Listed Real Estate Securities

Presented To:

Bay County Retirement Board

October 22, 2015

Presentation Team

Dave Wharmby, CFA	Managing Director and Global Head of Real Estate Securities
Kevin Ryan, CFA	Vice President, Client Relations

Executive Summary

Relationship Summary

- Total contribution of $5.3 million:
  - Initial contribution of $4.0 million in October 2008
  - Additional $1.0 million contribution in 2010
  - Additional $0.3 million contribution in 2013
  - Withdrawal of $5.8 million in 2015
- Account value as of September 30, 2015:
  - $7.9 million
- Since inception annualized total gross return of 15.9% and 15.2% net of fees vs. the FTSE NAREIT Equity return of 13.6%.

Past performance is not a guarantee of future performance.

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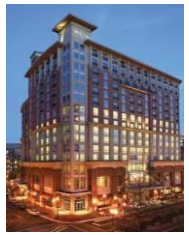
SECTION I

Platform Overview



Corporate Overview

- One of the largest diversified global real estate managers
  - Founded 1994; currently $49.2 billion in assets encompassing private and public real estate debt and equity interests[1]
  - Manages commingled fund and direct separate account strategies
  - More than 200 institutional investors worldwide
  - Independent real estate investment management affiliate of MassMutual Financial Group[2]

- Focused investment and portfolio management teams operating worldwide
  - 360 professionals globally
  - Experienced fund teams with performance-based manager compensation
  - 25 offices across the U.S., Europe and Asia[3,4]
  - Proprietary research tool ("The Analyst")

Private Equity
- Core
- Value-Added
- Opportunistic
- Development

Public Equity
- REIT Common Stock
- REIT Preferred Stock

CORNERSTONE

Private Debt
- Core Mortgage
- Bridge Lending
- Mezzanine Lending
- Affordable Housing

Public Debt
- CMBS
- Unsecured REIT Debt
- Residential Whole Loan

As of June 30, 2015. Includes Cornerstone and its subsidiaries.

[1] Cornerstone and its subsidiaries manage or service over $49 billion of real estate equity and debt in private and public markets. This total comprises assets of Cornerstone Real Estate Advisers ($45.6 billion) and its subsidiary group headed by Cornerstone Real Estate UK Holdings Limited ("Cornerstone Europe") ($3.6 billion).

[2] MassMutual Financial Group is a marketing name for Massachusetts Mutual Life Insurance Company ("MassMutual") and its affiliated companies and sales representatives.

[3] Includes Cornerstone, its subsidiaries, and an Asian affiliate office.

[4] Anticipate opening Boston, Madrid and Paris offices in 2015.

Corporate Overview

$651 billion AUM as of 12/31/14

Mutual fund management
$235.0 billion AUM as of 6/30/15

Global High Yield, Global Private Finance,
Traditional Fixed Income & Alternatives
$218.7 billion AUM as of 6/30/15[2]

Global equity, fixed income & multi-asset
investment management
$39.7 billion AUM as of 6/30/15

CORNERSTONE

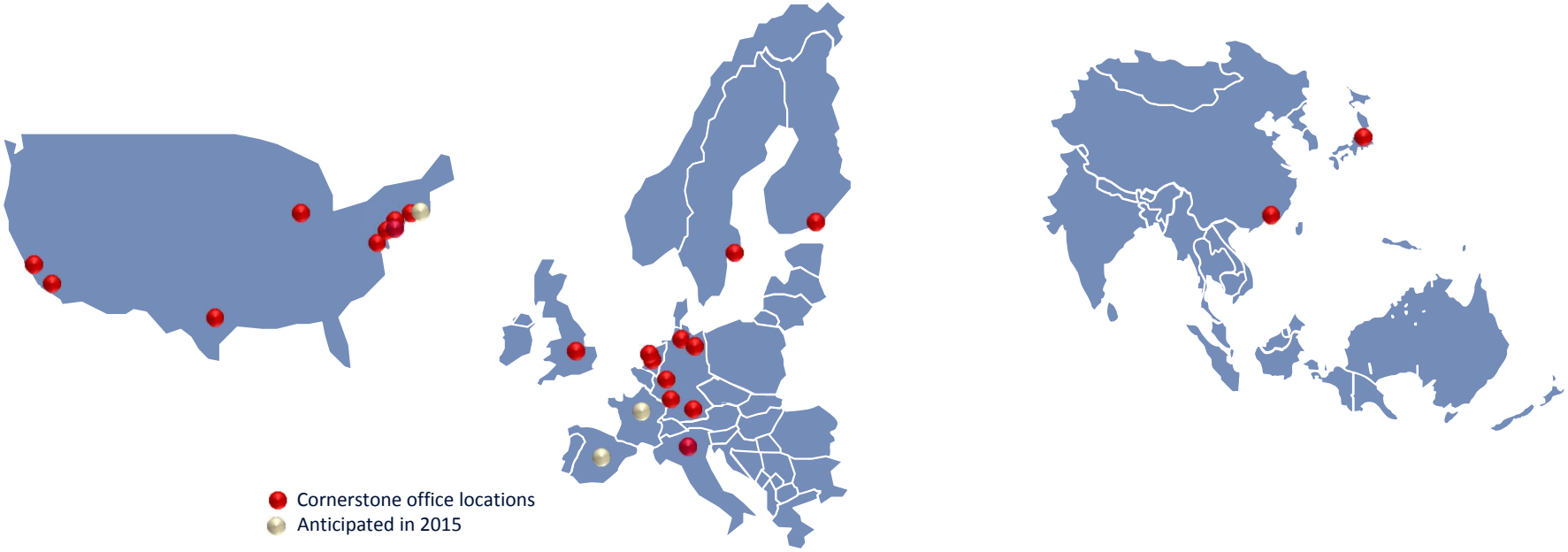
Real estate investment management and financing
$49.2 billion AUM as of 6/30/15[3]

[1] MassMutual Financial Group is a marketing name for Massachusetts Mutual Life Insurance Company ("MassMutual") and its affiliated companies and sales representatives.

[2] Assets include Babson Capital Management LLC and its subsidiaries Babson Capital Europe Limited and Cornerstone Real Estate Advisers.

[3] Cornerstone and its subsidiaries manage or service over $49 billion of real estate equity and debt in private and public markets. This total comprises assets of Cornerstone Real Estate Advisers ($45.5billion) and its subsidiary group headed by Cornerstone Real Estate UK Holdings Limited ("Cornerstone Europe") ($3.7billion).

Global Real Estate Platform – Local Execution



United States	Europe	Asia Pacific
10 offices	**13 offices**	**2 offices**
(HQ) Hartford, CT	London	Hong Kong[2]
Boston, MA[1]	Amsterdam	Tokyo
Chicago, IL	Berlin	
Dallas, TX	Düsseldorf	
Glastonbury, CT	Frankfurt	
Newport Beach, CA	Hamburg	
New York, NY	Helsinki	
Los Angeles, CA	Madrid[1]	
Stamford, CT	Milan	
Washington, DC	Munich	
	Paris[1]	
	Rotterdam	
	Stockholm	

As of September 1, 2015. Includes Cornerstone and its subsidiaries.

[1] Anticipated opening in 2015.

[2] Babson Capital Cornerstone Asia Limited is a Hong Kong affiliate and member of the MassMutual Financial Group that provides Cornerstone with advisory and distribution services in the Asia-Pacific region.

