

# ING CLARION REAL ESTATE SECURITIES, LLC

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Information current as of

**31 March 2011**

*This brochure provides the information about the qualifications and business practices of ING Clarion Real Estate Securities. If you have any questions about the contents of this brochure, please contact us at +1 610 995 2500. 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.*

*ING Clarion Real Estate Securities is a registered investment adviser with the United States Securities and Exchange Commission. Our registration number is **801-49083**. Registration as an investment adviser does not imply any level of skill or training.*

*Additional information about ING Clarion Real Estate Securities also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## MATERIAL CHANGES

In 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to our clients as mandated by SEC Rules. As required, we adopted this new form for 2011, for our annual amendment.

This current brochure is dated 31 March 2011 and is the new disclosure document prepared according to the SEC’s new requirements and rules. This document is materially different in structure than the prior form. While the new form contains much of the same information as our prior disclosure documents, it also requires information on new topics.

Aside from the change in the form, we provide new information relating to the pending change in ownership of our firm. Specifically, **please refer to the *History and Ownership* under the *Advisory Business* section for information regarding our acquisition by CB Richard Ellis Group, Inc. This pending change in ownership is expected to be finalized in the second half of 2011.**

In the future, we will use this section to discuss specific material changes in the brochure. Additionally, we will disclose the date of the most recent annual update of this form. The most recent annual update prior to this form was dated 15 May 2010.

Previously, we have offered or delivered our disclosure document to clients on at least an annual basis. Pursuant to the new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures by April 30<sup>th</sup> of each year. We may provide an interim delivery of this document if any changes are sufficiently material. Copies of the most recent version of this form are always available at any time, without charge.

Currently, our brochure may be requested by contacting our Client Service team at +1 610 995 2500. Our brochure is also available on our web site at [www.ingclarionres.com](http://www.ingclarionres.com).

Additional information about ING Clarion Real Estate Securities is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## ADVISORY BUSINESS

ING Clarion Real Estate Securities (“CRES” or “we”) specializes in managing portfolios of real estate securities for institutional clients.

Real estate securities include securities issued by Real Estate Investment Trusts (“REITs”), Real Estate Operating Companies (“REOCs”), and other companies with significant real estate activities. We focus on equity securities, primarily common or preferred stock listed on a recognized stock exchange. For particular mandates, we may invest in fixed income securities or equity-related securities.

We manage client portfolios on a fully discretionary basis for a variety of investment objectives across several types of investment mandates.

We manage client accounts according to three primary investment objectives:

- Total return
- Income-oriented
- Absolute return

Further, our investment mandates are generally defined by geography, such as:

- Global
- U.S.
- International (ex-U.S.)
- Asia-Pacific
- European

The combination of investment objective and investment mandate results in one or more investment models used to manage client accounts. Client accounts with similar investment objectives and similar investment mandates are managed in accordance with a similar model. A client may impose unique investment restrictions and guidelines which will be honored in managing the account. More information about our investment process and how we service clients is contained throughout this brochure.

As of 31 December 2010, CRES managed US\$19.4 billion in discretionary client assets for approximately 100 clients.

## **HISTORY & OWNERSHIP**

Throughout our history, CRES has maintained the same investment philosophy and same key members of the investment team.

In 1969, Kenneth D. Campbell formed Audit Investments, a registered investment adviser. In 1984, Audit Investments began managing U.S. real estate equity portfolios for institutional clients. In 1992, T. Ritson Ferguson and Jarrett B. Kling joined Mr. Campbell and, with principals of Radnor Advisors (a real estate investment firm), formed Campbell-Radnor Advisors to continue the investment adviser business of Audit Investments. In 1995, Campbell-Radnor Advisors sold an interest to certain principals of Clarion Partners, a real estate investment firm in New York, and became Clarion Real Estate Securities (CRES). In 1998, ING Group acquired Clarion Real Estate Securities and Clarion Partners. In 2001, CRES began managing global real estate equity portfolios.

Today, CRES is a wholly owned subsidiary of ING Group and is part of ING Real Estate Investment Management ("ING REIM") as an independent business unit dedicated to real estate securities.

On 15 February 2011, ING Group entered into an agreement with CB Richard Ellis Group, Inc. ("CBRE") to sell CRES (along with the Europe and Asia operations of ING REIM). In the transaction, members of senior management of CRES will acquire a minority ownership interest in CRES. The agreement contemplates a closing in the second half of 2011. The consummation of this transaction is dependent on a number of factors, including regulatory and client approvals.

After the transaction, CRES will continue to maintain the same investment philosophy and same key members of the investment and management team.

## ORGANIZATION AND MANAGEMENT

CRES is headquartered in Radnor (near Philadelphia), Pennsylvania, USA and has offices in London, England; Tokyo, Japan; and Hong Kong. As of the date of the brochure, CRES had 73 employees globally.

CRES is organized into three primary functional teams:

- **Investment Team** consisting of Portfolio Managers, Investment Analysts, Portfolio Analysts, and Traders
- **Marketing and Client Service Team** consisting of Client Service, Sales, and Marketing personnel
- **Operations Team** consisting of Portfolio Accounting, Trade Settlement, Legal, Compliance, Information Technology, and Administrative Support

CRES is governed by a Management Committee, which is responsible for the strategic direction, planning, and general management of the firm. The Management Committee consists of:

<b>Name</b>	<b>Role</b>
T. Ritson Ferguson	Chief Executive Officer and Co-Chief Investment Officer
Steven D. Burton	Managing Director and Co-Chief Investment Officer
Joseph P. Smith	Managing Director and Co-Chief Investment Officer
Jarrett B. Kling	Managing Director – Sales and Marketing
Steven P. Sorenson	Senior Director – Global Marketing and Client Service
David J. Makowicz	Senior Director and Chief Operating Officer

In addition to the Management Team, CRES's executive officers include:

<b>Name</b>	<b>Role</b>
Jonathan A. Blome	Chief Financial Officer
William E. Zitelli	General Counsel
Robert S. Tull	Chief Compliance Officer

In addition to leading the Management Committee, Mr. Ferguson also leads the Investment Team. The Investment Team is comprised of Portfolio Managers, Investment Analysts, Portfolio Analysts, and Traders.

The CRES Portfolio Managers are generally organized by regional research responsibilities and include:

<b>Name</b>	<b>Role</b>
T. Ritson Ferguson	Co-Chief Investment Officer – Global
Steven D. Burton	Co-Chief Investment Officer – Global and Europe
Joseph P. Smith	Co-Chief Investment Officer – Global and Americas
Christopher S. Reich	Portfolio Manager – Global and Asia-Pacific
Kenneth Weinberg	Portfolio Manager – Americas
Simon Robson Brown	Portfolio Manager – Europe
Nelson Wong	Portfolio Manager – Asia-Pacific

## **INVESTMENT MANAGEMENT AGREEMENTS**

CRES manages client accounts pursuant to a written investment management agreement. Clients may be asked to execute a standard form of agreement used by CRES, or clients may negotiate their own form of agreement with CRES. Although the terms of each client agreement may vary, investment management agreements may generally be terminated by either party upon 30 days prior written notice. If applicable, any pre-paid fees will be refunded. An investment management agreement may not be assigned by CRES without the client's consent. *The sale of CRES to CBRE will require client consent to the assignment of its investment management agreement.*

## **OTHER FORMS OF ADVISORY SERVICES**

Non-discretionary investment advisory services are provided to Merrill Lynch, for use in its unified managed account program, and to ING Investment Management Co., which uses such advice to manage accounts on a variety of separately managed account platforms. CRES earns a fee based on percentage of assets in the program invested in accounts managed based on CRES' advice. Persons investing through these UMA and SMA platforms are not clients of CRES.

