VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

BUSINESS MEETING

February 24, 2014

AGENDA

PLACE: Ventura County Employees' Retirement Association
Second Floor Boardroom
1190 South Victoria Avenue
Ventura, CA 93003

TIME: 9:00 a.m.

ITEM:

		Master Page No.
I.	**CALL TO ORDER**	
	Oath of Office for Joseph Henderson and Mike Sedell to be Administered by Mark Lunn, County Clerk & Recorder.	
II.	**APPROVAL OF AGENDA**	1 - 3
III.	**APPROVAL OF MINUTES**	
	A. Disability Meeting of February 3, 2014.	4 - 13
IV.	**CONSENT AGENDA**	
	A. Approve Regular and Deferred Retirements and Survivors Continuances for the Month of January 2014.	14
	B. Receive and File Report of Checks Disbursed in January 2014.	15 - 24
	C. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Investments & Cash Equivalents, and Schedule of Investment Management Fees December 2013.	25 - 30
	D. Receive and File Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Investments & Cash Equivalents, and Schedule of Investment Management Fees January 2014.	31 - 36

IV. CONSENT AGENDA

E. Receive and File Budget Summary for FY 2013-14 Month ending January 2014. 37

END OF CONSENT AGENDA

V. STANDING ITEM

A. Receive an Oral Update on Pensionable Compensation and PEPRA.

VI. ANNUAL INVESTMENT PRESENTATIONS

A. Receive Annual Investment Presentation, UBS Realty Investors – Ron Lanier, Executive Director. (30 Minutes) 38 - 126

B. Receive Annual Investment Presentation, Prudential Real Estate Investors – Frank E. Garcia, Managing Director and Mark Oczkus, Principal. (30 Minutes)

VII. ACTUARIAL INFORMATION

A. Discussion of Adjustment to Exclude Administrative Expenses in Developing Investment Return Assumption per GASB Financial Liability Reporting – Paul Angelo and John Monroe – The Segal Company. 127 - 182

VIII. INVESTMENT INFORMATION

A. NEPC – Don Stracke, Senior Consultant.

1. Receive and File Investment Summary – Quarter Ending December 31, 2013. 183 - 188
2. Receive and File Preliminary Performance Report, Month Ending January 31, 2014. 189 - 376
3. Receive and File Fixed Income Overview.
4. Receive and File Real Estate Market Update
5. Review Change to Bridgewater All Weather Benchmark. **RECOMMENDED ACTION: APPROVE.**
6. Asset Allocation Workshop.

IX. OLD BUSINESS

A. IRS Tax Determination Letter Update – Interim Retirement Administrator. **RECOMMENDED ACTION: Receive and File.** 377 - 379

X. NEW BUSINESS

A. GMO Investment Presentation Report – Trustee Goulet. **RECOMMENDED ACTION: Receive and File.** 380

B. Authorization for Trustee McCormick to Attend Pension Bridge Conference, April 22 – 23, 2014; San Francisco. **RECOMMENDED ACTION: Approve.** 381

C. Authorization to Attend Manatt 2014 Public Pension Fiduciary Forum, March 27 & 28, 2014 and Due Diligence Meetings. **RECOMMENDED ACTION: Approve.** 382

D. Mid-Year Budget Projections. **RECOMMENDED ACTION: Approve.** 383 - 385

E. Review and Discussion of Brown Armstrong Contract. **RECOMMENDED ACTION: Approve.** 386 - 388

XI. INFORMATIONAL

A. Western Asset Update SEC and DOL Settlements. 389

B. SACRS Spring 2014 Conference. 390 - 395

C. Loomis Sayles Conference. 396

D. Pantheon Conference. 397

XII. PUBLIC COMMENT

XIII. STAFF COMMENT

IX. BOARD MEMBER COMMENT

X. ADJOURNMENT

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

BOARD OF RETIREMENT

DISABILITY MEETING

February 3, 2014

MINUTES

DIRECTORS PRESENT:
Tracy Towner, Chair, Safety Employee Member
William W. Wilson, Vice Chair, Public Member
Steven Hintz, Treasurer-Tax Collector
Joseph Henderson, Public Member
Mike Sedell, Public Member
Tom Johnston, General Employee Member
Deanna McCormick, General Employee Member
Arthur E. Goulet, Retiree Member
Will Hoag, Alternate Retiree Member
Chris Johnston, Alternate Safety Employee Member

DIRECTORS ABSENT:
Peter C. Foy, Public Member

STAFF PRESENT:
Tim Thonis, Interim Retirement Administrator
Lori Nemiroff, Assistant County Counsel
Glenda Jackson, Clerk of the Board
Angie Tolentino, Retirement Benefits Specialist
Donna Edwards, Retirement Benefits Specialist
Chantell Garcia, Retirement Benefits Specialist

PLACE:
Ventura County Employees' Retirement Association
Second Floor Boardroom
1190 South Victoria Avenue
Ventura, CA 93003

TIME: 9:00 a.m.

ITEM:

I. CALL TO ORDER

Chairman Towner called the Disability Meeting of February 3, 2014, to order at 9:00 a.m.

II. APPROVAL OF AGENDA

MOTION: Approve the Agenda.

Moved by Henderson, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Sedell, Towner, Wilson
No: -
Absent: Foy

III. APPROVAL OF MINUTES

A. Business Meeting of January 27, 2014.

Mr. Goulet requested that the Minutes be corrected on Master Page 4 to change Exhibit A of Item VI.2. to Exhibit A of Item VI.2.A.

MOTION: Approve the Minutes with correction.

Moved by Wilson, seconded by Henderson.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Wilson
No: -
Absent: Foy
Abstain: Sedell

IV. RECEIVE AND FILE PENDING DISABILITY APPLICATION STATUS REPORT

MOTION: Receive and file the Report.

Moved by Goulet, seconded by Henderson.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Sedell, Towner, Wilson
No: -
Absent: Foy

V. APPLICATIONS FOR DISABILITY RETIREMENT

A. Consider Application for Service Connected Disability Retirement; James Waldron; Case No. 13-012.

Paul Hilbun was present representing the County of Ventura Risk Management. The applicant, James Waldron, was not present.

After discussion by the Board and Staff, the following Motion was made:

MOTION: Grant the applicant, James Waldron, a service connected disability retirement.

Moved by C. Johnston, seconded by Wilson.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, C. Johnston, T. Johnston, McCormick, Sedell, Wilson
No: -
Absent: Foy

Risk Management agreed to waive Preparation of Findings of Fact and Conclusions of Law.

B. Consider Application for Service Connected Disability Retirement; Crystal S. Endicott; Case No. 09-21.

Derek Straatsma and Paul Hilbun were present representing the County of Ventura Risk Management. James E. Perero, Attorney at Law, was present representing the applicant. The applicant, Crystal S. Endicott, was absent.

Both parties declined to make statements.

The following Motion was made:

MOTION: Adopt the Hearing Officer's recommendation and grant the applicant, Crystal S. Endicott, a service connected disability retirement.

Moved by Wilson, seconded by T. Johnston.

Vote: Motion carried
Yes: Henderson, Hintz, C. Johnston, T. Johnston, McCormick, Sedell, Wilson
No: -

Absent: Foy
Abstain: Goulet

C. Consider Application for Non-Service and Service Connected Disability Retirement; David L. Gasaway; Case No. 12-002.

Stephen D. Roberson and Paul Hilbun were present representing the County of Ventura Risk Management. Steven R. Pingel, Attorney at Law, was present representing the applicant. The applicant, David L. Gasaway, was absent.

After statements by both parties and discussion by the Board, the following Motion was made:

MOTION: Adopt the Hearing Officer's recommendation and grant the applicant, David L. Gasaway, a service connected disability retirement.

Moved by Wilson, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

D. Consider Application for Non-Service and Service Connected Disability Retirement; Cynthia Ordway; Case No. 12-018.

Stephen D. Roberson and Paul Hilbun were present representing the County of Ventura Risk Management. Anthony Strauss, Attorney at Law, was present representing the applicant. The applicant, Cynthia Ordway, was present.

After statements by both parties and discussion by the Board, the following Motion was made:

The following Motion was made:

MOTION: Adopt the Hearing Officer's recommendation and deny the applicant, Cynthia Ordway, a disability retirement.

Moved by Wilson, seconded by Henderson

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, Towner, Sedell, Wilson
No: McCormick
Absent: Foy

E. Consider Application for Service Connected Disability Retirement; David J. Nadon; Case No. 11-008.

Stephen D. Roberson and Paul Hilbun were present representing the County of Ventura Risk Management. Anthony Strauss, Attorney at Law, was present representing the applicant. The applicant, David J. Nadon, was present.

After discussion by the Board, the following Motion was made:

MOTION: Deny the application for service connected retirement.

Moved by Goulet, seconded by Henderson.

Vote: Motion carried
Yes: Goulet, Henderson, Towner, Sedell, Wilson
No: Hintz, T.Johnston, McCormick
Absent: Foy

County of Ventura Risk Management was provided 30 days to prepare a proposed decision, including Findings of Fact and Conclusions of Law, and distribute to Applicant's Counsel and Board Counsel for review.

F. Consider Petition for Reconsideration for Service Connected Disability Retirement; Alyson Kaye; Case No. 12-007.

Derek Straatsma and Paul Hilbun were present representing the County of Ventura Risk Management. The applicant, Alyson Kaye, was absent.

The Interim Retirement Administrator, read into the record an email on behalf of the applicant, Alyson Kaye. Both parties declined to make statements.

After discussion by the Board, the following Motion was made:

MOTION: Deny the Petition for Reconsideration.

Moved by Sedell, seconded by Wilson.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

G. Receive and File Letter of Resignation from Hearing Officer Shelley Kaufman.

The following Motion was made:

MOTION: Receive and file the Letter of Resignation.

Moved by Wilson, seconded by Goulet.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

VI. COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

Henry Solis entered the meeting.

A. June 30, 2013 Comprehensive Annual Financial Report (CAFR). **RECOMMENDED ACTION: Approve.**

Andrew Paulden, Brown & Armstrong, presented the CAFR.

After discussion by the Board and Staff, the following Motion was made:

MOTION: Approve the CAFR with minor technical corrections to be made.

Moved by Goulet, seconded by McCormick.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

VII. OLD BUSINESS

A. Hearing Officer Recommendation. **RECOMMENDED ACTION: Approve.**

After an update by the Interim Retirement Administrator and recommendation to enter into a contract with Catherine Harris as a Hearing Officer, the following Motion was made:

MOTION: Approve the contract with Catherine Harris.

Moved by Wilson, seconded by Henderson.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

VIII. NEW BUSINESS

A. VCERA Cost-of-Living Adjustments as of April 1, 2014. **RECOMMENDED ACTION: Approve.**

After discussion by the Board and Staff, the following Motion was made:

MOTION: Approve the Cost-of-Living Adjustments as of April 1, 2014.

Moved by Henderson, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

B. Request to Attend Pension Bridge Conference – Trustee Goulet. **RECOMMENDED ACTION: Approve.**

MOTION: Approve the Request to Attend.

Moved by Wilson, seconded by Hintz.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

IX. PENSION ADMINISTRATION SYSTEM (PAS) PROJECT

A. Oral Update from Interim Retirement Administrator on the VCERIS (PAS) Project.

The Interim Retirement Administrator provide an update to the Board.

No Action Taken.

B. Quarterly Pension Administration System (PAS) Report – Brian Colker, Linea Solutions. **RECOMMENDED ACTION: Receive and File.**

1. Quarterly Status Report.
2. VITECH Payment Schedule.

Brian Colker, Linea Solutions, provided the quarterly report and the VITECH payment schedule to the Board.

After discussion by the Board and Staff, the following Motion was made:

MOTION: Receive and File the Quarterly Status Report and VITECH Payment Schedule.

Moved by Hintz, seconded by Wilson.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

C. Recommendation to Utilize Linea Solutions Resources for VCERIS (PAS) Project. **RECOMMENDED ACTION: Approve.**

The Interim Retirement Administrator reviewed cost options for project resources and recommended utilizing a Linea Solutions resource at a cost of $63.00 per hour through August 2015.

After discussion by the Board and Staff, the following Motion was made:

MOTION: Approve the utilization of a Linea Solutions Resource.

Moved by Sedell, seconded by T. Johnston.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

Trustee Goulet requested a not-to-exceed limit included in the contract for utilization of the Linea Solutions Resource.

After further discussion by the Board and Staff, the following motion was made:

MOTION: Approve the inclusion of the not-to-exceed limit..

Moved by Sedell, seconded by Hintz.

Vote: Motion carried
Yes: Goulet, Henderson, Hintz, T. Johnston, McCormick, Towner, Sedell, Wilson
No: -
Absent: Foy

X. INFORMATIONAL

A. Manatt, Phelps & Philips Public Pension Fund Fiduciary Forum, March 27-28, 2014 – San Francisco, CA.

B. Letter from County of Ventura Auditor-Controller's Office RE Tax Treatment of Per Diem (Stipend) Payments.

XI. PUBLIC COMMENT

None.

XII. STAFF COMMENT

The Interim Retirement Administrator reported that VCERA received a favorable determination letter and compliance statement from the Internal Revenue Service. Hanson Bridgett will follow-up shortly with VCERA on the next steps.

XIII. BOARD MEMBER COMMENT

Trustee C. Johnston updated the Board on his attendance at the NEPC Conference he attended in Tempe, Arizona. He gave it favorable reviews. He stated that NEPC will offer a conference in May to be held in Boston. Orange County CIO working on co-investment idea where any groups could co-invest, not being limited to '37 Act counties, in different investment areas. He suggested a representative from VCERA attend the semi-finals to be held in Orange County on February 20-21 with finalist selections to be held on March 5.

Trustee Goulet commented on the Auditor-Controller Per Diem (Stipend) Payments. Henry Solis, CFO, responded to Trustee Goulet's comments. Discussion ensued on travel claims.

Trustee McCormick indicated she would like to attend the Pension Bridge Conference in San Francisco on April 22 & 23, 2014.

Trustees Goulet, Henderson, T. Johnston, McCormick, Sedell and Wilson indicated they would like to attend the Manatt, Phelps and Phillips Fiduciary Forum. Chair Towner indicated that preference will be given to those Trustees who have not attended prior Forums. Staff will prepare the appropriate Board letter for the February 24, 2014 Board meeting.

Chair Towner reminded the Board that when speaking to the media that views expressed by Board Members are self-expressed and not expressions on behalf of the Board of Retirement.

XIV. ADJOURNMENT

The meeting was adjourned at 11:15 a.m.

Respectfully submitted,

TIM THONIS, Interim Retirement Administrator

Approved,

TRACY TOWNER, Chairman

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
REPORT OF REGULAR AND DEFERRED RETIREMENTS AND SURVIVORS CONTINUANCES

JANUARY 2014

FIRST NAME	LAST NAME	G/S	DATE OF MEMBERSHIP	TOTAL SERVICE	OTHER SERVICE	DEPARTMENT	EFFECTIVE DATE
REGULAR RETIREMENTS:							
Glenn R.	Bledsoe	G	5/20/2007	6.04		Public Works	09/12/13
Barbara	Broberg	G	3/3/1991	22.10		Health Care Agency	12/21/13
Patrick	Coffman	G	8/13/2001	12.30		Assessor	12/14/13
Gregory D.	Danko	S	9/16/2001	8.52		Sheriff's Department	07/08/10
Ann	Doherty	G	2/2/1992	15.30	B=0.1463	Health Care Agency	12/25/13
Rosario	Estomo	G	6/30/2003	5.06		Board of Supervisors	12/13/03
Graciela	Gonzalez	G	11/29/2011	4.81		Public Works	12/09/13
						(Non-Member Spouse)	
Maria	Iniguez	G	8/4/1991	22.67	B=0.4216	Health Care Agency	12/31/13
Joe	Martinez III	S	1/15/2006	6.29		Sheriff's Department	09/29/11
Dexter L.	McDonald	G	2/11/2002	10.29		Agriculture	11/23/13
Michael	Miller	G	4/2/1989	24.15		Child Support Services	12/22/13
Christina K.	Minson	G	12/26/1999	7.51		Clerk-Recorder	11/25/13
Michael A.	Robison	S	03/31/1991	2.50	C=20.385	Sheriff's Department	12/28/13
Nosratollah	Satvati	G	12/09/2000	12.70		Health Care Agency	11/09/13
Armando E.	Serrano Jr.	S	10/21/2007	7.50	A=1.4049	Sheriff's Department	01/04/14
Felipe A.	Vasquez	G	1/15/1984	30.00	A=3.4358	Sheriff's Department	12/18/13
					B=0.0915		
Robert W.	Vodka	G	12/01/1985	13.00		Resource Management	12/01/13
DEFERRED RETIREMENTS:							
Javier	Barrera	G	11/07/2004	9.15		VC Fire Protection District	12/26/13
Jennifer L.	Bunker	G	12/09/1990	21.26		Human Services Agency	12/30/13
Lissette	Cortez	G	10/08/2006	6.28		District Attorney	12/22/13
Ena Doris	De La Cruz	G	07/30/2006	6.14 *		Human Services Agency	01/03/14
Rebecca	Johnson	G	04/18/1999	13.64		Human Services Agency	01/10/14
Marcie	Kraft	G	04/10/2005	8.69	C=13.171	Superior Courts	01/03/14
Jacqueline	McLaughlin	G	09/12/2014	9.10		Health Care Agency	01/03/14
Dana	Ramirez	G	01/15/1995	17.14		Health Care Agency	02/01/14
Jeffrey A.	Titcher	G	01/01/2006	6.16		Health Care Agency	12/26/13
Stephanie M.	West	G	06/04/2006	5.11		Health Care Agency	01/10/14
SURVIVORS' CONTINUANCES:							
Gloria	Taylor						
Julianna	Valdivieso						
Nancy	Warne						

*** = Member Establishing Reciprocity**
A = Previous Membership
B = Other County Service (eg Extra Help)
C = Reciprocal Service
D = Public Service

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
Company:	**VCERA**										
Acct / Sub:	1002		00								
023245	CK	1/2/2014	CA SDU CALIFORNIA STATE	07-14		018055	VO	CRT ORDERED PMT	1/2/2014	0.00	1,005.01
023246	CK	1/2/2014	CALPERS CALPERS LONG-TERM	07-14		018056	VO	INSURANCE	1/2/2014	0.00	18,582.42
023247	CK	1/2/2014	CHILD5 STATE DISBURSEMENT UNIT (SI	07-14		018057	VO	CRT ORDERED PMT	1/2/2014	0.00	511.00
023248	CK	1/2/2014	CHILD9 SHERIDA SEGALL	07-14		018058	VO	CRT ORDERED PMT	1/2/2014	0.00	260.00
023249	CK	1/2/2014	CHILD21 OREGON DEPT OF JUSTICE	07-14		018059	VO	CRT ORDERED PMT	1/2/2014	0.00	171.74
023250	CK	1/2/2014	CVMP COUNTY OF VENTURA	07-14		018060	VO	INSURANCE	1/2/2014	0.00	513,839.32
023251	CK	1/2/2014	FTBCA3 FRANCHISE TAX BOARD	07-14		018061	VO	GARNISHMENT	1/2/2014	0.00	77.11
023252	CK	1/2/2014	IRS6 INTERNAL REVENUE SERVICE	07-14		018062	VO	GARNISHMENT	1/2/2014	0.00	321.00
023253	CK	1/2/2014	SEIU SEIU LOCAL 721	07-14		018063	VO	DUES	1/2/2014	0.00	308.50
023254	CK	1/2/2014	SPOUSE2 KELLY SEARCY	07-14		018064	VO	CRT ORDERED PMT	1/2/2014	0.00	1,874.00
023255	CK	1/2/2014	SPOUSE3 ANGELINA ORTIZ	07-14		018065	VO	CRT ORDERED PMT	1/2/2014	0.00	250.00
023256	CK	1/2/2014	SPOUSE4 CATHY C. PEET	07-14		018066	VO	CRT ORDERED PMT	1/2/2014	0.00	550.00
023257	CK	1/2/2014	SPOUSE5 SUZANNA CARR	07-14		018067	VO	CRT ORDERED PMT	1/2/2014	0.00	829.00

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023258	CK	1/2/2014	SPOUSE6 BARBARA JO GREENE	07-14		018068	VO	CRT ORDERED PMT	1/2/2014	0.00	675.00
023259	CK	1/2/2014	VCDSA VENTURA COUNTY DEPUTY	07-14		018069	VO	INSURANCE	1/2/2014	0.00	259,045.94
023260	CK	1/2/2014	VCPFF VENTURA COUNTY PROFESSIOI	07-14		018070	VO	INSURANCE	1/2/2014	0.00	67,895.79
023261	CK	1/2/2014	VCREA RETIRED EMPLOYEES' ASSOCIA	07-14		018071	VO	DUES	1/2/2014	0.00	4,252.50
023262	CK	1/2/2014	VRSD VENTURA REGIONAL	07-14		018072	VO	INSURANCE	1/2/2014	0.00	10,512.91
023263	CK	1/2/2014	VSP VISION SERVICE PLAN - (CA)	07-14		018073	VO	INSURNACE	1/2/2014	0.00	7,945.05
023264	CK	1/2/2014	CMP CMP & ASSOCIATES, INC	07-14		018074	VO	IT/PAS	1/2/2014	0.00	24,190.00
023265	CK	1/2/2014	MF M.F. DAILY CORPORATION	07-14		018075	VO	ADMIN EXP	1/2/2014	0.00	13,547.01
023266	CK	1/2/2014	NEPC NEPC, LLC	07-14		018076	VO	INVESTMENT FEES	1/2/2014	0.00	45,584.24
023267	CK	1/2/2014	SPRUCE SPRUCEGROVE INVESTMENT M	07-14		018077	VO	INVESTMENT FEES	1/2/2014	0.00	57,781.22
023268	CK	1/2/2014	VOLT VOLT	07-14		018078	VO	ADMIN/PAS	1/2/2014	0.00	4,935.91
023269	CK	1/2/2014	F5626 SUZANNE W. CUEVAS	07-14		018079	VO	PENSION PAYMENT	1/2/2014	0.00	1,278.73
023270	CK	1/3/2014	F4643 CHRISTOPHER R. WHITE	07-14		018080	VO	PENSION PAYMENT	1/3/2014	0.00	3,264.83

Ventura County Retirement Assn

Check Register - Standard

Period: 07-14 As of: 1/31/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023271	CK	1/9/2014	ADP ADP INC	07-14		018087	VO	ADMIN EXP	1/9/2014	0.00	10,782.31
023272	CK	1/9/2014	BARNEY ABU COURT REPORTING INC	07-14		018088	VO	ADMIN EXP	1/9/2014	0.00	295.00
023273	CK	1/9/2014	BOFA BANK OF AMERICA	07-14		018089	VO	ADMIN EXP	1/9/2014	0.00	6,283.55
023274	CK	1/9/2014	IFEBP INT'L FOUNDATION OF EMPLOYE	07-14		018090	VO	ADMIN EXP	1/9/2014	0.00	1,020.00
023275	CK	1/9/2014	SBS SBS GROUP	07-14		018091	VO	IT	1/9/2014	0.00	57.75
023276	CK	1/9/2014	SEGAL SEGAL CONSULTING	07-14		018092	VO	ACTUARY FEES	1/9/2014	0.00	24,000.00
023277	CK	1/9/2014	F0114B1 DANI HARMON ZACK	07-14		018081	VO	DEATH BENEFIT	1/9/2014	0.00	4,052.42
023278	CK	1/9/2014	F0148B1 PATSY ANN M. CHING	07-14		018082	VO	DEATH BENEFIT	1/9/2014	0.00	3,872.18
023279	CK	1/9/2014	F4592B1 VENTURA COUNTY CREDIT UNI(	07-14		018083	VO	DEATH BENEFIT	1/9/2014	0.00	2,569.84
023280	CK	1/9/2014	F4592B2 TIMUR R. DEMIRTAS	07-14		018084	VO	DEATH BENEFIT	1/9/2014	0.00	2,055.86
023281	CK	1/9/2014	F5192B1 NANCY WARNE	07-14		018085	VO	DEATH BENEFIT	1/9/2014	0.00	2,870.88
023282	CK	1/9/2014	F6367B1 LESLIE BLAKEMAN	07-14		018086	VO	DEATH BENEFIT	1/9/2014	0.00	697.95
023283	CK	1/16/2014	F1104 VIOLA KING	07-14		018093	VO	PENSION PAYMENT	1/16/2014	0.00	739.99
023284	CK	1/16/2014	F1414B1 KATHRYN M. MOWREY TRUST	07-14		018094	VO	DEATH BENEFIT	1/16/2014	0.00	497.20

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023285	CK	1/16/2014	F3522B1 RUTH F. JONES	07-14		018095	VO	DEATH BENEFIT	1/16/2014	0.00	4,462.71
023286	CK	1/16/2014	F4694S GLORIA TAYLOR	07-14		018096	VO	DEATH BENEFIT	1/16/2014	0.00	5,969.22
023287	CK	1/16/2014	F6383B1 MARK GIGAS	07-14		018097	VO	DEATH BENEFIT	1/16/2014	0.00	351.97
023288	CK	1/16/2014	F6383B2 MARINA HULL	07-14		018098	VO	DEATH BENEFIT	1/16/2014	0.00	380.50
023289	CK	1/16/2014	F7530B1 RUTH F. JONES	07-14		018099	VO	DEATH BENEFIT	1/16/2014	0.00	740.46
023290	CK	1/16/2014	990006BM MICHAEL SEDELL	07-14		018100	VO	BRD MEM FEES	1/16/2014	0.00	100.00
023291	CK	1/16/2014	BARNEY ABU COURT REPORTING INC	07-14		018101	VO	ADMIN EXP	1/16/2014	0.00	315.00
023292	CK	1/16/2014	BURSTEIN MARK BURSTEIN	07-14		018102	VO	ADMIN EXP	1/16/2014	0.00	5,600.00
023293	CK	1/16/2014	COMPUWAVE COMPUWAVE	07-14		018103	VO	IT	1/16/2014	0.00	379.09
023294	CK	1/16/2014	CROST PAUL E CROST	07-14		018104	VO	ADMIN EXP	1/16/2014	0.00	6,825.00
023295	CK	1/16/2014	MEGAPATH MEGAPATH INC.	07-14		018105	VO	IT	1/16/2014	0.00	164.93
023296	CK	1/16/2014	NOVANIS NOVANIS	07-14		018106	VO	IT	1/16/2014	0.00	24,000.00
023297	CK	1/16/2014	VCPFF VENTURA COUNTY PROFESSIOI	07-14		018107	VO	INSURANCE	1/16/2014	0.00	4,365.57

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023298	CK	1/16/2014	VOLT VOLT	07-14		018108	VO	ADMIN EXP	1/16/2014	0.00	686.88
023299	CK	1/23/2014	101913 MICHAEL MILLER	07-14		018109	VO	REFUND T2 COL	1/23/2014	0.00	20,308.71
023300	CK	1/23/2014	105143B1 LISA S. BALL	07-14		018110	VO	DEATH BENEFIT	1/23/2014	0.00	8,760.83
023301	CK	1/23/2014	105143B1R JP MORGAN CHASE BANK	07-14		018111	VO	ROLLOVER	1/23/2014	0.00	29,117.33
023302	CK	1/23/2014	105825 LISA C. LAPORT	07-14		018112	VO	REFUND	1/23/2014	0.00	36,212.66
023303	CK	1/23/2014	117937 CHRISTINA N. GRIMES	07-14		018113	VO	REFUND	1/23/2014	0.00	18,300.74
023304	CK	1/23/2014	117962 CHRISTOPHER R. MOORE	07-14		018114	VO	REFUND	1/23/2014	0.00	47,488.39
023305	CK	1/23/2014	119121 CAROLINA L. RECINOS	07-14		018115	VO	REFUND	1/23/2014	0.00	16,930.38
023306	CK	1/23/2014	119379 MICHAEL GERALD PENEZ VILLAI	07-14		018116	VO	REFUND	1/23/2014	0.00	29,632.88
023307	CK	1/23/2014	119794 DEAN A. CURTIS	07-14		018117	VO	REFUND	1/23/2014	0.00	1,952.59
023308	CK	1/23/2014	119794R CHARLES SCHWAB & CO. INC	07-14		018118	VO	ROLLOVER	1/23/2014	0.00	38,453.09
023309	CK	1/23/2014	120044 MIDINA B. PUGEDA	07-14		018119	VO	REFUND	1/23/2014	0.00	10,595.30
023310	CK	1/23/2014	121318 CHRISTINA I. LARES	07-14		018120	VO	REFUND	1/23/2014	0.00	4,969.70
023311	CK	1/23/2014	121373 TIFFANY M. CURTIS	07-14		018121	VO	REFUND	1/23/2014	0.00	11,828.10

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023312	CK	1/23/2014	122188 GINA M. CUTHBERT	07-14		018122	VO	REFUND	1/23/2014	0.00	8,448.66
023313	CK	1/23/2014	123084 JESSICA A. LOPEZ	07-14		018123	VO	REFUND	1/23/2014	0.00	1,212.98
023314	CK	1/23/2014	123212 KIM A. OSAJDA	07-14		018124	VO	REFUND	1/23/2014	0.00	756.32
023315	CK	1/23/2014	123361 BEATRIZ G. ESPINDOLA	07-14		018125	VO	REFUND	1/23/2014	0.00	998.32
023316	CK	1/23/2014	123410 RAYMOND J. OLVERA	07-14		018126	VO	REFUND	1/23/2014	0.00	1,054.81
023317	CK	1/23/2014	123442 LETICIA M. ANGELES	07-14		018127	VO	REFUND	1/23/2014	0.00	542.44
023318	CK	1/23/2014	123477 BERENICE PONCE ZARATE	07-14		018128	VO	REFUND	1/23/2014	0.00	653.14
023319	CK	1/23/2014	123570R J.P. MORGAN CHASE	07-14		018129	VO	ROLLOVER	1/23/2014	0.00	23.69
023320	CK	1/23/2014	F0156B1 THE ATKINSON REVOCABLE TRU	07-14		018130	VO	DEATH BENEFIT	1/23/2014	0.00	3,862.88
023321	CK	1/23/2014	F3552B1 KENNETH L. THOMPSON	07-14		018131	VO	DEATH BENEFIT	1/23/2014	0.00	69.41
023322	CK	1/23/2014	F3552B2 BRYAN D. THOMPSON	07-14		018132	VO	DEATH BENEFIT	1/23/2014	0.00	69.40
023323	CK	1/23/2014	F3552B3 DAVID N. THOMPSON	07-14		018133	VO	DEATH BENEFIT	1/23/2014	0.00	69.40
023324	CK	1/23/2014	F8556 ALEJANDRO G. CUELLAR	07-14		018134	VO	PENSION PAYMENT	1/23/2014	0.00	1,977.95

Ventura County Retirement Assn

Check Register - Standard

Period: 07-14 As of: 1/31/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023325	CK	1/23/2014	XXXXX1951 NICOLE LANDON	07-14		018135	VO	REFUND	1/23/2014	0.00	28,497.82
023326	CK	1/23/2014	AT&T AT & T MOBILITY	07-14		018136	VO	IT	1/23/2014	0.00	306.90
023327	CK	1/23/2014	BARNEY ABU COURT REPORTING INC	07-14		018137	VO	ADMIN EXP	1/23/2014	0.00	622.05
023328	CK	1/23/2014	CMP CMP & ASSOCIATES, INC	07-14		018138	VO	IT/PAS	1/23/2014	0.00	20,677.50
023329	CK	1/23/2014	COMPUWAVE COMPUWAVE	07-14		018139	VO	IT	1/23/2014	0.00	4,188.12
023330	CK	1/23/2014	CORPORATE STAPLES ADVANTAGE	07-14		018140	VO	ADMIN EXP	1/23/2014	0.00	356.02
023331	CK	1/23/2014	FOLEY FOLEY AND LARDNER LLP	07-14		018141	VO	LEGAL FEES	1/23/2014	0.00	243.00
023332	CK	1/23/2014	INCENTIVE INCENTIVE SERVICES	07-14		018142	VO	ADMIN EXP	1/23/2014	0.00	134.38
023333	CK	1/23/2014	KAUFMAN SHELLEY KAUFMAN	07-14		018143	VO	ADMIN EXP	1/23/2014	0.00	3,937.50
023334	CK	1/23/2014	LINEA LINEA SOLUTIONS	07-14		018144	VO	IT/PAS	1/23/2014	0.00	53,784.75
023335	CK	1/23/2014	TWC TIME WARNER CABLE	07-14		018145	VO	IT/PAS	1/23/2014	0.00	478.23
023336	CK	1/23/2014	VITECH VITECH SYSTEMS GROUP INC	07-14		018146	VO	PAS	1/23/2014	0.00	2,500.00
023337	CK	1/23/2014	VOLT VOLT	07-14		018147	VO	ADMIN/PAS	1/23/2014	0.00	6,528.90
023338	CK	1/30/2014	CA SDU CALIFORNIA STATE	07-14		018148	VO	CRT ORDERED PMT	1/30/2014	0.00	1,175.58

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023339	CK	1/30/2014	CALPERS CALPERS LONG-TERM	07-14		018149	VO	INSURANCE	1/30/2014	0.00	18,582.42
023340	CK	1/30/2014	CHILD21 OREGON DEPT OF JUSTICE	07-14		018150	VO	CRT ORDERED PMT	1/30/2014	0.00	171.74
023341	CK	1/30/2014	CHILD5 STATE DISBURSEMENT UNIT (SI	07-14		018151	VO	CRT ORDERED PMT	1/30/2014	0.00	511.00
023342	CK	1/30/2014	CHILD9 SHERIDA SEGALL	07-14		018152	VO	CRT ORDERED PMT	1/30/2014	0.00	260.00
023343	CK	1/30/2014	COUNTY2 COUNTY OF VENTURA	07-14		018153	VO	PENSION PAYMENT	1/30/2014	0.00	233,471.24
023344	CK	1/30/2014	CVMP COUNTY OF VENTURA	07-14		018154	VO	INSURANCE	1/30/2014	0.00	513,251.48
023345	CK	1/30/2014	FTBCA3 FRANCHISE TAX BOARD	07-14		018155	VO	GARNISHMENT	1/30/2014	0.00	137.26
023346	CK	1/30/2014	IRS6 INTERNAL REVENUE SERVICE	07-14		018156	VO	GARNISHMENT	1/30/2014	0.00	321.00
023347	CK	1/30/2014	IRS7 INTERNAL REVENUE SERVICE	07-14		018157	VO	GARNISHMENT	1/30/2014	0.00	500.00
023348	CK	1/30/2014	SEIU SEIU LOCAL 721	07-14		018158	VO	DUES	1/30/2014	0.00	304.50
023349	CK	1/30/2014	SPOUSE2 KELLY SEARCY	07-14		018159	VO	CRT ORDERED PMT	1/30/2014	0.00	1,874.00
023350	CK	1/30/2014	SPOUSE3 ANGELINA ORTIZ	07-14		018160	VO	CRT ORDERED PMT	1/30/2014	0.00	250.00
023351	CK	1/30/2014	SPOUSE4 CATHY C. PEET	07-14		018161	VO	CRT ORDERED PMT	1/30/2014	0.00	550.00

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid
023352	CK	1/30/2014	SPOUSE5 SUZANNA CARR	07-14		018162	VO	CRT ORDERED PMT	1/30/2014	0.00	829.00
023353	CK	1/30/2014	SPOUSE6 BARBARA JO GREENE	07-14		018163	VO	CRT ORDERED PMT	1/30/2014	0.00	675.00
023354	CK	1/30/2014	VCDSA VENTURA COUNTY DEPUTY	07-14		018164	VO	INSURANCE	1/30/2014	0.00	256,974.53
023355	CK	1/30/2014	VCPFF VENTURA COUNTY PROFESSIOI	07-14		018165	VO	INSURANCE	1/30/2014	0.00	69,465.57
023356	CK	1/30/2014	VCREA RETIRED EMPLOYEES' ASSOCIA	07-14		018166	VO	DUES	1/30/2014	0.00	4,243.50
023357	CK	1/30/2014	VRSD VENTURA REGIONAL	07-14		018167	VO	INSURANCE	1/30/2014	0.00	6,147.34
023358	CK	1/30/2014	VSP VISION SERVICE PLAN - (CA)	07-14		018168	VO	INSURANCE	1/30/2014	0.00	8,258.93
023359	CK	1/30/2014	ADP ADP INC	07-14		018169	VO	ADMIN EXP	1/30/2014	0.00	2,541.27
023360	CK	1/30/2014	COUNTY COUNTY COUNSEL	07-14		018170	VO	LEGAL FEES	1/30/2014	0.00	23,552.00
023361	CK	1/30/2014	MANATT MANATT, PHELPS, PHILLIPS	07-14		018171	VO	LEGAL FEES	1/30/2014	0.00	1,540.95
023362	CK	1/30/2014	MF M.F. DAILY CORPORATION	07-14		018172	VO	ADMIN EXP	1/30/2014	0.00	15,008.26
023363	CK	1/30/2014	PBI PENSION BENEFIT INFORMATIO	07-14		018173	VO	ADMIN EXP	1/30/2014	0.00	1,130.00
023364	CK	1/30/2014	VITECH VITECH SYSTEMS GROUP INC	07-14		018174	VO	PAS	1/30/2014	0.00	314,640.00

Ventura County Retirement Assn

Check Register - Standard

Period: 07-14 As of: 1/31/2014

Check Nbr	Check Type	Check Date	Vendor ID / Vendor Name	Period To Post	Period Closed	Ref Nbr	Doc Type	Invoice Number	Invoice Date	Discount Taken	Amount Paid

Check Count: 120

Acct Sub Total: **3,046,536.33**

Check Type	Count	Amount Paid
Regular	120	3,046,536.33
Hand	0	0.00
Electronic Payment	0	0.00
Void	0	0.00
Stub	0	0.00
Zero	0	0.00
Mask	0	0.00
Total:	**120**	**3,046,536.33**

Company Disc Total **0.00** **Company Total** **3,046,536.33**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2013

ASSETS

CASH & CASH EQUIVALENTS	**$74,574,439**
RECEIVABLES	
ACCRUED INTEREST AND DIVIDENDS	3,346,871
SECURITY SALES	8,038,906
MISCELLANEOUS	1,900
TOTAL RECEIVABLES	**11,387,677**
INVESTMENTS AT FAIR VALUE	
DOMESTIC EQUITY SECURITIES	99,395,615
DOMESTIC EQUITY INDEX FUNDS	1,165,048,988
INTERNATIONAL EQUITY SECURITIES	359,815,790
INTERNATIONAL EQUITY INDEX FUNDS	290,890,130
GLOBAL EQUITY	422,358,273
PRIVATE EQUITY	68,553,379
DOMESTIC FIXED INCOME - CORE PLUS	558,002,887
DOMESTIC FIXED INCOME - U.S. INDEX	131,068,002
GLOBAL FIXED INCOME	256,415,893
REAL ESTATE	293,716,363
ALTERNATIVES	377,798,151
CASH OVERLAY - CLIFTON	(21,486)
TOTAL INVESTMENTS	**4,023,041,985**
PENSION SOFTWARE DEVELOPMENT COSTS	**3,443,718**
TOTAL ASSETS	**4,112,447,818**

LIABILITIES

SECURITY PURCHASES PAYABLE	8,132,873
ACCOUNTS PAYABLE	2,677,868
PREPAID CONTRIBUTIONS	78,547,918
TOTAL LIABILITIES	**89,358,659**
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	**$4,023,089,159**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE SIX MONTHS ENDED DECEMBER 31, 2013

ADDITIONS	
CONTRIBUTIONS	
EMPLOYER	$78,004,426
EMPLOYEE	22,057,072
TOTAL CONTRIBUTIONS	**100,061,498**
INVESTMENT INCOME	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	383,955,192
INTEREST INCOME	6,816,121
DIVIDEND INCOME	17,144,309
REAL ESTATE OPERATING INCOME, NET	7,288,873
SECURITY LENDING INCOME	38,108
TOTAL INVESTMENT INCOME	**415,242,603**
LESS INVESTMENT EXPENSES	
MANAGEMENT & CUSTODIAL FEES	6,354,522
SECURITIES LENDING BORROWER REBATES	(25,534)
SECURITIES LENDING MANAGEMENT FEES	29,716
TOTAL INVESTMENT EXPENSES	**6,358,703**
NET INVESTMENT INCOME	**408,883,899**
TOTAL ADDITIONS	**508,945,397**
DEDUCTIONS	
BENEFIT PAYMENTS	107,473,801
MEMBER REFUNDS	2,466,700
ADMINISTRATIVE EXPENSES	3,421,204
TOTAL DEDUCTIONS	**113,361,706**
NET INCREASE/(DECREASE)	**395,583,692**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	**3,627,505,467**
ENDING BALANCE	**$4,023,089,159**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
DECEMBER 31, 2013

EQUITY		
DOMESTIC EQUITY		
WESTERN ASSET INDEX PLUS	$99,395,615	$17,180,913
TOTAL DOMESTIC EQUITY	99,395,615	17,180,913
DOMESTIC INDEX FUNDS		
BLACKROCK - US EQUITY MARKET	1,121,767,099	0
BLACKROCK - EXTENDED EQUITY	43,281,889	1
TOTAL EQUITY INDEX FUNDS	1,165,048,988	1
INTERNATIONAL EQUITY		
SPRUCEGROVE	185,640,498	0
HEXAVEST	80,514,432	0
WALTER SCOTT	93,660,860	0
TOTAL INTERNATIONAL EQUITY	359,815,790	0
INTERNATIONAL INDEX FUNDS		
BLACKROCK - ACWIXUS	290,890,130	0
TOTAL INTERNATIONAL INDEX FUNDS	290,890,130	0
GLOBAL EQUITY		
GRANTHAM MAYO AND VAN OTTERLOO (GMO)	209,734,792	0
BLACKROCK - GLOBAL INDEX	212,623,481	0
TOTAL GLOBAL EQUITY	422,358,273	0
PRIVATE EQUITY		
ADAMS STREET	42,445,651	0
PANTHEON	10,022,234	0
HARBOURVEST	16,085,494	0
TOTAL PRIVATE EQUITY	68,553,379	0
FIXED INCOME		
DOMESTIC		
LOOMIS SAYLES AND COMPANY	63,567,426	2,502,643
REAMS	251,728,906	0
WESTERN ASSET MANAGEMENT	242,706,555	3,530,709
TOTAL DOMESTIC	558,002,887	6,033,352
DOMESTIC INDEX FUNDS		
BLACKROCK - US DEBT INDEX	131,068,002	0
TOTAL DOMESTIC INDEX FUNDS	131,068,002	0
GLOBAL		
LOOMIS SAYLES AND COMPANY	91,531,091	0
LOOMIS ALPHA	40,842,876	0
PIMCO	124,041,926	1,461,311
TOTAL GLOBAL	256,415,893	1,461,311

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
DECEMBER 31, 2013

REAL ESTATE		
PRUDENTIAL REAL ESTATE	95,185,595	0
RREEF	8,884,224	0
UBS REALTY	189,646,544	0
TOTAL REAL ESTATE	**293,716,363**	**0**
ALTERNATIVES		
BRIDGEWATER	256,188,200	0
TORTOISE (MLP's)	121,609,951	2,664,869
TOTAL ALTERNATIVES	**377,798,151**	**2,664,869**
CASH OVERLAY - CLIFTON GROUP	**(21,486)**	**39,918,753**
IN HOUSE CASH		**7,315,240**
TOTAL INVESTMENTS AND CASH	**$4,023,041,985**	**$74,574,439**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE SIX MONTHS ENDED DECEMBER 30, 2013

EQUITY MANAGERS	
DOMESTIC	
BLACKROCK - US EQUITY	$116,707
BLACKROCK - EXTENDED EQUITY	8,086
WESTERN ASSET INDEX PLUS	108,403
TOTAL	**233,196**
INTERNATIONAL	
BLACKROCK - ACWIXUS	162,659
SPRUCEGROVE	338,975
HEXAVEST	178,788
WALTER SCOTT	403,804
TOTAL	**1,084,227**
GLOBAL	
GRANTHAM MAYO VAN OTTERLOO (GMO)	544,074
BLACKROCK - GLOBAL INDEX	35,364
TOTAL	**579,438**
PRIVATE EQUITY	
ADAMS STREET	707,812
HARBOURVEST	193,439
PANTHEON	75,000
TOTAL	**976,251**
FIXED INCOME MANAGERS	
DOMESTIC	
BLACKROCK - US DEBT INDEX	46,242
LOOMIS, SAYLES AND COMPANY	138,841
REAMS ASSET MANAGEMENT	224,376
WESTERN ASSET MANAGEMENT	236,803
TOTAL	**646,261**
GLOBAL	
LOOMIS, SAYLES AND COMPANY	119,041
LOOMIS ALPHA	75,069
PIMCO	191,016
TOTAL	**385,125**
REAL ESTATE	
PRUDENTIAL REAL ESTATE ADVISORS	376,843
RREEF	49,975
UBS REALTY	917,728
TOTAL	**1,344,546**
ALTERNATIVES	
BRIDGEWATER	430,959
TORTOISE	369,226
TOTAL	**800,185**
CASH OVERLAY - CLIFTON	**63,928**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE SIX MONTHS ENDED DECEMBER 30, 2013

SECURITIES LENDING	
BORROWERS REBATE	(25,534)
MANAGEMENT FEES	29,716
TOTAL	4,182
OTHER	
INVESTMENT CONSULTANT	167,684
INVESTMENT CUSTODIAN	73,681
TOTAL	241,365
TOTAL INVESTMENT MANAGMENT FEES	$6,358,703

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
JANUARY 31, 2014

ASSETS

CASH & CASH EQUIVALENTS	$73,069,142
RECEIVABLES	
ACCRUED INTEREST AND DIVIDENDS	3,973,083
SECURITY SALES	3,080,425
MISCELLANEOUS	1,900
TOTAL RECEIVABLES	7,055,407
INVESTMENTS AT FAIR VALUE	
DOMESTIC EQUITY SECURITIES	99,645,467
DOMESTIC EQUITY INDEX FUNDS	1,129,025,131
INTERNATIONAL EQUITY SECURITIES	342,625,044
INTERNATIONAL EQUITY INDEX FUNDS	263,937,316
GLOBAL EQUITY	406,054,223
PRIVATE EQUITY	68,723,379
DOMESTIC FIXED INCOME - CORE PLUS	555,875,997
DOMESTIC FIXED INCOME - U.S. INDEX	133,066,452
GLOBAL FIXED INCOME	254,729,085
REAL ESTATE	291,614,826
ALTERNATIVES	379,576,191
CASH OVERLAY - CLIFTON	(59,653)
TOTAL INVESTMENTS	3,924,813,456
PENSION SOFTWARE DEVELOPMENT COSTS	3,443,718
TOTAL ASSETS	4,008,381,723

LIABILITIES

SECURITY PURCHASES PAYABLE	4,713,824
ACCOUNTS PAYABLE	1,672,714
PREPAID CONTRIBUTIONS	63,964,097
TOTAL LIABILITIES	70,350,635
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$3,938,031,088

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2014

ADDITIONS	
CONTRIBUTIONS	
EMPLOYER	$91,801,346
EMPLOYEE	25,709,883
TOTAL CONTRIBUTIONS	**117,511,228**
INVESTMENT INCOME	
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	299,671,874
INTEREST INCOME	7,991,431
DIVIDEND INCOME	17,773,022
REAL ESTATE OPERATING INCOME, NET	7,288,873
SECURITY LENDING INCOME	37,205
TOTAL INVESTMENT INCOME	**332,762,405**
LESS INVESTMENT EXPENSES	
MANAGEMENT & CUSTODIAL FEES	6,897,029
SECURITIES LENDING BORROWER REBATES	(36,882)
SECURITIES LENDING MANAGEMENT FEES	40,160
TOTAL INVESTMENT EXPENSES	**6,900,307**
NET INVESTMENT INCOME	**325,862,098**
TOTAL ADDITIONS	**443,373,326**
DEDUCTIONS	
BENEFIT PAYMENTS	125,783,334
MEMBER REFUNDS	2,867,122
ADMINISTRATIVE EXPENSES	4,197,250
TOTAL DEDUCTIONS	**132,847,706**
NET INCREASE/(DECREASE)	**310,525,620**
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	**3,627,505,467**
ENDING BALANCE	**$3,938,031,087**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
JANUARY 31, 2014

EQUITY		
DOMESTIC EQUITY		
WESTERN ASSET INDEX PLUS	$99,645,467	$17,244,225
TOTAL DOMESTIC EQUITY	**99,645,467**	**17,244,225**
DOMESTIC INDEX FUNDS		
BLACKROCK - US EQUITY MARKET	1,086,571,954	0
BLACKROCK - EXTENDED EQUITY	42,453,178	1
TOTAL EQUITY INDEX FUNDS	**1,129,025,131**	**1**
INTERNATIONAL EQUITY		
SPRUCEGROVE	177,594,880	0
HEXAVEST	77,047,670	0
WALTER SCOTT	87,982,494	0
TOTAL INTERNATIONAL EQUITY	**342,625,044**	**0**
INTERNATIONAL INDEX FUNDS		
BLACKROCK - ACWIXUS	263,937,316	0
TOTAL INTERNATIONAL INDEX FUNDS	**263,937,316**	**0**
GLOBAL EQUITY		
GRANTHAM MAYO AND VAN OTTERLOO (GMO)	201,883,757	0
BLACKROCK - GLOBAL INDEX	204,170,466	0
TOTAL GLOBAL EQUITY	**406,054,223**	**0**
PRIVATE EQUITY		
ADAMS STREET	42,615,651	0
PANTHEON	10,022,234	0
HARBOURVEST	16,085,494	0
TOTAL PRIVATE EQUITY	**68,723,379**	**0**
FIXED INCOME		
DOMESTIC		
LOOMIS SAYLES AND COMPANY	63,788,776	3,045,952
REAMS	250,817,046	0
WESTERN ASSET MANAGEMENT	241,270,175	8,894,852
TOTAL DOMESTIC	**555,875,997**	**11,940,804**
DOMESTIC INDEX FUNDS		
BLACKROCK - US DEBT INDEX	133,066,452	0
TOTAL DOMESTIC INDEX FUNDS	**133,066,452**	**0**
GLOBAL		
LOOMIS SAYLES AND COMPANY	92,140,718	0
LOOMIS ALPHA	40,767,311	0
PIMCO	121,821,056	1,596,548
TOTAL GLOBAL	**254,729,085**	**1,596,548**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENTS AND CASH EQUIVALENTS
JANUARY 31, 2014

REAL ESTATE		
PRUDENTIAL REAL ESTATE	95,185,595	0
RREEF	8,610,268	0
UBS REALTY	187,818,963	0
TOTAL REAL ESTATE	**291,614,826**	**0**
ALTERNATIVES		
BRIDGEWATER	254,905,975	0
TORTOISE (MLP's)	124,670,216	649,813
TOTAL ALTERNATIVES	**379,576,191**	**649,813**
CASH OVERLAY - CLIFTON GROUP	**(59,653)**	**36,886,818**
IN HOUSE CASH		**4,750,933**
TOTAL INVESTMENTS AND CASH	**$3,924,813,456**	**$73,069,142**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2014

EQUITY MANAGERS	
DOMESTIC	
BLACKROCK - US EQUITY	$116,707
BLACKROCK - EXTENDED EQUITY	8,086
WESTERN ASSET INDEX PLUS	108,403
TOTAL	**233,196**
INTERNATIONAL	
BLACKROCK - ACWIXUS	162,659
SPRUCEGROVE	338,975
HEXAVEST	178,788
WALTER SCOTT	403,804
TOTAL	**1,084,227**
GLOBAL	
GRANTHAM MAYO VAN OTTERLOO (GMO)	639,202
BLACKROCK - GLOBAL INDEX	35,364
TOTAL	**674,566**
PRIVATE EQUITY	
ADAMS STREET	707,812
HARBOURVEST	193,439
PANTHEON	75,000
TOTAL	**976,251**
FIXED INCOME MANAGERS	
DOMESTIC	
BLACKROCK - US DEBT INDEX	46,242
LOOMIS, SAYLES AND COMPANY	138,841
REAMS ASSET MANAGEMENT	224,376
WESTERN ASSET MANAGEMENT	236,803
TOTAL	**646,261**
GLOBAL	
LOOMIS, SAYLES AND COMPANY	119,041
LOOMIS ALPHA	75,069
PIMCO	191,016
TOTAL	**385,125**
REAL ESTATE	
PRUDENTIAL REAL ESTATE ADVISORS	376,843
RREEF	49,975
UBS REALTY	1,389,688
TOTAL	**1,816,506**
ALTERNATIVES	
BRIDGEWATER	430,959
TORTOISE	369,226
TOTAL	**800,185**
CASH OVERLAY - CLIFTON	**63,928**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT MANAGEMENT FEES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2014

SECURITIES LENDING	
BORROWERS REBATE	(36,882)
MANAGEMENT FEES	40,160
TOTAL	**3,278**
OTHER	
INVESTMENT CONSULTANT	167,684
INVESTMENT CUSTODIAN	49,100
TOTAL	**216,784**
TOTAL INVESTMENT MANAGMENT FEES	**$6,900,307**

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2013-2014
January 2014 - 58.33% of Fiscal Year Expended

EXPENDITURE DESCRIPTIONS	Adopted 2013/2014 Budget	Adjusted 2013/2014 Budget	Jan-14	Year to Date Expended	Available Balance	Percent Expended
Salaries & Benefits:						
Salaries	$ 1,725,600.00	$ 1,725,600.00	$ 116,544.87	$ 898,090.80	$ 827,509.20	52.05%
Extra-Help	25,000.00	25,000.00	7,223.06	26,022.78	(1,022.78)	104.09%
Overtime	1,500.00	1,500.00	0.00	207.66	1,292.34	13.84%
Supplemental Payments	53,700.00	53,700.00	3,725.80	27,327.84	26,372.16	50.89%
Vacation Redemption	87,500.00	87,500.00	7,824.03	69,720.04	17,779.96	79.68%
Retirement Contributions	424,800.00	424,800.00	28,484.01	211,180.14	213,619.86	49.71%
OASDI Contributions	107,800.00	107,800.00	7,758.16	53,502.70	54,297.30	49.63%
FICA-Medicare	27,000.00	27,000.00	1,814.41	14,083.73	12,916.27	52.16%
Retiree Health Benefit	16,200.00	16,200.00	1,395.20	9,504.56	6,695.44	58.67%
Group Health Insurance	170,800.00	170,800.00	12,540.00	89,721.08	81,078.92	52.53%
Life Insurance/Mgmt	1,000.00	1,000.00	84.77	565.68	434.32	56.57%
Unemployment Insurance	2,200.00	2,200.00	140.33	1,068.01	1,131.99	48.55%
Management Disability Insurance	4,200.00	4,200.00	281.26	2,129.54	2,070.46	50.70%
Worker' Compensation Insurance	10,900.00	10,900.00	883.86	6,250.82	4,649.18	57.35%
401K Plan Contribution	33,800.00	33,800.00	1,805.73	14,180.38	19,619.62	41.95%
Transfers In	60,800.00	60,800.00	5,285.60	35,048.71	25,751.29	57.65%
Transfers Out	(60,800.00)	(60,800.00)	(5,285.60)	(35,048.71)	(25,751.29)	57.65%
Total Salaries & Benefits	$ 2,692,000.00	$ 2,692,000.00	$ 190,505.49	$ 1,423,555.76	$ 1,268,444.24	52.88%
Services & Supplies:						
Telecommunication Services - ISF	$ 46,600.00	$ 46,600.00	$ 6,833.59	$ 23,421.94	$ 23,178.06	50.26%
General Insurance - ISF	12,300.00	12,300.00	0.00	6,131.00	6,169.00	49.85%
Office Equipment Maintenance	1,000.00	1,000.00	147.80	313.64	686.36	31.36%
Membership and Dues	9,300.00	9,300.00	1,020.00	7,820.00	1,480.00	84.09%
Education Allowance	6,000.00	6,000.00	0.00	2,000.00	4,000.00	33.33%
Cost Allocation Charges	57,300.00	57,300.00	0.00	28,619.00	28,681.00	49.95%
Printing Services - Not ISF	6,000.00	6,000.00	0.00	458.05	5,541.95	7.63%
Books & Publications	2,000.00	2,000.00	0.00	957.18	1,042.82	47.86%
Office Supplies	20,000.00	20,000.00	356.02	9,026.15	10,973.85	45.13%
Postage & Express	55,000.00	55,000.00	3,167.07	23,415.96	31,584.04	42.57%
Printing Charges - ISF	12,500.00	12,500.00	0.00	108.20	12,391.80	0.87%
Copy Machine Services - ISF	7,100.00	7,100.00	0.00	1,621.02	5,478.98	22.83%
Board Member Fees	11,000.00	11,000.00	100.00	5,900.00	5,100.00	53.64%
Professional Services	957,400.00	957,400.00	81,729.27	531,153.01	426,246.99	55.48%
Storage Charges	4,000.00	4,000.00	0.00	2,983.62	1,016.38	74.59%
Equipment	15,000.00	15,000.00	0.00	468.69	14,531.31	3.12%
Office Lease Payments	186,400.00	186,400.00	28,555.27	102,511.12	83,888.88	55.00%
Private Vehicle Mileage	8,300.00	8,300.00	375.00	5,831.38	2,468.62	70.26%
Conference, Seminar and Travel	65,000.00	65,000.00	5,693.61	43,630.76	21,369.24	67.12%
Furniture	11,200.00	11,200.00	0.00	9,169.76	2,030.24	81.87%
Facilities Charges	65,200.00	65,200.00	3,858.03	43,360.98	21,839.02	66.50%
Transfers In	11,300.00	11,300.00	953.08	6,319.85	4,980.15	55.93%
Transfers Out	(11,300.00)	(11,300.00)	(953.08)	(6,319.85)	(4,980.15)	55.93%
Total Services & Supplies	$ 1,558,600.00	$ 1,558,600.00	$ 131,835.66	$ 848,901.46	$ 709,698.54	54.47%
Total Sal, Ben, Serv & Supp	$ 4,250,600.00	$ 4,250,600.00	$ 322,341.15	$ 2,272,457.22	$ 1,978,142.78	53.46%
Technology:						
Computer Hardware	$ 22,200.00	$ 15,200.00	$ 4,567.21	6,430.59	$ 8,769.41	42.31%
Computer Software	46,200.00	36,700.00	9.99	22,889.79	13,810.21	62.37%
Systems & Application Support	419,900.00	451,400.00	51,300.86	196,188.05	255,211.95	43.46%
Pension Administration System	2,494,400.00	2,692,100.00	401,170.25	1,699,659.42	992,440.58	63.14%
Total Technology	$ 2,982,700.00	$ 3,195,400.00	$ 457,048.31	$ 1,925,167.85	$ 1,270,232.15	60.25%
Contingency	$ 695,900.00	$ 483,200.00	$ -	$ -	$ 483,200.00	0.00%
Total Current Year	$ 7,929,200.00	$ 7,929,200.00	$ 779,389.46	$ 4,197,625.07	$ 3,731,574.93	52.94%

For limited distribution to institutional, and professional investors only

UBS Trumbull Property Fund (UBS-TPF)

Ventura County Employees' Retirement Association

Presented by:
Ron Lanier, Executive Director

February 24, 2014

General risk disclosure

Certain sections of this presentation that relate to future prospects are forward looking statements and are subject to certain risks and uncertainties that could cause actual results to differ materially. This material is designed to support an in-person presentation, is not intended to be read in isolation, and does not provide a full explanation of all the topics that are presented and discussed.

An investment in real estate will involve significant risks and there are no assurances against loss of principal resulting from real estate investments or that the portfolio's objectives will be attained.

This is not a recommendation. Investors must have the sophistication to independently evaluate investment risks and to exercise independent judgment in deciding to invest in real estate funds. Investors must also have the financial ability and willingness to accept and bear the risks, including, among other things:

- **Risk of illiquidity.** Real estate is an illiquid investment and the account may not be able to generate sufficient cash to meet withdrawal requests from investors. Redemptions may be delayed indefinitely;
- **Risks of investing in real estate.** These risks include adverse changes in economic conditions (local, national, international), occupancy levels and in environmental, zoning, and other governmental laws, regulations, and policies;
- **Use of leverage.** Leverage will increase the exposure of the real estate assets to adverse economic factors, such as rising interest rates, economic downturns, or deteriorations in the condition of the properties or their respective markets and changes in interest rates; and
- **Limitations on the transfer of fund units**. There is no public market for interests in any of our funds and no such market is expected to develop in the future.
- **Legal & Taxation**. Investors should consult their own legal and tax advisers for potential US and/or local country legal or tax implications on any investment

Investors should evaluate all risk and uncertainties before making any investment decision. Risks are detailed in the respective fund's offering memorandum.

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UBS

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Section 1

Investment results

UBS

UBS-TPF investment results for Ventura County Employees' Retirement Association

Periods ending December 31, 2013

				Client Net IRR's				
Year	Deposits	Withdrawals/ Distributions	Market Value 12/31/13	12 months ended 12/31/13	3 years ended 12/31/13	5 years ended 12/31/13	10 years ended 12/31/13	Since Inception 3/31/03 to 12/31/13
	$ in thousands							
2003	54,000							
2004	10,000							
2005		10,000						
2009		1,013						
2010	30,000							
2011	30,000							
2013		5,4214						
Total	$124,000	$16,434	$189,647	9.3%	10.2%	5.4%	7.5%	7.6%

*Client Net IRRs are dollar-weighted and after fees that were deducted from the account. Past performance is not indicative of future results. This is not an official statement of your account. Refer to your client statement and the quarterly UBS-TPF report. **Time Weighted Returns are available upon request.**

UBS

Section 2

UBS Trumbull Property Fund (UBS-TPF)

UBS

UBS-TPF *highlights*

As of December 31, 2013

- Core, open-end, direct US real estate fund
- USD 16.1 billion in gross assets
- 186 investments, 399 investors
- Quarterly income distribution option: 4.1%*
- 13.0% leverage on Gross Asset Value
- 7.87% annualized 10-year total return


Pleasanton Corporate Commons, Pleasanton, CA


Meridian Business Campus, Weston, FL

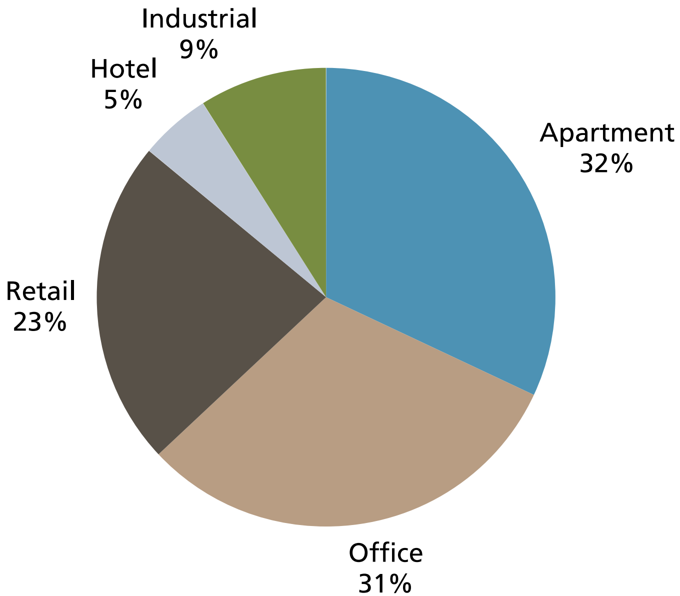

Alexan CityCenter, Englewood, CO

Source: UBS Global Asset Management, Global Real Estate - US
* Distribution return provided is a one-year gross rolling return.
Notes: Return supplements the Firm's Equity Composite previously provided or included herein. See required notes page at the end of this section or presentation. Past performance is not indicative of future results.
Updated: January 15, 2014

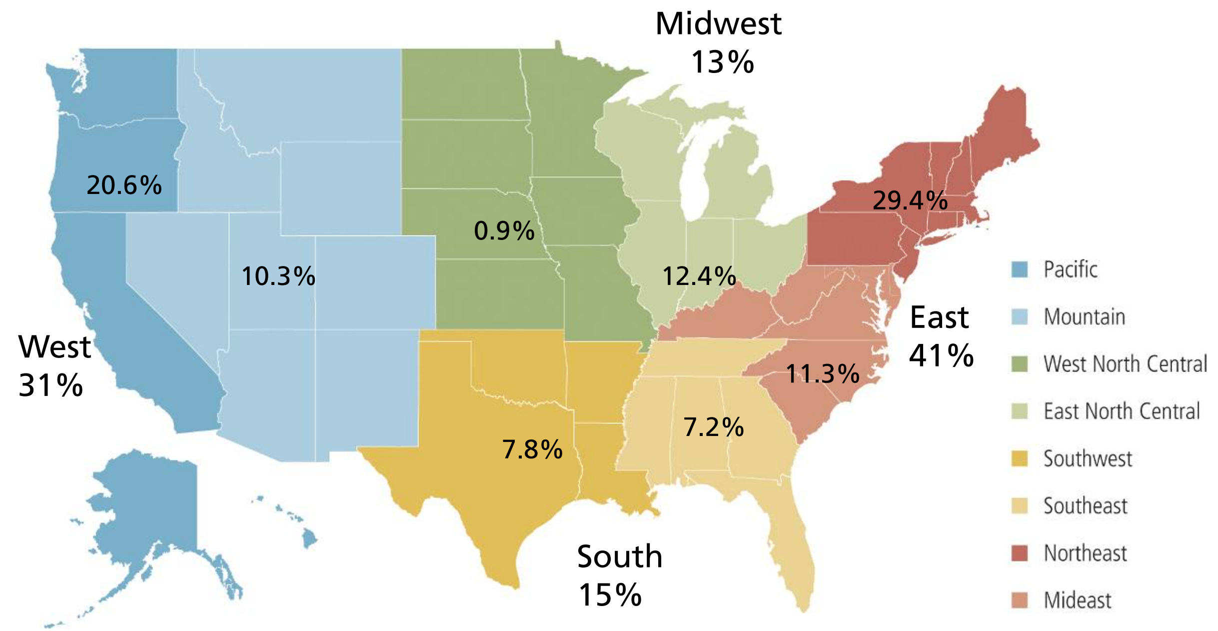
UBS-TPF *portfolio distribution*

As of December 31, 2013

Assets by property type



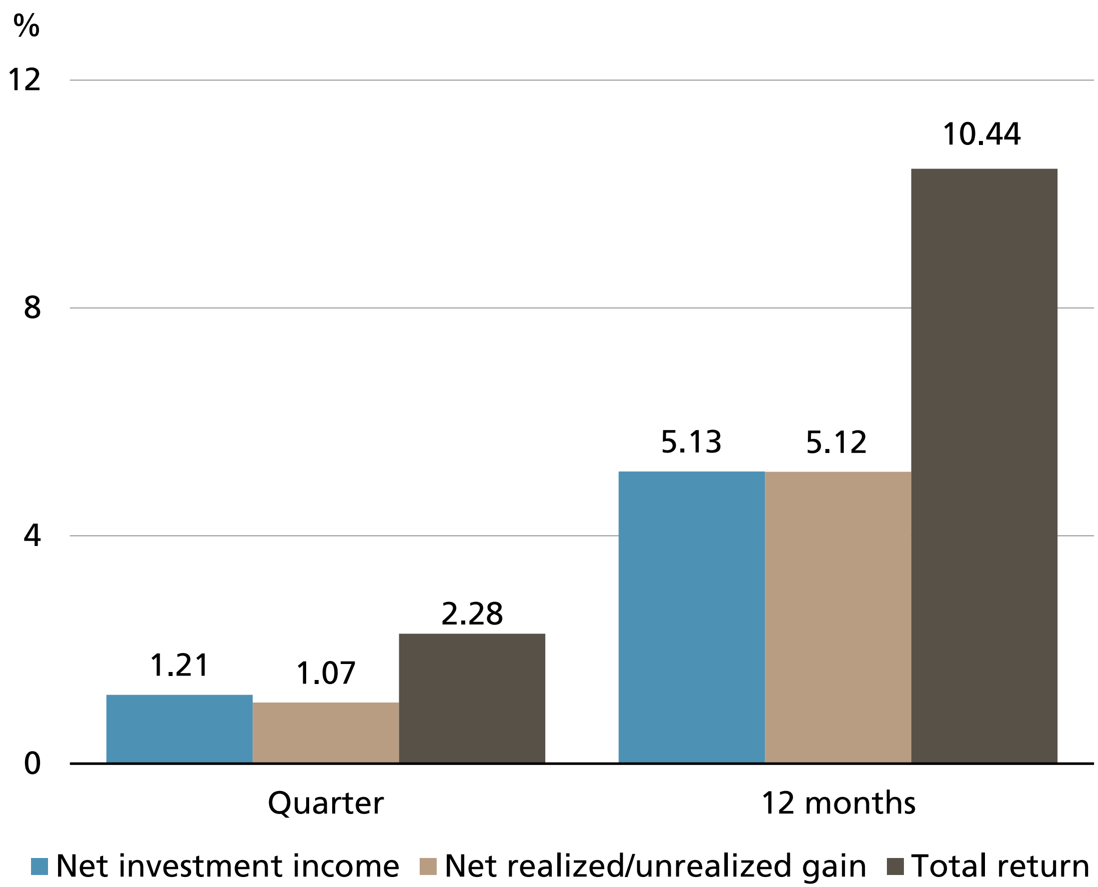
Assets by geographic division

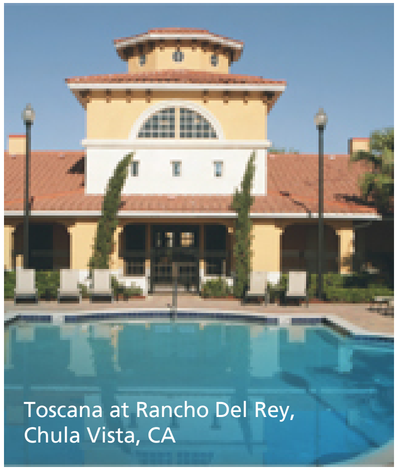


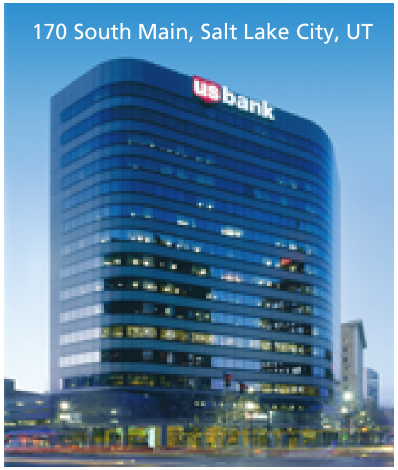
Source: UBS Global Asset Management, Global Real Estate – US
Notes: Percentages may not sum due to rounding. Geographic divisions as defined by NCREIF. Percentages are based on gross market value of real estate investments.
Updated January 15, 2014

UBS-TPF *performance*

As of December 31, 2013





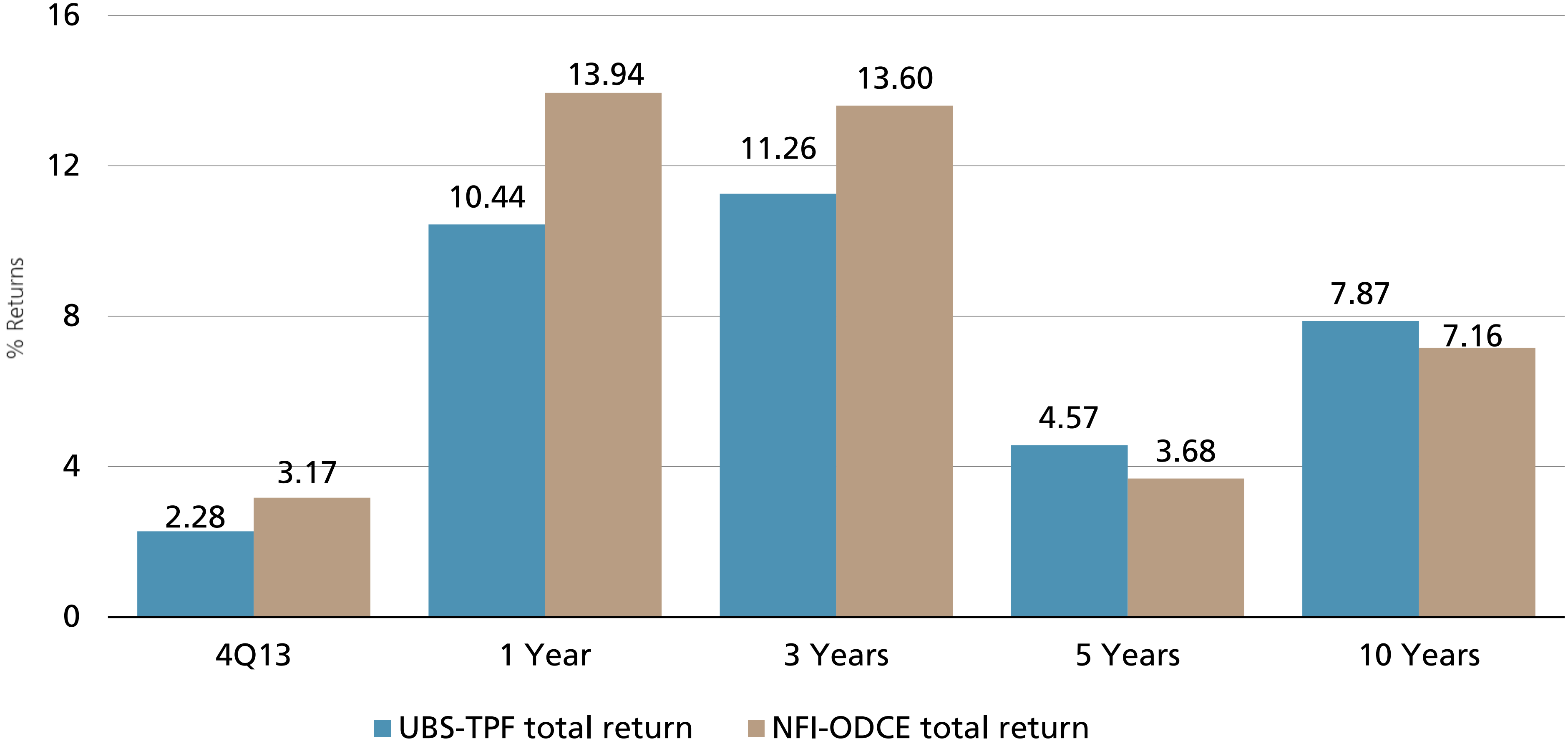


Source: UBS Global Asset Management, Global Real Estate - US
Notes: Returns supplement the Firm's Equity Composite previously provided or included herein. See required notes page at the end of this section or presentation.
Past performance is not indicative of future results.
Updated January 10, 2014

UBS-TPF *relative performance objective*

Seek to outperform the NFI-ODCE index over any given 3- to 5-year period

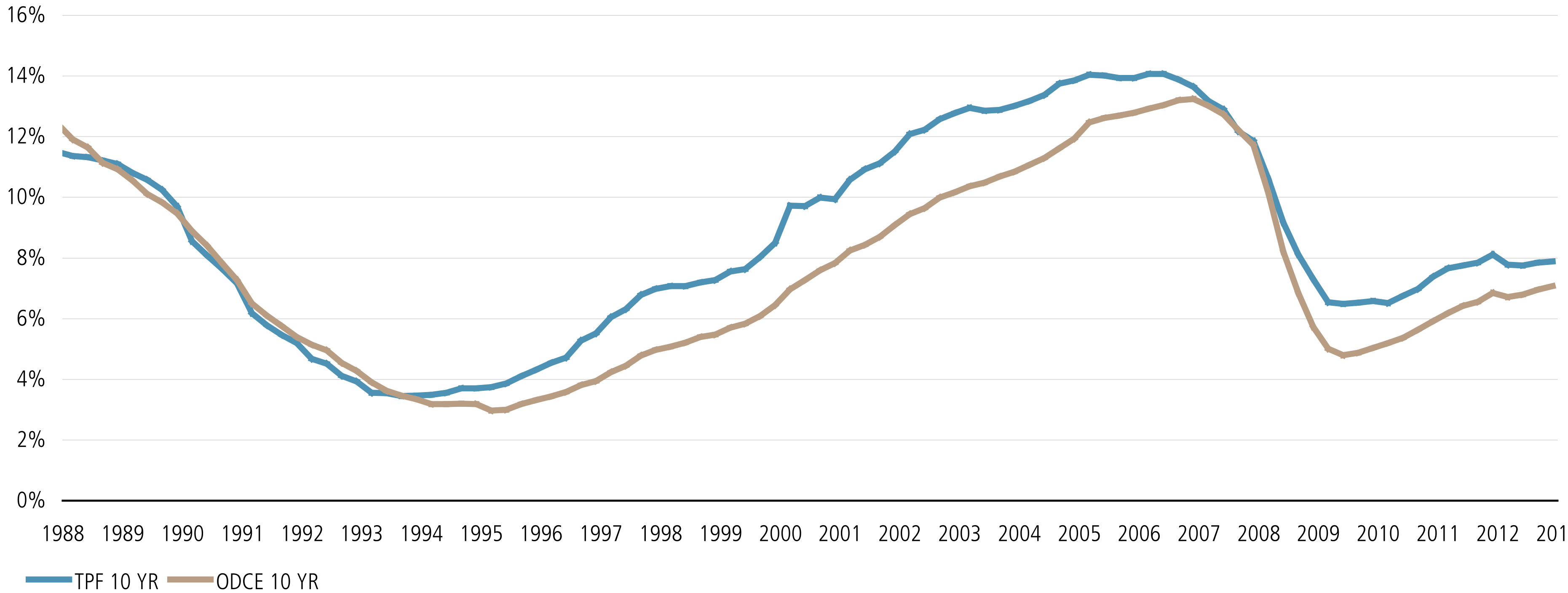
As of December 31, 2013



Sources: UBS Global Asset Management, Global Real Estate – US and NCREIF is the source of NFI-ODCE
Notes: Returns supplement the Firm's Equity Composite previously provided or included herein. As of September 30, 2013 the NFI-ODCE consisted of 21 active funds with total net assets of $103.6 billion. See required notes pages at the end of this section or presentation. The manager seeks to achieve the stated objectives; however there is no guarantee the objectives will be met. Past performance is not indicative of future results.
Updated: February 3, 2014

UBS-TPF *performance*

Ten-year performance vs NFI-ODCE as of September 30, 2013



- UBS-TPF's income return outperformed NFI-ODCE 100% of the time
- UBS-TPF return outperformed NFI-ODCE 79% of the time
- Consistent strategy and proven track record

Sources: UBS Global Asset Management, Global Real Estate – US and NCREIF is the source of NFI-ODCE

Notes: Returns supplement the Firm's Equity Composite previously provided or included herein. As of September 30, 2013 the NFI-ODCE consisted of 21 active funds with total net assets of USD 103.6 billion. See required notes pages at the end of this section or presentation. Past performance is not indicative of future results.

Updated: November 5, 2013

UBS-TPF *annual performance*

As of December 31, 2013

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
						Percent %						
Net investment income	8.42	9.97	9.68	9.96	9.05	8.87	8.86	8.40	7.53	6.80	5.60	6.06
Net realized/unrealized gain (loss)	0.77	3.39	7.47	7.02	0.67	3.76	4.00	1.04	0.17	0.08	0.13	1.89
Total, before management fee	9.24	13.61	17.69	17.49	9.76	12.87	13.12	9.51	7.71	6.88	5.74	8.04
Total, net of management fee	8.26	12.58	16.65	16.42	8.71	11.80	12.07	8.45	6.67	5.84	4.68	6.97

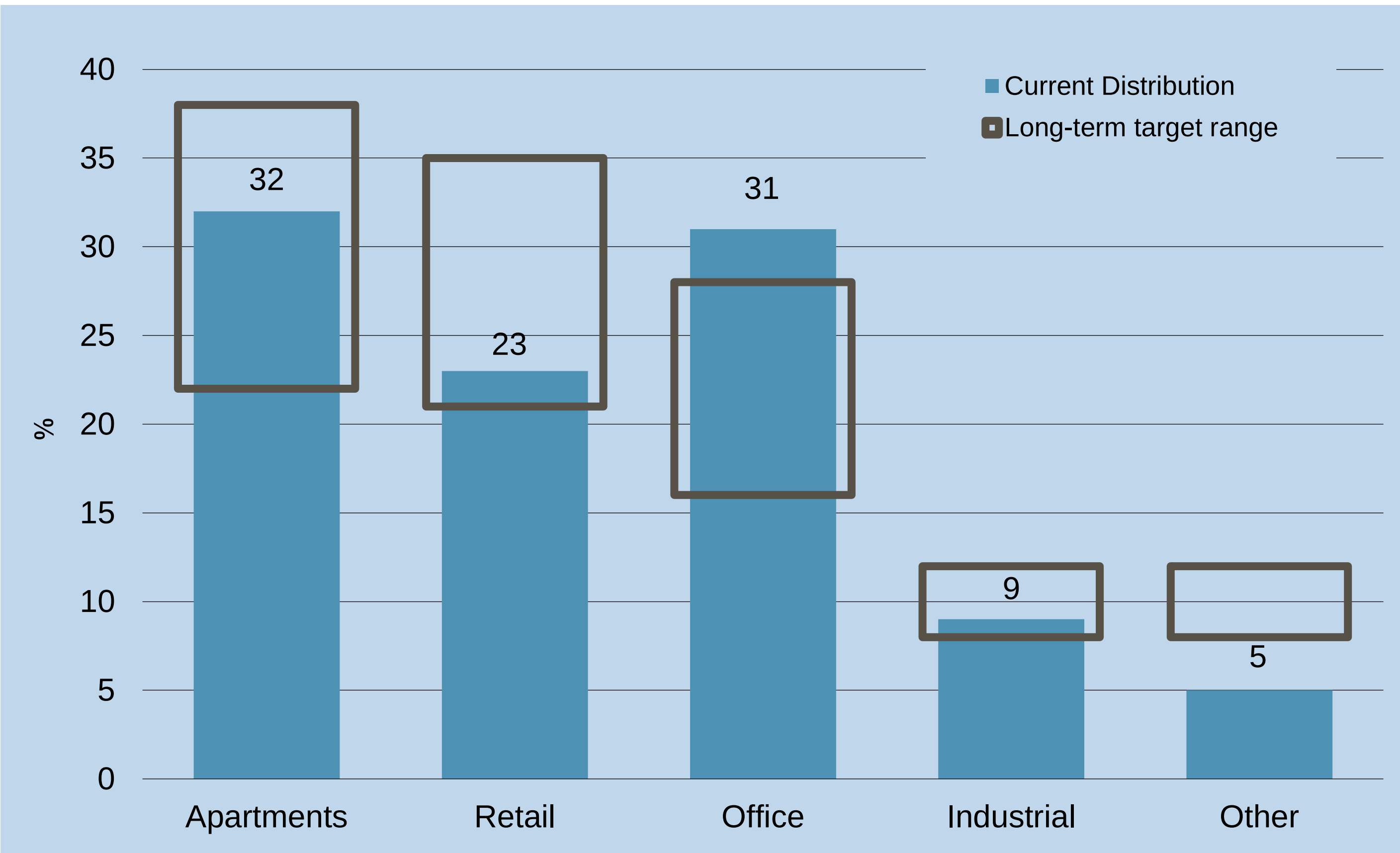
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
						Percent %						
Net investment income	6.36	7.38	7.95	8.60	9.70	9.88	10.33	9.88	8.59	8.73	8.99	8.99
Net realized/unrealized gain (loss)	(10.12)	(12.47)	(12.01)	(6.76)	2.42	2.14	5.59	12.56	7.33	3.97	7.59	(6.74)
Total, before management fee	(4.25)	(5.78)	(4.78)	1.41	12.30	12.18	16.34	23.34	16.39	12.96	17.08	1.79
Total, net of management fee	(5.14)	(6.48)	(5.47)	0.70	11.38	11.09	15.23	22.22	15.33	11.89	15.96	0.86

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Since Inception
						Percent %							
Net investment income	8.38	7.91	7.28	6.85	6.07	5.12	4.96	6.69	7.05	5.36	5.35	5.13	7.79
Net realized/unrealized gain (loss)	0.51	1.52	6.89	13.61	10.12	8.49	(11.98)	(27.55)	9.32	7.55	4.62	5.12	1.09
Total, before management fee	8.93	9.52	14.54	21.13	16.65	13.93	(7.46)	(22.30)	16.85	13.21	10.15	10.44	8.94
Total, net of management fee	8.13	8.55	13.49	20.05	15.58	12.84	(8.29)	(22.94)	15.89	12.08	9.04	9.32	7.95

Source: UBS Global Asset Management, Global Real Estate - US
Notes: Returns supplement the Firm's Equity Composite previously provided or included herein. See required notes page at the end of this section or presentation. Past performance is not indicative of future results. UBS-TPF began operations on January 13, 1978, thus the 1978 return is not for a full year. Returns are annualized..
Updated: January 10, 2014.

UBS-TPF *diversification by property type*

As of December 31, 2013



Source: UBS Global Asset Management, Global Real Estate - US
Notes: Long-term targets describe a well-diversified market portfolio and are based on the Research & Strategy Inventory Model which changes annually.
Updated January 15, 2014

UBS-TPF *2013 investments*

Property	Property type	Location	Date closed	Size	Gross investment (USD millions)
Cielo Apartments	Apartments	Denver, CO	1/13	201 units	38.3
Becknell	Industrial	Hobart, IN	1/13	20 acres	0.1
ODS Tower	Office	Portland, OR	2/13	398,412 sf	129.0
Downtown Pleasant Hill	Retail	Pleasant Hill, CA	3/13	345,919 sf	100.5
Peninsula Center	Retail	Los Angeles, CA	3/13	296,027 sf	85.6
Becknell	Industrial	Maple Grove, MN	3/13	195,215 sf	13.0
Crystal House	Apartments	Arlington, VA	3/13	828 units	193.1
Deerbrook Marketplace	Retail	Houston, TX	3/13	348,532 sf	47.9
Centerpoint	Industrial	Elk Grove Village, IL	4/13	87,975 sf	5.3
Centerpoint	Industrial	Pleasant Prairie, WI	4/13	470,414 sf	18.8
Becknell	Industrial	Jacksonville, FL	4/13	240,000 sf	9.6
Becknell	Industrial	Jacksonville, FL	6/13	240,000 sf	7.9
Becknell	Industrial	Greenfield, IN	7/13	250,000 sf	8.1
Becknell	Industrial	Tatamy, PA	8/13	100,300 sf	8.9

Source: UBS Global Asset Management, Global Real Estate – US.
These properties represent some examples of fund investments. These types of investments may not be available or selected by the Fund in the future.

UBS-TPF *2013 investments*

Property	Property type	Location	Date closed	Size	Gross investment (USD millions)
Becknell	Industrial	Indianapolis, IN	9/13	51.6 acres	1.6
Montage at Met 3*	Apartments	Miami, FL	9/13	462 units	2.7
The Hudson	Apartments	Houston, TX	10/13	432 units	75.7
Water Tower Place	Retail	Chicago, IL	11/13	818,174 sf	408.7
Central + Wilson	Retail	Glendale, CA	11/13	23,000 sf	9.3
Becknell	Industrial	Richland, MS	11/13	20,000 sf	1.9
Mission Grove Park	Apartments	Riverside, CA	11/13	432 units	76.4
7200 West Buckeye Road	Industrial	Phoenix, AZ	12/13	400,000 sf	26.3
Deerbrook Marketplace	Retail	Houston, TX	12/13	8.9 acres	0.3
Orchard Town Center	Retail	Westminster, CO	12/13	605,886 sf	121.0
Becknell	Industrial	St. Louis, MO	12/13	185,426 sf	6.9
Becknell	Industrial	Alsip, IL	12/13	45,000 sf	4.8
Total 2013					**1,401.7**

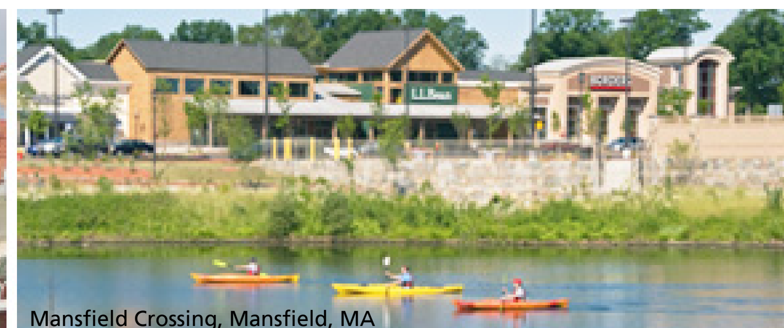
Source: UBS Global Asset Management, Global Real Estate – US.
*UBS-TPF funded a USD 2.7 million bridge loan in preparation for an apartment development project in Miami, FL
These properties represent some examples of fund investments. These types of investments may not be available or selected by the Fund in the future. Updated: January 14, 2014

UBS-TPF *leasing*

End of quarter percentage leased

	9/30/12	12/31/12	3/31/13	6/30/13	9/30/13	12/31/13
Apartments	95	94	95	96	95	94
Industrial	94	95	96	96	96	96
Office	91	92	91	91	91	91
Retail	95	94	93	94	94	95
Total	93	93	93	94	94	93


Solano at Miramar, Miramar, FL


Mansfield Crossing, Mansfield, MA


Becknell Industrial, McDonough, GA

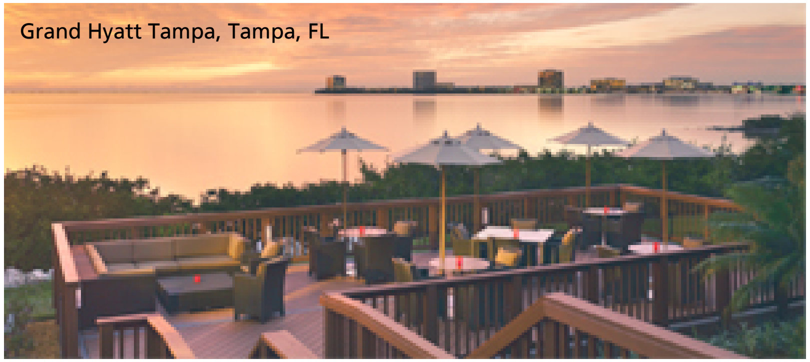
Source: UBS Global Asset Management, Global Real Estate - US
Notes: Leasing numbers exclude hotels, properties in initial lease-up, development and redevelopment properties.
Updated January 27, 2014

UBS

UBS-TPF *debt summary*

As of December 31, 2013

- USD 2.1 billion of total debt (13.0% of gross assets)
- 98% at a fixed interest rate
- Weighted average interest rate of 4.5%
- 2014 maturities of USD 377.3 million



Source: UBS Global Asset Management, Global Real Estate - US
Updated January 15, 2014

UBS-TPF *total sales*

As of December 31, 2013

Year	Number of properties	Sales proceeds (USD in thousands)	Last independent appraised value (USD in thousands)
1982	4	8,845	8,744
1983	8	34,977	34,531
1984	10	61,732	60,340
1985	13	68,425	65,569
1986	10	94,339	89,612
1987	8	198,001	176,560
1988	4	71,330	67,550
1989	14	349,075	306,360
1990	0	-	-
1991	2	24,400	25,100
1992	8	67,575	65,006
1993	6	32,347	31,250
1994	3	87,983	86,444
1995	2	12,317	11,902
1996	4	43,896	39,508
1997	2	49,058	47,830
1998	0	-	-
1999	1	1,597	1,648

Year	Number of properties	Sales proceeds (USD in thousands)	Last independent appraised value (USD in thousands)
2000	5	75,191	58,319
2001	1	16,994	14,896
2002	4	53,126	48,868
2003	2	17,806	16,194
2004	6	25,472	24,771
2005	10	353,876	332,024
2006	9	143,904	134,162
2007	15	599,515	580,395
2008	9	384,975	366,466
2009	6	207,855	209,122
2010	5	35,482	34,692
2011	2	35,750	34,500
2012	6	292,338	290,640
2013	14	338,239	326,332
Total	193	3,786,420	3,589,335

Source: UBS Global Asset Management, Global Real Estate – US. Notes: Number of properties sold may include portions of multi-parcel investments, and therefore may not tie to difference in total properties from year to year. From 1982-2007, sales proceeds and appraised values are net of closing costs. The properties included in the calculation of total sales had been independently appraised or the appraisal reviewed and updated if necessary by an independent appraisal firm generally within 6 months of the date of sale. Updated January 10, 2014.

