San Jose Federated City Employees' Retirement System

PUBLIC VERSION

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MEKETA INVESTMENT GROUP

BOSTON MASSACHUSETTS | CHICAGO ILLINOIS | MIAMI FLORIDA | PORTLAND OREGON | SAN DIEGO CALIFORNIA | LONDON UNITED KINGDOM

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Introduction
As of September 30, 2015

The purpose of this document is to offer an interim review of the Retirement System's private equity investments. It is divided into three sections: Market and Industry Analysis, Executive Summary, and Aggregate Private Equity Portfolio. The Market and Industry Analysis is a broad overview of the private equity industry. The final two sections are a review of the San Jose Federated City Employees' Retirement System's private equity partnership investments on both an aggregate and individual basis.

As of September 30, 2015, the San Jose Federated City Employees' Retirement System had committed $155.4 million to six partnerships (two fund of funds, three secondary funds, and one buyout fund). The reported fair value of the aggregate Private Equity Program was $85.5 million at September 30, 2015.

Aggregate Private Equity Program[1]	
Number of Partnerships	6
Committed Capital[2]	$155.4 million
Capital Called	$139.0 million
Distributions	$110.1 million
Reported Value	$85.5 million
Total Value Multiple	1.4x
Net IRR[3]	7.6%

[1] Throughout this report, numbers may not sum due to rounding.
[2] One of the partnership commitments is made in a foreign currency. This total reflects committed capital in dollars, adjusted for foreign currency exchange rates, as of the report date.
[3] Net IRR is net of fees, expenses, and carried interest for each partnership.

Market and Industry Analysis
As of September 30, 2015

Global buyout activity posted a quarterly increase in the number of completed deals during the third quarter; however, aggregate deal volume in dollar terms dropped approximately 17% to $85 billion. The number of private equity-backed buyout exits decreased slightly from 413 in the second quarter of 2015 to 397 during the third quarter with an aggregate value of $116 billion, 5% lower than in the previous quarter. Although the number of venture capital deals decreased slightly, deal value increased to $42 billion, almost double the total deal value of venture funds this time last year.

- According to Preqin data, the number of buyout deals increased by 7% since last quarter. Fundraising activity sharply decreased with 178 fund vehicles closed in Q3 2015 compared to 243 in Q2 2015, while aggregate capital raised increased to $137 billion, in turn increasing the average private equity fund size. North America-focused buyout funds recorded declines of 14% in aggregate deal value from the prior quarter.
- Global venture capital investment activity and fundraising remained strong during the third quarter, accounting for 43 funds closed and 7% ($9.1 billion) of capital raised. Deals in North America made up just under half of the global venture capital market at $19 billion during the quarter. Venture Capital in Asia continues to grow in significance as eight of the 10 largest venture deals in Q3 2015 were in the region. Angel/seed financings remained the most common stage of venture capital deals, representing 22% of all deals.
  - The increase in the aggregate value during the quarter was driven by two major deals including two separate rounds of financing amounting to $3.0 billion by Didi Kauidi, a Chinese car sharing service similar to Uber, and a $1.0 billion Series F financing round by Uber Technologies.
- Valuations continued to climb further in the third quarter of 2015 as buyout investments data published by S&P Capital IQ showed pricing at 11.2x trailing EBITDA for all buyout transactions (pricing for the first three quarters of 2015 was lower at 10.3x trailing EBITDA). Even though the availability of debt remained high, most of these transactions were well capitalized with an equity ratio of 42%.
- Buyout activity in Europe experienced a slowdown with aggregate deal value declining to $18 billion during the quarter, a 55% decrease from a strong second quarter of $39 billion.
- According to EMPEA data, emerging markets comprise 11% of the global fundraising market year to date. Across all asset classes, approximately $30 billion was raised in the first three quarters of this year for developing economies compared to $51 billion of private capital raised in all of last year.

Private Equity Program
As of September 30, 2015

Executive Summary
As of September 30, 2015

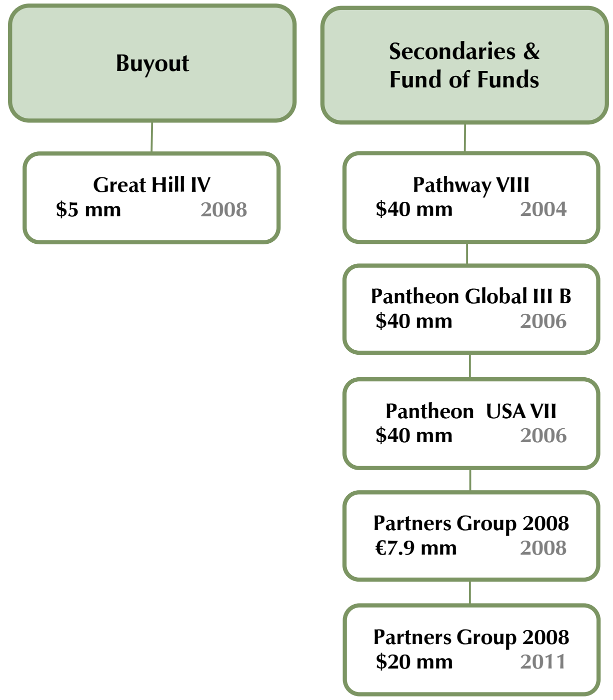
The Retirement System did not make any new commitments during the third quarter of 2015.

In aggregate, $0.7 million of capital was called from the Retirement System during the third quarter of 2015 by the underlying partnerships.

- Pantheon Global Secondary Fund III 'B' called $0.3 million from the Retirement System to fund capital calls from existing underlying partnerships.
- Pantheon USA Fund VII called $0.3 million to fund capital calls from existing underlying partnerships.

Distributions received by the Retirement System from underlying partnerships during the third quarter totaled $6.4 million.

- Pantheon USA Fund VII distributed $2.2 million of proceeds from underlying partnerships.
- Pathway Private Equity Fund VIII distributed $1.8 million of proceeds from underlying partnerships.
- Pantheon Global Secondary Fund III 'B' distributed $1.3 million largely from underlying partnerships.
- Partners Group Secondary 2008 distributed $0.7 million from underlying partnerships.
- Great Hill Equity Partners IV distributed $0.4 million from the sale of an underlying business.



- The chart above shows current commitments made to partnerships by the Retirement System.

Aggregate Private Equity Portfolio
As of September 30, 2015

	Investment Strategy	Capital Committed ($ mm)	Total Contributions Paid to Date[1] ($ mm)	Unfunded Commitment[2] ($ mm)	Total Distributions Received to Date ($ mm)	Reported Fair Value ($ mm)	Reported Fair Value Plus Distributions ($ mm)	Net IRR[3] (%)	Inv. Multiple[4] (x)
Total Program		**155.4**	**139.0**	**16.5**	**110.1**	**85.5**	**195.6**	**7.6**	**1.4**
Vintage Year 2004		**40.0**	**39.2**	**0.8**	**42.5**	**15.4**	**57.9**	**7.3**	**1.5**
Pathway Private Equity Fund VIII	Fund of Funds	40.0	39.2	0.8	42.5	15.4	57.9	7.3	1.5
Vintage Year 2006		**80.0**	**74.0**	**6.0**	**52.4**	**45.1**	**97.5**	**6.0**	**1.3**
Pantheon Global Secondary Fund III 'B'	Secondary	40.0	37.7	2.3	27.9	13.6	41.5	2.0	1.1
Pantheon USA Fund VII	Fund of Funds	40.0	36.3	3.7	24.5	31.5	56.0	10.2	1.5
Vintage Year 2008		**15.4**	**14.1**	**1.3**	**12.2**	**10.1**	**22.4**	**13.8**	**1.6**
Great Hill Equity Partners IV	Buyout	5.0	4.9	0.1	4.7	4.0	8.7	23.3	1.8
Partners Group Secondary 2008[5]	Secondary	10.4	9.2	1.2	7.5	6.2	13.7	10.4	1.5
Vintage Year 2011		**20.0**	**11.7**	**8.4**	**2.9**	**14.8**	**17.7**	**29.5**	**1.5**
Partners Group Secondary 2011	Secondary	20.0	11.7	8.4	2.9	14.8	17.7	29.5	1.5

1 In certain instances, Total Contributions Paid to Date may exceed Capital Committed as certain partnerships may call fees outside of commitment and most partnerships reserve a limited right to recycle capital and/or recall distributions.
2 Unfunded Commitment amounts are an approximation due to the inclusion of recallable distributions.
3 The Net IRR calculations were performed by Meketa Investment Group. Total Program, Partnership and Vintage Year IRRs are net of fees, expenses, and carried interest for each partnership.
4 The Inv. Multiple calculations were performed by Meketa Investment Group. Total Program, Partnership, and Vintage Year Inv. Multiples are net of fees, expenses, and carried interest for each partnership.
5 The Retirement System committed €7.9 million to the Partnership in 2008. The $10.4 million is an estimated amount based on the contributed capital and unfunded commitment as of 9/30/2015.

The IRR (internal rate of return) and investment multiple are the most meaningful measures of performance for a private equity fund. IRR measures how assets are performing in relation to time. Investment multiple shows the cash on cash return generated on the invested capital by the underlying assets.

The Total Program net IRR decreased to 7.6% during the quarter. Over this period, the total reported fair value of the Private Equity Program decreased by $0.8 million, or -0.9%, after adjusting for capital calls and distributions during the period. Performance was primarily driven by decreases in net valuations of Pantheon USA Fund VII ($0.4 million or -1.3%), Pantheon Global Secondary Fund III 'B' ($0.4 million or -2.8%), and Partners Group Secondary 2008 ($0.2 million or -2.3%), but slightly offset by an increase in the valuation of Partners Group Secondary 2011 ($0.2 million or 1.5%).

