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**STATE OF HAWAII
EMPLOYEES' RETIREMENT SYSTEM**

**ADDENDUM NO. 1
To
Request for Proposals
For Real Estate Investment Consultant
Employees' Retirement System (ERS)
State of Hawaii**

**RFP 2017-01
Dated
March 3, 2017**

OFFERORS:

I. Amendments to Request for Proposals

Page 15 of the RFP; the following changes in bold are made:

II. Evaluation Process

A committee selected by the Procurement Officer will review and evaluate all proposals submitted by the deadline specified in this RFP.

The evaluation process will be conducted in **six** phases:

- Phase 1 - Evaluation of Minimum Qualifications and Mandatory Requirements
- Phase 2 - Establishment of Priority List of Offerors;
- Phase 3 - Facilities Inspections by ERS (done at the discretion of the ERS);
- Phase 4 - Interviews with Best and Final Offerors**
- Phase 5 - Final Evaluation of Proposals**
- Phase 6 - Award**



Employees Retirement System
of the State of Hawaii

Page 16 of the RFP; the following changes in bold are made:

V. Phase 2 – Establishment of Priority List of Offerors

All offerors who pass Phase 1, **Evaluation of Minimum Qualifications and Mandatory Requirements**, shall be classified as "acceptable" or "potentially acceptable". If there are more than three "acceptable" or "potentially acceptable" offerors, the Evaluation Committee will evaluate all proposals and establish a priority list of three (3) offerors who received the best preliminary evaluations. The order, priority and points to be applied to each evaluation criteria as follows:

Page 17 of the RFP; the following changes in bold are made:

VIII. Phase 5 - Final Evaluation of Proposals

During this phase, the ERS will conduct final evaluations of the priority-listed offerors' proposals in accordance with the following criteria:

Page 18 of the RFP; the following changes in bold are made:

IX. Phase 6 – Award

The ERS Board of Trustees will make the final selection.

II. Response to Offerors' Questions.

1. Question:
Specifically, would it be possible for you to provide us with a Word document version of the RFP response, in particular the questionnaire, or other editable version of the document?

Response:
A Word version of the questions in the Request for Proposals (pages 23-34) is available on the ERS website: <http://ers.ehawaii.gov/resources/procurement>.

2. Question:
There is a reference to completing a pre-formatted Excel spreadsheet. Would it be possible for you to provide this in an editable form as well?

Response:
An Excel spreadsheet in editable form is available on the ERS website: <http://ers.ehawaii.gov/resources/procurement>.

3. Question:
What is the fee of the current real estate consultant?

Response:

The annual fees for the current real estate consultant are as follows:

Year 1 (4/1/2012 – 3/31/2013)	\$265,000
Year 2 (4/1/2013 – 3/31/2014)	\$270,000
Year 3 (4/1/2014 – 3/31/2015)	\$275,000
Year 4 (4/1/2015 – 3/31/2016)	\$280,000
Year 5 (1/4/2016 – 3/31/2017)	\$285,000

Fees include travel, taxes and all expenses.

4. Question:
In order for us to evaluate ERS' monitoring requirements, could you provide a sample real estate and real estate quarterly performance report?

Response:
Please see attached sample performance report.

5. Question:
How many in person ERS meetings should the real estate consultant expect to travel?

Response:
The consultant should expect to make a minimum of five trips to Hawaii per year; however, historical precedence is that the consultant will make additional trips to Hawaii if the consultant is making an investment recommendation and the timing of the recommendation does not coincide with one of the five planned trips. Note that the necessary number of trips necessary might increase or decrease during the term of the contract.

6. Question:
Could you confirm that there is no current agriculture investment?

Response:
Currently, there are no agriculture investments; however, the ERS plans to consider agriculture investments in the future.

7. Question:
There is an allocation to Lowe Enterprises in the opportunistic allocation. Is this a real estate related investment and required for monitoring?

Response:
Oversight of the Lowe Enterprises investment is done by the current real estate consultant.

8. Question:
In order for us to understand the scale of work for ERS" separate accounts, could you provide the number of underlying properties?

Response:
There are currently 12 investment properties in two ERS separate accounts.

9. Question:
Is it possible to provide a copy of the RFP in rich text PDF or Word format?

Response:

A Word version of the questions in the Request for Proposals (pages 23-34) is available on the ERS website: <http://ers.ehawaii.gov/resources/procurement>.

10. Question:
"A master (so marked), sixteen (16) copies, in a three ring binder with title RFP 2017-01 and the firm's name on the spiral of the binder (one copy must be unbound and ready to photocopy), and one (1) electronic copy (MS Word or Adobe Acrobat format and one completed excel pre-formatted spreadsheet on a 650MB/74 minute format CD) of the response must be received no later than 4:30 p.m. (Hawaii Standard Time) March 20, 2017.)"

Please clarify the submittal requirements. Is the master to be unbound or in a three-ring binder? If the master is to be in a three-ring binder, is the separate unbound version included among the 16 copies, or is that an additional copy that should be submitted?

Response:

The master copy should be in a three-ring binder. The master copy is in addition to the 16 copies that are required to be submitted.

11. Question:
"A master (so marked), sixteen (16) copies, in a three ring binder with title RFP 2017-01 and the firm's name on the spiral of the binder (one copy must be unbound and ready to photocopy), and one (1) electronic copy (MS Word or Adobe Acrobat format and one completed excel pre-formatted spreadsheet on a 650MB/74 minute format CD) of the response must be received no later than 4:30 p.m. (Hawaii Standard Time) March 20, 2017.)"

Please provide a copy of the referenced pre-formatted spreadsheet.

Response:

A pre-formatted Excel spreadsheet is available on the ERS website:

<http://ers.ehawaii.gov/resources/procurement>.

12. Question:
"The proposed annual fixed fee shall be the same throughout the contract, except to the extent that price adjustment may be provided in this RFP and the resulting contract.)"

Please clarify if the intent of this sentence is that the annual fixed fee shall be exactly the same for each year of the contract.

Response:

The annual fixed fee can be different for different years of the contract.

13. Question:

“For clients over \$1 billion, please list clients' investments by using the following format (please list all public pension fund clients first):”

Please confirm that the intent of the question is to understand clients' overall real estate portfolios, that one line should be utilized for each client and that the requested information may have multiple answers (e.g. a client is invested in multiple strategies).

Response:

One line should be utilized for each client. If the client is invested in multiple strategies, include all strategies in the one line.

14. Question:

Section VI, “Scope of Services”: Regarding the attendance at annual meetings and portfolio reviews – What do the annual portfolio reviews consist of? Is that a Board meeting or a meeting with staff?

Response:

Annual portfolio reviews are presented by the real estate separate account managers (including Lowe) and the timber manager at a meeting of the Board. Annual portfolio reviews by the private equity consultant/manager and any specialty managers (there are none at this time) are also required. The portfolio reviews include the manager's annual strategic plan and portfolio activity for the year past and expectations for the year ahead. See Section F, page 20 and Section G, page 11 of the ERS Investment Policy, Guidelines, and Procedures manual, available on the ERS website at (<http://ers.hawaii.gov>) at the Investments tab. Currently, the portfolio reviews by the real estate separate account managers and the timber manager are included in a single-day meeting as part of the annual ERS Investment Education Summit.

15. Question:

Section VII, “Submission of Proposals,” lists three formats for physical copies of the proposal (a master, 15 bound copies, and one un-bound copy). Do any of these copies need to be printed single-sided?

Response:

The master copy that should be in a three ring binder should be printed single-sided.

16. Question:

Do you require original, wet-ink signatures on the Master proposal or any of the copies?

Response:

Wet-ink signatures are required on the master proposal document only.

17. Question:

Section VII, "Submission of Proposals," mentions the inclusion of "one completed excel pre-formatted spreadsheet" but no excel file was made available at the location on the HIERS website where the RFP is housed. Is there an excel file that you can provide?

Response:

A pre-formatted Excel spreadsheet is available on the ERS website:
<http://ers.ehawaii.gov/resources/procurement>.

18. Question:

Would the firm chosen be expected to cover the Timber portfolio managed by Hancock – or simply the real estate allocation?

Response:

The current real estate consultant covers the Timber portfolio and other investments such as infrastructure (which the consultant sourced and recommended); the consultant selected pursuant to this Request for Proposals could be required to cover such investments.

19. Question:

Do you envision bringing on any other real assets exposure?

Response:

Other real assets might be added to the ERS portfolio in the future, including Agriculture, Commodities, Infrastructure, etc. Coverage of such investments might fall on the real estate consultant or on other consultants, such as the General Consultant, depending on which firm sourced and made the recommendation.

20. Question:

Is there a word document or PDF from the native file of the RFP available?

Response:

A Word version of the questions in the Request for Proposals (pages 23-34) is available on the ERS website: <http://ers.ehawaii.gov/resources/procurement>.

21. Question:

The RFP states in Section VII. Submission of Proposals that "one (1) electronic copy (MS Word or Adobe Acrobat format and one completed excel pre-formatted spreadsheet)" Can you please indicate where the excel questionnaire can be

found? After reviewing the HIERS website and procurement division, only the PDF of the RFP can be found.

Response:

A Word version of the questions in the Request for Proposals (pages 23-34) and a pre-formatted Excel spreadsheet are available on the ERS website:
<http://ers.ehawaii.gov/resources/procurement>.

22. Question:

The submission requirements include one completed excel pre-formatted spreadsheet on a 650MB/74 minute format CD. Would you please tell me where to locate the mentioned excel pre-formatted spreadsheet and what that entails? Is this simply the RFP Questionnaire in excel format? I am unable to locate a pre-formatted spreadsheet in the RFP. We are happy to create if that is what is required.

Response:

A Word version of the questions in the Request for Proposals (pages 23-34) and a pre-formatted Excel spreadsheet are available on the ERS website:
<http://ers.ehawaii.gov/resources/procurement>.

23. Question:

Question 6 under "Services" in the RFP: The question instructs to "see the Fees section below for instructions regarding fees for real asset services". Is this referring to the instruction to provide information regarding fees for real asset services separately under the Free Proposal?

Response:

Yes, proposed fees for real asset services should be provided as supplemental and separately from the real estate fee proposal.

HAWAII EMPLOYEES' RETIREMENT SYSTEM
REAL ESTATE PORTFOLIO
PERFORMANCE MEASUREMENT REPORT

Third Quarter 2016



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EXECUTIVE SUMMARY

HIERS PORTFOLIO SUMMARY (for period ended September 30, 2016)	
Current Portfolio Market Value:	\$ 776,838,474
Current Portfolio, % of Total Plan Assets:	5.2%
Current Unfunded Investment Commitments:	\$ 339,867,430
Current Market Value + Unfunded Investment Commitments:	\$ 1,116,705,904
Current Capital Available for Investment:	\$ (67,548,025)
Target Allocation to Real Estate:	\$ 1,049,157,879
Target Real Estate, % of Total Plan Assets:	7.0%
Portfolio Inception Date:	1993
Total Number of Current Investments:	26

SUMMARY OF PORTFOLIO RETURNS (for period ended September 30, 2016)							
	Quarter	YTD	1-Year	2-Year	3-Year	5-Year	Incept
Income	1.5%	4.9%	6.5%	6.2%	6.2%	6.3%	6.9%
Appreciation	0.6%	2.9%	5.8%	10.8%	9.2%	9.7%	-0.4%
Total Gross Return	2.1%	8.0%	12.6%	17.5%	15.8%	16.4%	6.5%
Total Net Return	1.8%	6.8%	10.8%	15.4%	13.7%	14.4%	5.4%
Total Portfolio	\$ 776,838,474		Internal Rate of Return:				8.1%

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SUMMARY OF PORTFOLIO INVESTMENT NET RETURNS											
(for period ended September 30, 2016)											
Investments	Market Value	% of Portfolio	Target Returns	Total Net Returns					Incept.	IRR	Equity Multiple
				Quarter	1-yr	2-yr	3-yr	5-yr			
Core	\$562,737,438	72.4%		1.6%	9.4%	15.1%	12.6%	13.4%	5.2%	7.6%	1.57
Cabot Industrial Core	\$12,626,364	1.6%	8.0%	0.8%	N/A	N/A	N/A	N/A	N/M	N/M	1.01
Heitman SA	\$276,871,404	35.6%	5%(Net Real)	1.9%	7.2%	14.1%	14.4%	15.4%	5.8%	7.6%	1.71
Invesco SA	\$169,244,487	21.8%	5%(Net Real)	0.4%	14.4%	18.6%	14.6%	14.0%	9.0%	8.5%	1.69
H2 Core Real Estate Debt	\$30,336,393	3.9%	7.0%	2.8%	8.1%	N/A	N/A	N/A	6.4%	7.9%	1.08
Heitman Takeover SA	\$8,705,352	1.1%	5%(Net Real)	2.4%	0.8%	8.5%	-1.6%	2.6%	1.1%	-0.7%	0.96
Invesco Takeover SA	\$64,953,438	8.4%	5%(Net Real)	3.0%	5.8%	11.6%	6.8%	9.8%	4.1%	3.1%	1.19
Value	\$134,214,497	17.3%		2.4%	16.3%	15.7%	17.2%	15.5%	7.8%	13.4%	1.38
AG CPRF II	\$2,039,896	0.3%	13% Gross	-8.2%	14.6%	12.1%	15.0%	14.6%	7.4%	8.5%	1.35
AG CPRF III	\$15,184,277	2.0%	13% Gross	2.7%	35.0%	32.6%	30.9%	N/A	23.0%	25.1%	1.69
AG CPRF IV	\$10,724,834	1.4%	11% Gross	0.1%	2.2%	N/A	N/A	N/A	-1.7%	0.0%	1.00
Almanac VI	\$8,810,211	1.1%	12.0%	3.7%	28.3%	18.1%	19.2%	N/A	17.0%	17.8%	1.36
Almanac VII	\$11,788,989	1.5%	12.0%	2.3%	11.5%	N/A	N/A	N/A	5.9%	10.6%	1.09
CBRE SP V	\$0	0.0%	11.5%	0.0%	6.2%	3.9%	-3.6%	0.1%	-1.1%	16.2%	1.42
CBRE SP VI	\$11,529,713	1.5%	12.0%	1.7%	12.0%	15.2%	15.3%	N/A	12.7%	15.1%	1.43
CBRE SPUS VII	\$20,327,253	2.6%	12.8%	1.7%	19.9%	N/A	N/A	N/A	10.6%	14.7%	1.15
LaSalle I&G V	\$539,463	0.1%	12.0%	-0.4%	0.5%	5.9%	17.3%	14.7%	7.3%	13.0%	1.68
LaSalle I&G VII	\$13,108,203	1.7%	12.0%	1.6%	N/A	N/A	N/A	N/A	N/M	N/M	1.02
Mesa West RE Income III	\$14,565,046	1.9%	12.0%	2.7%	10.0%	9.9%	6.8%	N/A	3.7%	9.0%	1.16
Prudential SHP IV	\$19,325,328	2.5%	11.0%	6.8%	16.6%	20.3%	17.1%	N/A	11.2%	16.1%	1.45
Prudential SHP V	\$6,271,284	0.8%	10.0%	0.0%	11.0%	N/A	N/A	N/A	2.8%	10.0%	1.07
Opportunistic	\$79,886,539	10.3%		2.1%	14.9%	17.4%	20.6%	26.0%	20.1%	30.4%	1.42
AG Asia III	\$15,580,959	2.0%	20% Gross	-2.7%	N/A	N/A	N/A	N/A	N/M	N/M	1.07
BlackSand Capital Opportunity I	\$7,643,070	1.0%	14.0%	3.4%	25.6%	15.7%	13.7%	21.5%	17.2%	29.1%	1.30
Blackstone VII	\$19,796,562	2.5%	15.0%	2.1%	5.8%	11.6%	16.2%	N/A	22.2%	20.1%	1.47
Fortress Japan II(Dollar)	\$14,156,601	1.8%	16.0%	6.0%	37.3%	28.5%	28.1%	N/A	22.9%	24.0%	1.45
Fortress Japan III(Dollar)	\$8,272,767	1.1%	20% Gross	2.6%	18.0%	N/A	N/A	N/A	12.6%	16.3%	1.13
Lone Star VII	\$3,223,498	0.4%	20% Gross	-8.1%	-19.2%	-1.6%	8.1%	24.3%	25.0%	50.3%	1.78
Lone Star REF II	\$2,808,732	0.4%	20% Gross	1.1%	12.9%	27.0%	29.2%	26.7%	14.6%	27.1%	1.53
Torchlight Debt Opportunity V	\$8,404,351	1.1%	13.0%	9.8%	3.0%	N/A	N/A	N/A	-1.2%	9.6%	1.05
Total Portfolio	\$776,838,474	100.0%		1.8%	10.8%	15.4%	13.7%	14.4%	5.4%	8.1%	1.53

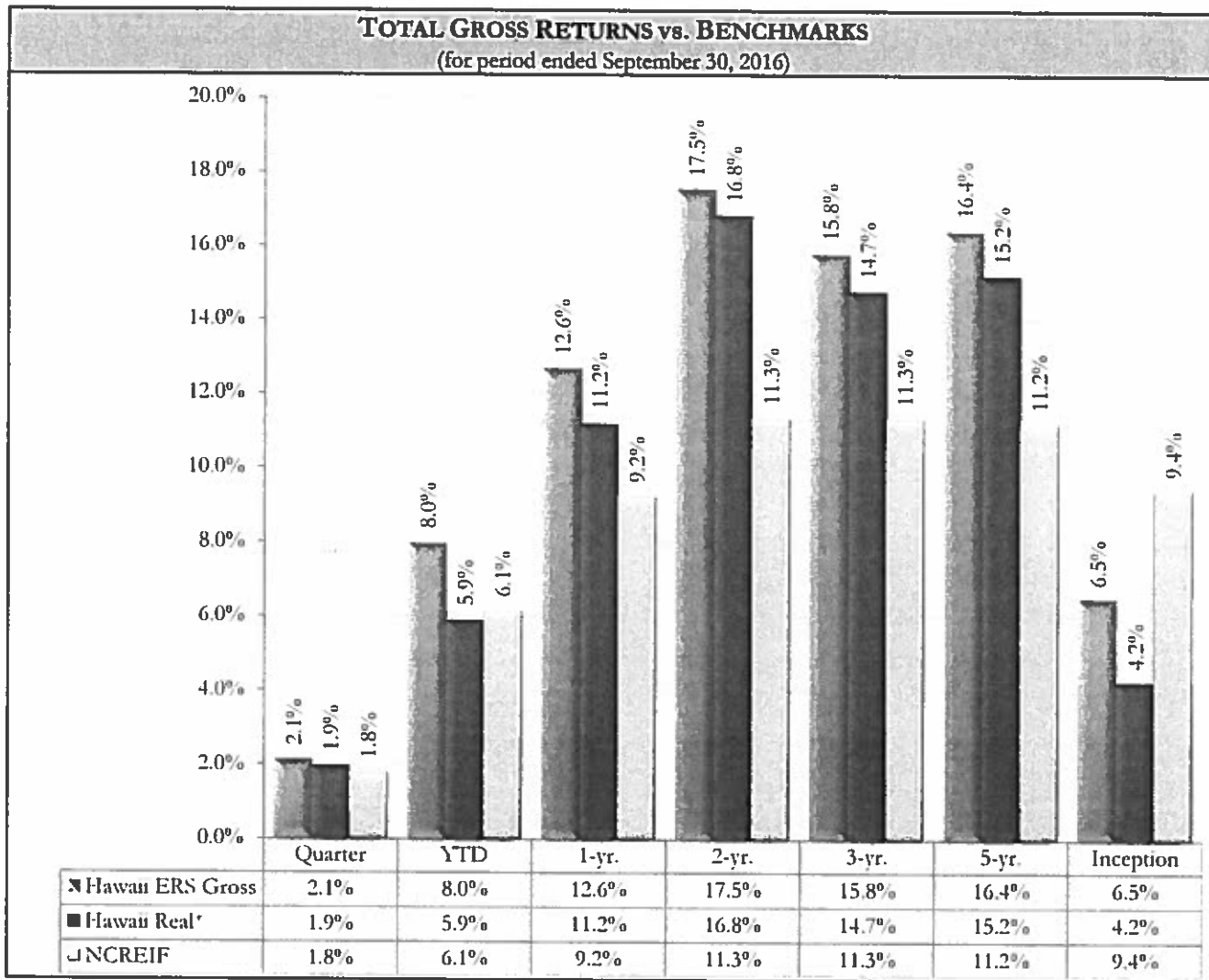
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SUMMARY OF PORTFOLIO INVESTMENT NET REAL RETURNS *							
(for period ended September 30, 2016)							
Investments	Total Net Real Returns						** Annual
	Quarter	1-yr	2-yr	3-yr	5-yr	Incept.	Benchmark
Core	1.5%	7.9%	14.4%	11.6%	12.2%	3.0%	5.0%
Cabot Industrial Core	0.6%	N/A	N/A	N/A	N/A	N/M	5.0%
Heitman SA	1.7%	5.7%	13.4%	13.4%	14.2%	3.6%	5.0%
Invesco SA	0.3%	12.9%	17.9%	13.5%	12.7%	6.8%	5.0%
II2 Core Real Estate Debt	2.7%	6.6%	N/A	N/A	N/A	5.5%	5.0%
Heitman Takeover SA	2.2%	-0.6%	7.8%	-2.6%	1.4%	-0.8%	5.0%
Invesco Takeover SA	2.9%	4.3%	10.9%	5.8%	8.6%	2.3%	5.0%
Value	2.2%	14.8%	15.0%	16.1%	14.3%	6.2%	7.0%
AG CPRF II	-8.4%	13.1%	11.4%	13.9%	13.4%	5.9%	7.0%
AG CPRF III	2.6%	33.5%	31.9%	29.8%	N/A	21.9%	7.0%
AG CPRF IV	0.0%	0.8%	N/A	N/A	N/A	-3.2%	7.0%
Almanac VI	3.5%	26.9%	17.4%	18.2%	N/A	16.0%	7.0%
Almanac VII	2.2%	10.0%	N/A	N/A	N/A	4.4%	7.0%
CBRE SP VI	1.6%	10.6%	14.5%	14.3%	N/A	11.7%	7.0%
CBRE SPUS VII	1.5%	18.4%	N/A	N/A	N/A	9.1%	7.0%
LaSalle I&G V	-0.5%	-1.0%	5.2%	16.3%	13.5%	6.2%	7.0%
LaSalle I&G VII	1.4%	N/A	N/A	N/A	N/A	N/M	7.0%
Mesa West RE Income III	2.5%	8.5%	9.1%	5.8%	N/A	2.7%	7.0%
Prudential SHIP IV	6.6%	15.2%	19.6%	16.0%	N/A	10.1%	7.0%
Prudential SHIP V	-0.2%	9.6%	N/A	N/A	N/A	1.3%	7.0%
Opportunistic	1.9%	13.5%	16.7%	19.5%	24.8%	18.7%	9.0%
AG Asia III	-2.9%	N/A	N/A	N/A	N/A	N/M	7.0%
BlackSand Capital Opportunity I	3.2%	24.1%	15.0%	12.7%	20.3%	15.9%	9.0%
Blackstone VII	1.9%	4.3%	10.9%	15.2%	N/A	21.1%	9.0%
Fortress Japan II(Dollar)	5.8%	35.9%	27.8%	27.0%	N/A	21.7%	9.0%
Fortress Japan III(Dollar)	2.5%	16.6%	N/A	N/A	N/A	11.0%	9.0%
Lone Star VII	-8.3%	-20.7%	-2.3%	7.1%	23.0%	23.7%	9.0%
Lone Star REI ² II	0.9%	11.4%	26.3%	28.2%	25.5%	13.2%	9.0%
Torchlight Debt Opportunity V	9.7%	1.5%	N/A	N/A	N/A	-2.6%	9.0%
Total Portfolio	1.6%	9.4%	14.7%	12.7%	13.2%	3.2%	5.0%

