FIRST QUARTER MAY 2019 VOLUME 35, NUMBER 1

Quarterly Report

MEPT
A Bentall Kennedy Fund

INSIDE

Letter To Investors

1900 16TH STREET
Office, Denver

FIRST QUARTER RESULTS

(Gross of Fees)			(Net of Fees)		
Quarter	Trailing 1-Year	Gross Asset Value	Quarter	Trailing 1-Year	Net Asset Value
1.27%	7.50%	$8.6B	1.05%	6.57%	$6.5B

IN THE FIRST QUARTER MEPT generated a total gross return of 1.27% (1.05%, net of fees), which trailed the NCREIF-ODCE index total return of 1.42% by 15 bps. The Fund's 1-year total return is 7.50% (6.57%, net of fees), which was in line with the ODCE index total return of 7.52%. MEPT's 3-year return of 7.26% (6.33%, net of fees) and 5-year return of 9.53% (8.58%, net of fees) remain competitive with our peer group, despite quarters of significant outperformance falling out of these timeframes. MEPT's performance is reflective of its traditional core strategy, delivering superior risk adjusted returns as illustrated by low return volatility and a 2nd quartile Sharpe Ratio over the last five years.

The performance of both MEPT and the ODCE index continued to moderate; however, MEPT and the ODCE experienced significant depreciation this quarter from debt mark-to-market adjustments of 30 bps and 18 bps, respectively. We believe the Fund is well positioned to continue to generate attractive relative performance due to its overweight to Primary Markets; overweight to industrial, multifamily, and CBD office assets; and underweight to retail and suburban office assets. MEPT's exposure to structured debt and equity enhances the income return and provides a hedge against potential value declines in the event of a market correction.

MEPT's performance in the first quarter was driven by its industrial portfolio, which continued to benefit from broad market rent growth and yield compression particularly from assets in the West region. The Fund also experienced strong appreciation from CBD office assets in San Francisco due to market rent growth and accretive leasing.

Despite the moderation of ODCE returns, we do not see an imminent end to the current economic expansion given low national unemployment, low interest rates, wage growth, and positive consumer spending figures. However, there are significant threats to continued growth, including U.S. political turmoil, slowing global growth, and volatility in the financial markets. We remain vigilant in our management of MEPT and are confident that the Fund is appropriately positioned. As always, we greatly appreciate your continued confidence in our stewardship of your capital. ■

David Antonelli,
Executive Vice President &
Senior Portfolio Manager

Mike Keating,
Senior Vice President &
Portfolio Manager

Fund Overview[1]

