



**TOWNSEND**  
GROUP

Real Estate Portfolio

# Performance Review

FOURTH QUARTER 2014



## Portfolio Funding Status

- The following slides provide a review of key information of the Los Angeles City Employees' Retirement System ("LACERS," the "Portfolio" or the "System") through December 31, 2014. A detailed performance report is also provided as **Exhibit A**.
- The System is in-line with its 5.0% target to Real Estate (at 5.1%) and within the allowable range ( $\pm 2.0\%$ ) including unfunded commitments.

	Market Value (\$ millions)*	% LACERS Plan
<b>LACERS Total Plan Assets</b>	<b>14,060</b>	
<b>Real Estate Target</b>	<b>703</b>	<b>5.0%</b>
RE Market Value:		
<i>Core</i>	248	
<i>Non-Core</i>	449	
<i>Timber</i>	12	
<b>Total RE Market Value</b>	<b>709</b>	<b>5.1%</b>
Unfunded Commitments	245	1.7%
<b>RE Market Value &amp; Unfunded Commitments</b>	<b>954</b>	<b>6.8%</b>
<b>Remaining Allocation</b>	<b>(251)</b>	<b>(1.8%)</b>



# Real Estate Portfolio Composition

	<i>Strategic Targets Pre-May 2014</i>	<i>Strategic Targets Approved May 2014</i>		<i>Portfolio Composition (12/31/2014)*</i>		<i>Projected Portfolio Composition*</i>
	<b>Tactical Range</b>	<b>Target Allocation</b>	<b>Tactical Range</b>	<b>Funded</b>	<b>Funded &amp; Committed<sup>1</sup></b>	<b>Funded &amp; Committed<sup>2</sup></b>
<b>Core</b>	30% - 40%	60%	40% - 80%	35%	37%	38%
<b>Non-Core</b>	N/A	40%	20% - 60%	63%	61%	59%
<i>Value-Added Portfolio</i>	30% - 40%	N/A	N/A	21%	23%	24%
<i>Opportunistic Portfolio</i>	20% - 30%	N/A	N/A	42%	38%	36%
<b>Timber</b>	0% - 10%	N/A	N/A	2%	2%	2%

- In May 2014, the Board approved revised strategic targets in order to reflect a more conservative risk profile going-forward.
- Since that time, and in an effort to transition the Portfolio, the LACERS Board approved \$140 million in new Core commitments, to be funded in 2015. However, projections show the need for additional Core capital to be deployed in order to fully transition the Portfolio to its target composition (60% Core).
- Until that time, LACERS remains overweight to Non-Core strategies. Projections show over 60% of the Non-Core Portfolio liquidating by year-end 2017, which will help to bring the Portfolio's exposure in-line with established targets.
- Projected Core commitments and liquidations from the Non-Core Portfolio show LACERS coming in-line with its strategic targets by year-end 2016. However, a risk of delay exists given Core fund entrance queues.
- The Core Portfolio utilizes 22.2% leverage, measured on a loan-to-value (LTV) basis, well below the 40.0% constraint.
- The Total Portfolio as a 44.2% LTV ratio, well below the 75.0% LTV Portfolio governor.

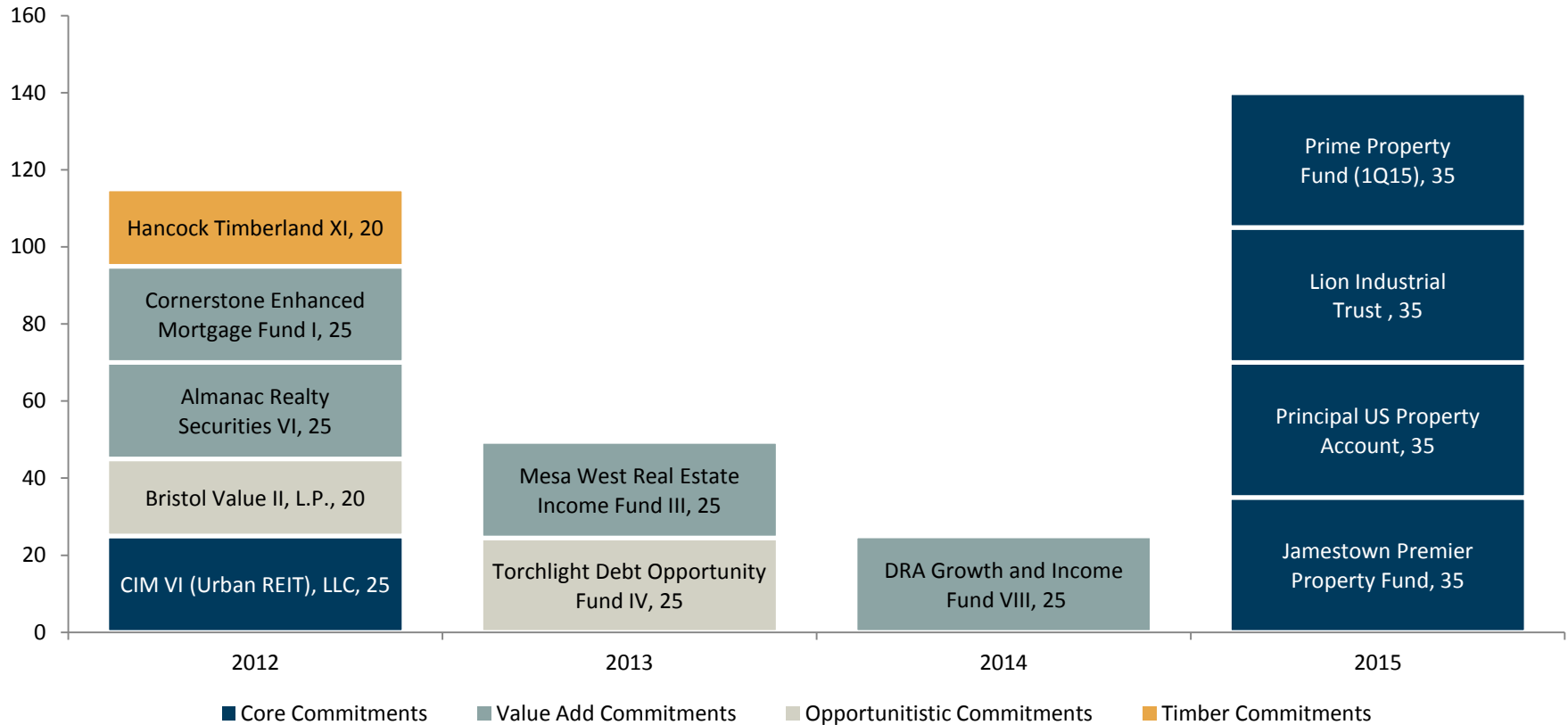
\*Figures may not add due to rounding.

<sup>1</sup> Does not include investments approved subsequent to Quarter end.

<sup>2</sup> Includes investments approved subsequent to Quarter end, including investments pending legal.



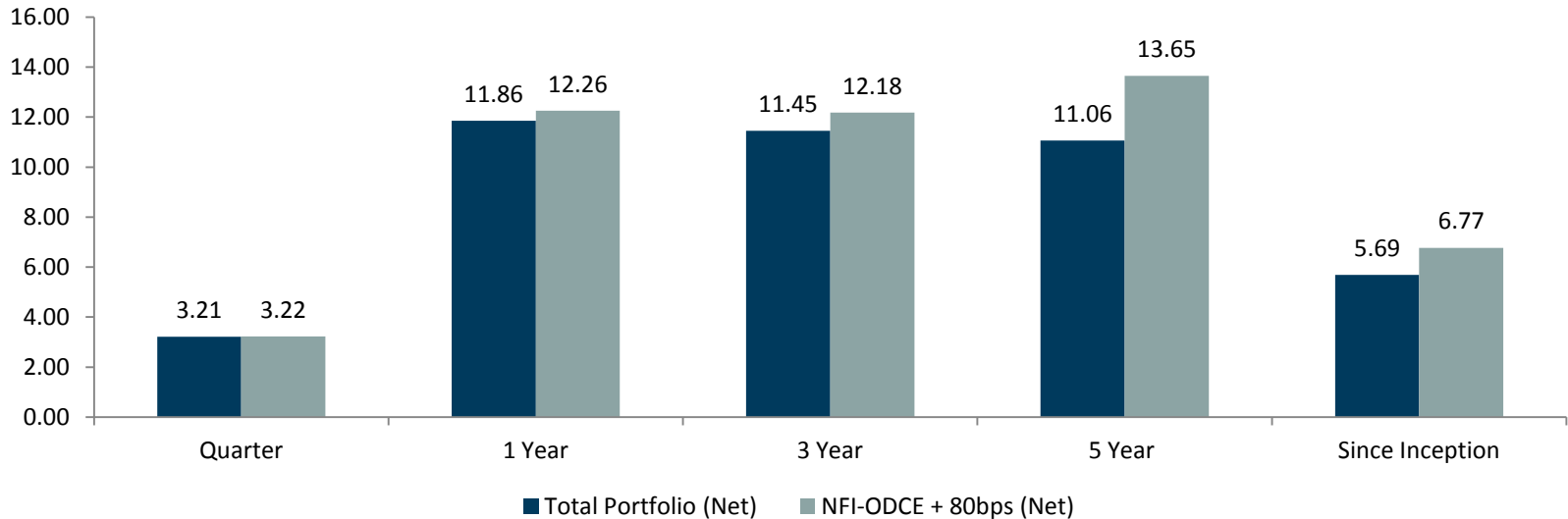
## Commitments Since 2012



- LACERS has committed \$330 million since 2012, including investments made subsequent to Quarter end.
  - Note, one additional \$20 million Non-Core Commitment was approved by the Board in 2015 but has not yet closed due to ongoing legal negotiations.
- Vintage year classifications are based on LACERS' first capital call (or expected capital call), though commitments may have been approved in prior years.

# Total Portfolio Performance

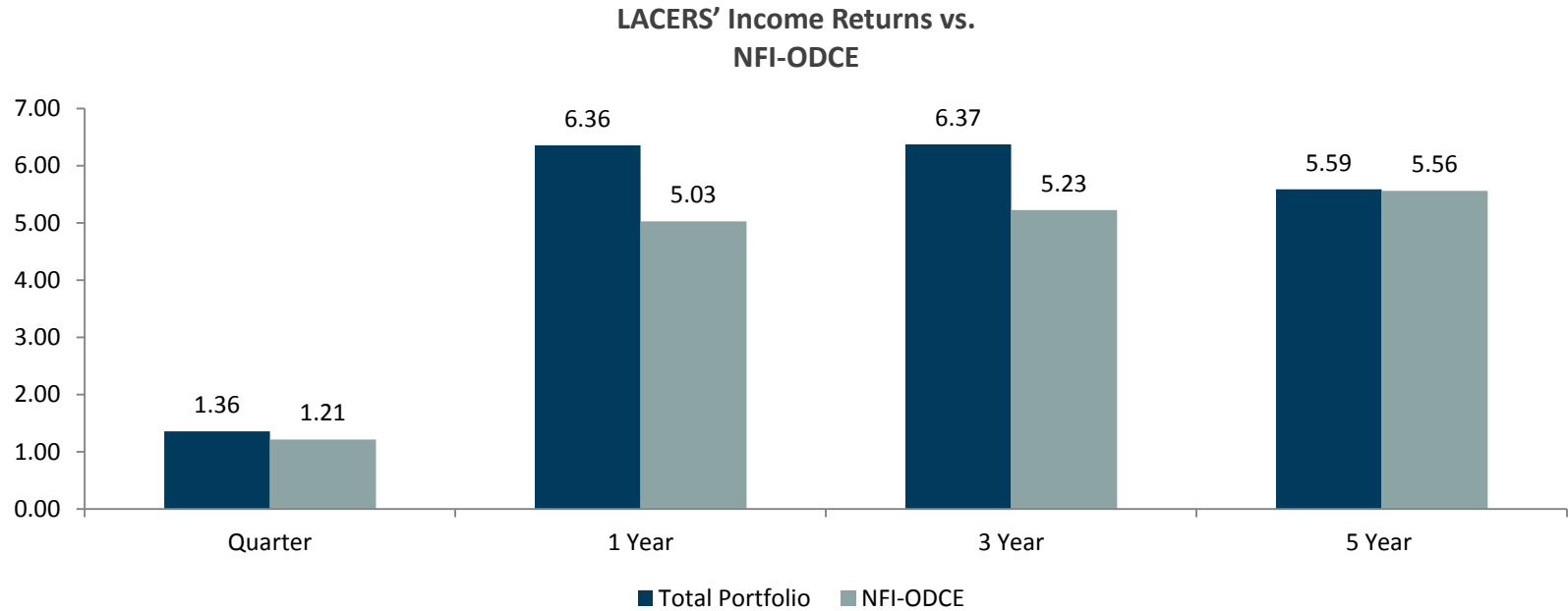
LACERS Total Real Estate Portfolio vs.  
 NFI-ODCE + 80 bps



- The benchmark for the LACERS Total Real Estate Portfolio is the NFI-ODCE + 80 basis points (defined below), measured over five year time periods, net of fees. LACERS underperformed this benchmark over all periods. Relative underperformance by strategy is addressed on the following slides.
- NFI-ODCE stands for the NCREIF Fund Index of Open-End Diversified Core Equity funds. The NFI-ODCE is a Core index that includes open-end diversified Core strategy funds with at least 95% of their investments in US markets. The NFI-ODCE is the first of the NCREIF Fund Database products, created in May 2005, and is an index of investment returns reporting on both a historical and current basis (22 active vehicles), utilizing approximately 22.2% leverage.
  - The 80 basis point (“bps”) premium is a reflection of the incremental return expected from Non-Core exposure in the Portfolio, which is not included in the NFI-ODCE.



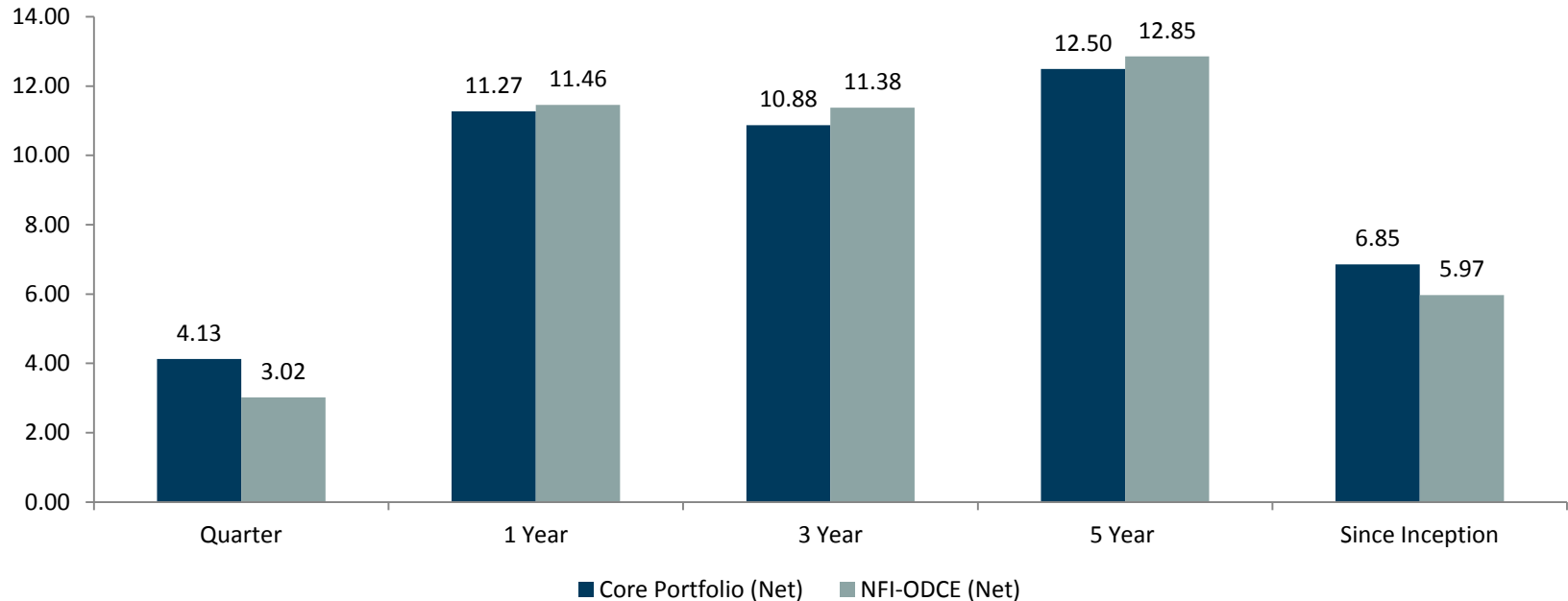
## Income Performance



- As outlined in the Real Estate Strategic Plan, in addition to providing diversification benefits and risk-adjusted returns, real estate is also expected to provide income to the Total Plan. Historically, real estate has generated income returns comprising of a significant portion of the total return.
- LACERS Total Portfolio income return outperformed the NFI-ODCE income return over all time periods.