* Real returns are inflation-adjusted by the Consumer Price Index.

** Benchmark is over a rolling 5-year period.

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* Hawaii's real returns are inflation-adjusted by the Consumer Price Index.

PORTFOLIO PERFORMANCE COMMENTS

This Performance Measurement Report ("PMR") summarizes the investment performance for the real estate portfolio of the Hawaii Employees' Retirement System (the "Portfolio"). The primary performance benchmark for the Portfolio is the National Council of Real Estate Investment Fiduciaries Property Index ("NCREIF Property Index" or "NPI").

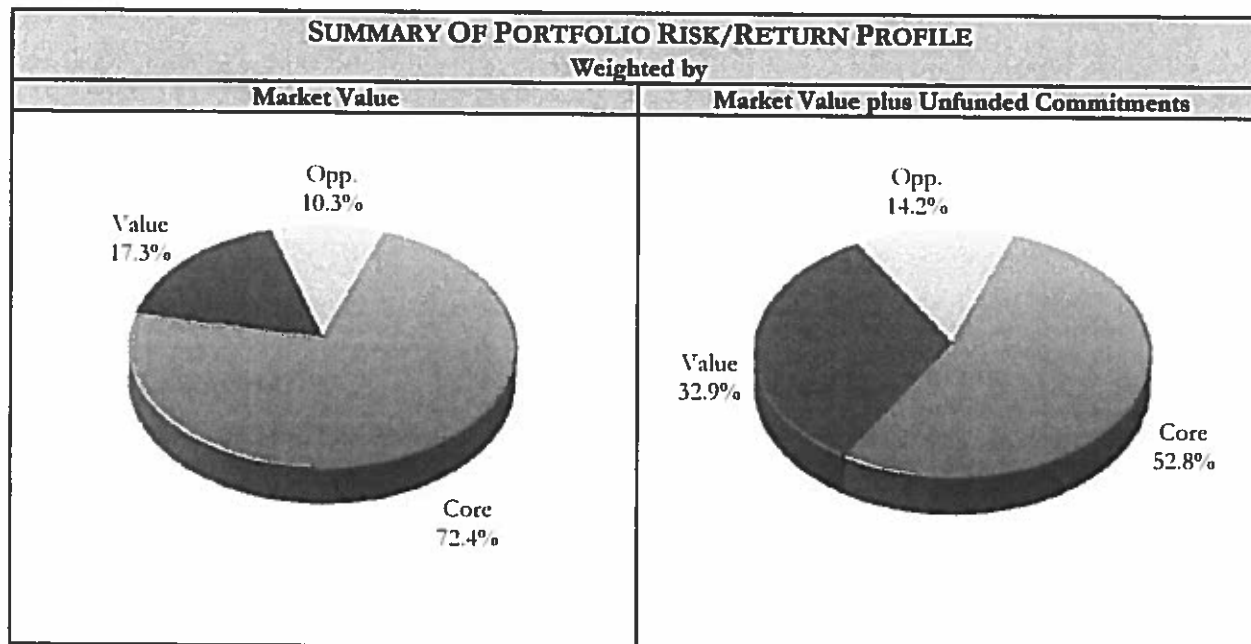
The NCREIF Property Index contains 7,371 U.S.-only commercial real estate investments with total net market value of approximately \$516.4 billion. It provides un-leveraged, property-level return data dating back to 1977. Individual components of the NCREIF Property Index include office, retail, industrial, apartment and hotel properties and are well diversified by geographic region.

As displayed above, the Portfolio outperformed the NPI by 0.3%, 1.9%, 3.4%, 6.2%, 4.5%, and 5.2% for the Quarter, YTD, 1-yr., 2-yr., 3-yr., and 5-yr. periods, respectively. The Portfolio underperformed the NPI by -2.9% for the Inception-to-date period.

RISK/RETURN REVIEW

RISK/RETURN REVIEW - MARKET VALUES AND INVESTMENT COMMITMENTS						
(for period ended September 30, 2016)						
Investments	Client Incept.	Market Value	% of Port.	Investment Commitments Summary		
				Original Inv. Commitment	Remaining Unfund. Commitment	% of Current and Unfunded Port.
Core		\$ 562,737,438	72.4%	\$ 70,000,000	\$ 27,359,000	52.8%
Cabot Industrial Core	7/16	\$ 12,626,364	1.6%	\$ 40,000,000	\$ 27,359,000	3.6%
Heitman SA	9/93	\$ 276,871,404	35.6%	\$ -	\$ -	24.8%
Invesco SA	4/98	\$ 169,244,487	21.8%	\$ -	\$ -	15.2%
II2 Core Real Estate Debr	9/15	\$ 30,336,393	3.9%	\$ 30,000,000	\$ -	2.7%
Heitman Takeover SA	6/05	\$ 8,705,352	1.1%	\$ -	\$ -	0.8%
Invesco Takeover SA	11/06	\$ 64,953,438	8.4%	\$ -	\$ -	5.8%
Value		\$ 134,214,497	17.3%	\$ 510,000,000	\$ 233,433,539	32.9%
AG CPRF II	12/06	\$ 2,039,896	0.3%	\$ 50,000,000	\$ 8,941,284	1.0%
AG CPRF III	4/12	\$ 15,184,277	2.0%	\$ 25,000,000	\$ 5,316,324	1.8%
AG CPRF IV	6/15	\$ 10,724,834	1.4%	\$ 40,000,000	\$ 29,200,000	3.6%
Almanac VI	11/12	\$ 8,810,211	1.1%	\$ 20,000,000	\$ 13,179,552	2.0%
Almanac VII	4/15	\$ 11,788,989	1.5%	\$ 40,000,000	\$ 29,211,620	3.7%
CBRE SP V	6/08	\$ -	0.0%	\$ 50,000,000	\$ -	0.0%
CBRE SP VI	10/12	\$ 11,529,713	1.5%	\$ 20,000,000	\$ -	1.0%
CBRE SPUS VII	5/15	\$ 20,327,253	2.6%	\$ 20,000,000	\$ 2,069,491	2.0%
DRA G&I IX	N/A	\$ -	0.0%	\$ 40,000,000	\$ 40,000,000	3.6%
II2 Credit Partners	N/A	\$ -	0.0%	\$ 40,000,000	\$ 40,000,000	3.6%
LaSalle I&G V	8/08	\$ 539,463	0.1%	\$ 50,000,000	\$ 0	0.0%
LaSalle I&G VII	7/16	\$ 13,108,203	1.7%	\$ 30,000,000	\$ 17,096,202	2.7%
Mesa West RE Income III	9/13	\$ 14,565,046	1.9%	\$ 20,000,000	\$ 5,923,318	1.8%
Mesa West RE Income IV	N/A	\$ -	0.0%	\$ 20,000,000	\$ 20,000,000	1.8%
Prudential SHIP IV	4/12	\$ 19,325,328	2.5%	\$ 20,000,000	\$ 3,360,388	2.0%
Prudential SHIP V	5/15	\$ 6,271,284	0.8%	\$ 25,000,000	\$ 19,135,360	2.3%
Opportunistic		\$ 79,886,539	10.3%	\$ 184,691,304	\$ 79,074,891	14.2%
AG Asia III	6/16	\$ 15,580,959	2.0%	\$ 30,000,000	\$ 15,450,000	2.8%
BlackSand Capital Opportunity I	9/11	\$ 7,643,070	1.0%	\$ 20,000,000	\$ 4,430,617	1.1%
Blackstone VII	4/12	\$ 19,796,562	2.5%	\$ 20,000,000	\$ 3,629,651	2.1%
Fortress Japan II(Dollar)	7/12	\$ 14,156,601	1.8%	\$ 17,391,304	\$ 10,364,306	2.2%
Fortress Japan III(Dollar)	1/15	\$ 8,272,767	1.1%	\$ 17,300,000	\$ 9,950,904	1.6%
Lone Star VII	6/11	\$ 3,223,498	0.4%	\$ 25,000,000	\$ 1,540,888	0.4%
Lone Star REIF II	6/11	\$ 2,808,732	0.4%	\$ 15,000,000	\$ 1,708,525	0.4%
Torchlight Debt Opportunity V	6/15	\$ 8,404,351	1.1%	\$ 40,000,000	\$ 32,000,000	3.6%
Total Portfolio		\$ 776,838,474	100.0%	\$ 764,691,304	\$ 339,867,430	100.0%

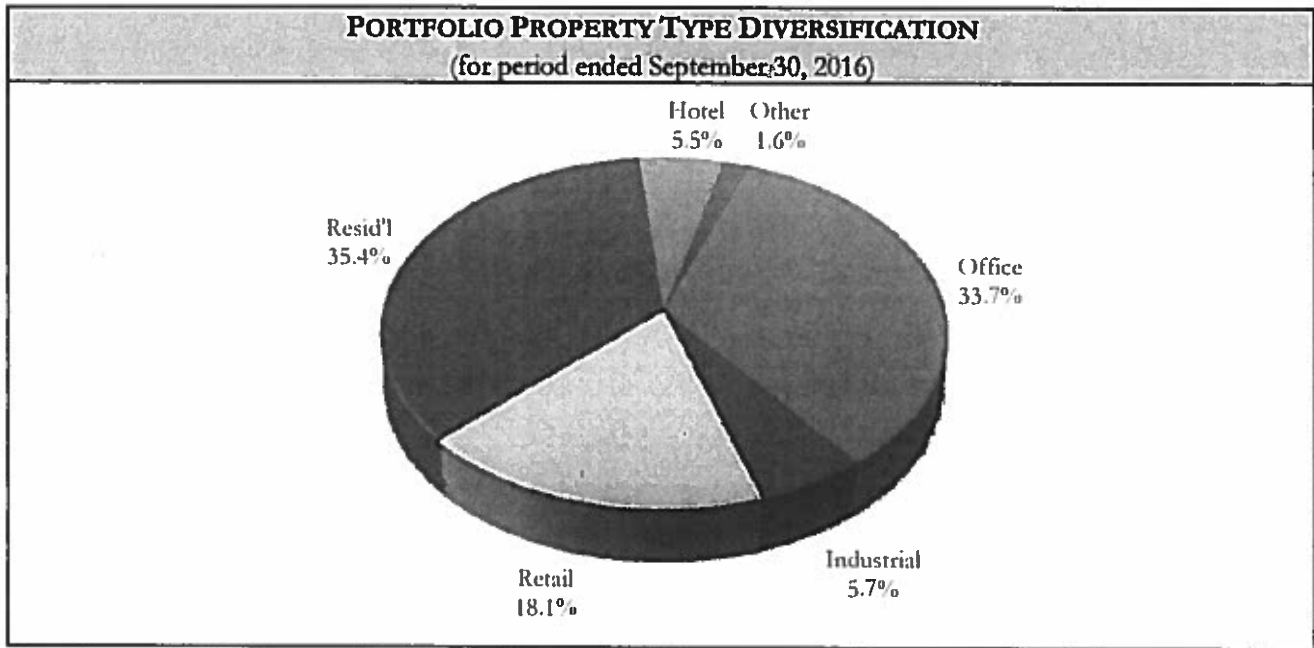
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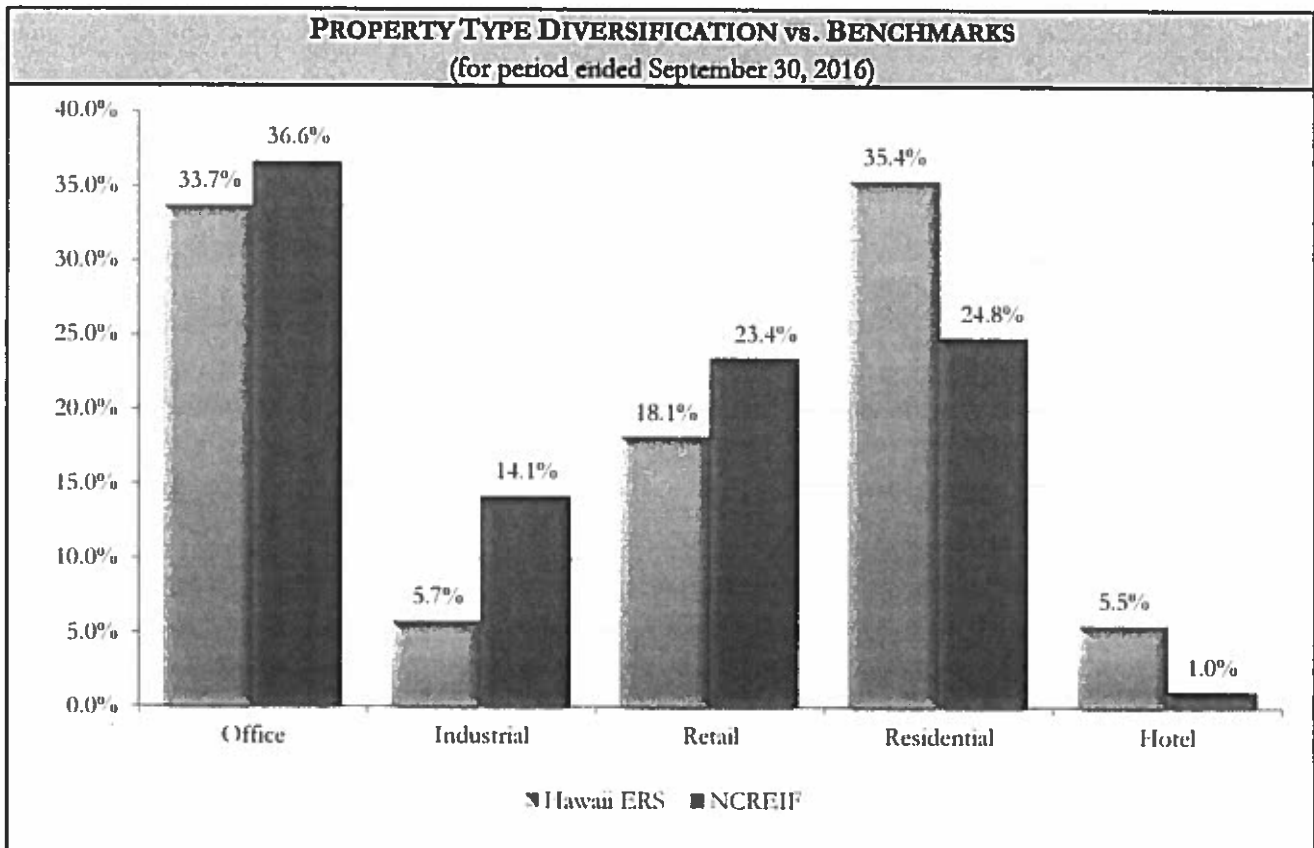
RISK/RETURN REVIEW - Including pending commitments						
Investments		Market Value	% of Port.	Investment Commitments Summary		
				Original Inv. Commitment	Remaining Unfund. Commitment	% of Current and Unfunded Port.
Cerberus IV	Opportunistic	\$ -	0.0%	\$ 50,000,000	\$ 50,000,000	4.3%
Total Pending Commitments		\$ -	0.0%	\$ 50,000,000	\$ 50,000,000	4.3%
Core		\$ 562,737,438	72.4%	\$ 70,000,000	\$ 27,359,000	50.6%
Value		\$ 134,214,497	17.3%	\$ 510,000,000	\$ 233,433,539	31.5%
Opportunistic		\$ 79,886,539	10.3%	\$ 234,691,304	\$ 129,074,891	17.9%
Total Portfolio		\$ 776,838,474	100.0%	\$ 814,691,304	\$ 389,867,430	100.0%

RISK/RETURN COMMENTS
<p>The current composition of the Portfolio, as depicted in the above graph to the left is Core (72.4%), Value (17.3%), and Opportunistic (10.3%).</p> <p>As depicted in the above graphic to the right, the future composition of the Portfolio (including all uncalled investment commitments) is Core (52.8%), Value (32.9%), and Opportunistic (14.2%).</p>

PORTFOLIO COMPOSITION REVIEW

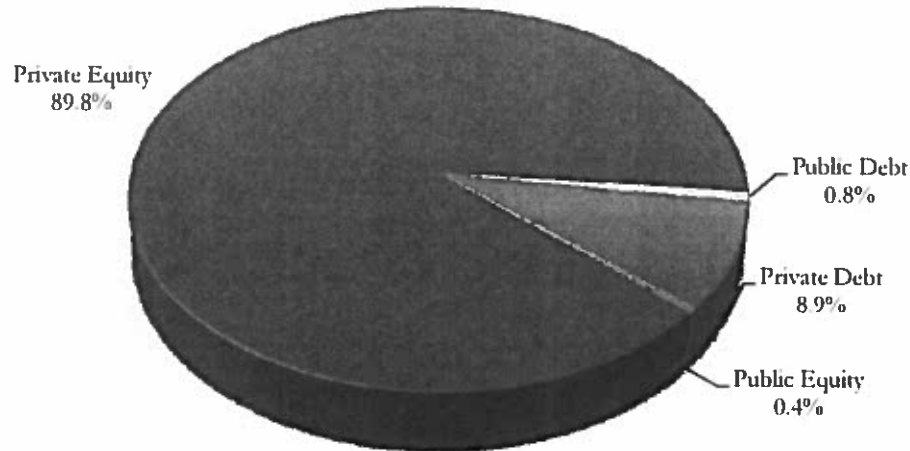


Note: Due to rounding, the sum of the above weights may not equal 100%.



