



Real Estate Portfolio

Performance Review

SECOND 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 June 30, 2014. A detailed performance report is also provided as Exhibit A.

	<u>Market Value (\$ millions)</u>	<u>% LACERS Plan</u>
LACERS Total Plan Assets	13,942	
Real Estate Target	697	5.0%
RE Market Value:		
<i>Core</i>	233	
<i>Non-Core</i>	491	
<i>Timber</i>	20	
Unfunded Commitments	125	0.9%
RE Market Value & Unfunded Commitments	869	6.2%
Remaining Allocation	(172)	(1.2%)



Real Estate Portfolio Composition

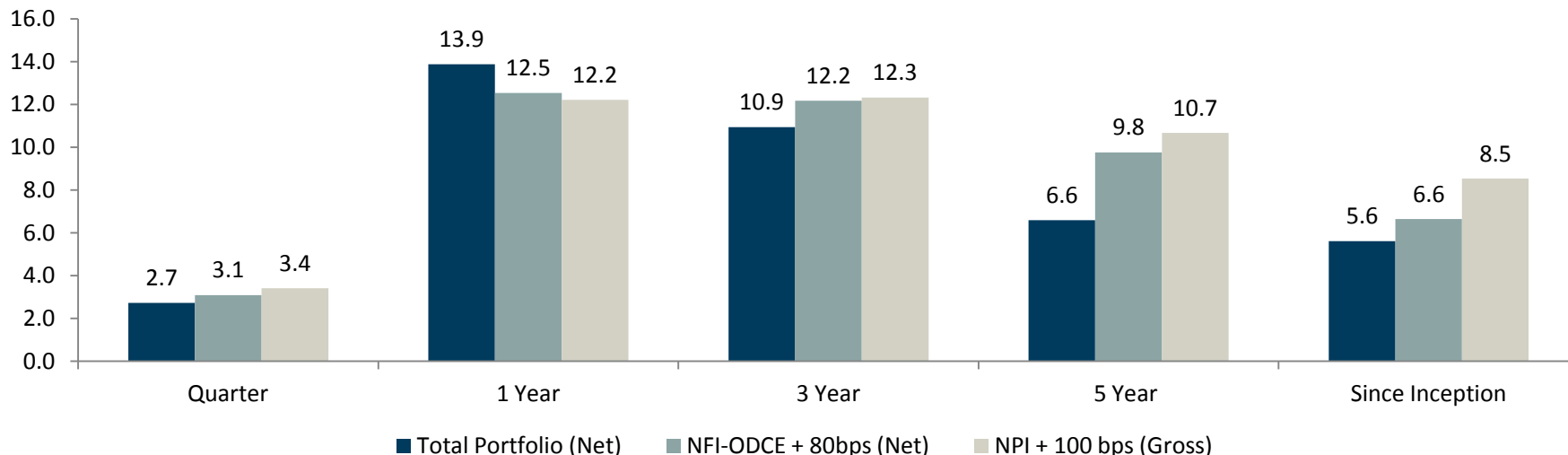
	<i>Strategic Targets Pre-May 2014</i>	<i>Strategic Targets Approved May 2014</i>		<i>Portfolio Composition (06/30/2014)*</i>	
	Tactical Range	Target Allocation	Tactical Range	Funded	Funded & Committed
Core	30% - 40%	60%	40% - 80%	31%	27%
Non-Core	N/A	40%	20% - 60%	66%	70%
<i>Value-Added Portfolio</i>	30% - 40%	N/A	N/A	20%	22%
<i>Opportunistic Portfolio</i>	20% - 30%	N/A	N/A	46%	47%
Timber	0% - 10%	N/A	N/A	3%	3%

- In May 2014, the LACERS Board approved the target portfolio composition above in order to reflect a more conservative risk profile going forward.
- LACERS is currently overweight to Non-Core and underweight to Core strategies, on a Funded and Funded & Committed basis.
- The Core Portfolio currently utilizes 24.2% leverage, measured on a loan-to-value basis, below the 40% limit for Core investments.



Total Portfolio Performance

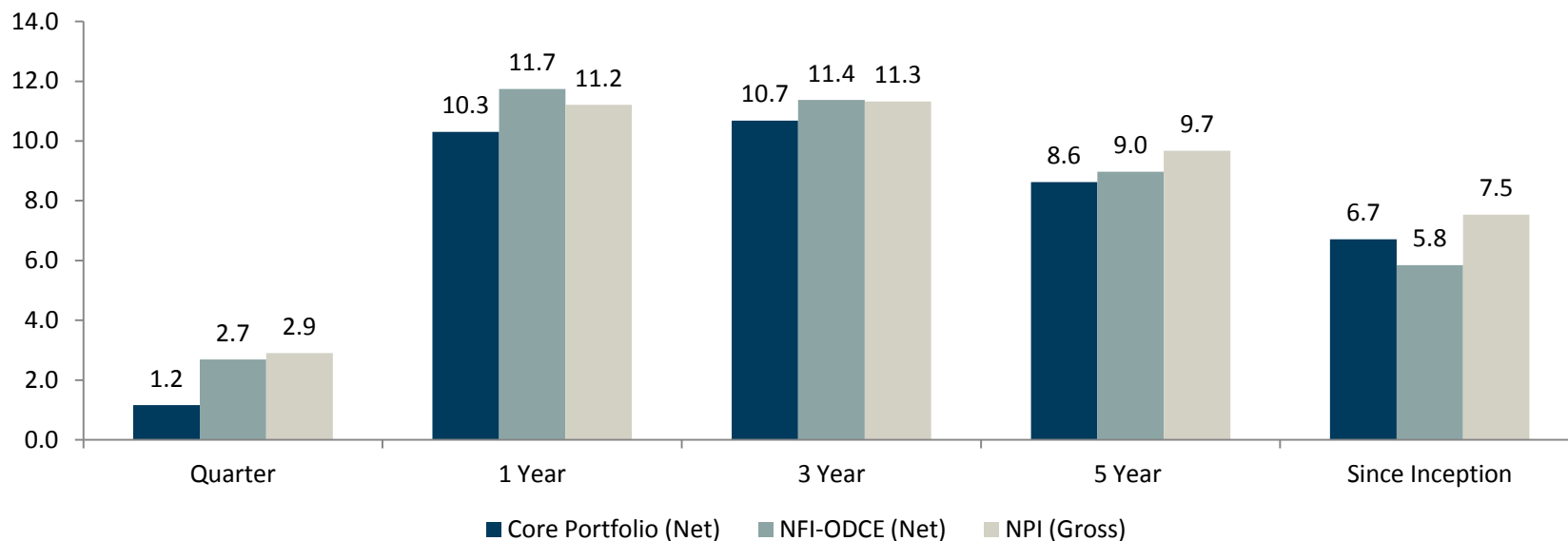
LACERS Total Real Estate Portfolio vs.
NFI-ODCE + 80 bps & NPI + 100bps



- Alongside the revisions made to the LACERS target portfolio composition (mentioned on the previous slide), the LACERS Board also approved a new benchmark for the Total Real Estate Portfolio, the NFI-ODCE + 80 basis points (defined below), measured over five year time periods, net of fees. LACERS underperformed this benchmark over all periods with the exception of the One year time period. Relative underperformance by strategy is addressed on the following slides. Note the historical benchmark, the de-levered NPI + 100 basis points (gross of fees), is provided for reference.
- 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 22.1% 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.

Relative Performance by Strategy: Core

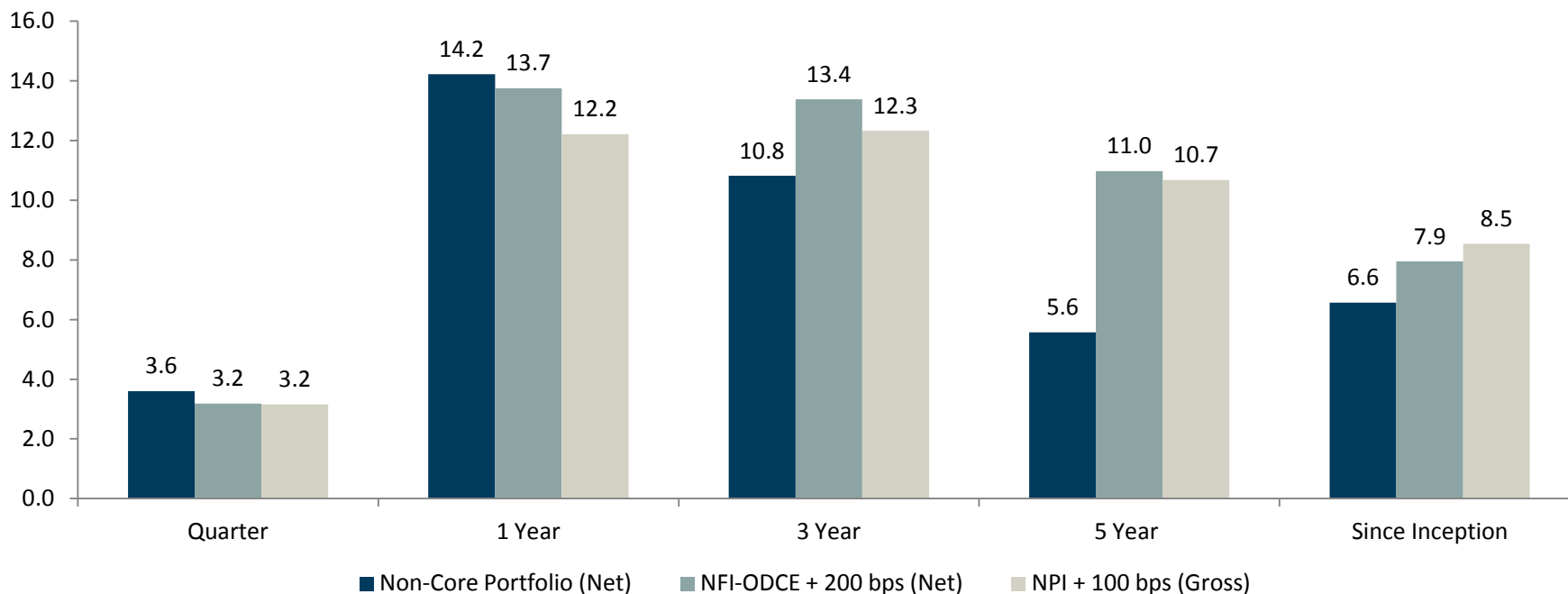
LACERS Core Real Estate Portfolio vs. NFI-ODCE & NPI



- During the Quarter, the LACERS Board also approved a revised benchmark for the Core Portfolio, the NFI-ODCE, measured over five year time periods, net of fees. The Core Portfolio underperformed the NFI-ODCE over all time periods, except the since inception time period. Note the historical benchmark, the de-levered NPI (gross of fees) is provided for reference.
- Underperformance over all time periods (except the longer Since Inception time period), is primarily attributable to the CIM Urban REIT series of funds. CMCT, formerly the CIM Urban REIT, is now a publicly traded portfolio subject to public market volatility, which impacted performance over the Quarter and shorter One year time periods. CIM VI is a 2012 vintage year fund that remains in its investment period with assets mainly held at cost, underperforming the benchmark as a result. Over the Since Inception time periods, however, CIM is accretive. Underperformance over the One and Three year time period is also the result of the INVESCO Core Real Estate Fund in part due to debt mark-to-market and a lower LTV ratio (loan-to-value) and less exposure to development relative to the Index. Performance of the JP Morgan Strategic Property Fund has been accretive over all time periods.

