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Real Estate Investor

An Essential Consideration For Any Sustainable REIT Portfolio

Last year, we heard a whole lot about which businesses, employment categories and activities were essential, and which weren't. As *Newsweek* wrote over a year ago on April 1, 2020: *"While states across the country continue to temporarily shutter businesses amid the coronavirus pandemic, some industries are just too essential to be shut down. Officials have come to a clear consensus that supermarkets, hospitals, gas stations and banks are too critical to be closed even as more and more state governments issue stay-at-home orders to slow the spread of [Covid-19]."*

Businesses that don't generally make the 'essential' cut are more recreational, like museums, theaters, gyms, casinos and salons. Restaurants also tend to fall into the nonessential category, but most locations can get past that by offering takeout or delivery services only." The article went on to add that each state and/or city was ultimately responsible for making its own decisions. But most of them followed CDC guidelines, for better and for worse.

06/2021

The “worse” included unemployment hitting 14.7% that month, the highest rate since the Great Depression 90 years ago. Unemployment decreased to 6.1% by April 2021 but is still significantly above fourth-quarter 2019’s 3.6% rate, before the pandemic hit.

Another big issue is that many sit-down restaurants were not able to manage by relying on takeout and delivery alone. According to a May 18 Bloomberg article, “90,000 restaurants across the U.S. closed permanently or long-term.” That’s more than 13% of the nation’s total.

Of course, running such food services requires a lot of time, effort and know-how even in the best of years so these businesses fail frequently enough without the added pressures caused by a pandemic. In a typical year you see about 50,000 restaurants shuttering, meaning that an additional 40,000 went down due to the shutdowns. Considering the average restaurant has dozens of employees, that is a lot of jobs and job opportunities lost in one fell swoop.



The Best Place For The Worst Of Times

Restaurants were hardly alone in their suffering. The *Buffalo News* wrote this April that “The retail death toll from the Covid-19 pandemic broke records. We knew it would be bad, and it was. A massive 12,200 stores closed in 2020—ravaged by a year like no other since the Great Depression—and eclipsed by the previous record of 9,300 stores that shuttered in 2019.”

The *Buffalo News* article also noted that many of the retail operations that went bankrupt were already in trouble. Nonetheless, being deemed non-essential took an extreme toll on the sector. And on the hotel industry. And on airlines. And on movie theaters and other “experiential” businesses.

Meanwhile, many companies that were government-approved to stay open, thrived. That is why I have been underweight certain REIT sectors while completely avoiding others and continue to follow this strategy.

This brings me to **W.P. Carey** (WPC), this month’s new addition to the SWAN portfolio. The company describes itself as “one of the largest diversified net-lease REITs, specializing in the acquisition of operationally critical, single-tenant properties in North America and Europe.” After studying the company for as long as I have, I agree with this description.

W.P. Carey was founded nearly a half-century ago, in 1973. Its portfolio consists of 1,261 net-leased properties that add up to 146 million square feet. With that much space to work with, there’s a lot of room for diversity. WPC knows how to position its eggs in different baskets for safety purposes while still promoting profit.

“Many companies that were government-approved to stay open, thrived. That is why I have been underweight certain sectors while completely avoiding others

Here's how its portfolio breaks down by industry:

- ▶ Industrial: 25%
- ▶ Warehouse: 22%
- ▶ Office: 22%
- ▶ Retail: 18%
- ▶ Other: 8%
- ▶ Self-storage: 5%

How are those segments considered mission critical? Its office buildings are mainly corporate headquarters. Its industrial and warehouse categories include critical research and development (R&D) facilities and data centers. And even its retail properties are full of top-performing tenants. These lease signers might not be investment-grade heavy, but they have staying power.

Diversification Done Right

Typically, I am not the biggest proponent of diversified REITs as they tend to spread themselves too thin, trying to be jacks of all trades and masters of none. But WPC has figured out a way to successfully handle its entire portfolio. It has a 98.3% occupancy rate and even during the worst times last year, its rent collections did not drop below 96%.

