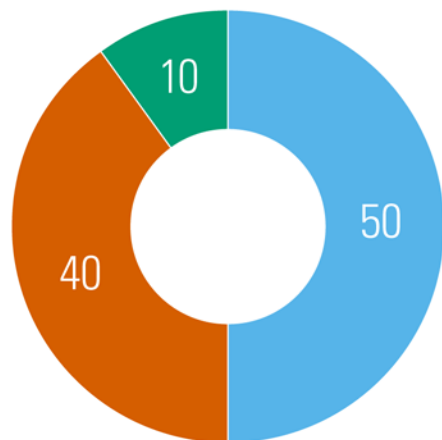


The Role of REITs in a Portfolio

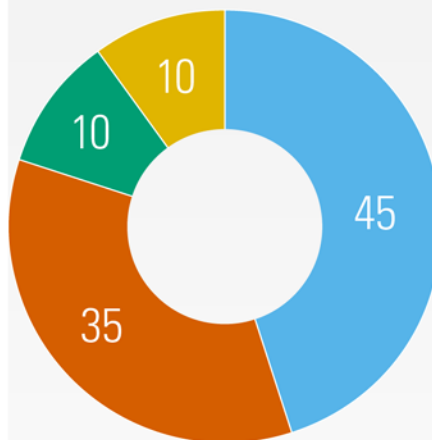
Potential to increase returns (1972–2022)

Stocks and Bonds



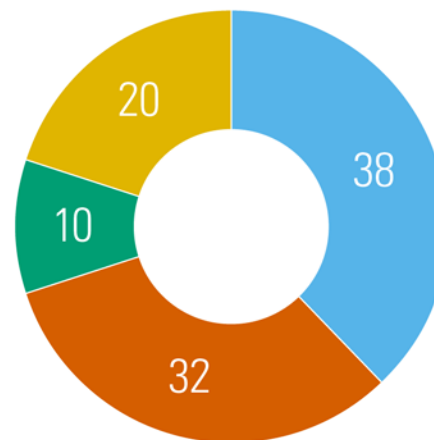
Return(%) 9.6
Risk(%) 10.7

With 10% REITs



Return(%) 9.9
Risk(%) 10.7

With 20% REITs



Return(%) 10.1
Risk(%) 10.7

- Stocks
- Bonds
- Treasury Bills
- REITs

	Past	3 Year	5 Year	10 Year
Return(%)		3.1	5.7	7.7
Risk(%)		19.7	16.7	12.1

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © Morningstar 2023 and Precision Information, dba Financial Fitness Group 2023. All Rights Reserved. About the data: Stocks—Ibbotson® Large Company Stock. Bonds—20-year U.S. government bond. Treasury bills—30-day U.S. Treasury bill. REITs—FTSE NAREIT All Equity REIT Index®.

The Role of REITs in a Portfolio

Real Estate Investment Trusts (REITs) have unique characteristics that may make them attractive to both income and growth investors. REITs trade like stocks and can fluctuate in price, but they also pay out a large part of their income in the form of dividends. REITs may be used to help provide income in conservative portfolios or long-term growth in more aggressive portfolios. Some portion of a portfolio may be appropriately allocated to REITs for a broad range of investor types.

The image illustrates risk-and-return profiles for three hypothetical portfolios from 1972 to 2022, and for the 10% REIT portfolio over the last 3, 5, and 10 years. Adding a 10% allocation to REITs in a stock, bond, and cash portfolio increased return from 9.6% to 9.9%. Adding a 20% allocation to REITs further increased return to 10.1% while maintaining the same level of risk.

Because stocks, bonds, cash, and REITs generally do not react identically to the same economic or market stimuli, combining these assets may produce a more appealing risk-and-return trade-off. This makes REITs a potentially good candidate for investors looking to build a diversified portfolio, whether for long-term growth or for income.

Methodology: The allocations herein are intended to represent simplified portfolios for moderate (50% equity/50% fixed-income to 60% equity/40% fixed-income) investors. The portfolios represented are not Morningstar recommendations and should not be viewed as investment advice. The 1972 start date is constrained by the maximum available historical data for REITs. In order to analyze the impact of REITs on the portfolio's risk and return, 10% and 20% REIT allocations were added to the initial portfolios. Return was calculated by the arithmetic annual return and risk by the annual standard deviation. Standard deviation measures the fluctuation of returns around the arithmetic average return of the investment. The higher the standard deviation, the greater the variability (and thus risk) of the investment returns. No optimizations were used in this analysis. Portfolios were rebalanced annually. The result of this analysis illustrates that adding REITs to a portfolio has the potential to increase return through diversification.

REIT investments are not suitable for all investors. Past performance is no guarantee of future results. Diversification does not eliminate the risk of experiencing investment losses. An investment cannot be made directly in an index. This is for illustrative purposes only and not indicative of any investment. The data assumes reinvestment of all income and does not account for taxes or transaction costs. Capital gains and dividends received may be taxed in the year received. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest. Bonds in a portfolio are typically intended to provide income and/or diversification. U.S. government bonds may be exempt from state taxes, and income is taxed as ordinary income in the year received. With government bonds, the investor is a creditor of the government. Stocks and REITs are not guaranteed and have been more volatile than bonds. Stocks provide ownership in corporations that intend to provide growth and/or current income. REITs typically provide high dividends plus the potential for moderate, long-term capital appreciation. A REIT must distribute at least 90% of its taxable income to shareholders annually. REITs involve special risks such as management quality, corporate structure, the ability to increase revenues from rents, and the balance of the supply of new buildings with demand for space. Additional risks include general and local economic conditions, interest rate fluctuation, credit risks, and liquidity risks. Holding REITs for the long term does not ensure a profitable outcome and investing in REITs always involves risk, including the possibility of losing the entire investment. The information, data, analyses and opinions contained herein do not constitute investment advice offered by Morningstar and are provided solely for informational purposes.