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City of San Jose Police and Fire Department Retirement Plan

Second Quarter 2015 Private Markets Review – Real Estate

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<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.



October 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 – 2nd Quarter 2015

Dear Board of Administration Members:

We are pleased to present the June 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 3.6% for the quarter and 13.0% for the past year. The annualized IRR of the real estate portfolio since inception was 11.4% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.29x.

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

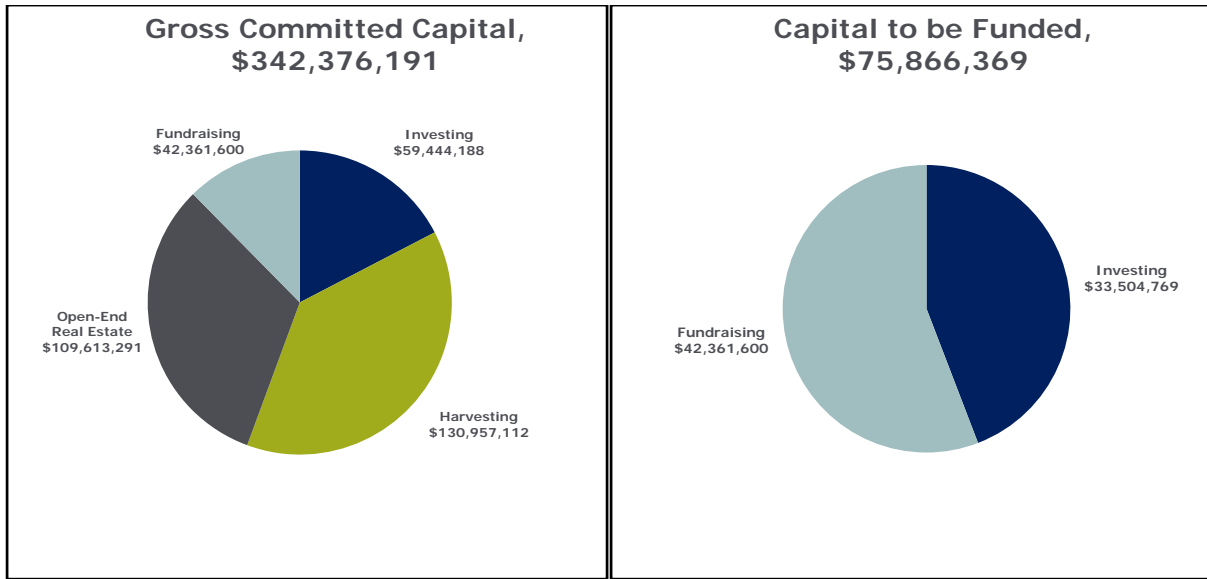
Commitments	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$342,376,191	\$0	\$266,509,823	\$147,591,845	\$196,822,051	78%	0.55

Unfunded Commitments	Market Exposure (Reported Value + Unfunded Commitments)	Total Fund Composite as of 6/30/2015	Real Estate Target	Reported Value as a % of Total Fund	Market Exposure as a % of Total Fund
\$75,866,368	\$272,688,419	\$3,150,974,140	7%	6.2%	8.7%

Total Value (Reported Value + Distributions)	Total Value To Paid In Capital	Internal Rate of Return IRR, Since Inception (Sept 2010)
\$344,413,896	1.29	11.4%