About The Editor

Brad Thomas is the editor of the Forbes Real Estate Investor and the editor-at-large of The Property Chronicle North America. He has more than 30 years of experience in commercial real estate and is a frequent contributor on Forbes.com and Seeking Alpha. He has made appearances in Forbes, Kiplinger's, U.S. News & World Report, Money, NPR, Institutional Investor, GlobeStreet and













is a frequent guest speaker at New York University, Cornell University and Georgetown University. He is also the author of two books and his third book, The Intelligent REIT Investor, will be available in the summer of 2021. He is currently the CEO of Wide Moat Research, an equity research firm that delivers event analysis, stock ideas, and research for its customers and clients.

Between these high rates and a solid balance sheet (more on that in a moment), this company is in a good position to be buying more assets. And WPC is doing precisely that. On May 17, W.P. Carey announced four new investments amounting to about 1.1 million square feet for \$170 million. This includes a state-of-the-art food production plant in the Midwest with a triple-net lease of 25 years; a robotics R&D and manufacturing facility in California with 6.7 years left to its current contract; a light manufacturing facility in Ohio triple-net leased to a global distributor for another 15 years; and a student housing asset net-leased to Monroe College in New York for another 12.25 years.

Before these four acquisitions, WPC had 351 tenants, with its top ten representing 21.5% of annualized base rent (ABR).

WPC's DIVERSIFIED PORTFOLIO

Tenant	Description	Number of Properties	ABR (\$ millions)	WALT (years)	% of Total
 U-HAUL	Net lease self-storage properties in the U.S.	78	\$39	3.1	3.3%
 HELLWEG	Do-it-yourself retail properties in Germany ⁽²⁾	42	35	15.9	2.9%
 State of Andalusia	Government office properties in Spain	70	31	13.7	2.6%
 METRO	Business-to-business wholesale stores in Italy & Germany	20	28	6.0	2.4%
 Pendragon PLC ⁽¹⁰⁾	Automotive dealerships in the United Kingdom	69	24	9.2	2.0%
 ExtraSpace Storage	Net lease self-storage properties in the U.S.	27	21	23.1	1.7%
 Advance Auto Parts	Distribution facilities in the U.S.	30	20	11.8	1.7%
 Marriott	Net lease hotel properties in the U.S.	18	20	2.6	1.7%
 NORD ANGLIA EDUCATION	K-12 private schools in the U.S.	3	19	22.5	1.6%
 FORTERRA	Industrial properties in the U.S. and Canada	27	19	22.2	1.6%
Top 10		384	\$255	12.1 yrs	21.5%

W.P. Carey has properties throughout the U.S. and Europe, with a presence in London since 1999 and in Amsterdam since 2008. At last report, 62% of its holdings were in the U.S., 36% in Europe, and 2% in other areas, including Mexico, Canada and Japan.

That's why it was no surprise when the company reported at the beginning of May that it had purchased a 1.1 million square-foot logistics facility in Solihull, U.K.

for \$195 million (£141 million). The acquisition comes leased to Jaguar Land Rover Limited for 30 years.

Between this acquisition and its other May purchases, WPC has now spent about \$765 million year-to-date on new investments. One more important note about these acquisitions is how two out its last five include inflation-based rent escalations. In fact, more than 60% of its leases come fitted with such wealth-protecting measures, providing one more reason why W.P. Carey is such a great stock to own right now.

CEO Jason Fox said during the company's first-quarter call on April 30, "In an inflationary environment, if our 3% caps become relevant, it would likely mean that we would be achieving substantially higher same-store rent growth than we are today. For now, however, the floors continue to be more relevant than the caps as drivers of annual growth in our leases."

Simply stated, this company is structured to handle adversity, hence the reason why it did well last year—its stock gained 61% from the March low to the end of 2020—and looks to remain profitable going forward.

