



ITEM 16

Executive Staff

Richard Stensrud
Chief Executive Officer

Steve Davis
Chief Investment Officer

Robert L. Gaumer
General Counsel

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel, Sr.
Chief Benefits Officer

For Agenda of:
March 15, 2017

March 10, 2017

TO: President and Members
Board of Retirement

FROM: JR Pearce
Investment Officer

SUBJECT: SCERS' Real Estate Performance Review for the Quarter Ending
December 31, 2016

RECOMMENDATION:

It is recommended that your Board receive and file the Real Estate performance presentation report for the fourth quarter of 2016 and consider taking action on any recommendations made therein.

BACKGROUND

Attached is Townsend's quarterly performance report for the real estate portfolio ending December 31, 2016.

This memorandum provides a summary of SCERS' real estate portfolio performance and current real estate market conditions, which compliments Townsend's quarterly performance report. Townsend, with commentary from Staff, will be presenting the attached report at the Board meeting, including strategic and tactical considerations in the real estate portfolio and how they are manifested in the performance data.

REAL ESTATE MARKET RETURN SUMMARY

UNITED STATES

For the fourth quarter of 2016, the US private real estate market (NCREIF) return was decidedly down from the fourth quarter of 2015 (1.7% versus 2.9%), while the US public real estate market (NAREIT) was down significantly from the fourth quarter of 2015 (-3.5% versus 7.4%).

- NCREIF (NPI) index recorded a 1.7% return for the fourth quarter, unchanged from last quarter's 1.7% return, yet down from the year-ago period (2.9%) due to slowing appreciation (0.6% versus 1.8%).
- Year-to-date, the NPI Index returned 8.0%, down from the 9.2% year-to-date return as of the third quarter of 2016 and down from the 2015 year-to-date period of 13.3%.
- The NPI-Open End Diversified Core Equity (NPI-ODCE) index returned 2.1% for the quarter, the same as last quarter's 2.1% return yet down from the 3.3% return in 2015.
- The FTSE NAREIT US Equity REIT Index was down for the quarter, returning a -3.5% return, down from the previous quarter -0.8% return, due to interest rates increasing and future Fed rate hikes.

NCREIF TOTAL RETURN (%)				
	Quarterly		Annual	
	4Q16	4Q15	2016	2015
NPI	1.7	2.9	8.0	13.3
Industrial	3.0	3.2	12.3	14.9
Retail	1.6	3.5	9.0	15.3
Apartments	1.7	2.7	7.3	12.0
Office	1.4	2.6	6.2	12.5
ODCE	2.1	3.3	8.8	15.0

Source: NCREIF as of 31 December 2016

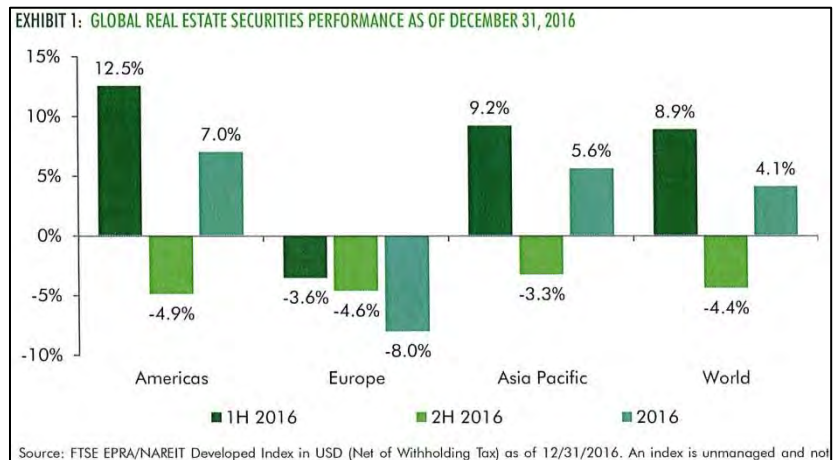
FTSE EPRA/NAREIT EQUITY REIT TOTAL RETURN (%)				
	Quarterly		Annual	
	4Q16	4Q15	2016	2015
FTSE EPRA/NAREIT	-3.5	7.4	7.6	3.0
Industrial	7.4	14.3	37.0	17.3
Retail	-10.8	8.1	0.9	4.7
Apartment	1.0	8.2	3.9	16.6
Office	1.0	7.9	15.0	2.6

Source: FTSE ERPA/NAREIT, Bloomberg as of 31 December 2016

INTERNATIONAL

Global REIT markets were down -7.7% during the fourth quarter, significantly down from last quarter's return of 1.3%. Year-to-date, the Global REIT market returned 2.0%.

- Central bank monetary policy continues to dominate the real estate markets.
 - European Central Bank indicated it would taper quantitative easing.
 - The US Fed finally raised its rate in December.
- Continental Europe suffered negative returns for the year



resulting from the after-effects of Brexit and political uncertainty in France, Italy, and Germany.

- The Asia-Pacific region saw mixed results with softness in Hong Kong and Singapore due to weak supply-demand fundamentals, offset by improving office fundamentals in Tokyo contributing to positive performance in Japan.

TOTAL REAL ESTATE PORTFOLIO RETURNS

SCERS' real estate investment portfolio is built around three different allocation 'buckets': (1) Core Real Estate; (2) Non-Core (Opportunistic and Value-Add) Real Estate; and (3) Publicly-Traded REITs. The SCERS one year annualized returns noted below are based on a rolling twelve-month basis as of the quarter end.

QUARTER RETURNS

- The total real estate portfolio returned 0.4% net, which was down from last quarter's net return of 1.9% net, but outperformed against SCERS' blended benchmark of 0.3%.
 - Underperforming during the quarter was SCERS' Value Add portfolio (-0.2% net) and the SCERS REIT portfolio (-5.2% net).
 - Net return by portfolio classes against the benchmark were as follows: Core (2.5% versus 1.9% index), non-core (0.7% versus 2.1% index), US REITs (-3.5% versus -3.3% index), and Global REITs (-7.8% versus -7.7% index).

ONE YEAR ANNUALIZED RETURNS

- For the twelve months, ending December 31, 2016, SCERS' total real estate portfolio (including REITs) returned 7.7% net, which is down from last quarter's twelve-month return of 10.1% net, but outperformed against SCERS' blended benchmark of 7.3%.
 - The underperformance is attributed to the underperformance of SCERS' Core portfolio (7.0% net).

REAL ESTATE INVESTMENT STRATEGY RETURNS

QUARTER RETURNS

CORE

- SCERS' core real estate portfolio returned 2.5% net for the quarter, up from last quarter's net return of 2.1% and better than the NFI-ODCE benchmark of 1.9% net.
- Comparatively, the Core Separate Accounts earned 3.0% net, while the Core Commingled Funds earned 2.1% net for the quarter.

- The Core Separate Account outperformance is due to the appreciation return exceeding the benchmark, 1.5% versus 1.0%.
- The Core Commingled Funds underperformance was due to asset write-downs in Jamestown Premier Property Fund (-0.3% net) and negative currency effect of Prologis Targeted Europe Logistics Fund (-4.2% net).
 - Excluding the currency effect, Prologis Targeted Europe earned a 2.4% net return in its local Euro currency versus.

NON-CORE

- SCERS' non-Core Real Estate portfolio returned 0.7% net during the quarter, which underperformed against the NFI-ODCE plus 100 bps benchmark return of 2.1% net.
 - Notable underperformers were DRC European Real Estate (-2.7% net), due to the negative currency (Sterling) exchange, in addition to AEW Value Investors Fund II (-5.4% net) and Hines US Office Value Added Fund II (-7.4%), due to asset write-downs.
 - However, notable quarter outperformance was achieved by Och-Ziff Real Estate Fund III (6.0% net),

PUBLICLY-TRADED REITs

- SCERS' US REIT portfolio, managed by CenterSquare, earned a net return for the quarter of -3.5%, which underperformed against the FTSE EPRA/NAREIT US Index return of -3.3%.
- SCERS' Global REIT portfolio, managed by CBRE Clarion, earned a quarter net return of -7.8%, which slightly underperformed against the FTSE EPRA/NAREIT Developed ex-US Index return of -7.7%.

ONE YEAR ANNUALIZED RETURNS

CORE

- For the twelve months ending December 31, 2016, the total core real estate portfolio returned 8.5% net, meaningfully outperforming against the NFI-ODCE Index return of 7.8% net.
 - The Core Commingled Funds outperformed the benchmark, returning 8.9% net versus 7.8% net, while the Core Separate Accounts also outperformed against the benchmark, returning 8.6%.
 - The Core Separate Account portfolio outperformance is attributed to the outperformance of the Cornerstone separate account (13.3% versus the 7.8% index) due to a valuation increase. Because the separate account portfolio is concentrated, it will tend to have a greater volatility of returns.

NON-CORE

- For the twelve months ending December 31, 2016, the non-core portfolio returned 7.4% net, underperforming the NFI-ODCE +100 bps benchmark return of 8.8% net.
 - Underperformance is attributed to the value-add funds (7.2% net versus 8.8% net) and, in particular, AEW Value Investors Fund II (-18.6%) due to asset write-downs, and DRC European Real Estate Debt Fund II (-8.9%) due to the negative currency exchange rate.

PUBLICLY-TRADED REITs

- For the twelve months ending September 30, 2016, the US REIT portfolio earned an 8.3% net return, underperforming against the FTSE EPRA/NAREIT US Index return of 8.6%.
- The Global REIT portfolio earned a 1.7% net return, underperforming against the FTSE EPRA/NAREIT Developed ex-US Index return of 2.0%.

GLOBAL REAL ESTATE MARKET TRENDS

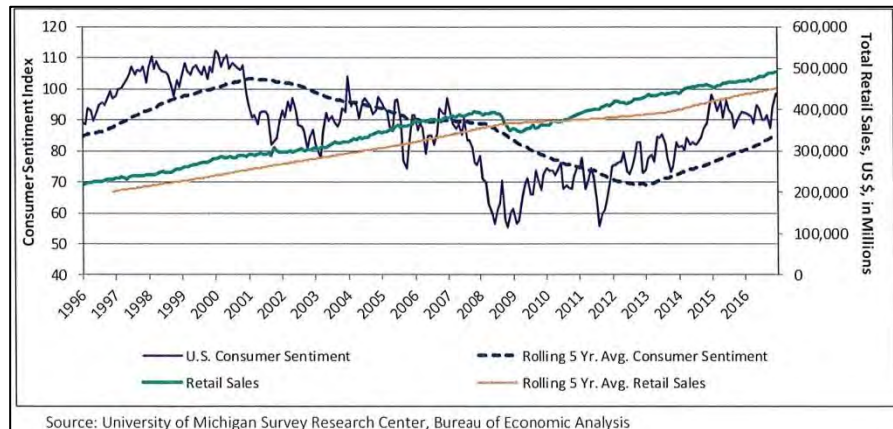
UNITED STATES

The US economy saw positive GDP growth in 2016, adding 2.2 million jobs, the most over the last 10 years. Consumer confidence jumped in the fourth quarter and has reached its highest level since 2007. Positive employment and wage gains are encouraging consumer confidence.

The new administration's goal of cutting taxes and deploying fiscal stimulus has contributed to the overall increase in optimism seen in the fourth quarter.

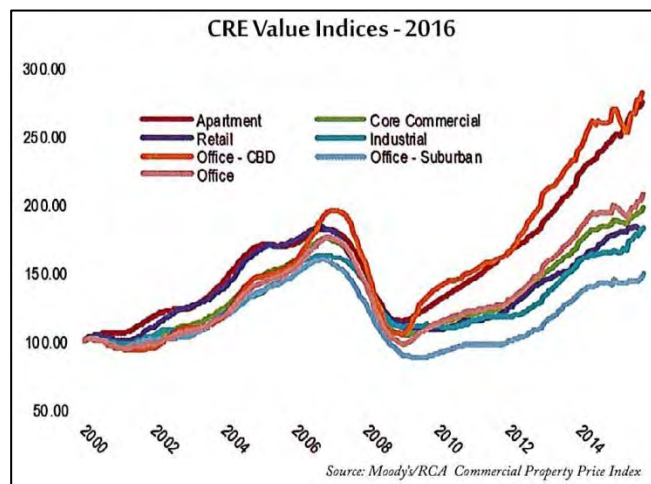
BlackRock's fourth quarter market report highlighted conditions occurring in the US real estate market:

"The fourth quarter of 2016 saw ongoing improvement in U.S. real estate fundamentals. Steady job growth resulted in consistent demand for real estate, which continued to outstrip the amount of new construction. As a result, vacancy fell across all four property types over the course of the year. The decline was most pronounced among industrial assets, with vacancy falling 70 basis points year-over-year to 8.2%, the lowest level since 2001. Meanwhile, although office construction moved off cyclically low levels in 2016,



accelerating demand was strong enough to counter new deliveries and office vacancy fell 40 basis points to 15.7%. At the same time, apartment deliveries slowed, allowing vacancy for the sector to fall 20 basis points year-over-year after having previously risen in 2015. Lastly, retail experienced only a modest decline, with its vacancy rate falling only 10 basis points year-over-year to 9.9%. With e-commerce remaining a headwind, retail is the most challenged of the four sectors, and vacancy is down just 100 basis points from the peak level in 2011.”

In its 2017 Global Market Outlook, Hines Investments made a case that real estate cap rates will increase along with interest rate increases, as opposed to the risk spread over treasuries compressing. Staff made the same observations over the past two quarterly reports, with the second quarter report stated, “...cap rates will have to rise, potentially in lock step or higher, if only because of the higher debt rates lower investment returns, which will force asset prices downward to compensate.”



From Hines' 2017 Global Market report:

“As of late December, 10-year Treasury rates increased by 72 basis points since the election. Of this, 48 bps was due to changes in the real rates and 24 bps was due to a change in inflation expectations. At the margin, this should suggest an upward adjustment of rent growth assumptions. Some investors may add the entire 24 bps increase to their rent growth outlook; although as we will show, that’s probably a bit aggressive. Meanwhile, the increase in the real risk premium implies exit cap rate assumptions should also rise by 50 bps. Combined, these assumptions would imply a moderate decline in property values, which appears to fit with some of the repricing anecdotally seen in the market that as yet to be reflected in most of the data... There is a nearly one-to-one relationship between real cap rates and real corporate bond yields, affirming that the 48 bps change in real yields should cause an expansion of cap rates.”

Hines and other industry pundits highlight real estate values have historically increased in times of rising fed rates across the property sectors since rising rates mean a growing economy. However, unprecedented Fed quantitative easing has pressed all asset values to historical highs, and what may be overlooked is how much should the risk premia be. Should investors perceive more risk in real estate from global events, cap rates could rise quicker than expected to compensate for the higher cost of capital and higher perceived risks. Conversely, should there be better risk-return investments than real estate, a large number of unconventional investment capital in real estate will pull out and in turn press cap rates.

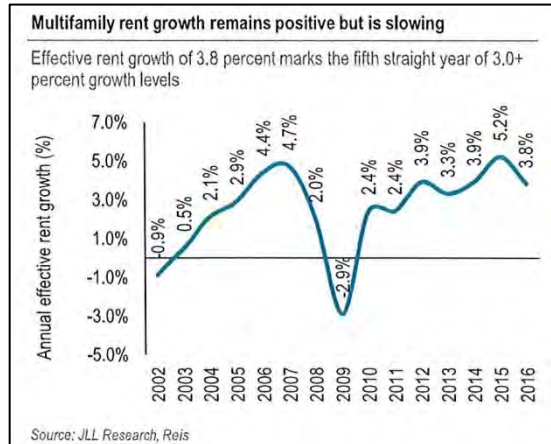
US PROPERTY-TYPE TRENDS

APARTMENTS:

Despite positive demographic trends, new supply has outstripped demand with a new cycle high in deliveries reached in 2016. Although market research varies by provider, all data indicators highlight the flood of new apartment inventory. According to Colliers International research, new supply will end the year at a cyclical high of 350,000 units, while Marcus & Millichap reports another 371,000 units are expected to deliver in 2017. JLL notes in its apartment market research that 385,000 units were delivered in 2015 and 2016. Notably, the majority of new supply is occurring in the core coastal markets in response to job growth, while the majority of secondary and tertiary markets are seeing less overbuilding. Further complicating market fundamentals, Colliers found that roughly 75% of new supply has been for luxury apartments. There remains a supply-demand imbalance for the lower-to-middle market apartment units. For the quarter:



- Of the 64 apartment markets followed by CBRE, 37 saw vacancy increase during the year as new supply is exceeding demand.
- For the fourth quarter, JLL reported net absorption equaled 1.6% of total inventory, short of the 1.8% of new completions. After reaching a cycle high of 2.1% in the first quarter of 2016, new supply has tapered off to 1.8% of total inventory.
- With new supply exceeding demand, rental growth declined from 5.2% achieved in 2015 to 3.8% during 2016, per JLL.
- Per JLL, deal volume reached another record-setting year in 2016. Transactions in 2016 exceeded 2015 by 4.3%, although cap rates did not change from its already historical low.