Private & Opportunistic Debt Program

Introduction
As of September 30, 2015

The purpose of this document is to offer an interim review of the Retirement System's private & opportunistic debt investments. It is divided into three sections: Market and Industry Analysis, Executive Summary, and Aggregate Private & Opportunistic Debt Portfolio. The Market and Industry Analysis is a broad overview of the private debt industry. The final two sections are a review of the San Jose Federated City Employees' Retirement System's private & opportunistic debt partnership investments on both an aggregated and individualized basis.

As of September 30, 2015, the San Jose Federated City Employees' Retirement System had committed $150.0 million to three opportunistic debt partnerships. The reported fair value of the aggregate Private & Opportunistic Debt Program was $107.1 million at September 30, 2015.

Aggregate Private Debt Program[1]	
Number of Partnerships	3
Committed Capital	$150.0 million
Capital Called[2]	$178.4 million
Distributions	$102.3 million
Reported Value	$107.1 million
Total Value Multiple	1.2x
Net IRR	7.5%

[1] Throughout this report, numbers may not sum due to rounding.
[2] In certain instances, total contributions may exceed the commitment, as a Partnership may reserve the right to recycle capital and/or recall distributions depending upon the terms of its Limited Partnership Agreement.

Market and Industry Analysis
As of September 30, 2015

The U.S. high yield market returned -4.9% in the third quarter, driven largely by weakness in the energy and metals & mining sectors, signaling a near term pickup in the distressed debt investment area.

- Each of the credit quality segments had negative results as BB, B, and CCC rated bonds returned -3.1%, -5.6%, and -7.3%, respectively.
- Yields at the broad index and CCC rated level increased to end the quarter at 8.0%, and 12.8%, respectively.
- Both the energy and metals and mining sectors experienced declines of over 15% during the quarter. Many of the energy-related financings completed in the first half of the year are trading at distressed levels as further falling commodity prices are leading to concerns over recovery values. Distressed managers continue to spend a lot of their time in commodity-related industries.
- Several other pro-cyclical industries have also struggled recently and are trading at yields approximately 150 basis points higher than they were at the end of the second quarter.
- As public capital markets pulled back, mezzanine managers were able to capture slightly better pricing than earlier in the year in certain transactions. Overall deal volume continued to be driven by strong activity in the buyout market.

Private & Opportunistic Debt Program
As of September 30, 2015

Executive Summary
As of September 30, 2015

In aggregate, $0.1 million was called from the Retirement System during the third quarter of 2015 by the underlying partnerships.

- GSO Direct Lending called $0.1 million to fund management fees and expenses.

The Retirement System received an aggregate of $6.9 million in distributions during the third quarter of 2015 from its underlying partnerships.

- White Oak Direct Lending distributed $6.6 million during the quarter primarily from repayment income received from an underlying investment.
- GSO Direct Lending distributed $0.2 million during the quarter primarily from realized gains from several underlying investments.

- The chart above shows current commitments made to partnerships by the Retirement System.

Aggregate Private & Opportunistic Debt Portfolio
As of September 30, 2015

Aggregate Program
Performance Summary as of 9/30/15

	Capital Committed ($ mm)	Total Contributions Paid to Date[1,2,3] ($ mm)	Unfunded Commitment[4] ($ mm)	Total Distributions Received to Date ($ mm)	Reported Fair Value ($ mm)	Reported Fair Value Plus Distributions[3,5] ($ mm)	Net IRR[6] (%)	Inv. Multiple[7] (x)
Total Program	**150.0**	**178.4**	**46.0**	**102.3**	**107.1**	**209.3**	**7.5**	**1.2**
Vintage Year 2010	**150.0**	**178.4**	**46.0**	**102.3**	**107.1**	**209.3**	**7.5**	**1.2**
GSO Direct Lending	50.0	39.5	32.4	30.0	19.5	49.5	9.7	1.3
Medley Opportunity Fund II	50.0	51.7	1.7	9.5	56.0	65.6	8.5	1.3
White Oak Direct Lending	50.0	87.2	12.0	62.7	31.6	94.3	4.7	1.1

1 In certain instances, Total Contributions Paid to Date may exceed Capital Committed as certain partnerships may call fees outside of commitment and most partnerships reserve a limited right to recycle capital and/or recall distributions.
2 Total contributions include management fees paid outside of capital committed.
3 Recallable distributions, fees out of commitment and returns of capital have been reclassified to match manager statements.
4 Unfunded Commitment amounts are an approximation due to the inclusion of recallable distributions.
5 Distributions may include capital that was recycled back into the Partnership.
6 The Net IRR calculation was performed by Meketa Investment Group. Total Program IRR is net of fees, expenses, and carried interest for each partnership and net of Meketa Investment Group fees. Partnership and Vintage Year IRRs are net of partnership fees but gross of Meketa Investment Group fees.
7 The Inv. Multiple calculation was performed by Meketa Investment Group. Total Program Inv. Multiple is net of fees, expenses, and carried interest for each partnership and net of Meketa Investment Group fees. Partnership and Vintage Year Inv. Multiples are net of partnership fees but gross of Meketa Investment Group fees.

The IRR (internal rate of return) and investment multiple are the most meaningful measures of performance for private and opportunistic debt funds. The IRR measures how assets are performing in relation to time. The investment multiple shows the cash on cash return generated on the invested capital by the underlying assets.

The total program net IRR decreased by 100 basis points during the third quarter, from 8.5% to 7.5%. The fair market value of the total program decreased by $2.7 million, or 2.4%, after adjusting for capital calls and distributions during the third quarter. The net portfolio valuation was driven by decreases in the valuation of White Oak Direct Lending (-8.2%) and GSO Direct Lending (-3.3%).

Private Real Estate Program

Introduction
As of September 30, 2015

The purpose of this document is to offer an interim review of the Retirement System's private real estate investments. It is divided into three sections: Market and Industry Analysis, Executive Summary, and Aggregate Private Real Estate Portfolio. The Market and Industry Analysis is a broad overview of the economy and the real estate industry through quarter-end. The final two sections are a review of the San Jose Federated City Employees' Retirement System's private real estate partnership investments on both an aggregated and individualized basis.

As of September 30, 2015, the System had committed to nine real estate funds (two core funds and seven value-added funds). The total reported fair value of real estate investments was $120.0 million at September 30, 2015, including $84.9 million in core real estate and $35.1 million in closed-end real estate.

Total Closed-End Private Real Estate Program[1,2]	
Number of Partnerships	7
Committed Capital	$113.1 million
Capital Called	$97.7 million
Distributions	$79.1 million
Reported Value	$35.1 million
Total Value Multiple	1.2x
Net IRR	3.6%

[1] Throughout this report, numbers may not sum due to rounding.
[2] Excludes investments in PRISA I and American Core Realty Fund, both of which are open-end vehicles.

Market and Industry Analysis
As of September 30, 2015

The U.S. real estate market continues to benefit from both improving property market fundamentals, due to occupancy rate and rent growth gains, and moderate cap rate compression, which resulted in another quarter of strong returns for private real estate.

Real Estate Fundamentals

- The NCREIF Property Index's (NPI) value-weighted cap rate (appraisal based) decreased marginally by 14 basis points from the prior quarter to 4.7%, and is now 23 basis points below the 3Q08 market peak. There remains a significant disparity in cap rates between property types, which can depend on the property's attributes and location, with the best-in-class assets in prime locations having cap rates that are significantly lower than their weaker counterparts. This is evident when comparing the NPI value-weighted cap rate of 4.7% to the NPI equal-weighted cap rate of 5.2%. This 54 basis point spread is significantly higher than the ten-year average spread of 36 basis points.
- Private real estate occupancy rates increased 50 basis points during 3Q15 and are now 1.1% higher than 3Q14. The resulting vacancy rate of 7.1% is now 60 basis points lower than the prior cycle peak in 2007 and 2008 and is 500 basis points below the prior cycle trough of 12.2% in 1Q11. While the office sector ended the quarter with a vacancy rate of 11.7%, the highest amongst the four major property types, a strengthening U.S. labor market combined with constrained new construction has led to a vacancy rate decrease of 56 basis points during the quarter and 310 basis points since the trough in 3Q10.
- The pace of NOI growth remained strong in the 3Q15, rising at an annual growth rate of 5.7%. This trailing twelve month growth rate is well in excess of the rate of inflation and GDP growth, indicative of the continued improvement in real estate fundamentals, including higher occupancy rates and strong rental rate growth across all property types.
- While real estate capital market activity declined modestly after a strong first and second quarter, Real Capital Analytics reported transaction volume of $118 billion for 3Q15 for properties valued over $2.5 million. This represents a 7% increase from the 3Q14 transaction volume of $110 billion.

Fundamentals	3Q15 Value		Q-o-Q △		Y-o-Y △
NPI Occupancy	92.9%	↑	0.5%	↑	1.1%
NPI TTM NOI Growth	5.7%	↑	0.3%	↓	-0.2%
NPI MV Cap Rate	4.7%	↓	-14 bps	↓	-35 bps
RCA Transaction Volume	$118bn	↓	-4.1%	↑	7.0%
RCA Transaction Cap Rate	6.6%	⇔	0 bps	↓	-22 bps
NAREIT Dividend Yield	4.0%	⇔	0.0%	⇔	0.0%

U.S. Economic Indicators	3Q15 Value		Q-o-Q △		Y-o-Y △
Unemployment Rate	5.1%	↓	-0.2%	↓	-0.8%
Real GDP Growth	2.1%	↓	-1.8%	↓	-2.2%
10-Yr Treasury	2.2%	↓	-0.2%	↓	-0.4%
CPI	237.9	↓	-0.2%	⇔	0.0%
New Housing Unit Starts	316k	↓	-1.3%	↑	12.1%

Trailing Returns	3Q15 Value	1-Yr	3-Yr
NPI	3.1%	13.5%	11.9%
NFI-ODCE (EW, gross)	3.6%	14.8%	13.2%
NFI-CEVA (EW, gross)	3.4%	19.9%	16.9%
NAREIT Equity REITs	1.0%	7.8%	9.0%
Barclays Aggregate	0.4%	1.0%	1.5%
S&P 500 Index	-6.4%	-0.6%	12.4%

Sources: NCREIF Property Index, Real Capital Analytics, NAREIT Equity Index, U.S. Bureau of Labor Statistics, U.S. Federal Reserve, U.S. Census Bureau, NCREIF Fund Index, ANREV, INREV.

