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City of San Jose Police and Fire Department Retirement Plan

First Quarter 2016 Private Markets Review – Real Estate

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

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Information Disclosure

- NEPC, LLC uses, as its data source, the Plan's fund manager and custodian bank or fund service company, and NEPC, LLC relies on those sources for all transactions, including capital calls, distributions, income/expense and reported values. While NEPC, LLC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- The Investment Performance Analysis is provided as a management aid for the client's internal use only. Portfolio performance reported in the Investment Performance Analysis does not constitute a recommendation by NEPC, LLC.
- Information in this report on market indices and security characteristics is received from sources external to NEPC, LLC. While efforts are made to ensure that this external data is accurate, NEPC, LLC cannot accept responsibility for errors that may occur.



August 2016

Board of Administration
 City of San Jose Police and Fire Department Retirement Plan
 1737 North First Street
 San Jose, CA 95112

RE: Real Estate Performance – 1st Quarter 2016

Dear Board of Administration Members:

We are pleased to present the March 31, 2016 Real Estate Performance Summary for the City of San Jose Police and Fire Department Retirement Plan (the "Plan"). The report provides a variety of performance analysis for the overall portfolio, as well as trailing performance and performance by lifecycle, vintage year and strategy.

The Plan's real estate portfolio experienced a positive quarter, producing a nominal IRR of 1.92% for the quarter and 14.24% for the past year. The annualized IRR of the real estate portfolio since inception was 11.75% at quarter end. Since inception, the Total Value to Paid In multiple (current valuation plus cumulative distributions, divided by total capital calls) was 1.36x.

The following table presents the status of the Plan's real estate program as of March 31, 2016:

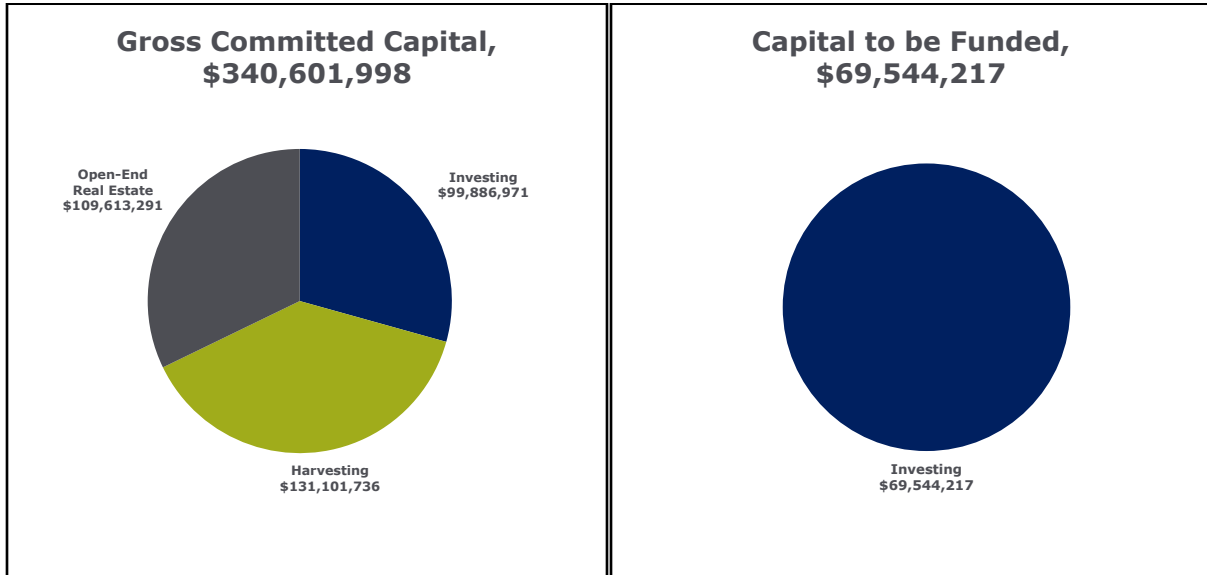
Commitments	Terminated Commitments	Amount Funded	Amount Distributed	Reported Value	Call Ratio	Distribution Ratio
\$340,601,998	\$0	\$271,057,781	\$177,929,087	\$190,861,160	80%	0.66

Unfunded Commitments	Market Exposure (Reported Value + Unfunded Commitments)	Total Fund Composite as of 3/31/2016	Real Estate Target	Reported Value as a % of Total Fund	Market Exposure as a % of Total Fund
\$69,544,217	\$260,405,377	\$3,075,294,176	7%	6.2%	8.5%

Total Value (Reported Value + Distributions)	Total Value To Paid In Capital	Internal Rate of Return IRR, Since Inception (Sept 2010)
\$368,790,247	1.36	11.75%

