



NEPC, LLC

YOU DEMAND MORE. So do we.SM



City of San Jose Police and Fire Department Retirement Plan

Third Quarter 2015 Private Markets Review – Real Estate

Daniel LeBeau
Consultant

Allan Martin
Partner

Sean Ruhmann
Principal, Director of Private
Markets Research

Chris Hill, CFA, CAIA
Research Consultant, Private Markets

255 State Street, Boston, MA 02109
TEL: 617.374.1300 | FAX: 617.374.1313 | www.nepc.com

BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

<u>Table of Contents</u>	<u>Page</u>
Summary Letter	1
Trailing Period Returns	7
Portfolio Value	8
Portfolio Value by Lifecycle	9
Portfolio Value by Vintage Year	10
Portfolio Value by Strategy	11
Transaction Summary	12

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.



January 2016

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 – 3rd Quarter 2015

Dear Board of Administration Members:

We are pleased to present the September 30, 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 4.5% for the quarter and 13.6% for the past year. The annualized IRR of the real estate portfolio since inception was 11.8% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.32x.

The following table presents the status of the Plan's real estate program as of September 30, 2015:

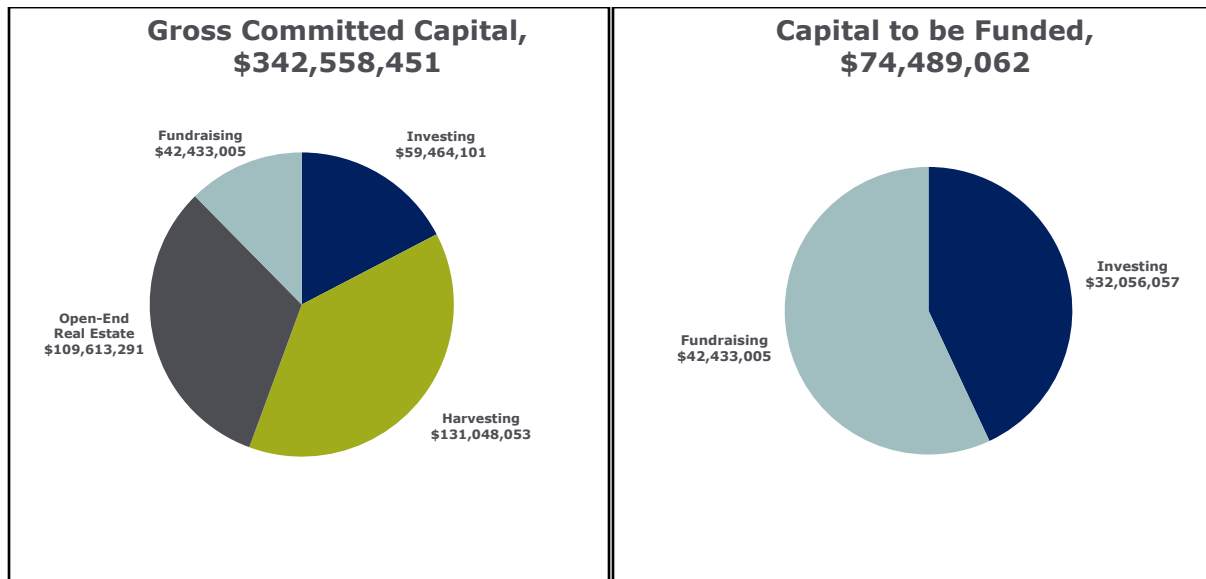
Commitments	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$342,558,451	\$0	\$268,069,389	\$150,448,415	\$204,377,592	78%	0.56

Unfunded Commitments	Market Exposure (Reported Value + Unfunded Commitments)	Total Fund Composite as of 9/30/2015	Real Estate Target	Reported Value as a % of Total Fund	Market Exposure as a % of Total Fund
\$74,489,062	\$278,866,654	\$3,079,906,871	7%	6.6%	9.1%

Total Value (Reported Value + Distributions)	Total Value To Paid In Capital	Internal Rate of Return IRR, Since Inception (Sept 2010)
\$354,826,007	1.32	11.8%

