

Part 2A of Form ADV: *Firm Brochure*



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March 16, 2020

This brochure ("Brochure") provides information about the qualifications and business practices of Clarion Partners, LLC ("Clarion", "the Company", "the Firm", or the "Registrant"). If you have any questions about the contents of this Brochure, please contact Clarion's Legal and Compliance Department at 212-883-2500. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Clarion is a registered investment adviser. Registration as an investment adviser does not imply any certain level of skill or training. Additional information about Clarion also is available on the SEC's website at www.adviserinfo.sec.gov.

ITEM 2 – MATERIAL CHANGES

This Brochure, dated March 16, 2020, provides you with a summary of Clarion’s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. The last update of this Brochure occurred on June 28, 2019. This Item is used to provide our clients and investors with a summary of new and/or updated information. The following is a summary of material changes made since Clarion last submitted its Brochure for an annual amendment filing on June 28, 2019:

Clarion is updating its Brochure to disclose the acquisition of Legg Mason, Inc. by Franklin Resources, Inc. in Item 4 and remove references to the Special Situations Debt Group, which has been wound down.

You may request the most recent version of this Brochure by contacting Clarion’s Client Capital Management Department at 212-883-2500.

ITEM 3 –TABLE OF CONTENTS

Item 2 – Material Changes	2
Item 3 –Table of Contents	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-By-Side Management.....	6
Item 7 – Types of Clients	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	8
Item 9 – Disciplinary Information	13
Item 10 – Other Financial Industry Activities and Affiliations.....	13
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12 – Brokerage Practices	15
Item 13 – Review of Accounts.....	16
Item 14 – Client Referrals and Other Compensation	16
Item 15 – Custody	16
Item 16 – Investment Discretion	17
Item 17 – Voting Client Securities	17
Item 18 – Financial Information	18

ITEM 4 – ADVISORY BUSINESS

Clarion, its relying adviser, and the Managing Members and General Partners of the pooled investment vehicles sponsored by the Company, (collectively “us” or “we”) provide investment advisory, subadvisory, and other services principally to institutional investors, specializing in sourcing, underwriting and managing real estate-related investments.

The Registrant was originally founded as Jones Lang Wootton Realty Advisors in 1982. From 1982 through 1996, Clarion operated as Jones Lang Wootton Realty Advisors, a venture between management and the UK-based brokerage firm, Jones Lang Wootton (“JLW”). In 1996, management bought-out JLW’s interest in the company and owned it privately until a sale to ING Group in 1998. Clarion was wholly owned by ING Group from 1998 to 2011, and managed autonomously as a real estate investment management business in the Americas. In June 2011, following the global financial crisis, ING Group exited the real estate business and Clarion executed a management buyout of its business. The Registrant was capitalized by senior management of the Firm and an affiliate of Lightyear Capital (“Lightyear”), a private equity firm specializing in the financial services industry.

In April 2016, Clarion became an investment management affiliate of Legg Mason, Inc. (“Legg Mason”). Legg Mason acquired the entire ownership position of Clarion’s prior financial partner, Lightyear, as well as a portion of Clarion management’s position. The existing Clarion management team retained an ownership stake in the business of 18% and continues to maintain significant personal investments in various Clarion funds. Through intermediate holding entities, Clarion management and Legg Mason collectively own Clarion Partners Holdings LLC (“Holdings”), which wholly owns Clarion. Consistent with other Legg affiliates, Clarion operates fairly autonomously and retains control over its strategic business and investment activities. Day-to-day operations continue to be managed by Clarion’s Executive Board, and the investment process continues to be managed largely by the Equity Investment Committee (“IC”), though several other firm Investment Committees have been developed with responsibility for certain Clarion divisions or products as appropriate. On February 18, 2020, Legg Mason and Franklin Resources, Inc. (“Franklin Templeton”) announced that they have entered into a definitive agreement for Franklin Templeton to acquire Legg Mason (the “Transaction”). Upon closing, the combined global investment management organization will have approximately \$1.5 trillion in assets under management. Clarion management will retain its 18% ownership stake and continue to operate Clarion in the same manner as it has with Legg Mason, maintaining its investment independence. Subject to receipt of approval by Legg Mason’s shareholders and satisfaction of customary closing conditions, including receipt of applicable regulatory approvals, the Transaction is expected to close no later than the third calendar quarter of 2020. As of March 31, 2019, the Registrant manages approximately \$50,330,456,142 in assets on behalf of various open-end and closed-end private commingled investment vehicles (collectively, the “Funds”) and separately managed account (“SMA”) clients (collectively, the “SMA Clients”), including approximately \$38,155,589,514 on a discretionary basis and approximately \$12,174,866,628 on a non-discretionary basis. In accordance with applicable exemptions/exceptions in the Securities Act of 1933 and the Investment Company Act of 1940, the Funds are available only to qualified investors.

