



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: December 20, 2017

SUBJECT: Quarterly Investment Performance Report
Real Estate

SUBMITTED FOR: Consent Deliberation and Action Receive and File

RECOMMENDATION

Staff recommends the Board receive and file the Townsend Real Estate Portfolio Performance Measurement Report for the third quarter of 2017.

PURPOSE

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

SCERS REAL ESTATE PORTFOLIO

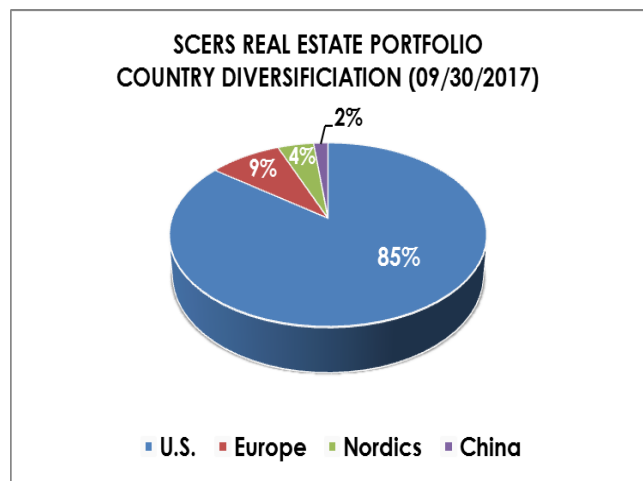
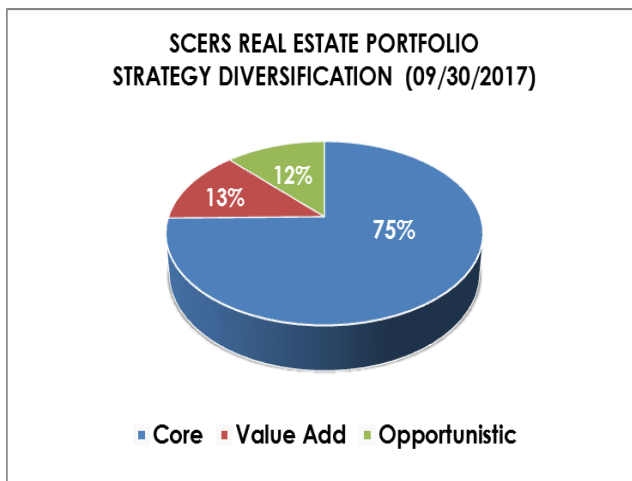
SCERS REAL ESTATE PERFORMANCE SUMMARY
As of September 30, 2017

SUB-ASSET CLASS	Quarter	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS Real Estate Portfolio	3.4%	9.7%	10.1%	10.8%	8.5%	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE + 1%	1.7%	7.0%	10.2%	10.9%	6.6%	
Core Portfolio	3.2%	11.0%	10.0%	10.2%	6.5%	Nov-86
Separate Account	2.8%	10.4%	8.9%	9.5%	8.9%	Nov-86
Commingled Funds	3.5%	11.4%	11.7%	11.1%	7.0%	Sep-13
NFI-ODCE Index	1.6%	6.7%	9.8%	10.6%	6.3%	Jul-95
Non-Core Portfolio	3.7%	14.3%	13.0%	13.9%	5.2%	Jun-06
Value Add Portfolio	4.9%	16.5%	14.5%	13.6%	4.5%	Jun-06
Opportunistic	2.4%	12.4%	10.1%	19.8%	7.7%	May-13
NFI-ODCE + 1% Index	1.9%	7.7%	10.8%	11.6%	7.3%	Jun-06

The Townsend third quarter 2017 report reflects the changes made to SCERS' Real Estate portfolio recently approved by the Board. Previously, the public REITs were included in SCERS' Real Estate portfolio, now they are now only included in SCERS' public equity portfolio, which is reported by Verus. Additionally, SCERS' non-core real estate was part of the Opportunities allocation and is now instead included in SCERS' Real Estate allocation.

As you will recall, the Board approved the winding down of the core separate accounts with BlackRock and Barings/Cornerstone in favor of open-end commingled funds. Staff and Townsend are currently implementing the plan recently presented to the Board. Once the separate account assets have been closed, SCERS' Core Real Estate portfolio will include only closed and open-end core commingled funds. In the meantime, the performance of the core separate accounts will continue to be included in the quarterly reports.

SCERS PORTFOLIO DIVERSIFICATION



SCERS CORE PORTFOLIO RETURNS

Third Quarter 2017:

- Returned +3.2% net, up from Q2 2017 +2.8% net and exceeding the NFI-ODCE Index +1.6% net return.
- Notable outperformers include:
 - Prologis Targeted Europe Logistics: +7.4% in U.S. dollars (+3.8% in Euros)
 - Prologis Targeted U.S. Logistics: +7.0%
 - Cornerstone Separate Account: +4.5%

One-year ended September 30, 2017:

- Returned +11.0% net, significantly outperforming the NFI-ODCE Index +6.7% net return.
- Notable outperformers include:
 - Prologis Targeted U.S. Logistics: +21.3%

- Prologis Targeted Europe Logistics: +15.7% in U.S. dollars (+10.1% in Euros)
- Townsend Real Estate Fund: +11.2%

SCERS NON-CORE PORTFOLIO RETURNS

Third Quarter 2017:

- Returned +3.7% net, significantly outperforming the NFI-ODCE plus 1% benchmark return of +1.9% net.
- Notable outperformers include:
 - NREP Nordic Strategies Fund II: +10.3% in U.S. dollars (+6.7% in Euros)
 - ECE European Prime Shopping: +8.2% in U.S. dollars (+4.6% in Euros)
 - NREP Nordic Strategies Fund I: +6.4% in U.S. dollars (+2.7% in Euros)

One-year ended September 30, 2017:

- Returned +14.3% net, significantly outperforming the NFI-ODCE +100 bps benchmark of +7.7% net.
- Notable outperformers include:
 - NREP Nordic Strategies Fund II: +31.2% in U.S. dollars (+23.8% in Euros)
 - NREP Nordic Strategies Fund I: +30.9% in U.S. dollars (+24.3% in Euros)
 - Och-Ziff Real Estate Fund III: +27.9%
 - ECE European Prime Shopping: +22.9% in U.S. dollars (+16.9% in Euros)

U.S. REAL ESTATE PERFORMANCE AND MARKET TRENDS

U.S. REAL ESTATE PERFORMANCE

U.S. private real estate market (NCREIF) returns for Q3 2017 were up from the prior quarter due to a slight increase in price appreciation.

- The NCREIF Fund Index-Open End Diversified Core Equity (NFI-ODCE) index returned 1.9% gross for the quarter, up from the prior quarter return of 1.7% gross due to the change in appreciation (0.8% versus 0.6%). The NFI-ODCE income return has flattened out over the past four quarters, while the appreciation return had been trending down until this quarter.
- The industrial sector continues its strong performance and has been the best performing sector for the last four quarters (3.3%, 3.1%, 2.8%, and 3.0%).

NCREIF Investment Performance

Sector	September 30, 2017			
	Total Gross Return (%)			
	2016	1Q2017	2Q2017	3Q2017
NFI - ODCE	8.8%	2.1%	1.7%	1.9%
Apartments	7.3%	1.3%	1.5%	1.2%
Industrial	12.3%	2.8%	3.1%	3.3%
Office	6.2%	1.3%	1.6%	1.4%
Retail	9.0%	1.6%	1.5%	1.7%

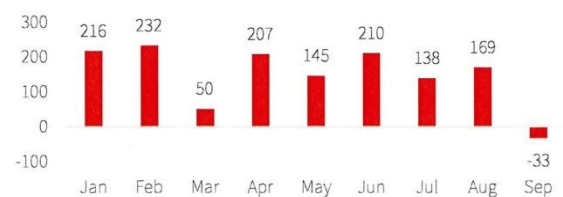
Source: NCREIF®.

- Headwinds from e-commerce are weighing on the retail sector's performance. Prior to Q3 2017, the last three quarters' NPI-ODCE gross returns were fairly flat between 1.5% and 1.6%; however, the Q3 2017 retail return ticked up slightly to 1.7%. Looking at the Q3 2017 unlevered NCREIF Property Index ("NPI"), the gross retail return was 1.2%, down from last quarter's 1.5% gross return, illustrating the impact e-commerce is having on the sector.
- The apartment sector performance is being pressured by new supply, which is depressing rent growth and valuations, with the Q3 2017 gross return of 1.2% down from Q2 of 1.5% gross.

U.S. REAL ESTATE MARKET TRENDS

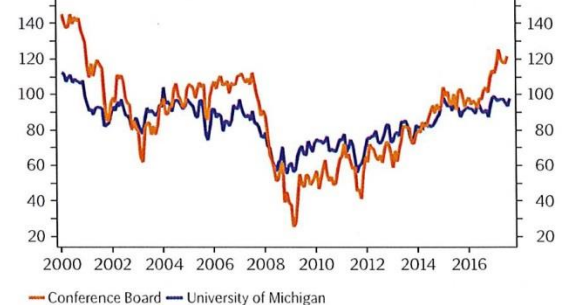
Despite the destructive impact of Hurricanes Harvey and Irma in August/September, the U.S. economy recorded another solid quarter of GDP growth, up an annualized 3.0% for Q3 2017. On a year-over-year basis, U.S. GDP is up 2.0%, driven primarily by domestic consumption, which contributed 1.9% of growth. With two straight quarters of 3.0% annualized growth, projections are for 2017 GDP to register a solid 2.2% increase. Unemployment declined from 4.2% to 4.1% for Q3 2017, benefiting from steady employment gains, and is the lowest it's been since 2001. The low unemployment is pressuring wages, with September hourly earnings registering a 2.9% year-over-year increase. With steady employment and wage growth, consumer confidence is at or near pre-GFC peak levels.

Monthly Net Job Gains, Thousands



With the favorable U.S. economic conditions, real estate fundamentals remain positive although trending downward. Many late cycle indicators are reflected in Q3 2017, such as muted appreciation, upward movement in cap rates, widening bid-ask spreads, supply exceeding absorption, and declining investment activity. However, based on typical industry measures of supply, vacancy, and investment activity, the real estate markets are relatively stable but dispersed. Much of the third quarter data for CBD office, apartment, and industrial sectors are at or above peak levels, while the parts of the retail sector remain challenged. New supply is showing signs of exceeding demand across non-core submarkets and all property-types, which may alter future conditions, particularly for CBD office and apartment sectors. Muted retail construction is helping to prop up weak retail sector fundamentals. Demand in the logistics sector, driven by e-commerce, continues to exceed new supply, resulting in further tightening of fundamentals.

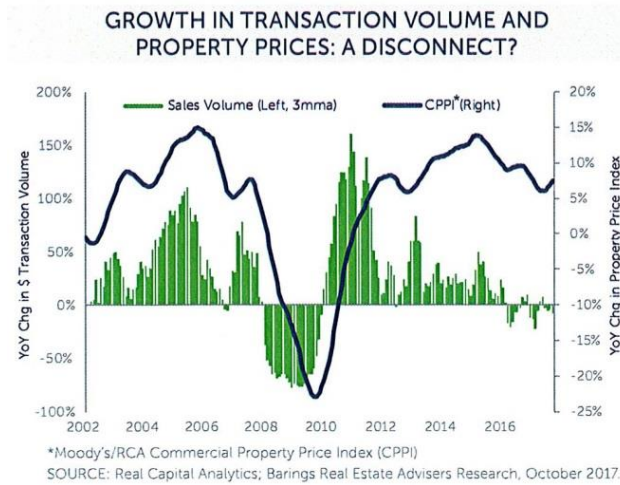
Consumer confidence remains high
Index



Source: University of Michigan, Conference Board, Macrobond, SEB

Caution entered the market, with investors pausing a bit owing to Fed rate increases, moderating market conditions, and an unexpectedly long real estate cycle.

- Year-over-year real estate transaction volumes declined for the fourth straight quarter through Q3 2017. Real Capital Analytics ('RCA') reported deal volumes were down 9.2% year-over-year, but paradoxically, real estate values, as measured by Moody's/RCA, registered a 6.6% year-over-year increase.



- The year-over-year decline in market transactions is attributable to the drop-off in CBD office and retail center transactions, down 18.3% and 32.2% respectively. The industrial sector was the lone exception, with deal volume up a robust 35.5% year-over-year.
- Despite the year-over-year decline in deal volume, Q3 2017 activity was up 3.3% over Q2 2017 and 14% over the current cycle quarterly average. But the trend is decidedly downward, as can be seen in the graph above.
- Despite the pullback in transaction volumes, other than the retail sector, all property type prices are well above their prior peak, with apartments 52.4% above peak.

