NOT ALL REAL ESTATE IS THE SAME: RECOGNIZING DIVERSITY IN REAL ESTATE

During a tumultuous year for commercial real estate, it remains crucial to recognize that not all real estate will perform equally, making a compelling case for active management.

Real estate is a broad and diverse asset class. There are key sectors with exposure to durable secular trends while other areas are being disrupted. Many of the headlines in the past year have focused on the impending debt that is set to mature in larger scale office properties, with an estimate of approximate 16% to expire in 2023. These concerns have contributed to U.S. REITs underperformance relative to the broader market (measured by the S&P 500) by ~19% year-to-date.

Source: Goldman Sachs Asset Management. As of 30-Sep-2023. U.S. REITs are measured by the FTSE NAREIT All Equity REITs and broader equity market is measured by the S&P 500 Index.

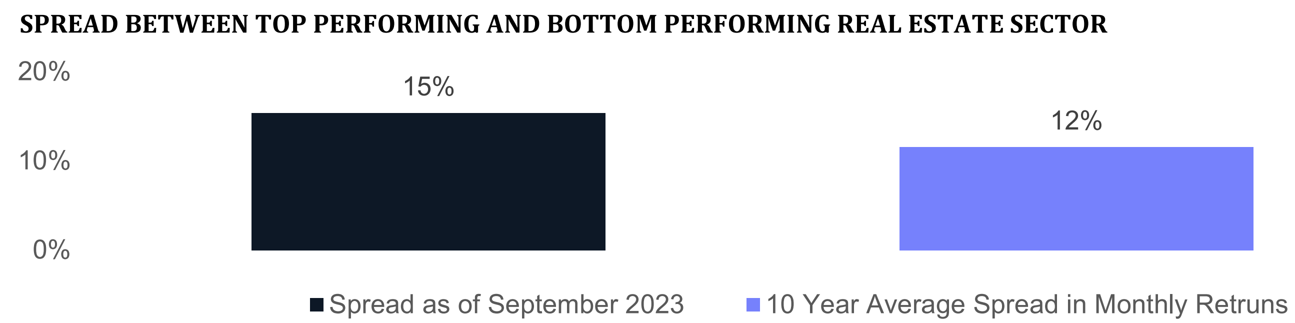
After a tumultuous start of the year, the real estate market had a broad, indiscriminate sell-off. Yet within the asset class, there are subsectors that are not only more insulated from these pressures, but are also exposed to long term, enduring secular growth trends that will prevail over the next decade. We think it is important to peel back the onion, and to not cast the same brush stroke over this entire asset class.

In our view, as active investors, this market sell-off has provided ample opportunities for the discerning investor focused on quality and secular growth to buy at attractive relative valuations.

We believe it is critical to distinguish between unfairly punished REITs that have strong long-term fundamentals, driven by innovation and secular growth. These subsectors have also experienced a sell-off driven by overall market concerns, relative to their still strong fundamentals.

NOT ALL REAL ESTATE IS THE SAME

Real estate represents a diversified, multi-faceted asset class. Over the past 10 years, there is an average dispersion of ~12% in monthly returns between the top performing and bottom performing REIT sectors. In September 2023, the spread between the top and bottom performing REIT sectors was ~15%, reflecting a higher amount of disruption in the past few months compared to the longer-term average.



Source: Goldman Sachs Asset Management, FactSet. As of 30-Sep-2023. Index is the FTSE NAREIT All Equity REITs Index

History has shown that being on the right side of disruption is one of the critical drivers of success over time as disruptive companies tend to be rewarded by the market. Over the past 10 years, sectors on the right side of disruption have outperformed sectors on the wrong side of disruption, with dispersion between the two of +126%. It remains crucial to recognize that not all real estate will perform equally, making a compelling case for active management.