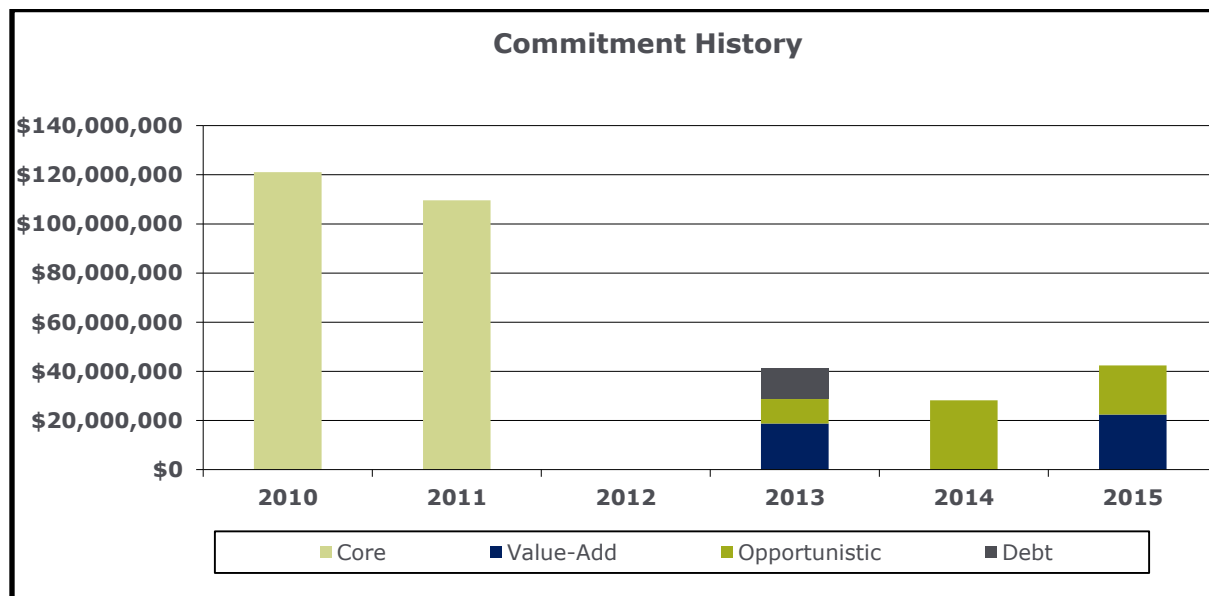


As of September 30, 2015, the Plan had net commitments totaling \$342.6 million to 10 real estate funds. Of the 10 funds in the Plan's Real Estate portfolio, 2 funds are in the fundraising stage, 5 funds are in the investing stage, 2 funds are in the harvesting stage, and 1 fund has an open-end real estate structure. The following charts illustrate the program's current life cycle:



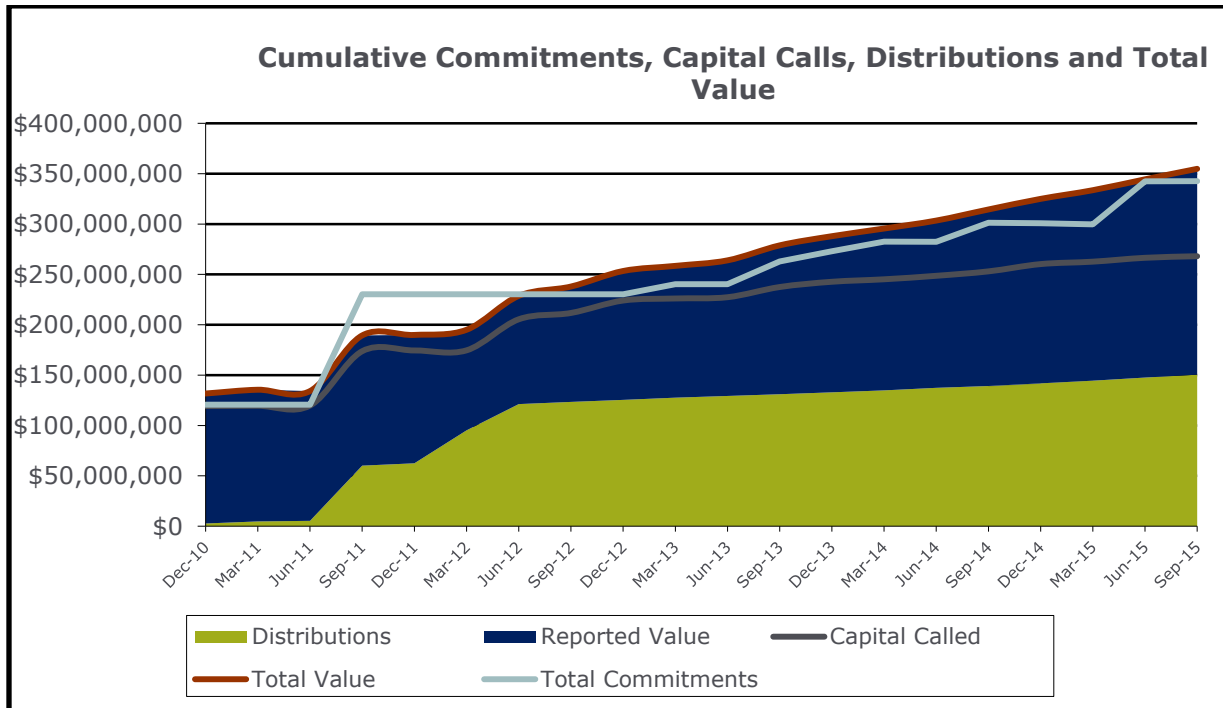
Note: "Open-End Real Estate" is the American Core Realty Fund.

