

# HEITMAN

*Presentation for:*



November 17, 2016



There is a difference – Experience.

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Please see appendix for important disclaimers and other important information.

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## Providing investors with the opportunity to experience outperformance relative to NFI-ODCE in a unique portfolio design that emphasizes consistency of income return and a low risk profile

### **THE SPONSOR**

- Flagship fund of Heitman, a firm exclusively focused on investing in real estate
- Dedicated and experienced HART team is supported by the vast resources of Heitman
- Investors benefit from a core strategy honed over 30 years through multiple economic cycles

### **THE FUND**

- Open-end core vehicle
- High-quality, difficult to replicate, stabilized investments
- Well diversified by property sector and economic exposure

### **INVESTMENT OPPORTUNITY**

- Designed to generate outperformance through consistent application of its research-based property sector allocations
- Investment strategy is differentiated from peer group
- Active asset management through every stage of ownership drives cash flow while controlling risk

### **PERFORMANCE OBJECTIVES**

- Targets outperformance in total return that places HART in first quartile (est. 50-100 bp) of the NFI-ODCE index
- Aims to outperform the NFI-ODCE income return each quarter

Please read Performance Notes pages for important disclosure information.

# Client Statement of Account

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## CITY OF FORT PIERCE

### Account Summary

Original Commitment	\$12,000,000
Follow-On Commitment	<u>\$5,000,000</u>
Total Commitment	\$ 17,000,000
Commitment Dates	April 12, 2013 July 17, 2015
Contributed Capital	
Total Commitment	\$ 17,000,000
Reinvested Dividends (DRIP)	<u>916,744</u>
	<u>\$ 17,916,744</u>
Current Market Value of Contributed Capital	\$ 20,187,924

### Distribution Summary

Gross Distributions (Income)	\$ 1,204,935
Fees Paid to Date	<u>-288,191</u>
Net Distributions Paid	\$916,744
Accrued Distributions (Net of Fee)	\$ 184,966
Equity Multiple:	1.19x

As of September 30, 2016

# 50 years

Investing on behalf of clients with an exclusive focus on real estate

# \$36 billion

managed across three complementary business units

Private		Public
Equity	Debt	Equity



As of September 30, 2016

## Alignment of interests between our clients, the firm, and employees

through equity ownership, performance-based compensation, and career development opportunities

**36** partners from across the Heitman platform  
own 50% of the company<sup>1</sup>  
and control all strategic and day-to-day operational decisions



As of September 30, 2016

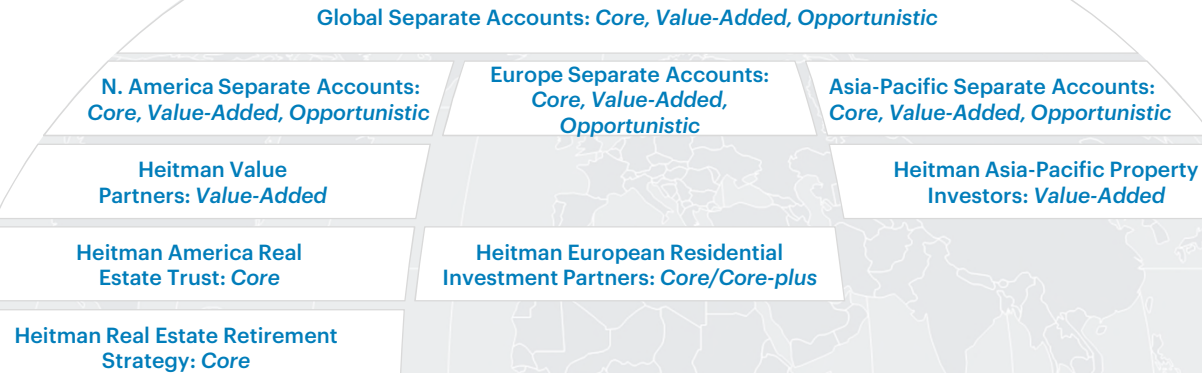
1. The remaining 50% is owned by a US subsidiary of Old Mutual, a publicly traded, London-based global financial services firm.

# Innovative Global Real Estate Solutions

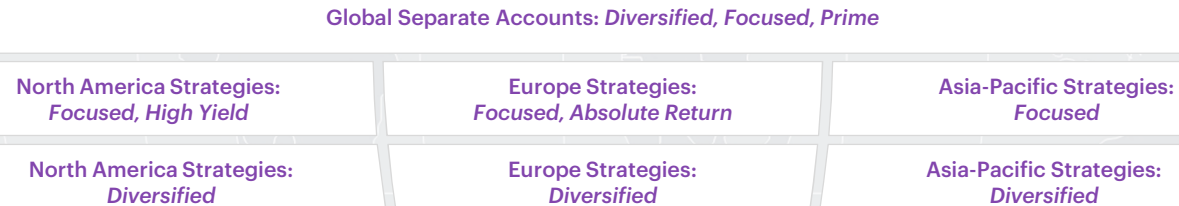
HEITMAN

\$30.1 North America      \$4.7 Europe      \$1.3 Asia-Pacific

\$32.0  
Private  
Equity



\$3.6  
Public  
Equities



\$0.5  
Debt



USD in billions as of September 30, 2016  
Due to rounding, values reported by business units or regions may not equal the total AUM.

