
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
REAL ESTATE PORTFOLIO
PERFORMANCE MEASUREMENT REPORT

Fourth Quarter 2012



COURTLAND PARTNERS, LTD.

127 PUBLIC SQUARE, SUITE 5050
CLEVELAND, OH 44114
216-522-0330

10866 WILSHIRE BLVD., SUITE 830
LOS ANGELES, CA 90024
310-474-3040

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EXECUTIVE SUMMARY

Los Angeles City Employees' Retirement System

PORTFOLIO SUMMARY

(for period ended December 31, 2012)

Current Portfolio Market Value:	\$ 719,287,078
Current Portfolio, % of Total Plan Assets:	6.2%
Current Unfunded Investment Commitments:	\$ 187,299,347
Current Market Value + Unfunded Investment Commitments:	\$ 906,586,425
Current Capital Available for Investment:	\$ (331,085,925)
Target Allocation to Real Estate:	\$ 575,500,500
Target Real Estate, % of Total Plan Assets:	5.0%
Portfolio Inception Date:	1989
Total Number of Current Investments:	55

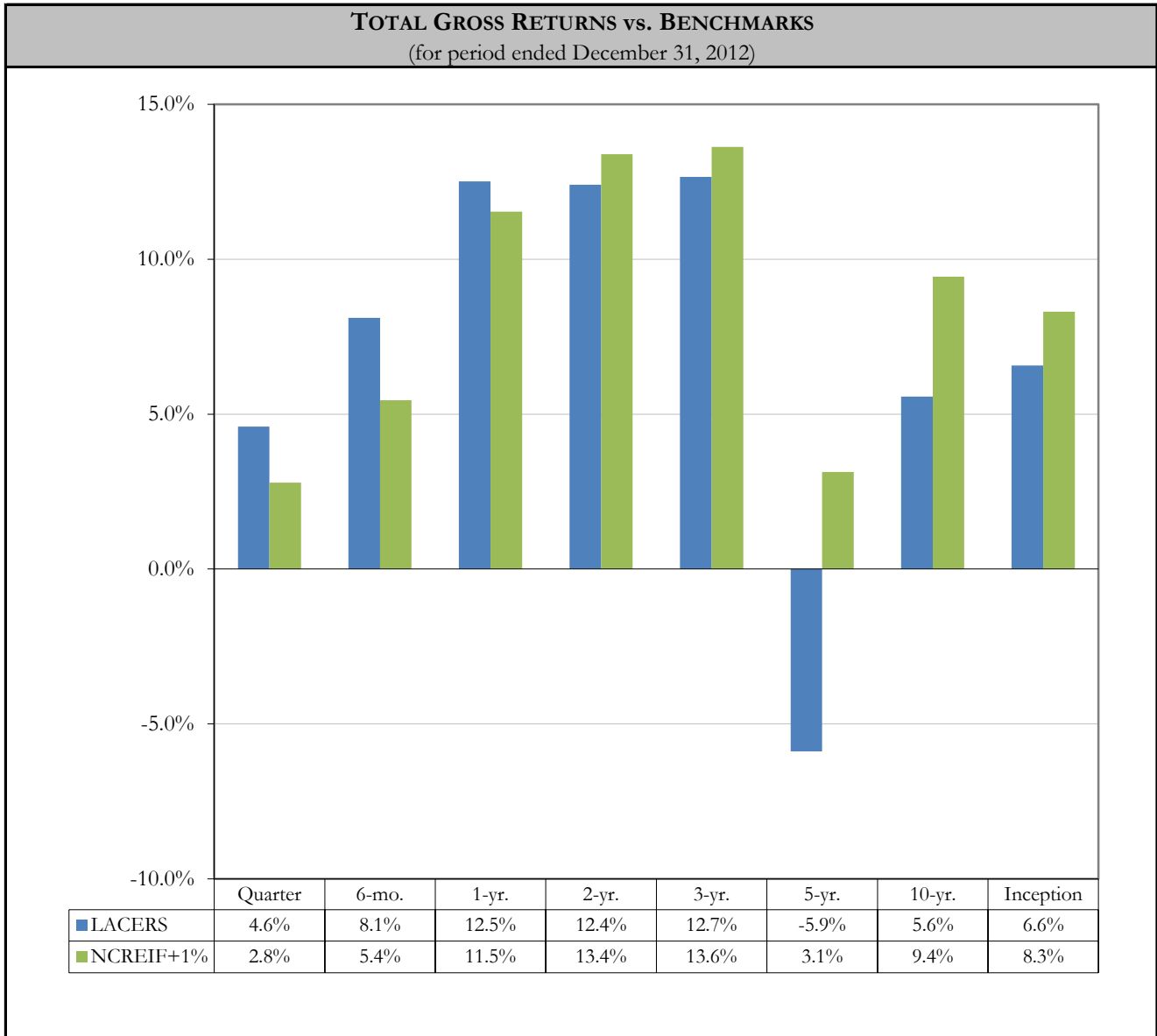
SUMMARY OF PORTFOLIO RETURNS

(for period ended December 31, 2012)

	Quarter	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year	Incept.
Income	1.3%	2.7%	5.3%	4.9%	4.7%	4.0%	4.7%	3.0%
Appreciation	3.3%	5.3%	7.0%	7.3%	7.7%	-9.6%	0.9%	3.5%
Total Gross Return	4.6%	8.1%	12.5%	12.4%	12.7%	-5.9%	5.6%	6.6%
Total Net Return	4.1%	7.2%	10.8%	10.7%	10.5%	-7.7%	3.2%	5.3%
Total Portfolio	\$	719,287,078			Internal Rate of Return:			3.1%

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS													
(for period ended December 31, 2012)													
Investments	Market Value	% of Portfolio	Target Returns	Total Net Returns								IRR	Equity Multiple
				Quarter	6-Mo.	1-Yr.	2-Yr.	3-Yr.	5-Yr.	10-Yr.	Incept.		
Core	\$205,058,896	28.5%		3.4%	5.6%	9.0%	11.5%	12.3%	0.2%	6.3%	6.7%	6.0%	1.42
CIM Urban REIT	\$44,513,977	6.2%	11.0%	5.2%	6.3%	8.4%	10.0%	11.7%	5.3%	N/A	10.6%	6.8%	1.32
CIM VI	\$4,204,287	0.6%	12.0%	13.2%	13.1%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	1.05
Cornerstone Enhanced Mortgage I	\$3,042,808	0.4%	8.0%	11.7%	11.5%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	1.10
Hancock Forestree V	\$10,072,052	1.4%	8.0%	3.6%	4.0%	7.6%	5.9%	4.8%	3.0%	10.5%	11.1%	11.5%	2.44
Hancock Timberland XI	\$8,644,820	1.2%	7%-8% Real	8.2%	7.6%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	1.08
Invesco Core RE USA	\$95,386,568	13.3%	NCREIF+1%	2.0%	4.8%	8.2%	12.2%	13.5%	-1.3%	N/A	5.7%	5.9%	1.42
JP Morgan SPF	\$39,194,384	5.4%	8.0%	2.5%	6.0%	11.0%	12.9%	13.0%	-1.0%	N/A	4.7%	4.7%	1.36
Value	\$243,204,461	33.8%		2.7%	6.5%	9.8%	12.3%	11.1%	-8.0%	2.6%	4.7%	2.8%	1.09
Almanac VI	\$5,734,508	0.8%	12.0%	4.4%	N/A	N/A	N/A	N/A	N/A	N/A	N/M	N/M	1.03
Bristol Value Fund II	\$2,223,653	0.3%	18.0%	-7.9%	-7.9%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	0.99
Buchanan III	\$104,081	0.0%	18.0%	5.8%	46.4%	43.6%	17.3%	5.5%	-3.8%	N/A	6.9%	17.7%	1.51
Buchanan V	\$15,419,685	2.1%	12.0%	7.1%	7.7%	9.2%	9.3%	8.3%	-15.1%	N/A	-14.6%	-6.7%	0.76
CBRE SP III	\$902,827	0.1%	16.0%	-2.8%	-3.2%	-4.0%	-4.4%	-4.3%	-9.8%	N/A	-1.5%	8.7%	1.31
CBRE SP IV	\$5,069,708	0.7%	17.0%	-7.9%	-11.6%	-13.0%	-4.0%	-21.8%	-29.2%	N/A	-22.3%	-26.2%	0.20
CBRE SP V	\$24,101,174	3.4%	11.5%	3.4%	5.2%	9.3%	15.3%	18.9%	N/A	N/A	1.6%	19.6%	1.43
CBRE SP UK III	\$6,235,285	0.9%	15.0%	7.1%	10.4%	2.3%	-1.6%	-3.6%	N/M	N/A	-62.1%	-29.2%	0.24
DRA G&I VI	\$15,356,140	2.1%	13.0%	-0.1%	0.2%	2.1%	14.8%	13.6%	3.0%	N/A	3.0%	5.4%	1.18
DRA G&I VII	\$12,256,866	1.7%	12.0%	2.6%	5.9%	14.3%	N/A	N/A	N/A	N/A	10.8%	15.3%	1.06
Heitman VP	\$2,336,342	0.3%	15.0%	10.4%	28.9%	36.2%	26.8%	24.8%	2.3%	N/A	9.2%	4.7%	1.24
IC Hospitality	\$6,457,338	0.9%	16.0%	37.7%	40.6%	48.5%	N/A	N/A	N/A	N/A	-7.6%	29.0%	1.32
JP Morgan APF	\$4,634,682	0.6%	9.5%	1.6%	12.3%	21.4%	21.9%	15.9%	-5.4%	N/A	-2.2%	-4.6%	0.75
Lowe Hospitality	\$3,509,244	0.5%	15.8%	4.8%	26.4%	37.5%	42.3%	65.3%	-31.2%	N/A	-18.2%	-20.3%	0.58
Mesa West RE Income II	\$22,034,367	3.1%	12.0%	20.8%	29.9%	41.5%	27.5%	10.2%	N/A	N/A	10.2%	29.5%	1.44
PRISA II	\$33,252,641	4.6%	9.0%	2.3%	5.0%	13.2%	16.2%	18.5%	-5.6%	N/A	3.7%	1.4%	1.11
Prologis Japan Fund I	\$33,490,369	4.7%	11.0%	-9.5%	-5.6%	-10.1%	0.8%	5.2%	8.0%	N/A	10.3%	7.6%	1.45
RREEF America REIT III	\$8,438,880	1.2%	12.0%	1.8%	9.6%	22.8%	37.4%	26.6%	-16.0%	N/A	-7.1%	-7.6%	0.65
TA V	\$121,898	0.0%	Mid Teen	-8.8%	-2.5%	3.0%	-9.5%	-8.6%	-12.5%	1.8%	3.5%	10.1%	1.82
TA VII	\$9,529,851	1.3%	Mid Teen	1.5%	3.8%	6.0%	6.1%	2.9%	-7.2%	N/A	1.4%	0.2%	1.01
TA IX	\$14,973,317	2.1%	Mid Teen	2.6%	4.5%	9.4%	11.2%	N/A	N/A	N/A	7.1%	11.1%	1.23
UrbanAmerica II	\$4,600,070	0.6%	13.0%	-14.8%	-19.6%	-19.6%	-8.5%	-3.0%	-15.4%	N/A	-34.8%	-14.3%	0.50
Urdang VA II	\$12,421,536	1.7%	13.0%	6.5%	10.1%	17.7%	21.9%	25.6%	-1.6%	N/A	-1.6%	5.9%	1.20

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS													
(for period ended December 31, 2012)													
Investments	Market Value	% of Portfolio	Target Returns	Total Net Returns									Equity Multiple
				Quarter	6-Mo.	1-Yr.	2-Yr.	3-Yr.	5-Yr.	10-Yr.	Incept.	IRR	
<i>Opportunistic</i>	<i>\$271,023,721</i>	<i>37.7%</i>		<i>6.2%</i>	<i>9.2%</i>	<i>13.1%</i>	<i>8.3%</i>	<i>8.2%</i>	<i>-15.6%</i>	<i>0.6%</i>	<i>2.7%</i>	<i>-3.4%</i>	<i>0.93</i>
Bryanston Retail Opp	\$1,671,710	0.2%	20.0%	27.1%	27.2%	40.5%	14.2%	16.0%	23.9%	N/A	28.3%	84.8%	2.57
California SGF IV	\$19,817,936	2.8%	18.5%	3.2%	7.6%	18.3%	21.4%	19.9%	-11.3%	N/A	-11.6%	-3.2%	0.89
CJ Urban II	\$4,960,413	0.7%	20.0%	-0.8%	-2.3%	-6.6%	-4.9%	-6.3%	-11.4%	N/A	-13.9%	-11.3%	0.55
CIM III	\$15,944,073	2.2%	20.0%	1.6%	2.0%	1.5%	9.9%	13.9%	N/M	N/A	N/M	7.3%	1.16
CityView LA Urban I	\$15,591,238	2.2%	N/A	3.5%	7.7%	11.1%	6.5%	-8.3%	-36.1%	N/A	-40.7%	-1.0%	0.99
Colony Investors VIII	\$9,003,300	1.3%	20.0%	5.5%	3.4%	10.9%	-12.3%	-2.4%	-34.7%	N/A	-32.6%	-22.6%	0.40
CPI CPE	\$10,081,232	1.4%	18.0%	13.5%	18.4%	19.3%	6.0%	-9.7%	-15.3%	N/A	-9.2%	-13.3%	0.55
DLJ II	\$4,073,516	0.6%	20.0%	9.1%	11.0%	13.2%	12.0%	13.4%	-5.6%	10.5%	7.4%	16.8%	1.47
DLJ IV	\$31,768,307	4.4%	20.0%	7.3%	20.6%	21.3%	9.4%	8.4%	N/A	N/A	-21.5%	-0.2%	1.00
Genesis WFH II	\$20,557,974	2.9%	15.0%	2.0%	2.7%	18.0%	11.9%	-28.9%	-24.0%	N/A	N/M	3.7%	1.07
LaSalle Asia Opportunity II	\$5,445,637	0.8%	8.0%	6.9%	8.0%	22.3%	30.6%	26.9%	-1.8%	N/A	N/M	-0.9%	0.97
Lone Star VII	\$12,702,352	1.8%	20% Gross	15.8%	24.4%	39.0%	N/A	N/A	N/A	N/A	30.4%	50.7%	1.32
Lone Star REF II	\$6,445,675	0.9%	20% Gross	4.8%	12.1%	25.7%	N/A	N/A	N/A	N/A	-24.2%	19.6%	1.13
MacFarlane Urban REF II	\$14,610,225	2.0%	16.0%	75.6%	65.1%	52.9%	17.3%	N/M	N/M	N/A	N/M	-25.2%	0.39
Next Block Medical I	\$12,912	0.0%	18.0%	60.5%	51.8%	42.3%	-14.4%	-45.8%	-35.8%	N/A	-32.1%	-52.5%	0.19
Paladin Latin America III	\$4,117,765	0.6%	25.0%	-33.1%	-41.4%	-59.8%	-48.9%	-34.2%	N/A	N/A	-15.8%	-26.2%	0.65
Southern California SGF I	\$3,724,312	0.5%	13.0%	-2.7%	-6.0%	-15.7%	-11.6%	-11.0%	-18.5%	N/A	-7.2%	-6.8%	0.89
Stockbridge II	\$7,484,994	1.0%	16.0%	0.6%	-0.2%	0.7%	2.4%	6.9%	-43.2%	N/A	-41.8%	-29.0%	0.25
Torchlight Debt Opportunity II	\$12,530,105	1.7%	15.0%	0.3%	11.5%	23.1%	22.7%	27.1%	-5.2%	N/A	-9.9%	-9.3%	0.67
Torchlight Debt Opportunity III	\$20,568,547	2.9%	15.0%	2.7%	6.0%	15.3%	7.9%	6.2%	N/A	N/A	11.7%	9.5%	1.19
Tuckerman RIVA	\$14,787,618	2.1%	20.0%	2.6%	2.8%	4.5%	6.1%	11.7%	-8.6%	N/A	-0.9%	-3.8%	0.84
Tuckerman MFDP III	\$18,687	0.0%	20.0%	-15.6%	-32.2%	-26.2%	-13.8%	-14.5%	-4.4%	13.3%	13.0%	27.6%	1.66
Walton Street RE V	\$14,418,112	2.0%	18.0%	5.1%	6.5%	7.8%	7.9%	18.8%	-9.7%	N/A	-6.4%	-8.0%	0.64
Walton Street RE VI	\$20,074,160	2.8%	18.0%	5.2%	6.8%	10.2%	11.2%	41.7%	N/A	N/A	-60.0%	8.3%	1.16
Westbrook III	\$612,921	0.1%	N/A	-4.6%	-9.1%	-9.2%	-8.7%	-6.7%	-4.7%	-5.5%	4.2%	7.5%	1.28
<i>Total Portfolio</i>	<i>\$719,287,078</i>	<i>100.0%</i>		<i>4.1%</i>	<i>7.2%</i>	<i>10.8%</i>	<i>10.7%</i>	<i>10.5%</i>	<i>-7.7%</i>	<i>3.2%</i>	<i>5.3%</i>	<i>3.1%</i>	<i>1.10</i>



PORTFOLIO PERFORMANCE COMMENTS
(for period ended December 31, 2012)

The National Council of Real Estate Investment Fiduciaries (“NCREIF”) Property Index contains 7,270 U.S.-only commercial real estate investments with total net market value of approximately \$320 billion. It provides un-leveraged, property-level return data dating back to 1977. Individual components of the NCREIF Property Index include office, retail, industrial, apartment and hotel properties and are well diversified by geographic region.

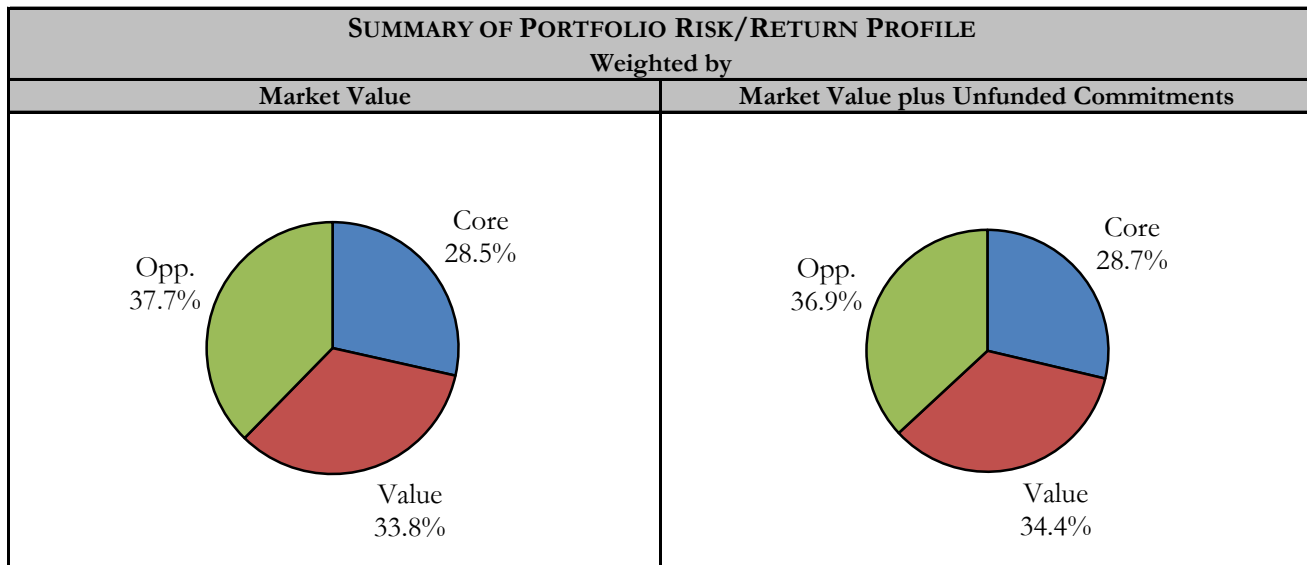
The Fund outperformed its benchmark, the NCREIF Index plus 100 basis points, by 1.8%, 2.7% and 1.0% for the current quarter, six-month and one-year periods, respectively. It underperformed the benchmark by 1.0%, 0.9%, 9.0%, 3.8% and 1.7% for the two-, three-, five-, ten-year and inception periods, respectively.

RISK/RETURN REVIEW

RISK/RETURN REVIEW - MARKET VALUES AND INVESTMENT COMMITMENTS						
(for period ended December 31, 2012)						
Investments	Client Incept.	Market Value	% of Port.	Investment Commitments Summary		
				Original Inv. Commitment	Remaining Unfund. Commitment	% of Current and Unfunded Port.
Core		\$ 205,058,896	28.5%	\$ 213,867,553	\$ 55,039,034	28.7%
CIM Urban REIT	6/06	\$ 44,513,977	6.2%	\$ 40,000,000	\$ -	4.9%
CIM VI	5/12	\$ 4,204,287	0.6%	\$ 25,000,000	\$ 20,982,016	2.8%
Cornerstone Enhanced Mortgage I	9/12	\$ 3,042,808	0.4%	\$ 25,000,000	\$ 22,181,429	2.8%
Hancock Forestreet V	9/99	\$ 10,072,052	1.4%	\$ 10,000,000	\$ -	1.1%
Hancock Timberland XI	5/12	\$ 8,644,820	1.2%	\$ 20,000,000	\$ 11,875,589	2.3%
Invesco Core RE USA	10/04	\$ 95,386,568	13.3%	\$ 63,867,553	\$ -	10.5%
JP Morgan SPF	7/05	\$ 39,194,384	5.4%	\$ 30,000,000	\$ -	4.3%
Value		\$ 243,204,461	33.8%	\$ 481,255,550	\$ 68,796,401	34.4%
Almanac VI	11/12	\$ 5,734,508	0.8%	\$ 25,000,000	\$ 19,505,342	2.8%
Bristol Value Fund II	3/12	\$ 2,223,653	0.3%	\$ 20,000,000	\$ 17,739,683	2.2%
Buchanan III	2/04	\$ 104,081	0.0%	\$ 4,886,365	\$ -	0.0%
Buchanan V	4/07	\$ 15,419,685	2.1%	\$ 30,000,000	\$ 3,000,000	2.0%
CBRE SP III	12/03	\$ 902,827	0.1%	\$ 25,000,000	\$ -	0.1%
CBRE SP IV	12/05	\$ 5,069,708	0.7%	\$ 25,000,000	\$ -	0.6%
CBRE SP V	6/08	\$ 24,101,174	3.4%	\$ 30,000,000	\$ -	2.7%
CBRE SP UK III	4/07	\$ 6,235,285	0.9%	\$ 26,829,017	\$ -	0.7%
DRA G&I VI	1/08	\$ 15,356,140	2.1%	\$ 25,000,000	\$ 2,100,000	1.9%
DRA G&I VII	11/11	\$ 12,256,866	1.7%	\$ 25,000,000	\$ 13,147,500	2.8%
Heitman VP	5/04	\$ 2,336,342	0.3%	\$ 15,000,000	\$ 119,306	0.3%
IC Hospitality	5/09	\$ 6,457,338	0.9%	\$ 10,000,000	\$ 4,939,900	1.3%
JP Morgan APF	3/06	\$ 4,634,682	0.6%	\$ 25,000,000	\$ -	0.5%
Lowe Hospitality	3/04	\$ 3,509,244	0.5%	\$ 25,000,000	\$ -	0.4%
Mesa West RE Income II	1/10	\$ 22,034,367	3.1%	\$ 20,000,000	\$ 3,313,678	2.8%
PRISA II	9/04	\$ 33,252,641	4.6%	\$ 30,000,000	\$ -	3.7%
Prologis Japan Fund I	6/05	\$ 33,490,369	4.7%	\$ 24,540,168	\$ -	3.7%
RREEF America REIT III	10/05	\$ 8,438,880	1.2%	\$ 15,000,000	\$ -	0.9%
TA V	5/99	\$ 121,898	0.0%	\$ 20,000,000	\$ -	0.0%
TA VII	8/05	\$ 9,529,851	1.3%	\$ 15,000,000	\$ -	1.1%
TA IX	8/08	\$ 14,973,317	2.1%	\$ 15,000,000	\$ 600,000	1.7%
UrbanAmerica II	1/07	\$ 4,600,070	0.6%	\$ 10,000,000	\$ 710,974	0.6%
Urdang VA II	2/08	\$ 12,421,536	1.7%	\$ 20,000,000	\$ 3,620,019	1.8%
Opportunistic		\$ 271,023,721	37.7%	\$ 571,372,000	\$ 63,463,911	36.9%
Bryanston Retail Opp	10/04	\$ 1,671,710	0.2%	\$ 10,000,000	\$ 5,885,919	0.8%
California SGF IV	10/06	\$ 19,817,936	2.8%	\$ 30,000,000	\$ 33,153	2.2%
CJ Urban II	5/05	\$ 4,960,413	0.7%	\$ 10,000,000	\$ 1,011,296	0.7%
CIM III	10/07	\$ 15,944,073	2.2%	\$ 15,000,000	\$ 2,398,347	2.0%
CityView LA Urban I	5/07	\$ 15,591,238	2.2%	\$ 25,000,000	\$ 9,004,345	2.7%
Colony Investors VIII	9/07	\$ 9,003,300	1.3%	\$ 30,000,000	\$ 1,023,000	1.1%
CPI CPE	9/06	\$ 10,081,232	1.4%	\$ 26,372,000	\$ 4,510,201	1.6%
DLJ II	9/99	\$ 4,073,516	0.6%	\$ 40,000,000	\$ 2,248,814	0.7%
DLJ IV	9/08	\$ 31,768,307	4.4%	\$ 40,000,000	\$ 7,420,117	4.3%
Genesis WFH II	1/07	\$ 20,557,974	2.9%	\$ 20,000,000	\$ -	2.3%

