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# City of Miami Beach General Employees' Retirement Plan

Open-End Real Estate Manager Search  
Finalist Report  
March 31, 2014

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## I. EXECUTIVE SUMMARY

In the October 2013 Asset Allocation Study, Milliman recommended an allocation to Private Real Estate and the Board approved. This allocation decision opened a search for an Open-End Real Estate manager and has led to the selection of these three finalist candidates for the Board's review:

Firm	Product
AEW	AEW Core Property Trust
JP Morgan	Strategic Property Fund
Principal Real Estate Investors	Principal U.S. Property

The real estate allocation will be the Plan's first real estate and "alternative" asset class allocation. Milliman sought to identify an investment manager that would satisfy the following criteria: 1) Real Estate investment firm with an established track record; 2) Offers a large core product with a relatively conservative investment style, and 3) Offers an attractive fee schedule. The three firms listed above meet these criteria, and a brief description of each firm is characterized below.

AEW, founded in 1981, is a solely dedicated real estate investment affiliate of Natixis Global Asset Management. AEW has \$26.6 billion in real estate assets under management. Their core US Open-End Real estate product has \$4.5 billion assets under management, is supported by a large team of real estate investment professionals and emphasizes integration of top-down market research into their investment process. Relatively, the product is slightly aggressive in its use of leverage and non-core properties. AEW has a limited queue for new investments.

JP Morgan Investment Management has been investing in the real estate space for over forty years. The firm prides itself on offering a "pure-core" investment product, the Strategic Property Fund, which has \$21.2 billion in assets under management. Milliman has been affiliated with this investment through another client for over two decades. The team is large and well tenured. The major drawback to the product is the long investment queue which is anticipated to be 15 to 18 months.

Principal Real Estate Investors is a significant presence in the real estate space with a history going back to 1998. The fund is relatively smaller than JP Morgan and Morgan Stanley, but takes a more conservative approach than AEW. Principal has a reasonable queue at \$320 million. The firm has a minimal allocation to non-core assets, but their lower leverage relative to peers is attractive given the conservative bias of the search.

### Selection Factors

In analyzing the candidates, we evaluated 21 factors (listed in the report body), and found that 5 factors best helped to differentiate the candidates. Note that some of these factors are more important than others. Our assessment of the relative pluses ("+"), minuses ("−"), or neutrality ("0") on these factors is shown in the following table:

Differentiating Factors	AEW	JP Morgan	Principal
Core Real Estate Exposure	0	+	0
Leverage	0	0	0
Investment Style Bias	0	0	0
Commitment Queue	+	–	+
Fees	+	0	+

The remainder of this report describes this search and these Finalist candidates in more detail.

## Recommendation

Milliman recommends interviewing all three of the finalist candidates.

## II. MANAGER SEARCH

### Search Overview

Following a request by the Plan, Milliman in February 2014 initiated an US Open-End Core Real Estate search.

Milliman decided upon the following steps in conducting this search:

- A. Determine universes and benchmarks of US Open-End Core Real Estate products and managers
- B. Determine criteria for selecting US Open-End Core Real Estate managers
- C. Determine quantitative screening criteria to help limit universe (from A.) consistently with selection criteria (B.)
- D. Determine limited universe by screening (from C.) in conjunction with Milliman's experience with and knowledge of managers
- E. Develop Questionnaire for managers (from D.) consistent with selection criteria (B.)
- F. Distribute Questionnaire to managers (from D.), giving managers 3 weeks to reply
- G. Receive and review completed Questionnaires from managers
- H. Determine subset of most attractive candidates consistently with selection criteria (B.)
- I. Further review managers via in-person or telephone conversation
- J. Write report summarizing most attractive candidates
- K. Present report summary to the Board

Key decision steps were B., D., H., and I.

### Selection Criteria

Milliman determined 21 selection criteria to use in evaluating Open-End Real Estate managers and products as follows:

Selection Criteria		
Organizational Stability	Investment Team	Geographic Diversification
Ownership Structure	Investment Process	Core Real Estate Exposure
Firm Growth	Product Size	Investment Style Bias
Litigation	Product Growth	Cash Management
Insurance Coverage	Product Capacity	Leverage
IT Systems	Fees	Portfolio Turnover
Risk Management	Commitment Queue	Performance Profile

These selection criteria were integrated into a comprehensive questionnaire for selected managers and for subsequent review and discussion of these managers.

### Selection of Candidates for Questionnaires

Milliman initiated the search by considering the 33 funds and managers in the NCREIF Open-End Diversified Core Equity (ODCE) Real Estate Index. Based on Milliman's experience, we added other managers for consideration. From this combined list, we reviewed several quantitative and qualitative characteristics, including length of real estate investment experience, leverage used in the funds, amount of real estate acquisition versus development, investment in core versus non-core assets, and performance history. These characteristics, combined with Milliman's knowledge and judgment, led to a list of twelve candidates shown in the table below:

Firm	Product
AEW	AEW Core Property Trust
American Realty Advisors	American Core Realty Fund
ASB Real Estate Investments	ASB Allegiance Real Estate Fund
Deutsche Asset & Wealth Mgmt.	RREEF America REIT II
Heitman	Heitman America Real Estate Trust
Invesco Real Estate	Invesco Core Real Estate-USA
JP Morgan	Strategic Property Fund
L&B Realty	L&B Core Income Partners
Morgan Stanley Real Estate Advisor	Prime Property Fund
Principal Real Estate Investors	Principal U.S. Property
Prudential Real Estate Investors	PRISA/PRISA II
UBS Realty	Trumbull Property Fund

Milliman sent these twelve candidates a comprehensive questionnaire on March 11, 2014. The twelve candidates provided questionnaire responses by the April 2<sup>nd</sup> due date.



## Selection of Finalist Candidates

Milliman reviewed and analyzed the completed responses from all of the twelve firms and held conference calls or in person meetings with candidates to ask further questions where necessary.

Internal discussions on the pros and cons of each manager, including the review of scoring sheets for each of the selection criteria listed above, led to nine managers being eliminated and three managers being put forward.

The eliminated managers and the primary reasons for their eliminations are as follows:

Firm	Reasons for Exclusion
American Realty Advisors	Recent personnel turnover is a major concern, particularly as this is a 100% privately held firm (firms like this are typically strong and resistant to turnover). Product has lost personnel every year since 2007, totaling 24 individuals. A key Managing Director responsible for overseeing the firm's research activity left the firm shortly after we received the completed questionnaire.
ASB Real Estate Investments	Much smaller real estate firm than peers; team is very small at 36 professionals. Fund size is also smaller at 75 investments. Queue is significant at \$445 million.
Deutsche Asset & Wealth Mgmt.	Personnel turnover is a major concern despite firm's large presence in core real estate space. Firm has lost 69 real estate professionals since 2007 including 18 in 2012's internal restructuring. Many team members are relatively new to the product. Firm real estate assets have significantly and steadily declined over the past seven years. Product has lost \$763 million in assets and 39 client accounts over last two years.
Heitman	Non-core property holdings of the fund are significant at 17%, well above our tolerance. Fund's queue is substantial at \$735 million.
Invesco	After departure of a key person, firm suffered large asset losses of \$560 million. Firm hired two replacements for this person, but their tenures are short relative to peers.
L&B Realty	Fund is far too concentrated with only 9 properties. Team is significantly smaller than other candidates at only 56 individuals. Non-core assets comprise 12% of the fund and beyond our tolerance.
Morgan Stanley	Fund has high fees (84 bps base fee plus a maximum 35 bps incentive fee). Firm wide real estate assets have declined substantially (9.4 bn to 3.4 bn) from 2007 to 2013. Entry queue is significant and capital would not be called until early 2015.

Prudential	Material non-core assets investments at 10% or greater. Queue for the product is large at \$894 million. Allowable fund leverage is also high at 40%.
UBS	Assets lost from 2007-2009 were greater than assets gained. In 7 of the last 8 annual periods with positive real estate market returns, the fund has underperformed on a net of fee basis.

The selected managers, first listed in the Executive Summary above, are shown again in the following table.

Firm	Product
AEW	AEW Core Property Trust
JP Morgan	Strategic Property Fund
Principal Real Estate Investors	Principal U.S. Property

The remainder of this report describes these finalist candidates in more detail.

### III. FINALIST COMPARISON

In the remainder of the report, we compare the finalists, including:

- Fund Comparison
- Fund Exposure by Property Type
- Fund Investment Queue
- Fees & Expenses Comparison
- Individual Manager Pros and Cons
- Performance Comparison
- Complete Questionnaire Responses (Section VI)

#### Product Comparison

The table below compares key product details of the finalists as of 3/31/2014:

Firm	Year Firm Founded	Product Assets 3/31/14	Fund Managers/ Real Estate Professionals	Investment Professionals	Typical Number of Fund Investments	Fund Leverage: Current / Max
AEW	1981	\$5.6 billion	2/40	179	113	28/30%
JP Morgan	1984	\$21.6 billion	2/215	406	165	23/35%
Principal	1998	\$6.2 billion	4/1	214	120	17/33%

#### Fund Exposure by Property Type

The table below compares the 3/31/2014 exposures to the four core property types (Office, Industrial, Multi-family, and Retail). Non-core assets are typically volatile sectors which include hotels, self-storage and assisted living properties.

Firm	Office	Industrial	Multi Family	Retail	Non-Core Assets	Other (Land/Cash)
AEW	38	14	25	20	0	3
JP Morgan	44.8	8.3	24.6	18.6	1.1	2.7
Principal	42	17	17	19	3	2

## Fund Queue

The table below compares the queue as of 3/31/2014.

Firm	Queue: Dollar Amount (\$ Millions)	Estimated Waiting Time for Capital Calls (Quarters)
AEW	120	1-2
JP Morgan	1,600	4-5
Principal	186	1-2

**Fees & Expenses Comparison**

The table below compares the fund fee schedules for a \$50 million investment:

Firm	Management Fees	Incentive Fees	Maximum Fees
AEW	0.95%	n/a	0.95%
JP Morgan	1.00%	n/a	1.00%
Principal	0.95%	n/a	0.95%

## Individual Manager Pros and Cons

The tables below provide a comparison of the pros and cons of the finalists:

### AEW Capital Management

Pros	Cons
<ul style="list-style-type: none"> <li>• AEW is an autonomous, wholly-owned subsidiary of Natixis Global Asset Management (headquartered in Paris and Boston with \$838 billion in assets)</li> <li>• Firm founded in 1981</li> <li>• Ample fiduciary liability insurance of \$100 million</li> <li>• No history of any litigation since 2007</li> <li>• Very strong product growth including a doubling of assets in 2013</li> <li>• No investment professionals have left team since 2007</li> <li>• Relative short investment queue of only one full quarter (e.g. commitments made by 6/30/14 are anticipated to be called on 10/1/14)</li> <li>• Portfolio limited to four areas of core property with provision for up to 15% outside of core, although typically only 2-3% is opportunistic (e.g. hotels)</li> <li>• Investment process includes following population flows and anticipating supply constraints, especially along East and West Coasts</li> <li>• Low portfolio turnover (5-10% per year)</li> <li>• Moderate total fees at 95 bps</li> </ul>	<ul style="list-style-type: none"> <li>• Firm asset growth lackluster</li> <li>• Firm employees lost similar to employees gained</li> </ul>

### J.P. Morgan Investment Management

Pros	Cons
<ul style="list-style-type: none"> <li>• Large and deeply staffed real estate team (406 professionals)</li> <li>• Very tenured and experienced team. The thirteen key members of the team average 14 years of experience on the SPF strategy</li> <li>• Firm wide real estate assets are at an all-time high at \$3.7 billion</li> <li>• Fund has a pure core orientation, investing only in high-quality office, retail, residential and industrial assets in dominant geographic regions</li> <li>• The SPF fund has exhibited a consistently lower volatility relative to the index and has the second lowest volatility profile.</li> <li>• The SPF fund has beaten the index over all trailing time periods while maintaining their lower volatility profile</li> </ul>	<ul style="list-style-type: none"> <li>• 32 investment professionals related to the US Real Estate team have been lost over the last five years.</li> <li>• SPF's contribution queue is \$2,879.5 million (13.6% of the Fund's NAV). We can expect the fund to call new commitments in approximately 15 to 18 months.</li> <li>• Employees lost in 2013 totaled 11</li> <li>• Fees are slightly higher at 100 basis points</li> <li>•</li> </ul>

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### Principal Real Estate Investors

Pros	Cons
<ul style="list-style-type: none"> <li>• Stable organization</li> <li>• Firm registered with SEC in 1999</li> <li>• Strong client growth in product</li> <li>• No investment professionals have left team since 2007</li> <li>• Firm assets are at an all-time high</li> <li>• Assets lost have been minimal over the past seven years</li> <li>• Investment queue of only 3 full quarters (e.g. commitments made by 6/30/14 are anticipated to be called on 4/1/15)</li> <li>• Property type allocations have been relatively stable</li> <li>• Properties are externally appraised on an annual basis</li> <li>• Maximum leverage for the fund is 33%</li> <li>• Moderately low portfolio turnover (4-17% per year over last 7 years)</li> <li>• Moderate total fees at 95 bps</li> </ul>	<ul style="list-style-type: none"> <li>• Firm asset growth lackluster</li> <li>• Firm employees lost similar to employees gained</li> <li>• Soft dollar usage within the safe harbor Section 28(e)</li> <li>• The fund has latitude to invest in non-stabilized properties (max 15%), REITs (max 2%), and development projects (max 7.5%)</li> </ul>

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## Performance Comparison

The table below is for performance through 3/31/2014. Data longer than one year is annualized. The index is the NCREIF Fund Index – Open End Diversified Core Equity Index (“NFI-ODCE” or “ODCE”). All numbers below are percentages.

### Calendar Year Total Returns

Firm	Q1 2014	2013	2012	2011	2010	2009	2008	2007
AEW	2.3	12.3	9.5	16.4	18.2	-25.6	-5.9	--
JP Morgan	2.4	15.9	12.1	16.0	14.2	-26.5	-8.1	16.7
Principal	2.3	14.6	12.7	16.7	17.3	-30.8	-12.2	14.7
<b>Index</b>	<b>2.5</b>	<b>14.0</b>	<b>11.0</b>	<b>16.0</b>	<b>16.4</b>	<b>-29.8</b>	<b>-10.0</b>	<b>16.0</b>

### Trailing Period Total Returns as of 3/31/14

Firm	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
AEW	12.6	11.0	12.2	13.7	9.8	--	--
JP Morgan	14.7	13.8	14.2	15.0	8.4	4.2	8.3
Principal	13.7	13.5	14.3	15.9	7.3	2.8	7.0
<b>Index</b>	<b>13.8</b>	<b>12.3</b>	<b>13.1</b>	<b>14.8</b>	<b>7.3</b>	<b>3.0</b>	<b>7.2</b>

### Trailing Period Volatility (Standard Deviation of Total Returns)

Firm	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	7 Yrs	10 Yrs
AEW	1.27	1.25	1.82	2.00	11.29	--	--
JP Morgan	1.58	1.32	1.65	1.64	6.83	9.28	8.38
Principal	1.84	1.53	2.22	2.51	8.88	10.40	9.23
<b>Index*</b>	<b>1.04</b>	<b>1.05</b>	<b>1.36</b>	<b>2.30</b>	<b>10.45</b>	<b>10.18</b>	<b>8.98</b>

\*Index data as of December 31, 2013. This data will be updated.

## Definitions

**Excess Returns** – Returns in excess of the risk-free rate, a benchmark or in excess of another manager. A positive excess return indicates that the manager outperformed the benchmark for that period.

Given two return series (typically a manager and a benchmark),  $x_1, \dots, x_n$  and  $y_1, \dots, y_n$ , the excess return series is defined as  $er_1, \dots, er_n = x_1 - y_1, \dots, x_n - y_n$

$$\text{Annualized Excess Return} = \text{Annualized Manager Return} - \text{Annualized Index Return}$$

**Standard Deviation** – A measure of the average deviations of a return series from its mean; often used as a risk measure. A large standard deviation implies that there have been large swings or volatility in the manager's return series.

$$\text{StDev}_{(SD)} = \frac{[\sum (x_i - X)^2]^{1/2}}{n} \text{ or Square Root of the Variance} = \sqrt{(\text{Var})}$$

$$\text{Ann StDev} = \text{SD} * \sqrt{(N_y)}$$

$x_i$  = the *i*th observation

$X$  = mean return for series

$n$  = the number of observations

$N_y$  = the number of periods in a year (4 if quarterly data, 12 of monthly data)

**Tracking Error** – A measure of the amount of active risk that is being taken by a manager. This statistic is computed by subtracting the return of a specified benchmark or index from the manager's return for each period and then calculating the standard deviation of those differences. A higher tracking error indicates a higher level of risk – not necessarily a higher level of return – being taken relative to the specified benchmark. Tracking error only accounts for deviations away from the benchmark, but does not signal in which directions these deviations occur (positive or negative).

$$\text{TE} = \text{Standard Deviation of Excess Return}$$

**Information Ratio** – This statistic is computed by subtracting the return of the market from the return of the manager to determine the excess return. The excess return is then divided by the standard deviation of the excess returns (or Tracking Error) to produce the information ratio. This ratio is a measure of the value added per unit of active risk by a manager over an index. Managers taking on higher levels of risk are expected to then generate higher levels of return, so a positive IR would indicate "efficient" use of risk by a manager. This is similar to the Sharpe Ratio, except this calculation is based on excess rates of return versus a benchmark instead of a risk-free rate.

$$\text{IR} = \frac{\text{Excess Return}}{\text{Tracking Error}}$$

**Sharpe Ratio** – This statistic is computed by subtracting the return of the risk-free index (typically 91-day T-bill or some other cash benchmark) from the return of the manager to determine the risk-adjusted excess return. This excess return is then divided by the standard deviation of the manager.

A manager taking on risk, as opposed to investing in cash, is expected to generate higher returns and Sharpe measures how well the manager generated returns with that risk. In other words, it is a measurement of efficiency utilizing the relationship between annualized risk-free return and standard deviation. The higher the Sharpe Ratio, the greater efficiency produced by this manager. For example, a Sharpe Ratio of 1 is better than a ratio of 0.5.

$$\text{Sharpe} = \frac{\text{Ann Rtn}(x) - \text{Ann Rtn}(R_f)}{\text{Standard Deviation of } x}$$

$R_f$  = Risk-free rate

**Alpha** – The incremental return of a manager when the market is stationary. In other words, it is the extra return due to non-market factors. This risk-adjusted factor takes into account both the performance of the market as a whole and the volatility of the manager. A positive alpha indicates that a manager has produced returns above the expected level at that risk level, and vice versa for a negative alpha. Alpha is the Y intercept of the regression line.

$$\text{Alpha}_{(a)} = X - [\text{Beta} * Y]$$

X = the mean return for the manager

Y = the mean return for the index

**Beta** – This is a measure of a portfolio's volatility. Statistically, beta is the covariance of the portfolio in relation to the market. A beta of 1.00 implies perfect historical correlation of movement with the market. A higher beta manager will rise and fall more rapidly than the market, whereas a lower beta manager will rise and fall slower. For example, a 1.10 beta portfolio has historically been 10% more volatile than the market.

$$\text{Beta}_{(\beta)} = \frac{[(n) * \sum(x_i * y_i)] - (\sum x_i)(\sum y_i)}{[(n) * \sum(y_i^2)] - (\sum y_i)^2}$$

n = the number of observations

$x_i$  = the return of the first data series (*i*th observation)

$y_i$  = the return of the second data series (*i*th observation)

Generally,  $x_i$  = the manager's return series and  $y_i$  will be a specified index (benchmark)

**R-Squared** – Otherwise known as the *Coefficient of Determination*, this statistic, like beta, is a measure of a manager's movement in relation to the market. Generally, the R-Squared of a manager versus a benchmark is a measure of how closely related the variance of the manager returns and the variance of the benchmark returns are. In other words, the R-Squared measures the percent of a manager's return patterns that are "explained" by the market and ranges from 0 to 1. For example, an r-squared of 0.90 means that 90% of a portfolio's return can be explained by movement in the broad market (benchmark).

$$\text{R-Squared} = (r)^2$$

r = correlation coefficient

## VI. QUESTIONNAIRE RESPONSES

The questionnaire responses for the finalist candidates appear in their complete form in the following tabs.

Tab A – AEW

Tab B – JP Morgan

Tab C – Principal

**CITY OF MIAMI BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM  
U.S. OPEN-END REAL ESTATE INVESTMENT MANAGER QUESTIONNAIRE**

**ORGANIZATIONAL BACKGROUND**

- 1. Please provide your firm name, along with the addresses and telephone numbers of your main and branch offices. What investment activity is conducted at each office?**

Firm Name: AEW Capital Management, L.P.

The following table displays a list of AEW's offices.

OFFICE LOCATION AND PHONE	NUMBER OF EMPLOYEES	OPENING DATE	FUNCTION
<b>U.S. OFFICES</b>			
(U.S. headquarters) Two Seaport Lane Boston, MA 02210 Phone: (617) 261-9000	208	March 1981	Corporate headquarters. Location for all U.S./North American real estate securities investment activities. Primary location for private real estate acquisition, asset management, portfolio management, investment accounting, research, investor relations and all ancillary support services. Also location for all U.S./North American real estate securities investment activities.
601 S. Figueroa Street Suite 2150 Los Angeles, CA 90017-3405 Phone: (213) 689-3111	30	November 1991	Branch office established to service clients and assets in the western U.S. (private real estate acquisitions, asset management, investor relations professionals).
4 Embarcadero Suite 1400 San Francisco, CA 94111 Phone: (415) 218-9829	1	December 2013	Branch office for our West Coast-based senior investor relations professional.
<b>AEW ASIA OFFICES</b>			
22/F, Shun Ho Tower 24-30, Ice House Street Central Hong Kong Phone: +852-2107-3500	3	March 2010	Headquarters for all Asia/Pacific private real estate investment activity.
6 Battery Road #21-01 Singapore 049909 Phone: +65-6303-9003	13	September 2006	Office supporting the firm's Asia-based investment activities.
POSCO Center Building West Tower 11th Floor 440 Teheran-ro, Gangnam-gu	1	October 2012	Office supporting the firm's Asia-based investment activities.

OFFICE LOCATION AND PHONE	NUMBER OF EMPLOYEES	OPENING DATE	FUNCTION
Seoul, 135-777 Korea Phone: +82-2-559-0705			
<b>EUROPEAN AFFILIATE – AEW EUROPE</b>			
<p>AEW Europe (Paris Office) 1-3 rue des Italiens 75009 Paris, France Phone: +33-1-78-40-92-00</p> <p>AEW Europe (London Office) 33 Jermyn Street London SW1Y 6DN Phone: +44-207-016-4800</p> <p>Affiliate offices also in Prague, Bucharest, Budapest, Dusseldorf, Luxembourg, Milan and Warsaw</p>	270	January 2003	Headquarters for all pan-European investment activity.

**2. Please provide the names, titles, telephone and fax numbers, and email addresses of your firm's new business and database/questionnaire contacts.**

	NEW BUSINESS CONTACT	DATABASE/QUESTIONNAIRE CONTACT
NAME	Candida Hoeberichts	Chris Irrera
TITLE	Director	Vice President
OFFICE	4 Embarcadero Suite 1400 San Francisco, CA 94111	Two Seaport Lane Boston, MA 02210
PHONE	(415) 218-9829	(617) 261-9519
FAX	(415) 464-0508	(617) 261-9555
EMAIL	candida.hoeberichts@aew.com	cirrera@aew.com

**3. When was your firm founded? When was it registered with the SEC?**

AEW was founded in March 1981. The firm also has been registered with the SEC since March 1981.

**4. Is your firm willing to acknowledge that it is a fiduciary with respect to our client's account?**

Yes. AEW is willing to acknowledge that it is a fiduciary with respect to this assignment.

**5. Describe your firm's ownership structure and explain any changes since January 1, 2007.**

AEW is an autonomous, wholly-owned subsidiary of Natixis Global Asset Management (NGAM), a leading global asset management firm. Headquartered in Paris and Boston, NGAM's global assets under management totaled \$867 billion as of December 31, 2013. AEW is NGAM's sole dedicated real estate investment affiliate. AEW operates autonomously from its parent company with respect to its day-to-day business affairs and investment management activities. There have been no changes to AEW's ownership structure since January 1, 2007, nor are any anticipated at this time.

**6. Discuss your firm's relationship with any parent or affiliated companies. Have these relationships changed since January 1, 2007?**

While AEW operates autonomously from its parent company Natixis Global Asset Management, we do maintain a close and effective working relationship with our parent firm, which is kept fully informed about AEW's activities, and has provided valuable assistance as we work to grow our business and meet the needs of our clients. For example, our parent firm has provided co-investment capital for several AEW-sponsored funds; we have utilized the contacts and resources of Natixis to increase the assets we have under management from non-US investors who are pursuing international investment strategies; and we have taken advantage of the distribution resources of Natixis in marketing a variety of REIT products to individual investors. This relationship has not changed since January 1, 2007.

NGAM has over 20 principal subsidiary or affiliated asset management firms. As noted above, AEW is NGAM's sole real estate investment affiliate, and has no involvement in the investment management businesses of any other Natixis affiliates. In addition to AEW, NGAM's affiliated investment management firms include such firms as Capital Growth Management, Harris Associates and Loomis, Sayles & Co.

**7. State the carriers and the limits of errors and omissions and fiduciary liability insurance.**

AEW's Professional Liability Policy is with Executive Risk Indemnity Inc. (a Chubb Group company). This E&O policy has a limit of \$10,000,000 with a \$1,000,000 deductible. This policy also includes coverage for AEW's Directors and Officers. In addition, AEW maintains \$10,000,000 of excess professional liability insurance with U.S. Specialty Insurance Company (a Houston Casualty company), for total limits of \$20,000,000.

AEW's Fidelity/Employee Dishonesty coverage is provided through the Natixis Global Asset Management Financial Institution Bond. The insurer is AIG/National Union Fire Insurance Company, the single loss limit is \$15,000,000, aggregate limit is \$30,000,000, and the deductible is \$100,000.

AEW's Fiduciary Liability coverage is provided through the Natixis Global Asset Management Fiduciary Liability insurance. The insurer is AIG/National Union Fire Insurance Company and the limit is \$10,000,000.