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## INVESTMENT STRATEGY

Cultivate a high-quality, low-risk portfolio of stabilized, income-producing assets diversified by property sector and economic exposure

- Research-based property sector allocations designed to outperform peer group
- Geographic strategy tailored to each property sector
- Conservative leverage strategy
- Low risk value-added activities focused on consistency of income return
- Active asset management adds value through every stage of ownership

## FUND PROFILE

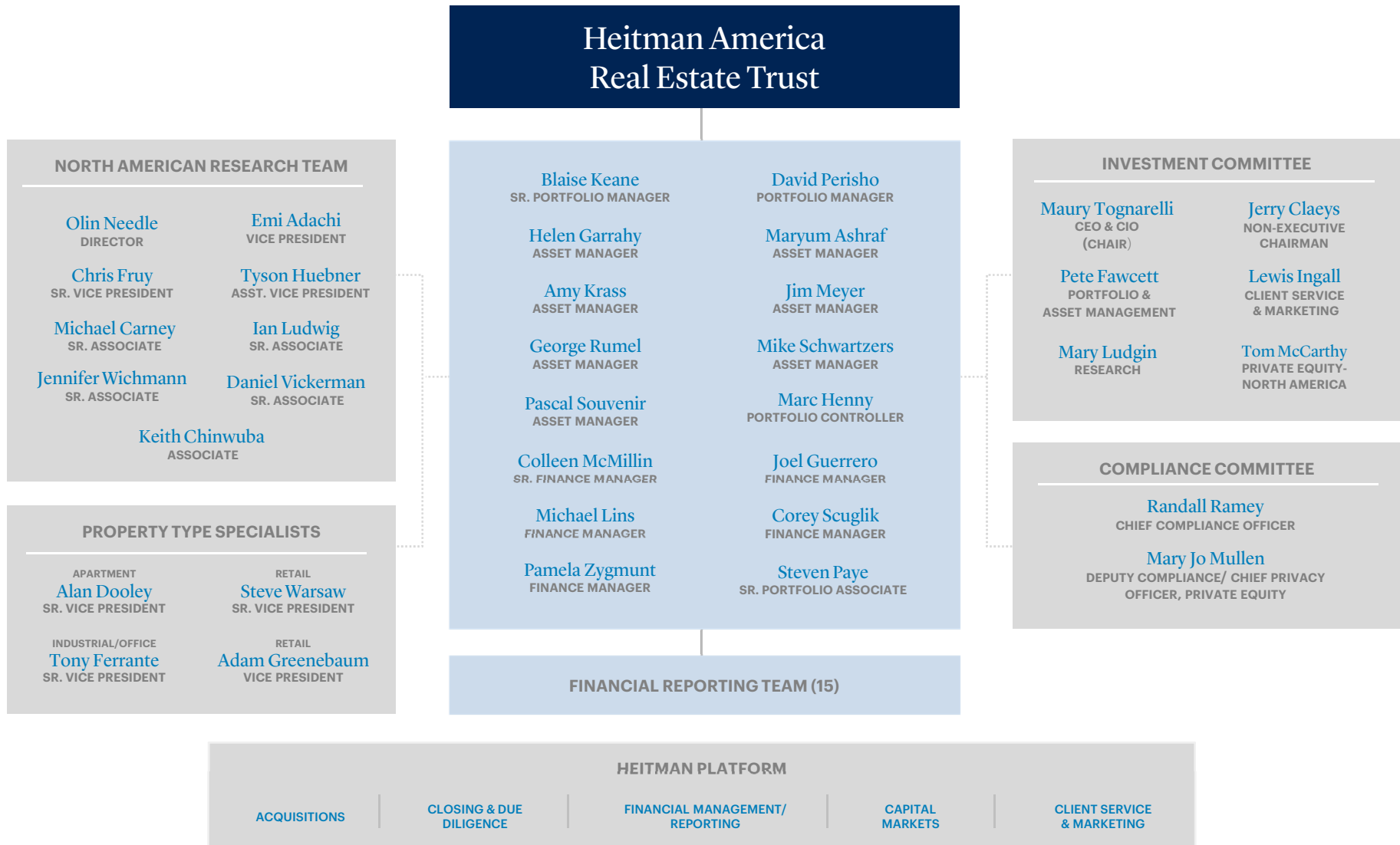
Gross Asset Value	\$8.6 billion
Net Asset Value	\$6.7 billion
Number of Investments	79
Number of Properties	225
Leased Percentage	94%
Leverage %	22%
Number of Investors	98
Trailing One-Year Gross Dividend Yield	4.6%



As of September 30, 2016  
Please read Performance Notes pages for important disclosure information.