Real Estate Securities Team

Dave Wharmby, CFA
Managing Director & Global Head of Real Estate Securities

Europe

- Henry Burgers, CFA, Portfolio Manager[1]
- Guido Bunte, Portfolio Manager, Europe[1]

Asia-Pacific

- Rico Kanthatham, Director & Portfolio Manager, Asia-Pacific
- Anna Zhong, CFA, Portfolio Manager, Asia-Pacific[2]
- Enoch Chan, CFA, Equity Research Analyst, Asia-Pacific[2]

North America

- Bill Gustafson, CPA, CFA, Portfolio Manager, Americas
- James Johng, Portfolio Manager, Americas
- Mike Marron, CPA, Portfolio Manager, Americas

Portfolio Analytics

- Rene St. Marie, Assistant Vice President, Senior Portfolio Analyst
- Jennifer Avery, CIPM, Assistant Vice President, Senior Portfolio Analyst
- Lanre Okubanjo, Securities Portfolio Operations Associate

Client Service

- Kevin Ryan, CFA, Vice President, Client Relations
- Tom Duggan, Senior Marketing Analyst

Research

- Michael Gately, Head of Research
- Paul Stewart, Director European Research[3]
- Dags Chen, CFA, Assistant Vice President
- Michal Kapusta, European Research Associate Director[3]
- Ryan LaRue, Research Analyst
- TJ Ponnada Parker, CFA, Associate
- Ryan Ma, CFA, Assistant Vice President
- Veronica Soriano, Assistant Vice President
- Joanne Warren, European Research Analyst[3]

Strategy

- Jim Clayton, Ph.D., Head of Investment Strategy & Analytics
- Anthony Tracy, Assistant Vice President

Property Investment[4]

Cornerstone Private Real Estate Equity
Hartford, CT
Glastonbury, CT
Chicago, IL
Los Angeles, CA
London
Rotterdam
Stockholm
Helsinki
Berlin
Dusseldorf
Frankfurt
Hamburg
Munich
Milan

Cornerstone Private Real Estate Debt and Public Debt Securities
Hartford, CT
Glastonbury, CT
Chicago, IL
Washington, D.C.
Dallas, TX
Newport Beach, CA
London

[1] Employed by subsidiary entity Cornerstone Europe, but dedicated to the Securities Group.
[2] Employed by affiliate entity Babson Capital Cornerstone Asia Limited, but dedicated to the Securities Group.
[3] Employed by subsidiary entity Cornerstone Europe.
[4] Includes Cornerstone and its subsidiaries.

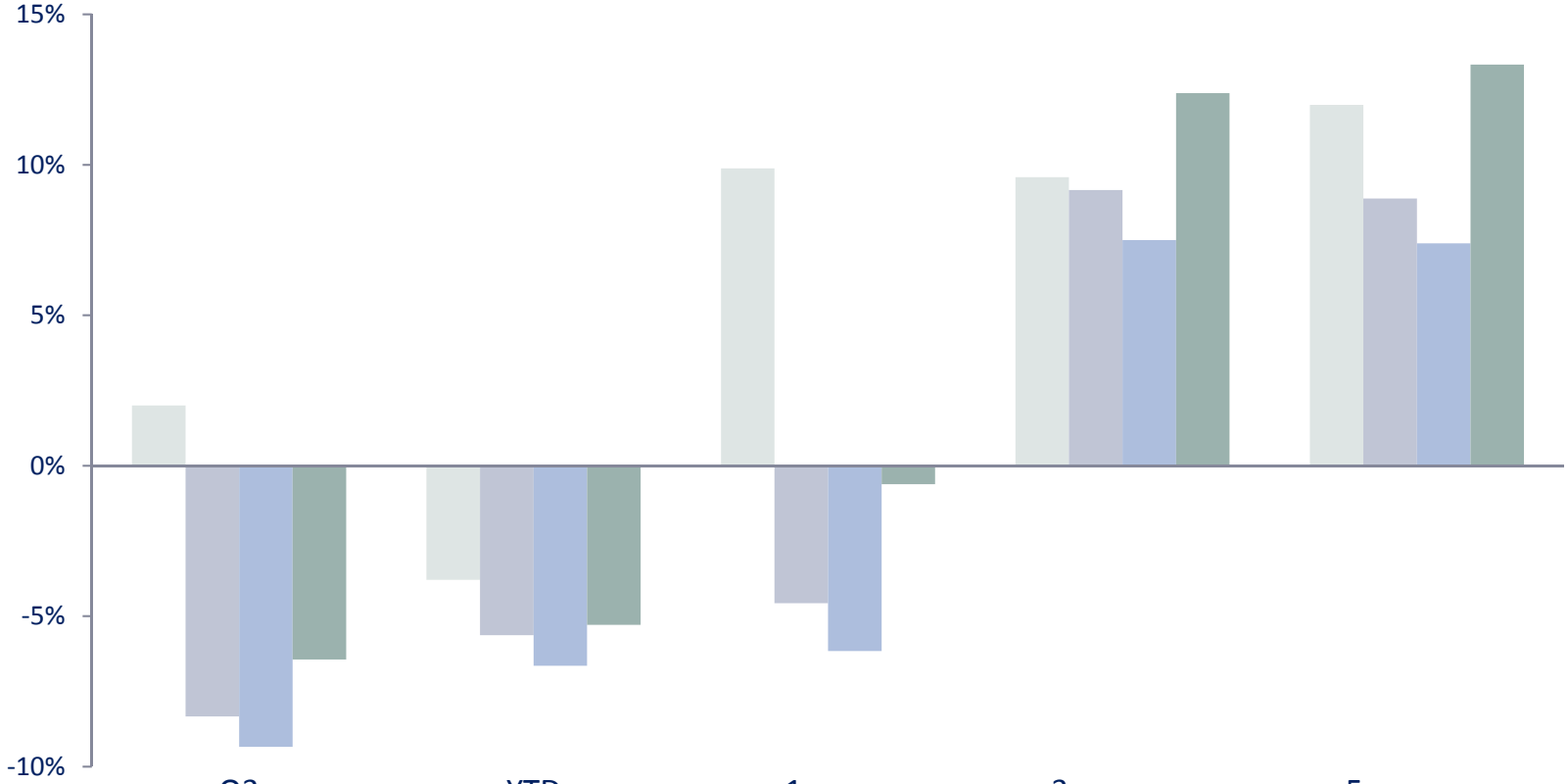
SECTION II

Market Performance and Valuation

Real Estate Securities Market Performance

Comparison to Equity Market

September 30, 2015



	Q3	YTD	1 year	3 year avg	5 year avg
U.S. REITS[1]	2.00%	-3.79%	9.88%	9.59%	11.99%
Global Equity - Dev[2]	-8.33%	-5.63%	-4.57%	9.16%	8.88%
Global Equity - Dev and EM[3]	-9.34%	-6.65%	-6.16%	7.50%	7.39%
U.S. Equities[4]	-6.44%	-5.29%	-0.61%	12.38%	13.33%

[1]FTSE NAREIT Equity REIT, [2]MSCI World, [3]MSCI ACWI, [4]S&P 500

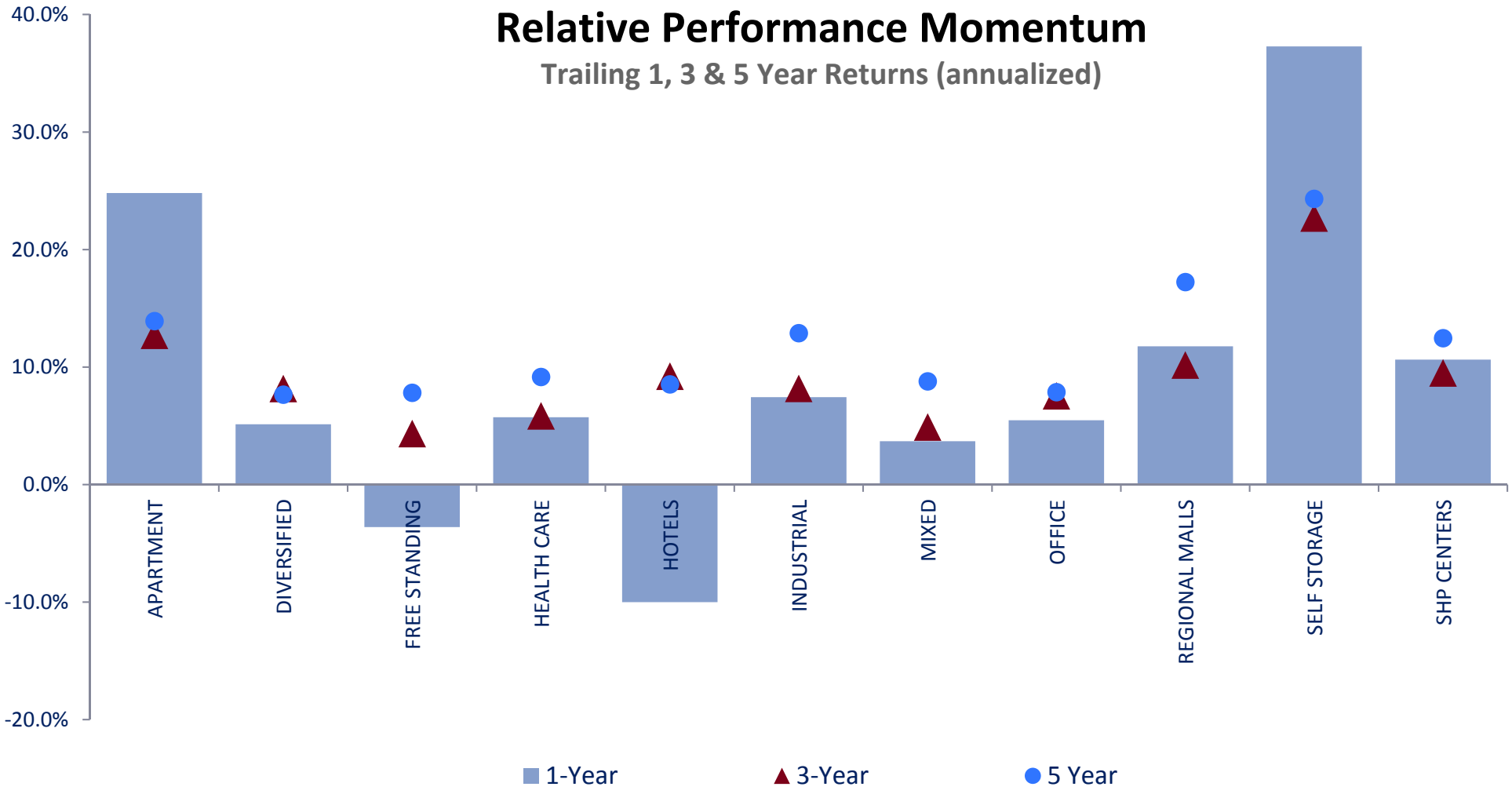
Source: FTSE, EPRA, NAREIT, Cornerstone, Bloomberg. Multi-year returns are annualized.