As of March 31, 2019

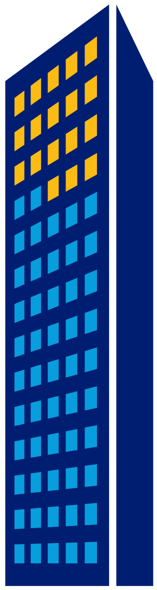
MEPT FUND METRICS

Gross Asset Value

$8.6B

Net Asset Value

$6.5B



SNAPSHOT

107 Assets

27 Markets

338 Investors

93.5% Leased

32.8M Operating Square Feet

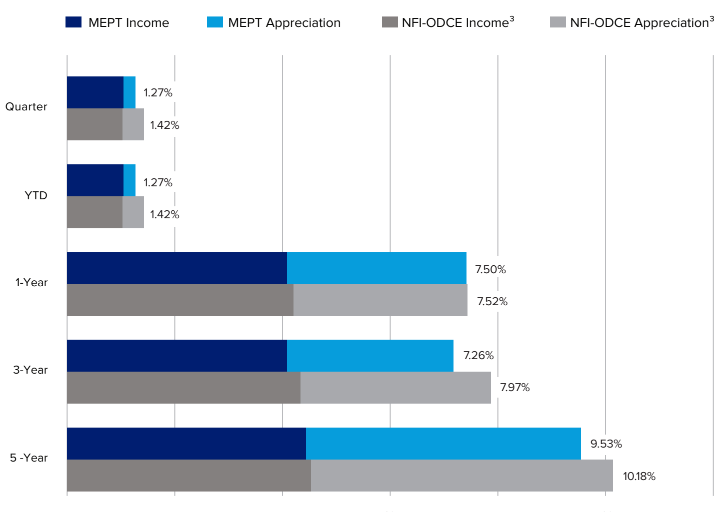
24.6% Leverage as a % of GAV

1.4% Cash as a % of NAV

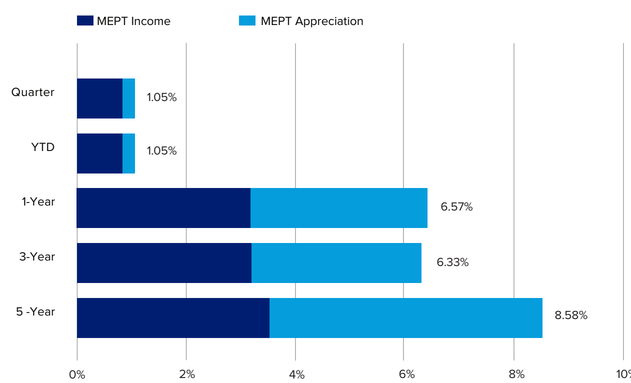
14.9YRS Average Property Age

MEPT RETURNS 1Q 2019[2]

Gross of Fees



Net of Fees



INVESTOR ACTIVITY

1Q CONTRIBUTIONS	1Q REDEMPTIONS
$62.7M	$128.0M

[1] Asset values and performance returns set forth in this report are based upon and consistent with the methodologies used for calculating such information described in the current Private Placement Memorandum for MEPT. Schedules of investment performance for MEPT are prepared by NewTower Management in accordance with the guidance provided within the National Council of Real Estate Investment Fiduciaries (NCREIF) Pension Real Estate Association (PREA) Reporting Standards, as sponsored by NCREIF and PREA (the Reporting Standards). Real estate revenue is reported when contractually earned and billable to be consistent with the valuation methodology used to determine unrealized gains and losses

[2] Please note: Past performance is not indicative of future results. Performance objectives (whether based on market conditions that affect MEPT or on MEPT itself) reflect a variety of assumptions, which may not be realized and are subject to significant uncertainties and contingencies. Performance goals, including investment returns (e.g., Unit Value), acquisition and disposition activity, leverage, portfolio diversification (including cash position), and leasing rates could be adversely affected and actual results could differ materially from the Management Team's expectations.

[3] NCREIF, the National Council of Real Estate Investment Fiduciaries, is a trade association of institutional real estate professionals that includes investment managers, plan sponsors, academics, consultants, appraisers, CPA's and other services providers with significant involvement in institutional real estate investments. NCREIF collects and disseminates real estate performance information, most notably the NCREIF Property Index (NPI) but also the NFI-ODCE. NCREIF Fund Index – Open End Diversified Core Equity (NFI-ODCE) is an index of investment returns reported on both a historical and current basis for open-end U.S. commingled funds with a core investment strategy. The NFI-ODCE index is capitalization-weighted and is reported gross of fees and measurement is time-weighted. Further information about this index is available at www.ncreif.org.

U.S. Real Estate Market Overview

The U.S. economy remained strong in the first quarter of 2019, recovering from market volatility in December and dispelling some concerns of a slowdown on the horizon. Real GDP exceeded consensus forecasts, increasing by 3.2% on an annualized basis and reflecting positive contributions from increased personal consumption, private inventory investment, exports, and government spending. Additionally, the economy added 541,000 nonfarm payroll jobs over the quarter. These results suggest continued economic growth, driven by a number of factors but most notably the U.S. Federal Reserve signaling a more accommodative monetary policy stance. Despite these positive figures, risk factors such as a trade war with China, the debt ceiling, and a slowdown in Europe and Asia merit careful attention, as they could pose future obstacles for growth.

The outlook for the U.S. industrial sector continues to be very positive, as the national vacancy rate held steady at 7.0% according to CBRE, the lowest level since 2000. Supply marginally outpaced demand during the quarter, as developers delivered 33 million sf of space, while net absorption totaled 32 million sf. The U.S. office outlook is positive, as the vacancy rate declined to 14.7% according to JLL, while national asking rents increased by a healthy 0.8% over the quarter and 2.4% annually, in line with past quarters.

