



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 15

MEETING DATE: June 21, 2017

SUBJECT: Quarterly Investment Performance Report
Real Estate

SUBMITTED FOR: Consent **Deliberation** and Action **Receive** and File

RECOMMENDATION

Staff and Townsend recommend the Board receive and file the Real Estate portfolio investment performance report for the first quarter of 2017.

PURPOSE

This agenda item complies with SCERS' investment policy statement reporting requirements and provides a summary of SCERS' Real Estate portfolio returns, current real estate market conditions and outlook, and Townsend's Quarterly Real Estate Portfolio Performance Measurement Report.

SCERS REAL ESTATE PORTFOLIO

SCERS REAL ESTATE PERFORMANCE SUMMARY
As of December 31, 2016

Sub-Asset Class	Quarter (4Q16)	1-Year	Fiscal Year-to-Date	Since Inception	Since Inception Date
SCERS Real Estate Portfolio	2.4%	7.5%	4.7%	8.4%	Jul-95
Core Portfolio	2.1%	9.1%	6.8%	6.4%	Jul-95
Separate Account	1.5%	9.0%	6.5%	8.8%	Jul-95
Commingled Funds	2.4%	9.1%	7.1%	6.9%	Sep-13
SCERS Blended Benchmark	2.0%	6.5%	4.1%	N/A	N/A
NFI-ODCE Index	1.5%	7.4%	5.3%	6.3%	Jul-95
Non-Core Portfolio	3.5%	8.3%	6.4%	4.5%	Jun-06
Value Add Portfolio	3.4%	6.9%	5.6%	4.1%	Jun-06
Opportunistic	3.7%	10.7%	7.6%	7.6%	May-13
NFI-ODCE + 1% Index	1.8%	7.4%	5.3%	7.3%	Jun-06
SCERS Publicly-Traded REITS	2.2%	2.4%	-2.2%	8.2%	Mar-06
US REITS	0.8%	3.0%	-4.1%	8.0%	Mar-06
International REITS	4.2%	1.6%	0.8%	11.2%	Oct-08
FTSE EPRA NAREIT US Index	2.5%	5.3%	-2.0%	10.2%	Mar-06
FTSE EPRA NAREIT Developed ex.-US Index	4.9%	1.7%	1.0%	6.1%	Oct-08

SCERS' real estate investment portfolio is constructed around three different allocation 'buckets': (1) Core Real Estate; (2) Non-Core (Opportunistic and Value-Add) Real Estate; and (3) Publicly-Traded REITs.

SCERS TOTAL CORE PORTFLIO RETURNS

First Quarter 2017:

- Returned 2.1% net, down from Q4 2016 2.5% net return, but better than the NFI-ODCE Index 1.5% net return.
- Notable Core Commingled Funds outperformers include:
 - Prologis Targeted US Logistics: 4.0%.
 - Prologis Targeted Europe Logistics: 3.2% but 1.9% in Euros.
 - Townsend Real Estate Fund: 2.6%.

Fiscal Year-to-Date:

- Returned 6.8% net, outperforming the NFI-ODCE Index 5.3% net return.
- Notable outperformers include:
 - Prologis Targeted US Logistics: 12.8%.
 - Barings/Cornerstone Separate Account: 11.0%.
 - Townsend Real Estate Fund: 7.7%.

One-year ended March 31, 2017:

- Returned 9.1% net, outperforming the NFI-ODCE Index 7.4% net return.
- Notable outperformers include:
 - Prologis Targeted US Logistics: 16.4%.
 - Barings/Cornerstone Separate Account: 15.6%.
 - Townsend Real Estate Fund: 11.0%.

SCERS TOTAL NON-CORE PORTFLIO RETURNS

First Quarter 2017:

- Returned 3.5% net, significantly outperforming the NFI-ODCE plus 1% benchmark return of 1.8% net.
- Notable outperformers include:
 - NREP Nordic Strategies Fund II: 5.9% in US dollars but 4.6% in Euros.
 - NREP Nordic Strategies Fund I: 4.8% in US dollars but 3.5% in Euros.
 - ECE European Prime Shopping: 4.0% in US dollars but 2.6% in Euros.

- DRC European Real Estate Debt Fund II: 3.6% in US dollars but 2.0% in Sterling.

Fiscal Year-to-Date:

- Returned 6.4% net, outperforming the NFI-ODCE +100 bps benchmark of 6.1% net.
- Notable outperformers include:
 - Och-Ziff Real Estate Fund III: 22.5%.
 - ECE European Prime Shopping: 22.3% in US dollars but 21.2% in Euros.
 - NREP Nordic Strategies Fund I: 14.4% in US dollars but 19.6% in Euros.

One-year ended March 31, 2017:

- Returned 8.3% net, slightly underperforming the NFI-ODCE +100 bps benchmark of 8.4% net.
- Notable outperformers include:
 - Och-Ziff Real Estate Fund III: 22.5%.
 - ECE European Prime Shopping: 17.6% in US dollars but 25.3% in Euros.
 - NREP Nordic Strategies Fund I: 17.3% in US dollars but 25.8% in Euros.

MARKET RECAP

UNITED STATES

For the first quarter, the US private real estate market (NCREIF) returns were down due to slowing price appreciation.

- The NCREIF Property Index (NPI) recorded a 1.6% return for the quarter, down slightly from the prior quarter return of 1.7% due to slowing appreciation (0.4% versus 0.6%).
- The NCREIF Fund Index-Open End Diversified Core Equity (NFI-ODCE) index returned 1.8% for the quarter, down from the prior quarter return of 2.1% due to slowing appreciation (0.7% versus 1.0%).
- The FTSE NAREIT All Equity REIT Index returned 2.6% for the quarter, decidedly up from the previous quarter return of -3.3%.

NCREIF Investment Performance			
March 31, 2017			
Sector	Total Return (%)		
	2016	4Q2016	1Q2017
NFI - ODCE	8.80%	2.11%	1.77%
NCREIF Property Index	8.00%	1.73%	1.55%
Apartments	7.30%	1.67%	1.30%
Industrial	12.30%	3.04%	2.83%
Office	6.20%	1.35%	1.26%
Retail	9.00%	1.65%	1.56%

Source: NACREIF®.

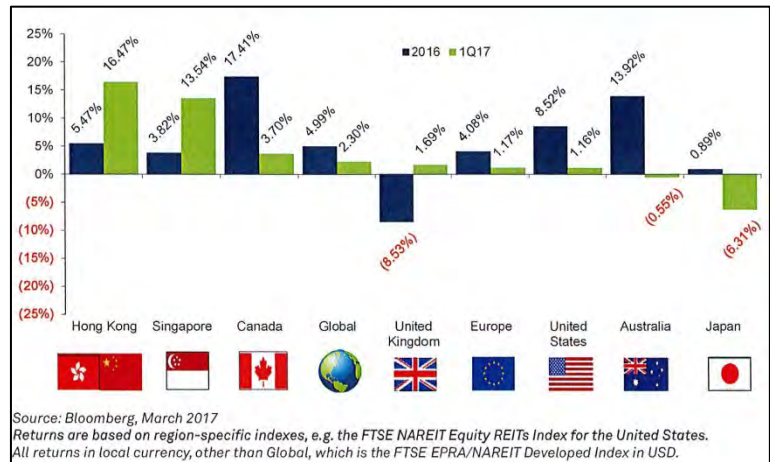
NAREIT Investment Performance			
March 31, 2017			
Sector	Total Return (%)		
	2016	4Q2016	1Q2017
FTSE NAREIT All Equity REITs	8.63%	-3.28	2.55%
FTSE NAREIT Equity REITs	8.52%	-2.89	1.16%
Industrial	30.72%	-0.26%	-0.71%
Office	13.17%	0.59%	1.61%
Retail	0.95%	-10.73%	-4.75%
Residential	4.54%	1.12%	1.47%
Diversified	10.27%	-2.07%	-0.22%
Lodging/Resorts	24.34%	20.39%	-1.90%
Health Care	6.41%	-10.80%	6.92%

Source: FTSE™, NAREIT®.

GLOBAL PUBLICLY-TRADED REITS

Global REIT markets returned 2.3% during Q1 2017, up from the Q4 2016 return of 1.9%.

- During the quarter, the UK formally triggered Article 50 of the Euro Zone governance allowing for an exit of the European Union within two years. Brexit has definitely weighed on the UK REIT market but despite Brexit uncertainty, better than expected UK REIT earnings contributed to a 1.7% quarter return.

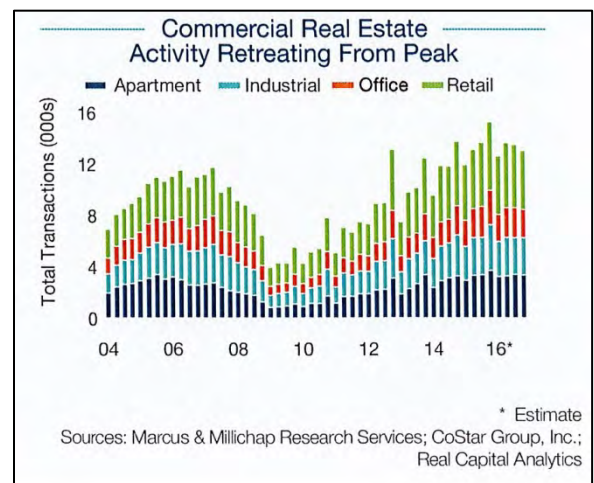


- Political election uncertainty in France and Germany gave investors pause, resulting in muted Europe REIT return of 1.2% for the quarter.
- The Asia-Pacific region experienced a range of outcomes, with robust REIT returns in China/Hong Kong at 16.5% and Singapore at 13.5%. However, weakness occurred in Australia, down -0.5%, and Japan, down -6.3%, for the quarter. China/Hong Kong residential REITs jumped on increased user demand, while positive economic growth sentiment in Singapore drove office REIT returns. Singapore’s government relaxation of the Seller’s Stamp Duty indicated a positive policy shift by investors. The Japan REIT market suffered through a continued weakness in Japan GDP and inflation expectations; however, counterintuitively, the Japanese Yen strengthened against the US dollar.

GLOBAL REAL ESTATE MARKET TRENDS

UNITED STATES

The market excitement that followed the election of Donald Trump diminished during the first quarter of 2017. The jobs report was mixed; January saw 227,000 new jobs while March only added 98,000 new jobs. Despite the muted jobs market, unemployment fell to new lows reaching 4.4%. First quarter GDP showed weakness in the market, with growth a weak 0.7% over the prior quarter and 1.9% year-over-year. Going into 2017, the economy was experiencing some positive momentum, enough to allow the Fed to begin raising rates. Nevertheless, the first quarter



slowdown has expectations for the number of future Fed rate increases to reduce from three to two. With the backdrop of a mixed economy, real estate investment transactions had a pronounced pullback during the quarter.

According to Marcus & Millichap’s first quarter US real estate market report:

“Investors scale back activity as market recalibrates to higher interest rates and awaits clarity on government policy. The November election sparked a rapid rise in interest rates and introduced a wide range of prospective reform initiatives. Proposed changes to fiscal, tax and regulatory policies raise a host of questions that will influence investor decisions.”

CBRE reported transaction volumes were down 18.3% from the prior quarter, with the trailing 12-month volume down 9.7%. The fourth quarter typically generates the bulk of transaction activity so it is not unusual for the first quarter to experience lower transaction volumes. Although, the first quarter slowdown in transactions highlights an ongoing downward trend since the high set in 2015. Transaction headwinds include the Fed’s voiced concern that the real estate market was potentially overheating, loan rates increasing in response to the Fed rate increase and a widening bid-ask spread as investors’ risk appetite sours.

Despite the pullback in the transaction volumes, those that did occur saw pricing move up ever so slightly. According to Moody’s/RCA Commercial Property price Index, property prices did increase somewhat but is also showing signs of flattening out. Other than retail, every property type has achieved values well above their prior peak, with apartments an astounding 54% above peak.

Figure 8: Moody’s/RCA Commercial Property Price Index

Sector	2007 Peak	Dec. 2015	Feb. 2017	Feb. 17 vs. 07 Peak (%)	Feb. 17 vs. Dec. 15 (%)
All	176	199	216	22.9	8.7
Office	173	189	206	19.4	9.0
Industrial	163	164	184	13.3	12.2
Retail	182	175	175	-3.7	-0.1
Multifamily	181	248	279	53.8	12.6

Source: CBRE Research, Real Capital Analytics, Q1 2017. Based on repeat property sales.

US PROPERTY-TYPE TRENDS

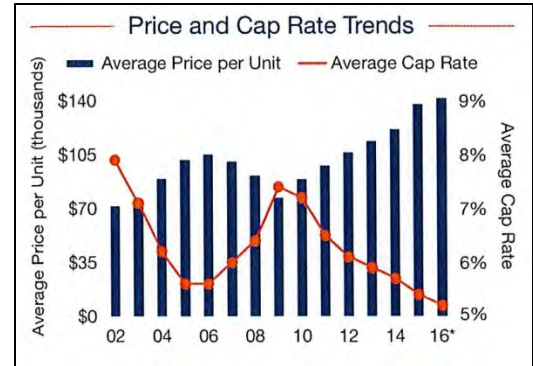
APARTMENTS

Market researchers are finding evidence of the influx of new supply weighing on apartment rents and occupancy. It is expected that new apartment construction will reach an all-time peak in 2017. However, apartment construction has predominately been concentrated in the top 10 major markets where employment growth has been the strongest such as San Francisco, Seattle, Austin, Dallas, Houston, and New York.



According to Yardi Matrix’s apartment research, approximately 80% of the new apartment construction has been in the luxury or lifestyle segment, which specifically targets high-income earners. Because of developers’ focus on the luxury segment, there is a distinct bifurcation in

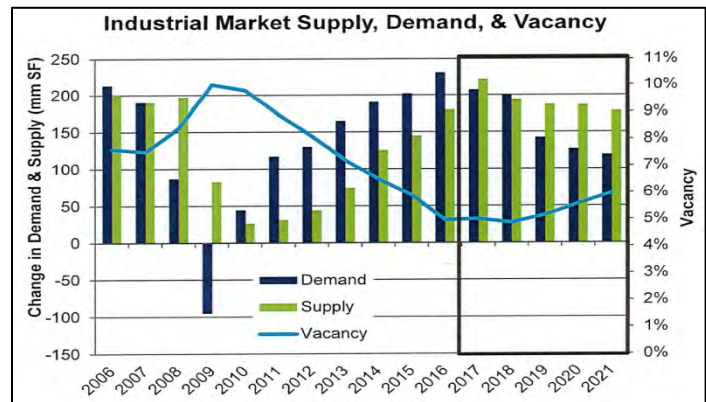
apartment fundamentals, where the luxury segment is experiencing oversupply and weakening fundamentals, while conversely, the work-force housing segment, which comprises the largest rental cohort, the renter-by-necessity, continues to experience demand exceeding available units leading to ever-tightening conditions. Marcus & Millichap’s Apartment research found work-force housing vacancy had considerably tightened during the quarter, going from 4% to 3.5%. However, the vacancy rate for the luxury segment increased from 4.8% to 5.2%. The same divergence in vacancy is being felt in rental rates as work-force housing rates increased 4.8% versus the luxury segment up 2.5%, with the luxury segment experiencing a noticeable slowing trend.



INDUSTRIAL/LOGISTICS

The industrial sector fundamentals remain on an upward trajectory driven by e-commerce. The demand by bricks-and-mortar retailers and online retailers for quick delivery times is driving extremely tight logistics fundamentals, particularly in the core distribution markets. The industrial markets experiencing some of the lowest reported vacancy rates were all in California, ranging from 3.1% in Oakland to 3.7% in Los Angeles. However, secondary and tertiary markets are experiencing weakening fundamentals from an influx of new supply, with vacancy rates up and rent growth slowing. The markets with the highest vacancy rates are all in secondary and tertiary markets ranging from 11.7% in Baltimore to 10.6% in Orlando. Prologis Targeted US Logistics’ first quarter report highlighted the strong conditions occurring in the US logistics market:

“U.S. logistics market conditions continue to favor landlords. The vacancy rate fell to a new low of 4.8% in the first quarter of 2017, according to CBRE. With record-breaking low vacancy rates in many markets across the U.S., limited availability of desirable space is likely putting downward pressure on net absorption. The development community has taken note of sustained demand and rising rental rates; speculative construction activity accelerated in the first quarter of 2017. The combination of supply and demand moving into balance moderated the pace of annual rent growth to about 5% in 2016 and early 2017, down from approximately 9% in 2015”.



SCERS’ commitment to Prologis Targeted US Logistics Fund, LP (“Prologis Targeted US”), is a strategic investment in US logistics and the growth in e-commerce. Prologis US targets logistics and industrial properties primarily in the core US coastal markets. Prologis is one of the world’s largest specialist logistics managers targeting the US; Prologis also has a

European focused strategy. SCERS has an equal commitment to both Prologis' US and European strategy.

- Prologis Targeted US Logistics period returns versus the benchmark:
 - Quarter: 4.0% versus 1.5%.
 - 1-Year: 16.4% versus 7.4%.
 - FYTD: 12.8% versus 5.3%.

OFFICE

During the quarter, office fundamentals took a step back as new inventory came online just as leasing activity began to slow. Similar to the apartment sector, the majority of new construction has occurred in the top 10 core markets, primarily New York, San Francisco, Silicon Valley, Seattle, Dallas, and Houston. The top 10 office markets represent over 50% of new construction, with most having a concentration in the tech and professional services. Cushman & Wakefield is tracking approximately 103 million square feet of new supply or roughly 2% of existing inventory, while JLL recorded 106.4 million square feet in new construction, an amount above historical averages.



Job growth, although positive, has slowed from previous quarters leading to a softening in office demand. Businesses are more cautious given slowing economic growth and are choosing to renew at their existing space rather than obligating themselves to more space. JLL reported that 65% of lease transactions were renewals or relocations with no increase in additional space. Looking forward, JLL's office outlook expects a softening of office fundamentals due to an oversupply of new construction. Cushman & Wakefield also made note of the office market reaching an inflection point as the amount of new supply has exceeded tenant demand in each of the last two quarters, which it expects the trend to continue through 2017.

RETAIL

The retail industry remains in a pronounced secular change and profound disruption resulting from the growth in e-commerce and consumers' focus on value-orientated goods. The quarter recorded some of the highest numbers of announced store closures and bankruptcies. The majority of the closures and bankruptcies have come from apparel and department stores, which are typically housed in shopping malls and big box centers. Per Cushman &



Wakefield’s first quarter retail report, retail bankruptcies are on track to surpass the peak recorded during the great recession. Notable bankruptcies so far this year include Wet Seal, The Limited, Eastern Mountain Sports, BCBG, Max Azria, Vanity, HH Gregg, RadioShack, Payless Shoe Source, and Bebe. Expected additions to this list include Sears, Gymboree, Claire’s and Rue21, all shopping mall tenants.

