

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

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This brochure, dated March 31, 2023 (this "Brochure"), provides information about the qualifications, investment strategies and business practices of Heitman International LLC ("HI" 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 Tony Smedley at +44.207.318.1035 or by e-mail at [tony.smedley@heitman.com](mailto:tony.smedley@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 170707.

Discover what makes us different.

## 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 dated March 31, 2022. 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

Heitman International LLC ("HI" or the "Firm") was founded in 1999. In 2012 the Firm was a "relying adviser" related to Heitman Capital Management LLC ("HCM"), which is an affiliate of the Firm, and was deemed to be an SEC registered investment adviser based on guidance provided by the staff of the SEC. In 2015, the Firm separately registered with the SEC as a private equity investment adviser. The Firm conducts advisory business managing private equity real estate investments for pooled investment vehicles and separate account clients.

### Ownership Structure

Heitman LLC ("HLLC"), the sole member and parent of HI, 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 I 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% in HLLC.

### 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 the Firm's parent entity (hereafter collectively, "Heitman Affiliates"). This disclosure includes all registered investment adviser and broker-dealer Heitman Affiliates.

Note that the Firm and certain of its affiliates utilize limited partnerships or other pooled investment vehicles (the "Heitman Funds") for investment purposes that are structured for Firm clients that principally consist of institutional investors. The Firm or one or more Heitman Affiliates also act as general partner, manager, or in other similar capacities and serves as the investment adviser of these Heitman Funds. As a matter of practice, the Firm or its affiliates typically provide prospective investors in a Heitman Fund with a private placement memorandum or comparable offering document, which contains information specific to that particular investment opportunity.

Additionally, in certain cases, the Firm or other 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, the Firm and/or another Heitman Affiliate 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 to achieve tax efficiencies and to protect stakeholders from potential liabilities and third-party claims associated with the underlying real estate.

### Scope of Services

In the instance of a new Heitman Fund or Client SPV Entity, the investment objectives and investment strategies for achieving those objectives are defined by the Firm. Such objectives and strategies are appropriately

described in the applicable investment management agreement or other comparable agreement or document (“IMA”) or offering documents the Firm or Heitman Affiliate will establish for such purpose.

For separate account clients, the client, in collaboration with the Firm, establishes the investment goals and objectives for their portfolio. The Firm, utilizing an information gathering process designed to determine each client’s individual investment objectives for growth and income, tax considerations, time horizons, risk tolerance and liquidity needs, is responsible for determining how the portfolio will be constructed to accomplish the investment objectives of the separate account, in light of the client’s established goals and objectives. If appropriate, the Firm or Heitman Affiliate will also review each separate account client’s prior investment history.

For a Heitman Fund or Client SPV Entity, the firm develops the investment goals and objectives for the vehicle. The Firm is responsible for determining how the portfolio will be constructed to accomplish the investment objectives of the Fund, in light of the articulated goals and objectives of the Heitman Fund or Client SPV Entity.

Clients (hereinafter, a Heitman Fund, a Client SPV Entity or a separate account investor are collectively referred to as “client” or “clients”) may impose restrictions on investing with respect to certain strategies, certain property types or geographic areas. Other client preferences and investment objectives, as well as desired level of involvement in investment decisions, dictate whether the Firm or a Heitman Affiliate manages an account on a discretionary or non-discretionary basis. Each client’s investment objectives and guidelines are set forth in an IMA between the Firm and the client.

From the inception of the engagement/execution of the IMA, the Firm will provide investment related advice to its clients that includes the period preceding the investment in, during the investment in and operating of and the eventual sale or exit from the investment position. The advice encompasses all facets of investing in the debt or equity of property and includes recommendations as to holding real estate through limited partnership interests, operating platforms, general partnership interests, joint venture interests, units in group trusts, interests in limited liability companies, equity interests in corporations (each of which may directly or indirectly own real estate), interests in comparable legal structures formed in U.S. or non U.S. jurisdictions, or a combination of any of the above. The Firm and/or a Heitman Affiliate are also responsible for guiding the scope, reviewing, commenting on, if appropriate and requesting additional evaluation, if needed, of the information provided by various third party consultants (i.e. legal, tax, environmental, engineering, accounting) and property management firms engaged directly or by joint venture operating partners with that responsibility.

For further information regarding procedures followed by the firm for accounts managed pursuant to discretionary authority please see Item 16 titled “Investment Discretion.”

### **Amount of Managed Assets**

As of December 31, 2022, the Firm actively managed \$1,559,670,624 of assets on a discretionary basis and \$146,741,442 of assets on a non-discretionary basis.

## Item 5 - Fees and Compensation

### Advisory Services Compensation

For its services, the Firm may receive one or more of the following fees:

- An annual portfolio management fee based on a percentage of invested capital, aggregate original investment costs, net assets value, carrying values and/or a percentage of net operating income (before or after debt service) or net cash flow. When such fees are based on invested capital, original investment cost, net assets value or carrying values, the fees generally range from 0.55% to 1.50% per annum. Alternatively, the Firm may charge a negotiated fixed annual portfolio management fee.
- Performance or incentive fees 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 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 internal or independent appraisal generally subject to a reconciliation based upon actual results.
- In cases where the Firm provides asset management services in conjunction with an arrangement that also requires the services of certain third-party advisors, a separate fee may be charged either based on income collected or net asset value, carrying value, invested capital or investment cost.

