Why Real Estate May Remain Hot

MODERATOR

Jay Rollins, President & CEO
JCR Capital

PANELISTS

Burl East
American Assets Capital Advisers CEO & PM of Altegris/AACA
Terrell Gates,J.D., Founder & CEO
Virtus Real Estate
Michael Schwaab, Senior Director, Global Real Estate
TIAA Global Asset Management

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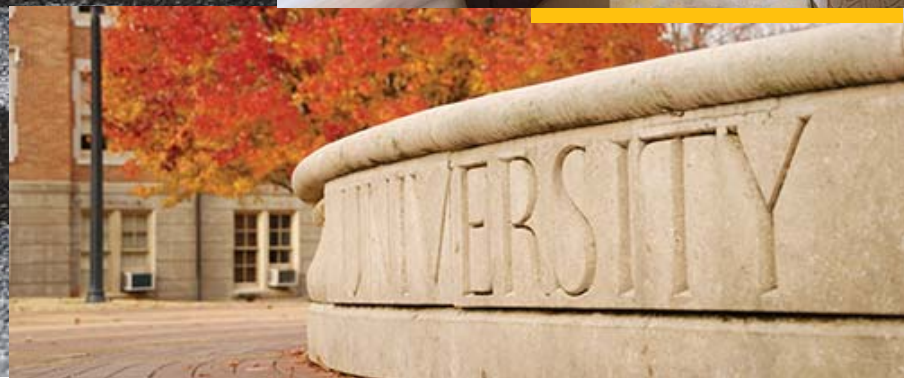
Ever wanted to go back to college?



Presented by: Mike Schwaab
Senior Director | Portfolio Management
TIAA Global Real Assets

September 2016

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Then & Now: The evolution of student housing

Significant obsolescence remains in student housing stock

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Student housing | Multi-family parallels

Sector and characteristics comparison

U.S. Multi-family Housing		U.S. Student Housing
Per apartment	Rentable Unit	Per bed (“by the bed”)
Non-specific with some seasonality	Leasing Season	Academic year
Tenant income	Lease Credit	Parental guarantee
55%-60% on average	Turnover	Nearly 100%
Not typical, but sometimes available at a premium	Amenities	Furnished; Bed & bath 1:1 parity
2 staff per 100 units	Staffing	2 staff + 1 Resident Assistant per 100 units

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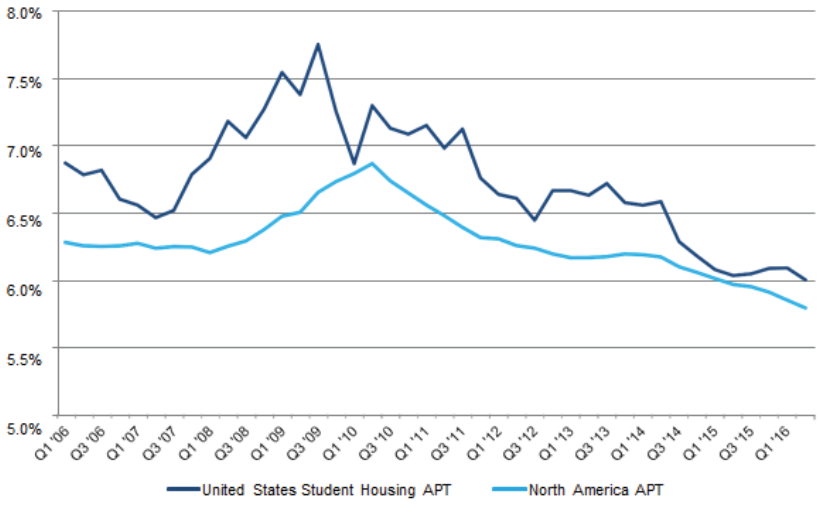
Attractive income component

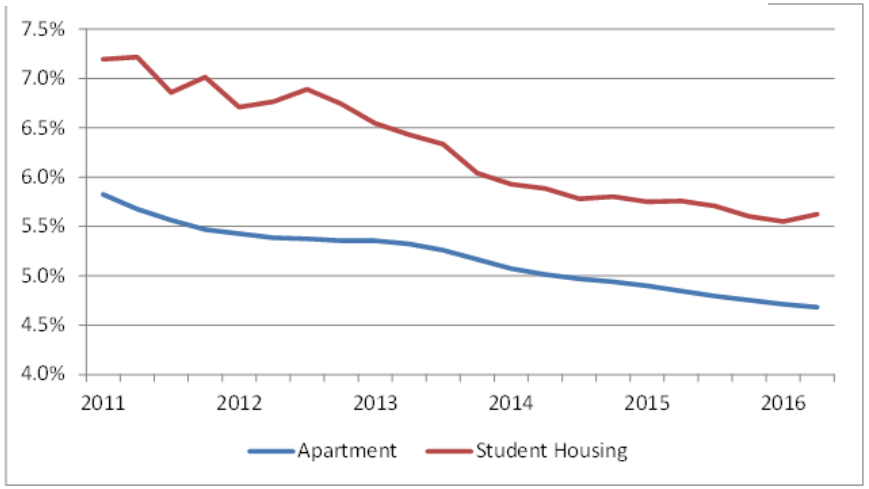
Student sector maintains higher cap rates and income returns, but as a reflection of higher risks

Average Cap Rate (Yield)



Source: RCA as of 2Q16; based on properties & portfolios ~$2.5mil or greater

Rolling Four-Quarter Income Returns



Source: NCREIF as of 2Q16

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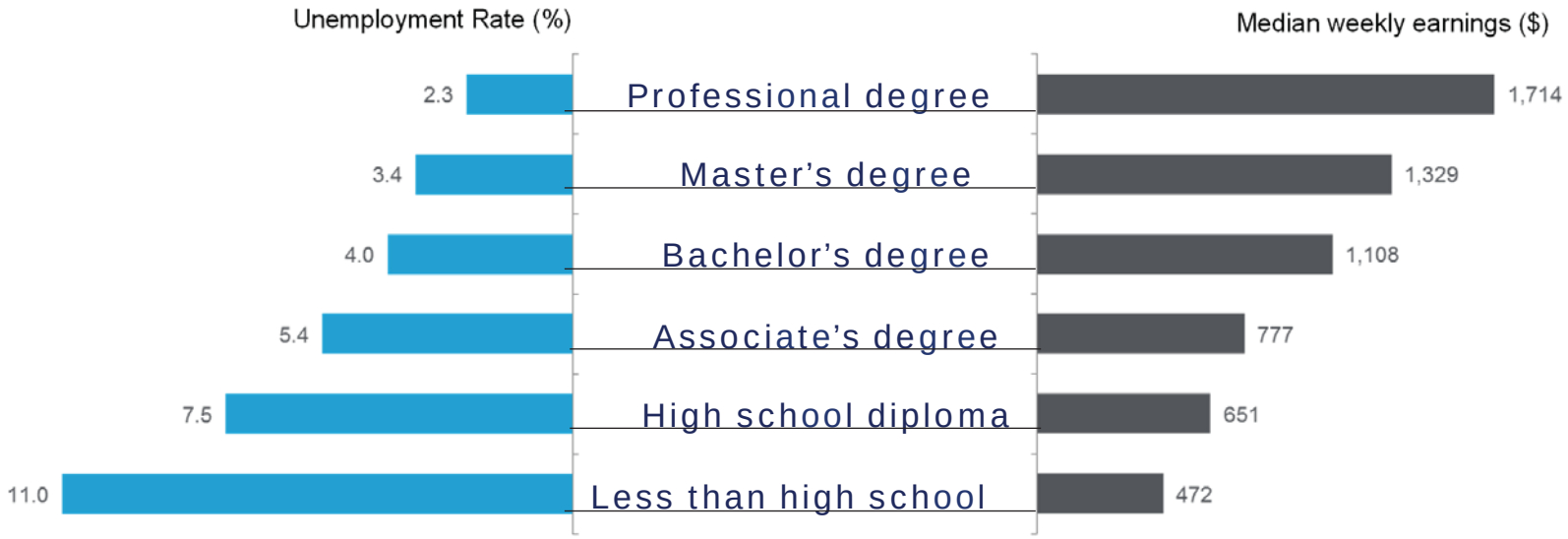
Education pays…

…in higher wages and lower jobless rates

Unemployment rates and median weekly earnings across educational attainment levels (2013)



Sources: Bureau of Labor Statistics, Current Population Survey, as of March 2014; TIAA

