BURLINGTON EMPLOYEES' RETIREMENT SYSTEM

Robert Hooper
Chairman of the Board
Munir Kasti
Vice-Chairman

Stephanie Hanker
Retirement Administrator
802-865-7097
VT Relay – dial 711

Special Meeting
Retirement Board Meeting Agenda
City Hall, Conference Room 12
November 20, 2019 – 8:30 AM

1. Agenda
2. Public Forum
3. Approve Minutes of October 31, 2019
4. Performance Report – Dahab Associates
5. UBS Update – Dahab Associates
6. Real Estate Educational Presentation – Dahab
7. Approve 2020 Cost of Living Increase
8. Discussion / Update Retirement Outsourcing
9. Adjourn

City of Burlington Vermont

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8. Discussion / Update on Retirement Outsourcing Concerning Direct Deposits
9. Discussion / Approval Rate of Return
10. Other Business
11. Adjourn

City Of Burlington Employees Retirement Plan

Performance Review
September 2019

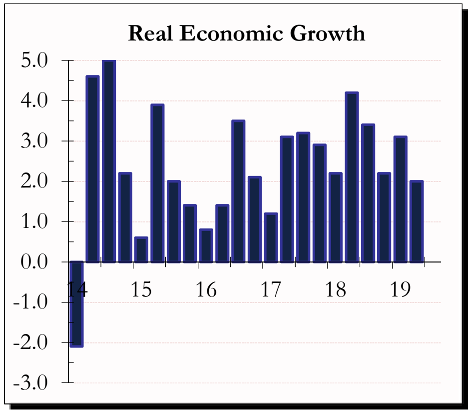
DAHAB ASSOCIATES

New York Massachusetts Pennsylvania Florida

ECONOMIC ENVIRONMENT

Mixed Reviews

US economic data was largely stable, though it continues to moderate. While some market forecasters point to the (slightly) inverted yield curve as indicative of a downturn, most of the well-known leading indicators remain upbeat. The Federal Reserve, however, did lower its benchmark interest rate twice in the quarter, citing weaker global growth and modest inflation.



GDP increased 1.9% in the third quarter, a slight decline from the 2nd quarter's 2.0% gain. This expected drop can be attributed to the slump in the ISM Manufacturing Index. In September, the index fell from 49.1 to a decade low of 47.8. Some economists attribute this decline partly to a strike at General Motors, which began in mid-September; yet it remains to be seen if this decline was a one-off or a precursor of things to come.

Unemployment remains very low at 3.7% and while wage growth has started to pick up, it is still lower than anticipated. On the other hand, new non-farm jobs came in lower than expected: 130,000 versus the predicted 158,000. Labor force participation stayed at 63.2%. It's noteworthy that women have accounted for most of the new jobs in the labor force during the past few years, while the male labor force participation rate has hovered around 68% during the same period.

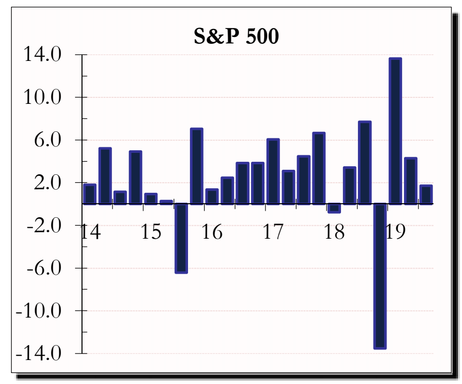
In August, the Congressional Budget Office (CBO) updated its projections for federal tax receipts and disbursements during the period of Fiscal Year (FY) 2019 through FY 2029. For FY 2019, the CBO projects a significant deficit of $960 billion, which is approximately 4.5% of GDP. This deficit compares to the long run average deficit, running at 2.1% of GDP. Making the assumption that deficits will continue to rise in dollar terms, they should remain fairly stable as a percent of GDP.

The American consumer continues to be a bright spot for the economy. Real personal consumption expenditures rose at a 4.6% annual rate. In addition, real government consumption and gross investment grew robustly at both federal and state levels.

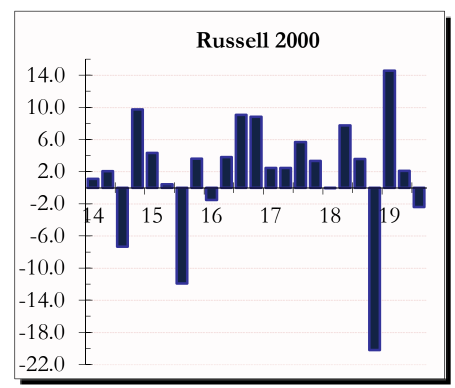
DOMESTIC EQUITIES

Large Caps Lead the Way

Domestic equity markets ended the quarter slightly up, continuing the uptrend seen year-to-date. However, the positive returns seen at quarter-end masked the inter-quarter volatility that was experienced. Most of the gain can be attributed to large capitalization companies, which saw positive returns in line with the broad market. In contrast, small capitalization companies saw declines of nearly twice the magnitude of their large-cap counterparts.



While the energy sector was a huge drag to small-cap performance, down 22%, the other sectors did not perform much better. 8 of 11 sectors saw losses in the quarter. The three sectors that outperformed (Consumer Staples, Utilities, and Real Estate) are typically seen as "risk-off" sectors and could signal a change to a more defensive posture by investors.

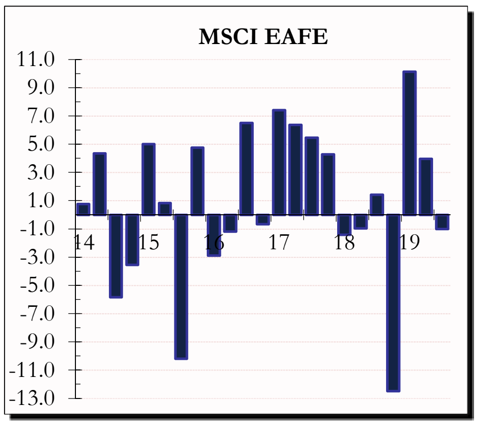


Much ink has been spilled about the death of Value investing, but it saw a resurgence this quarter, especially when moving down the cap spectrum. In the small-cap space the value benchmark beat its counterpart in growth by 360 basis points. Large cap growth names bucked the trend, however, and saw gains that barely beat their value equivalents. Growth has been on an incredible run over the past ten years, and has been led by large cap technology names.

INTERNATIONAL EQUITIES

Concerns on Trade

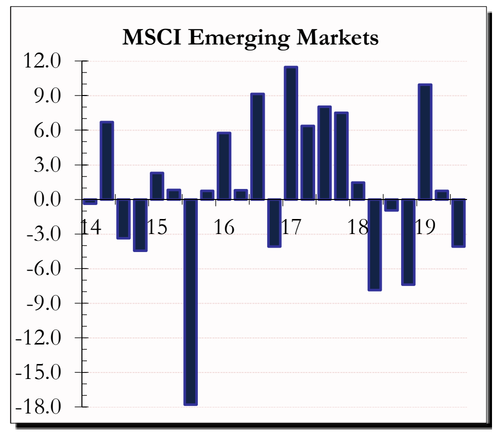
International stocks faltered slightly in the third quarter. Not only was the MSCI EAFE Index down 1.0%, but declines were widespread, with losses suffered by 72% of countries represented in the index. Hong Kong stocks declined the most (-11.9%), triggered by the ongoing political protests there. The protests contributed to its weakest economy in nearly a decade. Retail sales declined 23% year-over-year with no end in sight to the demonstrations. As a result, Fitch downgraded Hong Kong's credit rating, denting the island's reputation for stability and ease of doing business.



Singapore securities also detracted, as US-China trade deliberations weighed on that market. In Europe, Sweden's market was down 4.8% due to a government budget that hinted at smaller-than-expected spending increases.

Belgium enjoyed the largest gains in the index (+3.5%) due to a rebound in fixed investment. Japan was another bright spot (+3.3%). Some commentators attributed this gain to the election win by the incumbent Liberal Democratic Party -- a win that confirmed the continuation of current fiscal policy. In turn, the steady policy helped return market stability after a rise in Japan's consumption tax. One point of caution regarding Japan's performance is that its year-to-date return has significantly outpaced company earnings. The Netherlands (+2.5%) was another key contributor in stemming European market losses. Retail sales and manufacturing picked up despite elevated inflation. Against this backdrop, the Dutch government unveiled an expansionary 2020 budget.

Emerging Markets (EM) gave up a good portion of year-to-date return during the volatile third quarter. The US-China trade dispute reduced investors' appetite for risk in the emerging market equity space. China (-3.7%) modestly underperformed the broader EM market (-3.0%) as the US implemented 10% trade tariffs on $300 billion of Chinese goods. Following this announcement, the renminbi weakened beyond the symbolic seven-per-dollar threshold. In response, the US Treasury labeled the country a currency manipulator.



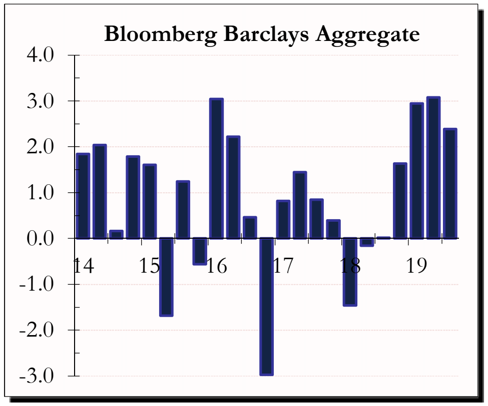
Argentina was by far the weakest performer in the EM Index, as a surprising primary election result triggered a sharp sell-off in equities (-46.8%). US dollar strength continues to move markets that are sensitive to it, notably South Africa and Indonesia. Saudi Arabia and Colombia underperformed due to oil price weakness.

Turkey saw robust gains (+11.7%), as its central bank cut interest rates by an unexpected 7.5%. Taiwan also outperformed (+5.9%), driven by strong performance in technology stocks.

BOND MARKET

Low Yields Get Lower

Bond markets continue to see positive returns this year. The Bloomberg Barclays Capital Aggregate and the Bloomberg Barclays Global Aggregate were up 2.4% and 0.7%, respectively in the third quarter. Corporate bonds continue to outperform government bonds. They benefited from a decline in global yields. Higher yielding, less credit-worthy bonds continue to do better than their less risky counterparts.



Declines in global yields led to a number of records: Germany issues negative-yielding 30-year bonds for the first time, while US and UK 30-year yields likewise fell to all-time lows. In the US, the yield curve inverted between the 2- and 10-year Treasury yields for the first time since 2006.

The Fed cut interest rates by 25 basis points in both July and September, citing weakening global growth and modest inflation.

Due to the lower yields, corporate bond issuance continue to pick up. The first week in September $74 billion worth of new investment grade bonds were sold, setting a record for the amount of issuance. Apple and Disney issued noteworthy deals of $7 billion each.

European government bonds rallied on the European Central Bank's (ECB) rate cut and the resumption of a €20 billion per month bond-buying program. ECB President Mario Draghi said aggressive stimulus measures are necessary to help offset the damaging effects of trade wars and slowing economic growth. Germany in particular, teetered on the edge of recession during the quarter as its auto industry was hit hard by global trade disruptions.

CASH EQUIVALENTS

Keeping Pace with CPI

The three-month T-Bill returned 0.5% for the third quarter and 2.3% for the latest one-year. Treasuries with maturities longer than one-year achieved a latest 12-month return of at least 4%. Future returns for cash equivalents seem dim, with the 30-year Treasury yield sitting near 2%.