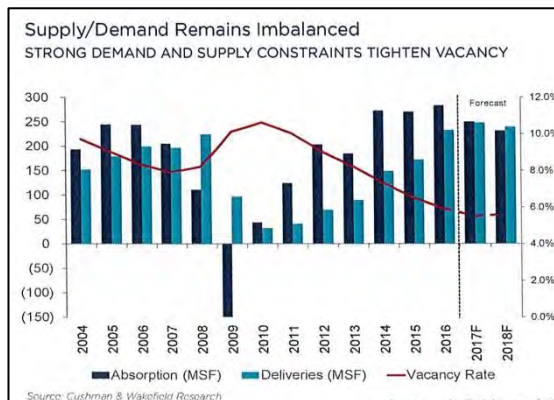
INDUSTRIAL/LOGISTICS:

Prologis Targeted US Logistics' fourth quarter report highlighted conditions occurring in the US logistics market:

“The U.S. logistics market remains strong. The vacancy rate fell to 4.9% in Q4 2016, a record in data dating back more than 15 years and down 50 bps from the beginning of the year. Net absorption remained healthy at 257 MSF – marking the fourth year in a row of demand totaling more than 250 MSF. Alongside a general economic expansion and

renewed growth in the housing sector, e-commerce continues to contribute to demand. Vacancies fell as new supply amounted to 179 MSF in 2016, although it has continued to ramp up for the last several years. In turn, rent growth is moderating but remains strong, up 5% during 2016 with relatively similar performance across markets.”

The industrial sector fundamentals reached cyclical highs, with fourth quarter activity leading to 2016 net absorption, occupancy, rental rates, and investment values to record highs. E-commerce continues to drive logistics demand for big-box buildings, last-mile distribution centers, and industrial flex space, with new supply unable to keep up with demand. For the quarter:



- Industrial demand in 2016 has far exceeded supply, leading to a record low vacancy rate of 5.6%, according to Colliers. Net absorption equaled 296 million square feet despite a record 246 million square feet of new supply.
- With net absorption exceeding supply, CBRE reports the average rental rate increased 6.3% over 2015, the highest annual growth since 2007. Rents have grown for 12 consecutive quarters to reach an all-time high (\$6.58 per square foot versus \$6.04 per square foot prior record), per CBRE.
- In Newmark Grubb’s industrial market research, net absorption during the current recovery has averaged 10 million more square feet per quarter than the previous expansion cycle from 2002 to 2008.
- According to Colliers, investment transactions were down 24% from the record level achieved in 2015, primarily due to fewer portfolio sales. Looking at single property transactions, deal volume was actually up 7%. Despite overall transactions volumes being down, sales prices achieved in 2016 exceeded the all-time high by 8.1% (\$80 per square foot versus \$74 per square foot).



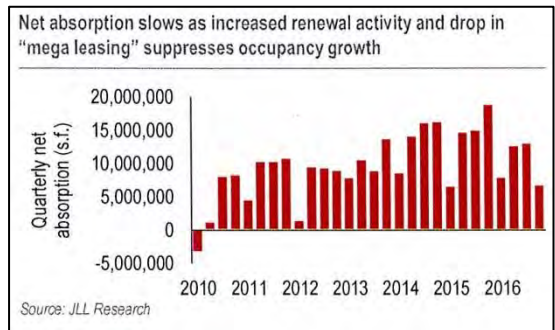
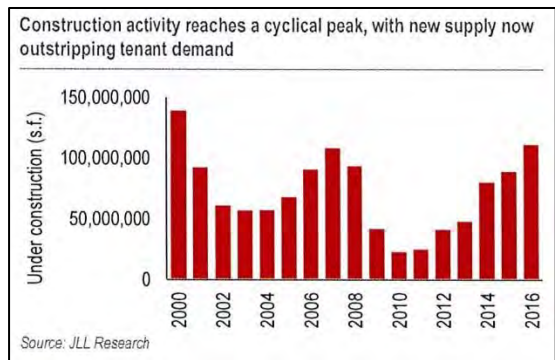
SCERS’ commitment to Prologis Targeted US Logistics Fund, LP (“Prologis US”), is a strategic investment in US logistics and the transformation occurring in retailing. Prologis US targets logistics and industrial properties primarily in the core coastal markets. Prologis is one of the world’s largest specialist logistics managers targeting the US; the manager also has a European focused strategy. SCERS has an equal commitment to both Prologis’ US and European strategy:

- Prologis US returned 2.5% net during the quarter, outperforming the benchmark return of 1.9%.
- For the twelve months ending December 31, 2016, Prologis US returned 9.0% net, outperforming the benchmark of 7.8%.

OFFICE:

The US economy remains on a path, albeit slow, of growth and recovery with businesses adding jobs quarter-over-quarter. Through the third quarter, job growth was healthy, but the fourth quarter saw a slowing. For the fourth quarter, US employment averaged 165,000 jobs per month, down from 212,000 reported during the third quarter. The slowdown in jobs has been particularly acute in office-using jobs, with 44,000 new jobs per month created in the fourth quarter, down from 78,000 per month in the third quarter. For the quarter:

- Slowing employment growth is influencing the office market fundamentals. According to Cushman & Wakefield, absorption was down 35% from 2015, with 58 of the 87 markets it tracks reporting positive absorption, the smallest number since 2013.
- During the quarter, 11 million square feet of new supply was delivered, exceeding the 6.2 million square feet absorbed, according to Newmark Grubb. Full year completions equaled 90.1 million square feet, significantly exceeding the 32.2 million square feet absorbed.
- Despite elevated supply, Colliers reported average rents increased 5.7% over 2015. All of the new construction has led to increasing rental rates; however, slowing job growth and declining net absorption are expected to pressure rates downward as landlords increase concessions to lease space, which Newmark Grubb noted.

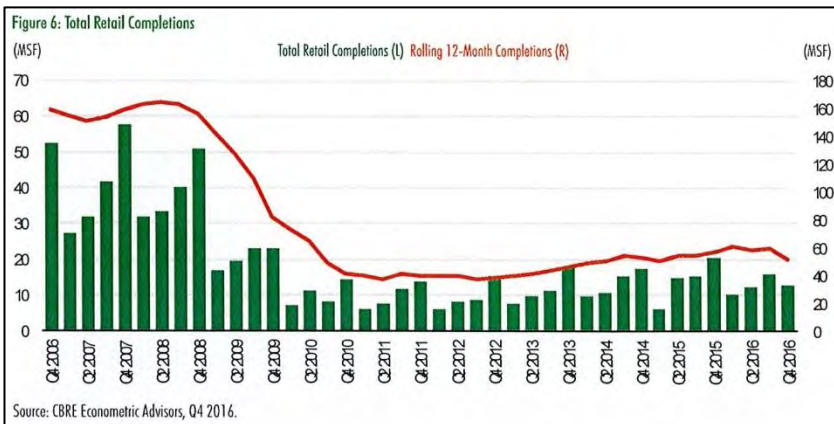


RETAIL:

The retail landscape continues to be reshaped by e-commerce and consumer changing shopping habits. The growth of e-commerce is having a profound impact on retail formats, with Cushman & Wakefield research noting 26 major retailer bankruptcies in 2016 compared to 22 in both 2014 and 2015 (the record was 37 in 2009). Looking to 2017, Cushman & Wakefield expects 5,000 major chain location closures. However, consumer's preference for experiences and healthy living is driving robust demand for food-related

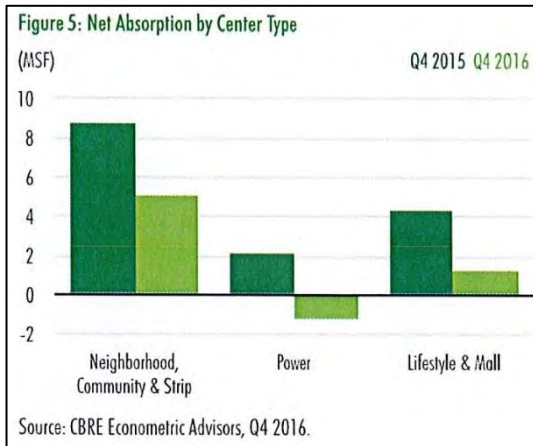
retail. According to Cushman & Wakefield, upwards of 70% of new leasing activity is coming from either fast casual restaurants or niche grocery concepts. For the quarter:

- According to CBRE, retail net absorption was down 10% from 2015, reflective of the



numerous store closings that occurred in 2016 (4,000 according to Cushman & Wakefield). Faring better than the general retail sector, neighborhood shopping centers, which comprise 63% of retail inventory and the most resistant to e-commerce, recorded nearly half of the total net absorption recorded during the year.

- Across the markets Cushman & Wakefield tracks, retail rents were down 5.3% from 2015, with class B and C malls suffering the most. However, CBRE data on the retail markets it tracks indicated a 4% increase in rents for 2016. CBRE's data includes more neighborhood shopping centers, which have been driving retail fundamentals.
- According to CBRE, since peaking at 10% in 2011, vacancy in shopping centers reached 7.1% during the quarter. Data from Cushman & Wakefield had retail vacancy ending the year at 7.3%, down from 7.7% it recorded at year-end 2015.
- Due to the difficult retail environment, new supply has been muted and contributing to the slow recovery. Per CBRE, 2016 completions were down 9.5% from 2015. Cushman & Wakefield noted that most new construction has averaged 80% pre-leased, reflecting the absence of speculative development. For the year, new completions equaled 27.05 million square feet, compared to 27.5 million square feet in 2015. New supply continues to contract, with Cushman tracking only 22.1 million square feet of new retail developments.



HEALTHCARE:

An aging population and demographic changes are driving the construction and use of medical facilities. Healthcare providers are implementing a more patient-centered approach to healthcare delivery. Large healthcare providers are acquiring and expanding off-campus services closer to residential areas, providing patients easier access to care.

The changes occurring in the industry is a result of the federal government's reporting requirements to monitor patient care performance. Included in the government's measurement of patient health care service is the rating of facilities and medical staff. Delivery and patient care measures will be a mandatory reporting requirement across the industry starting in 2018, and become public reports starting in 2020. For the quarter:

- Healthcare real estate fundamentals continue to tighten, driven primarily by major medical providers as they reach for scale. According to Colliers Healthcare research:

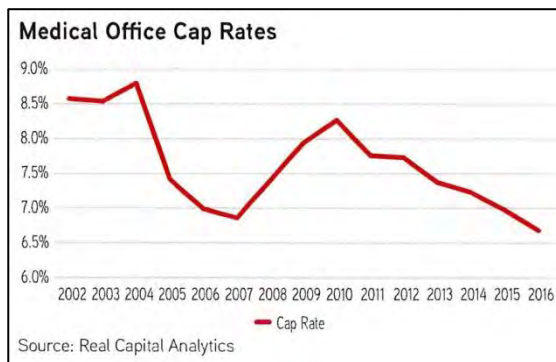
- Total net absorption increased 25% over 2015, which had exceeded 2014 activity by over 30%.
- Overall vacancy declined to 7.4%, down from 8.9% in 2015, and significantly down from the 10-year average of 9.5%.
- Overall leasing activity drove rental rates up 8% from 2015



- In response to the tight fundamentals, medical office development has picked up considerably:
 - Per Colliers Healthcare, new construction totaled 22 million square feet, just below the 2008 peak of 24.9 million square feet.
 - However, new construction represented less than 1.7% of existing inventory, compared to 2.3% that occurred prior to 2009.

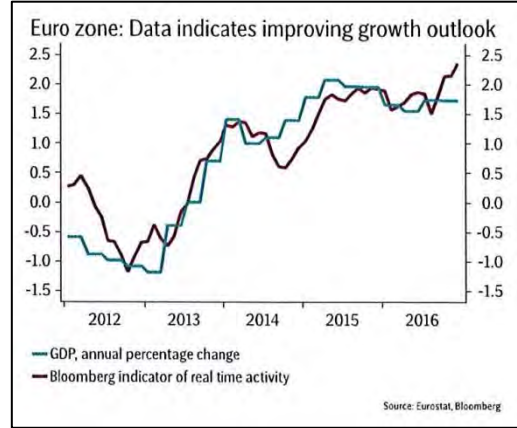
SCERS' commitment to Hammes Partners II ("Hammes"), an on-campus ambulatory and acute care manager, is capitalizing on the structural shifts occurring in the healthcare industry:

- Hammes returned 1.3% net during the quarter, underperforming the benchmark return of 2.1%.
- For the twelve months ending December 31, 2016, Hammes returned 8.9% net, slightly outperforming the benchmark of 8.8%. However, Hammes generated a 13.7% income return
- Hammes is still early in its investment stage; however, the J-curve has been mitigated by the high-income return.



EUROPE AND NORDICS

The Eurozone economic outlook has steadily improved with many indicators pointing to accelerating GDP growth. Consumer sentiment indicators are at their highest since 2011, and more widely spread among the Eurozone countries. Employment is growing and low interest rates are benefiting households, leading to the confidence. With Brexit and US elections behind us, investor focus will be on a number of European elections in 2017, including the Netherlands in March, France in April-June and Germany in September.



Positive Eurozone GDP growth, increasing consumer consumption, and job growth have contributed to solid real estate fundamentals across the countries. Retail remains the best performing property sector, benefitting from strong consumer spending, while industrial rental growth has tapered off. Office rents across the Eurozone markets accelerated and grew 4% in 2016. All indicators point to a tightening of real estate fundamentals, in particularly the main Eurozone countries, but are increasingly becoming broader based.

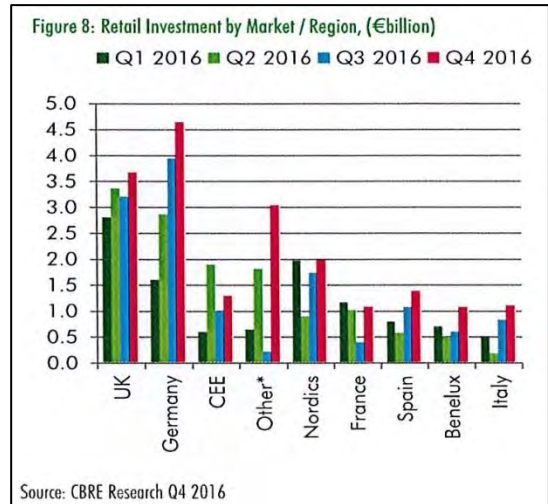
GDP forecasts
Year-on-year percentage change

	2015	2016	2017	2018
Germany	1.7	1.9	1.8	1.8
France	1.3	1.2	1.2	1.4
Italy	0.7	0.9	0.9	1.2
Spain	3.2	3.3	2.8	2.8
Euro zone	2.0	1.8	1.8	1.9

Source: Eurostat, SEB

Political uncertainty during the year contributed to reduced investment volume, as investors sat on the sidelines until there was more clarity. However, 2015 represented a historical high. CBRE estimates 2016 investment volume is in line with 2014 levels, and well above the 10-year average. Among the countries, uncertainty over Brexit brought UK's investment volume below its 10-year average; while in Germany and the Nordics recorded transaction volume exceeded historical highs.

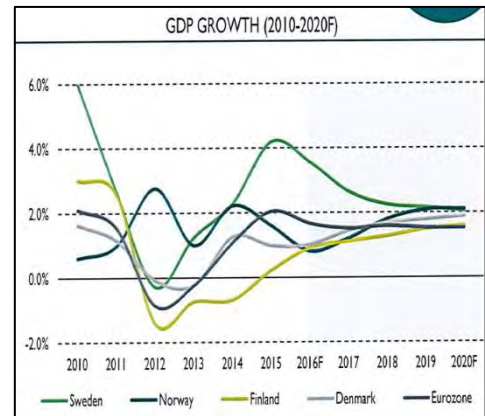
German retail property in particular, was in high investor demand, with the strong fourth quarter transaction volume contributing to a record high volume for all of 2016. Investor demand is pressuring high-quality shopping center cap rates downward, reaching 4.00% during the quarter. Declining cap rates are being experienced in the regional sub-markets as well, due to strong investor demand and a dwindling supply, reaching 4.6% during the quarter.