In a single instance, CRES provides non-discretionary advisory services to an affiliate in order for the affiliate to manage a fund. This arrangement was developed because of legal restrictions making it impractical for CRES to manage the fund directly. This service is not offered generally.

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## FEES AND COMPENSATION

We provide advisory services for a fee based on a percentage of assets under management. In addition to paying our investment management fee, clients could expect to pay fees for custody and administration services, brokerage commissions, third-party consultants, and other similar costs. These additional costs are not paid to CRES.

### INSTITUTIONAL SEPARATE ACCOUNT FEES

We provide advisory services to institutional separate accounts. Please refer to the *Types of Clients* section of this brochure for a list of entities which constitute institutional separate accounts.

Investment management fees for institutional separate accounts with a *total return* objective generally begin at the following rates:

*Total Return Investment Objective:*

<b>Investment Mandate</b>	<b>Beginning Fee Rate on Assets Under Management</b>
Global	65 basis points (0.65%)
U.S.	50 basis points (0.50%)
International (ex-U.S.)	70 basis points (0.70%)
Asia-Pacific	75 basis points (0.75%)
European	75 basis points (0.75%)

Investment management fees may be tiered or otherwise negotiable, depending on the size of the account. CRES has agreed to “most-favored-nation” clauses in agreements with certain clients. Investment management fees for income-oriented and absolute return investment objectives are negotiable.

Fee calculation and payment terms are negotiable. Management fees are most often paid quarterly in arrears and are calculated by multiplying the average monthly assets under management for the period by the applicable rate, equivalent to  $\frac{1}{4}$  (one-quarter) the annualized rate.

For the purpose of computing management fees, CRES values client accounts using Bloomberg as its primary pricing source and IDC as a secondary, back-up pricing source. If the client requests, management fees may be calculated

based on valuations determined by the custodian or administrator of the account.

When advisory services are provided for less than one quarter, the fee will be pro-rated for the number of days the account was open during the quarter. In most cases, the pro-rated management fee is applied to client-directed cash flows in the account (e.g., contributions or withdrawals).

Investment management fees are paid by the client. CRES does not directly debit investment management fees from a client's account.

In very limited situations, CRES personnel may be designated by a client as "authorized signers" with the ability to disburse funds for a client.

### **FEES FOR OTHER TYPES OF ACCOUNTS**

The rate and timing of management fees for other types of accounts may vary.

***For example,** CRES serves as investment adviser to certain closed-end and private investment companies. Fees charged on those funds are described in the funds' disclosure documents (i.e., Prospectus or Offering Memorandum).*

Similarly, CRES serves as sub-advisor to a variety of investment funds, including mutual funds. For these funds, CRES is compensated by the named investment adviser or trustee. In such cases, CRES' fee is negotiated with the fund's named investment adviser or sponsor.

Fees paid to CRES for non-discretionary advisory services have been negotiated with the fund or program sponsor.

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## Performance-Based Fees and Side-by-Side Management

### PERFORMANCE-BASED FEES

For some clients, CRES charges a management fee which consists of a base fee plus an “incentive” or “performance” fee. Generally, this “performance-based” fee is equal to a percentage of investment returns over an agreed upon benchmark (e.g., S&P Developed Property Index or the FTSE EPRA/NAREIT Global Real Estate Index) or a specified rate of return (e.g., 8%).

It is possible that two client accounts in the same model (same investment objective, same investment mandate, and same benchmark) may have different fee structures because one may have a performance-based fee. In this situation, the two clients could pay different amounts for the same service solely because of the performance-based fee.

Performance-based fee arrangements can provide for increased compensation for an adviser, which can create an inherent conflict of interest, in that a performance-based fee provides an incentive for an adviser to make investments which could be riskier or more speculative in an effort to improve performance and earn a higher fee.

Additionally, performance-based fee arrangements can create an incentive to favor performance-based fee accounts over other accounts in the allocation of investment opportunities. CRES has designed and implemented procedures to ensure that all clients are treated fairly and equally when allocating investment opportunities, regardless of the client’s fee structure. CRES’s procedures for allocating investment opportunities are described in the *Brokerage Practices* section of this brochure.

Performance-based fee arrangements are only available to qualified clients, in accordance with Rule 205-3 of the Investment Advisers Act of 1940.

Since CRES follows a team approach in making investment decisions, Portfolio Managers provide services to both performance-based fee accounts and standard fee accounts.

## **SIDE-BY-SIDE MANAGEMENT**

“Side-by-side management” generally refers to two scenarios. The first is when an adviser provides advisory service to clients with different fee structures, one of which is a performance-based fee (like described above). The second is when an adviser provides advisory services to an affiliated private fund, as well as unaffiliated clients.

CRES serves as the general partner or investment adviser to three affiliated private funds (collectively referred to as “Affiliated Hedge Funds”).

Specifically, the Affiliated Hedge Funds include:

- ING Clarion U.S., L.P.
- ING Clarion Global, L.P.
- ING Clarion Global, Ltd.

The Affiliated Hedge Funds have an absolute return investment objective and use both long and short positions in real estate securities.

Additionally, CRES provides advisory services to an affiliated collective trust and an unaffiliated institutional separate account, which also have an absolute return investment objective and use both long and short positions in real estate securities. The Affiliated Hedge Funds and these additional absolute return accounts are collectively referred to as the CRES “ARS Clients.”

The ARS Clients generally have performance-based fee arrangements.

## ***ARS Clients***

We embrace our duty to put client interests first. However, we also recognize the potential conflicts of interest when managing clients with different investment objectives, such as total return and absolute return.

In response, we have adopted policies and procedures to avoid, control, and mitigate such potential conflicts for the benefit of our clients.

The policies and procedures cover many topics, such as:

- Short sales in real estate securities;
- Insider trading; and
- Allocating investment opportunities.

Our policies and procedures are reviewed and tested on an annual basis.

Specifically for the ARS Clients, our policy related to investing in the same securities as other clients is summarized in the two sub-sections below. Our policy on insider trading is summarized in the *Code of Ethics* section of this brochure. Our policy on allocating investment opportunities is summarized in the *Brokerage Practices* section of this brochure.

*Investments in Securities Recommended for Other Clients:*

ARS Clients invest in securities which are also recommended for other advisory clients. Investment decisions for all advisory accounts (including the ARS Clients) are made in the context of the account's overall mandate, including its investment objective, geographic focus, and benchmark. Accounts with similar mandates are managed in accordance with investment models, subject to account-specific factors. Investment opportunities are allocated to clients whose accounts are managed in accordance with the models for which the opportunity is best suited. ARS Client accounts are managed in accordance with different models than long-only mandates. In this process, investment opportunities may be recommended to the ARS Clients in addition to (or instead of) other advisory clients. Please refer to the *Brokerage Practices* section for information regarding CRES's order placement, trade aggregation, and IPO allocation policies.

*Short Sales in Securities Recommended for Other Clients:*

ARS Clients pursue their investment objectives by implementing trading strategies which are not used by other advisory clients; *primarily through short selling*. Conflicts may arise when a security is sold short for the ARS Clients at the same time as the security is held as a long position for other client accounts. The ARS Clients are permitted to

short sell in securities recommended for other client accounts provided that:

- other client accounts are not actively selling the security, and
- the Portfolio Managers determine that other client accounts will not begin actively selling the security.

In our policy, “actively selling” is defined as a reduction of a target weight for the security in a model portfolio that causes a sale program. This definition is specifically intended to exclude sales of the security necessitated by the need to raise cash in one or more client accounts in accordance with client instructions or otherwise.