The Firm and its clients negotiate all fees concurrent with and prior to entering into an IMA or the offering materials of limited partnerships or other pooled investment vehicles, as applicable. Each client's IMA or the offering materials of limited partnerships or other pooled investment vehicles identifies all applicable fees and expenses. Generally, the Firm is paid in arrears. The Firm sends an invoice identifying the fees to each client and, if applicable, to each client's custodian in accordance with the client's IMA. In certain circumstances, the Firm is permitted to deduct portfolio management fees directly from client accounts.

From time to time, the Firm may give advice with respect to an investment in real estate operating companies or the acquisition of stock or other securities and/or real estate issued by real estate companies. Fees for such advice and situations where the Firm replaces another adviser (takeover portfolios) are negotiated with clients on a case by case basis.

As described in greater detail in Item 15 of this Brochure, the Firm may establish bank accounts as an agent for each client with unaffiliated financial institutions in order to administer investment activity for each client.

### Limited Negotiability of Advisory Fees

In addition to the fee(s) described above, the Firm retains the discretion to negotiate alternative fees on a client-by-client basis. The Firm considers each client's circumstances and needs in reaching agreement on the fees applicable to each client and investment mandate. Examples of these factors include, among other things, the complexity of the client's investment strategy, the amount and type of assets to be acquired and managed, and reporting requirements.

## Termination of the Advisory Relationship

In separate account relationships, either the client or the Firm typically may terminate an IMA for any reason by providing written notice to the other party. Generally, the client must provide 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. In addition, investors in Firm limited partnerships or other pooled investment vehicles may terminate the Firm or any other Heitman Affiliate, as applicable, as the investment manager under the terms of each such organizational document. Upon termination of any advisory relationship, an accounting reconciliation will be completed to determine refunds required or amounts owed by the parties (if any).

## Advisory Fees in General

Clients should note that similar advisory services may be available from other registered (or unregistered) investment advisers for lower fees.

## Brokerage Fees or Costs

Item 12 of this Brochure provides a detailed description of the Firm's brokerage practices and related cost or fees.

## Minimum Account Size

The minimum dollar amount for establishing a separate account is generally \$100,000,000.

With respect to Firm limited partnerships or other pooled investment vehicles, minimum capital commitment size varies from fund to fund, but Heitman generally requires a minimum commitment of €5 million, subject to the Firm's discretion to permit smaller investments.

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

As described in Item 5 of this Brochure, the Firm may earn and receive performance or incentive-based fees for its services from certain of its clients. 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 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 internal or independent appraisal generally subject to a reconciliation based upon actual results. These types of fee structures are often viewed as better aligning the Firm and its compensation with its clients' 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 that is projected to result in higher fees to the Firm;
- time dispositions or control other factors particular to a portfolio asset to have the potential to generate additional fees;
- allocate an investment that may be appropriate for multiple clients to the client projected to pay the higher fees over the holding period; and
- invest in a property located within the same sub-market as another investment held in the portfolio of a different client of the Firm with a different fee arrangement.

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, reviewed, and approved in accordance with the investment guidelines as defined in each client's IMA. These recommendations take into consideration possible conflicts including whether other clients of the Firm have assets within the sub-market and are directly competitive to the investment being recommended.
- All investment recommendations are reviewed and require approval by the Firm's Investment Committee, which consists of a body of senior officers that are responsible for oversight of client investments.
- A proposed investment recommendation that may be appropriate for multiple clients is offered to those clients based on the Firm's investment allocation policy. No consideration is given to variances in the client's fee arrangements when determining allocation priorities. The Firm maintains separate investment allocation lists for its Private Equity core and Value-Add investment strategies and its Debt strategies that it executes for clients. In the event a potential investment is suitable for more than one client, the investment is allocated to the client holding the highest priority on the applicable allocation list. Every active client of the Firm is prioritized on the applicable list based on the length of elapsed time since the client's last investment was made. Should an investment be allocated to a client but fail to close, the client retains its position on the list. If a non-discretionary client is offered an investment and declines to pursue it, the client retains its position on the list, but after three such events, the non-discretionary client is placed at the end of the rotation.
- A multi-disciplined investment team with separate reporting lines, including senior management, participates in the initial screening of all potential investments to assess their appropriateness for each client, taking into consideration such factors as risk profile, investment structure, geographic location, execution timing constraints, portfolio objectives and property type. This disciplined process, tested over decades of service provides effective checks and balances for mitigating the potential for conflicts to be mismanaged by any one individual.

## Item 7 - Types of Clients

The Firm generally provides advisory services to clients who are:

- Pension and profit-sharing plans;
- Corporations or other businesses not listed above (including insurance and reinsurance companies); and
- Commingled investment vehicles (Heitman Funds) where investors are any of the foregoing.

Item 5 of this Brochure discloses that the Firm has established certain initial minimum account requirements based on the nature of the service(s) it provides.

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

### Methods of Analysis and Investment Strategies

The Firm's investment process begins with understanding the specific investment objectives of our clients, as set forth in each client's IMA and the offering materials of limited partnerships or other pooled investment vehicles, to the extent applicable. Senior portfolio managers may work with the Firm's research group to provide input on investment strategy, risk tolerance and diversification objectives of clients. General investment priorities that match market opportunities with client objectives are then established to begin the screening for construction of an investor's portfolio. Our private equity and debt investment teams pursue opportunities based on these guidelines.

Every investment that passes these initial screens is then evaluated by a multi-disciplined investment team, which includes portfolio management and research professionals from the Firm or Heitman Affiliates. The multi-disciplined team members are responsible for contributing to the preparation of the preliminary underwriting analyses for the various investment opportunities. The analyses consider a range of investment amounts that are possible given the cash flow projections and the expected return from investment, risks, demographic information, competitive market assessment and portfolio level information including geographic and property type diversification and other relevant portfolio construction guidelines such as leverage ratios. This information and other relevant factors are part of the considerations when assessing which investments should be allocated to a client.