Despite the proliferation of retail bankruptcies and store closures, there are retail categories that are actually expanding. Underscoring consumer value-orientation, the majority of the retail expansion is occurring in value retailers and off-price retail formats. Examples of retailers adding new stores in 2017 include Dollar General with 1,000; TJ Maxx with 197; Ross Stores opening 90; and Forever 21 with 40. Other retailers announcing new store openings include Costco, Burlington Stores, Nordstrom Rack, and Target.

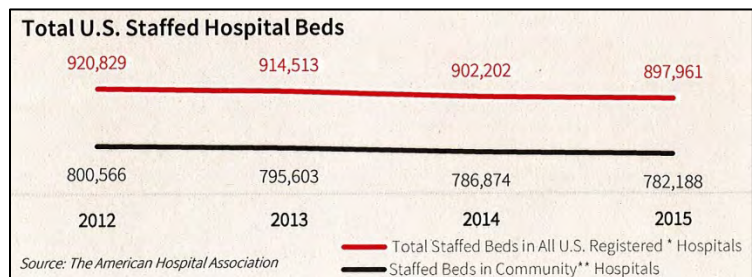


Since the recession, the retail format enjoying solid growth has been the restaurant and drinking establishments. Cushman & Wakefield noted the major restaurant chains have added 12,400 new locations annually since 2011 and overall, restaurants, in general, have added well over 24,000 new locations annually. However, the growth has slowed with market saturation starting to be a concern

In summary, Cushman & Wakefield stated, *“The lion’s share of consolidation in retail will continue to be focused on mid-tier, large publicly traded chains (particularly in the apparel and department store categories) that will disproportionately impact Class B and C mall space as opposed to non-mall shopping centers. Class A neighborhood/community centers should continue to see steady tenant demand.”*

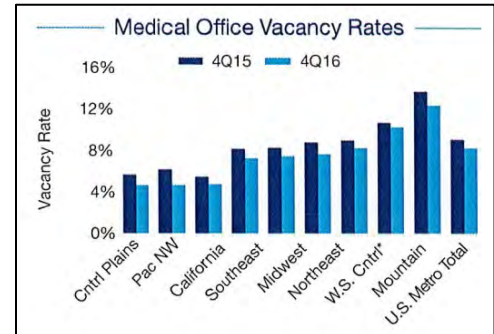
HEALTHCARE

Repeal of the Affordable Care Act (“ACA”), also known as Obamacare, dominated healthcare headlines during the quarter. Despite the Trump Administration’s push, ACA withstood outright repeal. A positive outcome of ACA has been adding more people into the healthcare system. Despite the ACA’s positive influence on the growth



of the healthcare system, the long-term demographics of aging baby boomers has and will have a larger impact on healthcare demand, more so than any regulatory considerations. CBRE estimates employment in healthcare services to increase 1.7% in 2017, which it notes as being highly correlated to the growth in the aging population.

The healthcare industry continues to undergo consolidation among the major healthcare systems as they reach for operating efficiencies and scale. Healthcare systems continue to acquire physician and specialty practice groups, while smaller physician groups are combining practices to be competitive. The consolidation movement has had an impact on the contraction of the number of hospital beds. As reported by the American Hospital Association, the number of hospital beds is steadily declining as the mix of healthcare services is being shifted from the main hospital out to surgery and ambulatory care centers. The drive to outpatient care is being influenced by both Medicare and private insurance companies pressuring healthcare providers to rein in costs.

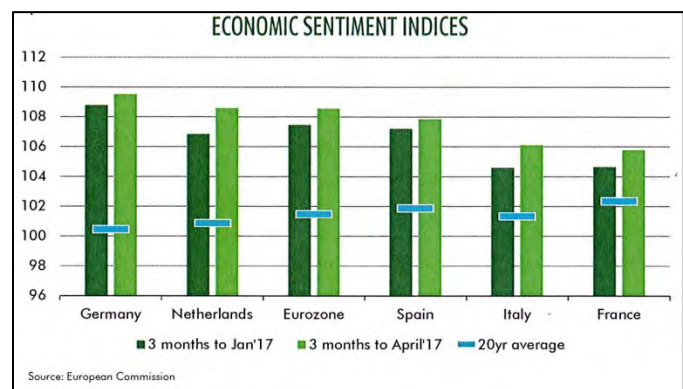


SCERS' commitment to Hammes Partners II ("Hammes"), an on-campus ambulatory and acute care manager, is capitalizing on the healthcare industry's movement to outpatient healthcare delivery.

- Hammes period returns versus the benchmark:
 - Quarter: 2.4% versus 1.8%.
 - 1-Year: 9.6% versus 8.4%.
 - FYTD: 5.9% versus 6.1%.

EUROPE

Despite the political turmoil swirling around in Europe, the European Commission's Economic Sentiment Index continues to show strong consumer confidence across Europe. Consumer confidence levels are well above historic levels, with Germany particularly strong. There was considerable uncertainty going into 2017, with the Dutch elections, Brexit process, and French election all occurring in the first quarter. However, the European Central Bank

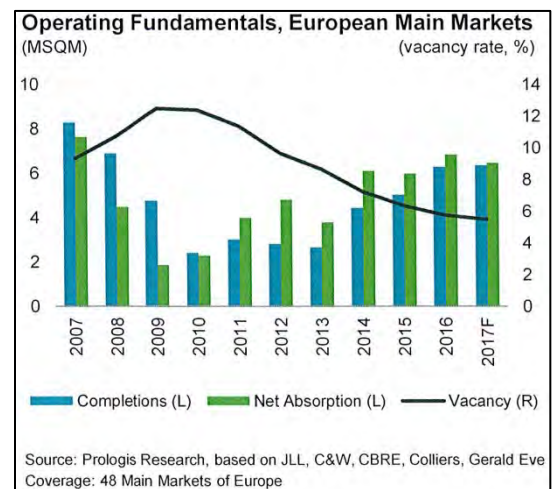


provided guidance that it would take a measured approach to any rate increase, which eased the market. Despite the political drama during the quarter, Euro Zone GDP was up from the prior quarter, a definitive upward trend, which prompted Oxford Economics to revise their full-year GDP growth expectations up to 2.0% from 1.8%. Most research groups are reporting signs of broad-based growth in GDP across Europe despite political headwinds expected out of France, Germany, and Italy. Illustrative of positive trends coming out of Europe, the Euro Zone purchasing manager's indices ("PMI") is at its highest level since 2011, with the PMI of the four largest countries (Germany, France, Spain, and Italy) ranging from 54 to 57, where readings above 50 are an indication of expansion.

Because of the solid economic fundamentals in Europe, global real estate investors remain focused on investment opportunities in the Euro Zone countries. According to JLL, the first quarter investment volume pace was exceeding the pace of 2016, with European transaction activity for the quarter up 3.0% over the prior quarter. Including the UK, JLL found investment volumes in the region were up 8.0% year-over-year.

Prologis Targeted Europe Logistics' first quarter Investor report highlighted conditions in the European logistics market:

“Logistics real estate fundamentals continue to strengthen. During the past five years, vacancy rates have halved in Europe’s main markets to a new record low of 5.5% in Q1, based on data from CBRE, JLL, Cushman & Wakefield, and Gerald Eve. While developers returned to the market delivering 22 MSQM in the last five years in Europe’s main markets and grown the market by 17%, demand has been even stronger (+24%, 28 MSQM). Driving the demand is the broadening of positive customer sentiment across the continent. As availability becomes increasingly scarce, rental growth is picking up in more markets and is set to become an important driver of value growth in the years ahead.”



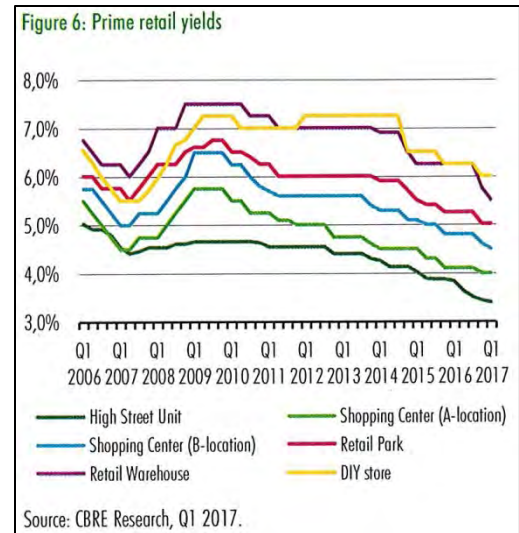
SCERS' commitment with Prologis Targeted Europe Logistics Fund, LP ("PTELF") has been a strategic investment in Europe. PTELF is one of the world's largest specialist logistics managers targeting Europe, including the UK.

- Prologis Targeted Europe Logistics period returns:
 - Quarter: 3.2% in US dollars but 1.9% in Euros versus 1.5% US benchmark return.
 - 1-Year: 0.3% in US dollars but 7.2% in Euros versus 7.4% US benchmark return.
 - FYTD: 1.4% in US dollars but 5.7% in Euros versus 5.3% US benchmark return.

GERMANY

Outsized investor demand for German real estate pushed first quarter transaction volume to a record level. According to CBRE, total German investment transactions for the quarter exceeded the first quarter of 2016 by 45%, with office recording the highest transaction amount and retail the largest percentage increase. The office sector represented 58% of transaction activity and on a volume basis was up 42%. Investor demand for retail property type was second to the office sector at 24% of transactions and on a volume basis was up the largest at 144%.

CBRE reported that the retail sector is experiencing a historical start to the year in terms of investor demand. Investor demand has been so keen and, along with a shortage of available properties, retail cap rates compressed further. CBRE found the core urban retail centers are commanding an average cap rate of an unbelievably low 3.4%, with the top submarket, Munich, achieving an even lower rate at 3.1%. Because of Germany's strong economy, rising wages, and strong job growth, investors find Germany a safe investment market. CBRE is expecting that outsize investor demand and political uncertainty globally will likely see transaction volumes in Germany reach another record in 2017. An interesting statistic reported by Savills Germany highlighted that risk-averse investors are focused on just three countries, the US, UK, and Germany. These three countries accounted for two-thirds of worldwide transaction volume in 2016, and Savills believes Germany will remain a highly sought after market in 2017.



Commentary in ECE European Prime Shopping Center's first quarter report highlighted conditions occurring in the German retail market:

“Due to the size of the country and its spending power, Germany remains a highly sought after destination for retailers and investors alike. Demand from international retailers seeking good market entry opportunities remains high, notably from operators in the food and beverage sector. This demand is projected to keep rents in prime shopping centres stable, despite leasing processes often taking longer than in the past. Retail transaction volumes amounted to EUR 2.4 million in Q1 2017, a 33% increase to Q1 2016, however, was driven by alternate retail classes i.e. retail parks and supermarkets given the limited offering of prime shopping centres on the market. Increased demand to secure retail product has resulted in further yield compression across various retail asset classes in both prime and secondary cities, with prime shopping centre yields compressing 20 bps to 3.7% in Q1 2017 according to Cushman & Wakefield.”

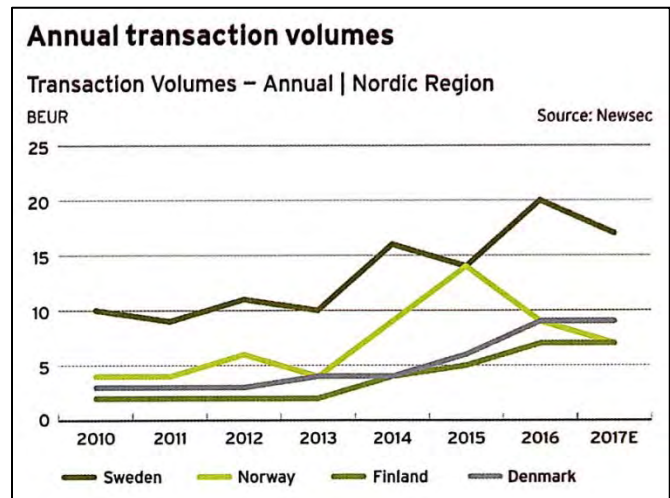
SCERS' commitment with ECE European Prime Shopping Center Fund II (“ECE”) has been a strategic investment in Europe. ECE targets prime shopping malls and retail centers primarily in Germany, Austria, and Central Eastern Europe.

- ECE European Prime Shopping Center period returns versus the US benchmark:
 - Quarter: 4.0% in US dollars but 2.6% in Euros versus 1.8%.
 - 1-Year: 17.6% in US dollars but 25.3% in Euros versus 8.4%.
 - FYTD: 22.3% in US dollars but 21.2% in Euros versus 6.1%.

NORDICS

In the Nordics, after achieving the second highest transaction volume in 2016, first quarter transaction activity has not slowed; volume was up 12% over the prior quarter and up 56% over the five-year average. Once more, Sweden dominates investor interest with 42% of transaction activity, according to CBRE. Following Sweden are Norway, Denmark, and Finland share of transaction volumes of 26%, 19%, and 13%, respectively.

During the quarter, the Nordic office sector garnered a majority of investor transactions at 34%, again a preferred property sector, particularly in Sweden. Property-type preference did vary in each of the Nordic countries, in Denmark, 45% of transactions were for residential properties; retail properties dominated transactions in Finland at 42%; Norway office recorded a 60% share of transactions; while the office sector made up 30% of Swedish transactions. Despite the high demand for Nordic real estate, overall cap rates are flattening out, except for core logistics properties, which recorded a further cap rate compression.



SCERS' investment in NREP Nordic Strategies Fund, FCP-FIS ("NREP I") and NREP Nordic Strategies Fund II, SCSp ("NREP II") has been a strategic investment in the Nordic region. NREP targets residential, retail, and logistics properties across the Nordic region.

- NREP I and NREP II period returns versus the US benchmark:
 - Quarter: 4.8% and 5.9%, respectively in US dollars but 3.5% and 4.6%, respectively in Euros versus 1.8%.
 - 1-Year: 17.3% in US dollars but 25.8% in Euros (NREP II has not completed a year) versus 8.4%.
 - FYTD: 14.4% and 3.9%, respectively in US dollars but 19.6% and 7.4%, respectively in Euros versus 6.1%.

ATTACHMENT

Townsend's Real Estate Portfolio Performance Measurement Report for First Quarter 2017

Prepared by:

JR Pearce
Investment Officer

Reviewed by:

Steve Davis
Chief Investment Officer

Annette St. Urbain
Interim Chief Executive Officer



TOWNSEND
GROUP

Real Estate Portfolio

Performance Measurement Report

FIRST QUARTER 2017



SCERS Real Estate Portfolio Overview

- The Sacramento County Employees' Retirement System ("SCERS") places Real Estate within its Real Asset, Opportunities and Equity allocations. Core Real Estate is included within the SCERS Real Asset allocation, while Real Estate Investment Trusts ("REITs") and Non-Core Real Estate are included within the Equity and Opportunities allocations, respectively. However, Staff continues to evaluate the placement of Real Estate within the Total Plan. This report will focus on the SCERS Core Portfolio, with performance for Non-Core Real Estate and REITs provided as reference.
- SCERS targets 7.0% to Core Real Estate with an allowable range of 4.0% to 9.0%. As of the end of the 1st quarter, 2017 (the "Quarter"), the Core Portfolio is below target at 6.4% of the Total Plan but well within the allowable range. Including the remaining unfunded commitments to the Townsend Real Estate Fund ("TREF", \$11.6 million) SCERS will have a 6.5% exposure to Core Real Estate. Recent capital projections have indicated exposure to Core is expected to approach the lower end of the permissible range over the next few years, assuming no new commitments and projected sales from the separate account portfolio.
- 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-four Core open-end commingled funds invested across the United States. The SCERS Core Portfolio outperformed the NFI-ODCE over all time periods with exception of the three and five year time period. Rationale is detailed on slides 6 and 7.
- Townsend and Staff continue to evaluate and underwrite Non-Core opportunities in Asia, Europe and the United States.
- The loan-to-value ratio of the Core Portfolio was 30.1% at the end of the First Quarter of 2017, below the 40.0% leverage constraint for Core as approved by the Board. This level is above the loan-to-value ratio of the NFI-ODCE, which was 21.7% as of the First Quarter. The Non-Core Portfolio reported a loan-to-value ratio of 42.4%.

Portfolio Funding Status

- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the “Portfolio”) through March 31, 2017.
- A detailed performance report is also provided in **Exhibit A**.
- Figures exclude commitments / redemptions / dispositions approved subsequent to Quarter-end.

SCERS Portfolio Snapshot <i>As of March 31, 2017</i>	Market Value (in millions of dollars)*	% of SCERS Plan
SCERS Total Plan Assets	8,361	100.0%
Private Portfolio Target	585	7.0%
Private Real Estate		
Core Portfolio	534	6.4%
Non-Core Portfolio	178	2.1%
Total SCERS Private Real Estate Market Value	712	8.5%
Total SCERS Private Real Estate Unfunded Commitments	142	1.7%
Public Real Estate		
REIT Portfolio	197	2.4%
Total SCERS Real Estate Value	909	10.9%

Also note that the exposure to Core Real Estate will reduce further as result of planned disposition activity in the separate accounts. To offset the disposition of core assets, an additional commitment of \$20 million to Townsend Real Estate Fund has been approved. During the Quarter, Townsend Real Estate Fund called \$11.7 million; there is \$11.5 million worth of unfunded commitment remaining which is expected to be called before year end.

* Figures may not add due to rounding.

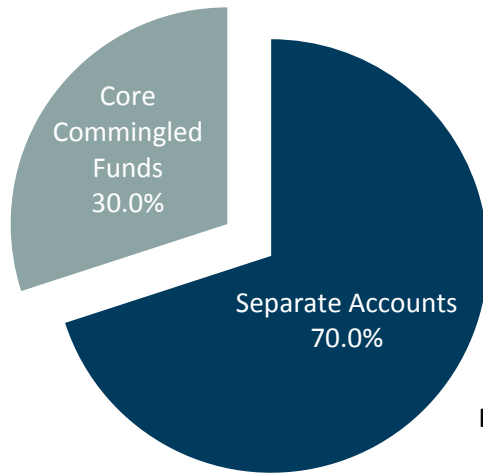
Real Estate Portfolio Composition

Core Portfolio

- The SCERS Core Portfolio represents 6.4% of the Total Plan which is well within the established range of 4.0% to 9.0%. Separate Account and Open-End Core Commingled Fund exposure was in line with established guidelines during the Quarter, as displayed below.
 - Core Commingled Fund exposure increased during the Quarter following a capital call of \$11.7 million by Townsend Real Estate Fund and, going forward, an additional commitment of \$11.6 million to TREF will increase core commingled fund exposure.
 - During the Quarter, Separate Account exposure decreased relative to commingled funds and is expected to decline further with projected asset sales. Portfolio exposure to Core Real Estate (and Separate Accounts) is expected to reduce further.

