

**Item 1 – Cover Page**

**Pramerica Real Estate Investors (Luxembourg) S.A.**

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**15 January 2016**

This brochure dated 15 January 2016 is prepared by Pramerica Real Estate Investors (Luxembourg) S.A., a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

This brochure contains information about the qualifications and business practices of Pramerica Real Estate Investors (Luxembourg) S.A.. If you have any questions about the contents of this brochure, please contact us at +352 27 62 34 10 or [enrico.baldan@pramerica.com](mailto:enrico.baldan@pramerica.com). 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 Pramerica Real Estate Investors (Luxembourg) S.A. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

In December 2015 Pramerica Real Estate Investors (Luxembourg) S.A. applied to become registered for the first time as an SEC investment adviser and, accordingly, this was the first time that it prepared a brochure in accordance with the SEC rules. SEC approval was confirmed on 4 January 2016.

### **Material Changes to the Brochure Dated 7 December 2015**

Although other changes and updates have been made to our previous brochure, we do not consider any of such changes to be material.

Our brochure may be requested by contacting Enrico Baldan, at +352 27 62 34 10 or at [enrico.baldan@pramerica.com](mailto:enrico.baldan@pramerica.com).

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## Item 4 – Advisory Business

### Our Firm

Pramerica Real Estate Investors (Luxembourg) S.A. ('Pramerica') was founded in 1988 and is organised as a company incorporated in Luxembourg (registered number B28214). It is a directly owned subsidiary of Pramerica Real Estate International AG (99.98%) and PGIM Financial Limited (0.02%) and an indirect, wholly-owned subsidiary of PGIM, Inc., an SEC-registered investment adviser organised as a New Jersey corporation. PGIM, Inc. is in turn an indirect, wholly-owned subsidiary of Prudential Financial, Inc. ('PFI') a publicly held company (NYSE Ticker: PRU). PFI is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom.

Pramerica is authorised and regulated by the Luxembourg Commission de Surveillance du Secteur Financier ('CSSF') as an Alternative Investment Fund Manager for the purposes of the European Alternative Investment Fund Managers Directive ('AIFMD'). It acts as a management company for Alternative Investment Funds ('AIFs') that are managed out of Luxembourg as part of the European business of Pramerica Real Estate Investors as defined below. This brochure relates solely to Pramerica as defined above and references to "we," "us" and "our" in this brochure are to Pramerica. In addition, any references to "our employees" or "our officers" are to officers or employees of Pramerica and its affiliates who work in the Pramerica business.

Pramerica Real Estate Investors commenced operations in 1999. It forms part of, and is integrated with Prudential Real Estate Investors (our Parent Business), the real estate investment advisory unit of PGIM, Inc. Accordingly, a certain number of governance, authorisation and review activities relating to Pramerica Real Estate Investors are conducted as part of the overall global organisation processes and procedures of our Parent Business and PGIM, Inc.

### Pramerica Real Estate Investors (Luxembourg) S.A.

Pramerica operates as a European manager of alternative investment funds ("Funds") based in the Grand-Duchy of Luxembourg. Pramerica's business is limited to the marketing and management of AIFs and the provision of non-core services to AIFs and the entities through which AIFs invest. The AIFs that it manages deploy investment strategies that allow the AIFs to receive real estate driven returns, including by investing (directly or indirectly through special purpose vehicles) in *inter alia* (a) direct real estate, (b) real estate debt, and (c) joint ventures with local operating partners that in turn invest in direct

real estate and/or real estate debt. The underlying investors are a range of institutional investors and Pramerica acts as investment manager to the Funds. Pramerica is also able to act as the investment manager of any AIFs established under the AIFMD. As at 30 June 2015 Pramerica managed approximately \$1.25 billion in gross real estate assets (approximately \$0.48 billion net)<sup>1</sup> on behalf of 12 clients. Of this amount, Pramerica considers \$0.22 billion to be managed on a discretionary basis and \$1.03 billion to be managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### *Advisory Fees*

The fees and other compensation paid or borne by the Funds and/or the underlying investors in the Funds in respect of the advisory and management services we do or will provide may vary according to a number of factors, including the type of Fund and our relationship with them, the type of investment strategy and the type of services. Fees and other compensation are generally higher for investment strategies that are farther along the risk spectrum (outlined in more detail in Item 8 below), as the investments acquired pursuant to such strategies often require more active management. Fees and other compensation are generally negotiable, so it is possible for one client to pay a different amount of compensation than another client with similar investment objectives or goals, though investors invested in the same Fund typically pay fees based on the same applicable rate schedule.

Compensation structures may include base advisory/management fees, acquisition fees, disposition fees and incentive arrangements such as performance fees, dividends, profits, interest distribution and carried-interest payments.

The base advisory/management fees for commingled close-ended Funds are customarily expressed as a percentage of either amounts committed or amounts invested. For open-ended funds, they are customarily expressed as a percentage of the prevailing gross or net asset value, so that fees payable increase or decrease in line with changes in the asset value. For both close-ended and open-ended Funds, base advisory/management fees may be offered in tiered structures with breakpoints linked to the amount invested in the fund, so that the fee rate paid by an underlying investor decreases as the investor's investment increases.

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<sup>1</sup> The AUM figures stated here are not calculated on the same basis as the AUM figures stated in Pramerica's Form ADV Part 1A and do not include uncalled client commitments

As noted above, we may also receive performance-based remuneration in the form of performance fees and carried interest payments. Such performance-based remuneration is structured to comply with Rule 205-3 under the Investment Advisers Act of 1940 and our internal policies. Where the fees paid by a client include performance-based remuneration, those fees may be higher due to the fact that the fees may increase based on the performance of a Fund above an established benchmark or returns threshold. Performance based remuneration is commonly shared between us and those of our investment professionals who are involved in managing the relevant Fund(s).

In addition, certain fund agreements may provide for reimbursement of Pramerica Real Estate Investor's out of pocket expenses in connection with the formation or investment activities of such funds.

#### *Payment of Fees*

Investor's preference and agreements will generally require we deduct fees from the Fund. Base advisory management fees are typically payable quarterly in arrears. Performance-based remuneration, if earned or realised, is payable after the calculation period for such remuneration. Acquisition and disposition fees are paid on completion of the relevant transaction.

