

Part 2 of Form ADV as of March 31, 2015

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**March 31, 2015**

This brochure provides information about the qualifications and business practices of AEW Capital Management, L.P. ("AEW"). If you have any questions about the contents of this brochure, please contact us at 617-261-9000 and ask to speak to the General Counsel. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about AEW is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

An investment advisor's registration with the SEC does not imply a certain level of skill or training.

## Item 2: Material Changes

There have been no material changes in the information provided in Part 2 of Form ADV since it was last updated on March 31, 2014.

## Item 3: Table of Contents

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## Item 4: Advisory Business

AEW Capital Management, L.P. ("AEW") was founded in 1981. AEW provides investment advisory and related services focused on creating and implementing real estate related investment and asset management strategies. AEW is an autonomous indirect subsidiary of Natixis Global Asset Management, L.P., which is an indirect subsidiary of Natixis Global Asset Management ("NGAM"), an international asset management group based in Paris, France. NGAM is in turn owned by Natixis, a French investment banking and financial services firm. Natixis is principally owned by BPCE, France's second largest banking group.

AEW is a Delaware limited partnership. AEW's offices include its headquarters in Boston and offices in Los Angeles, London, Singapore and Hong Kong.

### ***Types of Services***

AEW offers investment advisory services relating to direct and indirect investments in real estate and real estate related securities. Such investments may include, without limitation, the acquisition, management and disposition of the following types of direct and/or indirect interests in real estate: (1) fee ownership; (2) partnership interests in real estate related partnerships, membership interests in limited liability companies that own real estate or other similar interests in other real estate related entities; (3) preferred equity or mezzanine interests in real estate related entities; (4) loans secured by interests in real property, including whole loans, participating loans, mezzanine loans, fixed or floating rate or shared appreciation loans; (5) real estate related securities, including publicly traded and privately traded securities of real estate investment trusts, real estate operating companies and other entities directly or indirectly involved in the acquisition, development, construction, ownership, management or disposition of real estate; (6) mortgage backed securities; and (7) warrants, options and other instruments relating to entities directly or indirectly involved in the acquisition, development, construction, ownership, management or disposition of real estate.

AEW offers a number of investment strategies. For clients seeking direct and indirect investments in real estate, AEW offers core, value-added, and opportunistic strategies. For clients seeking to invest in publicly listed securities, AEW offers global and regional strategies, including diversified, focus and other customized strategies.

AEW provides investment advisory services to clients through separately managed accounts, as well as through privately offered commingled vehicles or funds sponsored by AEW. No investment is made for a client account or commingled vehicle unless it is consistent with the investment objectives, guidelines and restrictions of the client account or commingled vehicle.

### ***Separately Managed Accounts***

Discretionary and non-discretionary investment advisory services are provided by AEW through separately managed account arrangements pursuant to advisory contracts, which incorporate investment guidelines and restrictions. Advisory contracts are typically negotiated to meet the specific needs of the particular client

***Privately Offered Commingled Vehicles***

AEW also provides investment advisory services through privately offered commingled vehicles or funds sponsored by AEW. These vehicles are offered to qualified investors in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended, set forth in Section 4(2) of such act, and are not registered as investment companies under, or otherwise subject to the provisions of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), either because the vehicles do not meet the definition of "investment company" or in reliance upon an exclusion from the definition of "investment company" provided in the Investment Company Act. Investment guidelines and objectives for each of AEW's commingled vehicles are set forth in the private placement memorandum and the organizational documents for each vehicle.

AEW also acts as investment manager for a commingled vehicle governed by the European regulatory framework UCITS. Similarly, investment guidelines and objectives for this vehicle would be set forth in the vehicle's prospectus and related documents.

AEW may participate in bundled/wrap fee programs as an advisor or a sub-advisor retained by the program sponsor to provide a model portfolio. The model portfolio provided by AEW represents AEW's recommendation as to the composition of a diversified portfolio of securities that would be purchased and/or sold for the account of a hypothetical investor who wishes to establish a portfolio of real estate related securities. The model portfolio will be similar to, but will not necessarily reflect the composition of an actively managed separate account or commingled vehicle managed by AEW. The sponsor is typically responsible for determining the appropriateness of an investment by its clients in the model portfolio recommended by AEW. The sponsor generally has primary responsibility for client communications and other services. The sponsor may provide its clients with comprehensive services, such as financial consulting, portfolio accounting and brokerage, etc. The sponsor generally charges its client a comprehensive bundled/wrap fee for such services, and a portion of this fee is in turn paid to AEW by the sponsor for AEW's services.

***Client Assets Under Management***

As of December 31, 2014, the amount of client assets AEW manages on a discretionary basis is \$23,192,097,784 (Gross Property Value) and the amount of client assets AEW manages on a non-discretionary basis is \$5,033,055,137 (Gross Property Value), for total client assets under management of \$28,225,152,921.