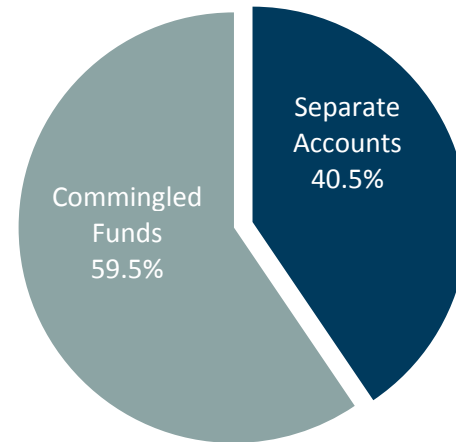
Target Allocation by Vehicle

Range: 0.0% - 60.0%



Range: 40.0% - 100.0%

Fund Allocation By Vehicle

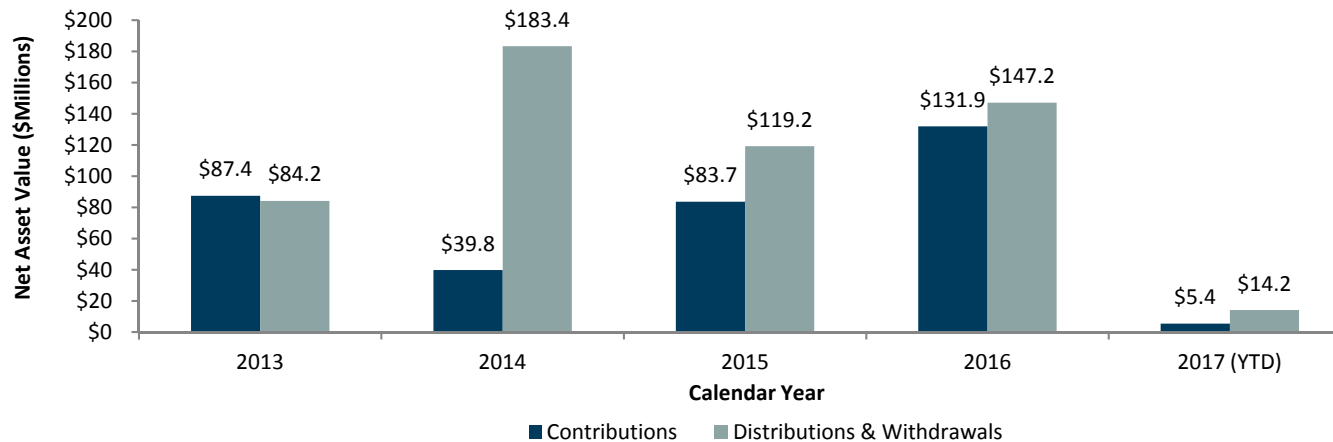


Real Estate Portfolio Composition

Core Portfolio

- Since 2014, SCERS has been a net seller of Core Real Estate. The chart below depicts the aggregate in-flows (contributions) and out-flows (distributions & withdrawals)* for the Core Portfolio in calendar years 2013, 2014, 2015, 2016, and 2017 (YTD). Each of the actions below were part of the Core Rebalancing Program, which was implemented to improve the quality of the SCERS Core Program, and reposition the Portfolio toward investments focused on strong net operating income growth.

	2013	2014	2015	2016	2017 (YTD)
Acquisitions	<ul style="list-style-type: none"> Prime Property Fund MetLife Core Property Fund 	<ul style="list-style-type: none"> Jamestown Premier Property Fund Refinancing of Lake Washington Park (now unlevered) 	<ul style="list-style-type: none"> Prologis USTLF Prologis ETLF Principal US Property Account Townsend Real Estate Fund ("TREF") 	<ul style="list-style-type: none"> Townsend Real Estate Fund Re-Up 	<ul style="list-style-type: none"> N/A
Dispositions	<ul style="list-style-type: none"> BlackRock Granite Fund (Full Redemption) 	<ul style="list-style-type: none"> Cornerstone Patriot Fund (Partial Redemption) Salt Pond Fontana Industrial Dupont 	<ul style="list-style-type: none"> Cornerstone Patriot Fund (Remaining Investment Redemption) Weston, Inc. 	<ul style="list-style-type: none"> Gateway Corporate Center Flying Cloud Forest Pointe Stonefield Apartments 	<ul style="list-style-type: none"> N/A



* Note that contributions, distributions and withdrawals will not only represent acquisitions and dispositions, but also income, refinancing activity and fees (where appropriate for accurate calculation of net asset values based on cash flows).



Real Estate Portfolio Composition (continued)

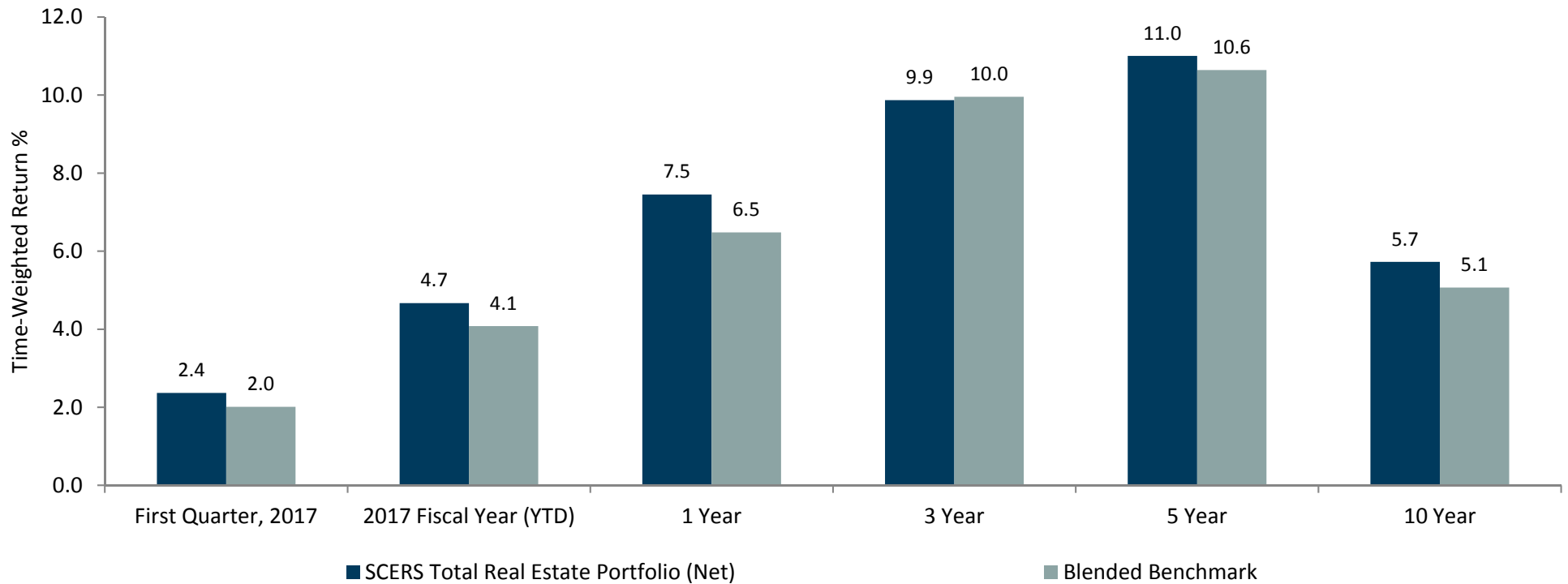
Non-Core Portfolio

- Non-Core Real Estate includes both Value Add and Opportunistic Real Estate strategies and is included in the SCERS Opportunities allocation with an allowable range of 0.0% to 5.0%. As of the First Quarter, the Non-Core Real Estate Portfolio was well within its established range, representing 2.1% of the Total Plan. Including all approved unfunded commitments through March 31, SCERS has an aggregate exposure of 3.7% to Non-Core opportunities.
- Non-Core Real Estate includes investments that take on additional risk in order to achieve higher returns. Typical sources of risk are: development, re-development, rehabilitation, land investing, operating company investing, international exposure, debt investments, distressed properties and high leverage (unlimited).
- Within the Opportunistic Portfolio, the BlackRock High Return Separate account recently made its first acquisition, Block 295. Block 295 is a joint venture with Cairn Pacific and Capstone Partners to redevelop and deliver a 4-story Class A building in Portland, Oregon. Third Quarter 2016 was the first full period of performance reported for Block 295.
- Based on discussions with managers, near-term liquidations are expected as the following funds wind-down: AEW Value Investors Fund II (2017), Hines U.S. Office Value Added Fund II (2017), and Allegis Value Trust Fund II (2018).
- Townsend and Staff continue to review Non-Core opportunities in Asia, Europe and the United States.

REIT Portfolio

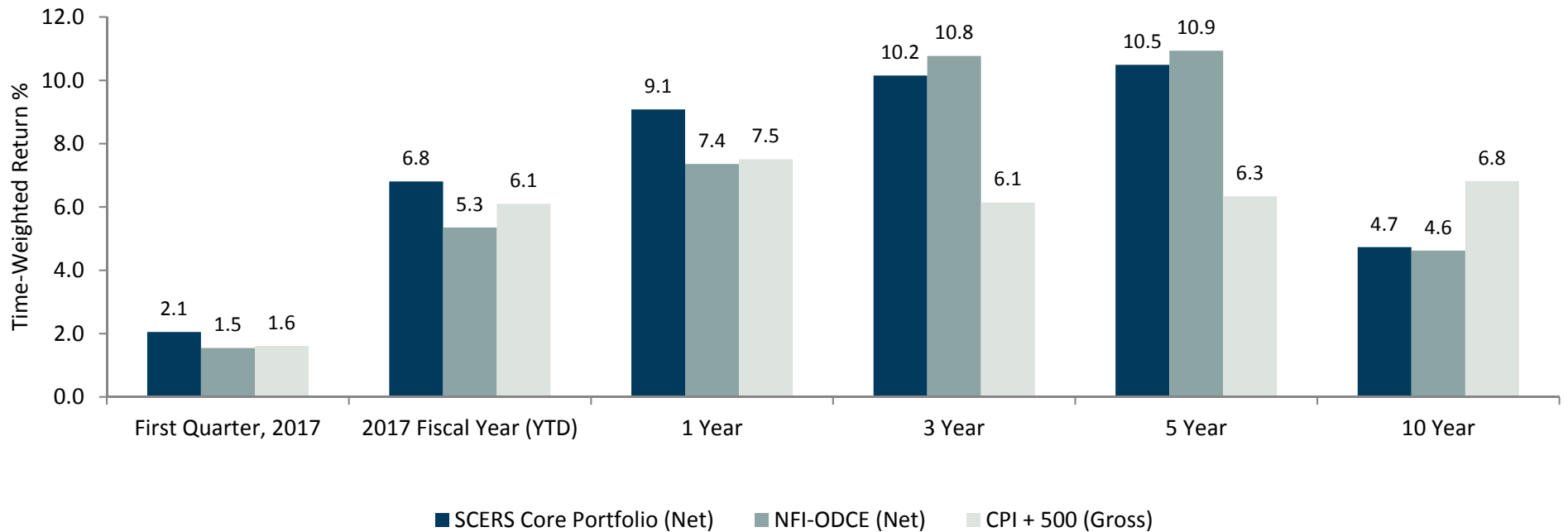
- REITs are included within the SCERS Equity allocation with a target of 2.25%. As of the First Quarter, the REIT Portfolio represented 2.4% of the Total Plan, in line with the long-term target.
- REITs represent diversified non-control investments in real estate investment trusts or real estate operating companies.
- SCERS currently invests in two REITs – CBRE Clarion International Real Estate Securities Strategy and CenterSquare REIT.
- Note that SCERS reduced its target allocation to REITs from 5.00% to 2.25% in 2013. In the Second Quarter of 2013, SCERS redeemed in full from the Principal REIT in order to rebalance the Portfolio to its established target.

Total Real Estate Portfolio Performance



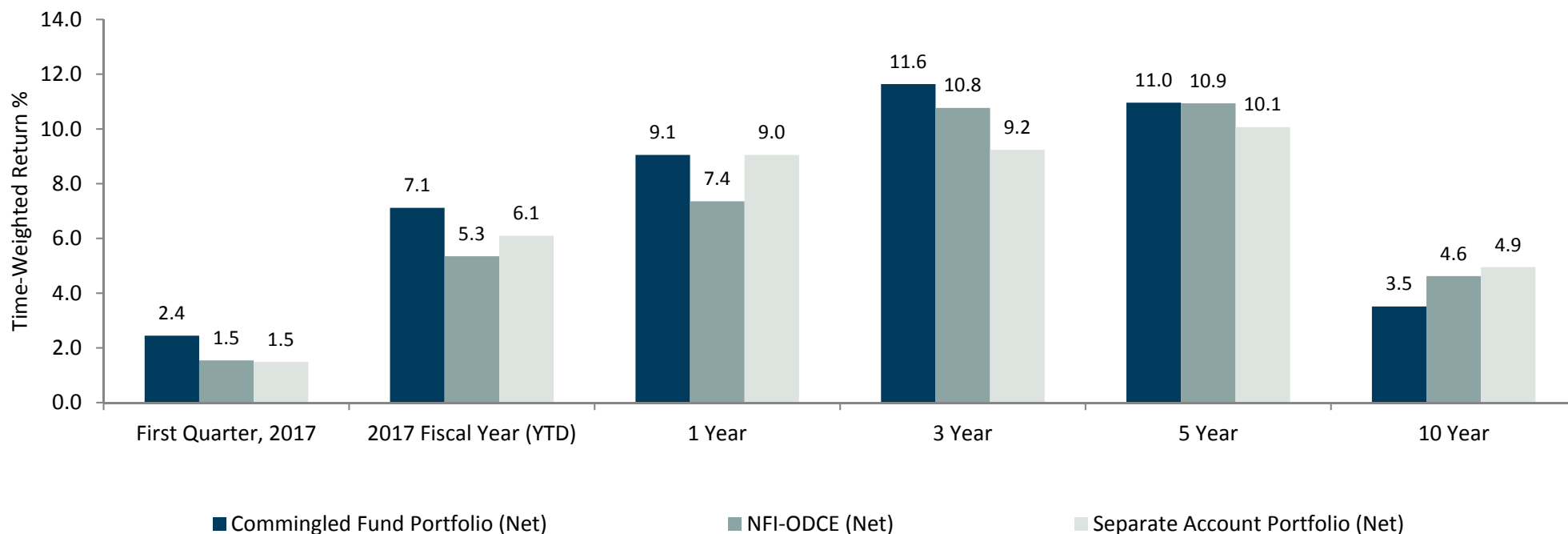
- The SCERS Total Real Estate Portfolio includes: (1) Core Real Estate, (2) Non-Core Real Estate and (3) Public Securities or REITs.
- The SCERS Blended Benchmark is comprised of the NFI-ODCE (Core Benchmark, net), NFI-ODCE + 100bps (Non-Core Benchmark, net), FTSE EPRA NAREIT Index (Domestic REITs Benchmark, gross) and FTSE EPRA / NAREIT Global Ex-US REIT Index (Global REITs Benchmark, gross) weighted by the quarterly average invested capital of each subset.
- On a net of fee basis, the SCERS Total Real Estate Portfolio performed in line with or above the blended benchmark for all periods.
 - Medium-term performance was impacted by drag attributed to write-downs on liquidating separate account assets.
 - REIT strategies have not been accretive relative to their benchmark over the one-year period.

Core Portfolio Performance



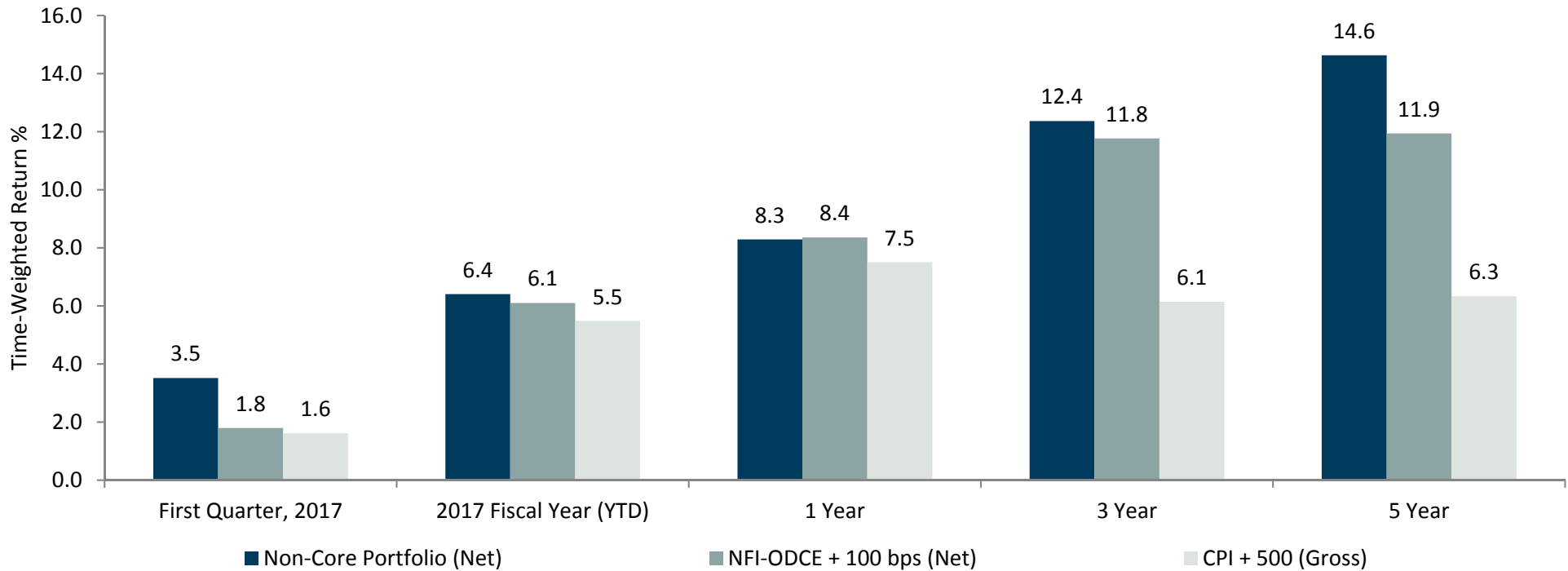
- The SCERS Core Portfolio consists of two Core Separate Accounts, managed by BlackRock and Cornerstone, and seven open-end Core Commingled funds. The Core Commingled Fund exposure includes Morgan Stanley’s Prime Property Fund, MetLife Core Property Fund, Jamestown Premier Property Fund, Principal U.S. Property Account, Prologis Targeted U.S. Logistics Fund, Prologis Targeted European Logistics Fund, and Townsend Real Estate 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 the short-term (Quarter, Fiscal Year, and one-year time periods) but underperformed over the medium term. Long-term, including the 10 year and since inception periods, the portfolio has slightly outperformed the NFI-ODCE net of fees.
- Underperformance over the three-year period is attributable to the write-downs in the SCERS Separate Accounts, specifically for assets being sold that did not command the prior carrying value (Flying Cloud / Cornerstone Separate Account and Stonefield Apartments / Blackrock Separate Account). Longer term underperformance is detailed on the following slide.
- The SCERS Core Portfolio outperformed the CPI + 500 bps (the SCERS Real Asset benchmark), with the exception of the ten-year and since inception time periods (since inception returns not displayed).