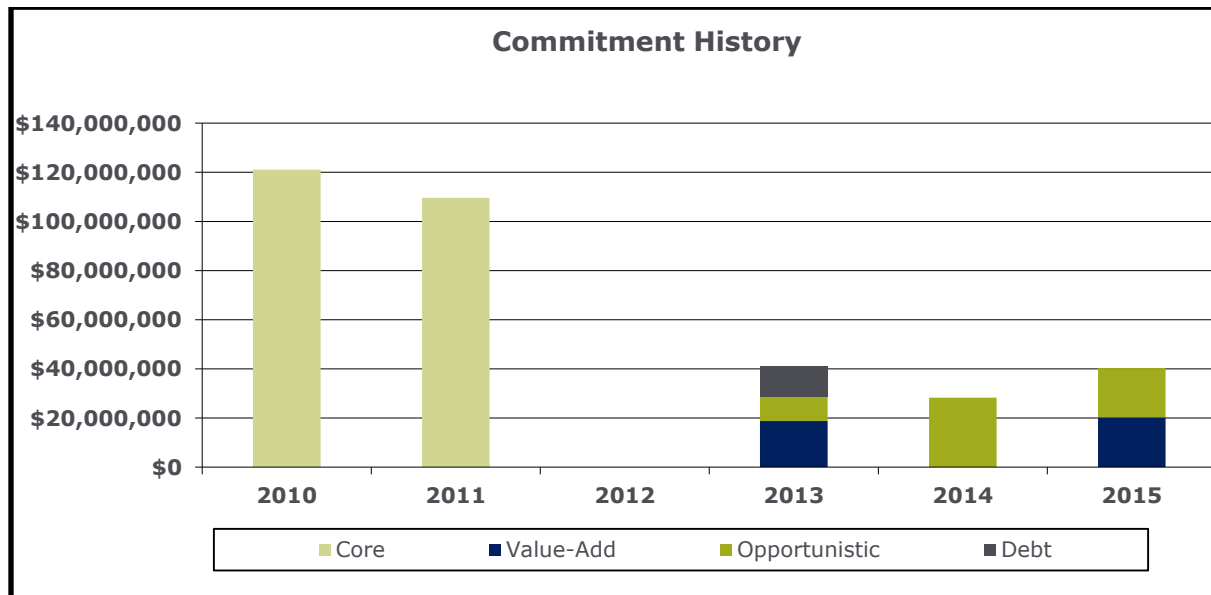


As of March 31, 2016, the Plan had net commitments totaling \$340.6 million to 10 real estate funds. Of the 10 funds in the Plan's Real Estate portfolio, 7 funds are in the investing stage, 2 funds are in the harvesting stage, and 1 fund has an open-end real estate structure. The following charts illustrate the program's current life cycle:



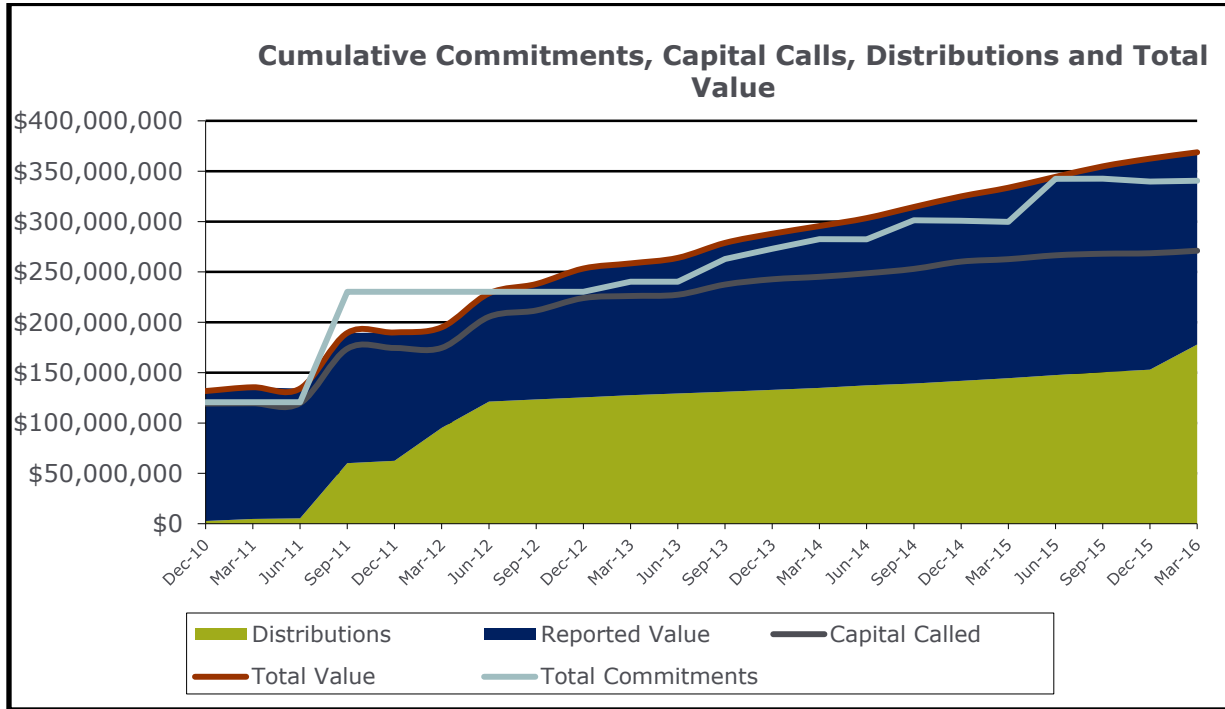
Note: "Open-End Real Estate" is the American Core Realty Fund.