AEW also maintains separate \$1,000,000 Fidelity Bonds for each client to which ERISA applies. These bonds are issued by Chubb/Federal Insurance.

**8. Describe any litigation regarding your firm's investment activities since January 1, 2007. Is your firm expecting any new litigation?**

None.

**9. Describe any judgments against your firm by governmental and regulatory agencies since January 1, 2007. Also describe any current investigations.**

Not applicable.

**10. Discuss any recent changes to the monitoring of employee compliance with firm policies.**

There have been no recent changes. AEW maintains a Code of Ethics which articulates the standard of conduct and business practices expected of each employee.

Enforcement of the Code is overseen by the firm's Legal & Compliance Department which is led by General Counsel and Chief Compliance Officer James Finnegan. All newly hired employees are provided a copy of the Code and are required to certify receipt and that they reviewed and will abide by the Code. On an annual basis, all



employees are required to certify that they have reviewed and complied with the Code for the year. In addition, all AEW employees attend annual compliance training conducted by AEW's Legal Department which includes training on the provisions of AEW's Code of Ethics. The Code is reviewed no less than annually as part of AEW's annual assessment of the adequacy and effectiveness of policies and procedures. The Code is reviewed more often, as needed to incorporate any necessary changes due to legal or regulatory requirements.

- 11. Please state the market value of assets under management for your firm for calendar year-ends starting with 2007. Also, please state accounts and assets gained, as well as accounts and assets lost over each of these periods.**

YEAR ENDED	MARKET VALUE (\$MILLIONS)	# ACCOUNTS GAINED	TOTAL FIRM ASSETS		
			ASSETS GAINED (\$MILLIONS)	# ACCOUNTS LOST	ASSETS LOST (\$MILLIONS)
Dec 31, 2007	\$21,928	30	\$1,024	3	\$53
Dec 31, 2008	\$18,820	41	\$1,356	7	\$189
Dec 31, 2009	\$19,326	25	\$556	8	\$40
Dec 31, 2010	\$22,762	23	\$310	11	\$120
Dec 31, 2011	\$23,278	35	\$977	8	\$1,094
Dec 31, 2012	\$25,217	42	\$2,449	10	\$542
Dec 31, 2013	\$26,562	80	\$1,996	4	\$22

- 12. Please state the market value of total real estate assets under management for your firm for calendar year-ends starting with 2007. Please include real estate and any other type of real estate and/or property assets. Also, please state accounts and assets gained, as well as accounts and assets lost.**

YEAR ENDED	MARKET VALUE (\$MILLIONS)	# ACCOUNTS GAINED	TOTAL REAL ESTATE		
			ASSETS GAINED (\$MILLIONS)	# ACCOUNTS LOST	ASSETS LOST (\$MILLIONS)
Dec 31, 2007	\$21,928	30	\$1,024	3	\$53
Dec 31, 2008	\$18,820	41	\$1,356	7	\$189
Dec 31, 2009	\$19,326	25	\$556	8	\$40
Dec 31, 2010	\$22,762	23	\$310	11	\$120

YEAR ENDED	MARKET VALUE (\$MILLIONS)	# ACCOUNTS GAINED	TOTAL REAL ESTATE		
			ASSETS GAINED (\$MILLIONS)	# ACCOUNTS LOST	ASSETS LOST (\$MILLIONS)
Dec 31, 2011	\$23,278	35	\$977	8	\$1,094
Dec 31, 2012	\$25,217	42	\$2,449	10	\$542
Dec 31, 2013	\$26,562	80	\$1,996	4	\$22

13. What has been the level of personnel turnover for investment professionals at the total firm level over each calendar year since January 1, 2007? Explain any large changes.

The following table displays firmwide investment professional (VP level and above) new hires and departures at AEW since January 1, 2007.

YEAR THRU:	FIRM-WIDE	
	EMPLOYEES ADDED	EMPLOYEES LOST
Dec 31, 2007	9	6
Dec 31, 2008	3	5
Dec 31, 2009	2	3
Dec 31, 2010	4	4
Dec 31, 2011	5	7
Dec 31, 2012	5	6
Dec 31, 2013	7	3

14. List the number of real estate professionals in each of the following categories as of December 31, 2013:

The following table provides a breakdown of the professionals within AEW's Direct Investment Group, which is responsible for the management of the firm's core and value-added investments through separate accounts and closed-end fund vehicles, including AEW Core Property Trust, the subject of this questionnaire. The 'administration and other' category includes professionals from other groups within AEW that support our real estate professional teams, such as legal/compliance, architecture and engineering and insurance risk management.

CATEGORY	# PROFESSIONALS
Acquisitions	16
Portfolio Management	9
Asset Management	32
Property Management	0
Asset sales/dispositions (Capital Markets)	3
Finance/ Accounting	53
Research	10
Client Development	10
Administration and other (A&E, Legal, Insurance Risk Management, IT, Senior Management, Human Resources, Investor Relations)	46
<b>Total</b>	<b>179</b>

**15. What is the fund's redemption policy?**

With respect to redemptions, investors in the AEW Core Property Trust (the "Fund") may request that the Fund redeem all or any portion of their shares by giving written notice to the Fund stating the number of shares to be redeemed. The Fund intends to redeem shares on a quarterly basis at the per-share net asset value of the Fund as of the last day of the calendar quarter prior to redemption. Redemption requests must be received forty-five (45) days prior to the end of the quarter for which the request is to be effective although the Fund may waive or modify the notice requirement in its sole discretion. Any notice received in the last forty-five (45) days of a calendar quarter will be deemed to be a request for redemption on the last day of the subsequent calendar quarter unless waived by the Fund in its sole discretion. Redemptions are paid pro-rata among all investors having outstanding redemption requests at that time. The Fund does not have a redemption queue.

**16. Please state the total amount if any of capital contribution and withdrawal requests from investors as of December 31, 2013. If a queue exists, what is the anticipated time for clearing the queue?**

The Fund calls capital once per quarter on the first day of each quarter, although capital calls are not necessarily made every quarter as they are dependent on investment activity and other cash needs. Prior to each quarter-end, the Fund's Accounting Team and Portfolio Management Team will meet to review the Fund's current cash position, quarterly investment activity and other cash needs to determine the amount, if any, of the current quarter's capital call. The Fund's Accounting Team will then prepare all capital call notices which are reviewed and approved by the Fund's Portfolio Management team. Capital calls are then issued to affected investors on the first business day of each quarter. Investors then have 10 business days in which to fund their required call amount.

Capital is called from investors pro rata in the order of the quarter in which commitments to the Fund are received. For example, all commitments received by the Fund in Q1 2014 will be called pro rata before commitments made to the Fund in Q2 2014 are called, etc. As of December 31, 2013, the AEW Core Property Trust had an entrance queue of approximately \$250 million consisting of \$140 million in commitments from Q3 2013, and \$110 million in commitments from Q4 2013. The Fund's next capital call is scheduled for April 1, 2014, at which time it expects to call approximately \$140 million, thereby eliminating any outstanding commitments from Q3 2013. It is expected that the remaining entrance queue of \$110 million will then be called with the Fund's following capital call on July 1, 2014, along with commitments that are being received for Q1 2014.

With respect to redemptions, investors may request that the Fund redeem all or any portion of their shares by giving written notice to the Fund stating the number of shares to be redeemed. The Fund intends to redeem shares on a quarterly basis at the per-share net asset value of the Fund as of the last day of the calendar quarter prior to redemption less any applicable redemption fees. Redemption requests must be received forty-five (45) days prior to the end of the quarter for which the request is to be effective although the Fund may waive or modify the notice requirement in its sole discretion. Any notice received in the last forty-five (45) days of a calendar quarter will be deemed to be a request for redemption on the last day of the subsequent calendar quarter unless waived by the Fund in its sole discretion. Redemptions are paid pro-rata

among all investors having outstanding redemption requests at that time. The Fund does not have a redemption queue.

- 17. Please provide the name of your US Open-End Real Estate product that you are recommending for our client. The size of this mandate is approximately \$40-50 million.**

Product name: AEW Core Property Trust (U.S.), Inc.

- 18. Please state the market value of assets under management in your US Open-End Real Estate product for calendar year-ends starting with 2007. Also, please state clients and assets gained, as well as clients and assets lost over each of these years.**

YEAR ENDED	SPECIFIED US OPEN-END REAL ESTATE PRODUCT				
	MARKET VALUE (\$MILLIONS)	# CLIENTS GAINED	ASSETS GAINED (\$MILLIONS)	# CLIENTS LOST	ASSETS LOST (\$MILLIONS)
Dec 31, 2007	\$131.7	3	\$375.0	0	\$0
Dec 31, 2008	\$366.8	7	\$575.0	0	\$0
Dec 31, 2009	\$421.5	1	\$50.0	0	\$0
Dec 31, 2010	\$923.6	1	\$150.0	0	\$0
Dec 31, 2011	\$1,848.2	17	\$278.0	0	\$0
Dec 31, 2012	\$3,011.1	26	\$671.2	0	\$0
Dec 31, 2013	\$4,541.9	52	\$1,027.2	1	\$9.0

- 19. Provide the following information on the key members of the firm's US Open-End Real Estate portfolio management team: names; titles and responsibilities; years of investment experience, years with firm, and years with the team. Please provide biographies.**

The below table illustrates the "portfolio management team" which is primarily responsible for the daily oversight of AEW Core Property Trust. Biographies for these individuals have been included in Appendix A.

NAME	TITLE/RESPONSIBILITIES	YEARS INV. EXP.	YEARS W/FIRM	YEARS W/TEAM <sup>(2)</sup>
Dan Bradley <sup>(1)</sup>	Senior Portfolio Manager, AEW Core Property Trust	29	14	7

NAME	TITLE/RESPONSIBILITIES	YEARS INV. EXP.	YEARS W/FIRM	YEARS W/TEAM <sup>(2)</sup>
Jon Martin	Portfolio Manager, AEW Core Property Trust	20	12	7
Stephen Reissfelder	Chief Financial Officer, AEW Core Property Trust	14	7	7
Elizabeth Scrivani	Assistant Portfolio Controller, AEW Core Property Trust	9	5	5
Mark Seck	Portfolio Analyst, AEW Core Property Trust	4	2	2

(1) In his role as Senior Portfolio Manager for the AEW Core Property Trust, Dan Bradley serves as a member of the Fund's Investment Committee (see table below for a list of the standing members of AEW's Investment Committee).

(2) The AEW Core Property Trust was formed in July 2007.

We have also provided below the names of the members of the AEW Investment Committee, which must unanimously approve all new Fund investments. Biographies for these individuals have also been attached as part of Appendix A.

NAME	TITLE/RESPONSIBILITIES	YEARS INV. EXP.	YEARS W/FIRM	YEARS W/TEAM <sup>(2)</sup>
Jeffrey Furber <sup>(1)</sup>	Chief Executive Officer of AEW; Chair of AEW's Management Committee which is responsible for overall firm management	29	16	7
Pamela Herbst <sup>(1)</sup>	Managing Director, Head of AEW's Direct Investment Group, which is responsible for AEW's direct equity investment management activities (core and value-added portfolios)	34	31	7
Robert Plumb <sup>(1)</sup>	Managing Director, Head of AEW's Direct Investment Acquisitions Group; responsible for sourcing and underwriting of direct equity opportunities	30	24	7
Michael Acton, CFA <sup>(1)</sup>	Managing Director, Director of Research; responsible for all research activities	28	23	7
Marc Davidson <sup>(1)</sup>	Managing Director, Portfolio Manager for the AEW	32	18	7

NAME	TITLE/RESPONSIBILITIES	YEARS INV. EXP.	YEARS W/FIRM	YEARS W/TEAM <sup>(2)</sup>
Partners Funds				
James Finnegan <sup>(1)</sup>	Managing Director, AEW General Counsel and Chief Compliance Officer	28	20	7

(1) Standing member of AEW's Investment Committee, which is responsible for reviewing each real estate investment made on behalf of our clients.

- 20. What has been the level of personnel turnover for investment professionals at the US Open-End Real Estate product level for each calendar year since January 1, 2007? Explain any large changes.**

N/A. There have been no investment professional departures from the AEW Core Property Trust team since the Fund's inception in 2007.

- 21. As of December 31, 2013, provide the number of investors, assets under management, median account size, and number of portfolio managers and analysts for the firm's US Open-End Real Estate product.**

ASSETS UNDER MGT (GPV \$MILLIONS)	NUMBER OF INVESTORS	MEDIAN CLIENT SIZE	LARGEST CLIENT SIZE	NUMBER OF PORTFOLIO MGRS	NUMBER OF INV ANALYSTS
\$4,542	107	\$5.5	\$301.3	2	3

- 22. Is there a limit to the amount of assets the firm will manage in this US Open-End Real Estate strategy? If yes, please specify; ballpark estimates or ranges are acceptable.**

Direct investment in core and value-added real estate is an important focus for AEW and a key component of the firm's strength. In this area, AEW is committed to working with only a relatively few actively investing direct equity accounts at any one time, thus ensuring that each client is provided with a consistently high level of senior focus and attention and minimizing potential conflicts in the allocation of investment opportunities. AEW Core Property Trust is the firm's exclusive vehicle through which it offers its core real estate investment strategy to new investors.

AEW has always been committed to providing its clients with the professional resources essential to meeting their performance objectives. While the firm has established no specific limitations on either the number of clients or on the total number of assets AEW will manage (either as a firm or within specific investment

strategies), we continually review our staffing levels, the allocation of resources, and the performance of the portfolios we manage. We would not hesitate to shut down any of our investment products should we determine that additional assets might impair our ability to deliver the levels of performance and service our clients expect.

**23. Describe your valuation policy and procedures. Have these changed in the recent past? Do your values match external appraisals? How often do you think appraisals should be conducted?**

Each asset in the Fund is appraised by a certified independent appraiser annually in the quarter that includes the anniversary of its acquisition. In general, asset valuation will be set equal to their externally appraised values. In the case of error, or material disagreement with an appraiser, AEW as Investment Manager can override an appraisal and use an internal value. In cases where this were to occur, the appraisal override needs to be approved by the Fund's Independent Valuation Advisor (discussed below), and is disclosed to the Fund's Advisory Board. This has only happened once since the inception of the Fund.

In addition to annual external appraisals, assets are valued internally by AEW on a quarterly basis. Internal valuations completed by AEW are based on the three standard approaches to value: discounted cash flow methodology, recent sales comparables and replacement cost. AEW's Asset Managers are responsible for maintaining a detailed cash flow model for each asset, and will update that model quarterly for changes in market conditions (i.e., market rental rates, capital market assumptions such as discount and cap rates, etc.), leasing activity, and capital projections. This valuation is then compared to current transactions taking place in the market and an updated analysis of the replacement cost of the asset to arrive at a quarterly valuation conclusion. Both third-party appraisal values and internal valuation conclusions are reviewed and approved by the Portfolio Manager.

Both the external and internal valuation processes are subject to oversight and review by an independent valuation advisor. The independent valuation advisor is currently Altus Group Limited (the former valuation practice of PricewaterhouseCoopers LLP). The independent valuation advisor is responsible for: assisting in the development and maintenance of the Fund's valuation policies and procedures; reviewing the Fund's annual valuation plan to be approved by the Advisory Board; assisting in the coordination of the annual external appraisal process of the Fund's assets; reviewing AEW's quarterly internal asset valuations and valuation conclusions; and preparing an annual report to the Advisory Board on the overall valuation process.



These policies have not changed since the inception of the Fund.

**24. Provide a description of property holdings by sector type, economic region and geographic region.**

As a core real estate fund, the AEW Core Property Trust will seek to acquire primarily stable properties with strong underlying credit, invest in major liquid geographic markets and property types, mitigate risk by maintaining economic diversification and actively manage properties with a view toward growing net operating income. The Fund's investment team focuses on all four major property types (multifamily, necessity retail, industrial and office), primarily in first-tier markets as long as they exhibit the key characteristics of a core mandate including strong occupancy, moderate near term rollover, strong tenant credit, durable and stable income, exit liquidity, and attractive cash flow characteristics. The high-quality nature of the investments tends to allow for preservation of value through cycles, and moderate, but not significant, appreciation. Due to the well-located, high-quality nature of the assets, higher rental rates and occupancy levels are typically achieved as well as the numerous opportunities for a liquid exit.

The Fund's overall structure in terms of property type and geographic sector allocation is determined by the Portfolio Management Team with input from AEW Research and under the oversight of AEW's Risk Management Committee. The Fund's property type and geographic concentrations are compared against those of the NFI-ODCE Index and the NCREIF Property Index, and are also assessed through an economic diversification analysis completed by the Portfolio Management Team in conjunction with AEW Research. In this analysis, the underlying economic drivers (i.e., technology, financial services, federal government, etc.) of the markets in which the Fund is invested are measured and a portfolio industry weighting is calculated. With this tool, the Portfolio Management Team and the Risk Management Committee can monitor exposures across the Fund and target sectors of the economy to which we would like to be over or under-weight. These analyses are completed each quarter, and updated intra-quarter with each potential new investment opportunity that may be added to the Fund.

The AEW Core Property Trust will not consider investments that do not meet its stated investment criteria, which have been summarized below.

- The Fund will invest in real estate and real estate related assets in the United States. Investments outside the United States and its territories and possessions are prohibited.
- The Fund will invest primarily in core real estate assets, including investments in the major property types (industrial, multifamily, office and retail).
- The Fund will generally invest in existing, high quality, well-leased core properties. However, the Fund will also selectively pursue non-core opportunities for a portion of the Fund's assets not to exceed 15% of the Fund's net asset value measured at the time such investments are made.
- The Fund will generally hold investments in fee-simple, directly or through one or more special purpose title-holding entities. The Fund may also utilize other ownership structures, such as leasehold interests and joint ventures. Investments may be structured as equity or debt or in other similar structures.
- The Fund currently targets investments that are between approximately \$75 and \$150 million in size. Targets for investment size may change over time as the size of the overall Fund changes.
- The Fund's investments will be diversified across property type, geographic markets and underlying economic drivers. No specific limits have been established within the Fund's investment guidelines for property type and geographic investments, however, the net asset value of any one individual property held by the Fund cannot exceed 25% of the Fund's net asset value (including unfunded Capital Commitments).
- The Fund will be able to leverage its investments, subject to an overall limit of 30% of the total asset value of the Fund. Leverage may be secured or unsecured, fixed-rate or floating, and may be utilized at the individual property level or at a fund level using a line of credit. Where appropriate, the Investment Manager may employ debt hedging strategies.

**25. How is cash from operating income and sales treated?**

The AEW Core Property Trust does not have any specific cash guidelines, however, we fully expect the Fund to have sufficient cash on hand at all times to meet its cash requirements. Normally, it is expected that the Fund's cash reserves will be around 1%-3% of NAV. As of December 31, 2013, cash was 3.0% of NAV.

We constantly review cash balances at the Fund, investment, and property levels to determine adequate cash reserve levels. A cash schedule, which includes investment and Fund-level cash is reviewed on a weekly basis by the Controller, Portfolio Manager and Senior Portfolio Manager. To determine cash reserves, we look at the current and projected cash needs of each investment as well as the projected sources of cash.

**US OPEN-END REAL ESTATE INVESTMENT PHILOSOPHY & RESEARCH PROCESS**

**26. Briefly describe the investment philosophy, strategy, style and distinguishing characteristics of your US Open-End Real Estate fund.**

The AEW Core Property Trust combines research-driven strategies with on-the ground market knowledge and experience to construct a diversified portfolio of multifamily, retail, office and industrial properties. The Fund seeks to acquire primarily well-located, institutional-quality assets in markets throughout the U.S. - investments that are designed to provide durable income streams and appreciation over the mid- to long-term. In today's market environment, the Fund's management team is guided by the research-based principles listed below in building a diversified core portfolio:

1. *Invest in peak-to-peak rent growth markets:* AEW generally seeks to invest in markets where supply constraints – physical barriers, governmental and legal restrictions, and economic factors – work to help keep the market in equilibrium and allow for absolute growth in rent and thus, value, from the peak of one market cycle to the peak of the next cycle.
2. *Follow the people:* AEW generally seeks to invest in markets that support strong job growth due to factors such as a favorable cost structure, an educated labor force, and supportive infrastructure. We also endeavor to exploit America's changing demographics – aging Baby Boomers, the coming-of-age of Echo Boomers, immigration trends – and the impact they will have for economic growth and

demand for real estate. Real estate returns tend to follow local employment, economic and demographic growth patterns.

3. *Track the money:* Invest in markets and properties that will see investment in emerging technologies and industries as well as those that will benefit from program, or policy-related changes in government expenditures.
4. *Pursue the path of continued globalization:* We seek to take advantage of trends and markets that are affected by an increasingly global economy, and to invest in markets and properties that are positively influenced by globalization as it continues to change the nature of U.S. jobs and affect the movement of goods and services and consumer spending.
5. *Reduce risk through economic diversification:* AEW seeks to diversify its investment portfolios by economic drivers, as the composition of the industry drivers of a metro area will generally define that area's growth and thus, real estate values.

Based on these principles, there are times in the investment cycle where select property types and/or markets provide better risk adjusted returns.

The Fund currently owns a portfolio of over 40 high-quality core real estate investments with a gross asset value of more than \$4 billion that is diversified by both property type and geographic region throughout the U.S. The high quality of the Fund's assets combined with their limited leasing exposure and low debt levels continues to provide for stable operating income and dividends. With a limited investment queue and the ability to raise additional capital, we believe the Fund is in a solid position to be able to take advantage of the opportunities that will present themselves over the next several years and continue building the foundation of a high-quality, long-term core portfolio that should deliver strong returns relative to its benchmark. The Fund will also continue to make capital investments in its current portfolio where prudent, using our strong cash flow to further improve the quality of our assets and their ability to attract new tenants. To date the performance of the Fund has been solid. For the since-inception period through December 31, 2013, the Fund outperformed the NFI-ODCE Index by over 160 basis points on a net-of-fee basis.

We believe the AEW Core Property Trust offers investors the following competitive advantages:

- *Proven sponsorship and track record* – AEW has been investing in real estate since 1981 and brings to the Fund a demonstrated track record of performance in core

investing. AEW has 30+ years of experience investing across market cycles, and currently manages over \$10 billion of core real estate assets in the U.S.

- *Integration of research into a disciplined investment process* – We believe AEW Research's top-down perspective together with the Fund team's street-level market insight allows the team to anticipate changes in market conditions and to assess market risks.
- *Broad deal sourcing network* – The Fund will capitalize on AEW's broad sourcing network. AEW has developed an extensive sourcing network that includes: entrepreneurial and institutional property owners; local, regional and national developers; public and privately held real estate operators; insurance companies and financial institutions; investment banks; and a wide range of financial and real estate intermediaries throughout North America.
- *Income* – The AEW Core Property Trust has generated consistent dividends since its inception. The 2013 common dividend yield for the Fund was 5.0%.
- *Limited investment queue* – The Fund currently has a limited entrance queue, which we believe compares favorably to other funds in the market. Available capital allocated to the Fund will be invested in the near-term.

**27. Please provide a list of the types of real estate that your firm currently holds in this fund. Include the percentage of the portfolio in private versus public instruments. Also, please provide a list of Real Estate instruments that your firm will not hold in your US Open-End Real Estate fund.**

The following table displays a breakdown of the property types held within the AEW Core Property Trust as of December 31, 2013. The Fund invests in direct real estate investments, not public/listed real estate instruments. Due to the Fund's 15% permitted use of non-core assets the Fund may be open to investing in other property types such as senior housing, parking, self-storage, data centers, and other investments deemed non-core. The Fund will not consider investments that do not meet its stated investment criteria, which have been summarized in our response to Question 24 above. Additional details on the Fund's investments can be found in the Fund's Q4 2013 Quarterly Report, which has been provided as [Appendix B](#).

PROPERTY TYPE	% OF PORTFOLIO AS OF 12/31/13
Office	35%

PROPERTY TYPE	% OF PORTFOLIO AS OF 12/31/13
Multifamily	25%
Industrial	15%
Retail	22%
Hotel	2%
Land	1%

- 28. What is the firm's process for conducting individual property analysis or research? What characteristics are sought? What role does macro-economic research play in the US Open-End Real Estate discipline's investment decision-making process? Also state the firm's sources of potential investment ideas.**

AEW provides its clients and its portfolio and asset management teams with the resources of one of the most highly regarded research teams in the real estate industry. AEW Research is tasked with providing value-added decision support to all aspects of the property investment, management and disposition life cycle. The group is staffed by eight full-time research professionals located in our Boston office. The senior members of AEW Research are highly trained and experienced in analyzing and forecasting regional and urban economies and specialize in understanding and anticipating how local property markets respond to the changes in the broader economy.

AEW Research regularly analyzes a wealth of economic, capital market and demographic data available through government, industry and academic sources to develop a comprehensive picture of the nation's urban economies and their real estate markets. More importantly, the senior members of AEW Research are highly integrated into the day-to-day decision making of the firm's investment origination, portfolio management and asset management functions. This integration creates a real-time marriage of the "top down" analysis of AEW Research with the "bottom up" observations and experience of the firm's real estate professionals. The primary results of these efforts are ongoing analyses that forecast the primary components of future property income such as changes in rent and occupancy, the risk of new supply and the sources of tenant demand.

With respect to new investments, AEW Research, the Direct Investment Group Acquisition Team, the senior property type Asset Management Team Leaders, and the Direct Investment Group Portfolio Managers, work together at the start of each year to review individual markets and property types, both top-down, in terms of economic

and demographic data compiled by AEW Research, and bottom up in terms of on-the-ground knowledge of the Asset Managers and Portfolio Managers. Based on these reviews, a grid is prepared that highlights property types in the different markets and classifies each as either green (open for investment), yellow (open for investment in specific circumstances) and red (closed for investment). The grid focuses the activities of the Acquisition Team going into the year to ensure they are sourcing the opportunities that our portfolios wish to pursue.

