

Part 2A of Form ADV: *Firm Brochure*

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This brochure, dated March 31, 2014 (this "Brochure"), provides information about the qualifications, investment strategies and business practices of Heitman Real Estate Securities ("HRES", the "Firm"), an investment adviser registered with the U.S. Securities and Exchange Commission (the "SEC"). Please note that SEC registration status does not indicate a particular level of skill or training of the Firm or its employees and that neither the SEC nor any state securities authority has approved this Brochure.

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

If clients have any questions about the contents of this Brochure, please contact William Pogorelec at 312-425-0671 or by email at william.pogorelec@heitman.com. Additional information about the Firm is also available on the SEC's website at www.adviserinfo.sec.gov. Clients can search this site by a unique identifying number, known as a CRD number or the Firm's name. The Firm's CRD number is 107134.

Item 2 Material Changes

The Firm is providing clients with this Brochure in compliance with the SEC's disclosure rules under the Investment Advisers Act of 1940 (the "Advisers Act").

This Brochure provides a summary of the Firm's qualifications, investment strategies, and business practices. Since last year's annual update, the following material changes have occurred:

- Effective on December 2, 2013, Jerry Ehlinger became Managing Director of the Firm.
- Effective January 1, 2014, Lawrence Christensen was appointed Chief Financial Officer of Heitman LLC, the Firm's parent.
- Effective on January 1, 2014, Randall Ramey was appointed Chief Compliance Officer of the Firm and Heitman LLC.
- The Heitman REIT Fund ("the Fund"), a registered mutual fund advised by the Firm, closed to new and existing investors on March 7, 2014. The Fund will be liquidated on or around April 25, 2014. As a result, all references to the Fund have been removed.

Other than these changes, there are no other material changes to the Firm's qualifications, investment strategies or business practices that have occurred.

Any material changes to this Brochure and subsequent Brochures will be sent to you within 120 days of the close of the Firm's fiscal year. Any interim disclosures about material changes will also be forwarded to clients as necessary.

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Item 4 Advisory Business

Background

The Firm is an SEC-registered investment adviser that has been in business since 1989 and has its principal place of business in Chicago, Illinois. The Firm is 50% owned indirectly by certain of the Firm's senior officers through KE I LLC, and 50% owned indirectly by Old Mutual Plc ("Old Mutual"), a global financial services company listed on the London and Stockholm Stock Exchanges.

Other Related Entities

Section 7.A of Schedule D in the Firm's Form ADV, Part I, which is accessible by following the directions on the Cover Page of this Brochure, discloses entities that are subsidiaries, either directly or indirectly, of the Firm's parent entity (hereafter collectively, "Heitman Affiliates"). This disclosure includes all registered investment adviser and broker-dealer Heitman Affiliates.

Section 7.A of Schedule D discloses Old Mutual Global Investors (UK) Limited, the sponsor of the Old Mutual Global Property Securities Fund, for which the Firm performs sub-advisory services. Also disclosed is Old Mutual Investment Group (South Africa) (Pty) Limited which is a client of the Firm. These entities are also "related persons" in which Old Mutual owns an interest. See Item 10 for further details.

Other than the entities disclosed in Section 7.A of Schedule D, other entities that could be considered "affiliates" because of common ownership and control by Old Mutual are not listed in this section because the Firm (i) has no business dealings with any of these advisers in connection with advisory services provided to its clients, (ii) does not conduct joint operations with any of these advisers, (iii) does not refer clients or business to any of these advisers and the advisers do not refer prospective clients or business to the Firm (iv) does not share any supervised persons or premises with any of the advisers and (v) has no reason to believe that the relationship with any of these advisers creates a conflict of interest with its clients.

Heitman Affiliates utilize limited partnerships or other pooled investment vehicles (the "Heitman Funds") for investment purposes principally for institutional investors. Heitman Affiliates also act as general partner, manager, or in other similar capacities and serve as the investment advisers of these Heitman Funds. Heitman Affiliates provide each prospective investor in a Heitman Fund with the fund's private placement memorandum or comparable offering document, which contains information specific to that investment opportunity.

Additionally, Heitman Affiliates create special purpose entities, including limited partnerships or similar vehicles which are comprised of one or more investors but which are not organized as Heitman Funds ("Client Entities"). Similar to Heitman Funds, Heitman Affiliates may act as general partner, as managing member, or in a similar capacity and also serve as the investment adviser for these Client Entities. These entities are created for the purpose of facilitating certain investments in real estate on behalf of one or a limited number of

clients. These types of structures are common for real estate investments and are utilized for tax efficiency and limited liability reasons.

Advisory Services

The Firm provides investment advice and investment management services with respect to investments in equity, convertible and debt instruments of publicly traded real estate related companies.

In connection with the provision of the services described above, the Firm provides continuous advice to clients regarding the investment of client funds based on each client's stated objectives and strategies. Through direct discussions with each client from which investment goals and objectives are identified, the Firm implements an investment policy that is documented in a separately negotiated investment management agreement ("IMA").

The Firm may provide advisory services to registered investment companies, affiliated investment advisers, commingled funds and separate account portfolios managed for the benefit of business and institutional entities and high net worth individuals. The opportunity to invest in registered investment companies is made available to institutional investors such as pension and profit-sharing plans, trusts, estates or charitable organizations, individuals and other corporations or business entities.

The Firm manages these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives as set forth in each client's IMA (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, industry sectors, or other factors such as geographic location and social concerns.

The Firm's investment management is generally limited to securities of publicly traded real estate related companies as well as managing currency exposure as required. Such securities may be in one or more of the following categories:

- Exchange-listed securities
- Securities traded in over-the-counter markets
- Foreign issuers
- Warrants

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives.

In connection with the services described above, the Firm may provide investment advice to non-discretionary accounts such as Unified Managed Accounts.

PUBLICATION OF PERIODICALS

Heitman Affiliates publishes periodic reports, newsletters, and similar documents providing general information on various financial topics including, but not limited to, market trends, economic conditions, conclusions based on independent research, etc. No specific investment recommendations are provided in this material and the information provided does not purport to meet the objectives or needs of any investor. This material is distributed to the Firm's

advisory clients. No fee is charged for such publications.

AMOUNT OF MANAGED ASSETS

As of 12/31/2013, the Firm was actively managing US\$1.925 million of clients' assets on a discretionary basis plus US\$230 million of clients' assets on a non-discretionary basis.

Item 5 Fees and Compensation

Asset Management Fees

The annualized portfolio management fees are charged as a percentage of assets under management typically calculated on a basis described in more detail below based upon the investment strategy and size of account:

Fees are negotiable and are generally paid quarterly in arrears. The basic fee schedule for separately managed accounts, by strategy, subject to client negotiation, is presently as follows:

U.S. Diversified Strategy - the U.S. Diversified Strategy objective is to seek a return superior to an established and identified benchmark of primarily U.S. real estate securities.

North America Diversified Strategy - the North America Diversified Strategy objective is to seek a return superior to an established and identified benchmark of North American real estate securities.

Global Diversified Strategy - the Global Diversified Strategy objective is to outperform an established and identified benchmark of publicly traded real estate securities, primarily REITs and REIT-like entities and real estate operating companies ("REOCs") in North America, Europe and Asia-Pacific.