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

- During the quarter, SCERS' investment with ECE returned 0.6% net (in US dollars), underperforming the NFI-ODCE plus 100 bps index of 2.1% net. When calculated in local currency (Euro), ECE returned 7.5% net.
- For the twelve months ending December 31, 2016, ECE returned 25.9% net (in US dollars), compared to the index of 8.8%. When calculated in local currency (Euro), ECE returned 29.7% net.
- During the quarter, SCERS' investment with PTELF returned -4.2% net (in US dollars), underperforming the NFI-ODCE index of 1.9% due to a negative currency exchange rate. When calculated in local currency (Euro), PTELF returned 2.4% net.
- For the twelve months ending December 31, 2016, PTELF returned 2.4% net (in US dollars), compared to the index of 7.8%. When calculated in local currency (Euro), PTELF returned 5.6% net.

The Nordic countries continue to experience solid GDP growth. Sweden still dominates economic growth among the Nordic countries, with GDP up 3.5% in 2016. Sweden's diversified and strong economy is benefiting from tight employment, a growing population, and accommodative monetary policy. Core real estate cap rates remain at record lows, due to investor demand exceeding investment opportunities. Rental growth across property sectors has been exceptional, particularly in Stockholm where new supply has not kept up with demand.



Norway's economy generated moderate GDP growth due to the low oil price. Real estate cap rates have stabilized, with rental rate growth occurring primarily in Oslo office, with rent growth mixed across the sub-markets and property-types. Despite the decrease in 2016 transaction volume, the market recorded its second highest volume after the record achieved in 2015.



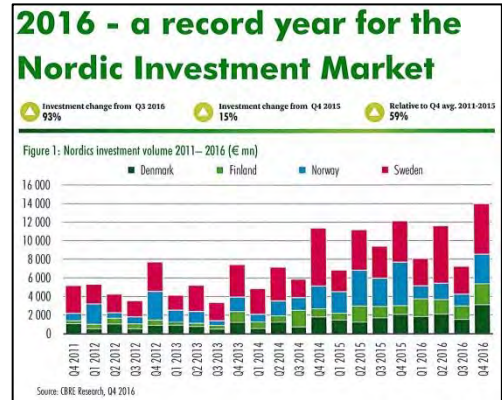
Finland's previous stagnate economy saw GDP grow 1.4% in 2016, in part due to economic reforms but also increased consumer consumption. Cap rates in Finland have declined, but they remain 75 bps to 150 bps higher than the other Nordic countries, leading to robust investor demand. Because of heightened demand, transaction volume in 2016 hit a record high.

Although Denmark's GDP grew moderately 2016, it is slightly down from 2015. Denmark's low unemployment and income growth have contributed to GDP, primarily from higher consumer consumption. Cap rates stabilized, with investor demand shifting from

residential to office and retail. Denmark's transaction volume was up moderately, primarily concentrated in Copenhagen.

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

- During the quarter, SCERS' investment with NREP I and NREP II returned 2.7% net and 2.3% net (in US dollars), respectively, compared to the NFI-ODCE + 100 bps index of 2.1% net. When calculated in local currency (Euro), NREP I returned 9.8% net and NREP II returned 8.4% net.
- For the twelve months ending December 31, 2016, NREP I returned 21.7% net (in US dollars) and NREP II is in its early months to be able to calculate an annual return. This compares to the index return of 8.8% net. When calculated in local currency (Euro), NREP I returned 26.1% net.



We would be happy to address any questions.

Respectfully submitted,

Concur:

JR Pearce
 Investment Officer

Richard Stensrud
 Chief Executive Officer

Steve Davis
 Chief Investment Officer

Attachment



**TOWNSEND
GROUP**

Real Estate Portfolio

Performance Measurement Report

FOURTH QUARTER 2016



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 4th quarter, 2016 (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", \$21.5 million) SCERS will have a 6.6% 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 in the United States. The SCERS Core Portfolio underperformed the NFI-ODCE over all time periods with exception of the Quarter, one-year and since inception periods. 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 30.0% at the end of the Fourth Quarter of 2016, 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 Fourth Quarter. The Non-Core Portfolio reported a loan-to-value ratio of 45.8%.

Portfolio Funding Status

- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the “Portfolio”) through December 31, 2016.
- 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 December 31, 2016</i>	Market Value (in millions of dollars)*	% of SCERS Plan
SCERS Total Plan Assets	8,094	100.0%
Private Portfolio Target	567	7.0%
Private Real Estate		
Core Portfolio	514	6.4%
Non-Core Portfolio	174	2.1%
Total SCERS Private Real Estate Market Value	688	8.5%
Total SCERS Private Real Estate Unfunded Commitments	155	1.9%
Public Real Estate		
REIT Portfolio	193	2.4%
Total SCERS Real Estate Value	881	10.9%

Also note that the exposure to Core Real Estate will reduce further as result of disposition activity in the separate accounts. During the Quarter, the sale of Stonefield closed and, subsequently, SCERS received a distribution of \$41.9 million. To offset the disposition of core assets, an additional commitment of \$20 million to Townsend Real Estate Fund has been approved and is expected to be called during the first half of 2017.



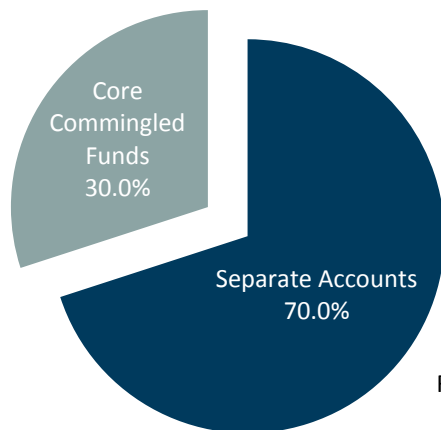
Real Estate Portfolio Composition

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 \$23.3 million by Townsend Real Estate Fund and \$5.2 million by Prologis Targeted U.S. Logistics Fund. Going forward, an additional commitment of \$20 million to TREF will increase core commingled fund exposure.
 - During the Quarter, Separate Account exposure decreased and is expected to decline further with projected asset sales. The sale of Stonefield, a suburban Philadelphia multifamily asset in the Blackrock core separate, was executed. Portfolio exposure to Core Real Estate (and Separate Accounts) is expected to reduce further.

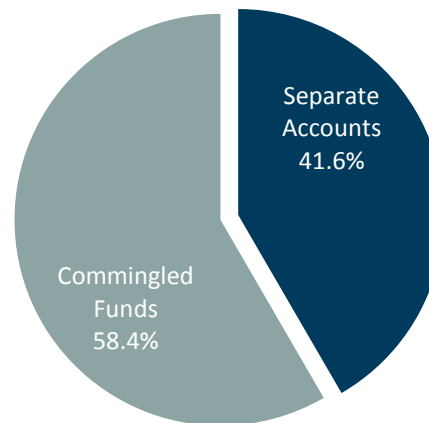
Target Allocation by Vehicle

Range: 0.0% - 60.0%



Range: 40.0% - 100.0%

Fund Allocation By Vehicle

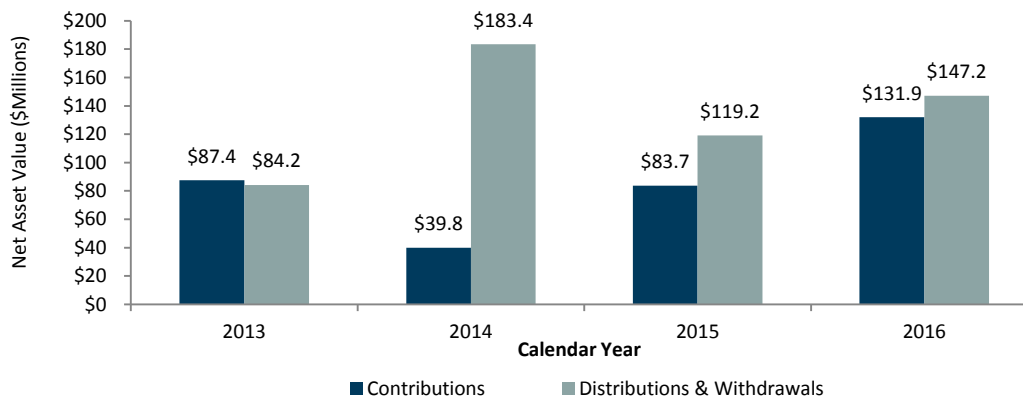


Real Estate Portfolio Composition

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 and 2016. 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
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 US Targeted Logistics Fund • Prologis European Targeted Logistics Fund • Principal US Property Account • Townsend Real Estate Fund (“TREF”) 	<ul style="list-style-type: none"> • Townsend Real Estate Fund Re-Up
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 (October 2016)



* 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)

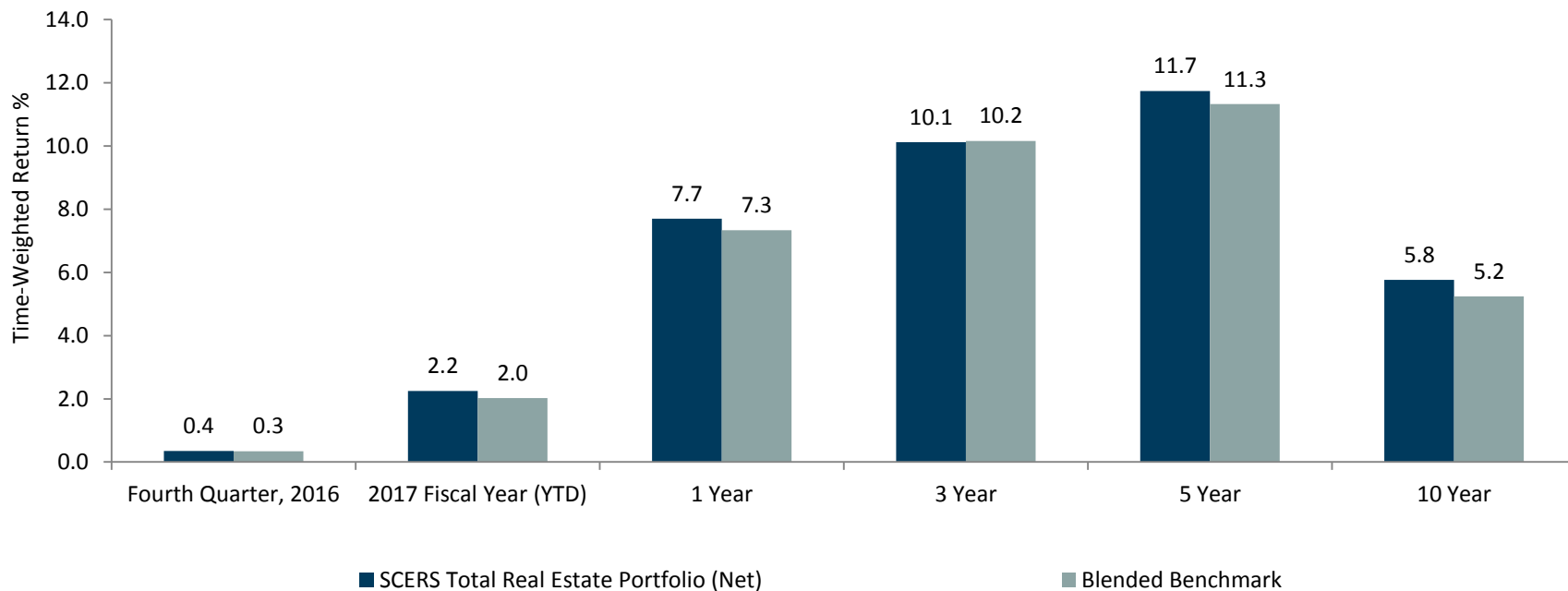
Non-Core Portfolio

- 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 Fourth 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 December 31, SCERS has an aggregate exposure of 3.8% 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 renovate a 3-story office 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

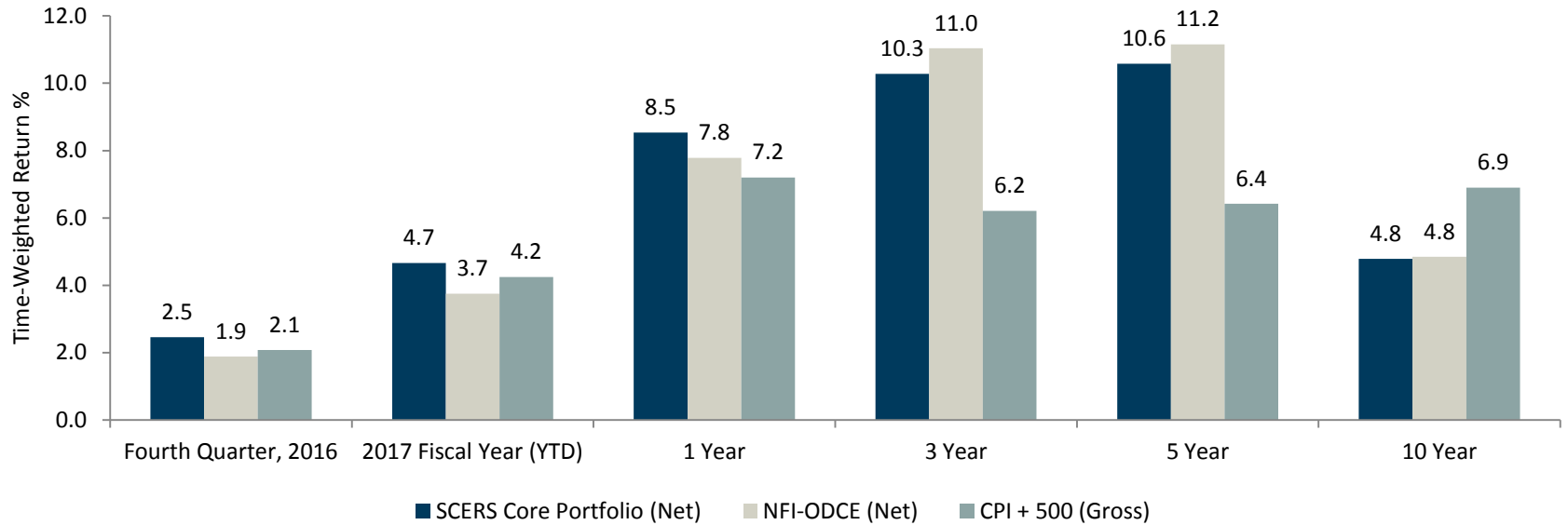
- REITs are included within the SCERS Equity allocation with a target of 2.25%. As of the Fourth Quarter, the REIT Portfolio represented 2.4% of the Total Plan, in line with the long-term target.
- REITs represent diversified non-control investments in real estate investment trusts or real estate operating 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



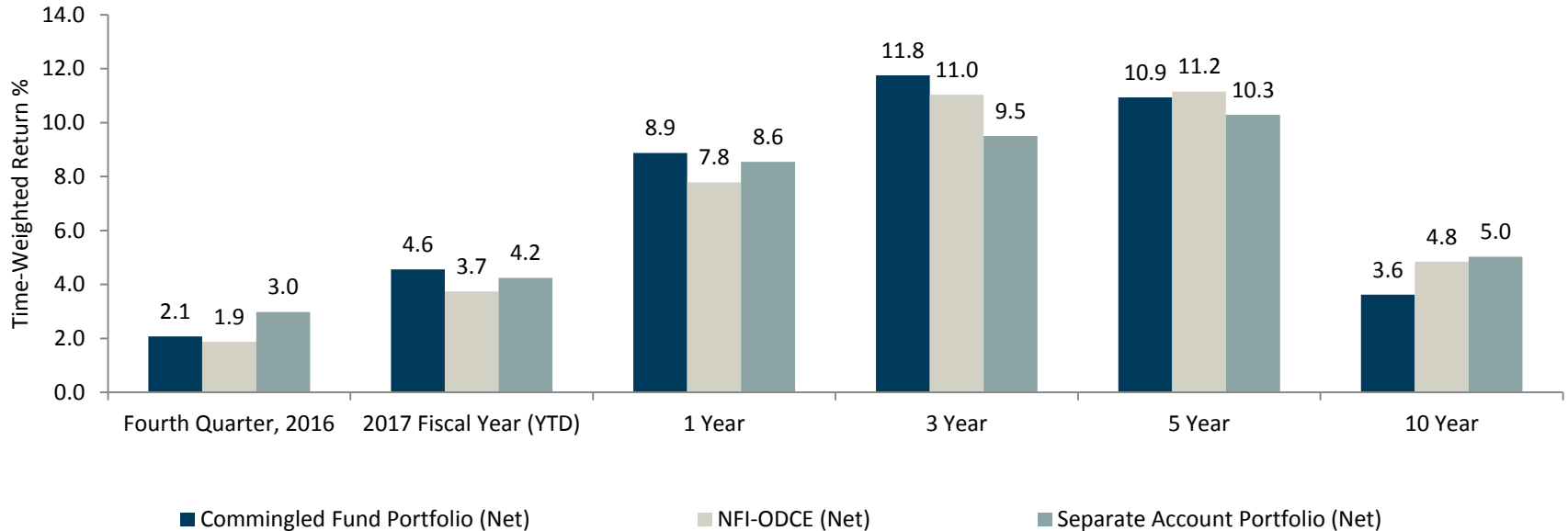
- The SCERS Total Real Estate Portfolio includes: (1) Core Real Estate, (2) Non-Core Real Estate and (3) Public Securities or REITs.
- The SCERS Blended Benchmark is comprised of the NFI-ODCE (Core Benchmark, net), NFI-ODCE + 100bps (Non-Core Benchmark, net), FTSE EPRA NAREIT Index (Domestic REITs Benchmark, 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 underperformance was mainly attributed to write-downs on liquidating separate account assets.

