Second Quarter August 2017 Volume 33, Number 2

TRUST REPORT

MEPT
A Bentall Kennedy Fund

Centrepointe Chino, Industrial, Chino, CA

INSIDE:

LETTER TO INVESTORS

IN THE SECOND QUARTER, MEPT continued to generate attractive returns due to strong fundamentals including an 84% allocation to Primary Markets and a 94.0%-leased operating portfolio. The Fund delivered a total gross return of 1.65% (1.43%, net of fees) during the second quarter, which was competitive with the NFI-ODCE total return of 1.70%. The performance of the underlying real estate was even stronger as the Fund's total return was offset by debt-mark-to-market depreciation totaling 43 bps resulting from lower benchmark interest rates and tighter credit spreads during the second quarter.

Core private equity real estate continues to offer attractive risk-adjusted returns, along with an inflation hedge, when compared to fixed-income. The Fund's 1-year total return is 7.09% (6.17%, net of fees), and the 3-year return is 10.79% (9.82%, net of fees). MEPT's absolute performance continues to be strong; however, its relative performance in the 1- and 3-year timeframes lags the benchmark due to quarters of considerable outperformance dropping out of the respective performance timeframes.

As a reminder, MEPT has first quartile standard deviation of total return (i.e., low volatility) within the benchmark over the past three years, highlighting the Fund's strong risk-adjusted return profile. Assuming MEPT generates benchmark equivalent performance through the remainder of 2017, the Fund will have performance in line with or marginally below the benchmark in the 1-, 3- and 5-year timeframes. MEPT's 2017 gross total return target continues to be 6.0% to 8.0% (5.0% to 7.0%, net of fees).

The U.S. economy remains steady with a ~2.0% annual growth rate. Employment is strong, growing at a pace of over two million jobs annually, the unemployment rate is in the 4.5%-range, home prices and stock values are at or near record levels, and consumer confidence remains high. Moreover, the Federal Reserve continues to signal optimism for further economic growth with its third rate hike and commitment to reduce its bond holdings in the fall.

In contrast, the U.S. economy is in its eighth year of expansion—the third longest in history—and the labor market is near full employment. The constant breaking political news out of Washington is exacerbating legislative gridlock and the administration's economic stimulus agenda is increasingly in doubt. Further, U.S. bond yields remain historically low and indicative of muted long-term growth expectations and the U.S. dollar, while still strong, has declined recently against other major currencies.

In light of the uncertainty, we have adjusted our Fund strategy to include an increased allocation to structured transactions (e.g. mezzanine loans, participating loans, preferred equity), which entail lower risk than equity positions and greater current income. Additionally, we are selling certain assets to capitalize on strong market pricing for properties we believe will underperform relative to market expectations. As an example, MEPT sold Trimble Distribution Center, a 206,642 sf industrial asset in San Jose, CA, for $62.0 million to a 1031 exchange buyer during the second quarter. The sale represented a $10.5 million gain over the first quarter value.

As always, our ongoing focus on stable income, risk management, prudent incorporation of alpha, and emphasis on diversification remain paramount. We appreciate your continued confidence in our stewardship of your capital. ■

David Antonelli,
Executive Vice President & MEPT Portfolio Manager

SECOND QUARTER RESULTS

(Gross of Fees)

QUARTER
1.65%

TRAILING 1-YEAR
7.09%

GROSS ASSET VALUE
$8.2B

(Net of Fees)

QUARTER
1.43%

TRAILING 1-YEAR
6.17%

NET ASSET VALUE
$6.5B

U.S. REAL ESTATE MARKET

THE U.S. ECONOMY added 581,000 jobs during the second quarter and at 4.4%, the unemployment rate is on a par with prerecession lows. Additionally, the stock market hit record highs and interest rates remain low. The U.S. housing market continues to improve, creating wealth effects that have bolstered consumer balance sheets and increased consumption. However, political uncertainty in Washington, D.C., the length of the current economic expansion, and tight labor market could provide meaningful headwinds to continued GDP growth.

The U.S. commercial real estate market is showing resilience. **Office** vacancy rates remained unchanged at 16.0% according to Reis; however, new construction helped drive office rent growth, especially among Class A properties with rents rising 3.7% year-over-year. The **multi-family sector** experienced positive effective rent growth of 2.5% year-over-year as of June, according to Axiometrics. The **industrial sector** continued its historic stretch of improving fundamentals with national vacancy declining to 7.8%, the 27th such drop in the last 28 quarters, according to CBRE.

