

Global Real Estate Securities Fact Sheet & Commentary

Quarter Ending December 31, 2018



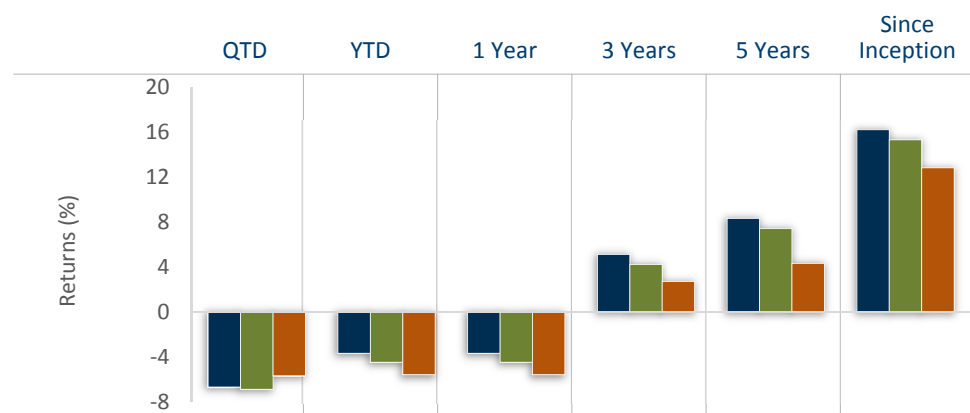
DUFF & PHELPS
INVESTMENT MANAGEMENT CO.

A VIRTUS INVESTMENT PARTNER

PORTFOLIO STRATEGY

- Holdings 50-70 securities
- Single Security Limit < 500 bps of relative exposure
- Expected Turnover < 50%
- Cash Typically fully invested
- Benchmark FTSE EPRA Nareit Developed Index (net)

PERFORMANCE (%)¹



	QTD	YTD	1 Year	3 Years	5 Years	Since Inception
Composite Gross Return	-6.7%	-3.7%	-3.7%	5.1%	8.3%	16.2%
Composite Net Return	-6.9%	-4.5%	-4.5%	4.2%	7.4%	15.3%
FTSE EPRA Nareit Dev Index (Net)	-5.7%	-5.6%	-5.6%	2.7%	4.3%	12.8%

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.

PORTFOLIO CHARACTERISTICS

	Portfolio ²	Benchmark
Multiple (P/E), 2019 est.	16.7x	15.8x
Earnings Growth Rate, 2019 est.	8.7%	5.0%
Dividend Yield	4.1%	4.5%
Dividend Growth, 5-year est.	6.3%	4.4%
Median Market Cap (bn)	\$5.2	\$2.6

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

TOP TEN HOLDINGS³

	Portfolio(%) ²
Prologis Inc.	4.3
Vonovia SE	3.4
Digital Realty Trust Inc.	3.1
Simon Property Group Inc.	3.1
Mitsubishi Estate Co Ltd.	3.0
Wharf Real Estate Investment	2.9
Link REIT	2.6
Sun Communities Inc.	2.6
Alexandria Real Estate Equities	2.5
Unite Group Plc	2.5

RISK/RETURN (SINCE INCEPTION)

	Composite	Benchmark
Alpha	3.6%	-
Total Return Beta	1.0	1.0
Sharpe Ratio	1.0	0.8
Standard Deviation	15.9%	16.1%
Information Ratio	0.9	-
Tracking Error	4.0	-

Source: eVestment

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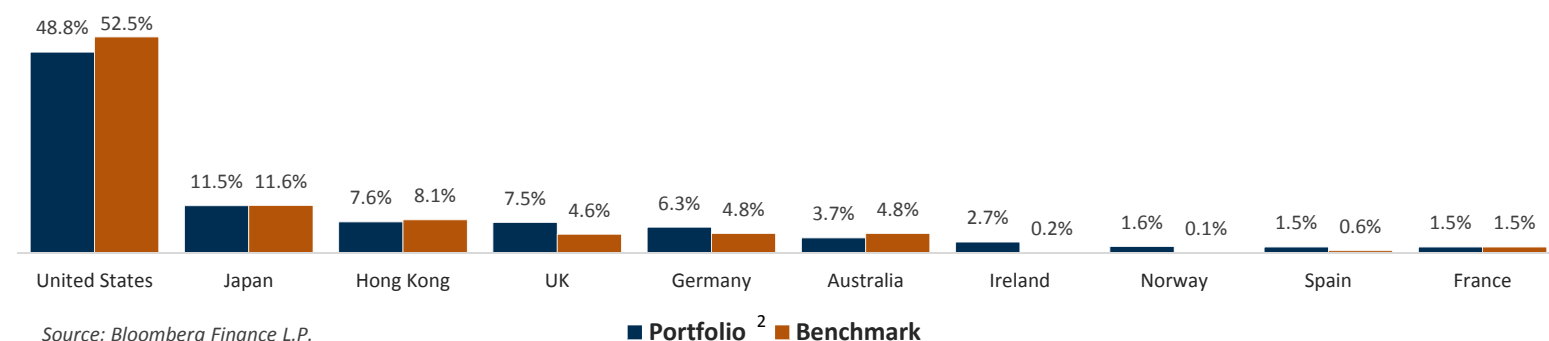
¹Composite Inception Date: 3/31/2009. Periods over one year are annualized. Please see the GIPS Compliant Presentation for more information.