The U.S. multifamily sector held steady in the first quarter, as the national apartment vacancy rate remained at 4.8%, according to Reis, while average effective rents rose by 0.5% over the quarter, reflecting a 4.2% increase over the past 12 months. The retail sector outlook is also relatively unchanged, as the vacancy rate for neighborhood centers remained flat at 10.2% and the regional mall vacancy rate increased slightly to 9.3%, according to Reis. The average rent for malls remained flat during the quarter while the average for neighborhood centers again rose by 0.4%, illustrating tepid growth in the sector.

475 SANSOME STREET
Office, San Francisco

MEPT Performance and Property Sectors

MEPT'S FIRST QUARTER total gross return was 1.27% (1.05%, net of fees), including 1.04% income and 0.23% appreciation. Out of the 107 assets in the fund, 60 appreciated, 4 had no change in value, and 43 depreciated. The main driver of first quarter appreciation was market rent growth and yield compression in the industrial portfolio, particularly from assets in the West. Additionally, CBD office assets in California contributed meaningful appreciation during the quarter. The largest detractors to performance were $19.5 million of depreciation (30 bps) generated by debt mark-to-market adjustments as well as lower than anticipated market rent growth at large office assets in New York. ■

PORTFOLIO METRICS

As of March 31, 2019

	Assets[1]	% Of Allocation (GAV)[1]	Total Return[2]	Leased[3]	Average Stabilized Cap Rate
Industrial	27	18.1%	2.7%	97.0%	5.0%
Office	35	42.9%	0.7%	88.8%	5.4%
Multifamily	24	28.9%	1.1%	91.6%	4.3%
Retail	17	9.0%	1.3%	94.3%	5.6%

Industrial

MEPT's industrial portfolio delivered a total return of 2.7% in the first quarter, comprised of 1.0% income and 1.7% appreciation. Once again, the majority of the industrial portfolio appreciated during the quarter, driven by further market rent growth and yield compression in assets in the West. The industrial portfolio has been MEPT's best performing property sector for 15 consecutive quarters due to the disruptive force of e-commerce demand for modern warehouse space. With four new industrial acquisitions in the first quarter of 2019, MEPT's industrial portfolio is growing and should continue to benefit from the historic growth in warehouse demand.

Office

MEPT's office portfolio realized a total return of 0.7% in the first quarter, comprised of 1.0% income and 0.3% depreciation. While MEPT's CBD office in innovation markets such as San Francisco and Boston continued to appreciate due to market rent growth and yield compression, lower market rents for assets in New York and D.C. resulted in overall depreciation. In 2019, we expect Primary Markets with strong innovation industry exposure will continue to benefit from an outsized share of U.S. economic activity, which aligns with the positioning of MEPT's high-quality CBD office portfolio.

Retail

MEPT's retail portfolio delivered a total return of 1.3% in the first quarter, comprised of 1.3% income and flat appreciation. MEPT has strategically maintained its underweight to the retail sector due to the disruptive effects of e-commerce. The Fund's retail allocation is almost entirely comprised of grocery-anchored, necessity-based retail centers, and the Fund has minimal exposure to power centers and no exposure to malls. As a result, MEPT's retail portfolio is well-leased, generates strong income returns, and is defensively positioned as consumer spending behaviors evolve.

