FOURTH QUARTER FEBRUARY 2019 VOLUME 34, NUMBER 4

Quarterly Report

MEPT
A Bentall Kennedy Fund

INSIDE

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Property Sector Analysis

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Letter To Investors

600 California, CBD Office, San Francisco

FOURTH QUARTER RESULTS

(Gross of Fees)

QUARTER	TRAILING 1-YEAR	GROSS ASSET VALUE
1.80%	8.17%	$8.6B

(Net of Fees)

QUARTER	TRAILING 1-YEAR	NET ASSET VALUE
1.58%	7.23%	$6.5B

IN THE FOURTH QUARTER MEPT generated a total gross return of 1.80% (1.58%, net of fees) and outperformed the NCREIF-ODCE index total return of 1.76% by 4 bps. The Fund produced a 1-year total return of 8.17% (7.23%, net of fees), which exceeded our 2018 return guidance of 6.0% to 8.0% (5.0% to 7.0%, net of fees). With MEPT's outperformance in the fourth quarter of 2018, the Fund remains competitive with the ODCE in all timeframes, while maintaining low volatility and average leverage below the benchmark over the past five years.

MEPT's strong performance continues to be driven by its industrial portfolio, which benefitted from broad market rent growth and yield compression. The Fund also continued to see robust appreciation from CBD office assets in San Francisco, Boston, and Denver. These drivers of MEPT's outperformance are directly aligned with the Fund's key core strategies: an over-allocation to Primary Markets as well as an over-allocation to industrial, multifamily and CBD office assets with a significant under-allocation to retail and suburban office.

Looking ahead into 2019, we believe MEPT will continue to offer attractive risk-adjusted returns due to its disciplined core strategy and high-quality asset composition as the economic cycle matures. We believe the current economic expansion has additional room to run given the tailwinds of low unemployment, low interest rates, rising wages, and strong 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 given continued strong market conditions but, we believe, elevated risk. As always, we greatly appreciate your continued confidence in our stewardship of your capital. ■

David Antonelli,
Executive Vice President &
MEPT Portfolio Manager

Mike Keating,
Senior Vice President &
Associate Portfolio Manager

On the Cover: Spoke, Multifamily, Chicago.

Fund Overview[1]