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 outperformed the NFI-ODCE, net of fees, over the short-term (Quarter, Fiscal Year, and one-year time periods) but underperformed over the medium and long-term.
- Underperformance over the three-year 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).

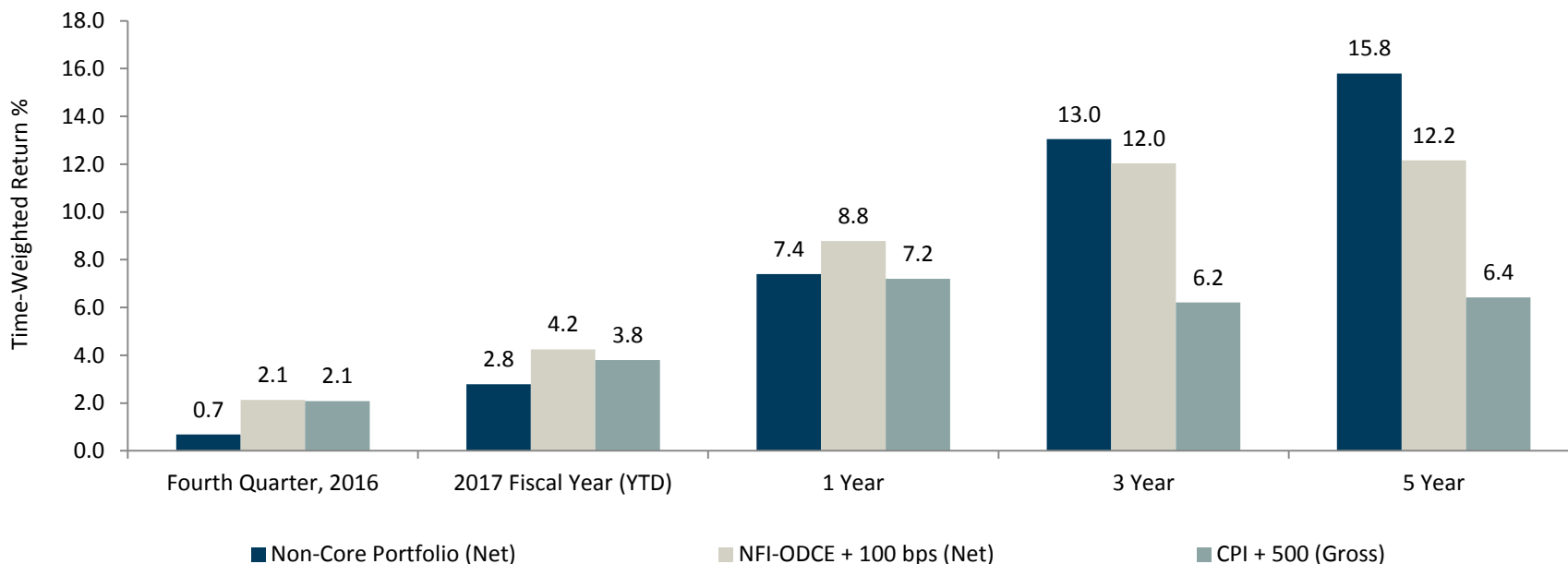
Core Portfolio Performance By Vehicle



- Commingled Funds outperformed the NFI-ODCE over the Quarter, Fiscal, one-year, three-year and since inception time periods (not displayed) but underperformed over the five and ten-year time periods. Performance over the Quarter was mostly driven by Prologis Targeted US Logistics Fund and MetLife Core Property Fund, both of which outperformed the NFI-ODCE by 360Bps and 105Bps, 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 and Principal U.S. Property Fund (all made since 2013).
- 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

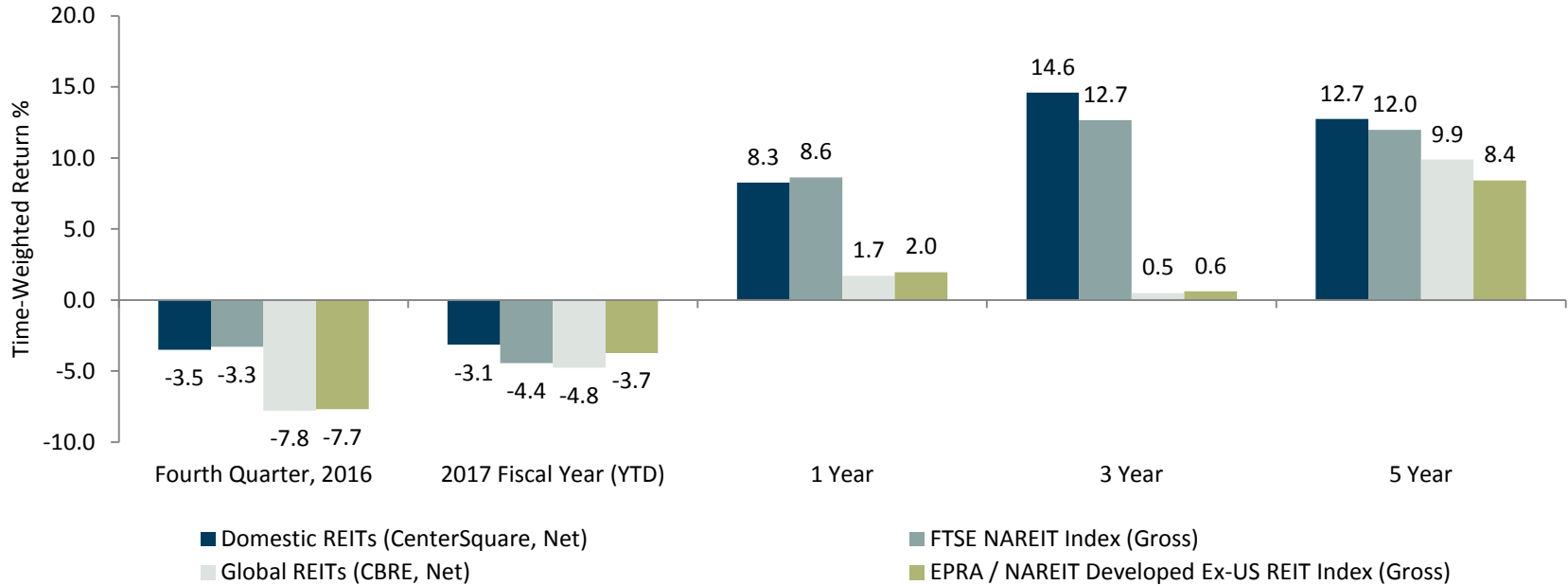


- The SCERS Non-Core Portfolio includes both Value Add and Opportunistic Real Estate strategies, which are defined in the Glossary of Terms. As displayed above, the SCERS Non-Core Portfolio outperformed the NFI-ODCE + 100 basis points over the three and five-year periods; Non-Core strategies underperformed the benchmark over the Quarter, Fiscal, and one-year time periods.
- Underperformance over the shorter time periods is attributable to Value Add and Opportunistic strategies.
 - The following Value Add funds have primarily deteriorated performance: AEW Value Investors Fund II and DRC European Real Estate Debt Fund II
 - 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 25.9%, 21.7% and 22.2% 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 4Q16 net returns in local currency: DRC European Real Estate Debt Fund II (Pound Sterling) 1.6%, ECE European Prime Shopping Center Fund II (Euro) 7.5%, NREP Nordic Strategies Fund (Euro) 9.8%, and NREP Nordic Strategies Fund II (Euro) 8.4%



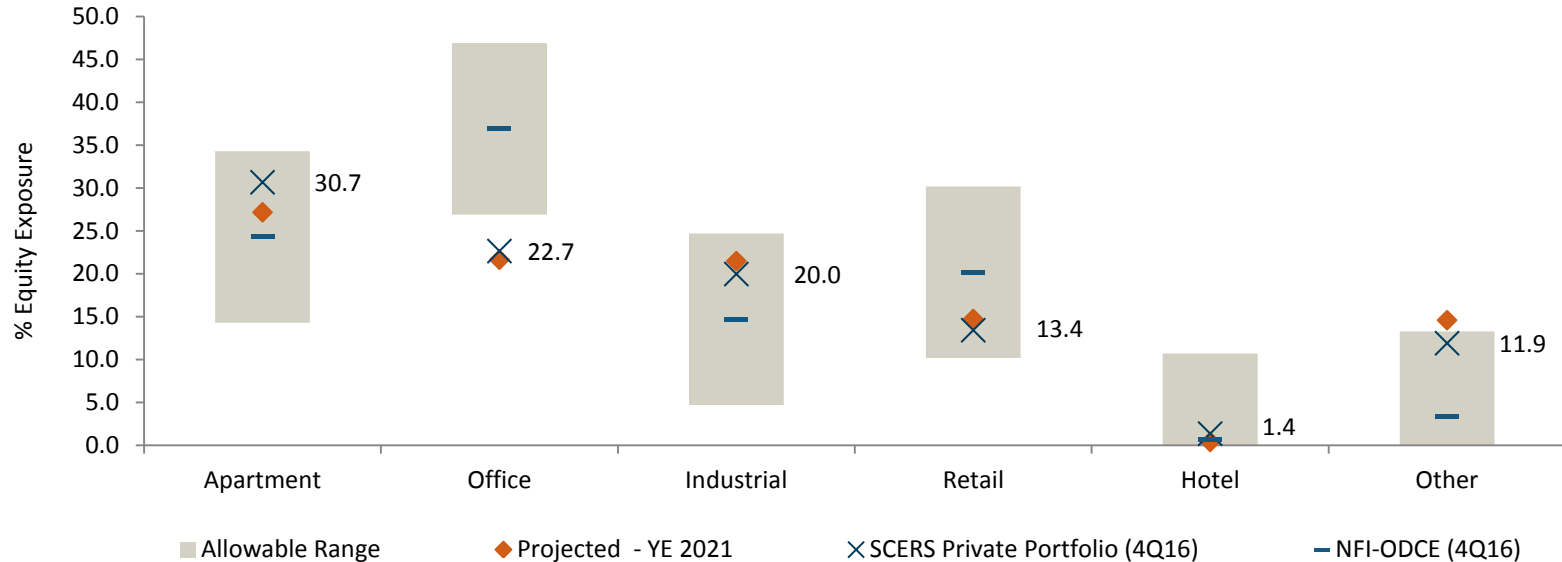
Public Portfolio Performance



- 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 three and five-year time periods, but underperformed over the Quarter, Fiscal, 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.

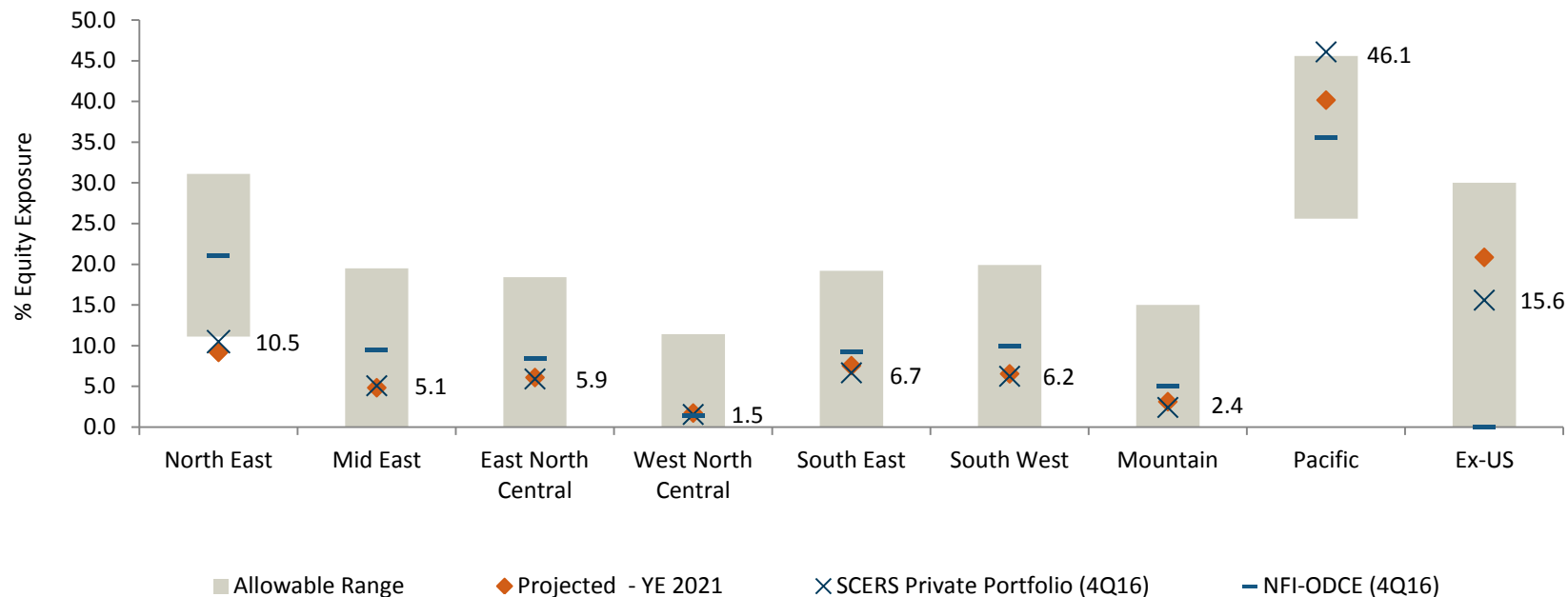


Real Estate Private Portfolio Diversification – Property Type



- 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 Fourth Quarter, the Private Portfolio was in compliance across all property types with the exception of the Office property type.
- 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 Fourth 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.
- Subsequent to Quarter-end, 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	
8,094,140,666	Core	7.0%	514,664,110	6.4%	21,909,406	0.3%	30,016,331	0.4%
	Non-Core	0.00% - 5.00%	173,709,892	2.1%	132,631,899	1.6%	-124,223,626	-1.5%
	REITs	2.25%	192,736,077	2.4%	0	0.0%	-10,617,912	-0.1%
	Total	11.5%	881,110,079	10.9%	154,541,305	1.9%	-104,825,207	-1.3%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	2.7	2.5	9.8	8.5	11.8	10.3	11.9	10.6
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	1.1	0.7	9.8	7.4	16.4	13.0	19.9	15.8
REIT Portfolio	-5.2	-5.2	5.9	5.6	8.4	8.1	12.5	12.1
Total Portfolio	0.6	0.4	8.9	7.7	11.6	10.1	13.2	11.7
NFI-ODCE (Core)	2.1	1.9	8.8	7.8	12.1	11.0	12.2	11.2
NFI-ODCE + 100 bps (Non-Core)	2.4	2.1	9.8	8.8	13.1	12.0	13.2	12.2
FTSE EPRA/NAREIT Developed ex US Index (Global REITs)	-7.7		2.0		0.6		8.4	
FTSE NAREIT Index (Domestic REITs)	-3.3		8.6		12.7		12.0	