Relative Performance by Strategy: Non-Core

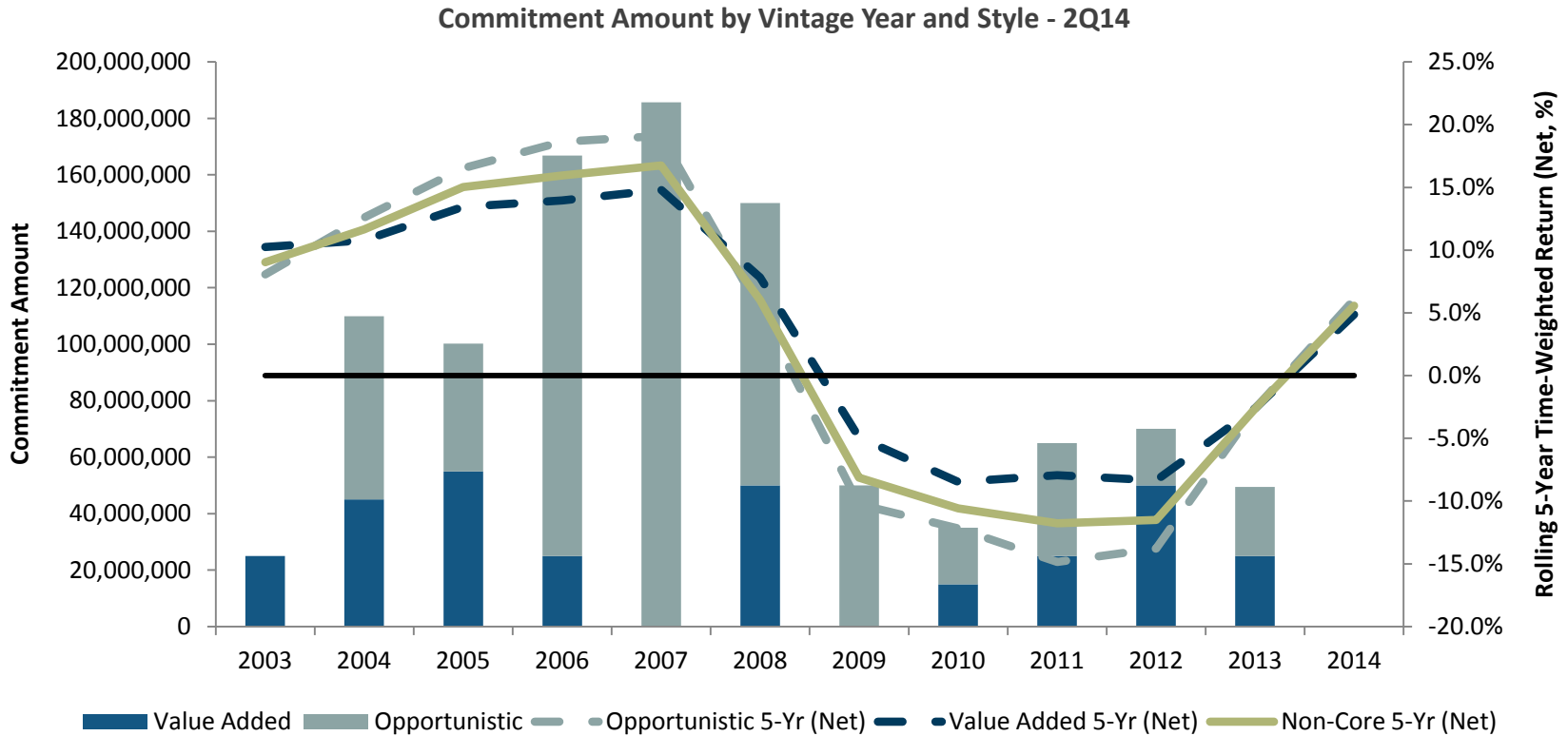
LACERS Non-Core Real Estate Portfolio vs.
NPI + 100 bps & NFI-ODCE + 200bps



- During the Quarter, the LACERS Board also approved a revised benchmark for the Non-Core Portfolio, the NFI-ODCE + 200 bps, measured over five year time periods, net of fees. The 200 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. Note the historical benchmark, the de-levered NPI + 100 basis points (gross of fees) is also provided for reference.
- The Non-Core Portfolio outperformed the NFI-ODCE + 200 bps over the shorter Quarter and One year time periods but underperformed over the longer Three and Five year and Since Inception time periods.
- Underperformance relative to the benchmark is primarily the result of significant Non-Core commitments made prior to the Global Financial Crisis, detailed on the next slide. As a result of underperforming legacy investments, LACERS may continue to underperform until new Non-Core commitments are made.



Relative Performance by Strategy: Non-Core



- 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 Performance - As of 2Q14			Townsend Fund Level Comparison - Net IRRs by Vintage Year & Strategy - As of 1Q14		
	Market Value (\$)	Net IRR	Equity Multiple	Bottom Quartile	Median Quartile	Top Quartile
PRISA II	40,346,487	3.4	1.3	0.1	2.1	8.8
CBRE Strategic Partners III	926,820	8.7	1.3			
Heitman Value Partners	203,121	4.9	1.3			
2004 Value Add Vintage Year	41,476,429	4.7	1.3			
TA Fund VII	7,755,197	0.2	1.0	-5.1	-0.8	3.3
2005 Value Add Vintage Year	7,755,197	0.2	1.0			
JP Morgan Alternative Property Fund*	2,645,409	-4.2	0.8	-13.2	-4.4	2.5
CBRE Strategic Partners IV	3,501,972	-24.9	0.1			
RREEF America REIT III - 1410	5,857,813	-3.7	0.8			
2006 Value Add Vintage Year	12,005,193	-9.3	0.5			
CBRE Strategic Partners U.S. Value V	188,759	16.2	1.4	2.1	9.2	11.4
Urdang Value Added Fund II	10,284,437	6.7	1.3			
2008 Value Add Vintage Year	10,473,196	11.4	1.4			
Realty Associates Fund IX	14,558,384	10.6	1.4	12.0	13.1	14.8
2010 Value Add Vintage Year	14,558,384	10.6	1.4			
DRA Growth and Income Fund VII	27,243,447	16.6	1.2	11.8	16.1	20.0
2011 Value Add Vintage Year	27,243,447	16.6	1.2			
Almanac Realty Securities VI	12,869,677	19.5	1.2	6.4	11.7	15.9
Cornerstone Enhanced Mortgage Fund I	13,207,842	11.2	1.1			
2012 Value Add Vintage Year	26,077,519	15.1	1.1			
Mesa West Real Estate Income Fund III	6,679,447	-2.8	1.0	1.8	12.5	18.0
2013 Value Add Vintage Year	6,679,447	-2.8	1.0			

* Orange indicates underperformance relative to Townsend Median Quartile Net IRR

- The above table displays net IRRs for LACERS' Value Added commingled funds by vintage year relative to the Townsend Value Added Funds, between 2004 and 2013, as of March 31, 2014.
- LACERS' Value Added Fund selections for 2006, 2010 and 2013 perform below the median compared to the Townsend Value Added Funds.

Relative Performance by Strategy: Opportunistic

	LACERS Performance - As of 2Q14			Townsend Fund Level Comparison - Net IRRs by Vintage Year & Strategy - As of 1Q14		
	Market Value (\$)	Net IRR	Equity Multiple	Bottom Quartile	Median Quartile	Top Quartile
DLJ Real Estate Capital Partners II	3,828,094	17.6	1.5	8.5	11.7	16.1
1999 Opportunistic Vintage Year	3,828,094	17.6	1.5			
Lowes Hospitality Investment Partners	1,390,485	-16.8	0.6			
Tuckerman Group Residential Income & Value Added Fund	17,120,691	0.5	1.0	-0.7	5.8	19.0
The Buchanan Fund III	62,611	17.6	1.5			
2004 Opportunistic Vintage Year	18,573,788	-4.4	0.8			
LaSalle Asia Fund II	616,355	1.8	1.1	-6.0	0.4	3.5
Southern California Smart Growth Fund	3,028,769	-6.1	0.9			
Bryanston Retail Opportunity Fund	2,196,173	80.1	2.6			
Canyon Johnson Urban Fund II	3,095,681	-9.6	0.5			
Prologis Japan Fund	169,930	4.1	1.3			
2005 Opportunistic Vintage Year	9,106,908	2.5	1.1			
Apollo CPI Europe I	9,178,566	-8.9	0.6	-9.6	-0.3	7.8
Stockbridge Real Estate Fund II	12,872,500	-13.9	0.4			
Walton Street Real Estate Fund V	13,089,170	-4.6	0.7			
2006 Opportunistic Vintage Year	35,140,236	-8.9	0.6			
The Buchanan Fund V	12,697,128	-2.4	0.9	-5.3	2.2	8.7
California Smart Growth Fund IV	14,552,470	-0.2	1.0			
Colony Investors VIII	10,196,194	-12.6	0.5			
CBRE Strategic Partners UK Fund III	4,532,465	-21.6	0.2			
CityView LA Urban Land Fund I	22,482,221	10.6	1.1			
Genesis Workforce Housing Fund II	24,419,085	9.3	1.3			
UrbanAmerica II	2,822,209	-17.9	0.3			
2007 Opportunistic Vintage Year	91,701,772	-4.2	0.9			

* Orange indicates underperformance relative to Townsend Median Quartile Net IRR

- Notes on relative performance for Opportunistic investments are provided on the slide 11.

Relative Performance by Strategy: Opportunistic

	LACERS Performance - As of 2Q14			Townsend Fund Level Comparison - Net IRRs by Vintage Year & Strategy - As of 1Q14		
	Market Value (\$)	Net IRR	Equity Multiple	Bottom Quartile	Median Quartile	Top Quartile
MacFarlane Urban Real Estate Fund II	9,765,788	-26.6	0.3	3.7	9.6	14.4
DLJ Real Estate Capital Partners IV	31,035,591	1.2	1.0			
DRA Growth and Income Fund VI	13,431,784	5.5	1.3			
Torchlight Debt Opportunity Fund II	14,867,323	-3.8	0.8			
CIM Real Estate Fund III	21,750,273	13.1	1.5			
2008 Opportunistic Vintage Year	90,850,759	-4.0	0.9	11.5	14.7	16.5
Walton Street Real Estate Fund VI	24,696,701	11.0	1.4			
Torchlight Debt Opportunity Fund III	4,488,090	13.0	1.4			
Latin America Investors III	11,652,143	-14.7	0.8			
2009 Opportunistic Vintage Year	40,836,934	7.2	1.2			
Mesa West Real Estate Income Fund II	10,813,069	17.4	1.5	10.8	14.1	23.3
2010 Opportunistic Vintage Year	10,813,069	17.4	1.5			
Integrated Capital Hospitality Fund	7,314,769	24.2	1.6	11.2	16.3	20.0
Lone Star Fund VII	5,749,742	58.2	1.8			
Lone Star Real Estate Fund II	9,015,809	24.0	1.3			
2011 Opportunistic Vintage Year	22,080,320	37.5	1.6			
Bristol Value II, L.P.	4,792,653	12.1	1.1	4.9	8.0	18.1
2012 Opportunistic Vintage Year	4,792,653	12.1	1.1			
Torchlight Debt Opportunity Fund IV	17,377,300	8.8	1.1	3.8	11.7	23.4
2013 Opportunistic Vintage Year	17,377,300	8.8	1.1			

