

ADELANTE (PUBLIC RE - REITS)
DOMESTIC EQUITY: WILSHIRE REIT BENCHMARK

FOR THE MONTH OF: **SEPTEMBER** **2016**

MANAGER PERFORMANCE CALCULATIONS	<i>* Annualized returns</i>				
	Last <u>Month</u>	Last <u>3 Months</u>	Last <u>1 Year</u>	Last <u>3 Years*</u>	Last <u>5 Years*</u>
Adelante Total Return	-1.34%	-1.19%	15.61%	16.08%	16.78%
Wilshire REIT Index	-2.15%	-1.21%	17.94%	14.34%	15.82%

PERFORMANCE ATTRIBUTION & STRATEGY COMMENTS

For the month ended September 30, 2016 – The Account outperformed the Wilshire US REIT Index by 81 basis points, gross of fees, as the REIT market declined 2.15%.

- Contributors: security selection within Lodging, Industrial Mixed and Healthcare.
- Detractors: sector allocation to Single Family Housing (underweight) and Manufactured Homes (underweight).
- Best performing holding: Equity Residential, +4.6%.
- Worst performing holding: Marriott International- CL A, -12.9%.

For the trailing quarter ended September 30, 2016 – The Account outperformed the Wilshire US REIT Index by 2 basis points, gross of fees, as the REIT market declined 1.21%.

- Contributors: security selection within Apartments, Office and the sector allocation to Industrial (overweight).
- Detractors: sector allocation to Healthcare (underweight), Storage (overweight) and security selection within Regional Retail.
- Best performing holding: Brookdale Senior Living, +13.9%.
- Worst performing holding: Dupont Fabros Technology, -12.3%.

Comments – From asset class to industry, the evolution of commercial real estate advances. Here are just a few examples:

- Equity generalists are attending REIT industry conferences to learn property type basics and real estate economics.
- Foreign investors are seeking yield across the globe – US REITs offer superior yield, discounts to NAV and structural advantages vs J REITs.
- Mall landlords, Simon and General Growth, are banding together with liquidators to “save jobs and stores.”
- A travel website is partnering with a lodging brand, Marriott, especially now that they have successfully acquired Starwood Hotels.
- REITs are leading the institutionalization of non-core property types, single family homes for rent being the latest.

During the month, STORE Capital was eliminated, Starwood Hotels & Resorts was acquired by Marriott International and Health Trust of America was introduced to the portfolio. At month-end, we had a 3.0% cash position.

MANAGER STYLE SUMMARY

Adelante (formerly Lend Lease Rosen) manages the public real estate portfolio, comprised of publicly-traded real estate companies, primarily real estate investment trusts (REITs). Investments will generally fall into one of three categories as described in the Portfolio Attributes section: Core holdings, Takeover/Privatization candidates, and Trading Opportunities. Typical portfolio characteristics include current pricing at a discount relative to the underlying real estate value, attractive dividend prospects, low multiple valuations (P/FFO), and expert management. Chadwick Saylor (in conjunction with Hamilton Lane) oversees the investments in this portfolio, along with the private real estate portion.

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PORTFOLIO GUIDELINE COMPLIANCE

SEPTEMBER

2016

Portfolio Guideline:	Adelante	Wilshire REIT	Calc	Min	Max	Compliance
B2. All securities are publicly-traded real estate companies, primarily real estate investment trusts						ok
B3. Mkt Cap of Issuers of Securities in the Account				\$250		ok
B4. Single Security Positions <= 30% @ purchase						ok
B6a. P/FFO (12-mo trail)	20.61	19.00	1.08		1.30	ok
B6b. Beta	0.95	1.00	0.95	0.70	1.30	ok
B6c. Dividend Yield	3.02	3.50	0.86	0.80	2.00	ok
B6d. Expected FFO Growth	19.41	18.18	107%	80%	120%	ok
E2. Commissions not to exceed \$0.06/share						ok
The portfolio is in compliance with all other aspects of the Portfolio Guidelines						<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

MANAGER EXPLANATIONS FOR DEVIATIONS FROM PORTFOLIO GUIDELINES

PORTFOLIO ATTRIBUTES

Portfolio Guidelines section B5

Core Holdings (40% - 100%)

Actual: **85%** **ok**

Consists of investments with the following characteristics: premier asset portfolios and management teams, attractive dividend yields, low multiple valuations, real estate property types or regions that are less prone to experience the impact of an economic slowdown.

Takeover/Privatization Candidates (0% - 15%)

Actual: **12%** **ok**

Focuses on smaller companies which may be attractive merger candidates or lack the resources to grow the company in the longer-term. Also focuses on companies which may have interest in returning to the private market due to higher private market valuations.

Trading Arbitrage (0% - 20%)

Actual: **0%** **ok**

Focuses on high quality companies which may become over-sold as investors seek liquidity.

ORGANIZATIONAL/PERSONNEL CHANGES

ACCOUNT TURNOVER

Gained:	Number of Accounts: 0	Total Market Value (\$m): \$ -
Lost:	Number of Accounts: 0	Total Market Value (\$m): \$ -
	Reason(s):	