RISK/RETURN REVIEW

RISK/RETURN REVIEW - MARKET VALUES AND INVESTMENT COMMITMENTS						
(for period ended December 31, 2012)						
Investments	Client Incept.	Market Value	% of Port.	Investment Commitments Summary		
				Original Inv. Commitment	Remaining Unfund. Commitment	% of Current and Unfunded Port.
LaSalle Asia Opportunity II	8/05	\$ 5,445,637	0.8%	\$ 25,000,000	\$ -	0.6%
Lone Star VII	4/11	\$ 12,702,352	1.8%	\$ 15,000,000	\$ 2,878,135	1.7%
Lone Star REF II	4/11	\$ 6,445,675	0.9%	\$ 15,000,000	\$ 8,135,436	1.6%
MacFarlane Urban REF II	9/07	\$ 14,610,225	2.0%	\$ 40,000,000	\$ 1,522,844	1.8%
Next Block Medical I	6/07	\$ 12,912	0.0%	\$ 10,000,000	\$ 642,520	0.1%
Paladin Latin America III	11/08	\$ 4,117,765	0.6%	\$ 20,000,000	\$ 8,322,624	1.4%
Southern California SGF I	9/04	\$ 3,724,312	0.5%	\$ 10,000,000	\$ 68,212	0.4%
Stockbridge II	9/06	\$ 7,484,994	1.0%	\$ 30,000,000	\$ -	0.8%
Torchlight Debt Opportunity II	11/07	\$ 12,530,105	1.7%	\$ 25,000,000	\$ -	1.4%
Torchlight Debt Opportunity III	6/09	\$ 20,568,547	2.9%	\$ 25,000,000	\$ -	2.3%
Tuckerman RIVA	10/04	\$ 14,787,618	2.1%	\$ 25,000,000	\$ -	1.6%
Tuckerman MFDPIII	12/02	\$ 18,687	0.0%	\$ 15,000,000	\$ -	0.0%
Walton Street RE V	8/06	\$ 14,418,112	2.0%	\$ 25,000,000	\$ -	1.6%
Walton Street RE VI	4/09	\$ 20,074,160	2.8%	\$ 25,000,000	\$ 8,358,945	3.1%
Westbrook III	9/98	\$ 612,921	0.1%	\$ 20,000,000	\$ -	0.1%
Total Portfolio		\$ 719,287,078	100.0%	\$ 1,266,495,103	\$ 187,299,347	100.0%

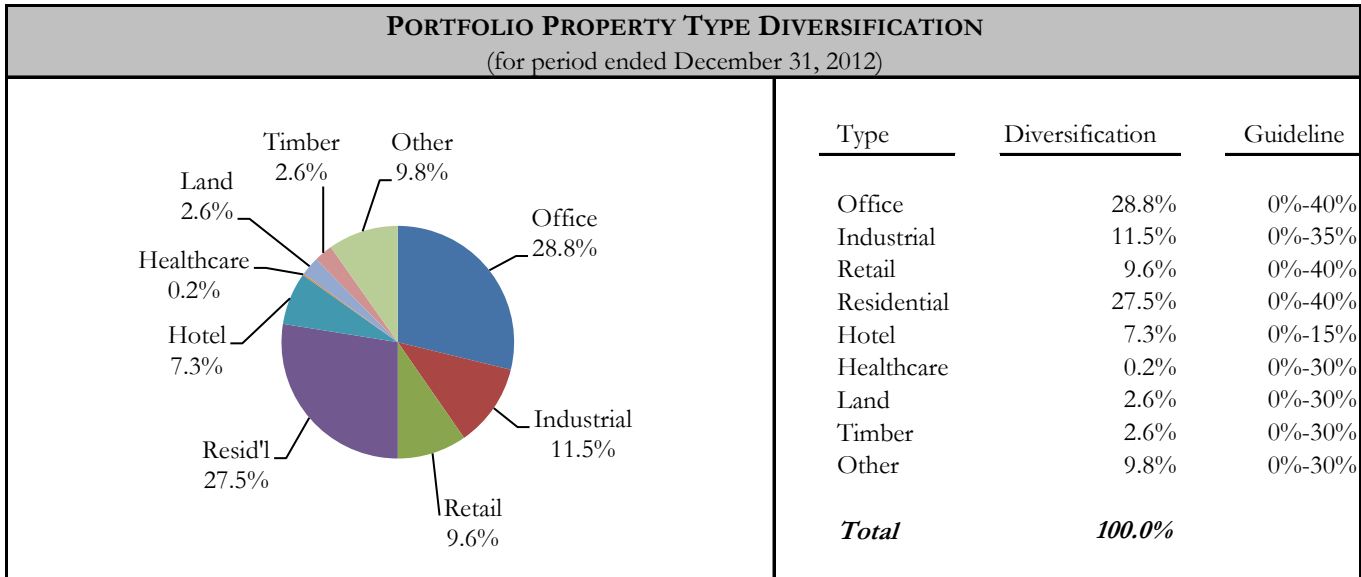


Note: Due to rounding, the sum of the above weights may not equal 100%.

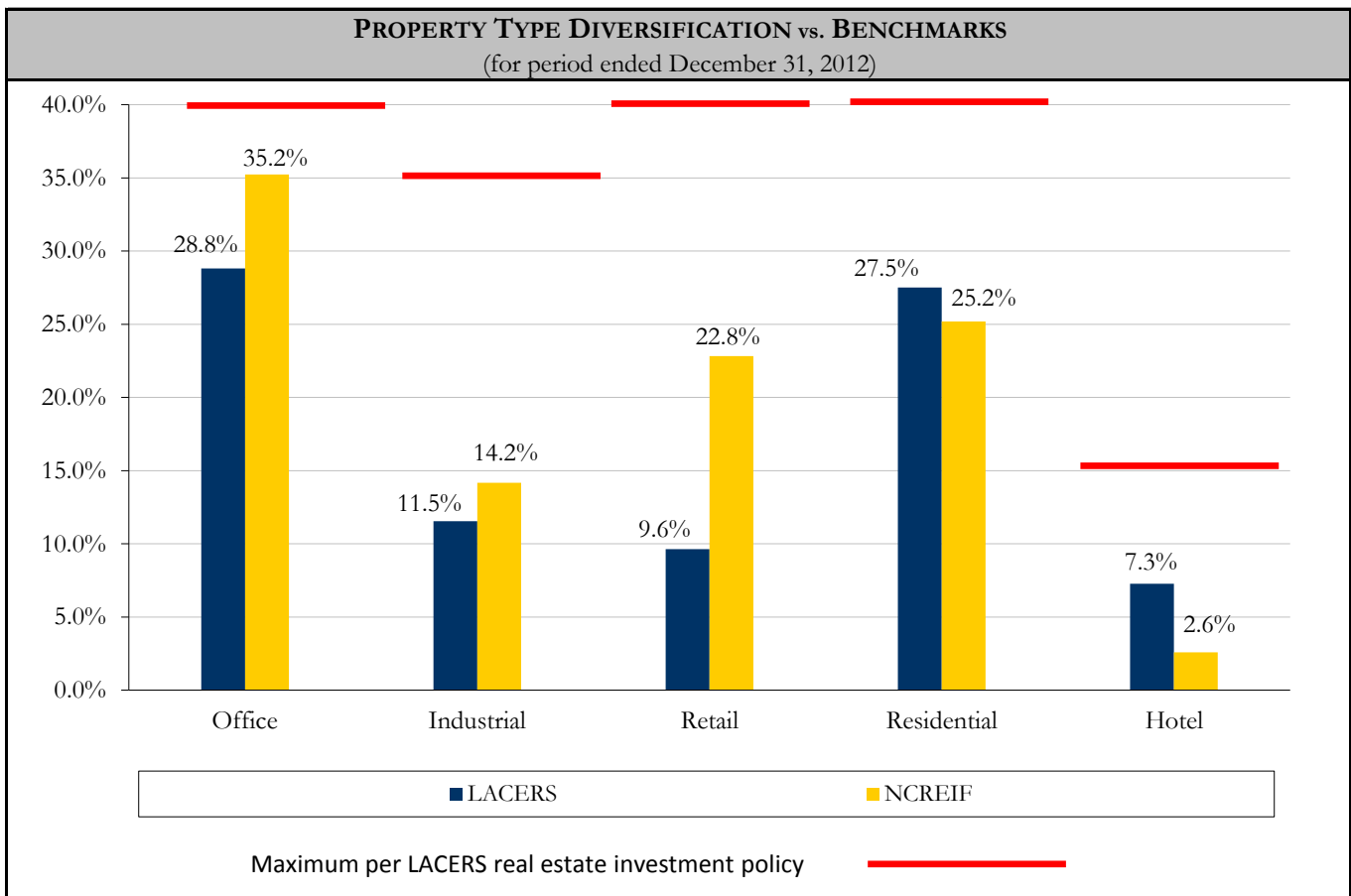
RISK/RETURN COMMENTS

The current Portfolio composition produces an average expected return within the “value” risk/return range. The current exposures are 28.5% core and 71.5% non-core. The total potential exposure, including unfunded commitments, would be 28.7% core and 71.3% non-core upon funding all remaining commitments.

PORTFOLIO COMPOSITION REVIEW

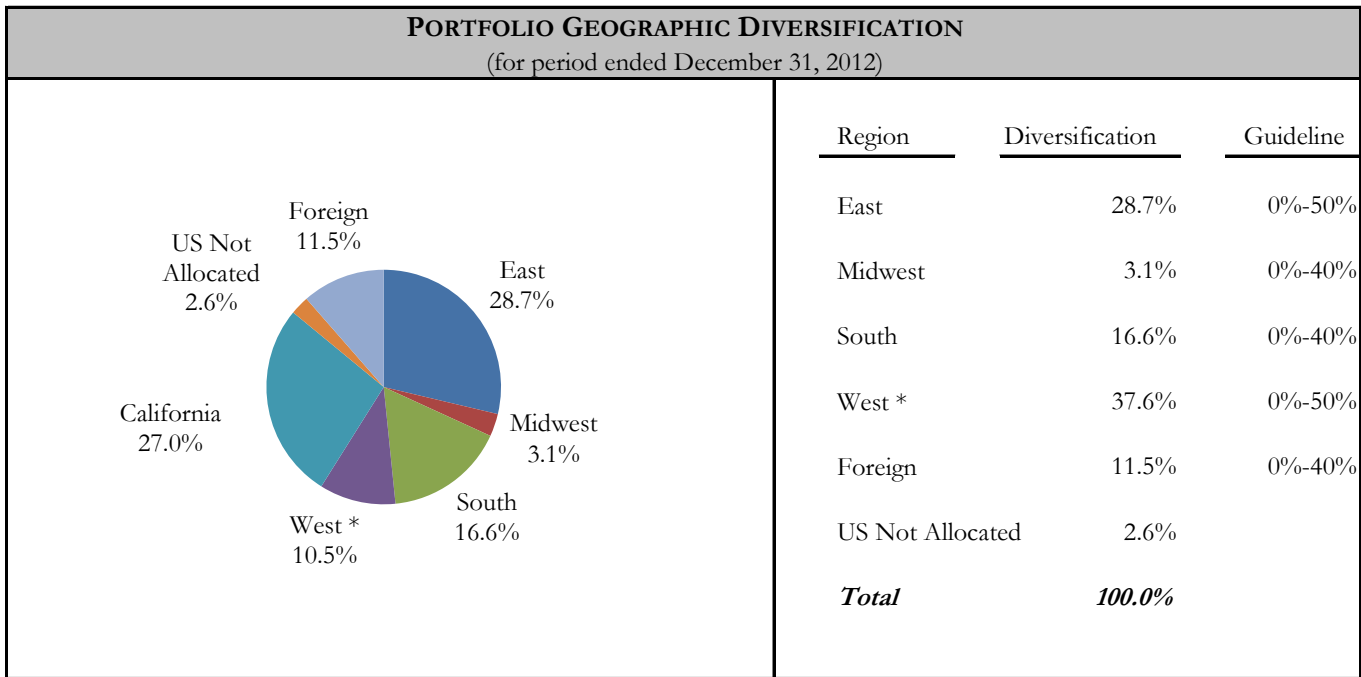


Note: Due to rounding, the sum of the above weights may not equal 100%.

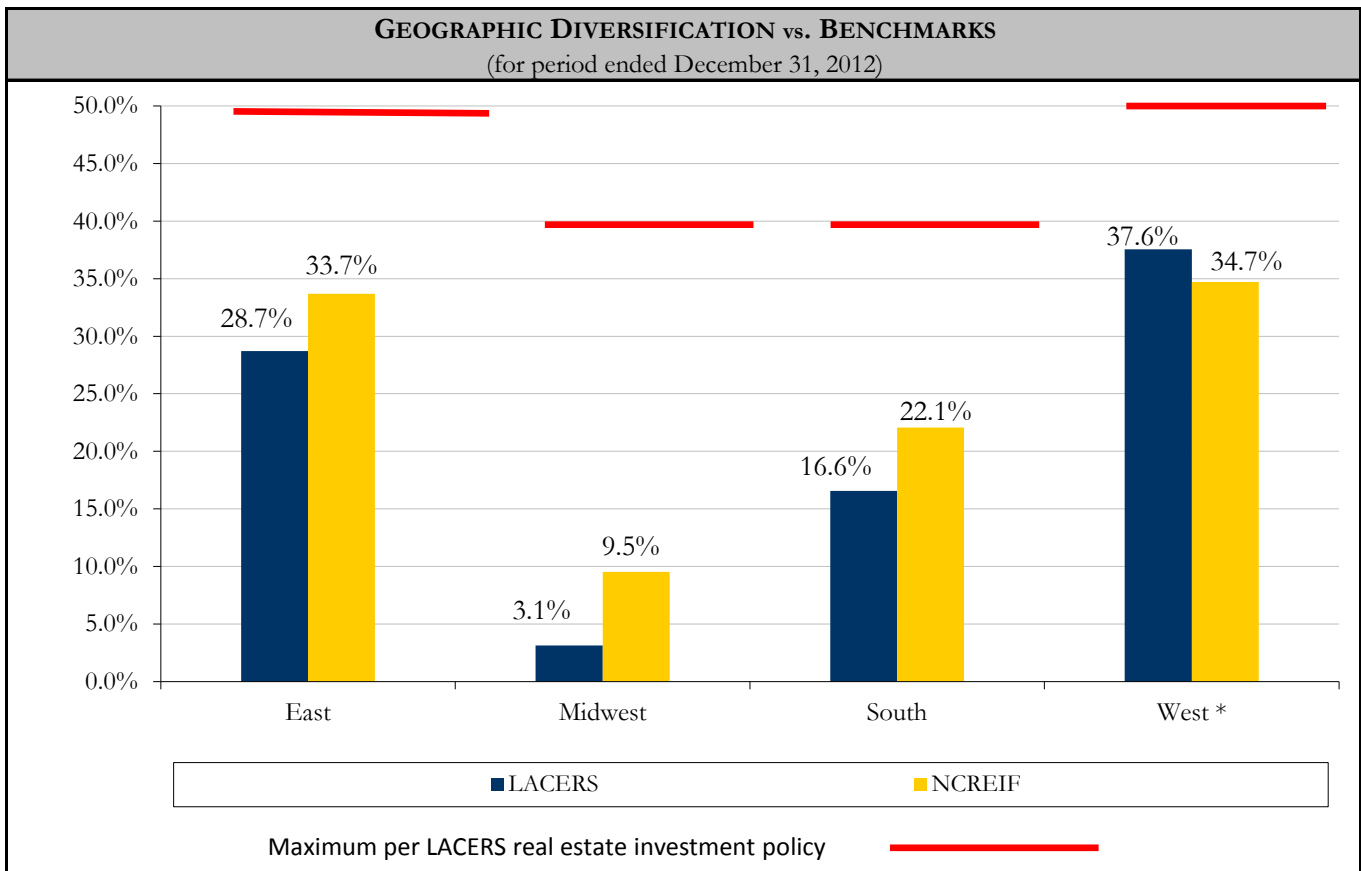


PROPERTY TYPE DIVERSIFICATION COMMENTARY

In comparison to the NCREIF Index, the portfolio is over-weighted in the hotel and residential sector by sector by 4.7% and 2.3% respectively. The portfolio is under-weighted in the office, industrial and retail sectors by 6.4%, 2.7% and 13.2%, respectively. The portfolio falls within the investment guidelines.



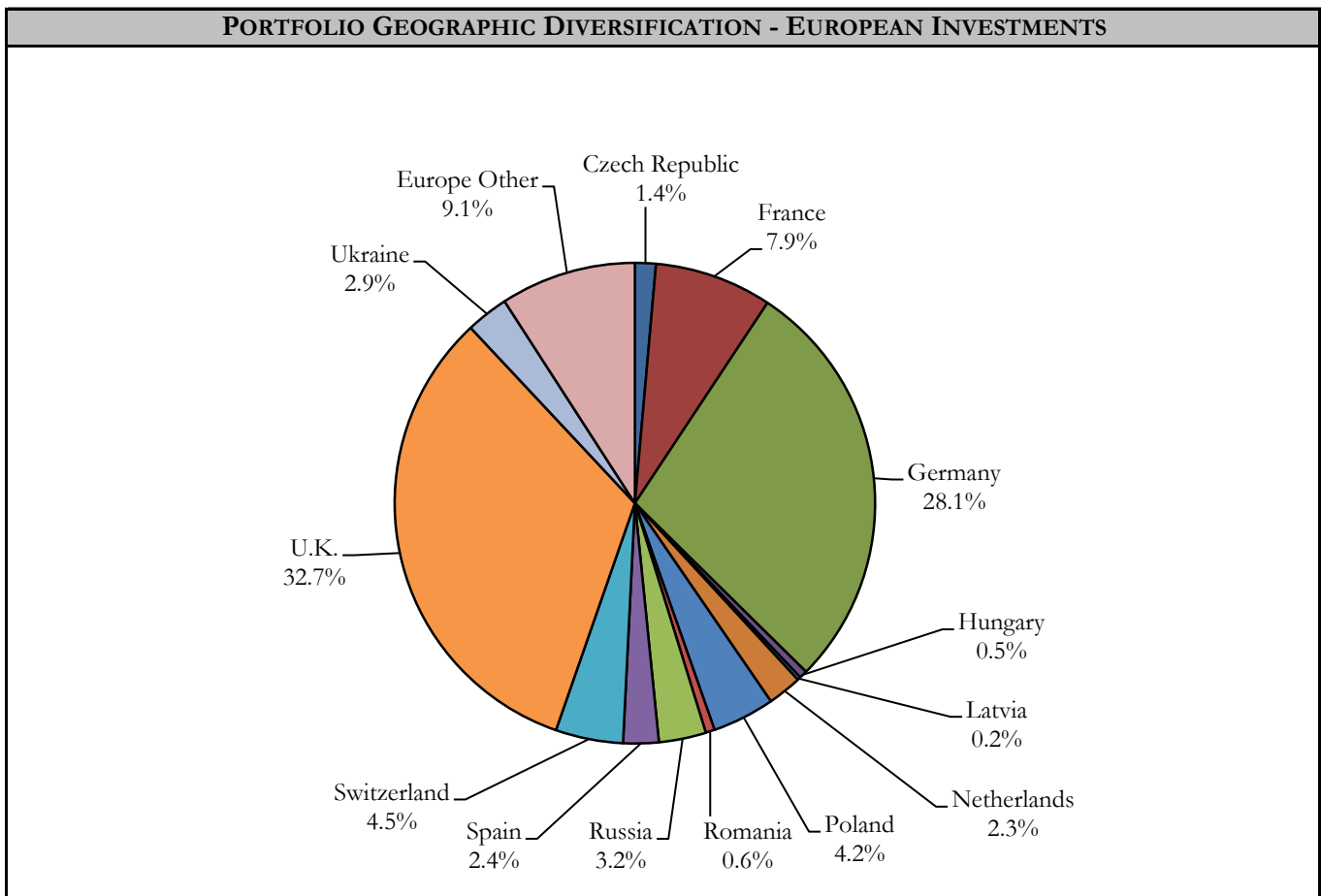
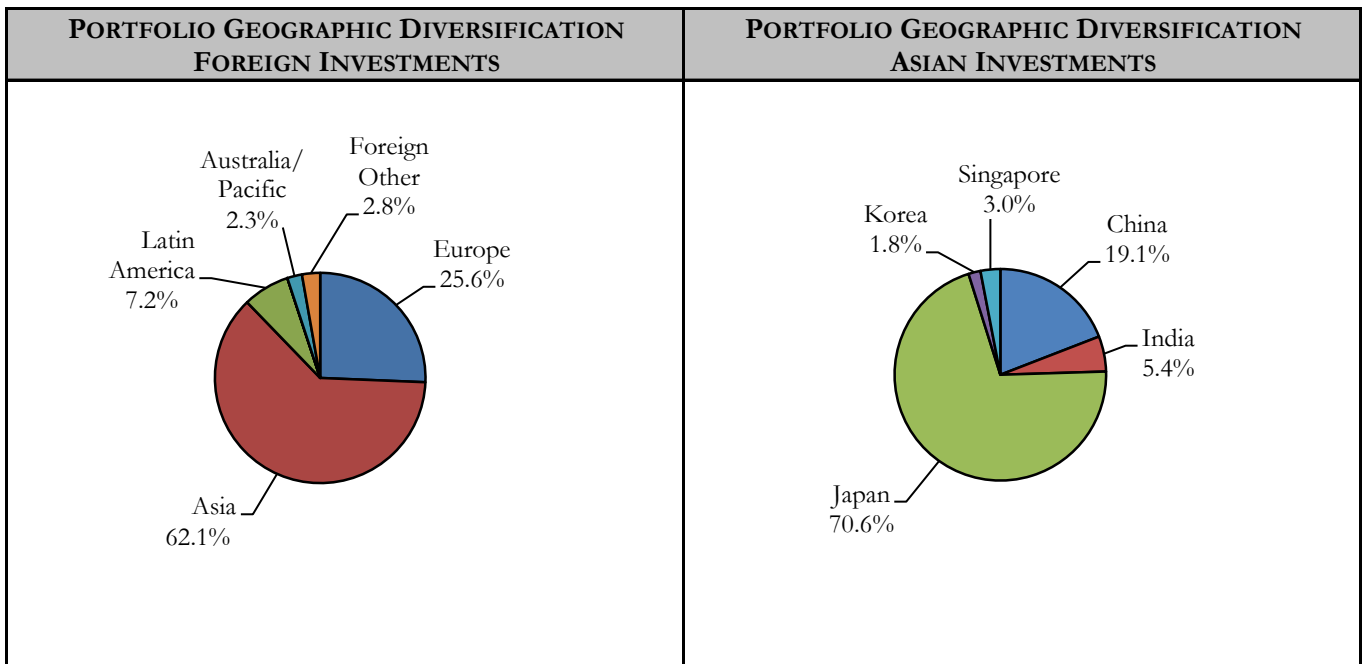
Note: Due to rounding, the sum of the above weights may not equal 100%.



