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City of San Jose Police and Fire Department Retirement Plan

First Quarter 2015 Private Markets Review – Real Estate

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8-25-2015 JOINT IC PF ITEM # 7

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Information Disclosure

- NEPC, LLC uses, as its data source, the Plan's fund manager and custodian bank or fund service company, and NEPC, LLC relies on those sources for all transactions, including capital calls, distributions, income/expense and reported values. While NEPC, LLC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- The Investment Performance Analysis is provided as a management aid for the client's internal use only. Portfolio performance reported in the Investment Performance Analysis does not constitute a recommendation by NEPC, LLC.
- Information in this report on market indices and security characteristics is received from sources external to NEPC, LLC. While efforts are made to ensure that this external data is accurate, NEPC, LLC cannot accept responsibility for errors that may occur.



August 2015

Board of Administration
 City of San Jose Police and Fire Department Retirement Plan
 1737 North First Street
 San Jose, CA 95112

RE: Real Estate Performance – 1st Quarter 2015

Dear Board of Administration Members:

We are pleased to present the March 31, 2015 Real Estate Performance Summary for the City of San Jose Police and Fire Department Retirement Plan (the "Plan"). The report provides a variety of performance analysis for the overall portfolio, as well as trailing performance and performance by lifecycle, vintage year and strategy.

The Plan's real estate portfolio experienced a positive quarter, producing a nominal IRR of 3.3% for the quarter and 12.0% for the past year. The annualized IRR of the real estate portfolio since inception was 11.2% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.27x.

The following table presents the status of the Plan's real estate program as of March 31, 2015:

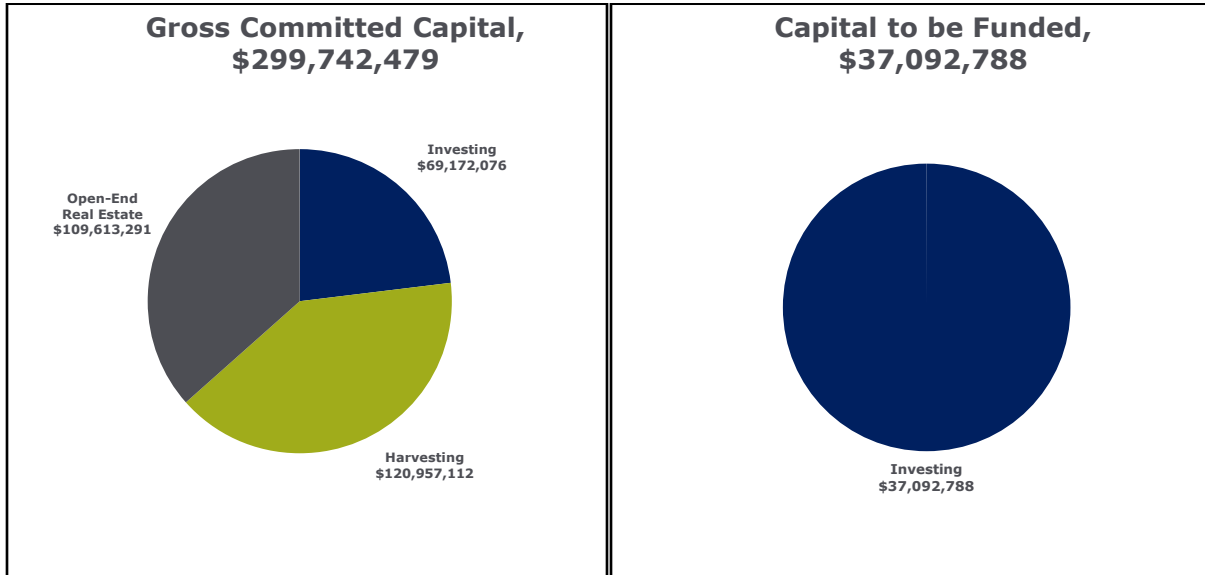
Commitments	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$299,742,479	\$0	\$262,649,691	\$144,503,435	\$189,116,288	87%	0.54

Unfunded Commitments	Market Exposure (Reported Value + Unfunded Commitments)	Total Fund Composite as of 3/31/2015	Real Estate Target	Reported Value as a % of Total Fund	Market Exposure as a % Total Fund
\$37,092,788	\$226,209,076	\$3,165,755,146	7%	6.0%	7.1%

Total Value (Reported Value + Distributions)	Total Value To Paid In Capital	Internal Rate of Return IRR, Since Inception (Sept 2010)
\$333,619,723	1.27	11.2%

