FACT SHEET 5

REIT Risk of Loss Over Time

One-, five-, and 15-year total returns, 1972 – 2013

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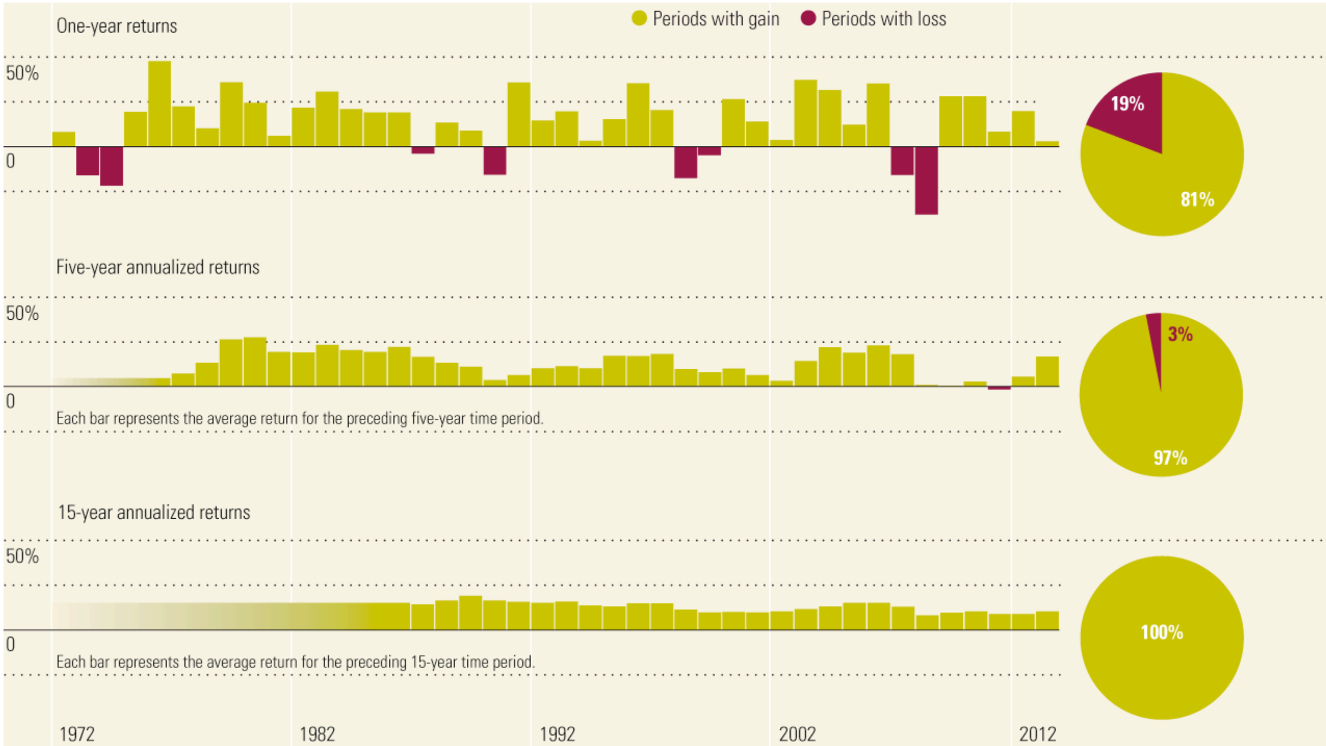

Losses: A fact of investing
It is important to understand that investors could experience ups and downs when investing. In fact, no asset class comes with a guarantee, and losses can be expected for fixed-income investments as well as equities.

Though REITs are often considered risky investments, the long-term return potential, along with their large income component, may offset short-term losses for investors with longer holding periods. Investors can expect to experience losses from time to time when investing in REITs. With a long investment horizon, however, losses could be potentially recouped.

REITs may offer reliable returns in the long run
The graph illustrates the realized gains and losses in REITs for one-, five-, and 15-year periods. Of the 42 one-year periods from 1972 to 2013, only eight resulted in a loss. By increasing the holding period to five years, only one of the 38 overlapping five-year periods resulted in a loss, while none of the 28 overlapping 15-year periods from 1972 to 2013 resulted in losses.

Individuals looking for ways to safeguard their investments have traditionally turned to fixed income. However, given the income characteristics of REITs, they may be worth investigating as an addition to many types of portfolios. Talk to your financial advisor to see if REITs may be right for you.

REIT investments are not suitable for all investors. 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. The data assumes reinvestment of income and does not account for taxes or transaction costs. The 1972 start date is constrained by the maximum available historical data for REITs. The five- and fifteen-year annualized returns are rolling period returns. Rolling period returns are a series of overlapping, contiguous periods of returns. For example, the five-year rolling return for 1976 is the average annual return for 1972 through 1976. Similarly, the five-year rolling return for 1977 is the average annual return for 1973 through 1977, and so on.

Government bonds are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest. REITs and equities are not guaranteed and have been more volatile than other asset classes. 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.