



**TOWNSEND<sup>®</sup>**  
GROUP

an Aon company

Real Estate Portfolio

# Performance Measurement Report

FIRST QUARTER 2019



**SCERS**

SACRAMENTO COUNTY  
EMPLOYEES' RETIREMENT SYSTEM

## SCERS Real Estate Portfolio Overview

In July 2017, Sacramento County Employees' Retirement System ("SCERS") Board adopted a series of changes to its Real Estate Investment Policy Statement. Real Estate, housed within the Real Return asset category, now includes Core, Non-Core and Non-U.S. Private Real Estate; though there is no current exposure to Real Estate Investment Trusts ("REITs"), REITs are included within the Equity allocation. This report will focus on the SCERS Private Real Estate portfolio.

SCERS targets 7.0% to Real Estate with an allowable range of 5.0% to 9.0%. As of the end of the First Quarter, 2019 (the "Quarter"), the Real Estate Portfolio was above the allowable range at 9.5%. Core Real Estate currently makes up 74.4% of the portfolio, with Non-Core Real Estate making up the remaining 25.6%. Townsend and Staff are evaluating portfolio rebalancing options to reduce Real Estate exposure.

### SCERS' Real Estate Portfolio Construction:

	Minimum	Target	Maximum
Total Real Estate Program	5.0%	<b>7.0%</b>	9.0%
	Minimum	Target	Maximum
Core Real Estate	50%	<b>65%</b>	80%
Non-Core Real Estate	20%	<b>35%</b>	50%
Non-U.S. Real Estate	0%	<b>0%</b>	30%

Performance of the Core Portfolio is evaluated over rolling 10-year time periods relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds ("NFI-ODCE"), net of fees. The NFI-ODCE represents the aggregation of twenty-five Core open-end commingled funds invested across the United States. The SCERS Core Portfolio outperformed the NFI-ODCE over all annualized time periods. Rationale is detailed on slide 5.

In July of 2017, Staff and Townsend recommended revising the Real Estate IPS to reflect transition away from IMAs, including removal of the Core vehicle constraints of 0-60% (30% target) for funds and 40-100% (70% target) for IMAs, which was subsequently approved by the Board.

In 2018, SCERS' IMA Program transitioned to a commingled fund manager. Following an extensive bidding, selection and structuring process, Staff and Townsend selected Clarion's Lion Properties Fund as the recipient for the IMA Portfolio. Given the size of the IMA Portfolio, SCERS reduced concentration risk by allocating funds to an additional manager, Brookfield's Premier Property Partners, in order to achieve greater diversification within the Core Portfolio. SCERS' investment in Brookfield Premier Property Fund was funded October 1<sup>st</sup> 2018.

The loan-to-value ratio of the Private Real Estate Portfolio was 33.1% at the end of the First Quarter of 2019. The loan-to-value ratio of the Core Portfolio was 30.2%, below the 40.0% leverage constraint for Core as approved by the Board. As a point of reference, the loan-to-value ratio of the NFI-ODCE was 21.6% as of the First Quarter. The Non-Core Portfolio reported a loan-to-value ratio of 40.2%.

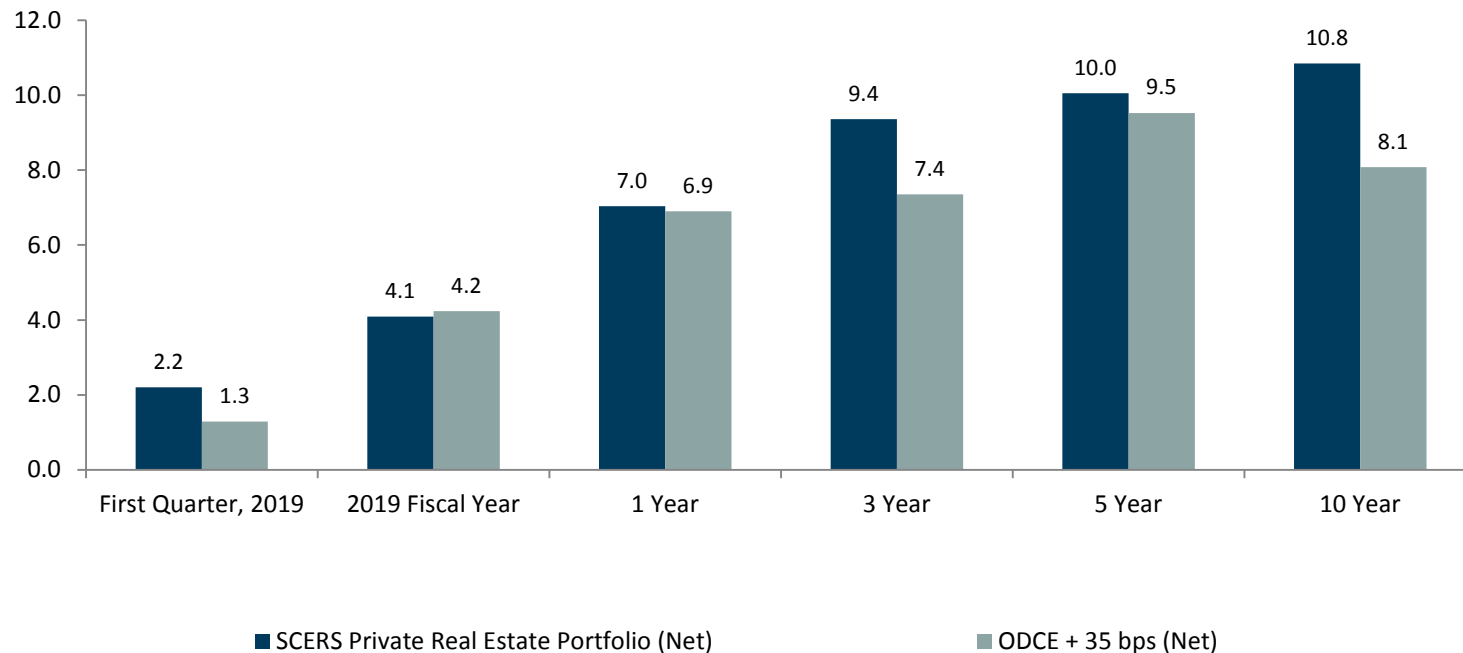
## Portfolio Funding Status

- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the “Portfolio”) through March 31, 2019.
- A detailed performance report is also provided in **Exhibit A**.
- Figures exclude commitments / redemptions / dispositions approved subsequent to Quarter-end.

SCERS Portfolio Snapshot <i>As of March 31, 2019</i>	Market Value (in millions of dollars)*	% of SCERS Plan
<b>SCERS Total Plan Assets</b>	<b>9,509</b>	<b>100.0%</b>
<b>Private Portfolio Target</b>	<b>666</b>	<b>7.0%</b>
<b>Private Portfolio Permissible Range</b>		<b>5.0-9.0%</b>
<b>Private Real Estate</b>		
Core Portfolio	672	7.1%
Non-Core Portfolio	232	2.4%
<b>Total SCERS Private Real Estate Market Value</b>	<b>904</b>	<b>9.5%</b>
<b>Total SCERS Private Real Estate Unfunded Commitments</b>	<b>223</b>	<b>2.3%</b>

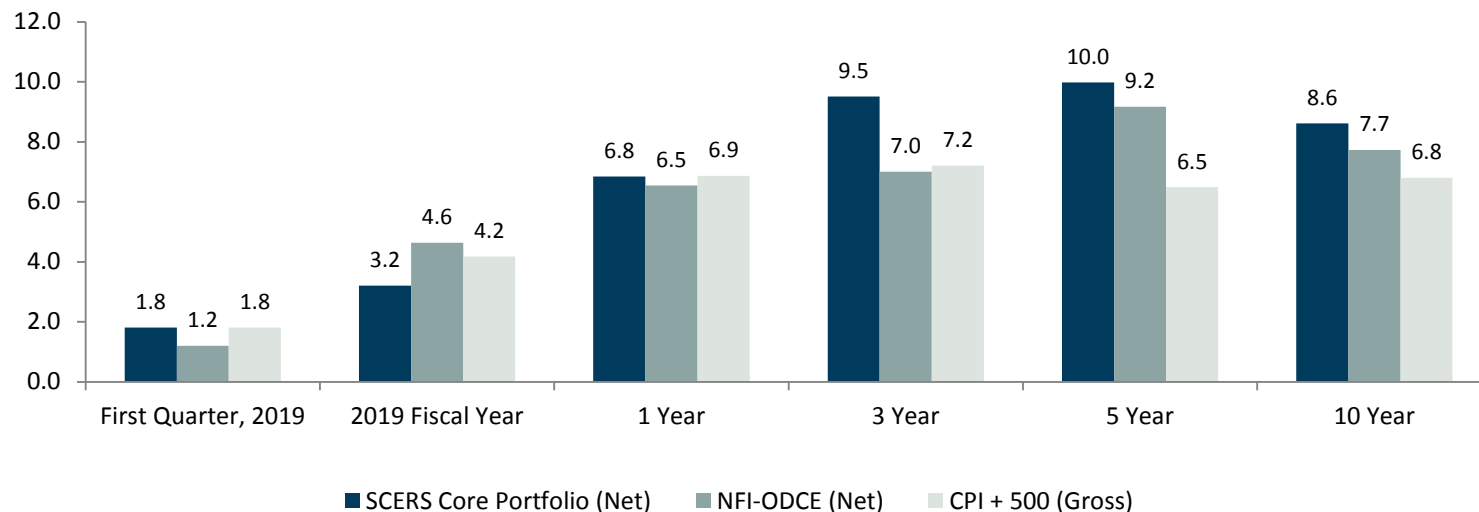
\* Figures may not add due to rounding.

## Private Real Estate Portfolio Performance



- The SCERS Private Real Estate Portfolio includes: (1) Core Real Estate and (2) Non-Core Real Estate.
- The SCERS Private Real Estate Benchmark is comprised of the NFI-ODCE (Core Benchmark, net) (65%) and the NFI-ODCE + 100bps (Non-Core Benchmark, net) (35%), resulting in an NFI-ODCE + 35bps (net) portfolio benchmark.
- On a net of fee basis, the SCERS Total Real Estate Portfolio performed above the blended benchmark for all time periods, with the exception of the fiscal year.