* Including California.

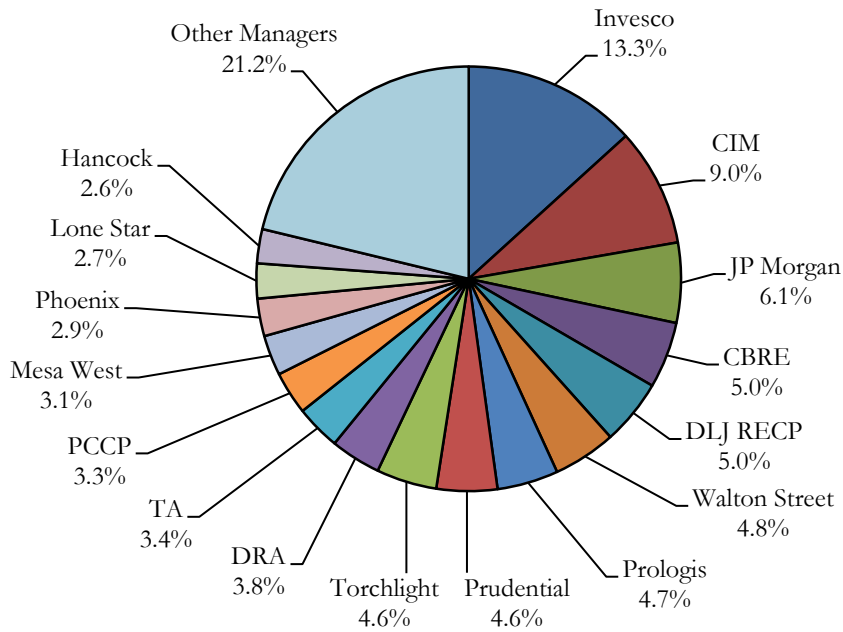
GEOGRAPHIC DIVERSIFICATION COMMENTARY

In comparison to the NCREIF Index, the Portfolio is over-weighted in the West by 2.9%. The Portfolio is under-weighted in the East, Midwest and South sectors by 5.0%, 6.4% and 5.5%, respectively. The Portfolio falls within the investment guidelines.

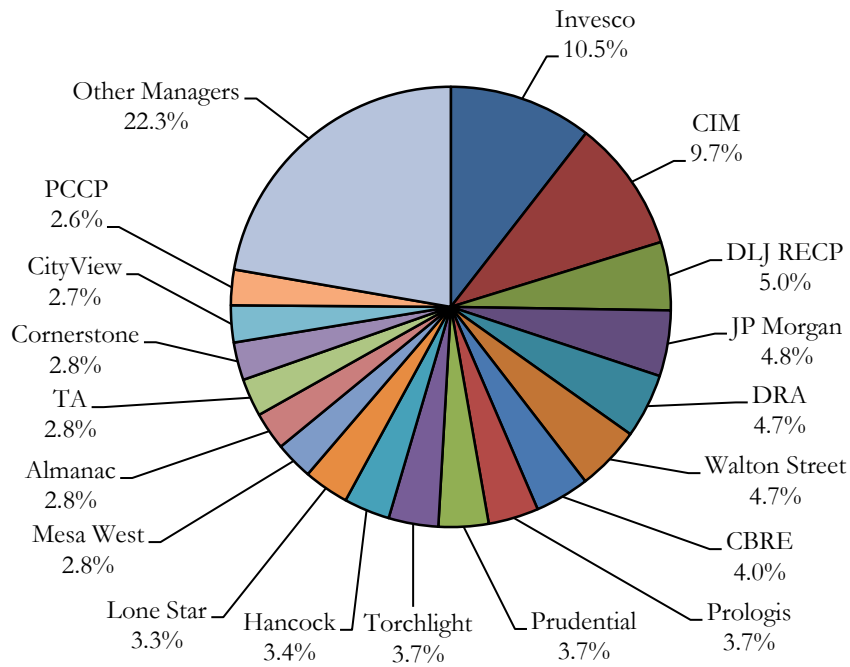


Note: Due to rounding, the sum of the above weights may not equal 100%.

**PORTFOLIO PARTNER/MANAGER CONCENTRATION
CURRENT INVESTMENTS**



**PORTFOLIO PARTNER/MANAGER CONCENTRATION
POTENTIAL EXPOSURE**



Note: Due to rounding, the sum of the above weights may not equal 100%.

Current Investments			Current Investments and Remaining Commitments		
Managers	\$	%	Managers	\$	%
Invesco	\$95,386,568	13.3%	Invesco	\$95,386,568	10.5%
CIM	\$64,662,337	9.0%	CIM	\$88,042,700	9.7%
JP Morgan	\$43,829,066	6.1%	DLJ RECP	\$45,510,754	5.0%
CBRE	\$36,308,994	5.0%	JP Morgan	\$43,829,066	4.8%
DLJ RECP	\$35,841,823	5.0%	DRA	\$42,860,506	4.7%
Walton Street	\$34,492,272	4.8%	Walton Street	\$42,851,217	4.7%
Prologis	\$33,490,369	4.7%	CBRE	\$36,308,994	4.0%
Prudential	\$33,252,641	4.6%	Prologis	\$33,490,369	3.7%
Torchlight	\$33,098,652	4.6%	Prudential	\$33,252,641	3.7%
DRA	\$27,613,006	3.8%	Torchlight	\$33,098,652	3.7%
TA	\$24,625,066	3.4%	Hancock	\$30,592,461	3.4%
PCCP	\$23,542,248	3.3%	Lone Star	\$30,161,598	3.3%
Mesa West	\$22,034,367	3.1%	Mesa West	\$25,348,045	2.8%
Phoenix	\$20,557,974	2.9%	Almanac	\$25,239,850	2.8%
Lone Star	\$19,148,027	2.7%	TA	\$25,225,066	2.8%
Hancock	\$18,716,872	2.6%	Cornerstone	\$25,224,238	2.8%
CityView	\$15,591,238	2.2%	CityView	\$24,595,584	2.7%
Buchanan	\$15,523,766	2.2%	PCCP	\$23,643,613	2.6%
Tuckerman	\$14,806,305	2.1%	Phoenix	\$20,557,974	2.3%
MacFarlane	\$14,610,225	2.0%	Bristol	\$19,963,336	2.2%
Urdang CM	\$12,421,536	1.7%	Buchanan	\$18,523,766	2.0%
Apollo	\$10,081,232	1.4%	MacFarlane	\$16,133,069	1.8%
Colony	\$9,003,300	1.3%	Urdang CM	\$16,041,554	1.8%
RREEF	\$8,438,880	1.2%	Tuckerman	\$14,806,305	1.6%
Stockbridge	\$7,484,994	1.0%	Apollo	\$14,591,433	1.6%
Integrated Capital	\$6,457,338	0.9%	Paladin	\$12,440,389	1.4%
Almanac	\$5,734,508	0.8%	Integrated Capital	\$11,397,237	1.3%
LaSalle	\$5,445,637	0.8%	Colony	\$10,026,300	1.1%
Canyon-Johnson	\$4,960,413	0.7%	RREEF	\$8,438,880	0.9%
UrbanAmerica	\$4,600,070	0.6%	Bryanston	\$7,557,629	0.8%
Paladin	\$4,117,765	0.6%	Stockbridge	\$7,484,994	0.8%
Lowe	\$3,509,244	0.5%	Canyon-Johnson	\$5,971,709	0.7%
Cornerstone	\$3,042,808	0.4%	LaSalle	\$5,445,637	0.6%
Heitman	\$2,336,342	0.3%	UrbanAmerica	\$5,311,044	0.6%
Bristol	\$2,223,653	0.3%	Lowe	\$3,509,244	0.4%
Bryanston	\$1,671,710	0.2%	Heitman	\$2,455,648	0.3%
Westbrook	\$612,921	0.1%	Hunt Realty	\$655,432	0.1%
Hunt Realty	\$12,912	0.0%	Westbrook	\$612,921	0.1%
Total	\$719,287,078	100.0%	Total	\$906,586,425	100.0%

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INVESTMENT LEVERAGE REVIEW

(for period ended December 31, 2012)

Investment		Market Value	Leverage
Tuckerman MFDP III	Opportunistic	\$18,687	99.5%
Almanac VI	Value	\$5,734,508	92.4%
Paladin Latin America III	Opportunistic	\$4,117,765	85.8%
MacFarlane Urban REF II	Opportunistic	\$14,610,225	82.8%
DRA G&I VI	Value	\$15,356,140	75.0%
DRA G&I VII	Value	\$12,256,866	73.2%
UrbanAmerica II	Value	\$4,600,070	72.2%
CPI CPE	Opportunistic	\$10,081,232	70.9%
Cornerstone Enhanced Mortgage I	Core	\$3,042,808	70.5%
CityView LA Urban I	Opportunistic	\$15,591,238	69.5%
CJ Urban II	Opportunistic	\$4,960,413	66.6%
Tuckerman RIVA	Opportunistic	\$14,787,618	65.6%
Stockbridge II	Opportunistic	\$7,484,994	64.8%
Heitman VP	Value	\$2,336,342	62.2%
CBRE SP IV	Value	\$5,069,708	61.6%
Genesis WFH II	Opportunistic	\$20,557,974	61.4%
Lone Star REF II	Opportunistic	\$6,445,675	60.9%
Mesa West RE Income II	Value	\$22,034,367	59.0%
LaSalle Asia Opportunity II	Opportunistic	\$5,445,637	58.4%
Prologis Japan I	Value	\$33,490,369	57.9%
Lowe Hospitality	Value	\$3,509,244	56.6%
California SGF IV	Opportunistic	\$19,817,936	53.5%
TA VII	Value	\$9,529,851	52.3%
Lone Star VII	Opportunistic	\$12,702,352	51.7%
Walton Street RE V	Opportunistic	\$14,418,112	50.8%
RREEF America REIT III	Value	\$8,438,880	49.2%
Buchanan V	Value	\$15,419,685	49.1%
Urdang VA II	Value	\$12,421,536	48.3%
DLJ II	Opportunistic	\$4,073,516	46.8%
IC Hospitality	Value	\$6,457,338	46.2%
Walton Street RE VI	Opportunistic	\$20,074,160	45.4%
CBRE SP V	Value	\$24,101,174	44.9%
Southern California SGF I	Opportunistic	\$3,724,312	39.2%
TA IX	Value	\$14,973,317	36.4%
JP Morgan APF	Value	\$4,634,682	35.5%
PRISA II	Value	\$33,252,641	34.8%
Bryanston Retail Opp	Opportunistic	\$1,671,710	32.0%
CIM VI	Core	\$4,204,287	27.1%
Colony Investors VIII	Opportunistic	\$9,003,300	26.8%
JP Morgan SPF	Core	\$39,194,384	24.4%
CBRE SP UK III	Value	\$6,235,285	23.0%
CIM III	Opportunistic	\$15,944,073	22.4%
Invesco Core RE USA	Core	\$95,386,568	21.3%
Torchlight Debt Opportunity II	Opportunistic	\$12,530,105	20.4%
DLJ IV	Opportunistic	\$31,768,307	19.0%
CIM Urban REIT	Core	\$44,513,977	14.8%
Hancock Forestree V	Core	\$10,072,052	12.3%
Westbrook III	Opportunistic	\$612,921	7.8%
Torchlight Debt Opportunity III	Opportunistic	\$20,568,547	0.0%
Hancock Timberland XI	Core	\$8,644,820	0.0%
Bristol Value Fund II	Value	\$2,223,653	0.0%
CBRE SP III	Value	\$902,827	0.0%
TA V	Value	\$121,898	0.0%
Buchanan III	Value	\$104,081	0.0%
Next Block Medical I	Opportunistic	\$12,912	0.0%

INVESTMENT LEVERAGE REVIEW

(for period ended December 31, 2012)

<i>* Core</i>	<i>\$205,058,896</i>	<i>20.0%</i>
<i>* Value</i>	<i>\$243,204,461</i>	<i>51.3%</i>
<i>* Opportunistic</i>	<i>\$271,023,721</i>	<i>45.5%</i>
<i>* Total</i>	<i>\$719,287,078</i>	<i>40.2%</i>

* *Weighted by market value.*

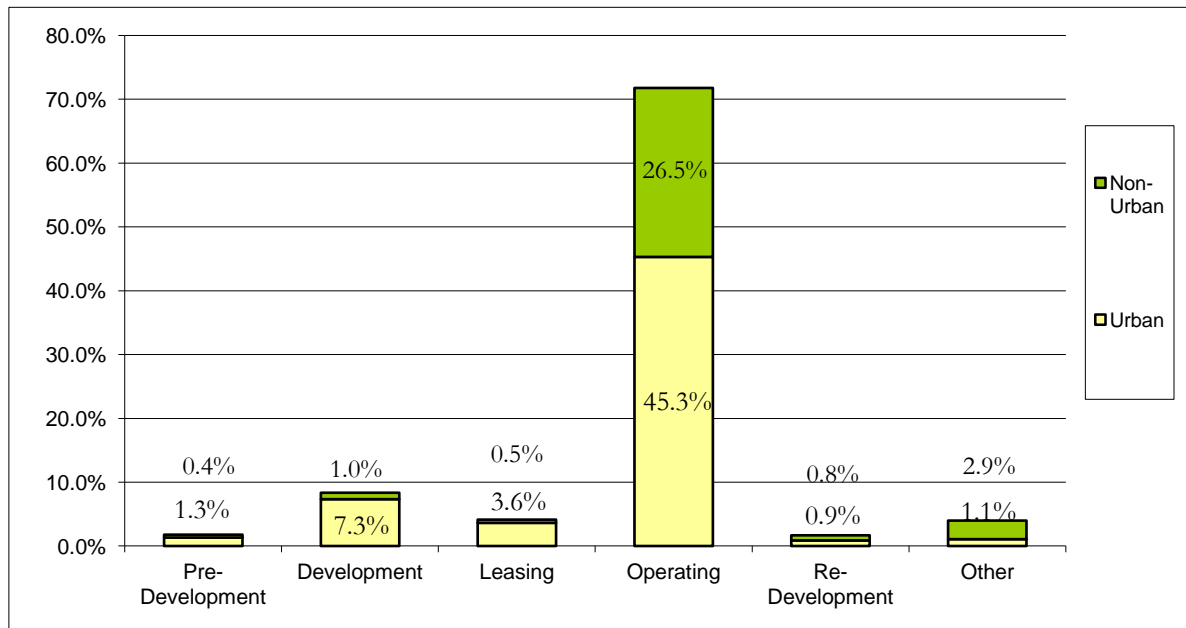
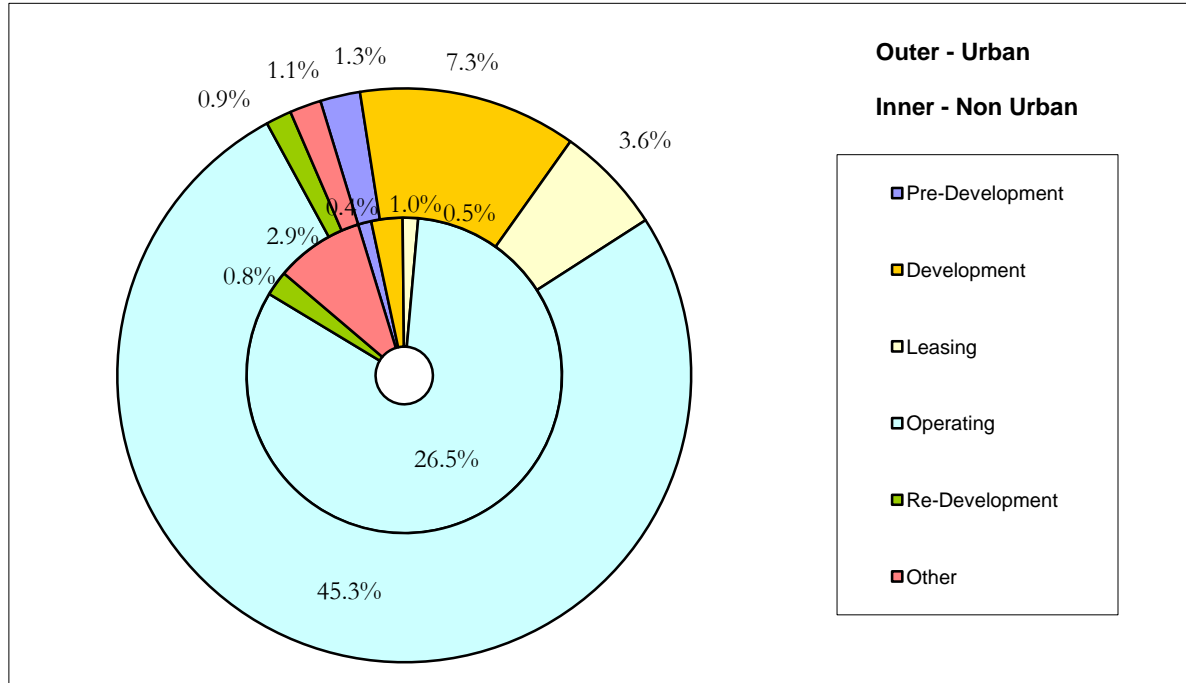
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PORTFOLIO COMPOSITION REVIEW - URBAN EXPOSURE

Urban Exposure *						
	<u>Pre-Development</u>	<u>Development</u>	<u>Leasing</u>	<u>Operating</u>	<u>Re-Development</u>	<u>Other</u>
Urban	1.3%	7.3%	3.6%	45.3%	0.9%	1.1%
Non-Urban	0.4%	1.0%	0.5%	26.5%	0.8%	2.9%
Total	1.8%	8.3%	4.1%	71.8%	1.7%	4.0%
Los Angeles -	3.0%	LA County total -		9.0%	California total- 27.0%	

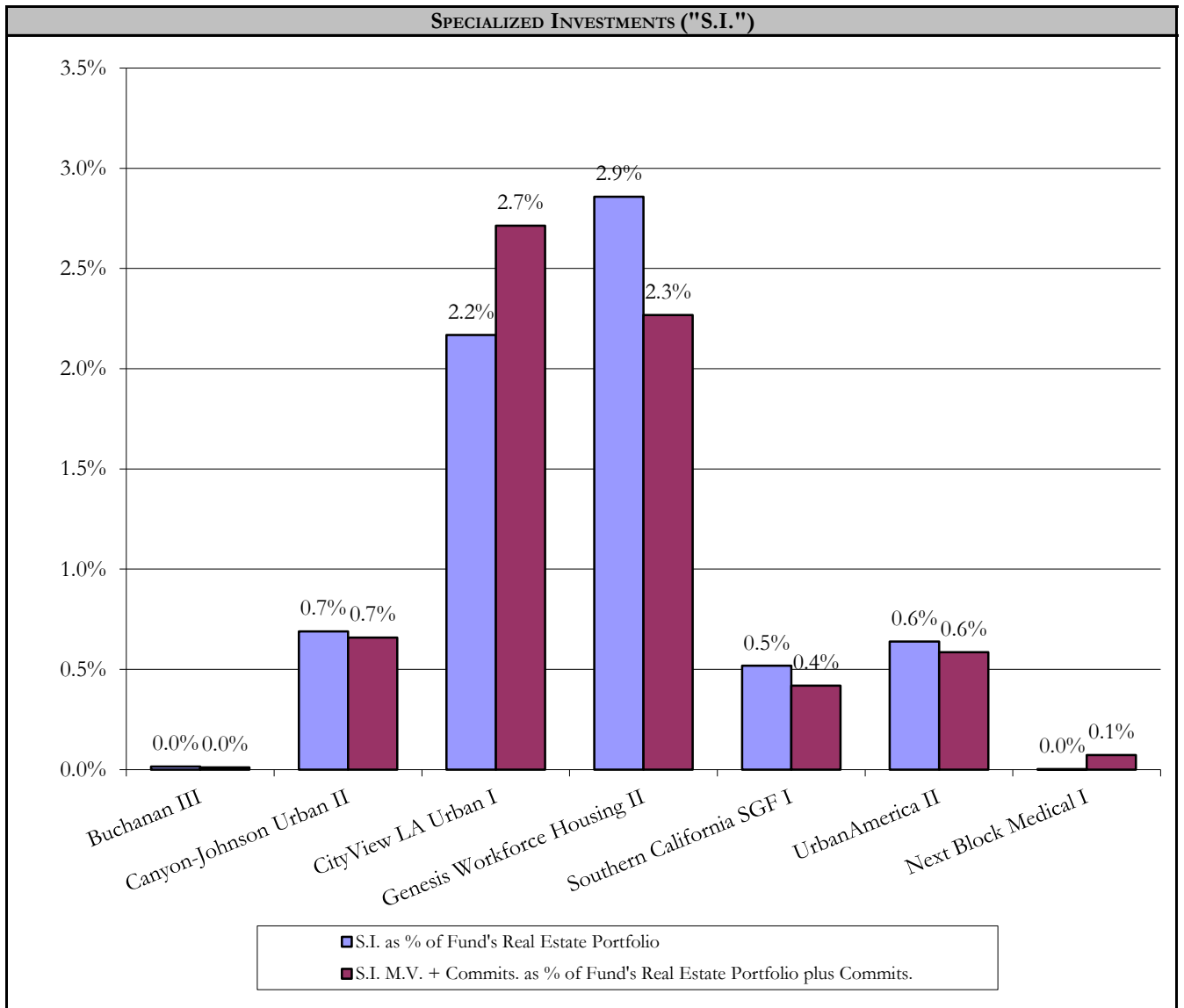
Total number of investments with an office in California: 41

* Excluding Almanac VI, Lone Star and Torchlight funds.