UBS-TPF *positioning*

As of December 31, 2013

- 93% leased
- 7% of commercial leases expiring in 2014
- Value-added exposure approximately 7.8%
- Registered interest list

Stamford Town Center, Stamford, CT

The Charleston at Boca Raton, Boca Raton, FL

Source: UBS Global Asset Management, Global Real Estate - US
Notes: Leasing numbers exclude hotels and properties in development, redevelopment or initial lease-up.
Updated January 28, 2014

Section 2.A

UBS Trumbull Property Fund (UBS-TPF)

Appendix

UBS-TPF *strategy and guidelines*

As of December 31, 2013

Strategy	To provide broad real estate market diversification to maximize portfolio returns while minimizing risk
Fund Style, Liquidity and Currency	Open-end fund, primarily core real estate, with quarterly liquidity (subject to available capital) Denominated in USD
Minimum Investment	5 million USD
Fund Investment Guidelines [1]	Real estate equity investments a minimum of 70% of Gross Asset Value ("GAV") Third Party Joint Ventures limited to 50% of GAV Debt investments maximum of 30% of GAV (construction loans limited to 10% of GAV) Publicly traded real estate securities or debt instruments maximum of 5% of GAV Combination of all value-added assets will generally range between 5-15% of total Portfolio Assets
Financial Objective [2]	Seek to outperform the NFI-ODCE index over any given 3-5 year period Seek to achieve at least a 5% real rate of return (i.e. inflation- adjusted return) before management fees, over any given 3-5 year period
Property type and geographic spread	Apartments, hotels, industrial, retail and office throughout the US NCREIF property type maximum 50% of GAV NCREIF region maximum 50% of GAV Local market (CBSA) maximum of 20% of GAV Single investment maximum 10% of GAV
Leverage	Mortgage debt generally not to exceed 20% of GAV Short-term debt generally not to exceed 15% of GAV
Structure	Private fund structure incorporating a Delaware limited partnership with private REIT and non-REIT subsidiaries. Advisor subject to ERISA Fiduciary standard of care

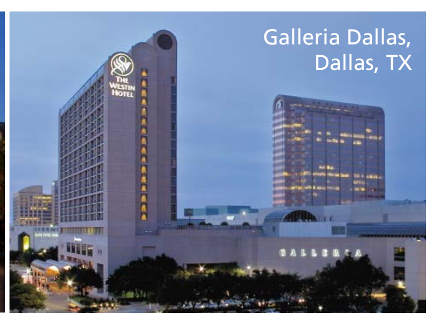
Source: UBS Global Asset Management, Global Real Estate - US
Notes: [1] The Advisor may permit temporary and/or immaterial deviations from the Investment Guidelines from time to time, in its discretion, if the Advisor believes that such deviations are in the best interest of the Fund. [2]There is no assurance that the financial objective will ultimately be realized and the possibility of loss does exist. There is no guarantee that the investment strategy will perform as expected.
Updated: January 10, 2014

UBS-TPF *ten largest assets*

As of December 31, 2013

Property name	Property type	Location	Gross market value (USD mil)	% Portfolio
135 West 50th Street	Office	New York	673.0	4.3%
53 State Street	Office	Boston	632.0	4.0%
CambridgeSide Galleria	Retail	Boston	518.6	3.3%
Galleria Dallas	Retail	Dallas	493.0	3.1%
Liberty Green-Liberty Luxe	Apartments	New York	445.0	2.8%
Water Tower Place	Retail	Chicago	414.1	2.6%
120 Broadway	Office	New York	413.3	2.6%
35 West Wacker	Office	Chicago	406.7	2.6%
Columbia Center	Office	Washington DC	259.0	1.7%
Shops at Montebello	Retail	Los Angeles	252.0	1.6%
			4,506.7	**28.8%**


CambridgeSide Galleria, Cambridge, MA


Galleria Dallas, Dallas, TX


135 West 50th Street New York, NY


Liberty Green-Liberty Luxe, New York, NY


35 West Wacker, Chicago, IL

Source: UBS Global Asset Management, Global Real Estate – US
Note: Amounts may not sum due to rounding
Updated January 15, 2014

UBS-TPF *2012 investments*

Property	Property type	Location	Date closed	Size	Gross investment (USD millions)
Cumberland Park	Apartments	Orlando, FL	02/12	456 units	61.6
NoHo 14	Apartments	North Hollywood, CA	02/12	180 units	73.9
Becknell (build-to-suit)	Industrial	San Antonio, TX	03/12	35,000 sf	4.0
Becknell (build-to-suit)	Industrial	Portland, OR	03/12	55,520 sf	7.4
Union Bank Square [1]	Office	Orange, CA	04/12	414,359 sf	7.8
New Village (development)	Apartments	Patchogue, NY	05/12	291 units	97.3
North Pointe	Apartments	Vacaville, CA	05/12	312 units	52.5
Forever 21 [2]	Retail	Montebello, CA	05/12	81,619 sf	20.8
Cumberland Park land parcel	Apartments	Orlando, FL	05/12	1.38 acres	0.7
Becknell	Industrial	Glendale Heights, IL	05/12	40,080 sf	5.1
Becknell	Industrial	Orlando, FL	05/12	25,185 sf	3.2
Becknell (build-to-suit)	Industrial	Liberty, MO	06/12	212,550 sf	11.9
Summit on Lake (development)	Apartments	Chicago, IL	06/12	332 units	114.7
305 Forbes Boulevard	Industrial	Mansfield, MA	06/12	429,057 sf	29.0
Becknell	Industrial	San Antonio, TX	08/12	198,000 sf	10.9

Source: UBS Global Asset Management, Global Real Estate – US. [1] Additional 10% investment in existing asset. [2] Additional anchor store investment in existing mall asset.
Updated: January 14, 2012

(continued on next page)

UBS-TPF *2012 investments*

Property	Property type	Location	Date closed	Size	Gross investment (USD millions)
Haverty's Distribution Center	Industrial	Atlanta, GA	08/12	807,990 sf	42.5
Braeswood Place	Apartments	Houston, TX	08/12	340 units	66.3
Ballston Row – Village I (development)	Apartments	Arlington, VA	08/12	68 units	14.3
Land at 135 W 50th Street	Office	New York, NY	08/12	829,587 sf	279.0
Seneca at Cypress Creek	Apartments	Tampa, FL	08/12	451 units	62.3
Becknell	Industrial	Columbus, OH	08/12	125,000 sf	6.4
Riverside Plaza	Retail	Riverside, CA	09/12	407,810 sf	83.1
Becknell (build-to-suit)	Industrial	Missouri City, TX	09/12	20,210 sf	2.6
Brand & Wilson (development)	Apartments	Glendale, CA	09/12	401 units	140.0
Becknell	Industrial	Oklahoma City, OK	10/12	101,862 sf	4.7
The Preserve at Cedar River	Apartments	Renton, WA	10/12	153 units	28.1
The Palms on Scottsdale	Apartments	Tempe, AZ	11/12	404 units	54.1
B/E Aerospace	Industrial	Doral, FL	12/12	209,000 sf	26.0

Source: UBS Global Asset Management, Global Real Estate – US.
Updated: January 14, 2013

(continued on next page)

UBS-TPF *2012 investments*

Property	Property type	Location	Date closed	Size	Gross investment (USD millions)
Becknell (build-to-suit)	Industrial	Hobart, IN	12/12	100,000 sf	4.2
Becknell (build-to-suit)	Industrial	Sanford, FL	12/12	25,000 sf	2.9
Becknell	Industrial	Louisville, KY	12/12	375,061 sf	14.1
401 South Mint (development)	Apartments	Charlotte, NC	12/12	352 units	69.8
Total 2012					**1,400.9**

New Village, Patchogue, NY

Summit on Lake, Chicago, IL

NoHo 14, North Hollywood, CA

Source: UBS Global Asset Management, Global Real Estate – US.
Updated: January 14, 2013

UBS-TPF *2011 investments*

Property	Property Type	Location	Date Closed	Size	Gross Investment (USD millions)
53 State Street	Office	Boston, MA	12/11	1.2 m sf	610.0
Becknell 2011	Industrial	Various locations	12/11	1.3 m sf	99.1
35 West Wacker	Office	Chicago, IL	12/11	1.1 m sf	343.2
CenterPoint Lakeview	Industrial	Pleasant Prairie, WI	10/11	10.7 acres	0.2
Woodland Hills Apartments	Apartments	Woodland Hills, CA	07/11	340 units	107.0
Liberty Green & Liberty Luxe	Apartments	New York, NY	07/11	471 units	433.3
120 Broadway	Office	New York, NY	07/11	2.0 m sf	341.3
Meridian at Gallery Place [1]	Apartments	Washington, DC	06/11	462 units	33.8
The Lodge at Peasley Canyon	Apartments	Federal Way (Seattle), WA	06/11	339 units	52.0
RiverTrace Apartments	Apartments	West New York, NJ	06/11	316 units	118.1
Madison at Ballston Station	Apartments	Arlington, VA	05/11	270 units	26.4
Waterford Place	Apartments	Dublin (Oakland), CA	05/11	390 units	110.0
Meridian at Carlyle [1]	Apartments	Alexandria, VA	01/11	403 units	23.2
Total 2011					2,297.4

View from Liberty Green, New York, NY

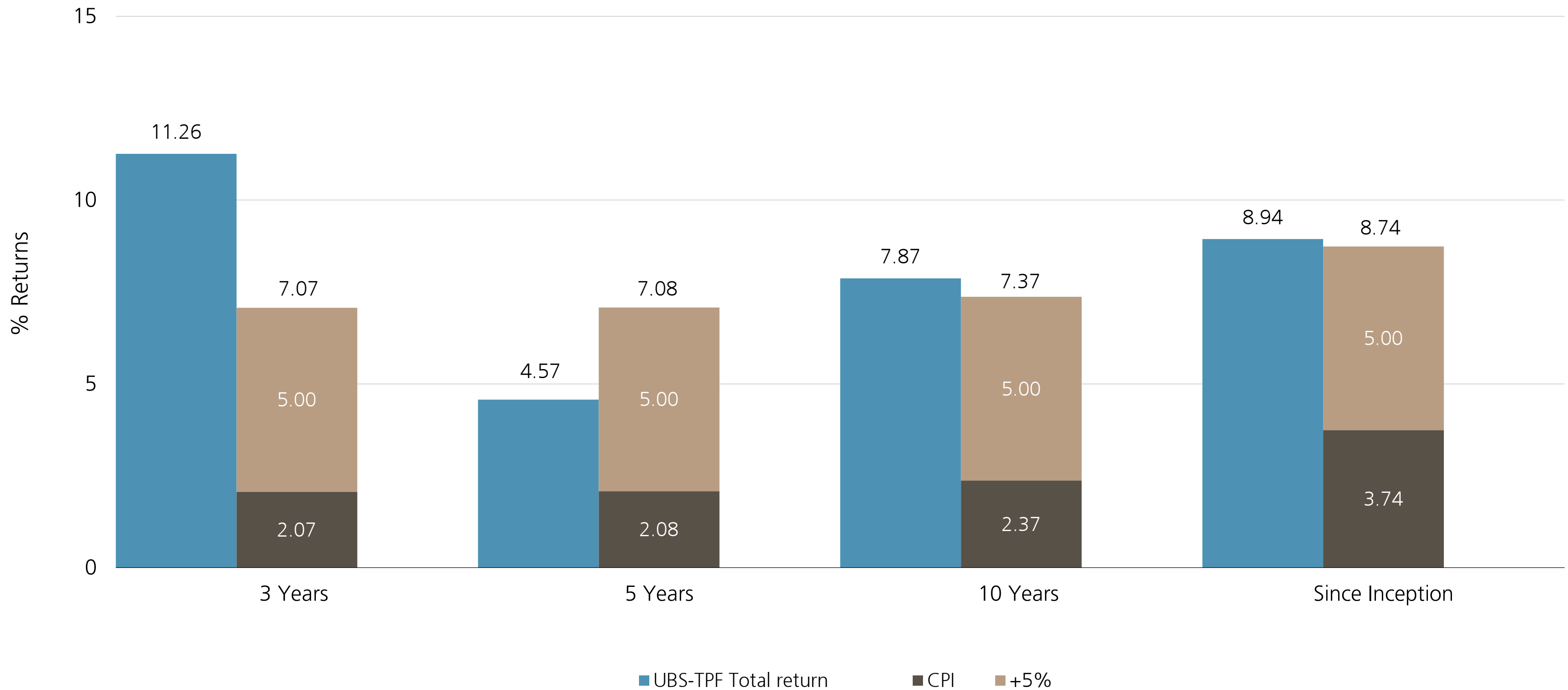
Source: UBS Global Asset Management, Global Real Estate – US.
[1] Additional investment in existing asset. Updated January 6, 2012

UBS

UBS-TPF *real return performance objective*

Seek to provide at least a 5% real rate of return, before management fees, over any given 3- to 5-year period

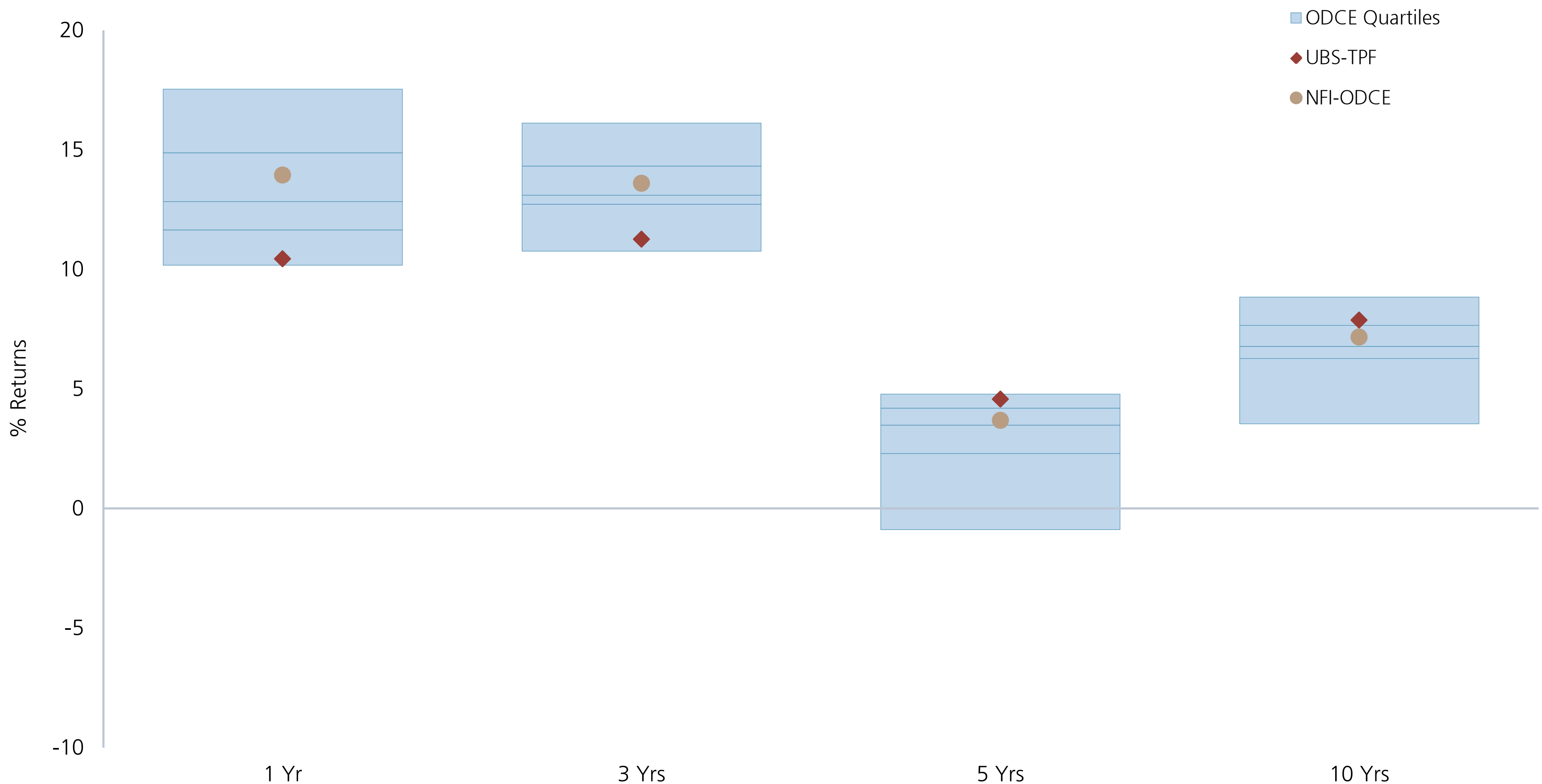
As of December 31, 2013



Source: UBS Global Asset Management, Global Real Estate – US, and the source of CPI is Bureau of Labor Statistics.
Notes: CPI is the Consumer Price Index, an inflationary indicator of the standard of living in the US. It is also referred to as the "cost of living" index.
Returns supplement the Firm's Equity Composite previously provided or included herein. See required disclosures slide at the end of this section or presentation. Fund Inception date January 13, 1978. Past performance is not indicative of future results.
Updated January 16, 2014

UBS-TPF vs NFI-ODCE *fund level comparison*

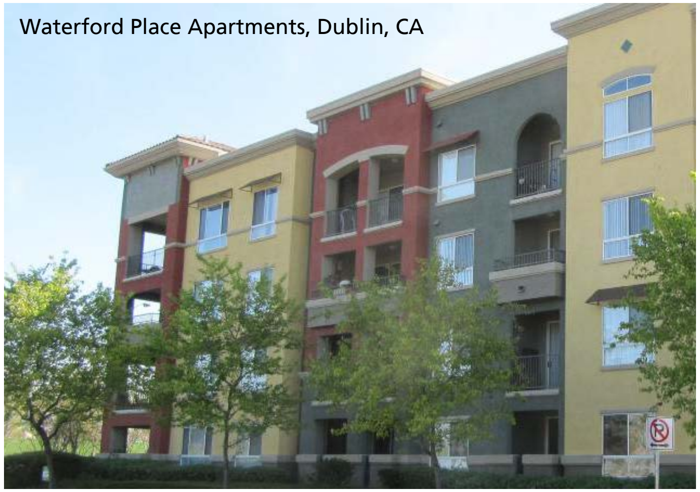
Periods ending December 31, 2013



Source: UBS Global Asset Management, Global Real Estate – US and NCREIF is the source of NFI-ODCE
Notes: Returns supplement the Firm's Equity Composite, previously provided or included herein. Please see the Required Notes Section for important information. Past performance is not indicative of future results.
Updated February 3, 2014

UBS-TPF *competitive advantages in acquisitions*

- Variety of **investment structures**
- Ability to do **larger sized** transactions
- Flexibility to use **leverage** strategically
- Positioned to increase **value-added** allocation


Waterford Place Apartments, Dublin, CA


Madison at Ballston Station, Arlington, VA


120 Broadway, New York, NY

Updated July 12, 2011

UBS

UBS-TPF *competitive advantages*

- Consistent core strategy execution
- Competitive performance record
- Research/proprietary diversification model
- Significant apartment allocation
- Fund size and market presence
- Management fee tied to performance
- Team continuity and experience

Updated January 6, 2012

UBS-TPF *advisory fees*

Investor's Share of NAV [1]	Annual Base Fee
First USD 10 million of investment	95.5 bps
Next USD 15 million	82.5 bps
Next USD 25 million	80.5 bps
Next USD 50 million	79.0 bps
Next USD 150 million	67.0 bps
Above USD 250 million	60.0 bps

- If average cash for the quarter exceeds 7.5% of the Fund's average NAV, the Base Fee for the excess will be reduced to 20 bps (pro-rated for the quarter).
- Incentive Fee Percentage is set at a fulcrum point of 0.15% and ranges from a minimum of 0% to a maximum of 0.25%. For each 1% the gross return is above or below the Absolute Return Objective of the CPI[2] plus 5% per annum, the fulcrum point is adjusted by increments of 0.075%.
- Investors with assets in other designated UBS Trumbull Funds will benefit from participation in the "Family of Funds" program, which provides tiered discounts based on the total assets in all designated Funds.

Sources: UBS Global Asset Management, Global Real Estate – US and the source of CPI is the Bureau of Labor Statistics
Notes: [1] Net Asset Value [2] CPI is the Consumer Price Index, an inflationary indicator of the standard of living in the US. It is also referred to as the "cost of living" index.
Updated July 25, 2011

Required notes

For limited distribution to accredited, institutional, and professional investors only.

Returns herein, unless otherwise noted, are presented gross of fees.

Returns for periods greater than one year are annualized. For the period ending December 31, 2013 UBS-TPF's net total returns for the quarter, one-, three-, five-, and ten-year periods were 2.02%, 9.32%, 10.14%, 3.59%, and 6.88% respectively, after the deduction of management fees, but before the deduction of contract charges. Contract charges were only applicable through February 29, 2008. UBS-TPF returns reflect the reinvestment of income. Returns and dollars are USD denominated.

The NCREIF Property Index (NPI) (Source NCREIF) is a property-level index, which consists of existing properties only (development projects and participating mortgages are excluded), excludes cash balances and leverage, and other non-property related assets, liabilities, income and expenses.

NFI-ODCE (Source NCREIF) is a fund-level, capitalization weighted index of open-ended diversified core equity commercial real estate funds that includes cash balances and leverage and is reported gross of fees. The degree of leverage used varies among the funds included in NFI-ODCE.

Please note that past performance is not a guide to the future. The value of investments and the income received may go down as well as up, and investors may not get back the original amount invested.

Updated January 10, 2014

Risks

- Investors should be aware that return objectives are subject to a number of assumptions and factors, a change in any of which could adversely affect returns. Accordingly, investors should note the limitations of an objective.
- Investments in direct real estate and real estate funds involve a high degree of risk. For instance, events in 2008 and 2009 such as the deterioration of credit markets and increased volatility have resulted in a historically unprecedented lack of liquidity and decline in asset values. The value of investments and income from them may increase or decrease. Investors must have the financial ability and willingness to accept and bear the risks (including, among other things, the risk of loss of investment) that are characteristic of real estate investing and investing in commingled fund for an indefinite period of time. Among the risks to be considered are:
  - **Risks of investing in real estate.** Risks include adverse changes in market and economic conditions, zoning, and other governmental laws, regulations, and policies, occupancy levels and the ability to lease space, and environmental risks, and risk of uninsured loses.
  - **Debt investment risk.** Risk includes risks of borrower defaults, bankruptcies, fraud and special hazard losses that are not covered by standard hazard insurance
  - **Restrictions on redemption and transferability of shares or units; illiquidity.** Real estate is an illiquid investment and the account may not be able to generate sufficient cash to meet withdrawal requests from investors.
  - **Reliance on controlling persons and third parties.** The exercise of control over an entity can impose additional risks and the fund can experience a significant loss. The risk of third parties includes a conflict between their objectives and those of the account or fund.
  - **Use of leverage.** Leverage will increase the exposure of the real estate assets to adverse economic factors, such as rising interest rates, economic downturns, or deteriorations in the condition of the properties or their respective markets and changes in interest rates
  - **Legal & Taxation.** Investors should consult their own legal and tax advisers for potential US and/or local country legal or tax implications on any investment
  - **Currency risk.** The funds and accounts managed by UBS Realty Investors LLC are denominated in US Dollars. There is a potential for loss due to currency fluctuations for non-US investors.
  - **Lack of diversification**. Individually managed accounts and funds in their initial investment periods may have investments that are relatively large compared to the account's or fund's anticipated total value. Any limit to diversification increases risk because the unfavorable performance of even a single investment might have an adverse effect on the aggregate return.
  - **Unspecified investments**. There can be no assurance that the advisor will be able to continually locate and acquire assets meeting the fund or account's objective. Competition for assets may generally reduce the number of suitable prospective assets available.
- In considering an investment in a commingled real estate fund, prospective investors must rely on their own examination of the partnership agreement, private placement memorandum, and all terms of the offering, including merits and details of these and other risks involved. If there are any discrepancies in fund terms between this presentation and the private placement (offering) memorandum, the memorandum shall prevail.
- This is not a recommendation to invest in any product or services. Investors must have the sophistication to independently evaluate investment risks and to exercise independent judgment in deciding whether or not to invest in real estate and real estate funds.

Updated: June, 2012

Required notes

For limited distribution to accredited, institutional, and professional investors only.

Returns herein, unless otherwise noted, are presented gross of fees.

Returns for periods greater than one year are annualized. For the period ending December 31, 2013 UBS-TPF's net total returns for the quarter, one-, three-, five-, and ten-year periods were 2.02%, 9.32%, 10.14%, 3.59%, and 6.88% respectively, after the deduction of management fees, but before the deduction of contract charges. Contract charges were only applicable through February 29, 2008. UBS-TPF returns reflect the reinvestment of income. Returns and dollars are USD denominated.

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Updated January 10, 2014

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Section 3

Organization and investment process

UBS

UBS Realty Investors LLC *history*

1978	Began managing real estate assets for pension funds
1984	Aetna Realty Investors, Inc. (ARI) incorporated
1991	Relinquished responsibility for Aetna's General Account assets, focused on pension fund client business
1994	ARI registered with SEC as an investment advisor
1996	ARI was sold by Aetna to management and private equity partnerships managed by TA Associates, Inc. and named Allegis Realty Investors LLC; AgriVest was acquired by Allegis
1999	Allegis and AgriVest were acquired by UBS Global Asset Management and named UBS Realty Investors LLC and UBS AgriVest LLC
2001	Existing US real estate business of UBS Global Asset Management consisting of non-discretionary, non-US clients was integrated into UBS Realty Investors LLC
2002	Real estate organization as a global pillar within UBS Global Asset Management and UBS Realty Investors LLC as US component
2003	Effective October 1, UBS Realty Investors LLC completed the process of appointment as direct investment manager and fiduciary for Aetna separate accounts, replacing Aetna in that capacity
2007	US real estate business re-branded UBS Global Asset Management, Global Real Estate – US
2008	Firm successfully transferred assets in insurance company separate accounts to a REIT-based limited partnership on February 29

Updated July 12, 2011

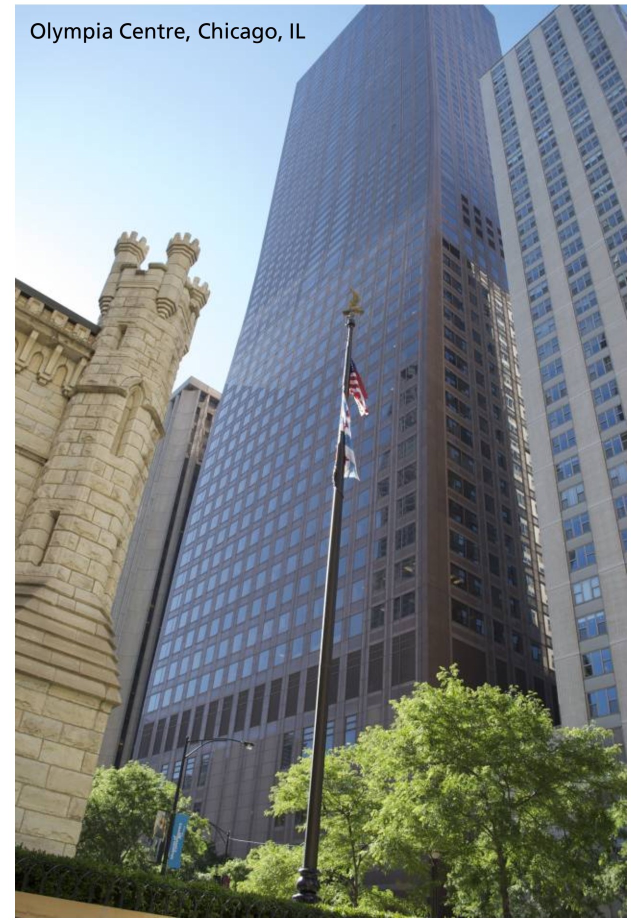
US real estate *investment experience and mission*

As of December 31, 2013

- Over 35 years of core and value added real estate investment experience
- USD 22.4 billion of assets for over 500 clients
- Real estate organization with 183 employees and offices in California, Connecticut, and Texas
- Quality people, properties and relationships

Our mission is to provide both superior risk-adjusted investment performance for our clients through private and public real estate investment strategies and outstanding client service.

Olympia Centre, Chicago, IL



Source: UBS Global Asset Management, Global Real Estate – US
Updated January 27, 2014

UBS-TPF *senior investment professionals*

Portfolio & Client Services
Ron Lanier

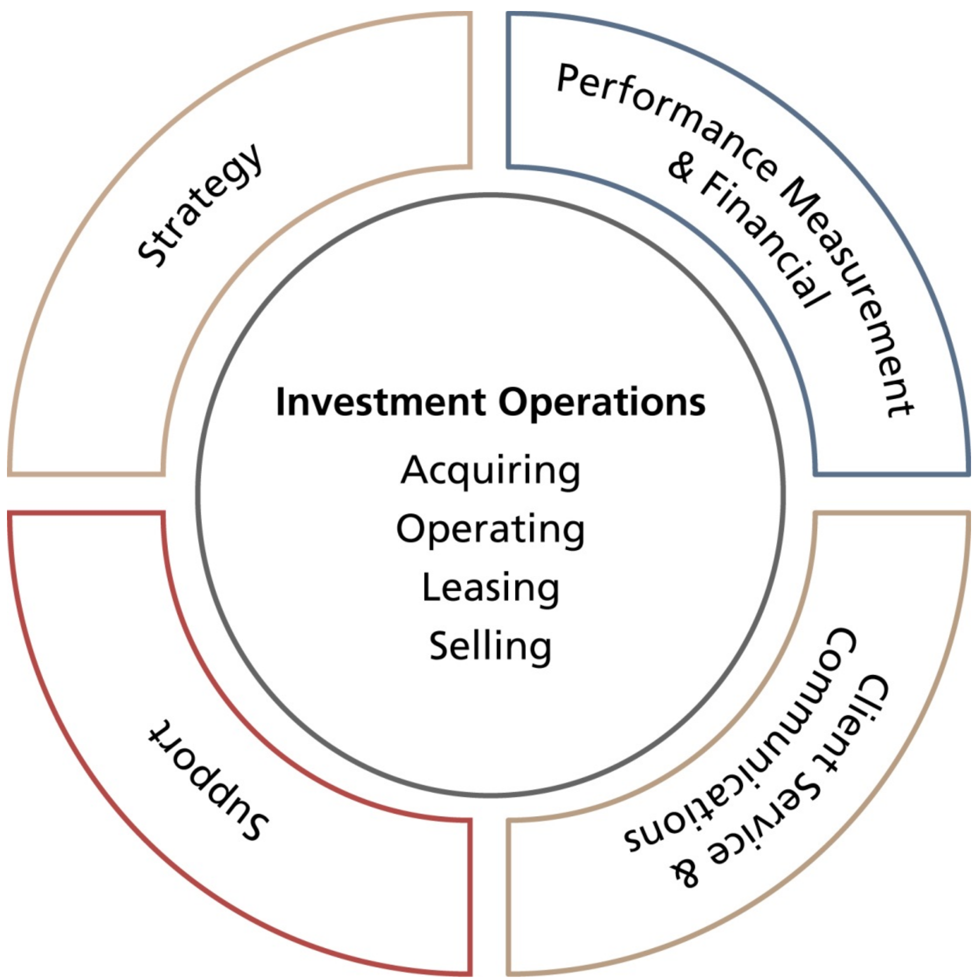
Name	Years Experience Industry	Years Experience Firm	Title/Responsibility
Matthew Lynch[1]	29	17	Head of Global Real Estate - US
Portfolio Management			
Kevin Crean[1]	34	29	Senior Port Mgr, UBS-TPF
Stephen Olstein	34	10	Portfolio Mgr, UBS-TPF
Pamela Thompson	22	11	Portfolio Mgr, UBS-TPF
Paul Canning[1]	33	22	Senior Port Mgr, UBS-TPG
Gary Gowdy[1]	36	31	Senior Port Mgr, UBS-TPI
Jeffrey Maguire[1]	30	16	Senior Port Mgr, AVT
Research & Strategy			
William Hughes[1]	18	8	Head of Research & Strategy
Laurie Tillinghast	33	3	DC Specialist
Acquisitions			
Ronald Urdanick[1]	41	35	Head of Acquisitions
Thomas Barreira	31	31	Region Head
Rodney Chu	16	16	Region Head
John Connelly	25	15	Region Head
Michael Mistretta	34	32	Region Head
William Moreno	24	15	Region Head
Asset Management [2]			
William Harrison[1]	45	21	Head of Asset Mgmt
Thomas Enger	27	22	Region Head
James Fishman	34	30	Region Head
Alan Green	28	10	Region Head
David Ingram	42	42	Region Head

Name	Years Experience Industry	Years Experience Firm	Title/Responsibility
Dispositions			
William Harrison[1]	45	21	Head of Property Sales
Valuation			
Thomas Gould	23	13	Co-head of Valuation
Christopher Taylor	27	27	Co-head of Valuation
Engineering Services			
Jeffrey Fraulino	27	27	Engineer
Accounting, Reporting & Tax			
Carol Kuta	28	28	Head of Accounting
Dene Dobensky	31	9	Director of Tax Planning
Legal & Compliance			
Thomas O'Shea[1]	21	9	General Counsel
Portfolio & Client Services			
Thomas Anathan[1]	40	38	Head of Client/Portfolio Svc
Maria Bascetta	28	23	Relationship Manager
Thomas Klugherz	26	1	Relationship Manager
Ronald Lanier	40	34	Relationship Manager
David Lawson	36	9	Relationship Manager
Wayne Wallace	25	25	Relationship Manager
Client Services & Communications			
Catherine Schuster	28	9	Head of Client Services/ Communications

Notes: [1] Member, UBS Realty Investors LLC Investment Committee. [2] The responsible Region Head for the proposed investment decision is also a voting member of the Investment Committee. Updated January 10, 2014.

US real estate - *multidisciplined organization*

As of December 31, 2013



Strategy	
- Senior Management	1
- Portfolio Management	11
- Research	8
Investment Operations	
- Acquisitions	18
- Asset Management	44
- Dispositions	2
- Engineering	4
Performance Measurement & Financial	
- Valuation	4
- Fund & Property Accounting	32
- Corporate Accounting/Operations	2
Client Service & Communications	
- Client & Portfolio Services	7
- Client Service & Communications	9
Support	
- Information Technology	12
- Legal & Compliance	9
- Administrative	20
Total	**183**

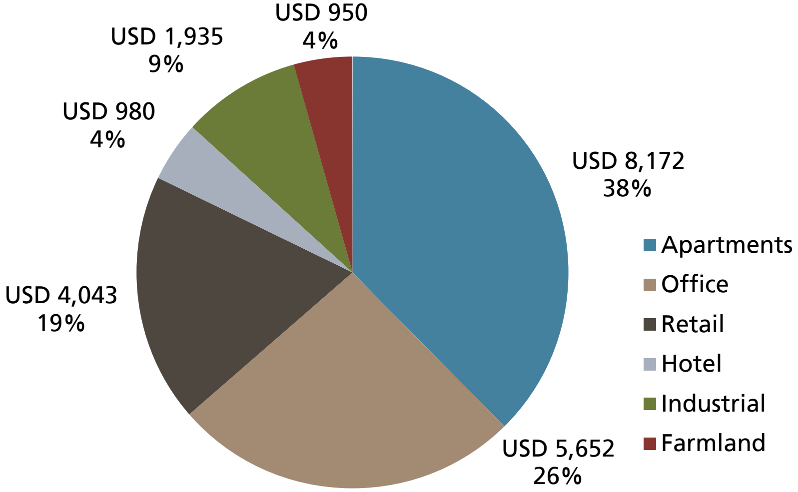
Source: UBS Global Asset Management, Global Real Estate – US
Updated January 24, 2014

Global Real Estate funds in the US - *Overview*

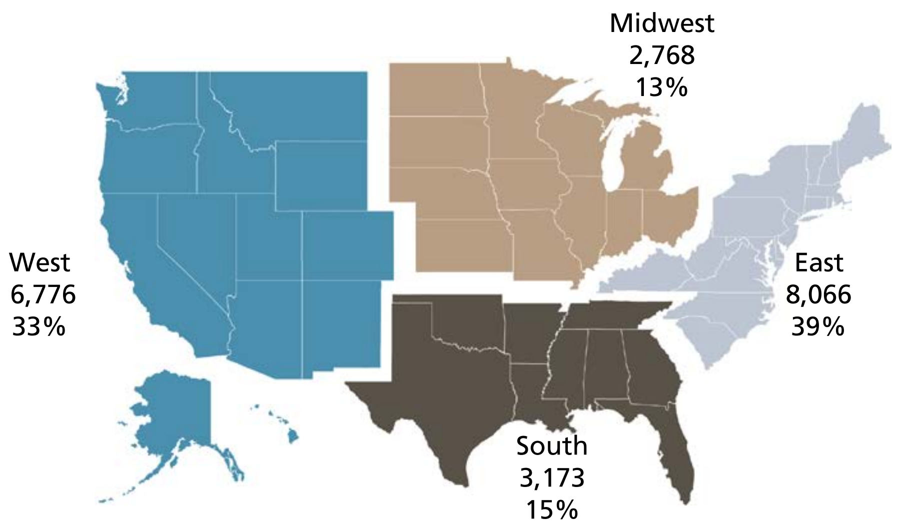
As of December 31, 2013

Gross assets – USD 22.4 billion

Assets by property type (USD in millions)



Assets by geographic region (USD in millions)



Source: UBS Global Asset Management, Global Real Estate – US Notes: Assets by property type and geographic regions represent real estate assets only and exclude other assets, such as cash, which are included in Gross Assets. Assets by geographic region exclude farmland.

Updated January 24, 2014

Investment process - *strategic approach*

Strategy Team ↔ Portfolio managers → Acquisition/ sales specialists ↔ Acquisition allocation system → Investment Committee

Global strategy

- Determine overall direction/policy
- Review portfolio investment criteria
- Approve new investment concepts
  - Tactics
  - Strategies
  - Products

Portfolio strategy

- Determine portfolio parameters/ objectives
- Set specific investment criteria for portfolios
- Meet diversification criteria
- Manage liquidity
- Approve each investment and sale

Deal strategy

- Have in-depth knowledge of assigned regions
- Maintain strong developer relationships
- Locate investments/buyers
- Analyze and negotiate transactions

Criteria

- Suitability
- Diversification
- Yield requirements
- Deal structure
- Funding timing
- Investment size
- Rotation

Investment/sale approval

- Review and approve underwriting, negotiations, changes, final pricing

Updated September 21, 2012

Investment process – *new investments*

Acquisition team

Elements	Portfolio Manager	Acquisition Specialist	Asset Manager	Legal	Accounting	Engineering	Insurance	Research	Valuation
Supply & demand for space	●	●	●					●	
Physical conditions	●	●	●			●	●		
Financial projections	●	●	●		●	●	●	●	●
Developer qualifications	●	●	●		●	●			
Plans and specifications	●	●	●			●	●		
Tenant interview/leases	●	●	●		●		●		
Effect on portfolio	●				●			●	
Negotiation		●	●	●					
Documentation	●	●	●	●	●				

Updated September 21, 2012

Market portfolio rationale

A market portfolio representing the universe of institutional properties forms the basis for our strategic allocations

Market portfolio

USD 3.9 trillion

Higher return in 28 of 35 years

7.8% standard deviation

Why not use the NPI?
Since 1978, the Market Portfolio has been a core efficient portfolio with higher returns and lower volatility or risk

NCREIF Property Index (NPI)

USD 0.3 trillion

Higher return in 7 of 35 years

8.0% standard deviation

NPI

Source: NCREIF, Harvard University, Moody's Analytics, Reis, CoStar Group, Inc., and CBRE Econometric Advisors as of December 31, 2012.
Market weights by property type are derived from a measured inventory of space and estimates of price/sq ft each year over the 85-12 time period and held constant at the 1985 weights over the 78-84 time period. These weights are applied to annual NCREIF returns by property type to generate the market portfolio returns.
Updated: April 4,2012

Commercial real estate *investable universe*

Capitalization by property type

- The market portfolio is composed of 65 of the largest metropolitan areas in the US, which combine for 34.1 billion square feet of space and a total value of USD 3.9 trillion

Property type	Sq ft (bn)	USD/sq ft	Value (USD bn)	(%)
Apartment	10.9	120	1,304	33
Industrial	11.9	39	468	12
Office	4.6	207	959	25
Retail	6.7	175	1,170	30
Total	**34.1**	**114**	**3,902**	**100**

- Hotels are not included in this capitalization

Source: Market Portfolio is based on data obtained from Harvard University, Moody's Analytics, Reis, CoStar Group, Inc., CBRE Econometric Advisors and NCREIF as of December 2012. USD/sq ft has been rounded to the nearest whole dollar.
Updated: April 9, 2013

Strategic allocation *by geography*

Geographic allocations are based on market weights

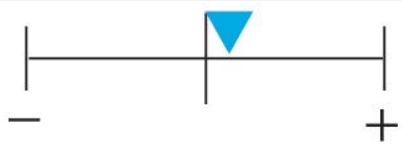
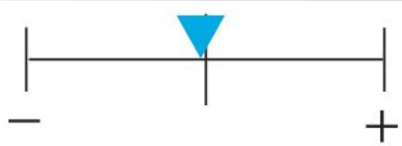
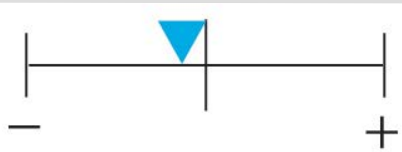
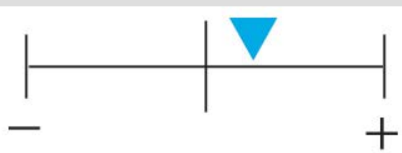
NCREIF geographic divisions (largest markets)	**ODCE (%)**	**Lower guide**	**Market portfolio (%)**	**Upper guide**
Northeast (NY, Boston, Philadelphia, Newark, Stamford)	21.4	*16*	24	*32*
Pacific (Los Angeles, San Francisco, Seattle, San Diego, Oakland)	32.6	*17*	27	*37*
Mideast (Washington DC, Baltimore, Charlotte, Raleigh)	13.0	*8*	12	*16*
Southeast (Atlanta, Miami, Orlando, Ft. Lauderdale, Palm Beach)	9.0	*6*	9	*12*
East North Central (Chicago, Indianapolis, Cincinnati, Detroit, Cleveland)	7.4	*6*	9	*12*
Southwest (Houston, Dallas, Austin, Fort Worth, San Antonio)	9.9	*7*	11	*15*
Mountain (Denver, Phoenix, Salt Lake City, Las Vegas, Santa Fe)	5.0	*3*	5	*7*
West North Central (Minneapolis, Kansas City, St. Louis, Omaha)	1.7	*2*	3	*4*
Total	100		100	

Source: Market Portfolio is based on data obtained from Harvard University, Moody's Analytics, Reis, CoStar Group, Inc., CBRE Econometric Advisors and NCREIF as of December 2012.
NCREIF allocations are as of September 2013.
Data may not sum due to rounding.
Updated: October 31, 2013

UBS

2014 strategy for core real estate portfolio

Current outlook on the relative strength of fundamentals. Sliding scale position implies conservative or aggressive underwriting posture.

	Current outlook	
Apartment		Rapidly increasing levels of new rental units warrant caution and a less aggressive stance than past years. However, low vacancy and the potential for continued demand continue to inspire a modestly aggressive view of the apartment sector.
Hotel		After recovering faster than most other real estate sectors, hotels appear to be in a period of sustainable expansion. A neutral position is the most appropriate for the current balance of moderate supply to moderate demand.
Industrial		Industrial demand is increasing during a period of low new supply. Availability should continue to decline. 2014 is expected to be another year of reduced warehouse development, leading to a more aggressive outlook for the year.
Office		Even though supply growth is restrained, improvements in demand have been minimal. As such, an unchanged, slightly conservative outlook for the office sector is warranted in 2014.
Retail		Retail income growth is still composed of modest rental rate gains and a better outlook for leasing up vacant space, leading to an unchanged, moderately aggressive perspective for 2014.

Source: UBS Global Asset Management, Real Estate Research & Strategy as of January 2014.
Updated: January 14, 2014

Strategic allocation *by economic sector*

Diversity based on national industry exposure

- UBS Global Asset Management categorizes stocks into eleven sectors. We combined these to form eight major sectors (including a government and agricultural sector) that are subject to similar economic drivers.
- Gross Domestic Product (GDP) and Gross Metro Product levels can be categorized into these same sectors
- Economic diversification is achieved by ensuring that a portfolio's average exposure to the economic sectors is similar to that of the US

All values %

			Market range		Top 65 metros		
Sector	**Houston**	**San Jose**	**Hi**	**Lo**	**Avg**	**Std dev**	**UBS-TPF**
Discretionary/media/autos	6.5	6.4	25.7	6.4	10.5	3.0	9.9
Consumer staples	3.5	3.0	8.2	3.0	5.3	1.0	5.1
Energy/utilities/materials	33.6	1.5	33.6	1.5	6.2	5.7	5.9
Financials/insurance	11.3	14.3	36.8	10.2	20.9	5.1	20.5
Gov't, educ, ag, and military	8.4	8.7	36.7	7.5	14.6	5.3	14.3
Healthcare	5.9	7.5	18.3	5.9	9.9	2.4	9.4
Industrials	25.0	17.0	31.0	17.0	22.9	3.1	22.6
Telecom/technology	5.8	41.6	41.6	2.5	9.7	6.3	12.3
Total	100.0	100.0			100.0		

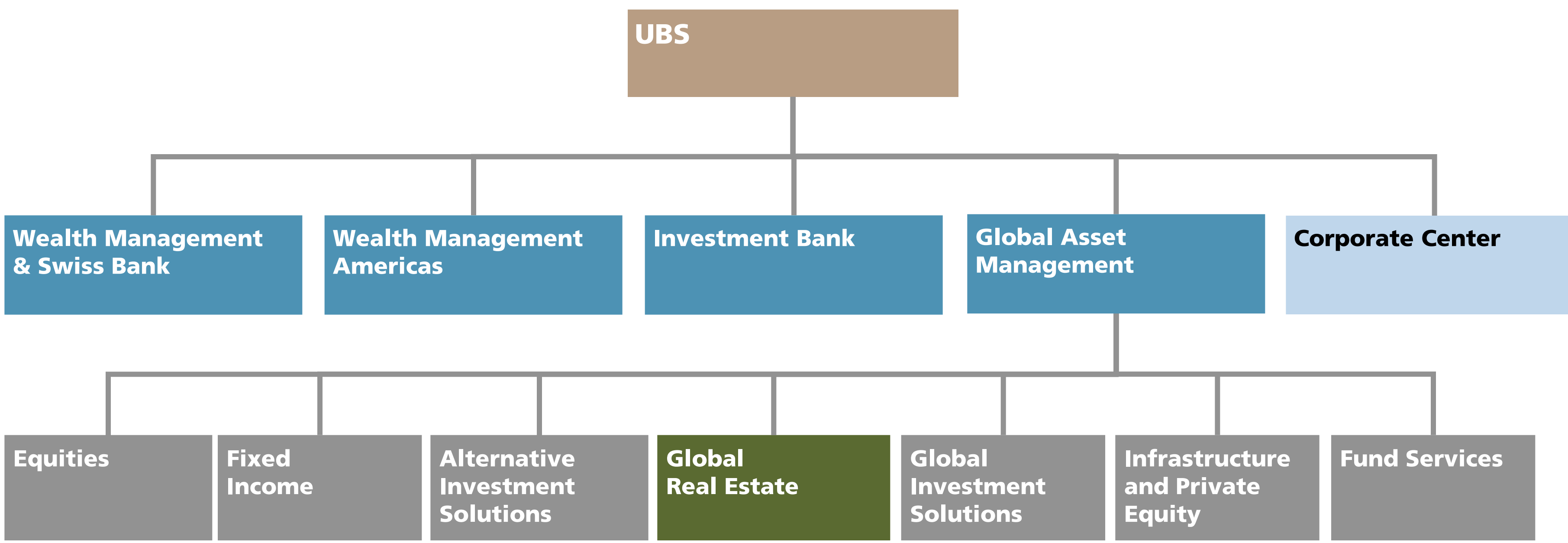
Source: Moody's Analytics as of December 2012. UBS-TPF allocations are as of June 2013.
Totals may not sum to 100% due to rounding.
Update: August 28, 2013

UBS

UBS Global Asset Management - *Overview*

As of September 30, 2013

- Total invested assets: USD 642 billion
- Approximately 3,750 employees located in 24 countries
- Seven business segments
- Value driven investment philosophy
- Real estate is a prominent business area within UBS Global Asset Management



Updated November 5, 2013

Section 4

Compliance statement

Compliance Statement

Ventura County Employees' Retirement Association is invested in the UBS Trumbull Property Fund (UBS-TPF). UBS-TPF is an open-end, commingled private real estate portfolio advised by UBS Realty Investors, LLC (UBS Realty).

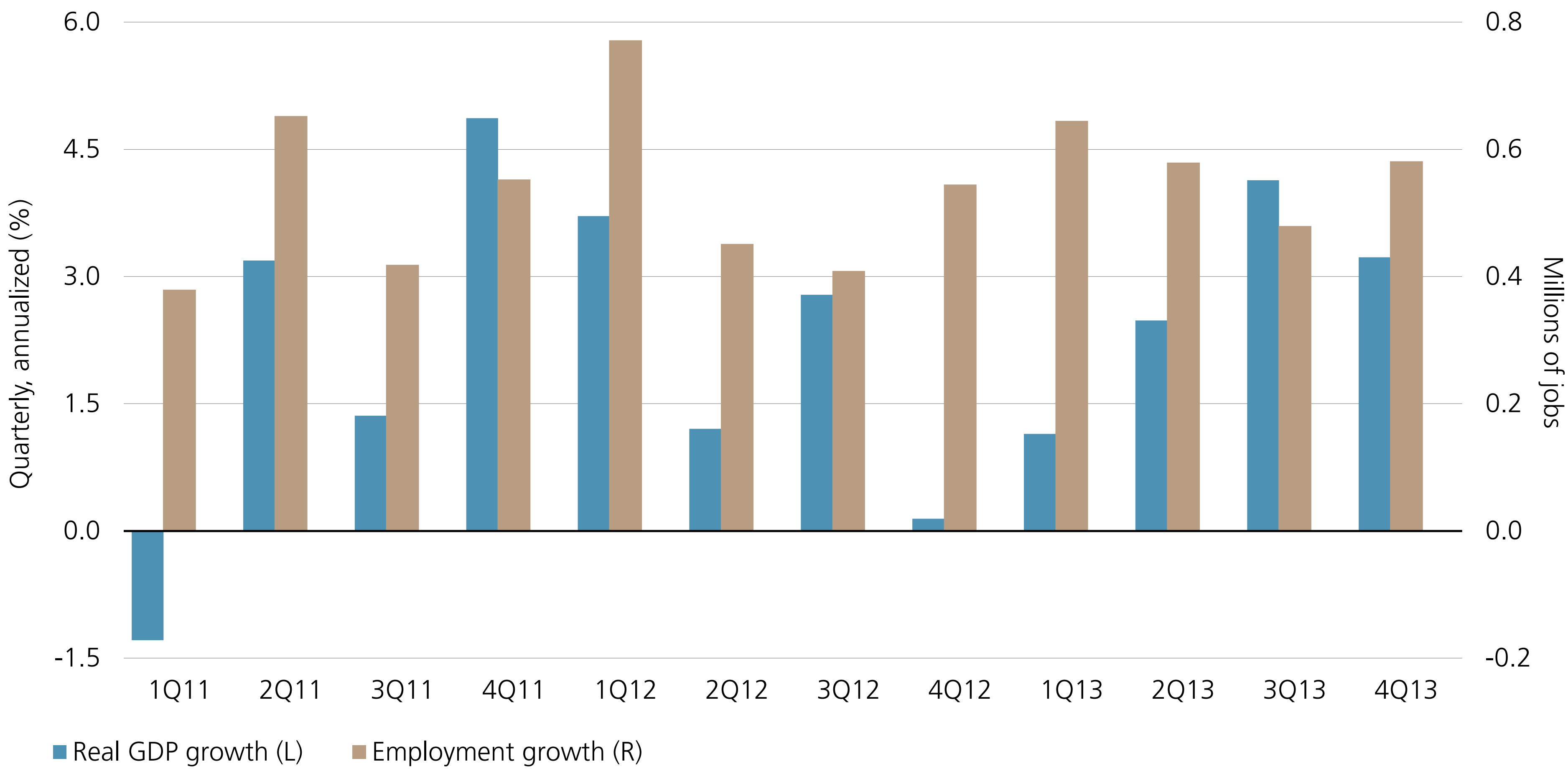
UBS Realty confirms that as of December 31, 2013, UBS-TPF is invested in compliance with the investment guidelines that UBS Realty has established for the fund, as may be amended from time-to-time.

Section 5

Market outlook

Economic condition

GDP and employment growth

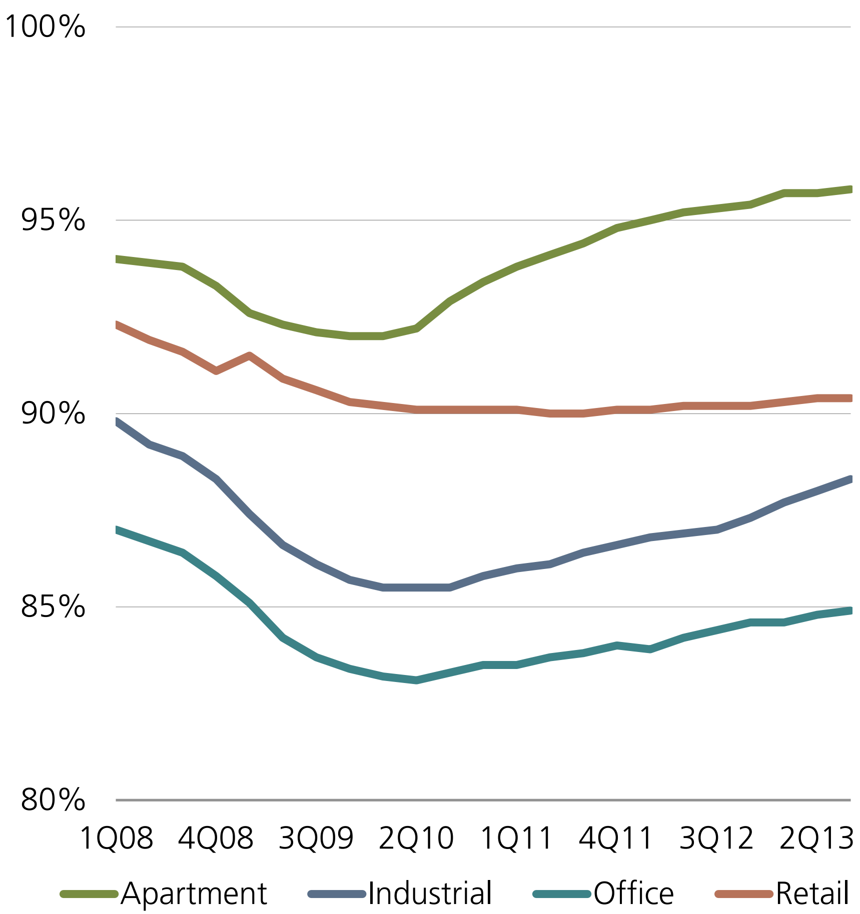


Source: Moody's Analytics as of January 13, 2014
Updated: February 6, 2014

UBS

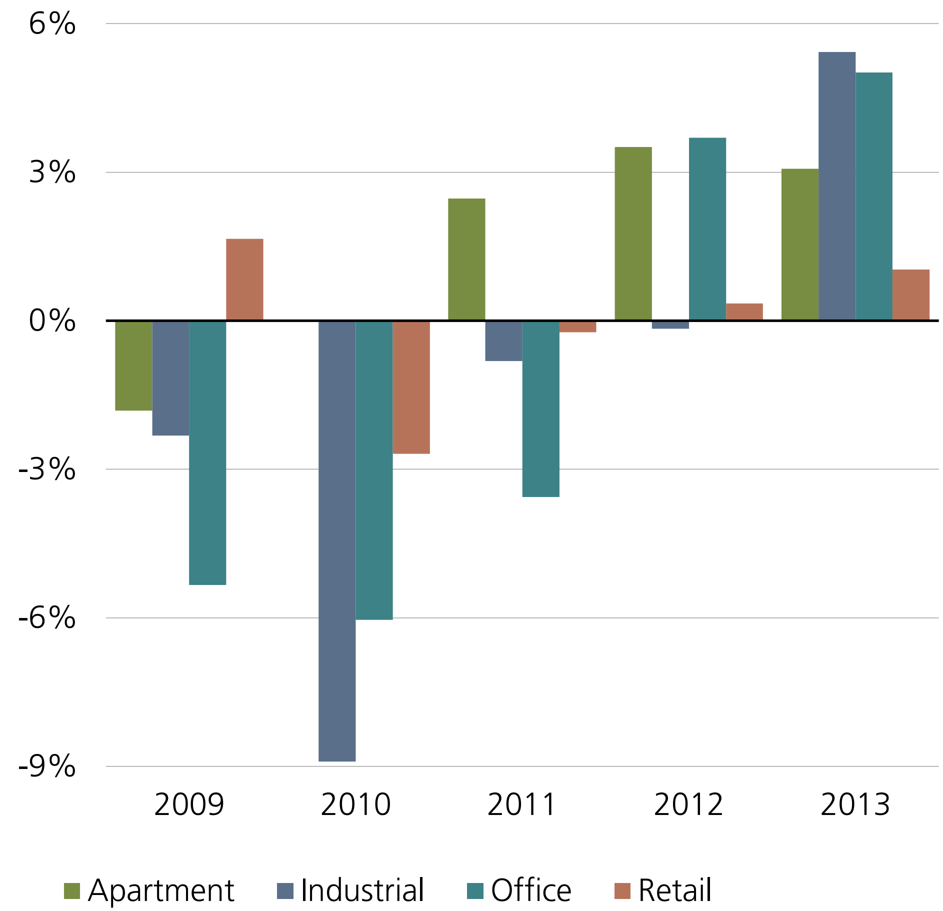
US real estate fundamentals – *improving*

Occupancy by sector



Source: CBRE Econometric Advisors and REIS as of September 2013
Updated: November 8, 2013

Rent growth by sector



Source: CBRE Econometric Advisors and REIS as of September 2013
Data is four quarters of growth ending third quarter.

UBS

Market summary

Economy

- Up and down but trending toward weak growth

Fundamentals

- Recently established improvement
- Recent supply at an extreme low

Capital

- Already de-leveraged
- Refinance not a universal risk
- Property is trading with a premium on quality income

Returns

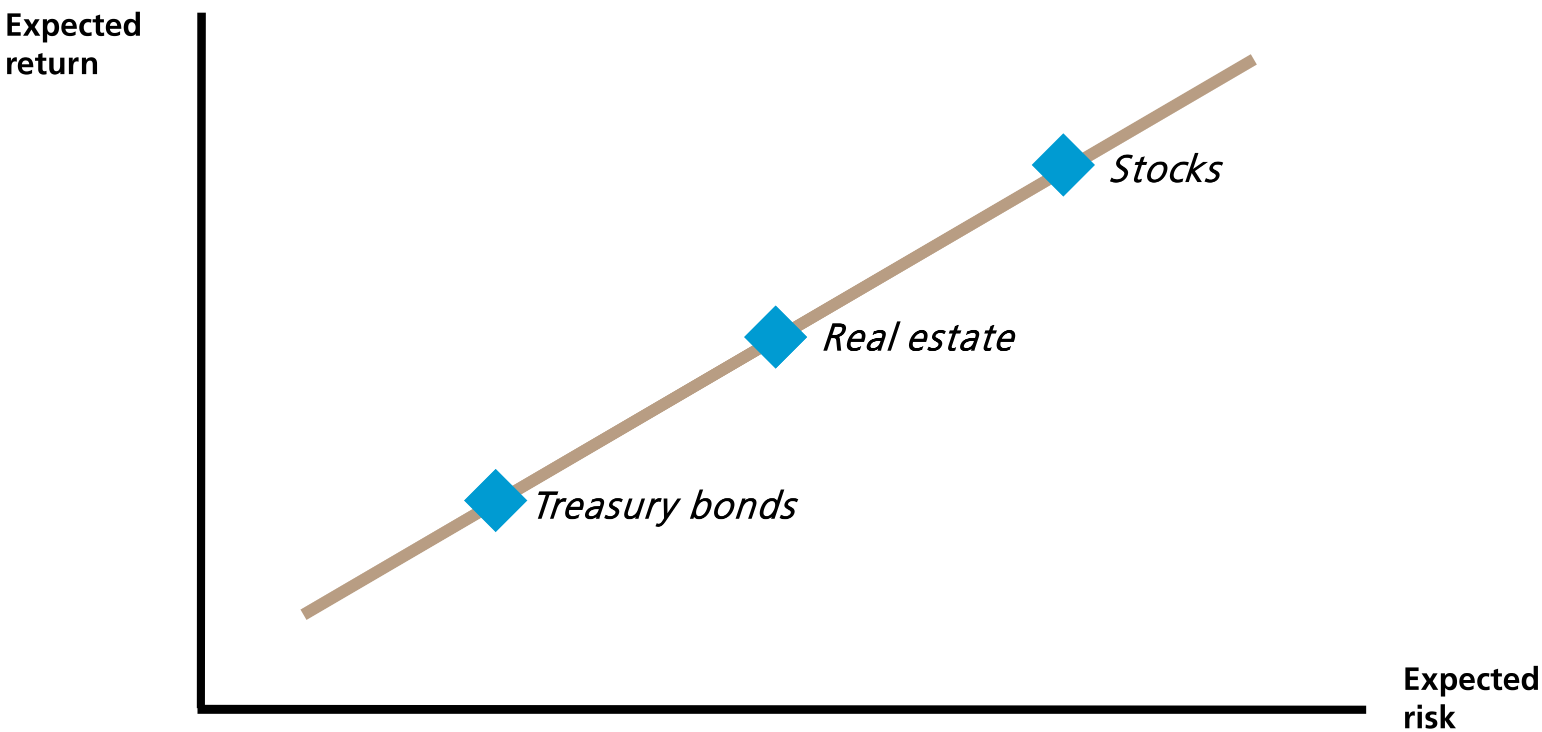
- Cap rates are low by an absolute, historical standard but high by relative spread
- Recent returns are unsustainable as appreciation includes recovery

Updated: October 2, 2013

Section 6

Exhibits

Real estate *investment styles*



- Core real estate has risk and return characteristics that fall between stocks and bonds
- There are many other forms of real estate with characteristics that may fall higher or lower on this scale

Source: UBS Global Asset Management, Real Estate Research & Strategy.
Illustration based on historical risk/return trends.
Updated: September 27, 2011

UBS

US *investment characteristics*

Stocks, bonds, international stocks and real estate

1978-2012

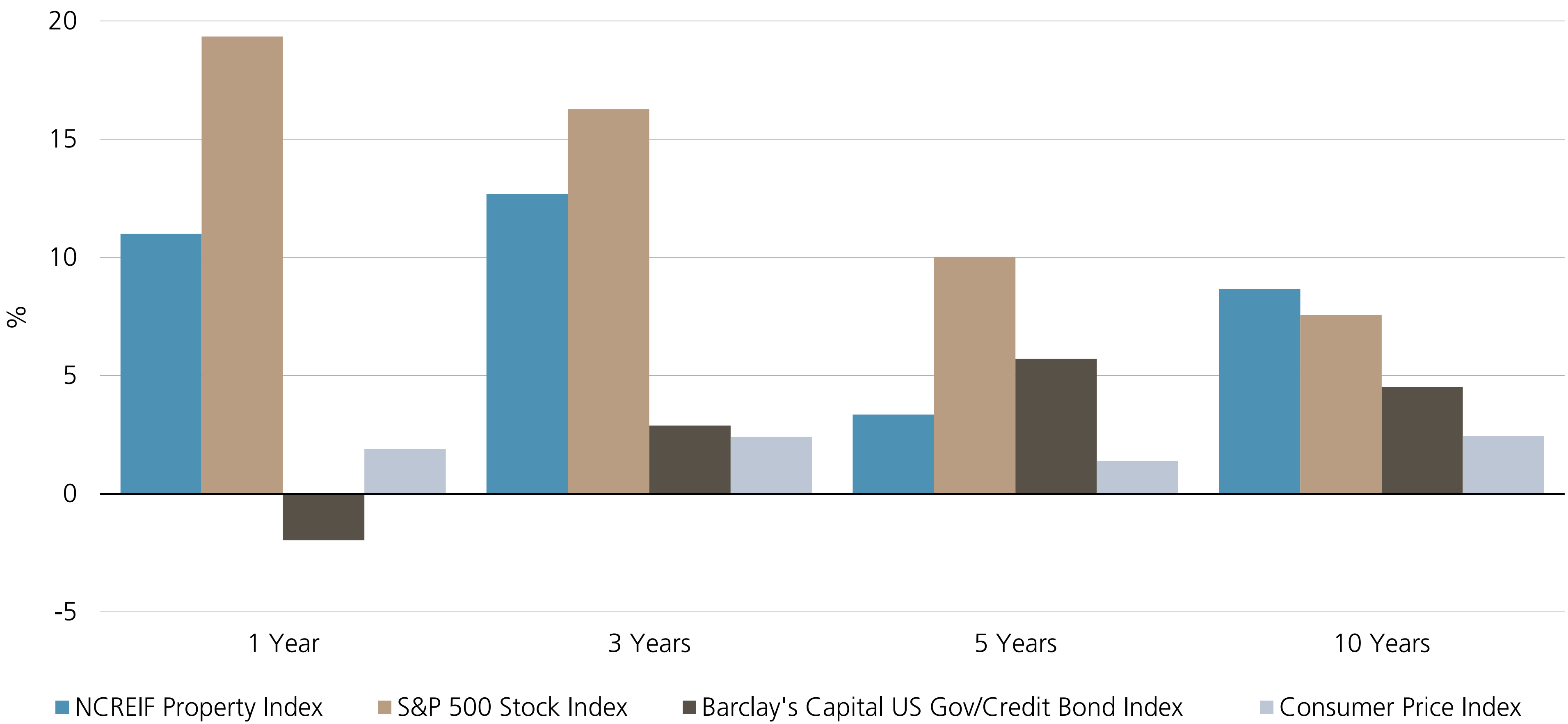
	Returns			Correlations						
	Mean		Std dev							
	Nominal (%)	Real (%)	Nominal (%)	CPI	Bonds	Int'l	Lg stock	Sm stock	REITs	RE
CPI	3.8	-	2.9	1.00						
Bonds	8.1	4.3	6.9	(0.19)	1.00					
International	10.2	6.3	22.6	0.05	0.03	1.00				
Lg stocks	11.3	7.4	16.7	0.12	0.24	0.64	1.00			
Sm stocks	13.6	9.7	20.6	0.24	0.04	0.46	0.70	1.00		
REITs	12.9	9.0	17.4	0.15	0.12	0.39	0.52	0.75	1.00	
Real estate	9.1	5.3	8.0	0.40	(0.14)	0.17	0.13	0.08	0.13	1.00

- Stocks provided historically high real returns over the 1978-2012 time period
- The return generated by direct real estate investment was lower than that of stocks but with lower volatility, low correlations with stocks, and a positive correlation with inflation
- Over periods that span both rising and falling inflation rates, real estate should provide attractive risk-adjusted returns relative to stocks and bonds

Source: Morningstar, the Bar-Cap Aggregate Bond Index, EAFE International Stock Index, S&P 500 Stock Index, IA SBBI US Small Stock Index, NAREIT and the NCREIF Property Index as of December 2012.
Means are annualized returns consistent with methodology used by NCREIF. Standard deviation and Correlations are based on December ending annual returns.
Updated: January 29, 2013

Real estate and capital markets indices

Real estate, stocks, bonds and CPI



Source: NCREIF, Morningstar, Bureau of Labor Statistics as of September 2013
CPI is seasonally adjusted.
Updated: November 7, 2013

UBS

UBS Trumbull Funds *valuation program*

- Altus Group[(1)] (Altus) administers the valuation program for several commingled funds managed by Global Real Estate - US, including appraisal review and appraiser bidding, rotation and recommendation. UBS retains an internal valuation review team to oversee Altus and manage the valuation program for several separate accounts.

Appraisal process

All UBS Trumbull Fund property investments owned for at least a quarter are generally appraised by an independent appraisal firm each quarter.

Appraisals are certified by appraisers holding the MAI designation.

Appraisals are prepared in conformity with USPAP.

Appraisal assignments are rotated every 3-5 years to a new appraisal firm.

Appraisal review

- Altus reviews all draft appraisals, including cash flow and market assumptions and support and pro forma projections.
- Altus works with UBS to ensure accuracy of factual data, including lease terms.
- Altus uses robust, real-time data from peer group clients in analyzing UBS property valuations to gauge consistency in methodology, pricing and applied judgment.
- UBS valuation review team provides an additional level of review for consistency across properties and accounts.
- Valuation results are presented to the UBS Valuation Committee[(2)] on a quarterly basis.
- Management reports are prepared to communicate valuation results.
- Independent auditors annually examine each fund's financial statements, to include appraisal documentation.

[1]Altus Group acquired the valuation advisory business of PricewaterhouseCoopers (PwC), our previous valuation administrator, on July 31, 2010.
[2]The Valuation Committee includes the chief executive officer of Global Real Estate – US, the portfolio managers, asset management region heads, managing directors, general counsel and the co-heads of Valuation.
Updated September 21, 2012

Fiduciary responsibility with regard to the Trumbull Funds

- The general partner and advisor to the Fund are contractually bound to adhere to the same ERISA mandated "prudent person" standard of care as an ERISA Fiduciary.
- The Trumbull Property Fund is structured as a limited partnership and is therefore not technically a "plan asset" vehicle under ERISA
- The ERISA "prudent person" standard of care that the Fund follows, requires the general partner and advisor to act in the best interest of the Fund and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Updated: November 22, 2010

Section 7

UBS Global Real Estate Strategies and Funds

UBS

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US direct real estate funds

	UBS Trumbull Property Income Fund (UBS-TPI)	UBS Trumbull Property Fund (UBS-TPF)	UBS Trumbull Property Growth & Income Fund (UBS-TPG)	Allegis (US) Multifamily Value Fund VII (AMV)[4]	UBS AgriVest Farmland Fund, Inc. (UBS-AFF)
Investment strategy	**Core income-oriented investments** – primarily through participating mortgages secured by real estate assets	**Diversified core real estate** – primarily through direct ownership of real estate assets	**Value-added real estate** tactical orientation w/ investments through joint ventures, direct and indirect ownership	**Development and value-added strategies,** initial focus is develop-ment then traditional value-added strategies (repositioning and reno-vation) during later stages of the Fund's three-year investment period	**Investing in row,** vegetable and permanent crop farmland in select agricultural areas across the US. Leasing strategies avoid farming and commodity risks.
Financial objective[1]	Seek to achieve at least a 5% real rate of return [2] Seek to provide a positive total return for each quarterly period regardless of market conditions	Seek to achieve at least a 5% real rate of return[2] Seek to outperform the NFI-ODCE index	Seek to outperform the NFI-ODCE Index by at least 200 bps Seek to achieve at least a 7% real rate of return[2]	Seek to provide a nominal internal rate of return of 12-15% before fees and taxes. Estimated life of 6 to 8 years	Seek to exceed the Core Farmland Index (CFI) over 3- to 5-year period
Leverage	Low or no Leverage 0% at 12/31/2013	Moderate 13.0% at 12/31/2013	Target of approximately 50% of GAV 40.7% at 12/312013	Maximum 65% of cost at the Fund level	Maximum 25% leverage 0% at 12/31/2013
Gross assets	USD 2.1 b in 46 investments	USD 16.1 b in 186 investments	USD 431.4 million in 11 investments	Up to USD 1.4 billion GAV	USD 477.0 million in 50 investments
Inception	1981	1978	2006	2013	2006
Total return[3] (gross/net)	One year: 9.42%/8.52% Ten year: 8.66%/7.84%	One year: 10.44%/9.32% Ten year: 7.87/6.88%	One year: 19.97%/17.05% Since inception[4] 3.42%/1.59%	Fund has not yet commenced operations	One year: 10.93%/9.83% Since inception[4] 12.03%/10.94%

Source: UBS Global Asset Management, Global Real Estate – US. Notes: [1] Over any given three- to five-year period unless noted. There is no assurance that the financial objective will ultimately be realized and the possibility of loss does exist.[2] Return adjusted for inflation, before fees. [3] Returns supplement the respective Composite, previously provided or included herein. [4] The Fund is in formation and terms and conditions are subject to change. [5] Since Inception date of UBS-TPG is June 6, 2006 and UBS-AFF is June 30, 2006. Updated: January 27, 2014

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UBS Trumbull Property Fund
Facts & figures 4Q 2013

Objective
The UBS Trumbull Property Fund (UBS-TPF) is an actively managed core portfolio of equity real estate. The Fund seeks to provide attractive returns while limiting downside risk. The Fund has both relative and real return objectives. Its relative performance objective is to outperform the NFI-ODCE index over any given three-to five-year period. The Fund seeks to achieve a real rate of return of at least a 5% (inflation-adjusted return), before advisory fees, over any given three- to five-year period.

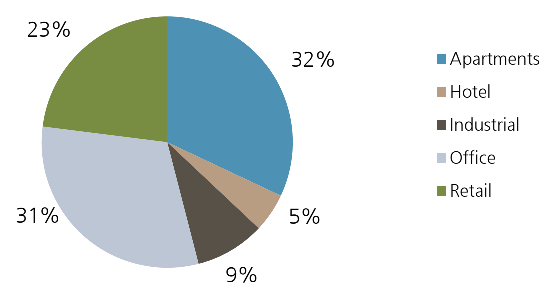
Highlights
- Net investment income before fees was USD 165.0 million. The fourth quarter also reflected a net realized and unrealized gain of USD 145.1 million.
- UBS-TPF completed 10 acquisitions during the quarter for a total of USD 731.2 million. The acquisitions included four retail investments (USD 539.2 million), two apartment investments (USD 152.1 million), and four industrial investments (USD 39.9 million). Most notably, the Fund invested in Water Tower Place, a regional mall located on the Magnificent Mile in Chicago, IL. The Fund's gross purchase price for this investment was USD 408.7 million.
- The Fund completed three disposition transactions during the quarter for a total of USD 35.6 million: an industrial investment in Weston, FL for USD 13.0 million, an industrial investment in Buffalo Grove, IL for USD 18.7 million and a retail investment in Atlanta, GA for USD 3.9 million.
- UBS-TPF refinanced the debt placed on an apartment investment in Arlington, VA (USD 90 million at a fixed rate of 4.17%) and an office investment in Chicago, IL (USD 60 million at a fixed rate of 2.91%).

Total returns by property type

Periods ending 12/31/2013	Apt	Hotel	Ind	Office	Retail
Quarter (%)	2.61	1.06	3.10	2.09	2.64
12 months (%)	11.65	7.92	13.71	10.99	10.44

UBS Trumbull Funds

Portfolio distribution by property type[1]



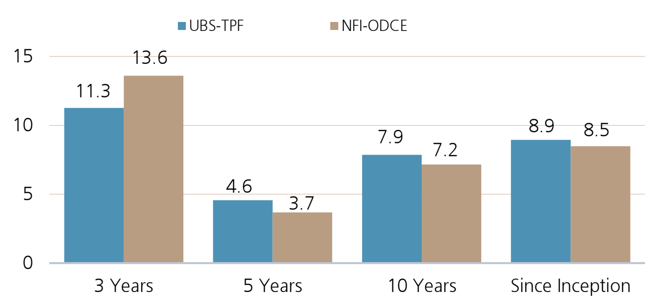
Key statistics

Gross asset value (GAV)	USD 16.1 bn
Net Asset value (NAV)	USD 13.8 bn
Cash as a % of GAV	2.3%
Debt as % of GAV	13.0%
Number of investments	186
Number of investors	399
Deposits	USD 385.4 m
Redemptions	USD 151.2 m

Quarterly returns	(%)
Income	1.21
Appreciation	1.07
Total (before fees)	2.28
Total (after fees)	2.02

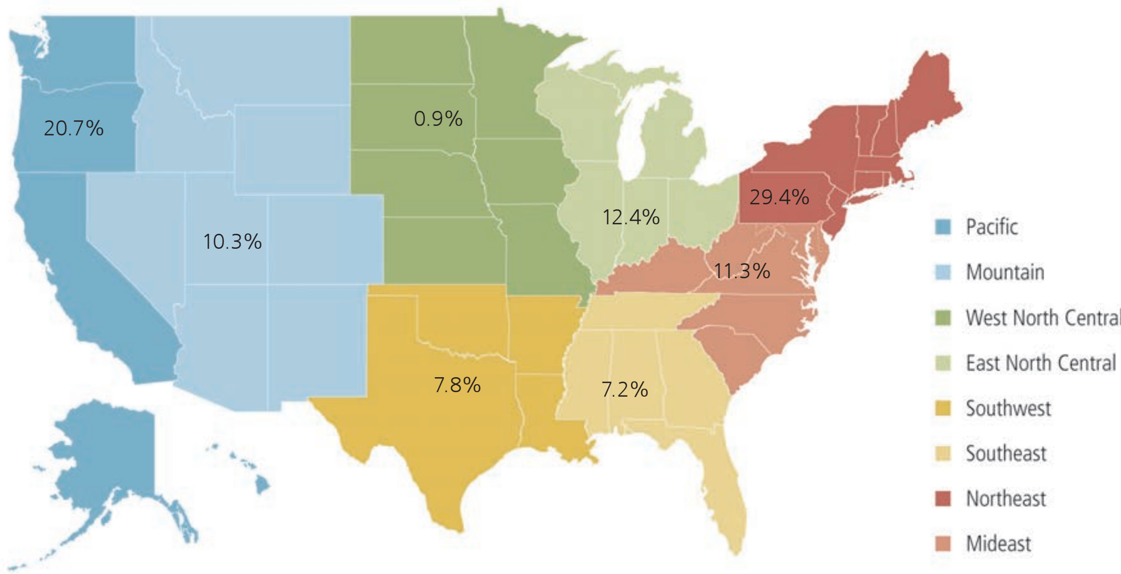
One-year rolling returns (%)	
Income	5.13
Appreciation	5.12
Total (before fees)	10.44
Total (after fees)	9.32

Performance for periods ending December 31, 2013
Gross returns vs. NFI-ODCE (annualized %)



Past performance is not an indication of future results
Inception date January 13, 1978

Distribution by geographic division[1]



[1]Percentage of gross market value of real estate investments.

[2]Deposits and redemptions for the fourth quarter of 2013 were recorded in January 2014.

This summary is not a recommendation, an offer, a solicitation, or advertisement to purchase or sell securities or interests in the Fund. The Fund will only be offered pursuant to a confidential offering memorandum and then only to accredited investors on a private placement basis in jurisdictions in which such an offer may be legally made. The Fund may not be available to investors in all jurisdictions—investors should consult their legal and tax advisors regarding investment in the Fund.

The UBS (US) Trumbull Property Fund LP (UBS-TPF) is a Delaware limited partnership and is part of the group of funds known as the UBS Trumbull Funds. The Fund is denominated in USD. Returns include reinvestment of income and are before deduction of management fees. Net returns for the three-, five- and ten-year periods ended 12/31/2013 were 10.14%, 3.59% and 6.88% and the net return since inception was 7.95%. All returns shown are before the deduction of contract charges, which are only applicable through February 29, 2008. NCREIF Fund Index-Open End Diversified Core Equity ("NFI-ODCE") returns are time-weighted, fund-level returns that include cash balances and leverage, and are presented gross of fees. With property investment, the underlying assets are very illiquid and redemptions may be delayed. Past performance is not indicative of future results and the possibility of loss does exist.

In the US, investment in the Fund is offered by UBS Fund Services (USA) LLC member FINRA and SIPC.

In Canada, the Fund may be offered through UBS Global Asset Management (Canada) Inc.

There is no guarantee the Fund›s objectives will be met.

Published February 1, 2014.

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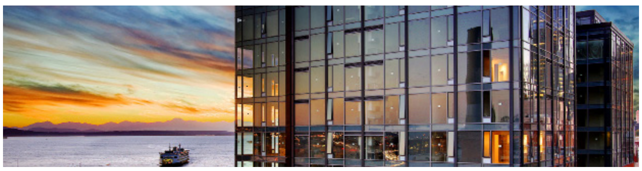
UBS Trumbull Property Income Fund

Facts & Figures 4Q 2013



UBS Trumbull Funds

Objective

The UBS Trumbull Property Income Fund (UBS-TPI) offers a combination of fixed returns and participation in the cash flows and market value changes of commercial real estate investments. The investment objective of the account is to seek to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before fees, over any given three- to five-year period.

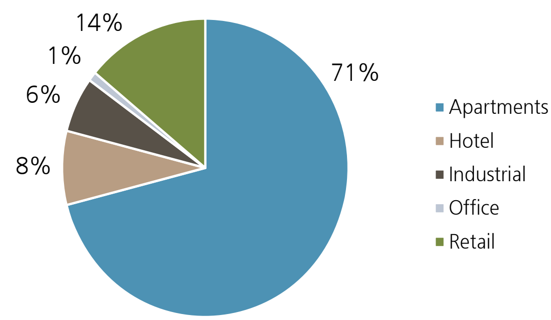
Highlights

- Net investment income before advisory fee was USD 21.8 million, up approximately USD 0.3 million from last quarter.
- All investments were externally appraised except for four new investments. The account recognized a net realized/unrealized gain of USD 35.1 million.
- UBS-TPI invested in three new construction loans that will convert to participating mortgages upon completion. The loans are secured by properties in Los Angeles, New York City, and Atlanta. The combined total commitment is approximately USD 186 million.
- The Fund invested USD 14.7 million in a participating mortgage loan secured by a leased land parcel. The loan is cross-defaulted with a new Los Angeles construction loan.
- Two loans were repaid during the quarter – one was secured by eight industrial properties in six states and the other was secured by two senior living properties in Colorado.
- The Fund sold an apartment property in Renton (Seattle), Washington for approximately USD 33 million.

Total returns by property type

Periods ending 12/31/2013	Apt	Hotel	Ind	Office	Retail
Quarter (%)	3.59	2.51	2.06	-1.28	1.68
12 months (%)	11.68	8.93	5.79	0.50	8.07

Portfolio distribution by property type[1]



Key statistics

Gross asset value (GAV)	USD 2.1 bn
Net Asset value (NAV)	USD 2.1 bn
Cash as a % of GAV	7.1%
Number of investments	46
Number of investors	86

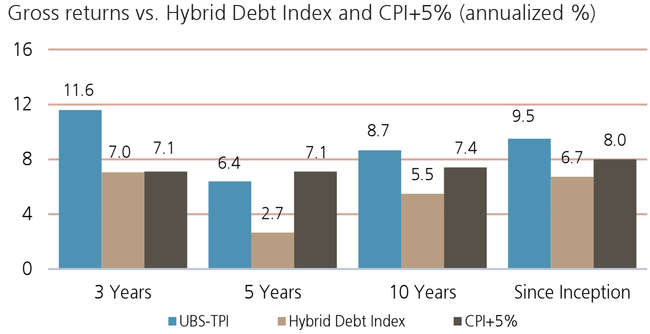
Deposits[2]	USD 34.2 m
Redemptions[2]	USD 24.3 m

Quarterly returns	(%)
Income	1.06
Appreciation	1.72
Total (before fees)	2.78
Total (after fees)	2.57

One-year rolling returns (%)	
Income	4.08
Appreciation	5.18
Total (before fees)	9.42
Total (after fees)	8.52

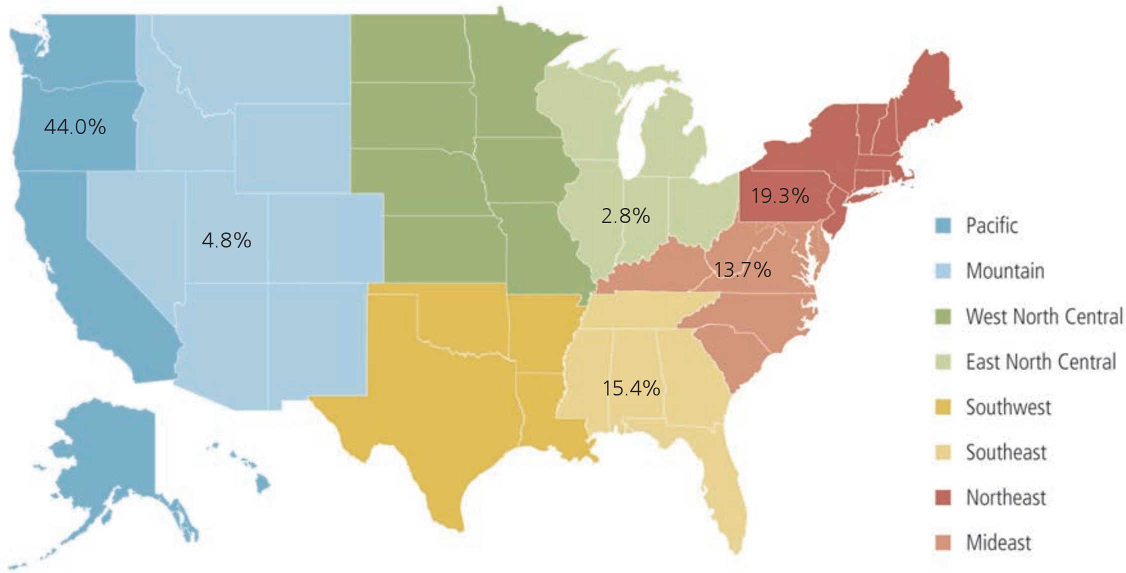
Performance for Periods ending 12/31/2013

Gross returns vs. Hybrid Debt Index and CPI+5% (annualized %)



Past performance is not an indication of future results.
Inception date March 31, 1981

Distribution by geographic division[1]



[1]Percentage of gross market value of real estate investments

[2]Deposits and redemptions for the fourth quarter of 2013 were recorded in January 2014.

This summary is not a recommendation, an offer, a solicitation, or advertisement to purchase or sell securities or interests in the Fund. The Fund will only be offered pursuant to a confidential offering memorandum and then only to qualified purchasers on a private placement basis in jurisdictions in which such an offer may be legally made. Investors should consult their legal and tax advisors regarding investment in the Fund.

The UBS (US) Trumbull Property Income Fund LP (UBS-TPI) is a Delaware limited partnership and is part of the group of funds known as the UBS Trumbull Funds. The Fund is denominated in USD. Returns include reinvestment of income and are before deduction of management fees. Net returns for the three-, five- and ten-year periods ended 12/31/2013 were 10.71%, 5.51% and 7.84% and the net return since inception was 8.73%. All returns shown are before the deduction of contract charges, which were only applicable through February 29, 2008. The Hybrid Debt Index (HDI) is a custom index that includes the yield of the Barclays Bond Index plus 75% of the appreciation of NCREIF Fund Index – Open-end Diversified Core Equity (NFI-ODCE) properties that are included in the NCREIF Property Index (NPI).With property investment, the underlying assets are very illiquid and redemptions may be delayed. Past performance is not indicative of future results and the possibility of loss does exist.
In the US, investment in the Fund is offered by UBS Fund Services (USA) LLC member FINRA and SIPC.

In Canada, the Fund may be offered through UBS Global Asset Management (Canada) Inc.

There is no guarantee the Fund›s objectives will be met.

Published January 31, 2014.

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UBS Trumbull Property Growth & Income Fund
Facts & figures 4Q 2013

Objective

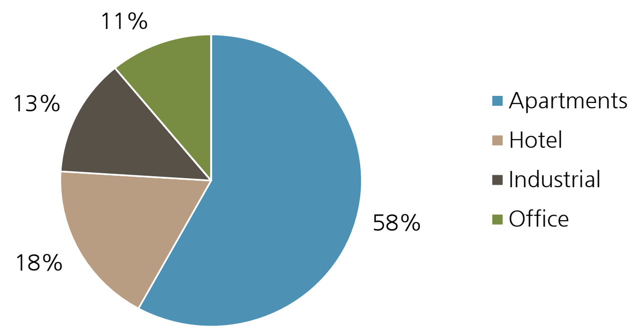
UBS Trumbull Property Growth & Income Fund (UBS-TPG) is an open-end real estate fund that builds on our 35 years of experience investing in US real estate. It is an actively managed fund utilizing both a broad range of value added strategies and tactical market selection to enhance returns. Leverage is targeted to be approximately 50% of its gross asset value. The Fund's return objective is, on a relative basis, to seek to exceed the NFI-ODCE Index by at least 200 basis points per annum over any given three- to five-year period. The secondary absolute objective is to seek to achieve at least a 7% real rate of return (i.e., inflation-adjusted return), before management fees, over any given three- to five-year period.

Highlights

- Fourth quarter net investment income before fees was USD 1.6 million. UBS-TPG also recognized a net unrealized gain of USD 12.5 million. This gain was spread across the Fund's investments, with the highest concentration coming from the Fund's California properties.
- UBS-TPG acquired a joint-venture interest in a 393,000 square-foot 35-story office property in the Central Loop of Chicago, IL. The Fund's share of gross purchase price was USD 43.0 million, with USD 31.7 million of that amount funded from new third-party debt.
- The Fund closed a new loan on the DoubleTree Los Angeles Downtown hotel. The initial loan proceeds were USD 28.6 million, and we may draw up to USD 37.0 million after achieving certain performance benchmarks. The property continues to exceed its underwriting and budget projections.
- UBS-TPG's apartment development property in West Los Angeles is nearly complete. We expect to receive a certificate of occupancy in the first quarter.
- The Fund's apartment development property in Tampa, FL is being developed in phases. Although construction will not be complete until the second quarter, at year end the property was 39% leased and 21% occupied.

UBS Trumbull Funds

Portfolio distribution by property type[1]



Key statistics

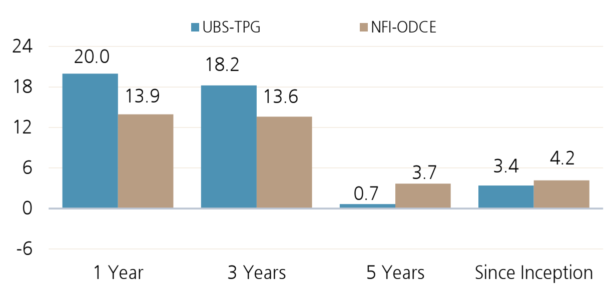
Gross asset value (GAV)	USD 431.4 m
Net Asset value (NAV)	USD 244.3 m
Cash as a % of GAV	7.9%
Debt as % of GAV	40.7%
Number of investments	11
Number of investors	20
Deposits	USD 10.1 m
Redemptions	USD 2.5 m

Quarterly returns	(%)
Income	0.70
Appreciation	5.35
Total (before fees)	6.05
Total (after fees)	5.11

One-year rolling returns (%)	
Income	5.10
Appreciation	14.32
Total (before fees)	19.97
Total (after fees)	17.05

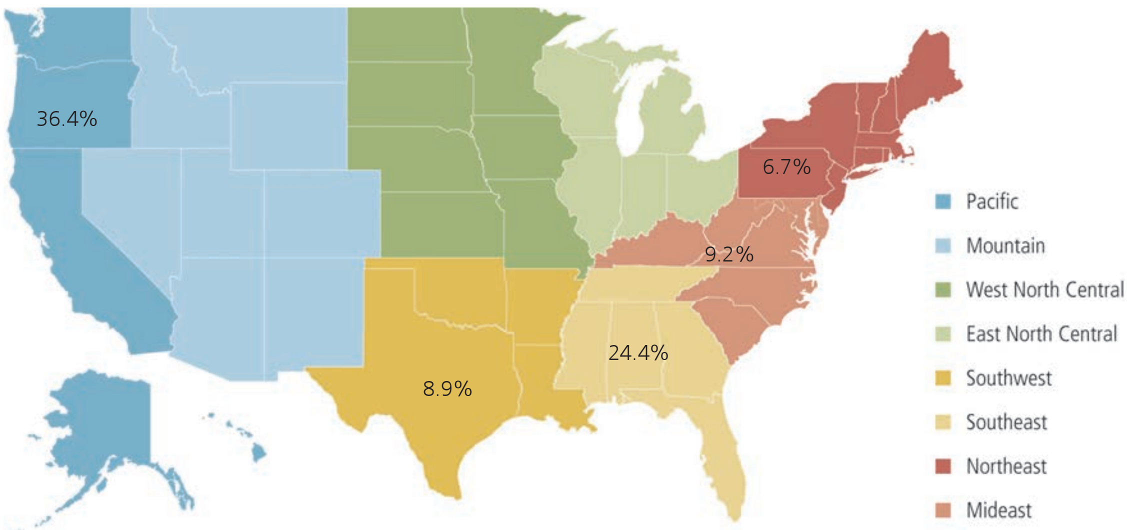
Performance for periods ending December 31, 2013

Gross returns vs. NFI-ODCE (annualized %)



Inception date June 6, 2006

Distribution by geographic division[1]



Property type	CBSA	Size	Ownership structure
Apartments	New York	46 units	Wholly Owned
Apartments	Tampa	300 units[3]	Joint Venture
Apartments	Los Angeles	94 units[3]	Joint Venture
Hotel	Los Angeles	434 rooms	Wholly Owned
Apartments	Washington DC	196 units	Joint Venture
Apartments	San Jose	110 units	Wholly Owned
Apartments	Miami	352 units	Wholly Owned
Industrial	El Paso	1,095,407 SF	Joint Venture
Industrial	Chicago	485,000 SF[3]	Joint Venture
Industrial	Seattle	194,000 SF[3]	Joint Venture
Office	Chicago	393,094 SF	Joint Venture

DoubleTree Los Angeles Downtown
Los Angeles, CA

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[1]Percentage of gross market value of real estate investments.

[2]Deposits and redemptions for the fourth quarter of 2013 were recorded in January 2014.

[3]Under construction.

This summary is not a recommendation, an offer, a solicitation, or advertisement to purchase or sell securities or interests in the Fund. The Fund will only be offered pursuant to a confidential offering memorandum and then only to qualified investors on a private placement basis in jurisdictions in which such an offer may be legally made. The Fund may not be available to investors in all jurisdictions—investors should consult their legal and tax advisors regarding investment in the Fund.

The Fund is denominated in USD. Returns include reinvestment of income and are before deduction of management fees. Prior to January 1, 2011, net returns did not reflect the accrual of any incentive fee nor did they reflect the discounted fees available for investors beginning January 2011. Net returns for the three- and five-year periods ended 12/31/2013 were 15.93% and (1.31)% and the net return since inception was 1.59%.

With property investment, the underlying assets are very illiquid and redemptions may be delayed. NCREIF Fund Index-Open End Diversified Core Equity ("NFI-ODCE") returns are time-weighted, fund-level returns that include cash balances and leverage, and are presented gross of fees. Past performance is not indicative of future results and the possibility of loss does exist.

In the US, investment in the Fund is offered by UBS Fund Services (USA) LLC member FINRA and SIPC.

In Canada, the Fund may be offered through UBS Global Asset Management (Canada) Inc.

There is no guarantee the Fund's objectives will be met.

Published February 1, 2014.

UBS AgriVest Farmland Fund, Inc.
Facts and figures 4Q 2013

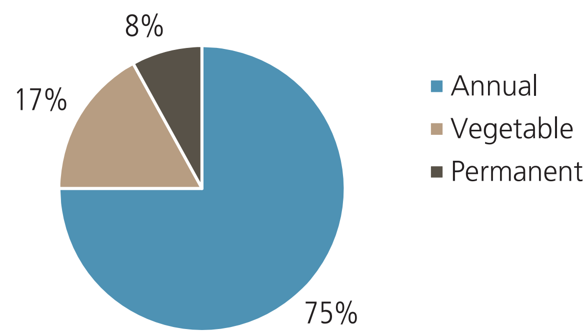
Objective

The UBS AgriVest Farmland Fund, Inc. (the Fund) is an open-end, infinite life, private REIT permitting quarterly contributions and redemptions based on independent appraised values. The investment objective of the Fund is to seek to provide competitive, risk-adjusted total returns from diversified exposure to US farmland by investing in row, vegetable and permanent crop farmland in select agricultural areas across the United States. Our investments are wholly owned and leased to commercial farm operators. UBS AgriVest LLC, the advisor, selects investments in which it believes there is the opportunity for favorable current income and long-term capital appreciation. The Fund is targeting total annualized returns, before advisor fees, that exceed the Core Farmland Index (CFI) over 3- to 5-year periods.

Highlights

- Total returns were 10.93% over the past year and 12.03% since inception.
- Net unrealized gain on investments was approximately USD 6.8 million in the quarter.
- One add-on tract to an existing property was acquired during the quarter.
- Three new commitments and three additional commitments were received during the quarter.
- Two deposits were funded during the quarter.
- One full redemption and one partial redemption were made during the quarter.
- There are two pending acquisitons in contract negotiations at quarter end.

Portfolio distribution by property type



UBS AgriVest Farmland Fund key statistics

Periods ending 12/31/2013

Returns (%)	Quarterly	One Year	Three Years	Five Years	Since Inception
Income	1.28	4.35	4.14	4.19	4.05
Appreciation	1.48	6.38	9.48	5.83	7.74
Total (before fees)	2.76	10.93	13.91	10.20	12.03
Total (after fees)	2.51	9.83	12.79	9.11	10.94
CFI	4.88	15.82	16.02	12.53	13.89

Gross asset value (GAV)	USD 477.0 m	Number of investments	50
Net asset value (NAV)	USD 466.9 m	Number of acres	86,015
Cash as a % of GAV	1.4%	Number of investors	32

Inception date June 29, 2006
See accompanying notes on reverse page. Returns for periods greater than one year are annualized.

Past performance is not an indication of future results.

Farmland overview

Investments in core US farmland historically have demonstrated stable income, diversification for a traditional stock, bond and/or real estate portfolio, and protection from inflation. We offer investors an opportunity to invest in farmland through individual accounts and a fund structure that invests in high-quality, income-producing agricultural properties, diversified across the prime farming regions of the United States.

Below are the NCREIF farmland regions and the competitive advantages of US agriculture.

- Geography:
  - Largest cropland mass in the world located in latitudes favorable to crop production
  - Midway between major export markets of Europe, Asia, Mexico and Canada

- Infrastructure:
  - Mississippi, Ohio, Columbia Rivers
  - Rails, highways
  - Port facilities - New Orleans, Portland, Houston, Los Angeles, Baltimore

- Technology & capital:
  - Biotechnology, mechanical, conservation
  - Land grant colleges, agricultural extension programs
  - Innovative farmers with strong management skills
  - Well-capitalized farm economy

- Dominant global export market share:
  - Increasing global demand from improving income in developing countries and alternative fuels (ethanol and biodiesel)
  - US is most efficient and reliable producer

Returns reflect the reinvestment of income. With farmland investment, the underlying assets are very illiquid and redemptions may be delayed. The possibility of loss does exist.

There is no guarantee the objectives of the Fund will be met.

For the Core Farmland Index (CFI) we re-weighted NCREIF farmland returns to 80% annual (including vegetable) cropland and 20% permanent cropland and excluded investments that are owner/operated. We consider this to be more appropriate as a benchmark for broadly diversified exposure to core US farmland. The Core Farmland Index consists of the 422 leased properties in the NCREIF Farmland Index, valued at USD 3037.0 million as of December 31, 2013. The index does not include fund level management or other fees or fund level expenses, is not available for investment and is for illustrative purposes only.

This is not a recommendation or offer or solicitation or advertisement to purchase or sell securities or interests in the Fund or any other fund. The Fund will only be offered pursuant to a confidential offering memorandum and then only to accredited investors on a private placement basis in jurisdictions in which such an offer may be legally made. Investors should consult their legal and tax advisors before making an investment in the Fund. In the US, the Fund is distributed by UBS Fund Services (USA) LLC, member FINRA or other UBS Global Asset Management broker-dealer affiliates. UBS Fund Services (USA) LLC main office is located at 10 State House Square, 15th floor, Hartford, CT 06103. In Canada, the Fund may be offered through UBS Global Asset Management (Canada) Inc.

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UBS Trumbull Diversified Property Collective Fund

Facts & figures 4Q2013

Inception: October 18, 2012
Assets: USD 26.6 million

Objective

The UBS Trumbull Diversified Property Collective Fund (UBS-TDP) is a collective trust that invests primarily in private, directly-owned, institutional real estate and real estate related investments (e.g. participating mortgages). The Fund consists of a strategic allocation of 75% to diversified open-end US real property portfolios with a 25% "liquidity component" invested in US REIT securities and cash equivalents. Both capital appreciation and current income are potential components of the Fund's total return goal. The Fund seeks to outperform its custom weighted benchmark (75% NFI-ODCE index/20% DJ US REIT Index/5% 30 day-T bill) gross of fees over full market cycles. The Fund provides daily valuation and "managed liquidity" for eligible retirement plans and asset allocation fund managers.

Highlights

- UBS-TDP is a bank collective trust product that is specifically designed for institutional retirement plans. The Fund is part of the UBS (US) Group Trust.

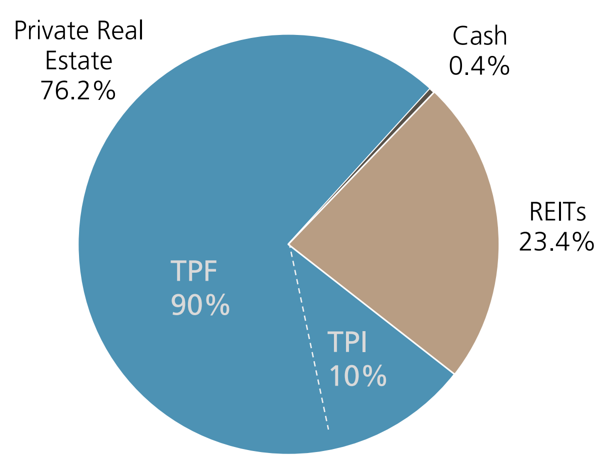
- UBS-TDP is available to defined contribution plans as a component or "sleeve" of a target-date, target-risk, custom balanced, real asset or other multi-asset investment portfolio. The Fund may also be offered to defined benefit plans as a single real estate "solution."

- The risk profile of the Fund will primarily be a function of the risk profile of the underlying private real estate portfolios. Two of the three funds pursue "core" strategies with limited low to moderate leverage. Overall, the Fund is expected to exhibit a risk/return profile that is higher than investment grade bonds, but lower than the S&P 500 Stock Index.

- Although the Fund itself is relatively new, the Advisor, UBS Realty Investors LLC has significant experience managing private institutional real estate. UBS Realty Investors LLC, and its predecessors, has been investing in institutional US real properties since 1978.

- The Fund offers direct exposure to a diversified portfolio of institutional real properties by investing in the manager's existing open-end funds that employ differentiated investment strategies, often referred to as "core" and "value-add" as well as an income oriented, participating mortgage fund. These underlying funds are well diversified across property types and major markets in the US.

Current Allocations



Highlights (continued)

- The Fund also invests in publicly traded real estate securities (i.e. REITs) and cash equivalents in order to manage liquidity needs. The REIT component is a Dow Jones US REIT Select Index strategy, managed by State Street Global Advisors. The cash fund is the UBS Prime Cash Collective Trust, benchmarked to the 30-day Treasury bill.

- UBS-TDP provides daily valuation using a methodology that includes both the daily accrual of the net operating income from the properties and adjustments to property values based on an independent third party appraisal process. Daily NAVs on the Fund's real estate component are combined by the Fund's custodian bank with the daily NAVs of the REIT and cash funds to determine UBS-TDP's price each day.

- Liquidity is supported by the cash, REIT and credit facility portions of the Fund. Under normal conditions, this represents 25-35% of the Fund and should fully support "regular withdrawal" and rebalancing activity (defined as 15% or less of an Investor's NAV per quarter). Redemptions greater than 15% require advance notice ("excess withdrawals") and will be honored on a pro-rata basis after all "regular withdrawals" have been fulfilled and the Fund's liquidity is adequate.

- Management believes limiting the use of the Fund to multi-asset portfolios will mitigate liquidity concerns. However, investors must be aware that liquidity is not guaranteed. (See details in the Fund's Offering Memorandum.)

- Fees: Management fees begin at 1.15%. Early investors may be eligible for a fee discount. All other administrative, legal and operating expenses of the Fund (as defined in the Offering Memorandum) will be capped at 0.10%.

Model TDP Portfolio performance for periods ending December 31, 2013

TDP Portfolio	Actual 4Q13	Actual YTD	Model Portfolio				
			3 years	5 years	10 years	20 years	30 years
Total Gross Return (%)	1.21	9.21	11.18	7.44	8.33	10.26	8.55
Standard Deviation (%)	N/A	N/A	1.46	4.25	4.24	3.24	3.00
Sharpe Ratio	N/A	N/A	1.83	0.44	0.41	0.57	0.39
Custom Benchmark[1]	2.18	10.67	12.18	6.74	7.74	9.14	7.75

As of December 31, 2013
To calculate the model portfolio performance shown, we retroactively applied actual historical gross performance of the underlying real estate funds and indices to a model portfolio, using a static neutral position the manager has established within the Fund's strategic allocations. Some of the limitations inherent in a model include the possibility that results may not accurately reflect the timing of cash in-flows or out-flows, the timing of trades, the cost of trades, or allocations changes that would have been made if an actual account were being managed. Furthermore, it should be noted that model portfolios may themselves be self-selecting and the possibility of loss exists.

Actual performance returns net of the 0.90% annual fee for the quarter and YTD are 0.98% and 8.31%. Model portfolio performance returns net of the 0.90% annual fee would be 8.31%, 10.21%, 5.49%, 7.37%, 9.29% and 7.60% for the 1-, 3-, 5-, 10-, 20-, and 30-year periods, respectively. The cash and REIT historical performance is represented by the 30-day Treasury bill and Dow Jones US Select REIT Index, as reported by Morningstar. UBS-TPG was incepted 3Q 2006. Prior to that time, only UBS-TPF and UBS-TPI allocations are included at 50% and 25%, respectively. These earlier results are linked to the 3Q2006 to present returns to illustrate the model for the entire period shown.
[1]Custom benchmark represents 75% NFI-ODCE, 20% DJ Select US REIT Index and 5% 30-day Treasury bill, the neutral portfolio allocations.
Past performance of the underlying funds is not indicative of future results. The possibility of loss exists.

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UBS Realty Investors Equity Composite

Year	Number of accounts	Year-end Composite Net Assets (USD millions)	Year-end Total Firm Net Assets (USD millions)	Gross of fees (%) Income return	Gross of fees (%) Appreciation (depreciation)	Gross of fees (%) Total return	Benchmark return (%)	Net of fees (%) Total return	Range of Gross Returns (%) Max	Range of Gross Returns (%) Min	Asset weighted standard deviation
2003	10	5,972	7,964	7.97	1.28	9.33	9.28	8.36	13.4	(7.5)	2.79
2004	9	7,011	9,182	7.40	7.56	15.37	13.06	14.27	25.8	9.2	2.46
2005	9	8,652	10,910	6.87	13.30	20.84	21.39	19.73	38.2	14.1	2.84
2006	10	11,302	13,940	6.03	10.79	17.30	16.32	16.13	40.6	13.9	2.21
2007	9	12,155	14,798	5.14	8.85	14.32	15.97	13.20	38.6	11.7	2.93
2008	9	10,445	13,285	4.99	(12.21)	(7.67)	(10.01)	(8.47)	(4.2)	(41.0)	1.91
2009	9	7,995	10,232	6.68	(27.91)	(22.69)	(29.76)	(23.32)	(11.8)	(62.2)	4.23
2010	8	9,687	12,107	7.10	9.37	16.95	16.36	15.92	42.0	4.7	3.20
2011	8	12,404	15,241	5.57	8.20	14.10	15.99	12.96	35.3	8.6	2.88
2012	9	14,679	17,325	5.45	5.07	10.73	10.94	9.63	25.8	(2.5)	2.53

1. Compliance Statement Global Real Estate - Global Real Estate - US claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Global Real Estate - US has been independently verified for the periods from 1993 to 2012. Verification assesses whether (1) the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The UBS Realty Investors Equity Composite has been examined for the periods January 1, 1997 through December 31, 2012. Verification does not ensure the accuracy of any specific composite presentation. The verification report is available upon request.