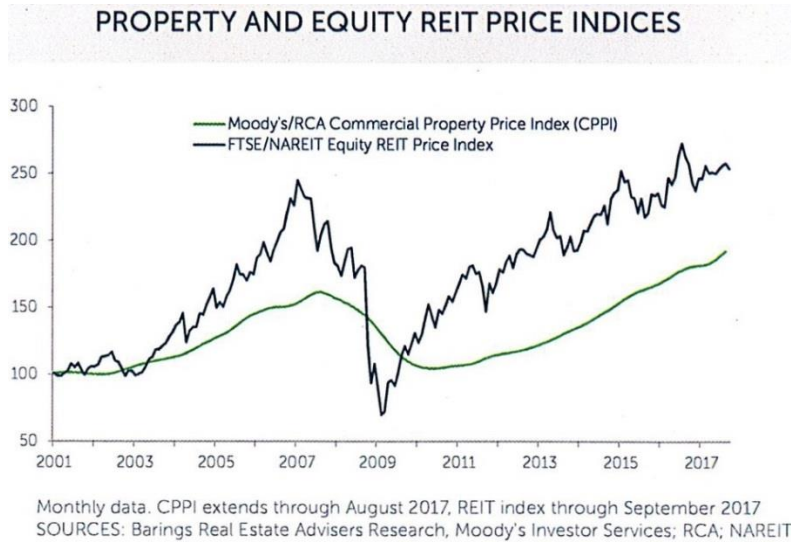
MOODY'S/RCA COMMERCIAL PROPERTY PRICE

Sector	Sept 2017	Dec 2016	2007 Peak	Sept 17 vs. 07 Peak (%)	Change YTD (%)
All	127	119	106	19.9	6.6
Office	111	108	109	2.2	3.3
Industrial	119	112	108	10.4	6.4
Retail	100	99	104	-3.9	1.0
Multifamily	157	145	103	52.4	8.4

Source: CBRE Research, Real Capital Analytics, Q3 2017. Based on repeat property sales. Sales are indexed from Decen

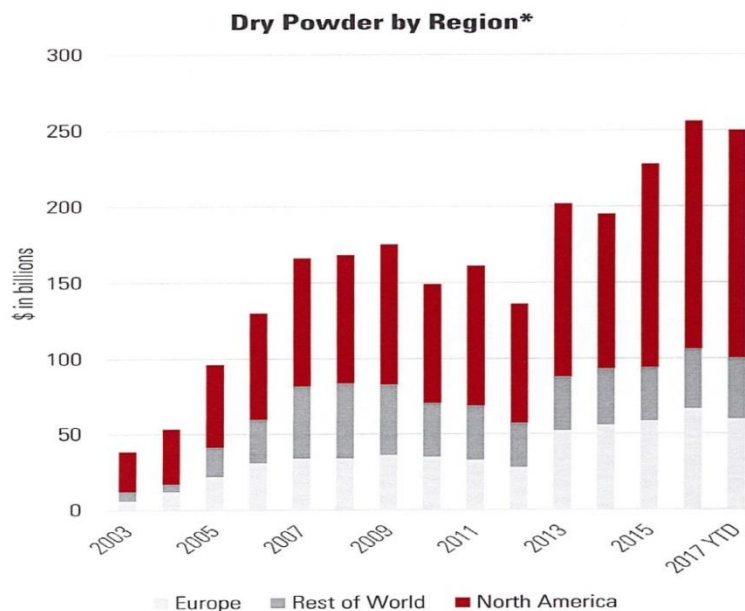
- Whereas last quarter's cap rates were relatively flat, Q3 2017 cap rates have moved out across many of the property sectors per CBRE's quarterly research report. Office, flex industrial and retail property types registered cap rate increases of 20 bps, 31 bps, and

12 bps. Logistics cap rates compressed 32 bps, with apartments remarkably down another 24 bps.



According to JLL's Q3 2017 U.S. real estate investment outlook:

“What does this mean for U.S. markets? Capital demand for real estate globally remains at record levels and is favoring U.S. product. However, this capital is sticking closer to investment criteria and underwriting opportunities more conservatively. Thus, to work toward targets while managing for risk and return requirements, entity-level and debt activities will comprise a larger share of real estate investment in the remainder of the cycle. This will make liquidity gaps more apparent in the quarters to come.”



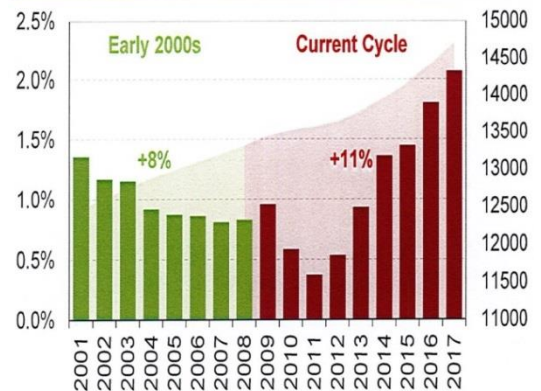
U.S. PROPERTY FUNDAMENTALS

APARTMENTS

Apartment fundamentals continue their downward trend as new supply continues to exceed demand.

- CBRE reported 261,800 new apartment units have been delivered year-over-year, with 230,400 units absorbed. There were 115,000 units delivered in the third quarter alone, according to JLL. A total of 389,000 units are expected to be delivered in 2017.
- Vacancy softens from excess supply, with Q3 2017 vacancy at 5.2%, up from the prior quarter of 4.9% and up from the cycle low of 4.5% reached a year ago.
- Annualized rents in Q3 2017 increased 2.4% over the prior quarter, slightly down from last quarter’s 2.5% increase. On a year-over-year basis, market rents are down 1.4%.
- As reported by RCA, Q3 2017 apartment transaction volume is down 11.9% year-over-year, primarily due to a 46.7% drop in urban high-rise transactions as investor’s find discomfort in the high price expectations.

Apt Supply Growth (% ann. growth & 000s units)

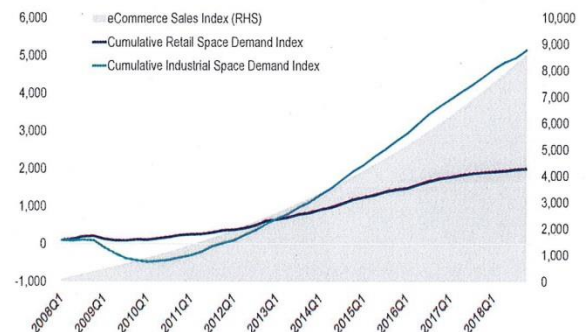


Sources: MetLife Investment Management, CBRE Econometric Advisors.

INDUSTRIAL/LOGISTICS

The industrial market has gone from strength to strength or, as representative of conditions, tight to really tight. However, market conditions are widely dispersed between the primary core transportation hubs with record low vacancies and secondary locations experiencing overbuilding. As an example, the largest U.S. industrial market (1.6 billion square feet) and the core west coast transportation and logistics hub, greater Los Angeles, recorded yet another record low vacancy rate of 2.2%, while Phoenix, a secondary market, reported a 9.4% vacancy rate.

New Demand Reflects eCommerce Dominance/Rise
Q1 2008 = 100



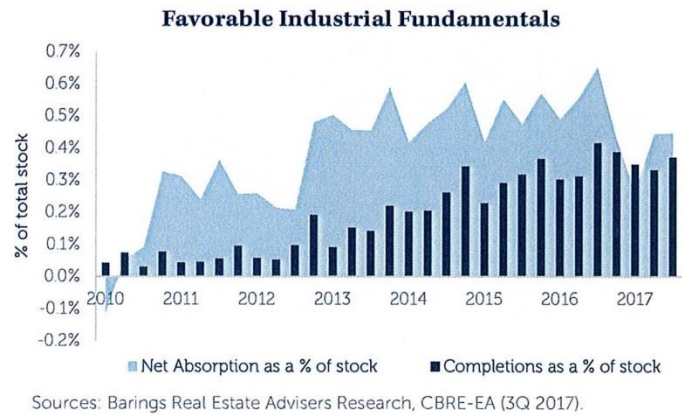
Source: U.S. Census Bureau, Cushman & Wakefield Research

- CBRE’s Q3 2017 research reported demand again exceeding supply for an astounding 28th time over the last 30 quarters, pushing the market vacancy rate to its lowest level since 2001. With the tight availability of inventory, rents are up 6.3% year-over-year and are now at its highest level since CBRE began tracking in 1989.
- In what’s ahead for the industrial sector, Colliers International stated:
“The industrial sector should continue to benefit from supply chain modernization brought on by e-commerce demand for the foreseeable future. With trade war fears

declining in the short term, cargo volumes at U.S. ports are expected to remain strong and heighten demand for warehousing near these locations. NAFTA negotiations continue and the potential long-term effects on U.S. trade policy will be important to monitor—although any impact from the renegotiation will not take effect until 2018 or later.”

Prologis Targeted U.S. Logistics’ Q3 2017 investor report highlighted the strong U.S. logistics’ fundamentals:

“Demand has continued to exceed supply thus far in 2017, pushing the vacancy rate to a new low of 4.6%. For high-quality logistics assets in core markets, the buyer pool remains deep and cap rates are stabilizing at historical lows. In markets or submarkets with very high barriers to new supply, sustained tight market conditions have produced competition for spaces and landlords have pricing power. We expect rent growth will fuel value growth going forward, so assets in locations with strategic supply chain importance and few competitive alternatives should continue to outperform”.



SCERS’ commitment to Prologis Targeted U.S. Logistics Fund, LP (“PUSLF”), is a strategic investment in U.S. logistics and the growth in e-commerce. Prologis has a European focused strategy, Prologis Targeted Europe Logistics Fund, LP, which SCERS also has a commitment.

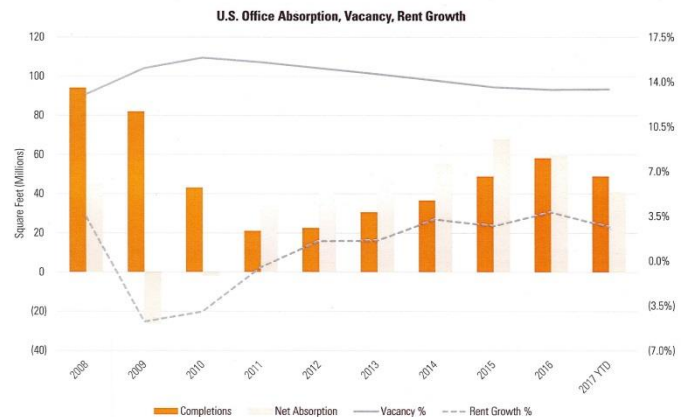
- Prologis Targeted U.S. Logistics period returns versus the benchmark:
 - Third Quarter: +2.1% versus +1.6%
 - One-year ended September 30, 2017: +21.3% versus +6.7%

OFFICE

Positive job growth in financial, information, professional services, and technology has contributed to the office market’s improved fundamentals. However, slowing office-using job growth and new supply is catching up with fundamentals. As noted by CBRE, the office market likely peaked in 2015 and has been on a steady downward trend since. Although, the core markets with a high presence of technology firms are performing exceedingly well. There are indicators seeping into the office market that bear watching.

U.S. OFFICE VACANCY FLAT

Rent growth slows slightly; new supply now exceeds demand

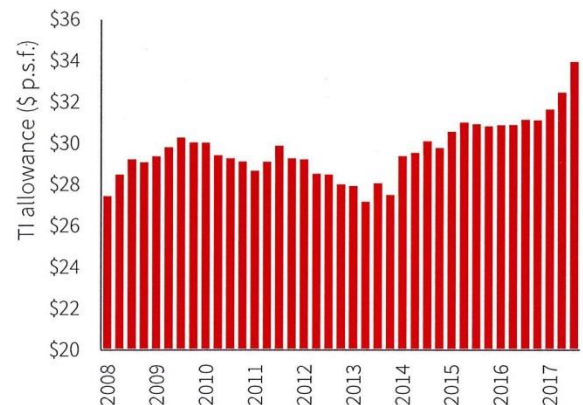


- From Newmark Knight Frank’s (“NKF”)

Q3 2017 office report, sublease space has been steadily trending upward since 2015. NKF found sub-lease space represents 2.1% of total inventory, up from the cyclical low of 1.7% in 2014, but still less than the 2.7% reached during the GFC and the 5.4% during the dot-com bust. Silicon Valley has the highest percent of sub-lease space at 5.5% of its inventory, while New York has the largest amount at 11.8 million square feet.

- JLL’s Q3 2017 office outlook reported a spike in landlord concessions as competition has heated up. Landlords have been steadily increasing tenant improvement allowance, which averaged about \$27 per square foot in 2013 and is now up to an average of nearly \$35 per square foot, up from the \$31 per square foot offered in Q1 2017.

TI allowances have spiked as landlords of new and repositioned assets compete for tenants



RETAIL

The retail sector is represented by four property-types (malls, power centers, shopping centers, and specialty retail), each having a varying degree of performance.

- Cushman & Wakefield’s Q3 2017 retail market report forecasts 10,000 store closures to take place in 2017, a dramatic increase over the 4,000 store closures that occurred in 2016.

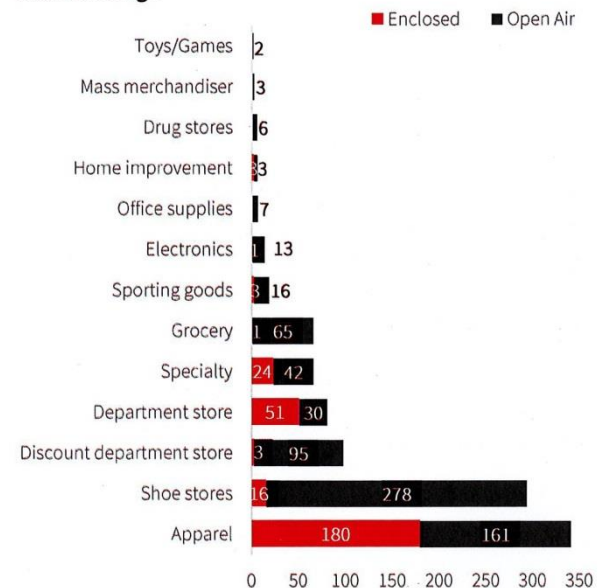
- A majority of store closures have come from chain retailers including Ascena, Payless Shoes, Rue21, RadioShack, Sears, Gymboree, Perfumania, and Vitamin World.
- JLL’s Q3 2017 retail outlook report noted that 48% of store closures have come from 16 retail chains.

- It would seem with the numerous store closures that malls are bearing the brunt of the growth of online sales; however, the Q3 2017 data belies the expectations.

- According to JLL’s research, vacancy at the top tier malls is only 2.7%, while vacancy at the lower tier malls is 6.0%.

- A precursor to how much online sales are impacting the retail sector, according to CBRE’s Q3 2017 retail research, year-to-date net absorption totaled only 8.1 million square feet compared to over 30 million square feet for the same period in 2016.

Malls mostly affected by apparel and department store closings



Source: Creditintell, JLL

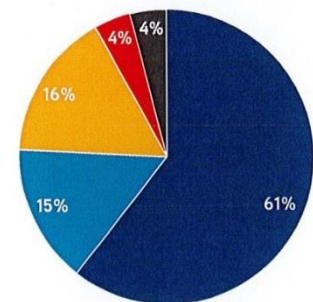
- With the headlines announcing the demise of brick-and-mortar stores, one would not expect retailers to be opening new locations. But in fact, 4,000 new stores are expected to be opened in 2017, with an additional 5,500 net new store openings projected in 2018, per JLL and PNC Bank research.
 - Examples of retailers expanding in 2017 include Dollar General (1,000 stores), Dollar Tree (650 stores), Old Navy/Athleta (240 stores), and Target (67 stores).

HEALTHCARE

As consumers increasingly shoulder a larger share of medical costs, service and convenience are determining how consumers select healthcare delivery. Consumers want medical services delivered in one location, where lab work can be completed alongside a doctor’s visit.