Economic Statistics

	Current Quarter	Previous Quarter
GDP	1.9%	2.0%
Unemployment	3.5%	3.7%
CPI All Items Year/Year	1.7%	1.6%
Fed Funds Rate	2.00%	2.50%
Industrial Capacity	77.5%	77.9%
US Dollars per Euro	1.12	1.14

Major Index Returns

Index	Quarter	12 Months
Russell 3000	1.2%	2.9%
S&P 500	1.7%	4.3%
Russell Midcap	0.5%	3.2%
Russell 2000	-2.4%	-8.9%
MSCI EAFE	-1.0%	-0.8%
MSCI Emg Markets	-4.1%	-1.6%
NCREIF ODCE	1.3%	5.6%
U.S. Aggregate	2.4%	10.4%
90 Day T-bills	0.5%	2.3%

Domestic Equity Return Distributions

Quarter

	VAL	COR	GRO
LC	1.4	1.4	1.5
MC	1.2	0.5	-0.7
SC	-0.6	-2.4	-4.2

Trailing Year

	VAL	COR	GRO
LC	4.0	3.9	3.7
MC	1.6	3.2	5.2
SC	-8.3	-8.9	-9.7

Market Summary

- Domestic equity markets continue their strong run
- Unemployment decreased to 3.5%.
- The US dollar continued to strengthen.
- Value performed equal or better than their growth counterparts across all cap sizes.
- Large cap equities continue to perform better than their smaller competitors.

INVESTMENT RETURN

On September 30th, 2019, the City of Burlington Employees Retirement System's portfolio was valued at $194,415,543, representing an increase of $252,171 from the June quarter's ending value of $194,163,372. Last quarter, the Fund posted withdrawals totaling $47,997, which partially offset the portfolio's net investment return of $300,168. Income receipts totaling $196,426 plus net realized and unrealized capital gains of $103,742 combined to produce the portfolio's net investment return.

RELATIVE PERFORMANCE

Total Fund

For the third quarter, the portfolio returned 0.2%, which was equal to the Burlington Manager Shadow Index's return of 0.2% and ranked in the 88th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 2.0%, which was 0.3% below the benchmark's 2.3% return, ranking in the 94th percentile. Since December 2016, the portfolio returned 8.4% annualized and ranked in the 51st percentile. The Burlington Manager Shadow Index returned an annualized 8.7% over the same period.

Equity

The equity portion of the portfolio returned -0.3% last quarter; that return was 0.4% less than the MSCI All Country World index’s return of 0.1% and ranked in the 57th percentile of the Global Equity universe. Over the trailing twelve-month period, this component returned 0.5%, 1.4% below the benchmark's 1.9% performance, ranking in the 60th percentile. Since December 2016, this component returned 10.4% on an annualized basis and ranked in the 52nd percentile. The MSCI All Country World returned an annualized 10.8% during the same period.

Real Assets

In the third quarter, the real assets component returned 0.9%, which was 1.0% greater than the Real Assets Blended Index's return of -0.1%. Over the trailing year, this component returned 0.6%, which was 0.2% greater than the benchmark's 0.4% return. Since December 2016, this component returned 3.4% annualized, while the Real Assets Blended Index returned an annualized 2.5% over the same period.

Fixed Income

During the third quarter, the fixed income portion of the portfolio returned 1.4%, which was equal to the Intermediate Gov/Credit Index’s return of 1.4% and ranked in the 58th percentile of the Broad Market Fixed Income universe. Over the trailing twelve-month period, this segment's return was 8.2%, which was equal to the benchmark's 8.2% return, ranking in the 46th percentile. Since December 2016, this component returned 3.4% annualized and ranked in the 75th percentile. The Intermediate Gov/Credit returned an annualized 3.4% over the same time frame.

ASSET ALLOCATION

At the end of the third quarter, equities comprised 69.1% of the total portfolio ($134.3 million), while real assets totaled 9.9% ($19.3 million). The account's fixed income component comprised 20.6% ($40.1 million) of total value, while the remaining 0.3% was comprised of cash & equivalents ($670,160).

The Retirement System also had a negative cash balance in the Pooled Account (not included in the valuations in this report) of -$947,956.58

EXECUTIVE SUMMARY

PERFORMANCE SUMMARY

	Qtr / FYTD	1 Year	3 Year	5 Year	10 Year	Since 12/16
Total Portfolio - Gross	0.2	2.0	8.3	6.0	7.5	8.4
PUBLIC FUND RANK	(88)	(94)	(37)	(70)	(73)	(51)
Total Portfolio - Net	0.1	1.8	8.1	5.7	7.1	8.2
Manager Shadow	0.2	2.3	8.5	6.5	7.1	8.7
Equity - Gross	-0.3	0.5	10.4	----	----	10.4
GLOBAL EQUITY RANK	(57)	(60)	(42)	----	----	(52)
MSCI AC World	0.1	1.9	10.3	7.2	8.9	10.8
ACWI Ex US	-1.7	-0.7	6.8	3.4	4.9	8.0
MSCI EAFE	-1.0	-0.8	7.0	3.8	5.4	7.9
MSCI EM Net	-4.2	-2.0	6.0	2.3	3.4	8.2
Russell 3000	1.2	2.9	12.8	10.4	13.1	12.4
Cambridge PE	0.0	9.5	15.1	12.0	14.4	14.7
Real Assets - Gross	0.9	0.6	3.7	----	----	3.4
Real Assets Idx	-0.1	0.4	3.0	2.1	3.6	2.5
NCREIF ODCE	1.3	5.6	7.3	9.3	10.9	7.2
NCREIF Timber	0.2	2.1	3.1	4.4	4.0	3.0
BLP Commodity	-1.8	-6.6	-1.5	-7.2	-4.3	-2.6
Fixed Income - Gross	1.4	8.2	2.4	----	----	3.4
BROAD MARKET FIXED RANK	(58)	(46)	(79)	----	----	(75)
Int Gov/Credit	1.4	8.2	2.4	2.7	3.0	3.4
Global Aggregate	0.7	7.6	1.6	2.0	2.3	4.5
Global Agg Ex US	-0.6	5.3	0.4	0.9	1.3	4.5
Aggregate Index	2.3	10.3	2.9	3.4	3.8	4.3

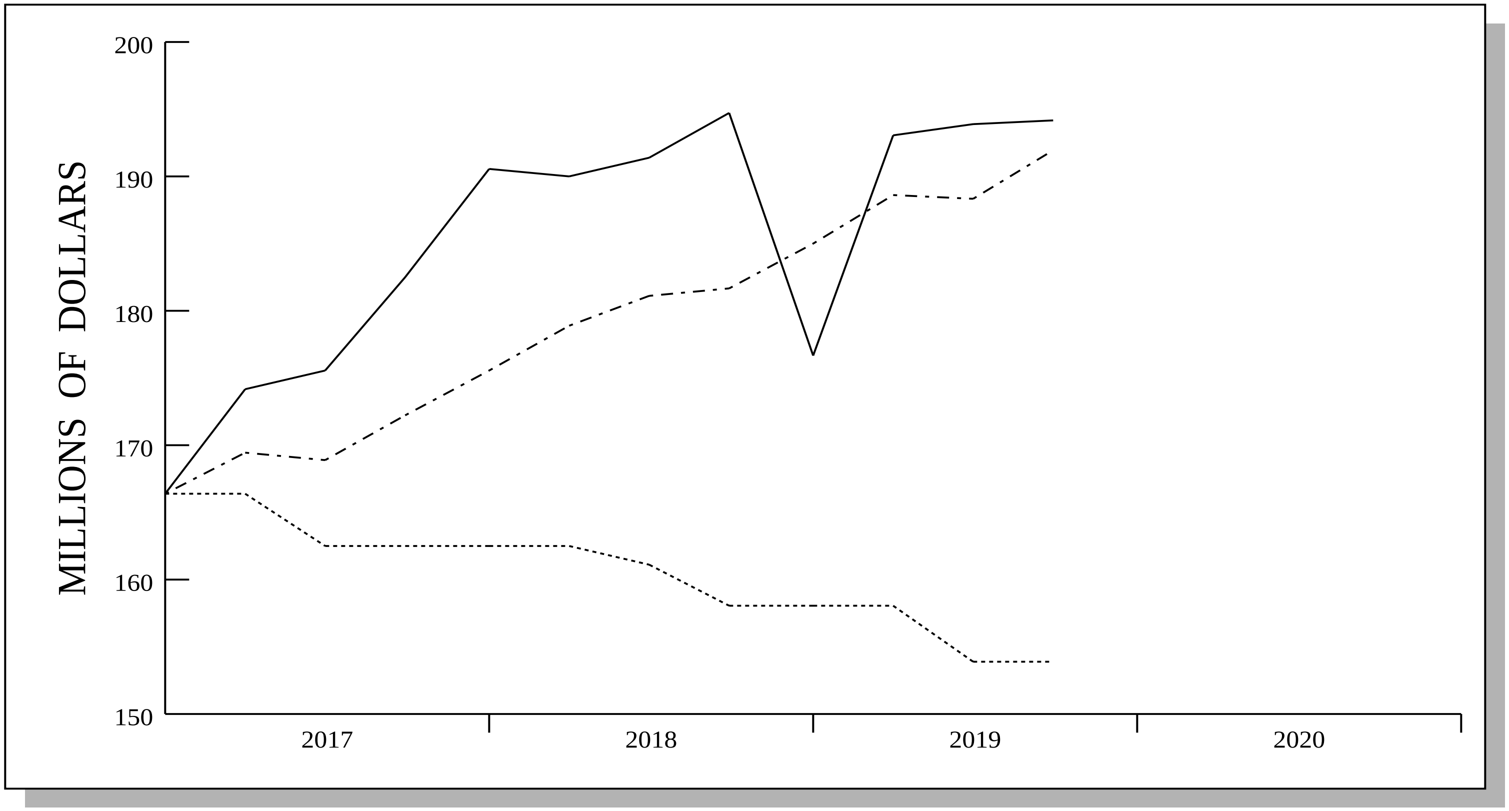
ASSET ALLOCATION

Equity	69.1%	$ 134,262,160
Real Assets	9.9%	19,341,657
Fixed Income	20.6%	40,141,566
Cash	0.3%	670,160
Total Portfolio	100.0%	$ 194,415,543

INVESTMENT RETURN

Market Value 6/2019	$ 194,163,372
Contribs / Withdrawals	- 47,997
Income	196,426
Capital Gains / Losses	103,742
Market Value 9/2019	$ 194,415,543

INVESTMENT GROWTH

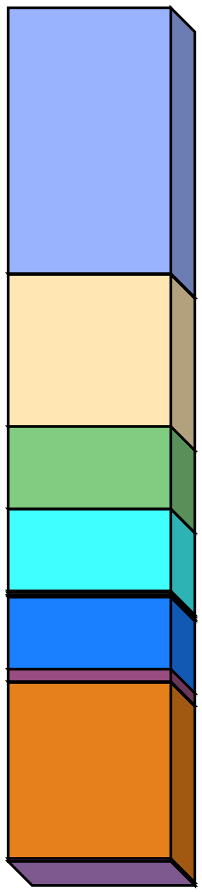


ACTUAL RETURN
8.0%
0.0%

VALUE ASSUMING
8.0% RETURN $ 191,972,950

	LAST QUARTER	PERIOD 12/16 - 9/19
BEGINNING VALUE	$ 194,163,372	$ 166,411,368
NET CONTRIBUTIONS	- 47,997	- 12,347,824
INVESTMENT RETURN	300,168	40,351,999
ENDING VALUE	$ 194,415,543	$ 194,415,543
INCOME	196,426	1,519,265
CAPITAL GAINS (LOSSES)	103,742	38,832,734
INVESTMENT RETURN	300,168	40,351,999

MANAGER ALLOCATION AND TARGET SUMMARY



Name	Market Value	Percent	Target
Mellon Large Cap (LCC)	$60,555,649	31.1	30.0
Mellon Smid Cap (SMID)	$34,693,437	17.8	18.0
Mellon EAFE (INEQ)	$18,797,405	9.7	10.0
Mellon Emerging Mkts (EMKT)	$18,648,623	9.6	10.0
Hamilton Lane II (PREQ)	$257,027	0.1	0.5
Hamilton VII A (PREQ)	$775,358	0.4	0.9
Hamilton VII B (PREQ)	$534,661	0.3	0.6
UBS TPF (REAL)	$16,480,684	8.5	8.0
Molpus SWF II (TIMB)	$2,860,973	1.5	2.0
Mellon Int. Gov/Cred (IMFI)	$40,141,566	20.6	20.0
Key Bank (CASH)	$670,160	0.3	0.0
Total Portfolio	**$194,415,543**	**100.0**	**100.0**