The lone soft spot was the **retail sector,** which was weakened by additional retailer bankruptcies and anchor store closings. As a result, regional mall vacancy rates climbed to 8.1% from 7.9% in the previous quarter and strip mall vacancy rates increased to 10.0% up from 9.9% in the first quarter, according to Reis. ■

Fund Overview[1]

GROSS ASSET VALUE	**$8.2 BILLION**	MARKETS	**25**
NET ASSET VALUE	**$6.5 BILLION**	LEVERAGE AS A % OF GAV	**20.3%**
INCEPTION DATE	**APRIL 1, 1982**	CASH AS A % OF NAV	**2.1%**
NUMBER OF ASSETS	**103**	UNIT VALUE	**$10,438.36**
TOTAL OPERATING SQUARE FOOTAGE	**31.8 MILLION**	NUMBER OF INVESTORS	**349**
PERCENT LEASED (OPERATING)	**94.0%**	2Q 2017 INVESTOR CONTRIBUTIONS	**$97.1 MILLION**
AVERAGE AGE OF PROPERTIES	**15.0 YEARS**	2Q 2017 INVESTOR REDEMPTIONS	**$59.5 MILLION**

Annualized Returns[2]

Through June 30, 2017

GROSS OF FEES RETURNS	QUARTER	1-YEAR	3-YEAR	5-YEAR	SINCE INCEPTION*
INCOME	0.97%	4.05%	4.51%	4.95%	7.01%
APPRECIATION	0.68%	2.95%	6.08%	5.33%	1.03%
TOTAL	1.65%	7.09%	10.79%	10.47%	8.10%
NET OF FEES RETURNS	**QUARTER**	**1-YEAR**	**3-YEAR**	**5-YEAR**	**SINCE INCEPTION***
INCOME	0.76%	3.15%	3.59%	4.02%	5.80%
APPRECIATION	0.68%	2.95%	6.08%	5.33%	1.03%
TOTAL	1.43%	6.17%	9.82%	9.50%	6.88%
NFI-ODCE[3,4]	**QUARTER**	**1-YEAR**	**3-YEAR**	**5-YEAR**	**SINCE INCEPTION***
INCOME	1.08%	4.41%	4.65%	4.88%	7.03%
APPRECIATION	0.61%	3.34%	6.46%	6.65%	0.61%
TOTAL	1.70%	7.87%	11.34%	11.79%	7.67%

[1] Schedules of investment performance for MEPT are prepared by NewTower Trust 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 dispositi on 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.

[4] Final ODCE returns (Gross of Fees).

* Inception date (4/1/82).

PERFORMANCE AND PROPERTY SECTORS

MEPT'S SECOND QUARTER total gross return was 1.65%, which consisted of 0.97% income and 0.68% appreciation. The key drivers of appreciation included market rent growth across the industrial portfolio, particularly in California assets, and market rent growth in multi-family assets located in the East region. All property types appreciated during the quarter, with industrial and multi-family assets recognizing the largest value gains. The occupancy of the Fund's operating portfolio decreased slightly, ending the quarter at 94.0% leased. As a result, MEPT's occupancy remains one of the highest in the Fund's history and continues to be a strong indicator of the health of both the Fund and the broader U.S. commercial real estate market. ■

MULTI-FAMILY

93.2% LEASED

2.0% TOTAL RETURN[1]

The Dylan
New York, Multi-family

MEPT's multi-family assets represent 29.5% of the net asset value of the total portfolio and delivered a second quarter total unlevered return of 2.0% comprised of 0.9% income and 1.1% appreciation. The average stabilized cap rate for the multi-family sector was 4.5% and the operating assets were 93.2% leased, which was down 1.1% from the previous quarter. The multi-family portfolio consists of 23 assets; 14 appreciated during the quarter, 1 had no change in value, and 8 depreciated. Multi-family was the Fund's second strongest property sector in 2Q, recognizing value gains from market rent increases and cap rate compression at certain properties. In particular, high-rise assets in Primary Markets such as Washington D.C., San Francisco, and New York experienced the largest gains. Going forward, urban, Primary Market focused multi-family assets are expected to continue to generate steady returns. ■

OFFICE

90.9% LEASED

1.3% TOTAL RETURN[1]