- Healthcare systems are responding to the demand for one-stop medical care by delivering nonemergency medical care, non-invasive surgeries, and specialist care outside of the hospital.
- A 2016 joint study on patient care conducted by Harvard School of Public Health, found 61% of patients preferred urgent care centers for minor injuries/illnesses. The study found that 92% of patient’s visiting outpatient facilities had wait times of less than 30 minutes.
- Indicative of the movement to outpatient facilities, the Urgent Care Association reported there were over 7,400 urgent care centers in the U.S. in 2016, an 8.7% increase (650 care centers) over 2015.

Urgent Care Centers: Reason For Visit

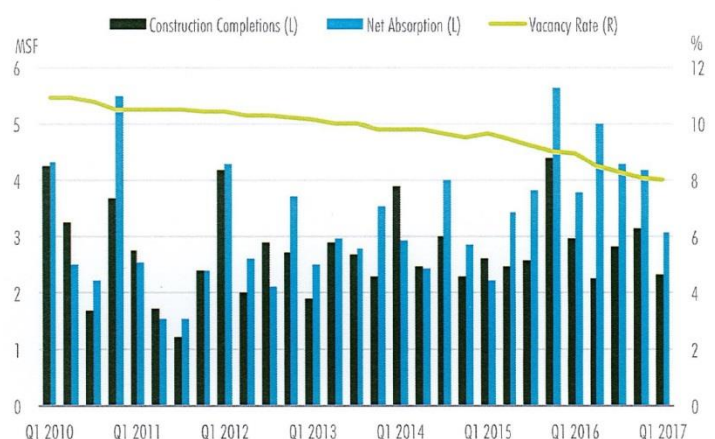


Source: NPR, Robert Wood Johnson Foundation, Harvard T.H. Chan School of Public Health

- CBRE research found demand exceeded supply in 22 of the past 29 quarters. In Colliers’ health care research report, the robust demand for medical facilities has dropped the vacancy rate to a historical low of 7.4% with rental rates up 8%.
- In their Q3 2017 medical office report, Marcus & Millichap found the majority of the 4.5 million square feet of new medical developments delivered year-to-date were for ambulatory care and specialty practice centers. Marcus & Millichap commented:

“Large medical providers controlling a large share of leasing activity as private practices merge. Major medical providers are in the driver’s seat of many lease negotiations due to consolidation in the healthcare industry. This trend will persist as

Figure 8: Absorption exceeded additions of new space in 22 of the past 29 quarters



Source: CBRE Research, Q1 2017.

hospitals move services away from traditional campuses and private practices are merged into larger networks.”

SCERS' commitment to Hammes Partners II (“Hammes”), an on-campus ambulatory and acute care manager, is capitalizing on the healthcare industry's movement to outpatient healthcare delivery. In November 2017, SCERS made a follow on \$31.125 million commitment to Hammes Partners III.

- Hammes Partners II period returns versus the benchmark:
 - Third Quarter: +2.1% versus +1.9%
 - One-year ended September 30, 2017: +9.5% versus +7.7%

GLOBAL REAL ESTATE PERFORMANCE AND MARKET TRENDS

GLOBAL REAL ESTATE PERFORMANCE

As of the latest available data, the INREV (European Investors in Non-Listed Real Estate) index returned 2.4% for Q2 2017, with income generating a 1.1% return and capital appreciation up 1.3%.

- The UK real estate market continues to shake off Brexit fears coming in at 2.1% for the quarter.
- The French real estate market bounced back with a solid second quarter return of 2.9% compared to the 1.0% return achieved in the first quarter.
- The German property market continues to deliver solid returns, with the second quarter results up 2.4% compared to 2.2% in the first quarter.
- Across the property types, the residential sector continued its strong performance returning 3.7% for the second quarter followed by logistics with a return of 2.7%. Both sectors remain the top performers, with returns up from the prior quarter of 3.1% and 2.4%, respectively.

EUROPE REAL ESTATE MARKET TRENDS

With several major political elections concluded, the Eurozone recovery is finding solid footing as economic growth is broad-based. Even laggards Italy and Portugal are experiencing positive GDP growth, although modest. Germany continues to enjoy durable GDP growth, projected at 2.1% (up from 1.6% in 2015), with low unemployment at 5.4% (down from 6.4% in 2015). The French and Italian economies remain weak with elevated unemployment rates of 9.2% and 11.2%, respectively. Despite France and Italy's anemic economies, the European Central Bank began tapering its quantitative easing in recognition of

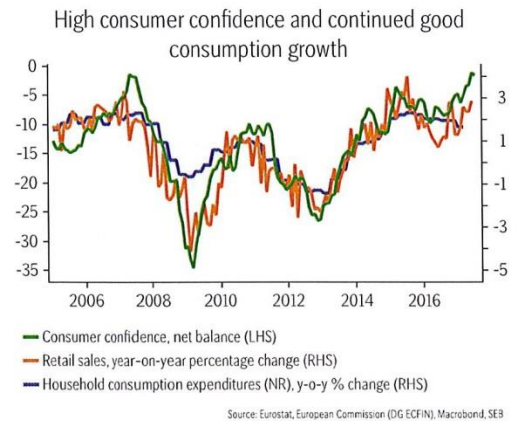
Global GDP growth

Year-on-year percentage change

	2016	2017	2018	2019
United States	1.5	2.2	2.4	2.0
Japan	1.0	1.3	0.8	0.7
Germany	1.9	2.1	2.0	1.8
China	6.7	6.8	6.4	6.1
United Kingdom	1.8	1.5	1.0	1.2
Euro zone	1.8	2.1	2.2	2.0
Nordic countries	2.1	2.5	2.3	2.2
Baltic countries	2.0	3.5	3.3	3.1
OECD	1.8	2.1	2.1	1.9
Emerging markets	4.3	4.9	5.0	5.0
World, PPP*	3.1	3.8	3.8	3.7
Source: OECD, SEB				* Purchasing power parities

GDP accelerating across Europe.

With high consumer and business confidence along with steady job growth, Eurozone real estate fundamentals are healthy. In its recent Europe market outlook report, the Carlyle Group made the observation that Europe is four years behind the U.S. economic cycle and will enjoy improving economic conditions. Supporting their opinion, Carlyle pointed out an interesting metric, during this economic cycle, U.S. GDP has expanded 14.4%. This compares to the prior U.S. economic cycle of 2001 to 2008, which GDP expanded by 17.9% trough-to-peak. In other words, the U.S. economy has achieved 80% of its prior cycle expansion, while Europe has only reached 35% of its prior cycle expansion period.

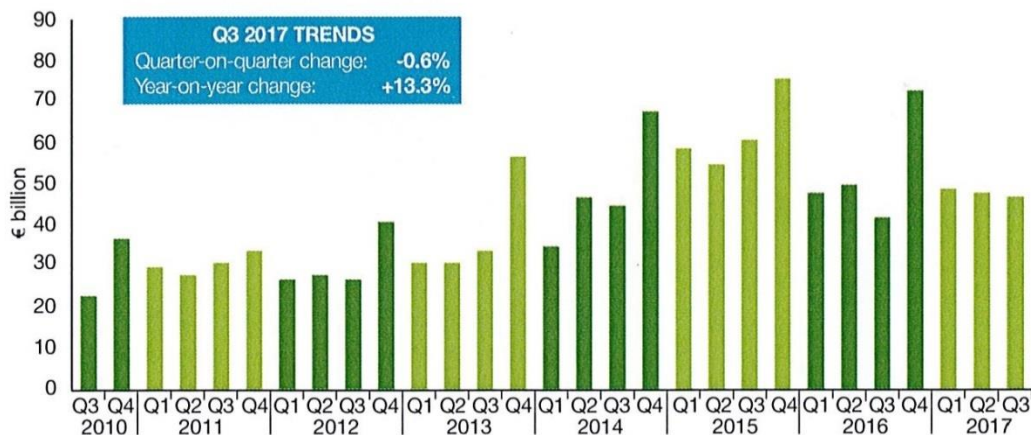


Eurozone real estate fundamentals continue to tighten despite development activity picking up. The logistics and office sectors are seeing vacancy rates near historical lows, leading to increasing rental rates. However, as in the U.S., the retail sector in Europe is feeling the same e-commerce headwinds.

CenterSquare’s Q3 2017 market commentary summarized real estate conditions throughout Europe as such:

“With all major European elections now in the books, political uncertainty on the Continent is lessened, providing potentially better footing moving into 2018. Prime European assets such as German residential, Spanish office, and assets in the Nordic countries are expected to continue providing strong performance, while European retail, like its U.S. counterpart, struggles to find equilibrium in the evolving retail economy.”

European commercial property investment volumes



Source: Real Capital Analytics / Knight Frank

Prologis Targeted Europe Logistics' Q3 2017 investor report highlighted conditions in the European logistics market as such:

“Capacity constraints are limiting new supply in certain markets. Contractors are struggling to find resources to bring new product online and are turning projects down. In Germany, for example, where the issue is most prominent, main market development volumes have more than halved yr/yr to just over 500,000 SQM year-to-date, according to Prologis Research. This lack of new supply should put pressure on the rental rates, as strong demand and vacancy levels of 2% drive competition among customers for limited space.”

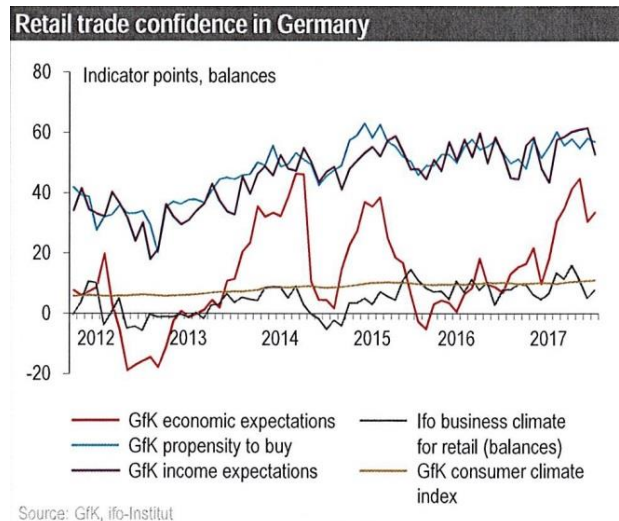
SCERS' commitment to Prologis Targeted Europe Logistics Fund, LP (“PTELF”) has been a strategic investment in European logistics and the growth in e-commerce. PTELF is one of the world's largest specialist logistics managers targeting continental Europe and the UK.

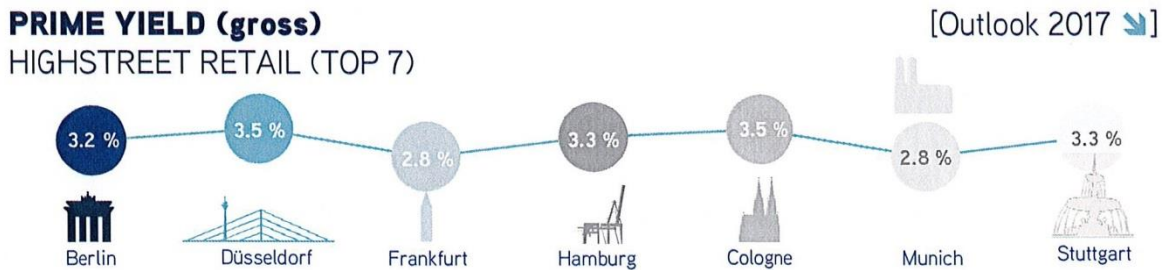
- Prologis Targeted Europe Logistics period returns:
 - Third Quarter: +7.4% in U.S. dollars (+3.8% in Euros) versus +1.6% U.S. benchmark return
 - One-year ended September 30, 2017: +15.7% in U.S. dollars (+10.1% in Euros) versus +7.7% U.S. benchmark return

GERMANY REAL ESTATE MARKET TRENDS

According to JLL's Q3 2017 German retail market report, German retailers enjoyed same-store sales increase of 2.8% over the prior quarter. Germany's export-driven economy has enjoyed strong tailwinds resulting from economic growth in its key markets of the US and the Eurozone. Solid wage growth is keeping consumer confidence up, contributing to the robust increase in retail sales.

- JLL noted caution by retailers in opening new locations, with absorption down 18% from Q2 2017 and down 26% year-over-year. This is in part explains the 1% drop in prime retail rents in Q3 2017 and down 2.6% year-to-date.
- Despite the softening in the tenant market, investor demand for prime retail assets remains high. Strong investor demand, especially in the city centers, and the scarcity of supply have compressed cap rates an average 43 bps over the year, according to JLL.
- Colliers' Q3 2017 German retail market report noted a softening in retail deal volume but not because of investor demand but due to lack of product. Transactions that are occurring are primarily smaller retail properties. The high demand for prime German retail properties continues to compress cap rates across the top 7 submarkets.





- In its Q3 2017 German retail market report, CBRE found Germany’s core retail markets are supply constrained resulting in the share of deal volume of the top 6 cities it follows falling to 15%. CBRE also reports that the strong investor demand has pressed cap rates in the top 6 cities to another record low of 3.3%.

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

- ECE European Prime Shopping Center period returns versus the U.S. benchmark:
 - Third Quarter: +8.2% in U.S. dollars (+4.6% in Euros) versus +1.9% U.S. benchmark return
 - One-year ended September 30, 2017: +22.9% in U.S. dollars (+16.9% in Euros) versus +7.7% U.S. benchmark return

NORDICS REAL ESTATE MARKET TRENDS

Year-over-year GDP in the Nordics continues to be robust, forecasted to end 2017 up 2.3%, exceeding the Eurozone’s forecasted GDP growth of 2.1% and the U.S. growth of 2.2%.

- Swedish GDP is projected to be up 3.1% for 2017 due to strong export growth stimulated by a weakened currency. Sweden’s exports are benefiting from the Eurozone’s broad-based growth, which accounts for 70% of Sweden’s exports.
- Finland’s GDP growth has been trending upward and is expected to be up 2.8% in 2017. Accelerating exports, particularly to Germany and Russia, is contributing to increasing wage growth leading to strong domestic consumption.
- Denmark is on pace to end 2017 with GDP up a relatively weak 1.4% compressed by an appreciating currency slowing export growth coupled with subdued domestic consumption.
- Because of Norway’s petroleum-based economy, GDP in 2017 is projected to be up a moderate 1.9% weighed down by the decline in oil and gas prices.

