



“With an uncertain economic outlook, core real estate has become more attractive for risk-averse investors seeking strong income yields.” – Robert Bellinger, Portfolio Manager

ASB Allegiance Real Estate Fund Third Quarter Report

In the third quarter, fundamentals in the national real estate market continued to improve, although at a slower pace, as moderate economic growth steadily drove absorption amid limited new supply. However, persistently high unemployment and concerns around the European debt crisis have increased investor uncertainty and undermined growth expectations. We believe that a more cautious outlook will drive continued investor interest in real estate in primary markets with strong employment drivers. With a portfolio allocation weighted toward “gateway” cities, the Fund is well positioned to continue to outperform in uncertain times.

PERFORMANCE

For the third quarter of 2011, the ASB Allegiance Real Estate Fund achieved a gross quarterly return of 3.04%, consisting of 1.22% in income and 1.80% in appreciation¹. Over the past year, the Fund has returned 5.3% in income and 12.6% in appreciation for a total return of 18.6%¹. We are pleased that over the past ten years, which included two very tough recessions, our Allegiance Fund earned an annual compound return of 7.2% which included a 5.4% income return. While the NFI-ODCE Equal Weight measured a higher return of

Third Quarter 2011 Returns

Gross Return, Third Quarter:	3.04%
Gross Return, One Year:	18.56%
Gross Return, Three Years:	-3.92%
Gross Return, Inception to Date:	7.50%
Net Asset Value:	\$1.57 Billion

3.48% in the third quarter, the Fund has consistently outperformed the benchmark over the one, three, five and ten-year periods. Most notably, the Fund has performed in the top quartile of open end funds both during the downturn and during the rebound.

Our third quarter appreciation was driven by a strong return in our residential and flex/office portfolios. The residential portfolio saw moderate cap rate compression and continued rent growth mostly in our in-fill urban assets. Apartment fundamentals have been exceptional as tight residential lending standards and on-going foreclosure challenges have pushed homeownership rates to near 15-year lows. Furthermore, disproportionate

¹ The sum of income and appreciation returns may not equal total return due to the compounding of individual component returns with each other.



ASB Allegiance Real Estate Fund Quarterly Update

employment gains among young adults and modest new supply are likely to continue to create pricing power for landlords well into 2012.

Moderate cap rate compression in combination with new leasing activity from technology tenants in our flex buildings also contributed to appreciation. Nationally, office absorption has been steady but not robust, as employers are reticent to commit to full-time hiring or new leasing decisions. The large inventory of shadow supply available for sublease means that absorption will likely not grow meaningfully until at least 2013. However, hiring and leasing demand from the IT and energy sectors have been notable exceptions. Although technology and energy employers only occupy 21% of all office space, they are currently responsible for 43% of all leasing activity according to Jones Lang LaSalle. In the third quarter, ASB enjoyed the benefit of this

leasing momentum from technology-oriented tenants with a 36,000 square foot lease at the Class-A Infomart building in Dallas, TX. The asset enjoys 92% occupancy and a balanced lease expiration profile with only 5% of the leasable area rolling before 2014.

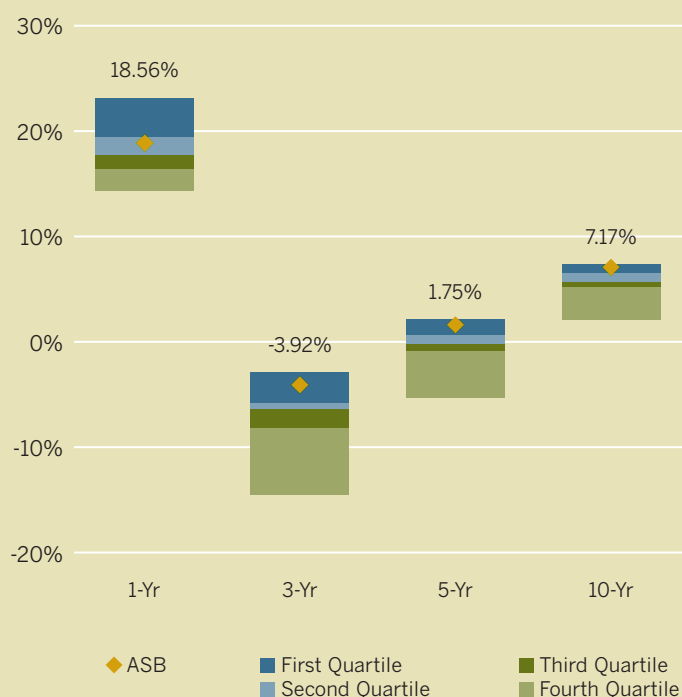
During the third quarter, we proactively signed an early renewal with Capella Education, the Fund's largest office tenant which occupies the Capella Tower in downtown Minneapolis. The 420,000 square foot lease was executed at market rents with little additional tenant improvement expenditure. Although the tenant slightly reduced their footprint, the lease which expires in seven years, provides stability and long-term value to the asset. The Capella Tower has historically been a strong performer for ASB and was a stabilizing asset for the portfolio during the downturn. Since 2006, the Capella Tower has outperformed the NPI by over 153 basis points annually on an unlevered total return basis, highlighting the strategic benefit of investing in the Minneapolis market which ranks in the top ten MSAs for employment growth 2011 year-over-year.