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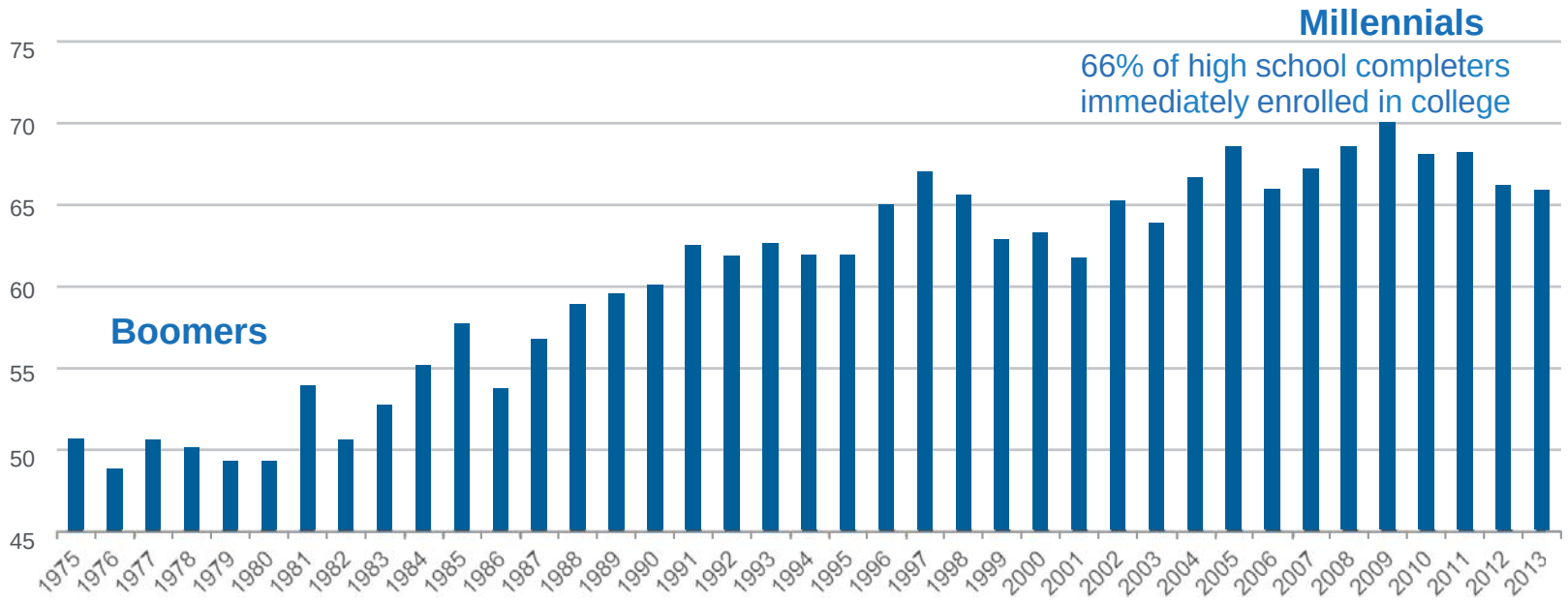
Need for higher ed

General increasing propensity to immediately enroll in college

High school completers immediately enrolling in college (%)



Source: US Department of Commerce, Census Bureau, Current Population Survey. College enrollment as of Oct. of each year for individuals age 16-24 who completed high school in the preceding 12 mos. As of October 2013; table prepared July 2014.

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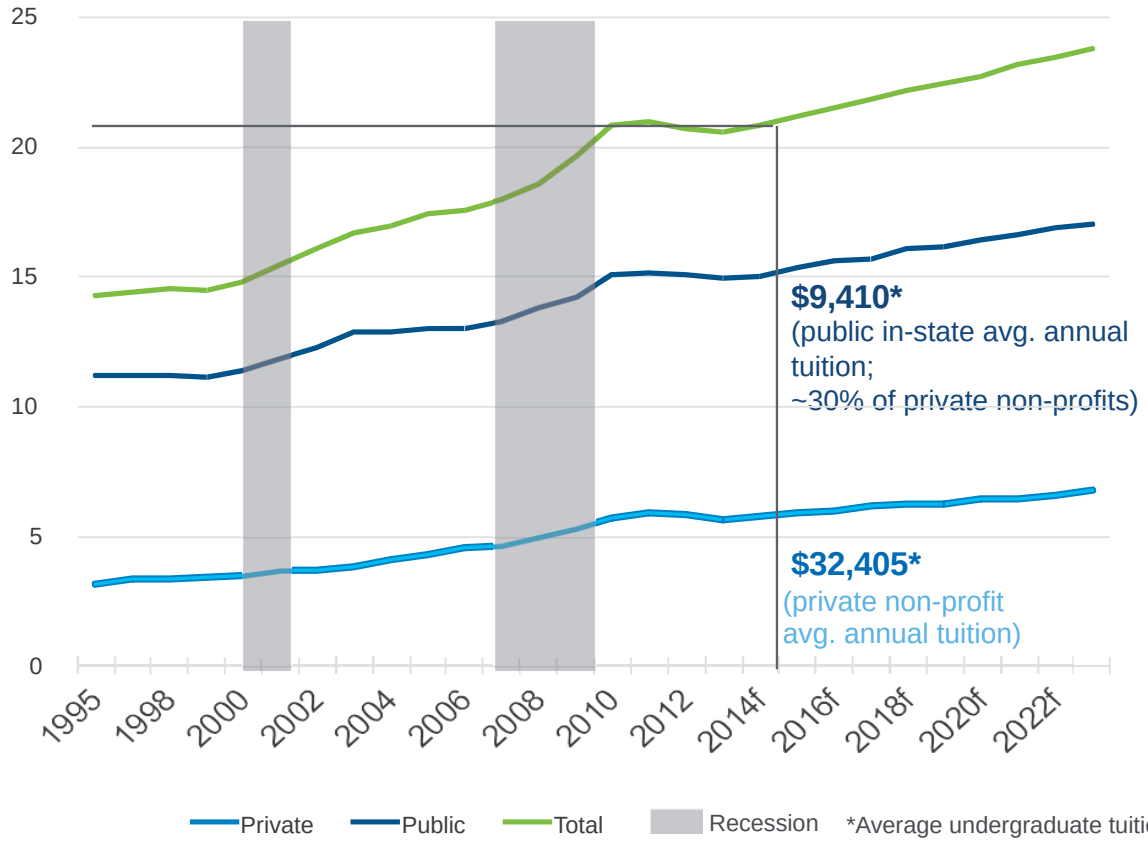
Back to school

Postsecondary degree-granting institution enrollments (millions)



- Total public and private enrollments expected to add ~2.6 million new students, growing by 12% from 2015 to 2023
- Enrollment growth remains positive during recessionary periods
- Average public in-state tuition is approximately 30% of private non- profits

Sources: Enrollment data: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), "Fall Enrollment Survey" (IPEDS-EF:86–99); IPEDS Spring 2001 through Spring 2013, Enrollment component, as of October 2013; and Enrollment in Degree-Granting Institutions Projections Model, 1980 through 2023, as of January 2014. Tuition data: The College Board, Annual Survey of Colleges; Table 1A. Average Published Charges (Enrollment-Weighted) for Full-Time Undergraduates by Sector, 2015-16

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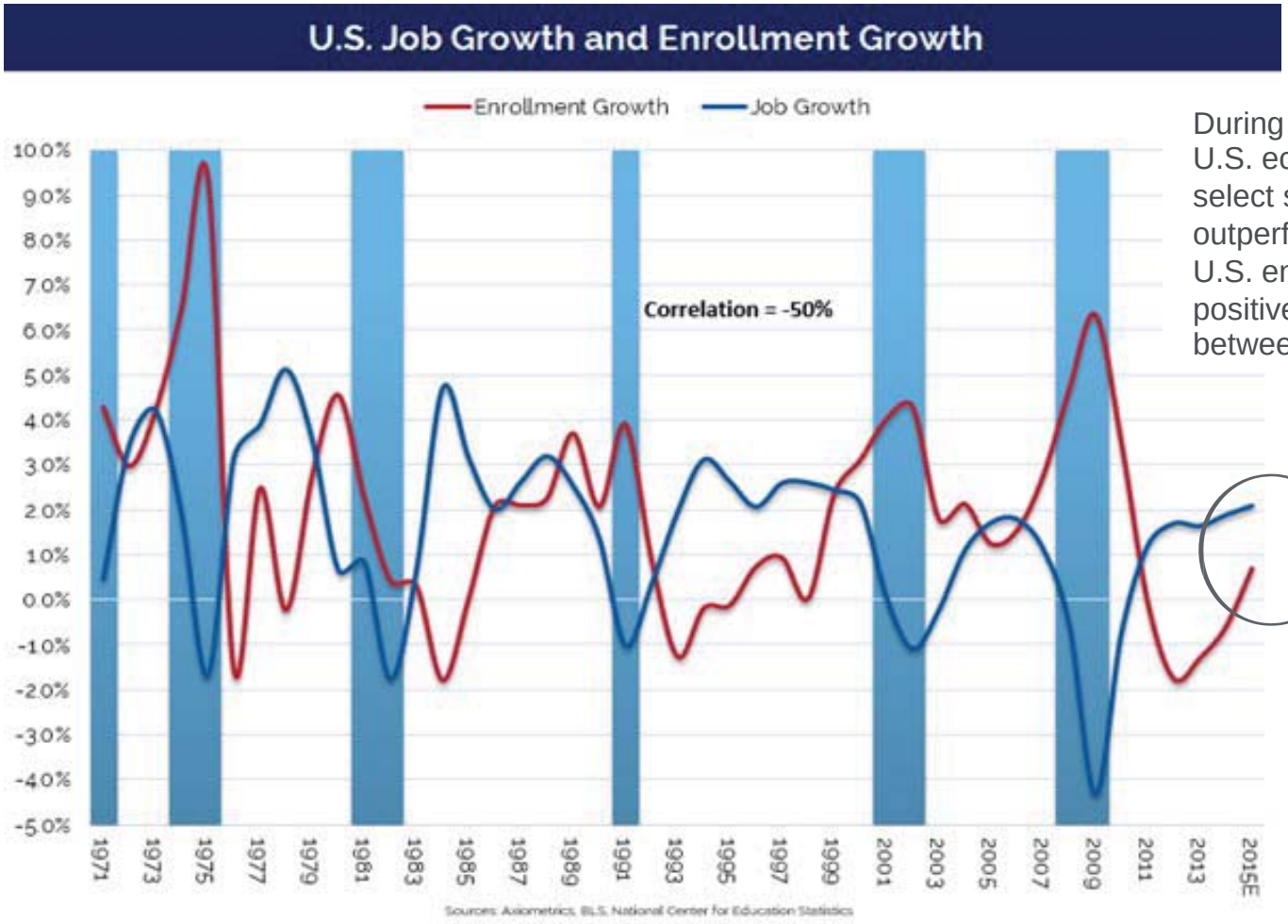
Education – an alternative to employment

Portfolios can benefit from owning assets with cash flows that behave differently during economic cycles.



