



**DUFF & PHELPS**  
INVESTMENT MANAGEMENT CO.

# U. S. REIT FACT SHEET & COMMENTARY

Quarter Ending December 31, 2022

## INVESTMENT PHILOSOPHY

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

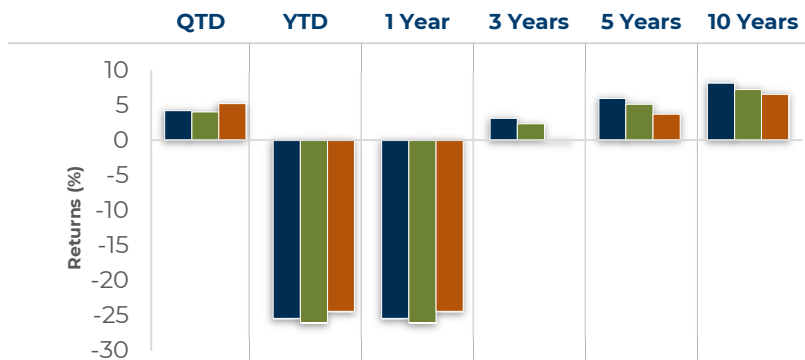
We focus on high quality owner/operators of real estate because our research shows they have offered durable cash flows and attractive risk-adjusted returns.

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<sup>1</sup>



	QTD	YTD	1 Year	3 Years	5 Years	10 Years
<b>Composite Gross Return</b>	4.2%	-25.4%	-25.4%	3.1%	5.9%	8.1%
<b>Composite Net Return</b>	4.0%	-26.0%	-26.0%	2.3%	5.1%	7.2%
<b>FTSE Nareit Equity REITs Index</b>	5.2%	-24.4%	-24.4%	-0.1%	3.7%	6.5%

## 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 <sup>2</sup>	Benchmark
FFO Multiple (P/E), 2023 est.	16.8x	15.7x
Earnings Growth Rate, 5-year est.	6.4%	5.7%
Dividend Yield	3.7%	4.3%
Dividend Growth, 5-year est.	11.9%	9.8%
Weighted Avg. Market Cap (bn)	\$34.4	\$30.0

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

## TOP TEN HOLDINGS<sup>3</sup>

	Portfolio(%) <sup>2</sup>
Prologis Inc.	12.7
Equinix Inc.	7.9
Welltower Inc.	5.5
Sun Communities Inc.	5.3
Mid-America Apartment Comm.	4.7
Extra Space Storage Inc.	4.4
CubeSmart	4.3
Avalonbay Communities Inc.	4.1
Ventas Inc.	4.1
Rexford Industrial Realty Inc.	4.1

## RISK/RETURN (10 YEARS)

	Composite	Benchmark
Alpha	1.6%	-
Total Return Beta	1.0	1.0
Sharpe Ratio	0.4	0.3
Standard Deviation	16.8%	17.3%
Information Ratio	0.7	-
Tracking Error	2.2	-

Calculated using gross performance returns.

## CONTACT INFORMATION

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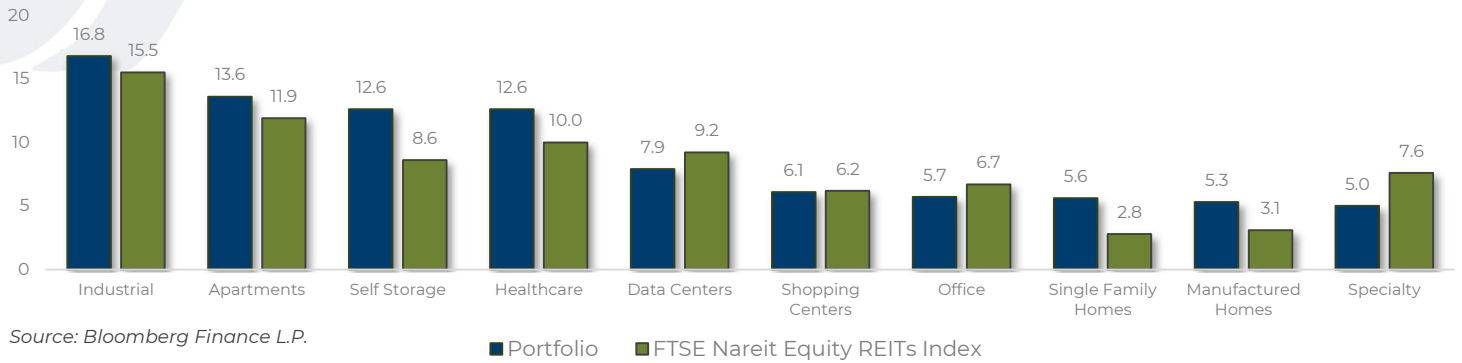
<sup>1</sup> Composite inception date is January 1, 1995. Periods over one year are annualized. Net composite returns are calculated by subtracting the highest separate account investment management fee in effect for that period. Please see the GIPS Composite Report on the final page for more information.