147 Milk Street
Boston, Office

MEPT's office assets represent 44.1% of the net asset value of the total portfolio and delivered a second quarter total return of 1.3% comprised of 1.0% income and 0.3% appreciation. The average stabilized cap rate for the office sector was 5.3% and the operating assets were 90.9% leased, which was the same as the previous quarter. The office portfolio consists of 37 assets; 19 appreciated during the quarter, 3 had no change in value, and 15 depreciated. Similar to previous quarters, the top performers were CBD office buildings in Primary Markets; specifically, assets in Boston, New York, Washington D.C., and San Francisco, which benefitted from strong market fundamentals, including market rent growth and cap rate compression. In the second half of the year, CBD office assets in Primary Markets are expected to continue to produce attractive, risk-adjusted returns. ■

INDUSTRIAL

96.3% LEASED

4.3% TOTAL RETURN[1]

Valencia Commerce Center II, Los Angeles, Industrial

MEPT's industrial portfolio represents 15.4% of the net asset value of the total portfolio and delivered a second quarter total return of 4.3% comprised of 1.2% income and 3.1% appreciation. The average stabilized cap rate for the portfolio was 5.4% and the operating assets were 96.3% leased, which was down 0.1% from the previous quarter. The industrial portfolio consists of 22 assets; 15 appreciated during the quarter, 2 had no change in value, and 5 depreciated. For the eighth consecutive quarter, the industrial portfolio was the best performing property sector in terms of total return, reflecting increasing demand for industrial space driven by the growing e-commerce sector. While the majority of the portfolio appreciated during the quarter, California assets in particular experienced large value gains due to increases in market rent and decreases in market vacancy. In the second half of 2017, occupancy and comparative sales metrics are expected to remain strong for industrial assets. ■

RETAIL

93.8% LEASED

1.8% TOTAL RETURN[1]

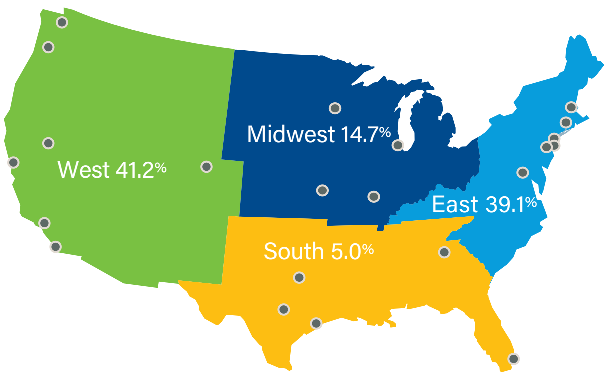
MEPT's retail portfolio represents 7.9% of the net asset value of the total portfolio and delivered a second quarter total return of 1.8% comprised of 1.3% income and 0.5% appreciation. The average stabilized cap rate for the portfolio was 5.6% and the operating assets were 93.8% leased, which was up 2.0% from the previous quarter. The retail portfolio consists of 13 assets; 8 appreciated during the quarter and 5 depreciated. Retail assets delivered a strong overall return with modest appreciation in the second quarter. The key feature of the retail portfolio remains the durable and consistent income return, which is the highest in the Fund. While there are some concerns about the retail sector and in particular regional malls, the Fund's grocery-anchored and urban focused necessity retail portfolio is less vulnerable to the disruptive forces of e-commerce. News that Amazon intends to buy Whole Foods creates some uncertainty in the grocery segment, but it is also a validation of the importance of brick-and-mortar retail. ■

[1] Property sector returns are shown on an unlevered basis.

