

# Welcome to the 2014 Virginia Land Forum

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**CHAOS • DISRUPTION • OPPORTUNITY**

Sponsored by:



April 29, 2014 – The Westin Richmond

# 2014 Virginia Land Forum

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## Chaos • Disruption • Opportunity

Thank you for joining us for our 5<sup>th</sup> Annual Virginia Land Forum!

This year's Forum is a round-table panel discussion with local business leaders concerning managing, hedging and profiting from known and unknown risks.

### Panel

**Brooks Smith** – Partner with Troutman Sanders

**Dan Schmitt** – President and COO of HHHunt

**Vince Nadder** – Partner with Keiter

**Gaylon Layfield** – President and CEO of Xenith Bank

**Michael Joyce** – Founder and President of JoycePayne Partners

**J.B. Gurley** – Principal with Markel|Eagle

**Bill Barnett** – Senior Vice President and Partner with Commonwealth Land

*Moderated by real estate developer, **Sidney Gunst***

### Schedule

**2:30-3:00 pm** Registration and Networking

**3:00 pm** Welcome and Introduction of Kevin Boyle, Director at Virginia Tech Program in Real Estate

**3:05 pm** 2014 Land Forum Panel Discussion

***We will have a short break mid-way through the program***

**5:00 pm** Adjourn and Reception

### Important Information

- Please silence your cell phones and step outside the meeting room if you need to make/take a call.
- Restrooms are located across from the Forum registration tables.
- Water, coffee and soft drinks will be available in the area outside of the meeting room throughout the Forum.
- Join us for the reception following the Forum for an opportunity to network and to talk with our panelists.

### **Have a question for the panel?**

Write it on the index cards provided and give it to a Commonwealth Commercial associate or take it to the AV table in the back of the room.

**Today's PowerPoint presentation will be available for download later this week on the Commonwealth Land website [www.CommonwealthLandVA.com](http://www.CommonwealthLandVA.com).**

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**TROUTMAN  
SANDERS**

**Brooks Smith  
Partner  
Troutman Sanders**

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**Brooks Smith**  
Partner  
Troutman Sanders



[www.troutmansanders.com](http://www.troutmansanders.com)

Brooks is an environmental and natural resources partner at Troutman Sanders where he helps to lead the firm's strategic initiatives on environmental markets, sustainability, energy, water and compliance assurance. Prior to joining Troutman Sanders in August 2013, Brooks chaired the global environmental practice at Hunton & Williams. One of the primary motivations for Brooks' move was to incubate new areas of environmental law and practice, including market-based approaches to environmental protection and restoration. Earlier this year, Brooks formed the National Water Quality Trading Alliance, a consortium of leaders from the business, governmental, non-profit, regulated, private capital and entrepreneurial communities focused on enhancing and expanding market-based opportunities for improving water quality. Brooks has helped to lead trading projects in the Pacific Northwest, Ohio River, Long Island Sound, Chesapeake Bay, Appalachian coalfields and Savannah River.

Brooks has written and spoken extensively on developments arising under the Clean Water Act and other environmental laws. In addition, he has chaired several national conferences and given more than 50 presentations to audiences across the United States and Canada.

Brooks is committed to servant leadership. He is a 2011 graduate of Leadership Metro Richmond and currently serves on the boards of the Virginia Land Conservation Foundation, Administrative Law Advisory Committee, VCU Rice Center, Capital Region Land Conservancy, *Virginiaforever*, Maymont Foundation, CultureWorks, Richmond Public Library Foundation and Falls of the James Scenic River Advisory Committee. He previously chaired the Richmond Business Council within the Greater Richmond Chamber of Commerce and served on the Chamber's executive committee. Brooks is also a past chair of the environmental and administrative law sections of both the Virginia State Bar and Virginia Bar Association.

For six years, Brooks contributed commentaries to WCVE Public Radio as part of a series called *Rediscovering Richmond*. He is also the author of three books on Richmond in collaboration with photographer, Wayne Dementi.

**Troutman Sanders LLP** is an international law firm founded in 1897 with more than 600 lawyers and offices located throughout the United States and China. Clients range from multinational corporations to individual entrepreneurs, federal and state agencies to foreign governments, and non-profit organizations to businesses representing virtually every sector and industry. Troutman Sanders lawyers provide counsel and advice in practically every aspect of civil and commercial law related to the firm's core practice areas: Business Law, Energy and Industry Regulation, Finance, Litigation and Real Estate.

The Richmond office was founded in 1926 and operated as Mays & Valentine, L.L.P. until the merger with Troutman Sanders on January 1, 2001.

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**Daniel T. Schmitt**  
**President and COO**  
**HHHunt**



## 2014 Virginia Land Forum

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**Daniel T. Schmitt**  
President and Chief Operating Officer  
HHHunt



[www.hhhunt.com](http://www.hhhunt.com)

As President and Chief Operating Officer with 25 years of experience working with HHHunt, Dan is responsible for the overall direction of this regional real estate company, which is more than 1,700 employees strong. Dan also has oversight of HHHunt's five divisions – HHHunt Communities, Home Building, Apartment Living, Senior Living and Golf & Country Club Operations.

HHHunt is a diversified real estate development and management company operating in four states throughout the Mid-Atlantic and Southeast. The company owns and manages nearly 8000 apartment homes and 22 assisted-living communities. In addition, HHHunt has home building operations in Hampton Roads and Richmond, Virginia and Raleigh, North Carolina. In the Richmond area, HHHunt Communities has developed award-winning master-planned communities such as Wellesley, Wyndham and Twin Hickory in Henrico, Rutland and Providence in Hanover County and The Villages of Charter Colony in Chesterfield County.

Previously, Dan was General Manager and President of HHHunt Communities where he managed land acquisition and development activities for the company's master-planned communities.

Dan earned an undergraduate degree in Psychology from Randolph Macon College and a Masters of Business Administration from James Madison University. He resides in Hanover County, Virginia where he is an avid bicyclist and active supporter of several philanthropic endeavors.

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**Vince Nadder**  
**Partner**  
**Keiter**



# 2014 Virginia Land Forum

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**Vincent J. Nadder, CPA**  
Partner  
Keiter



keitercpa.com

Vince has over 19 years of experience in public accounting providing tax and consulting services to privately held companies. Vince applies his experience to create opportunities for clients in a wide range of industries, such as professional services, construction, and real estate. Vince has led many special projects for these clients such as compliance and tax research, business planning, technology implementation, cost segregation, and certification of historic rehabilitation tax credits. He is the Chair of Keiter's Professional Services Industry team and the Partner in charge of the Firm's Cost Segregation Services. In a survey conducted by *Virginia Business* magazine, Vince was named one of Virginia's Super CPA's.