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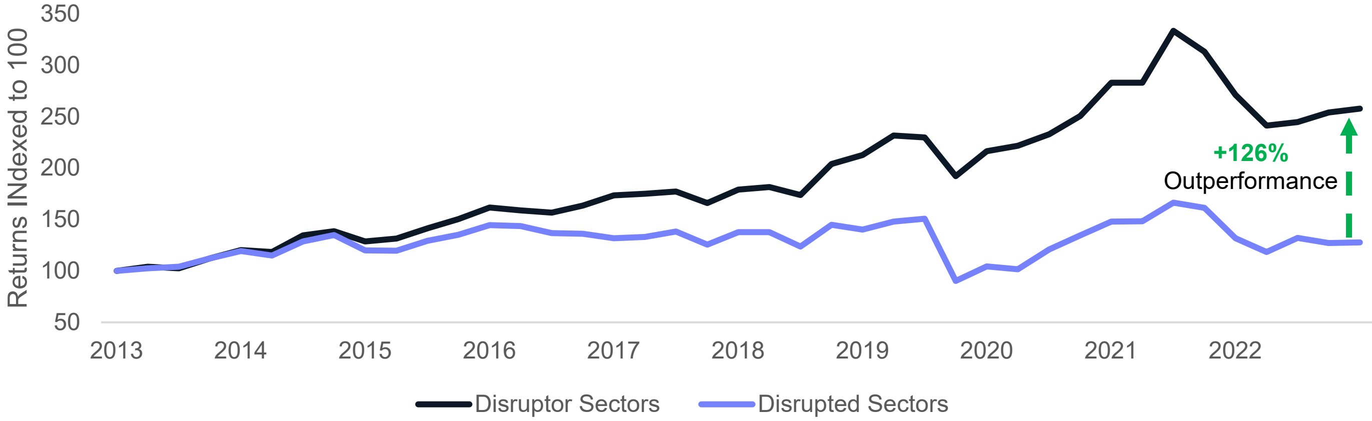
DISPERION IN RETURNS BEWTEEN DISRUPTOR SECTORS VS DISRUPTED SECTORS



Source: Goldman Sachs Asset Management, Green Street Advisors, As of 30-Sep-2023. Benchmark is FTSE NAREIT All Equity REITs. Disrupted Sectors are Office, Retail, Triple Net, and Other.

A SECULAR GROWTH GOLDMINE

Never has it been easier to access REITs on the right side of disruption in the public market. The public real estate universe is now a diverse mix of property types, which we believe better reflects the secular growth opportunities and the future of real estate.

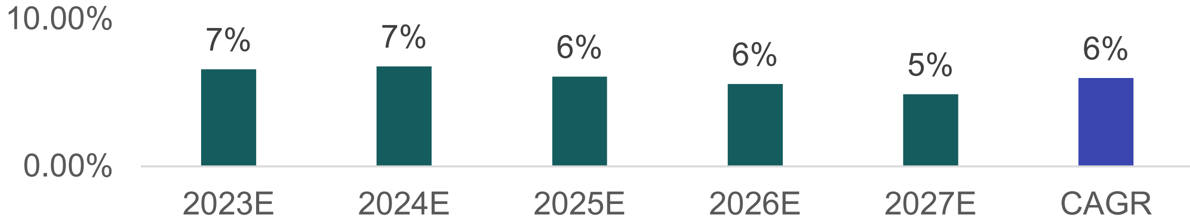
Technology REITs: Interconnectivity is Driving Data Driven Demand

The global emergence of 5G networks, proliferation of data, and increased focus AI are immense catalysts for technology real estate – specifically towers that transport the data and data centers that store it. 5G is expected contribute almost $1 trillion to the global economy in 2030[1] while mobile data traffic usage is expected to grow by +30% over the next 5 years[2], with tower REITs enabling this connectivity.

Source: [1]World Economic Forum, PWC. [2] OECD Broadband Portal. As of 30-Sep-2023.

Another driver of technology REIT tailwinds is the increased investment into AI and smart components. AI focused data centers will need enhancements including more power, space, and cooling requirements. In addition, data centers have increased pricing power, due to the tightness of low supply in the markets, continued demand, and the lack of power availability. It is estimated that data center rent growth could be in the mid-single digits over the next 5 years, which is vastly different relative to the negative rent growth for the 5 years prior 2022[3].

DATA CENTER REVENUE GROWTH



[3]Source: Goldman Sachs Asset Management, Green Street Advisors, As of 07-July-2023

Industrial/Logistics: E-Commerce Driven Demand

As digital natives with different lifestyles and values from previous generations, younger consumers are driving rapid adoption of e-commerce and fueling demand for experiences over things. Increased online spending is driving an increased demand for logistics/ industrial real estate amidst the backdrop of re-domestication of supply chains and traditional retailers playing catch up as incremental drivers. E-commerce accounts for 15% of total sales, an increase from 6% 10 years ago[4]. This long-term trend of e-commerce adoption is driving requirements for increased warehouse space that is needed to store and distribute goods. Traditional retailers are adapting to the e-commerce boom by investing in online platforms.