During the most recent U.S. economic recovery, select schools outperformed the total U.S. enrollment trend with positive growth of 1.8% between 2010 and 2014

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Investments in alternative strategies are subject to certain risks, are not suitable for all investors, and are not intended as a complete investment program. Investors should be aware that alternative investments often engage in leveraging and other speculative investment practices that may increase the risk of investment loss. Alternative investments may be highly illiquid, there may be no liquid secondary market or ready purchasers for such securities, they may not be required to provide periodic pricing or valuation information to investors, they may involve complex tax structures and delays in distributing important tax information, they are not subject to the same regulatory requirements as other types of pooled investment vehicles, and they may be subject to high fees and expenses which will reduce profit. Investors may lose all or substantially all of the capital invested. Please consider all risks carefully prior to investing in any particular strategy.

TIAA Global Asset Management provides investment advice and portfolio management services through TIAA and over a dozen affiliated registered investment advisers. Nuveen is an operating division of TIAA Global Asset Management.

For more information about alternative investments, please contact us at: +800.558.4487

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What Inning is Investment Real Estate in?

Confidential Investment Summary – For advisor/intermediary use only – not for distribution to prospective investors

The State of Real Estate

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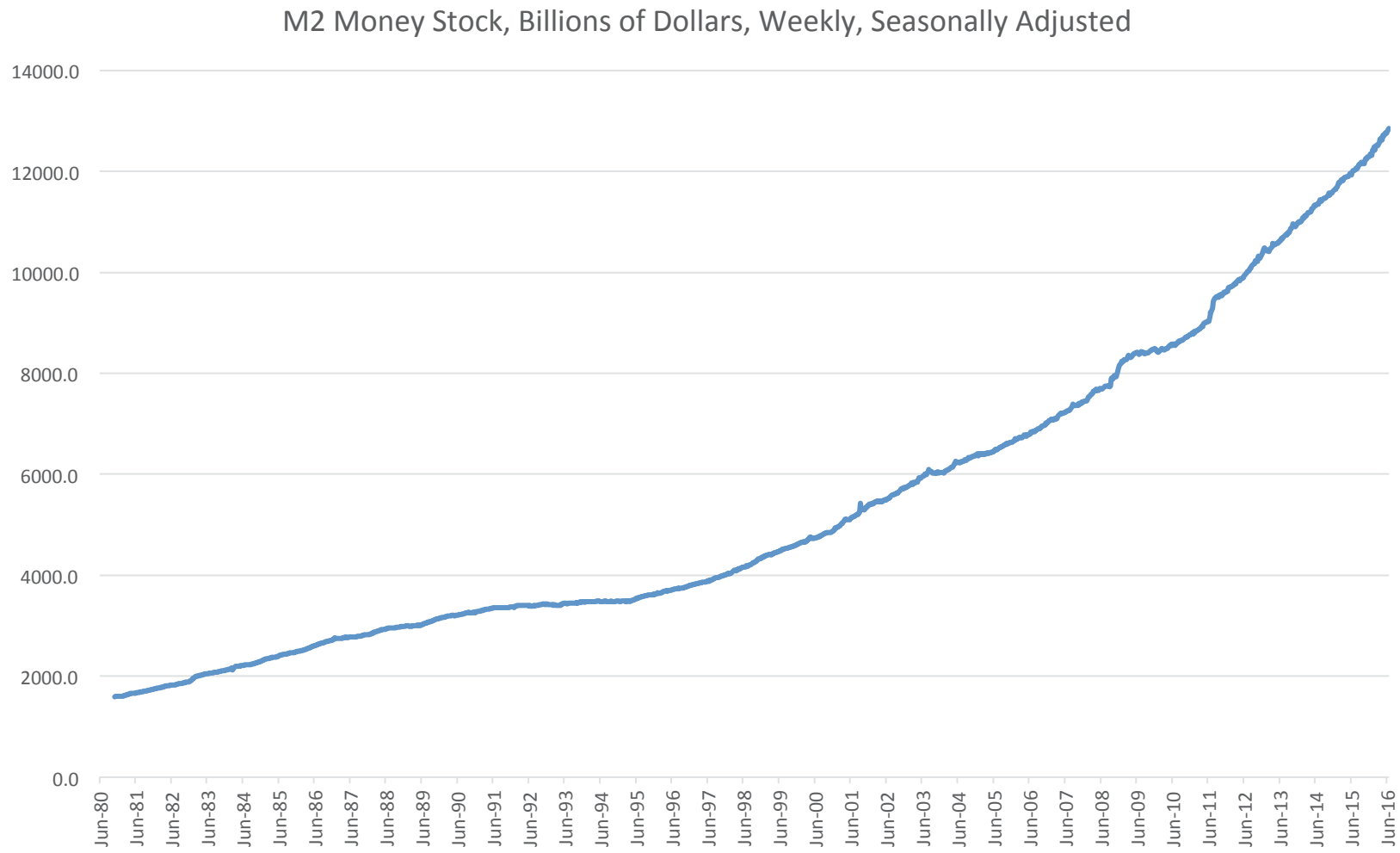
REAL ESTATE CAPITAL



Source: St Louis Federal Reserve Branch

The End of the Secular Bull For Bonds/CRE?

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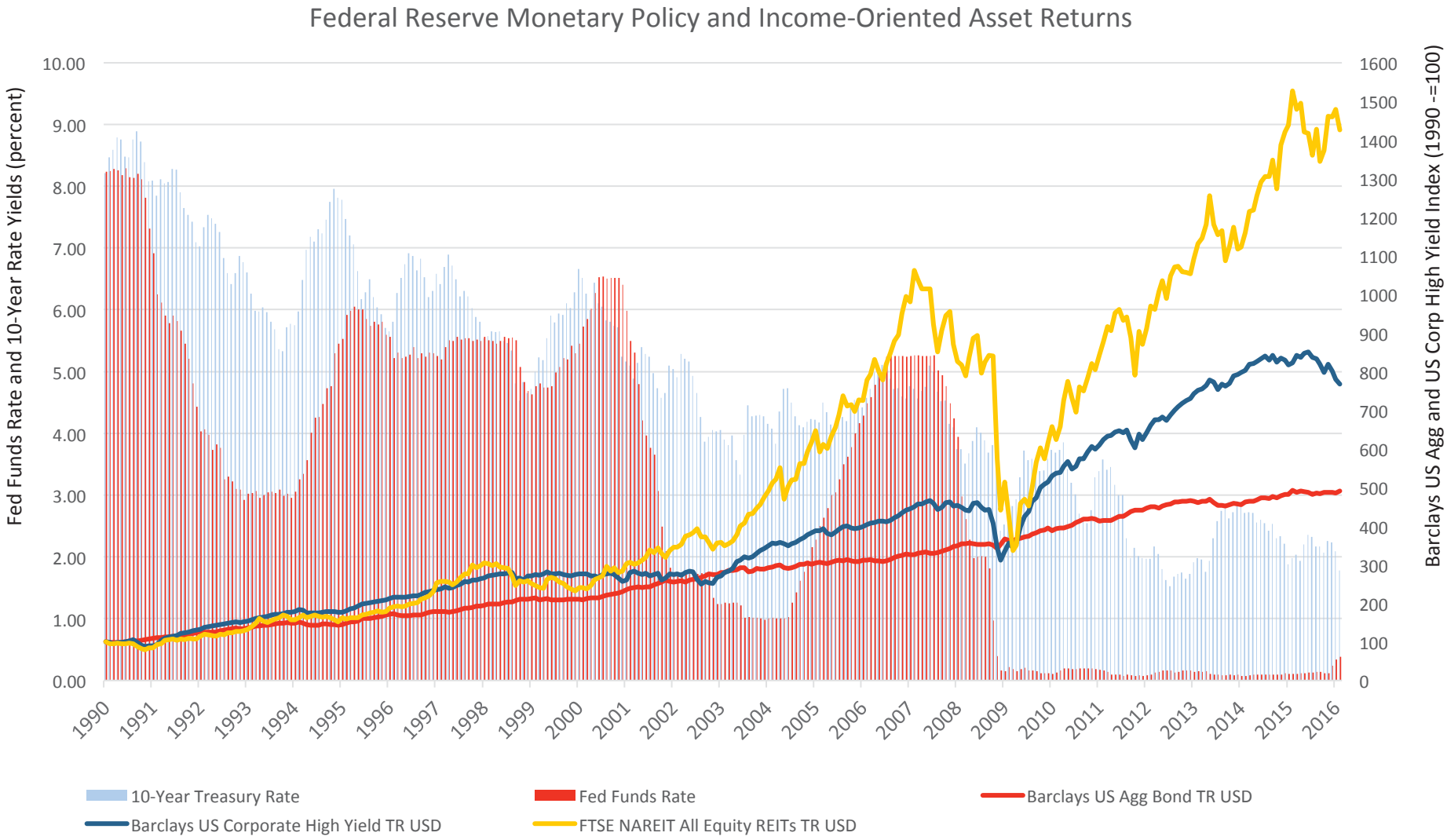