Fee Schedule for US Diversified, North American Diversified and Global Diversified Strategies Separately Managed Accounts

The detailed fee structure is as follows:

<u>Net Assets</u>	<u>Annualized Fee</u>
Up to and including \$10 million (mil)	0.75%
More than \$10 mil but not more than \$25 mil	0.75% on the first \$10 mil and 0.65% on the balance over \$10 mil.
More than \$25 mil but not more than \$50 mil	0.75% on the first \$10 mil; 0.65% on the next \$15 mil; and 0.60% on the balance over \$25 mil
More than \$50 mil but not more than \$75 mil	0.75% on the first \$10 mil; 0.65% on the next \$15 mil; 0.60% on the next \$25 mil; and 0.55% on the balance over \$50 mil.

More than \$75 mil but not more than \$100 mil	0.75% on the first \$10 mil; 0.65% on the next \$15 mil; 0.60% on the next \$25 mil; 0.55% on the next \$25 mil; and 0.50% on the balance over \$75 mil.
More than \$100 mil	0.75% on the first \$10 mil; 0.65% on the next \$15 mil; 0.60% on the next \$25 mil; 0.55% on the next \$25 mil; 0.50% on the next \$25 mil; and 0.45% on balance over \$100 mil.

U.S. Focused Strategy- the U.S. Focused Strategy objective is to seek a return superior to an established and identified benchmark of primarily U.S. real estate securities.

Global Focused Strategy - the Global Focused Strategy objective is to seek a return superior to an established and identified benchmark of publicly traded real estate securities, primarily REITs and REIT-like entities and real estate operating companies (“REOCs”) in North America, Europe and Asia-Pacific.

U.S. Preferred - the U.S. Preferred Strategy objective is to seek high current income by investing in preferred publicly traded real estate securities.

Fee Schedule for US Focused, Global Focused and U.S. Preferred Strategies Separately Managed Accounts

The detailed fee structure is as follows:

<u>Net Assets</u>	<u>Annualized Fee</u>
Up to and including \$10 million (mil)	0.85%
More than \$10 mil but not more than \$25 mil	0.85% on the first \$10 mil and 0.75% on the balance over \$10 mil.
More than \$25 mil but not more than \$50 mil	0.85% on the first \$10 mil; 0.75% on the next \$15 mil; and 0.70% on the balance over \$25 mil
More than \$50 mil but not more than \$75 mil	0.85% on the first \$10 mil; 0.75% on the next \$15 mil; 0.70% on the next \$25 mil; and 0.65% on the balance over \$50 mil.
More than \$75 mil but not more than \$100 mil	0.85% on the first \$10 mil; 0.75% on the next \$15 mil; 0.70% on the next \$25 mil; 0.65% on the next \$25 mil; and 0.60% on the balance over \$75 mil.
More than \$100 mil	0.85% on the first \$10 mil; 0.75% on the next \$15 mil; 0.70% on the next \$25 mil; 0.65% on the next \$25 mil; 0.60% on the next \$25 mil; and 0.55% on balance over \$100 mil.

U.S. Diversified Plus Strategy - the U.S. Diversified Plus Strategy objective is to seek high current income by investing in both common and preferred publicly traded real estate securities.

Fee Schedule for US Diversified Plus Strategy Separately Managed Accounts

The detailed fee structure is as follows:

<u>Net Assets</u>	<u>Annualized Fee</u>
Up to and including \$25 million (mil)	0.60%
More than \$25 mil but not more than \$50 mil	0.60% on the first \$25 mil and 0.55% on the balance over \$25 mil.
More than \$50 mil but not more than \$75 mil	0.60% on the first \$25 mil; 0.55% on the next \$25 mil; and 0.50% on the balance over \$50 mil
More than \$75 mil but not more than \$100 mil	0.60% on the first \$25 mil; 0.55% on the next \$25 mil; 0.50% on the next \$25 mil; and 0.45% on the balance over \$75 mil.
More than \$100 mil	0.60% on the first \$25 mil; 0.55% on the next \$25 mil; 0.50% on the next \$25 mil; 0.45% on the next \$25 mil; 0.40% on balance over \$100 mil.

The terms and conditions of the fee structure for all clients and any strategy are mutually agreed upon prior to entering into an advisory agreement.

Prime Strategy – The Prime Strategy’s objective is to provide a total return over specified benchmarks over a three to five year investment horizon. The portfolio consists of listed securities whose assets are predominantly in prime global markets in the North American, European, and Asian Pacific regions of the world.

The annual charge for the Prime Strategy is negotiable up to 50 basis points per annum based on factors such as AUM, cumulative investments with the firm product and any special client servicing requirements and other business relationships, among other reasons.

The terms and conditions of the fee structures for all clients and any strategy are contained in each client’s IMA.

Fees may be negotiated in certain circumstances and are generally based on the value of assets managed.

Account Management Fees: The Firm’s practice is to provide invoices to the client, and in some cases to the client’s custodian generally on a quarterly basis using the fee structures described above. Such fees are typically paid to the Firm by the custodian or other client designee.

Incentive Fees: As more fully described in Item 6, it is possible that some clients may pay the Firm performance-based compensation ("Incentive Fees"). If such a fee were present it would be calculated as provided for in each client's respective IMA.

Because each incentive fee is negotiated with each individual client and is impacted by factors such as the strategy and amount of fixed asset management fees, there is no typical percentage to be noted.

In instances in which the Firm's investment management services are provided primarily or solely utilizing an Incentive Fee based compensation schedule, advisory clients should recognize that such fee arrangements could create an investment conflict. There is an inherent conflict of interest to engage in riskier investments with greater potential profitability.

Clients who elect to terminate their contracts may be charged a performance-based fee based on the performance of the account for the measuring period from the termination date pro-rated from the date on which the performance-based fee was last assessed, unless otherwise stated in the client agreement.

Incentive Fees would be calculated based upon the specific terms of each client's IMA. As such, the Firm may receive increased compensation with regard to unrealized appreciation as well as unrealized gains in the client's account.

INCENTIVE OR PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF RULE 205-3 OF THE INVESTMENT ADVISERS ACT OF 1940 AND/OR APPLICABLE STATE REGULATIONS. THE FEES WILL NOT BE OFFERED TO ANY CLIENT RESIDING IN A STATE IN WHICH SUCH FEES ARE PROHIBITED.

Limited Negotiability of Advisory Fees: Although the Firm has established the fee schedule(s) above, the Firm retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client mandate, amount of assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the IMA between the Firm and each client.

The Firm may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

GENERAL INFORMATION

Termination of the Advisory Relationship: Generally, the IMA may be canceled at any time, typically within 30 and 90 days of the date written notice was provided, by either party, for any reason upon receipt of such request. Upon termination of any account, any unearned fees will be promptly refunded and any earned but unbilled fees will be invoiced.

Additional Fees and Expenses: In addition to the Firm's advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers and/or local exchanges, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the

client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

ERISA Accounts: The Firm is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, the Firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, the Firm may only charge fees for investment advice about products for which the Firm and/or its "related persons" do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which the Firm and/or its "related persons" receive commissions or 12b-1 fees, however, only when such fees are used to offset the Firm's advisory fees.