INVESTMENT RETURN SUMMARY - ONE QUARTER

Name	Quarter Total Return	Market Value June 30th, 2019	Net Cashflow	Net Investment Return	Market Value September 30th, 2019
Mellon Large Cap (LCC)	1.7	59,542,425	0	1,013,224	60,555,649
Mellon Smid Cap (SMID)	-1.2	35,116,834	0	-423,397	34,693,437
Mellon EAFE (INEQ)	-1.1	18,996,950	0	-199,545	18,797,405
Mellon Emerging Mkts (EMKT)	-4.3	19,477,165	0	-828,542	18,648,623
Hamilton Lane II (PREQ)	7.1	243,675	-4,000	17,352	257,027
Hamilton VII A (PREQ)	3.6	817,531	-71,079	28,906	775,358
Hamilton VII B (PREQ)	-1.5	568,031	-25,028	-8,342	534,661
UBS TPF (REAL)	0.9	16,370,180	-37,498	148,002	16,480,684
Molpus SWF II (TIMB)	0.6	2,850,741	0	10,232	2,860,973
Mellon Int. Gov/Cred (IMFI)	1.4	39,599,288	0	542,278	40,141,566
Key Bank (CASH)	---	580,552	89,608	0	670,160
Total Portfolio	**0.2**	**194,163,372**	**-47,997**	**300,168**	**194,415,543**

MANAGER PERFORMANCE SUMMARY - GROSS OF FEES

Portfolio	(Universe)	Quarter	FYTD	1 Year	3 Years	5 Years	Since Inception	
Total Portfolio	(Public Fund)	0.2 (88)	0.2 (88)	2.0 (94)	8.3 (37)	6.0 (70)	5.7 ----	12/01
Manager Shadow		***0.2 ----***	***0.2 ----***	***2.3 ----***	***8.5 ----***	***6.5 ----***	***---- ----***	***12/01***
Mellon Large Cap	(LC Core)	1.7 (43)	1.7 (43)	4.3 (41)	13.4 (30)	---- ----	13.4 (31)	03/16
S&P 500		***1.7 ----***	***1.7 ----***	***4.3 ----***	***13.4 ----***	***10.8 ----***	***13.4 ----***	***03/16***
Mellon Smid Cap	(Smid Cap)	-1.2 (63)	-1.2 (63)	-3.9 (62)	9.7 (53)	---- ----	11.3 (49)	03/16
Russell 2500		***-1.3 ----***	***-1.3 ----***	***-4.1 ----***	***9.5 ----***	***8.6 ----***	***11.2 ----***	***03/16***
Mellon EAFE	(Intl Eq)	-1.1 (33)	-1.1 (33)	-1.1 (47)	6.9 (43)	---- ----	7.4 (55)	03/16
MSCI EAFE		***-1.0 ----***	***-1.0 ----***	***-0.8 ----***	***7.0 ----***	***3.8 ----***	***7.5 ----***	***03/16***
Mellon Emerging Mkts	(Emerging Mkt)	-4.3 (67)	-4.3 (67)	-2.0 (72)	6.0 (51)	---- ----	7.9 (57)	03/16
MSCI EM Net		***-4.2 ----***	***-4.2 ----***	***-2.0 ----***	***6.0 ----***	***2.3 ----***	***7.9 ----***	***03/16***
Hamilton Lane II		7.1 ----	7.1 ----	15.3 ----	9.5 ----	3.2 ----	11.4 ----	03/09
Cambridge PE		***0.0 ----***	***0.0 ----***	***9.5 ----***	***15.1 ----***	***12.0 ----***	***14.8 ----***	***03/09***
Hamilton VII A		3.6 ----	3.6 ----	9.6 ----	13.3 ----	11.0 ----	13.0 ----	09/11
Cambridge PE		***0.0 ----***	***0.0 ----***	***9.5 ----***	***15.1 ----***	***12.0 ----***	***13.9 ----***	***09/11***
Hamilton VII B		-1.5 ----	-1.5 ----	-0.3 ----	4.9 ----	4.8 ----	6.4 ----	09/11
Cambridge PE		***0.0 ----***	***0.0 ----***	***9.5 ----***	***15.1 ----***	***12.0 ----***	***13.9 ----***	***09/11***
UBS TPF		0.9 ----	0.9 ----	-0.5 ----	4.1 ----	---- ----	4.1 ----	09/16
NCREIF ODCE		***1.3 ----***	***1.3 ----***	***5.6 ----***	***7.3 ----***	***9.3 ----***	***7.3 ----***	***09/16***
Molpus SWF II		0.6 ----	0.6 ----	7.0 ----	1.3 ----	3.1 ----	3.3 ----	03/09
NCREIF Timber		***0.2 ----***	***0.2 ----***	***2.1 ----***	***3.1 ----***	***4.4 ----***	***3.7 ----***	***03/09***
Mellon Int. Gov/Cred	(Int Fixed)	1.4 (65)	1.4 (65)	8.2 (39)	2.4 (87)	---- ----	2.5 (83)	03/16
Int Gov/Credit		***1.4 ----***	***1.4 ----***	***8.2 ----***	***2.4 ----***	***2.7 ----***	***2.6 ----***	***03/16***

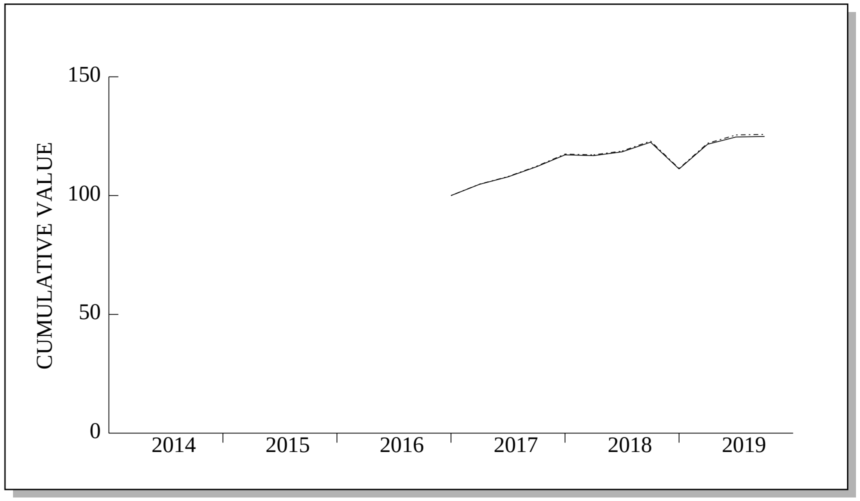
MANAGER PERFORMANCE SUMMARY - NET OF FEES

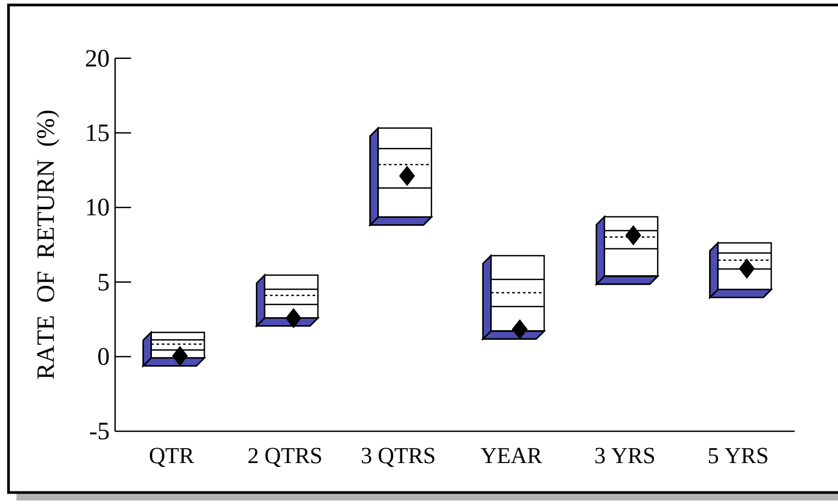
Name	Quarter	FYTD	1 Year	3 Years	5 Years	Since Inception	
Total Portfolio	0.1	0.1	1.8	8.1	5.7	----	12/01
Manager Shadow	*0.2*	*0.2*	*2.3*	*8.5*	*6.5*	*----*	*12/01*
Mellon Large Cap	1.7	1.7	4.2	13.4	----	13.3	03/16
S&P 500	*1.7*	*1.7*	*4.3*	*13.4*	*10.8*	*13.4*	*03/16*
Mellon Smid Cap	-1.2	-1.2	-3.9	9.6	----	11.3	03/16
Russell 2500	*-1.3*	*-1.3*	*-4.1*	*9.5*	*8.6*	*11.2*	*03/16*
Mellon EAFE	-1.1	-1.1	-1.1	6.8	----	7.3	03/16
MSCI EAFE	*-1.0*	*-1.0*	*-0.8*	*7.0*	*3.8*	*7.5*	*03/16*
Mellon Emerging Mkts	-4.3	-4.3	-2.1	5.9	----	7.8	03/16
MSCI EM Net	*-4.2*	*-4.2*	*-2.0*	*6.0*	*2.3*	*7.9*	*03/16*
Hamilton Lane II	5.5	5.5	6.9	3.8	-1.1	8.7	03/09
Cambridge PE	*0.0*	*0.0*	*9.5*	*15.1*	*12.0*	*14.8*	*03/09*
Hamilton VII A	3.2	3.2	8.1	11.9	9.6	11.0	09/11
Cambridge PE	*0.0*	*0.0*	*9.5*	*15.1*	*12.0*	*13.9*	*09/11*
Hamilton VII B	-2.1	-2.1	-1.7	3.5	3.5	4.6	09/11
Cambridge PE	*0.0*	*0.0*	*9.5*	*15.1*	*12.0*	*13.9*	*09/11*
UBS TPF	0.7	0.7	-1.4	3.1	----	3.1	09/16
NCREIF ODCE	*1.3*	*1.3*	*5.6*	*7.3*	*9.3*	*7.3*	*09/16*
Molpus SWF II	0.4	0.4	5.9	0.3	2.1	2.5	03/09
NCREIF Timber	*0.2*	*0.2*	*2.1*	*3.1*	*4.4*	*3.7*	*03/09*
Mellon Int. Gov/Cred	1.4	1.4	8.1	2.3	----	2.5	03/16
Int Gov/Credit	*1.4*	*1.4*	*8.2*	*2.4*	*2.7*	*2.6*	*03/16*

MANAGER VALUE ADDED

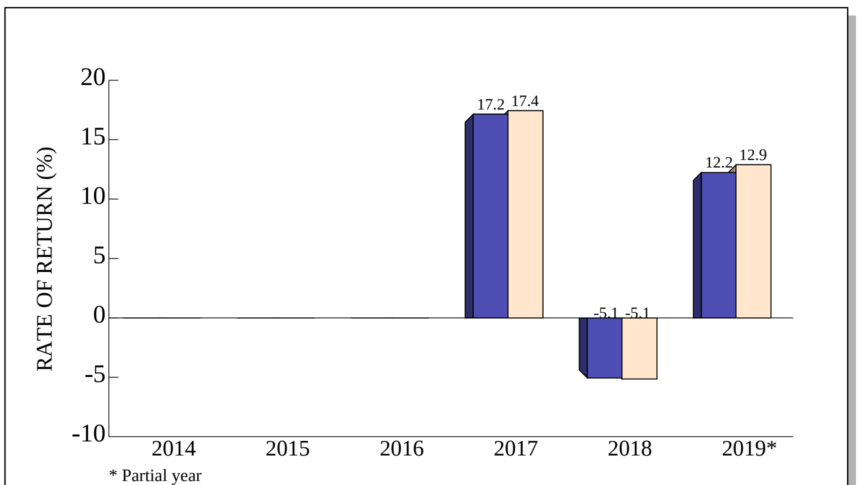
1 Quarter	Portfolio	Benchmark	1 Year
0.0	Mellon Large Cap	S&P 500	0.0
0.1	Mellon Smid Cap	Russell 2500	0.2
-0.1	Mellon EAFE	MSCI EAFE	-0.3
-0.1	Mellon Emerging Mkts	MSCI EM Net	0.0
7.1	Hamilton Lane II	Cambridge PE	5.8
3.6	Hamilton VII A	Cambridge PE	0.1
-1.5	Hamilton VII B	Cambridge PE	-9.8
-0.4	UBS TPF	NCREIF ODCE	-6.1
0.4	Molpus SWF II	NCREIF Timber	4.9
0.0	Mellon Int. Gov/Cred	Int Gov/Credit	0.0
0.0	**Total Portfolio**	**Manager Shadow**	**-0.3**