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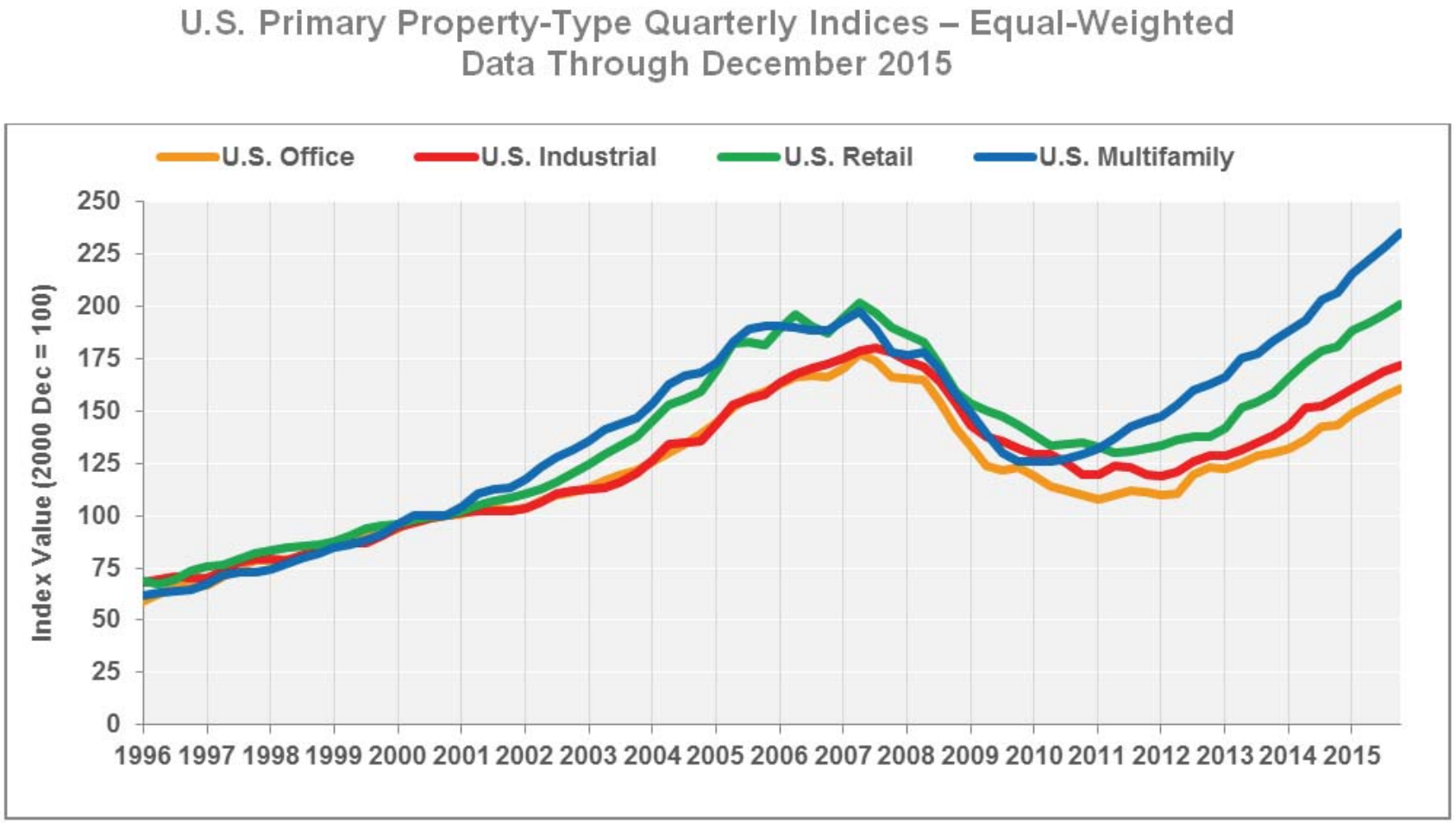
Real Estate Valuations are at Pre-Crisis Levels*



Cap Rate Spreads vs Treasuries

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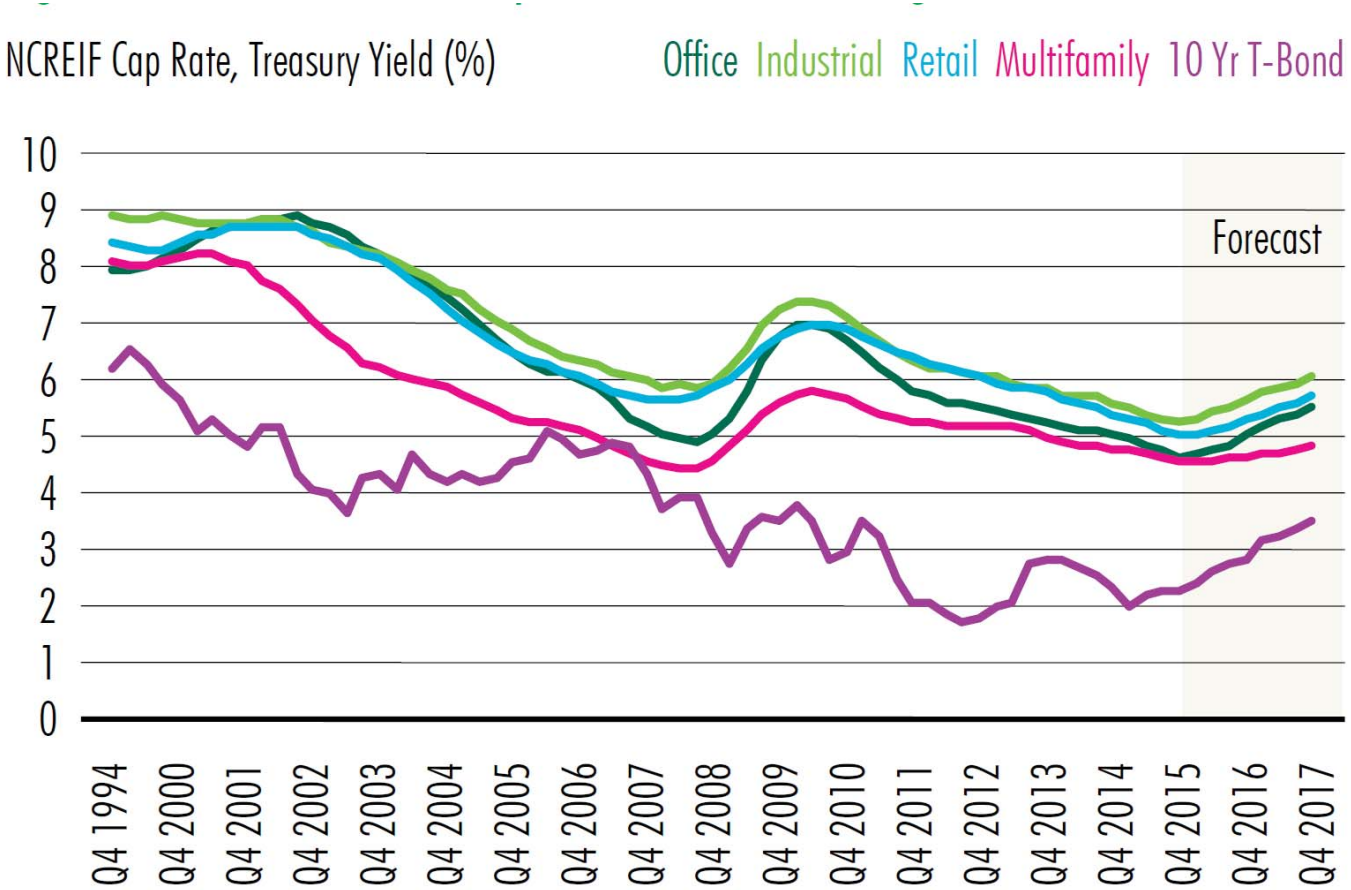

Sector	Spread over 10-Yr Treasury (bps)
Office – CBD	512
Office – Suburban	616
Industrial	522
Retail – Neighborhood	545
Retail – High Street	274
Multifamily – Infill	377
Multifamily - Suburban	418

Source: CBRE Q2 2016 US Capital Markets MarketView

Source: NCREIF, CBRE Econometric Advisors, Q4 2015.