Investments for the AEW Core Property Trust are sourced and underwritten by AEW's Direct Investment Group 16-member acquisition team, under the direction of Robert Plumb and in conjunction with the Fund's Senior Portfolio Manager Daniel Bradley and Portfolio Manager Jon Martin. Because our real estate strategy is bi-coastal for the most part, we have acquisitions professionals located in both our Boston and Los Angeles offices. The Boston-based acquisitions team covers all the majors markets on the East Coast including Texas. The Los Angeles-based acquisitions team covers all major markets west of the Mississippi River excluding Texas. Within this organizational construct, AEW's acquisition professionals have specific product type and market responsibilities. All of the acquisition professionals in AEW's Direct Investment Group are responsible for sourcing both core and value-added investments. Each proposed investment is reviewed by the AEW Investment Committee, and the Committee's unanimous approval is required for the execution of any transaction.

Through AEW's broad experience in the real estate marketplace – as an owner, borrower, partner, lender, issuer and shareholder – the firm has developed an extensive sourcing network that includes: entrepreneurial and institutional property owners; local, regional and national developers; public and privately held real estate operators; insurance companies and financial institutions; investment banks; and a wide range of financial and real estate intermediaries throughout North America. In addition, AEW's acquisitions professionals benefit from the broader network of relationships developed and maintained by the entire AEW “platform” – the dedicated experts in AEW's high-return private equity and real estate securities areas, the firm's portfolio management, asset management and capital markets professionals, and its array of third-party property managers, leasing agents, sales brokers, and other service providers.



**29. How does your firm assess the liquidity of its US Open-End Real Estate fund investments?**

As part of the due diligence on all new investments for the Fund, a liquidity analysis and anticipated exit are considered and presented to AEW's Investment Committee. The liquidity analysis is completed in conjunction with AEW Research and looks at other institutional ownership within a market, REITs, and other funds similar to CPT. An assessment is also made about the size of the investment compared to average annual transaction volume in a market. While the majority of the Fund's investments are in top tier markets such as New York, Los Angeles and San Francisco and these analyses are generally brief, for certain investments in smaller markets or more illiquid property types, this analysis is a key decision factor in whether to proceed with a potential investment.

As part of the annual business plan process this analysis is updated as necessary in a broader analysis of an investment's strengths, opportunities, weaknesses and threats. It is a discussion then held with the Fund's Portfolio Management Team in their review of all asset level business plans, and with the Risk Management Committee in the review of the Fund's overall portfolio plan.

Liquidity is a key consideration of the Fund's overall investment strategy and is one of the drivers of the current composition of the portfolio where over 80% of the Fund's NAV is located in the four main property types in eight of the top core markets in the U.S.: Boston, New York, Washington, DC, Miami, Houston, Los Angeles, San Francisco and Seattle. These markets are among the largest and most active in the country and should provide for proper liquidity even in times of financial distress like we saw during the recession of 2008-2009.

**30. What pricing procedures are employed to value portfolio holdings?**

As noted above, each asset in the Fund is appraised by a certified independent appraiser annually in the quarter that includes the anniversary of its acquisition. In general, asset valuation will be set equal to their externally appraised values. In the case of error, or material disagreement with an appraiser, AEW as Investment Manager can override an appraisal and use an internal value. In cases where this were to occur, the appraisal override needs to be approved by the Fund's independent valuation advisor (discussed below), and is disclosed to the Fund's Advisory Board. This has only happened once since the inception of the Fund.



In addition to annual external appraisals, assets are valued internally by AEW on a quarterly basis. Internal valuations completed by AEW are based on the three standard approaches to value: discounted cash flow methodology, recent sales comparables and replacement cost. AEW's Asset Managers are responsible for maintaining a detailed cash flow model for each asset, and will update that model quarterly for changes in market conditions (i.e., market rental rates, capital market assumptions such as discount and cap rates, etc.), leasing activity, and capital projections. This valuation is then compared to current transactions taking place in the market and an updated analysis of the replacement cost of the asset to arrive at a quarterly valuation conclusion. Both third-party appraisal values and internal valuation conclusions are reviewed and approved by the Portfolio Manager.

Both the external and internal valuation processes are subject to oversight and review by an independent valuation advisor. The independent valuation advisor is currently Altus Group Limited (the former valuation practice of PricewaterhouseCoopers LLP). The independent valuation advisor is responsible for: assisting in the development and maintenance of the Fund's valuation policies and procedures; reviewing the Fund's annual valuation plan to be approved by the Advisory Board; assisting in the coordination of the annual external appraisal process of the Fund's assets; reviewing AEW's quarterly internal asset valuations and valuation conclusions; and preparing an annual report to the Advisory Board on the overall valuation process.

## US OPEN-END REAL ESTATE FUND CONSTRUCTION AND MANAGEMENT

- 31. Describe in detail your US Open-End Real Estate portfolio management process. If a team approach is used, state the names of the team members and explain the role(s) of each team member, with particular emphasis on property types.**

The AEW Core Property Trust is managed by an experienced team of real estate professionals drawn from AEW's Direct Investment Group, a distinct unit within AEW that is dedicated to creating and executing core and value-added real estate investment strategies. Leading the AEW Core Property Trust investment team is Daniel Bradley who serves as the Fund's Senior Portfolio Manager. Dan has over 29 years of direct real estate investment management experience. He joined the firm in 1999 as a Director and Senior Portfolio Manager. Previously, Dan was Managing Director of Portfolio Management for GE Capital Investment Advisors. As the Fund's Senior Portfolio Manager, Dan is responsible for directing all phases of the investment management process, from initial acquisition to final disposition. In doing so, he

works closely with a variety of other AEW professionals who will bring their particular expertise to each phase of the investment management program. In addition to the AEW Core Property Trust, Dan continues to oversee the management of two legacy separate accounts for AEW.

Working closely with Dan is Jon Martin, who serves as the Fund's Portfolio Manager. Jon has 20 years of direct real estate investment management experience and has been with AEW since 2001. Prior to assuming his role as the Portfolio Manager for the AEW Core Property Trust, Jon served as the Director of Asset Management and Portfolio Accounting for AEW's Direct Investment Group. Mr. Martin also managed the firm's Information Technology Group where he has been responsible for the development of several AEW proprietary systems including asset management, performance and acquisition applications. Prior to joining the firm, Jon worked for nine years as a Senior Manager with PricewaterhouseCoopers LLP where he was an auditor and financial consultant specializing in the real estate and mortgage banking industries.

Senior Portfolio Manager Dan Bradley and Portfolio Manager Jon Martin are supported by Chief Financial Officer Stephen Reissfelder, who is responsible for overseeing the accounting and reporting functions of the AEW Core Property Trust. The Fund is also served by Assistant Portfolio Controller Elizabeth Scrivani who is supported by a team of three accountants. Investment Analyst Mark Seck, who supports the Portfolio Management Team, is also a dedicated member of the Fund's team. These professionals are 100% dedicated to the Fund.

Pamela Herbst, head of AEW's Direct Investment Group, oversees the development and execution of the Fund's investment strategy. As head of AEW's Direct Investment Group, she is responsible for the management of a portfolio of core and value-added real estate in excess of \$17 billion. Investments for the Fund are sourced and underwritten by AEW's Direct Investment Group 16-member acquisition team, under the direction of Robert Plumb. Mike Acton, Director of AEW Research, the firm's in-house research group, works with AEW's Direct Investment Group and provides research support to the AEW Core Property Trust.

AEW's Direct Investment Group, which has responsibility for the firm's core and value-added separate accounts and funds, includes a team of over 30 asset management professionals and 16 acquisitions professionals. These professionals work on various accounts/portfolios, and are not 100% dedicated to a particular fund or separate account. Assets are assigned to the Asset Manager best qualified to

oversee the asset's operations, based on a combination of property type and geographic location.

**32. What is your firm's level of expected long-term outperformance?**

While no specific hurdle is included within the Fund's guidelines as to expected outperformance versus the Fund's benchmark, the NCREIF Fund Index - Open-End Diversified Core Equity ("NFI-ODCE"), the Fund's strategy of investing primarily in the four main property types in top tier core markets, has historically outperformed the broader real estate universe in the U.S. Analysis of the returns of the property level NCREIF Property Index ("NPI") show that over long periods of 10 to 20 years, Tier 1 markets (defined as Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York, San Diego, San Francisco, San Jose, Seattle and Washington, DC) have materially outperformed the broader index and non-Tier 1 cities. Over the 10, 15 and 20 year periods, Tier 1 markets have outperformed the overall NPI by 60-80 basis points, while outperforming the non-Tier 1 markets by a wider 150-200bps.

**33. State the typical benchmark(s) you use to measure the US Open-End Real Estate product performance. Which benchmark do you believe is best?**

The benchmark for the AEW Core Property Trust is the NCREIF Fund Index - Open-End Diversified Core Equity which is an index comprised of the performance of a group of core, open-end funds similar in strategy and investment guidelines to the Fund. The NFI-ODCE is a fund-level capitalization weighted, time weighted return index and includes property investments at ownership share, cash balances and leverage.

**34. What is the typical number of properties in the US Open-End Real Estate portfolio? What are the typical portfolio weights of these property types?**

As an open-end perpetual life fund, the AEW Core Property Trust does not have a typical number of investments or properties. The table below outlines the number of properties held by the Fund as of the end of each of the last five years.

NUMBER OF PROPERTIES	2013	2012	2011	2010	2009
Office	21	9	7	5	2
Multi-family	14	11	5	3	2
Retail	7	5	7	3	2
Industrial	58	40	4	4	4

NUMBER OF PROPERTIES	2013	2012	2011	2010	2009
Other	2				
Total	102	65	23	15	10

Weights for individual property types will also vary from period to period, although the Fund's investment guidelines call for the Fund to be broadly diversified by property type. The Fund benchmarks itself against the NFI-ODCE and compares property type weightings to the Index, but does not target matching the Index property weights. While not set in the Fund's investment guidelines it is expected broadly that the Fund will typically be weighted between 30-40% in office, 20-30% in multifamily, and between 15-20% each in the industrial and retail property types.

- 35. Typically, what percentage of the US Open-End Real Estate fund that will be invested in publicly-traded Real Estate properties, privately-traded Real Estate securities, stock of Real Estate operating companies, and public- or privately-traded commercial mortgage backed securities. Provide the list of holdings as of December 31, 2013, and list the allocations and typical ranges to these types of holdings.**

The Fund has not held publicly-traded real estate securities, stock of real estate operating companies, or commercial mortgage backed securities since its inception, and it is not expected that the Fund would hold such investments in the future.

- 36. Please explain how country allocation decisions are made.**

The Fund is limited to investing in real estate and real estate related assets in the United States. Investments outside the United States and its territories and possessions are prohibited.

- 37. What is the firm's approach to currency management? Will currencies be used as an active management tool?**

Not applicable, the Fund is limited to investing in real estate and real estate related assets in the United States.

- 38. Explain the firm's portfolio approach to the level of cash and equivalent holdings. Specify the normal, maximum and minimum levels of cash holdings.**

The AEW Core Property Trust does not have any specific investment guidelines with respect to cash holdings, however, we fully expect the Fund to have sufficient cash on hand at all times to meet its cash requirements. Normally, it is expected that the

Fund's cash reserves will be around 1%-3% of NAV. As of December 31, 2013, cash was 3.0% of NAV.

We constantly review cash balances at the Fund, investment, and property levels to determine adequate cash reserve levels. A cash schedule, which includes investment and Fund-level cash is reviewed on a weekly basis by the Controller, Portfolio Manager and Senior Portfolio Manager. To determine cash reserves, we look at the current and projected cash needs of each investment as well as the projected sources of cash.

**39. Describe the firm's US Open-End Real Estate fund sell discipline.**

As the AEW Core Property Trust is an open-end fund managed pursuant to a core real estate strategy, the Fund will have a longer-term hold objective for its investments. However, our approach to the sale of the Fund's assets will be disciplined and systematic. It will draw upon the combined insights of the AEW Risk Management Committee, AEW Research, our Capital Markets specialists, the Portfolio Managers, and the specific asset management professionals assigned to the asset. A sale recommendation is appropriate pursuant to a determination that the asset has achieved its maximum potential to contribute to those objectives. This decision is influenced by a variety of factors, including the fund's current portfolio requirements, the local real estate market, capital market conditions and outlook, the historical performance of the investment, projected future returns and opportunities for the redeployment of capital.

A hold/sell analysis is a required component of every Annual Asset Business Plan. The standard format for this analysis was created by our asset management group, working closely with our capital markets professionals and AEW Research. The primary result of the analysis is a targeted disposition date and price, as well as an interim asking price at which we would recommend a sale of an asset (at a premium) prior to its targeted disposition date. Interim updates of a hold/sell analysis are completed whenever necessary based on changes in the Fund's objectives, market conditions or asset operations.

If the completion of a hold/sell analysis results in an asset being identified for sale, the disposition process for the investment will be managed by the AEW Asset Manager assigned to the asset in conjunction with Senior Portfolio Manager Dan Bradley and Portfolio Manager Jon Martin. As a real estate firm that is not vertically integrated, AEW does not have its own brokerage arm, and therefore utilizes the services of the best third-party brokerage firms for each property type and market.

The disposition process would begin with the selection of the broker to utilize for the sale. In general, a request for proposal will be issued and several sales teams will be interviewed to determine the best candidate for the transaction. Once selected, the AEW Asset Manager, Portfolio Manager and the Fund's Accounting Team will work closely with the broker on assembling an offering memorandum. Once bids are collected, the AEW Asset Manager and Portfolio Manager will work closely with the broker through the bid evaluation process, seller interviews, etc. Once a buyer is identified, third party legal representation and a title company are engaged to manage the disposition process. The Fund's Accounting Team works closely with the buyer's accounting team and the title company to prepare final closing statements and oversee the eventual completion of the transaction.

**40. What has been the average US Open-End Real Estate fund turnover for each year since January 1, 2007?**

As a more recent vintage fund that has been investing primarily since the end of the last recession in 2009, the AEW Core Property Trust has only disposed of one investment since its inception – a small industrial building in Miami, FL that was sold in December 2013. Going forward, subject to the hold/sell discipline outlined above, it is expected that average annual turnover within the fund will be minimal, somewhere on the average of 5-10% of the portfolio each year. The recently completed 2014 annual business plan process identified 3-4 assets within the portfolio where sales will be explored during the year.

**INVESTMENT MANAGEMENT FEES, ETC.**

**41. Provide your fee schedules on your US Open-End Real Estate fund. Please identify management fees and non-management/fund-administration fees/expenses separately if possible.**

**AEW CORE PROPERTY TRUST FEE STRUCTURE**

AEW earns management fees based upon an investor's invested Net Asset Value of the Fund at a rate determined based on their overall commitment to the Fund. There are no additional fees. The AEW Core Property Trust does not have acquisition, disposition or performance fees. The management fee rate is calculated by investor in accordance with the following schedule:

- 110 bps per annum on the first \$10 million of committed capital;
- 100 bps per annum on committed capital between \$10 million and \$25 million;

- 85 bps per annum on committed capital between \$25 and \$50 million;
- 80 bps per annum on committed capital between \$50 and \$100 million;
- and 75bps per annum on committed capital in excess of \$100 million.

The following table displays the fees that would be paid on the amounts under the Fund's standard fee schedule.

COMMITMENT AMOUNT	ANNUAL FEE
\$10 million	110 bps
\$25 million	104 bps
\$50 million	95 bps
\$75 million	90 bps
\$100 million	87 bps
\$150 million	83 bps
\$200 million	81 bps

**42. What are the custody costs, transfer agency fees, etc. of the trust, and are they an additional fee that is directly charged to the client?**

As noted above, AEW earns management fees based upon an investor's invested Net Asset Value of the Fund at a rate determined based on their overall commitment to the Fund. There are no additional fees.

**43. Has the firm entered into incentive fee arrangements? If so, provide details.**

No.

**44. Does your firm use any service, information, or merchandise paid for with directed commissions? If yes, please list the service(s) received from such commissions.**

No.

**45. Please provide the name, address, telephone number and email address for three client references whom we may contact?**

We have provided reference information below for three existing AEW Core Property Trust Investors. Please note this is confidential information.

**AEW CORE PROPERTY TRUST - CLIENT REFERENCES**

Mr. Nathan Zinn

Teacher Retirement System of Texas

1000 Red River Street  
Austin, Texas 78701

(512) 542-6756

Nathan.zinn@trs.state.tx.us

Mr. Thomas Prenguber / Portfolio Manager

Premiera Blue Cross

7001 220<sup>th</sup> Street, SW  
Mountlake Terrace, WA 98043

(425) 918-4199

Tom.prenguber@premera.com

Mr. Thomas King / Vice President, Business Development

Property Reserve Inc.

51 South Main Street  
Suite 301  
Salt Lake City, UT 84111

(801) 321-7565

kingtm@pripd.com



## US OPEN-END REAL ESTATE INVESTMENT PERFORMANCE

46. Please send a supplemental spreadsheet with the following GIPS-compliant time-weighted monthly composite performance information since inception in the following five columns (in columns B-D please use five decimal digits if available):

- A. Month-end date (e.g. 12/31/2013)
- B. Monthly total return (gross)
- C. Monthly total return (net)
- D. Monthly benchmark return (gross, please specify the benchmark)
- E. Month-end market value of assets associated with this performance record

Performance details for the AEW Core Property Trust have been provided in the accompanying Excel spreadsheet. Please note the benchmark reports on a quarterly basis.

## US OPEN-END REAL ESTATE RISK MANAGEMENT

47. Describe in detail the key risks of the product and the firm's risk management process.

The AEW Core Property Trust invests in real estate. As such, the Fund's investments are subject to various risks, including: adverse changes in national or international economic conditions, local market conditions and the financial conditions of tenants; changes in the number of buyers and sellers of properties; increases or decreases in the availability or supply of property relative to demand; changes in availability of debt financing; increases in interest rates, real estate tax rates, energy prices, and other operating expenses; changes in environmental laws and regulations, zoning laws and other governmental rules and fiscal policies; changes in the relative popularity of properties; risks due to dependence on cash flow; risks and operating problems arising out of the presence of certain construction materials; as well as acts of God, uninsurable losses and other factors beyond the control of the Fund. 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.

AEW's risk management process is both robust and disciplined. AEW has two standing committees comprised of the most senior investment professionals from each of AEW's disciplines (both private and public markets) responsible for managing risk: the Investment Committee and Risk Management Committee. Every new investment

is reviewed and approved by AEW's Investment Committee. The Risk Management Committee approves all new investment strategies and also provides guidance on operational and investment risk in the Fund. Further, each asset and Fund is reviewed annually by the Risk Management Committee as part of the Annual Business Plan process and again at mid-year with an update on current status and valuations.

The following discusses standard procedures for identifying and mitigating risk.

- *Development of investment strategy and identification of potential transactions* – This phase of the risk management process involves a collaboration among Fund Senior Portfolio Manager Dan Bradley, backed by the resources of AEW Research and the entire AEW Core Property Trust Team. The process begins with ongoing, in-depth research designed to identify prime areas of macro opportunity. Then, real-time, local market intelligence gleaned both from the acquisitions team and the asset managers is utilized to understand the actual practical impact of these trends on specific property and capital markets. Finally, this combination of insights is applied to pinpoint particular submarkets, properties and, ultimately, transactions where AEW perceives there is a mismatch between real and perceived risk.
- *Investment strategy review and approval* – Once the parameters for the Fund's investment strategy are drafted, that strategy is presented in writing to the AEW Risk Management Committee for its formal review, and ultimately its approval. An assessment of the level of risk inherent in the proposed strategy and its appropriateness given the Fund's return objectives is a critical part of this review.
- *Review and approval of specific investment opportunities* – The AEW Investment Committee must review and unanimously approve all proposed investments for the AEW Core Property Trust. Investment proposals are prepared by the AEW Core Property Trust Team and presented in writing and in person to the Investment Committee. The components of these proposals are uniform across AEW's investment disciplines. Market risk, operational risk and financial risk, capital risk and structural risk are key components of the Committee's review. The Investment Committee process is a two-step process. There is preliminary Investment Committee at which the investment team presents the new investment. The team reviews information about the acquisition including description and discussion of the following:
  - Investment opportunity and investment strategy;
  - Capital structure, including equity and debt capitalization;

- Property specifics including physical characteristics, tenancy and credit, and replacement cost analysis;
- Initial underwriting including summary of assumptions, cash flow models and projected returns;
- Market overview from AEW Research;
- Sponsor/operating partner review and joint venture structure and terms (if applicable);
- Exit strategy; and
- Positive considerations and key issues (risks) with specific discussion of risk mitigation.

Upon conclusion of the Preliminary Investment Committee, the investment team commences due diligence. The due diligence process at AEW is a holistic one that brings together representatives from each discipline within AEW: Acquisitions, Asset Management, Accounting, Capital Markets, Architecture & Engineering, Insurance Risk Management, and Portfolio Management. The group meets on a weekly basis to review market rent assumptions, expense and capital assumptions, tenant leases, third party physical and environmental reports, financing and insurance. The process is intended not only to provide check-and-balance on underwriting assumptions but also to leverage off AEW's property and market expertise. Upon completion of due diligence, a report of the team's findings and conclusions and underwriting/financial analysis is completed and presented to the Investment Committee.

The Investment Committee then meets again in a Final Committee meeting to review due diligence findings and decide whether to move forward with the acquisition. Approval by Investment Committee at this final meeting must be unanimous

- *Review and approval of the Fund's Annual Portfolio Business Plan* – The Risk Management Committee will formally meet annually with the Fund's Senior Portfolio Manager, Dan Bradley, and Portfolio Manager, Jon Martin, to review the Portfolio Business Plan for the ensuing year. The Plan sets the key objectives and strategies for the ensuing year for the portfolio as a whole and for each investment asset. The Risk Management Committee focuses specifically on congruency between the risks to be assumed and the Fund's return objectives.
- *Ongoing portfolio and performance review* – On a semi-annual basis, the Risk Management Committee meets formally with the Fund's Senior Portfolio Manager

and senior members of the AEW Core Property Trust Team to thoroughly review the Fund's portfolio and its performance. The Committee focuses on current market conditions and how these conditions affect the Fund and its underlying assets. Further, it reviews opportunities and potential needs to adjust plan and strategy to address changing market dynamics. Finally, the Committee reviews compliance with portfolio guidelines. In addition, a detailed compliance checklist is created for the Fund. The checklist is completed on a quarterly basis by the AEW Controller for the Fund and reviewed and approved by the account's Portfolio Manager. It is then submitted to AEW's Compliance Department.

- *AEW's Architecture and Engineering Group*, which includes individuals skilled at assessing and evaluating the physical condition of all types of real estate, completes a thorough due diligence review of each potential acquisition as part of our underwriting process. The review is intended to identify any potential problem or defect no matter how minor. Any issues are immediately brought to the attention of the acquisitions team and the Investment Committee which assesses cost and risk associated with the issues. Additionally, physical evaluations are a routine part of AEW's asset management process and are designed to surface potential problems before they affect property performance. AEW's A&E group provides important skills and is a valuable tool to our value-added investing activities. The group acts as an integral member of the team which is charged with executing a strategy that is likely to entail some renovation or rehabilitation work on the properties.
- Additionally, *AEW's Insurance Risk Management specialists* are responsible for making sure that every asset in which an AEW client holds an investment is adequately covered by casualty and liability insurance. Prior to the closing of any transaction, the group reviews the related policies and makes recommendations for coverage provisions to ensure that the assets are sufficiently protected. Additionally, our Insurance Risk Management team completes annual review of coverage on each property.

**48. What risk measures are used to quantify country risk? What additional risks are assigned to emerging markets versus developed markets?**

The AEW Core Property Trust is limited by its investment guidelines to investments in real estate and real estate related assets in the United States. Investments outside the United States and its territories and possessions are prohibited.

# **Miami Beach General Employees' Retirement Plan**

**The Commingled Pension Trust Fund (Strategic Property) of  
JPMorgan Chase Bank, N.A.**

April 2, 2014

**For Institutional Use Only/Not For Public Distribution**

**J.P.Morgan**  
Asset Management

**Miami Beach General Employees' Retirement Plan  
JPMCB Strategic Property Fund**

**Organizational Background**

- 1. Please provide your firm name, along with the addresses and telephone numbers of your main and branch offices. What investment activity is conducted at each office?**

Firm Name: J.P. Morgan Asset Management ("JPMAM")<sup>1</sup>  
Address: 270 Park Avenue, New York, NY 10017  
Phone Number: (212) 648-1545

Headquartered in New York City since 1970, J.P. Morgan Asset Management - Global Real Assets ("GRA") has continued to expand, opening offices in several U.S. cities and abroad, in an effort to best manage real estate assets and provide client service. With 406 real estate professionals, GRA has a presence in five U.S. cities, Europe, Hong Kong, Singapore, China and India as of December 31, 2013.

Office Location	Date Opened	Number of Staff*	Purpose of Office
J.P. Morgan Asset Management Headquarters 270 Park Avenue New York, NY 10017	1970	177	Provides all investment management services.
J.P. Morgan Investment Management Inc. Security Capital Research & Management Inc. 10 South Dearborn Chicago, IL 60606	1996	22	Portfolio Management, Acquisitions, Asset Management, REITS
J.P. Morgan Investment Management Inc. 5847 San Felipe Street Houston, TX 77057	1983	4	Acquisitions, Asset Management
J.P. Morgan Asset Management 2029 Century Park East Los Angeles, CA 90067	2001	24	Acquisitions, Asset Management
J.P. Morgan Investment Management Inc. 560 Mission Street San Francisco, CA 94105	2002	5	Acquisitions, Marketing/Client Relations
JPMorgan Chase Bank Finsbury Dials 20 Finsbury Street, Floor 1 London EC2Y 9AQ United Kingdom	2004	44	Provides all investment management services.
JPMorgan Asset Management (Europe) 14, Place Vendome, Floor 01 75001 Paris, France	2009	5	Asset Management
JPMorgan Asset Management S.à r.l. 6 route de Trèves, Floor 4, L-2633 Senningerberg Luxembourg	2004	5	Finance and Operations

<sup>1</sup>J.P. Morgan Investment Management Inc. ("JPMIM") is the legal entity responsible for the management of this product. J.P. Morgan Asset Management ("JPMAM") is the marketing name for the asset management business of JPMorgan Chase & Co. For the purposes of this questionnaire, we will use the marketing name when referencing our investment activities on behalf of JPMIM.