Clarion offers a range of real estate-related private equity investments, special situation debt portfolios, and real estate-related equity and subordinate debt investing in strategies across the risk/return spectrum using both Funds and tailored SMAs. Each Fund has a prescribed investment strategy that includes the property type(s), geographic region(s), risk profile, and specific investment guidelines. These portfolios generally invest in diversified, institutional quality real

estate assets and related investments within the United States, Mexico and Brazil. For each SMA, the investment strategy is tailored to meet client investment needs. SMA Clients can include pension and profit sharing plans, endowments, foundations, sovereign wealth funds, corporations, business entities, local and state governments and other institutional investors. Underlying investors in Funds include similar institutional investors as well as high net worth investors. Clarion does not offer any wrap fee programs.

When selecting and managing assets for its clients, Clarion remains subject to the investment guidelines and restrictions outlined in either (i) the offering memorandum (the "PPM") and/or governing documents of each Fund (together with the PPM, the "Fund Documents"); or (ii) the Investment Management Agreement ("IMA") of each SMA Client.

ITEM 5 – FEES AND COMPENSATION

With respect to all types of clients, Clarion is compensated with an asset management fee. Clarion also charges certain clients acquisition or disposition fees (for the acquisition or disposition of investment properties), incentive distributions or fees (for reaching a target return based on achievement of specified investment returns or capital appreciation of the assets of the client and as permitted by applicable law), and property management fees and other fees as negotiated with clients.

Asset Management Fee. The asset management fee schedule for investment supervisory services is earned as either:

- (a) a percentage of assets under management, ranging from 0.20% to 1.50%, depending on account size and the client's circumstances, which can also be based on gross and net assets under management (i.e. including or excluding debt/liabilities);
- (b) a percentage of net operating income ranging from 0.67% to 7%, depending on cumulative investment dollar thresholds, with or without minimum/maximum fee limits, as well as other client specific criteria; or
- (c) a percentage fee in other situations related to investment or acquisition price or on other types of fee bases including invested capital and investor commitments.

SMA Clients and Funds generally pay fees in arrears at the end of each calendar quarter based on the value of assets or net operating income during the previous quarter.

Acquisition and Disposition Fees. Acquisition fees are earned by Clarion for the acquisition of each investment property. These fees range from 0.15% to 1.00% of the purchase price of the asset and are governed by the client's IMA or the applicable Fund Documents. Disposition fees, when applicable, may be fixed fees on a per transaction basis, or may also be negotiated with clients. Generally, disposition fees range from 0.15% - 1.25% of the sale price based on the IMA or respective Fund Documents.

Performance-Based Fees. Performance-based distributions or fees are earned by Clarion based on achievement of specified investment returns or capital appreciation of the assets of the client and as permitted by applicable law. Such fees are calculated and governed by the client's IMA or the specific Fund Documents.

Property Management Fees. Fees are earned for property management services from those clients or Funds on whose behalf CP Industrial Management, LLC ("CPIM") and Gables Residential ("Gables") (described in Item 10) are engaged. These fees generally range from 0.50% - 3.00% of monthly property rental revenue.

Other Fees. Fees may be earned by Clarion for other services provided to the Funds or SMA Clients. These fees may be earned for consulting, financing, property management, leasing, or property development.

Investors in certain Funds may pay a cash management fee in addition to an asset management fee for managing the liquid assets of the Fund. Cash management fees, if applicable, are outlined in the Fund's PPM.

Fund and SMA Fees Generally

Fees for each Fund are described in the respective Fund Documents. Fees for the SMAs are described in the respective IMAs or other governing documents. Factors Clarion may consider in negotiating fees include: the investment strategy and complexity of services required, the type of assets under management, the amount of assets under management within a given product or across multiple products, a client's prior relationship with Clarion, whether we are acting in a discretionary or non-discretionary capacity and the extent of reporting or other administrative services required. In general, an IMA for an SMA may be canceled by either party at any time and for any reason upon receipt of 30 days written notice. Upon termination of an account, any unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Fund investors can redeem their interest in a Fund as outlined in the respective Fund's PPM.

For SMAs, fees are either billed directly to the client, deducted from the client's account, or reduced from client distributions, as agreed upon with each client. For investors in the Funds, fees are deducted as set forth in the respective Fund Documents.

Additional Expenses:

In addition to the fees described above, Funds and SMA Clients generally bear all costs and expenses incurred in connection with their investments, including brokerage commissions, transaction fees, custodial fees and other related costs and expenses. Please refer to Item 12 for additional information regarding the factors Clarion considers in selecting brokers for client transactions and in determining the reasonableness of their compensation.

