

---

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

**Second Quarter 2013**



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

**TABLE OF CONTENTS**

Executive Summary..... 1  
Summary of Portfolio Investment Net Returns..... 2  
Gross Returns vs. Benchmarks..... 4  
Risk/Return Review..... 5  
Portfolio Property Type Diversification..... 7  
Portfolio Geographic Diversification..... 8  
Foreign Diversification..... 9  
Portfolio Partner/Manager Concentration..... 10  
Investment Leverage Review..... 12  
Urban Exposure..... 14  
Specialized Investment Review..... 15  
Total Portfolio Investment Activity Statement..... 16

**Appendices**

- Portfolio Summary of Prior Quarter
- Market Conditions
- Glossary

---



---

**EXECUTIVE SUMMARY**

---



---

**Los Angeles City Employees' Retirement System**

**PORTFOLIO SUMMARY**

(for period ended June 30, 2013)

Current Portfolio Market Value:	\$ 705,911,499
Current Portfolio, % of Total Plan Assets:	5.9%
Current Unfunded Investment Commitments:	\$ 221,196,601
Current Market Value + Unfunded Investment Commitments:	\$ 927,108,100
Current Capital Available for Investment:	\$ (329,794,879)
Target Allocation to Real Estate:	\$ 597,313,221
Target Real Estate, % of Total Plan Assets:	5.0%
Portfolio Inception Date:	1989
Total Number of Current Investments:	54

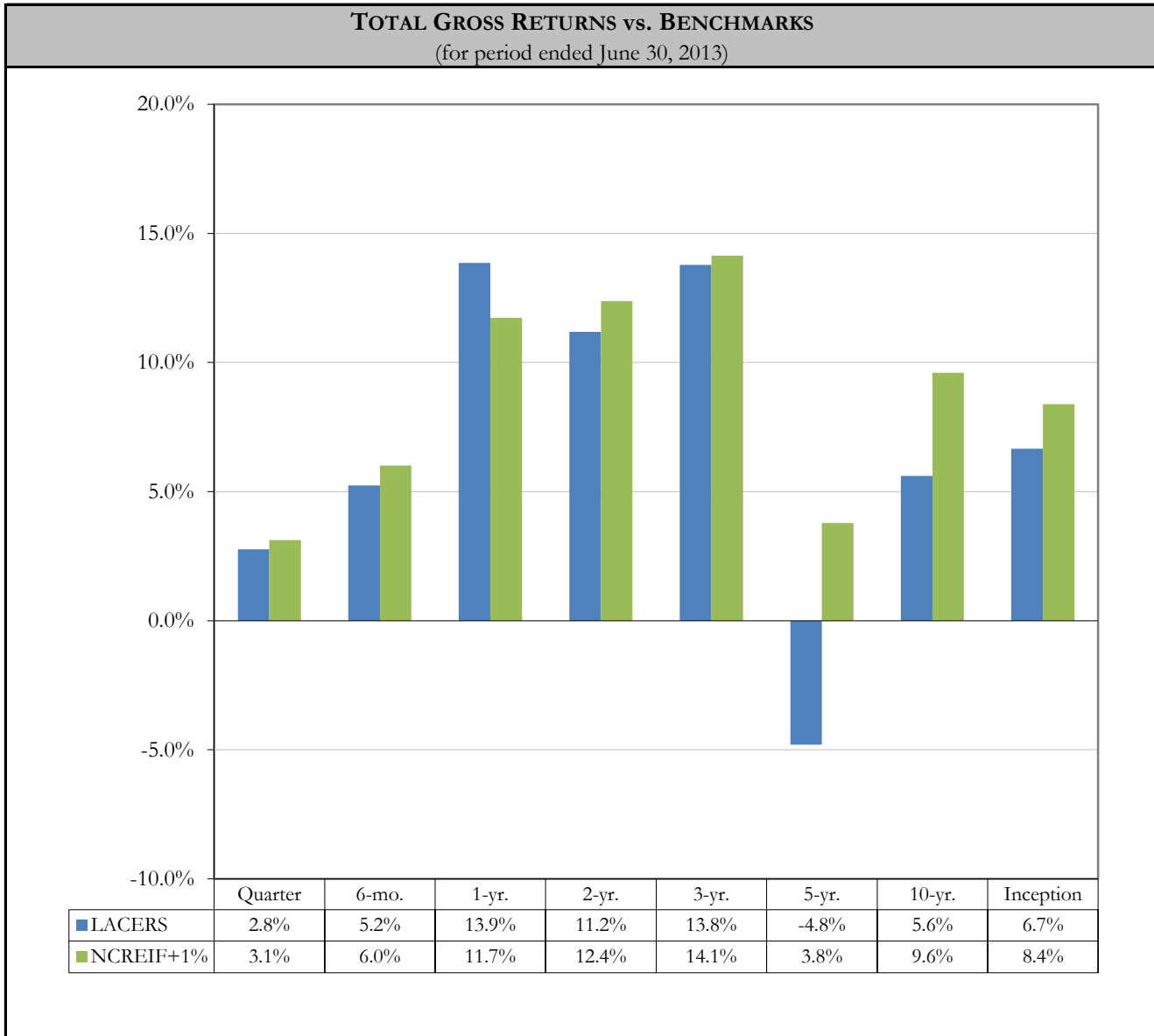
**SUMMARY OF PORTFOLIO RETURNS**

(for period ended June 30, 2013)

	Quarter	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year	Incept.
Income	1.3%	2.7%	5.3%	5.0%	4.8%	4.2%	4.6%	3.1%
Appreciation	1.5%	2.5%	8.2%	6.0%	8.7%	-8.7%	1.0%	3.5%
Total Gross Return	2.8%	5.2%	13.9%	11.2%	13.8%	-4.8%	5.6%	6.7%
<b>Total Net Return</b>	<b>2.4%</b>	<b>4.4%</b>	<b>12.0%</b>	<b>9.5%</b>	<b>11.8%</b>	<b>-6.7%</b>	<b>3.3%</b>	<b>5.3%</b>
<b>Total Portfolio</b>	<b>\$</b>	<b>705,911,499</b>			<b>Internal Rate of Return:</b>			<b>3.4%</b>

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS													
(for period ended June 30, 2013)													
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.		
<b>Core</b>	<b>\$217,635,623</b>	<b>30.8%</b>		<b>3.3%</b>	<b>5.8%</b>	<b>11.7%</b>	<b>10.6%</b>	<b>13.3%</b>	<b>0.8%</b>	<b>6.5%</b>	<b>6.8%</b>	<b>6.1%</b>	<b>1.44</b>
CIM Urban REIT	\$44,496,850	6.3%	11.0%	1.0%	2.1%	8.5%	10.2%	11.8%	5.3%	N/A	10.1%	6.6%	1.34
CIM VI	\$5,295,052	0.8%	12.0%	0.6%	1.2%	14.4%	N/A	N/A	N/A	N/A	1.3%	9.7%	1.05
Cornerstone Enhanced Mortgage I	\$7,170,822	1.0%	8.0%	3.3%	11.0%	23.8%	N/A	N/A	N/A	N/A	23.8%	32.0%	1.12
Hancock Forestree V	\$7,420,665	1.1%	8.0%	4.8%	4.1%	8.3%	7.0%	6.0%	3.4%	10.6%	11.0%	11.4%	2.48
Hancock Timberland XI	\$8,441,451	1.2%	7%-8% Real	-0.3%	-2.4%	5.1%	N/A	N/A	N/A	N/A	4.1%	6.2%	1.05
Invesco Core RE USA	\$102,925,759	14.6%	NCREIF+1%	4.6%	7.9%	13.0%	10.8%	15.1%	-0.4%	N/A	6.3%	6.5%	1.50
JP Morgan SPF	\$41,885,024	5.9%	8.0%	3.6%	6.9%	13.3%	12.1%	13.9%	0.1%	N/A	5.3%	5.3%	1.44
<b>Value</b>	<b>\$217,245,003</b>	<b>30.8%</b>		<b>1.4%</b>	<b>2.0%</b>	<b>8.2%</b>	<b>9.5%</b>	<b>11.8%</b>	<b>-7.7%</b>	<b>2.4%</b>	<b>4.6%</b>	<b>2.8%</b>	<b>1.10</b>
Almanac VI	\$6,224,101	0.9%	12.0%	-2.5%	5.7%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	1.08
Bristol Value Fund II	\$1,157,133	0.2%	18.0%	1.2%	2.3%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	1.00
Buchanan III	\$76,980	0.0%	18.0%	-5.1%	-5.7%	38.1%	15.2%	6.9%	-5.3%	N/A	5.8%	17.7%	1.51
Buchanan V	\$12,762,919	1.8%	12.0%	7.2%	7.4%	15.7%	11.5%	10.9%	-13.1%	N/A	-12.5%	-5.1%	0.80
CBRE SP III	\$896,173	0.1%	16.0%	-0.2%	-0.7%	-3.9%	-2.2%	-5.3%	-9.8%	N/A	-1.5%	8.7%	1.31
CBRE SP IV	\$4,377,077	0.6%	17.0%	-13.4%	-13.7%	-23.7%	-11.9%	-8.2%	-31.2%	N/A	-22.5%	-26.1%	0.18
CBRE SP V	\$10,681,392	1.5%	11.5%	1.7%	3.0%	8.3%	10.6%	20.6%	3.0%	N/A	2.0%	17.9%	1.45
CBRE SP UK III	\$5,298,678	0.8%	15.0%	0.8%	-6.4%	-12.0%	-12.6%	-8.7%	N/M	N/A	-60.0%	-29.0%	0.20
DRA G&I VI	\$16,097,488	2.3%	13.0%	2.0%	6.4%	6.6%	16.1%	13.9%	3.1%	N/A	3.9%	6.2%	1.24
DRA G&I VII	\$17,919,481	2.5%	12.0%	3.7%	8.1%	14.5%	N/A	N/A	N/A	N/A	12.5%	16.1%	1.10
Heitman VP	\$599,515	0.1%	15.0%	-1.2%	6.7%	37.5%	25.3%	24.5%	3.5%	N/A	9.5%	4.8%	1.25
IC Hospitality	\$5,677,910	0.8%	16.0%	3.8%	3.8%	45.9%	26.4%	N/A	N/A	N/A	-4.4%	22.0%	1.30
JP Morgan APF	\$4,379,511	0.6%	9.5%	-0.5%	-0.6%	11.6%	18.5%	16.4%	-6.4%	N/A	-2.1%	-4.6%	0.75
Lowe Hospitality	\$1,375,588	0.2%	15.8%	-3.3%	-1.0%	25.2%	37.3%	34.4%	-31.3%	N/A	-17.4%	-19.4%	0.58
Mesa West RE Income II	\$16,866,468	2.4%	12.0%	-0.2%	3.2%	34.1%	25.5%	22.0%	N/A	N/A	9.6%	24.2%	1.48
PRISA II	\$34,956,118	5.0%	9.0%	3.3%	5.1%	10.4%	13.2%	17.3%	-4.8%	N/A	4.0%	2.0%	1.16
Prologis Japan Fund I	\$28,974,927	4.1%	11.0%	-2.4%	-10.2%	-15.2%	-6.6%	0.5%	1.3%	N/A	8.2%	5.2%	1.32
RREEF America REIT III	\$7,049,435	1.0%	12.0%	4.9%	7.8%	18.1%	18.9%	32.2%	-13.4%	N/A	-5.8%	-6.2%	0.69
TA VII	\$9,437,102	1.3%	Mid Teen	1.1%	2.8%	6.7%	5.4%	3.9%	-7.2%	N/A	1.7%	0.5%	1.03
TA IX	\$15,537,638	2.2%	Mid Teen	2.1%	3.6%	8.3%	9.3%	10.9%	N/A	N/A	7.2%	10.5%	1.26
UrbanAmerica II	\$4,445,777	0.6%	13.0%	-3.2%	-3.4%	-22.3%	-11.1%	-4.1%	-11.4%	N/A	-33.0%	-13.6%	0.48
Urdang VA II	\$12,453,592	1.8%	13.0%	5.5%	7.5%	18.3%	17.3%	21.9%	2.0%	N/A	-0.2%	6.7%	1.25

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS													
(for period ended June 30, 2013)													
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.		
<b><i>Opportunistic</i></b>	<b><i>\$271,030,873</i></b>	<b><i>38.4%</i></b>		<b><i>2.4%</i></b>	<b><i>5.4%</i></b>	<b><i>15.8%</i></b>	<b><i>8.3%</i></b>	<b><i>10.4%</i></b>	<b><i>-13.2%</i></b>	<b><i>0.6%</i></b>	<b><i>2.9%</i></b>	<b><i>-1.9%</i></b>	<b><i>0.96</i></b>
Bryanston Retail Opp	\$1,533,963	0.2%	20.0%	-5.5%	-5.6%	20.1%	11.2%	10.9%	22.7%	N/A	25.7%	84.5%	2.55
California SGF IV	\$18,418,777	2.6%	18.5%	2.8%	6.0%	14.0%	13.7%	19.9%	-9.9%	N/A	-10.0%	-1.9%	0.93
CJ Urban II	\$5,028,296	0.7%	20.0%	3.5%	1.4%	-0.9%	-4.7%	-4.8%	-11.1%	N/A	-13.0%	-10.1%	0.56
CIM III	\$19,896,146	2.8%	20.0%	0.6%	1.0%	21.1%	20.1%	25.1%	N/M	N/A	N/M	12.7%	1.34
CityView LA Urban I	\$13,246,371	1.9%	N/A	0.2%	1.2%	4.0%	5.2%	-0.8%	-27.7%	N/A	-38.5%	-1.7%	0.98
Colony Investors VIII	\$8,526,163	1.2%	20.0%	-0.1%	7.7%	11.4%	-9.0%	-0.9%	-23.4%	N/A	-29.5%	-19.1%	0.43
CPI CPE	\$10,137,328	1.4%	18.0%	-0.9%	-3.0%	14.8%	-0.8%	1.2%	-16.5%	N/A	-9.0%	-12.6%	0.54
DLJ II	\$4,477,456	0.6%	20.0%	9.9%	9.3%	21.3%	13.8%	17.2%	-4.2%	10.9%	7.9%	16.8%	1.48
DLJ IV	\$30,805,142	4.4%	20.0%	0.5%	0.4%	21.1%	9.2%	10.9%	-19.5%	N/A	-19.5%	-0.1%	1.00
Genesis WFH II	\$20,800,147	2.9%	15.0%	2.8%	6.3%	9.2%	15.0%	3.6%	-19.5%	N/A	N/M	5.5%	1.13
LaSalle Asia Opportunity II	\$4,545,298	0.6%	8.0%	8.3%	25.2%	35.3%	27.2%	34.1%	3.7%	N/A	N/M	0.4%	1.02
Lone Star VII	\$9,177,411	1.3%	20% Gross	23.2%	40.2%	74.4%	61.6%	N/A	N/A	N/A	42.8%	59.6%	1.58
Lone Star REF II	\$7,215,950	1.0%	20% Gross	3.5%	10.5%	23.8%	31.4%	N/A	N/A	N/A	-15.7%	20.3%	1.16
MacFarlane Urban REF II	\$16,474,607	2.3%	16.0%	0.3%	2.3%	68.9%	6.9%	7.5%	N/M	N/A	N/M	-21.7%	0.42
Next Block Medical I	\$11,992	0.0%	18.0%	-4.6%	-7.1%	41.0%	-15.4%	-35.2%	-36.7%	N/A	-30.8%	-51.8%	0.19
Paladin Latin America III	\$5,773,216	0.8%	25.0%	-31.6%	-20.5%	-53.4%	-52.2%	-36.0%	N/A	N/A	-18.3%	-32.4%	0.62
Southern California SGF I	\$2,986,014	0.4%	13.0%	0.6%	-3.5%	-24.7%	-19.0%	-16.2%	-21.9%	N/A	-9.1%	-9.6%	0.85
Stockbridge II	\$7,839,673	1.1%	16.0%	6.8%	4.7%	4.6%	4.4%	4.7%	-42.2%	N/A	-39.1%	-25.4%	0.26
Torchlight Debt Opportunity II	\$14,521,874	2.1%	15.0%	7.3%	15.9%	29.2%	21.1%	27.3%	3.9%	N/A	-6.7%	-6.1%	0.75
Torchlight Debt Opportunity III	\$18,366,090	2.6%	15.0%	2.3%	5.3%	11.6%	9.4%	7.6%	N/A	N/A	11.6%	9.7%	1.23
Tuckerman RIVA	\$15,444,172	2.2%	20.0%	4.1%	4.4%	7.4%	7.1%	5.8%	-7.8%	N/A	-0.4%	-2.9%	0.86
Tuckerman MFDP III	\$46,807	0.0%	20.0%	-0.4%	-0.4%	-28.9%	-12.4%	-14.2%	-3.1%	13.5%	12.9%	27.7%	1.66
Walton Street RE V	\$13,626,156	1.9%	18.0%	3.7%	5.5%	12.4%	8.2%	15.1%	-9.2%	N/A	-5.3%	-6.6%	0.67
Walton Street RE VI	\$21,558,884	3.1%	18.0%	4.3%	7.4%	14.7%	10.8%	31.1%	N/A	N/A	-54.6%	9.5%	1.23
Westbrook III	\$572,940	0.1%	N/A	-6.1%	-6.5%	-15.0%	-13.1%	-8.4%	-7.1%	-6.6%	3.6%	7.5%	1.28
<b><i>Total Portfolio</i></b>	<b><i>\$705,911,499</i></b>	<b><i>100.0%</i></b>		<b><i>2.4%</i></b>	<b><i>4.4%</i></b>	<b><i>12.0%</i></b>	<b><i>9.5%</i></b>	<b><i>11.8%</i></b>	<b><i>-6.7%</i></b>	<b><i>3.3%</i></b>	<b><i>5.3%</i></b>	<b><i>3.4%</i></b>	<b><i>1.12</i></b>



**PORTFOLIO PERFORMANCE COMMENTS**  
(for period ended June 30, 2013)

The National Council of Real Estate Investment Fiduciaries (“NCREIF”) Property Index contains 7,099 U.S.-only commercial real estate investments with total net market value of approximately \$336.3 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 outperformed its benchmark, the NCREIF Property Index plus 100 basis points, by 2.2% for the one-year period. It underperformed the benchmark by 0.3%, 0.8%, 1.2%, 0.3%, 8.6%, 4.0% and 1.7% for the current quarter, six-month, two-, three-, five-, ten-year and inception periods, respectively.

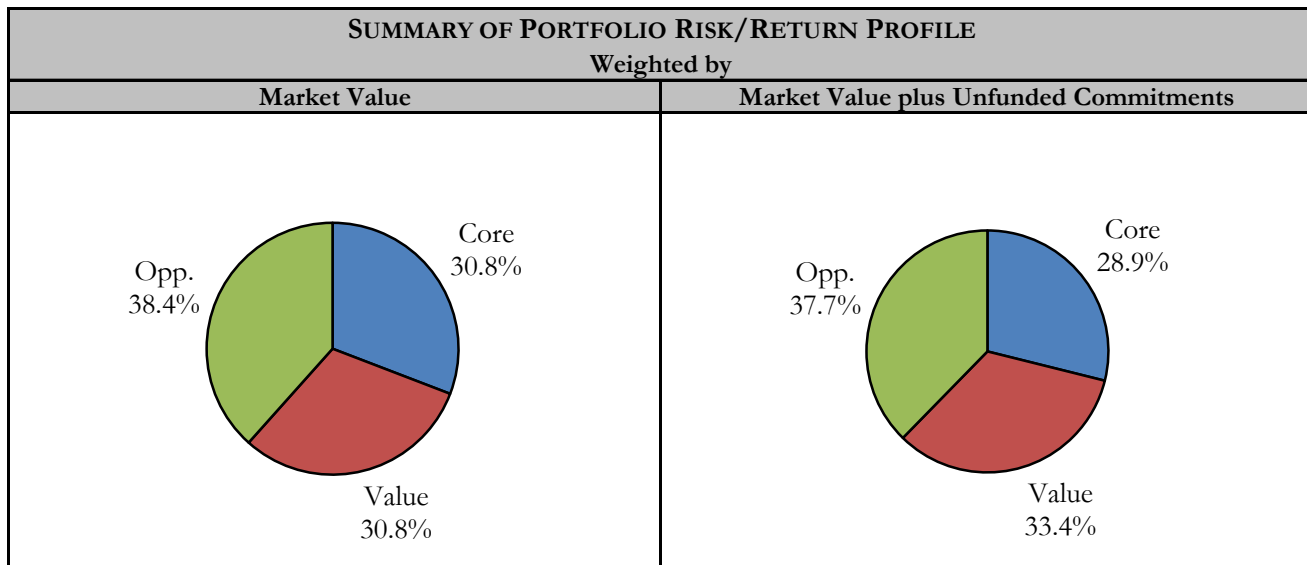
**RISK/RETURN REVIEW****RISK/RETURN REVIEW - MARKET VALUES AND INVESTMENT COMMITMENTS**

(for period ended June 30, 2013)