Pramerica does not require or solicit clients to pay fees in advance.

#### *Compensation of Our Investment Professionals*

Generally speaking, the compensation of our investment professionals (including, among others, portfolio, asset and transaction managers) will comprise a combination of base salary, a discretionary, performance-based annual cash bonus, any share of the performance based remuneration payable by clients that they are entitled to and (in some cases) a long-term incentive grant of stock options or restricted stock of PFI.

The base salary component is based on market data relative to comparable positions within the location and industry as well as the past performance, experience, and responsibility of the individual. Investment professionals' annual cash bonus is discretionary and paid from an annual bonus pool. Each investment professional's incentive compensation, including both the annual cash incentive bonus and any long-term incentive grant, is primarily determined by how significantly the individual contributes to delivering investment performance to clients consistent with portfolio objectives, guidelines, and risk parameters, as well as the individual's qualitative contributions to the organisation. Incentive compensation is designed to align the interests of each investment professional with those of clients. The performance of Funds, our overall business, and the

individual employee are all important factors in determining the size of the annual bonus and any long-term incentive grant awarded to each individual.

Certain Pramerica employees may engage in marketing efforts in such capacity and may receive compensation for such efforts in the form of bonuses and long term compensation that may, where permitted by law, be based directly or indirectly on the additional client capital raised as a result of their efforts.

Total compensation is designed to be competitive with the market, but an individual's actual compensation may vary. Investment professionals are all covered by the same general compensation structure, although they may manage multiple accounts. Except for their entitlements to share in performance based remuneration payable by clients, all investment professionals' compensation is paid by Pramerica and not from any assets of managed funds or accounts.

#### *Other Fees Payable by Clients*

The European Central Bank has introduced negative interest rates due to adverse market conditions in Europe, therefore clients that allow for investments in non-US dollar denominated securities of foreign issuers may be charged by their custodians on Euro balances as well as certain other non-US currency balances held on deposit as a result of the negative short-term interest rate environment in certain European markets.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

#### *Performance-Based Remuneration*

As noted above in Item 5, for certain of the Funds we manage, we are entitled to earn performance-based remuneration. Any conflict of interest created by differences in advisory fee structures is addressed by our adoption of our Parent Business and PFI's global policies and procedures. These include our investment allocation process, which is designed to manage the distribution of investment opportunities to the various Funds we manage.

#### *Investment Allocation Process*

Real estate equity investments are direct investments in a real estate asset. A detailed deal brief is created for each such proposed investment and includes details of the property location, preliminary pricing & return projections, potential transaction structure, and perceived opportunities and major risks. The deal brief is distributed to all attendees of our bi-weekly European transactions meeting (which include our portfolio managers and

the members of our transactions and research teams) for discussion, review and comment. At any transaction meeting where an investment opportunity is presented, each portfolio manager has the ability to ask questions about the proposed investment and offer input on the property, market, structure, and initial underwriting. Portfolio managers express interest in a particular investment opportunity based on the needs of their portfolios and each portfolio's investment guidelines. If the investment opportunity is suitable for more than one eligible portfolio then a rotational allocation policy and procedure is adopted using a queuing system. The investment opportunity is offered to the first relevant eligible account in the queue and if accepted then that account moves to the back of the queue. If not accepted it continues down the queue until accepted or ultimately may not be allocated to any Portfolio and the deal dropped. Portfolio managers represent their client's interests and only deals selected by a portfolio manager goes to that particular portfolio (there are no "forced deals").

Certain investments that meet the specialised investment criteria for Funds investing in real estate debt investments will be allocated in priority to those Funds to the extent that the relevant Fund has investment appetite and subject to portfolio manager approval in accordance with the relevant fund terms. Similarly, certain of our Funds invest through joint ventures and, where an opportunity has been sourced by a joint venture partner, it will typically be allocated in priority to the Fund related to the joint venture to the extent that the Fund has investment appetite and subject to portfolio manager approval.

#### *Overlapping Equity and Debt Investment Opportunities*

We do not permit parallel equity and debt investments in respect of the same underlying real estate to be made by portfolios that we manage. In the event a potential transaction is identified which involves both an equity investment and a debt investment that would be suitable for one or more portfolios that we manage, the conflict of interest would be referred to the European Investment Committee or Global Investment Committee that will determine whether we will pursue the equity investment opportunity or the debt investment opportunity or neither of them.

#### **Item 7 – Types of Clients**

Our investor base is composed of many different types of institutions, including European and global public pension plans, private pension plans, national pension funds, insurance company, sovereign wealth funds, family offices, charitable institutions, endowments, foundations and fund of funds. Some of the investors in the Funds we manage are affiliated entities. The minimum account size varies by Fund.



## Item 8 – Methods of Analysis, Investment Strategies and Principal Risks

We function as part of the integrated global real estate investment management operation of our Parent Business. As such, product development, client relationship and service management and investment strategies are organised to achieve global and regional consistency. The product line is diverse, providing investment opportunities in equity and debt real estate in both public and private markets, and employs a variety of financial, legal and operational structures.

We offer our clients real estate investment opportunities across the risk spectrum from Core to Value-Added to Opportunistic. Where an investment strategy fits in this risk spectrum is a combination of the risk factors at both the property/asset level and at the portfolio level. Noted below are some of the key characteristics that are representative of real estate investments in Core, Value-Added and Opportunistic strategies, as well as of investments in real estate debt, equity and real estate securities strategies. More detailed summaries of the investment strategies of specific Funds are available upon request.

### *Core*

‘Core’ portfolio investments generally involve the major property types – office, retail, warehouse, storage and apartment properties that are well leased, of a high build quality and in primary markets or are freehold assets with very long duration underlying leasehold investments. From a development perspective, core investments would include : (a) properties (office, retail, warehouse, apartment or storage) that were developed, renovated or purchased and have now achieved leasing of 80% or more of the total leasing area ; (b) properties undergoing a minor renovation or expansion that does not have a material impact on the property’s occupancy or operation; and (c) build-to-suit investments which are 80% or more pre-leased and where a Fund has reasonable protection from completion and cost overrun risk.