W.P. Carey's Balance Sheet

WPC reported earnings at the end of April. Its healthy balance sheet includes total assets of \$14.5 billion, total liabilities of \$7.7 billion, and total equity of \$6.9 billion as of March 31, 2021.

My team and I are confident that W.P. Carey will be retaining its stable Baa2 rating from Moody's and stable BBB rating from S&P for a while to come.

The company raised more than \$1 billion in well-priced, long-term and permanent capital during the quarter. And, in February, it issued \$425 million worth of 12-year senior unsecured notes. Its coupon rate was 2.25%, which represented a 108 basis-point (bp) spread to the benchmark treasury.

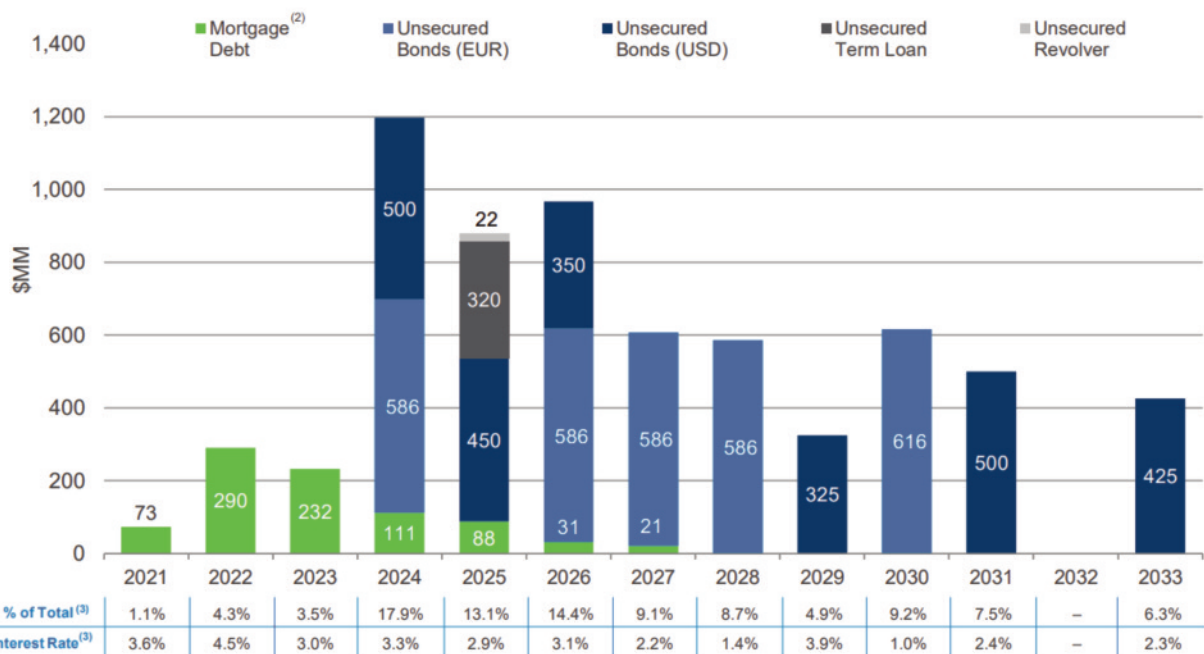
“W.P. Carey is structured to handle adversity, hence the reason why it did well last year and looks to remain profitable going forward”

Since WPC has international locations, it also issued €525 million worth of nine-year unsecured notes at a 0.95% coupon. Similarly, these represented a 110 bp spread to their respective benchmark, a positive point I'll press by quoting Fox again. He said both offerings were significant since they "were executed at our tightest spreads and lowest coupons to date, demonstrating continued strengthening of our credit profile. Proceeds from these offerings were primarily used to prepay approximately \$400 million of mortgages with a weighted average interest rate just over 5% and for the early redemption of [our] €500 million bond, which carried a 2% coupon and was scheduled to mature in 2023."

I already briefly touched on debt, but let's dig deeper into it now. Even with the continuing and reoccurring shutdowns around its property placements, W.P. Carey still managed to reduce its refinancing risk at the beginning of the year.

