14.4%	-1.5%	-12.9%	24.4%	5.6%	33.5%	7.0%
Mar-06	May-06	48	0.37%	-10.1%	-3.6%	-6.5%	27.6%	11.0%	27.1%	23.4%
Nov-10	Nov-10	8	0.31%	-9.1%	-3.8%	-5.4%	18.5%	13.9%	11.2%	7.2%
May-13	Aug-13	74	1.11%	-16.0%	1.5%	-17.4%	12.4%	12.3%	26.3%	22.9%
Jan-15	Jun-15	106	0.83%	-12.1%	4.9%	-17.0%	7.3%	-0.9%	25.6%	5.6%
Jul-16	Dec-16	100	1.15%	-11.2%	5.0%	-16.2%	7.7%	8.7%	10.7%	21.4%
Sep-17	Feb-18	124	0.81%	-11.2%	11.3%	-22.4%	-	-	-	-
Averages		**89**	**0.77%**	**-12.7%**	**1.9%**	**-14.6%**	**16.3%**	**7.8%**	**24.1%**	**14.7%**

[1] 10-Year Treasury
[2] FTSE Nareit Equity REIT Index
[3] S&P 500 Index
Source: FactSet and CBRE Clarion as of February 28, 2018. An index is unmanaged and not available for direct investment. Past performance is no guarantee of future results.

IMPORTANT DISCLOSURES

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The FTSE EPRA/ NAREIT Developed Index is an unmanaged market-weighted index consisting of real estate companies from developed markets, where greater than 75% of their EBITDA (earnings before interest, taxes, depreciation, and amortization) is derived from relevant real estate activities. Investors cannot invest directly in an index. PA05142018

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