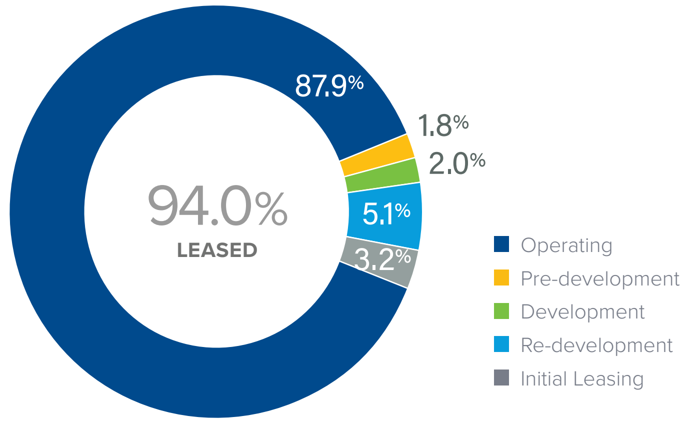
MEPT BY THE NUMBERS

Diversification and Portfolio Characteristics as of 2Q 2017

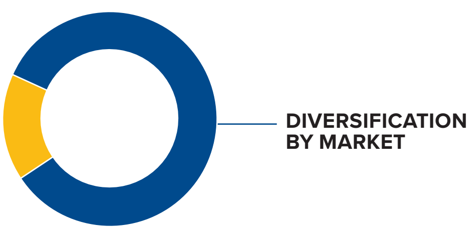
Diversification by Geographic Region (NAV)



Diversification by Life Cycle (NAV)



MEPT Top Markets (NAV)

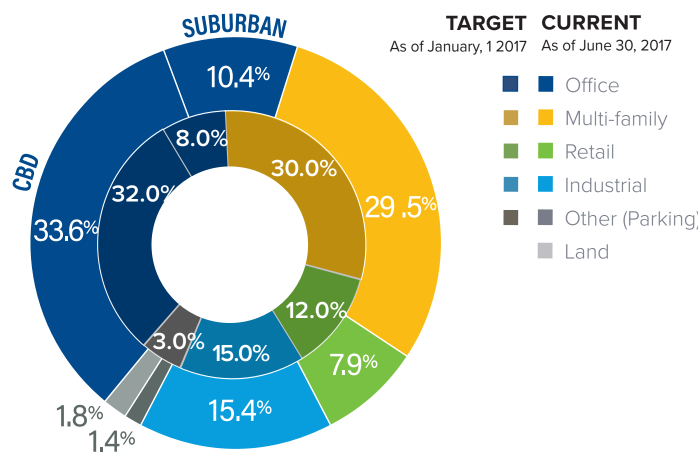


Primary Markets 84%

Non-primary Markets 16%

MARKET	NAV IN $ MILLIONS	PERCENT OF PORTFOLIO
NEW YORK	$1,180.2	13.7%
SAN FRANCISCO	1,102.3	12.8%
WASHINGTON, DC	1,045.0	12.1%
CHICAGO	901.5	10.5%
BOSTON	769.5	8.9%
LOS ANGELES	682.4	7.9%
PORTLAND, OR	661.4	7.7%
DENVER	510.0	5.9%
SEATTLE	263.2	3.1%
OTHER MARKETS	1,499.3	17.4%
TOTAL	$ 8,614.7	100.0%

Diversification by Property Type (NAV)



Lease Rollover Summary*

	2017	2018	2019	2020	2021
PERCENT OF NET RENTABLE AREA	2.57%	8.11%	13.16%	13.48%	8.31%
PERCENT OF TOTAL REVENUE	2.32%	10.54%	10.88%	10.18%	12.10%

* Consolidated Operating Industrial, Office and Retail

Notes

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.

This report reflects the views of NewTower Trust, the trustee of MEPT, and Bentall Kennedy, the real estate advisor to the trustee, with respect to MEPT. It is prepared for distribution to existing investors in MEPT. It may not be reproduced or distributed to the public.

2017 Acquisition Pipeline of Existing and Development Opportunities Under Consideration

As of June 30, 2017 (In $millions)

MARKETS	CORE STABILIZED ACQUISITION	NON-STABILIZED ACQUISITION	DEVELOPMENT/ RE-DEVELOPMENT	TOTAL
CLOSED				
ATLANTA	$30.9			$30.9
BOSTON[1]	$4.9			$4.9
IN PROCESS				
ATLANTA	$46.7			$46.7
BOSTON[2]	$10.3			$10.3
CHICAGO	$81.4			$81.4
MIAMI	$92.2			$92.2
PORTLAND, OR	$50.2			$50.2
PORTLAND, OR[3]	$125.0			$125.0
2017 Total	**$441.6**			**$441.6**

(1) Buyout of JV Partner's interest
(2) Potential ground lease purchase
(3) Participating mortgage loan

Key

- Office
- Multi-family
- Industrial
- Retail

Second Quarter Transaction Activity

THERE WERE no acquisitions during the second quarter of 2017. However, MEPT currently has $405.8 million of acquisitions that are currently under contract and expected to close in 3Q and 4Q 2017.