TOTAL RETURN COMPARISONS





Public Fund Universe



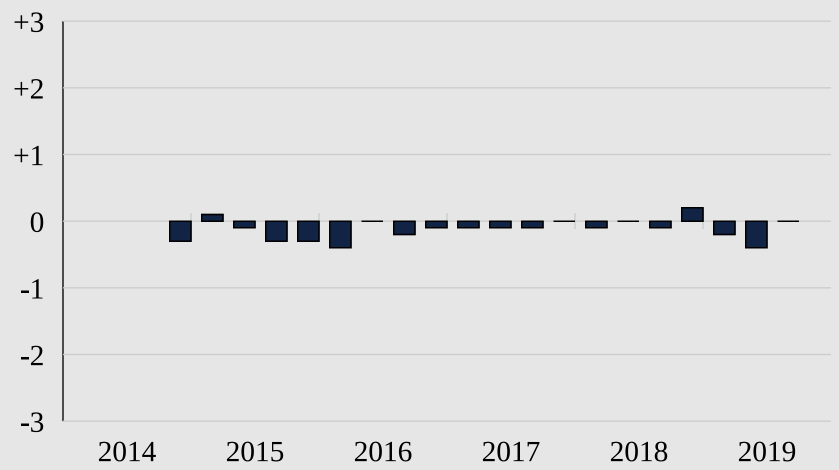
	QTR	2 QTRS	3 QTRS	YEAR	------ANNUALIZED------ 3 YRS	5 YRS
RETURN	0.2	2.7	12.2	2.0	8.3	6.0
(RANK)	(88)	(95)	(61)	(94)	(37)	(70)
5TH %ILE	1.6	5.5	15.3	6.8	9.4	7.6
25TH %ILE	1.1	4.5	13.9	5.2	8.4	7.0
MEDIAN	0.8	4.1	12.9	4.3	8.0	6.5
75TH %ILE	0.4	3.5	11.3	3.4	7.2	5.9
95TH %ILE	-0.1	2.6	9.4	1.7	5.4	4.5
Mgr Shadow	***0.2***	***3.1***	***12.9***	***2.3***	***8.5***	***6.5***

Public Fund Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY - 5 YEARS

COMPARATIVE BENCHMARK: BURLINGTON MANAGER SHADOW INDEX

VARIATION FROM BENCHMARK



Total Quarters Observed	**20**
Quarters At or Above the Benchmark	**6**
Quarters Below the Benchmark	**14**
Batting Average	**.300**

RATES OF RETURN

				---------Cumulative----------		
Date	Portfolio	Bench	Diff	Portfolio	Bench	Diff
12/14	0.3	0.6	-0.3	0.3	0.6	-0.3
3/15	1.9	1.8	0.1	2.2	2.4	-0.2
6/15	0.1	0.2	-0.1	2.3	2.6	-0.3
9/15	-5.0	-4.7	-0.3	-2.8	-2.2	-0.6
12/15	1.3	1.6	-0.3	-1.5	-0.6	-0.9
3/16	1.1	1.5	-0.4	-0.4	0.8	-1.2
6/16	1.8	1.8	0.0	1.4	2.7	-1.3
9/16	4.1	4.3	-0.2	5.6	7.1	-1.5
12/16	1.6	1.7	-0.1	7.3	8.9	-1.6
3/17	4.7	4.8	-0.1	12.4	14.2	-1.8
6/17	3.0	3.1	-0.1	15.7	17.7	-2.0
9/17	3.9	4.0	-0.1	20.3	22.4	-2.1
12/17	4.5	4.5	0.0	25.7	27.9	-2.2
3/18	-0.3	-0.2	-0.1	25.3	27.6	-2.3
6/18	1.4	1.4	0.0	27.1	29.4	-2.3
9/18	3.4	3.5	-0.1	31.4	33.9	-2.5
12/18	-9.2	-9.4	0.2	19.3	21.4	-2.1
3/19	9.3	9.5	-0.2	30.4	32.9	-2.5
6/19	2.5	2.9	-0.4	33.7	36.8	-3.1
9/19	0.2	0.2	0.0	33.9	37.0	-3.1

Private Equity Investor Report
Hamilton Lane Secondary Fund II LP

IRR Since Inception	**14.21%**	Annualized, Net of Fees			
Market Value	**$ 257,027**	Last Statement Date:	9/30/2019		
Capital Commitment	$ 3,400,000	100.00%	PME+	10.4%	
Paid In Capital	$ 2,982,695	87.73%	Fund Level LP Net IRR*	13.8%	
Remaining Commitment	$ 417,305	12.27%	MSCI World Index PME*	11.1%	

Date	**Contributions**	**% of Commitment**	**Recallable Distributions**	**% of Commitmen**	**Distributions**
Year 2009	$ 518,361	15.25%	$ (151,904)	-4.47%	$ -
Year 2010	$ 1,109,828	32.64%	$ -	-	$ (87,992)
Year 2011	$ 607,254	17.86%	$ (115,109)	-3.39%	$ (361,234)
Year 2012	$ 934,221	27.48%	$ -	-	$ (836,516)
Year 2013	$ 97,310	2.86%	$ (17,266)	-0.51%	$ (731,867)
Year 2014	$ -	-	$ -	-	$ (1,140,848)
Year 2015	$ -	-	$ -	-	$ (533,140)
1/28/2016	$ -	-	$ -	-	$ (38,549)
5/20/2016	$ -	-	$ -	-	$ (81,887)
8/19/2016	$ -	-	$ -	-	$ (46,080)
12/28/2016	$ -	-	$ -	-	$ (31,257)
6/1/2017	$ -	-	$ -	-	$ (44,158)
11/20/2017	$ -	-	$ -	-	$ (45,061)
1/29/2018	$ -	-	$ -	-	$ (38,733)
7/11/2018	$ -	-	$ -	-	$ (34,203)
1/18/2019	$ -	-	$ -	-	$ (43,682)
6/27/2019	$ -	-	$ -	-	$ (19,298)
Total	**$ 3,266,974**	**96.09%**	**$ (284,279)**	**-8.36%**	**$ (4,114,505)**

*Provided by Hamilton Lane

Private Equity Investor Report
Hamilton Lane Private Equity Fund VII LP Series A Offshore

IRR Since Inception		**10.58%**	Annualized, Net of Fees		
Market Value	**$**	**775,358**	Last Statement Date:	9/30/2019	
Capital Commitment	$	1,500,000	100.00%	PME +	7.3%
Paid In Capital	$	1,304,825	86.99%	Fund Level LP Net IRR*	10.8%
Remaining Commitment	$	195,175	13.01%	MSCI World Index PME*	11.1%

Date		**Contributions**	**% of Commitment**		**Recallable Distributions**	**% of Commitmen**		**Distributions**
Year 2011	$	345,447	23.03%	$	-	-	$	-
4/24/2012	$	83,394	5.56%	$	-	-	$	(32,311)
6/24/2012	$	52,500	3.50%	$	-	-	$	-
8/23/2012	$	45,000	3.00%	$	-	-	$	(3,692)
10/15/2012	$	67,500	4.50%	$	-	-	$	(23,932)
11/21/2012	$	80,250	5.35%	$	-	-	$	-
3/12/2013	$	48,750	3.25%	$	-	-	$	(27,930)
2/14/2014	$	61,500	4.10%	$	-	-	$	-
5/20/2014	$	187,500	12.50%	$	-	-	$	(151,650)
7/14/2014	$	50,522	3.37%	$	-	-	$	(19,283)
1/6/2015	$	145,117	9.67%	$	-	-	$	(88,738)
12/8/2015	$	28,179	1.88%	$	-	-	$	(51,519)
7/22/2016	$	75,000	5.00%	$	-	-	$	(53,805)
1/25/2017	$	34,166	2.28%	$	-	-	$	(216,102)
6/22/2017	$	-	-	$	-	-	$	(96,706)
8/16/2017	$	-	-	$	-	-	$	(31,846)
9/28/2017	$	-	-	$	-	-	$	(6,487)
11/15/2017	$	-	-	$	-	-	$	(80,964)
3/29/2018	$	-	-	$	-	-	$	(138,746)
6/15/2018	$	-	-	$	-	-	$	(39,985)
3/6/2019	$	-	-	$	-	-	$	(61,159)
6/26/2019	$	-	-	$	-	-	$	(31,022)
9/24/2019	$	-	-	$	-	-	$	(68,022)
Total	**$**	**1,304,825**	**86.99%**	**$**	**-**	**0.00%**	**$**	**(1,223,899)**

*Provided by Hamilton Lane

Combined Net IRR is a combination of both series A & B

Private Equity Investor Report
Hamilton Lane Private Equity Fund VII LP Series B Offshore

IRR Since Inception		**5.88%**	Annualized, Net of Fees		
Market Value	**$**	**534,661**	Last Statement Date:	9/30/2019	
Capital Commitment	$	1,000,000	100.00%	PME+	6.9%
Paid In Capital	$	825,225	82.52%	Fund Level LP Net IRR*	4.7%
Remaining Commitment	$	174,775	17.48%	MSCI World Index PME*	11.1%

Date		**Contributions**	**% of Commitment**		**Recallable Distributions**	**% of Commitmen**		**Distributions**
Year 2011	$	245,723	24.57%	$	-	-	$	-
4/24/2012	$	56,445	5.64%	$	-	-	$	(22,962)
6/24/2012	$	50,000	5.00%	$	-	-	$	-
8/23/2012	$	50,000	5.00%	$	-	-	$	(2,909)
11/21/2012	$	30,000	3.00%	$	-	-	$	(16,671)
1/3/2013	$	40,000	4.00%	$	-	-	$	-
8/12/2013	$	100,000	10.00%	$	-	-	$	(35,860)
2/14/2014	$	44,000	4.40%	$	-	-	$	-
5/20/2014	$	80,000	8.00%	$	-	-	$	(49,323)
7/14/2014	$	45,512	4.55%	$	-	-	$	(3,495)
12/8/2014	$	16,254	1.63%	$	-	-	$	(29,570)
1/20/2015	$	65,791	6.58%	$	-	-	$	(11,610)
8/3/2015	$	-	-	$	-	-	$	(9,735)
3/23/2016	$	-	-	$	-	-	$	(67,664)
7/18/2016	$	-	-	$	-	-	$	(10,836)
1/27/2017	$	1,500	0.15%	$	-	-	$	(64,973)
6/23/2017	$	-	-	$	-	-	$	(43,902)
8/17/2017	$	-	-	$	-	-	$	(15,753)
9/27/2017	$	-	-	$	-	-	$	(5,960)
12/8/2017	$	-	-	$	-	-	$	(20,240)
3/30/2018	$	-	-	$	-	-	$	(18,393)
6/15/2018	$	-	-	$	-	-	$	(11,983)
6/25/2019	$	-	-	$	-	-	$	(42,091)
9/25/2019	$	-	-	$	-	-	$	(21,586)
Total	**$**	**825,225**	**82.52%**	**$**	**-**	**0.00%**	**$**	**(505,516)**

*Provided by Hamilton Lane (Net IRR is combined both series A & B)