Additionally, Funds also bear certain organizational and offering expenses, as well as operating expenses. Organizational and offering expenses may be subject to a cap and may include out-of-pocket and internal expenses of Clarion and its agents incurred in the formation of a Fund. Operating expenses generally include (i) the investigation of investment opportunities (whether or not consummated), (ii) the acquisition, ownership, financing, management or disposition of investments, (iii) travel, (iv) administrative expenses related to the operation of each Fund and its subsidiaries, (v) interests expenses, brokerage commissions and other investment costs incurred by or on behalf of each Fund or its subsidiaries, (vi) all other customary expenses and (vii) expenses associated with the preparation and distribution of reports to LPs. Further details on the additional expenses a Fund will bear are outlined in the respective Fund Documents.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As noted in Item 5 above, Clarion, in accordance with applicable law, earns performance-based fees and carried interest distributions, which may be calculated in part on a percentage of net investment income, cash flow or a percentage of return on an investment under management above a benchmark or preferred return hurdle. Such performance-based distributions and fees may also be calculated based on a share of capital appreciation of the assets of the client. In addition, a SMA Client or Fund investor may be subject to a minimum investment amount. Please refer to Item 7 for additional information regarding minimum investment amounts. Performance-based distributions and fees may be negotiable in certain circumstances and are described in either the PPM or the SMA Client's IMA.

All performance-based distributions and fees are calculated and paid in accordance with Section 205 and Rule 205-3 under the Investment Advisers Act of 1940 ("Advisers Act"). Clarion reserves the ability to adopt different fee structures for Funds or SMAs.

Clients and investors should be aware that performance-based fee arrangements may create an incentive for Clarion to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Furthermore, as we also have clients who do not pay performance-based compensation, we may have an incentive to allocate particular investments to accounts that do pay such fees because compensation we receive from these clients is directly tied to the performance of their accounts. All investment recommendations are subject to each portfolio's investment guidelines, be it a Fund or SMA, and Clarion's allocation policy as described further below which are designed to ensure investment recommendations are made fairly across all clients.

Clarion and its affiliates provide investment advice and perform related services for Funds and SMAs which have investment strategies which are often similar to or overlap with one another. Subject to certain limited exceptions, Clarion generally allocates investment opportunities among active Funds and SMAs to optimize the investment objectives of each, recognizing that, on occasion, an investment may be suitable for more than one Fund or SMA. In the event that an investment is clearly suitable for only one Fund or SMA, such investment is allocated to such Fund or SMA. In the event that Clarion identifies a potential investment that might be suitable for one or more of its Funds or SMAs, then the firm makes its investment recommendation pursuant to policies and procedures which seek to ensure that investments are allocated to all clients fairly and equitably. All potential investments are submitted by the local acquisition manager at Clarion's weekly acquisitions meeting, which is chaired by the Head of Acquisitions and meets to determine whether each investment meets Clarion's overall criteria (specifically, the investment guidelines agreed with Clarion's clients). Consideration is given to each investment's characteristics and its suitability for clients. If a portfolio manager is interested in the investment and the investment is clearly suitable for only one client, it is assigned accordingly. If an investment, on balance, is equally suitable to more than one client, and more than one portfolio manager has indicated interest in the investment (a "Contested Opportunity") or one portfolio manager advises several clients within a similar strategy, it is assigned to the client who has waited the longest to be assigned a Contested Opportunity, regardless of whether such client consummated such prior Contested Opportunity. New clients are added to the bottom of the list. As listed in Item 8, in accordance with market practice and principles of fairness and transparency, in certain limited circumstances opportunities may not be made available for rotation as described above, including when an investment opportunity is sourced independently by a client, a third party for a specific client pursuant to a programmatic joint venture or other relationship, or a Fund's own internal acquisitions team. In addition, refer to Item 8 of this Brochure for the review and supervision of investments by Clarion's Investment Committees and Fund Advisory Councils.

Once an investment has been assigned to a Fund or SMA Client at the acquisitions meeting, Clarion's respective Investment Committee reviews and approves the proposed investment at the acquisitions meeting, as introduced by the respective Portfolio Manager. Conversely, once the determination to dispose of an investment has been made by the respective Portfolio Manager, the respective Investment Committee reviews that decision as well.

ITEM 7 – TYPES OF CLIENTS

Clarion provides real estate investment management services to clients (the Funds and SMAs). Our investor base may include corporations, local and state governments, pension funds, insurance companies, sovereign wealth entities, wealth management firms, and individual high net worth investors. Underlying investors in Funds include similar institutional investors as well as high net worth individuals.

For individually managed separate accounts, the minimum account size is generally \$100,000,000. For Funds, the minimum investment amount varies and is outlined in the respective Fund's PPM, but is subject to waiver by the Fund's general partner or Clarion. Although certain feeder funds may have lower minimum investment amounts, the minimum investment amount for Funds generally ranges from \$2,500,000 to \$10,000,000. Account minimums may be negotiated. Clarion may change the minimum requirements from time to time in accordance with the applicable Fund Documents, which may change for future products offerings.