In the second quarter of 2017, MEPT sold Trimble Distribution Center, a 206,642 square foot industrial warehouse in San Jose, CA, for a total gross sale price of $62.0 million. Trimble Distribution Center is located in the Golden Triangle area of North San Jose, an area with a high concentration of large technology companies. The asset was originally built in 1968, renovated in 2003, and was acquired by MEPT in September 2012. At the time of acquisition, Trimble Distribution Center was leased to multiple tenants with varying credit, but through diligent asset management, Bentall Kennedy was able to sign a 10-year lease with FedEx for the entire space. The sale represented a $10.5 million gain over the first quarter value.

Additionally, MEPT has $110.5 million of dispositions that are currently under contract and expected to close in 3Q 2017. ■

Trimble Distribution Center, Industrial, San Jose

IN-DEPTH FEATURE

STRONG ASSET MANAGEMENT FUELS INDUSTRIAL SUCCESS

Bentall Kennedy's commitment to strong tenant relationships creates a competitive advantage

DRIVEN BY THE FORCE of e-commerce on logistics, the industrial property market continues to achieve record-breaking performance. In the first half of 2017, industrial properties across the U.S. delivered historically low vacancy rates and high asking rents. This intense demand is generating significant value and good news for investors: according to the NCREIF Property Index, industrial total returns have outperformed all other major property types on a one-, three- and five-year basis.

The even better news for MEPT investors is that the Fund's industrial property assets are outperforming NCREIF's industrial assets in all major timeframes. The factors contributing to this outperformance include Bentall Kennedy's focus on target, urban-core markets with high density populations and strong last-mile, e-commerce demand from consumers who insist on rapid delivery.

Another factor contributing to this outperformance is rooted in Bentall Kennedy's long-standing history as property owners and managers. We have always recognized the long-term value that strong relationships with tenants can deliver, particularly in competitive markets. With JLL reporting that over 70% of all current U.S. industrial development projects are being built with no preleasing, the competition for industrial tenants will increase; however, Bentall Kennedy's commitment to maintaining strong tenant relationships provides a competitive advantage. As our experience and performance show, a strong landlord/tenant relationship adds considerable value and is a powerful risk management tool, making it easier to initiate early renewal discussions that can head-off the competition, and benefit the tenant and landlord alike.

Right: Centrepointe Chino loading dock

Building Strong Tenant Relationships

Bentall Kennedy's Industrial Sector Asset Management team, led by Wes Ahrens, Senior Vice President, follows the firm's overall strategic approach to establish and maintain close tenant relationships.

It starts with a deep understanding of each tenant's business and challenges. While e-commerce is the leading catalyst for industrial growth, Bentall Kennedy recognizes that for every million-square-foot e-commerce tenant, there's an abundance of demand for 250,000 square-foot industrial buildings that can be demised to suit one or several tenants. These diverse tenants include the growing 3PL (third-party logistics) sector that provide cost-effective, outsourced logistics services. These tenants typically have shorter-term lease requirements.

Absentee landlords that take an "if you build it" approach to tenant management are the most vulnerable to competitive forces; conversely, Bentall Kennedy takes a high-visibility approach to actively drive results. Our portfolio and asset management teams conduct frequent site visits not only to demonstrate the firm's commitment, but to spot early warning signs—like whether a

tenant is only using a portion of their space; or, if they are outgrowing their space.

When not on site, open and frequent communication is important to stay ahead of evolving client needs. For instance, knowing whether a tenant is considering robotics helps determine if the building's infrastructure can support it and what improvements might be needed to lock-down a long-term lease. Bentall Kennedy takes a proactive approach to tenant communications with check-in calls and regularly scheduled reviews.

Finally, it's important to maintain strong relationships with local-market brokers who have the pulse of the market and can provide valuable insight into the competitive forces at work. Bentall Kennedy believes it's critical to be broker-friendly to gain the information advantage into what amenities and incentives competitors are offering. With this knowledge, we can shape attractive early renewal offers.

Bentall Kennedy's commitment to building exceptional tenant relationships is a strategic component of our overall approach to investing. This distinct competitive advantage helps us drive additional value while managing risk across the entire MEPT portfolio. ■

Above: Solar panel roof installations at Centrepointe Chino.