Broadstone Camelback – Phoenix

# Firm Resources Supporting HART

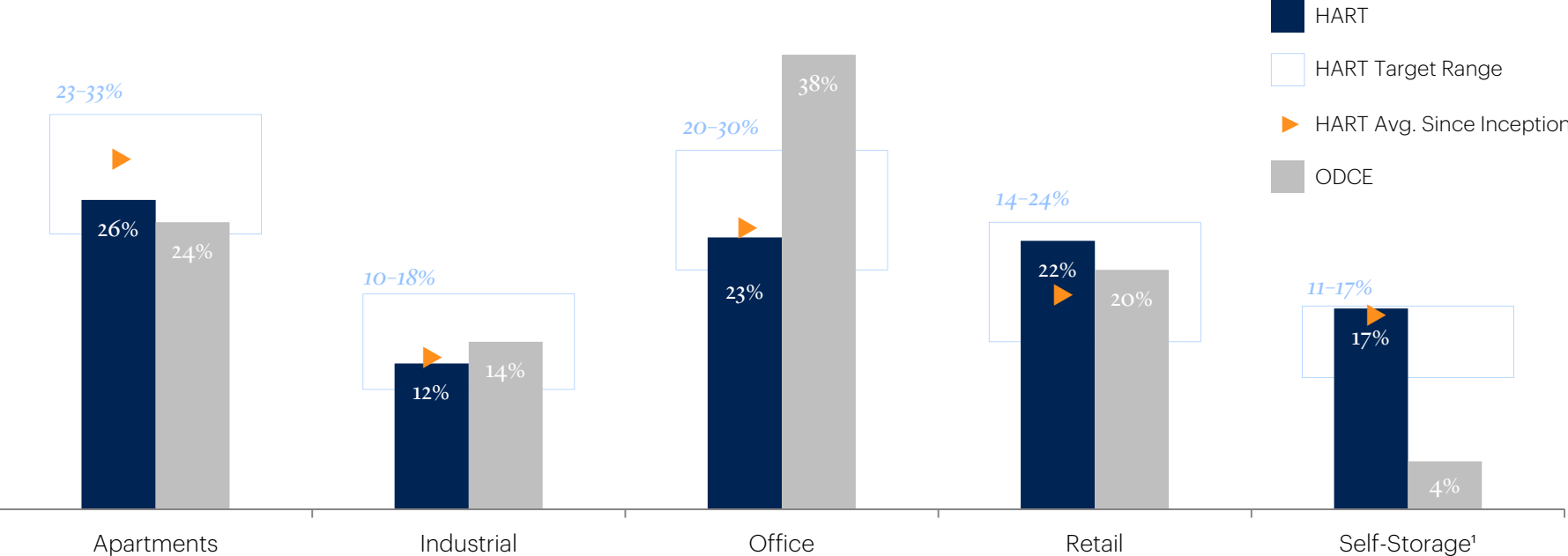


# Current Sector Targets and Allocations

**RESEARCH-BASED STRATEGIC SECTOR ALLOCATIONS DESIGNED TO DRIVE PERFORMANCE**

- Overweight apartments
- Underweight office
- Dedicated self-storage allocation

**PROPERTY TYPE DIVERSIFICATION AND TARGET RANGES**

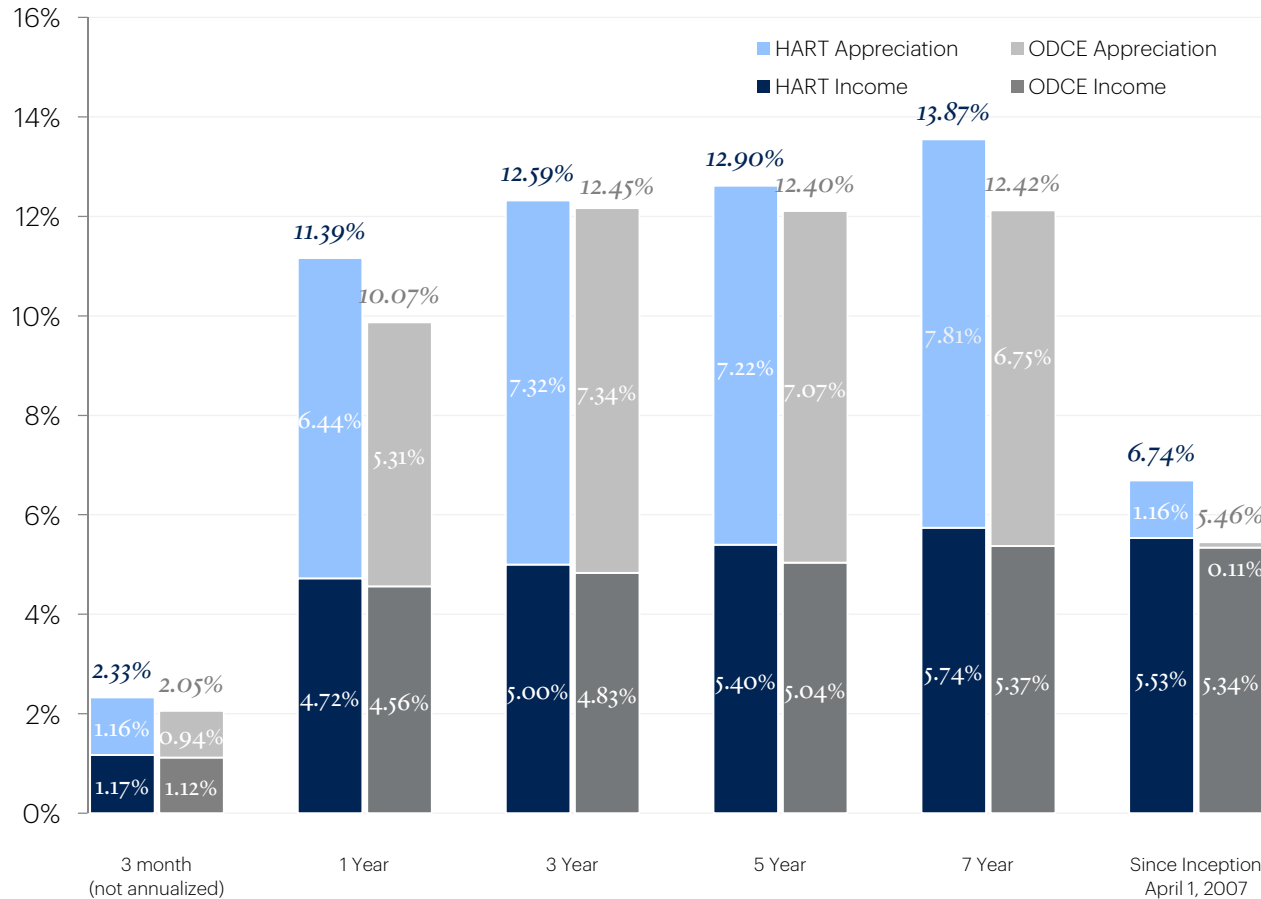


Based on net asset value as of September 30, 2016  
 ODCE = NCREIF Fund Index - Open End Diversified Core Equity - as of June 30, 2016  