Advisory Fees in General: Clients should note that similar advisory services may be available from other registered (or unregistered) investment advisers for lower fees.

Brokerage Fees or Costs: Item 12 of this Brochure provides a detailed discussion of the Firm's brokerage practices and related cost or fees.

Minimum Account Size

The minimum dollar amount for establishing a separate account is generally as follows:

Global Diversified and Focused Strategies	\$10,000,000
All other strategies	\$5,000,000

The foregoing minimum account amounts can be waived by the Firm in its discretion to permit smaller investments.

Item 6 Performance-Based Fees and Side-By-Side Management

PERFORMANCE-BASED FEES

The Firm may enter into an IMA that includes a performance-based fee from the client, in addition to the asset management fee described in Item 5. Such performance-based fee is calculated in accordance with the IMA which may be based on capital appreciation of the assets of the client and dividends.

Clients should be aware that performance-based fee arrangements may create an incentive for the Firm to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement.

Furthermore, as the Firm has clients who do not pay performance-based fees, the Firm has an incentive to favor accounts that do pay such fees because compensation the Firm receives from these clients is more directly tied to the performance of their accounts. However, inasmuch as all client accounts using the same strategy are traded in a consistent manner which is dictated by the model portfolios, the presence of performance fees would not favor such accounts over accounts where such fees are not charged.

Item 7 Types of Clients

The Firm provides advisory services to affiliated investment advisers, commingled funds and separate account portfolios managed for business and institutional entities and high net worth individuals. The opportunity to invest in registered investment companies is made available to institutional investors such as pension and profit-sharing plans, trusts, estates or charitable organizations, individuals and other corporations or business entities.

The Firm may serve as the investment manager to open-ended and finite-term unit trusts formed pursuant to the laws of various jurisdictions as appropriate.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

METHODS OF ANALYSIS

The Firm may use the following methods of analysis in formulating its investment advice and/or managing client assets:

Fundamental Analysis. The Firm may attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. The Firm may analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Quantitative Analysis. The Firm may use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis. The Firm may subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that the Firm's subjective judgment may prove incorrect.

Asset Allocation. Rather than focusing primarily on securities selection, the Firm may attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Risks for all forms of analysis. The Firm's securities analysis methods rely on the assumption that the companies whose securities it purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate data. While the Firm is alert to indications that data may be incorrect, there is always a risk that analysis may be compromised by inaccurate or misleading information.

Investment Philosophy. The Firm will provide investment management and advisory services for institutional investors wishing to invest in publicly traded real estate related companies listed on various exchanges.

The Firm will provide investors with an experienced, disciplined and in-depth investment approach which includes fundamental securities analysis. It will seek for its clients those investments which will outperform established benchmarks by purchasing securities of companies with superior growth prospects or securities that are undervalued.

The investment horizon of the Firm is intermediate to long-term. The nature of the underlying assets (real estate) dictates this approach. However, the Firm will frequently reevaluate each position in terms of national and local economic conditions, rents, occupancy levels and competition, and changes in management strategies.

Sources of Information. An important part of the Firm's analysis is individual property site visits. Properties will be analyzed to determine underlying economic values, the consistency and quality of cash flow, the potential for growth thorough re-leasing or physical enhancement, and their ability to positively leverage through debt. The Firm will maintain contact with industry sources such as bankers, real estate brokers, property managers, local real estate investors and appraisers to access individual properties and local real estate trends.

INVESTMENT STRATEGIES

The Firm may use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with a client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. The Firm may purchase securities with the idea of holding them in a client's account for a year or longer. Typically the Firm employs this strategy when:

- it believes the securities to be currently undervalued, and/or
- it wants exposure to a particular asset class over time.

A risk in a long-term purchase strategy is that by holding the security for this length of time, the Firm may not take advantage of short-term gains that could be profitable to a client. Moreover, if the Firm's predictions are incorrect, a security may decline in value before the Firm makes the decision to sell.

Short-term purchases. When utilizing this strategy, the Firm may purchase securities with the idea of selling them within a relatively short time (typically a year or less). The Firm does this in an attempt to take advantage of conditions that it believes will soon result in a price swing in the securities it purchases.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; the Firm is then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Compliance. The Firm's parent has a Compliance Committee which reviews and evaluates compliance issues and potential risks deemed to affect the Firm and its Affiliates and ensures such issues are addressed. Some of these compliance issues include Know Your Customer, Anti Money Laundering, Privacy and Pay-to-Play. Controls are evaluated, enhanced and/or established to manage such risks. For example, all IMAs are reviewed by compliance prior to execution, customized checklists are prepared to address all IMA requirements and the checklists are then audited.

RISK OF LOSS

Investing in real estate investment trust securities may be subject to the principal risks summarized below. These risks could adversely affect the investment's value, yield and total return. It is possible to lose money by investing in these securities:

Market Risk. The value of stocks and other securities held as investments will fluctuate depending on the performance of the companies that issued them, general market and economic conditions, and investor confidence. The market may also fail to recognize the Firm's determination of an investment's value or the Firm may misgauge that value.

Industry and Sector Risk. Companies that have similar lines of business are grouped together in broad categories called industries. Certain industries are grouped together in broader categories called sectors. The Firm concentrates its investments in certain real estate related industries, which may cause the investment's performance to be susceptible to the economic, business or other developments that affect those industries. Real estate industries are particularly sensitive to the following economic factors: decreases in demand due to economic recessions; increases in supply due to overbuilding; interest rate changes; changes in zoning laws; changes in neighborhood values; increases in property taxes; casualty and condemnation losses; and regulatory limitations on rents.

Portfolio Turnover Risk. The Firm may sell its investment securities, regardless of the length of time that they have been held, if the Firm determines that it would be in the best interests of the investors to do so. These transactions will increase the investment's "portfolio turnover."

High turnover rates generally result in higher brokerage costs to the investors and in higher net taxable gain which may reduce investor returns.

Currency Risk and Exchange Risk. Because foreign securities generally are denominated and pay dividends or interest in foreign currencies, the value of the investments in foreign securities as measured in local currency will be affected favorably or unfavorably by changes in exchange rates. Generally, when the local currency rises in value against a foreign currency, a security denominated in that local currency loses value because the currency is worth fewer dollars. Conversely, when the local currency decreases in value against a foreign currency, a security denominated in that currency gains value because the currency is worth more local dollars. This risk, generally known as "currency risk," means that a stronger local currency will reduce returns for investors while a weak local currency will increase those returns.

Trading. As noted above, the Firm sometimes purchases securities with the idea of selling them very quickly (typically within 30 days or less). The Firm does this in an attempt to take advantage of its predictions of brief price swings. The Firm considers its investment strategy longer-term in nature, and trading on a short term basis is not the primary focus.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, the Firm is left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Option writing. The Firm may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives the Firm the right to buy an asset at a certain price within a specific period of time. The Firm will buy a call if it has determined that the stock will increase substantially before the option expires.
- A put gives the Firm as the holder the right to sell an asset at a certain price within a specific period of time. The Firm will buy a put if it has determined that the price of the stock will fall before the option expires.