The following chart illustrates the commitment history of the Plan's real estate program through September 30, 2015:

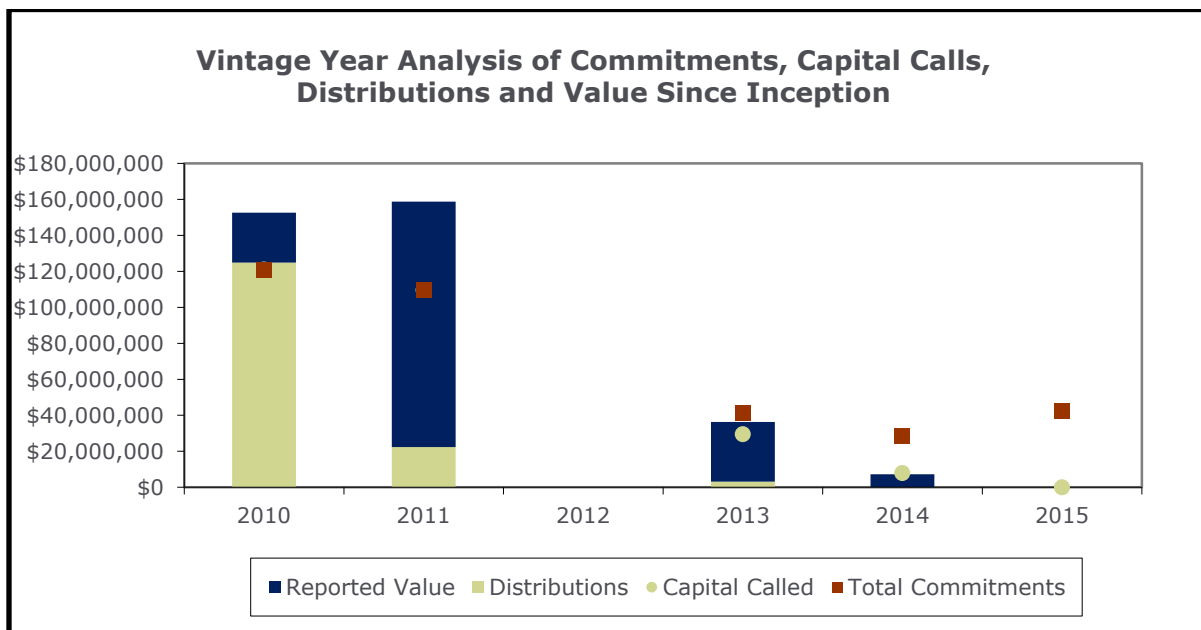




The following chart illustrates the Plan's cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through September 30, 2015:



The following chart provides an analysis of the Plan's vintage year performance comparing the capital calls to the distributions and reported value through September 30, 2015:

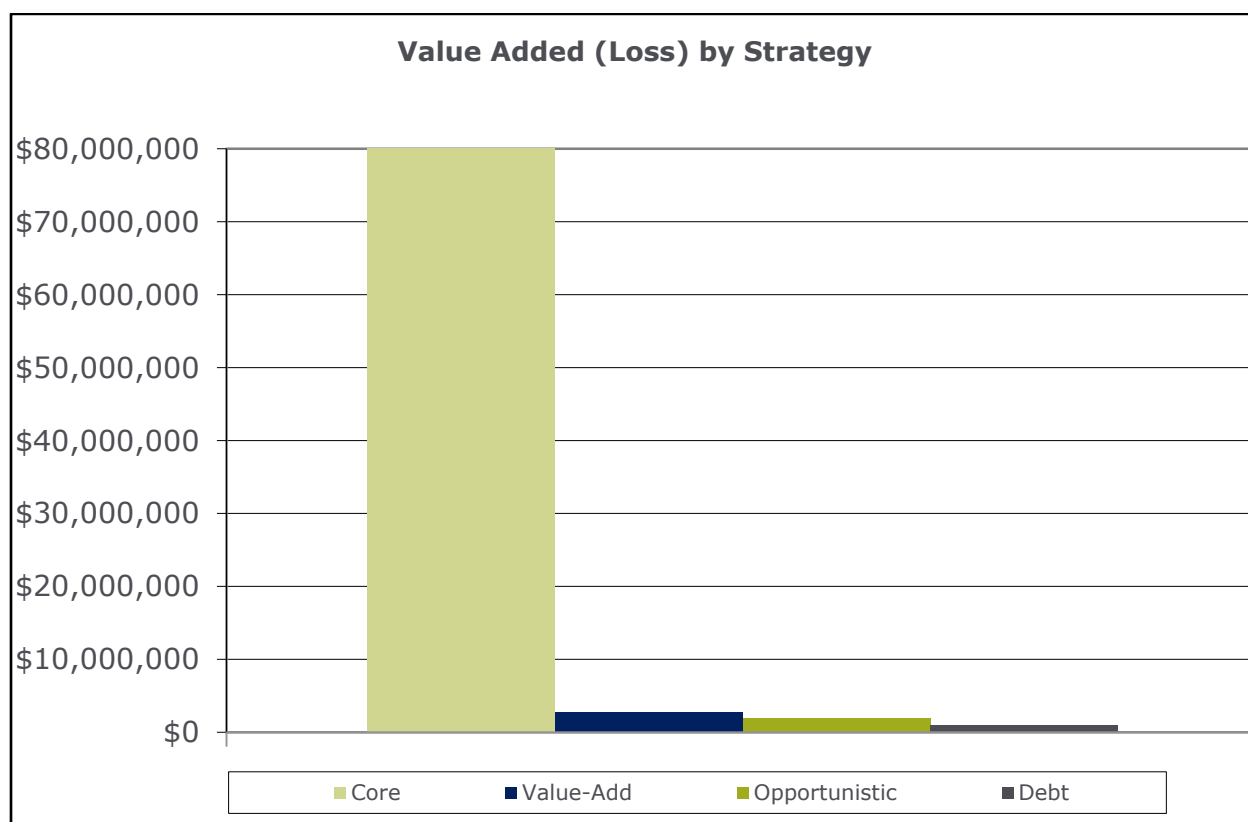




During the quarter-ended September 30, 2015, the Plan funded capital calls from 5 of the Plan's real estate funds and received distributions from 6 of the Plan's real estate funds. The summary of the cash flows follows is as follows:

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
\$1,589,164	5	\$2,856,571	6	\$1,267,407

Since inception, the real estate program has gained \$86.3 million in value for the Plan. Core has added \$80.7 million; Value-Add has added \$2.7 million; Opportunistic has gained \$1.9 million; and Debt has added \$1.0 million.