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	18,001,624	335,573	4,506,644	19,225,924	2.2	1.9
MetLife Core Property Fund	2013	35,000,000	40,038,163	0	5,570,982	51,090,428	5.8	4.9
Prime Property Fund	2013	35,000,000	40,370,126	0	5,370,126	51,332,452	5.8	5.0
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	39,212,520	4.5	3.8
Prologis Targeted Europe Logistics Fund	2015	26,222,301	31,392,181	0	1,827,773	29,598,294	3.4	2.9
Prologis Targeted U.S. Logistics Fund	2015	35,000,000	35,000,000	0	1,434,296	38,877,413	4.4	3.8
Townsend Real Estate Fund, L.P.	2016	90,000,000	68,426,167	21,573,833	899,628	71,060,602	8.1	8.9
Core Commingled Funds	1986	271,222,301	268,228,261	21,909,406	19,609,449	300,397,633	34.1	31.1
Core Separate Accounts								
BlackRock Core Separate Account	1995	826,952,006	826,952,006	0	1,035,001,846	146,854,629	16.7	14.2
BlackRock Separate Account (PM Realty Takeover)	2002	150,488,414	150,488,414	0	214,718,606	1,520,999	0.2	0.1
Cornerstone Separate Account	2004	254,736,919	254,736,919	0	267,946,831	65,890,849	7.5	6.4
Core Separate Accounts	1996	1,232,177,339	1,232,177,339	0	1,517,667,283	214,266,477	24.3	25.9
<i>Total BlackRock Separate Account</i>	<i>1996</i>	<i>994,440,420</i>	<i>989,907,317</i>	<i>4,533,103</i>	<i>1,249,720,452</i>	<i>161,306,156</i>	<i>16.8</i>	<i>14.3</i>
Total Core Portfolio	1986	1,503,399,640	1,500,405,600	21,909,406	1,537,276,732	514,664,110	58.4	57.0
Value Added Portfolio								
AEW Value Investors Fund II ¹	2007	21,812,596	21,857,719	0	26,507,515	1,327,828	0.2	0.1
Allegis Value Trust	2006	25,000,000	25,550,296	0	14,959,296	17,294,978	2.0	1.7
DRC European Real Estate Debt Fund II	2013	50,007,963	45,210,336	11,074,304	17,871,756	25,893,926	2.9	3.6
ECE European Prime Shopping Centre Fund II ¹	2015	33,611,623	7,866,449	25,142,733	1,216,334	9,160,303	1.0	3.3
Hammes Partners II ¹	2015	25,000,000	15,625,385	9,374,615	1,457,063	14,873,615	1.7	2.3
Hines US Office Value Added Fund II ¹	2007	25,000,000	24,376,313	846,154	16,064,843	1,586,096	0.2	0.2
NREP Nordic Strategies Fund	2014	25,130,756	21,924,715	1,036,188	7,957,989	23,947,643	2.7	2.4
NREP Nordic Strategies Fund II	2016	35,176,432	9,859,751	24,128,537	0	9,555,235	1.1	3.3
Value Added Portfolio	1986	240,739,370	172,270,964	71,602,531	86,034,796	103,639,624	11.8	16.9

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	12,466,897	4,533,103	0	12,930,528	1.5	1.7
CIM Fund VIII ¹	2015	35,000,000	23,664,613	13,419,792	857,764	25,118,429	2.9	3.7
KKR Real Estate Partners Americas ¹	2014	35,000,000	25,225,995	19,209,623	12,561,445	19,417,770	2.2	3.7
Och-Ziff Real Estate Fund III ¹	2014	35,000,000	11,657,517	23,866,850	882,070	12,603,541	1.4	3.5
Opportunistic Portfolio	1991	122,000,000	73,015,022	61,029,368	14,301,279	70,070,268	8.0	12.7
Private Portfolio	1986	1,866,139,010	1,745,691,586	154,541,305	1,637,612,807	688,374,002	8.6	7.3
Total Non-Core Portfolio 1Q 2007 Forward	2007	362,739,370	245,285,986	132,631,899	100,336,075	173,709,892	13.2	11.3
Public Portfolio								
CBRE Clarion International Real Estate Securities Strategy	2008	60,000,000	61,135,410	0	65,280,474	76,009,645	8.6	7.3
CenterSquare REIT (formerly Urdang)	2006	50,000,000	51,254,415	0	861,558	116,726,432	13.2	11.3
Public Portfolio	2006	110,000,000	112,389,825	0	66,142,032	192,736,077	21.9	18.6
Total Current Portfolio								
SCERS	1986	1,976,139,010	1,858,081,411	154,541,305	1,703,754,839	881,110,079	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	19,225,924	1.1	-1.1	0.0	-0.3	2.3	1.1	3.4	2.6	4.5	2.0	6.6	5.3	4.8	9.3	14.4	11.4
MetLife Core Property Fund	51,090,428	1.1	2.0	3.0	2.9	2.4	3.3	5.8	5.5	5.0	4.1	9.3	8.8	5.2	9.0	14.5	13.9
Prime Property Fund	51,332,452	1.1	1.6	2.7	2.4	2.2	3.0	5.3	4.7	4.4	5.9	10.4	9.2	4.4	9.2	13.9	12.6
Principal U.S. Property Account	39,212,520	1.1	1.6	2.8	2.5	2.4	2.7	5.1	4.6	5.0	4.9	10.0	9.0				
Prologis Targeted Europe Logistics Fund	29,598,294	2.0	-5.8	-3.8	-4.2	2.7	-4.0	-1.3	-1.8	2.2	0.4	2.8	2.4				
Prologis Targeted U.S. Logistics Fund	38,877,413	1.5	5.0	6.5	5.5	3.0	6.8	9.8	8.5	5.9	9.8	16.1	14.2				
Townsend Real Estate Fund, L.P.	71,060,602	1.3	1.4	2.7	2.6	2.3	2.8	5.1	5.0								
Core Commingled Funds	300,397,633	1.3	1.1	2.4	2.1	2.5	2.6	5.1	4.6	4.5	5.2	9.8	8.9	4.8	7.9	13.0	11.8
Core Separate Accounts																	
BlackRock Core Separate Account	146,854,629	1.1	0.8	2.0	1.6	2.4	2.6	5.0	4.2	5.2	5.9	11.3	9.3	5.2	8.8	14.3	11.9
BlackRock Separate Account (PM Realty Takeover)	1,520,999	-0.1	-7.6	-7.7	-7.8	1.2	-8.1	-7.0	-7.2	3.9	-13.1	-9.6	-10.2	4.2	-6.2	-2.2	-2.9
Cornerstone Separate Account	65,890,849	1.3	7.1	8.3	8.2	2.5	7.1	9.6	9.3	5.0	8.7	14.0	13.3	5.6	4.3	10.0	9.2
Core Separate Accounts	214,266,477	1.1	2.2	3.3	3.0	2.4	3.1	5.6	4.9	5.1	4.8	10.0	8.6	5.2	5.7	11.2	9.5
<i>Total BlackRock Separate Account</i>	<i>161,306,156</i>	<i>1.0</i>	<i>0.4</i>	<i>1.4</i>	<i>1.1</i>	<i>2.2</i>	<i>1.8</i>	<i>4.0</i>	<i>3.3</i>	<i>4.8</i>	<i>3.7</i>	<i>8.6</i>	<i>7.0</i>	<i>5.0</i>	<i>6.8</i>	<i>12.1</i>	<i>10.0</i>
Total Core Portfolio	514,664,110	1.2	1.5	2.7	2.5	2.4	2.8	5.2	4.7	4.8	4.8	9.8	8.5	5.1	6.5	11.8	10.3
Value Added Portfolio																	
AEW Value Investors Fund II ²	1,327,828	1.4	-6.6	-5.2	-5.4	3.6	-21.1	-17.8	-18.2	7.6	-24.1	-17.8	-18.6	8.3	-2.4	5.8	4.8
Allegis Value Trust ¹	17,294,978	1.4	-1.0	0.3	0.2	2.8	0.3	3.1	2.8	5.9	3.9	9.9	9.4	5.9	3.7	9.8	9.2
DRC European Real Estate Debt Fund II	25,893,926	1.9	-4.2	-2.4	-2.7	4.9	-11.1	-6.4	-6.9	13.5	-19.4	-7.8	-8.9	10.4	-10.3	-0.6	-2.8
ECE European Prime Shopping Centre Fund II ²	9,160,303	-6.8	8.2	1.4	0.6	-1.7	19.9	17.9	17.7	2.1	24.4	27.0	25.9				
Hammes Partners II ²	14,873,615	1.4	0.7	2.1	1.3	3.7	1.8	5.5	3.4	13.7	0.9	14.8	8.9				
Hines US Office Value Added Fund II ²	1,586,096	1.2	-8.4	-7.1	-7.4	2.5	-3.1	-0.7	-1.4	5.1	4.8	10.0	8.3	4.0	30.7	35.6	32.6
NREP Nordic Strategies Fund	23,947,643	2.3	0.6	2.9	2.7	5.0	4.5	9.6	9.1	11.0	11.2	23.1	21.7				
NREP Nordic Strategies Fund II	9,555,235	3.8	2.8	6.6	2.3	8.5	2.1	10.7	-1.9								
Value Added Portfolio	103,639,624	1.2	-0.7	0.4	-0.2	3.8	-0.4	3.4	2.2	9.8	-0.2	9.6	7.2	8.5	5.9	14.7	12.6

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
Opportunistic Portfolio																	
BlackRock High Return Separate Account	12,930,528	-0.2	3.2	3.0	3.0	-1.4	7.7	6.3	6.3								
CIM Fund VIII ²	25,118,429	-0.1	0.4	0.3	-0.1	-0.2	2.0	1.9	0.9	-0.4	6.2	5.8	3.4				
KKR Real Estate Partners Americas ²	19,417,770	4.1	-3.0	1.1	1.9	13.3	-10.1	2.6	3.1	16.1	-9.0	6.5	5.4				
Och-Ziff Real Estate Fund III ^{2,3}	12,603,541	2.4	4.8	7.2	6.0	4.0	7.9	12.0	9.3	9.5	19.2	30.0	22.2				
Opportunistic Portfolio	70,070,268	1.6	0.5	2.1	2.0	4.8	-0.4	4.4	3.7	6.5	3.1	9.8	7.3	6.2	26.4	34.2	25.4
Total Non-Core Portfolio 1Q 2007 Forward	173,709,892	1.3	-0.3	1.1	0.7	4.2	-0.4	3.8	2.8	8.9	0.9	9.8	7.4	7.9	8.0	16.4	13.0
Private Portfolio	688,374,002	1.2	1.1	2.3	2.0	2.9	2.0	4.9	4.2	5.8	3.8	9.7	8.2	5.6	6.7	12.6	10.7
Public Portfolio																	
CBRE Clarion International Real Estate Securities Strategy	76,009,645	0.7	-8.5	-7.8	-7.8	1.5	-4.6	-3.1	-3.3	3.1	-1.1	1.9	1.7	2.9	-2.2	0.7	0.5
CenterSquare REIT (formerly Urdang)	116,726,432	0.3	-3.8	-3.4	-3.5	1.4	-6.1	-4.8	-4.9	3.4	5.1	8.6	8.3	3.8	10.8	14.9	14.6
Public Portfolio	192,736,077	0.5	-5.7	-5.2	-5.2	1.4	-5.5	-4.1	-4.3	3.3	2.5	5.9	5.6	3.4	4.9	8.4	8.1
Total Portfolio																	
SCERS	881,110,079	1.1	-0.5	0.6	0.4	2.5	0.3	2.8	2.2	5.2	3.6	8.9	7.7	5.1	6.3	11.6	10.1
Ex-US Dollar Denominated Investments (In Local Currency)																	
Prologis Targeted Europe Logistics Fund (Euro)	€ 28,136,138	2.4	0.4	2.8	2.4	3.1	1.1	4.2	3.7	2.6	3.4	6.1	5.6				
DRC European Real Estate Debt Fund II (Pound Sterling)	£20,967,669	1.9	0.0	1.9	1.6	5.0	-4.5	0.5	-0.1	13.7	-4.5	8.8	7.5	12.3	-1.7	10.4	8.5
ECE European Prime Shopping Centre Fund II (Euro) ²	€ 8,707,785	-7.2	15.5	8.3	7.5	-2.1	26.4	24.5	24.2	1.7	27.8	30.8	29.7				
NREP Nordic Strategies Fund (Euro)	€ 22,764,629	2.4	7.6	10.0	9.8	5.1	10.7	16.0	15.5	11.2	15.0	27.5	26.1				
NREP Nordic Strategies Fund II (Euro)	€ 9,083,206	4.0	9.0	13.0	8.4	8.7	7.0	16.0	2.7								
Indices																	
NFI-ODCE		1.1	1.0	2.1	1.9	2.2	2.0	4.2	3.7	4.5	4.1	8.8	7.8	4.8	7.0	12.1	11.0
NFI-ODCE + 100bps				2.4	2.1			4.7	4.2			9.8	8.8			13.1	12.0
FTSE EPRA/NAREIT Developed ex-US Index				-7.7				-3.7				2.0				0.6	
FTSE EPRA NAREIT US Index				-3.3				-4.4				8.6				12.7	
CPI + 500 BPS				2.1				3.8				7.2				6.2	

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.

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	19,225,924									4.8	9.3	14.4	11.4	1Q14	11.5	1.3
MetLife Core Property Fund	51,090,428									5.2	9.0	14.5	13.9	1Q14	13.9	1.4
Prime Property Fund	51,332,452									4.5	9.3	14.1	12.8	4Q13	12.8	1.4
Principal U.S. Property Account	39,212,520									5.0	5.4	10.6	9.5	4Q15	9.5	1.1
Prologis Targeted Europe Logistics Fund	29,598,294									2.2	0.4	2.8	2.4	1Q16	0.1	1.0
Prologis Targeted U.S. Logistics Fund	38,877,413									5.9	10.7	17.1	14.9	3Q15	15.6	1.2
Townsend Real Estate Fund, L.P.	71,060,602									3.4	4.9	8.4	8.2	2Q16	10.8	1.1
Core Commingled Funds	300,397,633	4.7	7.0	12.0	10.9	4.8	-0.3	4.6	3.6	4.5	3.1	7.7	6.9	4Q86	5.8	1.2
Core Separate Accounts																
BlackRock Core Separate Account	146,854,629	5.3	8.0	13.6	11.6	5.4	1.6	7.1	5.6	7.1	3.2	10.5	8.9	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)	1,520,999	4.5	-2.5	1.9	1.2	4.9	-3.6	1.2	0.4	5.7	0.8	6.5	5.4	3Q02	8.3	1.4
Cornerstone Separate Account	65,890,849	5.4	5.8	11.5	10.7	5.5	0.6	6.1	5.3	5.6	1.7	7.4	6.6	3Q04	5.2	1.3
Core Separate Accounts	214,266,477	5.3	6.2	11.7	10.3	5.4	0.8	6.2	5.0	7.3	2.8	10.2	8.9	1Q96	8.9	1.4
<i>Total BlackRock Separate Account</i>	<i>161,306,156</i>	<i>5.1</i>	<i>6.7</i>	<i>12.0</i>	<i>10.3</i>	<i>5.3</i>	<i>1.1</i>	<i>6.4</i>	<i>5.1</i>	<i>7.3</i>	<i>2.8</i>	<i>10.2</i>	<i>8.9</i>	<i>1Q96</i>	<i>9.8</i>	<i>1.4</i>
Total Core Portfolio	514,664,110	5.1	6.6	11.9	10.6	5.2	0.6	5.9	4.8	5.6	1.7	7.3	6.3	4Q86	8.3	1.4
Value Added Portfolio																
AEW Value Investors Fund II ²	1,327,828	7.5	4.4	12.2	11.0					6.9	-5.1	1.4	-0.2	3Q07	5.7	1.3
Allegis Value Trust ¹	17,294,978	6.1	4.7	11.0	10.4	4.8	-4.9	-0.2	-1.9	4.8	-4.9	-0.2	-1.9	1Q07		
DRC European Real Estate Debt Fund II	25,893,926									10.4	-10.3	-0.6	-2.8	1Q14	-2.0	1.0
ECE European Prime Shopping Centre Fund II ²	9,160,303									0.2	32.2	32.6	30.7	4Q15	31.3	1.3
Hammes Partners II ²	14,873,615									12.4	9.7	23.4	14.8	3Q15	7.9	1.0
Hines US Office Value Added Fund II ²	1,586,096	5.1	19.2	25.1	22.0					5.3	-11.8	-7.3	-10.9	4Q07	-4.8	0.7
NREP Nordic Strategies Fund	23,947,643									14.1	21.8	38.2	35.5	1Q15	35.2	1.5
NREP Nordic Strategies Fund II	9,555,235									8.5	2.1	10.7	-1.9	3Q16	-10.0	1.0
Value Added Portfolio	103,639,624	7.7	7.3	15.4	13.3	5.3	-4.6	0.4	-2.6	1.7	3.3	5.1	4.1	4Q86	2.8	1.1

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.