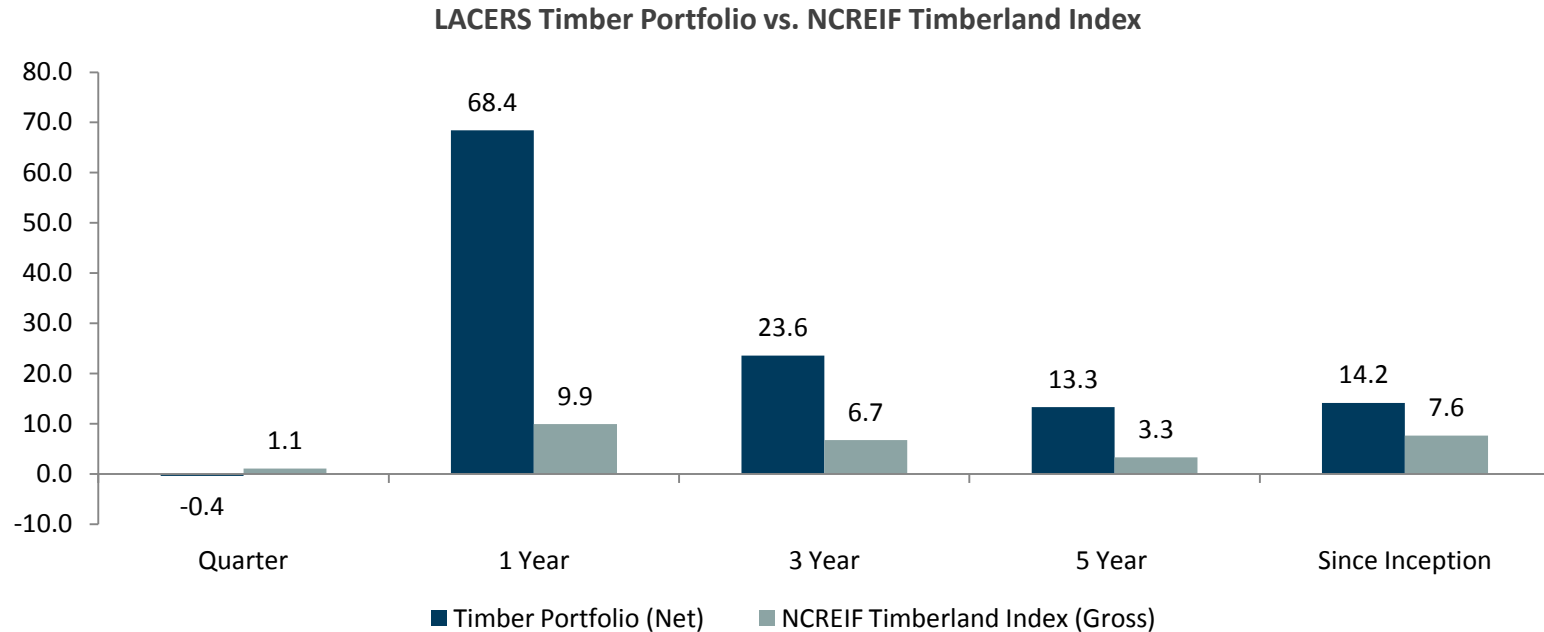
* Orange indicates underperformance relative to Townsend Median Quartile Net IRR

- Notes on relative performance for Opportunistic investments are provided on the next slide.

Relative Performance by Strategy: Opportunistic

- The table on the previous slide displays net IRRs for LACERS' Opportunistic commingled funds between 1999 and 2013 by vintage year relative to the Townsend Opportunistic Funds Index as of March 31, 2014.
- LACERS' Opportunistic Fund selections have outperformed the Townsend Opportunistic Funds Index by vintage year in 1999, 2005, 2010, 2011 and 2012 and have underperformed the Townsend Opportunistic Funds Index over the 2004, 2006, 2007, 2008, 2009 and 2013 vintage years.
- LACERS does not have any Opportunistic fund investments with vintages between 2000 to 2003.

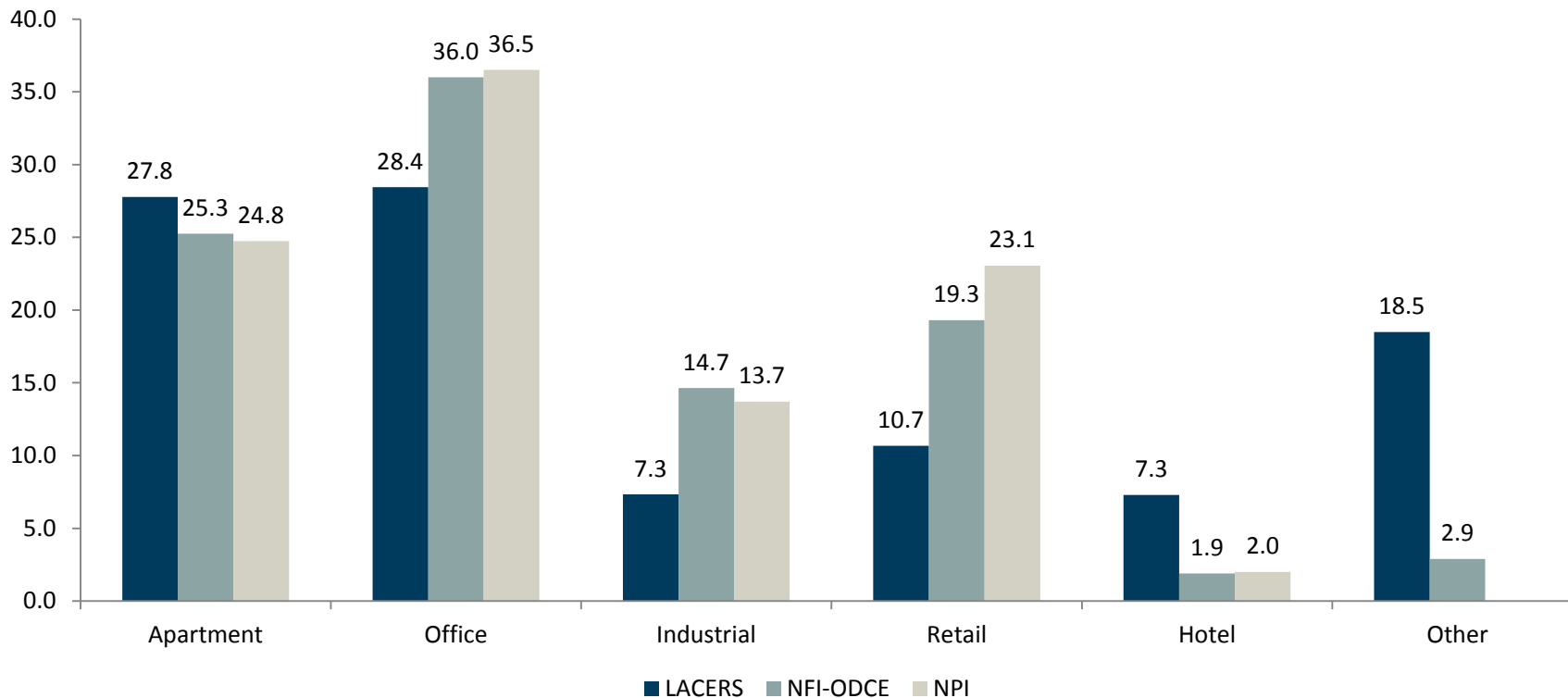
Relative Performance by Strategy: Timber



- The Timber Portfolio, net of fees, has outperformed its benchmark, the NCREIF Timberland Index, gross of fees, over all time periods, with the exception of the most recent Quarter.
- Underperformance over the Quarter is attributable to the wind-down of ForesTree V, which only holds a small cash reserve, as required per the representation and warranty terms of the purchase and sale agreements for the final timberland dispositions. Additionally, the other fund (Hancock Timberland XI) was most recently appraised in 4Q13, while the benchmark includes funds that were appraised more recently.

Real Estate Portfolio Diversification

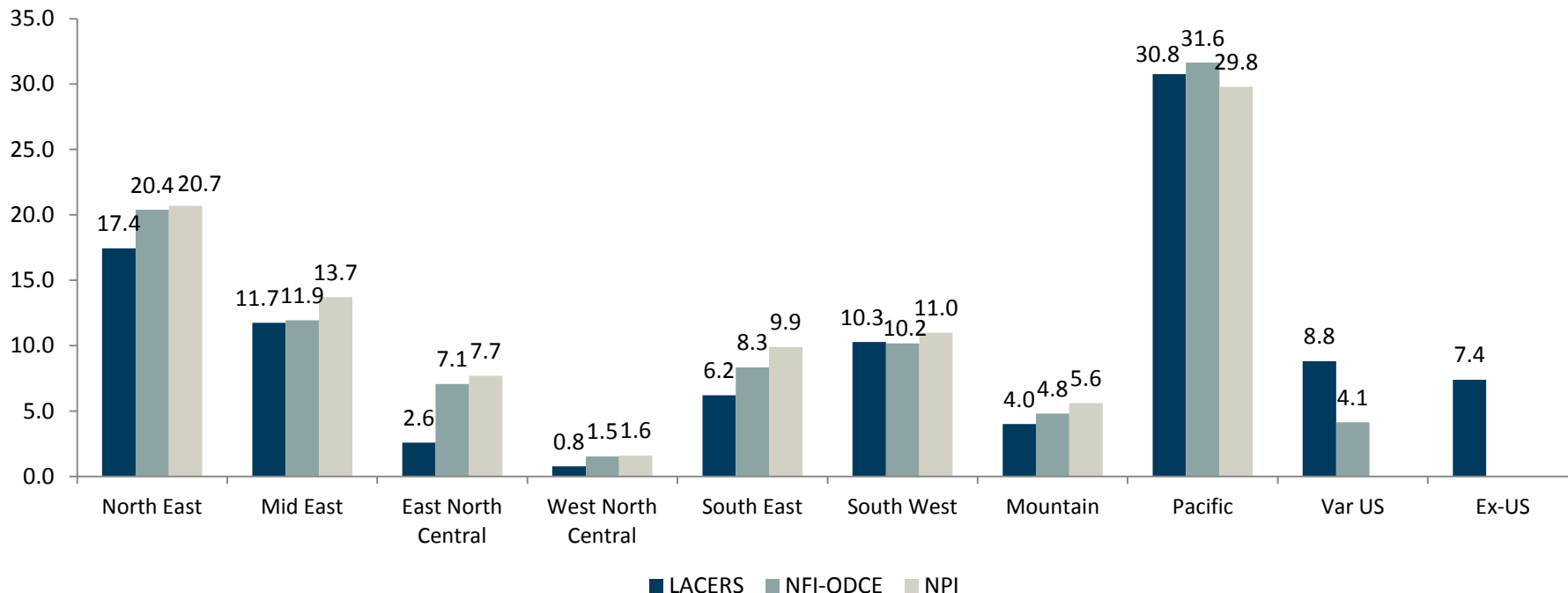
Property Type Diversification



- 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. Diversification for the LACERS historical benchmark, the NPI, is also provided for reference.
- 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.

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. Diversification for LACERS historical benchmark, the NPI, is also provided for reference.
- LACERS is in-compliance with diversification by geographic region and is well diversified. Lastly, the Real Estate Portfolio currently has an aggregate exposure to the Los Angeles metropolitan area of 10.7%, of which 3.0% represents exposure to Los Angeles City.