The Firm will use options to speculate on the possibility of a sharp price swing. The Firm will also use options to "hedge" a purchase of the underlying security; in other words, it will use an option purchase to limit the potential upside and downside of a security it has purchased for client portfolios.

The Firm may use "covered calls", in which it sells an option on a security clients own. In this strategy, clients receive a fee for making the option available, and the person purchasing the option has the right to buy the security from the clients at an agreed-upon price.

The Firm may use a "spreading strategy", in which it purchases two or more option contracts (for example, a call option that clients buy and a call option that clients sell) for the same underlying security. This effectively puts clients on both sides of the market, but with the ability to vary price, time and other factors.

Volatility of Investment Results. As with any investment in equity securities, the value of an investment in any of the Firm's strategies and the total return on an investor's investment are subject to the possibility that the subject portfolio of investments will experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect the securities markets generally, such as adverse changes in economic conditions, the general outlook for corporate earnings, interest rates or investor sentiment. The Firm's investments may also lose value because of factors affecting an entire industry or sector, such as increases in production costs, or factors directly related to a specific company, such as decisions made by its management.

Concentration of Portfolio. The various strategies executed by the Firm may result in the concentration in a limited number of securities, or one security may constitute a significant percentage of a particular portfolio. A decline in the value of a security or securities in which the portfolio holds a concentrated interest could substantially affect the value of the portfolio overall.

Risks of Investing in Foreign Securities. Some of the Firm's strategies may require investing in foreign securities that will be subject to risks not typically associated with domestic securities. Although ADRs and GDRs are alternatives to directly purchasing the underlying securities in their national markets and currencies, they are also subject to many of the risks associated with investing directly in foreign securities. Foreign investments can be riskier and more volatile as a result of varying custody, brokerage and settlement practices, difficulty in pricing of securities, less public information about issuers of such securities, less governmental regulation and supervision of the issuance and trading of securities, the possibility of expropriation or nationalization, adverse political, social or diplomatic developments, the imposition of withholding and other taxes, limitations on the movement of funds between different countries, and difficulties in invoking legal process abroad and enforcing contractual obligations. Changes in the value of foreign currencies can make it more difficult for the portfolio holding such securities to sell its securities and could reduce the value of an investment in the portfolio

Conflicting Interest of Clients. The Firm's clients may have conflicting tax and other interests with respect to their investments. The conflicting interests of individual clients may relate to or arise from, among other things, the timing of investments by the Firm and the taxable or tax-exempt status of individual clients. As a consequence, potential conflicts of interests may arise in connection with decisions made by the Firm, including with respect to the timing of making or disposing of investments, that may be more beneficial for one client than for another client, especially with respect to each client's individual tax situation.

Strategy May Not Be Successful. No guarantee or representation can be made that the investment strategy utilized on behalf of any client will be successful, that there will be profits, or that losses will be avoided. There is no assurance that the Firm or its affiliates will correctly evaluate the nature and magnitude of the various factors that could affect the prospects of the Firm's trading.

Potential Loss of Invested Capital. A client could lose all or substantially all of its investment managed by the Firm. Investments in the previously described strategies are only suitable for investors willing to accept this risk. Prospective investors should carefully consider their portfolio objectives and their need to minimize the risk of large losses in evaluating an investment in the Interests. The past investment performance of the Firm should not be construed as an indication of the future results of an investment managed by the Firm.

Dependence on Affiliated Advisers and their Officers. The Firm and any affiliated advisors have discretionary investment authority over clients' investments. The success of these investments will depend upon the ability of the Firm and any of its affiliated advisors that are utilized to successfully implement their investment strategies. Clients' investment performance will be dependent on the services of a limited number of officers of the Firm and its affiliated advisors. If the services of the officers were to become unavailable to the Firm and its affiliated advisors, the result of such a loss of key management personnel could be substantial losses for the Firm's clients.

Real Estate Securities. The Firm concentrates its investments in real estate securities. An investment made by the Firm on behalf of its clients will not constitute a diversified investment program. Real estate securities are susceptible to the risks associated with direct ownership of real estate, including, without limitation, declines in property values; increases in property taxes, operating expenses, interest rates or competition; overbuilding; zoning changes; risks related to general and local economic conditions; eminent domain; fluctuations in rental income; changes in neighborhood values; the appeal of properties to tenants; and losses from casualty or condemnation.

Real estate companies may be affected by changes in the value of the underlying property they own and by the quality of credit extended. Such companies also are subject to heavy cash flow dependency, defaults by borrowers, self-liquidation and the possibility of failing to qualify for tax-free pass-through of income under applicable income tax regulations in the jurisdiction of the companies.

REITs expose the Firm's investments to similar risks associated with direct investment in real estate. REITs are dependent upon specialized management skills, have limited diversification and are generally dependent on their ability to generate cash flow to make distributions to shareholders.

Credit Risk. Real estate companies may be highly leveraged and financial covenants may affect the ability of real estate companies to operate effectively. The companies in which the Firm invests are subject to risks normally associated with debt financing. In addition, a real estate company's obligation to comply with financial covenants, such as debt-to-asset ratios and secured debt-to-total asset ratios, and other contractual obligations may restrict the company's range of operating activity. A real estate company in which the Firm invests, therefore, may be limited from incurring additional indebtedness, selling its assets and engaging in mergers or making acquisitions which may be beneficial to the operation of the company.

Environmental Considerations. In connection with the ownership (direct or indirect), operation, management and development of real properties that may contain hazardous or toxic substances, a real estate company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic

substances and, therefore, may be potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines and liabilities for injuries to persons and property. The existence of any such material environmental liability could have a material adverse effect on the results of operations and cash flow of any such real estate company and, as a result, the amount available to make distributions on its shares could be reduced.

Small and Medium Capitalization Companies. Even the larger real estate companies in the industry tend to be small to medium-sized companies in relation to the equity markets as a whole. There may be less daily trading volume in a smaller company's stock, which means that buy and sell transactions in that stock could have a larger impact on the stock's price than is the case with larger company stocks. Further, smaller company stocks may perform in different cycles than larger company stocks. Accordingly, real estate company shares can be more volatile than, and at times will perform differently from, the shares of "blue chip" companies.

Basis Risk. This may occur when the prices of two assets which normally follow an established relationship to one another show a large change in their relative prices. This could lead to capital losses for a portfolio if it has positions in both and they move in an unfavorable direction.

Contracts for Differences ("CFDs"). The Firm may employ risk management techniques with the aim of ensuring it can dispose of the necessary assets at any time in order to pay redemption proceeds resulting from redemption requests and to meet its obligations resulting from contracts for differences and other techniques and instruments.

A CFD is a contract between two parties, buyer and seller, stipulating that the seller will pay to the buyer the differences between the current value of an asset (a security, instrument, basket or index) and its value at contract time. If the difference is negative, then the buyer pays instead to the seller.

CFDs allow investors to take synthetic long or synthetic short positions with a variable margin, which unlike future contracts, have no fixed expiry date or contract size. Unlike shares, with CFDs the buyer is potentially liable for far more than the amount they paid on margin.