#### Professional Activities and Civic Associations:

- American Institute of Certified Public Accountants
- Virginia Society of Certified Public Accountants
- Kiwanis Club of Chesterfield
- Chesterfield Public Education Foundation, Board of Trustees

#### Education

Bachelor of Science in Accounting, Virginia Commonwealth University

#### Thought Leadership & Publications

"Virginia's Historic Tax Credit Could Come Under Scrutiny"  
– *Richmond Times Dispatch* Moneywise, February 23, 2014

**Keiter** is the largest, independent local accounting firm in Richmond, Virginia. For over 35 years, the Firm has provided a full range of financial services to businesses and their owners. Whether performing an audit examination, identifying tax savings, or developing a business plan for a start-up, the Keiter team is always focused on providing fresh insights and creating new opportunities to help businesses grow. Keiter has specialized expertise in serving the real estate, construction, manufacturing, and financial services industries, as well as not-for-profit entities.



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**T. Gaylon Layfield, III**  
**President and CEO**  
**Xenith Bank**

# 2014 Virginia Land Forum

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**T. Gaylon Layfield, III**  
President/CEO  
Xenith Bank



[www.xenithbank.com](http://www.xenithbank.com)

Mr. Layfield has been President, Chief Executive Officer and on the board of directors of Xenith Bankshares and Xenith Bank since December 2009. He is the former President of Timber Resource Management, L.L.C., a privately held timber investment management organization, having previously served in various increasing roles of responsibility with Signet Banking Corporation, a \$12 billion bank holding company that was acquired by First Union Corporation (now Wells Fargo & Company), from 1975 until Signet's acquisition in November 1997.

From December 1996 to November 1997, Mr. Layfield was President and Chief Operating Officer of Signet and served on Signet's board of directors, its Management Committee, its Asset and Liability Committee and its Credit Policy Committee. Mr. Layfield served as Senior Executive Vice President and on Signet's Management and Senior Credit Committees from 1988 to 1996. From 1991 until 1996, Mr. Layfield was responsible for Signet's Consumer Banking, which included the branch delivery system, Signet Financial Services, Signet Mortgage Company, Educational Funding, Telephone Banking Center, Trust/Affluent and Small Business, having previously been head of Signet's commercial line of business from 1987 to 1991.

Mr. Layfield's community involvement has included the following: Past President of the Richmond Children's Museum; Vice Chairman of the Board, Chesapeake Bay Foundation; Trustee, Virginia Chapter National Conference for Community & Justice; Chairman, Board of Trustees, Collegiate School; Board of Trustees, Good Samaritan Ministries; Session, First Presbyterian Church; Chairman, Board of Trustees, Westminster Canterbury; Trustee, Union Presbyterian Seminary and a member of the Commonwealth of Virginia Chesapeake Bay Restoration Fund Advisory Committee. His professional affiliations have included the Bankers Roundtable and the Virginia Forestry Association. Mr. Layfield currently serves on the St. Joseph's Villa Foundation Board, the Budget and Finance Committee of the World Pediatric Project, and the Board of Directors of the Virginia Bankers Association.

Mr. Layfield received a Master's degree in Business Administration from the Darden School of Business at the University of Virginia and a Bachelor of Arts degree in economics from the University of Virginia.

**Xenith Bank** is strategically focused on the Virginia business, real estate and private banking communities, as well as select retail markets. Continued consolidation in the banking industry has left many customers in these segments underserved, thereby creating the need in the market for a new generation of sophisticated banking that Xenith Bank provides. Our new banking model combines the reliability and lending power of larger, traditional institutions with the technology, expertise and flexibility required in today's dynamic market.

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**Michael Joyce**  
**Founder/President**  
**JoycePayne Partners**



# 2014 Virginia Land Forum

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**Michael Joyce, CFA, CFP**  
Founder/President  
JoycePayne Partners



[www.joycepaynepartners.com](http://www.joycepaynepartners.com)

Founder and President, Michael is responsible for overall investment strategy, management of investment portfolios and for financial counseling services. Mr. Joyce is the recipient of a Bachelor of Science degree in Finance from the Pennsylvania State University and a Master of Business Administration degree from Drexel University. He is a Chartered Financial Analyst and a Certified Financial Planner. Mr. Joyce has over 30 years of experience in the financial industry and was named as one of the Top 100 wealth advisors in the US by *Worth Magazine* seven times. He was named as one of the 150 best financial advisors for doctors by *Medical Economics* and was recently listed as one of the top 100 independent financial advisors by *Barron's*.

Mr. Joyce is former Chairman of the Board of the National Association of Personal Financial Advisors, former Chairman of the NAPFA Consumer Education Foundation and former Vice-Chairman of the Board of Directors of the Virginia Small Business Financing Authority. He continues to serve on the Board of Directors on the NAPFA Consumer Education Foundation and is Treasurer of the Benedictine Education Foundation.

**JoycePayne Partners** is an independent, fee-only firm whose mission is to provide innovative financial management strategies and solutions tailored to the unique circumstances of each individual, family and institution it serves. Quite simply, its goal is to provide its Clients with a financial peace of mind.

JoycePayne Partners is proud to celebrate over 20 years serving Clients in Richmond, Virginia and Bethlehem, Pennsylvania. The Firm has approximately \$580 Million under management.

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**J.B. Gurley**  
Principal  
Markel | Eagle



# 2014 Virginia Land Forum

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**J.B. Gurley**  
Principal  
Markel|Eagle Partners



[www.markel-eagle.com](http://www.markel-eagle.com)

Mr. Gurley is a Principal at Markel|Eagle Partners a real estate investment manager with more than \$100 million in assets under management. The Firm makes debt and equity investments in residential and commercial real estate throughout the Mid-Atlantic and Southeast regions; these investments are made either directly or through joint ventures with local operating partners.

Before joining Markel|Eagle Partners, Mr. Gurley was with Credit Risk Management, LLC where he focused on the valuation of real estate assets in connection with bank mergers, recapitalizations and acquisitions. His experience with CRM included the valuation of over \$600 million (UPB) in real estate assets, advising clients on issues related to the valuation and management of their real estate assets and working with client banks and regulators on the valuation and asset management of troubled real estate assets.