Combined Net IRR is a combination of both series A & B

Timber Investor Report
Molpus Sustainable Woodlands Fund II, LP

IRR Since Inception		**1.87%**	Annualized, Net of Fees			
Market Value	**$**	**2,860,973**	Last Statement Date:		9/30/2019	
Capital Commitment	$	3,400,000	100.00%			
Paid In Capital	$	3,400,000	100.00%			
Remaining Commitment	$	-	0.00%			

Date		**Contributions**	**% of Commitment**		**Recallable Distributions**	**% of Commitmen**		**Distributions**
2/28/2009	$	510,000	15.00%	$	-	-	$	-
9/30/2009	$	2,890,000	85.00%	$	-	-	$	-
4/30/2010	$	-	-	$	-	-	$	(19,365)
6/30/2010	$	-	-	$	-	-	$	(67,116)
12/31/2010	$	-	-	$	-	-	$	(28,663)
6/30/2011	$	-	-	$	-	-	$	(19,109)
12/31/2011	$	-	-	$	-	-	$	(38,218)
12/31/2012	$	-	-	$	-	-	$	(47,772)
6/25/2013	$	-	-	$	-	-	$	(76,435)
12/31/2013	$	-	-	$	-	-	$	(114,653)
3/31/2014	$	-	-	$	-	-	$	(47,772)
9/30/2014	$	-	-	$	-	-	$	(47,772)
12/31/2014	$	-	-	$	-	-	$	(28,663)
3/31/2015	$	-	-	$	-	-	$	(38,218)
9/30/2015	$	-	-	$	-	-	$	(47,772)
12/31/2015	$	-	-	$	-	-	$	(47,772)
6/30/2016	$	-	-	$	-	-	$	(28,663)
9/30/2016	$	-	-	$	-	-	$	(76,435)
12/31/2016	$	-	-	$	-	-	$	(95,544)
6/30/2017	$	-	-	$	-	-	$	(38,218)
9/29/2017	$	-	-	$	-	-	$	(38,218)
12/29/2017	$	-	-	$	-	-	$	(57,327)
12/28/2018	$	-	-	$	-	-	$	(76,435)
6/30/2019	$	-	-	$	-	-	$	(57,327)
Total	**$**	**3,400,000**	**100.00%**	**$**	**-**	**0.00%**	**$**	**(1,137,467)**

APPENDIX - MAJOR MARKET INDEX RETURNS

Equity	Style	QTR	FYTD	1 Year	3 years	5 Years
Russell 3000	Broad Equity	1.2	1.2	2.9	12.8	10.4
S&P 500	Large Cap Core	1.7	1.7	4.3	13.4	10.8
Russell 1000	Large Cap Core	1.4	1.4	3.9	13.2	10.6
Russell 1000 Growth	Large Cap Growth	1.5	1.5	3.7	16.9	13.4
Russell 1000 Value	Large Cap Value	1.4	1.4	4.0	9.4	7.8
Russell 2000	Small Cap	-2.4	-2.4	-8.9	8.2	8.2
Russell 2000 Growth	Small Cap Growth	-4.2	-4.2	-9.7	9.8	9.1
Russell 2000 Value	Small Cap Value	-0.6	-0.6	-8.3	6.5	7.2
MSCI EAFE	Developed Markets	-1.0	-1.0	-0.8	7.0	3.8
MSCI EAFE Growth	Developed Markets Growth	-0.4	-0.4	2.6	8.2	5.9
MSCI EAFE Value	Developed Markets Value	-1.6	-1.6	-4.3	5.7	1.6
MSCI Emerging Markets	Emerging Markets	-4.1	-4.1	-1.6	6.4	2.7
MSCI All Country World	Global Equity	0.1	0.1	1.9	10.3	7.2
MSCI All Country World Ex US	Global Equity (ex. US)	-1.7	-1.7	-0.7	6.8	3.4

Fixed Income	Style	QTR	FYTD	1 Year	3 years	5 Years
Bloomberg Barclays Aggregate Index	Core Fixed Income	2.3	2.3	10.3	2.9	3.4
Bloomberg Barclays Gov/Credit	Gov/Credit	2.6	2.6	11.3	3.2	3.6
Bloomberg Barclays Capital Gov't Bond	Treasuries	2.4	2.4	10.4	2.3	2.9
Bloomberg Barclays Capital Credit Bond	Corporate Bonds	3.0	3.0	12.6	4.3	4.5
Intermediate Aggregate	Core Intermediate	1.4	1.4	8.1	2.4	2.7
Intermediate Gov/Credit	Gov / Credit Intermediate	1.4	1.4	8.2	2.4	2.7
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.6	0.6	4.4	1.5	1.3
Bloomberg Barclays Capital High Yield	High Yield Bonds	1.3	1.3	6.4	6.1	5.4
Bloomberg Barclays Global Treasury Ex US	International Treasuries	0.4	0.4	7.5	0.5	1.4
Bloomberg Barclays Global Government Bond	International Fixed Income	0.6	0.6	7.6	0.9	1.7
Bloomberg Barclays Global Aggregate	International Fixed Income	0.7	0.7	7.6	1.6	2.0
Bloomberg Barclays Global Aggregate Ex US	International Fixed Income	-0.6	-0.6	5.3	0.4	0.9

Alternative Assets	Style	QTR	FYTD	1 Year	3 years	5 Years
MSCI US REIT Index	REITs	7.7	7.7	16.8	6.8	9.8
NCREIF NFI-ODCE Index	Real Estate	1.3	1.3	5.6	7.3	9.3
NCREIF Timber Index	Timber	0.2	0.2	2.1	3.1	4.4
Bloomberg Commodity Index	Commodities	-1.8	-1.8	-6.6	-1.5	-7.2
HFRI FOF Composite	Hedge Funds	-0.9	-0.9	0.6	3.4	2.1

APPENDIX - DISCLOSURES

* The Burlington Manager Shadow index is the weighted average of each manager portfolio's beginning value multiplied by its current quarter benchmark return.
* The Real Assets Blended Index is comprised of equal parts:
  NCREIF ODCE NCREIF Timber Bloomberg Commodities (Formerly known as Dow Jones UBS Commodities)
* All values for the Pooled Cash account since June 2012 are subject to change. Audited statements are not provided for this account.
* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
* All returns for periods greater than one year are annualized.
* Dahab Associates uses the modified duration measure to present average duration.
* All values are in US dollars.

Investing in Real Estate

Barry Bryant, CFA

September 3, 2019

DAHAB ASSOCIATES
Florida Massachusetts New York Pennsylvania Texas

Why Real Estate

- Core and Core+ real estate offers bond-like properties
  - ➢ Like bonds, returns consist primarily of income plus some underlying appreciation

Pros

- Greater Appreciation Potential
- Inflation Protection
- Higher Yields

Cons

- Economic Sensitivity
- Illiquidity
- Fees

- Portfolio Role
  - ➢ Provides higher long-term returns than bonds
  - ➢ Reduces portfolio volatility like bonds
  - ➢ Offers protection in rising interest rate environments

Real Estate Variations

- Common elements of institutional-quality funds
  - Commingled vehicles
  - Benchmarked against the National Council of Real Estate Investment Fiduciaries (NCREIF) ODCE or NCREIF Property Index
- Investment vehicles consist of
  - Open-end Funds
  - Public REITS
  - Direct Ownership
  - Closed-end Funds
- Leverage (usually 20%-70%) varies by investment style (core, value-added, opportunistic)
- Real estate risk varies by property quality
- Can play multiple roles in a portfolio
  - Conservative (core/core+) acts as a bond substitute, 6-8% return expectation
  - Riskier real estate may be a return driver, >12% return expectation

Investment Vehicles

- Publicly Traded REIT
  - Registered with SEC, trades as a stock
  - Daily liquidity as with any stock
  - Investor requires no special qualification
  - High correlation to equity markets

- Private REIT
  - Brokerage sponsored
  - High fees
  - Lightly regulated
  - Small initial investments

Investment Vehicles

- Direct Ownership
  - Separate accounts, whole properties owned by a single investor
  - Joint ventures, partial direct ownership of properties with a few other entities
  - Investor needs to have sufficient size to buy diverse properties

- Commingled Trust, Open or Closed-end Fund
  - Structured as an LP
  - Closed-end - Liquidity not provided until end of fund's life, usually 7-10 years
  - Open-end - Liquidity depends on willingness of manager to meet redemption requests
  - Investor needs to be accredited
  - Low correlation to equity markets

Real Estate Property Types

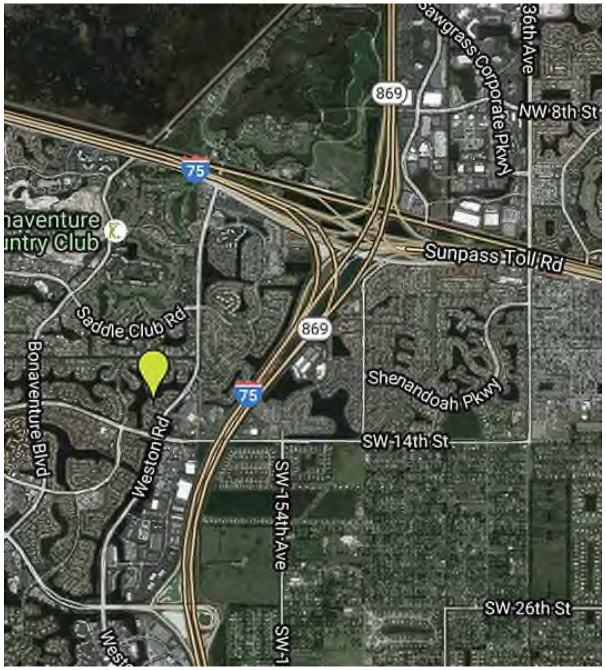
- The four main “food groups”
  - Multi-Family (Apartment)
  - Industrial
  - Office
  - Retail

- Additional common property types
  - Hotels
  - Self-Storage
  - Medical Office
  - Student Housing

Example: Multi-family

- Multi-Family (Apartment)
  - Moderate return volatility
  - Returns are more stable than most other property types because of the minimal impact from the loss of a single tenant

Key Statistics	
Sector	Multi-family
Location	Weston, FL
Cary Value	$69.9 million
Loan Balance	$26.0 million
Equity	$43.9 million
LTV	37%
Loan Interest Rate	3.01%
% Lease	92%
Carry Value per Unit	$190,000



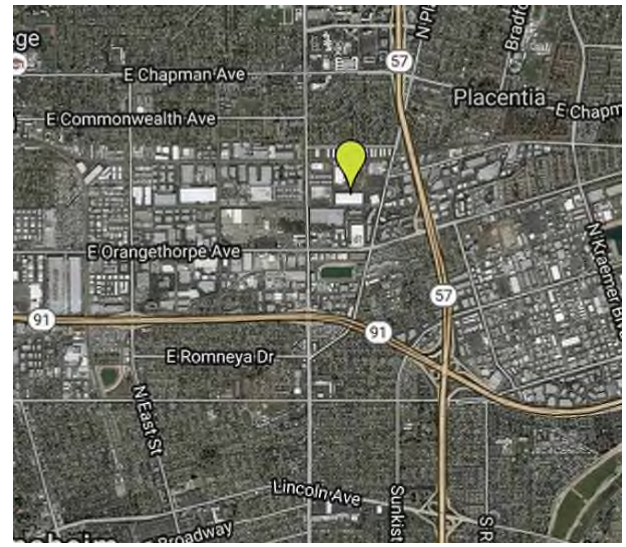
- 368-unit “garden-style” apartment community in Ft. Lauderdale, Florida
- Property amenities include a fitness center, swimming pool, and tennis courts

DAHAB ASSOCIATES

Example: Industrial

- Industrial
  - ➢ Moderate to high return volatility
  - ➢ Smaller initial investment and annual maintenance tends to dampen economic sensitivity relative to office

Key Statistics	
Sector	Industrial
Location	Fullerton, CA
Cary Value	$36.1 million
Loan Balance	$14.4 million
Equity	$21.7 million
LTV	40%
Loan Interest Rate	2.93%
% Lease	100%
Forward 12-month Lease Expiration	None



- A 254,750 square-foot distribution facility in a location with access to major Southern Californian transportation arteries

