



Mid-Atlantic UFCW and Participating Employers Pension Fund

**Investment Manager Review
Real Estate Manager Review
For the Period Ending March 31, 2014**

Executive Summary

Manager Search Process

- First, we assist the Trustees in specifying the characteristics of the investment manager that will satisfy the needs of the Fund. This is accomplished within the confines of the Board's investment and diversification guidelines.
- IPS develops a list of qualified candidates for each asset class and investment style. Investment manager candidates are thoroughly researched from various sources, including the Wilshire Compass database, Morningstar mutual fund database, and industry/public information. This information is scrutinized for fit against specific selection criteria. The purpose of this due diligence discipline is to reduce the immense list of potential candidates to a manageable group of firms with an impartial eye on meeting all selection criteria.
- Consistency of performance is a key component of the search process. IPS is mindful of the mathematics of an investment loss which requires the achievement of higher rates of performance to recover from a loss. Investment managers that “hit singles and doubles but seldom strike out” are preferred. IPS believes that managers who can provide this profile of performance will rank well when longer time periods are considered.
- Consistency of results among the manager's total accounts is critical as the Pension trustees are hiring the investment firm, not a unique portfolio manager of record.
- It is important to note that no fees of any kind are paid to IPS by any investment manager. The only requirement placed upon the manager is their willingness to submit and maintain data concerning their firm, its investment products, and performance results.
- For every investment manager search, IPS sends a Request for Information (RFI) to each potential candidate, regarding the product characteristics, performance, personnel, investment process and other relevant criteria, as part of the IPS due diligence process. A copy of the RFI for each manager has been provided to the Fund's Administrator and additional copies can be provided to the Trustees upon request.
- The next step can be a presentation of background information regarding the top firms meeting all the selection criteria. From this list, the very best firms will be asked to make personal interviews and presentations by their principals and/or managers who will actually manage the fund's assets. We will assist in the review of these candidates to help the Board of Trustees choose the best candidates.

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- The last meeting is the personal presentation of the final group of candidates who appear to best meet the needs of the Trustees and their objectives. The manager presentation is a very important step in the trustee's process of evaluating and comparing the candidates. The conclusion of the search process is the selection of the firm(s) by the client to manage the assets. IPS does not recommend any particular firm to be hired, but rather conducts due diligence so that a client can make an informed decision.
 - Finally, when needed, we will assist the client in the coordination and transition between the custodian and new manager to insure a carefully supervised transfer of assets.
 - Importantly, as part of our ongoing performance evaluation reports, we will review the manager transfer as it occurs, and ensure the accurate accounting of the changes made.

Perspective on Performance and Risk Data

The Manager Profiles include historical performance results. It is important to remember that past performance is not to be construed as a guarantee of future performance. The key to using historical performance data is to develop an expectation of returns during various market environments and to determine which type of return (and thus which type of manager) best suits the client's needs. We use historical data to "look behind" the managers' numbers for consistency of returns and to inspect how they preserve capital over full market cycles and in declining markets.

Included within the Manager Profiles are the following: firm's history, fund styles, fees, volatility, relative performances, and risk measures. This information is critical when comparing the candidates among each other. The material is presented in a consistent fashion to ensure there is a level playing field.



Mid-Atlantic UFCW and Participating Employers Pension Fund Investment Manager Comparison Summary Real Estate Style

Investment Manager/ Location	Year Established/ Ownership	Total/ Taft-Hartley Assets under Management (1)	Total Assets Managed in Style (1)	Investment Vehicle/ Minimum Invest. (2)	Standard Fee	Accepts HW Assets
Core Managers						
American Realty Advisors Glendale, CA	1990 Employee Owned	\$5,988 (3) \$4,194 (3)	\$3,851	Commingled Fund \$1,000,000	110 Bps < \$25MM 95 Bps \$25-\$75MM 85 Bps > \$75MM (4)	Yes
ASB Real Estate Investments Bethesda, MD	1983 B.F. Saul family	\$3,945 \$3,401	\$3,449	Commingled Fund \$1,000,000	125 Bps First \$5MM 100 Bps Next \$10MM 90 Bps Next \$60MM	No (5)

(1) As of 3/31/14 in millions.

(2) Commingled funds have proprietary investment policies that govern their investment activities. Those policies may differ from those of their separately managed clients.

(3) As of 12/31/13 in millions.

(4) Applicable asset management fee is applied to net investment assets only (there is no fee on uninvested commitments). Fee schedule not a tiered fee structure.

