DUFF & PHELPS
INVESTMENT MANAGEMENT CO.

# U. S. REIT
# FACT SHEET & COMMENTARY

Quarter Ending March 31, 2023

## INVESTMENT PHILOSOPHY

We believe our rigorous fundamentally driven investment process will produce superior performance over time.

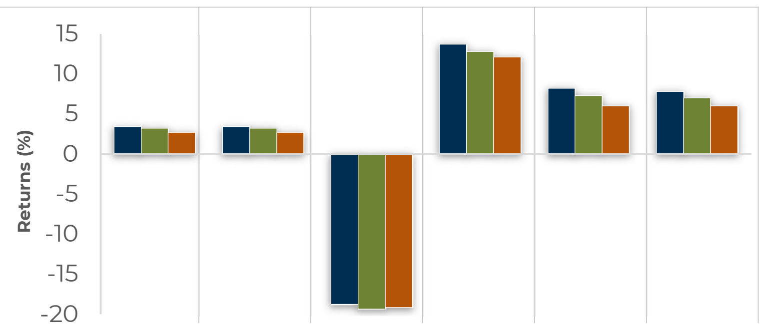
We focus on high quality owner/operators of real estate because our research shows they have offered durable cash flows and attractive risk-adjusted returns.

The value of listed real estate securities is a compilation of not only the underlying asset values but also the value of management's ability to capitalize on opportunities.

We believe successful real estate investing requires active management and patience to take advantage of multi-year value creation opportunities.

Capping AUM at 1% of the investment universe preserves our trading flexibility, liquidity, and potential for repeatable results.

## PERFORMANCE [1]




| | QTD | YTD | 1 Year | 3 Years | 5 Years | 10 Years |
|---|---|---|---|---|---|---|
| Composite Gross Return | 3.4% | 3.4% | -18.8% | 13.7% | 8.2% | 7.8% |
| Composite Net Return | 3.2% | 3.2% | -19.4% | 12.8% | 7.3% | 7.0% |
| FTSE Nareit Equity REITs Index | 2.7% | 2.7% | -19.2% | 12.1% | 6.0% | 6.0% |

## PORTFOLIO STRATEGY

| | |
|---|---|
| Holdings | Typically 25-45 securities |
| Sector Exposure | Greater of 1.5x benchmark plus or minus, or the benchmark sector weight plus or minus 500 |
| Single Position Limit | Greater of 10% of portfolio or 2% over benchmark |
| Cash | Typically fully invested |
| Benchmark | FTSE Nareit Equity REITs Index |

## PORTFOLIO CHARACTERISTICS

| | Portfolio[2] | Benchmark |
|---|---|---|
| FFO Multiple (P/E), 2023 est. | 18.2x | 16.8x |
| Earnings Growth Rate, 5-year est. | 4.5% | 2.5% |
| Dividend Yield | 3.7% | 4.3% |
| Dividend Growth, 5-year est. | 7.4% | 6.1% |
| Weighted Avg. Market Cap (bn) | $40.0 | $33.6 |

*Sources: FTSE, Bloomberg Finance L.P., Duff & Phelps*

## TOP TEN HOLDINGS[3]

| | Portfolio(%)[2] |
|---|---|
| Prologis Inc. | 13.0 |
| Equinix Inc. | 9.1 |
| Welltower Inc. | 5.8 |
| Public Storage | 5.3 |
| Sun Communities Inc. | 5.1 |
| Vici Properties Inc. | 4.6 |
| Realty Income Corp. | 4.6 |
| Rexford Industrial Realty Inc. | 4.4 |
| Ventas Inc. | 4.2 |
| CubeSmart | 4.2 |

## RISK/RETURN (10 YEARS)

| | Composite | Benchmark |
|---|---|---|
| Alpha | 1.9% | - |
| Total Return Beta | 1.0 | 1.0 |
| Sharpe Ratio | 0.4 | 0.3 |
| Standard Deviation | 17.2.% | 17.7% |
| Information Ratio | 0.9 | - |
| Tracking Error | 2.2 | - |