As of December 31, 2018

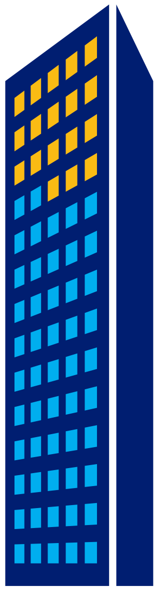
MEPT FUND METRICS

Gross Asset Value

$8.6B

Net Asset Value

$6.5B

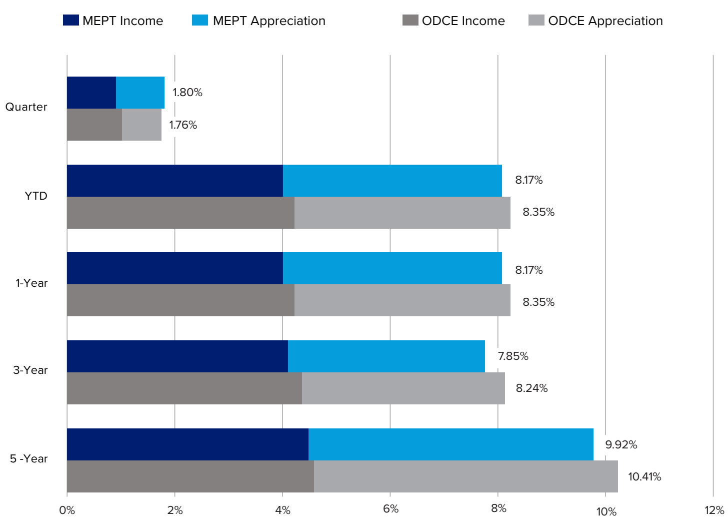


SNAPSHOT

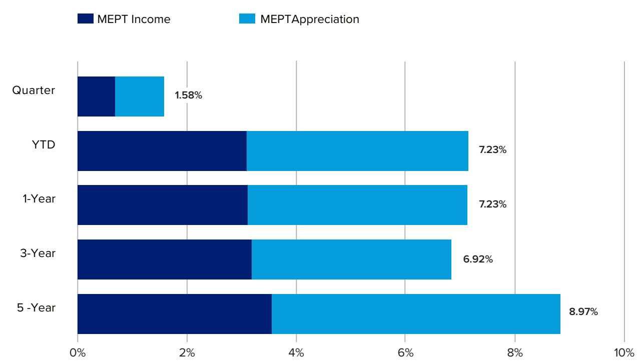
102 ASSETS	**25** MARKETS	**340** INVESTORS	**93.3%** LEASED
31.1M OPERATING SF.	**24.6%** LEVERAGE AS A % OF GAV	**0.8%** CASH AS A % OF NAV	**15.4YRS** AVG. PROPERTY AGE

MEPT RETURNS 4Q 2018[2]

Gross of Fees



Net of Fees



INVESTOR ACTIVITY

4Q CONTRIBUTIONS	4Q REDEMPTIONS
$9.5M	$152.1M

[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 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.

* Inception date (4/1/1982).

U.S. Real Estate Market Overview

THE FINAL QUARTER OF 2018 was marked by high volatility in public markets as fears rose over slower economic growth globally. In the United States, economic growth moderately decelerated in the quarter, and real GDP growth likely slowed to less than 3% on an annualized basis. The economy added 762,000 nonfarm payroll jobs in the quarter, the best fourth quarter gain since 2015. Unemployment remained below 4.0%, even as labor force participation rose modestly. However, external factors such as the partial government shutdown and Fed rate increases could pose challenges to future growth.

The outlook for the U.S. industrial sector continues to be very positive, as the national vacancy rate declined to 7.0% according to CBRE, the lowest level since 2000. Demand for space was strong as it exceeded supply by 6 million square feet in the fourth quarter and 29 million square feet in 2018. The U.S. office outlook is stable and the vacancy rate remained flat at 16.7%, while national average effective rents increased 0.7% over the quarter and 2.5% year-over-year.

The U.S. multifamily sector held steady in the fourth quarter. The national apartment vacancy rate remained at 4.8%, according to Reis, while average effective rents rose by 0.8% over the quarter, reflecting a 4.6% increase over the past twelve months. The retail sector outlook is moderately positive, as the regional mall vacancy rate dropped to 9.0% and the vacancy rate for neighborhood centers remained flat at 10.2% according to Reis. The average rent for malls rose by 0.2% during the quarter while the average for neighborhood centers again rose by 0.4%, illustrating slow growth in the sector.

I-94 Logistics Center , Industrial, Chicago

MEPT Performance and Property Sectors

MEPT'S FOURTH QUARTER total gross return was 1.80% (1.58%, net of fees), including 0.90% income and 0.90% appreciation. Out of the 102 assets in the fund, 56 appreciated, 6 had no change in value, and 40 depreciated. The main driver of fourth quarter appreciation was market rent growth and yield compression in the industrial portfolio. Additionally, CBD office assets in San Francisco, Boston, and Denver contributed meaningful appreciation during the quarter. The largest detractors to performance were lower than anticipated market rent growth and increased expenses due to a reset of ground rent in select multifamily assets in Chicago, Portland, New York, and New Haven. ■

PORTFOLIO METRICS

As of December 31, 2018

	ASSETS[1]	% OF ALLOCATION (NAV)[1]	TOTAL RETURN[2]	LEASED[3]	AVERAGE STABILIZED CAP RATE
INDUSTRIAL	23	16.8%	5.4%	96.9%	5.0%
OFFICE	36	42.8%	1.2%	88.8%	5.3%
MULTIFAMILY	23	30.0%	0.1%	91.8%	4.3%
RETAIL	15	8.5%	1.5%	95.7%	5.6%