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			
Opportunistic Portfolio																
BlackRock High Return Separate Account	12,930,528									-1.4	7.7	6.3	6.3	3Q16	9.1	1.0
CIM Fund VIII ²	25,118,429									0.1	12.8	12.9	9.7	2Q15	8.2	1.1
KKR Real Estate Partners Americas ²	19,417,770									10.2	2.5	13.2	8.9	2Q14	16.4	1.3
Och-Ziff Real Estate Fund III ^{2,3}	12,603,541									19.8	11.4	33.1	-2.9	4Q14	15.7	1.2
Opportunistic Portfolio	70,070,268	4.1	27.9	33.0	24.5	3.1	13.4	16.8	11.5	1.2	8.2	9.4	7.5	1Q91	0.0	1.3
Total Non-Core Portfolio 1Q 2007 Forward	173,709,892	6.9	12.4	19.9	15.8	4.3	4.3	8.7	4.3	4.3	4.3	8.7	4.3	1Q07	5.2	1.2
Private Portfolio	688,374,002	5.4	7.4	13.1	11.3	5.3	1.1	6.4	5.0	4.4	4.5	9.1	8.1	4Q86	8.1	1.3
Public Portfolio																
CBRE Clarion International Real Estate Securities Strategy	76,009,645	3.2	6.7	10.1	9.9					3.5	7.6	11.3	11.0	1Q09	14.5	2.3
CenterSquare REIT (formerly Urdang)	116,726,432	3.8	9.2	13.1	12.7	4.1	3.3	7.6	7.0	4.2	4.4	8.7	8.1	2Q06	8.3	2.3
Public Portfolio	192,736,077	3.4	8.8	12.5	12.1	3.7	3.7	7.6	7.1	3.8	4.7	8.7	8.2	2Q06	9.6	2.1
Total Portfolio																
SCERS	881,110,079	5.0	7.9	13.2	11.7	4.9	2.0	7.0	5.8	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)	€ 28,136,138									3.5	4.9	8.6	7.3	3Q15	7.0	1.1
DRC European Real Estate Debt Fund II (Pound Sterling)	£20,967,669									12.3	-1.7	10.4	8.5	1Q14	6.6	1.1
ECE European Prime Shopping Centre Fund II (Euro) ²	€ 8,707,785									-0.3	39.2	39.8	37.8	4Q15	37.2	1.4
NREP Nordic Strategies Fund (Euro)	€ 22,764,629									14.5	30.4	48.0	45.1	1Q15	43.6	1.6
NREP Nordic Strategies Fund II (Euro)	€ 9,083,206									8.7	7.0	16.0	2.7	3Q16	1.3	1.0
Indices																
NFI-ODCE		5.0	6.9	12.2	11.2	5.3	0.5	5.8	4.8	6.9	0.3	7.3	6.3	4Q86		
NFI-ODCE + 100bps				13.2	12.2			6.8	5.8	0.0	0.0	8.3	7.3	4Q86		
FTSE EPRA/NAREIT Developed ex-US Index				8.4				0.1				6.0		1Q90		
FTSE EPRA NAREIT US Index				12.0				5.1				10.2		4Q86		
CPI + 500 BPS				6.4				6.9				7.8		4Q86		

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.

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	13,228,912	1.7	0.1	1.8	1.7	3.3	1.7	5.0	4.7	6.5	2.2	8.9	8.2	6.6	2.1	8.8	8.9
Forest Pointe ¹	852,874																
Harbour Pointe	36,814,394	1.1	3.1	4.2	3.5	2.6	3.0	5.6	4.5	5.4	2.7	8.1	6.4	5.9	5.6	11.7	9.4
Hillside Village	41,595,645	1.0	-0.4	0.6	0.3	1.9	3.6	5.5	4.4	4.0	13.2	17.5	13.2	4.4	16.8	21.7	18.1
Lake Washington Park	38,126,814	1.2	0.2	1.4	1.2	2.5	0.2	2.6	2.4	4.8	2.9	7.9	7.3	4.4	8.1	12.8	12.2
SC Dupont Fee, inc. ¹	57,730																
SCERS - Portfolio Master Acct. ²	85,920																
The Tower at Hollywood Hills	15,798,029	1.1	1.4	2.5	1.9	2.4	5.7	8.2	5.9	5.6	9.4	15.4	12.3	5.2	11.2	16.9	13.6
Weston, Inc. ¹	294,312																
Investment Total	146,854,630	1.1	0.8	2.0	1.6	2.4	2.6	5.0	4.2	5.2	5.9	11.3	9.3	5.2	8.8	14.3	11.9
BlackRock Separate Account (PM Realty Takeover)																	
Fontana Industrial Ctr ¹	48,047																
Stonefield Apts	1,472,952	-0.2	-7.6	-7.8	-7.9	1.1	-8.1	-7.1	-7.3	4.0	-13.1	-9.6	-10.1	4.7	-9.0	-4.6	-5.3
Investment Total	1,520,999	-0.1	-7.6	-7.7	-7.8	1.2	-8.1	-7.0	-7.2	3.9	-13.1	-9.6	-10.2	4.2	-6.2	-2.2	-2.9
Cornerstone Separate Account																	
Crescent Park	65,846,006	1.2	7.1	8.3	8.1	2.4	7.1	9.6	9.2	5.1	11.7	17.2	16.4	5.2	9.0	14.6	13.7
Flying Cloud ¹	14,069																
Gateway Corporate ¹	13,938																
Salt Pond ¹	16,837																
Investment Total	65,890,850	1.3	7.1	8.3	8.2	2.5	7.1	9.6	9.3	5.0	8.7	14.0	13.3	5.6	4.3	10.0	9.2
BlackRock High Return Separate Account																	
Block 295	12,930,528	-0.2	3.2	3.0	3.0	-1.4	7.7	6.3	6.3								
Investment Total	12,930,528	-0.2	3.2	3.0	3.0	-1.4	7.7	6.3	6.3								
Total																	
Total Separate Accounts	227,197,007	1.0	2.2	3.3	3.0	2.2	3.3	5.6	4.9	4.9	4.9	10.0	8.5	5.2	5.8	11.2	9.5
Index																	
NFI-ODCE		1.1	1.0	2.1	1.9	2.2	2.0	4.2	3.7	4.5	4.1	8.8	7.8	4.8	7.0	12.1	11.0

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.

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	13,228,912					10.9	10.3	4Q12	10.2	1.4
Forest Pointe ¹	852,874							4Q05		
Harbour Pointe	36,814,394	6.1	6.3	12.7	9.8	8.2	6.7	4Q05	7.2	1.5
Hillside Village	41,595,645	4.1	13.7	18.3	15.8	8.3	6.9	4Q07	4.5	1.4
Lake Washington Park	38,126,814	4.5	8.4	13.2	12.5	3.0	2.3	3Q07	3.0	1.2
SC Dupont Fee, inc. ¹	57,730							1Q07		
SCERS - Portfolio Master Acct. ²	85,920							2Q01		
The Tower at Hollywood Hills	15,798,029	5.1	7.8	13.2	10.3	8.6	6.9	1Q08	5.9	1.5
Weston, Inc. ¹	294,312							1Q06		
Investment Total	146,854,630	5.3	8.0	13.6	11.6	10.5	8.9	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)										
Fontana Industrial Ctr ¹	48,047							3Q02		
Stonefield Apts	1,472,952	5.3	-0.4	4.9	4.1	7.5	6.6	1Q03	6.9	1.3
Investment Total	1,520,999	4.5	-2.5	1.9	1.2	6.5	5.4	3Q02	8.3	1.4
Cornerstone Separate Account										
Crescent Park	65,846,006	4.8	10.9	16.2	15.3	6.9	5.9	1Q06	5.8	1.6
Flying Cloud ¹	14,069							4Q06		
Gateway Corporate ¹	13,938							1Q08		
Salt Pond ¹	16,837							3Q04		
Investment Total	65,890,850	5.4	5.8	11.5	10.7	7.4	6.6	3Q04	5.2	1.3
BlackRock High Return Separate Account										
Block 295	12,930,528					6.3	6.3	3Q16	9.1	1.0
Investment Total	12,930,528					6.3	6.3	3Q16	9.1	1.0
Total										
Total Separate Accounts	227,197,007	5.2	6.3	11.7	10.3	10.2	8.9	1Q96	8.9	1.4
Index										
NFI-ODCE		5.0	6.9	12.2	11.2	7.3	6.3	4Q86		

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.

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	146,854,629	1.1	0.8	2.0	1.6	2.4	2.6	5.0	4.2	5.2	5.9	11.3	9.3	5.2	8.8	14.3	11.9
BlackRock Separate Account (PM Realty Takeover)	1,520,999	-0.1	-7.6	-7.7	-7.8	1.2	-8.1	-7.0	-7.2	3.9	-13.1	-9.6	-10.2	4.2	-6.2	-2.2	-2.9
Cornerstone Separate Account	65,890,849	1.3	7.1	8.3	8.2	2.5	7.1	9.6	9.3	5.0	8.7	14.0	13.3	5.6	4.3	10.0	9.2
Core Separate Accounts	214,266,477	1.1	2.2	3.3	3.0	2.4	3.1	5.6	4.9	5.1	4.8	10.0	8.6	5.2	5.7	11.2	9.5
<i>Total BlackRock Separate Account</i>	<i>161,306,156</i>	<i>1.0</i>	<i>0.4</i>	<i>1.4</i>	<i>1.1</i>	<i>2.2</i>	<i>1.8</i>	<i>4.0</i>	<i>3.3</i>	<i>4.8</i>	<i>3.7</i>	<i>8.6</i>	<i>7.0</i>	<i>5.0</i>	<i>6.8</i>	<i>12.1</i>	<i>10.0</i>
Separate Account Returns by Property Type																	
Apartment	125,565,505	1.0	2.7	3.7	3.4	2.1	4.1	6.2	5.6	4.8	7.2	12.3	10.6	5.1	6.7	12.0	10.4
Industrial	13,276,959	1.8	0.1	1.9	1.8	3.2	1.7	4.9	4.7	6.0	2.2	8.4	7.7	5.4	6.5	12.2	12.6
Office	51,437,391	0.9	0.9	1.7	1.6	1.6	1.6	3.3	3.1	3.5	0.8	4.4	3.9	4.6	2.5	7.2	5.7
Retail	36,831,231	1.2	3.1	4.3	3.6	2.7	3.0	5.7	4.7	5.7	2.7	8.5	6.7	5.9	7.8	14.1	12.1
Total Portfolio																	
SCERS	881,110,079	1.1	-0.5	0.6	0.4	2.5	0.3	2.8	2.2	5.2	3.6	8.9	7.7	5.1	6.3	11.6	10.1
NPI Property Level Returns																	
NPI- Apartment		1.1	0.6	1.7		2.2	1.2	3.4		4.6	2.6	7.3		4.8	4.9	9.9	
NPI- Industrial		1.3	1.8	3.0		2.6	3.4	6.0		5.3	6.8	12.3		5.5	7.7	13.5	
NPI-Office		1.1	0.3	1.4		2.2	0.4	2.6		4.5	1.6	6.2		4.8	5.0	10.0	
NPI-Retail		1.2	0.5	1.6		2.4	1.3	3.7		4.8	4.0	9.0		5.2	7.0	12.5	
Indices																	
NFI-ODCE		1.1	1.0	2.1	1.9	2.2	2.0	4.2	3.7	4.5	4.1	8.8	7.8	4.8	7.0	12.1	11.0

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	146,854,629	5.3	8.0	13.6	11.6	5.4	1.6	7.1	5.6	7.1	3.2	10.5	8.9	1Q96	10.0	
BlackRock Separate Account (PM Realty Takeover)	1,520,999	4.5	-2.5	1.9	1.2	4.9	-3.6	1.2	0.4	5.7	0.8	6.5	5.4	3Q02	8.3	
Cornerstone Separate Account	65,890,849	5.4	5.8	11.5	10.7	5.5	0.6	6.1	5.3	5.6	1.7	7.4	6.6	3Q04	5.2	
Core Separate Accounts	214,266,477	5.3	6.2	11.7	10.3	5.4	0.8	6.2	5.0	7.3	2.8	10.2	8.9	1Q96	8.9	
<i>Total BlackRock Separate Account</i>	<i>161,306,156</i>	<i>5.1</i>	<i>6.7</i>	<i>12.0</i>	<i>10.3</i>	<i>5.3</i>	<i>1.1</i>	<i>6.4</i>	<i>5.1</i>	<i>7.3</i>	<i>2.8</i>	<i>10.2</i>	<i>8.9</i>	<i>1Q96</i>	<i>9.8</i>	
Separate Account Returns by Property Type																
Apartment	125,565,505	5.0	8.2	13.5	12.1	4.5	2.9	7.5	6.4	5.9	2.1	8.0	7.1	1Q96	6.1	
Industrial	13,276,959	5.0	3.9	9.1	9.0	5.2	-0.2	5.0	4.2	7.6	3.3	11.1	9.7	3Q96	13.4	
Office	51,437,391	4.9	4.2	9.2	8.0	5.5	-3.0	2.4	1.5	7.8	2.0	9.9	8.4	1Q96	8.6	
Retail	36,831,231	6.2	6.6	13.0	10.9	6.4	-0.5	5.8	4.6	7.7	2.9	10.7	9.1	4Q99	9.8	
Total Portfolio																
SCERS	881,110,079	5.0	7.9	13.2	11.7	4.9	2.0	7.0	5.8	4.3	4.9	9.3	8.4	4Q86	8.3	
NPI Property Level Returns																
NPI- Apartment		5.0	5.1	10.2		5.1	1.5	6.6		6.3	3.3	9.7		1Q96		
NPI- Industrial		5.8	6.7	12.7		6.2	1.1	7.3		7.4	2.7	10.3		3Q96		
NPI-Office		5.1	4.6	9.9		5.5	0.7	6.3		6.9	2.6	9.7		1Q96		
NPI-Retail		5.6	6.5	12.4		6.0	2.3	8.3		6.8	3.8	10.8		4Q99		
Indices																
NFI-ODCE		5.0	6.9	12.2	11.2	5.3	0.5	5.8	4.8	6.9	0.3	7.3	6.3	4Q86		

Returns (%)	Market Value (\$)	Fiscal Year 2017 (YTD)		2016		2015		2014		2013		2012		2011	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Commingled Funds															
Jamestown Premier Property Fund	19,225,924	3.4	2.6	6.6	5.3	22.4	17.3	14.7	11.9						
MetLife Core Property Fund	51,090,428	5.8	5.5	9.3	8.8	16.9	16.3	17.4	16.9						
Prime Property Fund	51,332,452	5.3	4.7	10.4	9.2	15.9	14.6	15.5	14.1	3.8	3.6				
Principal U.S. Property Account	39,212,520	5.1	4.6	10.0	9.0	3.0	2.8								
Prologis Targeted Europe Logistics Fund	29,598,294	-1.3	-1.8	2.8	2.4										
Prologis Targeted U.S. Logistics Fund	38,877,413	9.8	8.5	16.1	14.2	9.1	7.9								
Townsend Real Estate Fund, L.P.	71,060,602	5.1	5.0	8.4	8.2										
Core Commingled Funds	300,397,633	5.1	4.6	9.8	8.9	15.7	14.1	13.5	12.4	10.2	9.3	11.1	10.1	16.4	15.5
Core Separate Accounts															
BlackRock Core Separate Account	146,854,629	5.0	4.2	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)	1,520,999	-7.0	-7.2	-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	65,890,849	9.6	9.3	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	214,266,477	5.6	4.9	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>161,306,156</i>	<i>4.0</i>	<i>3.3</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>
Total Core Portfolio	514,664,110	5.2	4.7	9.8	8.5	10.4	9.2	15.3	13.2	10.8	9.5	13.3	12.6	18.2	17.6
Value Added Portfolio															
AEW Value Investors Fund II ¹	1,327,828	-17.8	-18.2	-17.8	-18.6	20.8	19.7	19.4	18.3	23.1	21.8	21.6	20.2	24.7	22.7
Allegis Value Trust	17,294,978	3.1	2.8	9.9	9.4	8.6	8.0	10.8	10.2	4.7	4.0	21.8	20.9	15.7	14.7
DRC European Real Estate Debt Fund II	25,893,926	-6.4	-6.9	-7.8	-8.9	5.0	3.0	1.4	-2.1						
ECE European Prime Shopping Centre Fund II ¹	9,160,303	17.9	17.7	27.0	25.9	12.1	11.0								
Hammes Partners II ¹	14,873,615	5.5	3.4	14.8	8.9	19.4	12.9								
Hines US Office Value Added Fund II ¹	1,586,096	-0.7	-1.4	10.0	8.3	50.8	47.2	50.2	46.4	11.5	8.4	10.4	6.8	5.3	0.7
NREP Nordic Strategies Fund	23,947,643	9.6	9.1	23.1	21.7	55.1	50.8								
NREP Nordic Strategies Fund II	9,555,235	10.7	-1.9	10.7	-1.9										
Value Added Portfolio	103,639,624	3.4	2.2	9.6	7.2	19.1	17.0	15.7	13.7	13.3	10.8	19.6	18.1	16.7	14.7

