



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 18

**MEETING DATE:** June 15, 2022

**SUBJECT:** Quarterly Investment Performance Report -  
Real Estate

**SUBMITTED FOR:** \_\_\_ Consent      \_\_\_ Deliberation and Action       X  Receive and File

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#### **RECOMMENDATION**

Staff recommends the Board receive and file the Quarterly Investment Performance Report – Real Estate.

#### **PURPOSE**

This item complies with SCERS' investment policy statement reporting requirements and contributes to the effective management and oversight of investment activities.

#### **DISCUSSION**

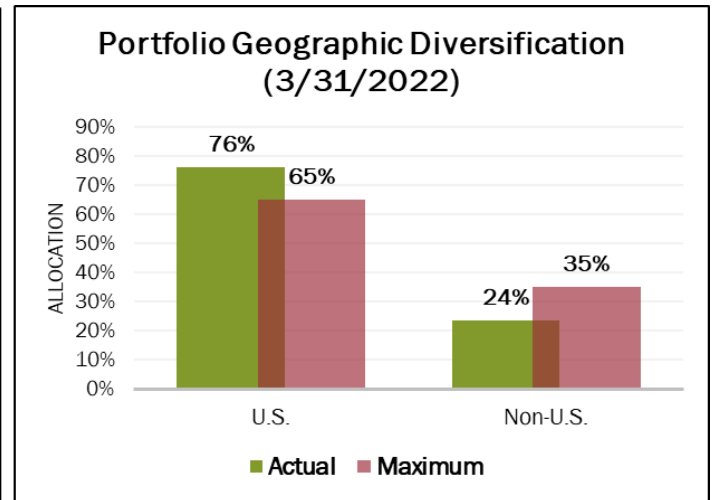
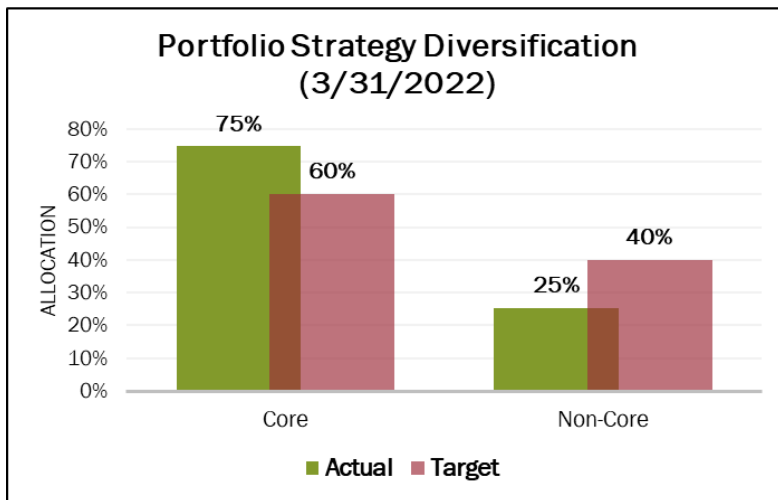
This memorandum provides a summarized table of SCERS' Real Estate period returns, which are provided within Townsend's Quarterly Performance Review, and highlights notable manager performance, along with any recent real estate investments made by SCERS.

SCERS' Real Estate actual invested allocation is 8.3% as of March 31, 2022, below the new target allocation of 9.0% but within the target allocation range of 7.0%-11.0%. SCERS' real estate portfolio allocation is currently underweight non-core and non-U.S. strategies, which is a focus for 2022 commitments.

**SCERS REAL ESTATE PERFORMANCE SUMMARY**  
**Quarter Reporting Period Ended March 31, 2022**

SUB-ASSET CLASS	Quarter 3/31/22	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
<b>SCERS Real Estate Portfolio</b>	<b>6.0%</b>	<b>29.3%</b>	<b>13.3%</b>	<b>12.1%</b>	<b>8.9%</b>	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE + 1%	7.2%	27.7%	10.7%	9.3%	7.0%	Nov-86
<b>Core Portfolio</b>	<b>8.3%</b>	<b>34.1%</b>	<b>15.1%</b>	<b>13.4%</b>	<b>7.8%</b>	Nov-86
NFI-ODCE Index	7.1%	27.3%	10.3%	8.9%	6.6%	
<b>Non-Core Portfolio</b>	<b>-0.2%</b>	<b>17.1%</b>	<b>8.4%</b>	<b>9.9%</b>	<b>6.3%</b>	Jun-06
Value Add Portfolio	0.0%	26.7%	16.5%	14.3%	5.5%	Jun-06
Opportunistic	-0.4%	2.4%	-1.6%	3.8%	7.2%	May-13
NFI-ODCE + 1% Index	7.4%	28.3%	11.3%	9.9%	7.6%	

**SCERS PORTFOLIO DIVERSIFICATION**



**SCERS PORTFOLIO RESULTS**

For the quarter ended March 31, 2022, SCERS' Real Estate portfolio had a strong absolute return of 6.0% but meaningfully underperformed against the NFI-ODCE blended benchmark, return of +7.2%, with outperformance by the Core portfolio (+8.3% versus +7.1%) resulting from the outsized returns in the industrial sector. The Non-Core portfolio significantly underperformed against the NFI-ODCE + 1% benchmark, -0.2% versus +7.4%. The Opportunistic portfolio continues to feel the impact of the pandemic induced delays and increasing construction costs on development projects.

Below are notable top and bottom performing funds during the quarter ended March 31, 2022:

- Top performing funds:
  - Core:
    - Prologis U.S. Logistics Fund: +12.0%
    - Townsend Real Estate Fund: +9.1%
    - Brookfield Premier Real Estate Partners: +8.4%
  - Non-Core:
    - Sculptor Real Estate Fund III: +9.9%
    - DRC European Real Estate Debt Fund II: +6.3% in U.S. Dollars (+9.4% in UK Pounds)

Bottom performing funds:

- Core:
  - Prologis European Logistics: +3.6% in U.S. Dollars (+6.5% in Euros)
- Non-Core:
  - KKR Real Estate Partners Americas: -11.4%
  - NREP Nordic Strategies Fund IV: -7.2% in U.S. Dollars (-4.7% in Euros)
  - Sculptor Real Estate Fund IV: -2.9%

## **NEW INVESTMENTS**

During the quarter ended March 31, 2022, SCERS made the following new commitments:

- Seven Seas Japan Opportunity Fund (Non-Core): \$20 million
- Hammes Partners IV (Non-Core): \$40 million

After the quarter, SCERS made the following new commitments:

- None

## **ATTACHMENT**

- Board Order
- Townsend's Real Estate Portfolio Performance Measurement Report for the Quarter ended March 31, 2022.

Prepared by:

/S/

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JR Pearce  
Senior Investment Officer

Reviewed by:

/S/

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Steve Davis  
Chief Investment Officer

/S/

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Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

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Before the Board of Retirement  
June 15, 2022

AGENDA ITEM:

### Quarterly Investment Performance Report – Real Estate

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to receive and file the Quarterly Investment Performance Report – Real Estate.

I HEREBY CERTIFY that the above order was passed and adopted on June 15, 2022 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

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Richard B. Fowler II  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary



**TOWNSEND<sup>®</sup>**  
GROUP

**an Aon company**

Real Estate Portfolio

# Performance Measurement Report

FIRST QUARTER 2022



**SCERS**

SACRAMENTO COUNTY  
EMPLOYEES'  
RETIREMENT SYSTEM

## SCERS Real Estate Portfolio Overview

- SCERS recently changed the target real estate allocation from 7% to 9% with the allowable range changing to 7.0%-11.0%. As of the end of the first quarter, 2022 (the “Quarter”), the Real Estate Portfolio was below the new real estate target but within the allowable range at 8.3%. Core Real Estate currently makes up 74.7% of the portfolio, with Non-Core Real Estate making up the remaining 25.3%.

### SCERS' Real Estate Portfolio Construction:

	Minimum	Target	Maximum
Total Real Estate Program	7.0%	9.0%	11.0%
	Minimum	Target	Maximum
Core Real Estate	50%	65%	80%
Non-Core Real Estate	20%	35%	50%
Non-U.S. Real Estate	0%	0%	30%

- Performance of the Core Portfolio is evaluated over rolling 10-year time periods relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds (“NFI-ODCE”), net of fees. The NFI-ODCE represents the aggregation of twenty-six Core open-end commingled funds invested across the United States.
- In July of 2017, Staff and Townsend recommended revising the Real Estate IPS to reflect transition away from IMAs, including removal of the Core vehicle constraints of 0-60% (30% target) for funds and 40-100% (70% target) for IMAs, which was subsequently approved by the Board.
- In 2018, SCERS’ Core IMA Program transitioned to a commingled fund manager. Following an extensive bidding, selection and structuring process, Staff and Townsend selected Clarion’s Lion Properties Fund as the recipient for the Core IMA Portfolio. Given the size of the Core IMA Portfolio, SCERS reduced concentration risk by allocating funds to an additional manager, Brookfield’s Premier Property Partners, in order to achieve greater diversification within the Core Portfolio. SCERS’ investment in Brookfield Premier Property Fund was funded October 1, 2018.
- The loan-to-value ratio of the Private Real Estate Portfolio was 34.0% at the end of the first quarter of 2022. The loan-to-value ratio of the Core Portfolio was 28.4%, below the 40.0% leverage constraint for Core as approved by the Board. As a point of reference, the loan-to-value ratio of the NFI-ODCE was 21.0% as of the first quarter. The Non-Core Portfolio reported a loan-to-value ratio of 46.3%.

## Portfolio Funding Status

- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the “Portfolio”) through March 31, 2022.
- A detailed performance report is also provided in **Exhibit A**.
- Figures exclude commitments / redemptions / dispositions approved subsequent to Quarter-end and future distributions.
- Unfunded commitments may never be fully drawn.

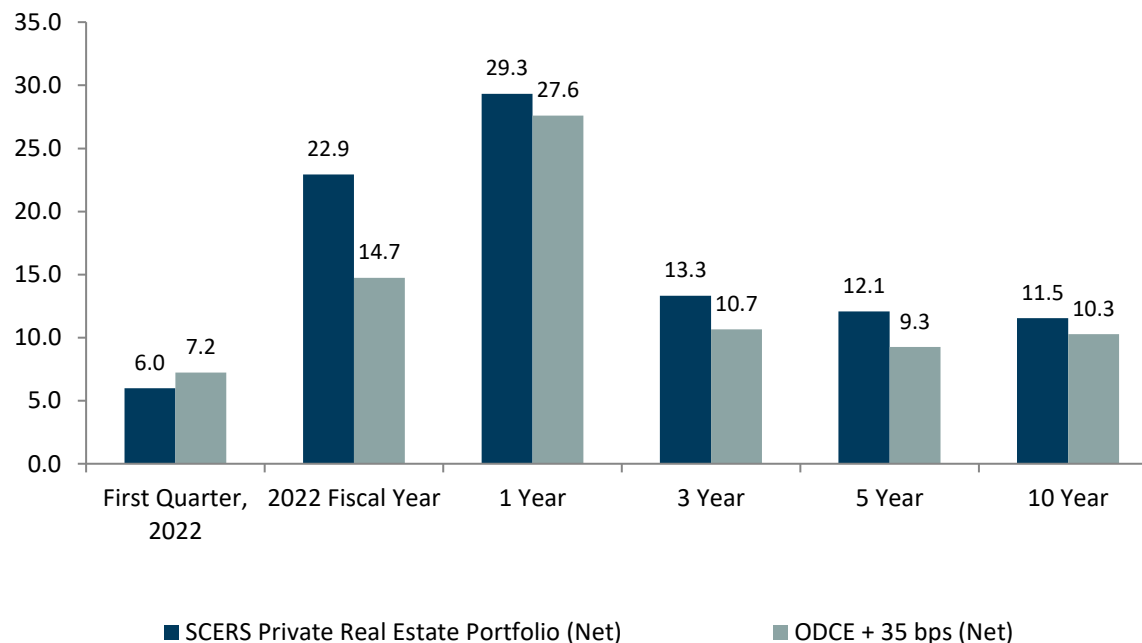
SCERS Portfolio Snapshot <i>As of March 31, 2022</i>	Market Value (in millions of dollars)*	% of SCERS Plan	% of Real Estate
<b>SCERS Total Plan Assets</b>	<b>12,848</b>	<b>100.0%</b>	
<b>Private Portfolio Target</b>	<b>1,156</b>	<b>9.0%**</b>	
<b>Private Portfolio Permissible Range</b>		<b>7.0-11.0%**</b>	
<b>Private Real Estate</b>			
Core Portfolio	799	6.2%	74.7%
Non-Core Portfolio	271	2.1%	25.3%
<b>Total SCERS Private Real Estate Market Value</b>	<b>1,070</b>	<b>8.3%</b>	
<b>Total SCERS Private Real Estate Unfunded Commitments</b>	<b>251</b>	<b>2.0%</b>	

