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City of San Jose Police and Fire Department Retirement Plan

First Quarter 2014 Private Markets Review – Real Estate

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6-24-2014 JOINT IC PF ITEM #5

| <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.



June 2014

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 2014

Dear Board of Administration Members:

We are pleased to present the March 31, 2014 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 3.30% for the quarter and 12.92% for the past year. The annualized IRR of the real estate portfolio since inception was 10.92% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.21x.

The following table presents the status of the Plan’s real estate program as of March 31, 2014:

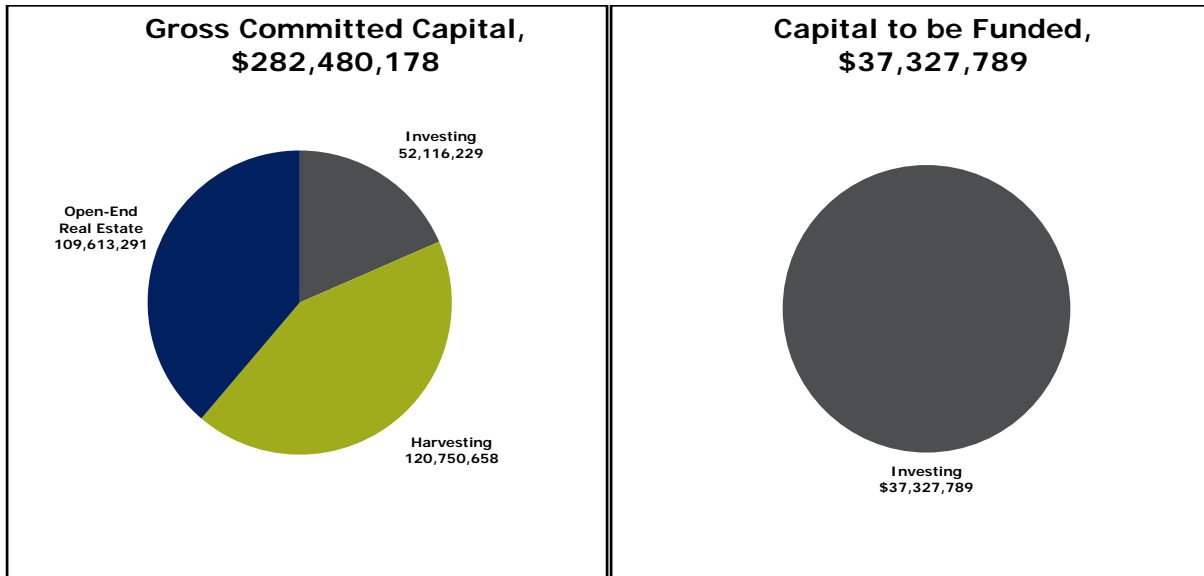
| Commitments | Terminated Commitments | Amount Funded | Amount Distributed | Reported Value | Call Ratio | Distribution Ratio |
|---------------|------------------------|---------------|--------------------|----------------|------------|--------------------|
| \$282,480,178 | \$0 | \$245,152,389 | \$134,854,215 | \$160,682,476 | 87% | 0.55 |

| Unfunded Commitments | Market Exposure (Reported Value + Unfunded Commitments) | Total Fund Composite as of 3/31/2014 | Real Estate Target | Reported Value as a % of Total Fund | Market Exposure as a % of Total Fund |
|----------------------|---|--------------------------------------|--------------------|-------------------------------------|--------------------------------------|
| \$37,327,789 | \$198,010,265 | \$3,146,083,661 | 7% | 5.1% | 6.3% |

| Total Value (Reported Value + Distributions) | Total Value To Paid In Capital | Internal Rate of Return IRR, Since Inception (Sept 2010) |
|--|--------------------------------|--|
| \$295,536,691 | 1.21 | 10.92% |