INVESTMENT STRUCTURE DIVERSIFICATION

(for period ended September 30, 2016)

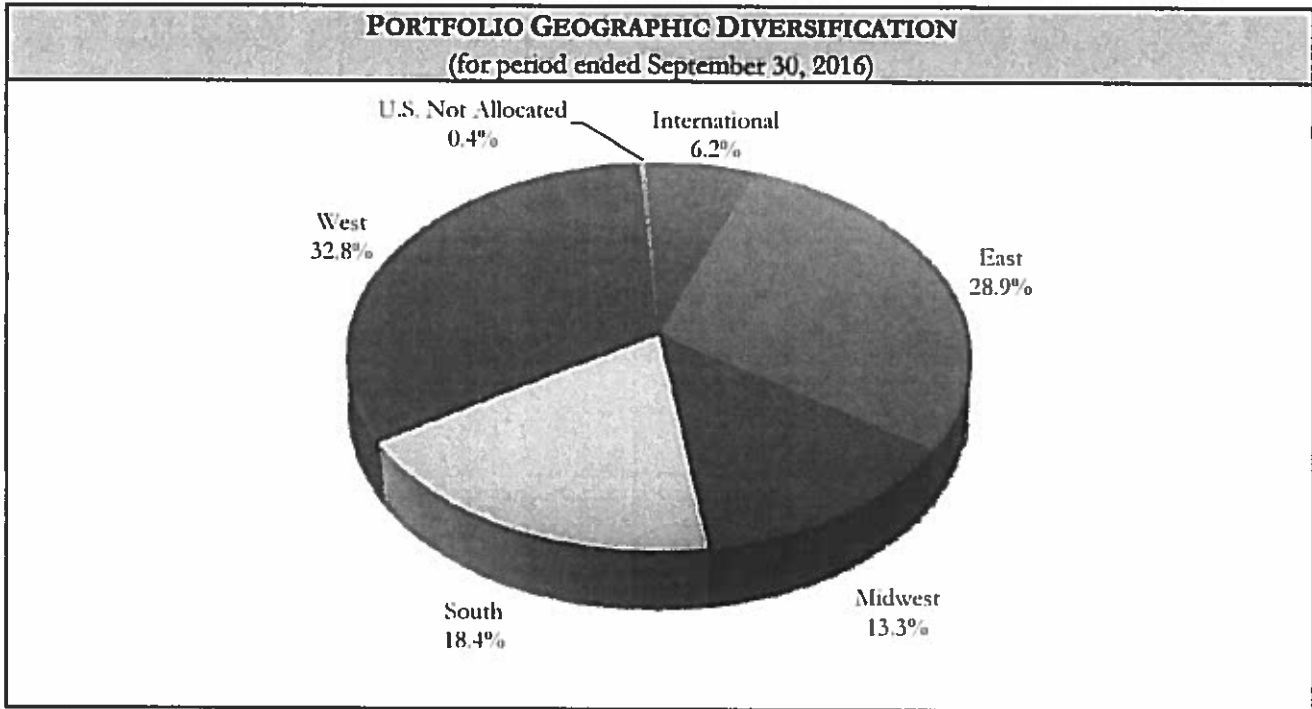


INVESTMENT CAPITAL STRUCTURE REVIEW

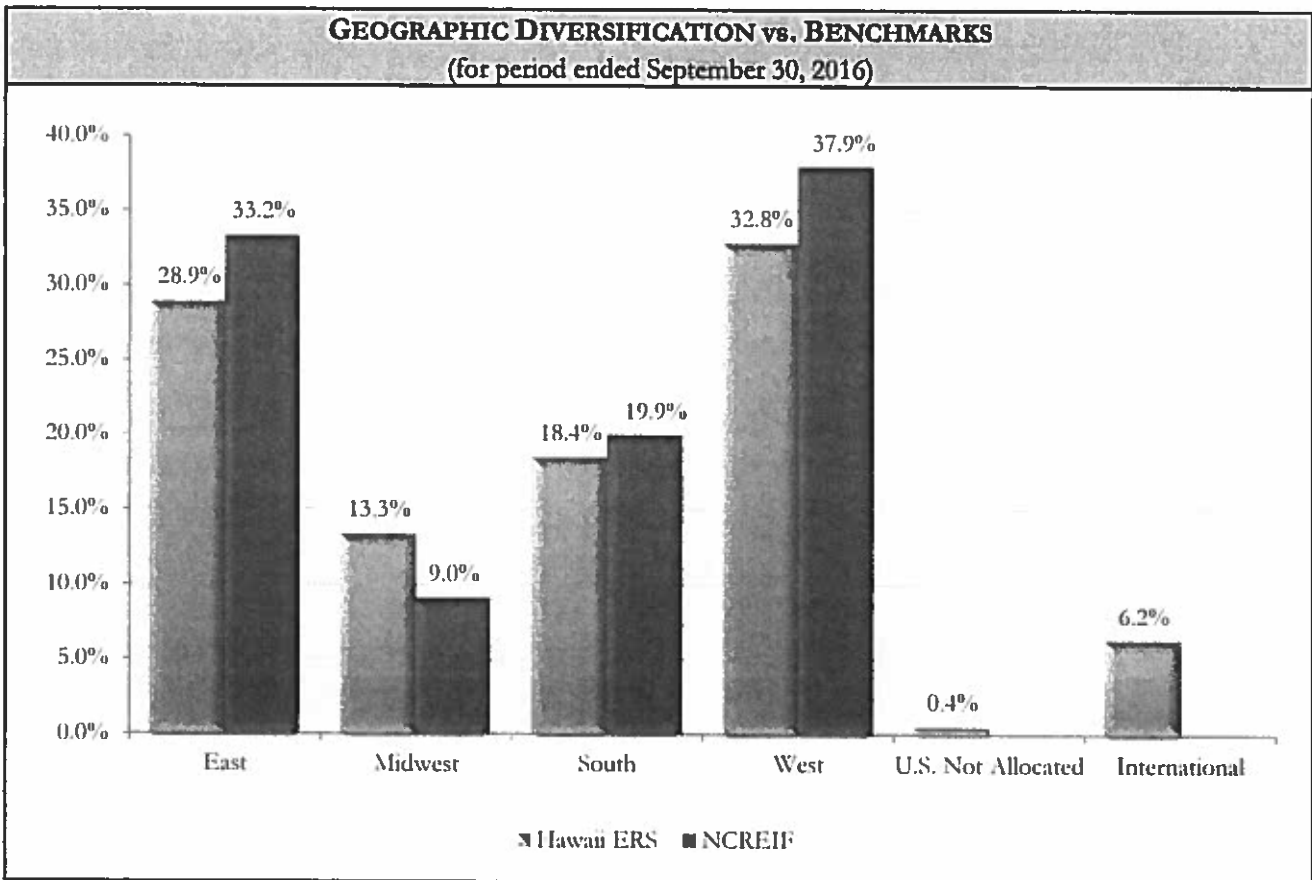
(for period ended September 30, 2016)

Investment	Public Equity	Private Equity	Public Debt	Private Debt
AG Asia III	0.0%	100.0%	0.0%	0.0%
AG CPRF II	0.0%	100.0%	0.0%	0.0%
AG CPRF III	0.0%	99.4%	0.6%	0.0%
AG CPRF IV	0.0%	100.0%	0.0%	0.0%
Almanac VI	32.5%	1.5%	0.0%	66.0%
Almanac VII	0.0%	34.0%	0.0%	66.0%
BlackSand Capital Opportunity I	0.0%	100.0%	0.0%	0.0%
Blackstone VII	0.1%	98.0%	0.0%	1.9%
Cabor Industrial Core	0.0%	100.0%	0.0%	0.0%
CBRE SP VI	0.0%	100.0%	0.0%	0.0%
CBRE SPUS VII	0.0%	100.0%	0.0%	0.0%
Fortress Japan II(Dollar)	0.0%	72.2%	0.0%	27.8%
Fortress Japan III(Dollar)	3.4%	96.6%	0.0%	0.0%
H2 Core Real Estate Debt	0.0%	0.0%	0.0%	100.0%
Heitman SA	0.0%	100.0%	0.0%	0.0%
Heitman Takeover SA	0.0%	100.0%	0.0%	0.0%
Invesco SA	0.0%	100.0%	0.0%	0.0%
Invesco Takeover SA	0.0%	100.0%	0.0%	0.0%
LaSalle I&G V	0.0%	0.0%	0.0%	0.0%
LaSalle I&G VII	0.0%	100.0%	0.0%	0.0%
Lone Star VII	0.0%	0.0%	0.0%	100.0%
Lone Star REF II	0.0%	49.0%	0.0%	51.0%
Mesa West RE Income III	0.0%	0.0%	0.0%	100.0%
Prudential SHP IV	0.0%	100.0%	0.0%	0.0%
Prudential SHP V	0.0%	100.0%	0.0%	0.0%
Torchlight Debt Opportunity V	0.0%	4.6%	76.7%	18.7%
Weighted Total	0.4%	89.8%	0.8%	8.9%

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

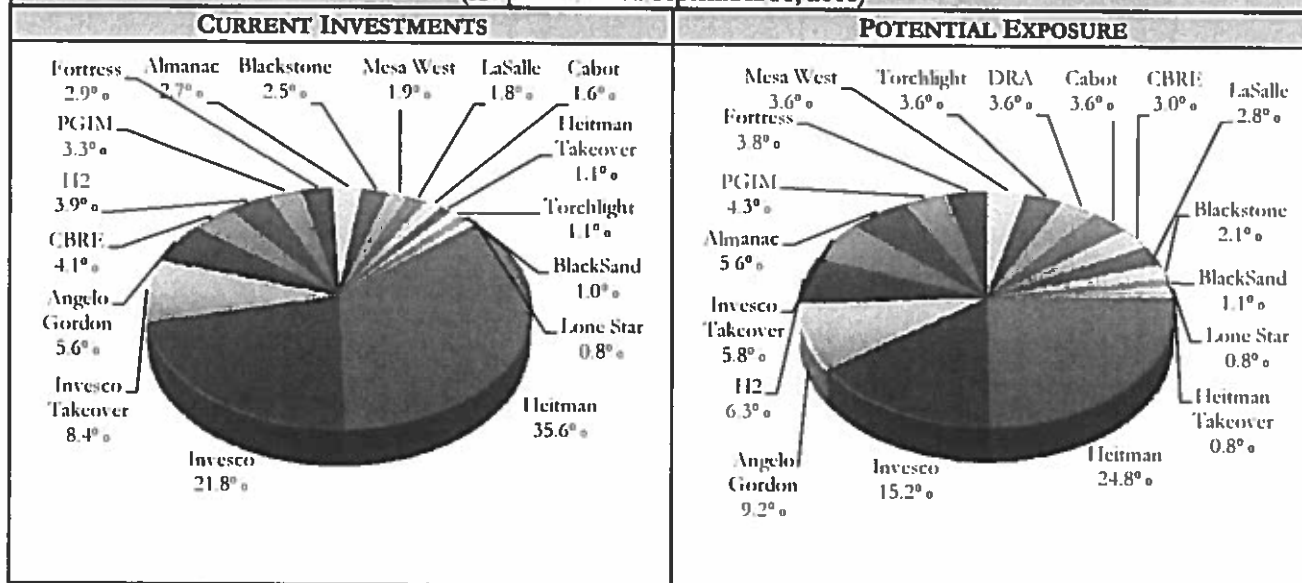


Note: Due to rounding, the sum of the above weights may not equal 100%.



PORTFOLIO PARTNER/MANAGER CONCENTRATION

(for period ended September 30, 2016)



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

Current Investments			Potential Exposure		
Managers	\$	%	Managers	\$	%
Heitman	\$276,871,404	35.6%	Heitman	\$276,871,404	24.8%
Invesco	\$169,244,487	21.8%	Invesco	\$169,244,487	15.2%
Invesco Takeover	\$64,953,438	8.4%	Angelo Gordon	\$102,437,574	9.2%
Angelo Gordon	\$43,529,966	5.6%	H2	\$70,336,393	6.3%
CBRE	\$31,856,966	4.1%	Invesco Takeover	\$64,953,438	5.8%
H2	\$30,336,393	3.9%	Almanac	\$62,990,372	5.6%
PGIM	\$25,596,612	3.3%	PGIM	\$48,092,359	4.3%
Fortress	\$22,429,368	2.9%	Fortress	\$42,744,578	3.8%
Almanac	\$20,599,200	2.7%	Mesa West	\$40,488,364	3.6%
Blackstone	\$19,796,562	2.5%	Torchlight	\$40,404,351	3.6%
Mesa West	\$14,565,046	1.9%	DRA	\$40,000,000	3.6%
LaSalle	\$13,647,666	1.8%	Cabot	\$39,985,364	3.6%
Cabot	\$12,626,364	1.6%	CBRE	\$33,926,457	3.0%
Heitman Takeover	\$8,705,352	1.1%	LaSalle	\$30,743,868	2.8%
Torchlight	\$8,404,351	1.1%	Blackstone	\$23,426,213	2.1%
BlackSand	\$7,643,070	1.0%	BlackSand	\$12,073,687	1.1%
Lone Star	\$6,032,230	0.8%	Lone Star	\$9,281,643	0.8%
DRA	\$0	0.0%	Heitman Takeover	\$8,705,352	0.8%
Total	\$776,838,474	100.0%	Total	\$1,116,705,904	100.0%

MANAGER CONCENTRATION COMMENTS

HIERS Investment Policy Statement states that no manager shall manage more than 35% of the total allocation to real estate. As depicted above, approximately 66.9% of the current Portfolio is allocated to two managers, Heitman (36.8% of the total) and Invesco (30.1% of the total). With recent commitments to a number of new managers, the exposure to Heitman and Invesco is forecast to fall to approximately 46.5% of the total portfolio.

INVESTMENT LEVERAGE REVIEW				
(for period ended September 30, 2016)				
Investments	Risk/Return		Market Value	Leverage
Mesa West RE Income III	Value	\$	14,565,046	70.0%
AG CPRF IV	Value	\$	10,724,834	68.0%
I12 Core Real Estate Debt	Core	\$	30,336,393	65.7%
AG CPRF II	Value	\$	2,039,896	64.1%
Blackstone VII	Opportunistic	\$	19,796,562	63.5%
Lone Star VII	Opportunistic	\$	3,223,498	63.4%
AG Asia III	Opportunistic	\$	15,580,959	62.2%
LaSalle I&G VII	Value	\$	13,108,203	59.4%
Prudential SHP V	Value	\$	6,271,284	57.9%
AG CPRF III	Value	\$	15,184,277	57.3%
CBRE SPUS VII	Value	\$	20,327,253	56.9%
Cabot Industrial Core	Core	\$	12,626,364	55.2%
Torchlight Debt Opportunity V	Opportunistic	\$	8,404,351	54.7%
CBRE SP VI	Value	\$	11,529,713	54.5%
Fortress Japan III(Dollar)	Opportunistic	\$	8,272,767	53.0%
Prudential SHP IV	Value	\$	19,325,328	45.9%
Fortress Japan II(Dollar)	Opportunistic	\$	14,156,601	44.8%
BlackSand Capital Opportunity I	Opportunistic	\$	7,643,070	40.1%
Lone Star REF II	Opportunistic	\$	2,808,732	37.1%
Heitman SA	Core	\$	276,871,404	29.4%
Invesco SA	Core	\$	169,244,487	24.4%
CBRE SP V	Value	\$	-	0.0%
Heitman Takeover SA	Core	\$	8,705,352	0.0%
Invesco Takeover SA	Core	\$	64,953,438	0.0%
LaSalle I&G V	Value	\$	539,463	0.0%
Almanac VI	Value	\$	8,810,211	N/A
Almanac VII	Value	\$	11,788,989	N/A
	* Real Estate Core	\$	562,737,438	30.2%
	* Real Estate Value	\$	134,214,497	56.2%
	* Real Estate Opportunistic	\$	79,886,539	56.4%
	* Total Portfolio	\$	776,838,474	40.1%

* Weighted by market value.

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ASSET MANAGEMENT FEES & CARRIED INTEREST								
(for period ended September 30, 2016)								
Investments	Client Inception	Total Fees		Asset Management Fees				Accrued Carried Interest
		Rolling 1-Year		Quarter Amount	Basis Points	Rolling 1-Year Amount	Basis Points	
		Amount	Points					
Core		\$ 4,863,910	79	\$ 871,506	15	\$ 4,242,258	69	\$ 10,402,218
Cabot Industrial Core	7/16	\$ -	-	\$ -	-	\$ -	-	\$ -
Heitman SA	9/93	\$ 938,728	30	\$ 276,634	10	\$ 1,411,452	45	\$ 1,500,405
Invesco SA	4/98	\$ 3,213,380	158	\$ 492,609	29	\$ 2,372,969	116	\$ 8,136,980
H2 Core Real Estate Debt	9/15	\$ 338,661	112	\$ 55,383	18	\$ 223,406	74	\$ 64,716
Heitman Takeover SA	6/05	\$ 63,669	72	\$ 14,943	17	\$ 63,669	72	\$ -
Invesco Takeover SA	11/06	\$ 309,471	57	\$ 31,936	5	\$ 170,761	32	\$ 700,117
Value		\$ 4,858,142	377	\$ 338,268	25	\$ 2,162,744	168	\$ 6,345,460
AG CPRF II	12/06	\$ 153,733	465	\$ 8,945	44	\$ 55,913	169	\$ 359,982
AG CPRF III	4/12	\$ 1,160,184	686	\$ 43,479	29	\$ 191,116	113	\$ 2,345,217
AG CPRF IV	6/15	\$ 441,443	544	\$ 112,497	105	\$ 441,443	544	\$ -
Almanac VI	11/12	\$ 525,986	614	\$ 16,412	19	\$ 64,201	75	\$ 662,479
Almanac VII	4/15	\$ 578,040	569	\$ 125,683	107	\$ 496,752	489	\$ 81,288
CBRE SP V	6/08	\$ (314)	(195)	\$ -	-	\$ -	-	\$ 113,544
CBRE SP VI	10/12	\$ 719,289	469	\$ 34,201	30	\$ 172,284	112	\$ 1,671,320
CBRE SPUS VII	5/15	\$ 421,733	212	\$ 56,033	28	\$ 210,078	105	\$ 211,655
LaSalle I&G V	8/08	\$ 52,025	97	\$ -	-	\$ 37,568	70	\$ 134,866
LaSalle I&G VII	7/16	\$ (229,820)	(175)	\$ (229,820)	(175)	\$ (229,820)	(175)	\$ -
Mesa West RE Income III	9/13	\$ 237,194	161	\$ 51,097	35	\$ 237,194	161	\$ -
Prudential SHP IV	4/12	\$ 509,076	275	\$ 41,616	22	\$ 171,588	93	\$ 765,109
Prudential SHP V	5/15	\$ 314,427	672	\$ 78,126	125	\$ 314,427	672	\$ -
Opportunistic		\$ 3,912,121	576	\$ 456,643	57	\$ 2,270,565	334	\$ 4,683,633
AG Asia III	6/16	\$ 829,796	525	\$ 131,251	84	\$ 829,796	525	\$ -
BlackSand Capital Opportunity I	9/11	\$ 300,000	493	\$ 75,000	98	\$ 300,000	493	\$ -
Blackstone VII	4/12	\$ 513,374	247	\$ 54,589	28	\$ 224,852	108	\$ 1,288,550
Fortress Japan II(Dollar)	7/12	\$ 1,376,234	920	\$ 24,124	17	\$ 102,993	69	\$ 1,858,465
Fortress Japan III(Dollar)	1/15	\$ 402,962	742	\$ 50,002	60	\$ 191,602	353	\$ 229,773
Lone Star VII	6/11	\$ (222,191)	(545)	\$ -	-	\$ 480	1	\$ 908,309
Lone Star REF II	6/11	\$ 98,612	331	\$ 1,677	6	\$ 7,509	25	\$ 398,536
Torchlight Debt Opportunity V	6/15	\$ 613,333	1,076	\$ 120,000	143	\$ 613,333	1,076	\$ -
Total Portfolio		\$ 13,634,173	168	\$ 1,666,417	21	\$ 8,675,566	107	\$ 21,431,311