Once an allocation decision is made and taking into account seller or prospective borrower requirements, a more detailed underwriting process commences which is conducted by a broadened multi-disciplined team assembled to secure the investment. Participants include acquisitions group, portfolio management, asset management, research, financial operations & analysis, and closing & due diligence groups. The Firm employs both a bottom-up as well as a top-down approach to evaluating investment opportunities. From the bottom-up the Firm completes a quantitative and qualitative analysis of the real estate and its local market. This includes a review of elements such as i) the projected return on investment (cash flows, going-in yields, IRR), ii) stability of cash

flows (lease roll-over, capital expenditures), iii) re-financing risk (if any), iv) investment amount versus replacement cost, v) market supply and demand, and vi) competitive position in the market. This analysis also includes performing a stress test on various underwriting assumptions, such as: a) rental and operating expense annual growth rates, b) occupancy, c) capital expenditures, d) real estate taxes, e) insurance expense, f) initial market rents, g) exit capitalization rate, h) lease-up timing and i) interest rate amounts (if financing is being employed as part of the capitalization). The assumptions applicable to each prospective investment opportunity are examined to isolate and evaluate their individual and collective impact on the property's overall risk and return profile.

From the top-down, the Firm evaluates global macroeconomic, microeconomic and capital market conditions including monitoring general liquidity and pricing momentum, interest rate movements, currency, tax implications, projected economic growth and other macro factors and trends (including demographic patterns and technological changes that may have a disruptive effect, resulting in changes in land use or space use). Further, the Firm evaluates portfolio investments using additional criteria such as the portfolio weight of a particular investment and how its inclusion impacts the overall investment performance, sector and geographic configuration, risk profile and any stated exposure or diversification objectives of the portfolio.

If the negotiations with a seller or prospective borrower lead to an agreement in principle, a letter of intent is typically entered into between the parties. The letter is non-binding but outlines the salient terms of the agreement to sell, purchase or finance and is viewed as an indication of intent. Once a letter of intent is executed, the investment team prepares and submits its investment brief to the appropriate Investment Committee of the Firm, as applicable, for its review and consideration. The brief includes an investment underwriting analysis and valuation, which includes a set of return sensitivity analysis that illustrates the impact to the investment's return profile from changes to a variety of underwriting assumptions. We believe this helps focus the review on the investment's merits, strengths and weaknesses and the bottom-up and top-down analysis provides a solid foundation for a conclusion to be reached as to whether to include the investment in a client's portfolio. The investment material also includes information on the client's existing portfolio with the Firm and considers how the new investment will impact diversification, returns from income and growth, and sector weightings per client. The Firm's appropriate Investment Committee must formally approve all new equity and debt investments, dispositions, refinancings and other material decisions pertaining to an investment.

Once a property becomes a part of a client's portfolio, the Firm's portfolio/asset management teams take on primary responsibility for the execution of the business plan. The portfolio/asset management process is a collaborative endeavor which includes coordinating each of the disciplines required to manage the individual assets within the applicable portfolio such as overseeing property managers and leasing specialists, auditors, researchers, engineers and construction professionals, joint venture partners and legal and due diligence specialists.

Portfolio and asset management team responsibilities include:

- **Guidance, Review and Approval of Annual Operating and Capital Budgets:** For equity investments, annual operating and capital budgets are prepared by third-party property management and leasing personnel or in conjunction with joint venture partners, if applicable, with guidance from the asset managers. These budgets provide the annual operating parameters for the third-party property managers

to follow when making decisions related to leasing, operating, and managing an asset including any potential capital improvements.

For debt investments, borrowers are usually required to prepare and submit their budget for the succeeding year 60 days after the start of the year. The budgets are reviewed and compared to the original project proforma prepared prior to the loan's closing. Any unusual deviations from that projection are discussed in detail with the borrower. If appropriate, this information is used to update the Firm's desktop valuations. If required both parties agree on a plan to address any items of concern.

- **Development of Annual Business Plans:** For each equity investment, the asset manager prepares an annual business plan, which is comprised of strategic and operational objectives and implementation tactics in order to execute the investment's business plan that was established at acquisition. The plan includes key operating goals for the investment such as financial projections and sources and uses of cash. In collaboration with research, the asset manager also provides an overview of market conditions relevant to the property and how they may contribute to or deter from achieving the original investment objectives.

For each debt investment, the portfolio management team prepares quarterly investment updates that summarize the collateral operating performance and any projects to be undertaken. The updates identify risks within the portfolio and guide conversations amongst the portfolio management team related to mitigating and resolving those risks. In addition, the quarterly updates summarize actual loan and property performance relative to the pro forma underwritten by Heitman at the time the investment was approved. When necessary, the portfolio management team, with information from research, also provides an overview of market conditions relevant to the property and how they may contribute to or deter from achieving the original investment objectives.

- **Property Valuations:** For equity investments, the asset manager coordinates the preparation of market valuations for each investment in the portfolio. This involves managing the external valuation process administered by independent appraisal firms and/or completion of internal valuations according to the requirements outlined in an investor's IMA or the offering materials of limited partnerships or other pooled investment vehicles, as applicable. As part of the portfolio/asset management process, each property is reviewed quarterly for significant events affecting value. The asset manager is responsible for recommending final market values to the Firm's Valuation Committee. The Valuation Committee must review and approve all proposed asset value changes. Approved market values are then incorporated into the net asset value calculations and performance reports submitted to investors.