The following chart illustrates the commitment history of the Plan's real estate program through March 31, 2016:

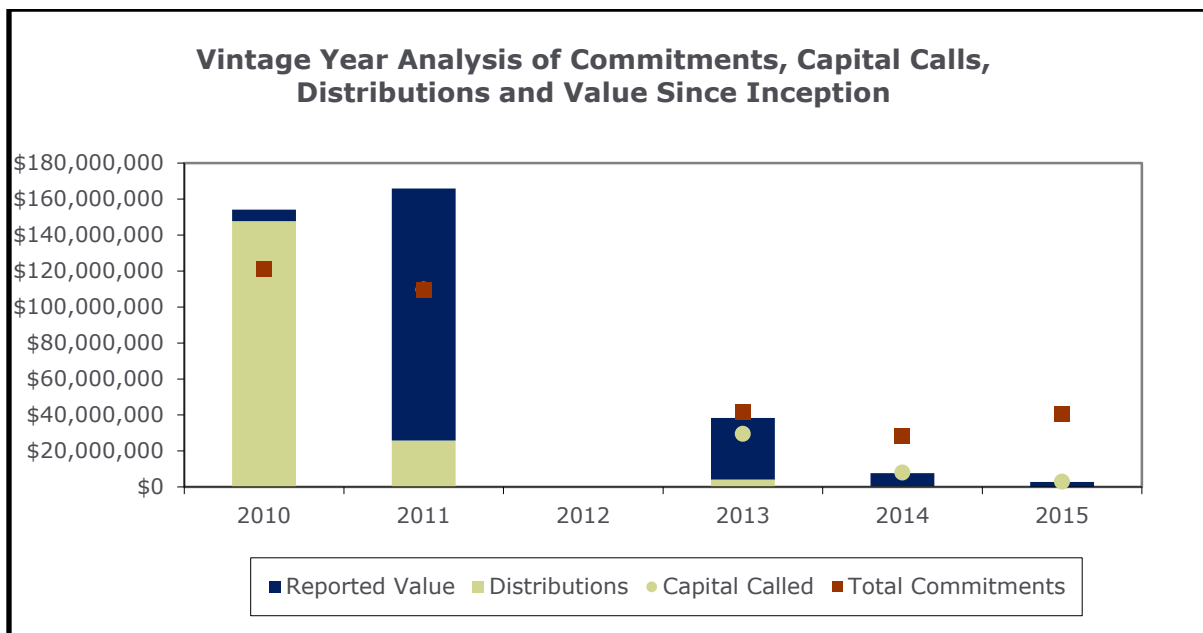




The following chart illustrates the Plan’s cumulative commitment history, cumulative capital calls, cumulative distributions and reported value through March 31, 2016:



The following chart provides an analysis of the Plan’s vintage year performance comparing the capital calls to the distributions and reported value through March 31, 2016:

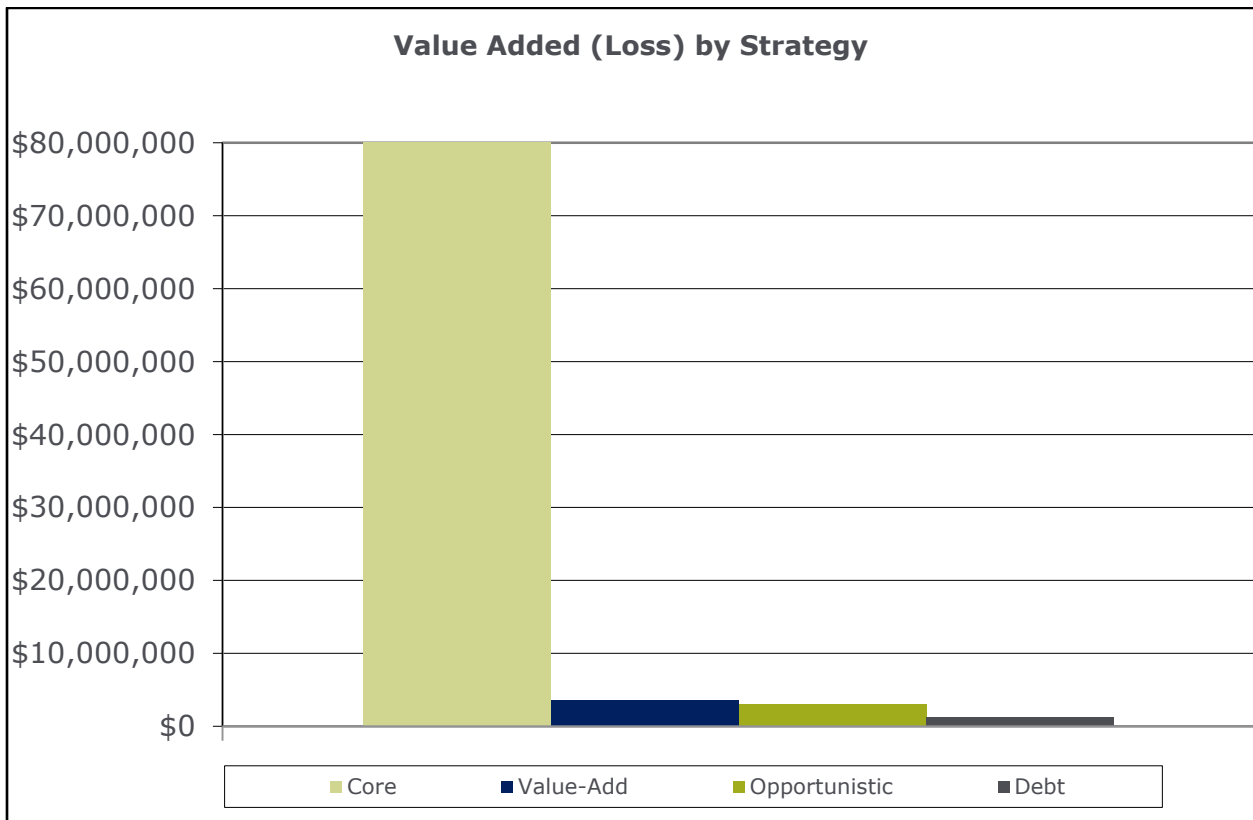




During the quarter-ended March 31, 2016, the Plan funded capital calls from 6 of the Plan’s real estate funds and received distributions from 6 of the Plan’s real estate funds. The summary of the cash flows follows is as follows:

Calls & Expenses Funded during the Quarter	Number of Funds Calling Capital & Expenses	Distributions during the Quarter	Number of Funds Making Distributions	Net Cash/Stock Flows for the Quarter
\$2,596,389	6	\$24,968,824	6	\$22,372,435

Since inception, the real estate program has gained \$97.11 million in value for the Plan. Core has added \$89.30 million; Value-Add has added \$3.61 million; Opportunistic has gained \$3.01 million; and Debt has added \$1.20 million.

