GLOBAL REAL ESTATE SECURITIES
Market Commentary Q1 2017

EXECUTIVE SUMMARY

GLOBAL REAL ESTATE STOCKS WERE POSITIVE DURING Q1 2017

Real estate stocks moved higher during the first quarter as economic releases and global REIT earnings reports supported a positive outlook for the global economy and the REIT sector. Positive economic trends include global manufacturing indices which continue to turn up, improving employment numbers, favorable investor sentiment and a modest uptick in inflation.

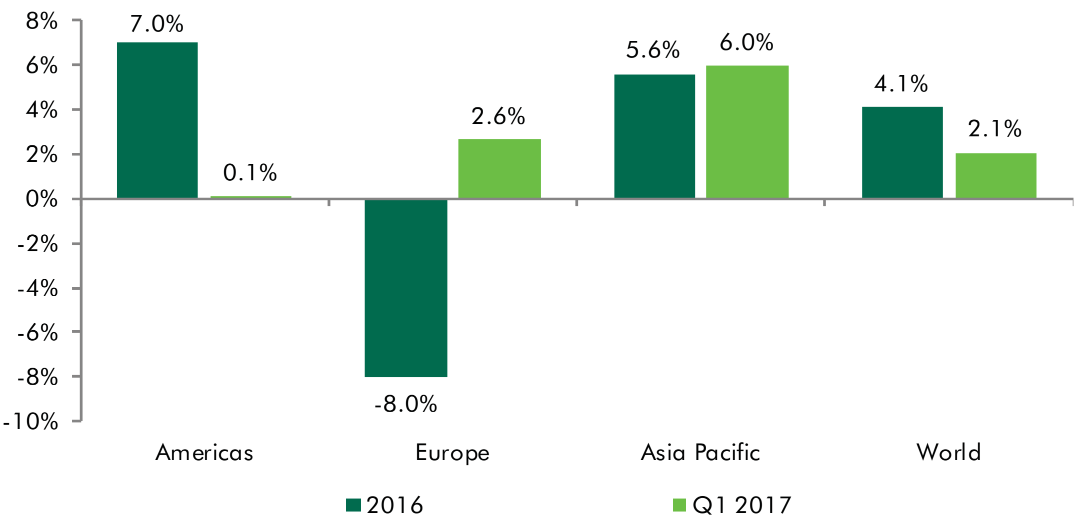
REAL ESTATE COMPANIES CAN PERFORM WELL IN THE FACE OF RISING INTEREST RATES

While a short-term move higher in interest rates typically can cause short-term dislocation among yield-sensitive asset classes, including the listed property company sector, history suggests that property company shares ultimately benefit from the underlying forces that cause rates to move higher, namely improving economic growth.

WE BELIEVE THAT TOTAL RETURNS WILL BE POSITIVE IN 2017

Total return will be generated by 5% earnings growth, 4% dividend yield and attractive implied real estate values as investors digest higher interest rates off historically low levels. Property companies will ultimately benefit as economic improvement positively flows through to earnings. With a backdrop of subdued development starts, a still accommodative interest rate environment despite higher near-term rates, and a continued wide spread between initial yields on real estate and high quality bonds, real estate stocks should generate positive total return over the coming year.

EXHIBIT 1: GLOBAL REAL ESTATE SECURITIES PERFORMANCE AS OF MARCH 31, 2017



Source: FTSE EPRA/NAREIT Developed Index in USD (Net of Withholding Tax) as of 03/31/2017. An index is unmanaged and not available for direct investment. **Past performance is no guarantee of future results.**

CBRE CLARION SECURITIES

MARKET PERFORMANCE REVIEW

Real estate stocks moved higher during the first quarter as economic releases and global REIT earnings reports supported a positive outlook for the global economy and the REIT sector. Positive economic trends include global manufacturing indices which continue to turn up, improving employment numbers, favorable investor sentiment and a modest uptick in inflation. The U.S. Federal Reserve Bank made good on its promise to raise policy rates by 0.25% in March to a 0.75% to 1.00% target Fed Funds rate. Favorable economic releases won out over global political worries. In Europe, Article 50 was triggered by the U.K. as expected which sets the Brexit process formally in motion. Elections elsewhere, such as the Netherlands, thus far have been uneventful despite increased populism. In the U.S., investor expectations remain high for policy stimulus from the Trump administration, despite failure to pass health care reform, as investor expectations now move to tax reform.