## Item 5: Fees and Compensation

AEW does not have a formal fee schedule for its services. Compensation for investment advisory services, in the case of separately managed account arrangements, is generally negotiated in each instance and is particular to each advisory contract. In the case of privately offered commingled vehicles, compensation is outlined in the private placement memorandum or organizational documents for each such vehicle.

Compensation arrangements may include, among other arrangements, the following: (1) investment acquisition and disposition fees, which are charged upon the creation and disposition of an investment, are generally based upon the amount of client capital invested in the project and/or the value of the subject real property (investment transaction fees may vary depending upon whether there are additional dimensions to the transaction, such as the use of leverage, fractional interests, etc.); (2) annual portfolio or asset management fees, which may be based upon gross asset value, net asset value or net operating income, and are generally paid quarterly in arrears; (3) performance-based fees, which may be based upon appreciation in the value of an asset or portfolio, performance relative to a benchmark or index, or other criteria, and may be paid periodically, upon disposition of an asset or portfolio, or after a client or investor receives a specified negotiated return set forth in an advisory contract or in a private placement memorandum or organizational documents for a commingled vehicle; and (4) other fees specifically negotiated for services provided, for example fees in connection with property financings or restructurings.

Fee arrangements may also vary for advisory services relating to investments in securities and investments in real property. In addition, advisory fees may include reimbursement for start-up expenses associated with a particular client account or commingled vehicle. Disposition fees may also include a performance-based component, which provides AEW with a percentage, negotiated on a case-by-case basis with each client, of the investment return above a predetermined threshold. Annual asset management fees may also depend upon the nature of the interest managed, the extent of leverage utilized, and other factors.

AEW may also provide seed capital in connection with investment vehicles sponsored by AEW. AEW and senior level employees of AEW may also co-invest in commingled vehicles sponsored by AEW and, in such event, in addition to acquisition and/or asset management fees payable to AEW, AEW and its employees may receive distributions from such commingled vehicles which permit AEW and such employees to participate in investment returns to investors above a pre-determined threshold of return.

Fees are generally accrued and paid monthly or quarterly in arrears. With regard to separately managed accounts, fees are generally billed to the client or, at the client's direction, to the client's custodian and may be paid, at the client's election, directly by the client or deducted from the client's account. With regard to privately offered commingled vehicles, fees are generally paid by the commingled vehicles (or deducted from amounts otherwise distributable to investors) and are reflected in the commingled vehicle's quarterly financial statements delivered to investors.

With regard to separately managed accounts and commingled vehicles invested in direct real estate, clients may incur costs and expenses associated with third party services, such as accounting, audit/tax preparation, appraisal, legal, due diligence, loan origination, property management, brokerage and

leasing commissions, repairs and maintenance, and other third party services customarily associated with the acquisition, ownership and disposition of real estate.

With regard to separately managed accounts and commingled vehicles invested in publicly traded real estate securities, clients may incur costs and expenses associated with third party services, such as custody, accounting, audit/tax preparation, administration, brokerage, and any other third party services associated with the management of the account or commingled vehicle. Please see the section entitled Item 12, "*Brokerage Practices*" for a description of AEW's brokerage practices.

Clients do not pay AEW's fees in advance.

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

As described above, AEW has several compensation arrangements, including asset management fees, performance based fees, or a combination of an asset-based fee and a performance based fee. Please see Item 5, "*Fees and Compensation*" above for more information about AEW's fees.

From time to time, AEW's portfolio managers may manage both accounts with an asset-based fee on the one hand and accounts with a performance based fee (or combination of both), on the other hand. As a result, they may face potential conflicts of interest, in that there could be an incentive to favor an account for which AEW receives a performance based fee. While this presents a potential conflict of interest, AEW has allocation policies and procedures in place that we believe mitigate the potential conflict by ensuring that investment opportunities are allocated over time in a fair and equitable manner.

In managing AEW's separate account private real estate investment business, AEW seeks to serve a relatively small number of actively investing separate account clients at any one time. In instances where AEW identifies an investment opportunity that meets the criteria of more than one client with available capital, allocation decisions are made after reviewing the investment opportunity with input from portfolio managers representing each account for which the opportunity may be appropriate. After reviewing the characteristics of the investment opportunity and the investment criteria of actively investing clients, if it is determined that the investment opportunity is appropriate for more than one client, the opportunity will be allocated to the client that has gone the longest without an allocation. AEW is at all times willing to discuss its transaction pipeline with actively investing clients, and to explain the basis upon which specific allocation decisions have been made.

In managing AEW's publicly listed real estate securities business, if a purchase or sale of a particular security is appropriate and desirable for more than one advisory account, such orders are allocated on a pro-rata basis among the accounts based on the average price obtained that day. Additionally, on a periodic basis, any dispersion of returns in accounts within the same strategy is reviewed.