2. The Firm The Firm is defined as UBS Realty Investors LLC and UBS AgriVest LLC, together Global Real Estate - US. Both entities are registered with the US Securities and Exchange Commission as investment advisors. Prior to January 1, 1999, UBS AgriVest LLC was a stand-alone firm and was defined separately. On January 1, 2001, the real estate investment management activities of UBS Global Asset Management (New York) Inc. (a provider of non-discretionary investment management services to non-US clients) were integrated into the Firm.

3. The Composite The UBS Realty Investors Equity Composite (the "Composite") was created in 2005. All results are presented in US dollars. A complete list and description of Firm composites is available upon request. The Composite comprises all fee-paying, non-taxable discretionary accounts that invest primarily in equity real estate including, but not limited to, the following property types: apartments, office, retail, industrial, and hospitality. The strategy of the accounts in the Composite is to acquire investments in US commercial and multifamily real estate (core and value-added properties) expected to provide attractive risk-adjusted returns consisting of current income and capital appreciation. Since October 2003, a sub-adviser has managed the cash for some pooled accounts included in the Composite; previously the sub-adviser was the direct investment manager for the cash. Initially, accounts must have at least USD 30 million in commitments or assets, including debt, to be included in the Composite. Composite dispersion for any year is represented by both the range and the asset-weighted standard deviation of the gross total returns of the accounts that were in the Composite for the entire calendar year. Discretion is broadly defined as the Firm having discretion over the selection, capitalization, asset management, and disposition of investments within the parameters of a given mandate.

4. Valuation An independent appraisal of the underlying real estate for each investment is performed at least annually and includes a complete property inspection and market analysis. Starting October 1, 2009, independent appraisals are generally completed every quarter for most of the underlying real estate investments. For real estate investments that are held in funds where appraisals are not performed on a quarterly basis, the underlying real estate is either scheduled to be appraised once or twice a year. In the interim quarters, updated property and market information is reviewed. If this review indicates a potential material change in the value, the valuation is then updated by the independent appraiser. If this review indicates that any change in value is likely not material, the value is determined to remain unchanged. Valuations of real estate and debt use significant unobservable inputs. In general, each annual property appraisal includes at least an income approach using a discounted cash flow model and a sales comparison approach, which are considered in determining a final value conclusion. All appraisals are certified by members of the Appraisal Institute who hold the MAI designation. Third party debt is stated at fair value. The valuation of debt is taken into consideration when determining the estimated fair value of the equity in the related investment. During the last five calendar years, 100% of the assets were externally valued each year.

Source: UBS Global Asset Management, Global Real Estate – US. Past performance is not indicative of future results. Updated: May 22, 2013

UBS Realty Investors Equity Composite

5. Calculation of Performance Returns reflect the impact of leverage, which averaged approximately 15.6% of gross asset value (net asset value plus debt) during 2003 through 2012, and approximately 15.2% in 2012. Leverage has consisted primarily of mortgage loans payable that are collateralized by the related real estate investment. The extent to which leverage is used varies by account strategy and may include either portfolio or property level debt. Expenditures, including tenant improvements and leasing commissions that extend the useful life or represent additional capital investments benefiting future periods, are capitalized as a component of cost. Annual returns are time-weighted rates of return calculated by linking quarterly returns. The sum of income and appreciation (depreciation) may not equal total returns due to the linking of quarterly returns. Gross of fees returns are presented before all management fees, but after third-party expenses. Net returns are presented net of the management fees and third-party expenses. All returns are presented before any applicable insurance company contract charges in effect on certain funds through February 29, 2008. The policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

6. Investment Management Fees The fee schedule below represents the schedule for the largest fund in the Composite, the UBS Trumbull Property Fund (the "Fund"). The investor's annual applicable base fee percentage is a blended percentage rate derived by reference to the following fee scale and is based upon the investor's share of net asset value in the Fund and other designated UBS Realty sponsored funds as of the beginning of the quarter. To the extent that average cash exceeds 7.5% of the average net assets, the base fee with respect to such excess will be reduced to 20 basis points (pro rated for the quarter). The "Incentive Fee Percentage" is set at a fulcrum point of 0.15%, and ranges from a minimum of 0% to a maximum of 0.25%, depending on the performance of the Fund. Please see the applicable Confidential Private Offering Memorandum for more information on how fees are calculated and charged.

Investor's share of Net Asset Value in the Fund (USD)	Annual Base Fee Percentage
First 10 million	0.955%
Next 10 million to 25 million	0.825%
Next 25 million to 50 million	0.805%
Next 50 million to 100 million	0.790%
Next 100 million to 250 million	0.670%
Above 250 million	0.600%

7. Benchmark Effective May 2009, the Firm changed the benchmark retroactively from the property-level National Council of Real Estate Investment Fiduciaries ("NCREIF") Property Index ("NPI") to a fund-level Index, the NCREIF Fund Index-Open End Diversified Core Equity ("NFI-ODCE" or the "Index"). The Firm believes a fund-level index provides a more meaningful comparison for a fund-level composite. The NFI-ODCE, first published mid-2005, is a capitalization-weighted, time-weighted, fund-level return index beginning as of the first quarter of 1978, inclusive. It is presented gross of fees. As of December 31, 2012, the NFI-ODCE consisted of 18 active funds with total net assets of USD 90.4 billion.

8. Market Conditions The past decade has been one of extremes for the commercial real estate market. In the aftermath of the 2001 recession, performance was weak in all sectors except retail. Fundamental recovery following the recession, along with a dramatic increase in the availability and reduction in the cost of debt capital propelled commercial and multifamily performance to the highest level in NCREIF history. In 2005, the NCREIF Fund Index – ODCE recorded its highest calendar total return since its inception in 1978. A worldwide credit crisis initiated a new recession during 2008. Liquidity evaporated in most asset classes, including commercial real estate. Total returns turned negative in mid-2008, with 2009 producing the lowest performance on record. 2010 through 2012 reflected a period of recovery. Fueled by renewed appreciation, total returns were well above the long-term average rate.

Source: UBS Global Asset Management, Global Real Estate – US. Past performance is not indicative of future results. Updated: May 22, 2013

UBS Realty Investors Total Composite

Year	Number of accounts	Year-end Composite Net Assets (USD millions)	Total Firm Net Assets (USD millions)	Gross of fees (%) Income return	Gross of fees (%) Appreciation (depreciation)	Gross of fees (%) Total return	Benchmark return (%)	Net of fees (%) Total return	Range of Gross Returns (%) Max	Range of Gross Returns (%) Min	Asset weighted standard deviation
2003	11	7,028	7,964	7.89	1.08	9.04	9.28	8.11	13.4	(7.5)	2.63
2004	10	8,154	9,182	7.37	7.12	14.87	13.06	13.81	25.8	9.2	2.58
2005	10	9,867	10,910	6.78	12.69	20.10	21.39	19.03	38.2	14.1	3.19
2006	11	12,670	13,940	6.03	10.74	17.25	16.32	16.14	40.6	13.9	2.07
2007	10	13,551	14,798	5.20	8.64	14.16	15.97	13.11	38.6	11.7	2.80
2008	10	11,822	13,285	5.03	(11.61)	(7.01)	(10.01)	(7.79)	(1.3)	(41.0)	2.64
2009	10	9,042	10,232	6.49	(27.32)	(22.21)	(29.76)	(22.85)	(11.8)	(62.2)	4.17
2010	9	10,903	12,107	6.93	9.90	17.34	16.36	16.30	42.0	4.7	3.21
2011	9	13,892	15,241	5.52	8.24	14.09	15.99	13.00	35.3	8.6	2.71
2012	10	16,413	17,325	5.32	5.26	10.79	10.94	9.71	25.8	(2.5)	2.40

1. Compliance Statement Global Real Estate - US claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Global Real Estate - US has been independently verified for the periods from 1993 to 2012. Verification assesses whether (1) the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The UBS Realty Investors Total Composite has been examined for the periods January 1, 1997 through December 31, 2012. Verification does not ensure the accuracy of any specific composite presentation. The verification report is available upon request.

2. The Firm The Firm is defined as UBS Realty Investors LLC and UBS AgriVest LLC, together Global Real Estate – US. Both entities are registered with the US Securities and Exchange Commission as investment advisors. Prior to January 1, 1999, UBS AgriVest LLC was a stand-alone firm and each firm was defined separately. On January 1, 2001, the real estate investment management activities of UBS Global Asset Management (New York) Inc. (a provider of non-discretionary investment management services to non-US clients) were integrated into the Firm.

3. The Composite The UBS Realty Investors Total Composite (the "Composite") was created in 1999. Prior to 2006, the Composite name was the UBS Realty Investors Composite. All results are presented in US dollars. A complete list and description of Firm composites is available upon request. The Composite comprises all fee-paying, non-taxable discretionary accounts that invest in real estate including, but not limited to, the following property types: apartments, office, retail, industrial, and hospitality. The strategy of the accounts in the Composite is to acquire investments in US commercial and multifamily real estate (core and value-added properties) expected to provide attractive risk-adjusted returns consisting of current income and capital appreciation. As of December 31, 2012, mortgage assets constituted USD 2.2 billion of the Composite Net Assets. Since October 2003, a sub-adviser has managed cash for some of the pooled accounts included in the Composite; previously the sub-adviser was the direct investment manager for the cash. Initially, accounts must have at least USD 30 million in commitments or assets, including debt, to be included in the Composite. Composite dispersion for any year is represented by both the range and the asset-weighted standard deviation of the gross total returns of the accounts that were in the Composite for the entire calendar year. Discretion is broadly defined as the Firm having discretion over the selection, capitalization, asset management, and disposition of investments within the parameters of a given mandate.

Source: UBS Global Asset Management, Global Real Estate – US. Past performance is not indicative of future results.
Updated: May 22, 2013

UBS Realty Investors Total Composite

4. Valuation An independent appraisal of the underlying real estate for each investment is performed at least annually and includes a complete property inspection and market analysis. Starting October 1, 2009, independent appraisals are generally completed every quarter for most of the underlying real estate investments. For real estate investments that are held in funds where appraisals are not performed on a quarterly basis, the underlying real estate is scheduled to be appraised either once or twice a year. In the interim quarters, updated property and market information is reviewed. If this review indicates a potential material change in the value, the valuation is then updated by the independent appraiser. If this review indicates that any change in value is likely not material, the value is determined to remain unchanged. Valuations of real estate and debt use significant unobservable inputs. In general, each annual property appraisal includes at least an income approach using a discounted cash flow model and a sales comparison approach, which are considered in determining a final value conclusion. All appraisals are certified by members of the Appraisal Institute who hold the MAI designation. Third party debt is stated at fair value. The valuation of debt is taken into consideration when determining the estimated fair value of the equity in the related investment. During calendar years 2008, 2009, 2010, 2011 and 2012 the percentages of assets externally valued were 99%, 100%, 100%, 100% and 100%, respectively.

5. Calculation of Performance Returns reflect the impact of leverage, which averaged approximately 14.0% of gross asset value (net asset value plus debt) during 2003 through 2012, and approximately 13.8% in 2012. Leverage has consisted primarily of mortgage loans payable with the related property serving as the collateral. The extent to which leverage is used varies by account strategy and may include either portfolio or property level debt. Expenditures, including tenant improvements and leasing commissions that extend the useful life or represent additional capital investments benefiting future periods, are capitalized as a component of cost. Annual returns are time-weighted rates of return calculated by linking quarterly returns. The sum of income and appreciation or depreciation may not equal total returns due to the linking of quarterly returns. Gross of fees returns are presented before all management fees, but after third-party expenses. Net returns are presented net of the management fees and third-party expenses. All returns are presented before any applicable insurance company contract charges in effect on certain funds through February 29, 2008. The policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

6. Investment Management Fees Management fees differ by account and reflect the complexity and value of services chosen, anticipated size, and the number and type of investments involved. Depending upon the services, the fee may represent any one or a combination of: fixed flat amounts; a percentage of purchase price, earnings, assets under management, or of sales proceeds; or incentive fees based on performance. Please see the fee schedule(s) appropriate to the product or services being presented, included in the body of the presentation.

7. Benchmark Effective May 2009, the Firm changed the benchmark retroactively from the property-level NCREIF Property Index ("NPI") to a fund-level Index, the NCREIF Fund Index-Open End Diversified Core Equity ("NFI-ODCE" or the "Index"). The Firm believes a fund-level index provides a more meaningful comparison for a fund-level composite. The NFI-ODCE, first published mid-2005, is a capitalization-weighted, time-weighted, fund-level return index beginning as of the first quarter of 1978, inclusive. It is presented gross of fees. As of December 31, 2012, the NFI-ODCE consisted of 18 active funds with total net assets of USD 90.4 billion.

8. Market Conditions The past decade has been one of extremes for the commercial real estate market. In the aftermath of the 2001 recession, performance was weak in all sectors except retail. Fundamental recovery following the recession, along with a dramatic increase in the availability and reduction in the cost of debt capital propelled commercial and multifamily performance to the highest level in NCREIF history. In 2005, the NCREIF Fund Index – ODCE recorded its highest calendar total return since its inception in 1978. A worldwide credit crisis initiated a new recession during 2008. Liquidity evaporated in most asset classes, including commercial real estate. Total returns turned negative in mid-2008, with 2009 producing the lowest performance on record. 2010 through 2012 reflected a period of recovery. Fueled by renewed appreciation, total returns were well above the long-term average rate.

Source: UBS Global Asset Management, Global Real Estate – US. Past performance is not indicative of future results.
Updated: May 22, 2013

UBS Realty Investors Participating Mortgage Funds Composite

Year	Number of accounts	Year-end Composite Net Assets (USD millions)	Total Firm Net Assets (USD millions)	Gross of fees (%) Income return	Appreciation (depreciation)	Total return	Hybrid Debt Index Total return	Net of fees (%) Total return
2003	1	1,057	7,964	7.54	(0.07)	7.48	5.03	6.76
2004	1	1,143	9,182	7.17	4.56	11.98	8.53	11.21
2005	1	1,215	10,910	6.17	8.99	15.57	14.11	14.82
2006	1	1,368	13,940	5.93	10.35	16.73	12.49	15.96
2007	1	1,397	14,798	5.73	6.93	12.95	12.63	12.21
2008	1	1,376	13,285	5.33	(6.35)	(1.27)	(4.68)	(2.07)
2009	1	1,046	10,232	5.14	(22.86)	(18.63)	(14.79)	(19.32)
2010	1	1,216	12,107	5.62	14.21	20.42	9.06	19.46
2011	1	1,488	15,241	5.05	8.81	14.19	9.23	13.30
2012	1	1,734	17,325	4.24	6.80	11.25	5.27	10.35

1. Compliance Statement Global Real Estate - US claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Global Real Estate - US has been independently verified for the periods from 1993 to 2012. Verification assesses whether (1) the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The UBS Realty Investors Participating Mortgage Funds Composite has been examined for the periods January 1, 1997 through December 31, 2012. Verification does not ensure the accuracy of any specific composite presentation. The verification report is available upon request.

2. The Firm The Firm is defined as UBS Realty Investors LLC and UBS AgriVest LLC, together Global Real Estate - US. Both entities are registered with the US Securities and Exchange Commission as investment advisors. Prior to January 1, 1999, UBS AgriVest LLC was a stand-alone firm and each firm was defined separately. On January 1, 2001, the real estate investment management activities of UBS Global Asset Management (New York) Inc. (a provider of non-discretionary investment management services to non-US clients) were integrated into the Firm.

3. The Composite The UBS Realty Investors Participating Mortgage Funds Composite (the "Composite") was created in 2006. All results are presented in US dollars. A complete list and description of Firm composites is available upon request. The Composite comprises all fee-paying discretionary accounts that invest primarily in mortgages which typically provide both a fixed interest payment and an equity position in the cash flow of income producing properties. The loans are secured by real estate that include, but are not limited to, the following property types: apartments, office, retail, industrial, and hospitality. Occasionally, properties are acquired by exercise of mortgage remedies, options to purchase or the like. As of December 31, 2012, wholly owned real estate consisted of 22% of the real estate investments in the Composite. The strategy of the accounts in the Composite is to invest in construction loans (that will convert into permanent loans) or mortgages secured by investments in US commercial and multifamily real estate expected to provide attractive risk-adjusted returns consisting of current income and capital appreciation. Since October 2003, a sub-advisor has managed cash for the pooled accounts included in the Composite; previously the sub-adviser was the direct investment manager for the cash. Initially, accounts must have at least USD 30 million in commitments or assets, including debt, to be included in the Composite. Composite dispersion for any year is represented by the range of the gross total returns of the accounts that were in the Composite for the entire calendar year. Since each year there has been only one fund in the Composite, composite dispersion is not applicable. Discretion is broadly defined as the Firm having discretion over the selection, capitalization, asset management, and disposition of investments within the parameters of a given mandate.

Source: UBS Global Asset Management, Global Real Estate – US. Past performance is not indicative of future results. Updated: May 22, 2013

UBS Realty Investors Participating Mortgage Funds Composite

4. Valuation An independent appraisal of the underlying real estate for each investment is performed at least annually and includes a complete property inspection and market analysis. Starting October 1, 2009, independent appraisals are generally completed every quarter for the underlying real estate and mortgage investments. Prior to October 1, 2009, the underlying real estate for each investment was scheduled to be appraised twice a year. In the interim quarters, updated property and market information was reviewed. If this review indicated a potential material change in the value, the valuation was then updated by the independent appraiser. If this review indicated that any change in value was likely not material, the value was determined to remain unchanged. Valuations of real estate use significant unobservable inputs. In general, each annual property appraisal includes at least an income approach using a discounted cash flow model and a sales comparison approach, which are considered in determining a final value conclusion. All appraisals are certified by members of the Appraisal Institute who hold the MAI designation. The wholly owned real estate properties in the composite are unleveraged. During calendar years 2008, 2009, 2010, 2011 and 2012 the percentages of assets externally valued were 99%, 100%, 100%, 100% and 100%, respectively.

5. Calculation of Performance Annual returns are time-weighted rates of return calculated by linking quarterly returns. The sum of income and appreciation (depreciation) may not equal total returns due to the linking of quarterly returns. Gross of fees returns are presented before all management fees, but after third-party expenses. Net returns are presented net of the management fees and third-party expenses. All returns are presented before any applicable insurance company contract charges in effect only through February 29, 2008. Expenditures, including tenant improvements and leasing commissions that extend the useful life or represent additional capital investments benefiting future periods, are capitalized as a component of cost. Generally, the accounts in the Composite do not borrow funds to make investments. The policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

6. Investment Management Fees The fee schedule below represents the schedule for the UBS Trumbull Property Income Fund ("UBS-TPI"), currently the only fund in the Composite. The rate equals the investor's applicable annual base fee percentage (pro-rated for the quarter) times the investor's share of average net asset value, as defined in the fund's limited partnership agreement, for the quarter. The investor's annual applicable base fee percentage is a blended percentage rate derived by reference to the following fee scale and based on the investor's share of net asset value in the fund and other designated UBS Realty sponsored funds, as of the beginning of the quarter. To the extent that average cash exceeds 7.5% of the average net assets, the base fee with respect to such excess will be reduced to 20 basis points (pro rated for the quarter). Please see the applicable Confidential Private Offering Memorandum for more information on how fees are calculated and charged.

Investor's Share of Net Asset Value in the Fund (USD)	Annual Base Fee Percentage
First 10 million	0.970%
Next 10 million to 25 million	0.845%
Next 25 million to 100 million	0.815%
Next 100 million to 250 million	0.790%
Above 250 million	0.760%

7. Benchmark In January 2010, the Firm developed a custom index for UBS-TPI. As such, the Firm has retroactively added an index comparison called the Hybrid Debt Index. Like UBS-TPI, the Hybrid Debt Index (HDI) has both income and appreciation components. The HDI uses the yield of the Barclays Bond Index as the income component and 75% of the appreciation of NCREIF Fund Index – Open-end Diversified Core Equity (NFI-ODCE) properties that are included in the NCREIF Property Index (NPI) as the appreciation component. The Firm believes that using the NFI-ODCE properties for appreciation will provide a better comparison than using the NCREIF Property Index ("NPI") itself because NFI-ODCE properties have characteristics similar to UBS-TPI investments in that they are in open-end funds and are valued on a quarterly basis and reported unleveraged. Historical benchmark returns may differ slightly from previous reports due to correction of misclassifications by NCREIF.

8. Market Conditions The past decade has been one of extremes for the commercial real estate market. In the aftermath of the 2001 recession, performance was weak in all sectors except retail. Fundamental recovery following the recession, along with a dramatic increase in the availability and reduction in the cost of debt capital propelled commercial and multifamily performance to the highest level in NCREIF history. In 2005, the NCREIF Fund Index – ODCE recorded its highest calendar total return since its inception in 1978. A worldwide credit crisis initiated a new recession during 2008. Liquidity evaporated in most asset classes, including commercial real estate. Total returns turned negative in mid-2008, with 2009 producing the lowest performance on record. 2010 through 2012 reflected a period of recovery. Fueled by renewed appreciation, total returns were well above the long-term average rate.

Source: UBS Global Asset Management, Global Real Estate – US. Past performance is not indicative of future results. Updated: May 22, 2013

UBS AgriVest Composite

Year	Number of accounts	Year-end Composite Net Assets (USD millions)	Year-end Total Firm Net Assets (USD millions)	Gross of fees (%) Income return	Gross of fees (%) Appreciation (depreciation)	Gross of fees (%) Total return	Benchmark return (%)	Net of fees (%) Total return	Range of Gross Returns (%) Max	Range of Gross Returns (%) Min	% of Composite assets valued externally
2003	4	237	7,964	5.62	3.69	9.46	8.78	8.51	15.5	(3.6)	96
2004	4	256	9,182	5.00	12.65	18.08	19.54	17.09	94.6	12.2	86
2005	4	301	10,910	5.38	13.32	19.22	21.94	18.24	21.3	5.1	97
2006	4	330	13,940	5.20	8.13	13.64	17.08	12.67	16.0	9.4	88
2007	3	144	14,798	4.83	14.77	20.10	16.97	19.08	20.2	14.9	65
2008	2	435	13,285	4.30	7.75	12.28	13.40	11.32	15.7	12.5	85
2009	2	503	10,232	4.21	1.10	5.35	7.30	4.45	5.6	4.9	100
2010	2	542	12,107	4.70	0.53	5.25	7.68	4.30	5.5	4.8	100
2011	2	603	15,241	4.45	7.82	12.53	14.93	11.55	13.8	11.7	100
2012	2	812	17,325	4.21	12.55	17.15	17.33	16.15	17.1	16.9	100

1. Compliance Statement Global Real Estate - US claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Global Real Estate - US has been independently verified for the period from 1993 to 2012. Verification assesses whether (1) the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The UBS AgriVest Composite has been examined for the periods January 1, 1993 through December 31, 2012. Verification does not ensure the accuracy of any specific composite presentation. The verification report is available upon request.

2. The Firm The Firm is defined as UBS Realty Investors LLC and UBS AgriVest LLC, together Global Real Estate - US. Both entities are registered with the US Securities and Exchange Commission as investment advisors. Prior to January 1, 1999, UBS AgriVest LLC was a stand-alone firm and each firm was defined separately. On January 1, 2001, the real estate investment management activities of UBS Global Asset Management (New York) Inc. (a provider of non-discretionary investment management services to non-US clients) were integrated into the Firm.

3. The Composite The UBS AgriVest Composite (the "Composite") was created in 1999. All results are presented in US dollars. A complete list and description of Firm composites is available upon request. The Composite comprises all fee-paying, non-taxable discretionary accounts that invest in agricultural real estate. The strategy of the accounts in the Composite is to acquire investments in US agricultural real estate expected to provide attractive risk-adjusted returns consisting of current income and capital appreciation. Initially, accounts must have at least $15 million in commitments or assets, including debt, to be included in the Composite. Dispersion represented by asset weighted standard deviation is not considered meaningful where less than five portfolios have been in the Composite for the entire year and, therefore, has not been presented. Discretion is broadly defined as the Firm having discretion over the selection, capitalization, asset management, and disposition of investments within the parameters of a given mandate.

UBS AgriVest Composite

4. Valuation An independent Accredited Rural Appraiser or Member of the Appraisal Institute appraises assets annually, unless otherwise specified by the client. In general, each property appraisal includes an income approach and a sales comparison approach, which are considered in determining a final value conclusion. Valuation of farm investments use significant unobservable inputs.

5. Calculation of Performance Returns reflect the impact of leverage, which has only been utilized on a short-term basis. Expenditures that extend the useful life or represent additional capital investments benefiting future periods are capitalized as a component of cost. Annual returns are time-weighted rates of return calculated by linking quarterly returns**.** The sum of income and capital returns may not equal total returns due to the linking of quarterly returns. Gross of fees returns are presented before all management fees, but after third party expenses. Net returns are presented net of the management fees and third-party expenses. The policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

6. Investment Management Fees Management fees differ by account and reflect the complexity and value of services chosen, anticipated size and the number and type of investments involved. Depending upon the services, the fee may represent any one or a combination of: fixed flat amounts; a percentage of purchase price, earnings, assets under management, or of sales proceeds; or incentive fees based on performance. The fee schedule for investment in the commingled fund is 100 bps per annum on average gross asset value excluding cash and cash equivalents, and 20 bps per annum on average balances of cash and cash equivalents.

7. Benchmark Effective January 1, 2007, UBS AgriVest retroactively changed the benchmark from the National Council of Real Estate Fiduciaries (NCREIF) Farmland Index (NFI) to a custom benchmark, the Core Farmland Index (CFI). The NFI had become increasingly weighted to permanent cropland and owner/operated property over time and no longer reflected core, diversified exposure to US farmland. To create the CFI, starting with the NFI, UBS AgriVest excluded the investments in the NFI that were owner/operated and re-weighted the NFI returns to 80% annual cropland and 20% permanent cropland. UBS AgriVest considers this to be market-neutral and therefore a more appropriate benchmark for broadly diversified exposure to core US farmland. The composition of the NFI and the CFI that is derived from the NFI differs from that of the Composite since the NFI reflects property level returns and excludes cash and other non-property related assets, liabilities, income and expenses such as management fees. Note: During the first quarter of 2009 NCREIF expanded its farmland database to include properties held for taxable investors. These properties have been acquired, managed and valued on a basis consistent with all properties in the data base. Beginning in the first quarter of 2009 the NFI and CFI have been updated back through 2Q2006 to reflect the expanded set of properties.

8. Market Conditions Agricultural real estate appreciated significantly during the period 2004 through 2008 and again in 2011 through 2012. That appreciation reflects periods of strong agricultural returns and falling capitalization rates in most markets.

Note: Past performance is not indicative of future results.
Updated: May 24, 2013

Disclaimer

This material is designed to support an in-person presentation, is not intended to be read in isolation, and may not provide a full explanation of all the topics that were presented and discussed. The opinions expressed in this presentation and any accompanying documents (together referred to as "the presentation") are those of Global Real Estate, a business unit of UBS Global Asset Management, one of UBS AG's business groups. Opinions expressed in the presentation may differ from those of other parts of UBS AG and are subject to change.

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Any forecasts or projections contained in the presentation are opinions only. Although every effort has been taken to ensure that the assumptions on which forecasts or projections are based are reasonable, they can be affected by incorrect assumptions or by known or unknown risks and uncertainties. The outcomes ultimately achieved may differ substantially from the forecasts or projections. Past performance is not a reliable indicator of future performance.

The Fund discussed involves risks of a high degree and investors are advised to read and consider carefully the information contained in the offering documents including the detailed risk factors. There is no public market for the fund interests and no such market is expected to develop in the future. Risks include restrictions on the transferability and resale of shares, risk of investing in real estate and in developing markets, and the possibility of loss of investment does exist.

Updated: May 13, 2013

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Section 8

Biography

UBS

Ronald L. Lanier

Portfolio and Client Services Officer
Executive Director

Years of investment industry experience: 40

Education: University of Connecticut (US), BA; Harvard Business School (US), MBA

- Ron Lanier is responsible for account management and investor relations, which involves developing and maintaining investment relationships with clients and consultants. Additional responsibilities include client servicing and marketing investment products and capabilities to pension funds, consultants and endowments/foundations.
- Ron's previous responsibilities include commercial property acquisitions in the Western and Southeastern regions of the United States. As an Acquisitions Specialist, he coordinated one of the industry's first underwriting "teams," enlisting several professional disciplines to both improve the quality of deal underwriting and shorten the time frame of the acquisition process.
- Prior to joining the firm's predecessor organization in 1979, Ron was an Investment Analyst and Portfolio Manager for a multibillion-dollar pension fund and an Account Executive for a major investment firm.
- Ron is a member of the Pension Real Estate Association (PREA) and has served on the National Advisory Committee for the Atlanta University Real Estate Institute. Ron has been a speaker at numerous real estate industry seminars and a panelist at domestic and international investor conferences.

Dated: March 2013

Contact information

UBS Fund Services (USA) LLC, member FINRA, and its affiliates act as the non-exclusive distributor of commingled fund securities.

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www.ubs.com/realestate

Together, UBS Realty Investors LLC, UBS AgriVest LLC, and UBS Fund Services (USA) LLC , subsidiaries of UBS AG, comprise Global Real Estate – US.
Securities offered through UBS Fund Services (USA) LLC, member FINRA. Ronald Lanier, registered representative.

Date: February 29, 2012

PRISA SA

VENTURA COUNTY EMPLOYEES RETIREMENT ASSOCIATION | FEBRUARY 24, 2014

Frank E. Garcia
MANAGING DIRECTOR

Mark Oczkus
PRINCIPAL

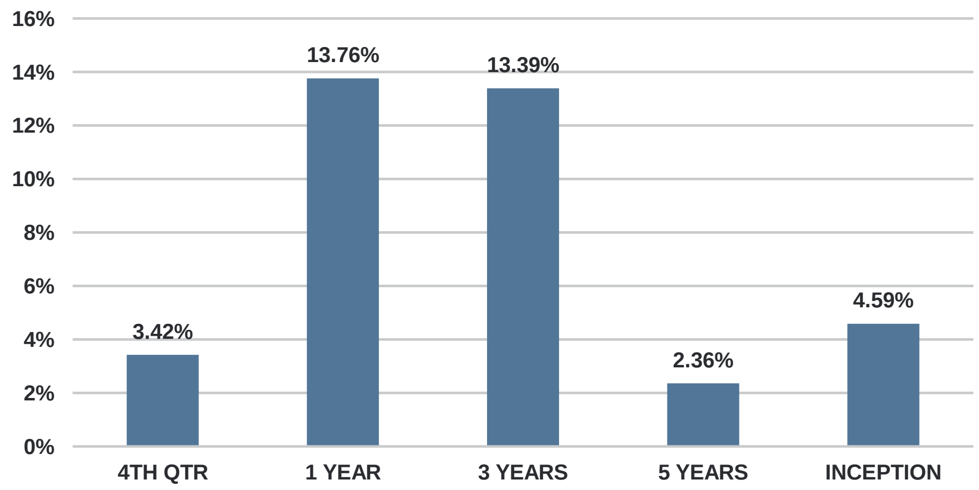
Ventura County Employees Retirement Association

PRISA Assets as of December 31, 2013

CONTRIBUTIONS (03/31/05 INCEPTION DATE):

3/31/2005	$40,000,000.00
9/30/2005	$20,000,000.00
TOTAL CONTRIBUTIONS:	**$60,000,000.00**
INVESTMENT EARNINGS:	
Investment Income	$38,226,001.39
Appreciation	($3,040,406.73)
TOTAL INVESTMENT EARNINGS:	**$35,185,594.66**
DISBURSEMENTS:	
Withdrawals	$0
Deducted Fees	$0
Cash Flow Distributions	$0
TOTAL DISBURSEMENTS:	**$0**
MARKET VALUE	**$95,185,594.66**

NET DOLLAR-WEIGHTED PERFORMANCE – AS OF DECEMBER 31, 2013



OPERATING CASH FLOW:

Total Distributed:	$0
Total Reinvested:	$28,443,786
Current Election:	Reinvesting
4Q13 Cashflow:	$973,343

CAPITAL COMMITMENTS:

Undrawn Commitments:	$0

Note: Past performance is not a guarantee or reliable indicator of future results.

I. PRISA SA

Please note that throughout the presentation when we refer to “PRISA” or “PRISA Composite” or the “Fund” it represents the aggregate or composite of PRISA LP and PRISA Separate Account (“PRISA SA”).

Note: **Data as of December 31, 2013 is preliminary and subject to change.** Unless otherwise stated, all return information provided in this presentation is before the deduction of Manager Compensation/Fees and is not a guarantee or a reliable indicator of future results. All performance targets throughout this presentation are made as of December 31, 2013 and are not guaranteed. Effective January 1, 2013, PREI changed its method for calculating income and appreciation returns to one which uses separate geometric linking for each component, which is consistent with recent changes in Global Investment Performance Standards. As a result, when linking multiple periods' returns, the cumulative effect of cross compounding may cause the sum of income and appreciation returns to not equal the total return. Please refer to the Appendix for returns after the deduction of Manager Compensation/Fees and for other important disclosures regarding the information contained herein.

U.S. REAL ESTATE MARKET OUTLOOK

Demand Drivers: Better Outlook, Risks Diminishing	○ Growing confidence in outlook and labor market improvement. Tapering began with forward guidance that the Fed will not raise short-term rates until "well past the time" that unemployment crosses 6.5% threshold. ○ Uncertainty and risks to the outlook have diminished. The budget deal was settled, the fiscal drag from the sequester was reduced, and economic indicators have been positive. ○ US economic growth will continue to grow at a moderate pace through 2014 with low downside risk. ○ Forward-looking demand indicators suggest continued take-up of real estate space.
Property Fundamentals Improving	○ **Apartment:** Supply/demand in balance for majority of markets as new supply is delivered. Development over next two years expected to move in line with historical averages for most markets. ○ **Office**: Forward-looking surveys suggest further job growth and absorption gains. Energy/technology job gains driving absorption, housing recovery will likely spur demand. ○ **Warehouse**: Leading indicators trending higher. E-commerce re-shaping distribution networks. Supply pipelines remain well below long-term averages, but are increasing in markets with strong fundamentals. ○ **Retail:** Modest absorption gains, supply remains minimal owing to significant pre-leasing requirements. Expect continued gradual vacancy improvement, leading to stronger rent growth. ○ **Hotel**: High correlation with real GDP suggests continued solid growth. ○ **Storage**: Strong NOI growth outlook, but expect some deceleration.
Strong Investment Demand	○ We expect that ongoing, significant capital raises for US property investments and strong demand from foreign investors will drive investment activity even higher this year, aided by the prospect for improving fundamentals and stronger GDP growth. ○ Investors are moving along the risk spectrum to focus on value-add opportunities and secondary markets, which may present better risk-return parameters at this point in the cycle.

Source: PREI Research. As of January 2014.

PRISA DEDICATED PORTFOLIO MANAGEMENT TEAM

PORTFOLIO MANAGERS

CATHY MARCUS
Managing Director
Senior Portfolio Manager
Real Estate Experience:26
Years with Prudential:15

JOANNA MULFORD
Managing Director
Portfolio Manager
Real Estate Experience:17
Years with Prudential:24

FRANK GARCIA
Managing Director
Portfolio Manager
Real Estate Experience:20
Years with Prudential:<1

NICOLE STAGNARO
Vice President
Assistant Portfolio Manager
Real Estate Experience:9
Years with Prudential:9

DEDICATED ASSET MANAGERS

SAN FRANCISCO
Kristin Paul
Jennifer Freedman
Carlos Jimenez
Vivian Hua
Daniel Kane

ATLANTA
Thomas G. Smith
Martha Burrows
Alex Griffin
Corey Miller
William Yowell

CHICAGO
Mark S. Vande Hey
Michael Mcmains
Christopher Apostal
Ryan Bloom
Dan Sherrard

MADISON
William Anderson
Carly Miller
Sarah Downey
Ana Maria Olmedo
Shaun Trimblett
Bonnie Poeta
Douglas Roberts
Kevin Sullivan

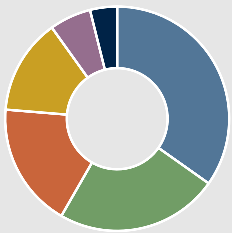
Additional U.S. PREI Offices

Note: As of February 2014. A total of 37 dedicated professionals, including 10 from the Operations team.

PRISA SA SNAPSHOT | DECEMBER 31, 2013

PROPERTY DIVERSIFICATION[1]

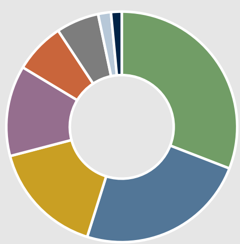
34.8%	OFFICE
23.5%	APARTMENT
18.0%	RETAIL
13.8%	INDUSTRIAL
6.0%	STORAGE
3.9%	HOTEL



PRISA SA's property type diversification reflects sector allocations relative to NFI-ODCE designed to lower volatility and outperform in various cycles.

PRISA SA GEOGRAPHIC DIVERSIFICATION[1]

30.9%	PACIFIC
24.0%	NORTHEAST
16.1%	MIDEAST
12.7%	SOUTHEAST
7.1%	SOUTHWEST
6.0%	EN CENTRAL
1.8%	WN CENTRAL
1.4%	MOUNTAIN



PRISA is more heavily weighted to the major markets than NFI-ODCE.

THE BASICS

Gross Investment Value[2]	$16.1 B
Net Investment Value[2]	$12.9 B
Number of Investments	259

RISK METRICS

RISK METRICS	CURRENT	TARGET
Core / Non-Core	87%/13%	90% / 10%
Leverage Ratio	20.8%	< 30.0%
Debt to Income Multiple	4.2x	< 5.0x

PRISA COMPOSITE[3]

Client Activity	4Q13	Full-Year
Deposits	$52.4 M	$627.6 M
Withdrawals	$285.0 M	$592.2 M
Cash Flow Distributions	$65.0 M	$229.9 M
Deposit Queue	$893.8 M	
Number of Investors	276	

THE DEBT PICTURE

% Fixed / Floating[4]	86%/14%
Recourse Leverage Ratio	0.4%
Weighted Average Cost of Debt	3.8%
Weighted Average Maturity	5.5 Yrs

DEBT MATURING:

2014	$96.2M
2015	$519.5 M
2016	$336.1 M

APPRAISAL ASSUMPTIONS

Direct Cap Rate	5.66%
Discount Rate	7.47%
Terminal Rate	6.13%
Avg. Rent Growth	3.40%

TRANSACTIONS (GROSS)

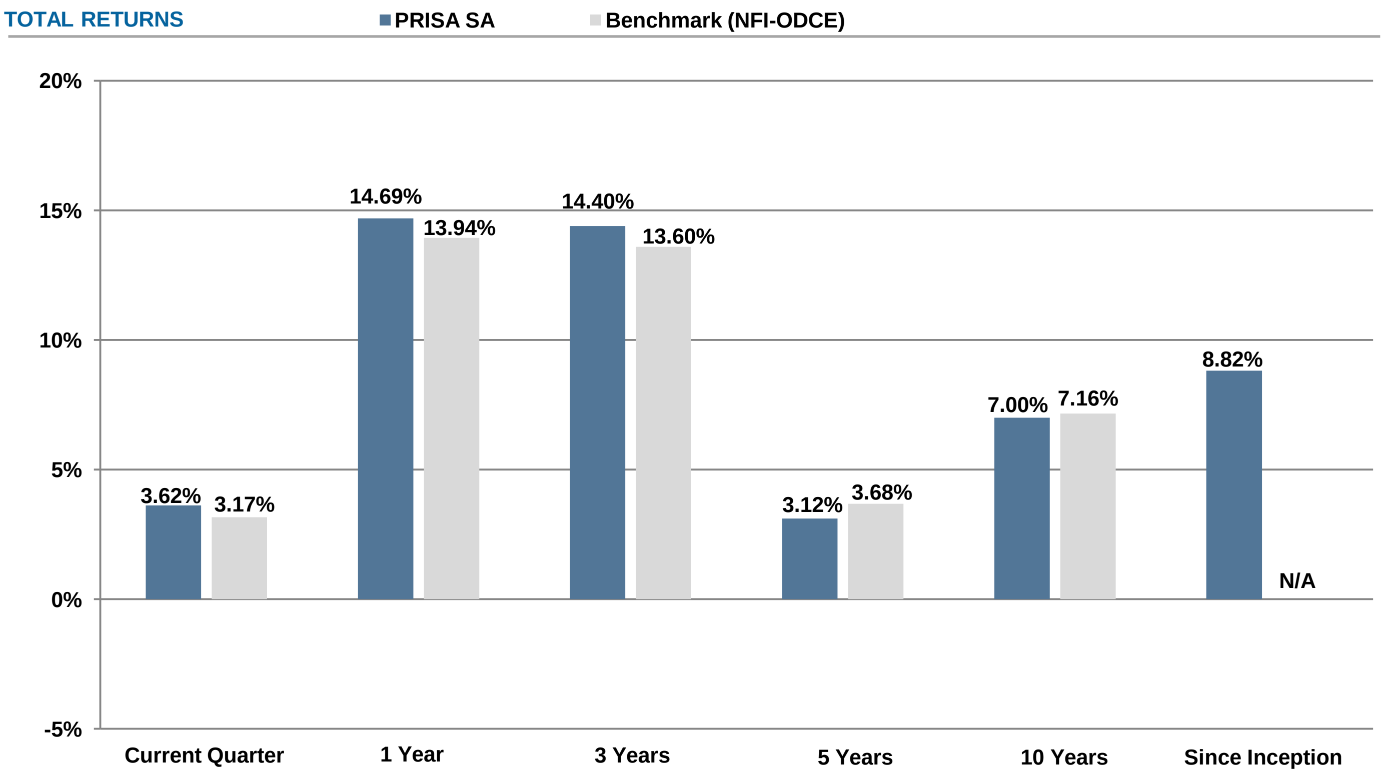
Full-Year Acquisitions	$1,479M
Full-Year Target	$1,000M
Full-Year Dispositions	$503M
Full Year Target	$500M

[1] Based on PRISA SA's share of gross market value in properties and all debt investments. [2] "Gross Investment Value" and "Net Investment Value" are intended to represent the value of the assets held by PRISA SA and PRISA LP, without netting out PRISA LP's respective interest therein. PRISA SA's net asset value is $11.8M as of December 31, 2013. [3] Represents combined activity held by PRISA SA and PRISA LP. PRISA Composite information is provided for illustrative purposes and should not be relied upon by Investors for any reason. [4] Includes floating rate loans with caps. Note: There is no guarantee these targets will be achieved.

PRISA SA PERFORMANCE - DECEMBER 31, 2013

- PRISA SA's strong current quarter performance was reflective of value increases across all property types with the office and industrial sectors performing best.
- PRISA SA outperformed the benchmark by 45 bps for the quarter and by 75 bps for the year.
- PRISA SA's marking to market of debt contributed only 20 bps to the 2013 return compared to 55 bps for NFI-ODCE.

TOTAL RETURNS

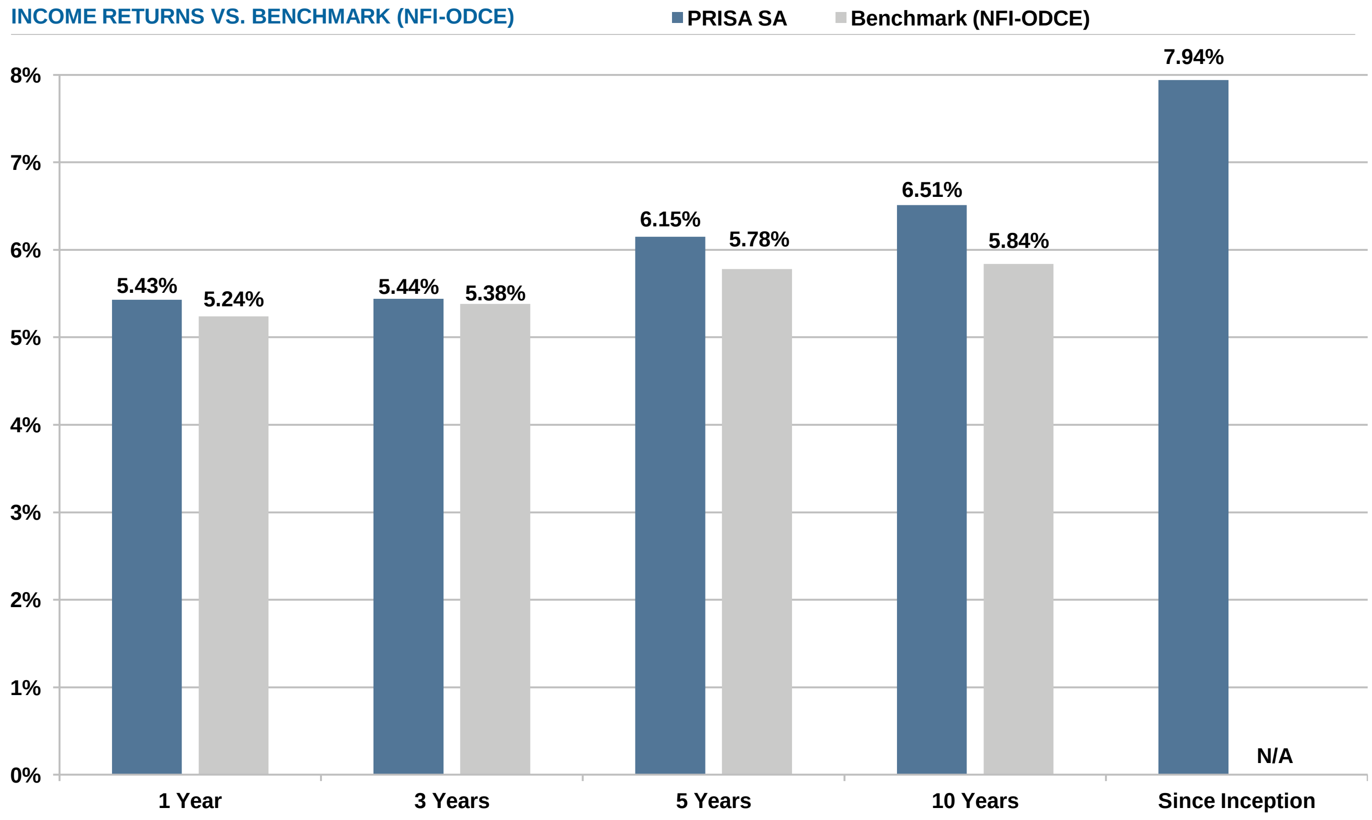


PRISA SA	Current Quarter	1 Year	3 Years	5 Years	10 Years	Since Inception (7/1/70)
Income	1.34%	5.43%	5.44%	6.15%	6.51%	7.94%
Appreciation	2.28%	8.90%	8.61%	-2.92%	0.46%	0.84%

Note: Returns shown are time-weighted rates of return calculated in conformity with performance reporting standards and are before the deduction of Manager Compensation/Fees. Returns for NFI-ODCE are based on the final report published by NCREIF on 1/31/2014. Past performance is not a guarantee or a reliable indicator of future results. Please refer to the appendix for further information.

PRISA SA INCOME RETURNS VS. BENCHMARK | DECEMBER 31, 2013

- Despite lower leverage PRISA SA's income return is very strong and compares favorably to NFI-ODCE in all time periods.

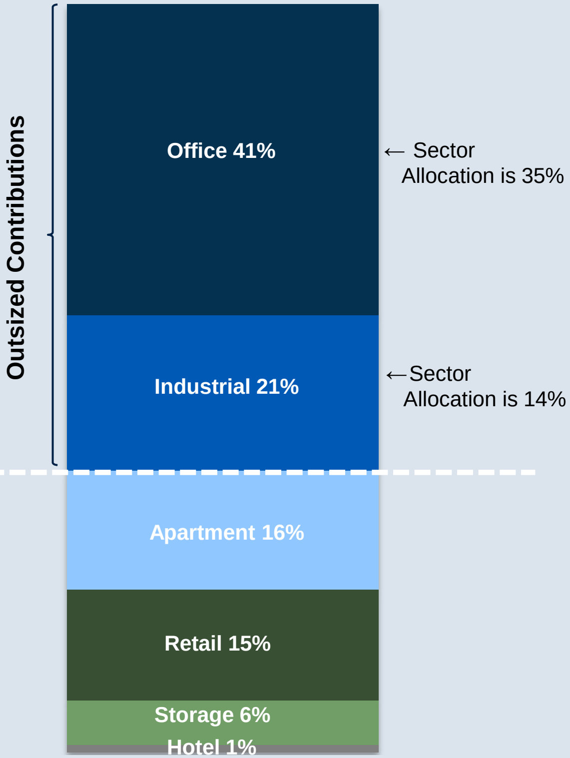


Note: Returns shown are time-weighted rates of return calculated in conformity with performance reporting standards and are before the deduction of Manager Compensation/Fees. Returns for NFI-ODCE are based on returns from the final report released 1/31/14. Past performance is not a guarantee or a reliable indicator of future results. Please refer to the appendix for further information.

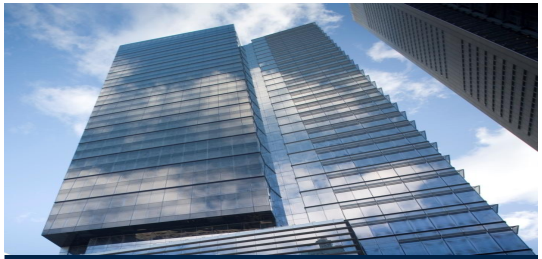
PRISA SA DRIVERS OF FOURTH QUARTER APPRECIATION

The Fund's performance reflected value increases across all sectors, with particularly strong performance in the office and industrial sectors.

PRISA SA Appreciation Attribution



CBD Office



Eleven Times Square, New York, NY

The office sector, which began to pick up steam in 2Q13, was the largest contributor to performance this quarter.

- Similar to 3Q13, CBD assets drove value increases as a result of increased investor demand and income growth.
- The largest contributors were Eleven Times Square and International Place with value increases of 5% and 4%, respectively.

📷 **Eleven Times Square** – Leasing activity was significant and contributed to the $42 million value gain. The property is currently 77% leased.

Industrial

The Brick Yard, Laurel, MD

The industrial sector contributed 21% of the Fund's appreciation, with 63% derived from investments in the Washington, DC area and South Florida.

- PRISA's Baltimore – Washington corridor assets outperformed and contributed 44% of the industrial sector's appreciation, which far exceeds the 20% market allocation.

📷 The Brick Yard investment in Laurel, MD benefited from an increase in tenant demand as occupancy improved from 74% to 100% during 2013.

Note: As of December 31, 2013. Past performance is not a guarantee or a reliable indicator of future results.

PRISA SA INVESTMENT STRATEGY

	PRISA SA 12/31/2013 [1]	ODCE 12/31/2013 [2]	PRISA SA 2014-2016 Plan	PRISA SA Target 2014-2016 [3]	2014-2016 Plan
Office	34.8%	36.3%	↑	35-37%	Selectively increase office holdings to take advantage of the anticipated office recovery in 2014/2015. Over long term, maintain a modest underweight to the benchmark as well as overweight to CBD. Begin selling more commodity like assets toward the end of the plan period.
Industrial	13.8%	14.8%	↑	13-15%	Increase industrial exposure primarily through select build to core opportunities, putting the Fund's valuable industrial land into production.
Apartments	23.5%	25.5%	↔	23-25%	Maintain exposure at neutral/modest underweight. Acquire or develop assets in longer-term strategic markets and sell assets in markets with low barriers to entry. Maintain focus on urban, infill projects catering to the renter by choice.
Retail	18.0%	18.6%	↓	15-17%	Retail recovery has lagged other property types (particularly the non-mall formats) during this cycle. Retail is in a transitional period and e-commerce adds uncertainty.
Hotel	3.9%	2.1%	↔	3-5%	Target established hotels in supply constrained areas with long-term strong and varied demand drivers.
Storage	6.0%	1.7%	↑	5-7%	Target storage holdings, primarily in very in-fill areas. Consider developing storage as a component of non-core activity.

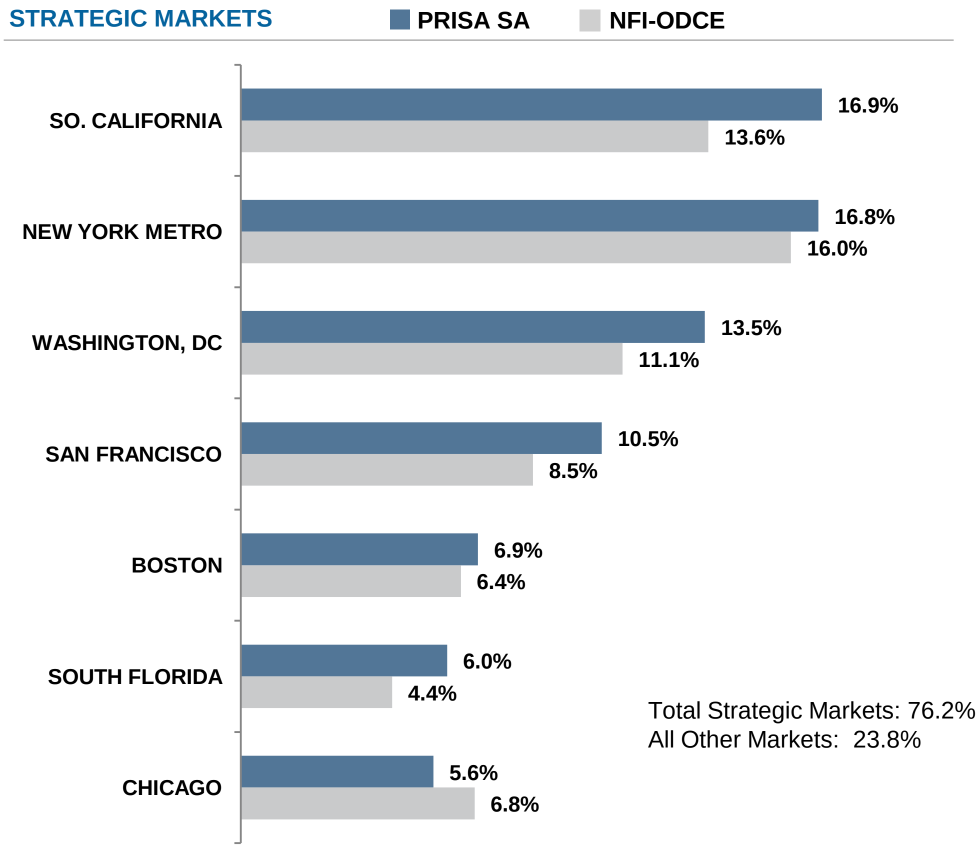
[1] Based upon PRISA SA's gross market value in properties and all loan investments.
[2] Diversification for NFI-ODCE is based on the 4Q13 report published by NCREIF on 1/31/2014.
[3] There is no guarantee that these targets will be achieved.

PRISA SA GEOGRAPHIC DIVERSIFICATION BY STRATEGIC MARKETS | DECEMBER 31, 2013[1]

PRISA SA will remain focused on strategic markets where supply constraints and diverse sources of demand are likely to result in better long-term fundamentals.

- PRISA SA's assets are concentrated in gateway markets, more than NFI-ODCE. The strategy is to continue to overweight in urban core markets and infill locations
- PRISA SA has strategically increased its exposure in Southern California and should benefit as the economic recovery picks up in that region.

STRATEGIC MARKETS



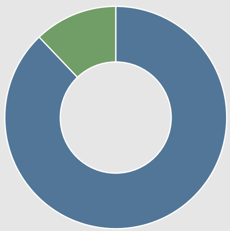
Total Strategic Markets: 76.2%
All Other Markets: 23.8%

[1] Based upon PRISA SA's share of GMV in properties and all loan investments.
Note: NFI-ODCE does not publish detail property information at the market level. Strategic market information is calculated by extracting NFI-ODCE properties from the NPI datasets. NPI datasets are based on the final report published by NCREIF on 1/25/2014.

PRISA SA HIGH QUALITY PORTFOLIO - CORE COMPONENT | DECEMBER 31, 2013

CORE COMPOSITION

87%	CORE
13%	NON-CORE



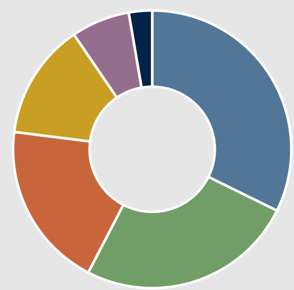
- We define "core" essentially as assets that are 80%+ leased.
- Approximately 60% of the core portfolio is invested in the prime gateway markets like New York, San Francisco, Washington D.C., Boston and Los Angeles.
- The weighted average cap rate for the core portfolio is 5.70%.

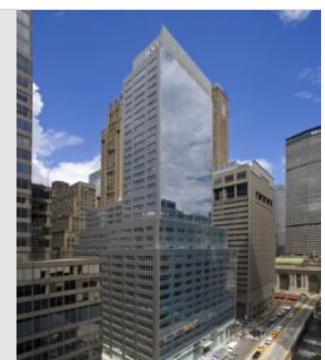
LEASED STATUS AND LEASE ROLLOVER

	Total Portfolio		Core Portfolio		
	12/31/12	12/31/13	12/31/12	12/31/13	Average Lease Expiration 2014-2018
Industrial	88.5%	89.8%	93.7%	93.8%	11.5%
Office	84.0%	87.6%	87.2%	89.3%	9.5%
Retail	90.6%	91.9%	91.9%	93.4%	10.4%
Apartment	94.2%	92.6%	94.2%	93.1%	N/A
Hotel	71.5%	77.7%	71.5%	77.7%	N/A
Storage	90.9%	91.0%	90.9%	91.0%	N/A
Total[1]	**88.8%**	**90.1%**	**91.1%**	**91.8%**	

CORE PROPERTY TYPE DIVERSIFICATION[2]

32.3%	OFFICE
25.3%	APARTMENT
19.4%	RETAIL
13.5%	INDUSTRIAL
6.8%	STORAGE
2.7%	HOTEL





100 Park Avenue, New York, NY

[1] Leased status for total portfolio based on gross market value and excludes hotels.

[2] Based on the PRISA SA's share of gross market value in properties and all debt investments.

INTERNATIONAL PLACE, BOSTON, MA
TROPHY OFFICE TOWERS IN BOSTON'S FINANCIAL DISTRICT

GENERAL DESCRIPTION

Property Type: Office

Year Built: 1990

Partner: Chiofaro

Size: 1,841,971 sf

Leased Status: 88%

Cost: $822.4M ($446 psf)

Market Value: $1,044.7M ($567 psf)

Risk Profile: Core

Property Certification: LEED Silver Certified

APPRAISAL METRICS

Direct Cap Rate: 5.14%

Discount Rate: 7.39%

Exit Cap Rate: 5.28%

Exit Value (10-Yr Hold): $775 psf

BACKGROUND & MARKET UPDATE

- Trophy office property located in Boston's Financial District. The property features 1.8 million sf of office space across two interconnected buildings. The property also includes ground-floor retail, a fitness center and an underground parking garage.
- The asset continues to experience leasing momentum and is 88% leased, which represents a 8% increase year-over-year. 68% of the space vacated by Ropes & Gray in December 2010 is now re-leased.
- The 8,300 sf Palm Restaurant occupies a portion of the lobby area and opened in May 2013. The restaurant has commenced paying rent and will contribute approximately $450,000 in annual base rent, with the potential to contribute significant percentage rent.

Top Tenants[1]	SF
Eaton Vance	309,541
Choate Hall & Stewart	192,592
Proskauer Rose	96,957
UBS	75,099
Greenberg Traurig	64,107
PayPal, Inc.	62,814

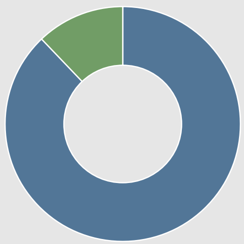
[1]Based on square footage.

Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved.

PRISA SA HIGH QUALITY PORTFOLIO - NON-CORE COMPONENT | DECEMBER 31, 2013

NON-CORE COMPOSITION

87%	CORE
13%	NON-CORE



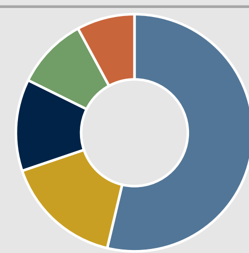
- The non-core component is primarily comprised of newly constructed properties undergoing initial lease-up.
- Lease-up assets move to the core portfolio once they achieve leasing of 80%.
- PRISA SA's total land exposure represents only 1.5% of total gross assets.

SUMMARY OF NON-CORE ASSETS

Investment Type	% Leased	# of Projects	PRISA SA's GMV ($ Millions)	% of Non-Core
Lease-Up Properties				
Office	70.4%	2	$1,017.6	47.0%
Retail	58.7%	2	123.4	5.7%
Apartment	56.0%	1	48.8	2.3%
Industrial	0.0%	1	26.2	1.2%
Total Lease-Up	**67.8%**	**6**	**$1,216.0**	**56.2%**
Development Properties				
Apartment		3	$231.8	10.7%
Industrial		6	204.3	9.5%
Total Development[1]		**9**	**$436.1**	**20.2%**
Land		21	$238.9	11.0%
Mezzanine & Other[2]		4	272.5	12.6%
Total		**40**	**$2,163.5**	**100.0%**

NON-CORE PROPERTY TYPE DIVERSIFICATION[3]

53.7%	OFFICE
16.1%	INDUSTRIAL
12.5%	HOTEL
9.8%	APARTMENT
7.9%	RETAIL



Crosswinds at ATC, Annapolis, MD

[1] For development properties, exposure is based on PRISA SA's share of total development cost at completion. When considering gross amount spent to date of $162.6M, non-core exposure is 11.7%.
[2] Includes mezzanine , mortgage loans and preferred equity investments.
[3] Based on the PRISA SA's share of gross market value in properties and all debt investments.

ELEVEN TIMES SQUARE, NEW YORK, NY
NON-CORE ASSET IN A STRATEGIC MARKET

GENERAL DESCRIPTION

Property Type: Office

Year Built: 2010

Partner: SJP Properties

Size: 1,109,026 sf

Leased Status: 77%

Cost: $1,005.2M ($906 psf)

Market Value: $1,040.4M ($938 psf)

Risk Profile: Non-Core

Loan Balance: $443.3M (43% LTV)

Maturity Date: 8/1/16

Interest Rate: 2.52% (avg)

Property Certification: LEED Gold Certified

APPRAISAL METRICS

Direct Cap Rate: 4.78%

Discount Rate: 6.94%

Exit Cap Rate: 5.25%

Exit Value (10-YR Hold): $1,197 psf

BACKGROUND & MARKET UPDATE

- The overall Class A vacancy rate in Midtown Manhattan stands at 12.4% as of November 2013, flat compared to November 2012. Midtown Class A office asking rents average $74.68 PSF, up $1.78 from November 2012.
- Midtown has seen strong leasing activity both from non-financial services and hedge fund tenants. Midtown South continues to outperform the rest of NYC, with activity from technology users driving market rents up and vacancy down. Tenants continue to flock to newer, higher-quality office space.
- In July 2013, PRISA refinanced the loan, extending the maturity through August 2016 with two one-year options.
- The Microsoft space is under construction. They will take occupancy during January 2014 and begin paying rent July 2014.
- A global hedge fund executed a lease in December 2013 in the tower.

Tenants	
Proskauer Rose	United First
Microsoft	Luskin, Stern & Eisler
Global Foods International	Sovarnum Capital
Zuckerman Gore	Next Capital
Teza Technologies	Off the Wall
Señor Frog's	eMarketer

Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved.

PRISA REPORT CARD – 2010 - 2013 ACQUISITIONS | DECEMBER 31, 2013

- PRISA's acquisitions have performed better than the benchmark. Partly due to the fact that 67%[1] of these transactions were sourced on an off-market basis.

UNLEVERED APPRECIATION RETURN

	2011 Appreciation	2012 Appreciation	2013 YTD Appreciation
2010-2013 Acquisitions	11.48%	4.17%	7.52%
NFI-ODCE	7.59%	2.77%	5.57%

Property Sector	Gross Market Value 12/31/13 ($ MILLIONS)	100% Cost Fixed Assets 12/31/13 ($ MILLIONS)	Gain/Loss $	Cumulative Appreciation %[2]
Apartments	$1,236.9	$1,090.7	$146.2	28%
Office	889.1	863.6	25.4	11%
Hotel	438.7	371.7	67.0	41%
Retail	209.3	189.7	19.6	32%
Industrial	498.5	480.1	18.4	26%
Storage	63.8	55.6	8.2	44%
Total 2010 - 2013 Acquisitions	**$3,336.3**	**$3,051.4**	**$284.8**	**27%**

[1] Based on total gross cost.
[2] Cumulative time weighted appreciation return.
Note: Past performance is not a guarantee or reliable indicator of future results.

ACQUISITION HIGHLIGHT – SOCAL OFFICE PORTFOLIO, SORRENTO MESA & PASADENA

CORE OFFICE WITH INCOME GROWTH OPPORTUNITIES

GENERAL DESCRIPTION

Property Type: Office

Year Built: 1981-2001

Size: 1,052,222 sf

Leased Status: 89%

Cost: $382.3M ($363 psf)

Market Value: $386.4M ($367 psf)

Risk Profile: Core

Property Certification: Energy Star, seeking LEED Certification in 2014

UNDERWRITING METRICS (UNLEVERED)

Going-In Cap Rate: 4.1%

Stabilized Cap Rate: 5.6%

Avg 5 –Yr COC Return: 4.4%

Estimated IRR (5-Yr Hold): 7.2%

BACKGROUND & MARKET UPDATE

The Portfolio consists of three office buildings in Pasadena and two office assets in Sorrento Mesa (San Diego). Average occupancy is 89% and the tenant profile includes 26% investment grade credit and 56% national tenant credit.

- **Favorable Basis:** The all-in-cost basis of $363 psf is approximately 30% below today's replacement cost for new products. Both Pasadena and Sorrento Mesa are highly supply-constrained submarkets.
- **Upside Opportunity:** The opportunity generates upside potential with in-place rents 11% below market and 65% rollover in the first 4 years, providing PRISA with both a secure cash flow and the potential to create value.
- **Economic Momentum:** The timing of the acquisition allows PRISA to purchase a portfolio at an early point in the recovery cycle of Southern California.

Top Tenants[1]	SF
Qualcomm at Sorrento Towers	119,381
Jacobs Engineering at CS	83,936
Bank of America at PFC	71,151
OneWest Bank at CS	46,725

[1] Based on square footage.

Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved.

ACQUISITION HIGHLIGHT – DIGITAL REALTY PORTFOLIO, CA, TX, & VA

DATA CENTER PORTFOLIO – CORE INVESTMENT WITH INCOME RETURN PREMIUM

GENERAL DESCRIPTION

Property Type: Industrial Data Center

Year Built: 2000-2012

Partner: Digital Realty Trust

Size: 1,060,473

Leased Status: 100%

Cost: $367.4M ($346 psf)

Market Value: $378.8M ($357 psf)

Risk Profile: Core

UNDERWRITING METRICS (UNLEVERED)

Going-In Cap Rate: 6.5%

Avg 5 –Yr COC Return: 7.4%

Estimated IRR (5-Yr Hold): 7.2%

BACKGROUND & MARKET UPDATE

The Portfolio is comprised of nine Power Based Shell Buildings® located in the Silicon Valley, Northern Virginia, and Dallas that are 100% leased to credit tenants and with an average remaining lease term of 9.5 years.

- **Best-In-Class Operator:** PRISA is in partnership with Digital Realty Trust, the largest data center owner and operator in the U.S.
- **Core Rent Roll:** Strong national credit tenant profile including Amazon, Equinix, AT&T, and Savvis Communications.
- **Strong Cash Returns:** Venture was structured with PRISA earning a priority return of 7.4% on both operating and extraordinary cash flow. This portfolio is expected to produce a strong levered income return of approximately 10% annually.
- **Increasing Demand Drivers:** The primary data center demand drivers are rapidly increasing: online retail, social networking, cloud computing, online gaming, corporate data storage, outsourcing, telecommunications, mobile applications, and trading platforms.
- **Attractive Debt:** The portfolio was leveraged at 49%; half the note was swapped at 3.26%, generating an initial blended rate of 2.62%, to mitigate future interest rate risk, maximize cash flow returns and allow flexibility for future sales.

Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved.

PRISA SA VALUATION METRICS | DECEMBER 31, 2013

- Since 4Q12, the direct cap and discount rates for the portfolio declined by 25 bps and 30 bps, respectively.

VALUATION METRICS BY PROPERTY TYPE[1]

	December 31, 2012		December 31, 2013		Market Value	
Property Type	Direct Cap Rate[2]	Discount Rate	Direct Cap Rate[2]	Discount Rate	Per SF/Unit	
Apartment -Suburban	4.99%	7.21%	5.08%	7.30%	$199,976	per unit
Apartment - Urban	4.76%	7.12%	4.60%	6.79%	$328,872	per unit
Hotel	7.66%	10.22%	7.30%	9.78%	$290,851	per key
Industrial	6.40%	7.84%	6.08%	7.48%	$98	psf
Office - CBD	5.60%	7.57%	5.32%	7.22%	$529	psf
Office - Suburban	6.46%	7.82%	6.33%	7.80%	$308	psf
Retail	7.02%	8.20%	6.70%	7.88%	$239	psf
Storage	6.09%	8.76%	5.83%	8.54%	$144	psf
Total	**5.91%**	**7.77%**	**5.66%**	**7.47%**		

[1] Rates are weighted on gross market value.
[2] The direct cap rate generally reflects the external appraiser's calculation of stabilized NOI divided by current appraised value.

PRISA SA DEBT | DECEMBER 31, 2013[1]

HIGHLIGHTS

- PRISA SA continues to focus on improving its debt profile. During 2013, the Fund extended the average remaining loan term from 4.9 to 5.5 years and the weighted average cost of debt has been reduced from 4.4% to 3.8%.
- A key example of PRISA SA's ability to take advantage of the favorable financing environment was the Eleven Times Square refinance, which closed in July 2013. PRISA SA extended the terminal maturity date of this loan by five years and reduced the interest rate to an average swapped rate of 2.52%, resulting in $5 million in annual debt service savings.

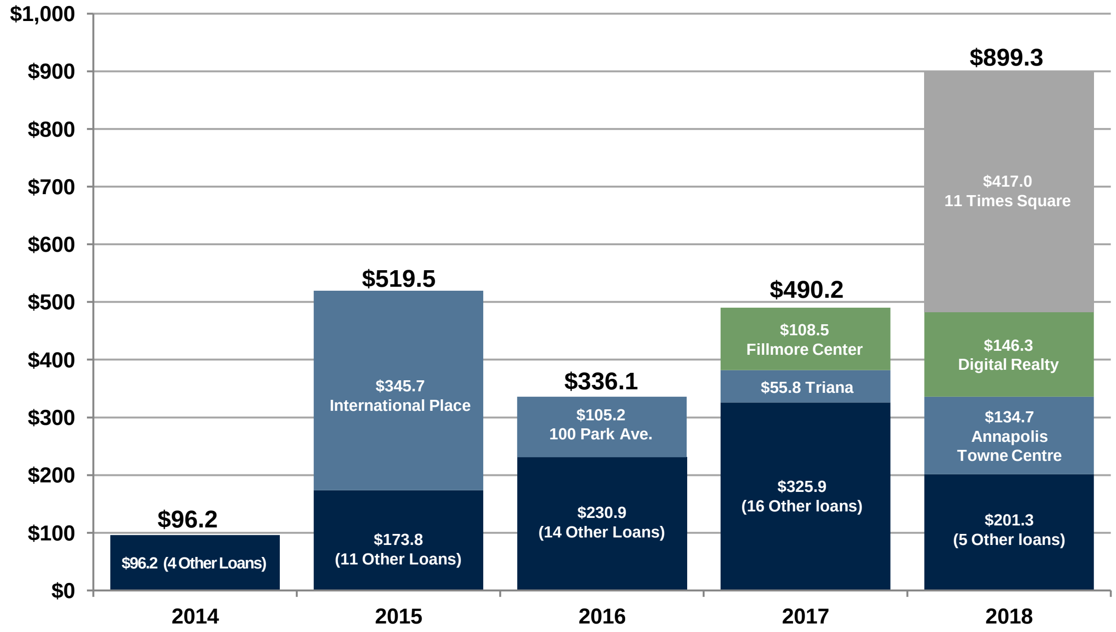
LEVERAGE METRICS

Leverage Ratio	20.8%
Recourse Debt Leverage Ratio	0.4%
Debt to Income Multiple	4.2x

COST OF DEBT

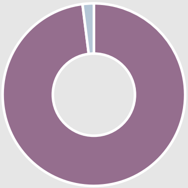
Fixed-Rate	4.2%
Floating-Rate	1.8%
Total Cost of Debt	3.8%
Weighted Average Maturity	5.5 Years

DEBT MATURITIES ($ MILLIONS)



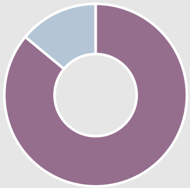
RECOURSE PROFILE

98%	NON- RECOURSE
2%	RECOURSE



INTEREST RATE RISK

86%	FIXED
14%	FLOATING



[1] Represents PRISA SA's portfolio level debt, 100% of wholly-owned and PRISA SA's share of all joint ventures; includes off balance sheet debt.

PRISA SA 2013 SAME PROPERTY INCOME GROWTH | DECEMBER 31, 2013

- PRISA SA exceeded the income growth projection of 6.3% during 2013.
- The largest contributors to income growth of 8.9% were the office and retail sectors as a result of higher occupancies and rental rates.
- We anticipate another strong year for income growth estimated at 4.4% with approximately 80% of that from in place leases.

Property Type[1]	Twelve Months Ended 12/31/13 Actual ($ in MM)	Twelve Months Ended 12/31/12 Actual ($ in MM)	% Change
Apartments	$152.3	$143.8	5.9%
Hotel	20.5	16.2	26.7%
Industrial	87.2	80.3	8.7%
Office	236.4	219.7	7.6%
Retail	172.2	154.4	11.5%
Storage	59.6	54.5	9.3%
Total Comparable Property NOI	**$728.2**	**$668.9**	**8.9%**

[1] 100% Property level unlevered. To provide a more meaningful basis for comparison between periods, net property income excludes income from properties that were purchased or sold during the comparative time periods, land and debt investments. Results are not guaranteed. Past performance is not a guarantee or reliable indicator of future results.

PRISA SA 2014 OBJECTIVES

1. Continue to meet or exceed the benchmark and close the gap on the five and ten-year returns.
2. Move more substantially into industrial, especially with respect to non-core activity – enjoy first mover advantage where possible.
3. Increase leverage and continue to increase the weighted average remaining term of PRISA's debt.

   Target LTV – 23-25%

   Target Debt to Income Multiple – 4.5-5.0x

   Target Duration – 6-7 Years
4. Pursue unsecured financing (potential combination of term loan and private bond issuance). -- Done
5. Continue to focus on working the assets to create value – the days of easy appreciation are over.
6. Continue to focus the portfolio on the sectors where we see near-term out performance – industrial and office.
7. Explore a change in valuation vendors.
8. Realization of embedded value currently estimated at $419 million driven primarily by the office portfolio.
9. Deliver total gross returns of 8.5% - 10.5% comprised of income of 5.5% - 6.0% and appreciation of 3.0% - 4.5%.

Note: Target returns are not guaranteed. Total net returns are 7.5%-9.5% .

BENEFITS OF INVESTMENT IN PRISA

- **Leading Real Estate Investment Manager**
  - Acting as a fiduciary since 1970
  - Stable experienced portfolio management team
  - Dedicated asset management team in four regions
  - Breadth of PREI platform
- **Well Diversified, High Quality Core Portfolio**
  - Concentration in strategic markets
  - Attractive sector weightings
- **Actively Managed Portfolio**
  - Focus on income
  - Provides high income payout
  - Investment approach defined by emphasis on off-market deals, contrarian approach to the markets and robust sales discipline

SoNo East, Chicago, IL

SoNo East is a 324-unit newly constructed high-rise luxury apartment project in Chicago, IL. The property includes an extensive upscale amenity package and high-end unit finishes.

APPENDIX

PRISA SA OFFICE PORTFOLIO OVERVIEW | DECEMBER 31, 2013

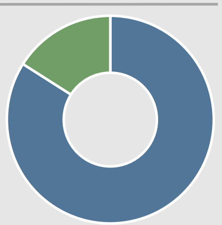
Over-weighting to Central Business District (CBD) office should provide for near-term outperformance.[1]

SNAPSHOT

PRISA SA's share of GMV[2]	$5,643.3M
Current Weighting	34.8%
NCREIF Property Index	35.9%
NFI-ODCE	36.3%
Desired Weighting	Increase

PRISA SA

84% CBD
16% SUBURBAN



NFI-ODCE

55% CBD
45% SUBURBAN

MAJOR MARKET EXPOSURE:

Market (CMSA)	PRISA SA's Share of GMV	% of Total	NFI-ODCE
New York Metro Area*	$1,519.4	27%	21%
Boston	1,076.4	19%	10%
S.F. Bay Area	764.3	14%	12%
Washington, DC	561.9	10%	13%
Los Angeles	442.6	8%	12%
Subtotal	**4,364.6**	**78%**	**68%**
Other Markets	1,278.7	22%	32%
Total	**$5,643.3**	**100%**	**100%**

*Includes New Jersey

LEASED STATUS:

	9/30/2013 Leased Status	12/31/2013 Leased Status	% of Square Footage Expiring In 2014	2015	2016	2017
Total	86.4%	87.6%	6.0%	8.9%	9.4%	8.8%
Stabilized	88.8%	89.3%	6.6%	9.7%	10.3%	9.5%

Leverage Ratio: 26.7%

[1] Performance objectives are not guaranteed. Actual results may vary.
[2] NAV as of 12/31/13 $4,157.4 M
Note: NFI-ODCE does not publish detail property information at the market level. Strategic market information is calculated by extracting NFI-ODCE properties from the NPI datasets. NPI datasets are based on the final report published by NCREIF on 1/25/2014.

100 PARK AVENUE, NEW YORK, NY
TROPHY OFFICE PROPERTY IN PRIME NYC LOCATION

GENERAL DESCRIPTION

Property Type: Office

Year Built: 1949 (renovated 2005-2008)

Partner: SL Green

Size: 895,166 sf

Leased Status: 95%

Cost: $386.1M ($431 psf)

Market Value: $740.0M ($827 psf)

Risk Profile: Core

Property Certification: LEED Silver Certified

APPRAISAL METRICS

Direct Cap Rate: 5.00%

Discount Rate: 6.75%

Exit Cap Rate: 5.00%

Exit Value (10-Yr Hold): $1,087 psf

BACKGROUND & MARKET UPDATE

- 100 Park Avenue is a trophy office property located within two blocks of Grand Central Station in Manhattan.
- PRISA acquired the building in 1974. A 49.9% interest was sold to SL Green in February 2000.
- From 2006-2008, a renovation was completed that included a new glass curtain wall on Park Avenue and steel paneling on the remaining exterior, a lobby and elevator cab renovation and the replacement/ upgrading of the base building systems and HVAC.
- In 2009, the building received an Existing Building Silver LEED designation and the NYC Regional BOMA award for best renovated building.

Top Tenants[1]	SF
BDO USA LLP	121,441
AECOM Technology	108,631
J&W Seligman & Co.	103,615
Wells Fargo Trade	100,833

[1] Based on square footage.

Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved.

PRISA SA APARTMENT PORTFOLIO OVERVIEW | DECEMBER 31, 2013

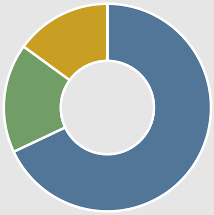
The apartment portfolio is comprised of mostly new, Class A, infill apartments, many of which have a transit and/or retail component.

SNAPSHOT

PRISA SA's share of GMV[1]	$3,807.7M
Current Weighting	23.5%
NCREIF Property Index	24.9%
NFI-ODCE	25.5%
Desired Weighting	Neutral

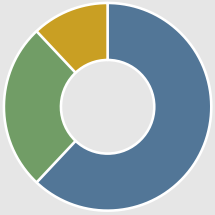
PRISA SA

68%	HIGH RISE
17%	GARDEN
15%	LOW RISE
0%	RESIDENTIAL LAND[2]



NFI-ODCE

62%	HIGH RISE
26%	GARDEN
12%	LOW RISE



MAJOR MARKET EXPOSURE:

Market (CMSA)	PRISA SA's Share of GMV	% of Total	NFI-ODCE
Washington, DC	$629.4	17%	13%
Los Angeles	597.7	16%	11%
New York	525.4	14%	15%
S.F. Bay Area	490.0	13%	5%
Chicago	293.0	8%	11%
Subtotal	**2,535.5**	**68%**	**55%**
Other Markets	1,272.2	32%	45%
Total	**$3,807.7**	**100%**	**100%**

LEASED STATUS:

	9/30/2013 Leased Status	12/31/2013 Leased Status
Total	94.2%	92.6%
Stabilized	94.2%	93.1%

Leverage Ratio: 30.9%

[1] NAV as of 12/31/13 $2,656.1 M

[2] Land is less than 1%.

Note: NFI-ODCE does not publish detail property information at the market level. Strategic market information is calculated by extracting NFI-ODCE properties from the NPI datasets. NPI datasets are based on the final report published by NCREIF on 1/25/2014.

THE FILLMORE CENTER, SAN FRANCISCO, CA
HIGH-RISE LUXURY APARTMENT COMMUNITY

GENERAL DESCRIPTION

Property Type: Residential

Year Built: 1987-1991

Size: 1,114 units

Leased Status: 97%

Cost: $256.4M ($230,118 per unit)

Market Value: $464.9M ($417,289 per unit)

Risk Profile: Core

Property Certification: LEED Silver Certified

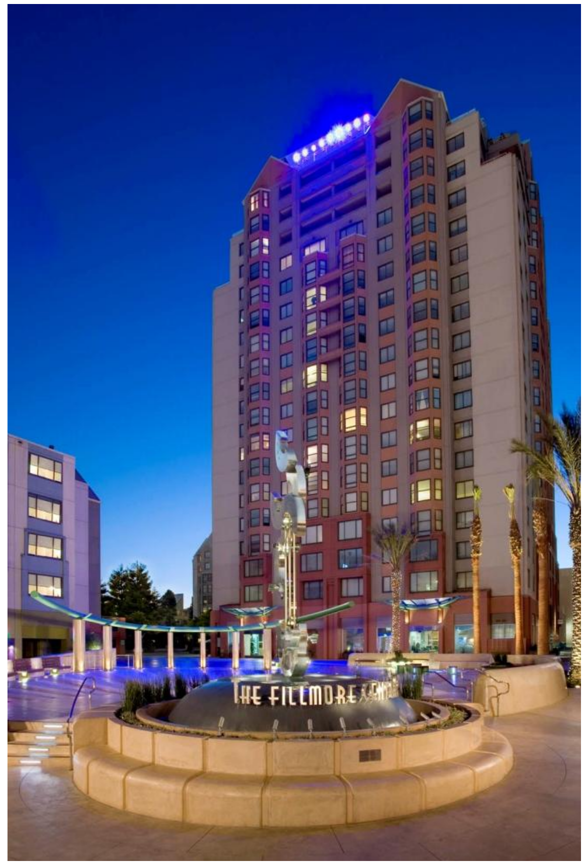
APPRAISAL METRICS

Direct Cap Rate: 4.25%

Discount Rate: 6.75%

Exit Cap Rate: 5.25%

Exit Value (10-Yr Hold): $501,197 per unit



BACKGROUND & MARKET UPDATE

- The Fillmore Center is a 1,114-unit luxury apartment community with 101,805 square feet of retail located in the Fillmore District of San Francisco. Amenities include interior courtyards with a waterfall, outdoor barbeque grills, pet parks, onsite parking and a free shuttle service to and from the CBD. The SF Fitness Center (31,025 square feet) is leased to a local operator. Select unit amenities include patios, fireplaces, and full size appliances.

- The property is located amidst a variety of retail and commercial properties, including boutiques, restaurants, and live-entertainment venues.

Unit Type	# of Units
Studio	310
1-Bedroom	430
2-Bedroom	342
3-Bedroom	32
Total	**1,114**

Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved.

PRISA SA RETAIL PORTFOLIO OVERVIEW | DECEMBER 31, 2013

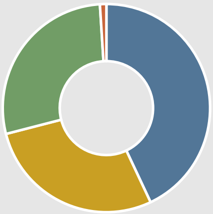
Neighborhood and power centers provides for stability and enhanced liquidity.

SNAPSHOT

PRISA SA's share of GMV[1]	**$2,918.7M**
Current Weighting	**18.0%**
NCREIF Property Index	**23.4%**
NFI-ODCE	**18.6%**
Desired Weighting	**Decrease**

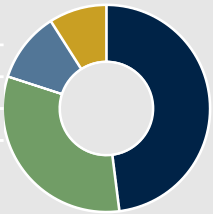
PRISA SA

- 43% POWER
- 29% LIFESTYLE
- 27% NEIGHBORHOOD
- 1% RETAIL LAND



NFI-ODCE

- 48% REGIONAL MALL
- 32% NEIGHBORHOOD
- 11% POWER
- 9% LIFESTYLE



MAJOR MARKET EXPOSURE:

Market (CMSA)	PRISA SA's Share of GMV	% of Total	NFI-ODCE
Washington, DC	$424.2	15%	8%
Los Angeles	354.6	12%	15%
Dallas	353.5	12%	4%
Atlanta	325.1	11%	3%
South Florida	237.3	8%	9%
Subtotal	**1,694.7**	**58%**	**39%**
Other Markets	1,224.0	42%	61%
Total	**$2,918.7**	**100%**	**100%**

LEASED STATUS:

	9/30/2013 Leased Status	12/31/2013 Leased Status	% of Square Footage Expiring In			
			2014	2015	2016	2017
Total	91.9%	91.9%	6.9%	9.0%	13.1%	10.2%
Stabilized	93.5%	93.4%	7.2%	9.3%	13.6%	10.6%

Leverage Ratio: 17.7%

[1] NAV as of 12/31/13 $2,416.2M

Note: NFI-ODCE does not publish detail property information at the market level. Strategic market information is calculated by extracting NFI-ODCE properties from the NPI datasets. NPI datasets are based on the final report published by NCREIF on 1/25/2014.

ANNAPOLIS TOWNE CENTRE AT PAROLE, ANNAPOLIS, MD

UPSCALE MIXED-USE CENTER

GENERAL DESCRIPTION

Property Type: Retail

Year Built: 2009

Partner: Greenberg Gibbons Company

Size: 484,445 sf

Leased Status: 96%

Cost: $224.4M ($463 psf)

Market Value: $278.1M ($574 psf)

Risk Profile: Core

APPRAISAL METRICS

Direct Cap Rate: 5.75%

Discount Rate: 7.00%

Exit Cap Rate: 6.25%

Exit Value (10-Yr Hold): $581 psf

BACKGROUND & MARKET UPDATE

- Annapolis Towne Centre at Parole is part of a mixed-use property in Annapolis, Maryland. This upscale, open air retail center provides an urban shopping experience in a suburban setting. The property features a strong tenant merchandising mix with four anchor tenants and 52 in-line tenants, yielding a total occupancy of 95.7%.

- The property is located in Anne Arundel County, which is in close proximity to Washington DC and Baltimore. Convenient to US Route 301 and US Route 50, the property offers direct commuter access to both cities.

Top Tenants[1]	SF
Whole Foods	70,795
24 Hour Fitness	43,157
Bed, Bath, and Beyond	42,446

[1] Based on square footage.
Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved.

PRISA SA INDUSTRIAL PORTFOLIO OVERVIEW | DECEMBER 31, 2013

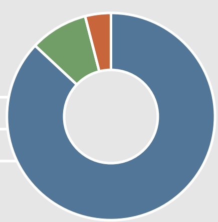
Newly delivered industrial assets provide the opportunity for near-term value increases as lease-up progresses.

SNAPSHOT

PRISA SA's share of GMV[1]	$2,232.9M
Current Weighting	13.8%
NCREIF Property Index	13.6%
NFI-ODCE	14.8%
Desired Weighting	Increase

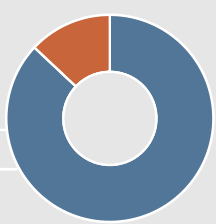
PRISA SA

87% WAREHOUSE DISTRIBUTION
9% INDUSTRIAL LAND
4% R &D



NFI-ODCE

87% WAREHOUSE DISTRIBUTION
13% R & D



MAJOR MARKET EXPOSURE:

Market (CMSA)	PRISA SA's Share of GMV	% of Total	NFI-ODCE
Los Angeles	$725.9	33%	24%
Washington, DC	452.9	20%	7%
Dallas	173.0	8%	9%
Seattle	160.2	7%	8%
San Francisco	139.1	6%	7%
Subtotal	**1,651.1**	**74%**	**55%**
Other Markets	581.8	26%	45%
Total	**$2,232.9**	**100%**	**100%**

LEASED STATUS:

	9/30/2013 Leased Status	12/31/2013 Leased Status	% of Square Footage Expiring In 2014	2015	2016	2017
Total	90.4%	89.8%	11.2%	9.3%	12.4%	10.9%
Stabilized	94.5%	93.8%	11.7%	9.7%	13.0%	11.4%

Leverage Ratio: 10.8%

[1] NAV as of 12/31/13 $2,000.5 M

Note: NFI-ODCE does not publish detail property information at the market level. Strategic market information is calculated by extracting NFI-ODCE properties from the NPI datasets. NPI datasets are based on the final report published by NCREIF on 1/25/2014.

PACIFIC GATEWAY INDUSTRIAL, TORRANCE, CALIFORNIA
PORT ORIENTED INDUSTRIAL PARK

GENERAL DESCRIPTION

Property Type: Industrial

Year Built: 1979

Size: 1,070,874 sf

Leased Status: 100.0%

Cost: $116.7M ($109 psf)

Market Value: $141.3M ($132 psf)

Risk Profile: Core

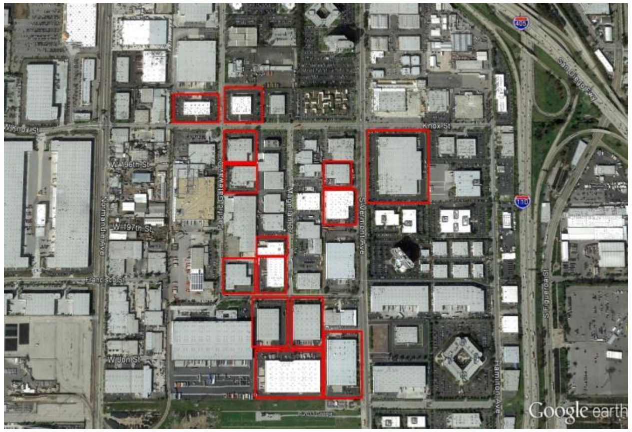
APPRAISAL METRICS

Direct Cap Rate: 5.33%

Discount Rate: 7.65%

Exit Cap Rate: 5.83%

Exit Value (10-Yr Hold): $172 psf



BACKGROUND & MARKET UPDATE

- The property is located in close proximity to the ports of Los Angeles and Long Beach, as well as Los Angeles International Airport. Additionally, the property is less than a half mile from the intersection of Interstates 110 and 405, two major north/south and east/west highways in California.
- These assets are part of a larger industrial development project which consists of 15 free-standing industrial buildings with clear heights ranging between 22 and 30 feet. The majority of the buildings are classified as either warehouse or distribution facilities.

Top Tenants[1]	SF
Nippon Express USA	453,469
World Class Freight	76,416
K-Line Logistics	66,600
Shimadzu Medical Systems	66,495

1 Based on square footage.

Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved

PRISA SA STORAGE PORTFOLIO OVERVIEW | DECEMBER 31, 2013

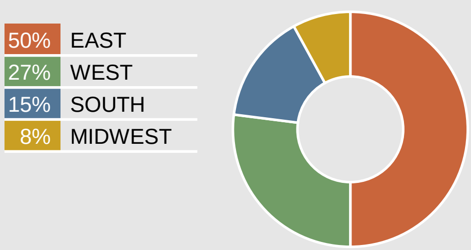
SNAPSHOT

PRISA SA's share of GMV[1]	$974.1M
Current Weighting	6.0%
NCREIF Property Index	N/A
NFI-ODCE	1.7%
Desired Weighting	Increase

MAJOR MARKET EXPOSURE:

Market (CMSA)	PRISA SA's Share of GMV	% of Total
New York	$248.6	26%
Washington, DC	118.1	12%
Los Angeles	91.4	9%
Southern Florida	63.3	6%
Hartford	41.3	4%
Subtotal	**562.7**	**57%**
Other Markets	411.4	43%
Total	**$974.1**	**100%**

PRISA SA



LEASED STATUS:

	9/30/2013 Leased Status	12/31/2013 Leased Status
Total	92.5%	91.0%
Stabilized	92.5%	91.0%

Leverage Ratio: 0%

[1] NAV as of 12/31/13. $977.7M.

EXTRA SPACE STORAGE PORTFOLIO
LESS OBVIOUS CORE

GENERAL DESCRIPTION

Property Type: Storage

Year Built: Various

Partner: Extra Space Storage

Size: 6,548,137 sf / 62,360 units

Leased Status: 91%

Cost: $649.3M ($99 psf)

Market Value: $918.5M ($140 psf)

Risk Profile: Core

APPRAISAL METRICS

Direct Cap Rate: 5.81%

Discount Rate: 8.51%

Exit Cap Rate: 6.01%

Exit Value (10-Yr-Hold): $183 psf

BACKGROUND & MARKET UPDATE

- PRISA's Extra Space Storage Portfolio consists of 86 facilities across 20 states concentrated in coastal regions. Storage has increasingly gained acceptance as an institutional investment class due to predictable cash flows and core like returns. Occupancy continues to increase and the current outlook for rent growth is strong.

- Storage is part of PRISA's "less obvious core" strategy. Since its initial acquisition in 2005, storage has proven to be a low beta strategy that has generated strong and stable cash flow. This sector benefits from lower capital requirements and diverse demand drivers, which insulates performance in weaker economic environments. PRISA anticipates a long term hold and may selectively acquire additional storage assets in high-barrier to entry markets.

Top Locations by Size	SF
Sherman St. – San Diego, CA	140,725
Route 112 – Coram, NY	128,570
Bruckner Blvd – Bronx, NY	127,931
East Main St. – Mesa, AZ	119,656
W Poplar Ave – Collierville, TN	110,045

Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved.

PRISA SA HOTEL PORTFOLIO OVERVIEW | DECEMBER 31, 2013

SNAPSHOT

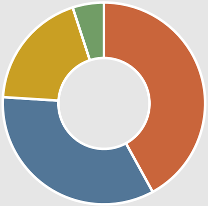
PRISA SA's share of GMV[1]	$625.9M
Current Weighting	3.9%
NCREIF Property Index	2.2%
NFI-ODCE	2.1%
Desired Weighting	Neutral

PRISA SA

37% SOUTH
27% EAST
25% WEST
11% MIDWEST

NFI-ODCE

42% EAST
34% SOUTH
19% MIDWEST
5% WEST



MAJOR ASSET EXPOSURE:

Assets	PRISA SA's Share of GMV	% of Total
Atrium Portfolio (Various)	$236.8	38%
Four Seasons (Austin, TX)	144.4	23%
Hotel Sofitel (Redwood City, CA)	103.2	16%
James Hotel (New York, NY)	85.4	14%
Miller Rhoads (Richmond, VA)	29.5	5%
Lake Buena Vista (Orlando, FL)	26.6	4%
Total	$625.9	100%

LEASED STATUS:

	9/30/2013 Leased Status	12/31/2013 Leased Status
Total	81.6%	77.7%
Stabilized	81.6%	77.7%

Leverage Ratio: 0%

[1] NAV as of 12/31/13 $640.6M

Note: NFI-ODCE does not publish detail property information at the market level. Strategic market information is calculated by extracting NFI-ODCE properties from the NPI datasets. NPI datasets are based on the final report published by NCREIF on 1/25/2014.

THE FOUR SEASONS AUSTIN, TX
LUXURY HOTEL IN A TECH MARKET

GENERAL DESCRIPTION

Property Type: Hotel

Year Built: 2007

Partner: Lodging Capital Partners

Size: 291 keys

Leased Status: 81%

Cost: $128.0M ($439,870 per key)

Market Value: $159.0M ($546,392 per key)

Risk Profile: Core

APPRAISAL METRICS

Direct Cap Rate: 6.75%

Discount Rate: 9.50%

Exit Cap Rate: 7.25%

Exit Value (10-Yr Hold): $712,380 per key

BACKGROUND & MARKET UPDATE

- The asset is a well located, full-service luxury hotel in the growing Austin, TX market.
- The Austin metro area has experienced consistent population and income growth over the past decade.
- The hotel is located in close proximity to major demand generators, including the University of Texas at Austin, and the Austin Convention Center. The property is one of three hotels on Lady Bird Lake and offers desirable lake view rooms.
- There are no luxury hotel competitors in the Austin Market.
- Lodging Capital Partners is PRISA's joint venture partner on this asset, as well as the Sofitel in Redwood City, CA.

Note: As of December 31, 2013. There is no guarantee that returns for these or similar investments in the future will be achieved

PRISA 2013 ACQUISITION ACTIVITY | DECEMBER 31, 2013

Property Name	Location	Risk Profile	SF/Units	Closing Date	Gross Investment ($ Millions)[1]	PSF/Per Unit	Cap Rate[2]	LTV
Broadstone Ambrose (Partner Buyout)	Dallas, TX	Core	338	1/31/2013	$2.7	$144,231[5]	4.8%	0%
Waterstone Fremont	Fremont, CA	Non-Core	526	5/13/2013	25.2	173,194	8.4%[3]	58%[6]
Elan 1640	Ft. Lauderdale, FL	Non-Core	261	7/2/2013	63.2	241,992	7.1%	65%
Broadstone Medical Center	Houston, TX	Non-Core	299	10/23/2013	44.9	150,000	7.3%	65%[7]
Apartment Subtotal					**$136.0**			
1111 Brickell	Miami, FL	Core	522,892	4/12/2013	$190.5	$364	4.9%	57%
Southern California Office Portfolio (5)	Sorrento Mesa & Pasadena, CA	Core	1,052,057	8/12/2013	382.5	364	4.1%	0%
NexCore Medical Office Portfolio (2)	New Lenox, IL & Baltimore, MD	Core	256,127	12/20/2013	98.4	367	5.8%	52%
Office Subtotal					**$671.4**			
Market at Lake Nona	Orlando, FL	Core	69,945	4/4/2013	$11.4	$163	7.6%	0%
Cousins Partner Buyout (8)	Various, GA, FL, VA & CA	Core	2,171,973	9/23/2013	57.4	240[5]	6.8%	6%
Retail Subtotal					**$68.8**			
The James	New York, NY	Core	114	5/1/2013	$82.9	$727,663	7.1%	0%
Hotel Subtotal					**$82.9**			
Aviator - International Foods	St. Louis, MO	Core	227,500	3/26/2013	$13.2	$58	7.1%	60%
Transal Park Warehouse	Miami, FL	Non-Core	215,560	5/13/2013	26.9	125	7.0%	70%
Skyline Distribution Center	Seattle, WA	Non-Core	304,335	8/9/2013	35.2	116	6.3%[4]	55%
I-20 Distribution Center – Phase III	Dallas, TX	Non-Core	822,031	9/18/2013	35.0	43	7.9%	55%
Digital Realty Portfolio (9)	Various CA, VA & TX	Core	1,060,473	9/27/2013	367.4	346	6.5%	49%
Ramona Expressway Distribution Center	Perris, CA	Non-Core	1,133,282	9/27/2013	71.4	63	7.1%	61%[7]
Andrews Federal Campus	Prince George's County, MD	Non-Core	294,000	10/16/2013	23.7	81	7.6%	60%[7]
Industrial Subtotal					**$572.8**			
Storage Post (3)	Long Island, NY	Core	195,297	8/28/2013 & 12/12/2013	$38.8	$199	5.4%	0%
Storage Subtotal					**$38.8**			
Joint Venture Partners' Share					**($91.3)**			
Total Closed Acquisitions					**$1,479.4**			

[1] Represents 100% of cost. [2] For Core investments, cap rate represents going-in; for Non-Core investments, cap rate represents stabilized cap rate. [3] Represents the preferred equity return.
[4] Blended cap rate includes existing and development. [5] Based on gross negotiated final price. [6] LTV is based on the capitalization. [7] Based on final construction cost.