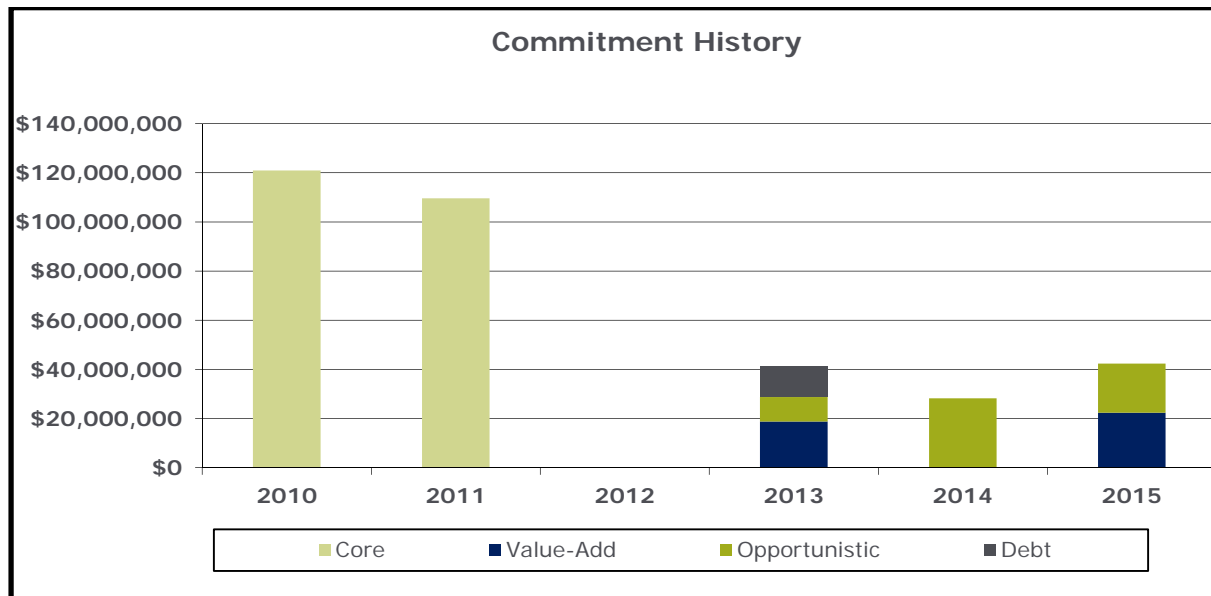


As of June 30, 2015, the Plan had net commitments totaling \$342.4 million to 10 real estate funds. Of the 10 funds in the Plan's Real Estate portfolio, 2 funds are in the fundraising stage, 5 funds are in the investing stage, 2 funds are in the harvesting stage, and 1 fund has an open-end real estate structure. The following charts illustrate the program's current life cycle:



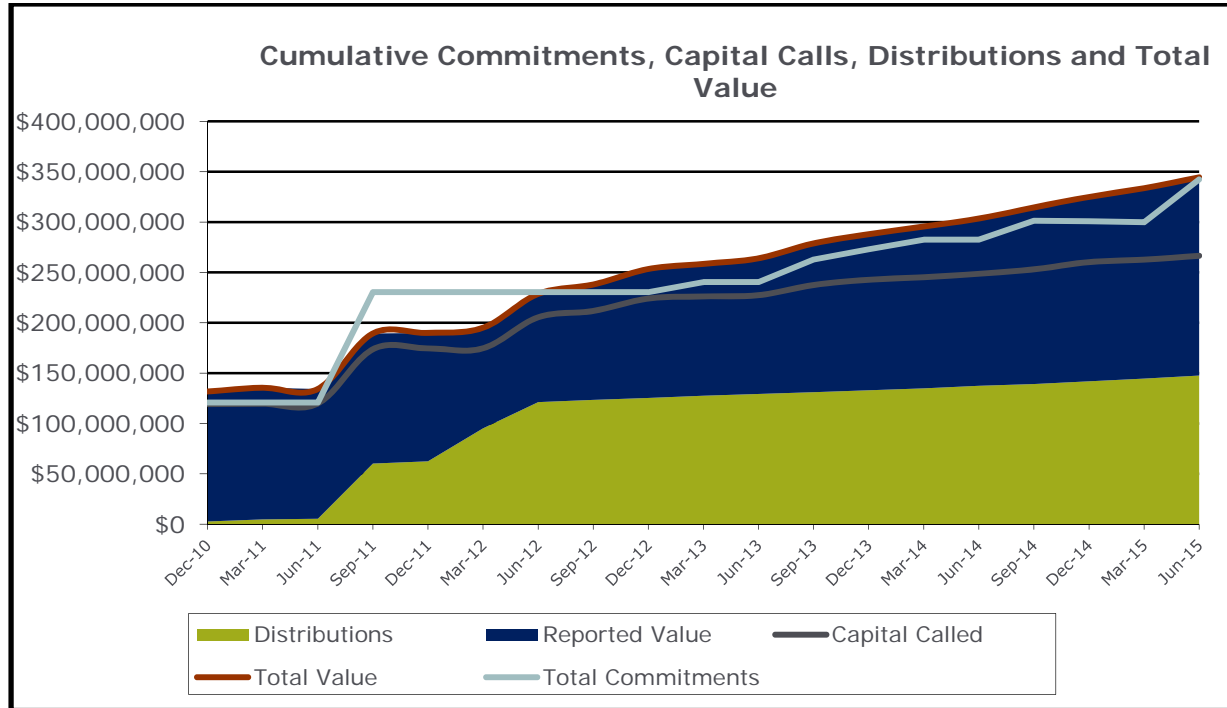
Note: "Open-End Real Estate" is the American Core Realty Fund.