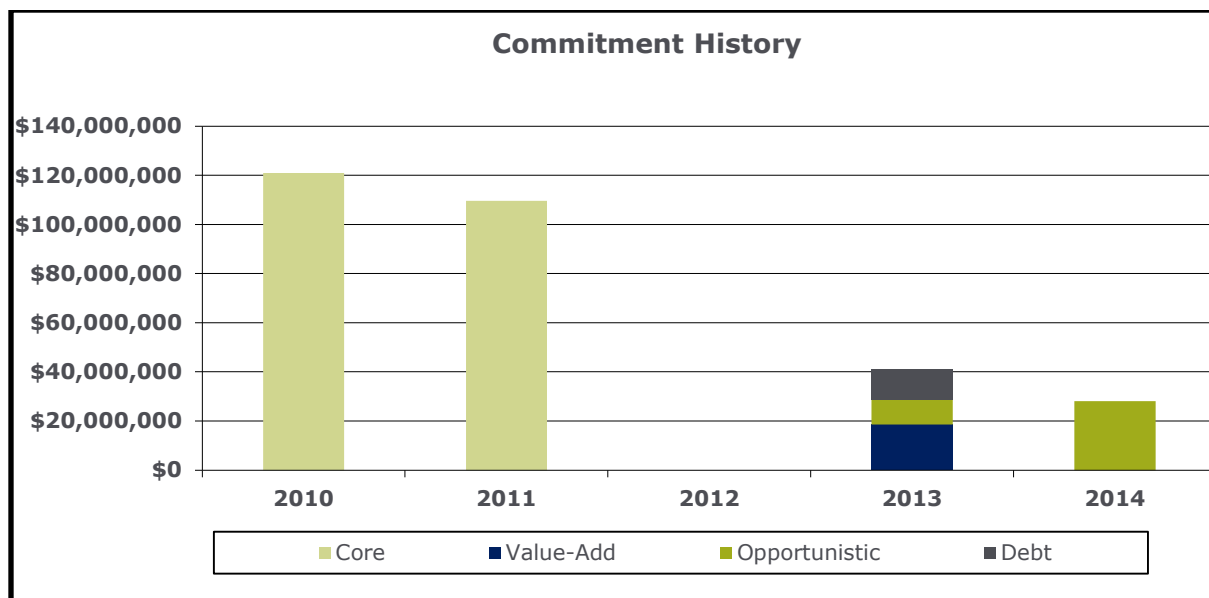


As of March 31, 2015, the Plan had net commitments totaling \$299.7 million to 8 real estate funds. Of the 8 funds in the Plan's Real Estate portfolio, 6 are in the investing stage, 1 fund is in the harvesting stage, and 1 fund has an open-end real estate structure. The following charts illustrate the program's current life cycle:



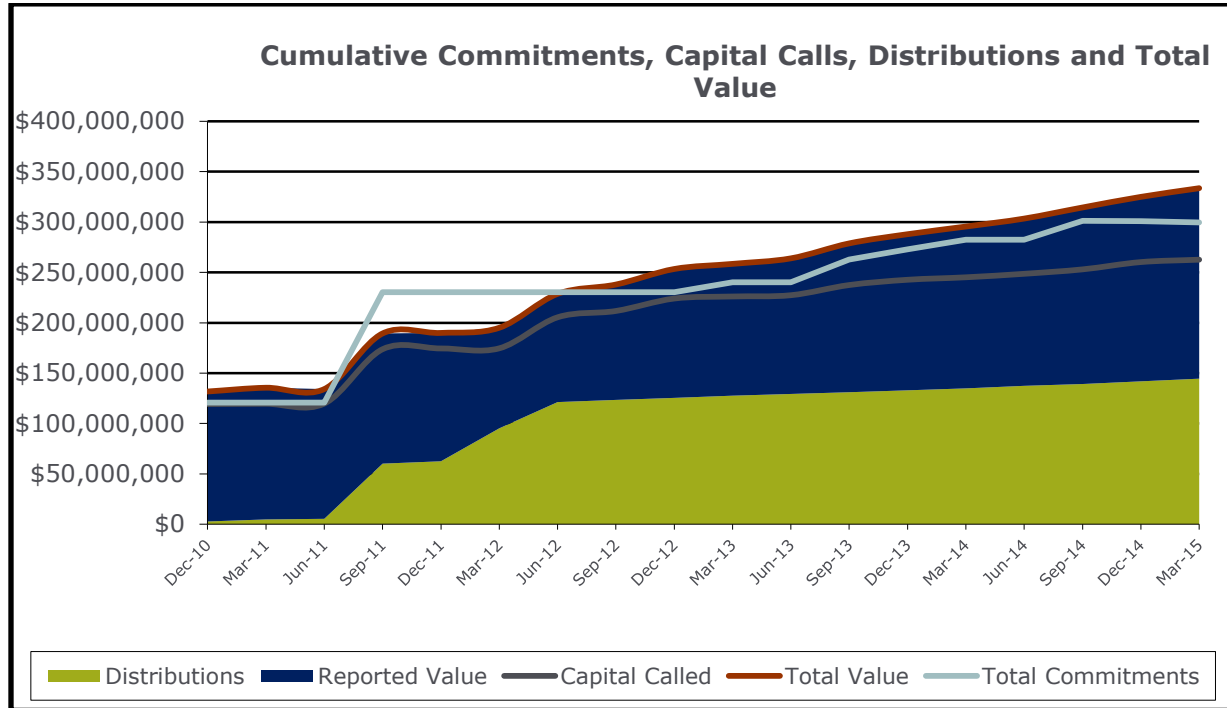
Note: "Open-End Real Estate" is the American Core Realty Fund.
 "Harvesting" currently represents the separately managed portfolio managed by American Realty, which consists of legacy properties from the Plan's separately managed real estate program. As the Plan's investments in real estate mature, additional funds will be classified as "Harvesting".

