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City of San Jose Police and Fire Department Retirement Plan

Third Quarter 2014 Private Markets Review – Real Estate

Daniel LeBeau
Consultant

Allan Martin
Partner

Sean Ruhmann
Principal, Director of Real Assets
Research

Chris Hill, CFA, CAIA
Consultant, Alternative Assets

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

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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.



February 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 – 3rd Quarter 2014

Dear Board of Administration Members:

We are pleased to present the September 30, 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 3.9% for the quarter and 13.1% for the past year. The annualized IRR of the real estate portfolio since inception was 11.3% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.24x.

The following table presents the status of the Plan’s real estate program as of September 30, 2014:

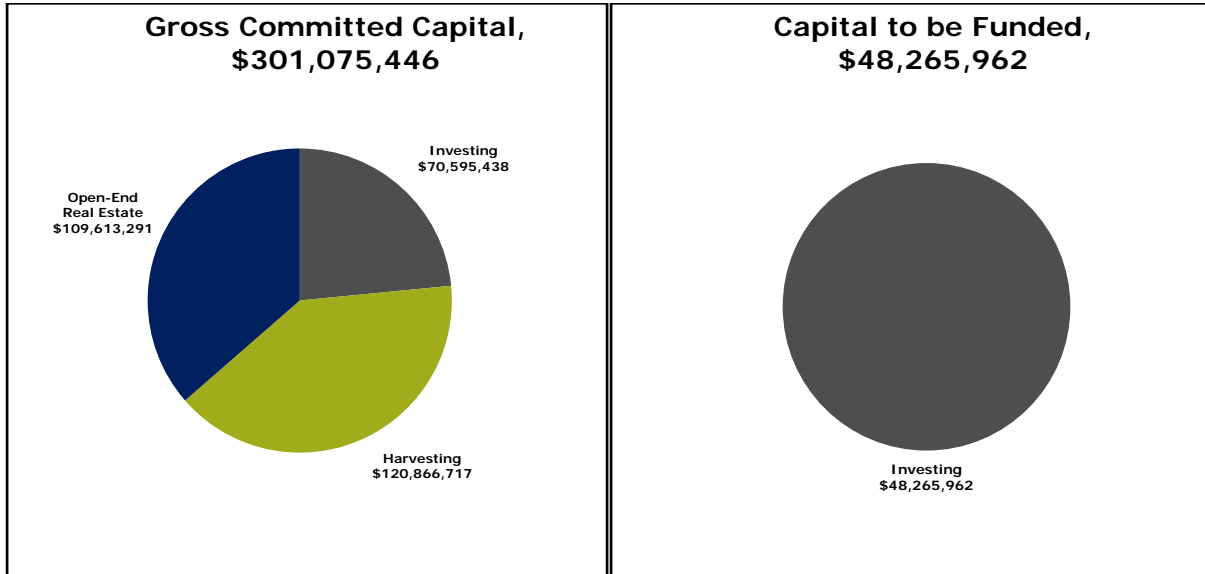
Commitments	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$301,075,446	\$0	\$253,019,738	\$139,192,484	\$175,277,712	88%	0.55

Unfunded Commitments	Market Exposure (Reported Value + Unfunded Commitments)	Total Fund Composite as of 9/30/2014	Real Estate Target	Reported Value as a % of Total Fund	Market Exposure as a % of Total Fund
\$48,265,572	\$223,543,284	\$3,241,033,418	7%	5.4%	6.9%

Total Value (Reported Value + Distributions)	Total Value To Paid In Capital	Internal Rate of Return IRR, Since Inception (Sept 2010)
\$314,470,196	1.24	11.3%