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Total Portfolio								
Investment Activity Statement								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q3-93	61,673,668	(14,686)	-	-	357,646	-	-	62,031,314
Q4-93	14,686	(44,058)	-	(797,652)	1,029,414	-	-	62,277,762
Q1-94	44,058	(44,058)	-	(947,151)	659,049	-	-	62,033,718
Q2-94	44,058	(44,058)	-	(643,570)	889,801	-	-	62,324,006
Q3-94	44,058	(44,058)	-	(918,957)	711,933	-	-	62,161,040
Q4-94	44,058	(44,058)	-	(399,288)	814,997	-	-	62,620,806
Q1-95	44,058	(36,715)	-	(233,908)	674,820	-	-	63,105,775
Q2-95	36,715	(36,715)	-	(608,105)	661,166	(19,362,319)	-	43,833,232
Q3-95	36,715	(36,715)	-	(500,129)	1,009,579	-	-	44,379,396
Q4-95	36,715	(36,715)	-	(901,782)	727,193	-	-	44,241,522
Q1-96	36,715	(36,715)	-	(730,346)	741,204	-	-	44,289,095
Q2-96	36,715	(36,715)	-	(552,215)	513,707	-	-	44,287,301
Q3-96	36,715	(36,715)	-	(647,680)	669,911	-	-	44,346,246
Q4-96	36,715	(36,715)	-	(882,903)	823,349	(8,929,678)	-	35,393,729
Q1-97	36,715	(36,715)	-	(549,770)	506,501	-	-	35,387,175
Q2-97	36,715	(36,715)	-	(172,775)	505,262	(4,931,181)	-	30,825,196
Q3-97	36,715	(36,715)	-	(1,334,064)	1,118,167	-	-	30,646,013
Q4-97	37,741	(36,715)	-	(632,188)	757,049	-	-	30,808,616
Q1-98	37,017	(36,715)	-	(756,259)	690,975	-	-	30,780,349
Q2-98	16,120,615	(36,715)	-	(518,324)	994,072	1,593	-	47,378,305
Q3-98	38,087,626	(36,715)	-	(1,641,522)	1,193,001	-	-	85,017,410
Q4-98	16,585,139	(36,715)	-	(2,025,851)	2,337,335	-	-	101,914,033
Q1-99	31,232,602	(94,269)	-	(2,158,899)	2,257,505	-	-	133,245,241
Q2-99	280,327	394,861	-	(1,681,995)	2,742,362	-	-	134,585,936
Q3-99	428,666	(177,877)	-	(1,132,387)	2,488,613	(54,624)	-	136,316,204
Q4-99	36,715	(36,715)	(12,122,205)	(2,193,900)	2,588,470	-	-	124,625,284
Q1-00	190,579	(190,579)	-	(1,856,623)	2,380,393	402,802	-	125,742,436
Q2-00	46,728,584	(487,517)	-	(1,965,040)	2,897,705	7,280,263	-	180,683,947
Q3-00	17,335,570	(277,929)	-	(1,451,728)	3,361,117	(127,924)	-	199,800,982
Q4-00	9,653,542	(97,732)	-	(13,549,495)	3,231,127	-	-	199,136,156
Q1-01	272,955	(282,123)	-	(3,342,299)	3,549,894	-	-	199,616,705
Q2-01	68,259,966	(670,893)	(22,424,112)	(3,775,902)	4,048,075	(1,818,728)	-	243,906,005
Q3-01	43,577,922	(436,874)	-	(2,030,972)	4,840,096	-	-	290,293,051
Q4-01	678,408	(662,730)	(21,819,388)	(5,050,517)	5,183,766	-	-	269,285,320
Q1-02	37,416,416	(501,285)	-	(4,327,322)	5,784,471	-	-	308,158,884
Q2-02	552,847	(641,515)	(49,950)	(6,761,708)	5,386,449	(12,619,122)	-	294,667,401
Q3-02	524,723	(534,597)	-	(4,454,017)	5,549,196	-	-	296,287,303
Q4-02	538,170	(525,508)	(17,805,697)	(5,959,369)	5,971,140	-	-	279,031,548
Q1-03	107,738,212	(574,127)	-	(6,036,188)	7,393,820	(5,982,675)	-	382,144,717
Q2-03	740,895	(1,054,544)	-	(6,447,211)	7,684,758	4,719,579	-	388,842,738
Q3-03	44,338,389	(791,526)	(147,562)	(5,162,847)	6,999,753	-	-	434,870,472
Q4-03	893,258	(781,715)	-	(7,411,881)	7,938,750	-	-	436,290,600
Q1-04	287,687	(294,835)	-	(6,900,262)	7,913,967	-	-	437,591,992
Q2-04	1,440,575	(3,308,615)	(33,149,709)	(8,725,038)	7,534,272	28,309,415	284,877	433,286,384
Q3-04	739,841	(717,385)	(14,261,059)	(6,290,657)	7,684,999	5,520,689	(351,807)	426,328,390
Q4-04	15,331,752	(754,765)	(27,185,562)	(8,010,002)	7,122,204	3,113,745	(3,087,185)	413,613,342
Q1-05	723,696	(777,475)	-	(6,243,181)	7,425,224	-	-	415,519,082
Q2-05	59,992,351	(17,512,847)	-	(6,031,219)	6,771,051	87,086,026	(183,448)	563,153,842
Q3-05	109,300,736	(703,514)	(107,089,026)	(18,416,799)	8,330,771	(36,445,259)	36,080,960	554,915,224
Q4-05	37,666,621	(739,576)	(18,008,368)	(8,226,944)	7,587,530	(22,784)	133,598	574,044,878
Q1-06	69,295,555	(6,727,349)	-	(9,506,755)	9,838,001	30,315,072	-	673,986,750
Q2-06	17,659,981	(5,319,467)	-	(8,340,366)	8,780,429	51,590,283	(45,165)	743,631,912

Total Portfolio								
Investment Activity Statement								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q3-06	8,862,813	(686,866)	-	(6,977,305)	8,788,841	950,383	(901)	755,255,743
Q4-06	118,623,645	(868,528)	(93,521,266)	(18,228,475)	9,398,113	(15,739,361)	23,385,306	779,173,704
Q1-07	7,276,830	(2,823,612)	-	(8,890,476)	10,071,377	32,997,132	-	820,628,568
Q2-07	24,488,813	(4,497,264)	(27,566,657)	(15,133,982)	9,703,890	22,868,145	5,271,561	840,260,338
Q3-07	36,234,644	(634,598)	-	(7,109,591)	9,293,487	(808,328)	-	877,870,550
Q4-07	64,130,034	(1,001,907)	(51,500,000)	(10,304,747)	9,280,558	(10,737,831)	14,242,576	892,981,141
Q1-08	8,686,867	(2,220,939)	(10,285,357)	(9,792,465)	10,109,795	(9,402,978)	(237,573)	882,059,431
Q2-08	4,581,862	3,117,351	(726,250)	(8,303,885)	10,588,303	(18,344,858)	(823,752)	869,030,850
Q3-08	10,546,110	(1,768,711)	-	(11,399,028)	9,983,114	(34,221,926)	19,871	843,958,991
Q4-08	88,294,213	8,101,835	-	(7,377,254)	9,171,986	(129,134,727)	25,922	804,939,131
Q1-09	14,485,745	1,835,328	-	(8,794,172)	12,096,926	(94,218,844)	62,287	728,571,073
Q2-09	1,173,902	703,021	-	(10,157,990)	10,938,726	(43,277,642)	(3,825)	687,244,245
Q3-09	10,241,813	(1,839,463)	-	(9,087,317)	10,646,551	(17,421,190)	-	681,624,102
Q4-09	16,165,424	(1,801,186)	-	(8,965,112)	9,963,774	(18,188,886)	3,825	680,603,128
Q1-10	12,058,333	(1,178,978)	(1,425,000)	(7,918,432)	10,000,742	(13,967,031)	622,396	679,974,136
Q2-10	10,230,886	(1,159,405)	-	(7,439,099)	9,621,723	11,539,425	147,850	704,074,921
Q3-10	26,735,855	(2,992,026)	-	(7,147,903)	9,728,450	26,382,659	326,028	760,100,011
Q4-10	39,902,391	(3,837,613)	(4,956,829)	(35,894,022)	10,281,979	12,862,575	5,860,169	788,156,273
Q1-11	5,238,682	(1,882,653)	-	(10,739,473)	11,146,350	13,596,577	34,224	807,432,634
Q2-11	31,903,156	(5,134,319)	(10,300,000)	(25,451,309)	10,788,741	48,725,617	617,476	863,716,315
Q3-11	11,736,453	(2,010,214)	(4,642,939)	(9,832,369)	10,403,250	2,880,014	7,117,316	881,378,040
Q4-11	16,187,790	(3,171,994)	(16,278,882)	(11,270,894)	11,118,271	19,120,966	2,962,225	903,217,516
Q1-12	5,560,785	(2,633,686)	(5,632,872)	(10,272,489)	13,293,644	24,282,095	867,519	931,316,196
Q2-12	21,711,097	(4,795,500)	(34,319,412)	(13,887,784)	11,345,816	27,716,320	(2,400,735)	941,481,498
Q3-12	36,472,844	(2,918,659)	(7,875,900)	(6,695,410)	10,319,826	3,121,615	2,984,601	979,809,073
Q4-12	29,998,131	(6,251,087)	(55,408,897)	(11,370,062)	11,878,763	24,796,767	3,520,837	983,224,611
Q1-13	4,088,308	(2,956,709)	(120,002,799)	(11,291,543)	13,057,961	21,971,444	2,977,573	894,025,555
Q2-13	23,464,162	(6,785,478)	(40,213,293)	(26,156,472)	12,342,457	16,674,522	8,762,049	888,898,981
Q3-13	11,796,278	(2,775,693)	(9,527,295)	(14,635,043)	14,970,685	1,998,791	4,661,012	898,163,409
Q4-13	20,951,850	(4,898,468)	(14,543,615)	(20,877,148)	10,042,339	(3,775,695)	694,387	890,655,528
Q1-14	10,993,819	(2,872,466)	(6,698,408)	(10,362,450)	12,666,604	7,622,791	2,511,292	907,389,176
Q2-14	4,811,627	(4,567,831)	(8,333,749)	(15,520,982)	12,867,499	19,599,072	4,535,234	925,347,876
Q3-14	19,463,057	(3,854,600)	(44,713,044)	(16,728,593)	12,202,989	6,149,122	5,241,325	906,962,731
Q4-14	6,567,343	(4,660,264)	(50,547,346)	(34,046,298)	11,829,084	8,202,530	15,204,332	864,172,376
Q1-15	8,695,814	(2,028,281)	(66,473,580)	(18,222,269)	11,612,510	24,303,163	4,799,589	828,887,604
Q2-15	71,804,425	(5,953,027)	(42,591,981)	(14,533,609)	9,952,422	30,776,095	2,715,549	887,010,506
Q3-15	55,207,506	(4,798,038)	(70,709,927)	(62,301,048)	9,115,172	(14,588,656)	45,898,992	849,632,544
Q4-15	16,341,849	(4,613,467)	(26,454,546)	(13,192,468)	11,309,098	17,494,984	3,249,826	858,381,286
Q1-16	11,035,762	(3,701,300)	(7,056,977)	(14,607,594)	10,364,833	(19,468,377)	29,416,891	868,065,825
Q2-16	42,875,077	(2,937,009)	(19,299,446)	(54,362,950)	12,130,801	(19,233,573)	27,427,296	737,603,031
Q3-16	39,290,776	(2,382,397)	(5,598,817)	(8,054,524)	9,897,096	2,675,634	1,025,278	776,838,474
Total	1,865,918,238	(148,240,134)	(1,251,267,725)	(823,169,997)	633,976,592	94,823,709	256,557,657	

Note: Lowe Separate Account was removed out of the HIERS Total Real Estate Composite as of Q3-16 and will be reported separately going forward.

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HAWAII EMPLOYEES' RETIREMENT SYSTEM

LOWE SEPARATE ACCOUNT



Performance Data excluded from Total Real Estate Composite

Low Separate Account			
Partner/Manager: Lowe Enterprises			
Fund-Level Information		Client-Level Information	
Legal Structure:	Limited Liability Company	Risk/Return:	Core
Inception Date:	9/2003	Equity Value:	\$26,383,484
Investment Ends:	N/A	% Ownership of Fund:	100.0%
No. of Investments:	1	% of Portfolio:	N/A
Target Return:	N/A	Client Investment Date:	1/2015
NAV + Debr:	\$26,788,917	Investment Commitment:	N/A
Net Asset Value:	\$26,788,917	Remaining Commitment:	\$0
Leverage Ratio:	0.0%	Contributions:	\$26,456,578
Investment Strategy:	N/A	Distributions/Ret. Of Cap:	\$1,350,000
		Net Internal Rate of Return:	3.3%
		Equity Multiple:	1.05

Low SA Summary of Performance (for period ended September 30, 2016)						
	Hawaii ERS					NCREIF General Total
	Net Total Real *	Net Total (After Fees)	Gross Income	Gross Appreciation	Gross Total	
Quarter	-0.9%	-0.7%	-0.7%	0.0%	-0.7%	1.8%
Year-to-Date	-0.6%	1.5%	1.8%	0.0%	1.8%	6.1%
One-Year	0.4%	1.9%	2.3%	0.0%	2.3%	9.2%
Two-Year	N/A	N/A	N/A	N/A	N/A	N/A
Three-Year	N/A	N/A	N/A	N/A	N/A	N/A
Five-Year	N/A	N/A	N/A	N/A	N/A	N/A
Since Inception	1.2%	2.8%	3.2%	0.0%	3.2%	11.1%

* Hawaii's real returns are inflation-adjusted by CPI.

Investment Structure Diversification
Private Equity 100.0%

Property Type Diversification	Geographic Diversification
 <p>Leisure 100.0%</p>	 <p>Hawaii 100.0%</p>

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

Low Separate Account Investment Activity Statement*								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q1-15	26,062,966	(50,973)	-	-	752,682	-	-	26,815,648
Q2-15	182,506	(15,375)	-	(600,000)	157,061	-	-	26,555,215
Q3-15	46,967	(19,214)	-	(200,000)	(133,412)	-	-	26,268,770
Q4-15	-	(19,297)	-	-	116,141	-	-	26,384,911
Q1-16	-	(43,048)	-	(150,000)	675,745	-	-	26,910,656
Q2-16	101,022	(19,402)	-	-	(92,488)	-	-	26,919,191
Q3-16	63,116	(19,443)	-	(400,000)	(198,823)	-	-	26,383,484
Total	26,456,578	(186,752)	-	(1,350,000)	1,276,906	-	-	

* This investment was previously managed by Heitman and then subsequently transferred to Lowe in Q1-2015. Any performance prior to Q1-2015 is allocated to Heitman and only performance from Q1-2015 to date is attributable to the management of Lowe.

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HAWAII EMPLOYEES' RETIREMENT SYSTEM

TIMBER

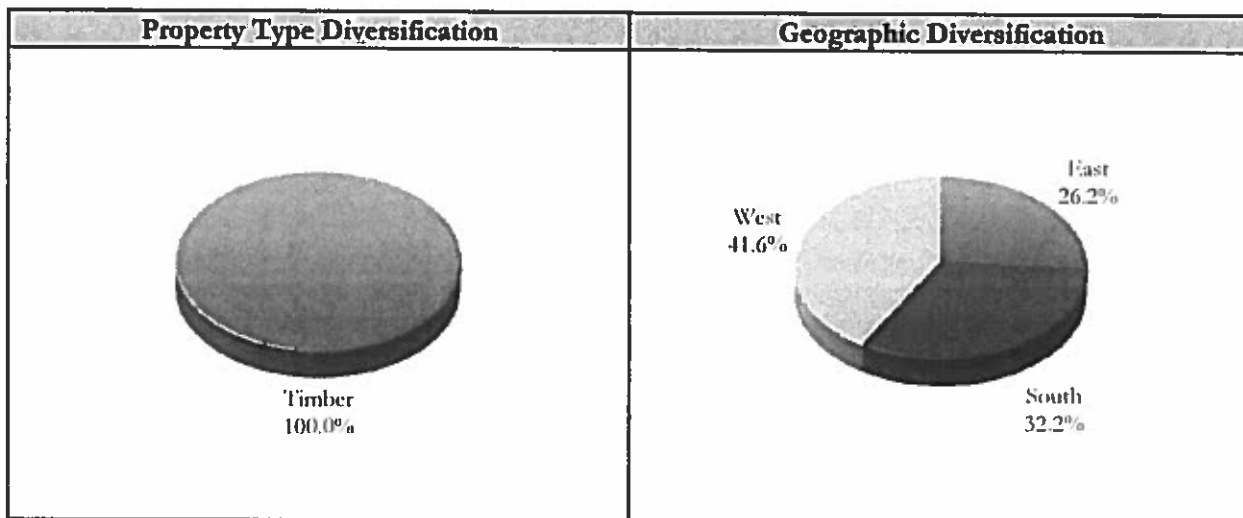
Performance Data excluded from Total Real Estate Composite

Hancock Timberland			
Partner/Manager:		Hancock Natural Resource Group	
Fund-Level Information		Client-Level Information	
Legal Structure:	Separate Account	Risk/Return:	Core
Inception Date:	9/1999	Equity Value:	\$205,208,576
Investment Ends:	N/A	% Ownership of Fund:	100.0%
No. of Investments:	7	% of Portfolio:	N/A
Target Return:	N/A	Client Investment Date:	9/1999
NAV + Debt:	\$205,208,576	Investment Commitment:	\$100,000,000
Net Asset Value:	\$205,208,576	Remaining Commitment:	\$0
Leverage Ratio:	0.0%	Contributions:	\$130,000,000
Debt Maturity:	Private inflation linked	Distributions/Ret. Of Cap:	\$95,915,000
		Net Internal Rate of Return:	9.2%
		Equity Multiple:	2.32

Hancock Timberland						
Summary of Performance						
(for period ended September 30, 2016)						
	Hawaii ERS					NCREIF
	Net Total	Net Total	Gross	Gross	Gross	General
	Real *	(After Fees)	Income	Appreciation	Total	Total
Quarter	0.0%	0.2%	0.4%	0.0%	0.4%	1.8%
Year-to-Date	-1.7%	0.4%	1.0%	0.0%	1.0%	6.1%
One-Year	1.4%	2.9%	0.8%	2.9%	3.7%	9.2%
Two-Year	6.2%	7.0%	1.1%	6.7%	7.9%	11.3%
Three-Year	9.1%	10.2%	1.2%	9.8%	11.1%	11.3%
Five Year	6.4%	7.6%	1.2%	7.3%	8.5%	11.2%
Since Inception	7.7%	9.9%	0.8%	9.9%	10.8%	9.2%

* Hawaii's real returns are inflation-adjusted by CPI.