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

³It 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.



Top Ten Country Weights vs. Benchmark(%)



Market Review

Global financial markets came under significant pressure during the fourth quarter as a plethora of economic and political worries compounded, culminating in one of the worst December market drawdowns in decades. Amidst this heightened volatility global equities fell by 13.4% during the fourth quarter, as represented by the MSCI World Index, expressed in U.S. dollars. On-the-other-hand, global real estate securities proved to be a relative port in the storm, declining only 5.7% during the quarter, as represented by the FTSE EPRA Nareit Developed Index (“the Benchmark”), expressed in U.S. dollars. Global real estate equities outperformed global equities for the year as well, falling 5.6% versus a decline of 8.7%.

Movement in the U.S. dollar continued to be a headwind to international returns during the quarter with an increase of 1.1%, as measured by the U.S. Dollar Spot Index. The U.S. dollar hit intra-year highs during the quarter as global growth concerns, a precipitous decline in oil and increased Brexit concerns, weighed on other currencies.

There had been some expectation the Fed would appear more accommodative in its December forward commentary to global growth concerns, including the negative impact from trade tariffs with China. Instead, the Fed elected to increase rates for a fourth time of the year in December amidst the growth concerns, and articulated two probable further rate increases in 2019 and on-going balance sheet unwinding.

Fortunately, as we go to print, Fed Chair Powell articulated a better message on January 4, 2019, noting how the Fed would be receptive to using all of its tools, including a change in previously planned balance sheet unwinding and rate increases, depending on the economic data and market environment.

The fourth quarter equity market selloff led to significant discounts for REITs globally versus private market valuations. At the same time capital continued to be raised for private real estate funds, boosting the potential of M&A.

Taking a closer look at the performance of the individual countries that are represented within the FTSE EPRA Nareit Developed Index, the top-performing countries during the fourth quarter on a total return basis measured in U.S. dollars included New Zealand, Japan, Belgium, Hong Kong and Sweden. Of these countries, New Zealand and Japan managed to post positive returns for the quarter and all but Hong Kong outperformed the Index on the year. Beyond healthy underlying real estate fundamentals, New Zealand and Japan’s quarterly performance was aided by positive movements in the New Zealand dollar and Japanese yen, both of which appreciated relative to the U.S. dollar.

The five bottom-performing countries during the fourth quarter were the Netherlands, France, Italy, Ireland and Finland. European focused retail real estate companies listed in the Netherlands and France continued to be under pressure again this quarter given their mixed fundamental outlook and the expected negative impact to French retail sales from the “Yellow Vest” protests that took place across France prior to Christmas. French office names also underperformed. Irish office and residential real estate shares performed poorly during the quarter as the vote on the likely doomed Brexit divorce agreement between the U.K. and Europe was delayed until January by Prime Minister May’s government. The contentiousness surrounding what to do with the Irish border once the U.K. leaves the EU continues to override a healthy Irish economy and real estate market.

Portfolio Review

Overall, our global real estate securities strategy underperformed the Benchmark in the fourth quarter. Country allocation and security selection contributed about equally to our underperformance.



Portfolio Review cont.

Combining country allocation and security selection, the top positive contributors to performance for the quarter were the Netherlands, Australia and India. Security selection drove the performance of Australia and country allocation was the driver of performance in the Netherlands and India.

From a country allocation perspective, our underweight allocation to the Netherlands was the most positive driver of performance during the fourth quarter. The Netherlands was the worst performing country during the quarter for the second quarter in a row and meaningfully trailed the Index. The next most positive contributor to country allocation for the quarter was our out of benchmark exposure to India via our holding in Ascendas India Trust, a Singapore based India office park focused real estate firm, which posted a positive total return for the quarter.

