

Adelante (Public RE - REITs)
Domestic Equity: Wilshire REIT Benchmark

For the month of: **August** **2020**

Manager Performance Calculations	* Annualized returns				
	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
Adelante Total Return	-0.53%	6.29%	-9.21%	3.93%	7.07%
Wilshire REIT Index	0.39%	7.18%	-12.46%	1.57%	5.04%

Performance Attribution & Strategy Comments

For the month ended August 31, 2020 – The Account underperformed the Wilshire US REIT Index by 92 basis points, gross of fees, as the REIT market advanced 4.4%.

- Contributors: security selection within Lodging, Local Retail and Apartments.
- Detractors: security selection within Healthcare, Storage and the sector allocation to Office (overweight).
- Best performing holding: Pebblebrook Hotel Trust, 19.1%.
- Worst performing holding: Alexandria Real Estate Equities, Inc., -5.2%.

For the trailing quarter ended August 31, 2020 – The Account underperformed the Wilshire US REIT Index by 89 basis points, gross of fees, as the REIT market advanced 7.2%.

- Contributors: security selection within Office, Local Retail and Storage.
- Detractors: security selection within Diversified, Apartments and Lodging.
- Best performing holding: Simon Property Group, Inc., 33.5%.
- Worst performing holding: DiamondRock Hospitality, -11.5%.

Comments – Q2 earnings season concluded in August with **no new “take-aways” to deviate from our “caught in the middle” characterization in July**. With the passage of time, we are beginning to see **rental relief subside and expect tenant evictions and failures**. Further, **large office loans are becoming delinquent and will garner more headlines** as we move into year end.

While negativity dominates news coverage and commercial real estate has lagged the record setting levels in the equity markets, **REIT investors have begun to tentatively embrace “value” in lieu of “growth,”** reflecting better prospects for the economy. Existing holdings, Pebblebrook Hotel Trust and Simon Property Group clearly represent value, and **we continue to look for improved re-opening signals and demand** for their guest rooms and retail space; worth noting, 30% of new jobs (perhaps just returning to work) added in August came from the lodging and hospitality industry. We have also added Welltower Inc., a large Health Care REIT, to the portfolio to access improving fundamentals in senior housing.

Kilroy Realty announced a 3.1% dividend increase during the month. **At month-end, the portfolio’s dividend yield and cash position stood at 2.9% and 1.4%, 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 August 2020

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)	21.98	20.06	1.10		1.30	ok
B6b. Beta	0.96	1.00	0.96	0.70	1.30	ok
B6c. Dividend Yield	3.38	4.02	0.84	0.80	2.00	ok
B6d. Expected FFO Growth	22.07	21.80	101%	80%	120%	ok
E2. Commissions not to exceed \$0.06/share						
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:	97%	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:	0%	ok
Focuses on high quality companies which may become over-sold as investors seek liquidity.			

Organizational/Personnel Changes

There were no 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):			