Investments in a Fund may be more suitable for certain investors than a SMA investment. Investors interested in investing in a Fund should refer to the respective Fund's PPM for more information specific to the Fund.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Strategies

Each SMA and Fund portfolio is actively managed generally using proprietary research to evaluate real estate cycles, national and regional market fundamentals and market opportunities. Clarion Funds and SMAs may acquire 100% ownership in a property, as well as partnership interests and investments in other real estate related assets, including interests in funds, companies and joint ventures that hold real estate assets directly or indirectly, where we believe such an investment would be consistent with the respective client's investment strategy and performance objectives. In addition, Clarion invests in commercial real estate subordinate debt. The Subordinate Debt Team focuses on investments in directly-originated subordinate debt positions, targeting middle-market investments for enhanced risk-adjusted returns. A significant portion of the return is delivered through current income, and the team's focus on direct origination affords deal-by-deal underwriting and greater control. Special Situations Debt invests in quality, seasoned, first-lien commercial real estate mortgage credit, with a focus on acquiring single loans, sub-pools, and portfolios available as a result of motivated sellers and expedited situations. With these investments, leverage is used to enhance returns. Certain Funds may invest a minority of assets in publicly-traded securities such as U.S. listed REITs for liquidity purposes.

Clarion assists in purchasing ownership interests in properties for SMA Clients. SMA Clients typically own investments in their accounts through Special Purpose Vehicles ("SPVs").

Within its various investment portfolios on behalf of both Funds and SMA Clients, Clarion employs

a range of single asset vehicles and other holding structures such as corporations, business trusts, limited liability companies and other corporate entities (including such entities as may be qualified as real estate investment trusts for federal income tax purposes) and limited partnerships and other forms of joint ventures.

Across its Funds and SMA Client accounts, Clarion primarily invests in the five major property types (office, retail, industrial, hotel and multifamily residential) pursuant to the portfolios' various strategies and investment objectives.

Clarion recommends real estate-related investments across the risk/return spectrum:

Core Portfolios – *low to moderate risk*: Invest in operating and substantially leased properties generally in larger markets; diversified across the five major property types: office, retail, industrial, multifamily residential and hotel. Modest financial leverage may be used to potentially enhance returns. Income typically generates approximately two-thirds of total portfolio return.

Core-Plus/Value-Added Portfolios – *moderate to higher risk*: Invest in properties that typically require a capital investment for re-positioning, re-leasing or enhancement and, in some cases, limited new development. With these properties financial leverage is generally used to enhance returns. Total return over the holding period is generally divided equally between income and appreciation.

Opportunistic Portfolios – *higher risk*: Invest in new developments, less-traditional property sectors, recapitalizations, entities or other structures. These are highly leveraged and have significant financial leverage risk.

Every strategy pursued by Clarion on behalf of any Fund entails a significant degree of risk and all investors in the Funds are advised to pay special attention to the sections of the respective Fund's PPM that discuss risk factors, conflicts of interest and other investment considerations. While Clarion works with SMA Clients to develop customized guidelines and restrictions with respect to their respective investment programs as outlined in their IMAs, each Fund investor is encouraged to invest only in the Fund or Funds pursuing investment objectives suitable for such investor since the management of each Fund is not customized to any one investor's guidelines or restrictions. Investors are additionally encouraged to seek their own individual tax and legal advice regarding an investment in the Fund before making an investment decision.

Clarion's Investment Methodology

For each potential real estate investment, Clarion analyzes a number of factors that may include: gross revenues, with attention paid to the quality and safety of such revenues, past and expected vacancy rates, associated market conditions, past and projected expenses, the use and physical condition of the property, the existing and potential lease structure of the property, the prospects for future sale, the projected investment return, the debt service coverage ratio, mortgage terms and bond structure and the impact on portfolio risk and return. When investing in commercial real estate debt, Clarion emphasizes loan originations that facilitate control over deal structure and pricing, and whether a Fund or SMA will construct a diversified portfolio of loans on institutional quality commercial real estate properties, sponsored by what we believe to be experienced, financially sound borrowers.

In addition, Clarion invests in commercial real estate subordinate debt. The Subordinate Debt Team focuses on investments in directly-originated subordinate debt positions, targeting middle-

market investments for enhanced risk-adjusted returns. A significant portion of the return is delivered through current income, and the team's focus on direct origination affords deal-by-deal underwriting and greater control.

Investment performance is monitored and actively managed by the respective Portfolio Management teams. This includes regular monitoring of market and property concentrations, exposure to large tenants or certain industries and debt levels. Portfolio Management teams actively engage in advanced performance attribution analysis represented by an annual Investment Strategy plan, describing goals for the year, risk mitigation tactics as well as strategy, allocation, risks and business plans.

On an ongoing basis, our portfolio managers, in conjunction with their management teams, seek to develop and implement a portfolio-appropriate strategy to manage portfolio risk. In addition, they are responsible for reviewing the operational matters, capital improvement programs, budgets, business plans, leases and financial statements of each potential investment. The portfolio managers are responsible for the preparation of an annual investment plan and a strategic portfolio overview. In addition, Clarion's portfolio management teams and third party appraisal firms conduct periodic internal and external valuations of property investments. The valuation of the Funds is also supported by third party appraisal firms, which are engaged by each Fund to conduct periodic valuations as prescribed in the respective Fund PPM. As it relates to SMAs, the valuation process is determined in conjunction with each respective client.