*Calculated using gross performance returns.*

## CONTACT INFORMATION

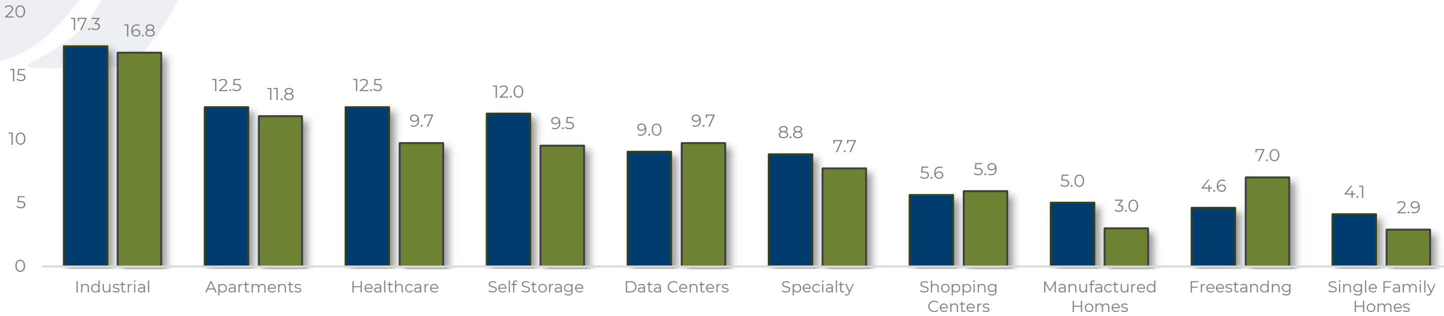
**Susan Ford**
Institutional Business Development
312-917-6538 | susan.ford@dpimc.com

**John Creswell**
Executive Managing Director
312-917-6536 | john.creswell@dpimc.com

[1] *Composite inception date is January 1, 1995. Periods over one year are annualized. Net composite returns are calculated by subtracting the highest separate account investment management fee (including performance fees, if applicable) in effect for that period. Please see the GIPS Composite Report on the final page for more information.*

[2] *Portfolio information is based on a representative institutional account excluding cash. Holdings are subject to change.*

## TOP TEN PORTFOLIO SECTOR WEIGHTS VS. BENCHMARK(%)[2]




*Source: Bloomberg Finance L.P.*

## MARKET REVIEW

Both the S&P 500 Index and U.S. REITs started the year off strong through early February. On February 3, much stronger-than-expected U.S. payrolls renewed fears of a higher-for-longer Federal Reserve interest rate policy, which reversed the 2023 equity recovery underway. Higher inflation data contributed further to the pullback in February in both equities and bonds. Soon after the beginning of March, equities came under additional pressure from the collapse of Silicon Valley Bank and Signature Bank, and from a last-minute rescue of Credit Suisse by the Swiss National Bank and UBS. Broader market equities recovered into month-end, while listed real estate continued to give back some of its year-to-date positive returns.

Most property sectors performed well, with defensive and tech-oriented sectors leading the way and cyclical oriented property sectors falling behind. As such, self storage, industrial, and data centers were the top performing property sectors. On the other end, office was the worst performing property sector, followed by regional malls and shopping centers.

To recap our view on earnings, fourth quarter deliveries were solid, and we believe management teams guided conservatively for 2023, setting an opportunity to beat and raise in the second half of the year provided the economy does not incur a hard landing.

## PORTFOLIO REVIEW

The Duff & Phelps U.S. Real Estate Securities strategy outperformed the benchmark during the quarter, with allocation and selection both contributing to outperformance.

On the basis of total attribution by property sector, office was the largest contributor, driven by allocation, followed by industrial, on both security selection and allocation. Conversely, specialty was the largest detractor, on security selection, followed by manufactured homes on security selection and allocation.

At the security selection level, our largest positive attribution contributors were Medical Properties Trust (MPW) and Digital Realty Trust (DLR), both of which were not owned during the quarter. Our largest detractors were Life Storage (LSI) and SBA Communications (SBAC).

Medical Properties Trust underperformed over the quarter on concerns of excess leverage and weak tenant retention. While management is looking to sell assets abroad, speculation on the deal and terms is keeping the price capped. Digital Realty's price over the quarter was held low relative to other data centers, given its excess leverage. Digital Realty has outlined plans to strengthen its balance sheet, but we see volatility for this name ahead.