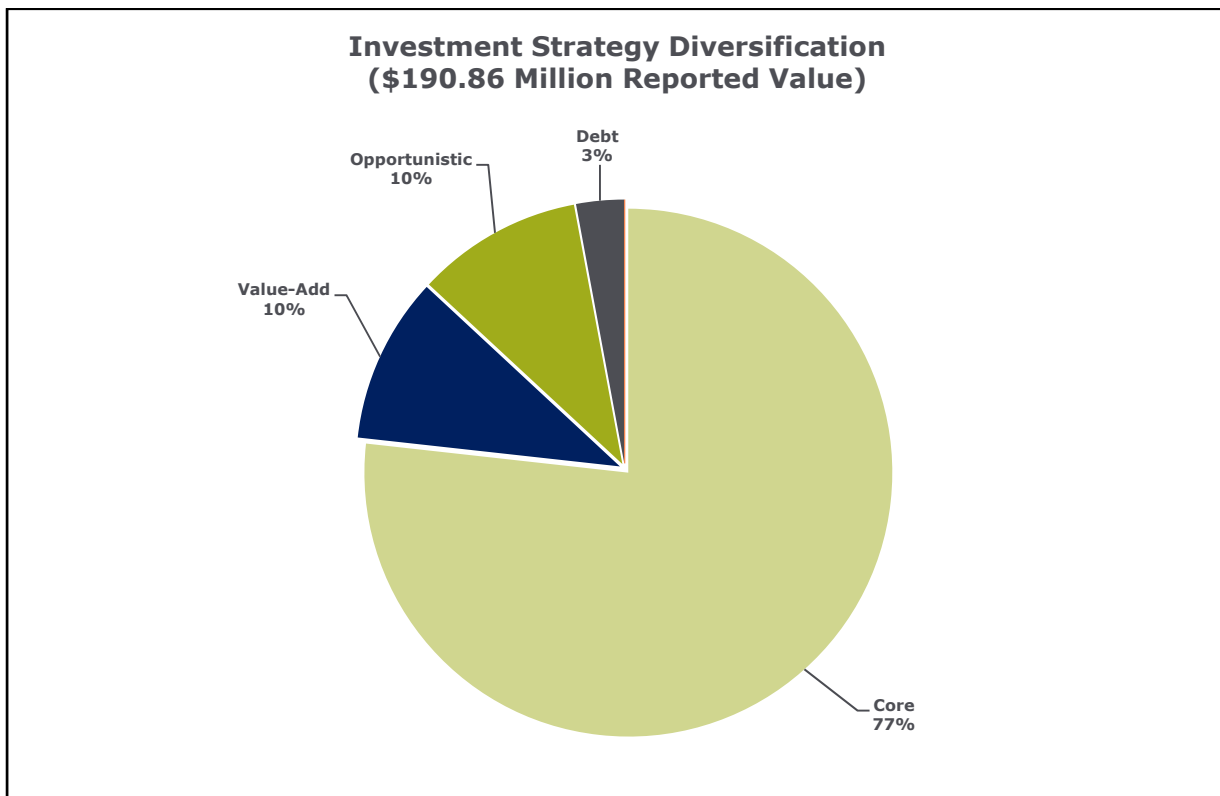




The following table compares the recommended investment strategy allocation to the Plan’s actual allocation using the reported value at quarter end.

Investment Strategy	Target	Min.	Max.	Reported Value	Unfunded Commitment	Total Exposure
Core	45%	25%	65%	56.3%	-	56.3%
Value-Add	20%	0%	40%	7.4%	8.2%	15.6%
Opportunistic	20%	0%	40%	7.4%	15.8%	23.2%
Debt	5%	0%	15%	2.2%	2.7%	4.9%
REITs/REOCs	10%	0%	20%	-	-	-
Totals	100%			73.3%	26.7%	100.0%

As of March 31, 2016, the 10 real estate funds in the Plan’s portfolio were invested by market value in the following strategies:





Fiscal Year 2016 Strategic Plan Summary

- ✓ \$10-20 million to Value-Add/Opportunistic
 - ✓ \$20 million to Brookfield SREP II
 - ✓ \$15 million to GEM Realty Fund VI
- \$10 million to REITs/REOCs

Fiscal Year 2015 Strategic Plan Summary

- ✓ \$20 million to Value-Add/Opportunistic
 - ✓ €18 million commitment to Tristan EPISO 4
- \$10 million to REITs/REOCs

Fiscal Year 2014 Strategic Plan Summary

- ✓ \$40 million to Value-Add/Opportunistic
 - ✓ \$20 million commitment to Och-Ziff Real Estate Fund III
 - ✓ \$20 million commitment to KSL Capital Partners IV

We thank you for the opportunity to work with the City of San Jose Police and Fire Department Retirement Plan and look forward to continued success in the future.

Best regards,

Daniel LeBeau
Consultant

Allan Martin
Partner

NEPC Private Markets Research Team

San Jose Police and Fire

Executive IRR Summary

3/31/2016

Investment Name	Vintage Year	Commitment Amount	QTD	YTD	1 Year	3 Year	5 Year	Inception
American Core Realty Fund	2011	109,613,291	2.41	2.41	12.38	12.19		11.56
American Realty Separate Account	2010	121,101,736	-4.37	-4.37	24.55	20.35	8.59	12.09
Blackstone REDS II	2013	12,500,000	2.25	2.25	11.83			10.40
Brookfield SREP	2013	10,000,000	3.82	3.82	21.96			22.35
KSL Capital Partners IV	2015	20,000,000						N/A
Orion European Real Estate Fund IV	2014	8,285,908	3.69	3.69	2.32			-9.76
OZ Real Estate Fund III	2014	20,000,000	4.60	4.60	3.36			-6.81
TA Realty Fund X	2013	10,000,000	2.06	2.06	14.02	13.33		13.18
Tristan EPISO 3	2013	8,802,196	1.30	1.30	25.19			8.49
Tristan EPISO 4	2015	20,298,867	4.76	4.76				4.25
San Jose Police and Fire		340,601,998	1.92	1.92	14.24	13.14	10.67	11.75

Note: Performance shown here and on the pages that follow for Orion, Och-Ziff and Tristan EPISO 4 are largely impacted by the J-Curve effect, which illustrates the tendency of private real estate funds to deliver negative returns early in their investment periods as little income is generated and management fees are collected on committed (not invested) capital. We expect the impact of the J-Curve to be lessened as these funds mature and investments are realized. Strategy and vintage year diversification helps mitigate the impact of the J-Curve on portfolio returns for the aggregate real estate program.

