

## **Part 2A of Form ADV: *Firm Brochure***

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This brochure, dated March 31, 2021 (this "Brochure"), provides information about the qualifications, investment strategies and business practices of Heitman International Real Estate Securities HK Limited ("HIRES HK" or the "Firm"), an investment adviser registered with the U.S. Securities and Exchange Commission (the "SEC"). Please note that SEC registration status does not indicate a particular level of skill or training of the Firm or its employees and that neither the SEC nor any state securities authority has approved this Brochure.

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

If clients have any questions about the contents of this Brochure, please contact William Pogorelec at +1-312-855-5700 or by email at [william.pogorelec@heitman.com](mailto:william.pogorelec@heitman.com). Additional information about the Firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Clients can search this site by a unique identifying number, known as a CRD number or the Firm's name. The Firm's CRD number is 165930.

## **Item 2      Material Changes**

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

This Brochure provides a summary of the Firm's qualifications, investment strategies, and business practices. The last annual update was March 30, 2020. There were no material changes to the Firm's qualifications, investment strategies or business practices since the last update.

This Brochure, reflecting any material changes from the Brochure sent last year, and subsequent Brochures will be sent to clients within 120 days of the close of the Firm's fiscal year. The Firm will disclose any material changes that occur in the interim to clients as necessary.

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## **Item 4      Advisory Business**

### ***Background***

The Firm is an SEC registered public securities investment adviser that has been in business since 2012 and has its principal place of business in Hong Kong. The Firm is also registered with the Securities and Futures Commission of Hong Kong (“SFC”).

### ***Ownership Structure***

Heitman LLC (“HLLC”) is the 100% Shareholder and parent of HIRES HK. HLLC is the only entity that controls 25% or more of the Firm. In addition, the only entity that owns 25% or more of HLLC is KE 1 LLC, which holds a 99.95% stake in HLLC and acts as its managing member. The other member of HLLC is KE 2 LLC, which holds a nominal non-voting stake of 0.05%.

### ***Other Related Entities***

Section 7.A of Schedule D in the Firm’s Form ADV, Part I, which is accessible by following the directions on the Cover Page of this Brochure, discloses entities that are subsidiaries of HLLC (hereafter collectively, “Heitman Affiliates”). This disclosure includes all registered investment adviser and broker dealer Heitman Affiliates.

Heitman Affiliates utilize limited partnerships or other pooled investment vehicles (the “Heitman Funds”) for investment purposes that are structured for clients of Heitman Affiliates that principally consist of institutional investors. Heitman Affiliates also act as general partner, manager, or in other similar capacities and serve as the investment advisers of these Heitman Funds. As a matter of practice, Heitman Affiliates provide prospective investors in a Heitman Fund with the fund’s private placement memorandum or comparable offering document, which contains information specific to that investment opportunity.

Additionally, in certain cases, Heitman Affiliates create special purpose entities, including limited partnerships or similar vehicles that are comprised of one or more investors, but which are not organized as Heitman Funds (“Client SPV Entities”). Similar to Heitman Funds, in these cases, Heitman Affiliates may act as general partner, managing member, or in a similar capacity and also serve as the investment adviser for the Client SPV Entities. As a practical matter, these entities are created to facilitate certain investments in real estate on behalf of one or more clients. These structures are common for real estate investments and are generally utilized for tax efficiency and to protect stakeholders from potential liabilities and third party claims associated with the underlying real estate.

### ***Advisory Services***

The Firm provides investment advice and investment management services with respect to investments in equity, convertible and debt instruments of publicly traded Asia Pacific real estate related companies, including real estate investment trusts (“REITs”), REIT-like entities and real estate operating companies (“REOCs”).

In connection with the provision of the services described above, the Firm provides advice to clients regarding the investment of client funds based on each client’s stated objectives and

strategies. Through direct discussions with each client, from which investment goals and objectives are identified, the Firm implements an investment policy that is documented in a separately negotiated investment management agreement or other comparable agreement or document ("IMA").