For debt investments, the portfolio management team incorporates the results of the property valuation process into the valuation of debt instruments. Third party valuations of each loan are performed according to the requirements outlined in an investor's IMA or the offering materials of limited partnerships or other pooled investment vehicles, as applicable. Heitman generally prepares internal valuations of each asset secured by one of its debt financings on a quarterly basis. The portfolio managers determine if changing property values or market conditions warrant a mark-to-market adjustment of the debt value relative to par value.

- **Hold/Sell Analysis:** The Firm's goal is to maximize investment returns for its clients while striving to minimize risk. This means that when an equity investment's business plan has been executed at the property or investment level, and market conditions are conducive to exit at acceptable or better-than-acceptable returns, the asset should be considered for sale. On at least an annual basis, the asset manager prepares a hold/sell analysis for each asset. In seeking the optimal time for disposition, the Firm's approach involves both a qualitative and a quantitative analysis of the asset and its market. The hold/sell analysis typically includes a review of the following factors:
  - Business plan achievement;
  - Currency and tax considerations for offshore investors;
  - Diversification and/or allocation benefits of investment in portfolio;
  - Environmental and physical issues;
  - Equity and debt capital structure considerations;
  - Going forward IRR compared to returns from other financial instruments;
  - Holding period compared to original anticipated holding period;
  - Market supply and demand and competitive position in the market;
  - Replacement cost compared to the Firm's current estimate of value;
  - Since inception IRR through most recent valuation and through continued ownership;
  - Stability of cash flows (lease rollover, capital expenditures);
  - Status of venture partner (if applicable);
  - Third party opinion of value (either a broker opinion of value or appraisal) compared to the Firm's current estimate of value; and
  - Total returns in comparison to investment and portfolio benchmarks and equity multiple.

If an analysis of the above factors indicates that it is appropriate to sell an asset the asset manager prepares a marketing brief, which is submitted to the Firm's appropriate Investment Committee for review and approval. The brief sets out the portfolio team's rationale for recommending that an asset be sold as well as the estimated terms that can be expected from a sale process. If the recommendation is approved by the respective Investment Committee, the portfolio and asset managers work with the finance team and senior management to effectuate property sales beginning with identifying the appropriate third-party marketing agent to effect the exit from the Investment. The asset manager is also responsible for securing a client's written approval, if necessary, to complete an exit from an investment position. Contract terms vary depending on market conditions but exits from the portfolio typically can be implemented within 90-120 days. The portfolio/asset management team will seek to reserve sufficient sale proceeds to meet known and unknown future obligations of the title holding entity, including but not

limited to, accounts payable, legal fees and reserves to cover potential claims under any contractual representations and warranties and reasonable unspecified reserves for a reasonable period of time.

The Firm generally expects to hold debt investments through the maturity date for each loan. However, some debt investments can potentially be sold with the price being determined based upon (i) the credit quality of the investment being sold and (ii) the contractual interest rate of the loan relative to current market rates for loans of similar risk and duration. Therefore, loan pricing analysis can result in pricing at par (the sum of contractual principal and interest owed) or at a premium or discount to par. The Firm will periodically conduct hold/sell analysis and may occasionally sell loans as part of its on-going management of risk and return in its debt investment portfolios.

- **Third-Party Property Management and Operating Partners:** The equity investment asset manager supervises the property management firms that manage the assets within their portfolios including hiring and firing (if necessary) to ensure they meet the investment's objectives and the Firm's standards of performance. The Firm does not have an affiliated property management company; all investments are managed by third-party property managers and, in the case of a joint venture, frequently by property management affiliates of the joint venture partner. The asset manager visits properties periodically and communicates with property managers on a regular basis. The asset manager actively manages the asset by focusing on such factors as performance of the property compared to expectations and related benchmarks, compliance with provisions of the property management agreement, physical condition and maintenance of the property and responsiveness and knowledge of the property manager.

For debt investments, each borrower is responsible for engaging a third-party property management firm or providing the internal resources to directly perform the property management responsibilities for each underlying asset.

- **Compliance:** The Firm's parent has a Compliance Committee which reviews and evaluates compliance issues and potential risks deemed to affect the Firm and its Heitman Affiliates. The Compliance Committee seeks 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. Controls are evaluated, enhanced and/or established to manage such risks. Additionally, all IMAs are reviewed by a member of the legal and compliance team prior to execution.

## Risk of Loss

An investment in real estate involves significant degrees of risk, some of which are outlined below.

- **General Risk of Real Estate Investments:** Equity investments in real estate are subject to certain risks associated with the ownership of real estate and real estate-related assets, and the real estate industry in general, including: the burdens of ownership of real estate and real estate-related assets; global economic and political (and such political risks have increased in recent years) conditions; the supply of and demand for property; the financial condition of tenants, buyers and sellers of property; changes in interest rates and the availability of third-party debt financing which may render the sale or refinancing of real estate and real estate-related assets difficult or impracticable; changes in environmental laws and regulations; changes in planning laws, governmental rules and fiscal and monetary policies (particularly



with regard to real estate transfer taxes); environmental claims arising in respect of assets acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; environmental accidents, contamination or pollution; changes in applicable tax policies and rates; changes in energy and commodities prices; property losses or damage; accidents caused by human error; natural disasters, weather patterns and climate changes; the risk of an explosion, fire or flooding; force majeure acts; political unrest or the interference of government agencies or political bodies, armed conflicts and war; terrorist events; under-insured or uninsurable losses; acts of God (including pandemics and epidemics) and other factors which are beyond the reasonable control of the Firm. The nature, timing and degree of changes in real estate conditions are unpredictable. In addition, real estate and real estate-related assets are subject to long-term cyclical trends that give rise to significant volatility in values.