## Relative Performance by Strategy: Core

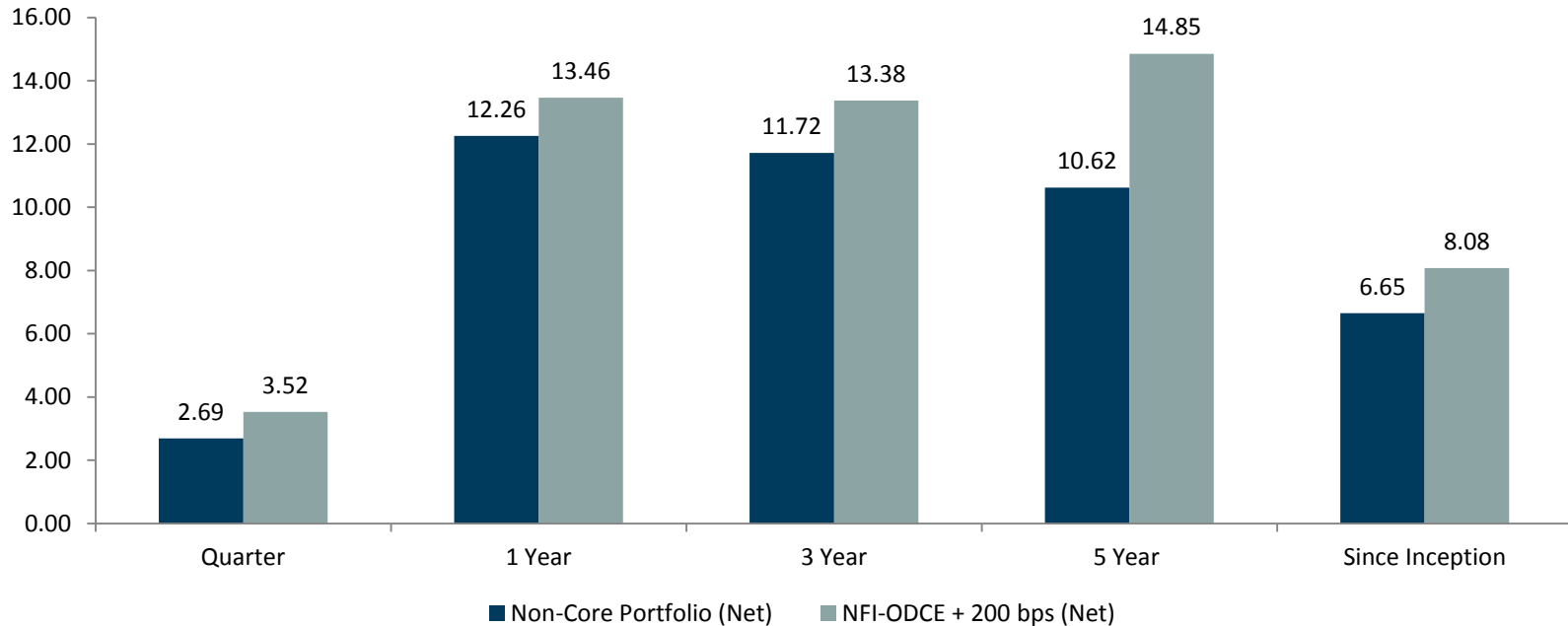
LACERS Core Real Estate Portfolio vs. NFI-ODCE



- The LACERS Core benchmark is the NFI-ODCE, measured over five year time periods, net of fees.
- The Core Portfolio outperformed the benchmark over the most recent Quarter and the since inception time period. Over the one year time period, the LACERS Core Portfolio tracked the performance of the benchmark but slightly underperformed due to CMCT and JP Morgan Strategic Property Fund. The Core Portfolio continued to underperform over the three year and five year period. New investments approved by the LACERS Board in 2014 are expected to call capital in 2015 and will further compliment the Core Portfolio.
- Three of the four positions in the Core Portfolio outperformed the ODCE benchmark over the Quarter. The largest driver of outperformance was the CIM VI (Urban REIT).
  - CIM VI is a 2012 vintage year closed-end commingled fund. As the fund is still in its investment period, many assets were held at cost before year-end 2014. Annual third party appraisals conducted in Fourth Quarter led to valuation increases, thus driving the appreciation for the fund and positively impacting the performance of the LACERS Core Portfolio. Valuation increases in the fund were driven by the 330 Townsend and Cherry Street assets.

## Relative Performance by Strategy: Non-Core

LACERS Non-Core Real Estate Portfolio vs.  
NFI-ODCE + 200bps

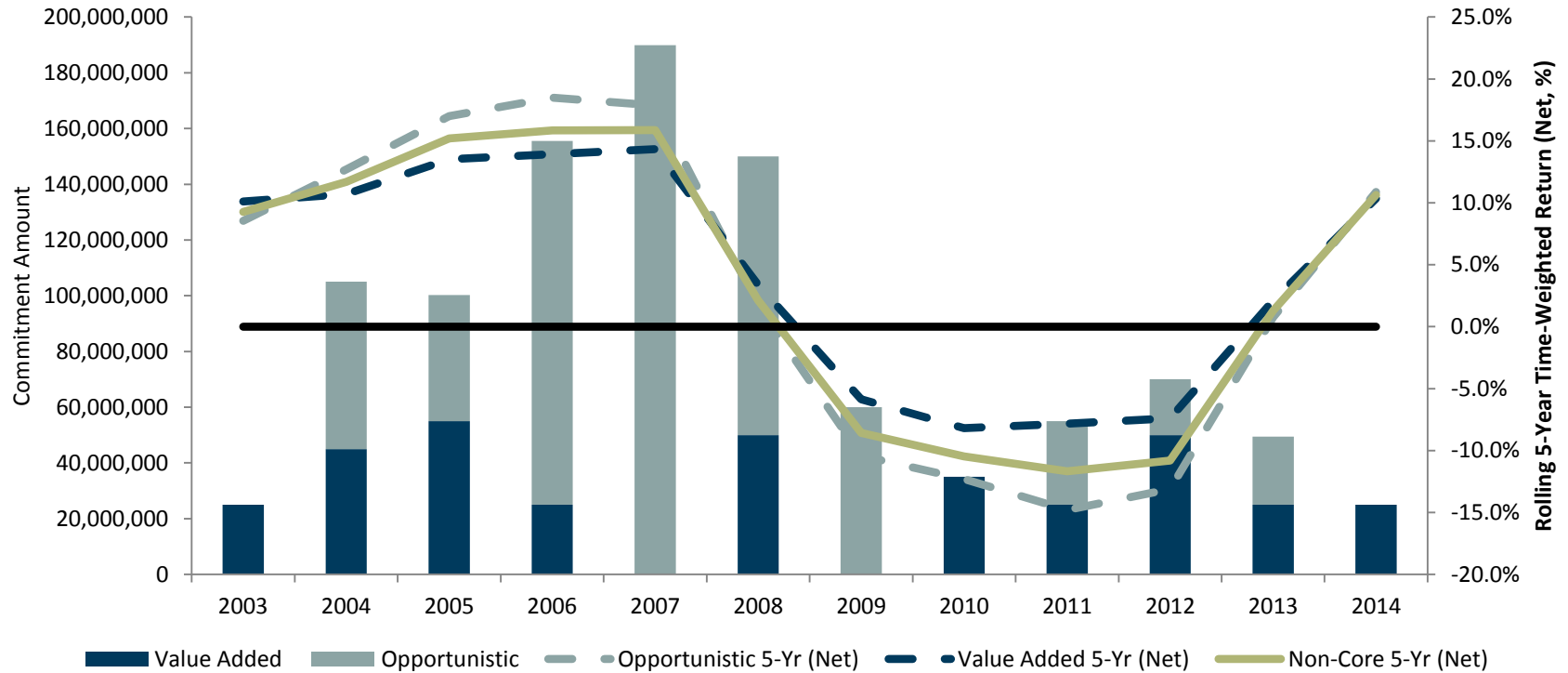


- LACERS Non-Core benchmark is the NFI-ODCE + 200 bps, measured over five year time periods, net of fees. The 200 basis point premium is a reflection of the incremental return expected from Non-Core exposure in the Portfolio, which is not included in the NFI-ODCE.
- The Non-Core Portfolio underperformed the NFI-ODCE + 200 bps benchmark over all time periods.
- Underperformance is primarily the result of significant Non-Core commitments made prior to the Global Financial Crisis, detailed on the following slides.



## Relative Performance by Strategy: Non-Core

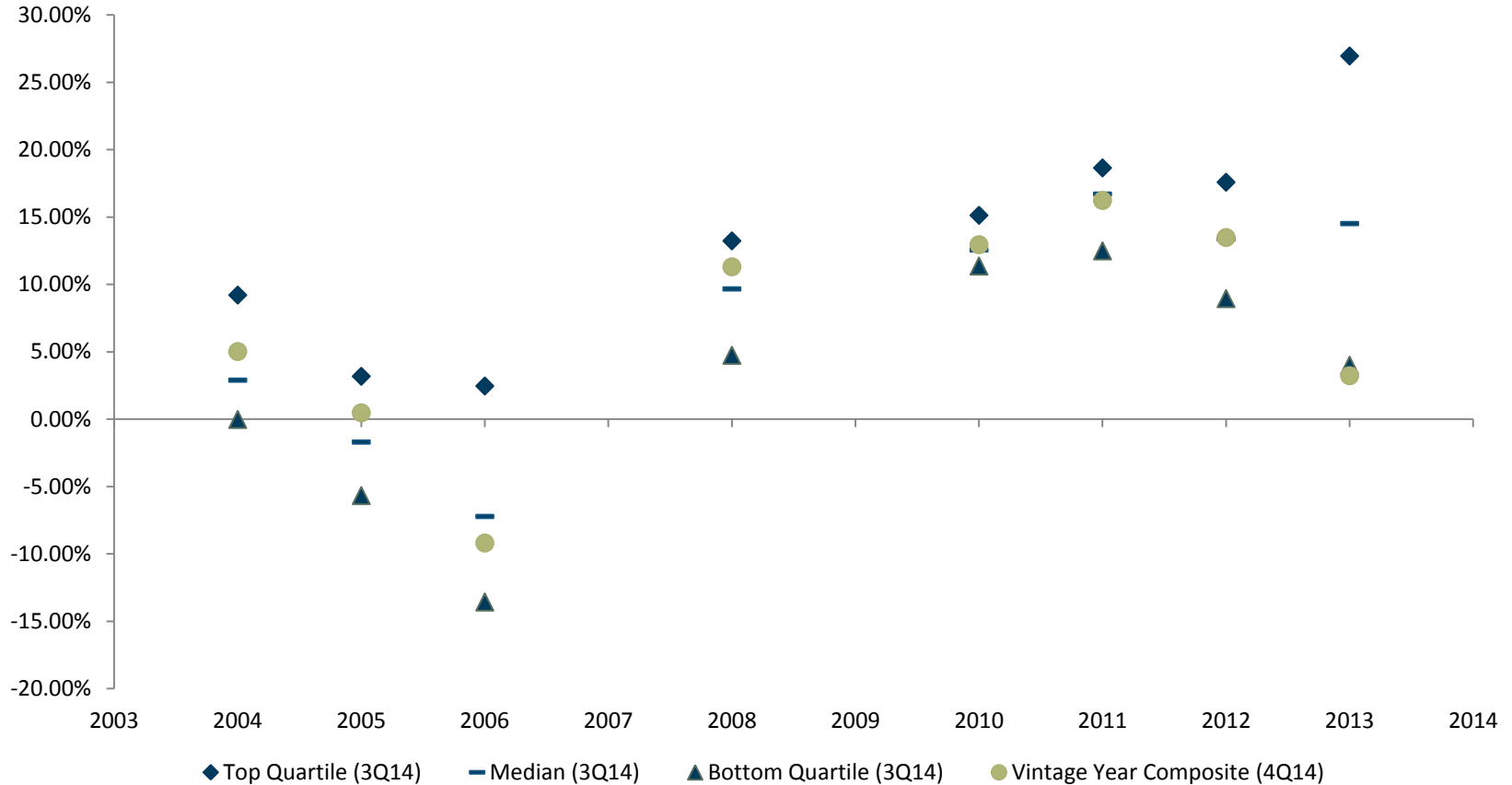
Commitment Amount by Vintage Year and Style - 4Q14



- As displayed above, significant commitments were made to Non-Core strategies prior to the Global Financial Crisis (2006 - 2008). As a result, rolling 5-year net returns for the Value Add and Opportunistic Portfolios dropped precipitously. These Non-Core funds purchased assets at or near peak pricing and were reliant on an improvement to fundamentals that did not come to fruition.

# Relative Performance by Strategy: Value Add

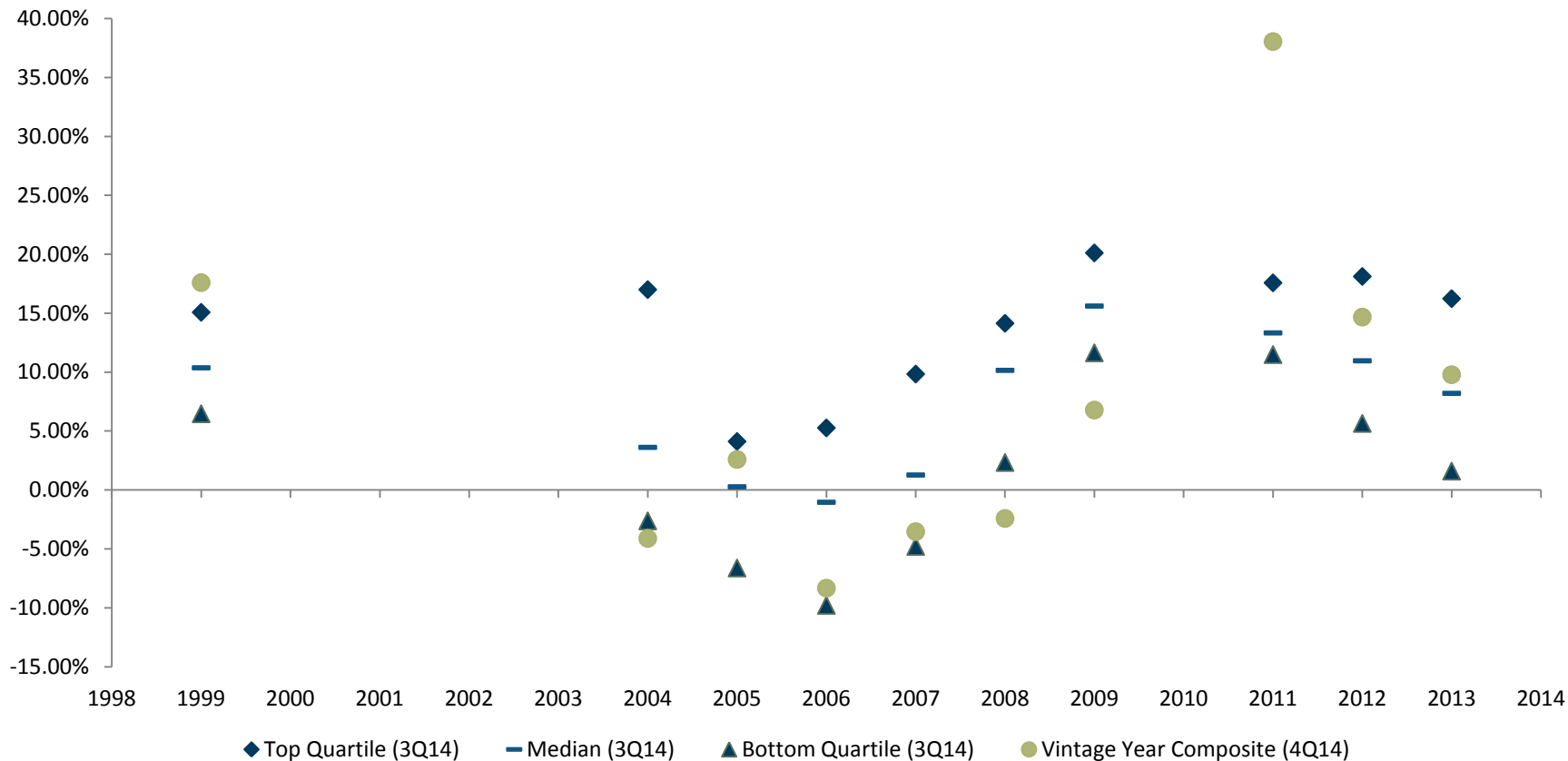
LACERS Vintage Year Composite Performance vs. Townsend Fund Level Net IRRs



- The above chart displays net IRRs for LACERS' Value Added commingled funds' composites by vintage year relative to the Townsend Value Added Funds, between 2004 and 2013, as of September 30, 2014.
- LACERS' Value Added Fund selections for 2006, 2011 and 2013 perform below the median compared to the Townsend Value Added Funds.