## PORTFOLIO REVIEW CONT.

Our underweight allocation to Life Storage Inc (LSI) detracted from performance after M&A rumors emerged in early February, persisted through the quarter, and led to an eventual best-and-final offer in early April. Additionally, our overweight allocations to SBA Communications (SBAC) and American Tower (AMT) detracted from relative performance. Cell tower REITs broadly came under pressure in the first half of the quarter as many speculated over their growth potential in an inflationary environment. However, their earnings showed stability and growth with limited cost erosion. We continue to see value in the sector as a defensive holding given these qualities.

## INVESTMENT OUTLOOK

Our outlook remains positive for listed real estate, marked by overall solid fundamentals and attractive valuations. The potential for a hard landing and further stress in the global banking system remain key risks to stability across the equity markets. We expect this will challenge the central banks and keep volatility elevated through the year. In our view, listed real estate has shown an ability to outperform when central banks are pursuing a more reasonable path of increasing interest rates, in terms of both magnitude and frequency. Moreover, the abundance of private capital on the sidelines and the discounted pricing available via listed real estate, which we see as more attractive than private real estate, is a tailwind.

Stock selection remains key in the current market, as active managers can capitalize on the disconnect between property fundamentals and stock prices. We believe the Duff & Phelps U.S. Real Estate Strategy is well suited to capitalize on these opportunities due to our focus on high-quality owner-operators of enduring commercial real estate.

As always, thank you for your continued support of our team and investment strategy.

**GEOFFREY DYBAS, CFA**
Senior Portfolio Manager
and Head of Real Estate

**FRANK HAGGERTY, CFA**
Senior Portfolio Manager

[3] *It should not be assumed that securities identified were or will be profitable. The top ten holdings list represents the largest percentage holdings at quarter end of a representative institutional account excluding cash and does not represent all of the securities held in client portfolios. The securities identified may no longer be held in client portfolios and the holdings of any particular client portfolio may vary. The list is provided for illustrative purposes and should not be considered a recommendation to purchase or sell a particular security.*

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.**

*Returns are expressed in U.S. dollars and include the reinvestment of dividends and other earnings. Composite returns are net of trading costs but do not reflect the deduction of investment advisory fees, custodial charges or other expenses. Indices are not available for direct investment and index returns do not reflect the deduction of any fees. 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. Forward-looking statements are necessarily speculative in nature. It can be expected that some or all of the assumptions or beliefs underlying the forward-looking statements will not materialize or will vary significantly from actual results or outcomes.*

*The securities identified were selected from all of the holdings of a representative institutional account for the period based on relative contribution to the account's return versus the Benchmark. An average holding weight was computed based on daily ending market values. The securities identified do not represent all of the securities purchased, sold or recommended for advisory clients and the securities identified may no longer be held in client accounts. The methodology used to calculate the contribution to return or a list showing every holding's contribution to the account's return for the period is available upon request. Results exclude the effect of trading costs, fees and intraday trading prices.*

*The Benchmark is the FTSE Nareit Equity REITs Index, a free-float market capitalization-weighted index measuring U.S. publicly listed equity real estate investment trusts (REITs) not designated as timber or infrastructure REITs, which meet minimum size and liquidity criteria.*

*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.*



***Duff & Phelps Investment Management Co., Stone Harbor Investment Partners (UK), LLP, Virtus Global Partners Pte. Ltd., Virtus Investment Partners International Ltd., and VP Distributors, LLC are indirect subsidiaries of Virtus Investment Partners, Inc.***

DUFF & PHELPS
INVESTMENT MANAGEMENT CO.