The index performance is represented here, actual performance of the Portfolio will be different.

Real Estate Securities Market Performance

U.S. Comparative Sector Performance

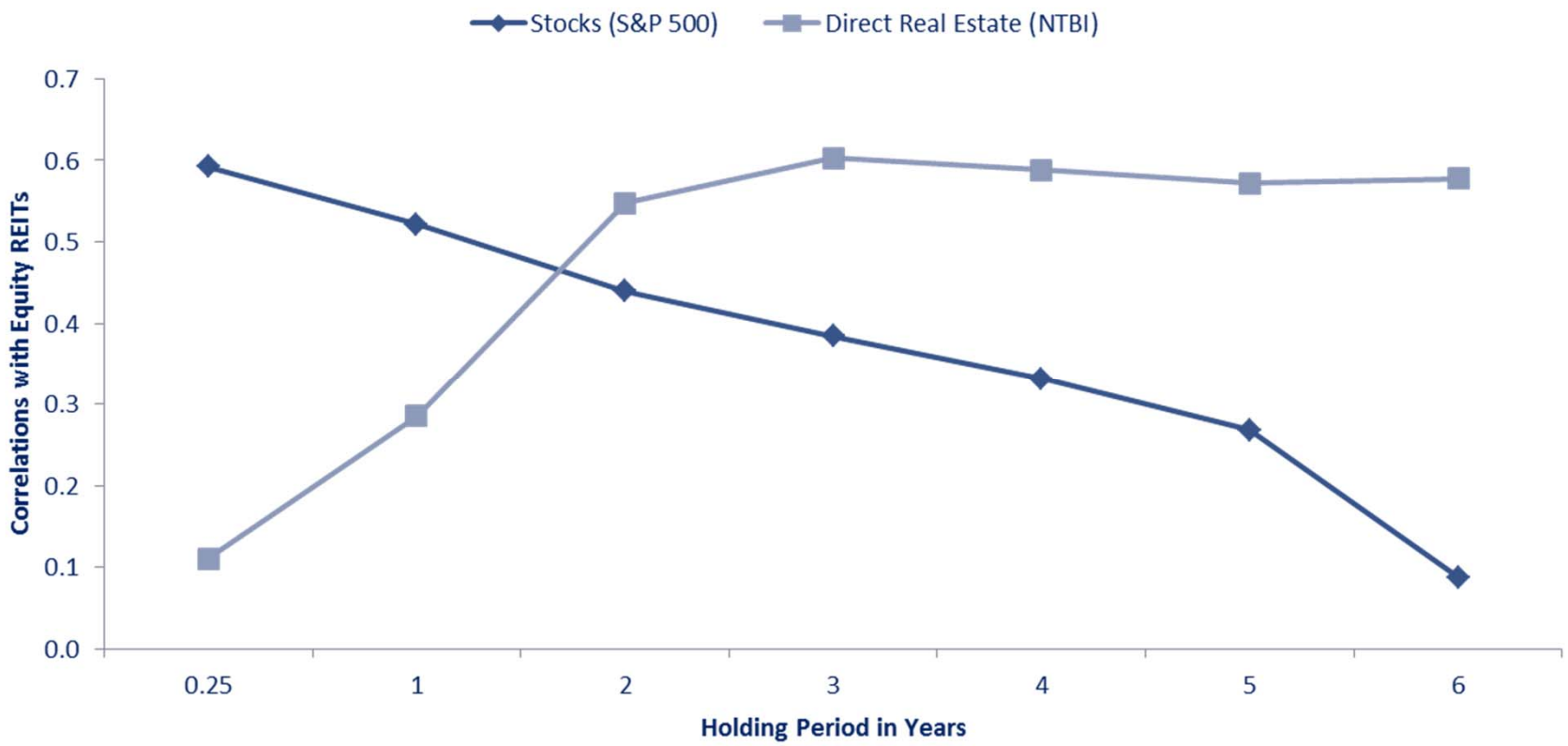
September 30, 2015



Source: FTSE, EPRA, NAREIT.

REIT Returns Linked More to Real Estate than Stocks for Medium to Longer Term Investors

Correlations of Equity REIT Returns with Stock and Real Estate Over Different Time Horizons (Rolling Returns, Quarterly Data 1984:2-2014:4)

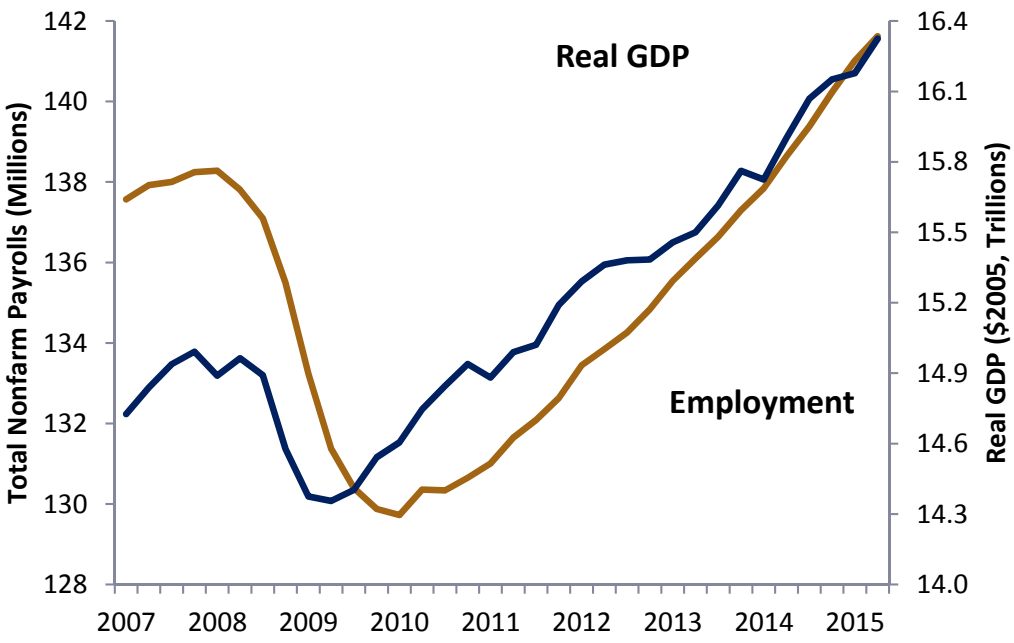


Starting with quarterly total holding period returns for public equity REITs (NAREIT Index), common stocks (S&P 500) and private real estate (NAREIT MIT Transaction Based Index) derived from sales of properties from the NCREIF index, correlations between REIT and stock and REIT and real estate returns were calculated using rolling returns aggregated over increasingly longer periods of time. Time periods of 1 quarter, 4 quarters (1 year), 8 quarters (2 years), 12 quarters (3 years), 16 quarters (4 years) and 20 quarters (5 years) were used. Correlation figures are indicated by the markers in the above chart, with the lines representing interpolated values.