Returns (%)	Market Value (\$)	Fiscal Year 2017 (YTD)		2016		2015		2014		2013		2012		2011	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Opportunistic Portfolio															
BlackRock High Return Separate Account	12,930,528	6.3	6.3	6.3	6.3										
CIM Fund VIII ¹	25,118,429	1.9	0.9	5.8	3.4	16.9	13.8								
KKR Real Estate Partners Americas ¹	19,417,770	2.6	3.1	6.5	5.4	17.1	12.5	12.7	6.5						
Och-Ziff Real Estate Fund III	12,603,541	12.0	9.3	30.0	22.2	33.7	6.9	9.4	-28.3						
Opportunistic Portfolio	70,070,268	4.4	3.7	9.8	7.3	23.8	13.1	77.7	62.7	11.7	9.4	54.2	38.5	-10.1	-8.0
Total Non-Core Portfolio 1Q 2007 Forward	173,709,892	3.8	2.8	9.8	7.4	20.0	15.6	19.7	16.3	16.7	13.5	34.6	26.9	-0.3	0.4
Private Portfolio	688,374,002	4.9	4.2	9.7	8.2	12.3	10.5	15.9	13.6	11.4	9.9	16.4	14.7	14.9	14.5
Public Portfolio															
CBRE Clarion International Real Estate Securities Strategy	76,009,645	-3.1	-3.3	1.9	1.7	-2.7	-2.9	2.9	2.8	15.2	14.8	37.7	37.5	-15.1	-15.3
CenterSquare REIT (formerly Urdang)	116,726,432	-4.8	-4.9	8.6	8.3	5.4	5.1	32.7	32.3	3.7	3.4	17.7	17.0	11.3	10.4
Public Portfolio	192,736,077	-4.1	-4.3	5.9	5.6	1.9	1.7	18.1	17.8	11.9	11.5	26.2	25.8	-2.1	-2.5
Total Portfolio															
SCERS	881,110,079	2.8	2.2	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		4.2	3.7	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		4.7	4.2	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		-3.7		2.0		-3.2		3.2		6.1		38.6		-15.3	
FTSE EPRA NAREIT Index		-4.4		8.6		2.8		28.0		2.9		19.7		8.3	
CPI + 500 BPS		3.8		7.2		5.7		5.7		6.6		6.9		8.2	

¹ Preliminary performance, subject to change.

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 Commingled Funds															
Jamestown Premier Property Fund	19,225,924														
MetLife Core Property Fund	51,090,428														
Prime Property Fund	51,332,452														
Principal U.S. Property Account	39,212,520														
Prologis Targeted Europe Logistics Fund	29,598,294														
Prologis Targeted U.S. Logistics Fund	38,877,413														
Townsend Real Estate Fund, L.P.	71,060,602														
Core Commingled Funds	300,397,633	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	146,854,629	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)	1,520,999	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	65,890,849	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	214,266,477	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>161,306,156</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	514,664,110	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	1,327,828	22.6	18.3	-49.0	-50.5	-18.9	-20.3	2.0	1.0						
Allegis Value Trust	17,294,978	21.6	20.4	-62.2	-62.8	-21.2	-23.9	38.6	28.4						
DRC European Real Estate Debt Fund II	25,893,926														
ECE European Prime Shopping Centre Fund II ¹	9,160,303														
Hammes Partners II ¹	14,873,615														
Hines US Office Value Added Fund II ¹	1,586,096	26.2	18.0	-71.5	-73.2	-47.7	-50.3	-18.0	-19.4						
NREP Nordic Strategies Fund	23,947,643														
NREP Nordic Strategies Fund II	9,555,235														
Value Added Portfolio	103,639,624	23.2	20.3	-56.4	-57.6	-31.2	-33.5	18.2	5.6	0.8	0.5				

Returns (%)	Market Value (\$)	2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Opportunistic Portfolio															
BlackRock High Return Separate Account	12,930,528														
CIM Fund VIII ¹	25,118,429														
KKR Real Estate Partners Americas ¹	19,417,770														
Och-Ziff Real Estate Fund III	12,603,541														
Opportunistic Portfolio	70,070,268	42.4	34.2	54.0	43.5	-44.5	-45.4	3.4	2.6						
Total Non-Core Portfolio 1Q 2007 Forward	173,709,892	37.0	30.4	-13.5	-17.8	-33.7	-35.7	18.2	5.6						
Private Portfolio	688,374,002	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	76,009,645	13.9	13.6	50.7	49.3										
CenterSquare REIT (formerly Urdang)	116,726,432	30.8	29.6	37.7	35.9	-35.0	-35.3	-13.7	-14.2	17.8	17.5				
Public Portfolio	192,736,077	21.0	20.5	41.5	40.2	-19.0	-19.4	-15.0	-15.6	17.6	17.1				
Total Portfolio															
SCERS	881,110,079	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	

¹ Preliminary performance, subject to change.

Returns (%)	Market Value (\$)	Fiscal Year 2017 (YTD)		2016		2015		2014		2013		2012		2011		2010	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Separate Accounts																	
BlackRock Core Separate Account	146,854,629	5.0	4.2	11.3	9.3	15.3	13.9	16.3	12.5	11.8	9.6	13.5	13.0	17.8	17.4	20.7	19.6
BlackRock Separate Account (PM Realty Takeover)	1,520,999	-7.0	-7.2	-9.6	-10.2	-13.2	-13.9	19.2	18.4	6.7	5.9	10.1	9.5	11.9	11.4	11.5	11.0
Cornerstone Separate Account	65,890,849	9.6	9.3	14.0	13.3	2.4	1.6	14.0	13.2	11.3	10.5	16.2	15.4	24.9	23.9	21.2	20.2
Core Separate Accounts	214,266,477	5.6	4.9	10.0	8.6	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5	18.7	18.2	18.6	17.6
<i>Total BlackRock Separate Account</i>	<i>161,306,156</i>	<i>4.0</i>	<i>3.3</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>	<i>17.3</i>	<i>16.4</i>
Separate Account Returns by Property Type																	
Apartment	125,565,505	6.2	5.6	12.3	10.6	9.2	7.7	14.7	13.0	13.3	12.0	18.2	17.5	15.5	14.8	26.6	25.8
Industrial	13,276,959	4.9	4.7	8.4	7.7	3.5	6.5	25.9	24.5	9.9	8.4	-0.3	-0.7	17.2	16.8	2.0	1.6
Office	51,437,391	3.3	3.1	4.4	3.9	4.8	4.1	12.7	9.3	9.4	8.6	15.0	14.2	20.7	20.0	19.1	17.9
Retail	36,831,231	5.7	4.7	8.5	6.7	12.2	9.8	22.2	20.1	10.3	6.5	12.4	12.0	13.5	13.6	13.4	12.0
Total Portfolio																	
SCERS	227,197,006	2.8	2.2	8.9	7.7	9.8	8.3	16.3	14.4	12.0	10.7	19.2	17.8	9.8	9.4	20.6	19.2
Indices																	
NFI-ODCE		4.2	3.7	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0	16.4	15.3
NFI-ODCE + 100 bps		4.7	4.2	9.8	8.8	16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8	17.0	16.0	17.4	16.3
FTSE EPRA/NAREIT Developed ex-US Index		-3.7		2.0		-3.2		3.2		6.1		38.6		-15.3		16.0	
FTSE EPRA NAREIT Index		-4.4		8.6		2.8		28.0		2.9		19.7		8.3		27.9	
CPI + 500 BPS		3.8		7.2		5.7		5.7		6.6		6.9		8.2		6.5	

Returns (%)	Market Value (\$)	2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Separate Accounts													
BlackRock Core Separate Account	146,854,629	-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)	1,520,999	-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	65,890,849	-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	214,266,477	-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>161,306,156</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	-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	-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	-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	-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	-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		-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		-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		44.7		-52.0		-0.9		47.4		18.3		42.4	
FTSE EPRA NAREIT Index		28.0		-37.7		-15.7		35.1		12.2		31.6	
CPI + 500 BPS		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	19,276,154	194,301	194,301	0	214,781	45,355	-219,656	19,225,924	39.2
MetLife Core Property Fund	49,665,921	503,202	532,819	0	541,869	60,729	972,984	51,090,428	30.0
Prime Property Fund	50,128,375	495,081	495,081	0	543,086	140,856	801,846	51,332,452	16.9
Principal U.S. Property Account	38,251,787	0	0	0	437,870	92,479	615,341	39,212,520	21.3
Prologis Targeted Europe Logistics Fund	31,254,893	0	359,121	0	618,557	110,384	-1,805,651	29,598,294	27.2
Prologis Targeted U.S. Logistics Fund	32,041,757	5,200,000	404,709	0	543,572	375,912	1,872,706	38,877,413	25.2
Townsend Real Estate Fund, L.P.	46,637,666	23,328,077	692,617	0	864,443	41,801	964,834	71,060,602	41.1
Core Commingled Funds	267,256,553	29,720,661	2,678,648	0	3,764,178	867,516	3,202,404	300,397,633	30.0
Core Separate Accounts									
BlackRock Core Separate Account	146,032,486	5,375	1,546,000	0	1,650,659	506,918	1,219,027	146,854,629	28.4
BlackRock Separate Account (PM Realty Takeover)	44,282,370	0	41,900,000	0	-11,474	9,817	-840,079	1,520,999	0.0
Cornerstone Separate Account	61,495,145	0	590,000	0	777,322	107,250	4,315,632	65,890,849	37.4
Core Separate Accounts	251,810,001	5,375	44,036,000	0	2,416,507	623,985	4,694,580	214,266,477	31.3
<i>Total BlackRock Separate Account</i>	<i>200,075,168</i>	<i>2,842,272</i>	<i>43,446,000</i>	<i>0</i>	<i>1,618,080</i>	<i>516,735</i>	<i>733,371</i>	<i>161,306,156</i>	<i>26.5</i>
Total Core Portfolio	519,066,554	29,726,036	46,714,648	0	6,180,685	1,491,501	7,896,984	514,664,110	30.6
Value Added Portfolio									
AEW Value Investors Fund II	1,808,361	0	0	384,025	24,610	2,300	-118,818	1,327,828	51.8
Allegis Value Trust	22,103,728	0	0	4,850,000	277,611	23,543	-212,818	17,294,978	20.0
DRC European Real Estate Debt Fund II	26,574,888	4,711,614	900,821	3,750,222	524,889	79,547	-1,186,875	25,893,926	0.0
ECE European Prime Shopping Centre Fund II	9,310,866	0	86,203	119,891	-631,688	69,770	756,989	9,160,303	56.2
Hammes Partners II	11,301,239	3,711,020	288,090	0	164,477	93,750	78,719	14,873,615	74.0
Hines US Office Value Added Fund II	6,873,689	17,171	4,891,926	0	69,042	17,171	-464,709	1,586,096	70.0
NREP Nordic Strategies Fund	25,703,594	0	2,441,706	0	585,040	48,554	149,269	23,947,643	53.6
NREP Nordic Strategies Fund II	4,111,129	5,290,525	0	0	251,889	286,454	188,146	9,555,235	47.0
Value Added Portfolio	107,787,494	13,730,330	8,608,746	9,104,138	1,265,870	621,089	-810,097	103,639,624	49.0
Opportunistic Portfolio									
BlackRock High Return Separate Account	9,760,312	2,836,897	0	0	-21,105	0	354,423	12,930,528	0.0
CIM Fund VIII	23,112,743	2,038,543	0	0	-19,535	109,375	96,053	25,118,429	8.3
KKR Real Estate Partners Americas	21,785,058	431,008	875,107	2,336,510	875,107	-177,484	-639,270	19,417,770	56.0
Och-Ziff Real Estate Fund III	10,703,876	1,619,990	364,770	0	259,562	131,250	516,133	12,603,541	61.8
Opportunistic Portfolio	65,361,989	6,926,438	1,239,877	2,336,510	1,094,029	63,141	327,339	70,070,268	40.3
Total Non-Core Portfolio 1Q 2007 Forward	173,149,483	20,656,768	9,848,623	11,440,648	2,359,899	684,230	-482,758	173,709,892	45.8
Private Portfolio	692,216,037	50,382,804	56,563,271	11,440,648	8,540,584	2,175,731	7,414,226	688,374,002	35.2
Public Portfolio									
CBRE Clarion International Real Estate Securities Strategy	82,423,602	0	0	0	596,503	0	-7,010,460	76,009,645	0.0
CenterSquare REIT (formerly Urdang)	120,887,390	78,295	0	0	409,495	78,295	-4,570,453	116,726,432	0.0
Public Portfolio	203,310,992	78,295	0	0	1,005,998	78,295	-11,580,913	192,736,077	0.0
Total Portfolio									
SCERS	895,527,029	50,461,099	56,563,271	11,440,648	9,546,582	2,254,026	-4,166,687	881,110,079	29.8

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core Commingled Funds						
Jamestown Premier Property Fund	-	67.6	-	19.6	-	12.7
MetLife Core Property Fund	25.0	45.0	17.7	12.3	-	-
Prime Property Fund	25.8	34.2	14.3	16.6	-	9.1
Principal U.S. Property Account	10.5	43.6	21.3	16.6	1.3	6.7
Prologis Targeted Europe Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P.	35.0	12.9	14.0	5.5	-	32.6
Core Commingled Funds	18.2	26.0	35.4	9.4	0.2	10.9
Core Separate Accounts						
BlackRock Core Separate Account	40.5	24.5	8.6	26.4	-	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-
Cornerstone Separate Account	100.0	-	-	-	-	-
Core Separate Accounts	58.4	17.1	6.0	18.5	-	-
<i>Total BlackRock Separate Account</i>	<i>45.2</i>	<i>22.6</i>	<i>7.9</i>	<i>24.3</i>	-	-
Total Core Portfolio	34.5	22.4	23.4	13.1	0.1	6.4
Value Added Portfolio						
AEW Value Investors Fund II	0.4	9.1	90.4	-	-	-
Allegis Value Trust	14.9	81.3	3.9	-	-	-
DRC European Real Estate Debt Fund II	-	34.0	7.9	11.5	22.2	24.3
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	51.0	0.5	36.7	11.8	-	-
NREP Nordic Strategies Fund II	31.6	14.8	32.5	10.6	-	10.5
Value Added Portfolio	15.3	25.9	13.7	15.7	6.8	22.5
Opportunistic Portfolio						
BlackRock High Return Separate Account	100.0	-	-	-	-	-
CIM Fund VIII	-	37.6	-	7.5	0.0	54.9
KKR Real Estate Partners Americas	7.4	12.1	-	34.2	8.6	37.7
Och-Ziff Real Estate Fund III	17.9	14.8	14.1	5.7	3.9	43.5
Opportunistic Portfolio	24.0	20.0	2.6	12.4	2.9	38.2
Total Non-Core Portfolio	18.8	23.5	9.3	14.4	5.2	28.7
Private Portfolio	30.7	22.7	20.0	13.4	1.4	11.9
Public Portfolio						
CBRE Clarion International Real Estate Securities Strategy	12.2	9.9	6.7	14.6	-	56.5
CenterSquare REIT (formerly Urdang)	15.1	13.1	7.3	22.0	5.4	37.1
Public Portfolio	13.8	11.7	7.0	18.7	3.0	45.8
Total Portfolio						
SCERS	27.5	20.6	17.5	14.4	1.7	18.3
Indices						
NFI-ODCE	24.3	36.9	14.7	20.2	0.7	3.3