**Miami Beach General Employees' Retirement Plan  
JPMCB Strategic Property Fund**

Office Location	Date Opened	Number of Staff*	Purpose of Office
JPMorgan Real Estate Asset Management 605, 6th Floor, Windsor Off CST Road, Kalina, Santacruz East, Mumbai 400 098 India	2006	60	Acquisitions, Asset Management, Marketing/Client Relations, Operations
JPMorgan Real Estate Asset Management Real Estate (Asia) Limited Chater House, 23F 8 Connaught Road Central Central, Hong Kong China	2002	31	Provides all investment management services.
JPMorgan Investment Consulting (Shanghai) Limited No. 1601, West Nanjing Road Jing'An District, Floor 42 Shanghai, 200040 China	2010	4	Acquisitions
JPMorgan Chase Bank 168 Robinson Road Singapore 068912 Singapore	2008	4	Acquisitions, Operations
J.P. Morgan Asset Management S.à r.l. Junghofstr 14, 60311 Frankfurt Germany	2008	7	Acquisitions, Asset Management, Marketing/Client Relations
JPMorgan Real Estate Asset Management 2nd Floor, Vathur Hobli Sarjapur Outer Ring Rd Bangalore 560 087 India	2009	14	Asset Management, Operations

*\*J.P. Morgan Asset Management – Global Real Assets professionals only*

2. **Please provide the names, titles, telephone and fax numbers, and email addresses of your firm's new business and database/questionnaire contacts.**

	New Business Contact	Database/Questionnaire Contact
<b>Name</b>	Thomas J. Fisher, Jr.	Thomas J. Fisher, Jr.
<b>Title</b>	Managing Director, Head of the Consultant Strategy Team in the Americas.	Managing Director, Head of the Consultant Strategy Team in the Americas.
<b>Office</b>	270 Park Avenue, Floor 06 New York, NY, 10017	270 Park Avenue, Floor 06 New York, NY, 10017
<b>Phone</b>	(212) 648-1545	(212) 648-1545
<b>Fax</b>	(212) 648-1739	(212) 648-1739
<b>Email</b>	thomas.j.fisher@jpmorgan.com	thomas.j.fisher@jpmorgan.com

*There can be no assurance that the professionals currently employed by JPMAM mentioned above and throughout the remainder of this document will continue to be employed by JPMAM or that the past performance or success of any such professional serves as an indicator of such professional's future performance or success.*



**3. When was your firm founded? When was it registered with the SEC?**

Founded in 1871 and led by J. Pierpont Morgan, JPMorgan Chase & Co. was created as a financial services institution capable of delivering an extensive range of products and services to our clients. The first bank to eventually become part of JPMorgan Chase, the Bank of the Manhattan Company, was established in 1799. The British-based investment bank that was acquired in 2000 by Chase Manhattan, Robert Fleming Holdings Ltd., was established in 1873.

J.P. Morgan Investment Management Inc. ("JPMIM") is an investment advisor registered with the U.S. Securities & Exchange Commission. The Firm registered with the SEC on April 4, 1984. JPMIM was incorporated on February 7, 1984.

**4. Is your firm willing to acknowledge that it is a fiduciary with respect to our client's account?**

Yes, JPMAM takes very seriously its role as a trusted, valued partner to clients. We act first and foremost as a fiduciary, putting clients' interests first. Even though our clients cannot fully delegate their fiduciary responsibility to us, we do inherit fiduciary responsibility by acting as an investment advisor for our clients. We are therefore obligated to hold ourselves to a higher standard of judgment when it comes to making investment decisions. In other words, we are legally obligated to act in the best interest of our clients and make investment recommendations which would be consistent with a prudent expert.

**5. Describe your firm's ownership structure and explain any changes since January 1, 2007.**

JPMIM, an SEC registered investment advisor, is an indirect wholly owned subsidiary of JPMorgan Chase & Co., a publicly traded corporation that is listed on the New York Stock Exchange (Ticker: JPM), with a market capitalization of \$219.65 billion as of December 31, 2013.

Directors and employees of JPMIM own shares in the firm's parent company, JPMorgan Chase & Co. Specific ownership positions are unavailable for disclosure. As of December 31, 2013, employees of JPMorgan Chase & Co. held 5.0% of shares outstanding. This number excludes outstanding stock options.

There have been no changes in the ownership of the Firm over the past five years. The following are key acquisitions that took place:

In November 2010, J.P. Morgan Asset Management and Highbridge Capital LLC announced the acquisition of a majority stake in Gávea Investimentos. Founded in 2003 by Arminio Fraga, former President of the Central Bank of Brazil, Gávea has a premier reputation and brand name, with a growing global profile, particularly among institutional investors. Based in Rio de Janeiro, Gávea manages macro and Brazil hedge funds, Brazil private equity funds and offers wealth management services.

In July 2009, J.P. Morgan Asset Management completed its purchase of Highbridge Capital Management. J.P. Morgan Asset Management entered into a strategic partnership with Highbridge in December 2004 and increased its ownership stake over the last five years, creating one of the largest and most significant strategic alliances in the hedge fund industry.

In September 2008, JPMorgan Chase & Co. acquired all deposits, assets and certain liabilities of Washington Mutual's banking operations from the Federal Deposit Insurance Corporation (FDIC). Excluded from the transaction were the senior unsecured debt, subordinated debt, and preferred stock of Washington Mutual's banks. JPMorgan Chase did not acquire any assets or liabilities of the banks' parent holding company (WM) or the holding company's non-bank subsidiaries.



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In March 2008, JPMorgan Chase & Co. announced its intent to acquire The Bear Stearns Companies Inc. Shareholder approval was granted and JPMorgan and Bear Stearns officially merged, as of May 30, 2008.

**6. Discuss your firm's relationship with any parent or affiliated companies. Have these relationships changed since January 1, 2007?**

JPMIM has a material relationship with the affiliates listed below. Please refer to the attached Form ADV for more information regarding the firms that have a relationship or arrangements with JPMIM that is material to its advisory business or its clients. Please refer to our response above in Question 5 for relationship changes since 2007.

- **Broker-dealers, municipal securities dealers, or government securities broker or dealer (registered or unregistered)**
  - J.P. Morgan Clearing Corp.
  - J.P. Morgan Institutional Investments Inc.
  - J.P. Morgan Securities LLC
- **Other investment advisers (including financial planners)**
  - Bear Stearns Asset Management Inc.
  - Highbridge Capital Management, LLC
  - JF International Management Inc.
  - JPMorgan Asset Management (UK) Limited
  - JPMorgan Chase Bank N.A.
  - J.P. Morgan Alternative Asset Management Inc.
  - J.P. Morgan Clearing Corp.
  - J.P. Morgan Institutional Investments Inc.
  - J.P. Morgan Private Investments Inc.
  - J.P. Morgan Securities LLC
  - Security Capital Research & Management Incorporated
  - Beijing Equity Investment Development Management Co., LTD
  - JPMorgan Asset Management Real Assets (Singapore) PTE LTD
  - Gavea Investimentos LTDA
- **Registered municipal advisors**
  - J.P. Morgan Institutional Investments Inc.
  - J.P. Morgan Securities LLC
- **Registered security-based swap dealer**
  - JPMorgan Chase Bank N.A.
  - J.P. Morgan Securities LLC
- **Commodity pool operators or commodity trading advisors (whether registered or exempt from registration)**
  - Highbridge Capital Management, LLC
  - JPMorgan Chase Bank N.A.
  - J.P. Morgan Alternative Asset Management Inc.
  - J.P. Morgan Clearing Corp.
  - J.P. Morgan Private Investments Inc.

**Miami Beach General Employees' Retirement Plan  
JPMCB Strategic Property Fund**

- Gavea Investimentos LTDA
- **Futures commission merchant**
  - J.P. Morgan Securities LLC
- **Banking or thrift institution**
  - JPMorgan Chase Bank N.A.
- **Trust company**
  - JPMorgan Chase Bank N.A.
- **Insurance companies or agencies**
  - JPMorgan Life Limited
  - J.P. Morgan Securities LLC

Please refer to the JPMorgan Chase & Co. Form 10-K Annual Report for a full list of JPMorgan Chase & Co. subsidiaries.

**7. State the carriers and the limits of errors and omissions and fiduciary liability insurance.**

JPMorgan Chase & Co. (JPMC) maintains reasonable and customary forms of insurance to protect itself and its majority-owned subsidiaries against loss. Provided below is information regarding this coverage.

**Bankers Professional Liability\***

<i>Risks Covered:</i>	Bankers Professional Liability coverage indemnifies against loss arising from claims of alleged wrongful acts committed in the performance of professional services.
<i>Carrier:</i>	Park Assurance Company
<i>Level/Limit:</i>	\$100,000,000 each wrongful act and aggregate
<i>Policy Period:</i>	January 15, 2014 – January 15, 2015

*\*Note: Bankers Professional Liability addresses errors, omissions and fiduciary liability.*

**Bankers Blanket Bond / Computer Misuse and Telephonic Misuse Insurance**

<i>Risks Covered:</i>	Loss of Property (e.g., money, securities, and other tangible items of personal property) resulting directly from dishonest, fraudulent, malicious or deliberate criminal acts committed by an Employee; robbery, theft, burglary, or mysterious unexplainable disappearance; forged or counterfeit checks and securities; Computer Misuse and/or Telephonic Misuse committed by any person other than an identifiable Employee or Servicing Contractor. Coverage applies to Property (1) owned by JPMC, (2) held by JPMC for any purpose or in any capacity, (3) for which JPMC is legally liable, (4) in which JPMC has a pecuniary or other interest or (5) for which JPMC has instructions to insure.
<i>Carrier:</i>	Park Assurance Company
<i>Level/Limit:</i>	\$300,000,000 per loss and aggregate
<i>Policy Period:</i>	July 1, 2013 – July 1, 2014

**8. Describe any litigation regarding your firm's investment activities since January 1, 2007. Is your firm expecting any new litigation?**

JPMorgan Chase & Co. and/or its subsidiaries (collectively, the "Firm") are defendants or putative defendants in numerous legal proceedings, including private, civil litigations and regulatory/government investigations. The litigations range from individual actions involving a single plaintiff to class action lawsuits with potentially millions of class members. Investigations involve both formal and informal proceedings, by both governmental agencies and self-regulatory organizations. These legal proceedings are at varying stages of adjudication, arbitration or investigation, and involve each of the Firm's lines of business and geographies and a wide variety of claims (including common law tort and contract claims and statutory antitrust, securities and consumer protection claims), some of which present novel legal theories. The Firm has established reserves for several hundred of its currently outstanding legal proceedings. The Firm accrues for potential liability arising from such proceedings when it is probable that such liability has been incurred and the amount of the loss can be reasonably estimated. The Firm evaluates its outstanding legal proceedings each quarter to assess its litigation reserves, and makes adjustments in such reserves, upwards or downwards, as appropriate, based on management's best judgment after consultation with counsel. The Firm periodically estimates the aggregate range of reasonably possible losses, in excess of reserves established, for its legal proceedings based upon currently available information for those proceedings in which the Firm is involved, taking into account the Firm's best estimate of such losses for those cases for which such estimate can be made. For certain cases, the Firm does not believe that an estimate can currently be made. The Firm's estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the existence in many such proceedings of multiple defendants (including the Firm) whose share of liability has yet to be determined, the numerous yet-unresolved issues in many of the proceedings (including issues regarding class certification and the scope of many of the claims) and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Firm's estimate will change from time to time, and actual losses may be more or less than the current estimate. After consultation with counsel and based on current knowledge, the Firm believes it has asserted meritorious defenses to the claims asserted against it in its currently outstanding legal proceedings, intends to defend itself vigorously in all such matters, and the Firm does not believe that any pending legal proceeding would have a material effect on the subject matter or its performance of the services contemplated by the Request for Proposal. For further discussion, please refer to JPMorgan Chase & Co.'s most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q filed with the U.S. Securities and Exchange Commission.

**9. Describe any judgments against your firm by governmental and regulatory agencies since January 1, 2007. Also describe any current investigations.**

In March 2013, the SEC conducted a routine examination of JPMIM along with other investment advisers within JPMAM. JPMIM subsequently received the SEC's deficiency letter and responded to such letter on July 25, 2013. The examination evaluated compliance with certain provisions of the federal securities laws with the primary focus on the use, review and validation of "Models". We do not believe that the findings or the Firm's actions in response to the suggestions and recommendations in the SEC's letter will have a material impact on our ability to conduct our investment management business.

In 2013, the SEC also conducted an exam of JPMIM and affiliated advisers related to securities lending practices as well as a separate exam related to the distribution and servicing of mutual fund shares through intermediaries. Both of these exams are still ongoing.

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**10. Discuss any recent changes to the monitoring of employee compliance with firm policies.**

There have been no material changes to the compliance policies and procedures for the previous twelve months and none anticipated for the next twelve months.

**11. Please state the market value of assets under management for your firm for calendar year-ends starting with 2007. Also, please state accounts and assets gained, as well as accounts and assets lost over each of these periods.**

Year Ended	TOTAL FIRM ASSETS*				
	Market Value (\$Millions)	# Accounts Gained	Assets Gained (\$Millions)	# Accounts Lost	Assets Lost (\$Millions)
<b>Dec 31, 2007</b>	\$1,193,154	303	\$13,986	101	\$4,560
<b>Dec 31, 2008</b>	\$1,133,229	131	\$14,287	81	\$14,806
<b>Dec 31, 2009</b>	\$1,248,791	111	\$6,489	52	\$6,001
<b>Dec 31, 2010</b>	\$1,298,252	155	\$11,033	119	\$3,516
<b>Dec 31, 2011</b>	\$1,336,193	359	\$19,350	241	\$10,363
<b>Dec 31, 2012</b>	\$1,426,402	272	\$24,189	211	\$7,081
<b>Dec 31, 2013</b>	\$1,598,074	209	\$13,688	206	\$7,971

*\*Based on the AUM for the Asset Management (J.P. Morgan Asset Management, Private and Wealth Management, Private Bank) division of JPMorgan Chase & Co.*

**12. Please state the market value of total real estate assets under management for your firm for calendar year-ends starting with 2007. Please include real estate and any other type of real estate and/or property assets. Also, please state accounts and assets gained, as well as accounts and assets lost.**

Year Ended	TOTAL REAL ESTATE				
	Market Value (\$Millions)	# Accounts Gained	Assets Gained (\$Millions)	# Accounts Lost	Assets Lost (\$Millions)
<b>Dec 31, 2007</b>	\$28,715	120	\$3,241	4	\$21
<b>Dec 31, 2008</b>	\$25,528	46	\$1,324	4	\$135
<b>Dec 31, 2009</b>	\$18,664	9	\$1,339	1	\$9
<b>Dec 31, 2010</b>	\$23,616	30	\$1,132	53	\$533
<b>Dec 31, 2011</b>	\$27,952	51	\$950	7	\$914
<b>Dec 31, 2012</b>	\$32,113	35	\$1,281	12	\$157
<b>Dec 31, 2013</b>	\$36,795	24	\$753	15	\$399

*Note: Clients gained and lost is for Global Real Estate (excludes Infrastructure, Maritime and REITS); excludes J.P. Morgan Private Bank investors and Knowledgeable Employees*

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13. What has been the level of personnel turnover for investment professionals at the total firm level over each calendar year since January 1, 2007? Explain any large changes.

Year thru:	FIRM-WIDE	
	Employees Added	Employees Lost
<b>Dec 31, 2007</b>	44	41
<b>Dec 31, 2008</b>	45	83
<b>Dec 31, 2009</b>	24	69
<b>Dec 31, 2010</b>	38	45
<b>Dec 31, 2011</b>	34	28
<b>Dec 31, 2012</b>	25	34
<b>Dec 31, 2013</b>	42	30

*Note: Based on the employees for the Asset Management (J.P. Morgan Asset Management, Private and Wealth Management, Private Bank) division of JPMorgan Chase & Co.*

14. List the number of real estate professionals in each of the following categories as of December 31, 2013:

Category	# Professionals
<b>Acquisitions</b>	76
<b>Asset Management</b>	130
<b>Property Management</b>	N/A
<b>Asset sales/dispositions</b>	N/A
<b>Finance/Accounting</b>	85
<b>Research</b>	17
<b>Client Development</b>	40
<b>Administration and other</b>	58
<b>Total</b>	<b>406</b>

*Notes:*

*Information above is for JPMAM – GRA.*

*The Group does not provide property management services.*

*The Asset Management team is also responsible for asset sales/dispositions.*

*“Administration and other” includes Business Management, Debt Capital Markets, Portfolio Managers and Technology.*

15. What is the fund’s redemption policy?

Fund participants may withdraw from the Fund once per quarter subject to available cash, as determined by the Trustee. A written redemption request is required 45 days in advance of the redemption process. To the extent that redemption requests exceed available cash, distributions are pro rated based on the participant’s interest in the Fund. Available cash is defined as excess cash after provision for outstanding future capital commitments and other operating reserves.

All withdrawals will be treated equally whether for fees, benefit payments, plan termination or asset allocation. Withdrawals will be processed on a quarterly basis based on calendar quarter-end valuations. Trade date for all sales of units from the Fund (redemptions) is the second business day of the month, and settlement date is the third business day of the month. There are no penalties or costs associated with redemptions.

**16. Please state the total amount if any of capital contribution and withdrawal requests from investors as of December 31, 2013. If a queue exists, what is the anticipated time for clearing the queue?**

As of December 31, 2013, SPF's contribution queue was \$2,879.5 million (13.6% of the Fund's NAV). Our current expectation for calling new commitments is approximately 15 to 18 months. Please note that this is only an estimate and is subject to change. As of December 31, 2013, the Fund was operating without a withdrawal queue.

Investors who commit capital are added to our capital queue. They are added to the tranche for the particular month in which they have been deemed committed upon the completion and execution of the participant agreement and contribution notice for a new client or upon communication in writing for an existing client to their client service manager or directly to our marketing team. New investor's commitments are added to the queue and grouped into a monthly tranche, which includes all the new monies awarded during that particular month. If the Portfolio Manager decides to accept all or any portion of the contributions included in a monthly tranche, a funding notice specifying the accepted percentage of such contributions is sent to all participants in such monthly tranche. The notice will be sent on or about the 15th day of the calendar month proceeding the calendar month during which the Portfolio Manager will require such contributions to be made to the Fund.

A monthly tranche shall be called for funding only after all prior monthly tranches have been fully called for funding. Accordingly, unless and until the Portfolio Manager has called for funding 100% of the amount in a particular monthly tranche, via one or more Funding Notices, the Portfolio Manager shall not accept contributions from participants in any subsequent monthly tranche. Following the prior example, the Portfolio Manager shall call for funding the 40% remainder of the January tranche, via one or more Funding Notices, prior to calling for funding from the February tranche or any subsequent tranche. During a non-queue environment we will generally call all monies in a particular monthly tranche two to three months after all documentation is received. During a queue environment, the timeframe to call monies in a particular tranche will vary depending on the pace of asset acquisitions and dispositions.

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**US Open-End Real Estate Investment Services**

17. Please provide the name of your US Open-End Real Estate product that you are recommending for our client. The size of this mandate is approximately \$40-50 million.

JPMCB Strategic Property Fund ("JPMCB SPF" or "the Fund")

18. Please state the market value of assets under management in your US Open-End Real Estate product for calendar year-ends starting with 2007. Also, please state clients and assets gained, as well as clients and assets lost over each of these years.

Year Ended	SPECIFIED US OPEN-END REAL ESTATE PRODUCT				
	Market Value (\$Millions)	# Clients Gained	Assets Gained (\$Millions)	# Clients Lost	Assets Lost (\$Millions)
Dec 31, 2007	\$15,786	45	\$1,367	3	\$14
Dec 31, 2008	\$13,750	16	\$458	2	\$71
Dec 31, 2009	\$9,661	3	\$7	1	\$9
Dec 31, 2010	\$12,632	22	\$427	17	\$392
Dec 31, 2011	\$15,495	29	\$802	3	\$233
Dec 31, 2012	\$18,515	29	\$1,117	5	\$62
Dec 31, 2013	\$21,151	6	\$329	7	\$278

19. Provide the following information on the key members of the firm's US Open-End Real Estate portfolio management team: names; titles and responsibilities; years of investment experience, years with firm, and years with the team. Please provide biographies.

*As of December, 31, 2013:*

Name	Title/Responsibilities	Years Inv. Exp.	Years w/Firm	Years w/Team
Joseph Azelby	MD / Global Head of J.P. Morgan Asset Management - Global Real Assets	27	27	16
Kevin Faxon	MD / Head of Real Estate Americas	27	25	16
Benjamin Gifford	MD / CIO of Real Estate Americas	41	19	16
Lawrence Fuchs	MD / Global Chief Operating Officer	22	19	14
Steven Greenspan	MD / Head of Global Product Development	28	17	16
Michael Kelly	MD / Director of U.S. Real Estate Commingled Funds	25	4	4
<b>Kimberly Adams</b>	<b>MD / Portfolio Manager – Strategic Property Fund</b>	<b>19</b>	<b>10</b>	<b>10</b>
<b>Ann Cole</b>	<b>MD / Portfolio Manager – Strategic Property Fund</b>	<b>24</b>	<b>28</b>	<b>16</b>
Dave Esrig	MD / Director of Research	22	17	16



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Mark Bonapace	MD / Head of Asset Management	21	23	16
James Kennedy	MD / Head of Development & Engineering Group	24	10	10
Alfred Dort	MD / Head of Financial	22	16	16
Ellie Kerr	MD / Director of Valuations	30	13	13

Please see below for detailed biographies of our GRA senior management.

**Joseph K. Azelby**, *Managing Director*, is head of J.P. Morgan Asset Management – Global Real Assets. An employee since 1986, he is responsible for the group's global business vision, strategy and execution. Joe chairs the Global Real Assets' Global Management Committee. He is also a member of the Asset Management Investment and Operating Committee's. Prior to joining the Real Estate & Infrastructure Group, he led the Mortgage Investment Strategy Group of the firm's Fixed Income Group. There, as a portfolio manager, he specialized in both public and private mortgages and other asset-backed securities. Joe joined the firm after playing professional football for the Buffalo Bills. He has a B.A. in economics from Harvard University and an M.B.A. in finance from New York University.

**Kevin Faxon**, *Managing Director*, is head of Real Estate Americas at J.P. Morgan Asset Management – Global Real Assets. The 250 person group manages more than \$30 billion of assets across a range of Core, Value-added and Opportunistic strategies on behalf of institutional, sovereign and high net worth investors. Kevin is a member of JPMAM Americas Executive Committee and sits on the J.P. Morgan Commercial Real Estate Council which coordinates the Real Estate activities of the broader Firm. An employee since 1988, Kevin was previously portfolio manager of the Special Situation Property and Income & Growth Funds. Prior to assuming these roles, Kevin was head of acquisitions for the western United States. Before joining the firm, he was employed by Landauer Associates, a national real estate consulting firm. Kevin holds a B.S. in real estate and finance from the University of Connecticut and an M.B.A. in finance from New York University. He is a member of the Urban Land Institute, NAREIM and PREA.

**Benjamin G. Gifford**, *Managing Director*, is the Real Estate Chief Investment Officer of J.P. Morgan Asset Management – Global Real Assets with 35 years of industry experience. An employee since 1998, Ben is responsible for the direct real estate investment activity of the commingled funds and all separate accounts. Previously, he was president of O'Connor Realty Advisors, where he was responsible for the separate account direct investment real estate advisory business. He was also employed at the Morgan Guaranty Trust Company, where he was responsible for real estate equity investments on behalf of its commingled trust fund and separate accounts. Prior to that, he was employed by the Teachers Insurance and Annuity Association (TIAA) as a Mortgage Officer. Ben has a B.A. from the University of Pennsylvania. His professional affiliations include the Urban Land Institute, the International Council of Shopping Centers and the Pension Real Estate Association.

**Lawrence Fuchs**, *Managing Director*, is the Chief Operating Officer of J.P. Morgan Asset Management – Global Real Assets. An employee since 2000, he is responsible for strategic business development, execution of the global business plans and initiatives and operational management. Lawrence is a member of the J.P. Morgan Asset Management – RE Global and Americas Management Committees. He is also a board member of the JPMorgan Alternative Property Fund and JPMorgan U.S. Real Estate Income and Growth Fund. Prior to joining the group, he was the director of operations for the Emerging Markets U.S. division of J.P. Morgan Securities, Inc. From 1998 to 2000, he was a member of the Emerging Markets Trading Association, providing insight for emerging markets operational risk and business practices. Lawrence is registered as a General Securities Principal of J.P. Morgan Institutional Investments, Inc. He holds a B.S. in finance from Hofstra University.



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**Steven M. Greenspan**, *Managing Director*, is the Global Director of Product Development for J.P. Morgan Asset Management - Global Real Assets. Steven plays an integral role in the design, marketing, launch, implementation and oversight of GRA's global products and strategies. A J.P. Morgan employee since 1996, Steven has broad experience in structuring open- and closed-end funds and separate accounts designed to meet the complex commercial, legal, regulatory, and tax needs of JPMAM's global client base. He is a member of JPMAM-GRA's Global and Americas Management Committees and serves on the investment committees and boards of directors of various GRA real estate, infrastructure and maritime funds. Steven has been recognized as a New York Super Lawyer. He previously served as a vice president/assistant general counsel in JPMAM's Legal Department, and as a practicing attorney in the real estate and corporate departments at Stroock & Stroock & Lavan LLP. Steven holds a B.P.S. from the University at Buffalo and a J.D. from Brooklyn Law School.

**Michael Kelly**, *Managing Director*, is Director of U.S. Real Estate Commingled Funds and head of Debt Capital Markets for J.P. Morgan Asset Management – Global Real Assets. An employee since 2009, Mike is responsible for oversight of the portfolio managers for open-end funds and management of a team that procures debt for J.P. Morgan Asset Management's properties and originates and manages mezzanine loans. Before joining the firm, he was a director and head of Real Estate Conduit and Workouts for Citigroup Global Markets. Previously, Michael was a vice president and originator in the Large Loan CMBS Group and assisted with management of Goldman Sachs Commercial Mortgage Capital. Prior to that, he was a managing director and co-head of Commercial Mortgage Origination at New York Life Investment Management. He started in the industry in 1989. Mike earned a B.S. in business management from Springfield College and an M.S. in real estate from New York University and holds Series 7 and 63 licenses.

