

## RISK-MANAGED MULTI-FACTOR REAL ESTATE STRATEGY™

**Investment Philosophy:** We believe in creating quantitative stock investment strategies based on fundamental factors that historically have been associated with superior stock returns. By combining this factor-based approach with our proprietary market-timing hedges, we feel that we can obtain the benefits of equity-like returns with substantially lower downside risk over a full market cycle. Our strategies are supported by empirical research and decades of market data. By employing a systematic approach to investing, we also seek to minimize the human cognitive and behavioral biases that typically lead to long-term investment underperformance.

**Objective:** To provide favorable long-term total return, through both capital appreciation and current income, by investing in equity securities of companies principally engaged in or related to the real estate industry, while also providing downside protection against major market declines. More specifically, this strategy's integrated approach seeks to produce total returns that are greater than the MSCI U.S. Investable Market Real Estate 25/50 Index over a full market cycle by investing in real estate securities that have substantial quality and value factor advantages. It also seeks to limit downside risk (i.e., maximum drawdowns or peak-to-bottom declines) through the application of a proprietary, market-timing hedge as a portfolio overlay. In summary, this strategy is a U.S. real estate focused stock investment strategy that provides the benefits of risk-controlled equity exposure.

**Description:** This strategy is a proprietary quantitative stock selection strategy that generally employs the following systematic investment approach.

- We begin with an initial stock universe that includes all U.S. equity real estate investment trusts (REITs) included within the Russell 3000 Index which have a market capitalization equal to or greater than \$300 million.
- We next assess the quality of each stock based on certain fundamental factors such as profitability, operating efficiency and balance sheet strength. Any stock that fails to meet our defined quality criteria is excluded from consideration.
- All stocks that pass our quality screen are then ranked based on their combined profitability, leverage and valuation in relation to their operating cash flow.
- The 15 stocks with the most favorable combination of value, low leverage and high profitability are selected for inclusion in the portfolio.
- The selected stocks are equally weighted and remodeled and rebalanced at least annually.
- To provide downside protection in the event of a major market decline, the strategy employs a proprietary market timing hedge. By operation, this tactical hedge moves the portfolio into U.S. treasury bonds when the current market environment suggests that the risk of owning stocks is high and keeps the portfolio fully invested in stocks when the market environment suggests that the risk of owning stocks is moderate-to-low.

In summary, this strategy looks for quality domestic equity REITs that possess low-to-moderate debt, high profitability and favorable valuations. To provide protection against major drawdowns (i.e. peak-to-bottom declines) the strategy also employs a proprietary market-timing hedge. Accordingly, this strategy is a U.S. real estate focused investment strategy that emphasizes quality and value factors, along with a market-timing hedge.

**Designed for:** This strategy is designed for investors looking to:

- Invest in the U.S. real estate sector with lower downside risk compared to the U.S. real estate equity benchmark.
- Add a real estate focused, quantitative multi-factor investment strategy to their investment holdings.
- Add a higher income component to their investment holdings.
- Diversify a traditional stock and/or bond portfolio.
- Diversify a traditional long-only equity portfolio.

**SIMULATED (NET) PERFORMANCE** (Quarter Ending March 31, 2022)

Annualized Return (%)*	YTD	1 Year	3 Year	5 Year	10 Year	15 Year
Strategy	-7.43	13.17	13.62	11.24	11.20	11.76
MSCI U.S. Investable Market Real Estate 25/50 Index **	-6.07	21.33	11.43	9.63	9.62	6.46
Excess Return (%)	-1.36	-8.16	2.19	1.61	1.58	5.30
<b>Risk Statistics</b>						
Strategy Max. Drawdown (%)	-	-	-18.24	-19.72	-19.88	-21.80
Benchmark Max. Drawdown (%)	-	-	-42.40	-42.40	-42.40	-71.25
Strategy Standard Deviation (%)	-	-	15.30	16.23	15.29	15.91
Benchmark Standard Deviation (%)	-	-	19.45	17.40	15.80	23.21
Strategy Sharpe Ratio	-	-	0.79	0.58	0.70	0.73
Benchmark Sharpe Ratio	-	-	0.55	0.50	0.58	0.35
Strategy Sortino Ratio	-	-	1.10	0.84	1.00	1.00
Benchmark Sortino Ratio	-	-	0.68	0.65	0.77	0.46
Strategy Annualized Alpha (%)	-	-	8.52	4.54	4.53	8.37

\*Returns are average annualized total returns, except those for periods less than one year, which are cumulative.