Composite IRRS include all cash flows of the selected investments regardless of the start date of the investment. "N/A" will be displayed if the investment has insufficient cash flows for the period.

San Jose Police and Fire Department Retirement Plan

Performance Analysis

3/31/2016

Investment	Vintage Year	Commitment Amount	Paid in Capital	Capital to be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
San Jose Police and Fire													
1 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	25,825,220	140,086,915	165,912,135	56,298,844	100%	0.24	1.51	11.56%
2 American Realty Separate Account	2010	121,101,736	121,101,736	0	0	147,687,535	6,411,635	154,099,170	32,997,434	100%	1.22	1.27	12.09%
3 Blackstone REDS II	2013	12,500,000	5,405,530	7,094,470	0	1,000,613	5,604,574	6,605,187	1,199,658	43%	0.19	1.22	10.40%
4 Brookfield SREP	2013	10,000,000	8,069,191	1,930,809	59,953	1,066,436	11,121,000	12,187,436	4,058,292	81%	0.13	1.50	22.35%
5 KSL Capital Partners IV	2015	20,000,000	1,089,807	18,910,193	0	0	908,488	908,488	-181,319	5%	0.00	0.83	N/A
6 Orion European Real Estate Fund IV	2014	8,285,908	3,808,814	4,477,094	0	294,299	2,869,531	3,163,830	-644,984	46%	0.08	0.83	-9.76%
7 OZ Real Estate Fund III	2014	20,000,000	4,170,030	15,829,970	525,000	0	4,471,688	4,471,688	-223,342	21%	0.00	0.95	-6.81%
8 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	2,020,102	10,875,784	12,895,886	2,878,461	100%	0.20	1.29	13.18%
9 Tristan EPISO 3	2013	8,802,196	5,990,392	2,811,805	13,681	34,881	6,653,594	6,688,475	684,401	68%	0.01	1.11	8.49%
10 Tristan EPISO 4	2015	20,298,867	1,808,990	18,489,876	0	0	1,857,952	1,857,952	48,961	9%	0.00	1.03	4.25%
Subtotal: San Jose Police and Fire		340,601,998	271,057,781	69,544,217	616,059	177,929,087	190,861,160	368,790,247	97,116,407	80%	0.65	1.36	11.75%
Total : San Jose Police and Fire Department Retirement Plan		340,601,998	271,057,781	69,544,217	616,059	177,929,087	190,861,160	368,790,247	97,116,407	80%	0.65	1.36	11.75%

Note: Additional fees shown here and on the pages that follow for Och-Ziff Real Estate Fund III represents management fees paid to the manager. Additional fees shown for other strategies represents interest paid by the Plan as a late investor in the respective fund. Payment of interest as a late investor allows the Plan to participate in investments made by the fund prior to the Plan's initial investment.

San Jose Police and Fire Department Retirement Plan

Lifecycle Performance Analysis

3/31/2016

Investment Name	Vintage Year	Commitment Amount	Paid in Capital	Capital to be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
2 Investing													
1 Blackstone REDS II	2013	12,500,000	5,405,530	7,094,470	0	1,000,613	5,604,574	6,605,187	1,199,658	43%	0.19	1.22	10.40%
2 Brookfield SREP	2013	10,000,000	8,069,191	1,930,809	59,953	1,066,436	11,121,000	12,187,436	4,058,292	81%	0.13	1.50	22.35%
3 KSL Capital Partners IV	2015	20,000,000	1,089,807	18,910,193	0	0	908,488	908,488	-181,319	5%	0.00	0.83	N/A
4 Orion European Real Estate Fund IV	2014	8,285,908	3,808,814	4,477,094	0	294,299	2,869,531	3,163,830	-644,984	46%	0.08	0.83	-9.76%
5 OZ Real Estate Fund III	2014	20,000,000	4,170,030	15,829,970	525,000	0	4,471,688	4,471,688	-223,342	21%	0.00	0.95	-6.81%
6 Tristan EPISO 3	2013	8,802,196	5,990,392	2,811,805	13,681	34,881	6,653,594	6,688,475	684,401	68%	0.01	1.11	8.49%
7 Tristan EPISO 4	2015	20,298,867	1,808,990	18,489,876	0	0	1,857,952	1,857,952	48,961	9%	0.00	1.03	4.25%
Subtotal: 2 Investing		99,886,971	30,342,754	69,544,217	598,634	2,396,229	33,486,827	35,883,056	4,941,668	30%	0.08	1.16	10.48%
3 Harvesting													
1 American Realty Separate Account	2010	121,101,736	121,101,736	0	0	147,687,535	6,411,635	154,099,170	32,997,434	100%	1.22	1.27	12.09%
2 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	2,020,102	10,875,784	12,895,886	2,878,461	100%	0.20	1.29	13.18%
Subtotal: 3 Harvesting		131,101,736	131,101,736	0	17,425	149,707,637	17,287,419	166,995,056	35,875,895	100%	1.14	1.27	12.15%
A Open End Real Estate													
1 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	25,825,220	140,086,915	165,912,135	56,298,844	100%	0.24	1.51	11.56%
Subtotal: A Open End Real Estate		109,613,291	109,613,291	0	0	25,825,220	140,086,915	165,912,135	56,298,844	100%	0.24	1.51	11.56%
Total: San Jose Police and Fire Department Retirement Plan		340,601,998	271,057,781	69,544,217	616,059	177,929,087	190,861,160	368,790,247	97,116,407	80%	0.65	1.36	11.75%