# Relative Performance by Strategy: Opportunistic

LACERS Vintage Year Composite Performance vs. Townsend Fund Level Net IRRs

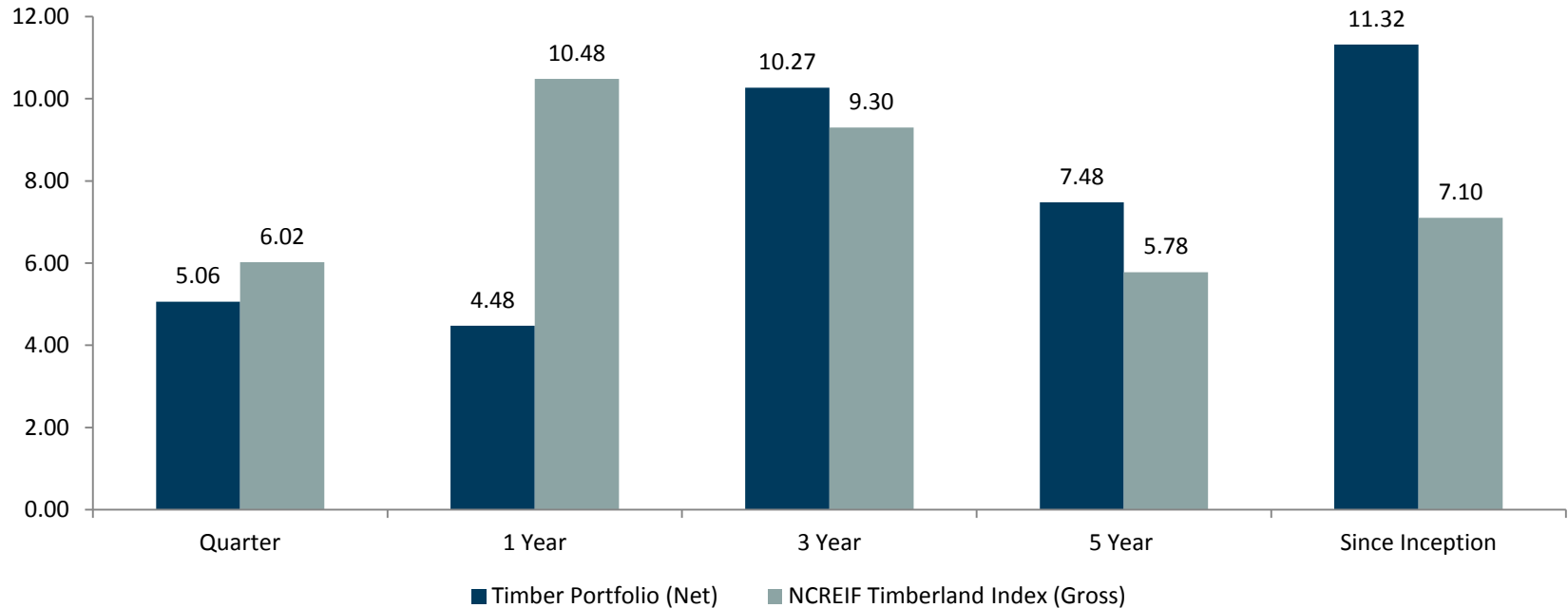


- The above chart displays net IRRs for LACERS' Opportunistic commingled funds' composites by vintage year relative to the Townsend Value Added Funds, between 1999 and 2013, as of September 30, 2014.
- LACERS' Opportunistic Fund selections for 2004, 2006, 2007, 2008 and 2009 perform below the median compared to the Townsend Value Added Funds.
- LACERS does not have any Opportunistic fund investments with vintages between 2000 to 2003.



## Relative Performance by Strategy: Timber

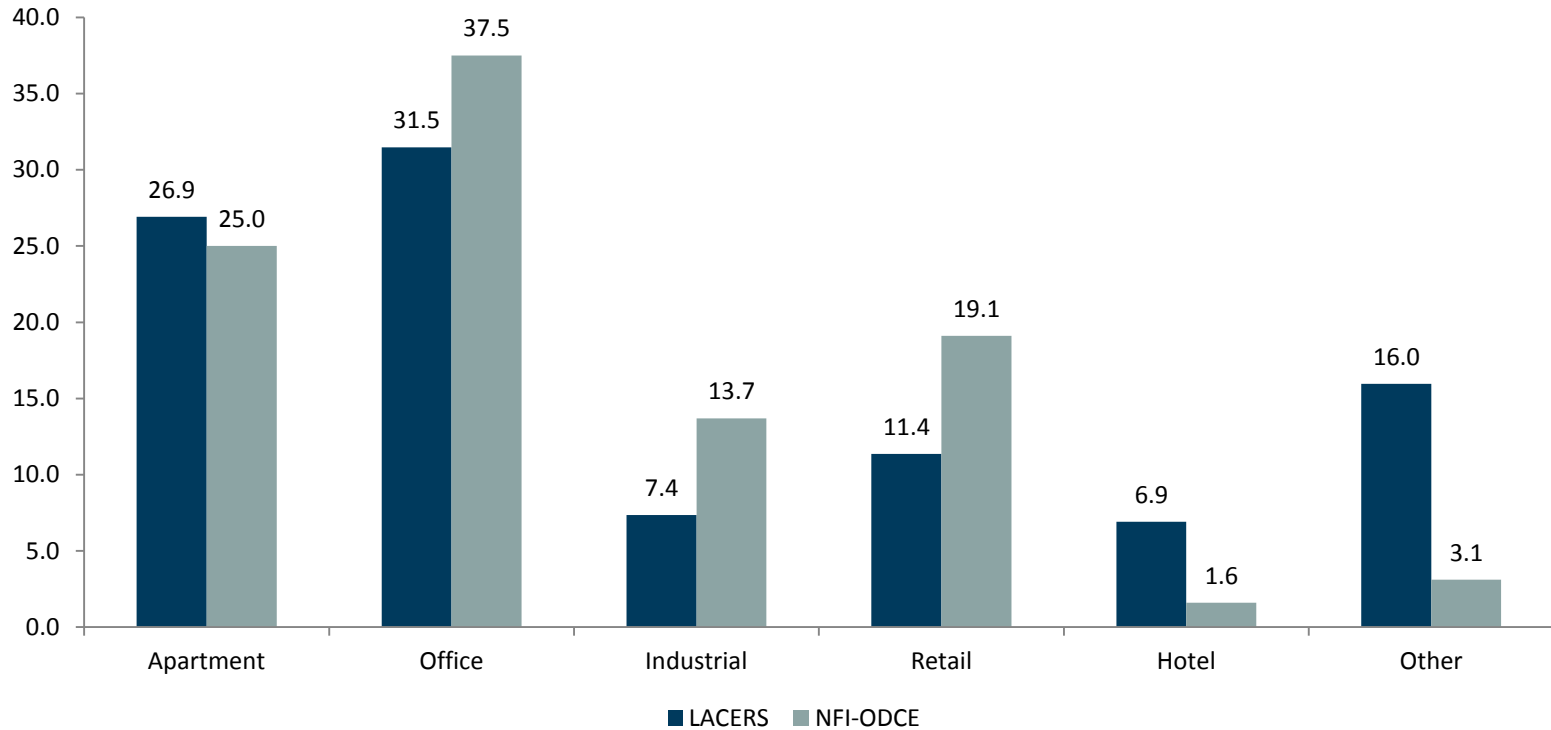
LACERS Timber Portfolio vs. NCREIF Timberland Index



- The Timber Portfolio, net of fees, has outperformed its benchmark, the NCREIF Timberland Index, gross of fees, over the longer three and five year and since inception time periods and underperformed over the shorter Quarter and one year time periods. However, on a gross basis the Timber Portfolio outperformed over the Quarter (8.03% vs. 6.02%).
- Underperformance over the Quarter and one year time periods is attributable to the modest appraisal increases experienced by Hancock Timberland XI.

# Real Estate Portfolio Diversification

Property Type Diversification

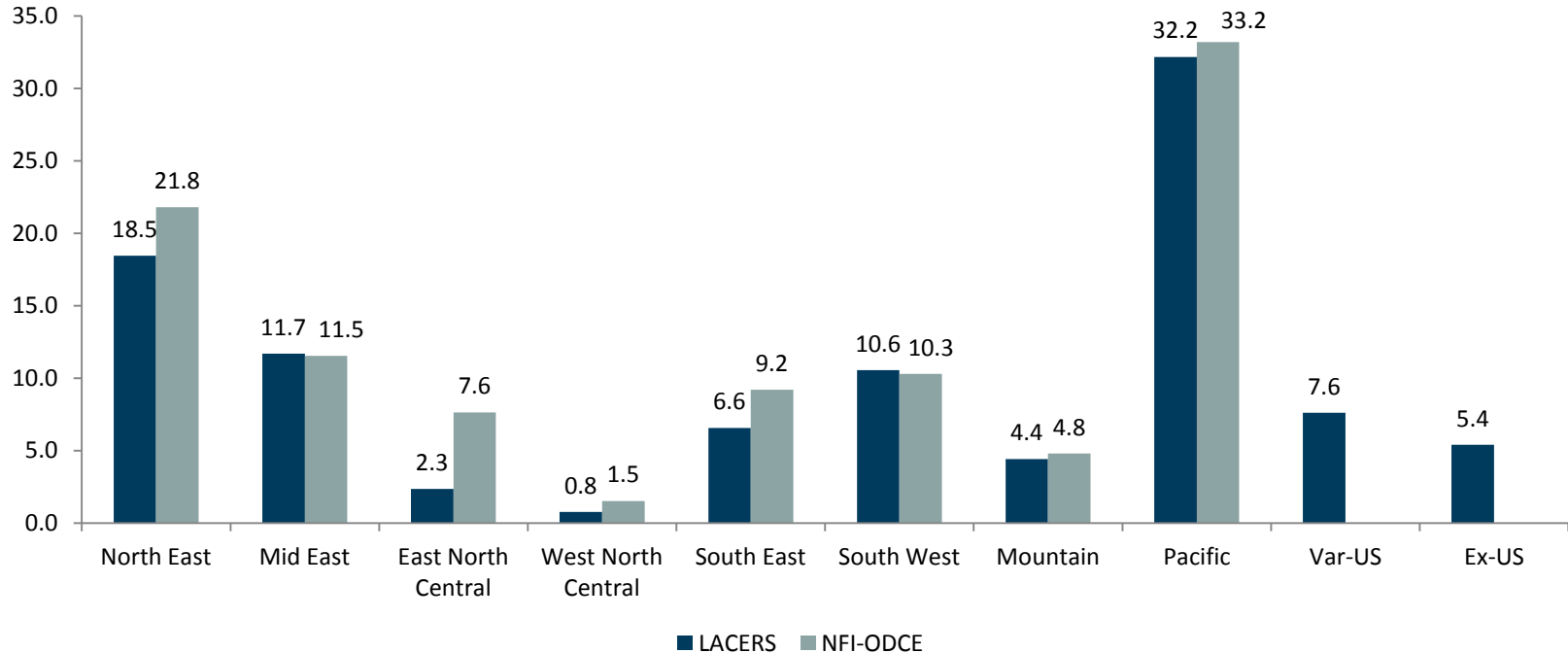


- The diversification of the Private Portfolio is measured against the diversification of the NFI-ODCE  $\pm$  10.0% with up to 20.0% of the Portfolio allowed in Other.
- LACERS is in-compliance with diversification by property type but note an underweight to the Industrial, Retail, and Office property types and an overweight to the Hotel and Other property types.
- As the new Core commitments are called, diversification is expected to shift more inline with the NFI-ODCE.



# Real Estate Portfolio Diversification

## Geographic Diversification



- The diversification of the Private Portfolio is measured against the diversification of the NFI-ODCE  $\pm$  10.0% with up to 30.0% of the Portfolio allowed in ex-US investments.
- LACERS is in-compliance with diversification by geographic region and is well diversified.
- The Portfolio currently has an aggregate exposure to the Los Angeles metropolitan area of 8.9%, with a 4.1% exposure to Los Angeles City. NFI-ODCE's exposure to the Los Angeles metropolitan area is 9.7%\*.