# U. S. REIT

## FACT SHEET & COMMENTARY

Quarter Ending March 31, 2023

## GIPS COMPOSITE REPORT

| Year-end (12/31) | Annual Composite Return (%) Gross | Annual Composite Return (%) Net | Annual Benchmark Return (%) | 3-Year Annualized Standard Deviation (%) Composite | 3-Year Annualized Standard Deviation (%) Benchmark | Number of Accounts | Asset-weighted Dispersion (%) | Composite Assets (US $M) | Firm Total Assets (US $B) |
|---|---|---|---|---|---|---|---|---|---|
| 2022 | -25.38 | -25.97 | -24.37 | 22.52 | 23.46 | 11 | 0.1 | 1,213 | 12.0 |
| 2021 | 48.38 | 47.20 | 43.24 | 18.39 | 19.81 | 11 | 0.4 | 2,032 | 12.2 |
| 2020 | -1.12 | -1.90 | -8.00 | 18.34 | 20.02 | 11 | 0.6 | 1,489 | 10.6 |
| 2019 | 28.72 | 27.69 | 26.00 | 11.57 | 12.04 | 10 | 0.1 | 1,480 | 11.2 |
| 2018 | -5.32 | -6.08 | -4.62 | 13.35 | 13.38 | 10 | 0.1 | 1,274 | 9.0 |
| 2017 | 7.28 | 6.46 | 5.23 | 13.03 | 13.11 | 11 | 0.1 | 1,679 | 10.2 |
| 2016 | 8.00 | 7.20 | 8.52 | 14.92 | 14.80 | 10 | 0.2 | 1,814 | 10.3 |
| 2015 | 3.63 | 2.86 | 3.20 | 14.30 | 14.37 | 10 | 0.1 | 1,757 | 9.2 |
| 2014 | 33.08 | 32.11 | 30.14 | 13.27 | 13.08 | 10 | 0.0 | 2,088 | 10.8 |
| 2013 | 1.76 | 1.00 | 2.47 | 16.92 | 16.51 | 8 | 0.1 | 1,648 | 9.2 |

**Duff & Phelps Investment Management Co. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Duff & Phelps Investment Management Co. has been independently verified for the periods January 1, 1993 through December 31, 2021. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.**

1. **Organization –** Duff & Phelps Investment Management Co. ("Duff & Phelps" or the "firm") is a registered investment adviser and a wholly owned subsidiary of Virtus Investment Partners. Duff & Phelps manages assets on behalf of institutional and retail separate accounts and open-end and closed-end funds. Registration of an investment adviser does not imply any level of skill or training.

2. **Composite Description –** The U.S. REIT Composite includes all fully discretionary accounts, excluding wrap/SMA accounts, managed by the firm with account market values greater than $1 million at the time of initial investment that focus their investments in U.S. real estate investment trust securities with the objective of producing excess returns above the FTSE Nareit Equity REITs Index over a full market cycle (i.e., three- to seven-year horizon). Material risks, in addition to market risk or potential strategy underperformance, include sector concentration risks and risk factors specific to U.S. real estate securities. The inception date of the U.S. REIT Composite was January 1, 1995 and the Composite was created on January 1, 2001. The Composite was redefined November 30, 2018 to exclude wrap/SMA accounts in order to distinguish it from other products.

   Composite policy requires the temporary removal of any account incurring a significant cash flow. Effective July 1, 2016, a significant cash flow is defined as a client initiated inflow or outflow of cash or securities of 25% or more of beginning period assets. From April 1, 2014 through June 30, 2016, temporary accounts were utilized to remove the impact of significant cash flows of 10% or more. From August 1, 2009 through March 31, 2014, Composite policy required the temporary removal of any account incurring a significant cash flow of 10% or more.

3. **Benchmark –** The Composite Benchmark is the FTSE Nareit Equity REITs Index, a free-float market capitalization-weighted index measuring U.S. publicly listed equity real estate investment trusts (REITs) not designated as timber or infrastructure REITs, which meet minimum size and liquidity criteria.

4. **Calculations –** Returns are total, time-weighted rates of return expressed in U.S. dollars and include accrued income. The Composite and Benchmark results reflect the reinvestment of dividends and other earnings. The annual dispersion is asset-weighted and measures the deviation of individual portfolio gross returns around gross Composite returns for portfolios in the Composite for the entire year. The 3-year annualized ex-post standard deviation measures the variability of gross Composite returns and the Benchmark returns over the preceding 36-month time period.

5. **Performance and Fee Information –** Investment performance returns are presented on both a gross of fee and net of fee basis. Gross composite returns are calculated net of trading costs, but do not reflect any deduction for investment advisory fees, custodial charges or other costs that a client might incur in connection with the management of an account. The firm's fee schedule for management of separate institutional REIT accounts is: 0.65% on assets up to $25 million, 0.60 on the next $25 million, and 0.50% on amounts in excess of $50 million. Returns realized by clients will be reduced by these costs. Actual investment advisory fees incurred by clients may vary. Initial minimum account size for institutional accounts is $25 million. Net composite returns are calculated by subtracting the highest separate account investment management fee (including performance fees, if applicable) in effect for the period. Index returns do not reflect the deduction of any fees.

6. **Additional Information –** A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy. Duff & Phelps's policies for valuing investments, calculating performance and preparing GIPS reports are available upon request.