SPECIALIZED INVESTMENT REVIEW

Specialized Investments ("S.I.")	S.I. Market Value (In \$1,000)	S.I. MV + Commit. (In \$1,000)	S.I. as % of Total Specialized Funds	S.I. as % of RE Portfolio	S.I. M.V. + Commit. as % of RE Portfolio + Commit.
Buchanan III	\$ 104	\$ 104	0.2%	0.0%	0.0%
Canyon-Johnson Urban II	\$ 4,960	\$ 5,972	10.0%	0.7%	0.7%
CityView LA Urban I	\$ 15,591	\$ 24,596	31.5%	2.2%	2.7%
Genesis Workforce Housing II	\$ 20,558	\$ 20,558	41.5%	2.9%	2.3%
Southern California SGF I	\$ 3,724	\$ 3,793	7.5%	0.5%	0.4%
UrbanAmerica II	\$ 4,600	\$ 5,311	9.3%	0.6%	0.6%
Next Block Medical I	\$ 13	\$ 655	0.0%	0.0%	0.1%
Total Specialized Investments	\$ 49,551	\$ 60,988	100.0%	6.9%	6.7%



Total Portfolio								
Investment Activity Statement								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q1-89	6,666,666	-	-	-	-	105,417	-	6,772,083
Q2-89	16,183,829	-	-	(17,514)	-	276,401	-	23,214,799
Q3-89	10,965,597	-	-	(116,007)	-	530,669	-	34,595,058
Q4-89	13,175,966	-	-	(49,135)	-	1,204,187	-	48,926,076
Q1-90	-	-	-	(4,345)	-	832,861	-	49,754,592
Q2-90	6,116,389	-	-	(22,812)	-	591,846	-	56,440,014
Q3-90	23,715,922	(4,610)	-	(224,628)	3,254	1,020,622	-	80,955,184
Q4-90	23,370,015	(12,770)	-	(482,821)	14,287	1,620,791	-	105,477,457
Q1-91	1,812,459	(18,882)	-	(698,592)	42,429	1,130,269	-	107,764,022
Q2-91	2,302,062	(20,328)	-	(799,573)	51,519	914,551	-	110,232,581
Q3-91	5,314,656	(31,640)	-	(893,346)	75,570	(2,631,311)	-	112,098,150
Q4-91	4,926,980	(38,572)	-	(996,894)	96,881	(8,704,967)	-	107,420,150
Q1-92	6,677,360	(45,789)	-	(1,294,589)	4,102	970,722	-	113,777,746
Q2-92	811,780	(52,952)	-	(1,220,670)	73,709	438,096	-	113,880,661
Q3-92	5,800,000	(49,332)	-	(1,189,162)	208,724	(2,951,498)	-	115,748,724
Q4-92	7,084,000	(45,698)	(1,828,227)	(1,354,744)	101,618	(2,645,505)	-	117,105,867
Q1-93	5,565,634	(61,091)	-	(2,775,002)	254,439	1,625,976	-	121,776,914
Q2-93	1,317,888	(68,340)	-	(8,888,858)	130,403	1,155,359	-	115,491,705
Q3-93	5,711,040	(54,882)	-	(3,117,924)	212,121	2,203,439	-	120,500,380
Q4-93	1,520,000	(45,974)	-	(3,213,455)	140,607	(402,264)	-	118,545,268
Q1-94	-	(36,292)	(2,449,234)	(2,411,803)	95,529	3,710,747	-	117,490,508
Q2-94	619,936	(27,127)	(1,489,385)	(2,358,305)	82,420	1,773,562	-	116,118,735
Q3-94	-	(24,611)	-	(3,557,069)	31,325	1,200,735	-	113,793,726
Q4-94	-	(6,856)	-	(2,489,417)	87,364	1,572,031	-	112,963,704
Q1-95	1,240,000	(10,870)	(1,338,631)	(1,638,981)	74,406	3,404,407	-	114,704,905
Q2-95	-	-	(2,916,963)	(1,733,284)	2,120	2,806,145	-	112,862,923
Q3-95	-	-	(95,000)	(1,564,781)	30,460	1,025,696	-	112,259,298
Q4-95	8,664,000	-	(336,300)	(1,776,069)	287	2,403,884	-	121,215,100
Q1-96	180,238	(46,947)	(289,059)	(2,527,453)	1,358	2,506,758	-	121,086,942
Q2-96	656,240	(23,474)	-	(2,021,136)	2,039	3,043,170	-	122,767,256
Q3-96	250,903	(23,474)	-	(1,654,961)	(1,656)	2,377,660	-	123,739,201
Q4-96	1,738,763	(20,795)	(9,694,242)	(2,035,967)	(76,598)	3,999,092	-	117,670,249
Q1-97	2,444,843	(24,653)	(1,374,917)	(1,891,872)	42,771	3,207,800	-	120,098,875
Q2-97	3,226,772	(35,837)	(3,466,319)	(6,116,979)	85,647	2,870,022	-	116,698,018
Q3-97	4,580,158	(3,813)	(17,767,335)	(4,515,694)	193,533	2,231,806	-	101,420,485
Q4-97	3,656,237	(145,935)	(2,552,185)	(5,646,928)	(234,751)	9,637,712	131,771	106,412,340
Q1-98	3,207,120	(40,919)	(10,469,992)	(6,098,501)	81,022	3,234,509	-	96,366,499
Q2-98	4,973,606	(28,715)	(2,081,030)	(4,890,599)	40,147	1,721,655	63,252	96,193,530
Q3-98	8,405,955	(348,470)	(11,201,819)	(5,468,681)	(123,468)	2,351,690	402,125	90,559,333
Q4-98	10,916,389	(341,255)	(585,882)	(4,610,925)	(408,281)	3,500,981	359,835	99,731,451
Q1-99	15,157,950	(234,399)	(651,568)	(1,084,788)	507,214	1,808,352	42,745	115,511,356
Q2-99	9,921,244	(375,964)	(781,122)	(7,915,633)	1,172,260	749,572	255,676	118,913,352
Q3-99	32,948,471	(634,739)	(4,879,676)	(1,853,483)	947,596	293,037	157,783	146,527,081
Q4-99	25,643,364	(650,654)	(17,136,360)	(1,489,950)	(2,276,372)	3,765,172	2,952,805	157,985,740
Q1-00	11,519,453	(634,490)	(6,198,749)	(1,291,019)	1,832,651	880,612	265,906	164,994,595
Q2-00	8,707,177	(651,741)	(2,711,155)	(1,974,044)	4,450,532	(2,026,502)	618,040	172,058,643
Q3-00	18,520,760	(539,418)	(4,673,760)	(8,617,581)	1,376,616	29,980	707,500	179,402,158
Q4-00	31,162,476	(967,307)	(2,492,390)	(3,316,566)	648,715	2,554,918	879,137	208,838,448
Q1-01	6,539,840	(795,671)	(1,259,667)	(4,464,695)	3,305,350	856,713	319,314	214,135,304
Q2-01	9,611,649	(643,416)	(2,243,042)	(7,112,641)	2,608,985	1,986,480	436,457	219,423,192
Q3-01	1,106,714	(739,763)	(5,617,139)	(7,588,396)	4,005,923	1,757,393	476,958	213,564,644
Q4-01	6,919,811	(873,835)	(2,265,492)	(9,611,092)	3,495,620	5,484,819	707,020	218,295,330

Total Portfolio								
Investment Activity Statement								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q1-02	7,747,001	(709,223)	(2,732,250)	(4,359,820)	4,168,110	1,794,564	299,112	225,212,048
Q2-02	1,728,816	(833,445)	(11,439,943)	(8,486,231)	4,998,433	1,017,155	879,096	213,909,373
Q3-02	456,226	(707,728)	(18,229,419)	(1,845,593)	1,759,761	1,661,045	406,289	198,117,682
Q4-02	12,829,964	(894,709)	(1,506,490)	(8,646,747)	1,074,779	(2,994,283)	655,010	199,529,915
Q1-03	1,643,080	(664,700)	(2,260,651)	(3,787,902)	2,898,985	(708,202)	1,279,664	198,594,889
Q2-03	6,899,945	(880,614)	(1,371,675)	(3,812,529)	2,423,649	152,893	2,266,657	205,153,829
Q3-03	13,291,056	(672,973)	(12,050,620)	(4,310,596)	2,367,771	(2,508,604)	1,072,378	203,015,213
Q4-03	1,790,079	(1,534,008)	(20,617,326)	(4,392,970)	677,938	6,862,054	2,928,719	190,263,706
Q1-04	5,193,015	(753,824)	(23,262,472)	(7,525,464)	1,794,190	(1,412,059)	2,621,274	167,672,191
Q2-04	6,398,177	(1,556,935)	(5,664,120)	(2,409,649)	869,635	3,260,929	2,003,613	172,130,776
Q3-04	5,613,819	(723,477)	(10,359,164)	(10,218,940)	1,480,586	18,788	3,181,915	161,847,779
Q4-04	88,426,537	(3,566,054)	(16,628,261)	(12,671,261)	1,777,768	9,315,560	9,173,828	241,241,950
Q1-05	19,507,910	(485,465)	(11,274,539)	(22,628,991)	1,961,875	(3,980,450)	8,695,780	233,523,535
Q2-05	21,073,449	(1,609,345)	(13,601,695)	(11,155,757)	1,648,066	2,637,565	4,435,043	238,560,206
Q3-05	49,927,271	(492,884)	(18,835,163)	(14,804,339)	2,143,041	3,799,450	7,676,919	268,467,385
Q4-05	34,999,808	(4,444,589)	(10,782,174)	(4,677,490)	1,742,343	15,187,209	5,916,651	310,853,732
Q1-06	29,089,752	(931,692)	(8,050,402)	(8,430,534)	2,815,632	3,643,730	4,358,950	334,280,862
Q2-06	39,421,969	(1,478,946)	(5,047,599)	(4,292,366)	3,899,226	8,484,040	4,293,643	381,039,774
Q3-06	39,441,024	(1,418,869)	(7,613,004)	(5,167,346)	1,310,794	2,109,153	2,199,345	413,319,740
Q4-06	35,847,974	(5,348,842)	(11,432,520)	(8,916,220)	1,391,274	24,163,893	3,350,236	457,724,378
Q1-07	20,422,438	(2,194,903)	(5,101,227)	(7,556,709)	3,612,157	5,002,090	2,132,912	476,236,040
Q2-07	35,453,280	(4,790,593)	(10,383,825)	(14,111,318)	1,959,904	11,503,312	2,692,045	503,349,440
Q3-07	20,374,060	(2,623,820)	(6,344,997)	(8,744,638)	(531,583)	9,857,605	5,726,076	523,685,963
Q4-07	45,938,113	(4,386,511)	(13,731,407)	(8,928,361)	(2,133,926)	4,614,907	8,004,078	557,449,368
Q1-08	53,665,634	(2,898,307)	(2,068,865)	(3,567,855)	340,459	(6,217,860)	1,781,191	601,382,073
Q2-08	45,597,001	(1,540,304)	(6,478,662)	(4,120,614)	2,067,586	(8,634,440)	3,041,601	632,854,543
Q3-08	42,370,079	(2,888,603)	(3,366,277)	(4,195,887)	1,021,363	(41,219,197)	2,316,034	629,780,658
Q4-08	28,930,381	(1,177,098)	(35,039)	(4,482,009)	97,014	(114,102,526)	887,845	541,076,324
Q1-09	23,653,512	(2,644,792)	(649,910)	(2,307,107)	2,016,579	(70,840,921)	(1,559,453)	491,389,024
Q2-09	37,537,583	(3,648,843)	(654,118)	(1,689,230)	1,022,832	(71,142,251)	280,649	456,744,490
Q3-09	20,499,139	(2,760,975)	(410,095)	(2,395,985)	2,621,371	(24,600,468)	(2,027,590)	450,430,862
Q4-09	25,420,037	(2,536,737)	(1,267,646)	(2,286,222)	2,118,222	(43,068,411)	(3,774,610)	427,572,233
Q1-10	14,249,356	(3,399,268)	(520,965)	(2,477,524)	943,778	5,858,612	(8,053,274)	437,572,215
Q2-10	31,200,137	(2,802,821)	(940,821)	(4,707,290)	2,995,556	3,298,075	(1,491,958)	467,925,913
Q3-10	43,105,797	(2,789,470)	(5,264,009)	(3,589,099)	2,317,773	21,209,035	(3,862,246)	521,843,164
Q4-10	46,770,745	(4,197,450)	(17,037,111)	(9,653,816)	473,991	29,873,699	(3,678,989)	568,591,682
Q1-11	13,947,755	(2,232,315)	(3,056,519)	(2,741,719)	4,527,542	13,163,211	344,836	594,776,789
Q2-11	26,331,038	(3,317,046)	(5,560,107)	(6,256,052)	3,835,743	25,036,163	(8,328,702)	629,834,872
Q3-11	24,464,547	(1,605,551)	(7,345,575)	(10,170,213)	6,235,401	(3,085,860)	3,302,312	643,235,485
Q4-11	22,584,614	(2,710,965)	(20,389,186)	(8,869,678)	2,631,694	14,351,778	(452,058)	653,092,648
Q1-12	20,493,029	(2,368,972)	(9,095,336)	(6,129,428)	5,045,655	9,472,511	(85,014)	672,794,066
Q2-12	20,415,478	(2,575,307)	(7,406,035)	(4,934,935)	6,666,066	13,429,148	(12,549,552)	688,414,235
Q3-12	26,560,237	(2,845,965)	(25,472,460)	(8,378,702)	6,675,118	13,804,610	(101,998)	701,501,039
Q4-12	31,041,702	(3,158,646)	(29,055,339)	(13,203,581)	5,961,010	21,228,231	1,814,016	719,287,078
Total	1,523,910,878	(107,285,883)	(515,241,657)	(446,728,079)	129,215,587	(34,698,247)	62,828,595	

Real Estate Market Overview

For The Period Ended 12/31/2012

U.S. ECONOMIC SUMMARY

- U.S. real GDP contracted at an annual rate of -0.1% in the fourth quarter of 2012, according to the “advance” estimate released by the Bureau of Economic Analysis. This is the first quarterly decline in real GDP in three-and-a half years. For full year 2012, U.S. real GDP grew by 2.2%.
- At the end of 4Q12, the U.S. unemployment rate stood at 7.8%, unchanged from 3Q12. In the last three months of the year, the U.S. economy added 200,000 jobs per month on average, slightly above the 181,000 per month average for all of 2012. At this point in a typical economic recovery, job growth is expected to range from 200,000 to 250,000 per month.
- Housing continues to emerge as a bright spot for the U.S. economy. During 2012, existing home sales (85% of housing activity), new home sales and building permits all rebounded to pre-recession levels and prices are showing year-over-year gains. Housing inventory has dropped to a 4.8 month supply, its lowest level since September of 2005.

Fourth Quarter 2012 NCREIF Property Index Performance Review

Total Return Performance – by Property Type and Sub-Type

NCREIF Property Index (as of 12/31/2012)			
	<u>4Q 2012</u>	<u>YTD</u>	<u>1 Year</u>
NPI Total	2.5%	10.5%	10.5%
Apartment	2.8%	11.2%	11.2%
Hotel	2.2%	8.2%	8.2%
Industrial	2.4%	10.7%	10.7%
Office	2.2%	9.5%	9.5%
Retail	3.0%	11.6%	11.6%
Regions			
East	2.2%	9.0%	9.0%
Midwest	2.3%	9.7%	9.7%
South	3.0%	11.1%	11.1%
West	2.7%	12.0%	12.0%

Note: Returns for periods less than one year are not annualized. Performance is shown gross of fees. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, and are not indicative of any specific investments.

Other Indices Total Returns (as of 12/31/2012)			
	<u>4Q 2012</u>	<u>YTD</u>	<u>1 Year</u>
NCREIF ODCE	2.4%	10.9%	10.9%
NCREIF Timber Index	5.9%	7.8%	7.8%
NCREIF Farm Index	9.6%	18.6%	18.6%
NAREIT Equity	3.1%	19.7%	19.7%
FTSE EPRA/NAREIT Global	5.8%	28.7%	28.7%
S&P 500	-0.4%	16.0%	16.0%
Barclays Aggregate Bond	0.2%	4.2%	4.2%
Consumer Price Index (CPI)	-0.8%	1.7%	1.7%

Note: Returns for periods less than one year are not annualized. Performance is shown gross of fees. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, and are not indicative of any specific investments.

U.S. REAL ESTATE MARKET OVERVIEW 4Q 2012

After a relatively strong third quarter, real GDP in the U.S. contracted at a -0.1% annualized rate in the fourth quarter of 2012. This was the weakest quarterly performance since the second quarter of 2009. Despite the contraction, the economic outlook in the U.S. continues to remain somewhat favorable for 2013. According to Blue Chip Economic Indicators, the U.S. economy is forecast to grow by 1.9% in 2013, and 2.8% in 2014.

The U.S. commercial real estate sector continued to show moderate improvement across all property sectors in the fourth quarter of 2012. After posting strong gains in 2010 (+13.1%) and 2011 (+14.3%), the U.S. real estate markets pulled back slightly in 2012 (+10.5%). Conditions continue to vary greatly between primary, secondary, and tertiary markets.

Driven by a better than expected surge in year-end transactions, U.S. commercial real estate transaction volume totaled \$283.2b in 2012. This represented a 24% increase over 2011 levels. The apartment sector posted the strongest growth in transaction volumes in 2012 increasing 47% compared to 2011. The office and retail sectors were up approximately 20% and the industrial and hotel sectors were largely flat compared to 2011.

During the fourth quarter of 2012, private real estate values as measured by the NCREIF Property Index (NPI) increased 2.5%. This follows a gain of 2.3% in 3Q12. The 2.5% NPI total return for all properties includes value appreciation of 1.1% and income of 1.4%. The NPI trailing four-quarter total return was 10.5%. The trailing four-quarter total return was comprised of a value appreciation of 4.5% and an income return of 5.8%. Since reaching a trough in 1Q10, NPI property values have appreciated 20.6%. However, NPI property values are still down 17.4% from peak value in 1Q08.

Office

NCREIF office property sector total return in the 4Q12 was 2.2%, which includes value appreciation of 0.8% and income of 1.4%. The office sector trailing four-quarter total return was 9.5%. The trailing four-quarter total return was comprised of a value appreciation of 3.7% and an income return of 5.7%. Over the last year, office returns have lagged the other three primary property types. Since reaching a trough in 1Q10, office property values have appreciated 17.4%. However, office property values are still down 22.8% from peak value in 1Q08.

Office sector fundamentals continued to show improvement during the fourth quarter of 2012. According to Reis, Inc., office vacancy was at 17.1% in 4Q12. Office sector vacancy peaked at 17.6% in 4Q10. Comparatively speaking, this has been a sluggish recovery for the U.S. office sector and new construction is forecast to stay low until the vacancy rate falls to historical norms.

Industrial

The NCREIF industrial property sector total return in 4Q12 was 2.4%, comprised of value appreciation of 0.9% and income of 1.5%. For the trailing four-quarters, industrial property total return was 10.7%, comprised of value appreciation of 4.3% and income return of 6.3%. Over the trailing four-quarters the West region has generated a total return of 12.3%, compared to total returns of 10.2%, 9.5%, and 8.1% for the South, East, and Midwest, respectively. Since reaching a trough in 1Q10, industrial property values have increased 15.9%. However, industrial property values are still down 22.1% from peak value in 1Q08.

According to Jones Lang LaSalle, the national industrial vacancy rate fell to 8.7% in 4Q12, down from 8.9% in 3Q12. This is the eleventh consecutive quarterly decline in vacancy. Net absorption in 4Q12 totaled 57.3 million square feet, the highest quarterly total since 2008. During 4Q12, the top 5 markets with the lowest vacancy rates were: Houston (4.2%), Los Angeles (5.0%), Orange County (5.4%), Minneapolis (5.4%), and San Antonio (6.0%).

Apartments

The NCREIF apartment property sector total return in 4Q12 was 2.8%, including value appreciation of 1.5% and income of 1.3%. The apartment sector trailing four-quarter total return was 11.2%. The trailing four-quarter total return was comprised of a value appreciation of 5.6% and an income return of 5.4%. Since reaching a trough in 1Q10, apartment property values have increased 30.7%. However, apartment property values are still down 10.6% from peak value in 1Q08.

According to Reis, Inc., the national vacancy rate for apartments fell 20 bps during 4Q12 to 4.5%. On a year-over-year basis, the apartment vacancy rate declined 70 bps. Apartment vacancy rates have now declined over 350 bps from their peak in 1Q10. Net absorption in 4Q12 totaled approximately 45,000 units, up significantly from the 23,000 units absorbed during 3Q12.

Retail

The NCREIF retail sector total return for 4Q12 was 3.0%, including a 1.5% value appreciation and a 1.5% income return. The retail sector trailing four-quarter total return was 11.6%. The trailing four-quarter total return was comprised of a value appreciation of 5.2% and an income return of 6.2%. Since reaching a trough in 1Q10, retail property values have increased 19.1%. However, they are still down 10.7% from peak value in 1Q08.

According to Reis, Inc., national retail vacancy rates for neighborhood and community shopping centers declined 10 bps to 10.8% during 4Q12. Regional malls continued to perform better than neighborhood and community center retail space, with the average vacancy rate at 8.6% in 4Q12, down 10 bps from 3Q12. Regional mall vacancy rates are down 80 bps from a cycle peak of 9.4% in 3Q11.

Hotel

The NCREIF hotel sector total return for 4Q12 was 2.2%, comprised of value appreciation of 0.4% and an income return of 1.8%. The trailing four-quarter total return for the hotel sector was 8.2%, comprised of value appreciation of 0.9% and an income return of 7.3%. Since reaching a trough in 1Q10, hotel property values have increased 9.6%. However, values are still down 29.9% from peak value in 1Q08.

Despite market uncertainties, the U.S. hotel industry finished 2012 on a good note. According to Smith Travel Research, the U.S. hotel industry reported increases in all three key performance metrics in year-over-year measurements during 4Q12. During 4Q12, occupancy increased 2.4%, the average daily rate rose 4.0%, and revenue per available room increased 6.5%.

INTERNATIONAL REAL ESTATE MARKET OVERVIEW 4Q 2012

European Overview¹

Recession continued in the eurozone with real GDP contracting by 0.6% in 4Q12. This is the third consecutive quarter in which GDP has contracted. The eurozone GDP contracted by 0.6% for full year 2012, this compares to growth of 1.4% in 2011 and 2.0% growth in 2010. Although the European Central Bank acknowledges the weak state of the eurozone economy at present, it believes that growth will turn positive again in the second half of 2013. The European sovereign debt crisis, which dominated headlines in 2011 and much of 2012, has largely retreated to the backburner recently due to steps taken by European policymakers to strengthen the institutional framework of the European Monetary Union. Consequently, yields on sovereign bonds in Ireland, Italy, Portugal, and Spain have dropped to multi-year lows.

According to Real Capital Analytics, commercial real estate property transactions in Europe totaled €134.4 billion in 2012; this was slightly lower than the €139.7 billion that was transacted in 2011. Cross-border investors were responsible for more than 45% of 2012 transaction volume. Of these cross-border investors, 25% were global investors and 21% were continental investors (those based in Europe but investing outside of their national borders). Global sovereign wealth funds from the Middle East and Asia increased their investment volumes in Europe by 108% over 2011 levels.

According to CB Richard Ellis (CBRE), during 4Q12, the European office sector recorded its highest level of absorption during the year, with some key European markets (Dublin, Brussels, Moscow, and London) experiencing a significant improvement in demand following a very slow start to the year. However, despite the improvement in absorption, vacancy rates remained largely unchanged during the quarter.

In the vast majority of European retail markets prime rental rates changed very little during 4Q12. However, London, Paris and Berlin, three of Europe's top retail and tourist destinations, all experienced significant rental growth of 15-20% during 2012. Looking ahead to 2013, the European retail sector is facing numerous headwinds which could lead to a slowdown in activity. Consumers are facing the challenges of high unemployment, the threat of further job losses and austerity measures, is creating a great deal of uncertainty with respect to the economy. As a result, consumer confidence levels remain well below long term averages in most markets. According to the CBRE EU27 Prime High Street Rent index, rents increased by an average of 1.8% during the quarter. Rental growth was strongest in Berlin (+15%), London (+10%), and Paris (+9%).

Macro-economic data continues to paint a gloomy picture for the European industrial market. During 4Q12, industrial production levels continued to decline in the majority of European countries. Production of industrial goods declined by 2.3% during the year and the outlook for 2013 is only marginally better. However, forecasters are expecting more countries to experience an increase in industrial output during 2013. Prime industrial rents across Europe were relatively unchanged during 4Q12, with the CBRE EU-15 Index showing a modest increase of 0.3% over 3Q12. Industrial yields edged upwards over the course of 2012, as capital values fell throughout the region. At the end of 4Q12, the CBRE EU-15 Yield Index showed the average industrial yield to be 7.8%.

¹ CBRE, Real Capital Analytics

Asia Pacific²

Throughout much of 2012, the Asia Pacific economy weathered the challenges of a global slowdown, sustaining regional growth of almost 5% for the year. Generally robust domestic sectors helped to offset weakness on the export side. There were mixed results amongst the first countries to report 4Q12 GDP, with encouraging growth figures for China and the Philippines, but relatively poor results for Singapore and South Korea. On a year-over-year basis, GDP grew by 7.9% in China during 4Q12. This strong rebound in growth in China has alleviated concerns of a hard landing. According to IHS/Global Insight, the Asia Pacific region is forecast to grow by 4.5% in 2013.

During 4Q12, office supply additions across the region's primary markets were relatively unchanged on a year-over-year basis at 1.3 million square meters. As has been the recent trend, the majority of the new supply was added in China and India. For 2012 as a whole, a total of 5.0 million square meters was completed; this is a decline of 15% on a year-over-year basis from 2011. In general, during 4Q12, steady absorption was seen in North Asia and emerging South East Asia, while most Australian markets recorded limited or negative net absorption during the quarter.