Each Fund has formed, or may form, an advisory council ("Advisory Council"), which is expected to consist of several representatives of unaffiliated investors. The Fund's general partner (a "General Partner") has the right to consult with the Advisory Council, if any, regarding changes in a Fund's investment strategy and guidelines, valuation policy, audited financial statements, conflicts of interest and other matters with respect to the Fund. A Fund's Advisory Council may be asked to consent to transactions on behalf of the Fund involving a conflict of interest between the Fund and the General Partner or its affiliates, or as may be necessary pursuant to the Advisers Act.

The Company's Equity Investment Committee is comprised of senior investment professionals of the firm. It is the Equity Investment Committee's responsibility to make key portfolio and investment strategy related decisions, approve each discreet investment decision (both acquisitions and dispositions) for the Funds and SMA Clients, and to insure each transaction is priced appropriately. The Firm also has a Debt Investment Committee and Portfolio Allocation Investment Committee. Such committees approve of investments and divestments, evaluate performance, ensure appropriate controls and mitigate conflicts of interest in accordance with the applicable by-laws or governance procedures of the respective committee.

The Company's Executive Board is comprised of executive leaders who are responsible for leading and managing Clarion. The Executive Board is responsible for defining business strategy and achieving operational results. Through the Executive Board, Clarion maintains transparent lines of communication with the Board of Directors of Holdings, which consists of both Clarion and Legg Mason senior executives. The Board of Directors of Holdings has a duty of stewardship and regularly assesses and monitors Clarion's performance.

In conjunction with the Firm's Investment Research Group, with the current exception of the Special Situations Debt Group, each Clarion Partners fund and separately managed account develops an annual strategic investment plan that sets goals for acquisitions, value enhancement projects, tenant retention, leasing, operations, capital improvements, and a comprehensive

hold/sell analysis. Open-end funds, separately managed accounts and closed-end funds present the plans to their respective Peer Review Groups ("PRG") for review and approval. The PRGs assess the plans in detail, as well as the overall performance and quality of each of the portfolios' investments. Each PRG, comprised of senior investment professionals from across the Firm, meets to approve the strategic plans and meets again during the year for a strategic update and review.

The PRGs also monitor fund-level risk based on a variety of factors related to fund performance, investment strategy, allocation levels and targets, leverage strategy, fund positioning, projected returns, fund operations and other categories. The respective PRGs identify and discuss risk factors and put in place plans of action to address them. Lastly, one of the critical PRG evaluative criteria is compliance with the investment guidelines and investment strategy previously approved for the respective portfolio.

In addition, Clarion's Operating Committee reviews the financial plan for the Company for adoption by the Clarion Executive Board. The Operating Committee monitors operational performance against associated benchmarks and budgets. Members meet regularly to formally review the relevant monthly status of revenue and expense performance, marketing initiatives, headcount management, operational efficiencies and specific organizational initiatives for which senior executive input is required. The Operating Committee also focuses on resource allocation to further the business goals of the Company.

Vertically Sourced Deals

In accordance with market practice and principles of fairness and transparency, in certain limited circumstances certain opportunities may not be made available for rotation under Clarion's allocation policy. Such circumstances are generally one of the following:

- a) An investment opportunity brought to Clarion's attention by a client or source independent of Clarion for execution for a specific client.
- b) An investment opportunity sourced by a third party for a specific client pursuant to a definitive programmatic sourcing relationship.
- c) A non-core investment opportunity sourced internally by a Fund's own acquisitions team.

Related Risks

All of our strategies involve the risk of loss that clients should be prepared to bear. In addition, the investment strategies described above may also involve the following risks:

Risks Related to Fund Investments

The purchase of an interest in a Fund entails certain risks that investors should consider before making an investment decision. There is no assurance that an investment in a Fund will be profitable or, if it is profitable, that any particular yield or rate of return will be obtained or other investment objective will be realized. An investor should only invest in a Fund as part of an overall investment strategy and only if the investor is able to withstand a total loss of its investment in the Fund. Funds could be subject to material risks that are not described herein. Additional risks regarding Funds are disclosed in the PPM of each Fund. We encourage investors to carefully review the full description of risk factors presented in their Fund's PPM and accompanying subscription documents.