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## Types of Clients

CRES provides discretionary advisory services globally to institutional clients, such as:

- Corporate and public pension plans
- Sovereign wealth funds
- Government entities
- Insurance companies
- Universities and Endowments
- Charitable organizations
- Collective trusts
- Corporations
- Taft-Hartley plans
- Foundations
- Open-end investment companies
- Closed-end investment companies
- Private investment funds
- Family Offices, Estates, and High Net Worth Individuals

As of December 31, 2010, CRES managed US\$19.4 billion in discretionary client assets for approximately 100 clients.

CRES generally requires an initial minimum funding amount of US\$10 million for institutional separate accounts.

### **AFFILIATED HEDGE FUNDS**

The eligibility conditions and minimum investment amounts related to the Affiliated Hedge Funds are described in the fund's private placement materials. Minimum investments are generally US\$1 million but may be subject to CRES's discretion. There may be additional share classes within the Affiliated Hedge Funds which have varying base management fees and minimum investment levels.

## **NON-DISCRETIONARY PLATFORMS**

CRES provides non-discretionary advisory services through the Merrill Lynch UMA program and ING Investment Management Co. SMA platforms sponsored by third-party firms. The initial minimum investment amount accounts in UMA or SMA program varies depending on the platform and the sponsor.

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## Methods of Analysis, Investment Strategies, & Risk of Loss

CRES actively manages portfolios of real estate securities to either outperform a passive index strategy or achieve an absolute rate of return by using knowledge and research of both listed and direct real estate markets.

### REAL ESTATE SECURITIES

CRES focuses on investing in equity-related securities of publicly traded real estate companies, which generally include:

- Common stock
- Preferred stock
- Convertible debt
- Warrants
- Rights

Although CRES focuses on investing in publicly traded companies, not all securities issued by those companies are listed or actively quoted. On occasion, CRES may invest in private real estate companies or in a private placement of securities by a public company. Restricted or unlisted securities may be illiquid. In general however, CRES maintains a high degree of liquidity in client accounts.

In addition, CRES may use other types of instruments to implement its investment strategies. These other instruments include:

- Options
- Exchange-traded funds
- Closed-end funds
- Participation notes
- Currency forwards
- Interest rate swaps

CRES may use options, participation notes, or other “synthetic equity” structures as a way to invest in securities that trade in markets which are otherwise inaccessible.

Depending on the client mandate, CRES may use options, swaps, or forwards for the purposes of hedging market risk, interest rate risk, or currency risk.

As part of investing in global securities, CRES will execute spot foreign exchange transactions either on a discretionary basis or through standing instructions with the client’s custodian.

CRES has broad discretion in the types of securities and investment strategies employed in managing the Affiliated Hedge Funds. This is discussed in those funds’ offering documents.

## **INVESTMENT PROCESS**

We stress a collegial team approach to investment decision making. Investment decisions and portfolio structuring is driven by a team of Portfolio Managers, led by T. Ritson Ferguson, Chief Investment Officer. The Portfolio Managers are organized with a regional focus (e.g., Americas, Europe, and Asia-Pacific).

<b>Name</b>	<b>Role</b>
T. Ritson Ferguson	Co-Chief Investment Officer – Global
Steven D. Burton	Co-Chief Investment Officer – Global and Europe
Joseph P. Smith	Co-Chief Investment Officer – Global and Americas
Christopher S. Reich	Portfolio Manager – Global and Asia-Pacific
Kenneth Weinberg	Portfolio Manager – Americas
Simon Robson Brown	Portfolio Manager – Europe
Nelson Wong	Portfolio Manager – Asia-Pacific

The regional organization of the Investment Team ensures fast and efficient investment decision making.

The Portfolio Management team is supported by the larger Investment Team, which includes Investment Analysts, Portfolio Analysts, and Traders.

We use a multi-step investment process for constructing client portfolios. Our process combines top-down, research driven portfolio design with bottom-up securities selection based on intensive fundamental company analysis.

### ***TOP-DOWN ASSET ALLOCATION***

Portfolio allocation targets are set by research driven, top-down evaluation of listed and direct real estate trends. Asset allocation decisions are made in consultation with the CRES Global Investment Policy Committee (“GIPC”). The GIPC is a committee of Portfolio Managers and the CRES Global Research and Strategy Team. The GIPC analyzes regional trends in macro-economic and capital market analysis. The GIPC also evaluates the appraisals of listed and unlisted real estate markets.

The GIPC produces weighting recommendations for regions, countries, and property types. The GIPC does not discuss or review individual companies or make purchase and sale decisions regarding specific stocks.

### ***BOTTOM-UP SECURITY SELECTION***

We use a proprietary system, called Relative Value Analysis (“RVA”), to provide a framework for security selection. The RVA system incorporates quantitative and qualitative factors that assist the Investment Team in evaluating performance characteristics of individual securities independently and relative to each other. RVA output is used to help select appropriate stocks to include in the portfolios, consistent with top-down asset allocation weightings.

Three major components of RVA include a number of factors, each with a pre-determined percentage weight. The weightings assigned to the factors vary by region, reflecting the Investment Team’s assessment of the local market dynamics.

- The largest major component of RVA is “*Value and Properties*,” which includes factors pertaining to cash flow yield relative to cash flow growth, net asset value of properties, and property quality.
- The second major component, “*Management and Strategy*,” includes the Investment Team’s assessment of the quality, depth, and ability of the management team. It incorporates the effectiveness and timeliness of the company’s strategy.
- The last major component, “*Capital Structure*,” includes a number of factors associated with a company’s balance sheet, debt, and size.

The RVA system facilitates the analysis of “relative value” at all points along the growth spectrum. A company’s RVA ranking is one of the factors considered during the portfolio construction process.

Bottom-up security selection is the responsibility of the Portfolio Management team assigned to each region. Each regional team includes two Portfolio Managers empowered to make investment decisions within their respective regions. Portfolio position weights are established following consideration of the Investment Team’s level of conviction, RVA scores, total return potential, liquidity, size, and potential tracking error. Aggregate positions by region and sector are monitored to comply with established sector and regional asset allocation bands and portfolio risk guidelines.

## ***RESEARCH***

As a matter of process, we rely primarily on our own internal research efforts for security specific information. We use third-party sources (e.g., independent and brokerage firm analysis) to augment financial models, help confirm information, and provide additional information, insight and perspective.

The Investment Team draws on the research and resources of ING REIM’s global organization, enhancing its research capabilities with direct real estate research professionals to coordinate in-depth local analysis for a comprehensive world view. ING REIM can assist in vetting issues related to regions, property types, or even at a specific company level (e.g., property or management evaluation).

The securities research process provides the input to the RVA model, and can be looked at in three parts:

- *Property Visits:* We use our local presence and experience to gauge property quality, underwrite properties that are not on the “company tour,” and assess the capital expenditure needs at the property level.
- *Meetings with Management:* We assess management’s alignment with shareholders, determine the depth and experience of the management team, and judge management’s ability to articulate and execute their strategy.

- *Modeling:* We generate cash flow earnings projections, estimate NAV analysis from proprietary cap rate information, and analyze the company's capital structure.

Examples of some third-party sources of information for security analysis are:

- Annual and interim financial reports distributed to shareholders by public companies, supplemented by financial releases to the investment community provided by such companies;
- Information about competing properties and/or local property markets obtained from qualified private market investors and real estate service providers; and
- Research reports, statistical tables, and other securities industry research provided by brokerage firms and independent third-party research firms concerning companies, securities, markets, and economic and financial trends.

Refer to the *Brokerage Practices* section of this brochure for additional information regarding research serviced obtained using soft dollars.

## **RISKS**

Investing in real estate securities involves risks, including the potential loss of principal. Real estate equities are subject to risks similar to those associated with the direct ownership of real estate. Portfolios concentrated in real estate securities may experience price volatility and other risks associated with non-diversification.