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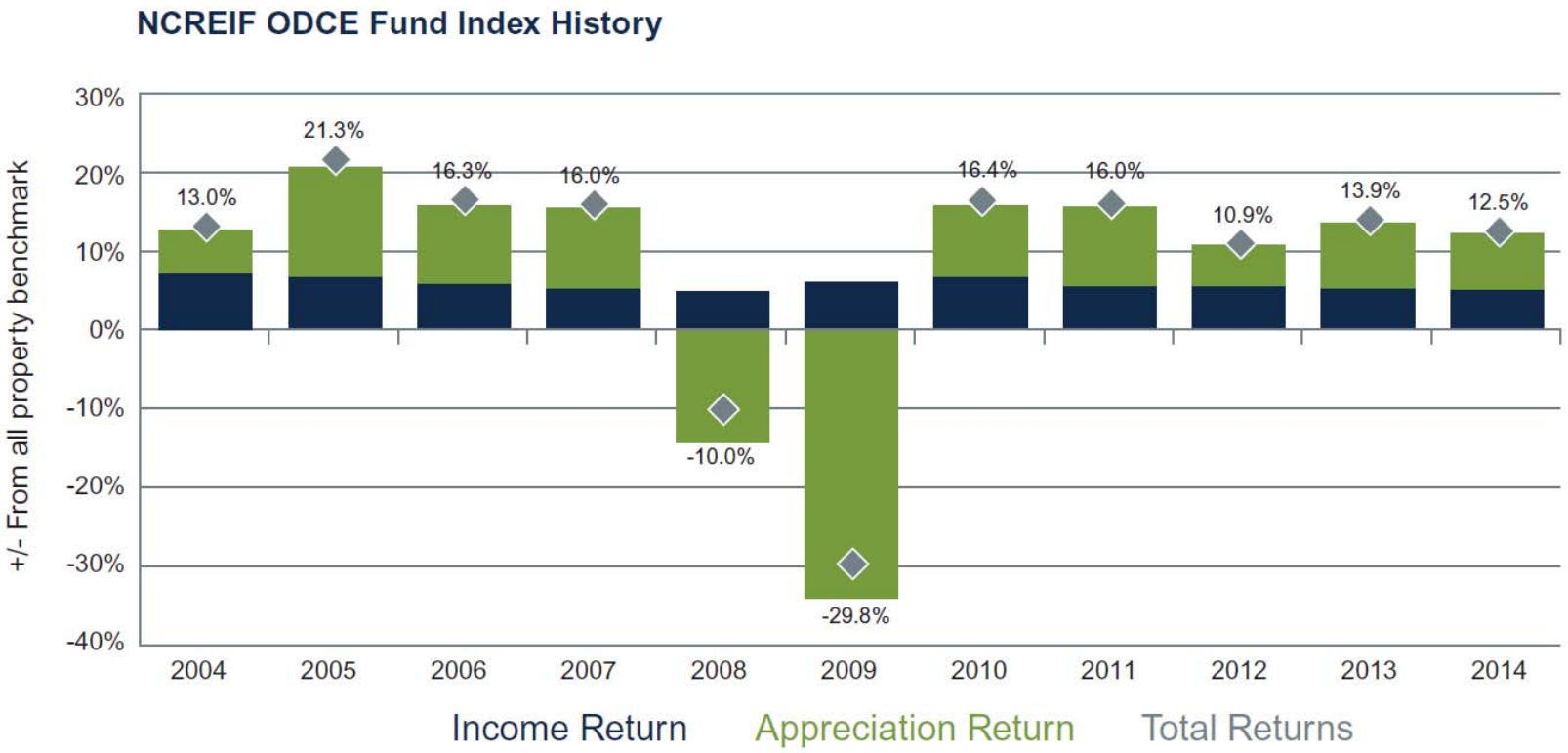
Capital Appreciation Comes and Goes, but Income is Forever



Source: NCREIF ODCE. The NFI-ODCE, short for NCREIF Fund Index - Open End Diversified Core Equity, is the first of the NCREIF Fund Database products and is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Not All Real Estate is Created Equal

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Higher Risk → Cycle Resilience

Low or No Income

Land

Entitled or to-be entitled land for commercial development

Residential

Single family homes or condos, usually 4 units or fewer

Traditional Commercial Real Estate

Office

Single or multi-tenant, urban or suburban office

Multi-Family

Apartments for rent, aka market rate or rent by the unit

Retail

Power centers, strip centers, lifestyle centers and malls

Industrial

Big-box, light industrial, distribution and flex space

Hospitality

Hotels: resorts, full service, select service and extended stay

More Resilient Niches

Student Housing

Purpose built student housing, rent by the bed

Healthcare

Independent living, assisted living, ALZ-dementia care, medical office

Storage

Self-storage facilities

Not All Real Estate is Created Equal

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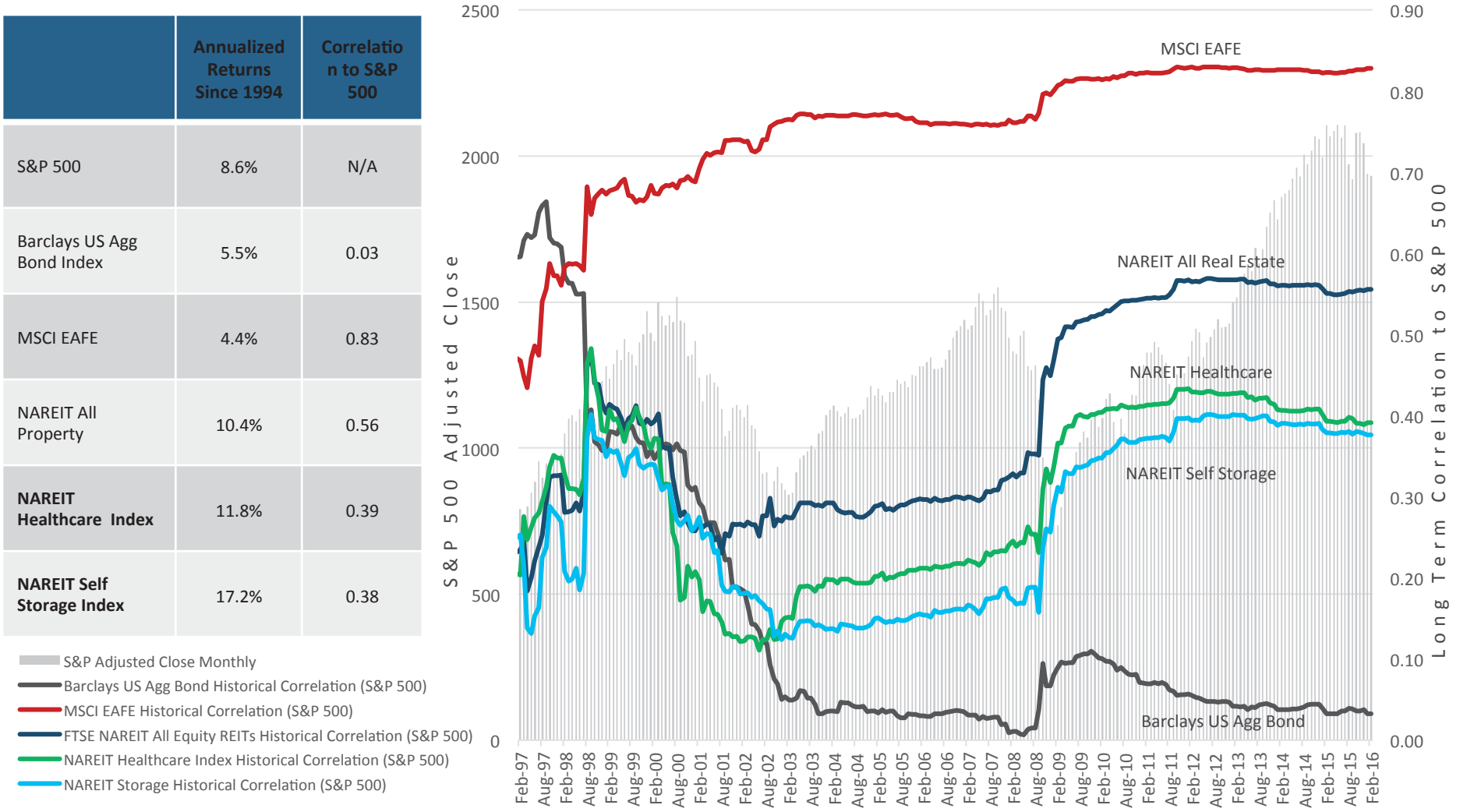
	Annualized Returns Since 1994	Correlation to S&P 500
S&P 500	8.6%	N/A
Barclays US Agg Bond Index	5.5%	0.03
MSCI EAFE	4.4%	0.83
NAREIT All Property	10.4%	0.56
NAREIT Healthcare Index	11.8%	0.39
NAREIT Self Storage Index	17.2%	0.38



Source: Returns are Total Monthly Returns index values (including dividends and price increases) sourced from Morningstar. NAREIT property sub-index values are sourced from NAREIT and constitute a value-weighted aggregation of pure-play REITs active in the stated property type. Total return aggregations are from January 1994 to February 2016. Correlations run from January 1997 to February 2016.

