THE INSTITUTIONAL REAL ESTATE LETTER

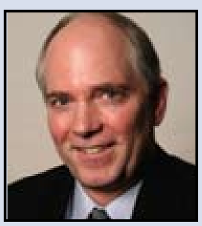
Sponsor Interview

Henderson Global Investors

INTERVIEWEES

Charles H. Wurtzebach, Ph.D., Managing Director, North America, and Property Chief Investment Officer, is responsible for the strategic portfolio planning and the overall management of Henderson Global Investors (North America) Inc. As Property CIO, he works directly with the firm's property portfolio managers developing client investment strategies. Wurtzebach joined Henderson in 1999 in his current capacity. Education: Ph.D., Finance, University of Illinois at Urbana-Champaign; MBA, Finance, Northern Illinois University; BSC, Finance, De Paul University.

Edward F. Pierzak, Ph.D., Portfolio Manager and Director of Research, is responsible for investment strategy, transactions activity, partner relations and portfolio performance for the Henderson Property Fund and the development of the U.S. real estate research capability. Additional responsibilities include the participation in the strategic planning and allocations for investment funds. He is a member of Henderson's Property Investment Committee. Pierzak joined Henderson in May 1999. Education: Ph.D., Finance; MS, Finance; BS, Industrial Engineering, all from the University of Illinois at Urbana-Champaign.



Terry D. Senger, Portfolio Manager, is responsible for investment strategy, transactions activity, partner relations and portfolio performance for the Henderson Property Fund. Senger has 20 years of institutional real estate experience involving all major property types nationwide. He joined the firm in 1999 and brings acquisitions, capital markets and product development experience to his role with Henderson. Education: MBA, Finance, University of Chicago; BS, Engineering, Purdue University.

CORPORATE OVERVIEW

Henderson Global Investors, founded in 1934, manages $123.5 billion (as of June 30, 2007) in assets, and employs approximately 980 professionals worldwide. Henderson has been managing real estate assets for more than four decades and has $18.9 billion (as of June 30, 2007) of real estate assets under management globally in the form of separate accounts, pooled funds, both balanced and sector specialist, for direct real estate as well as real estate equities funds. From its headquarters in Chicago and its East Coast office in Connecticut, Henderson Global Investors (North America) Inc. (HGINA) provides services to private real estate funds and separate accounts, mutual funds, privately managed portfolios and international equity separate accounts. Overall, HGINA and its affiliates manage or oversee $10.8 billion (as of Sept. 30, 2007) in assets in a variety of products for Henderson clients located in North America, including $2.4 billion (as of Sept. 30, 2007) in real estate related investments.

*Recently, **Geoffrey Dobrmann,** publisher and editor-in-chief of* The Institutional Real Estate Letter, *met with **Charlie Wurtzebach, Ed Pierzak** and **Terry Senger** of **Henderson Global Investors**. The following is an excerpt from that conversation.*

Dohrmann: *The Henderson Property Fund (HPF) is one of a very few new open-end core funds. Most new funds bill themselves as value-added. Why is Henderson breaking from the pack and concentrating on core?*

Wurtzebach: Henderson believes that core investments form the nucleus of any institutional real estate investment program. Thus, core investing is a viable strategy throughout all phases of the real estate investment cycle. In fact, investors may find core real estate investing more appealing than its value-add and opportunistic counterparts in today's unsettled environment.

Dohrmann: *Why is that?*

Wurtzebach: Current and anticipated economic, financial and real estate market conditions can, at best, be described as challenging. The economy is expected to experience an extended period of sub-trend economic and muted employment growth. The lending environment is characterized by tightening lending standards, more stringent underwriting and increasing debt spreads. Real estate markets are experiencing a flight to quality and rising cap rates. Under these conditions, value-added and opportunistic return expectations may be increasingly difficult to achieve, particularly when the returns are predicated on significant rental growth, cap rate compression and/or high degrees of leverage.

Dohrmann: *What types of investors would find HPF appropriate for their portfolios?*

Senger: The fund's structure allows for a broad investor profile that includes public and corporate pension funds, endowments and

Norman Industrial
147,936 s.f.
industrial
Waukegan, Ill.
(Chicago area)

foundations, high-net-worth individuals, international investors and others. As a growing fund with no investment queue, all new investors have an opportunity to contribute immediately and gain exposure to all of the major property types.

Dohrmann: *What type of experience does your investment team have? Have they invested through down cycles?*

Pierzak: The Henderson Property Fund has a seasoned investment team averaging in excess of 20 years' experience that has invested through all stages of the investment cycle. Terry and I have co-managed the fund, as well as its predecessor fund, for more than five years. In addition to our long-term investment experience — Terry has 20 years and I have 12 — our complementary skills and experiences augment the development and execution of the fund's strategy.

Dohrmann: *What are those complementary skills?*

Pierzak: We share a common educational background in engineering and finance but have different professional experiences. Prior to his current role, Terry was a transaction officer at Henderson and, thus, provides a "bottom-up" investment perspective to the fund. With my research and portfolio strategy background, I provide a macro or "top-down" perspective for the fund.