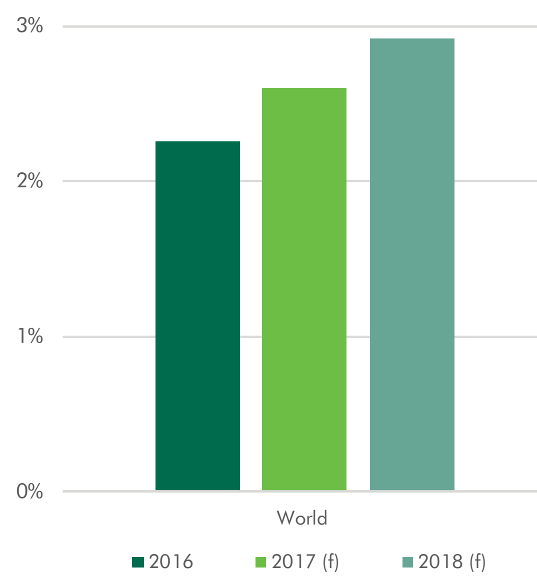
Property stock performance was strongest in the Asia-Pacific region for the quarter, fueled by strong Hong Kong, Singapore and Australian listed property company returns. European companies were slight out-performers. North American performance trailed as U.S. REITs were negative in March. Currency movements saw a general weakening of the USD versus other major currencies in a reversal from last year. Property stocks trailed broad equities for the quarter and were about in-line with global bonds. Bond yields were modestly lower for the quarter as the yield on the U.S. 10-year Treasury finished March at 2.39% versus 2.44% three months prior.

In the U.S., the industrial companies, office REITs, data center companies and single family home for rent companies continue to report robust demand trends. In Europe, U.K. property company values are holding up relatively well despite Brexit, supported by embedded growth via longer-term leases. Continental European companies are seeing the most growth in Spain and Sweden; pan-European Class A mall and German residential companies are additional bright spots. In the Asia-Pacific region, property fundamentals show improvement in the office markets of Tokyo, Sydney, and to a lesser extent Hong Kong; the Singapore office market remains challenged with new supply being added in the coming two years. Retail companies are seeing demand which is steady to improving, albeit off of subdued levels. Policy risk remains a constant variable in all Asian markets, particularly in the residential sector which shows signs of overheating in Australia but remains soft in Singapore and modestly improving in Hong Kong.

MARKET OUTLOOK

Improving economic growth and modestly increasing inflation will benefit real estate stocks. We continue to believe that total return will be +5% to +10% for global real estate stocks in 2017. The prospects for renewed and improved economic growth as the result of an aggressive mix of tax cuts and fiscal stimulus in the U.S. increases tenant demand for commercial property and ultimately improves earnings growth of property companies. Monetary policy will tighten in the U.S., but remain more accommodative elsewhere. Central banks including the European Central Bank and Bank of Japan will remain "on hold" given sluggish economic conditions in these geographies. Global GDP growth will trend higher towards the 3% range by 2018. Real estate stocks are performing despite near-term headwinds from expected higher interest rates, particularly in the U.S. With real estate companies trading at an approximate 8% discount to our estimate of inherent real estate value of net asset value (NAV), and an implied capitalization rate approaching 6% globally, we believe real estate stocks remain attractively priced.

EXHIBIT 2: GDP FORECAST



Source: EIU and Moody's Analytics as of 03/14/2017 "f" refers to forecasts. Forecasts and any factors discussed are not a guarantee of future results.

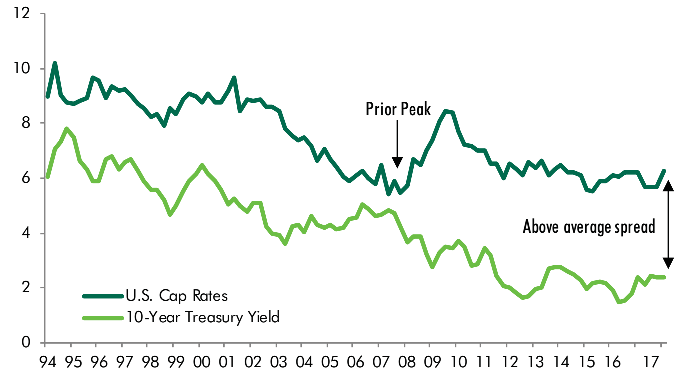
Even with the recent move in sovereign bond yields, and modestly higher inflation expectations, the spread between fixed income and commercial property cap rates remains comfortably wide versus long-term averages.