Note: For cap rates, a down arrow indicates falling cap rates or rising prices.

U.S. Macro Trends

- U.S. economic growth remained slow but positive with 3Q15 real GDP showing annualized growth of 2.1% following 2Q15 growth of 3.9%. On a year-over-year basis, the U.S. remains on the 2.0% annual pace that has marked the most recent recovery and expansion cycle, but is still well below the 3.2% average annual growth recorded since data collection began in 1948. The U.S. is still well ahead of Europe and Japan. Real growth in U.S. consumption has also accelerated to slightly more than 3% over 2Q15 and 3Q14, as long-deferred consumption and a vastly improved labor market combined to propel final demand. If sustained, this development bodes well for the broader retail environment over the coming year.
- In addition to these positive trends, the U.S. labor market continues to show marked improvement. Since the beginning of 2010, the U.S. economy has added approximately 13.5 million private sector jobs and the unemployment rate now stands at 5.1%, the lowest level since April 2008. More significantly, the number of open positions and the number of people voluntarily leaving a position have now met or exceeded pre-crisis levels and is a positive sign for future employment increases and a strong sign of growing labor market confidence.
- In the end, uncertainty abroad outweighed slow but steady improvements at home during 3Q15, and as a result the Federal Reserve once again decided not to raise short-term interest rates during their October policy meeting. Regardless of the exact timing of the Fed's first move, the beginning of the next tightening cycle now seems a certainty for 2016 planning (and beyond). While short-term rates will most likely increase after the Fed's December meeting, it is believed that Fed will use its various policy tools to prevent the yield curve from steepening or inverting, thus extending this unprecedented period of historically low long-term interest rates on a relative basis.

Real Estate Returns

- The NFI-ODCE Equal Weight return in 3Q15 was 3.6%, gross of fees, with a 1.2% income return and a 2.4% appreciation return. The 29 basis point decrease from 2Q15's 3.9% total return was entirely attributable to the appreciation component, which decreased from 2.7% to 2.4%. For the trailing one-year period, the NFI-ODCE Equal Weight Index returned 14.8%, gross of fees, consisting of a 4.9% income component and 9.6% appreciation component. The strong trailing one-year performance across private real estate continues to be largely driven from appreciation growth, which has continued to generate strong returns through a combination of NOI growth and cap rate compression.
- The FTSE NAREIT Equity REITs Index rebounded during the third quarter following a weak second quarter, retuning 1.0% during the quarter and outperforming both the S&P 500 and the Barclays US Aggregate Bond Index. Over the trailing twelve months, the Index has outperformed the S&P 500 by 8.4%. Furthermore, the Index's dividend yield ended the quarter unchanged at 4.0% while the ten-year Treasury declined by 19 basis points, and as a result, the REIT dividend yield spread to Treasuries widened to 199 basis points, the largest spread since November 2012 and well above the historical average of 111 basis points. Meanwhile, REIT yields are 132 basis points below Baa corporate bond yields, in line with the historical average spread of 127 basis points. As of 3Q15, REITs were trading at an 8% discount to NAV, well below the historical average of a 4% premium.

Private Real Estate Program
As of September 30, 2015

Executive Summary
As of September 30, 2015

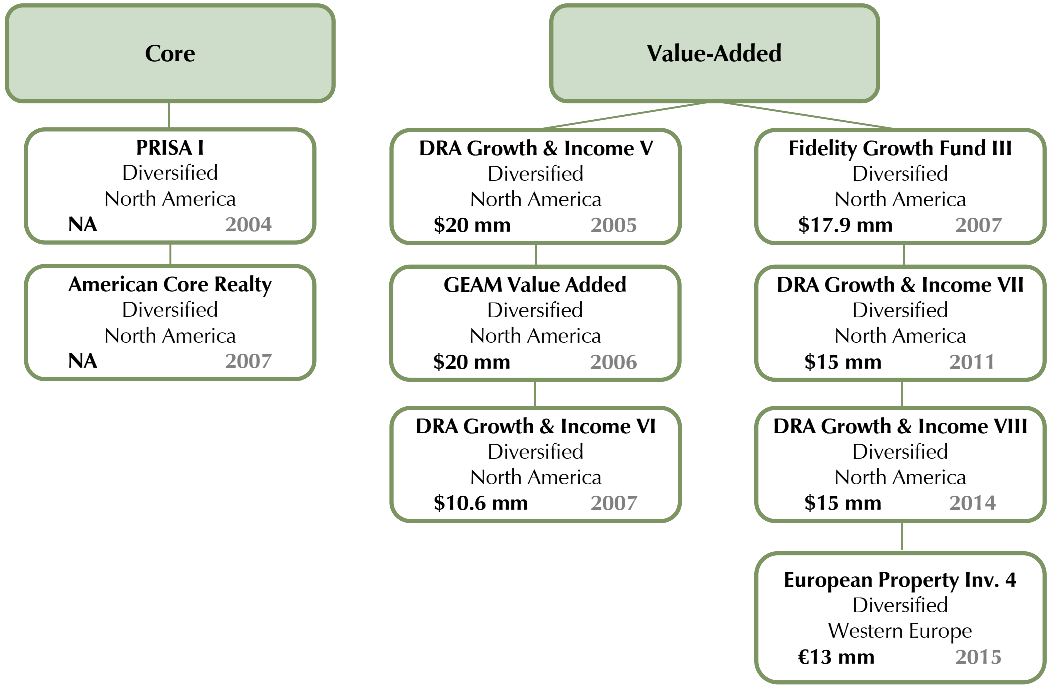
During the third quarter, the Retirement System committed €13.0 million to European Property Investors Special Opportunities 4, a value-added/opportunistic real estate fund targeting investments in Western and Central Europe.

In aggregate, $2.1 million of capital was called from the Retirement System during the third quarter of 2015 by the underlying closed-end partnerships.

- DRA Growth and Income Fund VIII called $2.1 million to fund several acquisitions and to pay down its credit facility.

In aggregate, $3.1 million of capital was distributed to the Retirement System by the underlying closed-end partnerships during the third quarter of 2015.

- Fidelity Real Estate Growth Fund III distributed $1.8 million as the partnership distributed $80 million in proceeds from two sales.
- DRA Growth and Income Fund VII distributed $1.0 million as the partnership distributed $69 million from the return of capital and cash from operations.
- DRA Growth and Income Fund V distributed $0.2 million as the partnership distributed $8 million in proceeds from a gain on sale and cash from operations.
- DRA Growth & Income Fund VIII distributed $0.1 million as the partnership distributed $6 million in cash from operations.



- The chart above shows current commitments and investments made to partnerships and strategies by the Retirement System (white boxes). No commitments have been made subsequent to quarter-end.

Aggregate Private Real Estate Portfolio
As of September 30, 2015

Real Estate Assets
Performance as of 9/30/15

	Fiscal YR[1]/ 3Q15 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Core Real Estate[2]	**3.9**	**11.2**	**14.0**	**12.5**	**13.3**	**NA**	**7/1/09**	**9.7**
PRISA I	4.7	11.1	15.2	13.0	14.1	5.4	7/1/04	6.7
NCREIF ODCE Equal Weighted (net)	*3.4*	*10.6*	*13.8*	*12.2*	*12.9*	*5.5*		*6.6*
American Core Realty Fund, LLC	3.1	11.2	12.9	11.8	12.2	NA	1/1/07	4.1
NCREIF ODCE Equal Weighted (net)	*3.4*	*10.6*	*13.8*	*12.2*	*12.9*	*5.5*		*4.1*

[1] Fiscal Year begins July 1.
[2] Time weighted returns are only presented for core open-end funds and are reported net of fees.

	Investment Strategy	Capital Committed ($ mm)	Total Contributions Paid to Date[1] ($ mm)	Unfunded Commitment[2] ($ mm)	Total Distributions Received to Date ($ mm)	Reported Fair Value ($ mm)	Reported Fair Value Plus Distributions ($ mm)	Net IRR[3] (%)	Inv. Multiple[4] (x)
Total Closed-End Private Real Estate Program		**113.1**	**97.7**	**27.8**	**79.1**	**35.1**	**114.3**	**3.6**	**1.2**
Vintage Year 2005		**20.0**	**30.5**	**0.0**	**31.9**	**6.2**	**38.1**	**4.5**	**1.3**
DRA Growth and Income Fund V	Value-Added	20.0	30.5	0.0	31.9	6.2	38.1	4.5	1.3
Vintage Year 2006		**20.0**	**18.2**	**1.8**	**6.8**	**1.7**	**8.5**	**-11.8**	**0.5**
GEAM Value Add Realty Partners	Value-Added	20.0	18.2	1.8	6.8	1.7	8.5	-11.8	0.5
Vintage Year 2007		**28.4**	**28.4**	**0.9**	**34.1**	**6.7**	**40.8**	**9.2**	**1.4**
DRA Growth and Income Fund VI[5]	Value-Added	10.6	10.6	0.9	13.8	3.3	17.0	11.0	1.6
Fidelity Real Estate Growth Fund III[6]	Value-Added	17.9	17.9	0.0	20.3	3.4	23.8	7.7	1.3
Vintage Year 2011		**15.0**	**15.2**	**0.8**	**6.0**	**15.0**	**21.0**	**15.7**	**1.4**
DRA Growth and Income Fund VII	Value-Added	15.0	15.2	0.8	6.0	15.0	21.0	15.7	1.4
Vintage Year 2014		**15.0**	**5.4**	**9.7**	**0.3**	**5.5**	**5.9**	**14.3**	**1.1**
DRA Growth and Income Fund VIII	Value-Added	15.0	5.4	9.7	0.3	5.5	5.9	14.3	1.1
Vintage Year 2015		**14.6**	**0.0**	**14.6**	**NA**	**NA**	**NA**	**NA**	**NA**
European Property Investors Special Opportunities 4[7]	Value-Added	14.6	0.0	14.6	NA	NA	NA	NA	NA

