

Real Estate Portfolio

Each quarter Capital Markets Evaluation Tools updates its structured stock portfolios. For institutional investors structured stock portfolios can be purchased under an index license, and for individual investors several model portfolios are published quarterly in the Capital Market Observer (see subscriptions). Our model portfolios which are designed to offer a performance advantage relative to the Standard & Poor's 500 stock index (S&P 500). These high performance portfolios are created using the Five Star Ranking System discussed in "Achieving Exceptional Performance".

Real Estate Investment Trusts (REIT's) and Real Estate Operating Companies (REOC) comprise a significant and growing category of common stocks. Over the long term these real estate securities should offer equity returns comparable to other common stocks yet their short term performance should be substantially independent. While REIT's are common stocks, investors should distinguish their relatively passive property ownership from actively managed industrial/service businesses that are highly sensitive to: growth and competitive opportunities, cyclical business and capital investment conditions, and sensitivity to inflation. For these reasons a diversified portfolio of common stocks such as the S&P 500 and a diversified portfolio of real estate securities offer complimentary performance and diversification benefits.

The National Association of Real Estate Investment Trusts (NAREIT) has created several REIT indexes. Since it is impractical for investors to replicate a NAREIT index; a model portfolio of 10 stocks diversified across major property categories has been created. The model portfolio should offer comparable annual returns to the NAREIT equity index and have substantially lower investment management costs than a comparable mutual fund. Simulated performance statistics were prepared for only the last ten years because the REIT industry's rapid evolution reduces the credibility of longer performance estimates.

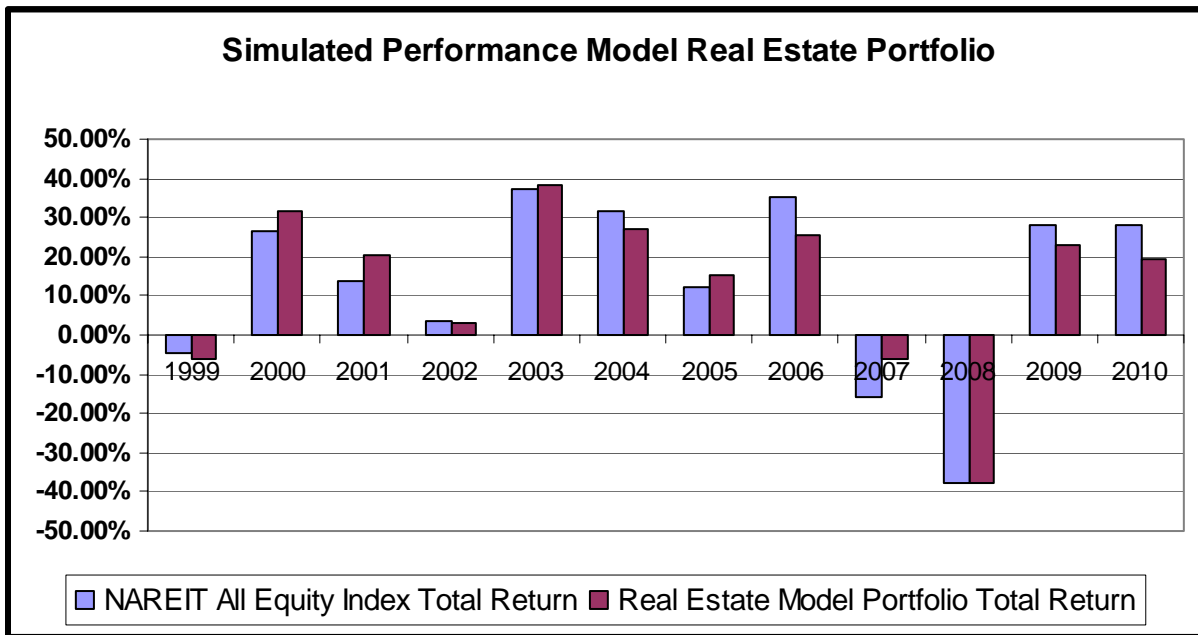
Model portfolios are designed for sophisticated investors who manage their own investments. Investing in model portfolios is pretty simple. A portfolio can be bought by placing market orders from the "portfolio list" published quarterly in Capital Market Observer. Model portfolios require little maintenance. Therefore, the portfolios can be bought and held for one year before any adjustments are required. At the end of one year the strategy must be rebalanced and depending on the investors tax status this may result in recognition of long-term capital gains income.

Sample portfolios are constructed with an equally weighted investment amount for each stock. Portfolios hold only one company for each industry selected. Each portfolio is a "structured portfolio" designed to offer investors a consistent performance advantage (or alpha). Structured portfolios fill a critical void between inconsistent active strategies and consistent but unexciting passive

strategies (indexing) or exchange traded funds.

All results are simulated before transaction costs and taxes and also after assumed transaction costs. With each stock portfolio's simulated results are estimates for turnover and gain recognition. With the data presented investors can estimate expenses and taxes base on their own particular situation.

There are no guarantees of performance for any investment strategy and historic results whether simulated or actual provide no guarantee that future investment conditions can generate similar results. See: Investing in Model Portfolios, Risks, Disclosures



Model Real Estate Portfolio Simulated Results

Year	Total Return	Total Return	Total Return net Costs
	NAREIT Return	Model Portfolio	Model Portfolio
1999	-4.62%	-6.27%	-6.48%
2000	26.37%	31.50%	31.29%
2001	13.93%	20.55%	20.39%
2002	3.82%	3.20%	3.03%
2003	37.13%	38.40%	38.24%
2004	31.58%	27.16%	26.98%
2005	12.16%	15.34%	15.18%
2006	35.06%	25.50%	25.359%
2007	-15.69%	-6.32%	-6.427%
2008	-37.73%	-38.01%	-38.13%
2009	27.99%	22.90%	22.65%
2010	27.95%	19.46%	19.26%
Compound Value	3.351	3.331	3.268
Compounded Return	10.60%	10.55%	10.37%