The following chart illustrates the commitment history of the Plan's real estate program through March 31, 2015:

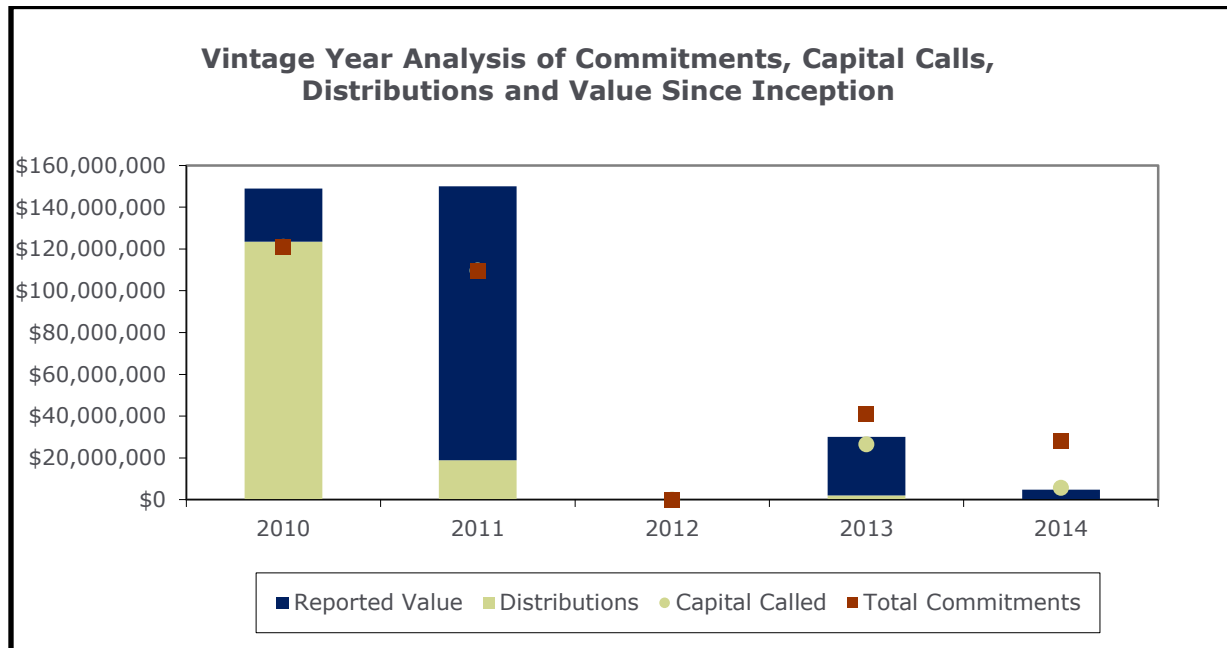




The following chart illustrates the Plan’s cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through March 31, 2015:



The following chart provides an analysis of the Plan’s vintage year performance comparing the capital calls to the distributions and reported value through March 31, 2015:

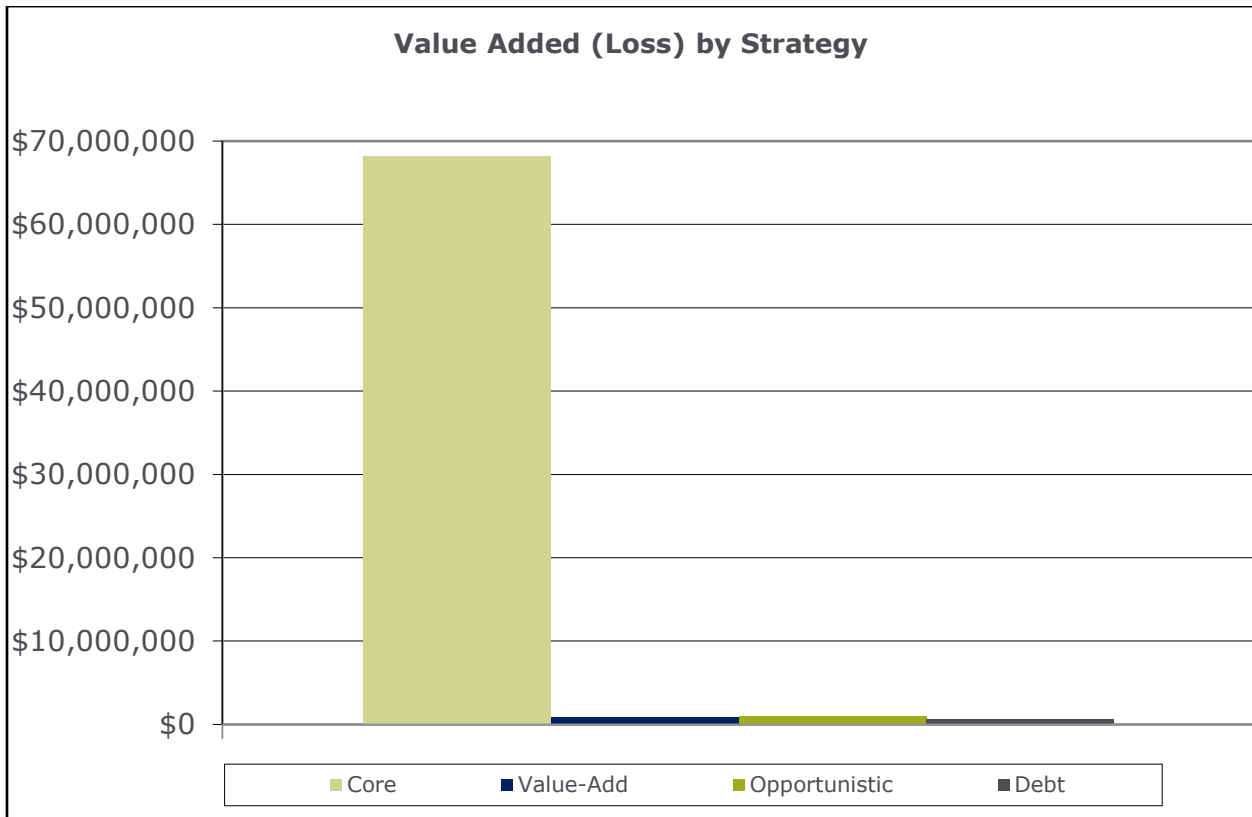




During the quarter-ended March 31, 2015, the Plan funded capital calls from 7 of the Plan’s real estate funds and received distributions from 5 of the Plan’s real estate funds. The summary of the cash flows follows is as follows:

Calls & Expenses Funded during the Quarter	Number of Funds Calling Capital & Expenses	Distributions during the Quarter	Number of Funds Making Distributions	Net Cash/Stock Flows for the Quarter
\$2,462,933	7	\$2,654,938	5	\$192,005

Since inception, the real estate program has gained \$70.7 million in value for the Plan. Core has added \$68.2 million; Value-Add has added \$0.9 million; Opportunistic has gained \$0.9 million; and Debt has added \$0.6 million.