Mr. Gurley joined Credit Risk Management through the Firm's acquisition of Verus Real Estate Advisors which Mr. Gurley founded to provide asset management and investment advisory services to institutional investors and lenders. The firm was named as an Advisor to a state pension fund to review, recommend and execute proposals for the recapitalization and restructuring of single property, corporate entity and co-mingled fund investments and worked with banks to develop and implement asset management and disposition plans for non-performing and REO assets.

Prior to founding Verus, Mr. Gurley worked at Walker & Dunlop where he headed both the Real Estate Advisory (REA) and Structured Finance and Equity (SFE) businesses. During his tenure with the firm Mr. Gurley structured and closed over \$1.6 billion in financings and equity investments in connection with the acquisition and development of retail, office, industrial, mixed use and residential projects.

Mr. Gurley began his career with the Equitable Real Estate and then spent fourteen years with the RREEF Funds where he was responsible for acquisitions in the Mid-Atlantic and Southeastern U.S. Over the course of his career Mr. Gurley has successfully completed transactions with a total value exceeding \$4.0 billion encompassing over six million square feet of office, retail, and industrial properties as well as 4,000 multi-family units.

Gurley earned a B.A. in Economics from Hampden--Sydney College and has been a member of the Urban Land Institute, I.C.S.C, NAIOP and the NMHC.

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**William G. "Bill" Barnett  
Senior Vice President/Partner  
Commonwealth Land**

# 2014 Virginia Land Forum

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**William G. Barnett, ALC, CCIM**  
Senior Vice President/Partner  
Commonwealth Land

Bill Barnett has specialized in the sale of land for both development and agricultural uses since he began his brokerage career in 1974. Bill participated in the assemblage planning and rezoning of a number of large communities in the Richmond area such as Wyndham, Innsbrook, Deep Run Business Center, Patriots Landing, Appomattox Industrial Center and Roseland. His rural brokerage experience includes timberland holdings, large farms and waterfront properties, especially in Tidewater Virginia. Bill graduated from the College of William and Mary, is licensed in Virginia and North Carolina, is Senior Vice President and Partner with Commonwealth Commercial Partners, LLC, and is managing partner of Commonwealth Land.



**Commonwealth Land**, a division of Commonwealth Commercial Partners, LLC, provides clients with comprehensive advice, resources and tools to ensure optimal results for complex real estate decisions for property sales in Virginia including timberland, rural, urban and suburban properties. For more information visit [www.commonwealthlandva.com](http://www.commonwealthlandva.com).



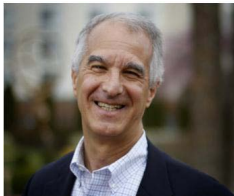
**Commonwealth Commercial Partners, LLC**, with offices in Richmond, Virginia, the Hampton Roads region of Virginia, Nashville, Tennessee, and Jacksonville, Florida is a full service commercial real estate firm founded in 1996. The company provides demonstrated expertise in the areas of leasing, purchasing, selling, developing, consulting, property management and asset management services for office, industrial, retail, multifamily, senior living and investment clients, as well as the brokerage of land, both rural and development sites. For more information visit [www.commonwealthcommercial.com](http://www.commonwealthcommercial.com).



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**Sidney Gunst**  
**Real Estate Developer**

## 2014 Virginia Land Forum

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**Sidney J. Gunst**  
Real Estate Developer

Sidney is a Richmond native, graduate of Douglas Freeman H.S., High Point University, and a local real estate developer. At 28 he envisioned Innsbrook Corporate Center in 1979—assembling the land, gaining the zoning and securing the financial backing of Henry Stern and David Arenstein. He also developed the 200 acre Deep Run Business Center at the Gaskins and I-64 interchange. At present he is working with WS Carnes, Inc. on a Walmart Neighborhood Market anchoring the redevelopment of the Meadowbrook Plaza (Rte. 150 and Hopkins Rd) and a new retail center on Ironbridge Road adjacent to the Chesterfield Government County Complex. Sidney has been actively involved in the community, serving on the boards of Elk Hill Farm, Richmond Chamber, Venture Richmond, University of Richmond School of Continuing Studies and others. He currently resides in Powhatan County with his wife Sheila and son Sidney III.

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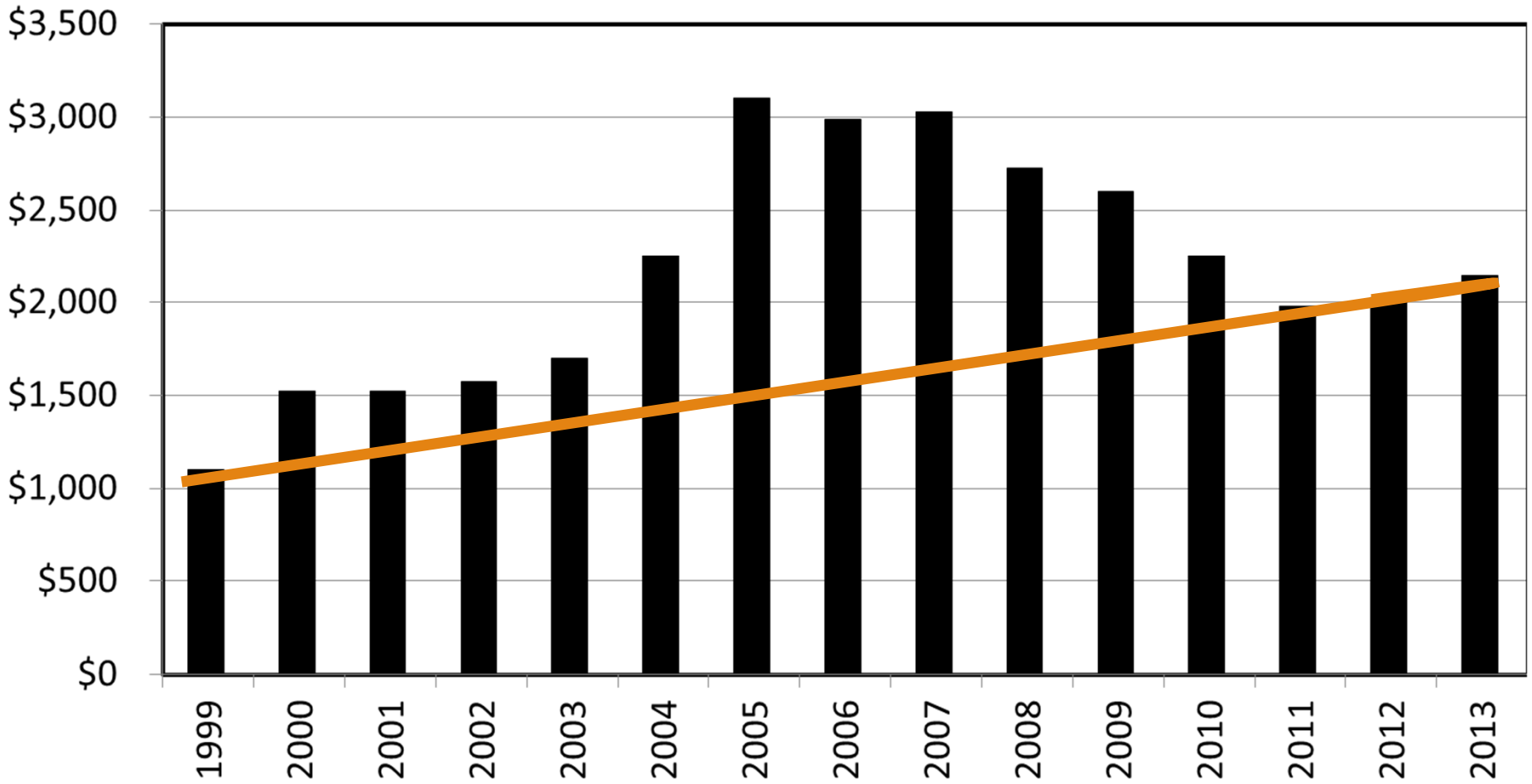
## Risk Instigators