Equity securities may have higher volatility than debt securities.

International investments may involve risk of capital loss, including from:

- unfavorable fluctuation in currency values;
- differences in generally accepted accounting principles; or
- economic or political instability in other nations.

Investing in global securities also often requires spot foreign exchange transactions (or “FX transactions”). Global securities are denominated in currencies other than the base currency of the client’s account, and therefore FX transactions must be executed to convert to and from different foreign currencies in order to purchase and sell securities in global markets. FX transactions are subject to fluctuations in foreign exchange rates.

Certain mandates may call for currency hedging via forward foreign currency contracts. A forward foreign currency contract is a derivative and is entered into in anticipation of changes in currency exchange rates. Forward foreign currency contracts do not eliminate fluctuations in the prices of an account’s portfolio of securities or in foreign exchange rates, or prevent loss if the prices of these securities should decline. Although currency hedging can potentially minimize the risk of loss due to a decline in the value of the hedged currency, it could also limit any potential gain from an increase in the value of the currency. Currency transactions can result in losses to an account.

Currency transactions are also subject to risks different from those of other portfolio transactions. Foreign forward currency contracts and related instruments can be adversely affected by government exchange controls, limitations or restrictions on repatriation of currency, and manipulations or exchange restrictions imposed by governments. These forms of governmental actions can result in losses to an account if it is unable to deliver or receive currency in settlement of obligations and could also cause hedges to be rendered useless, resulting in full currency exposure.

CRES manages accounts with an absolute return objective, which includes the ability to sell securities short. Selling a security short is a speculative technique and subjects the account to the theoretical possibility of unlimited loss. Additionally, a short sale requires the account to maintain collateral with the broker that lent the security, which creates a potential for counterparty risk should the broker experience insolvency. Additionally, the absolute return strategy may implement frequent or short-term trading. Frequent trading will result in increased brokerage costs and potential tax consequences.

CRES has broad discretion in the types of securities and investment techniques employed in managing the Affiliated Hedge Funds. Potential investors in such funds should carefully review the risk disclosures in the offering documents.

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## DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of a firm or the integrity of the firm's management.

CRES has not been subject to any legal or disciplinary events which require disclosure under this item. Likewise, CRES personnel have not been subject to any legal or disciplinary events which require disclosure under this Item.

Please refer to Item 11 under CRES's Form ADV Part 1 as filed with the SEC for information related to ING Group. Form ADV Part 1 is publicly available through [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

Today, CRES is a wholly owned subsidiary of ING Group. On 15 February 2011, ING Group entered into an agreement to sell CRES to CBRE. In the sale, senior management members of CRES will acquire a minority ownership interest in CRES. The agreement contemplates the sale of CRES to CBRE with a closing to take place in the second half of 2011. The consummation of this transaction is dependent on a number of factors, primarily (but not limited to) obtaining regulatory and client approvals.

As a result of the change in ownership, affiliations will also change. CRES will have significantly fewer financial industry affiliations than it does currently.

### ING GROUP

By virtue of current common ownership under ING Group, CRES is affiliated with several types of entities, including, but not limited to:

- other investment advisers;
- broker-dealers;
- insurance companies; and
- a bank.

Many of these affiliations are not material to our advisory business or our clients. Significant affiliations are identified in Part 1 of CRES's Form ADV.

Of particular note, ING Bank, N.V. is also a wholly owned subsidiary of ING Group. ING Bank, N.V. does not provide custody services in connection with CRES's advisory services.

Additionally, ING Investments Distributor, LLC is a registered broker-dealer and serves as the distributor for the ING Funds family of mutual funds. CRES does not execute any client transactions through ING Investments Distributor, LLC.

CRES has not, to date, engaged in brokerage transactions or participated in securities offerings involving an affiliated broker-dealer. If CRES wishes to do so in the future, it will comply with applicable regulation.

### ***ING AFFILIATED ADVISERS***

CRES has arrangements with two affiliated advisers which could be considered as material to its advisory services.

ING Clarion Partners, LLC is an affiliate within ING REIM. ING Clarion Partners, LLC provides private market real estate investment advisory services to institutional investors. Although CRES and ING Clarion Partners, LLC maintain distinct operations and offices, the two firms share certain business functions (such as Human Resources). This synergistic relationship creates certain potential conflicts of interest (e.g., potential access to material, non-public information and confidential client information). CRES has established information barriers in order to mitigate such conflicts. When the sale to CBRE is complete, CRES will no longer be affiliated with ING Clarion Partners, LLC and the sharing of business functions will be terminated.

Additionally, CRES is engaged by ING Investments, LLC to serve as sub-adviser for five (5) mutual funds in the ING Funds family.

Other relationships with ING affiliated advisers include:

- *ING Investment Trust Co.* – serves as the trustee of the ING Investment Trust Co. Plan for Employee Benefit Investment Funds, a collective investment trust for which CRES manages two global real estate funds. Clients of ING Investment Management Co. invest in these funds.
- *ING Real Estate Investment Management (UK Funds) Limited* - serves as adviser to a number of institutional accounts for which CRES provides sub-advisory services to part of the account.
- *ING Investment Management Luxembourg S.A.* - serves as adviser to a Luxembourg registered SICAV for which CRES serves as sub-adviser.
- *ING Investment Management Limited (Australia)* - serves as the adviser for certain Australian registered investment companies for which CRES serves as sub-adviser.

- *ING Investment Management Asia/Pacific (Hong Kong) Ltd.* - serves as investment adviser to a Cayman Islands domiciled investment fund for which CRES serves as sub-adviser.
- *ING Investment Management Asia/Pacific (Singapore) Limited* - serves as the adviser to an institutional client sub-advised by CRES; provides shareholder services to a Singapore registered investment company sponsored and advised by an unaffiliated third party for which CRES serves as sub-adviser
- *ING Securities Investment Management (Taiwan) Ltd.* - serves as adviser to a non-U.S. registered investment company for which CRES serves as sub-adviser on a non-discretionary basis.

### **ING MUTUAL FUNDS**

CRES sub-advises several U.S. registered open-end mutual funds in the ING Funds family (collectively, "Affiliated Mutual Funds"), including:

- ING Real Estate Fund
- ING Clarion Real Estate Portfolio
- ING Global Real Estate Fund
- ING Clarion Global Real Estate Portfolio
- ING International Real Estate Fund

CRES also sub-advises open-end mutual funds for unaffiliated entities, as well as non-U.S. open-end funds for affiliated entities.

ING USA Life Insurance and Annuity Company has issued variable contracts for which the ING Clarion Real Estate Portfolio and the ING Clarion Global Real Estate Portfolio serve as investment options.

## **CRES SUBSIDIARY ADVISERS**

CRES has two wholly owned subsidiaries:

- ING Clarion Real Estate Securities HKG Limited (“CRES HK”), and
- ING Clarion Real Estate Securities UK Limited (“CRES UK”).

CRES HK represents CRES’s Hong Kong office. CRES UK represents CRES’s London, England office. As subsidiaries, these entities may maintain certain advisory related books and records in their local office.

These subsidiaries provide investment research solely to CRES under inter-company agreements. It is possible that non-U.S. advisory clients may contract directly with the subsidiaries and CRES would provide advisory services through an inter-company agreement.

CRES HK is a registered adviser in Hong Kong. CRES HK is licensed by the Securities and Futures Commission in Hong Kong to provide Type 4 (advising on securities) and Type 9 (asset management) activities (Ref. no. APY416).

CRES UK is a registered adviser in the United Kingdom. CRES UK is authorized by the Financial Services Authority (Ref. no. 453053) for advising on investments, agreeing to carry on a regulated activity, arranging deals in investments, dealing in investments as agent, making arrangements with a view to transactions in investments, and managing investments.