INDUSTRIAL

MEPT's industrial portfolio delivered a total return of 5.4% in the fourth quarter, comprised of 1.1% income and 4.3% appreciation. Once again, the majority of the industrial portfolio appreciated during the quarter, driven by further market rent growth and yield compression in California and Portland, as well as the receipt of development approvals at MEPT's Lincoln Gateway site outside of New York City. The industrial portfolio has been MEPT's best performing property sector for fourteen consecutive quarters due to the disruptive force of e-commerce demand for modern warehouse space. In 2019, MEPT's industrial portfolio should continue to benefit from historic growth in warehouse demand.

RETAIL

MEPT's retail portfolio delivered a total return of 1.5% in the fourth quarter, comprised of 1.3% income and 0.2% appreciation. MEPT maintains its strategic 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 defensive as consumer spending behaviors evolve.

OFFICE

MEPT's office portfolio realized a total return of 1.2% in the fourth quarter, comprised of 0.9% income and 0.3% appreciation. MEPT's CBD office in innovation markets such as San Francisco, Boston, and Denver generated the majority of portfolio appreciation through increased market rent growth and yield compression, which offset muted growth at assets in Chicago and New York. In 2019, primary markets with strong innovation industry exposure are expected to 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.

MULTIFAMILY

MEPT's multifamily assets delivered a total return of 0.1% during the quarter comprised of 0.8% income and 0.7% depreciation. McClurg Court, a 1,061-unit multifamily asset in Chicago, was the largest performance detractor, as operating expenses increased due to a ground rent reset. Additionally, lower than expected market rent growth at select assets in Portland, New York, and New Haven offset market rent growth at properties in Washington D.C., Boston, and Denver. Finally, the Fund acquired ARIUM Brookhaven in the fourth quarter 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. In 2019, we believe the multifamily portfolio is well positioned in key markets to capture strong and enduring demand.

[1] Excludes land and parking assets.

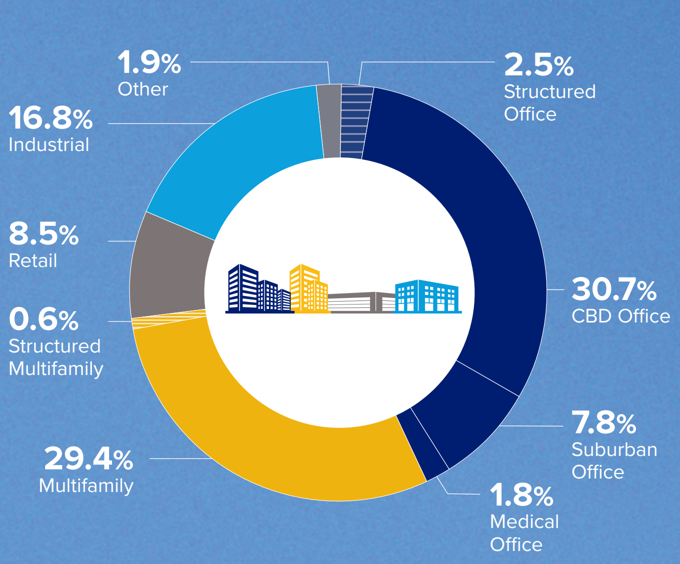
[2] Property sector returns are shown on an unlevered basis.