## Exhibit A: Performance Flash Report





Los Angeles City Employees' Retirement System

Fourth Quarter 2014

Portfolio Composition (\$)									
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation		
14,060,000,000	703,000,000	5.0%	709,409,061	5.0%	244,748,012	1.7%	-251,157,073	-1.8%	

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
LACERS	3.68	3.21	13.63	11.86	12.45	11.38	13.09	11.06
NFI-ODCE + 80 bps	3.46	3.22	13.30	12.26	13.25	12.18	14.73	13.65

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Core	1989	263,867,553	196,321,913	105,000,000	41,300,817	248,429,567	35.0	37.0
Non-Core Portfolio	1990	1,060,605,279	1,043,980,445	130,084,373	619,552,188	448,769,638	63.3	60.7
Value Added	1990	360,000,000	295,937,999	71,480,874	185,651,375	147,848,699	20.8	23.0
Opportunistic	1996	700,605,279	748,042,446	58,603,499	433,900,813	300,920,939	42.4	37.7
Timber	1999	30,000,000	20,336,361	9,663,639	25,837,639	12,209,856	1.7	2.3



Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Core</b>								
CIM Commercial Trust Corporation ("CMCT")	2014	40,000,000	46,417,723	0	1,883,923	48,984,924	6.9	5.1
CIM VI (Urban REIT), LLC	2012	25,000,000	25,000,000	0	1,175,118	28,280,636	4.0	3.0
INVESCO Core Real Estate	2004	63,867,553	94,482,308	0	35,383,277	121,635,898	17.1	12.7
Jamestown Premier Property Fund	2014	35,000,000	0	35,000,000	0	0	0.0	3.7
JP Morgan Strategic Property Fund	2005	30,000,000	30,421,882	0	2,858,499	49,528,109	7.0	5.2
Lion Industrial Trust - 2007	2014	35,000,000	0	35,000,000	0	0	0.0	3.7
Principal US Property Account	2014	35,000,000	0	35,000,000	0	0	0.0	3.7
<b>Core</b>	<b>1989</b>	<b>263,867,553</b>	<b>196,321,913</b>	<b>105,000,000</b>	<b>41,300,817</b>	<b>248,429,567</b>	<b>35.0</b>	<b>37.0</b>
<b>Timber</b>								
Hancock ForesTree V	1999	10,000,000	10,000,000	0	25,735,623	60,003	0.0	0.0
Hancock Timberland XI	2012	20,000,000	10,336,361	9,663,639	102,016	12,149,853	1.7	2.3
<b>Timber</b>	<b>1999</b>	<b>30,000,000</b>	<b>20,336,361</b>	<b>9,663,639</b>	<b>25,837,639</b>	<b>12,209,856</b>	<b>1.7</b>	<b>2.3</b>
<b>Value Added</b>								
Almanac Realty Securities VI	2012	25,000,000	11,537,206	19,124,291	7,604,577	6,863,611	1.0	2.7
CBRE Strategic Partners III	2003	25,000,000	25,000,000	0	31,747,427	1,020,538	0.1	0.1
CBRE Strategic Partners IV	2005	25,000,000	25,000,000	0	872,248	2,125,798	0.3	0.2
CBRE Strategic Partners U.S. Value V	2008	30,000,000	30,000,000	0	42,418,896	51,149	0.0	0.0
Cornerstone Enhanced Mortgage Fund I	2012	25,000,000	12,880,668	12,119,332	1,881,821	12,865,950	1.8	2.6
DRA Growth and Income Fund VII	2011	25,000,000	24,615,000	2,140,000	6,207,983	25,521,897	3.6	2.9
DRA Growth and Income Fund VIII	2014	25,000,000	4,259,259	20,740,741	25,926	4,354,777	0.6	2.6
Heitman Value Partners	2004	15,000,000	14,880,694	119,306	18,832,992	185,149	0.0	0.0
JP Morgan Alternative Property Fund	2006	25,000,000	25,000,000	0	18,301,911	363,301	0.1	0.0
Mesa West Real Estate Income Fund II	2010	20,000,000	16,686,322	0	18,089,823	6,258,671	0.9	0.7
Mesa West Real Estate Income Fund III	2013	25,000,000	11,397,151	13,617,184	501,401	11,193,848	1.6	2.6
PRISA II	2004	30,000,000	30,000,000	0	658,745	42,226,524	6.0	4.4
Realty Associates Fund IX	2010	15,000,000	15,000,000	0	8,331,329	13,186,342	1.9	1.4
RREEF America REIT III - 1410	2005	15,000,000	18,301,718	0	9,541,575	5,150,038	0.7	0.5
TA Fund VII	2005	15,000,000	15,000,000	0	7,584,525	7,883,591	1.1	0.8
Urdang Value Added Fund II	2008	20,000,000	16,379,981	3,620,020	13,050,196	8,597,515	1.2	1.3
<b>Value Added</b>	<b>1990</b>	<b>360,000,000</b>	<b>295,937,999</b>	<b>71,480,874</b>	<b>185,651,375</b>	<b>147,848,699</b>	<b>20.8</b>	<b>23.0</b>
<b>Total Current Portfolio</b>								
<b>Los Angeles City Employees' Retirement System</b>	<b>1989</b>	<b>1,354,472,832</b>	<b>1,260,638,719</b>	<b>244,748,012</b>	<b>686,690,644</b>	<b>709,409,061</b>	<b>100.0</b>	<b>100.0</b>



Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Opportunistic</b>								
Apollo CPI Europe I	2006	25,522,900	22,356,002	1,799,298	6,763,986	5,949,888	0.8	0.8
Bristol Value II, L.P.	2012	20,000,000	10,207,166	14,691,568	5,391,761	5,767,941	0.8	2.1
Bryanston Retail Opportunity Fund	2005	10,000,000	4,271,584	0	9,088,353	2,273,831	0.3	0.2
California Smart Growth Fund IV*	2006	30,000,000	30,991,241	33,153	19,493,703	12,448,424	1.8	1.3
Canyon Johnson Urban Fund II	2005	10,000,000	8,988,718	1,011,296	1,931,982	2,780,855	0.4	0.4
CBRE Strategic Partners UK Fund III	2007	29,877,502	25,825,476	0	2,399,700	2,630,744	0.4	0.3
CIM Real Estate Fund III	2007	15,000,000	16,763,475	0	3,037,729	22,134,267	3.1	2.3
CityView LA Urban Land Fund I	2007	25,000,000	61,111,897	13,109,484	49,221,375	20,827,052	2.9	3.6
Colony Investors VIII	2007	30,000,000	28,963,224	1,023,200	6,065,216	7,795,294	1.1	0.9
DLJ Real Estate Capital Partners II	1999	40,000,000	48,657,688	2,190,337	69,703,132	3,918,879	0.6	0.6
DLJ Real Estate Capital Partners IV	2008	40,000,000	45,177,346	5,644,774	16,447,611	32,039,165	4.5	3.9
DRA Growth and Income Fund VI	2007	25,000,000	16,788,945	1,457,630	19,774,584	5,330,781	0.8	0.7
Genesis Workforce Housing Fund II	2006	20,000,000	19,999,316	0	3,891,624	24,852,896	3.5	2.6
Integrated Capital Hospitality Fund	2009	10,000,000	6,006,797	798,641	2,697,262	8,736,132	1.2	1.0
LaSalle Asia Fund II	2005	25,000,000	24,016,560	0	25,752,817	231,632	0.0	0.0
Latin America Investors III	2008	20,000,000	20,686,689	0	3,886,924	10,250,092	1.4	1.1
Lone Star Fund VII	2011	15,000,000	14,075,468	924,533	20,923,424	4,766,303	0.7	0.6
Lone Star Real Estate Fund II	2011	15,000,000	13,022,867	1,977,133	13,145,049	5,418,319	0.8	0.8
Lowe Hospitality Investment Partners	2004	25,000,000	36,431,477	0	20,208,868	1,447,624	0.2	0.2
MacFarlane Urban Real Estate Fund II	2008	40,000,000	40,679,342	1	679,340	9,299,385	1.3	1.0
Prologis Japan Fund	2005	204,877	25,627,604	0	32,243,962	0	0.0	0.0
Southern California Smart Growth Fund	2004	10,000,000	18,697,826	68,213	13,690,829	3,071,501	0.4	0.3
Stockbridge Real Estate Fund II	2006	30,000,000	30,000,000	0	0	13,199,661	1.9	1.4
The Buchanan Fund V	2007	30,000,000	27,000,000	3,000,000	14,054,958	11,017,561	1.6	1.5
Torchlight Debt Opportunity Fund II	2007	25,000,000	24,703,453	0	8,916,161	11,612,543	1.6	1.2
Torchlight Debt Opportunity Fund III	2009	25,000,000	24,890,796	0	32,478,802	3,911,296	0.6	0.4
Torchlight Debt Opportunity Fund IV	2013	25,000,000	19,586,486	4,896,620	1,271,131	20,364,242	2.9	2.6
Tuckerman Group Residential Income & Value Added Fund	2004	25,000,000	26,064,010	0	13,115,616	13,857,535	2.0	1.5
UrbanAmerica II	2007	10,000,000	9,289,026	710,974	0	2,109,400	0.3	0.3
Walton Street Real Estate Fund V	2006	25,000,000	25,000,001	0	8,581,244	10,332,876	1.5	1.1
Walton Street Real Estate Fund VI	2009	25,000,000	22,161,966	5,266,644	9,043,670	22,544,820	3.2	2.9
<b>Opportunistic</b>	<b>1996</b>	<b>700,605,279</b>	<b>748,042,446</b>	<b>58,603,499</b>	<b>433,900,813</b>	<b>300,920,939</b>	<b>42.4</b>	<b>37.7</b>
<b>Private Portfolio</b>	<b>1989</b>	<b>1,324,472,832</b>	<b>1,240,302,358</b>	<b>235,084,373</b>	<b>660,853,005</b>	<b>697,199,205</b>	<b>98.3</b>	<b>97.7</b>
<b>Non-Core Portfolio</b>	<b>1990</b>	<b>1,060,605,279</b>	<b>1,043,980,445</b>	<b>130,084,373</b>	<b>619,552,188</b>	<b>448,769,638</b>	<b>63.3</b>	<b>60.7</b>
<b>Total Current Portfolio</b>								
<b>Los Angeles City Employees' Retirement System</b>	<b>1989</b>	<b>1,354,472,832</b>	<b>1,260,638,719</b>	<b>244,748,012</b>	<b>686,690,644</b>	<b>709,409,061</b>	<b>100.0</b>	<b>100.0</b>



Returns (%)	Market Value (\$)	Quarter				1 Year				3 Year				5 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET			
<b>Opportunistic</b>																								
Apollo CPI Europe I	5,949,888	0.39	0.40	0.79	0.61	2.21	-2.89	-0.82	-1.49	1.38	4.88	6.29	5.55	1.03	-5.88	-4.92	-6.21	0.73	-5.10	-4.37	-7.00	4Q06	-9.50	0.57
Bristol Value II, L.P.	5,767,941	0.24	9.82	10.06	9.50	2.89	9.26	12.40	10.56									4.37	18.22	23.19	21.28	1Q13	14.67	1.09
Bryanston Retail Opportunity Fund	2,273,831	2.07	4.37	6.44	6.19	2.98	4.33	7.34	5.82	6.96	23.73	31.29	28.90	10.99	8.95	21.22	18.66	10.82	23.06	33.10	28.50	2Q05	80.01	2.66
California Smart Growth Fund IV	12,448,424	4.22	0.00	4.22	3.93	6.41	10.85	17.87	16.25	3.71	12.85	16.95	15.35	2.96	16.13	19.48	17.49	2.18	-3.66	-1.58	-4.42	1Q07	0.62	1.03
Canyon Johnson Urban Fund II	2,780,855	0.69	0.78	1.47	1.07	7.11	0.24	7.39	5.10	2.95	-4.50	-1.64	-3.98	2.15	-4.63	-2.55	-4.87	1.63	-6.46	-4.89	-10.30	3Q05	-9.11	0.52
CBRE Strategic Partners UK Fund III	2,630,744	-1.58	-27.85	-29.44	-29.69	-0.52	-26.71	-27.54	-28.57	-0.73	-8.89	-9.68	-11.73	-0.93	-6.31	-7.23	-9.86	-1.66	-53.32	-52.90	-53.85	3Q07	-23.67	0.19
CIM Real Estate Fund III <sup>1</sup>	22,609,378	0.53	3.33	3.86	3.59	2.50	8.33	10.98	9.81	2.58	11.48	14.18	12.95	-7.48	24.66	15.88	8.26	-16.88	19.47	-0.47	-20.88	1Q09	12.67	1.53
CityView LA Urban Land Fund I	20,827,052	2.75	1.16	3.91	3.61	65.13	13.92	81.35	79.25	26.91	2.94	29.14	27.16	16.61	1.46	17.46	7.20	1.26	0.97	1.74	-26.12	3Q07	11.03	1.15
Colony Investors VIII	7,795,294	0.32	8.73	9.04	8.28	2.46	-11.15	-8.66	-10.90	1.71	13.02	15.01	11.96	1.28	5.25	6.63	3.64	-0.09	-24.45	-24.60	-28.08	4Q07	-13.21	0.48
DLJ Real Estate Capital Partners II	3,918,879	-0.01	2.50	2.50	2.29	-0.46	5.76	5.28	4.32	1.27	8.94	10.25	9.01	2.81	9.09	12.25	10.73	3.82	10.65	14.82	8.09	4Q99	17.59	1.51
DLJ Real Estate Capital Partners IV	32,039,165	0.94	2.53	3.47	3.14	1.60	4.75	6.39	4.60	1.70	10.69	12.51	10.56	3.28	6.89	10.41	6.80	4.32	-13.24	-9.50	-14.44	4Q08	2.22	1.07
DRA Growth and Income Fund VI	5,330,781	0.81	-9.55	-8.74	-9.23	7.57	26.48	35.32	32.75	7.24	10.63	18.39	15.99	8.64	11.24	20.59	17.50	9.99	1.66	11.86	8.32	2Q08	9.19	1.50
Genesis Workforce Housing Fund II	24,852,896	-0.18	3.58	3.40	3.12	4.11	11.37	15.84	14.57	5.15	13.68	19.36	17.86	4.11	-9.74	-6.43	-13.01	-1.90	1.10	-1.04	-64.29	2Q07	10.10	1.44
Integrated Capital Hospitality Fund	8,736,132	2.02	16.84	18.86	18.65	10.03	16.84	28.19	27.17	22.22	19.52	41.42	38.41					20.21	17.04	36.84	33.11	3Q11	27.64	1.90
LaSalle Asia Fund II <sup>2</sup>	231,632																	14.73	-8.20	10.02	2.00	4Q05	1.77	1.08
Latin America Investors III	10,250,092	-0.29	-5.41	-5.70	-8.46	-1.01	1.47	0.43	-4.59	-2.25	-28.98	-30.89	-34.83	-3.26	-20.19	-23.08	-26.98	-3.57	-6.16	-9.76	-14.09	1Q09	-16.36	0.68
Lone Star Fund VII	4,766,303	6.39	11.85	18.25	14.56	22.35	18.14	42.81	33.48	38.79	20.69	66.00	49.95					33.00	35.95	79.76	61.33	3Q11	56.96	1.83
Lone Star Real Estate Fund II	5,418,319	4.62	10.51	15.12	12.06	7.71	48.03	58.34	44.72	14.81	24.57	42.57	32.22					15.81	31.27	50.80	37.17	3Q11	27.76	1.43
Lowe Hospitality Investment Partners	1,447,624	13.37	3.50	16.87	16.66	10.04	17.52	28.16	27.04	13.77	14.76	30.16	28.80	17.48	28.47	50.17	43.65	6.48	-12.64	-8.10	-11.44	3Q04	-16.26	0.59
MacFarlane Urban Real Estate Fund II <sup>1</sup>	9,299,385	-1.37	2.44	1.07	-0.13	-2.79	-22.79	-25.01	-28.52	-2.74	2.19	0.40	-3.91					-19.00	6.82	-12.05	-18.70	2Q10	-24.95	0.25
Southern California Smart Growth Fund <sup>1</sup>	3,071,501	5.97	0.00	5.97	5.51	22.92	0.00	22.92	20.42	-3.64	2.00	-2.06	-3.78	-4.88	1.26	-3.82	-4.90	0.12	4.19	2.66	1.87	1Q06	-4.87	0.90
Stockbridge Real Estate Fund II	13,199,661	-0.09	1.31	1.22	0.82	-1.41	26.15	24.44	22.76	-7.03	32.23	23.45	21.09	-11.35	33.41	19.68	16.66	-13.51	-15.49	-26.72	-29.46	4Q06	-12.46	0.44
The Buchanan Fund V	11,017,561	2.79	6.86	9.64	9.35	4.69	14.05	19.17	17.84	4.90	11.74	17.13	15.97	0.92	12.83	13.91	12.64	-3.73	-0.45	-4.12	-6.14	3Q07	-1.37	0.93
Torchlight Debt Opportunity Fund II	11,612,543	0.55	4.09	4.64	4.50	5.80	0.80	6.68	5.99	6.10	11.65	18.28	17.24	12.31	10.41	23.68	21.75	16.82	-13.33	2.34	0.01	1Q08	-3.10	0.83
Torchlight Debt Opportunity Fund III	3,911,296	4.47	18.78	23.25	17.82	16.93	67.93	92.66	65.59	14.12	27.96	44.75	31.91	12.79	14.20	28.17	18.97	12.75	16.61	30.77	21.54	3Q09	13.41	1.46
Torchlight Debt Opportunity Fund IV	20,364,242	1.93	2.77	4.71	3.26	11.87	1.87	13.91	10.37									11.57	2.35	14.13	10.81	4Q13	9.78	1.10
Tuckerman Group Residential Income & Value Added Fund	13,857,535	0.55	-2.49	-1.95	-2.23	2.26	3.40	5.72	4.45	3.65	10.77	14.68	12.91	3.67	12.28	16.27	13.90	-0.52	4.65	4.77	2.41	4Q04	0.56	1.03
UrbanAmerica II	2,109,400	2.50	-23.26	-20.76	-21.31	5.35	-46.13	-42.70	-44.36	6.76	-31.58	-26.51	-28.30	6.89	-19.86	-14.02	-16.00	-2.72	-21.16	-23.29	-27.80	2Q07	-20.27	0.23
Walton Street Real Estate Fund V	10,332,876	0.68	4.48	5.16	4.80	3.90	9.01	13.18	11.69	3.07	8.56	11.83	10.23	3.48	14.03	17.92	15.81	1.78	-1.49	0.23	-1.89	4Q06	-3.87	0.76
Walton Street Real Estate Fund VI	22,544,820	1.11	1.75	2.86	2.57	3.60	10.86	14.75	13.41	4.47	9.48	14.30	12.69	-1.60	36.86	36.07	33.33	-17.81	25.22	0.42	-6.89	3Q09	10.83	1.43
<b>Opportunistic</b>	<b>301,396,050</b>	<b>1.29</b>	<b>2.28</b>	<b>3.57</b>	<b>2.89</b>	<b>7.07</b>	<b>7.99</b>	<b>15.49</b>	<b>12.93</b>	<b>6.44</b>	<b>7.68</b>	<b>14.48</b>	<b>11.81</b>	<b>5.07</b>	<b>8.39</b>	<b>13.78</b>	<b>10.84</b>	<b>4.42</b>	<b>3.23</b>	<b>7.72</b>	<b>3.71</b>	<b>4Q96</b>		
<b>Private Portfolio</b>	<b>697,674,314</b>	<b>1.38</b>	<b>2.23</b>	<b>3.61</b>	<b>3.18</b>	<b>6.48</b>	<b>6.91</b>	<b>13.71</b>	<b>11.98</b>	<b>6.22</b>	<b>6.81</b>	<b>13.34</b>	<b>11.49</b>	<b>5.48</b>	<b>7.42</b>	<b>13.20</b>	<b>11.15</b>	<b>6.37</b>	<b>0.93</b>	<b>7.33</b>	<b>5.60</b>	<b>1Q89</b>		
<b>Non-Core Portfolio</b>	<b>449,244,747</b>	<b>1.53</b>	<b>1.74</b>	<b>3.28</b>	<b>2.69</b>	<b>7.42</b>	<b>6.78</b>	<b>14.57</b>	<b>12.26</b>	<b>6.84</b>	<b>6.87</b>	<b>14.05</b>	<b>11.72</b>	<b>5.65</b>	<b>7.23</b>	<b>13.19</b>	<b>10.62</b>	<b>6.72</b>	<b>2.41</b>	<b>9.23</b>	<b>6.65</b>	<b>4Q90</b>		
<b>Total Portfolio</b>																								
<b>Los Angeles City Employees' Retirement System</b>	<b>709,884,170</b>	<b>1.36</b>	<b>2.33</b>	<b>3.68</b>	<b>3.21</b>	<b>6.36</b>	<b>6.94</b>	<b>13.63</b>	<b>11.86</b>	<b>6.37</b>	<b>6.63</b>	<b>13.32</b>	<b>11.45</b>	<b>5.59</b>	<b>7.20</b>	<b>13.09</b>	<b>11.06</b>	<b>6.38</b>	<b>0.99</b>	<b>7.41</b>	<b>5.69</b>	<b>1Q89</b>		
<b>Indices</b>																								
NFI-ODCE (Core)		1.21	2.04	3.26	3.02	5.03	7.18	12.50	11.46	5.23	6.93	12.45	11.38	5.56	8.01	13.93	12.85	7.14	-0.13	7.00	5.97	1Q89		
NFI-ODCE + 80 bps (Total Portfolio)				3.46	3.22			13.30	12.26			13.25	12.18			14.73	13.65			7.80	6.77	1Q89		
NFI-ODCE + 200 bps (Non-Core Portfolio)				3.76	3.52			14.45	13.46			14.45	13.38			15.93	14.85			9.10	8.08	4Q90		
NFI -ODCE + 50 bps (Value Add)				3.39	3.15			13.00	11.96			12.95	11.88			14.43	13.35			7.60	6.58	4Q90		
NFI -ODCE + 300 bps (Opportunistic)				4.01	3.77			15.50	14.46			15.45	14.38			16.93	15.85			12.07	11.05	4Q96		
NCREIF Timberland Index (Timber)		0.75	5.28	6.02		2.87	7.46	10.48		2.78	6.39	9.30		2.72	3.00	5.78		3.36	3.66	7.10		4Q99		
<b>Historical Benchmarks</b>																								
NPI		1.29	1.75	3.04		5.36	6.21	11.82		5.60	5.29	11.11		5.93	5.94	12.14		7.28	0.32	7.62		1Q89		
NPI + 100 bps				3.29				12.82				12.11				13.14				8.62		1Q89		