ING Real Estate Investment Management (UK) Limited provides certain administrative support services to CRES UK, and ING Real Estate Investment Management (Asia) Ltd. provides certain administrative support to CRES HK.

## **CRES AFFILIATED FUNDS**

CRES serves as the adviser to two affiliated closed-end investment companies (“Affiliated Closed-End Funds”):

- ING Clarion Global Real Estate Income Fund (NYSE: IGR), a U.S. registered investment company; and

- ING Global Real Estate Securities Limited (LSE: IGRE), a Guernsey incorporated investment company.

CRES serves as the general partner or investment managers to the Affiliated Hedge Funds. Recall, the Affiliated Hedge Funds are the:

- ING Clarion Global, L.P.
- ING Clarion Global, Ltd.
- ING Clarion U.S., L.P.

The Affiliated Hedge Funds' investment strategy employs both long and short positions in real estate securities.

As part of managing the Affiliated Hedge Funds, CRES has filed a notice of exemption from registration as a commodity pool operator with the National Futures Association.

#### **ADVISORY REPRESENTATIVES REGISTERED WITH A BROKER DEALER**

Certain CRES employees are also registered representatives of Foreside Fund Services, LLC, an unaffiliated broker-dealer. These employees are registered representatives solely to provide services to investors in the Affiliated Mutual Funds, Affiliated Closed-End Funds, and Affiliated Hedge Funds. Foreside Fund Services, LLC does not provide any execution services for CRES clients related to advisory services. Additionally, CRES advisory representatives do not receive any compensation for securities transactions made by CRES on behalf of advisory clients.

#### **OUTSIDE POSITIONS AND RELATIONSHIPS OF CRES PERSONNEL**

CRES personnel may be members or participants in various industry organizations, such as EPRA, APREA, and NAREIT. CRES supports these activities and does not believe that these memberships or participation raise any material conflicts of interest.

Beyond industry organizations, CRES personnel may participate on the boards of investment companies. Specifically, Mr. Ferguson is an interested

trustee for the Affiliated Closed-End Fund, IGR. Mr. Zitelli (CRES's General Counsel) serves as the Chief Compliance Officer for IGR. Mr. Jonathan Blome (CRES's Chief Financial Officer) serves as the Chief Financial Officer for IGR.

Similarly, Mr. Ferguson and Mr. Joseph P. Smith, a Managing Director and Portfolio Manager, serve as directors of ING Clarion Global, Ltd.

Additionally, Mr. Kling serves as an independent trustee for two unaffiliated registered investment companies: the Hirtle Callaghan Trust and Old Mutual Advisors Funds. Mr. Kling also serves as a national trustee to a charitable organization, the Boy's and Girl's Clubs of America.

CRES personnel do not serve on the boards of any public real estate companies which would be eligible for client accounts.

CRES personnel may have family relationships with other participants in the industry (such as brokers and consultants), or real estate companies in the firm's investable universe. CRES surveys employees regarding these relationships and ensures that these relationships do not create material conflicts of interests in managing client accounts.

Lastly, within ING REIM, CRES personnel may participate on corporate supervisory and/or management committees. Similar supervisory positions are expected to continue in the CBRE organization.

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## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

### **CRES CODE OF ETHICS**

CRES has adopted a Code of Ethics to clearly state how we prevent personal conflicts of interest and conduct from adversely impacting our clients.

The CRES Code of Ethics applies to all employees, officers, directors, or independent contractors working for CRES or any its subsidiaries. As a representative of CRES, it is understood that all personnel will act with integrity and good faith.

CRES is a fiduciary for its clients. This means that all CRES personnel have a duty to act fairly, honestly, and in the best interests of our clients and investors.

Part of fulfilling our fiduciary duty is ensuring that personal interests and conduct which might conflict – or appear to conflict – with the interests of clients are disclosed and controlled. The controls we have put in place to address these potential conflicts are summarized in the Code of Ethics.

Specifically, the Code of Ethics outlines:

- the general principles of how we conduct business;
- the conditions we apply to the personal trading of our personnel;
- the principles of our professional conduct; and
- the conditions of personnel activities outside and apart from CRES.

Lastly, but no less importantly, the CRES Code of Ethics satisfies the regulatory requirements of the Investment Advisers Act of 1940 (Rule 204A-1) and the Investment Company Act of 1940 (Rule 17j-1).

All CRES personnel are expected to understand and abide by the Code of Ethics. All personnel are required to acknowledge receipt and acceptance of the Code of Ethics upon joining the firm and then on an annual basis.

A copy of the CRES Code of Ethics is available upon request.

### ***CRES BUSINESS PRINCIPLES***

In recognition of the trust and confidence placed in us by our clients – and because we believe that our operations should benefit our clients – CRES expects all personnel to conduct themselves in accordance with the following principles:

- The interests of our clients are paramount. CRES personnel must place client interests before their own.
- CRES personnel must avoid actions or activities that bring into question our independence or judgment.
- CRES personnel must act with integrity, respect, competence, loyalty, and professionalism.

The following conditions are extensions of the above principles:

- Our personnel must comply with the federal securities laws and other applicable regulations, including those related to professional designations or licenses. Personnel must not knowingly participate, or assist in, any legal or ethical violation of those laws or regulations.
- Our personnel must not commit any criminal act which could call into question their honesty, trustworthiness, or fitness as financial professionals.
- Our personnel must not engage in any activity which is manipulative, fraudulent, or deceptive to a client or investor. This principle applies to prospective clients and investors.
- Our personnel must not mislead any client or investor by making any untrue statement of material fact or by failing to fully and accurately disclose material information. This principle applies to prospective clients and investors.

Furthermore, as an investment adviser, CRES will deal fairly with all customers, including when providing investment recommendations and making investment decisions.



In addition to CRES's general business principles and the guidelines for personal investments, CRES personnel must follow general standards of professional conduct. These standards are generally based in regulation and expected best practices within our industry.

The Code of Ethics outlines general standards of professional conduct relating to:

- Preventing the misuse and communication of material non-public information (also referred to as "inside information");
- receiving or offering of gifts and entertainment;
- preserving confidential information and the privacy of clients;
- providing investment advice to clients; and
- fairness in communications with clients, investors, prospects, and general public.

#### ***PERSONAL INVESTMENTS OF CRES PERSONNEL***

CRES imposes certain restrictions and conditions on the personal investing activities of its personnel.

- *No Personal Investments in Real Estate Securities:* CRES prohibits all personnel from directly investing in a universe of real estate securities, defined as eligible for client accounts. CRES personnel cannot invest in any security which is recommended for clients.
- *Minimum Investment Period for Personal Investments in Funds Managed by CRES:* CRES requires a minimum investment period on certain personal investments. CRES personnel are held to a 30-day investment period for all personal investments in the Affiliated Mutual Funds, the Affiliated Closed-End Funds, or any other fund sub-advised by CRES. Specifically, any purchase must be at least 30 days from the most recent sale and any purchase must be held for at least 30 days.
- *Pre-Approval Required for Personal Investments in IPOs and Private Funds:* CRES personnel must obtain approval from the Legal /

Compliance department before investing in any initial public offering or limited offering (such as a privately placed investment).

- *Reporting of Personal Investment Accounts, Holdings, and Transactions:* CRES personnel must report a list of personal securities accounts and holdings at commencement of employment. On a quarterly basis, all personnel must report their personal investment transactions. On an annual basis, all personnel must report their personal investment holdings.

#### ***PREVENTING THE MISUSE OF MATERIAL NON-PUBLIC INFORMATION***

CRES maintains information barriers to prevent the communication or misuse of material non-public information (inside information) and other sensitive information from one department or entity to another. CRES's information barriers address company / security specific material non-public information, as well as information about client portfolios (which is also considered material non-public information).