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	49.7	20.3	-	-	2.4	-	-	27.5	-
MetLife Core Property Fund	-	10.6	14.1	-	18.1	13.3	6.5	37.3	-
Prime Property Fund	20.3	8.0	9.5	2.1	13.0	9.2	3.2	34.6	-
Principal U.S. Property Account	14.9	6.9	5.3	2.0	9.1	15.9	9.5	36.5	-
Prologis Targeted Europe Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	12.8	3.5	9.2	-	9.3	13.1	-	52.2	-
Townsend Real Estate Fund, L.P.	14.5	8.3	13.9	9.4	22.4	1.6	8.8	21.1	-
Core Commingled Funds	13.7	7.7	9.3	2.8	13.2	8.0	4.9	31.0	9.4
Core Separate Accounts									
BlackRock Core Separate Account	-	-	-	-	-	8.6	-	91.4	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-	-	-	-
Cornerstone Separate Account	-	-	-	-	-	-	-	100.0	-
Core Separate Accounts	-	-	-	-	-	6.0	-	94.0	-
<i>Total BlackRock Separate Account</i>	<i>7.9</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>7.9</i>	<i>-</i>	<i>84.2</i>	<i>-</i>
Total Core Portfolio	8.1	4.6	5.5	1.7	7.8	7.2	2.9	56.6	5.6
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	6.0	9.7	3.4	-	1.2	4.7	0.0	7.7	67.3
Opportunistic Portfolio									
BlackRock High Return Separate Account	100.0	-	-	-	-	-	-	-	-
CIM Fund VIII	21.8	1.1	19.1	-	1.3	1.2	4.6	44.3	6.6
KKR Real Estate Partners Americas	17.9	-	18.3	10.7	16.5	-	-	9.4	27.3
Och-Ziff Real Estate Fund III	23.2	7.8	5.6	1.0	7.5	3.7	2.7	20.1	28.4
Opportunistic Portfolio	35.8	1.8	12.8	2.8	6.0	1.1	2.2	22.8	14.5
Total Non-Core Portfolio	17.9	6.6	7.1	1.1	3.1	3.3	0.9	13.7	46.3
Private Portfolio	10.5	5.1	5.9	1.5	6.7	6.2	2.4	46.1	15.6
Public Portfolio									
CBRE Clarion International Real Estate Securities Strategy	-	-	-	-	-	-	-	-	100.0
CenterSquare REIT (formerly Urdang)	20.2	14.8	9.6	3.6	14.9	11.1	5.9	19.9	-
Public Portfolio	11.9	8.8	5.7	2.1	8.8	6.6	3.5	11.8	40.9
Total Portfolio									
SCERS	10.8	5.6	5.7	1.6	6.8	6.2	2.5	39.7	21.1
Indices									
NFI-ODCE	21.1	9.5	8.4	1.4	9.2	9.9	5.0	35.6	-

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 4Q16



United States Real Estate Market Update (4Q16)

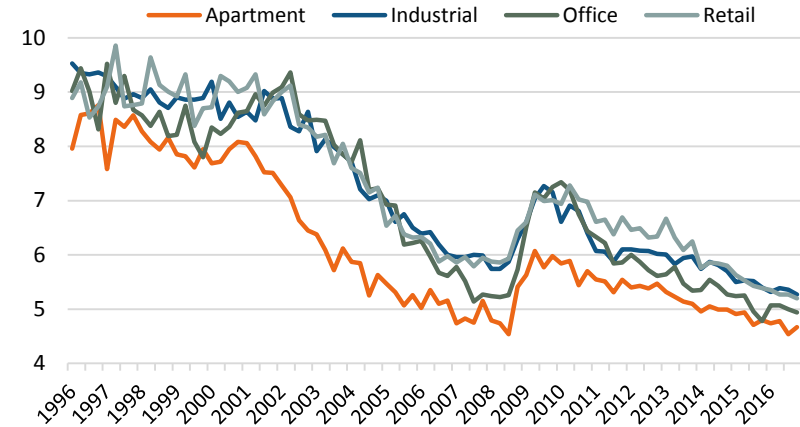
General

- Economic activity decelerated during the Fourth Quarter of 2016 to end the year at an annualized rate of 1.9%, compared to 3.5% in the previous quarter. Compared to 2015, GDP increased 1.6% in 2016. Consumer spending, the only positive contributing factor to the private sector, added 1.84% to annual growth, offset by -0.26% and -0.12% subtractions from business investment and trade, respectively. Business investment, while lackluster in 2016, has seen a positive start to 2017.
- Macro indicators for U.S. real estate remained moderate and consistent during 2016. Non-residential construction increased at the same rate as in 2015 (+8% y/y) while residential housing starts declined (-1% y/y). Building permits, which signal future construction activity, inched a bit during the fourth quarter but essentially remained flat during the year.

Commercial Real Estate

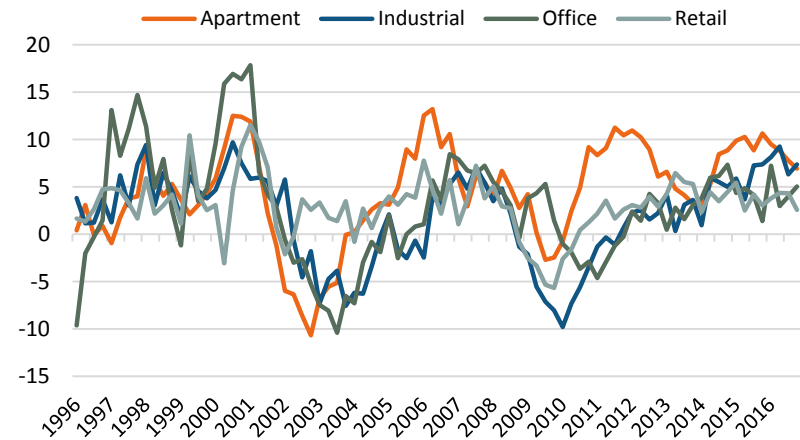
- 2016 witnessed \$285 billion in U.S. commercial real estate transaction volume. This represents 43% of global investment and a 9% decline over 2015. JLL estimates global fundraising slowed in 2016 by -2.7% y/y, with \$245 billion in dry powder globally, \$133 billion of which is North America focused. This possibly indicates difficulty deploying capital.
- CMBS issuances totaled \$25.9 billion in 4Q16. Annual issuances (\$75.8 bn) were down 25% over 2015 levels (\$101 bn). The credit environment in 2016 was cautious, with demand waning and supply remaining tight. The Fed's survey of senior loan officers showed credit standards especially tight for multifamily and development loans, indicating credit selectivity.
- U.S. cities have dominated as real estate investment targets in 2016, with New York and Los Angeles (1st and 3rd respectively) featured in the top five. Of note is Shanghai coming in at 5th globally off the back of a record volumes in 2016.
- Transaction cap rates compressed moderately during 2016 across major sectors. Multifamily experienced a 9 bps compression, while retail saw the largest 12-month change in cap rates (-37 bps). The industrial and office sectors logged 22 bps and 26 bps of cap rate compression over 2016, respectively.

Current Value Cap Rates by Property Type



Source: NCREIF

4-Qtr Rolling NOI Growth by Property Type



Source: NCREIF

United States Property Matrix (4Q16)

INDUSTRIAL

- With fewer expansions, “new to market” tenants increased by 670 bps compared to last quarter. Vacancy rate has declined another 20 basis points to a record low of 5.6%.
- Fourth quarter investment volumes grew 11.0% compared to the third quarter, with 2016 finishing with a total volume of \$46.3 billion, the second highest total since the GFC.
- Single-market-focused portfolios continue to drive transaction volume, representing 70% of primary markets, 44% of secondary markets and 44% of tertiary markets.
- The development pipeline currently consists of 194.0 million SF, putting upward pressure on rental rates and providing tenants with new supply options.
- As of 4Q16, industrial properties returned 3.04% and outperformed the NPI by 131 bps.

MULTIFAMILY

- Investment for the quarter totaled \$44.2 billion, bringing 2016’s total to \$150.3 billion. Multifamily sales are up 4.3% compared to 2015 figures.
- Secondary market activity reached \$52.7 billion, up 8.2% compared to 2015 totals. 2016’s figure represents a record high for secondary market activity.
- Annual rental growth was reported at 3.8% for the fourth quarter. This was the first time annual growth rate dipped below 4.0% since 2014.
- The rate of completions as a percent of inventory was 1.8%, declining 10 bps year-over-year. The national absorptions rate stayed unchanged at 1.6% from third quarter figures, while softening 20 bps from fourth quarter 2015.
- The apartment sector delivered a 1.67% return during the quarter, underperforming the NPI by 6 bps.

OFFICE

- The office segment experienced \$43.2 billion of reported capital markets activity in the fourth quarter of 2016, up 7.4% from the third quarter, and represents the largest quarterly figure of the cycle. This brings YTD volume to \$143.0 billion, 0.6% below prior-year levels.
- Secondary market transactions continued to rise in the fourth quarter reaching \$10.4 billion of transactions, and accounting for nearly 50.0% of deal flow and 39.0% of total 2016 activity.
- The fourth quarter resulted in the lowest level of occupancy growth in 24 months. The tech sector continued to be the primary demand driver representing 24.4% of national leasing activity. Despite this slowdown in leasing activity, construction volumes rose and now stand at a cyclical high of 110.5 million SF.
- Cap rates are beginning to plateau with signs of softening emerging in select secondary markets. 25% of tracked markets experienced softening in 2016. The gap between primary and secondary markets is averaging 111 bps, compared to the long-term average of 75 bps.
- The office sector returned 1.35% in 4Q16, 38 bps below the NPI.

RETAIL

- Year-end retail volumes declined 18.7% to \$64.3 billion. Portfolio volume was a main driver decreasing 33.7% from 2015 totals.
- With secondary markets experiencing rental rates increases, sales growth in secondary markets increased by 26.5% compared to primary markets decrease of 43.9% year-over-year.
- While overall mall transaction volume decreased by 11.0% in 2016, Trophy and Tier 1 assets continue to transact quickly when brought to market.
- Institutional acquisitions grew by 2.2% in 2016, while REITs saw the lowest investment inflow into retail since 2011, slowing by 59.3% from 2015 activity.
- As of 4Q16, the retail sector delivered a quarterly return of 1.65%, underperforming the NPI by 8 bps.



Global Real Estate Market Update (4Q16)

Global

- Global investment activity totaled \$661 billion in 2016, 6% (y/y) decrease since 2015. Despite political and economic turbulence that marked the second half of the year, commercial real estate investment dropped only -2% y/y in the last quarter compared to 4Q15.

Direct Commercial Real Estate Investment - Regional Volumes, 2015 - 2016

	\$ US Billions	Q3 16	Q4 16	% Change		2015	2016	% Change
				Q3 16 - Q4 16	Q4 15			Q4 15 - Q4 16
Americas	77	78	1%	85	-8%	314	285	-9%
EMEA	55	85	55%	90	-6%	267	246	-8%
Asia Pacific	33	43	30%	36	19%	123	130	6%
Total	165	206	25%	211	-2%	704	661	-6%

Source: Jones Lang LaSalle, January 2017

Europe

- European investment volume was €246 billion during 2016, -8% less than 2015. The decline was driven by the U.K. which saw transaction volume drop substantially in local currency terms. Excluding the U.K., 2016 compares favorably (+5% y/y) to 2015.
- During 2016, the largest markets in Europe performed poorly. The UK made up 24% of transactions and declined -37% y/y. Germany accounted for 21% of transactions and remained flat for 2016. France followed with -4% y/y growth. Sector wise retail and hotel have been the weakest for investment across Europe, declining (-29% y/y).

Asia

- Asia Pacific investment ended 2016 at \$130 billion, a +6% growth rate from 2015, supported by a record year in China and South Korea, and robust growth in Singapore.
- China finished 2016 up 24% y/y to a record \$34.4 billion in investment volume, which grew 48% over 4Q15, with major transactions in Shanghai and Beijing. South Korea experienced \$15.9 billion in turnover, with a few high profile sales including long term leasebacks as some corporations attempt to improve their financial position.
- Transaction volumes in Australia, mainly driven by foreign investment, continued to decline, falling 13% over 2015 to \$5.2 billion with scant transaction activity. Even after a strong performance in the fourth quarter (+25% y/y), due to the completion of several large office and industrial deals, investment in Japan ended the year down 3% compared to 2015.
- Hong Kong recorded \$10.3 billion in investment volume during 2016, a 14% decrease from 2015, although Chinese investor demand for development sites remains very active

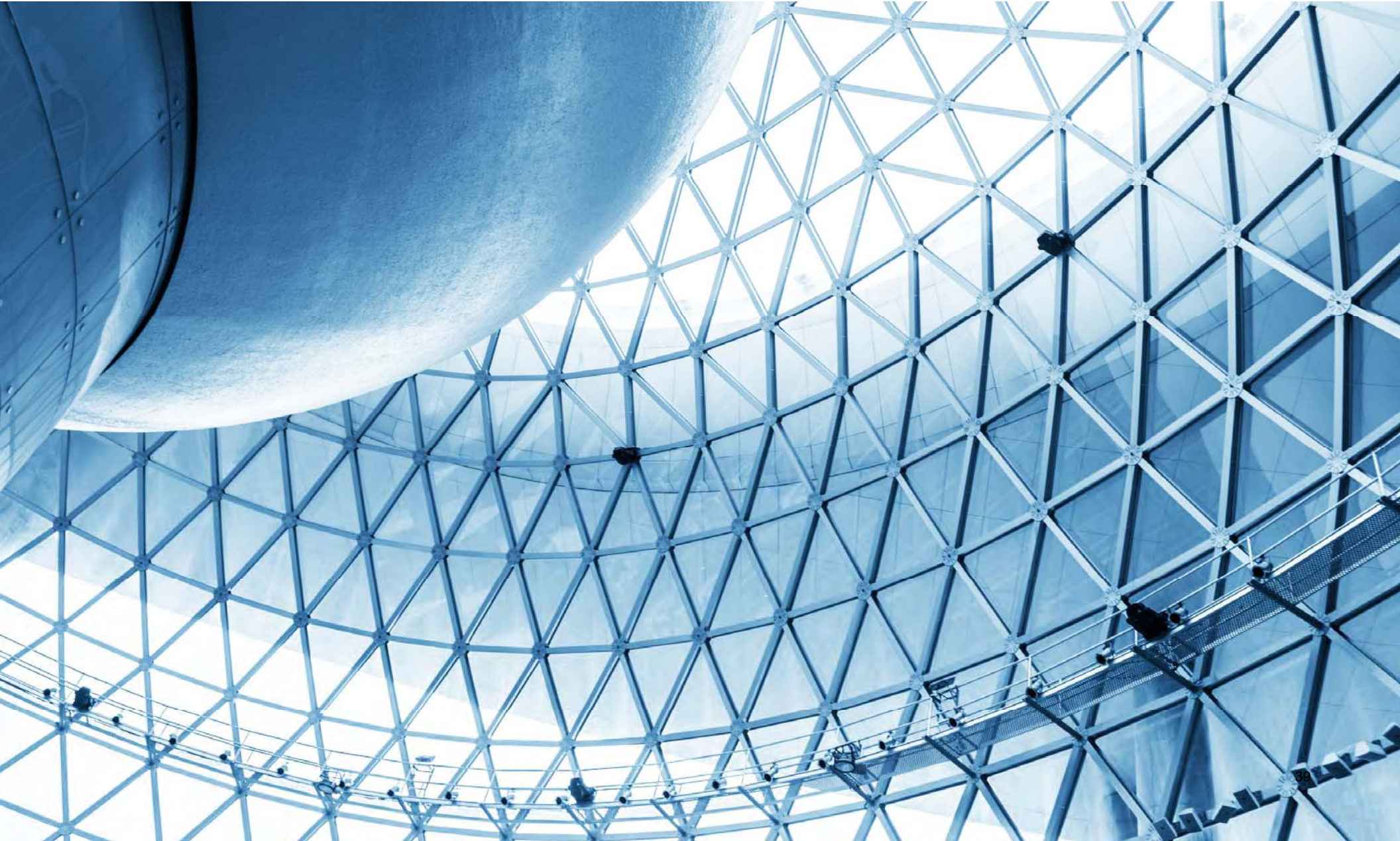
Global Outlook - GDP (Real) Growth % pa, 2016-2018

	2016	2017	2018
Global	3.8	3.4	3.6
Asia Pacific	5.0	4.7	4.7
Australia	2.4	2.5	2.7
China	6.7	6.5	6.2
India	7.9	7.8	7.4
Japan	1.0	1.5	1.1
North America	1.6	2.2	2.3
US	1.6	2.1	2.0
MENA*	2.3	2.3	2.7
European Union	1.9	1.7	1.7
France	1.5	1.5	1.5
Germany	1.9	1.8	1.6
UK	2.0	2.0	1.6

*Middle East North Africa

Source: Bloomberg LP, February 2016

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

<p>Stylized Index:</p>	<p>Weights the various style group participants so as to be comparable to the investor portfolio holdings for each period.</p>
<p>Open-End Diversified Core Equity Index (“ODCE”):</p>	<p>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.</p>
<p>Open-End Diversified Value Equity Index (“ODVE”):</p>	<p>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.</p>
<p>NCREIF Property Index (“NPI”):</p>	<p>National Property Index comprised of core equity real estate assets owned by institutions.</p>
<p>NAREIT Equity Index:</p>	<p>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.</p>



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