• Figures may not add due to rounding

\*\* The 9% Private Portfolio (RE) target and permissible range were approved during the third quarter of 2021

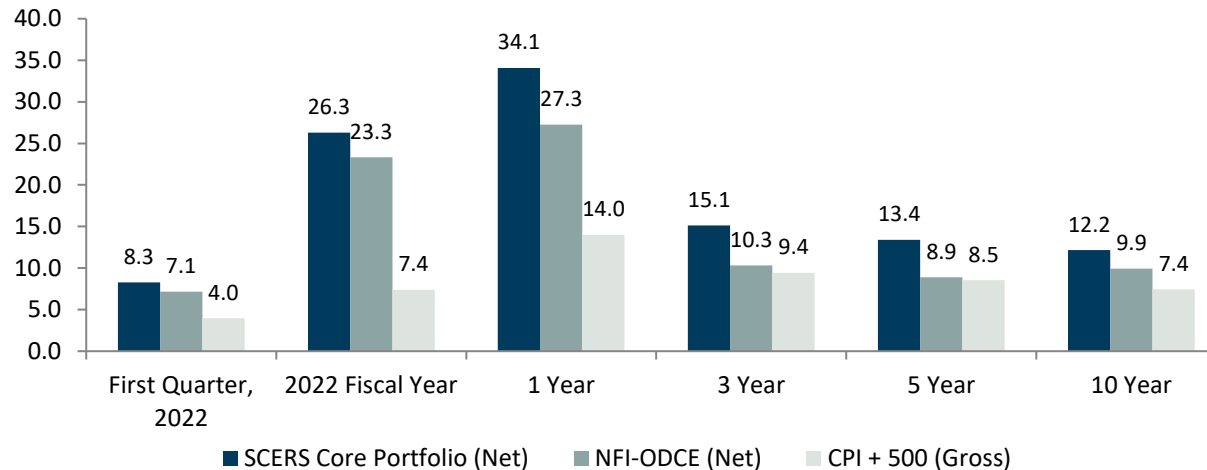


## Private Real Estate Performance



- The SCERS Private Real Estate Portfolio includes: (1) Core Real Estate and (2) Non-Core Real Estate.
- The SCERS Private Real Estate Benchmark is comprised of the NFI-ODCE (Core Benchmark, net) (65%) and the NFI-ODCE + 100bps (Non-Core Benchmark, net) (35%), resulting in an NFI-ODCE + 35bps (net) portfolio benchmark.
- During the first quarter of 2022, the SCERS Private Real Estate Portfolio underperformed the benchmark by 124 basis points due to the underperformance of the non-core portfolio.
- On the other hand, the SCERS Total Real Estate Portfolio outperformed the benchmark over all other time periods driven by the robust performance of the Core funds as well as the Non-Core investments.

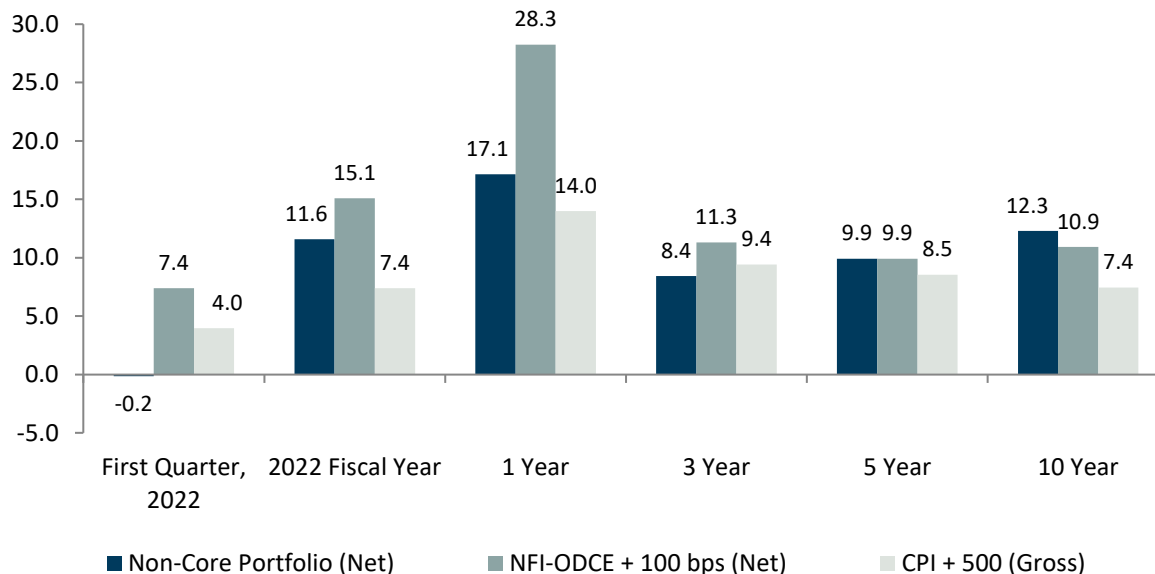
## Core Portfolio Performance



- The SCERS Core Portfolio consists of seven open-end Core Commingled funds. The Core Commingled Fund exposure includes, MetLife Core Property Fund, Principal U.S. Property Account, Prologis Targeted U.S. Logistics Fund, Prologis European Logistics Fund, Townsend Real Estate Fund, Brookfield Premier Real Estate Partners, and Clarion’s Lion Properties Fund.
- Performance of the Core Portfolio is evaluated relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds (“NFI-ODCE”), net of fees. In aggregate, the Core Portfolio outperforms the NFI-ODCE, net of fees, over all displayed time periods.
- During the Quarter, Prologis Targeted U.S. Logistics Fund was the strongest absolute performer and largest contributor, generating 12.0% in net returns as the fund continued to witness uplifts in valuation and strong leasing activity.
- Moreover, Townsend Real Estate Fund was the second largest contributor to the SCERS Core Portfolio producing 9.1% in net returns.
- The SCERS Core Portfolio performed above the CPI + 500 bps (the SCERS Real Asset benchmark) over all time periods.

\*EX-US funds produced the following 1Q22 net returns in local currency: Prologis European Logistics Fund (Euro) 6.5%.

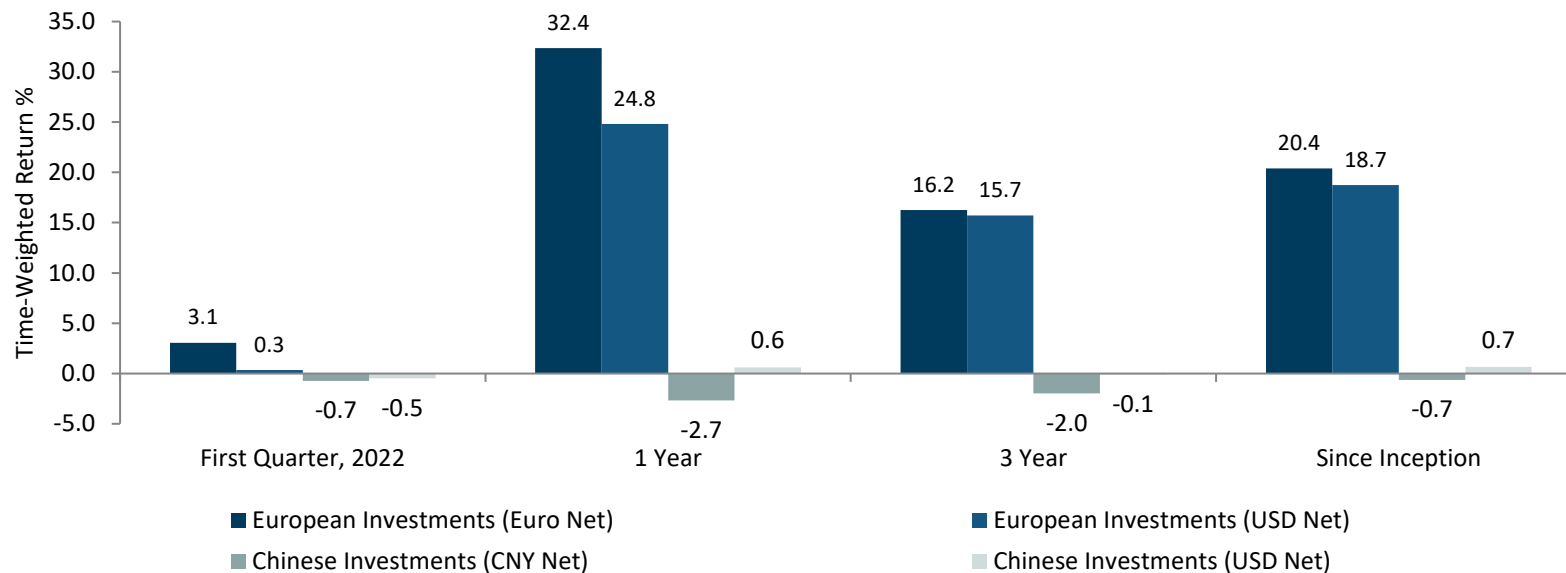
## Non-Core Portfolio Performance



- The SCERS Non-Core Portfolio includes both Value Added and Opportunistic Real Estate strategies, which are defined in the Glossary of Terms.
- During the quarter, the Non-Core Portfolio underperformed the benchmark due to the poor performance of the Opportunistic investments, particularly the negative performance of KKR Real Estate Partners Americas and CIM Fund VIII.
  - KKR Real Estate Partners Americas performance was affected by the depreciation in the value of the office building in Paris. Nevertheless, overall performance has been strong with a 12.2% net IRR. Currently, the fund has only five assets and a small amount of capital remaining.
  - CIM Fund VIII's negative performance is led by the poor performance of the fund's office assets in the NY region as vacancies and slow leasing activity continue to drag down performance.

\*EX-US funds produced the following 1Q22 net returns in local currency: DRC European Real Estate Debt Fund II (Pound Sterling) 9.4%, ECE European Prime Shopping Centre Fund II (Euro) 1.1%, NREP Nordic Strategies Fund (Euro) 3.9%, NREP Nordic Strategies Fund II (Euro) 4.0%, NREP Nordic Strategies Fund III (Euro) 0.0%, NREP Nordic Strategies Fund IV (Euro) (4.7%), Carlyle China Realty Fund (Chinese Yuan) (0.6%) and Carlyle's Project Rome (Chinese Yuan) (0.5%).

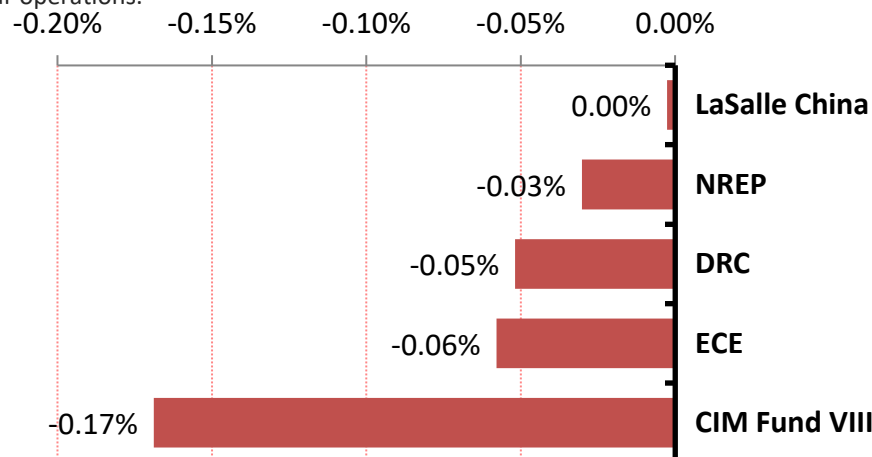
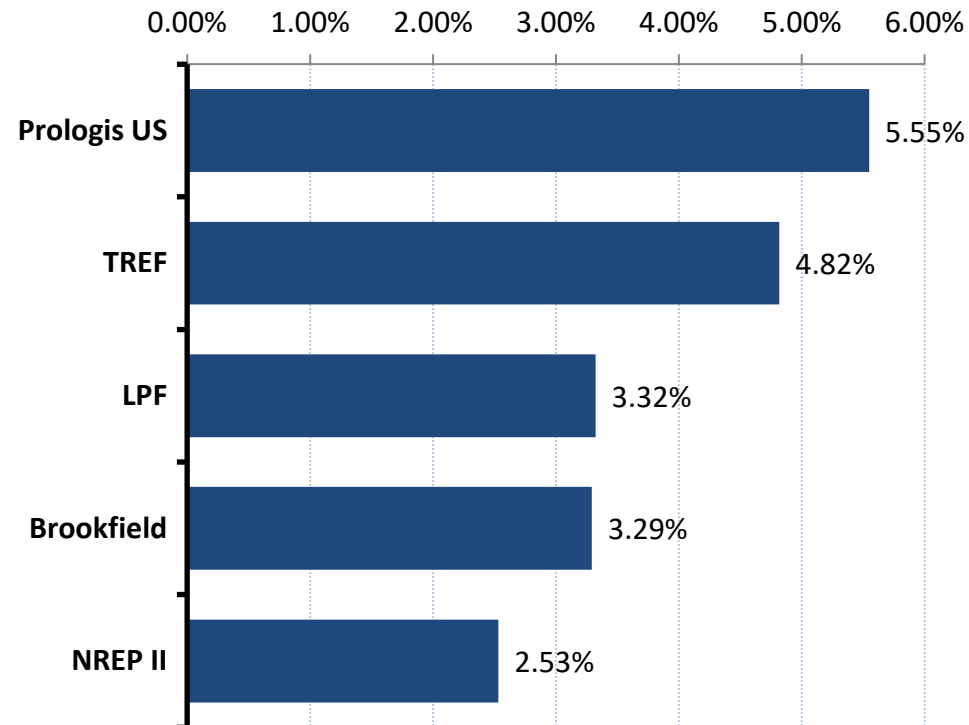
## Ex-US Portfolio Performance