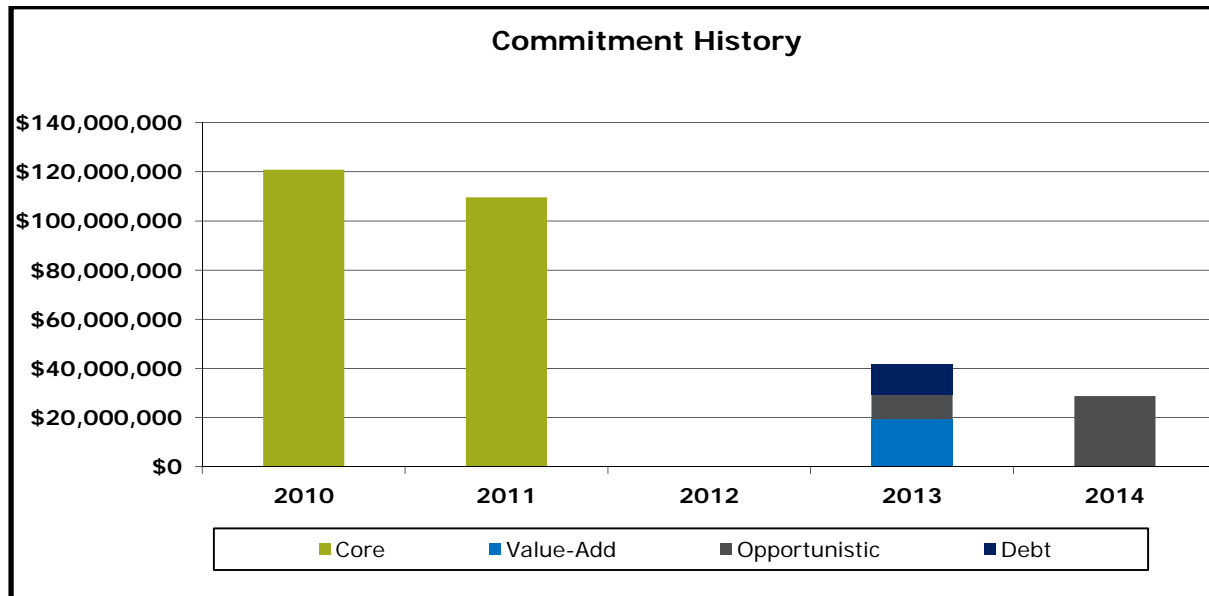


As of September 30, 2014, the Plan had net commitments totaling \$301.1 million to 8 real estate funds. Of the 7 funds in the Plan's Real Estate portfolio, 6 are in the investing stage, 1 fund is in the harvesting stage, and 1 fund has an open-end real estate structure. The following charts illustrate the program's current life cycle:



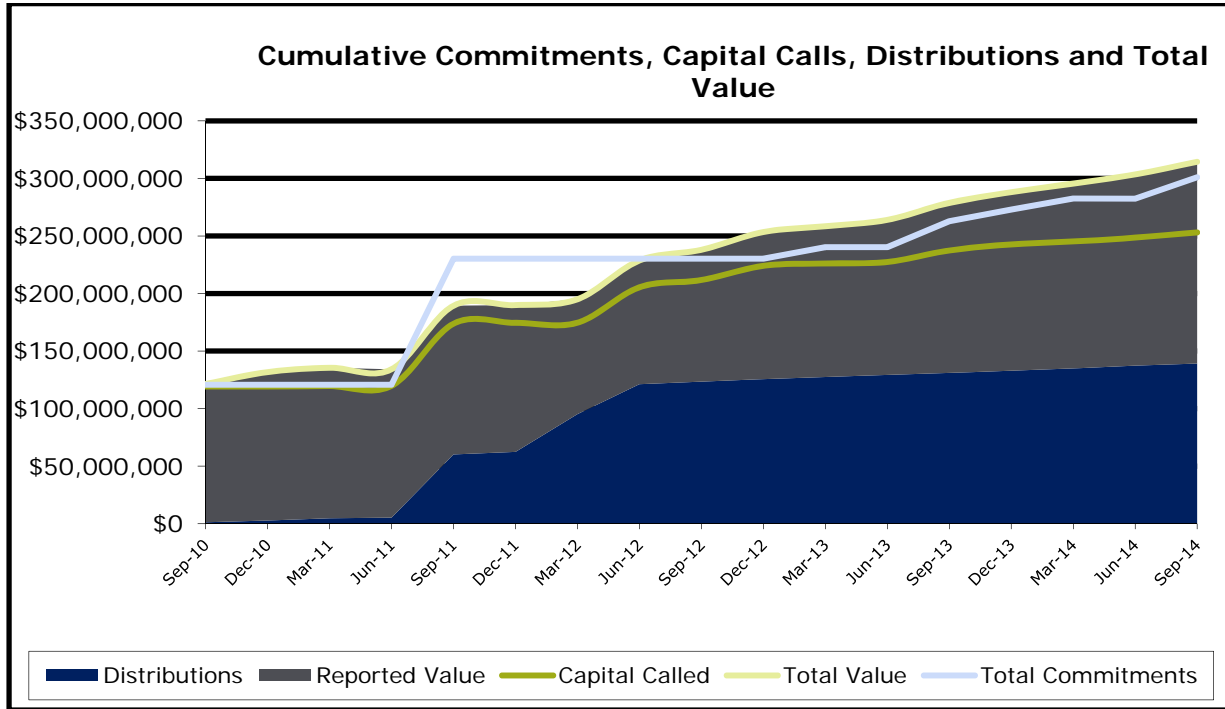
Note: "Open-End Real Estate" is the American Core Realty Fund. "Harvesting" currently represents the separately managed portfolio managed by American Realty, which consists of legacy properties from the Plan's separately managed real estate program. As the Plan's investments in real estate mature, additional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