Multifamily

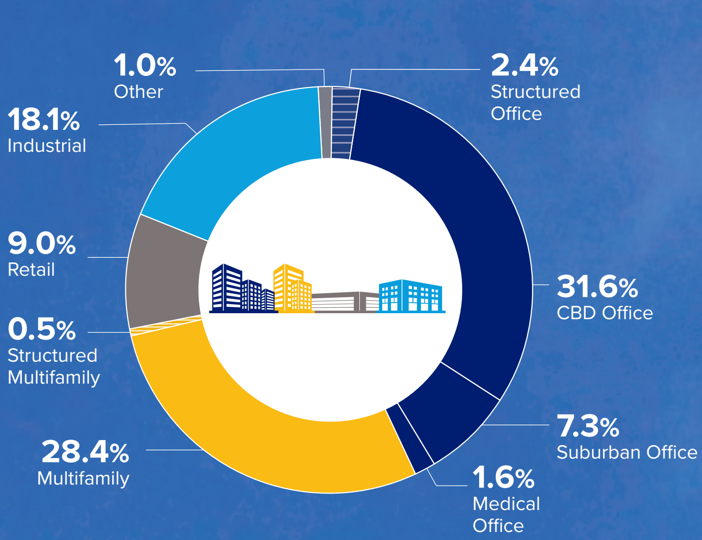
MEPT's multifamily assets delivered a total return of 1.1% during the quarter, comprised of 0.9% income and 0.2% appreciation. The multi-family portfolio's appreciation was led by Spoke, a recently delivered multifamily high-rise in Chicago, as well as assets in Denver, Seattle, and Boston. The Fund continues to explore opportunities to tactically diversify the portfolio by acquiring high-quality garden and mid-rise assets in select markets that we believe possess greater rent-upside potential, and the Fund is currently under contract on a mid-rise asset in Denver, which is anticipated to close in the first half of the year.

[1] Excludes land and parking assets.
[2] Property sector returns are shown on an unlevered basis.
[3] Excludes non-operating assets.

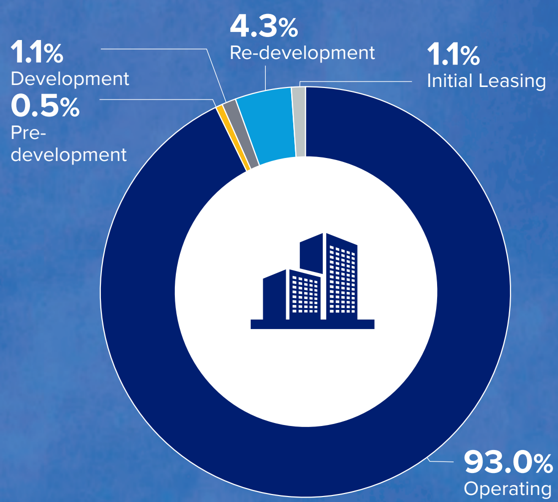
MEPT by the Numbers

Diversification and Portfolio Characteristics as of March 31, 2019

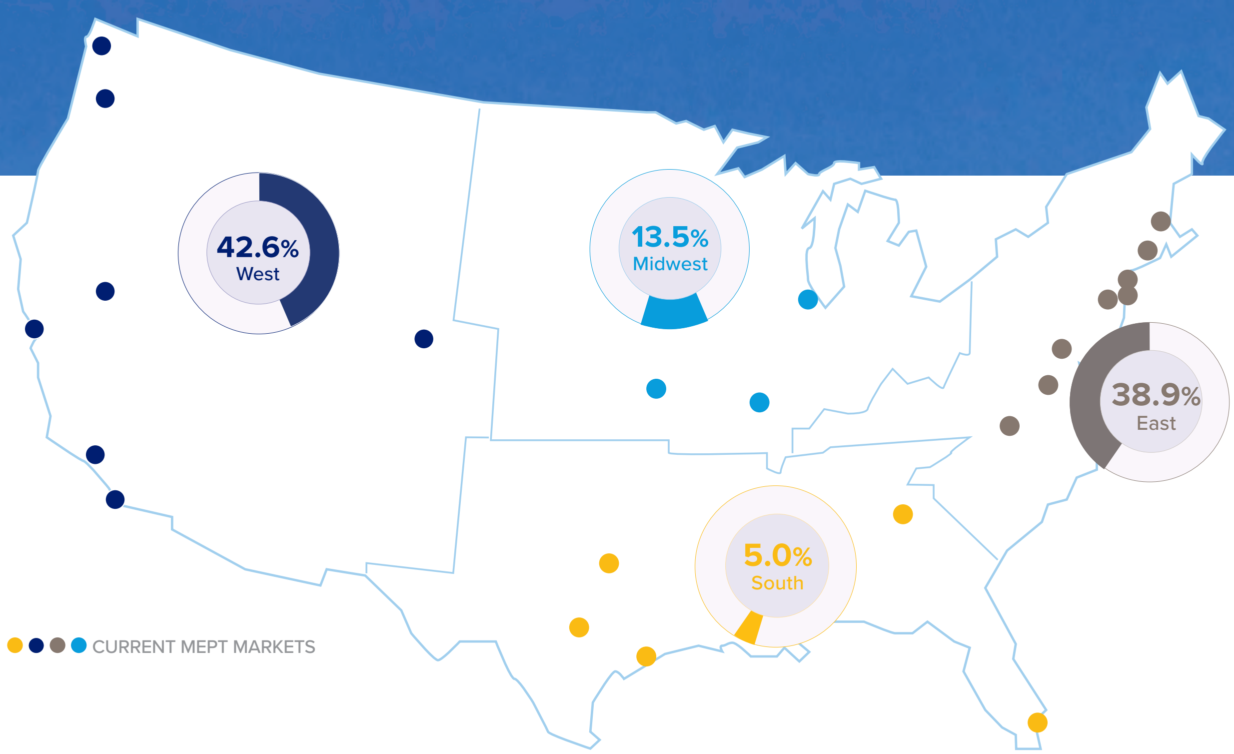
Diversification by Property Type (GAV)