1 In certain instances, Total Contributions Paid to Date may exceed Capital Committed as certain partnerships may call fees outside of commitment and most partnerships reserve a limited right to recycle capital and/or recall distributions.
2 Unfunded Commitment amounts are an approximation due to the inclusion of recallable distributions.
3 The Net IRR calculations were performed by Meketa Investment Group. Total Program, Partnership and Vintage Year IRRs are net of fees, expenses, and carried interest for each partnership.
4 The Inv. Multiple calculations were performed by Meketa Investment Group. Total Program, Partnership, and Vintage Year Inv. Multiples are net of fees, expenses, and carried interest for each partnership.
5 Capital Committed to DRA Growth & Income Fund VI was originally $15.0 million, and has been reduced to $10.6 million following a release of commitments of $4.4 million.
6 Capital Committed to Fidelity Real Estate Growth Fund III was originally $20.0 million, and has been reduced to $17.9 million following a release of commitments of $2.1 million.
7 The Retirement System committed €13.0 million to the Partnership in 2015. The $14.6 million is an estimated amount based on unfunded commitment as of 9/30/15.

The IRR (internal rate of return) and investment multiple are the most meaningful measures of performance for private closed-end real estate funds. The IRR measures how assets are performing in relation to time. The investment multiple shows the cash on cash return generated on the invested capital by the underlying assets.

The Total Closed-End Program[1] net IRR increased by 30 basis points during the third quarter, from 3.3% to 3.6%.[2] The improved performance was driven primarily by increases in the valuations of DRA Growth and Income Fund VII ($0.6 million or 4.2%), DRA Growth & Income Fund V ($0.3 million or 5.5%), Fidelity Real Estate Growth Fund III ($0.2 million or 6.1%), and DRA Growth & Income Fund VIII ($0.2 million or 4.4%). During the third quarter, the total reported fair value of the Total Closed-End Program increased by $1.5 million, or 4.5%, after adjusting for capital calls and distributions during the quarter. Furthermore, the Aggregate Private Real Estate Program[3] increased by $4.7 million, or 4.1%, over the same period.

[1] Total Closed-End Program includes all closed-end funds in the real estate program.
[2] May not sum due to rounding.
[3] The Aggregate Private Real Estate Program includes both open-end and closed-end funds in the real estate program.

Appendices
As of September 30, 2015

Disclaimers and Valuation Policies
As of September 30, 2015

Disclaimer

The material contained in this report is confidential and may not be reproduced, disclosed, or distributed, in whole or in part, to any person or entity other than the intended recipient. The data are provided for informational purposes only, may not be complete, and cannot be relied upon for any purpose other than for discussion.

Meketa Investment Group has prepared this report on the basis of sources believed to be reliable. The data are based on matters as they are known as of the date of preparation of the report, and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available.

If we manage your assets on a discretionary basis, please contact us if there are any changes in your financial situation or investment objectives, or if you want to impose any reasonable restrictions on our management of your account or reasonably modify existing restrictions.

In general, the valuation numbers presented in this report are prepared by the custodian bank for listed securities, and by the fund manager or appropriate General Partner in the case of unlisted securities. The data used in the market comparison sections of this report are sourced from various databases. These data are continuously updated and are subject to change.

This report does not contain all the information necessary to fully evaluate the potential risks of any of the investments described herein. Because of inherent uncertainties involved in the valuations of investments that are not publicly traded, any estimated fair values shown in this report may differ significantly from the values that would have been used had a ready market for the underlying securities existed, and the differences could be material. Note that for unlisted securities the valuations may be lagged by one or more calendar quarters, or may reflect original cost.

This document may contain certain forward-looking statements, forecasts, estimates, projections, and opinions ("Forward Statements"). No representation is made or will be made that any Forward Statements will be achieved or will prove to be correct. A number of factors, in addition to any risk factors stated in this material, could cause actual future results to vary materially from the Forward Statements. No representation is given that the assumptions disclosed in this document upon which Forward Statements may be based are reasonable. There can be no assurance that the investment strategy or objective of any fund or investment will be achieved, or that the Retirement System will receive a return of the amount invested.

In some cases Meketa Investment Group assists the Retirement System in handling capital calls or asset transfers among investment managers. In these cases we do not make any representations as to the managers' use of the funds, but do confirm that the capital called or transferred is within the amounts authorized by the Retirement System.

The values of companies and partnerships in this review are based on unaudited reports for September 30, 2015, provided by the General Partners, unless otherwise noted.

Because there is no readily accessible market for private markets assets (companies and partnerships), the values placed on private markets assets are calculated by General Partners using conservative and industry standard pricing procedures. Annually, an independent auditor reviews the pricing procedures employed by the General Partner of each partnership.

While all private markets partnerships are audited by an independent entity, there is some discretion as to the method employed to price private companies and, therefore, private markets partnerships. At all times, Meketa Investment Group expects General Partners to utilize conservative and industry standard pricing procedures, and requires the General Partners to disclose those procedures in their reports. However, because of the inherent uncertainty of valuation, these estimated values may differ from the values that would be used if a ready market for the investments existed, and the differences could be significant.

Private Equity
Glossary of Terms

Private equity investors have developed a number of unique terms to describe their investment work. The following glossary of private equity terms is intended to help make sense of these terms.

Advisory Board: Private equity partnerships often establish an advisory board comprised of representatives of the Limited Partners to oversee the on-going work of the General Partners. Advisory boards typically meet once each year to review the partnership's investments. It is important to note that unlike the Board of Directors of a public company, the advisory board has very little power to control the activities of the General Partners.

Angel Investor: Angel investors are individuals who invest their own capital directly in small, early stage companies. Angels are an alternative source of funding for entrepreneurs. Such investments are characterized by high levels of risk and potentially a large return on investment.

Blind Pool: Most private equity partnerships are organized as blind pools, meaning that Limited Partners commit capital to the partnership before any actual investments are made. At the point of commitment, the Limited Partners do not know specifically how their money will be used (hence the term blind pool), and must therefore rely entirely upon the track record and experience of the General Partner.

Buyout Fund: A buyout partnership uses the partners' capital to purchase existing, established businesses. The acquired firms may be family owned prior to purchase, or may be operating divisions of larger companies seeking to restructure their businesses. In a few cases, the buyout partners may purchase all of the outstanding shares of a publicly traded company, effectively taking it private. Buyout funds are not involved in venture capital or startups.

Buyout partnerships own the acquired companies outright, or in combination with other buyout partnerships. In some cases the buyout partners will replace the existing management with a new team, or the acquired firm will be left autonomous. The buyout partners frequently take one or more board seats in order to ensure control of the business.

Capital Call (Contribution): Once a partnership has declared its first close, the General Partners will begin to make portfolio investments. As each investment is made, the capital necessary to fund the investment is "called" from the Limited Partners.

Carried Interest: The share of profits that the fund manager is due once it has returned the cost of investment to investors. Carried interest is normally expressed as a percentage of the total profits of the fund. The industry norm is 20%. The fund manager will normally therefore receive 20% of the profits generated by the fund and distribute the remaining 80% of the profits to investors.

Carrying Value: The General Partner must list on the partnership's balance sheet a value for every investment held. These valuations are called carrying values, and in most cases are simply the original cost of the investment. Note that carrying values in most cases are not audited and do not represent actual market values.

Cash Flow Positive: When a company generates more free cash than it consumes in normal operations, it is deemed to be cash flow positive. Such companies may not need extra financing or debt in order to grow.

Cash on Cash Return: The simple gross total return earned by the Limited Partners, calculated as the total distributions received divided by the total contributions made. Thus, if an investor supplied a total of $100 in cash calls and contributions, and received over the life of the partnership $200 in distributions, the cash on cash return would be 100%. The cash on cash return is typically reported as a multiple. In the example above, the investment returned 2x (two times).

Claw-Back Provision: A claw-back provision ensures that a General Partner does not receive more than its agreed percentage of carried interest over the life of the fund. So, for example, if a General Partner receives 21% of the partnership's profits instead of the agreed 20%, Limited Partners can claw back the extra one percent.

Closings and Closing Dates: Every partnership must specify the date upon which the General Partners will cease fundraising and begin making actual investments with the Limited Partners' committed capital. That date is called the closing date, and defines the vintage year of the partnership. Most partnerships, however, have several closing dates, and all partnerships must eventually have a final closing. In most cases, the final closing lags six to nine months after the first closing. If a majority of the original Limited Partners consent, a partnership can remain open to new investors after the final closing and while early investments are being made, in order to have time to attract additional investors.

Co-Investment: In some cases, Limited Partners want the right to make additional direct investments in one or more of the underlying companies purchased by the General Partner. If the partnership agreement gives co-investment rights to specific Limited Partners, then they may elect to invest additional monies "along side" the General Partner in various deals. In these cases, the co-investing Limited Partners would have two investments in an underlying property: their share of the partnership's investment, and their direct additional co-investment on the side. Note that co-investment rights may be available only to the largest Limited Partners.

Co-investment rights are often negotiated by very large Limited Partners when they have strong convictions about the deal finding skills of the General Partners, because co-investment rights permit them to make even larger investments in the underlying properties than would otherwise be possible, without paying carried interest.

Committed Capital: When a private equity Limited Partnership is formed, each Limited Partner agrees to contribute a specific amount of capital to be invested over the life of the partnership. Once the agreement is signed, the Limited Partners are legally bound and committed to supply the agreed upon capital when it is called for by the General Partner.