<sup>2</sup> Portfolio information is based on a representative institutional account excluding cash. Holdings are subject to change.



Quarter Ending December 31, 2022

## TOP TEN PORTFOLIO SECTOR WEIGHTS VS. BENCHMARK(%)<sup>2</sup>



## MARKET REVIEW

While the fourth quarter finished on a positive note, it was not without its fair share of volatility, induced by mixed central bank policy responses to continued heightened, if moderated, inflation data points. The market debate of a hawkish peak versus plateau offered opportunities at various points to shift the portfolio towards less cyclicality.

Central banks broadly signaled and enacted rate hikes through the quarter at a decelerated rate as compared to earlier in the year, suggesting the global rate hike cycle is closer to an end than a beginning. However, central bank policy and commentary was not uniform. Domestically, the quarter was bookended by U.S. inflation data, which came in hotter than expected in October, and hawkish commentary from Chairman Powell and the Federal Open Market Committee in December, which suggested more evidence of wage moderation needed before an easing of monetary conditions. The European Central Bank's hike and commentary and the Bank of Japan's widening of government bond trading bands in December contributed to the chorus of hawkishness to end the year. In contrast, tamer commentary and rate hikes came out of the central banks of England, Canada, and Australia. The mixed central bank policy responses may have contributed to the decline of the U.S. dollar from recent highs, easing some of the pressure a strong dollar had placed on worldwide equities and global listed real estate.

For the quarter, performance was mixed across sectors, blending toward a total positive return for the benchmark. Regional malls and shopping centers were the best performing sectors, while single-family homes and apartments were the biggest laggards.

Earnings concluded in mid-November with 58% and 29% of U.S. REITs respectively beating and meeting estimates, with 65% of U.S. REITs raising 2022 guidance. Self-storage, residential (apartments, single-family home rentals, and manufactured home communities), lodging, and industrial companies continued to see real-time pricing power and, on a blended basis, these property sectors saw upward consensus earnings forecast revisions of 2.9% for 2023, which compares to flat overall for listed real estate. Conversely, numerous broader market strategists point to how bottom-up consensus earnings estimates for the S&P 500 are at risk, as they broadly pencil in 2023 earnings per share growth rates closer to flat versus current bottom-up estimates of approximately 10%. The earnings growth advantage seems to be in favor of listed real estate.



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### PORTFOLIO REVIEW

The Duff & Phelps U.S. Real Estate Securities strategy underperformed the benchmark during the fourth quarter due to negative property sector allocation that offset positive security selection. The largest positive contributors included health care on security selection, shopping centers on security selection and overweight allocation, and data centers on security selection.

Apartments was the biggest detractor due to an overweight sector allocation, followed by specialty due to an underweight sector allocation and security selection. These were followed by single-family homes due to overweight allocation.

### INVESTMENT OUTLOOK

Looking forward, we have a positive view on listed real estate based on what we view as oversold conditions, the U.S. Federal Reserve and its central bank peers moving past peak hawkishness, bond markets opening, and overall fundamentals remaining solid even as they are impacted by slowing economies and higher refinancing rates. 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. Clearly that is something central banks did not offer in 2022 as they played catch-up with inflation. With an abundance of private capital on the sidelines and the discounted pricing available via listed real estate, arguably at wholesale prices, we see listed real estate as much more attractive than private real estate.

Moreover, the current atmosphere is one in which 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

<sup>3</sup> 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. A complete list of holdings and transactions for the previous twelve months is available upon request.



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**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.

The ICE U.S. Dollar Index (DXY) measures the value of the U.S. dollar against a weighted basket of currencies used by U.S. trading partners.

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## GIPS COMPOSITE REPORT

Year-end (12/31)	Annual Composite Return (%)		Annual Benchmark Return (%)	3-Year Annualized Standard Deviation (%)		Number of Accounts	Asset-weighted Dispersion (%)	Composite Assets (US \$M)	Firm Total Assets (US \$B)
	Gross	Net		Composite	Benchmark				
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	1,487	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 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.

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