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

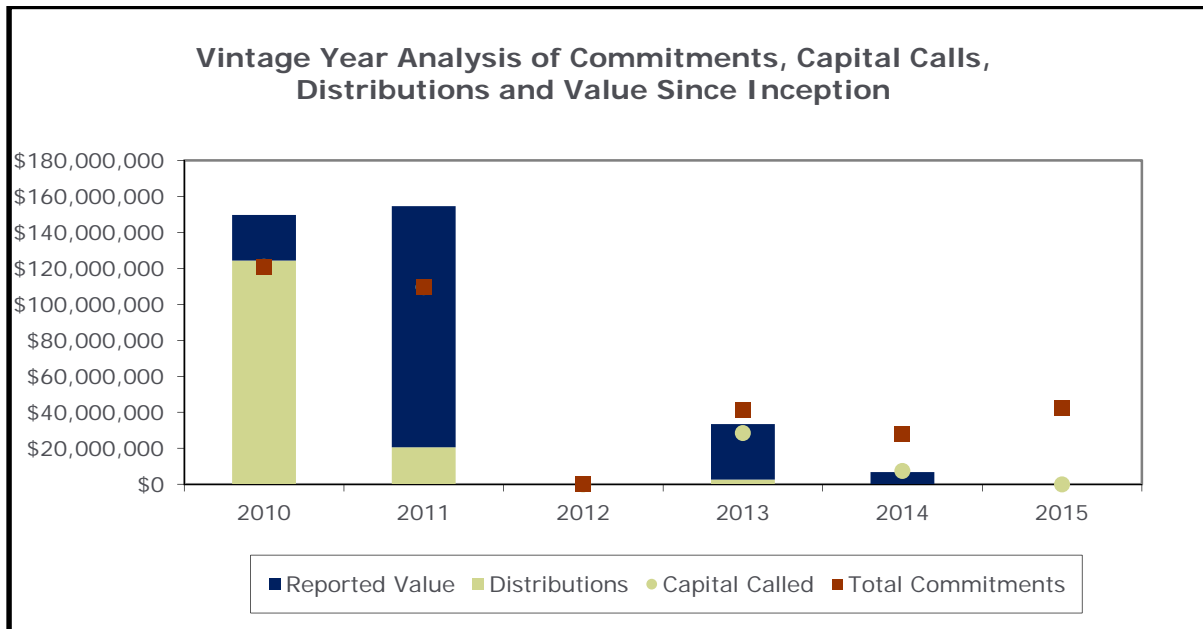




The following chart illustrates the Plan’s cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through June 30, 2015:



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

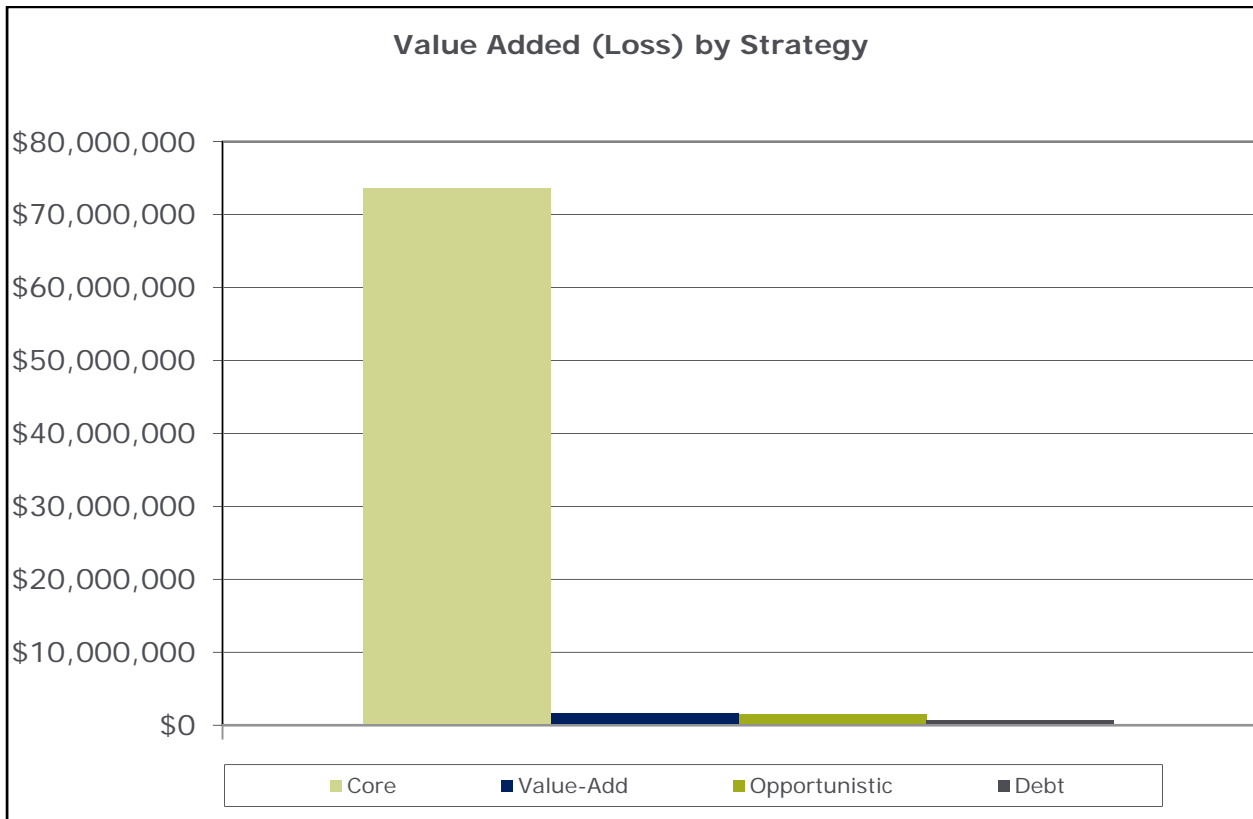




During the quarter-ended June 30, 2015, the Plan funded capital calls from 6 of the Plan's real estate funds and received distributions from 5 of the Plan's real estate funds. The summary of the cash flows follows is as follows:

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
\$3,935,131	6	\$3,088,409	5	(\$846,722)

Since inception, the real estate program has gained \$77.5 million in value for the Plan. Core has added \$73.7 million; Value-Add has added \$1.7 million; Opportunistic has gained \$1.5 million; and Debt has added \$0.7 million.