### *Value-Added*

Moving further along the risk spectrum, a “Value-Added” portfolio entails additional risk with the accompanying expectation of a greater return. A Value-Added portfolio generally seeks to capitalise on the interplay of market forces and the imbalances that may arise as a result. Value-added strategies may involve some or all of the following:

- A significant overweight or even an exclusive investment of the portfolio in a particular property strategy, programme, type or region because management (i) has identified a joint venture operating partner with specialist skills & know-how, a good track record

and a specific investment strategy and (ii) sees a particular property type or geographic scope as an attractive investment opportunity. Thus, there may be no diversification objectives in a Value-Added portfolio but a focus on clear exit routes at the point where value creation has been achieved.

- An investment strategy of identifying and meeting under-served market needs through development, repositioning or renovation. A significant portion of the portfolio may be devoted to this objective.
- A specialisation in non-traditional property types such as self-storage, where management sees significant new demand and inadequate skills and/or capital sources available to meet the market's needs.
- Compared to Core, a greater use of leverage, particularly if such financing can be found for niche strategies. Value-added strategies may still restrict leverage to some specified limit, such as a percentage of the portfolio value or only from a specific point in the investment cycle, such as after planning permission is received.
- A focus on investments in secondary markets and/or secondary locations.

### *Opportunistic*

An "Opportunistic" portfolio moves even further out on the risk spectrum with the anticipation of even greater returns. The following are brief characteristics of the range of investments and strategies that may be pursued by an Opportunistic portfolio:

- A focus on markets with institutional depth (liquidity and transparency), with distressed real estate pricing in sectors with steep discounts to replacement cost and lack of equity and debt capital but exhibiting long-term growth prospects
- The use of high levels of leverage, commensurate with property level risk, debt availability and pricing.
- Investment in mainstream Western European developed countries and in developing and emerging European markets with strong economic and property fundamentals.
- Investment in private European real estate companies that have some particular expertise in a market niche or in European long-term property classes, such as residential, that exhibit 'defensive' characteristics whilst allowing opportunity to benefit from pricing, capital shortage and selective development/refurbishment risks for higher returns.

- Speculative development subject to strong property and other market fundamentals including availability of debt financing, de-risked leasing pre-conditions and land entitlement risk analysis.

### *Real Estate Debt*

Real Estate debt investments may include, among other things, performing whole loans, mezzanine loans, junior debt, B-Notes and preferred equity. Debt investments can be newly originated or secondary transfers of existing investments. In both cases, such investments may be secured by or otherwise related to single assets or portfolios across one or more property types. Transaction types include recapitalisations, refinancing, re-positioning and acquisitions.

### **Primary Risks**

Noted below are some of the primary risks that may be representative of those encountered by investors considering investments in commercial real estate debt of the type that we manage. More detailed discussion of the specific risks associated with the investments of a particular Fund may be found in the offering documents for the Fund, which are available upon request.

### *Risk of Loss*

Any investor contemplating investment in commercial real estate debt, equity or securities must recognise that such investments are not guaranteed by us or any of our affiliates and involve potentially significant risk of loss, which the investor must be prepared to bear. There can be no assurance that investors or the products or portfolios in which they invest will achieve their stated investment objectives or will receive any return on the investment. Investment performance may be volatile and investors may lose their entire investment. The past performance of us or our managed-funds and investments provide no assurance of future results. In addition, management fees and expenses may reduce investment returns.

### *Risks Related to Reliance on Operating Partners, other Third Parties and key Pramerica Personnel*

Certain Pramerica-managed portfolios may invest through joint venture or other co-investment arrangements, the results of which may be highly dependent on the credit, acumen and behavior of the relevant third-party operating partners and of other entities and individuals, such as property managers, that they (or we as adviser) may retain. If the arrangements with such third parties are terminated for any reason, or if key personnel

leave or otherwise become unavailable, there may be difficulty in finding a suitable replacement. In addition, the portfolio's success will depend, in substantial part, upon the skill and expertise of certain of our professionals. The death, disability or departure of any key Pramerica professional may adversely affect the portfolio performance.

#### *Risks Related to General Economic Conditions and Competitive Markets*

Our business and Funds operate in markets facing competition for investments and all types of property assets can be affected by changing conditions resulting from sudden changes in the real estate and banking industry, the legal, tax and regulatory environment, the role of government-sponsored entities, the role of credit rating agencies or their rating criteria or processes, or the European and global economies generally. If we do not effectively respond to these changes, or if strategies we use to respond to these changes are not successful, the investment returns of the investments we manage may be adversely affected. In addition, the highly competitive market for investment opportunities in which we operate may limit acquisition of desirable target assets, affect the underwriting or pricing of these assets and/or adversely impact investment returns.

#### *Risks Related to Real Estate Investments Generally*

The assets we will manage will involve real estate debt in some form, including, among others, as a direct interest in such real estate, as debt secured by the real estate or as interests in the entities that own the real estate. The value of commercial real estate is typically dependent upon the ability of the applicable property to produce cash flow (or at least its potential to generate cash flow). However, a property's net operating income and cash flow can be volatile. The net operating income, cash flow and value of the properties may be adversely affected by any number of factors, including, among others:

- the location, age, design, layout and construction quality of the property;
- perceptions regarding the safety, convenience and attractiveness of the property;
- the proximity and attractiveness of competing properties;
- the adequacy and effectiveness of the property's operations, management and maintenance;
- increases in operating expenses (including but not limited to insurance premiums) at the property and in relation to competing properties;
- an increase in the capital expenditures needed to maintain the property or make improvements;

- costs associated with inadequate energy saving or sustainability measures, environmental liabilities or other legal liabilities;
- the dependence upon a single tenant, or a concentration of tenants in a particular business or industry;
- a decline in the financial condition of a major tenant;
- an increase in vacancy rates or structural voids;
- a decline in rental rates and/or increase tenant improvements/incentives as leases are renewed or entered into with new tenants;
- for certain of its managed funds, Pramerica may enter into investments that involve some measure of development and/or construction risk: that is, entitlements or other permissions to build might not be obtained, or that the building works might not be completed on time, within budget, or in accordance with plans and specifications. In such circumstances, Pramerica seeks to mitigate these risks by obtaining guaranteed maximum cost contracts and cost and completion guaranties with general contractors and developer partners whose execution capabilities and credit have been evaluated;
- And the impact of fluctuations in currency and exchange rates in respect of property and related assets denominated in a different currency to a fund and/or investor's underlying currency.