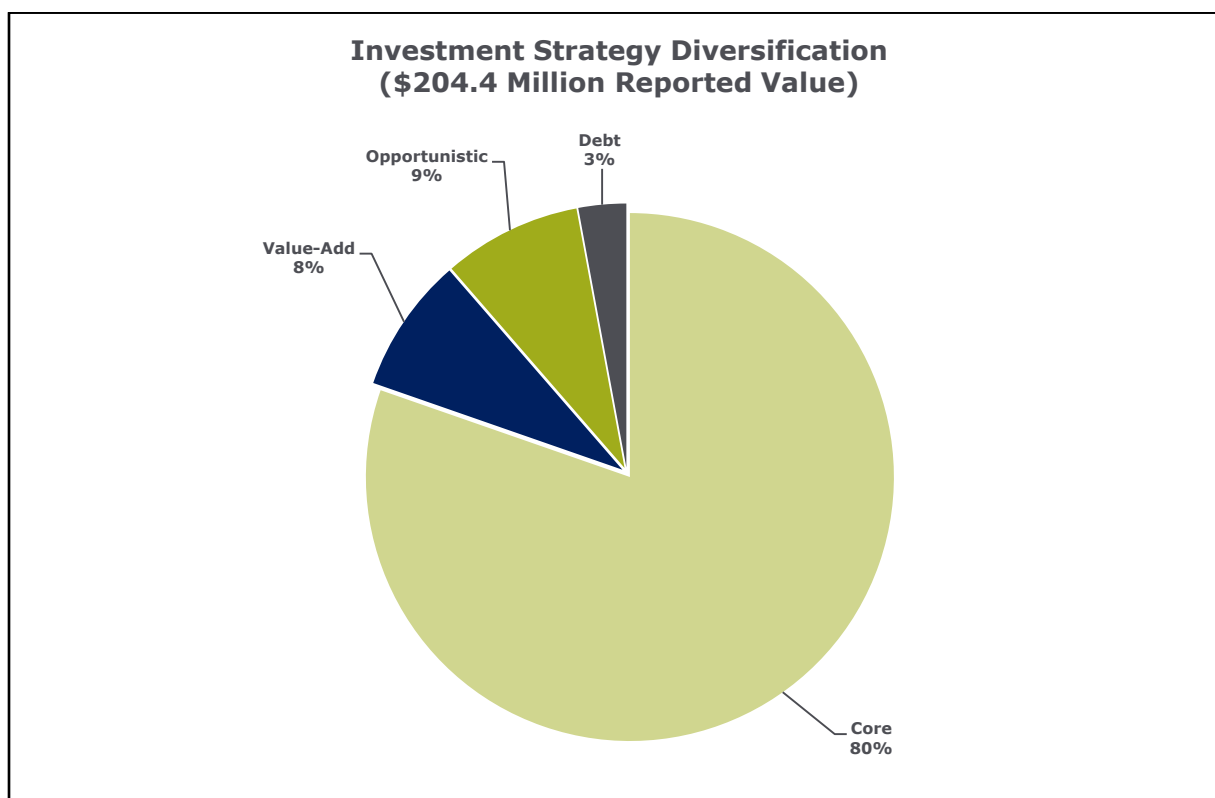




The following table compares the recommended investment strategy allocation to the Plan's actual allocation using the reported value at quarter end.

Investment Strategy	Target	Min.	Max.	Reported Value	Unfunded Commitment	Total Exposure
Core	45%	25%	65%	58.9%	-	58.9%
Value-Add	20%	0%	40%	6.1%	9.2%	15.2%
Opportunistic	20%	0%	40%	6.2%	15.1%	21.3%
Debt	5%	0%	15%	2.1%	2.4%	4.6%
REITs/REOCs	10%	0%	20%	-	-	-
Totals	100%			73.3%	26.7%	100.0%

As of September 30, 2015, the 10 real estate funds in the Plan's portfolio were invested by market value in the following strategies:





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
Partner

Sean Ruhmann
Partner
Director of Private Markets Research

Chris Hill, CFA, CAIA
Research Consultant, Private Markets

San Jose Police and Fire
Executive Summary IRR Performance Report

9/30/2015

Investment	Vintage Year	Commitment	Qtr TD	YTD	1 Year	3 Year	5 Year	Inception
American Core Realty Fund	2011	109,613,291	3.11	11.28	12.99	11.93	N/A	11.65
American Realty Separate Account	2010	121,048,053	11.65	18.15	20.02	19.66	12.69	12.03
Blackstone REDS II	2013	12,500,000	5.00	9.12	10.79	N/A	N/A	10.82
Brookfield SREP	2013	10,000,000	5.34	15.10	17.25	N/A	N/A	22.48
KSL Capital Partners IV	2015	20,000,000	N/A	N/A	N/A	N/A	N/A	N/A
Orion European Real Estate Fund IV	2014	8,212,422	-2.67	-8.17	-7.82	N/A	N/A	-15.74
OZ Real Estate Fund III	2014	20,000,000	0.61	-6.62	-16.83	N/A	N/A	-22.05
TA Realty Fund X	2013	10,000,000	3.61	11.02	14.83	N/A	N/A	13.51
Tristan EPISO 3	2013	8,751,680	12.39	15.76	16.84	N/A	N/A	9.57
Tristan EPISO 4	2015	22,433,005	N/A	N/A	N/A	N/A	N/A	N/A
Total: San Jose Police and Fire Department Retiree		342,558,451	4.48	11.81	13.58	12.95	12.02	11.79