The following chart illustrates the commitment history of the Plan's real estate program through September 30, 2014:

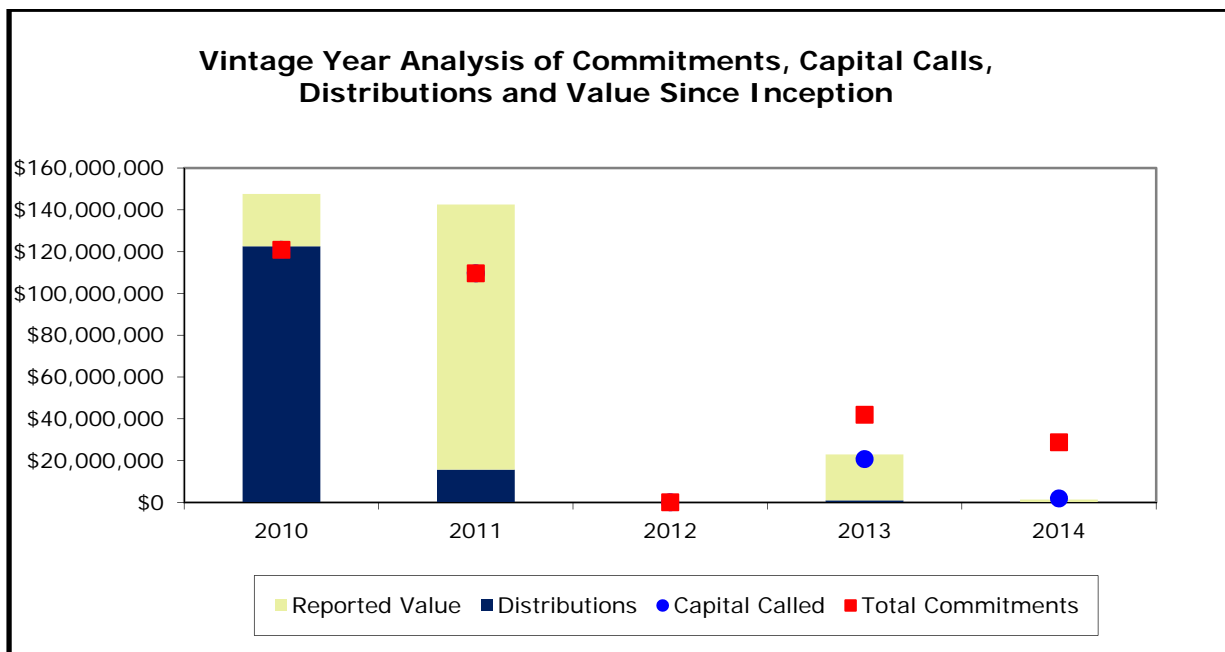




The following chart illustrates the Plan's cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through September 30, 2014:



The following chart provides an analysis of the Plan's vintage year performance comparing the capital calls to the distributions and reported value through September 30, 2014:

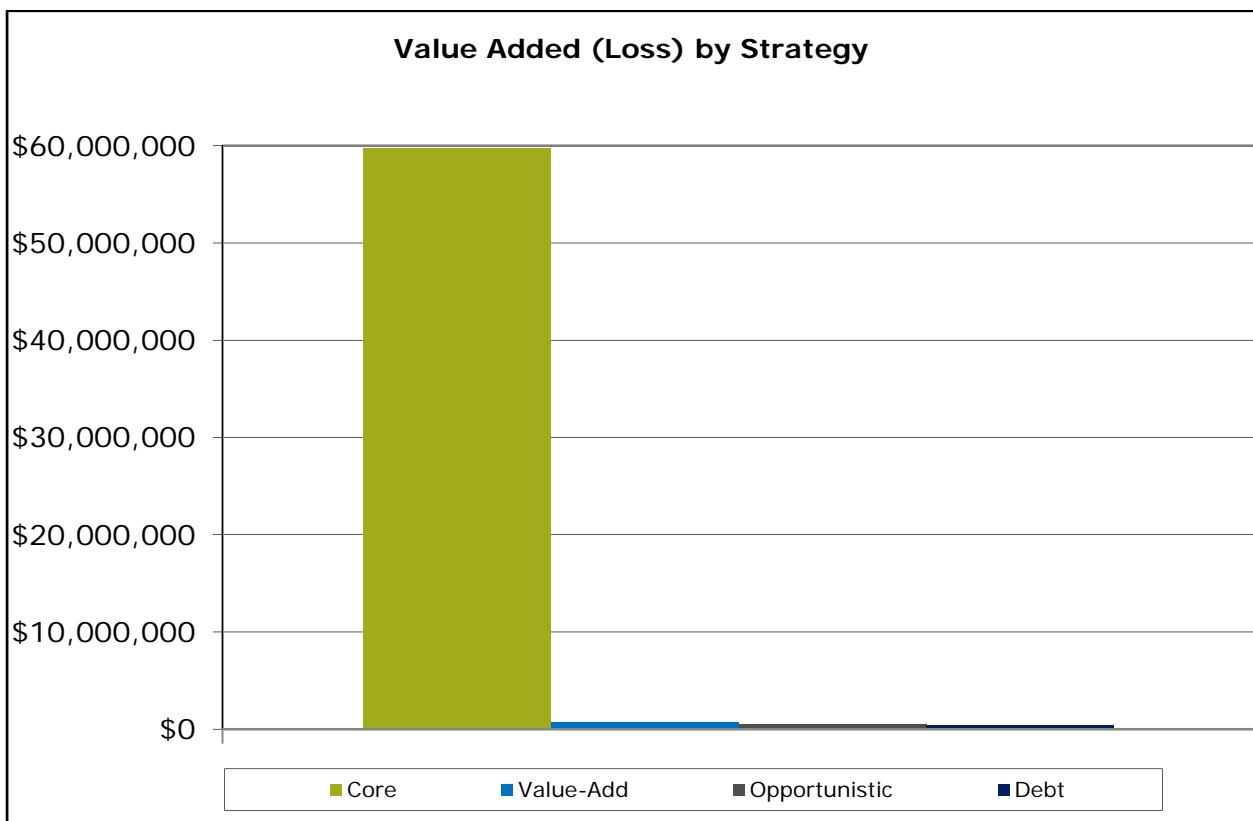




During the quarter-ended September 30, 2014, the Plan funded capital calls from 7 of the Plan's real estate funds and received distributions from 3 of the Plan's real estate funds. The summary of the cash flows follows is as follows:

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
\$4,472,348	7	\$1,803,391	3	(\$2,668,958)

Since inception, the real estate program has gained \$61.3 million in value for the Plan. Core has added \$59.7 million; Value-Add has added \$0.7 million; Opportunistic has gained \$0.5 million; and Debt has added \$0.4 million.