Other factors that affect the value of commercial real estate are more general in nature, such as:

- national, regional or local economic conditions (including financial and manufacturing industry slowdowns, decrease in housing transactions and unemployment rates);
- local real estate conditions (such as an oversupply of competing properties, rental space or multifamily housing);
- demographic factors;
- decreases in consumer confidence;
- changes in prices for key commodities or products;

- changes in consumer tastes and preferences, including the effects of adverse publicity; and
- retroactive changes in building codes, or other changes in governmental regulations, fiscal policy, zoning or tax laws.

The volatility of net operating income will be influenced by many of the foregoing factors, as well as by:

- the length of tenant leases;
- the creditworthiness of tenants;
- the level of tenant defaults;
- rent control laws or other laws impacting operating costs;
- the number and diversity of tenants;
- the availability of trained labor necessary for tenant operations;
- the availability of financing;
- changes in interest rate levels;
- the rate at which new rentals occur;
- the property's operating leverage (which is the percentage of total property expenses in relation to revenue);
- the ratio of fixed operating expenses to those that vary with revenues, and
- the level of capital expenditures required to maintain the property and to retain or replace tenants.

A decline in the real estate market or in the financial condition of a major tenant will tend to have a more immediate effect on the net operating income of properties with short-term revenue sources (such as hotels or other properties with short-term or month-to-month leases) and may lead to higher rates of delinquency or defaults under bank loans secured by such properties.

Some properties are newly constructed and/or recently opened and, as such, have a limited operating history. There is no assurance that any property, whether newly constructed and/or recently opened or otherwise, will perform as anticipated.

### *Risks related to Portfolio Concentrations*

Concentrations of properties by asset type, strategy type (for example, speculative development) or geographic areas (countries or locations) may increase the risk that adverse economic, technological or other fundamental changes or other developments or natural or man-made disasters affecting a particular region of the country could adversely impact those properties.

### *Risks related to Debt Investments*

Debt investments are typically loans that are secured by or supported by the cash flows from commercial property. As there is generally very limited recourse against the borrower's or sponsor's assets other than the underlying collateral, the ability of a borrower to repay such a loan typically is dependent primarily upon the successful operation of the related income-producing property, rather than upon the existence of independent income or assets of the borrower. If the net operating income of the related property is reduced, the borrower's ability to repay the loan may be impaired.

In the event of any default under a real-estate related loan, available remedies would need to be exercised. Foreclosure of a loan can be an expensive and lengthy process that could have a substantial negative effect on the value of the investment, and completion of such foreclosure may require the ownership and operation of the related property and the risks related to such ownership. In addition, there is a risk of loss of principal to the extent of any deficiency between the cash proceeds realised from the value of the collateral and the cash proceeds available to service the principal and accrued interest of the loan, taking into account inter-creditor arrangements for any other loans. Some loans may restrict transfers of the equity interests securing such loans, or such transfer or foreclosure may require the consent of a senior lender or equity holders in the related real estate company. These remedial limitations may adversely affect the likelihood of repayment in the event of a default.

### *Risks Related to Conflicts of Interest*

As further described in Item 11 below, we may encounter actual and potential conflicts of interest in connection with our investment advisory activities, including significant conflicts with respect to other activities of ours, our Parent Business and PGIM, Inc. that may negatively impact investors. We strive to identify conflicts of interest which are inherent in our business, and seek to address them through elimination, disclosure or management.

### *Risks Related to Financing*

Funds that we manage may incur leverage at a portfolio or property level. Incurring substantial debt could subject investments to a number of risks that could materially and adversely affect investors, including the risks that:

- portfolio or property cash flow may be insufficient to make required payments of principal of and interest on the debt;
- the portfolio or secured asset may be unable to comply with all of the material covenants imposed by the lender;
- such debt may increase the portfolio or asset vulnerability to adverse economic and industry conditions;
- it may be necessary to dedicate a substantial portion of portfolio or property cash flow to payments on debt, thereby reducing cash available for property operations, investor distributions or other purposes; and
- it may not be possible to refinance debt at the portfolio or property level when it matures on favorable terms, or at all.

Defaults under such financing could lead to (i) acceleration of such debt (and any other debt containing a cross-default or cross-acceleration provision), (ii) an inability to borrow unused amounts under other financing arrangements, and/or (iii) the loss of some or all of a Fund's investments to enforcement by the lender or sale subject to recourse provisions.

Dislocation and weakness in the capital and credit markets could cause one or more lenders to be unwilling or unable to provide financing or to increase the costs of that financing. In addition, if regulatory capital requirements imposed on bank lenders change, they may be required to limit, or increase the cost of, financing they provide. In general, this could potentially increase financing costs to a Fund, reduce available liquidity or require to the sale of assets at an inopportune time or price.

To the extent that floating rate financing applies to borrowings, increases in interest rates, particularly short-term interest rates, may immediately and significantly decrease results of property operations and cash flows and the market value of Fund investments.

Where bank credit facilities are used to finance certain assets, on a portfolio by portfolio basis, these financing arrangements involve the risk that the market value of the properties may decline in value, or other loan covenants may be breached, in which case the lender may require additional collateral or to repay all or a portion of the funds advanced. The



Fund may not have the funds available to repay or pay down the debt at that time, which could lead to a default.

#### *Risks Related to Regulation*

Laws and regulations affecting our business change from time to time and we are currently operating in an environment of significant regulatory reform. We cannot predict the effects, if any, of future legal and regulatory change, both in Luxembourg and globally, on our business or the services we provide.

In addition, future legal and regulatory changes, including the European Markets Infrastructure Regulation, may result in cost increases to clients.

#### *Risks Relating to Technology and Cybersecurity*

Pramerica, our clients and Funds that we manage depend heavily on telecommunication, information technology and other operational systems, whether ours or those of others (e.g., custodians, financial intermediaries, transfer agents and other parties to which we or they outsource the provision of services or business operations). These systems may fail to operate properly or become disabled as a result of events or circumstances wholly or partly beyond our or their control. Further, despite implementation of a variety of risk management and security measures, our information technology and other systems, and those of others, could be subject to physical or electronic break-ins, unauthorised tampering or other security breaches, resulting in a failure to maintain the security, availability, integrity and confidentiality of data assets. Technology failures or cyber security breaches, whether deliberate or unintentional, including those arising from use of third-party service providers or sub-advisers, or client usage of systems to access accounts, as well as failures or breaches suffered by the issuers of securities in which our strategies invest, could delay or disrupt our ability to do business and service our clients, harm our reputation, result in a violation of applicable privacy and other laws, require additional compliance costs, subject us to regulatory inquiries or proceedings and other claims, lead to a loss of clients and revenues or financial loss to our clients or otherwise adversely affect our business or the portfolios of clients and Funds we manage.