Risks Related to Real Estate Investments

Real estate investments are long-term investment vehicles that are subject to market risk, including the potential loss of principal invested. Real estate values are affected by a number of factors, including: (i) changes in the general economic climate; (ii) local conditions (such as an oversupply of space or a reduction in demand for space); (iii) the quality and philosophy of management of properties; (iv) competition based on rental rates; (v) attractiveness and location of properties; (vi) financial condition of tenants, buyers and sellers of properties; (vii) quality of maintenance, insurance and management services; (viii) changes in operating costs; (ix) changes in interest rates and the availability of leverage which may render the sale or refinancing of properties difficult or impracticable; (x) uninsured losses or delays from casualties or condemnation; (xi) government regulations (including those governing usage, improvements, zoning and taxes); (xii) potential liability under changing environmental and other laws; (xiii) structural or property level latent defects; (xiv) acts of God; and (xv) other factors beyond the control of Clarion. Investments in existing entities (e.g., buying out a distressed partner or acquiring an interest in an entity that owns a real property) could also create risks of successor liability.

Risks Related to Debt Investments

Subordinated debt investments involve business, financial, market and/or legal risks. Real estate mortgage loans are subject to risks of delinquency and foreclosure, that may result from certain events including changes in general or local economic conditions and/or specific industry segments; declines in real estate values; declines in rental or occupancy rates; increases in interest rates, real estate tax rates and other operating expenses and changes in governmental rules and regulations. These are factors which are beyond the borrowers' control and may impair borrowers' ability to repay their loans. In addition, if a restructuring of a non-performing loan/s takes place, substantial changes to the terms of the loan may take place which will reduce the interest rate, capitalization of interest payments and a substantial write-down of the principal of the loan. Some of the other key risks connected with debt investments include foreclosure risk, sourcing risk, the risk of investments in distressed assets. Investments in distressed assets can pose significant financial risks, which may never be overcome by the Fund.

Risks Related to the Use of Leverage

To the extent the investments are leveraged, there will be additional risks incident to borrowing funds and risks may be exacerbated. These include risks associated with changes in the general economic climate, changes in the overall real estate market, local real estate conditions, the financial condition of tenants, buyers and sellers of properties, supply of or demand for competing properties in an area, technological innovations that dramatically alter space and demand requirements, the availability of financing, changes in interest rates, competition based on rental rates, energy and supply shortages, various uninsured and uninsurable risks and government regulations.

Regulatory Risks

Certain portfolio investments may be subject to extensive governmental regulation. Such regulations may prevent the Fund from making certain investments that it otherwise would make. Regulations generally, as well as regulations more specifically addressed to the private investment fund industry, including tax laws and regulation, whether in the United States or abroad, could increase the cost of acquiring, holding or divesting portfolio investments, the profitability of

enterprises and the cost of operating the Fund.

Lack of Liquidity

Investments in real estate are highly illiquid and subject to industry cycles, downturns in demand, market disruptions and the lack of available capital from potential lenders or investors (whether to finance or refinance portfolio properties or for potential purchasers of such properties). Accordingly, there is no assurance that a Fund or SMA Client will be able to dispose of investments in a timely manner and/or on favorable terms.

Availability of Suitable Investments

There is no guaranty that Clarion will be able to identify and acquire investments that meet the investment objectives of an investor on satisfactory terms or at all or that Clarion will be able fully to invest the capital available. The availability of investment opportunities generally will be subject to market conditions and competition from other similarly focused investors.

ITEM 9 – DISCIPLINARY INFORMATION

Form ADV Part 2 requires investment advisers such as Clarion to disclose legal or disciplinary events involving the Firm or our partners, officers, or principals that are material to your evaluation of our advisory business and the integrity of Clarion's management. At this time, we have no information to report that is applicable to this Item.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Clarion has other financial industry activities and affiliations.

Affiliates of Clarion serve as general partners for (or otherwise manage) the Funds, which are sponsored by Clarion, and certain SMA-related vehicles. Certain of Clarion's associates are registered representatives of Clarion's affiliated broker-dealer Clarion Partners Securities, LLC ("CPS"). CPS is wholly owned by Clarion and is a member of the Financial Industry Regulatory Authority ("FINRA"). CPS provides marketing and administrative support to Clarion's Funds.

On April 13, 2016, Legg Mason became the ultimate parent company to Clarion. Legg Mason is a global asset management company. Acting through its subsidiaries, Legg Mason provides investment management and related services to institutional and individual clients, company sponsored mutual funds and other pooled investment vehicles. Legg Mason and its affiliates may partner with Clarion to facilitate the distribution of Clarion funds or other Clarion products.

CPIM was formed by Clarion for the purpose of providing property management services to certain properties held by Clarion's clients. CPIM primarily manages industrial properties under limited circumstances where the investments are single tenant properties. Given its limited purpose and use, CPIM generally does not create conflicts of interest for Clarion but the firm has policies and procedures in place to mitigate any conflicts that may arise.

From time to time, property management services outside the scope of those provided by third parties or CPIM may be provided to Clarion Funds and SMAs by Gables, an affiliated entity of Clarion. Gables provides property management services for certain Funds and SMA Clients in the multi-family real estate sector. This may create a conflict of interest for Clarion in that Clarion may have an incentive to select its affiliated property manager over a third party. To mitigate this

conflict, Clarion has implemented related compliance policies and procedures.