The Firm provides advisory and sub-advisory services to institutions. Examples of such advisory and sub-advisory clients are registered investment companies, investment advisers, pension and profit sharing plans, including government pension plans, sovereign wealth funds and pooled investment vehicles. The Firm also presents the opportunity to invest in registered investment companies to its clients. The Firm manages these advisory clients on a discretionary and non-discretionary basis. Portfolio investing is guided by the client's stated objectives as set forth in each client's IMA.

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

The Firm's investment management is generally limited to securities of publicly traded real estate related companies as well as managing currency exposure to facilitate our trading activity, as required. Such securities are typically in one or more of the following categories:

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

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

The Firm's discretionary investment advisory services include a variety of investment strategies from which clients may select. These strategies include Global Real Estate Securities, Global Prime and Global Prime Select. The Firm also provides variations of certain of these strategies to accommodate, among other things, country exclusions or targeted yields. The Firm may also provide investment advice or license its models to non-discretionary clients, such as providing models to other investment advisers and Unified Managed Accounts.

### ***Amount of Managed Assets***

As of December 31, 2020, the Firm managed approximately \$603,711,825 of client assets on a discretionary basis and approximately \$484,420,977 of client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### ***Asset Management Fees***

As compensation for its investment advisory services, the Firm is normally entitled to an annualized portfolio management fee, which is usually calculated and paid as a percentage of assets under management. In some instances, the Firm earns additional fees based on

investment performance results (also referred to as an incentive fee). For additional information, please refer to the “Performance-Based Fees” section (Item 6).

Asset management fees are negotiated on a client-by-client basis. Client requirements, and other facts and circumstances are considered in determining the fee schedule. These include, but are not limited to, the complexity of the client mandate, amount of assets to be placed under management, anticipated future additional assets; related clients; portfolio style and composition; types of securities held; portfolio customization and the nature of reporting requested, among other factors. Each IMA entered into between the Firm and a client includes the specific annual fee schedule agreed to by the parties. The asset-based fees that the Firm receives from model portfolio providers, sponsors or third parties to whom the Firm licenses its strategies are negotiated with each party.

The terms and conditions, including fees for services, are mutually agreed to with clients prior to entering into the IMA and are generally paid quarterly in arrears. The Firm’s customary practice is to provide quarterly invoices to the client, or other party, as directed by the client. Such fees are typically paid to the Firm through the custodian or other client designee.

Typically, either the client or the Firm may terminate an IMA for any reason by providing written notice to the other party. Generally, the client must provide this notice to the Firm no fewer than 30 days from the termination of services, and the Firm must provide notice no fewer than 90 days from the termination of services. Upon termination of any IMA, any unearned fees will be promptly refunded and any earned but unbilled fees will be invoiced.

The Firm may group certain related client accounts for the purpose of determining the annualized fee. Clients should note that similar advisory services might be available from other registered (or unregistered) investment advisers for lower fees.

The Firm also provides sub-advisory services to one or more registered investment companies at terms and conditions including fees for services mutually agreed to with those clients. Fees paid by these funds for investment advisory services are described in each fund’s prospectus.

### ***General Information***

**Additional Fees and Expenses.** In addition to the Firm’s advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers and/or local exchanges, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for clients’ portfolios. These charges, fees and brokerage commissions are exclusive of, and in addition to, the Firm’s advisory fees. The Firm shall not receive any portion of these commissions, fees or charges, with the exception of research or brokerage products and services as permitted under the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended. For more information about brokerage commissions and commission sharing, please refer to the “Brokerage Practices” section (Item 12) of this Form ADV for additional information.

**ERISA Accounts.** The Firm is deemed to be a fiduciary to advisory clients that are employee benefit plans pursuant to the Employee Retirement Income and Securities Act (“ERISA”) and regulations under the Internal Revenue Code of 1986 (the “Internal Revenue Code”), respectively. As such, the Firm is subject to specific duties and obligations under ERISA and

the Internal Revenue Code that include, among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, the Firm only charges fees for investment advice regarding products for which the Firm and/or its “related persons” do not receive any commissions or 12b-1 fees, or conversely, investment advice regarding products for which the Firm and/or its “related persons” receive commissions or 12b-1 fees, however, only when such fees are used to offset the Firm’s advisory fees.