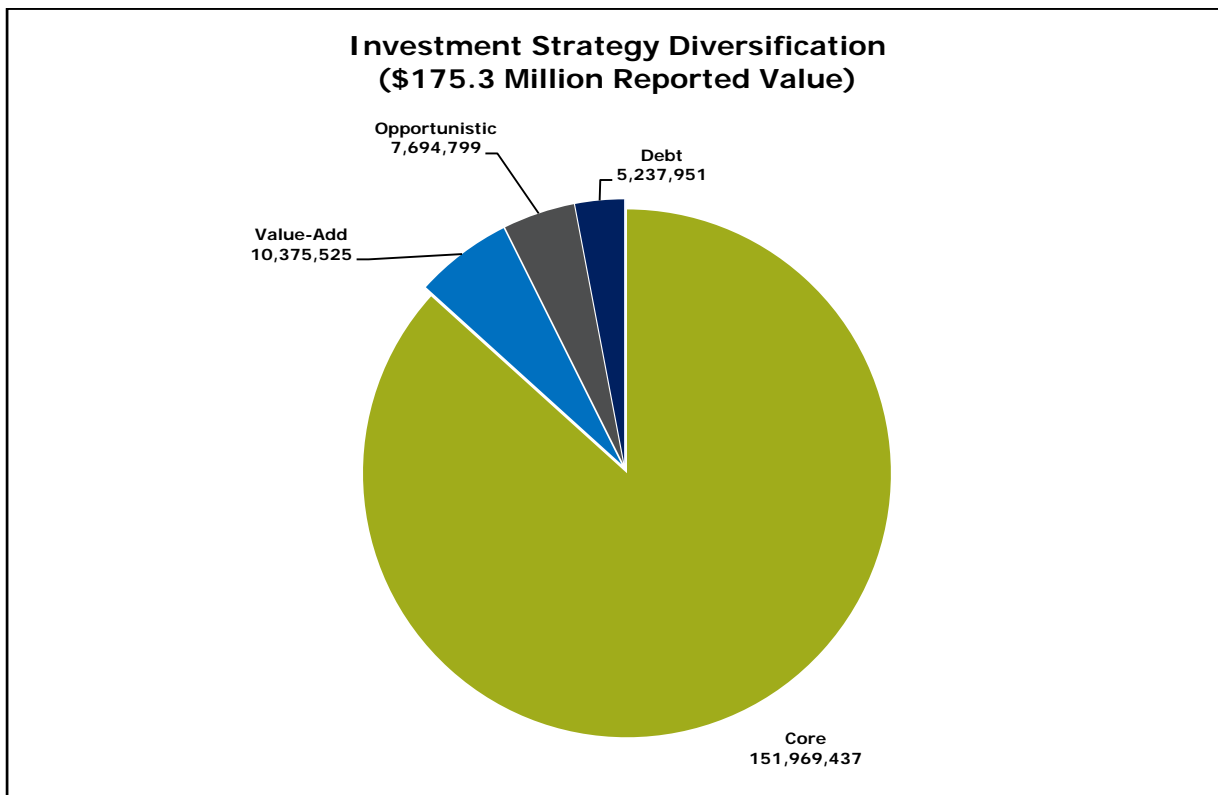




The following table compares the recommended investment strategy allocation to the Plan's actual allocation using the reported value at quarter end.