**Kimberly A. Adams**, *Managing Director*, is co-portfolio manager for J.P. Morgan's flagship U.S. core real estate strategy, Strategic Property Fund. Kim joined the Strategic Property Fund portfolio management team in July 2012. Since joining J.P. Morgan Asset Management – Global Real Assets in 2003, Kim has served in various investment roles including Sector Head for office/industrial asset management in the Central region. In this role, Kim was responsible for leading the asset management efforts for the region's office and industrial holdings, a \$5.0 billion portfolio in gross value totaling approximately 66 million square feet. Previously, Kim served as a senior asset manager in the retail group as well as in the East/South region and as an acquisitions officer in the Midwest Region. Earlier in her career, Kim worked for Prudential Real Estate Investors and LaSalle Investment Management. Kim received a B.A. in economics from Northwestern University and an M.B.A. from the Kellogg Graduate School of Management. She serves as a board member of NAIOP Chicago, a council member for the Urban Land Institute, and a member of PREA.

**Ann E. Cole**, *Managing Director*, is co-portfolio manager for J.P. Morgan's flagship U.S. core real estate strategy, Strategic Property Fund. Ann joined the Strategic Property Fund portfolio management team in July 2012. Since joining J.P. Morgan Asset Management – Global Real Assets in 1989, Ann has held various positions in our Real Estate Asset Management team including Sector Head of our office/industrial East (more than \$4 billion in assets) and West (more than \$3 billion in assets) Regions. Ann has extensive real estate experience with the acquisition, asset management, development and disposition of institutional quality real estate and was responsible for overseeing the development of Strategic Property Fund's 2000 Avenue of the Stars in Los Angeles. Ann also served as a Client Portfolio Manager on the Marketing and Client Strategy team, where she advised clients on real estate investment strategies. Ann has a B.B.A. in accounting from Pace University and passed the March 1987 CPA examination. Ann holds the NASD Series 7 and 63 licenses, is an active participant in NAREIM and a member of PREA.

**Dave Esrig**, *Managing Director*, is J.P. Morgan Asset Management – Global Real Assets director of U.S. real estate and infrastructure research. An employee since 1997, Dave and his team forecast local economic and property performance in support of acquisitions, dispositions and

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portfolio strategy development. Prior to joining the firm, Dave was chief economist at an industry trade group. He also worked for a number of years at Economy.com, an economic consulting firm, where his duties included modeling local real estate supply and demand fundamentals. Dave holds a B.A. from the University of Virginia, an M.A. in economics from the University of Pennsylvania and is a CFA charterholder.

**Mark Bonapace**, *Managing Director*, is the head of Asset Management for the JPMorgan Real Estate Group, responsible for the management, leasing and ongoing development of the real estate assets. An employee since 1990, Mark has held several positions within the group. Prior to his role as head of Asset Management, Mark was the sector head for Office/Industrial East/South within the Real Estate Group. Mark has also been the Office/Industrial sector head for the Central region and was a Senior Asset Manager for our Retail portfolio. Mark previously worked at Deloitte & Touche for four years. He holds a B.S. in accounting from the University of Delaware and an M.B.A. in finance from New York University's Stern School of Business. Mark is also a Certified Public Accountant and an active member of the Urban Land Institute.

**James F. Kennedy**, *Managing Director*, is the head of the firm's Development & Engineering Group within J.P. Morgan Asset Management - Global Real Assets. An employee since 2004, he is responsible for engineering and environmental due diligence, development oversight and general engineering support for asset management. Jim is involved with the various real estate and infrastructure funds internationally, and also spearheads the group's sustainability initiatives. Jim has been in the industry since 1990, serving in various roles across the development, construction and business consulting fields, with such firms as PricewaterhouseCoopers and FRM (Aramark). His engineering and development experience ranges across asset types, including office, industrial, retail, multi-family, hospitality and large-scale civil infrastructure. Jim received a B.B.A. in finance from the University of Massachusetts at Amherst and an M.S. in civil and environmental engineering from the Massachusetts Institute of Technology. He is a member of the American Society of Civil Engineers, National Association of Real Estate Investment Managers, Urban Land Institute, International Council of Shopping Centers and US Green Building Council. Jim is a USGBC-LEED Accredited Professional.

**Alfred W. Dort**, *Managing Director*, is the head of the Real Estate Financial Group of J.P. Morgan Asset Management – Global Real Assets. An employee since 1997, his responsibilities include the financial management, reporting and analysis for Real Estate Funds and Separate Accounts. Prior to joining J.P. Morgan Asset Management, Alfred spent several years with PricewaterhouseCoopers LLP, providing consulting and accounting services to real estate industry clients. He graduated with a B.S. in accountancy from Villanova University and is a CPA. He is currently a member of the American Institute of Certified Public Accountants.

**Ellie Kerr**, *Managing Director*, is J.P. Morgan Asset Management – Global Real Assets director of valuations. An employee since 2001, Ellie is responsible for overseeing the appraisal process. She served as chairperson of the NCREIF Valuation Committee from 2004 to 2005 and continues to be actively involved. Ellie has also served two terms as a council member for Real Estate Information Standards (REIS). Prior to joining the firm, she was employed by SSR Realty Advisors, Inc. as director of valuations. Ellie earned a B.A. in economics from Williams College and holds an M.A.I. from the Appraisal Institute and the MRICS designation from the Royal Institution of Chartered Surveyors.

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20. What has been the level of personnel turnover for investment professionals at the US Open-End Real Estate product level for each calendar year since January 1, 2007? Explain any large changes.

Year thru:	US OPEN-END REAL ESTATE PRODUCT SPECIFIC	
	Employees Added	Employees Lost
Dec 31, 2007	17	6
Dec 31, 2008	3	11
Dec 31, 2009	2	9
Dec 31, 2010	0	4
Dec 31, 2011	3	3
Dec 31, 2012	2	5
Dec 31, 2013	9	11

21. As of December 31, 2013, provide the number of investors, assets under management, median account size, and number of portfolio managers and analysts for the firm's US Open-End Real Estate product.

Assets Under Mgt (\$Millions)	Number of Investors	Median Client Size (\$Millions)	Largest Client Size (\$Millions)	Number of Portfolio Mgrs	Number of Inv Analysts
\$21,151	305	\$26	\$620	2	130

*Note: Investment Analysts include the Acquisitions, Asset Management, Research and Debt Capital Markets groups within the Real Estate Americas team; excludes Valuations, Financial, Marketing and Operations*

22. Is there a limit to the amount of assets the firm will manage in this US Open-End Real Estate strategy? If yes, please specify; ballpark estimates or ranges are acceptable.

As an open-ended commingled pension trust vehicle, the Fund does not have any limits on the number of assets or accounts. An important management principle is to consider the addition of each mandate individually to ensure the value added to a particular strategy and the existing client base is not compromised or diluted. The Fund has never been closed to new investors since its inception.

Furthermore, we would deliberately control growth to maintain high levels of client service or to prevent liquidity becoming an issue in the investment process. Both these factors are crucial in assessing the upper range of a product's growth and if either were to become a deterrent to success, we would consider discontinuing the marketing of the product. Lastly, we would of course increase staffing levels commensurate with our growing asset base. Thus the impact of business growth is carefully considered at all stages and any negative aspects are factored in or alleviated prior to the addition of the mandate.

23. Describe your valuation policy and procedures. Have these changed in the recent past? Do your values match external appraisals? How often do you think appraisals should be conducted?

All internal and external property evaluations are reviewed by Ellie Kerr, our in-house Director of Valuations and a designated Member of the Appraisal Institute (MAI). Both internal and external

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appraisals shall be conducted in accordance with Accounting Standards Codification (ASC) 820, formerly SFAS 157.

### External Valuation

#### *Policy*

The general policy for each property is to rotate the external appraiser every three years. External appraisals of properties in the portfolio are distributed over a 12-month schedule. An effort is made to appraise one quarter of the Fund's assets in each quarter.

Ellie supervises the appraisal process, solicits and reviews competitive bids, selects an appraiser, agrees on the scope of the appraisal with the selected appraiser, and reviews the final valuations. Ellie has a staff of four appraisal professionals who assist in the appraisal review process - two hold the MAI designation. A member of the valuations group reviews every appraisal for reasonableness. The appraisals are also reviewed by the responsible Asset Manager for accuracy of factual property information and reasonableness of assumptions.

#### *Frequency*

Independent, third-party appraisers value properties at least once year. Additionally, J.P. Morgan Real Estate Asset Managers may identify assets which have been subjected to a higher than usual degree of asset level activity or market level volatility and have an external appraisal conducted sooner than what was scheduled. Effective July 1, 2013, all external appraisals will be reviewed and approved by the Altus Group, a third party valuation management firm, every quarter.

#### *Appraisal Firms*

From time to time, Ellie may choose to add or remove outside appraisal firms. At all times, a minimum of three national firms must be utilized. For each appraisal, the selected firm is required to have at least one MAI sign the final report.

Current appraisal firms:

- Cushman & Wakefield
- CB Richard Ellis
- National Valuation Consultants
- Integra Realty Resources
- National Property Valuations, Inc.
- Welsh Chester Galiney Matone, Inc.
- New Market Real Estate Group
- KTR Valuation and Consulting Services, LLC.
- Real Estate Research Corporation

### Internal Valuation

J.P. Morgan Real Estate Asset Managers prepare a quarterly valuation for each asset. Ellie Kerr reviews and signs off on each value. Effective July 1, 2013, the Altus Group will also review and approve the internal valuations every quarter. A quarterly external audit review is conducted by PricewaterhouseCoopers LLP on the internal valuations.

Internal monthly reviews monitor the potential impact of significant events on each property and adjustments to the value are made where appropriate. If significant events have occurred that will impact value, the Asset Manager will prepare an internal valuation. In addition, as noted above, the Asset Manager may accelerate the timing of an external appraisal. Significant events include, but are not limited to:

- Change in **leasing status** of a major tenant

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- **Lease-up** of a large vacant space
- **Capital** spent at the property
- Major change in **market conditions**
- Changes in actual **property performance** compared to budget
- Changes in the **capital markets** that alter discount and capitalization rates
- Execution of a **sales contract**

The Director of Valuations must approve all internal appraisals before an adjustment to the property value can be booked.

### The Altus Group

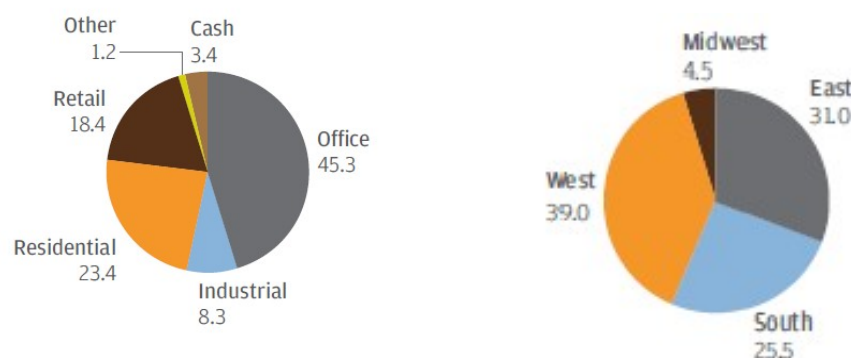
Effective July 1, the Altus Group reviews and approves all third-party appraisals and internal valuations every quarter. The Altus Group:

- Is responsible for the initial set up of the work flow process and implementation of the technology platform, appraisal process administration and data coordination, and reviewing and approving third-party appraisals and internal valuations on a quarterly basis
- Delivers a concurrence letter at the end of every quarter opining on GRA's quarterly and daily process
- Assists GRA's DOV with various functions such as: benchmarking, standardizing reporting protocol, monitoring and coordinating appraisal procedures set forth in the Valuation Policy and Procedures ("Policies"), and advising of any changes to the Policies based on industry-best practices and experience with other NCREIF Fund Index (NFI) ODCE funds

## 24. Provide a description of property holdings by sector type, economic region and geographic region.

Following a pure core strategy, the Fund focuses primarily on existing high-quality, well-leased assets in the four major property types: office, industrial, multi-family and retail. The Fund does not invest in volatile sectors such as hospitality, assisted living, self storage, etc. The Fund focuses on the larger, primary economic markets in the United States. For example, the top five MSA's and the relative size of each to Strategic Property Fund's NAV as of December 31, 2013 were as follows: New York, NY (13.18%), Los Angeles, CA (10.49%); Dallas, TX (7.79%); Washington, D.C. (7.28%); and Boston, MA (6.03%).

The chart below provides a snapshot of the Fund's property and geographic breakdown as of December 31, 2013.



**25. How is cash from operating income and sales treated?**

The Fund's income from investment properties is recorded in accordance with the equity method of accounting. Unrealized gains and losses are computed using the cost of the investments and their fair value. Since the Fund records its investments at fair value, no depreciation or amortization expense on real property interests is recognized. Interest income from mortgage loans receivable is recognized as revenue when earned in accordance with the terms of the underlying loan agreement which approximates the effective interest method. Loans in default are placed on non-accrual status. While on non-accrual status, loans are either accounted for on a cash basis, in which interest income is recognized only upon actual receipt, or on a cost recovery basis, in which receipts reduce carrying value, based on the Trustee's judgment as to collectability of principal.



**US Open-End Real Estate Investment Philosophy & Research Process**

**26. Briefly describe the investment philosophy, strategy, style and distinguishing characteristics of your US Open-End Real Estate fund.**

JPMAM has long viewed real estate as a key asset class. As a major real estate investor on behalf of our clients for over 40 years, GRA believes that many clients can benefit from a strategic real estate allocation in their portfolios, be it in public or private real estate, or a combination of both. Real estate seeks to offer investors lower volatility than stocks and higher yields than investment grade bonds. It also tends to be a powerful diversifier because of its low correlation with stocks and bonds. As a result, adding real estate to investment portfolios has tended to raise risk-adjusted returns.

GRA offers a platform of real estate products and services that emphasize the total requirements of our institutional clients, many of whom are tax-exempt investors

Our investment philosophy for SPF is based on our belief that consistently excellent investment results can be achieved by investing in a diversified portfolio of dominant, high-quality assets while maintaining a low risk profile across the portfolio. The Fund's research-based portfolio construction process leverages the information advantage created by our in-depth real estate expertise and Firm-wide research capabilities.

The Fund invests in high-quality stabilized office, retail, residential and industrial assets with dominant competitive characteristics in primary markets with attractive demographics throughout the United States. Properties are well-leased generating significant operating cash flow and a high income return. The Fund does not invest in higher risk sectors such as hospitality, assisted living, self storage, etc. New development is minimal. When presented with the right opportunity, the Fund will selectively capitalize on development opportunities in order to enter or extend the Fund's presence in key markets with high quality assets but not exceed the Fund's maximum new development guideline of 5%.

The Fund seeks to outperform the NCREIF Fund Index – Open End Diversified Core Equity Index (“NFI-ODCE” or “ODCE”) through asset, geographic and sector selection and active asset management.

We believe our diversified approach to investing in the core real estate space gives us confidence in our ability to achieve our targeted goals. We seek both income and appreciation, by investing across property types, across geographies, and in a variety well-diversified portfolio of high-quality assets. The Fund's size enables it to be broadly diversified across all sectors and geographic regions, and acquire large, class-A assets in primary markets that tend to display less elasticity in operations and asset valuations through market cycles. The diversification benefits help to mitigate the potential effect of regional or property-specific downturns. By focusing on identifying and investing in assets with these characteristics, we believe the Fund can generate a total return premium in excess of ODCE over a full market cycle.

We believe our process and people are set up to deliver enhanced returns through our competitive advantages. Strong asset selection and management are achieved through:

- High Quality Deal Flow - One of our distinct competitive advantages is the quality of our deal flow, which is a combination of widely marketed and privately negotiated deals. On an annual basis, we underwrite roughly \$10 to \$11 billion worth of deals of which we close approximately \$3 to \$3.5 billion.
- Relationships – Our network of relationships with real estate owners, operators and developers helps us source deals, as well as leverage third party expertise in the management of real estate. For example, our venture with retail operators like Edens, have

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sourced unique investment opportunities for both our commingled fund and separate account clients, as well as produced excellent investment performance.

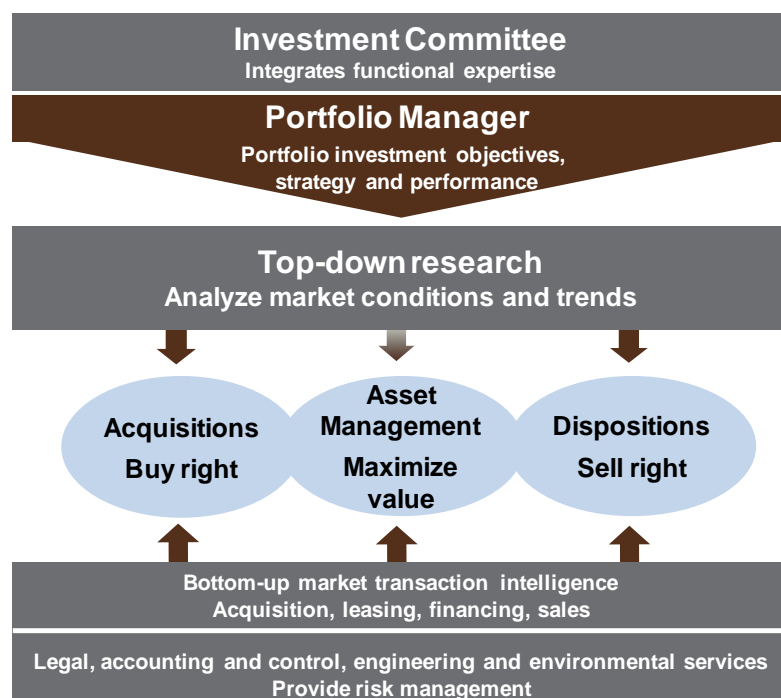
- Research Advantage – Research is embedded throughout our investment process, from portfolio construction to acquisition, asset management and disposition. Our system and process is set up to provide better information for our decision makers which ultimately helps us buy right, maximize value and sell right.
- Rigorous underwriting Procedures – Careful scrutiny of every transaction and the accountability of our acquisitions professionals for investment performance as opposed to transaction volume are key in accurately pricing a transaction.
- Acquisition and Asset Management Experience – Our people are well experienced and have been through several real estate cycles. Our acquisitions staff knows how to find and price opportunities in up and down markets, and our Asset Management team can respond quickly to changing market conditions to preserve capital value in down markets and enhance value in rising markets.

We believe the quality of our people, our process and our competitive advantages combine to give us an enhanced ability to produce strong performance on behalf of our clients.

*The manager seeks to achieve the strategy's stated objectives. There can be no guarantee they will be achieved.*

JPMCB SPF utilizes a pure core strategy and does not invest in hotels, senior housing, or self-storage properties. If accretive to performance, the Fund will undertake new development only to the extent that it is ancillary to an existing investment (e.g., the build-out of land owned as part of an office or industrial park or the expansion of an existing retail property).

The flow chart below outlines our investment process, which integrates all of the Real Estate group's investment teams.





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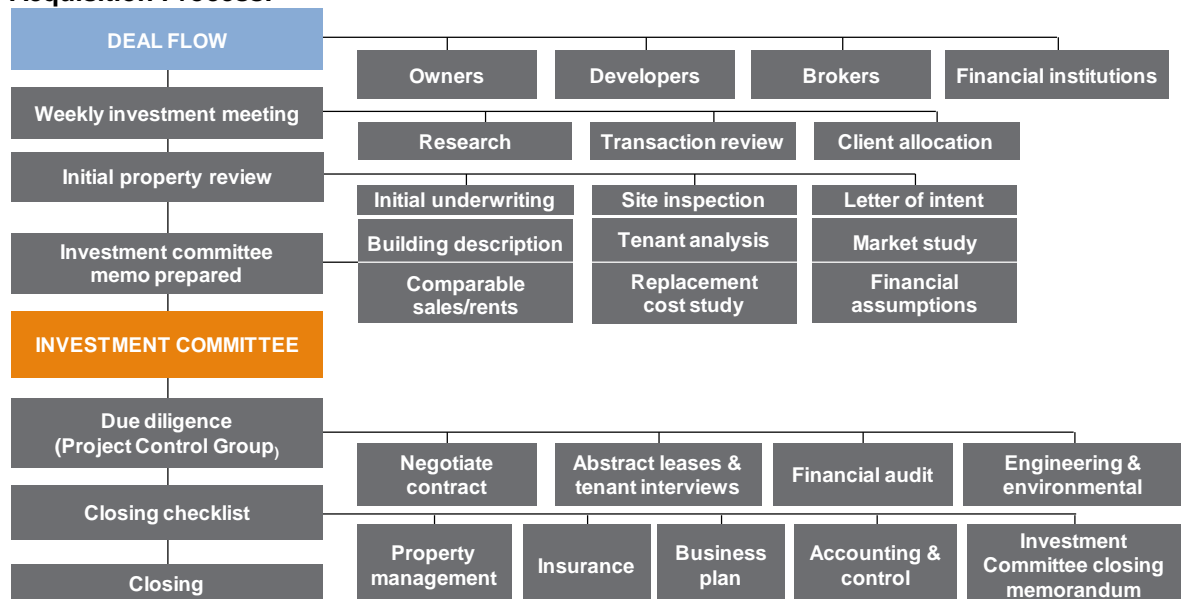
The three ovals in the center of the flow chart are the three components of our investment philosophy: buying right, adding value and selling right. Immediately above and below the three ovals, the two bars represent a “top-down” view of the markets provided by the Portfolio Manager and the Real Estate Research Group with a “bottom-up” perspective from our on-the-ground Acquisitions and Asset Management Groups. The flow chart’s top boxes reflect the collaboration between the portfolio manager and the investment committee on all portfolio investments. The requirement for unanimous Investment Committee consent on all acquisitions and dispositions best illustrates this collaboration. The foundation of our investment process is rigorous risk management.

### Acquisitions

The Acquisitions Group originates, negotiates, and closes all investment opportunities. Headed by Benjamin Gifford, the group is divided into four teams, each led by a senior acquisitions officer. Acquisitions officers source investments through the numerous relationships established over the years: the JPMorgan Chase network, direct discussions with owner-sellers, broker submissions, partners and property managers. Each team is fully familiar with their assigned markets, and site visit any current opportunity.

Bids are prepared by the acquisition officers and submitted after a preliminary, but detailed, financial analysis based on industry standard applications. The analysis of a proposed transaction and recommendation by the Acquisitions Group is contained in an investment memorandum that is reviewed by the Investment Committee. In order for a proposed transaction to be approved for inclusion in a portfolio, there must be a unanimous approval by the voting members, with input from the participating members of the Investment Committee. Once an investment has been approved by the Investment Committee, a Project Control Group is formed to coordinate the underwriting and due diligence process.

### **Acquisition Process:**



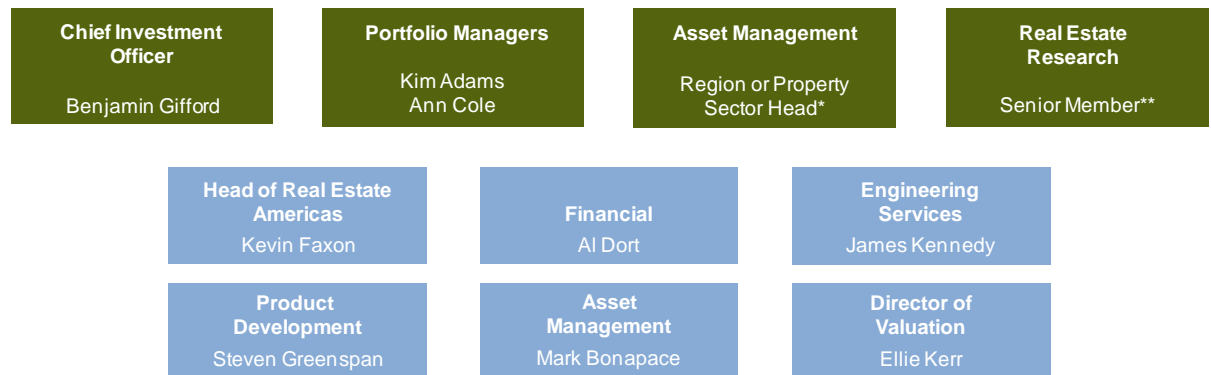
### Investment Committee

All private real estate transactions that are acquired by SPF go through an Investment Committee process detailed below.

Our Investment Committee is comprised of ten highly experienced and talented individuals. The Chief Investment Officer, Portfolio Managers, Asset Management sector head (who is ultimately responsible for the performance of the asset), and Senior Real Estate Research representative

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must vote unanimously on investment decisions based on active input from the entire committee. We believe that the smaller voting body creates focus on accountability and investment ownership. The process is streamlined and efficient as illustrated in the following chart:



**A unanimous vote is required to approve acquisitions and dispositions**

**\* Asset Management Region and Sector Heads:**

East/South: Andrea Pierce  
Central: Scott MacDonald (in transition)  
West: David Sears  
Residential: Allina Boohoff  
Retail: Joseph Dobronyi

**\*\* Real Estate Research Senior Members**

Dave Esrig  
Anne Hoagland  
Brian Nottage  
Luigi Cerreta

Voting members  Participating members

The Fund's Investment Committee consists of four voting members:

1. The **Chief Investment Officer (CIO), Benjamin Gifford**, provides investment experience and ensures consistency of process and policy.
2. **Kim Adams and Ann Cole**, as **co-portfolio managers**, represent the interests of the Fund.
3. The **property sector head** (an asset manager) provides property and market expertise.
4. A **senior representative from the Real Estate Research Group** advises on markets, risks/opportunities and portfolio strategies.

Additionally, six participating members actively contribute through their invaluable insight and perspective on their individual areas of expertise:

1. J.P. Morgan Asset Management – Head of Real Estate Americas, **Kevin Faxon**
2. Asset Management Group Head, **Mark Bonapace**
3. Development and Engineering Group Head, **James Kennedy**
4. Financial Group Head, **Al Dort**
5. Director of Valuations, **Ellie Kerr**
6. Global Director of Product Development, **Steven Greenspan**

*All information as of December 31, 2013*

The Investment Committee oversees the investment process and approves all acquisitions and dispositions. A decision must be **unanimous among voting members** of the Investment Committee to approve both acquisitions and dispositions.