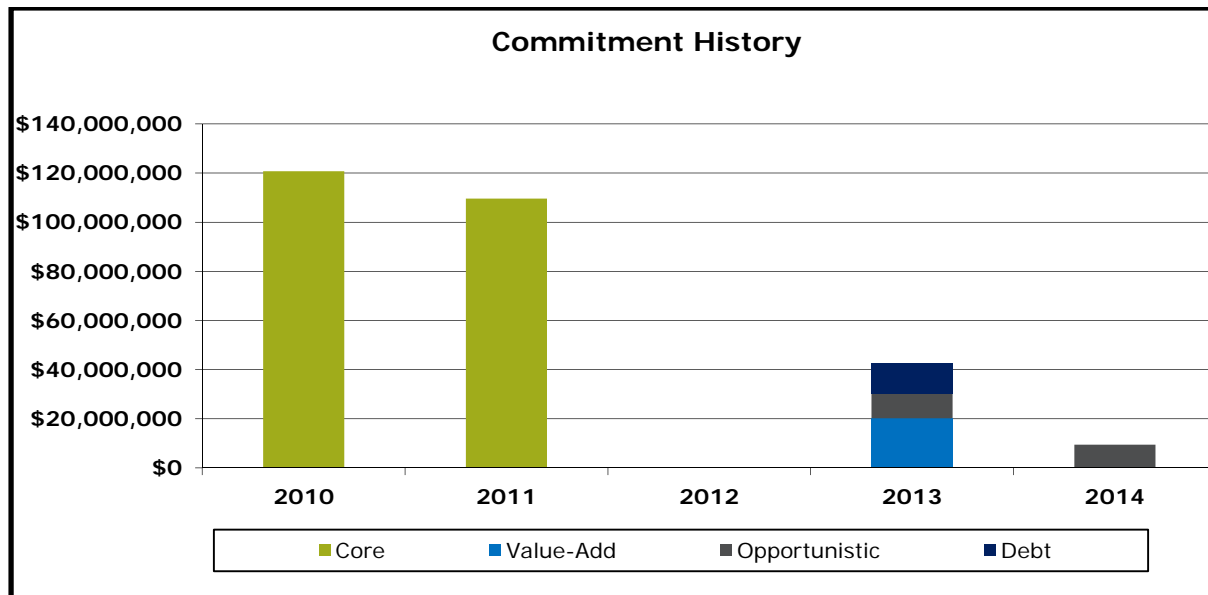


As of March 31, 2014, the Plan had net commitments totaling \$282.5 million to 7 real estate funds. Of the 7 funds in the Plan's Real Estate portfolio, 5 funds are in the investing stage, 1 fund is in the harvesting stage, and 1 fund has an open-end real estate structure. The following charts illustrate the program's current life cycle:



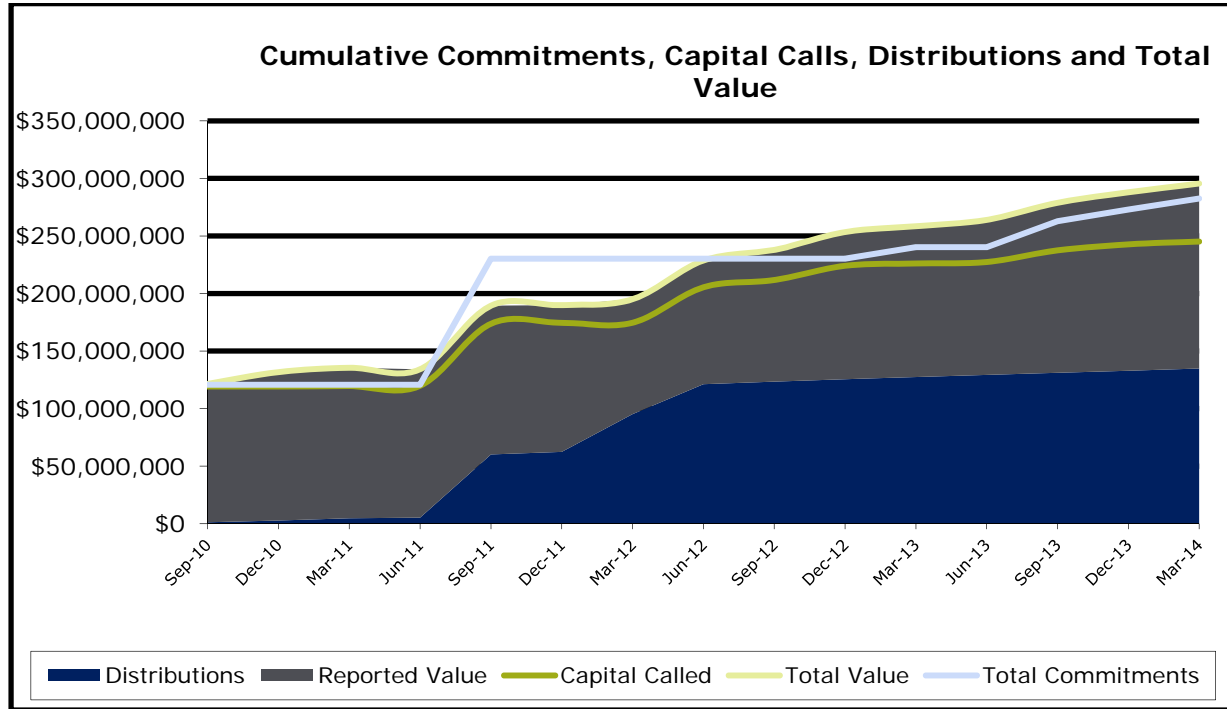
Note: "Open-End Real Estate" is the American Core Realty Fund.