[3] Excludes non-operating assets

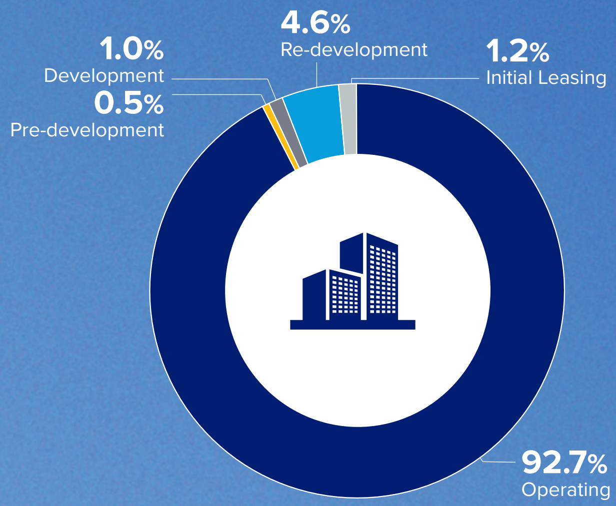
MEPT by the Numbers

Diversification and Portfolio Characteristics as of December 31, 2018

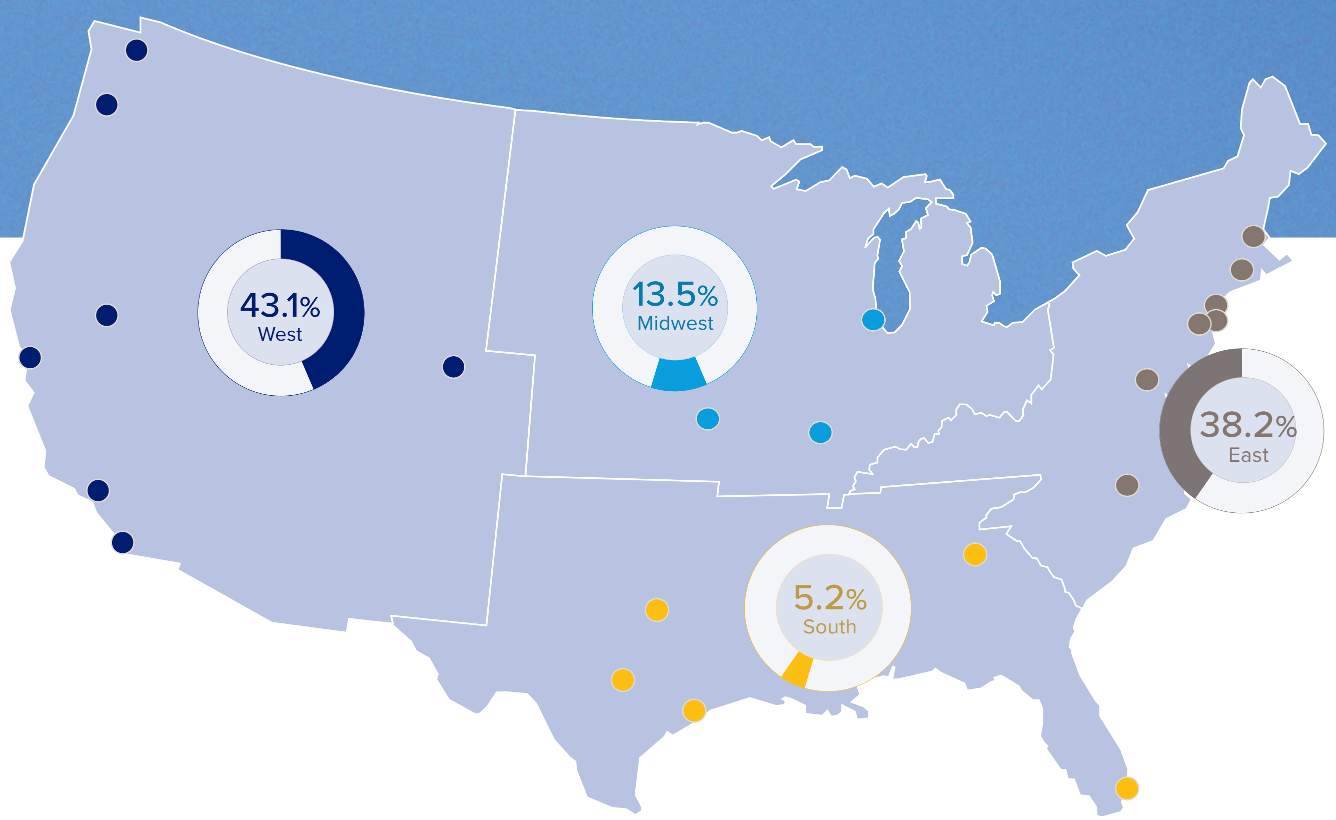
Diversification by Property Type (NAV)