## **Item 9 – Disciplinary Information**

We are not subject to any legal or disciplinary events that would be material to an evaluation of us or the integrity of our management and professionals. We have no facts or events to report in response to this item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Certain of our employees are approved, registered persons identified to undertake approved functions within the scope of permitted regulatory business, including marketing, operational, and administrative support to our business.

## **Item 11 – Code of Ethics**

We have adopted all applicable policies and procedures of our Parent Business, PGIM, Inc. and PFI.

### *Code of Ethics*

#### *General*

We maintain a Code of Ethics as required by applicable SEC rules. This Code of Ethics requires our employees to conduct business in an honest and forthright manner in accordance with the highest of ethical standards. In addition, the Code of Ethics requires our employees to put client interests ahead of their own and disclose actual and potential meaningful conflicts of interest. The Code of Ethics incorporates the information barrier and personal securities trading policies that are described in greater detail below. Our employees are required to report any violation of the Code of Ethics promptly to Europe's Chief Compliance Officer.

We will provide a copy of the Code of Ethics to clients or prospective clients upon request.

### *Information Barrier Policy*

Pramerica's Information Barrier policy is designed to prevent the communication of material, non-public information across the various PGIM, Inc.'s asset management investment sectors. Under the policy, an employee of one investment sector, including Pramerica, may not communicate material, non-public information to an employee of another investment sector without approval from each sector's compliance unit. The Information Barrier policy also restricts physical access to an investment sector's offices by employees of a different investment sector.

We maintain a restricted list of issuers about which we have material, non-public information, and our policies prohibit trading, either for client or personal accounts, in the securities of such issuers.

Furthermore in instances where we deem it appropriate we may create an 'isolated information barrier' around a small number of our employees who may come into possession of material, non-public information about an issuer, whereby their knowledge is not attributed to other employees.

### *Personal Securities Trading Policy*

We maintain a personal securities trading policy that governs the trading activities of our employees as well as their household members and dependents. Subject to certain limited exceptions, our employees are required by the policy to:

- report personal securities transactions to our compliance unit;
- pre-clear personal securities transactions (for employees considered to be "access persons" under SEC rules);

Our access persons and investment personnel are subject to additional restrictions under the policy, including the following:

- investment personnel are generally prohibited from purchasing securities in initial public offerings;
- access persons may not trade any security on the same day that we trade such security (or an equivalent security) for client accounts (other than in client accounts that replicate a broad-based index);

- investment personnel are prohibited from trading any security within seven days before or after we trade such security (or an equivalent security) for client accounts (other than in client accounts that replicate a broad-based index);
- investment personnel must disgorge any profits from the purchase and sale (in whatever order) of the same security within 60 days; and
- access persons may not write naked call options or buy naked put options on a security held in a client account.

Furthermore, where employees of PGIM, Inc. or its affiliates are allowed to invest in Pramerica advised Funds, policies and procedures are in place to ensure that such employees are not given an advantage over non-employee investors.

We monitor personal trading activity versus firm trading and restricted list content, and any matches are investigated by our compliance unit.

All our employees receive annual compliance training regarding personal securities trading and information barrier policies. In addition, employees must annually confirm that they have read and understand the Code of Ethics, including the personal securities trading and information barrier policies.

#### *Gift & Entertainment Policy*

Our employees may occasionally give or receive gifts, meals or entertainment of moderate value, subject to compliance with applicable laws and regulations and rules of self-regulatory organisations. Pramerica has adopted a gift and entertainment policy to address the conflicts of interest related to gifts and entertainment, such as the appearance of having given or received something of value that influenced our business decisions or the business decisions of our clients. The policy requires the reporting and preclearance of gifts, meals and entertainment given or received which exceed certain thresholds, with additional procedures in place to ensure compliance with rules related to ERISA, the Foreign Corrupt Practices Act ('FCPA') and other employees of local, state or federal government. In addition, our employees are prohibited from soliciting the receipt of gifts, meals or entertainment. Senior management periodically reviews summaries of gifts and entertainment activity to detect trends of abuse, conflicts of interest, or possible violations of the policy.

#### *Political Contributions*

Due to the potential for conflicts of interest, PFI, PGIM, Inc. and Pramerica have established policies and procedures relating to political contributions that are designed to comply with

applicable federal, state and local law. Under Pramerica's political contributions policy, all employees (including spouses and dependent children) must obtain preapproval before making any U.S. political contributions.

### *Conflicts of Interest*

As a result of the broad range of both our business and the businesses of our affiliates, conflicts of interest will inevitably arise in our operations. Described below are significant conflicts of interest which have been arranged under headings for ease of reading only. Conflicts described under one heading could appear or be repeated under one or more other headings below. These headings do not intend to limit the applicability of a particular conflict to other headings or other parts of our business.

While we follow PFI's and PGIM, Inc.'s standards on business ethics, personal securities trading by investment personnel, and information barriers and have adopted a Code of Ethics, allocation procedures, supervisory procedures and conflicts of interest policies, among other policies and procedures, all of which are designed to ensure that clients are not harmed by these potential or actual conflicts of interests, we cannot guarantee that such policies and procedures will detect and ensure avoidance, disclosure or mitigation of each and every situation in which a conflict may arise.

### *Conflicts Arising from Our Affiliations and Portfolio Management Responsibilities*

We are a unit of our Parent Business and Pramerica is an indirect, wholly-owned subsidiary of PGIM, Inc. (which is itself an indirect, wholly-owned subsidiary of PFI). As a result, we are part of a full-scale global financial services organization and affiliated with insurance companies, investment advisers and broker-dealers. Our portfolio managers are often responsible for managing multiple accounts, including accounts of affiliates, institutional accounts, insurance company separate accounts, non-discretionary portfolios and various pooled investment vehicles, such as commingled funds and other unregistered funds. These affiliations and portfolio management responsibilities may cause potential and actual conflicts of interest.

