



DMS

Discretionary Management Services, LLC

Insight: Subadvisor Showcase – American Realty Advisors (ARA) Core Realty Fund

By Tom Woolwine, President, March 2016

Our strategic outlook suggests that private real estate is undervalued relative to historical standards. The spread between 10 year Treasury rates and commercial real estate capitalization rates (risk premium) has widened to attractive levels. Real estate offers strong diversification and low correlation with traditional asset classes. Emphasis on income generation favors it as a productive bond substitute. The DMS Portfolio Management Team has tactically implemented their real estate allocation using the ARA Core Realty Fund. The following is a brief summary of this subadvisor's team and investment process.

ARA's Investment Committee includes eight investment professionals. The lead portfolio manager on the Fund is Scott Darling. The Fund seeks to outperform the NCREIF Fund Index-Open End Diversified Core Equity (NFI-ODCE) and generate total returns of 8-10% over a full market cycle.

The American Core Realty Fund is a diversified open-end commingled fund that invests primarily in high quality core income-producing office, industrial, retail, and multi-family properties. It focuses its investment activity throughout the United States in major metropolitan markets that are innovation hubs containing high concentrations of our nation's globally competitive industries and that benefit from highly educated/professional human capital. Investments may be structured as wholly-owned properties or as partnership ventures. Leverage may be used at the portfolio level. It is targeted between 10% and 30%, with a maximum of 40% (currently 20%).

At 12/31/2015, the Fund's portfolio held 82 distinct investments with 92.9% occupancy. Diversification was as follows:

<u>Property</u>		<u>Geography</u>	
Office	40%	West	45%
Multi-family	23%	East	33%
Industrial	20%	South	17%
Retail	17%	Midwest	5%

If you would like to know more about either our Investment Outsourcing or GTAA Services, please contact Tom Woolwine, President, at (913) 981-1345 or email twoolwine@demarche.com.

Disclaimer: The asset class and/or investment strategies described here may not be suitable for certain investors. We encourage you to work with your investment counsel to understand the risk characteristics and potential fit with your investment program.

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