Most of the debt that is due in the next three years has now been addressed. As a result, it has extended its weighted average debt maturity to 5.9 years from the 4.8 years. That is one more checkmark we're seeing in the pro column.

WPC HAS A GOOD HANDLE ON ITS DEBT MATURITY LADDER



Take It From A Balancing Pro

Over on the equity side, WPC tapped its ATM program during the first quarter to issue just over two million shares of common stock. Their weighted average price was \$70.26, adding up to raise \$140 million in net proceeds. That trend has continued into the second quarter, with the company issuing another 443,000 shares at a weighted average price of \$71.67, which raised approximately \$31 million.

As for leverage, at the end of March, WPC's debt-to-gross assets ratio was 41.2%. Its net debt to adjusted earnings before interest, taxes, depreciation and amortization (Ebitda) was 5.9x. It is still targeting debt-to-gross assets in the low to mid-40% range for the full year while pegging net debt to adjusted Ebitda in the mid- to high-5x range.

WPC's CURRENT DEBT PICTURE

	Metric	Covenant	March 31, 2021
Total Leverage	Total Debt / Total Assets	≤ 60%	41.6%
Secured Debt Leverage	Secured Debt / Total Assets	≤ 40%	4.6%
Fixed Charge Coverage	Consolidated EBITDA / Annual Debt Service Charge	≥ 1.5x	5.7x
Maintenance of Unencumbered Asset Value	Unencumbered Assets / Total Unsecured Debt	≥ 150%	232.0%

This brings us to earnings, which didn't disappoint either this past quarter. Zacks Consensus Estimate put it at \$1.21 per share in funds from operations (FFO), which WPC beat by a cent. That is hardly anything special in and of itself, of course, except that it has beaten those expectations all four times in the last tumultuous 12 months.

Notably, FFO was \$1.25 per share in first-quarter 2020 so it does still have room to grow. The same goes for net income, which was down from \$66.1 million to \$51.6 million, year-over-year. Much of that is attributable to WPC's loss on extinguishment of \$59.9 million worth of debt.

Fortunately, growth is precisely what the company is projecting from here. W.P. Carey raised its adjusted funds from operations (AFFO) guidance range by \$0.06 at the midpoint. It's now being projected at \$4.87-\$4.97 per diluted share for 2021, including real estate-specific AFFO of \$4.74-\$4.84. That positive uptick mainly comes from the 2021 investments I mentioned earlier. Those purchases have established a strong momentum in terms of how much and how quickly (but wisely) the company is moving in on new opportunities.

Though the interest savings generated from WPC's debt refinancing activity certainly isn't hurting either.

Back to investments for a moment, management said during its most recent earnings announcement that it has increased the expected volume to anywhere from \$1.25 billion to \$1.75 billion for the year. This always includes capital investments and already-planned commitments.

A Dividend To Know And Love

W. P. Carey went public in 1998, though not as a REIT. The company was originally structured as a master limited partnership (MLP) and became a real estate investment trust—with all the responsibilities obligated by that classification—in 2012. Yet it has paid and increased its dividend every year since it began trading on the New York Stock Exchange.

The first chart on page 10 shows the delineation between its non-REIT and REIT days. The jump in payout makes sense considering the legal framework it had to start operating in to qualify as a REIT. So don't think it's suddenly being irresponsible with its money. That's far from the truth.

W.P. Carey has been offering a conservative and stable REIT-specific payout ratio for almost a decade now.

The most recent dividend increase was announced in March, upping the quarterly payout to \$1.048 per share from \$1.046, or \$4.192 per year from \$4.184. Dividends are more than mere icing on the cake; they are one of the major ingredients in what make a REIT a REIT.