Exhibit A: Performance Flash Report



Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
13,941,865,881	697,093,294	5.0%	744,516,729	5.3%	124,737,777	0.9%	-172,161,212	-1.2%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
LACERS	3.2	2.7	16.0	13.9	12.8	10.9	7.3	5.6
NFI-ODCE + 80 bps	3.1	2.9	13.5	12.5	13.2	12.2	7.7	6.6

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Core	1989	158,867,553	194,005,638	0	37,620,763	233,492,767	31.4	26.9
Non-Core Portfolio	1990	1,093,311,432	1,054,280,150	115,074,138	572,518,273	491,370,645	66.0	69.8
Value Added	1990	315,000,000	270,395,310	47,920,746	146,649,086	146,268,812	19.6	22.3
Opportunistic	1996	778,311,432	783,884,840	67,153,392	425,869,187	345,101,833	46.4	47.4
Timber	1999	30,000,000	20,383,162	9,663,639	23,829,891	19,653,317	2.6	3.4

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Core								
CIM Commercial Trust Corporation ("CMCT")	2014	40,000,000	46,417,723	0	941,961	46,697,485	6.3	5.4
CIM VI (Urban REIT), LLC	2012	25,000,000	25,000,000	0	706,700	25,756,592	3.5	3.0
INVESCO Core Real Estate	2004	63,867,553	92,279,923	0	33,227,493	113,712,080	15.3	13.1
JP Morgan Strategic Property Fund	2005	30,000,000	30,307,992	0	2,744,609	47,326,610	6.4	5.4
Core	1989	158,867,553	194,005,638	0	37,620,763	233,492,767	31.4	26.9
Timber								
Hancock ForesTree V	1999	10,000,000	10,046,801	0	23,727,875	8,049,163	1.1	0.9
Hancock Timberland XI	2012	20,000,000	10,336,361	9,663,639	102,016	11,604,154	1.6	2.4
Timber	1999	30,000,000	20,383,162	9,663,639	23,829,891	19,653,317	2.6	3.4
Value Added								
Almanac Realty Securities VI	2012	25,000,000	11,392,221	13,607,781	671,861	12,869,677	1.7	3.0
CBRE Strategic Partners III	2003	25,000,000	25,000,000	0	31,747,427	926,820	0.1	0.1
CBRE Strategic Partners IV	2005	25,000,000	25,000,000	0	0	3,501,972	0.5	0.4
CBRE Strategic Partners U.S. Value V	2008	30,000,000	30,000,000	0	42,289,174	188,759	0.0	0.0
Cornerstone Enhanced Mortgage Fund I	2012	25,000,000	12,880,668	12,119,332	1,089,524	13,207,842	1.8	2.9
DRA Growth and Income Fund VII	2011	25,000,000	24,615,000	385,000	2,626,892	27,243,447	3.7	3.2
Heitman Value Partners	2004	15,000,000	14,880,694	119,306	18,776,088	203,121	0.0	0.0
JP Morgan Alternative Property Fund	2006	25,000,000	25,000,000	0	16,205,232	2,645,409	0.4	0.3
Mesa West Real Estate Income Fund III	2013	25,000,000	6,945,028	18,069,307	151,246	6,679,447	0.9	2.8
PRISA II	2004	30,000,000	30,000,000	0	0	40,346,487	5.4	4.6
Realty Associates Fund IX	2010	15,000,000	15,000,000	0	6,130,407	14,558,384	2.0	1.7
RREEF America REIT III - 1410	2005	15,000,000	18,301,718	0	8,411,166	5,857,813	0.8	0.7
TA Fund VII	2005	15,000,000	15,000,000	0	7,422,833	7,755,197	1.0	0.9
Urdang Value Added Fund II	2008	20,000,000	16,379,981	3,620,020	11,127,237	10,284,437	1.4	1.6
Value Added	1990	315,000,000	270,395,310	47,920,746	146,649,086	146,268,812	19.6	22.3
Total Current Portfolio								
LACERS	1989	1,282,178,985	1,268,668,950	124,737,777	633,968,927	744,516,729	100.0	100.0

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Opportunistic								
Apollo CPI Europe I	2006	36,821,355	22,356,002	2,036,003	4,356,335	9,178,566	1.2	1.3
Bristol Value II, L.P.	2012	20,000,000	7,368,436	15,511,908	3,024,183	4,792,653	0.6	2.3
Bryanston Retail Opportunity Fund	2005	10,000,000	4,271,584	5,885,919	9,044,755	2,196,173	0.3	0.9
California Smart Growth Fund IV	2006	30,000,000	30,892,991	33,153	16,033,084	14,552,470	2.0	1.7
Canyon Johnson Urban Fund II	2005	10,000,000	8,988,718	1,011,296	1,598,648	3,095,681	0.4	0.5
CBRE Strategic Partners UK Fund III	2007	25,658,570	25,825,476	0	1,859,264	4,532,465	0.6	0.5
CIM Real Estate Fund III	2007	15,000,000	16,763,475	0	2,846,422	21,750,273	2.9	2.5
CityView LA Urban Land Fund I	2007	25,000,000	58,932,953	9,903,023	43,835,970	22,482,221	3.0	3.7
Colony Investors VIII	2007	30,000,000	28,963,224	1,023,200	4,790,416	10,196,194	1.4	1.3
DLJ Real Estate Capital Partners II	1999	40,000,000	48,640,318	2,190,337	69,703,132	3,828,094	0.5	0.7
DLJ Real Estate Capital Partners IV	2008	40,000,000	44,515,059	6,094,152	14,987,394	31,035,591	4.2	4.3
DRA Growth and Income Fund VI	2007	25,000,000	16,706,767	1,539,808	7,578,665	13,431,784	1.8	1.7
Genesis Workforce Housing Fund II	2006	20,000,000	19,999,316	0	2,455,648	24,419,085	3.3	2.8
Integrated Capital Hospitality Fund	2011	10,000,000	6,006,797	798,641	2,112,311	7,314,769	1.0	0.9
LaSalle Asia Fund II	2005	25,000,000	24,016,560	0	25,376,825	616,355	0.1	0.1
Latin America Investors III	2008	20,000,000	20,686,689	0	3,886,924	11,652,143	1.6	1.3
Lone Star Fund VII	2011	15,000,000	14,075,468	924,533	19,180,315	5,749,742	0.8	0.8
Lone Star Real Estate Fund II	2011	15,000,000	12,471,916	2,528,084	7,287,761	9,015,809	1.2	1.3
Low Hospitality Investment Partners	2004	25,000,000	36,431,477	0	20,208,868	1,390,485	0.2	0.2
MacFarlane Urban Real Estate Fund II	2008	40,000,000	40,679,342	1	679,340	9,765,788	1.3	1.1
Mesa West Real Estate Income Fund II	2010	20,000,000	16,686,322	0	13,764,065	10,813,069	1.5	1.2
Prologis Japan Fund	2005	26,470,800	25,627,604	0	32,103,645	169,930	0.0	0.0
Southern California Smart Growth Fund	2004	10,000,000	18,670,380	68,213	13,438,585	3,028,769	0.4	0.4
Stockbridge Real Estate Fund II	2006	30,000,000	30,000,000	0	0	12,872,500	1.7	1.5
The Buchanan Fund III	2004	4,886,365	4,886,365	0	7,316,999	62,611	0.0	0.0
The Buchanan Fund V	2007	30,000,000	27,000,000	3,000,000	11,146,052	12,697,128	1.7	1.8
Torchlight Debt Opportunity Fund II	2007	25,000,000	24,703,453	0	5,069,603	14,867,323	2.0	1.7
Torchlight Debt Opportunity Fund III	2009	25,000,000	24,890,796	0	31,135,053	4,488,090	0.6	0.5
Torchlight Debt Opportunity Fund IV	2013	24,474,342	17,138,175	7,344,931	796,607	17,377,300	2.3	2.8
Tuckerman Group Residential Income & Value Added Fund	2004	25,000,000	26,064,010	0	9,705,292	17,120,691	2.3	2.0
UrbanAmerica II	2007	10,000,000	9,289,026	710,974	0	2,822,209	0.4	0.4
Walton Street Real Estate Fund V	2006	25,000,000	25,000,001	0	5,136,219	13,089,170	1.8	1.5
Walton Street Real Estate Fund VI	2009	25,000,000	22,161,966	6,549,217	5,813,129	24,696,701	3.3	3.6
Westbrook Real Estate Fund III	1998	20,000,000	23,174,175	0	29,597,677	0	0.0	0.0
Opportunistic	1996	778,311,432	783,884,840	67,153,392	425,869,187	345,101,833	46.4	47.4
<i>Private Portfolio</i>	1989	1,252,178,985	1,248,285,788	115,074,138	610,139,036	724,863,412	97.4	96.6
<i>Non-Core Portfolio</i>	1990	1,093,311,432	1,054,280,150	115,074,138	572,518,273	491,370,645	66.0	69.8
Total Current Portfolio								
LACERS	1989	1,282,178,985	1,268,668,950	124,737,777	633,968,927	744,516,729	100.0	100.0