Core Portfolio Performance By Vehicle



- Commingled Funds outperformed the NFI-ODCE over the Quarter, Fiscal, one-year, three-year, five-year and since inception time periods (not displayed) but underperformed over ten-year time period. Performance over the Quarter was mostly driven by Prologis Targeted US Logistics Fund and Prologis Targeted Europe Logistics Fund, both of which outperformed the NFI-ODCE by 240Bps and 170Bps, respectively. Commingled Fund outperformance over the one-year time period is attributable to recent investments in Prologis Targeted U.S. Logistics Fund, Prime Property Fund, MetLife Core Property Fund, Jamestown Premier Property Fund and Townsend Real Estate Fund.
- Longer term underperformance is primarily attributable to the inclusion of the BlackRock Granite Property Fund in historical returns (as a result, SCERS redeemed capital in the third quarter of 2013). Furthermore, the Cornerstone Patriot Fund underperformed the index over all time periods with the exception of the ten-year time period, due to lower leverage and occupancy levels relative to the benchmark. As a result, and also as part of the overall rebalancing plan for the Core Commingled Fund Portfolio, a partial redemption was made from Cornerstone Patriot Fund in 2014 followed by a full redemption in 2015.
- Separate Account performance has suffered as a result of recent sales activity, where sale prices trailed carrying value. The decision to liquidate was made in recognition of core pricing reaching a perceived cyclical peak and in tandem with efforts to rebalance the core portfolio with commingled funds.

Non-Core Portfolio Performance

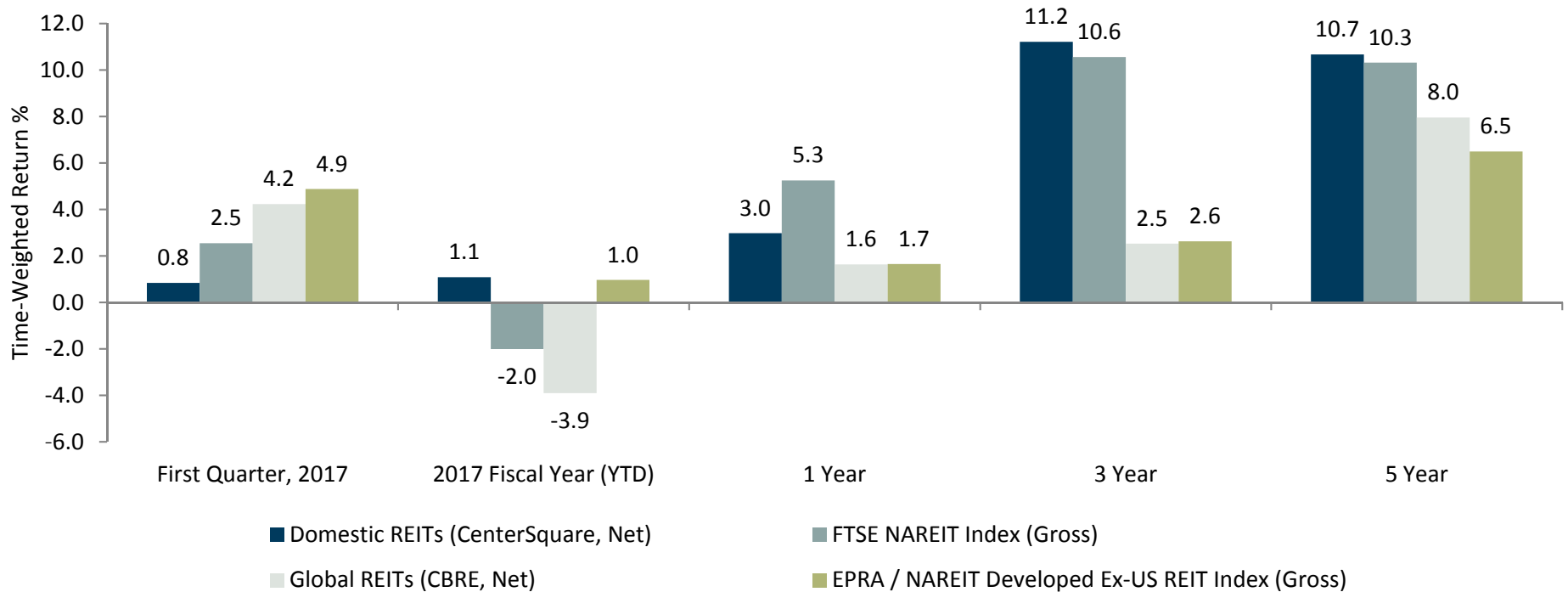


- The SCERS Non-Core Portfolio includes both Value Add and Opportunistic Real Estate strategies, which are defined in the Glossary of Terms. As displayed above, the SCERS Non-Core Portfolio outperformed the NFI-ODCE + 100 basis points over the Quarter, Fiscal, three-year and five-year periods; Non-Core strategies underperformed the benchmark over the one-year time periods.
- Underperformance over the shorter time periods is attributable to Value Add and Opportunistic strategies.
 - The following Value Add funds have underperformed relative to the NFI-ODCE + 100bps (Net) over the trailing one-year period: DRC European Real Estate Debt Fund II and Allegis Value Trust.
 - The following Opportunistic funds have underperformed relative to the NFI-ODCE + 100bps (Net) over the trailing one-year period: CIM VIII and KKR Real Estate Partners Americas.
- Over a trailing one-year period, ECE European Prime Shopping Centre Fund II, NREP Nordic Strategies Fund and Och-Ziff Real Estate Fund III have been particularly accretive the portfolio returning 17.6%, 17.3% and 22.5% on a net basis, respectively.
- Outperformance over the longer time periods is attributable to liquidated opportunistic strategies managed by PIMCO. The five-year number also reflects a reset of market values for underperforming legacy investments following the global financial crisis.

**EX-US funds produced the following 1Q17 net returns in local currency: DRC European Real Estate Debt Fund II (Pound Sterling) 2.0%, ECE European Prime Shopping Center Fund II (Euro) 2.6%, NREP Nordic Strategies Fund (Euro) 3.5%, and NREP Nordic Strategies Fund II (Euro) 4.6%*

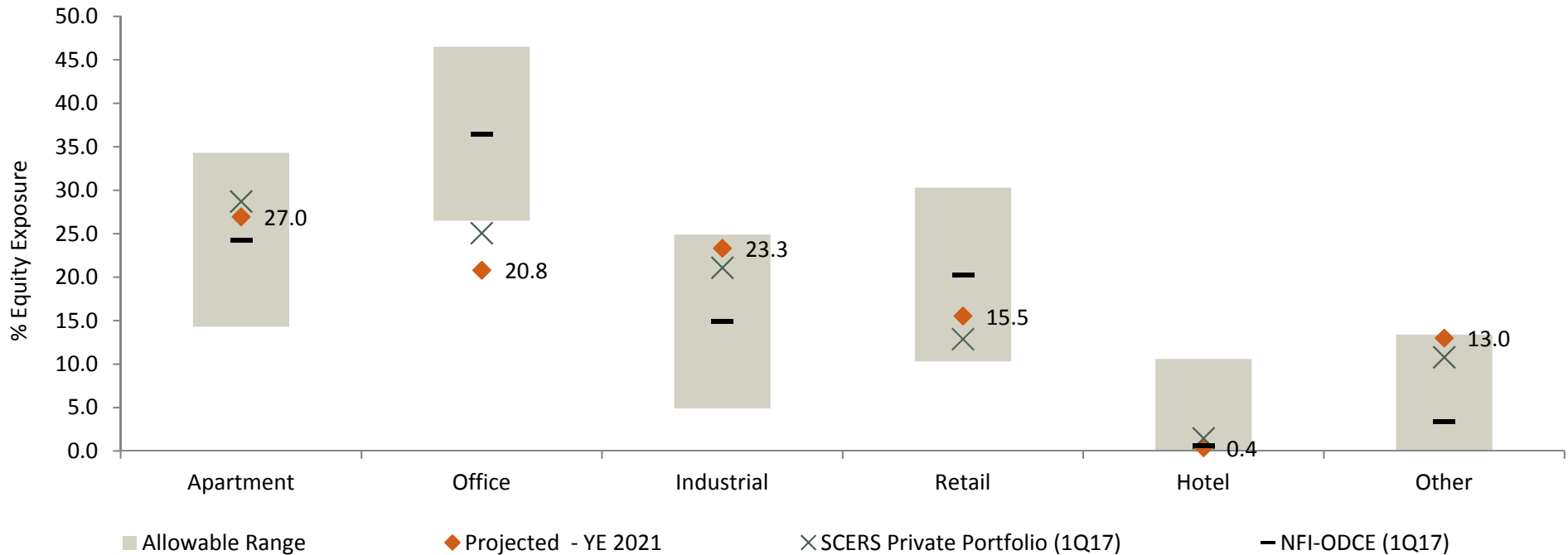


Public Portfolio Performance



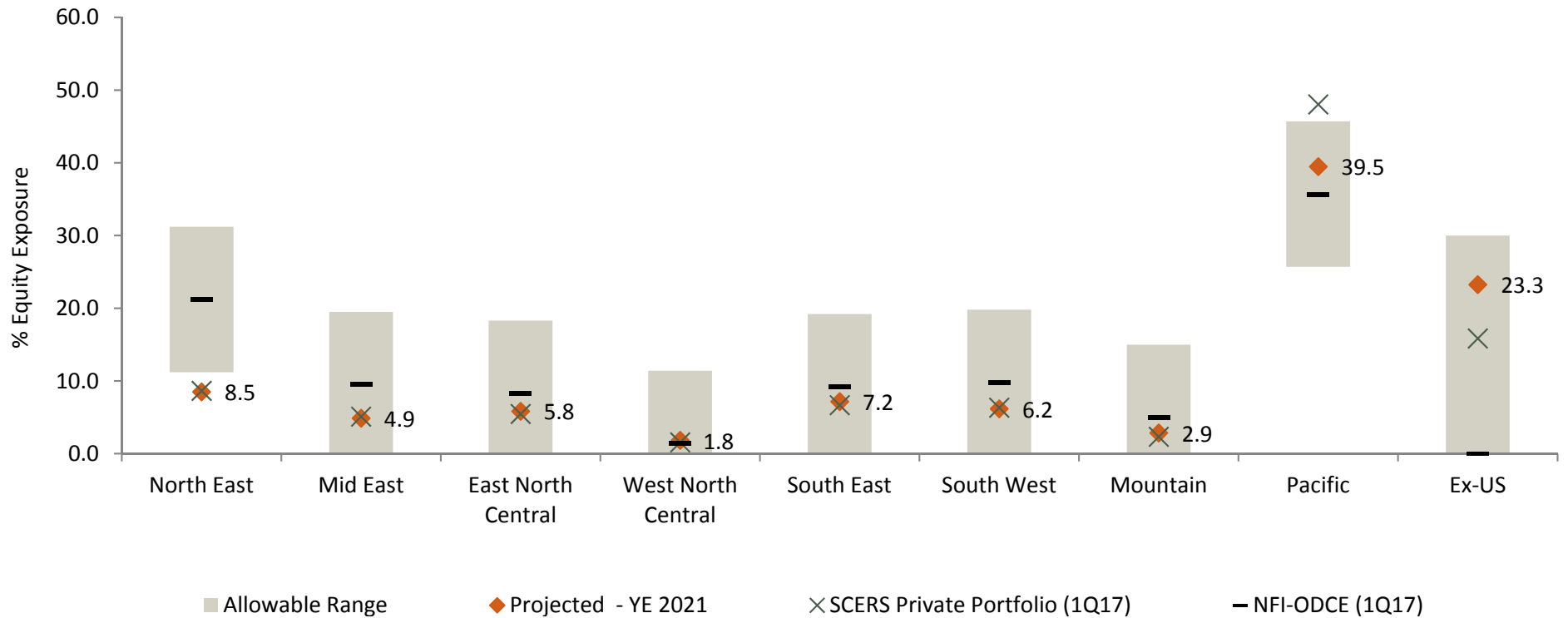
- The SCERS Public Portfolio consists of two Real Estate Investment Trusts (“REITs”) managed by CBRE and CenterSquare (previously Urdang). REITs are included within the SCERS Equities Portfolio (also small cap US equities, international equities and emerging markets).
- CenterSquare manages a domestic REIT, while CBRE manages a global program. Public benchmarks by strategy are provided below:
 - Domestic REITs:* FTSE EPRA NAREIT Index
 - Global REITs:* FTSE EPRA / NAREIT Global Ex-US REIT Index
- The SCERS Domestic REIT, CenterSquare, outperformed its benchmark (FTSE EPRA NAREIT Index) over the Fiscal, three and five-year time periods, but underperformed over the Quarter and one-year time period.
- The SCERS Global REIT, CBRE, underperformed its benchmark (FTSE EPRA/NAREIT Global Ex-US REIT Index) over the Quarter, Fiscal, one and three-year time periods, but outperformed five-year time period.

Real Estate Private Portfolio Diversification – Property Type



- 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 property type. 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 Private Portfolio was in compliance across all property types with the exception of the Office.
- Favorable views on the industrial property type fundamentals support increasing exposure in today's environment. SCERS made a \$70 million commitment in 2014 to the industrial space (in both the US and Europe), which has been completed called as of 4Q16. Going forward, exposure to logistics assets will increase as capital is called by Carlyle for the Project Rome co-invest and Carlyle Realty Fund.
- Office strategies should be considered going forward given the current underweight to the property type and no real projected change to exposure through year-end 2021
- The "Other" property type exposure represents Och-Ziff Real Estate Fund III (parking, senior housing and cell towers), KKR Real Estate Partners Americas (senior housing), CIM Fund VIII (condominiums), Hammes Partners II (medical office), Jamestown Premier Property Fund (signage – One Times Square), Townsend Real Estate Fund (senior and student housing) and Prime Property Fund (self storage).

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 30% of the Total Private Portfolio.
- As of the First Quarter, the Private Portfolio was in breach of compliance with an overweight exposure to the Pacific region and underweight exposure to the North East.
- Tactical overweight/underweight positions may exist over time.
- The Private Portfolio's international exposure is 15.6%, well within its 30% constraint, but will increase as KKR Real Estate Partners Americas, Och-Ziff Real Estate Fund III, NREP Nordic Strategies Fund I and II, and ECE European Prime Shopping Centre Fund II continue to call capital and purchase assets in Europe. Though well diversified by country, 100% of the SCERS Ex-US exposure lies in European holdings.
- During the Quarter, SCERS committed to Carlyle China Realty (\$10m) and Project Rome co-invest (\$20m) which will increase Ex-US exposure and diversify international exposure as both investments are 100% China.

Exhibit A: Performance Flash Report



Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
8,361,055,329	Core	7.0%	534,026,319	6.4%	11,901,061	0.1%	39,346,493	0.5%
	Non-Core	0.00% - 5.00%	177,809,088	2.1%	129,981,084	1.6%	-119,666,427	-1.4%
	REITs	2.25%	196,759,228	2.4%	0	0.0%	-8,635,483	-0.1%
	Total	11.5%	908,594,635	10.9%	141,882,145	1.7%	-88,955,417	-1.1%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	2.3	2.1	10.4	9.1	11.7	10.2	11.8	10.5
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	4.1	3.5	10.7	8.3	15.8	12.4	18.4	14.6
REIT Portfolio	2.3	2.2	2.7	2.4	7.7	7.4	10.4	10.1
Total Portfolio	2.7	2.4	8.7	7.5	11.4	9.9	12.4	11.0
NFI-ODCE (Core)	1.8	1.5	8.3	7.4	11.8	10.8	12.0	10.9
NFI-ODCE + 100 bps (Non-Core)	2.0	1.8	9.3	8.4	12.8	11.8	13.0	11.9
FTSE EPRA/NAREIT Developed ex US Index (Global REITs)	4.9		1.7		2.6		6.5	
FTSE NAREIT Index (Domestic REITs)	2.5		5.3		10.6		10.3	

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Core Commingled Funds								
Jamestown Premier Property Fund	2014	15,000,000	18,397,129	335,573	5,246,444	19,250,485	2.1	1.9
MetLife Core Property Fund	2013	35,000,000	40,570,982	0	6,114,096	52,000,266	5.7	5.0
Prime Property Fund	2013	35,000,000	40,875,944	0	5,875,944	52,320,569	5.8	5.0
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	39,940,709	4.4	3.8
Prologis Targeted Europe Logistics Fund	2015	30,086,929	31,392,181	0	2,195,275	30,189,786	3.3	2.9
Prologis Targeted U.S. Logistics Fund	2015	35,000,000	35,000,000	0	1,836,095	40,023,646	4.4	3.8
Townsend Real Estate Fund, L.P.	2016	90,000,000	80,122,370	11,565,488	1,687,857	83,900,940	9.2	9.1
Core Commingled Funds	1986	275,086,929	281,358,606	11,901,061	22,955,711	317,626,401	35.0	31.4
Core Separate Accounts								
BlackRock Core Separate Account	1995	827,665,272	827,665,272	0	1,036,091,576	148,604,863	16.4	14.1
BlackRock Separate Account (PM Realty Takeover)	2002	150,601,481	150,601,481	0	214,718,606	1,641,473	0.2	0.2
Cornerstone Separate Account	2004	254,951,419	254,951,419	0	268,946,831	66,153,582	7.3	6.3
Core Separate Accounts	1996	1,233,218,172	1,233,218,172	0	1,519,757,013	216,399,918	23.8	25.9
<i>Total BlackRock Separate Account</i>	<i>1996</i>	<i>995,266,753</i>	<i>995,273,925</i>	<i>0</i>	<i>1,250,810,182</i>	<i>168,254,676</i>	<i>16.5</i>	<i>14.3</i>
Total Core Portfolio	1986	1,508,305,101	1,514,576,778	11,901,061	1,542,712,724	534,026,319	58.8	57.2
Value Added Portfolio								
AEW Value Investors Fund II ¹	2007	21,812,596	21,857,719	0	27,467,576	337,612	0.0	0.0
Allegis Value Trust	2006	25,000,000	25,550,296	0	16,409,296	16,004,316	1.8	1.5
DRC European Real Estate Debt Fund II	2013	50,007,963	45,210,336	13,175,364	20,417,886	24,248,002	2.7	3.6
ECE European Prime Shopping Centre Fund II ¹	2015	33,611,623	7,866,449	25,466,897	1,216,334	9,020,730	1.0	3.3
Hammes Partners II ¹	2015	25,000,000	16,504,421	8,814,092	2,927,954	14,793,880	1.6	2.2
Hines US Office Value Added Fund II ¹	2007	25,000,000	24,382,964	846,154	16,880,164	744,761	0.1	0.2
NREP Nordic Strategies Fund	2014	25,130,756	21,924,715	1,049,547	7,957,989	25,105,605	2.8	2.5
NREP Nordic Strategies Fund II	2016	35,176,432	9,859,751	24,439,624	0	10,121,004	1.1	3.3
Value Added Portfolio	1986	240,739,370	173,156,651	73,791,678	93,277,199	100,375,910	11.0	16.6



Sacramento County Employees' Retirement System
First Quarter 2017

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Opportunistic Portfolio								
BlackRock High Return Separate Account	2016	17,000,000	17,007,172	0	0	18,008,340	2.0	1.7
CIM Fund VIII ¹	2015	35,000,000	23,773,988	13,419,792	857,764	26,099,589	2.9	3.8
KKR Real Estate Partners Americas ¹	2014	35,000,000	25,494,135	19,039,311	12,561,445	20,238,495	2.2	3.7
Och-Ziff Real Estate Fund III ¹	2014	35,000,000	12,061,577	23,730,303	1,697,664	13,086,754	1.4	3.5
Opportunistic Portfolio	1991	122,000,000	78,336,872	56,189,406	15,116,873	77,433,178	8.5	12.7
Private Portfolio	1986	1,871,044,471	1,766,070,301	141,882,145	1,651,106,796	711,835,407	8.7	7.5
Total Non-Core Portfolio 1Q 2007 Forward	2007	362,739,370	251,493,523	129,981,084	108,394,072	177,809,088	12.9	11.2
Public Portfolio								
CBRE Clarion International Real Estate Securities Strategy	2008	60,000,000	61,135,410	0	65,280,474	79,225,835	8.7	7.5
CenterSquare REIT (formerly Urdang)	2006	50,000,000	51,337,606	0	1,118,734	117,533,393	12.9	11.2
Public Portfolio	2006	110,000,000	112,473,016	0	66,399,208	196,759,228	21.7	18.7
Total Current Portfolio								
SCERS	1986	1,981,044,471	1,878,543,317	141,882,145	1,717,506,004	908,594,635	100.0	100.0

¹ Preliminary performance, subject to change.