DAHAB ASSOCIATES

Example: Office

- Office
  - High return volatility
  - Returns tend to be highly sensitive to economic performance

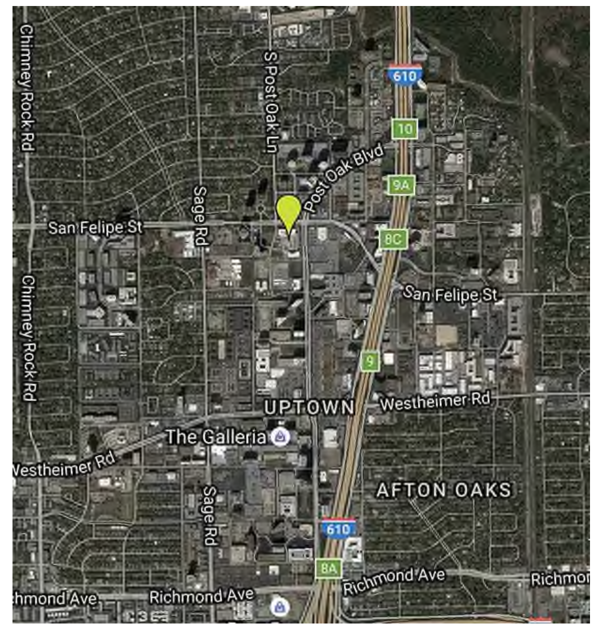
Key Statistics	
Sector	Office
Location	Orange, CA
Cary Value	$21.5 million
Loan Balance	$4.2 million
Equity	$17.3 million
LTV	20%
Loan Interest Rate	2.54%
% Lease	87%
Forward 12-month Lease Expiration	1 (1,987 SF)

- 90,191 square-foot office building in central Orange County
- Located near major roads
- Completed significant capital work to the property, including a new lobby, outdoor seating area, landscaping, and parking lot

Example: Retail

- Retail
  - Low return volatility
  - Returns tend to be more stable than that of Office due to longer leasing terms

Key Statistics	
Sector	Retail
Location	Houston, TX
Cary Value	$154.0 million
Loan Balance	$75.0 million
Equity	$79.0 million
LTV	49%
Loan Interest Rate	LIBOR +165 bps
% Lease	99%
Forward 12-month Lease Expiration	None



- 216,906 square foot Retail complex located in the Galleria area of Houston Texas
- Whole Foods and Apple are the two anchor tenants

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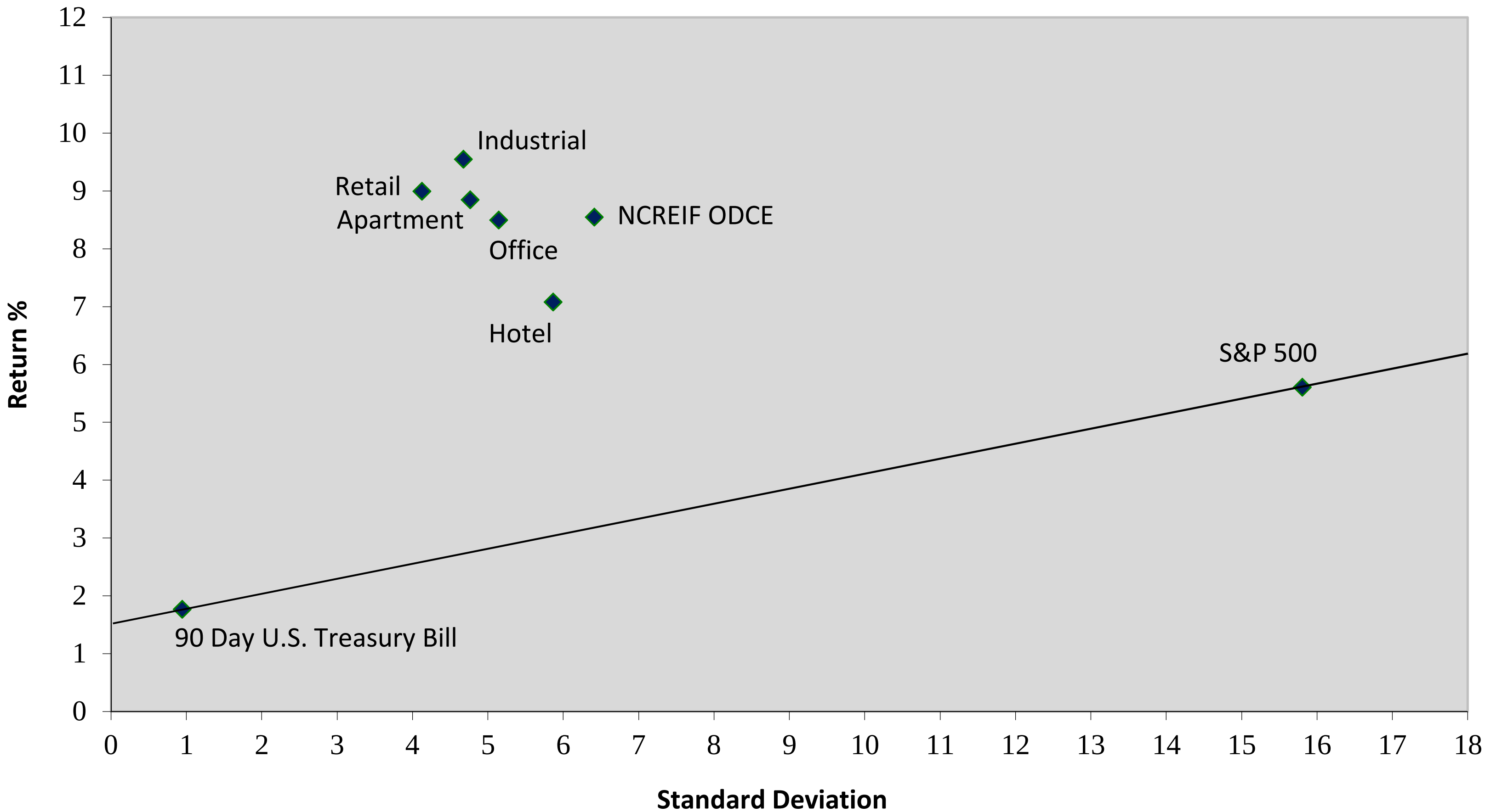
Risk and Return

NCREIF Index 20 years as of 12/31/18



Capital Market Line runs from the 90 Day U.S. Treasury Bill to the S&P 500

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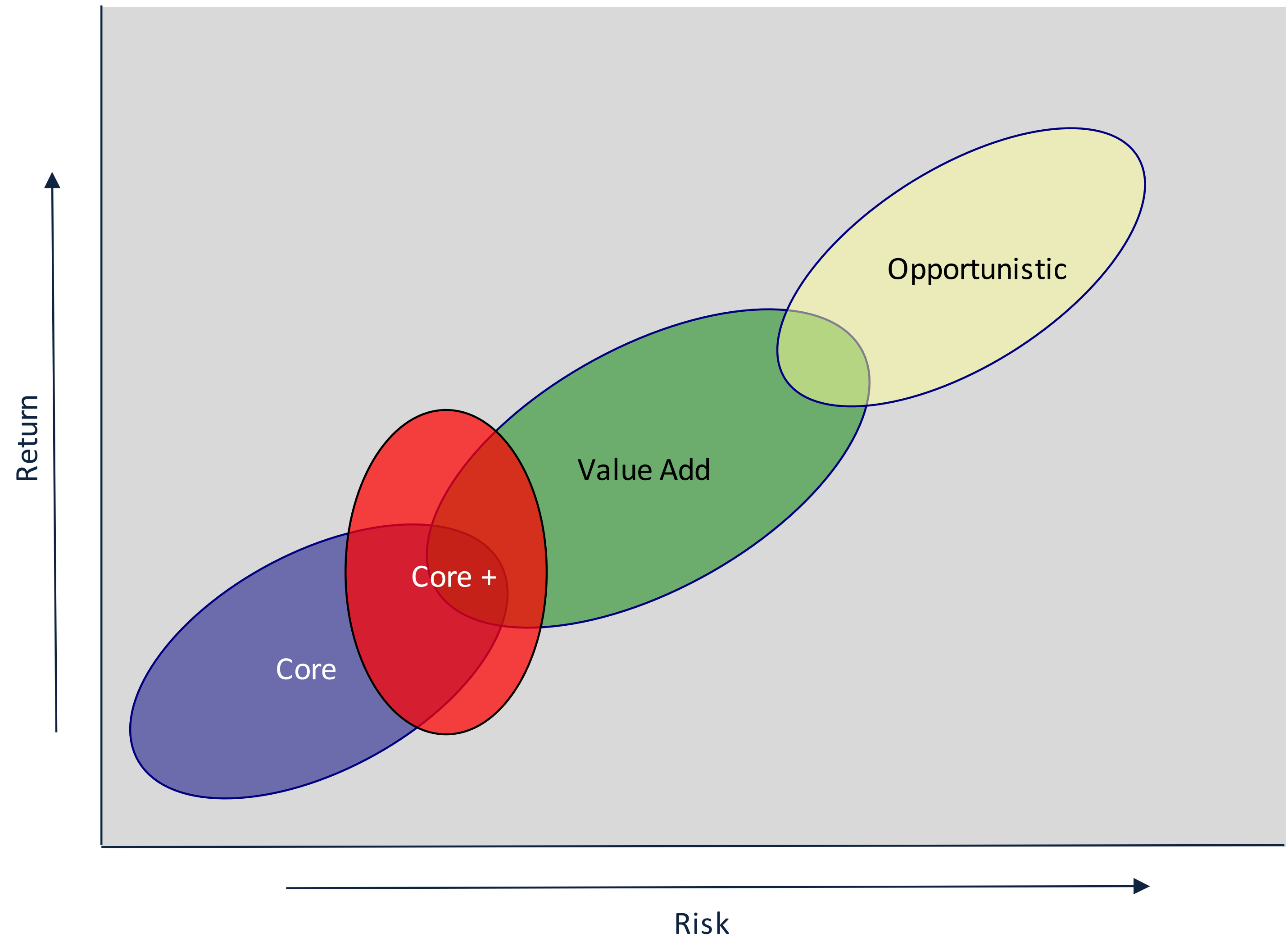
Real Estate Investment Styles



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Real Estate Equity Investment Styles

Investment Factors	Core	Value-Added	Opportunistic
Public / Private	Private	Private	Private
Vehicle Structure	Open-end or LP	Open-end or LP	Limited Partnership
Relative Liquidity	Daily to Quarterly	Quarterly to Term of Fund	Term of the Fund
Relative risk Level	Low	Moderate	High
Strategy	85% leased in major markets. Limited development or repositioning risk. Diversified across region and property type	70% leased with modest development and repositioning risk focused on improving occupancy rates.	Significant exposure to development and repositioning risk
Markets	Tier 1 (NY, Miami)	Tier 1 & 2 (NY, Raleigh)	Tier 1, 2, & 3 (NY, Raleigh, Cincinnati)
Appraisal Frequency	Quarterly to 1 year	Annual	1 - 3 years
Property Holding Period	5 - 10 years	3 - 5 years	3 - 5 years
Leverage	15% - 35%	35% - 70%	70% +
Income Return : Appreciation	80% : 20%	60% : 40%	20% : 80%
Minimum Investments	$1 million	$1 million to $5 million	$5 million
Management Fees	1.00%	1.25%	2.00%
Incentive Fees	None	0-20% usually after a 7-8% hurdle rate	0-20% usually after a 7-8% hurdle rate
Total Return Target	6% - 8%	8% - 12%	12% +

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What is Value-Added Real Estate

- Seeks to acquire non-core assets to transform them into core real estate properties, through:
  - Reworking the debt
  - Capital improvements
  - Repositioning of the property
  - Leasing up the property
  - Stabilizing Net Operating Income (NOI)