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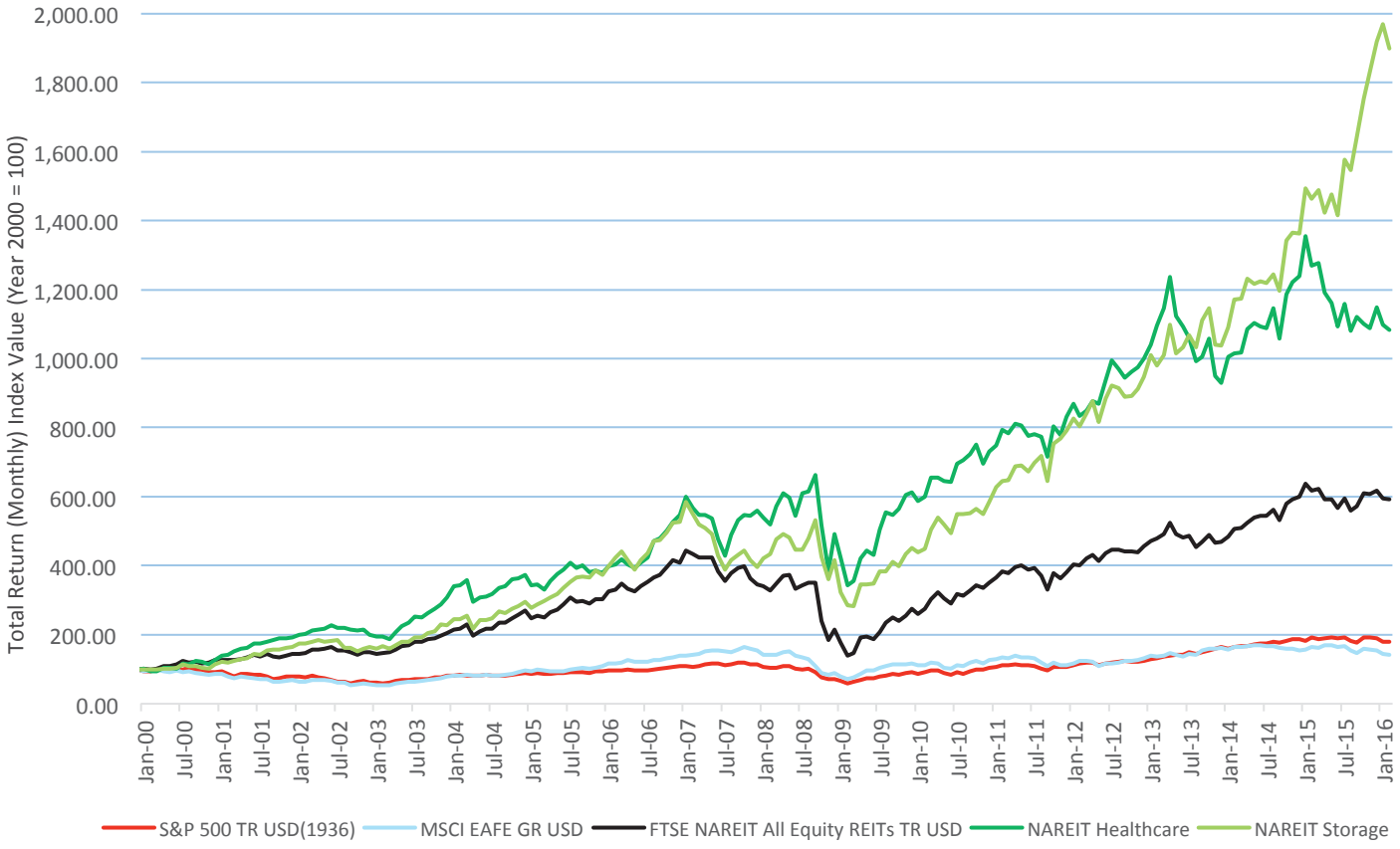
Self Storage and Healthcare REIT Data

In virtually every time period and especially during times of distress, self-storage and health care REITs have out performed all other REIT categories, including the traditional real estate "basic food groups."



2000-2015 Performance:

- S&P 500: 4.0%
- NAREIT Aggregate: 12.6%
- Healthcare REITs: 17.2%
- Storage REITs: 21.7%

2008 Performance:

- S&P 500: -38.5%
- NAREIT Aggregate: -37.3%
- Healthcare REITs: -12.0%
- Storage REITs: +5.0%

NAREIT sub-index data through 4Q 2014 from www.reit.com

(1) VREC II's structure and inherent limitations are materially different than the REIT issuers contributing to the presented performance, which was achieved in vehicles with materially different structures and during different market conditions. See "Important Notices" and the PPM.

Not All Real Estate is Created Equal

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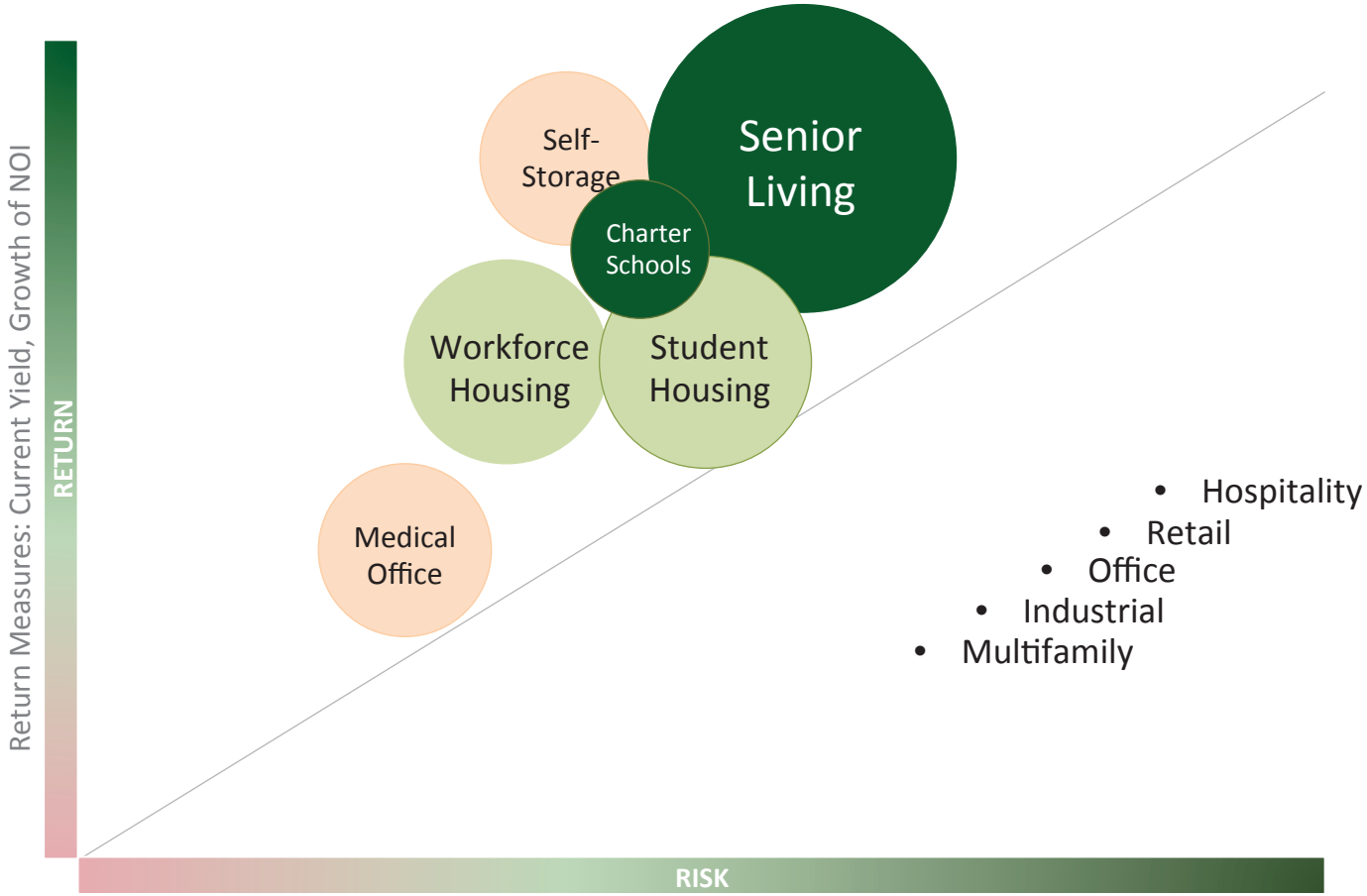
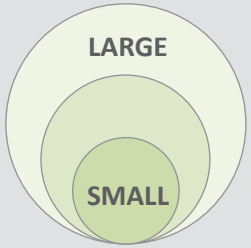
Uncovering Relative Value



SCALE OF OPPORTUNITY



2015 RELATIVE VALUE

(1) Refer to The Virtus Investment Strategy section within the Summary of The Virtus Investment Program of the PPM.

