



NEPC, LLC

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NEPC Real Estate Research Team Discussion Materials

March 24, 2016

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BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

- **NEPC is excited to be considered by the Dallas Police and Fire Pension System (DPFP) to serve as its real estate consultant**
- **NEPC has worked hard to build a meaningful real estate investment consulting practice to serve as an integrated one-stop shop for clients**
 - NEPC has a nine-person real estate research team and over 125 clients with real estate investments (\$11B of real estate NAV, as of 12/31/15)
 - The real estate team provides comprehensive coverage of illiquid and liquid strategies and is an integrated part of the firm's 49 person research team which enables holistic cross-asset class investment advice
- **NEPC provides full-service real estate consulting services with a customized client service approach**
 - Services include broad sector research, manager diligence, investment pacing analysis, client reporting, fund monitoring, education and special projects
 - Example special projects related to direct investments include business plan reviews, hold/sell analysis, and facilitating broker interviews for asset sales
- **If selected by DPFP to serve as its real estate consultant, NEPC proposes that Sean Ruhmann (Director of Private Markets Research) and Michael Yang (Research Consultant) serve as the primary real estate consulting team**










1. NEPC Real Estate Research Team Overview

- **Experienced real estate team**
 - Complementary and diverse backgrounds of team including direct investing, asset management, endowment management and investment banking
 - Fully integrated part of NEPC's 49 member research team and broader NEPC platform
 - NEPC's Alternative Asset Committee reviews and votes on every investment idea
- **Diverse and meaningful client base**
 - Over 125 clients with real estate investments
 - Over \$11 billion of real estate NAV
 - Scale provides complete access to entire investment manager landscape
- **Broad coverage of real assets**
 - Broad coverage of investment strategies, structures and geographies
 - 1,090 meetings with real estate managers in last five years
- **Differentiated research approach customized for clients**
 - Best ideas approach based on market environment and client objectives
 - Rigorous qualitative and quantitative analysis of strategies and managers
 - Average of eight funds added to NEPC's FPL each year
- **Customized client facing service approach**
 - Full service model
 - Tailored based on what works best for the client
 - Special projects related to direct investments include business plan reviews, hold/sell analysis, and facilitating broker interviews for asset sales



Scale and Selectivity

NEPC's Real Estate Research Team: Comprehensive Coverage of Illiquid and Liquid Strategies

	Investment Professional	Years Investment Experience	Prior Experience and Education	Real Estate Focus Area
	Sean Ruhmann Partner, Director of Private Markets Research	12	<ul style="list-style-type: none"> Goldman Sachs & Co., Banc of America Securities MBA, Tuck School of Business at Dartmouth; MS in Mechanical Engineering from Texas A&M University; BS in Engineering from Trinity College 	<ul style="list-style-type: none"> All Real Estate Europe Non-Core RE
	Michael Yang Research Consultant, Real Assets Research Team	10	<ul style="list-style-type: none"> GID, AEW Capital Management, UBS Investment Bank, Babson Endowment MBA, Babson College; BS, Boston College 	<ul style="list-style-type: none"> Global Core RE N. America Non-Core RE Asia/EM RE
	Andrew Brett, CAIA Research Consultant, Real Assets Research Team	9	<ul style="list-style-type: none"> State Street BA in Economics from Union College 	<ul style="list-style-type: none"> Agriculture and Timber ESG/Impact Investing
	Matt Ritter, CAIA Senior Research Analyst, Real Assets Research Team	5	<ul style="list-style-type: none"> GMO and Brooke Private Equity Associates BS in Business Administration from Northeastern University 	<ul style="list-style-type: none"> N. America Non-Core RE RE Debt Emerging Managers/MFDB
	William Elcock Senior Research Analyst, Real Assets Research Team	4	<ul style="list-style-type: none"> College of the Holy Cross Investment Office BA in Economics from the College of the Holy Cross 	<ul style="list-style-type: none"> N. America Non-Core RE Europe Non-Core RE RE Debt ESG/Impact Investing
	Lily Fenn Research Analyst, Real Assets Research Team	2	<ul style="list-style-type: none"> BA in Financial Economics from St. Anselm College 	<ul style="list-style-type: none"> Global Core RE Asia/EM RE Agriculture and Timber Emerging Managers/MFDB
	Timothy Bruce Partner, Director of Traditional Research	10	<ul style="list-style-type: none"> Partners Healthcare Investment Office MBA from The University of Chicago Booth School of Business, with concentrations in Finance and Strategic Management; BA in Economics from Brown University 	<ul style="list-style-type: none"> Long-Only REITs
	Aidan Redmond Research Analyst, Traditional Research Team	5	<ul style="list-style-type: none"> Atlantic Trust Private Wealth Management BS in Finance from Quinnipiac University 	<ul style="list-style-type: none"> Long-Only REITs
	Larissa Davy Research Analyst, Hedge Fund Research Team	2	<ul style="list-style-type: none"> BA from DeMontfort University, United Kingdom 	<ul style="list-style-type: none"> Long/Short REITs