Many of these factors could cause fluctuations in occupancy rates, rent schedules or operating expenses, causing the value of investments to decline and having an adverse impact on returns. The value of the investments may fluctuate significantly due to these factors and may be significantly diminished in the event of a sudden downturn in the market for real estate and real estate-related assets.

- **Third Party Involvement:** In some cases, the Firm on behalf of its clients invests in partnerships or comparable venture structures formed for the purpose of investing in real estate. Such investments may have shared or limited control with respect to such investments. As a result, those investments may involve risks not present in other types of investments where a third party is not involved, including the possibility that co-investors may have financial difficulties or become bankrupt, or may at any time have economic or business interests or goals which are inconsistent with those of the clients or may be in a position to take (or block) actions in a manner inconsistent with the client's objectives, including the client's decision to divest. In addition, clients may be liable in certain circumstances for the actions of co-investors with which it is associated. Clients could also be impacted if co-investors with whom they have formed arrangements or co-invested cease to be able to, or refuse to, continue to act. Clients may hold a non-controlling interest in certain investments and may therefore have limited ability to protect their position in such investments. Further, there is a risk that the legal framework of a jurisdiction in which an investment is based, particularly where such jurisdiction is in an emerging market, may offer little or no protection for minority investors, and/or there may be less extensive disclosure requirements on the management of the investment. Even in situations where the client has a controlling interest in investment, the client may not have operational or day-to-day control over such investment.
- **Failure to Meet Targeted Returns:** Investments are made based on the Firm's estimates or projections of internal rates of return, which in turn will be based upon various factors, including projections of future growth rates and interest rates of applicable markets, the amount and terms of available financing, development and redevelopment and/or operating costs, rental and lease-up rates of commercial properties and disposition timing and proceeds, all of which are inherently uncertain. The actual performance of the investments may differ from the projections of the Firm and may differ materially. Clients have no assurance that the investments made by the Firm will achieve targeted total returns on investments.

- **Environmental Risks:** Clients may be exposed to substantial risk of loss from environmental claims arising in respect of investments that have environmental problems and the loss may exceed the value of such investment. Furthermore, changes in environmental laws and regulations or in the environmental condition of an investment may create liabilities that did not exist at the time of acquisition and that could not have been foreseen. There is also a substantial risk that the involvement of an investment in an environmental disaster may harm the Firm's reputation, which in turn may have a material adverse effect on its business, results of operations and/or financial condition. Generally, the Firm will perform, or cause to be performed, market practice environmental due diligence of all the investments to be acquired to identify potential sources of pollution, contamination or environmental hazard and to assess issues regarding compliance with existing environmental regulations. There can be no assurance, however, that such due diligence will reveal all or any of the potential environmental liabilities relating to such investment.
- **Public Health Risk:** The epidemic or pandemic outbreak of an infectious disease in a country or region of the world or globally, together with any resulting restrictions on travel, transportation or production of goods or quarantines imposed, could have a negative impact on the national, regional or global economy and business activity in any of the countries in which the Firm may invest. Any outbreaks of an infectious disease or any other serious public health concern in a country, region or globally could materially harm investments. The impact of market, legal, regulatory, reputational and other unforeseen risks affecting market participants cannot be predicted and this could adversely affect investments, restrict the ability to acquire, sell or liquidate investments at favorable times and/or prices and impede the ability to achieve its investment objectives. Investments in real estate may have to be held for lengthy periods of time and may have no readily ascertainable market value. As a result, an investment may take more time and expense to value and/or sell, and the realizable price upon the disposition of such investment may differ materially from its fair value. In addition, a serious outbreak of infectious disease may also be a force majeure event under contracts that the Firm has entered into with counterparties, thereby relieving a counterparty of the timely performance of the services such counterparty has contracted to provide. In a worst-case scenario, this may result in the delay of a NAV calculation.
- **Risky and Illiquid Investments:** Investments made in real estate are likely to be risky and illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their sale. Dispositions of investments also may be subject to contractual and other limitations on transfer (including prepayment penalties with respect to property-level debt) or other restrictions that would interfere with the subsequent sale of such investments or adversely affect the terms that could be obtained upon any disposition thereof. The possibility of partial or total loss of capital will exist and entities advised by the Firm must be able to bear the consequences of such loss. Even if the investments are successful, they may not produce a realized return for an unspecified duration of time.
- **Leverage:** In some situations, the investments made will employ leverage in connection with the investments and operations. The percentage of leverage used will vary depending on the estimated stability of the investment's cash flow, as well as on market conditions. To the extent that changes in market conditions cause the cost of financing to increase relative to the income that can be derived from an Investment, the amount leveraged may be reduced. While the use of leverage may enhance returns



and increase the number of investments that can be made, it will also increase the risk of loss. As an investment incurs indebtedness, it will become subject to the risks associated with debt financing, including the risks that available funds will be insufficient to meet required payments and that existing indebtedness will not be able to be refinanced or that the terms of that refinancing will not be as favorable as the terms of existing indebtedness. To the extent that an investment is unable to meet required debt service payments, the applicable client risks the loss of the particular investment.

The use of leverage involves a high degree of financial risk and will increase the exposure of the investment to adverse economic factors such as rising interest rates and downturns in the economy or deterioration in the condition of the investment. In addition, debt financing may restrict the amount of funds available for distribution to clients.