 1. ODCE allocation includes 1% to Hotels and 3% to Other

# Fund Performance Summary

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## GROSS TIME-WEIGHTED RETURNS AS OF SEPTEMBER 30, 2016



## 2016 Return Expectations

4.75%  
Income Return

4.5–5.0%  
Appreciation Return

9.25–10.00%  
Total Return

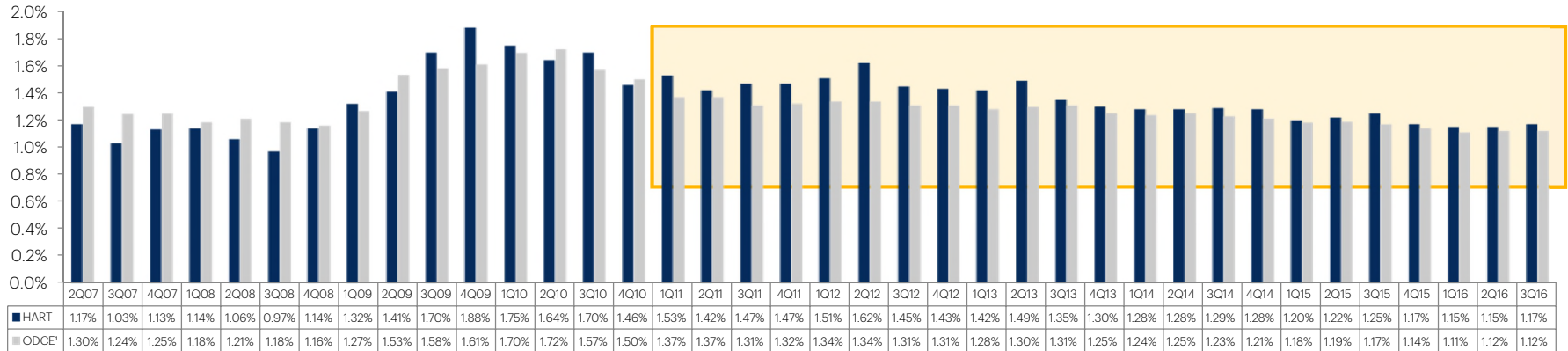
Please see enclosed complete performance presentation and footnotes adhering to the GIPS standards for important disclosure information.