REAL GDP FORECASTS (Y/Y)

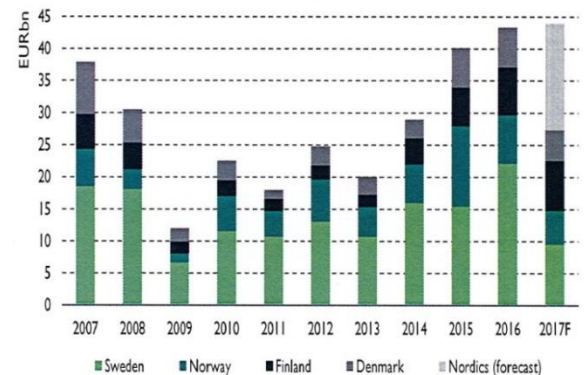
	2017F	2018F	2019F
Sweden	3.1%	2.4%	2.1%
Finland	2.8%	2.3%	1.8%
Norway	1.9%	1.8%	1.8%
Denmark	1.4%	1.6%	1.9%
Nordics	2.3%	2.1%	1.9%
Ireland	4.1%	3.4%	3.0%
Spain	3.1%	2.5%	2.0%
UK	1.7%	1.5%	1.6%
Germany	2.1%	1.8%	1.5%
France	1.6%	1.8%	1.9%
Italy	1.5%	1.1%	0.9%
Greece	1.8%	2.6%	1.9%
Russia	1.8%	1.6%	1.5%
Eurozone	2.1%	1.9%	1.7%

Source: IMF, October 2017

According to CBRE's Q3 2017 market report, Nordic transaction volumes were up 31% year-over-year. Remarkably, the Q3 2017 volume is 63% above what the average Q3 deal volume has been over the last 3 years.

- Transaction activity in Finland represented the largest share of the overall Nordic transaction volume at 49% followed by Denmark at 21%, Sweden at 17% and Norway at 13%.
- In each country, the property type with the greatest share of investment activity: Finland office at 87%; Denmark residential at 57%; Sweden retail at 26%; and Norway office at 40%.
- Yield spread remains wide between prime Nordic office and prime Nordic logistic at 200 bps (3.5% versus 5.5%), while the yield spread between prime retail and prime office is zero (3.5% versus 3.5%).

NORDIC TRANSACTION VOLUMES (2007-2017F)



Commentary in Nordic Real Estate Partners ("NREP")'s Q3 2017 Investor report highlighted conditions occurring in the Nordics:

"2017 is expected to be another positive year with strong and improving macroeconomic conditions, increasing foreign investments, a scarcity of prime properties that are driving up rent levels and low-interest rate environment that is attracting real estate investments. The other side of this is the competition for quality assets."

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

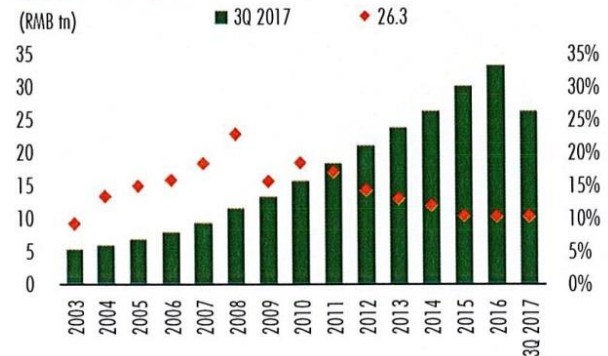
- NREP I and NREP II period returns versus the U.S. benchmark:
 - Third Quarter: +6.4% and +10.3%, respectively in U.S. dollars (+2.7% and +6.7% in Euros) versus +1.9% U.S. benchmark return
 - One-year ended September 30, 2017: +30.9% and +21.2%, respectively in U.S. dollars (+24.3% and +23.8% in Euros) versus +7.7% U.S. benchmark return

CHINA REAL ESTATE MARKET TRENDS

Despite the government’s attempt to reign in financial leverage and capital outflows, the economy grew a better than expected 6.8% year-over-year in Q3 2017, down slightly from last quarter’s rate of 6.9%.

- According to China’s National Bureau of Statistics (‘NBS’), the service sector recorded another solid quarter of growth, up 8.0% year-over-year in Q3 2017. The service sector accounted for 58.8% of Q3 2017 GDP and contributed 4% of the overall 6.8% GDP growth.
- The logistics sector is enjoying robust demand owing to China’s increasing domestic consumption. According to NBS, retail sales increased 29% year-over-year in Q3 2017.
- E-commerce and 3PL firms remain the main demand drivers for modern logistics facilities in Q3 2017. Absorption has come primarily from the major e-commerce platforms (Alibaba, Tencent, JD.com, etc.), with outsourced logistics firms becoming more prevalent.
- A lack of large modern logistics facilities in tier 1 cities is driving development out to tier 2 and 3 cities. In Beijing, the lack of space along with land constraint has pushed the market to nearly full capacity; the market has a negligible vacancy rate of 0.2%, according to Colliers Q3 2017 report. Despite the tight market, rents are only up 1.8% year-over-year as tenants have been forced to seek options in nearby cities.

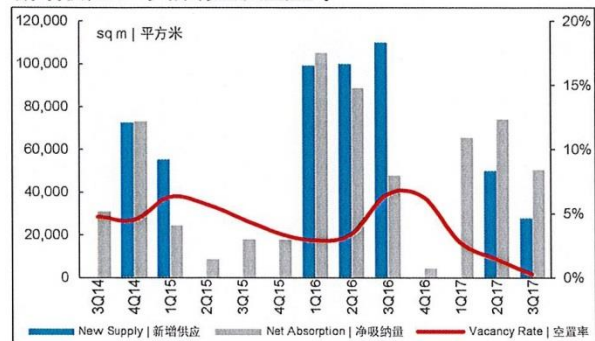
Figure 3: Retail Sales



Source: National Bureau of Statistics of China, Q2 2017

➤ Colliers reports that Langfang, a tier 2 city and secondary logistics hub outside of Beijing, has been fully occupied for the last five quarters due to the demand spillover from Beijing.

New Supply, Net Absorption & Vacancy Rate
新增供应、净吸纳量及空置率



Source: Research, Colliers International, North China
数据来源: 高力国际华北区研究部

- A temporary restriction on commercial construction from October 2017 until March 2018 will exacerbate the already severe supply-demand imbalance and force tenants to seek options further out.
- CBRE’s Q3 2017 China logistics report found:

“The lack of large warehouses in tier 1 and satellite cities will drive rental growth in the coming quarters. E-commerce retailers will either have to manage increasing rental costs through improving efficiency or by investing in logistics facilities themselves.”

SCERS' commitment with Carlyle China Realty ("CCR") and Carlyle China Rome Logistics ("Rome") is a strategic investment in China's e-commerce and middle-class population growth.

- China Realty and China Rome Logistics are too early in their initial investment period for returns to be meaningful:
 - Third Quarter: -1.9% and -0.8%, respectively versus +1.9% U.S. benchmark return
 - One-year ended September 30, 2017: not applicable

ATTACHMENT

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

Prepared by:

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Reviewed by:

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Eric Stern
Chief Executive Officer



**TOWNSEND
GROUP**

Real Estate Portfolio

Performance Measurement Report

THIRD QUARTER 2017



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 both Core, Non-Core and Non-U.S. Private Real Estate; Real Estate Investment Trusts (“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 3rd quarter, 2017 (the “Quarter”), the Real Estate Portfolio is nearing the upper limit at 8.7% of the Total Plan but remains within the allowable range. Core Real Estate currently makes up 74.8% of the portfolio, with Non-Core Real Estate marking up the remaining 25.2%.

SCERS' Real Estate Portfolio Construction:

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

Performance of the Core Portfolio is evaluated over rolling 10-year time periods relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds (“NFI-ODCE”), net of fees. The NFI-ODCE represents the aggregation of twenty-four Core open-end commingled funds invested across the United States. The SCERS Core Portfolio outperformed the NFI-ODCE over all time periods with exception of the three and five-year time period. Rationale is detailed on slides 8 and 9.

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 Private Real Estate Portfolio was 31.0% at the end of the Third Quarter of 2017. The loan-to-value ratio of the Core Portfolio was 29.3%, 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 21.3% as of the Third Quarter. The Non-Core Portfolio reported a loan-to-value ratio of 41.5%.

Portfolio Funding Status

- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the “Portfolio”) through September 30, 2017.
- A detailed performance report is also provided in **Exhibit A**.
- Figures exclude commitments / redemptions / dispositions approved subsequent to Quarter-end.

SCERS Portfolio Snapshot <i>As of September 30, 2017</i>	Market Value (in millions of dollars)*	% of SCERS Plan
SCERS Total Plan Assets	8,990	100.0%
Private Portfolio Target	629	7.0%
Private Portfolio Permissible Range		5.0-9.0%
Private Real Estate		
Core Portfolio	587	6.5%
Non-Core Portfolio	198	2.2%
Total SCERS Private Real Estate Market Value	786	8.7%
Total SCERS Private Real Estate Unfunded Commitments	146	1.6%

Also note that the exposure to Core Real Estate will reduce further as result of planned disposition activity in the separate accounts. To offset the disposition of core assets, additional commitments to Townsend Real Estate Fund (\$20 million) and Prologis Targeted U.S. Logistics Fund (\$15 million) were approved. Both commitments had been fully funded as of September 30, 2017.

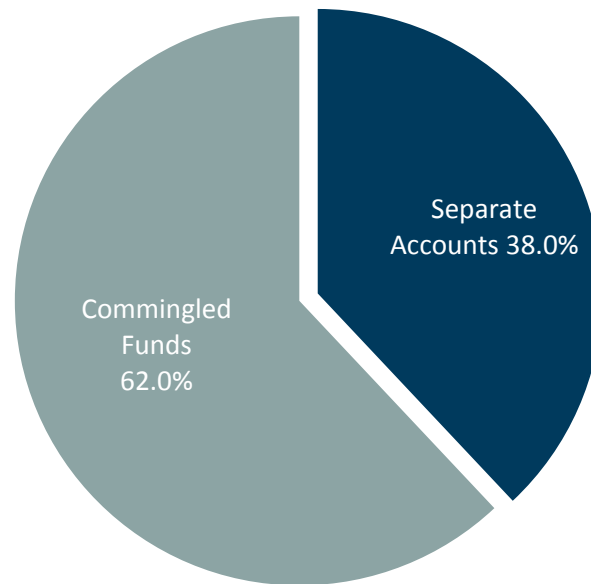
* Figures may not add due to rounding.

Real Estate Portfolio Composition

Core Portfolio

- The SCERS Core Portfolio represents 6.5% of the Total Plan which is well within the established range for real estate of 4.0% to 9.0%. The Core Portfolio exposure represented 74.8% of the private real estate portfolio, a breakout of current allocation by vehicle is displayed below.
 - Core Commingled Fund exposure increased during the Quarter following a capital call of \$15.0 million by Prologis USTLF.
- In July of 2017, SCERS' 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.
- SCERS' staff and Townsend continue to work on an IMA liquidation plan. Staff and Townsend have engaged a select group of OECF managers who are progressing through a competitive bid process for the portfolio of assets.

Core Portfolio Allocation By Vehicle

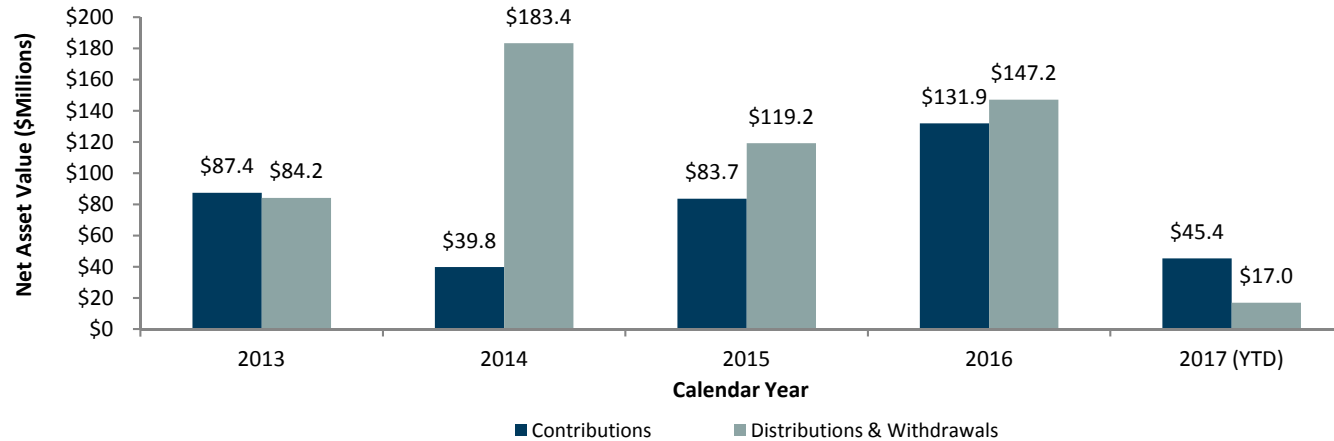


Real Estate Portfolio Composition

Core Portfolio

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

	2013	2014	2015	2016	2017 (YTD)
Acquisitions	<ul style="list-style-type: none"> • Prime Property Fund • MetLife Core Property Fund 	<ul style="list-style-type: none"> • Jamestown Premier Property Fund • Refinancing of Lake Washington Park (now unlevered) 	<ul style="list-style-type: none"> • Prologis USTLF • Prologis ETLF • Principal US Property Account • Townsend Real Estate Fund ("TREF") 	<ul style="list-style-type: none"> • Townsend Real Estate Fund Re-Up 	<ul style="list-style-type: none"> • Prologis USTLF 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 	<ul style="list-style-type: none"> • N/A