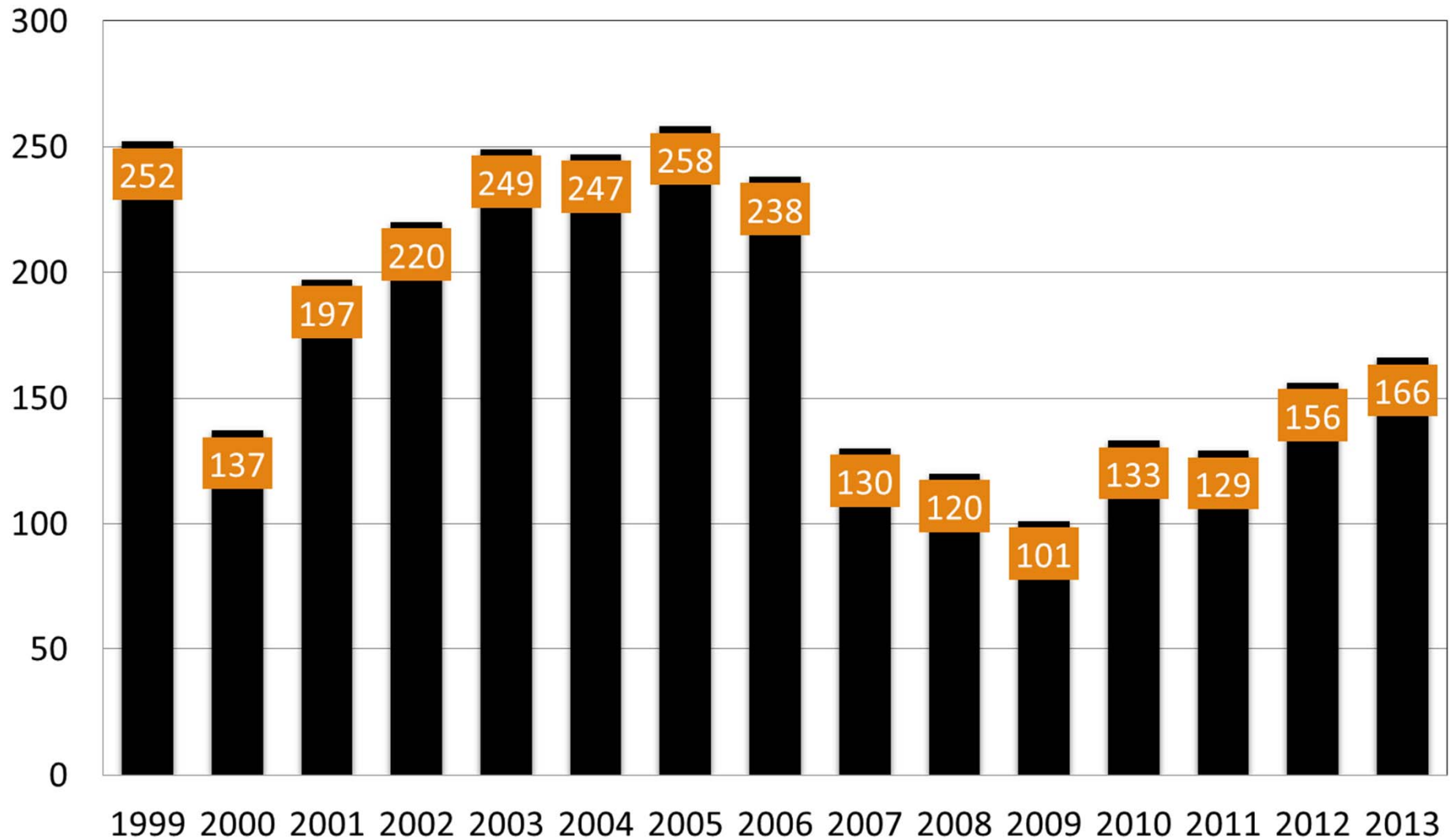
## Risk Managers



# Average Annual Price (\$ Per Acre)



# Number of Transactions Per Year



# Risk Management

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Real Estate Investors and Bankers have something in common... Both should worry about risk management.

Risk takes many forms:

## Real Estate Investors

Strategic

Credit

Interest Rate

Liquidity

Regulatory/Compliance

Regulatory/Compliance

Construction

Reputational

## Banks

Strategic

Credit

Interest Rate

Liquidity

Operating/Technology

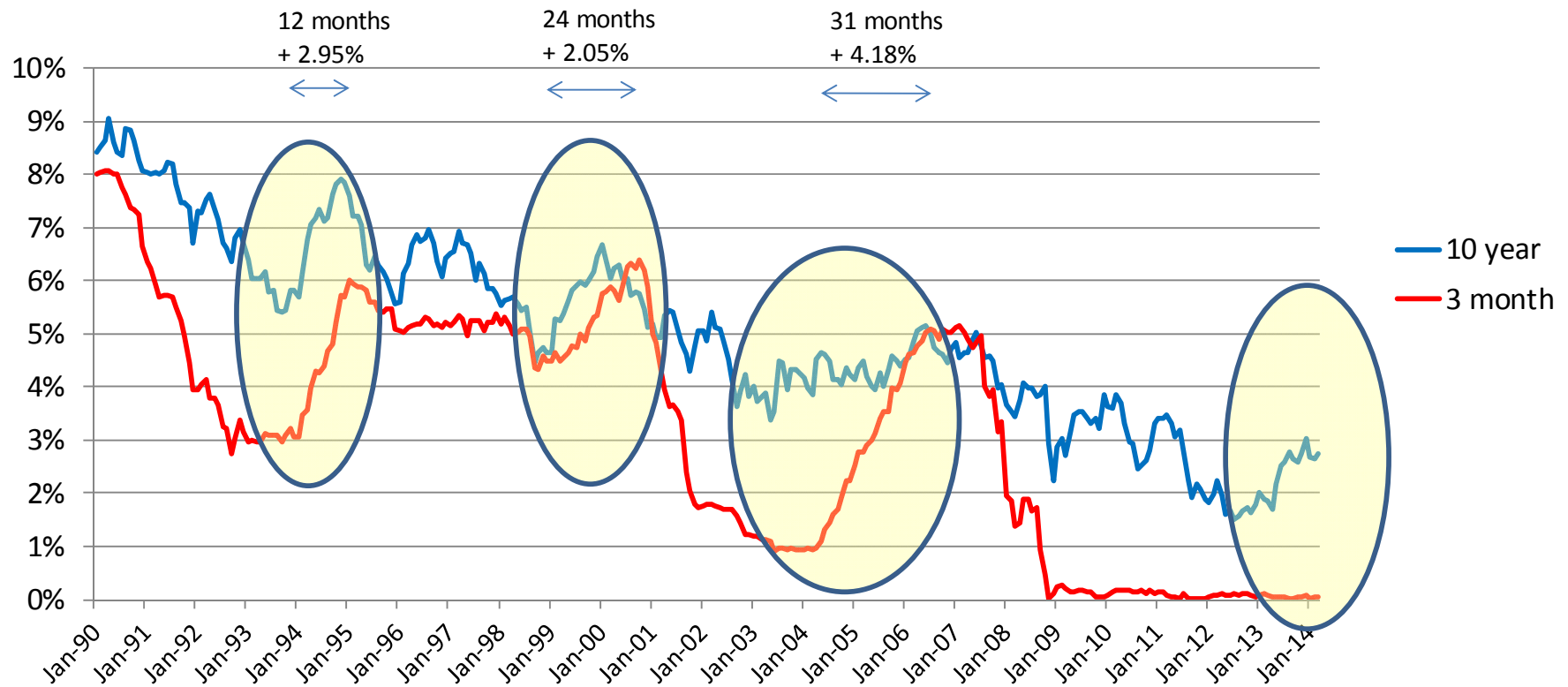
Reputational

How much capital (equity) do we need to operate safely?

# When rates move up they tend to move up quickly!



### Treasury Yields 1990-2014



# Traditional Environmental Impediments

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- Site environmental hazards, contamination, UST's, etc.
- Protected species, habitats
- Wetlands impact
- Historic/archeological resources
- Storm water runoff (quality and quantity)
- Development-phase impacts and permitting
- Post-construction features and permitting
- Core services (water, wastewater, etc.)
- Chesapeake Bay overlay requirements (buffers, nutrients, etc.)
- Other overlays (TMDLs, etc.)



# Emerging Threats

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- Post-construction requirements (new EPA rulemaking)
  - Numeric limits on storm water (new EPA rulemaking)
  - Hundreds of new candidate species listings
  - Chesapeake Bay TMDL
  - 647 Other TMDLs
  - Citizen watchdogs and enforcement
-

# Opportunities

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- Stream and wetland mitigation banking
  - Nutrient and sediment banking
  - Species banking
  - Other ecosystem services
  - Conservation easements
  - Credit “stacking”
  - VRP
-

# Chaos: Impact of ACA

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## Capital Gains + Other Real Estate Income

- 2013 Higher Tax Rates
  - Phaseouts and Limitations
- Net Investment Income Tax (3.8%)
  - Passive vs. Nonpassive Activity
  - Real Estate Professional Classification

# Disruption: Potential Legislation

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## Discussion Draft: Tax Reform Act of 2014

- Reduced Mortgage Interest Deduction
  - Depreciation Reform
  - Repeal of §1031 Like-kind Exchanges
  - Repeal of Historic Rehabilitation Tax Credit
  - Repeal of Energy Efficient Commercial Building Deduction
-

# Opportunity: Planning

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## Be Prepared

- Plan Transactions in Advance
- Understand Income Tax Ramifications
  - Shareholders
  - Investors
- Understand Cash Flow Impact
- Consider Alternate Structures
  - Like-Kind Exchanges, Installment Sale Treatment
- Consult Advisors *BEFORE* Finalizing Deals



# Markel | Eagle Partners: Instigator or Manager of Risk?

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- FACT: Perception of risk creates a barrier to entry
- FACT: Barriers to entry serve to limit competition
- FACT: Competition for assets yields higher pricing
- M|E Investment strategy centered on:
  - Patient capital, conservative leverage
  - Flat decision making
  - Underwriting and quantifying risk prior to acquisition
  - Execution through proprietary platform and strong sponsor-partners
  - Develop or reposition assets that, at time of sale, have little or no perceived risk

# HH Hunt Growth Strategy Aggressive and Intentional

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## Primary Focus:

1. People
  - A. Employees
  - B. Customers
  - C. Demographics
2. Expertise/Experience
  - A. Diversification
  - B. Product and market expansion
  - C. New opportunities
3. Managing our Company and our Risk
4. Disciplined Reinvestment
5. Competitive Strategies
6. Long Term Ownership
7. Building our Brand

# HHHunt Competitive Strategies

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- The Best People
- Developer / Builder
- Differentiation
- Customer Service
- Vertical Integration
- Balanced Scorecard
- Building a strong brand
- More cash



# JoycePayne Partners

## 2014 Real Estate Investment Overview

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- With the exception of multi-family housing, 10-Year performance benchmarks indicate that real estate investments in general have not recovered to the extent that US equities have.
- US Investor Confidence across all financial markets has not recovered from the 2008-2009 downturn. Investor cash balances continue to be much higher than are normal during a recovery period.
- Despite a deeper bottom in 2010, commercial real estate prices continue to recover faster than housing prices. However, this recovery has not been uniform across all real estate indexes and most of the increases have occurred in the marquis markets (New York, San Francisco, Miami) over secondary markets.