### Research

As part of a global asset management firm, our highly-respected Real Estate Research Group benefits from JPMAM's extensive global macroeconomic and capital markets research, as well as the credit and equity analysts who analyze the underlying regional and local economic factors that

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drive real estate returns in the U.S. market. We believe this produces superior real estate investment decisions.

Our Real Estate Research Group is located in the New York office and is headed by Dave Esrig, a strong research professional with 22 years of industry experience, as of December 31, 2013. The Real Estate Research Group works with Portfolio Management, Acquisitions, Asset Management and Client Services to support our direct real estate clients, as well as our overall investment, portfolio management, valuation, and new product development activities.

The research team examines the performance and outlook of the four major real estate asset classes in the context of macro, regional economic trends, and capital markets conditions. Research considers real estate finance, regional economics, technology and e-commerce, Fed policy and relative value in the REIT vs. private real estate markets. They identify disparities in regional growth rates and relative value between property sectors. The Team tracks real estate space and capital markets conditions to assess cyclical and secular trends. On a micro level, over 100 metropolitan areas are monitored on a monthly basis and approximately 50 markets are followed in detail. From a macro perspective, when examining market and regional trends, the Real Estate Research Group looks at a broad range of economic and real estate market data.

A distinctive element of our dedicated Real Estate Research Group is its ability to add value during each phase of the investment management process:

- Acquisition Research: Provides a “top-down” view of the markets, the economic conditions and the relative value of each real estate property sector within a given market. A senior member of the Real Estate Research Group participates in every Investment Committee meeting in which new investment opportunities are discussed.
- Asset Management Research: Provides market updates to asset managers and clients in conjunction with the annual business plan process.
- Disposition Research: Provides inputs into the annual hold/sell analysis and makes recommendations to the portfolio manager on each hold or sell decision, based upon the analysis of market and economic conditions.

### **Due Diligence**

The due diligence process is a collaborative effort led by Acquisitions, with support from Asset Management, Financial Management and DEG. Pre-acquisition due diligence is at the center of our risk management policy and procedures. Comprehensive due diligence is essential to successful investment performance but particularly important for a core investor where the investment strategy demands a consistent and growing level of cash flow. The due diligence process concludes with a checklist that is reviewed and signed off by all responsible parties with a final sign-off from the Portfolio Manager.

*Asset Management:* Asset Managers are involved in the underwriting and closing of all transactions. The Asset Management Team reviews the investment underwriting and confirms that the facts and assumptions are consistent with their experience in the market. Asset Management reviews all financial information including leases, revenue and expense projections, service contract, etc. The Asset Managers take special interest in the due diligence process as they are responsible for the asset’s investment performance once a property is acquired.

*Financial Management:* The Financial Group works closely with the Due Diligence Team and outside auditors to complete a financial audit of all property information. Historical operating revenues and expenses, along with current and prospective real estate taxes payable, are evaluated and compared to the investment underwriting. If there are material differences, the Portfolio Manager and Chief Investment Officer meet to determine an appropriate course of action.

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*Development and Engineering Group:* DEG coordinates all engineering related phases of pre-acquisition due diligence activities. During the pre-acquisition phase, DEG performs engineering and environmental due diligence to identify and mitigate potential liabilities. In addition, the team develops a projection for capital improvements over the proposed holding period for comparison and inclusion into the investment underwriting.

**Asset Management**

The Asset Management team is a highly experienced team of professionals from diverse backgrounds, including, architecture, public accounting, engineering and development. The group is led by Mark Bonapace and five sector heads that specialize by property type.

Mark Bonapace, Head of Asset Management 21 years experience					
Specialization by Sector and Region					
Retail Joseph Dobronyi 30 years experience	East/South Andrea Pierce 26 years experience	West David Sears 26 years experience	Central Scott MacDonald 36 years experience	Residential/ Alternatives Allina Boohoff 15 years experience	Development & Engineering James Kennedy 24years experience
Five Asset Managers	Three Asset Managers	Ten Asset Managers	Three Asset Managers	Seven Asset Managers	Four Managers
Three Analysts	One Associate Four Analysts	Three Analysts	Three Analysts	One Associate Six Analysts	One Associate
22 India-based Analysts					

*As of December 31, 2013*

We employ a disciplined asset management process that encourages its Portfolio and Asset Managers to proactively seek opportunities to enhance portfolio performance and to add value. Asset Managers are charged with an obligation to maximize the investment performance of each asset, and are responsible over the performance of property management, development, business plan implementation and valuation activities.

These Asset Management procedures include:

- Help ensure that the third-party property management firms effectively budget for, maintain, lease and improve the investments in accordance with approved annual business plans
- Value investments monthly and engage external firms to appraise each asset at least once a year
- Initiate the hold/sell analysis, working closely with the other assigned team members on the account, in formulating recommendations to acquire or dispose of an asset
- Coordinate the Project Control Group which completes the sales due diligence for dispositions
- Ongoing review of each asset and market conditions that could impact it

*Annual Budget and Business Planning*

Specific goals and objectives for the coming year are set forth in each annual business plan. The budget and business planning process is typically completed one month before the commencement of the budget year.

*Asset Strategy Review*

As a complement to the annual budget and business planning process, a comprehensive Asset Strategy Review ("ASR") is conducted in-house by the chief investment officer, portfolio manager,

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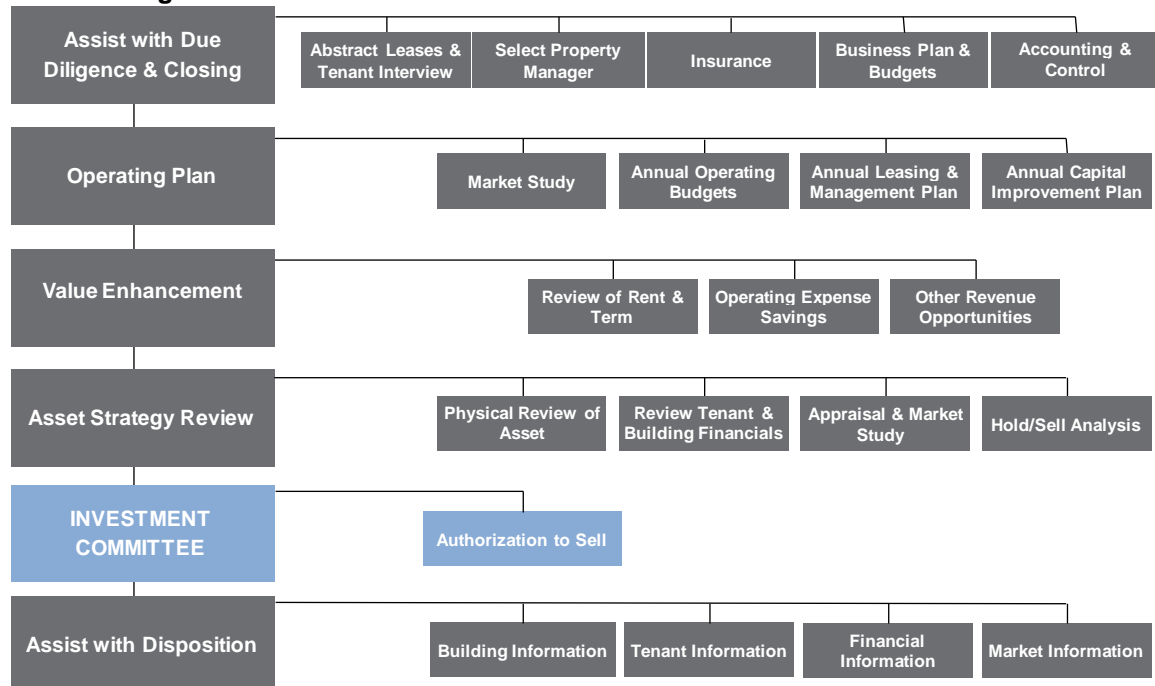
financial manager, director of valuation, in collaboration with the entire Asset Management Group. ASRs are typically conducted in late January or early February for the Fund each year.

A hold/sell analysis for each asset is performed in conjunction with the annual appraisal and business plan and is reviewed as part of each property's annual ASR. This comprehensive analysis evaluates multiple qualitative and quantitative criteria affecting asset performance and value based on a proprietary model that incorporates our Firm's real estate research and capital markets expertise with the Asset Manager's intimate knowledge of the asset and the local market.

The Asset Manager considers a multitude of micro and macroeconomic factors to determine:

- Sensitivity analysis on economic trends impacting the asset
- Position of the asset relative to the market
- Perceived market acceptance for the asset

### Asset Management Process:



### Property Management

The Group has made a strategic decision **not to offer property management or leasing services** to clients. We believe that in-house property management and leasing may create a conflict of interest as there may be a tendency for a firm with a property management affiliate to always use its affiliate and not choose the most capable manager in the market.

#### Competitive Bid and Evaluation Process

The Group competitively bids the contracts for each of these services, with the objective of obtaining the very best available services in each local property market. The Asset Managers consider each property manager's qualifications, past performance, reputation, fee structure, competitive alignment, market share, and conflicts of interest. We look for firms that have strong local, regional and national relationships and a demonstrated ability to execute the annual business strategy and to comply with our property management policies, procedures, and reporting requirements.

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The Asset Managers evaluate each property manager annually, with input from the portfolio manager, the financial group and the in-house engineering group. Factors relating to management, leasing and accounting service as well as the overall organization are reviewed. A comparison to the prior year evaluation is provided as well as specific comments on current year performance and recommendations for improvement. The group does not hesitate to replace a property manager in the event that performance is not acceptable, and has done so numerous times.

- 27. Please provide a list of the types of real estate that your firm currently holds in this fund. Include the percentage of the portfolio in private versus public instruments. Also, please provide a list of Real Estate instruments that your firm will not hold in your US Open-End Real Estate fund.**

The Fund invests in high-quality stabilized office, retail, residential and industrial assets with dominant competitive characteristics in primary markets with attractive demographics throughout the United States. The properties are well-leased, generating significant operating cash flow and a high income return. All of the assets in the Fund are considered private real estate investments.

The Fund does not invest in higher risk sectors such as hospitality, assisted living and self storage. New development is minimal. When presented with the right opportunity, the Fund will selectively capitalize on development opportunities in order to enter or extend the Fund's presence in key markets with high quality assets but not exceed the Fund's maximum new development guideline of 5%.

- 28. What is the firm's process for conducting individual property analysis or research? What characteristics are sought? What role does macro-economic research play in the US Open-End Real Estate discipline's investment decision-making process? Also state the firm's sources of potential investment ideas.**

As previously mentioned, our highly-respected Real Estate Research Group benefits from JPMAM's extensive global macroeconomic and capital markets research, as well as the credit and equity analysts who analyze the underlying regional and local economic factors that drive real estate returns in the U.S. market. We believe this produces superior real estate investment decisions. Our Real Estate Research Group is located in the New York office and is headed by Dave Esrig, a strong research professional with over 22 years of industry experience as of December 31, 2013. The Real Estate Research Group works with Portfolio Management, Acquisitions, Asset Management and Client Relations to support our direct real estate and REIT clients, as well as our overall investment, portfolio management, valuation, and new product development activities.

Our investment process incorporates our in-house research team's top-down approach and their involvement in acquisitions, asset management and portfolio management, as well as the bottom-up perspective of our acquisitions and asset management teams. We buy, sell, own and finance real estate in most major markets. The information gained through our active involvement and relationships in these markets is also incorporated into our process. Portfolio Management, the Investment Committee and every one of our investment professionals have the benefit of this top-down, bottom-up view in performing their fiduciary duties.

The research team examines the performance and outlook of the major real estate asset classes in the context of macro, regional economic trends, and capital market conditions. Research considers real estate finance, regional economics, technology and e-commerce, Fed policy, and relative value in the REIT vs. private real estate markets. They identify disparities in regional growth rates and relative value between property sectors. The team tracks real estate space and capital markets conditions to assess cyclical and secular trends. On a micro level, over 100



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metropolitan areas are monitored on a monthly basis, and approximately 50 markets are followed in detail. From a macro perspective, when examining market and regional trends, the Real Estate Research Group looks at a broad range of economic and real estate market data.

***A distinctive element of our dedicated Real Estate Research Group is its ability to add value during each phase of the investment management process:***

- *Acquisition Research* – provides a “top-down” view of markets, the economic conditions and the relative value of each real estate property sector within a given market. A senior member of the Research Group participates in every Investment Committee meeting in which new investment opportunities are discussed.
- *Asset Management Research* – provides market updates to asset managers and clients in conjunction with the annual business plan process.
- *Disposition Research* – provides inputs into the annual hold/sell analysis and makes recommendations to the portfolio manager on each hold or sell decision, based upon the analysis of market and economic conditions.

The Research Group’s responsibilities are functionally divided into the following areas:

*Market Strategy*

- Analyze local market supply and demand trends
- Apprise Portfolio Management, Acquisitions and Asset Management of economic trends
- Participate in Investment Committee reviews of acquisitions

*Portfolio Strategy*

- Develop analytical tools and models for identification and evaluation of portfolio strategies
- Provide limited portfolio advisory service to select clients
- Provide salespeople with recommended portfolio blends

*Analytics and Information Systems*

- Develop analytic tools used for product design, performance attribution and portfolio risk management
- Develop, maintain and enhance the Real Estate Information System as a means of providing market data and analysis for acquisitions, portfolio management and asset management

Publications, Reports and Conferences

- Produce periodic reports on real estate market conditions, investment strategy and other topics of interest
- Maintain consistency and quality standards for presentation format and writing style for all research publications

Create research presentations for internal and external clients:

Standard Reports	Internal Reports
<ul style="list-style-type: none"> <li>• Real Estate Insights, a market outlook report published two to three times per year</li> <li>• Periodic special reports on market trends and forces</li> </ul>	<ul style="list-style-type: none"> <li>• Quarterly report covering metro area real estate demand trends</li> <li>• Ad hoc (when changing market conditions warrant) supply and demand analysis of the multifamily market</li> <li>• Daily screening and redistribution of pertinent news articles via e-mail</li> </ul>

**Other Internal Research Capabilities**

In addition to the Real Estate Research Group, the team benefits from JPMAM's extensive global macroeconomic and capital markets research, as well as the credit and equity analysts who analyze the underlying regional and local economic factors that drive real estate returns in the U.S. market.

Furthermore, the REIT analysts are a part of the Equity Research Group which covers the major industries in the U.S. market. Their specialized sector coverage provides insight on future growth/shrinkage of major REIT companies, their impact on geographic regions and real estate property sectors.

**External Research**

The Real Estate Research Group utilizes a number of outside data sources, including:

- Axiometrics
- Torto Wheaton
- Economy.com
- REIS
- Real Capital Analytics
- Seaglex
- Smith Travel Research Rosen Consulting Group
- Lodging Development
- GIS Dynamics
- Costar
- Demographics Now
- NCREIF Additional Data
- Claritas

The Research Group uses this information and its proprietary models to rank markets and property types for both fundamental conditions and risk. This information is, in turn, used to establish portfolio diversification and risk control guidelines.

**29. How does your firm assess the liquidity of its US Open-End Real Estate fund investments?**

JPMCB SPF has an excellent liquidity track record. By design, the Fund maintains a provision for cash holdings of 1% to 7.5%. Furthermore, because of its large size and income-focused strategy, the Fund naturally generates cash from operations to meet quarterly distributions for income and redemption requests. The Fund has never suspended liquidity payments since the inception of the Fund. At the end of the fourth quarter of 2013, the cash position stood at 3.4% of the Fund's NAV.

**30. What pricing procedures are employed to value portfolio holdings?**

Please refer to our response to Question 23 above.



**US Open-End Real Estate Fund Construction and Management**

- 31. Describe in detail your US Open-End Real Estate portfolio management process. If a team approach is used, state the names of the team members and explain the role(s) of each team member, with particular emphasis on property types.**

Please refer to our response to Question 26 above.

- 32. What is your firm's level of expected long-term outperformance?**

The Fund seeks to outperform the NFI-ODCE Value Weighted Index, which is the Fund's official benchmark. We project the full year 2014 gross total return to be in the range of 8% to 10%, driven by strong income of 5.2% and appreciation in the range of 2.8% to 4.8%. Please note these are projections and subject to change.

*The manager seeks to achieve the stated objectives. There can be no guarantee the objectives will be met.*

- 33. State the typical benchmark(s) you use to measure the US Open-End Real Estate product performance. Which benchmark do you believe is best?**

Starting in calendar year 2013, the Fund changed its official benchmark from NCREIF Property Index ("NPI") to NFI-ODCE. NFI-ODCE is a broad based fund level index of core open end funds and takes into account leverage, the ownership percentage in joint venture structures and cash holdings. The Fund's investors, as well as many of our peers in the industry, are utilizing NFI-ODCE in their performance measurement. Accordingly, the Fund has adopted the NFI-ODCE Value Weighted Index as its official benchmark to use as a comparison to how the Fund is performing versus other funds with stated "core" strategies. We believe 2013 was a good time to change as we were neither in a peak nor trough of the real estate cycle.

- 34. What is the typical number of properties in the US Open-End Real Estate portfolio? What are the typical portfolio weights of these property types?**

SPF does not have any specific guidelines with respect to the number of direct real estate investments to be held in the Fund. As of December 31, 2013, the Fund had 162 direct real estate investments (excluding land, mortgages and other real estate investments). The Fund invests in the four major property types (office, retail, industrial and residential) and aims for its asset type concentration to be +/- 15% versus NCREIF.

- 35. Typically, what percentage of the US Open-End Real Estate fund that will be invested in publicly-traded Real Estate properties, privately-traded Real Estate securities, stock of Real Estate operating companies, and public- or privately-traded commercial mortgage backed securities. Provide the list of holdings as of December 31, 2013, and list the allocations and typical ranges to these types of holdings.**

The Fund has interests in two private Real Estate Investment Trusts (REITs), Donahue Schriber Realty Group ("DSRG") and Edens Investment Trust ("Edens"). As of December 31, 2013, the Fund's exposure to DSRG and Edens was 2.7% and 3.7% of the Fund's NAV, respectively. The Fund's exposure to these investments is below its guideline for single largest asset concentration, which is 5.0% of the Fund's NAV. There is no typical range for these types of holdings as the Fund's primary investment strategy is to invest in direct real estate investments.

**36. Please explain how country allocation decisions are made,**

Not applicable.

**37. What is the firm's approach to currency management? Will currencies be used as an active management tool?**

Not applicable.

**38. Explain the firm's portfolio approach to the level of cash and equivalent holdings. Specify the normal, maximum and minimum levels of cash holdings.**

SPF has an excellent liquidity track record. By design, the Fund maintains a provision for cash holdings of 1% to 7.5%. Furthermore, because of its large size and income-focused strategy, the Fund naturally generates cash from operations to meet quarterly distributions for income and redemption requests. The Fund has never suspended liquidity payments since the inception of the Fund. At the end of the fourth quarter of 2013, the cash position stood at 3.4% of the Fund's NAV.

**39. Describe the firm's US Open-End Real Estate fund sell discipline.**

**Buy/Sell**

Our asset management team, in conjunction with the portfolio manager, the chief investment officer, research, financial, and valuations group is responsible for the development of an on-going strategic plan and exit strategy for each portfolio property. JPMAM will seek to have control over the decision to initiate an exit strategy except perhaps in the case of a joint-venture relationship where decisions will be collaborative with partners that have long time relationships with JPMAM. A factor dictating the timing of the exit would essentially be opportunities presented in the market place.

A hold/sell analysis for each asset is performed in conjunction with the annual appraisal and business plan and is reviewed as part of each property's annual Asset Strategy Review, as outlined below:

- The asset manager provides all critical investment information on each asset, including a hold/sell analysis to the Asset Strategy Review team.
- The results are evaluated against the account's investment objectives and then formulated into an investment strategy and recommended course of action.
- The decision to accept the asset manager's hold/sell recommendation is made by the Investment Committee.
- Changing market conditions may warrant more frequent hold/sell analyses.

Each comprehensive hold/sell analysis combines the Firm's real estate research and capital markets expertise with the asset manager's intimate knowledge of the asset and the local market. A multitude of micro and macroeconomic factors are analyzed, including, but not limited to:

Macroeconomic factors:

- U.S. economic and capital market conditions
- Comparative analysis of U.S. Treasuries and REITs

Microeconomic factors:

- Comparable sales
- Property specific characteristics

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- Projected returns and cash flow

The asset manager considers these factors to determine:

- Sensitivity analysis on economic trends impacting the asset
- Position of the asset relative to the market
- Perceived market acceptance for the asset

A formal disposition recommendation would include:

- Specific reasons for disposition
- Confirmation of consistency with client objectives
- Capital redeployment analysis, if applicable
- Proposed structure of disposition
- Target disposition price
- Estimated disposition costs and net proceeds to the client
- Brokerage firm selection process
- Identification of potential buyers
- Anticipated disposition period and closing date

Subject to preliminary approval, we would retain a brokerage firm (pursuant to a competitive RFP process) and solicit offers from qualified buyers. Upon receipt of an acceptable offer and final client approval, the disposition process would be completed in accordance with the account's guidelines.

**40. What has been the average US Open-End Real Estate fund turnover for each year since January 1, 2007?**

Year	Turnover
Dec 31, 2007	3.1%
Dec 31, 2008	-0.3%
Dec 31, 2009	-0.5%
Dec 31, 2010	2.0%
Dec 31, 2011	27.4%
Dec 31, 2012	12.8%
Dec 31, 2013	15.3%

*Note: Represents the gross turnover over a rolling 12 month period*

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**Investment Management Fees, Etc.**

- 41. Provide your fee schedules on your US Open-End Real Estate fund. Please identify management fees and non-management/fund-administration fees/expenses separately if possible.**

The fee structure for the Fund is as follows:

100 basis points of the account's pro-rata share of the NAV, except that the fee will only be 0.15% with respect to the market value of cash/cash equivalents in excess of a 7.5% reserve position for cash/cash equivalents.

- 42. What are the custody costs, transfer agency fees, etc. of the trust, and are they an additional fee that is directly charged to the client?**

Not applicable. The only expense charged to clients is the management fee. Costs associated to the investment operations of the properties held in the Fund, including such expenses as independent auditors and third-party appraisals are charged to the Fund.

- 43. Has the firm entered into incentive fee arrangements? If so, provide details.**

The Firm has not entered into incentive fee arrangements with clients invested in the proposed fund.

- 44. Does your firm use any service, information, or merchandise paid for with directed commissions? If yes, please list the service(s) received from such commissions.**

No.

- 45. Please provide the name, address, telephone number and email address for three client references whom we may contact.**

Contact Name	Company	Address	Telephone	E-mail Address
Richard G. Boersma	Kansas City Employees' Retirement System	414 East Twelfth Street City Hall – 10 <sup>th</sup> Floor Kansas City, MO 64106	816-513-1904	Rick.boersma@kcmo.org
John Keane	Jacksonville Police and Fire Pension Fund	One West Adams Street Suite 100 Jacksonville, FL 32202	904-255-7373	KEANE@coj.net
Jeffrey Smith	State Board of Administration of Florida	1801 Hermitage Boulevard Tallahassee, FL 32038	850-413-1142	jeff.smith@sbafla.com

**US Open-End Real Estate Investment Performance**

46. Please send a supplemental spreadsheet with the following GIPS-compliant time-weighted monthly composite performance information since inception in the following five columns (in columns B-D please use five decimal digits if available):

- A. Month-end date (e.g. 12/31/2013)
- B. Monthly total return (gross)
- C. Monthly total return (net)
- D. Monthly benchmark return (gross, please specify the benchmark)
- E. Month-end market value of assets associated with this performance record

Please refer to **Appendix A**. Please note we've also provided the Fund's gross and net quarterly total returns (in columns D and E), as the benchmark, NFI-ODCE, reports on a quarterly basis.

**US Open-End Real Estate Risk Management**

47. Describe in detail the key risks of the product and the firm's risk management process.

GRA considers risk management an integral component of our investment process. Risk management is embedded in our investment process and product design and achieved, in part, through:

- **Excellent Research:** A key theme throughout our investment process has been the quality and timeliness of our research. From a risk management perspective, research acts as our "early warning system". Our research team is constantly monitoring economic and market data, as well as investment trends. If there is a change in market conditions or in investor sentiment for a particular product type or region, we will likely know about it first. The result is smarter buys (or decisions not to buy), as well as more timely sales.
- **Rigorous Underwriting Procedures:** We view ourselves as nimble in the markets, but methodical in our approach to underwriting transactions. Our procedures are well-established and designed to ensure a transaction is examined from every angle. Our professionals are held accountable for their work product and are rewarded for investment performance, not for the volume of transactions they close.
- **Empowering the Appropriate Specialists to Influence the Investment Process:** We believe it is dangerous for an individual or group to have undue influence over decision making. To help avoid running this risk, GRA has designed a team system that ensures all pertinent disciplines have a voice in the investment process, including Asset Management, Acquisitions, Global Product Development, Engineering Services, DEG and Financial.

SPF has an established risk management strategy throughout the investment process. The following outlines our risk management strategy with respect to the Fund in terms of market (systematic) and property (unsystematic) level risk.

**Systematic Risk**

Financial/Structural Risk:

- Low loan to value
- No recourse except short-term completion
- Guarantees on construction loans

**Miami Beach General Employees' Retirement Plan**  
**JPMCB Strategic Property Fund**

Liquidity Risk:

- \$21.2 billion equity from 346 accounts (as of December 31, 2013)
- Open ended vehicle
- Quarterly withdrawal policy

Cash-Flow Risk:

- Stable diversified income stream
- No significant tenant concentration

Control Risk:

- All joint venture investments have buy-sell features
- All joint venture investments have favorable dissolution features
- Professional financial reporting group
- Diligent audit and financial control management

Manager Risk:

- Vital, growing real estate group
- Access to wide cast of investment professionals
- Integrated proprietary dedicated real estate research group with long-term commitment to asset class
- Research group with long-term commitment to asset class
- Most clients have other, larger holdings managed by JPMAM
- Manager not totally dependent on real estate

**Unsystematic Risk**

- Broadly diversified
- \$27.7 billion GAV (as of December 31, 2013)
- Four major asset sectors

We also seek to manage risk at the portfolio construction level. Risk management elements have been included in the design of the Fund, as illustrated by the following specific guidelines:

**Miami Beach General Employees' Retirement Plan  
JPMCB Strategic Property Fund**

	<b>Fund Guideline</b>
Leverage Limit:	
Portfolio	35.0%
Asset Specific	65.0%
Cash Min - Max	1% - 7.5%
Asset Type Sector Concentration + / - vs. NCREIF <sup>1</sup>	
Office	15.0%
Industrial	15.0%
Residential	15.0%
Retail	15.0%
Geographic Sector Concentration + / - vs. NCREIF <sup>1</sup>	
East	15.0%
South	15.0%
West	15.0%
Midwest	15.0%
Development Property - Non Income Producing Max <sup>2</sup>	15.0%
JV Single-Partner Largest Concentration <sup>3</sup>	10.0%
Single Largest Asset Concentration <sup>3</sup>	5.0%
Annual Gross Turnover (rolling four quarters) <sup>4</sup>	5% - 20%
Annual Sales Turnover (rolling four quarters) <sup>5</sup>	5% - 20%

<sup>1</sup> Based on Fund's gross asset value (GAV) - direct real estate only, excluding Land

<sup>2</sup> Based on Fund's gross asset value (GAV) - direct real estate only, including Land. 5% for new development and up to a total 15% including re-development opportunities.]