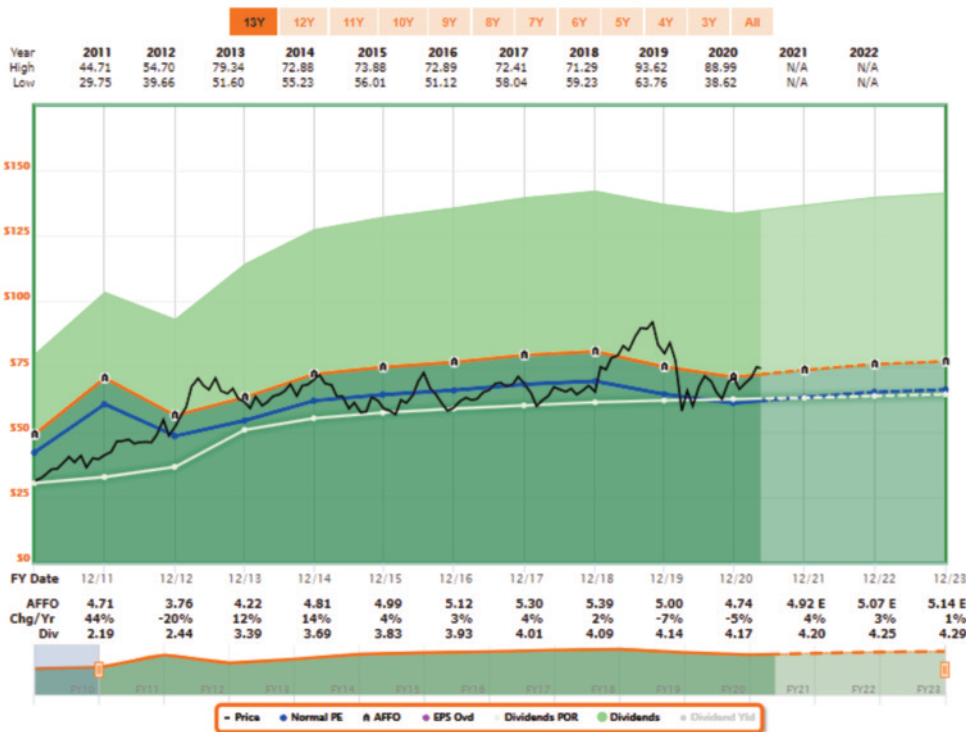
That understanding, I believe, is baked into how Fox finished the presentation part of his first-quarter earnings call: "In closing, we remain focused on growth. Our strong start to the year and robust pipeline put us on a path to deliver our highest annual investment volume since converting to a REIT. Furthermore, our

balance sheet is well-positioned for rising rates, with no significant maturities until 2024. And we have one of the best-positioned net-lease portfolios with embedded rent growth, especially for an inflationary environment.”

DIVIDENDS PER SHARE



WPC PRICE CORRELATED WITH FUNDAMENTALS



FAST FACTS	
05/19/2021	
Price: 74.35 USD	
SHARE	
Blended P/AFFO: 15.47	
Blended AFFO Yld: 6.46%	
Div Yld: 5.64%	
GRAPH KEY	
Dividends Declared	
AFFO Growth Rate 3.53%	
Normal P/AFFO Ratio 12.88	
GDF 15.00	
Recessions	
Dividend Yield & Payout	
COMPANY INFORMATION	
GICS Sub-industry: Diversified REITs	
Market Cap: 13.232 Bil.	
TEV: 19.642 Bil.	
S&P Credit Rating: BBB	
49% LT Debt/Cap	
NYS	
United States	
W. P. Carey Inc.	
Stock Splits (0)@	

Last year, inflation was not a problem, drowned out by everything else, which W.P. Carey survived. This year, inflation has already reared its ugly head and it could get much uglier from here. But W.P. Carey should navigate it just as well. There is very little not to like about the company from what I'm seeing. WPC is currently offering a 5.6% dividend yield along with a 20% forecasted 12-month return and a 12% long-term return.

Recommendation: Buy W.P. Carey up to \$75.00 per share.

SWAN Portfolio

We are adding W.P. Carey to the Sleep Well At Night Portfolio. Now let's next turn to our already existing portfolio positions, starting with last month's featured REIT.