- **Capital Expenditures:** Although the Firm, in its management, valuation and underwriting of potential equity investments, will provide good faith projections of the short to medium term capital needs of such investments, there can be no assurance that the capital needs of any of the properties in which investments are made from time to time will not exceed such estimates or that a property will generate sufficient cash flow to cover its capital needs.

For debt investments, unexpected capital expenditures could pose a risk to the lender in that the borrower's cash flow may be reduced such that the borrower might not be able to pay the debt service.

- **Availability of Insurance; Casualty Losses; Uninsurable Losses:** Comprehensive casualty insurance will be maintained on Investments, including liability and fire and extended coverage, in amounts sufficient to permit replacement in the event of a total loss, subject to applicable deductibles. The Firm endeavors to obtain coverage on market terms that are of the type and in the amount customarily obtained by owners of similar real properties. While the Firm will seek to utilize insurance (including protection and indemnity insurance) and other risk-hedging products (to the extent available on commercially reasonable terms) to mitigate potential losses, this may not always be feasible, practicable or available, and even if such risks are insured, insurance proceeds may not be paid or may be inadequate. It is also possible that the Firm may not be able to procure adequate insurance coverage on terms and conditions comparable to those that the Firm is currently able to procure. Even if the Firm's insurance coverage is adequate to cover losses, a timely replacement of an investment in the event of a loss may not be possible. Losses related to terrorism and pandemics are becoming more difficult and expensive to insure against, as most insurers currently exclude terrorism and pandemics coverage from their all-risk policies. In the future the Firm may also be subject to calls, or premiums, in amounts based not only on the Firm's own claim records but also the claim records of all other members of the protection and indemnity associations through which the Firm receives indemnity insurance coverage for tort liability. The Firm's insurance policies will also contain deductibles, limitations and exclusions which, although they may be standard in the real estate industry, may nevertheless increase the costs. In the past, new and stricter environmental regulations have led to higher costs for insurance covering environmental damage or pollution, and new regulations could lead to further increases or even make this type of insurance unavailable.
- **Climate Change Risk.** Concern has been expressed among members of the scientific community, lawmakers and the general public that an increase in global temperatures have or will result in significant

changes in weather patterns and increase the frequency and severity of natural disasters or climate stress events (i.e. climate change). Climate change creates potential physical and financial risk. To the extent that climate change does occur, countries where an investment exists may experience an increase in sea level, changes in weather conditions and/or the occurrence of one or more extreme weather events or natural disasters, all of which may result in physical damage to or a decrease in demand for real estate in these areas or affected by these conditions. Climate change-driven events could result in, among other things (i) increases in fuel (or other energy) prices or a fuel shortage, and (ii) a rise in the cost of insurance if such events result in substantial loss of property or other insurable damage. Should the impact of climate change be material in nature or occur for lengthy periods of time, it could adversely affect an investment's financial condition. In addition, changes in EU and other legislation and regulation concerning climate change could result in increased capital expenditures to improve the energy efficiency and other aspects of real estate investments. Among other things, "green" building codes may seek to reduce emissions through the imposition of standards for design, construction materials, water and energy usage and efficiency and waste management. The imposition of such requirements in the future could increase the costs of maintaining or improving real estate investments.

- **Non-U.S. Investments:** Non-U.S. real estate-related investments involve certain factors not typically associated with investing in real estate-related investments in the United States, including risks relating to (i) currency exchange matters, including fluctuations in the rate of exchange between the U.S. dollar and the various foreign currencies in which the client's investments may be made and costs associated with conversion from one currency into another, (ii) differences between U.S. and foreign real estate markets and (iii) certain economic and political risks, including potential exchange-control regulations, potential restrictions on non-U.S. investment and repatriation of capital and the possibility of expropriation or confiscatory taxation.
- **Currency and Exchange Rates; Hedging Policies:** The functional currencies of the client accounts are primarily the U.S. dollar, the Pound, the Euro, the Yen, the HK Dollar, the Won and the Australian Dollar, as appropriate. Accordingly, some investors will be subject to the risks associated with fluctuations in currency exchange rates between the investments' currency and the clients' national currency. As such, the performance of clients could be adversely affected by fluctuations in the currency exchange rates, the costs of conversion and exchange control regulations, in addition to the performance of the investment itself. To mitigate such risks, clients may obtain financing in the relevant foreign currency and may enter into hedging transactions, such as treasury locks, forward contracts, fixtures contracts, cross-currency swaps, and interest rate swaps. While such hedging transactions may reduce such risks, they may result in a poorer overall performance for a client than if it had not entered into such hedging transactions. Clients may also be exposed to the risk that one or more of the counterparties with which the client trades may (i) cease making markets and quoting prices for such instruments, which may render the client unable to enter into an offsetting transaction with respect to an open position, or (ii) not have the financial ability to honor their contracts for the hedging transactions.
- **Interest Rate Risks:** Investments in real estate result in exposure to interest rate risks, meaning that changes in prevailing interest rates could negatively affect the value of investments (e.g., interest rate changes may affect, among other items, the cash flows of an investment directly and the cost of leverage). Changes in the general level of interest rates can affect a client's income by affecting the

spread between the income on its assets and the expense of its interest-bearing liabilities, as well as, among other things, the value of its interest-earning assets, the capitalization rate at which its assets are valued in the market and its ability to realize gains from the sale of investments.