Source: Goldman Sachs Asset Management. [4]U.S. Department of Commerce, U.S Census Bureau Quarterly E-Commerce Sales Report 2Q23

Consumer behaviors have continued in a post-COVID world, with e-commerce retail tenants accounting for between 35 - 40% of industrial demand[5]. E-commerce retailers also need 2-3x more warehouse space than traditional brick-and-mortar retailers. This increasing demand for warehouse space has created ripple effects into other real estate sectors, including housing and even select retail and office properties to support the growth in logistics and operations.

Source: Goldman Sachs Asset Management. [5]Cushman & Wakefield

Health Care Real Estate: An Aging Population and Need for Biotech Research is Driving Heath Care Demand

Innovation in health care - from human genome sequencing to precision medicine - is transforming the health care industry and creating more personalized, effective, and affordable solutions. This is driving increased demand for life science laboratories, as drug development and medical research requires specialized equipment in dedicated laboratories.

Additionally, an aging population, coined “the silver wave”, is increasing demand for healthcare real estate, like senior living and medical office buildings. The 80+ population is expected to increase and be the fastest growing age cohort. Over the next 10 years in the US, the 80+ age cohort is expected to grow 3.8% while 20-39 age cohort is projected to only grow 0.2%[6].

Spending on healthcare exponentially rises as we age as individuals over 65 years old spend three times more annually on healthcare relative to individuals under 40. Senior housing and assisted living real estate demand is hence set to increase, and the owners of this type of real estate stand to benefit from this trend over the next decade, which we are already seeing via strong rent growth.

Source: Goldman Sachs Asset Management. [6]OECD

Residential: A Consumer Preference for Renting vs Owners Driving Rental Real Estate Demand

Millennials, and increasingly Generation Z, are the largest spending consumer cohort. They have exhibited different priorities when compared to prior generations, indicating a preference to rent vs own a home given the increased flexibility that renting allows and the sharp rise in mortgage rates as the economics skew favorably towards renting. However, there is a large dispersion of returns depending on the residential housing type and geography and prefer to making it important to allocate to areas with access to secular growth trends within residential real estate.

We continue to see these secular trends which lead us to favor single-family rentals. We believe that the rents in single-family rental properties will be stickier even in a recession given 1) the average renter demographic (mid to late 30s, 1-2 kids, and a dog) who need more space than can be offered in an apartment and 2) the increased costs of moving between houses compared to apartments which will likely lead to lower move outs for discounted rents, common in apartments. We expect rent growth and occupancy within single-family rental to outpace apartments, and within apartments we prefer east coast focused apartment companies.

There is no guarantee that objectives will be met. The economic and market forecasts presented herein are for informational purposes as of the date of this presentation. There can be no assurance that the forecasts will be achieved. Please see additional disclosures at the end of this presentation.

AVOIDING CHALLENGED SECTORS

We believe disruption trends can be potentially avoided by having less exposure to retail (wrong side of e-commerce) and commodity office (wrong side of work from home).

Commodity office properties specifically are grappling with the difficulties arising from remote work trends, a lack of amenities and efficiency, high vacancies, a cyclical demand slowdown, and diminished liquidity. While this will have a long-term impact on office lending and values, we believe it is unlikely to have broad systemic impacts across all CRE for a long-term. Negative headlines will persist amid the sector's overleverage which will continue to raise concerns about impending issues when debt mature. This highlights the careful underwriting required within the real estate market, giving way to an active management style. We believe commodity office will be more impacted by the secular decline in demand due to disruption trends and refinancing headwinds.