REIT	Ticker	Description	Yield	Reference Date	Reference Price	Cumulative	Recent Price	Return*	Buy Rating	Recommendation
Realty Income	O	Net lease REIT	4.3%	1/6/2021	\$59.65	\$1.18	\$68.40	16.7%	HOLD	Buy up to \$61.75
Healthcare Trust of America	HTA	Healthcare REIT	4.6%	1/6/2021	\$26.92	\$0.64	\$27.41	4.2%	BUY	Buy up to \$29.00
Equity Comm. Conv. Pref. Shrs Series	EQC-D	Preferred	5.0%	1/6/2021	\$29.45	\$0.82	\$32.43	12.9%	HOLD	Buy up to \$29.75
Medical Properties Trust	MPW	Healthcare REIT	5.3%	1/28/2021	\$20.65	\$0.28	\$21.17	3.9%	BUY	Buy up to \$22.75
New Residential Investment	NRZ-B	Preferred	7.2%	2/26/2021	\$23.23	\$0.45	\$24.72	8.4%	HOLD	Buy up \$24.50
Iron Mountain	IRM	Diversified REIT	5.7%	2/26/2021	\$34.60	\$0.62	\$43.54	27.6%	HOLD	Buy up to \$36.50
City Office	CIO	Office REIT	5.4%	3/26/2021	\$10.32	\$0.15	\$11.56	13.5%	STRONG BUY	Buy up to \$12.00
Postal Realty	PSTL	Net lease REIT	4.3%	4/28/2021	\$19.39	\$0.22	\$20.21	5.4%	BUY	Buy up to \$20.50
W.P. Carey	WPC	Net lease REIT	5.7%	5/28/2021	\$74.38	-	\$74.38	-	BUY	Buy up to \$75.00

Prices as of May 28, 2021. *Returns include dividends.

Postal Realty (PSTL)

Postal Realty announced its first-quarter 2021 earnings on May 11, complete with a slew of impressive results. The company collected 100% of its rent. It also maintained 100% occupancy. Postal Realty also acquired 54 United States Postal Service properties throughout the quarter. Quarterly rental income increased 73% year-over-year, FFO was \$3.3 million or \$0.21 per diluted share, and adjusted funds from operations (AFFO) were \$4.3 million or \$0.27. On April 30, PSTL announced a raise in its quarterly dividend to \$0.22 per share, which is a 10% increase year-over-year. It was payable on May 28 to shareholders as of May 14.

Buy up to \$20.50 per share.

Realty Income (O)

People are still buzzing about Realty Income's announcement that the company is merging with **Vereit** (VER). The traditional "shareholder investigations" continue as well, as they always do whenever two big companies announce plans to join forces. We continue to see straight shooting for the two REITs and their unified efforts, however.

Since I last wrote about Realty Income, it declared its 611th consecutive monthly dividend at \$0.235

and named Jacqueline Brady to its board of directors (expanding the collection to ten members). Realty also reported its first-quarter earnings, including revenue of \$218.2 million and FFO of \$1.17 per share, both significantly better than expected.

Funds from operations is down from its \$1.50 per share a year ago. But the company reported that all 101 of its properties are operational and about 98% of its retail tenants were open, with 90% paying rent as expected in the quarter.

Buy up to \$61.75. Realty Income is currently trading above our recommended entry price and is rated a HOLD. Buy on a pullback.

Healthcare Trust of America (HTA)

On May 6 HTA released first-quarter earnings that included net income attributable to common stockholders of \$0.10 per diluted share. FFO was \$0.44, a record level of earnings for HTA and an increase of 4.8% over first-quarter 2020. Same-store cash net operating income (NOI) rose 1.6% year-over-year. Shares are slightly down for the year (-0.7%) but have declined 5% over the last month. Perhaps John Oliver's criticism of assisted living facilities that I discussed in [last month's issue](#) made a difference in its stock price movement.