Investment Structure Diversification
Private Equity
100.0%



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

Hancock Timberland Investment Activity Statement								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q3-09	20,500,000	-	-	-	109,898	-	-	20,609,898
Q4-09	-	(44,624)	(475,000)	-	(72,676)	9,189,875	-	29,252,096
Q1-00	25,000,000	(74,842)	(475,000)	-	31,872	-	-	53,808,968
Q2-00	-	(99,389)	(250,000)	-	(82,214)	-	-	53,476,754
Q3-00	-	(103,160)	(360,000)	-	18,458	-	-	53,135,212
Q4-00	-	(121,111)	(1,050,000)	-	58,091	8,989,490	-	61,132,793
Q1-01	-	(129,743)	(750,000)	-	(21,653)	-	-	60,361,140
Q2-01	-	(134,744)	-	-	13,983	(55,863)	55,863	60,375,123
Q3-01	-	(131,927)	(3,080,000)	-	302,629	(1,067,637)	1,067,637	57,597,751
Q4-01	-	(126,588)	-	-	(298,066)	(2,271,336)	19,739	55,048,088
Q1-02	10,450,000	(143,146)	-	-	(284,546)	1,455,767	5,420	66,674,729
Q2-02	-	(146,148)	-	-	(26,761)	(383,557)	383,558	66,647,968
Q3-02	-	(143,968)	(1,900,000)	-	184,026	(681,660)	681,660	64,931,294
Q4-02	26,400,000	(151,441)	-	-	(198,785)	(1,958,408)	363,400	89,538,200
Q1-03	-	(197,414)	(1,200,000)	-	(210,588)	(296,431)	296,431	88,127,611
Q2-03	-	(194,919)	(1,300,000)	-	(173,869)	1,936,491	863,308	89,453,542
Q3-03	-	(191,038)	(1,800,000)	-	94,794	(88,148)	86,521	87,746,709
Q4-03	-	(199,852)	(1,700,000)	-	(289,892)	11,832,914	490,450	98,080,181
Q1-04	-	(216,881)	(2,000,000)	-	(10,806)	(560,256)	560,256	96,069,375
Q2-04	-	(209,553)	(4,500,000)	-	(272,348)	(2,244,077)	2,244,077	91,297,027
Q3-04	-	(202,876)	-	-	(199,971)	(191,049)	191,049	91,097,055
Q4-04	-	(217,237)	(1,200,000)	-	(580,700)	14,198,464	259,602	103,774,421
Q1-05	-	(229,243)	(3,000,000)	-	99,002	(1,493,818)	1,493,818	100,873,423
Q2-05	-	(223,934)	(2,500,000)	-	42,629	(261,864)	261,865	98,416,053
Q3-05	-	(219,138)	(2,500,000)	-	160,165	(664,663)	664,663	96,076,218
Q4-05	28,325,000	(272,197)	(5,000,000)	-	(390,982)	16,811,028	3,416,173	139,237,437
Q1-06	-	(304,061)	(3,000,000)	-	(144,647)	(2,005,815)	2,005,815	136,092,790
Q2-06	-	(295,997)	(4,500,000)	-	223,629	914,070	1,977,430	134,707,919
Q3-06	-	(285,600)	(3,500,000)	-	1,272,123	(3,729,966)	3,727,731	132,477,808
Q4-06	-	(289,641)	(15,300,000)	-	(544,021)	12,963,863	6,753,726	136,351,376
Q1-07	-	(298,795)	(1,400,000)	-	(171,182)	(186,524)	188,596	134,782,267
Q2-07	-	(296,995)	(1,800,000)	-	309,041	(8,506)	1,197	133,283,999
Q3-07	-	(295,598)	-	-	(55,575)	-	(2,388)	133,226,036
Q4-07	-	(308,682)	(1,400,000)	-	(375,291)	14,104,277	768,613	146,323,635
Q1-08	-	(321,571)	(300,000)	-	(163,052)	(177,611)	177,611	145,860,583
Q2-08	-	(319,261)	(900,000)	-	(39,603)	(503,789)	503,789	144,920,980
Q3-08	-	(317,026)	-	-	(537,662)	-	(2,494)	144,380,824
Q4-08	-	(333,012)	-	-	(715,713)	15,876,136	-	159,541,247
Q1-09	-	(348,606)	-	-	(416,941)	-	-	159,124,306
Q2-09	-	(348,072)	-	-	(557,652)	(37,461)	37,461	158,566,654
Q3-09	-	(347,383)	-	-	(336,734)	-	1,300	158,231,220
Q4-09	10,000,000	(340,217)	-	-	(262,195)	(9,840,330)	45,192	158,173,887
Q1-10	-	(341,172)	(3,975,000)	-	319,142	(2,669,109)	2,669,109	154,518,029
Q2-10	-	(335,448)	(1,400,000)	-	427,180	(344,899)	519,984	153,720,294
Q3-10	-	(333,993)	(750,000)	-	321,065	618,032	457	153,009,848
Q4-10	-	(333,506)	-	-	(965,479)	(224,089)	-	152,720,279
Q1-11	-	(329,518)	(3,000,000)	-	527,005	(1,041,376)	1,041,376	150,247,284
Q2-11	-	(323,909)	(1,250,000)	-	123,368	(842,678)	696,770	148,974,744
Q3-11	-	(320,738)	(1,000,000)	-	(60,076)	(55,785)	25,310	147,884,193
Q4-11	-	(324,538)	(2,500,000)	-	34,773	5,606,180	1,064,944	152,090,090
Q1-12	-	(328,894)	(500,000)	-	840	-	-	151,590,930
Q2-12	9,325,000	(327,929)	(500,000)	-	26,648	-	-	160,442,578

Hancock Timberland Investment Activity Statement								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q3-12	-	(343,282)	(900,000)	-	(283,810)	-	-	159,258,769
Q4-12	-	(349,253)	(500,000)	-	(146,478)	4,516,612	-	163,128,903
Q1-13	-	(351,794)	-	-	391,885	(210,000)	-	163,310,788
Q2-13	-	(349,177)	(1,200,000)	-	1,006,802	(109,968)	109,968	163,117,590
Q3-13	-	(347,402)	(1,400,000)	-	(192,083)	-	(7,450)	161,518,057
Q4-13	-	(372,635)	(1,000,000)	-	(555,423)	26,155,026	(674)	186,116,986
Q1-14	-	(396,545)	(900,000)	-	1,110,105	(669,003)	669,003	186,327,091
Q2-14	-	(394,682)	(2,000,000)	-	217,085	(12,957)	12,957	184,544,176
Q3-14	-	(393,884)	(700,000)	-	249,212	(245,725)	245,725	184,093,388
Q4-14	-	(411,819)	-	-	228,376	19,642,720	-	203,964,484
Q1-15	-	(429,903)	(1,800,000)	-	361,980	-	-	202,526,464
Q2-15	-	(429,137)	(500,000)	-	(54,427)	-	-	201,972,037
Q3-15	-	(428,207)	-	-	406,514	-	(420)	202,378,131
Q4-15	-	(433,210)	-	-	(785,893)	5,849,602	-	207,441,840
Q1-16	-	(438,096)	-	-	715,497	(1,887)	1,887	208,157,337
Q2-16	-	(437,230)	(1,500,000)	-	(289,233)	-	174	206,368,278
Q3-16	-	(436,228)	(1,500,000)	-	340,298	-	-	205,208,576
Total	130,000,000	(19,217,749)	(95,915,000)	-	(1,038,916)	135,524,303	36,638,188	

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HAWAII EMPLOYEES' RETIREMENT SYSTEM

INFRASTRUCTURE

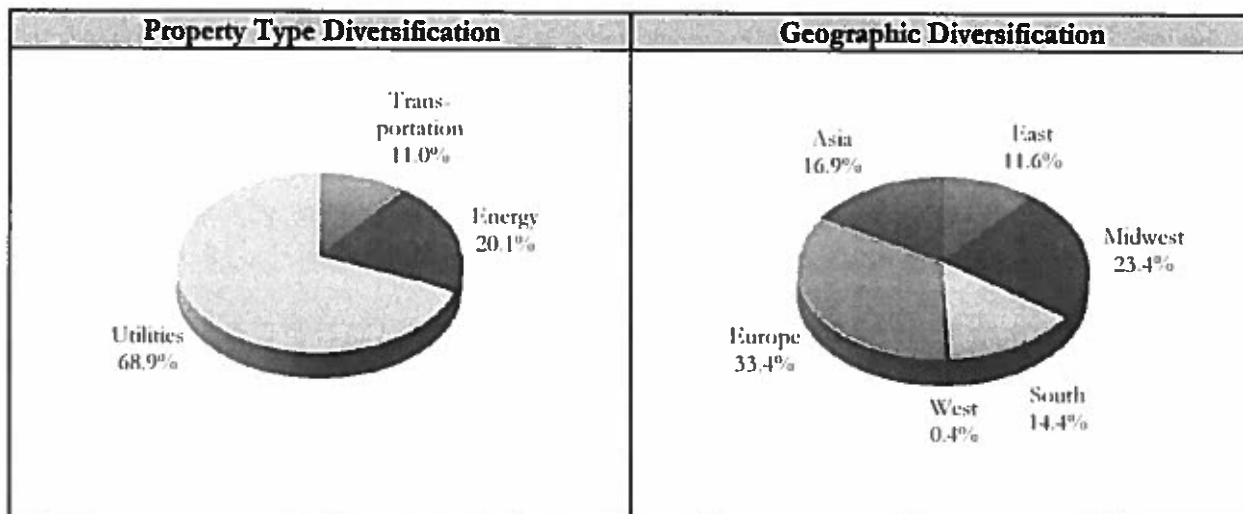
Performance Data excluded from Total Real Estate Composite

ISQ Global Infrastructure Fund			
Partner/Manager:		ISquared Capital	
Fund-Level Information		Client-Level Information	
Legal Structure:	Cayman Islands Exempted LP	Risk/Return:	Value
Inception Date:	11/2014	Equity Value:	\$7,053,097
Investment Ends:	4/2020	% Ownership of Fund:	0.7%
No. of Investments:	11	% of Portfolio:	N/A
Target Return:	15% Gross	Client Investment Date:	6/2015
NAV + Debt:	\$1,499,429,502	Investment Commitment:	\$20,000,000
Net Asset Value:	\$1,036,843,327	Remaining Commitment:	\$13,336,882
Leverage Ratio:	30.9%	Contributions:	\$8,598,255
Investment Strategy:	Focus on North America, Europe, and selected growth economies in Asia and Latin America.	Distributions/Ret. Of Cap:	\$1,916,477
		Net Internal Rate of Return:	9.1%
		Equity Multiple:	1.04

ISQ Global Infrastructure Summary of Performance						
(for period ended September 30, 2016)						
	Hawaii ERS					NCREIF
	Net Total	Net Total	Gross	Gross	Gross	NCREIF
	Real *	(After Fees)	Income	Appreciation	Total	General
						Total
Quarter	6.2%	6.3%	0.0%	7.7%	7.7%	1.8%
Year-to-Date	11.6%	13.7%	-0.6%	19.1%	18.4%	6.1%
One-Year	50.6%	52.0%	-1.6%	60.6%	58.5%	9.2%
Two-Year	N/A	N/A	N/A	N/A	N/A	N/A
Three-Year	N/A	N/A	N/A	N/A	N/A	N/A
Five-Year	N/A	N/A	N/A	N/A	N/A	N/A
Since Inception	-85.5%	-84.0%	-33.7%	55.6%	10.3%	10.5%

* Hawaii's real returns are inflation-adjusted by CPI.

Investment Structure Diversification
Private Equity
100.0%



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

ISQ Global Infrastructure Fund Investment Activity Statement								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q2-15	846,114	(572,681)	-	-	(938,015)	124,533	6,527	39,159
Q3-15	1,923,188	(81,046)	(502,659)	-	(109,617)	13,290	24,342	1,387,703
Q4-15	1,465,941	(1,061)	(880,485)	-	(14,797)	495,083	-	2,453,445
Q1-16	1,000,000	(54,332)	-	-	(66,562)	144,973	-	3,531,856
Q2-16	3,363,012	(78,096)	(533,333)	-	(92,325)	357,389	5,381	6,631,980
Q3-16	-	(89,027)	-	-	(51,943)	473,060	-	7,053,097
Total	8,598,255	(876,243)	(1,916,477)	-	(1,273,259)	1,608,328	36,250	

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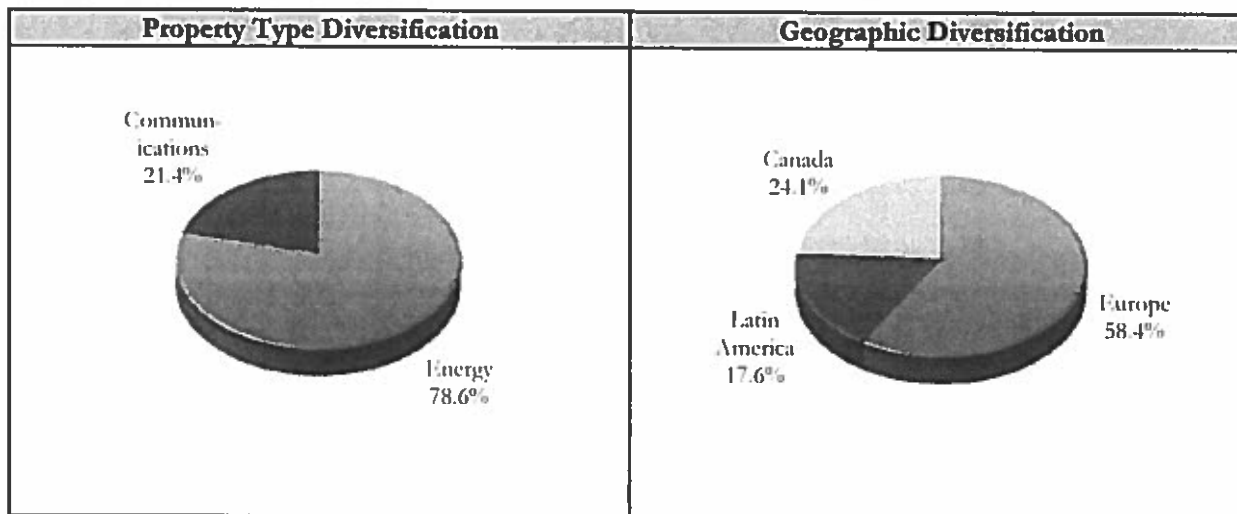
KKR Global Infrastructure Investors II			
Partner/Manager:		Kohlberg Kravis Roberts	
Fund-Level Information		Client-Level Information	
Legal Structure:	Exempted Limited Partnership	Risk/Return:	Core
Inception Date:	11/2014	Equity Value:	\$10,317,260
Investment Ends:	12/2020	% Ownership of Fund:	1.8%
No. of Investments:	5	% of Portfolio:	N/A
Target Return:	Gross low teens	Client Investment Date:	12/2014
NAV + Debr:	\$581,355,605	Investment Commitment:	\$41,650,000
Net Asset Value:	\$581,355,605	Remaining Commitment:	\$31,716,547
Leverage Ratio:	0.0%	Contributions:	\$10,945,356
Investment Strategy:	Risk-based approach to infrastructure investing	Distributions/Ret. Of Cap:	\$696,810
		Net Internal Rate of Return:	0.9%
		Equity Multiple:	1.01

KKR Global Infrastructure II						
Summary of Performance						
<i>(for period ended September 30, 2016)</i>						
	Hawaii ERS					NCREIF
	Net Total Real *	Net Total (After Fees)	Gross Income	Gross Appreciation	Gross Total	General Total
Quarter	-0.5%	-0.3%	-0.4%	1.1%	0.7%	1.8%
Year-to-Date	-1.2%	0.9%	-1.4%	4.3%	2.9%	6.1%
One-Year	-3.3%	-1.9%	3.3%	-2.1%	1.4%	9.2%
Two-Year	1.8%	2.5%	0.3%	11.8%	12.7%	11.3%
Three-Year	N/A	N/A	N/A	N/A	N/A	N/A
Five-Year	N/A	N/A	N/A	N/A	N/A	N/A
Since Inception	1.8%	2.5%	0.3%	11.8%	12.7%	11.3%

* Hawaii's real returns are inflation-adjusted by CPI.

Investment Structure Diversification

Private Equity
100.0%



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

KKR Global Infrastructure Investors II								
Investment Activity Statement								
Qtr.	Gross Contributions	Fees	Return of Capital	Distributions	Net Income	Unrealized Appreciation	Realized Gain	Ending Market Value
Q4-14	1,129,390	-	-	-	-	(75,111)	-	1,054,279
Q1-15	-	(5,082)	-	-	19,764	50,265	-	1,124,308
Q2-15	-	(73,193)	-	-	(178,745)	187,786	-	1,133,349
Q3-15	2,014,821	(133,108)	(456,660)	(24,922)	(60,890)	147,248	-	2,753,846
Q4-15	2,474,126	(48,313)	(56,312)	(63,772)	119,167	(220,181)	-	5,006,874
Q1-16	4,175,489	(91,248)	-	-	(125,582)	130,899	-	9,187,680
Q2-16	-	48,372	-	-	13,141	90,118	-	9,290,939
Q3-16	1,151,530	(91,211)	(96,044)	-	(131,892)	102,727	-	10,317,260
Total	10,945,356	(393,783)	(609,016)	(87,794)	(345,037)	413,751	-	

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FEE SUMMARY

FUND	MANAGEMENT AND OTHER FEES AND GP CARRIED INTEREST
CORE FUNDS	
Cabot Industrial Core	<p><i>Management Fee:</i> 1.00% of the total capital contributions, excluding capital contributions invested in real estate investments that have been disposed of or completely written-off.</p> <p><i>GP Carry:</i> Fund-level, after a full return of LP capital plus the 8% preferred return on that capital, a split of 85% to the LPs and 15% to the GP</p>
Heitman SA	<p><i>Management Fee:</i> 6.75% of NOI if NAV is less than \$700 million or, 6.50% of NOI if NAV is \$700 million or more</p> <p><i>GP Carry:</i> 15% of the amount by which the cash flow received, exceeds the amount which would result in achieving an unleveraged 5% Real IRR return for that asset, provided that the portfolio has achieved an unleveraged 5% Real IRR return over a rolling five year period (or the actual hold period if held for less than five years) ending at the end of the quarter in which the asset is sold</p> <p><i>Acquisition Fee:</i> 0.5% on gross acquisition costs</p>
H2 Core Real Estate Debt	<p><i>Management Fee:</i> 0.75% of the capital account of each investor on an annual basis, payable quarterly in advance.</p> <p><i>GP Carry:</i> 10% of the amount by which annual returns (after fees and expenses) exceed the Hurdle, payable annually. <i>Hurdle:</i> Interest Rate Benchmark + 2.50% (250 basis points) per annum. <i>Interest Rate Benchmark:</i> For fixed-rate investments, the yield on U.S. Treasuries corresponding to the weighted average maturity of the Fund's fixed-rate investment portfolio. For floating-rate investments, LIBOR.</p>
Invesco SA	<p><i>Management Fee:</i> 6.75% of NOI if NAV is less than \$700 million or, 6.50% of NOI if NAV is \$700 million or more</p> <p><i>GP Carry:</i> 15% of the amount by which the cash flow received, exceeds the amount which would result in achieving an unleveraged 5% Real IRR return for that asset, provided that the portfolio has achieved an unleveraged 5% Real IRR return over a rolling five year period (or the actual hold period if held for less than five years) ending at the end of the quarter in which the asset is sold</p> <p><i>Acquisition Fee:</i> 0.5% on gross acquisition costs</p>
VALUE FUNDS	
Almanac VI	<p><i>Management Fee:</i> After the final closing, 1.00% on committed, then invested equity</p> <p><i>GP Carry:</i> Deal-by-deal, after a return of LP capital plus the 9% preferred return on that capital, 52.5% to the LPs and 47.5% to the GP until the GP has received aggregate distributions equal to 19.0% of all fund distributions to date and thereafter, 81% to the LPs and 19% to the GP</p>
Almanac VII	<p><i>Management Fee:</i> 1.25% on committed and invested</p> <p><i>GP Carry:</i> 9% preferred return hurdle, then 50/50 catch-up to the GP, 80/20 thereafter</p>
Angelo Gordon CP II	<p><i>Management Fee:</i> 0.50% on committed, then 0.50% on gross asset costs</p> <p><i>GP Carry:</i> Fund-level, after a full return of LP capital plus the 8% preferred return on that capital, 50% to the GP until the GP has received 15% of cumulative distributions, then 85% to the LPs and 15% to the GP</p>

FEE SUMMARY (CONTINUED)

Angelo Gordon CP III	<p><i>Management Fee:</i> 0.75% on committed, then 1.25% on invested equity</p> <p><i>GP Carry:</i> Fund-level, after a full return of LP capital plus the 8% preferred return on that capital, 50% to the GP until the GP has received 15% of cumulative distributions, then 85% to the LPs and 15% to the GP</p>
Angelo Gordon CP IV	<p><i>Management Fee:</i> 1.0% on committed, 1.5% on invested</p> <p><i>GP Carry:</i> 8% preferred return hurdle, then 50/50 catch-up to the GP, 80/20 thereafter</p>
CBRE SP VI	<p><i>Management Fee:</i> 1.25% on committed, then invested equity</p> <p><i>GP Carry:</i> Fund-level, after a full return of LP capital plus the 9% preferred return on that capital, 80% to the LPs and 20% to the GP until the LPs have received a 13% return, then 50% to the GP until the GP has received 20% of cumulative distributions, then 80% to the LPs and 20% to the GP</p> <p><i>Acquisition Fee:</i> 0.50% on gross acquisition costs</p>
CBRE SP VII	<p><i>Management Fee:</i> 1.25% on amount committed and invested</p> <p><i>GP Carry:</i> 9% preferred return hurdle, then 80% to the LPs until a 13% preferred return, then a 50/50 catch-up, thereafter 80/20</p> <p><i>Acquisition Fee:</i> 0.5% of gross acquisition costs</p>
LaSalle I&G V	<p><i>Management Fee:</i> 1.35% on invested capital</p> <p><i>GP Carry:</i> Fund-level, after a full return of LP capital plus the 9% preferred return on that capital, 80% to the LPs and 20% to the GP</p> <p><i>Acquisition Fee:</i> 0.60% on gross acquisition costs</p>
LaSalle I&G VII	<p><i>Management Fee:</i> 1.15% on invested capital</p> <p><i>GP Carry:</i> Fund-level, (i) a full return of LP capital plus the 9% preferred return on that capital, (ii) 80% to the LPs and 20% to the GP until a 13% annual rate of return has been achieved, (iii) 60% to the limited partner and 40% to the GP until the cumulative amount distributed to the GP equals 20% of all amounts distributed, and (iv) 80% to the limited partner and 20% to the GP.</p> <p><i>Acquisition Fee:</i> 0.50% of investment cost of any property acquired</p>
Mesa West RE Income III	<p><i>Management Fee:</i> 1.35% on committed, then invested equity</p>
Prudential SHP IV	<p><i>Management Fee:</i> 1.15% on committed, then invested equity</p> <p><i>GP Carry:</i> Fund-level, after a full return of LP capital plus the 8% preferred return on that capital, the GP is entitled to a total return performance fee equal to 5% after LPs receive an 8% net internal rate of return ("IRR") up to a 10% net IRR; 10% after LPs receive a 10% net IRR up to a 12% net IRR; 20% after LPs receive a 12% net IRR up to a 13% net IRR; 25% after LPs receive a 13% net IRR</p> <p><i>Acquisition Fee:</i> 0.75% on equity invested with respect to each investment</p>
Prudential SHP V	<p><i>Management Fee:</i> 1.25% on committed and invested during commitment period; 1.10% on committed and invested through life of fund</p> <p><i>GP Carry:</i> 20% over net 10% IRR after sale of final investment</p>