<sup>3</sup> Based on the Fund's net asset value (NAV)

<sup>4</sup> Represents, as a percentage of the Fund's quarterly average gross asset value, the total gross acquisitions, gross sales proceeds and capital expenditures over a rolling 12 month period

<sup>5</sup> Represents, as a percentage of the Fund's quarterly average gross asset value, total gross sales proceeds over a rolling 12 month period

- 48. What risk measures are used to quantify country risk? What additional risks are assigned to emerging markets versus developed markets?**

Not applicable.

**Miami Beach General Employees' Retirement Plan  
JPMCB Strategic Property Fund**

**Disclaimer**

*The Commingled Pension Trust Fund (Strategic Property) of JPMorgan Chase Bank N.A. is a collective trust fund established and maintained by JPMorgan Chase Bank, N.A. under a declaration of trust. The Fund is not required to file a prospectus or registration statement with the SEC, and accordingly, neither is available. The Fund is available only to certain qualified retirement plans and governmental plans and is not offered to the general public. Units of the Fund are not bank deposits and are not insured or guaranteed by any bank, government entity, the FDIC or any other type of deposit insurance. You should carefully consider the investment objectives, risk, charges, and expenses of the fund before investing.*

*Investment advisory services provided by J.P. Morgan Investment Management Inc. The manager seeks to achieve the stated objectives. There can be no guarantee those objectives will be met.*

*This material is intended to report solely on the investment strategies and opportunities identified by J.P. Morgan Asset Management. Additional information is available upon request. Information herein is believed to be reliable but J.P. Morgan Asset Management does not warrant its completeness or accuracy. Opinions and estimates constitute our judgment and are subject to change without notice.*

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*Real estate investing may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investing may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.*

*J.P. Morgan Asset Management is the marketing name for the asset management businesses of JPMorgan Chase & Co. and its affiliates worldwide. Those businesses include, but are not limited to, JPMorgan Chase Bank, N.A., J.P. Morgan Investment Management Inc., Security Capital Research & Management Incorporated, and J.P. Morgan Alternative Asset Management, Inc.*

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# City of Miami Beach General Employees' Retirement Plan



PRINCIPAL U.S. PROPERTY ACCOUNT

APRIL 2, 2014

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## Organizational Background

1. Please provide your firm name, along with the addresses and telephone numbers of your main and branch offices. What investment activity is conducted at each office?

The table below details the primary locations for Principal Real Estate Investors, LLC investment teams and supporting staff as of December 31, 2013.

Office Location and Address, Phone	Function
<b>Des Moines, Iowa Address:</b> <b>801 Grand Avenue</b> <b>Des Moines, IA 50392-0490</b> <b>Ph: 800-533-1390</b>	Portfolio Management, Acquisitions/Dispositions, Asset Management, Accounting and Financial Management, Appraisal, Development and Engineering Services, Closing, Commercial Mortgage Origination and Servicing, Public REIT and CMBS Trading, Institutional Marketing, Client Service, Information Technology, Research and Compliance.
Chicago, IL 155 North Wacker Drive Suite 3850 Chicago, Illinois 60606 Tel: 312-541-0250	Portfolio Management, Asset Management, Research
Sacramento, CA 3300 Douglas Blvd Suite 145 Roseville, CA 95661-3815 Tel: 916-780-7123	Portfolio Management
New York, NY 888 7th Avenue, 25th Floor New York, New York 10019 Tel: 212-603-3600	Asset Management, Institutional Marketing and Client Service
Lakewood, WA 6020 Main St SW, Ste D Lakewood, WA 98499-6506 Tel: 253-682-0015	Portfolio Management and Asset Management
London Level 1 1 Wood Street London EC2V 7JB United Kingdom Tel: +44 20 7710 0220	Portfolio Management, Institutional Marketing, Client Service, Research and Public REIT Trading
Singapore One Raffles Quay #19-04 North Tower Singapore 048583 Tel: +65 6332 0683	Portfolio Management, Research, Public REIT Trading, Institutional Marketing and Client Service
Sydney Level 43, 50 Bridge Street, GPO Box 4169 Sydney NSW 2000 Australia Tel: +612 8226 9000	Portfolio Management, Public REIT Trading, Research, Institutional Marketing, and Client Service

2. Please provide the names, titles, telephone and fax numbers, and email addresses of your firm's new business and database/questionnaire contacts.

	New Business Contact	Database/Questionnaire Contact
Name	Doug Harper	Mike Neighbour
Title	Managing Director, Real Estate Sales and Marketing	Investment Product Advisor
Office	Des Moines	Des Moines
Phone	404-395-5444	515-248-3308
Fax	866-850-4024	515-247-0669
Email	Harper.Doug@principal.com	Neighbour.Mike@principal.com

3. When was your firm founded? When was it registered with the SEC?

Principal Real Estate Investors, LLC is a wholly owned subsidiary of Principal Global Investors, LLC and became a separate investment subsidiary in 1998. Principal Global Investors is a global investment management leader and a member of the Principal Financial Group® ("The Principal").

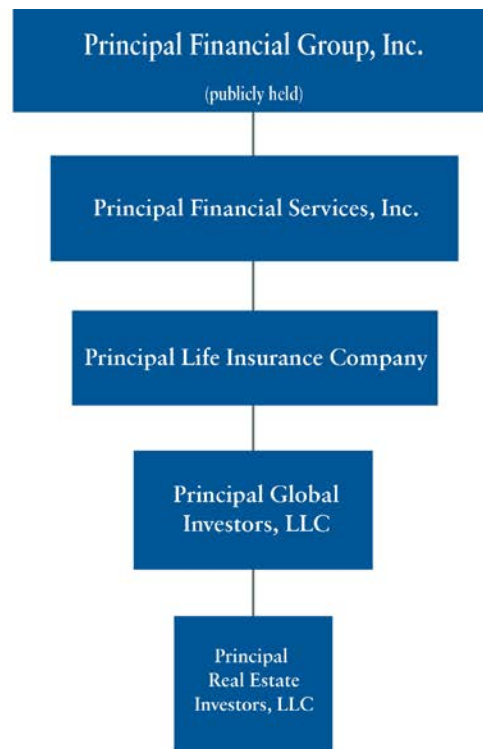
Principal Real Estate Investors, LLC was registered as a separate registered investment subsidiary on November 4, 1999.

4. Is your firm willing to acknowledge that it is a fiduciary with respect to our client's account?

Principal Life Insurance Company is a fiduciary for the Principal U.S. Property Account. As such, Principal Life monitors, retains and reviews the investment portfolio manager (Principal Real Estate Investors) who manages the plan assets in the Principal U.S. Property Account. Principal Real Estate Investors acknowledges that it is a fiduciary under ERISA when managing the Principal U.S. Property Account.

**5. Describe your firm's ownership structure and explain any changes since January 1, 2007.**

The organizational chart below details the ownership structure of Principal Real Estate Investors.



There have been no structural or ownership changes historically and we do not anticipate any in the future for Principal Real Estate Investors or Principal Global investors.

**6. Discuss your firm's relationship with any parent or affiliated companies. Have these relationships changed since January 1, 2007?**

Principal Real Estate Investors is a wholly owned subsidiary of Principal Global Investors, a global investment management leader and member of The Principal.

There have been no structural or ownership changes historically and we do not anticipate any in the future for Principal Real Estate Investors or Principal Global investors.

**7. State the carriers and the limits of errors and omissions and fiduciary liability insurance.**

The table below details the insurance coverage for Principal Real Estate Investors.

Type	Insurer	Coverage Limits
Errors & Omissions/ Professional Liability	Executive Risk Specialty Insurance, Indian Harbor Insurance Company, and Axis Insurance Company	\$25,000,000
Fidelity Bond	National Union Fire Insurance Company of Pittsburgh, Federal Insurance Company, and Westchester Fire Ins. Company	\$50,000,000
Fidelity - ERISA only	Chubb, Great American, Fidelity & Deposit Co. of Maryland, Continental Insurance Company, and XL Specialty Insurance.	\$1,000,000/Plan

**8. Describe any litigation regarding your firm's investment activities since January 1, 2007. Is your firm expecting any new litigation?**

Given the size and scope of our operations it is not uncommon to be involved in litigation, both as a defendant and as a plaintiff. However, management does not believe that any pending litigation will have a material adverse effect on our business, financial position or net income. Please see our public filings for additional information.

**9. Describe any judgments against your firm by governmental and regulatory agencies since January 1, 2007. Also describe any current investigations.**

Principal Real Estate Investors has not been the subject of any actions relating to our investment activities by the SEC or any regulatory agencies since our firm was established in 1998.

**10. Discuss any recent changes to the monitoring of employee compliance with firm policies.**

Principal Global Investors and Principal Real Estate Investors' code of ethics policy is in place to provide policies and procedures consistent with applicable laws and regulations, including Rule 204A-1 under the Investment Advisers Act of 1940; and to prevent conflicts of interests or the appearance of such conflicts when officers, directors, supervised persons, employees and other persons of Principal Global Investors own or engage in transactions involving securities held and/or traded in our client accounts. In order to mitigate the risks of conflicts of interest, our compliance area monitors personal trading via the on-line pre-clearance system, SunGard PTA. There have been no recent changes to the monitoring of employee compliance.

11. Please state the market value of assets under management for your firm for calendar year-ends starting with 2007. Also, please state accounts and assets gained, as well as accounts and assets lost over each of these periods.

The table below details the gross assets for Principal Real Estate Investors as of December 31, 2013.

Year Ended	TOTAL FIRM ASSETS <sup>1</sup>				
	Market Value (\$Millions)	# Accounts Gained*	Assets Gained (\$Millions)	# Accounts Lost*	Assets Lost (\$Millions)
Dec 31, 2007	\$43,642.14	36	\$625.07	4	\$28.61
Dec 31, 2008	\$36,923.38	23	\$621.89	21	\$3,152.09**
Dec 31, 2009	\$32,426.67	5	\$232.27	6	\$118.54
Dec 31, 2010	\$34,778.54	7	\$755.92	24	\$239.08
Dec 31, 2011	\$38,522.35	18	\$496.61	5	\$72.15
Dec 31, 2012	\$44,864.52	17	\$210.20	6	\$62.07
Dec 31, 2013	\$48,799.05	34	\$1,145.29	13	\$263.04

\*Number of accounts represents client mandates gained and lost, as listed above.

\*\*Assets lost represent a separate account client that transitioned (\$2.5B) real estate portfolio to internal investment management.

<sup>1</sup> Principal Real Estate Investors, LLC (the "Firm") is the dedicated real estate group of Principal Global Investors<sup>1</sup>. The Firm is a registered investment adviser and a member of the Principal Financial Group. Principal Global Investors is the asset management arm of the Principal Financial Group ® (The Principal ®)<sup>1</sup> and includes the asset management operations of the following subsidiaries of The Principal: Principal Global Investors, LLC; Principal Real Estate Investors, LLC; Principal Enterprise Capital, LLC; Liongate Capital Management LLP; Spectrum Asset Management, Inc.; Post Advisory Group, LLC; Columbus Circle Investors; Edge Asset Management, Inc.; Morley Financial Services Inc.; Finisterre Capital, LLP; Origin Asset Management, LLP; Principal Global Investors (Europe) Limited; Principal Global Investors (Singapore) Ltd.; Principal Global Investors (Australia) Ltd.; Principal Global Investors (Japan) Ltd.; Principal Global Investors (Hong Kong) Ltd.; CIMB-Principal Islamic Asset Management Sdn. Bhd.; and the majority owned affiliates of Principal International, Inc. Assets under management includes assets managed by investment professionals of Principal Global Investors under dual employee arrangements with other subsidiaries of The Principal and assets managed in accordance with investment advice provided by Principal Global Investors through the delivery of a model.

<sup>1</sup>"The Principal Financial Group" and "The Principal" are registered trademarks of Principal Financial Services, Inc., a member of the Principal Financial Group.

All assets under management figures shown in this document are gross figures, before fees, transaction costs and other expenses may include leverage, unless otherwise noted.

12. Please state the market value of total real estate assets under management for your firm for calendar year-ends starting with 2007. Please include real estate and any other type of real estate and/or property assets. Also, please state accounts and assets gained, as well as accounts and assets lost.

The table below details the gross assets for Principal Real Estate Investors as of December 31, 2013.

Year Ended	TOTAL FIRM ASSETS				
	Market Value (\$Millions)	# Accounts Gained*	Assets Gained (\$Millions)	# Accounts Lost*	Assets Lost (\$Millions)
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Dec 31, 2013	\$48,799.05	34	\$1,145.29	13	\$263.04

\*Number of accounts represents client mandates gained and lost, as listed above.

\*\*Assets lost represent a separate account client that transitioned (\$2.5B) real estate portfolio to internal investment management.



**13. What has been the level of personnel turnover for investment professionals at the total firm level over each calendar year since January 1, 2007? Explain any large changes.**

The table below represent all real estate investment professional turnover firm-wide over the last seven years (12/31/2006 to 12/31/2013). None of the departures or additions listed were key personnel to the Principal U.S. Property Account.

Year thru:	FIRM-WIDE	
	Employees Added	Employees Lost
Dec 31, 2007	50	10
Dec 31, 2008	2	65
Dec 31, 2009	1	20
Dec 31, 2010	7	8
Dec 31, 2011	12	4
Dec 31, 2012	6	5
Dec 31, 2013	7	7

During the recession of 2008-2009, Principal Real Estate Investors reduced investment professional staffing levels by approximately 18% for certain real estate products, primarily real estate debt strategies where we saw significant reductions in market activity and client demand. We also made the strategic decision to exit from our CMBS issuance activities, and this resulted in a significant number of redundancies, the primary contributor to this list. We see these events as one-time responses to a systemic event, and turnover over the last three years has reverted to normal levels.

**14. List the number of real estate professionals in each of the following categories as of December 31, 2013:**

Listed below are all employees of Principal Real Estate Investors as of December 31, 2013.

Category	# Professionals
Acquisitions/Dispositions	14
Asset Management	43
Property Management	*
Asset sales/dispositions	See Acq/Disp above
Finance/Accounting	18
Research	8
Client Development	**
Administration*** and other****	251
Total	334

\*Property Management responsibilities are outsourced to third party property management agencies.

\*\*Shared services among various assets classes and/or product lines with Principal Global Investors.

\*\*\*Administration includes 120 Principal Real Estate Investors non-investment personnel.

\*\*\*\*Other includes 131 investment personnel in the following categories: 12 Analysts; 3 Appraisers; 2 Associates; 54 Debt Closing, Production and Servicing; 6 Engineering Services; Head of Principal Real Estate Investors; 2 New Business Development; 4 Operations; 45 Portfolio Management; and 2 Product Specialists.

**15. What is the fund's redemption policy?**

Currently, there is no withdrawal limitation in place for the Principal U.S. Property Account.

During a withdrawal limitation, redemption requests are processed on a pro-rata basis. Officers of Principal Life have discretion to determine when payments will be made from the queue.

In the absence of a withdrawal limitation, withdrawal requests from the Principal U.S. Property Account are generally processed the next business day subject to cash availability. However, certain large clients are subject to additional withdrawal constraints, subject to agreement with the client. For instance, if significant amounts are requested from larger clients whose first year investment totals greater than \$50 million, the Account may limit the maximum redemption for an initial withdrawal request (over a 90 day period) to \$50 million. After the initial withdrawal request, clients may be limited to a \$25 million maximum withdrawal per quarter thereafter.

- 16. Please state the total amount if any of capital contribution and withdrawal requests from investors as of December 31, 2013. If a queue exists, what is the anticipated time for clearing the queue?**

Given demand for investment exposure to the Account and the Account's current capital needs, a deposit queue for new large deposits was instituted for the Account. As of December 31, 2013, a total of approximately \$321.5 million of capital is awaiting investment in the Account subject to the Account's capacity for accepting additional capital. It is anticipated that new entrants into the queue will have their capital called in the third quarter of 2014. However, this timing depends on many factors, including our ability to find attractive investment opportunities for the Account. When a deposit queue exists, each investor is fully invested by order of commitment date.

In the absence of a deposit queue, new contributions may generally be accepted into the Account within one business day of client notification. If a client requests a different or specific time frame, the Account will work closely with the client to attempt to accommodate the request.

Currently, there is no withdrawal limitation in place for the Principal U.S. Property Account.

#### **US Open-End Real Estate Investment Services**

- 17. Please provide the name of your US Open-End Real Estate product that you are recommending for our client. The size of this mandate is approximately \$40-50 million.**

Principal U.S. Property Account.

- 18. Please state the market value of assets under management in your US Open-End Real Estate product for calendar year-ends starting with 2007. Also, please state clients and assets gained, as well as clients and assets lost over each of these years.**

As of December 31, 2013, the Principal U.S. Property Account had 9,793 pension plans as clients, including 126 institutional clients with investments of \$5 million or more.

Year Ended	SPECIFIED US OPEN-END REAL ESTATE PRODUCT				
	Gross Market Value (\$Millions)	# Clients Gained*	Gross Assets Gained (\$Millions)	# Clients Lost*	Gross Assets Lost (\$Millions)
Dec 31, 2007	\$7,935.67	11	\$122.50	1	<\$1
Dec 31, 2008	\$6,936.77	8	\$48.66	1	\$14.44
Dec 31, 2009	\$4,638.09	1	<\$1	0	\$0
Dec 31, 2010	\$4,212.05	1	\$1.53	13	\$28.24
Dec 31, 2011	\$5,041.77	6	\$177.47	0	\$8.98
Dec 31, 2012	\$5,372.92	10	\$46.99	1	\$1.20
Dec 31, 2013	\$6,044.65	16	\$182.39	3	\$21.57

\* The Principal U.S. Property Account accepts both defined benefit and defined contribution investors. As such, gained/lost data for individual investor activity is not available in reference to new investors and or investors leaving the Account entirely. The data above reflects only the activity of institutional investors.

19. Provide the following information on the key members of the firm's US Open-End Real Estate portfolio management team: names; titles and responsibilities; years of investment experience, years with firm, and years with the team. Please provide biographies.

The table below details the experience of our Principal U.S. Property Account team members as of December 31, 2013. Please refer to Tab II for biographies of each team member.

Name	Title/Responsibilities	Years Inv. Exp.	Years w/Firm	Years w/Team
John Berg	Managing Director - Portfolio Management	19	19	10
Darren Kleis	Director of Portfolio Management	19	21	6
Jennifer Perkins	Portfolio Manager	18	18	11
Meighan Phillips	Assistant Portfolio Manager	8	8	7
Bridget Lechtenberg	Portfolio Analyst	7	7	1

20. What has been the level of personnel turnover for investment professionals at the US Open-End Real Estate product level for each calendar year since January 1, 2007? Explain any large changes.

The Principal U.S. Property Account portfolio management team has not experienced any turnover in the past seven years. In January of 2013, Bridget Lechtenberg joined the team as portfolio analyst, and Darren Kleis joined the team in 2007.

Year thru:	US OPEN-END REAL ESTATE PRODUCT SPECIFIC	
	Employees Added	Employees Lost
Dec 31, 2007	1	0
Dec 31, 2008	0	0
Dec 31, 2009	0	0
Dec 31, 2010	0	0
Dec 31, 2011	0	0
Dec 31, 2012	1	0
Dec 31, 2013	0	0

21. As of December 31, 2013, provide the number of investors, assets under management, median account size, and number of portfolio managers and analysts for the firm's US Open-End Real Estate product.

Gross Assets Under Management (\$Millions)	Number of Investors	Average Client Size (Net \$Millions)	Largest Client Size (Net \$Millions)	Number of Portfolio Mgrs	Number of Inv Analysts
\$6,044.65	9,793*	\$21.61	\$351.54	4	1

\* The Principal U.S. Property Account accepts both defined benefit and defined contribution investors. As such, gained/lost data for individual investor activity is not available in reference to new investors and or investors leaving the Account entirely. The data above reflects only the activity of institutional investors.

As of December 31, 2013, the Principal U.S. Property Account had 9,793 pension plans as clients, including 126 institutional clients with investments of \$5 million or more.

22. Is there a limit to the amount of assets the firm will manage in this US Open-End Real Estate strategy? If yes, please specify; ballpark estimates or ranges are acceptable.

The firm has not set limits on the asset size of the Principal U.S. Property Account. Principal Real Estate Investors has ample resources to manage the Account through a variety of economic and market conditions. The infrastructure in place allows for scalability within the Account and its operations given the knowledge base, skill level and experience of the real estate staff. We have successfully managed growth of the Account in the past and have full confidence in our ability to do so going forward.

23. Describe your valuation policy and procedures. Have these changed in the recent past? Do your values match external appraisals? How often do you think appraisals should be conducted?

Properties within the Principal U.S. Property Account are annually appraised through external valuations that are obtained from appraisers of nationally recognized firms that hold the MAI designation. Selection criteria include appraiser credentials, experience, reputation and service fees. Competitive bidding is utilized, but is not the sole basis for awarding assignments. The reports must comply with the Uniform Standards of Professional Appraisal Practice (USPAP). Appraisals determine the market value of the leased fee interest on an "as is" basis, as defined by USPAP, and should utilize the cost, sales comparison and income approaches to value.

The Account's valuation consultant, Altus Group, obtains an independent (external) third-party appraisal (meeting the above criteria) for each property in the Account at least once every 12 months. During the remaining three quarters of the year, Altus issues a limited scope external appraisal for each asset. At the end of each month, Altus provides a list of values to the Account based on a portfolio overview, updated discounted cash flow models, and/or limited scope restricted appraisals. Each day, facts regarding any event (i.e. a lease is signed at a property or information regarding a market comparable sale becomes available) that could impact property value are submitted to Altus. Altus quantifies the impact of the events and provides value recommendations to the Account to be immediately incorporated in the net asset value of the Account.

Our valuation policy and procedures have not changed in the recent past.

**24. Provide a description of property holdings by sector type, economic region and geographic region.**

The following is a list of guidelines for the Principal U.S. Property Account. There are no additional limitations regarding investments of the Principal U.S. Property Account.

<b>Number of Holdings</b>	Minimum of 80
<b>Permitted property types</b>	Office, Industrial, Retail, Multifamily, Hotels
<b>Property type concentration</b>	Minimum 50% of index; Maximum 150% of index
<b>Regional concentration</b>	Minimum 50% of index; Maximum 150% of index
<b>Single property exposure</b>	Maximum 7.5% of gross fund assets
<b>Single market exposure</b>	Maximum 15% of gross fund assets
<b>Fund/Property leverage</b>	Maximum 33% of gross fund assets/ Maximum 80% for individual property
<b>Non-stabilized properties**</b>	Maximum of 15% of gross fund assets
<b>Development</b>	Maximum of 7.5% of gross fund assets (included in the 15% maximum above)
<b>Cash balance</b>	10% maximum (average of last day of trailing four quarters)
<b>Joint ventures</b>	Maximum 40% of gross fund assets (15% for minority JVs)
<b>Forward commitments</b>	Maximum of 7.5% of gross fund assets annually
<b>REIT exposure</b>	2% maximum*

\*The Account does not currently hold any REITS and there are no plans to in the future.

\*\*Non-stabilized properties include those which are acquired at less than 85% occupancy, are under development or redevelopment or are land holdings.

As of December 31, 2013, the gross real estate asset diversification of the Account by property sector was:

<b>Property Sector</b>	<b>%</b>
Office	42%
Multifamily	17%
Retail	19%
Industrial	17%
Hotel	3%
Other (Land)	2%

As of December 31, 2013, the gross real estate asset diversification of the Account by geographic region was:

Geographic Region	%
West	38%
East	25%
South	27%
Midwest	10%

**25. How is cash from operating income and sales treated?**

All cash is automatically reinvested. The Principal U.S. Property Account does not pay, and has not historically paid, an income dividend. In the absence of a withdrawal limitation, clients may effectively create their own distribution schedule due to the daily valuation of the Account by submitting a withdrawal request. Such requests have no priority over other requests, and are subject to available liquidity after the payment of certain other Account obligations including, without limitation, certain benefit payments and payments related to the management of the Account's assets.

**US Open-End Real Estate Investment Philosophy & Research Process**

**26. Briefly describe the investment philosophy, strategy, style and distinguishing characteristics of your US Open-End Real Estate fund.**

The Principal U.S. Property Account is a core real estate account designed to have a low to moderate risk profile compared to other open-end real estate funds comprising the NFI-ODCE. This risk profile has two components: 1) a low to moderate real estate property risk profile; and 2) a low to moderate risk portfolio level operating profile. Low to moderate real estate property risk is accomplished by investing primarily in well-leased properties on an unleveraged basis. Low to moderate portfolio level risk is accomplished by operating with limited portfolio level obligations and a well-diversified portfolio.

In order to achieve diversification, we have invested in multifamily, office, industrial, retail and hotel assets. As of December 31, 2013 the Account held 116 assets in 39 metropolitan areas across the country. Within this diversified real estate portfolio, we are continually looking for the best risk-adjusted relative value investments available in the market and are evaluating existing assets in light of new opportunities. The investment objective for the Principal U.S. Property Account results in a portfolio that is well diversified and comprised of assets that individually represent investment opportunities in the market poised to offer the potential for attractive returns through a full market cycle.