- **NEPC’s client base in real estate includes over 125 clients with real estate investments with \$11 billion of NAV**

Representative NEPC Advised Real Estate Clients		
Automotive Machinists	DTE Energy	Omaha Public Schools
AC Transit Employees’ Retirement Plan	Georgia Firefighters' Pension Fund	Peabody Essex Museum
Anne Arundel County	Greater Rochester Health Foundation	Pipefitters Association of Boston Local 537
Babson College	IBEW Local 357	Richmond Retirement System
Baltimore County Employees’ Retirement System	International Painters and Allied Trades Industry	Rochester General Health Systems
Baylor Scott & White Health LLC	JM Family Enterprises, Inc.	Rotary International
Belmont, Town of	Jones Day	SF Culinary Bartenders and Service Employees
Bethesda Inc. / TriHealth	Kaleida Health	Soft Drink & Brewery Workers Union Local 812
Boston Plasterers' and Cement Masons' Local 534	Kenyon College	Southern California IBEW-NECA
Buffalo Fine Arts Academy	Kroger/UFCW Consolidated Pension Fund	State of Vermont
Carpenters Pension Trust Fund - Detroit & Vicinity	Manchester Employees' Retirement System	State-Boston Retirement System
Chicago LABF	Mass. Water Resource Authority (MWRA)	State Universities Retirement System of Illinois
Chicago PABF	Metropolitan Transportation Authority	Texas Tech University System
CHRISTUS Health	Michigan Carpenters	Triumph Aerostructures - Vought Aircraft Division
City of Hartford, CT MERF	MoDOT & Patrol Employees Retirement System	UFCW No. CA
City of Orlando	MultiCare Health System	UMass Memorial Health Care, Inc.
City of San Jose Police and Fire Department	New Castle County	Visiting Nurse Service of New York
Construction Industry & Laborers	Northeast Utilities	WA-ID-MT Carpenters

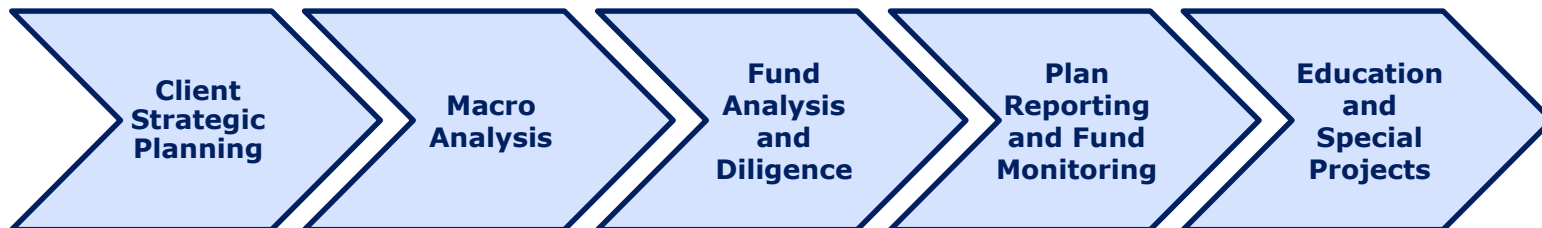
The above client list is representative only and does not necessarily reflect approval of the services provided.