HIERS

Net Total Return Attribution as of 2016 Q3 (Continued)

(Based on Averaged Weight)

Investments		Qtr	1-Yr	2-Yr	3-Yr	5-Yr	10-Yr
LaSalle I&G VII	Net Return	1.6%	N/A	N/A	N/A	N/A	N/A
	Contribution to Total Net Return	0.0%	N/A	N/A	N/A	N/A	N/A
	% Contribution to Total Net Return	1.4%	N/A	N/A	N/A	N/A	N/A
Lone Star VII	Net Return	-8.1%	-19.2%	-1.6%	8.1%	24.3%	N/A
	Contribution to Total Net Return	0.0%	-0.1%	0.0%	0.1%	0.3%	N/A
	% Contribution to Total Net Return	-1.8%	-0.9%	-0.1%	0.5%	2.4%	N/A
Lone Star REIT II	Net Return	1.1%	12.9%	27.0%	29.2%	26.7%	N/A
	Contribution to Total Net Return	0.0%	0.0%	0.1%	0.2%	0.2%	N/A
	% Contribution to Total Net Return	0.2%	0.4%	0.8%	1.4%	1.5%	N/A
Mesa West RE Income III	Net Return	2.7%	10.0%	9.9%	6.8%	N/A	N/A
	Contribution to Total Net Return	0.1%	0.2%	0.1%	0.1%	N/A	N/A
	% Contribution to Total Net Return	2.7%	1.7%	1.0%	0.6%	N/A	N/A
Prudential SHIP IV	Net Return	6.8%	16.6%	20.3%	17.1%	N/A	N/A
	Contribution to Total Net Return	0.2%	0.4%	0.5%	0.3%	N/A	N/A
	% Contribution to Total Net Return	9.1%	3.5%	3.1%	2.4%	N/A	N/A
Prudential SHIP V	Net Return	0.0%	11.0%	N/A	N/A	N/A	N/A
	Contribution to Total Net Return	0.0%	0.1%	N/A	N/A	N/A	N/A
	% Contribution to Total Net Return	0.0%	0.6%	N/A	N/A	N/A	N/A
Torchlight Debt Opportunity V	Net Return	9.8%	3.0%	N/A	N/A	N/A	N/A
	Contribution to Total Net Return	0.1%	0.0%	N/A	N/A	N/A	N/A
	% Contribution to Total Net Return	5.7%	0.2%	N/A	N/A	N/A	N/A
Total Investments	Net Return	1.8%	10.8%	15.4%	13.7%	14.4%	7.3%
	Total %	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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Real Estate Market Overview

For The Period Ended 9/30/16

U.S. ECONOMIC SUMMARY

- U.S. real GDP expanded at an annual rate of 2.9% in 3Q16, according to the Bureau of Economic Analysis. This compares to 2Q16 GDP growth of 1.4%.
- 619,000 new jobs were added during the Third Quarter, compared to 439,000 in 2Q16 and 587,000 in 1Q16. The unemployment rate fell to 5.0% for the quarter, after dipping to 4.7% in May, the lowest level since August 2007.
- Rates on the 10-year U.S. Treasury increased 11 basis points from June 30 to 1.60%.
- Existing Homes Sales' Seasonally Adjusted Annual Rate ("SAAR") was down 0.4% versus the 3Q15 average at 5.38 million homes.
- U.S. light vehicle SAAR was 17.5 million in 3Q16, largely unchanged from 17.7 million in 3Q16.
- Crude Oil (WTI) daily price varied through the quarter between \$39.50/bbl and \$48.48/bbl but finished the quarter at \$47.72 (down 1.3% from 2Q16 levels).

Third Quarter 2016 NCREIF Property Index Performance Review

Total Return Performance – by Property Type and Region

NCREIF Property Index (as of 9/30/16)			
	3Q16	1 Year	3 Year
NPI Total	1.8%	9.2%	11.3%
Apartment	1.7%	8.5%	10.2%
Hotel	1.4%	7.2%	10.2%
Industrial	2.9%	12.5%	13.5%
Office	1.3%	7.5%	10.4%
Retail	2.0%	11.0%	12.8%
Regions			
East	1.5%	7.3%	9.31%
Midwest	1.5%	8.2%	10.5%
South	1.6%	8.8%	11.9%
West	2.2%	11.5%	13.1%

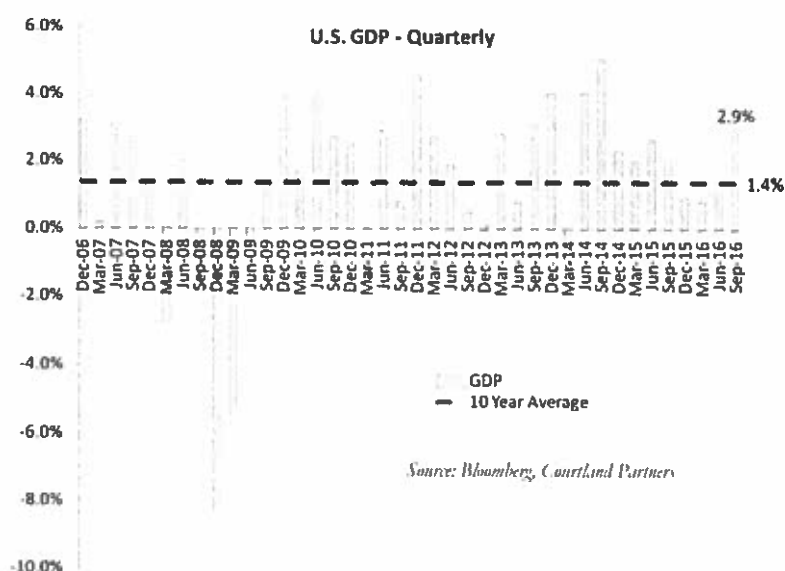
Note: Returns for periods less than one year are not annualized. Performance is shown gross of fees. Indexes and/or benchmarks are unmanaged and cannot be invested in directly. Returns represent past performance, and are not indicative of any specific investments.

Other Indices Total Returns (as of 9/30/16)			
	3Q16	1 Year	3 Year
NCREIF ODCE	2.1%	10.1%	12.5%
NCREIF Timberland Index	0.7%	3.3%	7.6%
NCREIF Farmland Index	1.4%	8.6%	12.2%
NAREIT Equity REITs	-1.2%	20.9%	13.9%
FTSE EPRA/NAREIT Global	1.5%	15.9%	8.6%
S&P 500	3.9%	15.4%	11.2%
Barclays U.S. Aggregate Bond	.5%	5.1%	4.0%
Consumer Price Index (CPI)	.2%	1.5%	1.0%

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

U.S. REAL ESTATE MARKET OVERVIEW 3Q 2016

The economy grew at a 2.9% annualized rate in the three months ended September 2016. This is 150 basis points above the 10-year average growth rate and 150 bps above the 2Q16 GDP growth of 1.4%.



Residential construction and real estate activity expanded during the third quarter, although low home inventories continued to constrain sales. Home price appreciation continued at a modest pace in general, and commercial real estate activity and construction improved.

Employment expanded at a modest pace and labor market conditions remained tight across the country while reports of labor shortages varied across skill levels and industries. There has been difficulty hiring in manufacturing, hospitality, health care, truck transportation, and sales. A lack of construction workers has been noted across the country with some regions reporting shortages that led to constraint on construction activity. Wage growth held fairly steady at modest levels with some regions reporting upward wage pressure on skilled jobs and others reporting upward wage pressure for entry-level positions.

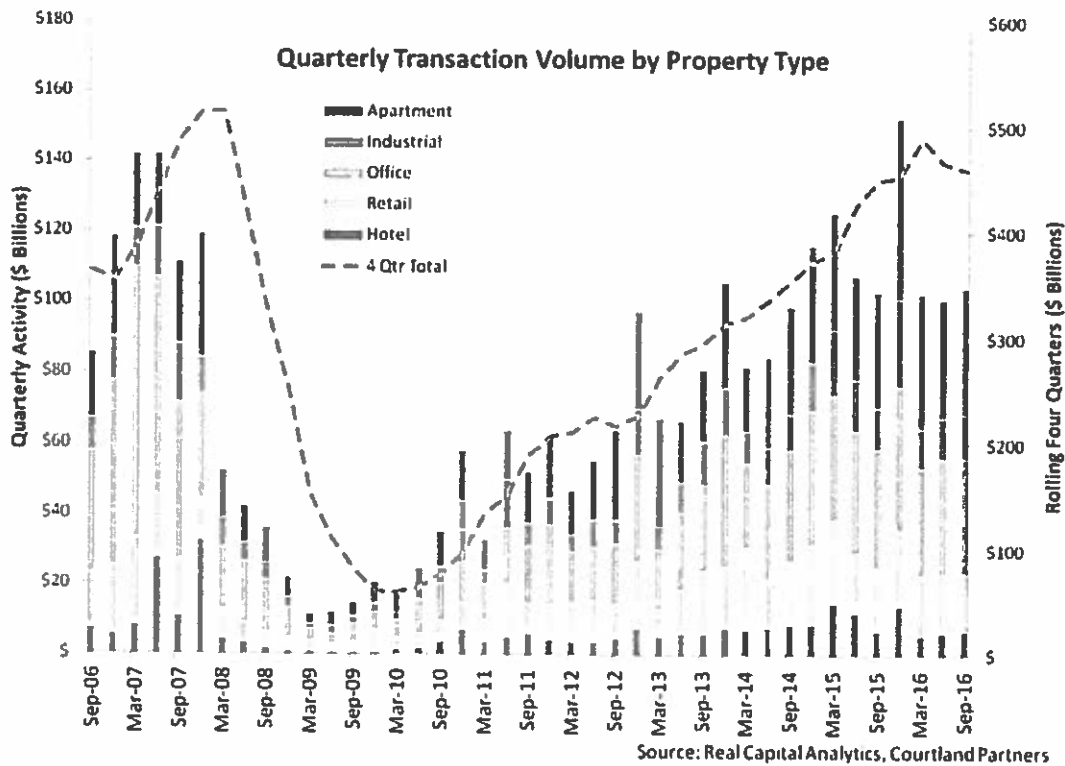
Residential real estate sales activity expanded with slight to moderate gains reported across most of the country. Home inventories were generally reported low or declining and were restraining sales growth. Home prices continued to rise at a modest pace across much of the country.

Commercial real estate leasing activity generally improved, and outlooks were mostly optimistic. Commercial rents were flat to up, and vacancy rates were generally low or declined. Sales of commercial properties were characterized as robust in the larger cities throughout the country. Shortages of skilled labor remained a constraint on construction activity in many parts of the country.

Third quarter transaction volumes according to Real Capital Analytics, was \$104.3 billion across the five main property types. The past three quarters have seen similar transaction volume after a record-high volume of transactions (\$152.6 billion) in 4Q15. Apartment transactions are up sharply TTM YoY at 23% followed by industrial at 3%, office at -3%, retail at -12% and hotel at -22%.

QUARTERLY MARKET REVIEW

Overall U.S. transaction volumes on a rolling-four-quarter basis are up 2% at \$461 billion compared to the year ago average of \$453 billion. This is below the all-time record four quarter total of \$489 billion set in 4Q15.



The rate of increase in appreciation of NPI properties is decreasing as the 4Q15 appreciation was 1.7% compared to 0.6% in 3Q16. As a result, the NPI Index returns have also decreased over the past four quarters as from 2.9% in 4Q15 to 1.8% in 3Q16.

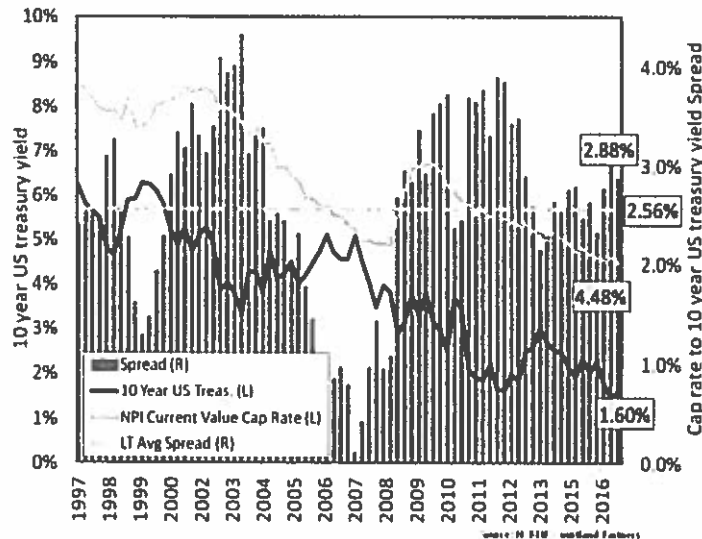
NCREIF Property Index – Returns

	3Q16	2Q16	1Q16	4Q15	1-Year
Total	1.8%	2.0%	2.2%	2.9%	9.2%
Appreciation	0.6%	0.8%	1.0%	1.7%	4.3%
Income	1.2%	1.2%	1.2%	1.2%	4.8%
Property Type					
Apartment	1.7%	1.9%	1.9%	2.7%	8.5%
Industrial	2.9%	2.9%	3.0%	3.2%	12.5%
Office	1.3%	1.7%	1.7%	2.6%	7.5%
Retail	2.0%	2.2%	3.0%	3.5%	11.0%

Source: NCREIF, Courtland Partners

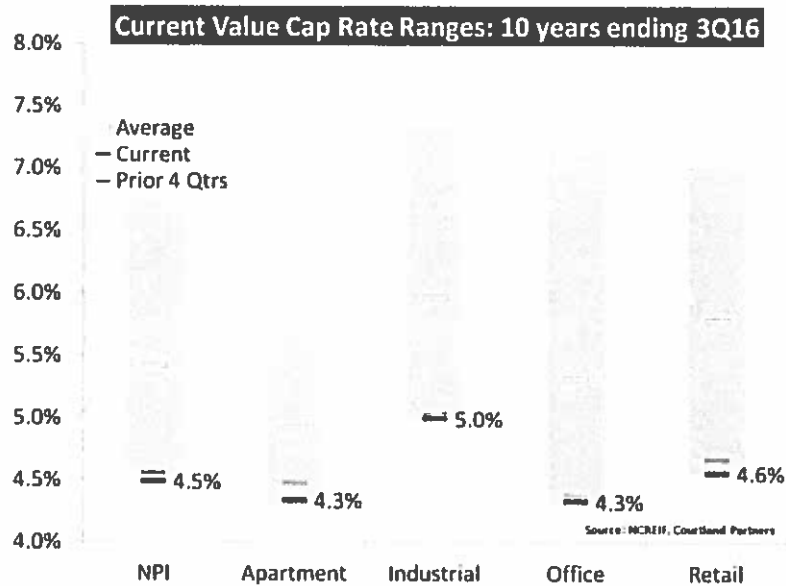
The NPI cap rate moved up slightly in 3Q16 to 4.48% from 4.60% in 2Q16. Relative to the 10-Year U.S. Treasury yields of 1.60%, the cap rate spread widened to 2.88% which is above the long term average. Yields

on the 10 year US Treasury bond have increased dramatically since the end of 3Q16 leading to a significant reduction in this spread.

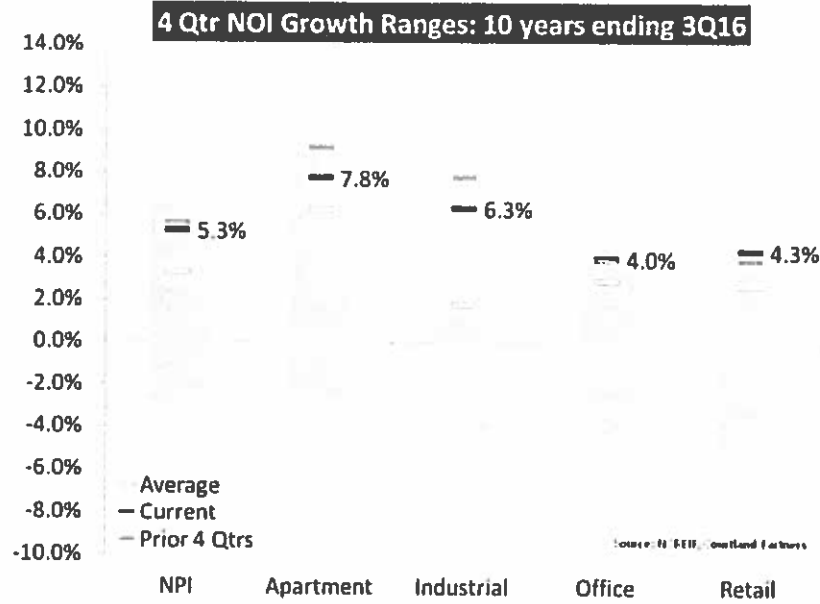


NPI Cap Rates vs. 10 Year U.S. Treasury Bond Yields

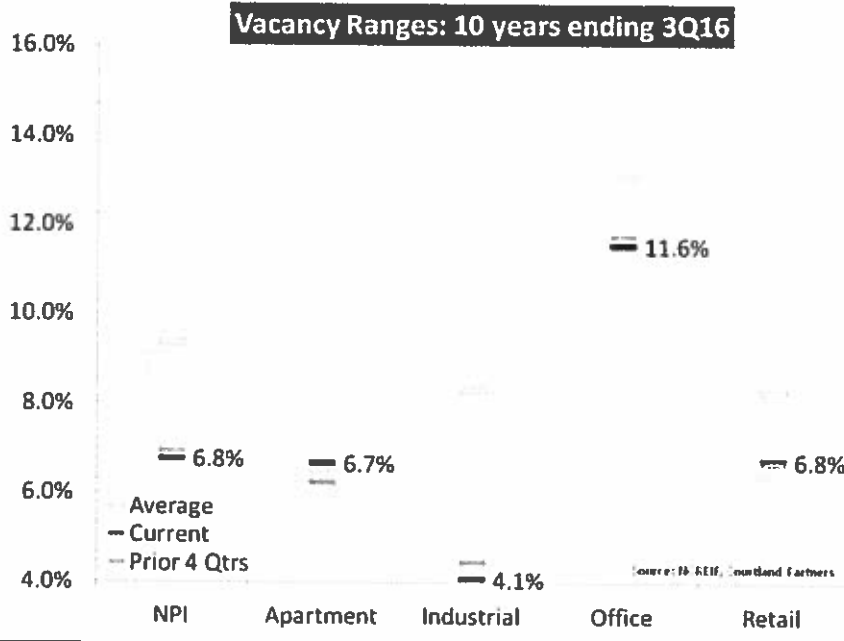
The overall NCREIF Property Index (“NPI”) cap rate is at its all time low as is the cap rate on Industrial and Retail properties. Apartment and Office cap rates are only slightly off their all time lows.



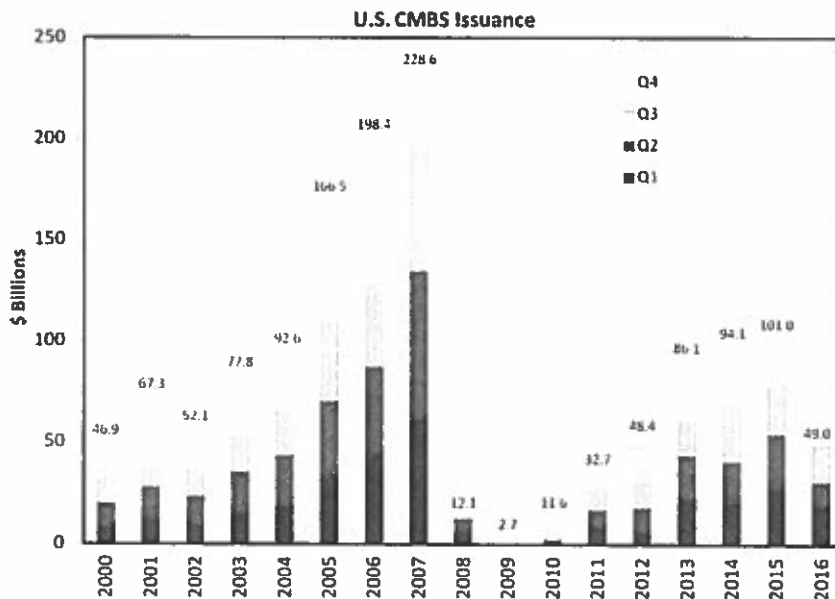
The Third Quarter NPI net operating income (NOI) growth was at 5.3%, nearly double the ten-year average growth. Apartment NOI growth of 7.8% led the property types with all property types well above their 10 year average.