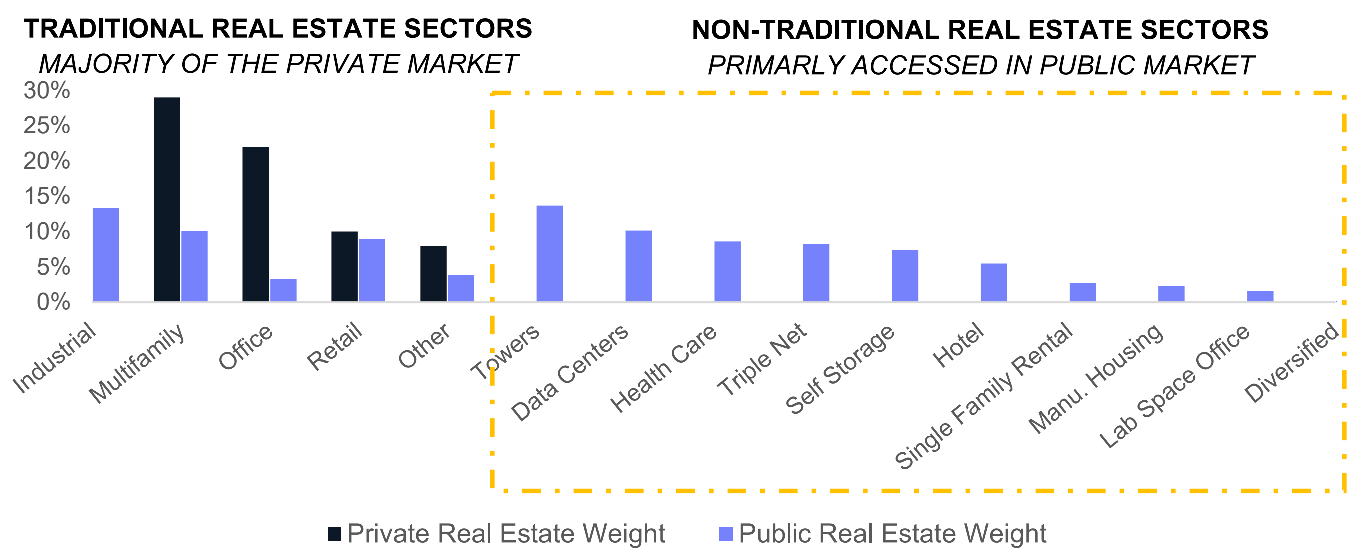
Traditional brick-and-mortar retail is another area we seek to avoid and remain selective within the sector. We believe the U.S is over retailed, and some traditional brick-and-mortar stores are on the wrong side of long-term e-commerce trends. The long-term, secular decline of brick-and-mortar retail continues, despite a strong recovery immediately post-COVID with retail foot traffic down broadly year-to-date, with outlet centers experiencing the greatest decline in visitation. Mall REITs reported sales declined on a sequential basis for the first-time post-pandemic. Within retail, we remain highly selective and prefer necessity-based, grocery-anchored shopping centers and premium mall space rather than commodity/traditional malls and strip-centers.
There is no guarantee that objectives will be met

PUBLIC AND PRIVATE REAL ESTATE: GREAT COMPLEMENTS

We believe public real estate is a good proxy for private real estate for those who can't access the private markets and serves as a great complement to private investments for those who can. Differences of liquidity, asset exposures, and pricing between public and private real estate add to the diversity within the real estate market and create a wider opportunity set.

Differences in….	Private Real Estate[1]	Public Real Estate[2]
Composition	Primarily composed of the four core real estate sectors: Multifamily, Industrial, and Office, Retail	Has more exposure to secular real estate sectors: Towers/Data Centers, Single Family Rental, Self Storage, and Lab Office
Frequency Of Pricing	Priced typically on a quarterly basis	Priced real time on exchanges
Volatility	Volatility is lower due to less frequent pricing, typically quarterly	Volatility tends to be higher given it follows investor sentiment and more frequent pricing

Most of the property-types that capture the secular growth trends like lab office, data centers, towers, and self-storage, exist outside of the "core" property types – and are much better represented and accessible in the public market. For example, we believe that towers are at the epicenter of the digitization secular growth trend. However, this is a subsector that can mostly be accessed only through the public side, given that over 90% of towers are owned in the public market.