When coming into contact with material non-public information, CRES personnel:

- cannot trade (for their own accounts or for client accounts) while in possession of such information;
- cannot communicate or otherwise transmit such information, either internally within CRES, to affiliates of CRES, or to outside third-parties; and
- must report the situation to the Legal / Compliance team immediately.

#### ***POLICY ON GIFTS, ENTERTAINMENT, AND ANTI-BRIBERY AND ANTI-PAY-TO-PLAY***

CRES believes that offering nominal gifts and entertainment is a customary way to strengthen business relationships and, with certain restrictions, can be a lawful business practice. CRES personnel may offer and accept appropriate, lawful gifts and entertainment in connection with their work with customers and other, non-governmental, business partners. However,

such gifts and entertainment must comply with the limitations and conditions set forth in the CRES Gift, Entertainment, and Anti-Bribery Policy.

As a matter of policy, gifts and entertainment and anything of value may not be offered, accepted, or solicited if doing so creates the impression that CRES is either seeking to induce the recipient to enter into a business relationship with the firm (by offering a gift, etc.), or appears to be under an obligation to enter into a business relationship with a person from which anything of value is accepted. To avoid that perception, the Policy places specific limits on the amount and frequency of gifts and entertainment.

CRES and its employees do not use political contributions or other payments to government officials with the intent to influence decisions to select or retain CRES as an investment adviser for state or local government entities. The practice of using political contributions to influence the solicitation of advisory services for government entities is considered “pay-to-play” and is prohibited under the Investment Advisers Act of 1940.

CRES’s policy limits the amount of personal political contributions which personnel can make to candidates for government offices. Additionally, the policy imposes pre-approval and reporting requirements, as well as limiting personal activities on behalf of political action committees.

## **CONFLICTS INVOLVING CLIENT TRANSACTIONS**

CRES does not buy or sell securities for a proprietary account. However, the operation of the Affiliated Hedge Funds may create conflicts similar to the management of a proprietary account.

CRES’s role in the formation and management of the Affiliated Hedge Funds raises potential conflicts of interest. Specifically, CRES:

- is entitled to a performance fee;
- has effective control of the funds’ operations;
- has an incentive to distribute interests in the funds; and
- allows certain employees to invest, directly or indirectly, in the Affiliated Hedge Funds.

Additionally, affiliates of CRES have invested a significant amount in each of the Affiliated Hedge Funds.

*Distributing the Affiliated Hedge Funds:*

The Affiliated Hedge Funds are unregistered securities. Therefore, CRES, as the general partner (or investment manager), distributes the funds. If an advisory client expresses an interest in an account with an absolute return objective, CRES may recommend an investment in one of the Affiliated Hedge Funds. These recommendations will only be made after considering the client's eligibility and in compliance with applicable private placement conditions.

*Side Agreements:*

CRES may enter into agreements with certain investors for the Affiliated Hedge Funds which amend the terms of the offering memorandum and/or related documents. These agreements are very rare and limited. Specifically, these agreements would limit changes to:

- Management fees (including performance fees);
- the ability to make additional investments (capacity); and
- certain types of notice provisions (such as "key man").

CRES will not agree to provide any investor with information unless the same information is made available to all other investors upon request. CRES will not provide any investor with preferential liquidity. However, CRES may waive redemption fees imposed by the Affiliated Hedge Funds.

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## BROKERAGE PRACTICES

In all instances, CRES expects to receive full investment discretionary authority over client accounts. Full investment discretionary authority includes the ability to determine:

- the securities to be bought or sold,
- the amount of such securities to be bought or sold, and
- the broker to be used to execute transactions.

When CRES has full discretion to select brokers, it will place transactions with brokers believed to provide the best combination of execution price, brokerage charge, and research services.

Client accounts with similar investment mandates are managed in accordance with models, subject to factors unique to each account, including investment restrictions and cash levels. Portfolio Managers determine the desired composition for each investment model. Investment decisions related to each model are generally implemented across accounts managed in accordance with the particular model, with consideration for account-specific factors. Changes to a model are entered into the order management system which automatically generates the trades (purchases and sales) necessary to implement the particular target weightings.

## TRADE AGGREGATION (“BUNCHING”) AND ALLOCATION

For a particular security, the trade is generated on an aggregated basis for all participating accounts, which may include accounts in multiple models. As generated, the trade includes a pre-allocation among participating accounts. CRES intends that accounts in each model be managed *pari passu*, as demonstrated by the use of portfolio models and target weightings. As a result, the pre-allocation takes into account the weighting of the particular security in each account compared to the relevant model weight established by the Portfolio Managers, as well as the cash position of each account (surplus or shortfall in cash as a result of additions or withdrawals). Once the pre-trade allocation is established, the trade is placed and executed. Each portfolio participating in the trade receives its proportionate share of the amount executed, whether in its entirety or a partial execution, in accordance with the pre-allocation. In this regard, CRES ensures that the

aggregation and allocation of securities trades is conducted on a fair and equitable basis in accordance with applicable regulation.

Trading activity for the Affiliated Hedge Funds is generally conducted through the funds' prime brokers, and not usually aggregated with trades for CRES's other accounts.

## **INVESTMENTS IN IPOs**

When CRES participates in an IPO, the Portfolio Management Team determines allocation decisions, but such decisions must generally be made across all accounts in a particular strategy and/or model. In addition, the Portfolio Manager must provide Compliance with a written explanation of the rationale why the IPO was allocated to the specified accounts. The allocation and rationale are reviewed by the Legal / Compliance team to ensure that particular accounts are not being favored.

## **TRANSACTIONS BETWEEN CLIENT ACCOUNTS**

As a matter of policy, CRES does not instruct transactions for a security to be sold by one client and with those shares to be purchased by another client ("cross transaction"). However, CRES may arrange for a cross transaction in situations where it would be in the best interests and in accordance with the investment objectives of both clients. If such a situation arises, CRES would first determine the client's eligibility and policies regarding cross transactions. ERISA plan accounts (or other accounts governed by similar laws and regulations) would not participate in cross transactions. If, after such determination, a cross transaction were to be effected, it would be executed through a non-affiliated broker-dealer at an independently determined market price (such as closing price or VWAP on the trade date) and only when the purchasing account pays the selling account cash. Since a cross transaction would be executed through a broker-dealer, it may incur a nominal, customary transfer charge. These charges are not paid to CRES. CRES will not execute "agency" cross transactions, where it acts as the broker.

## BEST EXECUTION

As a fiduciary, CRES has an obligation to seek “best execution” of clients' transactions under the circumstances of the particular transaction. In doing so, CRES will consider the full range and quality of a broker's services in placing brokerage. CRES believes that the determinative factor for best execution is not the lowest possible commission cost but whether the transaction represents the best qualitative execution for the client account.

Factors for determining best execution include:

- the price itself;
- price improvement opportunities across markets;
- likelihood of execution;
- accessibility of competing systems and costs;
- confidentiality of transactions; and
- the size of the order to be executed.

All of these aspects are reviewed by the Best Execution Committee on a quarterly basis.

The Best Execution Committee consists of Portfolio Managers, the Chief Operating Officer, the Head of Operations, and the Head Trader; the Chief Compliance Officer serves as an advisor to the Committee. The Best Execution Committee meets quarterly to analyze brokers and review the firm's trading capabilities. Brokers are ranked each quarter by CRES's Investment Analysts, Traders, and Trade Settlement personnel based on criteria, such as:

- trading execution;
- commissions charged;
- quality of research;
- syndicate importance; and
- sales/service coverage by the institutional sales staff.