Both the NPI and Industrial ended the Third Quarter at the lowest vacancy in the past 10 years. Vacancy is flat to declining quarter over quarter for all property types save Apartment, which saw vacancy move up from 5.73% in 2Q16 to 6.69% in 3Q16. This spike is likely an anomaly because there is no discernible trend when using a 4 period weighted moving average.

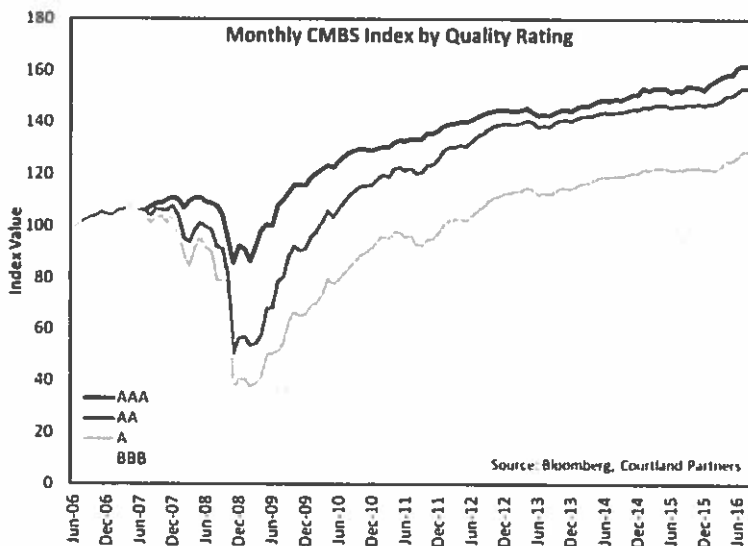


Commercial mortgage debt availability is tightening a bit as banks tighten underwriting standards and the market embraces regulatory changes. CMBS issuance of \$49 billion through 3Q16 has CMBS issuance on track to be the lowest since 2012



Source: Bloomberg, Courtland Partners

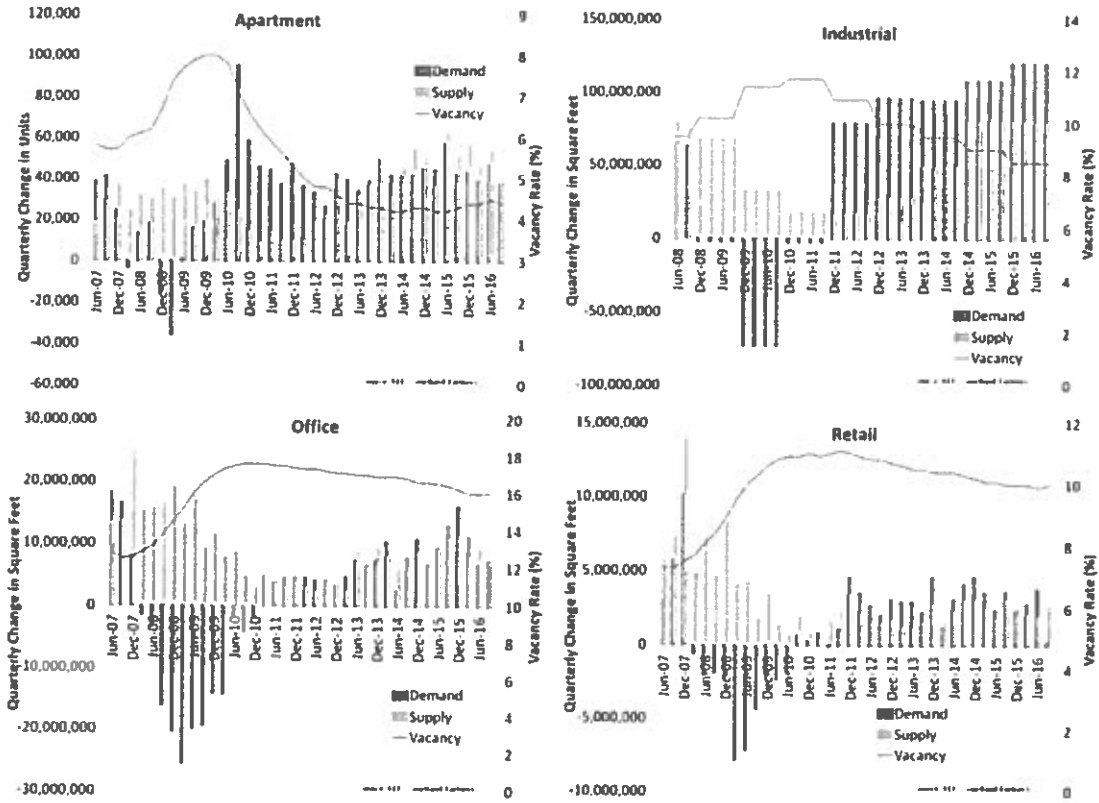
CMBS indices remained positive in the Third Quarter of the year after remaining relatively flat for most of 2015. AAA rated tranches of CMBS have returned 6.0% in 2016 followed by A tranches at 5.6%, BBB tranches at 5.0%, and AA tranches at 4.4%.



Source: Bloomberg, Courtland Partners

Low supply growth has been a major differentiator in the current recovery. While a general uptick in new stock has recently occurred within particular markets, all property types, except apartment, remain below their long-term averages. Although forecasted apartment supply is above its long-term average, strong demand continues to absorb new units and construction has generally been concentrated in specific markets with higher growth. However, the pace of growth has been decelerating in markets with the most supply.

QUARTERLY MARKET REVIEW

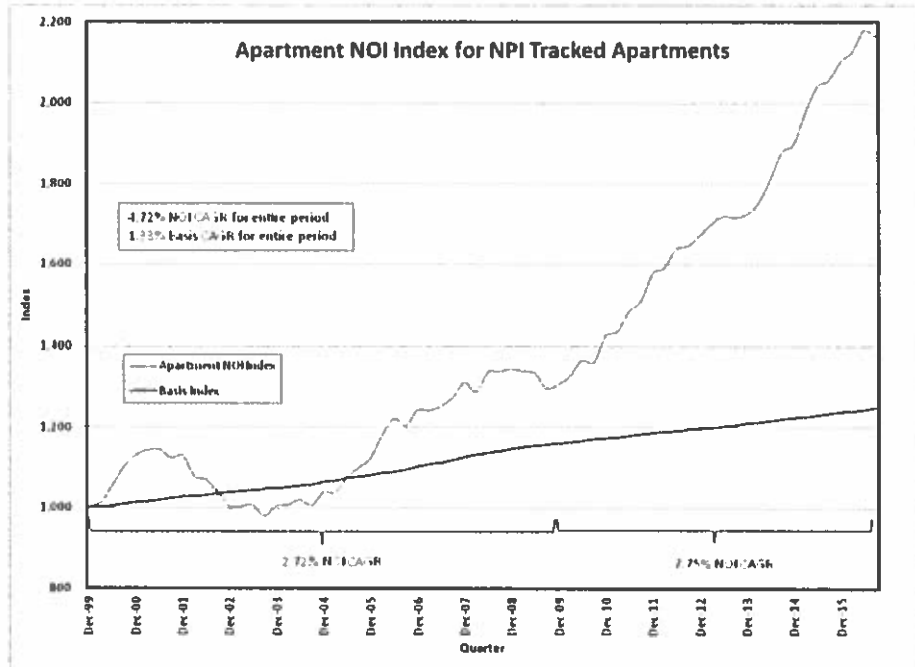


Note: REIS only reports Industrial statistics on an annual basis.

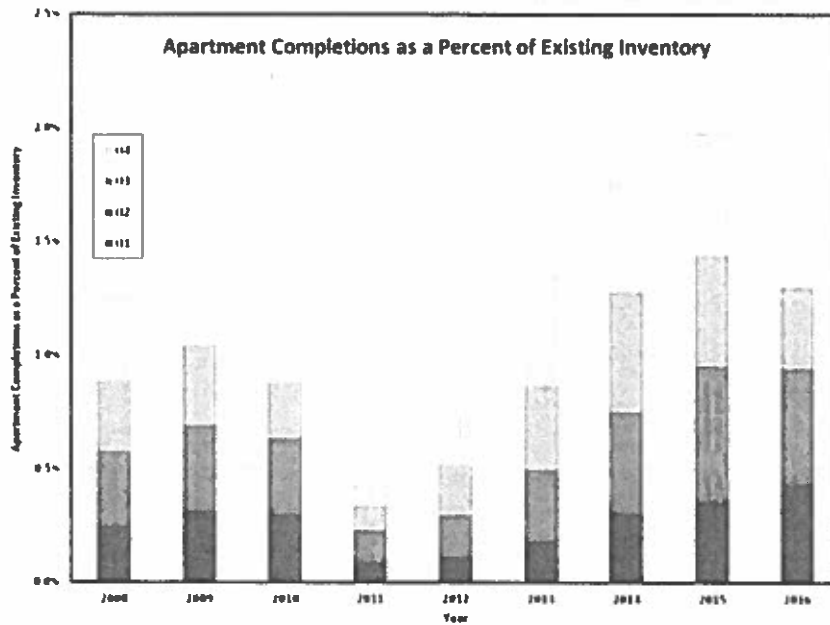
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Apartments

Apartments have been the beneficiary of strong NOI growth since 2010, averaging 7.75% per year which was well above the previous 9 year average of 2.72%.



As a result of this strong NOI growth, new supply has been coming to market at a historically rapid pace hitting a record of 2.0% of existing inventory in 2015 with 2016 on pace to approach the 2015 mark.



The result of new supply hitting the market will have an effect on the prices apartment owners can charge for rent and in turn the NOI generated by apartments. We see that NOI growth was -0.6% in 3Q16 QoQ which

QUARTERLY MARKET REVIEW

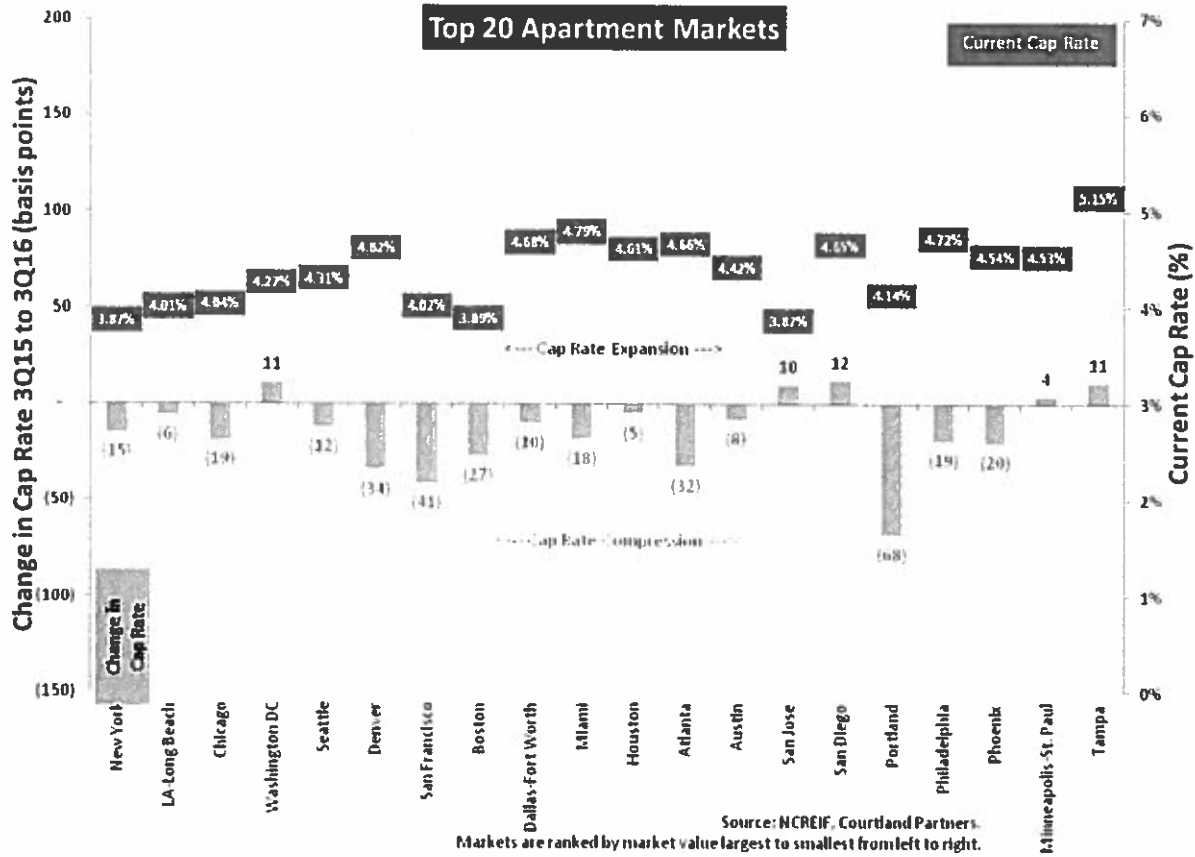
was the lowest quarterly growth rate in NOI since 3Q09 which was 7 years ago. It remains to be seen if this portends a reversion to NOI growth closer to the pre-2009 growth rate of closer to 3%. But the rapid rate of new supply hitting the market and the slow NOI growth in 3Q16 suggests that the 7.75% NOI growth rate of the past 7 years may be a thing of the past.

Apartment annual returns as of 3Q16 averaged 8.5% according to NCREIF NPI. For the twelve months ended September 2016, returns were the highest in Portland (+16.9%), Riverside (15.9%), Denver (+13.9%), and Tampa (+12.1%). Conversely, Houston (-2.4%), Washington D.C. (+4.9%) and Chicago (+6.4%) had the lowest annual total returns.

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Apartment Cap Rates by Market

Year over year cap rate compression occurred in 15 of the 20 largest markets, with Portland and San Francisco demonstrating the most significant drop in cap rates. Washington, DC, San Jose, San Diego, Minneapolis and Tampa saw slight cap rate expansion.

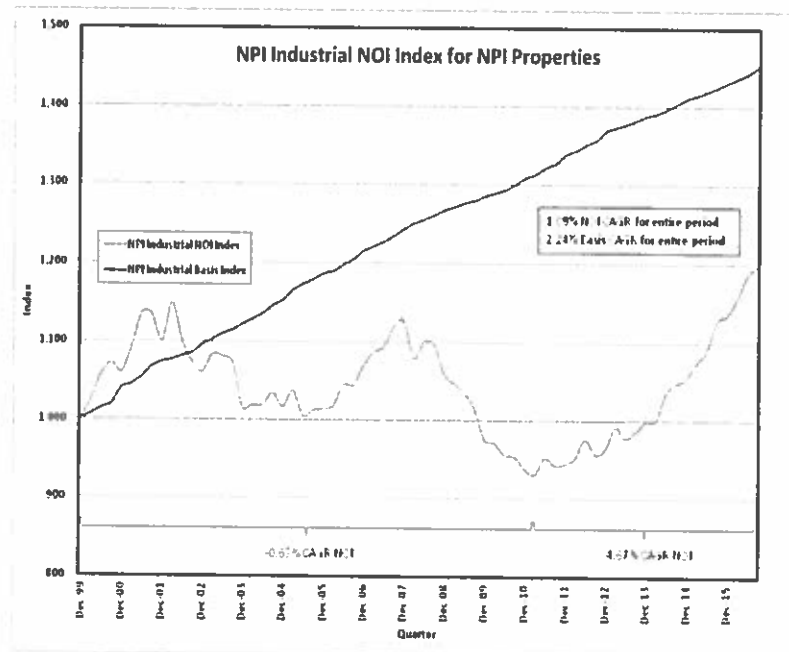


Industrial

Industrial annual returns as of 3Q16 averaged 12.5% according to NCREIF NPI. For the 12 months ended September 2016, returns were the highest in Portland (+18.9%), San Francisco (+17.2%), and San Diego (+16.3%). On the other end of the spectrum, Washington D.C. (+6.3%), Houston (+6.7%) and Baltimore (+7.1%), had the lowest annual total returns.

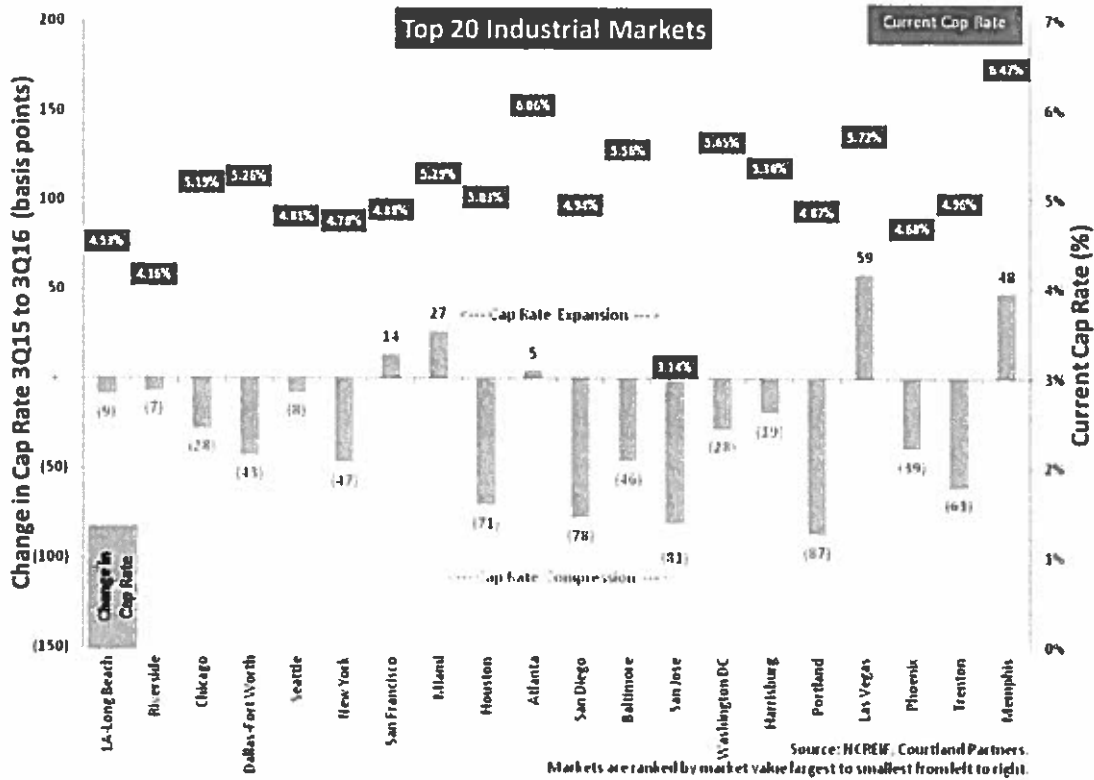


Industrial NOI growth has been extremely strong in comparison to its historical trend since 2011. As shown in the chart below, there was -0.63% annualized NOI growth in NPI tracked industrial properties between 2000 and 2010. Since 2010, NOI has grown at a CAGR of 4.67% which is much above the historical trend. This rapid pace of NOI growth does not appear to be abating.



Industrial Cap Rates by Market

Year over year cap rate compression occurred in 15 of the 20 largest markets, with Portland and San Jose demonstrating the most significant drop in cap rates. Las Vegas and Memphis saw large increases in their cap rates.