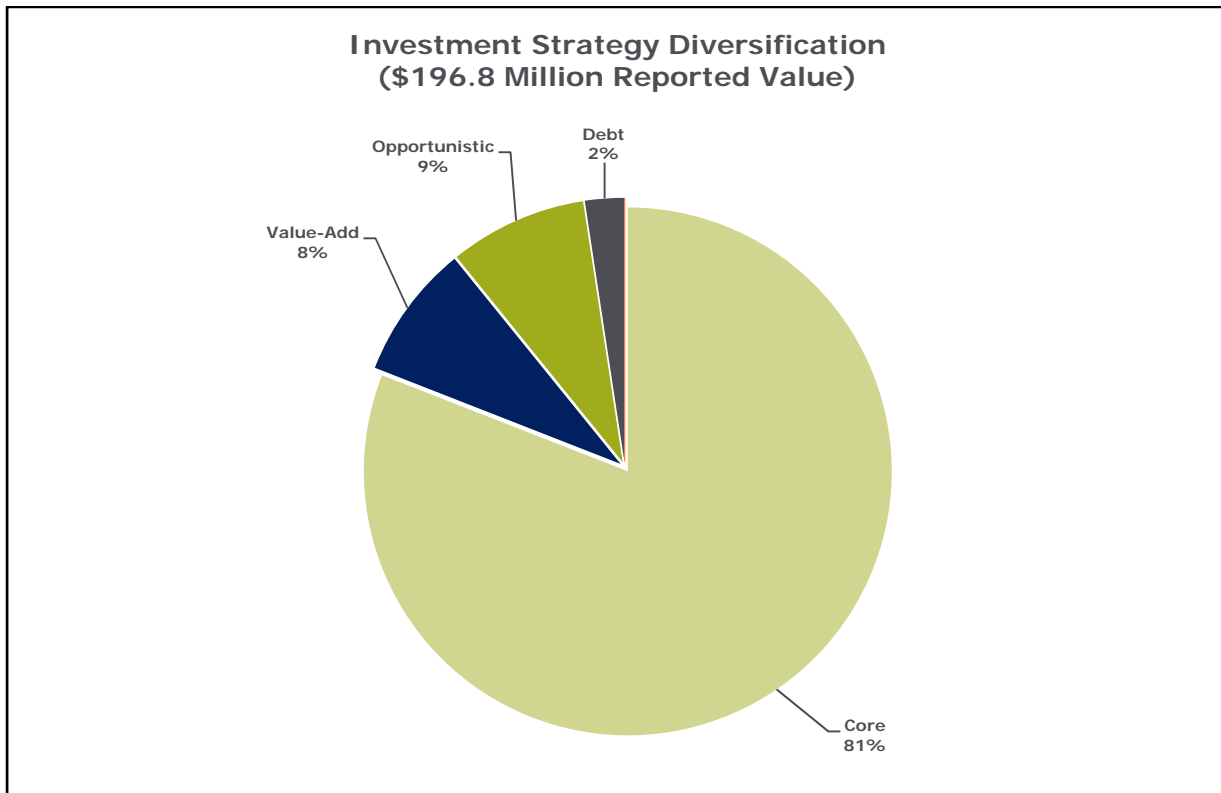




The following table compares the recommended investment strategy allocation to the Plan's actual allocation using the reported value at quarter end.

Investment Strategy	Target	Min.	Max.	Reported Value	Unfunded Commitment	Total Exposure
Core	45%	25%	65%	58.4%	-	58.4%
Value-Add	20%	0%	40%	5.9%	9.3%	15.3%
Opportunistic	20%	0%	40%	6.1%	15.6%	21.7%
Debt	5%	0%	15%	1.7%	2.9%	4.6%
REITs/REOCs	10%	0%	20%	-	-	-
Totals	100%			72.2%	27.8%	100.0%

As of June 30, 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
Partner

Sean Ruhmann
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Director of Private Markets Research

Chris Hill, CFA, CAIA
Research Consultant, Private Markets

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

6/30/2015

Investment	Vintage Year	Commitment	Qtr TD	YTD	1 Year	3 Year	5 Year	Inception
American Core Realty Fund	2011	109,613,291	3.53	7.91	13.02	11.68	N/A	11.56
American Realty Separate Account	2010	120,957,112	3.30	6.22	19.65	17.12	N/A	11.44
Blackstone REDS II	2013	12,500,000	2.12	4.00	7.99	N/A	N/A	9.32
Brookfield SREP	2013	10,000,000	4.89	9.28	16.95	N/A	N/A	22.40
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	8,202,449	2.69	-5.67	-9.91	N/A	N/A	-17.70
OZ Real Estate Fund III	2014	20,000,000	-3.01	-10.72	N/A	N/A	N/A	-38.48
TA Realty Fund X	2013	10,000,000	4.00	7.16	13.87	N/A	N/A	13.26
Tristan EPISO 3	2013	8,741,739	8.58	1.35	-4.18	N/A	N/A	-5.61
Tristan EPISO 4	2015	22,361,600	N/A	N/A	N/A	N/A	N/A	N/A
Total: San Jose Police and Fire Department Retirer.		342,376,191	3.60	7.04	12.98	12.28	N/A	11.42