## Item 7: Types of Clients

AEW provides investment advice to a variety of clients, which may include, without limitation, registered investment companies, corporate pension and profit sharing plans, public and private pension plans, union pension plans, endowments, foundations, insurance companies, real estate investment trusts, limited partnerships, corporate health and welfare plans, high net worth individuals and other investment entities. AEW may also participate in bundled/wrap fee programs as an advisor or a sub-advisor *See Item 4 above for additional information on wrap fee programs.*

The minimum account size for separately managed accounts and commingled vehicles varies by account and by strategy. AEW generally requires that a client be financially sophisticated and evidence an understanding of the principles of real estate investing. With respect to separately managed accounts targeting direct or indirect investment in real property, AEW would generally expect that a client be prepared to commit a sufficient amount of capital to the investment strategy to establish a diversified portfolio of real estate investments (typically, in excess of \$100 million). With respect to a separately managed account targeting investment in publicly listed real estate securities, AEW would generally expect a similar commitment. With respect to commingled vehicles sponsored by AEW, a minimum commitment of \$1 million to \$5 million is typically required, however the average commitment to such vehicles is generally significantly larger.

As of December 31, 2014, AEW has over 400 clients (including investors in our privately offered commingled vehicles).



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

### ***Methods of Analysis***

As a real estate investment manager, AEW uses analytical tools to value properties or (for publicly traded securities accounts) real estate companies. For both private assets and public companies, valuation methodologies typically involve valuing the cash flows produced by the assets, discounting them back with a discount rate appropriate to the current market and the risk profile of the investment, and comparing the values so derived to those in the broader market to determine whether the risk adjusted returns so derived are attractive and competitive with other investment opportunities.

Many of the analytical tools that are employed by AEW are in service of this valuation effort. AEW's internal research team ("AEW Research") uses multiple outside forecast vendors, as well as internal projections, to provide market forecasts of rents, leasing trends and new supply - which are then incorporated into valuations. AEW Research also monitors relevant transactions in a number of markets to identify trends in property yields, liquidity and required returns. Additional factors, such as the risks created by the capital structure, tenant credit risk, the volatility of the market, the timing of lease rollovers, and other material factors that could affect the success of the investment are considered, as appropriate, when identifying appropriate discount rates for the cash flows generated by the properties and/or companies. In addition to conducting internal valuations, AEW frequently relies on external appraisers for an independent assessment of value (such appraisers generally employ similar techniques).

In addition, a number of tools are used to assess the volatility of valuations, client needs for diversification, and risk management. These include sensitivity analyses that vary inputs into the valuation models to see what the impact of changing assumptions is, particularly with respect to interest rates, exit yields and rent growth. AEW also generally considers both geographic and property type diversification and the diversification of the economic drivers of the economies in which properties operate.

For direct real property investments, additional factors such as physical and environmental characteristics are considered when evaluating value and investment risk. As appropriate, other risks inherent in a particular real property investment are evaluated to determine whether the investment is appropriate to the portfolio in question in terms of both acceptable risk and target returns.

For public real estate securities accounts and commingled vehicles, much of the risk control is a function of stock selection, as AEW's "value" orientation leads to favoring stocks that are attractively valued relative to similar stocks. AEW's valuation models look both at the value of the properties owned by the companies (real estate value) and the value of the cash flows the company is expected to generate going forward and discounted back with an appropriate discount rate (a modified two stage dividend discount model). AEW may also consider geographic and property type exposure, leverage levels, yield and other relevant factors in analyzing investment risk associated with a particular company. In addition to excess performance, risk metrics such as tracking error (both historical and expected), volatility and value-at-risk metrics are considered.

While AEW seeks to understand the risks involved in investment decisions, no strategy is immune to risk and clients must understand that their capital is at risk of loss whether they are investing in public securities or in individual real estate assets.

**Material Risks**

AEW, on behalf of its clients, invests across the real estate risk spectrum - from core to value-added to opportunistic, consistent with the mandate of the separately managed account or commingled vehicle for which such investments are made. The risks associated with these direct real estate investment strategies are dependent upon the return targets of the strategies and the type of assets chosen for those portfolios. Factors that affect risk at the property level include, without limitation: the location and quality of the assets; the structure of the investment (the seniority and security of the investment); and the time, stage, or maturity of the investment.

At the strategy level, core strategies typically employ lower leverage, have more durable cash flows, and are in lower volatility markets. Value added strategies may involve somewhat higher volatility markets or secondary property types, may have somewhat higher leverage levels, and may involve development risk or leasing risk to achieve targeted returns. Opportunistic strategies may involve assets in various forms of distress, may have more substantial idiosyncratic risk, and typically employ higher leverage levels. As the risk profile of the strategy increases, so does the risk of a loss of equity.

Liquidity varies based on market conditions and the types of assets in a portfolio. When private real estate values fall, owners may see the decline as a combination of lower estimated values or lower liquidity, as sellers refuse to transact at the price bidders are offering in the market. Core properties in premier markets tend to provide greater liquidity than secondary properties in secondary markets. Listed real estate securities typically have fewer liquidity risks than direct real estate investments, but may have more observed volatility than private real estate investments, in part because they price in real time and changes in the perception of a company's risk/return prospects are quickly reflected in the market price of the company's stock.

AEW's primary strategy does not involve frequent trading of securities.