Additionally, Clarion Partners Europe, Ltd (“CPE”), an entity that is wholly owned by Clarion, is regulated by the Financial Conduct Authority of the UK. CPE provides marketing, operational and administrative support to Clarion in Europe.

Clarion, under a sub-advisory agreement, employs the use of a third party sub-adviser which provides investment recommendations and asset management services to certain real property investments in Mexico.

Clarion, including its subsidiaries, is not registered as a futures commission merchant (FCM), commodity trading advisor (CTA), or commodity pool operator (CPO), as each term is defined by the Commodity Exchange Act of 1936, as amended.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

Clarion has adopted a Code of Ethics in accordance with Rule 204A-1 under the Advisers Act that sets forth ethical standards of business conduct that Clarion requires of its employees, including compliance with applicable federal securities laws. The Code of Ethics is intended to reflect fiduciary principles that govern the conduct of Clarion employees and its supervised persons in those situations where Clarion acts as an investment adviser as defined under the Advisers Act in providing investment advice to clients. It consists of an outline of policies regarding several key areas: standards of conduct and compliance with laws, rules and regulation, protection of material non-public information, personal securities trading and outside business activities. The Clarion Code of Ethics is available upon request by contacting the Legal and Compliance Department at (212) 883-2500.

Participation or Interest in Client Transactions

Clarion recommends to its advisory clients and fund investors that they buy or sell securities or investment products in which Clarion or a related person has some financial interest. Clarion discloses such financial interest to the client, consistent with Clarion’s duties to its clients as well as applicable laws. Employees of Clarion may invest in the Funds as permitted by law and in accordance with the respective Fund Documents.

Clarion or its affiliates may co-invest with clients in direct real estate investments or real estate joint venture investments managed for clients when such co-investment is permitted under applicable investment management agreements. Clarion or its affiliates may also co-invest in Clarion Fund investments. Any such co-investments are disclosed to the other respective investors and Clarion has policies and procedures in place to mitigate any conflicts that such investments could create (e.g., obtaining Advisory Council consent in the Funds context).

Personal Securities Trading

Clarion’s Code of Ethics includes personal securities trading policies and procedures, and insider trading policies and procedures. The Clarion Code of Ethics requires supervised persons to: (1) report personal securities transactions on at least a quarterly basis, (2) provide a detailed summary of holdings and securities accounts (both upon commencement of employment and

annually thereafter) over which such employees have a direct or indirect beneficial interest, and (3) pre-clear acquisitions of IPOs or private placements.

All employees receive annual training regarding Clarion's personal securities trading policies and procedures. In addition, employees must annually confirm that they have read, understand and will abide by the Code of Ethics.

ITEM 12 – BROKERAGE PRACTICES

General Brokerage Practices

Due to the nature of the investments the Funds and SMAs make, securities broker-dealers are generally not used for Clarion transactions. However, when executing transactions on behalf of the Funds or SMAs through a broker or dealer, Clarion has the investment discretion (under the IMA or Fund partnership agreements) to buy or sell securities, to determine the amount of securities to be bought or sold, and to determine which broker or dealer to be used to execute any securities transaction. Clarion will comply with its best execution obligations in such circumstances.

On behalf of clients, Clarion engages service providers and real estate brokers for investment sales, property management, leasing, debt financing and other services. Clarion has the investment discretion (under the IMA or Fund governing documents) to hire third party service providers, including real estate brokers, and to negotiate the commissions paid to those providers. In recognition of our responsibilities as a fiduciary and in keeping with our level of operational practices and efforts to maximize the value of client accounts, Clarion's primary objective is to seek to obtain the best possible execution of real estate transactions for our client accounts considering all circumstances. In engaging brokers and service providers, Clarion considers a number of factors including, but not limited to: execution capability, commission rates, knowledge of markets, experience, reputation, current market conditions and marketing support.

Research and Other Soft Dollar Benefits

Clarion generally does not accept or use soft dollars and has no soft dollar arrangements at present.

Trade Aggregation

Clarion does not generally aggregate trades, given its central focus on real estate private equity, but to the extent that trades may be aggregated for certain portfolios), then we would do so if it would be in the best interest of the clients. As noted above, given the size and nature of the investments, there is currently no expectation that such an aggregate order could not be completed at one time. In the event that more than one trade would be necessary to complete the total order, then clients would be charged the average price.

Cross Trading

In its capacity as a registered investment adviser, Clarion provides investment advisory services to clients investing in real estate assets. These clients include separate account arrangements with institutional investors as well as commingled funds sponsored by Clarion or one of its affiliates. From time-to-time, transactions may involve one or more Clarion clients buying investments from, or selling investments to, one or more other Clarion clients. Examples of these transactions include the following:

- Purchases and sales of investments between Clarion clients; and
- Exercise of buy/sell or put/call arrangements involving existing assets jointly held by Clarion clients.

Any transaction involving one or more Clarion clients buying investments from, or selling investments to, one or more other Clarion clients is required to be submitted by the respective business unit to Clarion's Legal and Compliance Department for review prior to the transaction relating thereto.