Diversification by Life Cycle (NAV)



Diversification by Geographic Region (NAV)



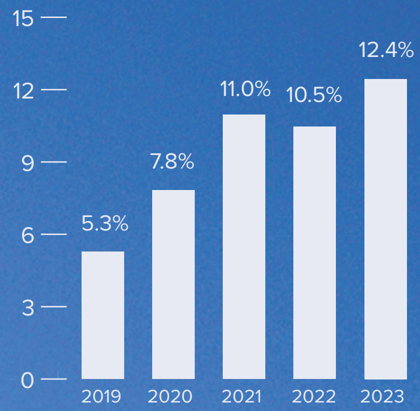
Notes

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.

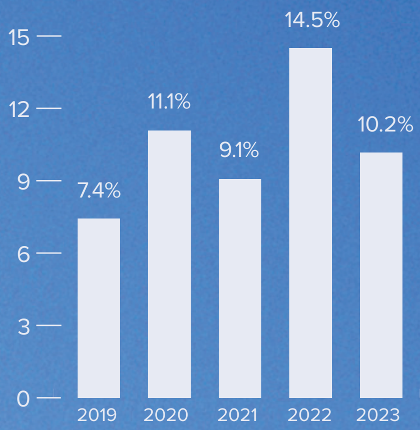
Forward looking statements found in this report are subject to change and applicable only as of the date made. Many of the factors affecting such statements are impossible to predict with certainty, and as such, are outside the control of MEPT. Further, past performance is not indicative of future results.

Lease Rollover Summary[1]

Percent of Total Revenue



Percent of Net Rentable Area



[1]Consolidated Operating Industrial, Office and Retail

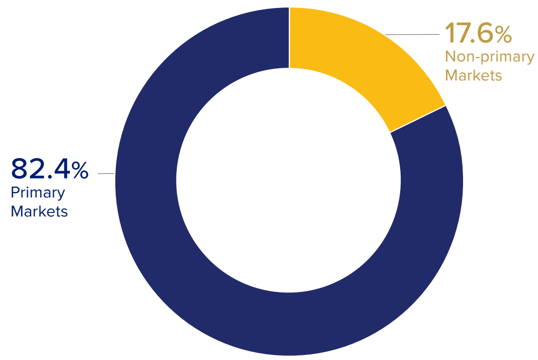
Octagon, Multifamily, New York

MEPT Top Markets by Investment

As of December 31, 2018

MARKET	GAV (IN $M)	% OF GAV
NEW YORK	$1,822	17.6%
SAN FRANCISCO	1,380	13.3%
CHICAGO	1,141	11.0%
WASHINGTON, DC	1,079	10.4%
BOSTON	856	8.3%
PORTLAND, OR	824	8.0%
LOS ANGELES	781	7.5%
DENVER	590	5.7%
SEATTLE	384	3.7%
ALL OTHER MARKETS	1,500	14.5%
TOTAL	**$10,357**	**100.0%**

Diversification by Market (NAV)



Transactions

Fourth Quarter Activity

In the fourth quarter of 2018, MEPT acquired one multifamily asset, which is detailed below:

ARIUM BROOKHAVEN presented the opportunity to acquire a modern, mid-rise multifamily property in the Brookhaven submarket of Atlanta at an attractive basis below replacement cost.