1. ODCE = NCREIF Fund Index - Open End Diversified Core Equity - Preliminary as of September 30, 2016

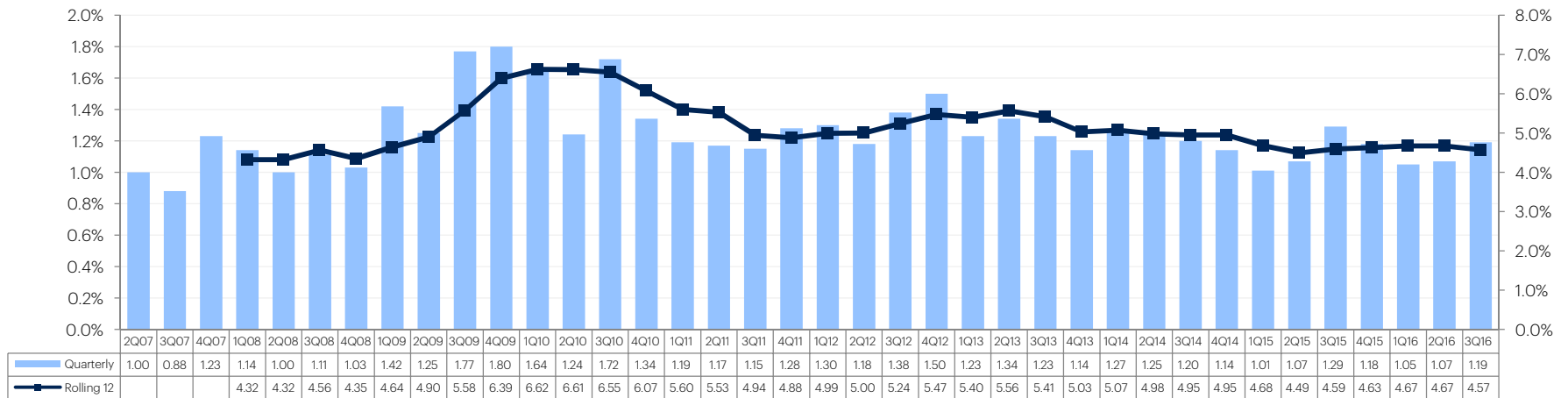
# Consistent Income and Dividend Return

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## QUARTERLY INCOME RETURNS



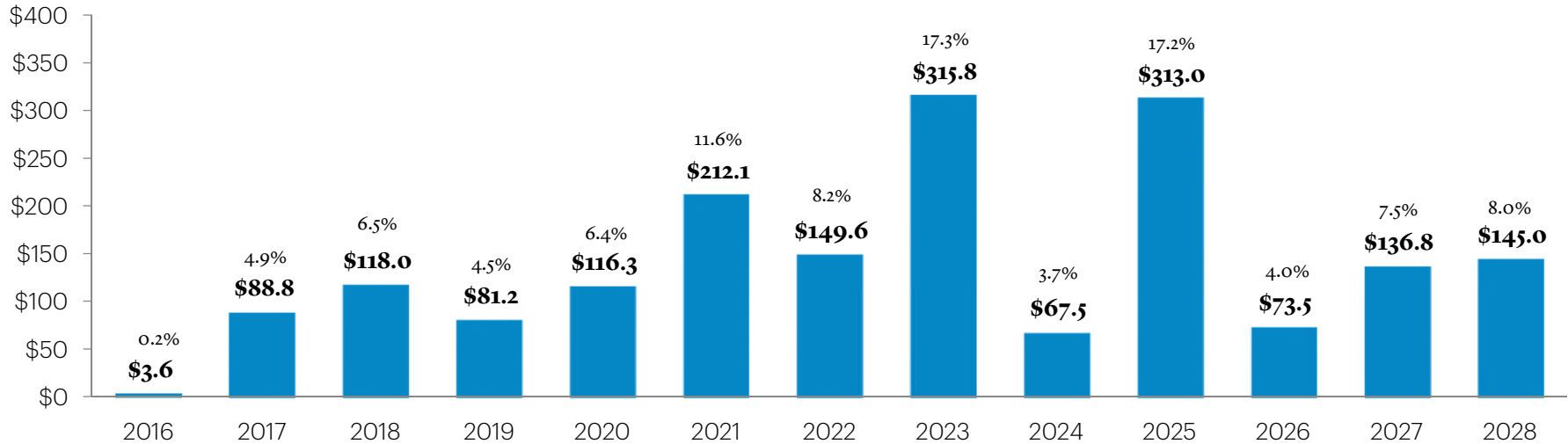
## HART GROSS DIVIDEND YIELDS



As of September 30, 2016

1. ODCE = NCREIF Fund Index - Open End Diversified Core Equity - Preliminary as of September 30, 2016

## LOAN MATURITIES BY YEAR (\$ IN MILLIONS)



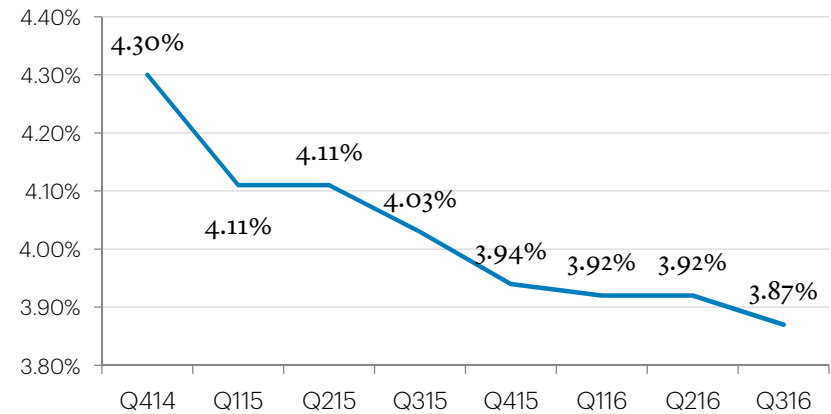
100%  
Fixed Rate

6.5  