During 2012, the retail sector remained relatively resilient across the Asia Pacific region, with Greater China in particular supported by the ongoing expansion of international retailers. Rental growth continued at a moderate pace across most markets in 4Q12, with the exceptions of Australia, Singapore and India, which experienced mostly flat rental growth. Rental growth was generally the strongest in Greater China, with rents in Beijing rising 3.8% quarter-over-quarter. For 2013, retailer demand for space is likely to remain relatively strong in most locations across the Asia Pacific region, with most markets forecasting a further increase in rents.

During 4Q12, leasing demand in the residential sector remained subdued in Hong Kong and Singapore, but stayed generally healthy in China and most emerging Southeast Asia markets. Rents continued to rise in most markets during the quarter with an average quarter-over-quarter increase of approximately 4%.

In the industrial sector, retail sales continued to drive leasing demand during 4Q12, although the export-related segment was slightly more buoyant than in 3Q12. Rental growth across the region moderated slightly to the 1–3% range on a quarter-over-quarter basis. The largest quarter-over-quarter rental growth was seen in Hong Kong (+2.7%).

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² Jones Lang LaSalle

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
REAL ESTATE PORTFOLIO
PERFORMANCE MEASUREMENT REPORT

Third Quarter 2012



COURTLAND PARTNERS, LTD.

200 PUBLIC SQUARE, SUITE 2530
CLEVELAND, OH 44114
216-522-0330

10866 WILSHIRE BLVD., SUITE 830
LOS ANGELES, CA 90024
310-474-3040

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EXECUTIVE SUMMARY

Los Angeles City Employees' Retirement System

PORTFOLIO SUMMARY

(for period ended September 30, 2012)

Current Portfolio Market Value:	\$ 701,501,039
Current Portfolio, % of Total Plan Assets:	6.2%
Current Unfunded Investment Commitments:	\$ 211,387,972
Current Market Value + Unfunded Investment Commitments:	\$ 912,889,011
Current Capital Available for Investment:	\$ (344,674,011)
Target Allocation to Real Estate:	\$ 568,215,000
Target Real Estate, % of Total Plan Assets:	5.0%
Portfolio Inception Date:	1989
Total Number of Current Investments:	53

SUMMARY OF PORTFOLIO RETURNS

(for period ended September 30, 2012)

	Quarter	6-Month	1-Year	2-Year	3-Year	5-Year	Incept.	
Income	1.4%	2.8%	4.5%	4.5%	4.5%	3.8%	3.0%	
Appreciation	2.0%	2.1%	6.1%	8.3%	2.8%	-9.7%	3.4%	
Total Gross Return	3.4%	4.9%	10.8%	13.1%	7.5%	-6.2%	6.4%	
Total Net Return	2.9%	4.1%	9.1%	11.2%	5.3%	-8.1%	5.1%	
Total Portfolio	\$ 701,501,039	Internal Rate of Return:				2.7%		

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS													
(for period ended September 30, 2012)													
Investments	Market Value	% of Portfolio	Target Returns	Total Net Returns								IRR	Equity Multiple
				Quarter	6-Mo.	1-Yr.	2-Yr.	3-Yr.	5-Yr.	10-Yr.	Incept.		
Core	\$197,196,628	28.1%		2.2%	3.8%	10.0%	12.9%	9.2%	0.2%	5.8%	6.6%	5.9%	1.40
CIM Urban REIT	\$42,773,775	6.1%	11.0%	1.0%	2.1%	12.3%	13.4%	6.7%	5.4%	N/A	10.2%	6.1%	1.26
CIM VI	\$1,023,052	0.1%	12.0%	-0.1%	-11.3%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	0.95
Cornerstone Enhanced Mortgage I	\$1,720,565	0.2%	8.0%	-0.2%	N/A	N/A	N/A	N/A	N/A	N/A	N/M	N/M	1.00
Hancock Forestree V	\$11,863,681	1.7%	8.0%	0.4%	3.6%	6.7%	5.0%	1.5%	5.5%	10.5%	11.0%	11.5%	2.40
Hancock Timberland XI	\$8,081,215	1.2%	7%-8% Real	-0.6%	-0.6%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	0.99
Invesco Core RE USA	\$93,509,985	13.3%	NCREIF+1%	2.7%	4.3%	9.3%	13.6%	11.2%	-1.3%	N/A	5.6%	5.8%	1.40
JP Morgan SPF	\$38,224,355	5.4%	8.0%	3.4%	5.7%	11.3%	14.1%	10.9%	-1.0%	N/A	4.5%	4.5%	1.33
Value	\$248,162,175	35.4%		3.7%	5.7%	10.8%	13.1%	5.6%	-8.1%	2.4%	4.6%	2.5%	1.08
Buchanan III	\$489,420	0.1%	18.0%	38.4%	37.0%	32.8%	9.1%	3.7%	-5.8%	N/A	6.4%	17.7%	1.51
Buchanan V	\$15,873,109	2.3%	12.0%	0.5%	1.2%	7.3%	6.8%	5.9%	-16.8%	N/A	-16.3%	-8.3%	0.72
CBRE SP III	\$2,940,024	0.4%	16.0%	-0.3%	-0.5%	-1.1%	-5.4%	-3.1%	-7.0%	N/A	-1.2%	8.8%	1.31
CBRE SP IV	\$5,502,783	0.8%	17.0%	-4.1%	-4.5%	-2.5%	3.3%	-30.8%	-25.8%	N/A	-22.1%	-26.1%	0.22
CBRE SP V	\$24,593,315	3.5%	11.5%	1.7%	3.9%	14.4%	20.8%	13.4%	N/A	N/A	1.0%	20.0%	1.40
CBRE SP UK III	\$5,820,370	0.8%	15.0%	3.1%	-9.6%	-7.6%	-5.9%	-6.7%	-60.8%	N/A	-69.6%	-32.0%	0.22
DRA G&I VI	\$15,125,359	2.2%	13.0%	0.3%	0.9%	3.3%	15.8%	10.2%	N/A	N/A	3.2%	5.8%	1.19
DRA G&I VII	\$9,079,278	1.3%	12.0%	3.2%	8.9%	10.7%	N/A	N/A	N/A	N/A	10.7%	18.9%	1.05
Heitman VP	\$6,293,157	0.9%	15.0%	16.7%	20.4%	30.3%	24.0%	22.1%	0.1%	N/A	8.1%	4.3%	1.22
IC Hospitality	\$4,757,726	0.7%	16.0%	2.1%	10.2%	8.5%	N/A	N/A	N/A	N/A	-26.3%	-4.2%	0.97
JP Morgan APF	\$13,571,175	1.9%	9.5%	10.5%	18.2%	37.6%	23.9%	12.9%	-5.7%	N/A	-2.5%	-5.0%	0.74
Lowe Hospitality	\$3,347,245	0.5%	15.8%	20.6%	24.6%	45.0%	45.2%	3.9%	-31.4%	N/A	-19.2%	-21.4%	0.57
Mesa West RE Income II	\$18,515,257	2.6%	12.0%	7.5%	12.6%	22.0%	18.5%	N/A	N/A	N/A	3.7%	18.0%	1.21
PRISA II	\$32,519,813	4.6%	9.0%	2.7%	6.1%	13.8%	18.5%	14.7%	-5.7%	N/A	3.5%	1.1%	1.08
Prologis Japan Fund I	\$36,989,141	5.3%	11.0%	4.3%	3.2%	0.2%	7.9%	7.3%	10.8%	N/A	12.1%	10.0%	1.59
RREEF America REIT III	\$8,509,477	1.2%	12.0%	7.6%	16.7%	22.0%	35.9%	19.6%	-16.2%	N/A	-7.6%	-8.1%	0.65
TA V	\$133,701	0.0%	Mid Teen	7.0%	13.0%	7.4%	-8.1%	-12.3%	-9.2%	3.1%	4.3%	10.2%	1.82
TA VII	\$9,840,380	1.4%	Mid Teen	2.2%	2.6%	4.0%	3.4%	-6.7%	-5.2%	N/A	1.2%	0.0%	1.00
TA IX	\$15,529,870	2.2%	Mid Teen	1.9%	4.5%	9.8%	13.1%	N/A	N/A	N/A	6.8%	11.2%	1.20
UrbanAmerica II	\$5,397,089	0.8%	13.0%	-5.7%	-6.7%	-5.9%	-1.1%	2.9%	-15.3%	N/A	-34.2%	-11.9%	0.58
Urdang VA II	\$13,334,487	1.9%	13.0%	3.4%	7.6%	18.3%	23.1%	17.0%	N/A	N/A	-2.9%	4.8%	1.15

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS													
(for period ended September 30, 2012)													
Investments	Market Value	% of Portfolio	Target Returns	Total Net Returns								IRR	Equity Multiple
				Quarter	6-Mo.	1-Yr.	2-Yr.	3-Yr.	5-Yr.	10-Yr.	Incept.		
<i>Opportunistic</i>	<i>\$256,142,235</i>	<i>36.5%</i>		<i>2.8%</i>	<i>2.8%</i>	<i>6.8%</i>	<i>7.9%</i>	<i>1.4%</i>	<i>-16.8%</i>	<i>-0.4%</i>	<i>2.3%</i>	<i>-5.1%</i>	<i>0.90</i>
Bryanston Retail Opp	\$1,646,898	0.2%	20.0%	0.0%	9.3%	3.4%	6.3%	11.0%	-1.1%	N/A	25.5%	84.7%	2.46
California SGF IV	\$22,807,038	3.3%	18.5%	4.2%	13.1%	13.7%	21.4%	18.5%	-11.9%	N/A	-12.5%	-4.2%	0.87
CJ Urban II	\$4,997,910	0.7%	20.0%	-1.5%	-6.4%	-5.6%	-5.7%	-9.9%	-11.3%	N/A	-14.3%	-11.7%	0.56
CIM III	\$15,382,449	2.2%	20.0%	0.4%	0.0%	21.7%	29.6%	-0.4%	N/M	N/A	N/M	7.4%	1.14
CityView LA Urban I	\$9,423,664	1.3%	N/A	4.1%	7.4%	-6.3%	-0.3%	-19.2%	-40.9%	N/A	-42.5%	-2.2%	0.98
Colony Investors VIII	\$9,146,600	1.3%	20.0%	-1.9%	-5.0%	7.6%	-14.3%	-2.6%	-34.1%	N/A	-34.5%	-25.1%	0.38
CPI CPE	\$8,560,203	1.2%	18.0%	4.4%	0.5%	4.7%	-4.9%	-14.6%	-17.7%	N/A	-11.4%	-16.5%	0.48
DLJ II	\$3,734,968	0.5%	20.0%	1.7%	1.5%	11.2%	9.0%	2.3%	-6.7%	10.9%	6.9%	16.8%	1.47
DLJ IV	\$28,534,130	4.1%	20.0%	12.4%	13.0%	11.5%	13.0%	-1.7%	N/A	N/A	-23.9%	-3.1%	0.94
Genesis WFH II	\$20,342,472	2.9%	15.0%	0.8%	3.6%	17.0%	3.1%	-16.5%	-50.1%	N/A	N/M	3.1%	1.05
LaSalle Asia Opportunity II	\$5,579,903	0.8%	8.0%	1.1%	9.8%	20.4%	33.6%	23.8%	0.0%	N/A	N/M	-1.3%	0.95
Lone Star VII	\$13,053,873	1.9%	20% Gross	7.4%	13.5%	21.5%	N/A	N/A	N/A	N/A	23.6%	42.9%	1.17
Lone Star REF II	\$5,838,340	0.8%	20% Gross	6.9%	12.8%	22.6%	N/A	N/A	N/A	N/A	-29.8%	18.9%	1.10
MacFarlane Urban REF II	\$8,201,894	1.2%	16.0%	-6.0%	-12.2%	-29.9%	-16.8%	N/M	N/A	N/A	N/M	-40.5%	0.23
Next Block Medical I	\$8,046	0.0%	18.0%	-5.4%	-8.3%	-50.4%	-36.1%	-53.8%	-39.1%	N/A	-38.8%	-52.8%	0.19
Paladin Latin America III	\$4,729,925	0.7%	25.0%	-12.4%	-52.4%	-45.9%	-35.4%	-25.4%	N/A	N/A	-7.9%	-15.4%	0.76
Southern California SGF I	\$3,827,775	0.5%	13.0%	-3.4%	-10.4%	-14.6%	-15.4%	-13.1%	-18.2%	N/A	-7.1%	-6.6%	0.90
Stockbridge II	\$7,428,215	1.1%	16.0%	-0.7%	0.0%	0.4%	1.9%	-22.7%	-43.9%	N/A	-43.1%	-30.8%	0.25
Torchlight Debt Opportunity II	\$12,497,422	1.8%	15.0%	11.2%	17.8%	26.1%	27.1%	30.4%	-10.4%	N/A	-10.4%	-9.8%	0.67
Torchlight Debt Opportunity III	\$20,795,971	3.0%	15.0%	3.2%	5.9%	15.5%	6.2%	7.1%	N/A	N/A	11.7%	9.3%	1.17
Tuckerman RIVA	\$14,406,387	2.1%	20.0%	0.2%	2.3%	12.2%	4.8%	11.6%	-8.8%	N/A	-1.3%	-4.4%	0.82
Tuckerman MFDP III	\$667,322	0.1%	20.0%	-19.6%	-22.9%	-15.8%	-16.3%	-9.0%	-3.1%	15.3%	15.3%	27.7%	1.66
Walton Street RE V	\$13,716,998	2.0%	18.0%	1.3%	1.5%	3.6%	15.0%	36.9%	-9.5%	N/A	-7.4%	-9.2%	0.61
Walton Street RE VI	\$20,171,101	2.9%	18.0%	1.6%	2.7%	7.9%	38.4%	23.3%	N/A	N/A	-63.0%	6.7%	1.11
Westbrook III	\$642,731	0.1%	N/A	-4.6%	-4.8%	-15.3%	-5.6%	-6.1%	-10.6%	-5.4%	4.6%	7.5%	1.28
<i>Total Portfolio</i>	<i>\$701,501,039</i>	<i>100.0%</i>		<i>2.9%</i>	<i>4.1%</i>	<i>9.1%</i>	<i>11.2%</i>	<i>5.3%</i>	<i>-8.1%</i>	<i>2.8%</i>	<i>5.1%</i>	<i>2.7%</i>	<i>1.09</i>



* Including Torchlight Debt Opportunity Funds II and III.

PORTFOLIO PERFORMANCE COMMENTS
(for period ended September 30, 2012)

The National Council of Real Estate Investment Fiduciaries (“NCREIF”) Property Index contains 7,276 U.S.-only commercial real estate investments with total net market value of approximately \$315.3 billion. It provides un-leveraged, property-level return data dating back to 1977. Individual components of the NCREIF Property Index include office, retail, industrial, apartment and hotel properties and are well diversified by geographic region.

The Fund underperformed its benchmark, the NCREIF Index plus 100 basis points, by 0.7%, 1.2%, 1.4%, 4.4%, 9.5% and 1.9% for the six-month, one-, two-, three-, five-year and inception periods, respectively. It outperformed the benchmark by 0.8% for the current quarter.

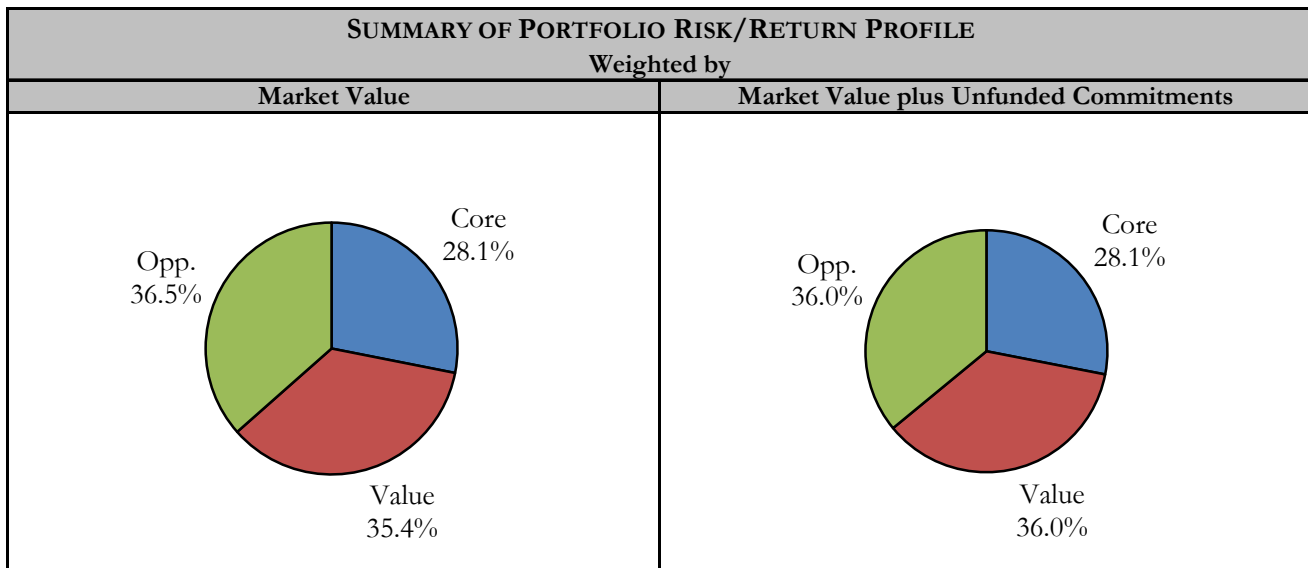
RISK/RETURN REVIEW**RISK/RETURN REVIEW - MARKET VALUES AND INVESTMENT COMMITMENTS**

(for period ended September 30, 2012)

Investments	Client Incept.	Market Value	% of Port.	Investment Commitments Summary		
				Original Inv. Commitment	Remaining Unfund. Commitment	% of Current and Unfunded Port.
Core		\$ 197,196,628	28.1%	\$ 213,867,553	\$ 59,073,176	28.1%
CIM Urban REIT	6/06	\$ 42,773,775	6.1%	\$ 40,000,000	\$ -	4.7%
CIM VI	5/12	\$ 1,023,052	0.1%	\$ 25,000,000	\$ 23,920,921	2.7%
Cornerstone Enhanced Mortgage I	9/12	\$ 1,720,565	0.2%	\$ 25,000,000	\$ 23,276,666	2.7%
Hancock Forestree V	9/99	\$ 11,863,681	1.7%	\$ 10,000,000	\$ -	1.3%
Hancock Timberland XI	5/12	\$ 8,081,215	1.2%	\$ 20,000,000	\$ 11,875,589	2.2%
Invesco Core RE USA	10/04	\$ 93,509,985	13.3%	\$ 63,867,553	\$ -	10.2%
JP Morgan SPF	7/05	\$ 38,224,355	5.4%	\$ 30,000,000	\$ -	4.2%
Value		\$ 248,162,175	35.4%	\$ 480,522,976	\$ 80,153,877	36.0%
Almanac VI	N/A	\$ -	0.0%	\$ 25,000,000	\$ 25,000,000	2.7%
Bristol Value Fund II	N/A	\$ -	0.0%	\$ 20,000,000	\$ 20,000,000	2.2%
Buchanan III	2/04	\$ 489,420	0.1%	\$ 4,886,365	\$ -	0.1%
Buchanan V	4/07	\$ 15,873,109	2.3%	\$ 30,000,000	\$ 3,000,000	2.1%
CBRE SP III	12/03	\$ 2,940,024	0.4%	\$ 25,000,000	\$ -	0.3%
CBRE SP IV	12/05	\$ 5,502,783	0.8%	\$ 25,000,000	\$ -	0.6%
CBRE SP V	6/08	\$ 24,593,315	3.5%	\$ 30,000,000	\$ -	2.7%
CBRE SP UK III	4/07	\$ 5,820,370	0.8%	\$ 26,096,443	\$ -	0.6%
DRA G&I VI	1/08	\$ 15,125,359	2.2%	\$ 25,000,000	\$ 2,540,000	1.9%
DRA G&I VII	11/11	\$ 9,079,278	1.3%	\$ 25,000,000	\$ 16,272,500	2.8%
Heitman VP	5/04	\$ 6,293,157	0.9%	\$ 15,000,000	\$ 119,306	0.7%
IC Hospitality	5/09	\$ 4,757,726	0.7%	\$ 10,000,000	\$ 4,977,400	1.1%
JP Morgan APF	3/06	\$ 13,571,175	1.9%	\$ 25,000,000	\$ -	1.5%
Lowe Hospitality	3/04	\$ 3,347,245	0.5%	\$ 25,000,000	\$ -	0.4%
Mesa West RE Income II	1/10	\$ 18,515,257	2.6%	\$ 20,000,000	\$ 3,313,678	2.4%
PRISA II	9/04	\$ 32,519,813	4.6%	\$ 30,000,000	\$ -	3.6%
Prologis Japan Fund I	6/05	\$ 36,989,141	5.3%	\$ 24,540,168	\$ -	4.1%
RREEF America REIT III	10/05	\$ 8,509,477	1.2%	\$ 15,000,000	\$ -	0.9%
TA V	5/99	\$ 133,701	0.0%	\$ 20,000,000	\$ -	0.0%
TA VII	8/05	\$ 9,840,380	1.4%	\$ 15,000,000	\$ -	1.1%
TA IX	8/08	\$ 15,529,870	2.2%	\$ 15,000,000	\$ 600,000	1.8%
UrbanAmerica II	1/07	\$ 5,397,089	0.8%	\$ 10,000,000	\$ 710,974	0.7%
Urdang VA II	2/08	\$ 13,334,487	1.9%	\$ 20,000,000	\$ 3,620,019	1.9%
Opportunistic		\$ 256,142,235	36.5%	\$ 570,712,000	\$ 72,160,919	36.0%
Bryanston Retail Opp	10/04	\$ 1,646,898	0.2%	\$ 10,000,000	\$ 5,885,919	0.8%
California SGF IV	10/06	\$ 22,807,038	3.3%	\$ 30,000,000	\$ 33,150	2.5%
CJ Urban II	5/05	\$ 4,997,910	0.7%	\$ 10,000,000	\$ 1,011,296	0.7%
CIM III	10/07	\$ 15,382,449	2.2%	\$ 15,000,000	\$ 2,714,495	2.0%
CityView LA Urban I	5/07	\$ 9,423,664	1.3%	\$ 25,000,000	\$ 14,750,619	2.6%
Colony Investors VIII	9/07	\$ 9,146,600	1.3%	\$ 30,000,000	\$ 1,023,000	1.1%
CPI CPE	9/06	\$ 8,560,203	1.2%	\$ 25,712,000	\$ 4,757,295	1.5%
DLJ II	9/99	\$ 3,734,968	0.5%	\$ 40,000,000	\$ 2,248,814	0.7%
DLJ IV	9/08	\$ 28,534,130	4.1%	\$ 40,000,000	\$ 9,252,084	4.1%
Genesis WFH II	1/07	\$ 20,342,472	2.9%	\$ 20,000,000	\$ -	2.2%
LaSalle Asia Opportunity II	8/05	\$ 5,579,903	0.8%	\$ 25,000,000	\$ -	0.6%
Lone Star VII	4/11	\$ 13,053,873	1.9%	\$ 15,000,000	\$ 2,799,511	1.7%
Lone Star REF II	4/11	\$ 5,838,340	0.8%	\$ 15,000,000	\$ 8,742,085	1.6%
MacFarlane Urban REF II	9/07	\$ 8,201,894	1.2%	\$ 40,000,000	\$ 1,646,525	1.1%