- **Litigation:** Investments in real estate are often governed by a complex series of legal documents and contracts, which may be subject to disputes over interpretation or enforceability resulting in costs and delays. In addition, they may be subject to claims by third parties (either public or private), including environmental claims, legal action arising out of acquisitions or dispositions, tenant or lease claims, claims relating to legal title to the land, workers' compensation claims, and third-party losses or damages associated with the investment. If any investment becomes involved in material or protracted litigation, the litigation expenses and the liability threatened or imposed and/or the outcome of such proceedings may adversely affect the value of the investment and/or may continue without resolution for long periods of time.
- **Regulation:** Governmental authorities of the jurisdictions in which the Firm operates are actively involved in the promulgation and enforcement of regulations relating to land use and zoning restrictions. Regulations may be promulgated which could have the effect of restricting or curtailing certain uses of existing structures or requiring that such structures be renovated or altered in some fashion. The establishment of such regulations could have the impact of increasing the expenses and lowering the profitability of any of the properties affected thereby. Increased costs resulting from increases in real estate, income or transfer taxes or other governmental requirements generally may not be passed through directly to residents, tenants or lessees, inhibiting the ability to recover such costs.
- **Regulatory Considerations:** Certain client investments may be in real estate development projects that will likely require the approval of or compliance with various regulations and permitting matters by governmental authorities and, in some cases, the consents or approvals of third parties. There can be no assurance that any required approvals and consents will be obtained on a timely basis, if at all. Further, regulatory enactments, including those relating to various permit or licensing requirements, or changes in their interpretation by the applicable authorities, may impact the ability of the Firm to manage or dispose of projects in a manner that would be most advantageous to the client.
- **Reassessment and Transfer Tax:** To the extent that an interest in real property is assigned, transferred, financed, or restructured in the ordinary course of business, certain state and local jurisdictions may (i) seek to reassess the underlying real property, which may result in higher ad valorem property taxes and/or (ii) impose a stamp, recording, deed, or other transaction-based tax on such transaction.
- **Financial Market Fluctuations:** General fluctuations in the market prices of securities may affect the value of investments. Instability in the securities markets may also increase the risks inherent in investments. It may also make it more difficult to obtain financing and adversely affect the ability of potential buyers to security financing to purchase investments. The ability of companies or business in which a client may invest to refinance debt securities may depend on their ability to sell new securities in the public high-yield debt market or otherwise.
- **Cybersecurity:** 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

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. Any such 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 or regulatory proceedings, disruption in operations, or otherwise damage the business of the Firm.

- **Reliance on Key Employees:** The Firm depends on the efforts and expertise of senior officers. The loss of these persons' services could have a material adverse effect on the Firm. The Firm employs experienced individuals who manage the Firm's operations, and its success depends on, among other things, its ability to retain these individuals and attract additional qualified personnel.
- **Risks Relating to Banking Industry:** On March 10, 2023, the California Department of Financial Protection and Innovation closed Silicon Valley Bank and appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver following a major outflow of deposits from Silicon Valley Bank and its failure to raise new capital. On March 12, 2023, the New York State Department of Finance closed Signature Bank and appointed the FDIC as receiver after its customers withdrew more than \$10 billion in deposits at the bank. The failure of such banks has resulted in significant concern regarding the health of other banking institutions and the ability of such institutions to withstand the economic conditions posed by rapidly increasing interest rates, including a decline in value of securities and loan portfolios, and it is unclear if there will be additional bank failures. We will continue to monitor the evolving bank issues and attempt to stay ahead of any possible disruptions associated with the current banking industry's challenges.

## Item 9 - Disciplinary Information

The Firm and its management personnel must disclose any legal or disciplinary events that are material to a client's or a 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

### Other Pooled Investment Vehicles

As described in Item 4, the Firm and other Heitman Affiliates create limited partnerships or similar pooled investment vehicles referred to as "Heitman Funds" and "Client SPV Entities". The Firm or its affiliates act as the investment adviser to such entities. As described later in this section, the Firm or its affiliates solicit investors to invest in these entities through affiliated broker-dealers. Further, unaffiliated third parties may in some cases be utilized to solicit investors to invest in these entities, as described in Item 14.

### Other Affiliates' Activities

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

- 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 United Kingdom’s Financial Conduct Authority (“FCA”). Heitman HK Limited (“HHK”) is licensed as a placement agent by the Securities and Futures Commission of Hong Kong (“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.
- Heitman International Real Estate Securities UK Limited (“HIRES UK”) is registered with the FCA and provides investment advisory support to HIRES on matters concerning the European market (defined below).
- Several personnel of the Firm or its 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 LLC (“HCM”) and Heitman International HK Limited (“HI HK”) are private equity investment advisers that are registered with the SEC. HI HK is also registered with the SFC in Hong Kong. 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 of Japan. 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 clients.
- Heitman International-Japan Branch (“HI Japan Branch”) is a branch office of the Firm that is located in Tokyo, Japan. As mentioned above, HI Japan Branch is registered with the KLFB and is licensed to provide certain discretionary 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 the Firm that is located in Seoul, 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.
- Heitman Real Estate Securities LLC (“HRES”), Heitman International Real Estate Securities HK Limited (“HIRES HK”) and HIRES Pty are SEC registered investment advisers that manage portfolios composed principally of publicly-traded equity securities of real estate investment trusts and other real estate related securities. HIRES HK is also registered with the SFC in Hong Kong.

- HIRE Research Limited provides research services to HRES and HIRE UK.
- From time to time, HRES and HIRE HK will draw upon the market research capabilities of the Firm's parent in making portfolio selections.
- 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.

### 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 to comply with all 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. This 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)" may 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 clients and prospective clients via e-mail at [compliance-us@heitman.com](mailto:compliance-us@heitman.com) or telephone at 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 which 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) are also 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, 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 to invest in limited partnerships or other pooled investment vehicles, 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 Asia Pacific regions. The beneficial owners of the Firm Related Entities, in all cases, consist of past and present employees of the Firm's parent entity or a Heitman Affiliate.