Investments	Client Incept.	Market Value	% of Port.	Investment Commitments Summary		
				Original Inv. Commitment	Remaining Unfund. Commitment	% of Current and Unfunded Port.
<b>Core</b>		<b>\$ 217,635,623</b>	<b>30.8%</b>	<b>\$ 213,867,553</b>	<b>\$ 50,209,519</b>	<b>28.9%</b>
CIM Urban REIT	6/06	\$ 44,496,850	6.3%	\$ 40,000,000	\$ -	4.8%
CIM VI	5/12	\$ 5,295,052	0.8%	\$ 25,000,000	\$ 19,944,755	2.7%
Cornerstone Enhanced Mortgage I	9/12	\$ 7,170,822	1.0%	\$ 25,000,000	\$ 18,389,175	2.8%
Hancock Forestreet V	9/99	\$ 7,420,665	1.1%	\$ 10,000,000	\$ -	0.8%
Hancock Timberland XI	5/12	\$ 8,441,451	1.2%	\$ 20,000,000	\$ 11,875,589	2.2%
Invesco Core RE USA	10/04	\$ 102,925,759	14.6%	\$ 63,867,553	\$ -	11.1%
JP Morgan SPF	7/05	\$ 41,885,024	5.9%	\$ 30,000,000	\$ -	4.5%
<b>Value</b>		<b>\$ 217,245,003</b>	<b>30.8%</b>	<b>\$ 482,236,761</b>	<b>\$ 92,687,073</b>	<b>33.4%</b>
Almanac VI	11/12	\$ 6,224,101	0.9%	\$ 25,000,000	\$ 19,090,196	2.7%
Bristol Value Fund II	12/12	\$ 1,157,133	0.2%	\$ 20,000,000	\$ 18,759,527	2.1%
Buchanan III	2/04	\$ 76,980	0.0%	\$ 4,886,365	\$ -	0.0%
Buchanan V	4/07	\$ 12,762,919	1.8%	\$ 30,000,000	\$ 3,000,000	1.7%
CBRE SP III	12/03	\$ 896,173	0.1%	\$ 25,000,000	\$ -	0.1%
CBRE SP IV	12/05	\$ 4,377,077	0.6%	\$ 25,000,000	\$ -	0.5%
CBRE SP V	6/08	\$ 10,681,392	1.5%	\$ 30,000,000	\$ -	1.2%
CBRE SP UK III	4/07	\$ 5,298,678	0.8%	\$ 22,810,228	\$ -	0.6%
DRA G&I VI	1/08	\$ 16,097,488	2.3%	\$ 25,000,000	\$ 1,900,000	1.9%
DRA G&I VII	11/11	\$ 17,919,481	2.5%	\$ 25,000,000	\$ 7,897,500	2.8%
Heitman VP	5/04	\$ 599,515	0.1%	\$ 15,000,000	\$ 119,306	0.1%
IC Hospitality	5/09	\$ 5,677,910	0.8%	\$ 10,000,000	\$ 3,993,203	1.0%
JP Morgan APF	3/06	\$ 4,379,511	0.6%	\$ 25,000,000	\$ -	0.5%
Lowe Hospitality	3/04	\$ 1,375,588	0.2%	\$ 25,000,000	\$ -	0.1%
Mesa West RE Income II	1/10	\$ 16,866,468	2.4%	\$ 20,000,000	\$ 8,596,348	2.7%
Mesa West RE Income III	N/A	\$ -	0.0%	\$ 25,000,000	\$ 25,000,000	2.7%
PRISA II	9/04	\$ 34,956,118	5.0%	\$ 30,000,000	\$ -	3.8%
Prologis Japan Fund I	6/05	\$ 28,974,927	4.1%	\$ 24,540,168	\$ -	3.1%
RREEF America REIT III	10/05	\$ 7,049,435	1.0%	\$ 15,000,000	\$ -	0.8%
TA VII	8/05	\$ 9,437,102	1.3%	\$ 15,000,000	\$ -	1.0%
TA IX	8/08	\$ 15,537,638	2.2%	\$ 15,000,000	\$ -	1.7%
UrbanAmerica II	1/07	\$ 4,445,777	0.6%	\$ 10,000,000	\$ 710,974	0.6%
Urdang VA II	2/08	\$ 12,453,592	1.8%	\$ 20,000,000	\$ 3,620,019	1.7%
<b>Opportunistic</b>		<b>\$ 271,030,873</b>	<b>38.4%</b>	<b>\$ 596,020,000</b>	<b>\$ 78,300,009</b>	<b>37.7%</b>
Bryanston Retail Opp	10/04	\$ 1,533,963	0.2%	\$ 10,000,000	\$ 5,885,919	0.8%
California SGF IV	10/06	\$ 18,418,777	2.6%	\$ 30,000,000	\$ 33,153	2.0%
CJ Urban II	5/05	\$ 5,028,296	0.7%	\$ 10,000,000	\$ 1,011,296	0.7%
CIM III	10/07	\$ 19,896,146	2.8%	\$ 15,000,000	\$ 1,386,674	2.3%
CityView LA Urban I	6/07	\$ 13,246,371	1.9%	\$ 25,000,000	\$ 10,924,004	2.6%
Colony Investors VIII	9/07	\$ 8,526,163	1.2%	\$ 30,000,000	\$ 1,023,200	1.0%
CPI CPE	9/06	\$ 10,137,328	1.4%	\$ 26,020,000	\$ 1,934,977	1.3%
DLJ II	9/99	\$ 4,477,456	0.6%	\$ 40,000,000	\$ 2,248,814	0.7%
DLJ IV	9/08	\$ 30,805,142	4.4%	\$ 40,000,000	\$ 7,691,855	4.2%
Genesis WFH II	1/07	\$ 20,800,147	2.9%	\$ 20,000,000	\$ -	2.2%

**RISK/RETURN REVIEW**

<b>RISK/RETURN REVIEW - MARKET VALUES AND INVESTMENT COMMITMENTS</b>						
(for period ended June 30, 2013)						
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	\$ 4,545,298	0.6%	\$ 25,000,000	\$ -	0.5%
Lone Star VII	4/11	\$ 9,177,411	1.3%	\$ 15,000,000	\$ 1,742,952	1.2%
Lone Star REF II	4/11	\$ 7,215,950	1.0%	\$ 15,000,000	\$ 5,916,784	1.4%
MacFarlane Urban REF II	9/07	\$ 16,474,607	2.3%	\$ 40,000,000	\$ -	1.8%
Next Block Medical I	6/07	\$ 11,992	0.0%	\$ 10,000,000	\$ 642,520	0.1%
Paladin Latin America III	11/08	\$ 5,773,216	0.8%	\$ 20,000,000	\$ 5,240,432	1.2%
Southern California SGF I	9/04	\$ 2,986,014	0.4%	\$ 10,000,000	\$ 68,212	0.3%
Stockbridge II	9/06	\$ 7,839,673	1.1%	\$ 30,000,000	\$ -	0.8%
Torchlight Debt Opportunity II	11/07	\$ 14,521,874	2.1%	\$ 25,000,000	\$ -	1.6%
Torchlight Debt Opportunity III	6/09	\$ 18,366,090	2.6%	\$ 25,000,000	\$ -	2.0%
Torchlight Debt Opportunity IV	N/A	\$ -	0.0%	\$ 25,000,000	\$ 25,000,000	2.7%
Tuckerman RIVA	10/04	\$ 15,444,172	2.2%	\$ 25,000,000	\$ -	1.7%
Tuckerman MFDPIII	12/02	\$ 46,807	0.0%	\$ 15,000,000	\$ -	0.0%
Walton Street RE V	8/06	\$ 13,626,156	1.9%	\$ 25,000,000	\$ -	1.5%
Walton Street RE VI	4/09	\$ 21,558,884	3.1%	\$ 25,000,000	\$ 7,549,216	3.1%
Westbrook III	9/98	\$ 572,940	0.1%	\$ 20,000,000	\$ -	0.1%
<b>Total Portfolio</b>		<b>\$ 705,911,499</b>	<b>100.0%</b>	<b>\$ 1,292,124,314</b>	<b>\$ 221,196,601</b>	<b>100.0%</b>



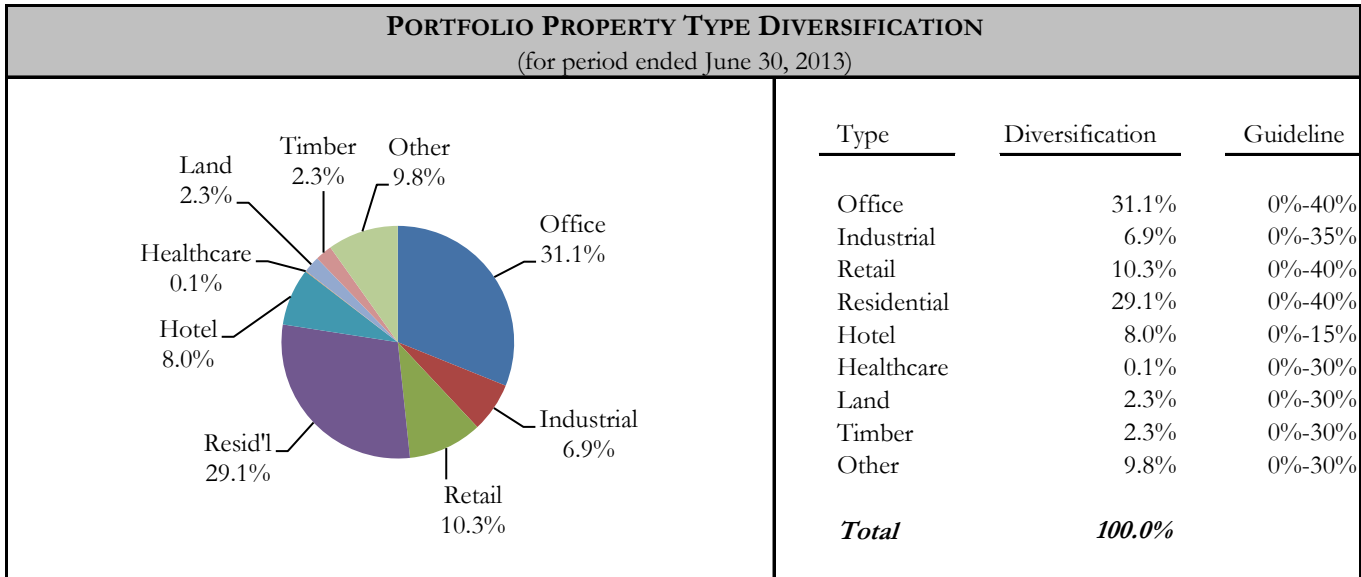
Note: Due to rounding, the sum of the above weights may not equal 100%.

**RISK/RETURN COMMENTS**

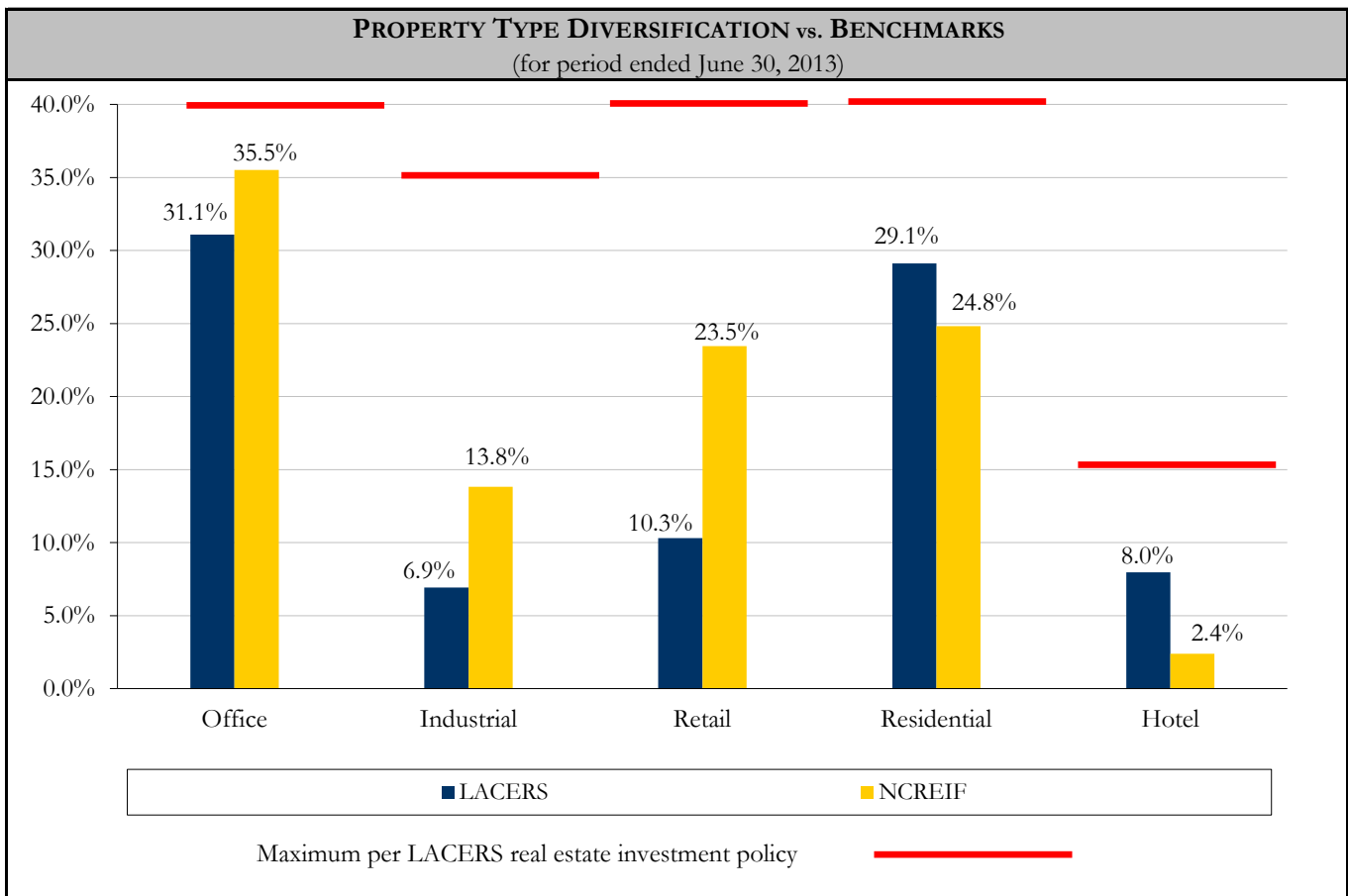
The current Portfolio composition produces an average expected return within the “value” risk/return range. The current exposures are 30.8% core and 69.2% non-core. The total potential exposure, including unfunded commitments, would be 28.9% core and 71.1% non-core upon funding all remaining commitments.



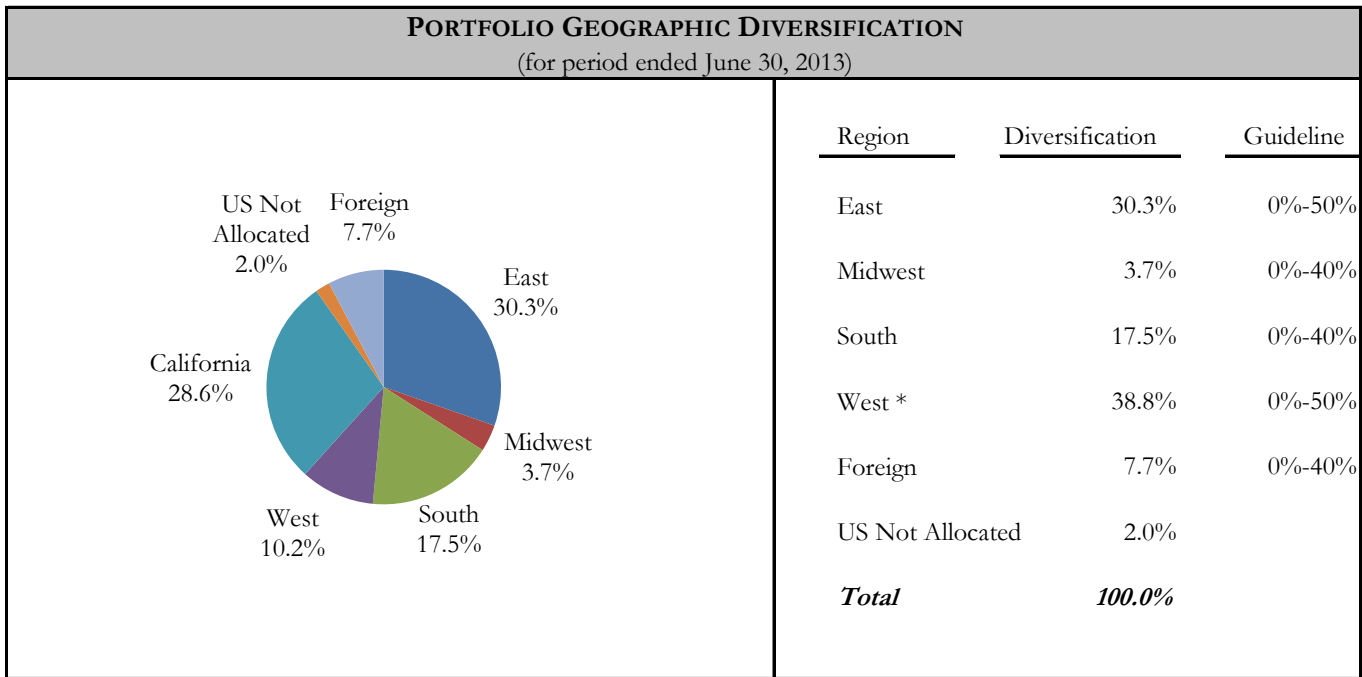
**PORTFOLIO COMPOSITION REVIEW**



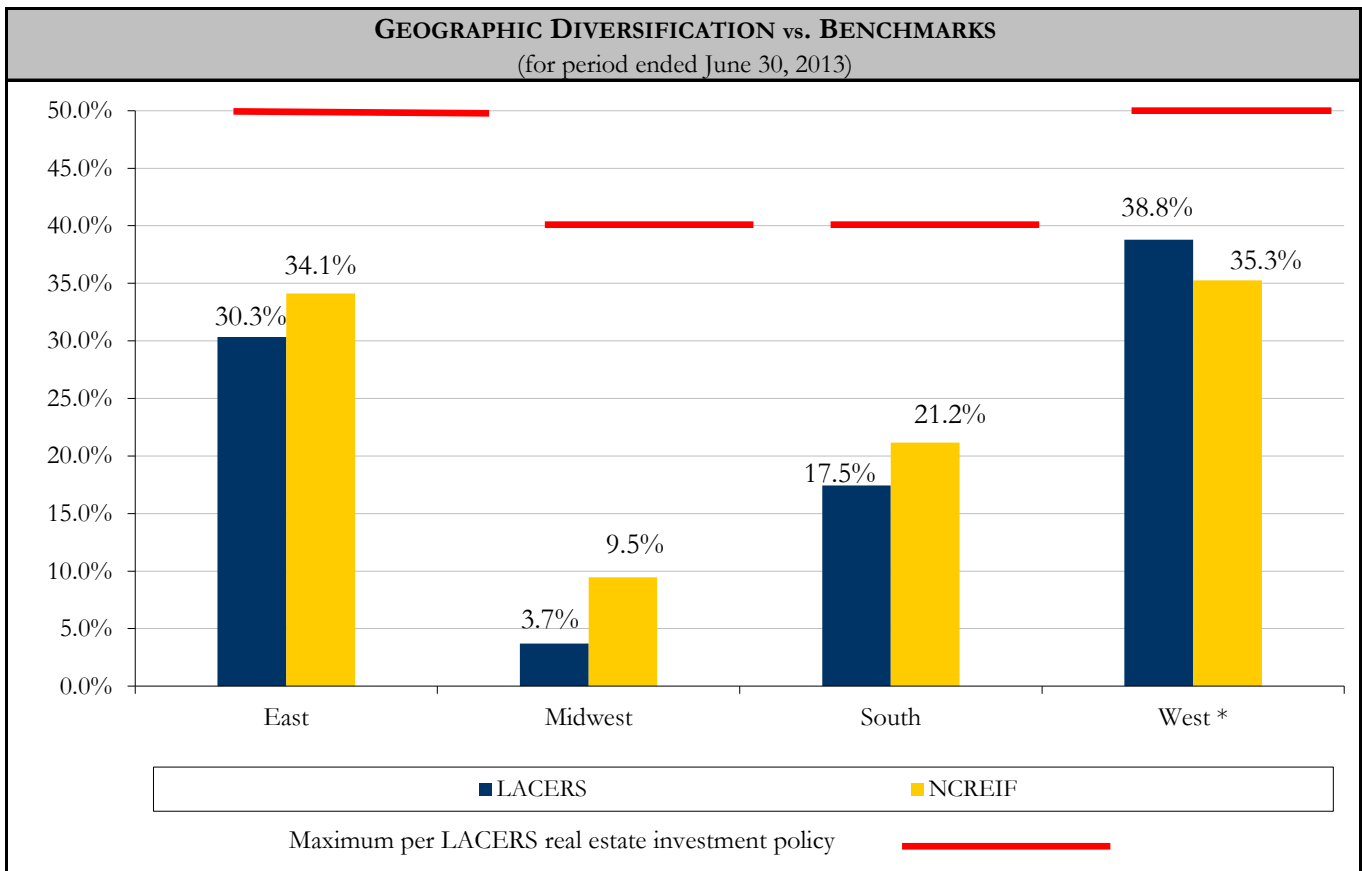
Note: Due to rounding, the sum of the above weights may not equal 100%.



**PROPERTY TYPE DIVERSIFICATION COMMENTARY**  
 In comparison to the NCREIF Index, the portfolio is over-weighted in the hotel and residential sectors by 5.6% and 4.3% respectively. The portfolio is under-weighted in the office, industrial and retail sectors by 4.4%, 6.9% and 13.2%, respectively. The portfolio falls within the investment guidelines.