(5) The Fund is only available to accredited investors. For clients entering through the Collective Fund structure, the Allegiance Fund accepts fiduciary responsibility as defined by ERISA. For clients entering through the LP structure, ASB Capital Management is a fiduciary as defined in the Investment Adviser's Act of 1940.



Mid-Atlantic UFCW and Participating Employers Pension Fund Investment Manager Review Real Estate Style

Comparison for Periods Ending 3/31/2014							
	QTR	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Core Managers							
American Realty Advisors - Core Real Estate Fund (1)	3.20	3.20	13.14	12.41	5.81	2.95	6.56
ASB Real Estate Investments - Allegiance Real Estate Fund	2.75	2.75	13.88	14.21	8.67	5.23	8.43
NCREIF NFI-ODCE Index	2.47	2.47	13.77	13.06	7.32	3.05	7.18

(1) Returns prior to 1Q04 represent ARA's Core Equity Composite.



Mid-Atlantic UFCW and Participating Employers Pension Fund Investment Manager Review Real Estate Style

Comparison for Periods Ending 12/31												
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Core Managers												
American Realty Advisors - Core Real Estate Fund (1)	12.35	11.27	15.05	11.21	-29.99	-5.30	17.24	11.03	19.26	12.09	10.33	7.50
ASB Real Estate Investments - Allegiance Real Estate Fund	13.71	12.45	21.01	17.03	-29.53	-4.54	15.64	18.10	18.63	14.01	11.79	4.78
NCREIF NFI-ODCE Index	14.02	10.93	15.99	16.36	-29.75	-9.97	15.95	16.32	21.41	13.05	9.28	5.55

(1) Returns prior to 1Q04 represent ARA's Core Equity Composite.



Mid-Atlantic UFCW and Participating Employers Pension Fund
Investment Manager Comparison Summary
Real Estate Style

Firm Name	Beta Ratio 3 Yr/ 5 Yr (1)	Sharpe Ratio 3 Yr/ 5 Yr (2)	Tracking Error 3 Yr/ 5 Yr (3)	Information Ratio Ratio 3 Yr/ 5 Yr (4)	Consistency 3 Yr/ 5 Yr (5)	Standard Deviation 3 Yr/ 5 Yr (6)	Up Mkt Capture Ratio 3 Yr/ 5 Yr (7)	Down Mkt Capture Ratio 3 Yr/ 5 Yr (7)
Core Managers								
American Realty Advisors Glendale, CA	0.53 0.98	14.33 0.73	0.78 1.82	-0.76 -0.78	33% 30%	0.9 7.8	94% 87%	N/A 106%
ASB Real Estate Investments Bethesda, MD	0.58 1.00	7.02 0.99	1.87 3.53	0.53 0.35	58% 55%	2.0 8.6	110% 115%	N/A 100%
NCREIF NFI-ODCE Index						1.3 7.8		

(1) Beta Ratio - Indicates the volatility of a portfolio relative to a benchmark. For example, a portfolio with a beta value of 1.25 in an up market is expected to perform 25% better than the benchmark; a portfolio with a beta of .80 in an up market is expected to perform 20% worse than the benchmark; and a portfolio with a beta 1.0 is expected to perform in line with the benchmark.

(2) As of 12/31/13 in millions.

(3) Tracking Error - A measure of how closely a portfolio's return follows its benchmark. The statistic is measured by the standard deviation of the difference between the portfolio and index returns. The higher the tracking error, the higher the variability of the portfolio returns around the benchmark. For example, a tracking error of 2.00 indicates the portfolio's return is 200 basis points higher than the associated benchmark.

(4) Information Ratio - The ratio compares the annualized returns of the portfolio with the benchmark, by taking the excess return divided by tracking error. The ratio indicates the risk-adjusted excess return of the manager over the benchmark. The higher the ratio, the higher the excess return of the manager given the level of risk.

(5) Consistency is defined as the percentage of months the manager outperformed the index.

(6) Standard Deviation - A statistical measure of dispersion about an average depicting how widely returns varied over a certain period of time. An investment manager with a measure in excess of the index historically had volatility greater than the index.

(7) Capture ratios and calculations are based on quarterly performance results provided by the investment managers to the Wilshire Compass data base. Up and down market capture ratios indicate the percentage of the "market's" performance captured by an investment manager. For example, a manager with a downside capture of 80% generated a return that was less negative than the market (i.e. S&P -1.0% vs. manager -.8%); a manager with a downside capture of 120% generated a return that was more negative than the market (i.e. S&P -1.0% vs. manager -1.2%); and a manager with a downside capture of -100% generated a positive return in a negative market environment (i.e. S&P -1.0% vs. manager +1.0%).