Legal, regulatory and contractual restrictions may limit how much, if any, of a particular investment we may purchase or sell on behalf of a client, and the timing of the purchase or sale. Such restrictions may arise as a result of our relationship with PFI and its other affiliates. We may be prohibited from engaging in transactions with its affiliates even when such transactions could be beneficial for client accounts. Certain affiliated transactions are permitted in accordance with procedures adopted.

Certain affiliates develop and may publish research that is independent from the research that we develop and publish. We may hold different opinions on the investment merits of a given property, security, issuer or industry such that we may be purchasing or holding an investment for a client and an affiliated entity may be selling or recommending a sale of the same or a similar investment. Conversely, we may be selling an investment for a client and an affiliated entity may be purchasing or recommending a buy of the same or a similar investment. In addition, our affiliated broker-dealers or investment advisers may be executing transactions in the market in the same investments as we are, at the same time.

It is our policy not to engage in principal transactions with affiliated broker-dealers for unaffiliated institutional accounts that we manage. We may cause securities transactions to be executed for a client's account concurrently with authorizations to purchase or sell the same securities for other accounts we manage, including proprietary accounts or accounts of affiliates. In these instances, the executions of purchases or sales, where possible, are allocated equitably among the various accounts.

We may buy or sell, or may direct or recommend that one client buy or sell, securities of the same kind or class that are purchased or sold for another client, at prices which may be different. In addition, we may, at any time, execute trades of securities of the same kind or class in one direction for an account and trade in the opposite direction or not trade for any other account due to differences in investment strategy or client direction.

#### *Conflicts from Competing Interests*

We may manage Funds which compete with each other for access to our resources, including investment opportunities. There may be conflicts of interest in allocating investment opportunities among the current and future Funds and accounts we or our affiliates manage. Other than specific contractual restrictions that may exist, or that may be required by investors, there are no restrictions on us or our affiliates from forming, sponsoring, owning and/or managing additional investment vehicles or accounts that have overlapping investment objectives or investment criteria. We are subject to our own allocation policies, which are subject to change in our discretion. We cannot provide assurance that we or our affiliates will not devote more time, attention or resources to some of these potentially competing clients than to others or present an opportunity to these clients that is not or cannot be presented to all. This could have a material adverse effect on a portfolio's ability to acquire assets, generate cash flow and income, and make distributions.

We may confront conflict concerns when allocating scarce investment opportunities, given the benefit of favoring accounts that pay a higher fee or generate more income for itself. To address this conflict of interest, we have adopted various allocation procedures (described

more fully in Item 6) as well as supervisory procedures that are intended to fairly allocate investment opportunities among competing client accounts.

Performance-based compensation may create a conflict of interest, as it can create an incentive for us or an investment professional to make or recommend investments that are riskier or more speculative than would be the case in the absence of such compensation structure. Certain of our investment professionals individually receive, as part of their compensation, carried interest payments and other performance based remuneration, which are based on the performance of the relevant portfolio. To address these potential conflicts, we have policies and procedures designed to ensure that each portfolio is managed in a manner that is consistent with our fiduciary obligations, as well as with the portfolio's investment objectives, investment strategies and restrictions.

While we operate as a fiduciary under our various investment management and advisory agreements, investors often have agreed to indemnify us and our affiliates against certain liabilities that are not attributable to our gross negligence or fraud. As a result, investors could experience poor performance or losses for which we would not be liable.

Conflicts of interest may arise regarding proxy voting. A committee of senior business representatives of our Parent Business oversees the proxy voting process and monitors potential conflicts of interest relating to proxy voting. See the response to Item 17 for more detailed information concerning our proxy voting policy.

We and our affiliates have certain intra-group financial arrangements which may have the effect of giving affiliates invested in pooled investment vehicles advised by group members preferential economic terms as compared to unaffiliated investors.

#### *Conflicts arising from Relationships with Large Clients*

Conflicts of interest may arise due to relationships with especially large clients, including affiliates. Such clients may have needs for information, reporting, operational support, or access to other resources that may be disproportionate to the nature or amount of assets managed for them, and the overall services provided may be different or greater than may be more generally provided to all other clients. As an example, representatives of PFI, PICA, PGIM, Inc.'s proprietary accounts and accounts of other affiliates (collectively, the "Affiliated Accounts") who are responsible for monitoring PFI's enterprise investment risk may have access to certain information about our assets under management, including for third parties, that is not typically made available to non-affiliated clients (although this access does not include specific non-affiliated client identifying information or portfolio information for clients who have asked for confidentiality with respect to sharing of

information with our affiliates). We believe that we manage our relationships with such Affiliated Accounts in a manner that is consistent with the best interests of all our clients.

*Conflicts Arising from PGIM, Inc. or its Affiliates' Investment and Other Activities and Relationships*

Conflicts of interest may also arise in connection with the investment or other activities of PGIM, Inc.'s and our other affiliates, or through the relationships of such parties with issuers of public securities. Affiliated Accounts may at times hold various levels of financial or other interests, including but not limited to portfolio holdings, in companies whose securities may be held or purchased or sold in client accounts. These financial interests may at any time be in potential or actual conflict with the interests of client accounts or may be inconsistent with positions held or actions taken on behalf of client accounts. These interests can include debt or equity financing, strategic corporate relationships or investments and the offering of investment advice in various forms. Thus, we may invest client assets in the securities of companies with which we or an affiliate has a financial relationship, including investment in the securities of companies that are advisory clients. At times, we may be unable to invest client assets in the securities of certain issuers as a result of these investments or relationships.

A client account may have an investment in securities of an issuer, including an equity interest in a joint venture or another entity that is engaged in a business that competes with issuers whose securities are held in other client accounts, or that competes directly with our business or that of an affiliate. Examples could include investments in publicly-traded securities of insurance or financial services companies that are competitors of PFI; or certain investments of one or more of our portfolios in entities that are engaged in commercial mortgage lending and related activities, a business in which Pramerica Mortgage Capital Company, an affiliate, is actively engaged. While these types of conflicts cannot be eliminated, we have implemented policies and procedures designed to ensure that, notwithstanding these conflicts, investments of clients are originated and managed in their best interests.