RISK/RETURN REVIEW

RISK/RETURN REVIEW - MARKET VALUES AND INVESTMENT COMMITMENTS						
(for period ended September 30, 2012)						
Investments	Client Incept.	Market Value	% of Port.	Investment Commitments Summary		
				Original Inv. Commitment	Remaining Unfund. Commitment	% of Current and Unfunded Port.
Next Block Medical I	6/07	\$ 8,046	0.0%	\$ 10,000,000	\$ 642,520	0.1%
Paladin Latin America III	11/08	\$ 4,729,925	0.7%	\$ 20,000,000	\$ 9,350,021	1.5%
Southern California SGF I	9/04	\$ 3,827,775	0.5%	\$ 10,000,000	\$ 68,212	0.4%
Stockbridge II	9/06	\$ 7,428,215	1.1%	\$ 30,000,000	\$ 13,578	0.8%
Torchlight Debt Opportunity II	11/07	\$ 12,497,422	1.8%	\$ 25,000,000	\$ -	1.4%
Torchlight Debt Opportunity III	6/09	\$ 20,795,971	3.0%	\$ 25,000,000	\$ -	2.3%
Tuckerman RIVA	10/04	\$ 14,406,387	2.1%	\$ 25,000,000	\$ -	1.6%
Tuckerman MFDP III	12/02	\$ 667,322	0.1%	\$ 15,000,000	\$ -	0.1%
Walton Street RE V	8/06	\$ 13,716,998	2.0%	\$ 25,000,000	\$ -	1.5%
Walton Street RE VI	4/09	\$ 20,171,101	2.9%	\$ 25,000,000	\$ 7,221,794	3.0%
Westbrook III	9/98	\$ 642,731	0.1%	\$ 20,000,000	\$ -	0.1%
Total Portfolio		\$ 701,501,039	100.0%	\$ 1,265,102,529	\$ 211,387,972	100.0%

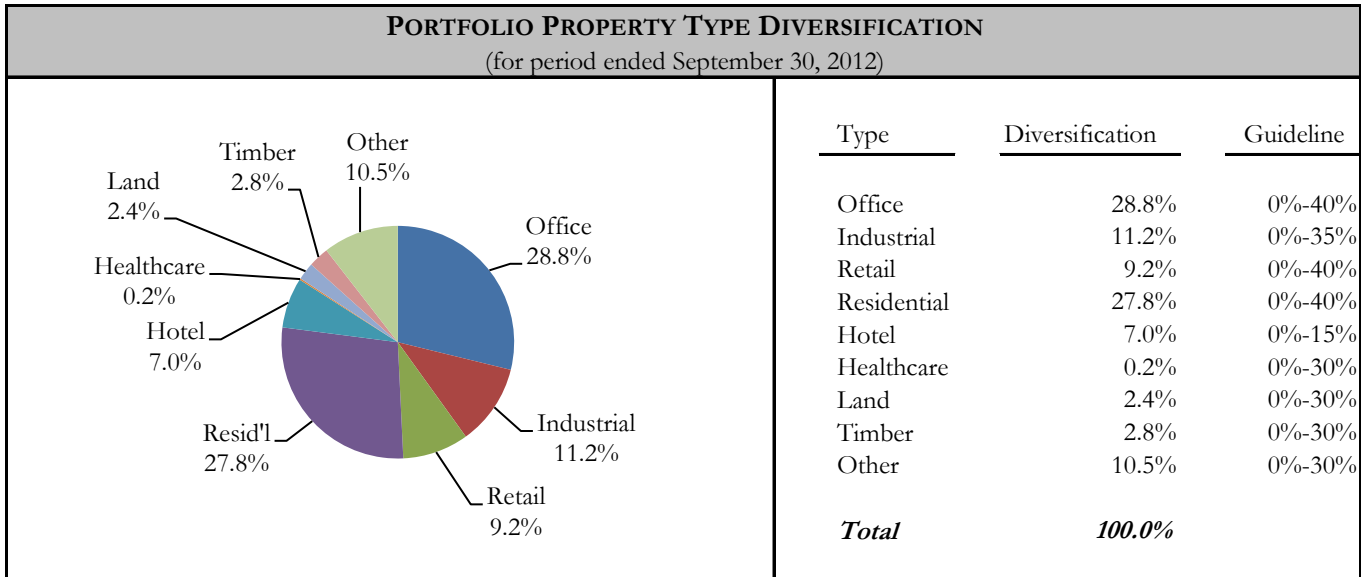


Note: Due to rounding, the sum of the above weights may not equal 100%.

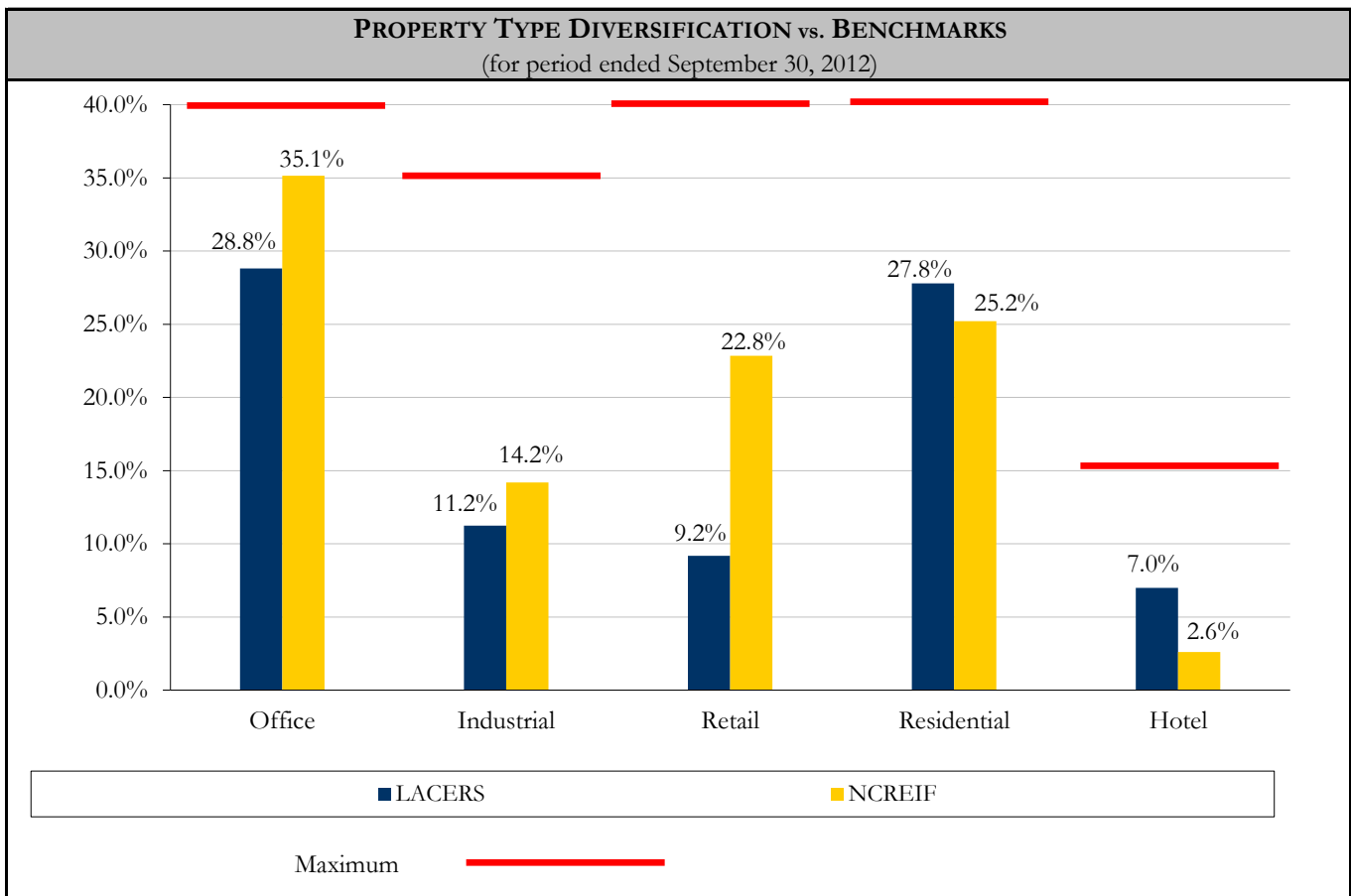
RISK/RETURN COMMENTS

The current Portfolio composition produces an average expected return within the “value” risk/return range. The current exposures are 28.1% core and 71.9% non-core. The total potential exposure, including unfunded commitments, would also be 28.1% core and 71.9% non-core upon funding all remaining commitments.

PORTFOLIO COMPOSITION REVIEW

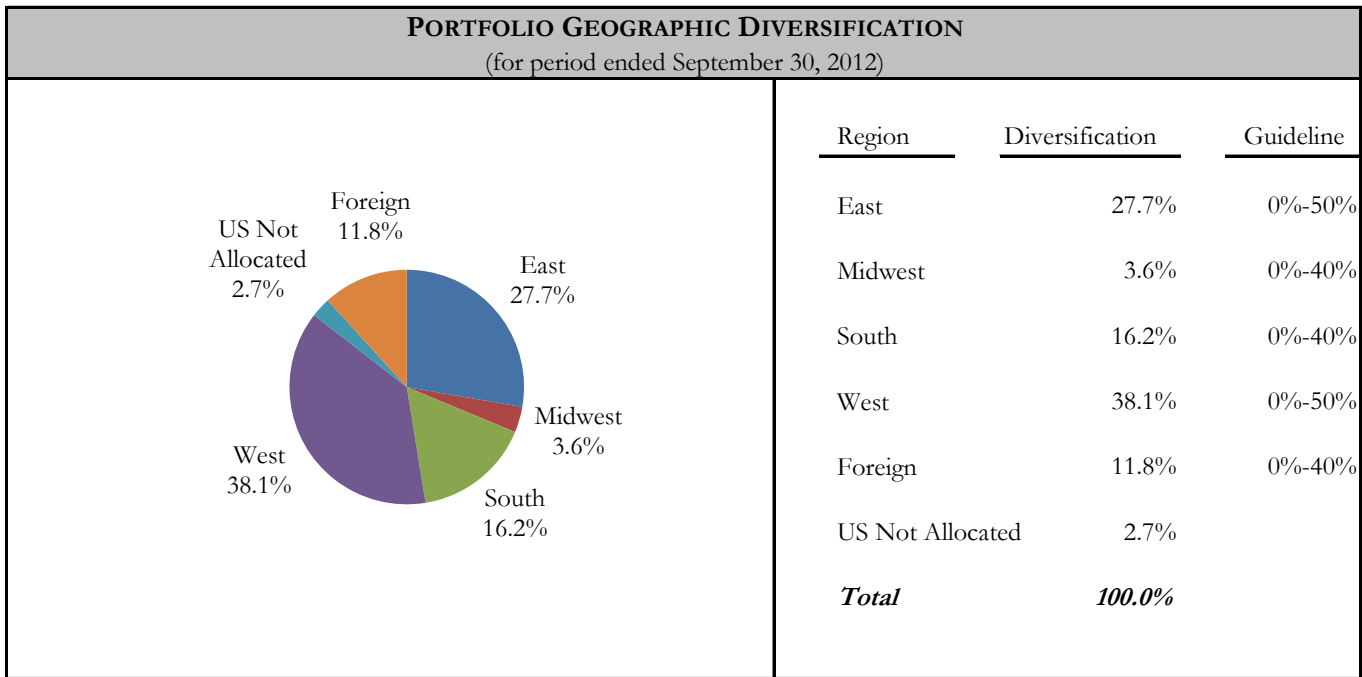


Note: Due to rounding, the sum of the above weights may not equal 100%.

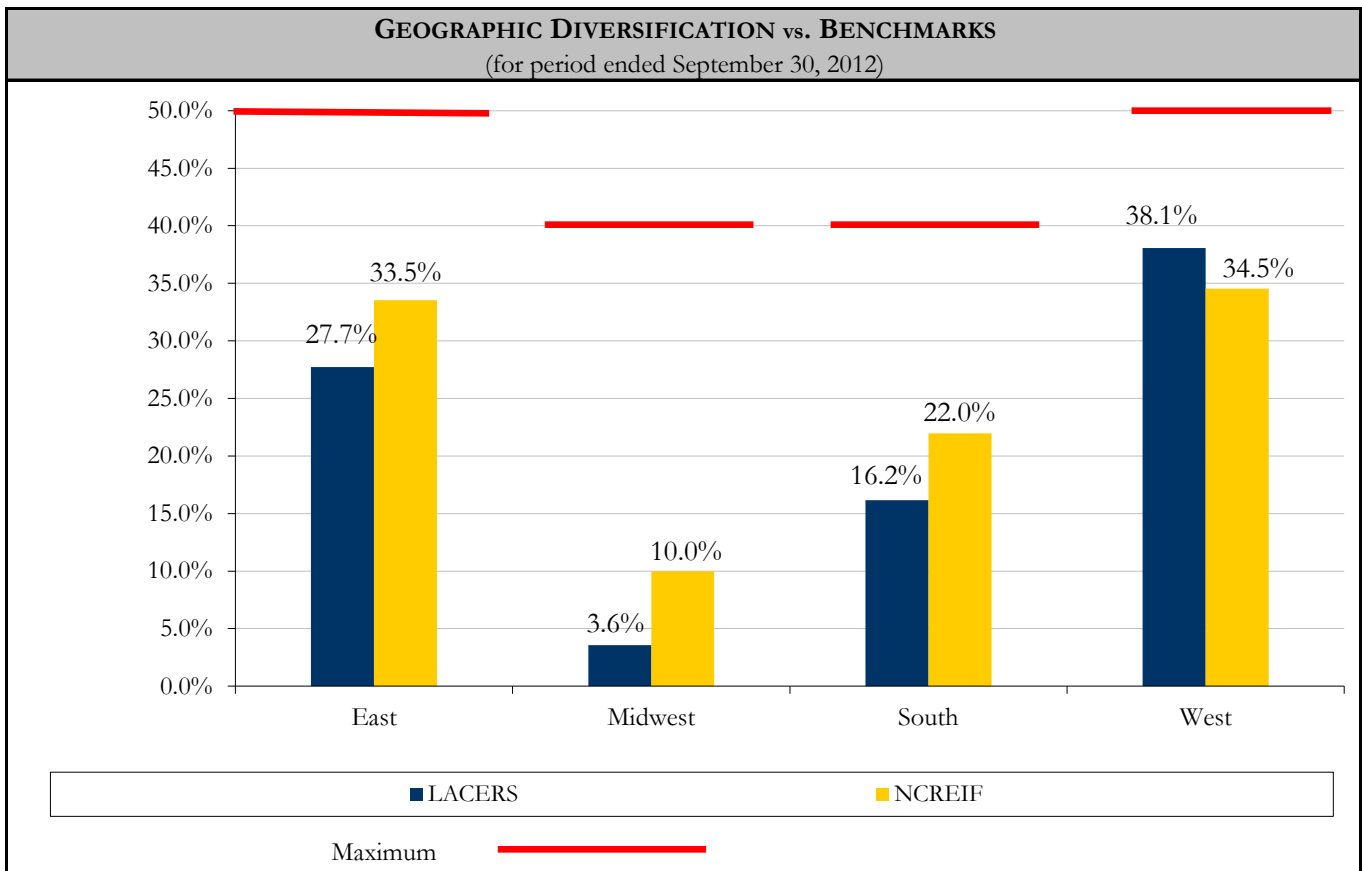


PROPERTY TYPE DIVERSIFICATION COMMENTARY

In comparison to the NCREIF Index, the portfolio is over-weighted in the hotel and residential sector by sector by 4.4% and 2.6% respectively. The portfolio is under-weighted in the office, industrial and retail sectors by 6.3%, 3.0% and 13.6%, respectively. The portfolio falls within the investment guidelines.

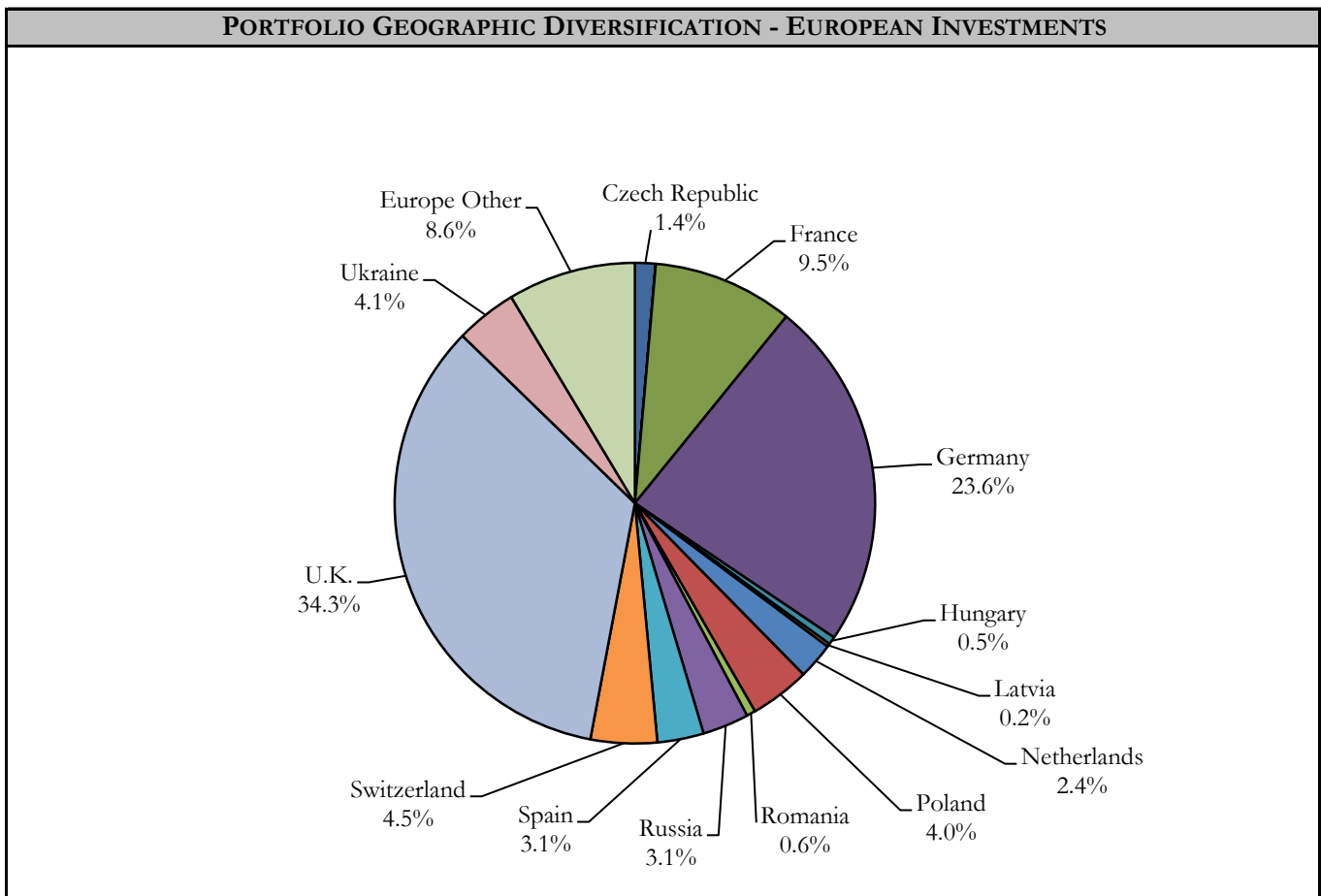
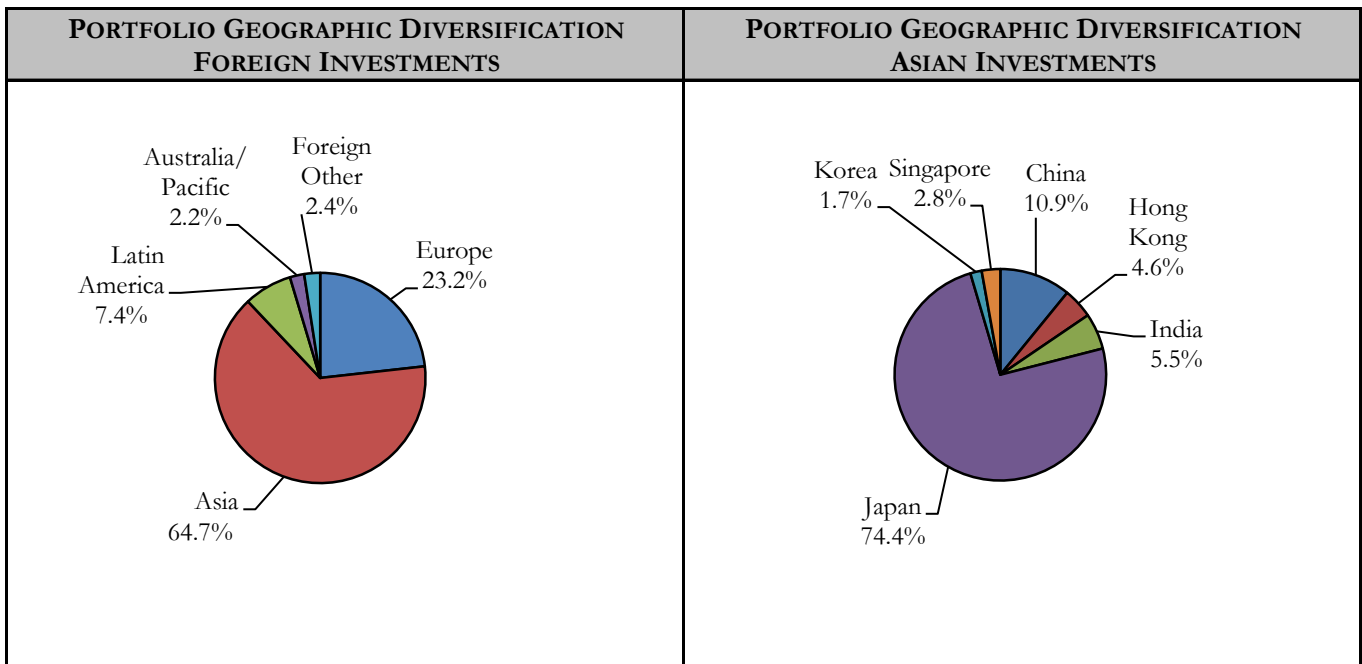


Note: Due to rounding, the sum of the above weights may not equal 100%.



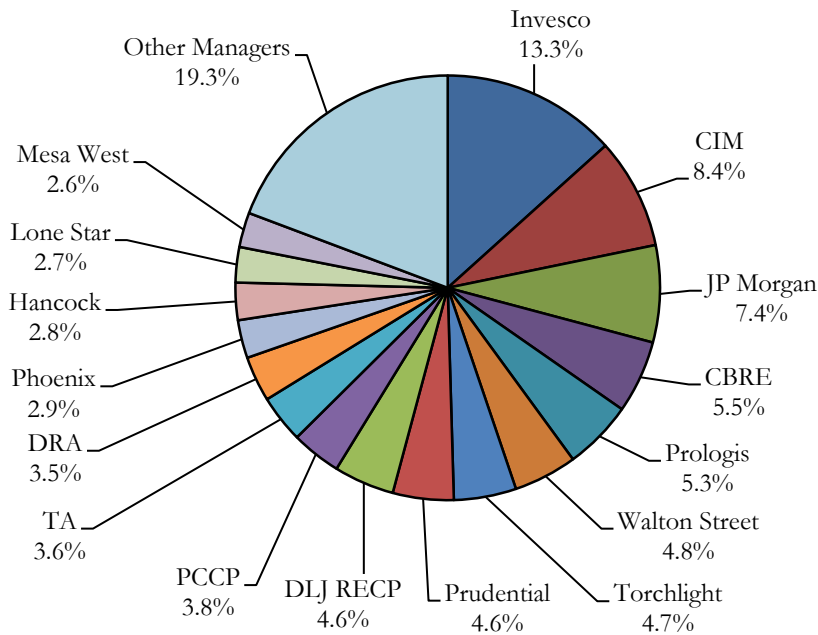
GEOGRAPHIC DIVERSIFICATION COMMENTARY

In comparison to the NCREIF Index, the Portfolio is over-weighted in the West by 3.6%. The Portfolio is under-weighted in the East, Midwest and South sectors by 5.8%, 6.4% and 5.8%, respectively. The Portfolio falls within the investment guidelines.