<sup>1</sup> "Broken" TWR - In a series of quarterly returns for an investment line item, a single quarter of significant volatility and/or temporary negative market value will "break" the time weighted calculation and period returns (including since inception) must start anew in a subsequent quarter. Depending upon the timing of the break, TWRs may never accurately reflect performance of the investment line item. Line item data continues to be reflected in the sub-portfolio and portfolio totals, however for the individual line item, the internal rate of return ("IRR") becomes a more appropriate data point for evaluation.

<sup>2</sup> Liquidating investments

Returns (%)	Market Value (\$)	2014		2013		2012		2011		2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Core</b>																							
CIM Commercial Trust Corporation ("CMCT")	48,984,924	9.7	9.7																				
CIM VI (Urban REIT), LLC	28,280,636	15.0	13.5	6.8	5.4	13.8	13.1																
INVESCO Core Real Estate	121,635,898	12.4	11.9	14.3	13.8	8.7	8.2	16.9	16.4	16.7	16.1	-32.2	-32.6	-4.6	-5.0	13.6	13.1	19.2	18.6	20.8	20.2	5.1	4.9
JP Morgan Strategic Property Fund	49,528,109	11.1	10.1	15.9	14.8	12.1	11.0	15.9	14.8	14.1	13.0	-26.5	-27.4	-8.1	-9.0	16.6	15.6	16.6	15.5	5.3	5.3		
<b>Core</b>	<b>248,429,567</b>	<b>11.8</b>	<b>11.3</b>	<b>13.3</b>	<b>12.5</b>	<b>9.6</b>	<b>8.9</b>	<b>15.6</b>	<b>14.8</b>	<b>16.1</b>	<b>15.2</b>	<b>-26.4</b>	<b>-27.1</b>	<b>-4.9</b>	<b>-5.6</b>	<b>14.4</b>	<b>13.6</b>	<b>17.7</b>	<b>16.9</b>	<b>21.2</b>	<b>20.7</b>	<b>13.2</b>	<b>11.3</b>
<b>Timber</b>																							
Hancock ForesTree V	60,003	179.2	9.1	42.8	33.9	8.9	7.6	3.9	4.2	2.9	2.7	-7.4	-5.5	7.6	6.5	22.1	17.3	24.8	22.5	26.8	23.0	21.2	19.0
Hancock Timberland XI	12,149,853	5.2	4.6	9.9	8.9	8.1	7.6																
<b>Timber</b>	<b>12,209,856</b>	<b>8.1</b>	<b>4.5</b>	<b>20.9</b>	<b>17.8</b>	<b>9.9</b>	<b>8.9</b>	<b>3.9</b>	<b>4.2</b>	<b>2.9</b>	<b>2.7</b>	<b>-7.4</b>	<b>-5.5</b>	<b>7.6</b>	<b>6.5</b>	<b>22.1</b>	<b>17.3</b>	<b>24.8</b>	<b>22.5</b>	<b>26.8</b>	<b>23.0</b>	<b>21.2</b>	<b>19.0</b>
<b>Value Added</b>																							
Almanac Realty Securities VI	6,863,611	15.2	12.8	31.6	26.1																		
CBRE Strategic Partners III	1,020,538	10.9	10.9	2.6	1.9	-2.8	-4.0	-3.8	-4.8	-5.3	-4.1	-18.0	-14.9	-35.6	-20.3	29.9	22.9	25.4	19.6	31.1	22.6	23.3	-9.7
CBRE Strategic Partners IV	2,125,798	-10.8	-11.4	-35.9	-37.1	-10.9	-13.0	8.7	5.9	-46.2	-48.0	-53.8	-54.5	-20.1	-18.1	18.5	12.9	15.1	-13.6				
CBRE Strategic Partners U.S. Value V	51,149	-10.3	-8.2	-14.8	-11.7	10.9	9.3	26.7	21.6	33.2	26.6	-27.5	-32.0	0.6	-1.6								
Cornerstone Enhanced Mortgage Fund I	12,865,950	5.5	5.0	20.0	16.4	12.8	12.3																
DRA Growth and Income Fund VII	25,521,897	20.3	17.7	18.7	15.5	17.6	14.3																
DRA Growth and Income Fund VIII	4,354,777	2.7	2.1																				
Heitman Value Partners	185,149	25.1	24.6	35.3	34.7	37.4	36.2	18.9	18.1	21.7	21.0	-2.5	-3.5	-40.1	-40.4	7.6	6.9	32.5	28.5	32.2	26.9	8.9	6.4
JP Morgan Alternative Property Fund	363,301	-24.9	-24.9	-1.6	-1.6	21.7	21.4	23.0	22.4	5.7	4.7	-43.8	-44.7	-10.9	-12.1	9.6	8.1	3.6	2.0				
Mesa West Real Estate Income Fund II	6,258,671	-4.0	-4.8	5.3	4.3	43.6	41.5	17.6	14.9	9.3	-1.5												
Mesa West Real Estate Income Fund III	11,193,848	13.3	8.7	3.2	-0.6																		
PRISA II	42,226,524	14.2	13.1	15.2	14.0	14.4	13.2	20.7	19.2	24.9	23.2	-45.0	-45.7	-16.1	-16.9	17.8	16.7	18.6	17.3	27.2	25.8	5.5	5.2
Realty Associates Fund IX	13,186,342	18.5	14.3	11.0	8.7	11.3	9.4	14.3	13.0	7.5	6.5												
RREEF America REIT III - 1410	5,150,038	27.8	25.8	16.9	15.6	23.7	22.8	55.3	53.8	9.0	7.4	-64.0	-64.6	-41.6	-41.6	18.2	15.9	17.4	15.1				
TA Fund VII	7,883,591	11.1	9.6	-3.6	-5.0	7.6	6.0	7.7	6.1	-1.0	-3.1	-27.0	-28.3	-10.8	-12.1	19.8	18.5	16.5	15.0	20.7	20.3		
Urdang Value Added Fund II	8,597,515	7.4	6.8	12.2	11.5	18.8	17.7	27.5	26.2	37.0	33.3	-37.3	-40.0	-12.4	-15.2								
<b>Value Added</b>	<b>147,848,699</b>	<b>12.6</b>	<b>10.9</b>	<b>9.5</b>	<b>7.9</b>	<b>17.1</b>	<b>15.6</b>	<b>18.3</b>	<b>16.2</b>	<b>4.1</b>	<b>1.8</b>	<b>-38.5</b>	<b>-39.4</b>	<b>-20.7</b>	<b>-20.0</b>	<b>17.8</b>	<b>15.2</b>	<b>15.3</b>	<b>12.9</b>	<b>26.0</b>	<b>23.1</b>	<b>15.8</b>	<b>13.9</b>
<b>Total Portfolio</b>																							
Los Angeles City Employees' Retirement System	709,409,061	13.6	11.9	13.5	11.4	12.8	11.1	12.6	10.8	12.9	10.2	-34.3	-35.8	-22.4	-23.6	14.4	11.2	20.2	17.4	25.4	22.3	22.1	18.9
<b>Indices</b>																							
NFI-ODCE (Core)		12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3	21.4	20.2	13.1	12.0
NFI-ODCE + 80 bps (Total Portfolio)		13.3	12.3	14.7	13.7	11.7	10.6	16.8	15.8	17.2	16.1	-29.0	-29.6	-9.2	-9.9	16.8	15.6	17.1	16.1	22.2	21.0	13.9	12.8
NFIODCE + 200 bps (Non-Core Portfolio)		14.5	13.5	15.9	14.9	12.9	11.8	18.0	17.0	18.4	17.3	-27.8	-28.4	-8.0	-8.7	18.0	16.8	18.3	17.3	23.4	22.2	15.1	14.0
NFI -ODCE + 50 bps (Value Add)		13.0	12.0	14.4	13.4	11.4	10.3	16.5	15.5	16.9	15.8	-29.3	-29.9	-9.5	-10.2	16.5	15.3	16.8	15.8	21.9	20.7	13.6	12.5
NFI -ODCE + 300 bps (Opportunistic)		15.5	14.5	16.9	15.9	13.9	12.8	19.0	18.0	19.4	18.3	-26.8	-27.4	-7.0	-7.7	19.0	17.8	19.3	18.3	24.4	23.2	16.1	15.0
NCREIF Timberland Index (Timber)		10.5	9.7	9.7		7.8		1.6		-0.1		-4.7		9.5		18.4		13.7		19.4		11.2	
<b>Historical Benchmarks</b>																							
NCREIF Property Index "NPI"		11.8		11.0		10.5		14.3		13.1		-16.8		-6.5		15.8		16.6		20.1		14.5	
NCREIF Property Index ("NPI") + 100 BPS		12.8		12.0		11.5		15.3		14.1		-15.8		-5.5		16.8		17.6		21.1		15.5	