PRISA 2013 DISPOSITION ACTIVITY | DECEMBER 31, 2013

Property Name	Sector	Location	Age (Years)	Risk Profile	SF/Units	Actual Sale Date	GMV Prior to Sale	Gross Cost	Gross Sales Price[1] ($ Millions)	Net Proceeds ($Millions)	Hold Period	IRR
Overlook Ridge IA	Apartment	Revere, MA	8	Core	310	1/18/2013	$62.6	$62.8	$61.3	$60.1	7	2.8%
Overlook Ridge IB	Apartment	Revere, MA	6	Core	412	4/4/2013	88.1	97.9	88.0	34.6	5	-3.7%
Gray Portfolio	Apartment	Phoenix, AZ	4	Core	541	11/1/13 & 11/27/13	79.9	69.7	81.1	80.3	3	9.4%
Apartment Subtotal							**$230.6**	**$230.4**	**$230.4**	**$175.0**		
Primestor Portfolio	Retail	Various, CA	21	Core	617,774	1/15/2013	$112.0	$127.3	$110.5	$68.0	7	4.2%
Retail Subtotal							**$112.0**	**$127.3**	**$110.5**	**$68.0**		
Primestor Little Village[2]	Land	Chicago, IL	N/A	Non-Core	N/A	2/21/2013	$2.5	$4.6	$2.5	$2.4	7	-17.7%
Village at Riverwatch[2]	Land	Augusta, GA	N/A	Non-Core	N/A	8/30 & 9/6/2013	2.2	7.0	3.1	2.4	4	-21.5%
Colusa/Santa Nella[4]	Land	Sacramento, CA	N/A	Non-Core	N/A	3/15/2013	1.3	9.4	1.1	1.1	7	-39.9%
Baltimore Crossroads Area 6[2]	Land	White Marsh, MD	N/A	Non-Core	N/A	10/1/2013	10.3	11.4	10.3	3.0	3	-8.2%
Village at Fairview[2]	Land	Fairview, TX	N/A	Non-Core	N/A	10/24/2013	1.3	1.1	1.3	1.3	4	-1.7%
Hayward - 900 Fairmont[2]	Land	Elizabeth, NJ	N/A	Non-Core	N/A	12/17/2013	5.0	14.4	5.0	4.5	5	N/A[3]
Land Subtotal							**$22.6**	**$47.9**	**$23.3**	**$14.7**		
San Jose Marriott	Hotel	San Jose, CA	10	Core	506	5/9/2013	$76.5	$60.5	$85.3	$84.4	3	20.6%
Hotel Subtotal							**$76.5**	**$60.5**	**$85.3**	**$84.4**		
Condyne Portfolio	Industrial	Various, MA	7	Core	1,410,444	3/28/2013	$67.1	$82.8	$63.5	$23.2	5	-4.6%
Industrial Subtotal							**$67.1**	**$82.8**	**$63.5**	**$23.2**		
Joint Venture Partners' Share									**($9.7)**			
Adjustments to Previous Dispositions										**$6.1**		
Total Closed Dispositions							**$508.8**	**$548.9**	**$503.3**	**$371.4**		

[1] Represents 100% of the investment.
[2] Partial sales of land parcels.
[3] No equity was funded at inception, IRR cannot be calculated. Gain/(loss) on cost: Hayward 900 Fairmont ($9.9M).
[4] This investment was land for sale.
Note: Past performance is not a guarantee or a reliable indicator of future results.

PRISA NOTABLE FINANCING ACTIVITY | DECEMBER 31, 2013

Asset Info			Prior Loan		New/Modified Loan						
Property Name	Location	4Q13 GMV ($M)	Rate	LTV	4Q13 Loan Amount ($M)	Rate	LTV	Term	Execution Date	Lender	Comments
James Island I	Jacksonville, FL	$37.5	L + 135	52%	$19.8	**3.40%**	53%	5 Years	1/31/2012	Met Life	Refinancing construction loan - Full Term IO
Lake Lily PH I & II	Maitland, FL	$84.7	L + 100	57%	$46.5	**3.53%**	55%	7 Years	2/3/2012	Fannie Mae	Refinancing construction loan - 5yr IO
Spectrum	Charlotte, NC	$60.2	L + 100	48%	$29.0	**3.35%**	48%	5 Years	3/1/2012	NY Life	Refinancing construction loan - Full Term IO
3333 Weslayan	Houston, TX	$119.0	L + 125	32%	$38.5	**3.71%**	32%	10 Years	1/17/2012	NWM	Refinancing construction loan - Full Term IO
The Brick Yard	Laurel, MD	$35.4	N/A	N/A	$19.6	**3.98%**	55%	10 Years	5/1/2012	Principal Life	New financing on a newly constructed property.
AVE Clifton	Clifton, NJ	$83.1	N/A	N/A	$42.8	**L + 165**	51%	5 Years	6/30/2012	JP Morgan	5 Yr floating rate swapped to fixed, one 2 Yr option
AVE Malvern	Malvern, PA	$66.2	N/A	N/A	$33.8	**L + 165**	51%	5 Years	6/30/2012	JP Morgan	5 Yr floating rate swapped to fixed, one 2 Yr option
International Corporate Park	Miami, FL	$46.9	N/A	N/A	$23.0	**3.80%**	49%	10 Years	8/28/2012	New York Life	New Loan - Full Term IO
95 Greene Street	Jersey City, NJ	$73.7	L + 235	49%	$36.5	**3.88%**	49%	7 Years	12/20/2012	Investors Bank	Refinanced - 5yr IO
Apartment Credit Facility #2	Various	$309.4	N/A	N/A	$167.0	**3.45%**	54%	10 Years	3/8/2013	Fannie Mae	Expansion of existing facility - 10yr IO
Harbor Garage	Boston, MA	$155.4	5.89%	56%	$90.0	**3.16%**	58%	5 Years	4/16/2013	Hartford Insurance	Refinanced - 5 yr IO
Eleven Times Square	New York, NY	$1,040.4	L + 320	46%	$443.3	**L + 185**	43%	3 Years	7/26/2013	Met Life/ NY Life/ SunTrust	Refinanced - 5 Yr floating rate, swapped with blended rate of 2.52%.
Office Credit Facility	Various	$392.3	N/A	N/A	$225.0	**L + 160**	57%	7 Years	9/26/2013	JP Morgan	New financing, 89% of the loan is swapped with an all in rate of 3.88%.
Digital Realty Credit Facility	Various	$378.8	N/A	N/A	$185.0	**L + 180**	49%	5 Years	9/27/2013	US Bank/ Sun Trust	5 Year IO Loan; 50% of loan swapped with an all in rate 3.26%.
100 North Tampa	Tampa, FL	$142.0	N/A	N/A	$78.0	**L + 180**	55%	3 Years	8/1/2013	MetLife	New financing for a 3-year term at L + 180 bps
Gramercy	Columbia, MD	$53.1	5.88%	24%	$24.9	**3.17%**	47%	5 Years	8/27/2013	Columbia National	Refinanced - 5 yr IO
Total		**$3,078.1**			**$1,502.6**		**47%**				

PRISA EMBEDDED VALUE RECOVERY ANALYSIS[1]

- In 2014, based on current 4Q13 projections, we expect as much as $448 million of embedded value, with the majority coming from the office portfolio.
- The large office assets that were a drag on performance in 2012 have contributed significantly in 2013, which is expected to continue into 2014.

	Projected - Net Embedded Value 1Q14 - 4Q14 (PRISA's Share)[2]
Apartment	$103
Office	195
Retail	55
Industrial	56
Storage	28
Hotel	11
Total	**$448**

TOP DRIVERS OF EMBEDDED VALUE

	1Q14 - 4Q14 Projected[2]
Eleven Times Square	$52
International Place	33
Storage	28
One Montgomery	20
The Fillmore Center	18
1800 M Street	17
Total	**$168**

[1]For all assets (excluding developments currently under construction), embedded values are calculated as the difference in values between 4Q 2013 market values and values calculated based on 10 year discounted cash flow valuations used under the income capitalization method section using 4Q 2013 appraisals. Income and cash flow projections were rolled forward 1 year. Embedded value for development projects currently under construction are based on original underwriting at IC approval. Target returns are not guaranteed.
[2] $ in millions.

PRISA SA TOP 10 ASSETS BY GMV | DECEMBER 31, 2013

Project Name	Property Type	Location	Size/ Units / SF	PRISA SA's Share GMV ($ Millions)	100% GMV per SF/Unit	Percentage of Fund's GMV
Eleven Times Square[1]	Office	New York, NY	1,109,026	$978.8	$938	6.0%
International Place[1]	Office	Boston, MA	1,841,971	$937.0	$567	5.8%
The Fillmore Center[2]	Apartment	San Francisco, CA	1,114	$464.9	$417,289	2.9%
Post Montgomery Tower[2]	Office	San Francisco, CA	675,432	$428.0	$634	2.6%
100 Park Avenue[2]	Office	New York, NY	895,166	$370.7	$827	2.3%
1800 M Street	Office	Washington, DC	553,580	$288.2	$521	1.8%
Annapolis Towne Centre at Parole	Retail	Annapolis, MD	484,445	$277.4	$574	1.7%
The Atrium Portfolio	Hotel	Various	N/A	$236.8	N/A	1.5%
Democracy Center	Office	Bethesda, MD	681,495	$201.0	$295	1.2%
1111 Brickell	Office	Miami, FL	522,892	$200.3	$383	1.2%
				$4,383.1		**27.0%**

[1] Exceeds single asset exposure.
[2] PRISA SA holds an interest in these assets outside of its investment alongside PRISA LP in PRISA REIT; the interest PRISA SA owns outside of PRISA REIT is 50.1% of The Fillmore Center, 52.0% of Post Montgomery Tower and 0.4% of 100 Park Avenue.

PRISA SA TOP 10 TENANTS | DECEMBER 31, 2013

PRISA SA's largest tenants are diversified across the financial, government, law, technology and insurance sectors.

Tenant	Property	Industry	Credit Rating (S&P)[1]	% of PRISA SA's Revenue	Square Feet
Proskauer Rose	Eleven Times Square/ International Place	Legal	NR	2.5%	503,356
Eaton Vance Management	International Place / 100 Park Avenue	Finance	A-	1.1%	320,526
Marsh & McLennan	Waterfront Corporate Center Phase II	Insurance	A-	1.0%	425,424
Savvis Communications Corporation	Data Centers (14901 FAA Blvd/4650 Old Iron/4700 Old Iron)	Technology	NR	0.8%	478,222
BDO International	100 Park Ave/ 1111 Brickell/ Democracy Center	Finance	NR	0.7%	142,965
Choate, Hall, & Stewart	International Place	Legal	NR	0.6%	192,592
Wells Fargo	100 Park Ave/International Place/ Post Montgomery	Finance	A+	0.6%	177,932
General Services Administration GSA (U.S. Government)	1800 M Street/Preston Gateway/Plaza II	Government	AA+	0.6%	316,168
J&W Seligman	100 Park Ave	Finance	NR	0.5%	103,615
Morningstar, Inc.	Giant 22 West Washington	Finance	NR	0.5%	285,236
Total				**8.9%**	**2,946,036**

[1] www.standardandpoors.com

Note: Based on revenue contribution budgeted for 2013.

PREI AND PRISA SA SUSTAINABILITY | DECEMBER 31, 2013

PREI'S OBJECTIVES

- Reduce our portfolio's environmental impact
- Enhance the well-being of our tenants, residents and employees by providing greener places to work and live
- Continue to improve financial performance by reducing operating expenses through strategic energy and resource management
- Educate our partners, employees and vendors as to the benefits of sustainability efforts
- PREI has a Director of Sustainability responsible for overseeing the company's evolving strategy to reduce its worldwide carbon footprint. In addition, PRISA SA has two LEED AP certified asset managers.

PRISA Leads The Way

- 30 properties totaling $5.2B (33.3%) in GMV have LEED Certification
- 8 PRISA LP properties totaling $1.4B (9.0%) in GMV have received the Energy Star Rating
- PRISA continually seeks ways to operate its assets more efficiently.
- Fillmore Center is the largest LEED certified EB multi-family property in the country
- Post Montgomery Tower was the fifth Gold EB in San Francisco to be certified
- 100 Park Avenue was the oldest building in NYC to receive LEED EB Silver status at the time of certification
- Northeast Business Park – Phase I has 870,000 sf of solar panels which generates 6.8 megawatts of solar power.

PRISA SA's Roster LEED Certification

Office

100 North Tampa - Silver
100 Park Avenue - Silver
2020 Main - Silver
Emerystation I - Silver
Emerystation II - Silver
Emerystation East - Silver
Glendale Plaza - Silver

International Place - Silver[1]

Westside Plaza I - Silver
Westside Plaza II - Silver
Westside Plaza III - Silver

Ponce de Leon - Gold/Silver[1]

120 North LaSalle - Gold
Eleven Times Square - Gold
Post Montgomery Tower - Gold
1800 M Street - Gold
Emerystation Greenway - Gold
Democracy Center - Gold

Industrial

I-20 Distribution Center - Silver
Northpoint Logistics - Silver
The Brick Yard, Building E - Silver
The Brick Yard, Building H - Silver
The Brick Yard, Building I - Silver

Apartment

One Plantation - LEED New Construction
SoNo East - Silver
Fillmore Center - Silver
Vanguard Chelsea - Platinum
Terraces at Town Center - National Green Building - Bronze

Retail

Marshfield Plaza - Silver
Galleria - Gold

Energy Star Level

Office

Ponce de Leon[1]
Glendale Plaza
Post Montgomery Tower
100 North Tampa
Democracy Center[2]
Amhurst Lake Office
Sunset Corporate Campus [3]
1800 M Street

[1] This property consists of two buildings. [2] All three buildings at Democracy are Energy Star Certified.
[3] One of the two buildings is Energy Star Certified.

PRISA LONG-TERM RETURN TARGETS

Strategy	Long-Term Return Target[1]	Long-Term PRISA Blend[1]
Risk Profile:		
Core (90%)	7.00% to 9.00%	7.50% to 9.50%
Non-Core (10%)	11.00% to 14.00%	

- Performance Benchmark is NFI-ODCE.
- Income is expected to contribute approximately 80% to the total return.

[1] Targeted returns are portfolio level and before fees. There is no guarantee that targeted returns will be achieved. Total net target return is 6.5%-8.5%.

PRISA INVESTMENT GUIDELINES

- PRISA targets a total gross return of 7.5% to 9.5% over a complete market cycle, with 80% of the return expected to come from income.

Strategy	Prior	Current[1]	NFI-ODCE
Risk Profile - Core - Non-Core	 80% 20%[2]	 90% (87% currently) 10% (13% currently)	 80% 20% (max)
Return Focus:	Income	Income	N/A
Property Type Focus:	Fully Diversified: Mainly Office, Industrial, Multifamily and Retail. Limited Hotel and Storage	Fully Diversified: Mainly Office, Industrial, Multifamily and Retail. Limited Hotel (up to 10% of GMV) and Storage	Fully Diversified: Mainly Office, Industrial, Apartment and Retail. No More than 65% in one sector
Geographic Focus:	Fully Diversified within the US: Overweight to major markets and coastal regions	Fully Diversified within the US: Overweight to major markets and coastal regions	95% in US market; No more than 65% in one region
Benchmark:	Meet or exceed NFI-ODCE over a complete market cycle	Meet or exceed NFI-OCDE over a complete market cycle	N/A
Maximum Debt: - Effective Leverage Ratio - Debt to Portfolio Operating Income - Recourse Leverage	 30% N/A N/A	 30% (20.8% currently) 5x (4.2x currently) 15% (0.4% currently)	 40% N/A N/A
Other Governors: - Max. Single asset exposure (% GMV) - Max. Mezzanine Investing (% GMV)	 N/A 5%	 5% (Eleven Times Square 6.0% and International Place 5.8% currently) 5% (1.6% currently)	 N/A N/A

Note: Targeted returns are not guaranteed. Total net target return is 6.5%-8.5%

[1] Adopted 9/30/10. Information as of 12/31/13.

[2] Prior limits: up to 15% of GMV in forward commitments or leasing risk assets; up to 5% of GMV in non-traditional structures (i.e. mezzanine loans).

CATHERINE MARCUS

MANAGING DIRECTOR

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NUMBER OF YEARS REAL ESTATE EXPERIENCE: 26
NUMBER OF YEARS WITH PRUDENTIAL: 15

Cathy Marcus is PRISA's Senior Portfolio Manager, and is involved in all aspects of managing the fund including portfolio strategy, investment decisions and management of the PRISA team.

From 2002 to early 2004, Cathy was the head of investment underwriting and operations for the Transactions Group of PREI. This included the underwriting review of each investment presented for approval to PREI's Investment Committee, as well as the coordination of the acquisition activity of the PREI acquisition professionals located in four regional offices.

From 1998 to 2001, Cathy was Vice President for Prudential Corporate Real Estate Advisors. In this capacity, she directed the strategic planning, development activities and transactional activities for over $800 million of corporate real estate on behalf of clients.

Prior to joining Prudential, Cathy was a Second Vice President with MBL Life Assurance Corporation. In this position, she was involved in real estate portfolio management, commercial loan securitization, commercial mortgage loan restructuring, portfolio dispositions and special projects, including the sale of the Agricultural Lending Division and a luxury resort development.

Cathy holds a BSE degree in Real Estate Finance and Entrepreneurial Management from the Wharton School at the University of Pennsylvania and a Master of Science degree in Real Estate Investment and Development from New York University.

JOANNA MULFORD

MANAGING DIRECTOR

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(973) 683 1743

NUMBER OF YEARS REAL ESTATE EXPERIENCE: 17
NUMBER OF YEARS WITH PRUDENTIAL: 24

Joanna is the Portfolio Manager for PRISA, and is involved in all aspects of managing the fund including portfolio strategy, investment decisions and management of the PRISA team.

From 2005 through 2007, Joanna was responsible for U.S. real estate sales on behalf of PREI's clients. In 2007, PREI executed 79 commercial property sales totaling $5.7 billion.

Joanna had previously been the Portfolio Manager for three accounts: A mezzanine fund with $250 million of client commitments; a $400 million private REIT; and a $400 million co-investment program with an off-shore investor. Prior to this, she was responsible for the asset management of a portfolio of commercial real estate investments including office, residential, retail, storage and industrial property types and mezzanine loans.

Before joining PREI in 1997, Joanna was a member of the Private Equity Group, working on behalf of Prudential's domestic and international subsidiaries investing in private equity transactions. Prior to this, she had been a member of the Comptrollers unit of the Prudential Asset Management Company since joining the firm in January of 1990. She provided support to several of Prudential's money management subsidiaries investing in both public and private equities.

Joanna is a graduate of Rutgers University where she studied Finance and Management and earned both an MBA and Bachelor's Degree.

FRANK GARCIA

MANAGING DIRECTOR

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NUMBER OF YEARS REAL ESTATE EXPERIENCE: 20
NUMBER OF YEARS WITH PRUDENTIAL: <1

Frank Garcia is a managing director and portfolio manager for PRISA based in PREI's San Francisco office. He is involved in managing all aspects of the fund including portfolio strategy, investment decisions and management of the PRISA team.

Before joining PREI, Mr. Garcia was a managing director at RREEF, where he was a senior portfolio manager for the firms flagship core fund responsible for a nearly $5 billion portfolio of assets and the lead portfolio manager for the firms flagship value-added fund that reached a peak gross value of $4 billion. He was also a voting member of the firms investment committee. Earlier, he worked at Spieker Properties as a Vice President in Northern California responsible for the development, management and leasing of approximately 3 million square feet of office and industrial space with a total portfolio value of over $250 million. He was also previously an industrial real estate broker with CB Commercial (now CBRE).

A native of Northern California, Frank Garcia holds a bachelor's degree from the University of the Pacific with a concentration in business administration.

NICOLE STAGNARO

VICE PRESIDENT

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NUMBER OF YEARS REAL ESTATE EXPERIENCE: 9
NUMBER OF YEARS WITH PRUDENTIAL: 9

Nicole Stagnaro is the assistant portfolio manager for PRISA. As such, she is involved in many aspects of the Fund’s portfolio strategy, including investment selection, sales, asset management and portfolio reporting. She has been elected to serve on several PREI initiatives including the global portfolio management round table.

From 2008 to early 2011, Nicole managed a portfolio of assets and relationships that were being closely monitored due to unfavorable market conditions and executed on resolution strategies. Additionally, Nicole was responsible for the asset management of approximately $700 million of properties including hotel, multi-family, industrial, land and mezzanine loans.

Nicole joined PREI in 2004 as a member of the acquisition team in San Francisco and conducted underwriting for approximately $4 billion across all real estate asset classes with a broad scope of structures and strategies.

Nicole earned a Bachelors Degree in Business Administration and minor in Psychology from California Polytechnic State University in San Luis Obispo and earned a Masters Degree in Real Estate Finance and Development from New York University.

MARK A. OCZKUS

PRINCIPAL

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NUMBER OF YEARS REAL ESTATE EXPERIENCE: 24
NUMBER OF YEARS WITH PRUDENTIAL: 15

Mark A. Oczkus is a member of PREI's marketing and client service team, responsible for managing relationships with major corporate, public, and Taft Hartley pension funds in the Western United States.

Prior to assuming his current position with Prudential in February 1998, Mark was a Vice President with SSR Realty Advisors, from 1995 to 1997, responsible for marketing to corporate pension plans nationwide. From 1991 to 1995, Mark was the Director of Marketing for MIG Realty Advisors, and served in a variety of marketing and client relation functions, including consultant relations and sales to public and corporate pension plans. Mark received a BA and MBA from the University of California, Berkeley.

PREI'S DEFINITION OF CORE

- Office, retail, warehouse, storage, and residential properties that were more than 80% leased when purchased and hotels that were operating at, or near, market occupancy. (For the sake of clarity, properties will not move out of the core category if their occupancy falls below the 80% threshold subsequent to acquisition.)
- Properties (office, retail, warehouse, multi-family or storage) that were developed, renovated or purchased and have now achieved leasing of 80% or more of the total leasable area.
- Properties undergoing a minor renovation/expansion that does not have a material impact on the property's occupancy or operation.
- Build-to-suit investments which are 80% or more pre-leased and where the Fund has reasonable protection from completion and cost overrun risk.
- Investment activities incidental to the Fund's main strategies:
  - Listed securities or purchase money mortgages accepted as part of the consideration in a property sale
  - Senior first mortgages with an LTV at origination of 65% or less

PREI VALUATION POLICY

All properties held by the Fund are accounted for at fair value in accordance with applicable contractual requirements and in compliance with authoritative accounting guidance (US GAAP). Property level debt is also accounted for at fair value based on the amount at which the impact of the liability could be measured in a current transaction exclusive of direct transactions costs. The Fund's current valuation procedure is as follows:

The Chief Real Estate Appraiser of PIM (the "Chief Appraiser") is responsible for the valuation process of the Fund's investments and approves all final values. The Chief Appraiser position is independent from PREI and reports directly to a senior member of PIM. The Chief Appraiser retains an independent Appraisal Management Firm to run the day-to-day operation of the appraisal process. The Appraisal Management Firm is responsible to assist with the selection, hiring, oversight, rotation and/or termination of third party appraisal firms. In addition, the Appraisal Management Firm provides independent reviews of the appraisal reports.

Although the Fund governing documents requires that every property that is held by the Fund for a full calendar year is valued at least once during the calendar year by an independent appraiser with professional qualifications, the Fund's current valuation practice is that every property and other investment is appraised every quarter with the exception of properties recently acquired or under LOI for sale. The fair value of land held for development is considered to be acquisition cost, including soft costs incurred prior to development assuming it is the assumption a market participant would use. Cost is considered fair value for properties under development until substantial completion has occurred assuming the same premise. If cost is not considered to be representative of market, the properties are independently appraised based on the general policy. All appraisals are performed in accordance with the Uniform Standards of Professional Appraisal Practice ("USPAP") and consider the conventional method of valuation (income, cost and market).

As described above, the estimated market value of real estate and real estate related assets is determined through an appraisal process. These estimated market values may vary significantly from the prices at which the real estate investments would sell, since market prices of real estate investments can only be determined by negotiation between a willing buyer and seller. Valuations should be considered only estimates of value and not a measure of realizable value. In addition, such valuations should be viewed as subject to change with the passage of time.

DISCLOSURE

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All performance and targets contained herein are subject to revision by PREI and are provided solely as a guide to current expectations. There can be no assurance that any product or strategy described herein will achieve any targets or that there will be any return of capital. Past performance is not a guarantee or reliable indicator of future results. No representations are made by PREI as to the actual composition or performance of any account.

PRISA: The basis for the performance target set forth within this presentation is based on a fund that is a broadly diversified, core portfolio that invests primarily in existing, income-producing properties with strong cash flow that is expected to increase over time and thereby provide the potential for capital appreciation. Target returns are expected to be achieved over a complete market cycle which can be defined as a period of time whereby valuations have bottomed (hit a trough), rose to a peak and then declined to the trough point again. PREI has based this investment objective on certain assumptions that it believes are reasonable. There is no guarantee, however, that any or all of such assumptions will prove to be accurate in the face of actual changes in the market or other material changes in regional or local markets specific to this strategy. Factors necessary to achieve this performance target include a property type and geographic

DISCLOSURE

diversification strategy, which is intended to reduce risk and maintain a broadly diversified portfolio. Property selection and performance impact the ability to achieve the target returns, including asset location, asset class, and property type assets, investment strategy and the capitalization of investment. Property and Fund performance are subject to healthy economic conditions in the US market and sub-markets where investments are located. Factors that would mitigate against achieving this performance target would include, but are not limited to, unforeseen sudden and drastic changes in economic and capital markets and/or demographic trends affecting the US or a particular market or sub market that could impact property performance and/or investors' demand for commercial real estate. There can be no guarantee that this target will be achieved.

The financial indices referenced herein as benchmarks are provided for informational purposes only. The holdings and portfolio characteristics may differ from those of the benchmark(s), and such differences may be material. Factors affecting portfolio performance that do not affect benchmark performance may include portfolio rebalancing, the timing of cash flows, credit quality, diversification and differences in volatility. In addition, financial indices do not reflect the impact of fees, applicable taxes or trading costs which reduce returns. Unless otherwise noted, financial indices assume reinvestment of dividends. You cannot make a direct investment in an index. The statistical data regarding such indices has not been independently verified by PREI.

References to specific securities and their issuers are for illustrative purposes only and are not intended and should not be interpreted as recommendations to purchase or sell such securities. The securities referenced may or may not be held in portfolios managed by PREI and, if such securities are held, no representation is being made that such securities will continue to be held.

Net returns shown herein are time-weighted rates of return after deduction of manager compensation. Actual manager compensation schedules and other expenses are described in the individual PRISA SA contracts and the governing documents of PRISA LP and its subsidiaries. Please see Part II of the Prudential Investment Management Inc. Form ADV, for more information concerning manager compensation.

These materials do not purport to provide any legal, tax or accounting advice. These materials are not intended for distribution to or use by any person in any jurisdiction where such distribution would be contrary to local law or regulation.

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In addition to this document, Prudential Real Estate Investors or its agent may distribute to you an offering memorandum (the “PPM”) and the constitutional documents of the Fund (including a limited partnership agreement and/or other governing fund document and a subscription agreement or the Investment Brief for PRISA SA and constitutional documents of PRISA SA together with the PPM, the “Memorandum”). You should review and carefully consider these documents, especially the risk factors explained within them, and should seek advice from your legal, tax, and other relevant advisers before making any decision to subscribe for interests in the Fund. If there is any conflict between this document and the Memorandum and constitutional documents of the Fund, the Memorandum and constitutional documents shall prevail. You must rely solely on the information contained in the Fund’s Memorandum and constitutional documents in making any decision to invest.

DISCLOSURE

There can be no assurance that the Fund will meet any performance targets referenced herein. An investor could lose some or all of its investment in the Fund. Investments are not guaranteed by the Fund, PREI, their respective affiliates, or any governmental agency.

Certain securities products and services are distributed by Prudential Investment Management Services LLC, a Prudential Financial company and member of SIPC.

Risk Factors: Investments in commercial real estate and real estate-related entities are subject to various risks, including adverse changes in domestic or international economic conditions, local market conditions and the financial conditions of tenants; changes in the number of buyers and sellers of properties; increases in the availability of supply of property relative to demand; changes in availability of debt financing; increases in interest rates, exchange rate fluctuations, the incidence of taxation on real estate, energy prices and other operating expenses; changes in environmental laws and regulations, planning laws and other governmental rules and fiscal policies; changes in the relative popularity of properties risks due to the dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; and acts of God, uninsurable losses and other factors which are beyond the control of the Manager and the Fund. As compared with other asset classes, real estate is a relatively illiquid investment. Therefore, investors' withdrawal requests may not be satisfied for significant periods of time. Other than its general fiduciary duties with respect to investors, PREI has no specific obligation to take any particular action (such as liquidation of investments) to satisfy withdrawal requests. In addition, as recent experience has demonstrated, real estate is subject to long-term cyclical trends that give rise to significant volatility in real estate values.

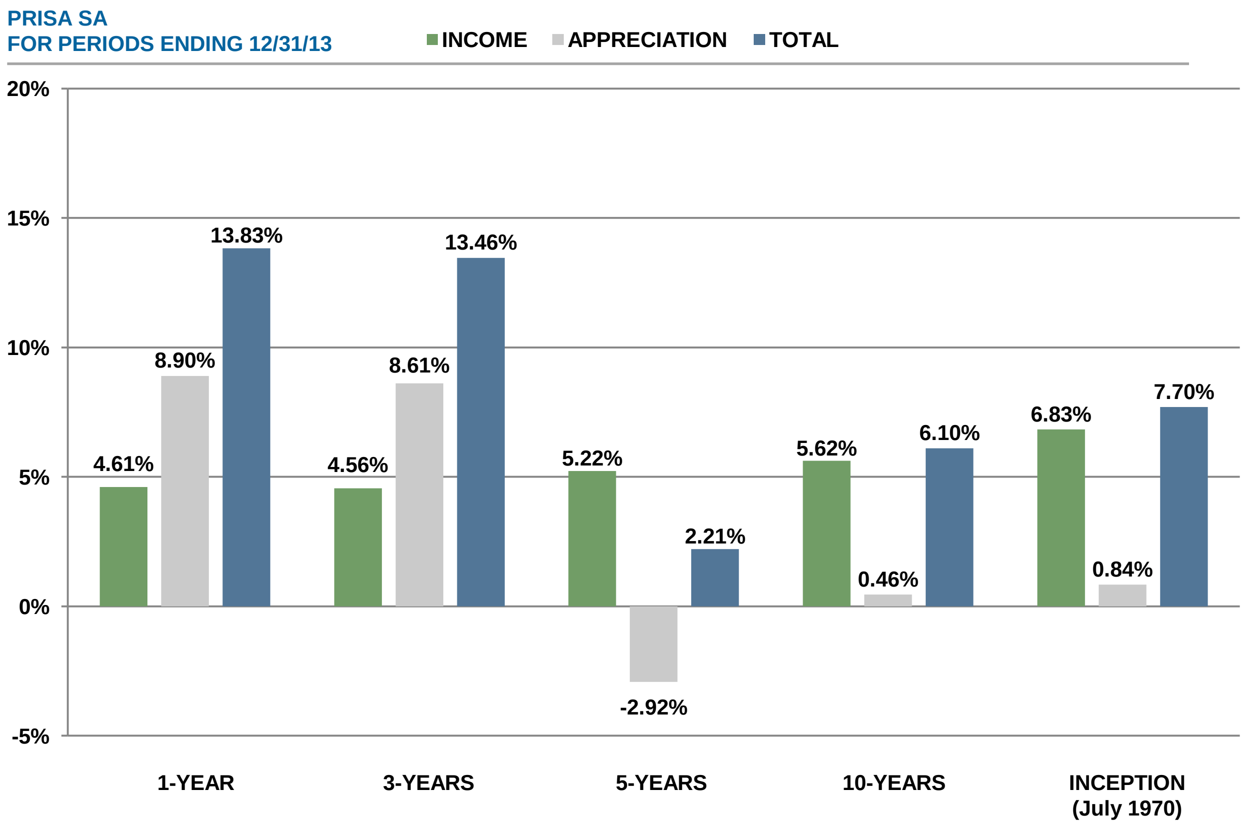
NCREIF Fund Index-Open End Diversified Core Equity (NFI-ODCE): The NFI-ODCE, short for NCREIF Fund Index - Open End Diversified Core Equity, is the first of the NCREIF Fund Database products and is an index of investment returns reporting on both a historical and current basis the results of up to 33 private open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. Fund membership requires the following criteria: (1) Private open-end funds; (2) Not more than 40% leverage; (3) At least 80% of assets in the five major property types; (4) At least 95% of assets located in the U.S.; and (5) Not more then 70% of assets in one region or one property type. Reinvestment of dividends is not applicable to this asset class. A benchmark Index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Investors cannot invest directly in an index.

The NCREIF Property Index (NPI): The NCREIF Property Index (“NPI”) is comprised of the NCREIF Classic Property Index (unleveraged) and the NCREIF Leveraged Property Database. The universe of investments includes: (1) Wholly owned and joint-venture investments; (2) Existing properties only -- no development projects; and (3) Only investment-grade, non-agricultural, income-producing properties: apartments, hotels, office, retail, office showroom/R&D, and warehouses. The database fluctuates quarterly as participants acquire properties, as new members join NCREIF, and as properties are sold. Sold properties are removed from the Index in the quarter the sales take place (historical data remains). Each property’s market value is determined by real estate appraisal methodology, consistently applied. Please note that when returns are computed for the NPI, the returns for the levered properties are computed on a de-levered basis, i.e., the impact of financing is excluded. Reinvestment of dividends is not applicable to this asset class. Note: A benchmark Index is not professionally managed, does not have a defined investment objective, and does not incur fees or expenses. Investors cannot invest directly in an index.

PRISA SA RETURNS AFTER MANAGER COMPENSATION/FEES | DECEMBER 31, 2013

4Q13 NET PERFORMANCE

PRISA SA:	4Q13	FULL-YEAR
Income	1.15%	4.61%
Appreciation	2.28%	8.90%
Total Return	**3.43%**	**13.83%**



Note: All return information is after the deduction of Manager Compensation/Fees. See Disclosures for more information on returns after Manager Compensation/Fees and NCREIF Property Index ("NPI"), and NFI-ODCE. Returns for the indices are based on returns published by NCREIF. Past performance is not a guarantee or a reliable indicator of future results.

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February 14, 2014

Mr. Tim Thonis
Interim Retirement Administrator
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

**Re: Ventura County Employees' Retirement Association
Adjustment to Exclude Administrative Expenses in Developing Investment Return Assumption to Maintain Consistency with GASB Financial Liability Reporting**

Dear Tim:

The Governmental Accounting Standards Board (GASB) has adopted Statements 67 and 68 that replace Statements 25 and 27 for financial reporting purposes. This letter discusses a recommended change in how VCERA develops its investment return assumption that will allow the Association to maintain consistency in its liability measurements for funding and financial reporting purposes.

Background

GASB Statement 67 governs the Association's financial reporting and is effective for plan year 2014, while GASB Statement 68 governs the employers' financial reporting and is effective for employer fiscal year 2014/2015. The new Statements specify requirements for measuring both the pension liability and the annual pension expense incurred by the employers. The new GASB requirements are only for financial reporting and do not affect how the Association determines funding requirements for its employers. Nonetheless, it is important to understand how the new financial reporting results will compare with the funding requirement results. That comparison will differ dramatically depending on whether one is considering the two pension liability measures or the annual pension expense/contribution measures:

- When measuring pension liability GASB will use the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as VCERA uses for funding. This means that the GASB "Total Pension Liability" measure for financial reporting will be determined on the same basis as VCERA's "Actuarial Accrued Liability" measure for funding. This is a generally favorable feature of the new GASB rules that should largely preclude the need to explain why VCERA has two different measures of pension liability. We note that the same is true for the "Normal Cost" component of the annual plan cost for both funding and financial reporting.[1]

- When measuring annual pension expense GASB will require more rapid recognition of investment gains or losses and much shorter amortization of changes in the pension liability (whether due to actuarial gains or losses, actuarial assumption changes or plan amendments). Because of GASB's more rapid recognition of those changes, retirement systems that have generally used the same "annual required contribution" amount for both funding (contributions) and financial reporting (pension expense) will now have to prepare and disclose two different annual cost results, one for contributions and one for financial reporting under the new GASB Statements.

This situation will facilitate the explanation of why the funding and financial reporting results are different: the liabilities and Normal Costs are generally the same, and the differences in annual costs are due to differences in how changes in liability are recognized. However, there is one other feature in the details of how the liabilities are currently measured that will make even the liability and Normal Cost measures different unless action is taken by VCERA.

Treatment of Expected Administrative Expenses when Measuring Liabilities

As noted above, according to GASB, the discount rate used for financial reporting purposes should be based on the long-term expected rate of return on a retirement system's investments, just as it is for funding. However, GASB requires that this assumption should be net of <u>investment</u> expenses <u>but not</u> net of <u>administrative</u> expenses (i.e., without reduction for administrative expenses). Currently, VCERA's investment return assumption used for the annual funding valuation is developed net of both investment and administrative expenses.

While VCERA could continue to develop its funding investment return assumption net of both investment and administrative expenses, that would mean that the Association would then have two slightly different investment return assumptions, one for funding and one for financial reporting. To avoid this apparent discrepancy, and to maintain the consistency of liability measures described above, we believe that it would be preferable to use the same investment return assumption for both funding and financial reporting purposes. This means that the assumption for funding purposes would be developed on a basis that is net of only investment expenses. To review, using the same assumption for both purposes would be easier for VCERA's stakeholders to understand and should result in being able to report VCERA's Actuarial Accrued Liability (AAL) for funding purposes as the Total Pension Liability (TPL) for financial reporting purposes with the exception mentioned in the footnote below.

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[1] This applies to the financial reporting results as of the valuation date used in the determination of those results. Since the actual financial reporting results will be developed on a "roll forward" basis, the actual TPL reported will differ from the AAL. In addition, there are some technical issues related to the Tier 2 future service COLA that will also have to be addressed in the determination of the financial reporting results.

The table below is from our report entitled "Review of Economic Actuarial Assumptions for the June 30, 2012 Actuarial Valuation" that was released in 2012. It contains the information used to develop the expense assumption that was used in our recommendation for the investment return assumption shown in that report.

Administrative and Investment Expenses as a Percentage of Actuarial Value of Assets (All dollars in 000's)

FYE	Actuarial Value of Assets	Administrative Expenses	Investment Expenses	Administrative %	Investment %	Total %
2007	$2,793,666	$2,589	$7,666	0.09%	0.28%	0.37%
2008	3,107,222	3,370	8,051	0.11	0.26	0.37
2009	3,112,308	3,535	6,451	0.11	0.21	0.32
2010	3,134,978	4,081	6,629	0.13	0.21	0.34
2011	3,236,217	4,387	7,789	0.14	0.24	0.38
Average				0.12%	0.24%	0.36%
		Assumed Administrative and Investment Expenses Assumption:				0.40%

If the Board wishes to develop a single investment return assumption for both funding and financial reporting purposes, then it would be necessary to exclude the administrative expense component of 0.12% from the 7.75% investment return. One way to do this would be to increase the investment return assumption by 0.12% resulting in an irregular assumption of 7.87%.

We believe that a more straightforward approach would be to leave the investment return assumption at 7.75% instead of increasing it by 0.12%. This would result in an increase in the margin for adverse deviation or "confidence level" associated with this assumption from 54% to 56%. Note that under either of these approaches, the reduction in investment return would be replaced by an explicit loading for administrative expenses, as discussed below.

There is a substantive complication associated with eliminating the administrative expense in developing the investment return assumption used for funding that relates to the allocation of administrative expense between the employers and employees:

1. Even though GASB requires the exclusion of the administrative expense from the investment return assumption, such expense would continue to accrue for a retirement system. For private sector retirement plans, where the investment return is developed using an approach similar to that required by GASB (i.e., without deducting administrative expenses), contribution requirements are increased explicitly by the anticipated annual administrative expense.

2. Under VCERA's current approach of subtracting the administrative expense in the development of the investment return assumption, such annual administrative expense is funded implicitly by effectively deducting it from future expected investment returns. Since an investment return assumption net of investment and administrative expenses has been used historically to establish both the employer's and the employee's contribution requirements, these administrative expenses have been funded implicitly by both the employer and the employees.

3. A switch from the method described in (2) to the method described in (1) may require a new discussion on how to allocate administrative expenses between employers and employees, including possibly establishing a new method to allocate the anticipated annual administrative expense between them. Under current practice, part of the implicit funding of administrative expenses is in the Normal Cost and so is shared between the employer and the employees. However, the rest of the implicit expense funding is in the (Unfunded) Actuarial Accrued Liability, which is funded by the employers.

4. It will not be straightforward to quantify the current implicit sharing of administrative expenses between employers and employees. This means that reproducing that allocation on an explicit basis will be difficult to develop and to explain. This in turn means that VCERA would need to develop a new basis for sharing the cost of administrative expenses. Alternatively, VCERA could decide to treat administrative expenses as a loading applied only to the employer contribution rates, which is the practice followed by private plans, both single employer and multi-employer.

5. As the Board is aware, legislative changes under AB 340 imposed major modifications to both the level of benefits and the cost-sharing of the funding of those benefits for county employees' retirement systems. Included in such modifications is the requirement (for future hires) to fund the Normal Cost on a 50:50 basis between the employer and the employee. As noted in (3) above, under current practice, part of the implicit funding of administrative expenses is in the Normal Cost and so would be shared between the employer and the employees. This would not necessarily continue when the administrative expense loading is developed separate from the Normal Cost.

Based on these considerations, it is our recommendation that the Board adopt a change in the funding of administrative expenses from the method described in (2) above to the method described in (1). This would result in a single investment return assumption used for both funding and financial reporting purposes.

As described earlier, we also recommend that the Board leave the investment return assumption at 7.75%, thereby slightly increasing the confidence level associated with achieving that assumption. The following table summarizes the components of the investment return assumption as adopted by the Board for the June 30, 2012 actuarial valuation and those that we recommend be used for the June 30, 2014 actuarial valuation.[2]

Calculation of Net Investment Return Assumption

Assumption Component	June 30, 2012 Adopted Values	June 30, 2014 Recommendation
Inflation	3.25%	3.25%
Plus Portfolio Real Rate of Return	5.31%	5.31%
Minus Expense Adjustment	(0.40%)	(0.28%)
Minus Risk Adjustment	(0.41%)	(0.53%)
Total	7.75%	7.75%
Confidence Level	54%	56%

In addition, we recommend that a separate, explicit administrative expense load assumption be developed. There are various ways to set the explicit administrative expense load assumption, but ultimately the method should result in an assumption that is approximately equivalent to 0.12% of assets or $4 million annually.

The more significant issues mentioned in (3), (4) and (5) above concern whether or not the costs associated with the administrative expenses should continue to be allocated to both the employers and the employees. The most straightforward approach, which would in effect be a change from current practice, would be to allocate these expenses to the employers only. A more complex approach would involve continuing to allocate these expenses to both the employers and the employees on some basis. As noted in (4) above, that approach will need to be developed from scratch as the current implicit allocation will be difficult to reproduce.

We have determined that the member portion of the cost associated with the current implicit administrative expense assumption that is part of the assumed investment return is about 0.2% of payroll (or $1.3 million annually) in the aggregate based on the June 30, 2013 actuarial valuation. The rest of the expected cost associated with the administrative expenses is currently borne by the employer and as noted above, is difficult to determine.

If the Board decided to allocate all of the expected administrative expenses to the employer only, then the increase in cost to the employer of using an explicit expense assumption would

[2] Note that the June 30, 2013 valuation results that will be "rolled forward" to June 30, 2014 for financial reporting purposes will be based on a 7.75% assumption that is gross of (i.e., not reduced for) administrative expenses. This would also apply to any earlier valuation results that might need rolled forward.

be about $4 million annually or 0.6% of payroll. This is the combined effect of not increasing the investment return assumption (opting instead for an increased confidence level) and allocating the entire expected administrative expense to the employer.

If the Board decides that the expenses should continue to be allocated to both the employers and the employees, then due to the potential complexities involved, we would need to come back to the Board at a later time with potential options for accomplishing that.

Unless otherwise noted, all of the above calculations are based on the June 30, 2013 actuarial valuation results including the participant data and actuarial assumptions on which that valuation was based. That valuation and these calculations were completed under the supervision of John Monroe, ASA, MAAA, Enrolled Actuary.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please feel free to call us with any questions and we look forward to discussing this with the Board.

Paul Angelo
Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

John Monroe
John Monroe, ASA, MAAA, EA
Vice President & Associate Actuary

AW/gxk

NEPC, LLC

YOU DEMAND MORE. So do we.SM

Ventura County Employees' Retirement Association

Investment Summary
Quarter Ending December 31, 2013

Don Stracke, CFA, CAIA, Senior Consultant
Allan Martin, Partner,
Anthony Ferrara, Senior Analyst

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NEPC Fourth Quarter Economic Environment

- **GDP growth was revised upwards for the third quarter, to 4.1%**
  - Retail sales rose to a 3.7% year-over-year growth rate in December 2013.
  - The inventory-to-sales ratio has remained mostly flat since early 2010 and closed at 1.29 November 2013.
  - Corporate profits as a percent of GDP remained near secular highs at 12.6% at the end of Q3 2013.
  - The trade deficit decreased marginally in November.

- **Unemployment fell to 6.7% in December; U-6 also decreased, to 13.1% during the fourth quarter.**
  - JP Morgan has stated that sustained GDP growth of 1.5% is needed for positive job creation, and closer to 3% growth is needed to decrease the unemployment rate.

- **Consumer confidence rose to 78.1 in December; the Case- Shiller home price index (as of 9/30) rose to its highest level (150.92) since the financial crisis.**

- **Rolling 12-month CPI increased to 1.5% at the end of December; Capacity Utilization rose slightly to 79.2% in the month.**

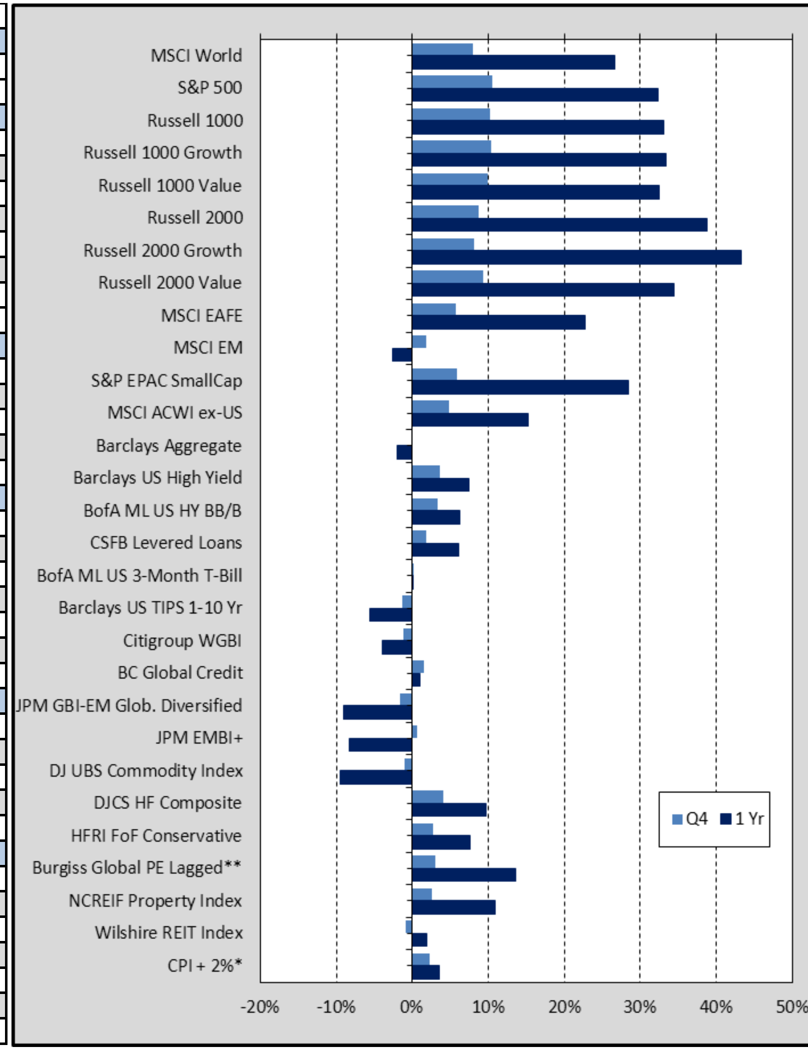
- **Fed Funds rate remained at 0.25% while the 10 Yr. Treasury Yield finished December at 3.03%.**

- **The Federal Reserve Bank balance sheet increased in 2013 while the European Central Bank balance sheet decreased**
  - Large economies continue easing, Japan to the extreme, while the ECB tightens.

- **S&P valuations rose in December remaining above the 10 year and long term averages, which are nearly equal at 16.35.**
  - The cyclically adjusted Shiller PE Ratio, however, is above the long term average of 17.55 and slightly above the 10 year average of 23.04

Market Environment – Q4 2013 Overview

		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
World Equity Benchmarks						
MSCI World	World	8.0%	26.7%	11.5%	15.0%	7.0%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Equity Benchmarks						
S&P 500	Large Core	10.5%	32.4%	16.2%	17.9%	7.4%
Russell 1000	Large Core	10.2%	33.1%	16.3%	18.6%	7.8%
Russell 1000 Growth	Large Growth	10.4%	33.5%	16.5%	20.4%	7.8%
Russell 1000 Value	Large Value	10.0%	32.5%	16.1%	16.7%	7.6%
Russell 2000	Small Core	8.7%	38.8%	15.7%	20.1%	9.1%
Russell 2000 Growth	Small Growth	8.2%	43.3%	16.8%	22.6%	9.4%
Russell 2000 Value	Small Value	9.3%	34.5%	14.5%	17.6%	8.6%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
International Equity Benchmarks						
MSCI EAFE	International Developed	5.7%	22.8%	8.2%	12.4%	6.9%
MSCI EM	Emerging Equity	1.8%	-2.6%	-2.1%	14.8%	11.2%
S&P EPAC SmallCap	Small Cap Int'l	5.9%	28.4%	9.8%	17.5%	10.0%
MSCI ACWI ex-US	World ex-US	4.8%	15.3%	5.1%	12.8%	7.6%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Domestic Fixed Income Benchmarks						
Barclays Aggregate	Core Bonds	-0.1%	-2.0%	3.3%	4.4%	4.6%
Barclays US High Yield	High Yield	3.6%	7.4%	9.3%	18.9%	8.6%
BofA ML US HY BB/B	High Yield	3.4%	6.3%	8.7%	16.6%	7.8%
CSFB Levered Loans	Bank Loans	1.8%	6.2%	5.8%	13.5%	5.1%
BofA ML US 3-Month T-Bill	Cash	0.0%	0.1%	0.1%	0.1%	1.7%
Barclays US TIPS 1-10 Yr	Inflation	-1.3%	-5.6%	2.6%	5.0%	4.4%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Global Fixed Income Benchmarks						
Citigroup WGBI	World Gov. Bonds	-1.1%	-4.0%	1.3%	2.3%	4.2%
BC Global Credit	Global Bonds	1.6%	1.1%	5.7%	8.8%	5.6%
JPM GBI-EM Glob. Diversified	Em. Mkt. Bonds (Local)	-1.5%	-9.0%	1.5%	8.1%	9.5%
JPM EMBI+	Em. Mkt. Bonds	0.6%	-8.3%	5.7%	10.7%	8.3%
		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Alternative Benchmarks						
DJ UBS Commodity Index	Commodity	-1.1%	-9.5%	-8.1%	1.5%	0.9%
DJCS HF Composite	Hedge Fund	4.2%	9.7%	5.1%	10.3%	8.5%
HFRI FoF Conservative	Fund of Funds	2.7%	7.7%	2.7%	4.9%	3.1%
Burgiss Global PE Lagged**	Private Equity	3.0%	13.6%	12.6%	8.2%	13.4%
NCREIF Property Index	Real Estate	2.5%	11.0%	13.4%	6.4%	12.9%
Wilshire REIT Index	REIT	-0.8%	1.9%	9.4%	16.7%	8.4%
CPI + 2%*	Inflation/Real Assets	2.3%	3.5%	4.1%	4.2%	4.6%



*As of 11/30/2013
**As of 9/30/2013

Looking Back at 2013

- Performance was driven by the extremely strong performance of US equities
- Total Fund absolute performance likely exceeded targets
- Manager alpha may have boosted results above policy and/or allocation indices
- Longer-term results – 5-year and 10-year numbers should look better on a peer-relative, benchmark-relative, and risk-adjusted basis
- Diversification has not helped in 2013, but a risk-balanced approach to investing still makes sense

- **Global Equities**
  - A brighter economic outlook and continued stimulus from the Federal Reserve drove returns higher through the year, with the Russell 2000 Index gaining 38.8% and the S&P 500 Index returning 32.4% in 2013.
  - Sectors tied to the improving economy--consumer discretionary, healthcare, industrials, and financials—outperformed; defensive, yield-oriented sectors--telecommunications and utilities--lagged.
  - Small-capitalization stocks outperformed large-capitalization stocks in 2013; growth bested value in both large and small stocks for the year.
  - In 2013, global equities gained 22.8%, according to the MSCI ACWI Index.
  - Emerging markets equities trailed, posting losses of 2.6% in 2013.
- **Global Fixed Income**
  - The reality of rising rates materialized in mid-December when the Fed announced a monthly $10 billion reduction in asset purchases.
  - The yield on the US Treasury 10-year note increased 40 basis points to 3.04% in December, the first time yields went over 3% since July 2011.
  - US TIPS lost 2.0% during the fourth quarter, bringing the year's losses to 8.6%. The breakeven spread widened modestly to 2.24%.
  - The Barclays Aggregate Index, which tracks the US investment-grade fixed income market, lost 0.1% in the quarter; losses for the year totaled 2.0%, the index's third negative annual return since inception.
  - High yield bonds returned 3.6% during the fourth quarter, ending the year with gains of 7.4%. The yield spread over Treasuries fell to 3.82% on December 31, 2013, from 5.11% a year earlier.
  - Leveraged loans returned 1.7% in the fourth quarter and 5.3% in 2013.
  - Emerging market debt denominated in local currency debt lost 1.5% in the quarter and racked up losses of 9.0% for the year. Hard currency debt gained 0.6% in the fourth quarter, but lost 6.6% in 2013.

- **Commodity Markets**
  - Commodities posted losses of 9.5% in 2013, according to the Dow Jones UBS Commodity Index.
  - Within commodities, natural gas led in spot-price appreciation with a 26.2% return in 2013.
  - Offsetting the gains from natural gas were precious metals and agriculture.

- **Hedge Funds**
  - Hedge funds posted gains of 9.7% in 2013, according to the Dow Jones Credit Suisse Hedge Fund Composite; returns totaled 4.2% in the fourth quarter compared to 10.5% for the S&P 500.
  - Equity hedge funds led the pack, recording returns of 6.3% in 2013, according to the DJCS Long-Short Equity Index.
  - Sector-focused indices, such as the HFRI: Quantitative Directional and Technology-Healthcare, outperformed the overall market at 4.9% and 4.7%, respectively.

- **Private Markets**
  - New private equity funds raised nearly $300 billion of capital for investments in 2013, an 11% jump over a year earlier, according to Thomson Reuters.
  - Investor interest underscored economic optimism with nearly 60% of commitments going to buyout and growth equity funds.
  - Venture capital firms represented 9% of new commitments, marking the first time in two decades that new VC funds fell below 10% in a single year.
  - US and Europe clocked modest gains in fundraising with $196 billion and $73 billion, respectively, committed to new funds.
  - Asian private equity suffered its third straight annual decline, as investors sought greater clarity around the region's near-term growth prospects in light of China's new leadership, and balances of payments issues affected certain economies.
  - Private direct lending is an attractive fixed income alternative for investors.
  - Appealing opportunities for secondary funds as banks in US and Europe whittle down their private equity portfolios to comply with Basel III and other regulation.
- **Real Estate**
  - NEPC is neutral on core real estate in the US and remains positive on the non-core market, particularly in Europe.
  - Real estate debt strategies are appealing, particularly in Europe's distressed lending environment, although currency risk is a potential consideration.

NEPC 2014 Focused Actions for Public Funds

- **Reassess current and future liquidity needs**
  - Determine the ability to pursue additional returns by locking-up capital in private markets/alternative investments
    - Alpha generation opportunities often higher in alternatives
  - Consider strategies that replace traditional bank activities, such as direct lending to medium-sized companies and real estate lending
- **Maintain diversification across and within asset classes. Rebalance…rebalance…rebalance**
  - Review rebalancing thresholds established in the Investment Policy Statement relative to actual allocations
  - Rebalancing policies provide a risk control feature, as well as an opportunity for enhanced returns
- **Rising rate environment should spur investors to continue reviewing the role of core US and non-US fixed income**
  - While rates have risen, forecasted returns remain below most assumed rates of return
  - Rebalance to target with high yield and bank loans
  - Consider allocations to global multi-sector and unconstrained bond funds
- **Do not neglect the risk of economic inflation in the portfolio**
  - Despite tapering, Fed policy remains accommodative
  - US improvements in economic and financial conditions could increase risks of economic inflation
  - Risk parity, real assets, and private market strategies can be considered as tools to address inflation risk and extend diversification of a portfolio
- **Maintain long-term commitment to emerging markets**
  - In the short-term, emerging world faces distinctive conditions in each country
  - Long-term secular outlook of stronger growth and continued development remains in place
  - Use active management to navigate potential macroeconomic and currency issues
  - Emerging markets stock and bond weakness presents an opportunity for investors whose portfolios are below-market weight
  - Relatively attractive return opportunities, but risks related to balance of payments (i.e., economic competitiveness) have come to light for some countries

- **Professional Staff Updates**
  - Elected into NEPC Partnership
    - Timothy R. Bruce, Partner, Hedge Funds
  - New Principals
    - Richard J. Harper, CFA, CAIA, Principal, Senior Consultant
    - Eric R. Harnish, Principal, Director of Private Markets Research
    - Daniel V. Kelly, Principal, Chief Operating Officer
    - Judy A. Murphy, Principal, Director of Organizational Development
    - Sean P. Ruhmann, Principal, Senior Consultant, Private Markets

- **Favorable Client Feedback**
  - 7th biennial client survey
    - High marks in nearly every category
  - Greenwich Associates annual plan sponsor survey
    - Among our 10 largest competitors, NEPC:
      - Ranked #2 overall in 2013 and ranked #3 or higher in ten of the past 11 years

- **Industry Recognitions**
  - NEPC: 2013 aiCIO Industry Innovation Consultant Award
  - NEPC Clients: 2013 aiCIO Industry Innovation Awards
    - Winner in the Defined Contribution Plan category
      - United Technologies (Robin Diamonte, CIO)
    - Winner in the Public Pension Plan below $15 billion category
      - San Bernardino County Employees' Retirement Association (Don Pierce, CIO)

Greenwich Associates is an independent research firm. Their ratings are not an endorsement of NEPC.

- **NEPC Research**
  - White Papers recently posted to http://www.nepc.com/research/
    - When Did Defined Contribution Get So Complex? Outsourcing Certain Functions of Your Defined Contribution Program (January 2014)
      - Christine A. Loughlin, CFA, CAIA, Partner
    - NEPC Survey on Hedge Fund Operations (November 2013)
      - Bill Bogle, Partner; Erin Faccone, ODD Consultant; Lauren Walsh, ODD Analyst
    - Shedding Light on the Future: Asset Allocation and Risk Management in a Post-Credit Crisis World (November 2013)
      - Erik Knutzen, CFA, CAIA, Chief Investment Officer; John Minahan, CFA, Senior Lecturer in Finance, MIT
    - Quantitative Equity Hedge Funds: Revisiting Their Strengths (October 2013)
      - Timothy O'Connell, Research Analysts; Asher Watson, Analyst; Timothy Bruce, Senior Research Consultant
    - Third Quarter 2013 Market Thoughts

- **Recent Events**
  - 2014 Public Fund Conference – January 27-28 in Phoenix
  - 2014 Market Outlook Webinar - January 23, 2014 at 2:00 PM EST

- **Upcoming Events**
  - NEPC's 19th Annual Client Conference – May 13-14, 2014 in Boston

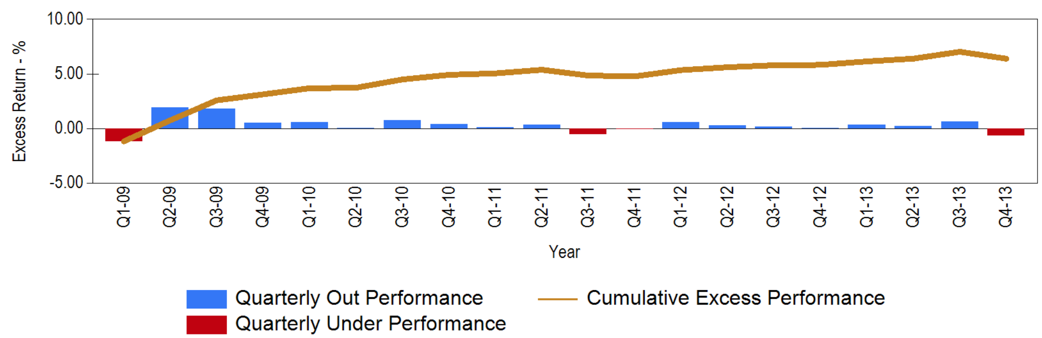
Total Fund Performance Summary (Net)

	Market Value	3 Mo	Rank	YTD	Rank	Fiscal YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank	10 Yrs	Rank	Return	Since
Total Fund	**$4,092,440,847**	**5.2%**	**17**	**18.0%**	**9**	**11.5%**	**6**	**18.0%**	**9**	**10.5%**	**8**	**14.0%**	**4**	**6.9%**	**31**	**8.4%**	**Apr-94**
Policy Index		*5.8%*	*8*	*17.4%*	*12*	*11.5%*	*6*	*17.4%*	*12*	*10.0%*	*18*	*12.8%*	*27*	*7.0%*	*22*	*8.3%*	*Apr-94*
60% MSCI World (Net) / 40% CITI WGBI		*4.3%*	*61*	*13.5%*	*60*	*10.6%*	*23*	*13.5%*	*60*	*7.5%*	*87*	*10.1%*	*94*	*6.2%*	*68*	*6.8%*	*Apr-94*
IFx Public DB > $1B Net Median		*4.4%*		*14.3%*		*9.6%*		*14.3%*		*9.1%*		*12.2%*		*6.5%*		*7.8%*	*Apr-94*

- Over the last 12 months, the Fund achieved its primary objective of surpassing the 7.75% assumed rate. The Fund had a return of 18.0%, ranking in the 9th percentile and outperforming the policy index by 60 basis points. The Fund's assets totaled approximately $4.1 billion.

- Over the past three years, the Fund returned 10.5% per annum ranking in the 8th percentile amongst a universe of Public Funds with over $1 billion. This return outperformed the policy index by 50 basis points.

- For the five year period, the Fund returned 14.0% per annum ranking in the 4th percentile at the end of the fourth quarter, outperforming the policy index by 120 basis points.



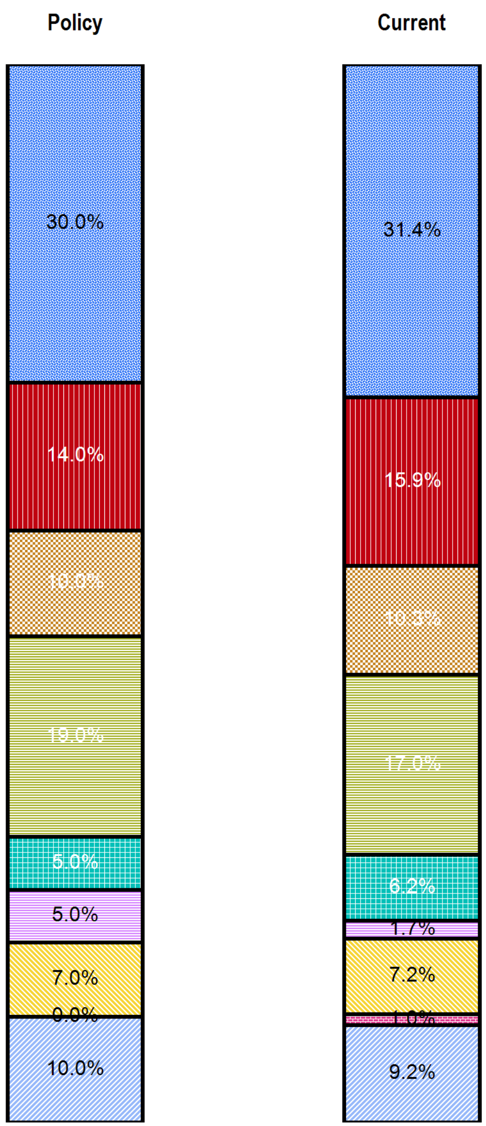
3 Years Ending December 31, 2013

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio RF	Rank
Total Fund	10.50%	8	8.74%	86	1.20	42	1.56	31
Policy Index	10.01%	18	8.80%	87	1.13	50	1.52	36
IFx Public DB > $1B Net Median	9.09%	--	7.50%	--	1.13	--	1.45	--

5 Years Ending December 31, 2013

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio RF	Rank
Total Fund	14.04%	4	11.33%	96	1.23	53	1.86	59
Policy Index	12.77%	27	11.11%	89	1.14	83	1.69	81
IFx Public DB > $1B Net Median	12.21%	--	9.41%	--	1.24	--	1.91	--

Total Fund Asset Allocation vs. Policy Targets



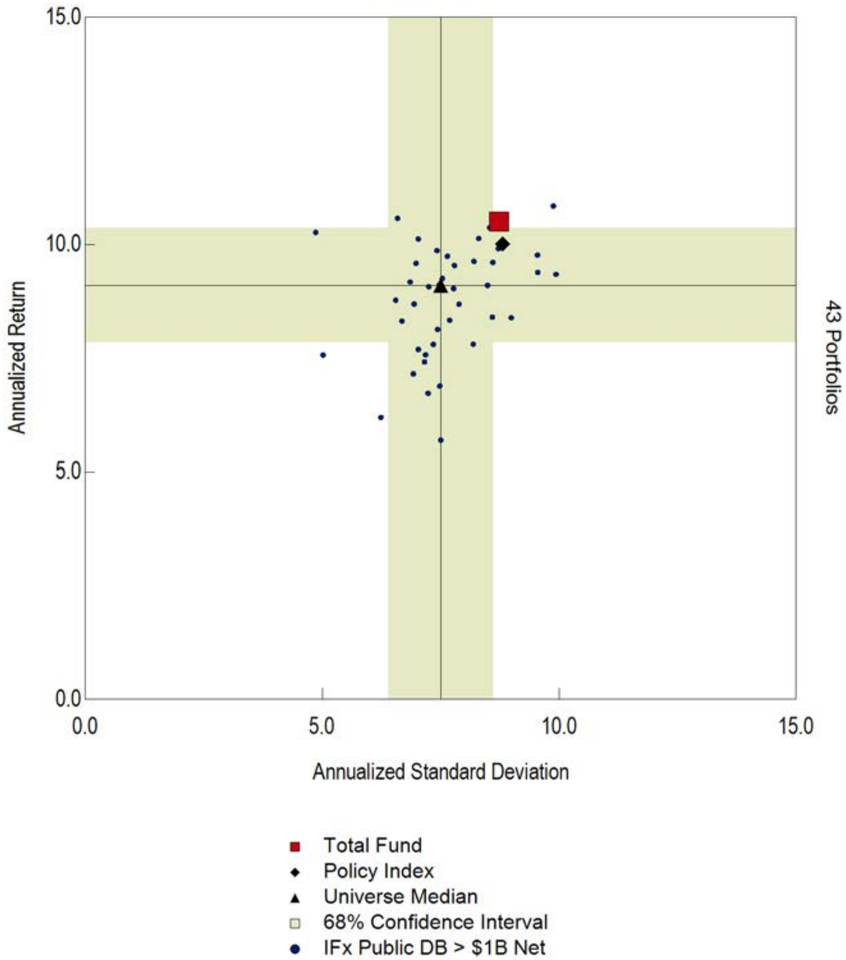
Asset Allocation vs. Target

	Current	Current	Policy	Difference *	Policy Range	Within Range
U.S. Equity	$1,286,480,877	31.4%	30.0%	1.4%	26.0% - 34.0%	**Yes**
Non-US Equity	$650,705,921	15.9%	14.0%	1.9%	11.0% - 17.0%	**Yes**
Global Equity	$422,358,273	10.3%	10.0%	0.3%	7.0% - 13.0%	**Yes**
U.S. Fixed Income	$697,296,959	17.0%	19.0%	-2.0%	15.0% - 23.0%	**Yes**
Global Bonds	$255,241,694	6.2%	5.0%	1.2%	3.0% - 7.0%	**Yes**
Private Equity	$68,996,307	1.7%	5.0%	-3.3%	3.0% - 7.0%	**No**
Real Estate	$293,442,407	7.2%	7.0%	0.2%	4.0% - 10.0%	**Yes**
Cash	$39,988,536	1.0%	0.0%	1.0%	0.0% - 3.0%	**Yes**
Liquid Alternatives	$377,929,873	9.2%	10.0%	-0.8%	7.0% - 13.0%	**Yes**
Total	**$4,092,440,847**	**100.0%**	**100.0%**			

*Difference between Policy and Current Allocation

Total Fund Risk/Return

3 Years Ending December 31, 2013



3 Years Ending December 31, 2013

	Anlzd Ret	Rank	Anlzd Std Dev	Rank
Total Fund	10.50%	8	8.74%	86
Policy Index	10.01%	18	8.80%	87
IFx Public DB > $1B Net Median	9.09%	--	7.50%	--

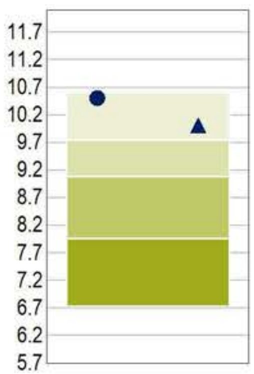
3 Years Ending December 31, 2013

	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	1.20	42	1.57	31
Policy Index	1.13	50	1.53	37
IFx Public DB > $1B Net Median	1.13	--	1.46	--

Total Fund Risk Statistics vs. Peer Universe

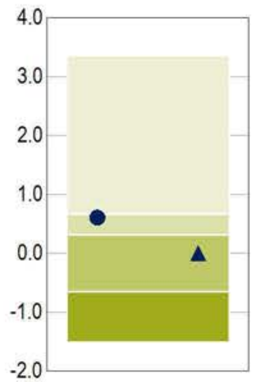
Total Fund vs. IFx Public DB > $1B Net
3 Years

Anlzd Return



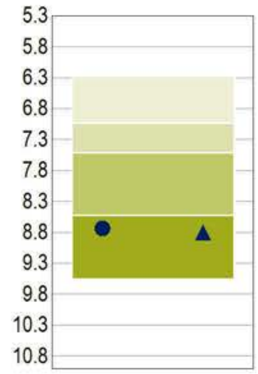
● Total Fund		
	Value	10.50
	%tile	8
▲ Policy Index		
	Value	10.01
	%tile	18
Universe		
	5th %tile	10.60
	25th %tile	9.75
	Median	9.09
	75th %tile	7.97
	95th %tile	6.74

Anlzd Alpha



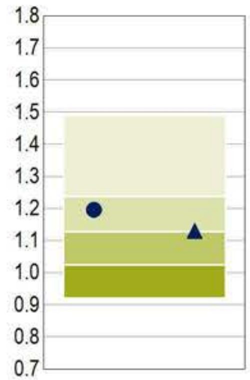
● Total Fund		
	Value	0.60
	%tile	27
▲ Policy Index		
	Value	0.00
	%tile	55
Universe		
	5th %tile	3.36
	25th %tile	0.67
	Median	0.32
	75th %tile	-0.65
	95th %tile	-1.51

Anlzd Standard Deviation



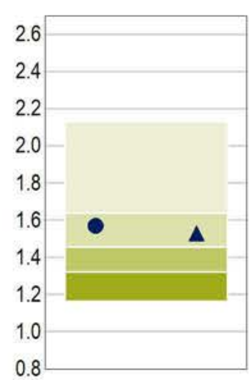
● Total Fund		
	Value	8.74
	%tile	86
▲ Policy Index		
	Value	8.80
	%tile	87
Universe		
	5th %tile	6.27
	25th %tile	7.03
	Median	7.50
	75th %tile	8.51
	95th %tile	9.55

Sharpe Ratio



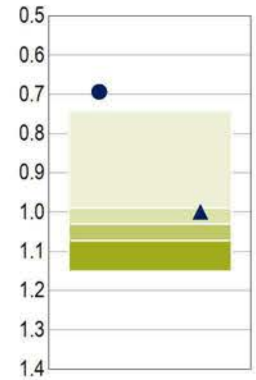
● Total Fund		
	Value	1.20
	%tile	42
▲ Policy Index		
	Value	1.13
	%tile	50
Universe		
	5th %tile	1.49
	25th %tile	1.24
	Median	1.13
	75th %tile	1.03
	95th %tile	0.92

Sortino Ratio



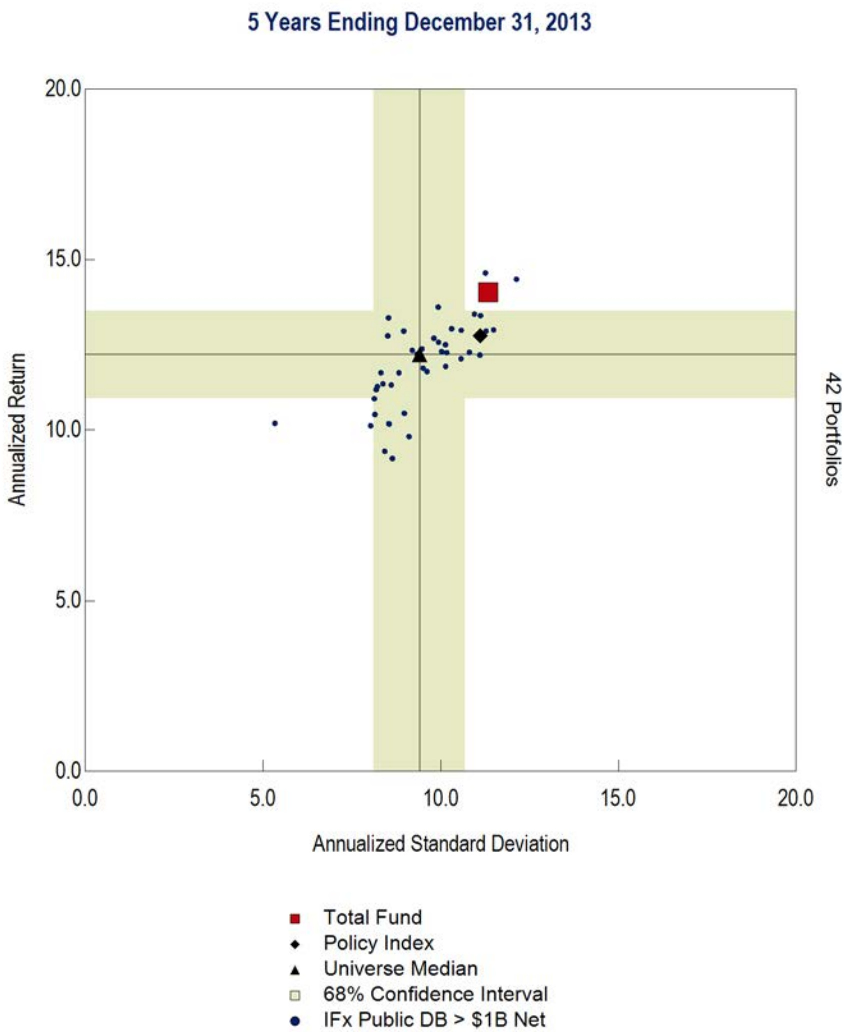
● Total Fund		
	Value	1.57
	%tile	31
▲ Policy Index		
	Value	1.53
	%tile	37
Universe		
	5th %tile	2.13
	25th %tile	1.64
	Median	1.46
	75th %tile	1.33
	95th %tile	1.17

Beta



● Total Fund		
	Value	0.69
	%tile	5
▲ S&P 500		
	Value	1.00
	%tile	31
Universe		
	5th %tile	0.74
	25th %tile	0.99
	Median	1.03
	75th %tile	1.07
	95th %tile	1.15

Total Fund Risk/Return



5 Years Ending December 31, 2013

	Anlzd Ret	Rank	Anlzd Std Dev	Rank
Total Fund	14.04%	4	11.33%	96
Policy Index	12.77%	27	11.11%	89
IFx Public DB > $1B Net Median	12.21%	--	9.41%	--

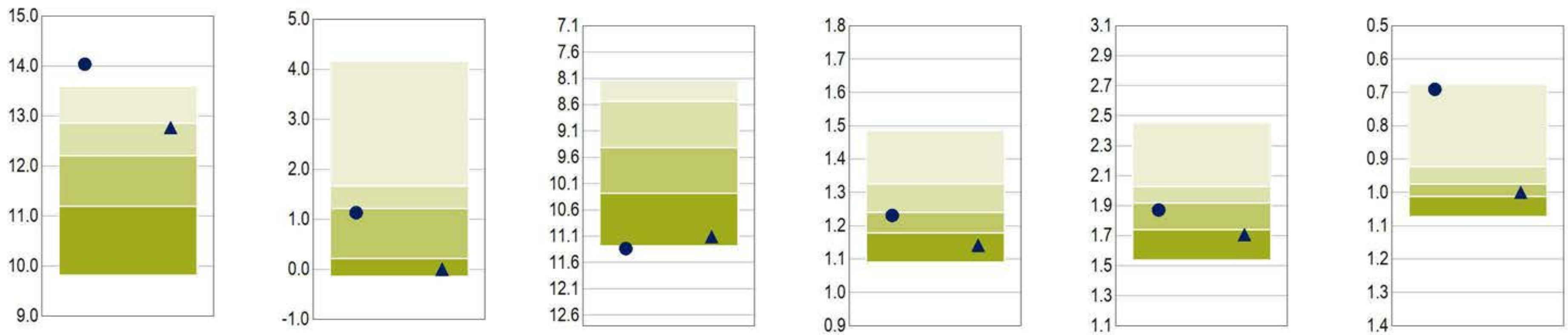
5 Years Ending December 31, 2013

	Sharpe Ratio	Rank	Sortino Ratio	Rank
Total Fund	1.23	53	1.87	60
Policy Index	1.14	83	1.71	81
IFx Public DB > $1B Net Median	1.24	--	1.92	--

Total Fund Risk Statistics vs. Peer Universe

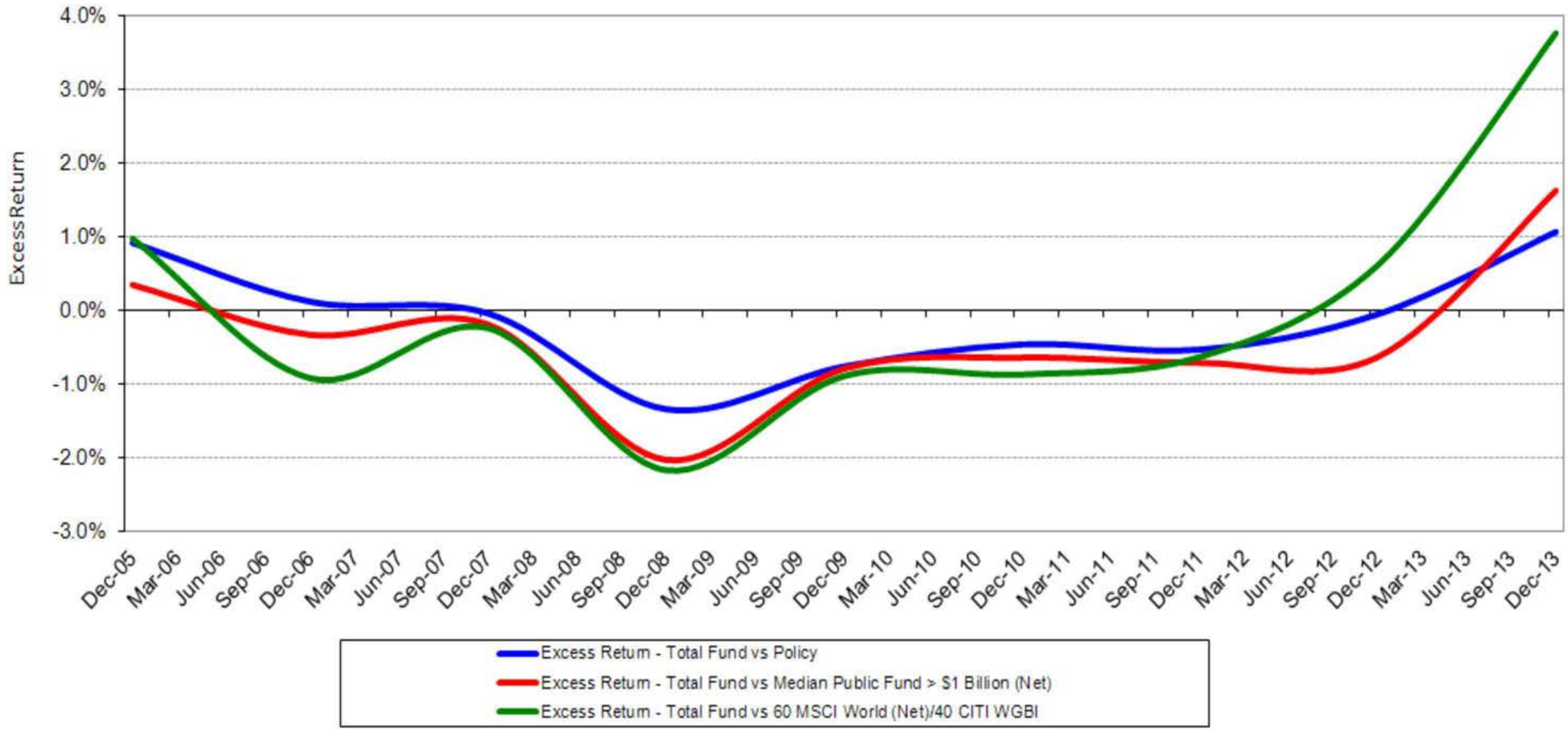
Total Fund vs. IFx Public DB > $1B Net
5 Years

Anlzd Return | Anlzd Alpha | Anlzd Standard Deviation | Sharpe Ratio | Sortino Ratio | Beta

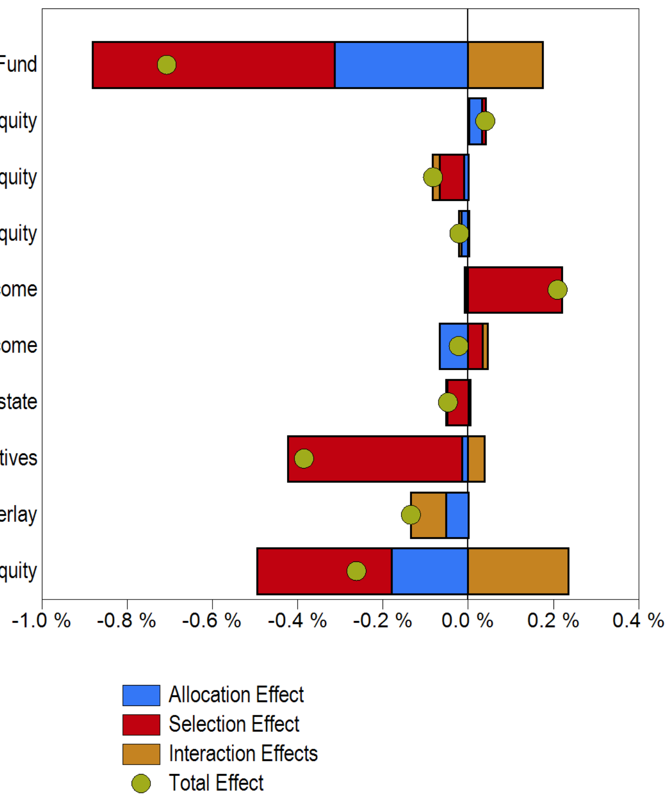


	Anlzd Return	Anlzd Alpha	Anlzd Standard Deviation	Sharpe Ratio	Sortino Ratio	Beta
● Total Fund						
Value	14.04	1.13	11.33	1.23	1.87	0.69
%tile	4	56	96	53	60	6
▲ Policy Index (Beta: S&P 500)						
Value	12.77	0.00	11.11	1.14	1.71	1.00
%tile	27	86	89	83	81	70
Universe						
5th %tile	13.59	4.16	8.13	1.49	2.45	0.68
25th %tile	12.86	1.67	8.53	1.33	2.03	0.92
Median	12.21	1.23	9.41	1.24	1.92	0.97
75th %tile	11.21	0.22	10.27	1.18	1.74	1.01
95th %tile	9.82	-0.13	11.27	1.09	1.54	1.07

Rolling 5 Year Excess Returns- Net of Fees



Total Fund Attribution Analysis



Attribution Summary
3 Months Ending December 31, 2013

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Total US Equity	10.1%	10.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Non-US Equity	4.4%	4.8%	-0.4%	-0.1%	0.0%	0.0%	-0.1%
Total Global Equity	7.3%	7.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Total US Fixed Income	1.0%	-0.1%	1.1%	0.2%	0.0%	0.0%	0.2%
Total Global Fixed Income	0.2%	-0.4%	0.7%	0.0%	-0.1%	0.0%	0.0%
Total Real Estate	2.5%	3.2%	-0.7%	-0.1%	0.0%	0.0%	0.0%
Total Liquid Alternatives	3.2%	7.3%	-4.1%	-0.4%	0.0%	0.0%	-0.4%
Overlay	-5.0%	0.0%	-5.0%	0.0%	-0.1%	-0.1%	-0.1%
Total Private Equity	4.4%	10.9%	-6.5%	-0.3%	-0.2%	0.2%	-0.3%
Total	**5.1%**	**5.8%**	**-0.7%**	**-0.6%**	**-0.3%**	**0.2%**	**-0.7%**

Note: Plan attribution calculations are returns based and the results shown reflect the composites shown. As a result, the total returns shown may vary from the calculated return shown on the performance summary.

The target return shown for each composite is a custom index, based on aggregated policy indices. This policy index weights the underlying policy indices of each option in the plan and the respective benchmark return.

The allocation, selection, and intersection effects are calculated using the custom index described above along with the policy or target weight of each composite.

May not add due to rounding.