Investment Strategy	Target	Min.	Max.	Reported Value	Unfunded Commitment	Total Exposure
Core	45%	25%	65%	68.0%	-	68.0%
Value-Add	20%	0%	40%	4.6%	4.2%	8.9%
Opportunistic	20%	0%	40%	3.4%	14.0%	17.5%
Debt	5%	0%	15%	2.3%	3.3%	5.7%
REITs/REOCs	10%	0%	20%	-	-	-
Totals	100%			78.4%	21.6%	100.0%

As of September 30, 2014, 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

- \$30 million to Value-Add (\$20 million leftover from 2014 Strategic Plan)
- \$10 million to Opportunistic
- \$10 million to REITs/REOCs

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
Principal
Director of Real Assets Research

Chris Hill, CFA, CAIA
Consultant, Private Markets

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

9/30/2014

Investment	Vintage Year	Commitment	Qtr TD	YTD	1 Year	3 Year	5 Year	Inception
American Core Realty Fund	2011	109,613,291	3.14	8.95	11.53	11.19	N/A	11.19
American Realty Separate Account	2010	120,866,717	10.63	20.63	24.74	13.24	N/A	11.47
Blackstone REDS II	2013	12,500,000	2.12	6.78	9.73	N/A	N/A	10.84
Brookfield SREP	2013	10,000,000	4.12	16.52	20.40	N/A	N/A	20.42
Orion European Real Estate Fund IV	2014	8,708,390	-11.49	N/A	N/A	N/A	N/A	-46.71
OZ Real Estate Fund III	2014	20,000,000	N/A	N/A	N/A	N/A	N/A	N/A
TA Realty Fund X	2013	10,000,000	2.68	10.43	14.09	N/A	N/A	12.01
Tristan EPISO 3	2013	9,387,048	-7.77	-13.66	N/A	N/A	N/A	-17.55
Total: San Jose Police and Fire Department Retirer.		301,075,446	3.88	10.24	13.06	11.57	N/A	11.27

Note: Performance shown here and on the pages that follow for Orion 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**

9/30/2014

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	15,658,994	126,897,779	142,556,773	32,943,482	100 %	0.14	1.30	11.19 %
2 American Realty Separate Account	2010	120,866,717	120,866,717	0	0	122,542,035	25,071,658	147,613,693	26,746,976	100 %	1.01	1.22	11.47 %
3 Blackstone REDS II	2013	12,500,000	5,088,994	7,411,006	0	254,925	5,237,951	5,492,876	403,882	41 %	0.05	1.08	10.84 %
4 Brookfield SREP	2013	10,000,000	5,607,414	4,392,586	59,953	372,441	6,340,000	6,712,441	1,045,074	56 %	0.07	1.18	20.42 %
5 Orion European Real Estate Fund IV	2014	8,708,390	1,591,376	7,216,094	0	0	1,156,051	1,156,051	-435,326	18 %	0.00	0.73	-46.71 %
6 OZ Real Estate Fund III	2014	20,000,000	227,466	19,772,534	75,000	0	198,748	198,748	-103,718	1 %	0.00	0.66	N/A
7 TA Realty Fund X	2013	10,000,000	8,500,000	1,500,000	17,425	364,089	9,020,300	9,384,389	866,964	85 %	0.04	1.10	12.01 %
8 Tristan EPISO 3	2013	9,387,048	1,524,479	7,973,352	13,718	0	1,355,225	1,355,225	-182,972	16 %	0.00	0.88	-17.55 %
8 Total Partnerships		301,075,446	253,019,738	48,265,572	166,096	139,192,484	175,277,712	314,470,196	61,284,362	84 %	0.55	1.24	11.27 %