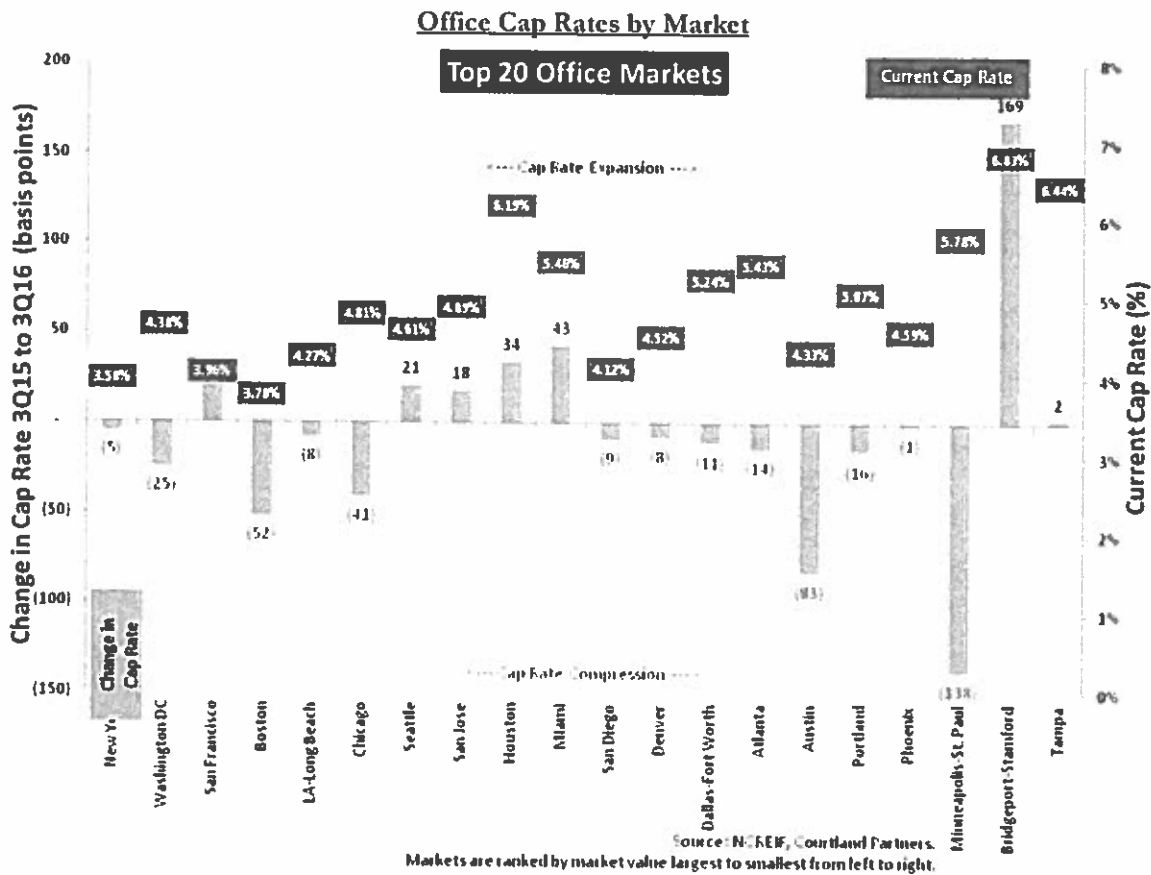


Office

New office supply is generally minimal aside from a few high-growth and technology markets including Dallas, Houston and Phoenix. San Francisco, New York and West Los Angeles remain healthy, although there are concerns of a broader tech sector slowdown. Uncertainty exists in energy markets such as Houston, where a shadow space market also exists. Nationally, third quarter occupancy was 88.4% and was down 16 bp YoY.

Office annual returns as of 2Q16 averaged 7.5% according to NCREIF NPI. For the twelve months ended September 2016, returns were the highest in San Jose (+13.6%), Portland (+13.3%), and Austin (+11.7%). On the other end of the spectrum, Houston (-3.2%), Washington D.C. (+4.2%), and Minneapolis-St. Paul (+4.3%) had the lowest annual total returns.

Year over year cap rate compression occurred in 6 of the 20 largest markets, with Minneapolis demonstrating the most significant cap rate compression. Bridgeport experienced significant cap rate expansion but that has a somewhat muted effect on the overall NPI as there are a small number of properties located there in comparison to the much larger markets.

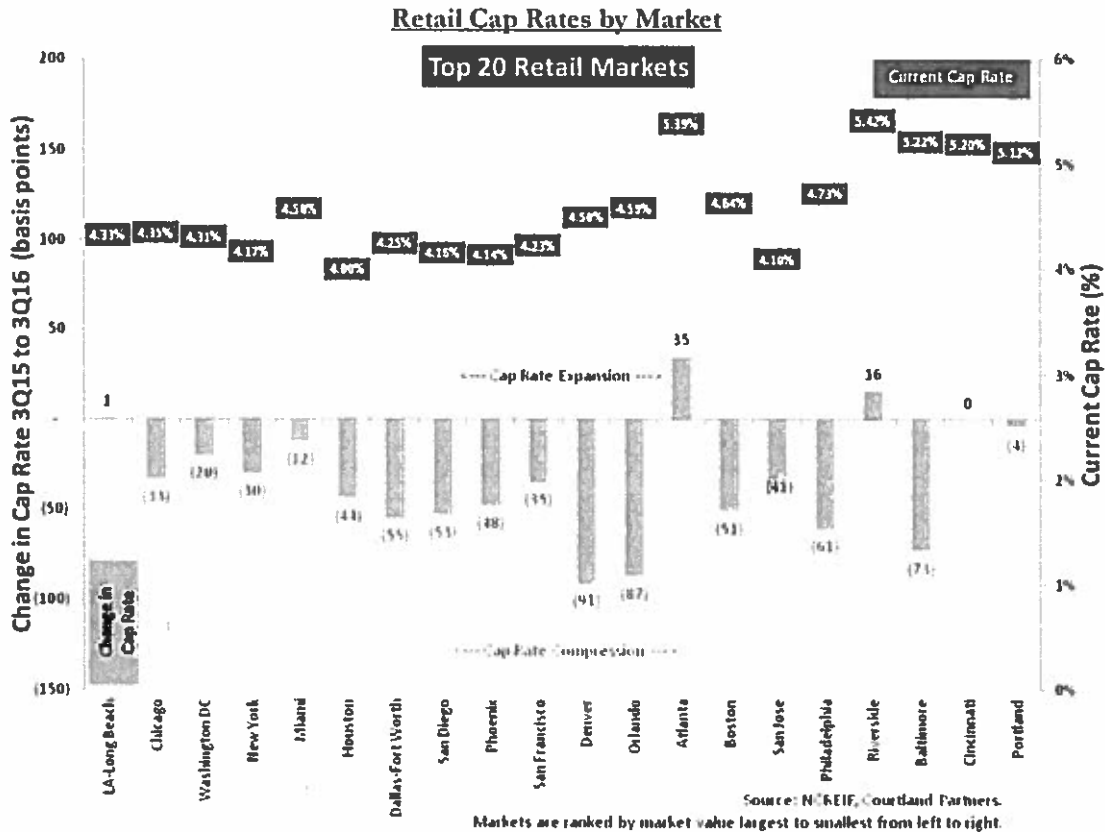


Retail

Higher quality retail centers continue to perform well, particularly those that offer an experience not easily replicated through internet shopping. Minimal supply growth benefits the sector. Although tenant sales growth has been volatile, internet shopping pressures are mounting and bankruptcies have modestly increased, market rents generally continue to grow due to scarcity of quality space.

Orlando and Phoenix led the retail markets with total returns of 16.7% and 15.0% YoY as of 3Q16. This compares to 11.0% for the aggregate retail NPI. New York and Boston were the laggards with returns of 7.0% and 8.0% respectively. According to NCREIF NPI, all retail subtypes saw positive returns for the four quarters ending 3Q16, but Super-Regional Centers performed best at 12.6% followed by neighborhood retail at 11.9%, and regional malls at 10.6%.

Year over year cap rate compression occurred in 17 of the 20 largest markets, with Denver and Orlando having the largest cap rate compression at 91 bp and 87 bp respectively. Atlanta experienced the most in cap rate expansion with a 35 bp increase.



Residential Housing

U.S. housing starts fell in November 2016 but remained at a level suggesting steady demand for single-family homes amid low interest rates and steady job creation. Housing starts dropped 18.7% in November to a seasonally adjusted annual rate of 1.090 million according to the Commerce Department. Single-family housing starts, which have accounted for about two-thirds of all activity since the recession ended, slid 4.1% to 828,000. They peaked at more than 1.82 million in 2006, the height of the housing bubble.

October 2016's sales of previously owned homes rose to a seasonally adjusted annual rate of 5.60 million which is the strongest pace since February 2007 according to the National Association of Realtors. The median price of an existing home sold in October 2016 was \$232,200, up 6.0% on the year. Home prices have been rising far faster than wage gains.

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Global Real Estate Transaction Volumes

Transaction volume as tracked by JLL was down by 10% YTD in the Americas and EMEA but transaction volume largely continued at the pace of 2015 in the Asia Pacific region. In the EMEA region we see a precipitous decline in Q3 YoY which is skewed significantly downwards by the UK's 3Q 44% YoY decline largely owing to the effect of Brexit.

Direct Commercial Real Estate Investment – Regional Volumes, 2015-2016

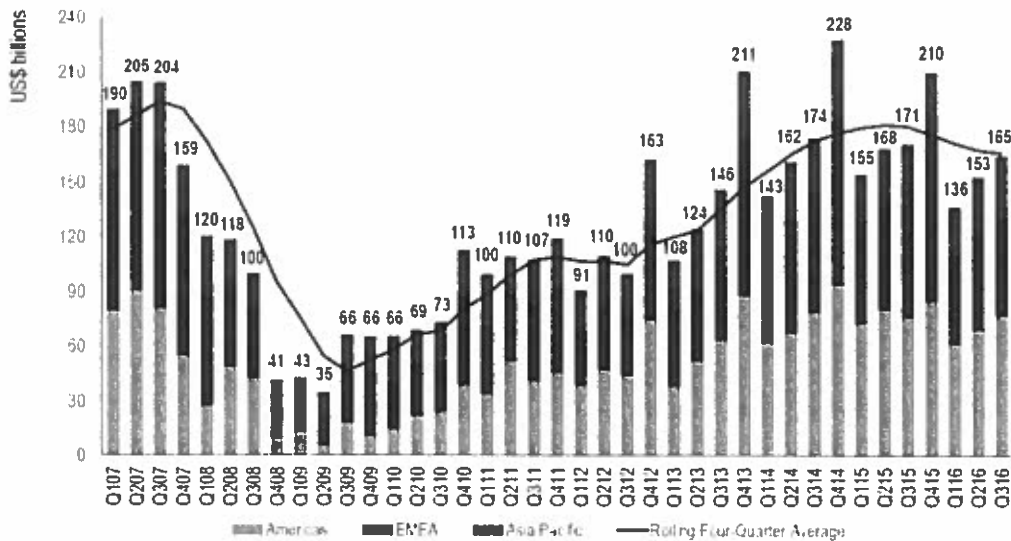
US\$ billions			% change				% change	
	Q2 2016	Q3 2015	Q2 16-Q3 16	Q3 2015	Q3 15-Q3 16	YTD 2015	YTD 2016	YTD 2015-YTD 2016
Americas	69	77	12%	76	1%	229	207	-10%
EMEA	56	55	-2%	63	-14%	178	160	-10%
Asia Pacific	28	33	17%	32	6%	87	87	-1%
TOTAL	153	165	8%	171	-4%	494	454	-8%

Source: JLL October 2016

Other notable changes in transaction volume YTD in 2016 are Russia with an 87% increase, South Korea with a 49% increase, and Switzerland with a 42% increase. The UK had the largest decrease in transaction volume YTD at -36%, followed by the US at -10%, Australia at -9% and Spain at -6%.

Shown below is a chart depicting the historical transaction volume broken out into the Americas, EMEA and the Asia Pacific. If one uses the rolling four-quarter average as a proxy for overall transaction volume, which smoothes out the volatility between months, we see that liquidity is very strong by historic standards having steadily grown since the nadir achieved during 2009.

Direct Commercial Real Estate Investment – Quarterly Trends, 2007-2016



Source: JLL October 2016

Returns for Global REIT Indices

Global property securities, as measured by the FTSE EPRA Global x-US Index returned at total of 4.9% in 3Q16 and 10.6% YTD as of 3Q16. UK and Italian REITs were notably down on the year by 18.1% and 18.2% respectively.

Gross Total Returns for REIT Indices – 3Q 2016

	FTSE EPRA Global x-US	Global Ex-US REITs	0.3%	4.9%	10.6%	13.5%
	FTSE EPRA France	French REITs	-0.4%	8.3%	16.2%	15.9%
		<i>In Local Currency</i>	-1.3%	7.1%	12.3%	15.1%
	FTSE EPRA Germany	German REITs	-3.7%	1.0%	7.1%	11.8%
		<i>In Local Currency</i>	-4.6%	-0.1%	3.5%	11.0%
Global	FTSE EPRA Hong Kong	Hong Kong REITs	0.5%	8.1%	25.8%	39.0%
		<i>In Local Currency</i>	0.5%	8.1%	25.9%	39.1%
	FTSE EPRA Italy	Italian REITs	-3.8%	-4.8%	-18.2%	-18.0%
		<i>In Local Currency</i>	-4.7%	-5.9%	-20.9%	-18.5%
	FTSE EPRA Japan	Japanese REITs	2.6%	1.3%	29.1%	34.2%
		<i>In Local Currency</i>	0.4%	0.0%	8.6%	13.5%
	FTSE EPRA Singapore	Singapore REITs	1.9%	3.6%	24.2%	27.9%
		<i>In Local Currency</i>	2.0%	4.9%	19.3%	22.6%
	FTSE EPRA UK	UK REITs	-2.8%	2.3%	-18.1%	-22.0%
		<i>In Local Currency</i>	-2.0%	5.3%	-7.0%	-9.0%

Source: FTSE EPRA/NAREIT, Bloomberg as of September 30, 2016

Asia Pacific Overview

Real estate performance across much of the Asia Pacific region continues to strengthen on the back of strong capital markets and healthy occupier fundamentals. Across the region, key cities in Japan, China, Hong Kong and Australia continued to see healthy office leasing demand through 3Q16 while the weight of capital targeting quality assets in the region have contributed to further cap rate compression in the key core markets.

Overall leasing activity in Asia Pacific slowed sharply during the third quarter, leaving year-to-date gross leasing volumes 10% lower than in 2015. However, much of the decline is due to falls in India and, to a lesser extent, China. Excluding India, Asia Pacific volumes would in fact be 14% higher year-to-date. Financial and technology firms were key demand drivers across many office markets in the region in Q3, while the oil and gas industry continued to downsize.

- India's volumes fell 38% in the year-to-date, declining in all four of its Tier 1 markets. The largest falls were seen in Bangalore and Mumbai, as a result of big ticket transactions in 2015 creating a high base effect. Leasing volumes are being constrained by lack of available quality stock.
- Q3 leasing volumes in the three China Tier 1 cities were down 27% year-to-date. High rents in Shanghai led occupiers to pursue affordable options outside the CBD, while Beijing and Guangzhou witnessed some leasing activity for new offices.
- In Hong Kong, slowing demand from mainland Chinese firms and a lack of available space in the Central district has curbed growth in leasing volumes.
- By contrast, Q3 leasing levels in Australia rose by a strong 29% year-to-date, driven particularly by Melbourne (where there was broad-based demand) and, to a lesser extent, Sydney on the back of professional services.
- Singapore volumes spiked in the third quarter with the take-up of larger units in new/soon-to-complete buildings.
- Volumes in Tokyo are 38% higher year-to-date, although activity was disappointing in Q3 amid limited vacancy in existing supply.

Europe Overview

The Eurozone economy expanded by 0.3% QoQ in the third quarter of 2016. More timely survey data points to continuing recovery in the near term with November's Composite Eurozone PMI rising to 53.9 (53.3 October) and the European Commission's ESI also up (107.3). These are broadly consistent with growth of 0.4% q-o-q in the fourth quarter.

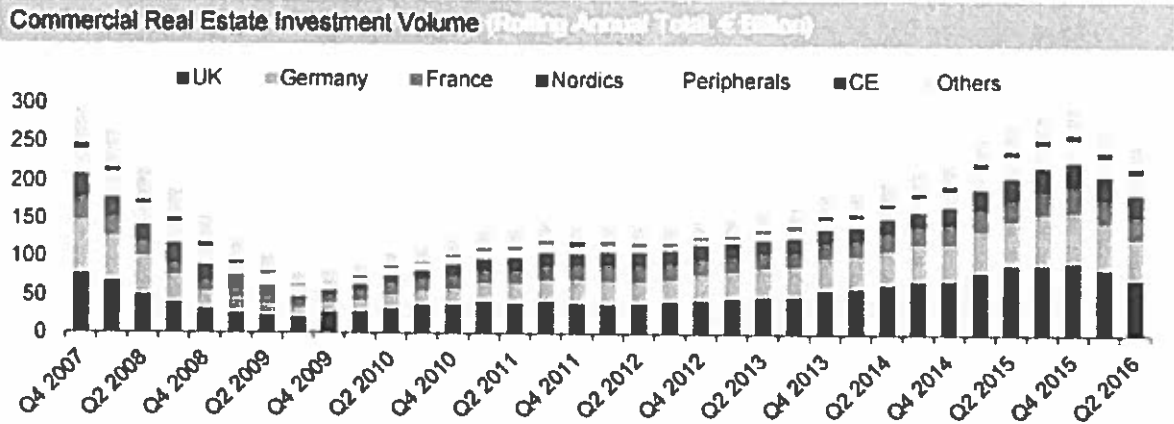
On the later ESI measure, the UK (+1.5) continues to shrug off Brexit anxieties for now, with Spain (+0.8) and France (+1.5) also up. The Netherlands was broadly stable (+0.2), but Germany (-0.7) and Italy (-0.8) softened in November. At a business sector level, a deterioration in industrial conditions were more than compensated for by strengthening consumer confidence (+1.9) and retail trade (+1.1).

CPI inflation is gradually edging up at 0.6% pa through November, its highest level in over two years. OPEC's announcement that it will cut production in 2017 means it is increasingly likely that inflation has now bottomed in Europe. Oxford Economics forecasts inflation rising to 1.5% pa in 2017, still below its 2% ECB target. That could have a dampening effect on household spending in 2017 via reduced real inflation adjusted income growth.

European capital markets had already priced in a "no" outcome at the Italian constitutional referendum, so market reaction was muted. Investors' focus for the next few years will likely be dominated by Europe's political calendar and the potential gains of populist parties at upcoming elections

QUARTERLY MARKET REVIEW

Transaction volume remains robust by historical standards with a notable volume dip in the UK as a result of Brexit. Nevertheless transaction volume has not pulled back nearly to the extent it did in the run up to the great financial crisis.



Source: PCA, July 2016

Courtland Partners, Ltd.

GLOSSARY OF TERMS



GLOSSARY OF TERMS *(continued)*

GLOSSARY OF TERMS

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

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

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

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

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

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

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

Diversification Attributes:

Risk Strategy:

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

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

GLOSSARY OF TERMS *(continued)*

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

Investment Structure:

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

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

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

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

Life Cycle:

Pre-development: Raw land.

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

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

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

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

GLOSSARY OF TERMS *(continued)*

Property Location:

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

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

Property Type:

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

GLOSSARY OF TERMS *(continued)*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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COMPUTATION METHODOLOGIES



COMPUTATION METHODOLOGIES

Appreciation Return: Investment Level

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

Appreciation Return: Property Level (Quarterly)

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

Where:

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

[NCREIF]

Asset-Weighted Return (Return on Equity):

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

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

COMPUTATION METHODOLOGIES *(continued)*

Average Occupancy: Last 12 Months

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

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

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

Capital Appreciation:

- Ending Market Value
- Beginning Market Value
- Capital Improvements
- + Partial Net Sales Proceeds

Current Occupancy:

Retail = Leased Area/Gross Leasable Area
Office and Industrial = Leased Area/Rentable Area
Hospitality and Apartments = Leased Units/Total Units
Agriculture, Timberland, Vacant Land = Leased Acres/Total Acres

Distributed Cash on Investment Return:

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

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

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

Gross Investment in Real Estate (historic cost):

- Gross Purchase Price
- + Capital Improvements
- + Acquisition Fees and Costs
- Cost of Real Estate Sold

COMPUTATION METHODOLOGIES (continued)

Income Return (gross of fees) - Investment Level:

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

Income Return (net of fees) - Investment Level:

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

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

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

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

[NCREIF]

Internal Rate of Return: The rate (IRR) that discounts cash flows F_1 through F_x back to F_0 where: F_0 is the original investment; and F_1 through F_{x-1} are the net Cash Distributions less Cash Contributions for each regular successive year up to the last year; and F_x is the Ending Net Asset Value less the Estimate of Current Cost to Sell Investments, plus Cash Distributions less Cash Contributions for the final year.

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

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

COMPUTATION METHODOLOGIES *(continued)*

Net Investment in Real Estate:

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

Net Sales Proceeds:

- Sales Price
- Debt Balance at Sale Date
- Costs and Fees

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

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

Where:

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

[NCREIF]

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

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

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

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

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

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

COMPUTATION METHODOLOGIES (continued)

Weighted Average Equity - Investment Level:

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

Weighted Contributions and Distributions:

$$-(F_i * W)$$

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

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

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

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

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

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

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

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

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

$$\text{Appreciation Return} = \frac{\text{Net Appreciation (i.e., Contributions + Manager Incentive Fees)} - \text{(Distributions + Withdrawals)}}{\text{Weighted Average Equity}}$$

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

$$\text{Gross Income Return} = \frac{\text{Income} + \text{Advisory Fees}}{\text{Weighted Average Equity}}$$