Source: Cornerstone Research based on data from NAREIT, S&P, NCREIF and the MIT Center for Real Estate. Rolling Returns, Quarterly Data 1984:2-2014:4

Key Performance Drivers: Cornerstone's U.S. Forecast

Total U.S. Employment and Real Gross Domestic Product



- **U.S. growth rebounds above expectations in 2Q.** Global growth concerns challenge investor confidence, but underlying economic fundamentals are sound and growth is on trend. Oxford Economics forecasts U.S. GDP growth will accelerate to 2.8% in 2016-2017. Leading indicators point towards continued expansion.
- **Job gains are on trend.** Employment gains are broad-based outside of the energy sector. Monthly gains have been trending near 200,000 for five years now, with the unemployment rate approaching 5%. We expect an acceleration in job growth to 250,000 per month in 2016.
- **Real estate fundamentals are sound.** Occupancies continue to rise across markets and property sectors, supporting rent growth and attracting investors.

Positives: Job growth, auto sales, low inflation, interest rates, energy prices, consistent Fed policy

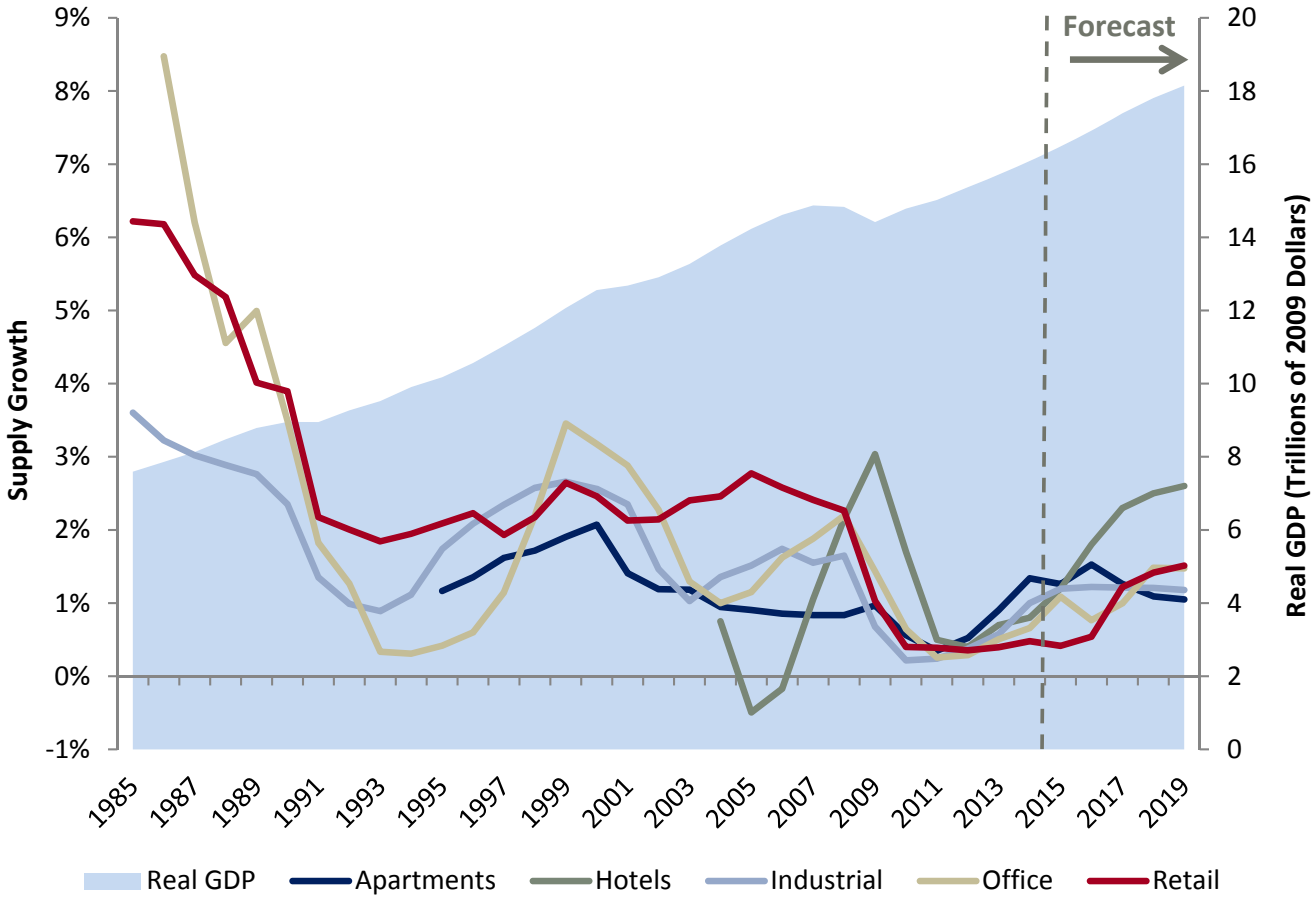
Challenges: Global growth concerns, equity markets volatility, geopolitical tensions

	2014	2015f	2016f	2017f	2018f	2019f	2020f
U.S. GDP Growth & Forecast	2.4%	2.3%	2.8%	2.8%	2.7%	2.7%	2.7%
Employment Growth & Forecast	1.6%	2.1%	2.0%	2.2%	1.8%	1.1%	1.0%

Sources: Cornerstone Research, Oxford Economics, Moody's Analytics (September 2015).

Supply Growth is Still Near Historical Lows

Construction is lagging current and forecast demand, but submarket risks are evident



- Office construction activity remains very low through the five-year forecast outside of a few major metro areas
- Apartment supply is active, spurred by record high occupancies and rents in many markets; several markets bear watching
- Retail center supply growth is at record low levels; e-tailing and evolving store formats represent shadow supply risks
- Industrial construction is accelerating beyond build-to-suit and into spec space; this sector has the shortest lead time to completion
- Hotel supply below its 2% long run average and accelerating, primarily select service; New York faces near term imbalance

Sources: Cornerstone Research, CBRE-EA, PKF Hospitality Research (2Q 2015).