**General**

Investments in real estate and real estate related entities are subject to various risks, including: adverse changes in national or international economic conditions, local market conditions and the financial conditions of tenants; changes in the number of buyers and sellers of properties; increases or decreases in the availability or supply of property relative to demand; changes in availability of debt financing; increases in interest rates, real estate tax rates, energy prices, and other operating expenses; changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies; changes in the relative popularity of properties; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; as well as acts of God, uninsurable losses and other factors. In addition, real estate is subject to long term cyclical trends that could give rise to significant volatility in real estate values.

In general, there can be no assurance that any strategy or account will achieve its investment objectives or that the Investors will receive any return on, or the return of, their invested capital. Clients or prospective clients should review all risks associated with a potential investment and be prepared to bear any loss. If considering an investment in one of AEW's privately offered commingled vehicles, a client should review the detailed discussion of risks set forth in the offering memorandum of the particular product.

## Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of AEW's advisory business.

## Item 10: Other Financial Industry Activities and Affiliations

Neither AEW nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither AEW nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### **Material Relationships**

AEW Global Advisors Europe Ltd. (“AEW GAE”) is a wholly owned UK subsidiary of AEW. AEW Europe is registered with the FCA (Financial Conduct Authority) in the UK as a limited license investment firm. AEW has appointed AEW GAE, which is not separately registered with the SEC but is a Participating Affiliate (as described below), to serve as sub-adviser in providing discretionary investment management services to clients with respect to regional investment portfolios in the Europe region, pursuant to a sub-advisory agreement between AEW and AEW Europe.

AEW Asia Pte Ltd. (“AEW Asia” and together with AEW GAE, the “AEW Affiliates”) is a wholly owned Singapore subsidiary of AEW. AEW Asia has a capital markets services license for fund management under the Securities and Futures Act with the MAS (Monetary Authority of Singapore). AEW has appointed AEW Asia, which is not separately registered with the SEC but is a Participating Affiliate, to serve as sub-adviser in providing discretionary investment management services to clients with respect to regional investment portfolios in the Asia Pacific region, pursuant to a sub-advisory agreement between AEW and AEW Asia.

In rendering discretionary investment management services to clients, AEW may use the resources of the AEW Affiliates to provide portfolio management, research and trading services to AEW clients. Under Memoranda of Understanding (“MOUs”) between AEW and the AEW Affiliates, each of the AEW Affiliates are “Participating Affiliates” of AEW as that term is used in relief granted by the staff of the SEC allowing U.S. registered advisers to use investment management and trading resources of unregistered advisory affiliates subject to the regulatory supervision of the registered adviser. Each Participating Affiliate and any of their respective employees who provide services to clients of AEW are considered under the MOUs to be “associated persons” of AEW as that term is defined in the Advisers Act for purposes of AEW’s required supervision. The Participating Affiliates have agreed to submit to the jurisdiction of the SEC and to the jurisdiction of the U.S. courts for actions arising under the U.S. securities laws in connection with the investment management services they provide for any AEW clients. To the extent an associated person of a Participating Affiliate has discretionary authority over the assets of a client contracted with AEW, the client will receive a brochure supplement for such associated person. The names and biographical information for other employees of the Participating Affiliates who provide services to clients under an MOU is available upon request.

AEW Asia Limited is a wholly owned Hong Kong subsidiary of AEW. AEW Asia Limited does not conduct regulated activity. AEW Asia Limited acts as the manager of commingled vehicles focused on real property investments in the Asia region.

As noted in Item 4 above, AEW also provides investment advisory services through privately offered commingled vehicles sponsored by AEW. These vehicles are generally organized as partnerships, limited

liability companies or other similar entities formed with the objective of making direct and indirect investments in real estate and real estate related companies and are offered to qualified investors in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended. AEW and certain senior level employees of AEW also may invest for their own accounts in such partnerships or entities. AEW will generally be the manager of such commingled vehicles and entities controlled by AEW (or its affiliates) may serve as the general partner, managing member or in a similar capacity to such commingled vehicle.

AEW is an indirect subsidiary of NGAM, which owns, in addition to AEW, a number of other asset management, distribution and service entities (each, a “related person”). As noted in Item 4 above, NGAM is owned by Natixis, which is principally owned by BPCE, France’s second largest banking group. BPCE is owned by banks comprising two autonomous and complementary retail banking networks consisting of the Caisse d’Epargne regional savings banks and the Banque Populaire regional cooperative banks. There are several intermediate holding companies and general partnership entities in the ownership chain between BPCE and AEW. In addition, NGAM’s parent companies Natixis and BPCE each own, directly or indirectly, other investment advisers and securities and financial services firms which also engage in securities transactions.