- **NEPC’s scale provides complete access to all real estate managers and the ability to be extremely selective in identifying top funds for clients**
- **Only the very best ideas become part of the Firm’s Focus Placement List (“FPL”) which is communicated to all clients**
 - In the last five years, the real estate team has held 1,090 meetings with real estate managers
 - On average, seven real estate products per year have been added to the Firm’s FPL*
- **The real estate research team performs extensive diligence on potential FPL managers over a multi-stage review process**
 - As a final step, NEPC’s Alternative Asset Committee reviews and votes on every investment idea
 - This may sound simple, but the key question we ask ourselves for every FPL real estate product is: “Would we invest our own money in the fund?”
- **Importantly, not every product is right for every client; as such, NEPC conducts customized product searches/reviews based on specific client goals**

Real Estate Summary	2011	2012	2013	2014	2015
Real Estate Manager Meetings	165	213	210	237	265
Real Estate Funds Added to NEPC’s FPL*	8	5	10	7	10
FPL Funds Added as % of Detailed Meetings	4.8%	2.3%	4.8%	3.0%	3.8%

* Note: this number indicates new funds added in a calendar year; many of these funds have 12-18 month marketing windows so were also open in the subsequent calendar year (i.e. 2010 new FPL fund that was open in 2011).

Fully integrated research process customized for every client



- **Client strategic planning and sector macro analysis form the heart of our integrated research process**
 - Full portfolio review of existing investments at the start of each new engagement
 - Definition of a client's strategic objectives for the real estate allocation
 - Annual real estate pacing analysis and plan (based on macro conditions, strategic objectives and existing investments)
 - Identification of strategies/funds that best fit the client portfolio
- **Our fund analysis and diligence process utilizes a market survey approach to identify the best managers targeting a specific strategy**

NEPC believes that real estate plays an important role as part of an overall investment plan:

1. Low historical correlation to stocks and bonds
2. Provides diversification benefits to the overall portfolio
3. Provides both current income and the potential for capital appreciation (each of which can be enhanced with leverage)
4. Over the long term, provides a partial hedge against inflation as certain components of real estate are sensitive to inflation
5. Offers a spectrum of investment strategies (with different return and risk expectations) that can be customized to meet plan objectives

However, there are considerations of investing in real estate:

1. Investments are generally illiquid, particularly during falling markets (excluding public REIT investments)
2. Limited and imperfect benchmarks exist to gauge investment performance
3. Valuations are based on underlying transaction markets which have limited transparency and property appraisals can lag real-time market valuations
4. Investments outside of the base currency are affected by currency movements
5. The use of leverage amplifies negative performance