Ventura County Employees' Retirement Association

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Fund	**4,092,440,847**	**100.0**	**5.2**	**17**	**18.0**	**9**	**11.5**	**6**	**18.0**	**9**	**10.5**	**8**	**14.0**	**4**	**6.9**	**31**	**8.4**	**Apr-94**
Policy Index			*5.8*	*8*	*17.4*	*12*	*11.5*	*6*	*17.4*	*12*	*10.0*	*18*	*12.8*	*27*	*7.0*	*22*	*8.3*	*Apr-94*
Over/Under			-0.6		0.6		0.0		0.6		0.5		1.2		-0.1		0.1	
IFx Public DB > $1B Net Median			*4.4*		*14.3*		*9.6*		*14.3*		*9.1*		*12.2*		*6.5*		*7.8*	*Apr-94*
Total Fund ex Private Equity	**4,023,444,540**	**98.3**	**5.2**	**17**	**16.1**	**21**	**10.2**	**33**	**16.1**	**21**	**--**	**--**	**--**	**--**	**--**	**--**	**14.7**	**Jan-12**
Policy Index			*5.8*	*8*	*17.4*	*12*	*11.5*	*6*	*17.4*	*12*	*10.0*	*18*	*12.8*	*27*	*7.0*	*22*	*15.1*	*Jan-12*
Over/Under			-0.6		-1.3		-1.3		-1.3								-0.4	
IFx Public DB > $1B Net Median			*4.4*		*14.3*		*9.6*		*14.3*		*9.1*		*12.2*		*6.5*		*13.4*	*Jan-12*
Total US Equity	**1,286,480,877**	**31.4**	**10.1**	**40**	**34.0**	**56**	**17.7**	**54**	**34.0**	**56**	**16.5**	**38**	**19.4**	**53**	**7.5**	**82**	**9.0**	**Dec-93**
Total U.S. Equity Benchmark			*10.1*	*40*	*33.5*	*60*	*16.9*	*64*	*33.5*	*60*	*16.2*	*43*	*18.9*	*57*	*8.0*	*71*	*9.4*	*Dec-93*
Over/Under			0.0		0.5		0.8		0.5		0.3		0.5		-0.5		-0.4	
eA All US Equity Net Median			*9.6*		*34.9*		*18.1*		*34.9*		*15.7*		*19.6*		*9.0*		*10.5*	*Dec-93*
BlackRock Extended Equity Index	43,281,890	1.1	8.6	49	38.2	41	19.5	44	38.2	41	16.5	38	22.4	38	10.4	49	13.0	Oct-02
Dow Jones U.S. Completion Total Stock Market			*8.5*	*50*	*38.1*	*43*	*19.3*	*45*	*38.1*	*43*	*16.1*	*40*	*22.6*	*36*	*10.3*	*52*	*13.0*	*Oct-02*
Over/Under			0.1		0.1		0.2		0.1		0.4		-0.2		0.1		0.0	
eA US Small-Mid Cap Equity Net Median			*8.5*		*36.7*		*18.9*		*36.7*		*15.2*		*21.5*		*10.3*		*12.4*	*Oct-02*
Western U.S. Index Plus	121,431,888	3.0	10.7	28	32.9	64	16.7	66	32.9	64	17.5	26	23.6	17	--	--	2.0	May-07
S&P 500			*10.5*	*32*	*32.4*	*68*	*16.3*	*71*	*32.4*	*68*	*16.2*	*43*	*17.9*	*67*	*7.4*	*82*	*5.2*	*May-07*
Over/Under			0.2		0.5		0.4		0.5		1.3		5.7				-3.2	
eA All US Equity Net Median			*9.6*		*34.9*		*18.1*		*34.9*		*15.7*		*19.6*		*9.0*		*6.3*	*May-07*
BlackRock Equity Market Fund	1,121,767,099	27.4	10.1	40	33.5	59	17.0	63	33.5	59	16.2	43	18.9	57	--	--	6.9	Dec-07
Dow Jones U.S. Total Stock Market			*10.1*	*40*	*33.5*	*60*	*16.9*	*64*	*33.5*	*60*	*16.2*	*43*	*18.9*	*57*	*8.1*	*70*	*6.9*	*Dec-07*
Over/Under			0.0		0.0		0.1		0.0		0.0		0.0				0.0	
eA All US Equity Net Median			*9.6*		*34.9*		*18.1*		*34.9*		*15.7*		*19.6*		*9.0*		*7.4*	*Dec-07*

Color Coding: PERFORMANCE: Green-Over performance, Red-Under performance / Color Coding: RANKS: 1 - 25 Green - Positive Result, 26 - 50 Yellow, 50 - 75 Orange, 76 - 100 Red - Negative Result

Policy Index: Currently, 30% Total U.S. Equity Benchmark, 19% Barclays Aggregate, 14% MSCI ACWI ex U.S., 10% MSCI ACWI, 5% Barclays Global Aggregate, 5% DJ U.S. Total Stock Market Index + 3%, 10% Wells Fargo MLP Index, and 7% NCREIF ODCE Real Estate Index

Total U.S. Equity Benchmark: The Benchmark is a dynamic hybrid using the respective managers' market value weights within the U.S. Equity component toward their benchmark. Prior to May 2013, the Dow Jones U.S. Total Stock Market Index. Prior to May 2007, the Russell 3000 Index

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Non-US Equity	**650,705,921**	**15.9**	**4.4**	**88**	**16.3**	**90**	**14.8**	**86**	**16.3**	**90**	**5.8**	**92**	**13.0**	**66**	**7.4**	**66**	**7.1**	**Mar-94**
Total Non-US Equity Benchmark			*4.8*	*86*	*15.3*	*92*	*15.3*	*82*	*15.3*	*92*	*5.1*	*95*	*12.8*	*70*	*7.6*	*57*	*5.7*	*Mar-94*
Over/Under			-0.4		1.0		-0.5		1.0		0.7		0.2		-0.2		1.4	
eA All EAFE Equity Net Median			*6.8*		*24.5*		*18.7*		*24.5*		*9.4*		*14.0*		*7.8*		*7.1*	*Mar-94*
BlackRock ACWI ex-U.S. Index	290,890,130	7.1	4.8	74	16.0	68	15.6	54	16.0	68	5.3	84	13.5	51	--	--	2.1	Mar-07
MSCI ACWI ex USA			*4.8*	*74*	*15.3*	*75*	*15.3*	*56*	*15.3*	*75*	*5.1*	*85*	*12.8*	*71*	*7.6*	*94*	*1.7*	*Mar-07*
Over/Under			0.0		0.7		0.3		0.7		0.2		0.7				0.4	
eA ACWI ex-US All Cap Equity Net Median			*5.8*		*17.9*		*15.9*		*17.9*		*7.2*		*13.5*		*8.9*		*2.8*	*Mar-07*
Spurcegrove	185,640,498	4.5	4.7	93	17.1	93	15.2	82	17.1	93	7.0	79	14.7	29	8.4	41	9.0	Mar-02
MSCI EAFE			*5.7*	*79*	*22.8*	*67*	*17.9*	*63*	*22.8*	*67*	*8.2*	*71*	*12.4*	*70*	*6.9*	*90*	*7.2*	*Mar-02*
Over/Under			-1.0		-5.7		-2.7		-5.7		-1.2		2.3		1.5		1.8	
MSCI ACWI ex USA			*4.8*	*93*	*15.3*	*98*	*15.3*	*82*	*15.3*	*98*	*5.1*	*94*	*12.8*	*58*	*7.6*	*52*	*7.9*	*Mar-02*
eA EAFE All Cap Equity Net Median			*6.8*		*25.2*		*18.3*		*25.2*		*9.1*		*13.5*		*7.6*		*8.7*	*Mar-02*
Hexavest	80,514,432	2.0	4.7	87	20.2	78	14.9	86	20.2	78	7.3	80	--	--	--	--	7.3	Dec-10
MSCI EAFE			*5.7*	*74*	*22.8*	*64*	*17.9*	*62*	*22.8*	*64*	*8.2*	*70*	*12.4*	*76*	*6.9*	*82*	*8.2*	*Dec-10*
Over/Under			-1.0		-2.6		-3.0		-2.6		-0.9						-0.9	
eA All EAFE Equity Net Median			*6.8*		*24.5*		*18.7*		*24.5*		*9.4*		*14.0*		*7.8*		*9.4*	*Dec-10*
Walter Scott	93,660,860	2.3	2.1	99	11.8	96	10.5	91	11.8	96	6.9	55	--	--	--	--	6.9	Dec-10
MSCI ACWI ex USA			*4.8*	*74*	*15.3*	*75*	*15.3*	*56*	*15.3*	*75*	*5.1*	*85*	*12.8*	*71*	*7.6*	*94*	*5.1*	*Dec-10*
Over/Under			-2.7		-3.5		-4.8		-3.5		1.8						1.8	
eA ACWI ex-US All Cap Equity Net Median			*5.8*		*17.9*		*15.9*		*17.9*		*7.2*		*13.5*		*8.9*		*7.2*	*Dec-10*

Total Non-U.S. Equity Benchmark: MSCI ACWI ex US Free, prior to May 2002, the MSCI EAFE

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Global Equity	**422,358,273**	**10.3**	**7.3**	**55**	**21.9**	**63**	**15.1**	**61**	**21.9**	**63**	**10.2**	**60**	**11.9**	**91**	**--**	**--**	**6.0**	**May-05**
MSCI ACWI			*7.3*	*55*	*22.8*	*61*	*15.8*	*57*	*22.8*	*61*	*9.7*	*68*	*14.9*	*65*	*7.2*	*76*	*7.0*	*May-05*
Over/Under			0.0		-0.9		-0.7		-0.9		0.5		-3.0				-1.0	
eA All Global Equity Net Median			*7.6*		*24.8*		*16.4*		*24.8*		*11.1*		*15.8*		*8.5*		*7.9*	*May-05*
GMO Global Equity	209,734,792	5.1	7.1	56	20.8	66	14.4	66	20.8	66	10.8	54	13.3	84	--	--	7.5	Apr-05
MSCI ACWI			*7.3*	*55*	*22.8*	*61*	*15.8*	*57*	*22.8*	*61*	*9.7*	*68*	*14.9*	*65*	*7.2*	*76*	*7.0*	*Apr-05*
Over/Under			-0.2		-2.0		-1.4		-2.0		1.1		-1.6				0.5	
eA All Global Equity Net Median			*7.6*		*24.8*		*16.4*		*24.8*		*11.1*		*15.8*		*8.5*		*7.9*	*Apr-05*
BlackRock MSCI ACWI Equity Index	212,623,481	5.2	7.5	51	23.2	60	15.8	56	23.2	60	--	--	--	--	--	--	--	May-12
MSCI ACWI			*7.3*	*55*	*22.8*	*61*	*15.8*	*57*	*22.8*	*61*	*9.7*	*68*	*14.9*	*65*	*7.2*	*76*	*24.6*	*May-12*
Over/Under			0.2		0.4		0.0		0.4									
eA All Global Equity Net Median			*7.6*		*24.8*		*16.4*		*24.8*		*11.1*		*15.8*		*8.5*		*25.3*	*May-12*

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total US Fixed Income	**697,296,959**	**17.0**	**1.0**	**28**	**-0.1**	**44**	**1.9**	**26**	**-0.1**	**44**	**5.5**	**32**	**10.3**	**23**	**6.1**	**23**	**6.5**	**Feb-94**
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*5.8*	*Feb-94*
Over/Under			1.1		1.9		1.5		1.9		2.2		5.9		1.6		0.7	
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*5.7*	*Feb-94*
Western	247,565,929	6.0	0.4	48	-1.2	63	0.8	57	-1.2	63	5.2	34	9.0	28	5.4	31	6.6	Dec-96
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*5.7*	*Dec-96*
Over/Under			0.5		0.8		0.4		0.8		1.9		4.6		0.9		0.9	
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*5.6*	*Dec-96*
BlackRock U.S. Debt Fund	131,068,003	3.2	-0.2	88	-2.0	79	0.3	80	-2.0	79	3.3	62	4.5	66	4.6	51	5.7	Nov-95
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*5.6*	*Nov-95*
Over/Under			-0.1		0.0		-0.1		0.0		0.0		0.1		0.1		0.1	
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*5.5*	*Nov-95*
Reams	251,728,906	6.2	1.9	16	2.5	18	2.4	21	2.5	18	6.9	20	12.4	16	7.0	15	6.8	Sep-01
Reams Custom Index			*0.1*	*73*	*-0.5*	*49*	*0.1*	*86*	*-0.5*	*49*	*3.8*	*51*	*4.8*	*62*	*4.7*	*47*	*5.0*	*Sep-01*
Over/Under			1.8		3.0		2.3		3.0		3.1		7.6		2.3		1.8	
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*4.9*	*Sep-01*
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*4.9*	*Sep-01*
Loomis Sayles Multi Strategy	66,934,121	1.6	2.3	13	1.4	20	3.2	16	1.4	20	7.2	19	14.0	13	--	--	7.3	Jul-05
Loomis Custom Index			*0.9*	*28*	*0.8*	*25*	*2.0*	*25*	*0.8*	*25*	*5.1*	*35*	*8.4*	*31*	*--*	*--*	*5.9*	*Jul-05*
Over/Under			1.4		0.6		1.2		0.6		2.1		5.6				1.4	
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*4.7*	*Jul-05*
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*4.8*	*Jul-05*

Reams Custom Index: Merrill Lynch 3 Month Libor Constant Maturity Index, prior to February 2013 the Barclays Aggregate

Loomis Custom Index: 65% Barclays Aggregate, 30% Citigroup High Yield Market Index and 5% JPM Non-US Hedged Bond Index

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Global Fixed Income	**255,241,694**	**6.2**	**0.2**	**67**	**-2.3**	**65**	**2.8**	**50**	**-2.3**	**65**	**--**	**--**	**--**	**--**	**--**	**--**	**0.8**	**Jun-12**
Barclays Global Aggregate			*-0.4*	*84*	*-2.6*	*69*	*2.3*	*58*	*-2.6*	*69*	*2.4*	*80*	*3.9*	*89*	*4.5*	*78*	*0.1*	*Jun-12*
Over/Under			0.6		0.3		0.5		0.3								0.7	
eA All Global Fixed Inc Net Median			*0.9*		*-0.4*		*2.8*		*-0.4*		*4.6*		*6.6*		*5.1*		*3.6*	*Jun-12*
Loomis Sayles Global Fixed Income	91,531,091	2.2	-0.1	69	-2.4	61	2.2	63	-2.4	61	--	--	--	--	--	--	0.9	Jun-12
Barclays Global Aggregate			*-0.4*	*83*	*-2.6*	*65*	*2.3*	*56*	*-2.6*	*65*	*2.4*	*77*	*3.9*	*87*	*4.5*	*74*	*0.1*	*Jun-12*
Over/Under			0.3		0.2		-0.1		0.2								0.8	
eA Global Fixed Inc Unhedged Net Median			*0.9*		*-0.8*		*2.5*		*-0.8*		*4.4*		*6.3*		*5.0*		*3.2*	*Jun-12*
PIMCO Global Fixed Income	122,867,727	3.0	-0.1	69	-3.1	72	2.6	50	-3.1	72	--	--	--	--	--	--	-2.9	Sep-12
Barclays Global Aggregate			*-0.4*	*83*	*-2.6*	*65*	*2.3*	*56*	*-2.6*	*65*	*2.4*	*77*	*3.9*	*87*	*4.5*	*74*	*-2.5*	*Sep-12*
Over/Under			0.3		-0.5		0.3		-0.5								-0.4	
eA Global Fixed Inc Unhedged Net Median			*0.9*		*-0.8*		*2.5*		*-0.8*		*4.4*		*6.3*		*5.0*		*1.0*	*Sep-12*
Loomis Strategic Alpha	40,842,876	1.0	1.9	35	--	--	1.7	74	--	--	--	--	--	--	--	--	1.4	Jul-13
Barclays Global Aggregate			*-0.4*	*83*	*-2.6*	*65*	*2.3*	*56*	*-2.6*	*65*	*2.4*	*77*	*3.9*	*87*	*4.5*	*74*	*1.1*	*Jul-13*
Over/Under			2.3				-0.6										0.3	
eA Global Fixed Inc Unhedged Net Median			*0.9*		*-0.8*		*2.5*		*-0.8*		*4.4*		*6.3*		*5.0*		*1.5*	*Jul-13*

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Real Estate	**293,442,407**	**7.2**	**2.5**	**--**	**10.6**	**--**	**5.3**	**--**	**10.6**	**--**	**11.3**	**--**	**1.9**	**--**	**5.1**	**--**	**7.6**	**Mar-94**
Total Real Estate Benchmark			*3.2*	--	*14.0*	--	*6.9*	--	*14.0*	--	*13.6*	--	*3.7*	--	*7.2*	--	*8.6*	*Mar-94*
Over/Under			-0.7		-3.4		-1.6		-3.4		-2.3		-1.8		-2.1		-1.0	
Prudential Real Estate	95,185,595	2.3	3.4	--	13.8	--	7.0	--	13.8	--	13.5	--	2.2	--	--	--	4.4	Jun-04
NCREIF-ODCE			*3.2*	--	*14.0*	--	*6.9*	--	*14.0*	--	*13.6*	--	*3.7*	--	*7.2*	--	*6.9*	*Jun-04*
Over/Under			0.2		-0.2		0.1		-0.2		-0.1		-1.5				-2.5	
UBS Real Estate	189,646,544	4.6	2.0	--	9.3	--	4.6	--	9.3	--	10.1	--	3.6	--	6.9	--	7.0	Mar-03
NCREIF-ODCE			*3.2*	--	*14.0*	--	*6.9*	--	*14.0*	--	*13.6*	--	*3.7*	--	*7.2*	--	*7.3*	*Mar-03*
Over/Under			-1.2		-4.7		-2.3		-4.7		-3.5		-0.1		-0.3		-0.3	
RREEF	8,610,268	0.2	2.8	--	15.6	--	7.3	--	15.6	--	29.7	--	-3.7	--	--	--	-10.9	Sep-07
NCREIF-ODCE			*3.2*	--	*14.0*	--	*6.9*	--	*14.0*	--	*13.6*	--	*3.7*	--	*7.2*	--	*1.6*	*Sep-07*
Over/Under			-0.4		1.6		0.4		1.6		16.1		-7.4				-12.5	

Total Real Estate Benchmark: NCREIF ODCE; prior to January 2006, the NCREIF Property Index

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Liquid Alternatives	**377,929,873**	**9.2**	**3.2**	**--**	**--**	**--**	**7.7**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**11.0**	**Apr-13**
Wells Fargo MLP Index			*7.3*	--	*30.1*	--	*5.0*	--	*30.1*	--	*15.2*	--	--	--	--	--	*6.3*	*Apr-13*
Over/Under			-4.1				2.7										4.7	
Tortoise Energy Infrastructure	123,023,887	3.0	8.4	--	--	--	9.3	--	--	--	--	--	--	--	--	--	12.4	Apr-13
Wells Fargo MLP Index			*7.3*	--	*30.1*	--	*5.0*	--	*30.1*	--	*15.2*	--	--	--	--	--	*6.3*	*Apr-13*
Over/Under			1.1				4.3										6.1	
Bridgewater All Weather Fund	254,905,986	6.2	0.9	--	--	--	--	--	--	--	--	--	--	--	--	--	3.4	Aug-13
DJ U.S. Total Stock Market Index + 3%			*10.9*	--	*37.4*	--	*18.6*	--	*37.4*	--	--	--	--	--	--	--	*15.3*	*Aug-13*
Over/Under			-10.0														-11.9	
Overlay	**39,988,536**	**1.0**																
Clifton	39,988,536	1.0																

Overlay performance is not applicable on an individual account level

Total Fund Performance Detail (Net)

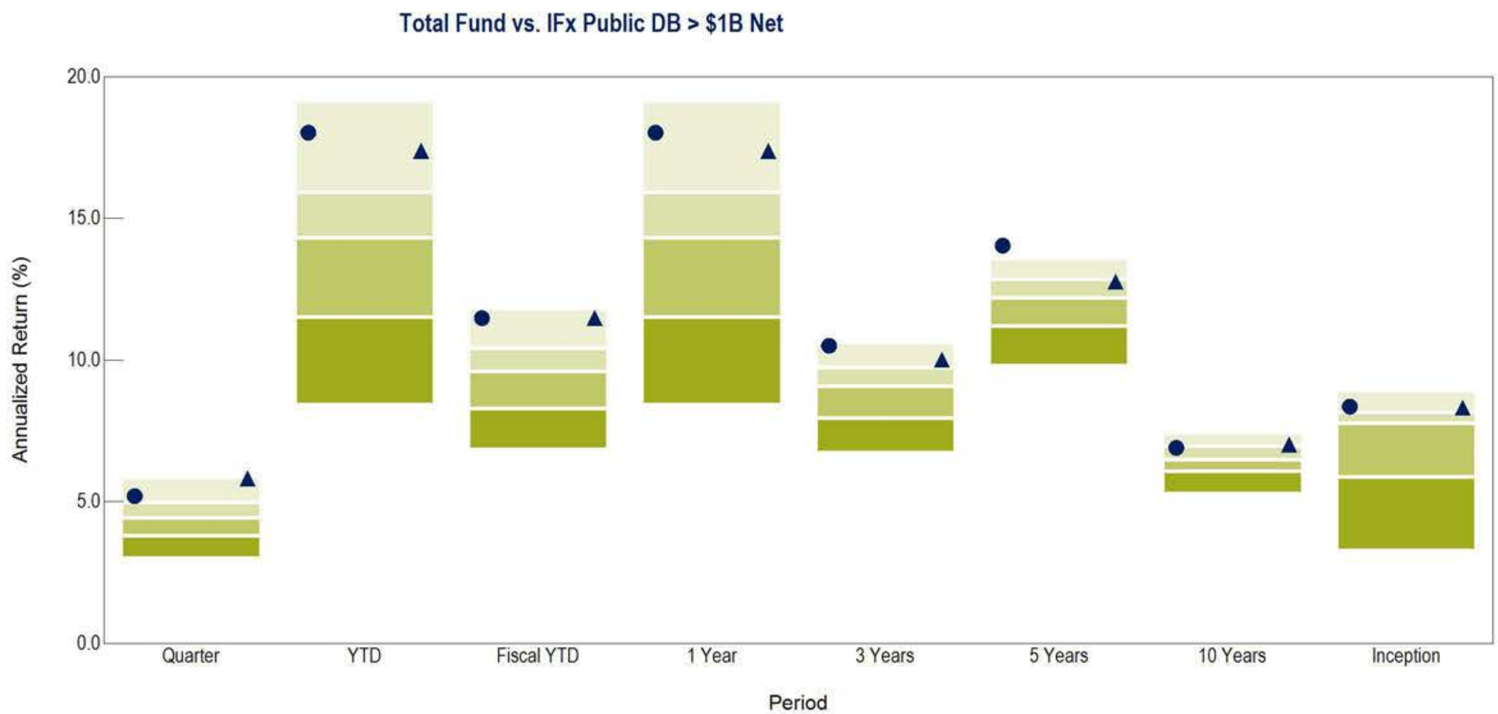
	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Private Equity	**68,996,307**	**1.7**	**4.4**	**--**	**17.9**	**--**	**10.3**	**--**	**17.9**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**Jul-10**
DJ U.S. Total Stock Market Index + 3%			*10.9*	--	*37.4*	--	*18.6*	--	*37.4*	--	--	--	--	--	--	--	--	*Jul-10*
Over/Under			-6.5		-19.5		-8.3		-19.5									
Adams Street Partners	42,445,656	1.0	3.6	--	15.7	--	11.5	--	15.7	--	--	--	--	--	--	--	--	Jul-10
DJ U.S. Total Stock Market Index + 3%			*10.9*	--	*37.4*	--	*18.6*	--	*37.4*	--	--	--	--	--	--	--	--	*Jul-10*
Over/Under			-7.3		-21.7		-7.1		-21.7									
Panteon Ventures	9,903,934	0.2	2.5	--	14.9	--	4.0	--	14.9	--	--	--	--	--	--	--	--	Aug-10
DJ U.S. Total Stock Market Index + 3%			*10.9*	--	*37.4*	--	*18.6*	--	*37.4*	--	--	--	--	--	--	--	--	*Aug-10*
Over/Under			-8.4		-22.5		-14.6		-22.5									
Harbourvest	16,646,718	0.4	9.0	--	--	--	9.0	--	--	--	--	--	--	--	--	--	--	May-13
DJ U.S. Total Stock Market Index + 3%			*10.9*	--	*37.4*	--	*18.6*	--	*37.4*	--	--	--	--	--	--	--	*17.4*	*May-13*
Over/Under			-1.9				-9.6											

Color Coding: PERFORMANCE: Green-Over performance, Red-Under performance

Color Coding: RANKS: 1 - 25 Green - Positive Result, 26 - 50 Yellow, 50 - 75 Orange, 76 - 100 Red - Negative Result

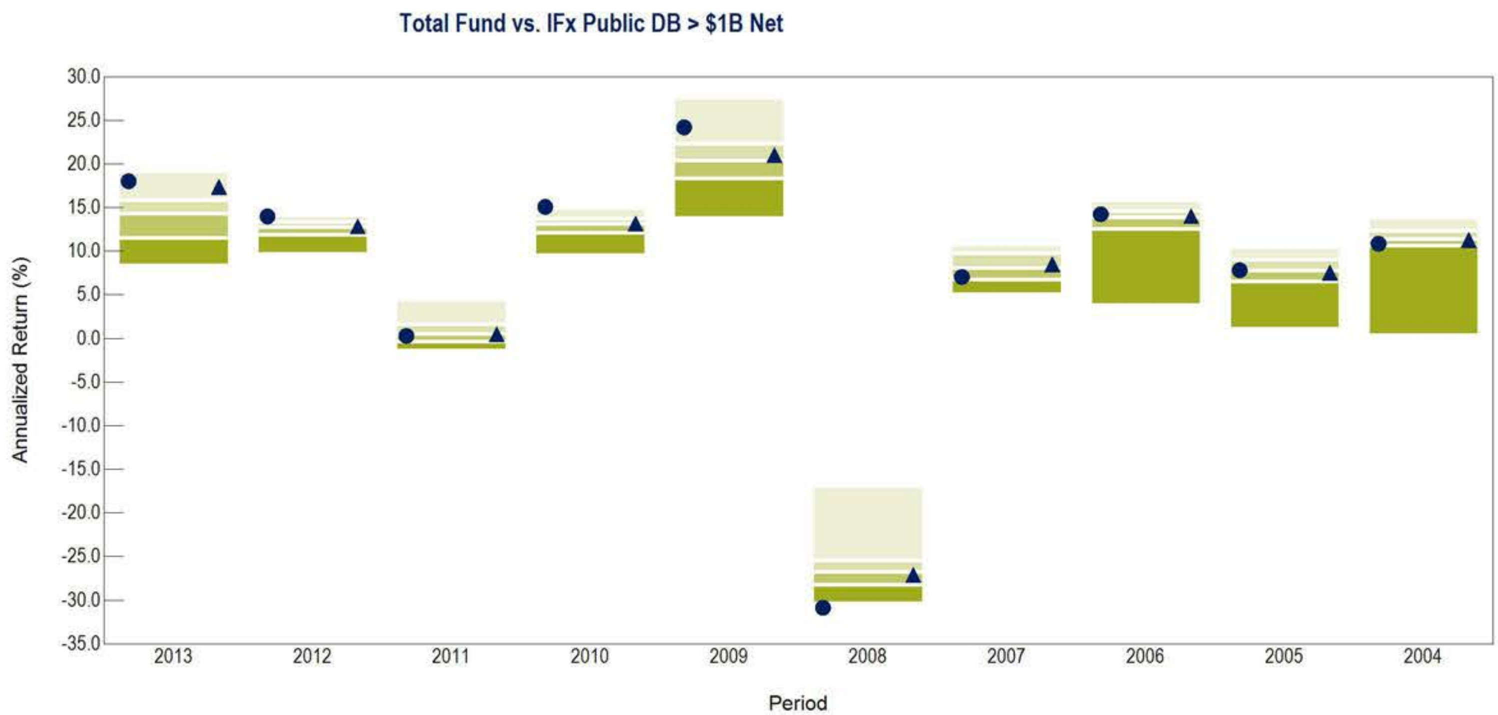
Private Equity performance is shown on a time-weighted return basis. Values are cash adjusted with current quarter cash flows.

Total Fund Return Summary vs. Peer Universe



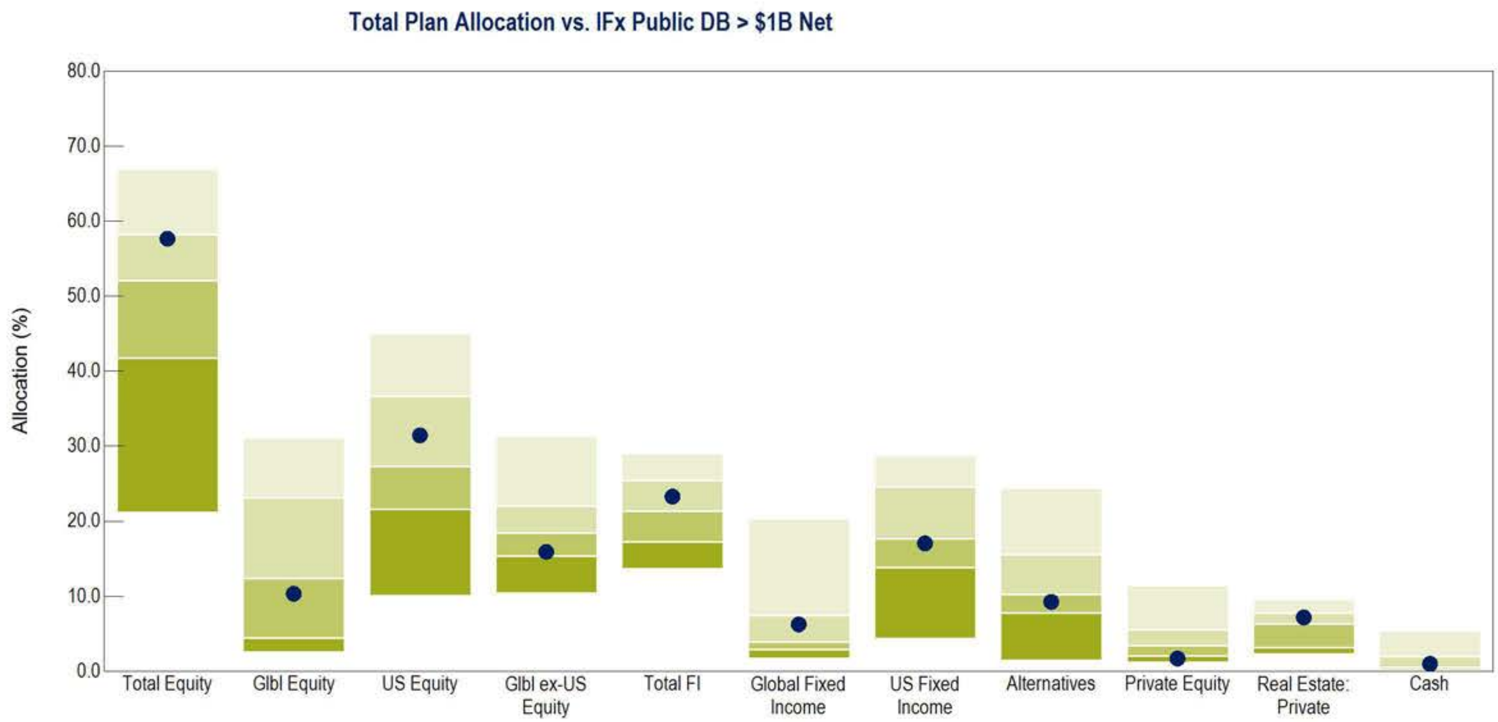
	Return (Rank)															
5th Percentile	5.8		19.1		11.8		19.1		10.6		13.6		7.4		8.9	
25th Percentile	5.0		15.9		10.4		15.9		9.8		12.9		7.0		8.2	
Median	4.4		14.3		9.6		14.3		9.1		12.2		6.5		7.8	
75th Percentile	3.8		11.5		8.3		11.5		8.0		11.2		6.1		5.9	
95th Percentile	3.0		8.4		6.9		8.4		6.7		9.8		5.3		3.3	
# of Portfolios	43		43		43		43		43		42		41		29	
● Total Fund	5.2	(17)	18.0	(9)	11.5	(6)	18.0	(9)	10.5	(8)	14.0	(4)	6.9	(31)	8.4	(21)
▲ Policy Index	5.8	(8)	17.4	(12)	11.5	(6)	17.4	(12)	10.0	(18)	12.8	(27)	7.0	(22)	8.3	(22)

Total Fund Return Summary vs. Peer Universe



	Return (Rank)																			
5th Percentile	19.1		14.0		4.5		14.9		27.6		-17.0		10.8		15.8		10.5		13.9	
25th Percentile	15.9		13.4		1.7		13.8		22.3		-25.4		9.8		14.6		9.1		12.4	
Median	14.3		12.8		0.6		13.2		20.4		-26.7		8.1		13.9		7.8		11.4	
75th Percentile	11.5		11.9		-0.3		12.1		18.4		-28.2		6.8		12.6		6.6		10.7	
95th Percentile	8.4		9.7		-1.4		9.6		13.8		-30.3		5.1		3.9		1.2		0.4	
# of Portfolios	43		33		32		31		30		29		29		28		27		26	
● Total Fund	18.0	(9)	14.0	(10)	0.3	(60)	15.1	(4)	24.2	(20)	-30.9	(98)	7.0	(74)	14.2	(35)	7.8	(50)	10.9	(72)
▲ Policy Index	17.4	(12)	12.9	(46)	0.5	(53)	13.2	(52)	21.0	(38)	-27.1	(58)	8.5	(46)	14.0	(46)	7.6	(62)	11.3	(54)

Total Fund Allocations vs. Peer Universe



Allocation (Rank)	Total Equity		Glbl Equity		US Equity		Glbl ex-US Equity		Total FI		Global Fixed Income		US Fixed Income		Alternatives		Private Equity		Real Estate: Private		Cash		
5th Percentile	66.9		31.1		45.0		31.3		29.0		20.3		28.8		24.4		11.4		9.6		5.4		--
25th Percentile	58.3		23.2		36.7		22.1		25.5		7.5		24.7		15.6		5.6		7.9		2.0		--
Median	52.2		12.4		27.4		18.5		21.4		4.0		17.7		10.3		3.5		6.4		0.6		--
75th Percentile	41.8		4.5		21.7		15.4		17.3		3.0		13.9		7.8		2.1		3.2		0.2		--
95th Percentile	21.2		2.7		10.2		10.4		13.7		1.8		4.4		1.5		1.2		2.3		0.1		--
# of Portfolios	31		6		29		30		31		8		21		28		19		11		22		-- --
● Total Fund	57.7	(27)	10.3	(58)	31.4	(39)	15.9	(69)	23.3	(44)	6.2	(30)	17.0	(61)	9.2	(61)	1.7	(86)	7.2	(29)	1.0	(43)	--

Total Fund Risk Statistics

1 Years Ending December 31, 2013	% of Tot	Anlzd Ret	Anlzd Std Dev	Ann Excess BM Return	Info Ratio
Total Fund	100.00%	18.02%	6.17%	0.64%	0.87
Policy Index	--	17.38%	6.37%	0.00%	--
Total Fund ex Private Equity	98.31%	16.12%	5.99%	-1.26%	-1.79
Policy Index	--	17.38%	6.37%	0.00%	--
Total Equity	57.66%	26.62%	8.75%	3.82%	2.48
MSCI ACWI	--	22.80%	9.30%	0.00%	--
Total US Equity	31.44%	34.04%	8.80%	0.54%	0.92
Total U.S. Equity Benchmark	--	33.50%	8.71%	0.00%	--
Total Non-US Equity	15.90%	16.28%	10.62%	1.00%	0.75
Total Non-US Equity Benchmark	--	15.29%	11.46%	0.00%	--
Total Global Equity	10.32%	21.87%	9.22%	-0.93%	-1.02
MSCI ACWI	--	22.80%	9.30%	0.00%	--
Total Fixed Income	23.28%	-0.39%	3.19%	2.21%	0.76
Barclays Global Aggregate	--	-2.60%	4.84%	0.00%	--
Total US Fixed Income	17.04%	-0.10%	3.17%	1.93%	1.89
Barclays Aggregate	--	-2.02%	3.19%	0.00%	--
Total Global Fixed Income	6.24%	-2.28%	5.22%	0.31%	0.27
Barclays Global Aggregate	--	-2.60%	4.84%	0.00%	--
Total Real Estate	7.17%	10.63%	4.43%	-3.33%	-2.53
Total Real Estate Benchmark	--	13.96%	5.74%	0.00%	--
Total Liquid Alternatives	9.23%	--	--	--	--
Wells Fargo MLP Index	--	30.08%	13.48%	0.00%	--
Overlay	0.98%	--	--	--	--
91 Day T-Bills	--	0.05%	0.01%	0.00%	--
Total Private Equity	1.69%	17.91%	6.73%	-19.47%	-2.39

Total Fund Risk Statistics

3 Years Ending December 31, 2013	% of Tot	Anlzd Ret	Anlzd Std Dev	Ann Excess BM Return	Info Ratio
Total Fund	100.00%	10.50%	8.74%	0.49%	0.68
Policy Index	--	10.01%	8.80%	0.00%	--
Total Fund ex Private Equity	98.31%	--	--	--	--
Policy Index	--	10.01%	8.80%	0.00%	--
Total Equity	57.66%	--	--	--	--
MSCI ACWI	--	9.73%	14.14%	0.00%	--
Total US Equity	31.44%	16.50%	12.82%	0.27%	0.75
Total U.S. Equity Benchmark	--	16.24%	12.72%	0.00%	--
Total Non-US Equity	15.90%	5.80%	15.51%	0.66%	0.46
Total Non-US Equity Benchmark	--	5.14%	16.46%	0.00%	--
Total Global Equity	10.32%	10.24%	12.52%	0.51%	0.20
MSCI ACWI	--	9.73%	14.14%	0.00%	--
Total Fixed Income	23.28%	5.44%	2.95%	3.05%	1.14
Barclays Global Aggregate	--	2.39%	4.42%	0.00%	--
Total US Fixed Income	17.04%	5.53%	2.93%	2.27%	1.21
Barclays Aggregate	--	3.26%	2.75%	0.00%	--
Total Global Fixed Income	6.24%	--	--	--	--
Barclays Global Aggregate	--	2.39%	4.42%	0.00%	--
Total Real Estate	7.17%	11.34%	4.79%	-2.27%	-2.10
Total Real Estate Benchmark	--	13.61%	5.53%	0.00%	--
Total Liquid Alternatives	9.23%	--	--	--	--
Wells Fargo MLP Index	--	15.16%	13.29%	0.00%	--
Overlay	0.98%	--	--	--	--
91 Day T-Bills	--	0.06%	0.01%	0.00%	--
Total Private Equity	1.69%	--	--	--	--
DJ U.S. Total Stock Market Index + 3%	--	--	--	--	--

Total Fund Risk Statistics

5 Years Ending December 31, 2013

	% of Tot	Anlzd Ret	Anlzd Std Dev	Ann Excess BM Return	Info Ratio
Total Fund	100.00%	14.04%	11.33%	1.27%	0.83
Policy Index	--	12.77%	11.11%	0.00%	--
Total Fund ex Private Equity	98.31%	--	--	--	--
Policy Index	--	12.77%	11.11%	0.00%	--
Total Equity	57.66%	--	--	--	--
MSCI ACWI	--	14.92%	17.60%	0.00%	--
Total US Equity	31.44%	19.35%	16.42%	0.49%	1.15
Total U.S. Equity Benchmark	--	18.86%	16.24%	0.00%	--
Total Non-US Equity	15.90%	13.05%	18.76%	0.23%	0.13
Total Non-US Equity Benchmark	--	12.82%	19.80%	0.00%	--
Total Global Equity	10.32%	11.95%	15.64%	-2.97%	-0.81
MSCI ACWI	--	14.92%	17.60%	0.00%	--
Total Fixed Income	23.28%	--	--	--	--
Barclays Global Aggregate	--	3.91%	5.74%	0.00%	--
Total US Fixed Income	17.04%	10.31%	5.06%	5.86%	1.46
Barclays Aggregate	--	4.44%	2.88%	0.00%	--
Total Global Fixed Income	6.24%	--	--	--	--
Barclays Global Aggregate	--	3.91%	5.74%	0.00%	--
Total Real Estate	7.17%	1.85%	10.61%	-1.84%	-1.23
Total Real Estate Benchmark	--	3.69%	10.41%	0.00%	--
Total Liquid Alternatives	9.23%	--	--	--	--
Wells Fargo MLP Index	--	--	--	--	--
Overlay	0.98%	--	--	--	--
91 Day T-Bills	--	0.09%	0.02%	0.00%	--
Total Private Equity	1.69%	--	--	--	--
DJ U.S. Total Stock Market Index + 3%	--	--	--	--	--

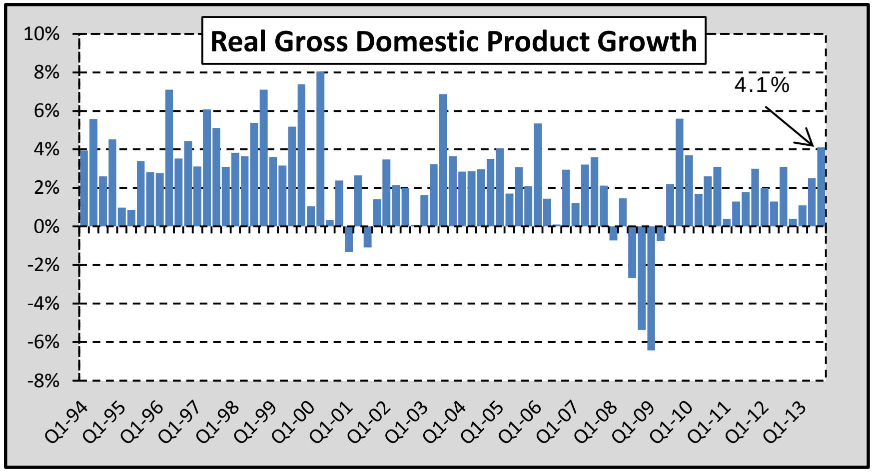
Appendix

Domestic Equity Benchmarks		Qtr.	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Large Core	S&P 500	10.5%	32.4%	16.2%	17.9%	7.4%
Small Core	Russell 2000	8.7%	38.8%	15.7%	20.1%	9.1%
Small Growth	Russell 2000 Growth	8.2%	43.3%	16.8%	22.6%	9.4%
Small Value	Russell 2000 Value	9.3%	34.5%	14.5%	17.6%	8.6%
Large Core	Russell 1000	10.2%	33.1%	16.3%	18.6%	7.8%
Large Growth	Russell 1000 Growth	10.4%	33.5%	16.5%	20.4%	7.8%
Large Value	Russell 1000 Value	10.0%	32.5%	16.1%	16.7%	7.6%
Mid Core	S&P Mid Cap 400	8.3%	33.5%	15.6%	21.9%	10.4%
REIT	NAREIT Composite	-0.1%	2.3%	9.6%	16.5%	N/A
Int'l Equity Benchmarks		**Qtr.**	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
International Developed	MSCI EAFE	5.7%	22.8%	8.2%	12.4%	6.9%
Emerging Equity	MSCI EM	1.8%	-2.6%	-2.1%	14.8%	11.2%
Small Cap Int'l	S&P EPAC SmallCap	5.9%	28.4%	9.8%	17.5%	10.0%
World ex-US	MSCI ACWI ex-US	4.8%	15.3%	5.1%	12.8%	7.6%
Domestic FI Benchmarks		**Qtr.**	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Core Bonds	Barclays Aggregate	-0.1%	-2.0%	3.3%	4.4%	4.5%
Municipal Bond	Barclays Municipal	0.3%	-2.6%	4.8%	5.9%	4.3%
High Yield	Barclays US High Yield	3.6%	7.4%	9.3%	18.9%	8.6%
Intermediate Gov/Cred	Barclays Interm. Gov/Credit	-0.0%	-0.9%	2.9%	4.0%	4.1%
Long Gov/Credit	Barclays Long Gov/Credit	-0.1%	-8.8%	6.7%	6.4%	6.4%
Long Credit	Barclays Long Credit	1.5%	-6.6%	7.2%	9.8%	6.4%
Long Treasuries	Barclays US 20+ Yr Treas	-3.2%	-13.9%	6.0%	0.5%	6.1%
Cash	BofA ML US 3-Month T-Bill	0.0%	0.1%	0.1%	0.1%	1.7%
Inflation	Barclays US TIPS 1-10 Yr	-1.3%	-5.6%	2.6%	5.0%	4.4%
Global Inflation	Barclays Global ILB	-0.1%	-3.2%	5.0%	6.3%	5.4%
STRIPS	Barclays 20+ Yr STRIPS	-4.5%	-21.0%	8.9%	-1.8%	N/A
Global FI Benchmarks		**Qtr.**	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
World Gov. Bonds	Citigroup WGBI	-1.1%	-4.0%	1.2%	2.3%	4.2%
Em. Mkt. Bonds (Local)	JPM GBI-EM Glob. Div.	-1.5%	-9.0%	1.5%	8.1%	9.5%
Diversified Benchmark		**Qtr.**	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Diversified	Diversified*	5.3%	17.6%	10.0%	13.2%	6.9%
Alternative Benchmarks		**Qtr.**	**1 Yr.**	**3 Yr.**	**5 Yr.**	**10 Yr.**
Commodities	DJ UBS Commodity Index	-1.1%	-9.5%	-8.1%	1.5%	0.9%
Fund of Funds	HFRI Fund of Funds	3.5%	8.8%	2.4%	4.8%	3.4%
Hedge Fund	DJCS HF Composite	4.2%	9.7%	4.8%	8.7%	6.4%
Hedge Fund	DJCS Equity Market Neutral	5.1%	9.3%	4.8%	3.5%	-0.3%
Hedge Fund	DJCS Event Driven	4.8%	15.5%	5.1%	9.5%	7.8%
Hedge Fund	DJCS Long-Short	6.3%	17.7%	5.7%	9.0%	7.0%
Real Estate	NCREIF Property Index**	2.6%	11.0%	12.7%	3.4%	8.7%

* 35% LC, 10% SC, 12% Int'l, 3% Emerging, 25% FI, 5% HY, 5% Global FI, 5% REITS

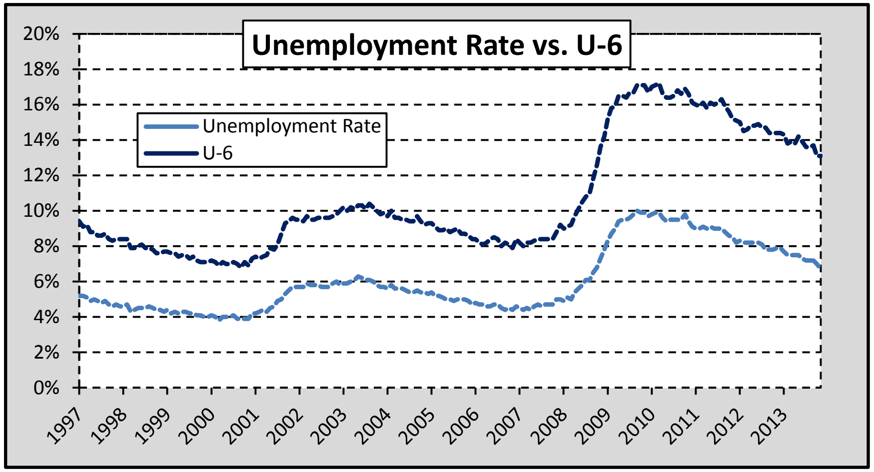
**As of 9/30/2013

US Economic Environment



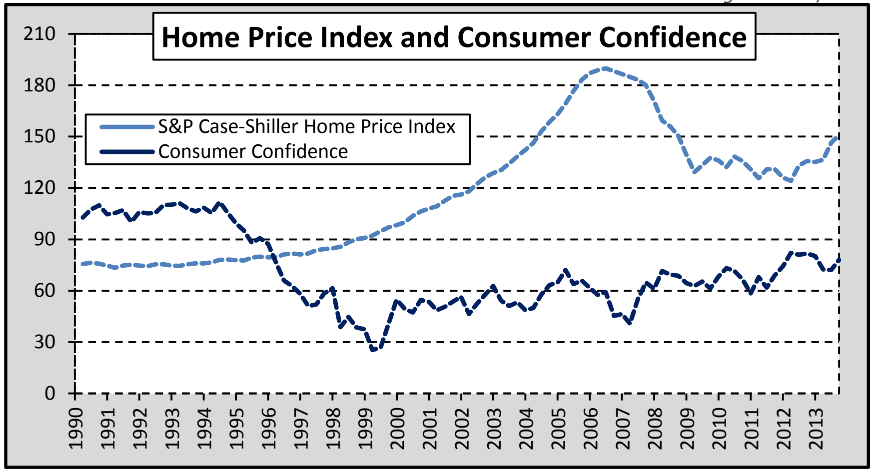
GDP growth was revised upwards for the third quarter, to 4.1%

Source: Bloomberg as of 12/21



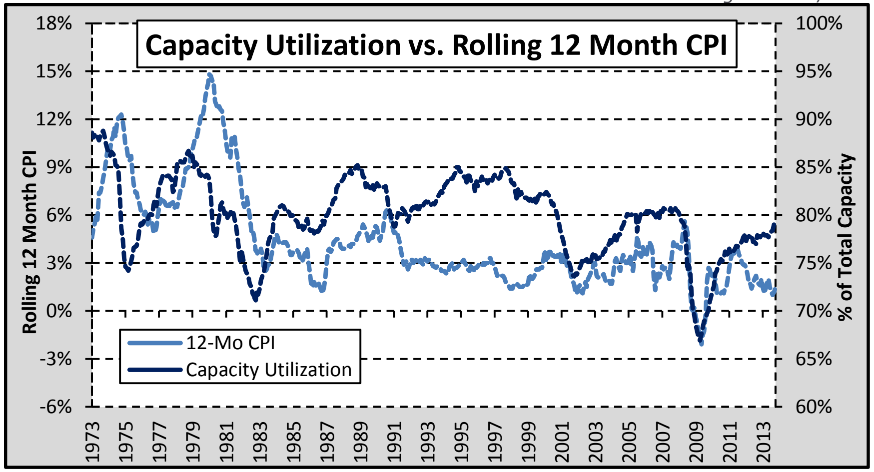
Unemployment fell to 6.7% in December; U-6 also decreased, to 13.1%

Source: Bloomberg as of 12/31



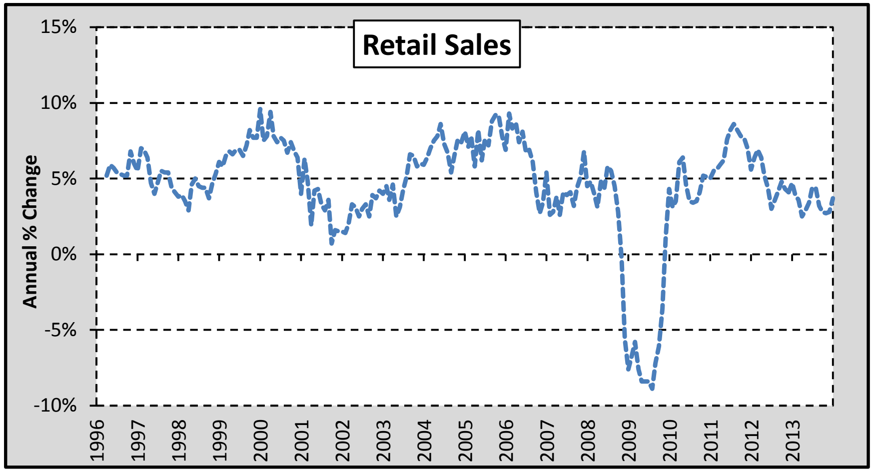
Consumer confidence rose to 78.1 in December; the Case-Shiller home price index (as of 9/30) rose to its highest level (150.92) since the financial crisis

Source: Bloomberg as of 12/31



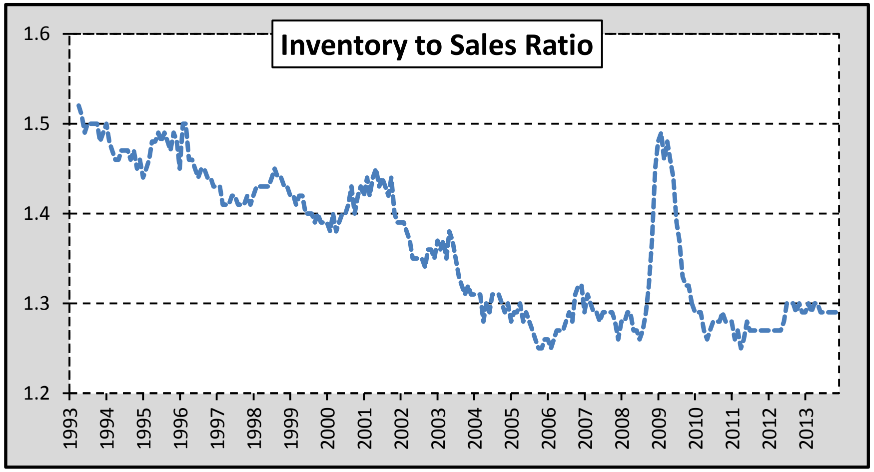
Rolling 12 month CPI increased to 1.5% at December end; capacity utilization rose slightly to 79.2% in the month

Source: Bloomberg as of 12/31



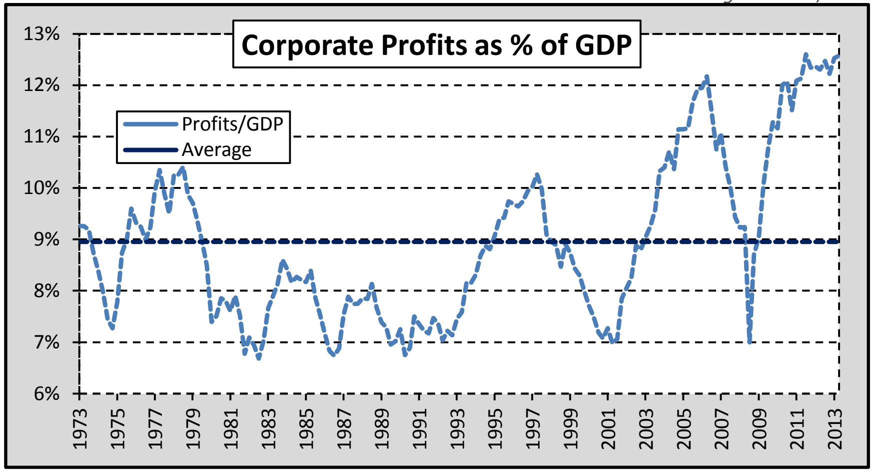
Retail sales rose to a 3.7% year-over-year growth rate in December

Source: Bloomberg as of 12/31



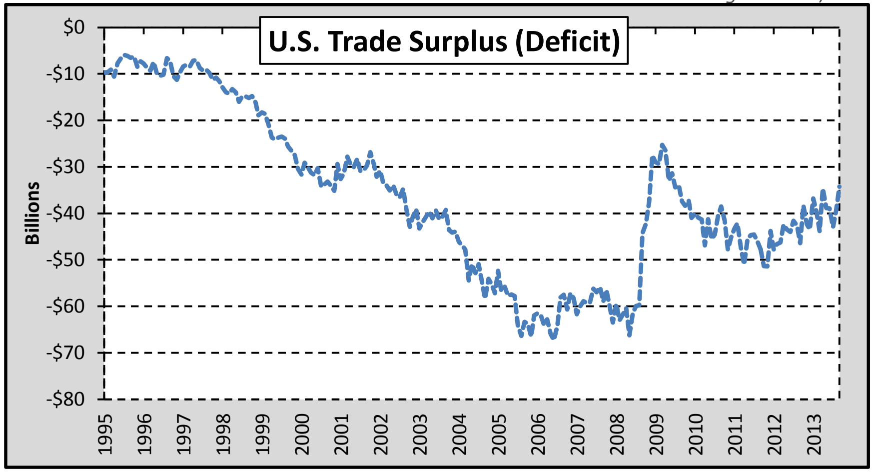
The inventory-to-sales ratio has remained mostly flat since early 2010 and closed at 1.29 in November

Source: Bloomberg as of 11/30



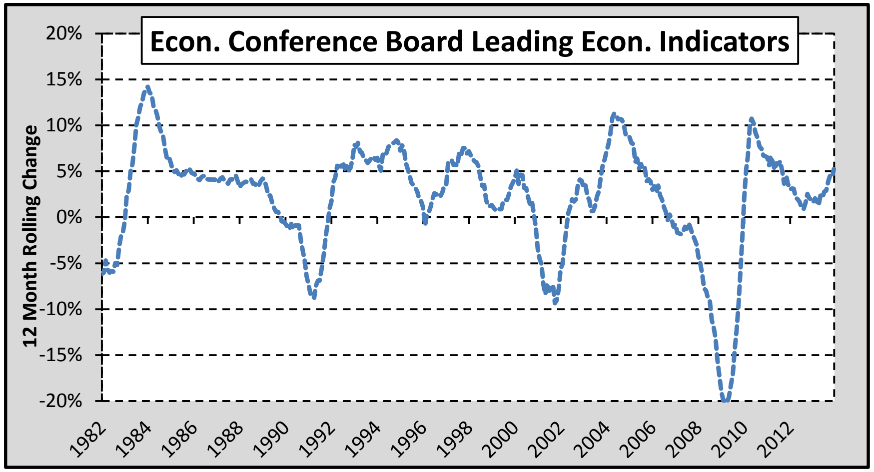
Corporate Profits as a percent of GDP remained near secular highs at 12.6% at the end of the third quarter

Source: Bloomberg as of 9/30



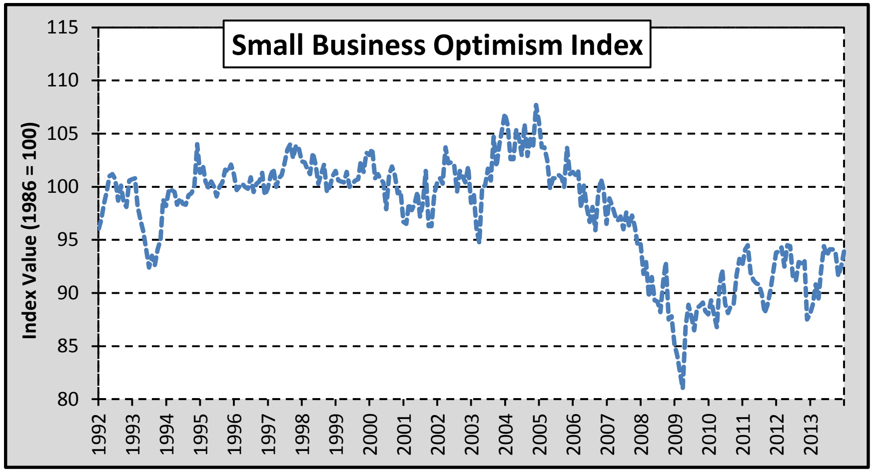
The trade deficit decreased marginally in November

Source: Bloomberg as of 11/30



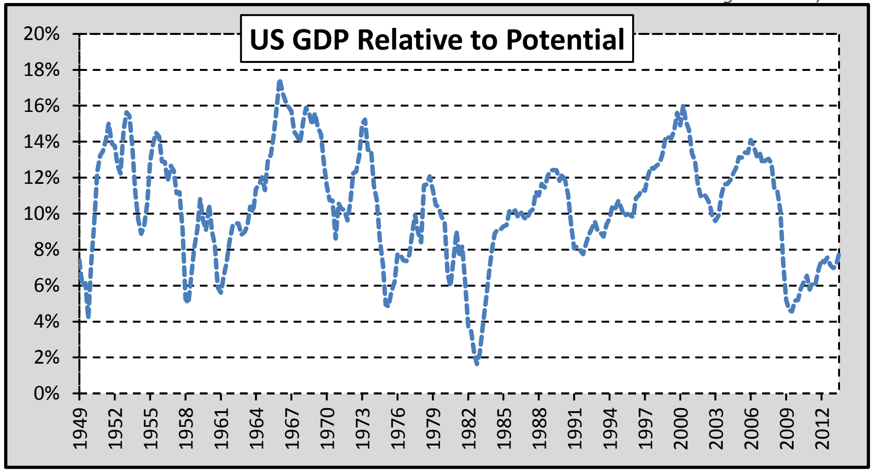
The rolling percentage change in the Leading Economic Indicators index increased to 5.3% through November

Source: Bloomberg as of 11/30



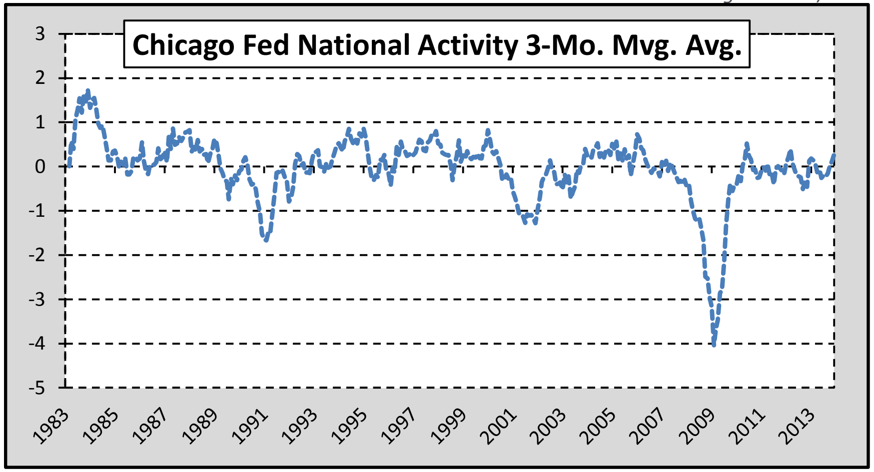
The small business optimism index increased marginally to 93.9 through December, up from 88.0 a year ago

Source: Bloomberg as of 12/31



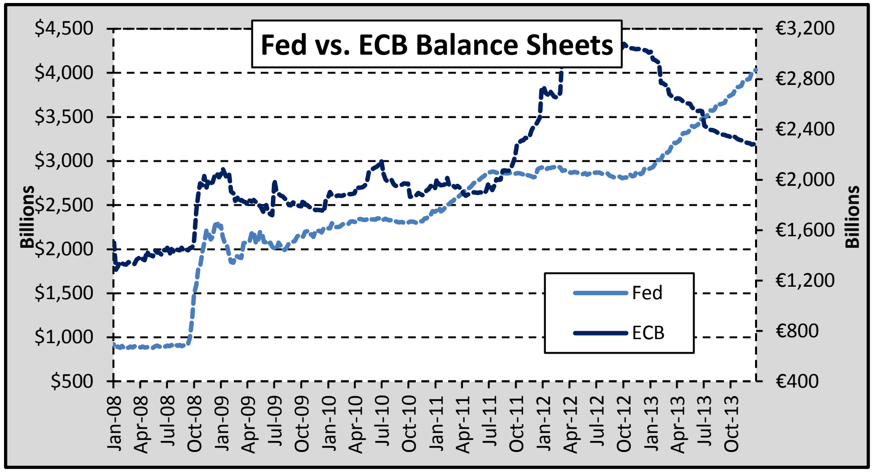
US GDP relative to potential GDP rose slightly through Q2 but remained near historic lows

Source: Bureau of Economic Analysis, Congressional Budget Office as of 7/1



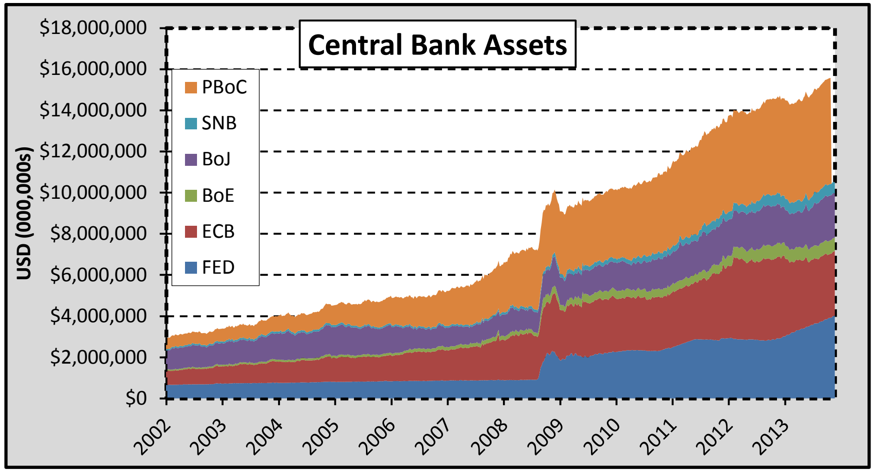
Chicago Fed National Activity 3 Month moving average remained positive through November; indicating above average growth

Source: Bloomberg as of 11/30



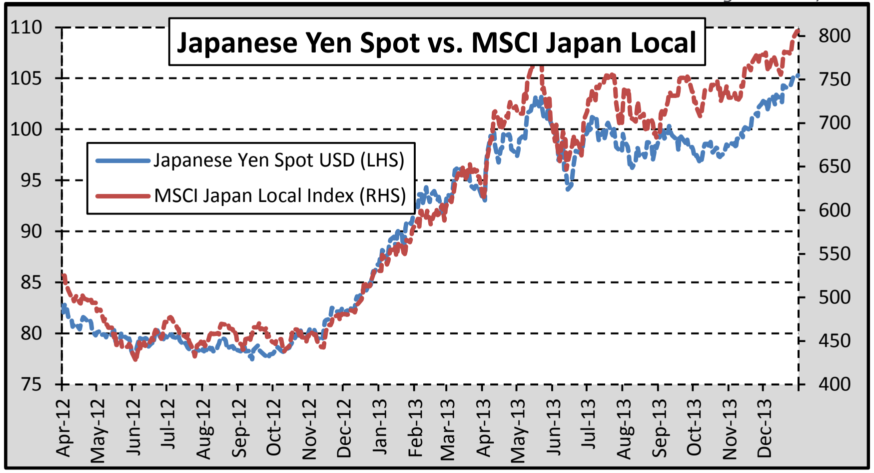
The Federal Reserve Bank balance sheet increased in 2013 while the European Central Bank balance sheet decreased

Source: Bloomberg as of 12/31



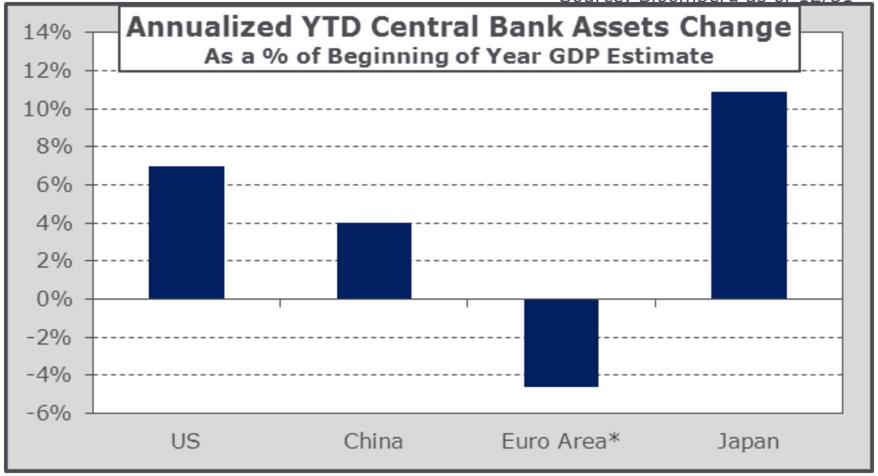
Central bank assets worldwide have risen significantly since 2008

Source: Bloomberg as of 12/31



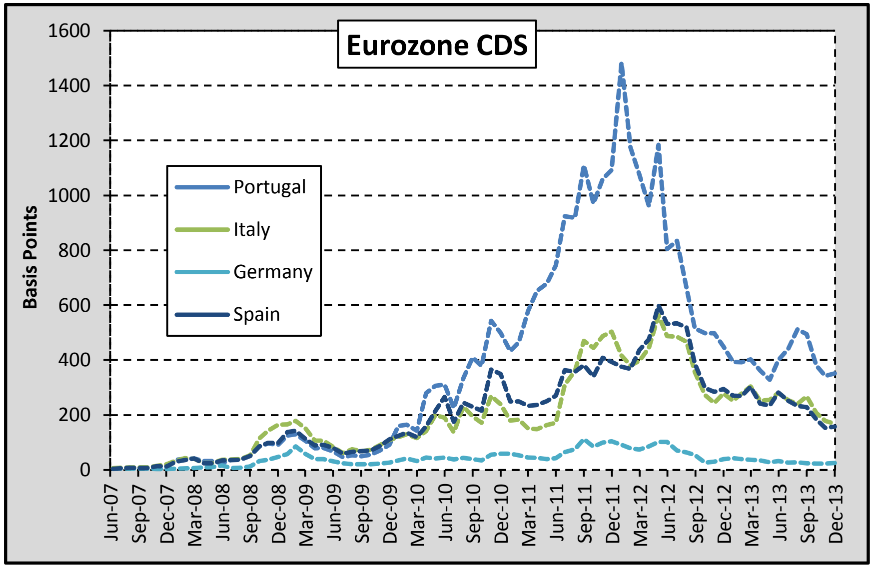
The Japanese Yen has weakened 21.4% relative to the US dollar in 2013; while the MSCI Japan TR Net Local Index returned 54.6%

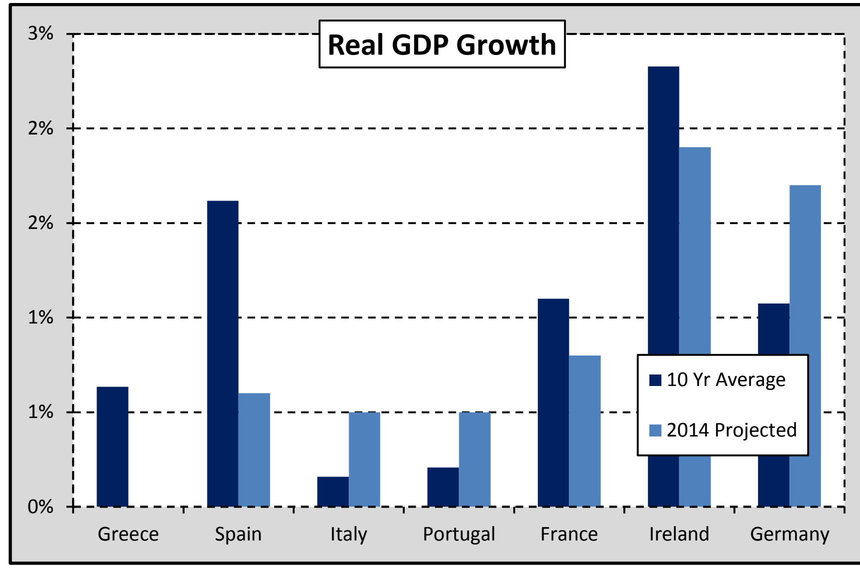
Source: Bloomberg as of 12/31



Large economies continue easing, Japan to the extreme, while the ECB tightens

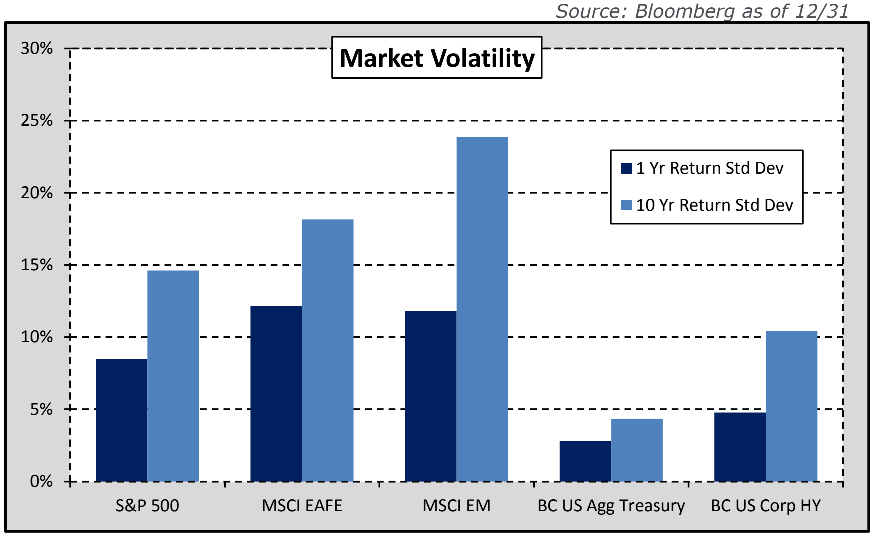
*Source: Bloomberg as of 9/30; All calculations converted to USD *GDP figure reflects World Bank Euro Area GDP*

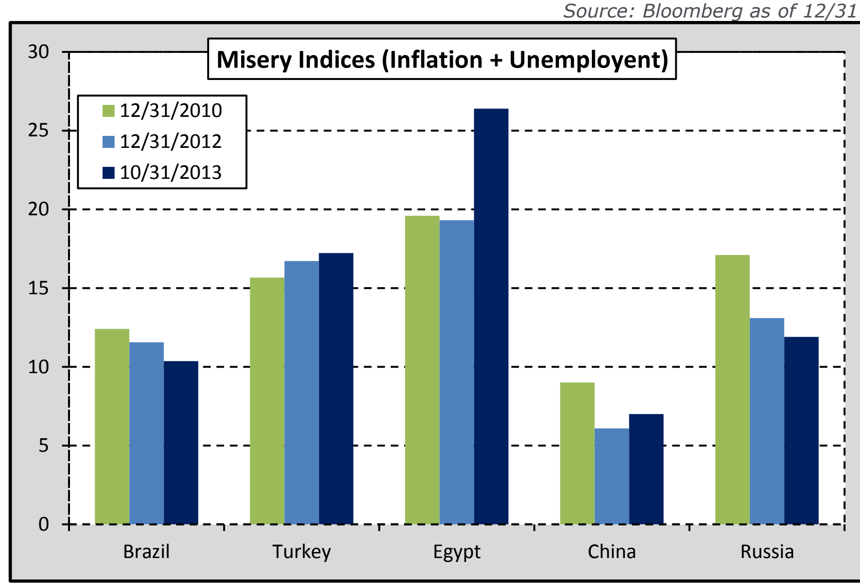




Source: Bloomberg as of 12/31

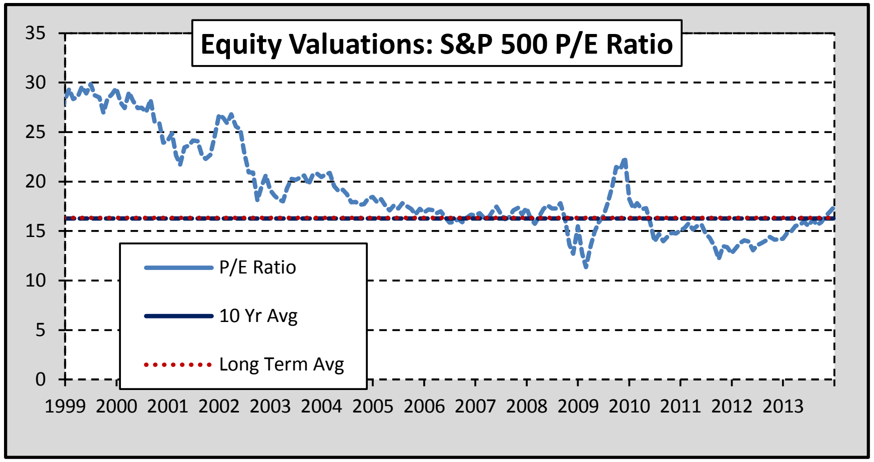
Source: Bloomberg as of 12/31

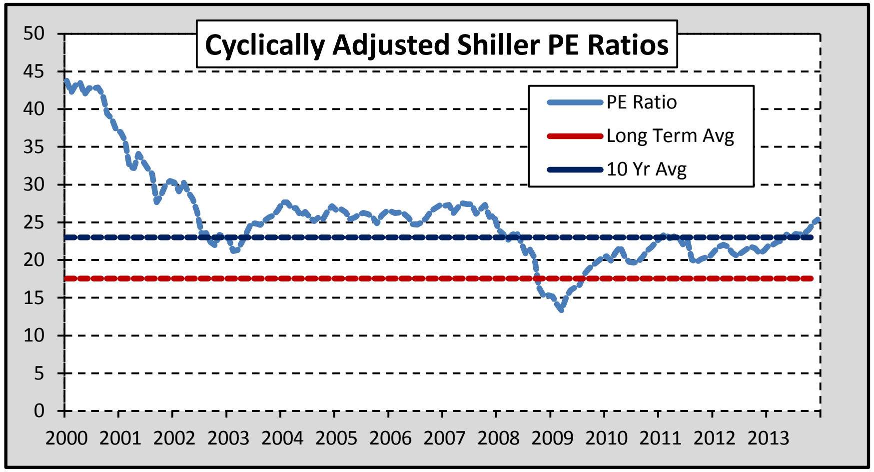




Source: Morningstar as of 12/31

Source: Bloomberg as of 12/31



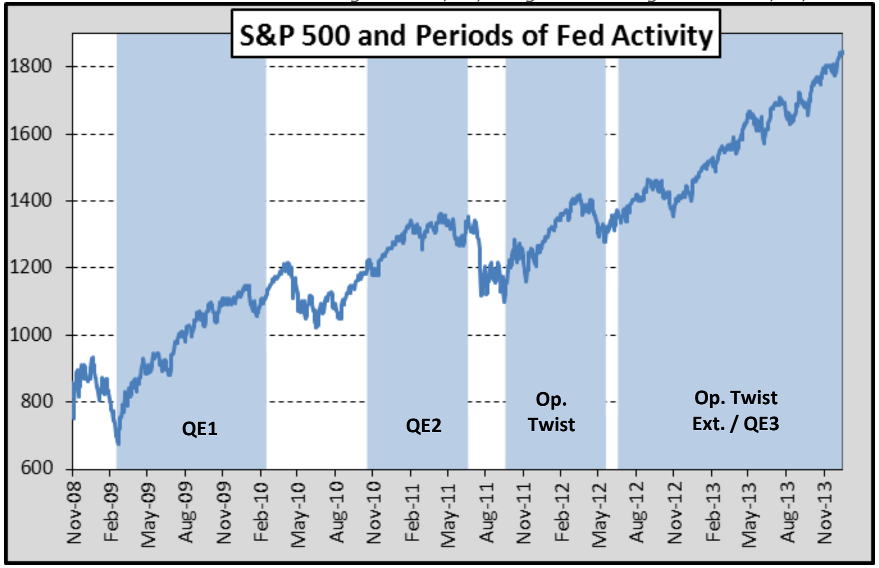


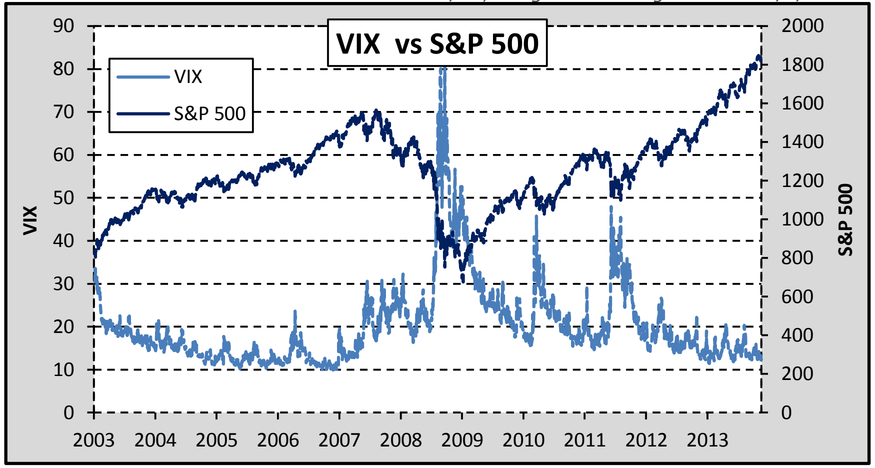
S&P valuations rose in December remaining above the 10 year and long term averages, which are nearly equal at 16.35…

Source: Bloomberg as of 12/31; Long term average dates to 1/29/1954

…The cyclically adjusted Shiller PE Ratio, however, is above the long term average of 17.55 and slightly above the 10 year average of 23.04

Source: Shiller Data as of 12/31; Long term average dates to 1/1/1926

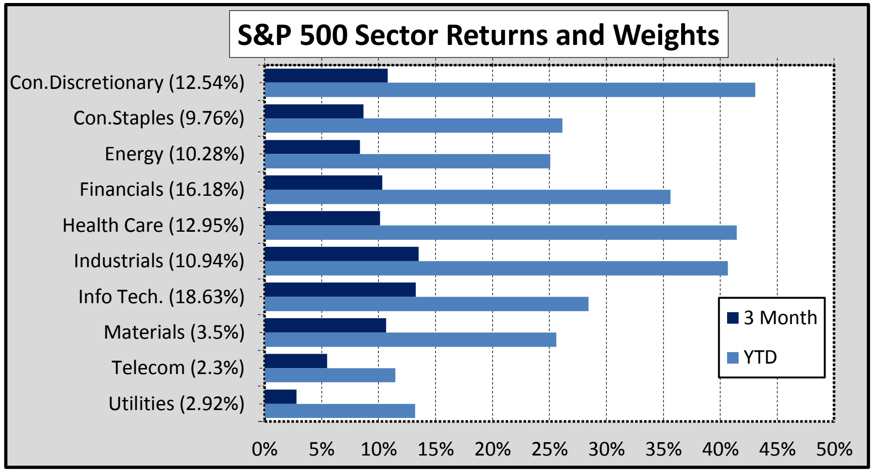




The VIX remained at low levels in December; the S&P 500 rose 2.5% on the month

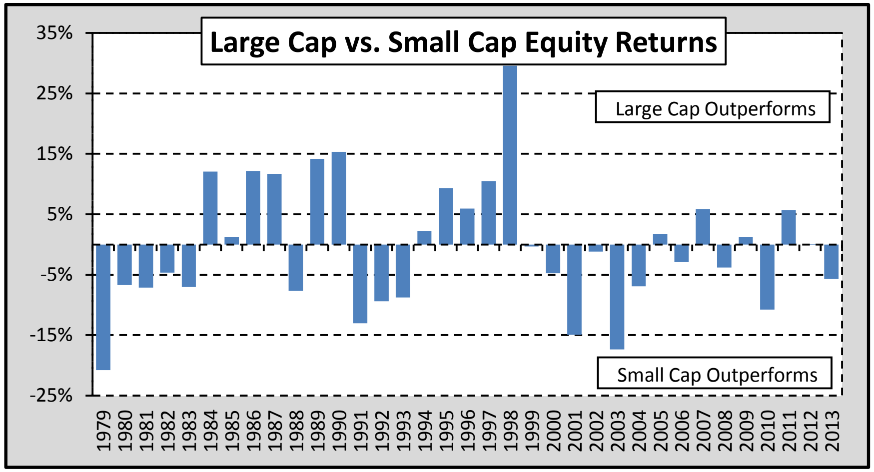
Source: Bloomberg as of 12/31

Source: Bloomberg as of 12/31



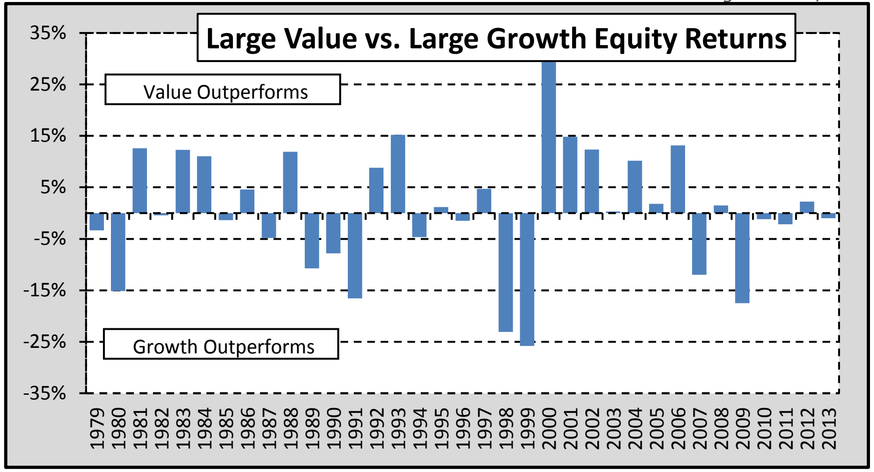
Industrials and Consumer Discretionary have led all sectors in 2013 as Telecom and Utilities lagged in the 4th quarter but are still positive on the year

Source: Bloomberg as of 12/31

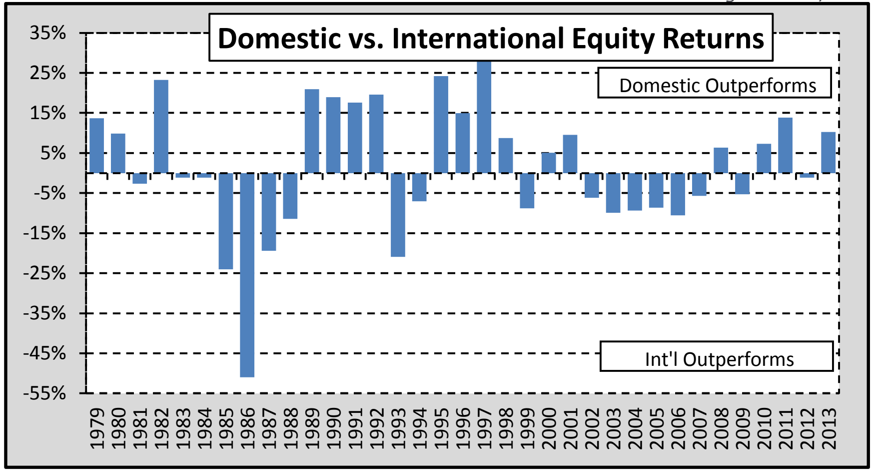


Small cap has outperformed large cap in 2013

Source: Bloomberg as of 12/31



Large value stocks have marginally outperformed large growth in 2013



Domestic equity has outperformed international equity in 2013

Source: Bloomberg as of 12/31

Source: Bloomberg as of 12/31

Developed Market Equity Returns (U.S. Dollars)	YTD	3-Mo	1 Yr.	3 Yr. Ann.
Europe ex UK	24.6%	7.9%	24.6%	6.5%
United Kingdom	16.2%	6.7%	16.2%	6.5%
Japan	24.9%	2.1%	24.9%	3.4%
Pacific Ex Japan	1.5%	-0.4%	1.5%	0.5%
Canada	3.3%	3.5%	3.3%	-1.9%
USA	29.9%	9.7%	29.9%	13.8%

US Dollar Return vs. Major Foreign Currencies

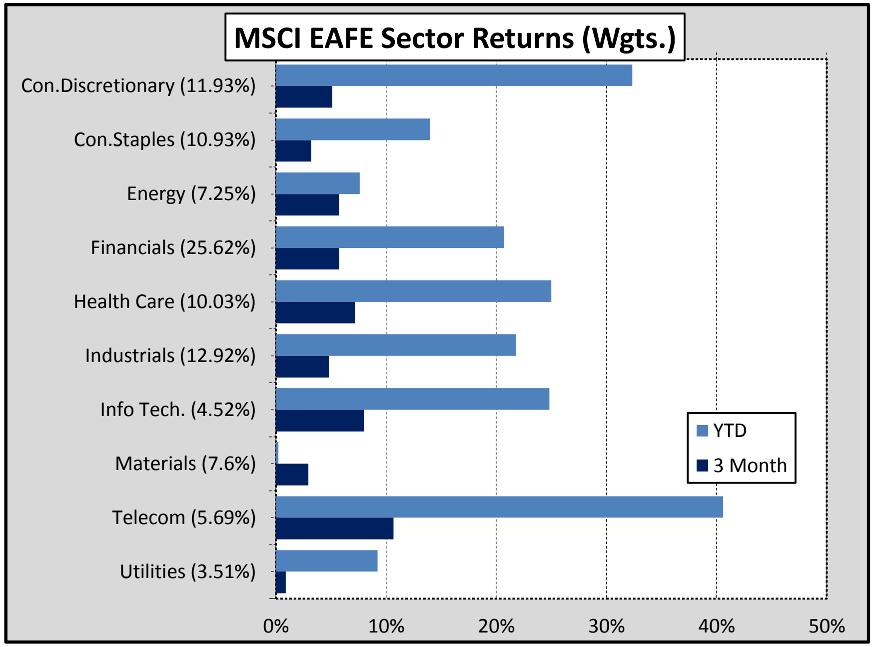
(Negative = Dollar Depreciates, Positive = Dollar Appreciates)

	YTD	3-Mo	1 Yr.	3 Yr. Ann.
Euro	-4.2%	-1.6%	-4.2%	-0.9%
Japanese Yen	17.6%	6.7%	17.6%	8.3%
British Pound	-1.9%	-2.3%	-1.9%	-2.0%
Canada	6.6%	3.0%	6.6%	2.0%
Australia	14.2%	4.3%	14.2%	4.5%

Currency Impact on Developed Mkt. Returns

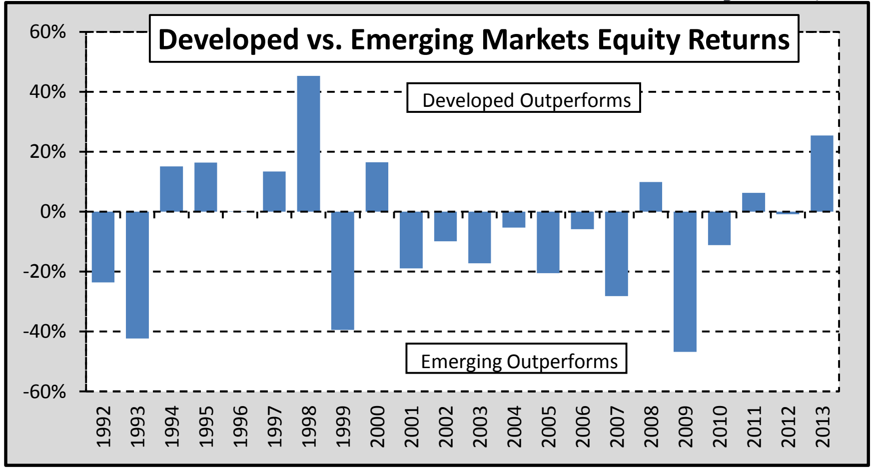
(Negative = Currency Hurt, Positive = Currency Helped)

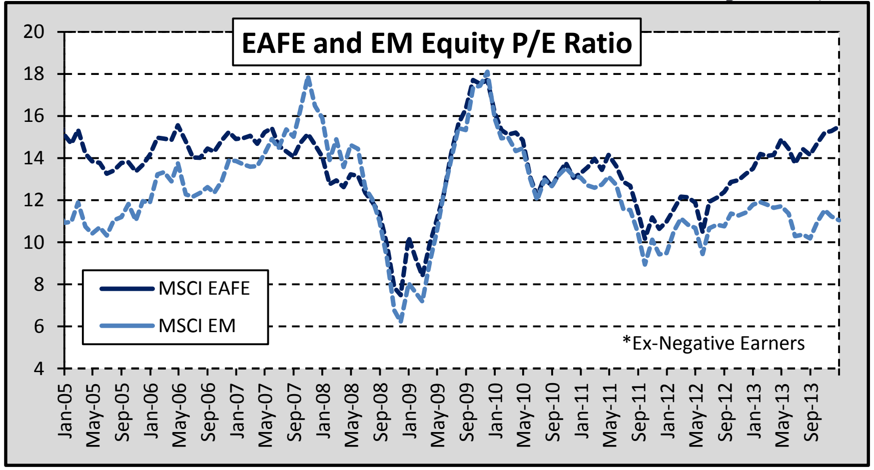
	YTD	3-Mo	1 Yr.	3 Yr. Ann.
MSCI EAFE (Local)	26.9%	6.4%	26.9%	9.4%
MSCI EAFE (USD)	22.8%	5.7%	22.8%	8.2%
Currency Impact	-4.1%	-0.6%	-4.1%	-1.2%



Source: Bloomberg as of 12/31

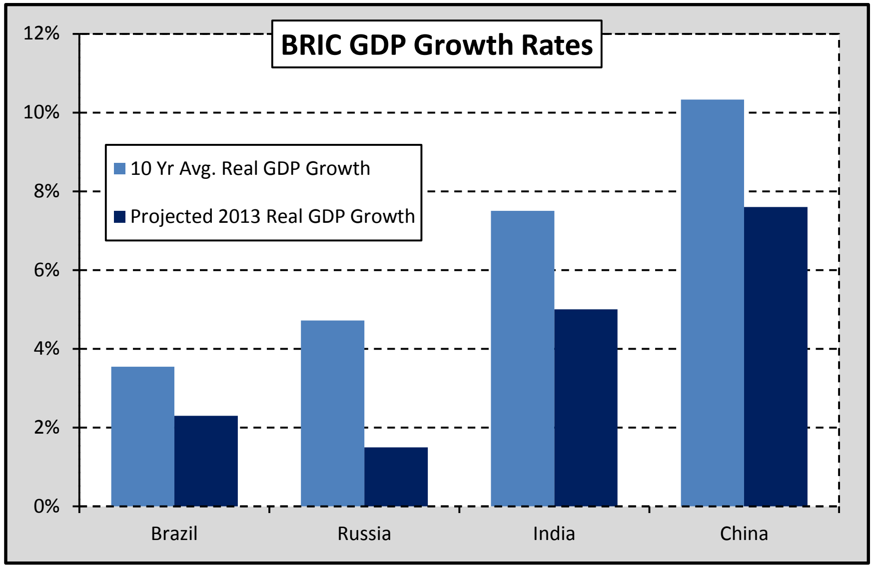
Source: Bloomberg as of 12/31



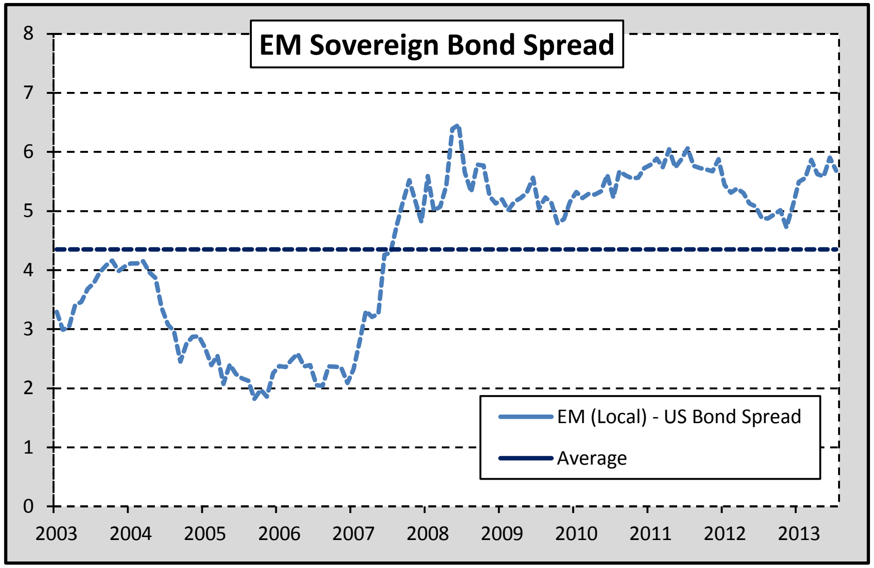


Source: Bloomberg as of 12/31

Source: Bloomberg as of 12/31



Source: Bloomberg as of 12/31



Source: Bloomberg as of 12/31

Emerging Markets Valuation

	MSCI EM	MSCI EM Small Cap
PE Ratio	11.83	22.98
PE Historical Avg	14.47	18.13
PB Ratio	1.51	1.29
Historical Avg	1.53	1.27
PS Ratio	0.99	0.74
Historical Avg	1.12	0.73

- MSCI EM PE, PB, and PS Ratios are below historical averages
- MSCI EM Small Cap PE is above, while PB and PS Ratios are in line with historical averages

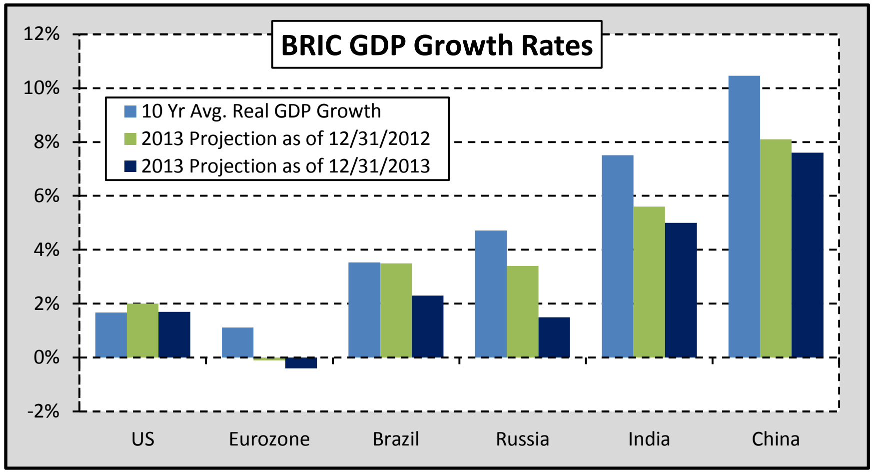
Source: Bloomberg as of 12/31

US Dollar Return vs. Major EM Currencies

(Negative = Dollar Depreciates, Positive = Dollar Appreciates)

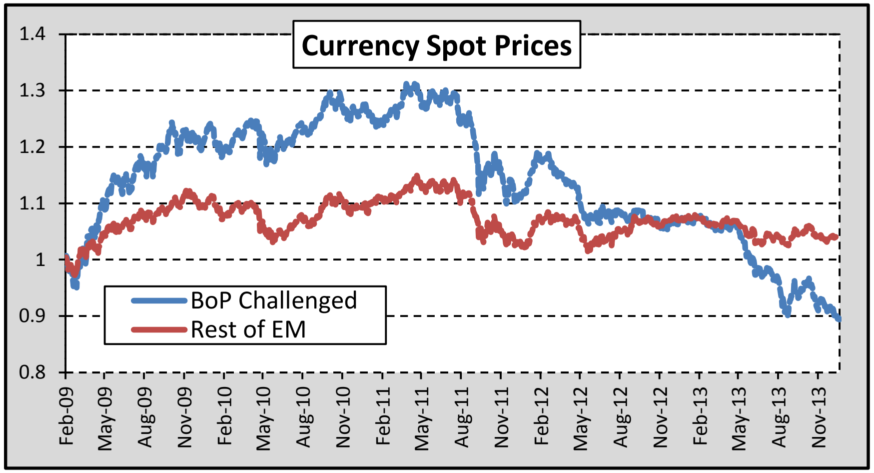
	YTD	3-Mo	1 Yr.	3 Yr. Ann.
Brazilian Real	13.2%	6.1%	13.2%	11.1%
Russian Ruble	7.1%	1.7%	7.1%	2.5%
Indian Rupee	11.4%	-1.1%	11.4%	10.3%
Chinese Renminbi	-2.9%	-1.1%	-2.9%	-2.9%
Singapore Dollar	-0.9%	-0.2%	-0.9%	-0.9%
Hungarian Forint	-2.0%	-1.5%	-2.0%	1.3%
Turkish Lira	17.0%	6.0%	17.0%	10.5%
Mexican Peso	1.4%	-0.4%	1.4%	1.9%
So. African Rand	19.4%	4.6%	19.4%	14.2%
So. Korean Won	-1.0%	-2.2%	-1.0%	-2.2%

Source: Bloomberg as of 12/31



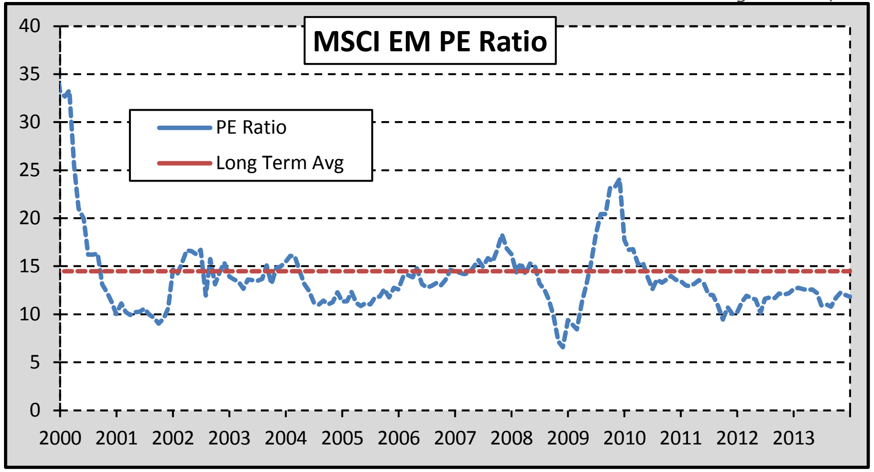
Projected GDP growth rates have continued to decline in emerging market countries

Source: Bloomberg as of 12/31



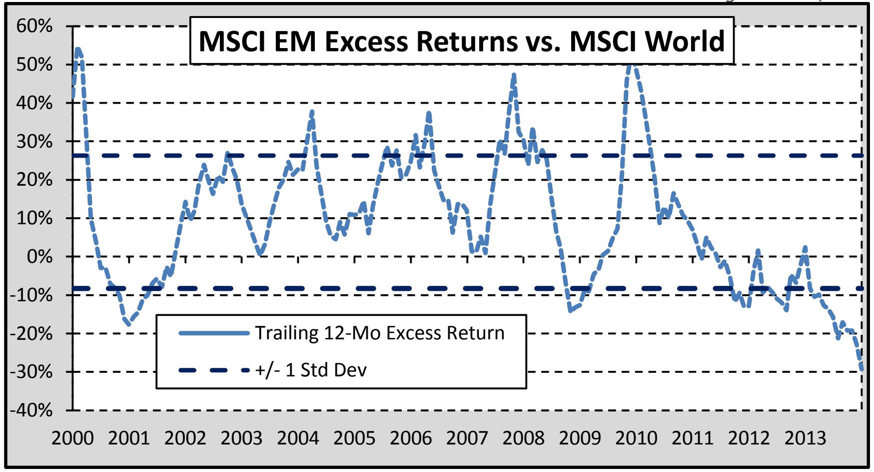
Currencies of BoP challenged countries (Brazil, India, Indonesia, Turkey, and South Africa) have depreciated significantly relative to currencies of other EM countries

Source: Bloomberg as of 12/31



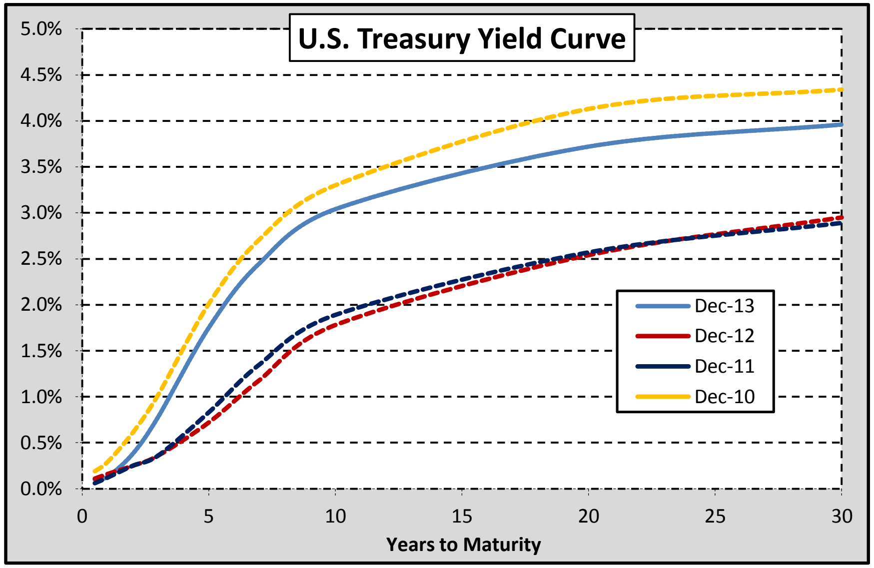
The MSCI EM PE Ratio remains below its long term average

Source: Bloomberg as of 12/31

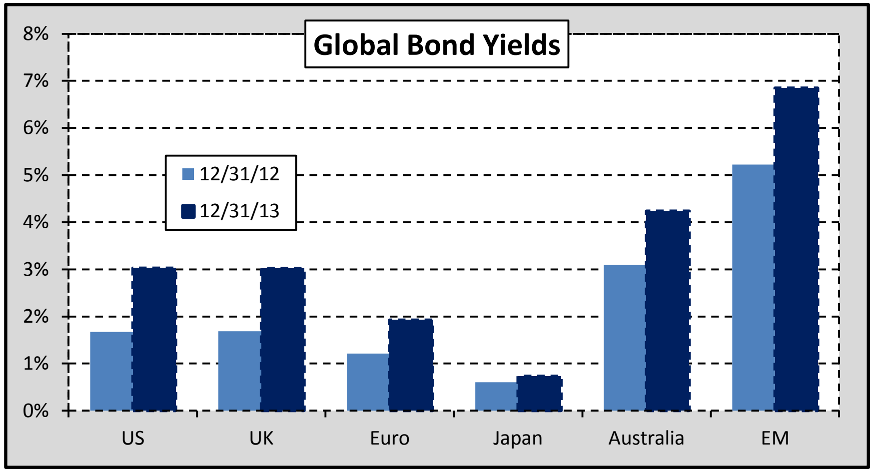


MSCI EM Rolling 12-Month excess returns relative to MSCI World are at the lower bound of the historical range

Source: Bloomberg as of 12/31

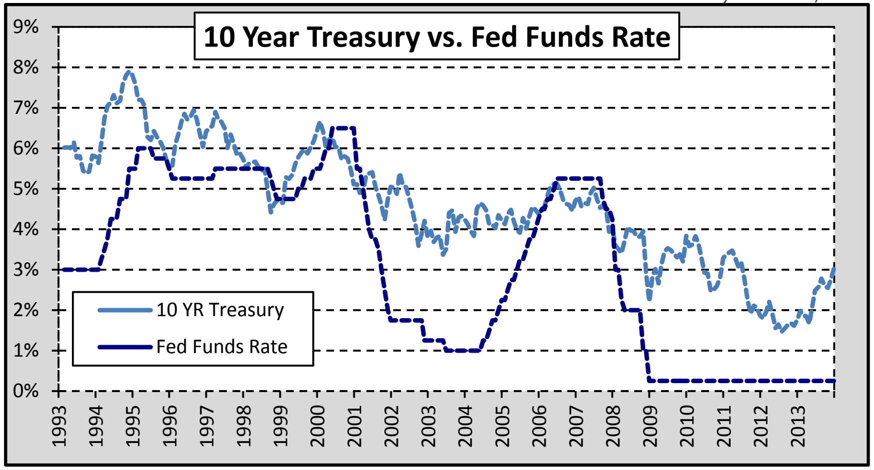


Source: US Treasury as of 12/31



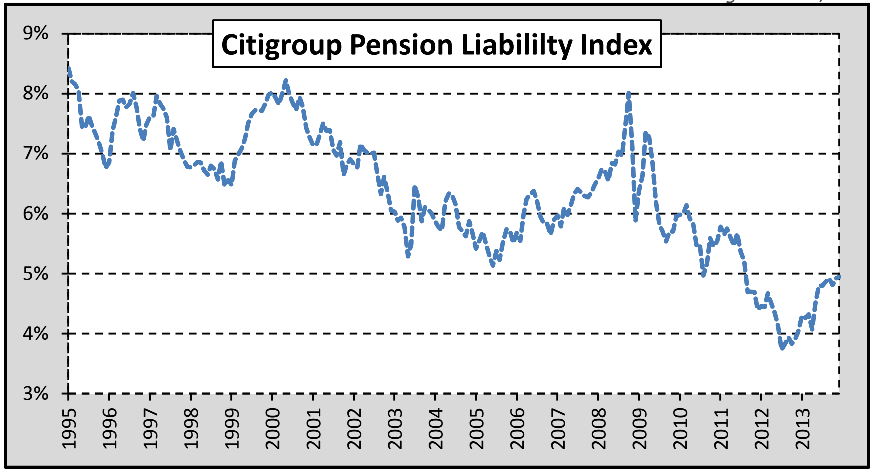
Bond yields across the globe have mostly risen in 2013

Source: Bloomberg as of 12/31



Fed Funds rate remained at 0.25% while the 10 Yr. Treasury Yield finished December at 3.03%

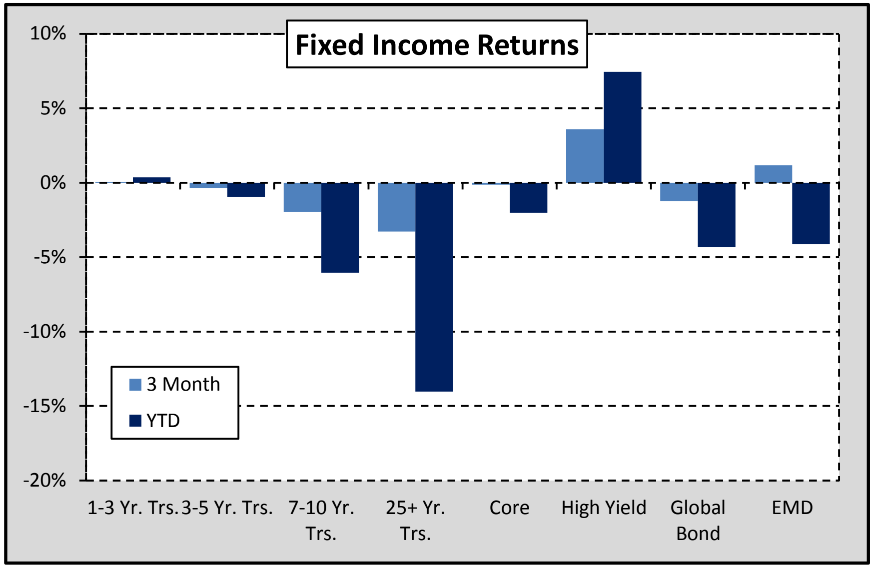
Source: Bloomberg as of 12/31



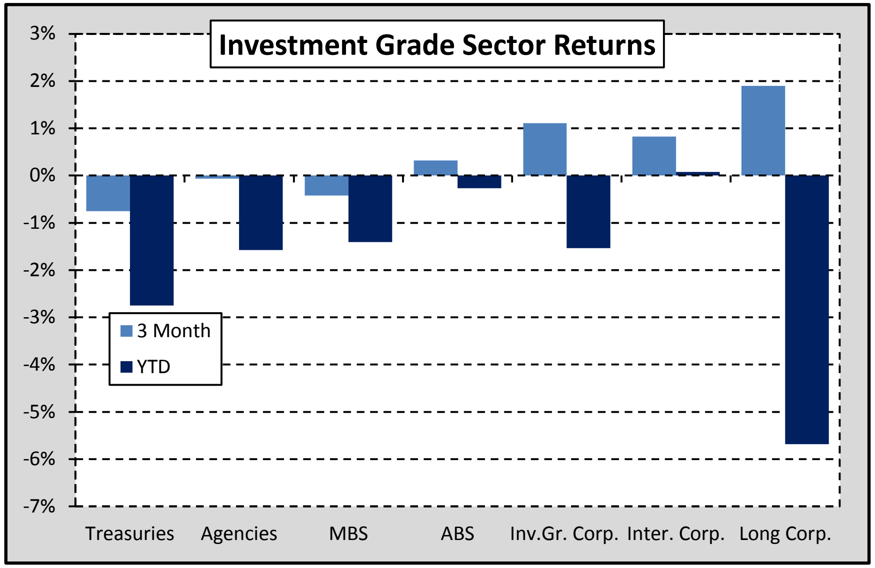
The Citi Pension discount rate rose to 4.95% through December

Source: Citigroup as of 12/31

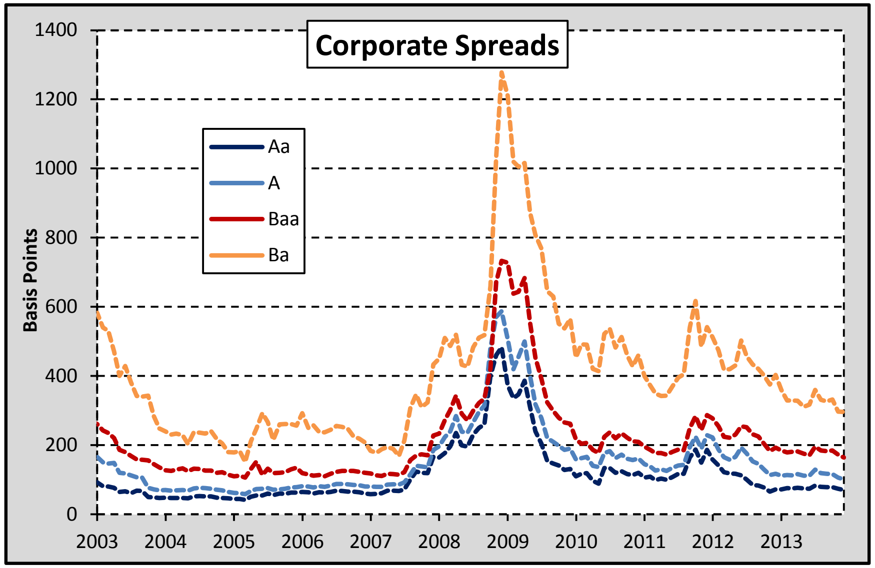
Fixed Income Performance



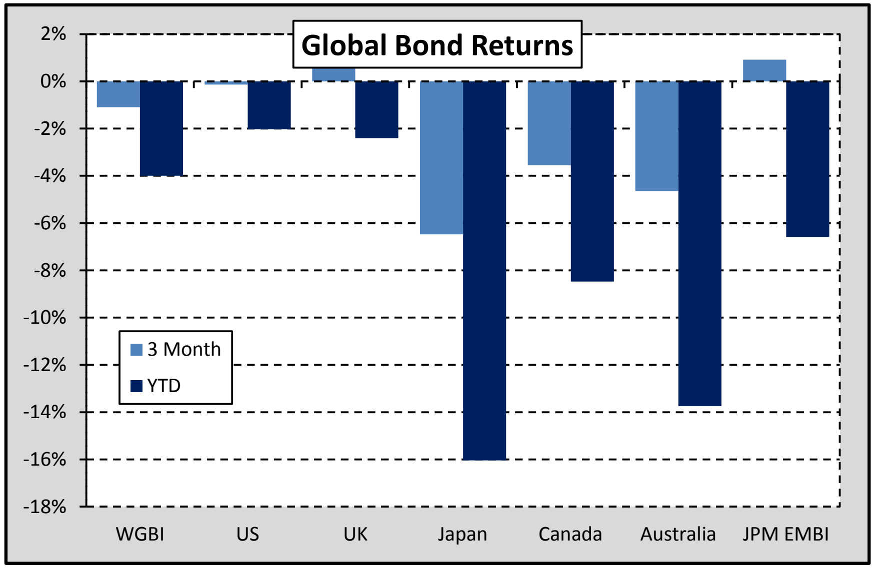
Source: Barclays as of 12/31



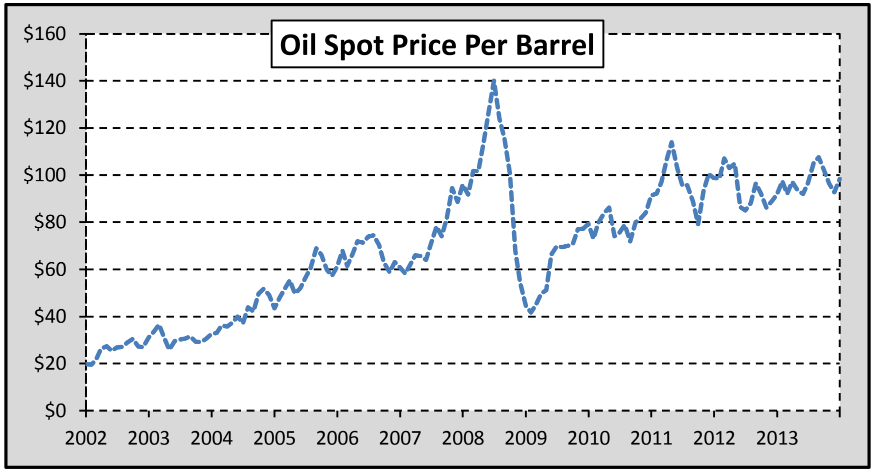
Source: Barclays as of 12/31



Source: Barclays as of 12/31

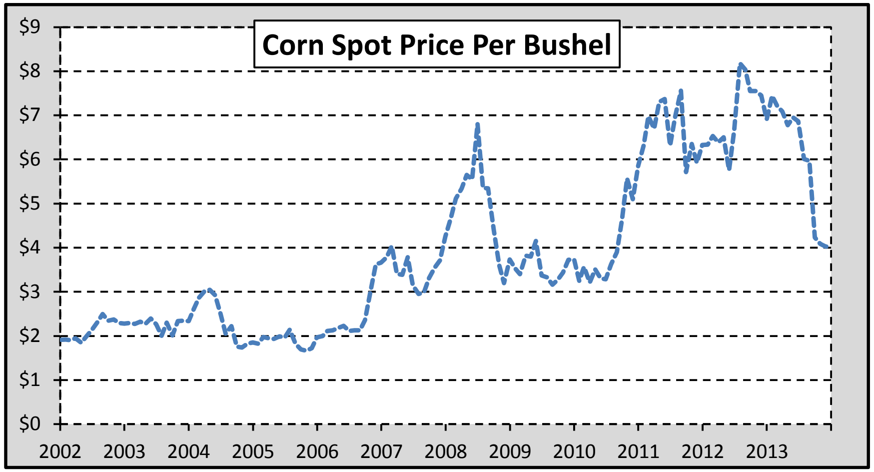


Source: Barclays, Bloomberg as of 12/31



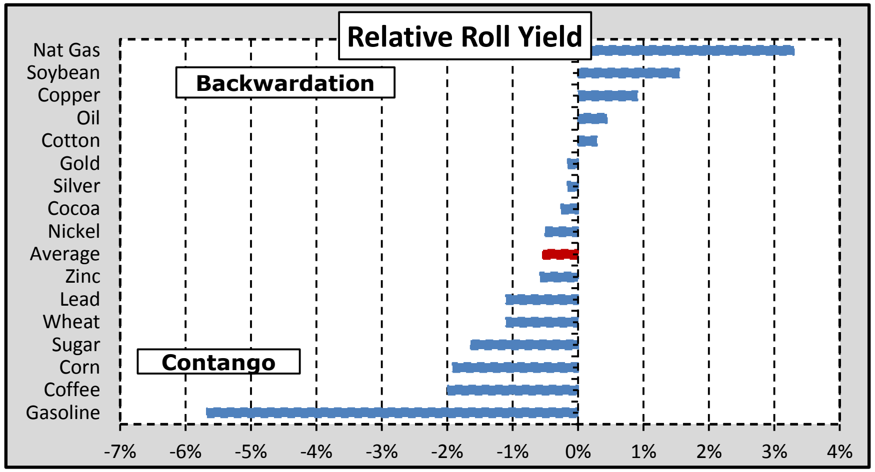
Oil prices finished November up at $98.42 per barrel

Source: Bloomberg as of 12/31



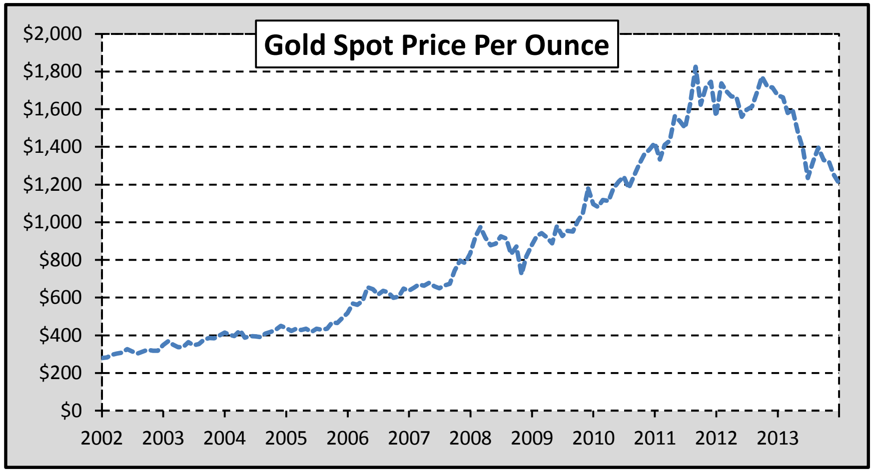
Corn prices finished December down at $4.01 per bushel

Source: Bloomberg as of 12/31



Many commodity futures' prices are contagoed, meaning a higher forward price is expected relative to the current spot

Source: Bloomberg as of 12/31



Gold prices finished December down at $1205.65 per ounce

Source: Bloomberg as of 12/31

Glossary of Investment Terminology—Risk Statistics

Alpha - Measures the relationship between the fund performance and the performance of another fund or benchmark index and equals the excess return while the other fund or benchmark index is zero.