# JoycePayne Partners



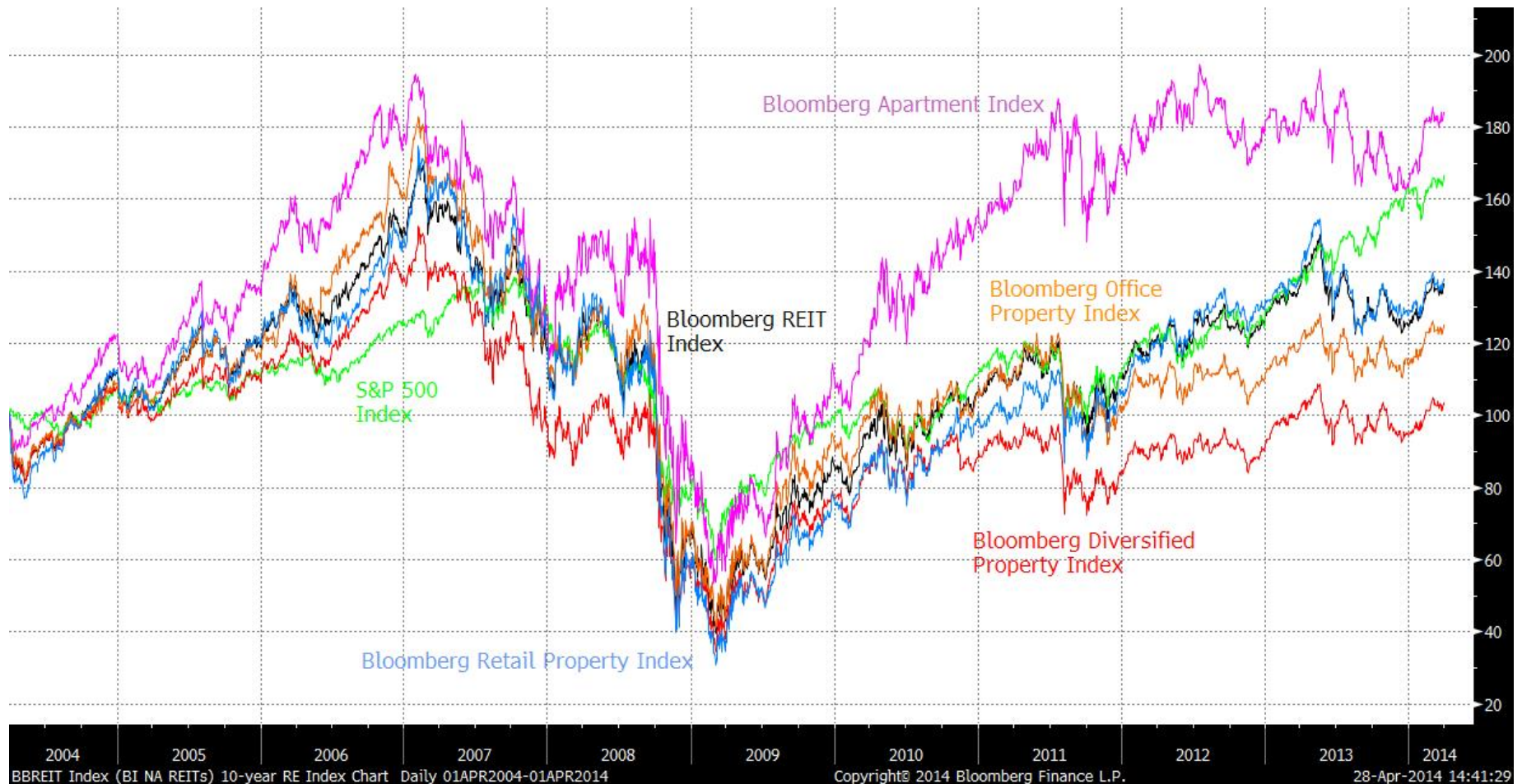
## 2014 Real Estate Investment Overview

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- Delinquency rates for residential mortgages have improved but remain double the 20-year average. Consumer and C&I loan default levels have declined to below average for the same time period. Distressed real estate investment opportunities still provide significant upside returns but are much more difficult to find.
- Diversification across all real estate investment and alternative asset classes remains the optimal strategy to balance return and systematic risk. When evaluating real estate investment opportunities we are focused on deal structure, management's "skin in the game" and fees.