Consolidation (Roll Up): Many industries in America are highly fragmented, as the market space is serviced by a large number of locally owned businesses. By consolidating fragmented industries (i.e., purchasing many local businesses), private equity firms can create a single larger company with greater market control, more attractive financial characteristics, and potentially, better pricing flexibility and lower costs.

Convertible Bonds: Some private equity partnerships, generally those that provide mezzanine financing, may take convertible bonds as part of their compensation for providing investment capital. The convertible bond pays interest like other bonds, but can be exchanged for shares of the company stock at a favorable price if certain conditions are met, hence the term convertible.

Direct Investment: Partnerships that invest in companies are said to make direct investments. The alternative is a partnership that invests in other partnerships, a fund of funds.

EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization): The "top line" profits of a private company are the monies earned before paying interest and taxes, and adding back depreciation and amortization. Unlike public companies, which are valued as the multiple of bottom line earnings to the stock price (P/E or price to earnings), private companies are valued as the multiple of EBITDA to the price of the stock.

There is no simple conversion factor that will convert an EBITDA multiple to a P/E for all companies, but in general, a factor of 2 is appropriate. Thus, a private company selling for an EBITDA multiple of 6 is priced about as richly as a public company with a P/E of 12.

EBITDA Multiples: The ratio of a private company's top line earnings to the price of its shares. See EBITDA above.

Enterprise Value: A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise Value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

Fee Income: The General Partners in a private equity partnership generally receive two types of compensation: fee income as payment for their portfolio management services, and a share of any profits (carried interest) as incentive compensation.

Fund of Funds: A private equity partnership that consists primarily of investments in other partnerships, as opposed to direct investments in individual companies and deals. The General Partners of a fund of funds thus act as a manager of managers to create a diversified portfolio of partnerships, each of which in turn consists of a portfolio of direct investment deals.

Although a fund of funds is a collection of partnerships, the fund of funds itself is a partnership, and therefore has a vintage year, a commitment period, a distribution phase, and a final end. Thus, fund of funds have finite lifetimes, just like their underlying partnerships.

The advantages of a fund of funds are high diversification and "one stop shopping," i.e., the client has a single relationship with the fund of funds manager.

The disadvantages of fund of funds are higher costs (another entire layer of management fees and carried interest), an additional loss of liquidity, and an additional loss of control by the Limited Partners. Just as with direct private equity funds, a fund of funds is organized as a blind pool. That is, when a new fund of funds is announced, and a subscription target set, early investors do not know what specific sub-funds will be selected by the manager. Generally, the Private Placement Memorandum gives the General Partner almost unlimited latitude in making subsequent investments.

General Partner: The control partner in private equity partnerships, analogous to the portfolio manager in a public stock portfolio. Under the IRS code, the General Partner must commit some personal capital to the partnership (a minimum of 1% of the partnership's committed capital), and unlike the Limited Partners, is liable for leverage and other losses generated by the partnership.

Growth (Expansion Capital): A strategy that entails providing capital to a private company with the intention that the capital be used to expand operations. Generally, expansion capital strategies result in minority equity positions in companies, but with some degree of control over how the expansion capital is spent.

Hurdle Rate: The minimum rate of return that the Limited Partners must receive before the General Partners have a right to a share of any additional profits (carried interest) produced by the partnership's investments. For example, the partnership may specify that once the Limited Partners have received distributions representing an 8% total return on their commitment (the hurdle rate), the General Partner will share in all future distributions until they have been allocated 80% to the Limited Partners, and 20% to the General Partners (their carried interest).

In-Kind Distribution: Most distributions from private equity partnerships are in cash. However, in some cases, a private deal will be taken public through an initial public offering (IPO), or through a trade sale for stock to a public company. In these cases, the Limited Partners will receive their distributions in the form of publicly traded common stocks and/or rights and warrants.

Investment Period: The period of time after the first closing during which the General Partner will call capital from the Limited Partners and make partnership investments. Legally, the investment period is usually six years. Practically, it is three to four years. Not to be confused with the term of the partnership, generally ten to twelve years.

IPO (Initial Public Offering): When a private company issues publicly traded stock, it becomes known as a public company. The initial sale of publicly available stock is called the initial public offering, or IPO.

IRR (Internal Rate of Return): The annualized rate of return on capital that is generated or capable of being generated within an investment or portfolio over a period of time, assuming all cash flows can be reinvested at the same rate. Mathematically, the IRR of an investment is the discount rate applied to that investment such that the net present value of the investment is zero. IRR is commonly used to measure profitability by applying the calculation to the after tax cash flows to arrive at an after-tax equity yield rate.

J-Curve: Many private equity partnerships have small negative returns in their first years of operation as capital is invested. The negative returns result because the partnership's investments have not matured and turned a profit, but the partnership has nevertheless experienced various operating costs. When early deals begin to mature and are liquidated at a profit, the partnership's returns should become positive. Thus, the graph of the partnership's returns versus time can resemble the capital letter "J."

Later Stage Fund: A venture capital partnership that specializes in investing in startup companies that have already achieved at least some actual revenues, or a venture fund that provides subsequent rounds of venture financing after all of the capital provided in the first rounds has been consumed.

Lead Investor: Describes a General Partner who is the "lead" investor in a deal, as opposed to co-investors or follow-on investors. The term implies that the lead investor has taken the lead in sourcing, evaluating, and executing the deal.

Leverage: Many General Partners use both equity capital provided by the Limited Partners and money borrowed from banks or other lenders to finance their investments. Any borrowed money is called leverage. If a deal is successful, leverage can often enhance the returns of the Limited Partners substantially. On the other hand, too much leverage can cripple an investment with interest and financing costs. It is important to note that the Limited Partners are not responsible for the repayment of any borrowed money.

Leveraged Buyouts: The purchase of a private or public company wherein the bulk of the purchase price is paid using borrowed money.

Limited Partner: All investors in a Limited Partnership other than the named General Partner are defined under the IRS code as Limited Partners. Limited Partners have only the control rights defined for them in the Private Placement Memorandum, and are generally passive investors in the partnership's deals.

A very important point is that Limited Partner's total liability for all deals made by the partnership are limited strictly by law to the Limited Partner's committed capital. Thus, even if the General Partners borrow a great deal of money (leverage), and lose it all, the lenders have no recourse to the assets of the Limited Partners. In effect, a Limited Partner can lose no more than the amount of money invested.

Look-Back Provision: See Claw-Back Provision above.

Mezzanine Financing: An additional level of financing provided to a private company to expand sales, market share, or develop new products. Most mezzanine financing is structured as a package of high coupon bonds with equity "kickers," i.e., rights to acquire the company's stock at a favorable price at a future point. Companies seeking mezzanine financing often have substantial revenues, and if not actual profits, the expectation of imminent profitability.

Multiples and Multiple Expansion: Managers purchasing public common stocks often buy companies with low price to earnings multiples when they believe some factor will induce other investors to bid up the price of the stock without an increase in actual earnings, thus causing the price multiple to expand. In the same fashion, a General Partner may purchase a private company with a low EBITDA multiple, expecting to profit through an expansion of that multiple. A typical example of a multiple expansion plan is consolidation. Many small companies, operating independently, may each be priced at relatively low multiples. But if purchased and combined into a larger, cohesive entity, investors might be willing to pay a higher multiple for the aggregate than for any individual component.

Placement Agent: Unlike public stock management companies, most of whom utilize an in-house sales force to market their services, private equity partnerships are generally marketed by third-party placement agents. These outside marketing firms and individuals are paid a commission by the General Partner.

Platform Company: Some private equity buyout funds attempt to add value by merging companies into larger, more cost efficient enterprises. This strategy generally begins with the acquisition of a platform company, often a market leader, to which other companies are added.

PPM (Private Placement Memorandum): Because Limited Partnership interests are not registered with the SEC, private equity managers must distribute a comprehensive document to prospective investors that describes the broad investment thesis of the partnership, and highlights any risks involved in the partnership. This document is called a Private Placement Memorandum.

Public to Private: If a private partnership (or group of private partnerships) purchases all of the outstanding shares of a publicly traded company, the company's shares may be de-listed from the stock exchange. The company is then said to have been "taken private." For example, in June 1989, the private partnership Wings Holdings acquired the public stock of Northwest Airlines in a $3.65 billion-dollar leveraged buyout. Following this acquisition, Northwest became a privately held corporation for the first time since 1941.

Secondary Fund: Occasionally, a Limited Partner will wish to sell his interest in a partnership before the term of the partnership is completed. Any such sale is termed a secondary market sale. A secondary fund creates a portfolio of partnership interests from earlier partnerships purchased in the secondary market. The advantage of a secondary fund is that it gives investors an opportunity to invest in seasoned partnerships from closed funds of prior vintage years.

Sponsor: Every private equity opportunity that Meketa Investment Group evaluates is assigned to a sponsor. This individual, who is a member of Meketa Investment Group's Private Equity Investment Committee, is responsible for the collection of information and the evaluation of the opportunity.

Take Down/Draw Down: A take down or a draw down is the same as a capital call.

Term: The term of a private equity partnership is its expected lifetime, and is specified in the Private Placement Memorandum. Most partnerships have a term of ten years, with the option to extend the term once or twice by an additional year if the Limited Partners approve.

The term of a partnership consists of several phases. After the final closing, no new commitments are accepted and the partnership enters the commitment phase or investment phase, legally lasting up to six years, but generally lasting three to four years, during which the individual investments are made. A distribution phase follows, during which mature investments are realized and profits distributed to the partners. The final phase is the liquidation phase, during which all remaining properties and assets are sold in order to terminate the partnership.

Trade Sale: The most prevalent exit strategy for many private equity managers involves selling a company in the private markets, usually through an auction process, to other private equity investors or to larger companies. This type of exit is termed a trade sale.

Turnaround: A turnaround strategy involves buying a troubled company, usually for a relatively low price, and making significant managerial or organizational changes to better the company's operations and enhance profitability.