San Jose Police and Fire Department Retirement Plan

Vintage Year Performance Analysis

3/31/2016

Investment Name	Vintage Year	Commitment Amount	Paid in Capital	Capital to be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
2010													
1 American Realty Separate Account	2010	121,101,736	121,101,736	0	0	147,687,535	6,411,635	154,099,170	32,997,434	100%	1.22	1.27	12.09%
Subtotal: 2010		121,101,736	121,101,736	0	0	147,687,535	6,411,635	154,099,170	32,997,434	100%	1.22	1.27	12.09%
2011													
1 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	25,825,220	140,086,915	165,912,135	56,298,844	100%	0.24	1.51	11.56%
Subtotal: 2011		109,613,291	109,613,291	0	0	25,825,220	140,086,915	165,912,135	56,298,844	100%	0.24	1.51	11.56%
2013													
1 Blackstone REDS II	2013	12,500,000	5,405,530	7,094,470	0	1,000,613	5,604,574	6,605,187	1,199,658	43%	0.19	1.22	10.40%
2 Brookfield SREP	2013	10,000,000	8,069,191	1,930,809	59,953	1,066,436	11,121,000	12,187,436	4,058,292	81%	0.13	1.50	22.35%
3 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	2,020,102	10,875,784	12,895,886	2,878,461	100%	0.20	1.29	13.18%
4 Tristan EPISO 3	2013	8,802,196	5,990,392	2,811,805	13,681	34,881	6,653,594	6,688,475	684,401	68%	0.01	1.11	8.49%
Subtotal: 2013		41,302,196	29,465,113	11,837,084	91,059	4,122,032	34,254,952	38,376,984	8,820,812	71%	0.14	1.30	14.82%
2014													
1 Orion European Real Estate Fund IV	2014	8,285,908	3,808,814	4,477,094	0	294,299	2,869,531	3,163,830	-644,984	46%	0.08	0.83	-9.76%
2 OZ Real Estate Fund III	2014	20,000,000	4,170,030	15,829,970	525,000	0	4,471,688	4,471,688	-223,342	21%	0.00	0.95	-6.81%
Subtotal: 2014		28,285,908	7,978,844	20,307,064	525,000	294,299	7,341,219	7,635,518	-868,326	28%	0.03	0.90	-8.76%
2015													
1 KSL Capital Partners IV	2015	20,000,000	1,089,807	18,910,193	0	0	908,488	908,488	-181,319	5%	0.00	0.83	N/A
2 Tristan EPISO 4	2015	20,298,867	1,808,990	18,489,876	0	0	1,857,952	1,857,952	48,961	9%	0.00	1.03	4.25%
Subtotal: 2015		40,298,867	2,898,797	37,400,070	0	0	2,766,440	2,766,440	-132,357	7%	0.00	0.95	-11.41%
Total: San Jose Police and Fire Department Retirement Plan		340,601,998	271,057,781	69,544,217	616,059	177,929,087	190,861,160	368,790,247	97,116,407	80%	0.65	1.36	11.75%