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**

6/30/2015

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	20,591,161	133,977,386	154,568,547	44,955,256	100 %	0.19	1.41	11.56 %
2 American Realty Separate Account	2010	120,957,112	120,957,112	0	0	124,338,785	25,317,819	149,656,604	28,699,492	100 %	1.03	1.24	11.44 %
3 Blackstone REDS II	2013	12,500,000	4,670,241	7,829,759	0	646,029	4,727,147	5,373,176	702,934	37 %	0.14	1.15	9.32 %
4 Brookfield SREP	2013	10,000,000	8,222,505	1,777,495	59,953	825,685	9,908,000	10,733,685	2,451,227	82 %	0.10	1.30	22.40 %
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	8,202,449	5,033,989	3,168,461	0	52,501	4,357,181	4,409,682	-624,306	61 %	0.01	0.88	-17.70 %
7 OZ Real Estate Fund III	2014	20,000,000	2,384,075	17,615,925	300,000	0	2,326,648	2,326,648	-357,427	12 %	0.00	0.87	-38.48 %
8 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	1,137,684	10,764,005	11,901,689	1,884,264	100 %	0.11	1.19	13.26 %
9 Tristan EPIISO 3	2013	8,741,739	5,628,609	3,113,129	13,681	0	5,443,864	5,443,864	-198,426	64 %	0.00	0.96	-5.61 %
10 Tristan EPIISO 4	2015	22,361,600	0	22,361,600	0	0	0	0	0	0 %	0.00	N/A	N/A
10 Total Partnerships		342,376,191	266,509,823	75,866,369	391,059	147,591,845	196,822,051	344,413,896	77,513,014	78 %	0.55	1.29	11.42 %

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**

6/30/2015

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 EPIISO 4	2015	22,361,600	0	22,361,600	0	0	0	0	0	0 %	0.00	N/A	N/A
1 Fundraising Subtotal		42,361,600	0	42,361,600	0	0	0	0	0	0 %	0.00	N/A	N/A
2 Investing													
3 Blackstone REDS II	2013	12,500,000	4,670,241	7,829,759	0	646,029	4,727,147	5,373,176	702,934	37 %	0.14	1.15	9.32 %
4 Brookfield SREP	2013	10,000,000	8,222,505	1,777,495	59,953	825,685	9,908,000	10,733,685	2,451,227	82 %	0.10	1.30	22.40 %
5 Orion European Real Estate Fund IV	2014	8,202,449	5,033,989	3,168,461	0	52,501	4,357,181	4,409,682	-624,306	61 %	0.01	0.88	-17.70 %
6 OZ Real Estate Fund III	2014	20,000,000	2,384,075	17,615,925	300,000	0	2,326,648	2,326,648	-357,427	12 %	0.00	0.87	-38.48 %
7 Tristan EPIISO 3	2013	8,741,739	5,628,609	3,113,129	13,681	0	5,443,864	5,443,864	-198,426	64 %	0.00	0.96	-5.61 %
2 Investing Subtotal		59,444,188	25,939,419	33,504,769	373,634	1,524,215	26,762,841	28,287,055	1,974,001	44 %	0.06	1.08	7.67 %
3 Harvesting													
8 American Realty Separate Account	2010	120,957,112	120,957,112	0	0	124,338,785	25,317,819	149,656,604	28,699,492	100 %	1.03	1.24	11.44 %
9 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	1,137,684	10,764,005	11,901,689	1,884,264	100 %	0.11	1.19	13.26 %
3 Harvesting Subtotal		130,957,112	130,957,112	0	17,425	125,476,469	36,081,824	161,558,293	30,583,756	100 %	0.96	1.23	11.52 %
A Open End Real Estate													
10 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	20,591,161	133,977,386	154,568,547	44,955,256	100 %	0.19	1.41	11.56 %
A Open End Real Estate Subtotal		109,613,291	109,613,291	0	0	20,591,161	133,977,386	154,568,547	44,955,256	100 %	0.19	1.41	11.56 %
10 Total Partnerships		342,376,191	266,509,823	75,866,369	391,059	147,591,845	196,822,051	344,413,896	77,513,014	78 %	0.55	1.29	11.42 %