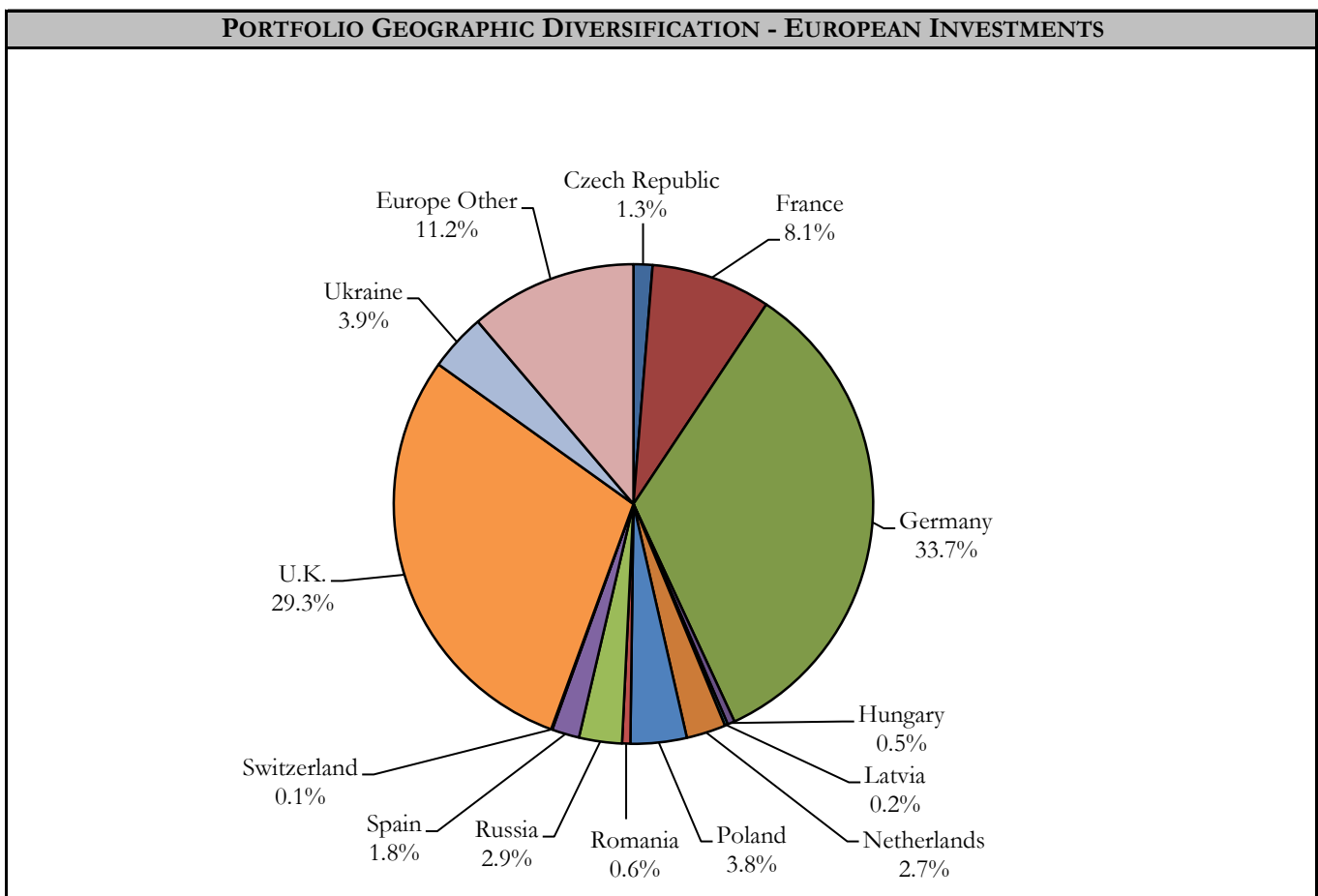
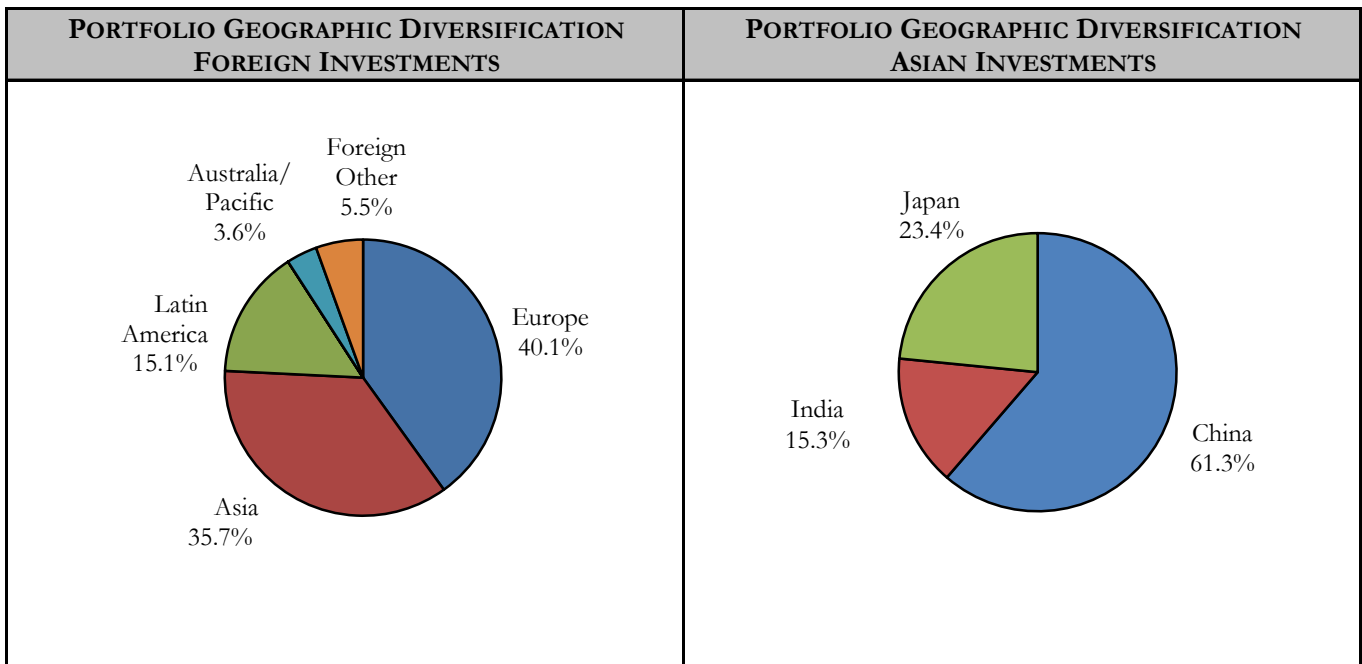
Note: Due to rounding, the sum of the above weights may not equal 100%.



\* Including California.

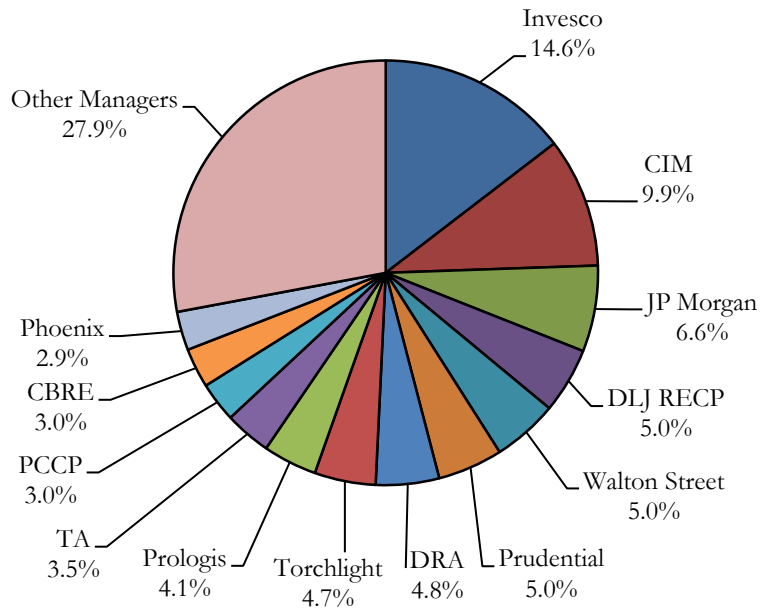
### GEOGRAPHIC DIVERSIFICATION COMMENTARY

In comparison to the NCREIF Index, the Portfolio is over-weighted in the West by 3.5%. The Portfolio is under-weighted in the East, Midwest and South sectors by 3.8%, 5.8% and 3.7%, respectively. The Portfolio falls within the investment guidelines.

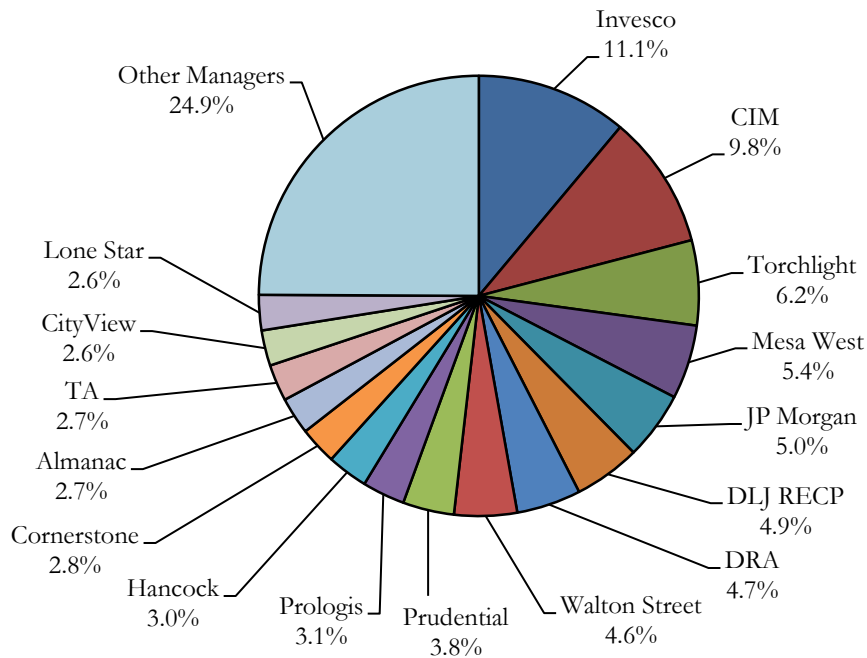


Note: Due to rounding, the sum of the above weights may not equal 100%.

**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	\$102,925,759	14.6%	Invesco	\$102,925,759	11.1%
CIM	\$69,688,048	9.9%	CIM	\$91,019,477	9.8%
JP Morgan	\$46,264,535	6.6%	Torchlight	\$57,887,964	6.2%
DLJ RECP	\$35,282,598	5.0%	Mesa West	\$50,462,816	5.4%
Walton Street	\$35,185,039	5.0%	JP Morgan	\$46,264,535	5.0%
Prudential	\$34,956,118	5.0%	DLJ RECP	\$45,223,267	4.9%
DRA	\$34,016,969	4.8%	DRA	\$43,814,469	4.7%
Torchlight	\$32,887,964	4.7%	Walton Street	\$42,734,255	4.6%
Prologis	\$28,974,927	4.1%	Prudential	\$34,956,118	3.8%
TA	\$24,974,740	3.5%	Prologis	\$28,974,927	3.1%
PCCP	\$21,404,791	3.0%	Hancock	\$27,737,705	3.0%
CBRE	\$21,253,319	3.0%	Cornerstone	\$25,559,997	2.8%
Phoenix	\$20,800,147	2.9%	Almanac	\$25,314,297	2.7%
Mesa West	\$16,866,468	2.4%	TA	\$24,974,740	2.7%
MacFarlane	\$16,474,607	2.3%	CityView	\$24,170,375	2.6%
Lone Star	\$16,393,361	2.3%	Lone Star	\$24,053,097	2.6%
Hancock	\$15,862,116	2.2%	PCCP	\$21,506,157	2.3%
Hunt Investment	\$15,444,172	2.2%	CBRE	\$21,253,319	2.3%
CityView	\$13,246,371	1.9%	Phoenix	\$20,800,147	2.2%
Buchanan	\$12,839,899	1.8%	Bristol	\$19,916,660	2.1%
Urdang CM	\$12,453,592	1.8%	MacFarlane	\$16,474,607	1.8%
Apollo	\$10,137,328	1.4%	Urdang CM	\$16,073,611	1.7%
Colony	\$8,526,163	1.2%	Buchanan	\$15,839,899	1.7%
Stockbridge	\$7,839,673	1.1%	Hunt Investment	\$15,444,172	1.7%
Cornerstone	\$7,170,822	1.0%	Apollo	\$12,072,306	1.3%
Deutsche AWM	\$7,049,435	1.0%	Paladin	\$11,013,648	1.2%
Almanac	\$6,224,101	0.9%	Integrated Capital	\$9,671,114	1.0%
Paladin	\$5,773,216	0.8%	Colony	\$9,549,363	1.0%
Integrated Capital	\$5,677,910	0.8%	Stockbridge	\$7,839,673	0.8%
Canyon-Johnson	\$5,028,296	0.7%	Bryanston	\$7,419,882	0.8%
LaSalle	\$4,545,298	0.6%	Deutsche AWM	\$7,049,435	0.8%
UrbanAmerica	\$4,445,777	0.6%	Canyon-Johnson	\$6,039,592	0.7%
Bryanston	\$1,533,963	0.2%	UrbanAmerica	\$5,156,751	0.6%
Lowe	\$1,375,588	0.2%	LaSalle	\$4,545,298	0.5%
Bristol	\$1,157,133	0.2%	Lowe	\$1,375,588	0.1%
Heitman	\$599,515	0.1%	Heitman	\$718,821	0.1%
Westbrook	\$572,940	0.1%	Hunt Realty	\$654,512	0.1%
Tuckerman	\$46,807	0.0%	Westbrook	\$572,940	0.1%
Hunt Realty	\$11,992	0.0%	Tuckerman	\$46,807	0.0%
<b>Total</b>	<b>\$705,911,499</b>	<b>100.0%</b>	<b>Total</b>	<b>\$927,108,100</b>	<b>100.0%</b>

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

**INVESTMENT LEVERAGE REVIEW**

(for period ended June 30, 2013)

Investment		Market Value	Leverage
MacFarlane Urban REF II	Opportunistic	\$16,474,607	80.8%
Paladin Latin America III	Opportunistic	\$5,773,216	77.8%
Almanac VI	Value	\$6,224,101	76.0%
DRA G&I VI	Value	\$16,097,488	76.0%
CityView LA Urban I	Opportunistic	\$13,246,371	74.1%
UrbanAmerica II	Value	\$4,445,777	72.2%
CPI CPE	Opportunistic	\$10,137,328	69.8%
DRA G&I VII	Value	\$17,919,481	67.1%
Tuckerman RIVA	Opportunistic	\$15,444,172	65.3%
Stockbridge II	Opportunistic	\$7,839,673	64.2%
CJ Urban II	Opportunistic	\$5,028,296	63.0%
Mesa West RE Income II	Value	\$16,866,468	61.9%
Lone Star REF II	Opportunistic	\$7,215,950	61.6%
Lowe Hospitality	Value	\$1,375,588	61.4%
Cornerstone Enhanced Mortgage I	Core	\$7,170,822	59.3%
Genesis WFH II	Opportunistic	\$20,800,147	58.8%
CBRE SP IV	Value	\$4,377,077	57.9%
Lone Star VII	Opportunistic	\$9,177,411	54.1%
Walton Street RE V	Opportunistic	\$13,626,156	51.0%
Buchanan V	Value	\$12,762,919	49.3%
Bristol Value Fund II	Value	\$1,157,133	48.8%
IC Hospitality	Value	\$5,677,910	48.3%
Urdang VA II	Value	\$12,453,592	47.8%
TA VII	Value	\$9,437,102	47.0%
Walton Street RE VI	Opportunistic	\$21,558,884	45.8%
CBRE SP V	Value	\$10,681,392	44.7%
RREEF America REIT III	Value	\$7,049,435	43.0%
DLJ II	Opportunistic	\$4,477,456	42.7%
California SGF IV	Opportunistic	\$18,418,777	40.4%
Southern California SGF I	Opportunistic	\$2,986,014	39.5%
JP Morgan APF	Value	\$4,379,511	36.5%
Bryanston Retail Opp	Opportunistic	\$1,533,963	35.9%
TA IX	Value	\$15,537,638	34.2%
PRISA II	Value	\$34,956,118	33.8%
Heitman VP	Value	\$599,515	27.8%
CIM VI	Core	\$5,295,052	26.2%
JP Morgan SPF	Core	\$41,885,024	25.3%
DLJ IV	Opportunistic	\$30,805,142	25.1%
Invesco Core RE USA	Core	\$102,925,759	20.4%
CBRE SP UK III	Value	\$5,298,678	18.8%
CIM III	Opportunistic	\$19,896,146	17.6%
Hancock Forestree V	Core	\$7,420,665	16.0%
Colony Investors VIII	Opportunistic	\$8,526,163	15.9%
CIM Urban REIT	Core	\$44,496,850	15.6%
Westbrook III	Opportunistic	\$572,940	8.2%
LaSalle Asia Opportunity II	Opportunistic	\$4,545,298	6.0%
Prologis Japan I	Value	\$28,974,927	0.0%
Torchlight Debt Opportunity III	Opportunistic	\$18,366,090	0.0%
Torchlight Debt Opportunity II	Opportunistic	\$14,521,874	0.0%
Hancock Timberland XI	Core	\$8,441,451	0.0%
CBRE SP III	Value	\$896,173	0.0%
Buchanan III	Value	\$76,980	0.0%
Tuckerman MFDP III	Opportunistic	\$46,807	0.0%
Next Block Medical I	Opportunistic	\$11,992	0.0%

**INVESTMENT LEVERAGE REVIEW**

(for period ended June 30, 2013)

<i>* Core</i>	<i>\$217,635,623</i>	<i>20.9%</i>
<i>* Value</i>	<i>\$217,245,003</i>	<i>43.1%</i>
<i>* Opportunistic</i>	<i>\$271,030,873</i>	<i>42.6%</i>
<i>* Total</i>	<i>\$705,911,499</i>	<i>36.0%</i>

\* *Weighted by market value.*

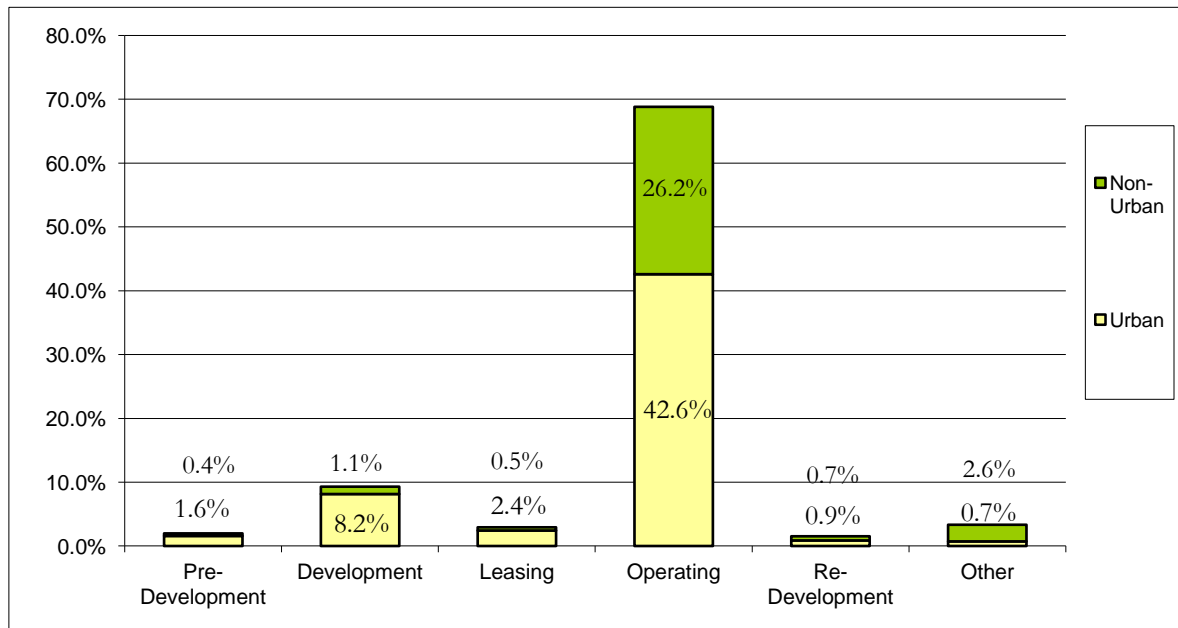
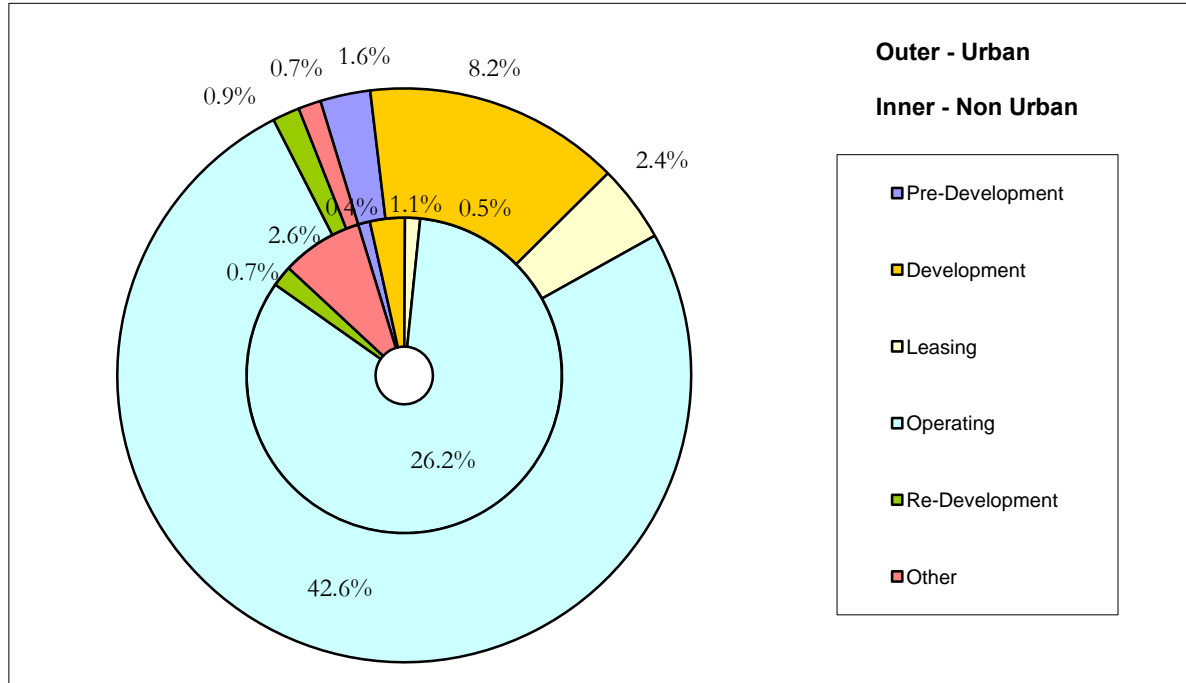
[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