Diversification by Life Cycle (GAV)



Diversification by Geographic Region (GAV)



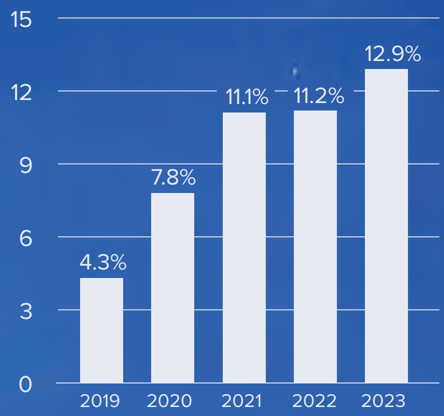
Notes

Asset values and performance returns set forth in this report are based upon and consistent with the methodologies used for calculating such information described in the current applicable fund documents for MEPT.

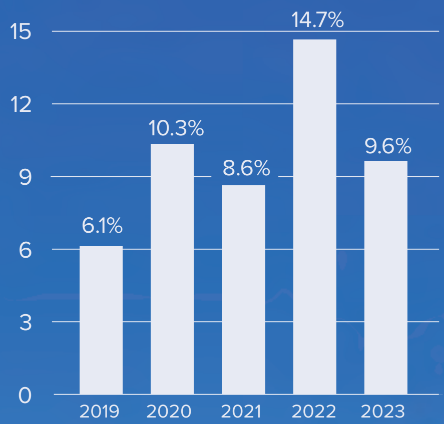
Forward looking statements found in this report are subject to change and applicable only as of the date made. Many of the factors affecting such statements are impossible to predict with certainty, and as such, are outside the control of MEPT. Further, past performance is not indicative of future results.

Lease Rollover Summary[1]

Percent of Total Revenue



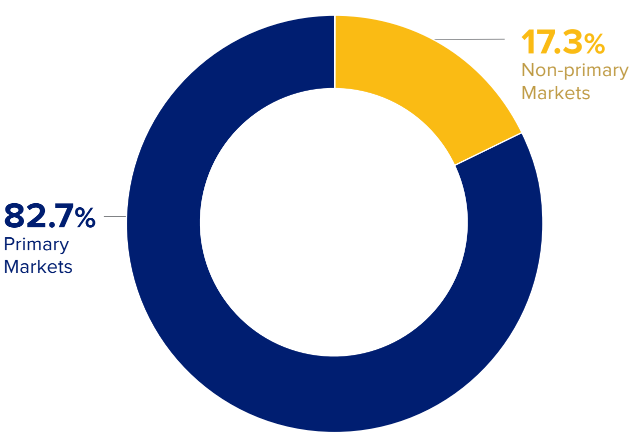
Percent of Net Rentable Area



[1]Consolidated Operating Industrial, Office and Retail

777 6TH STREET
Office, Washington, D.C.