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								
Core																													
CIM Commercial Trust Corporation ("CMCT")	46,697,485	1.0	-5.6	-4.6	-4.6																		2.0	0.6	2.6	2.6	1Q14	5.4	1.0
CIM VI (Urban REIT), LLC	25,756,592	0.9	0.1	1.0	0.7	3.6	3.5	7.2	5.9														3.2	8.1	11.5	10.1	3Q12	6.3	1.1
INVESCO Core Real Estate	113,712,080	1.2	2.0	3.2	3.1	4.8	5.9	10.9	10.5	4.9	6.0	11.1	10.7	5.4	4.1	9.7	9.2						5.8	1.4	7.2	6.7	4Q04	6.7	1.6
JP Morgan Strategic Property Fund	47,326,610	1.3	2.0	3.2	3.0	5.2	8.6	14.0	13.0	5.2	7.9	13.4	12.4	5.7	4.5	10.4	9.3						5.6	1.0	6.7	5.6	4Q05	5.9	1.7
Core	233,492,767	1.2	0.1	1.3	1.2	4.6	6.1	11.0	10.3	4.8	6.4	11.4	10.7	5.3	4.0	9.4	8.6						6.8	0.8	7.6	6.7	1Q89	5.1	1.3
Timber																													
Hancock ForesTree V	8,049,163	0.0	0.0	0.0	-0.2	201.0	28.8	235.6	224.4	44.7	14.1	57.4	54.6	25.3	8.0	31.5	29.6						8.4	12.5	20.8	19.5	4Q99	13.2	3.2
Hancock Timberland XI	11,604,154	-0.5	0.0	-0.5	-0.6	-0.7	12.9	12.1	11.4														-0.8	8.9	8.0	7.2	2Q12	7.9	1.1
Timber	19,653,317	-0.3	0.0	-0.3	-0.4	53.5	17.7	72.0	68.4	15.3	10.4	25.3	23.6	9.4	5.9	14.7	13.3						3.5	11.8	15.3	14.2	4Q99	12.9	2.1
Value Added																													
Almanac Realty Securities VI	12,869,677	1.9	-0.2	1.7	1.2	9.5	14.2	24.7	21.2														12.6	11.9	25.5	21.0	1Q13	19.5	1.2
CBRE Strategic Partners III	926,820	-0.2	0.0	-0.2	-0.2	-0.5	3.9	3.4	3.4	0.2	0.2	0.4	-0.4	1.7	-3.0	-1.3	-1.6						3.3	-0.8	2.3	0.0	1Q04	8.7	1.3
CBRE Strategic Partners IV	3,501,972	1.4	7.3	8.7	8.5	4.7	-22.9	-19.2	-20.0	4.1	-16.6	-13.0	-14.7	1.4	-26.1	-25.2	-26.9						-1.1	-17.0	-18.0	-22.1	1Q06	-24.9	0.1
CBRE Strategic Partners U.S. Value V	188,759	-6.4	0.0	-6.4	-5.1	-5.8	-19.1	-23.6	-19.2	1.4	-2.4	-1.1	-0.4	2.8	4.0	6.9	5.4						4.8	-3.7	1.3	-1.1	3Q08	16.2	1.4
Cornerstone Enhanced Mortgage Fund I	13,207,842	2.2	-3.2	-1.0	-0.7	12.1	-3.0	8.9	6.3														15.0	4.4	19.8	17.5	4Q12	11.2	1.1
DRA Growth and Income Fund VII	27,243,447	2.7	3.3	6.0	5.4	13.9	5.5	20.1	17.1														14.4	4.2	19.1	16.0	1Q12	16.6	1.2
Heitman Value Partners	203,121	-2.2	1.7	-0.5	-0.7	-0.7	31.7	31.5	31.4	3.0	24.1	27.9	27.3	5.5	15.5	21.9	21.1						6.6	5.9	12.8	11.3	3Q04	4.9	1.3
JP Morgan Alternative Property Fund	2,645,409	8.7	-4.4	4.3	4.3	12.1	-6.1	5.6	5.6	6.8	6.8	14.2	14.0	5.7	0.6	6.5	6.0						4.2	-4.7	-0.7	-1.5	1Q06	-4.2	0.8
Mesa West Real Estate Income Fund III	6,679,447	3.2	0.4	3.6	2.3																		8.8	1.7	10.7	3.8	4Q13	-2.8	1.0
PRISA II	40,346,487	1.2	2.3	3.5	3.3	4.7	11.4	16.5	15.4	4.8	10.0	15.2	14.0	5.5	6.3	12.2	10.9						5.7	0.7	6.4	5.3	4Q04	3.4	1.3
Realty Associates Fund IX	14,558,384	1.7	4.7	6.4	5.1	7.0	9.2	16.6	13.1	7.3	5.3	12.9	10.6										6.8	6.5	13.6	11.5	3Q10	10.6	1.4
RREEF America REIT III - 1410	5,857,813	1.5	11.9	13.4	13.0	6.8	19.6	27.4	25.8	1.5	20.5	22.3	21.1	2.5	13.4	16.5	15.2						2.6	-4.7	-2.0	-3.2	1Q06	-3.7	0.8
TA Fund VII	7,755,197	2.1	3.1	5.2	4.8	8.2	-8.6	-1.0	-2.5	8.8	-4.3	4.2	2.7	8.4	-9.7	-2.0	-3.6						6.9	-3.8	3.0	1.4	4Q05	0.2	1.0
Urdang Value Added Fund II	10,284,437	1.0	1.9	2.9	2.7	4.5	4.1	8.8	8.2	5.6	9.1	15.0	14.2	5.5	10.9	16.8	15.0						4.5	0.2	4.8	2.6	2Q08	6.7	1.3
Value Added	146,268,812	1.9	2.3	4.3	3.8	7.8	4.3	12.3	10.5	6.5	6.4	13.2	11.6	6.0	0.6	6.6	4.9						7.5	1.7	9.3	7.5	4Q90	6.2	1.2
Total Portfolio																													
LACERS	744,516,729	1.6	1.6	3.2	2.7	8.0	7.6	16.0	13.9	6.2	6.3	12.8	10.9	5.4	3.1	8.7	6.6						6.3	1.0	7.3	5.6	1Q89	4.3	1.2
Benchmarks																													
NFI-ODCE (Core)		1.3	1.7	2.9	2.7	5.1	7.3	12.7	11.7	5.3	6.9	12.4	11.4	5.7	4.1	10.0	9.0						7.2	-0.3	6.9	5.8	1Q89		
NFI-ODCE + 80 bps (Total Portfolio)				3.1	2.9			13.5	12.5			13.2	12.2			10.8	9.8								7.7	6.6	1Q89		
NFI-ODCE + 200 bps (Non-Core Portfolio)				3.4	3.2			14.7	13.7			14.4	13.4			12.0	11.0								9.0	7.9	4Q90		
NFI -ODCE + 50 bps (Value Add)				3.1	2.8			13.2	12.2			12.9	11.9			10.5	9.5								7.5	6.4	4Q90		
NFI -ODCE + 300 bps (Opportunistic)				3.7	3.4			15.7	14.7			15.4	14.4			13.0	12.0								11.9	10.9	4Q96		
NCREIF Timberland Index (Timber)		0.7	0.4	1.1		2.6	7.2	9.9		2.7	4.0	6.7		2.6	0.7	3.3							3.8	3.7	7.6		4Q99		
Historical Benchmarks																													
NCREIF Property Index ("NPI") + 100 BPS				3.2				12.2				12.3				10.7									8.5		1Q89		
NPI		1.4	1.6	2.9		5.5	5.5	11.2		5.7	5.4	11.3		6.1	3.5	9.7							7.3	0.2	7.5		1Q89		

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
Core																							
CIM Commercial Trust Corporation ("CMCT")	46,697,485	2.6	2.6																				
CIM VI (Urban REIT), LLC	25,756,592	2.2	1.6	6.8	5.4	13.8	13.1																
INVESCO Core Real Estate	113,712,080	4.9	4.7	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	47,326,610	5.7	5.2	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		
Core	233,492,767	4.3	4.0	13.3	12.5	9.6	8.9	15.6	14.8	16.1	15.2	-26.4	-27.1	-4.9	-5.6	14.4	13.6	17.7	16.9	21.2	20.7	13.2	11.3
Timber																							
Hancock ForesTree V	8,049,163	0.0	-0.2	250.1	237.3	8.4	7.3	5.3	4.2	3.7	2.7	-4.6	-5.5	7.5	6.5	18.4	17.2	23.6	22.5	24.3	23.0	20.2	19.0
Hancock Timberland XI	11,604,154	0.1	-0.1	9.9	8.9	8.1	7.6																
Timber	19,653,317	0.0	-0.2	74.3	70.3	9.7	8.7	5.3	4.2	3.7	2.7	-4.6	-5.5	7.5	6.5	18.4	17.2	23.6	22.5	24.3	23.0	20.2	19.0
Value Added																							
Almanac Realty Securities VI	12,869,677	6.8	5.6	31.6	26.1																		
CBRE Strategic Partners III	926,820	0.7	0.7	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	3,501,972	10.2	9.8	-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	188,759	-7.3	-5.8	-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	13,207,842	1.4	1.4	20.0	16.4	12.8	12.3																
DRA Growth and Income Fund VII	27,243,447	10.9	9.6	18.7	15.5	17.6	14.3																
Heitman Value Partners	203,121	3.8	4.1	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	2,645,409	6.7	6.7	-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 III	6,679,447	7.2	4.5	3.2	-0.6																		
PRISA II	40,346,487	6.9	6.4	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	14,558,384	9.7	7.7	11.0	8.7	11.3	9.4	14.3	13.0	7.5	6.5												
RREEF America REIT III - 1410	5,857,813	18.0	17.2	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	7,755,197	6.4	5.6	-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	10,284,437	4.6	4.3	12.2	11.5	18.8	17.7	27.5	26.2	37.0	33.3	-37.3	-40.0	-12.4	-15.2								
Value Added	146,268,812	7.6	6.7	10.0	8.4	14.0	12.6	18.3	16.2	4.0	1.9	-38.5	-39.4	-20.7	-20.0	17.8	15.2	15.3	12.9	26.0	23.1	15.8	13.9
Total Portfolio																							
LACERS	744,516,729	6.7	5.9	14.5	12.4	12.6	10.8	12.6	10.7	13.0	10.3	-34.3	-35.8	-22.4	-23.6	14.3	11.2	20.2	17.4	25.3	22.3	22.1	18.9
Benchmarks																							
NFI-ODCE (Core)		5.5	5.0	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)		5.9	5.4	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)		6.5	6.0	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)		5.8	5.3	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)		7.0	6.5	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)		2.7		9.7		7.8		1.6		-0.1		-4.7		9.5		18.4		13.7		19.4		11.2	
Historical Benchmarks																							
NCREIF Property Index ("NPI") + 100 BPS		6.0		12.0		11.5		15.3		14.1		-15.8		-5.5		16.8		17.6		21.1		15.5	
NPI		5.7		11.0		10.5		14.3		13.1		-16.8		-6.5		15.8		16.6		20.1		14.5	

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
Opportunistic																							
Apollo CPI Europe I	9,178,566	9.5	9.1	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.	4,792,653	1.5	0.8	35.0	33.0																		
Bryanston Retail Opportunity Fund	2,196,173	1.0	0.2	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	14,552,470	7.3	6.5	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	3,095,681	5.9	4.4	-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	4,532,465	3.6	2.8	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	21,750,273	5.3	4.7	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	22,482,221	68.1	67.1	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	10,196,194	1.1	0.0	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						
DJL Real Estate Capital Partners II	3,828,094	2.8	2.4	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
DJL Real Estate Capital Partners IV	31,035,591	-0.1	-1.1	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	13,431,784	9.6	8.5	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	24,419,085	6.6	6.0	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	7,314,769	17.0	16.5	16.0	14.3	55.2	48.7	6.7	3.8														
LaSalle Asia Fund II	616,355	49.9	48.0	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	11,652,143	10.0	8.5	-17.9	-22.4	-60.0	-62.6	-32.5	-34.9	20.8	15.3	100.5	93.8										
Lone Star Fund VII	5,749,742	17.9	14.3	100.6	75.7	59.7	43.7	70.2	58.2														
Lone Star Real Estate Fund II	9,015,809	20.5	16.1	30.5	22.3	40.2	30.6	45.3	30.8														
Lowe Hospitality Investment Partners	1,390,485	22.6	22.0	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	9,765,788	-23.1	-24.9	-16.5	-19.2	61.7	53.6	-5.4	-9.8	-95.2	-93.8	-110.0	-109.6	14.4	0.0								
Mesa West Real Estate Income Fund II	10,813,069	-2.3	-2.7	5.3	4.3	43.6	41.5	17.6	14.9	9.3	-1.5												
Prologis Japan Fund	169,930	3.1	3.1	-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	3,028,769	11.6	10.3	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	12,872,500	20.4	19.7	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 III	62,611	-8.4	-8.4	-16.2	-16.2	47.0	43.6	-1.7	-4.1	-13.1	-14.8	-25.7	-28.6	3.6	-1.5	13.6	10.6	36.7	29.4	34.7	31.5	12.2	12.2
The Buchanan Fund V	12,697,128	7.3	6.7	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	14,867,323	1.9	1.5	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	4,488,090	51.0	37.2	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	17,377,300	6.3	4.7	3.6	3.0																		
Tuckerman Group Residential Income & Value Added Fund	17,120,691	4.5	3.9	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	2,822,209	-24.4	-25.6	-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	13,089,170	6.0	5.3	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	24,696,701	9.0	8.4	16.0	14.3	12.1	10.4	14.3	12.3	173.3	162.1	-78.1	-84.0										
Westbrook Real Estate Fund III	0	-4.4	-4.4	-5.3	-5.3	-9.2	-9.2	-7.9	-8.1	-2.1	-2.5	-14.1	-14.5	13.8	12.8	-47.7	-48.1	1.1	-0.7	5.9	4.4	16.8	15.1
Opportunistic	345,101,833	8.3	7.1	14.9	12.0	13.5	11.1	9.0	6.6	16.9	12.5	-38.8	-41.3	-36.5	-39.1	10.5	4.4	31.4	24.5	32.0	25.1	36.0	30.2
Private Portfolio	724,863,412	6.9	6.0	13.5	11.4	12.6	10.9	12.8	10.8	13.2	10.5	-35.0	-36.6	-23.1	-24.2	14.2	11.1	20.1	17.2	25.4	22.3	22.1	18.9
Non-Core Portfolio	491,370,645	8.1	7.0	13.6	11.0	13.7	11.6	11.8	9.5	12.1	8.5	-38.7	-40.5	-29.9	-31.2	14.1	9.9	21.1	17.1	28.9	24.2	25.7	21.9
Total Portfolio																							
LACERS	744,516,729	6.7	5.9	14.5	12.4	12.6	10.8	12.6	10.7	13.0	10.3	-34.3	-35.8	-22.4	-23.6	14.3	11.2	20.2	17.4	25.3	22.3	22.1	18.9
Benchmarks - Approved May 2014																							
NFI-ODCE (Core)		5.5	5.0	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)		5.9	5.4	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)		6.5	6.0	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)		5.8	5.3	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)		7.0	6.5	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)		2.7		9.7		7.8		1.6		-0.1		-4.7		9.5		18.4		13.7		19.4		11.2	
Historical Benchmarks																							
NCREIF Property Index ("NPI") + 100 BPS		6.0		12.0		11.5		15.3		14.1		-15.8		-5.5		16.8		17.6		21.1		15.5	
NPI		5.7		11.0		10.5		14.3		13.1		-16.8		-6.5		15.8		16.6		20.1		14.5	