Senger: In addition, the fund benefits from the experience of Henderson's investment committee. The HPF's investment strategy and transaction activity, as well as the property business plans, require formal investment committee approval. The five-member investment committee is chaired by Charlie, who has over 30 years of real estate academic, professional and investment experience.

Dohrmann: *What is your investment strategy?*

Pierzak: The HPF employs a diversified core investment strategy focusing largely on stabilized assets in primary and select secondary U.S. markets. The fund seeks investments in markets that exhibit strong long-term fundamentals or offer other favorable market characteristics. Targeted property types include office, industrial, retail and apartment assets. Emphasis is placed on assets valued up to $40 million per property, but the targeted property size will likely increase as the fund grows. The fund also considers yield-enhancement opportunities including operating partner joint ventures; repositioning, rehabilitation and redevelopment of existing properties; and pre-sale investment opportunities.

Dohrmann: *Have you been able to find properties that meet your requirements?*

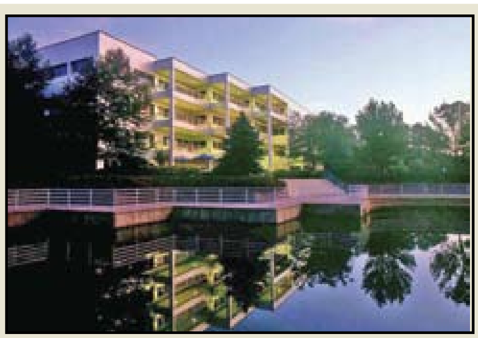
Senger: Despite the challenging acquisition environment, the HPF has been successful in its acquisition activities. The fund has acquired assets utilizing both its in-house transaction team and operating partner joint ventures. Transactions have included off-market acquisitions, as well as broadly marketed investment opportunities. All of the fund's single-asset and portfolio transactions have met or exceeded the fund's objectives.

Pierzak: In fact, we have been so successful in finding appropriate assets that we already are shifting our acquisition focus. In an effort to meet desired diversification targets, the fund initially focused on investment in the office, retail and industrial sectors in the East, West and Midwest regions. Due to the success of our transaction activity, year-end 2007 property type and geographic region diversification targets have effectively been achieved. As a result, the HPF has become more focused with its available capital and is now seeking office, industrial and retail properties in select target markets on the West Coast.

Dohrmann: *Have you been able to diversify your portfolio both by sector and by region?*

Senger: Absolutely. At the time of acquiring its initial portfolio, the fund was heavily concentrated in apartments and the South. Over the past two years, the fund sold three properties and acquired seven properties. Recognizing our diversification goals and objectives, the HPF acquired two office buildings in Southern California, two industrial properties in the Chicago area, a grocery-anchored shopping center in Minneapolis, and two office buildings in the Northern New Jersey and Washington, D.C., areas. This transaction activity allowed the fund to effectively meet its year-end 2007 diversification objectives. The fund remains highly disciplined in pursuing acquisitions within our target markets, focusing on quality infill locations.

Dohrmann: *Have you had any trouble finding appropriate assets in any of the sectors?*



Gatehall I
113,469 s.f. office
Parsippany, N.J. (Northern N.J.)

Pierzak: The acquisition environment for all sectors has been challenging over the past couple of years, particularly in primary infill coastal markets. We have, however, been able to mitigate some of the challenges by utilizing two sources of investment flow — our in-house acquisition team and operating partner relationships. The difficulty in acquiring assets has required the fund to be increasingly discerning in its asset selection and disciplined in its underwriting.

Dohrmann: *How does your MOP strategy fit into the picture?*

Wurtzebach: Henderson's Manager of Partners (MOP) strategy is a joint venture program that offers institutional investors the opportunity for access to increased investment flow and/or better risk-adjusted returns via programmatic investment with operating partners. We seek skilled partners that possess a proven, durable competitive advantage. Up to 25 percent of the fund's assets can be invested in MOP value-add strategies.

Senger: To date, the fund has established a relationship with Glenborough LLC, an office investment specialist based in San Mateo, Calif. Glenborough's focus on investing in office properties in primary infill markets on the East and West coasts is consistent with the HPF's current strategy. The fund recently closed its fourth investment with Glenborough, two of which were off-market transactions.

Dohrmann: *What types of returns do you expect to achieve?*

Pierzak: Over the longer run, the fund targets an average annual total real rate of return of 6 percent over rolling three-year periods, gross of fees. Since inception, the fund has not only met, but exceeded its return objectives. The HPF generated a total return of 19.1 percent in 2007. Since inception, the average annual total return has been 23.8 percent; this return exceeded the NCREIF Property Index by more than 650 basis points. Given the fund's diversified core investment strategy, we recognize that this recent performance is not sustainable over the long run and that returns are likely to revert to lower levels. From 2008 to 2010, however, the HPF still expects an annual average total return in excess of 10 percent.