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**

9/30/2015

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	22,306,652	136,423,187	158,729,839	49,116,548	100 %	0.20	1.45	11.65 %
2 American Realty Separate Account	2010	121,048,053	121,048,053	0	0	124,868,785	27,758,097	152,626,882	31,578,829	100 %	1.03	1.26	12.03 %
3 Blackstone REDS II	2013	12,500,000	5,759,037	6,740,963	0	748,954	5,963,805	6,712,759	953,722	46 %	0.13	1.17	10.82 %
4 Brookfield SREP	2013	10,000,000	8,113,242	1,886,758	59,953	947,709	10,206,000	11,153,709	2,980,514	81 %	0.12	1.36	22.48 %
5 KSL Capital Partners IV	2015	20,000,000	0	20,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
6 Orion European Real Estate Fund IV	2014	8,212,422	4,972,853	3,239,569	0	112,521	4,119,623	4,232,144	-740,709	61 %	0.02	0.85	-15.74 %
7 OZ Real Estate Fund III	2014	20,000,000	2,934,304	17,065,696	375,000	0	2,966,834	2,966,834	-342,470	15 %	0.00	0.90	-22.05 %
8 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	1,463,795	10,821,691	12,285,486	2,268,061	100 %	0.15	1.23	13.51 %
9 Tristan EPISO 3	2013	8,751,680	5,628,609	3,123,070	13,681	0	6,118,355	6,118,355	476,064	64 %	0.00	1.08	9.57 %
10 Tristan EPISO 4	2015	22,433,005	0	22,433,005	0	0	0	0	0	0 %	0.00	N/A	N/A
10 Total Partnerships		342,558,451	268,069,389	74,489,062	466,059	150,448,415	204,377,592	354,826,008	86,290,559	78 %	0.56	1.32	11.79 %

*** Indicates Estimated Valuation for the fund

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

9/30/2015

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 Fundraising													
1 KSL Capital Partners IV	2015	20,000,000	0	20,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
2 Tristan EPI SO 4	2015	22,433,005	0	22,433,005	0	0	0	0	0	0 %	0.00	N/A	N/A
1 Fundraising Subtotal		42,433,005	0	42,433,005	0	0	0	0	0	0 %	0.00	N/A	N/A
2 Investing													
3 Blackstone REDS II	2013	12,500,000	5,759,037	6,740,963	0	748,954	5,963,805	6,712,759	953,722	46 %	0.13	1.17	10.82 %
4 Brookfield SREP	2013	10,000,000	8,113,242	1,886,758	59,953	947,709	10,206,000	11,153,709	2,980,514	81 %	0.12	1.36	22.48 %
5 Orion European Real Estate Fund IV	2014	8,212,422	4,972,853	3,239,569	0	112,521	4,119,623	4,232,144	-740,709	61 %	0.02	0.85	-15.74 %
6 OZ Real Estate Fund III	2014	20,000,000	2,934,304	17,065,696	375,000	0	2,966,834	2,966,834	-342,470	15 %	0.00	0.90	-22.05 %
7 Tristan EPI SO 3	2013	8,751,680	5,628,609	3,123,070	13,681	0	6,118,355	6,118,355	476,064	64 %	0.00	1.08	9.57 %
2 Investing Subtotal		59,464,101	27,408,045	32,056,057	448,634	1,809,183	29,374,617	31,183,801	3,327,121	46 %	0.06	1.12	10.20 %
3 Harvesting													
8 American Realty Separate Account	2010	121,048,053	121,048,053	0	0	124,868,785	27,758,097	152,626,882	31,578,829	100 %	1.03	1.26	12.03 %
9 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	1,463,795	10,821,691	12,285,486	2,268,061	100 %	0.15	1.23	13.51 %
3 Harvesting Subtotal		131,048,053	131,048,053	0	17,425	126,332,580	38,579,788	164,912,368	33,846,890	100 %	0.96	1.26	12.10 %
A Open End Real Estate													
10 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	22,306,652	136,423,187	158,729,839	49,116,548	100 %	0.20	1.45	11.65 %
A Open End Real Estate Subtotal		109,613,291	109,613,291	0	0	22,306,652	136,423,187	158,729,839	49,116,548	100 %	0.20	1.45	11.65 %
10 Total Partnerships		342,558,451	268,069,389	74,489,062	466,059	150,448,415	204,377,592	354,826,008	86,290,559	78 %	0.56	1.32	11.79 %