Buy up to \$29.00.

“ People are still buzzing about Realty Income's announcement that they are merging with Vereit

Equity Comm. Conv. Pref. Shares Series D (EQC-D)

It came as no surprise when I saw the recent news that Equity Commonwealth was buying **Monmouth** (MNR) in an all-stock deal. I knew the REIT was sitting on a mountain of cash that could easily be used for big market moves. The merger and acquisition transaction cap rate is about 4.6%, and that is just a slight premium to where MNR was trading at the time of the announcement.

With \$2.459 billion in cash and only 14% debt to market cap, EQC can acquire around \$5 billion of additional assets while keeping overall debt levels in a range worthy of investment-grade status.

Buy up to \$29.75. EQC-D is currently trading above our recommended entry price and is rated a HOLD. Buy on a pullback.

Medical Properties Trust (MPW)

In mid-May, the healthcare REIT was selected as one of Modern Healthcare's Best Places to Work in 2021 within the industry. Great workplaces attract great talent, so I am hardly going to sneeze at this information (pun intended) though I understand if you're more interested in the company's first-quarter earnings report.

Medical Properties reported a 13.5% year-over-year bump in FFO to \$0.42 per share. Adjusted funds from operations (AFFO) grew at a similar rate. Founder R. Steven Hamner mentioned on the earnings call how that will make it easy for MPW to raise its dividend yet again, perhaps even this year.

The company also now has an expanded international presence thanks to its previously announced Priory acquisition in the U.K.

Buy up to \$22.75.

New Residential Investment (NRZ-B)

New Residential reported quarterly earnings of \$0.34, which was as expected but down from \$0.48 the same time in 2020. Revenue was \$134.83 million compared to \$185.52 million the prior year.

According to an article by Motley Fool in mid-May, “After experiencing one of the best years in over a decade, mortgage bankers are being treated as suspect by the market. Investors are fretting about rising mortgage rates choking off the refinance market and increased competition among bankers suppressing margins. In this environment, a mortgage banker with several additional business lines like... NRZ can be a good way to navigate the current environment.” I could not agree more.

Buy up to \$24.50. NRZ-B is currently trading above our recommended entry price and is rated a HOLD. Buy on a pullback.

Iron Mountain (IRM)

The world’s leader in storage and information management has certainly been busy the last month. The company appointed Charlene Jackson as its new global chief diversity, equity and inclusion officer. It also announced new corporate responsibility goals to keep with the times, including in an environmental, social and governance (ESG) sense. And it reported its first-quarter earnings, which blew consensus estimates out of the water.

AFFO per share was solidly higher than expected at \$0.81. Plus, Iron Mountain expanded its global organic volume by 2 million cubic feet since the fourth quarter. Revenue was only up 1% year-over-year, and service revenue fell 3%. But storage rental revenues were 4% higher to \$708 million.

Buy up to \$36.50. IRM is currently trading above our recommended entry price and is rated a HOLD. Buy on a pullback.

City Office REIT (CIO)

The 18-hour-city landlord reported solid quarterly FFO of \$0.33 per share, easily beating last year's \$0.26. Revenue was \$39.52 million, which was down from first-quarter 2020's \$40.12 million. But CIO continues to outperform the S&P 500 this year, gaining 18.4% versus 11.8% year-to-date.

Other positives: rent collections were almost 100% for the quarter, AFFO and FFO both cover CIO's dividend obligations with plenty of change to spare, and the company has seen 5% same-store cash NOI growth year-over-year. In addition, City Office signed 72,000 square feet worth of new leases, which it calls "a great start to the recovery."

Buy up to \$12.00.