Returns (%)	Market Value (\$)	2014		2013		2012		2011		2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Opportunistic</b>																							
Apollo CPI Europe I	5,949,888	-0.8	-1.5	0.7	0.1	20.2	19.3	-6.2	-6.9	-31.0	-33.7	9.7	5.6	-41.8	-43.8	17.7	11.3	18.5	14.7				
Bristol Value II, L.P.	5,767,941	12.4	10.6	35.0	33.0																		
Bryanston Retail Opportunity Fund	2,273,831	7.3	5.8	50.5	47.5	40.1	37.2	-4.3	-7.2	20.9	18.3	12.8	10.2	73.9	69.4	-43.1	-45.5	112.8	98.1	161.3	143.3		
California Smart Growth Fund IV	12,448,424	17.9	16.2	13.1	11.6	19.9	18.3	26.7	24.6	20.1	17.0	-34.6	-38.0	-46.3	-48.6	3.0	-2.5						
Canyon Johnson Urban Fund II	2,780,855	7.4	5.1	-7.4	-9.8	-4.3	-6.6	-0.6	-3.0	-7.0	-9.2	-27.6	-29.1	-2.6	-6.2	1.4	-4.3	-1.9	-16.7	0.7	-13.7		
CBRE Strategic Partners UK Fund III	2,630,744	-27.5	-28.6	12.4	10.0	-9.5	-12.5	-2.2	-5.6	-4.7	-8.3	-50.0	-54.1	-103.7	-104.0	-127.8	-127.8						
CIM Real Estate Fund III	22,134,267	8.7	7.5	11.1	9.9	20.8	19.4	21.8	19.8	15.3	-13.8	-53.5	-83.5	-117.3	-113.8								
CityView LA Urban Land Fund I	20,827,052	81.4	79.3	10.2	8.3	7.8	5.9	3.9	2.1	-0.1	-32.6	-9.9	-49.6	-35.1	-72.3	-13.0	-47.7						
Colony Investors VIII	7,795,294	-8.7	-10.9	45.6	42.0	14.4	10.9	-27.2	-29.2	24.6	20.3	-11.9	-19.0	-90.8	-91.6	15.9	12.2						
DLJ Real Estate Capital Partners II	3,918,879	5.3	4.3	11.0	9.6	14.7	13.3	12.4	10.5	18.3	16.3	-31.2	-32.9	-19.6	-23.3	26.2	15.5	51.3	36.7	62.5	43.0	46.9	32.3
DLJ Real Estate Capital Partners IV	32,039,165	6.4	4.6	8.5	6.7	23.4	21.1	2.4	-1.4	12.5	4.3	-45.6	-54.8	-40.0	-40.0								
DRA Growth and Income Fund VI	5,330,781	35.3	32.7	17.6	15.1	4.3	2.1	32.6	29.1	15.9	11.1	-10.2	-14.7	-6.9	-10.3								
Genesis Workforce Housing Fund II	24,852,896	15.8	14.6	22.6	21.1	19.7	18.0	11.1	6.0	-62.0	-71.3	63.2	15.9	-4.4	-39.1	-17.6	-99.9						
Integrated Capital Hospitality Fund	8,736,132	28.2	27.2	12.1	11.0	96.8	87.9	6.0	2.6														
LaSalle Asia Fund II	231,632	46.2	44.3	23.0	22.1	24.4	22.3	41.8	39.5	22.5	19.9	-25.5	-27.3	-37.3	-38.7	28.1	25.1	24.5	7.5	-16.4	-44.5		
Latin America Investors III	10,250,092	0.4	-4.6	-17.9	-22.4	-60.0	-62.6	-32.5	-34.9	20.8	15.3	100.5	93.8										
Lone Star Fund VII	4,766,303	42.8	33.5	100.6	75.7	59.7	43.7	70.2	58.2														
Lone Star Real Estate Fund II	5,418,319	58.3	44.7	30.5	22.3	40.2	30.6	45.3	30.8														
Lowe Hospitality Investment Partners	1,447,624	28.2	27.0	23.0	21.5	39.9	38.4	51.9	49.0	128.0	92.1	-93.4	-93.5	-35.9	-36.5	19.0	17.1	20.3	18.3	2.6	-0.1	-12.9	-19.9
MacFarlane Urban Real Estate Fund II	9,299,385	-25.0	-28.5	-16.5	-19.2	61.7	53.6	-5.4	-9.8	-95.2	-93.8	-110.0	-109.6	14.4	0.0								
Prologis Japan Fund	0	-17.5	-17.5	-16.6	-17.5	-9.4	-10.7	14.9	13.3	14.8	13.2	-17.8	-16.9	61.8	53.0	26.6	23.7	39.6	28.4	-4.4	-10.5		
Southern California Smart Growth Fund	3,071,501	22.9	20.4	14.9	11.4	-33.5	-33.6	-5.3	-5.4	-7.5	-7.7	-40.5	-40.6	-19.2	-19.3	75.6	75.3	82.2	81.0	-212.5	-216.2		
Stockbridge Real Estate Fund II	13,199,661	24.4	22.8	46.5	43.7	3.2	0.7	7.2	4.2	21.8	16.8	-86.3	-86.8	-83.4	-84.0	-27.9	-31.9	91.0	80.1				
The Buchanan Fund V	11,017,561	19.2	17.8	22.4	21.2	10.2	9.2	10.4	9.4	8.1	6.3	-45.9	-48.2	-30.5	-33.0	1.1	-1.1						
Torchlight Debt Opportunity Fund II	11,612,543	6.7	6.0	24.6	23.5	24.5	23.1	23.7	22.0	41.4	36.1	29.9	23.6	-68.7	-69.7								
Torchlight Debt Opportunity Fund III	3,911,296	92.7	65.6	33.8	20.3	17.7	15.2	1.2	1.0	12.7	2.8	26.4	22.7										
Torchlight Debt Opportunity Fund IV	20,364,242	13.9	10.4	3.6	3.0																		
Tuckerman Group Residential Income & Value Added Fund	13,857,535	5.7	4.5	33.9	31.8	6.5	4.5	10.4	7.8	27.6	23.6	-43.7	-45.7	-13.5	-15.4	9.6	7.1	15.8	13.0	22.7	20.2	0.0	-0.4
UrbanAmerica II	2,109,400	-42.7	-44.4	-15.5	-17.6	-18.0	-19.6	6.3	4.1	11.4	9.0	-18.6	-20.4	-38.6	-42.0	-45.4	-58.5						
Walton Street Real Estate Fund V	10,332,876	13.2	11.7	12.9	11.2	9.5	7.8	10.1	8.0	48.0	44.0	-27.8	-31.1	-47.7	-48.7	10.3	8.6	7.2	6.6				
Walton Street Real Estate Fund VI	22,544,820	14.8	13.4	16.0	14.3	12.1	10.4	14.3	12.3	173.3	162.1	-78.1	-84.0										
<b>Opportunistic</b>	<b>300,920,939</b>	<b>15.5</b>	<b>12.9</b>	<b>15.3</b>	<b>12.3</b>	<b>12.6</b>	<b>10.2</b>	<b>8.8</b>	<b>6.5</b>	<b>16.8</b>	<b>12.4</b>	<b>-38.9</b>	<b>-41.4</b>	<b>-36.5</b>	<b>-39.1</b>	<b>10.5</b>	<b>4.4</b>	<b>31.4</b>	<b>24.5</b>	<b>32.0</b>	<b>25.1</b>	<b>36.0</b>	<b>30.2</b>
<b>Private Portfolio</b>	<b>697,199,205</b>	<b>13.7</b>	<b>12.0</b>	<b>13.4</b>	<b>11.4</b>	<b>12.9</b>	<b>11.1</b>	<b>12.8</b>	<b>10.9</b>	<b>13.2</b>	<b>10.4</b>	<b>-35.1</b>	<b>-36.6</b>	<b>-23.1</b>	<b>-24.2</b>	<b>14.2</b>	<b>11.1</b>	<b>20.1</b>	<b>17.2</b>	<b>25.4</b>	<b>22.3</b>	<b>22.1</b>	<b>18.9</b>
<b>Non-Core Portfolio</b>	<b>448,769,638</b>	<b>14.6</b>	<b>12.3</b>	<b>13.6</b>	<b>11.0</b>	<b>14.0</b>	<b>11.9</b>	<b>11.8</b>	<b>9.6</b>	<b>12.0</b>	<b>8.4</b>	<b>-38.7</b>	<b>-40.6</b>	<b>-29.9</b>	<b>-31.2</b>	<b>14.1</b>	<b>9.9</b>	<b>21.1</b>	<b>17.1</b>	<b>28.9</b>	<b>24.2</b>	<b>25.7</b>	<b>21.9</b>
<b>Total Portfolio</b>																							
<b>Los Angeles City Employees' Retirement System</b>	<b>709,409,061</b>	<b>13.6</b>	<b>11.9</b>	<b>13.5</b>	<b>11.4</b>	<b>12.8</b>	<b>11.1</b>	<b>12.6</b>	<b>10.8</b>	<b>12.9</b>	<b>10.2</b>	<b>-34.3</b>	<b>-35.8</b>	<b>-22.4</b>	<b>-23.6</b>	<b>14.4</b>	<b>11.2</b>	<b>20.2</b>	<b>17.4</b>	<b>25.4</b>	<b>22.3</b>	<b>22.1</b>	<b>18.9</b>
<b>Indices</b>																							
NFI-ODCE (Core)		12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3	21.4	20.2	13.1	12.0
NFI-ODCE + 80 bps (Total Portfolio)		13.3	12.3	14.7	13.7	11.7	10.6	16.8	15.8	17.2	16.1	-29.0	-29.6	-9.2	-9.9	16.8	15.6	17.1	16.1	22.2	21.0	13.9	12.8
NFIODCE + 200 bps (Non-Core Portfolio)		14.5	13.5	15.9	14.9	12.9	11.8	18.0	17.0	18.4	17.3	-27.8	-28.4	-8.0	-8.7	18.0	16.8	18.3	17.3	23.4	22.2	15.1	14.0
NFI -ODCE + 50 bps (Value Add)		13.0	12.0	14.4	13.4	11.4	10.3	16.5	15.5	16.9	15.8	-29.3	-29.9	-9.5	-10.2	16.5	15.3	16.8	15.8	21.9	20.7	13.6	12.5
NFI -ODCE + 300 bps (Opportunistic)		15.5	14.5	16.9	15.9	13.9	12.8	19.0	18.0	19.4	18.3	-26.8	-27.4	-7.0	-7.7	19.0	17.8	19.3	18.3	24.4	23.2	16.1	15.0
NCREIF Timberland Index (Timber)		10.5	0.0	9.7	0.0	7.8	0.0	1.6	0.0	-0.1	0.0	-4.7	0.0	9.5	0.0	18.4	0.0	13.7	0.0	19.4	0.0	11.2	0.0
<b>Historical Benchmarks</b>																							
NCREIF Property Index "NPI"		11.8		11.0		10.5		14.3		13.1		-16.8		-6.5		15.8		16.6		20.1		14.5	
NCREIF Property Index ("NPI") + 100 BPS		12.8		12.0		11.5		15.3		14.1		-15.8		-5.5		16.8		17.6		21.1		15.5	

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
<b>Core</b>									
CIM Commercial Trust Corporation ("CMCT")	47,602,603	0	470,981	0	471,372	0	1,381,930	48,984,924	21.9
CIM VI (Urban REIT), LLC	25,693,371	0	234,209	0	239,800	87,368	2,669,042	28,280,636	22.3
INVESCO Core Real Estate	117,590,320	1,084,392	1,074,854	0	1,283,118	109,057	2,861,979	121,635,898	19.1
JP Morgan Strategic Property Fund	48,325,349	0	0	0	630,290	117,017	689,486	49,528,109	29.2
<b>Core</b>	<b>239,211,643</b>	<b>1,084,392</b>	<b>1,780,044</b>	<b>0</b>	<b>2,624,580</b>	<b>313,442</b>	<b>7,602,437</b>	<b>248,429,567</b>	<b>22.2</b>
<b>Timber</b>									
Hancock ForesTree V	303,954	0	272,728	0	-2,709	325,131	356,617	60,003	0.0
Hancock Timberland XI	11,582,432	0	0	0	-14,230	24,635	606,286	12,149,853	0.0
<b>Timber</b>	<b>11,886,386</b>	<b>0</b>	<b>272,728</b>	<b>0</b>	<b>-16,939</b>	<b>349,766</b>	<b>962,903</b>	<b>12,209,856</b>	<b>0.0</b>
<b>Value Added</b>									
Almanac Realty Securities VI	12,792,366	0	1,078,314	5,575,702	176,138	62,628	611,751	6,863,611	36.0
CBRE Strategic Partners III	933,841	0	0	0	-3,279	0	89,976	1,020,538	0.0
CBRE Strategic Partners IV	2,646,909	0	0	0	7,976	2,472	-526,616	2,125,798	0.0
CBRE Strategic Partners U.S. Value V	132,373	0	83,393	0	2,710	542	0	51,149	0.0
Cornerstone Enhanced Mortgage Fund I	13,372,747	0	792,297	0	324,123	46,612	7,989	12,865,950	49.1
DRA Growth and Income Fund VII	25,800,989	0	651,922	502,280	815,778	105,118	164,450	25,521,897	63.0
DRA Growth and Income Fund VIII	2,267,663	2,037,037	25,926	0	98,389	22,386	0	4,354,777	66.0
Heitman Value Partners	201,953	0	56,904	0	-3,570	1,969	45,639	185,149	0.0
JP Morgan Alternative Property Fund	499,591	0	0	0	47,461	0	-183,751	363,301	58.2
Mesa West Real Estate Income Fund II	10,536,314	0	122,613	4,077,850	237,964	20,797	-294,347	6,258,671	69.4
Mesa West Real Estate Income Fund III	11,150,770	0	186,491	0	377,031	84,375	-63,087	11,193,848	74.4
PRISA II	41,294,836	0	341,962	0	488,720	98,448	883,378	42,226,524	30.6
Realty Associates Fund IX	13,581,266	0	803,990	0	238,889	121,752	291,929	13,186,342	40.6
RREEF America REIT III - 1410	5,942,298	0	0	904,327	75,479	38,544	75,132	5,150,038	50.9
TA Fund VII	7,814,640	0	80,628	0	153,765	24,076	19,890	7,883,591	34.1
Urdang Value Added Fund II	9,092,179	0	0	540,157	93,415	12,340	-35,582	8,597,515	45.0
<b>Value Added</b>	<b>158,060,735</b>	<b>2,037,037</b>	<b>4,224,440</b>	<b>11,600,316</b>	<b>3,130,989</b>	<b>642,059</b>	<b>1,086,751</b>	<b>147,848,699</b>	<b>51.9</b>
<b>Total Portfolio</b>									
<b>Los Angeles City Employees' Retirement System</b>	<b>735,259,448</b>	<b>5,555,547</b>	<b>25,394,381</b>	<b>27,647,456</b>	<b>9,608,722</b>	<b>3,277,591</b>	<b>15,113,933</b>	<b>673,447,963</b>	<b>44.2</b>

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
<b>Opportunistic</b>									
Apollo CPI Europe I	5,919,638	0	5,570	0	22,837	10,803	23,787	5,949,888	66.5
Bristol Value II, L.P.	5,202,450	95,873	26,921	0	12,401	29,063	513,201	5,767,941	36.4
Bryanston Retail Opportunity Fund	2,184,497	0	0	43,598	44,442	5,230	93,720	2,273,831	27.9
California Smart Growth Fund IV	14,977,660	40,139	0	3,110,400	581,164	40,139	0	12,448,424	41.2
Canyon Johnson Urban Fund II	3,083,672	0	0	333,333	19,621	11,277	22,172	2,780,855	60.3
CBRE Strategic Partners UK Fund III	4,480,747	0	0	540,436	-69,823	11,351	-1,228,393	2,630,744	0.0
CIM Real Estate Fund III	22,012,205	0	191,307	0	303,838	60,332	69,863	22,134,267	17.3
CityView LA Urban Land Fund I	23,348,987	2,114,508	5,385,405	0	570,195	62,436	241,203	20,827,052	56.7
Colony Investors VIII	7,635,394	0	0	466,600	23,900	57,500	660,100	7,795,294	2.0
DLJ Real Estate Capital Partners II	3,823,460	7,971	0	0	-195	7,971	95,614	3,918,879	36.9
DLJ Real Estate Capital Partners IV	31,946,804	554,959	1,460,217	0	299,280	105,581	803,920	32,039,165	0.0
DRA Growth and Income Fund VI	17,843,017	0	5,517,384	6,361,239	55,643	33,167	-656,089	5,330,781	76.0
Genesis Workforce Housing Fund II	24,312,538	0	211,865	0	-43,792	67,376	863,391	24,852,896	54.4
Integrated Capital Hospitality Fund	7,467,783	0	113,556	0	149,579	15,465	1,247,790	8,736,132	42.4
LaSalle Asia Fund II	234,130	0	0	0	-903	0	-1,595	231,632	0.0
Latin America Investors III	11,197,625	0	0	0	-32,596	309,571	-605,366	10,250,092	35.4
Lone Star Fund VII	4,680,237	0	501,816	74,242	290,815	167,726	539,035	4,766,303	58.6
Lone Star Real Estate Fund II	7,814,294	169,875	1,658,550	1,728,489	314,451	208,456	715,195	5,418,319	45.5
Lowe Hospitality Investment Partners	1,240,906	0	0	0	165,868	2,575	43,425	1,447,624	49.1
MacFarlane Urban Real Estate Fund II	9,311,889	0	0	0	-127,500	111,960	226,955	9,299,385	85.1
Prologis Japan Fund	155,174	0	140,316	0	-676	0	-14,182	0	0.0
Southern California Smart Growth Fund	3,009,891	13,723	0	115,630	177,240	13,723	0	3,071,501	46.0
Stockbridge Real Estate Fund II	13,092,360	0	0	0	-11,851	52,163	171,315	13,199,661	54.0
The Buchanan Fund V	12,098,316	0	2,180,544	0	327,911	34,915	806,793	11,017,561	39.1
Torchlight Debt Opportunity Fund II	13,501,867	0	2,496,889	0	73,991	18,637	552,211	11,612,543	15.9
Torchlight Debt Opportunity Fund III	3,690,558	0	436,782	0	164,836	200,448	693,132	3,911,296	0.0
Torchlight Debt Opportunity Fund IV	19,962,853	0	250,264	0	386,029	288,278	553,902	20,364,242	3.1
Tuckerman Group Residential Income & Value Added Fund	14,173,874	0	0	0	77,317	40,237	-353,419	13,857,535	62.0
UrbanAmerica II	2,680,571	0	0	0	67,031	14,643	-623,559	2,109,400	85.5
Walton Street Real Estate Fund V	11,514,775	0	0	1,722,513	76,417	39,876	504,073	10,332,876	30.6
Walton Street Real Estate Fund VI	23,502,512	0	0	1,550,660	254,857	64,976	403,087	22,544,820	35.4
<b>Opportunistic</b>	<b>326,100,684</b>	<b>2,434,118</b>	<b>19,117,169</b>	<b>16,047,140</b>	<b>3,870,092</b>	<b>1,972,324</b>	<b>5,461,842</b>	<b>264,959,841</b>	<b>53.4</b>
<b>Private Portfolio</b>	<b>723,373,062</b>	<b>5,555,547</b>	<b>25,121,653</b>	<b>27,647,456</b>	<b>9,625,661</b>	<b>2,927,825</b>	<b>14,151,030</b>	<b>661,238,107</b>	<b>44.7</b>
<b>Non-Core Portfolio</b>	<b>484,161,419</b>	<b>4,471,155</b>	<b>23,341,609</b>	<b>27,647,456</b>	<b>7,001,081</b>	<b>2,614,383</b>	<b>6,548,593</b>	<b>412,808,540</b>	<b>52.9</b>
<b>Total Portfolio</b>									
<b>Los Angeles City Employees' Retirement System</b>	<b>735,259,448</b>	<b>5,555,547</b>	<b>25,394,381</b>	<b>27,647,456</b>	<b>9,608,722</b>	<b>3,277,591</b>	<b>15,113,933</b>	<b>673,447,963</b>	<b>44.2</b>





Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
<b>Core</b>						
CIM Commercial Trust Corporation ("CMCT")	8.6	73.1	-	-	8.5	9.9
CIM VI (Urban REIT), LLC	61.0	21.4	-	13.6	-	3.9
INVESCO Core Real Estate	26.6	40.0	15.5	17.1	-	0.8
JP Morgan Strategic Property Fund	23.2	43.3	8.0	24.8	-	0.6
<b>Core</b>	<b>26.4</b>	<b>44.7</b>	<b>9.6</b>	<b>15.0</b>	<b>1.5</b>	<b>2.8</b>
<b>Timber</b>						
Hancock ForesTree V	-	-	-	-	-	100.0
Hancock Timberland XI	-	-	-	-	-	100.0
<b>Timber</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100.0</b>
<b>Value Added</b>						
Almanac Realty Securities VI	43.2	22.3	-	9.0	9.7	15.9
CBRE Strategic Partners III	-	-	-	-	-	-
CBRE Strategic Partners IV	-	-	-	-	-	100.0
CBRE Strategic Partners U.S. Value V	-	-	-	-	-	-
Cornerstone Enhanced Mortgage Fund I	14.5	26.7	-	9.4	49.5	-
DRA Growth and Income Fund VII	26.6	23.9	32.0	17.5	-	-
DRA Growth and Income Fund VIII	11.2	78.7	2.3	7.8	-	-
Heitman Value Partners	-	-	100.0	-	-	-
JP Morgan Alternative Property Fund	-	-	-	-	-	100.0
Mesa West Real Estate Income Fund II	26.2	45.4	3.7	24.7	-	-
Mesa West Real Estate Income Fund III	18.8	61.9	4.5	1.5	13.4	-
PRISA II	18.1	40.0	0.8	17.4	5.6	18.1
Realty Associates Fund IX	20.7	44.5	31.0	3.8	-	-
RREEF America REIT III - 1410	-	44.7	5.3	16.4	-	33.6
TA Fund VII	-	57.1	40.8	2.0	-	0.1
Urdang Value Added Fund II	28.4	63.5	2.2	3.6	-	2.2
<b>Value Added</b>	<b>19.1</b>	<b>41.2</b>	<b>13.4</b>	<b>11.2</b>	<b>6.9</b>	<b>8.3</b>

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
<b>Opportunistic</b>						
Apollo CPI Europe I	19.3	15.0	-	65.7	-	-
Bristol Value II, L.P.	20.0	50.1	29.8	-	-	0.1
Bryanston Retail Opportunity Fund	-	-	-	100.0	-	-
California Smart Growth Fund IV	22.5	-	3.6	4.6	28.4	41.0
Canyon Johnson Urban Fund II	0.3	-	-	15.7	56.3	27.8
CBRE Strategic Partners UK Fund III	-	19.3	-	37.0	-	43.6
CIM Real Estate Fund III	6.6	15.7	-	13.4	6.1	58.2
CityView LA Urban Land Fund I	100.0	-	-	-	-	-
Colony Investors VIII	-	-	-	18.3	34.6	47.1
DLJ Real Estate Capital Partners II	5.5	-	-	-	76.7	17.8
DLJ Real Estate Capital Partners IV	20.5	10.8	4.6	-	11.8	52.4
Genesis Workforce Housing Fund II	100.0	-	-	-	-	-
Integrated Capital Hospitality Fund	-	-	-	-	100.0	-
LaSalle Asia Fund II	-	-	-	-	-	-
Latin America Investors III	-	6.2	-	-	-	93.8
Lone Star Fund VII	-	-	-	-	-	100.0
Lone Star Real Estate Fund II	-	0.1	-	-	-	99.9
Lowe Hospitality Investment Partners	-	-	-	-	100.0	-
MacFarlane Urban Real Estate Fund II	45.0	31.7	-	2.6	3.8	16.9
Prologis Japan Fund	-	-	-	-	-	-
Southern California Smart Growth Fund	-	23.2	-	-	-	76.8
Stockbridge Real Estate Fund II	-	49.2	-	-	-	50.8
The Buchanan Fund V	48.1	6.2	20.1	25.4	-	0.2
Torchlight Debt Opportunity Fund II	7.8	66.0	13.2	9.7	1.6	1.7
Torchlight Debt Opportunity Fund III	30.5	40.9	0.3	6.5	0.8	21.0
Torchlight Debt Opportunity Fund IV	53.4	18.2	1.9	11.3	8.8	6.4
Tuckerman Group Residential Income & Value Added Fund	100.0	-	-	-	-	-
UrbanAmerica II	-	-	-	-	100.0	-
Walton Street Real Estate Fund V	-	9.7	-	1.2	36.4	52.8
Walton Street Real Estate Fund VI	0.2	20.3	-	18.2	7.3	54.1
<b>Opportunistic</b>	<b>31.2</b>	<b>15.5</b>	<b>2.5</b>	<b>8.3</b>	<b>11.5</b>	<b>31.0</b>
<b>Private Portfolio</b>	<b>26.9</b>	<b>31.5</b>	<b>7.4</b>	<b>11.4</b>	<b>6.9</b>	<b>16.0</b>
<b>Non-Core Portfolio</b>	<b>27.2</b>	<b>24.0</b>	<b>6.1</b>	<b>9.3</b>	<b>10.0</b>	<b>23.5</b>
<b>Total Portfolio</b>						
<b>Los Angeles City Employees' Retirement System</b>	<b>26.2</b>	<b>31.1</b>	<b>7.2</b>	<b>10.6</b>	<b>6.4</b>	<b>18.4</b>
<b>Indices</b>						
<b>NFI-ODCE</b>	<b>25.0</b>	<b>37.5</b>	<b>13.7</b>	<b>19.1</b>	<b>1.6</b>	<b>3.1</b>

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Var-US	Ex-US
<b>Core</b>										
CIM Commercial Trust Corporation ("CMCT")	3.1	32.9	-	16.7	-	-	-	47.3	-	-
CIM VI (Urban REIT), LLC	40.6	13.6	-	-	-	26.5	-	19.3	-	-
INVESCO Core Real Estate	20.4	11.2	1.4	1.6	1.6	15.9	8.3	39.7	-	-
JP Morgan Strategic Property Fund	20.9	9.6	5.2	0.1	9.6	15.1	3.1	36.4	-	-
<b>Core</b>	<b>19.5</b>	<b>15.1</b>	<b>1.7</b>	<b>3.9</b>	<b>2.6</b>	<b>14.0</b>	<b>4.9</b>	<b>38.3</b>	-	-
<b>Timber</b>										
Hancock ForesTree V	-	-	-	-	-	-	-	100.0	-	-
Hancock Timberland XI	-	-	-	-	-	-	-	32.3	49.1	18.6
<b>Timber</b>	-	-	-	-	-	-	-	<b>32.6</b>	<b>48.8</b>	<b>18.5</b>
<b>Value Added</b>										
Almanac Realty Securities VI	-	-	-	-	-	-	-	-	100.0	-
CBRE Strategic Partners III	-	-	-	-	-	-	-	-	-	-
CBRE Strategic Partners IV	-	-	-	-	100.0	-	-	-	-	-
CBRE Strategic Partners U.S. Value V	-	-	-	-	-	-	-	-	-	-
Cornerstone Enhanced Mortgage Fund I	49.1	18.8	6.7	-	-	9.4	5.0	11.0	-	-
DRA Growth and Income Fund VII	-	7.9	3.0	8.5	24.5	25.6	7.4	23.1	-	-
DRA Growth and Income Fund VIII	-	11.6	9.8	-	37.4	14.4	-	26.7	-	-
Heitman Value Partners	-	-	-	-	-	-	-	100.0	-	-
JP Morgan Alternative Property Fund	100.0	-	-	-	-	-	-	-	-	-
Mesa West Real Estate Income Fund II	25.6	22.0	-	-	-	-	28.6	23.7	-	-
Mesa West Real Estate Income Fund III	36.8	11.8	2.2	1.5	4.5	7.2	7.9	28.1	-	-
PRISA II	28.6	11.0	5.9	-	13.4	4.1	2.2	35.0	-	-
Realty Associates Fund IX	7.3	12.1	12.1	3.2	18.8	14.9	4.2	27.3	-	-
RREEF America REIT III - 1410	16.5	-	-	2.3	24.4	31.0	4.7	21.1	-	-
TA Fund VII	1.6	10.3	19.5	1.4	20.8	2.1	-	44.4	-	-
Urdang Value Added Fund II	2.2	6.3	-	-	-	78.4	0.2	12.9	-	-
<b>Value Added</b>	<b>17.2</b>	<b>10.4</b>	<b>6.2</b>	<b>2.0</b>	<b>15.0</b>	<b>14.0</b>	<b>4.2</b>	<b>26.4</b>	<b>4.4</b>	-

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Var-US	Ex-US
<b>Opportunistic</b>										
Apollo CPI Europe I	-	-	-	-	-	-	-	-	-	100.0
Bristol Value II, L.P.	18.7	-	-	-	81.2	-	-	0.1	-	-
Bryanston Retail Opportunity Fund	22.4	0.1	24.6	0.1	0.4	13.1	16.7	22.7	-	-
California Smart Growth Fund IV	-	-	-	-	-	-	8.3	91.7	-	-
Canyon Johnson Urban Fund II	15.2	56.5	-	-	-	28.3	-	-	-	-
CBRE Strategic Partners UK Fund III	-	-	-	-	-	-	-	-	-	100.0
CIM Real Estate Fund III	74.9	1.5	3.3	-	5.7	1.4	4.3	8.5	-	0.5
CityView LA Urban Land Fund I	-	-	-	-	-	-	-	100.0	-	-
Colony Investors VIII	1.4	-	-	-	0.1	8.7	-	8.0	4.1	77.7
DLJ Real Estate Capital Partners II	34.6	-	-	-	47.6	-	-	17.8	-	-
DLJ Real Estate Capital Partners IV	29.7	19.2	0.5	-	-	1.5	0.2	18.8	-	30.0
DRA Growth and Income Fund VI	33.8	-	-	2.2	34.7	-	21.6	7.7	-	-
Genesis Workforce Housing Fund II	-	-	-	-	-	-	-	100.0	-	-
Integrated Capital Hospitality Fund	23.1	32.0	-	-	-	45.0	-	-	-	-
LaSalle Asia Fund II	-	-	-	-	-	-	-	-	-	-
Latin America Investors III	-	-	-	-	-	-	-	-	-	100.0
Lone Star Fund VII	-	-	-	-	-	-	-	-	85.6	14.4
Lone Star Real Estate Fund II	-	-	-	-	-	-	-	-	49.4	50.6
Lowe Hospitality Investment Partners	48.1	-	-	-	51.9	-	-	-	-	-
MacFarlane Urban Real Estate Fund II	-	91.9	-	-	-	-	-	8.1	-	-
Prologis Japan Fund	-	-	-	-	-	-	-	-	-	-
Southern California Smart Growth Fund	-	-	-	-	-	-	-	100.0	-	-
Stockbridge Real Estate Fund II	-	-	-	-	-	-	0.9	99.1	-	-
The Buchanan Fund V	-	15.2	-	-	3.4	36.7	41.8	2.9	-	-
Torchlight Debt Opportunity Fund II	-	-	-	-	-	-	-	-	-	-
Torchlight Debt Opportunity Fund III	-	-	-	-	-	-	-	-	-	-
Torchlight Debt Opportunity Fund IV	-	-	-	-	-	-	-	-	-	-
Tuckerman Group Residential Income & Value Added Fund	89.9	-	-	-	-	-	-	10.1	-	-
UrbanAmerica II	-	-	-	-	100.0	-	-	-	-	-
Walton Street Real Estate Fund V	-	18.7	5.2	0.3	17.3	0.6	18.6	17.5	-	21.7
Walton Street Real Estate Fund VI	25.0	8.1	4.1	0.4	3.5	4.9	12.0	39.6	-	2.3
<b>Opportunistic</b>	<b>18.2</b>	<b>9.4</b>	<b>1.0</b>	<b>0.1</b>	<b>5.8</b>	<b>3.4</b>	<b>4.1</b>	<b>29.8</b>	<b>15.6</b>	<b>12.6</b>
<b>Private Portfolio</b>	<b>18.5</b>	<b>11.7</b>	<b>2.3</b>	<b>0.8</b>	<b>6.6</b>	<b>10.6</b>	<b>4.4</b>	<b>32.2</b>	<b>7.6</b>	<b>5.4</b>
<b>Non-Core Portfolio</b>	<b>17.9</b>	<b>9.8</b>	<b>2.7</b>	<b>0.7</b>	<b>8.8</b>	<b>6.9</b>	<b>4.1</b>	<b>28.7</b>	<b>12.0</b>	<b>8.5</b>
<b>Total Portfolio</b>										
<b>Los Angeles City Employees' Retirement System</b>	<b>18.2</b>	<b>11.5</b>	<b>2.3</b>	<b>0.8</b>	<b>6.5</b>	<b>10.4</b>	<b>4.3</b>	<b>32.2</b>	<b>8.3</b>	<b>5.6</b>
<b>Indices</b>										
<b>NFI-ODCE</b>	<b>21.8</b>	<b>11.5</b>	<b>7.6</b>	<b>1.5</b>	<b>9.2</b>	<b>10.3</b>	<b>4.8</b>	<b>33.2</b>	<b>-</b>	<b>-</b>

**Disclosure**

Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

Returns are presented on a time weighted basis and shown both gross and net of underlying third party fees and expenses and may include income, appreciation and/or other earnings. In addition, investment level Net IRR's and equity multiples are reported.

The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly<sup>1</sup> from the investment managers via a secure data collection site.

<sup>1</sup>In select instances where underlying investment managers have ceased reporting limited partner/client level performance data directly to The Townsend Group via a secure data collection site, The Townsend Group may choose to input performance data on behalf of its client based upon the investment managers quarterly capital account statements which are supplied to The Townsend Group and the client alike.

**Benchmarks**

The potential universe of available real asset benchmarks are infinite. Any one benchmark, or combination thereof, may be utilized on a gross or net of fees basis with or without basis point premiums attached. These benchmarks may also utilize a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.