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

### ***Performance-Based Fees***

The Firm may enter into an IMA that includes a performance- or incentive-based fee from the client, in addition to the asset management fee described in Item 5. These types of fee structures are negotiated on an individual basis with the client, subject, if applicable, to the requirements of Section 205 and Rule 205-3 under the Advisers Act. Such performance-based fees are generally based upon the extent to which either realized or unrealized gains exceed either a national index, a predefined benchmark or investment return hurdle. If unrealized gains are included, they are typically based upon either an independent or a client-directed valuation. These types of fee structures are often viewed as better aligning the Firm and its compensation with its client’s investment objectives and results.

In theory, a performance- or incentive-based fee structure could lead to circumstances where the Firm may be perceived as having a conflict . Some examples of why a performance or incentive-based fee structure may be perceived as a conflict for the Firm include instances where the Firm may:

- Favor clients with performance oriented compensation over other clients of the Firm that have different fee arrangements;
- Recommend a riskier or more speculative investment than those that might be recommended under a different fee arrangement; or
- Time dispositions or control other factors particular to a security position that have the potential to generate additional fees.

However, the Firm has the following protections in place to mitigate the potential for conflicts caused by performance- or incentive-based fee structures:

- The Firm’s investment recommendations are created in accordance with the investment guidelines as defined in the client’s IMA;
- The Firm recommends the same or similar investments for clients participating in the same strategy, regardless of the fee structure;
- Purchase and sale orders are placed by the portfolio managers across all portfolios in the same strategy at the same time, barring other limiting circumstances, such as individual client restrictions or cash inflows or outflows, which may create timing

differences;

- All transactions are reviewed by portfolio managers; and
- The Firm performs a regular review of performance dispersion among portfolios that participate in the same strategy to measure balance across each portfolio within each strategy.

INCENTIVE OR PERFORMANCE-BASED FEES WILL ONLY BE CHARGED IN ACCORDANCE WITH THE PROVISIONS OF RULE 205-3 OF THE ADVISERS ACT.

## **Item 7      Types of Clients**

The Firm may provide advisory services to affiliated investment advisers, registered investment companies, commingled vehicles and separate account portfolios managed for business and institutional entities and sovereign wealth funds. The Firm or its affiliates serve as the investment manager to mutual funds, collective investment, open-ended and finite-term unit trusts and funds formed pursuant to the laws of various jurisdictions.

### ***Minimum Account Size***

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

Global Real Estate Securities	\$10,000,000
Global Prime and Global Prime Select Strategies	\$25,000,000

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

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

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

The Firm uses the following methods of analysis in formulating its investment advice and/or managing real estate related client assets:

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

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

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

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

**Quantitative Analysis.** The Firm uses mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** The Firm subjectively evaluates non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that the Firm's subjective judgment may prove incorrect.

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

**Investment Philosophy.** The Firm provides investment management and advisory services for institutional investors wishing to invest in publicly traded real estate related companies listed on various exchanges. The Firm provides clients with an experienced, disciplined and in-depth investment approach, which includes fundamental securities analysis. It seeks those investments that will outperform established benchmarks by purchasing securities of companies with superior growth prospects or securities that it deems undervalued.

The Firm generally evaluates securities using an intermediate to long-term investment horizon, which is dictated by the nature of the underlying real estate assets. However, the Firm frequently reevaluates each position in terms of national and local economic conditions, rents, occupancy levels and competition, and changes in management strategies.

**Sources of Information.** An important part of the Firm's analysis is individual property site visits. Properties are analyzed to determine underlying economic values, the consistency and quality of cash flow, the potential for growth through re-leasing or physical enhancement, and their ability to employ leverage to positively enhance results. The Firm maintains contact with industry sources such as bankers, real estate brokers, property managers, local real estate investors and appraisers to access individual properties and local real estate trends. In addition, Heitman Affiliates' experience in private equity real estate and debt investment, in combination with information from sector specialists within Heitman Affiliates' research team, provides the Firm with insights into trends, market turns and investment strategy execution across the spectrum of real estate investing.

## ***Investment Strategies***

The Firm uses the following strategies in managing client portfolios, provided that such strategies are appropriate to the needs of the client and consistent with a client's investment objectives, risk tolerance, and time horizons, among other considerations:

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

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

Risks associated with a long-term purchase strategy are described below.