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

6/30/2015

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	120,957,112	120,957,112	0	0	124,338,785	25,317,819	149,656,604	28,699,492	100 %	1.03	1.24	11.44 %
2010 Subtotal		120,957,112	120,957,112	0	0	124,338,785	25,317,819	149,656,604	28,699,492	100 %	1.03	1.24	11.44 %
2011													
2 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	20,591,161	133,977,386	154,568,547	44,955,256	100 %	0.19	1.41	11.56 %
2011 Subtotal		109,613,291	109,613,291	0	0	20,591,161	133,977,386	154,568,547	44,955,256	100 %	0.19	1.41	11.56 %
2013													
3 Blackstone REDS II	2013	12,500,000	4,670,241	7,829,759	0	646,029	4,727,147	5,373,176	702,934	37 %	0.14	1.15	9.32 %
4 Brookfield SREP	2013	10,000,000	8,222,505	1,777,495	59,953	825,685	9,908,000	10,733,685	2,451,227	82 %	0.10	1.30	22.40 %
5 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	1,137,684	10,764,005	11,901,689	1,884,264	100 %	0.11	1.19	13.26 %
6 Tristan EPISO 3	2013	8,741,739	5,628,609	3,113,129	13,681	0	5,443,864	5,443,864	-198,426	64 %	0.00	0.96	-5.61 %
2013 Subtotal		41,241,739	28,521,356	12,720,383	91,059	2,609,398	30,843,016	33,452,414	4,839,999	69 %	0.09	1.17	13.43 %
2014													
7 Orion European Real Estate Fund IV	2014	8,202,449	5,033,989	3,168,461	0	52,501	4,357,181	4,409,682	-624,306	61 %	0.01	0.88	-17.70 %
8 OZ Real Estate Fund III	2014	20,000,000	2,384,075	17,615,925	300,000	0	2,326,648	2,326,648	-357,427	12 %	0.00	0.87	-38.48 %
2014 Subtotal		28,202,449	7,418,064	20,784,386	300,000	52,501	6,683,829	6,736,330	-981,733	26 %	0.01	0.87	-22.42 %
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 EPISO 4	2015	22,361,600	0	22,361,600	0	0	0	0	0	0 %	0.00	N/A	N/A
2015 Subtotal		42,361,600	0	42,361,600	0	0	0	0	0	0 %	0.00	N/A	N/A
10 Total Partnerships													
		342,376,191	266,509,823	75,866,369	391,059	147,591,845	196,822,051	344,413,896	77,513,014	78 %	0.55	1.29	11.42 %