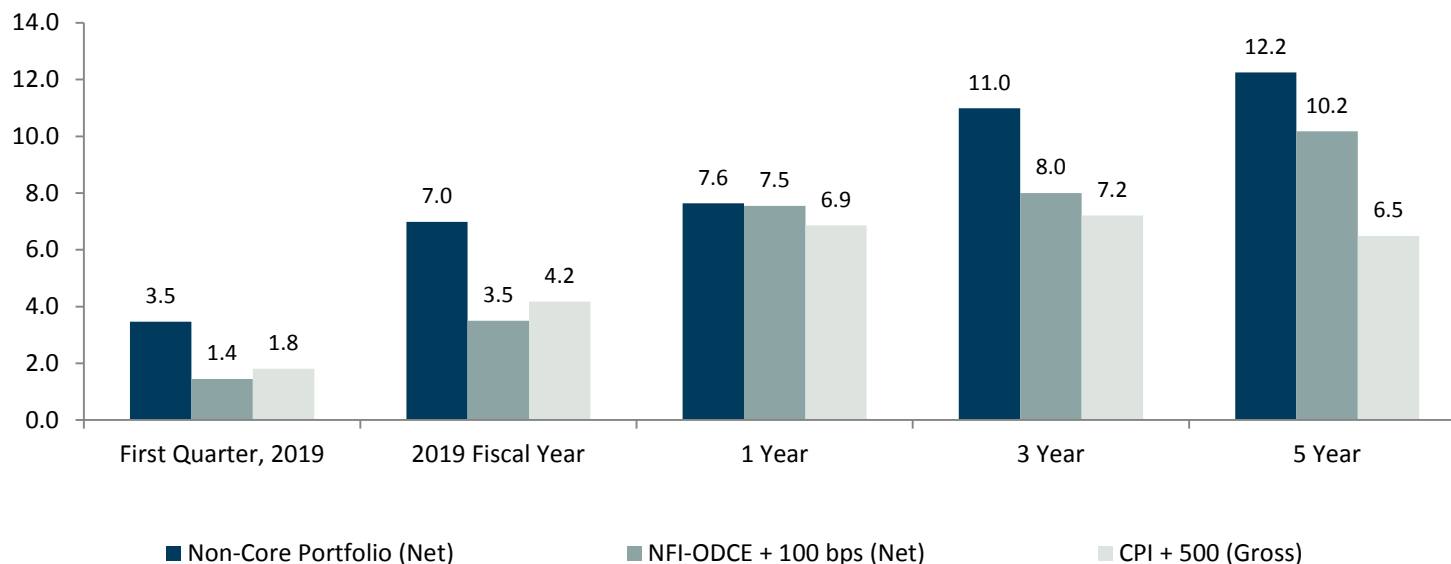
## Core Portfolio Performance



- The SCERS Core Portfolio consists of nine 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 European Logistics Fund, Townsend Real Estate Fund, Brookfield Premier Real Estate Partners, and Clarion’s Lion Properties Fund.
- Performance of the Core Portfolio is evaluated relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds (“NFI-ODCE”), net of fees. In aggregate, the Core Portfolio outperforms the NFI-ODCE, net of fees, over all displayed time periods with exception of the fiscal year.
- The Core Portfolio has experienced a drag on fiscal year and one-year performance as a result of the liquidation of IMA assets which were being held above fair market value.
- The Core Portfolio has recently benefited from an overweight exposure to industrial, with Prologis U.S. generating one-year net returns of 15.4%. Prologis Europe has generated strong local currency returns (15.6% over the one-year period), but currency fluctuation resulted in a one-year USD net return of 5.2%.
- The SCERS Core Portfolio performed in line with or above the CPI + 500 bps (the SCERS Real Asset benchmark), with the exception of the fiscal year.

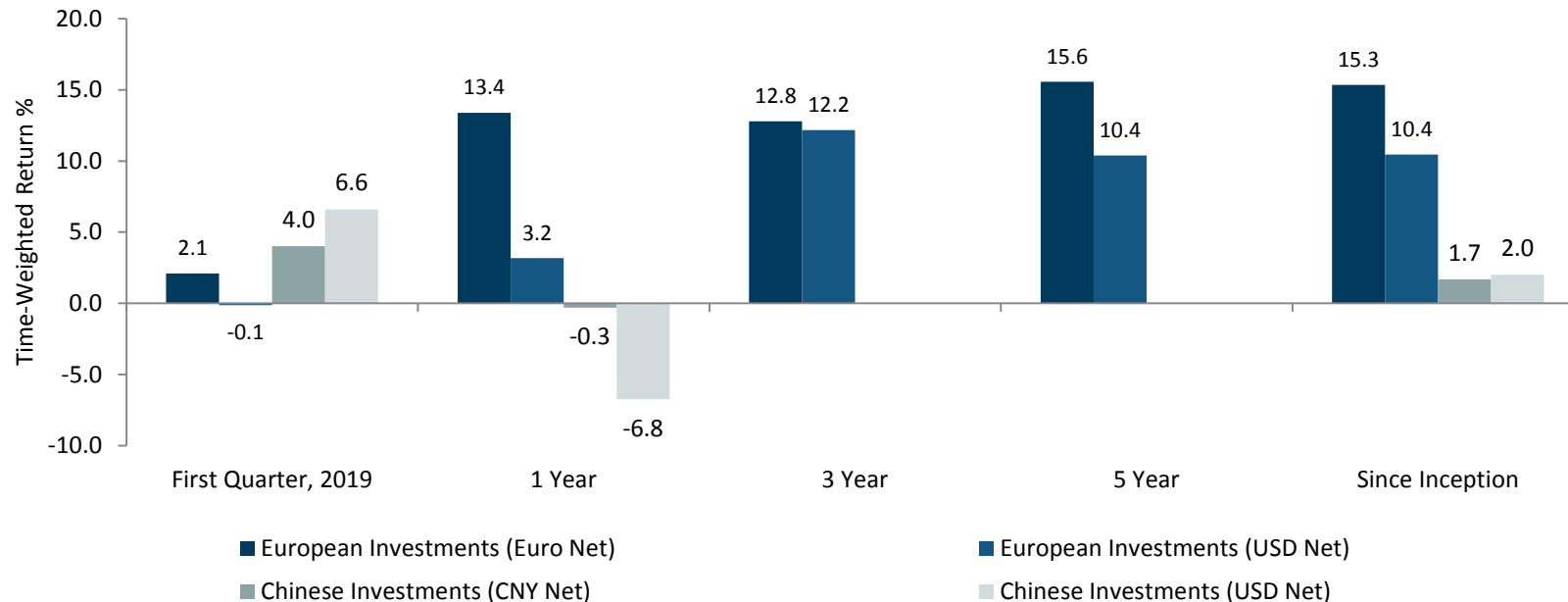


## Non-Core Portfolio Performance



- 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 all time periods.
- Outperformance over the last year is attributable primarily to Opportunistic strategies.
  - The following Opportunistic investments were particularly accretive and have outperformed relative to the NFI-ODCE + 100bps (Net): BlackRock High Return Separate Account (Leland James Center) generated a 22.2% net return, and Och-Ziff Real Estate Fund III generated a 20.2% net return.
  - The following Value Added investments also contributed positively to outperformance of the Non-Core portfolio: Hammes Partners II (19.7%), and ECE European Prime Shopping Centre Fund II (8.4%)

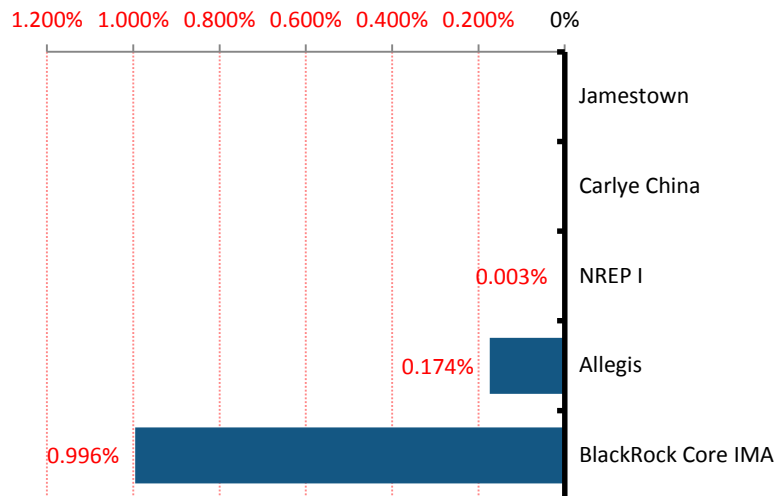
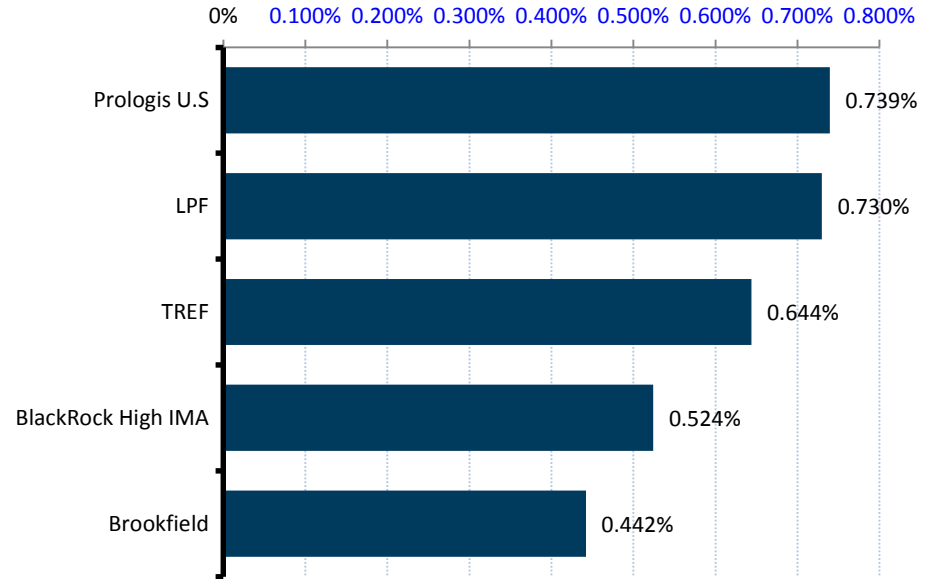
## Ex-US Portfolio Performance



- Approximately 17% of the SCERS Portfolio is comprised of Ex-US investment. SCERS does not currently hedge its foreign currency exposures and pays liabilities in US Dollars. As such, FX movement will impact performance for Ex-US investments. The chart above isolates European and Asian investments and displays performance both before and after currency conversion.
- Currency movement has negatively impacted foreign investments over recent time periods, with the exception of movement in the Yuan over the trailing quarter. European performance in dominant local currencies has been positive and accretive to SCERS' primary benchmark. Chinese investments, solely made up of Carlyle investments, are experiencing a J-curve.
- The SCERS Euro Denominated Composite includes: DRC European Real Estate Debt Fund II (Pound Sterling) 3.0%, ECE European Prime Shopping Center Fund II (Euro) 1.9%, NREP Nordic Strategies Fund (Euro) 0.8%, NREP Nordic Strategies Fund II (Euro) 0.7%, NREP Nordic Strategies Fund III (Euro) -11.1%, and Prologis Targeted Europe Logistics Fund (3.9%).
  - Since Inception period begins 1Q14.
  - For the purposes of this composite, DRC has been included as a Euro denominated fund.
- The SCERS Chinese Yuan Composite includes: Carlyle China Realty Fund (Chinese Yuan) 3.4% and Carlyle's Project Rome (Chinese Yuan) 4.2%.
  - Since Inception period begins 3Q17.
  - SCERS' Carlyle investments are USD denominated at the fund level, but property values are exposed to currency translation.