**Short-term purchases.** When utilizing this strategy, the Firm may purchase securities with the idea of selling them within a relatively short time. The Firm does this in an attempt to take advantage of conditions that it believes will soon result in a price swing in the securities it purchases. Risks associated with a short-term purchase strategy are described below under *Risk of Loss – Trading*.

### ***Risk of Loss***

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

Moreover, the Firm's parent has a Compliance Committee that reviews and evaluates compliance issues and potential risks deemed to affect the Firm and its Heitman Affiliates. The Compliance Committee is designed to ensure such issues are addressed. These compliance issues include, among other things, matters involving Know Your Customer, Anti Money Laundering, Privacy and Pay-to-Play issues. Controls are evaluated, enhanced and/or established to manage such risks. All IMAs are reviewed by a member of the legal and compliance team prior to execution. Customized checklists are prepared to address IMA requirements and these checklists are periodically audited.

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

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

**Portfolio Turnover Risk.** The Firm may sell its investment securities, regardless of the length of time that they have been held, if the Firm determines that it would be in the best interests of clients to do so. These transactions increase the investment's "portfolio turnover." High turnover rates generally result in higher brokerage costs to those clients and in higher net taxable gain that reduces their returns.

**Currency Risk and Exchange Risk.** Because foreign securities generally are denominated and pay dividends or interest in foreign currencies, the value of the investments in foreign securities as measured in each security's local trading currency are affected favorably or unfavorably by changes in exchange rates. Generally, when the local currency rises in value against a foreign currency, a security denominated in that local currency loses value because the currency is worth fewer foreign dollars. Conversely, when the local currency decreases in value against a foreign currency, a security denominated in that currency gains value because the currency is worth more local dollars. This risk, generally known as "currency risk," means that a stronger local currency reduces returns for clients while a weak local currency increases those returns. In a global equity strategy there can be exposure to multiple currencies in the portfolio and, as such, weakness in one currency versus the currency in which the portfolio is denominated may be partially or completely offset by strength in another currency.

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

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

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

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

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

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

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

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

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

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

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

**Dependence on Affiliated Advisers and their Officers.** The Firm and/or Heitman Affiliate advisers may have discretionary investment authority over clients' investments. The success of these investments depends upon the ability of the Firm and its Heitman Affiliate advisers that are utilized to implement their investment strategies successfully. A client's investment performance is dependent on the services of a limited number of officers of the Firm and the Heitman Affiliate advisers. If the services of the officers were to become unavailable to the Firm and the Heitman Affiliate advisers, the result of such a loss of key management personnel could be losses for the Firm's clients.

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

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

REITs are dependent upon specialized management skills, have limited diversification and are generally dependent on their ability to generate cash flow to make distributions to shareholders. The requirements for qualification as a REIT are extremely complex. It is possible that a real estate company that purports to be a REIT may fail to qualify as such. In that event, the purported REIT would be subject to corporate level taxation, which would significantly reduce the return on investment in such enterprise.

REITs in non-traditional real estate assets, such as data centers, self-storage or cell-phone towers, may not perform in a manner correlated to their underlying assets or may perform in a manner unrelated to factors, such as interest rates or federal tax law, that typically have an impact on more traditional REITs.

**Insurance Considerations relating to Real Estate Securities.** Certain real estate related companies may, in connection with the issuance of securities, have disclosed that they carry comprehensive liability, fire, flood, terrorism, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. Such insurance is not uniform among real estate companies. There are certain types of extraordinary losses that may be uninsurable, or not economically insurable. Should any type of uninsured loss occur, such real estate related company could lose its investments in, and anticipated profits and cash flows from, a number of properties, which, as a result, would adversely impact the company and its value.