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2017 (YTD)				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Core Commingled Funds																	
Jamestown Premier Property Fund	19,250,485	1.0	1.2	2.3	1.9	3.3	2.4	5.8	4.5	4.6	3.2	7.9	6.4	4.6	9.0	14.0	11.1
MetLife Core Property Fund	52,000,266	1.3	0.7	1.9	1.8	3.7	4.0	7.8	7.4	4.9	4.2	9.3	8.8	5.1	7.4	12.8	12.3
Prime Property Fund	52,320,569	1.0	1.2	2.2	1.9	3.2	4.3	7.6	6.7	4.3	5.9	10.4	9.3	4.4	9.0	13.7	12.4
Principal U.S. Property Account	39,940,709	1.2	0.9	2.1	1.9	3.6	3.6	7.3	6.6	4.9	4.9	10.0	9.0				
Prologis Targeted Europe Logistics Fund	30,189,786	1.5	2.1	3.6	3.2	4.3	-2.1	2.2	1.4	4.9	-3.7	1.1	0.3				
Prologis Targeted U.S. Logistics Fund	40,023,646	1.3	3.4	4.7	4.0	4.4	10.4	15.0	12.8	5.8	12.6	19.0	16.4				
Townsend Real Estate Fund, L.P.	83,900,940	1.3	1.4	2.7	2.6	3.6	4.2	7.9	7.7	4.5	6.5	11.3	11.0				
Core Commingled Funds	317,626,401	1.2	1.5	2.7	2.4	3.7	4.1	7.9	7.1	4.8	5.1	10.1	9.1	4.8	7.8	12.9	11.6
Core Separate Accounts																	
BlackRock Core Separate Account	148,604,863	1.5	0.3	1.7	1.5	3.9	2.8	6.8	5.7	5.2	5.4	10.8	8.8	5.2	8.5	14.0	11.6
BlackRock Separate Account (PM Realty Takeover)	1,641,473	1.5	-1.0	0.5	0.5	2.7	-9.0	-6.6	-6.8	4.1	-13.6	-10.0	-10.4	4.4	-6.7	-2.6	-3.2
Cornerstone Separate Account	66,153,582	1.1	0.7	1.8	1.6	3.6	7.8	11.5	11.0	4.8	11.2	16.4	15.6	5.5	4.1	9.7	8.9
Core Separate Accounts	216,399,918	1.4	0.4	1.7	1.5	3.8	3.5	7.4	6.5	5.0	5.4	10.6	9.0	5.2	5.5	10.9	9.2
<i>Total BlackRock Separate Account</i>	<i>168,254,676</i>	<i>1.3</i>	<i>0.6</i>	<i>1.9</i>	<i>1.6</i>	<i>3.5</i>	<i>2.4</i>	<i>5.9</i>	<i>5.0</i>	<i>4.7</i>	<i>3.7</i>	<i>8.5</i>	<i>6.8</i>	<i>5.0</i>	<i>6.7</i>	<i>11.9</i>	<i>9.8</i>
Total Core Portfolio	534,026,319	1.3	1.0	2.3	2.1	3.7	3.9	7.7	6.8	4.9	5.2	10.4	9.1	5.1	6.4	11.7	10.2
Value Added Portfolio																	
AEW Value Investors Fund II ^{1,2}	337,612																
Allegis Value Trust ¹	16,004,316	1.4	-0.3	1.1	1.0	4.3	-0.1	4.2	3.8	5.8	1.2	7.0	6.4	6.0	3.4	9.6	9.0
DRC European Real Estate Debt Fund II	24,248,002	2.3	1.6	3.9	3.6	7.3	-9.6	-2.7	-3.6	13.0	-16.1	-4.6	-5.7	10.2	-10.0	-0.4	-2.6
ECE European Prime Shopping Centre Fund II ¹	9,020,730	1.3	3.0	4.2	4.0	-0.4	23.4	22.9	22.3	-4.4	24.8	20.0	17.6				
Hammes Partners II	14,793,880	2.5	1.2	3.7	2.4	6.3	2.9	9.4	5.9	10.7	4.0	15.0	9.6				
Hines US Office Value Added Fund II ¹	744,761																
NREP Nordic Strategies Fund	25,105,605	2.3	2.7	5.0	4.8	7.4	7.4	15.1	14.4	10.7	7.1	18.4	17.3				
NREP Nordic Strategies Fund II	10,121,004	3.2	5.0	8.2	5.9	12.0	7.2	19.8	3.9								
Value Added Portfolio	100,375,910	2.1	1.8	3.9	3.4	6.1	1.3	7.4	5.6	9.1	0.3	9.4	6.9	8.4	6.4	15.3	13.0
Opportunistic Portfolio																	
BlackRock High Return Separate Account	18,008,340	0.0	3.5	3.5	3.5	-1.5	11.5	10.0	10.0								
CIM Fund VIII	26,099,589	-0.1	3.4	3.3	2.9	-0.2	5.5	5.2	3.8	0.7	9.6	10.3	8.1				
KKR Real Estate Partners Americas ²	20,238,495	0.0	4.0	4.0	2.8	13.3	-6.5	6.8	6.0	13.3	-3.7	10.0	8.1	9.3	3.7	13.5	9.1
Och-Ziff Real Estate Fund III ^{1,2}	13,086,754	2.7	5.5	8.2	7.2	6.7	13.9	21.2	17.1	9.4	18.1	28.8	22.5				
Opportunistic Portfolio	77,433,178	0.4	3.9	4.4	3.7	5.3	3.5	9.0	7.6	5.8	7.0	13.1	10.7	6.4	10.4	17.4	9.9
Total Non-Core Portfolio 1Q 2007 Forward	177,809,088	1.4	2.7	4.1	3.5	5.7	2.2	8.0	6.4	8.0	2.6	10.7	8.3	7.8	7.6	15.8	12.4
Private Portfolio	711,835,407	1.3	1.5	2.8	2.4	4.2	3.5	7.8	6.7	5.6	4.6	10.4	8.9	5.6	6.6	12.5	10.6



Sacramento County Employees' Retirement System

First Quarter 2017

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2017 (YTD)				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Public Portfolio																	
CBRE Clarion International Real Estate Securities Strategy	79,225,835	0.8	3.6	4.4	4.2	2.2	-1.1	1.1	0.8	3.1	-1.1	1.9	1.6	3.0	-0.2	2.8	2.5
CenterSquare REIT (formerly Urdang)	117,533,393	0.7	0.2	0.9	0.8	2.0	-5.9	-3.9	-4.1	2.9	0.4	3.3	3.0	3.8	7.6	11.5	11.2
Public Portfolio	196,759,228	0.7	1.6	2.3	2.2	2.1	-4.0	-2.0	-2.2	3.0	-0.2	2.7	2.4	3.4	4.2	7.7	7.4
Total Portfolio																	
SCERS	908,594,635	1.2	1.5	2.7	2.4	3.7	1.8	5.5	4.7	5.0	3.5	8.7	7.5	5.1	6.1	11.4	9.9
Ex-US Dollar Denominated Investments (In Local Currency)																	
Prologis Targeted Europe Logistics Fund (Euro)	€ 28,333,114	1.5	0.7	2.2	1.9	4.7	1.8	6.5	5.7	5.0	2.8	8.0	7.2				
DRC European Real Estate Debt Fund II (Pound Sterling)	£19,320,808	2.3	0.0	2.3	2.0	7.4	-4.5	2.8	1.9	13.0	-4.5	8.1	6.9	10.3	-1.3	8.9	6.6
ECE European Prime Shopping Centre Fund II (Euro) ⁴	€ 8,465,955	1.3	1.6	2.9	2.6	-6.0	29.6	23.1	21.2	-4.8	32.9	27.8	25.3				
NREP Nordic Strategies Fund (Euro)	€ 23,561,610	2.3	1.4	3.7	3.5	7.5	12.3	20.3	19.6	10.9	14.9	27.0	25.8				
NREP Nordic Strategies Fund II (Euro)	€ 9,498,563	3.2	3.6	6.8	4.6	12.1	10.8	23.9	7.4								
Indices																	
NFI-ODCE		1.1	0.7	1.8	1.5	3.3	2.7	6.1	5.3	4.5	3.7	8.3	7.4	4.7	6.8	11.8	10.8
NFI-ODCE + 100bps				2.0	1.8			6.8	6.1			9.3	8.4			12.8	11.8
FTSE EPRA/NAREIT Developed ex-US Index				4.9				1.0				1.7				2.6	
FTSE EPRA NAREIT US Index				2.5				-2.0				5.3				10.6	
CPI + 500 BPS				1.6				5.5				7.5				6.1	

¹ Net IRR and Equity Multiple may be missing due to investment managers being unable to provide historical cash flows back to inception.

² Preliminary performance, subject to change.

³ Fees for this Fund are charged on total commitments. As a result of Och-Ziff only calling a portion of SCERS' committed capital, the gross to net spread is significant and expected to normalize over time.

⁴ This fund is liquidating and the market value represents a remaining cash balance.

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			
Core Commingled Funds																
Jamestown Premier Property Fund	19,250,485									4.7	9.0	14.0	11.1	1Q14	11.3	1.3
MetLife Core Property Fund	52,000,266									5.2	8.5	14.0	13.4	1Q14	13.4	1.4
Prime Property Fund	52,320,569									4.4	9.0	13.7	12.5	4Q13	12.4	1.4
Principal U.S. Property Account	39,940,709									4.9	5.1	10.2	9.2	4Q15	9.2	1.1
Prologis Targeted Europe Logistics Fund	30,189,786									3.2	1.8	5.1	4.5	1Q16	2.3	1.0
Prologis Targeted U.S. Logistics Fund	40,023,646									5.8	11.2	17.5	15.2	3Q15	15.9	1.2
Townsend Real Estate Fund, L.P.	83,900,940									4.5	6.5	11.3	11.0	2Q16	10.8	1.1
Core Commingled Funds	317,626,401	4.7	7.1	12.1	11.0	4.9	-0.4	4.5	3.5	4.5	3.2	7.7	6.9	4Q86	5.9	1.3
Core Separate Accounts																
BlackRock Core Separate Account	148,604,863	5.3	7.7	13.3	11.3	5.4	1.6	7.0	5.6	7.1	3.2	10.4	8.9	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)	1,641,473	4.5	-2.6	1.8	1.2	4.9	-3.7	1.1	0.3	5.7	0.7	6.4	5.3	3Q02	8.3	1.4
Cornerstone Separate Account	66,153,582	5.4	5.6	11.2	10.4	5.5	0.4	5.9	5.1	5.6	1.8	7.4	6.6	3Q04	5.2	1.3
Core Separate Accounts	216,399,918	5.2	6.0	11.5	10.1	5.4	0.7	6.1	4.9	7.3	2.8	10.2	8.8	1Q96	8.9	1.4
<i>Total BlackRock Separate Account</i>	<i>168,254,676</i>	<i>5.1</i>	<i>6.5</i>	<i>11.9</i>	<i>10.1</i>	<i>5.3</i>	<i>1.0</i>	<i>6.3</i>	<i>5.0</i>	<i>7.2</i>	<i>3.0</i>	<i>10.4</i>	<i>9.0</i>	<i>1Q96</i>	<i>9.8</i>	<i>1.4</i>
Total Core Portfolio	534,026,319	5.1	6.5	11.8	10.5	5.2	0.6	5.8	4.7	5.6	1.7	7.4	6.4	4Q86	8.3	1.4
Value Added Portfolio																
AEW Value Investors Fund II ^{4,5}	337,612													3Q07	5.6	1.3
Allegis Value Trust ⁴	16,004,316	6.1	3.1	9.3	8.7	4.8	-6.6	-2.0	-3.1	4.8	-4.8	-0.1	-1.8	1Q07		
DRC European Real Estate Debt Fund II	24,248,002									10.3	-9.1	0.6	-1.5	1Q14	-0.7	1.0
ECE European Prime Shopping Centre Fund II ⁴	9,020,730									-2.6	29.4	26.7	24.0	4Q15	23.9	1.3
Hammes Partners II	14,793,880									12.2	9.7	23.1	15.0	3Q15	9.8	1.1
Hines US Office Value Added Fund II ⁴	744,761													4Q07	-4.8	0.7
NREP Nordic Strategies Fund	25,105,605									13.6	20.6	36.2	33.8	1Q15	33.4	1.5
NREP Nordic Strategies Fund II	10,121,004									12.0	7.2	19.8	3.9	3Q16	4.9	1.0
Value Added Portfolio	100,375,910	7.7	6.6	14.7	12.6	5.4	-6.2	-1.1	-3.6	1.8	3.4	5.2	4.1	4Q86	3.2	1.1
Opportunistic Portfolio																
BlackRock High Return Separate Account	18,008,340									-1.5	11.5	10.0	10.0	3Q16	11.4	1.1
CIM Fund VIII	26,099,589									0.2	13.1	13.4	10.3	2Q15	9.2	1.1
KKR Real Estate Partners Americas ⁴	20,238,495									9.3	3.7	13.5	9.1	2Q14	16.0	1.3
Och-Ziff Real Estate Fund III ^{4,5}	13,086,754									18.9	12.6	33.5	0.2	4Q14	18.5	1.2
Opportunistic Portfolio	77,433,178	4.0	25.7	30.7	22.9	3.1	13.8	17.3	11.9	1.2	8.3	9.5	7.6	1Q91	49.5	1.3
Total Non-Core Portfolio 1Q 2007 Forward	177,809,088	6.9	11.0	18.4	14.6	4.4	2.7	7.1	3.3	4.4	4.5	8.9	4.5	1Q07	5.6	1.2
Private Portfolio	711,835,407	5.4	7.1	12.8	11.1	5.3	1.0	6.4	5.0	4.4	4.6	9.1	8.1	4Q86	8.1	1.3

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			
Public Portfolio																
CBRE Clarion International Real Estate Securities Strategy	79,225,835	3.2	4.9	8.2	8.0									1Q09	14.5	2.4
CenterSquare REIT (formerly Urdang)	117,533,393	3.7	7.1	11.0	10.7	4.1	3.0	7.2	6.7	4.1	4.3	8.6	8.0	2Q06	8.1	2.3
Public Portfolio	196,759,228	3.4	6.9	10.4	10.1	3.7	3.6	7.4	7.0	3.8	4.8	8.7	8.2	2Q06	9.5	2.1
Total Portfolio																
SCERS	908,594,635	4.9	7.2	12.4	11.0	4.9	1.9	6.9	5.7	4.3	4.9	9.3	8.4	4Q86	8.3	1.4
Ex-US Dollar Denominated Investments (In Local Currency)																
Prologis Targeted Europe Logistics Fund (Euro)	€ 28,333,114									3.3	3.3	6.7	6.1	1Q16	7.1	1.1
DRC European Real Estate Debt Fund II (Pound Sterling)	£19,320,808									10.4	-1.2	9.1	6.8	1Q14	6.8	1.1
ECE European Prime Shopping Centre Fund II (Euro) ²	€ 8,465,955									-2.9	33.9	31.3	28.5	4Q15	27.4	1.3
NREP Nordic Strategies Fund (Euro)	€ 23,561,610									13.9	27.4	44.0	41.4	1Q15	39.8	1.6
NREP Nordic Strategies Fund II (Euro)	€ 9,498,563									16.8	14.7	33.0	10.0	3Q16	9.3	1.0
Indices																
NFI-ODCE		4.9	6.8	12.0	10.9	5.3	0.3	5.6	4.6	6.9	0.4	7.3	6.3	4Q86		
NFI-ODCE + 100bps				13.0	11.9			6.7	5.7			8.3	7.3	4Q86		
FTSE EPRA/NAREIT Developed ex-US Index				6.5				-0.1				6.1		1Q90		
FTSE EPRA NAREIT US Index				10.3				5.0				10.2		4Q86		
CPI + 500 BPS				6.3				6.8				7.8		4Q86		

¹ Net IRR and Equity Multiple may be missing due to investment managers being unaudited.

² Preliminary performance, subject to change.

³ Fees for this Fund are charged on total commitments. As a result of Och-Ziff only cash is available for investment.

⁴ This fund is liquidating and the market value represents a remaining cash balance.