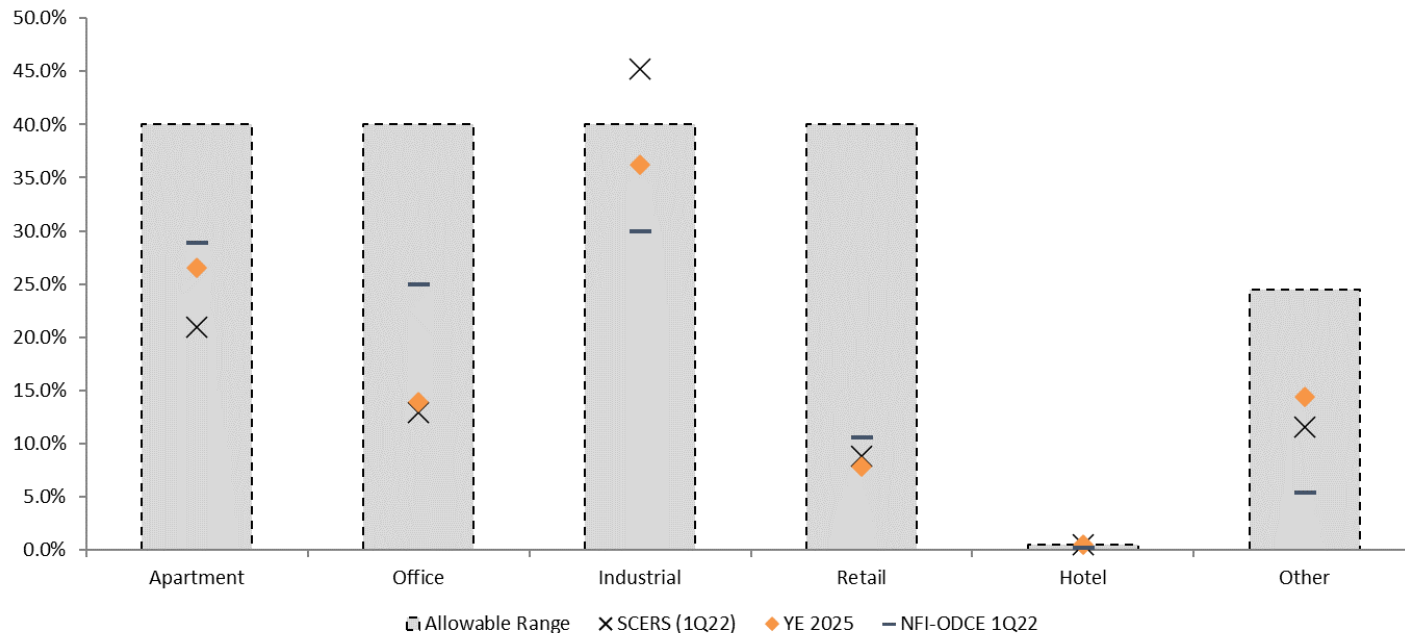
- Approximately 23.3% of the SCERS Portfolio is comprised of Ex-US investments. SCERS does not currently hedge its foreign currency exposures and pays liabilities in US Dollars. As such, FX movement will impact performance for Ex-US investments. The chart above isolates European and Asian investments and displays performance both before and after currency conversion.
- During the quarter, the impact of currency movement was mixed on foreign investments with investments in Euros negatively affected while investments in the Chinese Yuan were positively affected. However, currency impacts on performance tend to be cyclical in nature.
- The SCERS Euro Denominated Composite includes: ECE European Prime Shopping Center Fund II (Euro) 1.1%, NREP Nordic Strategies Fund (Euro) 3.9%, NREP Nordic Strategies Fund II (Euro) 4.0%, NREP Nordic Strategies Fund III (Euro) 0.0%, NREP Nordic Strategies Fund IV (Euro) (4.7%) and Prologis European Logistics Fund (PELF) 6.5%.
  - Since Inception period begins 1Q15.
  - For the purposes of this composite, DRC has been excluded since it is a Pound denominated fund.
- The SCERS Chinese Yuan Composite includes: Carlyle China Realty Fund (Chinese Yuan) (0.8%) and Carlyle's Project Rome (Chinese Yuan) (0.7%).
  - Since Inception period begins 3Q17.
  - SCERS' Carlyle investments are USD denominated at the fund level, but property values are exposed to currency translation.

## Performance Attribution

- SCERS total portfolio's positive performance over the 1-year period is primarily attributed to the strong performance of the Core OECFs.
- Over the trailing year, the top four performers were OECFs within the SCERS portfolio that contributed significantly to overall portfolio performance. The funds include Prologis Targeted U.S. Logistics Fund, Townsend Real Estate Fund, Lion Properties Fund and Brookfield Premier Real Estate Partners.
- Additionally, NREP Nordic Strategies II boosted the returns of with a strong 66.1% in net returns for the trailing year.
- CIM Fund VIII has been the largest detractor over the trailing year as the fund's performance challenges were exacerbated by COVID-19, specifically due to the fund's development-heavy strategy and exposure to the New York City market.
- DRC European Real Estate Debt Fund II continued to be a large detractor over the trailing year due to significant write-downs in two of the fund's shopping malls dragging down the trailing year performance.
- ECE European Prime Shopping Center Fund II C was negatively affected by the closings that took place in Europe resulting in an overall decrease in the value of the fund's shopping centers. However, at the end of October all centers have returned to regular operations.



## Real Estate Private Portfolio Diversification – Property Type

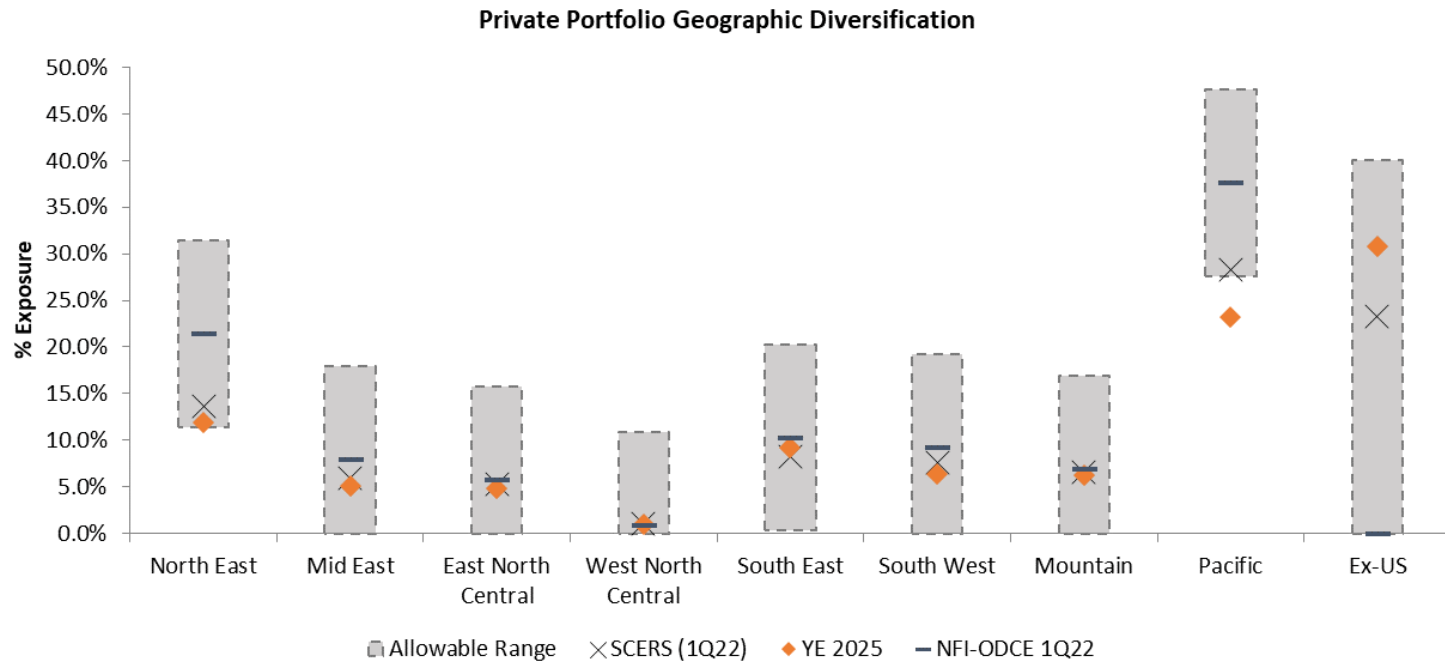


- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, and has a maximum limit of 40% for each property type, except for the “other” property type which has a maximum limit of 25%\*\*. The Real Estate Policy also allows for temporary deviations in order to provide SCERS with the flexibility required to overweight or underweight property types during certain parts of the market cycle.
- As of the first quarter, the industrial property type was the only sector outside the current set limit of 40%. However, Townsend’s current views support an overweight to the industrial sector. Townsend and Staff will continue to monitor the industrial property type fundamentals for opportunities to tactically reduce exposure if secular growth trends moderate. Additionally, Townsend will work with Staff to develop a plan to reduce the overweight through deploying capital to specialty funds in other sectors.
- The “Other” property type exposure represents Sculptor Real Estate Fund III\* (parking, senior housing and cell towers), Sculptor Real Estate Fund IV (parking), KKR Real Estate Partners Americas (senior housing), CIM Fund VIII (condominiums), Hammes Partners II and III (medical office), Townsend Real Estate Fund (senior and student housing), NREP Nordic Strategies Fund II (student housing) and NREP Nordic Strategies Fund III (senior living and land).

\*Sculptor Real Estate Fund III was previously called Och-Ziff Real Estate Fund III.

\*\* The 25% limit is for “Other” property type exposure including hotels. However, our chart currently separates the “Hotel” property sector from “Other” due to be aligned with the ODCE classifications.

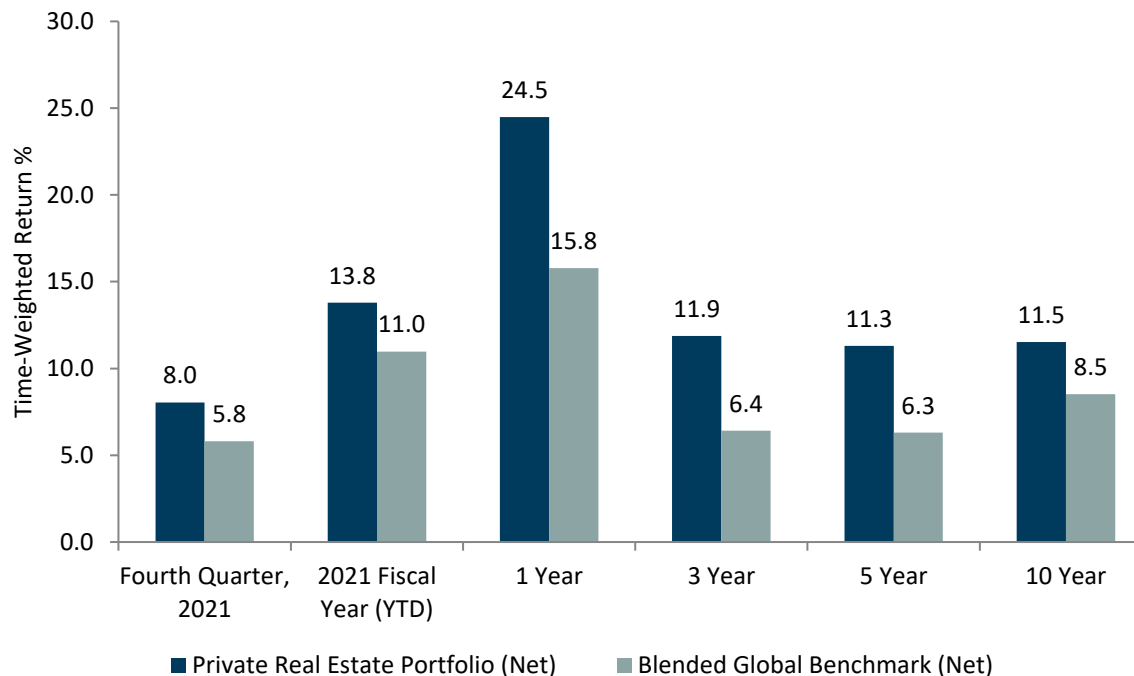
## Real Estate Private Portfolio Diversification – Geographic Region



- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, with a permissible deviation of  $\pm 10.0\%$  for each region. Ex-US exposure is limited to 40.0% of the Total Private Portfolio.
- As of the first quarter, the Private Portfolio was in compliance across all regions except for the Pacific.
- The Private Portfolio's international exposure is 23.3%, well within its 40% constraint, and will remain similar as Sculptor Real Estate Fund III\* and IV, NREP Nordic Strategies Fund III and IV as well as LaSalle China Logistics continue to call capital and purchase assets in Europe and China while older vintage funds liquidate.
- Ex-US exposure consists of 4.49% in China, 4.03% in Denmark, 2.38% in Finland, 2.43% in Germany, 1.74% in France, 2.53% in Sweden, 1.29% in Poland, 1.04 in Netherlands, 1.74% in the UK and 1.63% in other countries.