Interest Rate Risk. The Firm may invest in bonds and other fixed income securities, which could be a significant influence on the portfolio's value due to changes in the general level of interest rates. If interest rates fall, the value of the portfolios' shares will tend to rise. If interest rates rise, the value of the portfolios' shares will tend to fall. Depending on a portfolio's holdings, short-term interest rates can have a different influence on a portfolio's value than long-term interest rates. If a portfolio invests primarily in bonds and other fixed-income securities with longer-term maturities, the biggest influence on the portfolio's value will be changes in the general level of long-term interest rates. If the Firm invests primarily in bonds and other fixed-income securities with shorter-term maturities, the biggest influence on the portfolios' value will be changes in the general level of shorter-term interest rates.

Exchange Traded and OTC Derivatives. From time to time, the Firm or its affiliates may engage, on behalf of its clients in various types of over the counter and exchange traded derivative products when appropriate for certain investment transactions. Some of these may include:

- Futures contracts (both deliverable and cash-settled);
- Futures options (which are options over a futures contract);
- Foreign exchange forwards; and
- Exchange traded options
- Swaps (i.e. total return swaps, CFD swaps, credit default swaps, synthetic securities, etc).

Hedging Risk. Using derivatives for hedging may not always work and it could limit a portfolio's potential to make a gain.

Pricing Risk. The price of a derivative may not accurately reflect the value of the underlying currency or security.

Differences in Client Performance Results. There may be differences in client performance results for any given strategy based upon factors such as the amount of the investments made for each client account and the timing associated with when such investment is made.

Risk Characteristics of the Trading Strategy. The risk characteristics for an actual portfolio for any given strategy (standard deviation, beta, Sharpe Ratio, etc.) could vary substantially from those shown for a model analysis. There is no assurance that any desired risk characteristics will actually be achieved for an actual portfolio following any given strategy. This is particularly the case since the Firm may invest in real estate investments that are neither REIT nor REOC interests.

Risks of Exchange Traded Derivatives and Foreign Exchange Contracts. Derivatives and foreign exchange contracts have certain risks associated with them. Some of the more common risks are:

- **Liquidity risk management:** the risk that a responsible party may not be able to, or cannot easily, unwind or offset a particular position at or near the previous market price
- **Exchange rate risk:** the risk of losses due to adverse moves in exchange rates
- **Market risk:** Basis risk, a related form of market risk that is relevant to derivative management. This is the risk that a derivative position held will not move in line with an underlying physical position from which its value is derived
- **Counterparty risk:** the risk that a counterparty (the other party with whom a derivative contract is made) fails to perform their contractual obligations (that is, default either in whole or in part) under a contract
- **Operational risk:** the risk that deficiencies in the effectiveness and accuracy of the information systems or internal controls will result in material loss

Reliance on Portfolio Models. If there is an error in the design of a portfolio model which is not detected, there is a risk that the client accounts would not be traded in accordance with the client's investment objectives.

Possession of Material Non-Public Information and Contractual Restrictions on Trading.

The Firm may come into possession of material non-public information (MNPI) in connection with securities transactions that would prevent it from buying or selling securities about which the MNPI relates until such time as the information is no longer material or the material information is released publicly. Similarly, the Firm may agree by contract to refrain from trading in certain securities. This can occur, for example, if it buys a security and as a pre-condition to the purchase, sign an agreement that prevents it from selling the security or buying more of that security or a related security covered by such agreement until the restrictions imposed by the agreement expire. Additionally, the Firm may come into possession of MNPI as a result of a securities transaction through discussions with the issuer, or by contract. In any of these types of circumstances, the Firm will be bound by applicable law or the contract. In those cases, the Firm will be prohibited from selling an existing position, even if it is declining in value, and the Firm will be prohibited from buying more of that position (or securities of related companies, if covered by an agreement or the MNPI is about related companies) even if the value of such company's stock is increasing. Accordingly, client accounts could be frozen in a security position for a prolonged period of time, or client accounts could be prevented from owning a security position as a result.

Item 9 Disciplinary Information

The Firm is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management. The Firm and its management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

As described in Item 4, Heitman Affiliates are registered as investment advisers and broker dealers. The Firm's affiliates conduct the following business activities:

Heitman Securities LLC ("HSL") is a registered broker-dealer and member of the Financial Industry Regulatory Authority. Heitman UK Limited ("HUK") is a broker-dealer registered with the United Kingdom's Financial Conduct Authority. Heitman HK Limited ("HHK") is licensed as a placement agent by the Securities and Futures Commission ("SFC") of Hong Kong. From time to time, the Firm or Heitman Affiliates may utilize the services of HSL, HUK or HHK as a placement agent for security offerings of Heitman Funds. The broker dealers will not engage any transactions involving publicly traded real estate securities.

Several personnel of Heitman Affiliates are registered representatives or approved persons of these registered broker-dealers. These persons do not receive direct compensation for their broker-dealer or placement agent duties.

Heitman International - Japan Branch is a branch of Heitman International LLC that is located in Tokyo, Japan to act as an operational liaison and to assist in reporting to public securities clients. In addition, the branch office markets certain Heitman sponsored private equity funds

to Asia-Pacific clients. It also provides client service and reporting services to existing investors in Heitman Affiliate's open-ended fund. Further, this entity provides non-discretionary advice to the Firm and its Affiliates but does not have the authority to negotiate, draft or conclude investment agreements. In accordance with Japanese law, Heitman International- Japan Branch is registered as an investment adviser with Kanto Local Finance Bureau, which has delegated responsibilities of this branch to the Financial Services Agency of Japan.

Heitman International HK Limited is a private equity investment adviser that is registered with the SFC in Hong Kong and is in the processing of registering with the SEC.

Heitman Capital Management ("HCM") is an SEC-registered investment adviser and Heitman International LLC ("HI") and Heitman International HK Limited ("HI HK") are in the process of registering with the SEC. These entities conduct a worldwide advisory business managing private equity real estate investments for pooled investment vehicles and separate account clients.

Heitman International Real Estate Securities GmbH ("HIRES GmbH"), Heitman International Real Estate Securities Pty Limited ("HIRES Pty"), and Heitman International Real Estate Securities HK Limited ("HIRES HK") are SEC registered investment advisers which manage portfolios composed principally of publicly traded equity securities of real estate investment trusts and other real estate related securities. HIRES GmbH is also registered with the German Federal Financial Supervisory Agency (BaFin) and Deutsche Bundesbank in Germany; HIRES Pty is also registered with the Australian Securities and Investments Commission (ASIC) in Australia; HIRES HK is also registered with the SFC in Hong Kong. HIRES GmbH, HIRES Pty and HIRES HK from time to time will draw upon the market research capabilities of the Firm's parent in making its portfolio selections.

HIRES Research Limited provides research to HIRES GmbH.

The Firm's parent provides certain central office support functions such as compliance and anti-money laundering monitoring, human resources, information technology, and other similar enterprise wide activities.

In addition, under local law, two of a Heitman Affiliate's officers located in Japan, in their capacities as officers of the general partners of certain Heitman Funds, are permitted to market interests in those Heitman Funds to qualifying investors located in Japan. These officers do not receive any commissions or other special compensation in connection with these activities.