AEW does not generally enter into transactions with related persons on behalf of clients. Because AEW is affiliated with a number of asset management, distribution and service entities, AEW occasionally may engage in business activities with some of these entities, subject to AEW’s policies and procedures governing conflicts of interest. For example, AEW may enter into relationships with related persons, which include advisory or subadvisory arrangements (on a discretionary or non-discretionary basis), cross-marketing arrangements for the sale of separate accounts and privately placed commingled vehicles, research sharing relationships and personnel sharing relationships. Given that related persons are equipped to provide a number of services and investment products to AEW’s clients, subject to applicable law, clients of AEW may engage a related person of AEW to provide any number of such services, including advisory, custodial or banking services, or may invest in the investment products provided or sponsored by a related person of AEW. The relationships described herein could give rise to potential conflicts of interest or otherwise may have an adverse effect on AEW’s clients. For example, when acting in a commercial capacity, related persons of AEW may take commercial steps in their own interests, which may be adverse to those of the AEW’s clients.

Given the interrelationships among AEW and its related persons and the changing nature of the AEW’s related persons’ businesses and affiliations, there may be other or different potential conflicts of interest that arise in the future or that are not covered by this discussion. Additional information regarding potential conflicts of interest arising from AEW’s relationships and activities with its related persons is provided below in Item 11.

**Other Advisers**

AEW Europe S.A. is AEW’s sister company and is commonly owned by Natixis Global Asset Management. AEW Europe is a European real estate investment manager with headquarter offices in Paris and London. Jeffrey D. Furber, AEW’s Chief Executive, also serves as Chairman of the Board of Directors of AEW Europe and is a member of the Investment Committee for each of the private equity funds sponsored by AEW Europe. From time to time, AEW may recommend the services of AEW Europe to clients who are seeking to invest in a European direct investment real estate strategy. In such instances, AEW may be paid a fee from AEW Europe. Similarly, from time to time, AEW Europe may

recommend the services of AEW to clients who are seeking to invest in a US direct investment real estate strategy. In such instances, AEW Europe may be paid a fee from AEW.

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

### ***Code of Ethics***

AEW has established a comprehensive Code of Ethics that is applicable to all of its employees. The Code of Ethics, which is designed to comply with Rule 17j-1 of the Investment Company Act of 1940, establishes guidelines for professional conduct, particularly with respect to limitations of potential conflicts of interest and personal trading procedures, including pre-clearance and reporting obligations. AEW's employees may not trade in real estate securities or limited offering securities without pre-clearance from the Chief Compliance Officer. AEW's employees who recommend or execute trades in securities for client accounts may not purchase the same investments for their own accounts. The Code of Ethics also prohibits employees from engaging in, or helping others engage in, insider trading and from trading with respect to a particular security or issuer at a time when he or she knows or should know that he or she is in possession of material nonpublic information about the issuer or security. Access Persons (AEW senior officers with the title of Vice President or above) and Investment Persons (all employees whose regular function or duty includes making or participating in recommending or executing trades in securities for client accounts) have periodic reporting requirements. Access Persons and Investment Persons must annually disclose to the Chief Compliance Officer all covered securities holdings and all brokerage accounts for which they exercise discretion. Access Persons and Investment Persons must quarterly disclose to the Chief Compliance Officer all transactions in covered securities for the quarter.

Additionally, AEW maintains an employee handbook which sets forth AEW's professional expectations of its personnel, a Gift and Entertainment Policy that is designed to provide reasonable oversight of potential conflicts associated with giving or receiving gifts and/or entertainment, and a Political Contributions policy that is designed to prevent conflicts relative to public or government entities or officials.

The discussion above is a summary and is qualified in its entirety by AEW's Code of Ethics, Employee Handbook, Gift and Entertainment Policy, and Political Contribution Policy, all of which are available from AEW upon request.

### ***Interest in Client Transactions***

In connection with providing investment management and advisory services to its clients, AEW acts independently of other affiliated investment advisers and manages the assets of each of its clients in accordance with the investment mandate selected by such clients.

Related persons of AEW are engaged in securities transactions. AEW or its related persons may invest in the same securities that AEW recommends for, purchases for or sells to AEW's clients. AEW and its related persons (to the extent they have independent relationships with the client) may give advice to and take action with their own accounts or with other client accounts that may compete or conflict with the advice AEW may give to, or an investment action AEW may take on behalf of, the client or may involve different timing than with respect to the client. Since the trading activities of NGAM firms are not coordinated, each firm may trade the same security at about the same time, on the same or opposite side of the market, thereby possibly affecting the price, amount or other terms of the trade execution, adversely affecting some or all clients. Similarly, one or more clients of AEW's related persons may dilute or otherwise disadvantage the price or investment strategies of another client.

through their own transactions in investments. AEW's management on behalf of its clients may benefit AEW or its related persons. For example, clients may, to the extent permitted by applicable law, invest directly or indirectly in the securities of companies in which AEW or a related person, for itself or its clients, has an economic interest, and clients, or AEW or a related person on behalf its client, may engage in investment transactions which could result in other clients being relieved of obligations, or which may cause other clients to divest certain investments. The results of the investment activities of a client of AEW may differ significantly from the results achieved by AEW for other current or future clients.

In addition, certain related persons of AEW may engage in banking or other financial services, and in the course of conducting such business, such persons may take actions that adversely affect AEW's clients. For example, a related person engaged in lending may foreclose on an issuer or security in which AEW's clients have an interest. As noted above, AEW typically will not have the ability to influence the actions of its related persons.