Debt Duration

22.0%  
Loan to Value<sup>1</sup>

4.7x  
Debt to EBITDA<sup>2</sup>

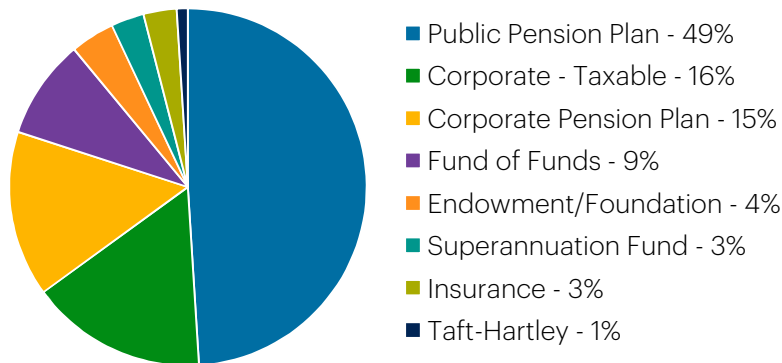
## HART'S WEIGHTED AVERAGE INTEREST RATE



As of September 30, 2016

1. Includes line of credit balance
2. Going-forward run rate

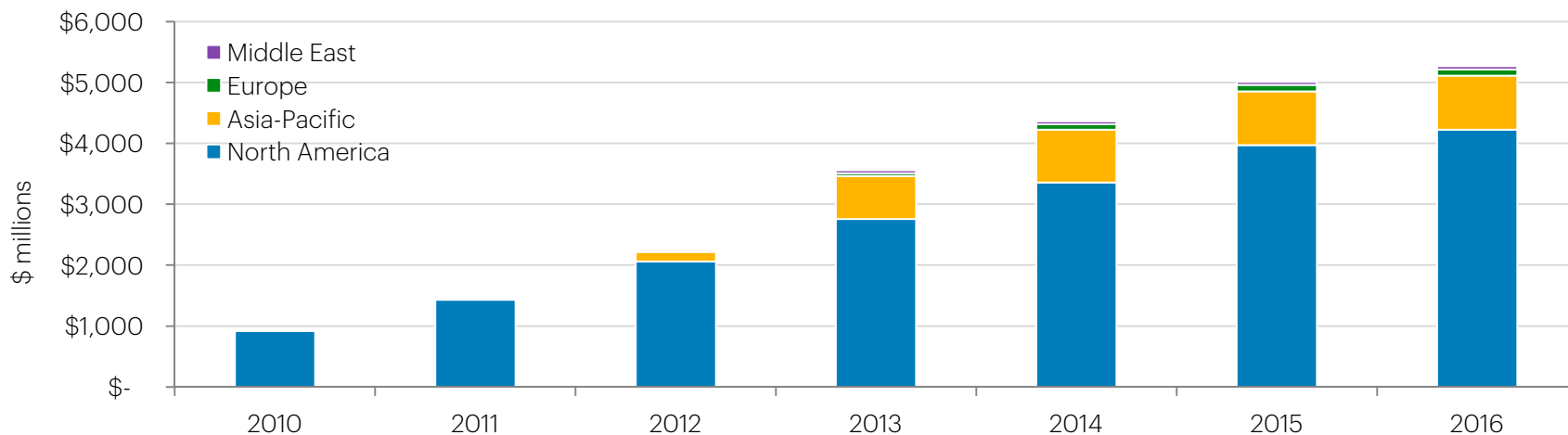
## INVESTOR TYPE



**31%**  
of investors have committed  
additional capital to the Fund

**54%**  
of investors participate in the DRIP

## COMMITMENTS BY DOMICILE



As of September 30, 2016

\$568 million in dispositions completed over the past 3 years, making up 9% of the Fund