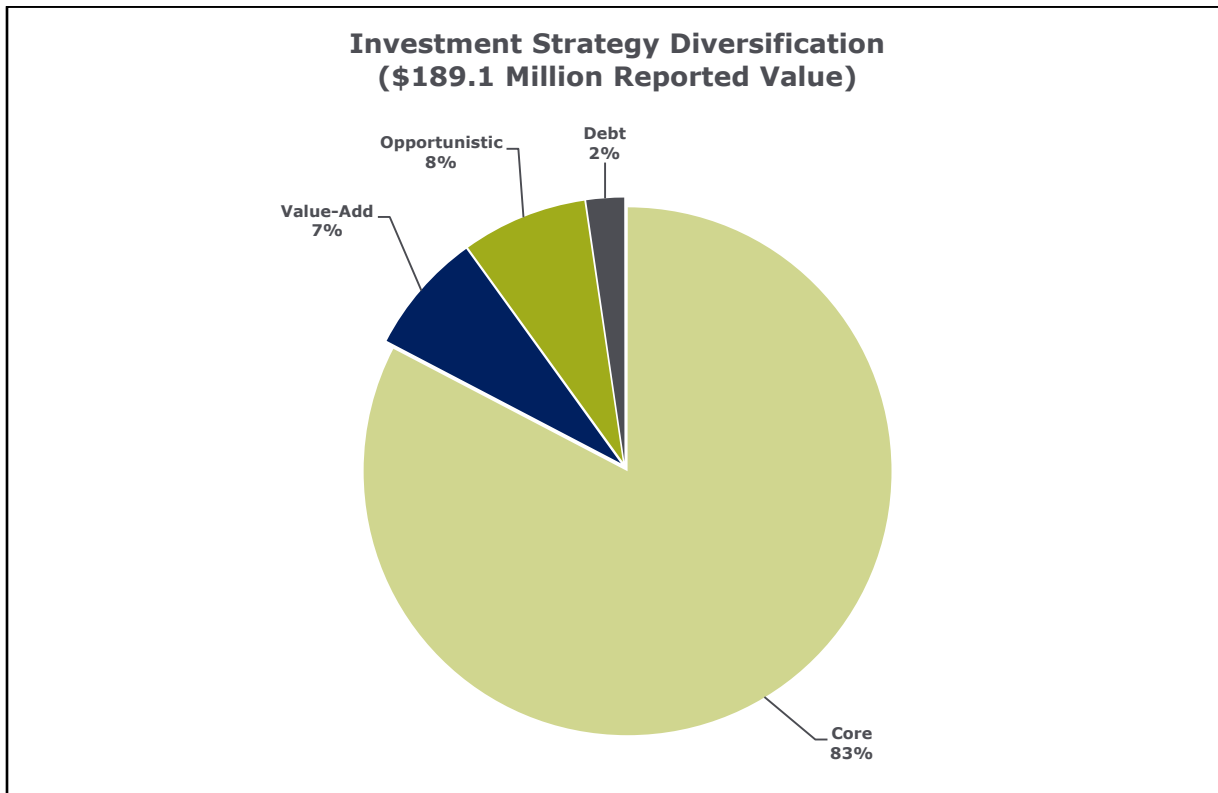




The following table compares the recommended investment strategy allocation to the Plan's actual allocation using the reported value at quarter end.

Investment Strategy	Target	Min.	Max.	Reported Value	Unfunded Commitment	Total Exposure
Core	45%	25%	65%	69.1%	-	69.1%
Value-Add	20%	0%	40%	6.2%	2.1%	8.3%
Opportunistic	20%	0%	40%	6.4%	10.7%	17.0%
Debt	5%	0%	15%	1.9%	3.6%	5.6%
REITs/REOCs	10%	0%	20%	-	-	-
Totals	100%			83.6%	16.4%	100.0%

As of March 31, 2015, the 8 real estate funds in the Plan's portfolio were invested by market value in the following strategies:





Annual Meetings Scheduled by the Real Estate Managers

- No meetings scheduled

Fiscal Year 2015 Strategic Plan Summary

- ✓ \$20 million to Value-Add/Opportunistic
 - €20 million commitment to Tristan EPISO 4
- \$10 million to REITs/REOCs

Fiscal Year 2014 Strategic Plan Summary

- ✓ \$40 million to Value-Add/Opportunistic
 - \$20 million commitment to Och-Ziff Real Estate Fund III
 - \$20 million commitment to KSL Capital Partners IV

We thank you for the opportunity to work with the City of San Jose Police and Fire Department Retirement Plan and look forward to continued success in the future.