REITs in a Rising Rate Environment

U.S. REIT Performance During Episodes of Rising Interest Rates Since 1996

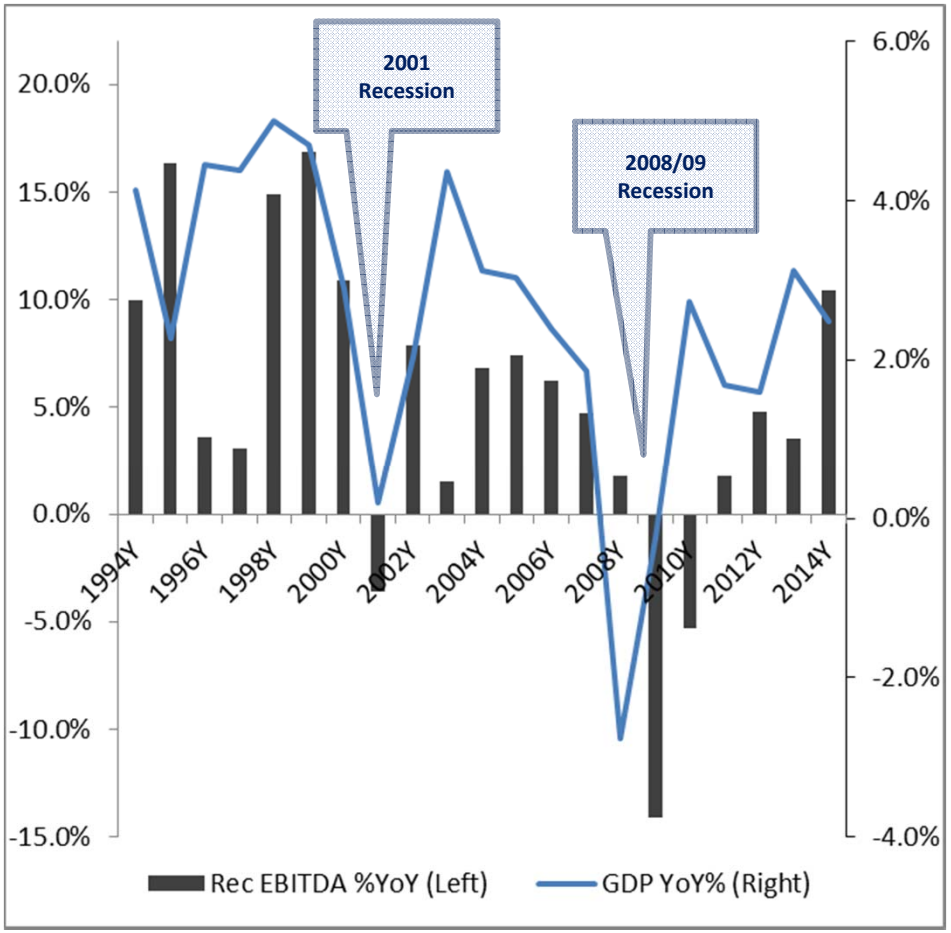
Period of Rising Rates					Following 12
	# Months	Change in 10-Yr. Treasury Yield	Initial Dividend Yield Spread to 10-Yr. Treasury	REIT Price Return	REIT Price Return Fllw.12 Mos.
Jan 96 – May 96	5	128	180	2.54%	20.83%
Dec 96 – Mar 97	4	86	61	9.11%	12.24%
Oct 98 – Jan 00	16	225	246	-16.11%	17.39%
Mar 01 – Jun 01	4	52	254	9.20%	8.23%
Nov 01 – Mar 02	5	116	341	13.39%	-10.08%
Oct 02 – Nov 02	2	61	340	-1.41%	24.84%
Jun 03 – Aug 03	3	109	316	6.53%	22.71%
Apr 04 – May 04	2	81	117	-9.20%	23.17%
Nov 04 – Mar 05	2	46	88	-0.79%	31.80%
Jul 05 – Jun 06	12	122	69	13.46%	8.34%
Dec 06 – Jun 07	7	57	87	-9.46%	-17.56%
Apr 08 – May 08	2	65	158	5.97%	-50.76%
Jan 09 – Jun 09	6	132	535	-15.03%	47.72%
Dec 09	1	64	68	6.60%	23.06%
Sep 10 – Mar 11	7	100	142	16.69%	8.68%
Aug 12 – Jan 13	6	52	194	2.57%	-0.91%
May 13 – Dec 13	8	136	161	-13.64%	25.25%
Feb 15 – Jun 15	5	71	168	-13.07%	TBD

- REIT Returns have not historically been driven by interest rates increases.
- Since 1996, REITs have been up in more rising rate periods than down (10 out of 18 overall).
- In 6 out of the 7 periods where REITs were negative in a rising rate period, they were positive performers in the following 12 months.
- REIT performance in a rising rate environment doesn't seem to have a direct relationship to the dividend yield spread prior to the rate move.

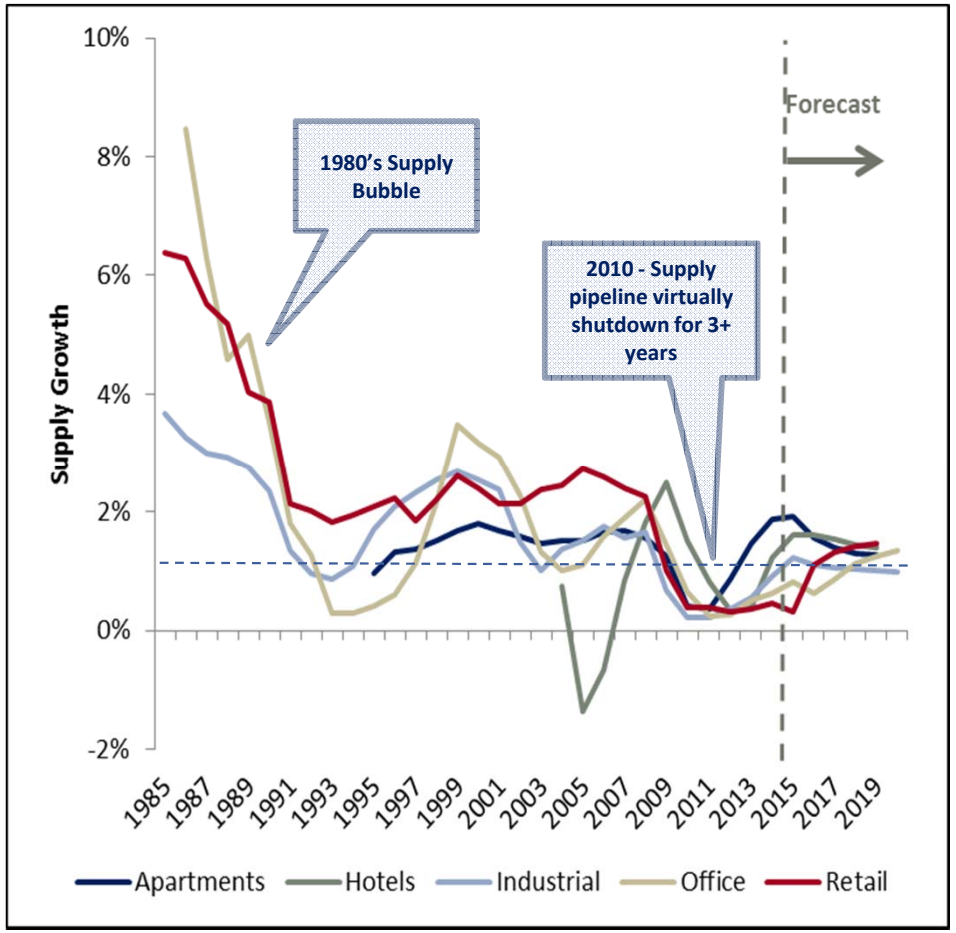
Source: Cornerstone – Periods where month-end 10-year Treasury yields increased by more than 45 basis points with not more than one level and one down month between up months. FTSE NAREIT Equity REITs Price Index used for REITs, source: NAREIT. 10-Year Treasury Yields, source: Bloomberg. Analysis updated through May 15, 2015

Real Estate – It's Supply and Demand

Demand - REIT Earnings and GDP Trends



Supply Growth – U.S. Real Estate Markets



- Economic activity drives real estate demand and earnings growth in balanced markets.

- Supply growth was modest prior to the Great Recession, allowing for a quicker rebound in fundamentals even with a slow recovery in demand.

Average YoY Recurring EBITDA per share growth for the twenty largest US REITs for which data is available. Chain linked Real GDP growth. Source: Cornerstone, Bloomberg, data as of December 31, 2014.

Source: Cornerstone Research, CBRE-EA (4Q 2014)

