

Adelante (Public RE - REITs)

Domestic Equity: Wilshire REIT Benchmark

	For the month of:		January	2025	
Manager Performance Calculations					
	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	1.21%	-1.41%	14.25%	0.61%	5.60%
Wilshire REIT Index	1.02%	-1.61%	14.55%	0.24%	4.60%

Performance Attribution & Strategy Comments

For the month ended January 31, 2025 – The Account outperformed the Wilshire US REIT Index by 19 basis points, gross of fees, as the REIT market advanced 1.0%.

- Contributors: security selection within Care Facilities REIT, Hotel REIT and the sector allocation to Care Facilities REIT (overweight).
- Detractors: the sector allocation to Data Center REIT (overweight), Free Standing REIT (underweight) and security selection within Shopping Center REIT.
- Best performing holding: ProLogis, Inc., +12.6%.
- Worst performing holding: Digital Realty Trust, -7.6%.

For the trailing quarter ended January 31, 2025 – The Account outperformed the Wilshire US REIT Index by 20 basis points, gross of fees, as the REIT market declined 1.6%.

- Contributors: the sector allocation to Medical Offices and Laboratories REIT (underweight), Real Estate Services (overweight) and security selection within Care Facilities REIT.
- Detractors: the sector allocation to Data Center REIT (overweight), Free Standing REIT (underweight) and security selection within Shopping Center REIT.
- Best performing holding: Marriott International-CL A, +13.6%.
- Worst performing holding: Iron Mountain, -17.3%.

Comments – In the first month of the new year, **market participants navigated a range of significant events: the inauguration of the 47th President of the United States, widespread wildfires, multiple executive orders, and the disruptive emergence of DeepSeek AI.** The 10-year Treasury yield fluctuated between 4.54% and 4.76% amid mixed economic data and shifting Federal Reserve signals, ultimately closing January at 4.55%. The FOMC held the federal funds rate steady at its January meeting and REIT share prices saw modest gains as earnings season commenced.

Looking ahead, commercial real estate fundamentals are expected to strengthen throughout 2025 as new supply declines, interest rates stabilize, and evolving Washington, D.C. policies take effect. **Tariff uncertainty and geopolitical tensions, along with rising material costs—exacerbated by post-wildfire supply disruptions—will pressure returns and strain underwriting in the near term. Meanwhile, signs of stabilization in the office and retail sectors are emerging;** Blackstone’s recent contract to acquire a New York City office tower (following their recent privatization of ROIC, a shopping center REIT) signals growing confidence in high-quality office valuations.

On January 2nd, Wilshire Indexes revised the methodology for their index suite, including the Wilshire US REIT Index. **The update introduced new property sector classifications, a revised sector breakdown with approximately 10% reweighting, and an expansion to 134 holdings.** We leveraged our expanded coverage universe—established over three years ago—to adjust our portfolio. We initiated two new positions: Agree Realty Corporation, a Free-Standing REIT, and VICI Properties Inc., a Gaming and Casino REIT, which we have previously held.

At month-end, the portfolio’s dividend yield stood at 3.4%, while cash holdings were 1.3%.

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)	20.53	18.82	1.09		1.30	ok
B6b. Beta	0.96	1.00	0.96	0.70	1.30	ok
B6c. Dividend Yield	3.35	3.82	0.88	0.80	2.00	ok
B6d. Expected FFO Growth	19.45	18.02	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: **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: **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: **16%** **ok**

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

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

Qtr 4 \$ 1,566

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):				