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Disclosure: Brad Thomas is long these REITs: ACC, ADC, APLE, AVB, BNL, BXMT, BXP, CCI, CIO, CONE, CTO, CUBE, DEA, DLR, DOC, EPRT, EQIX, EQR, ESRT, ESS, EXR, FCPT, FRT, GDS, GMRE, GTY, HASI, HTA, IRET,IRM, KIM, KRG, LADR, LAND, LMRK, LTC, MPW, NNN, NTST, NXRT, O, OFC, OHI, PINE, FPI, PSB, PTTTS, PSA, PW, QTS, RLJ, ROIC, SKT, SLG, SPG, SRC, STAG, STOR, TCO, UBA, VER, VICI, VNQ, VTR, WPC.

GLOSSARY

Adjusted Funds From Operations (AFFO):

A measure of a real estate company's cash flow generated by operations that tries to better evaluate a REIT's real situation than funds from operations (FFO) can. AFFO is calculated by taking FFO (defined in its own entry) and subtracting normalized recurring expenditures that a REIT capitalizes and amortizes that are necessary to maintain its properties and revenue stream. This can include leasing commissions, tenant improvement allowances, new paint, carpeting, etc. AFFO also subtracts "straight-lined" rents from revenue, FAS 141 adjustments and development-related expenditures.

Another name for this general assessment is **cash available for distribution (CAD)** or **funds available for distribution (FAD)**. All three are cash-based evaluations of recurring earnings after debt services and regular capital reserves are taken into account. Therefore, they're very useful in determining if a REIT can cover its dividend.

Capitalization Rate: A property's net operating income according to its purchase price. As a general rule, high cap rates indicate higher returns and greater perceived risk.

Carrying Costs: Expenses such as property taxes, interest and leasing costs associated with the retention of an asset under development.

Funds From Operations (FFO): The most accepted measure of REIT operating performance, it is typically calculated as net income plus real estate depreciation and amortization minus net income gains on real estate plus net income losses on real estate plus or minus adjustments for non-controlling partnerships plus impairments, all according to generally accepted accounting principles (GAAP).

Net Asset Value (NAV): The market value of a company's properties and other assets minus the market value of all its liabilities and obligations.

Net Operating Income (NOI): A popular measurement of a REIT's income that is calculated by taking property-derived gross income mostly from rent minus operating expenses such as property taxes, property insurance, maintenance expenditures, and utilities. NOI does not account for depreciation, income tax, or financing expenses.

Triple Net Lease: A lease in which the tenant, rather than the owner, is responsible for operating expenses, insurance premiums and property taxes—an arrangement that is often applied to industrial and retail property rentals.

Source: Wells Fargo Research

Forbes Real Estate Investor Terms

Some of you have asked about terms used throughout the newsletter so we include a summary of definitions that we hope you find helpful. You might not find every word or reference used in each issue, but the following will help you better understand the fundamentals of this advisory.

Buy: As you will see in the REIT Lab, we modified our recommendations. A prospective company's market price must be at least 5% below our Fair Value Price (also our Target Price) to be considered a buy. In other words, while we may like a company's fundamentals and prospects for profitability, we will not issue a buy rating unless it is at least within our price target.

Hold: A stock that is worth holding onto but currently does not merit buying additional shares or initial purchase.

Sell: We do not have many sell ratings, but if we do include one, it means the company is grossly overpriced, the fundamentals are poor or a combination of both.

Trim: A call to sell a portion of your position in a particular stock if it has become somewhat pricey, and we want to lock in certain levels of sure-thing profits.

IQ Score: Stands for intelligent quality and is our 0-100 based quality scoring model. The IQ model considers dozens of data points to

derive a single easy to comprehend number. An IQ Score above 90 indicates an extremely high-quality company. REITs with IQ scores below 50 are more susceptible to price and dividend changes.

“If you were to distil the secret of sound investment into three words...we venture the motto, margin of safety.” - Benjamin Graham in *The Intelligent Investor*

SALSA: Stands for “safe and lasting seeking alpha. It is our term for A REIT that is a promising investment but is not safe enough to be considered a SWAN.

SWAN: Stands for “sleep well at night,” which is our way of describing a blue-chip investment. For a company to be labeled a SWAN, it must meet certain tests of quality, including dividend safety, conservative debt metrics and diversification.