Cap rates should remain steady to modestly up in 2017. The U.S. Federal Reserve may continue to increase short term interest rates, while the yield curve is expected to remain flatter than in many previous economic recoveries, meaning yields on longer-dated debt should remain relatively stable. Given the significant current spread between cap rates and government bond yields, we do not forecast a material increase in cap rates this year.

Real estate dividend yields remain attractive. 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 2017, 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.

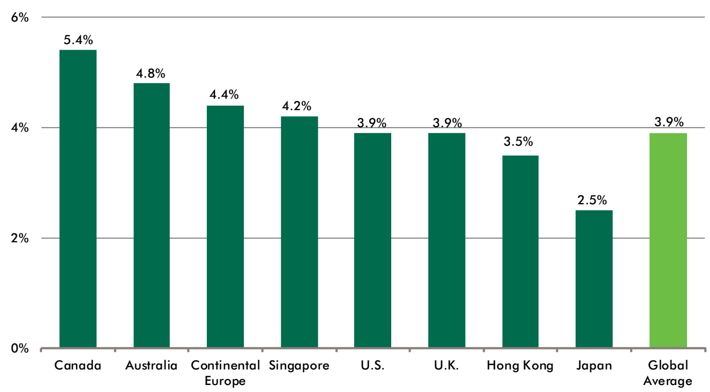
We underwrite global property companies to generate +5.2% earnings growth (cash flow per share) in 2017, improving to 5.7% looking out to 2018. Listed property company earnings will benefit from a continuation of trends seen over the past several years including improving occupancies, higher trending rents, and an active transaction markets. Low levels of new construction globally suggest that owners of existing properties should continue to enjoy improved pricing power as incremental demand for space exceeds incremental new supply. Earnings growth will be generated by a combination of "internal" growth-which is the organic growth derived from improving operating trends, such as higher occupancies, rising rental rates for newly signed leases, and smaller concessions packages for new tenants – as well as "external" growth, which includes value-adding acquisitions, development and re-development activities.

EXHIBIT 3: UNITED STATES CAP RATES RELATIVE TO FIXED INCOME



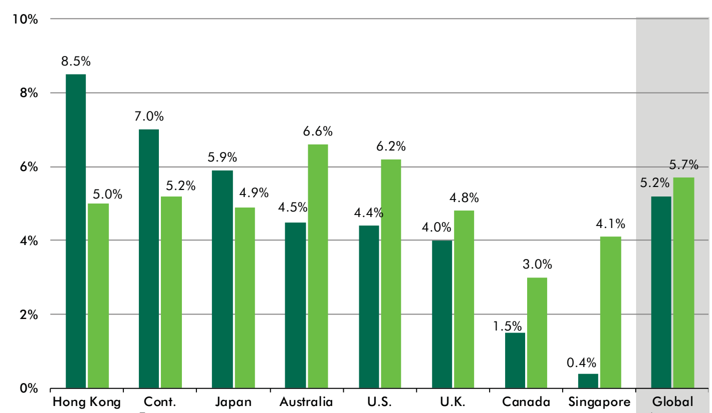
Source: NCREIF Property Index Transaction Cap Rate (equal weighted); Factset, and Bloomberg as of 03/31/2017. Forecasts and any factors discussed are not indicative of future investment performance.

EXHIBIT 4: CURRENT DIVIDEND YIELD



Source: CBRE Clarion as of 03/31/2017. Not all countries included. Dividend yields fluctuate and are not necessarily indicative of present or future investment performance.