In addition, portfolio managers may have a financial interest in the accounts they advise, either directly through a carried interest program. To address potential conflicts of interest, there are procedures, including supervisory review procedures, designed to ensure that all accounts are managed in a manner that is consistent with the clients' investment objectives, investment strategies and restrictions, as well as with our fiduciary obligations.



### *Conflicts arising from Side Agreements*

We sometimes enter into side agreements with investors in the Funds we manage. The side agreements may require supplementary reporting requirements, and often also include provisions relating to advisory committee membership, co-investment opportunities and special investment restrictions. We do not enter into side agreements with investors that, in our judgment, would materially adversely affect the interests of other investors in the same Fund.

### *Conflicts arising from the Use of PGIM Warehouse*

PGIM Warehouse, Inc. (the “PGIM Warehouse”) is a separately capitalised affiliate of Pramerica that acquires private debt, private equity, real estate investments, asset-backed securities and public bonds to be “warehoused” temporarily until subsequently placed in certain portfolios managed by us or syndicated to unaffiliated investors. When investors subscribe to portfolios, these “warehoused” assets are generally transferred to the portfolios at a price equal to PGIM Warehouse’s cost plus a “cost of carry”. While historically these transfers have been beneficial to the investors, it is possible that the value of a “warehoused asset” that was designated for a particular portfolio could decline in value prior to the time it is transferred to the portfolio.

While the primary goal of the PGIM Warehouse has historically been to provide short-term seed capital to portfolios that we and our affiliates manage, the PGIM Warehouse also provides operating capital to certain portfolios once they have closed and are in their investment period. This operating capital is generally provided through market-rate credit facilities that are secured by undrawn capital commitments from investors (“subscription lines”) and bridge loans that are secured by assets of the portfolios. For both subscription lines and bridge loans, a formal policy and procedure is followed which, among other things, requires (i) justification of the loan’s economic terms through comparison to the marketplace, (ii) approval from internal credit and investment committees, (iii) full disclosure to investors, and (iv) if required by the contractual arrangements, investor or investor advisory council approval. In the case of a default on a bridge loan, the PGIM Warehouse will appoint an unaffiliated, third-party servicer to conduct workout or other remedial activities, as applicable.

### *Conflicts related to Co-Investment by Affiliates*

Our affiliates may provide initial funding or otherwise invest in Funds we manage. When an affiliate provides capital, it may do so with the intention of redeeming all or part of its interest at a future point in time or when it deems that sufficient additional capital has been invested in the relevant portfolio.

- The timing of redemption by an affiliate could benefit the affiliate. For example, the portfolio may be more liquid at the time of the affiliate's redemption than it is at times when other investors may wish to withdraw all or part of their interests.
- In addition, a consequence of any withdrawal of a significant amount, including by an affiliate, is that remaining investors remaining will bear a proportionately higher share of expenses following the redemption.

A conflict arises if the interests of the affiliated investor in a portfolio we manage diverge from those of the portfolio or other investors.

### *Conflicts Arising from Valuation of Assets*

Our Funds may at times hold illiquid or difficult to value investments. We may face a conflict of interest when making a recommendation to clients regarding the value of such investments because its investment management fees are at times based on the value of assets under management. We believe that our valuations policies and procedures enable us to value client assets fairly and in a manner that is consistent with the best interests of clients.

## **Item 12 – Brokerage Practices**

Pramerica Real Estate Investors (Luxembourg) S.A. does not provide investment management services with respect to publicly traded securities and as such this section is inapplicable to its services. Pramerica Real Estate Investors (Luxembourg) S.A. does maintain affiliates that engage in such services, the brokerage practices of which are fully articulated in their corresponding ADV Part 2. If, in the event that Pramerica Real Estate Investors (Luxembourg) S.A. were to execute a brokerage transaction for the Funds, in the selection of brokers to execute such transactions, we will consider factors including, but not limited to, the broker's reliability and execution capabilities for the transaction, the commissions charged by the broker, and the broker's reputation and responsiveness to requests for trade data and other financial information.

## Item 13 – Review of Accounts

Our business is integrated in the global governance of our Parent Business through our senior management being represented on our Parent Business' Global Management Committee, its Global Investment Committee and its Global Risk Management Committee. We also have a European Investment Committee which exercises oversight in relation to real estate equity investments in Europe and a European Debt investment Committee which performs an equivalent role in relation to European real estate debt investments. Both committees comprise members of senior management across relevant business functions including portfolio management, transactions and research. Transactions over a certain size or meeting other criteria (e.g. the first deal in a new country or in a new asset class) are considered by a Global Investment Committee.

Our European Investment Committee performs supervisory procedures in relation to our investment management and advisory activities by annually undertaking a review of all Funds. It includes the Head of Europe, the country head of the UK, the country head of Germany, the country head of France, Portugal and Spain, the Global Chief Investment Risk Officer and the Global Head of Investment Research

In addition to routine quarterly and year end reporting, for certain commingled funds and other accounts, there will also be periodic review meetings between representatives of the relevant clients/investors and our portfolio managers and investment officers. In addition, officers of clients/investors have regular contact with our marketing, client services and investment officers with respect to our day-to-day activities. We make periodic reports with respect to accounts of affiliates.

Proposed acquisitions and dispositions of real estate equity investments on behalf of all our managed Funds are reviewed by the Global Investment Committee or our European Investment Committee or a sub-committee thereof. Similarly, proposed acquisitions and dispositions of real estate debt investments on behalf of accounts that will be managed or advised by us will be considered by the Global Investment Committee or European Debt Investment Committee or a subcommittee thereof. For non-discretionary Funds, prior approval is then also sought from the client. As part of the approval process, the suitability of the acquisition or appropriateness of the sale for the particular Fund will be confirmed, with focus on the investment guidelines, restrictions and other requirements of the particular Fund.

We adopt our Parent Business' "client comes first" culture that permeates every aspect of its business. We subscribe to delivery of a high level of transparency and disclosure in investor reports and communications with clients and manage client assets in accordance

with the highest standards of fiduciary care. We believe that our clients' trust and confidence is the most critical asset of our business.

Our client service team is experienced and provides timely, in-depth communications and reports that meet and exceed clients' standards. We strive to be pro-active in educating customers and clients on both real estate as an asset class and on our products.