Brokerage Services by CPS

CPS does not provide brokerage services in connection with transactions involving securities.

Brokerage for Client Referrals

Clarion does not generally receive client referrals from brokers and does not select brokers based on referrals.

ITEM 13 – REVIEW OF ACCOUNTS

Clarion's Portfolio Managers and their teams review each Fund and SMA on a periodic basis to maintain compliance with the respective PPM or IMA documents. Clarion's Executive Board provides supervisory management for the entire business, including all Funds and SMAs.

Clarion prepares written quarterly and annual reports for each of its Funds and SMAs. These reports are provided to Fund investors and SMA Clients, and they contain detailed information regarding accounting, operations and investment performance. Investment performance is monitored and actively managed by the respective Portfolio Management teams. This includes regular monitoring of market and property concentrations, exposure to large tenants or certain industries and debt levels. Portfolio Management teams actively engage in advanced performance attribution analysis represented by an annual Investment Strategy plan, describing goals for the year, risk mitigation tactics as well as strategy, allocation, risks and business plans.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

From time to time, Clarion compensates, either directly or indirectly, third parties for client referrals. Should Clarion use a third party, compensation arrangements are made in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940, to the extent applicable. Clarion uses third-party solicitation agents, generally outside the U.S. pursuant to written agreements. For further information on such referral arrangements, please refer to Part 1 of our Form ADV.

ITEM 15 – CUSTODY

Clarion and/or an affiliate is deemed to have "custody" of each Fund's assets for purposes of Rule 206(4)-2 of the Investment Advisers Act of 1940 due to such affiliate's role as general partner of the Funds. Assets of each Fund are held in the name of the Fund by one or more independent qualified custodians. Each Fund is audited on an annual basis and audited financial statements are distributed to the limited partners within 120 days of the end of the fiscal year. Clarion has also engaged Pricewaterhouse Coopers, LLP, Marcum LLP, and Deloitte & Touche LLP to audit Clarion's pooled investment vehicles.

With respect to accounts of an SMA Client for which Clarion and/or an affiliate is deemed to have

custody (each, an "SMA Custody Account"), such SMA Client receives notification of the opening of, or changes to, such SMA Custody Accounts. Each SMA Client also receives account statements from the qualified custodian on at least a quarterly basis for such SMA Custody Accounts. SMA Clients should carefully review the account statements they receive from these unaffiliated custodians. Clarion also urges SMA Clients to compare any statements received from the qualified custodians with the corresponding statements they receive from Clarion, which are contained within the financial reports referenced in Item 13. To comply with SEC regulations Clarion has engaged Marcum LLP as its public accounting firm to conduct an annual surprise examination of its SMA Custody Accounts pursuant to Rule 206(4)-2.

ITEM 16 – INVESTMENT DISCRETION

Typically, clients hire Clarion to provide discretionary asset management services, in which case Clarion acquires or disposes of investments/securities in a client's account without obtaining the client's permission. When applicable, our discretionary authority generally includes the ability to do the following:

- determine the investments/securities to buy or sell; and/or
- determine the number of investments/securities to buy or sell.

When clients give us discretionary authority, they do so by way of executing a discretionary agreement with our firm in which our authority is outlined. SMA Clients may limit this authority by written instructions. For example, SMA Clients may restrict the inclusion of specific types of assets in their portfolio. Clients may also enter into non-discretionary investment management agreements with Clarion.

We have full discretionary authority for the management and conduct of the affairs of the Clarion Funds. We are responsible for and have the authority to identify, acquire, operate, manage, finance and sell Fund assets. Other responsibilities include, among other things, determining investment strategy and providing research, acquisition, portfolio management, asset management, property management, leasing supervision, client service, administration and financial accounting.

ITEM 17 – VOTING CLIENT SECURITIES

Clarion in its capacity as an investment adviser to private equity real estate funds and separately managed accounts, typically does not acquire securities that issue proxies that require voting. In the unlikely event that such proxies are issued, Clarion's response will be governed by its proxy voting policies and procedures. The applicable Portfolio Manager shall research and, subject to certain guidelines, vote proxies with periodic oversight provided by the Legal and Compliance Department. A full copy of Clarion proxy policies is available upon request. Clients may also request a copy of the proxy voting record for their account.

Clarion may exercise management authority or consent rights with respect to the investments in real estate. In exercising such management or consent rights, Clarion seeks to act in the best interests of the client, based on its determination of what will maximize the return on the client's investment. If Clarion determines that it is facing a material conflict of interest in exercising such rights, it will seek recommendations from the applicable Fund's Advisory Council or another independent party.

ITEM 18 – FINANCIAL INFORMATION

Form ADV Part 2 requires investment advisers such as Clarion to disclose any financial condition reasonably likely to impair our ability to meet contractual commitments to clients. At this time, we have no information to report that is applicable to this Item.