The following chart illustrates the commitment history of the Plan's real estate program through March 31, 2014:

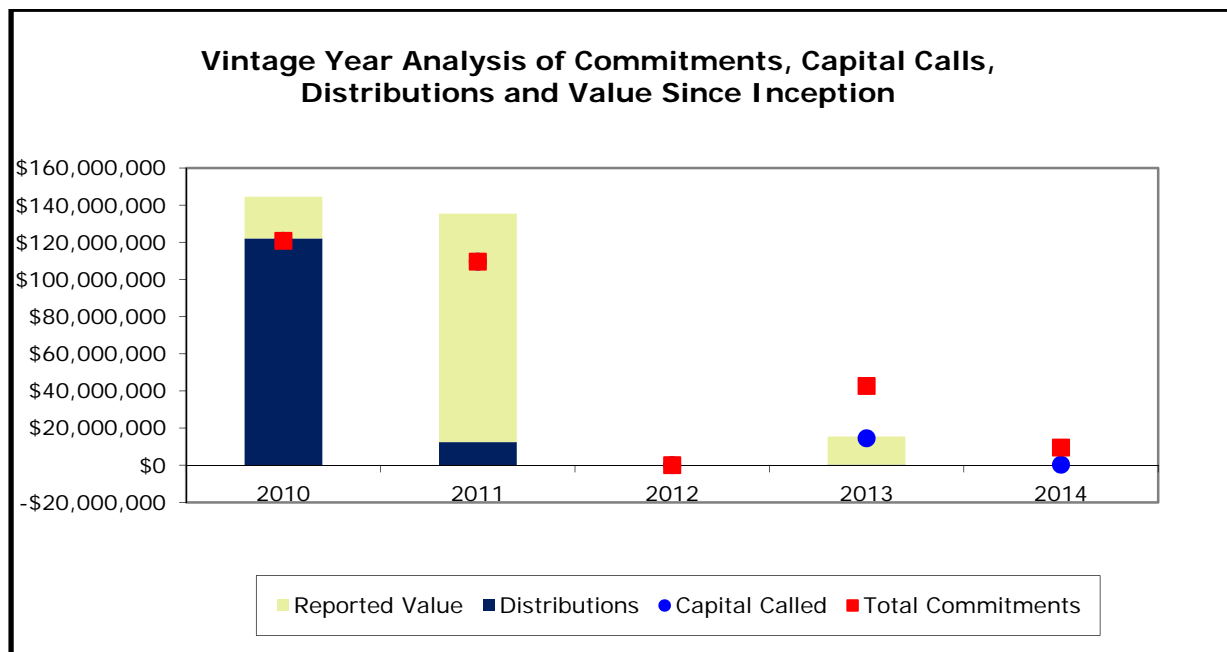




The following chart illustrates the Plan's cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through March 31, 2014:



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, 2014:

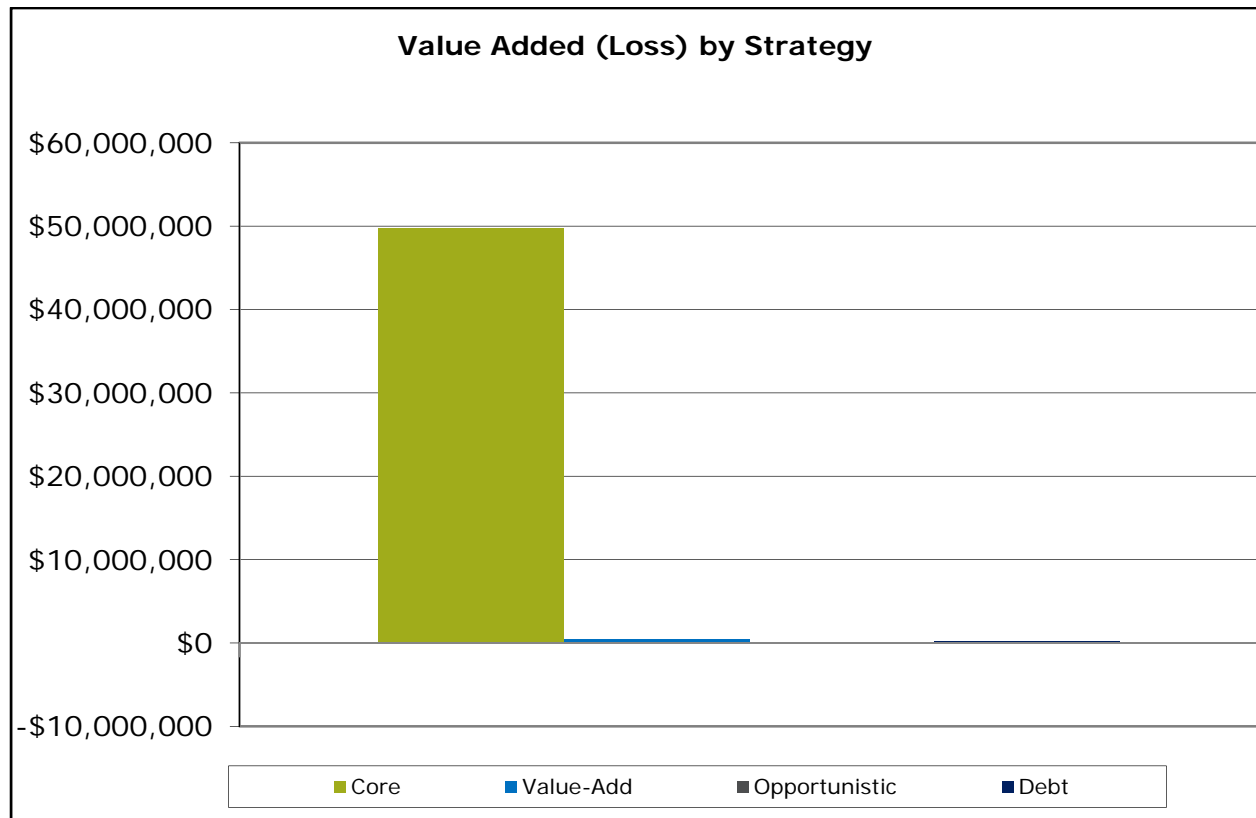




During the quarter-ended March 31, 2014, the Plan funded capital calls from 5 of the Plan's real estate funds and received distributions from 3 of the Plan's real estate funds. The summary of the cash flows follows is as follows:

| 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 |
|--|--|----------------------------------|--------------------------------------|--------------------------------------|
| \$2,446,447 | 5 | \$1,924,958 | 3 | (\$521,490) |

Since inception, the real estate program has gained \$50.29 million in value for the Plan. Core has added \$49.72 million; Value-Add has added \$0.39 million; and Debt has added \$0.20 million. Opportunistic has lost (\$0.02) million to date due to the initial funding of Orion.