ADVISORY BOARD RECAP

ON JUNE 12-13, Bentall Kennedy hosted the MEPT 2017 Advisory Board meeting and related events in Seattle. The Advisory Board is comprised of eight to twelve representatives of investors in the Fund. We began the events with a market overview and tour of Fund holdings in Seattle. The Advisory Board meeting itself included an update on Bentall Kennedy two years after the integration of the management team, a discussion of Fund strategy and current positioning, and our outlook on the U.S. economy and real estate market. We are pleased to report that all of our Advisory Board members were in attendance. The meeting and events were highly interactive. Bentall Kennedy appreciates the time, preparation and valuable feedback from our Advisory Board members and would like to thank them for helping us continue to improve our product and service. ■

Left: David Antonelli, Executive Vice President & MEPT Portfolio Manager, delivers opening remarks at the 2017 Advisory Board meeting in Seattle.

MEPT LOGO REFRESH

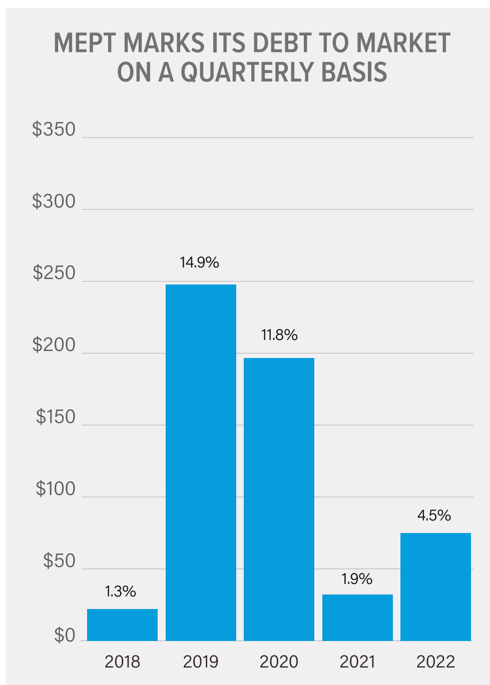
You may have noticed that we have updated MEPT's 25-year old logo and typeface. The new design retains core elements of the original design while incorporating a modernized font and color palette to add a fresh vibrancy as we look forward to our next 25 years.

MEPT
A Bentall Kennedy Fund

DEBT STRUCTURE

MEPT'S LEVERAGE ratio decreased to 20.3% from 21.1% during the quarter, which is within the Fund's target leverage range of 20% to 25%. The Fund closed on $300 million of new debt and paid off $238.5 million of maturing loans in the quarter. As a result of these transactions, the Fund's weighted average interest rate decreased by eight basis points to 3.55% and the weighted average remaining term increased to 7.5 years. The Fund procured $300.0 million of new debt through a private placement offering with 7-to 10-year maturities and interest rates of 3.62% to 3.86%. The loan proceeds were used to pay off a $184.1 million above market-rate loan and $54.4 million in construction loans that matured in the quarter. MEPT's management team will continue to identify and evaluate new financing opportunities to achieve the greatest flexibility to operate an individual asset's business plan while incurring the lowest cost of debt for the Fund. ■

Debt Maturity Schedule (in $ millions)

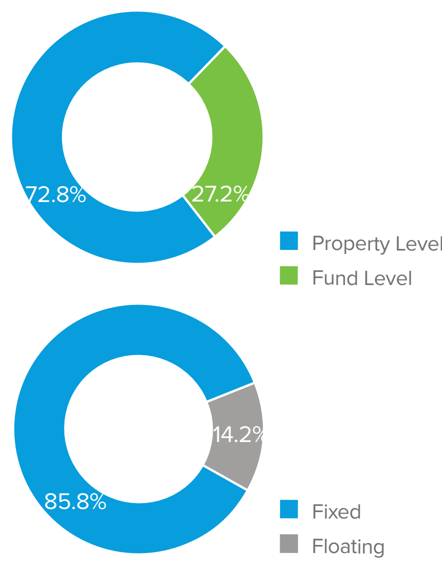


CURRENT LEVERAGE RATIO

20.3%

WEIGHTED AVERAGE INTEREST RATE

3.55%



MEPT
A Bentall Kennedy Fund

7315 Wisconsin Avenue
Suite 200W
Bethesda, MD 20814

REAL ESTATE ADVISOR
Bentall Kennedy
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