Additionally, the Best Execution Committee evaluates comparative trade data and analysis provided by a third-party. This quarterly evaluation and ranking system provides the basis for determining the selection of broker-dealers. The Best Execution Committee also reviews the allocation of

commissions among broker-dealers to ensure that the brokers providing better execution are receiving proportionate allocations of commissions.

CRES does not and will not consider a broker's sale of affiliated products or services in evaluating or selecting broker-dealers.

### **CLIENT-DIRECTED BROKERAGE – INCLUDING COMMISSION RECAPTURE**

As a general matter, CRES expects to receive full discretion to select brokers. CRES recognizes directed brokerage arrangements are a widespread industry practice and the firm tries to honor client requests for these arrangements. However, real estate stocks, particularly outside the U.S., are not good candidates for directed brokerage arrangements since broker flexibility is vitally important in achieving best execution. Therefore, CRES may not be able to fulfill all directed commission targets. Clients should discuss such matters with CRES prior to entering into an investment management agreement.

In the event that a client directs CRES to execute a portion of portfolio transactions through a particular broker-dealer, it should be understood that such arrangements may impact CRES's ability to ensure best execution. Directed brokerage arrangements curtail CRES's expertise in selecting broker-dealers who provide best execution by impairing CRES's ability to negotiate commission rates and other terms on behalf of those clients. Directed brokerage arrangements can prevent CRES from aggregating a client's orders, which can further limit execution quality. The limitations of directed brokerage arrangements can result in disparities in client commission charges and execution prices when compared to accounts without directed brokerage.

In an attempt to minimize this impact, CRES often aggregates directed brokerage trades with non-directed trades, and requests the executing broker to "step-out" credit for the directed portion of the trade to the directed broker. In this scenario, the executing broker would receive a reduced total commission. "Step-out" trades, however, can only be executed for transactions in U.S. securities.

Given the limitations on "step-outs," combined with the need for brokerage flexibility in global markets, CRES may only satisfy directed brokerage targets to an extent which is proportional to the amount of U.S. securities in a client account.



***For example,** for a global total return account comprised 50% of U.S. securities with a 25% directed brokerage target, CRES would reasonably target satisfying a directed brokerage target of 12.5% as a maximum (50% U.S. securities x 25% target = 12.5%).*

In some situations, a client may engage a consultant through an arrangement which includes pre-paid or negotiated brokerage commissions. In these situations, the consultant may recommend CRES, leading to an advisory relationship between CRES and the client. When the client's arrangement with the consultant includes commissions, CRES will regard the arrangement as a fully directed brokerage arrangement. CRES's ability or inability to honor the directed brokerage arrangement may result in subsequent recommendations by the consultant. Like other directed brokerage arrangements, these arrangements may not result in the most favorable execution quality for the client.

## **SOFT DOLLAR ARRANGEMENTS**

In compliance with Section 28(e) of the Securities Exchange Act of 1934 regarding soft dollars, CRES may receive certain research and/or brokerage services from brokers executing client transactions. In a soft dollar arrangement, an investment adviser receives credit from a brokerage firm based on the commissions paid by the adviser's clients. The adviser uses these credits to pay for research and brokerage products and services, which may be provided by the broker or a third party. Soft dollar arrangements can create an incentive for an adviser to use a broker based on an interest in receiving research and other products or services, rather than the client's interest in receiving the most favorable execution.

As described before, CRES uses its best efforts to seek best execution of client transactions. In selecting a broker-dealer for a particular transaction when more than one is capable of providing best execution, CRES may consider the provision of research and/or brokerage services as one of the determining factors. By selecting a soft dollar broker, client accounts may be charged commissions greater than the amount another broker-dealer may charge, but within the range approved by the Best Execution Committee.

In general, CRES receives a limited amount of research and/or brokerage services through soft dollar arrangements. Research and/or brokerage services obtained with soft dollars may include:

- *Market data*, including stock quotes, last sale prices, and trading volumes (such as Bloomberg, exchange data); *index and benchmark data*; *economic data*, and credit data, trends, and market conditions; *company research reports*, including company financial data; *financial, industry, and economic publications* (including trade magazines and technical journals) with specialized coverage of the real estate markets and related securities; and discussions with research analysts and meetings with corporate executives.
- *Advice from broker-dealers* (or from execution management systems) regarding order execution, including advice on trading strategies, market color, and liquidity.
- *Portfolio modeling, analytics, and monitoring software*, including capabilities within portfolio management and trading systems used for pre-trade and post-trade analytics (such as FactSet, Advent Moxy, and Portware).
- *Order management, execution management, and routing systems* to effect securities transactions, including those to facilitate trade clearing, settlement, matching, confirmation, and affirmation (such as Moxy, Portware, Omgeo, CTM, BBH Infomediary); and *connectivity and communications lines with broker* and other relevant parties to place and complete trades (such as Tradeweb).

Research and broker products and services received through soft dollar arrangements assist the Investment Team with making and executing investment decisions. Not all clients' transactions generate soft dollar credits. Therefore, it is possible that some of the brokerage and/or research services received may benefit client accounts other than those accounts whose transactions generate the soft dollar credits.

Research and/or brokerage products and services obtained with soft dollars are evaluated by the Best Execution Committee and the Compliance department at least annually. CRES makes a good faith determination that the commissions charged by a soft dollar broker-dealer are reasonable in light of the value of the research and/or brokerage services provided. As

part of best execution, CRES makes a good faith effort to allocate the generation of soft dollar credits across client accounts fairly.

Certain research and/or brokerage products and services obtained with soft dollars may be used for purposes beyond simply research or brokerage (these are considered “mixed-use”). Any mixed-use products or services are evaluated to make a good faith determination regarding the appropriate proportion of the cost to be paid using soft dollars. The balance is paid by CRES out of its own funds, sometimes called “hard dollars.” This determination has an inherent conflict of interest, in that CRES will use its own funds to cover the hard dollar cost portion for mixed-use products or services. The Compliance department evaluates the good faith allocations of mixed-use services at least annually.

## **TRADE ERRORS**

CRES takes the utmost care in making and implementing investment decisions on behalf of client accounts. To the extent that CRES causes an error, it will:

- correct the error as soon as practicable and in such a manner that the client incurs no loss;
- report the error to the firm’s Error Committee; and
- scrutinize the error carefully through the Error Committee (consulting with relevant persons) with a view toward providing guidance and supervision and, if appropriate, further implementing procedures to prevent or reduce errors.

CRES will not use soft dollars or the funds from one client account to reimburse an error in another client account.

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## REVIEW OF ACCOUNTS

Portfolio Managers oversee the models on a continuous basis. On a weekly basis, Portfolio Managers review attribution reports to monitor active allocations at the regional, sector, and security level. On a monthly basis, Portfolio Managers review reports comparing individual client accounts with the corresponding model. Portfolio Managers also review models and client accounts in light of emerging trends, developments, and market volatility. Additionally, Portfolio Managers review accounts on an ad hoc basis, depending on the specific needs or situation of the client.

*For example, an account may require rebalancing due to client-directed contributions or redemptions.*

CRES's Compliance team reviews accounts on a continuous basis to confirm adherence with client investment guidelines and restrictions. Guideline compliance is tested daily, weekly, and monthly, depending on the nature of the guideline.

## CLIENT REPORTING

Portfolio Managers and Client Service personnel stay in close contact with clients depending on their needs. Portfolio Managers and/or Client Service personnel call clients to discuss client reports, provide explanation of market actions affecting the portfolio, and provide general follow-up on a frequency scheduled to meet the clients' needs. Depending on the relationship, Investment Team personnel may assist clients with board presentations or education seminars for staff, plan participants or their constituents.