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
Core									
CIM Commercial Trust Corporation ("CMCT")*	49,477,771	0	515,029	0	515,846	0	-2,781,103	46,697,485	26.4
CIM VI (Urban REIT), LLC	25,810,769	0	224,026	0	244,234	88,006	13,621	25,756,592	26.4
INVESCO Core Real Estate	110,315,728	1,106,351	1,128,711	0	1,350,791	116,314	2,184,235	113,712,080	22.3
JP Morgan Strategic Property Fund	45,949,576	110,845	0	110,845	581,039	110,845	906,841	47,326,610	25.2
Core	231,553,844	1,217,196	1,867,766	110,845	2,691,910	315,165	323,594	233,492,767	24.2
Timber									
Hancock ForesTree V	7,333,629	0	-727,273	0	326	12,065	0	8,049,163	0.0
Hancock Timberland XI	9,454,523	2,211,950	0	0	-59,717	3,206	604	11,604,154	0.0
Timber	16,788,152	2,211,950	-727,273	0	-59,391	15,271	604	19,653,317	0.0
Value Added									
Almanac Realty Securities VI	10,559,476	2,411,235	241,364	0	229,836	61,943	-27,563	12,869,677	54.6
CBRE Strategic Partners III	928,556	0	0	0	-1,736	0	0	926,820	0.0
CBRE Strategic Partners IV	3,228,786	0	0	0	43,989	6,320	235,518	3,501,972	31.4
CBRE Strategic Partners U.S. Value V	296,205	0	92,658	0	-18,579	-3,792	0	188,759	0.0
Cornerstone Enhanced Mortgage Fund I	13,555,703	0	257,234	0	296,541	-49,885	-437,053	13,207,842	43.8
DRA Growth and Income Fund VII	23,776,881	2,575,000	453,566	0	668,881	151,005	827,256	27,243,447	63.0
Heitman Value Partners	332,078	0	127,060	0	-5,845	551	4,499	203,121	0.0
JP Morgan Alternative Property Fund	3,273,610	0	0	762,296	268,519	0	-134,424	2,645,409	33.3
Mesa West Real Estate Income Fund III	6,633,705	0	109,705	0	210,146	84,375	29,676	6,679,447	76.1
PRISA II	39,069,546	0	0	0	459,778	84,964	902,127	40,346,487	31.2
Realty Associates Fund IX	14,909,728	0	1,095,436	0	249,168	189,946	684,870	14,558,384	36.7
RREEF America REIT III - 1410	6,787,026	0	0	1,808,654	98,876	30,409	810,974	5,857,813	35.2
TA Fund VII	7,429,202	0	30,851	0	155,343	29,785	231,288	7,755,197	45.2
Urdang Value Added Fund II	10,435,866	0	0	432,126	101,263	15,397	194,830	10,284,437	48.0
Value Added	141,216,368	4,986,235	2,407,874	3,003,075	2,756,180	601,018	3,321,997	146,268,812	49.3
Total Portfolio									
LACERS	739,259,373	17,889,602	12,658,979	20,153,570	11,825,224	3,155,743	11,510,822	744,516,729	43.4

*Loan-to-cost (LTC) shown.

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
Opportunistic									
Apollo CPI Europe I	10,282,060	0	2,120,003	0	115,518	14,785	915,776	9,178,566	63.8
Bristol Value II, L.P.	4,725,453	85,714	21,079	0	43,091	16,524	-24,002	4,792,653	17.5
Bryanston Retail Opportunity Fund	2,206,903	0	0	0	-1,840	8,890	0	2,196,173	28.2
California Smart Growth Fund IV	15,727,008	57,480	0	1,699,602	67,740	57,480	457,324	14,552,470	41.5
Canyon Johnson Urban Fund II	3,488,567	0	304,948	195,052	122,834	31,002	15,282	3,095,681	61.3
CBRE Strategic Partners UK Fund III	5,721,519	0	0	1,222,935	60,233	25,546	-806	4,532,465	0.0
CIM Real Estate Fund III	20,500,171	1,386,674	0	828,968	246,089	54,908	501,215	21,750,273	7.5
CityView LA Urban Land Fund I	21,873,382	64,867	0	0	282,596	64,867	326,243	22,482,221	60.1
Colony Investors VIII	10,591,294	0	0	280,700	31,700	57,400	-88,700	10,196,194	2.3
DLJ Real Estate Capital Partners II	3,721,934	8,685	0	0	-6,741	8,685	112,901	3,828,094	36.3
DLJ Real Estate Capital Partners IV	32,739,994	378,079	744,425	1,299,998	136,894	220,435	45,482	31,035,591	27.6
DRA Growth and Income Fund VI	13,226,394	0	150,000	0	275,872	69,421	148,939	13,431,784	74.9
Genesis Workforce Housing Fund II	23,733,477	0	129,473	0	208,122	67,376	674,335	24,419,085	55.9
Integrated Capital Hospitality Fund	6,960,203	0	-98,266	0	271,718	15,419	0	7,314,769	48.1
LaSalle Asia Fund II	5,198,179	0	118,646	4,980,331	2,254,610	49,289	-1,688,168	616,355	0.0
Latin America Investors III	11,281,458	0	0	0	-40,852	81,862	493,399	11,652,143	35.8
Lone Star Fund VII	5,792,889	0	795,030	120,741	394,603	221,214	699,237	5,749,742	57.3
Lone Star Real Estate Fund II	10,527,782	128,398	327,470	1,930,288	78,835	160,033	698,585	9,015,809	52.6
Lowe Hospitality Investment Partners	1,379,760	0	216,119	0	59,773	3,567	170,638	1,390,485	50.1
MacFarlane Urban Real Estate Fund II	10,530,257	0	0	0	-310,764	119,904	-333,801	9,765,788	80.3
Mesa West Real Estate Income Fund II	12,625,829	0	135,308	1,482,854	349,195	25,696	-518,097	10,813,069	72.5
Prologis Japan Fund	167,938	0	0	0	-1,152	0	3,144	169,930	0.0
Southern California Smart Growth Fund*	3,210,047	19,391	0	453,943	272,665	19,391	0	3,028,769	34.0
Stockbridge Real Estate Fund II	11,097,962	0	0	0	-6,817	34,079	1,815,434	12,872,500	47.4
The Buchanan Fund III	64,833	0	0	0	-2,222	0	0	62,611	0.0
The Buchanan Fund V	12,082,310	0	0	0	46,725	35,744	603,837	12,697,128	53.9
Torchlight Debt Opportunity Fund II	15,608,541	0	843,403	0	265,670	24,298	-139,187	14,867,323	14.1
Torchlight Debt Opportunity Fund III	5,664,622	0	2,766,012	0	232,052	428,676	1,786,104	4,488,090	0.0
Torchlight Debt Opportunity Fund IV	9,852,529	7,344,933	381,947	0	555,260	110,094	116,619	17,377,300	10.2
Tuckerman Group Residential Income & Value Added Fund	16,863,418	0	155,015	0	167,468	55,630	300,450	17,120,691	60.0
UrbanAmerica II	2,822,590	0	0	0	17,659	22,312	4,272	2,822,209	84.4
Walton Street Real Estate Fund V	14,066,622	0	0	1,221,418	105,129	44,220	183,057	13,089,170	40.5
Walton Street Real Estate Fund VI	25,334,482	0	0	1,292,217	144,863	75,542	585,115	24,696,701	40.3
Westbrook Real Estate Fund III	30,602	0	0	30,602	0	0	0	0	0.0
Opportunistic	349,701,009	9,474,221	9,110,612	17,039,649	6,436,526	2,224,289	7,864,627	345,101,833	50.6
<i>Private Portfolio</i>	<i>722,471,221</i>	<i>15,677,652</i>	<i>13,386,252</i>	<i>20,153,570</i>	<i>11,884,615</i>	<i>3,140,472</i>	<i>11,510,218</i>	<i>724,863,412</i>	<i>44.0</i>
<i>Non-Core Portfolio</i>	<i>490,917,377</i>	<i>14,460,456</i>	<i>11,518,486</i>	<i>20,042,724</i>	<i>9,192,705</i>	<i>2,825,307</i>	<i>11,186,624</i>	<i>491,370,645</i>	<i>50.2</i>
Total Portfolio									
LACERS	739,259,373	17,889,602	12,658,979	20,153,570	11,825,224	3,155,743	11,510,822	744,516,729	43.4

*Loan-to-cost (LTC) shown.