\*Sculptor Real Estate Fund III was previously called Och-Ziff Real Estate Fund III.

## Private Real Estate Performance – Global Ancillary Benchmark (4Q21)



- The Global Ancillary Benchmark is made-up of the NFI-ODCE (Core), NFI-ODCE + 100bps (Non-Core), GREFI Europe Core, GREFI Europe Non-Core, and GREFI Non-Core Asia Pacific to create a global blended benchmark based on weighted average invested capital for each strategy.
- GREFI reports on a 12 week lag. As a result, the ancillary benchmark will be reported on a quarterly lag to SCERS.
- The Private Portfolio's international exposure is 23.3%, well within its 40% new constraint. International exposure is mainly Non-Core in nature, with the exception of Prologis Targeted Europe Logistics Fund.
- The SCERS Private Real Estate program has outperformed its secondary benchmark significantly over all time periods.



## Exhibit A: Performance Flash Report



Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
12,848,046,781	Core	7.0%	799,141,949	6.2%	0	0.0%	100,221,326	0.8%
	Non-Core	0.00% - 5.00%	271,354,526	2.1%	251,475,979	2.0%	-233,749,452	-1.8%
	<b>Total</b>	<b>7.0%</b>	<b>1,070,496,475</b>	<b>8.3%</b>	<b>251,475,979</b>	<b>2.0%</b>	<b>-133,528,127</b>	<b>-1.0%</b>

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	9.0	8.3	38.0	34.1	16.9	15.1	15.0	13.4
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	0.8	-0.2	26.0	17.1	14.9	8.4	15.0	9.9
Private Real Estate Portfolio	6.8	6.0	34.7	29.3	16.4	13.3	14.5	12.1
NFI-ODCE (Core)	7.4	7.1	28.5	27.3	11.3	10.3	9.9	8.9
NFI-ODCE + 100 bps (Non-Core)	7.6	7.4	29.5	28.3	12.3	11.3	10.9	9.9
NFI-ODCE + 35 bps (Private Portfolio)	7.5	7.2	28.8	27.6	11.6	10.7	10.2	9.3

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Core Commingled Funds</b>								
Brookfield Premier Real Estate Partners	2018	100,000,000	100,000,000	0	14,328,281	131,323,669	12.3	10.4
Lion Properties Fund	2018	152,400,000	156,025,498	0	69,769,410	133,471,491	12.5	10.6
MetLife Core Property Fund	2013	35,000,000	52,237,044	0	18,632,069	87,330,546	8.2	6.9
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	64,263,386	6.0	5.1
Prologis European Logistics Fund <sup>1,3</sup>	2017	47,950,142	49,151,023	0	9,093,633	75,427,293	7.0	6.0
Prologis Targeted U.S. Logistics Fund	2015	50,000,000	50,000,000	0	13,035,929	135,704,970	12.7	10.8
Townsend Real Estate Fund, L.P. <sup>3</sup>	2016	90,000,000	115,721,875	0	25,721,875	171,620,594	16.0	13.6
<b>Core Commingled Funds</b>	<b>1986</b>	<b>510,350,142</b>	<b>558,135,440</b>	<b>0</b>	<b>150,581,197</b>	<b>799,141,949</b>	<b>74.7</b>	<b>60.5</b>
<b>Value Added Portfolio</b>								
Asana Partners Fund II <sup>5</sup>	2019	35,000,000	18,025,000	31,525,000	0	23,884,877	2.2	4.4
Asana Partners Fund III <sup>5</sup>	2021	45,000,000	0	40,000,000	0	-349,711	0.0	3.1
DRC European Real Estate Debt Fund II <sup>5</sup>	2013	50,007,963	47,627,074	4,243,961	42,853,672	4,426,726	0.4	0.7
ECE European Prime Shopping Centre Fund II C <sup>3</sup>	2015	33,611,623	34,613,419	0	4,106,635	34,727,752	3.2	2.8
Hammes Partners II	2015	25,000,000	27,559,821	1,073,640	43,263,155	3,282,096	0.3	0.3
Hammes Partners III	2018	25,000,000	23,918,513	7,206,487	7,342,777	20,433,294	1.9	2.2
Hammes Partners IV	2022	40,000,000	0	40,000,000	0	0	0.0	3.1
NREP Nordic Strategies Fund	2014	25,130,756	22,485,011	0	36,359,214	2,620,466	0.2	0.2
NREP Nordic Strategies Fund II <sup>5</sup>	2016	28,915,200	34,262,662	1,971,968	37,553,887	35,425,061	3.3	3.0
NREP Nordic Strategies Fund III	2018	39,019,632	28,591,142	7,589,081	0	39,824,419	3.7	3.8

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
NREP Nordic Strategies Fund IV <sup>1</sup>	2019	28,915,200	11,674,349	25,013,991	0	12,689,349	1.2	3.0
<b>Value Added Portfolio</b>	<b>1986</b>	<b>375,600,374</b>	<b>248,756,991</b>	<b>158,624,128</b>	<b>171,479,340</b>	<b>176,964,329</b>	<b>16.5</b>	<b>25.4</b>
<b>Opportunistic Portfolio</b>								
Carlyle China Project Rome Co-Investment	2017	40,000,000	38,063,985	4,405,916	0	37,741,351	3.5	3.3
Carlyle China Realty	2017	10,000,000	10,572,646	906,759	2,342,232	8,496,988	0.8	0.7
CIM Fund VIII	2015	35,000,000	39,322,315	0	7,468,116	29,750,101	2.8	2.4
KKR Real Estate Partners Americas	2014	22,720,638	30,329,558	3,968,755	37,527,894	1,709,465	0.2	0.4
LaSalle China Logistics Venture	2021	30,000,000	2,744,999	27,255,001	0	2,733,204	0.3	2.4
Sculptor Real Estate Fund III <sup>2</sup>	2014	35,000,000	26,554,684	12,936,488	34,439,324	8,196,946	0.8	1.7
Sculptor Real Estate Fund IV <sup>2</sup>	2020	30,000,000	10,178,562	23,378,932	5,303,150	5,762,142	0.5	2.3
Seven Seas Japan	2022	20,000,000	0	20,000,000	0	0	0.0	1.5
<b>Opportunistic Portfolio</b>	<b>1991</b>	<b>222,720,638</b>	<b>157,766,749</b>	<b>92,851,851</b>	<b>87,080,716</b>	<b>94,390,197</b>	<b>8.8</b>	<b>12.7</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>2007</b>	<b>598,321,012</b>	<b>406,523,740</b>	<b>251,475,979</b>	<b>258,560,056</b>	<b>271,354,526</b>	<b>25.3</b>	<b>38.0</b>
<b>Total Private Portfolio</b>								
<b>SCERS</b>	<b>1986</b>	<b>1,108,671,154</b>	<b>1,817,436,244</b>	<b>251,475,979</b>	<b>1,629,472,304</b>	<b>1,070,496,475</b>	<b>100.0</b>	<b>98.5</b>

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2022				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
<b>Core Commingled Funds</b>																	
Brookfield Premier Real Estate Partners	131,323,669	0.7	8.9	9.6	8.4	2.1	28.8	31.3	24.9	2.7	33.7	37.0	30.0	3.2	12.2	15.7	13.1
Lion Properties Fund	133,471,491	0.9	6.2	7.0	6.8	2.8	19.2	22.4	21.7	3.9	24.7	29.2	28.2	3.7	8.4	12.4	11.5
MetLife Core Property Fund	87,330,546	1.1	6.9	8.1	7.9	3.4	22.2	26.1	25.7	4.6	28.9	34.5	33.9	4.6	9.0	13.9	13.4
Principal U.S. Property Account	64,263,386	1.0	6.5	7.5	7.3	3.1	21.2	24.8	23.9	4.2	24.7	29.6	28.4	4.2	8.0	12.4	11.3
Prologis European Logistics Fund <sup>4,3</sup>	75,427,293	1.0	3.7	4.7	3.6	3.3	12.5	16.1	12.5	4.6	20.9	26.2	21.0	5.1	14.0	19.6	16.6
Prologis Targeted U.S. Logistics Fund	135,704,970	0.9	13.5	14.3	12.0	2.8	47.0	50.6	41.5	3.8	66.1	71.5	58.1	4.2	27.7	32.8	27.6
Townsend Real Estate Fund, L.P. <sup>3</sup>	171,620,594	0.9	8.3	9.2	9.1	2.9	25.3	28.7	28.5	3.6	30.6	35.0	34.7	3.8	10.9	15.0	14.8
<b>Core Commingled Funds</b>	<b>799,141,949</b>	<b>0.9</b>	<b>8.1</b>	<b>9.0</b>	<b>8.3</b>	<b>2.9</b>	<b>26.0</b>	<b>29.3</b>	<b>26.3</b>	<b>3.8</b>	<b>33.3</b>	<b>38.0</b>	<b>34.1</b>	<b>3.9</b>	<b>12.6</b>	<b>16.9</b>	<b>15.1</b>
<b>Value Added Portfolio</b>																	
Asana Partners Fund II <sup>5</sup>	23,884,877	0.1	3.8	4.0	2.8	0.9	45.5	46.7	34.0	0.5	52.8	53.5	40.3				
Asana Partners Fund III <sup>3</sup>	-349,711																
DRC European Real Estate Debt Fund II <sup>2</sup>	4,426,726	9.5	-3.0	6.5	6.3	-31.0	-2.6	-32.7	-33.3	-4.3	-5.3	-9.0	-10.2	-20.1	-0.4	-19.0	-19.9
ECE European Prime Shopping Centre Fund II C <sup>5</sup>	34,727,752	1.0	-2.4	-1.4	-1.6	3.2	0.1	3.3	0.2	2.3	-1.2	1.1	-1.6	5.2	-1.1	3.9	1.3
Hammes Partners II	3,282,096	1.2	4.8	6.0	4.5	4.0	26.6	31.3	23.8	5.4	25.2	31.6	23.6	8.9	39.8	50.7	41.6
Hammes Partners III	20,433,294	2.1	2.4	4.5	3.2	6.4	18.8	25.9	18.1	8.7	16.5	26.2	17.2	9.8	21.3	32.5	11.0
NREP Nordic Strategies Fund	2,620,466	0.0	0.4	0.4	1.1	0.0	-1.8	-1.8	-10.7	0.0	-0.2	-0.2	-8.2	1.9	13.5	15.6	1.9
NREP Nordic Strategies Fund II <sup>2</sup>	35,425,061	-0.3	5.1	4.8	2.7	-32.5	48.6	18.7	14.1	-11.1	110.8	93.2	66.1	-2.9	49.3	46.4	31.8
NREP Nordic Strategies Fund III	39,824,419	1.3	-3.5	-2.2	-2.9	-5.9	44.9	38.3	26.4	-3.6	34.8	31.3	19.9	-2.3	33.5	31.2	18.4
NREP Nordic Strategies Fund IV <sup>2</sup>	12,689,349	-25.9	21.7	-4.2	-7.2	-10.1	89.5	74.8	61.8	-38.9	116.9	47.9	29.9				
<b>Value Added Portfolio</b>	<b>176,964,329</b>	<b>-0.9</b>	<b>2.1</b>	<b>1.2</b>	<b>0.0</b>	<b>-9.3</b>	<b>34.7</b>	<b>23.8</b>	<b>16.6</b>	<b>-5.1</b>	<b>46.0</b>	<b>39.3</b>	<b>26.7</b>	<b>-0.4</b>	<b>27.5</b>	<b>27.1</b>	<b>16.5</b>
<b>Opportunistic Portfolio</b>																	
Carlyle China Project Rome Co-Investment	37,741,351	0.0	-0.2	-0.2	-0.5	-0.2	-0.3	-0.5	-1.3	-0.2	2.0	1.7	0.7	-0.2	0.6	0.5	-0.7
Carlyle China Realty	8,496,988	-0.1	-0.2	-0.2	-0.6	-0.3	-0.3	-0.6	-1.7	-0.3	2.0	1.6	0.2	3.2	0.8	4.1	2.3
CIM Fund VIII	29,750,101	-0.1	-1.3	-1.4	-1.7	-0.1	1.9	1.8	0.9	-0.1	-3.4	-3.5	-4.8	-0.1	-8.1	-8.2	-9.3
KKR Real Estate Partners Americas	1,709,465	-53.4	40.2	-13.2	-11.4	-69.5	79.6	-15.6	-14.2	-67.1	92.9	5.7	2.1	-30.8	1.6	-13.5	-11.3
LaSalle China Logistics Venture	2,733,204	1.0	-1.2	-0.2	-4.0	-177.9	804.8	335.7	30.7								
Sculptor Real Estate Fund III <sup>2</sup>	8,196,946	2.1	8.1	10.2	9.9	12.1	6.9	19.6	15.1	15.6	17.7	35.4	30.9	11.7	8.6	21.0	18.6
Sculptor Real Estate Fund IV <sup>2</sup>	5,762,142	-0.4	-0.2	-0.6	-2.9	19.7	11.4	33.8	24.0	21.8	10.7	35.1	21.8				
<b>Opportunistic Portfolio</b>	<b>94,390,197</b>	<b>-0.9</b>	<b>1.0</b>	<b>0.0</b>	<b>-0.4</b>	<b>-1.5</b>	<b>6.7</b>	<b>5.1</b>	<b>2.2</b>	<b>-0.8</b>	<b>6.6</b>	<b>5.8</b>	<b>2.4</b>	<b>1.0</b>	<b>-0.7</b>	<b>0.3</b>	<b>-1.6</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>271,354,526</b>	<b>-0.9</b>	<b>1.7</b>	<b>0.8</b>	<b>-0.2</b>	<b>-6.2</b>	<b>24.1</b>	<b>17.1</b>	<b>11.6</b>	<b>-3.4</b>	<b>30.1</b>	<b>26.0</b>	<b>17.1</b>	<b>0.1</b>	<b>14.7</b>	<b>14.9</b>	<b>8.4</b>
<b>Total Private Portfolio</b>																	
SCERS	1,070,496,475	0.4	6.4	6.8	6.0	0.4	26.4	26.8	22.9	1.8	32.5	34.7	29.3	2.9	13.1	16.4	13.3