Although unlikely, AEW from time to time may purchase securities in public offerings or secondary offerings on behalf of client accounts in which a related person may be a member of the underwriting syndicate. Such participation is in accordance with NGAM policy and applicable law, and AEW does not purchase directly from such related person.

AEW's Code of Ethics prohibits all members of AEW's business group providing investment services related to public real estate securities from investing in any real estate related securities for their own benefit. Therefore, at no time will an AEW employee be invested personally in the same securities such employee may have recommended to a client.

As referred to in Item 5 above, AEW or its related parties may have a financial interest in certain partnerships or other entities managed by AEW in which certain clients of the firm are investors. In such event, AEW will not act as investment advisor or consultant to any of the investors with respect to their decision to invest in any such products. Each investor has made and will make an independent decision to so invest. From time to time, in the course of its investment advisory services to other clients, AEW or its related persons may recommend the purchase or sale by such other clients of securities purchased, owned or sold by these entities. AEW or its related parties will not recommend or cause a client to enter into transactions for the purpose of knowingly benefiting from the direct or indirect securities holdings of AEW or its related parties.



## Item 12: Brokerage Practices

In placing securities trades with brokers or dealers, AEW's goal is to execute purchases and sales at the most favorable prices consistent with best execution. AEW considers several factors when selecting brokers and dealers and the market in which a transaction is executed.

Brokerage arrangements must be approved by the Chief Compliance Officer and brokerage transactions may only be directed to approved brokers. A list of approved brokers is maintained and updated as necessary by the Director of Securities Operations for the AEW Securities Group (any changes require the approval of the Chief Compliance Officer). Any broker that has not been used within one year will be moved from the Approved Broker List to a dormant broker list, "Dormant Broker List". If regular trading is to resume with any broker on the Dormant Broker List they will go through the standard broker approval process again. The Dormant Broker List will be reviewed from time to time and brokers will be removed as necessary.

In selecting a broker for a particular trade, the objective is to achieve the best execution for the client. Factors to be considered in achieving such objective may include:

- Recent activity in trading the security being purchased or sold ("flow")
- the broker's overall competitiveness, financial soundness, reputation, and integrity
- the broker's trading expertise,
- the issuer and type of security to be traded and the size of the trade
- the quality of the broker's back office (ability to settle the transaction in a timely fashion)

Brokerage transactions are not required to be directed to the broker offering the lowest commission cost, provided that the Portfolio Manager, Co-Portfolio Manager or Trader selecting the broker believes that the firm selected will be able to obtain the best price in connection with a particular transaction and that the commission cost is reasonable in relation to the total quality and reliability of the brokerage services provided by such firm (both to the applicable client account and to AEW as a whole). The Trader will report any events that may occur with a broker that could affect the broker's ability to achieve the objectives stated above to the Best Execution Committee on a quarterly basis or sooner as needed.

AEW also maintains a list of broker/dealers affiliated with AEW. The Employee Retirement Income Security Act imposes limitations on AEW's ability to purchase securities in an underwriting if an affiliated broker-dealer is a member of the underwriting or selling syndicate. If the affiliated broker-dealer is a member of the underwriting syndicate, a purchase from any member of the selling group may be prohibited. It is AEW's policy not to trade with affiliated broker/dealers. The portfolio manager, Director of Securities Operations and trader are responsible for consulting the procedures adopted by clients regarding the purchase of securities in an underwriting in which an affiliated person of the client is a member of the underwriting syndicate.

Although AEW does not directly participate in any soft dollar arrangements, AEW reserves the right to do so in reliance on the statutory safe harbor found in Section 28(e) of the Securities Exchange Act of 1934. AEW does not, for example, permit brokers to pay for services such as computer databases, research oriented hardware or software, quotation equipment or trade settlement services used by AEW even though such services are permitted by Section 28(e). AEW may receive research services incidental to its use of certain brokers, in all cases limited to the types of research contemplated by Section 28(e). Research services provided by broker/dealers take various forms, including personal

interviews with analysts, written reports, pricing services, and meetings arranged with various sources of information regarding particular issuers, industries, governmental policies, economic trends, and other matters. To the extent that services of value are received by AEW, AEW may avoid expenses which might otherwise be incurred. Such services furnished to AEW may be used in furnishing investment advice to all of AEW's accounts, and services received from a broker/dealer that executed transactions for a particular account will not necessarily be used by AEW specifically in servicing that particular account. AEW may have an incentive to select or recommend a broker based on AEW's benefit in receiving research services, however, at all times, AEW seeks to achieve best execution and will not forgo achieving best execution in favor of using a broker who might provide research services.

Clients may instruct AEW to direct brokerage commissions to particular broker-dealers selected by the client. Where a client has instructed AEW to direct brokerage to a particular broker-dealer, the client is responsible for negotiating commission rates with their respective broker-dealer and, therefore, may pay a higher commission than the lowest commission that may be obtained by AEW. In such circumstances, the client may not be receiving best execution. Currently, all directed brokerage arrangements are subject to most favorable execution.