- Will have exposure to undeveloped land and/or development projects

- Tends to utilize greater leverage than core real estate funds

Real Estate Investment Styles

- Core
  - Target Returns: 6-8%
  - Typical leverage: up to 30%
  - Buy and hold stabilized properties
  - Emphasis on primary markets: Boston, NY, Washington DC, Chicago, San Francisco, Los Angles

- Core-Plus
  - Target Returns: 7-9%
  - Typical leverage: up to 55%
  - Holds primarily stabilized properties with a percentage of value-add properties

- Value-Add
  - Target Returns: 10-12%
  - Typical leverage: up to 70%
  - Repositioning and/or refurbishing properties to increase leasing rates and rent

Real Estate Investment Styles

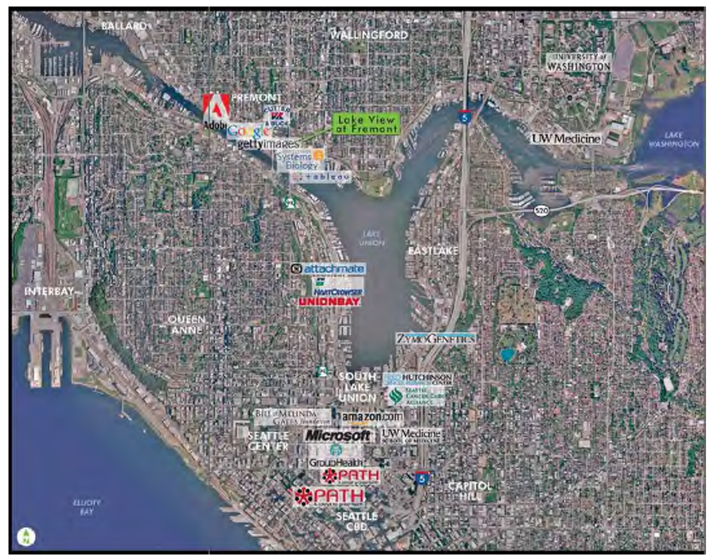
- Opportunistic
  - Target Returns: >16%
  - Leverage Employed: over 70%
  - Focuses on properties in need of significant modification

- Real Estate Debt
  - Target Returns: 9-12%
  - Moderate risk/return Bridge loans

Value-added Property Example

- Acquired from lender after original developer declared bankruptcy and was foreclosed
- Developed in 2008. Well located in growing office submarket in Seattle
- Significant discount to replacement cost
- Gained exposure to office property type at attractive entry point
- Increased occupancy to 99% from 44% at acquisition
- Rents on new leases exceeded acquisition underwriting by 5.4% and lease-up was completed ten months ahead of schedule

Lake View at Fremont (Office)	
Acquired	November 2014
Purchase price	$19.5 million ($175 psf)
Occupancy Rate (at acquisition)	44%
Projected 10 Year unleveraged IRR (at acquisition)	9.6%
Carry Value as of March 31, 2012	$37 million
Occupancy Rate September 2016	99%



Sources: Bailard REIT I

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Value-added Property Example

Multi-family, Atlanta Georgia

Before

After

Sources: Harbert Management Company

Value-added Property Example

Office Building, Phoenix Arizona

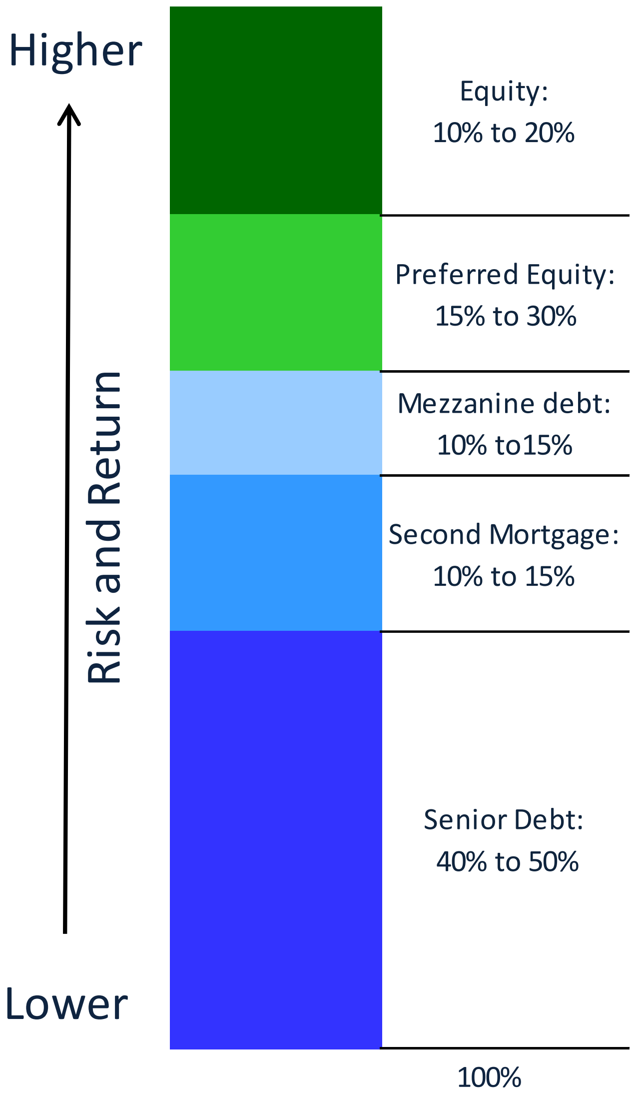
Before

After

Sources: Harbert Management Company

Real Estate Debt

- Real estate debt
  - Lend money to real estate owner/developer
  - First, second or mezzanine financing
  - Loans can be originated or acquired by the fund
  - Fixed or floating rate
- Loans are collateralized by the property
- Closed-end funds
- Risks
  - Default risk
  - Illiquidity
- Returns
  - Target Returns: 9-12%



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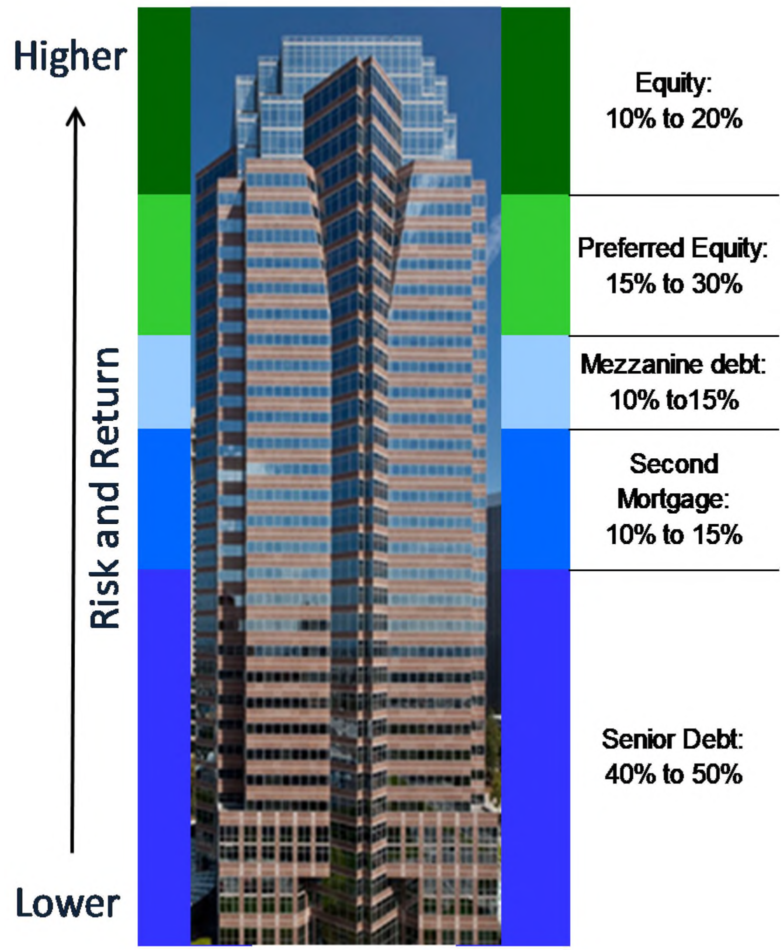
Real Estate Debt

- Real estate debt
  - ➢ Lend money to real estate owner/developer
  - ➢ First, second or mezzanine financing
  - ➢ Loans can be originated or acquired by the fund
  - ➢ Fixed or floating rate
- Loans are collateralized by the property
- Closed-end funds
- Risks
  - ➢ Default risk
  - ➢ Illiquidity
- Returns
  - ➢ Target Returns: 9-12%



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Real Estate Debt Example

- Acquisition financing representing 80% of the purchase price
- 198 units, 13 buildings
  - ➢ In-place rents were 25% below average rental rates in the area
- The firm had experience with the real estate developer
  - ➢ Developers business plan was to acquire the property, renovate the units and bring rents more in line with the market

Key Statistics	
Sector	Multi-family
Location	Houston, Texas
Term	36 months
Investment Type	First Mortgage
Loan Amount	$10.2 million
LTV	80%
Loan Interest Rate	LIBOR +660 bps
Origination Date	9/26/2013
Status	Paid Off 9/30/2015
Net IRR	9.6%

Sources: Latitude Real Estate Investors

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Historical Returns for Real Estate

- Expected return between investment-grade fixed income and equity
  - Historical returns have been between 5-10%
  - Long term, real estate returns have been stable relative to stocks and bonds

Up vs. Down Years, 1934-2018			
	Up Years	Down Years	Worst Year
Private Real Estate	79	5	-16.8%
U.S. Stocks	63	21	-36.9%
Long-Term Treasuries	63	21	-14.9%

- High income potential, average annualized cash flow about 5%
- Historically, low correlation to equity markets
- Ability to increase return while reducing risk (volatility) is the major appeal

Return Comparison

20 Years as of December 31, 2018

Asset Class	Index	20-Year Return*	Correlation	Standard Deviation
Large Cap Core	S&P 500	5.6	1	15.8
Small Cap Core	Russell 2000	7.41	0.92	20.4
International Equity	MSCI EAFE	3.96	0.87	18.24
Emerging Markets	MSCI EM	8.8	0.78	24.25
Fixed Income	Barclays Aggregate	4.55	-0.4	3.4
Real Estate	**NCREIF ODCE**	**8.55**	**0.17**	**6.41**
Timber	NCREIF Timber	6.36	-0.01	4.97
Private Equity	Cambridge	12.49	0.75	10.19

*Geometric mean

Potential Inflation Hedge

- With the exception to the early Nineties when there was an oversupply of assets, real estate has proven to be an effective hedge against inflation.

  - **Short Run** - Real estate has lease provisions that acknowledge inflation and market rental rate movements

  - **Long Run** - Inflation increases nominal prices of labor and materials and as a result of this, increases the value of existing (through replacement cost valuations) and new properties

Types of Risk

- **Economic/Valuation:** change in the underlying value of the property
- **Demographic/Location:** less people means lower occupancy rates
- **Improvement:** modifying property to improve its attractiveness with the intention of increasing leasing percentages or raising rents
- **Completion:** finishing a partially completed property and getting necessary permits
- **Development:** creating a project from the ground up
- Illiquidity Risk: if the investment is in a closed end vehicle, funds can be locked up for 7-10 years. If an open end vehicle, during times of stress, it will difficult to withdraw funds.

Summary

- Real estate can play the role of a fixed income substitute, offering stable principal, an income stream, and low correlation to equity
- Real estate continues to be a strategic part of the capital structure for institutional investors
  - On average, institutional portfolios have a target allocation of 9.86% for real estate*
- Real estate has advantages over bonds
  - Return and risk are between debt and equity
  - Values can rise in an inflationary environment
- Real estate is not a perfect substitute for fixed income
  - Real estate has suffered steep, but temporary declines twice since 1978
    - September 1990 to June 1993: -13.34% return (peak-to-trough), and took 2.75 years to recover all losses
    - June 2008 to December 2009: -37.84% return (peak-to-trough), and took 3.5 years to recover all losses
- Fees
  - Open-end funds - Management fee on invested capital of 1%-1.3%; usually no carried interest
  - Closed-end funds - Management fee on committed capital, 1%-2%; carried interest, 15%-30%

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*Cornell University - Institutional Real Estate Allocations Monitor, 2015

Glossary

Glossary

- **Absorption rate** - The rate at which rentable space is filled. Gross absorption is a measure of the total square feet leased over a specified period with no consideration given to space vacated in the same geographic area during the same time period. Net absorption is equal to the amount occupied at the end of a period minus the amount occupied at the beginning of a period and takes into consideration space vacated during the period.