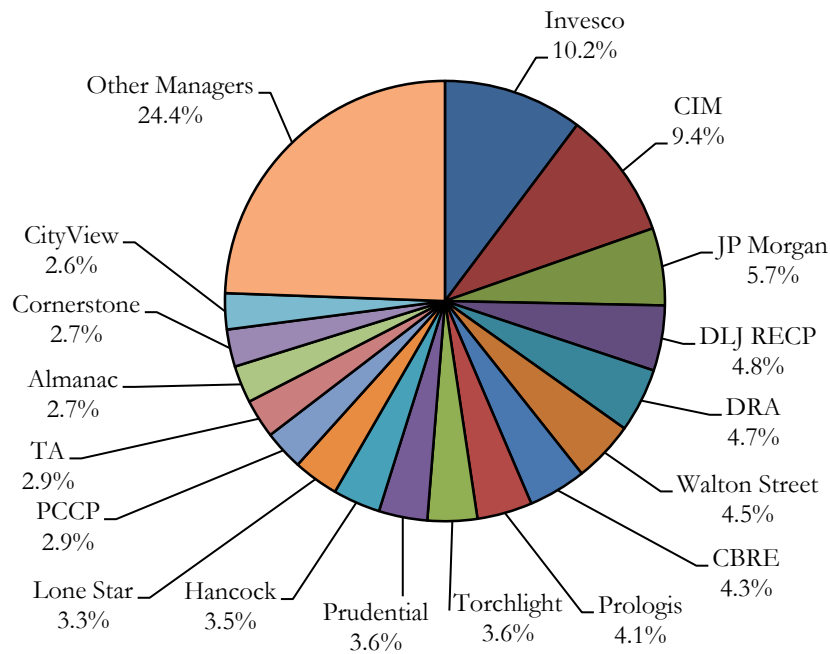


Note: Due to rounding, the sum of the above weights may not equal 100%.

**PORTFOLIO PARTNER/MANAGER CONCENTRATION
CURRENT INVESTMENTS**



**PORTFOLIO PARTNER/MANAGER CONCENTRATION
POTENTIAL EXPOSURE**



Note: Due to rounding, the sum of the above weights may not equal 100%.

Current Investments			Current Investments and Remaining Commitments		
Managers	\$	%	Managers	\$	%
Invesco	\$93,509,985	13.3%	Invesco	\$93,509,985	10.2%
CIM	\$59,179,276	8.4%	CIM	\$85,814,692	9.4%
JP Morgan	\$51,795,530	7.4%	JP Morgan	\$51,795,530	5.7%
CBRE	\$38,856,492	5.5%	DLJ RECP	\$43,769,996	4.8%
Prologis	\$36,989,141	5.3%	DRA	\$43,017,137	4.7%
Walton Street	\$33,888,099	4.8%	Walton Street	\$41,109,893	4.5%
Torchlight	\$33,293,393	4.7%	CBRE	\$38,856,492	4.3%
Prudential	\$32,519,813	4.6%	Prologis	\$36,989,141	4.1%
DLJ RECP	\$32,269,098	4.6%	Torchlight	\$33,293,393	3.6%
PCCP	\$26,634,813	3.8%	Prudential	\$32,519,813	3.6%
TA	\$25,503,951	3.6%	Hancock	\$31,820,485	3.5%
DRA	\$24,204,637	3.5%	Lone Star	\$30,433,809	3.3%
Phoenix	\$20,342,472	2.9%	PCCP	\$26,736,175	2.9%
Hancock	\$19,944,896	2.8%	TA	\$26,103,951	2.9%
Lone Star	\$18,892,213	2.7%	Almanac	\$25,000,000	2.7%
Mesa West	\$18,515,257	2.6%	Cornerstone	\$24,997,232	2.7%
Buchanan	\$16,362,529	2.3%	CityView	\$24,174,284	2.6%
Tuckerman	\$15,073,709	2.1%	Mesa West	\$21,828,935	2.4%
Urdang CM	\$13,334,487	1.9%	Phoenix	\$20,342,472	2.2%
CityView	\$9,423,664	1.3%	Bristol	\$20,000,000	2.2%
Colony	\$9,146,600	1.3%	Buchanan	\$19,362,529	2.1%
Apollo	\$8,560,203	1.2%	Urdang CM	\$16,954,505	1.9%
RREEF	\$8,509,477	1.2%	Tuckerman	\$15,073,709	1.7%
MacFarlane	\$8,201,894	1.2%	Paladin	\$14,079,946	1.5%
Stockbridge	\$7,428,215	1.1%	Apollo	\$13,317,498	1.5%
Heitman	\$6,293,157	0.9%	Colony	\$10,169,600	1.1%
LaSalle	\$5,579,903	0.8%	MacFarlane	\$9,848,418	1.1%
UrbanAmerica	\$5,397,089	0.8%	Integrated Capital	\$9,735,126	1.1%
Canyon-Johnson	\$4,997,910	0.7%	RREEF	\$8,509,477	0.9%
Integrated Capital	\$4,757,726	0.7%	Bryanston	\$7,532,817	0.8%
Paladin	\$4,729,925	0.7%	Stockbridge	\$7,441,793	0.8%
Lowe	\$3,347,245	0.5%	Heitman	\$6,412,463	0.7%
Cornerstone	\$1,720,565	0.2%	UrbanAmerica	\$6,108,063	0.7%
Bryanston	\$1,646,898	0.2%	Canyon-Johnson	\$6,009,206	0.7%
Westbrook	\$642,731	0.1%	LaSalle	\$5,579,903	0.6%
Hunt Realty	\$8,046	0.0%	Lowe	\$3,347,245	0.4%
Almanac	\$0	0.0%	Hunt Realty	\$650,566	0.1%
Bristol	\$0	0.0%	Westbrook	\$642,731	0.1%
Total	\$701,501,039	100.0%	Total	\$912,889,011	100.0%

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INVESTMENT LEVERAGE REVIEW			
(for period ended September 30, 2012)			
Investment		Market Value	Leverage
MacFarlane Urban REF II	Opportunistic	\$8,201,894	88.1%
Paladin Latin America III	Opportunistic	\$4,729,925	86.2%
Tuckerman MFDP III	Opportunistic	\$667,322	85.3%
CityView LA Urban I	Opportunistic	\$9,423,664	79.2%
DRA G&I VI	Value	\$15,125,359	74.7%
CPI CPE	Opportunistic	\$8,560,203	74.0%
DRA G&I VII	Value	\$9,079,278	70.4%
UrbanAmerica II	Value	\$5,397,089	69.0%
LaSalle Asia Opportunity II	Opportunistic	\$5,579,903	67.7%
CJ Urban II	Opportunistic	\$4,997,910	67.1%
Tuckerman RIVA	Opportunistic	\$14,406,387	66.1%
Stockbridge II	Opportunistic	\$7,428,215	66.0%
Cornerstone Enhanced Mortgage I	Core	\$1,720,565	62.7%
Buchanan III	Value	\$489,420	61.7%
Genesis WFH II	Opportunistic	\$20,342,472	61.4%
Mesa West RE Income II	Value	\$18,515,257	60.8%
CBRE SP IV	Value	\$5,502,783	59.6%
Prologis Japan I	Value	\$36,989,141	58.1%
Lowe Hospitality	Value	\$3,347,245	57.7%
IC Hospitality	Value	\$4,757,726	53.8%
Walton Street RE V	Opportunistic	\$13,716,998	53.4%
Heitman VP	Value	\$6,293,157	53.3%
Lone Star VII	Opportunistic	\$13,053,873	53.2%
California SGF IV	Opportunistic	\$22,807,038	52.9%
TA VII	Value	\$9,840,380	52.1%
Lone Star REF II	Opportunistic	\$5,838,340	52.0%
RREEF America REIT III	Value	\$8,509,477	51.4%
DLJ II	Opportunistic	\$3,734,968	50.3%
Buchanan V	Value	\$15,873,109	48.5%
Urdang VA II	Value	\$13,334,487	46.8%
CBRE SP V	Value	\$24,593,315	45.9%
JP Morgan APF	Value	\$13,571,175	44.9%
Walton Street RE VI	Opportunistic	\$20,171,101	41.3%
Southern California SGF I	Opportunistic	\$3,827,775	38.1%
PRISA II	Value	\$32,519,813	37.5%
TA IX	Value	\$15,529,870	32.9%
Colony Investors VIII	Opportunistic	\$9,146,600	32.8%
Bryanston Retail Opp	Opportunistic	\$1,646,898	28.5%
CIM III	Opportunistic	\$15,382,449	27.0%
DLJ IV	Opportunistic	\$28,534,130	25.3%
JP Morgan SPF	Core	\$38,224,355	24.1%
CBRE SP III	Value	\$2,940,024	22.2%
CBRE SP UK III	Value	\$5,820,370	21.5%
Torchlight Debt Opportunity II	Opportunistic	\$12,497,422	20.5%
Invesco Core RE USA	Core	\$93,509,985	20.2%
CIM VI	Core	\$1,023,052	17.0%
CIM Urban REIT	Core	\$42,773,775	15.2%
Hancock Forestree V	Core	\$11,863,681	10.7%
Westbrook III	Opportunistic	\$642,731	7.4%
Torchlight Debt Opportunity III	Opportunistic	\$20,795,971	0.0%
Hancock Timberland XI	Core	\$8,081,215	0.0%
TA V	Value	\$133,701	0.0%
Next Block Medical I	Opportunistic	\$8,046	0.0%

INVESTMENT LEVERAGE REVIEW

(for period ended September 30, 2012)

<i>* Core</i>	<i>\$197,196,628</i>	<i>18.8%</i>
<i>* Value</i>	<i>\$248,162,175</i>	<i>50.6%</i>
<i>* Opportunistic</i>	<i>\$256,142,235</i>	<i>46.1%</i>
<i>* Total</i>	<i>\$701,501,039</i>	<i>40.0%</i>

* *Weighted by market value.*

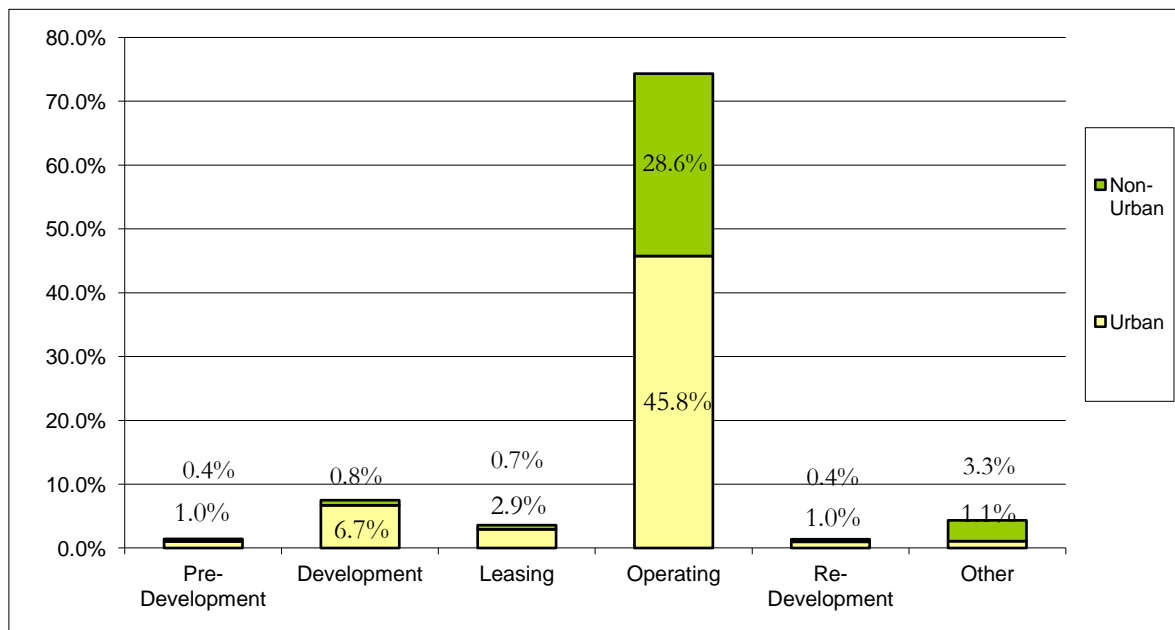
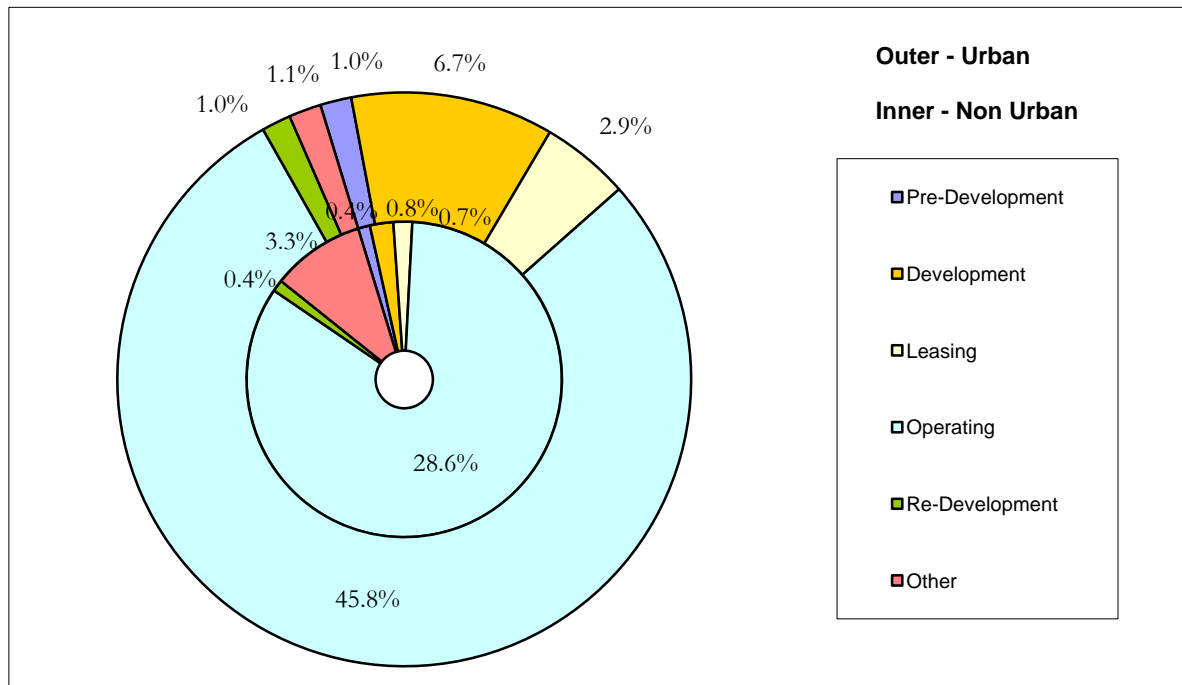
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PORTFOLIO COMPOSITION REVIEW - URBAN EXPOSURE

Urban Exposure *							
	<u>Pre-Development</u>	<u>Development</u>	<u>Leasing</u>	<u>Operating</u>	<u>Re-Development</u>	<u>Other</u>	
Urban	1.0%	6.7%	2.9%	45.8%	1.0%	1.1%	
Non-Urban	0.4%	0.8%	0.7%	28.6%	0.4%	3.3%	
Total	1.4%	7.5%	3.6%	74.3%	1.4%	4.3%	
Los Angeles -	3.1%	LA County total -		8.9%	California total-		27.2%

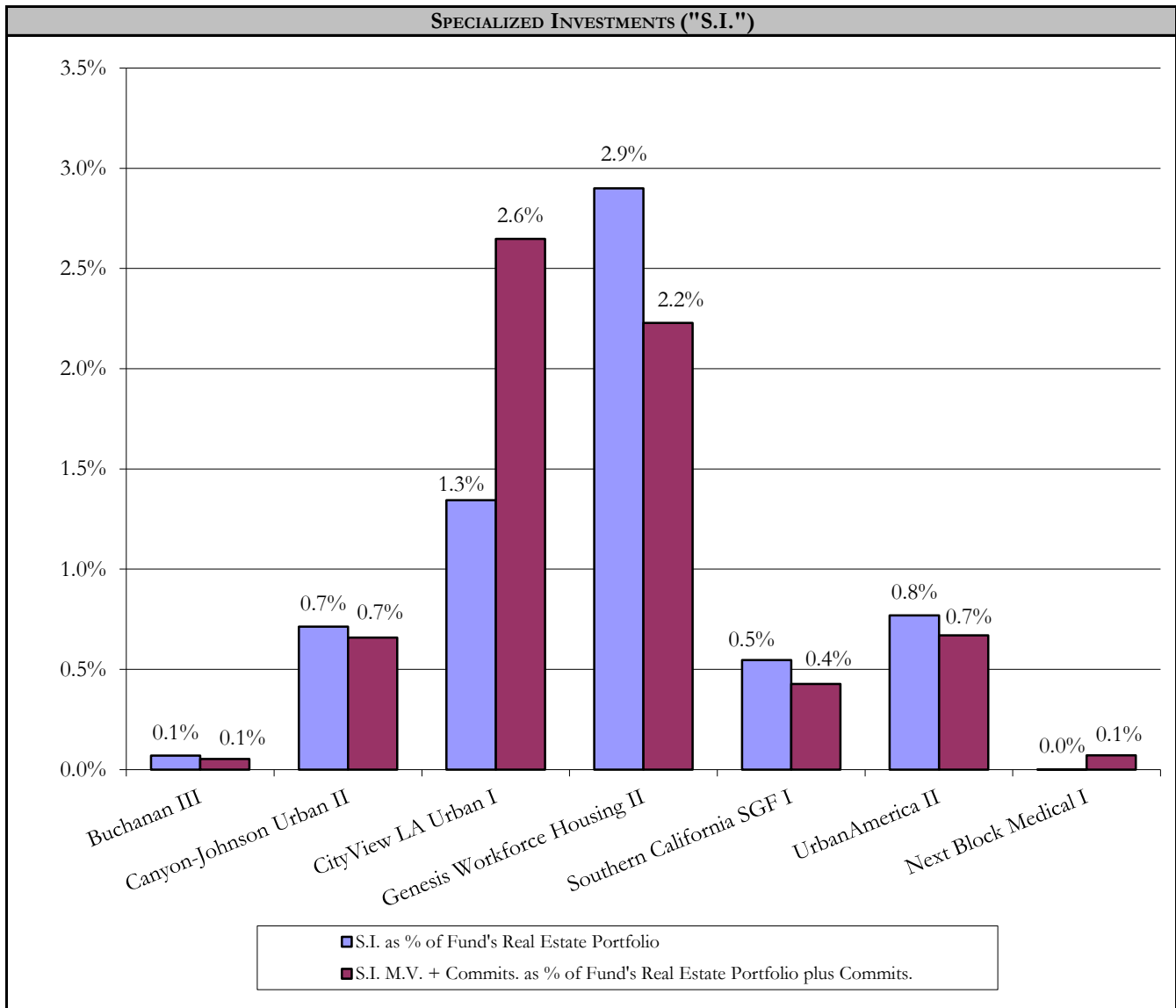
Total number of investments with an office in California: 40

* Excluding Lone Star and Torchlight funds.



SPECIALIZED INVESTMENT REVIEW

Specialized Investments ("S.I.")	S.I. Market Value (In \$1,000)	S.I. MV + Commit. (In \$1,000)	S.I. as % of Total Specialized Funds	S.I. as % of RE Portfolio	S.I. M.V. + Commit. as % of RE Portfolio + Commit.
Buchanan III	\$ 489	\$ 489	1.1%	0.1%	0.1%
Canyon-Johnson Urban II	\$ 4,998	\$ 6,009	11.2%	0.7%	0.7%
CityView LA Urban I	\$ 9,424	\$ 24,174	21.2%	1.3%	2.6%
Genesis Workforce Housing II	\$ 20,342	\$ 20,342	45.7%	2.9%	2.2%
Southern California SGF I	\$ 3,828	\$ 3,896	8.6%	0.5%	0.4%
UrbanAmerica II	\$ 5,397	\$ 6,108	12.1%	0.8%	0.7%
Next Block Medical I	\$ 8	\$ 651	0.0%	0.0%	0.1%
Total Specialized Investments	\$ 44,486	\$ 61,670	100.0%	6.3%	6.8%



Total Portfolio								
Investment Activity Statement *								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q1-89	6,666,666	-	-	-	-	105,417	-	6,772,083
Q2-89	16,183,829	-	-	(17,514)	-	276,401	-	23,214,799
Q3-89	10,965,597	-	-	(116,007)	-	530,669	-	34,595,058
Q4-89	13,175,966	-	-	(49,135)	-	1,204,187	-	48,926,076
Q1-90	-	-	-	(4,345)	-	832,861	-	49,754,592
Q2-90	6,116,389	-	-	(22,812)	-	591,846	-	56,440,014
Q3-90	23,715,922	(4,610)	-	(224,628)	3,254	1,020,622	-	80,955,184
Q4-90	23,370,015	(12,770)	-	(482,821)	14,287	1,620,791	-	105,477,457
Q1-91	1,812,459	(18,882)	-	(698,592)	42,429	1,130,269	-	107,764,022
Q2-91	2,302,062	(20,328)	-	(799,573)	51,519	914,551	-	110,232,581
Q3-91	5,314,656	(31,640)	-	(893,346)	75,570	(2,631,311)	-	112,098,150
Q4-91	4,926,980	(38,572)	-	(996,894)	96,881	(8,704,967)	-	107,420,150
Q1-92	6,677,360	(45,789)	-	(1,294,589)	4,102	970,722	-	113,777,746
Q2-92	811,780	(52,952)	-	(1,220,670)	73,709	438,096	-	113,880,661
Q3-92	5,800,000	(49,332)	-	(1,189,162)	208,724	(2,951,498)	-	115,748,724
Q4-92	7,084,000	(45,698)	(1,828,227)	(1,354,744)	101,618	(2,645,505)	-	117,105,867
Q1-93	5,565,634	(61,091)	-	(2,775,002)	254,439	1,625,976	-	121,776,914
Q2-93	1,317,888	(68,340)	-	(8,888,858)	130,403	1,155,359	-	115,491,705
Q3-93	5,711,040	(54,882)	-	(3,117,924)	212,121	2,203,439	-	120,500,380
Q4-93	1,520,000	(45,974)	-	(3,213,455)	140,607	(402,264)	-	118,545,268
Q1-94	-	(36,292)	(2,449,234)	(2,411,803)	95,529	3,710,747	-	117,490,508
Q2-94	619,936	(27,127)	(1,489,385)	(2,358,305)	82,420	1,773,562	-	116,118,735
Q3-94	-	(24,611)	-	(3,557,069)	31,325	1,200,735	-	113,793,726
Q4-94	-	(6,856)	-	(2,489,417)	87,364	1,572,031	-	112,963,704
Q1-95	1,240,000	(10,870)	(1,338,631)	(1,638,981)	74,406	3,404,407	-	114,704,905
Q2-95	-	-	(2,916,963)	(1,733,284)	2,120	2,806,145	-	112,862,923
Q3-95	-	-	(95,000)	(1,564,781)	30,460	1,025,696	-	112,259,298
Q4-95	8,664,000	-	(336,300)	(1,776,069)	287	2,403,884	-	121,215,100
Q1-96	180,238	(46,947)	(289,059)	(2,527,453)	1,358	2,506,758	-	121,086,942
Q2-96	656,240	(23,474)	-	(2,021,136)	2,039	3,043,170	-	122,767,256
Q3-96	250,903	(23,474)	-	(1,654,961)	(1,656)	2,377,660	-	123,739,201
Q4-96	1,738,763	(20,795)	(9,694,242)	(2,035,967)	(76,598)	3,999,092	-	117,670,249
Q1-97	2,444,843	(24,653)	(1,374,917)	(1,891,872)	42,771	3,207,800	-	120,098,875
Q2-97	3,226,772	(35,837)	(3,466,319)	(6,116,979)	85,647	2,870,022	-	116,698,018
Q3-97	4,580,158	(3,813)	(17,767,335)	(4,515,694)	193,533	2,231,806	-	101,420,485
Q4-97	3,656,237	(145,935)	(2,552,185)	(5,646,928)	(234,751)	9,637,712	131,771	106,412,340
Q1-98	3,207,120	(40,919)	(10,469,992)	(6,098,501)	81,022	3,234,509	-	96,366,499
Q2-98	4,973,606	(28,715)	(2,081,030)	(4,890,599)	40,147	1,721,655	63,252	96,193,530
Q3-98	8,405,955	(348,470)	(11,201,819)	(5,468,681)	(123,468)	2,351,690	402,125	90,559,333
Q4-98	10,916,389	(341,255)	(585,882)	(4,610,925)	(408,281)	3,500,981	359,835	99,731,451
Q1-99	15,157,950	(234,399)	(651,568)	(1,084,788)	507,214	1,808,352	42,745	115,511,356
Q2-99	9,921,244	(375,964)	(781,122)	(7,915,633)	1,172,260	749,572	255,676	118,913,352
Q3-99	32,948,471	(634,739)	(4,879,676)	(1,853,483)	947,596	293,037	157,783	146,527,081
Q4-99	25,643,364	(650,654)	(17,136,360)	(1,489,950)	(2,276,372)	3,765,172	2,952,805	157,985,740
Q1-00	11,519,453	(634,490)	(6,198,749)	(1,291,019)	1,832,651	880,612	265,906	164,994,595
Q2-00	8,707,177	(651,741)	(2,711,155)	(1,974,044)	4,450,532	(2,026,502)	618,040	172,058,643
Q3-00	18,520,760	(539,418)	(4,673,760)	(8,617,581)	1,376,616	29,980	707,500	179,402,158
Q4-00	31,162,476	(967,307)	(2,492,390)	(3,316,566)	648,715	2,554,918	879,137	208,838,448
Q1-01	6,539,840	(795,671)	(1,259,667)	(4,464,695)	3,305,350	856,713	319,314	214,135,304
Q2-01	9,611,649	(643,416)	(2,243,042)	(7,112,641)	2,608,985	1,986,480	436,457	219,423,192