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**

9/30/2014

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 REDS II	2013	12,500,000	5,088,994	7,411,006	0	254,925	5,237,951	5,492,876	403,882	41 %	0.05	1.08	10.84 %
2 Brookfield SREP	2013	10,000,000	5,607,414	4,392,586	59,953	372,441	6,340,000	6,712,441	1,045,074	56 %	0.07	1.18	20.42 %
3 Orion European Real Estate Fund IV	2014	8,708,390	1,591,376	7,216,094	0	0	1,156,051	1,156,051	-435,326	18 %	0.00	0.73	-46.71 %
4 OZ Real Estate Fund III	2014	20,000,000	227,466	19,772,534	75,000	0	198,748	198,748	-103,718	1 %	0.00	0.66	N/A
5 TA Realty Fund X	2013	10,000,000	8,500,000	1,500,000	17,425	364,089	9,020,300	9,384,389	866,964	85 %	0.04	1.10	12.01 %
6 Tristan EPIISO 3	2013	9,387,048	1,524,479	7,973,352	13,718	0	1,355,225	1,355,225	-182,972	16 %	0.00	0.88	-17.55 %
2 Investing Subtotal		70,595,438	22,539,730	48,265,572	166,096	991,455	23,308,275	24,299,730	1,593,904	32 %	0.04	1.07	9.24 %
3 Harvesting													
7 American Realty Separate Account	2010	120,866,717	120,866,717	0	0	122,542,035	25,071,658	147,613,693	26,746,976	100 %	1.01	1.22	11.47 %
3 Harvesting Subtotal		120,866,717	120,866,717	0	0	122,542,035	25,071,658	147,613,693	26,746,976	100 %	1.01	1.22	11.47 %
A Open End Real Estate													
8 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	15,658,994	126,897,779	142,556,773	32,943,482	100 %	0.14	1.30	11.19 %
A Open End Real Estate Subtotal		109,613,291	109,613,291	0	0	15,658,994	126,897,779	142,556,773	32,943,482	100 %	0.14	1.30	11.19 %
8 Total Partnerships		301,075,446	253,019,738	48,265,572	166,096	139,192,484	175,277,712	314,470,196	61,284,362	84 %	0.55	1.24	11.27 %

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

9/30/2014

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	120,866,717	120,866,717	0	0	122,542,035	25,071,658	147,613,693	26,746,976	100 %	1.01	1.22	11.47 %
2010 Subtotal		120,866,717	120,866,717	0	0	122,542,035	25,071,658	147,613,693	26,746,976	100 %	1.01	1.22	11.47 %
2011													
2 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	15,658,994	126,897,779	142,556,773	32,943,482	100 %	0.14	1.30	11.19 %
2011 Subtotal		109,613,291	109,613,291	0	0	15,658,994	126,897,779	142,556,773	32,943,482	100 %	0.14	1.30	11.19 %
2013													
3 Blackstone REDS II	2013	12,500,000	5,088,994	7,411,006	0	254,925	5,237,951	5,492,876	403,882	41 %	0.05	1.08	10.84 %
4 Brookfield SREP	2013	10,000,000	5,607,414	4,392,586	59,953	372,441	6,340,000	6,712,441	1,045,074	56 %	0.07	1.18	20.42 %
5 TA Realty Fund X	2013	10,000,000	8,500,000	1,500,000	17,425	364,089	9,020,300	9,384,389	866,964	85 %	0.04	1.10	12.01 %
6 Tristan EPISO 3	2013	9,387,048	1,524,479	7,973,352	13,718	0	1,355,225	1,355,225	-182,972	16 %	0.00	0.88	-17.55 %
2013 Subtotal		41,887,048	20,720,887	21,276,944	91,096	991,455	21,953,476	22,944,931	2,132,948	49 %	0.05	1.10	12.67 %
2014													
7 Orion European Real Estate Fund IV	2014	8,708,390	1,591,376	7,216,094	0	0	1,156,051	1,156,051	-435,326	18 %	0.00	0.73	-46.71 %
8 OZ Real Estate Fund III	2014	20,000,000	227,466	19,772,534	75,000	0	198,748	198,748	-103,718	1 %	0.00	0.66	N/A
2014 Subtotal		28,708,390	1,818,842	26,988,628	75,000	0	1,354,799	1,354,799	-539,044	6 %	0.00	0.72	-54.35 %
8 Total Partnerships		301,075,446	253,019,738	48,265,572	166,096	139,192,484	175,277,712	314,470,196	61,284,362	84 %	0.55	1.24	11.27 %