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

**Environmental Considerations.** In connection with the ownership (direct or indirect), operation, management and development of real properties that may contain hazardous or

toxic substances, a real estate company may be considered an owner or operator of such properties or as having arranged for the disposal or treatment of hazardous or toxic substances and, therefore, potentially liable for removal or remediation costs, as well as certain other costs, including governmental fines and liabilities for injuries to persons and property. The existence of any such material environmental liability could have a material adverse effect on the results of operations and cash flow of any such real estate company and, as a result, the amount available to make distributions on its shares could be reduced. Real properties and their values may also be subject to risks associated with acts of God, including earthquakes, fires, climate risks of cyclones, storm surge/sea-level rise, floods, wildfires, heat stress and water stress (which may result in uninsured losses and could negatively impact the direct or indirect operation, management or development, occupier demand, operating expenses and capital exposures); man made exposures such as wars, riots or acts of terrorism, energy and supply shortages, uninsured losses or delays from casualties or condemnation or risks from operating problems arising out of the presence of certain construction materials.

**Public Health Risk.** Certain countries have been susceptible to epidemics, such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and COVID-19. The outbreak of an infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy, and business activity in any of the countries in which the Firm may invest and/or operate. Such disruption could thereby adversely affect the ability of the Firm to provide investment management services and the performance of the Firm's Investments.

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

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

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

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

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

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

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

**Cybersecurity Risk.** The Firm and its affiliates collect and store sensitive data in their data centers and on their networks, including proprietary business information and personal information relating to their clients and employees. The secure processing, maintenance and transmission of such information is critical to the Firm’s and its affiliates’ operations. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. A breach could compromise the Firm or its affiliates’ networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims, regulatory proceedings, disruption in operations, or otherwise damage the business of the Firm.

**Item 9      Disciplinary Information**

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

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

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

- Heitman Real Estate Securities LLC (“HRES”) is an SEC registered investment adviser that manages portfolios composed principally of publicly-traded equity securities of real estate investment trusts and other real estate related securities.
- The Firm may employ HRES, a Heitman Affiliate, as a discretionary subadviser or non-discretionary service provider for Global Real Estate Securities, Global Prime and other strategies. When the Firm employs any Heitman Affiliate as a discretionary subadviser

or non-discretionary service provider, the Firm pays the Heitman Affiliate a pro-rata share of the portfolio management fee that it collects and clients are not responsible for any additional fees.

- From time to time, the Firm and HRES will draw upon the market research capabilities of the Firm's parent in making its portfolio selections.
- Heitman International Real Estate Securities UK Limited ("HIRES UK") is registered with the United Kingdom's Financial Conduct Authority ("FCA") and provides investment advisory support to HRES and the Firm on matters concerning the European market.
- HIRES Research Limited provides research services to HRES and HIRES UK.
- Heitman Securities LLC ("HSL") is a registered broker dealer and member of the Financial Industry Regulatory Authority. Heitman UK Limited ("HUK") is a broker dealer registered with the FCA. Heitman HK Limited ("HHK") is licensed as a placement agent by the SFC. Heitman International Real Estate Securities Pty Limited ("HIRES Pty") is registered with the SEC and licensed with the Australian Securities and Investments Commission to provide advice and deal in financial products. From time to time, the Firm or its affiliates may utilize the services of HSL, HUK, HHK or HIRES Pty for security offerings of Heitman Funds. These broker dealers will not engage in any transactions involving publicly traded real estate securities.
- Several personnel of the Firm and Heitman Affiliates are registered representatives or approved persons of these registered broker dealers. These persons do not receive direct compensation for their broker dealer or placement agent duties.
- Heitman Capital Management ("HCM"), Heitman International LLC ("HI") and Heitman International HK Limited ("HI HK") are private equity and debt investment advisers that are registered with the SEC. As described further below, HI maintains a branch office in Tokyo, Japan that is also registered with the Kanto Local Finance Bureau ("KLFB") in Japan, which has delegated administrative responsibility and oversight for this branch to the Financial Services Agency. HI HK is also registered with the SFC in Hong Kong. These entities conduct global advisory business managing private equity and debt real estate investments for pooled investment vehicles and separate account clients.
- Heitman International – Japan Branch ("HI Japan Branch") is a branch office of HI, located in Tokyo, Japan. As mentioned above, HI Japan Branch is registered with KLFB and is licensed to provide certain investment management services and related client support activity. This location also acts as an operational liaison and assists in various reporting, client service and marketing and investment oversight matters for Heitman clients and investments that are in the Asia Pacific region generally and Japan, in particular.
- Heitman International – Seoul Branch ("HI Seoul Branch") is a branch office of HI that is located in Seoul, South Korea. HI Seoul Branch conducts basic client service and relationship oversight activities, such as building Heitman's name/brand recognition in the geographic region and acting as the relationship manager and liaison in respect to existing Korean based clients.
- The Firm's parent provides certain central office support functions such as compliance and anti-money laundering monitoring, human resources, information technology, and other similar enterprise wide activities.

