

Adelante (Public RE - REITs)

Domestic Equity: Wilshire REIT Benchmark

	For the month of:	August	2021		
Manager Performance Calculations			<i>* Annualized returns</i>		
	Last	Last	Last	Last	Last
	<u>Month</u>	<u>3 Months</u>	<u>1 Year</u>	<u>3 Years*</u>	<u>5 Years*</u>
Adelante Total Return	2.42%	12.45%	41.88%	14.62%	10.63%
Wilshire REIT Index	1.91%	10.39%	40.58%	11.30%	7.63%

Performance Attribution & Strategy Comments

For the month ended August 31, 2021 – The Account outperformed the Wilshire US REIT Index by 51 basis points, gross of fees, as the REIT market advanced 1.9%.

- Contributors: security selection within Office, Industrial and Storage.
- Detractors: security selection within Diversified, the sector allocation to storage (underweight) and a cash drag.
- Best performing holding: Playa Hotels & Resorts, 9.3%.
- Worst performing holding: JBG Smith Properties, -7.0%.

For the trailing quarter ended August 31, 2021 – The Account outperformed the Wilshire US REIT Index by 206 basis points, gross of fees, as the REIT market advanced 10.4%.

- Contributors: security selection within Office, Healthcare and Storage.
- Detractors: security selection within Local Retail, the sector allocation to Storage (underweight) and a cash drag.
- Best performing holding: Extra Space Storage, Inc., 25.5%.
- Worst performing holding: Xenia Hotels & Resorts, Inc., -9.5%.

Comments – Despite the delta variant propelling the observed weekly COVID-19 case count to its second peak, it is clear that investors are “living with the virus;” **large M&A transactions are closing, leading to additional deal speculation.** The most prominent combination announced is VICI Properties Inc’s \$17.2B acquisition of MGM Growth Properties, fortifying VICI’s experiential REIT moniker with 45% of its revenues now coming from Las Vegas assets. Conversely, the bidding war for Monmouth Real Estate Investment Corporation came to a close when their shareholders rejected the Equity Commonwealth offer despite its open-letter touting the merits of partnering with the Equity group of companies with its 50 year track record of value creation.

On August 27th, the Supreme Court ended the pandemic related federal moratorium on residential evictions with a 6-3 vote. The challenge was led by realtor associations and landlords from Georgia and Alabama. While this action does not have an immediate impact on most public landlords, it does intensify the news surrounding **the housing imbalance across the country.** We will be watching to see if there is a policy response to incentivize new construction, which could potentially limit rental growth for the shelter REITs.

During the month, we exited our position in Healthcare Trust of America following the abrupt resignation of its CEO. Additionally, Extra Space Storage and Simon Property Group announced dividend increases of 25% and 15%, respectively. **At month-end, the portfolio’s dividend yield and cash position stood at 2.2% and 1.9%, 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.

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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)	26.89	22.38	1.20		1.30	ok
B6b. Beta	0.95	1.00	0.95	0.70	1.30	ok
B6c. Dividend Yield	2.08	2.54	0.82	0.80	2.00	ok
B6d. Expected FFO Growth	26.26	24.28	108%	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: 89% 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: 0% 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: 9% ok

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

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

Qtr 2 \$ 2,176

Organizational/Personnel Changes

There were no organizational/personnel 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):				