Total Portfolio								
Investment Activity Statement *								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q3-01	1,106,714	(739,763)	(5,617,139)	(7,588,396)	4,005,923	1,757,393	476,958	213,564,644
Q4-01	6,919,811	(873,835)	(2,265,492)	(9,611,092)	3,495,620	5,484,819	707,020	218,295,330
Q1-02	7,747,001	(709,223)	(2,732,250)	(4,359,820)	4,168,110	1,794,564	299,112	225,212,048
Q2-02	1,728,816	(833,445)	(11,439,943)	(8,486,231)	4,998,433	1,017,155	879,096	213,909,373
Q3-02	456,226	(707,728)	(18,229,419)	(1,845,593)	1,759,761	1,661,045	406,289	198,117,682
Q4-02	12,829,964	(894,709)	(1,506,490)	(8,646,747)	1,074,779	(2,994,283)	655,010	199,529,915
Q1-03	1,643,080	(664,700)	(2,260,651)	(3,787,902)	2,898,985	(708,202)	1,279,664	198,594,889
Q2-03	6,899,945	(880,614)	(1,371,675)	(3,812,529)	2,423,649	152,893	2,266,657	205,153,829
Q3-03	13,291,056	(672,973)	(12,050,620)	(4,310,596)	2,367,771	(2,508,604)	1,072,378	203,015,213
Q4-03	1,790,079	(1,534,008)	(20,617,326)	(4,392,970)	677,938	6,862,054	2,928,719	190,263,706
Q1-04	5,193,015	(753,824)	(23,262,472)	(7,525,464)	1,794,190	(1,412,059)	2,621,274	167,672,191
Q2-04	6,398,177	(1,556,935)	(5,664,120)	(2,409,649)	869,635	3,260,929	2,003,613	172,130,776
Q3-04	5,613,819	(723,477)	(10,359,164)	(10,218,940)	1,480,586	18,788	3,181,915	161,847,779
Q4-04	88,426,537	(3,566,054)	(16,628,261)	(12,671,261)	1,777,768	9,315,560	9,173,828	241,241,950
Q1-05	19,507,910	(485,465)	(11,274,539)	(22,628,991)	1,961,875	(3,980,450)	8,695,780	233,523,535
Q2-05	21,073,449	(1,609,345)	(13,601,695)	(11,155,757)	1,648,066	2,637,565	4,435,043	238,560,206
Q3-05	49,927,271	(492,884)	(18,835,163)	(14,804,339)	2,143,041	3,799,450	7,676,919	268,467,385
Q4-05	34,999,808	(4,444,589)	(10,782,174)	(4,677,490)	1,742,343	15,187,209	5,916,651	310,853,732
Q1-06	29,089,752	(931,692)	(8,050,402)	(8,430,534)	2,815,632	3,643,730	4,358,950	334,280,862
Q2-06	39,421,969	(1,478,946)	(5,047,599)	(4,292,366)	3,899,226	8,484,040	4,293,643	381,039,774
Q3-06	39,441,024	(1,418,869)	(7,613,004)	(5,167,346)	1,310,794	2,109,153	2,199,345	413,319,740
Q4-06	35,847,974	(5,348,842)	(11,432,520)	(8,916,220)	1,391,274	24,163,893	3,350,236	457,724,378
Q1-07	20,422,438	(2,194,903)	(5,101,227)	(7,556,709)	3,612,157	5,002,090	2,132,912	476,236,040
Q2-07	35,453,280	(4,790,593)	(10,383,825)	(14,111,318)	1,959,904	11,503,312	2,692,045	503,349,440
Q3-07	20,374,060	(2,623,820)	(6,344,997)	(8,744,638)	(531,583)	9,857,605	5,726,076	523,685,963
Q4-07	45,938,113	(4,443,127)	(13,731,407)	(8,928,361)	(2,133,926)	4,614,907	8,004,078	557,449,368
Q1-08	53,665,634	(2,898,307)	(2,068,865)	(3,567,855)	340,459	(6,217,860)	1,781,191	601,382,073
Q2-08	45,597,001	(1,535,725)	(6,478,662)	(4,120,614)	2,067,586	(8,634,440)	3,041,601	632,854,543
Q3-08	42,370,079	(2,888,603)	(3,366,277)	(4,195,887)	986,916	(41,184,750)	2,316,034	629,780,658
Q4-08	28,930,381	(1,177,098)	(35,039)	(4,482,009)	97,014	(114,102,526)	887,845	541,076,324
Q1-09	23,653,512	(2,644,792)	(649,910)	(2,307,107)	2,016,579	(70,840,921)	(1,559,453)	491,389,024
Q2-09	37,537,583	(3,648,843)	(654,118)	(1,689,230)	1,022,832	(71,142,251)	280,649	456,744,490
Q3-09	20,499,139	(2,760,975)	(410,095)	(2,395,985)	2,621,371	(24,600,468)	(2,027,590)	450,430,862
Q4-09	25,420,037	(2,536,737)	(1,267,646)	(2,286,222)	3,500,167	(44,450,356)	(3,774,610)	427,572,233
Q1-10	14,249,356	(3,399,268)	(520,965)	(2,477,524)	943,778	5,858,612	(8,053,274)	437,572,215
Q2-10	31,200,137	(2,802,821)	(940,821)	(4,707,290)	2,994,657	3,298,973	(1,491,958)	467,925,913
Q3-10	43,105,797	(2,789,470)	(5,264,009)	(3,589,099)	2,038,015	21,488,793	(3,862,246)	521,843,164
Q4-10	46,770,745	(4,197,450)	(17,037,111)	(9,653,816)	684,933	29,662,757	(3,678,989)	568,591,682
Q1-11	13,947,755	(2,232,315)	(3,056,519)	(2,741,719)	3,984,665	13,706,089	344,836	594,776,789
Q2-11	26,331,038	(3,317,046)	(5,549,764)	(6,266,395)	3,591,071	25,280,834	(8,328,702)	629,834,872
Q3-11	24,464,547	(1,605,551)	(7,296,939)	(10,218,849)	5,926,232	(2,776,691)	3,302,312	643,235,485
Q4-11	22,584,614	(2,710,965)	(20,389,186)	(8,869,678)	819,767	16,163,704	(452,058)	653,092,648
Q1-12	18,632,529	(2,368,972)	(7,033,839)	(6,330,425)	5,049,219	9,472,511	(88,578)	672,794,066
Q2-12	20,415,478	(2,575,307)	(7,406,035)	(4,934,935)	6,670,278	13,429,148	(12,553,764)	688,414,235
Q3-12	26,560,237	(2,845,965)	(25,346,837)	(8,504,325)	6,745,577	13,804,610	(172,458)	701,501,039
Total	1,491,008,676	(104,179,275)	(483,940,219)	(433,910,097)	121,701,952	(54,295,617)	60,936,343	

* Including Torchlight Debt Opportunity Funds II and III.

GLOSSARY OF TERMS



GLOSSARY OF TERMS *(continued)*

GLOSSARY OF TERMS

Appreciation Return: Expressed as a percentage, the return generated by the Capital Appreciation of a property or portfolio over the period of analysis. (See formula in Appendix II)

Capital Appreciation: The change in market value of property or portfolio over the period of analysis, adjusted for Capital Improvements and Partial Sales for the period. (See formula in Appendix II)

Capital Expenditures: Investment of cash or the creation of a liability to acquire or improve an asset, e.g., land, buildings, building additions, site improvements, machinery, equipment; as distinguished from cash outflows for expense items that are normally considered part of the current period's operations. [Appraisal Institute]

Capital Improvements: Expenditures that cure or arrest deterioration of property or add new improvements and appreciably prolong its life. By comparison, repairs merely maintain property in an efficient operating condition. [Wurtz bach/Miles]

Commingled Funds: A term applied to all open-end and closed-end pooled investment vehicles designed for institutional tax-exempt investors. A commingled fund may be organized as a group trust, partnership, corporation, insurance company separate account or other multiple ownership entity. [NAREIM]

Open-end Fund: A commingled fund with no finite life, that allows continuous entry and exit of investors, and typically engages in on-going investment purchase and sale activities.

Closed-end Fund: A commingled fund with a stated maturity (termination) date, with few or no additional investors after the initial formation of the fund. Closed-end funds typically purchase a portfolio of properties to hold for the duration of the fund and, as sales occur, typically do not re-invest the sales proceeds.

Diversification Attributes:

Risk Strategy:

Core investments typically consist of stabilized, institutional quality Class A or B buildings in good to excellent condition. Occupancy is at market level, there is little upcoming tenant rollover, and the property has a strong current income usually constituting 70% or more of the total return. Low leverage, between 40-50% is utilized.

Value investments are functional, high quality assets with specific property issues, such as high vacancy, significant upcoming lease expirations, or below market rents. Value properties tend to be under-managed and/or underperforming and have some current income from existing leases. Through management and repositioning, there is significant appreciation potential. Moderate leverage, between 60-75% is utilized.

GLOSSARY OF TERMS *(continued)*

Opportunistic strategies seek to exploit inefficiencies in the capital and real estate markets and can involve financing or acquisition of real estate assets, real estate operating companies, portfolios of real estate assets, and public and private REITs. A J-curve return is typical. Higher leverage.

Investment Structure:

Equity: Direct undivided ownership in real estate that has not been financed using borrowed funds.

Leveraged Equity: Direct undivided ownership in real estate that has been financed using borrowed funds.

Equity Oriented Debt: A mortgage loan with a stated interest rate in addition to equity participation by the lender via annual cash flow and/or sale proceeds or refinancing proceeds.

Traditional Debt: A mortgage loan payable at one or more stated interest rates.

Life Cycle:

Pre-development: Raw land.

Development: Properties under construction including preparation and installation of infrastructure.

Leasing: Completed construction that is less than 60% leased and that has been available for occupancy one year or less.

Operating: Properties with greater than 60% average leasing, or that have been available for occupancy for more than one year.

Redevelopment: Properties that are undergoing substantial expansion or re-tenanting, rehabilitation or remodeling.

GLOSSARY OF TERMS *(continued)*

Property Location:

Northeast	Midwest	E. North Central	W. North Central
Connecticut	District of Columbia	Illinois	Iowa
Massachusetts	Delaware	Indiana	Kansas
Maine	Kentucky	Michigan	Minnesota
New Hampshire	Maryland	Ohio	Missouri
New Jersey	North Carolina	Wisconsin	Nebraska
New York	South Carolina		North Dakota
Pennsylvania	Virginia		South Dakota
Rhode Island	West Virginia		
Vermont			
Southeast	Southwest	Mountain	Pacific
Alabama	Arkansas	Arizona	Alaska
Florida	Louisiana	Colorado	California
Georgia	Oklahoma	Idaho	Hawaii
Mississippi	Texas	Montana	Oregon
Tennessee		New Mexico	Washington
		Nevada	
		Utah	
		Wyoming	

Property Size: Property size categories refer to gross asset value of each property. The dollar amount entered in each category should reflect net asset value within each category.

Property Type:

- Office:* Low-rise, mid-rise and high-rise office buildings and office parks.
- Industrial:* Warehouse, manufacturing, office showroom, flex space and research and development.
- Retail:* Neighborhood center, community center, regional center, super regional center, fashion/specialty center, power center, theme/festival center and outlet center.
- Residential:* High-rise elevator projects, low-rise projects and garden type projects.
- Hotel/Motel:* Hotels, resorts and motels.
- Timberland:* Timber, timberland and mineral rights.
- Agriculture:* Row crops, permanent crops, pasture/ranch and agribusiness.
- Vacant Land:* Undeveloped land.
- Other:* Mobile home parks, self storage facilities, etc.

GLOSSARY OF TERMS *(continued)*

Gross Asset Value: The fee simple or leased fee market value of an investment, without regard to the debt balance or ownership percentages.

Gross Income: The income or loss of a portfolio or entity resulting after deducting all expenses, except for portfolio and asset management fees, but before realized and unrealized gains and losses on investments.

Income Return: Expressed as a percentage, the component of return derived from property operations during the period of analysis. (See formula in Appendix II)

Lease Expiration Exposure Schedule: A tabulation listing the total leasable square footage of all current leases that expire in each of the next five years, without regard to renewal options.

Net Assets: Total Assets on a market value basis less total liabilities on a market value basis.

Net Investment Income (Net Income): The income or loss of a portfolio or entity resulting after deducting all expenses, including portfolio and asset management fees, but before realized and unrealized gains and losses on investments.

Net Operating Income: Rental and other income of property, less operating expenses other than Capital Expenditures and mortgage debt service.

Net Sales Proceeds: Proceeds from the sale of an asset or part of an asset less brokerage commissions, closing costs, and marketing expenses. [NAREIM] (See formula in Appendix II)

Partial Sales: The sale of an interest in real estate which is less than the whole property. This may include, for example, a sale of easement rights, parcel of land or retail pad, or a single building of a multi-building investment. [NCREIF] (See Net sales Proceeds)

Principal Payments: The return of invested capital to the lender, as compared to interest payments, which represents a return on invested capital.

Time-weighted Annual Rate of Return: The yield for a year calculated by geometrically compounding the previous four quarters' returns. (See formula in Appendix II)

Total Assets: The sum of all gross investments, cash and equivalents, receivables, and other assets presented on the Statement of Assets and Liabilities.

Total Return: The sum of the quarterly income and appreciation returns. (See formula in Appendix II)

Weighted Average Equity: The denominator of the fraction used to calculate investment level Income, Appreciation, and Total returns on a quarterly basis, consisting of the Net Assets at the beginning of the period adjusted for Weighted Contributions and Distributions. (See formulas in Appendix II)

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COMPUTATION METHODOLOGIES



COMPUTATION METHODOLOGIES

Appreciation Return: Investment Level

$$\frac{\text{Capital Appreciation}}{\text{Weighted Average Equity}}$$

Appreciation Return: Property Level (Quarterly)

$$\frac{(\text{EV}_t - \text{EV}_{t-1}) + \text{PSP}_t - \text{CI}_t + \text{NL}_t - \text{PD}_t - \text{DSP}_t}{\text{EV}_{t-1} + .5 (\text{CI}_t - \text{PSM}_t) - .33 [I_t - (\text{DSI}_t + \text{DSP}_t)] - 5\text{NL}_t + .5\text{PD}_t}$$

Where:

- EV_t = Equity Value of Property at end of quarter
- EV_{t-1} = Equity Value of Property at beginning of quarter
- PSP = Net Sales Proceeds (Partial Sales)
- CI = Capital Improvements
- NL = New Loan Proceeds
- PD = Additional Loan Principal Paydowns
- DSP = Debt Service Principal
- I = Net Operating Income (gross of fees)
- DSI = Debt Service Interest
- PSM = Market Value of Sold Portion (Partial Sales)

[NCREIF]

Asset-Weighted Return (Return on Equity):

$$\frac{3\text{WR}_i}{\text{DEN}_{\text{total}}}$$

Where 3 WR_i is the sum of the weighted returns of the investment or property for each year; DEN_{total} is the total of all denominators of the annual returns; each of the weighted returns is calculated using the formula WR_i = DEN_i x R_i where DEN_i is the denominator in the annual return calculation; and R_i is the return on equity.

COMPUTATION METHODOLOGIES (continued)

Average Occupancy: Last 12 Months

$$O_1 + O_2 + O_3 \dots\dots O_{12}$$

$$T_1 + T_2 + T_3 \dots\dots T_{12}$$

Where O_1 through O_{12} are the Leased Area or Units for each of the preceding 12 months, and T_1 through T_{12} is the Leasable Area or Units for each of the preceding 12 months. If T is constant, the Average Occupancy equals the Average of the Current Occupancy percentage for the 12 months.

Capital Appreciation:

$$\begin{aligned} & \text{Ending Market Value} \\ & - \text{Beginning Market Value} \\ & - \text{Capital Improvements} \\ & + \text{Partial Net Sales Proceeds} \end{aligned}$$

Current Occupancy:

$$\begin{aligned} \text{Retail} &= \text{Leased Area/Gross Leasable Area} \\ \text{Office and Industrial} &= \text{Leased Area/Rentable Area} \\ \text{Hospitality and Apartments} &= \text{Leased Units/Total Units} \\ \text{Agriculture, Timberland, Vacant Land} &= \text{Leased Acres/Total Acres} \end{aligned}$$

Distributed Cash on Investment Return:

$$\frac{\text{CD} - \text{DFF}}{\text{BI} + \text{CC} - \text{DFF}}$$

Where: CD = Total Cash Distributed
BI = Beginning Cash Investment
CC = Cash Contributions
DFF = Cash Distributed Resulting From Financing and Investing Activities

Note: The beginning investment for the succeeding period is equal to BI + CC - DFF for the current period.

Gross Investment in Real Estate (historic cost):

$$\begin{aligned} & \text{Gross Purchase Price} \\ & + \text{Capital Improvements} \\ & + \text{Acquisition Fees and Costs} \\ & - \text{Cost of Real Estate Sold} \end{aligned}$$

COMPUTATION METHODOLOGIES *(continued)*

Income Return (gross of fees) - Investment Level:

$$\frac{\text{Net Investment Income} + \text{Investment Management Fees Expensed in Net Investment Income}}{\text{Weighted Average Equity}}$$

Income Return (net of fees) - Investment Level:

$$\frac{\text{Net Investment Income}}{\text{Weighted Average Equity}}$$

Income Return (gross of fees) - Property Level (Quarterly):

$$\frac{I_t - \text{DSI}_t}{\text{EV}_{t-1} + .5 (\text{CI}_t - \text{PSM}_{t-1}) - .33 [I_t - (\text{DSI}_t + \text{DSP}_t)] - .5 \text{NL}_t + .5 \text{PD}_t}$$

- Where:
- I = Net Operating Income
 - DSI = Debt Service (Interest)
 - DSP = Debt Service (Principal)
 - CI = Capital Improvements
 - NL = New Loan Proceeds
 - PD = Additional Loan Principal Paydowns
 - PSM = Market Value of Sold Portion (Partial Sales)
 - EV_{t-1} = Equity Value of Property at Beginning of Quarter

[NCREIF]

Internal Rate of Return: The rate (IRR) that discounts cash flows F₁ through F_x back to F₀ where: F₀ is the original investment; and F₁ through F_{x-1} are the net Cash Distributions less Cash Contributions for each regular successive year up to the last year; and F_x is the Ending Net Asset Value less the Estimate of Current Cost to Sell Investments, plus Cash Distributions less Cash Contributions for the final year.

$$0 = F_0 + \frac{F_1}{1 + \text{IRR}} + \frac{F_2}{(1 + \text{IRR})^2} + \frac{F_3}{(1 + \text{IRR})^3} + \dots + \frac{F_x}{(1 + \text{IRR})^x}$$

Net Assets and Net Asset Value: Total Assets on a Market Value Basis
 - Total Liabilities on a Market Value Basis

COMPUTATION METHODOLOGIES (continued)

Net Investment in Real Estate: Gross Purchase Price
+ Capital Improvements
+ Acquisition Fees and Costs
- Cost of Real Estate Sold
- Debt Balance

Net Sales Proceeds: Sales Price
- Debt Balance at Sale Date
- Costs and Fees

Total Return (Gross of Fees): Property Level (Quarterly)

$$\frac{I_t - DSI_t + (EV_t - EV_{t-1}) + PSP_t - CI_t + NL_t - PD_t - DSP_t}{EV_{t-1} + .5 (CI_t - PSM_{t-1}) - .33 [I_t - (DSI_t + DSP_t)] - .5 NL_t + .5 PD_t}$$

Where:

- I = Net Operating Income
- DSI = Debt service (Interest)
- DSP = Debt Service (Principal)
- CI = Capital Improvements
- NL = New Loan Proceeds
- PD = Additional Loan Principal Paydowns
- EV_t = Equity Value of Property at End of Quarter
- PSP = Net Sales Proceeds (Partial Sales)
- PSM = Market Value of Sold Portion (Partial Sales)
- EV_{t-1} = Equity Value of Property at Beginning of Quarter

[NCREIF]

Time-weighted Annual Return - One year of quarterly returns:

$$[(1+Q_1) * (1+Q_2) * (1+Q_3) * (1+Q_4)] - 1$$

Where Q₁, Q₂, Q₃ and Q₄ are the returns for each of the 4 quarters expressed as a decimal.

Time-weighted Average Annual Rate of Return: Multiple years of quarterly returns:

$$[(1+Q_1) * (1+Q_2) * (1+Q_3) * (1+Q_4) * \dots * (1+Q_t)]^{1/n} - 1$$

Where Q₁, Q₂, Q₃ and Q₄ are the quarterly returns for each of t quarters; and n is the number of years (t *.25).

COMPUTATION METHODOLOGIES (continued)

Weighted Average Equity - Investment Level:

$$\begin{aligned} & \text{Beginning Net Assets} \\ & + \text{Weighted Contributions} \\ & - \text{Weighted Distributions} \end{aligned}$$

Weighted Contributions and Distributions:

$$- (F_i * W)$$

Where F_i is each cash flow (contribution and distribution) and W is a fraction, where the denominator is the total number of days in the period and the numerator is as follows:

For Contributions - the number of days remaining in the period including the day of the contribution.

For Distributions - the number of days remaining in the period after the date of the distribution.

Return Formula. Courtland uses the following formulas for calculating the portfolio returns shown in this report.

Gross Total Return. The formula used to calculate gross total returns is the following:

$$\text{Gross Total Return} = \frac{\text{Income} + \text{Advisory Fees}^* + \text{Net Appreciation}}{\text{Weighted Average Equity}}$$

Net Total Return. The formula used to calculate net total returns is the following:

$$\text{Net Total Return} = \frac{\text{Income} + \text{Net Appreciation}}{\text{Weighted Average Equity}}$$

Appreciation Return. The formula used to calculate appreciation returns is the following:

$$\text{Appreciation Return} = \frac{\text{Net Appreciation [i.e., Capital Contributions} + \text{Manager Fees}^*] - [\text{Distributions} + \text{Capital Withdrawals}]}{\text{Weighted Average Equity}}$$

Gross Income Return. The formula used to calculate gross income returns is the following:

$$\text{Gross Income Return} = \frac{\text{Income} + \text{Manager Fees}^*}{\text{Weighted Average Equity}}$$