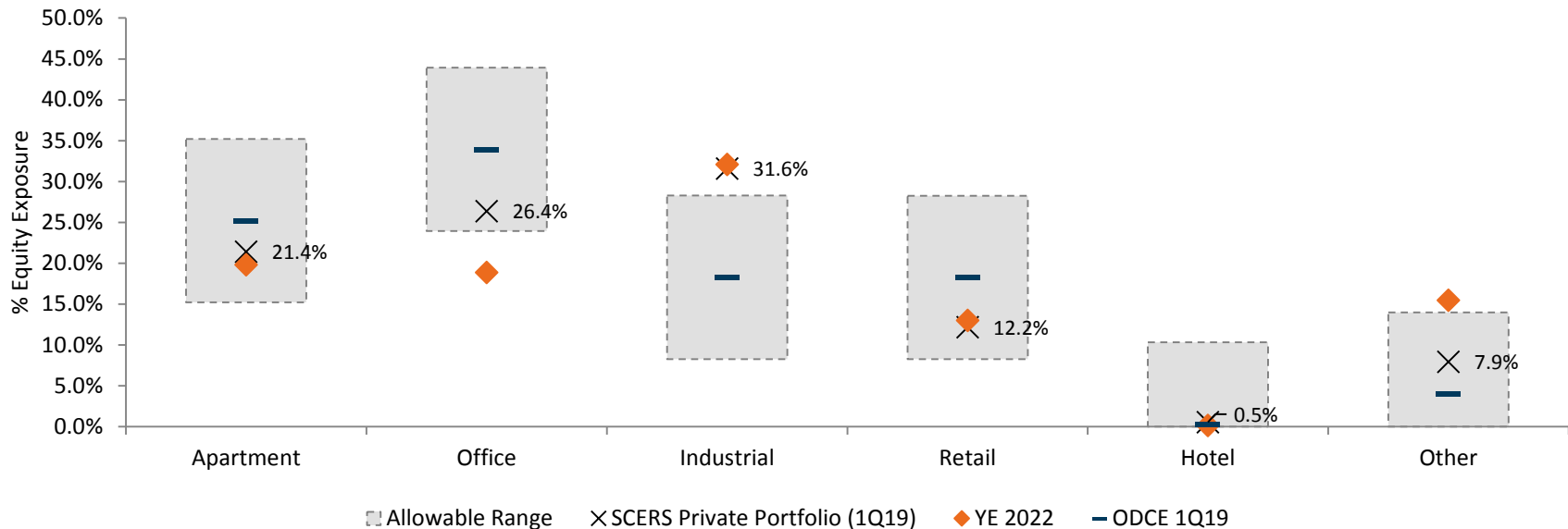
# Performance Attribution

- Over the Fiscal Year, performance was driven primarily by Core OECFs, with Prologis Targeted U.S. Logistics fund contributing the greatest proportion of overall returns
  - The BlackRock High Return Separate also contributed significantly to overall portfolio performance
  
- During the Fiscal Year, the BlackRock Core Separate Account was written down, resulting in negative performance over the period.
  - The Core Separate Account detracted approximately 1% from total portfolio over the Fiscal Year.
  - Despite recent negative performance, the Core Separate Account contributed positively to longer-term performance





## Real Estate Private Portfolio Diversification – Property Type



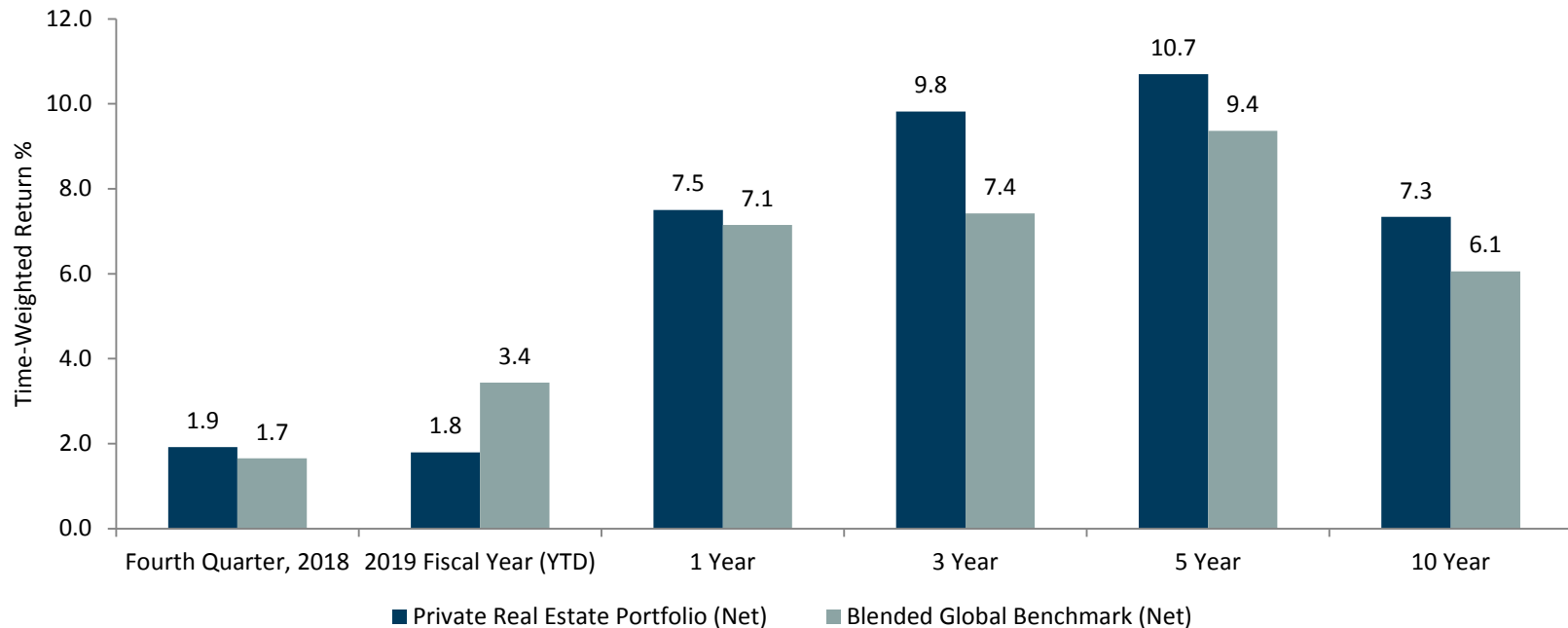
- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, with a permissible deviation of  $\pm 10.0\%$  for each property type. The Real Estate Policy also allows for temporary deviations in order to provide SCERS with the flexibility required to overweight or underweight property types during certain parts of the market cycle.
- As of the First Quarter, the Private Portfolio was in compliance across all property types, with exception of industrial. Given a majority of Industrial exposure is within open-ended vehicles, Townsend and Staff will continue to monitor the property types fundamentals for opportunities to tactically reduce exposure if secular growth trends moderate.
- 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). SCERS made an additional contribution of \$15 million to Prologis USLF in the 2<sup>nd</sup> Quarter of 2018, which further increased exposure. Going forward, exposure to logistics assets will increase as capital is called by Carlyle for the Project Rome co-invest and an additional \$15 million commitment to Prologis' European vehicle.
- The "Other" property type exposure represents Och-Ziff Real Estate Fund III (parking, senior housing and cell towers), KKR Real Estate Partners Americas (senior housing), CIM Fund VIII (condominiums), Hammes Partners II (medical office), Jamestown Premier Property Fund (signage – One Times Square), Townsend Real Estate Fund (senior and student housing) and Prime Property Fund (self storage).

## Real Estate Private Portfolio Diversification – Geographic Region



- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, with a permissible deviation of  $\pm 10.0\%$  for each region. Ex-US exposure is limited to 30% of the Total Private Portfolio.
- As of the First Quarter, the Private Portfolio was in compliance across all regions.
- Tactical overweight/underweight positions may exist over time.
- The Private Portfolio's international exposure is 17.0%, well within its 30% constraint, but will increase as KKR Real Estate Partners Americas, Och-Ziff Real Estate Fund III, NREP Nordic Strategies Fund II & III, ECE European Prime Shopping Centre Fund II, and Prologis European Logistics Fund continue to call capital and purchase assets in Europe.
- In 2017, SCERS committed to Carlyle China Realty (\$10m) and Project Rome co-invest (\$20m initial; \$20m re-up April 2017) which will increase Ex-US exposure and diversify international exposure as both investments are 100% China. As of 1Q19, these investments provide \$40 million in equity exposure to China.

## Private Real Estate Performance – Global Ancillary Benchmark (4Q18)



- The Global Ancillary Benchmark is made-up of a the NFI-ODCE (Core), NFI-ODCE + 100bps (Non-Core), GREFI Europe Core, GREFI Europe Non-Core, and Grefi Non-Core Asia Pacific to create a global blended benchmark based on weighted average invested capital for each strategy.
  - GREFI reports on a 12 week lag so the ancillary benchmark will be reported on a quaterly lag to SCERS.
- The Private Portfolio's international exposure is 17.0%, well within its 30% constraint. International exposure is mainly non-core in nature, with the exception of Prologis Targeted Europe Logistics Fund.
- The SCERS Private Real Estate program has outperformed its secondary benchmark over all time periods, with the exception of the fiscal year and one-year.

## Exhibit A: Performance Flash Report



Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
9,508,752,528	Core	7.0%	672,331,969	7.1%	19,863,124	0.2%	-26,582,416	-0.3%
	Non-Core	0.00% - 5.00%	231,942,841	2.4%	203,210,307	2.1%	-221,206,216	-2.3%
	<b>Total</b>	<b>7.0%</b>	<b>904,274,810</b>	<b>9.5%</b>	<b>223,073,431</b>	<b>2.3%</b>	<b>-247,788,632</b>	<b>-2.6%</b>

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	2.1	1.8	8.0	6.8	10.8	9.5	11.4	10.0
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	4.0	3.5	10.9	7.6	13.7	11.0	15.3	12.2
Private Real Estate Portfolio	2.5	2.2	8.7	7.0	10.9	9.4	11.6	10.0
NFI-ODCE (Core)	1.4	1.2	7.5	6.5	8.0	7.0	10.2	9.2
NFI-ODCE + 100 bps (Non-Core)	1.7	1.4	8.5	7.5	9.0	8.0	11.2	10.2
NFI-ODCE + 35 bps (Private Portfolio)	1.5	1.3	7.9	6.9	8.3	7.4	10.5	9.5

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Core Commingled Funds</b>								
Brookfield Premier Real Estate Partners	2018	100,000,000	100,000,000	0	2,055,146	101,827,515	11.3	9.0
Jamestown Premier Property Fund	2014	15,000,000	21,141,465	5,279,323	12,934,530	17,985,381	2.0	2.1
Lion Properties Fund	2018	152,400,000	152,884,671	0	4,464,112	154,823,529	17.1	13.7
MetLife Core Property Fund	2013	35,000,000	45,130,113	0	10,739,772	60,486,698	6.7	5.4
Prime Property Fund	2013	35,000,000	45,319,840	0	10,319,840	61,035,011	6.7	5.4
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	46,570,732	5.2	4.1
Prologis European Logistics Fund	2017	47,950,142	34,479,993	14,583,801	2,167,313	39,126,649	4.3	4.8
Prologis Targeted U.S. Logistics Fund	2015	50,000,000	50,000,000	0	5,629,618	71,109,008	7.9	6.3
Townsend Real Estate Fund, L.P.	2016	90,000,000	99,951,555	0	9,951,555	113,442,958	12.5	10.1
<b>Core Commingled Funds</b>	<b>1986</b>	<b>560,350,142</b>	<b>583,907,637</b>	<b>19,863,124</b>	<b>58,261,886</b>	<b>666,407,481</b>	<b>73.7</b>	<b>60.9</b>
<b>Core Separate Accounts</b>								
BlackRock Core Separate Account	1995	0	852,777,064	0	1,217,078,847	3,090,038	0.3	0.3
Cornerstone Separate Account	2004	0	255,678,854	0	347,312,365	2,834,450	0.3	0.3
<b>Core Separate Accounts</b>	<b>1996</b>	<b>0</b>	<b>1,108,455,918</b>	<b>0</b>	<b>1,564,391,212</b>	<b>5,924,488</b>	<b>0.7</b>	<b>0.5</b>
<i>Total BlackRock Separate Account</i>	<i>1996</i>	<i>0</i>	<i>871,520,359</i>	<i>0</i>	<i>1,217,078,847</i>	<i>31,990,509</i>	<i>3.5</i>	<i>2.8</i>
<b>Total Core Portfolio</b>	<b>1986</b>	<b>560,350,142</b>	<b>1,692,363,555</b>	<b>19,863,124</b>	<b>1,622,653,098</b>	<b>672,331,969</b>	<b>74.4</b>	<b>61.4</b>
<b>Value Added Portfolio</b>								
Allegis Value Trust	2006	25,000,000	25,550,296	0	28,709,296	2,634,659	0.3	0.2
Asana Partners Fund II	2019	35,000,000	0	35,000,000	0	-244,210	0.0	3.1
DRC European Real Estate Debt Fund II	2013	50,007,963	48,584,007	24,567,174	37,850,946	14,702,448	1.6	3.5
ECE European Prime Shopping Centre Fund II C	2015	33,611,623	16,982,867	19,447,419	2,008,178	20,845,302	2.3	3.6
Hammes Partners II	2015	25,000,000	25,400,168	2,493,393	14,337,650	17,648,685	2.0	1.8
Hammes Partners III	2018	25,000,000	1,018,336	30,106,664	109,187	481,068	0.1	2.7
NREP Nordic Strategies Fund	2014	17,560,580	22,485,011	0	23,010,301	16,300,364	1.8	1.4
NREP Nordic Strategies Fund II	2016	35,176,432	27,678,997	8,263,245	4,204,159	29,780,282	3.3	3.4
NREP Nordic Strategies Fund III	2018	39,019,632	1,655,116	34,309,536	0	1,348,674	0.1	3.2
<b>Value Added Portfolio</b>	<b>1986</b>	<b>285,376,230</b>	<b>169,354,798</b>	<b>154,187,431</b>	<b>110,229,717</b>	<b>103,497,272</b>	<b>11.4</b>	<b>22.9</b>