Alpha Jensen - The average return on a portfolio over and above that predicted by the capital asset pricing model (CAPM), given the portfolio's beta and the average market return. Also known as the abnormal return or the risk adjusted excess return.

Annualized Excess Return over Benchmark - Annualized fund return minus the annualized benchmark return for the calculated return.

Annualized Return - A statistical technique whereby returns covering periods greater than one year are converted to cover a 12 month time span.

Beta - Measures the volatility or systematic risk and is equal to the change in the fund's performance in relation to the change in the assigned index's performance.

Information Ratio - A measure of the risk adjusted return of a financial security, asset, or portfolio.

Formula:
(Annualized Return of Portfolio - Annualized Return of Benchmark)/Annualized Standard Deviation(Period Portfolio Return – Period Benchmark Return). To annualize standard deviation, multiply the deviation by the square root of the number of periods per year where monthly returns per year equals 12 and quarterly returns is four periods per year.

R-Squared – Represents the percentage of a fund's movements that can be explained by movements in an index. R-Squared values range from 0 to 100. An R-Squared of 100 denotes that all movements of a fund are completely explained by movements in the index.

Sharpe Ratio - A measure of the excess return or risk premium per unit of risk in an investment asset or trading strategy.

Sortino Ratio - A method to differentiate between good and bad volatility in the Sharpe Ratio. The differentiation of up and down volatility allows the calculation to provide a risk adjusted measure of a security or fund's performance without upward price change penalties.

Formula:
*Calculation Average (X-Y)/Downside Deviation (X-Y) * 2*
Where X=Return Series X Y = Return Series Y which is the risk free return (91 day T-bills)

Standard Deviation - The standard deviation is a statistical term that describes the distribution of results. It is a commonly used measure of volatility of returns of a portfolio, asset class, or security. The higher the standard deviation the more volatile the returns are.

Formula:
(Annualized Return of Portfolio – Annualized Return of Risk Free) / Annualized Standard Deviation (Portfolio Returns)

Tracking Error - Tracking error, also known as residual risk, is a measure of the degree to which a portfolio tracks its benchmark. It is also a measure of consistency of excess returns. Tracking error is computed as the annualized standard deviation of the difference between a portfolio's return and that of its benchmark.

Formula:
*Tracking Error = Standard Deviation (X-Y) * √(# of periods per year)*
Where X = periods portfolio return and Y = the period's benchmark return
For monthly returns, the periods per year = 12
For quarterly returns, the periods per year = 4

Treynor Ratio - A risk-adjusted measure of return based on systematic risk. Similar to the Sharpe ratio with the difference being the Treynor ratio uses beta as the measurement of volatility.

Formula:
(Portfolio Average Return - Average Return of Risk-Free Rate)/Portfolio Beta

Up/Down Capture Ratio - A measure of what percentage of a market's returns is "captured" by a portfolio. For example, if the market declines 10% over some period, and the manager declines only 9%, then his or her capture ratio is 90%. In down markets, it is advantageous for a manager to have as low a capture ratio as possible. For up markets, the higher the capture ratio the better. Looking at capture ratios can provide insight into how a manager achieves excess returns. A value manager might typically have a lower capture ratio in both up and down markets, achieving excess returns by protecting on the downside, whereas a growth manager might fall more than the overall market in down markets, but achieve above-market returns in a rising market.

UpsideCapture = TotalReturn(FundReturns)/TotalReturns(BMReturn) when Period Benchmark Return is > = 0

DownsideCapture = TotalReturn(FundReturns)/TotalReturns(BMReturn) when Benchmark <0

Data Source: InvestorForce

 # Of Portfolios/Observations[1] – The total number of data points that make up a specified universe

Allocation Index[3] - The allocation index measures the value added (or subtracted) to each portfolio by active management. It is calculated monthly: The portfolio asset allocation to each category from the prior month-end is multiplied by a specified market index.

Asset Allocation Effect[2] **-** Measures an investment manager's ability to effectively allocate their portfolio's assets to various sectors. The allocation effect determines whether the overweighting or underweighting of sectors relative to a benchmark contributes positively or negatively to the overall portfolio return. Positive allocation occurs when the portfolio is over weighted in a sector that outperforms the benchmark and underweighted in a sector that underperforms the benchmark. Negative allocation occurs when the portfolio is over weighted in a sector that underperforms the benchmark and under weighted in a sector that outperforms the benchmark.

Agency Bonds (Agencies)[3] - The full faith and credit of the United States government is normally not pledged to payment of principal and interest on the majority of government agencies issuing these bonds, with maturities of up to ten years. Their yields, therefore, are normally higher than government and their marketability is good, thereby qualifying them as a low risk-high liquidity type of investment. They are eligible as security for advances to the member banks by the Federal Reserve, which attests to their standing.

Asset Backed Securities (ABS)[3] - Bonds which are similar to mortgage-backed securities but are collateralized by assets other than mortgages; commonly backed by credit card receivables, auto loans, or other types of consumer financing.

Attribution[3] - Attribution is an analytical technique that allows us to evaluate the performance of the portfolio relative to the benchmark. A proper attribution tells us where value was added or subtracted as a result of the manager's decisions.

Average Effective Maturity[4] - For a single bond, it is a measure of maturity that takes into account the possibility that a bond might be called back to the issuer.

For a portfolio of bonds, average effective maturity is the weighted average of the maturities of the underlying bonds. The measure is computed by weighing each bond's maturity by its market value with respect to the portfolio and the likelihood of any of the bonds being called. In a pool of mortgages, this would also account for the likelihood of prepayments on the mortgages.

Batting Average[1] - A measurement representing an investment manager's ability to meet or beat an index.

Formula: Divide the number of days (or months, quarters, etc.) in which the manager beats or matches the index by the total number of days (or months, quarters, etc.) in the period of question and multiply that factor by 100.

Brinson Fachler (BF) Attribution[1] - The BF methodology is a highly accepted industry standard for calculating the allocation, selection, and interaction effects within a portfolio that collectively explains a portfolio's underlying performance. The main advantage of the BF methodology is that rather than using the overall return of the benchmark, it goes a level deeper than BHB and measures whether the benchmark sector, country, etc. outperformed/or underperformed the overall benchmark.

Brinson Hood Beebower (BHB) Attribution[1] - The BHB methodology shows that excess return must be equal to the sum of all other factors (i.e., allocation effect, selection effect, interaction effect, etc.). The advantage to using the BHB methodology is that it is a highly accepted industry standard for calculating the allocation, selection, and interaction effects within a portfolio that collectively explains a portfolio's underlying performance.

Corporate Bond (Corp) [4] - A debt security issued by a corporation and sold to investors. The backing for the bond is usually the payment ability of the company, which is typically money to be earned from future operations. In some cases, the company's physical assets may be used as collateral for bonds.

Correlation[1] - A range of statistical relationships between two or more random variables or observed data values. A correlation is a single number that describes the degree of relationship between variables.

Data Source: [1]InvestorForce, [2]Interaction Effect Performance Attribution, [3]NEPC, LLC, [4]Investopedia, [5]Hedgeco.net

Glossary of Investment Terminology

Coupon[4] – The interest rate stated on a bond when it is issued. The coupon is typically paid semiannually. This is also referred to as the "coupon rate" or "coupon percent rate."

Currency Effect[1] - Is the effect that changes in currency exchange rates over time affect excess performance.

Derivative Instrument[3] - A financial obligation that derives its precise value from the value of one or more other instruments (or assets) at the same point of time. For example, the relationship between the value of an S&P 500 futures contract (the derivative instrument in this case) is determined by the value of the S&P 500 Index and the value of a U.S. Treasury bill that matures at the expiration of the futures contract.

Downside Deviation[1] - Equals the standard deviation of negative return or the measure of downside risk focusing on the standard deviation of negative returns.

Formula:
Annualized Standard Deviation (Fund Return - Average Fund Return) where average fund return is greater than individual fund returns, monthly or quarterly.

Duration[3] - Duration is a measure of interest rate risk. The greater the duration of a bond, or a portfolio of bonds, the greater its price volatility will be in response to a change in interest rates. A bond's duration is inversely related to interest rates and directly related to time to maturity.

Equity/Debt/Cash Ratio[1] – The percentage of an investment or portfolio that is in Equity, Debt, and/or Cash (i.e. A 7/89/4 ratio represents an investment that is made up of 7% Equity, 89% Debt, and 4% Cash).

Foreign Bond[3] - A bond that is issued in a domestic market by a foreign entity, in the domestic market's currency. A foreign bond is most often issued by a foreign firm to raise capital in a domestic market that would be most interested in purchasing the firm's debt. For foreign firms doing a large amount of business in the domestic market, issuing foreign bonds is a common practice.

Hard Hurdle[5] – is a hurdle rate that once beaten allows a fund manager to charge a performance fee on only the funds above the specified hurdle rate.

High-Water Mark[4] - The highest peak in value that an investment fund/account has reached. This term is often used in the context of fund manager compensation, which is performance based. Some performance-based fees only get paid when fund performance exceeds the high-water mark. The high-water mark ensures that the manager does not get paid large sums for poor performance.

Hurdle Rate[4] - The minimum rate of return on an investment required, in order for a manager to collect incentive fees from the investor, which is usually tied to a benchmark.

Interaction Effects[2] - The interaction effect measures the combined impact of an investment manager's selection and allocation decisions within a sector. For example, if an investment manager had superior selection and over weighted that particular sector, the interaction effect is positive. If an investment manager had superior selection, but underweighted that sector, the interaction effect is negative. In this case, the investment manager did not take advantage of the superior selection by allocating more assets to that sector. Since many investment managers consider the interaction effect to be part of the selection or the allocation, it is often combined with the either effect.

Median[3] - The value (rate of return, market sensitivity, etc.) that exceeds one-half of the values in the population and that is exceeded by one-half of the values. The median has a percentile rank of 50.

Modified Duration[3] - The percentage change in the price of a fixed income security that results from a change in yield.

Mortgage Backed Securities (MBS)[3] - Bonds which are a general obligation of the issuing institution but are also collateralized by a pool of mortgages.

Municipal Bond (Muni) [4] - A debt security issued by a state, municipality or county to finance its capital expenditures.

Net Investment Change[1] – Is the change in an investment after accounting for all Net Cash Flows.

Performance Fee[4] - A payment made to a fund manager for generating positive returns. The performance fee is generally calculated as a percentage of investment profits, often both realized and unrealized.

Data Source: [1]InvestorForce, [2]Interaction Effect Performance Attribution, [3]NEPC, LLC, [4]Investopedia, [5]Hedgeco.net

Glossary of Investment Terminology

Policy Index[3] - A custom benchmark designed to indicate the returns that a passive investor would earn by consistently following the asset allocation targets set forth in this investment policy statement.

Price to Book (P/B)[4] - A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share, also known as the "price-equity ratio".

Price to Earnings (P/E)[3] - The weighted equity P/E is based on current price and trailing 12 months earnings per share (EPS).

Price to Sales (P/S)[4] - A ratio for valuing a stock relative to its own past performance, other companies, or the market itself. Price to sales is calculated by dividing a stock's current price by its revenue per share for the trailing 12 months.

Return on Equity (ROE)[4] **-** The amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

Selection (or Manager) Effect[2] - Measures the investment manager's ability to select securities within a given sector relative to a benchmark. The over or underperformance of the portfolio is weighted by the benchmark weight, therefore, selection is not affected by the manager's allocation to the sector. The weight of the sector in the portfolio determines the size of the effect—the larger the sector, the larger the effect is, positive or negative.

Soft Hurdle rate[5] **–** is a hurdle rate that once beaten allows a fund manager to charge a performance fee based on the entire annualized return.

Tiered Fee[1] – A fee structure that is paid to fund managers based on the size of the investment (i.e. 1.00% fee on the first $10M invested, 0.90% on the next $10M, and 0.80% on the remaining balance).

Total Effects[2] - The active management (total) effect is the sum of the selection, allocation, and interaction effects. It is also the difference between the total portfolio return and the total benchmark return. You can use the active management effect to determine the amount the investment manager has added to a portfolio's return.

Total Return[1] - The actual rate of return of an investment over a specified time period. Total return includes interest, capital gains, dividends, and distributions realized over a defined time period.

Universe[3] - The list of all assets eligible for inclusion in a portfolio.

Upside Deviation[1] – Standard Deviation of Positive Returns

Weighted Avg. Market Cap.[4] - A stock market index weighted by the market capitalization of each stock in the index. In such a weighting scheme, larger companies account for a greater portion of the index. Most indexes are constructed in this manner, with the best example being the S&P 500.

Yield (%)[3] - The current yield of a security is the current indicated annual dividend rate divided by current price.
Yield to Maturity[3] -The discount rate that equates the present value of cash flows, both principal and interest, to market price.

Data Source: [1]InvestorForce, [2]Interaction Effect Performance Attribution, [3]NEPC, LLC, [4]Investopedia, [5]Hedgeco.net

NEPC, LLC

YOU DEMAND MORE. So do we.[SM]

Ventura County Employees' Retirement Association

Preliminary Performance Report
Month Ending January 31, 2014

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Total Fund Performance Detail (Net)

Performance Summary

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Fund	**3,995,088,264**	**100.0**	**-1.9**	**0.4**	**-1.9**	**9.3**	**12.2**	**9.4**	**14.8**	**6.5**	**8.2**	**Apr-94**
Total Fund ex Private Equity	**3,925,948,633**	**98.3**	**-2.0**	**0.3**	**-2.0**	**8.0**	**10.4**	**--**	**--**	**--**	**13.0**	**Jan-12**
Total US Equity	**1,245,886,999**	**31.2**	**-3.2**	**2.3**	**-3.2**	**14.0**	**23.0**	**14.4**	**20.6**	**6.9**	**8.8**	**Dec-93**
Total U.S. Equity Benchmark			*-3.1*	*2.3*	*-3.1*	*13.3*	*22.6*	*14.2*	*20.1*	*7.4*	*9.2*	*Dec-93*
Over/Under			-0.1	0.0	-0.1	0.7	0.4	0.2	0.5	-0.5	-0.4	
BlackRock Extended Equity Index	42,453,179	1.1	-1.9	3.5	-1.9	17.2	26.8	15.3	24.1	9.8	12.7	Oct-02
Dow Jones U.S. Completion Total Stock Market			*-1.8*	*3.6*	*-1.8*	*17.2*	*26.7*	*14.9*	*24.1*	*9.7*	*12.7*	*Oct-02*
Over/Under			-0.1	-0.1	-0.1	0.0	0.1	0.4	0.0	0.1	0.0	
Western U.S. Index Plus	116,861,866	2.9	-3.8	1.6	-3.8	12.3	21.3	14.8	24.6	--	1.4	May-07
S&P 500			*-3.5*	*2.0*	*-3.5*	*12.3*	*21.5*	*13.9*	*19.2*	*6.8*	*4.6*	*May-07*
Over/Under			-0.3	-0.4	-0.3	0.0	-0.2	0.9	5.4		-3.2	
BlackRock Equity Market Fund	1,086,571,954	27.2	-3.1	2.3	-3.1	13.3	22.6	14.2	20.1	--	6.2	Dec-07
Dow Jones U.S. Total Stock Market			*-3.1*	*2.3*	*-3.1*	*13.2*	*22.5*	*14.2*	*20.1*	*7.5*	*6.2*	*Dec-07*
Over/Under			0.0	0.0	0.0	0.1	0.1	0.0	0.0		0.0	

Policy Index: Not available as the Consumer Price Index has not yet been released as of the date of report production

Policy Index: Currently, 30% Total U.S. Equity Benchmark, 19% Barclays Aggregate, 14% MSCI ACWI ex U.S., 10% MSCI ACWI, 5% Barclays Global Aggregate, 5% DJ U.S. Total Stock Market Index + 3%, 10% CPI+4% Index, and 7% NCREIF ODCE Real Estate Index

Total U.S. Equity Benchmark: The Benchmark is a dynamic hybrid using the respective managers' market value weights within the U.S. Equity component toward their benchmark. Prior to May 2013, the Dow Jones U.S. Total Stock Market Index. Prior to May 2007, the Russell 3000 Index
BlackRock Equity Market Fund Perfomance is preliminary, valuations between State Street Bank and BlackRock are under review

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Non-US Equity	**606,562,360**	**15.2**	**-4.6**	**-3.4**	**-4.6**	**9.6**	**6.9**	**4.1**	**14.1**	**6.7**	**6.8**	**Mar-94**
Total Non-US Equity Benchmark			*-4.5*	*-3.5*	*-4.5*	*10.1*	*5.7*	*3.2*	*13.9*	*6.9*	*5.5*	*Mar-94*
Over/Under			-0.1	0.1	-0.1	-0.5	1.2	0.9	0.2	-0.2	1.3	
BlackRock ACWI ex-U.S. Index	263,937,316	6.6	-4.2	-3.2	-4.2	10.7	6.7	3.5	14.6	--	1.5	Mar-07
MSCI ACWI ex USA			*-4.5*	*-3.5*	*-4.5*	*10.1*	*5.7*	*3.2*	*13.9*	*6.9*	*1.0*	*Mar-07*
Over/Under			0.3	0.3	0.3	0.6	1.0	0.3	0.7		0.5	
Spurcegrove	177,594,880	4.4	-4.4	-2.8	-4.4	10.2	8.4	5.5	15.7	7.6	8.5	Mar-02
MSCI EAFE			*-4.0*	*-1.8*	*-4.0*	*13.2*	*11.9*	*5.9*	*13.8*	*6.3*	*6.8*	*Mar-02*
Over/Under			-0.4	-1.0	-0.4	-3.0	-3.5	-0.4	1.9	1.3	1.7	
MSCI ACWI ex USA			*-4.5*	*-3.5*	*-4.5*	*10.1*	*5.7*	*3.2*	*13.9*	*6.9*	*7.4*	*Mar-02*
Hexavest	77,047,670	1.9	-4.3	-2.9	-4.3	9.9	10.4	4.7	--	--	5.5	Dec-10
MSCI EAFE			*-4.0*	*-1.8*	*-4.0*	*13.2*	*11.9*	*5.9*	*13.8*	*6.3*	*6.5*	*Dec-10*
Over/Under			-0.3	-1.1	-0.3	-3.3	-1.5	-1.2			-1.0	
Walter Scott	87,982,494	2.2	-6.1	-5.9	-6.1	3.7	1.6	4.7	--	--	4.5	Dec-10
MSCI ACWI ex USA			*-4.5*	*-3.5*	*-4.5*	*10.1*	*5.7*	*3.2*	*13.9*	*6.9*	*3.4*	*Dec-10*
Over/Under			-1.6	-2.4	-1.6	-6.4	-4.1	1.5			1.1	
Total Global Equity	**406,054,223**	**10.2**	**-3.9**	**-1.1**	**-3.9**	**10.6**	**12.4**	**8.4**	**13.1**	**--**	**5.4**	**May-05**
MSCI ACWI			*-4.0*	*-1.0*	*-4.0*	*11.2*	*12.7*	*7.7*	*16.0*	*6.6*	*6.4*	*May-05*
Over/Under			0.1	-0.1	0.1	-0.6	-0.3	0.7	-2.9		-1.0	
GMO Global Equity	201,883,757	5.1	-3.8	-1.3	-3.8	10.1	11.9	9.1	14.3	--	7.0	Apr-05
MSCI ACWI			*-4.0*	*-1.0*	*-4.0*	*11.2*	*12.7*	*7.7*	*16.0*	*6.6*	*6.4*	*Apr-05*
Over/Under			0.2	-0.3	0.2	-1.1	-0.8	1.4	-1.7		0.6	
BlackRock MSCI ACWI Equity Index	204,170,466	5.1	-4.0	-0.9	-4.0	11.2	13.1	--	--	--	--	May-12
MSCI ACWI			*-4.0*	*-1.0*	*-4.0*	*11.2*	*12.7*	*7.7*	*16.0*	*6.6*	*20.2*	*May-12*
Over/Under			0.0	0.1	0.0	0.0	0.4					

Total Non-U.S. Equity Benchmark: MSCI ACWI ex US Free, prior to May 2002, the MSCI EAFE

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total US Fixed Income	**700,844,319**	**17.5**	**0.5**	**0.3**	**0.5**	**2.4**	**0.6**	**5.5**	**10.6**	**6.1**	**6.5**	**Feb-94**
Barclays Aggregate			*1.5*	*0.5*	*1.5*	*1.9*	*0.1*	*3.7*	*4.9*	*4.6*	*5.9*	*Feb-94*
Over/Under			-1.0	-0.2	-1.0	0.5	0.5	1.8	5.7	1.5	0.6	
Western	250,159,871	6.3	1.0	0.3	1.0	1.8	0.2	5.3	8.9	5.5	6.6	Dec-96
Barclays Aggregate			*1.5*	*0.5*	*1.5*	*1.9*	*0.1*	*3.7*	*4.9*	*4.6*	*5.8*	*Dec-96*
Over/Under			-0.5	-0.2	-0.5	-0.1	0.1	1.6	4.0	0.9	0.8	
BlackRock U.S. Debt Fund	133,066,452	3.3	1.5	0.5	1.5	1.9	0.1	3.8	5.0	4.7	5.7	Nov-95
Barclays Aggregate			*1.5*	*0.5*	*1.5*	*1.9*	*0.1*	*3.7*	*4.9*	*4.6*	*5.7*	*Nov-95*
Over/Under			0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.0	
Reams	250,817,046	6.3	-0.4	0.5	-0.4	2.1	2.4	6.6	13.0	6.9	6.7	Sep-01
Reams Custom Index			*0.0*	*0.1*	*0.0*	*0.2*	*0.3*	*3.8*	*5.0*	*4.6*	*5.0*	*Sep-01*
Over/Under			-0.4	0.4	-0.4	1.9	2.1	2.8	8.0	2.3	1.7	
Barclays Aggregate			*1.5*	*0.5*	*1.5*	*1.9*	*0.1*	*3.7*	*4.9*	*4.6*	*5.0*	*Sep-01*
Loomis Sayles Multi Strategy	66,800,950	1.7	-0.2	-0.2	-0.2	2.9	-0.3	6.8	13.8	--	7.2	Jul-05
Loomis Custom Index			*1.2*	*0.9*	*1.2*	*3.3*	*2.2*	*5.3*	*8.5*	--	*5.9*	*Jul-05*
Over/Under			-1.4	-1.1	-1.4	-0.4	-2.5	1.5	5.3		1.3	
Barclays Aggregate			*1.5*	*0.5*	*1.5*	*1.9*	*0.1*	*3.7*	*4.9*	*4.6*	*4.8*	*Jul-05*
Total Global Fixed Income	**256,154,631**	**6.4**	**0.3**	**-0.2**	**0.3**	**3.2**	**-1.3**	**--**	**--**	**--**	**0.9**	**Jun-12**
Barclays Global Aggregate			*1.1*	*-0.4*	*1.1*	*3.4*	*-0.7*	*2.7*	*4.8*	*4.5*	*0.7*	*Jun-12*
Over/Under			-0.8	0.2	-0.8	-0.2	-0.6				0.2	
Loomis Sayles Global Fixed Income	92,140,718	2.3	0.6	-0.5	0.6	2.8	-1.2	--	--	--	1.3	Jun-12
Barclays Global Aggregate			*1.1*	*-0.4*	*1.1*	*3.4*	*-0.7*	*2.7*	*4.8*	*4.5*	*0.7*	*Jun-12*
Over/Under			-0.5	-0.1	-0.5	-0.6	-0.5				0.6	
PIMCO Global Fixed Income	123,246,602	3.1	0.3	-0.4	0.3	2.9	-2.1	--	--	--	-2.5	Sep-12
Barclays Global Aggregate			*1.1*	*-0.4*	*1.1*	*3.4*	*-0.7*	*2.7*	*4.8*	*4.5*	*-1.5*	*Sep-12*
Over/Under			-0.8	0.0	-0.8	-0.5	-1.4				-1.0	
Loomis Strategic Alpha	40,767,311	1.0	-0.2	0.8	-0.2	1.5	--	--	--	--	1.2	Jul-13
Barclays Global Aggregate			*1.1*	*-0.4*	*1.1*	*3.4*	*-0.7*	*2.7*	*4.8*	*4.5*	*2.1*	*Jul-13*
Over/Under			-1.3	1.2	-1.3	-1.9					-0.9	

Reams Custom Index: Merrill Lynch 3 Month Libor Constant Maturity Index, prior to February 2013 the Barclays Aggregate

Loomis Custom Index: 65% Barclays Aggregate, 30% Citigroup High Yield Market Index and 5% JPM Non-US Hedged Bond Index

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Real Estate	**293,442,407**	**7.3**	**0.0**	**2.5**	**0.0**	**5.3**	**10.6**	**11.3**	**1.9**	**5.1**	**7.5**	**Mar-94**
Total Real Estate Benchmark			0.0	3.2	0.0	6.9	14.0	13.6	3.7	7.2	8.6	*Mar-94*
Over/Under			0.0	-0.7	0.0	-1.6	-3.4	-2.3	-1.8	-2.1	-1.1	
Prudential Real Estate	95,185,595	2.4	0.0	3.4	0.0	7.0	13.8	13.5	2.2	--	4.4	Jun-04
NCREIF-ODCE			0.0	3.2	0.0	6.9	14.0	13.6	3.7	7.2	6.9	*Jun-04*
Over/Under			0.0	0.2	0.0	0.1	-0.2	-0.1	-1.5		-2.5	
UBS Real Estate	189,646,544	4.7	0.0	2.0	0.0	4.6	9.3	10.1	3.6	6.9	7.0	Mar-03
NCREIF-ODCE			0.0	3.2	0.0	6.9	14.0	13.6	3.7	7.2	7.3	*Mar-03*
Over/Under			0.0	-1.2	0.0	-2.3	-4.7	-3.5	-0.1	-0.3	-0.3	
RREEF	8,610,268	0.2	0.0	2.8	0.0	7.3	15.6	29.7	-3.7	--	-10.8	Sep-07
NCREIF-ODCE			0.0	3.2	0.0	6.9	14.0	13.6	3.7	7.2	1.5	*Sep-07*
Over/Under			0.0	-0.4	0.0	0.4	1.6	16.1	-7.4		-12.3	
Total Liquid Alternatives	**380,176,529**	**9.5**	**0.6**	**1.2**	**0.6**	**8.4**	**--**	**--**	**--**	**--**	**11.6**	**Apr-13**
Tortoise Energy Infrastructure	125,320,028	3.1	1.8	7.5	1.8	11.3	--	--	--	--	14.5	Apr-13
Wells Fargo MLP Index			-0.8	2.1	-0.8	4.1	14.1	13.9	--	--	5.4	*Apr-13*
Over/Under			2.6	5.4	2.6	7.2					9.1	
Bridgewater All Weather Fund	254,856,501	6.4	0.0	-1.6	0.0	--	--	--	--	--	3.4	Aug-13
DJ U.S. Total Stock Market Index + 3%			-2.9	3.1	-2.9	15.2	26.1	--	--	--	11.9	*Aug-13*
Over/Under			2.9	-4.7	2.9						-8.5	
Overlay	**36,827,165**	**0.9**										
Clifton	36,827,165	0.9										

Total Real Estate Benchmark: NCREIF ODCE; prior to January 2006, the NCREIF Property Index

Real Estate managers and NCREIF ODCE are valued on a quarterly basis. Performance is not applicable in mid-quarter months, therefore 0% return is shown.

Total Liquid Alternatives inedex, the CPI+4% is not available as the Consumer Price Index has not yet been released as of the date of report production

Performance for Clifton Overlay is not meaningful on an individual account basis

Total Fund Performance Detail (Net)

	Market Value ($)	% of Portfolio	1 Mo (%)	3 Mo (%)	YTD (%)	Fiscal YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Return (%)	Since
Total Private Equity	**69,139,631**	**1.7**	**0.0**	**4.9**	**0.0**	**10.2**	**13.9**	**--**	**--**	**--**	**--**	**Jul-10**
DJ U.S. Total Stock Market Index + 3%			*-2.9*	*3.1*	*-2.9*	*15.2*	*26.1*	--	--	--	--	*Jul-10*
Over/Under			2.9	1.8	2.9	-5.0	-12.2					
Adams Street Partners	42,615,659	1.1	0.0	4.2	0.0	11.5	13.1	--	--	--	--	Jul-10
DJ U.S. Total Stock Market Index + 3%			*-2.9*	*3.1*	*-2.9*	*15.2*	*26.1*	--	--	--	--	*Jul-10*
Over/Under			2.9	1.1	2.9	-3.7	-13.0					
Panteon Ventures	9,903,934	0.2	0.0	2.5	0.0	4.0	5.6	--	--	--	--	Aug-10
DJ U.S. Total Stock Market Index + 3%			*-2.9*	*3.1*	*-2.9*	*15.2*	*26.1*	--	--	--	--	*Aug-10*
Over/Under			2.9	-0.6	2.9	-11.2	-20.5					
Harbourvest	16,620,038	0.4	-0.2	9.2	-0.2	8.9	--	--	--	--	--	May-13
DJ U.S. Total Stock Market Index + 3%			*-2.9*	*3.1*	*-2.9*	*15.2*	*26.1*	--	--	--	*14.0*	*May-13*
Over/Under			2.7	6.1	2.7	-6.3						

Please Note:

Private Equity performance is shown on a time-weighted return basis. Values are cash adjusted with current quarter cash flows.

Ventura County Employees Retirement Association

Fixed Income Overview

February 25, 2014

Don Stracke, CFA, CAIA, Senior Consultant
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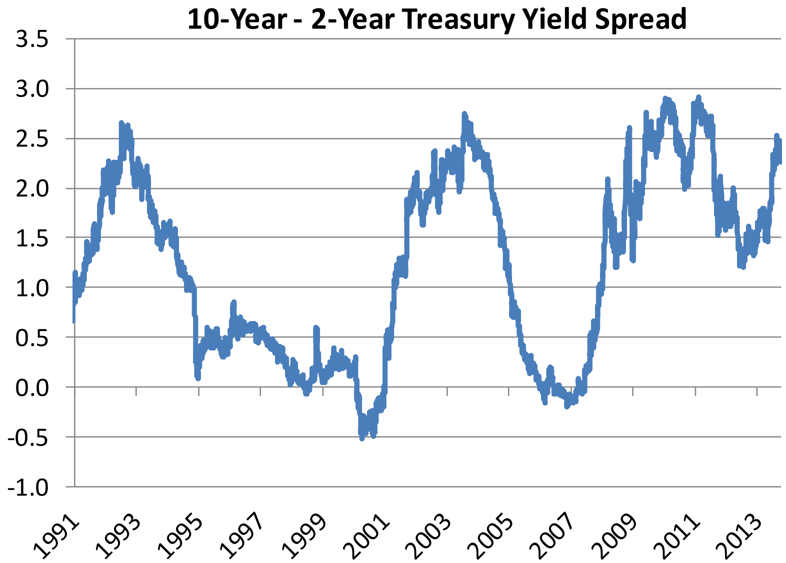
Fixed Income Market Environment

- **Interest rates continue upward trend**
  - 10-year Treasury increased from 1.86% to near 3%
  - Sell-off attributed to Fed rhetoric and moderate improvements in economy
  - 30-year Treasury approached 4% as yield curve steepened
- **Credit outperforms with low quality leading once again**
  - High yield and leveraged loans post strong relative performance
  - Investment grade credit outperformed Treasuries, but was negative on the year
  - Financials outperform Industrials and Utilities by wide margin
- **Record inflows into bank loans**
  - Approximately $62 billion flowed into bank loan mutual funds in 2013
  - Retail investors and CLO issuance drove demand technicals
  - Investors favor the floating rate structure in the face of rising interest rates
- **Emerging Market Debt**
  - Federal Reserve policy and capital flows drive sell-off in 2013
  - Dispersion in country returns emerge due to balance of payment concerns
  - Local currency bonds suffered most acutely as EM currencies weakened

- **BC Agg returned -2% in 2013**
  - Second lowest annual return and only the third negative return in Index history
  - Duration of Index extended to all-time high of 5.55 years
  - Yields at ~2.5% and spreads are near record tights in non-govt. sectors

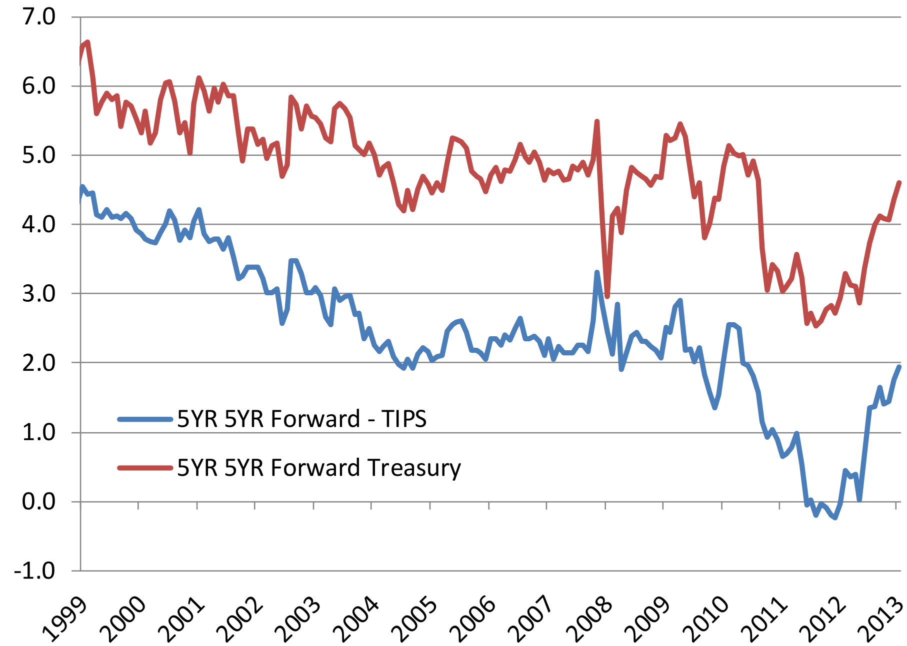
- **EMD was the worst performing risk asset in 2013**
  - Federal Reserve "Taper" instigated strong reversal of capital flows
  - Local currency markets offer higher yields but with increased volatility
  - USD denominated spreads remain below long-term average
  - Long-term secular outlook is promising but currency concerns of the "Fragile 5" and investor flows overhang the market

- **Risk/Return benefits of TIPS have begun to normalize**
  - With increases in real yields and continued low inflation-expectations opportunities to add to TIPS during periods of interest rate volatility
  - TIPS provide greater diversification benefit than traditional bond strategies while maintaining a conservative profile and increasing sensitivity to inflation



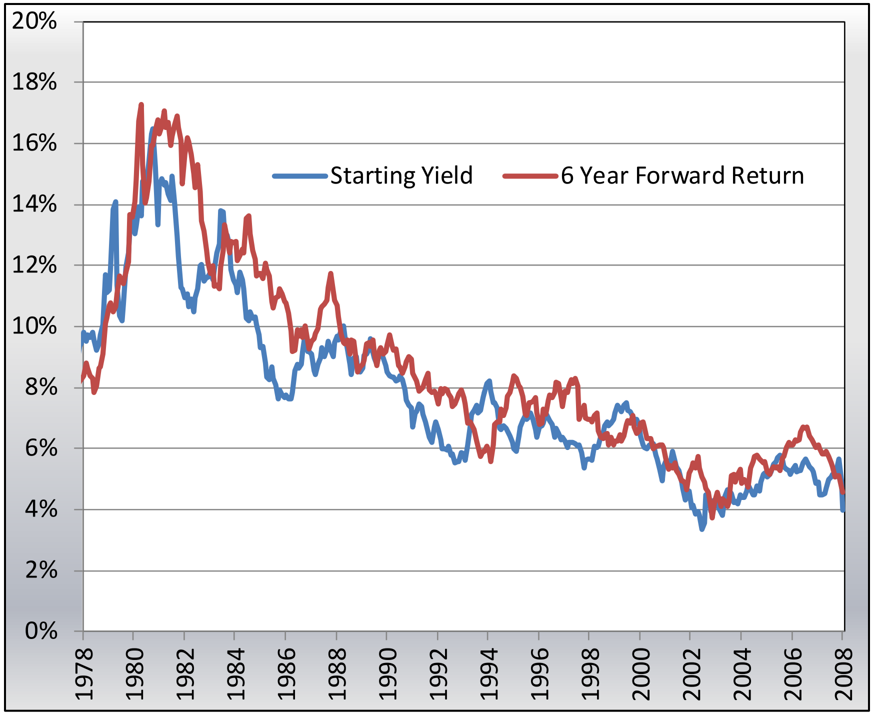
- The 10-Year/2-Year Treasury spread has never exceeded 3%
- Suggests that there is a limit to steepness of yield curve and, thus, a "ceiling" on interest rates as long as short term yields remain pinned

- The curtailment of Fed stimulus and moderate improvements in the domestic economy sent forward rates higher in 2013
- Forward inflation expectations have increased since bottoming in late 2011

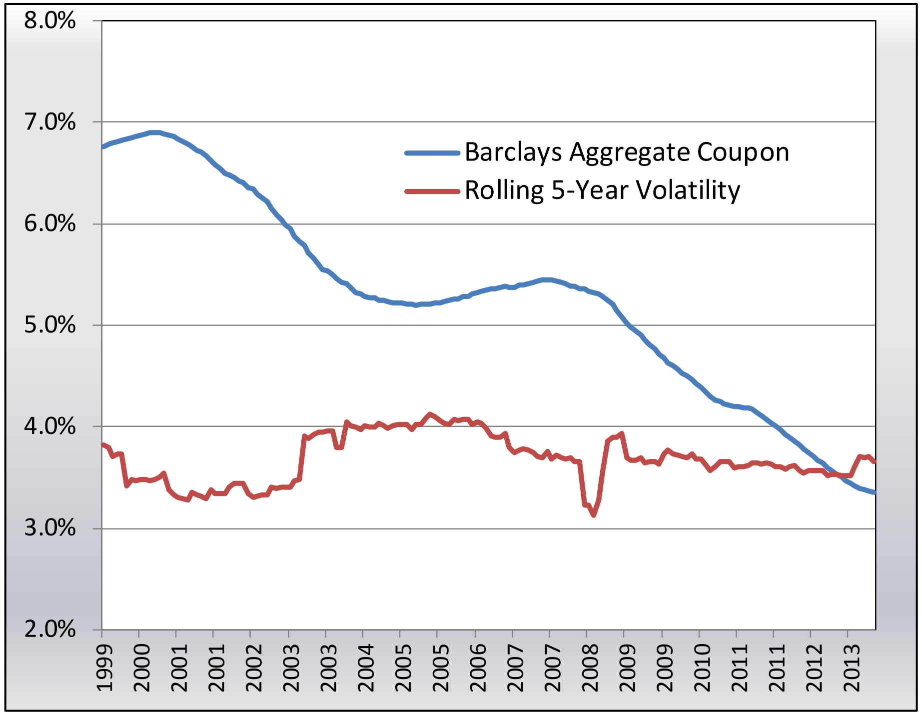


Source: Bloomberg

Barclays Aggregate Coupon and Volatility



Source: Barclays Live, as of 12/31/2013

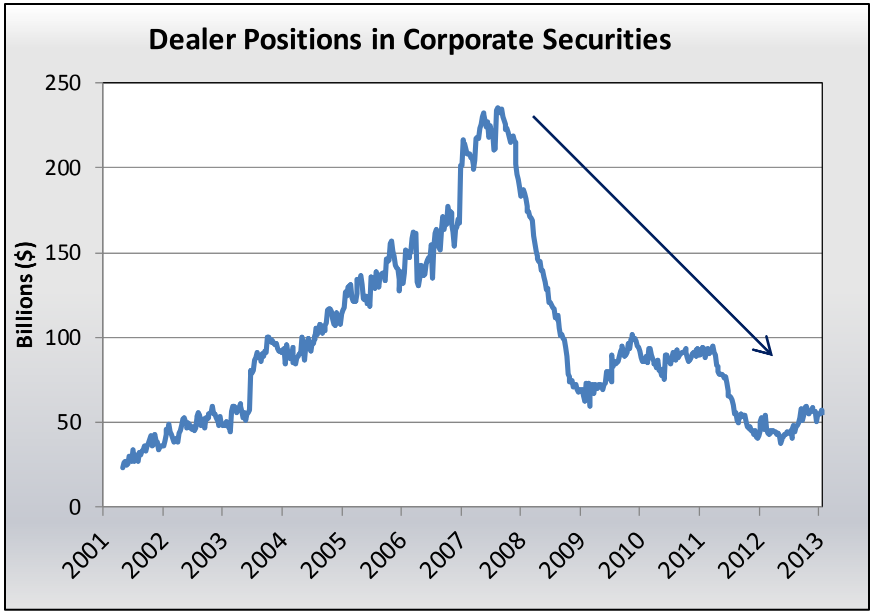


Source: Barclays Live, as of 9/30/2013

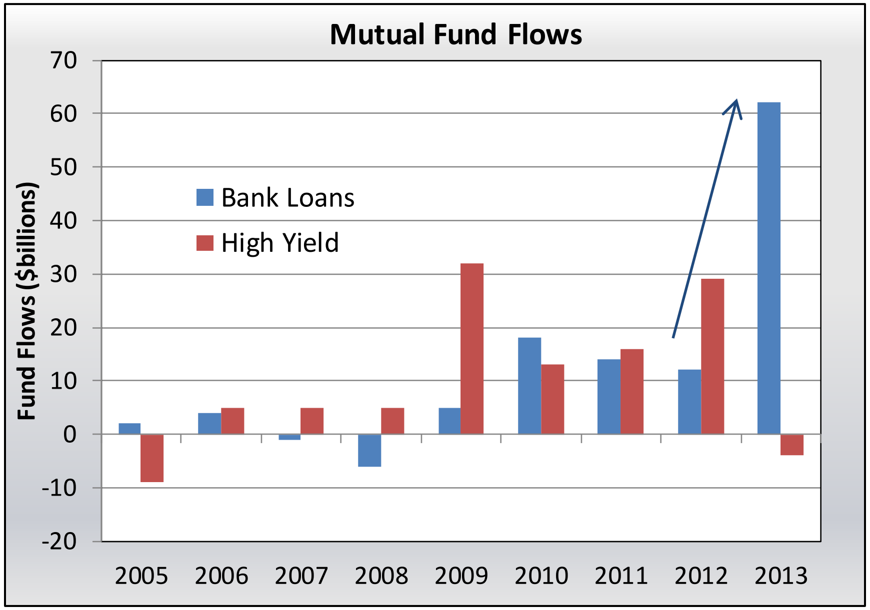
- **Historically, there is a high correlation between the YTM of the Barclays Aggregate Index and the benchmark's 6-year forward return**
  - YTM is 2.49% as of 12/31/2013

- **In 2013, volatility of the Barclays Aggregate index exceeded its average coupon for the first time**
  - Recent rise in interest rates will increase the new issue coupons, but yields remain compressed

Bond Liquidity and Volatility



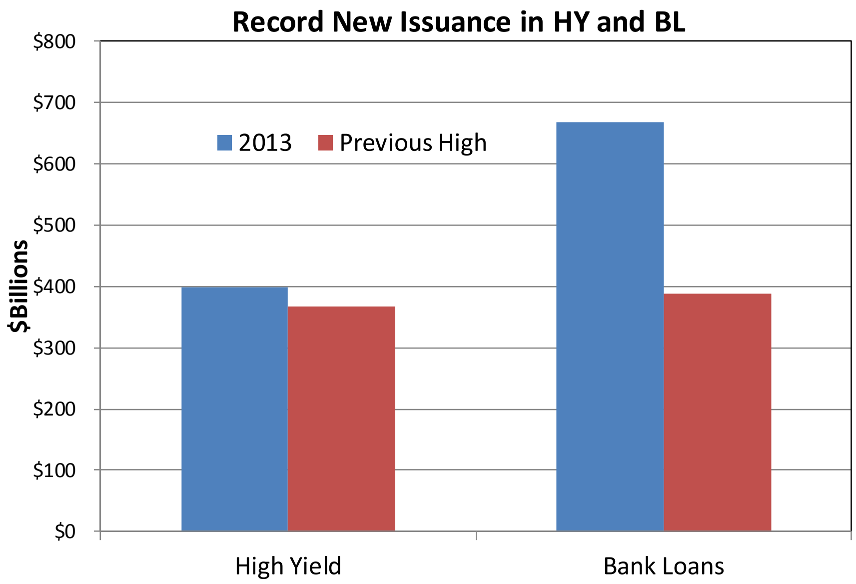
Source: Federal Reserve Bank of New York



Source: JP Morgan

- **Post-crisis, Dodd-Frank related regulatory measures have substantially impacted liquidity in debt markets**
- **Lack of capacity limits broker/dealers ability to provide "cushion" in times of heightened market volatility**
- **Growth of credit and increase of retail participation in bank loan and high yield markets could amplify illiquidity in stressful environments**

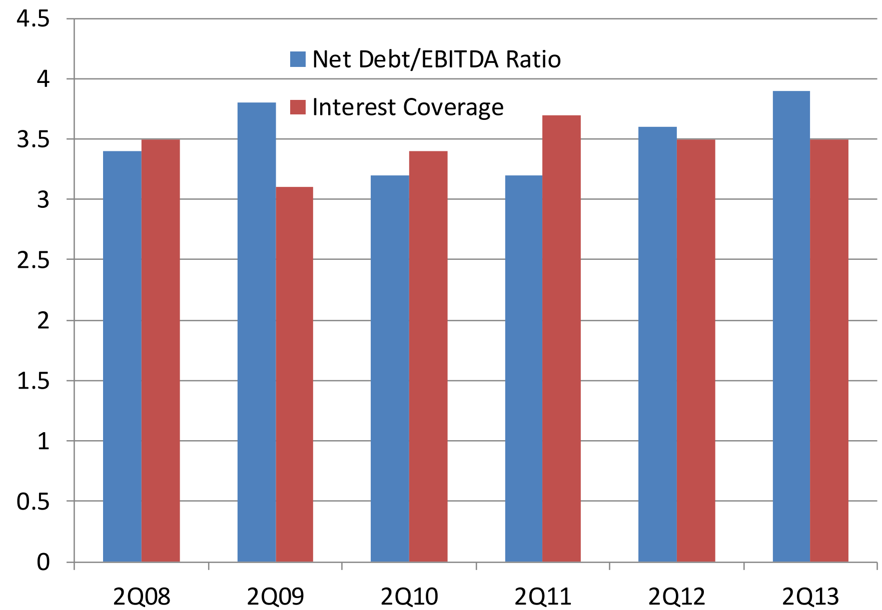
High Yield and Bank Loans



- **Despite record issuance, investor demand has kept pace**
- **Debt proceeds still being used conservatively, but aggressive deal structures are emerging**
  - 56% of high yield and 71% of bank loans proceeds used towards repricing/refinancing
  - Covenant-lite loan issuance at all-time high
  - Companies with weak fundamentals coming to market (asset-lite, service businesses)

- **High Yield leverage ratios are stable but creeping higher**

- **Leverage must be viewed in the context of debt servicing metrics**
  - Interest coverage still strong due to low cost of debt



Source: Bloomberg, Stone Harbor

Diversifying & Defensive Strategies

FPL Strategy	Current Perspective	Outlook
Core & Core Plus	• Index duration at an all-time high of 5.5 years • 30% MBS allocation poses duration extension risk • Return potential is muted with yield of 2.5% • Look to shift to Unconstrained Bonds	***Underweight***
Global Bonds	• Provides a defensive/correlation benefit in a portfolio • Hedged or active currency allocation preferred • Look to pair with Unconstrained Bonds • Significant exposure provided by Risk Parity	***Hold to Target***
Inflation-Linked	• 10-year real yields are now positive and normalizing • 5-year real yields remain negative and more costly • Hedged global ILB provide added diversification benefit • Significant exposure provided by Risk Parity	***Hold to Target***
Unconstrained Bonds	• Conservative allocation to complement defensive assets • Low correlation to interest rates and equities • Ability to hedge duration and credit risk • Targets return of LIBOR plus 3% to 4%	***Overweight***
Long Duration	• Interest rate increases in 2013 offer a more attractive price point to expand or initiate an LDI program • Long-term credit spreads at historical averages but liquidity profile is challenged • STRIPS/capital-efficient strategies offer compelling options (e.g. SURF/TURF, double beta solutions)	***Overweight***
Municipal Bonds	• High quality strategies offer competitive after-tax yields • Risk are posed from duration extension and AMT bonds • Focus on after-tax yields, look to include tactical credit allocations	***Hold to Target***

Credit & Return Seeking Strategies

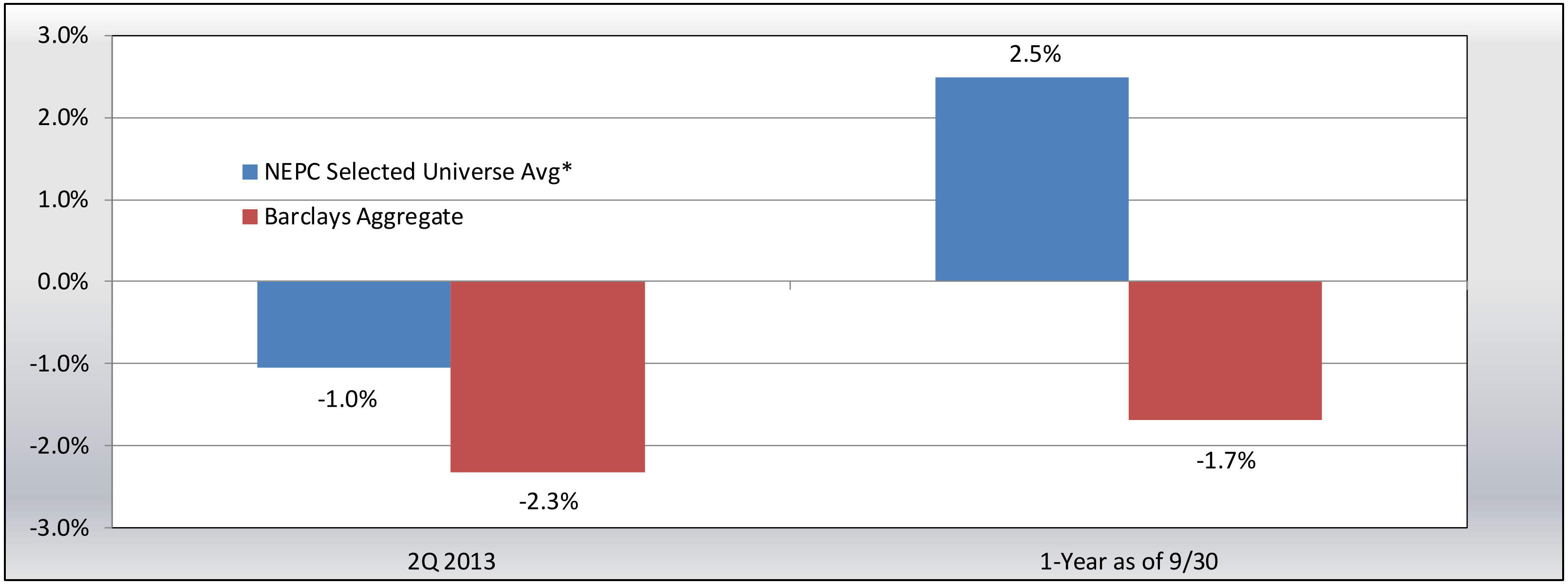
FPL Strategy	Current Perspective	Outlook
Investment Grade Credit	• Corporate fundamentals provide positive backdrop • Risk of increased M&A/LBO activity in non-Financials • Spreads tight with modest room for compression • High duration risk versus other credit sectors	***Underweight***
High Yield	• Corporate fundamentals are positive • Leverage multiples increasing, but still in check • High price leaves little room for total return opportunities • Spreads below LT average – buffer against rate rise limited	***Hold to Target***
Bank Loans	• Use of proceeds primarily for refinancings/repricings • Floating-rate coupon offers duration protection but LIBOR floors and dovish Fed policy mitigate near-term benefit • Negatively convex due to near-par price and low call protection	***Hold to Target***
Emerging Market Debt	• Long-term secular outlook is positive but balance of payment concerns persist • Local EMD Index yields near 7% but volatility is elevated • Tactical approach is preferred as country selection is key	***Hold to Target***
Global Multi-Sector	• Offers greater exposure to non-core sectors in a relatively benchmark agnostic approach • Targets high risk-adjusted returns versus traditional FI • Shift from Core Plus or single-sector credit mandates	***Hold to Target***
Flexible Credit	• Viewed as the return-seeking component of a portfolio • Either full credit spectrum or below investment grade only • Some strategies allow the use of tactical credit hedging	***Overweight***

- **Shift EMD allocation to Blended Approach**
  - Blended reflects full EMD opportunity set
  - Blended mandates can exploit relative value opportunities
  - Active EM currency exposures
  - Cyclical credit exposure based on fundamentals
  - Managers can quickly implement tactical allocation decisions

- **Consider Flexible Credit strategies for liquid credit**
  - Either full credit spectrum or below investment grade only
  - Allow manager to make strategic/tactical shifts in asset allocation
  - Still maintain a high level of income and diversification relative to "rate" sensitive component of client portfolio

- **Shift Core Bond exposure to Absolute Return Fixed Income**
  - Depart from traditional benchmark constraints
  - Achieve similar risk profile with improved return expectations
- **Express best ideas across full fixed income opportunity set**
  - Duration and benchmark agnostic
  - Global bonds, currencies, EM debt, IG, high yield, loans, securitized, GILBs
  - Can be both opportunistic and defensive
- **Current FPL: PIMCO Unconstrained Bond, Loomis Strategic Alpha, GAM Unconstrained Bond, Standish Opportunistic Fixed Income**
- **Best Ideas:**
  - **Core substitute** Low volatility, tactical credit, global rates focused
    - Downside protection is the primary objective
  - **Core Plus substitute** Credit focused strategy with hedged duration, spread, and currency component
    - A defensive implementation of Loomis' best ideas

2014 Fixed Income "Best Ideas" - Absolute Return Fixed Income



	Duration	Return Assumption	Volatility Assumption
Barclays Aggregate	5.5 yrs	2.5%	6.3%
NEPC Selected Universe Average*	1.5 yrs	L plus 3% to 4%	3% to 5%

Daily Correlation – 3 Year	Treasury	High Yield	S&P 500	EM FX	VIX
NEPC Selected Universe Average*	-0.02	0.15	0.01	0.06	-0.04

*Universe of 7 strategies – 4 rated Preferred by NEPC and 3 high conviction strategies. Data as of 9/30/2013
Source: eVestment Alliance

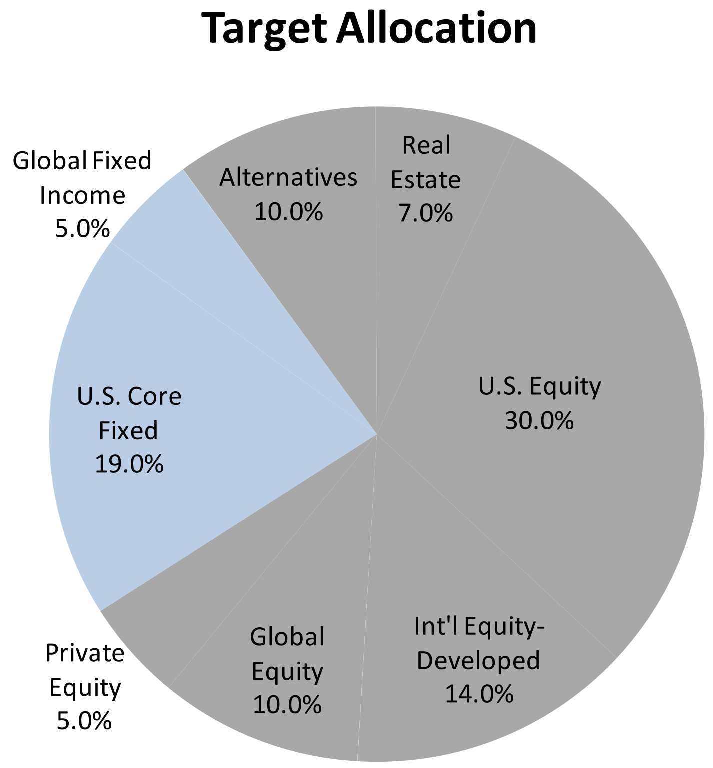
VCERA Fixed Income Portfolio

- **Market Value: $952 million**
- **Passive Allocation: 13.7 %**
- **Strategies: 7**

Total Fund: $ 4B

Policy: 24%

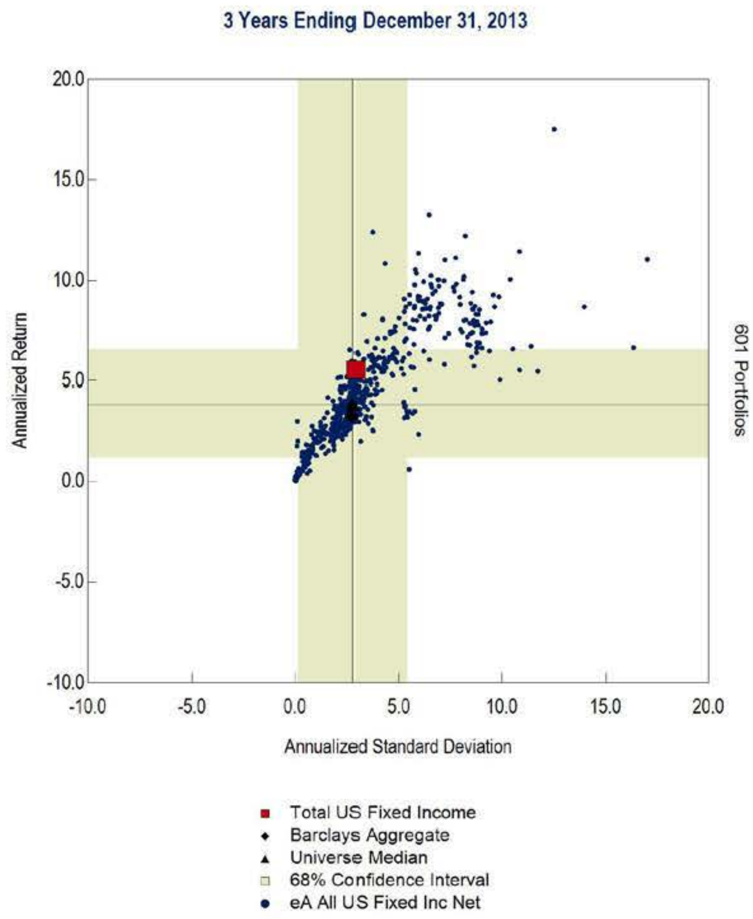
Actual: 23.2%

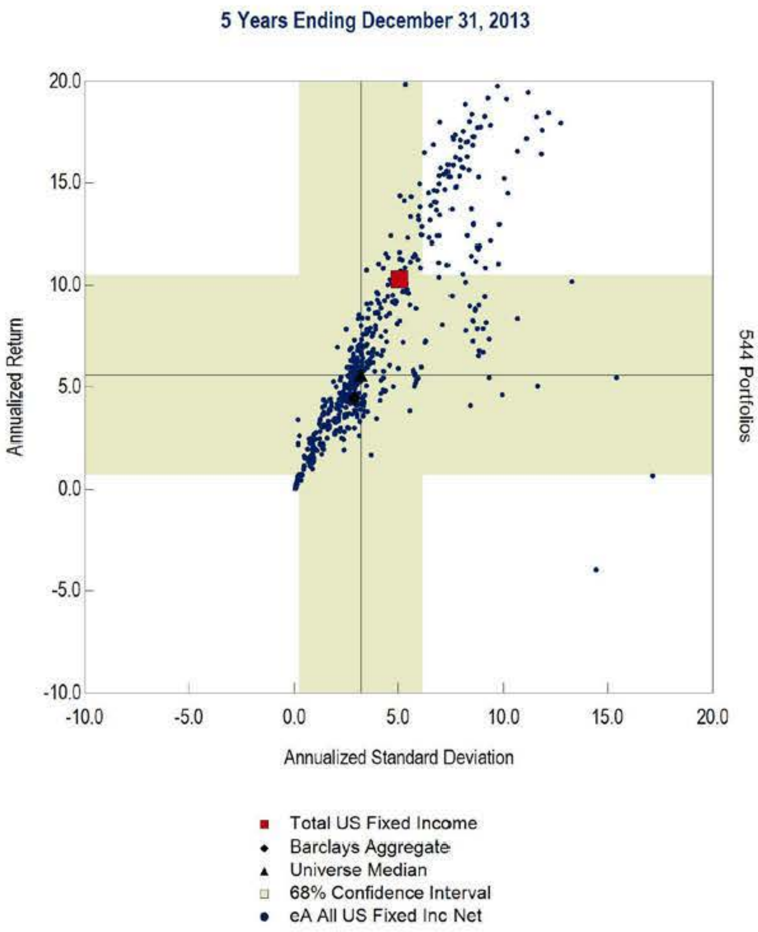


Fixed Income Asset Class Mandates

Investment Firm	Investment Product	Benchmark	Date Funded	Asset Value	Actual Allocation	Target Allocation	Difference
Domestic Fixed Income				**697,296,959**	**17%**	**19%**	**-2.0%**
BlackRock	US Debt Index Fund	Barclays Aggregate	11/1/1995	131,068,003	3.2%		
Reams Asset Management	Unconstrained Fixed Income	Reams Custom Index	9/1/2001	251,728,906	6.2%		
Western Asset Management Company	WA US Core Full	Barclays Aggregate	1/2/1997	247,565,929	6.0%		
Loomis, Sayles & Company, L.P.	Multisector Full Discretion	Loomis Custom Index	7/29/2005	66,934,121	1.6%		
Global Fixed Income				**255,241,694**	**6.2%**	**5%**	**1.2%**
PIMCO	Global Aggregate Unhedged	Barclays Global Aggregate	9/1/2012	122,867,727	3.0%		
Loomis, Sayles & Company, L.P.	Global Bond	Barclays Global Aggregate	6/29/2012	91,531,091	2.2%		
Loomis, Sayles & Company, L.P.	Strategic Alpha	Barclays Global Aggregate	7/1/2013	40,842,876	1.0%		

Domestic Fixed Income Volatility/Return as of December 31, 2013





Alpha Correlations

Alpha Correlations	WAMCO	BlackRock	Reams	Loomis Multi-Strat	Loomis Global	PIMCO Global	Loomis Strat. Alpha
WAMCO	1.00	0.00	**0.68**	**0.83**	**0.76**	**0.79**	**0.69**
BlackRock	0.00	1.00	0.00	0.00	0.00	0.00	0.01
Reams	**0.68**	0.00	1.00	**0.70**	**0.52**	**0.59**	**0.55**
Loomis Multi-Strat	**0.83**	0.00	**0.70**	1.00	**0.85**	**0.63**	**0.71**
Loomis Global	**0.76**	0.00	**0.52**	**0.85**	1.00	**0.67**	**0.71**
PIMCO Global	**0.79**	0.00	**0.59**	**0.63**	**0.67**	1.00	0.24
Loomis Strat. Alpha	**0.69**	0.01	**0.55**	**0.71**	**0.71**	0.24	1.00

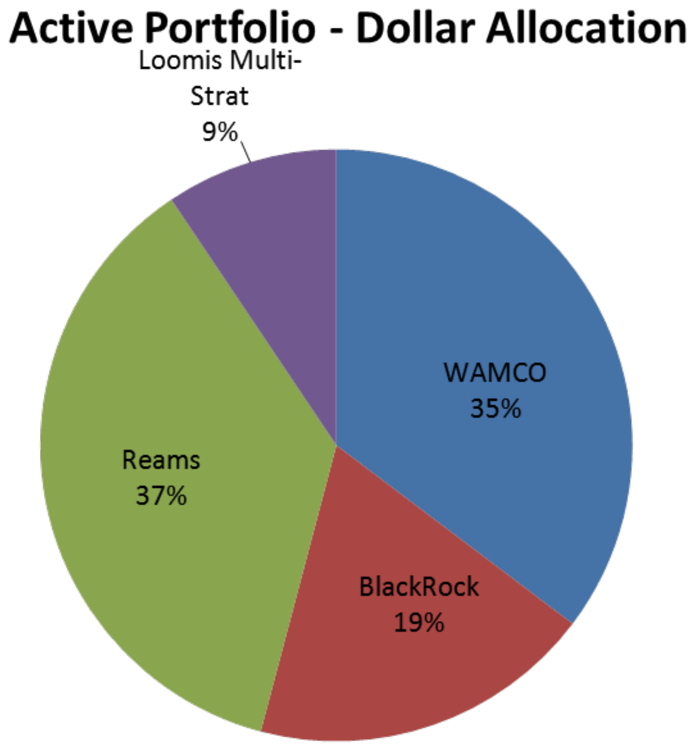
Highly Negative (<-0.25)

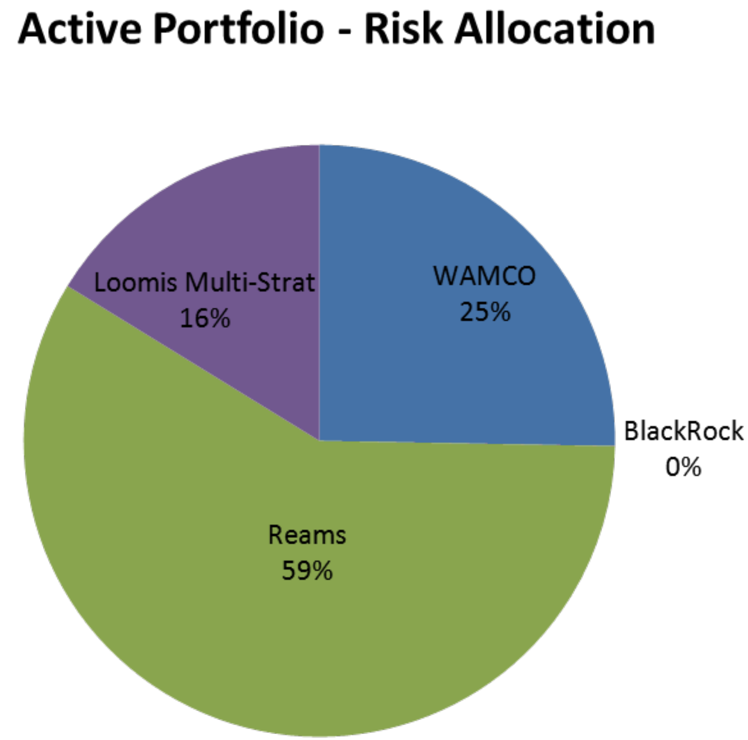
Relatively Uncorrelated (-0.25 – 0.25)

Moderately Positive (0.25 – 0.50)

Highly Positive (>0.50)

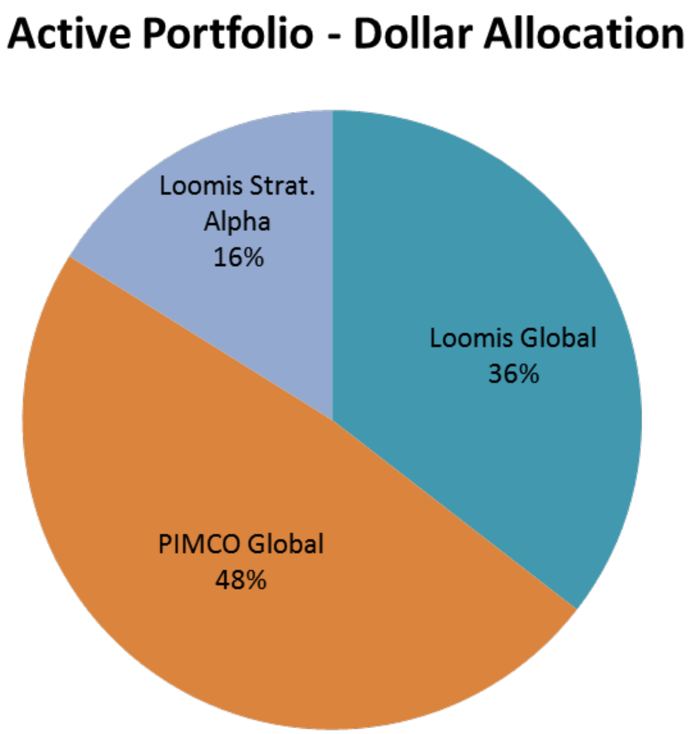
Monthly data from Jan. of 2007– Dec. 2013 using BC US Agg for US Fixed Income and BC Global Agg Unhedged for Global Fixed Income. Loomis Strategic Alpha since inception data begins May-2011.

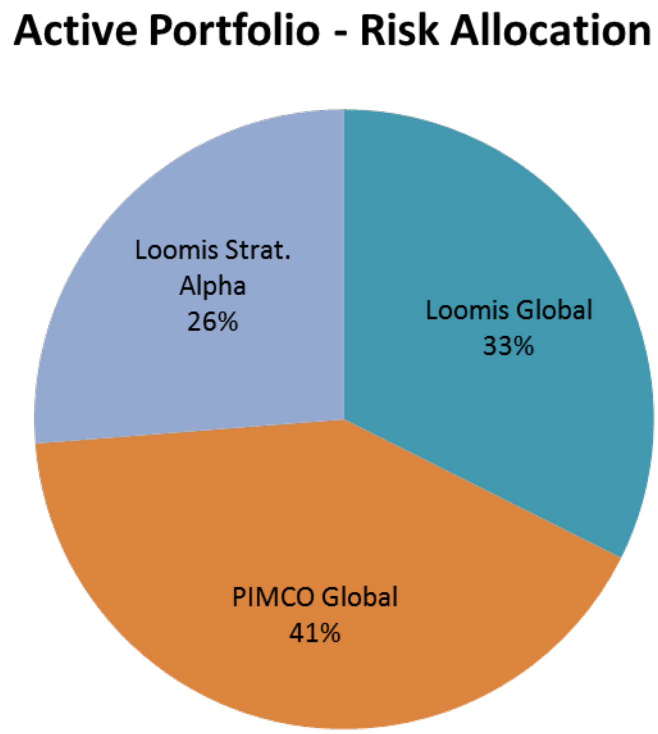




	Tracking Error	Historical Return	Historical IR
US Fixed Income	4.30	1.19	0.28

Monthly data from Jan. of 2007– Dec. 2013 using BC US Agg for US Fixed Income





	Tracking Error	Historical Return	Historical IR
Global Fixed Income	1.76	0.54	0.31

Monthly data from Jan. of 2007– Dec. 2013 using BC Global Agg Unhedged for Global Fixed Income. Loomis Strategic Alpha since inception data begins May-2011.

Fixed Income Performance

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total US Fixed Income	**697,296,959**	**17.0**	**1.0**	**28**	**-0.1**	**44**	**1.9**	**26**	**-0.1**	**44**	**5.5**	**32**	**10.3**	**23**	**6.1**	**23**	**6.5**	**Feb-94**
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*5.8*	*Feb-94*
Over/Under			1.1		1.9		1.5		1.9		2.2		5.9		1.6		0.7	
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*5.7*	*Feb-94*
Western	247,565,929	6.0	0.4	48	-1.2	63	0.8	57	-1.2	63	5.2	34	9.0	28	5.4	31	6.6	Dec-96
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*5.7*	*Dec-96*
Over/Under			0.5		0.8		0.4		0.8		1.9		4.6		0.9		0.9	
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*5.6*	*Dec-96*
BlackRock U.S. Debt Fund	131,068,003	3.2	-0.2	88	-2.0	79	0.3	80	-2.0	79	3.3	62	4.5	66	4.6	51	5.7	Nov-95
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*5.6*	*Nov-95*
Over/Under			-0.1		0.0		-0.1		0.0		0.0		0.1		0.1		0.1	
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*5.5*	*Nov-95*
Reams	251,728,906	6.2	1.9	16	2.5	18	2.4	21	2.5	18	6.9	20	12.4	16	7.0	15	6.8	Sep-01
Reams Custom Index			*0.1*	*73*	*-0.5*	*49*	*0.1*	*86*	*-0.5*	*49*	*3.8*	*51*	*4.8*	*62*	*4.7*	*47*	*5.0*	*Sep-01*
Over/Under			1.8		3.0		2.3		3.0		3.1		7.6		2.3		1.8	
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*4.9*	*Sep-01*
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*4.9*	*Sep-01*
Loomis Sayles Multi Strategy	66,934,121	1.6	2.3	13	1.4	20	3.2	16	1.4	20	7.2	19	14.0	13	--	--	7.3	Jul-05
Loomis Custom Index			*0.9*	*28*	*0.8*	*25*	*2.0*	*25*	*0.8*	*25*	*5.1*	*35*	*8.4*	*31*	--	--	*5.9*	*Jul-05*
Over/Under			1.4		0.6		1.2		0.6		2.1		5.6				1.4	
Barclays Aggregate			*-0.1*	*86*	*-2.0*	*80*	*0.4*	*76*	*-2.0*	*80*	*3.3*	*63*	*4.4*	*67*	*4.5*	*52*	*4.7*	*Jul-05*
eA All US Fixed Inc Net Median			*0.3*		*-0.5*		*0.9*		*-0.5*		*3.9*		*5.6*		*4.6*		*4.8*	*Jul-05*

Reams Custom Index: Merrill Lynch 3 Month Libor Constant Maturity Index, prior to February 2013 the Barclays Aggregate Loomis Custom Index: 65% Barclays Aggregate, 30% Citigroup High Yield Market Index and 5% JPM Non-US Hedged Bond Index

	Market Value ($)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Return (%)	Since
Total Global Fixed Income	255,241,694	6.2	0.2	67	-2.3	65	2.8	50	-2.3	65	--	--	--	--	--	--	0.8	Jun-12
Barclays Global Aggregate			-0.4	84	-2.6	69	2.3	58	-2.6	69	2.4	80	3.9	89	4.5	78	0.1	Jun-12
Over/Under			0.6		0.3		0.5		0.3								0.7	
eA All Global Fixed Inc Net Median			0.9		-0.4		2.8		-0.4		4.6		6.6		5.1		3.6	Jun-12
Loomis Sayles Global Fixed Income	91,531,091	2.2	-0.1	69	-2.4	61	2.2	63	-2.4	61	--	--	--	--	--	--	0.9	Jun-12
Barclays Global Aggregate			-0.4	83	-2.6	65	2.3	56	-2.6	65	2.4	77	3.9	87	4.5	74	0.1	Jun-12
Over/Under			0.3		0.2		-0.1		0.2								0.8	
eA Global Fixed Inc Unhedged Net Median			0.9		-0.8		2.5		-0.8		4.4		6.3		5.0		3.2	Jun-12
PIMCO Global Fixed Income	122,867,727	3.0	-0.1	69	-3.1	72	2.6	50	-3.1	72	--	--	--	--	--	--	-2.9	Sep-12
Barclays Global Aggregate			-0.4	83	-2.6	65	2.3	56	-2.6	65	2.4	77	3.9	87	4.5	74	-2.5	Sep-12
Over/Under			0.3		-0.5		0.3		-0.5								-0.4	
eA Global Fixed Inc Unhedged Net Median			0.9		-0.8		2.5		-0.8		4.4		6.3		5.0		1.0	Sep-12
Loomis Strategic Alpha	40,842,876	1.0	1.9	35	--	--	1.7	74	--	--	--	--	--	--	--	--	1.4	Jul-13
Barclays Global Aggregate			-0.4	83	-2.6	65	2.3	56	-2.6	65	2.4	77	3.9	87	4.5	74	1.1	Jul-13
Over/Under			2.3				-0.6										0.3	
eA Global Fixed Inc Unhedged Net Median			0.9		-0.8		2.5		-0.8		4.4		6.3		5.0		1.5	Jul-13

Investment Firm	Investment Product	On FPL	NEPC Due Diligence Recommendation	Event Date	Event
Ventura County Employees Retirement Association					
BlackRock	US Debt Index Fund	No	No Action		
Reams Asset Management	Unconstrained Fixed Income	No	No Action		
Western Asset Management Company	WA US Core Full	Yes	**HOLD**	1/26/2014	SEC and DOL Settlements
PIMCO	Global Aggregate Unhedged	No	**WATCH**	1/28/2014	Organizational Changes/Departures
Loomis, Sayles & Company, L.P.	Multisector Full Discretion	Yes	Preferred		
Loomis, Sayles & Company, L.P.	Global Bond	Yes	Preferred		
Loomis, Sayles & Company, L.P.	Strategic Alpha	Yes	Preferred		

Below are NEPC's definitions of recommended actions for managers:

No Action - Informational items have surfaced; no action is recommended.

Watch - Issues have surfaced to be concerned over; manager can participate in future searches, but current and prospective clients must be made aware of the issues.

Hold - Serious issues have surfaced to be concerned over; manager cannot be in future searches unless a client specifically requests, but current and prospective clients must be made aware of the issues.

Client Review - Very serious issues have surfaced with a manager; manager cannot be in future searches unless a client specifically requests. Current clients must be advised to review the manager.

Terminate - We have lost all confidence in the product; manager would not be recommended for searches and clients would be discouraged from using. The manager cannot be in future searches unless a client specifically requests. Current clients must be advised to replace the manager.

Investment Firm	Investment Product	Fee Schedule	Asset Value	Est. Annual Fee ($)	Est. Annual Fee (%)
Domestic Fixed Income					
BlackRock	US Debt Index Fund	6 bps on the first $100 mm, 4 bps on the next $400 mm, and 2 bps thereafter	131,068,003	$72,427	0.06%
Reams Asset Management	Unconstrained Fixed Income	0.20% on First $150,000,000, 0.15% on Remainder	251,728,906	$452,593	0.18%
Western Asset Management Company	WA US Core Full	.30 of 1% of first 100,000,000 and 0.15 of 1% on amounts over 100,000,000	247,565,929	$521,349	0.21%
Loomis, Sayles & Company, L.P.	Multisector Full Discretion	50 bps on first $20M, 40 bps on the next $30M, 30 bps on all assets thereafter	66,934,121	$270,802	0.40%
Global Fixed Income					
PIMCO	Global Aggregate Unhedged	0.35% on First $100,000,000 0.30% on Next $100,000,000 0.25% on Remainder	122,867,727	$418,603	0.34%
Loomis, Sayles & Company, L.P.	Global Bond	30 bps on the first $100 million, 20 bps on all assets thereafter	91,531,091	$274,593	0.30%
Loomis, Sayles & Company, L.P.	Strategic Alpha	Flat Fee of 40 bps	40,842,876	$163,372	0.40%
		Total	**$ 952,538,653**	**$2,173,739**	**0.23%**

- **Current structure in the US has done well against the benchmarks**
  - Primarily due to out-of-the benchmark credit risk
  - Historical benign environment may not continue

- **Carefully review role of fixed income as part of asset/liability study**
  - Likely will recommend decrease to both US and non-US allocations
  - Likely candidates for trimming
  - Overly diversified by manager

- **Consider unconstrained non-US strategy**

NEPC, LLC

YOU DEMAND MORE. *So do we.*SM

Ventura County Employees Retirement Association

Real Estate Market Update

February 25, 2014

Don Stracke, CFA, CAIA, Senior Consultant
Tony Ferrara, Senior Analyst

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Real Estate

General Real Estate Market Thoughts and 2014 Tactical Recommendations

General Market Thoughts

- **Core/REIT market environment has normalized**
  - Real estate fundamentals and debt terms are attractive, however future interest rates (and the impact on cap rates) and ongoing capital inflows to real estate cause concern
  - REITs trading at relatively high FFO multiples but slight discounts to NAV
- **Opportunity remains in non-core strategies (value-add and opportunistic)**
  - Europe real estate distress in early stages of recovery
  - In the US, market is normalizing however some remnants of distress still exist and opportunity remains for niche-focused managers
- **Select debt opportunities remain attractive today, particularly in Europe**

2014 Tactical Recommendations

Investment Strategy		Recommendation
Core	Core Real Estate	Neutral / Hold to Target
REITs	Core Real Estate	Neutral / Hold to Target
Value-Add	Non-Core Real Estate	Over-weight
Opportunistic	Non-Core Real Estate	Over-weight
Real Estate Debt		Neutral / Hold to Target

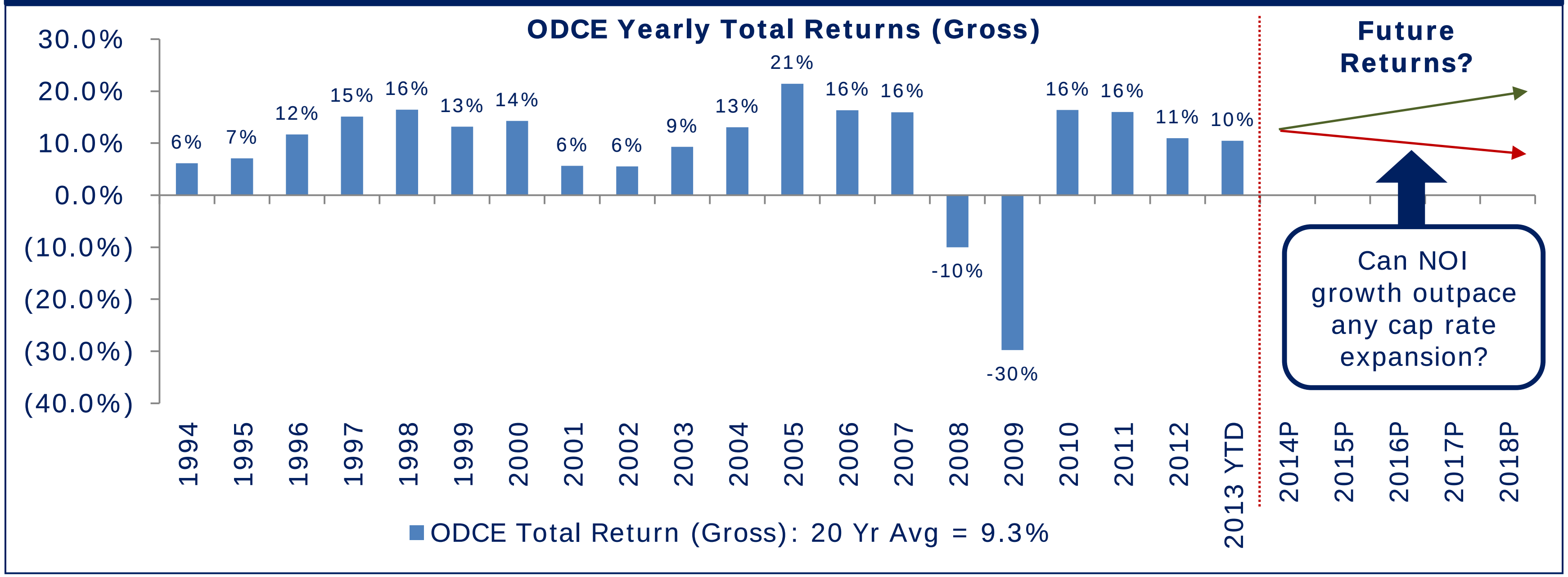
US Core Real Estate Historical Returns and Future Expectations

2014 NEPC Assessment

Hold to Target

- **Core real estate total returns have been strong since the GFC**
  - 14.4% compounded annual return for the ODCE since 2009
  - Cap rate compression/capital appreciation has driven returns
  - Annualized gross income yields have averaged 5.6% since 2009 (for 2013 5.2% annualized)
- **Expected 5-7 year core total returns are lower then historical averages**
  - Positive: Transaction markets and capital markets are healthy
  - Positive: Property fundamentals (NOI growth) and debt terms/availability are solid
  - Concern: Increasing interest rates and the impact on cap rates (case for 50-100bps increase)

US Core Real Estate Returns (Gross)



Data through 3Q 2013 – Source: NEPC analysis and NCREIF.

Core Real Estate 5-7 Year Return Expectations

2014 NEPC Assessment

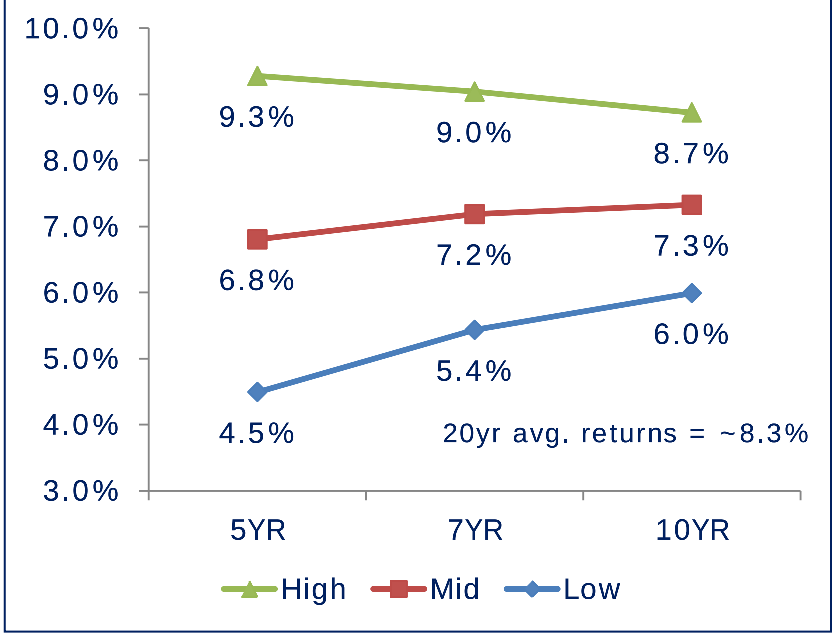
Hold to Target

- **Key drivers of core real estate returns:**
  - NOI Growth
  - Change between going-in cap rate and exit cap rate
  - Leverage/debt terms
- **The base case 5YR, 7YR and 10YR net total return assumptions include:**
  - Above average NOI growth for yrs 1-5 (3.6%), slowing to normal growth for yrs 6-10 (2.5%)
  - 75bps exit cap rate increase (125bps treasury increase less 50bps of cap rate compression)

Key Assumptions

	5YR	7YR	10YR
Compounded Annual NOI Growth	3.6%	3.3%	3.0%
High/Low Sensitivity	High case: +25bps in NOI Growth Low case: -25bps in NOI Growth		
Exit Cap Rate Increase	75bps		
High/Low Sensitivity	High case: -25bps (50 net exit cap) Low case: +25bps (100 net exit cap)		
Interest Rate (I/O)	3.4%	4.0%	4.6%

Core Return Expectations (Net)



Data through 3Q 2013 – Source: NEPC analysis.
Analysis based on NEPC 5YR, 7YR and 10YR levered discounted cash flow analysis model. Model assumes 5.5% going-in cap rate and 20% leverage. Leverage assumptions assume 200bps spread to 5YR UST, 7YR UST, and 10YR UST respectively, which is similar to current real estate bank debt pricing per HFF. Base case NOI growth assumes annual NOI growth of 3.6% in years 1-5 and 2.5% in years 6-10.

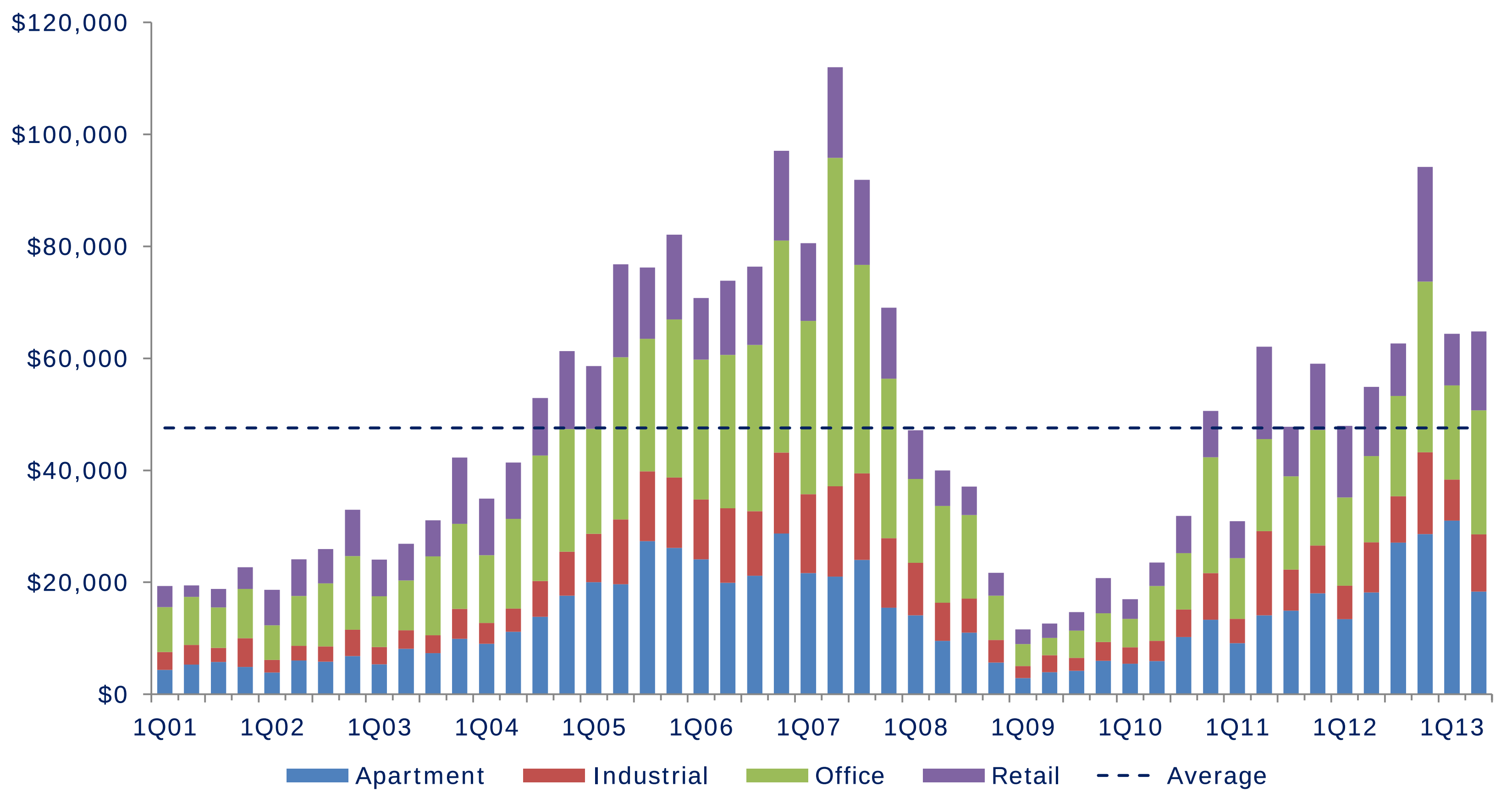
US Transaction Markets Have Normalized

2014 NEPC Assessment

Hold to Target

- **US Real Estate transaction volume is above the long-term average**
  - Almost $300B of transaction volume in the US in the past year

US Real Estate Transaction Volumes ($M)



Data through 2Q 2013 – Source: Real Capital Analytics.