**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	1.6%	8.2%	2.4%	42.6%	0.9%	0.7%
Non-Urban	0.4%	1.1%	0.5%	26.2%	0.7%	2.6%
<b>Total</b>	<b>2.0%</b>	<b>9.3%</b>	<b>2.9%</b>	<b>68.8%</b>	<b>1.5%</b>	<b>3.4%</b>
<b>Los Angeles -</b>	<b>3.4%</b>	<b>LA County total -</b>		<b>8.5%</b>	<b>California total- 28.6%</b>	

Total number of investments with an office in California: 41

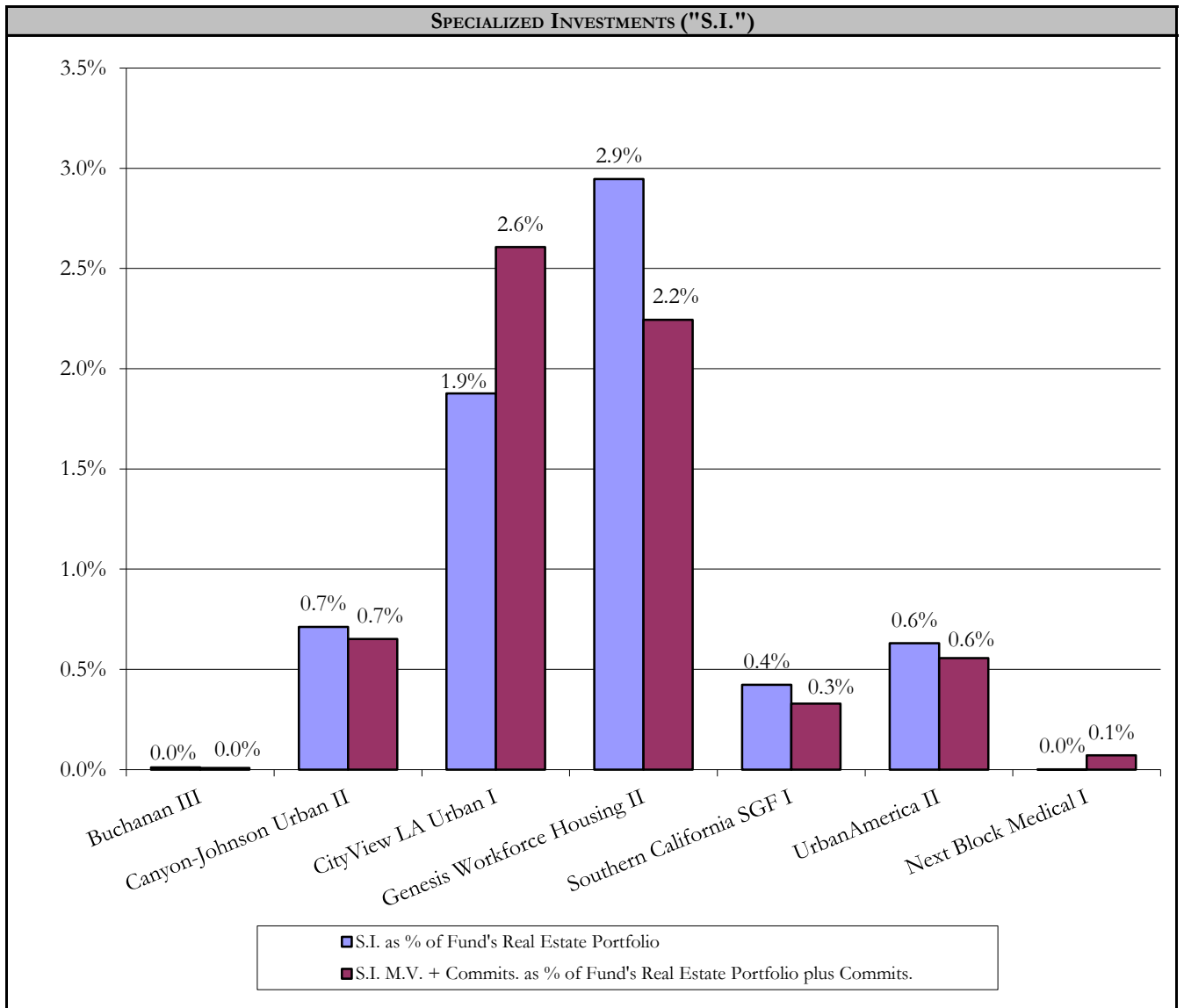
\* Excluding Almanac VI, Lone Star, Torchlight and the liquidating funds.





**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	\$ 77	\$ 77	0.2%	0.0%	0.0%
Canyon-Johnson Urban II	\$ 5,028	\$ 6,040	10.8%	0.7%	0.7%
CityView LA Urban I	\$ 13,246	\$ 24,170	28.4%	1.9%	2.6%
Genesis Workforce Housing II	\$ 20,800	\$ 20,800	44.6%	2.9%	2.2%
Southern California SGF I	\$ 2,986	\$ 3,054	6.4%	0.4%	0.3%
UrbanAmerica II	\$ 4,446	\$ 5,157	9.5%	0.6%	0.6%
Next Block Medical I	\$ 12	\$ 655	0.0%	0.0%	0.1%
<b>Total Specialized Investments</b>	<b>\$ 46,596</b>	<b>\$ 59,953</b>	<b>100.0%</b>	<b>6.6%</b>	<b>6.5%</b>



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	50,778	686,702	179,402,158
Q4-00	31,162,476	(967,307)	(2,492,390)	(3,316,566)	648,715	2,584,081	849,974	208,838,448
Q1-01	6,539,840	(795,671)	(1,259,667)	(4,464,695)	3,305,350	884,215	291,813	214,135,304
Q2-01	9,611,649	(643,416)	(2,243,042)	(7,112,641)	2,608,985	2,011,295	411,643	219,423,193
Q3-01	1,106,714	(739,763)	(5,617,139)	(7,588,396)	4,005,923	1,761,191	473,160	213,564,645
Q4-01	6,919,811	(873,835)	(2,265,492)	(9,611,092)	3,495,620	5,496,059	695,781	218,295,332

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	225,212,049
Q2-02	1,728,816	(833,445)	(11,439,943)	(8,486,231)	4,998,433	1,017,155	879,096	213,909,375
Q3-02	456,226	(707,728)	(18,229,419)	(1,845,593)	1,759,761	1,661,045	406,289	198,117,684
Q4-02	12,829,964	(894,709)	(1,506,490)	(8,646,747)	1,074,779	(2,994,283)	655,010	199,529,916
Q1-03	1,643,080	(664,700)	(2,260,651)	(3,787,902)	2,898,985	(708,202)	1,279,664	198,594,890
Q2-03	6,899,945	(880,614)	(1,371,675)	(3,812,529)	2,423,649	152,893	2,266,657	205,153,830
Q3-03	13,291,056	(672,973)	(12,050,620)	(4,310,596)	2,367,771	(2,508,604)	1,072,378	203,015,214
Q4-03	1,790,079	(1,534,008)	(20,617,326)	(4,392,970)	677,938	6,862,054	2,928,719	190,263,708
Q1-04	5,193,015	(753,824)	(23,262,472)	(7,525,464)	1,794,190	(1,412,059)	2,621,274	167,672,192
Q2-04	6,398,177	(1,556,935)	(5,664,120)	(2,409,649)	869,635	3,260,929	2,003,613	172,130,777
Q3-04	5,613,819	(723,477)	(10,359,164)	(10,218,940)	1,480,586	18,788	3,181,915	161,847,781
Q4-04	88,426,537	(3,566,054)	(16,628,261)	(12,671,261)	1,777,768	9,315,560	9,173,828	241,241,951
Q1-05	19,507,910	(485,465)	(11,274,539)	(22,628,991)	1,961,875	(3,980,450)	8,695,780	233,523,536
Q2-05	21,073,449	(1,609,345)	(13,601,695)	(11,155,757)	1,648,066	2,637,565	4,435,043	238,560,207
Q3-05	49,927,271	(492,884)	(18,835,163)	(14,804,339)	2,143,041	3,799,450	7,676,919	268,467,386
Q4-05	34,999,808	(4,444,589)	(10,782,174)	(4,677,490)	1,742,343	15,187,209	5,916,651	310,853,734
Q1-06	29,089,752	(931,692)	(8,050,402)	(8,430,534)	2,815,632	3,643,730	4,358,950	334,280,863
Q2-06	39,421,969	(1,478,946)	(5,047,599)	(4,292,366)	3,899,226	8,484,040	4,293,643	381,039,776
Q3-06	39,441,024	(1,418,869)	(7,613,004)	(5,167,346)	1,310,794	2,109,153	2,199,345	413,319,742
Q4-06	35,847,974	(5,348,842)	(11,432,520)	(8,916,220)	1,391,274	24,163,893	3,350,236	457,724,380
Q1-07	20,422,438	(2,194,903)	(5,101,227)	(7,556,709)	3,612,157	5,002,090	2,132,912	476,236,042
Q2-07	35,453,280	(4,790,593)	(10,383,825)	(14,111,318)	1,959,904	11,503,312	2,692,045	503,349,441
Q3-07	20,374,060	(2,563,925)	(6,344,997)	(8,744,638)	(531,583)	9,857,605	5,726,076	523,685,964
Q4-07	45,938,113	(4,394,143)	(13,731,407)	(8,928,361)	(2,133,926)	4,614,907	8,004,078	557,449,370
Q1-08	53,665,634	(2,886,205)	(2,068,865)	(3,567,855)	340,459	(6,217,860)	1,781,191	601,382,074
Q2-08	45,597,001	(1,528,212)	(6,478,662)	(4,120,614)	2,067,586	(8,634,440)	3,041,601	632,854,545
Q3-08	42,370,079	(2,876,510)	(3,366,277)	(4,195,887)	1,021,363	(41,219,197)	2,316,034	629,780,659
Q4-08	28,930,381	(1,165,006)	(35,039)	(4,482,009)	97,014	(114,102,526)	887,845	541,076,326
Q1-09	23,653,512	(2,632,700)	(649,910)	(2,307,107)	1,936,279	(70,868,034)	(1,559,453)	491,281,613
Q2-09	37,537,583	(3,558,163)	(654,118)	(1,689,230)	938,346	(70,286,548)	280,649	457,408,295
Q3-09	20,499,139	(2,748,883)	(410,095)	(2,395,985)	2,564,430	(24,600,468)	(2,027,590)	451,037,726
Q4-09	25,420,037	(2,524,645)	(1,267,646)	(2,286,222)	2,025,859	(43,068,411)	(3,774,610)	428,086,734
Q1-10	14,249,356	(3,390,241)	(520,965)	(2,477,524)	856,175	5,858,612	(8,053,274)	437,999,113
Q2-10	31,200,137	(2,793,793)	(940,821)	(4,707,290)	2,942,856	3,298,074	(1,491,958)	468,300,112
Q3-10	43,105,797	(2,798,396)	(5,264,009)	(3,589,099)	2,317,773	21,209,035	(3,862,246)	522,217,363
Q4-10	46,770,745	(4,197,452)	(17,037,111)	(9,653,816)	473,991	29,873,699	(3,678,989)	568,965,881
Q1-11	13,947,755	(2,232,291)	(3,056,519)	(2,741,719)	4,527,542	13,163,211	344,836	595,150,988
Q2-11	26,331,038	(3,317,061)	(5,560,107)	(6,256,052)	3,835,743	25,036,163	(8,328,702)	630,209,071
Q3-11	24,464,547	(1,605,597)	(7,345,575)	(10,170,213)	6,235,401	(3,085,860)	3,302,312	643,609,684
Q4-11	22,584,614	(2,711,007)	(20,389,186)	(8,869,678)	2,631,694	14,351,778	(452,058)	653,466,847
Q1-12	18,632,529	(2,368,939)	(7,234,836)	(6,129,428)	5,045,655	9,472,511	(85,014)	673,168,264
Q2-12	20,415,478	(2,575,330)	(7,406,035)	(4,934,935)	6,245,919	13,429,148	(12,129,406)	688,788,433
Q3-12	26,560,237	(2,845,968)	(25,472,460)	(8,378,702)	6,574,184	13,804,610	(1,065)	701,875,236
Q4-12	31,040,525	(3,240,542)	(29,055,340)	(13,204,101)	4,847,631	22,515,896	2,257,197	720,277,045
Q1-13	12,506,022	(3,006,800)	(20,303,754)	(7,419,285)	7,468,548	13,445,648	(6,684,200)	719,290,025
Q2-13	13,132,045	(2,873,354)	(29,986,540)	(13,208,342)	6,084,171	4,429,335	6,170,805	705,911,499
<b>Total</b>	<b>1,547,687,269</b>	<b>(113,011,278)</b>	<b>(563,671,452)</b>	<b>(467,356,225)</b>	<b>140,679,454</b>	<b>(14,589,695)</b>	<b>63,162,148</b>	

---

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

**First Quarter 2013**



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

**TABLE OF CONTENTS**

Executive Summary..... 1  
Summary of Portfolio Investment Net Returns..... 2  
Gross Returns vs. Benchmarks..... 4  
Risk/Return Review..... 5  
Portfolio Property Type Diversification..... 7  
Portfolio Geographic Diversification..... 8  
Foreign Diversification..... 9  
Portfolio Partner/Manager Concentration..... 10  
Investment Leverage Review..... 12  
Urban Exposure..... 14  
Specialized Investment Review..... 15  
Total Portfolio Investment Activity Statement..... 16

---



---

**EXECUTIVE SUMMARY**

---



---

**Los Angeles City Employees' Retirement System**

**PORTFOLIO SUMMARY**

(for period ended March 31, 2013)

Current Portfolio Market Value:	\$ 720,621,504
Current Portfolio, % of Total Plan Assets:	6.0%
Current Unfunded Investment Commitments:	\$ 207,983,955
Current Market Value + Unfunded Investment Commitments:	\$ 928,605,460
Current Capital Available for Investment:	\$ (329,770,460)
Target Allocation to Real Estate:	\$ 598,835,000
Target Real Estate, % of Total Plan Assets:	5.0%
Portfolio Inception Date:	1989
Total Number of Current Investments:	54

**SUMMARY OF PORTFOLIO RETURNS**

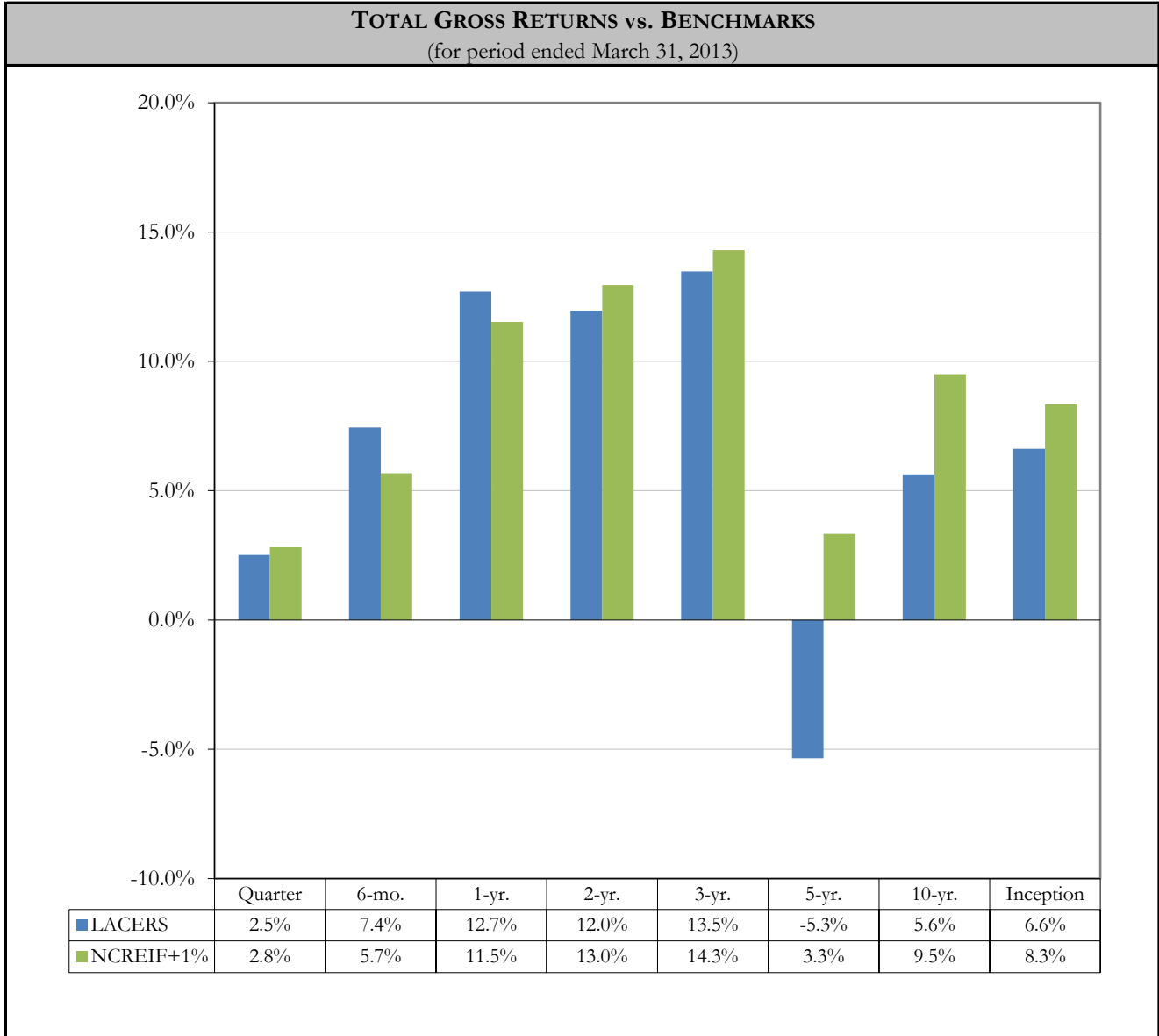
(for period ended March 31, 2013)

	Quarter	6-Month	1-Year	2-Year	3-Year	5-Year	10-Year	Incept.
Income	1.5%	2.6%	5.4%	4.9%	4.8%	4.1%	4.7%	3.1%
Appreciation	1.0%	4.8%	7.0%	6.8%	8.4%	-9.2%	1.0%	3.5%
Total Gross Return	2.5%	7.4%	12.7%	12.0%	13.5%	-5.3%	5.6%	6.6%
<b>Total Net Return</b>	<b>2.1%</b>	<b>6.5%</b>	<b>10.9%</b>	<b>10.2%</b>	<b>11.4%</b>	<b>-7.2%</b>	<b>3.3%</b>	<b>5.3%</b>
<b>Total Portfolio</b>	<b>\$</b>	<b>720,621,504</b>			<b>Internal Rate of Return:</b>			<b>3.3%</b>