- 2015-built, 230-unit mid-rise multifamily asset featuring an attractive amenities package, including a saltwater pool, fitness center and yoga room, game room, and outdoor kitchen with grills
- Desirable Brookhaven submarket is characterized by high value single-family homes, top-performing public schools, and high barriers-to-entry due to active neighborhood associations and community groups, which has contributed to minimal new supply in the submarket
- Transit-oriented location within walking distance to the MARTA Brookhaven-Oglethorpe Gold Line stop, as well as a variety of shopping, dining and entertainment options in Brookhaven
- Acquired at an attractive 4.6% going-in cap rate, as well as an estimated 11.1% discount to replacement cost

ARIUM Brookhaven

Despite aggressive pricing, MEPT continues to source attractive opportunities both on and off-market. The Fund currently has four industrial assets, one structured debt investment and one mixed-use development under contract, all of which are expected to close in the first half of 2019.

801 Massachusetts Ave.

MEPT continues to take advantage of the aggressive market pricing to realize gains and exit non-strategic assets. In the fourth quarter, the Fund sold 801 Massachusetts Ave, an office asset in Boston, MA, for $112.5 million and Arena Corporate Center, an office building in Los Angeles, CA, for $125.3 million. Additionally, the Fund has two existing office assets, a development parcel and a parking garage currently under contract which are anticipated to close in early 2019. As always, MEPT continues to evaluate its portfolio and pursue opportunities to maximize asset value through accretive disposition activity. ■

2018 Transaction Pipeline of Existing and Development Opportunities in $Millions

$899.6M
CLOSED

$681.5M
IN PROCESS

$1,581.1M
ACQUISITION PIPELINE TOTAL

Acquisitions Pipeline

Closed

ATLANTA
- ARIUM Brookhaven (Multifamily) $56.4

BOSTON
- Harrison/Albany Block (Development, Multifamily) $223.6

CHARLOTTE
- Rosedale Center (Retail) $33.7

CHICAGO
- Stony Creek Outlots (Retail) $7.5
- 145 South Wells (Loan) (Development, Office) $71.4

HOUSTON
- FloWorks Dist. Center (Industrial) $27.3

NEW YORK
- Kearny Square (Retail) $46.2

RALEIGH
- The Marlowe Lake Boone (Multifamily) $68.1

RENO
- USA Parkway Dist. Center[2] (Development, Industrial) $18.6

SAN FRANCISCO
- Solaire[1] (Multifamily) $145.8

SEATTLE
- Capitol Hill Station (Development, Multifamily) $201.0

In Process

BOSTON
- Industrial (Industrial) $156.3

MIAMI
- Industrial (Industrial) $108.4

PITTSBURGH
- Retail (Development, Retail) $103.3

PORTLAND
- Windward Land (Multifamily) $8.0

STOCKTON
- Industrial (Industrial) $105.5

SEATTLE
- Debt/Multifamily (Development, Multifamily) $200.0

[1] Partnership buyout
[2] Expansion of an existing asset

$797.2M
TOTAL CLOSED DISPOSITION

11
ASSETS CLOSED

Disposition Activity

STAGE

	CLOSED	IN PROCESS
Office	$365.7	$254.0
Multifamily	$205.8	$16.0
Land/Other	$138.0	$75.8
Industrial	$87.7	

Office · Multifamily · Retail · Industrial · Land/Other · Development

Portfolio Spotlight:

Transform

The Smith (Harrison/Albany Block)

The Smith is a 299-unit, Class A high-rise multifamily development in Boston's South End neighborhood between Harrison Avenue and Albany Street

MARKET OVERVIEW

BOSTON'S BACK BAY/SOUTH END submarket is a desirable live-work-play location with an increasingly young resident base and a high concentration of rental households. The submarket contains a variety of retail amenities and restaurants, and is home to some of Boston's larger employers including Liberty Mutual and Blue Cross Blue Shield of Massachusetts. Additionally, the Back Bay/South End submarket is adjacent to Boston's Financial District and features prime access to public transit options, including MBTA subway and bus lines, making it a favored location for workers seeking convenience and shorter commutes.