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2017 (YTD)				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
BlackRock Core Separate Account																	
1811 Brittmoore ³	13,335,542	1.7	0.0	1.6	1.5	5.0	1.7	6.7	6.3	6.5	2.2	8.9	8.4	6.6	2.1	8.8	9.0
Forest Pointe ¹	911,971																
Harbour Pointe	37,216,895	1.6	0.2	1.8	1.4	4.3	3.1	7.5	6.0	5.4	3.0	8.5	6.7	5.9	5.2	11.3	9.0
Hillside Village	41,998,450	1.2	-0.2	1.1	0.8	3.1	3.4	6.6	5.2	4.3	10.8	15.4	11.2	4.3	16.2	21.0	17.3
Lake Washington Park	38,512,069	1.3	0.5	1.8	1.7	3.8	0.7	4.5	4.2	5.0	3.2	8.3	7.7	4.7	7.7	12.7	12.1
SC Dupont Fee, inc. ¹	0																
SCERS - Portfolio Master Acct. ²	85,734																
The Tower at Hollywood Hills	16,110,945	1.2	1.3	2.5	2.0	3.7	7.1	10.9	7.9	5.1	8.7	14.2	10.7	5.2	11.6	17.2	13.8
Weston, Inc. ¹	433,257																
Investment Total	148,604,863	1.5	0.3	1.7	1.5	3.9	2.8	6.8	5.7	5.2	5.4	10.8	8.8	5.2	8.5	14.0	11.6
BlackRock Separate Account (PM Realty Takeover)																	
Fontana Industrial Ctr ¹	48,047																
Stonefield Apts	1,593,426	1.5	-1.0	0.5	0.5	2.6	-9.1	-6.7	-6.9	4.3	-13.7	-9.9	-10.3	4.8	-9.6	-5.2	-5.8
Investment Total	1,641,473	1.5	-1.0	0.5	0.5	2.7	-9.0	-6.6	-6.8	4.1	-13.6	-10.0	-10.4	4.4	-6.7	-2.6	-3.2
Cornerstone Separate Account																	
Crescent Park	66,115,213	1.1	0.7	1.8	1.6	3.5	7.8	11.5	11.0	4.8	12.1	17.4	16.6	5.2	9.1	14.7	13.9
Flying Cloud ¹	11,541																
Gateway Corporate ¹	12,170																
Salt Pond ¹	14,659																
Investment Total	66,153,583	1.1	0.7	1.8	1.6	3.6	7.8	11.5	11.0	4.8	11.2	16.4	15.6	5.5	4.1	9.7	8.9
BlackRock High Return Separate Account																	
Block 295	18,008,340	0.0	3.5	3.5	3.5	-1.5	11.5	10.0	10.0								
Investment Total	18,008,340	0.0	3.5	3.5	3.5	-1.5	11.5	10.0	10.0								
Total																	
Total Separate Accounts	234,408,259	1.3	0.6	1.9	1.6	3.5	3.9	7.5	6.6	4.7	5.7	10.7	9.2	5.1	5.6	10.9	9.3
Index																	
NFI-ODCE		1.1	0.7	1.8	1.5	3.3	2.7	6.1	5.3	4.5	3.7	8.3	7.4	4.7	6.8	11.8	10.8

¹ This asset has been sold and the market value represents a remaining cash balance.

² SCERS - Cash account that holds leftover cash from previous sales and used for various expenses.

³ Preliminary performance, subject to change.



Sacramento County Employees' Retirement System

First Quarter 2017

Returns (%)	Market Value (\$)	5 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	TGRS	TNET			
BlackRock Core Separate Account										
1811 Brittmoore ³	13,335,542					10.7	10.1	4Q12	10.0	1.5
Forest Pointe ¹	911,971							4Q05		
Harbour Pointe	37,216,895	6.1	5.8	12.2	9.2	8.2	6.7	4Q05	7.1	1.5
Hillside Village	41,998,450	4.2	13.1	17.8	15.3	8.2	6.8	4Q07	4.4	1.4
Lake Washington Park	38,512,069	4.5	8.7	13.6	12.9	3.1	2.4	3Q07	3.1	1.2
SC Dupont Fee, inc. ¹	0							1Q07		
SCERS - Portfolio Master Acct. ²	85,734							2Q01		
The Tower at Hollywood Hills	16,110,945	5.1	7.9	13.3	10.3	8.7	6.9	1Q08	5.9	1.5
Weston, Inc. ¹	433,257							1Q06		
Investment Total	148,604,863	5.3	7.7	13.3	11.3	10.4	8.9	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)										
Fontana Industrial Ctr ¹	48,047							3Q02		
Stonefield Apts	1,593,426	5.2	-0.9	4.3	3.5	7.4	6.5	1Q03	6.9	1.3
Investment Total	1,641,473	4.5	-2.6	1.8	1.2	6.4	5.3	3Q02	8.3	1.4
Cornerstone Separate Account										
Crescent Park	66,115,213	5.0	10.8	16.2	15.4	6.9	5.9	1Q06	5.8	1.6
Flying Cloud ¹	11,541							4Q06		
Gateway Corporate ¹	12,170							1Q08		
Salt Pond ¹	14,659							3Q04		
Investment Total	66,153,583	5.4	5.6	11.2	10.4	7.4	6.6	3Q04	5.2	1.3
BlackRock High Return Separate Account										
Block 295	18,008,340					10.0	10.0	3Q16	11.4	1.1
Investment Total	18,008,340					10.0	10.0	3Q16	11.4	1.1
Total										
Total Separate Accounts	234,408,259	5.2	6.1	11.5	10.1	10.2	8.8	1Q96	8.9	1.4
Index										
NFI-ODCE		4.9	6.8	12.0	10.9	7.3	6.3	4Q86		

¹ This asset has been sold and the market value represents a remaining cash

² SCERS - Cash account that holds leftover cash from previous sales and used

³ Preliminary performance, subject to change.

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2017 (YTD)				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Core Separate Accounts																	
BlackRock Core Separate Account	148,604,863	1.5	0.3	1.7	1.5	3.9	2.8	6.8	5.7	5.2	5.4	10.8	8.8	5.2	8.5	14.0	11.6
BlackRock Separate Account (PM Realty Takeover)	1,641,473	1.5	-1.0	0.5	0.5	2.7	-9.0	-6.6	-6.8	4.1	-13.6	-10.0	-10.4	4.4	-6.7	-2.6	-3.2
Cornerstone Separate Account	66,153,582	1.1	0.7	1.8	1.6	3.6	7.8	11.5	11.0	4.8	11.2	16.4	15.6	5.5	4.1	9.7	8.9
Core Separate Accounts	216,399,918	1.4	0.4	1.7	1.5	3.8	3.5	7.4	6.5	5.0	5.4	10.6	9.0	5.2	5.5	10.9	9.2
<i>Total BlackRock Separate Account</i>	<i>168,254,676</i>	<i>1.3</i>	<i>0.6</i>	<i>1.9</i>	<i>1.6</i>	<i>3.5</i>	<i>2.4</i>	<i>5.9</i>	<i>5.0</i>	<i>4.7</i>	<i>3.7</i>	<i>8.5</i>	<i>6.8</i>	<i>5.0</i>	<i>6.7</i>	<i>11.9</i>	<i>9.8</i>
Separate Account Returns by Property Type																	
Apartment	126,730,005	1.1	0.4	1.6	1.3	3.3	4.5	7.9	7.0	4.6	7.0	11.8	10.1	5.0	6.5	11.7	10.1
Industrial	13,383,590	1.6	0.0	1.6	1.5	4.9	1.7	6.6	6.3	6.0	2.2	8.3	7.8	5.6	6.5	12.4	12.9
Office	56,977,376	1.2	1.4	2.5	2.5	2.8	3.0	5.9	5.6	3.6	4.5	8.2	7.7	4.5	2.7	7.4	5.9
Retail	37,231,554	1.6	0.2	1.8	1.4	4.4	3.1	7.6	6.1	5.5	3.0	8.6	6.8	6.0	7.1	13.4	11.3
Total Portfolio																	
SCERS	908,594,635	1.2	1.5	2.7	2.4	3.7	1.8	5.5	4.7	5.0	3.5	8.7	7.5	5.1	6.1	11.4	9.9
NPI Property Level Returns																	
NPI- Apartment		1.1	0.2	1.3		3.4	1.4	4.8		4.6	2.1	6.7		4.7	4.6	9.5	
NPI- Industrial		1.3	1.6	2.8		3.9	5.0	9.0		5.2	6.7	12.2		5.5	7.8	13.6	
NPI-Office		1.1	0.2	1.3		3.3	0.6	3.9		4.5	1.2	5.7		4.8	4.7	9.7	
NPI-Retail		1.2	0.4	1.6		3.6	1.6	5.3		4.8	2.6	7.6		5.1	6.1	11.5	
Indices																	
NFI-ODCE		1.1	0.7	1.8	1.5	3.3	2.7	6.1	5.3	4.5	3.7	8.3	7.4	4.7	6.8	11.8	10.8

Returns (%)	Market Value (\$)	5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET		
Core Separate Accounts															
BlackRock Core Separate Account	148,604,863	5.3	7.7	13.3	11.3	5.4	1.6	7.0	5.6	7.1	3.2	10.4	8.9	1Q96	10.0
BlackRock Separate Account (PM Realty Takeover)	1,641,473	4.5	-2.6	1.8	1.2	4.9	-3.7	1.1	0.3	5.7	0.7	6.4	5.3	3Q02	8.3
Cornerstone Separate Account	66,153,582	5.4	5.6	11.2	10.4	5.5	0.4	5.9	5.1	5.6	1.8	7.4	6.6	3Q04	5.2
Core Separate Accounts	216,399,918	5.2	6.0	11.5	10.1	5.4	0.7	6.1	4.9	7.3	2.8	10.2	8.8	1Q96	8.9
<i>Total BlackRock Separate Account</i>	<i>168,254,676</i>	<i>5.1</i>	<i>6.5</i>	<i>11.9</i>	<i>10.1</i>	<i>5.3</i>	<i>1.0</i>	<i>6.3</i>	<i>5.0</i>	<i>7.2</i>	<i>3.0</i>	<i>10.4</i>	<i>9.0</i>	<i>1Q96</i>	<i>9.8</i>
Separate Account Returns by Property Type															
Apartment	126,730,005	5.0	7.9	13.2	11.8	4.6	2.6	7.2	6.2	5.9	2.1	8.0	7.1	1Q96	6.1
Industrial	13,383,590	5.1	3.6	8.9	8.7	5.2	-0.2	5.0	4.2	7.6	3.3	11.1	9.6	3Q96	13.4
Office	56,977,376	4.8	4.1	9.1	7.9	5.5	-3.0	2.4	1.5	7.7	2.1	9.9	8.4	1Q96	8.6
Retail	37,231,554	6.1	6.6	13.1	10.9	6.4	-0.6	5.8	4.5	7.6	2.9	10.7	9.0	4Q99	9.8
Total Portfolio															
SCERS	908,594,635	4.9	7.2	12.4	11.0	4.9	1.9	6.9	5.7	4.3	4.9	9.3	8.4	4Q86	8.3
NPI Property Level Returns															
NPI- Apartment		4.9	4.8	9.9		5.1	1.3	6.4		6.3	3.2	9.6		1Q96	
NPI- Industrial		5.7	6.8	12.7		6.1	1.1	7.3		7.3	2.8	10.3		3Q96	
NPI-Office		5.1	4.4	9.7		5.5	0.4	5.9		6.9	2.6	9.6		1Q96	
NPI-Retail		5.5	6.4	12.1		5.9	2.1	8.2		6.7	3.8	10.7		4Q99	
Indices															
NFI-ODCE		4.9	6.8	12.0	10.9	5.3	0.3	5.6	4.6	6.9	0.4	7.3	6.3	4Q86	



Sacramento County Employees' Retirement System
First Quarter 2017

Returns (%)	Market Value (\$)	2017 (YTD)		Fiscal Year 2017 (YTD)		2016		2015		2014		2013		2012	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Commingled Funds															
Jamestown Premier Property Fund	19,250,485	2.3	1.9	5.8	4.5	6.6	5.3	22.4	17.3	14.7	11.9				
MetLife Core Property Fund	52,000,266	1.9	1.8	7.8	7.4	9.3	8.8	16.9	16.3	17.4	16.9				
Prime Property Fund	52,320,569	2.2	1.9	7.6	6.7	10.4	9.2	15.9	14.6	15.5	14.1	3.8	3.6		
Principal U.S. Property Account	39,940,709	2.1	1.9	7.3	6.6	10.0	9.0	3.0	2.8						
Prologis Targeted Europe Logistics Fund	30,189,786	3.6	3.2	2.2	1.4	2.8	2.4								
Prologis Targeted U.S. Logistics Fund	40,023,646	4.7	4.0	15.0	12.8	16.1	14.2	9.1	7.9						
Townsend Real Estate Fund, L.P.	83,900,940	2.7	2.6	7.9	7.7	8.4	8.2								
Core Commingled Funds	317,626,401	2.7	2.4	7.9	7.1	9.8	8.9	15.7	14.1	13.5	12.4	10.2	9.3	11.1	10.1
Core Separate Accounts															
BlackRock Core Separate Account	148,604,863	1.7	1.5	6.8	5.7	11.3	9.3	15.3	13.9	16.3	12.5	11.8	9.6	13.5	13.0
BlackRock Separate Account (PM Realty Takeover)	1,641,473	0.5	0.5	-6.6	-6.8	-9.6	-10.2	-13.2	-13.9	19.2	18.4	6.7	5.9	10.1	9.5
Cornerstone Separate Account	66,153,582	1.8	1.6	11.5	11.0	14.0	13.3	2.4	1.6	14.0	13.2	11.3	10.5	16.2	15.4
Core Separate Accounts	216,399,918	1.7	1.5	7.4	6.5	10.0	8.6	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5
<i>Total BlackRock Separate Account</i>	<i>168,254,676</i>	<i>1.9</i>	<i>1.6</i>	<i>5.9</i>	<i>5.0</i>	<i>8.6</i>	<i>7.0</i>	<i>10.7</i>	<i>9.4</i>	<i>17.0</i>	<i>13.6</i>	<i>10.9</i>	<i>9.0</i>	<i>13.1</i>	<i>12.5</i>
Total Core Portfolio	534,026,319	2.3	2.1	7.7	6.8	9.8	8.5	10.4	9.2	15.3	13.2	10.8	9.5	13.3	12.6
Value Added Portfolio															
AEW Value Investors Fund II ¹	337,612														
Allegis Value Trust	16,004,316	1.1	1.0	4.2	3.8	9.9	9.4	8.6	8.0	10.8	10.2	4.7	4.0	21.8	20.9
DRC European Real Estate Debt Fund II	24,248,002	3.9	3.6	-2.7	-3.6	-7.8	-8.9	5.0	3.0	1.4	-2.1				
ECE European Prime Shopping Centre Fund II ¹	9,020,730	4.2	4.0	22.9	22.3	27.0	25.9	12.1	11.0						
Hammes Partners II	14,793,880	3.7	2.4	9.4	5.9	14.8	8.9	19.4	12.9						
Hines US Office Value Added Fund II	744,761														
NREP Nordic Strategies Fund	25,105,605	5.0	4.8	15.1	14.4	23.1	21.7	55.1	50.8						
NREP Nordic Strategies Fund II	10,121,004	8.2	5.9	19.8	3.9	10.7	-1.9								
Value Added Portfolio	100,375,910	3.9	3.4	7.4	5.6	9.6	7.2	19.1	17.0	15.7	13.7	13.3	10.8	19.6	18.1



Sacramento County Employees' Retirement System
First Quarter 2017

Returns (%)	Market Value (\$)	2017 (YTD)		Fiscal Year 2017 (YTD)		2016		2015		2014		2013		2012	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Opportunistic Portfolio															
BlackRock High Return Separate Account	18,008,340	3.5	3.5	10.0	10.0	6.3	6.3								
CIM Fund VIII	26,099,589	3.3	2.9	5.2	3.8	5.8	3.4	16.9	13.8						
KKR Real Estate Partners Americas ¹	20,238,495	4.0	2.8	6.8	6.0	6.5	5.4	17.1	12.5	12.7	6.5				
Och-Ziff Real Estate Fund III ¹	13,086,754	8.2	7.2	21.2	17.1	30.0	22.2	33.7	6.9	9.4	-28.3				
Opportunistic Portfolio	77,433,178	4.4	3.7	9.0	7.6	9.8	7.3	23.8	13.1	77.7	62.7	11.7	9.4	54.2	38.5
Total Non-Core Portfolio 1Q 2007 Forward	177,809,088	4.1	3.5	8.0	6.4	9.8	7.4	20.0	15.6	19.7	16.3	16.7	13.5	34.6	26.9
Private Portfolio	711,835,407	2.8	2.4	7.8	6.7	9.7	8.2	12.3	10.5	15.9	13.6	11.4	9.9	16.4	14.7
Public Portfolio															
CBRE Clarion International Real Estate Securities Strategy	79,225,835	4.4	4.2	1.1	0.8	1.9	1.7	-2.7	-2.9	2.9	2.8	15.2	14.8	37.7	37.5
CenterSquare REIT (formerly Urdang)	117,533,393	0.9	0.8	-3.9	-4.1	8.6	8.3	5.4	5.1	32.7	32.3	3.7	3.4	17.7	17.0
Public Portfolio	196,759,228	2.3	2.2	-2.0	-2.2	5.9	5.6	1.9	1.7	18.1	17.8	11.9	11.5	26.2	25.8
Total Portfolio															
SCERS	908,594,635	2.7	2.4	5.5	4.7	8.9	7.7	9.8	8.3	16.3	14.4	12.0	10.7	19.2	17.8
Indices															
NFI-ODCE		1.8	1.5	6.1	5.3	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8
NFI-ODCE + 100 bps		2.0	1.8	6.6	5.8	9.8	8.8	16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8
FTSE EPRA/NAREIT Developed ex-US Index		4.9		1.0		2.0		-3.2		3.2		6.1		38.6	
FTSE EPRA NAREIT Index		2.5		-2.0		8.6		2.8		28.0		2.9		19.7	
CPI + 500 BPS		1.6		5.5		7.2		5.7		5.7		6.6		6.9	

¹ Preliminary performance, subject to change.

² This fund is liquidating and the market value represents a remaining cash balance.