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS													
(for period ended March 31, 2013)													
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.		
<b>Core</b>	<b>\$212,705,836</b>	<b>29.5%</b>		<b>2.3%</b>	<b>5.8%</b>	<b>9.8%</b>	<b>11.3%</b>	<b>13.0%</b>	<b>0.4%</b>	<b>6.4%</b>	<b>6.7%</b>	<b>6.0%</b>	<b>1.42</b>
CIM Urban REIT	\$44,514,126	6.2%	11.0%	1.1%	6.3%	8.5%	10.2%	11.7%	5.3%	N/A	10.4%	6.7%	1.33
CIM VI	\$4,227,804	0.6%	12.0%	0.6%	13.8%	1.0%	N/A	N/A	N/A	N/A	1.0%	14.3%	1.05
Cornerstone Enhanced Mortgage I	\$7,071,082	1.0%	8.0%	7.5%	20.0%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	1.09
Hancock Forestree V	\$9,608,332	1.3%	8.0%	-0.6%	2.9%	6.6%	5.2%	4.5%	2.6%	10.5%	10.8%	11.4%	2.43
Hancock Timberland XI	\$8,467,890	1.2%	7%-8% Real	-2.0%	6.0%	5.4%	N/A	N/A	N/A	N/A	5.4%	9.4%	1.05
Invesco Core RE USA	\$98,390,429	13.7%	NCREIF+1%	3.2%	5.2%	9.8%	11.9%	14.6%	-0.9%	N/A	5.9%	6.1%	1.45
JP Morgan SPF	\$40,426,174	5.6%	8.0%	3.1%	5.8%	11.8%	12.9%	14.0%	-0.5%	N/A	5.0%	5.0%	1.39
<b>Value</b>	<b>\$235,104,360</b>	<b>32.6%</b>		<b>0.9%</b>	<b>3.5%</b>	<b>9.4%</b>	<b>11.6%</b>	<b>12.2%</b>	<b>-7.9%</b>	<b>2.5%</b>	<b>4.6%</b>	<b>2.8%</b>	<b>1.09</b>
Almanac VI	\$6,117,279	0.8%	12.0%	8.4%	13.1%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	1.11
Bristol Value Fund II	\$1,158,547	0.2%	18.0%	1.0%	-0.6%	N/A	N/A	N/A	N/A	N/A	N/M	N/M	0.99
Buchanan III	\$81,102	0.0%	18.0%	-0.7%	5.1%	43.9%	17.7%	8.9%	-3.9%	N/A	6.6%	17.7%	1.51
Buchanan V	\$14,065,338	2.0%	12.0%	0.2%	7.3%	8.6%	9.0%	9.5%	-14.9%	N/A	-14.0%	-6.3%	0.76
CBRE SP III	\$897,675	0.1%	16.0%	-0.6%	-3.4%	-3.9%	-4.5%	-4.9%	-10.0%	N/A	-1.5%	8.7%	1.31
CBRE SP IV	\$5,052,441	0.7%	17.0%	-0.3%	-8.2%	-12.3%	-4.5%	-11.6%	-29.3%	N/A	-21.7%	-25.2%	0.20
CBRE SP V	\$23,893,843	3.3%	11.5%	1.3%	4.7%	8.8%	14.7%	19.9%	1.8%	N/A	1.8%	18.7%	1.44
CBRE SP UK III	\$6,586,729	0.9%	15.0%	5.6%	13.2%	2.3%	-0.3%	-1.1%	N/M	N/A	-60.2%	-26.8%	0.25
DRA G&I VI	\$15,995,566	2.2%	13.0%	4.3%	4.2%	5.1%	16.2%	14.6%	3.2%	N/A	3.7%	6.1%	1.22
DRA G&I VII	\$14,636,325	2.0%	12.0%	4.3%	7.0%	16.6%	N/A	N/A	N/A	N/A	12.0%	16.5%	1.09
Heitman VP	\$2,522,942	0.4%	15.0%	8.0%	19.2%	43.5%	29.4%	26.8%	3.6%	N/A	9.9%	4.9%	1.25
IC Hospitality	\$6,081,352	0.8%	16.0%	-0.1%	37.6%	51.6%	-6.7%	N/A	N/A	N/A	-6.7%	23.2%	1.27
JP Morgan APF	\$4,403,316	0.6%	9.5%	-0.1%	1.6%	20.1%	20.5%	17.4%	-5.4%	N/A	-2.1%	-4.6%	0.75
Lowe Hospitality	\$1,422,844	0.2%	15.8%	2.4%	7.4%	33.8%	41.9%	66.0%	-30.7%	N/A	-17.6%	-19.5%	0.58
Mesa West RE Income II	\$19,108,635	2.7%	12.0%	3.4%	24.9%	40.6%	27.3%	18.6%	N/A	N/A	10.5%	27.4%	1.49
PRISA II	\$33,853,951	4.7%	9.0%	1.8%	4.1%	10.5%	14.3%	19.0%	-5.2%	N/A	3.8%	1.6%	1.13
Prologis Japan Fund I	\$29,695,089	4.1%	11.0%	-7.9%	-16.6%	-14.0%	-2.6%	2.3%	3.4%	N/A	8.8%	5.8%	1.35
RREEF America REIT III	\$8,440,787	1.2%	12.0%	2.7%	4.6%	22.1%	34.7%	31.1%	-15.4%	N/A	-6.6%	-7.0%	0.67
TA V	\$0	0.0%	Mid Teen	4.1%	-5.1%	7.2%	-8.0%	-8.1%	-12.1%	2.0%	3.7%	10.1%	1.82
TA VII	\$9,661,868	1.3%	Mid Teen	1.7%	3.3%	6.0%	5.6%	3.2%	-7.1%	N/A	1.6%	0.4%	1.02
TA IX	\$14,826,361	2.1%	Mid Teen	1.5%	4.2%	8.8%	11.1%	7.1%	N/A	N/A	7.1%	10.6%	1.24
UrbanAmerica II	\$4,594,996	0.6%	13.0%	-0.1%	-14.9%	-20.5%	-8.7%	-3.2%	-11.5%	N/A	-33.7%	-13.7%	0.49
Urdang VA II	\$12,007,374	1.7%	13.0%	1.9%	8.5%	16.8%	17.6%	25.3%	0.5%	N/A	-1.2%	6.0%	1.21

SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS													
(for period ended March 31, 2013)													
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.		
<b><i>Opportunistic</i></b>	<b><i>\$272,811,308</i></b>	<b><i>37.9%</i></b>		<b><i>3.0%</i></b>	<b><i>10.0%</i></b>	<b><i>13.1%</i></b>	<b><i>7.8%</i></b>	<b><i>8.9%</i></b>	<b><i>-14.2%</i></b>	<b><i>0.7%</i></b>	<b><i>2.8%</i></b>	<b><i>-2.5%</i></b>	<b><i>0.94</i></b>
Bryanston Retail Opp	\$1,671,258	0.2%	20.0%	0.0%	27.1%	38.9%	14.3%	16.0%	22.2%	N/A	27.4%	84.7%	2.57
California SGF IV	\$20,195,135	2.8%	18.5%	3.2%	6.5%	20.4%	15.8%	18.6%	-10.5%	N/A	-10.8%	-2.5%	0.91
CJ Urban II	\$4,857,532	0.7%	20.0%	-2.1%	-2.8%	-9.0%	-5.6%	-6.3%	-11.8%	N/A	-13.7%	-11.1%	0.54
CIM III	\$18,775,439	2.6%	20.0%	0.4%	20.0%	20.0%	20.0%	24.0%	N/M	N/A	N/M	13.8%	1.35
CityView LA Urban I	\$13,160,758	1.8%	N/A	1.0%	-0.4%	7.0%	5.3%	-5.5%	-32.3%	N/A	-39.7%	-2.0%	0.98
Colony Investors VIII	\$9,701,800	1.3%	20.0%	7.8%	13.6%	8.0%	-10.5%	-1.8%	-29.7%	N/A	-30.6%	-20.0%	0.43
CPI CPE	\$10,238,434	1.4%	18.0%	-2.2%	11.0%	11.6%	2.1%	-8.2%	-16.4%	N/A	-9.2%	-13.1%	0.55
DLJ II	\$4,075,844	0.6%	20.0%	-0.5%	8.6%	10.2%	13.0%	12.8%	-6.2%	10.4%	7.3%	16.8%	1.47
DLJ IV	\$30,661,125	4.3%	20.0%	0.0%	7.2%	21.2%	9.7%	9.6%	N/A	N/A	-20.5%	-0.2%	1.00
Genesis WFH II	\$21,080,101	2.9%	15.0%	3.5%	5.5%	9.3%	13.5%	-2.4%	-21.3%	N/A	N/M	4.9%	1.10
LaSalle Asia Opportunity II	\$5,761,348	0.8%	8.0%	15.7%	23.6%	35.7%	28.9%	32.1%	0.8%	N/A	N/M	0.0%	1.00
Lone Star VII	\$11,283,693	1.6%	20% Gross	13.8%	31.8%	49.6%	34.6%	N/A	N/A	N/A	34.6%	52.7%	1.45
Lone Star REF II	\$5,189,983	0.7%	20% Gross	6.7%	11.8%	26.1%	-18.9%	N/A	N/A	N/A	-18.9%	20.6%	1.17
MacFarlane Urban REF II	\$15,025,708	2.1%	16.0%	2.0%	79.1%	57.3%	5.3%	-3.9%	N/M	N/M	N/M	-23.2%	0.40
Next Block Medical I	\$12,574	0.0%	18.0%	-2.6%	56.3%	43.2%	-15.5%	-46.2%	-36.1%	N/A	-31.3%	-52.4%	0.19
Paladin Latin America III	\$6,728,363	0.9%	25.0%	16.1%	-22.4%	-63.0%	-43.6%	-28.8%	N/A	N/A	-12.2%	-17.8%	0.75
Southern California SGF I	\$2,967,782	0.4%	13.0%	-4.1%	-22.5%	-30.5%	-20.1%	-17.1%	-22.9%	N/A	-9.5%	-10.2%	0.85
Stockbridge II	\$7,337,686	1.0%	16.0%	-2.0%	-1.4%	-1.4%	3.7%	6.8%	-43.3%	N/A	-40.8%	-27.9%	0.24
Torchlight Debt Opportunity II	\$13,533,447	1.9%	15.0%	8.0%	8.3%	27.6%	16.6%	26.5%	3.0%	N/A	-8.2%	-7.6%	0.71
Torchlight Debt Opportunity III	\$19,708,465	2.7%	15.0%	2.9%	5.8%	12.0%	8.7%	7.6%	N/A	N/A	11.7%	9.7%	1.21
Tuckerman RIVA	\$14,840,476	2.1%	20.0%	0.4%	3.0%	5.4%	5.3%	11.9%	-8.5%	N/A	-0.8%	-3.6%	0.84
Tuckerman MFDP III	\$46,977	0.0%	20.0%	0.0%	-11.3%	-31.5%	-10.9%	-13.5%	-2.9%	13.7%	13.3%	27.7%	1.66
Walton Street RE V	\$14,668,434	2.0%	18.0%	1.7%	6.9%	8.5%	8.0%	16.9%	-9.3%	N/A	-6.0%	-7.4%	0.65
Walton Street RE VI	\$20,678,560	2.9%	18.0%	3.0%	8.4%	11.3%	9.2%	45.5%	N/A	N/A	-57.3%	8.7%	1.19
Westbrook III	\$610,387	0.1%	N/A	-0.4%	-5.0%	-9.6%	-8.6%	-6.6%	-5.4%	-5.9%	4.1%	7.5%	1.28
<b><i>Total Portfolio</i></b>	<b><i>\$720,621,504</i></b>	<b><i>100.0%</i></b>		<b><i>2.1%</i></b>	<b><i>6.5%</i></b>	<b><i>10.9%</i></b>	<b><i>10.2%</i></b>	<b><i>11.4%</i></b>	<b><i>-7.2%</i></b>	<b><i>3.3%</i></b>	<b><i>5.3%</i></b>	<b><i>3.3%</i></b>	<b><i>1.11</i></b>





**PORTFOLIO PERFORMANCE COMMENTS**  
(for period ended March 31, 2013)

The National Council of Real Estate Investment Fiduciaries (“NCREIF”) Property Index contains 7,181 U.S.-only commercial real estate investments with total net market value of approximately \$329 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 1.7% and 1.2% for the six-month and one-year periods, respectively. It underperformed the benchmark by 0.3%, 1.0%, 0.8%, 8.6%, 3.9% and 1.7% for the current quarter, two-, three-, five-, ten-year and inception periods, respectively.

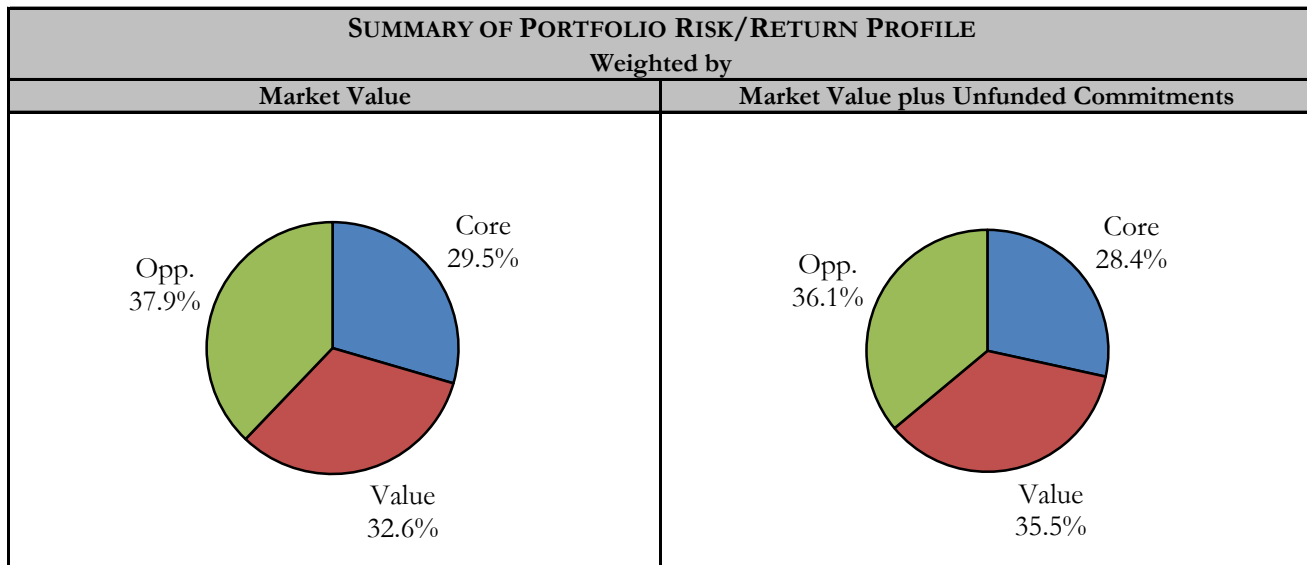
**RISK/RETURN REVIEW****RISK/RETURN REVIEW - MARKET VALUES AND INVESTMENT COMMITMENTS**

(for period ended March 31, 2013)

Investments	Client Incept.	Market Value	% of Port.	Investment Commitments Summary		
				Original Inv. Commitment	Remaining Unfund. Commitment	% of Current and Unfunded Port.
<b>Core</b>		<b>\$ 212,705,836</b>	<b>29.5%</b>	<b>\$ 213,867,553</b>	<b>\$ 51,246,780</b>	<b>28.4%</b>
CIM Urban REIT	6/06	\$ 44,514,126	6.2%	\$ 40,000,000	\$ -	4.8%
CIM VI	5/12	\$ 4,227,804	0.6%	\$ 25,000,000	\$ 20,982,016	2.7%
Cornerstone Enhanced Mortgage I	9/12	\$ 7,071,082	1.0%	\$ 25,000,000	\$ 18,389,175	2.7%
Hancock Forestree V	9/99	\$ 9,608,332	1.3%	\$ 10,000,000	\$ -	1.0%
Hancock Timberland XI	5/12	\$ 8,467,890	1.2%	\$ 20,000,000	\$ 11,875,589	2.2%
Invesco Core RE USA	10/04	\$ 98,390,429	13.7%	\$ 63,867,553	\$ -	10.6%
JP Morgan SPF	7/05	\$ 40,426,174	5.6%	\$ 30,000,000	\$ -	4.4%
<b>Value</b>		<b>\$ 235,104,360</b>	<b>32.6%</b>	<b>\$ 508,011,646</b>	<b>\$ 94,773,530</b>	<b>35.5%</b>
Almanac VI	11/12	\$ 6,117,279	0.8%	\$ 25,000,000	\$ 19,397,900	2.7%
Bristol Value Fund II	12/12	\$ 1,158,547	0.2%	\$ 20,000,000	\$ 18,759,527	2.1%
Buchanan III	2/04	\$ 81,102	0.0%	\$ 4,886,365	\$ -	0.0%
Buchanan V	4/07	\$ 14,065,338	2.0%	\$ 30,000,000	\$ 3,000,000	1.8%
CBRE SP III	12/03	\$ 897,675	0.1%	\$ 25,000,000	\$ -	0.1%
CBRE SP IV	12/05	\$ 5,052,441	0.7%	\$ 25,000,000	\$ -	0.5%
CBRE SP V	6/08	\$ 23,893,843	3.3%	\$ 30,000,000	\$ -	2.6%
CBRE SP UK III	4/07	\$ 6,586,729	0.9%	\$ 28,585,113	\$ -	0.7%
DRA G&I VI	1/08	\$ 15,995,566	2.2%	\$ 25,000,000	\$ 1,900,000	1.9%
DRA G&I VII	11/11	\$ 14,636,325	2.0%	\$ 25,000,000	\$ 11,022,500	2.8%
Heitman VP	5/04	\$ 2,522,942	0.4%	\$ 15,000,000	\$ 119,306	0.3%
IC Hospitality	5/09	\$ 6,081,352	0.8%	\$ 10,000,000	\$ 3,993,203	1.1%
JP Morgan APF	3/06	\$ 4,403,316	0.6%	\$ 25,000,000	\$ -	0.5%
Lowe Hospitality	3/04	\$ 1,422,844	0.2%	\$ 25,000,000	\$ -	0.2%
Mesa West RE Income II	1/10	\$ 19,108,635	2.7%	\$ 20,000,000	\$ 6,650,101	2.8%
Mesa West RE Income III	N/A	\$ -	0.0%	\$ 25,000,000	\$ 25,000,000	2.7%
PRISA II	9/04	\$ 33,853,951	4.7%	\$ 30,000,000	\$ -	3.6%
Prologis Japan Fund I	6/05	\$ 29,695,089	4.1%	\$ 24,540,168	\$ -	3.2%
RREEF America REIT III	10/05	\$ 8,440,787	1.2%	\$ 15,000,000	\$ -	0.9%
TA V	5/99	\$ -	0.0%	\$ 20,000,000	\$ -	0.0%
TA VII	8/05	\$ 9,661,868	1.3%	\$ 15,000,000	\$ -	1.0%
TA IX	8/08	\$ 14,826,361	2.1%	\$ 15,000,000	\$ 600,000	1.7%
UrbanAmerica II	1/07	\$ 4,594,996	0.6%	\$ 10,000,000	\$ 710,974	0.6%
Urdang VA II	2/08	\$ 12,007,374	1.7%	\$ 20,000,000	\$ 3,620,019	1.7%
<b>Opportunistic</b>		<b>\$ 272,811,308</b>	<b>37.9%</b>	<b>\$ 570,632,000</b>	<b>\$ 61,963,645</b>	<b>36.1%</b>
Bryanston Retail Opp	10/04	\$ 1,671,258	0.2%	\$ 10,000,000	\$ 5,885,919	0.8%
California SGF IV	10/06	\$ 20,195,135	2.8%	\$ 30,000,000	\$ 33,153	2.2%
CJ Urban II	5/05	\$ 4,857,532	0.7%	\$ 10,000,000	\$ 1,011,296	0.6%
CIM III	10/07	\$ 18,775,439	2.6%	\$ 15,000,000	\$ 2,398,347	2.3%
CityView LA Urban I	6/07	\$ 13,160,758	1.8%	\$ 25,000,000	\$ 10,978,159	2.6%
Colony Investors VIII	9/07	\$ 9,701,800	1.3%	\$ 30,000,000	\$ 1,023,200	1.2%
CPI CPE	9/06	\$ 10,238,434	1.4%	\$ 25,632,000	\$ 3,999,165	1.5%
DLJ II	9/99	\$ 4,075,844	0.6%	\$ 40,000,000	\$ 2,248,814	0.7%
DLJ IV	9/08	\$ 30,661,125	4.3%	\$ 40,000,000	\$ 7,691,855	4.1%
Genesis WFH II	1/07	\$ 21,080,101	2.9%	\$ 20,000,000	\$ -	2.3%

**RISK/RETURN REVIEW**

<b>RISK/RETURN REVIEW - MARKET VALUES AND INVESTMENT COMMITMENTS</b>						
(for period ended March 31, 2013)						
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	\$ 5,761,348	0.8%	\$ 25,000,000	\$ -	0.6%
Lone Star VII	4/11	\$ 11,283,693	1.6%	\$ 15,000,000	\$ 2,786,436	1.5%
Lone Star REF II	4/11	\$ 5,189,983	0.7%	\$ 15,000,000	\$ 7,722,813	1.4%
MacFarlane Urban REF II	9/07	\$ 15,025,708	2.1%	\$ 40,000,000	\$ 1,399,861	1.8%
Next Block Medical I	6/07	\$ 12,574	0.0%	\$ 10,000,000	\$ 642,520	0.1%
Paladin Latin America III	11/08	\$ 6,728,363	0.9%	\$ 20,000,000	\$ 6,524,679	1.4%
Southern California SGF I	9/04	\$ 2,967,782	0.4%	\$ 10,000,000	\$ 68,212	0.3%
Stockbridge II	9/06	\$ 7,337,686	1.0%	\$ 30,000,000	\$ -	0.8%
Torchlight Debt Opportunity II	11/07	\$ 13,533,447	1.9%	\$ 25,000,000	\$ -	1.5%
Torchlight Debt Opportunity III	6/09	\$ 19,708,465	2.7%	\$ 25,000,000	\$ -	2.1%
Tuckerman RIVA	10/04	\$ 14,840,476	2.1%	\$ 25,000,000	\$ -	1.6%
Tuckerman MFDPIII	12/02	\$ 46,977	0.0%	\$ 15,000,000	\$ -	0.0%
Walton Street RE V	8/06	\$ 14,668,434	2.0%	\$ 25,000,000	\$ -	1.6%
Walton Street RE VI	4/09	\$ 20,678,560	2.9%	\$ 25,000,000	\$ 7,549,216	3.0%
Westbrook III	9/98	\$ 610,387	0.1%	\$ 20,000,000	\$ -	0.1%
<b>Total Portfolio</b>		<b>\$ 720,621,504</b>	<b>100.0%</b>	<b>\$ 1,292,511,199</b>	<b>\$ 207,983,955</b>	<b>100.0%</b>

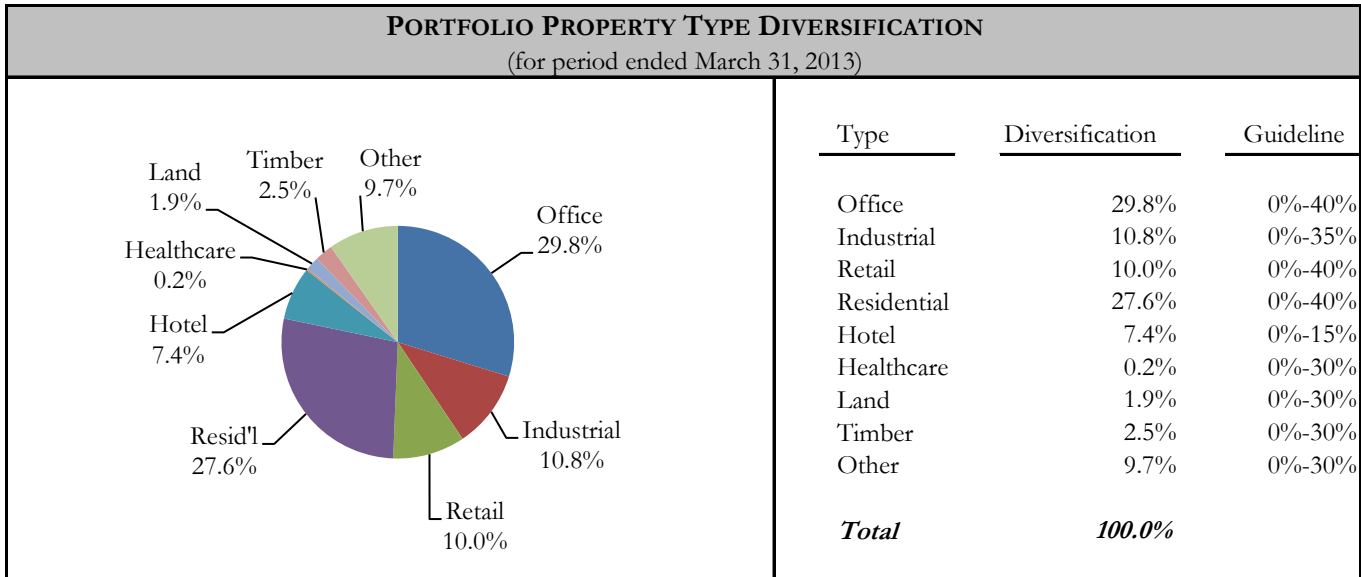


Note: Due to rounding, the sum of the above weights may not equal 100%.