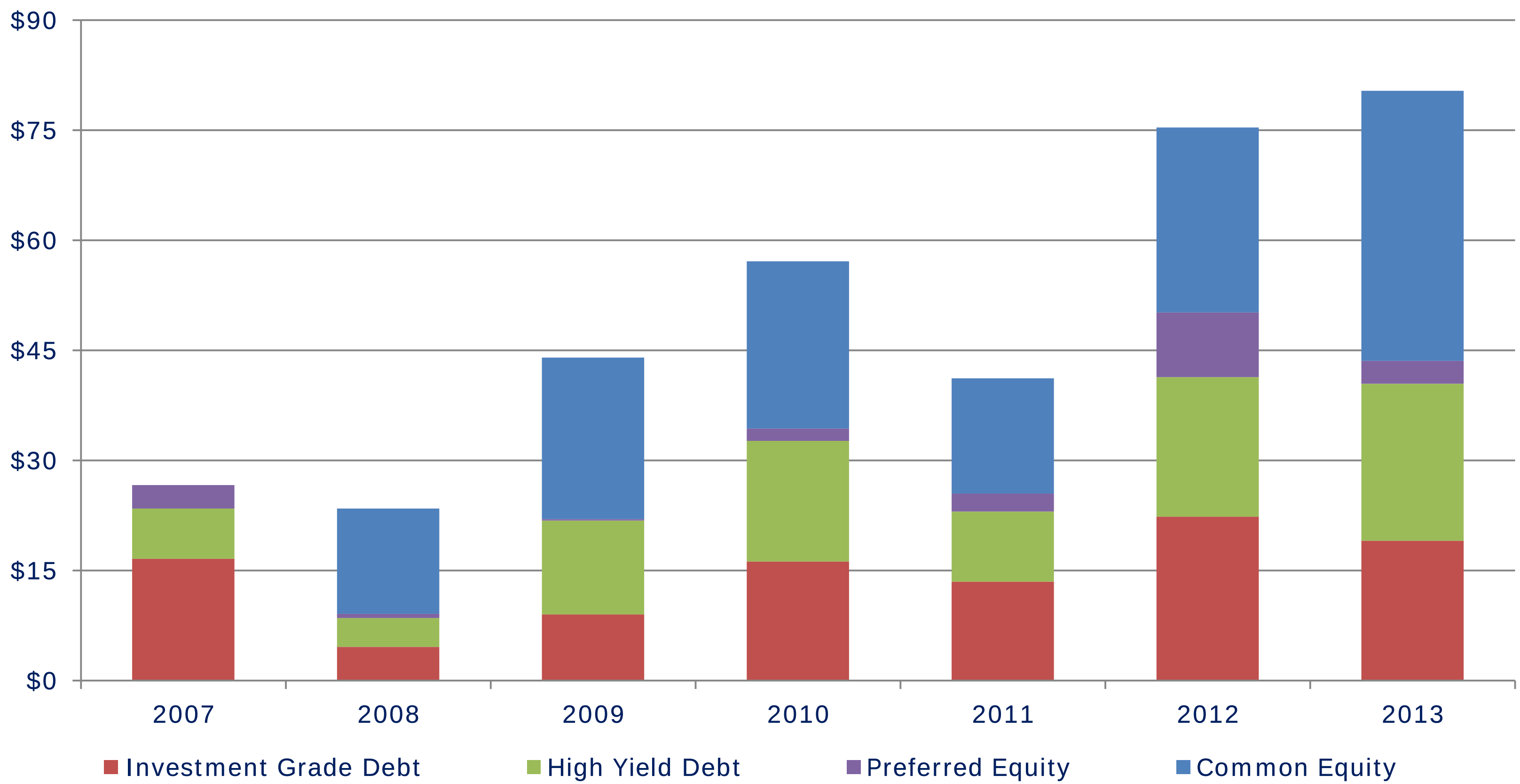
US Real Estate Capital Markets are Healthy

2014 NEPC Assessment

Hold to Target

- **Public real estate capital issuance levels continue to rise**
  - REIT/REOC issuance volumes hit a new peak led by over $36 billion in new common equity issued in 2013

REIT/REOC Issuance Volume ($B)

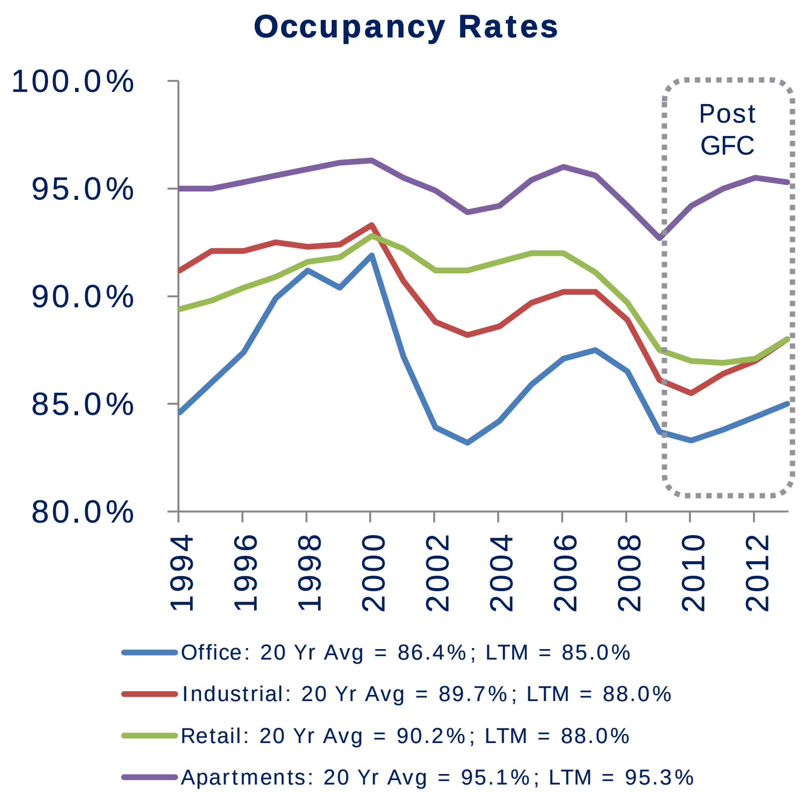


Data through 4Q 2013 – Source: Goldman Sachs.

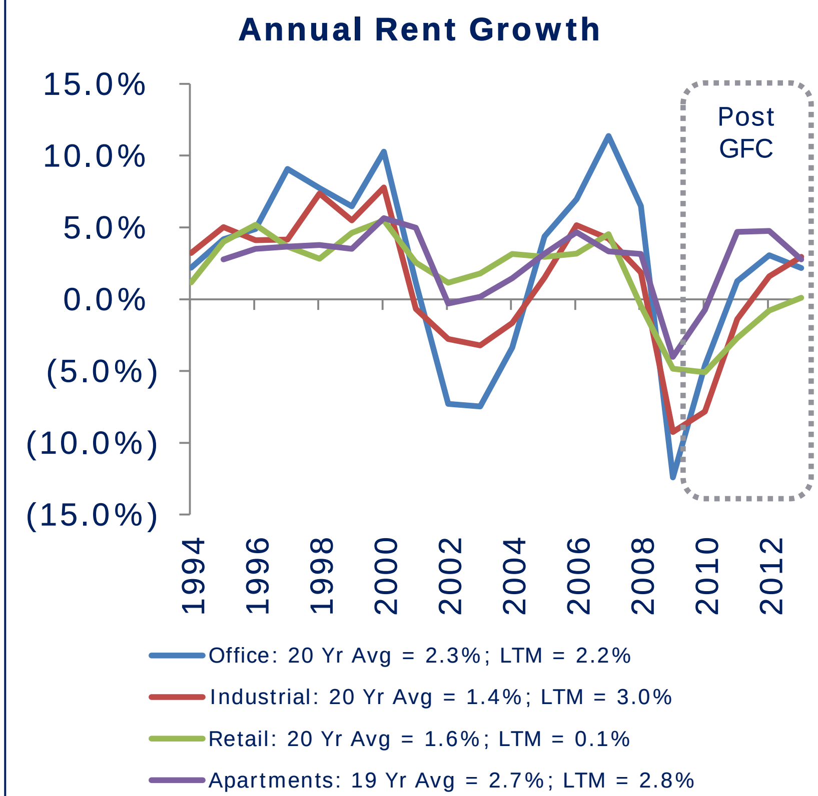
US Core Property Fundamentals Continue to Improve

- **Property fundamentals have been strong since the GFC**
  - Occupancy rates are up universally (apartment sector is near its structural vacancy rate)
  - LTM rent growth is at or above long term averages (with the exception of retail)

Improving Occupancy



Improving Rent Growth



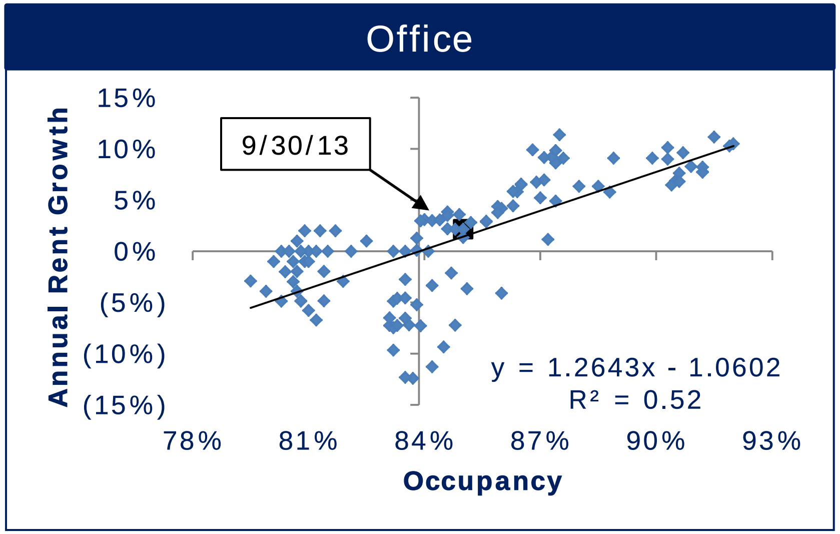
Data through 3Q 2013 – Source: NEPC analysis and CBRE Econometric Advisors.

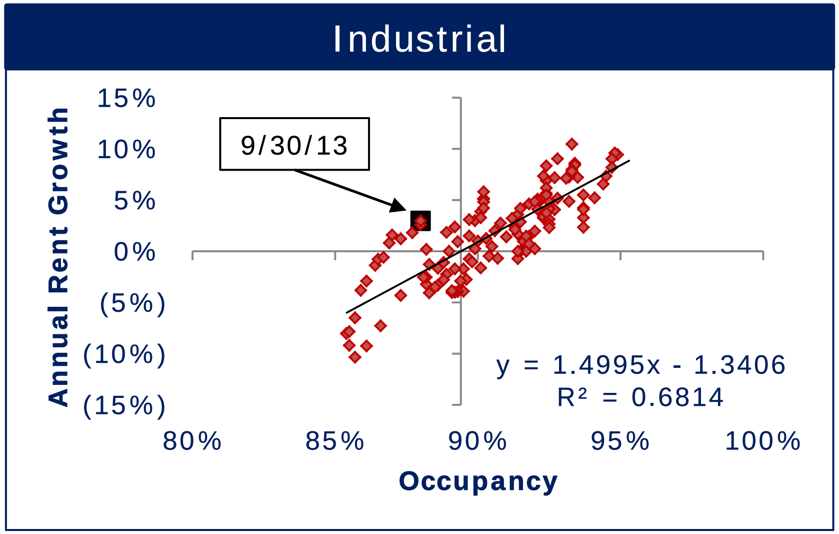
US Core Property Fundamentals Continue to Improve (Continued)

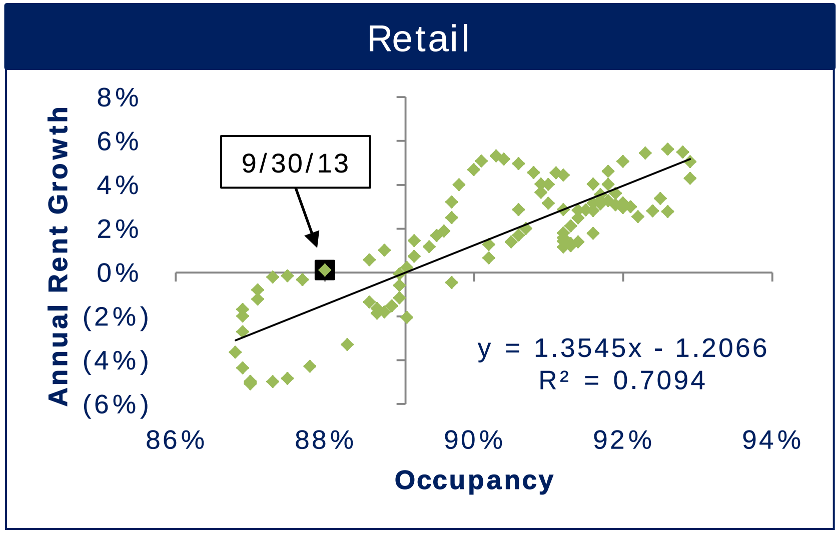
2014 NEPC Assessment

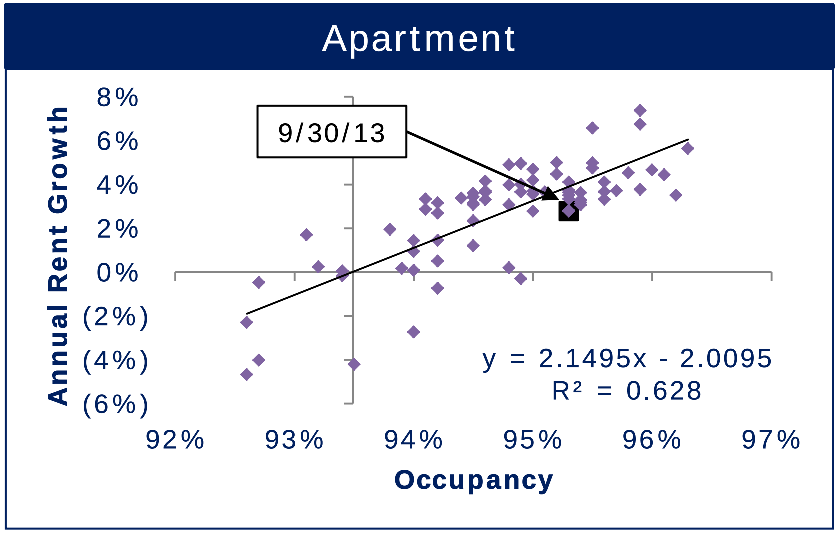
Hold to Target

- **Significant correlation between higher occupancy and higher rent growth**







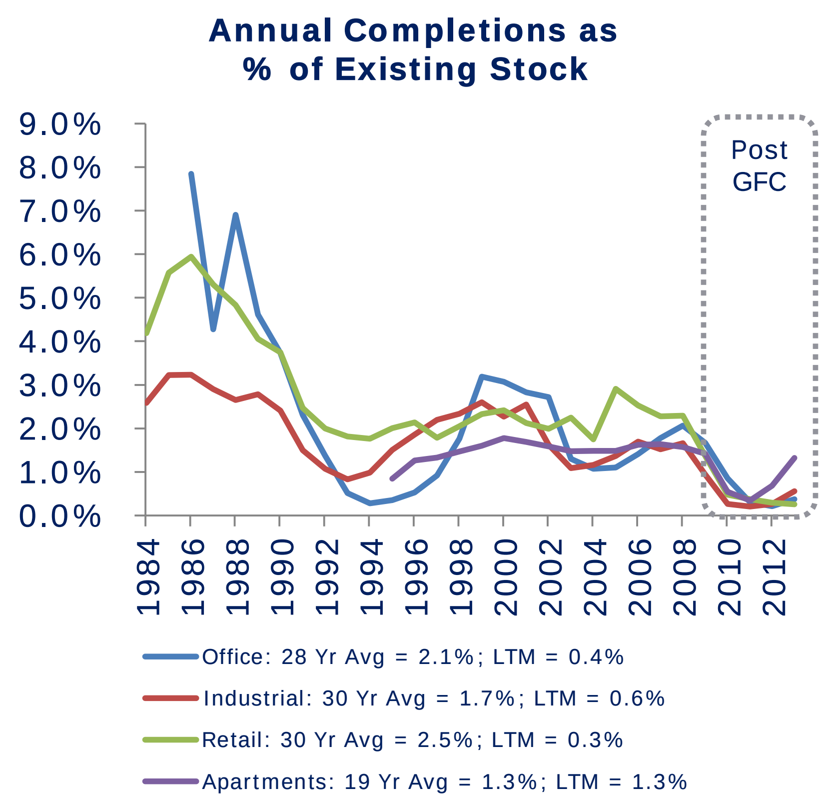


Data through 3Q 2013 – Source: NEPC analysis and CBRE Econometric Advisors.

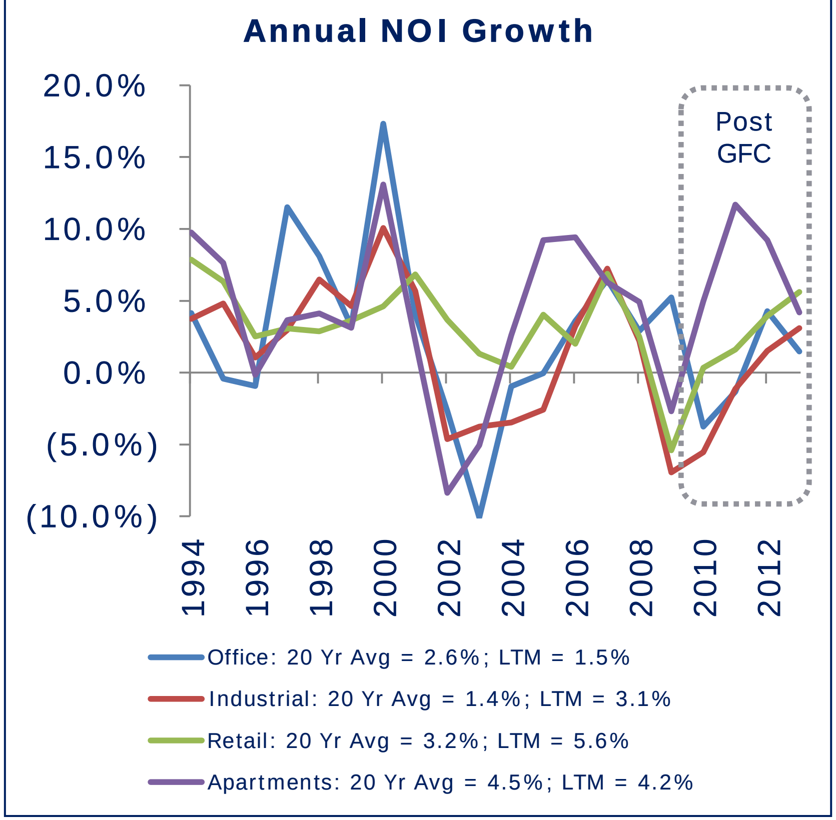
US Core Property Fundamentals Continue to Improve (Continued)

- **New construction remains low relative to historical levels**
  - Excluding the apartment sector which has shown recent increases in new supply
- **Increasing occupancy/rents and limited supply has driven solid NOI growth**
  - Case for continued above average NOI growth for the near term

Limited New Supply



Solid NOI Growth



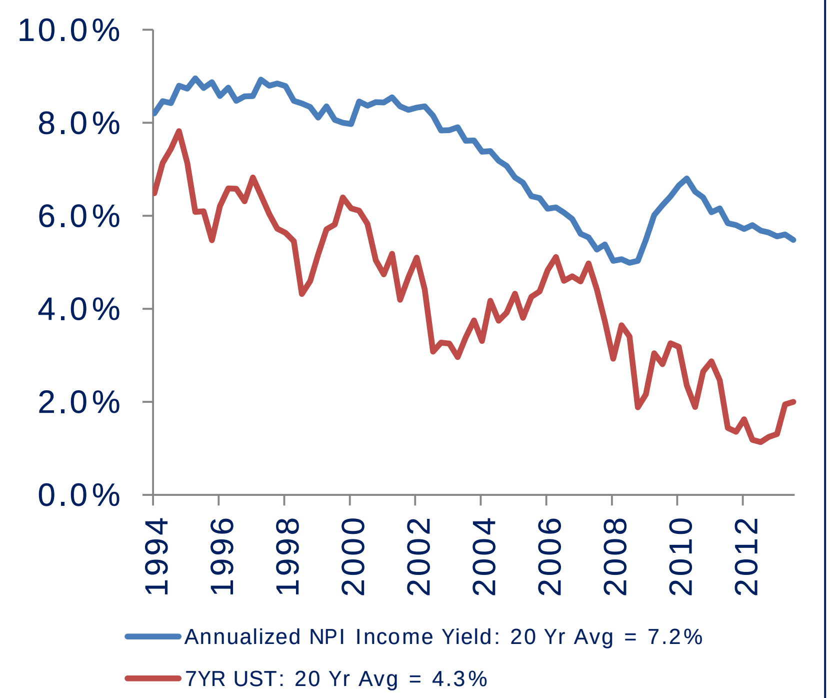
Data through 3Q 2013 – Source: NEPC analysis, CBRE Econometric Advisors (Annual Completions Data), and NCREIF (NOI Growth Data).

Interest Rates and Impact on US Core Cap Rates

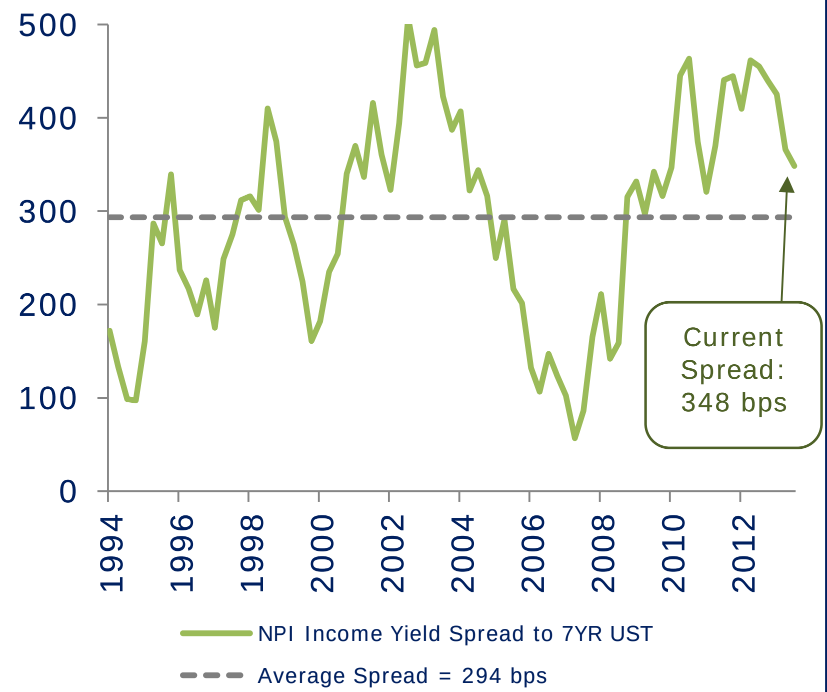
2014 NEPC Assessment
Hold to Target

- **Absolute income yields (or cap rates) have steadily declined since 2009**
  - Current gross income yield of 5.2% for 2013 annualized
- **Case for 50-100bps cap rate increase over next 5-10 years**
  - Current income yield spread of 348 bps; 20 year average spread is 294 bps: implies ~50bps of cap rate compression for mean reversion
  - Treasuries expected to widen by ~100-150bps over 5-10 years (inline with market expectations)
  - Implies ~50-100bps of cap rate expansion

Income Yields vs. 7YR UST



Income Yield Spread to 7YR UST



Data through 3Q 2013 – Source: NEPC analysis, NCREIF (NPI Income Yield Data), and Bloomberg (UST Data).

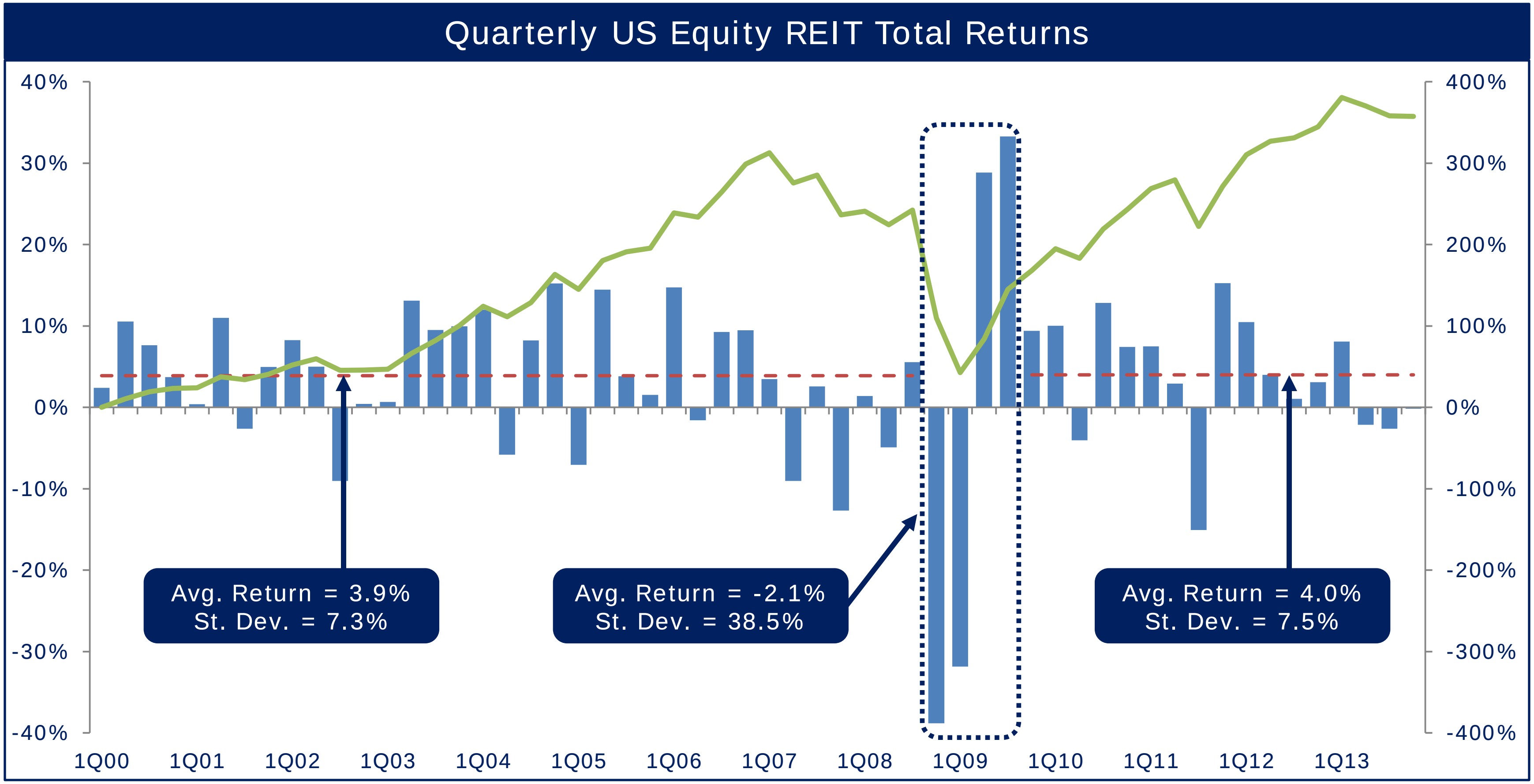
The Bullish Case US Core Real Estate

- **US core cap rates are still above EU core cap rates (possibility for further cap rate compression)**
- **Many core open-end funds have small value-add buckets that can drive higher returns**
- **Appraisal lag for assets (some asset may still be undervalued)**
- **Fund alpha (ability for managers to rotate out of slower growth / less desirable assets)**
- **Ability for managers to increase NOI margins through environmental retrofitting to cut energy costs**

US REIT Historical Returns Quarterly Returns

2014 NEPC Assessment
Hold to Target

- **REIT returns have generally normalized since 2009 although 2013 was a down year for overall US REIT returns**
  - 2.9% total annual return vs 12.3% 20yr average)



FTSE NAREIT Equity REIT returns data through 4Q 2013 – Source: Bloomberg.

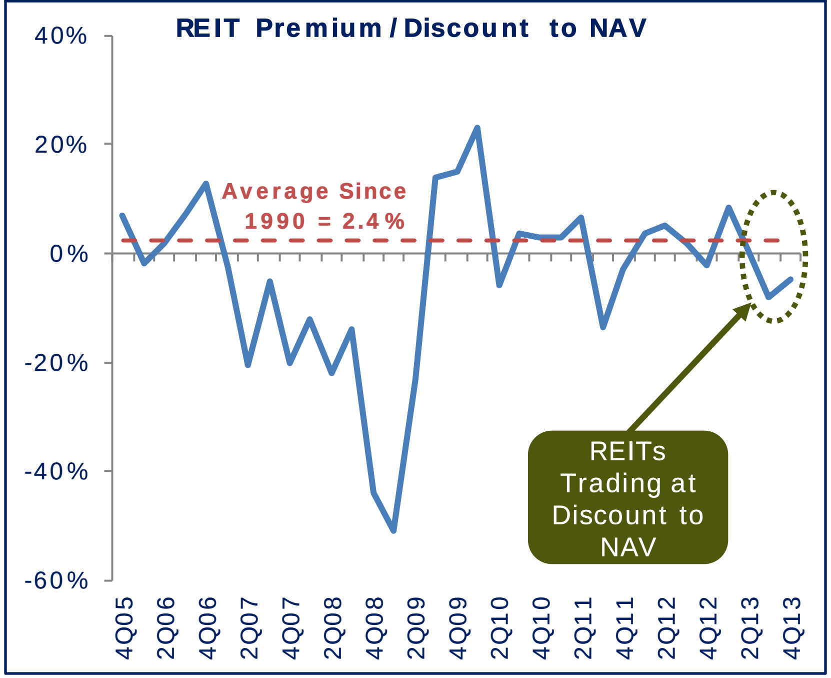
Mixed Signals for REITs Indicate Fair Value

2014 NEPC Assessment

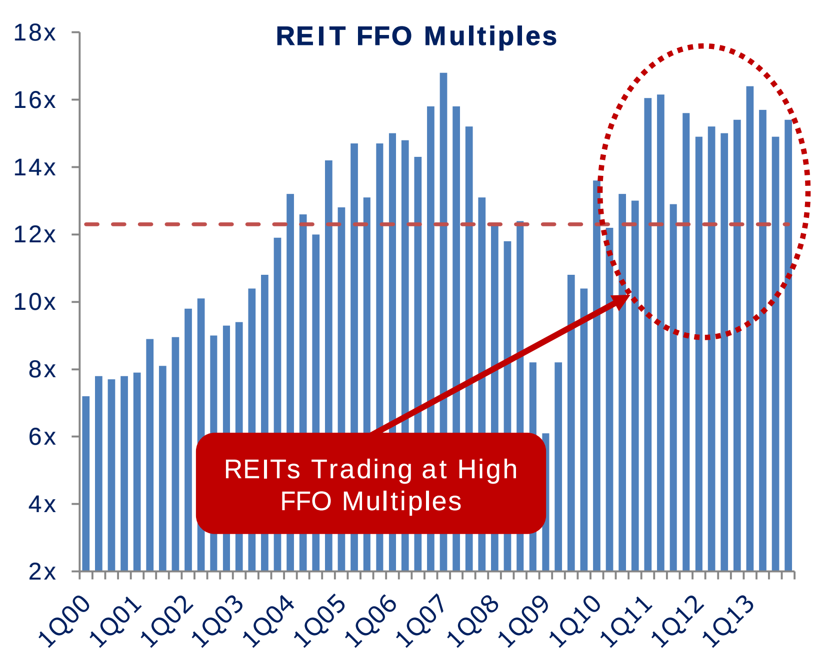
Hold to Target

- **Positive: REITs are trading at slight discounts to NAV**
  - Indicate that private market pricing is below public market pricing
- **Concern: REITs are trading at historically high FFO multiples**
  - FFO multiples analogous to P/E multiples
  - Higher multiple indicate higher public market growth expectations or a shift in public market return expectations

REITs are Trading at Discounts to NAV



REITs are Trading at High FFO Multiples



FFO and Premium/Discount data through January 3, 2014 – Source: Wells Fargo Securities.

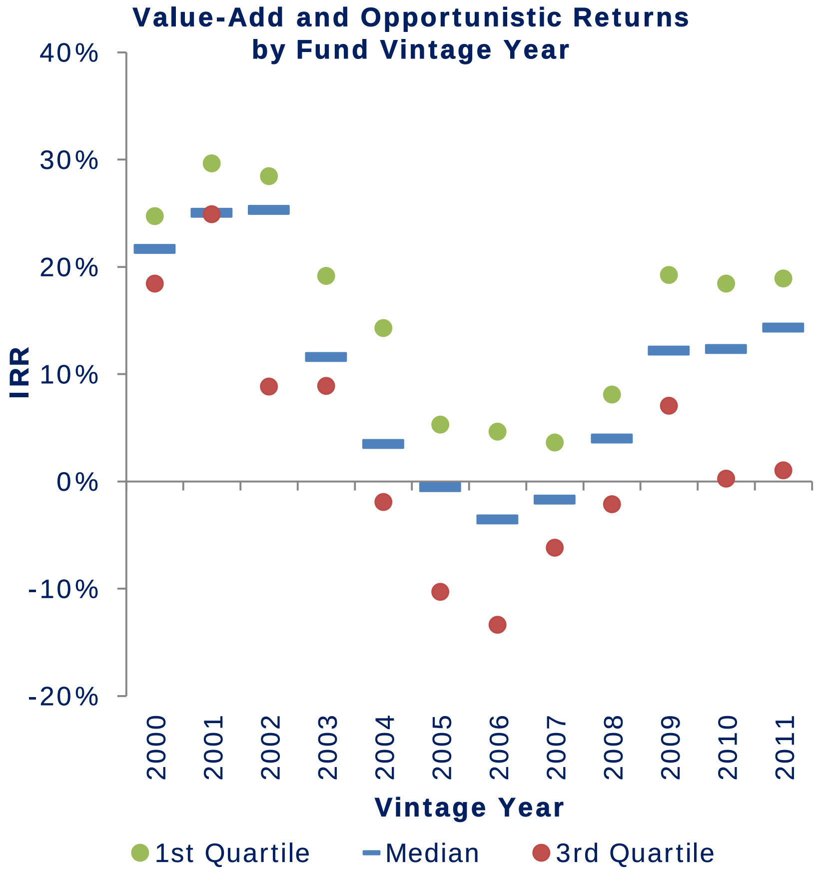
Historical Returns and Fundraising Statistics

2014 NEPC Assessment

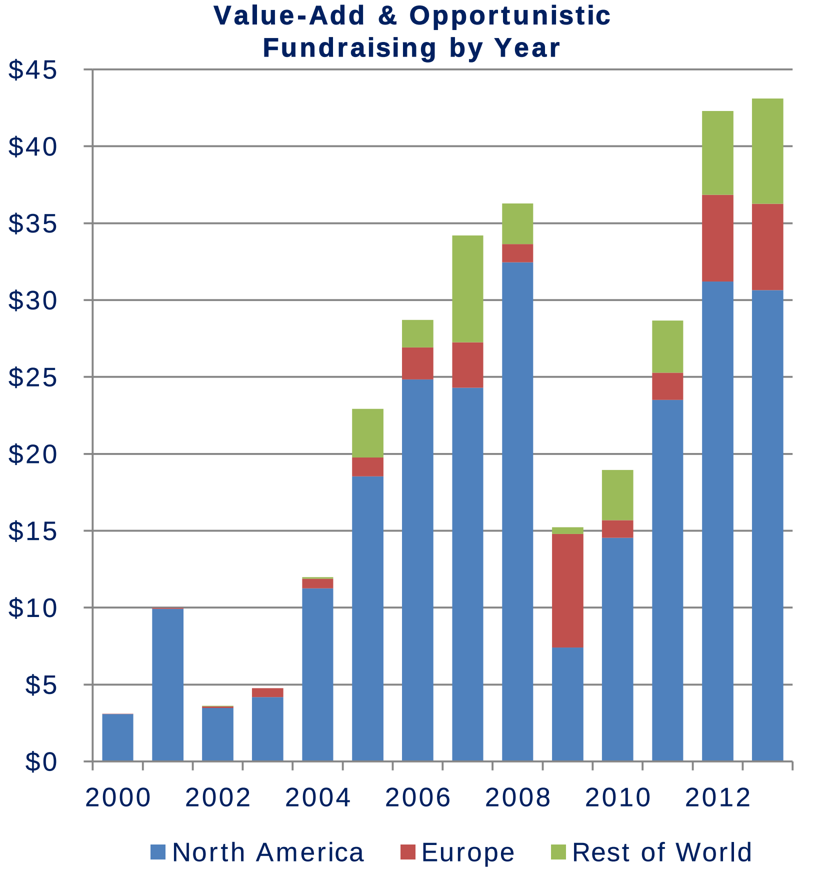
Overweight

- **2008-2011 vintage funds performing well**
  - 2005-2007 vintage median fund returns are recovering and getting close to breakeven
- **Capital raised approaching pre-Crisis levels**
  - More recent capital raise increases for Europe and the rest of world

Vintage Year Fund Returns



Capital Raising ($B)



Source: Thomson One. Non-core returns represented by Thomson-One Value-Add and Opportunistic net fund indices. Recent vintage year performance is not meaningful, and is therefore excluded.

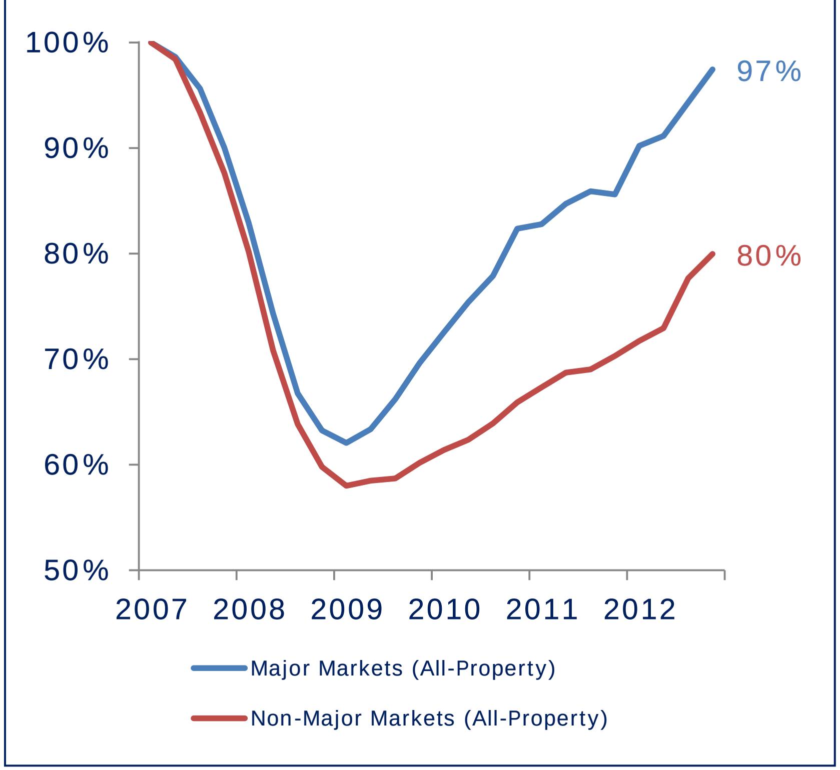
US Non-Core Investment Environment Normalizing

2014 NEPC Assessment

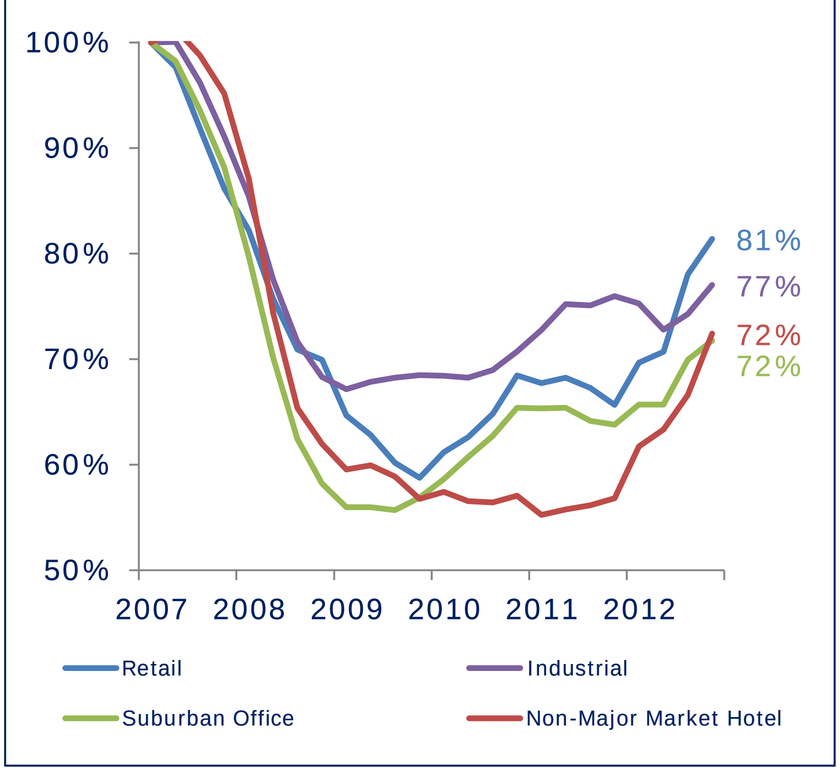
Overweight

- **Overall, the non-core real estate investment environment in the US is normalizing, however select areas remain attractive**
  - Non-major markets have been slower to rebound relative to major markets
  - Select property types/geographies remain distressed
- **Continued opportunity to sell stabilized assets into the strong core market**

Non-Major Market Pricing Still Depressed from Peak



Select Property Types Still Depressed from Peak



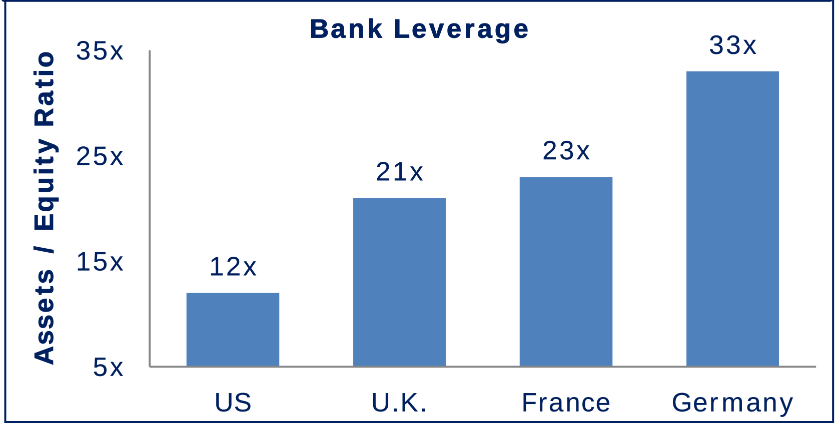
Data through 3Q 2013 – Sources: NEPC analysis and Real Capital Analytics. Charts show Real Capital Analytics composite index for each sector with peak values from December 2007 set to 100%.

European Non-Core Investment Environment is Attractive

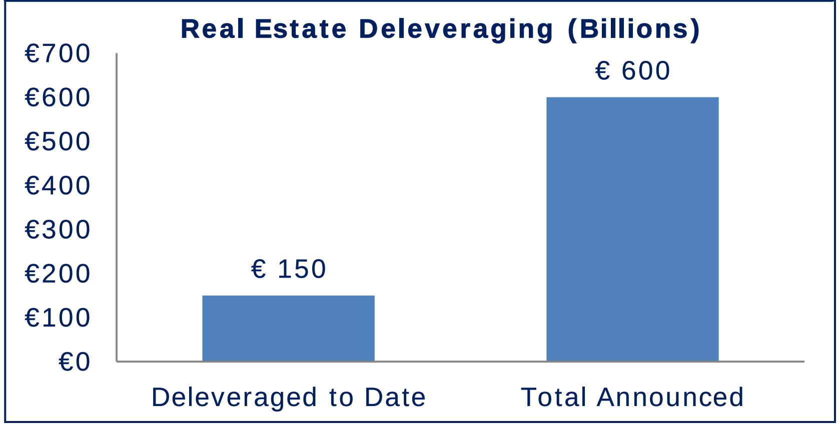
2014 NEPC Assessment
Overweight

- **Europe is emerging from multi-year recession but recovery is slow**
  - Eurozone GDP growth negative in 2009, 2012, and 2013 but expected to be positive in 2014
  - Eurozone unemployment has increased from 7.4% in 2007 to 12.2% in 2013
  - Northern European economies stronger than southern economies
- **Banks in EU are still overleveraged and have significant real estate exposure**
  - Banks in Europe are the main providers of real estate debt to borrowers (banks in Europe hold 90%+ of real estate debt or €2,300B; in the US banks hold 49% of real estate debt)
  - European banks are twice as leveraged as US banks and have been slow to dispose of assets (€450B of further deleveraging required)
  - Distressed European real estate loans continue to grow (CMBS loans in special servicing have doubled between 2010 and 2013)
  - Distressed banking sector and general economic conditions have significantly tightened lending

EU Banks are Significantly Levered



€450B of Further Deleveraging Needed



Data through 3Q 2013 – Sources: NEPC analysis, DTZ, Blackstone, and Morgan Stanley.

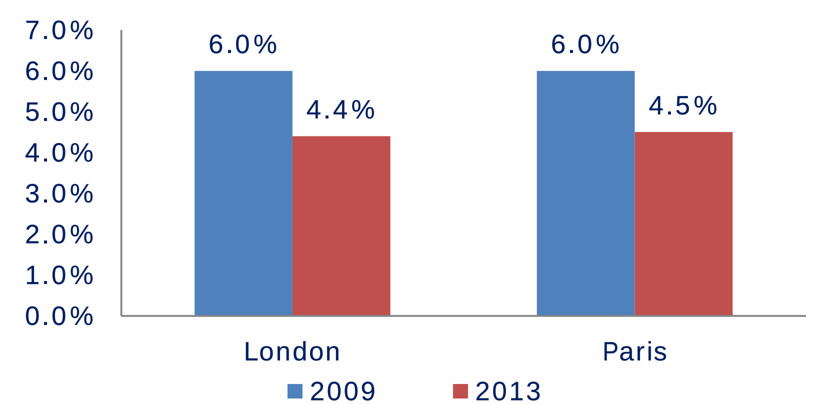
European Non-Core Investment Environment is Attractive (Continued)

2014 NEPC Assessment

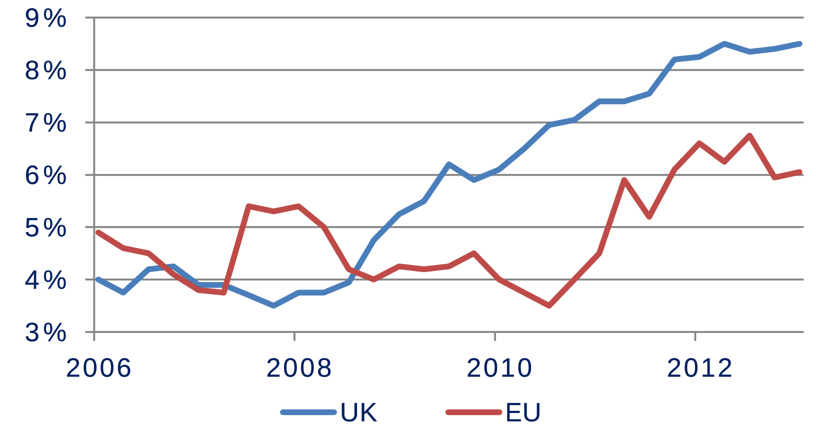
Overweight

- **Similar to the US post GFC, real estate investors have pursued a flight to quality (i.e. core/stabilized trophy assets in gateway cities)**
  - Global markets like London and Paris have seen an influx of capital
  - Values in these markets have returned to pre-crisis levels and yields on stabilized trophy assets have compressed significantly
- **Non-core/secondary locations and assets have been slow to rebound**
  - Spreads between prime and secondary property yields remain high
  - Assets with capital structure distress are less able to refinance loans
  - Assets generally also have property-level distress due to lack of management
  - Opportunity to reposition distressed assets and sell into demand for core
  - Focus on experienced managers who can source distressed assets from banks and other non-economic sellers and provide required asset management improvements

Prime Yields Have Compressed



Secondary Yields Remain Wide



Data through 3Q 2013 – Sources: NEPC analysis, DTZ, Blackstone, and Morgan Stanley.

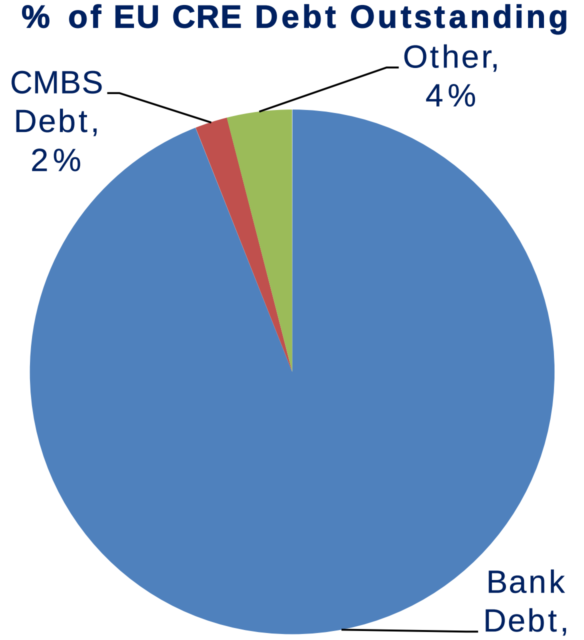
CRE Lending Environment in Europe is Improving

2014 NEPC Assessment

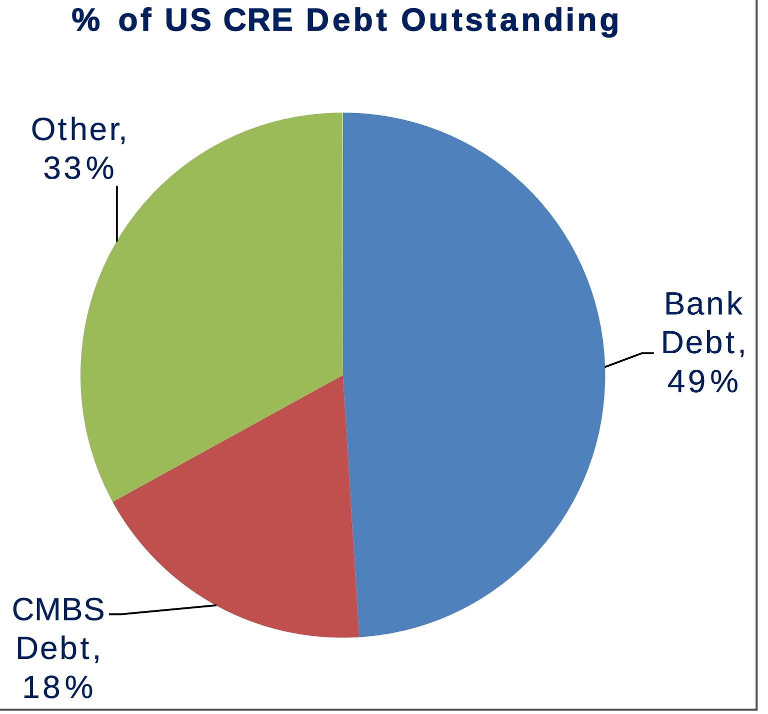
Hold to Target

- **Select opportunities remain in real estate debt**
  - For more core, stabilized assets, financing has returned from banks, insurance companies, and other institutional players
  - There has been some capital raised by real estate funds to invest in non-core debt opportunities

Europe CRE Debt Outstanding



US CRE Debt Outstanding



US CRE debt data as of 3Q 2013 – Source: Federal Reserve.
EU CRE debt data as of 4Q 2012 – Source: DTZ Insight.

Strategy	Approach	Managers With An Edge
Core Hold to Target	• Returns have been strong since 2009 • Compounded annual return for the ODCE has been 14.4% since 2009 • Recent returns driven by capital appreciation/cap rate compression • The 5-7YR return expectations are lower then historical returns • Real estate fundamentals and debt terms are attractive however, future interest rates (and the impact on cap rates) is concerning	• *AEW Core Property Trust* • *ASB Allegiance Fund* • *Heitman America Real Estate Trust* • *JPM Strategic Property Fund* • *UBS Trumbull Property Fund* • *Annual reevaluation of core funds in 1Q*
REITs Hold to Target	• Similar underlying fundamentals to Core • REITs are currently trading at relatively high FFO multiples (comparable to a P/E ratio) compared with long-term averages • However, REITs are trading at approximately a 5% discount to NAV (historically have traded at a slight premium to NAV	• *None* • *Intend to add REIT FPL in 2014*

Non-Core (Value-Add and Opportunistic)
Overweight
	• In the US, market is normalizing however some remnants of distress still exist and opportunity remains for niche-focused managers
	• In Europe, distress still in early stages
	  • European banks remain weaker than US counterparts
	  • Debt and equity capital has return to core, gateway cities and stabilized trophy assets but continued distress remains in non-core locations and assets
	  • Spreads between prime and secondary property yields remain high
	  • Assets with capital structure distress are less able to refinance loans
	  • These assets generally also have property-level distress due to lack of management
		US:
		• *Och Ziff Real Estate Fund III*
		• *True North RE Fund III (Pipeline)*
		• *Ongoing diligence of additional managers for addition to the FPL (target 2-3)*
		
		Europe/Global:
		• *Siguler Guff DREOF II*
		• *Ongoing diligence of 10 finalist managers for addition to FPL (target 2-3)*

Core Senior Debt Underweight	• Significant debt is available at attractive terms available for core real estate owners • Lending to core owners is a lower risk strategy but has limited upside potential	• *None*
Non-Core Junior Debt Hold to Target	• Lenders are still skittish about value-add, opportunistic and non-core property type lending (especially in Europe); a large CMBS void still exists creating opportunity for other sources of capital • Target funds with long history and expertise in lending; however diligence recent deals to make sure lenders aren't being pushed to equity-like positions	• *Oaktree Real Estate Debt Fund I* • *DRC Capital European RE Debt Fund II*

NEPC, LLC

To: VCERA Board of Retirement

From: Allan Martin, Don Stracke, CFA, CAIA, and Anthony Ferrara

Date: February 24, 2014

Subject: Bridgewater All Weather Benchmark

Recommendation

NEPC recommends that the VCERA Board of Retirement change the benchmark of the Bridgewater All Weather Fund from the DJ U.S. Total Stock Market Index + 3% to CPI + 5%.

Background

The current benchmark does match up well with the Bridgewater All Weather strategy. Continuing with the current benchmark will introduce significant tracking error over all time periods, as well as complicate any analysis of the degree of success achieved in the Liquid Alternatives asset class.

We are under the assumption that the goal of the Bridgewater mandate is to provide a return in excess of the rate of inflation in the US that has a low correlation to equity and fixed income market returns. A secondary goal is likely to provide strong performance in economic regimes that will likely cause equity markets to fall. With that understanding, a return goal of CPI +5% seems appropriate, and should the asset class provide performance in excess of that over a full market cycle, we believe that the VCERA Board of Retirement should be pleased.

NEPC, LLC

YOU DEMAND MORE. So do we.SM

Ventura County Employees' Retirement Association

Asset Allocation Intro

February 24, 2014

Don C. Stracke, CFA, CAIA, Senior Consultant
Allan C. Martin, Partner

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

Asset Allocation

- **The process of allocating assets across a spectrum of investments to achieve an expected return at an expected level of risk**
  - “Expected” is a statistics term, which is different from the common use of the word.
  - Expected return is the weighted average of all possible returns, where the weights are the probabilities that each return will occur.

- **Asset allocation decisions include, but are not limited to:**
  - Equity/Bonds/Cash/RE/PE/HF/Commodities/etc
  - Domestic/International/Global
  - liquid-vs.-illiquid

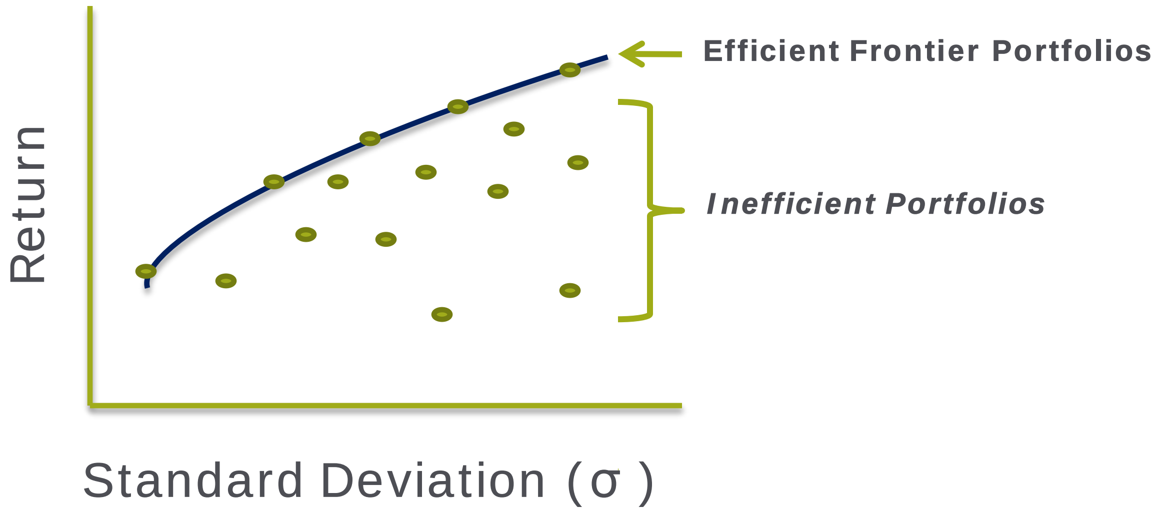
- **Structure: refers to implementation decision**
  - Core vs. Value/Growth
  - All Cap vs. Large/Medium/Small Cap
  - Active vs. Passive
  - Global vs. US/Foreign

- **An appropriate asset mix will consider a Plan's**
  - Actuarial Required Return
  - Funded Status
  - Liquidity Needs
  - Time Horizon
  - Risk Tolerance
  - Desire for a "buffer"
  - Peers

- **Capital markets assumption**
  - Expected Return
  - Expected Risk (Volatility, Standard Deviation)
  - Expected Correlation
- **Project cash flow needs (Contributions – Expenses & Benefits)**
- **Integrate assets and liabilities/spending**
- **Risk Budgeting**
- **Scenario Analysis**
- **Liquidity Analysis**
- **Compare allocation to other programs**

- **Establish Targets and Ranges**
  - Ranges should trigger rebalancing
  - Helps plans sell high (expensive assets) and buy low (cheap assets)
- **Establish Active versus Passive Mix**
  - Should reflect net of fee return contribution
  - Inefficient asset classes should be managed actively
- **Style Bias: *Should generally be avoided in efficient markets***
  - Efficient Market Example: Large Cap US Stocks

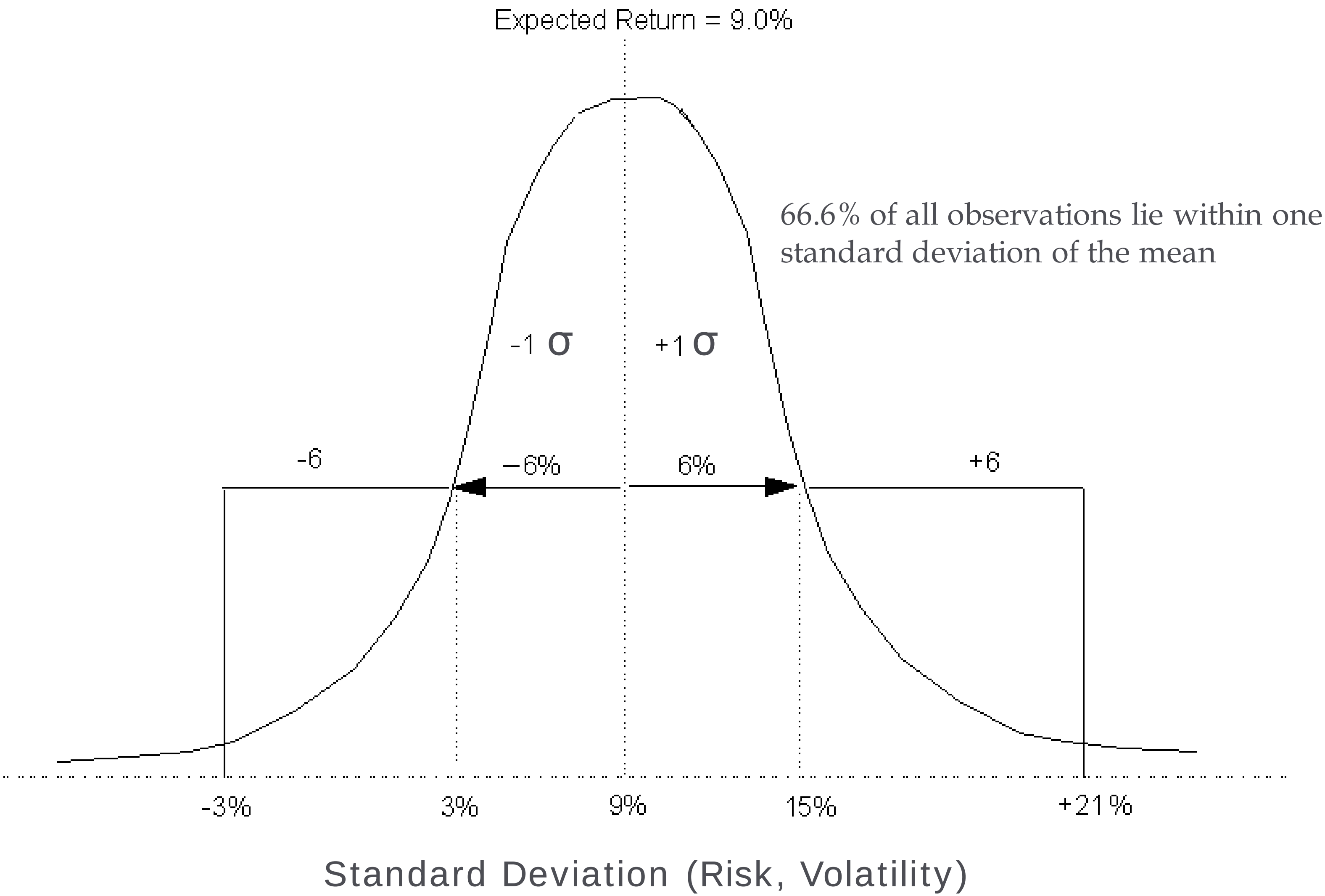
- **Mean-Variance Optimization: Asset allocation model based on Nobel-Prize winning theory**
- **Mathematical solution to determine the "best" mix of assets that will create an efficient frontier**
  - Highest return for expected risk (volatility), or
  - Lowest expected risk (volatility) for expected return
  - Stated another way, it builds portfolios with the highest expected risk-adjusted returns – Efficient Frontier:

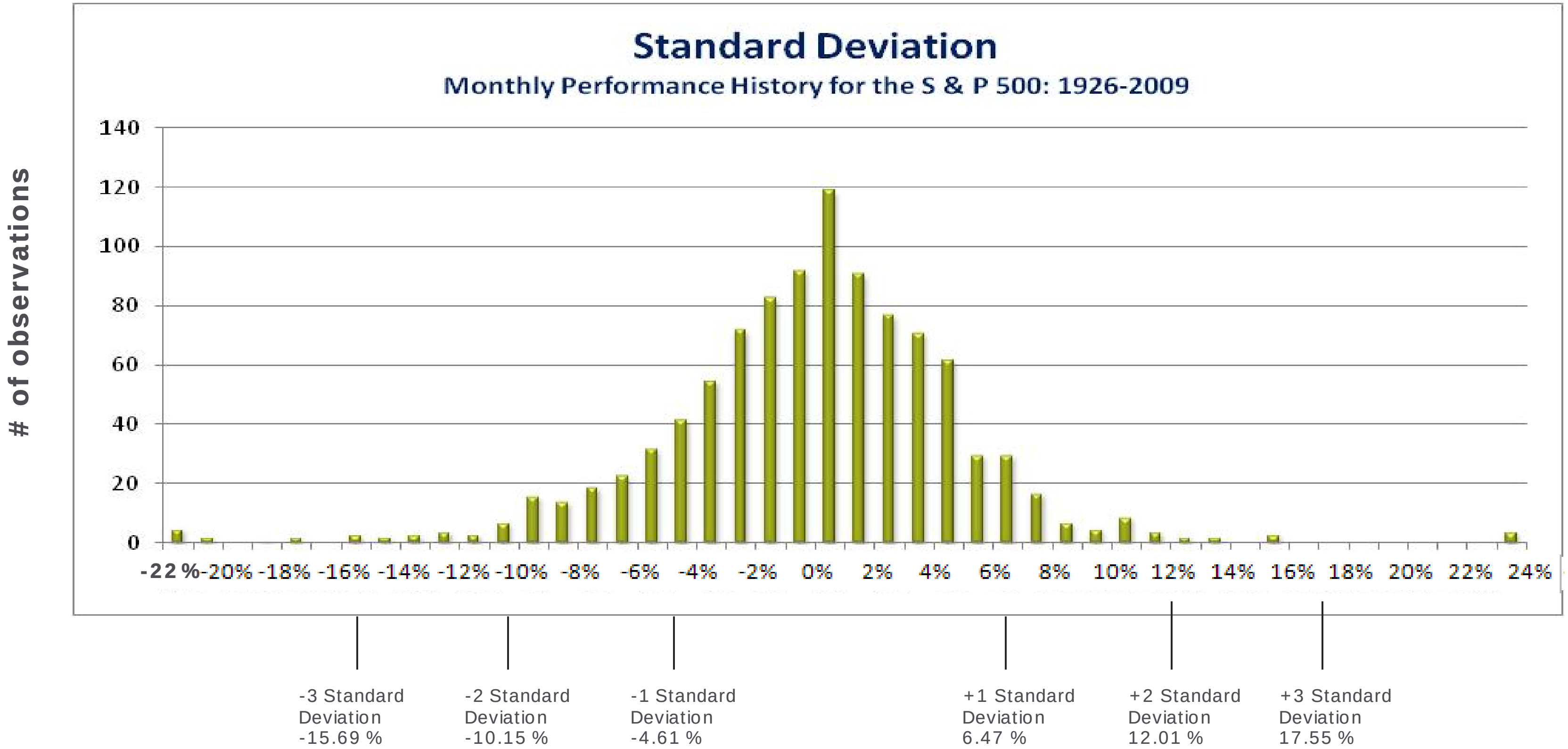


- **Permissible Asset Classes and Weighting Constraints**
  - Constraints reflect liquidity, time horizon and marginal benefit analyses
    - Example: RE is constrained to 5-15%
  - Not all asset classes may be permissible by some plans
    (e.g. Private Equity, Peruvian Llama Futures)
- **Return and Risk Assumptions**
  - Based on historic data, academic theory, and NEPC's assessment of current and future market conditions
  - Risk measured by Standard Deviation (volatility)
- **Correlation Assumptions**
  - Measure of similarity/dissimilarity between asset class returns
  - Based on historic data

- **Arithmetic – simple average of annual returns**
  - Example
    - Year 1: 10%
    - Year 2: -4%
    - Year 3: 15%
    - Average (arithmetic) return is 7% (21% cumulative divided by 3 years)
- **Geometric – Our reports reflect compounding of annual returns**
  - Example
    - Year 1: 10%
    - Year 2: -4%
    - Year 3: 15%
    - Compounded annualized (geometric) return is 6.69%
- **Geometric returns are <u>always</u> less than arithmetic returns**
  - Reflects the fact that a given loss (say 10%) is worse than it's equivalent gain
    - For example, you start with $100 and lose 50%. You now have $50. To get back to $100, you will need to earn 100%

The Bell Curve - One Standard Deviation





Mean Return for the S&P 500 from 1926 to 2009: +0.93%

Median Return for the S&P 500 from 1926 to 2009: +1.30%

Mode Return for the S&P 500 from 1926 to 2009: +0.14%

Standard Deviation for the S&P 500 from 1926 to 2009: 5.54%

Skew for the S&P 500 from 1926 to 2009: 0.35

Kurtosis for the S&P 500 from 1926 to 2009: 9.47

Minimum Monthly Return for the S&P 500 from 1926 to 2009: -29.73%

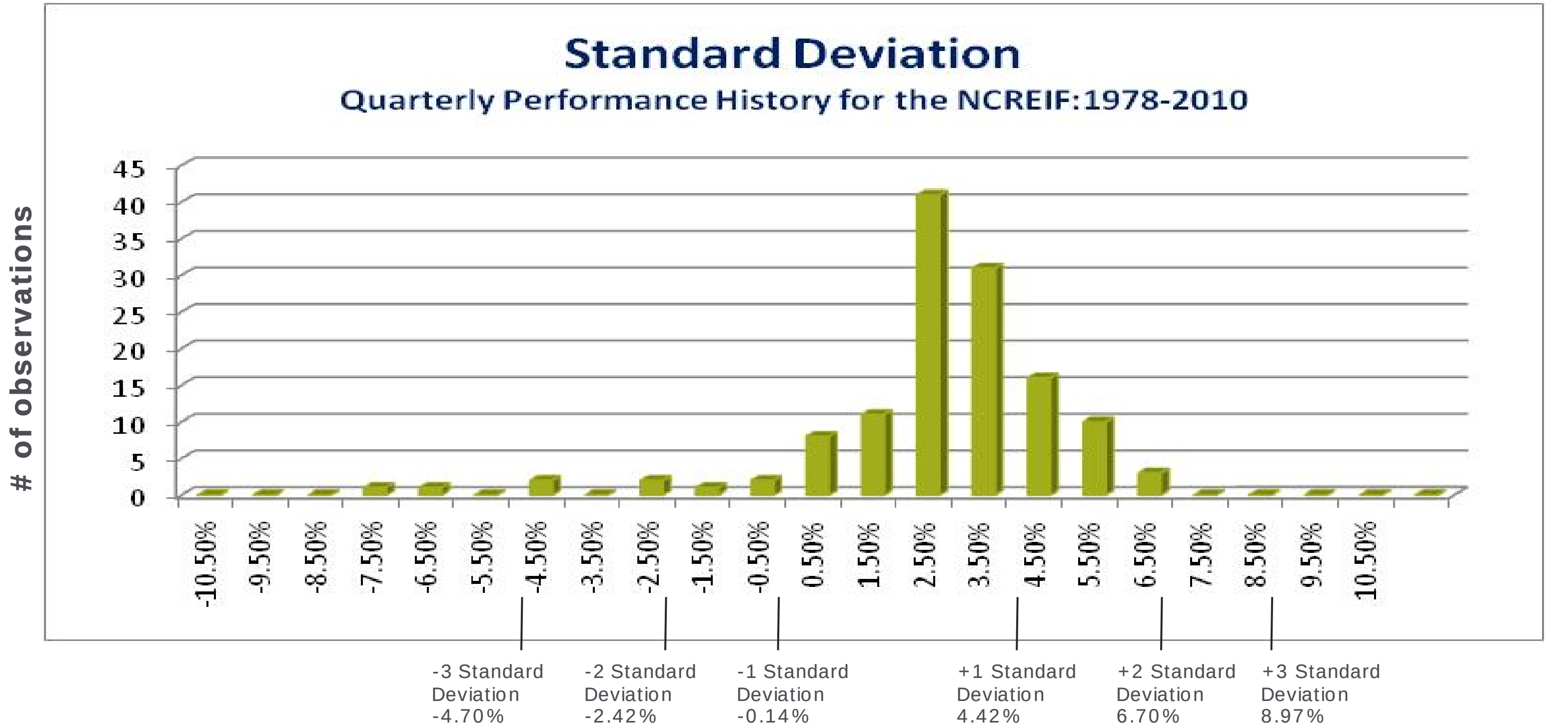
Maximum Monthly Return for the S&P 500 from 1926 to 2009: +42.56%

66% of the time the monthly return for the S&P 500 ranged from -4.61% to +6.47% (1 Standard Deviation)

96% of the time the monthly return for the S&P 500 ranged from -10.15% to +12.01% (2 Standard Deviations)

99% of the time the monthly return for the S&P 500 ranged from -15.69% to +17.55% (3 Standard Deviations)

Input 2: Actual Real Estate Volatility



Mean Return for the NCREIF from 1978 to 2010: +2.14%

Median Return for the NCREIF from 1978 to 2010: +2.40%

Mode Return for the NCREIF from 1978 to 2010: +1.75%

Standard Deviation for the NCREIF from 1978 to 2010: 2.28%

Skew for the NCREIF from 1978 to 2010: -1.90

Kurtosis for the NCREIF from 1978 to 2010: 5.96

Minimum Quarterly Return for the NCREIF from 1978 to 2010: -8.29%

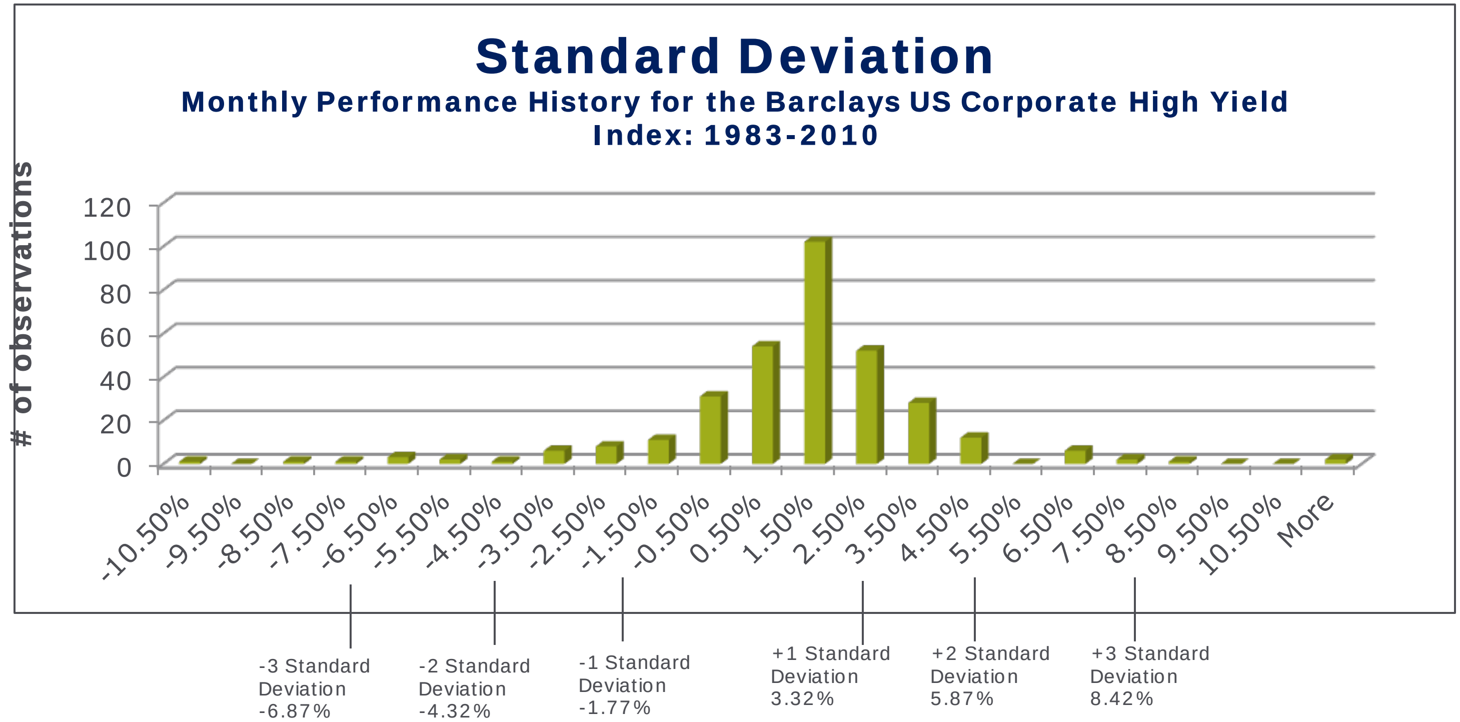
Maximum Quarterly Return for the S&P 500 from 1926 to 2009: +6.19%

66% of the time the quarterly return for the NCREIF ranged from -0.14% to +4.42% (1 Standard Deviation)

96% of the time the quarterly return for the NCREIF ranged from -2.42% to +6.70% (2 Standard Deviations)

99% of the time the quarterly return for the NCREIF ranged from -4.70% to +8.97% (3 Standard Deviations)

Input 2: Actual High Yield Bond Volatility



Mean Return for the Barclays High Yield Index from 1983 to 2010: +0.78%

Median Return for the Barclays High Yield Index from 1983 to 2010: +0.96%

Mode Return for the Barclays High Yield Index from 1983 to 2010: +1.24%

Standard Deviation for the Barclays High Yield Index from 1983 to 2010: 2.55%

Skew for the Barclays High Yield Index from 1983 to 2010: -0.96

Kurtosis for the Barclays High Yield Index from 1983 to 2010: 8.58

Minimum Monthly Return for the Barclays High Yield Index from 1983 to 2010: -15.91%

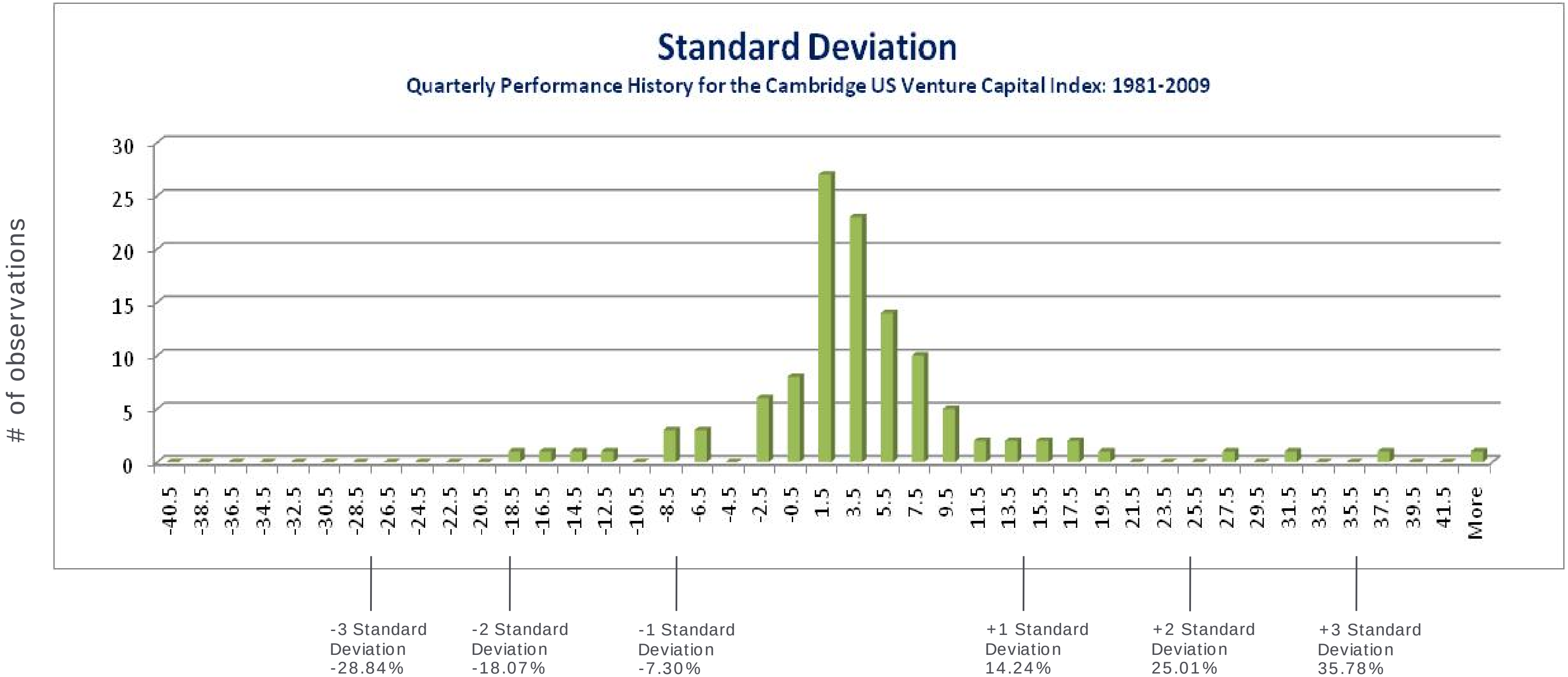
Maximum Monthly Return for the Barclays High Yield Index from 1983 to 2010: +12.10%

66% of the time the monthly return for the Barclays High Yield Index ranged from -1.77% to +3.32% (1 Standard Deviation)

96% of the time the monthly return for the Barclays High Yield Index ranged from -4.32% to +5.87% (2 Standard Deviations)

99% of the time the monthly return for the Barclays High Yield Index ranged from -6.87% to +8.42% (3 Standard Deviations)

Input 2: Actual Venture Capital Volatility



Mean Return for the Cambridge US Venture Capital Index from 1981 to 2009: +3.47%

Median Return for the Cambridge US Venture Capital Index from 1981 to 2009: +2.09%

Mode Return for the Cambridge US Venture Capital Index from 1981 to 2009: +1.69%

Standard Deviation for the Cambridge US Venture Capital Index from 1981 to 2009: 10.77%

Skew for the Cambridge US Venture Capital Index from 1981 to 2009: 3.98

Kurtosis for the Cambridge US Venture Capital Index from 1981 to 2009: 27.76

Minimum Monthly Return for the Cambridge US Venture Capital Index from 1981 to 2009: -18.92%

Maximum Monthly Return for the Cambridge US Venture Capital Index from 1981 to 2009: +84.17%

66% of the time the monthly return for the Cambridge US Venture Capital Index ranged from -7.30% to +14.24% (1 Standard Deviation)

96% of the time the monthly return for the Cambridge US Venture Capital Index ranged from -18.07% to +25.01% (2 Standard Deviations)

99% of the time the monthly return for the Cambridge US Venture Capital Index ranged from -28.84% to +35.78% (3 Standard Deviations)

- **Standard Deviation is not <u>all</u> risk**
- **Most asset class returns approximate a Bell Curve (normal distribution)**
  - But not a perfect fit.
- **So, take Standard Deviation with a grain of salt**

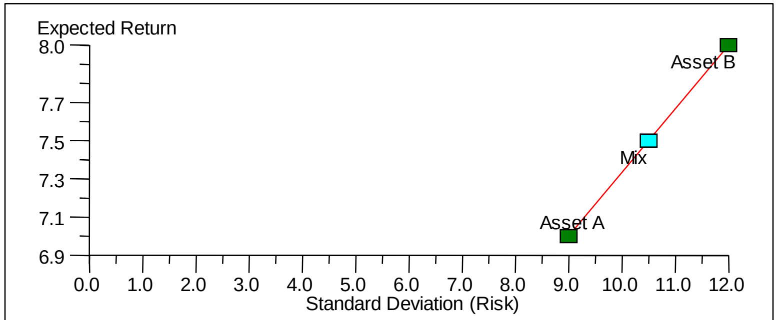
- **Measures how two things vary relative to each other**
- **Scale is from –1.0 to 1.0**

  +1.0 is perfect correlation
  - The two things behave exactly alike

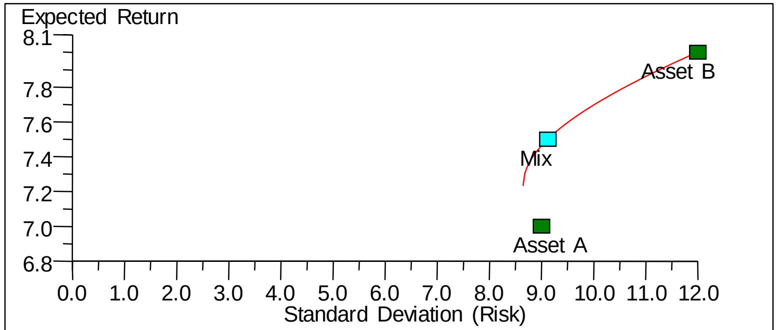
  0.0 indicates no correlation

  –1.0 is perfect negative correlation
  - The two things behave exactly opposite of each other
    - One goes up while the other goes down
- **Partial Correlation is common**
- **Correlations between assets are very important in the asset allocation process**
  - Combining unlike assets lessens portfolio volatility

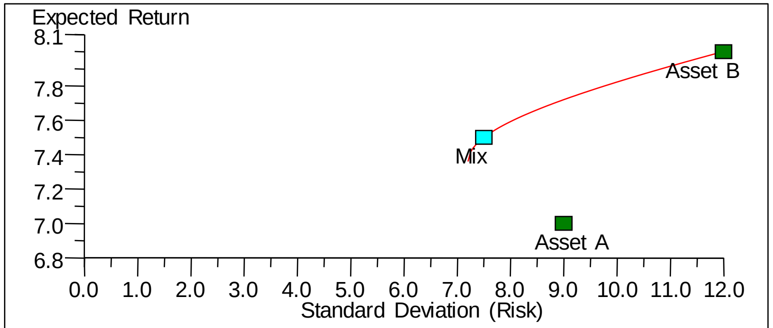
	Year 1	Year 2	Year 3
A	20%	-5%	0%
B	-10%	15%	10%
Portfolio	10%	10%	10%



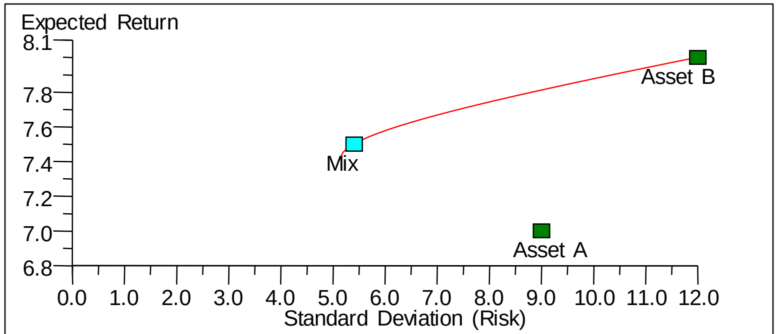
Perfect Positive Correlation: +1.0



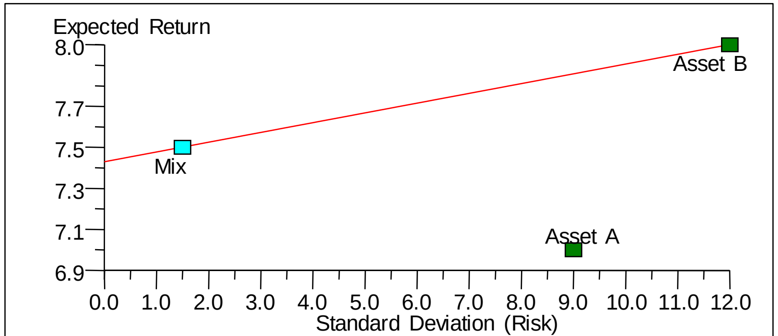
Positive Correlation: +0.5



Zero Correlation: 0.0



Negative Correlation: -0.5



Perfect Negative Correlation: -1.0

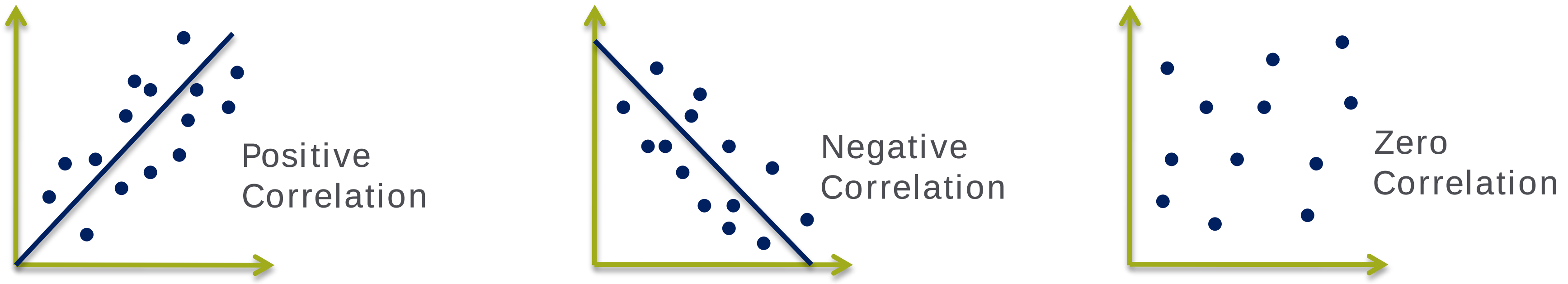
- **The lower the correlation, the greater the risk reduction**

- **Correlations are normally fairly stable**

- **Market crisis: Correlations move towards 1.0**
  – Diversification less effective when you need it most

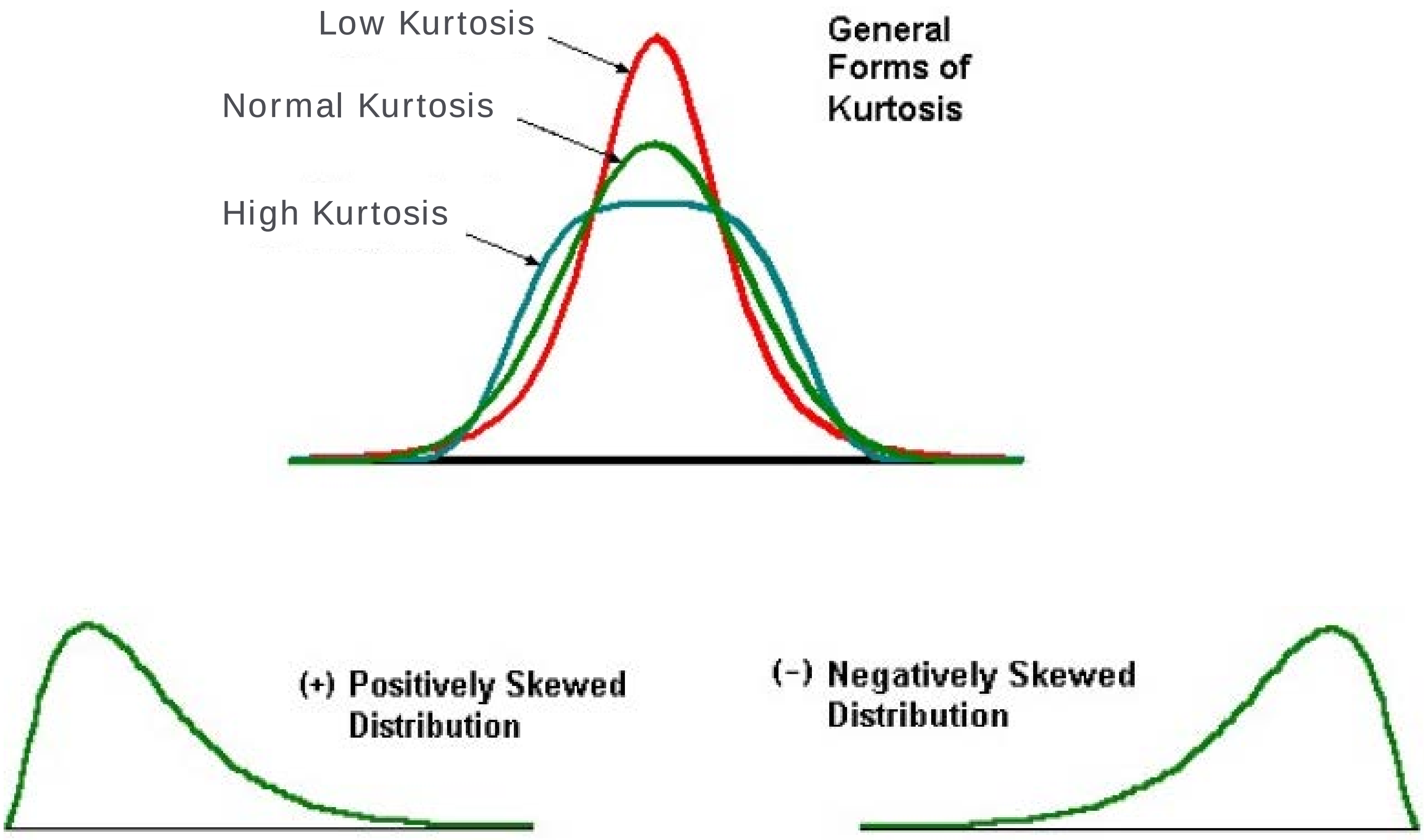
- **So, take correlation with more than a grain of salt**

- **Correlation:**
  - A measure of the degree to which two asset classes move together



- **Expected Return:**
  - The expected percentage change in an accounts market value over a defined period of time (evaluation period)
- **Standard Deviation**
  - Statistical measure of the distance a quantity is likely to lie from its average value
  - Measures an investments volatility or “risk”
- **Skew**
  - Asymmetry of the distribution. An asymmetric tail extending to the right is referred to as “positively skewed”; an asymmetric tail extending to the left is referred to as “negatively skewed”
- **Kurtosis**
  - Determines the shape of a data distribution
  - Measures whether the data is peaked or flat relative to a normal distribution
- **Sharpe Ratio**
  - A ratio developed by Nobel laureate William F. Sharpe to measure risk-adjusted performance. T
  - he Sharpe ratio is calculated by subtracting the risk-free rate (such as Cash) from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.
- **Sortino Ratio**
  - A ratio developed by Frank A. Sortino to differentiate between good and bad volatility in the Sharpe ratio.
  - This differentiation of upwards and downwards volatility allows the calculation to provide a risk-adjusted measure of a security or fund’s performance without penalizing it for upward price changes.

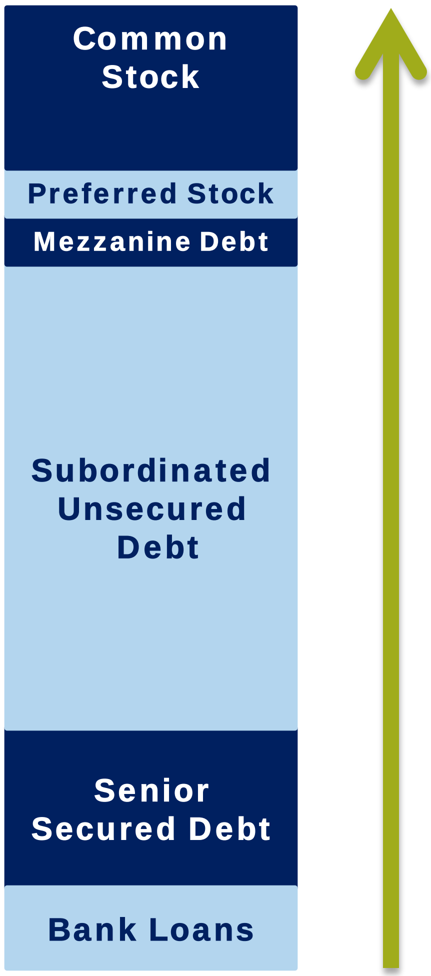
Skew & Kurtosis



Asset Class: Basics

Equity	Debt

• **Owner**
    • Own part of the entity
• **Residual claim on earnings**
    • Dividends
    • Price appreciation
• **Price changes**
    • Expected earnings
        • Macro factors
        • Company factors
	• **Creditor**
	    • Loan the entity money
	• **Owed interest & principal**
	    • Regular interest payments (yield)
	    • Zero coupon (interest and principal at maturity)
	• **Price Changes**
	    • Interest rate change
	    • Spread (over Treasury rate) change
	    • Credit quality change
	        • Estimate probability of
	            1. Default
	            2. Recovery



- Cash Distribution Order
- Higher Risk
- Higher Expected Return

"Shares in the ownership of a company's assets and earnings."

* * * * * * * * * * * * * * * * * * * *

- **Capitalization:**
  - *Price of a company's stock X number of shares outstanding*
    - Large Cap*: Range from $5-300 B (ex: Apple Inc.)*
    - Mid Cap*: Range from $2-5 B (ex: MGM Resorts International)*
    - Small Cap*: Range usually below $2 B (ex: Weight Watchers Int'l)*

- **Domicile:** ***Country of origin***
    - Domestic (US)
    - International Developed (Japan, UK, Germany) ex: Sony Corp.
    - International Emerging (Mexico, Russia, China) ex: TV AZTECA
    - Frontier (Vietnam, Colombia) ex: Bancolombia SA

"Any interest bearing security that obligates the issuer to pay the bondholder a specified amount of money at specific intervals and to repay the principal amount of the loan at maturity."

* *

- **Bond Rating**:
  - *Method of evaluating the possibility of default by a bond issuer. Standard & Poor, Moody's and Fitch are rating agencies that analyze the financial strength of each bond issuer and assign ratings that range from - AAA (highly unlikely to default) to D (in default).*
- **Investment Grade**:
  - *AAA and BBB: Bonds that rating agencies have judged to be of high credit quality.*
- **High Yield**:
  - *BB or lower: Bonds that pay a higher yield to compensate for greater risk.*

- **Traditional Assets**
  - *Stocks*
  - *Bonds*
  - *Real Estate*

- **Non-Traditional or "Alternative Assets"**
  - *Real Estate (Agriculture, Timber, Foreign RE, Distressed)*
  - *Hedge Funds*
  - *Private Equity*
  - *Private Debt*
  - *GTAA & Risk Parity*
  - *Infrastructure*
  - *TIPS, Inflation-Linked Bonds*
  - *Commodities*
  - *Opportunistic Investments*

Asset Class: Details

- **Description**
  - Largest U.S. companies (Exxon, Microsoft, Proctor & Gamble)
- **Why include in a portfolio**
  - 90% of US stock market
  - Attractive returns by investing in well-established companies
  - A core holding in almost all institutional portfolios
- **Managers add value by**
  - Superior selection of stocks or industry sectors through
    - Top-down analysis (identifying broad market trends)
    - Bottom-up analysis (issue by issue analysis)
    - Technical analysis (identifying trends using charts)
    - Fundamental analysis (detailed qualitative or quantitative analysis of individual company stocks)
    - Quantitative Analysis: non-fundamental
- **Catch: More volatile than bonds; can lose money**

- **Description**
  - Smaller listed companies in the U.S.
  - Usually smaller than $5 billion (Tupperware, E-Trade, Heinz, Boyd Gaming)
- **Why include in a portfolio**
  - Greater return potential than large companies, but more risk
  - Some diversification benefits
- **Managers add value by**
  - Discovering stocks not well covered by Wall Street analysts
  - Superior stock selection or industry sector bets through
    - Top-down analysis (identifying broad market trends)
    - Bottom-up analysis (issue by issue analysis)
    - Technical analysis (identifying trends using charts)
    - Fundamental analysis (detailed qualitative or quantitative of individual stocks)
- **Catch: More risk than Large Cap, higher fees, and can lose money**

- **Description**
  - Companies in developed foreign markets
- **Why include in a portfolio**
  - Attractive returns
  - Diversification: Lower correlations to domestic fixed income and equities
- **Managers add value by**
  - Industry and issue selection
  - Country selection (predicting which markets will outperform)
  - Currency weightings (predicting which currencies will outperform)
- **Catch**
  - More risks (lose money, currency, political)
  - Higher fees & expenses
  - Taxes

- **Description**
  - Stocks of developing countries (China, Brazil, Mexico)
  - Markets experiencing rapid economic growth, developing legal and professional infrastructure, and increased consumer spending
- **Why include in a portfolio**
  - Highest expected returns of any liquid public equity class; but also highest risk
  - Diversification
- **Managers add value by**
  - Like international equity, superior stock, sector, and country selection
  - Avoiding submerging markets (political risk)
  - Managing trading costs and liquidity
  - More research into country (legal issues, accounting practices/transparency, company transparency)
- **Catch**
  - More risk than International Developed Equity (losses, currency, sovereign/political, illiquidity)

- The MSCI Market Classification Framework consists of the following three criteria: economic development, size, and liquidity as well as market accessibility.

- In order to be classified in a given investment universe, a country must meet the requirements of all three criteria as described in the table below.

Criteria	Frontier	Emerging	Developed
1. Economic Development			
Sustainability of economic development	No requirement	No requirement	Country GNI per capita 25% above the World Bank high income threshold* for 3 consecutive years
2. Size and Liquidity Requirements			
Number of companies meeting the following Standard Index criteria	2	3	5
Company size (full market cap)**	USD 505 mm	USD 1010 mm	USD 2020 mm
Security size (float market cap)**	USD 35 mm	USD 505 mm	USD 1010 mm
Security liquidity	2.5% ATVR	15% ATVR	20% ATVR
3. Market Accessibility Criteria			
Openness to foreign ownership	At least some	Significant	Very high
Ease of capital inflows/outflows	At least partial	Significant	Very high
Efficiency of the operational framework	Modest	Good and tested	Very high
Stability of the instituitional framework	Modest	Modest	Very high

- The economic development criterion is only used in determining the classification of Developed Markets while that distinction is not relevant between Emerging and Frontier Markets given the very wide variety of development levels within each of these two universes.

- The size and liquidity requirements are based on the minimum invest ability requirements for the MSCI Global Standard Indices. Emerging Markets country indices with fewer than three companies meeting the Emerging Markets size and liquidity requirements for four consecutive Semi-Annual Index Reviews will be reclassified as Frontier Markets.