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Opportunistic Portfolio</b>								
BlackRock High Return Separate Account	2016	0	18,743,295	0	0	28,900,471	3.2	2.6
Carlyle China Project Rome Co-Investment	2017	40,000,000	31,972,932	9,239,198	0	32,343,939	3.6	3.7
Carlyle China Realty	2017	10,000,000	9,044,469	2,434,935	1,593,478	7,246,572	0.8	0.9
CIM Fund VIII	2015	35,000,000	33,286,868	4,753,179	4,600,698	36,694,058	4.1	3.7
KKR Real Estate Partners Americas	2014	35,000,000	29,513,699	16,682,786	29,585,490	9,957,258	1.1	2.4
Och-Ziff Real Estate Fund III	2014	35,000,000	23,154,379	15,912,778	20,322,075	13,303,271	1.5	2.6
<b>Opportunistic Portfolio</b>	<b>1991</b>	<b>155,000,000</b>	<b>145,715,642</b>	<b>49,022,876</b>	<b>56,101,741</b>	<b>128,445,569</b>	<b>14.2</b>	<b>15.7</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>2007</b>	<b>440,376,230</b>	<b>315,070,440</b>	<b>203,210,307</b>	<b>166,331,458</b>	<b>231,942,841</b>	<b>25.6</b>	<b>38.6</b>
<b>Total Private Portfolio</b>								
SCERS	1986	1,000,726,372	2,007,433,995	223,073,431	1,788,984,556	904,274,810	100.0	100.0

<sup>1</sup> Preliminary performance, subject to change.



Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2019				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
<b>Core Commingled Funds</b>																	
Brookfield Premier Real Estate Partners	101,827,515	0.3	2.2	2.5	2.0	0.7	4.2	4.8	3.9								
Jamestown Premier Property Fund	17,985,381	0.6	-0.9	-0.3	-0.4	2.1	0.4	2.5	2.2	3.1	1.6	4.7	4.1	4.1	6.6	10.9	8.5
Lion Properties Fund	154,823,529	1.0	1.0	2.0	1.8	2.0	2.0	4.0	3.6								
MetLife Core Property Fund	60,486,698	1.3	1.2	2.6	2.4	3.9	1.5	5.3	5.0	5.1	3.1	8.3	7.8	5.0	3.6	8.7	8.2
Prime Property Fund	61,035,011	0.9	0.6	1.6	1.3	2.8	3.2	6.1	5.3	3.9	4.3	8.3	7.2	4.1	5.3	9.6	8.4
Principal U.S. Property Account	46,570,732	1.1	0.8	1.9	1.7	3.3	2.9	6.3	5.4	4.5	4.2	8.9	7.8	4.7	4.5	9.3	8.3
Prologis European Logistics Fund <sup>2</sup>	39,126,649	1.3	1.0	2.4	1.7	4.1	4.4	8.6	6.5	5.6	2.1	7.8	5.2				
Prologis Targeted U.S. Logistics Fund	71,109,008	1.2	2.0	3.2	2.9	3.6	7.4	11.1	9.9	4.9	12.3	17.6	15.4	5.4	14.0	20.0	17.2
Townsend Real Estate Fund, L.P.	113,442,958	1.0	0.5	1.5	1.5	3.0	2.6	5.7	5.5	4.2	3.6	7.8	7.6	4.4	5.5	10.0	9.8
<b>Core Commingled Funds</b>	<b>666,407,481</b>	<b>1.0</b>	<b>1.1</b>	<b>2.1</b>	<b>1.8</b>	<b>3.0</b>	<b>3.7</b>	<b>6.8</b>	<b>6.0</b>	<b>4.2</b>	<b>5.2</b>	<b>9.6</b>	<b>8.5</b>	<b>4.6</b>	<b>6.6</b>	<b>11.5</b>	<b>10.3</b>
<b>Core Separate Accounts</b>																	
BlackRock Core Separate Account	3,090,038																
Cornerstone Separate Account	2,834,450																
<b>Core Separate Accounts</b>	<b>5,924,488</b>																
<i>Total BlackRock Separate Account</i>	<i>31,990,509</i>	<i>0.3</i>	<i>9.8</i>	<i>10.1</i>	<i>9.4</i>	<i>-0.5</i>	<i>13.2</i>	<i>12.9</i>	<i>10.1</i>	<i>1.3</i>	<i>9.1</i>	<i>10.6</i>	<i>7.2</i>	<i>3.6</i>	<i>6.1</i>	<i>10.0</i>	<i>7.7</i>
<b>Total Core Portfolio</b>	<b>672,331,969</b>	<b>1.0</b>	<b>1.1</b>	<b>2.1</b>	<b>1.8</b>	<b>3.0</b>	<b>0.8</b>	<b>3.8</b>	<b>3.2</b>	<b>4.2</b>	<b>3.6</b>	<b>8.0</b>	<b>6.8</b>	<b>4.6</b>	<b>5.9</b>	<b>10.8</b>	<b>9.5</b>
<b>Value Added Portfolio</b>																	
Allegis Value Trust <sup>1</sup>	2,634,659	1.1	-5.3	-4.2	-4.3	2.9	-25.1	-22.8	-23.0	4.0	-26.8	-23.7	-23.9	4.8	-9.7	-5.3	-5.7
Asana Partners Fund II	-244,210																
DRC European Real Estate Debt Fund II	14,702,448	3.4	2.1	5.6	5.3	5.6	-1.0	4.5	3.7	7.5	-6.7	0.3	-0.8	11.1	-4.6	6.1	4.8
ECE European Prime Shopping Centre Fund II	20,845,302	1.3	-1.5	-0.2	-0.4	8.3	3.2	11.6	9.9	10.5	0.1	10.6	8.4	3.3	14.2	18.1	15.6
Hammes Partners II	17,648,685	2.0	0.6	2.6	2.2	7.1	9.7	17.4	13.4	9.4	17.0	27.6	19.7	9.4	7.9	18.0	12.9
Hammes Partners III	481,068																
NREP Nordic Strategies Fund	16,300,364	0.6	-1.9	-1.3	-1.4	2.7	-2.5	0.1	-0.3	4.5	-7.9	-3.7	-4.2	7.3	8.8	16.5	15.7
NREP Nordic Strategies Fund II	29,780,282	1.1	-2.1	-1.0	-1.5	4.5	4.5	9.1	6.3	2.3	8.1	10.6	6.6				
NREP Nordic Strategies Fund III	1,348,674	0.8	-1.2	-0.4	-13.0	-6.4	3.2	-3.1	-25.5								
<b>Value Added Portfolio</b>	<b>103,497,272</b>	<b>1.5</b>	<b>-1.0</b>	<b>0.5</b>	<b>-0.2</b>	<b>4.9</b>	<b>1.3</b>	<b>6.3</b>	<b>3.3</b>	<b>5.8</b>	<b>2.2</b>	<b>8.1</b>	<b>3.7</b>	<b>7.2</b>	<b>6.0</b>	<b>13.5</b>	<b>10.4</b>
<b>Opportunistic Portfolio</b>																	
BlackRock High Return Separate Account	28,900,471	0.0	10.7	10.7	10.0	-0.7	22.8	22.0	19.0	-1.0	27.0	25.7	22.2				
Carlyle China Project Rome Co-Investment	32,343,939	0.0	7.0	7.1	6.7	-0.5	4.4	3.9	2.8	-3.0	-0.3	-3.4	-8.2				
Carlyle China Realty	7,246,572	-1.6	8.2	6.5	6.0	-2.7	5.6	2.9	1.0	-0.7	0.3	-0.1	-3.5				
CIM Fund VIII	36,694,058	0.0	4.2	4.2	3.9	0.1	7.0	7.1	6.2	0.0	12.0	12.1	10.8	0.2	9.5	9.7	8.0
KKR Real Estate Partners Americas	9,957,258	2.0	0.2	2.1	2.2	10.3	-6.5	3.4	4.4	16.4	-9.1	6.3	7.5	15.1	-5.7	9.1	8.5
Och-Ziff Real Estate Fund III <sup>2</sup>	13,303,271	2.3	1.7	4.0	3.0	7.1	6.9	14.3	11.4	9.7	13.5	24.2	20.2	10.5	20.0	32.0	26.9
<b>Opportunistic Portfolio</b>	<b>128,445,569</b>	<b>0.3</b>	<b>5.9</b>	<b>6.3</b>	<b>5.8</b>	<b>1.8</b>	<b>8.5</b>	<b>10.4</b>	<b>8.9</b>	<b>2.3</b>	<b>10.7</b>	<b>13.3</b>	<b>10.9</b>	<b>4.1</b>	<b>10.0</b>	<b>14.4</b>	<b>11.9</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>231,942,841</b>	<b>0.8</b>	<b>3.1</b>	<b>4.0</b>	<b>3.5</b>	<b>3.3</b>	<b>5.5</b>	<b>9.0</b>	<b>7.0</b>	<b>3.5</b>	<b>7.2</b>	<b>10.9</b>	<b>7.6</b>	<b>5.9</b>	<b>7.5</b>	<b>13.7</b>	<b>11.0</b>
<b>Total Private Portfolio</b>																	
SCERS	904,274,810	0.9	1.5	2.5	2.2	3.0	1.9	5.0	4.1	4.2	4.4	8.7	7.0	4.7	6.0	10.9	9.4

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2019				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
<b>Ex-US Dollar Denominated Investments (In Local Currency)</b>																	
Prologis Targeted Europe Logistics Fund (Euro)	€ 34,877,495	1.4	3.3	4.6	3.9	4.2	8.7	13.2	11.0	5.7	12.2	18.5	15.6	5.5	8.7	14.6	12.6
DRC European Real Estate Debt Fund II (Pound Sterling)	£11,278,248	3.3	0.0	3.3	3.0	5.5	0.0	5.5	4.7	7.5	0.0	7.5	6.3	11.0	-1.5	9.4	8.1
ECE European Prime Shopping Centre Fund II (Euro)	17,007,406	1.3	0.8	2.1	1.9	9.4	6.7	16.4	14.7	10.7	10.0	21.5	19.1	3.2	14.6	18.6	16.0
NREP Nordic Strategies Fund (Euro)	€ 14,421,278	0.8	0.1	0.8	0.8	3.3	1.1	4.4	4.0	4.8	1.3	6.1	5.5	7.4	9.4	17.3	16.4
NREP Nordic Strategies Fund II (Euro)	€ 27,966,739	1.1	0.1	1.2	0.7	4.5	8.9	13.7	10.8								
NREP Nordic Strategies Fund III (Euro)	€ 1,351,954	0.1	1.0	1.8	-11.1	-7.2	6.8	0.2	-23.0								
<b>Indices</b>																	
NFI ODCE+ 35bps				1.5	1.3			4.9	4.2			7.9	6.9			8.3	7.4
NFI-ODCE		1.0	0.4	1.4	1.2	3.1	2.2	5.4	4.6	4.2	3.2	7.5	6.5	4.3	3.5	8.0	7.0
NFI-ODCE + 100bps				1.7	1.4			4.0	3.5			8.5	7.5			9.0	8.0
CPI + 500 bps				1.8				4.2				6.9				7.2	