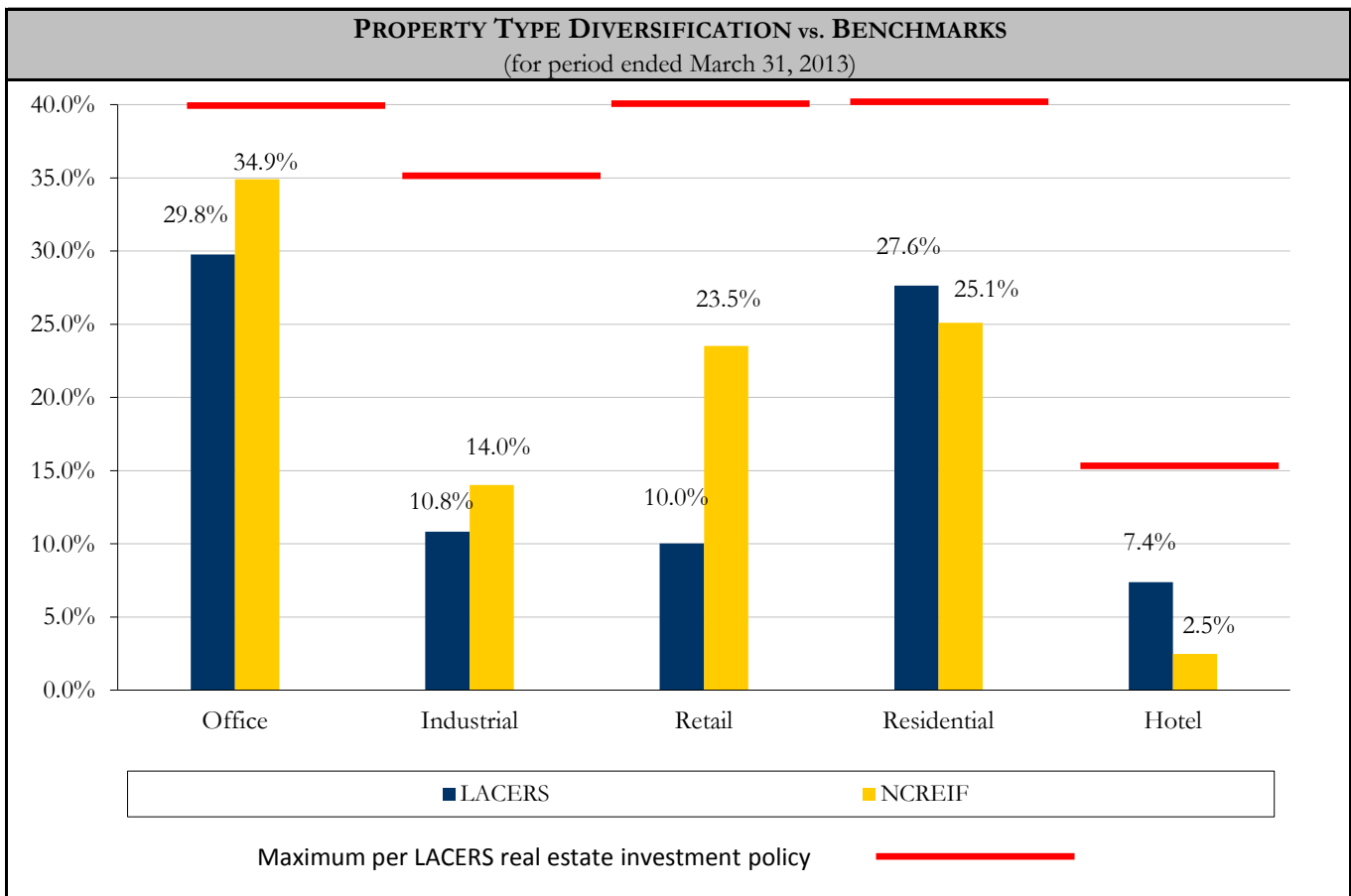
**RISK/RETURN COMMENTS**

The current Portfolio composition produces an average expected return within the “value” risk/return range. The current exposures are 29.5% core and 70.5% non-core. The total potential exposure, including unfunded commitments, would be 28.4% core and 71.6% non-core upon funding all remaining commitments.

**PORTFOLIO COMPOSITION REVIEW**

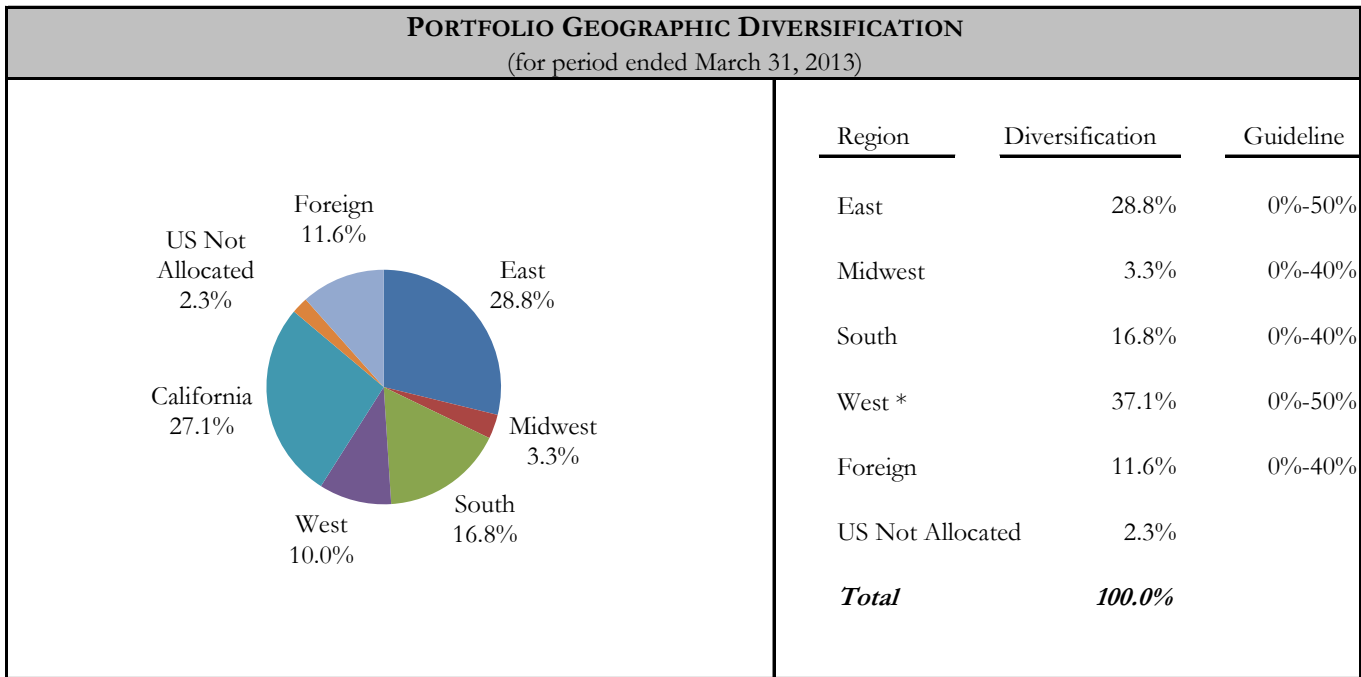


Note: Due to rounding, the sum of the above weights may not equal 100%.

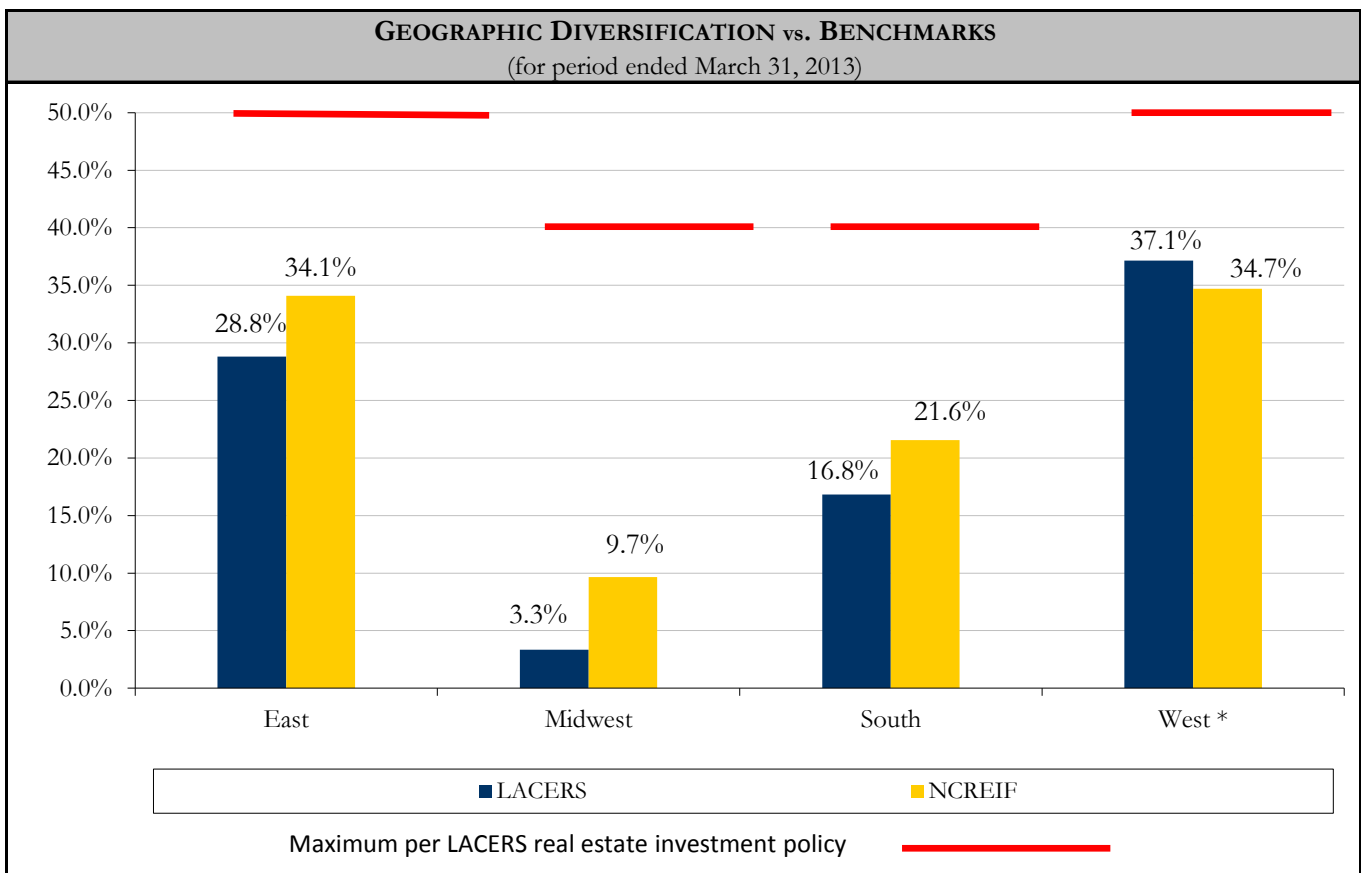


**PROPERTY TYPE DIVERSIFICATION COMMENTARY**

In comparison to the NCREIF Index, the portfolio is over-weighted in the hotel and residential sector by sector by 4.9% and 2.5% respectively. The portfolio is under-weighted in the office, industrial and retail sectors by 5.1%, 3.2% and 13.5%, respectively. The portfolio falls within the investment guidelines.



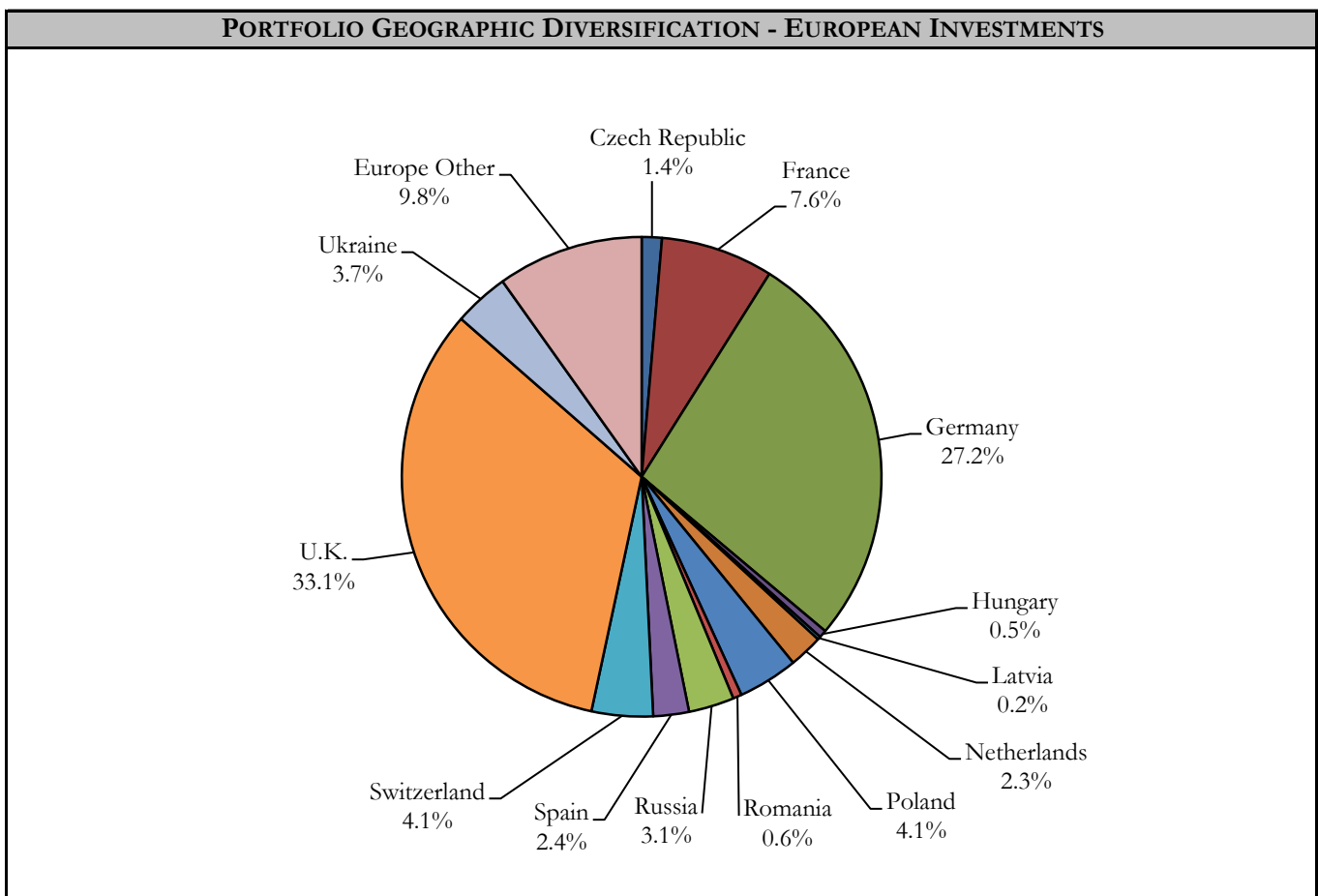
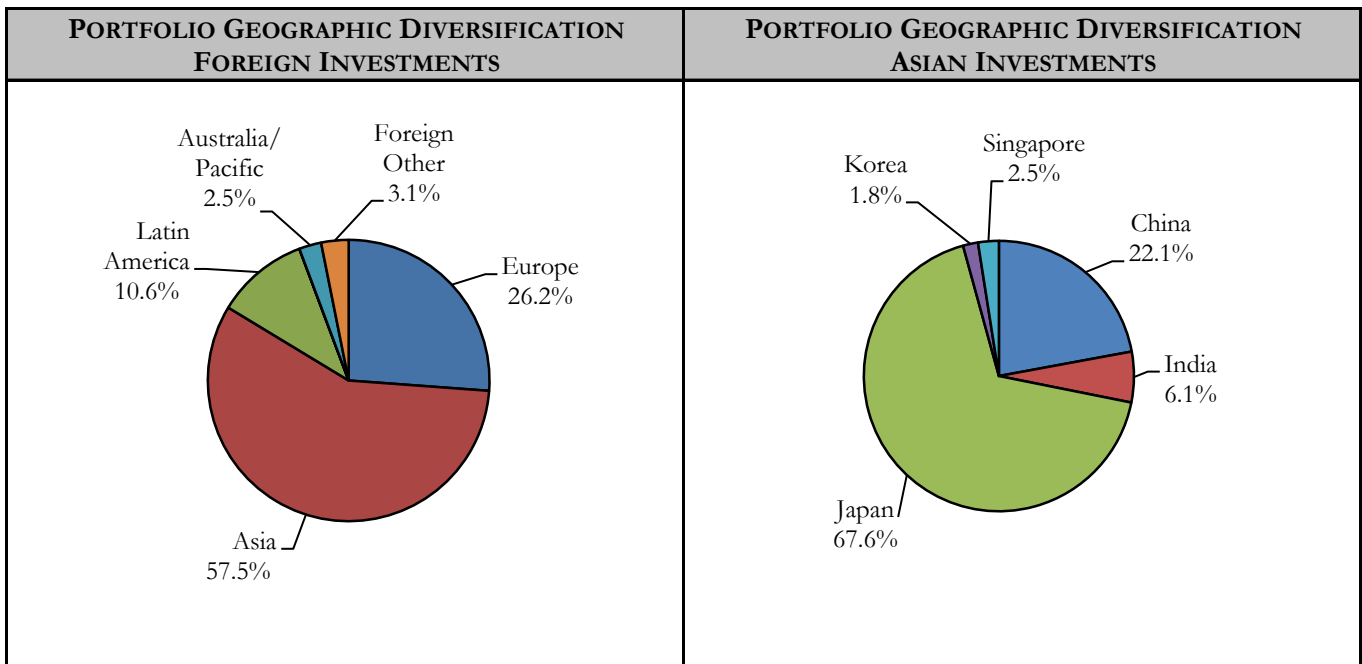
Note: Due to rounding, the sum of the above weights may not equal 100%.



\* Including California.

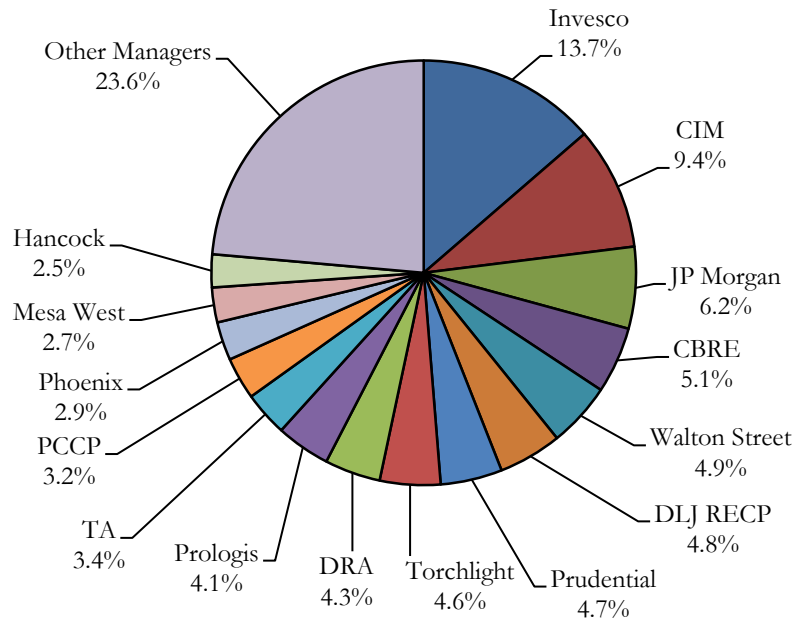
### GEOGRAPHIC DIVERSIFICATION COMMENTARY

In comparison to the NCREIF Index, the Portfolio is over-weighted in the West by 2.4%. The Portfolio is under-weighted in the East, Midwest and South sectors by 5.3%, 6.4% and 4.8%, respectively. The Portfolio falls within the investment guidelines.

