



Market Environment

Equities commenced the year with a strong move in the first quarter, continuing the fourth quarter recovery. Geopolitical noise remained relatively benign and economic data demonstrated a continued acceleration in the U.S. economy. The Fed reiterated its accommodative views and cost of debt became even more favorable for issuers. Contributing to this trend, we witnessed banks stepping up to compete against the corporate bond market with unsecured term loans, which was positive for publicly traded REITs.

REIT Market Review

REITs, as measured by the FTSE NAREIT Equity REITs Index, performed well, but were slightly exceeded by the S&P 500 Index for the first quarter.

The best performing property sectors during the quarter were Industrial and Mixed Office and Industrial. Regional Malls and Shopping Centers followed the two leaders, also outperforming. Health Care and Self Storage were the largest laggards.

REIT Portfolio Review

The Duff & Phelps U.S. REIT Composite outperformed the benchmark for the first quarter. The Composite returned 11.17% on a gross of fee basis (10.98% net of fee) vs. 10.79% for the Benchmark.

What helped and what hurt the portfolio in the quarter? Stock selection drove the outperformance. The largest positive contributions were from Shopping Centers, Office and Self Storage. Manufactured Home sites was a modest detractor.

Allocation

We have highlighted how a large amount of private capital seems to be in queue in pursuit of high quality core commercial real estate. This challenge continues. We believe an allocation to REITs over private real estate vehicles is warranted and provides benefits of superior management, higher quality assets and market exposure, transparency, corporate governance, and liquidity.

2012 Investment Outlook

- We expect cash flow and dividend growth to be the driving forces behind total returns as internal growth prospects (i.e. occupancy and rents) continue to improve against a backdrop of fairly limited new supply and companies remain active with external growth initiatives
- Above average dividend growth in 2012 will be supported by cash flow growth, below average historical dividend payout ratios and proven access to capital markets
- Discussions surrounding development will continue to increase as 2012 progresses and companies respond to growing tenant demand for high-quality, well-located commercial real estate, but sponsorship and access to capital will remain key constraints, which benefits listed REITs
- Real estate upside risks: 1) Greater than anticipated increase in real estate demand driven by a more robust U.S. economy and upside to job growth expectations, 2) Compression in cost of debt/capital, 3) The re-emergence of public-to-private M&A activity fueled by the healthy appetite for high-quality, well-located commercial real estate
- Real estate downside risks: 1) Pressure on lower quality commercial real estate asset values as CMBS loan expirations increase and banks are more willing to deal with problem real estate, 2) Negative funds flow in the listed sector as capital rotates from U.S. REITs to other areas of the market
- Macro risks - Negative macro forces such as a worsening of the European debt situation, a hard landing in China or U.S. political/fiscal concerns

We will position the portfolio to best take advantage of current market trends, while remaining true to our investment philosophy, process and style.



Global Real Estate Securities Team

	Investment Experience
Geoffrey Dybas, CFA Senior Portfolio Manager	22 Years
Frank Haggerty, Jr., CFA Portfolio Manager	16 Years
Ron She, CFA Senior Analyst	14 Years
Michael Slater, CFA Senior Analyst	20 Years
Tim Fitzgerald Head of Equity Trading	31 Years
Brian VanderMeulen Equity Trader	15 Years
Kevin Callahan Director, Institutional Clients	34 Years
Barry Cope Product Specialist	17 Years

Composite Performance

	Gross Returns	Net Returns	FTSE NAREIT Equity REITs Index
Qtr.	11.2%	11.0%	10.8
YTD	11.2	11.0	10.8
1 Year	15.3	14.5	12.8
3 Years	44.3	43.3	42.3
5 Years	1.8	1.0	-0.1
10 Years	13.6	12.7	10.5

As of 3/31/2012
Periods over one year are annualized.

Contact Us

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Past performance is not indicative of future results. Returns are expressed in US dollars and include the reinvestment of dividends and other earnings. Indices are not available for direct investment and index returns do not reflect the deduction of any fees. Gross composite returns are net of trading costs. Net composite returns are calculated by subtracting our highest separate account investment management fee from gross composite results on a quarterly basis in arrears. Investment advisory fees are described in Part 2A of our Form ADV. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

*The Benchmark is the **FTSE NAREIT Equity REITs Index**, a free-float market capitalization-weighted index measuring equity tax-qualified real estate investment trusts, which meet minimum size and liquidity criteria that are listed on the New York Stock Exchange, American Stock Exchange and the NASDAQ National Market System. The index is calculated on a total return basis with dividends reinvested. FTSE® is a trade mark jointly owned by the London Stock Exchange Plc and The Financial Times Limited. NAREIT® is a trademark of the National Association of Real Estate Investment Trusts® ("NAREIT").*

The S&P 500 Index is a free-float market capitalization-weighted index of 500 of the largest U.S. stocks and is generally representative of the performance of larger companies in the U.S.

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