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

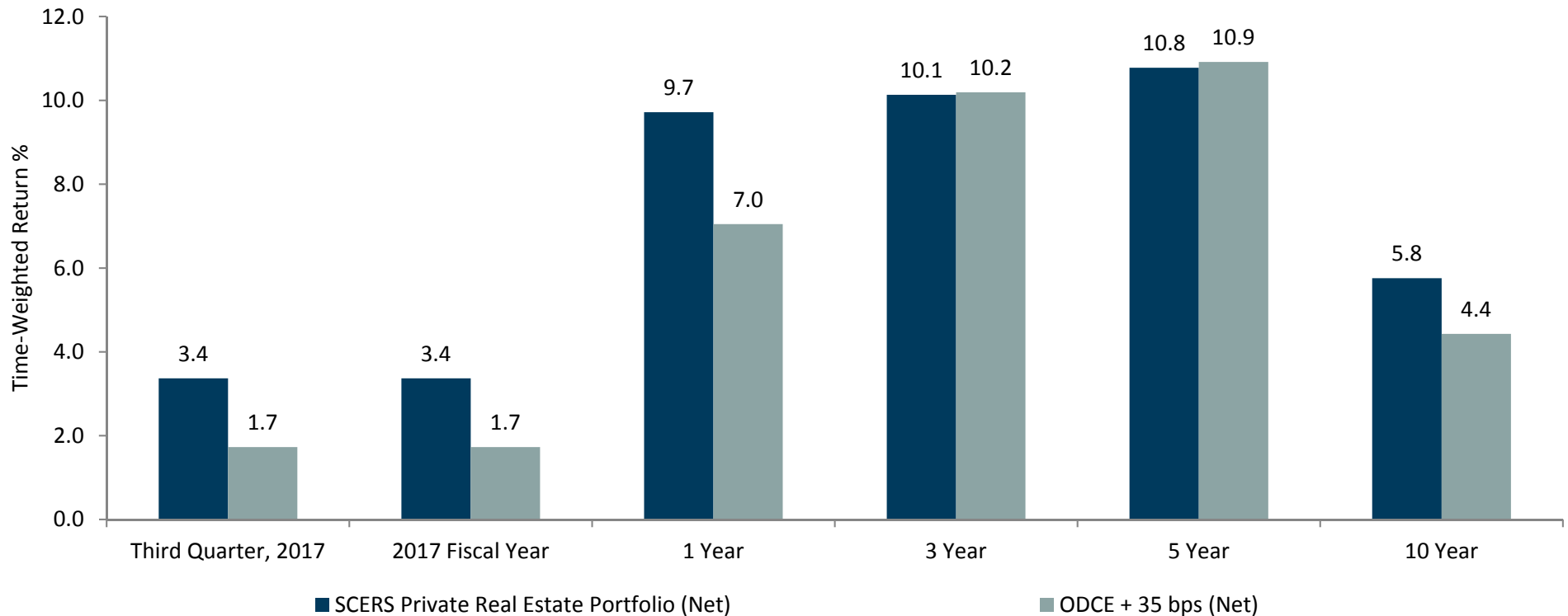


Real Estate Portfolio Composition (continued)

Non-Core Portfolio

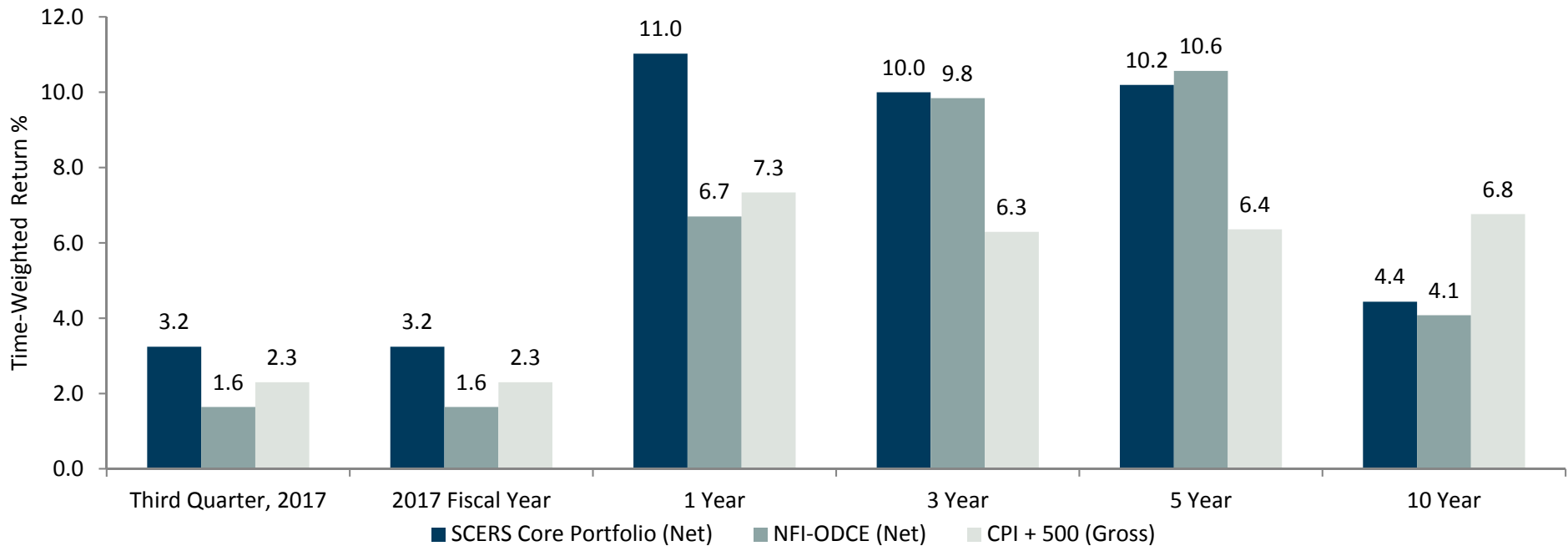
- Non-Core Real Estate includes both Value Add and Opportunistic Real Estate strategies and is included in the SCERS Real Estate allocation with an allowable range of 20.0% to 50.0% of the Real Estate Portfolio. As of the Third Quarter, the Non-Core Real Estate Portfolio was well within its established range, representing 25.2% of the Real Estate Portfolio but lower than the target 35%. Including all approved unfunded commitments through September 30, 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.
- Within the Opportunistic Portfolio, the BlackRock High Return Separate account acquired Block 295. Block 295 is a joint venture with Cairn Pacific and Capstone Partners to redevelop and deliver a 4-story Class A building in Portland, Oregon. Third Quarter 2016 was the first full period of performance reported for Block 295.
- In the first half of 2017, SCERS committed an aggregate \$30 million to Carlyle to invest in China. These investments provide the first ex-US exposure outside of Europe within the Private Real Estate Portfolio. Project Rome, a \$20 million co-invest, provides SCERS with exposure to a pre-specified logistics assets in China, a compelling investment thematic. In addition, SCERS committed \$10 million to Carlyle China Realty fund, which will provide exposure to logistics, data centers, and office assets. At the time this report went to print, Carlyle Realty China was considering a reorientation of the fund strategy to focus exclusively on logistics assets. Carlyle believes that investor demand is stronger in the logistics sector. Such a proposal may be presented to SCERS at a later time for approval.
- 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.

Private Real Estate Portfolio Performance



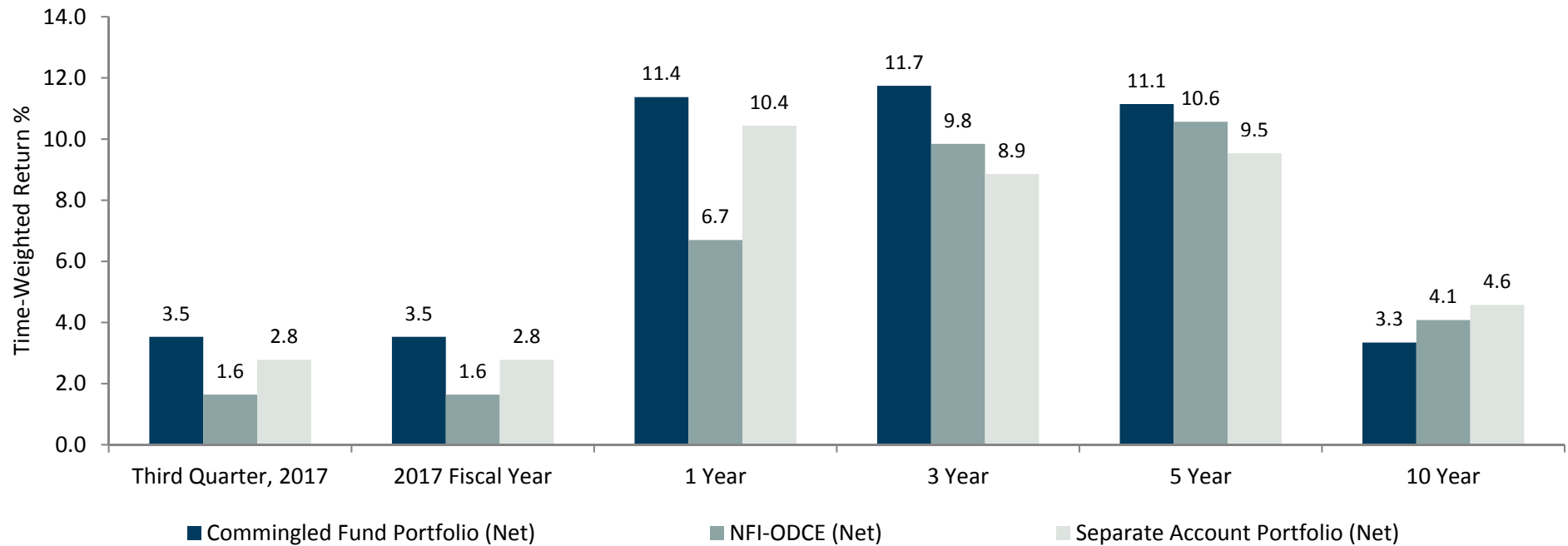
- The SCERS Private Real Estate Portfolio includes: (1) Core Real Estate and (2) Non-Core Real Estate.
- The SCERS Private Real Estate Benchmark is comprised of the NFI-ODCE (Core Benchmark, net) (65%) and the NFI-ODCE + 100bps (Non-Core Benchmark, net) (35%), resulting in an NFI-ODCE + 35bps (net) portfolio benchmark.
- On a net of fee basis, the SCERS Total Real Estate Portfolio performed above or in line with the blended benchmark for all time periods;
 - Medium-term performance experienced a drag from the Core Separate Accounts relative to the ODCE and the Opportunistic Portfolio relative to the ODCE + 100bps, on a net basis; the Core Commingled Funds and Value-Added Portfolios were accretive relative to the respective benchmarks.

Core Portfolio Performance



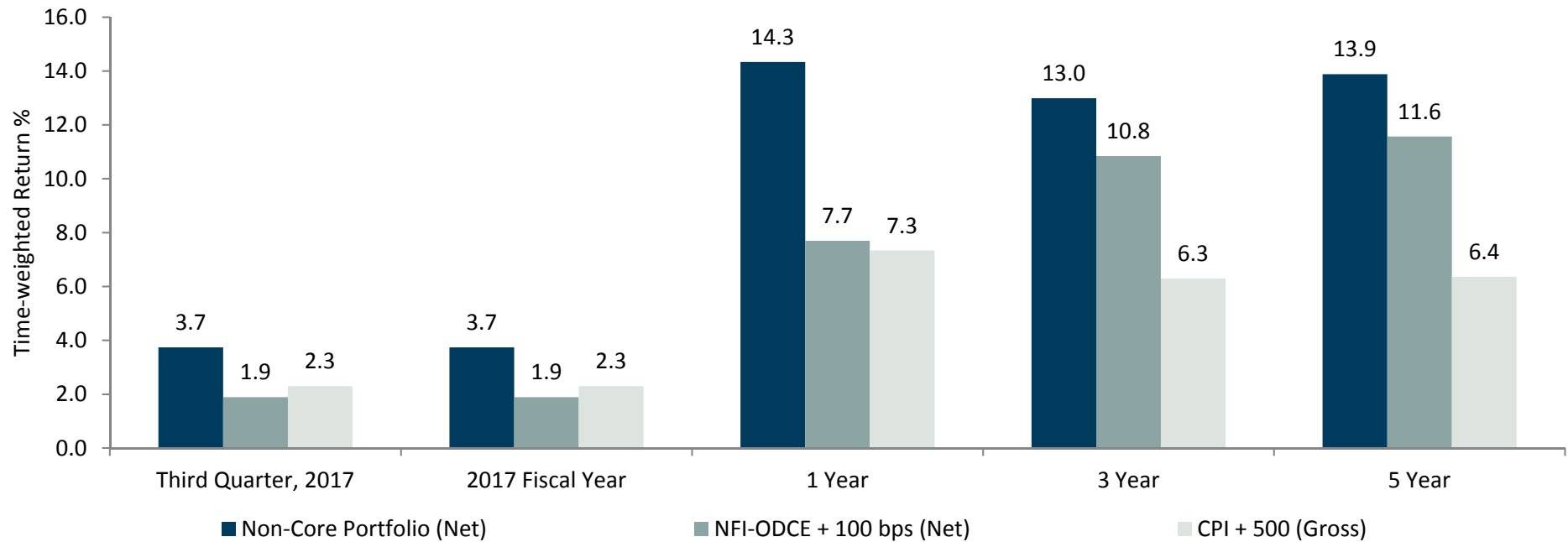
- The SCERS Core Portfolio consists of two Core Separate Accounts, managed by BlackRock and Cornerstone, and seven open-end Core Commingled funds. The Core Commingled Fund exposure includes Morgan Stanley’s Prime Property Fund, MetLife Core Property Fund, Jamestown Premier Property Fund, Principal U.S. Property Account, Prologis Targeted U.S. Logistics Fund, Prologis Targeted Europe Logistics Fund, and Townsend Real Estate Fund. All recent investments in the commingled fund space (with the exception of Jamestown) have been accretive to outperforming the benchmark.
- 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 five-year period.
- Underperformance over the medium term period is attributable to the write-downs in the SCERS Separate Accounts, specifically for assets being sold that did not command the prior carrying value (Flying Cloud / Cornerstone Separate Account and Stonefield Apartments / Blackrock Separate Account).
- 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 period (since inception returns not displayed).