Heitman Affiliates, pursuant to an agreement entered into by the Firm's parent, provides Rogge Global Partners Plc ("RGP"), a "related person", with certain non-discretionary research and risk analytical services with respect to collateralized mortgage backed securities. This is the only relationship or circumstance where Heitman Affiliates provides this service and Heitman Affiliates will not provide this service to any person, firm or entity other than RGP so long as the Strategic Alliance Agreement remains in force. Providing this service raises no conflict of interest with any Heitman Affiliates or their clients.

The Firm provides investment sub-advisory services to the Old Mutual Global Property Securities Fund sponsored by Old Mutual Investment Global Investors (UK) Limited, a "related

person”.

The Firm provides investment advisory services to Old Mutual Investment Group (South Africa) (Pty) Limited (“OMIGSA”), a “related person”.

Other pooled investment vehicle(s):

As described in Item 4, Heitman Affiliates create limited partnerships or similar pooled investment vehicles referred to as “Heitman Funds” or “Client Entities”. Heitman Affiliates serve as investment adviser to such entities. As described earlier in this section, the affiliates solicit investors to invest in these entities through affiliated broker-dealers. Further, unaffiliated third parties may in some cases, solicit investors to invest in these entities.

The Heitman European Real Estate Opportunity Fund (“HERO Fund”) is in the process of being registered under the laws of Luxembourg as a sub-fund of a UCITs Fund. Heitman International Real Estate Securities GmbH will serve as the investment adviser to the HERO Fund. The UCITs Fund is regulated by the Luxembourg Commission de Surveillance du Secteur Financier (CSSF).

The Firm, Heitman Affiliates or their respective employees may also invest in real estate for their own accounts.

In the event that any of its affiliations present potential conflicts of interest, the Firm will either resolve the conflict of interest or follow established written policies and procedures for disclosing such conflicts of interests to its clients.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Firm has adopted a Code of Ethics (the “Code”), which sets forth standards of business conduct required of all of its officers, managers and employees and requires its employees to , maintain integrity and ethical dealings with clients and comply with all applicable laws and regulations of the various jurisdictions in which the Firm operates. The Code includes the establishment and enforcement of policies and procedures reasonably designed to prevent the misuse of material, nonpublic information.

The Firm and its personnel owe a duty of loyalty, fairness, and good faith to its clients and have an obligation to adhere not only to the specific provisions of the Code as well as the general principles that guide the Code.

The Firm designed the Code to ensure that the personal securities transactions, activities, and interests of its employees will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

The Code includes policies and procedures for the review of quarterly securities transactions reports and initial and annual securities holdings reports submitted by all of the Firm’s access persons and their Family Members. This Code requires the prior approval or prohibition of certain securities transactions. It also contains oversight, enforcement, and recordkeeping

provisions.

Further, Access Persons certify on a quarterly basis and Supervised Persons certify on an annual basis that they have complied with the requirements of the Code. In addition, a mandatory firm-wide compliance meeting is conducted annually. The meeting addresses policies applicable to all employees of the Firm such as review of the Code and anti-money laundering compliance.

It is possible that “related person(s)” may have an interest or position in certain securities that the Firm recommends to a client.

The Firm’s express policy is that no employee may purchase or sell any security prior to implementing a transaction for an advisory account. This policy is intended to prevent employees from benefitting financially from transactions placed on behalf of advisory accounts.

The Code further includes the Firm’s policy prohibiting the use of material non-public information. It informs all employees that such information cannot be used in any capacity.

A copy of the Firm’s Code of Ethics is available without charge to its advisory clients and prospective clients. Clients may request a copy by email sent to randall.ramey@heitman.com, or via telephone at 312-425-0260.

As an investment adviser, the Firm has fiduciary responsibilities with respect to each of its clients. This means that the Firm is required to act in each client’s best interests and to deal with client assets in such a manner as to benefit the client. Compliance with the Firm’s fiduciary duty can be achieved by trying to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict that may arise with respect to any client. The Firm employees are required to try to avoid situations that have even the appearance of conflict or impropriety.

Senior officers of the Firm (or their functional equivalent) may also be senior officers or “related persons” of affiliated investment advisers and/or limited partnerships and other similar entities that serve in the capacity of or in a similar capacity to a General Partner of the Heitman Funds. The General Partner has designated the Firm or an affiliate of the Firm as having primary responsibility for investment management and administrative matters, such as accounting, tax and periodic reporting, that pertain to the entities. The Firm and or its affiliates and their managers, officers and employees will devote to the entities as much time as necessary and appropriate to manage the entities’ business. However, the Firm and its affiliates form additional investment funds, enter into other investment advisory relationships, and engage in other business activities, even though such activities may be in competition with the entities and those other activities may involve substantial time and resources of the Firm and its affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of the Firm’s management personnel and employees will not be devoted exclusively to the business of the entities but allocated between the businesses of the entities and those of the Firm’s other affiliates.

Certain entities (“Firm Entities”) have been established by the Firm’s Affiliates to invest in commingled funds or other real estate related investment and to develop, acquire, own and/or operate and ultimately sell interests in office, multi-family residential, industrial, specialty sector and/or retail properties located principally in North America, Europe and Asia-

Pacific regions ("Firm Related Entities"). The beneficial owners of the Firm Related Entities, in all cases, consist of (i) one or more affiliates of a public company, one of whose subsidiaries owns 50% of the Firm's parent entity and (ii) present and former employees of the Firm's parent entity or one of its direct or indirect subsidiaries, one of which is the Firm.

Item 12 Brokerage Practices

Selection of Brokers

Ongoing portfolio management decisions for discretionary accounts are made by the Firm, including the commission rates at which transactions for client accounts will be effected, with the objective of obtaining the most favorable price and market for the execution of each transaction.

In seeking best execution, the Firm evaluates a wide range of criteria before placing a trade with a broker or dealer, including the broker's commission rates, execution capability, positioning and distribution capabilities, back office efficiency, ability to handle difficult trades, financial stability and prior performance in serving the Firm and its clients. Once the Firm has considered a broker or dealer's ability to provide favorable priced and best execution, the Firm considers whether the broker can provide certain eligible investment research and/or brokerage services.

Commission Sharing

The Firm as a matter of policy utilizes research, research-related products and other brokerage services on a commission sharing basis. The Firm's commission sharing policy is to make a good faith determination of the value of the research products or services in relation to the commissions paid. The Firm maintains commission sharing arrangements for those research products and services which assist the Firm in its investment decision-making process.

The Firm and/or affiliated public securities investment advisers have agreements with several brokers to obtain in return for directing to such brokers securities transactions for which commissions are paid, various research products and services eligible pursuant to the safe harbor provision of Section 28(e) of the Securities Exchange Act of 1934, as amended. Certain of these agreements provide for "commission sharing" credits whereby the commissions paid by the Firm create credits which the broker uses to provide research products or services to the Firm. The Firm may also enter into "pooled commission programs" whereby a commission sharing credit pool will be generated from total commission costs. The Firm may then exchange eligible research products and services from credits that accumulate within this pool. Over the past several years, the Firm has obtained [and may continue to obtain] various eligible services in exchange for commission sharing credits, such as integrated computer systems used for research.