San Jose Police and Fire
Vintage Year Performance Analysis

9/30/2015

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	121,048,053	121,048,053	0	0	124,868,785	27,758,097	152,626,882	31,578,829	100 %	1.03	1.26	12.03 %
2010 Subtotal		121,048,053	121,048,053	0	0	124,868,785	27,758,097	152,626,882	31,578,829	100 %	1.03	1.26	12.03 %
2011													
2 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	22,306,652	136,423,187	158,729,839	49,116,548	100 %	0.20	1.45	11.65 %
2011 Subtotal		109,613,291	109,613,291	0	0	22,306,652	136,423,187	158,729,839	49,116,548	100 %	0.20	1.45	11.65 %
2013													
3 Blackstone REDS II	2013	12,500,000	5,759,037	6,740,963	0	748,954	5,963,805	6,712,759	953,722	46 %	0.13	1.17	10.82 %
4 Brookfield SREP	2013	10,000,000	8,113,242	1,886,758	59,953	947,709	10,206,000	11,153,709	2,980,514	81 %	0.12	1.36	22.48 %
5 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	1,463,795	10,821,691	12,285,486	2,268,061	100 %	0.15	1.23	13.51 %
6 Tristan EPIISO 3	2013	8,751,680	5,628,609	3,123,070	13,681	0	6,118,355	6,118,355	476,064	64 %	0.00	1.08	9.57 %
2013 Subtotal		41,251,680	29,500,888	11,750,791	91,059	3,160,458	33,109,851	36,270,309	6,678,361	72 %	0.11	1.23	15.25 %
2014													
7 Orion European Real Estate Fund IV	2014	8,212,422	4,972,853	3,239,569	0	112,521	4,119,623	4,232,144	-740,709	61 %	0.02	0.85	-15.74 %
8 OZ Real Estate Fund III	2014	20,000,000	2,934,304	17,065,696	375,000	0	2,966,834	2,966,834	-342,470	15 %	0.00	0.90	-22.05 %
2014 Subtotal		28,212,422	7,907,157	20,305,265	375,000	112,521	7,086,457	7,198,978	-1,083,179	28 %	0.01	0.87	-17.35 %
2015													
9 KSL Capital Partners IV	2015	20,000,000	0	20,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
10 Tristan EPIISO 4	2015	22,433,005	0	22,433,005	0	0	0	0	0	0 %	0.00	N/A	N/A
2015 Subtotal		42,433,005	0	42,433,005	0	0	0	0	0	0 %	0.00	N/A	N/A
10 Total Partnerships		342,558,451	268,069,389	74,489,062	466,059	150,448,415	204,377,592	354,826,008	86,290,559	78 %	0.56	1.32	11.79 %