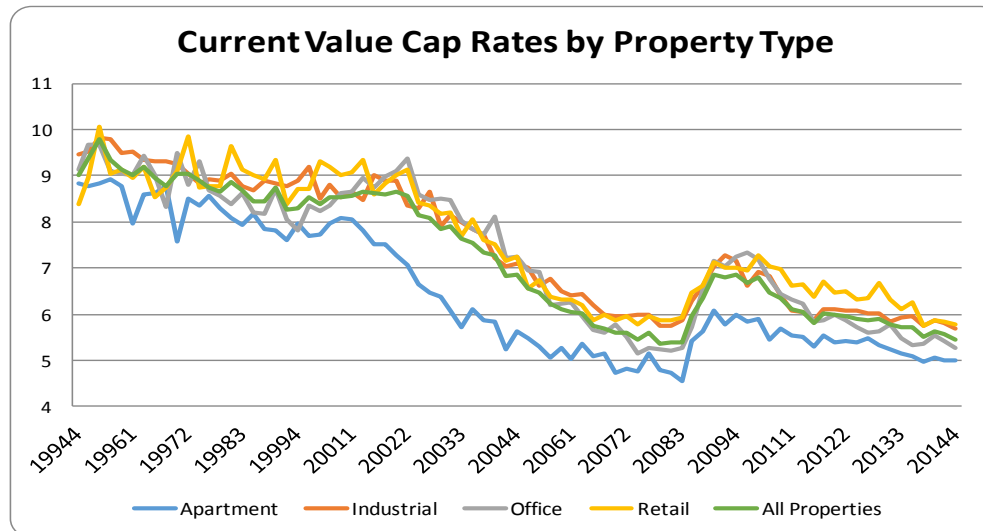
# Real Estate Market Update: Fourth Quarter 2014



# United States Real Estate Market Update (4Q14)

## General

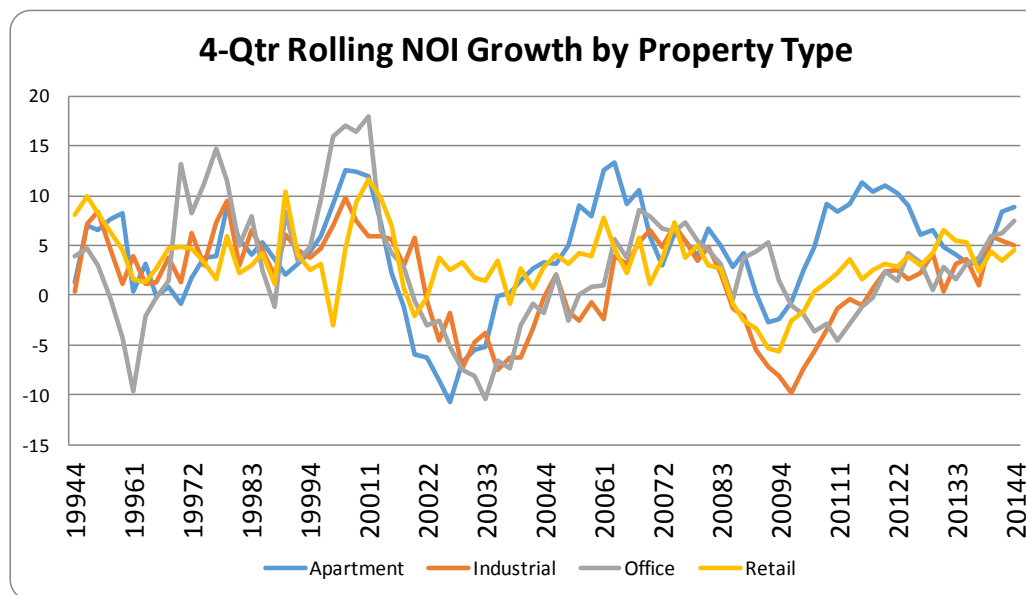
- In 2014, real GDP increased to 2.4%, 20 bps above 2013. Economic expansion in the US was driven by stronger consumer spending, business investment, and exports. Exports benefited from an increase in exports of industrial supplies and materials. Growth was partially offset by lower government spending and rising imports.
- As of 4Q14, consumer spending grew by 4.2%, the highest since 4Q10. Consumer confidence was fueled by declines in energy prices and improving job market fundamentals. Job growth has surpassed pre-recession peaks, as 8.7 million of jobs lost during the GFC were recovered and a minimum of 200,000 jobs per month were created in 2014.
- In 2014, lending in the securitized market greatly improved, with CMBS issuance rising to \$94.1 billion, 9% above 2013.
- Lower energy prices are a net positive for the U.S. economy and are expected to add approximately 50 basis points to GDP over the next 12–18 months. However, the steep decline in energy prices may stimulate rising risks in high-yield corporate bond markets, particularly for energy firms, which constitute 14% of the US high-yield bond market.
- As of 2014, the US economy is healthier and safer than the rest of the world, as international investments are generally subject to greater risks, which include geopolitical events, deflationary pressures, especially in Europe, and recently the decline in oil prices for energy-focused economies.
- Fundamentals in the job market put in evidence the broader economic recovery in activity sectors outside of technology and energy, and benefit highly diversified metros such as Chicago and Atlanta.



# United States Real Estate Market Update (4Q14)

## Commercial Real Estate

- As of 2014, sales of commercial real estate properties (with the exception of land investments) appreciated by 17% over 2013, and reached \$402 billion. Transaction activities are expected to remain strong in 2015 with higher flow of national and foreign capital.
- As of 2H14, the shift of capital from primary markets to secondary and tertiary markets has decelerated compared to previous years, largely due to continued risk aversion and global uncertainties. Transaction volumes in the six major metros increased by 23.8% in 2014, compared to 2.4% in non-gateway markets.
- As of 2014, transaction cap rates from all traditional property sectors, with the exception of hotels, experienced continuous decline due to rising property values. As of 4Q14, property values on aggregate have exceeded 2007 peak levels.
- Lending activity remains strong with major lenders such as banks and life companies increasing allocations to real estate investments. Higher availability of capital increases competition among lenders and orient expectations toward further compression in loan spread and lending rate, albeit a potential rise in interest rates.





## United States Property Matrix (4Q14)

### INDUSTRIAL

- As of 4Q14, vacancies further decreased to about 7.8% (lowest rate since 2000) due to higher demand. However, the rapid growth of development projects and under-construction assets negatively impacted rental growth. During the year, rental growth declined to 4.3%, 110 bps below 2013.
- During 2014, industrial space under-construction had more than doubled compared to 2013, reaching 113.8 msf. Albeit healthy demand fundamentals, supply is expected to grow beyond historical trends and may have a negative impact on vacancies and rent growth after 2016.
- As of 4Q14, quarterly demand surpassed 40 msf for the second time in a row, with absorption reaching 150 msf in 2014, and 500 msf since 2010. The rising demand was reflected by a 7.0% annual appreciation in property values, as well as a lower cap rate of 7.3%.
- US industrial sale volumes rose to approximately \$3 billion and appreciated by 9% over the January-November 2014 period. Sales of flex space grew by 17.2% on an annual basis and represented a third of total investment sales.
- In 2014, industrial properties delivered an annual return of 13.4% (the strongest performance across all property sectors) and outperformed the NPI by 160 bps. Performance was driven by cap rate compression and strong NOI growth.

### MULTIFAMILY

- The Multifamily sector has experienced its fastest growth since the late 1990s with rising rental demand fostered by strong employment and demographic growth as well as declining homeownership rates.
- Homeownership dropped to 64.4% over the quarter (lowest rate since 1995) and is expected to further decline in the near future as purchase of mortgage applications remain weak and renting remains more affordable than owning.
- During 2014, a preference for renting increased and the renter capture rate surpassed 100% as a result of the shift of foreclosed households to single family rentals. However, the rising rate in apartment permit issuance over the quarter has led to more pessimistic supply projections.
- In 2014, transaction volumes grew by a record high of 9% p.a., albeit declining rent growth and rising supply. Note, multifamily recorded the lowest transaction volume growth across property sectors
- As of 2014, occupancy rose to 94.8%, 39 bps above 2013, which reflects the sector's stronger performance over recent years.
- The apartment sector delivered a 10.3% return over the last year, underperforming the NPI by 153 basis points.

## United States Property Matrix (4Q14)

### OFFICE

- During 4Q14, office vacancy declined 20 bps to 13.9% and remained below 15% for the second time in six years due to stronger dynamics in the job market.
- As investor interest continued for safe, liquid and high income yield investments, Central Business District (“CBD”) offices continue to attract US and foreign capital, with transaction volume totaling \$61.5 billion in 2014.
- Construction activity increased by 12% in 4Q14 over 4Q13 as tenant expansion and tightening fundamentals further justify new construction.
- As of 4Q14, the office sector underperformed the NPI by 32 basis points over the last year with a 11.5% return.

### RETAIL

- During 4Q14, rents grew 10 basis points over 3Q14 and increased 150 bps year-over-year.
- With the exception of auto sales, retail sales increased by 1.9% over 2013 due to the decline in oil prices.
- During 2014, supply remained low with minimal construction, as new deliveries represented only 0.5% of existing stock. Under-construction deliveries were also low.
- In 2014, the sector recorded a 31% gain in transaction volume, the largest across all property sectors. In addition to healthy economic trends, the drop in oil prices, similarly to a tax cut, are expected to galvanize transaction volumes via boosting consumers’ confidence and spending.
- As of 4Q14, the retail sector delivered an annual return of 13.1%, outperforming the NPI by 130 bps.

# Global Real Estate Market Update (4Q14)

## General

- Global real estate is well position with continued momentum in capital markets now supported by improving corporate occupier demand.
- There is growing interest in higher-yielding assets in smaller and second-tier locations, particularly in the U.S. and Europe due, in part, to competition, yield compression and strengthening property market fundamentals.
- Development activity is continuing to increase as tenant expansion and tightening fundamentals further justify new construction.

## Europe

- Commercial real estate investment rose 49% in 4Q14 from 3Q14, with a 32% increase for the year.
- Investor interest remains across a wide range of sectors and regions. Notable activity volume was recorded in Sweden and the Netherlands with quarterly totals at almost record levels.
- The CEE showed weakness due to a sharp fall in transaction in Russia, mainly due to economic uncertainty in the area.
- Sweden, Spain and Ireland recorded record totals for Core, on an annual basis.

### Direct Commercial Real Estate Volumes, 2014

\$ US Billions	Q3 14	Q4 14	% Change		% Change		% Change	
			Q3 14 - Q4 14	Q4 13 - Q4 14	Q4 13 - Q4 14	2013 - 2014	2013 - 2014	
Americas	79	94	19%	88	7%	241	302	25%
EMEA	64	93	45%	86	8%	221	277	25%
Asia Pacific	32	43	35%	37	17%	127	131	3%
<b>Total</b>	<b>175</b>	<b>230</b>	<b>31%</b>	<b>211</b>	<b>9%</b>	<b>589</b>	<b>710</b>	<b>20%</b>

Source: Jones Lang LaSalle, January 2015



## Global Real Estate Market Update (4Q14)

### Asia

- Transaction volumes set a new quarterly record with activity driven by China, Japan and Australia.
- Transaction activity in Japan continues to be strong ending the year 4% higher than 2013 (higher in local currency) and accounted for one-third of total regional volumes.
- Australian volumes ended up 23% above last year (higher in local currency; however, volumes are expected to be down in 2015 as many large assets have recently traded and higher vacancy rates have suppressed development.
- Volumes in China recovered during the quarter (+74%) but annual deal flow ended up down 23% from 2013. Macro concerns about developers and residential sector weakness hindered volumes but relaxed purchase restrictions as well as the recent interest rate cut could help the residential market stabilize and improve investors' expectations.

### Global Outlook - GDP Growth % pa, 2014-2016

	2014	2015	2016
<b>Global</b>	<b>3.2</b>	<b>3.4</b>	<b>3.8</b>
<b>Asia Pacific</b>	<b>5.2</b>	<b>5.4</b>	<b>5.2</b>
Australia	2.8	2.7	3.0
China	7.4	6.8	6.1
India	5.2	6.1	6.2
Japan	0.1	0.9	1.8
<b>Americas</b>	<b>2.0</b>	<b>2.7</b>	<b>2.9</b>
US	2.4	3.3	2.9
<b>MENA</b>	<b>2.2</b>	<b>2.9</b>	<b>3.9</b>
<b>Europe</b>	<b>1.5</b>	<b>2.0</b>	<b>2.4</b>
France	0.4	1.2	1.7
Germany	1.5	2.0	2.1
UK	2.6	3.0	2.8

Source: Jones Lang LaSalle (Oxford Economics), January 2015



# Glossary of Terms

## CASH FLOW STATEMENT

Beginning Market Value:	Value of real estate, cash and other holdings from prior period end.
Contributions:	Cash funded to the investment for acquisition and capital items (i.e., initial investment cost or significant capital improvements).
Distributions:	Actual cash returned from the investment, representing distributions of income from operations and gains from sales.
Withdrawals:	Cash returned from the investment, representing a return of capital.
Ending Market Value:	Sum of the beginning market value + contributions – distributions – withdrawals for the quarter.
Unfunded Commitments:	Capital allocated to managers which remains to be called for investment. Amounts are as reported by managers.
Remaining Allocation:	The difference between the ending market value + the unfunded commitments and the target allocation. Represents dollars available for allocation.



# Glossary of Terms

## PRIVATE REAL ESTATE STYLE GROUPS

**Core :** Direct investments in operating, fully leased, office, retail, industrial, or multifamily properties using little or no leverage (normally less than 30%).

**Value-Add:** Core return investments that take on moderate additional risk from one or more of the following sources: leasing, re development, exposure to non-traditional property types, the use of leverage.

A Value-Added fund is one that generally includes a mix of Core investments and other investments that will have less reliable income streams. The fund as a whole is likely to have moderate lease exposure and moderate leverage. As a result, such funds should achieve a significant portion of the return from appreciation and are expected to exhibit moderate volatility. Please refer to NCREIF's Portfolio Management Committee's whitepaper, "Real Estate Investment Styles: Trends from the Catwalk" at [www.NCREIF.org](http://www.NCREIF.org) for more details.

**Opportunistic:** Investments that take on additional risk in order to achieve a higher return. Typical sources of risks are: development, land investing, operating company investing, international exposure, high leverage, distressed properties.

An Opportunistic fund is one that has preponderantly Non-Core investments. The fund as a whole is expected to derive most of its return from appreciation and/or which may exhibit significant volatility in returns. This may be due to a variety of characteristics such as exposure to development, significant leasing risk, high leverage, or a combination of moderate risk factors. Please refer to NCREIF's fund Management Committee's whitepaper, "Real Estate Investment Styles: Trends from the Catwalk" at [www.NCREIF.org](http://www.NCREIF.org) for more details.



# Glossary of Terms

## INDICES

**FTSE NAREIT Index:** This is an index of Equity Real Estate Investment Trust returns reflecting the stock value changes of REIT issues as determined through public market transactions in the United States.

**EPRA/NAREIT Global ex-US Index :** The EPRA/NAREIT Global ex-US Index is a subset of the FTSE EPRA/NAREIT Developed Index and is designed to track the performance of listed real estate companies and REITs. The European Public Real Estate Association (EPRA) is a common interest group, which aims to promote, develop and represent the European public real estate sector. The National Association of Real Estate Investment Trusts (NAREIT) is the trade association of REITs and publicly traded real estate companies with an interest in the US property and investment markets.

**NCREIF Open-End Diversified Core Equity Index (“NFI-ODCE”):** An index of open-end diversified Core strategy funds with at least 95% of their investments in U.S. markets. The ODCE is the first of the NCREIF Fund Database products, created in May 2005, and is an index of investment returns reporting on both a historical and current basis. The ODCE Index is capitalization-weighted and is reported gross and net of fees. Measurement is time-weighted and includes leverage.

**Townsend Non-Core Indices:** Townsend Fund Return Indices presents the performance information of private equity real estate funds pursuing value-added and opportunistic investment strategies using both open-ended and closed-ended structures. The performance data is comprised of both active investments, as well as funds that have completed their full lifecycle or discontinued operations and represents over \$300 billion and 260 funds. Return information is represented in a time-weighted format.



# Glossary of Terms

## PERFORMANCE

- Income (“INC”):** Net operating income net of debt service before deduction of capital items (e.g., roof replacement, renovations, etc.).
- Appreciation (“APP”):** Increase or decrease in investment's value based on internal or third party appraisal, recognition of capital expenditures which did not add value or uncollectible accrued income, or realized gain or loss from sales.
- Total Gross (“TGRS”):** The sum of the income return and appreciation return before adjusting for fees paid to and/or accrued by the manager.
- Total Net (“TNET”):** Total gross return less Advisor fees reported. All fees are requested (asset management, accrued incentives, paid incentives). No fee data is verified. May not include any fees paid directly by the investor as opposed to those paid from cash flows.
- Inception Returns:** The total net return for an investment or portfolio over the period of time the client has funds invested. Total portfolio Inception Returns may include returns from investments no longer held in the current portfolio.



# Glossary of Terms

## GEOGRAPHIC REGIONS and DIVISIONS