Core Portfolio Performance By Vehicle



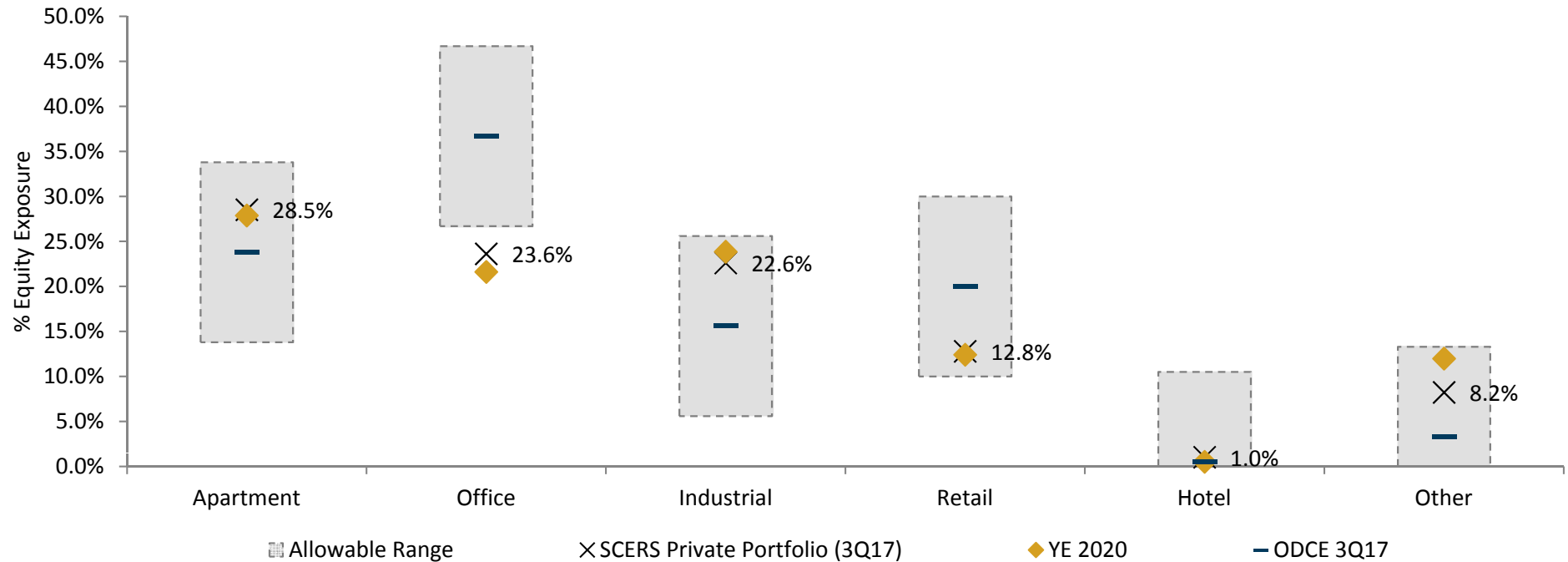
- Commingled Funds outperformed the NFI-ODCE over the Quarter, Fiscal, one-year, three-year, five-year and since inception time periods (not displayed) but underperformed over the ten-year time period. During the Quarter, the US industrial sector continued to benefit from 3PLs and e-commerce tailwinds, translating into Prologis Targeted U.S. Logistics Fund outperforming the ODCE by 540bps. Commingled Fund outperformance over the one-year time period is attributable to recent investments in Prologis Targeted U.S. Logistics Fund, Prologis Targeted Europe Logistics Fund, Prime Property Fund, MetLife Core Property Fund, Principal U.S. Property Account and Townsend Real Estate Fund.
- Longer term underperformance is primarily attributable to the inclusion of the BlackRock Granite Property Fund in historical returns (as a result, SCERS redeemed capital in the third quarter of 2013). 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. In July 2017, SCER's board approved a complete liquidation of the separate account assets, in favor of commingled fund investments going forward.
- In the short term, SCERS' Core Commingled Fund Portfolio has benefited from an overweight exposure to industrial assets. Industrial assets have and continue to benefit from economic growth and greater adoption of e-commerce among consumers.

Non-Core Portfolio Performance



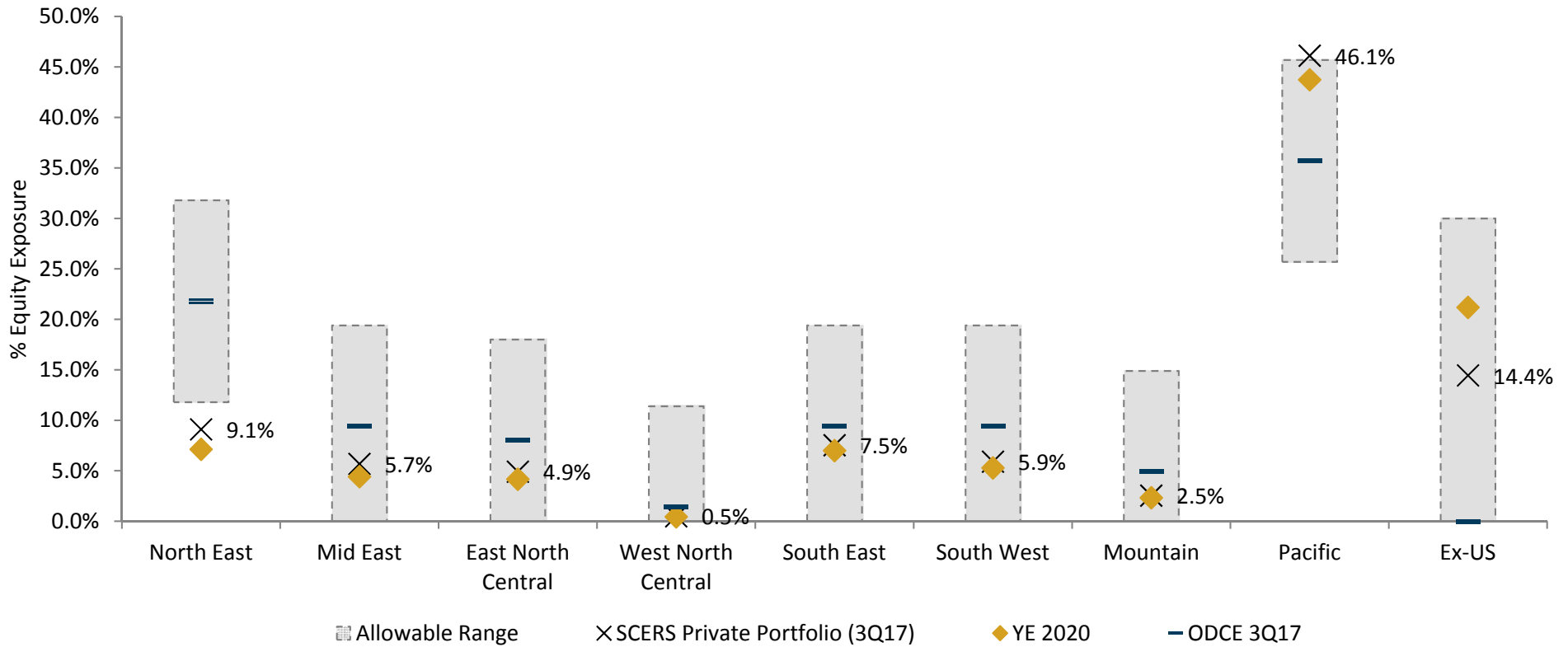
- The SCERS Non-Core Portfolio includes both Value Add and Opportunistic Real Estate strategies, which are defined in the Glossary of Terms. As displayed above, the SCERS Non-Core Portfolio outperformed the NFI-ODCE + 100 basis points over all periods displayed; short-term outperformance has been driven by strong appreciation of the British Pound and Euro.
- Outperformance over the shorter time periods is attributable to Value Add and Opportunistic strategies.
 - During the Quarter, the following Value Add funds were particularly accretive and have outperformed relative to the NFI-ODCE + 100bps (Net): DRC European Real Estate Debt Fund II (4.0%), ECE European Prime Shopping Centre Fund II (8.2%), NREP Nordic Strategies Fund (6.4%) and NREP Nordic Strategies Fund II (10.3%).
 - The following Opportunistic investments have outperformed relative to the NFI-ODCE + 100bps (Net) over the trailing one-year period: KKR Real Estate Partners Americas, BlackRock High Return Separate Account (Block 295), and Och-Ziff Real Estate Fund III.
- 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.

Real Estate Private Portfolio Diversification – Property Type



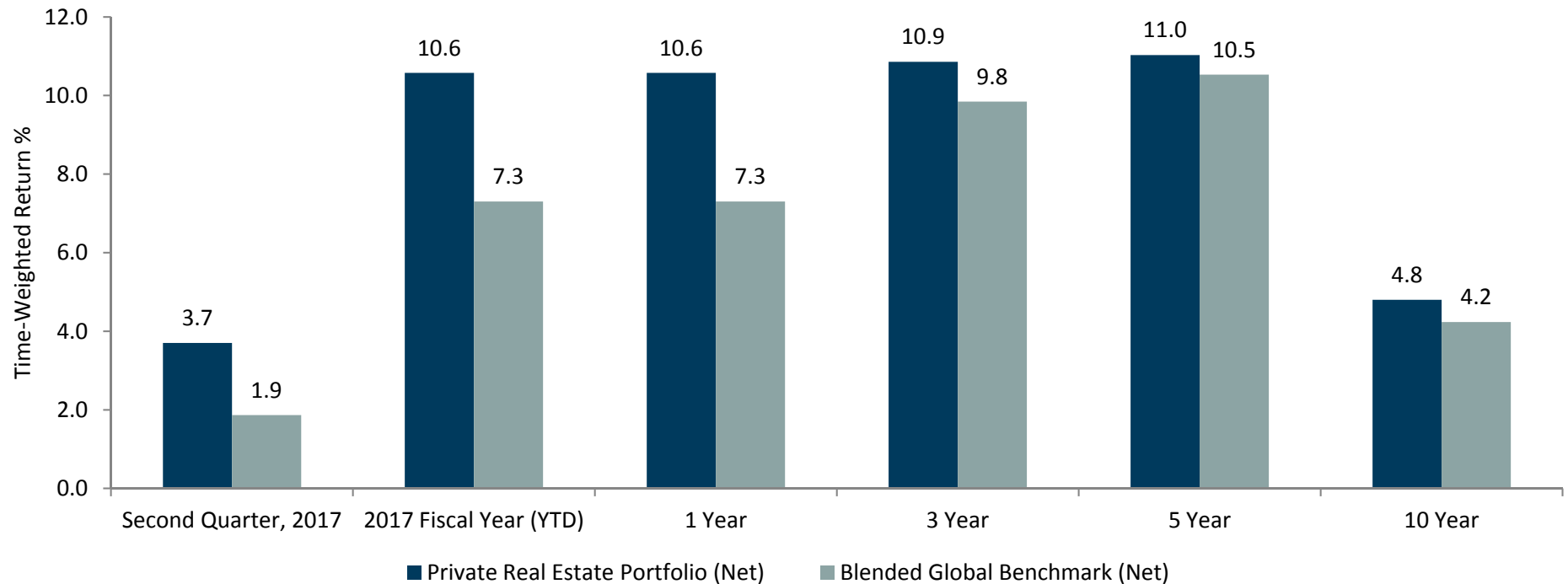
- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, with a permissible deviation of $\pm 10.0\%$ for each property type. The Real Estate Policy also allows for temporary deviations in order to provide SCERS with the flexibility required to overweight or underweight property types during certain parts of the market cycle.
- As of the Third Quarter, the Private Portfolio was in compliance across all property types with the exception of Office.
- Favorable views on the industrial property type fundamentals support increasing exposure in today's environment. SCERS made a \$70 million commitment in 2014 to the industrial space (in both the US and Europe). SCERS made an additional contribution of \$15 million to Prologis USLF during the Quarter 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 Carlyle China Realty, LP.
- 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 2020.
- 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 Third Quarter, the Private Portfolio was in breach of the target compliance range with an overweight exposure to the Pacific region and underweight exposure to the North East. Near-term plans for terminating the separate account program should dilute the Portfolio's exposure to the Pacific region, given the separate account program's current exposure of more than 90% to the Pacific region, as capital gets redeployed across regions.
- Tactical overweight/underweight positions may exist over time.
- The Private Portfolio's international exposure is 14.4%, 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, and ECE European Prime Shopping Centre Fund II continue to call capital and purchase assets in Europe.
- In 2017, 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. As of 3Q17, these investments provide \$15 million in equity exposure to China.

Private Real Estate Performance – Global Ancillary Benchmark (2Q17)



- The Global Ancillary Benchmark is made-up of the NFI-ODCE (Core), NFI-ODCE + 100bps (Non-Core), GREFI Europe Core and GREFI Europe Non-Core 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 bench will be reported on a quarterly lag to SCERS.
- The Private Portfolio's international exposure is 14.0%, well within its 30% constraint. International exposure is mainly non-core in nature, with the exception of Prologis Targeted Europe Logistics Fund.
- SCERS' Private Real Estate program has outperformed its secondary benchmark over all time periods.