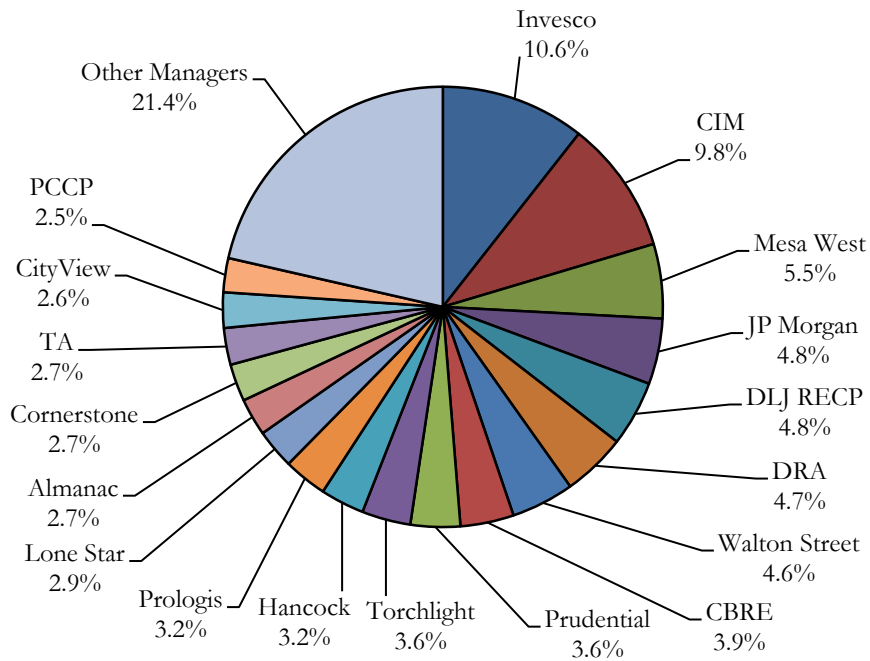


Note: Due to rounding, the sum of the above weights may not equal 100%.

**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	\$98,390,429	13.7%	Invesco	\$98,390,429	10.6%
CIM	\$67,517,369	9.4%	CIM	\$90,897,732	9.8%
JP Morgan	\$44,829,489	6.2%	Mesa West	\$50,758,736	5.5%
CBRE	\$36,430,688	5.1%	JP Morgan	\$44,829,489	4.8%
Walton Street	\$35,346,994	4.9%	DLJ RECP	\$44,677,638	4.8%
DLJ RECP	\$34,736,969	4.8%	DRA	\$43,554,391	4.7%
Prudential	\$33,853,951	4.7%	Walton Street	\$42,896,210	4.6%
Torchlight	\$33,241,912	4.6%	CBRE	\$36,430,688	3.9%
DRA	\$30,631,891	4.3%	Prudential	\$33,853,951	3.6%
Prologis	\$29,695,089	4.1%	Torchlight	\$33,241,912	3.6%
TA	\$24,488,229	3.4%	Hancock	\$29,951,811	3.2%
PCCP	\$23,162,917	3.2%	Prologis	\$29,695,089	3.2%
Phoenix	\$21,080,101	2.9%	Lone Star	\$26,982,924	2.9%
Mesa West	\$19,108,635	2.7%	Almanac	\$25,515,179	2.7%
Hancock	\$18,076,222	2.5%	Cornerstone	\$25,460,257	2.7%
Lone Star	\$16,473,675	2.3%	TA	\$25,088,229	2.7%
MacFarlane	\$15,025,708	2.1%	CityView	\$24,138,917	2.6%
Hunt Investment	\$14,840,476	2.1%	PCCP	\$23,264,282	2.5%
Buchanan	\$14,146,440	2.0%	Phoenix	\$21,080,101	2.3%
CityView	\$13,160,758	1.8%	Bristol	\$19,918,074	2.1%
Urdang CM	\$12,007,374	1.7%	Buchanan	\$17,146,440	1.8%
Apollo	\$10,238,434	1.4%	MacFarlane	\$16,425,568	1.8%
Colony	\$9,701,800	1.3%	Urdang CM	\$15,627,393	1.7%
RREEF	\$8,440,787	1.2%	Hunt Investment	\$14,840,476	1.6%
Stockbridge	\$7,337,686	1.0%	Apollo	\$14,237,599	1.5%
Cornerstone	\$7,071,082	1.0%	Paladin	\$13,253,042	1.4%
Paladin	\$6,728,363	0.9%	Colony	\$10,725,000	1.2%
Almanac	\$6,117,279	0.8%	Integrated Capital	\$10,074,555	1.1%
Integrated Capital	\$6,081,352	0.8%	RREEF	\$8,440,787	0.9%
LaSalle	\$5,761,348	0.8%	Bryanston	\$7,557,177	0.8%
Canyon-Johnson	\$4,857,532	0.7%	Stockbridge	\$7,337,686	0.8%
UrbanAmerica	\$4,594,996	0.6%	Canyon-Johnson	\$5,868,828	0.6%
Heitman	\$2,522,942	0.4%	LaSalle	\$5,761,348	0.6%
Bryanston	\$1,671,258	0.2%	UrbanAmerica	\$5,305,970	0.6%
Lowe	\$1,422,844	0.2%	Heitman	\$2,642,248	0.3%
Bristol	\$1,158,547	0.2%	Lowe	\$1,422,844	0.2%
Westbrook	\$610,387	0.1%	Hunt Realty	\$655,094	0.1%
Tuckerman	\$46,977	0.0%	Westbrook	\$610,387	0.1%
Hunt Realty	\$12,574	0.0%	Tuckerman	\$46,977	0.0%
<b>Total</b>	<b>\$720,621,504</b>	<b>100.0%</b>	<b>Total</b>	<b>\$928,605,460</b>	<b>100.0%</b>

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]



**INVESTMENT LEVERAGE REVIEW**

(for period ended March 31, 2013)

Investment		Market Value	Leverage
MacFarlane Urban REF II	Opportunistic	\$15,025,708	82.5%
Paladin Latin America III	Opportunistic	\$6,728,363	78.0%
DRA G&I VI	Value	\$15,995,566	76.1%
Almanac VI	Value	\$6,117,279	75.5%
CityView LA Urban I	Opportunistic	\$13,160,758	73.0%
Lone Star REF II	Opportunistic	\$5,189,983	72.8%
UrbanAmerica II	Value	\$4,594,996	72.2%
DRA G&I VII	Value	\$14,636,325	69.6%
CPI CPE	Opportunistic	\$10,238,434	69.4%
CJ Urban II	Opportunistic	\$4,857,532	66.7%
Stockbridge II	Opportunistic	\$7,337,686	66.0%
Tuckerman RIVA	Opportunistic	\$14,840,476	64.7%
Mesa West RE Income II	Value	\$19,108,635	62.9%
Lowe Hospitality	Value	\$1,422,844	61.7%
Heitman VP	Value	\$2,522,942	61.4%
Genesis WFH II	Opportunistic	\$21,080,101	60.0%
Prologis Japan I	Value	\$29,695,089	56.3%
CBRE SP IV	Value	\$5,052,441	54.9%
Lone Star VII	Opportunistic	\$11,283,693	52.8%
TA VII	Value	\$9,661,868	51.5%
Walton Street RE V	Opportunistic	\$14,668,434	51.2%
Buchanan V	Value	\$14,065,338	50.4%
Urdang VA II	Value	\$12,007,374	49.1%
Bristol Value Fund II	Value	\$1,158,547	48.8%
California SGF IV	Opportunistic	\$20,195,135	47.7%
RREEF America REIT III	Value	\$8,440,787	47.5%
Southern California SGF I	Opportunistic	\$2,967,782	47.2%
DLJ II	Opportunistic	\$4,075,844	46.7%
Walton Street RE VI	Opportunistic	\$20,678,560	45.6%
LaSalle Asia Opportunity II	Opportunistic	\$5,761,348	43.7%
CBRE SP V	Value	\$23,893,843	42.0%
Cornerstone Enhanced Mortgage I	Core	\$7,071,082	41.0%
IC Hospitality	Value	\$6,081,352	39.5%
TA IX	Value	\$14,826,361	36.9%
JP Morgan APF	Value	\$4,403,316	36.7%
PRISA II	Value	\$33,853,951	34.6%
Bryanston Retail Opp	Opportunistic	\$1,671,258	33.5%
CIM VI	Core	\$4,227,804	26.9%
JP Morgan SPF	Core	\$40,426,174	24.4%
DLJ IV	Opportunistic	\$30,661,125	23.2%
CBRE SP UK III	Value	\$6,586,729	23.1%
Invesco Core RE USA	Core	\$98,390,429	21.1%
CIM III	Opportunistic	\$18,775,439	20.1%
Torchlight Debt Opportunity II	Opportunistic	\$13,533,447	19.2%
Colony Investors VIII	Opportunistic	\$9,701,800	17.0%
CIM Urban REIT	Core	\$44,514,126	15.1%
Hancock Forestree V	Core	\$9,608,332	12.8%
Westbrook III	Opportunistic	\$610,387	7.5%
Torchlight Debt Opportunity III	Opportunistic	\$19,708,465	0.0%
Hancock Timberland XI	Core	\$8,467,890	0.0%
CBRE SP III	Value	\$897,675	0.0%
Buchanan III	Value	\$81,102	0.0%
Tuckerman MFDP III	Opportunistic	\$46,977	0.0%
Next Block Medical I	Opportunistic	\$12,574	0.0%

**INVESTMENT LEVERAGE REVIEW**

(for period ended March 31, 2013)

<i>* Core</i>	<i>\$212,705,836</i>	<i>20.0%</i>
<i>* Value</i>	<i>\$235,104,360</i>	<i>50.8%</i>
<i>* Opportunistic</i>	<i>\$272,811,308</i>	<i>44.9%</i>
<i>* Total</i>	<i>\$720,621,504</i>	<i>39.5%</i>

\* *Weighted by market value.*

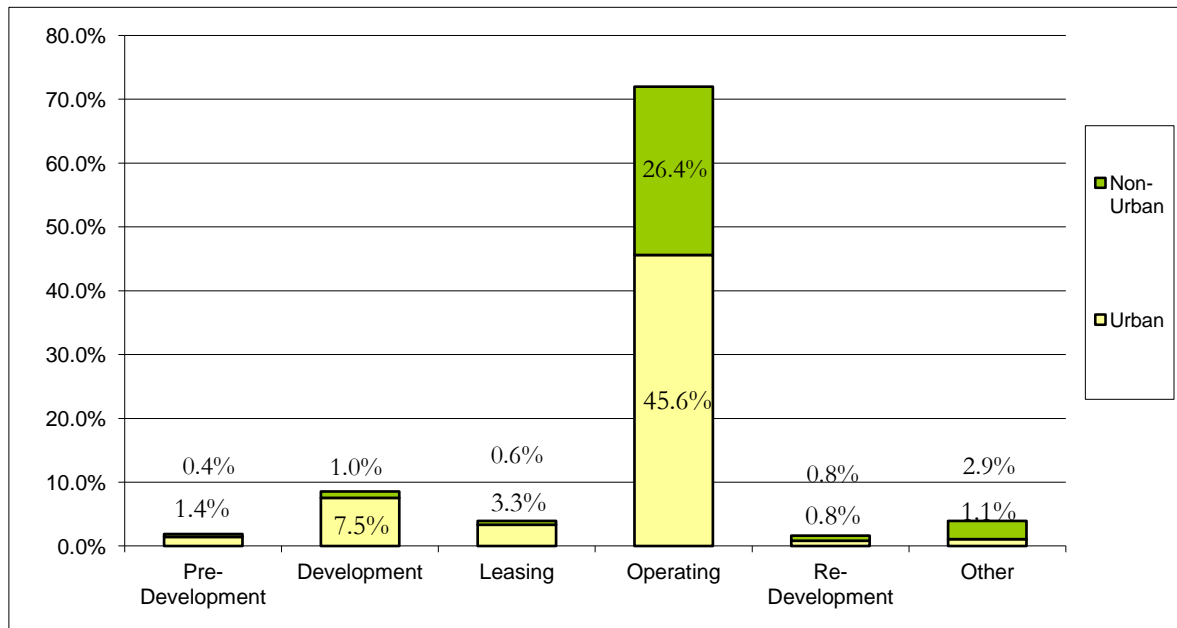
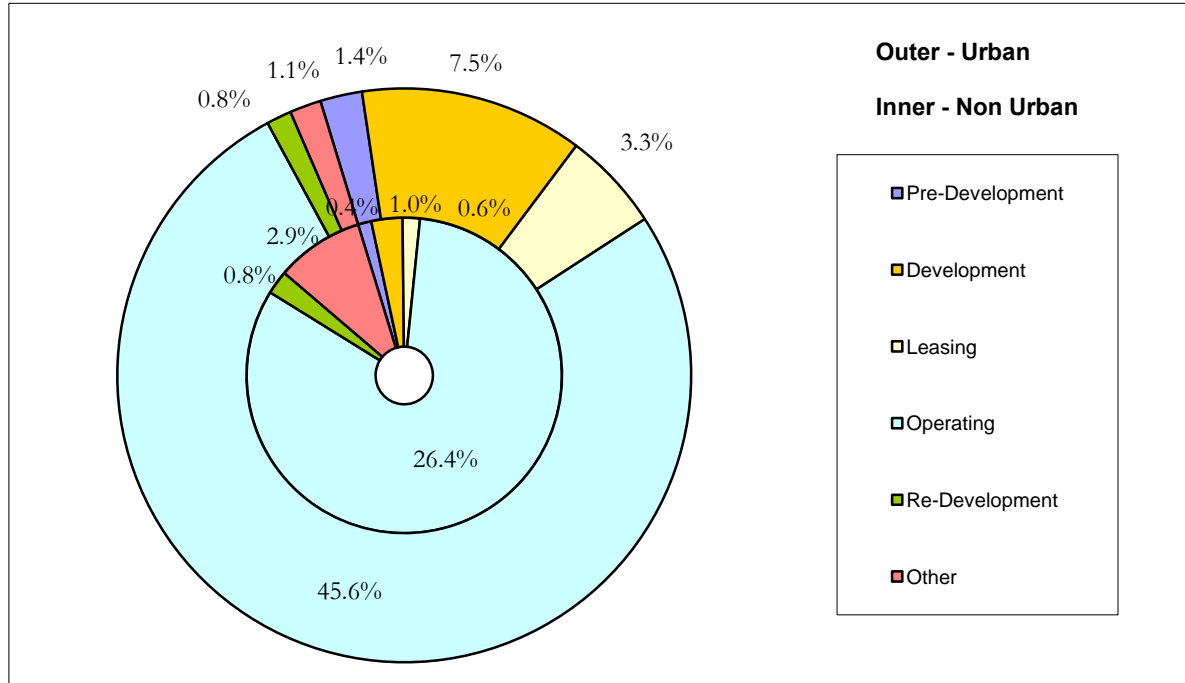
[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

**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	1.4%	7.5%	3.3%	45.6%	0.8%	1.1%	
Non-Urban	0.4%	1.0%	0.6%	26.4%	0.8%	2.9%	
<b>Total</b>	<b>1.9%</b>	<b>8.6%</b>	<b>3.9%</b>	<b>72.0%</b>	<b>1.6%</b>	<b>4.0%</b>	
<b>Los Angeles -</b>	<b>3.1%</b>	<b>LA County total -</b>		<b>9.1%</b>	<b>California total-</b>		<b>27.1%</b>

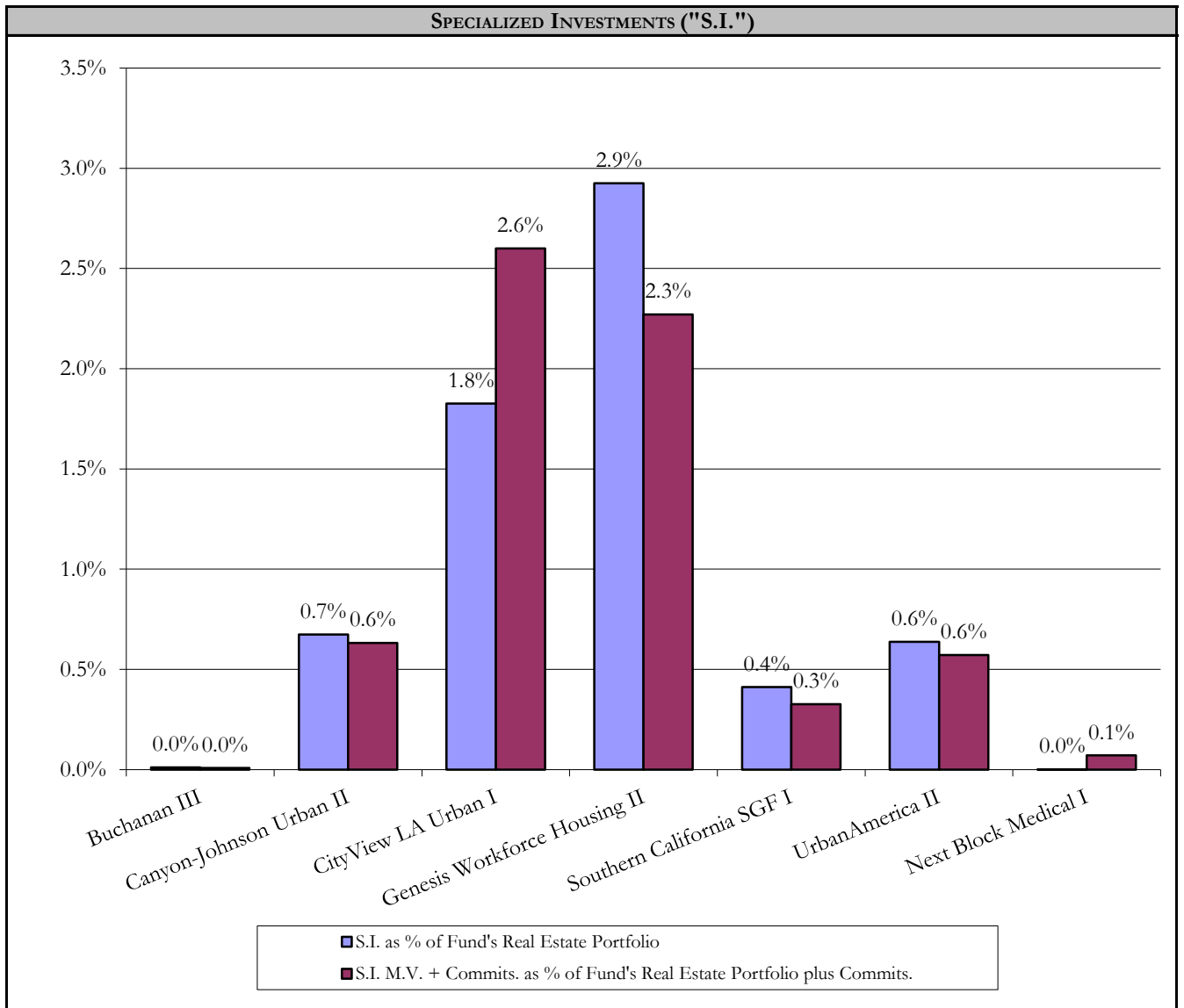
Total number of investments with an office in California: 42

\* Excluding Almanac VI, Lone Star, Torchlight and the liquidating 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	\$ 81	\$ 81	0.2%	0.0%	0.0%
Canyon-Johnson Urban II	\$ 4,858	\$ 5,869	10.4%	0.7%	0.6%
CityView LA Urban I	\$ 13,161	\$ 24,139	28.1%	1.8%	2.6%
Genesis Workforce Housing II	\$ 21,080	\$ 21,080	45.1%	2.9%	2.3%
Southern California SGF I	\$ 2,968	\$ 3,036	6.3%	0.4%	0.3%
UrbanAmerica II	\$ 4,595	\$ 5,306	9.8%	0.6%	0.6%
Next Block Medical I	\$ 13	\$ 655	0.0%	0.0%	0.1%
<b>Total Specialized Investments</b>	<b>\$ 46,755</b>	<b>\$ 60,166</b>	<b>100.0%</b>	<b>6.5%</b>	<b>6.5%</b>



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	50,778	686,702	179,402,158
Q4-00	31,162,476	(967,307)	(2,492,390)	(3,316,566)	648,715	2,584,081	849,974	208,838,448
Q1-01	6,539,840	(795,671)	(1,259,667)	(4,464,695)	3,305,350	884,215	291,813	214,135,304
Q2-01	9,611,649	(643,416)	(2,243,042)	(7,112,641)	2,608,985	2,011,295	411,643	219,423,193
Q3-01	1,106,714	(739,763)	(5,617,139)	(7,588,396)	4,005,923	1,761,191	473,160	213,564,645
Q4-01	6,919,811	(873,835)	(2,265,492)	(9,611,092)	3,495,620	5,496,059	695,781	218,295,332