## 2016/2017 DISPOSITION CANDIDATES



### Promesa

Austin, TX  
Apartment



### Dignity Medical Office Portfolio

CA & AZ  
Office



### Willow Creek Center

Glenview, IL  
Retail

## DISPOSED ASSETS

### Addison Park

Charlotte, NC  
Apartment

### Stonebridge I & II

Austin, TX  
Office

### Bay Isle Key

St. Petersburg, FL  
Apartment

### Altura

Buena Park, CA  
Industrial

### Doctors Community Hospital

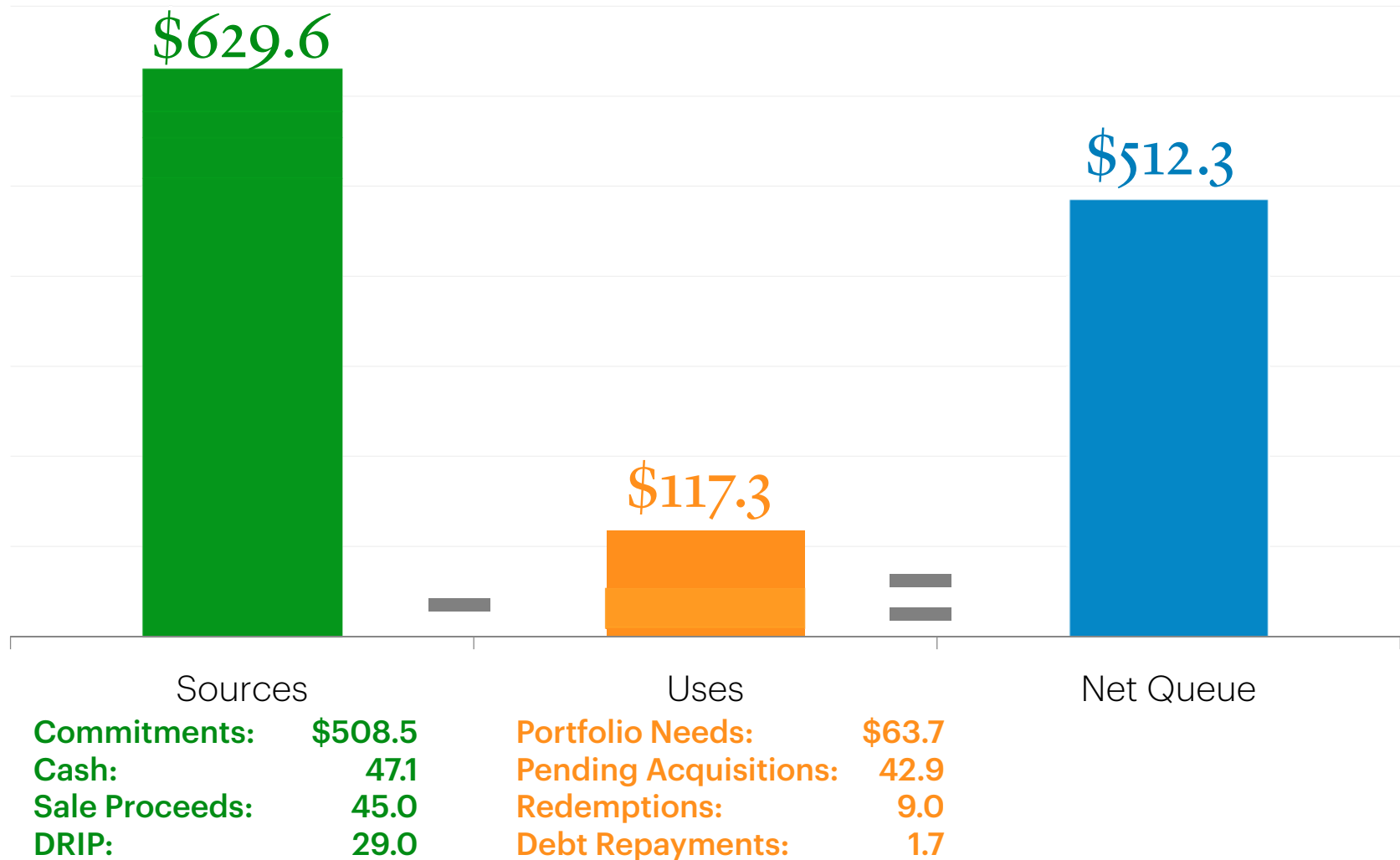
Lanham, MD  
Office

### Kissimmee West

Kissimmee, FL  
Retail

# Available Capital Resources

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In millions as of October 25, 2016

## Actively pursuing investments for HART consistent with our proven strategy

### EVERGREEN

Acquire existing apartment assets and renovate them to achieve attractive returns with minimal risk. Investment efforts are focused on the high end of tenant demand, leaving opportunity to update/refresh well-located existing assets.

### DISLOCATIONS

Constraints on the availability of equity and debt capital are anticipated to create investment opportunities at attractive entry points for high quality assets.

### SPECIALTY

Property sectors like medical office and self-storage offer multiple favorable characteristics, including tenant demand drivers that are less linked to, or delinked from, the macro economy which benefits income stability of the portfolio.

### FUNDAMENTAL STRENGTH

Demand by tenants for highly functional space, provides investment opportunity in a market environment that has seen limited new supply, particularly in the industrial and office sector.

**Shauna Dills** is a Senior Vice President in Heitman's Client Service & Marketing group and is responsible for developing and maintaining relationships with the consultant community in the US. Shauna began her career at Heitman as a REIT product specialist and was responsible for servicing and marketing to the retail channel, including major wirehouses and brokerages. Prior to joining Heitman, she worked for Fifth Third Bank as a branch manager. Shauna received an MBA with a concentration in Real Estate Finance and Investment from DePaul University's Kellstadt Graduate School of Business and a BS from West Virginia State University. She is a Series 7, 63, and 79 Registered Representative and a member of the Pension Real Estate Association.

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# Private Real Estate Equity – North America Open-End Core Commingled Fund Composite

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- Heitman's Private Real Estate Equity – North America Division** (the "**Firm**") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Heitman's Private Real Estate Equity – North America Division has been independently verified for the periods of January 1, 1997 through December 31, 2014. The verification reports are available upon request.