Senior Living Investment Drivers

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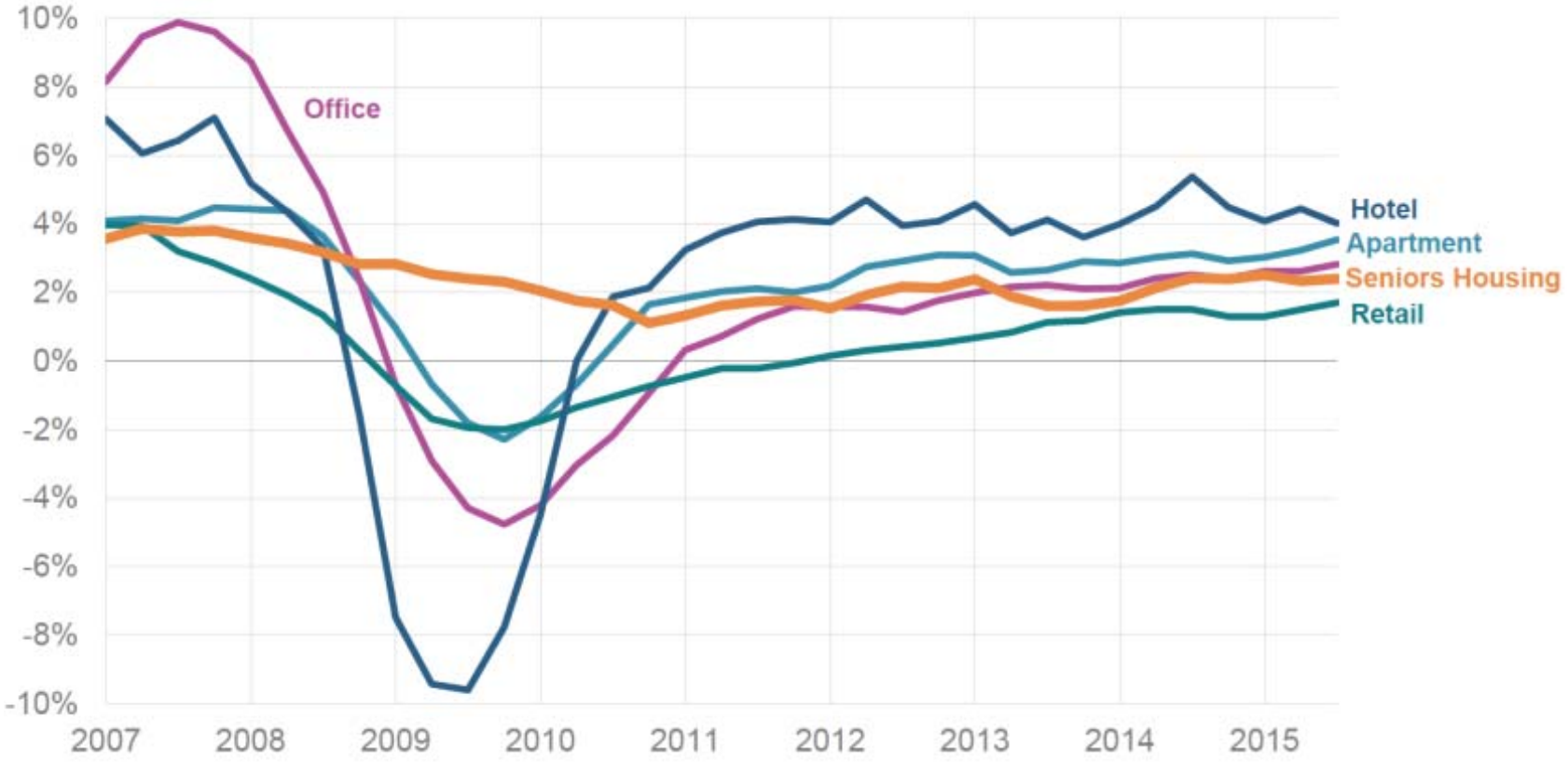
Senior Living has displayed a remarkably stable Net Operating Income ("NOI") dynamic through the last cycle as most other asset classes have overcorrected.

Real Estate Sector NOI Growth



Source: Welltower Corporate Presentation, November 2015

Senior Living Investment Drivers

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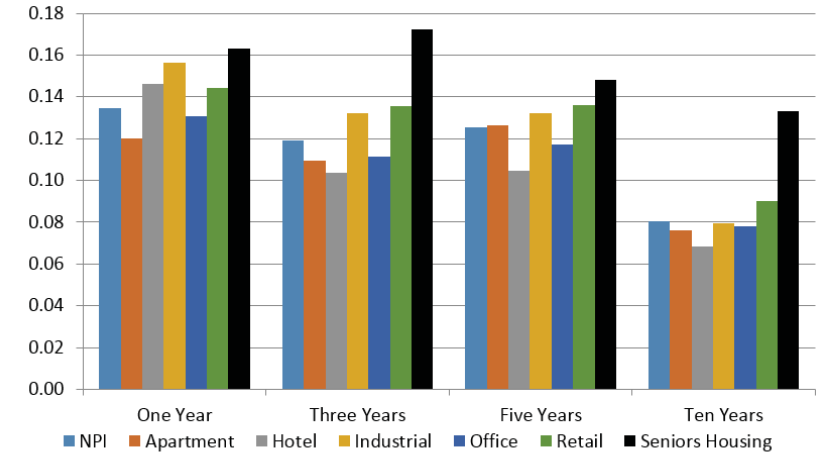
- Senior Housing has outperformed broader real estate indices, as well as multifamily, across all recent time frames in both total return and income.
- The three year total return for seniors housing is 17.1%, this is 549 basis points better than the NPI (National Property Index) and 638 basis points greater than the Multi-Family total return of 10.7%
- **Over the past ten years (<u>through recession</u>), Seniors Housing returns have outperformed both indexes (NPI & Multi-Family)**

Total Returns

	All Property	Multifamily	Senior Housing
One-Year	12.98%	11.60%	**15.50%**
Three Year	11.63%	10.74%	**17.12%**
Five-Year	12.72%	13.30%	**14.33%**
10-Year	8.16%	7.77%	**14.23%**



Source: NCREIF, NIC MAP® Data Service

Returns from Income

	All Property	Multifamily	Senior Housing
One-Year	5.20%	4.85%	**6.56%**
Three Year	5.47%	5.06%	**6.69%**
Five-Year	5.75%	5.25%	**6.93%**
10-Year	5.86%	5.19%	**7.11%**

Note: Returns are benchmarked against the NCREIF Property Index ("NPI"), a composite of individual commercial real estate properties acquired in the private market for investment purposes only. It has historically been the most widely accepted benchmark for institutional grade, privately held commercial real estate.

Uncovering Cycle Resilient Opportunities in Real Estate

7004 Bee Cave Rd., Bldg. III
Suite 300
Austin, TX 78746

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Opportunities for Generating Alpha in Long/Short Real Estate

A liquid, traded, hedged approach to real estate investing

AACA: American Assets Capital Advisers.
Key professionals.

AACA is an investment manager specializing in real estate securities. The company manages separate accounts and mutual funds for institutions and individuals.

For more information, visit: http://aacadvisers.com/

Burland East III, CFA
PORTFOLIO MANAGER, CEO

More than 30 years on Wall Street as a managing director and as a FINRA broker-dealer (formerly NASD)

Raised approximately $15 billion in capital (mostly equity) from sophisticated investors globally in 142 large-scale real estate transactions

Former Board of Directors, Excel Trust, Inc. (NYSE: EXL)

Ernest Rady
CHAIRMAN

50 years in real estate investment and development since founding American Assets in 1966

Executive Chairman, American Assets Trust (NYSE: AAT)

Founder, chairman and acting CIO, Insurance Company of the West

Our team of investment professionals possesses deep knowledge of real estate, with extensive experience on Wall Street and Main Street

Creede Murphy
VP, Investment Analyst

Eric Sagerman
Strategic Advisory Board Member

Julie Schwartz
VP, General Counsel

Jane Gilpin CPA
Controller

Lynne Krepak
Administration

Cara Green
Accounting

Investment strategy. Tenant is denied choice.

AACA has found that real estate performs better over time when it is more difficult to supply, demand is less cyclical, and tenants are reluctant to leave.

This results in an overweight to sectors that share these four characteristics:

1. **Oligopoly or duopoly sector structure**
2. **High barriers to entry for new owners/developers**
3. **High barriers to exit for tenants**
4. **Secular demand drivers underlying the user side of the business**

The combination of these four characteristics (or some subset) creates a competitive landscape where the tenant has few(er) options to move or play one building owner against another. Properties with these characteristics can command higher occupancy rates and better rents, which in turn can create more valuable portfolios for shareholders through enhanced dividends and higher real estate values.

Photos used with permission. There is no guarantee that any investment will achieve its objectives, generate profits or avoid losses.

Investment strategy. Empirical evidence: S/S NOI.

AACA believes that growth in same-store net operating income (S/S NOI) helps to prove that the tenant will pay more each year, and is an indicator of sector strength and growth potential.

Since 2005, sectors with the best S/S NOI growth include:

- Data centers
- Self storage
- Lab space
- Health care
- Manufactured housing

It is not surprising that these sectors possess the four characteristics mentioned as part of our investment strategy.

Some sectors do not report S/S NOI—for example, gaming—but still possess the four characteristics. Suburban office is a very generic property type and is shown as a comparison point.

Sector	Industry Participants	Barrier to Entry: New Suppliers	Barrier to Exit: Tenants	Demand Drivers	S/S NOI Growth 4/1/06–3/31/16
Data Centers	6 public	High	Extremely high	Secular, data growing exponentially, internet and wireless	233%
Self Storage	4 public	Mid	Very high	Life changes, need extra space	66%
Lab Space	1 public, 2 private	Extremely high	Extremely high	Healthcare, drug discovery, biotech	54%
Manufactured Housing	3 public	Very high	Very high	Retirement wave, recession proof	49%
Campus-based Housing	2 public	High	High	College enrollment	38%
Health Care	13 public	Mid-high	Extremely high	Retirement wave, aging population	38%
Gaming	6 public	Extremely high	High	Emerging middle class in Asia	N/A
Suburban Office	20+ public, 100s private	Low	Low	GDP growth, cyclical	11%

Reflects view of AACA. Views are subject to change as market and other conditions warrant; provided for informational purposes only and should not be construed as investment advice. Past performance is no guarantee of future results. There can be no assurance that any sectors identified were or will be profitable. S/S NOI Growth reflects only public companies that report S/S NOI. Source: Data prepared by AACA, compiled from SNL Financial.

Altegris/AACA Real Estate Long Short Fund: Performance.