The long-term investment objectives of the Principal U.S. Property Account are as follows:

- To invest in a well-diversified commercial real estate portfolio that reflects the overall performance of the U.S. commercial real estate market
- To provide clients with private real estate returns that, over a market cycle, meet or exceed the NCREIF Index Open-end Diversified Core Equity (NFI-ODCE) Equal Weight Index at the portfolio level.

While the Principal U.S. Property Account's long-term investment goals have not changed, short-term investment strategies are defined in light of current and forecasted economic and real estate market factors.

The Account's 2014 investment strategy includes:

- Invest in and maintain a high-quality infill portfolio
- Increase NOI at the property level
- Continue asset-liability matching activities at the property and Account levels
- Seek risk-adjusted opportunities to utilize the Account's value-added capacity, particularly through build-to-core, lease-to-core and redevelopment transactions.

The competitive advantages of the Principal U.S. Property Account include:

**More Than 30 Years of Operation:** The Principal U.S. Property Account is one of the industry's longest tenured open-ended core commingled real estate accounts. Principal Real Estate Investors is a uniquely qualified investment manager with expertise in all four real estate quadrants (public and private, debt and equity) and more than six decades\* of investment experience through multiple economic cycles. Over 200 investment professionals and our broad network of relationships provide a competitive advantage in accessing, underwriting and managing real estate across the risk-return spectrum and investment life-cycle. The firm and its parent company, Principal Financial Group, are financially sound and committed to the asset management and asset accumulation businesses. The senior management team remains intact and has on average 26 years of real estate experience and 22 years of firm experience. The dedicated portfolio team has the experience and resources to execute the investment strategy and achieve or exceed the performance objectives of the Account.

\*Experience includes investment activities beginning in the real estate investment area of Principal Life Insurance Company and continuing through the Manager to present.

**Core Focus:** Among its peer group of open-end, core funds, the Principal U.S. Property Account has remained a core offering through prudent management of both assets and liabilities. During the Great Recession, competitive fund's leverage ratios increased to levels well above historical standards (according to the NFI-ODCE Equal Weight benchmark), while the leverage ratio of the Principal U.S. Property Account remained lower than that of the benchmark. This liability management was accomplished through reducing leverage in a time when leverage negatively impacted returns. In more recent quarters as leverage has again been accretive to total returns, the Account has been able to selectively place additional leverage at historically low rates and increasingly more favorable terms. As such, the Account enjoys a low cost of debt capital relative to its peers (4.01% at December 31, 2013).



**Strong Diversification and Operational Effectiveness:** Due to its strong diversification, the Account is well-positioned to participate in the forward path of the U.S. economic and real estate recovery provided: 1) we are mindful of and diligently apply the lessons learned during the recent cycle; 2) we effectively manage risks on both sides of the balance sheet to avoid asset and liability mis-matches; and 3) we continue to strive for operational excellence in both investment management and business management. Our operational effectiveness at the firm is further illustrated by the continued leasing successes with the Principal U.S. Property Account, including an annual average of more than 850,000 square feet of positive net absorption over the past five years. This success in leasing, coupled with strong tenant retention, resulted in same-property net operating income growth on a year over year basis of over 8% in 2012 and 2013.

The operational philosophy and current strategic positioning of the Account have resulted in gross total portfolio returns that exceed the NFI-ODCE Equal Weight over the quarter, one, three, five and ten year time periods as of December 31, 2013.

Principal Real Estate Investors and the portfolio team are very committed to the long-term success of the Account. We have the experience, resources and proved discipline to lead the Account into the new decade.

- 27. Please provide a list of the types of real estate that your firm currently holds in this fund. Include the percentage of the portfolio in private versus public instruments. Also, please provide a list of Real Estate instruments that your firm will not hold in your US Open-End Real Estate fund.**

The list of guidelines for the Principal U.S. Property Account as well as property type as of December 31, 2013, is provided in QU 24. All holdings of the Principal U.S. Property Account are private real estate equity.

- 28. What is the firm's process for conducting individual property analysis or research? What characteristics are sought? What role does macro-economic research play in the US Open-End Real Estate discipline's investment decision-making process? Also state the firm's sources of potential investment ideas.**

Principal Real Estate Investors uses a team approach that combines the functions of acquisitions and dispositions. Our dedicated 14-person acquisition/disposition group is organized by geographic region. Each acquisition/disposition manager evaluates transactions in all four property types: retail, industrial, office and multifamily. Our business model is based on managers focusing exclusively on a geographic region of the country in order to better understand key players in that particular market, as well as the pros and cons of property locations. This model allows us to cover a wide range of markets, giving us in-depth knowledge of over 45 markets nationwide.

The acquisition/disposition group is responsible for sourcing potential investments based on market opportunities and client investment criteria. One of our firm's greatest competitive advantages is our ability to source a high volume of quality investments. This is achieved through Principal Real Estate Investors' vast borrowing network, which enables us to access transactions as a preferred buyer or, in many instances, access opportunities on a directly negotiated basis. Specifically over the past five years, nearly 70% of our transactions were either direct from the seller, repeat business, or through a lending relationship. Principal Real Estate Investors ability to access off-market deals is one of our greatest competitive advantages.

Research is fundamental to Principal Real Estate Investors' investment strategy and process, as well as its risk management activities. The research group conducts both macroeconomic and microeconomic research, including economic, political, technological, property trend and capital market analyses. Approximately two-thirds of research evaluated by the research group is generated internally. The group provides market demand and supply analyses and insight to our investment professionals and to our clients.

Key elements of our firm's research capabilities and how they are applied in the investment process are outlined below.

#### **Macroeconomic and Capital Markets Research**

This is a top-down process using the most recent global and domestic economic forecasts provided by Moody's Economy.com and Principal Global Investors Economic Committee. The Economic Committee consists of Jim McCaughan, the chief executive officer of Principal Global Investors, Randy Mundt, the chief investment officer of Principal Real Estate Investors and the firm's economists. These professionals meet on a monthly basis to share views and outlooks and to determine a firm-wide consensus outlook for the domestic and global economies and capital markets.

#### **Microeconomic (MSA level) Research**

In this step, the macroeconomic research is applied to the 45 metropolitan statistical areas (MSAs) that we cover. We incorporate our macro view and outlook at the MSA level to determine the relative strength of the individual markets. The primary results are an outlook for economic and employment growth and the relative risks associated with such forecasts.

#### **Market Level Real Estate Supply and Demand Research (EBA Process)**

Once the macroeconomic and MSA-level forecasts have been established, the real estate research group creates real estate supply and demand models for each of the markets we cover. These models primarily focus on projected employment, population, income, and household formation on the demand side and anticipated new construction on the supply side. Supply projections are based on local and national sources and are combined with subjective insight provided by the research analysts and the firm's staff of 214 investment professionals. They have extensive first-hand knowledge of the markets in which we operate. The economic and real estate research culminates in the annual Economic Base Analysis (EBA) report for each market.

#### **Relative Market Attractiveness Ranking**

A fundamental tenet of our investment philosophy is risk-adjusted relative value. Our goal is to prudently construct portfolios focused on client-specific guidelines.

To help us determine risk-adjusted relative value from a market and property type perspective, we use a Relative Market Attractiveness Ranking, which we create for the office, retail, industrial and multifamily sectors. Each property type ranking utilizes several weighted factors to measure the relative position of each geographic market we cover.

The attractiveness rankings are generated using data derived from the EBA process. Some of these include:

- Relative market size
- Short and intermediate-term forecasted market performance
- Current supply constraints
- Forecasted market employment growth
- Current economic diversity
- Historical market volatility

After each factor is calculated, compiled, and weighted, an attractiveness score is computed for each geographic market and property type. The final score determines the relative position of each geographic market within each property sector. The relative position is then used to differentiate the markets that possess the most attractive real estate fundamentals.

In addition to internal research, we also rely on external research sources to compile data and company reviews. We then combine this data with our substantial internal research capabilities to develop an independent conclusion regarding each investment.

The table below lists the external research sources utilized.

External Research Sources	Research Provided
Moody's Analytics	National and metro economic data
First Call	Company news and investment bank reports
First Call Research Direct	Company research reports
Fact Set	Company research reports, security pricing information
Bloomberg	News, company statistical research, pricing information
SNL Securities	Financial statement data, portfolio data
Investment bank research teams	Company research reports and industry studies
Greenstreet Advisers	Company research reports and industry studies
Internet websites	Financial information and news
International Strategy & Investment (ISI)	Economic, political and stock market analysis and forecasts
CoStar	Real estate market data
M/PF Research	Real estate market data
Torto Wheaton Research	Real estate market data
REIS Metro Trends	Real estate market data
Property & Portfolio Research	Real estate market data
CBRE-Econometric Advisors	Real estate market data

External Research Sources	Research Provided
Real Capital Analytics	Real estate market data
Scan US	Demographic data
Nielsen	Retail market share data
NCREIF	Real estate performance data
IPD	Real estate performance data

The guidelines for the Principal U.S. Property Account are referenced above in QU 24. There are no additional limitations regarding investments of the Principal U.S. Property Account.

**29. How does your firm assess the liquidity of its US Open-End Real Estate fund investments?**

Liquidity is managed both at the Account and asset level. To enhance liquidity at the property level, investments are made in well-located, high quality, stabilized assets within primary markets. Liquidity at the Account level is primarily managed in four ways: 1) targeted cash balances of 1%-3%, 2) a \$400 million line of credit, 3) investment income of more than \$200 million annually, and 4) significant focus on client diversification.

**30. What pricing procedures are employed to value portfolio holdings?**

The net asset value for the Principal U.S. Property Account (Account) is calculated on a daily basis using all available information regarding property and debt valuation in addition to cash flow from the properties, Account and investor activity. The daily unit value pricing is calculated by a third party using the aforementioned inputs.

The valuation objective for the Account is to accurately estimate the net asset value for the Account on a daily basis for the purpose of offering daily liquidity. In accordance with this objective, the underlying properties in the Account are valued based on the following process.

Properties within the Principal U.S. Property Account are annually appraised through external valuations that are obtained from appraisers of nationally recognized firms that hold the MAI designation. Selection criteria include appraiser credentials, experience, reputation and service fees. Competitive bidding is utilized, but is not the sole basis for awarding assignments. The reports must comply with the Uniform Standards of Professional Appraisal Practice (USPAP). Appraisals determine the market value of the leased fee interest on an "as is" basis, as defined by USPAP, and should utilize the cost, sales comparison and income approaches to value.

## US Open-End Real Estate Fund Construction and Management

31. **Describe in detail your US Open-End Real Estate portfolio management process. If a team approach is used, state the names of the team members and explain the role(s) of each team member, with particular emphasis on property types.**

The investment process is one of the most critical elements of the overall management process at Principal Real Estate Investors. Our product is distinguished by the depth of our resources and our wealth of long-standing relationships that leads to an advantage in the sourcing and analyzing of investment opportunities. The real estate group's investment process utilizes a team-oriented, research-based, multi-disciplined approach. The investment process is highly standardized and can be executed smoothly and efficiently to create a high volume of quality investments for our clients. Professionals from acquisitions/dispositions, research, asset management, portfolio management, legal, appraisal, engineering services, and senior management actively participate in the investment process.

This process is further detailed below.

### **Establish and Communicate Investment Strategy for the Account**

The portfolio manager, John Berg, leads the team in the strategy setting process and is responsible for communicating the Account's strategy to the other functional disciplines in the group. The specific strategy is set based on the Account's investment objective and portfolio constraints in combination with our outlook for the real estate market and specific investment opportunities that present themselves.

### **Preliminary Transaction Review and Allocation**

The portfolio management team works closely with the acquisition group to review potential investments and provide feedback and direction regarding the Account's investment strategies and needs. The acquisition group performs a preliminary review and analysis of transactions that meet the initial screens for Account investment needs. The research, asset management and mortgage underwriting teams are involved at this stage of the review process to identify market and property specific information that is then factored into the investment analysis. Offers are made on properties that have positive investment characteristics and meet client investment needs. Once an investment is placed under a non-binding letter of intent, it is allocated on a rotational basis through the Equity Allocation System.

### **Investment Allocation Process**

Principal Real Estate Investors has developed a proprietary Equity Allocation System that includes detailed investment criteria for each client and is linked to the Principal Real Estate Investors' Equity Acquisition Database. All clients and all transactions are rotated through a single allocation mechanism in the appropriate allocation queue. The queues are separated first by risk profile (development and stabilized assets) and then by property type. The system includes a pre-allocation feature for any transactions that meet the investment criteria of only one client.

### **Evaluation of Allocated Investments**

After an investment is pre-allocated to a client, the portfolio manager, along with members of the portfolio team, evaluates the allocated investment in terms of transaction economics, relative value and current portfolio needs. The evaluation will determine whether to accept or reject the proposed allocation.

**Due-Diligence Process**

Upon execution of a non-binding letter of intent, the acquisition team will undertake quantitative and qualitative reviews of the proposed investment. The purpose of the due diligence process is to reaffirm or challenge, if necessary, the initial underwriting of the asset and market, and valuation assumptions. The due diligence process also provides a thorough examination of the financial and operating history of the property and its tenants. Finally, the physical improvements are thoroughly inspected to identify any deficiencies and the related costs of improvement.

The primary components of the due diligence process includes:

- Lease review and tenant credit analysis
- Financial statement review (minimum of three years)
- Operating expense and reimbursement history (minimum of three years)
- Real estate tax and appeal status
- Microeconomic and real estate market update
- Competitive market position peer group analysis
- Insurance, litigation and risk-management issues
- Engineering and environmental audits (third-party)
- Tenant surveys and interviews
- Operating budget and draft business plan
- Underwriting assumptions
- Property valuation and sensitivity analysis
- Legal, title and survey reports
- Property manager selection process
- Negotiation of investment documents
- Preliminary closing statement and checklist

The acquisition manager directs a due diligence review with input from the following teams: portfolio management, asset management, portfolio accounting, research, legal, appraisal, engineering and environmental. Third-party consultants (e.g., legal, appraisal, engineering, environmental, etc.) are retained as needed. Proposed property management and leasing teams are also involved in the review process for their local knowledge and expertise. The results of the due diligence process are included in the final investment proposal and presented to the portfolio manager for review and approval prior to being submitted to the real estate Investment Committee.

**Investment Committee**

Once the portfolio management team is satisfied with the due diligence results, the transaction is submitted for approval to the Principal Real Estate Investors Investment Committee. The Investment Committee is chaired by the president and chief investment officer of Principal Real Estate Investors and comprised the most senior members of the real estate staff, including the heads of acquisition/disposition, asset management, portfolio management and research. The committee meets weekly and decisions are made by majority vote, subject to a quorum. The committee has final approval responsibility for discretionary client accounts. All transactions over \$30 million are also approved by Principal Life Insurance Company's Investment Committee.

**Closing Process**

After the Investment Committee approves the final investment proposal, the acquisition team proceeds with final documentation and closing. Our in-house legal and closing department coordinates with outside counsel to complete all closing checklist items and ensure that all items due from the seller are received.



The dedicated portfolio team for Principal U.S. Property Account is comprised of John Berg (Managing Director, Portfolio Management); Darren Kleis (Director of Portfolio Management); Jennifer Perkins (Portfolio Manager); Meighan Phillips (Assistant Portfolio Manager) and Bridget Lechtenberg (Portfolio Analyst).

- **John Berg** is responsible for strategic and tactical decisions and planning; directing investment activity with the production teams; performance; marketing; and client communication. Additionally, John is a member of the firm's investment committee. John joined the Principal U.S. Property Account team in 2003 and has been with the real estate equity area since joining the firm in 1994. John has experience in asset management and product development.
- **Darren Kleis** is responsible for day-to-day activities of the Account, including market research, asset management oversight, leasing and capital expenditures, financing, annual business plans, and hold/sell analysis. Darren has been in the real estate equity area since 1994 and joined the Account team in 2007 and has experience in asset management and accounting.
- **Jennifer Perkins** is also responsible for day-to-day activities of the Account including investment decision making, serving as Account liaison to Principal's 401k sales and service teams, in addition to participating in marketing and client relations. Jennifer joined the Principal U.S. Property Account team in 2002 and has been with the firm's real estate group since 1995. Jennifer has experience in asset management, and acquisitions/dispositions.
- **Meighan Phillips** is responsible for portfolio statistics and analysis, annual business plans and quarterly reporting, performance attribution and client and consultant communication and marketing efforts. Meighan joined the Principal U.S. Property Account team in 2006 and has been with the firm's real estate group since 2005. Meighan has prior experience in acquisitions and dispositions.
- **Bridget Lechtenberg** is responsible for portfolio statistics and analysis, annual business plans and quarterly reporting. Bridget joined the firm in 2006 and spent six years in the asset management/development and acquisition/dispositions area before joining the Principal U.S. Property Account team in 2013.

**32. What is your firm's level of expected long-term outperformance?**

The Principal U.S. Property Account return objective is to provide clients with private real estate returns that meet or exceed the fund-level benchmark, NFI-ODCE Equal Weight. Targeted gross, time-weighted, annualized portfolio returns are 7% to 9% over a full market cycle.

**33. State the typical benchmark(s) you use to measure the US Open-End Real Estate product performance. Which benchmark do you believe is best?**

The Principal U.S. Property Account evaluates performance relative to a fund-level benchmark. The fund level benchmark is the NCREIF Open-end Diversified Core Equity (NFI-ODCE) Equal Weight. This is a fund level index utilized to benchmark total fund performance against other core, open-end funds.

**34. What is the typical number of properties in the US Open-End Real Estate portfolio? What are the typical portfolio weights of these property types?**

The Principal U.S. Property Account Policy Statement requires a minimum of 80 real estate assets to be held in the Account. As of December 31, 2013 the Account held 116 assets in 39 metropolitan statistical areas. Below is a look at the number of real estate holdings within the Account at calendar year-ends starting with 2009.

12/31/2009 – 128

12/31/2010 – 117

12/31/2011 – 117

12/31/2012 – 114

12/31/2013 – 116

See below for a chart detailing property sector weightings.

Sector	12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013
Office	40.36%	35.92%	38.00%	38.78%	42.31%
Industrial	17.14%	19.37%	17.99%	17.01%	17.29%
Retail	19.65%	22.92%	22.53%	21.90%	18.63%
Multifamily	19.27%	17.58%	17.28%	18.00%	17.23%
Hotel	2.34%	2.87%	2.76%	2.58%	2.79%
Other	1.24%	1.34%	1.44%	1.73%	1.75%

**35. Typically, what percentage of the US Open-End Real Estate fund that will be invested in publicly-traded Real Estate properties, privately-traded Real Estate securities, stock of Real Estate operating companies, and public- or privately-traded commercial mortgage backed securities. Provide the list of holdings as of December 31, 2013, and list the allocations and typical ranges to these types of holdings.**

Although the guidelines for the Principal U.S. Property Account allow a maximum REIT exposure of 2%, the Account does not currently hold any REITS and there are no plans to in the future.

The Account may hold up to 10% of gross portfolio assets within other real estate investments including, but not limited to investments in land, commercial mortgages and other commercial debt strategies. As of December 31, 2013 the Account had land exposure of 1.7% and no exposure to commercial mortgages or other commercial debt strategies.

**36. Please explain how country allocation decisions are made,**

This is not applicable to the Principal U.S. Property Account as all real estate holdings are within the U.S.



**37. What is the firm's approach to currency management? Will currencies be used as an active management tool?**

This is not applicable to the Principal U.S. Property Account.

**38. Explain the firm's portfolio approach to the level of cash and equivalent holdings. Specify the normal, maximum and minimum levels of cash holdings.**

The Account may hold up to 10% of gross assets in cash per Investment Policy Statement guidelines, though the Account targets a balance of 1-3%. As of December 31, 2013 the Account had a cash balance of 2.57% of gross assets.

**39. Describe the firm's US Open-End Real Estate fund sell discipline.**

Principal Real Estate Investors uses a team approach that combines the functions of acquisitions and dispositions, a unit that is overseen by Rod Vogel.

The disposition process generally begins with a hold/sell analysis. The hold/sell analysis, completed at least annually, will also highlight disposition "triggers" such as real estate or capital market inefficiencies, significant changes in the asset's competitive market position, and aggressive underwriting and pricing assumptions by investors. If the analysis indicates a significant increase in short-term values, a permanent decline in long-term value or limited opportunities for value enhancement, the portfolio team will elect to begin the disposition process. The portfolio management team directs the assigned disposition manager to obtain proposals from qualified brokers or, in some instances, pursue unsolicited offers directly from potential buyers.

Upon receipt of an acceptable offer, the disposition manager would submit the proposed transaction to the Investment Committee of Principal Real Estate Investors. Within this presentation, specific factors addressed include:

- Specific reasons for disposition
- Description of marketing process
- Identification of other potential buyers
- Anticipated closing date
- Contractual sales price, closing costs and net proceeds
- Holding period IRR and other property level metrics
- Alternative investment strategies

In addition to the asset level hold/sell analysis, we believe it is important for the portfolio team to continuously evaluate the merits of the current disposition strategy from a portfolio perspective. Consideration of the client's overall goals and objectives, risk tolerances, portfolio allocation or diversification issues and reinvestment alternatives are critical components of the investment management process and must be evaluated by the portfolio team. Senior management of the firm also takes an active role in the strategic planning and hold/sell process through the quarterly portfolio review, senior strategy committee and investment committee approval process.

40. What has been the average US Open-End Real Estate fund turnover for each year since January 1, 2007?

Year	Turnover
Dec 31, 2007	17%
Dec 31, 2008	4%
Dec 31, 2009	7%
Dec 31, 2010	9%
Dec 31, 2011	4%
Dec 31, 2012	3%
Dec 31, 2013	5%

**Investment Management Fees, Etc.**

41. Provide your fee schedules on your US Open-End Real Estate fund. Please identify management fees and non-management/fund-administration fees/expenses separately if possible.

Annual asset management fees are based on client account size and the Principal U.S. Property Account standard fee schedule, as determined by the Group Annuity Contract. If investing in the Principal U.S. Property Account an annual asset management fee is based on the following investment size:

Fee Schedule	
Accounts less than or equal to \$10 million	110 basis points
Accounts greater than \$10 million but less than or equal to \$25 million	100 basis points
Accounts greater than \$25 million but less than \$100 million	95 basis points
Accounts equal to or greater than \$100 million	80 basis points

There are no additional fees to invest in the Principal U.S. Property Account.

42. What are the custody costs, transfer agency fees, etc. of the trust, and are they an additional fee that is directly charged to the client?

This is not applicable; there are no additional fees to invest in the Principal U.S. Property Account.

**43. Has the firm entered into incentive fee arrangements? If so, provide details.**

This is not applicable to the Principal U.S. Property Account.

**44. Does your firm use any service, information, or merchandise paid for with directed commissions? If yes, please list the service(s) received from such commissions.**

Yes, Principal Real Estate Investors does use soft dollars within the safe harbor of Section 28(e).

**45. Please provide the name, address, telephone number and email address for three client references whom we may contact.**

Please see below for a list of references for the Principal U.S. Property Account.

<b>Name</b>	Public Employees' Retirement System of Mississippi, Jim Feazell
<b>Address</b>	429 Mississippi Street Jackson, MS 39201-1005
<b>Telephone</b>	(601)-359-9428
<b>e-mail</b>	JFeazell@pers.ms.gov

<b>Name</b>	Florida State Board of Administration, Sara Geiger
<b>Address</b>	1801 Hermitage Blvd., Suite 100 Tallahassee, FL 32308
<b>Telephone</b>	(850)-413-1140
<b>e-mail</b>	Sara.Geiger@sbafla.com

<b>Name</b>	California State Teachers' Retirement System, Bruce Deutsch
<b>Address</b>	100 Waterfront Place 15 <sup>th</sup> Floor West Sacramento, CA 95605-2807
<b>Telephone</b>	(916) 414-7698
<b>e-mail</b>	bdeutsch@calstrs.com

### US Open-End Real Estate Investment Performance

46. Please send a supplemental spreadsheet with the following GIPS-compliant time-weighted monthly composite performance information since inception in the following five columns (in columns B-D please use five decimal digits if available):

- A. Month-end date (e.g. 12/31/2013)
- B. Monthly total return (gross)
- C. Monthly total return (net)
- D. Monthly benchmark return (gross, please specify the benchmark)
- E. Month-end market value of assets associated with this performance record

Please see Tab III for quarterly returns of the Principal U.S. Property Account. Please see Tab IV for monthly return information requested above.

### US Open-End Real Estate Risk Management

47. Describe in detail the key risks of the product and the firm's risk management process.

Risk management is the primary responsibility of the portfolio management team. There are three major categories of real estate risks that we monitor as part of the portfolio management process: space markets; capital markets and property/portfolio specific. We manage these risks through careful, ongoing analysis, appropriate deal structuring and risk-related pricing, with heavy involvement from our research group. We primarily focus on the management of these risks through the annual business plans, (including asset level hold/sell analyses), quarterly client strategy sessions with senior management, and the Investment Committee transaction review process. The portfolio management team meets quarterly with the Senior Strategy Committee to review the activity in the Account and includes a Risk Management Status Report in the materials submitted to the committee. All members of the Senior Strategy Committee are senior investment professionals of the firm and assist the portfolio management team in reviewing objectives and constraints of the client, investment activity, operational activity and client relations.

Principal Global Investors also employs a team of in-house attorneys and compliance professionals who monitor non-real estate and legal risk as well as an insurance staff who negotiates and secures insurance coverage for all portfolio assets.

The head of global risk management for Principal Global Investors, Amy McNally, works closely with each business area to identify and mitigate operational risk within the organization. Amy reports to the Operating Committee of Principal Global Investors, which is chaired by the CEO, and comprised of the senior executive leaders of the company. As a result of this reporting structure, the overall risk management function is independent and is effectively owned and shared by all members of the organization. In addition, business and reputational risks are also identified through this function, and various oversight committees. Further, Principal Global Investors' enterprise risk management framework has a very robust governance structure which ensures the operational risks are identified, assessed, managed, and overseen effectively.

**48. What risk measures are used to quantify country risk? What additional risks are assigned to emerging markets versus developed markets?**

Country risk is not applicable to the Principal U.S. Property Account.

Principal Real Estate Investors is committed to operating practices that are environmentally sustainable.



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## Disclosures

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