Source: Goldman Sachs Asset Management, NCREIF ODCE. As of 30-Sep-2023. [1]Private Real Estate = NCREIF ODCE Index, [2]Public Real Estate = FTSE NAREIT All Equity REIT

NAVIGATING THE LANDSCAPE: OUR ACTIVE APPROACH

We are constructive on select sectors within the REIT market, given the asset class has historically offered strong performance after a period of rate hikes and during economic recoveries. Some REITs stand to benefit in an inflationary environment (unlike bonds), since rents can be re-set higher to reflect higher consumer prices, so long as the inflation is tied to an improving economy. Additionally, rising inflation leads to increased costs with materials, construction, labor, and land. This limits the amount of new development projects –redirecting demand to existing assets—making them more valuable and driving rents higher still.

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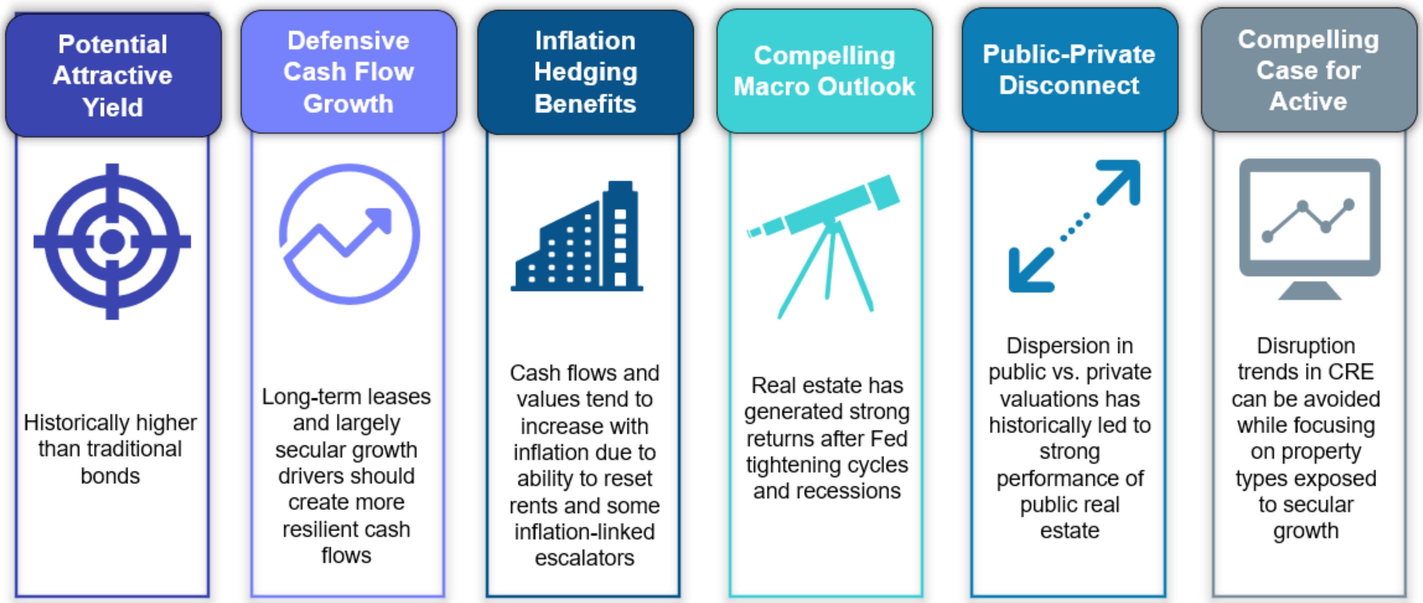

All that said, not all companies and property types will perform equally, making a compelling case for active management. Less business is taking place in stores (bricks and mortar retail), offices, and business-oriented hotels. More is being done digitally which the towers and digital storage REITs are helping to facilitate. Drug innovation trends underpinning biotech are driving demand for life-science office space. The definition of “home” is expansive, and the public real estate market captures it all across each stage of life – student housing, multi-family, single family rental, manufactured housing, and senior housing.

We remain vigilant on monitoring the evolving bank situation and the potential indirect impact on each of our holdings in a potentially more liquidity and credit constrained environment. We believe investing in sectors exposed to durable secular growth drivers and sectors with strong near and long-term cash flow growth may help provide potential for strong risk–adjusted returns. We also continue to remain nimble and opportunistic in taking advantage of deeply discounted positions in the current market environment.

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Private Real Estate = NCREIF Property Index (NPI) is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors and held in a fiduciary environment.

Public Real Estate = MSCI US REIT Index is a free float-adjusted market capitalization weighted index that is comprised of equity Real Estate.

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