Fund Performance	As of June 30, 2016					
	Q2 2016	Year to Date	1-Year	3-Year	5-Year*	Since Inception*
RAAAX: Class A (NAV)	10.49%	11.16%	10.88%	12.90%	13.16%	12.47%
RAAAX: Class A (max load)**	4.13%	4.73%	4.51%	10.71%	11.83%	11.25%
RAAIX: Class I (NAV)	10.56%	11.23%	11.10%	13.10%	13.27%	12.58%
RAANX: Class N (NAV)	10.40%	11.07%	10.88%	12.88%	13.14%	12.46%
Dow Jones US Real Estate TR Index	6.79%	12.30%	20.97%	12.31%	11.22%	11.44%
S&P 500 TR Index	2.46%	3.84%	3.99%	11.66%	12.10%	11.52%

** Inception date of the Predecessor Fund was 2/1/11. Returns for periods longer than one year are annualized.*

*** The maximum sales charge (load) for Class A is 5.75%. Class A share investors may be eligible for a reduction in sales charges.*

The total annual fund operating expense ratio, gross of any fee waivers or expense reimbursements, is 3.35% for Class A, 3.10% for Class I, and 3.35% for Class N. The Fund's adviser has contractually agreed to reduce its fees and to reimburse expenses, at least until December 31, 2017, to ensure total annual Fund operating expenses after fee waiver and reimbursement will not exceed 1.80%, 1.55%, and 1.80% of average daily net assets attributable to Class A, Class I and Class N shares, respectively, subject to possible recoupment in future years.

It is important to note that the Fund has inherited the track record of its predecessor, the American Assets Real Estate Securities, L.P. ("Predecessor Fund"), which was managed by AACA, the Fund's sub-adviser. The Predecessor Fund was not registered under the Investment Company Act of 1940. The Predecessor Fund was managed by AACA in the same style, and pursuant to substantially identical real estate long short strategies, investment goals and guidelines, as are presently being pursued on behalf of the Fund.

The performance returns quoted for Class A, Class I and Class N shares for periods prior to 1/9/2014 is that of the Predecessor Fund (while it was a limited partnership), and is net of applicable management fees, performance fees and other actual expenses of the Predecessor Fund. From its inception on February 1, 2011 through January 9, 2014, the Predecessor Fund was not subject to the same sales loads applicable to certain classes of Fund shares or the investment restrictions, diversification requirements, limitations on leverage and other regulatory or Internal Revenue Code restrictions of the Fund, which might have reduced returns. The performance of each class of shares of the Fund will differ as a result of the different levels of fees and expenses applicable to each share class.

The performance data quoted here represents past performance, which is no guarantee of future results. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original costs. A Fund's performance, especially for very short periods of time, should not be the sole factor in making your investment decisions. For performance information current to the most recent month end, please call (888) 524-9441.

Mutual Fund Risks

Please carefully consider the investment objectives, risks, charges and expenses of the Altegris/AACA Real Estate Long Short Fund. This and other important information is contained in the Fund's Prospectus, which can be obtained by calling (888) 524-9441. Read the prospectus carefully before investing.

Funds are distributed by Northern Lights Distributors, LLC. Altegris Advisors and Northern Lights Distributors, LLC are not affiliated.

MUTUAL FUNDS INVOLVE RISK INCLUDING POSSIBLE LOSS OF PRINCIPAL.

Equity securities such as those held by the Fund are subject to market risk and loss due to industry and company news or general economic decline. Equity securities of smaller or medium-sized companies are subject to more volatility than larger, more established companies. The concentration in real estate securities entails sector risk and greater sensitivity to overall economic conditions as well as credit risk and interest rate risk.

The Fund will engage in short selling and short position derivative activities, which are considered speculative and involve significant financial risk. Short positions profit from a decline in price so the Fund may incur a loss on a short position if the price increases. The potential for loss in shorting is unlimited. Shorting may also result in higher transaction costs which reduce return. The use of derivatives, such as futures and options involves additional risks such as leverage risk and tracking risk. Long options positions may expire worthless. The use of leverage will cause the Fund to incur additional expenses and can magnify the Fund's gains or losses.

Foreign investments are subject to additional risks including currency fluctuation, adverse social and economic conditions, political instability, and differing auditing and legal standards. These risks are magnified in emerging markets. Preferred stock and convertible debt securities are subject to credit risk and interest rate risk. As interest rates rise, the value of fixed income securities will typically fall. Credit risk, liquidity risk, and potential for default are heightened for below investment grade or lower quality debt securities, also known as "junk" bonds or "high-yield" securities. Any ETFs held reflect the risks and additional expenses of owning the underlying securities.

Higher portfolio turnover may result in higher costs. The manager or sub-adviser's judgments about the value and potential appreciation or depreciation of a particular security in which the Fund invests or sells short may prove to be inaccurate and may not produce the desired results. The Fund is non-diversified and may invest more than 5% of total assets in the securities of one or more issuers, so performance may be more sensitive to any single economic, business or regulatory occurrence than a more diversified fund.

Important Considerations

Investing in REITs, real estate securities and real estate related companies are affected by the market conditions in the real estate sector, changes in property value, and interest rate risk. Positions in shorted securities are speculative and more risky than long positions. The use of long and short positions does not limit the exposure to market volatility and other risks. The risk of volatility may be heightened for alternative or complex investment strategies. There can be no assurance that any investment strategy will be successful.

About Altegris

Altegris Advisors LLC is a CFTC-registered commodity pool operator, commodity trading advisor, NFA member, and SEC-registered investment adviser that sponsors and/or manages a platform of alternative investment products.

The Altegris group of affiliated companies is wholly-owned and controlled by (i) private equity funds managed by Aquiline Capital Partners LLC and its affiliates ("Aquiline"), and by Genstar Capital Management, LLC and its affiliates ("Genstar"), and (ii) certain senior management of Altegris and other affiliates. Established in 2005, Aquiline focuses its investments exclusively in the financial services industry. Established in 1988, Genstar focuses its investment efforts across a variety of industries and sectors, including financial services. The Altegris companies include Altegris Investments, Altegris Advisors, and Altegris Clearing Solutions. As of June 30, 2016, Altegris and its affiliates have approximately $2.47 billion in client assets.

Index Descriptions and Risks

US Bonds: Barclays US Aggregate Bond Index. *The Barclays Capital US Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis. These specific indices include the Government/Credit Index, Government Index, Treasury Index, Agency Index, and Credit Index.*

KEY RISKS: Interest rate risk—bond prices will decline if rates rise; Credit risk—bond issuer may not pay; Income risk—income may decline.

Inflation: Consumer Price Index. *The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.*

Key Risks: Inflation risk—purchasing power decreases with a rise in inflation.

Dow Jones US Real Estate Total Return (TR) Index. *The total return version of the Dow Jones US Real Estate Index, and is calculated with gross dividends reinvested. The base date for the index is December 31, 1991 with a base value of 100.*

KEY RISKS: Stock market risk—stock prices may decline; Industry risk—adverse real estate conditions may cause declines; Interest rate risk—prices may decline if rates rise.

REITs: FTSE NAREIT All Equity Index. *The FTSE NAREIT All Equity REITS index is a free-float weighted index that contains all tax-qualified REITS with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria*

KEY RISKS: Stock market risk—stock prices may decline; Industry risk—adverse real estate conditions may cause declines; Interest rate risk—prices may decline if rates rise.

Moody's/RCA Commercial Property Price Index. *Measures price changes in US commercial real estate. RCA records properties valued at over $2.5 million (in constant dollars, inflation adjusted to December 2010) that have sold at least twice from 1988 to the current period. Filters are applied to exclude properties that have sold twice in 12 months or less, transactions that are not arm's length, properties where size or use has changed, and transactions with more than 50% annual gain or loss.*

KEY RISKS: Industry risk—adverse real estate conditions may cause declines; Interest rate risk—prices may decline if rates rise.

Index Descriptions and Risks

Real Estate: Morningstar Real Estate Category. *Contains portfolios that invest primarily in real estate investment trusts of various types, and some that also invest in real estate operating companies.*

KEY RISKS: Stock market risk—stock prices may decline; Industry risk—adverse real estate conditions may cause declines; interest rate risk—prices may decline if rates rise.

Int'l Stocks: MSCI EAFE Index. *The MSCI EAFE Index is a capitalization-weighted index widely accepted as a benchmark of non-US stocks compiled by Morgan Stanley. It represents an aggregate of 21 individual country indices that collectively represent many of the major markets of the world.*

KEY RISKS: Stock market risk—stock prices may decline; Country/regional risk—world events may adversely affect values; Currency risk—unfavorable exchange rates may occur.

US Stocks: S&P 500 Total Return (TR) Index. *The total return version of S&P 500 index. The S&P 500 index is unmanaged and is generally representative of certain portions of the U.S. equity markets. For the S&P 500 Total Return Index, dividends are reinvested on a daily basis and the base date for the index is January 4, 1988. All regular cash dividends are assumed reinvested in the S&P 500 index on the ex-date. Special cash dividends trigger a price adjustment in the price return index.*

KEY RISKS: Stock market risk—stock prices may decline; Country/regional risk—world events may adversely affect values.

US Construction Spending, Census Bureau/New Lodging Product, New Residential Product, New Office Product: *The Value of Construction Put in Place Survey provides monthly estimates of the total dollar value of private construction work done in the US, which covers construction work done each month on new structures or improvements to existing structures, including lodging, residential and office. Data estimates include the cost of labor and materials, cost of architectural and engineering work, overhead costs, interest and taxes paid during construction, and contractor's profits. Data collection and estimation activities begin on the first day after the reference month and continue for about three weeks. Reported data and estimates are for activity taking place during the previous calendar month. The survey has been conducted since 1964.*

KEY RISKS: Industry risk—adverse real estate conditions may cause declines; Interest rate risk—prices may decline if rates rise.

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