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

### ***Other pooled investment vehicles***

As described in Item 4, Heitman Affiliates create limited partnerships or similar pooled investment vehicles referred to as “Heitman Funds” and “Client SPV Entities.” Heitman Affiliates serve as investment adviser to such entities. As described earlier in this section, the affiliates solicit investors for these pooled investment vehicles through affiliated broker dealers. Further, unaffiliated third parties may, in some cases, solicit investors to invest in these entities, as described in Item 14.

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

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

The Firm and its personnel owe a duty of loyalty, fairness, and good faith to its clients and have an obligation to adhere to the specific provisions of the Code as well as the general principles that guide the Code.

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

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

Further, Access Persons certify on a quarterly basis and Supervised Persons certify on an annual basis that they have complied with the requirements of the Code. In addition, the firm has implemented mandatory compliance training that is conducted periodically throughout the year. Compliance topics address policies applicable to all employees of the Firm, such as conflicts of interest, fiduciary duty, pay-to-play and anti-money laundering.

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

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

The Code further includes the Firm's policy prohibiting the use of material nonpublic information for personal trading or on behalf of others.

A copy of the Firm's Code of Ethics is available to its advisory clients and prospective clients. Clients may request a copy by email sent to [compliance-us@heitman.com](mailto:compliance-us@heitman.com) or by calling 312-855-5700.

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

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

Certain entities ("Firm Related Entities") have been established by the Firm's affiliates to invest in commingled funds or other real estate related investment vehicles sponsored or created by the Firm's parent entity or one of its direct or indirect subsidiaries to develop, acquire, own and/or operate, finance, and ultimately sell interests in office, multi-family residential, industrial, specialty sector, and/or retail properties located principally in North America, Europe and the Asia Pacific region. The beneficial owners of the Firm Related Entities, in all cases, consists of past and present employees of the Firm's parent entity or a Heitman Affiliate.

## **Item 12 Brokerage Practices**

### ***Selection of Brokers***

Ongoing portfolio management decisions for discretionary clients are made by the Firm, including the commission rates at which transactions for client portfolios will be effected, with

the objective of obtaining the most favorable price and market for the execution of each transaction.

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

### ***Commission Sharing***

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

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

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

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

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

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

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

Research and brokerage services obtained with commission sharing credits are not necessarily utilized for the specific client that generated the credit. The Firm does not attempt to allocate the relative costs or benefits of research and brokerage services among clients because it believes that, in the aggregate, the research and brokerage services it receives benefits clients and assists the Firm in fulfilling its overall duties to its clients.

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

The Firm may supply proprietary research to the HLLC Client Service - Marketing and Research groups (collectively, the “Support Group”) if the Support Group uses the proprietary research to assist the Firm in carrying out its investment decision-making responsibilities for its clients. Investment decision-making responsibilities refers to the quantitative and qualitative processes and related tools used by the Firm in rendering investment advice to its clients, including, but not limited to, financial analysis, trading and risk analysis, securities selection, asset allocation, and suitability analysis.

### ***Global Strategy Management***

For Global Real Estate Securities Strategy, Global Prime and Global Prime Select clients, the Firm may retain Heitman Affiliate advisers to make the investment decisions with respect to publicly traded real estate securities, in North America and Europe. The Firm may also delegate brokerage discretion for certain Global Real Estate Securities Strategy, Global Prime and Global Prime Select clients to Heitman Affiliates and, therefore, the Heitman Affiliate will have the discretionary authority to determine which broker dealers will be used when purchasing and selling North American and European securities on behalf of those clients. In those instances that a Heitman Affiliate is recommending transactions in publicly traded real estate securities, the Firm or another Heitman Affiliate may retain the investment discretion.

In selecting brokers to effect purchase and sale transactions, Heitman Affiliates take into consideration a number of factors, including the overall best execution results to a client, the broker’s commissions, financial strength, stability, trade efficiency and other factors, as described above in “Selection of Brokers.”