Returns (%)	Market Value (\$)	2011		2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Commingled Funds																	
Jamestown Premier Property Fund	19,250,485																
MetLife Core Property Fund	52,000,266																
Prime Property Fund	52,320,569																
Principal U.S. Property Account	39,940,709																
Prologis Targeted Europe Logistics Fund	30,189,786																
Prologis Targeted U.S. Logistics Fund	40,023,646																
Townsend Real Estate Fund, L.P.	83,900,940																
Core Commingled Funds	317,626,401	16.4	15.5	14.1	13.3	-33.0	-33.6	-13.8	-14.6	15.5	14.5	16.9	15.8	23.5	22.3	36.7	35.2
Core Separate Accounts																	
BlackRock Core Separate Account	148,604,863	17.8	17.4	20.7	19.6	-29.5	-29.1	-13.9	-14.3	21.2	16.8	17.7	13.3	27.1	21.6	9.3	5.1
BlackRock Separate Account (PM Realty Takeover)	1,641,473	11.9	11.4	11.5	11.0	-22.7	-23.1	-5.6	-6.5	12.5	10.6	14.4	12.5	55.8	49.3	11.3	10.3
Cornerstone Separate Account	66,153,582	24.9	23.9	21.2	20.2	-31.7	-32.4	-9.4	-10.1	11.9	11.1	11.1	10.2	18.7	17.6	2.9	2.4
Core Separate Accounts	216,399,918	18.7	18.2	18.6	17.6	-28.5	-28.7	-10.5	-11.1	16.3	13.6	15.2	12.1	31.7	26.6	9.8	6.3
<i>Total BlackRock Separate Account</i>	<i>168,254,676</i>	<i>16.1</i>	<i>15.7</i>	<i>17.3</i>	<i>16.4</i>	<i>-26.8</i>	<i>-26.7</i>	<i>-11.1</i>	<i>-11.6</i>	<i>18.5</i>	<i>15.0</i>	<i>16.8</i>	<i>13.1</i>	<i>34.0</i>	<i>28.2</i>	<i>9.9</i>	<i>6.6</i>
Total Core Portfolio	534,026,319	18.2	17.6	17.6	16.7	-29.5	-29.8	-11.3	-12.0	16.1	13.8	15.5	12.7	30.3	25.8	10.6	7.1
Value Added Portfolio																	
AEW Value Investors Fund II ¹	337,612																
Allegis Value Trust	16,004,316	15.7	14.7	21.6	20.4	-62.2	-62.8	-21.2	-23.9	38.6	28.4						
DRC European Real Estate Debt Fund II	24,248,002																
ECE European Prime Shopping Centre Fund II ¹	9,020,730																
Hammes Partners II	14,793,880																
Hines US Office Value Added Fund II	744,761																
NREP Nordic Strategies Fund	25,105,605																
NREP Nordic Strategies Fund II	10,121,004																
Value Added Portfolio	100,375,910	16.7	14.7	23.2	20.3	-56.4	-57.6	-31.2	-33.5	18.2	5.6	0.8	0.5				

Returns (%)	Market Value (\$)	2011		2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Opportunistic Portfolio																	
BlackRock High Return Separate Account	18,008,340																
CIM Fund VIII	26,099,589																
KKR Real Estate Partners Americas ¹	20,238,495																
Och-Ziff Real Estate Fund III ¹	13,086,754																
Opportunistic Portfolio	77,433,178	-10.1	-8.0	42.4	34.2	54.0	43.5	-44.5	-45.4	3.4	2.6						
Total Non-Core Portfolio 1Q 2007 Forward	177,809,088	-0.3	0.4	37.0	30.4	-13.5	-17.8	-33.7	-35.7	18.2	5.6						
Private Portfolio	711,835,407	14.9	14.5	20.6	18.8	-28.1	-28.8	-12.8	-13.5	15.8	13.4	15.5	12.7	30.3	25.8	10.6	7.1
Public Portfolio																	
CBRE Clarion International Real Estate Securities Strategy	79,225,835	-15.1	-15.3	13.9	13.6	50.7	49.3										
CenterSquare REIT (formerly Urdang)	117,533,393	11.3	10.4	30.8	29.6	37.7	35.9	-35.0	-35.3	-13.7	-14.2	17.8	17.5				
Public Portfolio	196,759,228	-2.1	-2.5	21.0	20.5	41.5	40.2	-19.0	-19.4	-15.0	-15.6	17.6	17.1				
Total Portfolio																	
SCERS	908,594,635	9.8	9.4	20.6	19.2	-16.0	-16.7	-14.1	-14.7	10.7	8.7	16.9	14.2	30.3	25.8	10.6	7.1
Indices																	
NFI-ODCE		16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3	21.4	20.2	13.1	12.0
NFI-ODCE + 100 bps		17.0	16.0	17.4	16.3	-28.8	-29.4	-9.0	-9.7	17.0	15.8	17.3	16.3	22.4	21.2	14.1	13.0
FTSE EPRA/NAREIT Developed ex-US Index		-15.3		16.0		44.7		-52.0		-0.9		47.4		18.3		42.4	
FTSE EPRA NAREIT Index		8.3		27.9		28.0		-37.7		-15.7		35.1		12.2		31.6	
CPI + 500 BPS		8.2		6.5		8.0		5.0		9.3		7.7		8.5		8.5	

¹ Preliminary performance, subject to change.

² This fund is liquidating and the market value represents a remaining cash balance.

Returns (%)	Market Value (\$)	2017 (YTD)		Fiscal Year 2017 (YTD)		2016		2015		2014		2013		2012		2011	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Separate Accounts																	
BlackRock Core Separate Account	148,604,863	1.7	1.5	6.8	5.7	11.3	9.3	15.3	13.9	16.3	12.5	11.8	9.6	13.5	13.0	17.8	17.4
BlackRock Separate Account (PM Realty Takeover)	1,641,473	0.5	0.5	-6.6	-6.8	-9.6	-10.2	-13.2	-13.9	19.2	18.4	6.7	5.9	10.1	9.5	11.9	11.4
Cornerstone Separate Account	66,153,582	1.8	1.6	11.5	11.0	14.0	13.3	2.4	1.6	14.0	13.2	11.3	10.5	16.2	15.4	24.9	23.9
Core Separate Accounts	216,399,918	1.7	1.5	7.4	6.5	10.0	8.6	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5	18.7	18.2
<i>Total BlackRock Separate Account</i>	<i>168,254,676</i>	<i>1.9</i>	<i>1.6</i>	<i>5.9</i>	<i>5.0</i>	<i>8.6</i>	<i>7.0</i>	<i>10.7</i>	<i>9.4</i>	<i>17.0</i>	<i>13.6</i>	<i>10.9</i>	<i>9.0</i>	<i>13.1</i>	<i>12.5</i>	<i>16.1</i>	<i>15.7</i>
Separate Account Returns by Property Type																	
Apartment	125,565,505	1.6	1.3	7.9	7.0	12.3	10.6	9.2	7.7	14.7	13.0	13.3	12.0	18.2	17.5	15.5	14.8
Industrial	13,276,959	1.6	1.5	6.6	6.3	8.4	7.7	3.5	6.5	25.9	24.5	9.9	8.4	-0.3	-0.7	17.2	16.8
Office	51,437,391	2.5	2.5	5.9	5.6	4.4	3.9	4.8	4.1	12.7	9.3	9.4	8.6	15.0	14.2	20.7	20.0
Retail	36,831,231	1.8	1.4	7.6	6.1	8.5	6.7	12.2	9.8	22.2	20.1	10.3	6.5	12.4	12.0	13.5	13.6
Total Portfolio																	
SCERS	227,197,006	2.7	2.4	5.5	4.7	8.9	7.7	9.8	8.3	16.3	14.4	12.0	10.7	19.2	17.8	9.8	9.4
Indices																	
NFI-ODCE		1.8	1.5	6.1	5.3	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0
NFI-ODCE + 100 bps		2.0	1.8	6.6	5.8	9.8	8.8	16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8	17.0	16.0
FTSE EPRA/NAREIT Developed ex-US Index		4.9		1.0		2.0		-3.2		3.2		6.1		38.6		-15.3	
FTSE EPRA NAREIT Index		2.5		-2.0		8.6		2.8		28.0		2.9		19.7		8.3	
CPI + 500 BPS		1.6		5.5		7.2		5.7		5.7		6.6		6.9		8.2	

Returns (%)	Market Value (\$)	2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Separate Accounts															
BlackRock Core Separate Account	148,604,863	20.7	19.6	-29.5	-29.1	-13.9	-14.3	21.2	16.8	17.7	13.3	27.1	21.6	9.3	5.1
BlackRock Separate Account (PM Realty Takeover)	1,641,473	11.5	11.0	-22.7	-23.1	-5.6	-6.5	12.5	10.6	14.4	12.5	55.8	49.3	11.3	10.3
Cornerstone Separate Account	66,153,582	21.2	20.2	-31.7	-32.4	-9.4	-10.1	11.9	11.1	11.1	10.2	18.7	17.6	2.9	2.4
Core Separate Accounts	216,399,918	18.6	17.6	-28.5	-28.7	-10.5	-11.1	16.3	13.6	15.2	12.1	31.7	26.6	9.8	6.3
<i>Total BlackRock Separate Account</i>	<i>168,254,676</i>	<i>17.3</i>	<i>16.4</i>	<i>-26.8</i>	<i>-26.7</i>	<i>-11.1</i>	<i>-11.6</i>	<i>18.5</i>	<i>15.0</i>	<i>16.8</i>	<i>13.1</i>	<i>34.0</i>	<i>28.2</i>	<i>9.9</i>	<i>6.6</i>
Separate Account Returns by Property Type															
Apartment	125,565,505	26.6	25.8	-22.2	-22.8	-13.5	-14.0	11.1	9.9	2.6	1.7	22.9	21.3	2.9	1.0
Industrial	13,276,959	2.0	1.6	-25.3	-25.7	-8.3	-9.4	28.9	23.3	20.8	17.6	48.5	39.3	13.1	6.8
Office	51,437,391	19.1	17.9	-43.6	-43.7	-11.0	-11.3	13.3	11.7	36.1	24.7	39.4	34.1	8.7	4.7
Retail	36,831,231	13.4	12.0	-24.5	-23.1	-10.8	-11.7	10.3	7.7	14.2	12.2	20.1	14.9	28.9	23.3
Total Portfolio															
SCERS	227,197,006	20.6	19.2	-16.0	-16.7	-14.1	-14.7	10.7	8.7	16.9	14.2	30.3	25.8	10.6	7.1
Indices															
NFI-ODCE		16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3	21.4	20.2	13.1	12.0
NFI-ODCE + 100 bps		17.4	16.3	-28.8	-29.4	-9.0	-9.7	17.0	15.8	17.3	16.3	22.4	21.2	14.1	13.0
FTSE EPRA/NAREIT Developed ex-US Index		16.0		44.7		-52.0		-0.9		47.4		18.3		42.4	
FTSE EPRA NAREIT Index		27.9		28.0		-37.7		-15.7		35.1		12.2		31.6	
CPI + 500 BPS		6.5		8.0		5.0		9.3		7.7		8.5		8.5	

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
Core Commingled Funds									
Jamestown Premier Property Fund	19,225,924	395,505	739,800	0	200,113	69,664	238,407	19,250,485	37.5
MetLife Core Property Fund	51,090,428	532,819	543,114	0	643,333	61,811	338,611	52,000,266	29.7
Prime Property Fund	51,332,452	505,818	505,818	0	513,274	137,980	612,824	52,320,569	18.2
Principal U.S. Property Account	39,212,520	0	0	0	466,628	92,543	354,104	39,940,709	21.4
Prologis Targeted Europe Logistics Fund	29,598,294	0	367,501	0	442,170	91,925	608,748	30,189,786	23.7
Prologis Targeted U.S. Logistics Fund	38,877,413	0	401,800	0	522,005	286,463	1,312,490	40,023,646	22.8
Townsend Real Estate Fund, L.P.	71,060,602	11,696,203	788,230	0	843,745	48,225	1,136,845	83,900,940	39.9
Core Commingled Funds	300,397,633	13,130,345	3,346,263	0	3,631,268	788,611	4,602,029	317,626,401	29.5
Core Separate Accounts									
BlackRock Core Separate Account	146,854,629	713,266	1,089,730	0	2,162,674	421,288	385,312	148,604,863	28.2
BlackRock Separate Account (PM Realty Takeover)	1,520,999	113,067	0	0	23,196	0	-15,789	1,641,473	0.0
Cornerstone Separate Account	65,890,849	214,500	1,000,000	0	709,188	107,250	446,295	66,153,582	37.1
Core Separate Accounts	214,266,477	1,040,833	2,089,730	0	2,895,058	528,538	815,818	216,399,918	31.1
<i>Total BlackRock Separate Account</i>	<i>161,306,156</i>	<i>5,366,608</i>	<i>1,089,730</i>	<i>0</i>	<i>2,180,369</i>	<i>421,288</i>	<i>912,561</i>	<i>168,254,676</i>	<i>25.8</i>
Total Core Portfolio	514,664,110	14,171,178	5,435,993	0	6,526,326	1,317,149	5,417,847	534,026,319	30.1
Value Added Portfolio									
AEW Value Investors Fund II	1,327,828	0	476,255	483,806	22,517	0	-52,672	337,612	0.0
Allegis Value Trust	17,294,978	0	0	1,450,000	228,913	19,936	-49,639	16,004,316	14.0
DRC European Real Estate Debt Fund II	25,893,926	0	656,014	1,890,116	567,406	76,086	408,886	24,248,002	0.0
ECE European Prime Shopping Centre Fund II	8,676,297	0	0	0	110,197	22,852	257,089	9,020,730	56.1
Hammes Partners II	15,027,989	879,036	473,002	997,889	367,539	179,850	170,057	14,793,880	68.9
Hines US Office Value Added Fund II	1,598,287	6,651	815,321	0	19,876	6,651	-58,081	744,761	66.0
NREP Nordic Strategies Fund	23,947,643	0	0	0	544,351	44,160	657,770	25,105,605	52.6
NREP Nordic Strategies Fund II	9,555,235	0	0	0	306,203	215,696	475,263	10,121,004	40.0
Value Added Portfolio	103,322,183	885,687	2,420,592	4,821,811	2,167,002	565,231	1,808,673	100,375,910	45.2
Opportunistic Portfolio									
BlackRock High Return Separate Account	12,930,528	4,540,275	0	0	-5,501	0	543,038	18,008,340	0.0
CIM Fund VIII	25,262,892	109,375	0	0	-17,698	109,375	854,395	26,099,589	5.9
KKR Real Estate Partners Americas	19,417,770	268,140	0	0	0	235,975	788,560	20,238,495	55.0
Och-Ziff Real Estate Fund III	12,603,541	404,060	815,594	0	333,783	131,250	692,214	13,086,754	62.3
Opportunistic Portfolio	70,214,731	5,321,850	815,594	0	310,584	476,600	2,878,207	77,433,178	38.3
Total Non-Core Portfolio 1Q 2007 Forward	173,536,914	6,207,537	3,236,186	4,821,811	2,477,586	1,041,831	4,686,880	177,809,088	42.4
Private Portfolio	688,201,024	20,378,715	8,672,179	4,821,811	9,003,912	2,358,980	10,104,727	711,835,407	33.7
Public Portfolio									
CBRE Clarion International Real Estate Securities Strategy	76,009,645	0	0	0	571,321	99,021	2,743,891	79,225,835	0.0
CenterSquare REIT (formerly Urdang)	116,726,432	83,191	0	257,175	793,054	71,087	258,980	117,533,393	0.0
Public Portfolio	192,736,077	83,191	0	257,175	1,364,375	170,108	3,002,871	196,759,228	0.0
Total Portfolio									
SCERS	880,937,101	20,461,906	8,672,179	5,078,986	10,368,287	2,529,088	13,107,598	908,594,635	28.5

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core Commingled Funds						
Jamestown Premier Property Fund	-	66.1	-	20.7	-	13.3
MetLife Core Property Fund	25.2	44.8	18.0	12.1	-	-
Prime Property Fund	25.6	33.1	14.3	17.4	-	9.6
Principal U.S. Property Account	10.9	41.4	22.5	16.9	1.3	7.0
Prologis Targeted Europe Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P.	34.8	11.7	13.8	13.0	-	26.8
Core Commingled Funds	18.1	24.1	36.7	11.2	0.2	9.8
Core Separate Accounts						
BlackRock Core Separate Account	40.6	24.5	8.5	26.4	-	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-
Cornerstone Separate Account	100.0	-	-	-	-	-
Core Separate Accounts	58.5	17.1	5.9	18.4	-	-
<i>Total BlackRock Separate Account</i>	<i>36.3</i>	<i>32.5</i>	<i>7.6</i>	<i>23.6</i>	-	-
Total Core Portfolio	34.1	21.3	24.6	14.0	0.1	5.9
Value Added Portfolio						
AEW Value Investors Fund II	3.2	3.7	14.5	-	78.7	-
Allegis Value Trust	6.9	88.9	4.2	-	-	-
DRC European Real Estate Debt Fund II	-	47.7	7.6	11.2	18.9	14.6
ECE European Prime Shopping Centre Fund II	-	-	-	100.0	-	-
Hammes Partners II	-	-	-	-	-	100.0
Hines US Office Value Added Fund II	-	100.0	-	-	-	-
NREP Nordic Strategies Fund	47.9	0.5	38.7	13.0	-	-
NREP Nordic Strategies Fund II	44.9	12.6	34.4	8.1	-	-
Value Added Portfolio	16.7	32.0	15.7	7.6	6.4	21.5
Opportunistic Portfolio						
BlackRock High Return Separate Account	-	100.0	-	-	-	-
CIM Fund VIII	-	37.2	-	7.6	0.0	55.1
KKR Real Estate Partners Americas	11.8	13.1	0.0	32.1	17.4	25.6
Och-Ziff Real Estate Fund III	14.2	20.6	14.0	5.5	4.1	41.6
Opportunistic Portfolio	5.3	43.4	2.4	11.4	5.0	32.4
Total Non-Core Portfolio	11.8	37.0	9.9	9.3	5.8	26.3
Private Portfolio	28.7	25.1	21.1	12.9	1.5	10.8
Public Portfolio						
CBRE Clarion International Real Estate Securities Strategy	12.1	7.8	8.1	26.4	-	45.5
CenterSquare REIT (formerly Urdang)	13.9	14.5	7.2	22.5	7.0	34.8
Public Portfolio	13.1	11.5	7.6	24.3	3.9	39.6
Total Portfolio						
SCERS	25.8	22.5	18.5	15.0	1.9	16.3
Indices						
NFI-ODCE	24.3	36.5	14.9	20.3	0.6	3.4

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
Core Commingled Funds									
Jamestown Premier Property Fund	46.3	22.2	-	-	2.4	-	-	29.1	-
MetLife Core Property Fund	-	10.4	13.7	-	18.1	12.9	6.5	38.3	-
Prime Property Fund	20.2	7.8	9.5	2.0	12.8	9.0	3.3	35.4	-
Principal U.S. Property Account	15.4	7.8	5.1	2.0	9.3	15.1	9.9	35.4	-
Prologis Targeted Europe Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	12.2	3.4	8.8	-	9.6	13.6	-	52.5	-
Townsend Real Estate Fund, L.P.	13.2	8.9	13.9	10.8	21.1	1.2	7.3	23.7	-
Core Commingled Funds	12.7	7.8	9.0	3.2	12.8	7.5	4.5	30.9	11.5
Core Separate Accounts									
BlackRock Core Separate Account	-	-	-	-	-	8.5	-	91.5	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-	-	-	-
Cornerstone Separate Account	-	-	-	-	-	-	-	100.0	-
Core Separate Accounts	-	-	-	-	-	5.9	-	94.1	-
<i>Total BlackRock Separate Account</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>7.6</i>	<i>-</i>	<i>92.4</i>	<i>-</i>
Total Core Portfolio	7.7	4.7	5.5	2.0	7.8	6.9	2.7	55.8	7.0
Value Added Portfolio									
AEW Value Investors Fund II	0.1	88.6	-	-	11.3	-	0.0	-	-
Allegis Value Trust	17.4	46.3	-	-	-	8.5	-	27.8	-
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	22.2	10.0	23.4	-	7.5	22.9	-	14.0	-
Hines US Office Value Added Fund II	-	-	-	-	-	-	-	100.0	-
NREP Nordic Strategies Fund	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund II	-	-	-	-	-	-	-	-	100.0
Value Added Portfolio	6.4	8.9	3.9	-	1.2	5.1	0.0	7.2	67.2
Opportunistic Portfolio									
BlackRock High Return Separate Account	-	-	-	-	-	-	-	100.0	-
CIM Fund VIII	31.4	1.2	10.7	-	1.3	1.8	5.6	44.0	4.1
KKR Real Estate Partners Americas	17.5	4.5	11.9	2.4	17.1	10.6	-	9.4	26.7
Och-Ziff Real Estate Fund III	19.5	7.4	5.2	0.9	7.2	3.5	2.4	19.6	34.3
Opportunistic Portfolio	18.5	2.8	7.5	0.7	5.9	3.8	2.3	44.7	13.8
Total Non-Core Portfolio	11.6	6.3	5.4	0.3	3.2	4.6	1.0	23.5	44.1
Private Portfolio	8.6	5.1	5.5	1.6	6.7	6.3	2.3	48.0	15.8
Public Portfolio									
CBRE Clarion International Real Estate Securities Strategy	-	-	-	-	-	-	-	-	100.0
CenterSquare REIT (formerly Urdang)	22.8	12.9	9.1	3.0	13.1	10.9	5.6	22.5	-
Public Portfolio	12.5	7.1	5.0	1.6	7.2	6.0	3.0	12.3	45.3
Total Portfolio									
SCERS	9.4	5.5	5.4	1.6	6.8	6.3	2.5	41.3	21.4
Indices									
NFI-ODCE	21.2	9.5	8.3	1.4	9.2	9.8	5.0	35.7	-



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.

