Kania Advisors

Index Methodology

Kania Global Real Estate CAI Index
Kania Global Real Estate CORE Index

Kania Advisors indices are designed to solve market inefficiencies and provide tools for improved benchmarking.

Kania Global Real Estate CAI Index

Overview

INDEX	SYMBOL	CURRENCY
Kania Global Real Estate CAI Price Return Index	KARECAIPU	USD
Kania Global Real Estate CAI Total Return Index	KARECAITU	USD

The index is designed to provide exposure to global real estate securities through a structure which ensures full and consistent active profile, as measured by active share, to its market-capitalization weighted underlying benchmark.

Index constituents are weighted by Kania Advisors' multi-factor score, henceforth referenced as the Kania Score, used to identify companies that exhibit economic growth with a conservative risk profile.

The fully active profile is ensured at each semi-annual rebalancing at 50% active share throughout the entire opportunity set providing full and consistent alpha generation capacity compared to the underlying benchmark.

Consistent Active Indexing (CAI) is a proprietary index calculation methodology of Kania Advisors.

Underlying Benchmark

The process of constructing the index begins with identifying all eligible securities for the Underlying Benchmark (UB) according to the following two criteria;
• constituents must be included in the Global Developed Real Estate Sector classification as defined by Thomson Reuters Business Classification system excluding those classified as Mortgage REITs, Timber REITs and Other Real Estate Services.
• constituents must be included in Kania Advisors Global Real Estate Universe. In addition to above exclusions, wireless communication companies are excluded.

The resulting constituents are market capitalization weighted and form the Underlying Benchmark.

Methodology

The following steps are taken to construct the index.

Step 1 At each rebalancing of the index, constituents of the UB are ranked in descending order by market capitalization and divided into three equal segments, each representing approximately 33.3% of the UB (defined here as Large-, Mid- and Small-caps).

Step 2 Within each of the three segments, the constituents are re-weighted according to the Kania Score, used to identify companies that exhibit economic growth with a conservative risk profile.

Step 3 Following re-weighting, iterations are carried out to adjust the weights of each constituent within each segment so that each segment achieves a ca 50% active share compared to its respective segment of the UB, subject to constraints such that no individual constituent of the index has a resulting weight of more than,

less of
i)   10% in absolute terms; or
ii)   2.5x of the constituent's weight in the UB
(or the closest solution).

The index is rebalanced on a semi-annual basis, at the end of June and December.

At each rebalancing the index has a uniquely consistent active profile, as defined by active share at 50%, across each of the three segments fully and equally utilizing the entire alpha generation capacity of the UB.

Kania Global Real Estate CORE Index

Overview

INDEX	SYMBOL	CURRENCY
Kania Global Real Estate CORE Price Return Index	KARECORPU	USD
Kania Global Real Estate CORE Total Return Index	KARECORTU	USD

The index is designed to provide a core exposure to global real estate securities through a structure which identifies and isolates a part of the Underlying Benchmark (UB) for which, on average, actively managed real estate securities funds with global focus do not achieve a fully active profile of at least 50% as measured by active share.

Index constituents are market-capitalization weighted.

CORE is a proprietary index calculation methodology of Kania Advisors.

Underlying Benchmark

The process of constructing the index begins with identifying all eligible securities for the Underlying Benchmark (UB) according to the following two criteria;
• constituents must be included in the Global Developed Real Estate Sector classification as defined by Thomson Reuters Business Classification system excluding those classified as Mortgage REITs, Timber REITs and Other Real Estate Services.
• constituents must be included in Kania Advisors Global Real Estate Universe. In addition to above exclusions, wireless communication companies are excluded.

The resulting constituents are market capitalization weighted and form the Underlying Benchmark.

Methodology

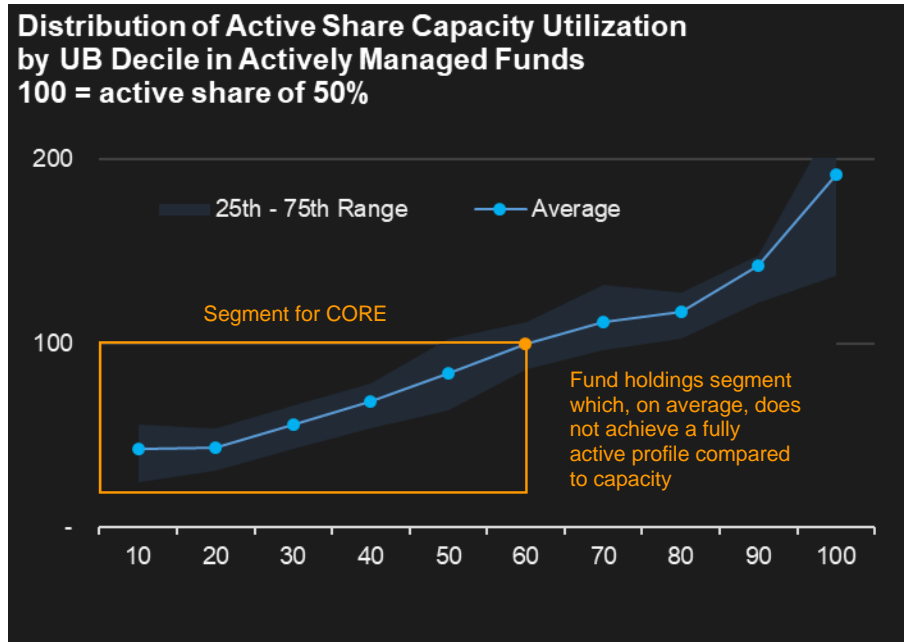The following steps are taken to construct the index.

Step 1 At each rebalancing of the index, constituents of the UB are ranked in descending order by market capitalization.

Step 2 At each rebalancing, most recent fund holdings of real estate securities funds with global focus listed in the US with AUM of at least USD100m are included.

Step 3 For each fund, fund holdings are compared to the UB in rolling decile segments, starting with the largest constituents of the UB in descending order, and active share for that segment is calculated relative to the segment's active share capacity of 50%.

Step 4 Calculations for rolling decile segments are terminated once the decile, on average, achieves its theoretical active share capacity.

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Distribution of Active Share Capacity Utilization by UB Decile in Actively Managed Funds
100 = active share of 50%

Legend: 25th - 75th Range, Average

Segment for CORE

Fund holdings segment which, on average, does not achieve a fully active profile compared to capacity

Note: Distribution as of Dec 2016 rebalancing.

The index is rebalanced on a semi-annual basis, at the end of June and December.

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For more information, please contact:

Kania Advisors

E: info@kaniaadvisors.com

4 Rex House, 4th floor
12 Regent Street
SW1Y 4PE London
United Kingdom

About Kania Advisors

Kania Advisors is an independent research and advisory firm focused exclusively on institutional real estate allocations and investment programmes. We provide advice and solutions to improve outcomes in real estate investment programmes. We conduct detailed industry research and custom studies typically focused on quantitative analysis and provide insights which form a critical part of a client's decision process.