U.S. REIT Valuation

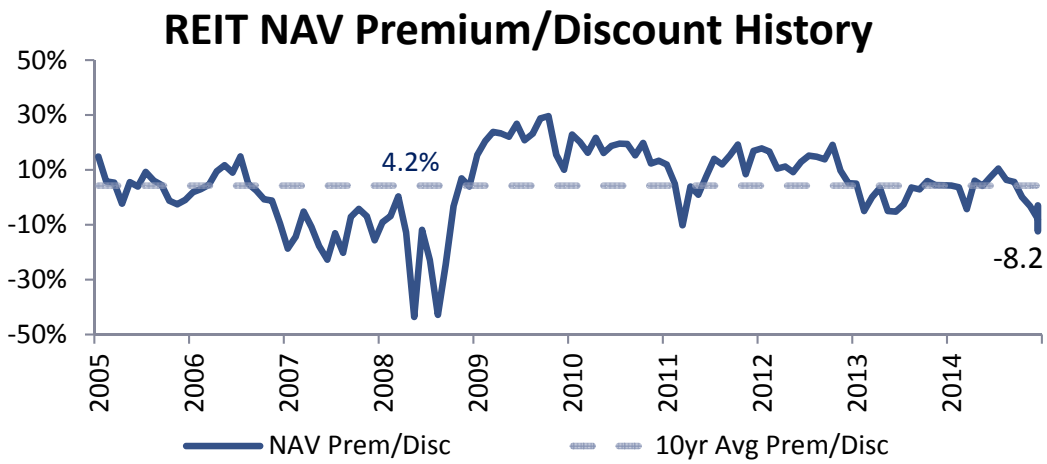
Valuation Summary

NAV and Growth Profile

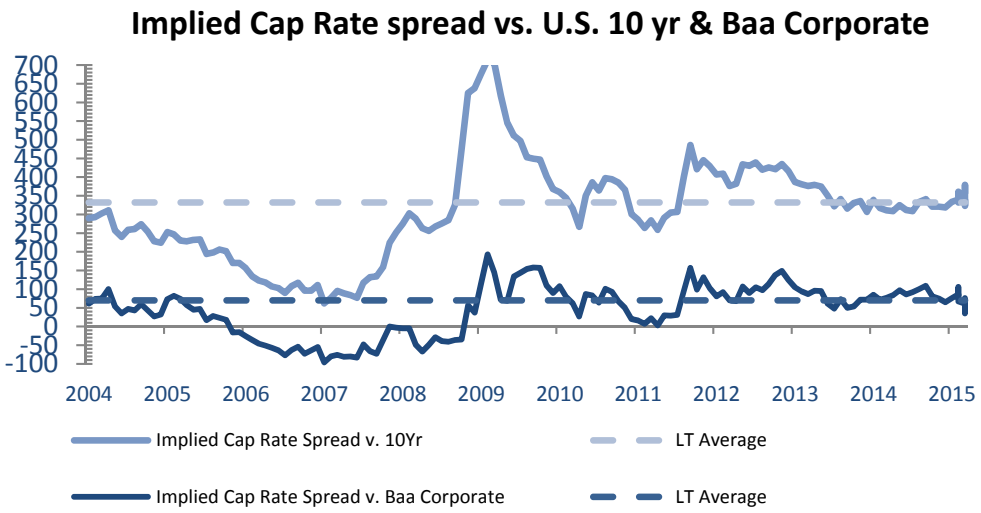
Sector	Implied Cap Rate	Premium/ Discount to NAV	2015 FFO Growth	2016 FFO Growth
	%	%	%	%
Shop Ctr	5.8	-10.7	5.5	6.0
Malls	5.2	-11.6	8.3	8.1
Apartments	5.0	-11.3	9.7	8.8
Self-Storage	4.6	1.0	11.0	9.7
Healthcare	6.6	-1.2	4.6	2.9
CBD Office	4.9	-13.6	8.0	6.5
Suburban Office	6.9	-18.0	6.5	5.0
Lodging	6.7	-14.5	11.8	14.3

As of 9/30/2015

REITS in the U.S are trading at an -8.2% discount to NAV as compared to a historical +4.2% premium despite very attractive Funds from Operations ("FFO") growth of approximately 5% to 11% by property sector as indicated above. Implied Caps rates are in-line with historical spreads to fixed income despite wider credit spreads.



As of 9/30/2015



As of 9/30/2015

Sources: Current implied cap rate, premium/discount to NAV, FFO Growth, and Discount/Premium to historical multiples – Cornerstone. NAV and implied cap rate history – GreenStreet. Additional Sources: Bloomberg, FactSet

SECTION III

Bay County Retirement

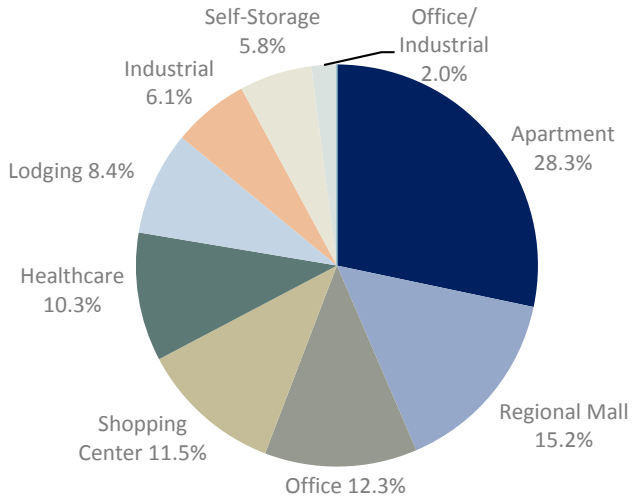
Portfolio Positioning and Performance

U.S. Real Estate Securities Portfolio Composition

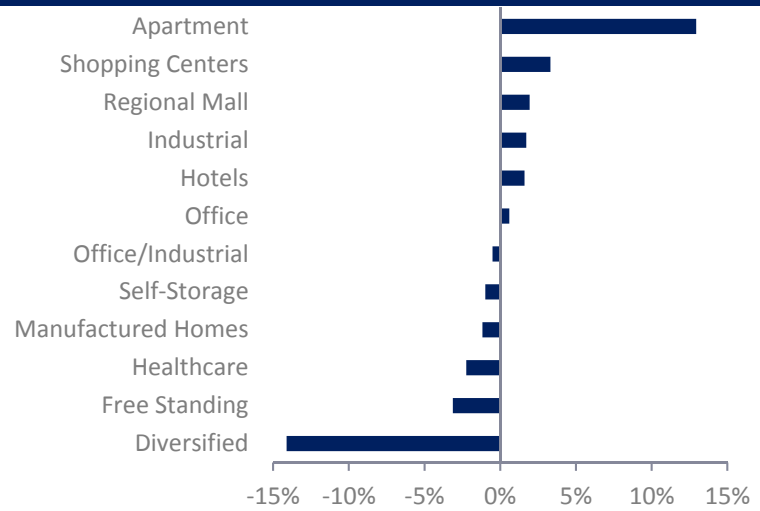
Representative Portfolio

September 30, 2015

Property Sector Diversification



Relative to FTSE NAREIT Equity Index



Top 10 Holdings

Security Name	Sector	Weight
Simon Property Group Inc	Regional Mall	10.90%
Equity Residential	Apartment	7.97%
AvalonBay Communities Inc	Apartment	7.20%
Essex Property Trust Inc	Apartment	6.60%
UDR Inc	Apartment	6.12%
Prologis Inc	Industrial	6.04%
Welltower Inc	Healthcare	5.10%
Boston Properties Inc	Office	4.11%
Regency Centers Corp	Shopping Centers	3.97%
Extra Space Storage Inc	Self-Storage	3.42%
Total		**61.41%**

Largest Active Over and Under Weights

Company	Active Over Weight
UDR Inc	4.83%
Essex Property Trust Inc	4.50%
Equity Residential	4.09%
AvalonBay Communities Inc	3.92%
Regency Centers Corp	3.14%
Company	**Active Under Weight**
Public Storage	-4.39%
HCP	-2.44%
Equinix Inc	-2.23%
Vornado Realty	-2.19%
General Growth Properties	-1.87%

Portfolio characteristics are presented for a representative account which the portfolio manager believes best represents the investment management style. Actual holdings in other portfolios may differ. Cornerstone did not use performance-based criteria in determining the representative account.

Bay County Retirement System Portfolio Composition

September 30, 2015

	U.S. REIT Strategy Portfolio	NAREIT Equity REIT Index
Median Market Cap (billion)	$5.9	$2.3
Weighted Avg Market Cap (billion)	$17.9	$14.8
Top 10 as percent of portfolio	64.41%	35.96%
Active Share [(1)]	56%	N/A
Number of Stocks	33	157
Dividend Yield (trailing)	3.7%	4.0%