<b>Total Portfolio</b>								
<b>Investment Activity Statement</b>								
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	225,212,049
Q2-02	1,728,816	(833,445)	(11,439,943)	(8,486,231)	4,998,433	1,017,155	879,096	213,909,375
Q3-02	456,226	(707,728)	(18,229,419)	(1,845,593)	1,759,761	1,661,045	406,289	198,117,684
Q4-02	12,829,964	(894,709)	(1,506,490)	(8,646,747)	1,074,779	(2,994,283)	655,010	199,529,916
Q1-03	1,643,080	(664,700)	(2,260,651)	(3,787,902)	2,898,985	(708,202)	1,279,664	198,594,890
Q2-03	6,899,945	(880,614)	(1,371,675)	(3,812,529)	2,423,649	152,893	2,266,657	205,153,830
Q3-03	13,291,056	(672,973)	(12,050,620)	(4,310,596)	2,367,771	(2,508,604)	1,072,378	203,015,214
Q4-03	1,790,079	(1,534,008)	(20,617,326)	(4,392,970)	677,938	6,862,054	2,928,719	190,263,708
Q1-04	5,193,015	(753,824)	(23,262,472)	(7,525,464)	1,794,190	(1,412,059)	2,621,274	167,672,192
Q2-04	6,398,177	(1,556,935)	(5,664,120)	(2,409,649)	869,635	3,260,929	2,003,613	172,130,777
Q3-04	5,613,819	(723,477)	(10,359,164)	(10,218,940)	1,480,586	18,788	3,181,915	161,847,781
Q4-04	88,426,537	(3,566,054)	(16,628,261)	(12,671,261)	1,777,768	9,315,560	9,173,828	241,241,951
Q1-05	19,507,910	(485,465)	(11,274,539)	(22,628,991)	1,961,875	(3,980,450)	8,695,780	233,523,536
Q2-05	21,073,449	(1,609,345)	(13,601,695)	(11,155,757)	1,648,066	2,637,565	4,435,043	238,560,207
Q3-05	49,927,271	(492,884)	(18,835,163)	(14,804,339)	2,143,041	3,799,450	7,676,919	268,467,386
Q4-05	34,999,808	(4,444,589)	(10,782,174)	(4,677,490)	1,742,343	15,187,209	5,916,651	310,853,734
Q1-06	29,089,752	(931,692)	(8,050,402)	(8,430,534)	2,815,632	3,643,730	4,358,950	334,280,863
Q2-06	39,421,969	(1,478,946)	(5,047,599)	(4,292,366)	3,899,226	8,484,040	4,293,643	381,039,776
Q3-06	39,441,024	(1,418,869)	(7,613,004)	(5,167,346)	1,310,794	2,109,153	2,199,345	413,319,742
Q4-06	35,847,974	(5,348,842)	(11,432,520)	(8,916,220)	1,391,274	24,163,893	3,350,236	457,724,380
Q1-07	20,422,438	(2,194,903)	(5,101,227)	(7,556,709)	3,612,157	5,002,090	2,132,912	476,236,042
Q2-07	35,453,280	(4,790,593)	(10,383,825)	(14,111,318)	1,959,904	11,503,312	2,692,045	503,349,441
Q3-07	20,374,060	(2,623,820)	(6,344,997)	(8,744,638)	(531,583)	9,857,605	5,726,076	523,685,964
Q4-07	45,938,113	(4,386,511)	(13,731,407)	(8,928,361)	(2,133,926)	4,614,907	8,004,078	557,449,370
Q1-08	53,665,634	(2,898,307)	(2,068,865)	(3,567,855)	340,459	(6,217,860)	1,781,191	601,382,074
Q2-08	45,597,001	(1,540,304)	(6,478,662)	(4,120,614)	2,067,586	(8,634,440)	3,041,601	632,854,545
Q3-08	42,370,079	(2,888,603)	(3,366,277)	(4,195,887)	1,021,363	(41,219,197)	2,316,034	629,780,659
Q4-08	28,930,381	(1,177,098)	(35,039)	(4,482,009)	97,014	(114,102,526)	887,845	541,076,326
Q1-09	23,653,512	(2,644,792)	(649,910)	(2,307,107)	2,016,579	(70,840,921)	(1,559,453)	491,389,026
Q2-09	37,537,583	(3,570,255)	(654,118)	(1,689,230)	1,022,832	(71,142,251)	280,649	456,744,491
Q3-09	20,499,139	(2,760,975)	(410,095)	(2,395,985)	2,621,371	(24,600,468)	(2,027,590)	450,430,863
Q4-09	25,420,037	(2,536,737)	(1,267,646)	(2,286,222)	2,118,222	(43,068,411)	(3,774,610)	427,572,234
Q1-10	14,249,356	(3,399,268)	(520,965)	(2,477,524)	943,778	5,858,612	(8,053,274)	437,572,216
Q2-10	31,200,137	(2,802,821)	(940,821)	(4,707,290)	2,995,556	3,298,075	(1,491,958)	467,925,914
Q3-10	43,105,797	(2,789,470)	(5,264,009)	(3,589,099)	2,317,773	21,209,035	(3,862,246)	521,843,165
Q4-10	46,770,745	(4,197,450)	(17,037,111)	(9,653,816)	473,991	29,873,699	(3,678,989)	568,591,684
Q1-11	13,947,755	(2,232,315)	(3,056,519)	(2,741,719)	4,527,542	13,163,211	344,836	594,776,790
Q2-11	26,331,038	(3,317,046)	(5,560,107)	(6,256,052)	3,835,743	25,036,163	(8,328,702)	629,834,874
Q3-11	24,464,547	(1,605,551)	(7,345,575)	(10,170,213)	6,235,401	(3,085,860)	3,302,312	643,235,487
Q4-11	22,584,614	(2,710,965)	(20,389,186)	(8,869,678)	2,631,694	14,351,778	(452,058)	653,092,650
Q1-12	18,632,529	(2,368,972)	(7,234,836)	(6,129,428)	5,045,655	9,472,511	(85,014)	672,794,067
Q2-12	20,415,478	(2,575,307)	(7,406,035)	(4,934,935)	6,245,919	13,429,148	(12,129,406)	688,414,235
Q3-12	26,560,237	(2,845,965)	(25,472,460)	(8,378,702)	6,574,184	13,804,610	(1,065)	701,501,038
Q4-12	31,040,525	(3,174,286)	(29,055,340)	(13,204,101)	4,847,631	23,463,328	2,257,197	720,850,280
Q1-13	12,506,022	(3,006,805)	(20,303,754)	(7,419,285)	7,468,548	14,203,893	(6,684,200)	720,621,504
<b>Total</b>	<b>1,534,555,223</b>	<b>(110,229,740)</b>	<b>(533,684,912)</b>	<b>(454,147,883)</b>	<b>135,049,676</b>	<b>(18,141,942)</b>	<b>56,991,342</b>	

## Real Estate Market Overview

For The Period Ended 06/30/2013

### U.S. ECONOMIC SUMMARY

- U.S. real GDP increased at an annual rate of 2.5% in the second quarter of 2013, according to the “the Bureau of Economic Analysis. This figure compares to real GDP growth of 1.1% in 1Q13.
- Job creation continues to grow, but is beginning to exhibit slowdowns in the pace of growth. In the second quarter, the U.S. economy gained 547,000 jobs. This compares to 622,000 in the first quarter of 2013. For the 12 months ending June 30, 2013 there were 2.25 million jobs added compared to 2.12 million for the 12 months ending June 30, 2012. The uptick in jobs creation has helped to reduce the unemployment rate to 7.6% at the end of June.
- Existing home sales were up 15% for the quarter compared to the same quarter last year. New home sales increased 2.5% while housing starts fell -16.9% for the quarter.
- Data through the end of June shows that the Case-Shiller Home Price Index was up 10.1% year-over-year in 2Q13 and up 7.1% over 1Q13.

### Second Quarter 2013 NCREIF Property Index Performance Review

Total Return Performance – by Property Type and Sub-Type

<b>NCREIF Property Index</b> (as of 6/30/2013)			
	<u>2Q 2013</u>	<u>YTD</u>	<u>1 Year</u>
<b>NPI Total</b>	2.9%	5.5%	10.7%
<b>Apartment</b>	2.5%	5.1%	10.7%
<b>Hotel</b>	2.0%	3.1%	7.7%
<b>Industrial</b>	3.2%	5.5%	10.8%
<b>Office</b>	2.8%	4.8%	9.6%
<b>Retail</b>	3.2%	7.1%	12.8%
<b>Regions</b>			
<b>East</b>	2.5%	4.7%	9.2%
<b>Midwest</b>	3.0%	5.5%	10.4%
<b>South</b>	3.1%	6.2%	11.9%
<b>West</b>	3.1%	5.9%	11.7%

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.

<b>Other Indices Total Returns</b> (as of 06/30/2013)			
	<u>2Q 2013</u>	<u>YTD</u>	<u>1 Year</u>
<b>NCREIF ODCE</b>	3.9%	6.7%	11.1%
<b>NCREIF Timber Index</b>	0.9%	2.5%	9.4%
<b>NCREIF Farm Index</b>	2.0%	7.5%	20.0%
<b>NAREIT Equity</b>	-2.1%	5.8%	10.2%
<b>FTSE EPRA/NAREIT Global</b>	-4.3%	1.3%	14.2%
<b>S&amp;P 500</b>	2.9%	13.8%	20.6%
<b>Barclays Aggregate Bond</b>	-2.3%	-2.4%	-0.7%
<b>Consumer Price Index (CPI)</b>	0.3%	1.7%	1.8%

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 2Q 2013

NCREIF returns remained strong in the second quarter of 2013, despite the concern over the sequester and the eventual end of quantitative easing from the Fed. Both the NCREIF Property Index and NCREIF-ODCE Index continued their nearly three-year run of double digit annual returns. The one year NPI total return of 10.7% was up 20 basis points from last quarter, while the ODCE total return of 11.1% was 30 basis points higher.

The NCREIF Open-end Diversified Core Equity Index (ODCE) posted a strong second quarter total return of 3.9%, representing the highest quarterly return for the index in two years. Reflecting a continued rise in transaction pricing for top tier core assets, the quarterly appreciation return totaled 2.6%, accounting for 66% of the total return, which was a significant shift from the trend in previous quarters and similar to what was experienced in 2010 and 2011. The income return was 1.3% for the quarter, staying in line with the four-quarter trend. After declining for seven consecutive quarters, the trailing 4-quarter return jumped to 12.2% as of the second quarter. While this pales in comparison to the 16%-20% annual returns experienced in 2011, performance is running well above the 10-year average of 8.0% and outpaced public real estate securities over the last year.

The Federal Reserve purchase of commercial mortgages provided a lift to the CMBS market, with H1-13 (\$44 billion) issuance nearly equaling all of 2012 (\$48 billion), according to Commercial Mortgage Alert. The talk of Fed tapering, started in May by the release of the Fed minutes, grew in mid June when President Obama rocked the markets by saying the Fed Chairman Ben Bernanke has "already stayed a lot longer than he wanted, or he was supposed to." The result of these two actions was a 65 basis point rise in the 10-Year U.S. Treasury rates and a 15% peak to trough decline in U.S. REITs from May to June.

#### **Office**

NCREIF office property sector total return in the 2Q13 was 2.8%, which includes value appreciation of 1.5% and income of 1.4%. The office sector trailing four-quarter total return was 9.6%. The trailing four-quarter total return was comprised of a value appreciation of 3.9% and an income return of 5.5%. Over the last year, office returns have lagged the other three primary property types.

The suburban office segment slightly underperformed CBD, 2.8% vs. 2.9% for 2Q13. The trailing year income returns for CBD properties remains below suburban properties (5.0% vs. 6.1%) but the appreciation return for CBD properties is more than twice the suburban property return (5.3% vs. 2.5%).

The national vacancy rate fell by 10 bps to 15.2%, and vacancy levels dropped in the majority of markets. From 2Q12 to 2Q13, the national average vacancy in suburban markets fell by 20 bps to 16.8%, while it declined in urban areas by 10 bps to 12.3%. During 2Q13, 3.9 million square feet of new office space was delivered, and a total of 25 million sf of new supply is expected over 2013. Office transaction volume totaled \$21 billion in the quarter, up 36% from the same period one year prior, but below the \$29.1 billion recorded in 1Q13.

#### **Industrial**

The NCREIF industrial property sector total return in 2Q13 was 3.2%, comprised of value appreciation of 1.7% and income of 1.4%. For the trailing four-quarters, industrial property total return was 10.8%, comprised of value appreciation of 4.5% and income return of 6.1%. Over the trailing four-quarters the West region has generated a total return of 12.1%, compared to total returns of 10.1%, 9.2%, and 9.9% for the South, Midwest, and East, respectively.



There was a 30 bps decline in the national average industrial availability rate to 12%, which has fallen for twelve consecutive quarters. This is impressive given the slowdown in international trade with Europe and China, and government spending cuts that continue to moderate economic expansion.

In 2Q13, industrial transaction volume reached \$9.7 billion, up 3% from the same period one year prior. Transactions involving warehouse property sales totaled approximately \$6.4 billion, accounting for much of the gain, rising 6% over 2Q12.

### **Apartments**

The NCREIF apartment property sector total return in 2Q13 was 2.5%, including value appreciation of 1.2% and income of 1.3%. The apartment sector trailing four-quarter total return was 10.7%. The trailing four-quarter total return was comprised of a value appreciation of 5.2% and an income return of 5.3%.

Average vacancy rate for multifamily was unchanged in the quarter at 4.3%. During 2Q13, 27,000 units were delivered, well above the 17,000 units delivered in the prior quarter. Nationally, rents increased by 0.7% during the quarter, and 1.3% year-to-date.

Multifamily transactions began to moderate in the quarter and volume reached \$17 billion, a 7% decrease over the year ago period. Garden style properties make up 70% of the total transactions, compared to mid/high rise properties at 30%.

### **Retail**

The NCREIF retail sector was tied with Industrial as the best performing sector for 2Q13 with a total return of 3.2%, including a 1.8% value appreciation and a 1.5% income return. The retail sector trailing four-quarter total return was 12.8%. The trailing four-quarter total return was comprised of a value appreciation of 6.4% and an income return of 6.1%.

During the quarter, fundamentals of neighborhood and community shopping centers improved moderately with vacancy at 10.5%, slightly below the all-time peak of 11.1% in 2011. From 2Q12 to 2Q13, vacancy declined 30 bps. In 2Q13, net absorption slowed slightly, absorbing 2.5 million square feet, a decline from 3.0 million sf in 1Q13. While this is the eighth consecutive quarter of positive absorption, the pace is not accelerating.

Retail property transactions totaled \$13.5 billion in the quarter, up 9% year-over-year. For the quarter, malls represented the largest share of investment sales, totaling \$7.8 billion, a 13% year-over-year increase.

### **Hotel**

The NCREIF hotel sector was the only sector to experience a value decline in the quarter. The total return for 2Q13 was 2.0%, comprised of value decline of -0.2% and an income return of 2.1%. The trailing four-quarter total return for the hotel sector was 7.7%, comprised of value appreciation of 0.3% and an income return of 7.4%. Returns varied significantly by region, ranging from 4.4% in the Northeast to 0.4% in the Southeast.

According to Smith Travel Research, overall occupancy increased by 1.3% to 65.9%, the average daily rate (ADR) rose 3.6% to \$110.5, and revenue per available room (RevPAR) climbed by 5.0% to \$72.8 year-over-year. RevPAR has increased for thirteen consecutive quarters since the market trough in late 2009.

**INTERNATIONAL REAL ESTATE MARKET OVERVIEW 2Q 2013**

**European Overview**

Much of Europe continues to be mired in a deep recession though there are some signs of stabilization as the pace of manufacturing output ticked up at the end of the quarter. Eurozone GDP experienced the 6th consecutive quarterly decline in the 1Q13 of -0.9% on an annualized basis following a -2.3% in 4Q12.

Total Eurozone unemployment is now at an all-time high of 12.1% with over 40% unemployment among the under 25 year old group in Italy, Spain, Portugal and Greece.

In France, the economy slipped deeper into recession over the past six months. Business surveys suggest the economy is now contracting sharply, with the services PMI surveys close to the historic lows recorded in 2009.

The UK economy expanded by 0.6% in the second quarter, up from 0.3% in 1Q13. On an annualized basis, the UK economy grew by 1.4% in the year to June 2013.

Growth prospects in Spain remain very weak and the drag from austerity measures is set to remain intense. Aggressive fiscal tightening at the end of 2012 has hit the service sector hard, with the hike in indirect taxes further compounding the squeeze on real disposable incomes. House prices – which saw some stabilization in 2010 - are now falling at the fastest pace since the recession started.

The Italian economy appears to have stabilized for now, although GDP growth is still expected to contract by 1.8% in 2013, following a 2.4% drop in 2012.

While parts of the German economy are still suffering from short term weakness, above-inflation wage growth and a resilient labor market have now lifted consumer confidence to a five year high. Business confidence is also improving, although some of this positivity is being offset by a relatively weak export sector, which continues to struggle in the face of external headwinds. GDP growth is forecast to be 0.3% in 2013.

Optimism among Europe's banks is gradually rising. Financial market liquidity is improving and the number of active real estate lenders is increasing. Competition among lenders is putting downward pressure on prime margins. International investors remain cautious and cross-border capital flows are subdued. Transaction volume eased in the second quarter, although the underlying trend remains positive as a result of firm activity among domestic investors.

Northern Europe's secondary office markets are seeing an improved flow of new space requirements and rental growth in non-central business district (CBD) markets due to a lack of available Grade A space in CBDs.

[The Remainder of this Page Has Been Intentionally Left Blank].

## **Asia Pacific**

There is concern that the lower growth rates being reported out of China are actually overstating the true GDP levels. The People's Bank of China ("PBC") attempted to address one of the country's vulnerabilities by reigning in the credit markets, particularly the "shadow market" that has fueled much of the real estate development activity. The PBC set out to force banks to improve the credit quality of their loans. The result was a 13% increase in the interbank lending rate in June. It is not yet known what the impact will be on property values, but it is likely to slow the pace of new construction.

In Japan, Prime Minister Shinzo Abe's Three Arrow plan to stimulate the economy through fiscal and monetary policy was working well through the first five months of the year. The First Arrow (fiscal policy) and Second Arrow (monetary policy) helped to weaken the Yen, which increased exports and drove up asset values. J-REITs reached a five year high in May. However, on June 5th Abe announced the Third Arrow (regulation reform) to a less than enthusiastic response as most considered to be less aggressive than expected. The resulting rise in Japanese Government Bond yields, at a time when the Bank of Japan was easing, triggered a decline in property values into the end of the quarter.

Hong Kong was able to withstand concern over China's growth rate as cap rate compression and positive rental reversions appealed to investors. South Korea was muted for the quarter over concern that the falling Yen would negatively impact its export industries. Australia's economy is weakening due to falling commodity prices (again think China), which triggered the Reserve Bank of Australia to cut rates by 25 basis points to 2.75% in May. Singapore is a bit more troubling as they are experiencing slower growth and rising wage inflation.

The region's property markets continued to show mixed trends in 2Q13, with a sharp divergence between leasing and investment activity. Expansion by corporate occupiers remains subdued and retail leasing has also slowed in a number of markets over the last year. Conversely, investment activity continues to strengthen, with commercial transaction volumes showing a strong year-on-year increase in the quarter.

During 2Q13, Grade A office supply additions in the Asia region were up 15% compared to the 1Q13 levels. For the quarter, aggregate net absorption declined 26% y-o-y and was around 20% below the 3-year quarterly average. China and India accounted for nearly 80% of the total take-up. Financial centers remain weak, with limited take-up in Hong Kong and Singapore mainly coming from small non-financial occupiers.

During 2Q13, net effective rents were flat or grew slightly in most Asian markets. Jakarta continued to see the largest rental increase (9.8%) due to strong underlying demand and a lack of quality space. Rents rose in Hong Kong for the first time since 2Q11 (1.5%) and edged up in Singapore for the first time since 3Q11 (0.6%) due to limited leasing options in both cities.

Rents in Beijing declined further (-1.6%) on weak demand. Rents fell in most Australian cities, with the largest quarterly fall in Melbourne (-6.4%), followed by Sydney, Brisbane and Perth (-3 to -3.5%).

Over the last twelve months, Jakarta has been the clear regional outperformer with annual rental growth of 37% while most other markets have seen single-digit increases. Hong Kong and Singapore registered rental declines of 3-4% over the last year, while Melbourne recorded the largest annual decline across the region of 10.6%.

## **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:***

<b>Northeast</b>	<b>Midwest</b>	<b>E. North Central</b>	<b>W. North Central</b>
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			
<b>Southeast</b>	<b>Southwest</b>	<b>Mountain</b>	<b>Pacific</b>
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)



[THIS PAGE INTENTIONALLY LEFT BLANK.]

## **COMPUTATION METHODOLOGIES**



## COMPUTATION METHODOLOGIES

### Appreciation Return: Investment Level

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

### Appreciation Return: Property Level (Quarterly)

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

Where:

- EV<sub>t</sub> = Equity Value of Property at end of quarter
- EV<sub>t-1</sub> = 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<sub>i</sub> is the sum of the weighted returns of the investment or property for each year; DEN<sub>total</sub>, is the total of all denominators of the annual returns; each of the weighted returns is calculated using the formula WR<sub>i</sub> = DEN<sub>i</sub> x R<sub>i</sub> where DEN<sub>i</sub> is the denominator in the annual return calculation; and R<sub>i</sub> 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<sub>t-1</sub> = Equity Value of Property at Beginning of Quarter

[NCREIF]

**Internal Rate of Return:** The rate (IRR) that discounts cash flows F<sub>1</sub> through F<sub>x</sub> back to F<sub>0</sub> where: F<sub>0</sub> is the original investment; and F<sub>1</sub> through F<sub>x-1</sub> are the net Cash Distributions less Cash Contributions for each regular successive year up to the last year; and F<sub>x</sub> 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<sub>t</sub> = Equity Value of Property at End of Quarter
- PSP = Net Sales Proceeds (Partial Sales)
- PSM = Market Value of Sold Portion (Partial Sales)
- EV<sub>t-1</sub> = 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 Q<sub>1</sub>, Q<sub>2</sub>, Q<sub>3</sub> and Q<sub>4</sub> 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 Q<sub>1</sub>, Q<sub>2</sub>, Q<sub>3</sub> and Q<sub>4</sub> 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:

Beginning Net Assets  
+ Weighted Contributions  
- Weighted Distributions

### 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:

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:

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:

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:

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