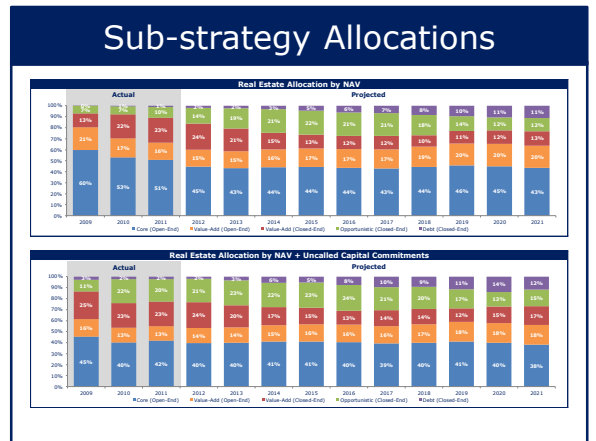
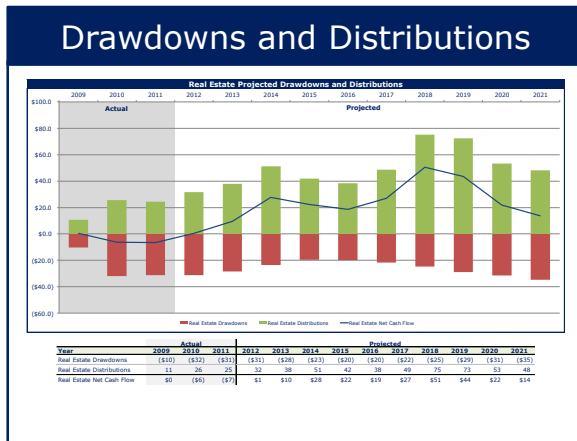
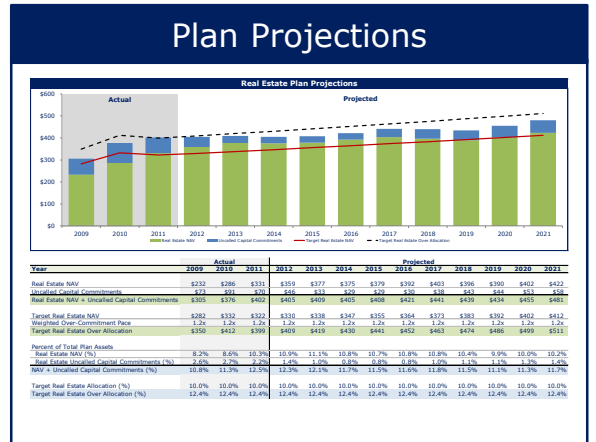
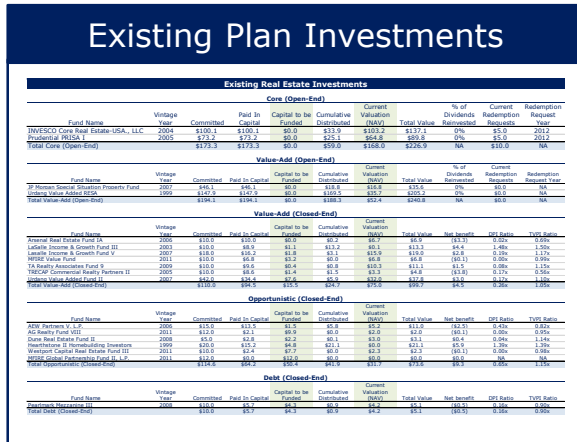
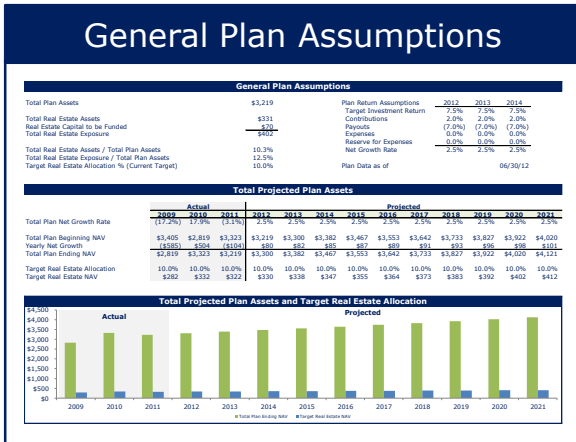
- **Real estate is not a “one size fits all” asset class; the mix of various risk/return strategies should be customized based on client objectives**
- **In constructing a real estate portfolio there are several key considerations that impact the allocation, including:**
 - Plan investment policy
 - Plan inflation sensitivity
 - Allocation to illiquid alternatives
 - Liquidity requirements of plan
 - Existing real estate investments
 - Return, risk, and volatility expectations
 - Size of plan assets
 - Timing and pacing considerations
 - Target number of manager relationships

Fund Style	Primary Return Driver	Return Assumptions		Example Plan Target Allocations		
		Typical Fund Target	NEPC Model Long-Term Assumption	- 1 - Income Focused Plan	- 2 - Balanced Approach	- 3 - Appreciation Focused Plan
Core / REITs	Income + inflation protection	7-9%	7 - 8%	80% ± 20%	50% ± 10%	10% + 20%
Value-Add	Income + Appreciation	14-17%	8 - 10%	5% ± 5%	15% ± 10%	50% ± 20%
Opportunistic	Appreciation	18%+	10 - 12%	5% ± 5%	20% ± 10%	40% ± 20%
Real Estate Debt	Income + Appreciation	6-14%	8 - 10%	10% ± 5%	15% ± 10%	0% + 10%

