



**TOWNSEND**  
GROUP

Real Estate Portfolio

# Performance Measurement Report

SECOND QUARTER 2018



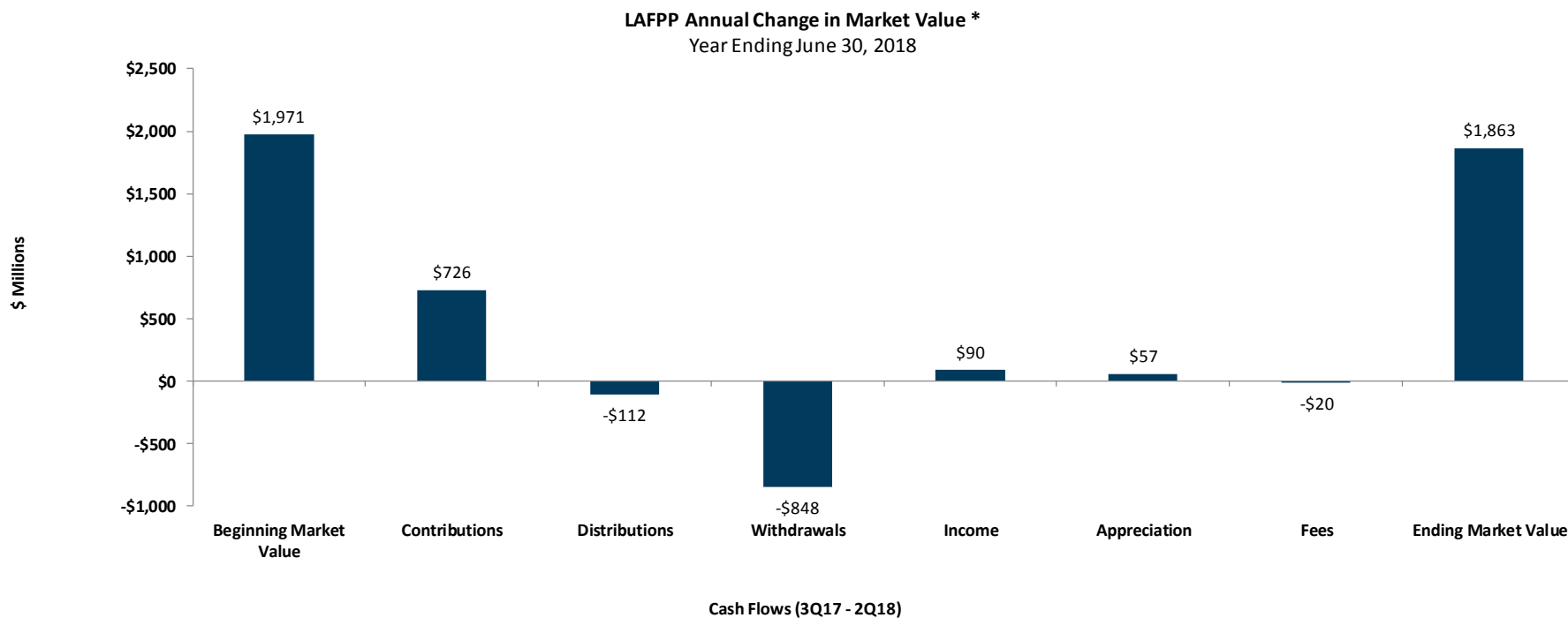
## Portfolio Funding Status

- The following slides provide a review of key information for the Los Angeles Fire & Police Pension System (“LAFPP”) Real Estate Portfolio (the “Portfolio”) through June 30, 2018. A detailed performance report is also provided as **Exhibit A**.
- LAFPP has a 10.0% target allocation to Real Estate and allows for additional flexibility of  $\pm 1.5\%$  of the Total Plan. On a funded basis, LAFPP is below its established target. Taking into account unfunded commitments, the Portfolio is below target but within permissible ranges.
- Though unfunded commitments include all approved investments, the funded and committed figures below do not take into account liquidating positions or planned redemptions.

	Market Value (\$ millions)*	% LAFPP Plan
<b>LAFPP Total Plan Assets</b>	<b>22,328</b>	
<b>Real Estate Target</b>	<b>2,233</b>	<b>10.0%</b>
RE Market Value:		
Public	655	
Private	1,208	
Core	930	
Non-Core	278	
<b>LAFPP Real Estate Market Value</b>	<b>1,863</b>	<b>8.3%</b>
Unfunded Commitments	259	1.2%
<b>RE Market Value &amp; Unfunded Commitments</b>	<b>2,122</b>	<b>9.5%</b>
<b>Remaining Allocation</b>	<b>111</b>	<b>0.5%</b>

\*Figures may not add due to rounding.

## Change in Real Estate Market Value



- The Portfolio market value decreased by \$108 million over the last year. As displayed above, the change in value is attributable to distributions (return of income) and withdrawals (return of capital), as well as manager fees. This was partially offset by contributions, income and appreciation.
- Contributions and withdrawals were largely driven by AEW's takeover of separate account assets from Heitman and Sentinel.
- Appreciation within the commingled fund portfolio (\$58.2 million) was partially offset by depreciation in the separate account portfolio (\$39.6 million). Separate account depreciation was mostly driven by write-downs related to Exelon Energy Campus, Riverplace and Shadeland Station.

\*Figures may not add due to rounding. Excludes Neptune Building.

## Real Estate Portfolio Composition

	Strategic Targets		Portfolio Composition (6/30/2018)*	
	Target Allocation	Tactical Range	Funded	Funded & Committed
Public Real Estate	30%	25% - 35%	35.1%	30.9%
Private Real Estate	70%	65% - 100%	64.9%	69.1%
<u>Private Portfolio</u>				
Core Portfolio	60%	50% - 70%	77.0%	65.8%
Non-Core Portfolio	40%	30% - 50%	23.0%	34.2%
Value Add Portfolio	20%	0% - 50%	17.3%	28.9%
Opportunistic Portfolio	20%	0% - 50%	5.8%	5.3%

- On a funded and committed basis, LAFPP is in-line with strategic targets for the Public and Private Real Estate Portfolios.
- Private Real Estate is overweight to Core strategies on both a funded and funded and committed basis.
- Of the Non-Core funds approved by LAFPP over recent years, several still have unfunded commitments that will bring the Non-Core Portfolio in-line with its target as the remaining capital is called:
  - 2015 commitments: Almanac Realty Securities VII (\$21M of \$50M unfunded) and Gerrity Retail Fund 2 (\$9M out of \$35M unfunded).
  - 2017 commitments: Asana Partners Fund I (\$12M out of \$30M unfunded), Exeter Industrial Value Fund IV (\$21M out of \$30M unfunded).
- The LAFPP Board also approved the following commitments in 2018: Almanac Realty Securities VIII (\$50 million), Asana Partners Fund II (\$35 million), Heitman Asia-Pacific Property Investors (\$50 million), Kayne Anderson Core Fund (\$35 million), and Unico Core Plus Partners (\$35 million).
- As of quarter-end, the Core Private Portfolio had a loan-to-value (“LTV”) ratio of 27.8%, well below the 40.0% constraint outlined in the Strategic Plan. The Total Portfolio LTV ratio of 25.4% is also well below the 60.0% LTV ‘governor’ defined in the LAFPP Strategic Plan.

\*Figures may not add due to rounding