

Adelante (Public RE - REITs)

Domestic Equity: Wilshire REIT Benchmark

	For the month of:		April	2023	
Manager Performance Calculations			* Annualized returns		
	Last	Last	Last	Last	Last
	Month	3 Months	1 Year	3 Years*	5 Years*
Adelante Total Return	1.63%	-4.19%	-15.69%	9.23%	7.09%
Wilshire REIT Index	0.84%	-6.42%	-16.90%	8.38%	5.54%

Performance Attribution & Strategy Comments

For the month ended April 30, 2023 – The Account outperformed the Wilshire US REIT Index by 79 basis points, gross of fees, as the REIT market advanced 0.8%.

- Contributors: sector allocation to Diversified (underweight), Single Family Homes (overweight) and security selection within Healthcare.
- Detractors: security selection within Local Retail, Storage and the sector allocation to Healthcare (underweight).
- Best performing holding: Ventas, Inc., +10.8%.
- Worst performing holding: Extra Space Storage, Inc., -6.7%.

For the trailing quarter ended April 30, 2023 – The Account outperformed the Wilshire US REIT Index (Index) by 223 basis points, gross of fees, as the REIT market declined 6.4%.

- Contributors: security selection within Lodging, Industrial Mixed and the sector allocation to Diversified (underweight).
- Detractors: security selection within Apartments, Local Retail and Storage.
- Best performing holding: Playa Hotels & Resorts, +23.6%.
- Worst performing holding: Boston Properties, Inc., -27.0%.

Comments – CRE values fall as financial conditions tighten. Daily headlines continue to highlight forced sales, debt restructurings, and the **\$1.5 trillion wave of loans set to mature by YE 2025; CMBS issuance has collapsed in Q1 to the lowest level since 2012.** The challenges are broad reaching despite the intense focus on the office sector. Vornado Realty, a NYC office REIT, made a preemptive move to delay its quarterly dividend until Q4 2023, stressing the importance of capital preservation to protect its franchise. We expect other office REITs and private funds to follow; whether they can retain the marginal shareholders is yet to be seen. **Opportunistically, Blackstone announced raising \$30.4B in for a CRE drawdown fund, while their existing funds are returning keys to their lenders.**

Earnings season got underway in April with 53.3% of the Large Cap REITs reporting - 10 companies reported beat consensus, 5 companies met consensus, and 1 company missed. In terms of earnings growth, **11 companies or 68.8% showed positive earnings growth versus 1Q22.** Earnings announcements provided some clarity between company fundamentals and CRE headlines. **The themes thus far are: i) large cap strength, ii) flight-to-quality, iii) increasing OpEx and fixed expenses, iv) higher construction labor costs, v) elevated apartment rents, vii) reaccelerating retail and life science rents, and viii) expectations for limited new supply, a tailwind;** there is evidence that current supply pipelines across property types have peaked.

The health care sector was the best performing sector, gaining 6.5%. The diversified sector, primarily office companies, was the worst performing sector, declining 2.8%. **There were no changes to the portfolio during the month.**

At month-end, the portfolio's dividend yield and cash positions stood at 3.5% and 3.1%, respectively.

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.

Adelante (Public RE - REITs)

Domestic Equity: Wilshire REIT Benchmark

Portfolio Guideline Compliance

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)	19.13	17.85	1.07		1.30	ok
B6b. Beta	0.95	1.00	0.95	0.70	1.30	ok
B6c. Dividend Yield	3.27	3.75	0.87	0.80	2.00	ok
B6d. Expected FFO Growth	18.29	17.24	106%	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

There were no deviations.

Portfolio Attributes

Portfolio Guidelines section B5

Core Holdings (40% - 100%)

Actual: 83% 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: 1% 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: 12% ok

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

Total Firm Assets Under Management (\$m) as of:

Qtr 1 \$ 1,536

Organizational/Personnel Changes

There were no changes during the month.

Account Turnover

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