\*\*Benchmark: MSCI U.S. Investable Market Real Estate 25/30 Index as represented by the Vanguard Real Estate ETF (VNQ).

**SIMULATED (NET) PERFORMANCE BY CALENDAR YEAR** (Calendar Years 2007 - 2022)

Return (%)	2007*	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022**
Strategy	-11.39	4.50	34.15	23.06	9.31	19.95	4.56	25.16	-5.23	28.54	10.16	-14.16	33.97	9.96	28.66	-7.43
Real Estate Index***	-19.96	-36.98	30.14	28.39	8.64	17.63	2.30	30.40	2.43	8.57	4.90	-6.03	28.91	-4.61	40.54	-6.07
Excess	8.57	41.48	4.01	-5.33	0.67	2.32	2.26	-5.24	7.66	19.97	5.26	-8.13	5.06	14.57	-11.88	-1.36

From (\*) 4/1/07 to (\*\*) 3/31/22

\*\*\*Real Estate Index: MSCI U.S. Investable Market Real Estate 25/30 Index as represented by the Vanguard Real Estate ETF (VNQ).

**KEY DEFINITIONS**

**Alpha:** A measure of performance on a risk-adjusted basis. Simply stated, alpha is considered to represent the value that a portfolio manager adds to (positive alpha) or subtracts from (negative alpha) a portfolio's return. It is expressed as an annualized percentage. For example, an alpha of 1.0% means that the portfolio has outperformed its risk-adjusted benchmark by 1.0% per year.

**Excess Return:** A strategy's annualized (net) total return in excess of the applicable benchmark's annualized total return for the same period.

**Maximum Drawdown:** The largest drop from peak to bottom during a certain time period, expressed in percentage from the peak.

**Sharpe Ratio:** A measure of a portfolio's risk-adjusted performance. It divides the average of an investment's return by the standard deviation (i.e., volatility) of returns. Therefore, the higher this ratio the better. This ratio is typically used to compare the risk-adjusted returns of two or more investments. The investment with the highest Sharpe Ratio is deemed to have the best risk-adjusted return.

**Sortino Ratio:** A measure of a portfolio's downside risk-adjusted performance. It divides the average of an investment's return by the downside standard deviation (i.e., negative volatility) of returns. Therefore, the higher this ratio the better. Like the Sharpe Ratio, this ratio is typically used to compare the risk-adjusted returns of two or more investments. The investment with the highest Sortino Ratio is deemed to have the best risk-adjusted return. However, this measure of risk-adjusted returns typically is considered superior to the Sharpe Ratio because it measures an investment's performance in relation to only its volatility of negative returns or downside volatility.

**Standard Deviation:** A statistical measurement that shows the historical volatility of an investment's return. The greater the standard deviation, the greater the volatility. For example, a volatile stock or portfolio will have a high standard deviation, while a more stable stock or portfolio will have a lower standard deviation.

**ADDITIONAL EXPLANATORY NOTES & DISCLOSURES**

1. All strategy returns are based on simulated portfolio total returns net of an estimated annual advisory fee of 0.85%, estimated annual custodian and trading fee of 0.20% and estimated slippage or bid-ask trading costs of between 0.25% and 0.65% per trade.
2. Market data for back-testing provided by Portfolio 123, S&P Global Market Intelligence, Compustat, S&P Capital IQ Estimates, ICE Data, LLP, IEX and FactSet.
3. The material in this presentation is based on information from a variety of sources we consider reliable, but we do not represent that the information is accurate or complete. The material provided herein is for informational purposes only.
4. References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time are provided for your information only.
5. This presentation is neither an offer to sell nor a solicitation of an offer to buy any securities.
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7. The simulated performance information set forth herein is for our model strategy only. Individual investors who invest in separately managed accounts that track this strategy may experience different returns than our model. Accordingly, the statements made herein are not necessarily representative of the returns that any investor may actually attain.
8. This strategy may be subject to high portfolio turnover as a result of frequent trading, and thus, may incur a higher level of taxes and transaction costs.
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