# Real Estate Markets Overview

## 10-Year Time Span



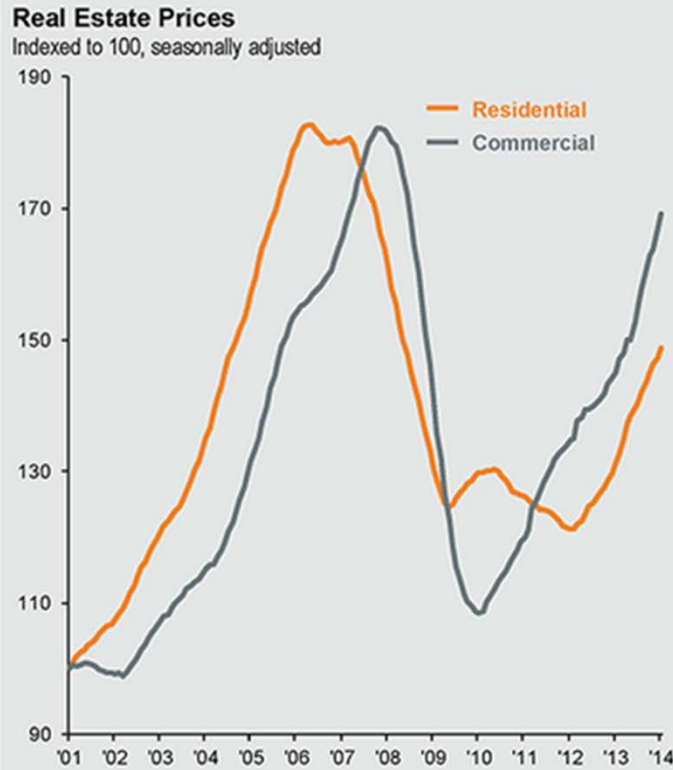
# Selective Real Estate Market Trends

MARKET INSIGHTS

Real Estate

21  
 GTM - U.S.

Economy

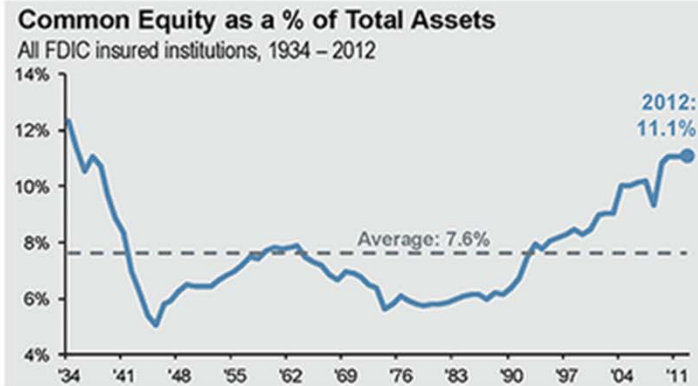
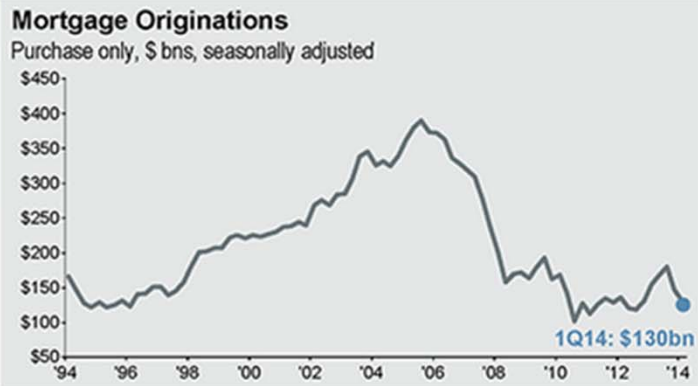


Sources: (Left) Standard & Poor's, Moody's, J.P. Morgan Asset Management. Residential prices shown as Case-Shiller 20-city home price index. Commercial prices shown as Moody's/RCA National All-Property commercial property price index. (Top right) Census Bureau, J.P. Morgan Asset Management. Monthly mortgage payment assumes the prevailing 30-year fixed-rate mortgage rates and average new home prices excluding a 20% downpayment. (Bottom right) CBRE Econometric Advisors, Census Bureau, National Association of Realtors, J.P. Morgan Asset Management. Commercial vacancy rates shown for nationwide total office market as calculated by CBRE Econometric Advisors. Guide to the Markets - U.S. Data are as of 3/31/14.

# Selective Real Estate Credit Trends

MARKET INSIGHTS      Credit Conditions      **35**  
 GTM - U.S.

Fixed Income



Source: (Top left) McDash, J.P. Morgan Securitized Product Research, J.P. Morgan Asset Management. (Top right) Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom left): Federal Reserve, FactSet, J.P. Morgan Asset Management. (Bottom right) FDIC, J.P. Morgan Asset Management.  
 All data reflect most recently available releases.  
 Guide to the Markets - U.S.  
 Data are as of 3/31/14.

# Investment Asset Class Returns: 10-Years

MARKET INSIGHTS		Asset Class Returns										58 GTM - U.S.		
													10-yrs. '04 - '13	
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	1Q14	Cum.	Ann.
Asset Class	REITs	MSCI EME	REITs	MSCI EME	Barclays Agg	MSCI EME	REITs	REITs	REITs	Russell 2000	REITs	MSCI EME	MSCI EME	
	31.6%	34.5%	35.1%	39.8%	5.2%	79.0%	27.9%	8.3%	19.7%	38.8%	8.5%	197.7%	11.5%	
	MSCI EME	DJ UBS Comdty	MSCI EME	DJ UBS Comdty	Cash	MSCI EAFE	Russell 2000	Barclays Agg	MSCI EME	S&P 500	DJ UBS Comdty	Russell 2000	Russell 2000	
	26.0%	21.4%	32.6%	16.2%	1.8%	32.5%	26.9%	7.8%	18.6%	32.4%	7.0%	138.3%	9.1%	
	MSCI EAFE	MSCI EAFE	MSCI EAFE	MSCI EAFE	Market Neutral	REITs	MSCI EME	Market Neutral	MSCI EAFE	MSCI EAFE	Asset Alloc.	REITs	REITs	
	20.7%	14.0%	26.9%	11.6%	1.1%	28.0%	19.2%	4.5%	17.9%	23.3%	1.9%	128.5%	8.6%	
	Russell 2000	REITs	Russell 2000	Market Neutral	Asset Alloc.	Russell 2000	DJ UBS Comdty	S&P 500	Russell 2000	Asset Alloc.	Barclays Agg	S&P 500	S&P 500	
	18.3%	12.2%	18.4%	9.3%	24.0%	27.2%	16.8%	2.1%	16.3%	15.9%	1.8%	104.3%	7.4%	
	Asset Alloc.	Asset Alloc.	S&P 500	Asset Alloc.	Russell 2000	S&P 500	S&P 500	Cash	S&P 500	Market Neutral	S&P 500	MSCI EAFE	MSCI EAFE	
	12.5%	8.3%	15.8%	7.4%	-33.8%	16.5%	15.1%	0.1%	16.0%	7.9%	1.8%	104.1%	7.4%	
	S&P 500	Market Neutral	Asset Alloc.	Barclays Agg	DJ UBS Comdty	Asset Alloc.	Asset Alloc.	Asset Alloc.	Asset Alloc.	REITs	Russell 2000	Asset Alloc.	Asset Alloc.	
	10.9%	6.1%	15.2%	7.0%	-35.6%	22.2%	12.5%	-0.6%	11.3%	2.9%	1.1%	100.1%	7.2%	
	DJ UBS Comdty	S&P 500	Market Neutral	S&P 500	S&P 500	DJ UBS Comdty	MSCI EAFE	Russell 2000	Barclays Agg	Cash	MSCI EAFE	Market Neutral	Market Neutral	
	9.1%	4.9%	11.2%	5.5%	-37.0%	18.9%	8.2%	-4.2%	4.2%	0.0%	0.8%	62.7%	5.0%	
Market Neutral	Russell 2000	Cash	Cash	REITs	Barclays Agg	Barclays Agg	MSCI EAFE	Market Neutral	Barclays Agg	Market Neutral	Barclays Agg	Barclays Agg		
6.5%	4.6%	4.8%	4.8%	-37.7%	5.9%	6.5%	-11.7%	0.9%	-2.0%	0.3%	56.0%	4.5%		
Barclays Agg	Cash	Barclays Agg	Russell 2000	MSCI EAFE	Market Neutral	Cash	DJ UBS Comdty	Cash	MSCI EME	Cash	Cash	Cash		
4.3%	3.0%	4.3%	-1.6%	-43.1%	4.1%	0.1%	-13.3%	0.1%	-2.3%	0.0%	17.1%	1.6%		
Cash	Barclays Agg	DJ UBS Comdty	REITs	MSCI EME	Cash	Market Neutral	MSCI EME	DJ UBS Comdty	DJ UBS Comdty	MSCI EME	DJ UBS Comdty	DJ UBS Comdty		
1.2%	2.4%	2.1%	-15.7%	-53.2%	0.1%	-0.8%	-18.2%	-9.5%	-0.4%	9.0%	9.0%	0.9%		