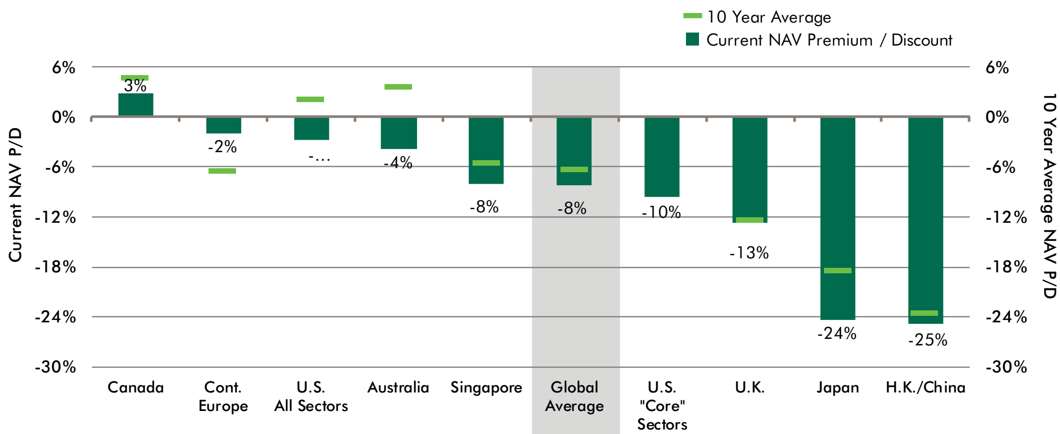
EXHIBIT 5: REGIONAL EARNINGS GROWTH FORECAST



Source: CBRE Clarion as of 03/31/2017. Not all countries included. Dividend yields fluctuate and are not necessarily indicative of present or future investment performance.

Listed real estate values are attractively valued versus the private markets. We estimate that listed property companies globally trade at an 8% discount to our estimate of the private market value of the real estate they own. With the Q4 weakness in property companies, we estimate the listed market to have priced in an increase in cap rates, despite fairly sticky cap rates in the private market, which has resulted in a disparity in valuation between real estate in the listed markets versus the private market. Real estate is attractively valued in the listed markets with implied global cap rates of nearly 6%. The "core" sectors in the U.S. of office, malls, shopping centers, industrial and office are particularly cheap given the estimated average 10% discount to NAV.

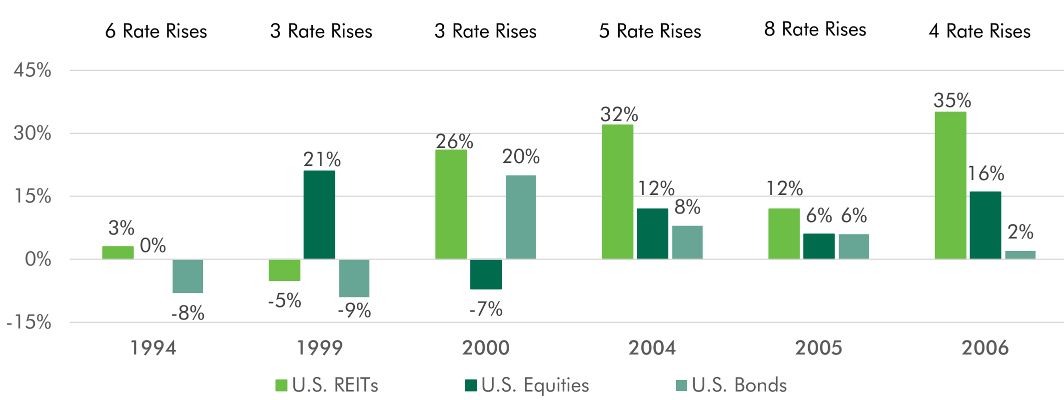
EXHIBIT 6: NAV PREMIUM/DISCOUNT BY REGION



Source: CBRE Clarion as of 03/31/2017.

Real estate companies can perform well in the face of rising interest rates. While a short-term increase in interest rates may typically cause short-term dislocation among yield sensitive asset classes, including the listed property sector, 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 is such that property shares generally perform well in a capital markets environment with higher bond yields. The chart below shows the 12-month performance in U.S. property shares during periods in which the U.S. Federal Funds policy rate rose materially.

EXHIBIT 7: U.S. REITS VS. U.S. EQUITIES AND U.S. BONDS



Source: CBRE Clarion as of December 2016. U.S. REITs: FTSE NAREIT Equity REIT Index, U.S. Equities: Russell 3000 Index, U.S. Bonds: Fed Funds Rate. Forecasts and any factors discussed are not indicative of future investment performance.

IMPORTANT DISCLOSURES