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core						
CIM Commercial Trust Corporation ("CMCT")	8.8	72.0	-	-	8.8	10.4
CIM VI (Urban REIT), LLC	60.8	20.4	-	14.2	-	4.6
INVESCO Core Real Estate	28.8	37.0	16.0	17.3	-	0.9
JP Morgan Strategic Property Fund	24.1	41.4	8.4	25.5	-	0.5
Core	27.5	42.6	10.0	15.3	1.6	3.0
CIM Urban REIT & CMCT combined	8.8	72.0	-	-	8.8	10.4
Timber						
Hancock ForesTree V	-	-	-	-	-	100.0
Hancock Timberland XI	-	-	-	-	-	100.0
Timber	-	-	-	-	-	100.0
Value Added						
Almanac Realty Securities VI	36.0	46.9	-	5.1	2.7	9.5
CBRE Strategic Partners III	-	-	-	-	-	-
CBRE Strategic Partners IV	-	26.9	-	-	-	73.1
CBRE Strategic Partners U.S. Value V	-	-	-	-	-	-
Cornerstone Enhanced Mortgage Fund I	8.1	24.5	-	11.9	55.5	-
DRA Growth and Income Fund VII	27.3	23.5	31.8	17.4	-	-
Heitman Value Partners	-	-	100.0	-	-	-
JP Morgan Alternative Property Fund	-	-	-	-	95.6	4.4
Mesa West Real Estate Income Fund III	10.1	59.6	5.1	4.6	20.6	-
PRISA II	19.4	38.1	-	17.2	6.1	19.2
Realty Associates Fund IX	23.0	40.1	33.2	3.7	-	-
RREEF America REIT III - 1410	-	48.9	18.3	14.5	-	18.3
TA Fund VII	-	60.5	37.7	1.7	-	0.1
Urdang Value Added Fund II	35.8	53.5	4.3	3.2	-	3.2
Value Added	18.9	38.7	13.8	10.5	10.0	8.1
Total Portfolio						
LACERS	27.8	28.4	7.3	10.7	7.3	18.5
Benchmark						
NFI-ODCE	25.3	36.0	14.7	19.3	1.9	2.9
Historical Benchmark						
NPI	24.8	36.5	13.7	23.1	2.0	-

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Opportunistic						
Apollo CPI Europe I	43.4	12.0	0.1	44.5	-	-
Bristol Value II, L.P.	35.4	33.8	30.9	-	-	-
Bryanston Retail Opportunity Fund	-	-	-	100.0	-	-
California Smart Growth Fund IV	41.6	-	11.2	3.8	31.4	12.1
Canyon Johnson Urban Fund II	8.8	-	-	12.0	52.3	26.9
CBRE Strategic Partners UK Fund III	-	24.0	18.1	16.7	-	41.2
CIM Real Estate Fund III	7.0	11.3	-	13.8	7.1	60.8
CityView LA Urban Land Fund I	100.0	-	-	-	-	-
Colony Investors VIII	-	0.2	-	25.4	32.9	41.5
DLJ Real Estate Capital Partners II	7.8	-	-	-	74.6	17.6
DLJ Real Estate Capital Partners IV	21.8	10.0	4.3	-	10.6	53.3
DRA Growth and Income Fund VI	54.4	32.4	-	13.2	-	-
Genesis Workforce Housing Fund II	100.0	-	-	-	-	-
Integrated Capital Hospitality Fund	-	-	-	-	100.0	-
LaSalle Asia Fund II	-	-	-	-	-	-
Latin America Investors III	-	5.2	-	-	-	94.8
Lone Star Fund VII	-	-	-	-	-	100.0
Lone Star Real Estate Fund II	-	0.9	-	-	-	99.1
Lowe Hospitality Investment Partners	-	-	-	-	100.0	-
MacFarlane Urban Real Estate Fund II	36.4	36.4	-	1.1	11.2	14.8
Mesa West Real Estate Income Fund II	22.1	43.2	4.6	16.1	14.0	-
Prologis Japan Fund	-	-	-	-	-	-
Southern California Smart Growth Fund	-	35.9	-42.5	-	-	106.6
Stockbridge Real Estate Fund II	-	50.0	-	-	-	50.0
The Buchanan Fund III	100.0	-	-	-	-	-
The Buchanan Fund V	54.6	5.5	17.5	22.4	-	-
Torchlight Debt Opportunity Fund II	8.2	56.8	14.7	12.2	2.5	5.6
Torchlight Debt Opportunity Fund III	14.4	22.3	0.4	13.5	2.4	47.0
Torchlight Debt Opportunity Fund IV	59.1	15.5	4.0	8.0	7.5	5.9
Tuckerman Group Residential Income & Value Added Fund	100.0	-	-	-	-	-
UrbanAmerica II	-	62.3	-18.0	-	55.7	-
Walton Street Real Estate Fund V	-	8.4	-	1.1	34.0	56.6
Walton Street Real Estate Fund VI	2.5	19.0	-	12.7	5.9	59.9
Westbrook Real Estate Fund III	-	-	-	-	-	-
Opportunistic	32.9	14.6	2.7	7.8	10.3	31.7
<i>Private Portfolio</i>	28.2	28.9	7.4	10.8	7.4	17.3
<i>Non-Core Portfolio</i>	28.5	22.1	6.2	8.6	10.2	24.3
Total Portfolio						
LACERS	27.8	28.4	7.3	10.7	7.3	18.5
Benchmark						
NFI-ODCE	25.3	36.0	14.7	19.3	1.9	2.9
Historical Benchmark						
NPI	24.8	36.5	13.7	23.1	2.0	-

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Var US	Ex-US
Core										
CIM Commercial Trust Corporation ("CMCT")	3.2	34.1	-	-	-	17.4	-	45.3	-	-
CIM VI (Urban REIT), LLC	36.1	14.6	-	-	-	29.4	-	19.9	-	-
INVESCO Core Real Estate	22.9	10.6	1.2	1.6	1.4	15.8	7.3	39.2	-	-
JP Morgan Strategic Property Fund	19.8	9.7	4.1	0.1	10.9	15.6	3.5	36.3	-	-
Core	20.0	15.2	1.4	0.9	2.7	17.4	4.5	37.8	-	-
Timber										
Hancock ForesTree V	-	-	-	-	-	-	-	-	100	-
Hancock Timberland XI	-	-	-	-	-	-	-	32.3	48.4	19.3
Timber	-	-	-	-	-	-	-	32.3	48.4	19.3
Value Added										
Almanac Realty Securities VI	-	-	-	-	-	-	-	-	100	-
CBRE Strategic Partners III	-	-	-	-	-	-	-	-	100	-
CBRE Strategic Partners IV	-	-	-	-	100.0	-	-	-	-	-
CBRE Strategic Partners U.S. Value V	-	-	-	-	-	-	-	-	100	-
Cornerstone Enhanced Mortgage Fund I	45.2	16.0	8.2	-	-	16.6	7.0	7.0	-	-
DRA Growth and Income Fund VII	-	9.2	3.4	9.2	24.7	23.4	7.4	22.7	-	-
Heitman Value Partners	-	-	-	-	-	-	-	100.0	-	-
JP Morgan Alternative Property Fund	4.4	-	-	-	95.6	-	-	-	-	-
Mesa West Real Estate Income Fund III	46.4	3.9	3.3	2.3	2.8	7.7	8.2	25.3	-	-
PRISA II	27.9	11.2	5.6	-	12.7	4.7	2.1	35.9	-	-
Realty Associates Fund IX	8.0	12.1	11.6	3.0	18.7	14.4	4.1	28.1	-	-
RREEF America REIT III - 1410	15.4	-	-	1.9	21.8	26.6	4.0	30.2	-	-
TA Fund VII	2.1	11.1	21.3	1.2	16.7	4.6	-	43.1	-	-
Urdang Value Added Fund II	4.3	5.8	-	-	-	65.5	0.3	24.1	-	-
Value Added	16.5	9.4	6.5	2.1	14.8	14.3	3.6	24.7	8.0	-
Total Portfolio										
LACERS	17.4	11.7	2.6	0.8	6.2	10.3	4.0	30.8	8.8	7.4
Benchmark										
NFI-ODCE	20.4	11.9	7.1	1.5	8.3	10.2	4.8	31.6	4.1	-
Historical Benchmark										
NPI	20.7	13.7	7.7	1.6	9.9	11.0	5.6	29.8	-	-

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Var US	Ex-US
Opportunistic										
Apollo CPI Europe I	-	-	-	-	-	-	-	-	-	100.0
Bristol Value II, L.P.	-	-	-	-	100.0	-	-	-	-	-
Bryanston Retail Opportunity Fund	0.1	-	11.7	0.1	0.7	21.8	27.9	37.7	-	-
California Smart Growth Fund IV	-	-	-	-	-	-	5.9	94.1	-	-
Canyon Johnson Urban Fund II	12.0	61.1	-	-	0.4	26.5	-	-	-	-
CBRE Strategic Partners UK Fund III	-	-	-	-	-	-	-	-	-	100.0
CIM Real Estate Fund III	75.3	1.5	2.6	-	5.3	1.0	6.0	7.9	-	0.4
CityView LA Urban Land Fund I	-	-	-	-	-	-	-	100.0	-	-
Colony Investors VIII	1.1	-	-	-	0.1	4.4	-	14.7	3.6	76.2
DLJ Real Estate Capital Partners II	35.9	-	46.5	-	-	-	-	17.6	-	-
DLJ Real Estate Capital Partners IV	29.8	20.1	-	1.6	0.5	-	0.2	16.1	-	31.7
DRA Growth and Income Fund VI	22.0	22.1	6.4	0.9	22.0	15.7	6.9	4.0	-	-
Genesis Workforce Housing Fund II	-	-	-	-	-	-	-	100.0	-	-
Integrated Capital Hospitality Fund	-	31.6	26.2	-	26.3	15.9	-	-	-	-
LaSalle Asia Fund II	-	-	-	-	-	-	-	-	-	100.0
Latin America Investors III	-	-	-	-	-	-	-	-	-	100.0
Lone Star Fund VII	-	-	-	-	-	-	-	-	80.9	19.1
Lone Star Real Estate Fund II	-	-	-	-	-	-	-	-	46.9	53.1
Lowe Hospitality Investment Partners	48.9	-	-	-	51.1	-	-	-	-	-
MacFarlane Urban Real Estate Fund II	-	94.3	-	-	-	-	-	5.7	-	-
Mesa West Real Estate Income Fund II	36.9	24.7	-	-	-	2.9	16.6	18.9	-	-
Prologis Japan Fund	-	-	-	-	-	-	-	-	100.0	-
Southern California Smart Growth Fund	-	-	-	-	-	-	-	100.0	-	-
Stockbridge Real Estate Fund II	-	-	-	-	-	-	0.7	99.3	-	-
The Buchanan Fund III	-	-	-	-	-	100.0	-	-	-	-
The Buchanan Fund V	-	10.8	-	-	2.8	47.8	35.9	2.6	-	-
Torchlight Debt Opportunity Fund II	-	-	-	-	-	-	-	-	100.0	-
Torchlight Debt Opportunity Fund III	-	-	-	-	-	-	-	-	100.0	-
Torchlight Debt Opportunity Fund IV	-	-	-	-	-	-	-	-	100.0	-
Tuckerman Group Residential Income & Value Added Fund	80.0	-	-	-	-	-	-	20.0	-	-
UrbanAmerica II	-31.6	20.8	-	-29.5	58.6	14.2	3.5	64.0	-	-
Walton Street Real Estate Fund V	-	26.0	4.6	2.5	20.8	0.4	12.7	14.5	-	18.5
Walton Street Real Estate Fund VI	25.0	9.0	3.2	-	4.5	6.8	11.2	38.0	-	2.4
Westbrook Real Estate Fund III	-	-	-	-	-	-	-	-	100.0	-
Opportunistic	16.6	10.7	1.7	0.1	5.0	3.6	3.9	28.4	14.2	15.7
<i>Private Portfolio</i>	<i>17.7</i>	<i>11.9</i>	<i>2.6</i>	<i>0.8</i>	<i>6.3</i>	<i>10.4</i>	<i>4.1</i>	<i>30.7</i>	<i>8.2</i>	<i>7.2</i>
<i>Non-Core Portfolio</i>	<i>16.6</i>	<i>10.3</i>	<i>3.2</i>	<i>0.7</i>	<i>8.1</i>	<i>7.0</i>	<i>3.8</i>	<i>27.3</i>	<i>12.3</i>	<i>10.8</i>
Total Portfolio										
LACERS	17.4	11.7	2.6	0.8	6.2	10.3	4.0	30.8	8.8	7.4
Benchmark										
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Historical Benchmark										
NPI	20.7	13.7	7.7	1.6	9.9	11.0	5.6	29.8	-	-

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 directly¹ from the investment managers via a secure data collection site.

¹In 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.