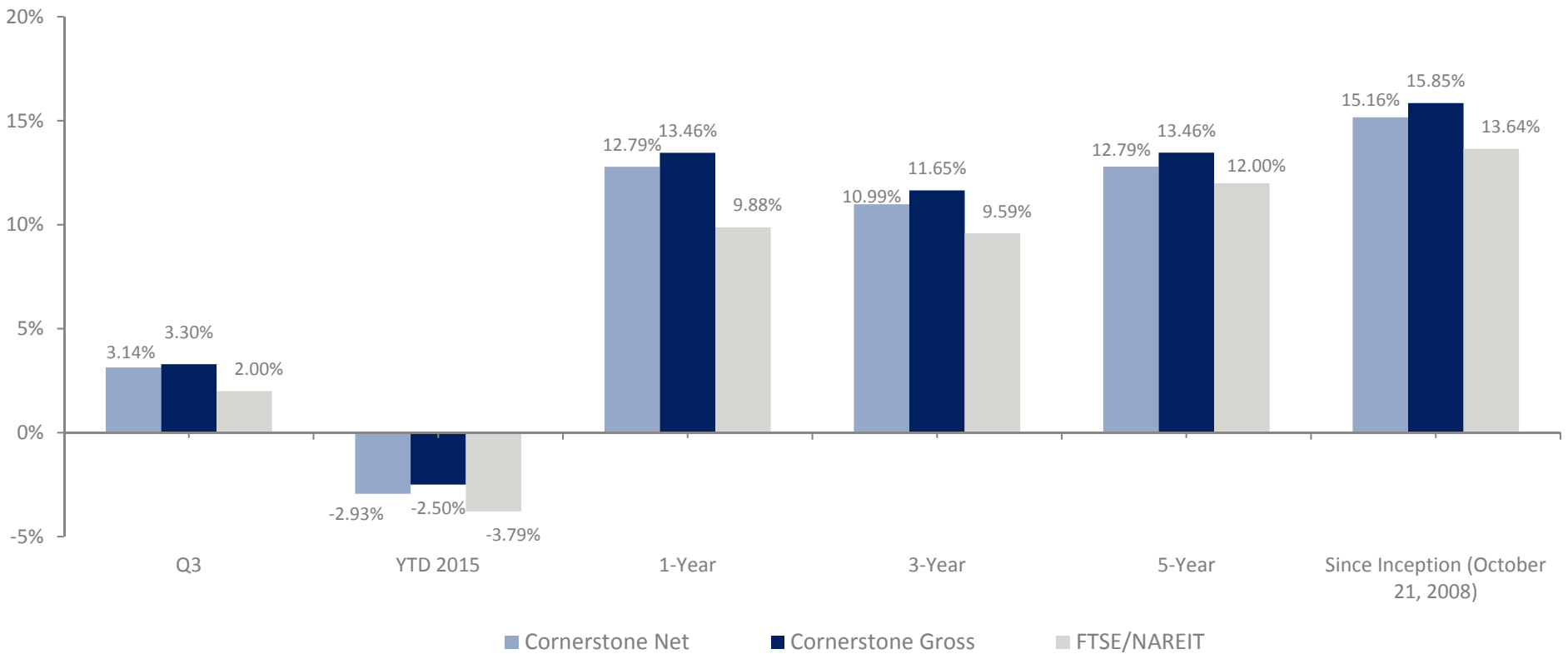
Past performance is not a guarantee of future performance.

(1) Active Share is a measure of a percentage of holdings in the portfolio that differ from the benchmark. Active Share is calculated by Summing the difference between the portfolio weight and the benchmark weight of each holding (Active Weight); divided by two.

U.S. Real Estate Securities Performance

Bay County Employees' Retirement System

September 30, 2015



FTSE NAREIT Equity Index is composed of all public equity REITs that trade on the NYSE, NASDAQ, and AMEX stock exchange. FTSE's methodology for index constituents is available upon request. You cannot invest directly in an index.

The Cornerstone Gross Returns and the FTSE/NAREIT Equity Index results are reported before the deduction of advisory fees. Cornerstone Net Returns are after advisory fees. Fees shown represent accounts with incentive component. 2014 results are preliminary.

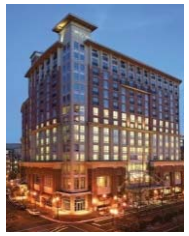
GIPS Supplemental Information: For more complete information, including that relating to fees, valuations, and other information please see the U.S. REIT Schedule of Composite Performance.

Returns of a year or greater are annualized.

Past performance is not a guarantee of future performance.

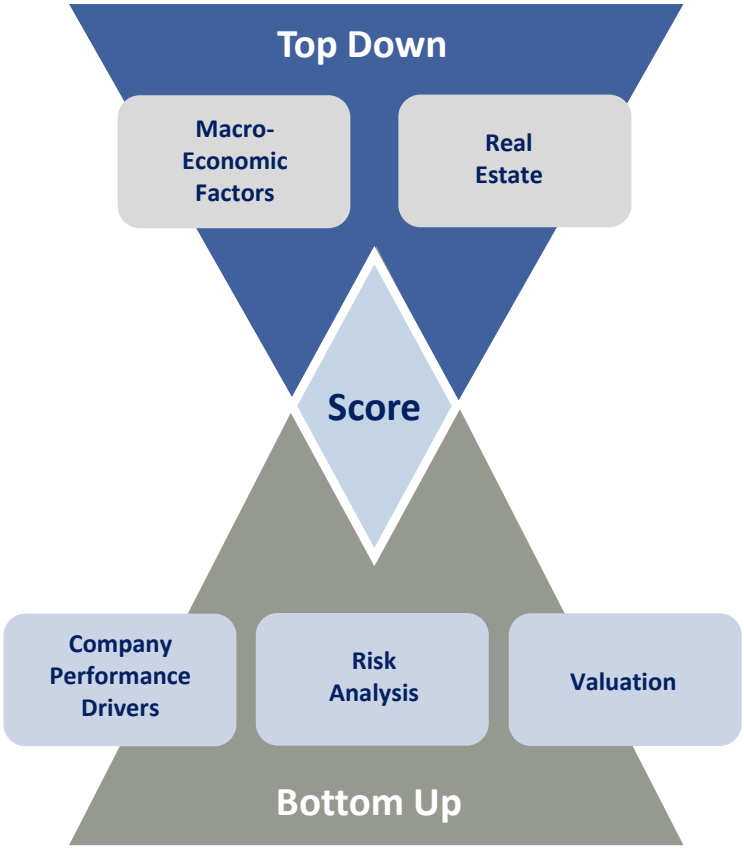
SECTION IV

Appendices



Investment Management Process

Comprehensive Approach: Cornerstone Analytical Ranking Model (ARM)



- Top Down – Bottom Up Process
  - Specific variables are scored based on quantitative and qualitative analysis in our proprietary Analytical Ranking Model (ARM)
- Top Down
  - Macro economic and real estate market environment and sentiment
  - Geographic and Sector scores are ranked into quartiles to inform allocation decisions
- Bottom Up
  - Detailed quantitative and qualitative analysis of each company
  - Specific variables are scored and ranked in quartiles to inform company selection decisions
  - Risk analysis informs all aspects of process

Presenters Biographies

David Wharmby, CFA, Managing Director and Global Head of Real Estate Securities

Mr. Wharmby is responsible for management of the Real Estate Securities Group, lead portfolio manager for global real estate securities strategies, co-portfolio manager for U.S. real estate securities strategies, chair of the Firm's Securities Group Investment Committee, and a member of the Capital Markets Investment Committee. Mr. Wharmby began his career at Cornerstone serving in acquisition underwriting and asset management roles prior to joining the Securities Group. He has covered U.S., European, and Asian property stocks and contributed to launching Cornerstone's global real estate securities strategy. Prior to joining Cornerstone in 1996, Mr. Wharmby was Assistant Vice President with L.W. Ellwood & Co./Coopers & Lybrand where he was responsible for managing due diligence and valuation services for institutional investors. Prior to LWE/C&L, Mr. Wharmby was a real estate appraiser with Heberger and Associates, a real estate valuation and consulting firm in Connecticut. Mr. Wharmby earned a BS degree in Real Estate and Urban Economic Studies and an MBA in Finance from the University of Connecticut. Mr. Wharmby is a CFA Charterholder and is a member of the University of Connecticut's Real Estate Council. He has been a guest lecturer for the University of Connecticut and New York University and is a member of NAREIT, EPRA, APREA, the CFA Institute, and the Stamford CFA Society.

Kevin Ryan, CFA, Vice President – Business Development

Mr. Ryan is responsible for Cornerstone's business development and client relations for the Real Estate Securities Group. Prior to joining Cornerstone in 2008, Mr. Ryan was Vice President of Business Development for Adelante Capital Management where he was responsible for marketing domestic and global real estate securities strategies to the adviser and institutional marketplace. He was a business development representative for Federated Investors covering the broker/dealer community. Mr. Ryan has been working in a sales and marketing capacity since 1993. Mr. Ryan earned a BA degree in Economics and Philosophy from Boston College. He is a CFA Charterholder, a member of the CFA Institute, and a member of the CFA Society of Philadelphia.