Diversification by Market (GAV)



MEPT Top Markets by Investment

AS OF MARCH 31, 2019

MARKET	GAV (IN $M)	% OF GAV
New York	$ 1,812	17.4%
San Francisco	1,394	13.4%
Chicago	1,162	11.2%
Washington, D.C.	1,080	10.4%
Portland	834	8.0%
Los Angeles	799	7.7%
Boston	684	6.6%
Denver	602	5.8%
Seattle	404	3.9%
All Other Markets	1,627	15.6%
TOTAL	**$ 10,398**	**100.0%**

Transactions

First Quarter Activity

In the first quarter of 2019, MEPT acquired four industrial assets, committed to a mezzanine loan on a multifamily development in Seattle, and committed to an equity mixed-use redevelopment in Pittsburgh.

NORCAL LOGISTICS CENTER presented the opportunity to acquire a modern industrial warehouse property in Stockton, CA at an attractive basis.

- 2018-built industrial asset with state-of-the-art features, including 36' clear height, 50'x54' column spacing, 250 dock-high doors, energy-efficient lighting, ESFR sprinkler systems, and a secured drive-around truck court
- Strategic location in the Central Valley city of Stockton, approximately 57 miles east of the San Francisco Bay Area and proximate to the major north/south arterials of Central California, Interstate 5 and State Route 99
- Fully leased to Amazon.com Services (1,122,341 sf) through 2029
- Acquired at an attractive 5.1, stabilized cap rate, providing strong risk-adjusted income yields

Greater Boston Core Industrial Portfolio presented the opportunity to acquire three modern, high-quality warehouse buildings in Boston (30 Superior Drive, 140 Depot Street, and 3 Distribution Center) at attractive going-in yields

- **30 Superior Drive** is a 2013-built, 173,174 sf built-to-suit facility for FedEx Ground with a 32' clear height in an infill location in close proximity to the Massachusetts Turnpike (I-90) and eight miles west of the 128 inner-beltway
- **140 Depot Street** is a 2009-built, 238,370 sf warehouse with a 36' clear height and cross-dock configuration in Boston's I-495 South industrial market, in close proximity to Forge Park, one of the four established industrial parks in the Greater Boston MSA. The Property is two miles from Exit 18 on I-495 with convenient access to I-93, I-95, and the Mass Turnpike
- **3 Distribution Center** is a 2016-built, 448,470 sf warehouse facility with a 32' clear and a single-load configuration, with capability to cross-dock in the future. The Property is in Littleton, approximately two miles from exit 30 of I-495, within Boston's growing I-495 North industrial market. The facility is being utilized by Potpourri as its only distribution center and is approximately 15 miles away from Potpourri's headquarters in Billerica, Massachusetts
- The Greater Boston distribution/warehouse market has benefited from growth of e-commerce and "last-mile" demand in recent years, as key warehouse users have made significant local investments. Additionally, the market possesses significant barriers to entry relative to other areas in the country due to a lack of available and developable land for the large scale warehouse product
- Acquired at attractive going-in yields of above 5.0% (30 Superior Street: 5.0%, 140 Depot Street: 5.8%, 3 Distribution Center: 6.2%)

1200 Stewart (Mezzanine Loan) presented the opportunity to provide a mezzanine loan on a Class A high-rise multifamily development in Seattle

- Located in Seattle's Denny's Triangle neighborhood, proximate to both South Lake Union and the downtown core of Seattle, and home to the new 4.4 million sf Amazon headquarters
- Designed to be a best-in-class, LEED Silver certified, high-rise apartment asset with access to employment and lifestyle amenities. The property will feature two 46-story towers above a common podium, which will include a "Glass Galleria" atrium, 119,856 sf of retail area, and 663 parking stalls in a six-level subterranean garage
- Project is sponsored by Westbank, a highly experienced residential and mixed-use developer with more than $25 billion of projects completed or under development
- Attractive risk-adjusted yield of 9.35%, with a seven-year term and a 73% LTC

Strip District Portfolio presented a unique opportunity to redevelop a mixed-use retail and office site in Pittsburgh. This opportunity is detailed further in the Transform section.