- **Aggregation risk** - Risk associated with warehousing mortgages during the pooling process for future securitization

- **Amortization** - The liquidation of a financial debt through regular periodic installment payments.

- **Anchor Tenant** - The tenant that serves as the predominant draw to a commercial property, usually the largest tenant in a shopping center.

- **Appraisal** - An estimate of a property's fair market value that is typically based on replacement cost, discounted cash flow analysis and/or comparable sales price.

- **Appreciation** - An increase in the value or price of an asset.

Glossary

- **Asset management** - The various disciplines involved with managing real estate property assets from the time of investment through the time of disposition, including acquisition, management, leasing, operational/financial reporting, appraisals, audits, market review and asset disposition plans.

- **Blind pool** - A commingled fund accepting investor capital without prior specification of property assets.

- **Book value** - Also referred to as common shareholder's equity, this is the total shareholder's equity as of the most recent quarterly balance sheet minus preferred stock and redeemable preferred stock.

- **Build-out Space** - improvements put in place per the tenant's specifications.

- **Build-to-Suit** - A method of leasing property whereby the developer/landlord builds to a tenant's specifications.

- **Call date** - Periodic or continuous rights given to the fund manager to “call” capital dollars committed by the investor.

Glossary

- **Capitalization** - The total dollar value of various securities issued by a company.
- **Capitalization rate** - The rate at which net operating income is discounted to determine the value of a property. It is the net operating income divided by the sales price or value of a property expressed as a percentage.
- **Cash-on-cash yield** - The relationship, expressed as a percentage, between the net cash flow of a property and the average amount of invested capital during an operating year.
- **Chapter 11** - That portion of the federal bankruptcy code that deals with business reorganizations.
- **Chapter 7** - That portion of the federal bankruptcy code that deals with business liquidations.
- **Class "A"** – Represent the highest quality buildings in their market and area. They are generally newer properties built within the last 15 years with top amenities, high-income tenants and low vacancy rates. Class A buildings are well located in the market and typically demand the highest rents with little maintenance issues.

Glossary

- **Class "B"** – One step down from Class A, these properties are generally older than Class A and tend to have lower income tenants. Rental income is typically lower than Class A along with some deferred maintenance issues.

- **Class "C"** – Properties that are typically more than 20 years old and located in less than desirable locations. The property is generally in need of renovations, including updating the building infrastructure to bring it up to date. Class C properties tend to have the lowest rental rates in the market.

- **Closed-end fund** - A commingled fund that has a targeted range of investor capital and a finite life.

- **Closing** - A period of time, usually less than seven days, after a registration statement is effective and the offering commences, giving the underwriters time to receive payment for the securities.

- **CMBS (commercial mortgage-backed securities)** - Securities backed by loans on commercial real estate.

- **CMO (collateralized mortgage obligation) -** Debt obligations that are collateralized by and have payments linked to a pool of mortgages.

Glossary

- **Co-investment** - Co-investment occurs when two or more pension funds or groups of funds share ownership of a real estate investment. In co-investment vehicles, relative ownership is always based on the amount of capital contributed. It also refers to an arrangement in which an investment manager or adviser co-invests its own capital alongside the investor.

- **Commercial real estate** - Buildings or land intended to generate a profit for investors, either from rental income or capital gain. Types of commercial real estate include office buildings, retail properties, industrial properties, apartments and hotels, as well as specialty niche property categories such as healthcare, student housing, senior housing, self-storage, data centers and farmland.

- **Commingled fund** - A pooled fund vehicle that enables qualified employee benefit plans to commingle their capital for the purpose of achieving professional management, greater diversification or investment positions in larger properties.

- **Comparables** - Used to determine the fair market value or lease rate, based on other properties with similar characteristics.

- **Convertible debt** - A mortgage position that gives the lender the option to convert to a partial or full ownership position in a property within a specified time period.

Glossary

- **Convertible preferred stock -** Preferred stock that is convertible to common stock under certain formulas and conditions specified by the issuer of the stock.
- **Cost-approach value** - The current cost to construct a reproduction of, or replacement for, the existing structure less an estimate for accrued depreciation.
- **Coupon** - The nominal interest rate charged to the borrower on a promissory note or mortgage.
- **Covenant** - A written agreement inserted into deeds or bonds stipulating performance or non-performance of certain acts, or use or non-use of a property and/or land.
- **Cross-collateralization** - A grouping of mortgages or properties that serves to jointly secure one debt obligation.
- **Current occupancy** - The current leased portion of a building or property expressed as a percentage of its total area or units.
- **Debt service** - The outlay necessary to meet all interest and principal payments during a given period.

Glossary

- **Discount rate** - A yield rate used to convert future payments or receipts into present value.
- **Exit strategy** - Strategy to liquidate all or part of the investment fund.
- **First mortgage** - The senior mortgage that, by reason of its position, has priority over all junior encumbrances. The holder has a priority right to payment in the event of default.
- **First-loss position** - The position in a security that will suffer the first economic loss if the underlying assets lose value or are foreclosed on. The first-loss position carries a higher risk and a higher yield.
- **Flex space** - A building that provides a configuration allowing occupants a flexible amount of office or showroom space in combination with manufacturing, laboratory, warehouse, distribution, etc.
- **General partner** - A member of a partnership who has authority to bind the partnership and shares in the profits and losses of the partnership
- **Implied cap rate** - Net operating income divided by the sum of a REIT's equity market capitalization and its total outstanding debt.

Glossary

- **Internal rate of return (IRR)** - A discounted cash-flow analysis calculation used to determine the potential total return of a real estate asset during an anticipated holding period.

- **Limited partnership** - A type of partnership comprised of a general partner who manages the business and is personally liable for partnership debts, and one or more limited partners who contribute capital and share in profits but who take no part in running the business and incur no liability above the amount contributed.

- **Mark to market** - The process of increasing or decreasing the original investment cost or value of a property asset or portfolio to a level estimated to be the current market value.

- **Mezzanine financing** - Mezzanine financing is somewhere between equity and debt. It is that piece of the capital structure that has senior debt above it and equity below it. There is both equity and debt mezzanine financing, and it can be done at the asset or company level, or it could be unrated tranches of CMBS. Returns are generally in the mid- to high-teens.

- **Mixed-use** - A building or project that provides more than one use, such as office/retail or retail/residential.

Glossary

- **NAREIT (National Association of Real Estate Investment Trusts)** - The national, not-for-profit trade organization that represents the real estate investment trust industry.

- **NCREIF (National Council of Real Estate Investment Fiduciaries)** - An association of real estate professionals who serve on working committees, sponsor research articles, seminars and symposiums, and produce the NCREIF Property Index.

- **NCREIF Property Index (NPI)** - The index reports quarterly and annual returns consisting of income and appreciation components. The index is based on data collected from the voting members of NCREIF. Specific property-type sub-indices include apartment, office, retail, industrial and hotel; regional sub-indices include West, East, South and Midwest.

- **Net asset value (NAV)** - The value of an individual asset or portfolio of real estate properties net of leveraging or joint venture interests.

- **Net operating income (NOI)** - A before-tax computation of gross revenue less operating expenses and an allowance for anticipated vacancy. It is a key indicator of financial strength

Glossary

- **Nominal yield** - The yield to investors before adjustments for inflation.
- **Open-end fund** - A commingled fund that does not have a finite life, continually accepts new investor capital and makes new property investments.
- **REIT (Real estate investment trust)** - A business trust or corporation that combines the capital of many investors to acquire or provide financing for real estate. A corporation or trust that qualifies for REIT status generally does not pay corporate income tax to the IRS. Instead, it pays out at least 90 percent of its taxable income in the form of dividends.
- Replacement cost - The estimated current cost to construct a building with utility equivalent to the building being appraised, using modern materials and current standards, design and layout.
- Sales comparison value - A value indication derived by comparing the property being appraised to similar properties that have been sold recently

Glossary

- **Triple net lease** - A lease that requires the tenant to pay all expenses of the property being leased in addition to rent. Typical expenses covered in such a lease include taxes, insurance, maintenance and utilities.

- **Write-down** - The accounting procedure used when the book value of an asset is adjusted downward to better reflect current market value.

- **Write-off** - The accounting procedure used when an asset has been determined to be uncollectible and is therefore charged as a loss.

Draft
November 20, 2019
Burlington Employees' Retirement Board
Conference Room 12

Board Members Present:

- Bob Hooper
- David Mount
- Beth Anderson
- Pat Robins
- Dan Gilligan (Phone)
- Munir Kasti

Others Present:

- Stephanie Hanker
- Bob Rusten
- Richard Goodwin
- Justin St. James
- Barry Bryant – Dahab Associates (Phone)

Called to order at 8:30am

1. ***Agenda***:
   MK move to amend agenda moving 9 and 7 to 4 and 5. Motion carries 6:0

2. ***Public Forum***:
   Jim Strouse present, nothing to present

3. ***Approve Minutes of October 03, 2019 & October 31, 2019***
   Munir Kasti moved to approve the presented minutes. Beth Anderson 2nd. Motion carries 6:0

4. ***Approve 2020 Cost of Living:***
   Munir Kasti moved to approve the presented 2020 cost of living increase to be applied to retirees. Pat Robins 2nd. Motion carries 6:0

5. ***Discussion / Approval Rate of Return:***
   Beth Anderson reviewed projected impact of rate of return changes based on H&H scenarios previously presented. Beth Anderson stated that H&H recommends using a $500K collar for these scenarios to work. Pat Robins asked if the collar can be changed and what the process looks for that. Beth Anderson stated that the collar can be adjusted by the Board on a as needed basis. Beth Anderson asked the Board if they are comfortable with a 1/10%

for the rate of return over the next 5 years. Munir Kasti moved to decrease the rate of return to 7.4% in 2021 and decrease 1/10% per year over the next five years until the rate is at 7.0% with a $500,000.00 collar, and an inflation of 2.5% and revisit every 5 years. David Mount 2nd. Motion carries 6:0

6. ***Performance Report:***
   Barry Bryant presented the Board a performance update for quarter ending September 2019. Barry Bryant stated for the third quarter, the portfolio returned 0.2%, which was equal to the Burlington manager Shadow Index's return of 0.2% and ranked in the 88th percentile of the Public Fund Universe. Over the trailing year, the portfolio returned 2.0%, which was 0.3% below the benchmarks' 2.3% return, ranking in the 94th percentile.

7. ***UBS Update – Dahab Associates***
   Barry Bryant provided an update to the Board regarding the UBS Trumbull fund.

8. ***Real Estate Educational Presentation - Dahab***
   Barry Bryant presented the Board with an educational presentation about investing in real estate. Barry Bryant stated that core and core plus real estate offers bond link properties and like bonds, returns consist primarily of income plus some underlying appreciation. There are pros and cons in real estate, pros being greater appreciation potential, inflation protection and higher yields, while cons are high fees, illiquidity and economic sensitivity.

9. ***Discussion / Update on Retirement Outsourcing Concerning Direct Deposits***
   Beth Anderson stated that with the new outsourcing vendor there will be a change in the number of direct deposit each retiree can have, currently they can have an unlimited amount, and the new vendor can only allow one bank. Beth Anderson stated that retiree will be notified and will have 3 -4 months to advise which account they would like to remain active for their deposit.

10. ***Other Business:***
    Justin St. James stated that the Board can use a consent agenda. Bob Hooper stated for the next meeting he would like to have the UBS Que discussion, an update on Johnson contract and talk more about the consent agenda.

11. ***Adjourn:***
    Munir Kasti moved to adjourn. Beth Anderson 2nd motion carries 6:0
    Adjourn 10:59am