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

6/30/2015

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	20,591,161	133,977,386	154,568,547	44,955,256	100 %	0.19	1.41	11.56 %
2 American Realty Separate Account	2010	120,957,112	120,957,112	0	0	124,338,785	25,317,819	149,656,604	28,699,492	100 %	1.03	1.24	11.44 %
610 RE Core Subtotal		230,570,403	230,570,403	0	0	144,929,946	159,295,205	304,225,151	73,654,748	100 %	0.63	1.32	11.51 %
615 RE Value Add													
1 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	1,137,684	10,764,005	11,901,689	1,884,264	100 %	0.11	1.19	13.26 %
2 Tristan EPIISO 3	2013	8,741,739	5,628,609	3,113,129	13,681	0	5,443,864	5,443,864	-198,426	64 %	0.00	0.96	-5.61 %
3 Tristan EPIISO 4	2015	22,361,600	0	22,361,600	0	0	0	0	0	0 %	0.00	N/A	N/A
615 RE Value Add Subtotal		41,103,339	15,628,609	25,474,729	31,106	1,137,684	16,207,869	17,345,553	1,685,838	38 %	0.07	1.11	9.61 %
630 RE Opportunistic													
1 Brookfield SREP	2013	10,000,000	8,222,505	1,777,495	59,953	825,685	9,908,000	10,733,685	2,451,227	82 %	0.10	1.30	22.40 %
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	8,202,449	5,033,989	3,168,461	0	52,501	4,357,181	4,409,682	-624,306	61 %	0.01	0.88	-17.70 %
4 OZ Real Estate Fund III	2014	20,000,000	2,384,075	17,615,925	300,000	0	2,326,648	2,326,648	-357,427	12 %	0.00	0.87	-38.48 %
630 RE Opportunistic Subtotal		58,202,449	15,640,569	42,561,881	359,953	878,186	16,591,829	17,470,015	1,469,494	27 %	0.05	1.09	9.95 %
644 RE Debt													
1 Blackstone REDS II	2013	12,500,000	4,670,241	7,829,759	0	646,029	4,727,147	5,373,176	702,934	37 %	0.14	1.15	9.32 %
644 RE Debt Subtotal		12,500,000	4,670,241	7,829,759	0	646,029	4,727,147	5,373,176	702,934	37 %	0.14	1.15	9.32 %
10 Total Partnerships		342,376,191	266,509,823	75,866,369	391,059	147,591,845	196,822,051	344,413,896	77,513,014	78 %	0.55	1.29	11.42 %

**San Jose Police and Fire
Transaction Summary**

4/1/2015 - 6/30/2015

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
American Core Realty Fund					
6/30/2015			1,676,618.72		-1,676,618.72
Total: American Core Realty Fund			1,676,618.72		-1,676,618.72
American Realty Separate Account					
4/29/2015			492,500.00		-492,500.00
5/28/2015			128,250.00		-620,750.00
6/29/2015			183,000.00		-803,750.00
Total: American Realty Separate Account			803,750.00		-803,750.00
Blackstone REDS II					
4/10/2015	179,718.00				179,718.00
5/21/2015	-223,336.00				-43,618.00
5/28/2015			126,856.72		-170,474.72
5/28/2015	483,305.00				312,830.28
5/28/2015	-84,542.92				228,287.36
6/18/2015	-112,707.49				115,579.87
6/19/2015	65,392.00				180,971.87
6/23/2015	55,170.00				236,141.87
Total: Blackstone REDS II			126,856.72		236,141.87
Brookfield SREP					
4/10/2015			142,307.00		-142,307.00
4/10/2015	15,508.00				-126,799.00
4/10/2015	-107,030.00				-233,829.00
Total: Brookfield SREP			142,307.00		-233,829.00
Orion European Real Estate Fund IV					
4/30/2015	583,336.29				583,336.29
Total: Orion European Real Estate Fund IV					583,336.29
OZ Real Estate Fund III					
4/1/2015		75,000.00			75,000.00
5/21/2015	741,002.00				816,002.00
5/21/2015	-7,667.00				808,335.00

Activity is cumulative for the period

**San Jose Police and Fire
Transaction Summary**

4/1/2015 - 6/30/2015

	Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
OZ Real Estate Fund III						
	6/24/2015	487,073.00				1,295,408.00
	6/24/2015	-7,200.00				1,288,208.00
Total: OZ Real Estate Fund III		1,213,208.00	75,000.00			1,288,208.00
TA Realty Fund X						
	5/15/2015	500,000.00				500,000.00
	5/28/2015			140,666.00		359,334.00
	6/30/2015			198,211.00		161,123.00
Total: TA Realty Fund X		500,000.00		338,877.00		161,123.00
Tristan EPISO 3						
	4/24/2015	844,663.40				844,663.40
	6/25/2015	447,447.13				1,292,110.53
Total: Tristan EPISO 3		1,292,110.53				1,292,110.53
Total: San Jose Police and Fire Department Retirement Plan						
		3,860,131.41	75,000.00	3,088,409.44		846,721.97
Total:		3,860,131.41	75,000.00	3,088,409.44		846,721.97