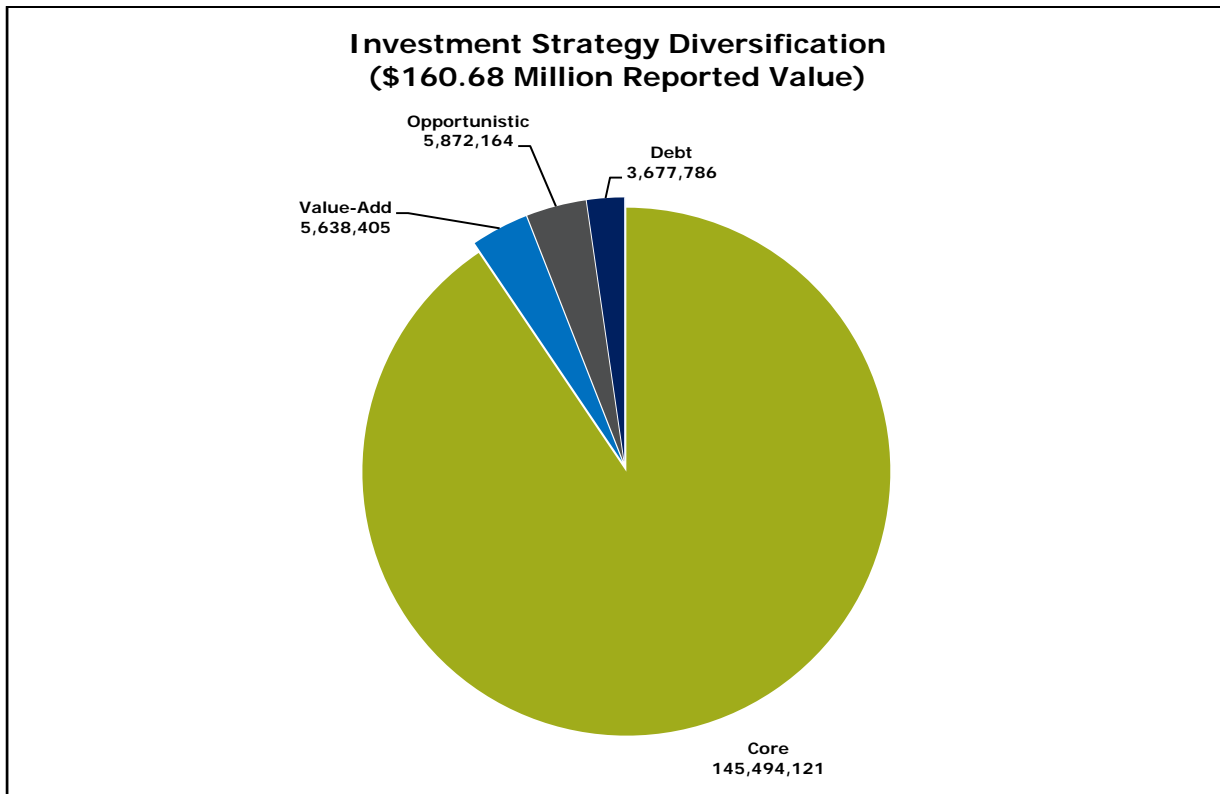




The following table compares the recommended investment strategy allocation to the Plan's actual allocation using the reported value at quarter end.

| Investment Strategy | Target | Min. | Max. | Reported Value | Unfunded Commitment | Total Exposure |
|---------------------|-------------|------|------|----------------|---------------------|----------------|
| Core | 45% | 25% | 65% | 73.5% | - | 73.5% |
| Value-Add | 20% | 0% | 40% | 2.8% | 7.5% | 10.3% |
| Opportunistic | 20% | 0% | 40% | 3.0% | 6.9% | 9.8% |
| Debt | 5% | 0% | 15% | 1.9% | 4.5% | 6.4% |
| REITs/REOCs | 10% | 0% | 20% | - | - | - |
| Totals | 100% | | | 81.1% | 18.9% | 100.0% |

As of March 31, 2014, the 7 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

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
Senior Consultant, Private Markets

Chris Hill, CFA, CAIA
Consultant, Alternative Assets

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

3/31/2014

| Investment | Vintage Year | Commitment | Qtr TD | YTD | 1 Year | 3 Year | 5 Year | Inception |
|--|--------------|--------------------|-------------|-------------|--------------|-------------|------------|--------------|
| American Core Realty Fund | 2011 | 109,613,291 | 2.98 | 2.98 | 12.20 | N/A | N/A | 11.03 |
| American Realty Separate Account | 2010 | 120,750,658 | 6.78 | 6.78 | 19.20 | 5.61 | N/A | 10.91 |
| Blackstone Real Estate Debt Fund II | 2013 | 12,500,000 | 2.56 | 2.56 | N/A | N/A | N/A | 8.76 |
| Brookfield Strategic Real Estate Partners | 2013 | 10,000,000 | 1.58 | 1.58 | N/A | N/A | N/A | 6.80 |
| Orion European Real Estate Fund IV | 2014 | 9,441,389 | N/A | N/A | N/A | N/A | N/A | -100.00 |
| TA/Realty Associates Fund X | 2013 | 10,000,000 | 4.19 | 4.19 | 12.03 | N/A | N/A | 11.28 |
| Tristan EPISO 3 | 2013 | 10,174,840 | 5.11 | 5.11 | N/A | N/A | N/A | -5.41 |
| Total: San Jose Police and Fire Department Retirer. | | 282,480,178 | 3.30 | 3.30 | 12.92 | 8.86 | N/A | 10.92 |