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2022				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
<b>Ex-US Dollar Denominated Investments (In Local Currency)</b>																	
Prologis Targeted Europe Logistics Fund (Euro) <sup>1,3</sup>	€ 68,156,102	1.1	6.6	7.6	6.5	4.5	28.5	34.0	28.4	4.6	28.2	33.7	28.2	5.1	14.5	20.1	17.1
DRC European Real Estate Debt Fund II (Pound Sterling) <sup>4</sup>	£3,368,296	9.7	0.0	9.7	9.4	-24.8	0.0	-24.8	-25.6	-4.5	0.0	-4.5	-5.8	-19.1	0.0	-19.1	-20.0
ECE European Prime Shopping Centre Fund II (Euro) <sup>3</sup>	€ 31,379,997	1.0	0.4	1.4	1.1	4.3	6.4	10.9	7.0	2.4	4.7	7.1	4.2	5.1	-0.8	4.3	1.7
NREP Nordic Strategies Fund (Euro) <sup>3</sup>	€ 2,367,853	0.0	3.1	3.1	3.9	0.0	7.4	7.4	-1.5	0.0	5.8	5.8	-2.8	1.9	14.3	16.4	2.6
NREP Nordic Strategies Fund II (Euro) <sup>3</sup>	€ 31,586,626	-0.4	6.5	6.1	4.0	-32.8	67.5	34.0	26.3	-11.1	120.7	102.5	74.0	-2.9	49.4	46.5	31.8
NREP Nordic Strategies Fund III (Euro) <sup>3</sup>	€ 36,042,077	1.3	-0.6	0.7	0.0	-4.9	52.9	47.8	34.0	-3.5	43.2	39.5	27.4	-2.3	34.4	32.1	19.2
NREP Nordic Strategies Fund IV (Euro) <sup>3</sup>	€ 11,467,480	-32.7	31.1	-1.6	-4.7	-39.7	164.2	82.8	63.9	-44.7	144.4	58.9	39.6				
<b>Indices</b>																	
NFI ODCE+ 35bps				7.5	7.2			15.3	14.7			28.8	27.6			11.6	10.7
NFI-ODCE		0.9	6.4	7.4	7.1	3.0	20.9	24.3	23.3	4.0	23.8	28.5	27.3	4.0	7.1	11.3	10.3
NFI-ODCE + 100bps				7.6	7.4			15.7	15.1			29.5	28.3			12.3	11.3
CPI + 500 bps				4.0				7.4				14.0				9.4	

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.

<sup>4</sup> Pending manager submission for 4Q20. Current data provided from previous quarter.

Returns (%)	Market Value (\$)	5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET <sup>4</sup>			
<b>Core Commingled Funds</b>																
Brookfield Premier Real Estate Partners	131,323,669									2.9	11.6	14.8	12.3	4Q18	12.0	1.5
Lion Properties Fund	133,471,491									3.8	7.8	11.8	10.9	4Q18	9.8	1.3
MetLife Core Property Fund	87,330,546	4.8	6.6	11.7	11.1					4.9	7.4	12.6	12.0	1Q14	12.0	2.0
Principal U.S. Property Account	64,263,386	4.3	6.5	11.0	10.0					4.5	6.1	10.8	9.8	4Q15	9.8	1.8
Prologis European Logistics Fund <sup>4,9</sup>	75,427,293									5.4	12.4	18.3	15.4	4Q17	15.5	1.7
Prologis Targeted U.S. Logistics Fund	135,704,970	4.6	22.4	27.7	23.5					4.9	19.4	25.0	21.3	3Q15	21.9	3.0
Townsend Real Estate Fund, L.P. <sup>9</sup>	171,620,594	4.0	8.5	12.8	12.5					4.1	8.2	12.5	12.3	2Q16	12.3	1.7
<b>Core Commingled Funds</b>	<b>799,141,949</b>	<b>4.2</b>	<b>10.5</b>	<b>15.0</b>	<b>13.4</b>	<b>4.4</b>	<b>8.8</b>	<b>13.5</b>	<b>12.2</b>	<b>4.4</b>	<b>4.2</b>	<b>8.7</b>	<b>7.8</b>	<b>4Q86</b>	<b>8.7</b>	<b>1.6</b>
<b>Value Added Portfolio</b>																
Asana Partners Fund II <sup>9</sup>	23,884,877									-4.5	13.4	7.7	-6.3	4Q19	21.3	1.3
Asana Partners Fund III <sup>9</sup>	-349,711													3Q22		
DRC European Real Estate Debt Fund II <sup>9</sup>	4,426,726	-9.2	0.4	-7.8	-8.9					-2.0	-3.4	-4.6	-6.0	1Q14	-0.3	1.0
ECE European Prime Shopping Centre Fund II C <sup>9</sup>	34,727,752	4.2	2.9	7.1	4.5					2.4	8.5	11.2	8.6	4Q15	3.8	1.1
Hammes Partners II	3,282,096	8.9	27.1	37.5	30.1					9.7	22.3	33.5	26.0	3Q15	23.6	1.7
Hammes Partners III	20,433,294									9.3	20.4	30.9	4.4	1Q19	17.0	1.2
NREP Nordic Strategies Fund	2,620,466	3.4	11.9	15.6	6.9					6.5	14.5	21.6	14.6	1Q15	23.2	1.7
NREP Nordic Strategies Fund II <sup>9</sup>	35,425,061	-1.2	38.7	37.9	26.9					0.0	34.7	35.4	22.9	3Q16	23.8	2.1
NREP Nordic Strategies Fund III	39,824,419									-3.9	29.2	25.1	6.2	4Q18	19.1	1.4
NREP Nordic Strategies Fund IV <sup>9</sup>	12,689,349									-34.2	72.3	20.8	N/A	1Q20	8.9	1.1
<b>Value Added Portfolio</b>	<b>176,964,329</b>	<b>1.8</b>	<b>19.8</b>	<b>22.0</b>	<b>14.3</b>	<b>4.7</b>	<b>13.0</b>	<b>18.3</b>	<b>13.4</b>	<b>1.8</b>	<b>5.5</b>	<b>7.4</b>	<b>5.5</b>	<b>4Q86</b>	<b>7.2</b>	<b>1.3</b>
<b>Opportunistic Portfolio</b>																
Carlyle China Project Rome Co-Investment	37,741,351									-0.8	3.1	2.2	0.1	3Q17	-0.2	1.0
Carlyle China Realty	8,496,988									1.8	3.0	4.8	2.5	3Q17	0.8	1.0
CIM Fund VIII	29,750,101	0.0	-1.5	-1.5	-2.8					0.0	2.5	2.5	0.8	2Q15	-1.2	0.9
KKR Real Estate Partners Americas	1,709,465	-15.1	-1.8	-5.4	-4.0					-4.3	-3.3	0.9	0.9	2Q14	12.2	1.3
LaSalle China Logistics Venture	2,733,204									-192.0	433.5	188.0	-10.0	3Q21	-0.7	1.0
Sculptor Real Estate Fund III <sup>c</sup>	8,196,946	11.5	13.3	25.9	22.7					13.9	13.1	28.4	14.7	4Q14	22.3	1.6
Sculptor Real Estate Fund IV <sup>c</sup>	5,762,142									19.0	13.1	34.0	14.6	3Q20	17.2	1.1
<b>Opportunistic Portfolio</b>	<b>94,390,197</b>	<b>1.8</b>	<b>4.0</b>	<b>5.9</b>	<b>3.8</b>	<b>4.9</b>	<b>12.3</b>	<b>18.4</b>	<b>13.6</b>	<b>1.9</b>	<b>7.0</b>	<b>9.2</b>	<b>7.2</b>	<b>1Q91</b>	<b>9.4</b>	<b>1.2</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>271,354,526</b>	<b>1.8</b>	<b>13.0</b>	<b>15.0</b>	<b>9.9</b>	<b>4.6</b>	<b>11.6</b>	<b>16.7</b>	<b>12.3</b>	<b>3.7</b>	<b>7.0</b>	<b>10.9</b>	<b>6.3</b>	<b>1Q07</b>	<b>7.6</b>	<b>1.3</b>
<b>Total Private Portfolio</b>																
SCERS	1,070,496,475	3.5	10.7	14.5	12.1	4.2	8.9	13.5	11.5	4.2	5.7	10.1	8.9	4Q86	8.8	1.5

Returns (%)	Market Value (\$)	5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple				
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET <sup>4</sup>							
<b>Ex-US Dollar Denominated Investments (In Local Currency)</b>																				
Prologis Targeted Europe Logistics Fund (Euro) <sup>1,3</sup>	€ 68,156,102	5.3	13.4	19.2	16.4									4.9	11.3	16.6	14.3	1Q16	14.4	1.5
DRC European Real Estate Debt Fund II (Pound Sterling) <sup>2</sup>	£3,368,296	-8.5	0.0	-8.5	-9.5									-1.5	-0.5	-1.9	-3.4	1Q14	3.6	1.1
ECE European Prime Shopping Centre Fund II (Euro) <sup>3</sup>	€ 31,379,997	4.1	2.1	6.2	3.7									2.3	8.7	11.4	8.8	4Q15	4.6	1.1
NREP Nordic Strategies Fund (Euro) <sup>3</sup>	€ 2,367,853	3.4	11.2	14.9	6.3									6.6	16.0	23.2	16.1	1Q15	24.7	1.8
NREP Nordic Strategies Fund II (Euro) <sup>3</sup>	€ 31,586,626	-1.2	37.5	36.6	25.7									0.0	34.4	35.1	22.6	3Q16	24.3	2.2
NREP Nordic Strategies Fund III (Euro) <sup>3</sup>	€ 36,042,077													-3.9	31.3	27.0	7.9	4Q18	20.7	1.4
NREP Nordic Strategies Fund IV (Euro) <sup>3</sup>	€ 11,467,480													-37.2	81.9	24.9	N/A	1Q20	15.3	1.2
<b>Indices</b>																				
NFI ODCE+ 35bps				10.2	9.3				11.3	10.3						8.0	7.0	4Q86		
NFI-ODCE		4.1	5.6	9.9	8.9		4.5	6.2	10.9	9.9			6.5	1.1	7.7	6.6	4Q86			
NFI-ODCE + 100bps				10.9	9.9				11.9	10.9						8.7	7.6	4Q86		
CPI + 500 bps				8.5					7.4							7.9		4Q86		

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.