Cornerstone Real Estate Advisers Schedule of Composite Performance

U.S. REIT*

For the period January 1, 2002 through June 30, 2015

Year	Gross Total Return	Net Total Return	Composite Gross Return 3 Year Annualized Ex-Post Standard Deviation	FTSE/NAREIT Equity Index++	FTSE/NAREIT Equity Index 3 Year Annualized Ex-Post Standard Deviation	Number of Portfolios	Range of Gross Returns	Composite Assets at End of period ($ millions)	Firm Assets at End of period ($ millions)
YTD 2015 (6/30/15)	-5.6%	-5.8%	13.5%	-5.7%	13.4%	3	-5.4% - -5.6%	85	39,527 (12/31/14)
2014	33.3%	32.7%	13.2%	30.1%	13.1%	3	33.2% - 33.6%	91	39,527
2013	4.0%	3.6%	16.7%	2.5%	16.5%	3	4.0% - 4.8%	70	37,248
2012	17.5%	16.9%	18.5%	18.1%	18.0%	7	17.4% - 17.7%	81	32,441
2011**	9.7%	9.1%	32.1%	8.3%	31.3%	8	9.6% - 9.7%	140	28,073
2010^	29.4%	28.8%	39.1%	27.9%	39.2%	8	29.3% - 30.0%	136	5,685
2009	32.0%	31.0%	39.0%	28.0%	39.1%	8	32.3% - 32.4%	82	4,980
2008	-36.3%	-37.0%	28.9%	-37.7%	29.6%	7	-38.2% - -35.4%	73	6,487
2007	-12.9%	-13.9%	17.2%	-15.7%	16.7%	7	-13.4% - -12.8%	319	7,015
2006	38.1%	36.6%	16.5%	35.1%	16.0%	7	38.1% - 38.4%	465	6.750
2005	15.5%	14.1%	15.5%	12.2%	15.2%	5	15.4% - 15.5%	290	5,379
2004	36.8%	35.2%	14.3%	31.6%	14.4%	5	36.7% - 36.9%	252	4,763
2003	43.2%	41.5%	N/A	37.1%	N/A	4	42.8% - 43.4%	217	4,004
2002	9.4%	8.1%	N/A	3.8%	N/A	4	7.4% - 11.1%	170	3,841

Cornerstone Real Estate Advisers LLC (the Firm) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Cornerstone Real Estate Advisers LLC (the Firm) has been independently verified for the period 2003 through 2014.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The U.S. REIT Composite has been examined for the periods 2003-2009. The verification and performance examination reports are available upon request.

* Previously "REIT Core" Composite. This composite's named changed in 2008.

** The firm definition was revised in January 2011 to include assets (most of which were non-discretionary) obtained when the firm assumed the operations of another parent company entity. This resulted in a substantial increase in firm assets. See disclosures on the following page and the firm's GIPS policy statement for more information.

^ Due to definitional changes, 2010 Firm Assets were modified to reflect net assets value for all third party portfolios and net market value for a parent company portfolios (previously net market value was used for all portfolios) and to exclude a property for which Cornerstone provides asset management services only. The combined effect was a $128 million decrease in Firm Assets.

++ The benchmark for this Composite is the FTSE/NAREIT Equity Index published by the National Association of Real Estate Investment Trusts. The FTSE/NAREIT Equity Index measures the performance of all publicly traded common stock of U.S. REITs. It assumes reinvestment of dividends and distributions in the Index. It does not include cash performance nor does it provide for transaction expenses or advisory fees. The Index return for all periods are not covered by independent accountants' report.

The footnotes and disclosures on the following page are an integral part of this presentation.

Cornerstone Real Estate Advisers Schedule of Composite Performance

U.S. REIT*

For the period January 1, 2002 through June 30, 2015

Disclosures

-Definition of Firm: The Firm is a registered investment adviser established in 1994, providing investment management and advisory services relating to investments in real estate. The Firm is an indirect wholly owned subsidiary of Massachusetts Mutual Life Insurance Company. For purposes of compliance with GIPS® standards, the Firm defines itself as consisting of the assets that it manages in a direct advisory or sub-advisory capacity and does not include any assets managed by the Firm's other affiliates. The definition of the firm was revised effective January 1, 2011 to include the assets of the former Babson Capital Management LLC's -Real Estate Finance Group, the assets and staff of which were assumed by Cornerstone in 2010 .

-Significant Events: In July 2014, Cornerstone acquired a German based real estate asset management firm. The former PAMERA Asset Management, with five offices in the German cities of Frankfort, Munich, Berlin, Hamburg and Dusseldorf, managed approximately $2.7 billion in real estate equity and $780 million in real estate debt assets. The new entity PAMERA Cornerstone operates as an independent affiliate and is not included in the Firm Composition. In January 2010, Cornerstone acquired a U.K. based investment adviser, the former Protego Real Estate Investors LLP and its affiliates which, at the time, managed approximately $2 billion in discretionary European real estate assets. This new entity (Cornerstone Europe), operates as an independent affiliate and is not included in the Firm Definition. During the first calendar quarter 2010, Cornerstone assumed the staff and approximately $20 billion in assets (primarily non-discretionary) of Babson Capital Management LLC's Real Estate Finance Group. These assets were included in the Firm Definition effective January 1, 2011.

-Composite Definition: This style invests for institutional ownership in publicly traded real estate companies that under normal operating conditions pay, or are anticipated to pay, regular quarterly cash dividends. All companies in the U.S. REIT Composite portfolios must derive at least 75% of their net operating income from the ownership or financing of institutional grade real estate. Ninety percent of the holdings in the U.S. REIT Composite portfolios will consist of companies in the FTSE/NAREIT Equity REIT Index (the Composite's benchmark). The U.S. REIT Composite's investment objective is to maximize risk adjusted returns. The Composite was created in January 2005. A portfolio is included in the Composite in the period after the portfolio meets the criteria of the Composite's description and a portfolio value exceeding $1 million. Prior to October 2008, the portfolio value requirement for inclusion was $5 million. Significant Cash Flows are defined as any contribution or withdrawal of assets that exceeds 10% of the market value of a portfolio at the close of business the day prior to the contribution or withdrawal. Should a portfolio experience a significant cash flow, the portfolio will be excluded from the composite for the period in which it occurs, (one month). The portfolio would then be reentered into the composite in the next month in which a significant cash flow does not occur. This policy applies to the U.S. REIT Composite. Additional information on treatment of significant cash flows is available upon request. Large Cash Flows: Since portfolios are valued daily any cash flow would be reflected on a daily basis.

-Performance Results: Results are calculated using a time-weighted total-rate-of-return formula and are expressed in U.S. Dollars. The Composite is asset-weighted; individual portfolios and Composites are valued daily on a trade-date basis and include accrued income. Annual returns are calculated by linking the Composite returns through compounded multiplication. Past performance is not a guarantee of future performance. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

-Advisory Fees: Gross performance results do not reflect the deduction of investment advisory fees, which would reduce an investor's actual return. The standard management fee schedule for this strategy is as follows; Less than $25 million 0.60%; $25 – 50 million 0.55%; $50 – 100 million 0.50%; $100 million or greater 0.45%.

-Sub-advisor: Cornerstone engages a sub-advisor for trading services.

-Composite Assets and Dispersion: The asset base used to calculate the Composite's percentage of Firm assets includes both discretionary and non-discretionary portfolios managed by the Firm, and also includes non-fee paying portfolios. Range of gross annual returns is used as the dispersion measure. Only portfolios that have been in the composite for a full annual period have been included in the dispersion calculation for the respective period.

-Standard Deviation: 2002 and 2003: No results are provided because the figure is not meaningful without 36 months of return data.

-Firm Composites: A complete list and description of the Firm's composites and additional information regarding policies for calculating and reporting returns is available upon request.

-Firm Assets: Firm Assets include both discretionary and non-discretionary portfolios. Effective 2010 Firm assets are based on net asset value for third party advisory portfolios and net market value for parent company portfolios. Composite assets are based on net asset value.

-Valuations: Securities in this composite are valued daily using various independent pricing services. Valuation policies are available upon request.

Disclosures

The information provided herein is believed to be obtained from sources deemed to be accurate, timely and reliable. However, no assurance is given in that respect. The reader should not rely on this information in making economic or other decisions.

The analysis contained herein is intended to demonstrate Cornerstone's investment management process, and should not be considered investment advice. Any opinions expressed herein reflect our judgment at this date and are subject to change without notice, as are statements of market conditions and trends.

Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on our current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

This material contains confidential information, including trade secrets about the Firm's strategy and operations and confidential commercial and financial information which, if disclosed, could cause competitive harm to the Firm. Such confidential information is exempt from disclosure under public records laws applicable to certain investors.