Risk Expectation	Lower	Moderate	Higher
Volatility Expectation	Lower	Moderate	Higher
Model Return Expectation (Mean Return)	8.0%	8.7%	9.7%
- % of Return Expected from Income (Dividends)	70%	60%	30%
- % of Return Expected from Capital Appreciation	30%	40%	70%

Client Strategic Planning: Sample Real Estate Plan and Pacing Analysis Slides

- The below slides are examples from the annual planning and pacing analysis
- The goal is to determine annual investments based on macro conditions, plan strategic objectives and existing investments

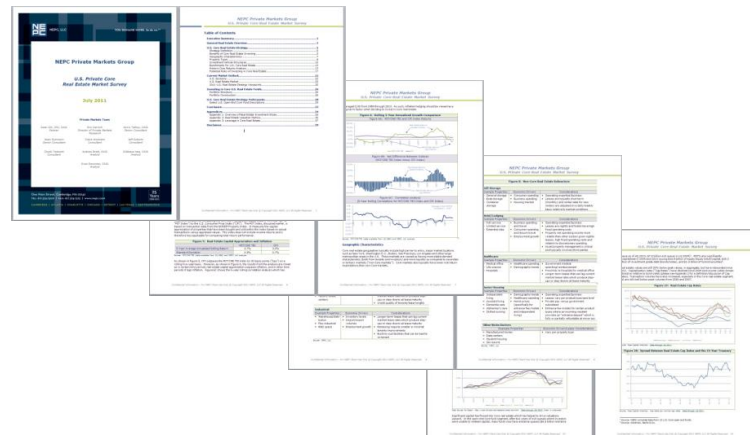


- The research process begins with macro analysis and ends with identifying the top funds targeting strategies that fit the macro environment

Macro Analysis



Market Surveys and White Papers



Fund Comparative Analysis/Targeting/Diligence



Fund Investment Memos



- Quarterly client plan reporting**
 - Six person alternatives reporting team
 - Program summary, history and performance
 - Focus on quality
- Ongoing fund monitoring**
 - Frequent manager meetings / notes access
 - Review and opine on fund changes, amendments, etc.
- Education and special projects**
 - Quarterly market thoughts
 - Webinars and conferences
 - Whitepapers and original research
 - Direct access to research team

Quarterly Client Plan Reporting

NEPC LLC

February 11, 2011

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RE: Private Markets Real Estate Strategy - 3rd Quarter 2010

We are pleased to present the September 30, 2010 Private Markets Real Estate Report for the 3rd quarter. This report provides a variety of performance analyses of the private real estate portfolio. The report includes trading performance, performance by investment stage, investment strategy, and vintage year performance.

The report experienced a positive quarter, with a nominal 38% of 6.61%, and 6.27% for the trading twelve months. The annualized ROI of the UFGP Private Markets Real Estate portfolio since inception was 3.09% at quarter end. The following is a comparison of the trading period performance of the UFGP Private Markets Real Estate program to NCREIF NPI, NCREIF OCEI and NAREIT Real Estate indices.

Commitment	Unlevered Commitment	Reported Value	Reported Value	Reported Value	Reported Value	Reported Value
\$801,424,261	\$1,881,277	\$44,150,047	\$17,739,317	\$6,265	\$2,676	\$2,676
Unlevered Commitment	Reported Value	Reported Value	Reported Value	Reported Value	Reported Value	Reported Value
\$801,424,261	\$1,881,277	\$44,150,047	\$17,739,317	\$6,265	\$2,676	\$2,676

Performance Comparison - Portfolio to NCREIF and NAREIT
As of September 30, 2010

	Quarter	Year to Date	One Year	Three Year	Five Year
NAREIT	6.61%	10.13%	6.77%	-11.76%	-6.07%
NCREIF-OCEI	3.66%	6.22%	3.64%	-6.62%	3.67%
NCREIF-NPI	3.42%	7.90%	10.40%	-0.39%	2.96%
UFGP	12.24%	19.04%	30.26%	6.96%	1.88%

The Portfolio is composed of 100% Core Income. NAREIT is a property fund index, general management fees. NCREIF OCEI (Open End Diversified Core) is an index of 28 core open end commercial funds. OCEI is a group of fees.