When AEW determines that an investment purchase or sale opportunity in a security is appropriate and desirable for more than one advisory account, purchase and sale orders may be executed separately or may be combined and allocated by AEW to the participating accounts. . It is AEW's policy to allocate the day's transactions pro-rata among the accounts with open orders for that security based on the average price obtained that day. Exceptions to the pro-rata allocation are rare and would be brought to the attention of the Chief Compliance Officer.

## Item 13: Review of Accounts

The Risk Management Committee, which includes AEW's CEO, the heads of AEW's three business units, AEW's general counsel, AEW's director of research and AEW's director of investor relations, is responsible for reviewing investment strategy and risk across all of AEW's business lines.

In AEW's business groups providing investment services related to direct real estate investment, each separately managed account and commingled vehicle is reviewed by AEW's Risk Management Committee. At the start of each account or fund's fiscal year, a current status update is presented to the Risk Management Committee along with a business plan for the coming year. At the mid-point of each year, a status update is provided to the Risk Management Committee outlining where the account or fund is compared to the annual business plan. Additionally, any material event being considered that was not contemplated in an account or fund's business plan must be approved in advance of such action.

In AEW's business group providing investment services related to public real estate securities, each strategy is reviewed at least annually by the Risk Management Committee.

In addition, each account or fund's portfolio manager and accounting team also regularly monitor each client account.

In AEW's business groups providing investment services related to direct real estate investment, the portfolio manager responsible for each separately managed account or commingled vehicle will review that portfolio, its assets, its performance and the condition of the investment advisory relationship on a regular basis and report to the client as needed. Each separately managed account and commingled vehicle is managed by a portfolio manager, who is a senior officer of the firm and who, on a day-to-day basis, oversees the operation and performance of portfolio assets. Under the direction of the portfolio manager, each investment asset is managed by an asset manager or investment manager. The asset manager reviews and reports monthly to the portfolio manager on the operational performance of each asset, including, as appropriate, leasing status and activity, leasing terms and rental rates, tenant delinquencies, ongoing or pending capital improvements, and opportunities to increase current income or long-term investment value. Monthly financial operating data from each asset, including all items of income and expense, is received and reviewed by a portfolio controller and reported to the portfolio manager.

In AEW's business group providing investment services related to public real estate securities, a reconciliation to the separately managed account or commingled vehicle custodian books is performed at least on a monthly basis. Depending on the detail of the statement(s) provided by the custodian banks, account holdings, cash, transactions, receivables, and payables may be reconciled. Reconciliations are done manually. The reconciliation is completed by the assistant portfolio controller responsible for the separately managed account or commingled vehicle. The information described above is reconciled to AEW's books and records. Any discrepancies are brought to the attention of the custodian bank. The output of the reconciliation process is a summary sheet that details the beginning and ending market values for the account, as well as a listing of any reconciling items. Once completed, the reconciliation is given to the Director of Securities Operations for final review and signoff. The summary sheet must be initialed by both the assistant controller and VP or Director of Securities Operations before it can be filed. Cash is reconciled on a daily basis for some of the accounts that the

Securities Group advises or sub-advises and for all global accounts. This cash sheet is faxed, emailed or downloaded from the custodian website to the Securities Group by a designated time each day. The daily contact for that account is responsible for reconciling the cash and notifying the group of the daily inflows/outflows for that day.

Clients are generally provided with quarterly and annual reports that review the status and performance of their real estate investment portfolios, which reports may include full financial statements if applicable. In addition, portfolio managers generally will meet or otherwise communicate with each client no less than once per year to review portfolio performance and provide an outlook on potential issues and opportunities that may arise in the coming period.

## Item 14: Client Referrals and Other Compensation

AEW does not receive an economic benefit by someone who is not a client for providing investment advice or other advisory services to AEW clients.

In certain circumstances, AEW may engage third parties to solicit new investment advisory clients. AEW may compensate affiliated companies and their directors, officers and employees who refer clients to AEW. AEW may also pay referral fees to unaffiliated organizations or individuals, in which case AEW would disclose the referral compensation arrangement in accordance with Rule 206(4)-3 under the Advisers Act.

In general, a cash referral fee may not be paid to a third party who (1) is subject to a statutory disqualification under certain provisions set forth in Section 203 of the Act, (2) may be subject to an SEC order under Section 203(f), (3) has been convicted within the past ten years of certain felonies or misdemeanors set forth in Sections 203(e)(2)(A)-(D) of the Act, (4) has been found by the SEC to have engaged or been convicted of engaging in certain violative conduct set forth in Section 203(e), or (5) has been enjoined from acting as an adviser, broker-dealer, or in certain other capacities set forth in Section 203(e)(3). AEW will not provide, directly or indirectly, payment to any third party to solicit a state or political subdivision of a state for investment advisory services on behalf of AEW unless the third party is a "broker" as defined in section 3(a)(4) of the Securities Exchange Act of 1934 or a "dealer" as defined in section 3(a)(5) of that Act that is registered with the Securities Exchange Commission, and is a member of a national securities association registered under the Securities Exchange Act. Any prospective solicitor must represent in writing that it meets each of these requirements, and AEW may not engage the services of a solicitor with respect to which it has actual knowledge that these representations are untrue. If it is determined that a cash referral payment to a solicitor is appropriate, such payment may only be made pursuant to a written solicitation agreement that satisfies the requirements of Rule 206(4)-3 under the Act.