For separate accounts, CRES generally provides a monthly or quarterly client report; the frequency and timing of which is agreed between CRES and the client. The standard client reporting package includes:

- *Account Appraisal* reporting the holdings and market value of the investments in the portfolio,
- *Reconciliation* of differences in valuations and positions reported by the client's custodian,

- *Realized and unrealized appreciation / depreciation* in each portfolio position,
- *Income and expenses* of the portfolio for the period,
- *Performance* report showing the internal rate of return on a time-weighted basis,
- *Percentage gain or loss in the net asset value* of the account for the period compared to the client's benchmark,
- *Market commentary* prepared by the Portfolio Managers explaining portfolio performance attribution and market information, and
- *Invoice* and the average net asset values used in computing the periodic management fee.

Client reports are generally delivered electronically, although clients may request physical copies. While the information in the client reporting package represents the official performance returns, the reports regarding portfolio holdings do not represent the official records of the client account. Each client should receive direct and independent reporting from its custodian. The custodian maintains the official book of record for the client's assets (securities and cash). The client should carefully compare the CRES reports to the reports provided from the custodian.

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## CLIENT REFERRALS AND OTHER COMPENSATION

CRES has referral arrangements with two (2) affiliates where CRES is notified about potential prospects that the affiliate believes are appropriate for CRES's services. If the referred client engages CRES to provide advisory services, then the affiliate will receive a percentage of the investment advisory fee as a referral fee.

CRES has also entered into client servicing arrangements with certain affiliates where the affiliate is paid a percentage of the advisory fee.

In connection with its role as sub-adviser to the Affiliated Mutual Funds, CRES may compensate certain parties for the distribution of fund shares or shareholder servicing activities directly from its own resources (which may include advisory fee revenue generated from the Affiliated Mutual Funds).

In addition to being distributed by CRES, the Affiliated Hedge Funds are available on certain third-party platforms sponsored by non-affiliated broker-dealers. The Affiliated Hedge Funds are available through platforms sponsored by Citigroup and Merrill Lynch under this type of arrangement. The Affiliated Hedge Funds on the Citigroup platform offer a separate share class exclusively marketed through the platform, and Citigroup receives a placement agent fee for assets sourced from the platform. Merrill Lynch is paid an agency fee by CRES for assets sourced through its platform.

CRES receives a solicitation fee in connection with referring investors into the global real estate securities portfolio of the collective trust sponsored by ING Investments Trust Co. CRES serves as the sub-adviser to the global real estate securities portfolio.

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## **CUSTODY**

CRES does not maintain custody of client funds or securities. Clients are expected to directly engage an independent custodian to maintain the funds and securities which CRES will manage. CRES will have the ability to direct trades in the client's custody account but CRES will not have the authority to withdraw or remove assets from the account. The custodian should be a regulated financial institution (such as a bank or broker) and the client's custody account should be in the name of the client, not CRES. CRES does not recommend any affiliated custodian (e.g., ING Bank) for clients.

Clients should ensure that the custodian will provide account reports at least quarterly. The custodian reports should detail all positions and transactions in the account directly to the client (or an appointed representative other than CRES). While CRES will provide periodic reports to the client, CRES's reports should not be viewed as the "official" books and records for the client. Clients should carefully compare statements provided by CRES to the statements provided directly by the custodian.

## **ACCESS TO CLIENT ASSETS**

CRES does not directly debit investment management fees from a client's custody account. In very limited circumstances (such as with the Affiliated Hedge Funds or the Affiliated Closed-End Funds), CRES personnel are designated as an "authorized signers" to disburse funds for the payment of authorized expenses, including the investment management fee. In these situations, the Affiliated Hedge Funds and Affiliated Closed-End Funds undergo an audit by an independent public accounting firm on an annual basis. As of the date of this form, Ernst & Young, LLP is the independent public accounting firm for the Affiliated Hedge Funds and IGR (Deloitte is the independent public accounting firm for IGR).

CRES, by virtue of its role as the general partner (or investment manager) to the Affiliated Hedge Funds, is considered to have "constructive custody" of the funds' assets. All assets of the Affiliated Hedge Funds are maintained with a qualified custodian. As of the date of this form, Morgan Stanley is the prime broker and custodian for the Affiliated Hedge Funds. The Affiliated Hedge Funds are also audited on an annual basis and the audits are

distributed to investors within 120-days of the respective fund's fiscal year-end.

Investors in the Affiliated Hedge Funds will receive capital account statements from the funds' administrator for the fund on a monthly basis. As of the date of this form, BNY Mellon Alternative Investment Services is the administrator for the Affiliated Hedge Funds. Investors will not, however, receive accounts statements for the entire fund from either the administrator or the custodian for the fund.

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## INVESTMENT DISCRETION

In all instances, CRES expects to receive full investment discretionary authority over client accounts. Full investment discretionary authority includes the ability to determine:

- the securities to be bought or sold;
- the amount of such securities to be bought or sold; and
- the broker to be used to execute transactions.

The extent of CRES's discretionary authority is detailed in the terms of the investment management agreement between CRES and the client.

Clients may impose certain restrictions and limitations on CRES's discretion. In particular, clients may impose investment guidelines and/or restrictions which will be taken into account in managing the account. Investment guidelines or restrictions may limit CRES's ability to fully invest the account according to the investment objective desired by the client.

***For example,** a client may impose a maximum position limit which is lower than the maximum position in the model corresponding to the client's investment objective. In this situation, CRES would honor the client's limitation and therefore the client's account would deviate from the model.*

Additionally, clients may impose directed brokerage arrangements, which would limit CRES's discretion regarding brokerage. The risks associated with directed brokerage arrangement are described in the *Brokerage Practices* section of this form, above.

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## VOTING CLIENT SECURITIES

In the investment management agreement, a client may authorize CRES to vote proxies. CRES will generally vote proxies in accordance with the firm's proxy voting guidelines. CRES believes that voting in accordance with its established guidelines is in the best interests of its clients; however, clients are free to direct proxy voting or maintain the right to vote their proxies directly.

CRES retains ISS (formerly Risk Metrics Group) as a proxy voting agent. ISS does not exercise voting discretion in this capacity. CRES provides ISS with a list of portfolio security holdings, identifying accounts that hold each security and the number of shares each account controls. When a vote is required, ISS will notify CRES. In response, the appropriate CRES Investment Analyst will make the voting decision, which is transmitted back to ISS for execution. ISS is responsible for retaining copies of each proxy statement and records of the votes cast.

In certain situations, clients may have securities lending arrangements which are not in the scope of the advisory services provided by CRES. When client securities are "out on loan," CRES may not be able to vote proxies related to those securities as result of the lending arrangement.

CRES has an arrangement with one client where the client has engaged a third-party consultant to vote proxies in accordance with the client's ideals. In this insulated situation, CRES has agreed to reimburse the client for costs of the consultant's services related to the account managed by CRES. This arrangement is unique, and CRES expects clients retaining voting authority to bear their own costs.

Clients may contact the Chief Compliance Officer at (610) 995-2500, to obtain a copy of the firm's Proxy Voting Procedures or to request information on such client's proxies. For the requesting client, a written response will list the following information for the client's proxies: (1) the name of the issuer, (2) the proposal voted upon, and (3) how CRES voted the client's proxy.

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## FINANCIAL INFORMATION

CRES does not have any financial commitment which impairs its ability to meet contractual and fiduciary commitments to clients. CRES has not been the subject of a bankruptcy proceeding.

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## **BROCHURE SUPPLEMENTS**

This is the end of this disclosure brochure. Please refer to the brochure supplement for information on the CRES Portfolio Managers responsible for providing advisory services related to your account.

If you have any questions regarding this brochure or the supplement, please contact us at +1 610 995 2500.

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