The frequency of meetings is at the client's discretion, although clients are encouraged to schedule face-to-face meetings at least once each year. Meetings are tailored to the client's needs and typically include a review of the economic outlook, a review of portfolio performance and an overview of future investment objectives. Generally, client meetings are attended by a member of our Portfolio Management Team and a dedicated Marketing & Client Service Representative.

#### **Item 14 – Client Referrals and Other Compensation**

Pramerica may utilise affiliated or unaffiliated entities to facilitate the distribution of certain investment vehicles in jurisdictions where it is necessary. While we do not typically engage in solicitation arrangements with unaffiliated parties, we may from time to time compensate a third party for investor referrals. In both instances, the manner and amount of compensation would typically be negotiated on a case by case basis.

#### **Item 15 – Custody**

We do not take physical custody of the assets of our clients. Where relevant, client assets are held in custodial accounts with appointed depositories. Private funds and other investment vehicles managed by us are subject to an annual independent audit and the audited financial statements are distributed to investors within 120 days of the end of the financial year.

#### **Item 16 – Investment Discretion**

We often receive discretionary authority from our Funds and clients at the outset of an advisory relationship as per documented client agreements, which permits us to select the identity and amount of the investments to be bought or sold. In all cases, however, such

discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Fund or account.

When selecting investments and determining appropriate investment amounts, we observe the investment policies, guidelines, limitations and restrictions established by the funds, accounts and clients we advise.

A client's investment guidelines and restrictions must be provided to us in writing.

## **Item 17 – Voting Client Securities**

### *In General*

We accept the authority to vote securities held in clients' accounts when our clients delegate this authority. The investment management agreements with clients will generally specify whether or not we have the authority to vote proxies on clients' behalf.

### *Proxy Voting Policy and Procedures*

Our policy is to vote proxies in the best economic interests of clients, both in the long term and in the short term. In the case of pooled accounts, our policy is to vote proxies in the best long-term economic interest of the pooled account.

Our proxy voting policy contains general guidelines for voting on a wide variety of issues that shareholders are commonly asked to address. These guidelines reflect the judgment of how we can best further the economic interests of clients through the shareholder voting process.

From time to time, ballot issues arise that are not specifically addressed by our policy, or circumstances may suggest a vote not in accordance with established guidelines. In these cases, voting decisions are made on a case-by-case basis taking into consideration the potential economic impact of the proposal.

We do not receive all ballots in advance of voting deadlines, but when ballots are received in a timely fashion, we strive to meet our voting obligations within industry standards. We cannot, however, guarantee that every proxy will be voted prior to its deadline. There may also be other situations where it is not able to vote a proxy, or choose not to. For example, we take into account additional restrictions that might impair our ability to trade those securities or have other potentially adverse economic consequences. We generally vote on a best efforts basis if it is determined that voting is in the best economic interest of clients.

For private real estate portfolios, each proxy received is reviewed by the applicable portfolio manager and generally voted in accordance with the policy.

We provide disclosure of our proxy voting policy to clients who provide vote proxies authority, generally at the time of agreeing the relevant investment management agreement. Any client may obtain a copy of these items, as well as the proxy voting records for that client's securities, by contacting the client service representative responsible for the client's account.

#### *Note with Respect to the Voting of Certain Securities*

Some clients may participate in securities lending programs in their accounts. We do not control or participate in any way in these programs and does not know when or which securities in clients' accounts are in these programs. We cannot vote securities that are out of clients' portfolios on loan or are otherwise excluded from voting privileges.

#### *Client Direction of Voting*

Although most of the clients for whom proxies are voted authorise to vote in accordance with our proxy voting policy, a client may request us to vote its proxies in accordance with a different policy. We will try to accommodate such requests. In addition, a client may direct us to vote its securities in a particular way on a particular proposal and we will seek to do so, assuming timely receipt of the instruction. However, if the ballot pertains to the client's own meeting, the ballot will be voted in accordance with the relevant third party proxy vendor's policy. (See "Conflicts of Interest in the Voting Process" immediately below.)

#### *Conflicts of Interest in the Voting Process*

Occasionally, a conflict of interest may arise in connection with proxy voting. For example, the issuer of the securities being voted may also be a client. When an actual or potential conflict of interest is identified between us and our clients that we are unable to resolve, the matter is referred to the proxy voting committee for resolution, which may include abstaining from a particular vote or voting in accordance with the policy of proxy voting facilitator rather than our own policy.

#### *Accounts for Which We Do Not Vote Securities*

Some clients elect to retain voting authority for themselves. Those clients receive proxies and other solicitation materials from their custodians, and if we receive these materials for the account of such a client, we will endeavour to forward them to the client's custodian. If a client has a question about a particular solicitation, the client may contact its client

service representative and we will try to address the client's question. We will not, however, disclose how we intend to vote on an issue for other clients' accounts.

### *Class Actions and Corporate Actions*

In addition to voting rights with respect to securities held in clients' portfolios, there may be other rights associated with those securities, including the right or opportunity to participate in class actions and corporate actions.

We have agreed with some clients to file proofs of claim for class action lawsuits relating to securities held, or formerly held, in their portfolios while managed by us. Other clients may have their custodians handle proofs of claim or may handle such matters themselves.

Where we have agreed to handle proof of claim filings for a client, we will generally seek and use best efforts to file such notices in all class action lawsuits in which the client is eligible to participate. In so doing, we will not inquire into the particular circumstances of any client. As a result, we will not seek to determine on an individual basis whether facts and circumstances relevant to that client would suggest that non-participation in the class action is appropriate or more advantageous to that client. For example, a client on whose behalf a proof of claim is filed may, as a result of having joined the class, waive or relinquish other claims that it may have against the target of the class action. The client may also have an interest or position with respect to the nature of the class action claim that is adverse to that of the class of plaintiffs. We would generally not be aware of those circumstances. Had the client elected to handle class action lawsuits for itself, it might have determined not to file the proof of claim in such a class action. We do not provide any legal advice or services in connection with class actions.

With respect to corporate actions (such as an issuer's merger, tender offer, dividend distribution, etc.), we participate on behalf of clients who authorise us to do so, taking such action as we deem to be in the best interest of the clients' accounts.

### **Item 18 – Financial Information**

We have no financial commitment that impairs our ability to meet our contractual and fiduciary commitments to our clients.