For trades executed in a currency other than the currency in which a portfolio is denominated, a Spot FX transaction is necessary to facilitate trade settlement. The Firm generally uses an unaffiliated third party to execute those Spot FX transactions.

### ***Order Execution and Allocation***

The Firm and Heitman Affiliates often purchases and sells the same security at the same price and time for more than one client because: (i) the Firm typically makes similar trade recommendations for similar strategies that it manages, (ii) the Firm only recommends a limited number of real estate related securities, and (iii) numerous clients have similar investment objectives and similar portfolios. The Firm generally allocates orders among participating clients on a pro rata average price basis. Consistent with its best execution obligations and the terms of its investment advisory agreements, the Firm typically aggregates or “bunches” multiple client orders for the purchase and sale of the same security and allocate such transactions as previously described with each participating client’s proportionate share of such order, reflecting the average price paid or received with respect to the total order placed for that day. Aggregate or bunched transactions may result in better prices, including lower commission costs and/or better execution for larger orders than single orders with smaller volumes.

The Firm periodically reviews the Heitman Affiliated advisers' trading policies and procedures and trade activities for the Heitman Affiliate advisers that have received delegated investment and brokerage discretion from the Firm.

## ***Trade Allocation***

The Firm has implemented compliance policies and procedures to test client portfolios on a regular basis to ascertain whether any clients are being treated unfairly. For example, Compliance regularly reviews partial trade allocations to confirm that one category of clients is not being advantaged or disadvantaged, and portfolio managers review performance dispersion, which may occur over time among clients with a similar strategy. Proprietary accounts and clients that have a performance-based fee are treated the same as other clients when trade allocations are made, unless otherwise prohibited by regulation.

IPOs and secondary offerings (“Offerings”) of securities frequently are of limited size and limited availability. The Firm participates in IPOs or secondary offerings for discretionary clients. Some Offerings may become “hot issues,” which are offerings that trade at a premium above the initial offering price.

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

## ***Principal and Cross Transactions***

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

The Firm may effect an agency cross transaction for an advisory client, provided that the transaction is consistent with the Firm’s fiduciary duty to the client and that all requirements outlined in Rule 206(3)-2 of the Investment Advisers Act of 1940 are met. However, the Firm generally does not engage in cross transactions as a normal course of business. It is possible that a broker dealer through whom the Firm places transactions may cross the orders.

## ***Trade Errors***

In the event any error occurs in the handling of any client transactions, due to Heitman’s actions, or inaction, or actions of others, Heitman’s policy is to seek to identify and correct such errors as promptly as possible.

## **Item 13      Review of Accounts**

### ***Portfolio Management Services***

**Reviews.** Both before and after the time when client assets are invested, the Firm establishes a strategy for the long-term growth of capital and the generation of income pursuant to the investment objectives as noted in the client’s IMA. Guidelines are established by the Firm based on liquidity, risk and investment potential with respect to price levels and the number of shares purchased or sold. For portfolio management purposes, and to determine transaction strategy based on current market conditions, each discretionary client’s portfolio is reviewed regularly.

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

**Reports.** In addition to the statements and confirmations of transactions that clients receive from their custodians, the Firm provides monthly and/or quarterly reports summarizing performance, balances and holdings pursuant to the obligations set forth in each client's IMA. The Firm will provide reports on a more frequent basis to discretionary clients upon request.

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

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

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

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

As a matter of Firm practice, the advisory fees paid by solicitor-referred clients are not increased as a result of the referral.

As described in Item 10, the Firm may use Heitman Affiliates for security offerings of Heitman Funds.

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

## **Item 15      Custody**

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

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

## **Item 16 Investment Discretion**

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

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

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

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

## **Item 17 Voting Client Securities**

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

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

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

Clients can instruct the Firm to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. Clients can also instruct the Firm on how to cast their vote in a particular proxy contest by contacting William Pogorelec at 312-855-5700.

## **Item 18      Financial Information**

The Firm does not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of rendering services. Therefore, the SEC does not require the Firm to include a financial statement for its most recent fiscal year in this Brochure.

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

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