At the security level, our overweight exposure to TLG Immobilien AG, a mid-cap German diversified real estate company, was the largest positive contributor for the quarter. Shares of the company performed strongly during the quarter as the company announced positive earnings results and previewed what is expected to be a significant increase in the underlying valuation of its properties when it reports year end results. The company's healthy exposure to the Berlin office market, one of the best in Europe, is the primary driver behind this expected valuation increase. The next largest positive contributors to security selection for the quarter were our overweight exposures to Extra Space Storage, a large-cap U.S. self storage REIT, Sun Communities, a mid-cap U.S. manufactured home REIT, and National Storage, a small-cap Australian self storage REIT. Extra Space's shares bounced back after lagging in the previous quarter. While concerns regarding slowing operational performance due to new supply still linger, Extra Space continues to demonstrate industry leadership by delivering superior results relative to its peers. Sun Communities remained an organic growth leader in listed real estate, facing a lack of new competitive supply and benefiting from strong tenant demand.

Combining country allocation and security selection, the top detractors were the U.S., China and Hong Kong. Security selection was the primary detractor in the U.S. and Hong Kong, while country allocation detracted in China.

From a country allocation perspective, our out of benchmark exposure to China focused data center real estate firm GDS Holdings was the largest detractor from performance during the fourth quarter. Despite reporting very positive third quarter earnings results during the quarter, the shares fell victim to the on-going trade noise surrounding China and the significant weakness in technology shares during the quarter. The second largest country allocation detractor was our overweight exposure to Ireland. As mentioned previously, Ireland was one of the worst performing countries during the quarter as Irish listed real estate companies seem to have become a levered play on the direction of the Brexit negotiations between the U.K and Europe, which took a negative turn during the fourth quarter.

At the security level, our lack of exposure to Welltower Inc., a large-cap U.S. health care REIT was the largest negative contributor to security selection for the quarter. Against a backdrop of a very volatile broader market, defensive areas of the market like health care outperformed during the fourth quarter and this held true within the real estate space as well. The next largest detractors to security selection were our lack of exposure to Ventas Inc., a large-cap U.S. health care REIT and Realty Income, a large-cap U.S. free standing REIT and our overweight exposure to RLJ Lodging Trust, a mid-cap U.S. lodging REIT. Given their historically defensive nature, U.S. free standing and health care REITs were relative outperformers during the quarter, while U.S. lodging REITs were laggards given their higher degree of economic sensitivity.

Investment Outlook

Looking ahead, we expect continued variance in the global economic growth picture and regional real estate fundamentals. Regionally, we are looking to Ireland, Australia, and the U.S. for economic growth leadership. We expect the variance in global growth trajectories to create opportunities for active managers such as ourselves, who are focused on owner-operators of high quality real estate, with solid balance sheets and proven management teams, to deliver outperformance versus the broader REIT market. Overall, we expect cash flow and dividend growth for global real estate securities to be solid once again in 2019. Key themes we are focusing on include:

•*Rents, not rates*: While there is likely to be upward pressure on interest rates in many markets, rental rate growth – particularly for high quality real estate, will continue to support further cash flow and dividend growth.

•*New supply*: While new supply levels are generally catching up to years of undersupply, selective geographic markets and property sectors will remain impacted by new development.

•*Balance sheet health*: Cash flow and dividend growth rates are converging across many global markets, but U.S. balance sheets are benefiting from more active pruning and remain better positioned with less leverage than most international markets.

•*M&A tailwind*: M&A activity picked up in 2018, driven by healthy discounts-to-NAV in public real estate security markets, as well as large pools of private equity real estate capital looking to be put to work. We expect this to continue in the year ahead.



Investment Outlook cont.

Our base case total return drivers for global real estate in 2019 include:

- An attractive estimated cash flow growth of 4-6%.
- Dividend yield of approximately 4%, with above average growth expected in the U.S. given lower payout ratios.
- Healthy demand, increasing rents and manageable new supply driving cash flow and dividend growth.
- From a global perspective, real estate fundamentals remain more attractive for the industrial/logistics and data center property sectors with secular tailwinds from ecommerce and the cloud.

There are several potential upside catalysts to our base case. A key macro consideration would be greater than expected global economic growth, which would drive higher real estate occupancies and rents. Another upside factor would be rotation into real estate securities from bonds and broader equities, as investors embrace asset classes which provide diversification benefits alongside traditional allocations. And an increased potential for M&A and privatizations continues to exist, given the listed discounts to private real estate market prices, robust bids, and the ongoing appetite for high quality, core real estate among institutional investors.

From a balanced perspective, we also note certain downside risks to our base case assumptions. A key risk would be ongoing waves of macro-political shocks, which could lead to broad based economic deceleration or a dislocation in global debt markets. Also, interest rates could increase at a faster pace and magnitude than a lift in net operating income growth and replacement costs could absorb. And an acceleration in the pace of new commercial real estate supply would also be a concern.