AEW may also compensate its personnel or officers from time to time for referrals of clients to AEW. This may be done in accordance with a specific formula or may be one of several factors taken into account in setting annual compensation amounts.

## Item 15: Custody

AEW maintains policies and procedures to comply with the requirements of Rule 206(4)-2 of the Advisers Act (the “Custody Rule”).

AEW clients with separately managed accounts that hold publicly listed real estate securities generally select and engage custodians directly to maintain custody of their funds and securities and therefore AEW generally does not have custody of securities in these accounts.

For AEW clients that are commingled vehicles holding publicly listed real estate securities, these securities and any cash are held with a qualified custodian and the vehicle is subject to an annual independent audit conducted in accordance with GAAP.

For AEW clients with separately managed accounts or invested in comingled vehicles with direct or indirect interests in real estate, we may be deemed to have custody of clients’ assets because we have access to and/or control over bank accounts related to one or more real estate investments. For those accounts, you should receive at least quarterly statements directly from the bank or other qualified custodian that holds and maintains your assets.

Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies, among other things. For tax and other purposes, your custodial statement is the official record of your account(s) and assets. We urge you to carefully review your custodian statements and compare them to the account statements that we may provide to you as your investment manager.

Please contact us promptly if you have any questions about the account statements or audited financials or if you fail to receive them timely.

## Item 16: Investment Discretion

AEW accepts discretionary authority to manage assets on behalf of client. In general, discretionary investment advisory services are provided by AEW through separately managed accounts pursuant to an investment advisory contract which sets forth the parties' responsibilities and AEW's authority over the client's account. Each investment advisory contract is specifically negotiated to meet the investment objectives of the particular client and incorporates both investment guidelines and detailed fee schedules. Client investment guidelines vary and may include, but are not limited to, diversification requirements, benchmark deviation, concentration limits, restrictions prohibiting purchase of certain securities or making investments in certain countries or markets, and prohibiting certain investment strategies or techniques.

Additionally, AEW offers private commingled vehicles, which are managed on a discretionary basis by AEW pursuant to the terms of the offering and subscription documentation for each vehicle. These documents are provided to each client prior to the client's investment, which investment is evidenced by a written subscription agreement or other written agreement.

## Item 17: Voting Client Securities

AEW does have, and will accept, proxy voting authority on behalf of our clients. The following is a summary of the policies and procedures used by AEW in voting proxies relating to securities held on behalf of its clients for which it has voting authority.

In general, if AEW believes that a company's management and board have interests sufficiently aligned with those of our client, we will vote in favor of board-approved proposals. More specifically, we seek to ensure that the board of directors of a company is sufficiently aligned with security holders' interests and provides proper oversight of the company's management. In many cases, this may be best accomplished by having a majority of independent board members. Although we will examine board member elections on a case-by-case basis, we will generally vote for the election of directors that would result in a board comprised of a majority of independent directors.

Because of the enormous variety and complexity of transactions that are presented to shareholders (such as mergers, acquisitions, re-incorporations, adoptions of anti-takeover measures, changes to capital structures and executive compensation plans, among others), and the variety of industries, companies and market cycles involved, it is extremely difficult to foresee exactly what actions would be in the best interests of our clients in all circumstances. Moreover, voting on such proposals involves considerations unique to each transaction. Accordingly, we will take a case-by-case approach to voting on proposals presenting these transactions.

Clients can direct AEW's vote in a particular solicitation for their account, but for the most part, our clients either give us full authority to vote in accordance with our policies and procedures or choose to vote securities themselves (or delegate voting to another person or entity). If a client were to make an exception to this rule, AEW would document the client's direction, outlining the vote recommendation for their account and an explanation as to why they want to vote in that particular manner. AEW currently manages accounts for some clients with respect to which they have provided standing instructions on how AEW should vote on specific issues.

In reference to conflicts of interest, we have established procedures to help us resolve conflicts of interest that might arise when voting proxies for our clients. These procedures provide that AEW's Chief Compliance Officer will examine conflicts of interests of which we are aware and seek to resolve such conflicts in the best interests of our clients, irrespective of any such conflict.

AEW advisory clients may obtain a copy of our Proxy Voting Policies and Procedures or their account's voting record upon request.



## Item 18: Financial Information

- A. AEW does not require or solicit prepayment of fees.
- B. AEW confirms that there is no financial condition that would be reasonably likely to impair its ability to meet contractual commitments to clients.
- C. AEW has not been the subject of bankruptcy petition at any time during the past ten years.