REITs outperformed other equity benchmarks in past decade

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Real estate investment trusts (REITs) served investors well over the past decade, outperforming other equity indices during that time.

The 10.47 percent return for the Wilshire Real Estate Securities Index (WRESI) between Dec. 31, 1999 and Dec. 31, 2009 far outpaced both the Standard & Poor's 500 Index (-0.95 percent) and the Dow Jones Industrial Average (1.98 percent), the two most widely followed stock indices. The Russell 2000 Index (small company stocks) returned 3.51 percent and the MSCI EAFE Index (international) returned 1.58 percent.

REITs were overlooked at the end of the 1990s when high-flying technology stocks led the way. Early in the 2000s, however, the tech bubble burst. That led to a major correction in the broader stock market and allowed for years of outperformance by REITs. REITs went through a correction of their own in 2007 and 2008, but the WRESI came back strong in 2009, returning 29.20 percent.

Investors recognize REITs' advantages

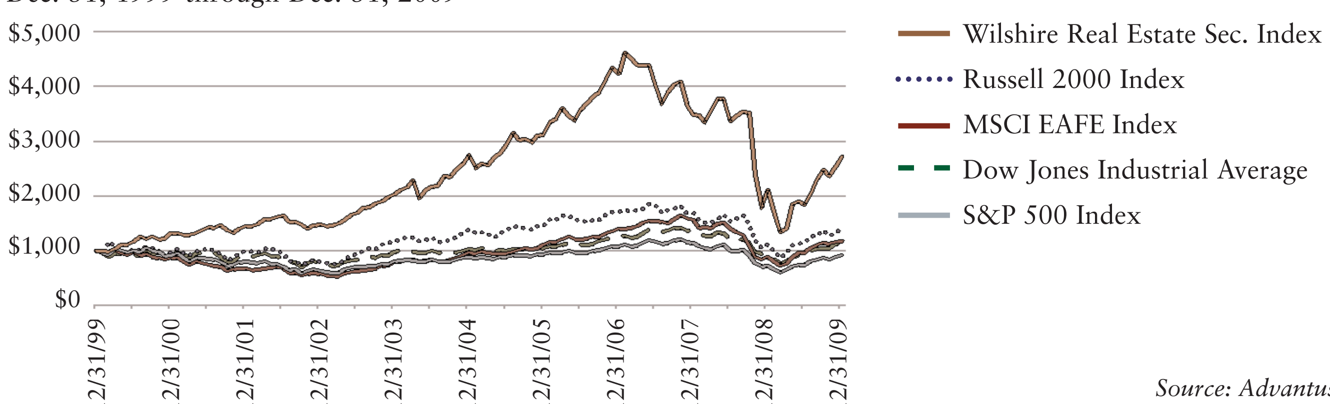
REITs have historically shown a low correlation to the broader stock market; they do not necessarily move up or down with the rest of the market. That was particularly evident in 2001-2002. During that difficult bear market, the WRESI returned 10.46 percent in 2001 and 2.66 percent in 2002. As a result, many investors have come to recognize the value of real estate as a diversification tool.

In addition, publicly traded REITs have become the preferred way for many investors to own commercial real estate. The public REIT structure as we know it was re-born in the early 1990s with changes in tax law, then matured through the next two decades. REITs now boast professional management teams, liquidity and access to capital, all of which will make it difficult for private real estate investments to compete with REITs going forward.

Though better positioned as a group than private real estate, not all REITs will continue to thrive. Investors will need to look at REITs one-by-one. At Advantus, our investment professionals have worked in the real estate industry as well as the capital markets. Such a "dual perspective" and a bottom-up, fundamental research process focusing on individual companies can help identify REITs that are positioned to perform well in this environment.

Growth of $1,000

Dec. 31, 1999 through Dec. 31, 2009



Source: Advantus

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At Advantus Capital Management, our bottom-up, fundamental approach gives our experienced team a unique perspective and uncovers information that others may miss. We strive to build long-term, mutually beneficial relationships with our partners, and we are pleased to share our market expertise and insights with you.

The Wilshire Real Estate index is market capitalization-weighted based on equity securities whose primary business is equity ownership of commercial real estate investment trusts. The S&P 500 Dividend-Adjusted Index is market-value weighted based on 500 common stocks traded on the NYSE, AMEX and Nasdaq. The weightings make each company's influence on the performance of this index directly proportional to that company's market value. The Dow Jones Industrial Average is a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, chosen by the editors of the Wall Street Journal. The Dow is computed using a price-weighted indexing system, rather than the more common market cap-weighted indexing system. The Russell 2000 Index includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. It measures the performance of the small-cap segment of the U.S. equity universe. The Morgan Stanley Capital International Index (MSCI EAFE Index) is designed to measure the performance of the developed stock markets in Europe, Australia and the Far East.

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