VCOC (Venture Capital Operating Company): The IRS code defines one category of private partnerships to be venture capital operating companies for tax purposes. The General Partners of VCOCs are not required to register with the SEC as investment advisors. The name venture capital operating company relates only to the partnership's legal and tax structure, and does not imply that the partnership will invest in venture capital deals. For example, a middle market buyout fund, which invests only in mature companies with enterprise values of between $200 million and $1 billion, may be structured as a venture capital operating company.

Venture Capital: Money supplied to entrepreneurs to create new businesses is called venture capital. It is the first stage of financing for any new venture.

Traditionally, the recipient of the venture capital was a small group of entrepreneurs with an idea and a business plan, but no management team, corporate structure, revenues or profits. In the 1990s, however, venture capital was often used to seed established teams of entrepreneurs with well-defined products and in-place corporate structures. Thus, there is great variability in the meaning of venture capital and in the types of deals financed with venture capital money.

Vintage Year: The calendar year in which the first cash flow to a partnership occurred. This cash flow can be intended for management fees or investment capital. Vintage year can be used to differentiate the partnerships established over time by a General Partner, to track portfolio commitment pacing, and to benchmark portfolio performance.

Warrants: Just like publicly traded companies, private companies may issue warrants to their shareholders or to other groups providing some form of financing. A warrant is the right to purchase shares of the company's stock at a future date at a predetermined price, called the exercise price. Warrants become valuable if the exercise price is below the market price of the stock.

Private & Opportunistic Debt
Glossary of Terms

Private debt investors have developed a number of unique terms to describe their investment work. The following glossary of private debt terms is intended to help make sense of these terms. Where the term "private equity" is used, the definition will generally also apply to private debt funds that are structured in a similar manner.

Advisory Board: Private equity partnerships often establish an advisory board comprised of representatives of the Limited Partners to oversee the on-going work of the General Partners. Advisory boards typically meet once each year to review the partnership's investments. It is important to note that unlike the Board of Directors of a public company, the advisory board has very little power to control the activities of the General Partners.

Angel Investor: Angel investors are individuals who invest their own capital directly in small, early stage companies. Angels are an alternative source of funding for entrepreneurs. Such investments are characterized by high levels of risk and potentially a large return on investment.

Blind Pool: Most private equity partnerships are organized as blind pools, meaning that Limited Partners commit capital to the partnership before any actual investments are made. At the point of commitment, the Limited Partners do not know specifically how their money will be used (hence the term blind pool), and must therefore rely entirely upon the track record and experience of the General Partner.

Buyout Fund: A buyout partnership uses the partners' capital to purchase existing, established businesses. The acquired firms may be family owned prior to purchase, or may be operating divisions of larger companies seeking to restructure their businesses. In a few cases, the buyout partners may purchase all of the outstanding shares of a publicly traded company, effectively taking it private. Buyout funds are not involved in venture capital or startups.

Buyout partnerships own the acquired companies outright, or in combination with other buyout partnerships. In some cases the buyout partners will replace the existing management with a new team, or the acquired firm will be left autonomous. The buyout partners frequently take one or more board seats in order to ensure control of the business.

Capital Call (Contribution): Once a partnership has declared its first close, the General Partners will begin to make portfolio investments. As each investment is made, the capital necessary to fund the investment is "called" from the Limited Partners.

Carried Interest: The share of profits that the fund manager is due once it has returned the cost of investment to investors. Carried interest is normally expressed as a percentage of the total profits of the fund. The industry norm is 20%. The fund manager will normally therefore receive 20% of the profits generated by the fund and distribute the remaining 80% of the profits to investors.

Carrying Value: The General Partner must list on the partnership's balance sheet a value for every investment held. These valuations are called carrying values, and in most cases are simply the original cost of the investment. Note that carrying values in most cases are not audited and do not represent actual market values.

Cash Flow Positive: When a company generates more free cash than it consumes in normal operations, it is deemed to be cash flow positive. Such companies may not need extra financing or debt in order to grow.

Cash on Cash Return: The simple gross total return earned by the Limited Partners, calculated as the total distributions received divided by the total contributions made. Thus, if an investor supplied a total of $100 in cash calls and contributions, and received over the life of the partnership $200 in distributions, the cash on cash return would be 100%. The cash on cash return is typically reported as a multiple. In the example above, the investment returned 2x (two times).

Claw-Back Provision: A claw-back provision ensures that a General Partner does not receive more than its agreed percentage of carried interest over the life of the fund. So, for example, if a General Partner receives 21% of the partnership's profits instead of the agreed 20%, Limited Partners can claw back the extra one percent.

Closings and Closing Dates: Every partnership must specify the date upon which the General Partners will cease fundraising and begin making actual investments with the Limited Partners' committed capital. That date is called the closing date, and defines the vintage year of the partnership. Most partnerships, however, have several closing dates, and all partnerships must eventually have a final closing. In most cases, the final closing lags six to nine months after the first closing. If a majority of the original Limited Partners consent, a partnership can remain open to new investors after the final closing and while early investments are being made, in order to have time to attract additional investors.

Co-Investment: In some cases, Limited Partners want the right to make additional direct investments in one or more of the underlying companies purchased by the General Partner. If the partnership agreement gives co-investment rights to specific Limited Partners, then they may elect to invest additional monies "along side" the General Partner in various deals. In these cases, the co-investing Limited Partners would have two investments in an underlying property: their share of the partnership's investment, and their direct additional co-investment on the side. Note that co-investment rights may be available only to the largest Limited Partners.

Co-investment rights are often negotiated by very large Limited Partners when they have strong convictions about the deal finding skills of the General Partners, because co-investment rights permit them to make even larger investments in the underlying properties than would otherwise be possible, without paying carried interest.

Committed Capital: When a private equity Limited Partnership is formed, each Limited Partner agrees to contribute a specific amount of capital to be invested over the life of the partnership. Once the agreement is signed, the Limited Partners are legally bound and committed to supply the agreed upon capital when it is called for by the General Partner.

Consolidation (Roll Up): Many industries in America are highly fragmented, as the market space is serviced by a large number of locally owned businesses. By consolidating fragmented industries (i.e., purchasing many local businesses), private equity firms can create a single larger company with greater market control, more attractive financial characteristics, and potentially, better pricing flexibility and lower costs.

Convertible Bonds: Some private equity partnerships, generally those that provide mezzanine financing, may take convertible bonds as part of their compensation for providing investment capital. The convertible bond pays interest like other bonds, but can be exchanged for shares of the company stock at a favorable price if certain conditions are met, hence the term convertible.

Direct Investment: Partnerships that invest in companies are said to make direct investments. The alternative is a partnership that invests in other partnerships, a fund of funds.

EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization): The "top line" profits of a private company are the monies earned before paying interest and taxes, and adding back depreciation and amortization. Unlike public companies, which are valued as the multiple of bottom line earnings to the stock price (P/E or price to earnings), private companies are valued as the multiple of EBITDA to the price of the stock.

There is no simple conversion factor that will convert an EBITDA multiple to a P/E for all companies, but in general, a factor of 2 is appropriate. Thus, a private company selling for an EBITDA multiple of 6 is priced about as richly as a public company with a P/E of 12.

EBITDA Multiples: The ratio of a private company's top line earnings to the price of its shares. See EBITDA above.

Enterprise Value: A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise Value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents.

Fee Income: The General Partners in a private equity partnership generally receive two types of compensation: fee income as payment for their portfolio management services, and a share of any profits (carried interest) as incentive compensation.

Fund of Funds: A private equity partnership that consists primarily of investments in other partnerships, as opposed to direct investments in individual companies and deals. The General Partners of a fund of funds thus act as a manager of managers to create a diversified portfolio of partnerships, each of which in turn consists of a portfolio of direct investment deals.

Although a fund of funds is a collection of partnerships, the fund of funds itself is a partnership, and therefore has a vintage year, a commitment period, a distribution phase, and a final end. Thus, fund of funds have finite lifetimes, just like their underlying partnerships.

The advantages of a fund of funds are high diversification and "one stop shopping," i.e., the client has a single relationship with the fund of funds manager.

The disadvantages of fund of funds are higher costs (another entire layer of management fees and carried interest), an additional loss of liquidity, and an additional loss of control by the Limited Partners. Just as with direct private equity funds, a fund of funds is organized as a blind pool. That is, when a new fund of funds is announced, and a subscription target set, early investors do not know what specific sub-funds will be selected by the manager. Generally, the Private Placement Memorandum gives the General Partner almost unlimited latitude in making subsequent investments.

General Partner: The control partner in private equity partnerships, analogous to the portfolio manager in a public stock portfolio. Under the IRS code, the General Partner must commit some personal capital to the partnership (a minimum of 1% of the partnership's committed capital), and unlike the Limited Partners, is liable for leverage and other losses generated by the partnership.

Growth (Expansion Capital): A strategy that entails providing capital to a private company with the intention that the capital be used to expand operations. Generally, expansion capital strategies result in minority equity positions in companies, but with some degree of control over how the expansion capital is spent.

Hurdle Rate: The minimum rate of return that the Limited Partners must receive before the General Partners have a right to a share of any additional profits (carried interest) produced by the partnership's investments. For example, the partnership may specify that once the Limited Partners have received distributions representing an 8% total return on their commitment (the hurdle rate), the General Partner will share in all future distributions until they have been allocated 80% to the Limited Partners, and 20% to the General Partners (their carried interest).

In-Kind Distribution: Most distributions from private equity partnerships are in cash. However, in some cases, a private deal will be taken public through an initial public offering (IPO), or through a trade sale for stock to a public company. In these cases, the Limited Partners will receive their distributions in the form of publicly traded common stocks and/or rights and warrants.

Investment Period: The period of time after the first closing during which the General Partner will call capital from the Limited Partners and make partnership investments. Legally, the investment period is usually six years. Practically, it is three to four years. Not to be confused with the term of the partnership, generally ten to twelve years.