Source: Russell, MSCI, Dow Jones, Standard & Poor's, Credit Suisse, Barclays Capital, NAREIT, FactSet, J.P. Morgan Asset Management. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the CS/Tremont Equity Market Neutral Index, 5% in the DJ UBS Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. All data represents total return for stated period. Past performance is not indicative of future returns. Data are as of 3/31/14, except for the CS/Tremont Equity Market Neutral Index, which reflects data through 2/28/14. "10-yrs" returns represent period of 1/1/04 - 12/31/13 showing both cumulative (Cum.) and annualized (Ann.) over the period. Please see disclosure page at end for index definitions. \*Market Neutral returns include estimates found in disclosures. Guide to the Markets - U.S. Data are as of 3/31/14.

# Alternative Investment Asset Class Returns: 10-Years

MARKET  
INSIGHTS

Alternative Asset Class Returns

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GTM - U.S.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	1Q14	10-ys '04 - '13 Ann. Return	Ann. Volatility												
Real Estate	35.0%	Private Equity	28.3%	Real Estate	35.6%	Private Equity	19.7%	Gbl. Macro	4.7%	MLPs	76.4%	35.9%	13.9%	Real Estate	18.0%	MLPs	27.6%	Real Estate	9.1%	Private Equity	15.1%	Real Estate	25.4%		
Private Equity	25.9%	Global Equity	17.4%	Private Equity	28.7%	MLPs	12.7%	Eq. Mkt. Ntrl.	-3.0%	Global Equity	30.0%	Real Estate	26.7%	Private Equity	10.5%	Global Equity	16.5%	Global Equity	26.2%	Distrsd.	3.8%	MLPs	15.0%	MLPs	18.2%
Distrsd.	18.1%	Real Estate	13.7%	MLPs	26.1%	Gbl. Macro	11.4%	Mrgr. Arb.	-6.7%	Real Estate	27.6%	Private Equity	21.0%	Real Estate	9.4%	Private Equity	13.8%	Distrsd.	15.2%	HF Agg.	2.6%	Real Estate	8.5%	Private Equity	10.4%
MLPs	16.7%	Distrsd.	10.4%	Global Equity	17.0%	HF Agg.	11.0%	Rel. Val.	-17.3%	Rel. Val.	23.0%	Rel. Val.	12.5%	Mrgr. Arb.	2.3%	Rel. Val.	9.7%	HF Agg.	9.6%	Rel. Val.	2.5%	Distrsd.	7.7%	Distrsd.	9.6%
Global Equity	12.0%	HF Agg.	9.1%	Distrsd.	15.3%	Rel. Val.	10.0%	HF Agg.	-18.7%	Distrsd.	20.2%	Distrsd.	12.2%	Rel. Val.	0.8%	Distrsd.	8.5%	Rel. Val.	7.5%	MLPs	1.9%	Global Equity	7.3%	Global Equity	9.3%
HF Agg.	9.3%	MLPs	6.3%	Mrgr. Arb.	14.6%	Mrgr. Arb.	8.9%	Distrsd.	-22.3%	HF Agg.	18.6%	Global Equity	11.1%	Distrsd.	0.0%	MLPs	4.8%	Eq. Mkt. Ntrl.	6.4%	Mrgr. Arb.	1.6%	Rel. Val.	6.5%	HF Agg.	7.9%
Gbl. Macro	7.5%	Eq. Mkt. Ntrl.	6.1%	HF Agg.	13.3%	Global Equity	7.7%	Private Equity	-22.4%	Private Equity	13.4%	HF Agg.	8.5%	Gbl. Macro	-0.7%	HF Agg.	4.4%	Mrgr. Arb.	5.3%	Eq. Mkt. Ntrl.	1.2%	HF Agg.	5.8%	Rel. Val.	6.8%
Rel. Val.	6.1%	Gbl. Macro	6.1%	Rel. Val.	12.2%	Distrsd.	6.8%	MLPs	-36.9%	Mrgr. Arb.	11.9%	Mrgr. Arb.	4.6%	Eq. Mkt. Ntrl.	-1.5%	Eq. Mkt. Ntrl.	3.1%	Gbl. Macro	0.1%	Gbl. Macro	1.1%	Mrgr. Arb.	5.0%	Gbl. Macro	4.9%
Mrgr. Arb.	3.7%	Mrgr. Arb.	5.6%	Gbl. Macro	8.2%	Eq. Mkt. Ntrl.	5.7%	Real Estate	-37.3%	Gbl. Macro	6.9%	Gbl. Macro	3.2%	HF Agg.	-2.0%	Mrgr. Arb.	1.8%	Real Estate	-0.5%	Global Equity	1.0%	Gbl. Macro	4.5%	Eq. Mkt. Ntrl.	3.7%
Eq. Mkt. Ntrl.	3.4%	Rel. Val.	5.3%	Eq. Mkt. Ntrl.	7.0%	Real Estate	-16.3%	Global Equity	-39.2%	Eq. Mkt. Ntrl.	2.5%	Eq. Mkt. Ntrl.	2.5%	Global Equity	-6.0%	Gbl. Macro	-1.3%	Private Equity	-	Private Equity	-	Eq. Mkt. Ntrl.	2.7%	Mrgr. Arb.	3.6%

Asset Class

Source: Standard & Poor's, Alerian, HFRI, MSCI, Cambridge Associates, NAREIT, FactSet, J.P. Morgan Asset Management. Hedge fund indices include distressed and restructuring (Distrsd.), relative value (Rel. Val.), global macro (Gbl. Macro), merger arbitrage (Mrgr. Arb.), equity market neutral (Eq. Mkt. Ntrl.), and the aggregate (HF Agg.). 1Q14 and 2013 private equity data is unavailable and provided by Cambridge Associates. Real estate returns reflect the NAREIT Real Estate 50 Index and global equity returns reflect the MSCI AC World Index. Annualized volatility and returns are calculated from quarterly data between 1/1/04 and 12/31/13, except for private equity which represents 1/1/03 - 12/31/12. Please see disclosure pages for index definitions. Guide to the Markets - U.S. Data as of 3/31/14.

J.P.Morgan  
Asset Management