Best regards,

Daniel LeBeau
Consultant

Allan Martin
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Sean Ruhmann
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Director of Real Assets Research

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**San Jose Police and Fire
Executive Summary IRR Performance Report**

3/31/2015

Investment	Vintage Year	Commitment	Qtr TD	YTD	1 Year	3 Year	5 Year	Inception
American Realty Separate Account	2010	120,957,112	2.84	2.84	18.21	17.10	N/A	11.40
American Core Realty Fund	2011	109,613,291	4.23	4.23	11.99	11.34	N/A	11.32
TA Realty Fund X	2013	10,000,000	3.03	3.03	13.21	N/A	N/A	12.56
Tristan EPISO 3	2013	8,605,599	-8.22	-8.22	-24.95	N/A	N/A	-24.59
Brookfield SREP	2013	10,000,000	4.20	4.20	21.41	N/A	N/A	22.68
Orion European Real Estate Fund IV	2014	8,066,478	-8.91	-8.91	-21.27	N/A	N/A	-30.20
OZ Real Estate Fund III	2014	20,000,000	-11.57	-11.57	N/A	N/A	N/A	-55.69
Blackstone REDS II	2013	12,500,000	1.87	1.87	7.96	N/A	N/A	9.41
Total: San Jose Police and Fire Department Retirer.		299,742,479	3.32	3.32	12.02	11.94	N/A	11.21

Note: Performance shown here and on the pages that follow for Orion, Och-Ziff and Tristan are largely impacted by the J-Curve effect, which illustrates the tendency of private real estate funds to deliver negative returns early in their investment periods as little income is generated and management fees are collected on committed (not invested) capital. We expect the impact of the J-Curve to be lessened as these funds mature and investments are realized. Strategy and vintage year diversification helps mitigate the impact of the J-Curve on portfolio returns for the aggregate real estate program.

Composite IRRS include all flows of the selected investments regardless of the start date of the investment. "N/A" will be displayed if the investment has insufficient cash flows for the period

**San Jose Police and Fire
Performance Analysis**

3/31/2015

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
1 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	18,914,542	131,033,156	149,947,699	40,334,407	100 %	0.17	1.37	11.32 %
2 American Realty Separate Account	2010	120,957,112	120,957,112	0	0	123,535,035	25,299,747	148,834,782	27,877,670	100 %	1.02	1.23	11.40 %
3 Blackstone REDS II	2013	12,500,000	4,307,243	8,192,757	0	519,172	4,394,522	4,913,694	606,451	34 %	0.12	1.14	9.41 %
4 Brookfield SREP	2013	10,000,000	8,314,027	1,685,973	59,953	683,378	9,679,000	10,362,378	1,988,398	83 %	0.08	1.24	22.68 %
5 Orion European Real Estate Fund IV	2014	8,066,478	4,450,652	3,615,825	0	52,501	3,664,900	3,717,401	-733,251	55 %	0.01	0.84	-30.20 %
6 OZ Real Estate Fund III	2014	20,000,000	1,170,867	18,829,133	225,000	0	1,084,108	1,084,108	-311,759	6 %	0.00	0.78	-55.69 %
7 TA Realty Fund X	2013	10,000,000	9,500,000	500,000	17,425	798,807	10,187,743	10,986,550	1,469,125	95 %	0.08	1.15	12.56 %
8 Tristan EPISO 3	2013	8,605,599	4,336,499	4,269,100	13,681	0	3,773,111	3,773,111	-577,070	50 %	0.00	0.87	-24.59 %
8 Total Partnerships		299,742,479	262,649,691	37,092,788	316,059	144,503,435	189,116,288	333,619,723	70,653,972	88 %	0.55	1.27	11.21 %

Note: Additional fees shown here and on the pages that follow for Och-Ziff Real Estate Fund III represents management fees paid to the manager. Additional fees shown for other strategies represents interest paid by the Plan as a late investor in the respective fund. Payment of interest as a late investor allows the Plan to participate in investments made by the fund prior to the Plan's initial investment.