IPO (Initial Public Offering): When a private company issues publicly traded stock, it becomes known as a public company. The initial sale of publicly available stock is called the initial public offering, or IPO.

IRR (Internal Rate of Return): The annualized rate of return on capital that is generated or capable of being generated within an investment or portfolio over a period of time, assuming all cash flows can be reinvested at the same rate. Mathematically, the IRR of an investment is the discount rate applied to that investment such that the net present value of the investment is zero. IRR is commonly used to measure profitability by applying the calculation to the after tax cash flows to arrive at an after-tax equity yield rate.

J-Curve: Many private equity partnerships have small negative returns in their first years of operation as capital is invested. The negative returns result because the partnership's investments have not matured and turned a profit, but the partnership has nevertheless experienced various operating costs. When early deals begin to mature and are liquidated at a profit, the partnership's returns should become positive. Thus, the graph of the partnership's returns versus time can resemble the capital letter "J."

Later Stage Fund: A venture capital partnership that specializes in investing in startup companies that have already achieved at least some actual revenues, or a venture fund that provides subsequent rounds of venture financing after all of the capital provided in the first rounds has been consumed.

Lead Investor: Describes a General Partner who is the "lead" investor in a deal, as opposed to co-investors or follow-on investors. The term implies that the lead investor has taken the lead in sourcing, evaluating, and executing the deal.

Leverage: Many General Partners use both equity capital provided by the Limited Partners and money borrowed from banks or other lenders to finance their investments. Any borrowed money is called leverage. If a deal is successful, leverage can often enhance the returns of the Limited Partners substantially. On the other hand, too much leverage can cripple an investment with interest and financing costs. It is important to note that the Limited Partners are not responsible for the repayment of any borrowed money.

Leveraged Buyouts: The purchase of a private or public company wherein the bulk of the purchase price is paid using borrowed money.

Limited Partner: All investors in a Limited Partnership other than the named General Partner are defined under the IRS code as Limited Partners. Limited Partners have only the control rights defined for them in the Private Placement Memorandum, and are generally passive investors in the partnership's deals.

A very important point is that Limited Partner's total liability for all deals made by the partnership are limited strictly by law to the Limited Partner's committed capital. Thus, even if the General Partners borrow a great deal of money (leverage), and lose it all, the lenders have no recourse to the assets of the Limited Partners. In effect, a Limited Partner can lose no more than the amount of money invested.

Look-Back Provision: See Claw-Back Provision above.

Mezzanine Financing: An additional level of financing provided to a private company to expand sales, market share, or develop new products. Most mezzanine financing is structured as a package of high coupon bonds with equity "kickers," i.e., rights to acquire the company's stock at a favorable price at a future point. Companies seeking mezzanine financing often have substantial revenues, and if not actual profits, the expectation of imminent profitability.

Multiples and Multiple Expansion: Managers purchasing public common stocks often buy companies with low price to earnings multiples when they believe some factor will induce other investors to bid up the price of the stock without an increase in actual earnings, thus causing the price multiple to expand. In the same fashion, a General Partner may purchase a private company with a low EBITDA multiple, expecting to profit through an expansion of that multiple. A typical example of a multiple expansion plan is consolidation. Many small companies, operating independently, may each be priced at relatively low multiples. But if purchased and combined into a larger, cohesive entity, investors might be willing to pay a higher multiple for the aggregate than for any individual component.

Placement Agent: Unlike public stock management companies, most of whom utilize an in-house sales force to market their services, private equity partnerships are generally marketed by third-party placement agents. These outside marketing firms and individuals are paid a commission by the General Partner.

Platform Company: Some private equity buyout funds attempt to add value by merging companies into larger, more cost efficient enterprises. This strategy generally begins with the acquisition of a platform company, often a market leader, to which other companies are added.

PPM (Private Placement Memorandum): Because Limited Partnership interests are not registered with the SEC, private equity managers must distribute a comprehensive document to prospective investors that describes the broad investment thesis of the partnership, and highlights any risks involved in the partnership. This document is called a Private Placement Memorandum.

Public to Private: If a private partnership (or group of private partnerships) purchases all of the outstanding shares of a publicly traded company, the company's shares may be de-listed from the stock exchange. The company is then said to have been "taken private." For example, in June 1989, the private partnership Wings Holdings acquired the public stock of Northwest Airlines in a $3.65 billion-dollar leveraged buyout. Following this acquisition, Northwest became a privately held corporation for the first time since 1941.

Secondary Fund: Occasionally, a Limited Partner will wish to sell his interest in a partnership before the term of the partnership is completed. Any such sale is termed a secondary market sale. A secondary fund creates a portfolio of partnership interests from earlier partnerships purchased in the secondary market. The advantage of a secondary fund is that it gives investors an opportunity to invest in seasoned partnerships from closed funds of prior vintage years.

Sponsor: Every private equity opportunity that Meketa Investment Group evaluates is assigned to a sponsor. This individual, who is a member of Meketa Investment Group's Private Equity Investment Committee, is responsible for the collection of information and the evaluation of the opportunity.

Take Down/Draw Down: A take down or a draw down is the same as a capital call.

Term: The term of a private equity partnership is its expected lifetime, and is specified in the Private Placement Memorandum. Most partnerships have a term of ten years, with the option to extend the term once or twice by an additional year if the Limited Partners approve.

The term of a partnership consists of several phases. After the final closing, no new commitments are accepted and the partnership enters the commitment phase or investment phase, legally lasting up to six years, but generally lasting three to four years, during which the individual investments are made. A distribution phase follows, during which mature investments are realized and profits distributed to the partners. The final phase is the liquidation phase, during which all remaining properties and assets are sold in order to terminate the partnership.

Trade Sale: The most prevalent exit strategy for many private equity managers involves selling a company in the private markets, usually through an auction process, to other private equity investors or to larger companies. This type of exit is termed a trade sale.

Turnaround: A turnaround strategy involves buying a troubled company, usually for a relatively low price, and making significant managerial or organizational changes to better the company's operations and enhance profitability.

VCOC (Venture Capital Operating Company): The IRS code defines one category of private partnerships to be venture capital operating companies for tax purposes. The General Partners of VCOCs are not required to register with the SEC as investment advisors. The name venture capital operating company relates only to the partnership's legal and tax structure, and does not imply that the partnership will invest in venture capital deals. For example, a middle market buyout fund, which invests only in mature companies with enterprise values of between $200 million and $1 billion, may be structured as a venture capital operating company.

Venture Capital: Money supplied to entrepreneurs to create new businesses is called venture capital. It is the first stage of financing for any new venture.

Traditionally, the recipient of the venture capital was a small group of entrepreneurs with an idea and a business plan, but no management team, corporate structure, revenues or profits. In the 1990s, however, venture capital was often used to seed established teams of entrepreneurs with well-defined products and in-place corporate structures. Thus, there is great variability in the meaning of venture capital and in the types of deals financed with venture capital money.

Vintage Year: The calendar year in which the first cash flow to a partnership occurred. This cash flow can be intended for management fees or investment capital. Vintage year can be used to differentiate the partnerships established over time by a General Partner, to track portfolio commitment pacing, and to benchmark portfolio performance.

Warrants: Just like publicly traded companies, private companies may issue warrants to their shareholders or to other groups providing some form of financing. A warrant is the right to purchase shares of the company's stock at a future date at a predetermined price, called the exercise price. Warrants become valuable if the exercise price is below the market price of the stock.

Private Real Estate
Glossary of Terms

Real Estate investors have developed a number of unique terms to describe their investment work. The following glossary of real estate terms is intended to help make sense of these terms.

Absorption: The amount of inventory or units of a specific commercial property type that become occupied during a specified time period (usually a year) in a given market, typically reported as the absorption rate.

Appreciation: An increase in the value or price of a real estate asset.

Appreciation return: The portion of the total return generated by the change in the value of the real estate assets during the current quarter, as measured by both appraisals and sales of assets.

Appraisal: An estimate of a property's fair market value that is typically based on replacement cost, discounted cash flow analysis and/or comparable sales price.

Asset management: The various disciplines involved with managing real property assets from the time of investment through the time of disposition, including acquisition, management, leasing, operational/financial reporting, appraisals, audits, market review and asset disposition plans.

Asset management fee: A fee charged to investors based on the amount invested into real estate assets for the fund or account.

Base rent: A set amount used as a minimum rent with provisions for increasing the rent over the term of the lease.

Blind Pool: Most Limited Partnerships are organized as blind pools, meaning that Limited Partners commit capital to the partnership before any actual investments are made. At the point of commitment, the Limited Partners do not know specifically how their money will be used (hence the term blind pool), and must therefore rely entirely upon the track record and experience of the General Partner.

Broker: A person who acts as an intermediary between two or more parties in connection with a transaction.

Capital appreciation: The change in market value of a property or portfolio adjusted for capital improvements and partial sales.

Capital Call (Contribution): Once a partnership has declared its first close, the General Partners will begin to make portfolio investments. As each investment is made, the capital necessary to fund the investment is "called" from the Limited Partners.

Capitalization Rate: A percentage that relates the value of an income-producing property to its future income, expressed as net operating income divided by purchase price. This is also referred to as *cap rate*.

Carried Interest: The share of profits that the fund manager is due once it has returned the cost of investment to investors. Carried interest is normally expressed as a percentage of the total profits of the fund. The industry norm is 20%. The fund manager will normally therefore receive 20% of the profits generated by the fund and distribute the remaining 80% of the profits to investors.

Cash on Cash Return: The simple gross total return earned by the Limited Partners, calculated as the total distributions received divided by the total contributions made. Thus, if an investor supplied a total of $100 in cash calls and contributions, and received over the life of the partnership $200 in distributions, the cash on cash return would be 100%. The cash on cash return is typically reported as a multiple. In the example above, the investment returned 2x (two times).