Ongoing Fund Monitoring

NEPC LLC

To: Client

From: Private Markets Group

Date: March 23, 2011

Subject: Amendment: Urding Value Added Fund II: One Year Investment Period Extension Request

Summary

The General Partner ("GP") has requested that the Investors of Urding Value Added Fund II ("Fund") give their consent to extend the investment period (the "Investment Period") of the Fund for one year to October 1, 2011. The Investment Period for the Fund is currently scheduled to expire on October 1, 2010. As of the close of business on October 1, 2010, the Fund had committed 71% of its capital (\$328 million) which includes unfunded commitments to existing investments. Approximately \$135 million of Fund capital remains available for investment.

This request has been vetted with the Fund's Advisory Committee and unanimously approved. As of July 24, 2010, 11 of the Fund's 12 Institutional Investors had approved the extension and returned the consent form. In addition, one of the remaining two Institutional Investors verbally approved the extension and has indicated to the GP that the consent form will be returned. If UFGP Northern California approves the extension, the GP would have approval from all 13 Institutional Investors.

The GP has indicated that it requires only a majority of investors to approve the extension. However, the GP believes it is important to have unanimous approval from the Fund's Institutional Investors and therefore does not intend to go forward without 100% approval from Institutional Investors.

NAREIT recommends that UFGP Northern California give its consent to extend the Investment Period of the Fund for one year from October 1, 2010 to October 1, 2011.

Overview of the Issue

The GP is proposing a one-year extension of the Investment Period to enable the Fund to invest its remaining capital in what it believes will be a more attractive investment environment that aligns with the revised Fund strategy. In 2008, the GP shifted the Fund's investment strategy to focus on distressed investment opportunities (called "Dist. debt and distressed"). The GP was cautious in deploying capital in 2008 and 2009 (it closed on two transactions in 2008 and two transactions in 2009, with more between July 2008 and August 2009). As of May 23, 2010, the Fund had committed 71% of its capital (\$328 million).

Update on the Fund

UFGP Real Estate Fund II, L.P., is a close-end private equity-structured real estate fund with a value-add strategy, diversified among the major property types and geographic regions within the U.S. The Fund was raised in 2007.

Fund Investment	Fund Metrics	Total Fund
Urding Value Added Fund II, L.P.	Investment	\$1,881,277
Urding Value Added Fund II, L.P.	Reported Value	\$44,150,047
Urding Value Added Fund II, L.P.	Reported Value	\$17,739,317
Urding Value Added Fund II, L.P.	Reported Value	\$6,265
Urding Value Added Fund II, L.P.	Reported Value	\$2,676

Education and Special Projects

Geographic Focus

U.S. (Domestic)	Non-U.S. (International)
Primary, secondary and/or tertiary markets	Developed or developing country/region focus
	Primary, secondary and/or tertiary markets

Investment Style

Core	Value-Add	Opportunistic	Debt / Mezzanine
<ul style="list-style-type: none"> Stable income properties High occupancy Strong markets Credit tenants Limited deferred maintenance Lower occupancy More lease-up risk Secondary / tertiary markets Lower quality tenants Management issues Capital expenditures required 	<ul style="list-style-type: none"> Limited current income May include development, recapitalization, distressed investments or other opportunities resultant of unique market conditions Significant lease-up required 	<ul style="list-style-type: none"> Limited current income Strong markets Capital expenditures required 	<ul style="list-style-type: none"> Structured investments

Illustrative Risk / Return Profile

Viewed as more risky with higher return expectations

Viewed as less risky with lower return expectations

Expected Return

Expected Risk