Verification assesses whether (1) the Firm has complied with all the composite construction requirements of the GIPS standards on a Firm-wide basis and (2) the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.
- Heitman Capital Management LLC ("HCM") is an investment advisor registered under the Investment Advisers Act of 1940, as amended, which manages real estate assets in the Firm's Private Real Estate Equity – North America Division. HCM provides investment management services on behalf of pension funds, endowments, foundations, and other U.S. and international institutional clients investing in North American assets. The members of HCM are Old Mutual (HFL) Inc. (wholly owned by Old Mutual plc) and a group of key Heitman employees. The Firm considers client portfolio to be discretionary if the Firm has primary responsibility for major investment decisions such as: portfolio strategy; investment structuring; and acquisition, disposition and valuation of assets. Primary responsibility is inferred if a portion of the Firm's compensation is tied to performance. A complete list and description of the Firm's composites is available upon request.
- The Firm's Open-End Core Commingled Fund composite comprises all actual fee-paying discretionary open-end commingled funds managed by HCM since April, 2007 with a primarily core (>= 85%) investment and risk strategy. The core strategy encompasses stabilized investments with low to moderate leverage and seeks to objectively minimize risk through diversification in property type, geographic location, and tenant composition. The composite consists primarily of institutional-grade real estate investments in the four traditional property types (industrial, office, residential and retail) and was created by the Firm and its predecessor Firms beginning in April, 2007. Heitman American Real Estate Trust, L.P. ("HART") is the only fund in the Firm's Open-End Core Commingled Fund Composite.
- The internal dispersion of the Open-End Core Commingled Fund Composite is calculated by using the equal-weighted standard deviation of the gross of fee annual returns of all portfolios that were included in the composite for the entire year. The high and low range of gross of fee returns is also presented as a measure of dispersion for this composite. If five or fewer portfolios are in the composite during the entire year, the dispersion measures are N/A. The Fund is the only fund in the Firm's Open-End Core Commingled Fund Composite.
- Altus Group U.S., Inc. (the current "Appraisal Management Firm") has been selected by the General Partner to oversee and administer the appraisal process for the Fund. The Appraisal Management Firm selects and supervises third-party appraisal Firms. Except as provided below, each of the Fund's investments is appraised annually, and such appraisal is updated quarterly by the appraiser or the Appraisal Management Firm. Prior to its first appraisal, all acquired investments are valued at cost plus capital expenditures less liabilities, if any (e.g., no appraisal will be required prior to the closing of each new investment) and the new investment joins the annual valuation cycle within 6 to 12 months following the acquisition date. An investment acquired pursuant to the value-added strategy may be valued at the discretion of the General Partner at cost (including subsequent capital expenditures) until the completion of its value-added program (or sooner at the discretion of the General Partner), and thereafter such investment is appraised in accordance with the procedures described above. The percentage of composite assets valued using an external valuation is shown for each annual period. Valuation methodologies include any/all of the following: discounted cash flow analysis, capitalized income approach, analysis of comparable sales, and the valuation of debt. Due to the nature of real estate investments and the lack of active market pricing for similar investments, valuations are based upon subjective unobservable inputs and assumptions.
- Valuations and performance returns are denominated in US dollars. Returns are presented net of leverage, and are calculated quarterly using time-weighted, investment-level return methodologies which include all non-operating fund-level activity. Composite returns are calculated on an asset-weighted basis using time-weighted return methodologies. The sum of income and appreciation returns may not equal total time-weighted returns due to the geometric linking of quarterly return components. The Internal Rate of Return ("IRR") is calculated using monthly cash flows. For the annualized since-inception time-weighted returns and since-inception IRR, the terminal value is based upon the ending market value of net assets of the composite. Additional information regarding policies for valuing portfolios and calculating and presenting returns in compliance with the GIPS standards is available upon request.
- Gross returns presented reflect transaction costs but are gross of investment management and incentive fees, which will reduce actual investment returns. The Firm's base management fees are generally charged as a tiered percentage of net assets under management (ranging from 45-110 bps for this open-end commingled fund composite). As of December 31, 2014, HCM's average since inception fee on a leveraged basis was 0.65% for the Open-End Core Commingled Fund Composite.
- The NCREIF Fund Index Open-End Diversified Core Equity Index ("NFI-ODCE") is a leveraged, gross of fee index. Open-End Funds are generally defined as infinite-life vehicles consisting of multiple investors who have the ability to enter or exit the fund on a periodic basis, thereby providing a degree of potential investment liquidity. The NFI-ODCE includes primarily core industrial, office, residential, retail and hotel properties. The NFI-ODCE is used as a benchmark to measure a composite's performance and may not entirely reflect the composite's risk or investment style. Therefore, the NFI-ODCE is presented for illustrative purposes only and is not intended to imply the Firm's past or future performance so you should not expect the performance in your account to be the same as the NFI-ODCE.
- Returns presented reflect the composite performance of a group of accounts, and therefore individual investor performance may vary. Past performance is no guarantee of future results.

## Schedule of Performance Results Heitman Capital Management April 1, 2007 through December 31, 2014

Calendar Year to date 12/31	Leveraged Returns				Range of Gross Returns	Composite Dispersion Gross	NFI-ODCE Benchmark	Number of Portfolios	Year-End Composite			
	Gross Income Return	Gross Apprec. Return	Gross Total	Net Total					Net Assets (USD Million)	Percent Leveraged	Accepted External Valuation	Percent of Firm Assets
2008	4.38%	-18.64%	-14.85%	-15.29%	N/A	N/A	-10.01%	1	\$417	20%	68%	8%
2009	6.46%	-19.00%	-13.50%	-13.92%	N/A	N/A	-29.76%	1	\$468	19%	67%	8%
2010	6.71%	11.02%	18.28%	17.65%	N/A	N/A	16.36%	1	\$794	19%	84%	12%
2011	6.02%	8.35%	14.73%	14.02%	N/A	N/A	15.99%	1	\$1,277	24%	79%	16%
2012	6.15%	6.22%	12.64%	11.83%	N/A	N/A	10.94%	1	\$2,051	22%	90%	22%
2013	5.68%	9.42%	15.49%	14.69%	N/A	N/A	13.94%	1	\$3,435	24%	88%	31%
2014	5.23%	5.56%	10.99%	10.22%	N/A	N/A	12.50%	1	\$4,477	25%	91%	34%
<b>Annualized Time-Weighted Returns:</b>												
3-Year	5.69%	7.05%	13.02%	12.23%			12.45%					
5-Year	5.96%	8.10%	14.40%	13.65%			13.93%					
7-Year	5.80%	-0.40%	5.38%	4.74%			2.80%					
10-Year	N/A	N/A	N/A	N/A			N/A					
Since Inc. (4/07)	5.67%	-0.35%	5.30%	4.65%			3.98%					
<b>Annualized Since Inception Internal Rate of Return:</b>												
			<b>Gross</b>	<b>Net</b>								
			9.95%	9.29%								

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