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			
<b>Core Commingled Funds</b>																
Brookfield Premier Real Estate Partners	101,827,515									0.7	4.2	4.9	3.9	4Q18	8.0	1.0
Jamestown Premier Property Fund	17,985,381	4.3	8.7	13.3	10.5					4.4	8.7	13.4	10.6	1Q14	11.0	1.5
Lion Properties Fund	154,823,529									2.0	2.0	4.1	3.6	4Q18	7.5	1.0
MetLife Core Property Fund	60,486,698	5.1	5.7	11.1	10.5					5.1	6.5	11.8	11.3	1Q14	11.3	1.6
Prime Property Fund	61,035,011	4.2	7.4	11.8	10.6					4.3	7.5	12.0	10.8	4Q13	10.8	1.6
Principal U.S. Property Account	46,570,732									4.8	4.6	9.5	8.5	4Q15	8.5	1.3
Prologis European Logistics Fund <sup>3</sup>	39,126,649									6.0	9.1	15.6	12.9	4Q17	13.1	1.2
Prologis Targeted U.S. Logistics Fund	71,109,008									5.5	13.1	19.1	16.5	3Q15	17.1	1.5
Townsend Real Estate Fund, L.P.	113,442,958									4.4	5.5	10.0	9.8	2Q16	9.5	1.2
<b>Core Commingled Funds</b>	<b>666,407,481</b>	<b>4.7</b>	<b>7.7</b>	<b>12.6</b>	<b>11.3</b>	<b>4.9</b>	<b>3.8</b>	<b>8.8</b>	<b>7.8</b>	<b>4.5</b>	<b>3.4</b>	<b>8.0</b>	<b>7.1</b>	<b>4Q86</b>	<b>6.9</b>	<b>1.3</b>
<b>Core Separate Accounts</b>																
BlackRock Core Separate Account	3,090,038									7.1	3.4	10.6	9.1	1Q96	9.9	1.4
Cornerstone Separate Account	2,834,450									5.4	2.4	7.9	7.1	3Q04	5.6	1.4
<b>Core Separate Accounts</b>	<b>5,924,488</b>									<b>7.3</b>	<b>3.6</b>	<b>11.0</b>	<b>9.7</b>	<b>1Q96</b>	<b>8.9</b>	<b>1.4</b>
<i>Total BlackRock Separate Account</i>	<i>31,990,509</i>	<i>4.2</i>	<i>7.1</i>	<i>11.5</i>	<i>9.2</i>	<i>4.9</i>	<i>2.9</i>	<i>8.0</i>	<i>6.5</i>	<i>6.9</i>	<i>3.4</i>	<i>10.5</i>	<i>8.9</i>	<i>1Q96</i>	<i>9.7</i>	<i>1.4</i>
<b>Total Core Portfolio</b>	<b>672,331,969</b>	<b>4.8</b>	<b>6.4</b>	<b>11.4</b>	<b>10.0</b>	<b>5.2</b>	<b>4.4</b>	<b>9.8</b>	<b>8.6</b>	<b>5.5</b>	<b>2.0</b>	<b>7.6</b>	<b>6.6</b>	<b>4Q86</b>	<b>8.3</b>	<b>1.4</b>
<b>Value Added Portfolio</b>																
Allegis Value Trust <sup>1</sup>	2,634,659	5.3	-4.3	0.9	0.4	5.5	-2.8	2.6	2.0	4.7	-6.5	-2.0	-3.4	1Q07	2.5	1.2
Asana Partners Fund II	-244,210													2Q19		
DRC European Real Estate Debt Fund II	14,702,448	10.2	-5.5	4.3	2.5					10.2	-5.1	4.7	2.9	1Q14	3.4	1.1
ECE European Prime Shopping Centre Fund II	20,845,302									3.0	17.5	21.2	18.5	4Q15	17.7	1.3
Hammes Partners II	17,648,685									10.4	9.9	21.2	14.7	3Q15	13.7	1.3
Hammes Partners III	481,068													1Q19	-72.0	0.6
NREP Nordic Strategies Fund	16,300,364									9.8	15.3	26.1	24.5	1Q15	27.8	1.7
NREP Nordic Strategies Fund II	29,780,282									3.3	20.5	24.4	13.9	3Q16	14.0	1.2
NREP Nordic Strategies Fund III	1,348,674									-6.4	3.2	-3.1	-25.5	4Q18	-25.8	0.8
<b>Value Added Portfolio</b>	<b>103,497,272</b>	<b>7.5</b>	<b>7.4</b>	<b>15.4</b>	<b>12.6</b>	<b>7.2</b>	<b>1.7</b>	<b>9.0</b>	<b>6.6</b>	<b>2.1</b>	<b>3.7</b>	<b>5.8</b>	<b>4.6</b>	<b>4Q86</b>	<b>4.8</b>	<b>1.2</b>
<b>Opportunistic Portfolio</b>																
BlackRock High Return Separate Account	28,900,471									-1.1	22.7	21.4	19.3	3Q16	19.5	1.5
Carlyle China Project Rome Co-Investment	32,343,939									-1.9	7.3	5.2	1.5	3Q17	1.1	1.0
Carlyle China Realty	7,246,572									-0.6	6.7	6.2	2.7	3Q17	-2.2	1.0
CIM Fund VIII	36,694,058									0.1	11.2	11.3	9.1	2Q15	8.5	1.2
KKR Real Estate Partners Americas	9,957,258	16.3	-6.1	10.6	8.9					16.3	-6.1	10.6	8.9	2Q14	14.8	1.3
Och-Ziff Real Estate Fund III <sup>2</sup>	13,303,271									15.3	16.3	33.5	12.2	4Q14	24.9	1.5
<b>Opportunistic Portfolio</b>	<b>128,445,569</b>	<b>9.2</b>	<b>4.7</b>	<b>15.5</b>	<b>11.0</b>	<b>5.8</b>	<b>21.8</b>	<b>29.5</b>	<b>23.4</b>	<b>2.0</b>	<b>7.8</b>	<b>10.2</b>	<b>8.1</b>	<b>1Q91</b>	<b>20.7</b>	<b>1.3</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>231,942,841</b>	<b>7.3</b>	<b>7.6</b>	<b>15.3</b>	<b>12.2</b>	<b>6.3</b>	<b>10.6</b>	<b>17.4</b>	<b>13.8</b>	<b>4.7</b>	<b>5.1</b>	<b>9.8</b>	<b>5.8</b>	<b>1Q07</b>	<b>7.5</b>	<b>1.3</b>
<b>Total Private Portfolio</b>																
SCERS	904,274,810	4.9	6.5	11.6	10.0	5.0	7.0	12.2	10.8	4.3	5.0	9.5	8.6	4Q86	8.4	1.4

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			
<b>Ex-US Dollar Denominated Investments (In Local Currency)</b>																
Prologis Targeted Europe Logistics Fund (Euro)	€ 34,877,495									5.0	8.6	13.9	12.0	1Q16	11.4	1.3
DRC European Real Estate Debt Fund II (Pound Sterling)	£11,278,248	10.2	-0.8	-0.8	7.5					10.3	-0.7	9.5	6.8	1Q14	7.7	1.2
ECE European Prime Shopping Centre Fund II (Euro)	17,007,406									3.3	17.3	21.2	18.7	4Q15	18.3	1.4
NREP Nordic Strategies Fund (Euro)	€ 14,421,278									12.9	22.3	36.6	33.8	1Q15	29.5	1.8
NREP Nordic Strategies Fund II (Euro)	€ 27,966,739													3Q16	15.2	1.3
NREP Nordic Strategies Fund III (Euro)	€ 1,351,954									N/A	N/A	N/A	N/A	4Q18	-21.3	0.9
<b>Indices</b>																
NFI ODCE+ 35bps				10.5	9.5			9.1	8.1			7.7	6.7	4Q86		
NFI-ODCE		4.5	5.5	10.2	9.2	5.1	3.4	8.7	7.7	6.8	0.5	7.3	6.3	4Q86		
NFI-ODCE + 100bps				11.2	10.2			9.7	8.7			8.3	7.3	4Q86		
CPI + 500 bps				6.5				6.8				7.6		4Q86		

Returns (%)	Market Value (\$)	2019		Fiscal Year 2019		2018		2017		2016		2015		2014		2013	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Core Commingled Funds</b>																	
Brookfield Premier Real Estate Partners	101,827,515	2.5	2.0	4.8	3.9	2.3	1.9										
Jamestown Premier Property Fund	17,985,381	-0.3	-0.4	2.5	2.2	9.7	7.7	18.0	14.2	6.6	5.3	22.4	17.3	14.7	11.9		
Lion Properties Fund	154,823,529	2.0	1.8	4.0	3.6	2.0	1.8										
MetLife Core Property Fund	60,486,698	2.6	2.4	5.3	5.0	7.8	7.3	8.4	7.9	9.3	8.8	16.9	16.3	17.4	16.9		
Prime Property Fund	61,035,011	1.6	1.3	6.1	5.3	9.1	8.0	9.9	8.7	10.4	9.2	15.9	14.6	15.5	14.1	3.8	3.6
Principal U.S. Property Account	46,570,732	1.9	1.7	6.3	5.4	9.1	8.1	9.1	8.1	10.0	9.0	3.0	2.8				
Prologis European Logistics Fund	39,126,649	2.4	1.7	8.6	6.5	13.6	10.8	6.8	6.5								
Prologis Targeted U.S. Logistics Fund	71,109,008	3.2	2.9	11.1	9.9	18.5	16.1	24.2	20.3	16.1	14.2	9.1	7.9				
Townsend Real Estate Fund, L.P.	113,442,958	1.5	1.5	5.7	5.5	9.0	8.8	11.0	10.8	8.4	8.2						
<b>Core Commingled Funds</b>	<b>666,407,481</b>	<b>2.1</b>	<b>1.8</b>	<b>6.8</b>	<b>6.0</b>	<b>10.9</b>	<b>9.7</b>	<b>14.2</b>	<b>12.8</b>	<b>9.8</b>	<b>8.9</b>	<b>15.7</b>	<b>14.1</b>	<b>13.5</b>	<b>12.4</b>	<b>10.2</b>	<b>9.3</b>
<b>Core Separate Accounts</b>																	
BlackRock Core Separate Account	3,090,038					15.8	14.9	9.1	7.5	11.3	9.3	15.3	13.9	16.3	12.5	11.8	9.6
Cornerstone Separate Account	2,834,450	2.9	2.9	-4.9	-5.0	21.5	20.8	14.0	13.3	2.4	1.6	14.0	13.2	11.3	10.5	16.2	15.4
<b>Core Separate Accounts</b>	<b>5,924,488</b>					<b>26.8</b>	<b>26.0</b>	<b>12.8</b>	<b>11.6</b>	<b>10.0</b>	<b>8.6</b>	<b>7.7</b>	<b>6.6</b>	<b>16.0</b>	<b>13.5</b>	<b>11.0</b>	<b>9.5</b>
<i>Total BlackRock Separate Account</i>	<i>31,990,509</i>	<i>10.1</i>	<i>9.4</i>	<i>12.9</i>	<i>10.1</i>	<i>10.6</i>	<i>7.2</i>	<i>10.6</i>	<i>9.0</i>	<i>8.6</i>	<i>7.0</i>	<i>10.7</i>	<i>9.4</i>	<i>17.0</i>	<i>13.6</i>	<i>10.9</i>	<i>9.0</i>
<b>Total Core Portfolio</b>	<b>672,331,969</b>	<b>8.7</b>	<b>7.5</b>	<b>3.8</b>	<b>3.2</b>	<b>8.6</b>	<b>7.5</b>	<b>13.6</b>	<b>12.3</b>	<b>9.8</b>	<b>8.5</b>	<b>10.4</b>	<b>9.2</b>	<b>15.3</b>	<b>13.2</b>	<b>10.8</b>	<b>9.5</b>
<b>Value Added Portfolio</b>																	
Allegis Value Trust	2,634,659	-4.2	-4.3	-22.8	-23.0	-22.6	-22.8	8.2	7.8	9.9	9.4	8.6	8.0	10.8	10.2	4.7	4.0
Asana Partners Fund II	-244,210																
DRC European Real Estate Debt Fund II	14,702,448	5.6	5.3	4.5	3.7	-0.6	-1.7	23.8	22.3	-7.8	-8.9	5.0	3.0	1.4	-2.1		
ECE European Prime Shopping Centre Fund II	20,845,302	-0.2	-0.4	11.6	9.9	15.1	12.8	24.7	21.5	27.0	25.9	12.1	11.0				
Hammes Partners II	17,648,685	2.6	2.2	17.4	13.4	27.9	19.6	12.7	10.0	14.8	8.9	19.4	12.9				
Hammes Partners III	481,068																
NREP Nordic Strategies Fund	16,300,364	-1.3	-1.4	0.1	-0.3	0.8	0.1	41.2	40.1	23.1	21.7	55.1	50.8				
NREP Nordic Strategies Fund II	29,780,282	-1.0	-1.5	9.1	6.3	17.0	12.3	44.9	34.4	10.7	-1.9						
NREP Nordic Strategies Fund III	1,348,674	-0.4	-13.0	-3.1	-25.5	-2.8	-14.4										
<b>Value Added Portfolio</b>	<b>103,497,272</b>	<b>0.5</b>	<b>-0.2</b>	<b>6.3</b>	<b>3.3</b>	<b>10.6</b>	<b>6.4</b>	<b>24.2</b>	<b>21.4</b>	<b>9.5</b>	<b>7.0</b>	<b>19.1</b>	<b>17.0</b>	<b>15.7</b>	<b>13.7</b>	<b>13.3</b>	<b>10.8</b>