**High Income threshold for 2009: GNI per capita of USD 12,196 (World Bank, Atlas method)*
***Minimum in use for the May 2011 Semi-Annual Index Review, updated on a semi-annual basis*
Source: MSCI

Size
- **Large Cap** (> $5 Billion)
- **Mid Cap** ($2 - $5 Billion)
- **Small Cap** (< $2 Billion)

Style
- **Value** (Low Price)
- **Core** (holds value and growth)
- **Growth** (Earnings Growth)

Research Approach
- **Fundamental** (Kicking the tires)
- **Quantitative** (computer models usually based on fundamentals)

- **Value Managers**
  - Bargain (“bottom fishers”)
  - Buy when the market price is less than the “intrinsic value” (based on the manager’s research)
    - Intrinsic Value: Theoretical “true” value of a company based on assets, earnings, dividends, future prospects, etc.
    - Intrinsic value is not definite and determinable
  - Managers conduct fundamental & quantitative analysis to find the “right price”
  - Usually hold a stock for 3 to 5 years (low turnover)
  - Characteristics of the Value Portfolio
    - Low Price to Earnings Ratio (P/E)
    - Low Price to Book Ratio (P/B)
      - Price/Book Value Per Share
      - Book Value = Assets – Liabilities
    - High Dividend Yield
    - Lower Earnings Growth
  - Examples:
    - Wells Fargo (large company)
    - Argo Group International (small company)
      - Engages in underwriting specialty insurance and reinsurance products in the property and casualty market worldwide.

- **Growth Managers**
  - Look for rapid earnings growth (greater than expected by The Street)
  - Managers use earnings growth forecast models
  - Usually hold a stock for less than a year (high turnover)
    - Turnover: Average holding period
  - Characteristics of the Growth Portfolio
    - High Price to Earnings Ratio (P/E)
    - High Price to Book Ratio (P/E)
    - Low Dividend Yield
    - Higher Earnings Growth
  - Examples:
    - Google (large company)
    - Sykes Enterprises (small company)
      - Provides various services, including customer assistance, healthcare and roadside assistance, technical support, and product sales through phone, email, Web, and chat

STOCK – STYLE:

- *Price/Earning Ratio Example*

$$\frac{\text{Price}}{\text{Earnings}}$$

Price ← Value Manager Focus

Earnings ← Growth Manager Focus

Example:

Wells Fargo: $\frac{\text{Price}}{\text{EPS}} \; \frac{25.15}{1.66} \rightarrow = 15.15$

Google: $\frac{\text{Price}}{\text{EPS}} \; \frac{436.07}{21.97} \rightarrow = 19.85$

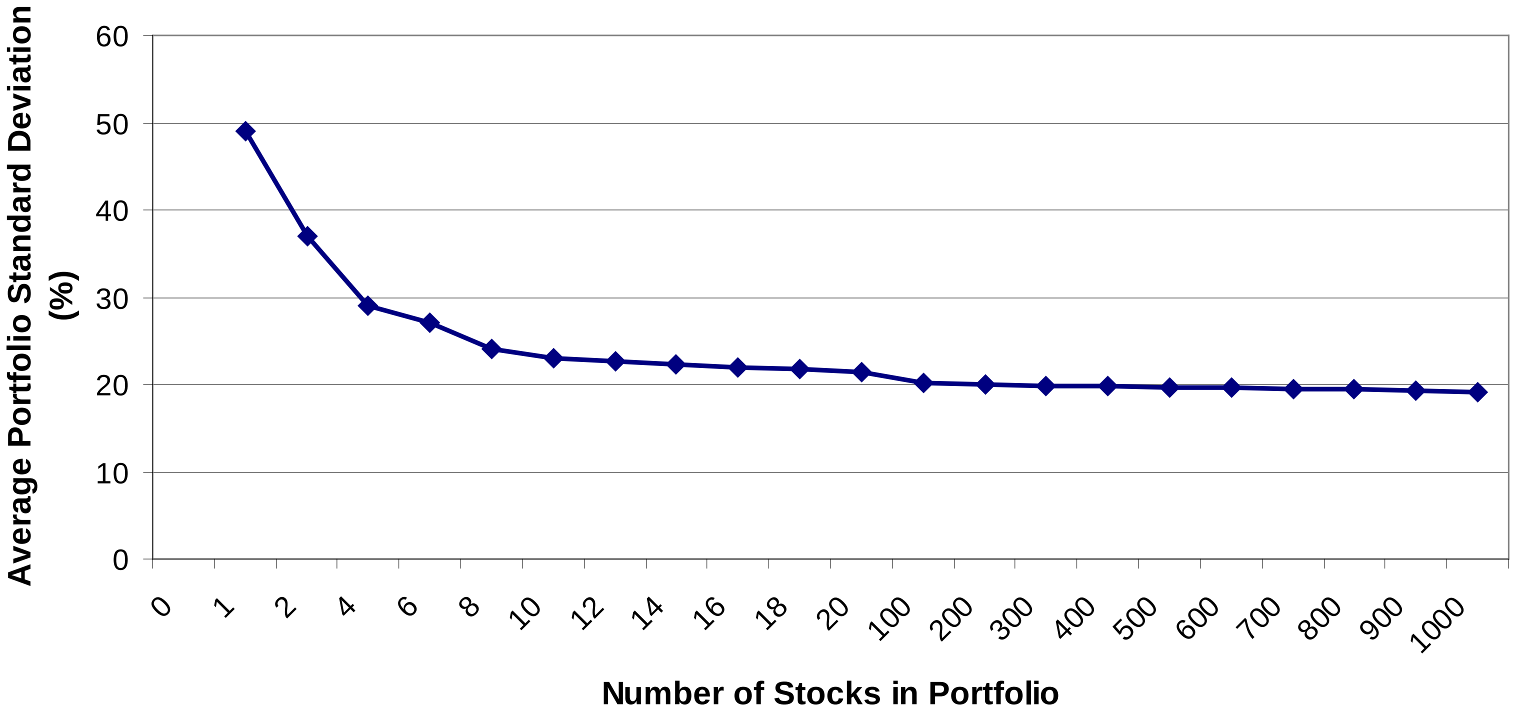
	Company	Market Cap	Dividend Yield	P/E
Large Value	Wells Fargo	$131.04B	0.80%	15.15
Large Growth	Google	$138.88B	0	19.85
S&P 500		$82.12B*	1.87%	18.84
Small Value	Argo Group Int'l	$903.24M	1.60%	8.08
Small Growth	Sykes Enterprises	$641.63M	0	30.02
Russell 2000		$1.11B*	1.12%	18.65

- **Notes:**
  - Company data as of 7/06/2010
  - Index data as of 3/31/2010.
  - * Average Market Cap

- **Historical Performance**
  - About the same over very long time periods
  - Growth usually more risky (volatile)
  - Normally do not move together (diversification benefits)

	YTD	1 YR	3 YR	5 YR	10 YR
Russell 1000 Growth *As of May 31, 2010	-2.26%	21.59%	-5.61%	1.45%	-3.90%
Russell 1000 Value *As of May 31, 2010	0.54%	22.98%	-11.32%	-0.28%	2.49%

- **Active Management**
  - Smaller sets of stocks in each “universe”
  - Stocks usually grouped by sector (tech is usually a growth stock)
  - Therefore, active managers can better specialize
  - Easier said than done

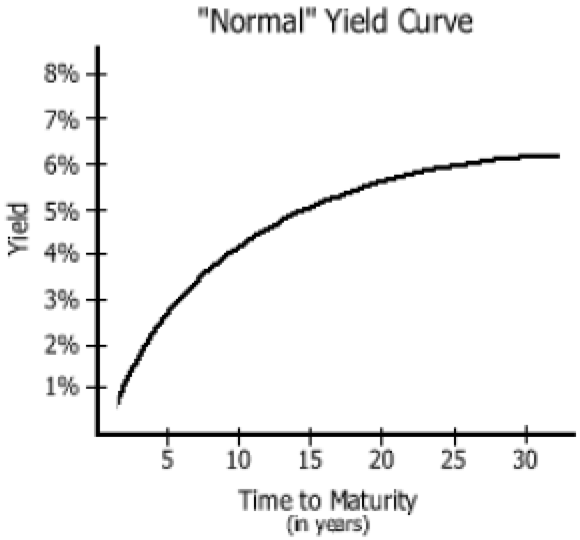


Source: Meir Statman, " How Many Stocks Make a Diversified Portfolio," *Journal of Financial and Quantitative Analysis 22 (September 1987).*

- **Sovereign debt**
  - Debt issued by a national government and denominated in a local or foreign currency
  - US Treasury Bonds
    - Guaranteed by the full faith and credit of the US government
      - Treasury Bills – mature in one year or less
      - Treasury Notes – mature in 1-7 years
      - Treasury Bonds – mature in over 7 years
      - Treasury Inflation Protected Securities (TIPS)
        - » Guaranteed return over inflation
- **Quasi-Sovereign (Agency) debt**
  - Debt with explicit or implicit government guarantees (ex: Ginnie Mae)
- **Corporate Bonds (US, Foreign, Emerging)**
- **Mortgage debt**
  - A bond secured by a mortgage on a property, typically real estate or equipment.
- **Structured debt**
  - CDOs: Collateralized Debt Obligations
    - Invest in leveraged loans, bonds, and other debt instruments
    - Designed to be highly diversified
  - CMOs: Collateralized Mortgage Obligations
    - A type of mortgage-backed security that represent claims to specific cash flows from large pools of home mortgages.

Core Fixed Income (Investment Grade Bonds)

- **Description**
  - Government bonds, corporate bonds, mortgage bonds, and other fixed income investments
  - Typically, AAA to BBB rated
    - "Core-Plus" – includes BB or lower; but average rating is "investment grade"
- **Why include in a portfolio**
  - Stabilizes portfolio returns
  - Low correlation to equities (diversification benefits)
  - A core holding in almost all institutional portfolios
- **Managers add value by focusing on**
  - Interest rate moves (Duration positioning)
  - Yield curve positioning
    - Traces yield on securities with varying maturities
    - Under "normal" conditions, long term rates should be greater than short term rates (upward sloping)
    - Inverted yield curve has short term rates greater than long term rates; considered a predictor of a recession.
  - Sector diversification
  - Issue selection: Credit research (avoiding defaults)
- **Catch: Low returns drag on achieving objective**
  - Even more significant today



- **Description**
  - Corporate bonds with credit ratings of less than BBB
    - AKA, “junk bonds”
    - Higher yields, higher default risk, lower financial stability, and/or more debt
    - Portfolios are diversified to limit default risk of a single issuer
- **Why include in a portfolio**
  - Attractive coupon yields
  - Good risk-adjusted returns
  - Diversification benefits
- **Managers add value by**
  - Credit analysis
  - Avoiding down grades and defaults
  - Identifying bonds poised for credit rating upgrade
    - Lowers spread to Treasuries and thus increases return
- **Catch – You are more likely to suffer defaults**

- **Description**
  - Dollar and Non-dollar fixed income securities issued by:
    - Foreign Governments – Sovereigns (decreasing percentage)
    - Supranationals (e.g. World Bank, IMF)
    - Foreign Companies (increasing percentage)
    - Mortgage-backed securities (occasionally)
  - Global portfolios include US securities

- **Why include in a portfolio**
  - Diversification
  - World's largest investable asset class
  - Foreign/Global portfolios look different from domestic portfolios
    - Currency fluctuations, out of synch world markets, interest rate fluctuation by region, etc..

- **Managers add value by**
  - Same factors as US fixed income, and
  - Country/region selection
  - Currency management

- **Catch – Low rates, and currency risk**

- **Description**
  - Debt issued by emerging market countries (Mexico, Brazil, Russia)
    - External debt – issued in USD or Euros
    - Local debt – issued in local currency of the issuer
    - Local debt markets far exceeds the external debt markets
- **Why include in a portfolio**
  - Diversification
  - Non-dollar exposure can protect against potential declines in the US dollar
  - EM likely to be more robust
    - No debt bubble, high savings rates, capacity economic growth
  - Strong growth
    - Capital inflows into EM countries continue to be strong
    - Emerging markets to contribute up to 50% of Global GDP in the coming years
- **Managers add value by**
  - Same as US and Foreign
  - Avoid political risks
- **Catch – Currency risk and higher default risk**

- **TIPS: Treasury Inflation Protection Securities**
  - Description
    - Issued by the US Treasury
    - Designed to provide investors with a real rate of return and compensation for potentially rising inflation over the life of the security
  - Why include in a portfolio
    - Provides inflation protection, as measured by CPI
    - The real rate component of TIPS' return will move counter-cyclically with the economy, thereby providing a hedge to credit and equity market risks.
  - Managers add value by
    - Using multiple valuation factors such as inflation outlook, level of real rates, and seasonal factors to identify undervalued securities.
- **Other**
  - Global Inflation-Linked: A portfolio primarily of global inflation-indexed securities.
  - I Bonds
    - Two parts: 1) a fixed-rate that lasts for 30-years; 2) an inflation rate that changes every six months based on changes in the Consumer Price Index
  - IFCD's: Inflation-Linked Certificates of Deposit
    - pay a monthly coupon that changes periodically, or "floats", based on the change in the CPI
  - CDIP's: Certificates of Deposit Inflation-Protected
    - CDIPs are similar to U.S. Treasury Inflation-Protected Securities (TIPS), where the principal amount is adjusted periodically to reflect changes in inflation.

- **Standard fixed income risk measure**
- **Average time to recoup investment**
- **Measures sensitivity to changes in interest rates**
  - A duration of 5 means that if interest rates rise by 1%, the portfolio will decline in value by 5% (the flip side is also true)
    - Yield: 3%; Market Rate: 3%; Duration: 5; Price: $10,000

      If Market Rate increase to 4%: Price = $10,000 – 5% = $9,500
    - Higher duration than benchmark
      - Increases sensitivity to interest rate changes
      - When manager thinks interest rates will fall
    - Lower duration than benchmark
      - Decreases sensitivity to interest rate changes
      - When manager thinks interest rates will rise
- **Note:**
  - Bond Portfolios are subject to other risks (default, illiquidity, extension, etc.)
  - Duration measure may become less indicative of interest rate sensitivity.
    - Ex: High yield bonds are more sensitive to business conditions. If interest rates are rising because economy is growing, a high yield bond price may rise.

- **Credit Default Swaps (CDS)**
  - Buy or Sell Credit Exposure on Market, Sectors or Issues
  - Can be an efficient tool to increase or decrease credit exposure
- **Interest Rate Futures**
  - Buy of Sell Interest Rate Exposure
  - Can be an efficient tool to increase or decrease interest rate exposure
- **Other (Options, Swaps, Forward Contracts, etc.)**

Definition: A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage. (Investopedia)

Note about "high leverage": A large "notional" exposure is achieved with little or no initial investment. Leverage does not exist if the difference (between the small/no investment and the "notional" exposure) is fully collateralized.

Example:	$1,000,000 Futures contract	
	Required investment:	$100,000 (high leverage = 10X)
	Cash Collateral:	$1,000,000 (no leverage)

Highly liquid investments that are virtually as good as cash. Examples include money market funds and T-Bills."

* *

- **Money Market Fund:**
  - *An open-end mutual fund that invests in highly liquid and safe securities and pays money market rates of interest.*

- **STIF:**
  - *Short-term investment fund, usually offered by custodian bank, for overnight and short-term holdings.*

Alternative Investments Overview

Broad range of "Non-Traditional" strategies

- Real Estate: Core RE is probably "Traditional"
- Private Equity
  - Venture, buyouts, restructurings, special situations
  - Subordinated (mezzanine) debt, distressed
- Hedge Funds
  - Merger arbitrage, convertible arbitrage, long/short
- Commodities: financial and physical (gold, oil, soy beans)
- Inflation-linked securities (TIPS)
- Infrastructure (energy, toll road/bridges, ports, utilities)
- Natural Resources (oil & gas, timber, agriculture land)
- "Other"

Definition is subjective and evolving

- **REAL ESTATE:**
  - *Institutional real estate represents a range of commercial properties (e.g. office buildings, malls, industrial properties, apartment complexes, hotels) which provide income and/or appreciation potential. Investments in real estate can be structured as public or private debt and/or equity, and can be in the US or foreign countries.*

- **PRIVATE EQUITY & DEBT:**
  - *Any of several non-financial assets (such as venture capital) that are generally less liquid and less transparent than stocks and bonds and for which both risk and return are relatively higher.*

- **HEDGE FUNDS: (not a true asset class, but more tools)**
  - *Private investment vehicles that typically allow for portfolio leverage and short-selling.*
  - *Leverage: Use of debt or derivatives to increase assets*
  - *Short-selling: Selling a borrowed security. It must be bought and returned to lender at a later time*

- **Liquid and illiquid securities**
  - Illiquid, privately traded (Private Equity/Real Estate)
  - Liquid, publicly traded (Hedge Funds)
  - liquidity constraints - These investments are usually made into partnerships that limit liquidity
- **Absolute Returns (rather than relative returns)**
  - Hard to benchmark
- **Investors must be “Accredited” (i.e. large, sophisticated)**
  - Individual investors, unless they’re very rich, do not typically invest in these strategies

Fee Issues: Higher & More Complex

- **Fees are typically much higher than for traditional assets**
  - Fee structures are improving to better align interests of managers with investors
- **Fees often include**
  - Base fee (1-2%)
  - Performance fee (20% of return greater than 0% or Preferred Return)
  - High Water Mark
    - The highest value that has been reached by an investment fund. Managers must earn a return above the high water mark to earn performance fee.
  - Preferred Return:
    - A minimum return that must be generated before the general partner can begin receiving a percentage of profits from investments.
  - Acquisition or disposition fee
  - Clawback provision
    - Performance fees paid during high return years are returned ("clawed back") to the investor during low return years
- **Fees often paid on committed, not invested capital**
  - An issue for private equity portfolios, not hedge funds
  - Private Equity expenses are high because many labor intensive investment opportunities are analyzed prior to investment

	PRIVATE INVESTMENTS		HEDGE FUNDS	
	Leveraged Buyout Mezzanine Debt Timber		Convertible Arbitrage Long/Short Market Neutral Multi-Strategy	
VEHICLE	***Single Fund or Strategy***	***Fund of Funds***	***Single Fund or Strategy***	***Fund of Funds***
LOCKUP PERIODS	**10-15 Years**	**10-15 Years**	**1 Year or Less**	**1 Year or Less**
FEES	**Base Fee plus Carried Interest**	**Double Fee Structure**	**Base Fee plus Carried Interest**	**Double Fee Structure**
VALUATION	**Quarterly/Annually**	**Quarterly/Annually**	**Monthly/Quarterly**	**Monthly/Quarterly**
ADVANTAGES	**Diversification within Fund Transparency**	**Low Individual Manager Risk Transparency Better Access to Top Funds**	**Liquidity? Public Market Valuation? Fully Funded at Outset**	**Liquidity? Public Market Valuation? Fully Funded at Outset Lower Volatility Low Individual Manager Risk**
DISADVANTAGES	**High Individual Manager Risk Illiquidity Funding Schedule Difficult to Benchmark Valuation J -Curve**	**Double Fee Structure Illiquidity Funding Schedule Difficult to Benchmark Valuation J-Curve?**	**High Individual Manager Risk Volatile? Lack of Transparency Difficult to Benchmark**	**Lower, more stable, Returns Double Fee Structure Lack of Transparency Difficult to Benchmark**

Vehicle: Single vs. Fund-of-Funds

- **Individual investments**
  - Can be selective, targeted strategies
  - Can control allocations more precisely
  - More individual manager risk; Headline Risk
  - More oversight/time required
  - Pro: Better customization to unique client needs
  - Con: Very time consuming
- **Funds-of-Funds**
  - Effective diversification, but more “average” returns
  - Potentially better access to top firms
  - Extra layer of fees: (2 + 20) + (1 + 10) = 3 + 30
  - Pros: Relative ease of implementation, a good place to start
  - Con: More expensive “cookie cutter” solution

Private Equity

- **Description**
  - Equity or debt not traded on public exchanges
  - Often investments in young companies (venture capital), leveraged buyouts, mezzanine financing, and distressed debt
  - Investment “lock up” for a period of 10-15 years

- **Why include in a portfolio**
  - High returns
  - Diversification benefits

- **Managers add value by**
  - Usually taking an active role in the investment companies
  - Their expertise in structuring deals
  - Specialized knowledge and experience

- **Catch**
  - Locked-In for 10-15 years
  - Higher potential to lose money

- **Venture Capital**
  - Venture Capital implies early stage financing of rapidly growing companies with an innovative/disruptive business idea for a product or service that is proprietary.
- **Buyouts (Leveraged Buyouts, LBOs, Management Buyouts, MBOs)**
  - Buyout investing provides leveraged capital and business development capital to enable the restructuring of existing business and industries.
- **Mezzanine**
  - An investment strategy involving subordinated debt, (the level of financing senior to equity and below senior debt). Capital supplied by mezzanine financing is used for various situations such as facilitating changes in ownership through leveraged buyouts or recapitalizations, financing acquisitions, or enabling growth. Venture lending and leasing is a subset of mezzanine financing that targets venture backed companies.
- **Distressed**
  - Distressed securities are defined as a security with a current yield of 10% above comparable U.S. Treasury bonds. Investment instruments include publicly traded debt securities, private debt, trade claims, mortgage debt, common and preferred stock and commercial paper. Investments also include turnaround situations and companies with poorly organized capital structures. Long and short positions are commonly used as a technique to lock in profit or reduce risk.
- **Secondaries**
  - Private equity interests are generally purchased at a discount from valuation from motivated owners of private equity interests. The interests purchased are generally venture and buyout interests with limited exposure to unfunded capital commitments.
- **Special Situations**
  - Special situations generally have an open-ended investment objective and are seeking to capitalize on opportunities in a wide variety of sectors. Investments may include energy, project financing and bridge transactions.

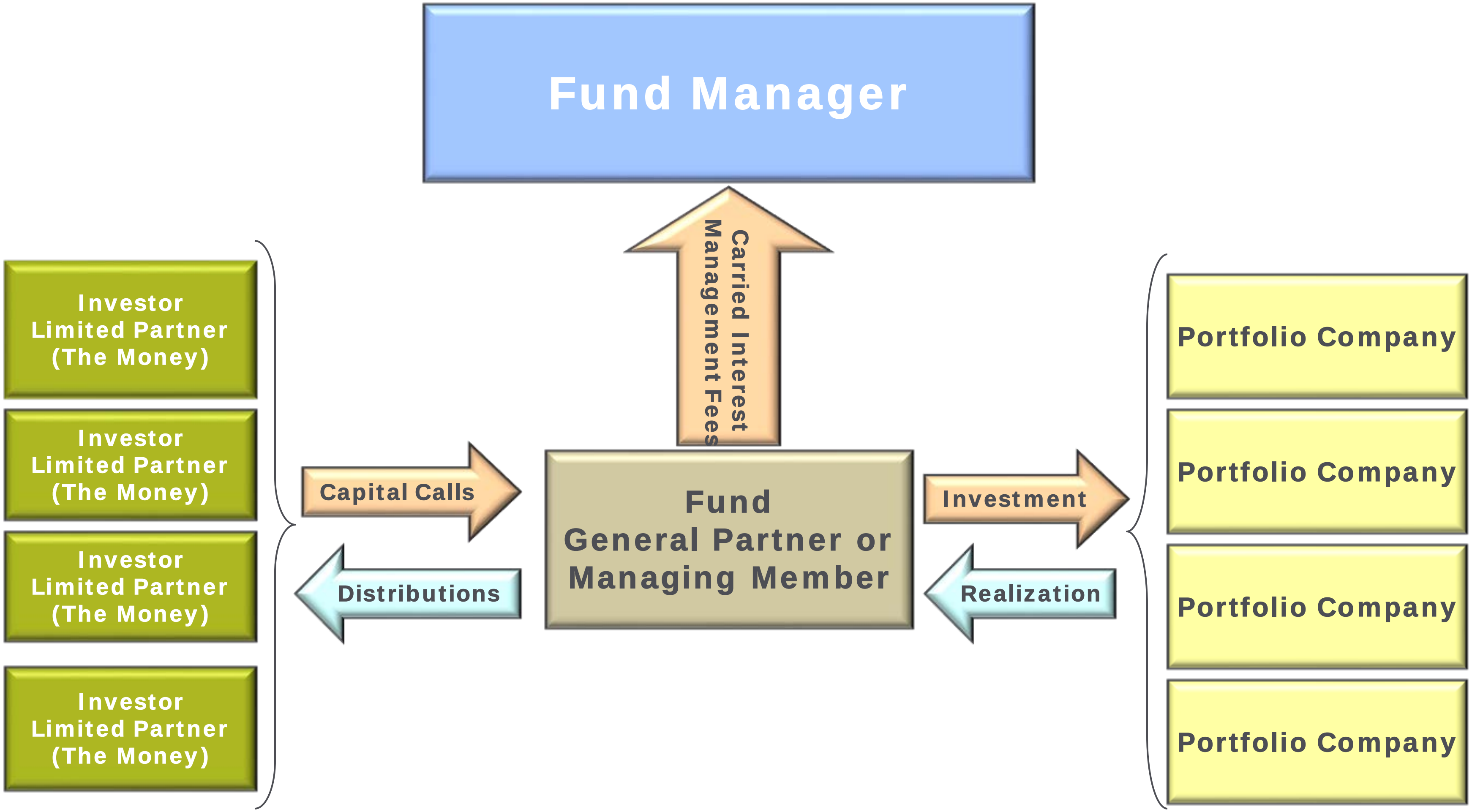
In 2013, PE returns mirrored the public equity markets', with US and Europe posting large gains.

- **Global PE generated a 10.2% return for the past year led by strong performance of US and European PE**
- **Buyout returns were 14.7% for the past year**
  - Mega funds returned 17.2% in one year
  - Larger size = higher correlation to public markets
- **Venture capital returns have improved**
  - Late stage has outperformed early stage (& with less risk)
- **10-year return for global PE is 13.4%**
  - Outperforming public equity indices over the long term

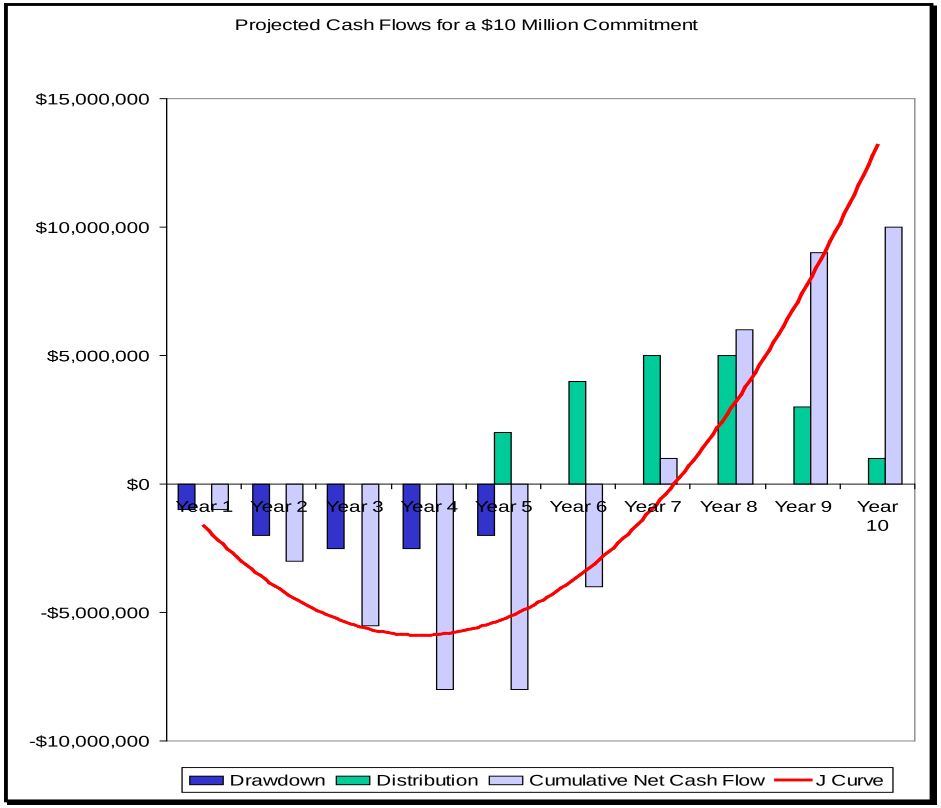
All Private Equity	Q3 2013	1 Year	3 Year	5 Year	7 Year	10 Year
Global	3.0%	13.6%	12.6%	8.2%	9.2%	13.4%
United States	3.5%	14.8%	13.8%	9.2%	9.4%	12.9%
Europe	3.4%	13.4%	12.0%	5.8%	9.2%	15.9%
Asia	-0.1%	7.9%	6.7%	9.2%	9.7%	15.9%
Global by Strategy	**Q3 2013**	**1 Year**	**3 Year**	**5 Year**	**7 Year**	**10 Year**
Buyouts	2.9%	14.7%	13.5%	8.8%	10.0%	15.0%
Small (<$500M)	1.0%	9.6%	11.0%	8.2%	11.2%	16.0%
Medium ($500M-$999M)	3.6%	13.7%	11.9%	8.6%	10.9%	15.1%
Large ($1B-$4.9B)	2.8%	13.8%	13.2%	8.3%	10.0%	15.1%
Mega ($5B+)	3.1%	17.2%	15.1%	9.5%	8.8%	14.0%
Venture Capital	3.6%	12.9%	13.4%	7.2%	8.1%	8.4%
Early Stage	2.5%	12.3%	14.9%	7.2%	7.8%	7.6%
Late Stage	4.8%	14.6%	15.5%	11.8%	13.9%	11.8%
Mezzanine	1.9%	10.3%	10.8%	6.7%	8.6%	10.8%
Distressed & Special Situation	3.4%	13.2%	11.0%	8.9%	7.4%	11.8%
Energy	4.2%	12.1%	12.5%	7.9%	12.2%	21.9%
Public Indices	**Q3 2013**	**1 Year**	**3 Year**	**5 Year**	**7 Year**	**10 Year**
Russell 3000	6.3%	21.6%	16.8%	10.6%	6.1%	8.1%
MSCI EAFE	11.6%	23.8%	8.5%	6.4%	2.4%	8.0%
MSCI EM	5.8%	1.0%	-0.3%	7.2%	5.9%	12.8%
Barclays High Yield	2.3%	7.1%	9.2%	13.5%	8.8%	8.9%

Source: Pooled average, time-weighted returns from The Burgiss Group Private iQ as of September 30, 2013; Bloomberg for Public Indices

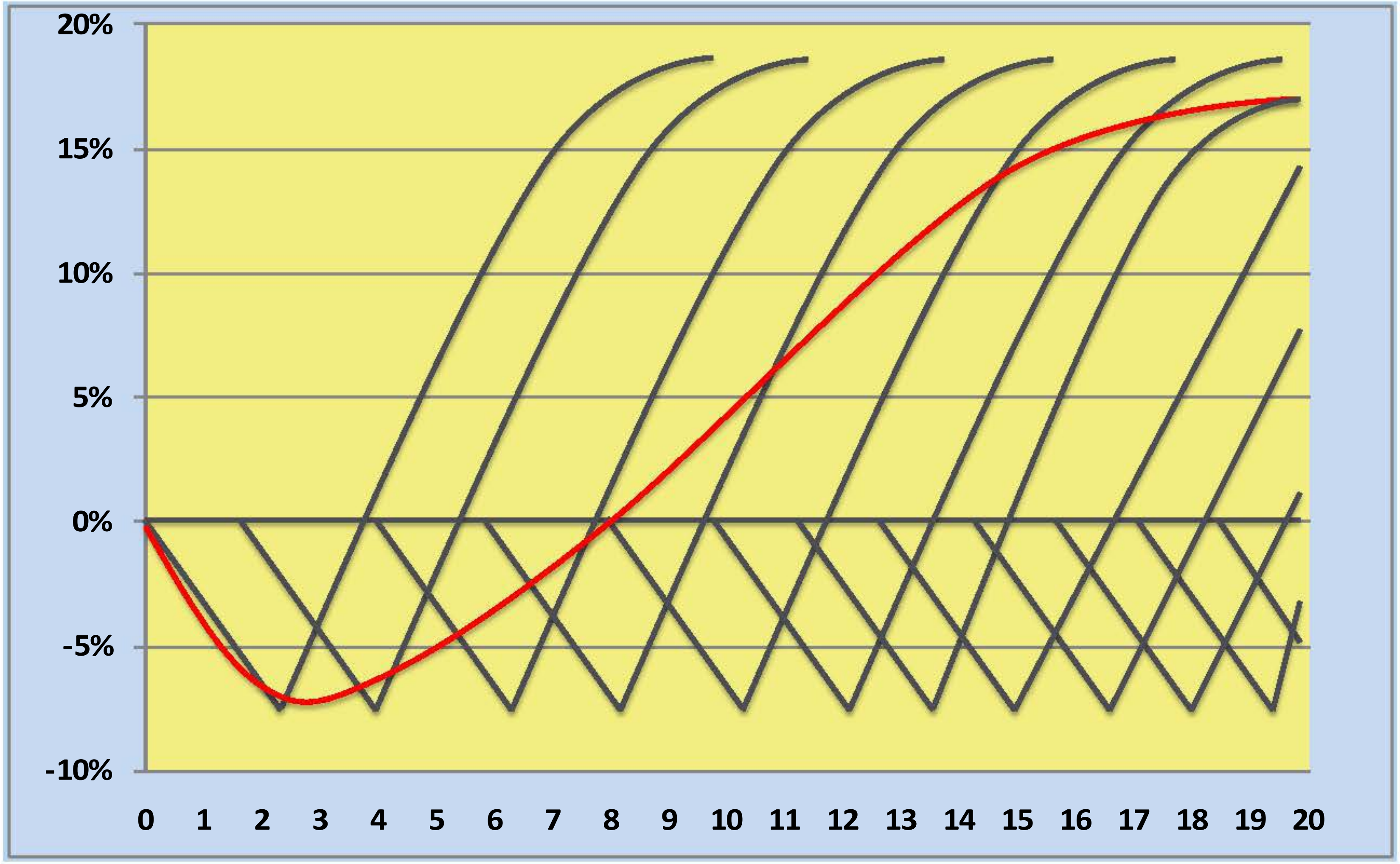
- **Diversify by:**
  - Vintage Year
  - Strategy
  - Manager
- **Individual Partnerships**
  - Can select best in class
  - Can control allocations more precisely
  - More individual manager risk
  - More oversight/time required
  - High minimum investment required
- **Funds-of-Funds**
  - Effective diversification tool, but more “average” returns
  - Potentially better access to top firms
  - Extra layer of fees
- **Combination of the two**


Fund Manager
Carried Interest
Management Fees
Investor
Limited Partner
(The Money)
Investor
Limited Partner
(The Money)
Investor
Limited Partner
(The Money)
Investor
Limited Partner
(The Money)
Capital Calls
Distributions
Fund
General Partner or
Managing Member
Investment
Realization
Portfolio Company
Portfolio Company
Portfolio Company
Portfolio Company

- Years 1-3 returns are negative as values can only be written down, little income is generated and management fees are collected on committed (not invested) base.
- Years 3-5 returns flatten out and gradually turn positive as values are written up to reflect transactions and some income is received.
- Years 5-10 returns spike as assets are sold and accumulated increases in value are reflected, and income is received as businesses become profitable.
- J-Curve should be mitigated in a fully diversified Private Equity program spread across multiple vintage years (example on next slide).



Realization of Returns



Vintage Years

Hedge Funds

- **Description**
  - "A privately organized investment vehicle that manages a concentrated portfolio of public securities and derivatives instruments on public securities, that can invest both long and short, and can apply leverage."[1]
  - Greater flexibility to use more "tools" in portfolio management
- **Why include in a portfolio**
  - Higher returns and/or lower risk
  - Diversification benefits
- **Managers add value by**
  - Their specialized skills in gathering and processing information and flexibility in executing long, short, derivative positions, and the use of leverage

[1] Source: Handbook of Alternative Assets by Mark Anson

- **The Catch**
  - Higher Fees
  - Complicated strategies
  - Complicated structures
  - Difficult to evaluate managers
  - Lack of transparency (but getting better)
  - Infrequent liquidity (getting better)
  - Time drain
  - Instances of Fraud & Blowups = Headline Risk

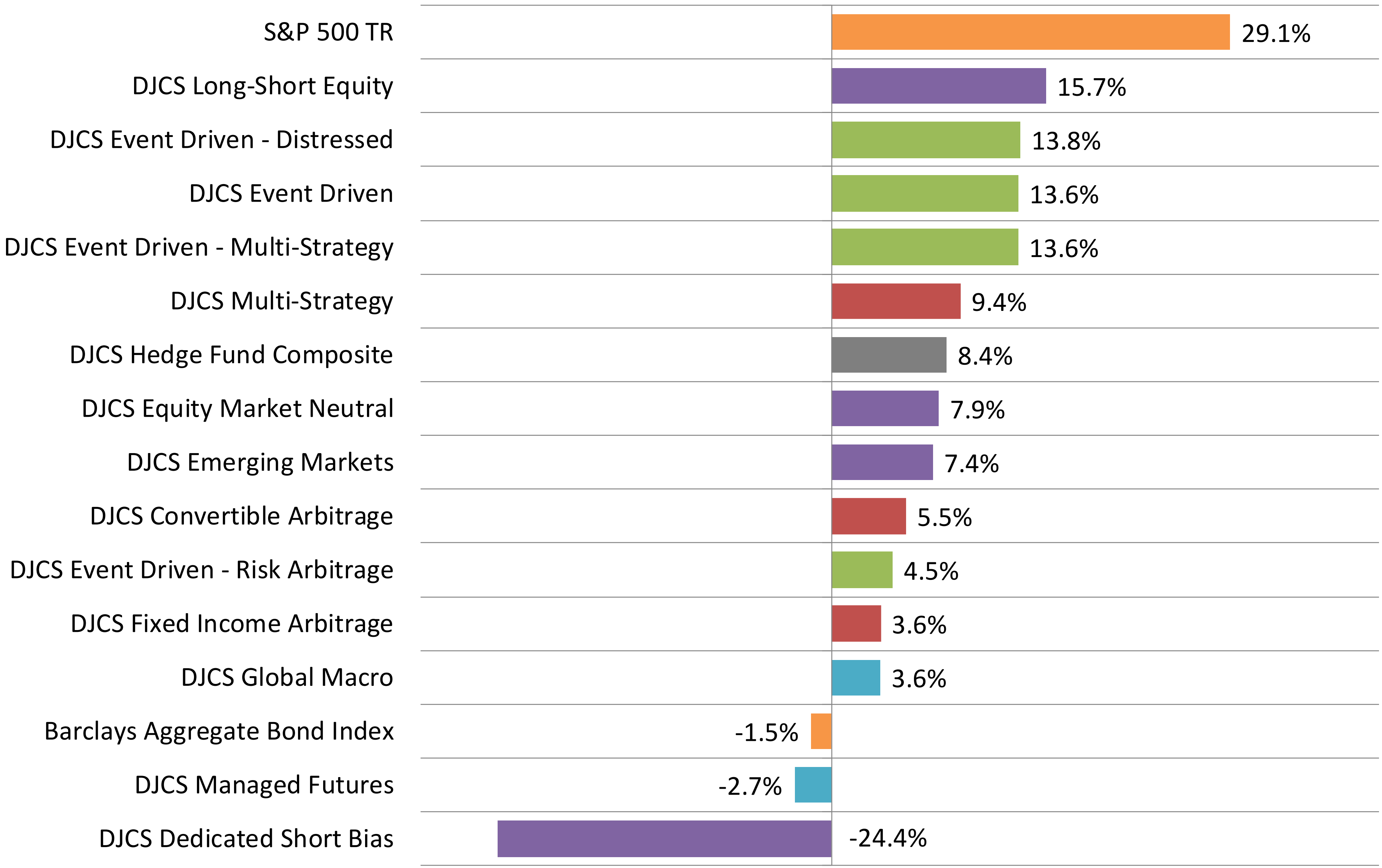
Source: Handbook of Alternative Assets by Mark Anson

Hedge Fund Strategies

Relative Value (Credit-Linked)	Equity Hedge (Equity-Linked)	Multi-Strategy	Tactical (Macro)	Event-Driven
Convertible Arbitrage	Long / Short Equity		Global Macro	Distressed Securities
Fixed Income Arbitrage	Equity Arbitrage		Managed Futures	Merger Arbitrage
Other Credit	Short Bias		Volatility Strategies	Special Situations
Emerging Market Debt	Emerging Market Equity		Synthetic Strategies	Multi-Strategy Event-Driven

- Black strategies as defined by CS Tremont and HFR indices
- Green strategies represent NEPC Classifications

Hedge Fund Strategies 2013 Performance



Sources: PerTrac, Dow Jones Credit Suisse Hedge Fund Indices as of 11/30/2013

- **Hedge strategies that NEPC has recommended**
  - Long/short
  - Event Driven/Merger Arbitrage
  - Convertible Arbitrage
  - Market Neutral
  - Multi-Strategy
  - Fund-of-Funds
- **NEPC has NOT recommended strategies with**
  - Excessive leverage
  - Lack of transparency
  - Short or inconsistent track records
  - Unproven strategies

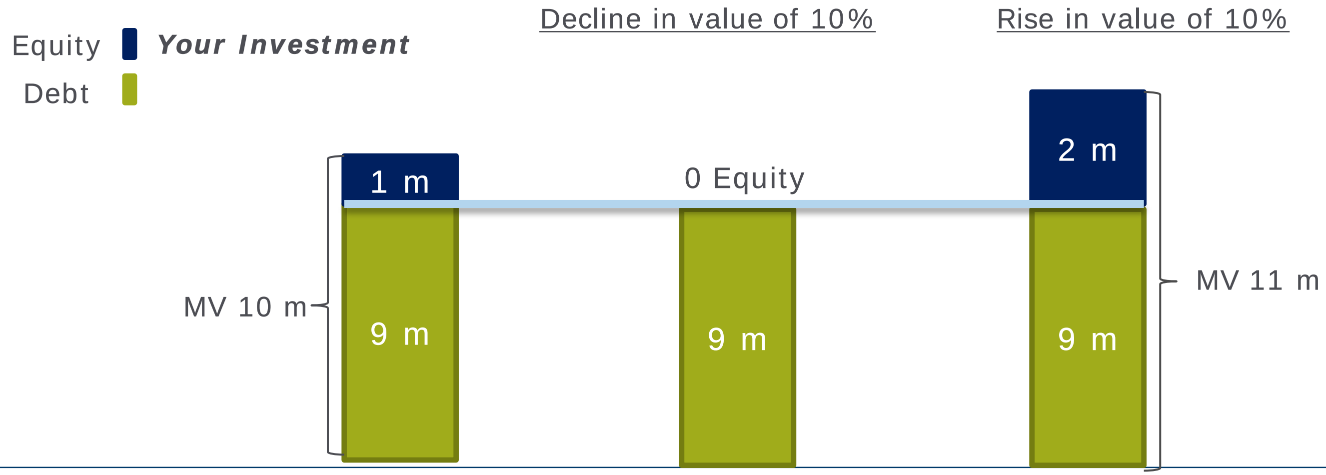
Real Estate

- **Description**
  - Commercial RE (i.e. makes money)
  - Can be publicly traded or private
    - Real Estate Investment Trusts (REIT’s) are generally publicly traded vehicles
  - Can be debt or equity
  - Commercial (income producing) properties: apartments, office buildings, hotels, shopping malls, industrial properties, etc.

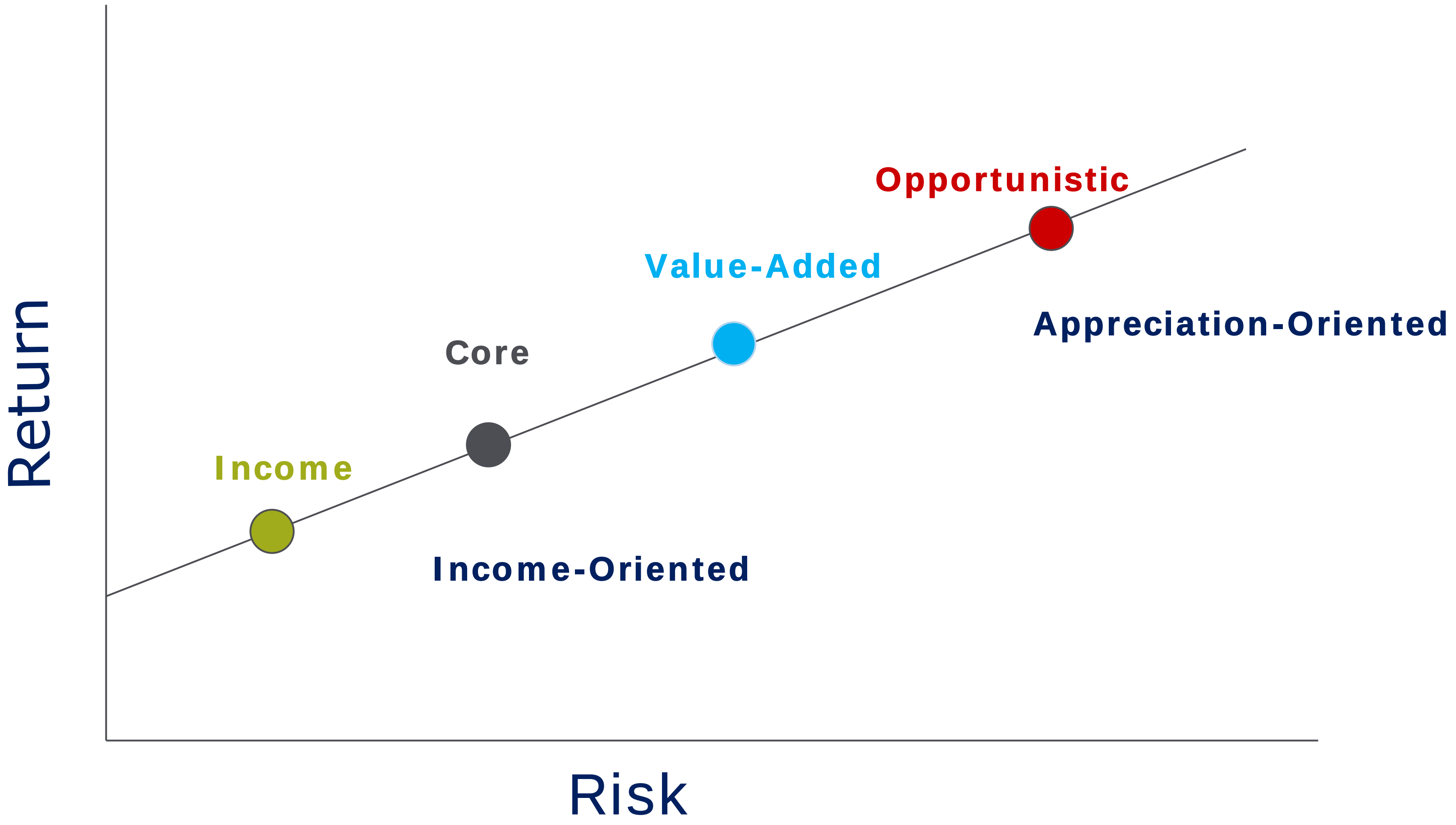
- **Why include in a portfolio**
  - Diversification
  - Inflation protection
  - Note: *REIT’s behave like small cap value stocks, so separate allocations are not generally recommended*

- **Managers add value by**
  - Property type, geographic location, economic, demographic and issue selection, prudent leverage
    - Core example: Office building that is fully leased; top quality
    - Value-Added example: Real Estate that needs improvement and involves more capital expenditures, so it’s riskier than core. Manager typically uses leverage to improve property.
    - Opportunistic example: More extreme case of value-added.
      - Development or redevelopment
      - Little or no income (no tenants)
      - High debt

- **Less liquid than financial assets**
  - Even an open-end fund must have cash to meet withdrawal requests.
- **No continuous pricing mechanism (appraisals)**
- **Less transparent than financial assets**
- **Returns can vary greatly between geographic regions, local market economic drivers, property types, and individual investments**
- **Leverage – amplified returns – good or bad.**
  - Ex. Denominator Effect:



Real Estate Styles



Source: Institutional Property Consultants

- **Debt**
  - Income-focused
    - Private debt instruments (commercial mortgages and construction)
    - Credit quality is the key of borrowers, tenants, and refinancing sources
      - Exit strategy
    - Managed more like fixed income than real estate
    - Construction and mortgage loans promote job creation
- **Equity**
  - Core
    - The most common private equity investment strategy (e.g., the large, open-end commingled funds)
    - Well located, well built properties with stabilized occupancy
    - Majority of total return contributed by current income; less from appreciation
    - Portfolios are generally diversified by property type, geography, and economic drivers
    - Leverage typically low (10-30%)
  - Value Added (US and Foreign)
    - Focused on creating value by physically renovating and/or re-tenanting "problem" properties
    - Majority of total return contributed by value appreciation - limited current income
    - Includes closed-end and open-end commingled funds
    - Leverage – Moderate
  - Opportunistic
    - The riskiest investment strategy, with the potential for the highest returns
    - Strategies include ground-up development and reworking distressed portfolios
    - Negative cash flows initially, with virtually all the return coming from capital appreciation (J-curve)
    - Some portfolios include international investments

Core Properties

CBD/Suburban
Office

Class A
Garden Style
Multi-Family

General use
Multi-tenant
Industrial/
Distribution
Warehouse

Grocery
Anchored
Retail

Needs improvement

Specialized Manufacturing

Senior Living/
Assisted Living
Facilities

Self-Storage

Specialized
Entertainment

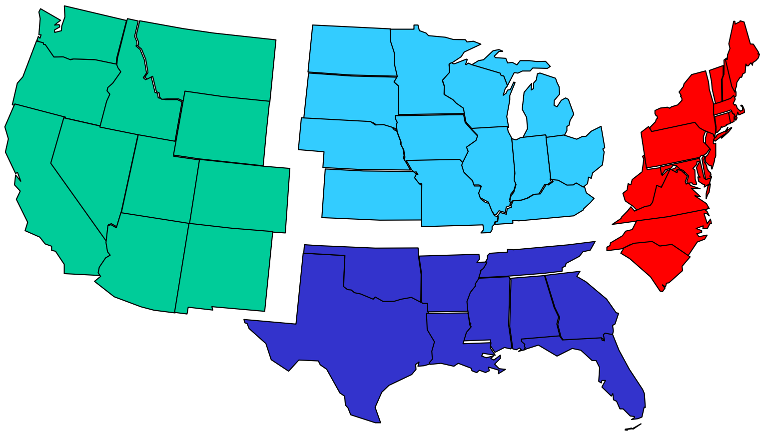
Environmentally
Challenged

Speculative
Ground-up
Construction

Residential Development

Real Estate Diversification

Geographic Locations : US



Economic Location Concept:

Denver

Oil Bust

Texas

Boston

Tech Wreck

Silicon Valley

Property Types

- **Office**
  - Supply vs jobs
- **Apartments (Multi-Family Dwellings)**
  - Tend to be the most stable of all sectors. Major risks include higher than expected home ownership or rental rates and temporary overbuilding.
- **Industrial**
  - Include many types of properties, such as warehouses and R&D facilities. The main risks are functional, locational obsolescence, and economic weakness.
- **Retail**
  - Include regional mega-malls, local shopping centers, and other retail space. Risks include macro-economic trends affecting consumer strength, periodic overbuilding, and changing demographic patterns.
- **Hotel**
  - Most volatile property type, because leases are one night. Economic trends in business & consumer activity as well as change in return.

The NCREIF Index has exhibited low to negative correlations against major indices over time.

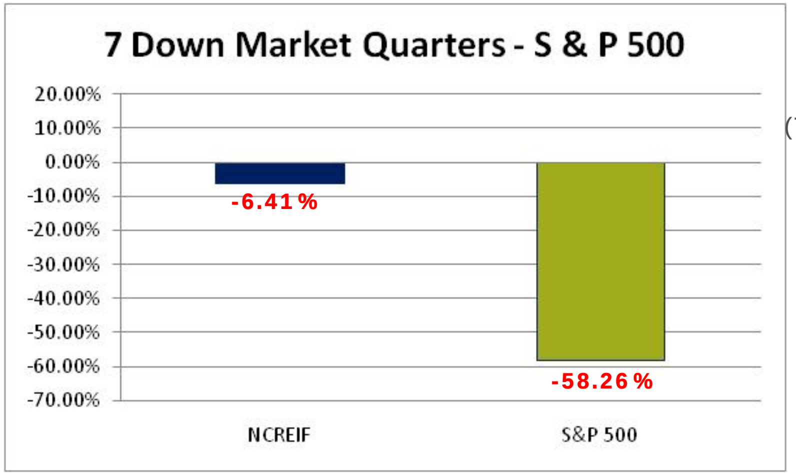
5 Years using Quarterly Data					
Index	Barclays US Aggregate	FTSE/NAREIT	NCREIF	Russell 2000	S&P 500
Barclays US Aggregate	1.00	0.21	-0.07	-0.25	-0.24
FTSE/NAREIT	0.21	1.00	-0.05	0.82	0.79
NCREIF	-0.07	-0.05	1.00	-0.01	-0.03
Russell 2000	-0.25	0.82	-0.01	1.00	0.97
S&P 500	-0.24	0.79	-0.03	0.97	1.00

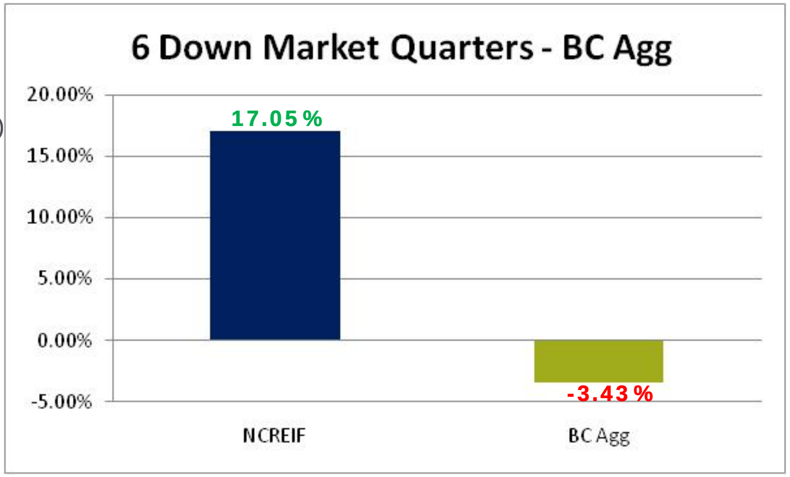
10 Years using Quarterly Data					
Product Name	Barclays US Aggregate	FTSE/NAREIT	NCREIF	Russell 2000	S&P 500
Barclays US Aggregate	1.00	0.05	-0.18	-0.31	-0.26
FTSE/NAREIT	0.05	1.00	0.25	0.82	0.76
NCREIF	-0.18	0.25	1.00	0.23	0.26
Russell 2000	-0.31	0.82	0.23	1.00	0.94
S&P 500	-0.26	0.76	0.26	0.94	1.00

Excellent Diversifier - NCREIF Returns in Down Markets

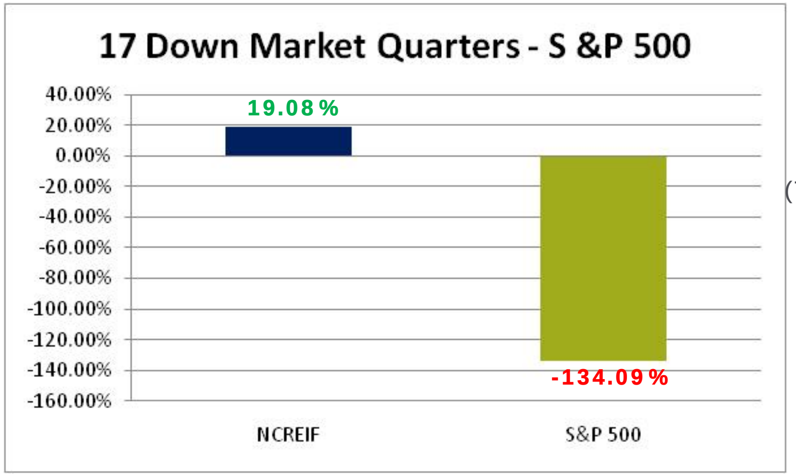
Over the last five and ten year time periods the NCREIF Index has produced better cumulative returns during down markets for the S&P 500 and the LB Aggregate.

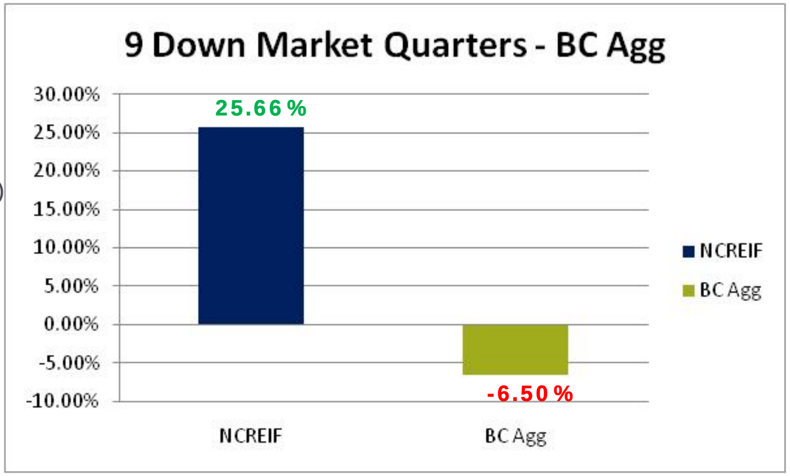
5 Years
(Through 3/31/10)



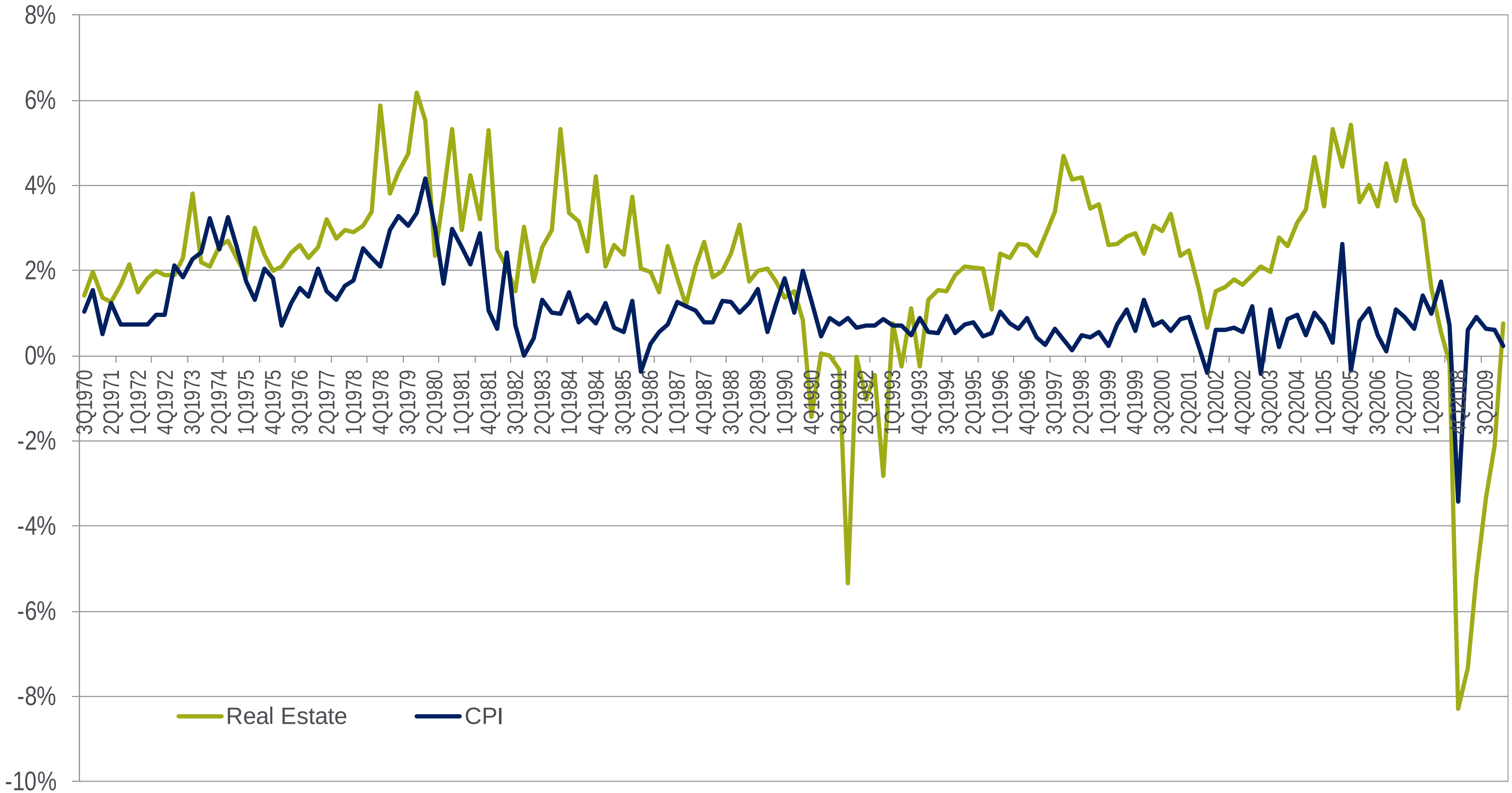


10 Years
(Through 3/31/10)





Real Estate Returns Compared to Inflation (1970-2010)



Note: Quarterly Returns

Source - Prudential Investment Management Services

RE component of graph consists of PRISA returns (3Q 1970-4Q 1977) & NCREIF returns (1Q 1978-1Q 2010)

- **Open-end Commingled Vehicles**
  - Usually Insurance Company Separate Accounts, Trusts, or Private REITS that allow ERISA plans to commingle their capital. Most of these vehicles are very large ($2-10 billion of net assets; hundreds of properties) and focus on core and/or value added strategies. Lock-up periods of 1-2 years are common and redemptions are usually permitted with 90 days notice, but are subject to available cash.
- **Closed-end Vehicles (e.g., Limited Partnerships, LLC's)**
  - Usually smaller in size ($100 - $500 million) with a 7 – 10 year term. They tend to focus on non-core investments and niche strategies (value added, opportunistic, sector focused) where the manager has an expertise. These are typically illiquid investments with limited investor rights. They frequently include a provision to share profits above a preferred return with the manager.
- **REITs**
  - There are both public and private REITs. Public REITs are registered with the SEC and traded on public exchanges; private REITs are not traded on any exchange. REITs pursue many strategies and can be either large or small, concentrated or diverse. REITs must by law distribute 95% of their net income to shareholders each year.

Implementation Considerations

- **Your Investment Objectives**
- **Your Risk Tolerance**
- **Commingled Funds or Separate Account**
- **Open-End or Closed-End**
- **Diversified or Targeted Approach**
  - Geography (physical location and economic drivers)
  - Property or Loan Type
- **Single Strategy or Multi-Strategy (core/satellite)**
- **Timing/Vintage Year – acquisition and dispositions should be spread over “vintage” years by manager or by you**

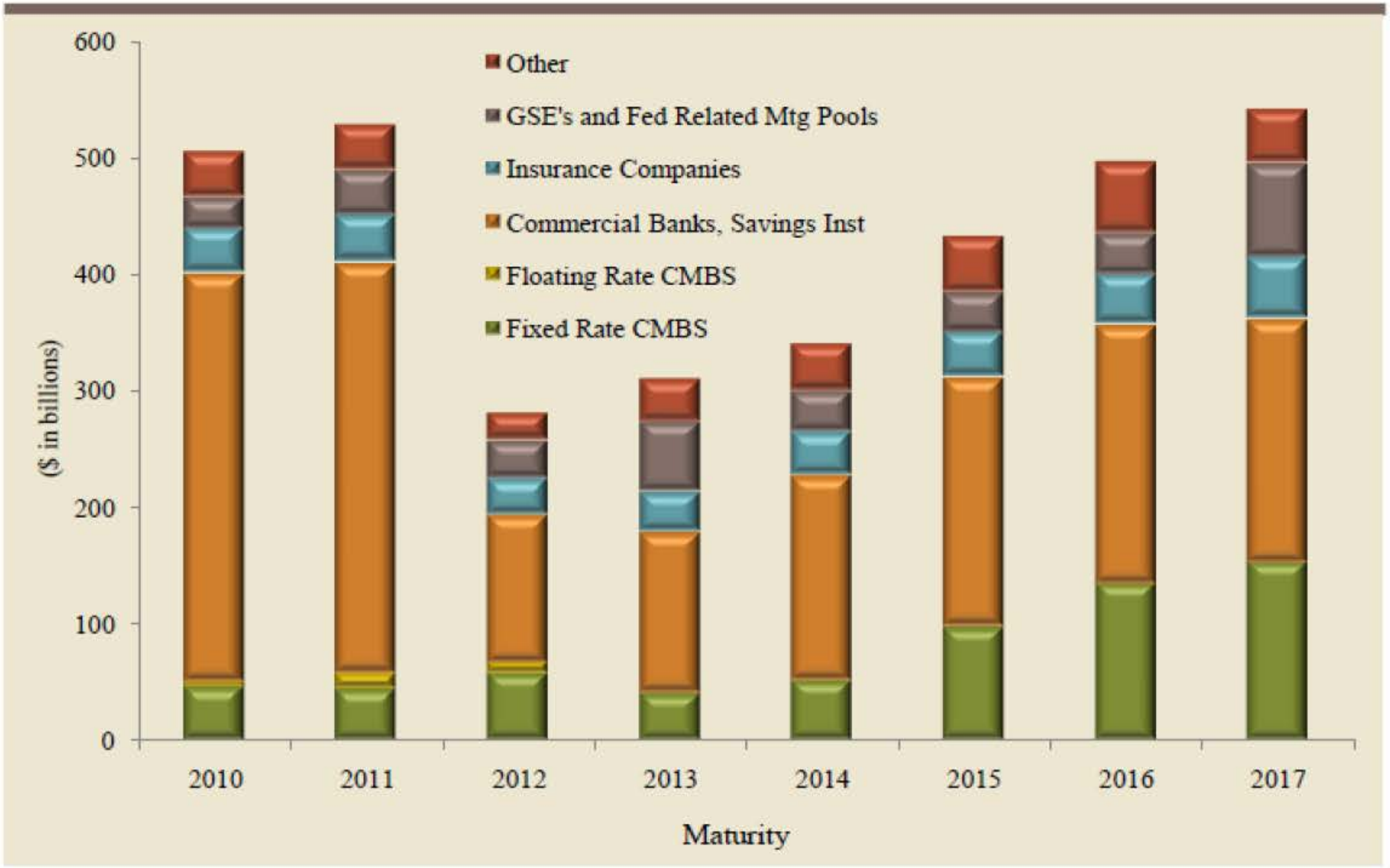
Current Challenges/Opportunities

- **Market fundamentals are weak**
- **Economy is weak**
  - Unemployment is high; Risk Premium ; Therefore valuation
  - Refinancing is difficult or impossible: *Can't borrow $10M on $8M property*
- **Cost of capital remains near historic lows**
- **But, lack of lending**
- **Investment Queues**

But,

- **Distressed seller = opportunity for patient buyer**

ESTIMATE OF TOTAL UPCOMING CRE MATURITIES



$1.3 TRILLION ESTIMATED TO MATURE OVER NEXT THREE YEARS

Source: Barclays Capital, Federal Reserve

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

(805) 339-4250 · Fax: (805) 339-4269
http://www.ventura.org/vcera

February 24, 2014

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: TAX DETERMINATION LETTER

Dear Board Members:

Attached for your review is VCERA's favorable tax determination letter from the Internal Revenue Service (IRS). A favorable tax determination letter, provided under Internal Revenue Code 401(a), entitles VCERA to beneficial tax treatments. For example, plan participants will not include plan contributions in income until the time they receive a distribution from VCERA. Further, earnings on VCERA's portfolio remain tax exempt.

Interesting aspects of the letter are the issuance date and the expiration date. As you may see, the tax determination letter was issued on January 29, 2014, with an expiration date of January 31, 2014. This very short time frame between issuance and expiration dates is a function of IRS tax determination letter filing cycles.

The IRS requires plans to file for tax determination every five years. VCERA was allowed to use an extended filing deadline, January 31, 2011, for our initial filing, rather than the original January 31, 2009 deadline for government plans. VCERA's use of the extended deadline meant that any tax determination letter issued only covers requirements for the original five year period ending January 31, 2014. Thus the brief period between the issuance date and expiration date.

Looking forward, VCERA has once again elected, pursuant to Revenue Procedure 2012-50, to again use a delayed filing deadline, January 31, 2016, for our next tax determination letter application. Absent this election, VCERA would have needed to file for a new determination letter on or before January 31, 2014.

Revenue Procedure 2012-50 also requires that VCERA demonstrate timely compliance with the required law changes that apply beginning January 31, 2014. Therefore, between now and the extended filing deadline of January 31, 2016, VCERA staff will be reviewing and documenting IRS and '37 Act legislative changes for tax compliance annually. As long as VCERA accomplishes the necessary compliance work, then VCERA will be protected from the IRS retroactively disqualifying VCERA if the IRS audits during the period from now until the next filing deadline of January 31, 2016.

I will be pleased to respond to any questions you may have on this matter.

Sincerely,

Tim Thonis
Interim Retirement Administrator

Attachment

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: JAN 29 2014

BORD OF RETIREMENT OF VENTURA
COUNTY EMPLOYEES RETIREMENT
ASSOCIATION
1190 S VICTORIA AVE SUITE 200
VENTURA, CA 93003

Employer Identification Number:
95-6380470
DLN:
601072021
Person to Contact:
MAXINE B TERRY ID# 50016
Contact Telephone Number:
(202) 283-9644
Plan Name:
VENTURA COUNTY EMPLOYEES RETIREMENT
ASSOCIATION
Plan Number: 001

Dear Applicant:

We have made a favorable determination on the plan identified above based on the information you have supplied. Please keep this letter, the application forms submitted to request this letter and all correspondence with the Internal Revenue Service regarding your application for a determination letter in your permanent records. You must retain this information to preserve your reliance on this letter.

Continued qualification of the plan under its present form will depend on its effect in operation. See section 1.401-1(b)(3) of the Income Tax Regulations. We will review the status of the plan in operation periodically.

The enclosed Publication 794 explains the significance and the scope of this favorable determination letter based on the determination requests selected on your application forms. Publication 794 describes the information that must be retained to have reliance on this favorable determination letter. The publication also provides examples of the effect of a plan's operation on its qualified status and discusses the reporting requirements for qualified plans. Please read Publication 794.

This letter relates only to the status of your plan under the Internal Revenue Code. It is not a determination regarding the effect of other federal or local statutes.

This determination letter gives no reliance for any qualification change that becomes effective, any guidance published, or any statutes enacted, after the issuance of the Cumulative List (unless the item has been identified in the Cumulative List) for the cycle under which this application was submitted.

This letter may not be relied on after the end of the plan's first five-year remedial amendment cycle that ends more than twelve months after the application was received. This letter expires on January 31, 2014. This letter considered the 2009 Cumulative List of Plan Qualification Requirements.

This determination letter is applicable for the plan adopted on 01/01/1947.

Letter 2002

BORD OF RETIREMENT OF VENTURA

This determination is subject to your adoption of the proposed amendments submitted in your letter dated 01/13/2014. The proposed amendments should be adopted on or before the date prescribed by the regulations under Code section 401(b).

This determination letter is based solely on your assertion that the plan is entitled to be treated as a Governmental plan under section 414(d) of the Internal Revenue Code.

This determination letter is applicable to the plan and related documents submitted in conjunction with your application filed during the remedial amendment cycle ending 2009.

This is not a determination with respect to any language in the plan or any amendment to the plan that reflects Section 3 of the Defense of Marriage Act, Pub. L. 104-199, 110 Stat. 2419 (DOMA) or U.S. v. Windsor, 133 S. Ct. 2675 (2013), which invalidated that section.

If you have questions concerning this matter, please contact the person whose name and telephone number are shown above.

Sincerely,

Andrew E. Zuckerman
Director, EP Rulings & Agreements

Enclosures:
Publication 794

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

February 10, 2014

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

Subject: Conference Report

Dear Board Members:

On January 28, I attended a luncheon in Beverly Hills, sponsored by GMO, one of VCERA's global equity investment managers. After the luncheon, there were two presentations lasting about 2 hours.

The first hour featured Sam Wilderman and Matt Kadnar, Co-head and member, respectively, of GMO's Asset Allocation team. After expressing GMO's investment philosophy, they proceeded into specifics about potential returns over the next seven years. It was not particularly positive, with real returns likely to be below 4%, even in the areas they think to be the best places for investment, such as U.S. high quality, international large value, international small value, and emerging market equities. Their predicted margins over U.S. bonds are less than 3%.

In essence, what they said is that there are no equity or fixed income investments to get too excited about, and the real question is "How long will the current environment exist?"

During the next hour, Jeremy Granthem, GMO's chief investment strategist, spoke about a variety of things, mostly negative, somewhat rambling, and not all directed at investment strategy. I was quite disappointed. He talked about climate change and its effect on drought in the western U.S., the potential of flooding along the eastern U.S. coastline, and the abundance (or lack thereof) of Monarch butterflies in Mexico over the winter. He expressed his belief that discovery of "new oil" resulting from fracking will peak, and suggested that fracking affects earthquake frequency. He also is opposed to the Keystone pipeline. Obviously throughout these comments, he was exercising his environmental leanings. In a positive vein, he spoke of a declining birthrate throughout the world, and likelihood that the cost of renewable energy would go down and become competitive in comparison to that produced with hydrocarbons.

As far as the market is concerned, Mr. Granthem believes we are on the cusp of a major wipeout. He was also critical of the Federal Reserve's intervention in the marketplace, and is concerned that, under Janet Yellen's leadership, there will be more of the same.

I'd be very happy to answer any questions the Board may have.

Respectfully,

Arthur E. Goulet
Retiree Member

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
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February 24, 2014

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: AUTHORIZATION FOR TRUSTEE MCCORMICK TO ATTEND THE PENSION BRIDGE CONFERENCE, APRIL 22 – 23, 2014; SAN FRANCISCO

Dear Board Members:

Staff recommends authorization for Ms. McCormick to attend the Pension Bridge Conference in San Francisco on April 22 and 23, 2014. The cost to attend is estimated to be $1,200 including conference registration, hotel, air fare and other travel related expenses.

I will be pleased to respond to any questions you may have on this matter.

Sincerely,

Tim Thonis
Interim Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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Ventura, CA 93003-6572

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February 24, 2014

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: AUTHORIZATION FOR ATTENDANCE AT THE MANATT 2014 PUBLIC PENSION FIDUCIARY FORUM; MARCH 27 & 28, 2014; SAN FRANCISCO

Dear Board Members:

Staff recommends authorization for Ms. Nemiroff and up to four selected trustees to attend the Manatt, Phelps & Phillips (Manatt) 2014 Public Pension Fiduciary Forum in San Francisco on March 27 & 28, 2014. Additionally, trustees and staff members attending the Manatt event are planning several due diligence meetings with VCERA investment managers, including Blackrock, Prudential and UBS.

The aggregate cost for all VCERA representatives to attend is estimated to be $4,250, including event registration, hotel, air fare and other travel-related expenses.

I will be pleased to respond to any questions you may have on this matter.

Sincerely,

Tim Thonis
Interim Retirement Administrator

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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February 24, 2014

Board of Retirement
Ventura County Employees' Retirement Association
1190 Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: MID-YEAR BUDGET UPDATE FOR FISCAL YEAR 2013-14

Dear Board Members:

With respect to the adopted budget, over fifty percent of the fiscal year is complete and consequently, we have a reasonable estimate of the financial status for the year ending June 30, 2014. The attached Budget Summary reflects actual expenditures through January 31, 2014, as well as year-end projected expenditures based on staff's best estimates

Salaries & Employee Benefits: Overall Salaries and Employee Benefits are projected to be slightly under budget at approximately $10,800. Savings were realized due to vacancies, offset with an increase due to the approved Memorandum of Agreement changes that occurred after the budget was adopted and the use of extra-help to help manage workload until filling the vacant positions.

Services & Supplies: Overall Services & Supplies is projected to be below budget by approximately $78,100. The primary contributors to the budget savings are Telecommunications Services ($9,400), Postage and Express ($8,480), Printing Charges ($15,030), Professional Services ($34,850), and Office Lease Payments ($9,090). More specifically, Telecommunication Services is projected to be lower due to recurring cost of the new VOIP system being less than the amount budgeted. Postage and Express and Printing Charges are projected to be lower as planned activities (Board election material, employee handbooks and newsletters) will not occur in the current year and will be delayed until next fiscal year.

Professional Services are projected to be under budget by $34,850, due primarily to savings from forgoing completion of the Actuarial Audit ($75,000) due to other workload priorities, offset by expenditures in excess of the adopted budget. Office Lease payments are projected be lower due to the actual monthly lease being less than originally budgeted and savings realized from relocating the Pension Administration System (PAS) project team.

All remaining budget variances are not considered material.

Information Technology: The Information Technology budget is projected to come under budget by approximately $192,000. This difference is due primarily PAS charges being lower than budgeted. More specifically, Linea charges are projected to be lower than budgeted by $141,800 and delaying the update to beneficiary designations until next fiscal year resulting in a savings of $37,600. The remaining variances are not considered material.

Overall, these variances are within budget but they provide little flexibility should unanticipated expenditures occur through the remainder of the fiscal year. However, staff recommends that no further budgetary adjustments be made at this time as any excess in any major expenditure category can be absorbed with savings in the other major expenditure category. Staff will return to your Board after year end with final expenditures and any appropriation adjustments to close out the year.

I would be pleased to respond to any questions you may have on this matter.

Sincerely,

Tim Thonis
Interim Retirement Administrator

Attachment

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BUDGET SUMMARY FISCAL YEAR 2013-2014
Expended Year-to-Date through January 2014 and Projected for Fiscal Year

EXPENDITURE DESCRIPTIONS	2013/2014 Adopted Budget	2013/2014 Adjusted Budget	Year to Date through January 31, 2014	Projected @ June 30, 2014	Remaining Balance	Percent Expended
Salaries & Benefits:						
Salaries	$ 1,725,600.00	$ 1,725,600.00	$ 898,090.80	$ 1,586,144.60	$ 139,455.40	91.92%
Extra-Help	25,000.00	25,000.00	26,022.78	162,420.72	(137,420.72)	649.68%
Overtime	1,500.00	1,500.00	207.66	207.66	1,292.34	13.84%
Supplemental Payments	53,700.00	53,700.00	27,327.84	48,982.56	4,717.44	91.22%
Vacation Redemption	87,500.00	87,500.00	69,720.04	132,548.20	(45,048.20)	151.48%
Retirement Contributions	424,800.00	424,800.00	211,180.14	401,696.15	23,103.85	94.56%
OASDI Contributions	107,800.00	107,800.00	53,502.70	100,585.02	7,214.98	93.31%
FICA-Medicare	27,000.00	27,000.00	14,083.73	25,285.51	1,714.49	93.65%
Retiree Health Benefit	16,200.00	16,200.00	9,504.56	16,480.56	(280.56)	101.73%
Group Health Insurance	170,800.00	170,800.00	89,721.08	163,456.28	7,343.72	95.70%
Life Insurance/Mgmt	1,000.00	1,000.00	565.68	1,013.27	(13.27)	101.33%
Unemployment Insurance	2,200.00	2,200.00	1,068.01	1,919.66	280.34	87.26%
Management Disability Insurance	4,200.00	4,200.00	2,129.54	3,868.33	331.67	92.10%
Worker' Compensation Insurance	10,900.00	10,900.00	6,250.82	10,372.66	527.34	95.16%
401K Plan Contribution	33,800.00	33,800.00	14,180.38	26,210.76	7,589.24	77.55%
Transfers In	60,800.00	60,800.00	35,548.71	63,048.71	(2,248.71)	103.70%
Transfers Out	(60,800.00)	(60,800.00)	(35,548.71)	(63,048.71)	2,248.71	103.70%
Total Salaries & Benefits	$ 2,692,000.00	$ 2,692,000.00	$ 1,423,555.76	$ 2,681,191.94	$ 10,808.06	99.60%
Services & Supplies:						
Telecommunication Services - ISF	$ 46,600.00	$ 46,600.00	$ 23,421.94	$ 37,201.94	$ 9,398.06	79.83%
General Insurance - ISF	12,300.00	12,300.00	6,131.00	12,262.00	38.00	99.69%
Office Equipment Maintenance	1,000.00	1,000.00	313.64	1,013.64	(13.64)	101.36%
Membership and Dues	9,300.00	9,300.00	7,820.00	9,015.00	285.00	96.94%
Education Allowance	6,000.00	6,000.00	2,000.00	2,000.00	4,000.00	33.33%
Cost Allocation Charges	57,300.00	57,300.00	28,619.00	57,238.00	62.00	99.89%
Printing Services - Not ISF	6,000.00	6,000.00	458.05	2,458.05	3,541.95	40.97%
Books & Publications	2,000.00	2,000.00	957.18	1,957.18	42.82	97.86%
Office Supplies	20,000.00	20,000.00	9,026.15	18,026.15	1,973.85	90.13%
Postage & Express	55,000.00	55,000.00	23,415.96	46,515.96	8,484.04	84.57%
Printing Charges - ISF	12,500.00	12,500.00	108.20	1,008.20	11,491.80	8.07%
Copy Machine Services - ISF	7,100.00	7,100.00	1,621.02	6,621.02	478.98	93.25%
Board Member Fees	11,000.00	11,000.00	5,900.00	11,900.00	(900.00)	108.18%
Professional Services	957,400.00	957,400.00	531,153.01	922,553.01	34,846.99	96.36%
Storage Charges	4,000.00	4,000.00	2,983.62	5,083.62	(1,083.62)	127.09%
Equipment	15,000.00	15,000.00	468.69	15,968.69	(968.69)	106.46%
Office Lease Payments	186,400.00	186,400.00	102,511.12	177,310.40	9,089.60	95.12%
Private Vehicle Mileage	8,300.00	8,300.00	5,831.38	8,706.38	(406.38)	104.90%
Conference, Seminar and Travel	65,000.00	65,000.00	43,630.76	68,630.76	(3,630.76)	105.59%
Furniture	11,200.00	11,200.00	9,169.76	9,169.76	2,030.24	81.87%
Facilities Charges	65,200.00	65,200.00	43,360.98	65,860.98	(660.98)	101.01%
Transfers In	11,300.00	11,300.00	6,319.85	11,278.55	21.45	99.81%
Transfers Out	(11,300.00)	(11,300.00)	(6,319.85)	(11,278.55)	(21.45)	99.81%
Total Services & Supplies	$ 1,558,600.00	$ 1,558,600.00	$ 848,901.46	$ 1,480,500.74	$ 78,099.26	94.99%
Total Sal, Ben, Serv & Supp	$ 4,250,600.00	$ 4,250,600.00	$ 2,272,457.22	$ 4,161,692.68	$ 88,907.32	97.91%
Technology:						
Computer Hardware	$ 22,200.00	$ 15,200.00	$ 6,430.59	$ 14,430.59	$ 769.41	94.94%
Computer Software	46,200.00	36,700.00	22,889.79	33,489.79	3,210.21	91.25%
Systems & Application Support	419,900.00	451,400.00	196,188.05	388,776.55	62,623.45	86.13%
Pension Administration System	2,494,400.00	2,692,100.00	1,699,659.42	2,566,654.42	125,445.58	95.34%
Total Technology	$ 2,982,700.00	$ 3,195,400.00	$ 1,925,167.85	$ 3,003,351.35	$ 192,048.65	93.99%
Contingency	$ 695,900.00	$ 483,200.00	$ -	$ -	$ 483,200.00	0.00%
Total Current Year	$ 7,929,200.00	$ 7,929,200.00	$ 4,197,625.07	$ 7,165,044.03	$ 764,155.97	90.36%

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

1190 South Victoria Avenue, Suite 200
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(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

February 24, 2014

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: STAFF RECOMMENDATION TO RETAIN BROWN ARMSTRONG ACCOUNTANCY CORPORATION

Dear Board Members:

Staff recommends Board approval of the attached proposal from Brown Armstrong Accountancy Corporation (Brown Armstrong) to provide auditing services to VCERA for the three fiscal years ending June 30, 2014, 2015 and 2016 and authorize the Interim Retirement Administrator to execute an agreement with Brown Armstrong. As detailed in the proposal, Brown Armstrong is offering to provide auditing services for $46,000 annually for the next three years. While this represents an 8.9% increase over the prior year, Brown Armstrong has maintained the same fees for the last six years.

BACKGROUND

Brown Armstrong has provided auditing services to VCERA since 2002. The firm has proven to be a reliable and efficient service provider with extensive experience working with 1937 Act Retirement Systems. The firm also undergoes a quality peer review every three years to ensure their accounting and auditing practices are in conformance with applicable professional standards.

Over the last three years VCERA has experienced nearly a 100% turnover of the audit staff assigned to perform the audit. This ensured that the new team provided a fresh perspective to each audit. For the most recent audit, Brown Armstrong assigned Neeraj Datta as the audit manager. Mr. Datta came from a large nationally recognized auditing firm where he specialized in audits of private equity and alternative investments. In addition, he brings knowledge of accounting related issues for complex derivative investment instruments. His expertise with derivatives and assistance with GASB 53 disclosure requirements proved valuable given the complexity added with the addition of the PIMCO investment strategy and expansion into the alternative investment space. Finally, Brown Armstrong is assisting with the implementation of the GASB 67 and 68 accounting standards for VCERA and the plan's participating employers. Their involvement in leading the task force is proving to be invaluable and maintaining continuity should result in successful and accurate implementation of the new standards.

RECOMMENDATION

If this proposal is approved by your Board, the Interim Administrator will execute a new agreement with Brown Armstrong upon Board Counsel review as authorized by the Retirement Administrator Charter.

I would be pleased to respond to any questions you may have.

Sincerely,

Tim Thonis
Interim Retirement Administrator

Attachment

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

560 CENTRAL AVENUE
SHAFTER, CALIFORNIA 93263
TEL 661.746.2145
FAX 661.746.1218

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

221 E. WALNUT STREET
SUITE 260
PASADENA, CALIFORNIA 91101
TEL 626.204.6542
FAX 626.204.6547

5250 CLAREMONT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

BROWN ARMSTRONG
Certified Public Accountants

February 10, 2014

Tim Thonis
Ventura County Employees' Retirement Association
1190 S. Victoria Avenue, Suite 200
Ventura, California 93003-6572

Dear Mr. Thonis:

Brown Armstrong Accountancy Corporation is pleased to propose on providing audit services to Ventura County Employees' Retirement Association for the fiscal years ending June 30, 2014, 2015, and 2016. As your current auditors, we feel we are uniquely qualified to continue to provide you with the level of service you expect from your auditors.

Our existing contract is $42,240.00. We propose a not-to-exceed maximum fee of $46,000.00 for each of the three years ending June 30, 2014, 2015, and 2016.

We have enjoyed our past relationship and look forward to continuing to serve you. If you accept this proposal, please sign the enclosed contract and return it to us in the enclosed envelope.

Please call me if I can clarify or expand on any item contained in this proposal. We appreciate the opportunity to provide you with the outstanding service you expect.

Sincerely,

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

By: Andrew J. Paulden

AJP:klm
Enclosure
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Dear Client,

As you are likely aware, the US Securities and Exchange Commission (SEC) and US Department of Labor (DOL) announced settlements with Western Asset relating to two longstanding investigations. I am writing to provide a brief overview of these settlements and also to correct some misinformation that has been circulating about these issues. Western Asset regrets that SEC regulators believed that they needed to take the action they did, and understands that these events can place a burden on clients to evaluate the issues and in many cases explain the issues to boards and other third parties. That said, the actions are settlements of complex factual and legal issues and, as noted, Western Asset did not admit or deny the matters in the settlements. We would, however, like to challenge any characterization of the charges as involving intentional misbehavior or intent to mislead clients.

The first matter relates to the 2007 purchase for ERISA client portfolios of a corporate security, whereby the security's terms restricted purchases by ERISA clients. As a result of internal miscommunication and misunderstanding, the security's restriction was not caught and therefore was not coded into our systems. Upon discovery of the error in late 2008, we worked closely with outside counsel to research the legal consequences of this issue, analyzing both the security itself and the various provisions of ERISA. The advice we received was that the purchase did not result in any violation of ERISA or put clients at risk under that statute. Based on this advice and on a review of client guidelines, we concluded that, except for a small number of clients with specific guideline issues, clients were not at risk. We continued to hold the security in the ordinary course and ultimately sold the security in 2009 for investment reasons. The SEC began its inquiry of the matter in the fall of 2009, joined by the DOL in 2010. In 2010 we notified clients that held the security Glen Meadow. The SEC and DOL ultimately disagreed with our assessment. Rather than litigate the matter, Western Asset agreed to settle, including $10 million in amounts paid to clients and the payment of a $1,000,000 fine to each of the SEC and the DOL. Insurance will cover substantially all of the cost of client reimbursement.

The second matter relates to a trading practice in the non-agency RMBS sector. In the midst of the credit crisis, Western Asset was required to sell many non-agency RMBS due to client withdrawals and rating downgrades. Despite these forced sales, our investment team believed that many of these securities were undervalued and represented an attractive investment opportunity for client accounts where permitted. To seek to facilitate that retention, the traders would solicit bids, sell at the highest bid, and then seek a reoffer or repurchase of the security for another account. This practice does not raise regulatory issues so long as the broker is at risk and the repurchase is not guaranteed or prearranged. If the broker is not at risk, the trade may be viewed as a cross trade. In the fall of 2010, the SEC along with other agencies, began a review of Western Asset's trading practices. Upon review of our trading records, the regulators have not taken issue with the majority of these transactions. They believe, however, that the broker did not take on market risk with a small subset of the repurchases. Their conclusions rest on an analysis of trading patterns and communication between the traders and certain dealers. There are no allegations that Western Asset received any benefit from the trades, nor that Western Asset did not achieve best open market execution for either buyers or sellers. The regulators did find, however, that those transactions they believe are cross trades should have been completed for ERISA plans and SEC-registered investment companies at a mid-market price, as provided under certain technical rules governing these types of entities. The factual and legal analysis involved in this matter is complex. As with the Glen Meadow issue, in order to avoid the costs and distractions of litigation and in light of the relatively small number of trades involved, we have agreed to settle the matter. Without admitting or denying the findings, Western Asset agreed to compensation to clients of approximately $7.4 million and the payment of a $1,000,000 fine to the SEC and a $607,717 fine to the DOL. Insurance will cover substantially all of the cost of client reimbursement.

Again, we regret that regulators saw fit to bring these actions, and we apologize for any alarm that this news and the subsequent headlines may have caused you. We encourage you to read the SEC Orders to gain a more balanced understanding of the issues, as we believe that press reports have resulted in a distorted view of the settlements—a view that is actually at odds with the SEC filings. There are a few terms and phrases that have repeatedly come up in these articles that I would like to address.

First, the use of the term “defraud” in the SEC press release can easily be misinterpreted without the context of the full provisions included in the Investment Advisors Act. Western Asset does not believe that the SEC’s headline was an entirely fair representation, as it leaves the impression of intent to mislead. In neither matter has there been any allegation from the SEC that Western Asset set out to intentionally mislead its clients.

In reference to the Glen Meadow security, there is mention that Western Asset “overrode the system” in its handling of Glen Meadow, allowing a non-ERISA security to be purchased into ERISA accounts, thereby implying that this was done intentionally. *Although an error was made, this was made as a result of human error and system design, not with the intent to conceal.*

Additionally, there were questions raised about the timing of reaching out to clients and informing them that there was a violation in their accounts. As explained above, our actions were guided by legal and factual analysis of the situation. Although the regulators ultimately disagreed with our legal analysis, there is no allegation that our view was not based in good faith. *The decision of how and/or when to inform clients was not made to avoid contacting clients, but rather because we believed these violations were not violations with respect to clients, and therefore did not require disclosure to clients.* Ultimately, when the SEC identified this as a potential issue in 2010, we contacted all affected clients. We explained the cause of the error and the research and analysis we conducted in concluding that we had not breached their guidelines or ERISA law.

Western Asset has redoubled its efforts over the past five years to address regulatory compliance and related matters to ensure that we keep pace with new regulatory demands and with our clients’ expectations. Both our ERISA restriction review processes and cross-trading controls have been substantially revised and improved. This infrastructure has resulted in an increased ability to impose blocks on trades with a higher risk of being deemed to be impermissible cross trades. It has also resulted in revised workflows and processes with respect to newly issued securities and the accompanying security characteristics. As an addendum to this letter, I have included a more detailed summary of the remedial measures that have been implemented to improve our oversight processes as it relates to these matters.

We feel our reputation and integrity are being unfairly portrayed by these releases. In over 40 years of providing investment management services, Western Asset has always sought to meet high client and fiduciary standards. We have maintained a variety of policies and procedures designed to ensure that we carry out our fiduciary duty to the best of our abilities and put the interests of our clients first. Our corporate culture places the highest priority on compliance that permeates every department and every employee at our Firm, and we constantly seek ways to enhance our robust compliance program.

We hope this letter has offered you some insight and comfort on the news of the recent settlements. We are pleased to have settled, and we are looking forward to putting these long outstanding issues behind us. If you have any questions or if you would like to discuss any of

these matters further, please do not hesitate to contact me or your Client Service Executive—
we are here to help.

Thank you for your business and continued support.

Sincerely,
James J. Flick
Director of Global Client Service & Marketing

Western Asset Management Company
385 East Colorado Boulevard, Pasadena, California 91101

Contact Us --- Privacy Policy

SACRS
State Association of County Retirement Systems
Staff ★ Trustees ★ Affiliates ★ Success
A California Non Profit Corporation

January 29, 2014

To: SACRS Administrators
From: Sulema H. Peterson, SACRS
Re: SACRS Spring Conference 2014 – Conference Information

SACRS Spring Conference 2014 is being held at the Sheraton Grand Sacramento Hotel and the Sacramento Convention Center, May 13 – 16, 2014. The Sheraton Grand Hotel is a contemporary hotel in the heart of California's capital city. Situated in the beautifully restored Public Market Building at 1230 J Street, the hotel offers sophisticated accommodations, top-of-the-line amenities and facilities, and is a block from the California State Capitol.

New this year, the General Sessions on Wednesday and Thursday of the conference will be held at the Sacramento Convention Center. Tuesday and Friday sessions will be held at the Sheraton Grand Hotel. The Sacramento Convention Center is conveniently located across the street from the hotel, not more than a 2 minute walk.

Please be reminded that SACRS offers Ethics Training at the conference on Tuesday, May 13th at 3 pm. Be sure to remind Trustees & Staff of the Ethics training requirement. Pre-registration for the class is mandatory.

In this packet, we've provided the following information to assist your System's administrative staff with:

- Hotel Information
- Transportation Information
- Conference Registration Information
- Hotel Rooming List & Payment Instructions
- Voting Proxy & What's New Deadlines/Form's

Looking forward to seeing you in May - Please don't hesitate to contact me at Sulema@sacrs.org or 916.441.1850 for questions, assistance or additional information.

Best,

Sulema
Sulema H. Peterson
SACRS Administrator

1415 L St. Suite 1000 | Sacramento, CA 95814 | T (916) 441-1850 | F (916) 441-6178 | www.sacrs.org
OPERATING UNDER COUNTY EMPLOYEES RETIREMENT LAW OF 1937, GOVERNMENT CODE 31450 ET SEQ

SACRS
State Association of County Retirement Systems
Staff * Trustees * Affiliates * Success
A California Non Profit Corporation

HOTEL INFORMATION

HOST HOTEL:
Sheraton Grand Sacramento Hotel
1230 J Street
(13th & J)
Sacramento, CA 95814
916-447-1700
http://www.sheratonsacramento.com/

SACRS CONFERENCE ROOM RATE:
$189 per night (not including Tax & Service fees)

To make your Staff & Trustee hotel reservations at the Sheraton Grand Sacramento Hotel please follow the directions below:

1. **Complete the hotel rooming list form and send to the following no later than March 15, 2014:**
   Hotel Room Reservation Contact: Anne Pang
   Email: anne.pang@sheraton.com
   Phone: 916-341-3601
   Fax: 916-341-3600
2. **Once you've submitted your rooming list, Anne Pang will contact you directly to process your credit card information. Sheraton no longer allows paper credit card authorizations.**

All rooming lists must be submitted no later than Noon –March 15, 2014. SACRS cannot guarantee rooms at the Sheraton Grand Sacramento Hotel to those Systems that do not meet this deadline.

Each System will have a 10-room block held for them (25 rooms for Los Angeles County). **Each System Administrator must provide names to the hotel by March 15, 2014**. Due to high attendance, our room block is expected to fill up fast. All reservations made after the room block has been filled or after the deadline will be at the Sheraton Grand Sacramento Hotel normal hotel "rack" rate and on a space-available basis.

PARKING:
Self-Parking: $20 overnight rate for hotel guests
Valet Parking: $28 overnight rate for hotel guests
.

CHECK-IN/CHECK-OUT:
Guest accommodations are available at 3:00 pm on arrival and reserved until Noon on departure day. Attendees wishing special consideration for early arrival/late check-out should contact the hotel prior to arrival to avoid fees.

CONFERENCE REGISTRATION INFORMATION

CONFERENCE REGISTRATION FEE:
System Members (Trustees & Staff) $120.00 per attendee

CONFERENCE REGISTRATION:
Online registration is now open; please visit the SACRS.ORG website to register your System's attendees. Conference brochures will be mailed to your System; you may also complete a paper form for each attendee and mail along with payment to – SACRS, Attn: Sulema Peterson 1415 L Street, Suite 1000, Sacramento, CA 95814.

CANCELLATION:

- **Conference Cancellation Policy**
  In order to receive a Conference Registration refund, you must cancel your registration by April 1, 2014. Please email cancellation to: Sulema@sacrs.org

- **Hotel Cancellation Policy**
  Any Hotel Room cancellations made within 21 days of the conference will incur a fee of $50 per cancellation. Name changes between same system staff/trustees will not incur the fee nor will medically necessary cancellations. If you need to cancel any of your room nights at any time, please contact SLGS at (916) 441-1850 rather than the hotel. Your room(s) will be given to other SACRS members who are on our waiting list. Cancellations must be received via email.

CONFERENCE ATTIRE:
All sessions and social functions at SACRS Spring Conference 2014 are business casual.

WEATHER:
The average temperature for the Sacramento area in May 2014, attendees should plan on cool mornings, sunny afternoon and temperature drop in the evenings.

- Daytime Highs: 80.9F
- Evening Lows: 53.4F

SACRS
State Association of County Retirement Systems
Staff ★ Trustees ★ Affiliates ★ Success

SACRS VOTING PROXY FORM

The following are authorized by the ___________________________ County Retirement Board to vote on behalf of the County Retirement System at the upcoming SACRS Conference *(if you have more than one alternate, please attach the list of alternates in priority order):*

______________________________________ Voting Delegate

______________________________________ Alternate Voting Delegate

These delegates were approved by the Retirement Board on _____ / _____ / _____.

The person authorized to fill out this form on behalf of the Retirement Board:

Signature: ________________________________

Print Name: ________________________________

Position: ________________________________

Date: ________________________________

Please send your system's voting proxy by **April 1, 2014** to:

SACRS
Attn: Sulema H. Peterson, SACRS Administrator
1415 L Street, Suite 1000
Sacramento, CA 95814
Tel: (916) 441-1850 / FAX: (916) 441-6178 / E-mail: sacrs@sacrs.org

LOOMIS | SAYLES

THINK BROADLY.
ACT DECISIVELY.

PRODUCING SUSTAINABLE ALPHA

What will it take to consistently generate excess returns in increasingly complex global markets?
Join us as we share perspectives on the markets and the pursuit of alpha generation.

Mark your calendars for the Loomis Sayles Client Conference
May 27 - 29, 2014
Boston, MA

More speakers and workshop topics will be announced later.
Registration will be available at the end of February. Look for your conference invite via email.
We hope you will be able to join us!

Regards,

Stephanie S. Lord, CFA, CIC
Vice President, Client Portfolio Manager
Loomis, Sayles & Company
phone: (630) 581-5054
slord@loomissayles.com

Dear Tim,

We are delighted to announce that details of **Pantheon's Annual Investor Meeting 2014** are now available. This year's event will be held at **The Peninsula Hotel** in **Chicago, Illinois**.

To reserve your place for the programme, please register using the link below.

For more information and a summary of the event please click here.

We very much hope that you are able to join us.

Kind Regards,
Pantheon

Please respond by clicking one of the buttons below

Register Now

Please contact Kelly Brown or your local Relationship Manager with any questions.
Kelly Brown: +44 207 484 2343 or aim@pantheon.com

Having trouble with the link? Click here

If you no longer want to receive emails from Pantheon Annual Investor Meeting 2014 please click the link below.
Opt-Out