¹In 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 1Q17



United States Real Estate Market Update (1Q17)

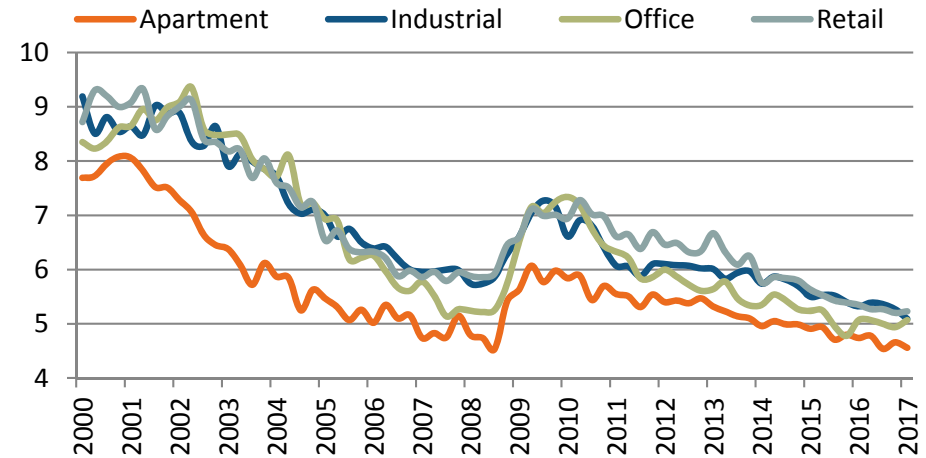
General

- Equities continued to rally during the Quarter; the S&P 500 produced a total gross return in excess of 6%. Consumer Sentiment decreased during the Quarter, with a final value of 96.9 in March, but remains elevated relative to the months preceding the election (November – 93.8). Bond yields remained elevated during the Quarter – decreasing only 6 Bps – but have subsequently declined since Quarter end.
- Macro indicators for U.S. real estate remained moderate and consistent during the 1st Quarter of 2017. During the Quarter, corporate earnings continued to drive the equity markets to record highs. During the Quarter, Real GDP increased at an annualized rate of 1.2% (revised upward from initial estimates of 0.7%). The Federal reserve raised rates by 0.25% during the quarter, and, given continued economic momentum, is expected to raise rates again in 2Q17.

Commercial Real Estate

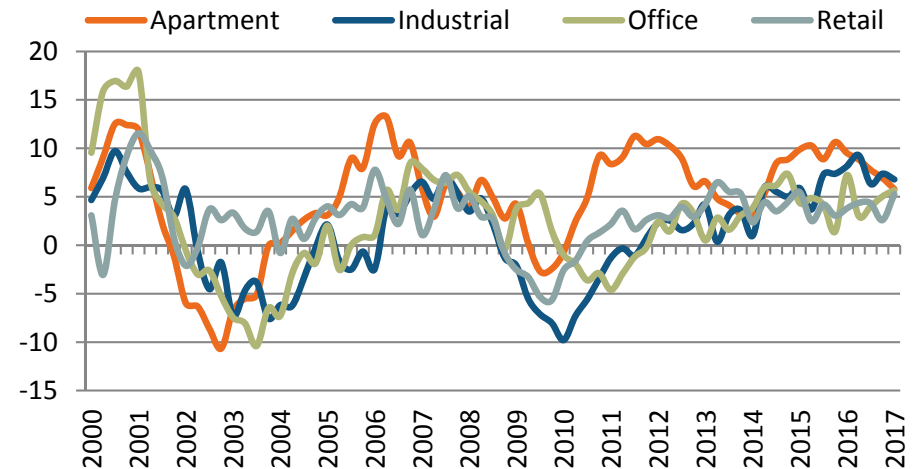
- In 2016, \$72.2bn of aggregate capital was raised by US real estate funds. During the 1st quarter of 2017, an additional \$16.3Bn was raised indicating strong demand for US real estate investment.
- Debt costs for borrowers have declined over the Quarter as treasury yields declined from post election peaks. The credit environment in 2017 will be particularly interesting due to CMBS maturities and the tightening of banks' lending standards. Non-Bank Financing Companies are expected to fill lending gaps in 2017.
- 2017 YTD investment activity in the US is down 17% Year-over-Year. While the apartment market continues to witness cap rate compression (as noted below), investment and transaction activity in multifamily has declined to the greatest extent relative to the other major asset classes.
- Transaction cap rates on average compressed minimally during the 1st Quarter of 2017 across major sectors. Multifamily and Industrial experienced a 10 bps and 18 bps of compression respectively, while retail and office began expanding by 3 bps and 13 bps respectively.

Current Value Cap Rates by Property Type



Source: NCREIF

4-Qtr Rolling NOI Growth By Property Type



Source: NCREIF

United States Property Matrix (1Q17)



INDUSTRIAL

MULTIFAMILY

- As of 1Q17, Industrial properties returned 2.83% and outperformed the NPI by 129 bps.
- Despite consistent new construction in a majority of markets, overall US vacancy declined an additional 30 basis points to 5.3%.
- New deliveries still remain below total net absorption, with an 11.9% year-over-year increase totaling over 58 million sqft in the first quarter alone. The three markets of Philadelphia, Dallas and Atlanta accounted for 34% of total US absorption.
- Existing development pipeline is estimated at 247.2 million sqft, led by a 29% increase from the fourth quarter in built-to-suit construction. By 2018, the market is expected to have added 1 billion sqft of inventory cumulatively since 2013, representing 8.1% of total inventory.
- With speculative development accounting for 71.5% of new construction, speculative preleasing rates increased 320 basis points for 26.9%.

- Sales volume for the Quarter totaled \$25.5 billion, representing a decrease of 44% relative to the previous quarter. This is the lowest volume since 1st Quarter 2014.
- As of Quarter end, the current Homeownership Rate is 63.7% suppressed by continued tightening of lending standards and mortgages rates, which have rebounded post election to 4.2% for a 30 year fixed rate.
- TTM Single-Family starts were up 6% and represent a potential headwind for the industry as housing development ramps up.
- The rate of completions as a percent of inventory is expected to remain elevated. TTM Multifamily starts were up 26% and Apartment REIT development pipelines remain relatively large.
- The apartment sector delivered a 1.30% return during the Quarter, underperforming the NPI by 25 bps.

OFFICE

RETAIL

- The Office sector returned 1.26% in 1Q17, 28 bps below the NPI.
- With delivery of 16 million sqft of office space to the market in the first three months of the year, occupancy growth slowed to 3.6 million sqft even as rents rose rapidly.
- Renewals and relocations with no significant change in footprint represented 34.3% and 29.3% of leasing activity, respectively. Technology remains the primary driver of leasing activity representing 24.2% of the Quarterly activity.
- For the first time since 2010, total vacancy rose 20 basis points to 14.7%, with all asset classes registering some degree of increase.
- Driving vacancy increases in the pace of completions, with 16 million sqft of deliveries entering the market in the first three months of the year. This represent the largest volume of new supply this cycle, with an average expected to remain elevated at 15.3 million sqft through the end of 2018.

- First quarter retail sales volumes declined 3% to 16 billion relative to the 4th Quarter 2016.
- Retail REITs were down 4.8% to begin the year and 17.2% over the trailing twelve month period. There continues to be a growing divergence between public implied cap rates and private cap rates, indicating either private markets are too expensive or public markets are priced inefficiently and thus a better value.
- Trailing 4 Quarter NOI Growth was 5.3%, the lowest of any major property type. In addition, REIT data has indicated same-store sales growth and tenant occupancy costs have reached an inflection point indicating future NOI Growth will be limited.
- At the end of 2016, E-commerce had grown to represent 8.1% of Total Retail Sales.
- As of 1Q17, the retail sector delivered a quarterly return of 1.56%, performing in line with the NPI.

Global Real Estate Market Update (1Q17)

Global

- Global investment activity stabilized during 1Q 2017 totaling \$136 billion, -1% below 1Q 2016 levels. Economic trends remain positive, although some political uncertainties remain. London remained the top global destination for investment with \$8.2 billion, followed by Tokyo (\$5.8 billion) and New York City (\$5.6 billion).

Direct Commercial Real Estate Investment - Regional Volumes, 2015 - 2017

\$ US Billions	Q4 16	Q1 17	% Change		% Change		2015	2016	% Change YTD 2015 - YTD 2016
			Q4 16 - Q1 17	Q1 16	Q1 16 - Q1 17	2016			
Americas	78	58	-26%	61	-5%	314	285	-9%	
EMEA	85	52	-39%	51	2%	267	247	-7%	
Asia Pacific	44	25	-43%	25	0%	123	131	7%	
Total	207	135	-35%	137	-1%	704	663	-6%	

Source: Jones Lang LaSalle, April 2017

Europe

- European investment was up 3% y/y in 1Q 2017 to \$52 billion. The U.K. saw a 7% y/y decline while Germany, accounting for approximately 10% of global transactions, posted a strong 32% y/y growth for 1Q 2017. Excluding the U.K., the region saw an 8% y/y increase in investment volumes. Central and Eastern Europe remains a significant contributor to regional growth, posting a 28% y/y increase in investment, led by the Czech Republic, Poland, and Hungary respectively.

Asia

- Asia Pacific investment during the Quarter remained flat at \$25 billion, with Hong Kong and Australia driving underperformance in the region. Transaction volume in Australia fell 28% while Japan contributed positively with 16% y/y growth during the Quarter. Investment in China during the quarter was concentrated in Tier 1 cities and core office assets. Cross border transactions accounted for 35% of transactions.

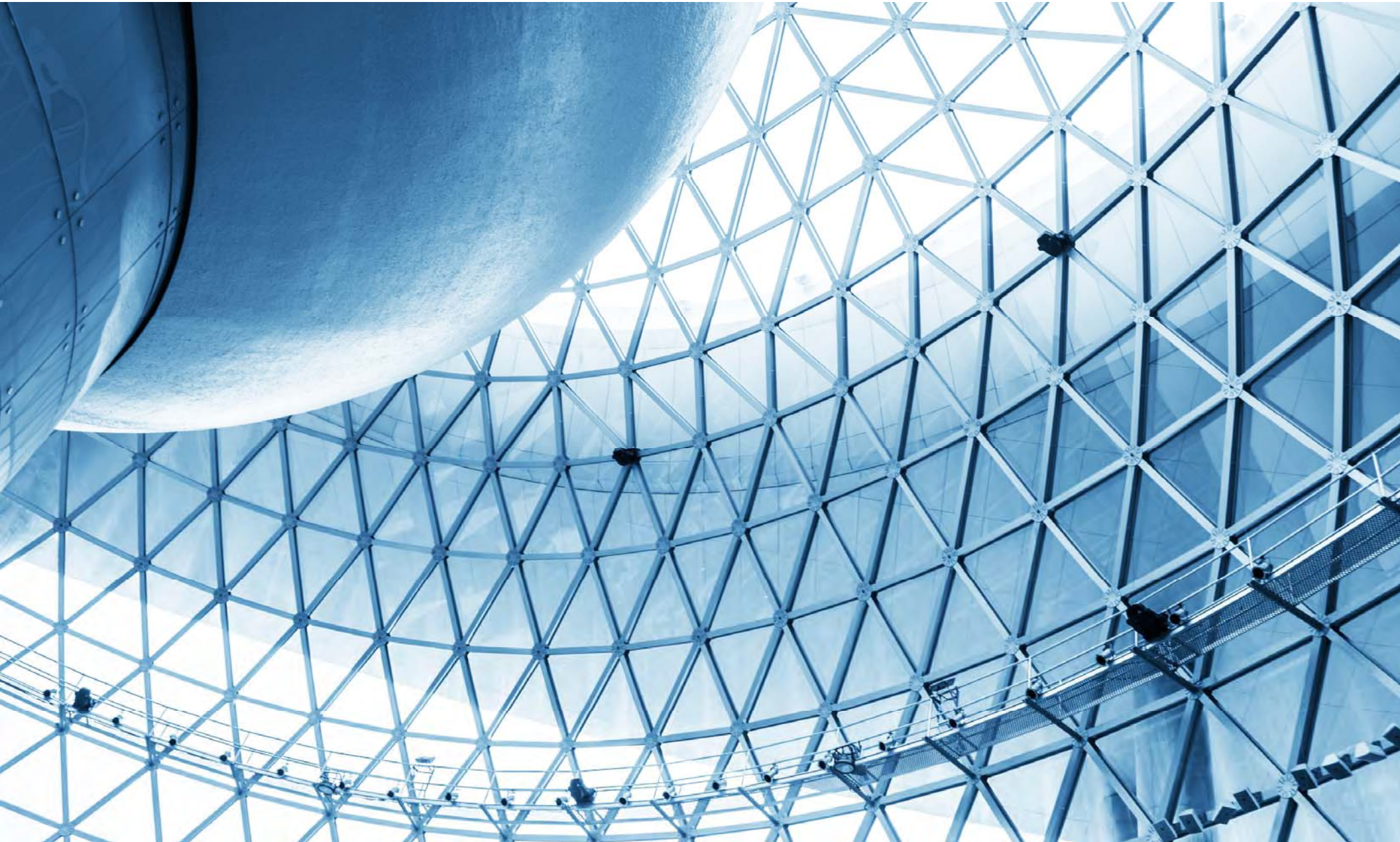
Global Outlook - GDP (Real) Growth % pa, 2016-2018

	2016	2017	2018
Global	3.0	3.4	3.7
Asia Pacific	5.4	5.3	5.2
Australia	2.5	2.8	2.4
China	6.7	6.5	6.1
India	7.5	7.2	7.5
Japan	1.0	1.4	1.3
North America	0.7	1.8	1.6
US	1.6	2.1	2.6
MENA*	2.7	2.6	3.7
European Union	1.9	1.9	1.8
France	1.1	1.4	1.6
Germany	1.8	1.8	1.4
UK	1.8	1.9	1.3

*Middle East North Africa

Source: Jones Lang LaSalle (Oxford Economics), April 2017

Glossary of Terms



Cash Flow Statement

Beginning Market Value:	Value of real estate, cash and other holdings from prior period end.
Contributions:	Cash funded to the investment for acquisition and capital items (i.e., initial investment cost or significant capital improvements).
Distributions:	Actual cash returned from the investment, representing distributions of income from operations.
Withdrawals:	Cash returned from the investment, representing returns of capital or net sales proceeds.
Ending Market Value:	The value of an investment as determined by actual sales dollars invested and withdrawn plus the effects of appreciation and reinvestment; market value is equal to the ending cumulative balance of the cash flow statement (NAV).
Unfunded Commitments:	Capital allocated to managers which remains to be called for investment. Amounts are as reported by managers.
Remaining Allocation	The difference between the ending market value + the unfunded commitments and the target allocation. This figure represents dollars available for allocation.

Style Groups

<p>The Style Groups consist of returns from commingled funds with similar risk/return investment strategies. Investor portfolios/investments are compared to comparable style groupings.</p>	
<p>Core:</p>	<p>Direct investments in operating, fully leased, office, retail, industrial, or multifamily properties using little or no leverage (normally less than 30%).</p>
<p>Value-Added:</p>	<p>Core returning investments that take on moderate additional risk from one or more of the following sources: leasing, re-development, exposure to non-traditional property types, the use of leverage.</p>
<p>Opportunistic:</p>	<p>Investments that take on additional risk in order to achieve a higher return. Typical sources of risks are: development, land investing, operating company investing, international exposure, high leverage, distressed properties.</p>

Indices

Stylized Index:	Weights the various style group participants so as to be comparable to the investor portfolio holdings for each period.
Open-End Diversified Core Equity Index (“ODCE”):	A core index that includes only open-end diversified core strategy funds with at least 95% of their investments in U.S. markets. The ODCE is the first of the NCREIF Fund Database products, created in May 2005, and is an index of investment returns reporting on both a historical and current basis (16 active vehicles). The ODCE Index is capitalization-weighted and is reported gross and net of fees. Measurement is time-weighted and includes leverage.
Open-End Diversified Value Equity Index (“ODVE”):	A value-added index that includes only open-end diversified value-added strategy funds with at least 95% of their investments in U.S. markets. The Open-End Diversified Value Equity index is not a published index, but rather maintained internally by The Townsend Group and is an index of investment returns reporting on both a historical and current basis (12 active vehicles). The Open-End Diversified Value Equity Index is capitalization-weighted and is reported gross and net of fees. Measurement is time-weighted and includes leverage.
NCREIF Property Index (“NPI”):	National Property Index comprised of core equity real estate assets owned by institutions.
NAREIT Equity Index:	This is an index of Equity Real Estate Investment Trust returns reflecting the stock value changes of REIT issues as determined through public market transactions.

Performance

Income Return (“INC”):	Net operating income net of debt service before deduction of capital items (e.g., roof replacement, renovations, etc.)
Appreciation Return (“APP”):	Increase or decrease in investment's value based on internal or third party appraisal, recognition of capital expenditures which did not add value or uncollectible accrued income, or realized gain or loss from sales.
Total Gross Return (“TGRS”):	The sum of the income return and appreciation return before adjusting for fees paid to and/or accrued by the manager.
Total Net Return (“TNET”):	Total gross return less Advisor fees reported. All fees are requested (asset management, accrued incentives, paid incentives). No fee data is verified. May not include any fees paid directly by the investor as opposed to those paid from cash flows.
Inception Returns¹:	The total net return for an investment or portfolio over the period of time the client has funds invested. Total portfolio Inception Returns may include returns from investments no longer held in the current portfolio.
Net IRR:	IRR after advisory fees, incentive and promote. This includes actual cash flows and a reversion representing the LP Net Assets at market value as of the period end reporting date.
Equity Multiple:	The ratio of Total Value to Paid-in-Capital (TVPIC). It represents the Total Return of the investment to the original investment not taking into consideration the time invested. Total Value is computed by adding the Residual Value and Distributions. It is calculated net of all investment advisory and incentive fees and promote.

¹ Portfolio level returns include historical returns of managers no longer with assets under management. All returns are calculated on a time-weighted basis.

GEOGRAPHIC REGIONS and DIVISIONS