**San Jose Police and Fire
Lifecycle Performance Analysis**

3/31/2015

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
2 Investing													
1 Blackstone REDS II	2013	12,500,000	4,307,243	8,192,757	0	519,172	4,394,522	4,913,694	606,451	34 %	0.12	1.14	9.41 %
2 Brookfield SREP	2013	10,000,000	8,314,027	1,685,973	59,953	683,378	9,679,000	10,362,378	1,988,398	83 %	0.08	1.24	22.68 %
3 Orion European Real Estate Fund IV	2014	8,066,478	4,450,652	3,615,825	0	52,501	3,664,900	3,717,401	-733,251	55 %	0.01	0.84	-30.20 %
4 OZ Real Estate Fund III	2014	20,000,000	1,170,867	18,829,133	225,000	0	1,084,108	1,084,108	-311,759	6 %	0.00	0.78	-55.69 %
5 TA Realty Fund X	2013	10,000,000	9,500,000	500,000	17,425	798,807	10,187,743	10,986,550	1,469,125	95 %	0.08	1.15	12.56 %
6 Tristan EPIISO 3	2013	8,605,599	4,336,499	4,269,100	13,681	0	3,773,111	3,773,111	-577,070	50 %	0.00	0.87	-24.59 %
2 Investing Subtotal		69,172,076	32,079,288	37,092,788	316,059	2,053,858	32,783,384	34,837,242	2,441,895	46 %	0.06	1.08	7.79 %
3 Harvesting													
7 American Realty Separate Account	2010	120,957,112	120,957,112	0	0	123,535,035	25,299,747	148,834,782	27,877,670	100 %	1.02	1.23	11.40 %
3 Harvesting Subtotal		120,957,112	120,957,112	0	0	123,535,035	25,299,747	148,834,782	27,877,670	100 %	1.02	1.23	11.40 %
A Open End Real Estate													
8 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	18,914,542	131,033,156	149,947,699	40,334,407	100 %	0.17	1.37	11.32 %
A Open End Real Estate Subtotal		109,613,291	109,613,291	0	0	18,914,542	131,033,156	149,947,699	40,334,407	100 %	0.17	1.37	11.32 %
8 Total Partnerships		299,742,479	262,649,691	37,092,788	316,059	144,503,435	189,116,288	333,619,723	70,653,972	88 %	0.55	1.27	11.21 %

**San Jose Police and Fire
Vintage Year Performance Analysis**

3/31/2015

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
2010													
1 American Realty Separate Account	2010	120,957,112	120,957,112	0	0	123,535,035	25,299,747	148,834,782	27,877,670	100 %	1.02	1.23	11.40 %
2010 Subtotal		120,957,112	120,957,112	0	0	123,535,035	25,299,747	148,834,782	27,877,670	100 %	1.02	1.23	11.40 %
2011													
2 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	18,914,542	131,033,156	149,947,699	40,334,407	100 %	0.17	1.37	11.32 %
2011 Subtotal		109,613,291	109,613,291	0	0	18,914,542	131,033,156	149,947,699	40,334,407	100 %	0.17	1.37	11.32 %
2013													
3 Blackstone REDS II	2013	12,500,000	4,307,243	8,192,757	0	519,172	4,394,522	4,913,694	606,451	34 %	0.12	1.14	9.41 %
4 Brookfield SREP	2013	10,000,000	8,314,027	1,685,973	59,953	683,378	9,679,000	10,362,378	1,988,398	83 %	0.08	1.24	22.68 %
5 TA Realty Fund X	2013	10,000,000	9,500,000	500,000	17,425	798,807	10,187,743	10,986,550	1,469,125	95 %	0.08	1.15	12.56 %
6 Tristan EPISO 3	2013	8,605,599	4,336,499	4,269,100	13,681	0	3,773,111	3,773,111	-577,070	50 %	0.00	0.87	-24.59 %
2013 Subtotal		41,105,599	26,457,769	14,647,830	91,059	2,001,357	28,034,376	30,035,733	3,486,904	64 %	0.08	1.13	12.02 %
2014													
7 Orion European Real Estate Fund IV	2014	8,066,478	4,450,652	3,615,825	0	52,501	3,664,900	3,717,401	-733,251	55 %	0.01	0.84	-30.20 %
8 OZ Real Estate Fund III	2014	20,000,000	1,170,867	18,829,133	225,000	0	1,084,108	1,084,108	-311,759	6 %	0.00	0.78	-55.69 %
2014 Subtotal		28,066,478	5,621,519	22,444,958	225,000	52,501	4,749,008	4,801,509	-1,045,010	20 %	0.01	0.82	-36.71 %
8 Total Partnerships		299,742,479	262,649,691	37,092,788	316,059	144,503,435	189,116,288	333,619,723	70,653,972	88 %	0.55	1.27	11.21 %