To the extent these uses are not all considered strictly research-related (i.e., a "mixed use" product), the Firm makes an appropriate allocation of the cost between that portion which is eligible as research or brokerage services and that portion which is not so qualified. The portion eligible as research or other brokerage will be paid for with discretionary client commissions and the portion, which is not eligible for the safe harbor under Section 28(e) of the Securities Exchange Act of 1934 (the "1934 Act"), will be paid for with Firm's own funds. For any mixed-use products or services, Firm will maintain appropriate records of its reviews and good faith determinations of its reasonable allocations.

Clients should be aware that the Firm may have a conflict between its obligations to obtain the best price and execution of the fewest necessary securities transactions and its desire to acquire research services with commission credits ("commission sharing") from the executing brokers. The Firm may also have an incentive to minimize its allocation of the mixed use category, from the 100% commission sharing category since the portion of mixed use assets allocated to hard dollars increases the firm's expenses in the amount of the hard dollars.

Notwithstanding agreements with brokers to obtain research and brokerage services, the Firm will not direct commissions to brokers in recognition of their having provided research, statistical or other related services in excess of commissions other qualified brokers would have charged for handling comparable transactions. However, subject to the requirement of seeking the best execution, the Firm may, in circumstances in which two or more brokers are in a position to offer comparable prices and execution, give preference to brokers which have provided research, statistical and other related services to the Firm for the benefit of all of its clients. The Firm may even pay more than the lowest available commission rate in return for brokerage and research products and services, so long as the Firm makes a good faith determination that the amount of commission paid is reasonable in comparison to the value of brokerage and research products and services provided.

The brokers with whom the Firm has such agreements may change from time to time. The Firm has arrangements with many broker/dealers. The Firm considers which broker/dealer is best able to execute an order based on the type of order and circumstances surrounding the order. In selecting broker/dealers, and in negotiating commissions on agency transactions, the Firm considers a number of factors, including but not limited to: the nature of the security being traded; the size and type of the transaction; the nature and character of the markets for the security to be purchased or sold; the desired timing of the trade; the activity existing and expected in the market for the particular security; confidentiality, including trade anonymity; liquidity; the quality of the execution, clearance and settlement services; the existence of actual or apparent operational problems of any broker or dealer; and financial stability of the broker or dealer. In addition, Firm may consider the value of research products or services provided by a broker.

Commission sharing credits will not be earned when prohibited by client IMAs. The Trading Department will notify the brokers of such restrictions.

Research and brokerage services received from such brokers and dealers covers a wide range of topics and services, including basic U.S. economic data, prices of various government securities, company specific information including the EDGAR filings of securities issuers, economic indices, economic outlook, political environment, demographic and social trends, industry analysis, electronic communication of allocation instructions and trade routing.

Brokerage and research services obtained with commission sharing credits are not necessarily utilized for the specific account that generated the credit. Some clients, including, but not limited to directed brokerage clients, and clients who restrict the use of commission sharing may benefit from the research and brokerage products obtained from commission sharing despite the fact that their trade commissions may not be used to pay for these services and products. The Firm does not attempt to allocate the relative costs or benefits of brokerage and research services among clients because it believes that, in the aggregate, the brokerage and

research services it receives benefit clients and assists the Firm in fulfilling its overall duties to its clients.

The Firm may use the products or services provided or paid for by broker-dealers in return for execution of securities transactions to service all accounts managed by the Firm and its affiliates, including clients of affiliated advisers, and not just the accounts whose transactions paid for particular products or services. Moreover, it is possible that the accounts whose transactions generate brokerage commissions that are used to pay for products or services may not benefit in any way from them. However, the Firm expects that each client will benefit overall by this practice because each receives the benefit of research services that it might not otherwise receive. To the extent the Firm uses broker-dealers who generate commission sharing credits in order to supply it with research; this constitutes a potential conflict of interest since the Firm might be incentivized to utilize those broker-dealers in order to minimize research expenses for which it would otherwise be responsible.

The Firm may supply proprietary research to the Heitman LLC Client Service - Marketing and Research groups (collectively, the "Support Group") if the Support Group uses the proprietary research solely to assist the Firm in carrying out its investment decision-making responsibilities for its clients. Investment decision-making responsibilities refers to the quantitative and qualitative processes and related tools used by the Firm in rendering investment advice to its clients, including but not limited to financial analysis, trading and risk analysis, securities selection, asset allocation, and suitability analysis. As used here, 'clients' refers to the entity, including but not limited to, a natural person, investment fund, or separate account, designated to receive benefits, including income, from the brokerage generated through security transactions.

The Firm may use the products or services provided or paid for by broker-dealers in return for execution of securities transactions to service all accounts managed by any members of the Firm, and not just the accounts whose transactions paid for particular products or services.

The Commission Sharing policy is reviewed at least annually. Research and brokerage services received from commission sharing relationships covers a wide range of topics and services, including basic U.S. economic data, prices of various government securities, company specific information including the EDGAR filings of securities issuers, economic indices, economic outlook, political environment, demographic and social trends, industry analysis, Bloomberg, stock exchange quotes, electronic communication of allocation instructions and trade routing, in addition to other research used in the investment process.

Directed Brokerage

The Firm discourages requests by clients to direct brokerage transactions to a particular broker selected by the client. Although the client may in such circumstances receive products and services from the brokers which benefit the client's account, the Firm cannot assure the client that it will receive brokerage commissions equally as competitive as the commission rates the Firm has negotiated with its brokers.

Moreover, the client may forego any benefit from savings on execution costs that the Firm has obtained for its other clients due, for example, to such factors as the ability to negotiate lower rates and the volume of transactions. In such instance, the client directing the brokerage may receive different prices on executions in the same security for the same transaction effected through other brokers. Even if the Firm has limited discretion in selecting brokers for these

clients, the Firm will monitor best execution to confirm rates are reasonable and will notify clients if they could be paying less by not directing brokerage.

Global Strategy Accounts

For certain Global Strategy accounts, the Firm may retain affiliated advisers to make the investment decisions with respect to publicly traded real estate securities principally in Europe and Asia-Pacific. The Firm may also delegate brokerage discretion for certain Global Strategy accounts to the affiliated advisers, and, therefore, the affiliated advisers have the discretionary authority to determine which broker-dealers will be used when purchasing and selling principally European and Asian-Pacific securities on behalf of Global Strategy accounts. For certain other Global Strategy accounts, the Firm may retain the affiliated advisers to make investment recommendations with respect to publicly traded real estate securities principally in Europe and Asia-Pacific. For these Global Strategy accounts, the Firm retains investment discretion and brokerage delegation responsibilities.

In selecting brokers to effect purchase and sale transactions, affiliated advisers take into consideration a number of factors, including the overall best execution results to a client, the broker's commissions, financial strength, stability and trade efficiency.

For trades executed in a currency other than the account's base currency a Spot FX transaction is necessary to facilitate trade settlement. The Firm will generally use an unaffiliated third party to execute those Spot FX transactions.