Montgomery Executive Center

119,679 s.f. office

Gaithersburg, Md. (Washington, D.C. area)

Dohrmann: *Do you foresee the current credit crunch impacting your investment strategy either for the better or for the worse?*

Wurtzebach: The credit crunch has not adversely impacted our strategy. As a lower-leveraged buyer with a focus on stabilized assets, availability of funds has not been an issue to date. Although debt spreads have increased, the all-in cost of debt remains attractive and is not that different than it was in early to mid-year 2007. Furthermore, increasing debt spreads and tightening underwriting standards have instilled more discipline in the acquisition marketplace.

Pierzak: Looking forward, the fund's debt structure is well-balanced. It has an attractive weighted average cost of debt and is diversified across a number of vehicles, including a revolving credit facility, conventional fixed and variable rate debt, and low cost tax-exempt bond financing. The fund's debt level, fixed- and variable-rate mix and weighted-average cost are regularly monitored. The HPF's debt structure is adjusted using our house view on economic, financial and real estate market conditions.

Cool Springs Market

223,912 s.f. community shopping center

Franklin, Tenn. (Nashville area)

Dohrmann: *With the economic future cloudy, how are you underwriting assets? How are you mitigating the risk of uncertainty?*

Wurtzebach: The fund has always exercised discipline in its underwriting process. Part of this discipline stems from the fund's objective to provide its investors a market-level cash distribution every quarter. From inception through year-end 2007, the fund has provided investors with a quarterly cash distribution of approximately 1 percent of net asset value.

Pierzak: Our underwriting reflects our house view. Looking forward, Henderson recognizes the anticipated challenging investment environment. Henderson believes that operational strength, rather than decreases in interest rates and cap rates, is anticipated to be the main source of future real estate performance. We also recognize that the strength of gains in property operational performance has been waning. As a result, realistic assumptions related to occupancy, rent growth, concessions, operating expenses and exit cap rates, as well as the execution of property strategies, will be critical in order to achieve expected investment performance.

Senger: Despite elevated concerns of rising cap rates, we believe the fund is well-positioned. As the acquisition marketplace moves to more of a buyer's market, smaller funds, like the HPF, may have an advantage over their larger counterparts. Specifically, for the same property, smaller funds would realize greater benefit from the new acquisition as it would provide the portfolio with greater exposure to

Prairie Point Distribution Center
188,333 s.f. industrial
Naperville, Ill. (Chicago area)

the market's increasing return expectations and further insulation from any potential appreciation declines in the existing portfolio.

Dohrmann: *What do you see happening in each of the sectors in the U.S. real estate markets over the next 12 to 24 months? Will core remain a safe harbor for investors?*

Wurtzebach: During the next 12 to 24 months, economic, employment and consumer spending weaknesses are anticipated to weigh heavily on real estate performance. In this environment, property operational strength is expected to be the primary source of future real estate performance, and execution of property strategies will be critical. With declining transaction volume, buyers and sellers are expected to proceed with caution and continue their price discovery. During this time, cap rates are expected to rise. Despite changing market conditions, the acquisition marketplace is anticipated to offer increased opportunities for buyers, especially those with available funds for investment. Even with more stringent lending standards, financing is expected to remain available at attractive all-in rates, particularly to lower-levered buyers of quality assets.

Pierzak: In the current and anticipated environment, investors may increasingly find that quality matters. This is particularly true in the retail segment, as better quality is expected to translate into better operational performance. Typically preferred investment characteristics for neighborhood and community retail centers include attractive demographic measures like median household income, household density and expected household growth; dominant grocer presence; major market location; and limited Wal-Mart exposure.

The Waves Apartments
488 units
Plantation, Fla. (Ft. Lauderdale area)

Senger: The delinquencies and defaults in the subprime market potentially bode well for apartment market demand as some renters may have only temporarily left the rental market. The slack in for-sale housing, however, has also created some impediments in some markets where recently purchased condominiums and investment properties are increasingly competing for renters. Markets faced with significant for-sale housing market woes will likely face rental pricing power issues throughout 2008, and perhaps into 2009.

Pierzak: In the industrial sector, the focus has been increasingly on the movement of goods, rather than the manufacture of goods. Although warehouse and distribution facilities located in port cities and primary distribution/transportation hubs remain preferred investments, there have been some initial concerns over supply in some of these markets, particularly for large warehouse facilities. A weakening economy places further pressures on the sector's fundamentals. These concerns reinforce the need for a strategy that incorporates a "top-down, bottom-up" perspective for market and asset selection.

Senger: Finally, the weakening employment situation is anticipated to impact office demand. As a result, the strength in office fundamentals is expected to wane. The outlook for office markets, however, should not be generalized as the experiences across markets and locations are not expected to be uniform. Henderson maintains a general preference for coastal markets and those markets with significant business-to-business exposure. Smaller properties in coastal, infill, high barriers-to-entry locations remain a key component of our investment strategy. ❖

CORPORATE CONTACTS
1 Financial Plaza, 19th Floor • Hartford, CT 06103 • www.hendersonna.com

Daniel M. McDonough, Jr.
Director of Institutional Business Development
(860) 723.8610
daniel_mcdonough@hendersonna.com

Mark D. Toomey
Director of Institutional Business Development
(860) 723.8611
mark_toomey@hendersonna.com

Sanjay Patel
Director –
Head of Consultant Relations
(860) 723.8750
sanjay_patel@hendersonna.com