Despite a competitive acquisition environment, MEPT continues to source attractive opportunities both on and off-market. The Fund currently has one multifamily asset and one industrial asset under contract, both of which are expected to close in the first half of 2019.

MEPT continues to opportunistically realize gains and exit non-strategic assets. In the first quarter, the Fund sold two Boston office assets, 22 Boston Wharf and 300 A Street, for $178.1 million and $70.4, million, respectively, as well as Necco Garage, a parking garage in Boston, for $81.1 million. As always, MEPT continues to evaluate its portfolio and pursue opportunities to maximize asset value through accretive disposition activity. ■

2019 Transaction Pipeline of Existing and Development Opportunities

Acquisition Activity

$546.5M
Acquisitions Closed

$219.6M
In Process

$766.1M
Pipeline Total

City	Asset Name	Type	Price (in $M)	Asset Class
Closed				
Seattle	1200 Stewart (Mezzanine Loan)	Development	$200.0	Multifamily
Stockton	NorCal Logistics Center	Existing	$103.7	Industrial
Boston	3 Distribution Center	Existing	$44.9	Industrial
Boston	140 Depot Street	Existing	$31.9	Industrial
Boston	30 Superior Drive	Existing	$51.6	Industrial
Pittsburgh	Strip District Portfolio	Redevelopment	$99.3	Retail/Office
Portland	Windward Retail A (Loan)	Existing	$6.9	Retail
Portland	Windward Land (Purchase Option)	Existing	$8.1	Multifamily
In Process				
Miami	Industrial Opportunity	Existing	$109.0	Industrial
Denver	Multifamily Opportunity	Existing	$110.6	Multifamily

Disposition Activity

$337.6M
Total Closed Dispositions

4
Assets

$284.0M
Total Dispositions in Process

6
Assets

22 BOSTON WHARF
Office, Boston

City	Asset Name	Asset Class	Price (in $M)
Closed			
Boston	22 Boston Wharf	Office	$178.1
Boston	300 A Street	Office	$70.4
Boston	Necco Garage	Other	$81.1
Portland	Windward Retail Unit	Multifamily	$8.0
In Process			
Kansas City	Development Parcel	Industrial	$5.8
New York	Development Parcel	Industrial	$41.8
Washington, D.C.	Existing Office Asset	Office	$70.0
St. Louis	Development Parcel	Industrial	$11.1
Chicago	Existing Office Asset	Office	$130.0
Baltimore	Existing Office Asset	Office	$25.3

Portfolio Spotlight:

Transform

Strip District Portfolio (Produce Terminal and 1600 Smallman)

The Strip District is along the banks of the Allegheny River just outside the core of downtown Pittsburgh.

Market Overview

IN THE 1920s, Strip District was the economic center of Pittsburgh, the home to companies such as U.S. Steel, Alcoa, Westinghouse, and Heinz. Later it became a wholesale district and then, filled with ethnically diverse retailers and restaurants, morphed into an entertainment/tourist destination. Currently, the Strip District Neighborhood is in the middle of a transformational renaissance, as over 40 acres of former industrial property have been converted into office and multi-family properties, and another 67 acres are proposed for redevelopment. The proximity to downtown, connectivity to major transportation arteries and population centers, and numerous development sites for repositioning are allowing the Strip District to transition into a true live-work-play neighborhood.

The presence of major tech firms, including Uber, Argo AI (Ford Motor Company), and Apple have led the Strip District to be applicably rebranded as 'Robotics Row' or the 'Silicon Strip'. The accessibility to top-tier tech talent being nurtured at Carnegie Mellon University, in conjunction with adaptable and affordable real estate, have made the Strip District a highly desirable address to tech's biggest names as they have found their way to Pittsburgh. The rapid growth in technology tenants locating in the fringe submarkets has fueled the urban population growth in millennials that truly want a live-work-play experience.

Produce Terminal

The Produce Terminal is a vintage warehouse that will be redeveloped into a 159,000 sf mixed-use retail and office asset. The Produce Terminal was originally built in 1926 by the Pennsylvania Railroad, and for decades was the first stop for produce arriving in Pittsburgh. Our redevelopment plan begins with the restoration of the historic façade, widening of the raised docks to create a pedestrian promenade, new lighting and landscaping, and building pedestrian cut-throughs to allow access to the Allegheny Riverfront while creating valuable corner retail bays. Ultimately, the goal is to create a dynamic retail strip where shoppers, workers, and visitors can eat, shop, and experience the riverfront.