Overall, we believe the global real estate market cycle still has room for further growth against a backdrop of solid catalysts which underpin our base case.

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



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The securities identified were selected from all of the holdings of a representative account for the period based on relative contribution to the account's return versus the Benchmark. 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.

The FTSE EPRA Nareit Developed Index (net) is a free-float market capitalization index measuring developed market global real estate securities engaged in the ownership, disposal and development of income-producing real estate that meet minimum size, liquidity and revenue criteria.

The MSCI World Index (net) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of global developed markets.



GIPS Compliant Presentation

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				
2018	-3.67	-4.48	-5.63	11.21	10.82	<5	n.a.	173.3	9.0
2017	14.29	13.32	10.36	11.41	10.90	<5	n.a.	208.8	10.2
2016	5.37	4.52	4.06	12.86	12.21	<5	n.a.	182.6	10.3
2015	3.07	2.25	-0.79	12.46	12.29	<5	n.a.	94.4	9.2
2014	24.44	23.47	15.02	12.22	12.49	<5	n.a.	66.4	10.8
2013	2.57	1.75	3.67	15.79	16.45	<5	n.a.	43.0	9.2
2012	25.80	24.80	27.73	17.53	18.14	<5	n.a.	24.9	8.9
2011	1.93	1.07	-6.45			<5	n.a.	6.7	8.6
2010	24.79	23.75	19.64			<5	n.a.	3.5	7.2
2009*	77.27	76.21	76.47			<5	n.a.	2.5	6.5

*Partial year return. Composite inception is March 31, 2009.

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, 2017. The verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

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 Global Real Estate Securities Composite includes all fully discretionary accounts that focus their investments in global real estate equity securities. The inception date of the Composite is March 31, 2009 and the Composite was created on March 31, 2009. The Composite contains less than 5 portfolios. From September 1, 2014 to June 30, 2016, Composite policy required the creation of a temporary account for a single client initiated inflow or outflow of cash or securities expected to exceed 10% at the time of notification of beginning period assets (a “significant cash flow”). Effective July 1, 2016, Composite policy does not, and prior to September 1, 2014 did not, include the use of temporary accounts or define significant cash flows.

3. Benchmark –The Composite Benchmark is the FTSE EPRA Nareit Developed Index (net), a free-float market capitalization index measuring developed market global real estate securities engaged in the ownership, disposal and development of income-producing real estate, which meet minimum size, liquidity and revenue criteria. Prior to September 1, 2017, the Composite Benchmark was the FTSE EPRA Nareit Developed Rental Index (net), a sub-set of the new Benchmark. The former Benchmark focused on companies classified as Rental and excluded companies classified as Non-Rental. The change in Benchmark was made given the widespread use of the new Benchmark in the marketplace. There has been no change to the Composite strategy, which continues to focus primarily on rental companies. Exchange rates used for the Benchmark are WM/Reuters Closing Spot Rates™ collected at 16:00 hours London time; prior to October 1, 2016, the Composite used WM/Reuters Closing Spot Rates™ collected at 16:00 hours New York time and since October 1, 2016 the Composite uses WM/Reuters Closing Spot Rates™ collected at 16:00 hours London time. Prior to 2012, the Composite utilized a systematic fair value methodology triggered by significant events (such as significant movements in U.S. markets following international markets' closings). The Benchmark does not utilize a systematic fair value methodology, and effective 2012, the Composite does not utilize such a methodology. The withholding tax rates used in the calculation of the Benchmark are those applied to dividends received by a Luxembourg based UCIT

fund; the withholding tax rates used in the calculation of the Composite are those applied to dividends received by account domicile.

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. Portfolios are valued on a trade date basis. Monthly performance is calculated by linking daily returns. The Composite return is an asset weighted average of the performance results of all the portfolios in the Composite based on beginning of month values. Composite dispersion is not presented for periods with 5 or fewer portfolios. The 3-year annualized ex-post standard deviation measures the variability of the Composite and the Benchmark returns over the preceding 36-month time period and is not presented for performance periods of less than 36 months. This figure was previously misstated as 11.37% for the 2017 Benchmark results and is now correctly shown as 10.90%.

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 institutional separate Global Real Estate Securities accounts is: .80% on assets up to \$10 million, .75% on the next \$15 million, .70% on the next \$25 million, and .60% 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 \$5 million. Effective October 1, 2016, net composite returns are calculated by subtracting actual separate account investment management fee rates from gross account returns based on month-end assets. Previously, net composite returns were 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 – Duff & Phelps's policies for valuing portfolios, calculating performance and preparing compliant presentations, as well as a complete list of composite descriptions, are available upon request.

Past performance is not indicative of future results.

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