Returns (%)	Market Value (\$)	2019		Fiscal Year 2019		2018		2017		2016		2015		2014		2013	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Opportunistic Portfolio</b>																	
BlackRock High Return Separate Account	28,900,471	10.7	10.0	22.0	19.0	17.0	14.4	24.0	21.7	6.3	6.3						
Carlyle China Project Rome Co-Investment	32,343,939	7.1	6.7	3.9	2.8	-2.5	-7.1	4.7	3.6								
Carlyle China Realty	7,246,572	6.5	6.0	2.9	1.0	1.6	-1.4	2.7	0.2								
CIM Fund VIII	36,694,058	4.2	3.9	7.1	6.2	9.2	7.8	8.4	6.7	5.8	3.4	16.9	13.8				
KKR Real Estate Partners Americas	9,957,258	2.1	2.2	3.4	4.4	6.9	7.1	13.0	10.0	6.5	5.4	17.1	12.5	12.7	6.5		
Och-Ziff Real Estate Fund III	13,303,271	4.0	3.0	14.3	11.4	29.7	25.7	43.3	38.2	30.0	22.2	33.7	6.9	9.4	-28.3		
<b>Opportunistic Portfolio</b>	<b>128,445,569</b>	<b>6.3</b>	<b>5.8</b>	<b>10.4</b>	<b>8.9</b>	<b>11.0</b>	<b>8.6</b>	<b>17.5</b>	<b>14.6</b>	<b>10.0</b>	<b>7.5</b>	<b>23.8</b>	<b>13.1</b>	<b>77.7</b>	<b>62.7</b>	<b>11.7</b>	<b>9.4</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>231,942,841</b>	<b>4.0</b>	<b>3.5</b>	<b>9.0</b>	<b>7.0</b>	<b>10.7</b>	<b>7.6</b>	<b>21.0</b>	<b>18.2</b>	<b>9.8</b>	<b>7.4</b>	<b>20.0</b>	<b>15.6</b>	<b>19.7</b>	<b>16.3</b>	<b>16.7</b>	<b>13.5</b>
<b>Total Private Portfolio</b>																	
<b>SCERS</b>	<b>904,274,810</b>	<b>2.5</b>	<b>2.2</b>	<b>5.0</b>	<b>4.1</b>	<b>9.2</b>	<b>7.5</b>	<b>15.0</b>	<b>13.5</b>	<b>9.7</b>	<b>8.2</b>	<b>12.3</b>	<b>10.5</b>	<b>15.9</b>	<b>13.6</b>	<b>11.4</b>	<b>9.9</b>
<b>Indices</b>																	
NFI-ODCE + 35 bps		8.4	7.5	4.9	4.2	8.6	7.6	8.0	7.0	9.1	8.1	15.4	14.3	12.8	11.8	14.3	13.3
NFI-ODCE		8.3	7.4	5.4	4.6	8.3	7.4	7.6	6.7	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9
NFI-ODCE + 100 bps		8.6	7.6	4.0	3.5	9.1	8.1	8.6	7.7	9.8	8.8	16.0	15.0	13.5	12.5	14.9	13.9
CPI + 500 bps		6.9		4.2		7.0		7.2		7.2		5.7		5.7		6.6	

<sup>1</sup> Preliminary performance, subject to change.

<sup>2</sup> This fund is liquidating and the market value represents a remaining cash balance.



Returns (%)	Market Value (\$)	2012		2011		2010		2009		2008		2007		2006	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Core Commingled Funds</b>															
Brookfield Premier Real Estate Partners	101,827,515														
Jamestown Premier Property Fund	17,985,381														
Lion Properties Fund	154,823,529														
MetLife Core Property Fund	60,486,698														
Prime Property Fund	61,035,011														
Principal U.S. Property Account	46,570,732														
Prologis European Logistics Fund	39,126,649														
Prologis Targeted U.S. Logistics Fund	71,109,008														
Townsend Real Estate Fund, L.P.	113,442,958														
<b>Core Commingled Funds</b>	<b>666,407,481</b>	<b>11.1</b>	<b>10.1</b>	<b>16.4</b>	<b>15.5</b>	<b>14.1</b>	<b>13.3</b>	<b>-33.0</b>	<b>-33.6</b>	<b>-13.8</b>	<b>-14.6</b>	<b>15.5</b>	<b>14.5</b>	<b>16.9</b>	<b>15.8</b>
<b>Core Separate Accounts</b>															
BlackRock Core Separate Account	3,090,038	13.5	13.0	17.8	17.4	20.7	19.6	-29.5	-29.1	-13.9	-14.3	21.2	16.8	17.7	13.3
Cornerstone Separate Account	2,834,450	24.9	23.9	21.2	20.2	-31.7	-32.4	-9.4	-10.1	11.9	11.1	11.1	10.2	18.7	17.6
<b>Core Separate Accounts</b>	<b>5,924,488</b>	<b>14.1</b>	<b>13.5</b>	<b>18.7</b>	<b>18.2</b>	<b>18.6</b>	<b>17.6</b>	<b>-28.5</b>	<b>-28.7</b>	<b>-10.5</b>	<b>-11.1</b>	<b>16.3</b>	<b>13.6</b>	<b>15.2</b>	<b>12.1</b>
<i>Total BlackRock Separate Account</i>	<i>31,990,509</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>	<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>
<b>Total Core Portfolio</b>	<b>672,331,969</b>	<b>13.3</b>	<b>12.6</b>	<b>18.2</b>	<b>17.6</b>	<b>17.6</b>	<b>16.7</b>	<b>-29.5</b>	<b>-29.8</b>	<b>-11.3</b>	<b>-12.0</b>	<b>16.1</b>	<b>13.8</b>	<b>15.5</b>	<b>12.7</b>
<b>Value Added Portfolio</b>															
Allegis Value Trust	2,634,659	21.8	20.9	15.7	14.7	21.6	20.4	-62.2	-62.8	-21.2	-23.9	38.6	28.4		
Asana Partners Fund II	-244,210														
DRC European Real Estate Debt Fund II	14,702,448														
ECE European Prime Shopping Centre Fund II	20,845,302														
Hammes Partners II	17,648,685														
Hammes Partners III	481,068														
NREP Nordic Strategies Fund	16,300,364														
NREP Nordic Strategies Fund II	29,780,282														
NREP Nordic Strategies Fund III	1,348,674														
<b>Value Added Portfolio</b>	<b>103,497,272</b>	<b>19.6</b>	<b>18.1</b>	<b>16.7</b>	<b>14.7</b>	<b>23.2</b>	<b>20.3</b>	<b>-56.4</b>	<b>-57.6</b>	<b>-31.2</b>	<b>-33.5</b>	<b>18.2</b>	<b>5.6</b>	<b>0.8</b>	<b>0.5</b>

Returns (%)	Market Value (\$)	2012		2011		2010		2009		2008		2007		2006	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Opportunistic Portfolio</b>															
BlackRock High Return Separate Account	28,900,471														
Carlyle China Project Rome Co-Investment	32,343,939														
Carlyle China Realty	7,246,572														
CIM Fund VIII	36,694,058														
KKR Real Estate Partners Americas	9,957,258														
Och-Ziff Real Estate Fund III	13,303,271														
<b>Opportunistic Portfolio</b>	<b>128,445,569</b>	<b>54.2</b>	<b>38.5</b>	<b>-10.1</b>	<b>-8.0</b>	<b>42.4</b>	<b>34.2</b>	<b>54.0</b>	<b>43.5</b>	<b>-44.5</b>	<b>-45.4</b>	<b>3.4</b>	<b>2.6</b>		
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>231,942,841</b>	<b>34.6</b>	<b>26.9</b>	<b>-0.3</b>	<b>0.4</b>	<b>37.0</b>	<b>30.4</b>	<b>-13.5</b>	<b>-17.8</b>	<b>-33.7</b>	<b>-35.7</b>	<b>18.2</b>	<b>5.6</b>		
<b>Total Private Portfolio</b>															
<b>SCERS</b>	<b>904,274,810</b>	<b>16.4</b>	<b>14.7</b>	<b>14.9</b>	<b>14.5</b>	<b>20.6</b>	<b>18.8</b>	<b>-28.1</b>	<b>-28.8</b>	<b>-12.8</b>	<b>-13.5</b>	<b>15.8</b>	<b>13.4</b>	<b>15.5</b>	<b>12.7</b>
<b>Indices</b>															
NFI-ODCE + 35 bps		11.3	10.1	16.3	15.3	16.7	15.6	-29.4	-30.0	-9.7	-10.3	16.3	15.2	16.7	15.6
NFI-ODCE		10.9	9.8	16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3
NFI-ODCE + 100 bps		11.9	10.8	17.0	16.0	17.4	16.3	-28.8	-29.4	-9.0	-9.7	17.0	15.8	17.3	16.3
CPI + 500 bps		6.9		8.2		6.5		8.0		5.0		9.3		7.7	

<sup>1</sup> Preliminary performance, subject to change.