At Colorado Center, our Class-A mixed-use office and retail investment located in Denver, we signed a ten-year, 51,000 square foot lease with Willis Group, a global insurance provider. With the execution of this credit lease, the Tower II building at Colorado Center is now 97% occupied with no near-term rollover. In this calendar year, we have executed over 151,000 square feet of leasing at Colorado Center, underscoring the prudence of owning mixed-use, transit-oriented investments that provide a convenient and dynamic experience for tenants.

ECONOMIC OUTLOOK

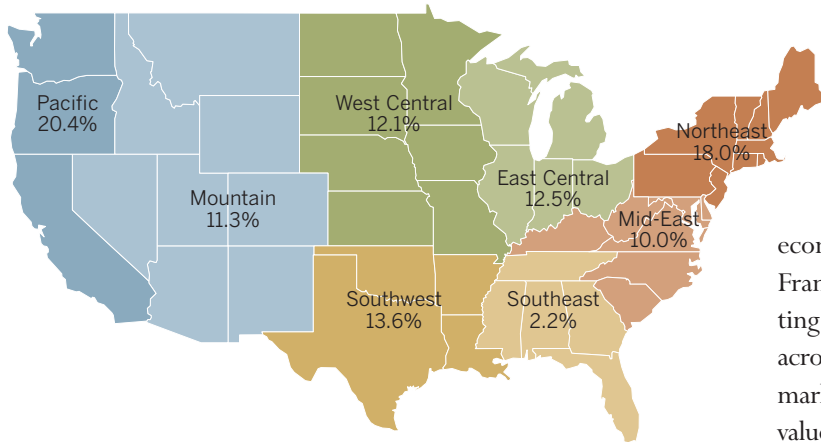
Given a U.S. debt downgrade, conflict in North Africa and the Middle East, volatile energy markets, an ongoing European debt crisis, and stagnant unemployment, investor confidence has been challenged. The economy added 287,000 new jobs from July to September, and although September gains were slightly above expectation, unemployment remains unchanged at 9.1%. Steady additions to private sector employment led by professional and business service roles in high-tech and energy-related industries were partially offset by continuing layoffs from state and local governments struggling with budget deficits.

ASB vs. NFI-ODCE EW Return Quartiles 9/30/11



The ASB Allegiance Real Estate Fund is benchmarked against NCREIF's NFI-ODCE Index (presented on an equal weighted basis), which tracks the performance of other national open-end core equity real estate investment vehicles. All performance is presented gross of investment fees through 9/30/11, as of the Fund's Inception date of June 1984. Past performance is not necessarily indicative of future results.

ALLEGIANCE FUND REGIONAL DIVERSIFICATION (NAV)



Expectations by market participants seem to oscillate almost daily as mixed economic data is consumed. As investors look for clarity in an opaque and uncertain economic landscape, there is cause for optimism. Despite low consumer confidence, retailers are optimistic for the upcoming holiday shopping season following consistently healthy retail sales data with September sales showing an 8.1% year-over-year improvement. Furthermore, steady private sector growth coupled with all-time high corporate profits suggest that hiring could pick up meaningfully once confidence returns. Finally, energy prices have receded, and borrowing costs remain low while core inflation remains in check, suggesting that interest rates are likely to remain low until stronger economic growth gains momentum.

We believe that investors will increasingly embrace core real estate as an asset class which offers exceptional value and strong risk-adjusted returns in these uncertain, volatile markets. The trailing 12-month NFI-ODCE income yield exceeded the ten-year treasury yield by over 370 basis points as of quarter-end. This spread is likely to remain in place for the foreseeable future given low core inflation and continued Fed buying of longer-dated treasuries. Furthermore, we believe that should a negative outlook be reinforced with new information, a risk-averse orientation will only render a diversified real estate investment even more attractive given that real estate is a tangible asset class that provides protection against inflation.