San Jose Police and Fire Department Retirement Plan

Investment Strategy Performance Analysis

3/31/2016

Investment Name	Vintage Year	Commitment Amount	Paid in Capital	Capital to be Funded	Additional Fees	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
610 RE Core													
1 American Core Realty Fund	2011	109,613,291	109,613,291	0	0	25,825,220	140,086,915	165,912,135	56,298,844	100%	0.24	1.51	11.56%
2 American Realty Separate Account	2010	121,101,736	121,101,736	0	0	147,687,535	6,411,635	154,099,170	32,997,434	100%	1.22	1.27	12.09%
Subtotal: 610 RE Core		230,715,027	230,715,027	0	0	173,512,755	146,498,550	320,011,305	89,296,278	100%	0.75	1.39	11.78%
615 RE Value Add													
1 TA Realty Fund X	2013	10,000,000	10,000,000	0	17,425	2,020,102	10,875,784	12,895,886	2,878,461	100%	0.20	1.29	13.18%
2 Tristan EPISO 3	2013	8,802,196	5,990,392	2,811,805	13,681	34,881	6,653,594	6,688,475	684,401	68%	0.01	1.11	8.49%
3 Tristan EPISO 4	2015	20,298,867	1,808,990	18,489,876	0	0	1,857,952	1,857,952	48,961	9%	0.00	1.03	4.25%
Subtotal: 615 RE Value Add		39,101,063	17,799,382	21,301,681	31,106	2,054,983	19,387,329	21,442,312	3,611,824	46%	0.12	1.20	12.00%
630 RE Opportunistic													
1 Brookfield SREP	2013	10,000,000	8,069,191	1,930,809	59,953	1,066,436	11,121,000	12,187,436	4,058,292	81%	0.13	1.50	22.35%
2 KSL Capital Partners IV	2015	20,000,000	1,089,807	18,910,193	0	0	908,488	908,488	-181,319	5%	0.00	0.83	N/A
3 Orion European Real Estate Fund IV	2014	8,285,908	3,808,814	4,477,094	0	294,299	2,869,531	3,163,830	-644,984	46%	0.08	0.83	-9.76%
4 OZ Real Estate Fund III	2014	20,000,000	4,170,030	15,829,970	525,000	0	4,471,688	4,471,688	-223,342	21%	0.00	0.95	-6.81%
Subtotal: 630 RE Opportunistic		58,285,908	17,137,842	41,148,066	584,953	1,360,735	19,370,707	20,731,442	3,008,647	29%	0.08	1.17	11.03%
644 RE Debt													
1 Blackstone REDS II	2013	12,500,000	5,405,530	7,094,470	0	1,000,613	5,604,574	6,605,187	1,199,658	43%	0.19	1.22	10.40%
Subtotal: 644 RE Debt		12,500,000	5,405,530	7,094,470	0	1,000,613	5,604,574	6,605,187	1,199,658	43%	0.19	1.22	10.40%
Total: San Jose Police and Fire Department Retirement Plan		340,601,998	271,057,781	69,544,217	616,059	177,929,087	190,861,160	368,790,247	97,116,407	80%	0.65	1.36	11.75%

San Jose Police and Fire Department Retirement Plan
Transaction Summary
1/1/2016 - 3/31/2016

Date	Funding	Additional Fees	Cash	Net Cash Flow
San Jose Police and Fire				
American Core Realty Fund				
03/31/2016			1,772,676.19	-1,772,676.19
Total: American Core Realty Fund				
			1,772,676.19	-1,772,676.19
American Realty Separate Account				
01/28/2016			200,000.00	-200,000.00
01/28/2016			22,500,000.00	-22,700,000.00
Total: American Realty Separate Account				
			22,700,000.00	-22,700,000.00
Blackstone REDS II				
01/12/2016	87,618.00			87,618.00
02/17/2016	30,024.00			117,642.00
02/18/2016	-632,370.10			-514,728.10
03/01/2016	80,393.00			-434,335.10
03/02/2016			141,568.64	-575,903.74
03/30/2016	322,165.00			-253,738.74
Total: Blackstone REDS II				
	-112,170.10		141,568.64	-253,738.74
Brookfield SREP				
03/30/2016	-245,911.00			-245,911.00
03/30/2016			114,760.00	-360,671.00
Total: Brookfield SREP				
	-245,911.00		114,760.00	-360,671.00
KSL Capital Partners IV				
03/31/2016	1,089,806.64			1,089,806.64
Total: KSL Capital Partners IV				
	1,089,806.64			1,089,806.64
Orion European Real Estate Fund IV				
03/29/2016			67,172.58	-67,172.58
03/29/2016	-15,776.45			-82,949.03
Total: Orion European Real Estate Fund IV				
	-15,776.45		67,172.58	-82,949.03

San Jose Police and Fire Department Retirement Plan

Transaction Summary

1/1/2016 - 3/31/2016

Date	Funding	Additional Fees	Cash	Net Cash Flow
San Jose Police and Fire				
OZ Real Estate Fund III				
01/04/2016		75,000.00		75,000.00
03/24/2016	1,041,187.00			1,116,187.00
03/24/2016	-22,707.00			1,093,480.00
Total: OZ Real Estate Fund III				
	1,018,480.00	75,000.00		1,093,480.00
TA Realty Fund X				
02/24/2016			172,647.00	-172,647.00
Total: TA Realty Fund X				
			172,647.00	-172,647.00
Tristan EPISO 4				
03/14/2016	786,960.00			786,960.00
Total: Tristan EPISO 4				
	786,960.00			786,960.00
Total:	2,521,389.09	75,000.00	24,968,824.41	-22,372,435.32