<sup>2</sup> This fund is liquidating and the market value represents a remaining cash balar

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
<b>Core Commingled Funds</b>									
Brookfield Premier Real Estate Partners	100,858,434	0	1,028,745	0	320,703	503,999	2,181,122	101,827,515	47.2
Jamestown Premier Property Fund	18,054,713	198,423	198,423	0	110,255	22,630	-156,957	17,985,381	41.9
Lion Properties Fund	153,287,701	319,604	1,522,361	0	1,508,188	319,604	1,550,001	154,823,529	21.0
MetLife Core Property Fund	59,077,402	583,435	609,659	0	782,892	71,873	724,501	60,486,698	20.9
Prime Property Fund	60,270,074	594,638	594,638	0	569,254	178,512	374,195	61,035,011	17.5
Principal U.S. Property Account	45,812,164	0	0	0	505,034	108,169	361,704	46,570,732	18.6
Prologis European Logistics Fund	38,839,352	0	375,966	0	524,130	265,303	404,435	39,126,649	21.4
Prologis Targeted U.S. Logistics Fund	69,752,767	0	633,287	0	842,635	242,130	1,389,023	71,109,008	19.0
Townsend Real Estate Fund, L.P.	111,802,950	1,120,459	1,120,459	0	1,143,379	63,003	559,632	113,442,958	41.2
<b>Core Commingled Funds</b>	<b>657,755,557</b>	<b>2,816,559</b>	<b>6,083,538</b>	<b>0</b>	<b>6,306,470</b>	<b>1,775,223</b>	<b>7,387,656</b>	<b>666,407,481</b>	<b>30.4</b>
<b>Core Separate Accounts</b>									
BlackRock Core Separate Account	-7,200,303	10,224,905	0	0	65,436	0	0	3,090,038	0.0
Cornerstone Separate Account	2,810,090	0	0	0	24,360	0	0	2,834,450	0.0
<b>Core Separate Accounts</b>	<b>-4,390,213</b>	<b>10,224,905</b>	<b>0</b>	<b>0</b>	<b>89,796</b>	<b>0</b>	<b>0</b>	<b>5,924,488</b>	<b>0.0</b>
<i>Total BlackRock Separate Account</i>	<i>19,020,500</i>	<i>10,282,118</i>	<i>0</i>	<i>0</i>	<i>76,532</i>	<i>188,356</i>	<i>2,799,715</i>	<i>31,990,509</i>	<i>30.5</i>
<b>Total Core Portfolio</b>	<b>653,365,344</b>	<b>13,041,464</b>	<b>6,083,538</b>	<b>0</b>	<b>6,396,266</b>	<b>1,775,223</b>	<b>7,387,656</b>	<b>672,331,969</b>	<b>30.2</b>
<b>Value Added Portfolio</b>									
Allegis Value Trust	4,555,834	0	0	1,800,000	32,393	2,480	-151,087	2,634,659	0.0
Asana Partners Fund II	-126,921	0	0	0	-7,913	109,375	0	-244,210	0.0
DRC European Real Estate Debt Fund II	13,963,238	0	0	0	476,552	36,995	299,654	14,702,448	0.0
ECE European Prime Shopping Centre Fund II	19,499,433	1,432,367	0	0	249,784	47,010	-289,272	20,845,302	55.5
Hammes Partners II	17,862,130	68,853	445,769	228,484	353,530	63,102	101,526	17,648,685	65.8
Hammes Partners III	611,879	0	31,802	1,770	5,004	116,719	14,477	481,068	92.7
NREP Nordic Strategies Fund	16,534,371	0	0	0	97,632	14,640	-316,999	16,300,364	44.7
NREP Nordic Strategies Fund II	32,064,594	0	1,806,976	0	342,477	155,277	-664,536	29,780,282	47.0
NREP Nordic Strategies Fund III	1,550,050	0	0	0	12,101	195,611	-17,866	1,348,674	38.0
<b>Value Added Portfolio</b>	<b>106,514,608</b>	<b>1,501,220</b>	<b>2,284,547</b>	<b>2,030,254</b>	<b>1,561,560</b>	<b>741,209</b>	<b>-1,024,103</b>	<b>103,497,272</b>	<b>50.7</b>
<b>Opportunistic Portfolio</b>									
BlackRock High Return Separate Account	26,220,803	57,213	0	0	11,096	188,356	2,799,715	28,900,471	32.7
Carlyle China Project Rome Co-Investment	30,303,342	0	0	0	7,560	98,737	2,131,774	32,343,939	0.0
Carlyle China Realty	6,838,494	0	0	0	-112,081	37,192	557,351	7,246,572	0.0
CIM Fund VIII	36,048,841	1,057,771	480,163	1,316,814	-11,820	99,366	1,495,609	36,694,058	33.6
KKR Real Estate Partners Americas	9,744,139	0	0	0	191,318	-7,070	14,731	9,957,258	63.0
Och-Ziff Real Estate Fund III	13,724,140	433,079	1,241,195	0	299,858	131,250	218,639	13,303,271	0.0
<b>Opportunistic Portfolio</b>	<b>122,879,759</b>	<b>1,548,063</b>	<b>1,721,358</b>	<b>1,316,814</b>	<b>385,931</b>	<b>547,831</b>	<b>7,217,819</b>	<b>128,445,569</b>	<b>27.8</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>229,394,367</b>	<b>3,049,283</b>	<b>4,005,905</b>	<b>3,347,068</b>	<b>1,947,491</b>	<b>1,289,040</b>	<b>6,193,716</b>	<b>231,942,841</b>	<b>40.2</b>
<b>Total Private Portfolio</b>									
Sacramento County Employees' Retirement System	882,759,710	16,090,748	10,089,442	3,347,068	8,372,256	3,064,262	13,552,872	904,274,812	33.1

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
<b>Core Commingled Funds</b>						
Brookfield Premier Real Estate Partners	28.2	38.3	33.5	-	-	-
Jamestown Premier Property Fund	-	65.3	-	26.2	-	8.5
Lion Properties Fund	25.6	35.6	21.0	17.9	-	-
MetLife Core Property Fund	30.0	35.3	18.4	16.3	-	-
Prime Property Fund	25.3	31.6	20.1	13.1	-	9.9
Principal U.S. Property Account	15.8	39.5	22.2	15.8	-	6.7
Prologis European Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P.	42.7	14.8	13.3	11.7	0.2	17.2
<b>Core Commingled Funds</b>	<b>23.1</b>	<b>27.0</b>	<b>35.0</b>	<b>10.7</b>	<b>0.0</b>	<b>4.2</b>
<b>Core Separate Accounts</b>						
BlackRock Core Separate Account	-	-	-	-	-	-
Cornerstone Separate Account	-	-	-	-	-	-
<b>Core Separate Accounts</b>	-	-	-	-	-	-
<i>Total BlackRock Separate Account</i>	-	100.0	-	-	-	-
<b>Total Core Portfolio</b>	<b>23.1</b>	<b>27.0</b>	<b>35.0</b>	<b>10.7</b>	<b>0.0</b>	<b>4.2</b>
<b>Value Added Portfolio</b>						
Allegis Value Trust	-	81.5	18.5	-	-	-
Asana Partners Fund II	-	-	-	-	-	100.0
DRC European Real Estate Debt Fund II	-	49.3	-	50.7	-	-
ECE European Prime Shopping Centre Fund II	-	-	-	100.0	-	-
Hammes Partners II	-	-	-	-	-	100.0
Hammes Partners III	-	-	-	-	-	100.0
NREP Nordic Strategies Fund	72.7	-	-	27.3	-	-
NREP Nordic Strategies Fund II	19.9	6.2	47.0	5.5	-	21.5
NREP Nordic Strategies Fund III	23.3	10.4	14.7	-	-	51.6
<b>Value Added Portfolio</b>	<b>13.3</b>	<b>12.5</b>	<b>12.6</b>	<b>31.6</b>	<b>0.0</b>	<b>29.9</b>
<b>Opportunistic Portfolio</b>						
BlackRock High Return Separate Account	-	100.0	-	-	-	-
Carlyle China Project Rome Co-Investment	-	-	100.0	-	-	-
Carlyle China Realty	-	-	100.0	-	-	-
CIM Fund VIII	49.5	23.0	1.5	13.3	5.0	7.6
KKR Real Estate Partners Americas	21.1	24.4	-	8.5	25.0	21.0
Och-Ziff Real Estate Fund III	12.3	3.2	1.8	4.5	4.6	73.8
<b>Opportunistic Portfolio</b>	<b>18.0</b>	<b>34.2</b>	<b>26.4</b>	<b>5.2</b>	<b>4.1</b>	<b>12.2</b>
<b>Total Non-Core Portfolio</b>	<b>15.9</b>	<b>24.5</b>	<b>20.2</b>	<b>17.1</b>	<b>2.2</b>	<b>20.2</b>
<b>Total Private Portfolio</b>						
<b>SCERS</b>	<b>21.4</b>	<b>26.4</b>	<b>31.6</b>	<b>12.2</b>	<b>0.5</b>	<b>7.9</b>
<b>Indices</b>						
<b>NFI-ODCE</b>	<b>25.2</b>	<b>33.9</b>	<b>18.3</b>	<b>18.3</b>	<b>0.3</b>	<b>4.0</b>

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
<b>Core Commingled Funds</b>									
Brookfield Premier Real Estate Partners	30.0	9.6	3.7	-	4.2	6.9	6.0	39.6	-
Jamestown Premier Property Fund	36.1	34.0	-	-	2.6	-	-	27.4	-
Lion Properties Fund	22.2	10.9	5.4	0.0	9.5	11.2	5.2	35.6	-
MetLife Core Property Fund	10.4	11.0	8.7	-	16.1	9.8	7.6	36.4	-
Prime Property Fund	22.9	7.7	8.3	1.8	12.1	8.9	5.1	33.2	-
Principal U.S. Property Account	17.5	8.7	2.7	1.9	8.8	14.8	11.8	33.8	-
Prologis European Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	10.4	6.6	10.4	-	9.5	13.5	4.4	45.1	-
Townsend Real Estate Fund, L.P.	22.4	9.7	5.5	3.3	16.3	11.5	6.5	24.8	-
<b>Core Commingled Funds</b>	<b>19.6</b>	<b>9.5</b>	<b>5.7</b>	<b>0.8</b>	<b>9.8</b>	<b>9.7</b>	<b>5.6</b>	<b>32.7</b>	<b>6.7</b>
<b>Core Separate Accounts</b>									
BlackRock Core Separate Account	-	-	-	-	-	-	-	-	-
Cornerstone Separate Account	-	-	-	-	-	-	-	-	-
<b>Core Separate Accounts</b>	-	-	-	-	-	-	-	-	-
<i>Total BlackRock Separate Account</i>	-	-	-	-	-	-	-	100.0	-
<b>Total Core Portfolio</b>	<b>19.6</b>	<b>9.5</b>	<b>5.7</b>	<b>0.8</b>	<b>9.8</b>	<b>9.7</b>	<b>5.6</b>	<b>32.7</b>	<b>6.7</b>
<b>Value Added Portfolio</b>									
Allegis Value Trust	-	100.0	-	-	-	-	-	-	-
Asana Partners Fund II	-	100.0	-	-	-	-	-	-	-
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	28.3	7.8	23.6	2.0	2.9	20.1	11.1	4.2	-
Hammes Partners III	27.1	12.2	9.1	-	41.1	10.5	-	-	-
NREP Nordic Strategies Fund	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund II	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund III	-	-	-	-	-	-	-	-	100.0
<b>Value Added Portfolio</b>	<b>6.1</b>	<b>3.9</b>	<b>4.9</b>	<b>0.4</b>	<b>1.2</b>	<b>4.2</b>	<b>2.2</b>	<b>0.8</b>	<b>76.3</b>
<b>Opportunistic Portfolio</b>									
BlackRock High Return Separate Account	-	-	-	-	-	-	-	100.0	-
Carlyle China Project Rome Co-Investment	-	-	-	-	-	-	-	-	100.0
Carlyle China Realty	-	-	-	-	-	-	-	-	100.0
CIM Fund VIII	32.7	0.8	12.4	-	0.9	1.6	8.4	39.5	3.7
KKR Real Estate Partners Americas	8.9	-	0.4	0.2	19.5	30.1	-	27.2	13.6
Och-Ziff Real Estate Fund III	13.3	2.7	6.5	6.3	2.9	0.6	4.9	37.9	24.8
<b>Opportunistic Portfolio</b>	<b>12.1</b>	<b>0.5</b>	<b>4.5</b>	<b>0.7</b>	<b>2.2</b>	<b>3.0</b>	<b>3.1</b>	<b>43.2</b>	<b>30.7</b>
<b>Total Non-Core Portfolio</b>	<b>9.4</b>	<b>2.1</b>	<b>4.7</b>	<b>0.6</b>	<b>1.8</b>	<b>3.5</b>	<b>2.7</b>	<b>24.2</b>	<b>51.1</b>
<b>Total Private Portfolio</b>									
<b>SCERS</b>	<b>17.2</b>	<b>7.8</b>	<b>5.4</b>	<b>0.7</b>	<b>7.9</b>	<b>8.3</b>	<b>4.9</b>	<b>30.7</b>	<b>17.0</b>
<b>Indices</b>									
<b>NFI-ODCE</b>	<b>22.4</b>	<b>8.6</b>	<b>7.4</b>	<b>1.3</b>	<b>9.6</b>	<b>9.1</b>	<b>5.4</b>	<b>36.2</b>	<b>-</b>