### Item 12 - Brokerage Practices

The Firm does not use securities brokers in connection with its real estate advisory activities. However, the Firm may invest (i) clients' funds held but not yet invested in real estate, (ii) funds generated from the management of properties, or (iii) sale proceeds of a real estate investment pending distribution to the client. In the United States, such funds are invested primarily in Treasury money market funds and U.S. Government obligations, repurchase agreements and other instruments guaranteed by the United States or U.S. agencies. These investments are strictly incidental to the Firm's real estate advisory activities. In connection with making these investments, the Firm uses the services of large commercial banks to invest in money market funds that invest primarily in the securities investments previously described. The Firm receives no research or soft dollar benefits from such brokerage and believes the commissions or mark-ups are competitive with those that other brokers or dealers

charge. On occasion, the Firm also uses unaffiliated real estate brokers that the Firm selects on the basis of (i) the reasonableness of their commissions as compared to other brokers offering similar services and (ii) the ability of such brokers to obtain best execution of the transaction.

### Item 13 - Review of Accounts

On a monthly or quarterly basis, the Firm prepares and delivers to all clients evaluations of their accounts showing cash and current investments by type, market value or unit cost. On an annual basis, the Firm prepares and delivers an annual report to each client which reviews all investments and updates the client on current market conditions and trends. Depending on the provisions of the IMA, or the offering materials of limited partnerships or other pooled investment vehicles, as applicable, certain reports are audited by an independent auditor. The Firm's employees who conduct these reviews are generally Vice Presidents and above.

### Item 14 - Client Referrals and Other Compensation

The Firm, or certain of its affiliates, have, from time to time, engaged third-party solicitors to assist in obtaining assignments with clients to manage privately-held real estate investments. In return for these services, the Firm has compensated the solicitor from its own funds, and it is possible such arrangements could, in some instances, provide for non-cash compensation. The Firm discloses such referral arrangements to its clients as required by applicable law. These arrangements may pose certain conflicts of interest. Accordingly, the Firm has implemented procedures that are reasonably designed to avoid or mitigate these potential conflicts, such as ensuring that referral fees will not affect the level of the advisory fee paid by the client and that any such arrangements will otherwise comply with Rule 206(4)-1 under the Investment Advisers Act of 1940, as amended.

### Item 15 - Custody

The Firm invoices its fees to each client and, if applicable, to each client's custodian in accordance with the client's IMA or the offering materials of limited partnerships or other pooled investment vehicles, as applicable. As addressed in Item 5, in certain instances, the Firm directly debits advisory fees from its client accounts.

Because the custodian does not calculate the amount of the deductible fee, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact the Firm directly if they believe that there may be an error in their statement.

In addition, the Firm sends account statements directly to its clients on at least a quarterly basis. The Firm urges its clients to carefully compare the information on these statements to ensure that all account transactions and holdings are correct and current.

The Firm may have custody of client funds through bank accounts maintained by the Firm for the benefit of the client and may have custody of client funds by virtue of having signatory authority in bank accounts. Due to the manner in which the Firm is paid and its control over client assets when acting as general partner (or similar capacity), the Firm and certain Heitman Affiliates are deemed to have custody of the cash and securities of the funds.



The Firm has adopted various procedures to implement the Firm's Custody Policy and ensure the Firm's policy is observed. Such procedures include:

- Securities and funds of custodial clients are maintained with a "qualified custodian" and held in the client's name or in accounts captioned as an agent or trustee or other similar language for the clients;
- When the Firm and/or Heitman Affiliates act as either general partner, managing member, or in some similar capacity, the Firm will ensure that it undergoes, at least annually, a surprise examination of the funds, securities and/or assets over which the Firm has custody by an independent auditor or that the limited partnerships or other pooled investment vehicles, as applicable, prepares annual audited financial statements which are distributed to investors of the vehicle within 120 days of each vehicle's fiscal year end.

### Item 16 - Investment Discretion

Investors who commit to invest in a Heitman Fund must agree to the provisions of the entity's formation documents, including the Subscription Agreement or Participation Agreement and the Private Placement Memorandum, which in all cases grants full control and discretion to the Firm. That is, the Firm has the power to direct the Heitman Fund's assets without prior consultation with its investors in accordance with the Heitman Fund's investment guidelines.

Clients may also choose to enter into an IMA that engages the Firm to invest the client's funds in one or more individual real estate investments that are consistent with the specific investment objectives and strategies of the client and that are set forth in the IMA. In some cases, the client may elect to give the Firm complete discretion to make investments within the parameters established by the IMA. The Firm refers to these relationships as discretionary accounts. The Firm considers client portfolios to be discretionary if the Firm has sole or primary responsibility for major investment decisions, such as portfolio strategy, investment structuring, acquisition and disposition of assets and valuation of assets.

Clients give the Firm discretionary authority when they sign a discretionary agreement with the Firm and may limit this authority by giving the Firm written instructions. Clients may also change or amend such limitations by providing the Firm with additional written instructions at some later point in time. In other cases, the IMA provides that the Firm must submit the proposed investment to the client or the client's representatives for approval and authorization to invest. The Firm refers to these relationships as non-discretionary accounts.

### Item 17 - Voting Client Securities

The Firm does not vote any proxies.

### Item 18 - Financial Information

Under no circumstances does the Firm 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 in this Brochure a balance sheet for its most recent fiscal year.

As an advisory firm that has complete or partial discretionary authority for some client accounts and is deemed to have custody with respect to client accounts as described in Item 15, the Firm must 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 additional conditions to report at this item.

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