**San Jose Police and Fire
Investment Strategy Performance Analysis**

3/31/2015

Partnership Name	Vintage Year	Commitment	Paid In Capital	Capital To Be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
610 RE Core													
1 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	18,914,542	131,033,156	149,947,699	40,334,407	100 %	0.17	1.37	11.32 %
2 American Realty Separate Account	2010	120,957,112	120,957,112	0	0	123,535,035	25,299,747	148,834,782	27,877,670	100 %	1.02	1.23	11.40 %
610 RE Core Subtotal		230,570,403	230,570,403	0	0	142,449,577	156,332,903	298,782,481	68,212,078	100 %	0.62	1.30	11.36 %
615 RE Value Add													
1 TA Realty Fund X	2013	10,000,000	9,500,000	500,000	17,425	798,807	10,187,743	10,986,550	1,469,125	95 %	0.08	1.15	12.56 %
2 Tristan EPISO 3	2013	8,605,599	4,336,499	4,269,100	13,681	0	3,773,111	3,773,111	-577,070	50 %	0.00	0.87	-24.59 %
615 RE Value Add Subtotal		18,605,599	13,836,499	4,769,100	31,106	798,807	13,960,854	14,759,661	892,055	74 %	0.06	1.06	6.48 %
630 RE Opportunistic													
1 Brookfield SREP	2013	10,000,000	8,314,027	1,685,973	59,953	683,378	9,679,000	10,362,378	1,968,398	83 %	0.08	1.24	22.68 %
2 Orion European Real Estate Fund IV	2014	8,066,478	4,450,652	3,615,825	0	52,501	3,664,900	3,717,401	-733,251	55 %	0.01	0.84	-30.20 %
3 OZ Real Estate Fund III	2014	20,000,000	1,170,867	18,829,133	225,000	0	1,084,108	1,084,108	-311,759	6 %	0.00	0.78	-55.69 %
630 RE Opportunistic Subtotal		38,066,478	13,935,546	24,130,931	284,953	735,879	14,428,008	15,163,887	943,388	37 %	0.05	1.07	8.50 %
644 RE Debt													
1 Blackstone REDS II	2013	12,500,000	4,307,243	8,192,757	0	519,172	4,394,522	4,913,694	606,451	34 %	0.12	1.14	9.41 %
644 RE Debt Subtotal		12,500,000	4,307,243	8,192,757	0	519,172	4,394,522	4,913,694	606,451	34 %	0.12	1.14	9.41 %
8 Total Partnerships		299,742,479	262,649,691	37,092,788	316,059	144,503,435	189,116,288	333,619,723	70,653,972	88 %	0.55	1.27	11.21 %

**San Jose Police and Fire
Transaction Summary**

1/1/2015 - 3/31/2015

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
American Core Realty Fund					
3/31/2015			1,626,580.10		-1,626,580.10
Total: American Core Realty Fund			1,626,580.10		-1,626,580.10
American Realty Separate Account					
1/26/2015	45,265.00				45,265.00
1/29/2015			95,000.00		-49,735.00
2/26/2015			104,500.00		-154,235.00
3/30/2015			261,500.00		-415,735.00
Total: American Realty Separate Account	45,265.00		461,000.00		-415,735.00
Blackstone REDS II					
3/3/2015			130,330.24		-130,330.24
3/3/2015	-21,401.24				-151,731.48
3/9/2015			2,955.80		-154,687.28
3/9/2015	-148,305.00				-302,992.28
3/16/2015	-1,286,426.00				-1,589,418.28
Total: Blackstone REDS II	-1,456,132.24		133,286.04		-1,589,418.28
Brookfield SREP					
1/8/2015			22,178.00		-22,178.00
1/8/2015	1,159,356.00				1,137,178.00
1/8/2015	-227,238.00				909,940.00
1/8/2015	-9,269.00				900,671.00
2/26/2015			264,857.00		635,814.00
2/26/2015	27,909.00				663,723.00
2/26/2015	-54,835.00				608,888.00
2/26/2015	-103,772.00				505,116.00
Total: Brookfield SREP	792,151.00		287,035.00		505,116.00
Orion European Real Estate Fund IV					
2/10/2015	355,055.85				355,055.85
Total: Orion European Real Estate Fund IV	355,055.85				355,055.85
OZ Real Estate Fund III					

Activity is cumulative for the period

**San Jose Police and Fire
Transaction Summary**

1/1/2015 - 3/31/2015

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
OZ Real Estate Fund III					
1/7/2015		75,000.00			75,000.00
2/4/2015	693,251.00				768,251.00
3/25/2015	250,150.00				1,018,401.00
Total: OZ Real Estate Fund III	943,401.00	75,000.00			1,018,401.00
TA Realty Fund X					
1/14/2015	1,000,000.00				1,000,000.00
2/26/2015			147,037.00		852,963.00
Total: TA Realty Fund X	1,000,000.00		147,037.00		852,963.00
Tristan EPISO 3					
1/26/2015	708,190.53				708,190.53
Total: Tristan EPISO 3	708,190.53				708,190.53
Total: San Jose Police and Fire Department Retirement Plan					
	2,387,931.14	75,000.00	2,654,938.14		-192,007.00
Total:	2,387,931.14	75,000.00	2,654,938.14		-192,007.00