## Advisory Disclosures and Definitions

### **Disclosure**

Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

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

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

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

### **Benchmarks**

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



## Exhibit B: Real Estate Market Update 1Q19



# United States Real Estate Market Update (1Q19)

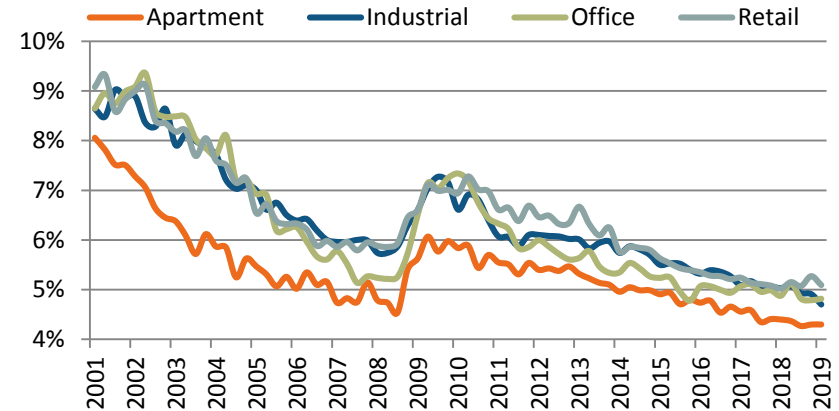
## General

- The S&P 500 produced a gross total return of 13.6% during the Quarter, as markets rebounded from a poor fourth quarter (-13.1%). The MSCI US REIT index produced a return of 16.3%. Consumer Sentiment remained flat at 98.4, but rose subsequent to quarter end.
- Macro indicators for U.S. real estate continue to be positive; GDP grew at an annualized rate of 3.2% in the First Quarter and headline CPI rose by 1.7% YoY, below the Fed's 2% target. As of Quarter-end, the economy has now experienced 102 consecutive months of job growth. The Federal Reserve has paused its tightening of monetary policy, with the effective federal funds rate remaining around 2.4% at Quarter-end. Based on interest rate futures and forwards, the Market has begun pricing in the expectation of a cut by the Fed.

## Commercial Real Estate

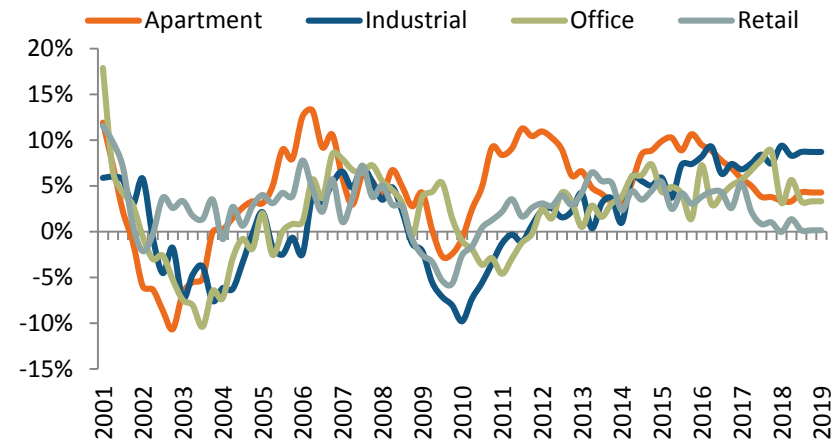
- Private real estate market carrying values remained flat over the Quarter. Transaction cap rates (5.4%) expanded 5bps during the quarter. While, current valuation cap rates remained flat across property sectors, with the exception of the industrial and retail sector cap rates which compressed by 20 bps.
- NOI growth by sector continued to deviate during the Quarter, with the industrial sector continuing to outpace the other traditional property types. While industrial has faced increasing supply, it continues to benefit from outsized demand tailwinds (e-commerce and economic growth). On the other hand, retail experienced negative 20bps of NOI growth during quarter.
- In the First Quarter of 2019, \$66bn of aggregate capital was raised by Real Estate Funds. In 2018, Private Equity Real Estate Funds raised \$236bn which is an increase of 9% YoY. Although, transaction volume declined during the 1<sup>st</sup> quarter by 18% year over year to \$28bn.
- 10-year treasury bond yields dropped 28 bps to 2.4% during the Quarter, and, subsequent to Quarter-end, have dropped further to 2.1%. A combination of expansionary fiscal policy and tightening monetary policy have led to increasing short-term interest rates and a few temporary inversions of the yield curve.

## Current Value Cap Rates by Property Type



Source: NCREIF

## 4 Qtr Rolling NOI Growth



Source: NCREIF

# United States Property Matrix (1Q19)

## INDUSTRIAL

- In 1Q19, industrial properties were the highest returning sector at 3.0% and outperformed the NPI by 122 bps.
- Transaction volumes reached \$17.6 billion in the first quarter of the year, marking a 15.6% year-over-year decrease. Large-scale portfolio sales increased year-over-year by 7.2%, individual portfolio sales were close to flat, while entity-level sales sharply declined.
- The industrial sector continued to experience steady NOI growth of 2.1% in the quarter, up from 1.9% in 4Q18. Market rent growth is expected to decelerate compared to the recent phenomenal pace, but still remains strong.
- Vacancy ticked slightly higher from 2018 levels to 3.5%, but continues to be close to all-time historic lows. E-commerce continues to boost demand.
- Industrial cap rates compressed approximately 33 bps from a year ago, to 4.7%. Industrial fundamentals still top all property sectors.

## MULTIFAMILY

- The apartment sector delivered a 1.3% return during the Quarter, underperforming the NPI by 46 bps.
- Transaction volume in the first quarter of 2019 reached \$38.0 billion, an increase of 5.7% year-over-year. This volume continues to make multifamily the most actively traded sector for the eighth straight quarter.
- Debt levels in the sector were virtually unchanged from year end, at 65% loan-to-value. This remains close to historical lows over the past decade for the sector.
- Cap rates held steady at 4.3%, compressing close to 10 bps year-over-year. Robust job growth and improving wages have supported healthy operating fundamentals.
- Steady demand for the sector continues to keep occupancy close to 94.0%, a slight increase from a year ago. Delayed deliveries from construction labor bottlenecks have created a gap between permitting activity and starts volume.

## OFFICE

- The office sector returned 1.6% in 1Q19, 18 bps below the NPI return over the period.
- Transaction volumes decreased by 13.5% year-over-year in Q1. Annual sales volumes of \$26.0 billion for the quarter. Single asset transactions accounted for 86% of volume.
- Occupancy growth within the office sector is relatively flat, increasing 0.7% year-over-year. Office continues to be the highest vacancy property type at close to 10.3%.
- NOI growth of 4.1% in the quarter is a positive as the sector remains in a low-growth mode. Sun Belt and tech-oriented West Coast office fundamentals screen healthiest.
- Office cap rates compressed slightly from a year ago to approximately 4.8% in the first quarter. Office-using job growth is positive, though decelerating as expected.
- Supply is moderate nation-wide. Although it is keeping a lid on net effective rent growth in NYC and D.C.

## RETAIL

- As of 1Q19, the retail sector delivered a quarterly return of 1.7%, performing 7 bps below the NPI.
- Transaction volumes totaled \$12.1 billion in the first quarter, down 14.2% year-over-year. Individual-level transaction volume decreased slightly year-over-year, while portfolio-level transactions steeply declined by almost 60.0%.
- Slight year-over-year cap rate expansion of approximately 7 bps within the sector. Strong fundamental headwinds continue to effect the retail landscape.
- Growth in NOI declined in the quarter by 1.6%. Retail is expected to continue to suffer from the shift towards e-commerce.
- Retail vacancy has ticked up almost 60 bps over the past year. Many big box stores have closed as the need for retail space shrinks, meaning rent growth will likely be negative for many centers.

# Global Real Estate Market Update (1Q19)

- Global investment activity during the first quarter of 2019 was elevated, but there are indications that momentum has begun to slow as compared to 2018. During the quarter, the three most active cities were New York City, London, and Los Angeles, respectively.
- Geopolitical uncertainty and its impact on the global real estate markets has remained at the forefront for investors, however, global commercial real estate is still positioned to steadily perform in 2019. Despite compressing yields, decreases in risk-free rates have kept real estate as an attractive investment option. Capital values and rents are expected to increase during the year, however, full-year global investment volumes are expected to decline by 5-10%.
- Investment volumes in the Americas decreased during the first quarter year-over-year, including the U.S., Canada, Brazil, and Mexico all showing declines.
- Asia-Pacific cross-border investment activity was up in 1Q19, specifically in China, South Korea, and Singapore, offsetting decreases in Hong Kong, Australia, and Japan. However domestic activity declined which signals that Asia-Pacific domestic investors are becoming increasingly cautious.
- In EMEA, the decline in investment volume is largely attributable to uncertainty over Brexit in the UK.
- In the office sector, global leasing vacancy rates continued to decrease through the first quarter of 2019. The U.S office market performed well with an increase in gross leasing activity up 6% year-over-year. Europe also started the year strong with gross leasing up 6% year-over-year, boosted by performance in Brussels and Stockholm. Asia Pacific's office market contracted due to economic uncertainty and restricted supply. Globally, aggregate rental growth for prime office locations is expected to stay positive in 2019.
- In the retail sector, the U.S. is experiencing trends such as shorter lease lengths, pop-up stores, and using brick and mortar stores as effective delivery hubs for retailers. Strengthening labor markets and wage growth in Europe has positively impacted consumer spending, and retailers continue to focus on rightsizing their store portfolios. Asia Pacific retailers are focusing efforts on tech-driven services to enhance the customer experience. Australia is experiencing challenging retailer market conditions.
- The multifamily market in the U.S. has continued to see growth in demand and increases in effective rental growth, specifically in the Sun Belt markets. There has been an increase in construction activity which is likely to lead to some near-term supply headwinds. Investment activity in European multifamily markets continued to be robust, specifically in France, Spain, and the UK.
- The global industrial market maintained momentum during the quarter, with vacancy rates in the U.S. and Asia Pacific at all-time lows as demand continues to be robust. Demand has been strong in the European logistics market as well, however, a slight deceleration in the rate of growth suggests the sector may be entering a stage of stabilization.

## Global Total Commercial Real Estate Volume - 2018 - 2019

\$ US Billions	Q1 2019	Q1 2018	% Change	Full Year	Full Year	% Change
			Q1 19 - Q1 18	Ending 1Q19	Ending 1Q18	Full Year
Americas	92	106	-13%	505	447	13%
EMEA	50	78	-36%	327	371	-12%
Asia Pacific	168	216	-22%	815	895	-9%
<b>Total</b>	<b>310</b>	<b>400</b>	<b>-22%</b>	<b>1646</b>	<b>1713</b>	<b>-4%</b>

Source: Real Capital Analytics, Inc., Q1' 19

## Global Outlook - GDP (Real) Growth % pa, 2019-2021

	2019	2020	2021
<b>Global</b>	<b>3.3</b>	<b>3.3</b>	<b>3.1</b>
<b>Asia Pacific</b>	<b>4.6</b>	<b>4.6</b>	<b>4.7</b>
Australia	2.2	2.6	2.6
China	6.3	6.0	5.9
India	7.0	7.2	7.3
Japan	0.6	0.5	0.9
<b>North America</b>	<b>2.5</b>	<b>1.9</b>	<b>1.9</b>
US	2.6	1.9	1.9
<b>MENA*</b>	<b>2.9</b>	<b>3.0</b>	<b>-</b>
<b>European Union</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>
France	1.3	1.4	1.5
Germany	0.9	1.4	1.4
UK	1.3	1.4	1.6

\*Middle East North Africa

Source: Bloomberg

Note: 2021 projections are not yet available for certain regions