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**

3/31/2014

| 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 | 12,487,670 | 122,988,883 | 135,476,554 | 25,863,263 | 100 % | 0.11 | 1.24 | 11.03 % |
| 2 American Realty Separate Account | 2010 | 120,750,658 | 120,750,658 | 0 | 0 | 122,105,035 | 22,505,238 | 144,610,273 | 23,859,615 | 100 % | 1.01 | 1.20 | 10.91 % |
| 3 Blackstone Real Estate Debt Fund II | 2013 | 12,500,000 | 3,580,416 | 8,919,584 | 0 | 101,846 | 3,677,786 | 3,779,632 | 199,216 | 29 % | 0.03 | 1.06 | 8.76 % |
| 4 Brookfield Strategic Real Estate Part | 2013 | 10,000,000 | 5,540,398 | 4,459,602 | 59,953 | 0 | 5,874,000 | 5,874,000 | 273,649 | 55 % | 0.00 | 1.05 | 6.80 % |
| 5 Orion European Real Estate Fund IV | 2014 | 9,441,389 | 288,514 | 9,152,875 | 0 | 0 | -1,836 | -1,836 | -290,350 | 3 % | 0.00 | -0.01 | -100.00 % |
| 6 T/A/Realty Associates Fund X | 2013 | 10,000,000 | 5,000,000 | 5,000,000 | 17,425 | 159,663 | 5,270,529 | 5,430,192 | 412,767 | 50 % | 0.03 | 1.08 | 11.28 % |
| 7 Tristan EPISO 3 | 2013 | 10,174,840 | 379,112 | 9,795,728 | 13,718 | 0 | 367,876 | 367,876 | -24,954 | 4 % | 0.00 | 0.94 | -5.41 % |
| 7 Total Partnerships | | 282,480,178 | 245,152,389 | 37,327,789 | 91,096 | 134,854,215 | 160,682,476 | 295,536,691 | 50,293,206 | 87 % | 0.55 | 1.21 | 10.92 % |

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

3/31/2014

| 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 Real Estate Debt Fund II | 2013 | 12,500,000 | 3,580,416 | 8,919,584 | 0 | 101,846 | 3,677,786 | 3,779,632 | 199,216 | 29 % | 0.03 | 1.06 | 8.76 % |
| 2 Brookfield Strategic Real Estate Partne | 2013 | 10,000,000 | 5,540,398 | 4,459,602 | 59,953 | 0 | 5,874,000 | 5,874,000 | 273,649 | 55 % | 0.00 | 1.05 | 6.80 % |
| 3 Orion European Real Estate Fund IV | 2014 | 9,441,389 | 288,514 | 9,152,875 | 0 | 0 | -1,836 | -1,836 | -290,350 | 3 % | 0.00 | -0.01 | -100.00 % |
| 4 TA/Realty Associates Fund X | 2013 | 10,000,000 | 5,000,000 | 5,000,000 | 17,425 | 159,663 | 5,270,529 | 5,430,192 | 412,767 | 50 % | 0.03 | 1.08 | 11.28 % |
| 5 Tristan EPISO 3 | 2013 | 10,174,840 | 379,112 | 9,795,728 | 13,718 | 0 | 367,876 | 367,876 | -24,954 | 4 % | 0.00 | 0.94 | -5.41 % |
| 2 Investing Subtotal | | 52,116,229 | 14,788,440 | 37,327,789 | 91,096 | 261,509 | 15,188,355 | 15,449,864 | 570,328 | 28 % | 0.02 | 1.04 | 7.32 % |
| 3 Harvesting | | | | | | | | | | | | | |
| 6 American Realty Separate Account | 2010 | 120,750,658 | 120,750,658 | 0 | 0 | 122,105,035 | 22,505,238 | 144,610,273 | 23,859,615 | 100 % | 1.01 | 1.20 | 10.91 % |
| 3 Harvesting Subtotal | | 120,750,658 | 120,750,658 | 0 | 0 | 122,105,035 | 22,505,238 | 144,610,273 | 23,859,615 | 100 % | 1.01 | 1.20 | 10.91 % |
| A Open End Real Estate | | | | | | | | | | | | | |
| 7 American Core Realty Fund | 2011 | 109,613,291 | 109,613,291 | 0 | 0 | 12,487,670 | 122,988,883 | 135,476,554 | 25,863,263 | 100 % | 0.11 | 1.24 | 11.03 % |
| A Open End Real Estate Subtotal | | 109,613,291 | 109,613,291 | 0 | 0 | 12,487,670 | 122,988,883 | 135,476,554 | 25,863,263 | 100 % | 0.11 | 1.24 | 11.03 % |
| 7 Total Partnerships | | 282,480,178 | 245,152,389 | 37,327,789 | 91,096 | 134,854,215 | 160,682,476 | 295,536,691 | 50,293,206 | 87 % | 0.55 | 1.21 | 10.92 % |