Claw-Back Provision: A claw-back provision ensures that a General Partner does not receive more than its agreed percentage of carried interest over the life of the fund. So, for example, if a General Partner receives 21% of the partnership's profits instead of the agreed 20%, Limited Partners can claw back the extra one percent.

Closed-end fund: A commingled fund that has a targeted range of investor capital and a finite life.

Closings and Closing Dates: Every partnership must specify the date upon which the General Partners will cease fundraising and begin making actual investments with the Limited Partners' committed capital. That date is called the closing date, and defines the vintage year of the partnership. Most partnerships, however, have several closing dates, and all partnerships must eventually have a final closing. In most cases, the final closing lags six to nine months after the first closing. If a majority of the original Limited Partners consent, a partnership can remain open to new investors after the final closing and while early investments are being made, in order to have time to attract additional investors.

Co-Investment: In some cases, Limited Partners want the right to make additional direct investments in one or more of the underlying properties purchased by the General Partner. If the partnership agreement gives co-investment rights to specific Limited Partners, then they may elect to invest additional monies "along side" the General Partner in various deals. In these cases, the co-investing Limited Partners would have two investments in an underlying property: their share of the partnership's investment, and their direct additional co-investment on the side. Note that co-investment rights may be available only to the largest Limited Partners.

Co-investment rights are often negotiated by very large Limited Partners when they have strong convictions about the deal finding skills of the General Partners, because co-investment rights permit them to make even larger investments in the underlying properties than would otherwise be possible, without paying carried interest.

Committed Capital: When a Limited Partnership is formed, each Limited Partner agrees to contribute a specific amount of capital to be invested over the life of the partnership. Once the agreement is signed, the Limited Partners are legally bound and committed to supply the agreed upon capital when it is called for by the General Partner.

Concessions: Cash or cash equivalents expended by the landlord in the form of rental abatement, additional tenant finish allowance, moving expenses or other monies expended to influence or persuade a tenant to sign a lease.

Construction loan: Interim financing during the developmental phase of a property.

Core properties: The major property types - specifically office, retail, industrial and multifamily. Core assets tend to be built within the past five years or recently renovated. They are substantially leased (90% or better) with higher-credit tenants and well-structured long-term leases with the majority fairly early in the term of the lease. Core assets generate good, stable income that, together with potential appreciation, is expected to generate total returns in the 10% to 12% range.

Diversification: The process of consummating individual investments in a manner that insulates a portfolio against the risk of reduced yield or capital loss, accomplished by allocating individual investments among a variety of asset types, each with different characteristics.

Due Diligence: The process of examining a property, related documents, and procedures conducted by or for the potential lender or purchaser to reduce risk. Applying a consistent standard of inspection and investigation one can determine if the actual conditions do or do not reflect the information as represented.

Fee Income: The General Partners in a private markets partnership generally receive two types of compensation: fee income as payment for their portfolio management services, and a share of any profits (carried interest) as incentive compensation.

Fund of Funds: A private markets partnership that consists primarily of investments in other partnerships, as opposed to direct investments in individual real estate funds. The General Partners of a fund of funds thus act as a manager of managers to create a diversified portfolio of partnerships, each of which in turn consists of a portfolio of direct investment deals.

Although a fund of funds is a collection of partnerships, the fund of funds itself is a partnership, and therefore has a vintage year, a commitment period, a distribution phase, and a final end. Thus, fund of funds have finite lifetimes, just like their underlying partnerships.

The advantages of a fund of funds are high diversification and "one stop shopping," i.e., the client has a single relationship with the fund of funds manager.

The disadvantages of fund of funds are higher costs (another entire layer of management fees and carried interest), an additional loss of liquidity, and an additional loss of control by the Limited Partners. Just as with direct private markets funds, a fund of funds is organized as a blind pool. That is, when a new fund of funds is announced, and a subscription target set, early investors do not know what specific sub-funds will be selected by the manager. Generally, the Private Placement Memorandum gives the General Partner almost unlimited latitude in making subsequent investments.

High-rise: In the central business district, this could mean a building higher than 25 stories above ground level, but in suburban markets, it generally refers to buildings higher than seven or eight stories.

Hurdle Rate: The minimum rate of return that the Limited Partners must receive before the General Partners have a right to a share of any additional profits (carried interest) produced by the partnership's investments. For example, the partnership may specify that once the Limited Partners have received distributions representing an 8% total return on their commitment (the hurdle rate), the General Partner will share in all future distributions until they have been allocated 80% to the Limited Partners, and 20% to the General Partners (their carried interest).

Improvements: In the context of leasing, the term typically refers to the improvements made to or inside a building but may include any permanent structure or other development, such as a street, sidewalk, utilities, etc.

Investment Period: The period of time after the first closing during which the General Partner will call capital from the Limited Partners and make partnership investments. Legally, the investment period is usually six years. Practically, it is three to four years. Not to be confused with the term of the partnership, generally ten to twelve years.

IRR (Internal Rate of Return): The annualized rate of return on capital that is generated or capable of being generated within an investment or portfolio over a period of time, assuming all cash flows can be reinvested at the same rate. Mathematically, the IRR of an investment is the discount rate applied to that investment such that the net present value of the investment is zero. IRR is commonly used to measure profitability by applying the calculation to the after tax cash flows to arrive at an after-tax equity yield rate.

J-Curve: Many private markets partnerships have small negative returns in their first years of operation as capital is invested. The negative returns result because the partnership's investments have not matured and turned a profit, but the partnership has nevertheless experienced various operating costs. When early deals begin to mature and are liquidated at a profit, the partnership's returns should become positive. Thus, the graph of the partnership's returns versus time can resemble the capital letter "J."

Lease: An agreement whereby the owner of real property gives the right of possession to another for a specified period of time and for a specified consideration.

Lease Rate: The period rental payment to a lessor for the use of assets. It may also be considered as the implicit interest rate in minimum lease payments.

Leverage: The use of credit to finance a portion of the costs of purchasing or developing a real estate investment. Positive leverage occurs when the interest rate is lower than the capitalization rate or projected internal rate of return. Negative leverage occurs when the current return on equity is diminished by the employment of debt.

Lifecycle: The various developmental stages of a property: pre-development, development, leasing, operating and redevelopment (or rehab).

Limited Partner: All investors in a Limited Partnership other than the named General Partner are defined under the IRS code as Limited Partners. Limited Partners have only the control rights defined for them in the Private Placement Memorandum, and are generally passive investors in the partnership's deals.

A very important point is that Limited Partner's total liability for all deals made by the partnership are limited strictly by law to the Limited Partner's committed capital. Thus, even if the General Partners borrow a great deal of money (leverage), and lose it all, the lenders have no recourse to the assets of the Limited Partners. In effect, a Limited Partner can lose no more than the amount of money invested.

Low-rise: A building with fewer than four stories above ground level.

Market Strategy: A course of action defined with respect to a particular real estate market phase. For example, consider the market strategy of avoiding real estate transactions when there is an oversupply of space available in the market.

Market Value: The most probable price that a property would bring in a competitive and open market under fair sale conditions. Market value also refers to an estimate of this price.

Net Operating Income (NOI): The potential rental income plus other income, less vacancy, credit losses, and operating expenses.

Open-end Fund: A commingled fund that does not have a finite life, it continually accepts new investor capital and makes new property investments.

Opportunistic: A phrase generally used by advisers and managers to describe investments in underperforming and/or undermanaged assets that hold the expectation of near-term increases in cash flow and value. Total return objectives for opportunistic strategies tend to be 20% or higher. Opportunistic investments typically involve a high degree of leverage - typically 60% to 100% on an asset basis and 60% to 80% on a portfolio basis.

Property Type: The classification of commercial real estate based on its primary use. The four primary property types are: retail, industrial, office, and multi-family residential.

Real Estate Cycles (phases): The regularly repeating sequence of economic downturns and upturns and associated changes in real estate market transactions tied to market dynamics and changing macroeconomic conditions, whose phases include (in order) recession, recovery, expansion, and oversupply.

Real Estate Investment Trust (REIT): An investment vehicle in which investors purchase certificates of ownership in the trust, which in turn invests the money in real property and then distributes any profits to the investors. The trust is not subject to corporate income tax as long as it complies with the tax requirements for a REIT.

Shareholders must include their share of the REIT's income in their personal tax returns. (Barron's Dictionary of Real Estate Terms and Encyclopedia of Real Estate Terms 2nd Edition, Damien Abbott)

Real Estate Trends: Long-term movements or tendencies in the demand for commercial real estate (which can typically last for years or decades), usually tied to macro-economic or business cycles.

Submarket: A segment or portion of a larger geographic market defined and identified on the basis of one or more attributes that distinguish it from other submarkets or locations.

Term: The term of a private partnership is its expected lifetime, and is specified in the Private Placement Memorandum. Most partnerships have a term of ten years, with the option to extend the term once or twice by an additional year if the Limited Partners approve.

The term of a partnership consists of several phases. After the final closing, no new commitments are accepted and the partnership enters the commitment phase or investment phase, legally lasting up to six years, but generally lasting three to four years, during which the individual investments are made. A distribution phase follows, during which mature investments are realized and profits distributed to the partners. The final phase is the liquidation phase, during which all remaining properties and assets are sold in order to terminate the partnership.

Vacancy: The number of units or space (of a specific commercial type) that are vacant and available for occupancy at a particular point in time within a given market (usually expressed as a vacancy rate).

Vacancy Rate: The percentage of the total supply of units or space of a specific commercial type that is vacant and available for occupancy at a particular point in time within a given market.

Value-added: A phrase generally used by advisers and managers to describe investments in underperforming and/or undermanaged assets. The objective is to generate 13 % to 18% returns.

Vintage Year: The calendar year in which the first cash flow to a partnership occurred. This cash flow can be intended for management fees or investment capital. Vintage year can be used to differentiate the partnerships established over time by a General Partner, to track portfolio commitment pacing, and to benchmark portfolio performance.