THE SMITH (HARRISON/ALBANY BLOCK)

The Smith is a 299-unit, Class A high-rise multifamily development in Boston's South End neighborhood between Harrison Avenue and Albany Street. The apartments will feature premium finishes including quartz countertops, stainless steel appliances and porcelain tile flooring in the bathrooms. The community will also feature a top-of-the-line amenities package including a roof deck and pool and a landscaped courtyard adjacent to the lobby. The property has a Walk Score of 90 and is within walking distance of local restaurants, cultural amenities, and several parks. Additionally, The Smith is walkable to the Boston University School of Medicine, Northeastern University, and the Red, Orange, and Green Line MBTA stations.

Directly east of the property, The Abbey Group is planning to develop up to 1.5 million square feet of commercial space focusing on new lab and office inventory at the former 5.6 acre Boston Flower Exchange site. ■

Property Stats[1]

$265.0M
STABILIZED ASSET VALUE

$205.4M
ESTIMATED COST

6,470
RETAIL SF.

299
UNITS

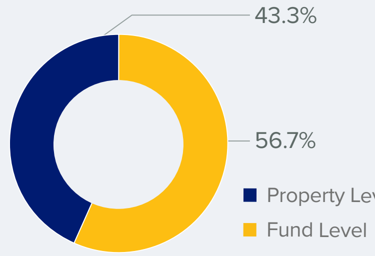
[1]As of December 31, 2018

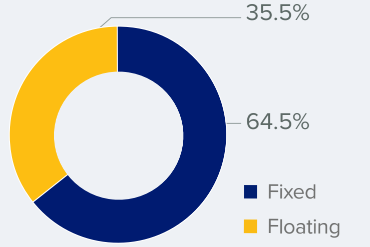
Debt Structure

MEPT'S LEVERAGE RATIO increased to 24.6% from 21.1% during the quarter as MEPT procured a new $300.0 million term loan, assumed an existing loan, and utilized the Fund's revolving credit facility to fund acquisition and development activity. The new term loan closed in October and has two tranches (A: $100.0 million with a 48 month term + 16 month extension option; B: $200.0 million with a 64 month term), both with a floating rate of LIBOR + 115 bps. Additionally, an existing loan of $32.3 million was assumed as part of the ARIUM Brookhaven acquisition; the loan is interest only with a fixed rate of 3.91% and matures in September 2025. The Fund's debt has a weighted average interest rate is 3.7% and a weighted average remaining term of 5.7 years. ■

DEBT MATURITY SCHEDULE
(IN $ MILLIONS)

CURRENT LEVERAGE RATIO	WEIGHTED AVERAGE INTEREST RATE
24.6%	3.67%





ESG Highlights

ENERGY STAR Partner of the Year

For the 8th consecutive year, the U.S. Environmental Protection Agency (EPA) awarded Bentall Kennedy with the ENERGY STAR Partner of the Year–Sustained Excellence for its leadership in energy management.

GRESB 2018

Global Real Estate Sustainability Benchmark (GRESB)

MEPT, advised by Bentall Kennedy, continues to be ranked top 3 in the world on the 2018 Global Real Estate Sustainability Benchmark.

United Nations Principles for Responsible Investing (UN PRI)

Bentall Kennedy, as a continuing signatory to the UN PRI, has received 2018 assessments that include an "A+" score for Strategy & Governance (median peer score: "A") and an "A" score for Property Investing (median peer score: "B").

PRI Principles for Responsible Investment

GRESB 2018 Rankings

2ND
Out of 42
United States
Diversified — Non-Listed

3RD
Out of 196
Globally
Diversified

MEPT
A Bentall Kennedy Fund

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