Consistent with recent news, economic growth as well as the real estate market performance will vary by region. As technology is expected to continue to drive new employment in the near-term, high-barrier real estate markets with strong technology sectors and diversified

economies such as Boston, West Los Angeles, the San Francisco Bay Area, and Washington D.C., are benefiting from steady employment growth and net absorption across asset classes. Among the growth economies, these markets have solid potential for above-average long-term value appreciation. We will continue to search for investment opportunities in these areas.

PORTFOLIO HIGHLIGHTS

The ASB Allegiance Real Estate Fund has over 360 commercial tenants in 130 buildings in 22 major markets. ASB utilizes a conservative leverage profile, designed to help guard against the downside and provide superior risk-adjusted returns to investors. The Fund continues to be well-capitalized to meet its obligations and its operating objectives and is well-positioned to take advantage of market opportunities.

Reflecting strong historic performance and potential future upside, the Fund has welcomed in approximately \$200 million in contributions over the last four quarters, comprising 17 first-time pension fund clients.

We are projecting 2011 income of approximately \$72 million, representing a 14% increase over 2010, which is primarily attributable to office leasing from 2010 and strong NOI gains in the residential portfolio. Our recent



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leasing gains should increase income further in 2012. Illustrative of the Fund's income growth potential, a 2% increase in our occupancy rate at our in-place rents would raise annual income by approximately 6% or \$4,000,000.

The portfolio's operating occupancy as of September 30, 2011 increased to 87%, up from 86% at the end of the second quarter. The improvement was driven by gains in our residential portfolio, which increased occupancy by 400 basis points to 96% over the quarter. New leasing during the quarter represents over \$1.5 million in incremental NOI once tenants commence paying rent.

PROPERTIES ACQUIRED

1315 Santa Monica: We are pleased to announce our acquisition of 1315 Lincoln Boulevard with Lincoln Property company, a long-term partner. The asset is a recently-constructed Class-A mixed-use office/retail building located in the "Silicon Beach" section of Santa Monica. This submarket has experienced robust leasing from technology tenants who have lowered vacancy for creative office space below 5% putting upward pressure on rents.

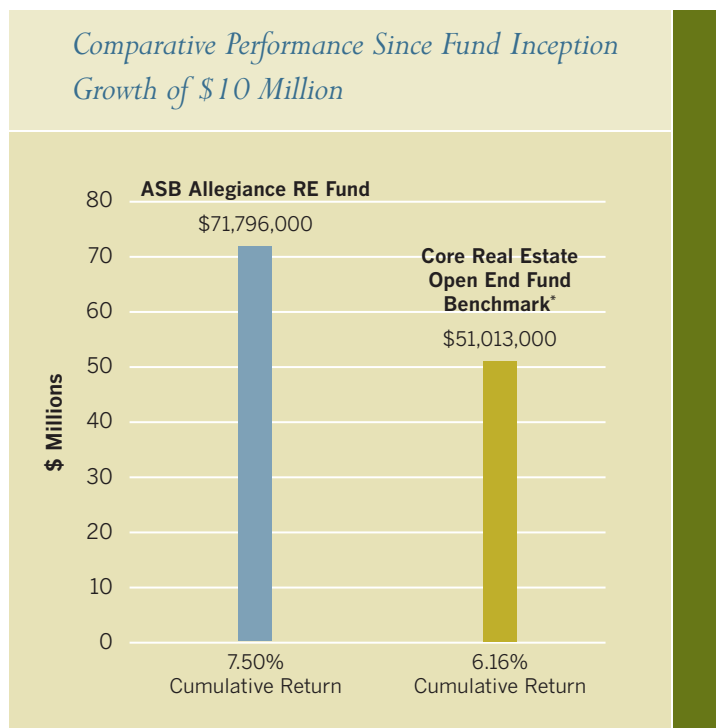
PROPERTIES SOLD

Resource – Tanglewood: The Fund sold this 634-unit suburban apartment asset in September for \$35 million, representing a 16% premium to book value. As the seller, ASB capitalized on investor optimism in Houston, TX, a market with strong job growth but little to no supply constraints. The sale represents our continued strategic focus on competitive core markets with strong economies and barriers to entry.

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