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

9/30/2014

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	15,658,994	126,897,779	142,556,773	32,943,482	100 %	0.14	1.30	11.19 %
2 American Realty Separate Account	2010	120,866,717	120,866,717	0	0	122,542,035	25,071,658	147,613,693	26,746,976	100 %	1.01	1.22	11.47 %
610 RE Core Subtotal		230,480,008	230,480,008	0	0	138,201,029	151,969,437	290,170,466	59,690,458	100 %	0.60	1.26	11.33 %
615 RE Value Add													
1 TA Realty Fund X	2013	10,000,000	8,500,000	1,500,000	17,425	364,089	9,020,300	9,384,389	866,964	85 %	0.04	1.10	12.01 %
2 Tristan EPI SO 3	2013	9,387,048	1,524,479	7,973,352	13,718	0	1,355,225	1,355,225	-182,972	16 %	0.00	0.88	-17.55 %
615 RE Value Add Subtotal		19,387,048	10,024,479	9,473,352	31,143	364,089	10,375,525	10,739,614	683,992	52 %	0.04	1.07	8.57 %
630 RE Opportunistic													
1 Brookfield SREP	2013	10,000,000	5,607,414	4,392,586	59,953	372,441	6,340,000	6,712,441	1,045,074	56 %	0.07	1.18	20.42 %
2 Orion European Real Estate Fund IV	2014	8,708,390	1,591,376	7,216,094	0	0	1,156,051	1,156,051	-435,326	18 %	0.00	0.73	-46.71 %
3 OZ Real Estate Fund III	2014	20,000,000	227,466	19,772,534	75,000	0	198,748	198,748	-103,718	1 %	0.00	0.66	N/A
630 RE Opportunistic Subtotal		38,708,390	7,426,256	31,381,214	134,953	372,441	7,694,799	8,067,240	506,030	19 %	0.05	1.07	9.14 %
644 RE Debt													
1 Blackstone REDS II	2013	12,500,000	5,088,994	7,411,006	0	254,925	5,237,951	5,492,876	403,882	41 %	0.05	1.08	10.84 %
644 RE Debt Subtotal		12,500,000	5,088,994	7,411,006	0	254,925	5,237,951	5,492,876	403,882	41 %	0.05	1.08	10.84 %
8 Total Partnerships		301,075,446	253,019,738	48,265,572	166,096	139,192,484	175,277,712	314,470,196	61,284,362	84 %	0.55	1.24	11.27 %

**San Jose Police and Fire
Transaction Summary**

7/1/2014 - 9/30/2014

Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
American Core Realty Fund					
9/30/2014			1,595,154.53		-1,595,154.53
Total: American Core Realty Fund			1,595,154.53		-1,595,154.53
American Realty Separate Account					
8/20/2014	38,823.00				38,823.00
Total: American Realty Separate Account			38,823.00		38,823.00
Blackstone REDS II					
7/10/2014	131,040.00				131,040.00
8/25/2014			105,986.00		25,054.00
8/25/2014	-52,260.00				-27,206.00
Total: Blackstone REDS II			105,986.00		-27,206.00
Brookfield SREP					
9/9/2014	907,213.00				907,213.00
Total: Brookfield SREP			907,213.00		907,213.00
Orion European Real Estate Fund IV					
7/29/2014	842,867.07				842,867.07
Total: Orion European Real Estate Fund IV			842,867.07		842,867.07
OZ Real Estate Fund III					
7/22/2014		75,000.00			75,000.00
9/29/2014	227,466.00				302,466.00
Total: OZ Real Estate Fund III			75,000.00		302,466.00
TA Realty Fund X					
7/30/2014	2,000,000.00				2,000,000.00
8/28/2014			102,250.00		1,897,750.00

Activity is cumulative for the period

**San Jose Police and Fire
Transaction Summary**

7/1/2014 - 9/30/2014

	Date	Funding	Additional Fees	Cash	Stock	Net Cash Flow
TA Realty Fund X						
<hr/>						
Total: TA Realty Fund X		2,000,000.00		102,250.00		1,897,750.00
<hr/>						
Tristan EPISO 3						
	7/25/2014	302,199.03				302,199.03
Total: Tristan EPISO 3		302,199.03				302,199.03
<hr/>						
Total: San Jose Police and Fire Department Retirement Plan		4,397,348.10	75,000.00	1,803,390.53		2,668,957.57
<hr/>						
Total:		4,397,348.10	75,000.00	1,803,390.53		2,668,957.57
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