Exhibit A: Performance Flash Report



Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
8,989,856,839	Core	7.0%	587,440,121	6.5%	335,573	0.0%	41,514,285	0.5%
	Non-Core	0.00% - 5.00%	198,227,688	2.2%	145,890,439	1.6%	-141,846,348	-1.6%
	Total	7.0%	785,667,809	8.7%	146,226,012	1.6%	-100,332,063	-1.1%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	3.6	3.2	12.3	11.0	11.4	10.0	11.6	10.2
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	4.2	3.7	16.7	14.3	16.2	13.0	17.1	13.9
Private Real Estate Portfolio	3.7	3.4	11.0	9.7	11.5	10.1	12.2	10.8
NFI-ODCE (Core)	1.9	1.6	7.7	6.7	10.8	9.8	11.6	10.6
NFI-ODCE + 100 bps (Non-Core)	2.1	1.9	8.7	7.7	11.8	10.8	12.6	11.6
NFI-ODCE + 35 bps (Private Portfolio)	2.0	1.7	8.0	7.0	11.2	10.2	11.9	10.9

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	18,801,814	335,573	5,651,130	19,925,088	2.5	2.2
MetLife Core Property Fund	2013	35,000,000	41,660,974	0	7,196,828	53,474,653	6.8	5.7
Prime Property Fund	2013	35,000,000	41,920,475	0	6,920,475	54,685,820	7.0	5.9
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	41,617,465	5.3	4.5
Prologis Targeted Europe Logistics Fund	2015	30,086,929	31,392,181	0	2,996,847	34,479,993	4.4	3.7
Prologis Targeted U.S. Logistics Fund	2015	35,000,000	50,000,000	0	2,546,805	59,593,125	7.6	6.4
Townsend Real Estate Fund, L.P.	2016	90,000,000	93,571,161	0	3,571,161	100,525,908	12.8	10.8
Core Commingled Funds	1986	275,086,929	312,346,605	335,573	28,883,246	364,302,052	46.4	39.1
Core Separate Accounts								
BlackRock Core Separate Account	1995	827,882,897	827,882,897	0	1,040,282,447	150,640,326	19.2	16.2
BlackRock Separate Account (PM Realty Takeover)	2002	150,601,481	150,601,481	0	214,766,654	1,593,939	0.2	0.2
Cornerstone Separate Account	2004	254,951,419	254,951,419	0	270,306,331	70,903,804	9.0	7.6
Core Separate Accounts	1996	1,233,435,797	1,233,435,797	0	1,525,355,432	223,138,069	28.4	23.9
<i>Total BlackRock Separate Account</i>	<i>1996</i>	<i>995,484,378</i>	<i>996,202,770</i>	<i>0</i>	<i>1,255,049,101</i>	<i>173,242,362</i>	<i>19.4</i>	<i>16.3</i>
Total Core Portfolio	1986	1,508,522,726	1,545,782,402	335,573	1,554,238,678	587,440,121	74.8	63.1
Value Added Portfolio								
AEW Value Investors Fund II	2007	21,812,596	21,857,719	0	27,467,576	318,118	0.0	0.0
Allegis Value Trust	2006	25,000,000	25,550,296	0	16,409,296	16,752,198	2.1	1.8
Carlyle China Realty ¹	2017	10,000,000	3,941,786	6,058,215	0	3,453,608	0.4	1.0
DRC European Real Estate Debt Fund II	2013	50,007,963	45,210,336	16,781,606	24,360,629	23,628,082	3.0	4.3
ECE European Prime Shopping Centre Fund II ¹	2015	33,611,623	7,866,449	28,238,046	1,288,199	10,419,575	1.3	4.1
Hammes Partners II	2015	25,000,000	16,504,421	9,404,735	4,397,884	13,925,693	1.8	2.5
Hines US Office Value Added Fund II	2007	25,000,000	24,382,964	846,154	16,970,755	655,647	0.1	0.2
NREP Nordic Strategies Fund	2014	16,674,080	21,924,715	581,876	17,823,833	19,311,611	2.5	2.1
NREP Nordic Strategies Fund II	2016	35,176,432	12,332,905	24,561,555	0	14,836,290	1.9	4.2
Value Added Portfolio	1986	242,282,694	179,571,591	86,472,187	108,718,172	103,300,822	13.1	20.4

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Opportunistic Portfolio								
BlackRock High Return Separate Account	2016	17,000,000	17,718,392	0	0	21,008,097	2.7	2.3
Carlyle China Project Rome Co-Investment ¹	2017	20,000,000	10,951,455	9,086,620	0	10,252,155	1.3	2.1
CIM Fund VIII	2015	35,000,000	25,720,303	11,692,227	857,764	28,470,069	3.6	4.3
KKR Real Estate Partners Americas	2014	35,000,000	28,295,825	16,984,182	15,171,180	21,737,310	2.8	4.2
Och-Ziff Real Estate Fund III ¹	2014	35,000,000	14,595,576	21,655,223	5,575,122	13,459,235	1.7	3.8
Opportunistic Portfolio	1991	142,000,000	97,281,551	59,418,252	21,604,066	94,926,866	12.1	16.6
Total Non-Core Portfolio 1Q 2007 Forward	2007	384,282,694	276,853,142	145,890,439	130,322,238	198,227,688	25.2	36.9
Total Private Portfolio								
SCERS	1986	1,892,805,420	1,822,635,544	146,226,012	1,684,560,916	785,667,809	100.0	100.0

¹ Preliminary performance, subject to change.

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2018				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	19,925,088	1.2	0.4	1.7	1.5	1.2	0.4	1.7	1.5	4.7	1.8	6.6	5.2	4.7	8.1	13.1	10.4
MetLife Core Property Fund	53,474,653	1.2	1.0	2.2	2.1	1.2	1.0	2.2	2.1	4.9	3.2	8.3	7.7	5.1	6.0	11.4	10.8
Prime Property Fund	54,685,820	1.0	1.5	2.5	2.2	1.0	1.5	2.5	2.2	4.2	5.9	10.2	9.1	4.3	8.2	12.8	11.6
Principal U.S. Property Account	41,617,465	1.1	1.2	2.3	2.1	1.1	1.2	2.3	2.1	4.7	4.9	9.8	8.8				
Prologis Targeted Europe Logistics Fund	34,479,993	1.5	6.7	8.1	7.4	1.5	6.7	8.1	7.4	6.3	10.6	17.5	15.7				
Prologis Targeted U.S. Logistics Fund	59,593,125	1.3	6.9	8.2	7.0	1.3	6.9	8.2	7.0	5.6	19.3	25.7	21.3				
Townsend Real Estate Fund, L.P.	100,525,908	1.1	1.7	2.8	2.8	1.1	1.7	2.8	2.8	4.7	6.5	11.4	11.2				
Core Commingled Funds	364,302,052	1.2	2.7	3.9	3.5	1.2	2.7	3.9	3.5	4.9	7.5	12.7	11.4	4.7	8.0	13.0	11.7
Core Separate Accounts																	
BlackRock Core Separate Account	150,640,326	1.2	1.2	2.5	2.0	1.2	1.2	2.5	2.0	5.1	3.6	8.8	7.3	5.0	7.3	12.6	10.8
BlackRock Separate Account (PM Realty Takeover)	1,593,939	-0.5	0.0	-0.5	-0.5	-0.5	0.0	-0.5	-0.5	1.4	-8.6	-7.3	-7.4	3.8	-8.2	-4.6	-5.1
Cornerstone Separate Account	70,903,804	1.1	3.5	4.6	4.5	1.1	3.5	4.6	4.5	4.7	15.7	20.9	20.1	5.1	5.0	10.3	9.5
Core Separate Accounts	223,138,069	1.2	1.9	3.1	2.8	1.2	1.9	3.1	2.8	4.9	6.6	11.7	10.4	5.0	5.1	10.3	8.9
<i>Total BlackRock Separate Account</i>	<i>173,242,362</i>	<i>1.1</i>	<i>1.4</i>	<i>2.5</i>	<i>2.1</i>	<i>1.1</i>	<i>1.4</i>	<i>2.5</i>	<i>2.1</i>	<i>4.4</i>	<i>4.6</i>	<i>9.2</i>	<i>7.8</i>	<i>4.8</i>	<i>6.0</i>	<i>10.9</i>	<i>9.3</i>
Total Core Portfolio	587,440,121	1.2	2.4	3.6	3.2	1.2	2.4	3.6	3.2	4.9	7.2	12.3	11.0	4.9	6.2	11.4	10.0
Value Added Portfolio																	
AEW Value Investors Fund II ⁿ	318,118																
Allegis Value Trust ⁺	16,752,198	1.2	1.4	2.6	2.5	1.2	1.4	2.6	2.5	5.4	1.0	6.4	5.9	5.6	3.2	8.9	8.4
Carlyle China Realty ⁺	3,453,608	0.2	-0.7	-0.5	-1.9												
DRC European Real Estate Debt Fund II	23,628,082	1.7	2.6	4.3	4.0	1.7	2.6	4.3	4.0	12.5	3.7	16.4	15.1	12.7	-7.4	4.6	2.9
ECE European Prime Shopping Centre Fund II ⁺	10,419,575	5.1	2.3	7.4	8.2	5.1	2.3	7.4	8.2	1.7	21.5	23.9	22.9				
Hammes Partners II	13,925,693	2.1	0.6	2.8	2.1	2.1	0.6	2.8	2.1	9.0	3.8	13.0	9.5				
Hines US Office Value Added Fund II ⁿ	655,647																
NREP Nordic Strategies Fund	19,311,611	1.3	5.4	6.6	6.4	1.3	5.4	6.6	6.4	8.1	22.5	31.9	30.9				
NREP Nordic Strategies Fund II	14,836,290	0.6	11.3	11.9	10.3	0.6	11.3	11.9	10.3	9.4	32.9	44.8	31.2				
Value Added Portfolio	103,300,822	1.7	3.6	5.3	4.9	1.7	3.6	5.3	4.9	8.1	10.3	19.0	16.5	9.0	7.4	16.9	14.5
Opportunistic Portfolio																	
BlackRock High Return Separate Account	21,008,097	-0.1	2.6	2.5	2.5	-0.1	2.6	2.5	2.5	-0.4	20.2	19.7	19.7				
Carlyle China Project Rome Co-Investment ⁺	10,252,155	-0.2	0.1	-0.2	-0.8												
CIM Fund VIII	28,470,069	0.0	1.9	1.9	1.5	0.0	1.9	1.9	1.5	0.3	6.4	6.7	4.9				
KKR Real Estate Partners Americas	21,737,310	3.2	0.6	3.8	3.1	3.2	0.6	3.8	3.1	9.5	3.6	13.5	11.4	9.7	2.1	12.2	9.2
Och-Ziff Real Estate Fund III ⁺	13,459,235	2.0	4.1	6.1	5.1	2.0	4.1	6.1	5.1	10.1	21.3	33.0	27.9	17.3	13.9	33.1	4.2
Opportunistic Portfolio	94,926,866	1.0	1.9	2.9	2.4	1.0	1.9	2.9	2.4	4.1	10.0	14.5	12.4	5.4	9.6	15.5	10.1
Total Non-Core Portfolio 1Q 2007 Forward	198,227,688	1.4	2.8	4.2	3.7	1.4	2.8	4.2	3.7	6.3	10.0	16.7	14.3	7.8	7.9	16.2	13.0
Total Private Portfolio																	
SCERS	785,667,809	1.2	2.5	3.7	3.4	1.2	2.5	3.7	3.4	4.8	6.0	11.0	9.7	5.1	6.2	11.5	10.1

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2018				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Ex-US Dollar Denominated Investments (In Local Currency)																	
Prologis Targeted Europe Logistics Fund (Euro)	€ 29,183,866	1.4	3.2	4.6	3.8	1.4	3.2	4.6	3.8	6.3	5.2	11.8	10.1				
DRC European Real Estate Debt Fund II (Pound Sterling)	£17,638,363	1.7	0.0	1.7	1.4	1.7	0.0	1.7	1.4	12.4	0.0	12.4	11.1	12.7	-1.3	11.3	9.5
ECE European Prime Shopping Centre Fund II (Euro) ⁴	€ 8,819,128	4.9	-1.0	3.8	4.6	4.9	-1.0	3.8	4.6	0.9	15.4	17.9	16.9				
NREP Nordic Strategies Fund (Euro)	€ 16,345,348	1.7	1.2	2.9	2.7	1.7	1.2	2.9	2.7	8.5	15.7	25.2	24.3				
NREP Nordic Strategies Fund II (Euro)	€ 12,557,435	0.6	7.6	8.2	6.7	0.6	7.6	8.2	6.7	9.5	25.5	36.6	23.8				
Indices																	
NFI ODCE+ 35bps ⁵				2.0	1.7			2.0	1.7			8.0	7.0			11.2	10.2
NFI-ODCE		1.1	0.8	1.9	1.6	1.1	0.8	1.9	1.6	4.4	3.2	7.7	6.7	4.6	6.0	10.8	9.8
NFI-ODCE + 100bps				2.1	1.9			2.1	1.9			8.7	7.7			11.8	10.8
CPI + 500 bps				2.3				2.3				7.3				6.3	

Returns (%)	Market Value (\$)	5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET			
Core Commingled Funds																
Jamestown Premier Property Fund	19,925,088									4.8	8.2	13.3	10.6	1Q14	10.7	1.4
MetLife Core Property Fund	53,474,653									5.1	7.5	12.9	12.4	1Q14	12.4	1.5
Prime Property Fund	54,685,820									4.4	8.6	13.3	12.1	4Q13	12.0	1.5
Principal U.S. Property Account	41,617,465									4.9	5.0	10.1	9.0	4Q15	9.0	1.2
Prologis Targeted Europe Logistics Fund	34,479,993									3.7	9.9	13.9	12.9	1Q16	10.0	1.2
Prologis Targeted U.S. Logistics Fund	59,593,125									5.8	13.3	19.6	16.8	3Q15	18.2	1.2
Townsend Real Estate Fund, L.P.	100,525,908									4.5	6.7	11.5	11.2	2Q16	11.1	1.1
Core Commingled Funds	364,302,052	4.7	7.4	12.3	11.1	4.9	-0.6	4.3	3.3	4.5	3.3	7.9	7.0	4Q86	6.3	1.3
Core Separate Accounts																
BlackRock Core Separate Account	150,640,326	5.2	7.2	12.7	10.6	5.3	0.6	5.9	4.7	7.1	3.2	10.4	8.8	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)	1,593,939	3.9	-3.6	0.2	-0.4	4.7	-4.2	0.3	-0.3	5.5	0.7	6.2	5.1	3Q02	8.3	1.4
Cornerstone Separate Account	70,903,804	5.3	5.8	11.3	10.5	5.4	0.7	6.2	5.3	5.6	2.2	7.9	7.0	3Q04	5.4	1.3
Core Separate Accounts	223,138,069	5.2	5.7	11.1	9.5	5.3	0.3	5.6	4.6	7.2	2.9	10.2	8.9	1Q96	8.9	1.4
<i>Total BlackRock Separate Account</i>	<i>173,242,362</i>	<i>5.0</i>	<i>6.1</i>	<i>11.4</i>	<i>9.5</i>	<i>5.2</i>	<i>0.4</i>	<i>5.6</i>	<i>4.5</i>	<i>7.2</i>	<i>3.1</i>	<i>10.4</i>	<i>9.0</i>	<i>1Q96</i>	<i>9.8</i>	<i>1.4</i>
Total Core Portfolio	587,440,121	5.0	6.4	11.6	10.2	5.2	0.2	5.5	4.4	5.6	1.8	7.5	6.5	4Q86	8.3	1.4
Value Added Portfolio																
AEW Value Investors Fund II*	318,118													3Q07	5.6	1.3
Allegis Value Trust*	16,752,198	6.0	2.6	8.7	8.1	5.3	-7.9	-2.9	-3.9	4.8	-4.3	0.3	-1.3	1Q07		
Carlyle China Realty ^c	3,453,608									0.2	-0.7	-0.5	-1.9	3Q17	-43.1	0.9
DRC European Real Estate Debt Fund II	23,628,082									11.1	-6.4	4.3	2.2	1Q14	2.9	1.1
ECE European Prime Shopping Centre Fund II ^c	10,419,575									1.8	26.1	28.7	26.8	4Q15	26.7	1.5
Hammes Partners II	13,925,693									11.6	7.8	20.4	13.5	3Q15	9.3	1.1
Hines US Office Value Added Fund II*	655,647													4Q07	-4.8	0.7
NREP Nordic Strategies Fund	19,311,611									12.3	24.0	38.5	36.2	1Q15	35.7	1.7
NREP Nordic Strategies Fund II	14,836,290									7.2	25.7	34.2	16.4	3Q16	23.0	1.2
Value Added Portfolio	103,300,822	8.0	7.4	15.8	13.6	6.4	-6.2	-0.2	-2.4	1.9	3.6	5.6	4.5	4Q86	4.4	1.2
Opportunistic Portfolio																
BlackRock High Return Separate Account	21,008,097									-1.3	19.9	18.4	18.4	3Q16	18.4	1.2
Carlyle China Project Rome Co-Investment ^c	10,252,155									-0.2	0.1	-0.2	-0.8	3Q17	-22.6	0.9
CIM Fund VIII	28,470,069									0.2	11.4	11.6	8.8	2Q15	7.6	1.1
KKR Real Estate Partners Americas	21,737,310									9.5	3.9	13.9	9.7	2Q14	15.6	1.3
Och-Ziff Real Estate Fund III ^{c,2}	13,459,235									17.3	13.9	33.1	4.2	4Q14	20.7	1.3
Opportunistic Portfolio	94,926,866	4.2	20.9	26.0	19.8	3.3	14.4	18.1	12.6	1.2	8.3	9.6	7.7	1Q91	30.8	1.3
Total Non-Core Portfolio 1Q 2007 Forward	198,227,688	7.1	9.5	17.1	13.9	5.3	2.5	7.7	4.3	4.5	4.9	9.5	5.2	1Q07	6.7	1.2
Total Private Portfolio																
SCERS	785,667,809	5.0	7.0	12.2	10.8	4.9	1.9	6.9	5.8	4.3	5.0	9.4	8.5	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			
Ex-US Dollar Denominated Investments (In Local Currency)																
Prologis Targeted Europe Logistics Fund (Euro)	€ 29,183,866									3.7	4.7	8.5	7.5	1Q16	8.2	1.2
DRC European Real Estate Debt Fund II (Pound Sterling)	£17,638,363									11.2	-1.0	10.0	7.8	1Q14	7.8	1.2
ECE European Prime Shopping Centre Fund II (Euro) ^c	€ 8,819,128									1.3	22.9	25.5	23.6	4Q15	22.6	1.4
NREP Nordic Strategies Fund (Euro)	€ 16,345,348									12.7	24.6	39.4	37.1	1Q15	36.5	1.7
NREP Nordic Strategies Fund II (Euro)	€ 12,557,435									7.3	18.9	27.0	10.1	3Q16	13.7	1.1
Indices																
NFI ODCE+ 35bps ⁵				11.9	10.9			5.4	4.4			7.7	6.6	4Q86		
NFI-ODCE		4.8	6.5	11.6	10.6	5.3	-0.2	5.0	4.1	6.9	0.4	7.3	6.3	4Q86		
NFI-ODCE + 100bps				12.6	11.6			6.0	5.1			8.3	7.3	4Q86		
CPI + 500 bps				6.4				6.8				7.8		4Q86		