Order Execution and Allocation

The Firm often purchases and sells the same security at the same price and time for more than one client because (i) the Firm typically makes similar trade recommendations for similar strategies that it manages, (ii) the Firm only recommends a limited number of real estate related securities, and (iii) numerous clients have similar investment objectives and similar portfolios. The Firm generally allocates orders among participating accounts on a pro rata average price basis. Consistent with its best execution obligations and the terms of its investment advisory agreements, the Firm will typically aggregate or 'bunch' multiple client orders for the purchase and sale of the same security and allocate such transactions as previously described with each participating client's proportionate share of such order reflecting the average price paid or received with respect to the total order placed for that day. Aggregate or bunch transactions may result in better prices, including lower commission costs and/or better execution for larger orders than single orders with smaller volumes. Generally, the Firm will use a rotational method of placing and aggregating client orders and will build and fill positions for a designated client or group of clients before placing orders for other clients. Clients that request the Firm direct trades to a particular broker may not benefit from aggregate transactions. The Firm has implemented compliance policies and procedures to regularly test client accounts to ensure that investment opportunities are allocated over time in a fair and equitable manner.

Trade Allocation

The Firm has implemented compliance policies and procedures to regularly test client accounts to ascertain whether certain accounts are being treated unfairly. For example, Compliance regularly reviews trade allocations to confirm that one category of clients is not being advantaged or disadvantaged, and the portfolio manager(s) reviews performance dispersion, which may occur over time among accounts with a similar strategy. Exceptions to the rotational allocation method will be documented by Compliance. Proprietary accounts and

accounts that have a performance-based fee are treated the same as other client accounts when trade allocations are made.

IPOs and secondary offerings ("Offerings") of securities frequently are of limited size and limited availability. The Offerings may also become "hot issues" which are offerings that trade at a premium above the initial offering price.

In the event the Firm participates in an Offering, the Firm's policy and practice is to allocate shares in the Offering fairly and equitably on an overall basis among clients eligible for participation according to a specific and consistent basis so as not to advantage any firm, personal or related account and so as not to favor or disfavor any client, or group of clients, over any other.

The Firm participates in IPOs or secondary offerings for discretionary accounts.

Global Strategy Trade Allocation

Provided each client's investment guidelines are adhered to, affiliated advisers will aggregate similar purchase or sale orders with other client orders so long as such aggregation cannot be reasonably foreseen to result in no harm to any client. Aggregation may result in obtaining advantageous selling or purchase prices, brokerage commissions and other expenses and beneficial timing of transactions. Generally, affiliated investors allocate orders on a pro rata basis.

For client accounts which the Firm has delegated investment and brokerage discretion to the affiliated advisers, the Firm will periodically review the affiliated advisers' trading policies and procedures and trade activities with respect to those client accounts.

Principal and Cross Transactions

The Firm and individuals associated with the Firm are prohibited from engaging in principal transactions.

The Firm may, at times, effect an agency cross transaction for an advisory client, provided that the transaction is consistent with the Firm's fiduciary duty to the client and that all requirements outlined in Rule 206(3)-2 of the Investment Advisers Act of 1940 are met.

Although the Firm does not engage in cross transactions as a normal course of business, it is possible that a broker-dealer through whom the Firm places transactions may cross the orders.

Item 13 Review of Accounts

PORTFOLIO MANAGEMENT SERVICES

Reviews: Both before and after the Firm begins to manage an account, it will utilize strategies for the long-term growth of capital and the generation of income pursuant to the investment objectives as noted in the IMA. Guidelines are established by the Firm based on liquidity, risk and investment potential with respect to price levels and the number of shares purchased or sold. For portfolio management purposes, and to determine transaction strategy based on current market conditions, each discretionary client's account is reviewed regularly.

In addition to personnel within the Support Group, responsibility for communication with the client rests with the Firm's employees and officers assigned to such accounts.

Reports: In addition to the statements and confirmations of transactions that Portfolio Management Services clients receive from their custodians, the Firm will provide monthly and/or quarterly reports summarizing account performance, balances and holdings pursuant to the obligations set forth in each client's IMA. Upon request, the Firm will provide more frequent reports to discretionary separate account clients.

Item 14 Client Referrals and Other Compensation

The Firm engages solicitors from time to time to assist in obtaining assignments with clients. In return for these services, the Firm (and not the client) compensates the solicitor out of its investment management fee. The Firm discloses such referral arrangements to its clients as required by applicable law.

Whenever the Firm pays a referral fee, it requires the solicitor to provide the prospective client with a copy of this Brochure and a separate disclosure statement that includes the following information:

- the solicitor's name and relationship with the Firm;
- the fact that the Firm pays solicitor a referral fee;
- the amount of the fee; and
- whether the Firm will charge the client an increase above its normal fees to compensate the solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

The Firm's parent company has entered into an agreement with an external placement agent to solicit new business on behalf of the Firm and its Affiliates in Australia and New Zealand to market the Firm's and its Affiliates' investment management capabilities to institutional clients in these locations. In return for these services, the Firm's parent has agreed to compensate the placement agent. There is no economic impact to those clients that are obtained with the assistance of this placement agent as any fees due are paid by the Firm or Heitman Affiliate out of advisory fees received.

Further, it is the Firm's policy not to accept or allow its "related persons" to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services it provides to its clients.

Item 15 Custody

In addition to the periodic statements that clients receive directly from their custodians, the Firm also sends account statements directly to its clients on a monthly and/or quarterly basis. The Firm urges its clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

The Firm does not have actual or constructive custody of securities or cash.

Item 16 Investment Discretion

Clients generally engage the Firm to provide discretionary asset management services, in which case it places trades in a client's account without contacting the client for their permission prior to each trade.

The Firm's discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell; and/or
- determine the broker and price and commission related to the security bought or sold

Clients will generally give the Firm discretionary authority when they sign the IMA with the Firm, and may limit this authority by giving it additional written instructions. Clients may also change/amend such limitations by once again providing the Firm with written instructions. The Firm will not begin the management of client funds without a written IMA.

Item 17 Voting Client Securities

Clients may obtain a copy of the Firm's complete proxy voting policies and procedures by contacting the individual designated on the first page of this Brochure. In addition, clients may request, in writing, information on how proxies for his/her shares were voted. If any client makes such a request, the Firm will promptly provide such information.

The Firm will vote proxies unless the IMA specifically requests that they be forwarded to the client for processing. To direct us to vote a proxy in a particular manner, clients should contact the individual designated on the first page of this Brochure.

The Firm utilizes the services of an independent unaffiliated proxy voting recommendation firm. The proxy firm is responsible for notifying the Firm in advance of the shareholder meeting at which the proxies will be voted; providing the appropriate proxies to be voted; providing independent research on corporate governance, proxy and corporate responsibility issues; recommending actions with respect to proxies which are always deemed by the proxy firm to be in the best interests of the shareholders; and maintaining records of proxy statement received and votes cast. The Firm's policy is to follow the proxy firm's recommendations unless compelling reasons not to do so are identified and approved by the Firm's Proxy Voting Committee.

Clients can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. Clients can also instruct us on how to cast their vote in a particular proxy contest by contacting William Pogorelec at 312-425-0671.

Item 18 Financial Information

The Firm does not require or solicit payment of fees in advance of services rendered. Therefore, the Firm is not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, the Firm is also required to disclose any financial condition that is reasonably likely to impair its ability to meet its contractual obligations. Other items of this Brochure have disclosed all of the conditions that are likely to affect the Firm's contractual obligations with respect to its clients. The Firm has no such additional financial circumstances to report.

The Firm has not been the subject of a bankruptcy petition at any time.