<sup>4</sup> Pending manager submission for 4Q20. Current data provided from previous quarter.

Returns (%)	Market Value (\$)	2022		Fiscal Year 2022		2021		2020		2019		2018		2017		2016	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Core Commingled Funds</b>																	
Brookfield Premier Real Estate Partners	131,323,669	9.6	8.4	31.3	24.9	28.5	23.0	1.8	1.9	10.6	8.5	2.3	1.9				
Lion Properties Fund	133,471,491	7.0	6.8	22.4	21.7	23.4	22.4	2.2	1.4	7.3	6.4	2.0	1.8				
MetLife Core Property Fund	87,330,546	8.1	7.9	26.1	25.7	27.8	27.2	1.0	0.5	8.6	8.1	7.8	7.3	8.4	7.9	9.3	8.8
Principal U.S. Property Account	64,263,386	7.5	7.3	24.8	23.9	23.7	22.6	1.6	0.6	7.0	6.0	9.1	8.1	9.1	8.1	10.0	9.0
Prologis European Logistics Fund <sup>1,3</sup>	75,427,293	4.7	3.6	16.1	12.5	22.7	18.0	20.2	18.7	13.5	11.1	13.6	10.8	6.8	6.5		
Prologis Targeted U.S. Logistics Fund	135,704,970	14.3	12.0	50.6	41.5	59.3	48.7	11.1	9.8	19.4	16.8	18.5	16.1	24.2	20.3	16.1	14.2
Townsend Real Estate Fund, L.P. <sup>3</sup>	171,620,594	9.2	9.1	28.7	28.5	29.3	29.1	2.6	2.3	7.6	7.3	9.0	8.8	11.0	10.8	8.4	8.2
<b>Core Commingled Funds</b>	<b>799,141,949</b>	<b>9.0</b>	<b>8.3</b>	<b>29.3</b>	<b>26.3</b>	<b>30.8</b>	<b>27.6</b>	<b>4.6</b>	<b>4.0</b>	<b>9.5</b>	<b>8.3</b>	<b>10.9</b>	<b>9.7</b>	<b>14.2</b>	<b>12.8</b>	<b>9.8</b>	<b>8.9</b>
<b>Value Added Portfolio</b>																	
Asana Partners Fund II <sup>2</sup>	23,884,877	4.0	2.8	46.7	34.0	63.7	49.9	-36.4	-45.7	11.1	1.5						
Asana Partners Fund III <sup>3</sup>	-349,711																
DRC European Real Estate Debt Fund II <sup>2</sup>	4,426,726	6.5	6.3	-32.7	-33.3	-11.0	-12.4	-47.1	-47.7	12.0	11.1	-0.6	-1.7	23.8	22.3	-7.8	-8.9
ECE European Prime Shopping Centre Fund II C <sup>3</sup>	34,727,752	-1.4	-1.6	3.3	0.2	-0.2	-3.0	0.7	-1.8	2.2	0.0	15.1	12.8	24.7	21.5	22.1	19.7
Hammes Partners II	3,282,096	6.0	4.5	31.3	23.8	28.6	21.3	61.5	46.9	59.2	55.9	27.9	19.6	12.7	10.0	16.2	10.4
Hammes Partners III	20,433,294	4.5	3.2	25.9	18.1	29.1	18.3	43.5	24.5	23.9	-24.4						
NREP Nordic Strategies Fund	2,620,466	0.4	1.1	-1.8	-10.7	-3.0	-11.6	27.2	21.8	23.0	-4.2	0.8	0.1	41.2	40.1	23.1	21.7
NREP Nordic Strategies Fund II <sup>2</sup>	35,425,061	4.8	2.7	18.7	14.1	71.5	52.7	35.1	26.6	20.9	9.8	17.0	12.3	44.9	34.4	8.6	-3.8
NREP Nordic Strategies Fund III	39,824,419	-2.2	-2.9	38.3	26.4	35.9	22.8	42.3	28.1	19.0	-5.5	-2.8	-14.4				
NREP Nordic Strategies Fund IV <sup>2</sup>	12,689,349	-4.2	-7.2	74.8	61.8	42.2	20.5	22.1	-121.4								
<b>Value Added Portfolio</b>	<b>176,964,329</b>	<b>1.2</b>	<b>0.0</b>	<b>23.8</b>	<b>16.6</b>	<b>36.4</b>	<b>25.1</b>	<b>19.0</b>	<b>10.6</b>	<b>22.1</b>	<b>11.5</b>	<b>10.5</b>	<b>6.3</b>	<b>24.9</b>	<b>22.3</b>	<b>9.5</b>	<b>7.0</b>
<b>Opportunistic Portfolio</b>																	
Carlyle China Project Rome Co-Investment	37,741,351	-0.2	-0.5	-0.5	-1.3	2.4	1.3	-0.9	-2.0	7.2	5.8	-2.5	-7.1	4.7	3.6		
Carlyle China Realty	8,496,988	-0.2	-0.6	-0.6	-1.7	2.2	0.8	-0.3	-2.1	18.1	15.7	1.6	-1.4	2.7	0.2		
CIM Fund VIII	29,750,101	-1.4	-1.7	1.8	0.9	-3.7	-4.9	-16.7	-17.9	2.0	0.9	9.4	8.0	8.4	6.7	6.4	4.0
KKR Real Estate Partners Americas	1,709,465	-13.2	-11.4	-15.6	-14.2	27.9	19.1	-30.9	-24.7	7.8	7.3	11.0	10.7	27.5	23.3	20.8	17.2
LaSalle China Logistics Venture	2,733,204	-0.2	-4.0	335.7	30.7	188.6	-6.2	-30.9	-24.7	7.8	7.3	11.0	10.7	27.5	23.3	20.8	17.2
Sculptor Real Estate Fund III <sup>2</sup>	8,196,946	10.2	9.9	19.6	15.1	28.5	24.1	12.4	10.8	15.9	13.6	29.7	25.7	43.3	38.2	30.0	22.2
Sculptor Real Estate Fund IV <sup>2</sup>	5,762,142	-0.6	-2.9	33.8	24.0	40.3	25.9	19.6	3.9								
<b>Opportunistic Portfolio</b>	<b>94,390,197</b>	<b>0.0</b>	<b>-0.4</b>	<b>5.1</b>	<b>2.2</b>	<b>6.2</b>	<b>2.8</b>	<b>-6.9</b>	<b>-8.1</b>	<b>8.6</b>	<b>7.1</b>	<b>11.5</b>	<b>9.1</b>	<b>19.1</b>	<b>16.0</b>	<b>13.9</b>	<b>10.2</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward<sup>5</sup></b>	<b>271,354,526</b>	<b>0.8</b>	<b>-0.2</b>	<b>17.1</b>	<b>11.6</b>	<b>24.4</b>	<b>16.4</b>	<b>6.5</b>	<b>1.6</b>	<b>15.8</b>	<b>9.9</b>	<b>10.9</b>	<b>7.6</b>	<b>22.3</b>	<b>19.4</b>	<b>10.8</b>	<b>8.1</b>
<b>Total Private Portfolio</b>																	
<b>SCERS</b>	<b>1,070,496,475</b>	<b>6.8</b>	<b>6.0</b>	<b>26.8</b>	<b>22.9</b>	<b>29.1</b>	<b>24.5</b>	<b>5.2</b>	<b>3.5</b>	<b>11.0</b>	<b>8.7</b>	<b>9.2</b>	<b>7.5</b>	<b>15.2</b>	<b>13.6</b>	<b>9.1</b>	<b>7.8</b>
<b>Indices</b>																	
NFI-ODCE + 35 bps		7.5	7.2	15.3	14.7	22.4	21.3	1.5	0.7	5.7	4.7	8.7	7.7	8.0	7.0	9.1	8.1
NFI-ODCE		7.4	7.1	24.3	23.3	22.2	21.0	1.2	0.3	5.3	4.4	8.3	7.4	7.6	6.7	8.8	7.8
NFI-ODCE + 100 bps		7.6	7.4	15.7	15.1	22.9	21.8	2.2	1.3	6.3	5.4	9.3	8.4	8.6	7.7	9.8	8.8
CPI + 500 bps		4.0		7.4		11.4		6.4		7.4		7.0		7.2		7.2	

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.



Returns (%)	Market Value (\$)	2015		2014		2013		2012		2011		2010		2009		2008		2007		2006	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Core Commingled Funds</b>																					
Brookfield Premier Real Estate Partners	131,323,669																				
Lion Properties Fund	133,471,491																				
MetLife Core Property Fund	87,330,546	16.9	16.3	17.4	16.9																
Principal U.S. Property Account	64,263,386	3.0	2.8																		
Prologis European Logistics Fund <sup>1,3</sup>	75,427,293																				
Prologis Targeted U.S. Logistics Fund	135,704,970	9.1	7.9																		
Townsend Real Estate Fund, L.P. <sup>3</sup>	171,620,594																				
<b>Core Commingled Funds</b>	<b>799,141,949</b>	<b>15.7</b>	<b>14.1</b>	<b>13.5</b>	<b>12.4</b>	<b>10.2</b>	<b>9.3</b>	<b>11.1</b>	<b>10.1</b>	<b>16.4</b>	<b>15.5</b>	<b>14.1</b>	<b>13.3</b>	<b>-33.0</b>	<b>-33.6</b>	<b>-13.8</b>	<b>-14.6</b>	<b>15.5</b>	<b>14.5</b>	<b>16.9</b>	<b>15.8</b>
<b>Value Added Portfolio</b>																					
Asana Partners Fund II <sup>2</sup>	23,884,877																				
Asana Partners Fund III <sup>3</sup>	-349,711																				
DRC European Real Estate Debt Fund II <sup>2</sup>	4,426,726	5.0	3.0	1.4	-2.1																
ECE European Prime Shopping Centre Fund II C <sup>2</sup>	34,727,752	12.1	11.0																		
Hammes Partners II	3,282,096	19.4	12.9																		
Hammes Partners III	20,433,294																				
NREP Nordic Strategies Fund	2,620,466	55.1	50.8																		
NREP Nordic Strategies Fund II <sup>2</sup>	35,425,061																				
NREP Nordic Strategies Fund III	39,824,419																				
NREP Nordic Strategies Fund IV <sup>2</sup>	12,689,349																				
<b>Value Added Portfolio</b>	<b>176,964,329</b>	<b>19.1</b>	<b>17.0</b>	<b>15.7</b>	<b>13.7</b>	<b>13.3</b>	<b>10.8</b>	<b>19.6</b>	<b>18.1</b>	<b>16.7</b>	<b>14.7</b>	<b>23.2</b>	<b>20.3</b>	<b>-56.4</b>	<b>-57.6</b>	<b>-31.2</b>	<b>-33.5</b>	<b>18.2</b>	<b>5.6</b>	<b>0.8</b>	<b>0.5</b>
<b>Opportunistic Portfolio</b>																					
Carlyle China Project Rome Co-Investment	37,741,351																				
Carlyle China Realty	8,496,988																				
CIM Fund VIII	29,750,101	16.9	13.8																		
KKR Real Estate Partners Americas	1,709,465	79.0	55.3	30.1	24.7																
LaSalle China Logistics Venture	2,733,204	79.0	55.3	30.1	24.7																
Sculptor Real Estate Fund III <sup>2</sup>	8,196,946	33.7	6.9	9.4	-28.3																
Sculptor Real Estate Fund IV <sup>2</sup>	5,762,142																				
<b>Opportunistic Portfolio</b>	<b>94,390,197</b>	<b>44.5</b>	<b>23.2</b>	<b>33.3</b>	<b>19.9</b>	<b>11.7</b>	<b>9.4</b>	<b>54.2</b>	<b>38.5</b>	<b>-10.1</b>	<b>-8.0</b>	<b>42.4</b>	<b>34.2</b>	<b>54.0</b>	<b>43.5</b>	<b>-44.5</b>	<b>-45.4</b>	<b>3.4</b>	<b>2.6</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward<sup>5</sup></b>	<b>271,354,526</b>	<b>23.0</b>	<b>17.9</b>	<b>17.0</b>	<b>14.2</b>	<b>16.7</b>	<b>13.5</b>	<b>34.6</b>	<b>26.9</b>	<b>-0.3</b>	<b>0.4</b>	<b>37.0</b>	<b>30.4</b>	<b>-13.5</b>	<b>-17.8</b>	<b>-33.7</b>	<b>-35.7</b>	<b>18.2</b>	<b>5.6</b>		
<b>Total Private Portfolio</b>																					
<b>SCERS</b>	<b>1,070,496,475</b>	<b>9.9</b>	<b>8.5</b>	<b>16.0</b>	<b>14.2</b>	<b>12.0</b>	<b>10.7</b>	<b>19.2</b>	<b>17.8</b>	<b>9.8</b>	<b>9.4</b>	<b>20.6</b>	<b>19.2</b>	<b>-16.0</b>	<b>-16.7</b>	<b>-14.1</b>	<b>-14.7</b>	<b>10.7</b>	<b>8.7</b>	<b>16.9</b>	<b>14.2</b>
<b>Indices</b>																					
NFI-ODCE + 35 bps		15.4	14.3	12.8	11.8	14.3	13.3	11.3	10.1	16.3	15.3	16.7	15.6	-29.4	-30.0	-9.7	-10.3	16.3	15.2	16.7	15.6
NFI-ODCE		15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3
NFI-ODCE + 100 bps		16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8	17.0	16.0	17.4	16.3	-28.8	-29.4	-9.0	-9.7	17.0	15.8	17.3	16.3
CPI + 500 bps		5.7		5.7		6.6		6.8		8.2		6.5		8.0		5.0		9.3		7.7	