San Jose Police and Fire
Investment Strategy Performance Analysis

9/30/2015

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	22,306,652	136,423,187	158,729,839	49,116,548	100 %	0.20	1.45	11.65 %
2 American Realty Separate Account	2010	121,048,053	121,048,053	0	0	124,868,785	27,758,097	152,626,882	31,578,829	100 %	1.03	1.26	12.03 %
610 RE Core Subtotal		230,661,344	230,661,344	0	0	147,175,437	164,181,284	311,356,721	80,695,377	100 %	0.64	1.35	11.81 %
615 RE Value Add													
1 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	1,463,795	10,821,691	12,285,486	2,268,061	100 %	0.15	1.23	13.51 %
2 Tristan EPIISO 3	2013	8,751,680	5,628,609	3,123,070	13,681	0	6,118,355	6,118,355	476,064	64 %	0.00	1.08	9.57 %
3 Tristan EPIISO 4	2015	22,433,005	0	22,433,005	0	0	0	0	0	0 %	0.00	N/A	N/A
615 RE Value Add Subtotal		41,184,685	15,628,609	25,556,076	31,106	1,463,795	16,940,046	18,403,841	2,744,125	38 %	0.09	1.18	12.64 %
630 RE Opportunistic													
1 Brookfield SREP	2013	10,000,000	8,113,242	1,886,758	59,953	947,709	10,206,000	11,153,709	2,980,514	81 %	0.12	1.36	22.48 %
2 KSL Capital Partners IV	2015	20,000,000	0	20,000,000	0	0	0	0	0	0 %	0.00	N/A	N/A
3 Orion European Real Estate Fund IV	2014	8,212,422	4,972,853	3,239,569	0	112,521	4,119,623	4,232,144	-740,709	61 %	0.02	0.85	-15.74 %
4 OZ Real Estate Fund III	2014	20,000,000	2,934,304	17,065,696	375,000	0	2,966,834	2,966,834	-342,470	15 %	0.00	0.90	-22.05 %
630 RE Opportunistic Subtotal		58,212,422	16,020,399	42,192,023	434,953	1,060,230	17,292,457	18,352,687	1,897,335	28 %	0.06	1.12	10.07 %
644 RE Debt													
1 Blackstone REDS II	2013	12,500,000	5,759,037	6,740,963	0	748,954	5,963,805	6,712,759	953,722	46 %	0.13	1.17	10.82 %
644 RE Debt Subtotal		12,500,000	5,759,037	6,740,963	0	748,954	5,963,805	6,712,759	953,722	46 %	0.13	1.17	10.82 %
10 Total Partnerships		342,558,451	268,069,389	74,489,062	466,059	150,448,415	204,377,592	354,826,008	86,290,559	78 %	0.56	1.32	11.79 %

**San Jose Police and Fire
Transaction Summary**

7/1/2015 - 9/30/2015

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
American Core Realty Fund					
9/30/2015			1,715,490.99		-1,715,490.99
Total: American Core Realty Fund			1,715,490.99		-1,715,490.99
American Realty Separate Account					
7/30/2015			197,250.00		-197,250.00
8/28/2015			256,750.00		-454,000.00
9/4/2015	45,539.00				-408,461.00
9/29/2015			76,000.00		-484,461.00
Total: American Realty Separate Account	45,539.00		530,000.00		-484,461.00
Blackstone REDS II					
7/22/2015	-330,583.27				-330,583.27
8/13/2015	-110,900.00				-441,483.27
8/20/2015	1,670,780.00				1,229,296.73
8/27/2015	-410,719.37				818,577.36
8/31/2015			102,925.29		715,652.07
9/15/2015	270,218.00				985,870.07
Total: Blackstone REDS II	1,088,795.36		102,925.29		985,870.07
Brookfield SREP					
9/29/2015			122,024.00		-122,024.00
9/29/2015	168,684.00				46,660.00
9/29/2015	-277,947.00				-231,287.00
Total: Brookfield SREP	-109,263.00		122,024.00		-231,287.00
Orion European Real Estate Fund IV					
9/29/2015			60,019.57		-60,019.57
9/29/2015	-61,136.02				-121,155.59
Total: Orion European Real Estate Fund IV	-61,136.02		60,019.57		-121,155.59
OZ Real Estate Fund III					
7/1/2015		75,000.00			75,000.00
9/24/2015	578,509.00				653,509.00
9/24/2015	-28,280.00				625,229.00

Activity is cumulative for the period

**San Jose Police and Fire
Transaction Summary**

7/1/2015 - 9/30/2015

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
OZ Real Estate Fund III					
Total: OZ Real Estate Fund III					
	550,229.00	75,000.00			625,229.00
TA Realty Fund X					
8/26/2015			326,111.00		-326,111.00
Total: TA Realty Fund X					
			326,111.00		-326,111.00
Total: San Jose Police and Fire Department Retirement Plan					
	1,514,164.34	75,000.00	2,856,570.85		-1,267,406.51
Total:					
	1,514,164.34	75,000.00	2,856,570.85		-1,267,406.51