Property Stats[1]

$121.0M
Stabilized Asset Value

$90.3M
Estimated Cost

277,400
Square Feet

[1]As of March 31, 2019

1600 Smallman

1600 Smallman is a vintage warehouse/loft office building that will be redeveloped into a 117,000 sf creative office building with ground-floor retail. 1600 Smallman, originally known as The Historic Standard Underground Cable Company building, was built in 1921. The property features unique vintage features for prospective tenants: rare yellow pine floors and ceilings, exposed brick walls, steel columns and beams, and oversized warehouse windows. The asset will have unobstructed views of the river and prominent views of the downtown skyline. 1600 Smallman is directly across the street from the Produce Terminal, which will become an attractive lifestyle amenity for future office tenants. Finally, Pittsburgh is completing a $23 million renovation of the existing streetscape adjacent to the property, which will include new water and sewer infrastructure, bike lanes, and pedestrian friendly sidewalks. Together with the Produce Terminal, the Strip District redevelopment will enhance the energy and vitality that already exists in the neighborhood and re-energize these two historic buildings for a modern user. ■

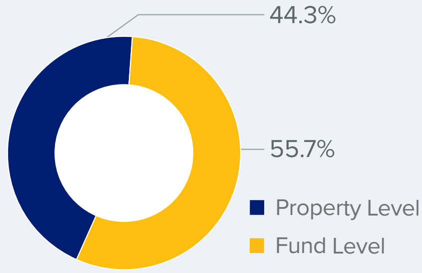
Both the Produce Terminal and 1600 Smallman are landmark buildings, immediately recognizable to Pittsburgh residents. This provides the opportunity to refresh and re-energize two properties that are truly authentic and unique to the market.

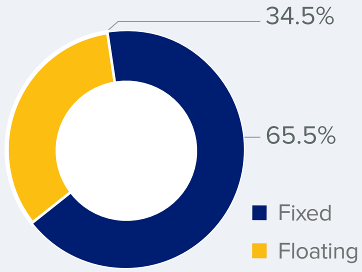
Debt Structure

MEPT'S LEVERAGE RATIO held steady at 24.6% during the quarter, as the Fund assumed an existing loan of $30.7 million as part of the acquisition of 30 Superior Drive. The assumed loan is interest only with a fixed rate of 5.06% and matures in March 2024. The Fund's debt has a weighted average interest rate of 3.76% and a weighted average remaining term of 5.3 years. ■

Current Leverage Ratio **24.6%**

Weighted Average Interest Rate **3.76%**





Debt Maturity Schedule

(IN $ MILLIONS)

Global ESG Survey Results

Managers representing $1 trillion+ of global real estate investments confirm the need for ESG action

93% Include ESG criteria in investment decisions

90% Plan to further analyze ESG criteria over the next 12 months

85% Are highly motivated to use ESG criteria to lower risk

83% Have experienced a recent increase in investor demand for sustainability disclosure

One of the largest ESG-focused surveys of global real estate investors ever conducted affirmed a near consensus view of the importance of weighing ESG criteria as a factor in real estate investment decision making.

The Global ESG Real Estate Investment Survey, published in March by Bentall Kennedy, Real Property Association of Canada (REALPAC) and the United Nations Environment Programme Finance Initiative (UNEP FI), included investment managers representing over $1 trillion USD in assets under management from North America, Europe, and the Asia-Pacific region.

With approximately one-third of global greenhouse gas emissions attributed to the built environment, the survey was initiated under the auspices of the UNEP FI Property Working Group (PWG) to understand how ESG investment considerations can drive real estate industry action to combat climate change. Bentall Kennedy and REALPAC, in their capacity as PWG Co-Chair and Special Advisor, respectively, conducted the survey between September 2018 and February 2019. The survey results report can be found on Bentall Kennedy's website.

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A Bentall Kennedy Fund

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