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
<b>Core Commingled Funds</b>									
Brookfield Premier Real Estate Partners	122,368,847	0	1,222,804	0	826,223	1,466,046	10,817,449	131,323,669	44.8
Lion Properties Fund	125,714,137	264,590	1,089,187	0	1,105,541	264,590	7,740,999	133,471,491	20.0
MetLife Core Property Fund	81,572,634	0	717,650	0	919,646	104,375	5,660,291	87,330,546	26.1
Principal U.S. Property Account	59,894,894	0	0	0	612,415	144,053	3,900,131	64,263,386	20.7
Prologis European Logistics Fund	73,235,565	0	460,001	0	763,893	821,257	2,709,092	75,427,293	15.9
Prologis Targeted U.S. Logistics Fund	121,785,325	0	689,336	0	1,057,223	2,832,198	16,383,956	135,704,970	11.2
Townsend Real Estate Fund, L.P.	157,277,104	1,791,305	1,791,305	0	1,426,535	84,931	13,001,886	171,620,594	36.5
<b>Core Commingled Funds</b>	<b>741,848,506</b>	<b>2,055,895</b>	<b>5,970,283</b>	<b>0</b>	<b>6,711,476</b>	<b>5,717,450</b>	<b>60,213,804</b>	<b>799,141,949</b>	<b>28.4</b>
<b>Value Added Portfolio</b>									
Asana Partners Fund II	23,224,120	0	0	0	30,750	263,185	893,192	23,884,877	51.0
Asana Partners Fund III	-163,627	0	0	0	-80,222	125,000	19,137	-349,711	102.0
DRC European Real Estate Debt Fund II	4,164,429	0	0	0	396,179	9,650	-124,232	4,426,726	0.0
ECE European Prime Shopping Centre Fund II	35,645,233	0	301,724	37,940	350,107	89,911	-838,013	34,727,752	57.0
Hammes Partners II	2,969,505	219,794	42,815	0	37,247	44,826	143,191	3,282,096	61.0
Hammes Partners III	20,288,584	0	449,279	50,250	422,043	271,464	493,660	20,433,294	67.5
NREP Nordic Strategies Fund	2,590,953	0	0	0	69	-20,115	9,329	2,620,466	0.0
NREP Nordic Strategies Fund II	51,796,965	1,173,965	18,571,414	0	-114,199	780,300	1,920,043	35,425,061	49.0
NREP Nordic Strategies Fund III	38,591,270	2,414,125	0	0	523,822	280,806	-1,423,992	39,824,419	45.0
NREP Nordic Strategies Fund IV	11,585,434	1,977,324	0	0	-3,132,634	368,086	2,627,310	12,689,349	46.0
<b>Value Added Portfolio</b>	<b>190,692,866</b>	<b>5,785,208</b>	<b>19,365,232</b>	<b>88,190</b>	<b>-1,566,838</b>	<b>2,213,113</b>	<b>3,719,625</b>	<b>176,964,329</b>	<b>54.7</b>
<b>Opportunistic Portfolio</b>									
Carlyle China Project Rome Co-Investment	37,917,239	0	0	0	-11,461	99,178	-65,249	37,741,351	0.0
Carlyle China Realty	8,546,479	0	0	0	-5,462	29,344	-14,685	8,496,988	0.0
CIM Fund VIII	30,297,094	96,743	0	123,347	-16,426	96,984	-406,979	29,750,101	39.9
KKR Real Estate Partners Americas	1,822,124	100,722	0	0	-1,000,717	-34,050	753,286	1,709,465	67.0
LaSalle China Logistics Venture	2,847,618	0	0	0	28,270	108,740	-33,944	2,733,204	45.9
Sculptor Real Estate Fund III	9,068,242	0	1,689,370	0	173,761	26,687	671,000	8,196,946	0.0
Sculptor Real Estate Fund IV	4,574,390	2,989,252	1,674,450	0	-16,988	101,712	-8,350	5,762,142	0.0
<b>Opportunistic Portfolio</b>	<b>95,073,186</b>	<b>3,186,717</b>	<b>3,363,820</b>	<b>123,347</b>	<b>-849,023</b>	<b>428,595</b>	<b>895,079</b>	<b>94,390,197</b>	<b>17.3</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>285,766,052</b>	<b>8,971,925</b>	<b>22,729,052</b>	<b>211,537</b>	<b>-2,415,861</b>	<b>2,641,708</b>	<b>4,614,704</b>	<b>271,354,526</b>	<b>46.3</b>
<b>Total Private Portfolio</b>									
<b>SCERS</b>	<b>1,027,614,558</b>	<b>11,027,820</b>	<b>28,699,335</b>	<b>211,537</b>	<b>4,295,615</b>	<b>8,359,158</b>	<b>64,828,508</b>	<b>1,070,496,475</b>	<b>34.0</b>

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
<b>Core Commingled Funds</b>						
Brookfield Premier Real Estate Partners	31.1	24.8	41.3	-	-	2.8
Lion Properties Fund	23.2	24.9	33.7	6.5	-	11.7
MetLife Core Property Fund	31.9	24.0	26.6	8.6	1.2	7.7
Principal U.S. Property Account	24.3	24.6	34.8	10.0	-	6.3
Prologis European Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P. <sup>†</sup>	36.1	7.9	34.2	8.1	-	13.7
<b>Core Commingled Funds</b>	<b>22.2</b>	<b>14.5</b>	<b>51.9</b>	<b>4.6</b>	<b>0.1</b>	<b>6.7</b>
<b>Value Added Portfolio</b>						
Asana Partners Fund II	0.8	43.2	-	56.0	-	-
Asana Partners Fund III	-	42.0	-	29.0	-	28.9
DRC European Real Estate Debt Fund II	-	82.6	-	17.4	-	-
ECE European Prime Shopping Centre Fund II	-	-	-	100.0	-	-
Hammes Partners II	-	-	-	-	-	100.0
Hammes Partners III	-	-	-	-	-	100.0
NREP Nordic Strategies Fund	-	-	-	-	-	100.0
NREP Nordic Strategies Fund II	58.7	1.4	-	6.2	-	33.8
NREP Nordic Strategies Fund III	22.0	4.2	39.7	4.4	-	29.7
NREP Nordic Strategies Fund IV	28.3	4.2	31.2	4.9	8.4	23.1
<b>Value Added Portfolio</b>	<b>18.8</b>	<b>9.3</b>	<b>11.2</b>	<b>30.1</b>	<b>0.6</b>	<b>29.9</b>

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
<b>Opportunistic Portfolio</b>						
Carlyle China Project Rome Co-Investment	-	-	100.0	-	-	-
Carlyle China Realty	-	-	100.0	-	-	-
CIM Fund VIII	47.5	20.6	1.1	13.9	5.8	11.2
KKR Real Estate Partners Americas	-	-	-	26.2	65.1	8.7
LaSalle China Logistics Venture	-	-	100	-	-	-
Sculptor Real Estate Fund III	-	1.6	-	0.5	0.1	97.8
Sculptor Real Estate Fund IV	-	-	-	-	4.8	95.2
<b>Opportunistic Portfolio</b>	<b>15.0</b>	<b>6.6</b>	<b>52.2</b>	<b>4.9</b>	<b>3.3</b>	<b>18.0</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>17.5</b>	<b>8.4</b>	<b>25.4</b>	<b>21.4</b>	<b>1.5</b>	<b>25.8</b>
<b>Total Private Portfolio</b>						
<b>SCERS</b>	<b>21.0</b>	<b>13.0</b>	<b>45.2</b>	<b>8.8</b>	<b>0.5</b>	<b>11.5</b>
<b>Indices</b>						
<b>NFI-ODCE</b>	<b>28.8</b>	<b>25.0</b>	<b>30.0</b>	<b>10.6</b>	<b>0.2</b>	<b>5.4</b>

<sup>1</sup>Property diversification numbers used are from 4Q21.

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
<b>Core Commingled Funds</b>									
Brookfield Premier Real Estate Partners	17.1	10.7	1.8	-	8.4	7.4	5.1	49.4	-
Lion Properties Fund	23.3	6.6	2.5	0.0	6.8	7.5	8.8	44.4	-
MetLife Core Property Fund	13.9	9.9	8.8	2.7	9.3	11.4	11.3	32.9	-
Principal U.S. Property Account	10.7	8.6	2.1	1.3	9.8	15.2	13.7	38.6	-
Prologis European Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	14.3	4.4	11.2	-	12.0	9.0	5.3	43.7	-
Townsend Real Estate Fund, L.P. <sup>1</sup>	13.9	7.2	10.6	3.2	18.4	11.3	9.4	25.9	-
<b>Core Commingled Funds</b>	<b>14.5</b>	<b>6.9</b>	<b>6.0</b>	<b>1.1</b>	<b>10.3</b>	<b>8.9</b>	<b>7.6</b>	<b>35.2</b>	<b>9.4</b>
<b>Value Added Portfolio</b>									
Asana Partners Fund II	16.9	21.3	-	6.0	15.2	5.7	21.8	13.2	-
Asana Partners Fund III	-	8.4	10.0	-	53.9	-	27.6	-	-
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	-	48.7	6.6	-	-	16.9	27.9	-	-
Hammes Partners III	41.5	2.3	14.9	5.2	6.0	24.8	2.1	3.1	-
NREP Nordic Strategies Fund	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund II	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund III	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund IV	-	-	-	-	-	-	-	-	100.0
<b>Value Added Portfolio</b>	<b>7.6</b>	<b>4.3</b>	<b>2.0</b>	<b>1.5</b>	<b>2.8</b>	<b>4.2</b>	<b>3.9</b>	<b>2.3</b>	<b>71.2</b>

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
<b>Opportunistic Portfolio</b>									
Carlyle China Project Rome Co-Investment	-	-	-	-	-	-	-	-	100.0
Carlyle China Realty	-	-	-	-	-	-	-	-	100.0
CIM Fund VIII	43.6	-	11.0	-	-	-	7.0	34.0	4.4
KKR Real Estate Partners Americas	4.9	-	0.9	-	-	8.7	-	60.2	25.3
LaSalle China Logistics	-	-	-	-	-	-	-	-	100.0
Sculptor Real Estate Fund III	31.6	1.9	4.9	1.0	1.1	24.9	1.1	15.1	18.3
Sculptor Real Estate Fund IV	11.4	-	-	-	25.1	-	5.2	12.3	10.6
<b>Opportunistic Portfolio</b>	<b>17.6</b>	<b>0.2</b>	<b>4.2</b>	<b>0.1</b>	<b>0.1</b>	<b>2.5</b>	<b>2.5</b>	<b>14.0</b>	<b>58.9</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>11.1</b>	<b>2.9</b>	<b>2.7</b>	<b>1.0</b>	<b>1.9</b>	<b>3.6</b>	<b>3.4</b>	<b>6.4</b>	<b>66.9</b>
<b>Total Private Portfolio</b>									
<b>SCERS</b>	<b>13.7</b>	<b>6.0</b>	<b>5.2</b>	<b>1.1</b>	<b>8.3</b>	<b>7.6</b>	<b>6.6</b>	<b>28.3</b>	<b>23.3</b>
<b>Indices</b>									
<b>NFI-ODCE</b>	<b>21.4</b>	<b>7.9</b>	<b>5.8</b>	<b>0.9</b>	<b>10.3</b>	<b>9.2</b>	<b>6.9</b>	<b>37.6</b>	<b>-</b>

<sup>1</sup>Geographic diversification numbers used are from 4Q21.

## Advisory Disclosures and Definitions

### Disclosure

Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

Returns are presented on a time weighted basis and shown both gross and net of underlying third party fees and expenses and may include income, appreciation and/or other earnings. In addition, investment level Net IRR's and equity multiples are reported.

The Townsend Group, on behalf of its client base, collects quarterly limited partner/client level performance data based upon inputs from the underlying investment managers. Data collection is for purposes of calculating investment level performance as well as aggregating and reporting client level total portfolio performance. Quarterly limited partner/client level performance data is collected directly from the investment managers via a secure data collection site.