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

3/31/2014

| 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 | 120,750,658 | 120,750,658 | 0 | 0 | 122,105,035 | 22,505,238 | 144,610,273 | 23,859,615 | 100 % | 1.01 | 1.20 | 10.91 % |
| 2010 Subtotal | | 120,750,658 | 120,750,658 | 0 | 0 | 122,105,035 | 22,505,238 | 144,610,273 | 23,859,615 | 100 % | 1.01 | 1.20 | 10.91 % |
| 2011 | | | | | | | | | | | | | |
| 2 American Core Realty Fund | 2011 | 109,613,291 | 109,613,291 | 0 | 0 | 12,487,670 | 122,988,883 | 135,476,554 | 25,863,263 | 100 % | 0.11 | 1.24 | 11.03 % |
| 2011 Subtotal | | 109,613,291 | 109,613,291 | 0 | 0 | 12,487,670 | 122,988,883 | 135,476,554 | 25,863,263 | 100 % | 0.11 | 1.24 | 11.03 % |
| 2013 | | | | | | | | | | | | | |
| 3 Blackstone Real Estate Debt Fund II | 2013 | 12,500,000 | 3,580,416 | 8,919,584 | 0 | 101,846 | 3,677,786 | 3,779,632 | 199,216 | 29 % | 0.03 | 1.06 | 8.76 % |
| 4 Brookfield Strategic Real Estate Partne | 2013 | 10,000,000 | 5,540,398 | 4,459,602 | 59,953 | 0 | 5,874,000 | 5,874,000 | 273,649 | 55 % | 0.00 | 1.05 | 6.80 % |
| 5 TA/Realty Associates Fund X | 2013 | 10,000,000 | 5,000,000 | 5,000,000 | 17,425 | 159,663 | 5,270,529 | 5,430,192 | 412,767 | 50 % | 0.03 | 1.08 | 11.28 % |
| 6 Tristram EPISO 3 | 2013 | 10,174,840 | 379,112 | 9,795,728 | 13,718 | 0 | 367,876 | 367,876 | -24,954 | 4 % | 0.00 | 0.94 | -5.41 % |
| 2013 Subtotal | | 42,674,840 | 14,499,926 | 28,174,914 | 91,096 | 261,509 | 15,190,191 | 15,451,700 | 860,678 | 34 % | 0.02 | 1.06 | 11.12 % |
| 2014 | | | | | | | | | | | | | |
| 7 Orion European Real Estate Fund IV | 2014 | 9,441,389 | 288,514 | 9,152,875 | 0 | 0 | -1,836 | -1,836 | -290,350 | 3 % | 0.00 | -0.01 | -100.00 % |
| 2014 Subtotal | | 9,441,389 | 288,514 | 9,152,875 | 0 | 0 | -1,836 | -1,836 | -290,350 | 3 % | 0.00 | -0.01 | -100.00 % |
| 7 Total Partnerships | | 282,480,178 | 245,152,389 | 37,327,789 | 91,096 | 134,854,215 | 160,682,476 | 295,536,691 | 50,293,206 | 87 % | 0.55 | 1.21 | 10.92 % |

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

3/31/2014

| 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 | 12,487,670 | 122,988,883 | 135,476,554 | 25,863,263 | 100 % | 0.11 | 1.24 | 11.03 % |
| 2 American Realty Separate Account | 2010 | 120,750,658 | 120,750,658 | 0 | 0 | 122,105,035 | 22,505,238 | 144,610,273 | 23,859,615 | 100 % | 1.01 | 1.20 | 10.91 % |
| 610 RE Core Subtotal | | 230,363,949 | 230,363,949 | 0 | 0 | 134,592,706 | 145,494,121 | 280,086,827 | 49,722,878 | 100 % | 0.58 | 1.22 | 10.97 % |
| 615 RE Value Add | | | | | | | | | | | | | |
| 1 TAVRealty Associates Fund X | 2013 | 10,000,000 | 5,000,000 | 5,000,000 | 17,425 | 159,663 | 5,270,529 | 5,430,192 | 412,767 | 50 % | 0.03 | 1.08 | 11.28 % |
| 2 Tristan EPISO 3 | 2013 | 10,174,840 | 379,112 | 9,795,728 | 13,718 | 0 | 367,876 | 367,876 | -24,954 | 4 % | 0.00 | 0.94 | -5.41 % |
| 615 RE Value Add Subtotal | | 20,174,840 | 5,379,112 | 14,795,728 | 31,143 | 159,663 | 5,638,405 | 5,798,068 | 387,813 | 27 % | 0.03 | 1.07 | 10.25 % |
| 630 RE Opportunistic | | | | | | | | | | | | | |
| 1 Brookfield Strategic Real Estate Partne | 2013 | 10,000,000 | 5,540,398 | 4,459,602 | 59,953 | 0 | 5,874,000 | 5,874,000 | 273,649 | 55 % | 0.00 | 1.05 | 6.80 % |
| 2 Orion European Real Estate Fund IV | 2014 | 9,441,389 | 288,514 | 9,152,875 | 0 | 0 | -1,836 | -1,836 | -290,350 | 3 % | 0.00 | -0.01 | -100.00 % |
| 630 RE Opportunistic Subtotal | | 19,441,389 | 5,828,912 | 13,612,477 | 59,953 | 0 | 5,872,164 | 5,872,164 | -16,701 | 30 % | 0.00 | 1.00 | -0.41 % |
| 644 RE Debt | | | | | | | | | | | | | |
| 1 Blackstone Real Estate Debt Fund II | 2013 | 12,500,000 | 3,580,416 | 8,919,584 | 0 | 101,846 | 3,677,786 | 3,779,632 | 199,216 | 29 % | 0.03 | 1.06 | 8.76 % |
| 644 RE Debt Subtotal | | 12,500,000 | 3,580,416 | 8,919,584 | 0 | 101,846 | 3,677,786 | 3,779,632 | 199,216 | 29 % | 0.03 | 1.06 | 8.76 % |
| 7 Total Partnerships | | 282,480,178 | 245,152,389 | 37,327,789 | 91,096 | 134,854,215 | 160,682,476 | 295,536,691 | 50,293,206 | 87 % | 0.55 | 1.21 | 10.92 % |

