

MEMORANDUM

DATE: May 2026
TO: State of Delaware Plans Management Board
FROM: CAPTRUST
RE: Fund Recommendation – Nuveen Real Estate Securities

Overview

CAPTRUST made a recommendation to the State of Delaware Investment Committee to replace the Nuveen Real Estate Securities fund. For alternatives, they presented three actively managed funds – Cohen & Steers Realty Shares Z, Virtus Duff & Phelps Real Estate Securities R6, and Cromwell CenterSquare Real Estate Fund Institutional. The details of the material discussed are outlined below.

Nuveen Real Estate Securities is an actively managed real estate investment trust that seeks to obtain a favorable long-term total return through both capital appreciation and current income, by investing primarily in equity securities of companies principally engaged in or related to the real estate industry. It typically invests at least 80% of its assets in real estate securities, including those of companies that own significant real estate assets, such as real estate investment trusts (REITs). The fund currently holds \$6.2 million in the State of Delaware plans, or approximately 0.39% of plan assets as of 3.31.2026.

Alternative Options

Cohen & Steers Realty Shares is an actively managed fund that seeks to achieve total return through investment in real estate securities, including common stocks, preferred stocks and other equity securities of any market capitalization issued by real estate companies, including real estate investment trusts (REITs) and similar REIT-like entities.

Virtus Duff & Phelps Real Estate Securities is an actively managed fund that seeks attractive long-term returns by providing U.S. real estate securities exposure, emphasizing companies with revenues driven by recurring rental income. The highly experienced portfolio team applies a disciplined, bottom-up investment process, utilizing both qualitative and quantitative factors, focusing on high-quality commercial real estate owner/operators.

Cromwell CenterSquare Real Estate is an actively managed fund that invests in publicly traded real estate securities, including REITs providing exposure to a variety of commercial real estate sectors.

Current Fund: Nuveen Real Estate Securities Select R6

The fund strategy is focused on higher growth, lower income producing properties which have tended to weigh on performance compared to a peer category that is more oriented towards higher income and steady growth properties. This approach has contributed to middling relative performance since 2020. Equally important, we are concerned about the abrupt management change in January of 2026 that occurred without prior announcement. Having had this fund on a watch list for several quarters, the CAPTRUST team recommended removing the fund from the lineup and replacing it with a different real estate fund.

The two lead (and sole) portfolio managers, David Copp and Brendan Lee, were abruptly removed from this fund and replaced by Griffen Bazor and Ben Kerl, both new additions to the team. While this change comes after a prolonged period of inconsistent performance, as the strategy has struggled to gain ground against the peer group since 2020, we are still surprised an extensive management change occurred without prior notice from Nuveen. As a result, we have lost confidence in the outlook for the strategy, leading to our replacement recommendation.

Potential Replacement #1: Cohen & Steers Realty Shares Class Z

Jason Yablon joined the firm in 2004 and became the lead portfolio manager on the U.S. Real Estate strategy in 2017. Jason is supported by Mathew Kirschner, who was named a co-PM in November 2020 and has been with the U.S. Real Estate team since 2004. The team has seven analysts who provide sector specialization. The team also has access to an in-house economist who provides top-down views.

The investment process has two components: 1) calculating the net asset value for each stock to determine its private market value, and 2) utilizing a dividend discount model to calculate cash flow growth. The portfolio is concentrated, anchored by a 14.6% position in Welltower, a 500+ bp overweight to the benchmark. Its sector allocations include 19% Data Centers, 19% Health Care, 14% Telecommunications — roughly half the fund is in three sectors that are explicit secular-growth bets.

When examining valuation, the team looks at price/net asset value and price/dividend discount model for each stock and screens for the cheapest stocks on these two metrics. Those inputs feed into a proprietary valuation framework that compares each stock's price to both the value of its properties, and the cash flows those properties are expected to produce. The managers then build the portfolio around the names that screen attractively through this process.

Management has positioned the portfolio for a "lower-growth, macro-uncertain, secular-themes-win" world. They believe REITs benefit from domestic recurring income that's insulated from tariffs and trade flows; data center supply is power-constrained, which protects rents; senior housing demographics

dominate; cell-tower lease economics are mispriced. Given their risk-on positioning, the strategy needs interest rates to be range-bound or falling, artificial intelligence capital expenditures to keep flowing into hyperscaler data-center demand, and senior-housing occupancy to keep climbing.

Potential Replacement #2: Virtus Duff & Phelps Real Estate Secs

Lead Portfolio Manager Geoff Dybas has been with the firm since 1995 and co-founded the U.S. REIT strategy. He is joined by Co-Portfolio Manager Frank Haggerty, who joined the firm in 2005 and assumed his current position in 2007. Geoff and Frank are the key decision-makers for the strategy and are supported by five analysts. Manager continuity is exceptional, and while analyst support creates a framework for new managers to be onboarded, there is some key-person risk for this strategy.

The investment process emphasizes on-the-ground research by the analysts to identify trends in local real estate markets. The strategy focuses on high-quality owner/operator firms (no real estate developers). It also examines management's ability to efficiently run its existing properties, find redevelopment opportunities, and access the capital markets at appropriate times.

This is a high conviction portfolio that mainly screens companies whose revenues come from recurring rental income. The portfolio is built to under-participate in REIT manias (e.g., AI-driven data-center premium revaluation) and over-participate when the market rewards predictability of cash flow. Concentration in three names that together are 30% of the fund (Welltower, Prologis, Equinix) — if any of those three breaks, the fund is likely to underperform; and vice versa.

The portfolio is fairly concentrated with 32 positions as of 03.31.2026, which is slightly more aggressive than its historical average of about 35 holdings. This overconcentration risk is slightly offset by the portfolio's lower turnover ratio of 17%, reflecting the team's confidence in holding positions for the long-term.

Potential Replacement #3: Cromwell CenterSquare Real Estate

Dean Frankel is the managing director and head of real estate securities at Cromwell. He joined CenterSquare in 1997 and has been on the strategy since 2004. Dean is supported by Eric Rothman who serves as Portfolio Manager for CenterSquare Investment Management's real estate securities group. He joined the firm in 2006, and is responsible for market research, sector allocations, research, and financial modeling across the U.S. real estate securities universe.

CenterSquare is a scaled player across four quadrants of real estate (public/private and equity/debt). Our team found their internal infrastructure (back office/ research / acquisitions) particularly

impressive. This strategy has shown strong performance recently, placing itself in the top quintile of the REIT peer group for both the -3 and -5 year metrics.

The strategy fits best in a regime where stock-picking inside sectors matters more than concentrated sector calls. The portfolio takes on risk through idiosyncratic, single-name risk in the long tail rather than thematic risk. This is a diversified, near-benchmark-like REIT portfolio with 60 holdings and an unusually long sub-1% tail (a third of the names are <1% weights, including off-benchmark niches like cold storage — Americold and Lineage — and outdoor advertising — Lamar).

The main concern with this strategy is the underperformance relative to the NARIET Equity REITs Index on the -10 year (investor share class 4.96% vs. 5.77%), the since inception underperformance (7.76% vs. 7.94%), and the high share class cost relative to alternative options.

Conclusion

CAPTRUST recommended to the committee that the Nuveen Real Estate Securities fund be replaced with the Cohen & Steers Realty Shares. While each of these alternatives could be a good replacement for Nuveen, it is Cohen & Steer's consistency in its long-term performance over different market environments leading to lower drawdowns that influenced the CAPTRUST recommendation.