<sup>1</sup>In select instances where underlying investment managers have ceased reporting limited partner/client level performance data directly to The Townsend Group via a secure data collection site, The Townsend Group may choose to input performance data on behalf of its client based upon the investment managers quarterly capital account statements which are supplied to The Townsend Group and the client alike.

### Benchmarks

The potential universe of available real asset benchmarks are infinite. Any one benchmark, or combination thereof, may be utilized on a gross or net of fees basis with or without basis point premiums attached. These benchmarks may also utilize a blended composition with varying weighting methodologies, including market weighted and static weighted approaches.

## Exhibit B: Real Estate Market Update 1Q22





# United States Real Estate Market Update (1Q22)

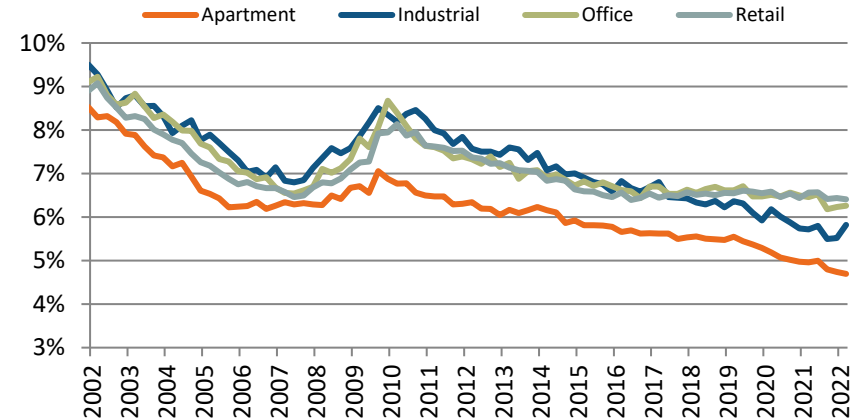
## General

- Townsend witnessed a robust recovery across the US economy and US real estate markets in 2021, with a continuation through the first quarter of 2022. The post-pandemic economic recovery has remained generally on track; however, an array of headwinds have emerged including rising interest rates, persistent inflation, various geopolitical events, and widespread global supply chain struggles. Equity markets retraced from December 2021's all-time highs, as a result of tightening federal reserve policy and market volatility. In 1Q22, The S&P 500 produced a gross total return of -4.6%. The MSCI US REIT index also cooled off following a strong 2021, posting a gross return of -4.1%.
- After multiple quarters of GDP growth, U.S. GDP decreased at an annualized rate of 1.5% in first quarter 2022, attributable to decreased federal, state and local government spending, and decreased exports. As a result of the atrocities of the Russian-Ukraine war, prolonged lockdowns in Shanghai, and a rise in protectionist measures, commodity pricing has skyrocketed, in lockstep with inflation. The Federal Reserve continues to view the overall economy as strong, despite, noting an anticipated slowing of growth in early 2022.

## Commercial Real Estate

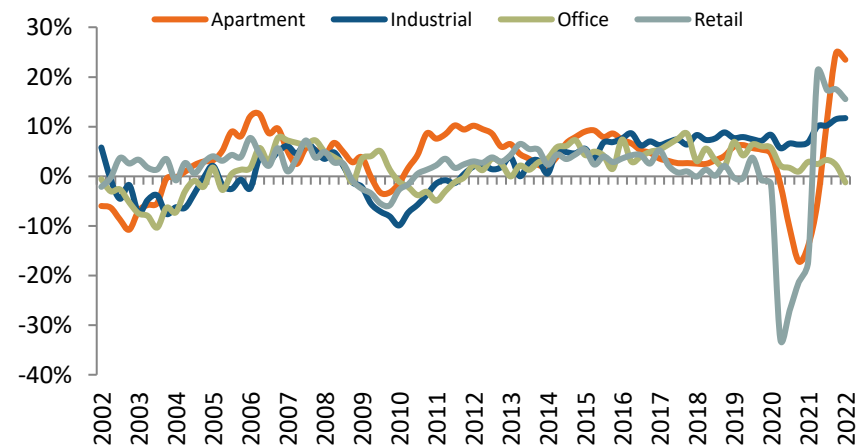
- Through the first quarter of 2022, total CRE transaction activity for the quarter was up 56% YoY, with annual transaction activity up 125% YoY. In 1Q22, deal volumes across all sectors moderated from a historic high in fourth quarter 2021. Transaction volume has been the strongest in the apartment and industrial sectors.
- Transaction cap rates (5.0%) expanded significantly during the quarter, to the tune of 76 bps. This increase comes after a -81 bps quarter-over-quarter decrease in 4Q21. Current valuation cap rates increased for industrial (+30 bps) and office (+3 bps). While both the apartment (-10 bps) and retail (-3 bps) property sectors experienced slight cap rate compression.
- NOI growth has substantially diverged between property sectors due to the impacts of COVID-19. Retail NOI has expanded substantially (+16%) YoY as the sector continues to recover from decreased rent collections and retailer shutdowns. Apartment sector fundamentals remain strong, as many millennials seek out a more opportune time to purchase their first home. Apartment NOI expanded (+23%) YoY.
- 10-year treasury bond yields steepened to 2.3% during the quarter, an increase of 80 basis points over year-end 2021. Economists expect rates to move modestly higher throughout 2022.

Current Value Cap Rates by Property Type



Source: NCREIF

4 Qtr Rolling NOI Growth



Source: NCREIF

# United States Property Matrix (1Q22)

## INDUSTRIAL

- In 1Q22, industrial properties were the highest returning sector at 11.0% and outperformed the NPI by 563 bps.
- Transaction volumes decreased to \$34 billion in the first quarter of the year, resulting in a 50% increase year-over-year. Individual asset sales increased 18% year-over-year, while portfolio purchases turned in a year-over-year volume increase of 33%. At \$34 billion, the industrial sector decreased by \$44 billion quarter-over-quarter.
- The industrial sector turned in NOI growth of 11.7% over the past year. NOI continues to reach all time highs for the sector.
- Vacancy decreased by 173 bps year-over-year to 1.8%. Vacancy in the sector decreased 30 bps from last quarter, reaching all-time historic lows. E-commerce continues to drive demand across the sector.
- Industrial cap rates compressed approximately 100 bps from a year ago, to 3.4%. Industrial overall fundamentals still top all property sectors.

## MULTIFAMILY

- The apartment sector delivered a 5.3% return during the quarter, underperforming the NPI by 8 bps.
- Transaction volume in the first quarter of 2022 decreased to \$63 billion, resulting in an increase of 56% year-over-year. Transaction volume for the sector is near historical levels. This volume continues to make multifamily the most actively traded sector for the eighteenth straight quarter.
- Cap rates remained steady at 3.6% quarter-over-quarter, decreasing 15 bps year-over-year. Multifamily cap rates remain at the lowest level observed in years, driven by continued increases in valuation.
- The multifamily sector saw increasing vacancy rates throughout the entirety of 2020 due to the global pandemic. Through 2021, the sector appears to have shaken that trend although vacancy rates remained steady during the last 3 quarters. Vacancy rates slightly decreased by 7 bps quarter-over-quarter and are back to near pre-pandemic levels. The aging millennials have begun shifting their desires to suburban living, but continued home price appreciation has deterred the full effect of this migratory trend.

## OFFICE

- The office sector returned 1.6% in 1Q22, 373 bps below the NPI return over the period.
- Transaction volumes decreased by 59% year-over-year in the first quarter. Transaction volume equated to \$35 billion for the quarter, an decrease of \$20 billion quarter-over-quarter. Office transaction levels have officially regressed to levels only seen prior to the COVID-19 pandemic.
- Office sector vacancy rates have expanded since the beginning of the pandemic due to work from home orders and uncertainty revolving around the future of office space. Office continues to be the highest vacancy property type at close to 12.9%, increasing 20 bps from last quarter.
- NOI growth in the office sector compressed quarter-over-quarter by 295 bps and appears to be in the midst of its recovery to pre-pandemic levels.
- Office cap rates compressed from a year ago, sitting at approximately 4.5%. Office-using job growth was stunted significantly through out 2020 due to work from home orders. Though we are observing a slow but steady flow back to in-office work, there is still uncertainty in the sector as many companies remain hesitant.

## RETAIL

- As of 1Q22, the retail sector delivered a quarterly return of 2.3%, underperforming 307 bps below the NPI.
- Transaction volumes totaled \$19 billion in the first quarter, increasing 102% year-over-year. Single asset transactions accounted for just over 79% of all sales volume for the quarter.
- Cap rates have expanded approximately 10 bps within the sector over the last year, to 5.1%. Current valuation cap rates compressed quarter-over-quarter by 20 bps due to valuation adjustments made across the sector in general.
- NOI growth slightly decreased, 2.0% over the last year. Retail has begun its slow recovery as vaccine rollouts have allowed a large portion of store nationally to open and operate safely.
- Retail vacancy rates increased over the quarter by 10 bps, and down 90 bps over the past year to 9.0%. Many big box stores have closed as the need for retail space shrinks, translating to a negative outlook for rent growth. Paired with the global economic crisis, which has had a significant negative impact on this sector.

# Global Real Estate Market Update (1Q22)

- Diminishing operational uncertainty, robust demand and abundant liquidity led global investment activity to a strong start to 2022. More capital being put into the market than any other first quarter (\$280B, 33% increase from 1Q21). Unfortunately, this surge was quelled in relation to the geopolitical consequences of war between Russia and Ukraine. The conflict has contributed to rising commodity prices in conjunction with inflation, and lower expectations of economic growth overall.
- That withstanding, The US was at the forefront of this growth in deal volume improving 76% YOY. This was led by its multifamily sector, being the world's largest single property market. The Asia Pacific market had inverse results with deal pipelines dissipating. China's zero-Covid policy, which put some of the country's largest cities into complete lockdown, has played a part.

- Following a serious downturn during the peak of the pandemic, the hotel industry is trending towards a recovery. The lowering of travel restrictions has seen global air traffic up 116% YOY as of February 2022. This has reflected in transaction activity with purchases totaling \$18B 1Q22 and in the last 12 months doubled its volume from the previous year.
- Given the low interest rate environment, the weight of capital targeting real estate will likely continue to increase as investors search for yield. While the industrial, residential and healthcare sectors are taking the lion's share of allocated capital, core offices and niche sectors like student/senior living are beginning to garner more investor interest despite facing occupancy challenges in 2021.
- Buoyant buyer demand boosted by strong investment fundamentals has continued to drive investment activity across the Multifamily asset class globally, continuing its momentum into Q122. Despite a modest decline in quarterly volumes year-over-year in EMEA, activity remained well above historic first quarter norms. While inflationary pressures and rising construction costs suggest some headwinds, the sector remains one of the most favored across the regions.
- Inflation points have reached record levels in the U.S. and Europe prompting a shift in Fed policy. While inflation is forecast to stay high through most of 2022, it is expected to moderate thereafter. In the U.S., the price effects of supply chain disruptions are expected to subside over the coming quarters, with continued higher rents and wages countering these deflationary factors, which is expected to keep overall inflation at higher levels than pre-COVID through 2023.
- The industrial sector continues to exhibit the strongest performance globally, spurred by tenant demand driven by an acceleration in e-commerce and supply chain reconfiguration. Inventory shortages resulting in supply chain reorientation is expected to continue to shift demand to emerging markets (e.g., Vietnam, India, Mexico). Additionally, supply chain bottlenecks have led to shipping and port delays and shifted incremental demand to inland port and more rail-dependent locations.

## Global Total Commercial Real Estate Volume - 2021 - 2022

\$ US Billions	Q1 2022	Q1 2021	% Change Q1 22 - Q1 21	Full Year Ending Q1 2022	Full Year Ending Q1 2021	% Change Full Year
Americas	169	96	75%	855	356	140%
EMEA	81	78	4%	444	308	44%
Asia Pacific	126	144	-13%	865	824	5%
<b>Total</b>	<b>375</b>	<b>318</b>	<b>18%</b>	<b>2164</b>	<b>1488</b>	<b>45%</b>

Source: Real Capital Analytics, Inc., Q1' 22

## Global Outlook - GDP (Real) Growth % pa, 2021-2023

	2021	2022	2023
<b>Global</b>	<b>5.9</b>	<b>4.3</b>	<b>3.6</b>
<b>Asia Pacific</b>	<b>6.0</b>	<b>5.0</b>	<b>4.5</b>
Australia	4.2	4.1	2.9
China	8.1	5.2	5.1
India	9.2	7.8	
Japan	1.7	2.9	1.5
<b>North America</b>	<b>5.7</b>	<b>3.7</b>	<b>2.5</b>
US	5.7	3.8	2.5
<b>Middle East</b>	<b>3.2</b>	<b>4.9</b>	<b>3.6</b>
<b>European Union</b>	<b>5.5</b>	<b>4.1</b>	<b>2.6</b>
France	6.8	4.0	2.3
Germany	2.8	3.8	2.6
UK	7.1	4.5	2.2

Source: Bloomberg