**San Jose Police and Fire
Transaction Summary**

1/1/2014 - 3/31/2014

| Date | Funding | Additional Fees | Cash | Stock | Net Cash Flow |
|---|---------------------|-----------------|---------------------|-------|----------------------|
| American Core Realty Fund | | | | | |
| 3/31/2014 | | | 1,548,754.81 | | -1,548,754.81 |
| Total: American Core Realty Fund | | | 1,548,754.81 | | -1,548,754.81 |
| American Realty Separate Account | | | | | |
| 1/23/2014 | 11,412.83 | | | | 11,412.83 |
| 1/23/2014 | 27,000.00 | | | | 38,412.83 |
| 1/30/2014 | | | 104,500.00 | | -66,087.17 |
| 2/27/2014 | | | 104,500.00 | | -170,587.17 |
| 3/28/2014 | | | 104,500.00 | | -275,087.17 |
| Total: American Realty Separate Account | 38,412.83 | | 313,500.00 | | -275,087.17 |
| Blackstone Real Estate Debt Fund II | | | | | |
| 2/28/2014 | 774,017.00 | | | | 774,017.00 |
| 3/3/2014 | | | 62,703.00 | | 711,314.00 |
| Total: Blackstone Real Estate Debt Fund II | 774,017.00 | | 62,703.00 | | 711,314.00 |
| Brookfield Strategic Real Estate Partners | | | | | |
| 1/24/2014 | 1,045,960.00 | | | | 1,045,960.00 |
| 2/3/2014 | 533,031.00 | | | | 1,578,991.00 |
| Total: Brookfield Strategic Real Estate Partners | 1,578,991.00 | | | | 1,578,991.00 |
| Orion European Real Estate Fund IV | | | | | |
| 3/25/2014 | 288,514.24 | | | | 288,514.24 |
| Total: Orion European Real Estate Fund IV | 288,514.24 | | | | 288,514.24 |
| Tristan EPI SO 3 | | | | | |
| 1/7/2014 | | -2,111.28 | | | -2,111.28 |
| 1/7/2014 | -53,232.27 | | | | -55,343.55 |
| 1/10/2014 | -107,190.87 | | | | -162,534.42 |
| 1/10/2014 | | -4,408.21 | | | -166,942.63 |
| 2/12/2014 | | -2,485.66 | | | -169,428.29 |
| 2/12/2014 | -50,911.31 | | | | -220,339.60 |
| 2/21/2014 | | -632.63 | | | -220,972.23 |
| 2/21/2014 | -12,515.44 | | | | -233,487.67 |

Activity is cumulative for the period

**San Jose Police and Fire
Transaction Summary**

1/1/2014 - 3/31/2014

| Date | Funding | Additional Fees | Cash | Stock | Net Cash Flow |
|-------------------------------|---------------------|------------------|---------------------|-------|--------------------|
| Tristan EPISO 3 | | | | | |
| <hr/> | | | | | |
| Total: Tristan EPISO 3 | -223,849.89 | -9,637.78 | | | -233,487.67 |
| <hr/> | | | | | |
| Total: 4 Real Estate | 2,456,085.18 | -9,637.78 | 1,924,957.81 | | 521,489.59 |
| <hr/> | | | | | |
| Total: | 2,456,085.18 | -9,637.78 | 1,924,957.81 | | 521,489.59 |
| <hr/> | | | | | |