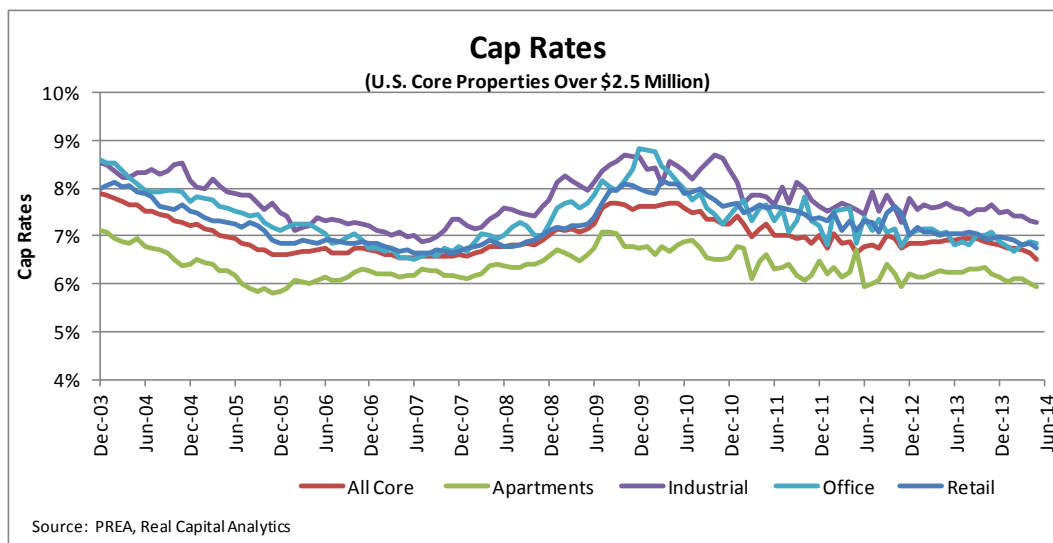
Real Estate Market Update: Second Quarter 2014



United States Real Estate Market Update – 2Q14

General

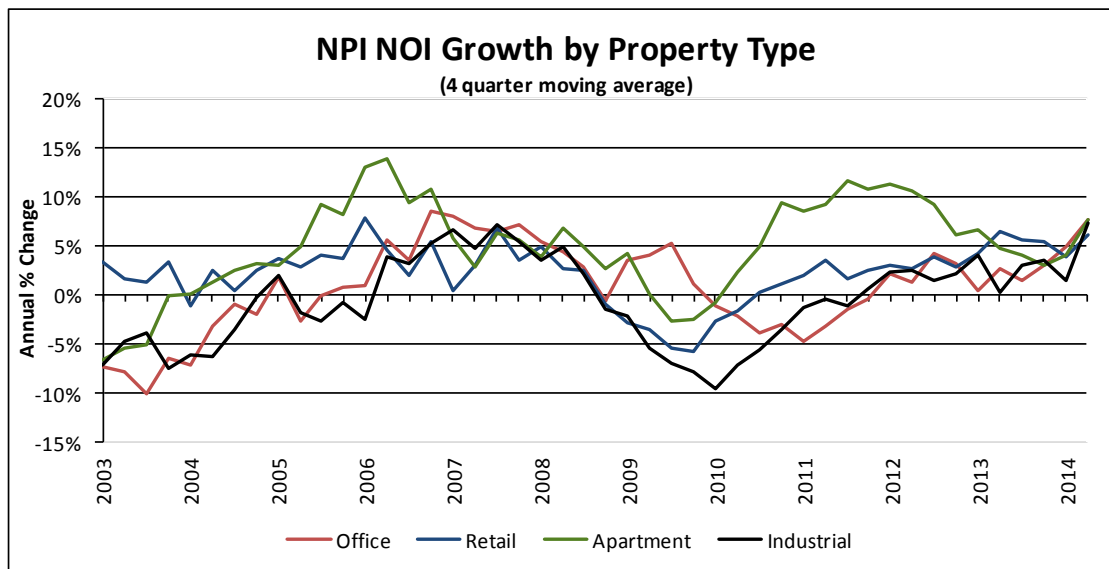
- As of 2Q14, real GDP climbed to a seasonally adjusted annual rate of 4.0%, a large improvement from the first quarter's -2.1%. Exiting a harsh winter across the U.S., 2Q14 data has revealed large rebounds in vehicle sales, retail sales, manufacturing output and employment gains.
- Employment gains continued during the second quarter with 288,000 nonfarm jobs created in June 2014 and the unemployment rate falling slightly from 6.3% to 6.1%.
- Consumer credit continued to expand during 2Q14 (up 6.8% year-over-year) suggesting renewed consumer optimism, although revolving credit has been slower to recover (up 2.7% year-over-year).
- During 2Q14, the homeownership rate declined to 64.7%, the lowest rate in nearly 20 years. Future apartment demand is expected to remain healthy as many new households are likely to prefer renting.
- During 2Q14, lending in the securitized market remained stable with a national CMBS issuance of \$20.2 billion. Expectations are that the CMBS market will continue to improve through 2016 and that debt market liquidity will continue to rise with support from both alternative and balance sheet lenders.



United States Real Estate Market Update – 2Q14

Commercial Real Estate

- Demand continues for commercial real estate with total sales up 18% in 2014 through May over the same period last year, totaling \$135 billion.
- Property prices in secondary markets is accelerating as financing is becoming more accessible and investors search for higher returns. Values of non-gateway properties have risen to 5.7% year-to-date compared to 4.1% for gateway markets.
- The vacancy rate fell by 70 bps from last year to 16.3%, with a decreasing supply of urban Grade-A assets and a slow and steady recovery of the suburban market. The lowest vacancy rates were recorded in New York, San Francisco and Portland at approximately 10.5%, while the highest vacancy rate, 26%, was in Detroit.
- Overall, most real estate markets are experiencing an economic expansion with superior demand relative to supply.



United State Property Matrix – 2Q14

INDUSTRIAL

- As of 2Q14, industrial vacancy decreased 10 bps from the first quarter to 8.2%.
- Vacancy rates are currently at their historical average but are expected to tighten at a slower pace as new supply is ramping up.
- During 2Q14, net absorption climbed to 34.7 msf, approximately 5 msf more than the post-GFC average.
- In June 2014, industrial property sales rose to \$20 billion, \$5 billion above the five first months of the year, leading cap rates to compress to 7.3%.
- During 2Q14, asking rents grew 3% on average above last year to \$5.1 psf and increased in 80% of all metros, with nine metros recording double-digit growth.
- Over the last year, the industrial sector has outperformed the NPI by 140 bps with an annual return of 12.6%. Performance was driven by cap rate compression, strong NOI growth and rising demand, especially in the Warehouse and R&D sub-sectors.

MULTIFAMILY

- 2Q14 apartment fundamentals remained strong, with job growth backing apartment demand as well as household formations.
- While vacancy rates are expected to remain stable for class A assets over the next nine months, construction remains strong especially in the CBD markets.
- Supply increased to 34,000 units, 26% above 1Q14, and is expected to keep rising throughout the year, while net absorption decreased to 35,000 units but still outpaced supply.
- Considering strong fundamentals in the job market, future demand is expected to offset rising supply, although demand lags behind supply in MSAs with weaker employment and household formation fundamentals.
- The apartment sector delivered a 9.9% return over the last year underperforming the NPI by 130 bps. The sector's declining cap rates of 30 bps failed to offset the decelerating NOI growth and low income returns during the trailing one-year period.

United State Property Matrix – 2Q14

OFFICE

- As of 2Q14, vacancy rates decreased to 15.1%, 10 bps and 220 bps below 1Q14 and and the recession peak, respectively, with 10.5 msf of new office delivered.
- Better employment prospects and low supply are expected to improve office demand and asking rents, and decrease vacancy rates in the near future.
- Asking rents increased in 64% of all metros and recorded an average price of \$22.1 in 2014, which is 2% above 2013 and represents the strongest rent appreciation in the last five years.
- U.S. office values continue to rise as global capital is flowing at an accelerating rate into the sector. The average cap rate for a significant CBD property was 5.7% in May, compared to 5.4% in December 2007.
- As of 2Q14, the office sector underperformed the NPI by 90 bps over the last year with a 10.3% return, despite the accelerated growth in suburban office returns lead by stronger NOI growth.

RETAIL

- The retail market maintained its strength during the quarter with the vacancy rate decreasing 10 bps to 6.4%.
- Supply remains at historically low levels and with the majority of new supply coming to market consisting of big-box, single-tenant stores that are already leased to anchor tenants.
- While current absorption of retail space lags behind historical rates, demand is growing for strip centers and neighborhood retail centers, with the most lucrative returns in the secondary and tertiary markets implying the expansion of the economic recovery to other retail bodies than super-regional malls.
- As of 2Q14, the retail sector delivered the highest annual return of 13.5% among traditional property sectors, outperforming the NPI by 230 bps and is expected to perform well throughout the year. Returns were driven by strong mall performance and property appreciation.

Global Real Estate Market Update – 2Q14

General

- Direct commercial real estate transaction volumes is expected to reach \$700 billion worldwide in 2014, representing a 20% improvement over 2013.
- 1H14 investment volumes are 28% above 1H13 as exhibited in the adjacent chart. During 2Q14, the global real estate market experienced prime yield compression in core markets due to abundant demand.
- During 1H14, the office sector recorded the strongest transaction volume followed by the retail sector, appreciating over 1H13 by 29% and 28%, respectively.
- Across property types, shortages of high-quality space is boosting developer confidence implying an uptick in new construction.

Europe

- 2Q14 direct commercial real estate volumes of \$59 billion in the EMEA are 9% ahead of the first quarter of 2014, with the first half of 2014 exceeding its 2013 equivalent by 36%.
- London and Paris have experienced the highest transactional volume in Europe of approximately \$16.5 and \$10.5 billion respectively.
- 2014 completions are expected to grow 20% above 2013 level to 5 msm and align with the 10-year long term average.
- During 2Q14, vacancy remained at 9.7% and will unlikely change by more than 10 bps during the year.

Direct Commercial Real Estate Volumes, H1 2014

\$ US Billions	Q1 14	Q2 14	% Change		% Change		% Change	
			Q1 14 - Q2 14	Q2 13 - Q2 14	H1 2013 - H1 2014	H1 2013 - H1 2014		
Americas	62	67	8%	52	29%	90	129	43%
EMEA	54	59	9%	40	48%	83	113	36%
Asia Pacific	23	32	39%	32	0%	59	55	-7%
Total	139	158	14%	124	27%	232	297	28%

Source: Jones Lang LaSalle

Global Real Estate Market Update – 2Q14

Asia

- Volumes increased during 2Q14 in the Asia Pacific region totaling \$32 billion, a 39% increase from 1Q14 due to improving investor sentiment and demand. However, demand is still uneven across regions.
- Core yield has remained flat unlike in other geographical regions, with the exception of Tokyo and Sydney where yields decreased by 10 bps and 25 bps, respectively.
- Vacancy fell to 11.5%, the lowest level since 2013, with most CBDs recording single-digit rates.

Global Outlook - GDP Growth % pa, 2013-2015

	2013	2014	2015
Global	3.0	3.0	3.7
Asia Pacific	5.2	4.9	5.1
Australia	2.4	3.1	2.8
China	7.7	7.4	6.9
India	4.7	4.8	5.1
Japan	1.5	1.1	1.1
Americas	2.1	1.6	3.0
US	1.9	1.5	3.1
Europe	0.5	1.6	2.0
France	0.4	0.6	1.1
Germany	0.5	1.8	1.9
UK	1.7	3.2	2.5

Source: Oxford Economics, July 2014

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 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 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