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2018				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	13,027,520	1.4	0.0	1.4	1.3	1.4	0.0	1.4	1.3	6.7	-0.8	5.9	5.5	6.7	0.4	7.1	7.7
Forest Pointe ¹	112,519																
Harbour Pointe	38,614,897	1.3	0.2	1.5	1.2	1.3	0.2	1.5	1.2	5.3	7.9	13.6	11.2	5.7	5.7	11.6	9.2
Hillside Village	43,122,360	1.2	3.0	4.2	3.4	1.2	3.0	4.2	3.4	4.4	3.1	7.6	5.9	4.3	12.5	17.2	13.4
Lake Washington Park	39,007,699	1.0	-0.1	1.0	0.8	1.0	-0.1	1.0	0.8	4.5	1.2	5.7	5.2	4.6	5.8	10.6	10.1
SCERS - Portfolio Master Acct. ²	83,955																
The Tower at Hollywood Hills Weston, Inc. ¹	16,671,376 0	1.7	3.3	5.0	4.1	1.7	3.3	5.0	4.1	5.6	5.6	11.3	8.8	5.4	9.1	14.8	11.2
Investment Total	150,640,326	1.2	1.2	2.5	2.0	1.2	1.2	2.5	2.0	5.1	3.6	8.8	7.3	5.0	7.3	12.6	10.8
BlackRock Separate Account (PM Realty Takeover)																	
Stonefield Apts ¹	1,593,939																
Investment Total	1,593,939	-0.5	0.0	-0.5	-0.5	-0.5	0.0	-0.5	-0.5	1.4	-8.6	-7.3	-7.4	3.8	-8.2	-4.6	-5.1
Cornerstone Separate Account																	
Crescent Park	70,882,819	1.1	3.5	4.6	4.5	1.1	3.5	4.6	4.5	4.6	15.7	20.9	20.1	5.1	10.8	16.4	15.5
Flying Cloud ¹	7,552																
Gateway Corporate ¹	3,000																
Salt Pond ¹	10,434																
Investment Total	70,903,805	1.1	3.5	4.6	4.5	1.1	3.5	4.6	4.5	4.7	15.7	20.9	20.1	5.1	5.0	10.3	9.5
BlackRock High Return Separate Account																	
Block 295	21,008,097	-0.1	2.6	2.5	2.5	-0.1	2.6	2.5	2.5	-0.4	20.2	19.7	19.7				
Investment Total	21,008,097	-0.1	2.6	2.5	2.5	-0.1	2.6	2.5	2.5	-0.4	20.2	19.7	19.7				
Total																	
Total Separate Accounts	244,146,167	1.1	2.0	3.1	2.8	1.1	2.0	3.1	2.8	4.5	7.6	12.3	11.1	4.9	5.4	10.5	9.1
Index																	
NFI-ODCE		1.1	0.8	1.9	1.6	1.1	0.8	1.9	1.6	4.4	3.2	7.7	6.7	4.6	6.0	10.8	9.8

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

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

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	13,027,520	6.6	3.4	10.1	9.5	10.1	9.5	4Q12	9.5	1.5
Forest Pointe ¹	112,519							4Q05	5.2	1.3
Harbour Pointe	38,614,897	6.0	6.4	12.7	9.5	8.4	6.9	4Q05	7.3	1.6
Hillside Village	43,122,360	4.3	13.1	17.8	15.2	8.4	6.9	4Q07	4.6	1.4
Lake Washington Park	39,007,699	4.4	8.0	12.6	12.0	3.2	2.5	3Q07	3.2	1.3
SCERS - Portfolio Master Acct. ²	83,955							2Q01	2.0	1.2
The Tower at Hollywood Hills	16,671,376	5.2	8.3	13.9	10.7	8.9	7.1	1Q08	6.0	1.6
Weston, Inc. ¹	0							1Q06	4.4	1.3
Investment Total	150,640,326	5.2	7.2	12.7	10.6	10.4	8.8	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)										
Stonefield Apts ¹	1,593,939							1Q03	6.9	1.3
Investment Total	1,593,939	3.9	-3.6	0.2	-0.4	6.2	5.1	3Q02	8.3	1.4
Cornerstone Separate Account										
Crescent Park	70,882,819	5.0	9.7	15.0	14.2	7.5	6.4	1Q06	6.3	1.7
Flying Cloud ¹	7,552							4Q06	0.1	1.0
Gateway Corporate ¹	3,000							1Q08	-1.4	0.9
Salt Pond ¹	10,434							3Q04	7.2	1.6
Investment Total	70,903,805	5.3	5.8	11.3	10.5	7.9	7.0	3Q04	5.4	1.3
BlackRock High Return Separate Account										
Block 295	21,008,097					18.4	18.4	3Q16	18.4	1.2
Investment Total	21,008,097					18.4	18.4	3Q16	18.4	1.2
Total										
Total Separate Accounts	244,146,167	5.1	5.9	11.2	9.7	10.3	8.9	1Q96	8.9	1.4
Index										
NFI-ODCE		4.8	6.5	11.6	10.6	7.3	6.3	4Q86		

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

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

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2018				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	150,640,326	1.2	1.2	2.5	2.0	1.2	1.2	2.5	2.0	5.1	3.6	8.8	7.3	5.0	7.3	12.6	10.8
BlackRock Separate Account (PM Realty Takeover)	1,593,939	-0.5	0.0	-0.5	-0.5	-0.5	0.0	-0.5	-0.5	1.4	-8.6	-7.3	-7.4	3.8	-8.2	-4.6	-5.1
Cornerstone Separate Account	70,903,804	1.1	3.5	4.6	4.5	1.1	3.5	4.6	4.5	4.7	15.7	20.9	20.1	5.1	5.0	10.3	9.5
Core Separate Accounts	223,138,069	1.2	1.9	3.1	2.8	1.2	1.9	3.1	2.8	4.9	6.6	11.7	10.4	5.0	5.1	10.3	8.9
<i>Total BlackRock Separate Account</i>	<i>173,242,362</i>	<i>1.1</i>	<i>1.4</i>	<i>2.5</i>	<i>2.1</i>	<i>1.1</i>	<i>1.4</i>	<i>2.5</i>	<i>2.1</i>	<i>4.4</i>	<i>4.6</i>	<i>9.2</i>	<i>7.8</i>	<i>4.8</i>	<i>6.0</i>	<i>10.9</i>	<i>9.3</i>
Separate Account Returns by Property Type																	
Apartment	132,383,013	1.2	3.3	4.5	4.0	1.2	3.3	4.5	4.0	4.5	8.7	13.5	12.2	4.9	6.5	11.7	9.9
Industrial	13,027,520	1.4	0.0	1.4	1.3	1.4	0.0	1.4	1.3	6.8	-0.8	5.9	5.5	6.1	4.2	10.5	11.2
Office	60,026,347	0.6	0.8	1.5	1.4	0.6	0.8	1.5	1.4	3.3	6.7	10.2	9.8	3.8	2.9	6.8	6.3
Retail	38,625,331	1.3	0.2	1.5	1.1	1.3	0.2	1.5	1.1	5.4	7.9	13.7	11.3	5.7	5.7	11.7	9.4
Total Private Portfolio																	
SCERS	785,667,809	1.2	2.5	3.7	3.4	1.2	2.5	3.7	3.4	4.8	6.0	11.0	9.7	5.1	6.2	11.5	10.1
NPI Property Level Returns																	
NPI- Apartment		1.1	0.6	1.7		1.1	0.6	1.7		4.5	1.7	6.2		4.6	4.1	8.9	
NPI- Industrial		1.2	2.0	3.3		1.2	2.0	3.3		5.1	7.4	12.8		5.3	8.0	13.6	
NPI-Office		1.1	0.3	1.4		1.1	0.3	1.4		4.5	1.2	5.7		4.7	3.9	8.7	
NPI-Retail		1.1	0.1	1.2		1.1	0.1	1.2		4.7	1.3	6.1		5.0	5.3	10.4	
Indices																	
NFI-ODCE		1.1	0.8	1.9	1.6	1.1	0.8	1.9	1.6	4.4	3.2	7.7	6.7	4.6	6.0	10.8	9.8

Returns (%)	Market Value (\$)	5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET		
Core Separate Accounts															
BlackRock Core Separate Account	150,640,326	5.2	7.2	12.7	10.6	5.3	0.6	5.9	4.7	7.1	3.2	10.4	8.8	1Q96	10.0
BlackRock Separate Account (PM Realty Takeover)	1,593,939	3.9	-3.6	0.2	-0.4	4.7	-4.2	0.3	-0.3	5.5	0.7	6.2	5.1	3Q02	8.3
Cornerstone Separate Account	70,903,804	5.3	5.8	11.3	10.5	5.4	0.7	6.2	5.3	5.6	2.2	7.9	7.0	3Q04	5.4
Core Separate Accounts	223,138,069	5.2	5.7	11.1	9.5	5.3	0.3	5.6	4.6	7.2	2.9	10.2	8.9	1Q96	8.9
<i>Total BlackRock Separate Account</i>	<i>173,242,362</i>	<i>5.0</i>	<i>6.1</i>	<i>11.4</i>	<i>9.5</i>	<i>5.2</i>	<i>0.4</i>	<i>5.6</i>	<i>4.5</i>	<i>7.2</i>	<i>3.1</i>	<i>10.4</i>	<i>9.0</i>	<i>1Q96</i>	<i>9.8</i>
Separate Account Returns by Property Type															
Apartment	132,383,013	5.0	7.0	12.3	10.8	4.6	2.7	7.4	6.3	5.8	2.3	8.2	7.2	1Q96	6.2
Industrial	13,027,520	5.2	4.8	10.2	10.1	5.2	-2.1	3.1	2.7	7.6	3.2	10.9	9.5	3Q96	13.3
Office	60,026,347	4.6	3.7	8.4	7.2	5.3	-3.0	2.2	1.4	7.6	2.2	10.0	8.5	1Q96	8.6
Retail	38,625,331	6.0	6.9	13.2	10.8	6.3	-0.6	5.8	4.6	7.6	3.1	10.8	9.1	4Q99	9.8
Total Private Portfolio															
SCERS	785,667,809	5.0	7.0	12.2	10.8	4.9	1.9	6.9	5.8	4.3	5.0	9.4	8.5	4Q86	8.4
NPI Property Level Returns															
NPI- Apartment		4.8	4.5	9.5		5.0	1.0	6.1		6.2	3.2	9.6		1Q96	
NPI- Industrial		5.6	7.1	13.0		6.1	1.0	7.1		7.3	2.9	10.3		3Q96	
NPI-Office		4.9	4.2	9.3		5.4	-0.3	5.2		6.9	2.5	9.5		1Q96	
NPI-Retail		5.3	5.9	11.5		5.9	1.9	7.8		6.7	3.7	10.6		4Q99	
Indices															
NFI-ODCE		4.8	6.5	11.6	10.6	5.3	-0.2	5.0	4.1	6.9	0.4	7.3	6.3	4Q86	

Returns (%)	Market Value (\$)	2017 (YTD)		Fiscal Year 2018		2016		2015		2014		2013		2012	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Commingled Funds															
Jamestown Premier Property Fund	19,925,088	6.6	5.5	1.7	1.5	6.6	5.3	22.4	17.3	14.7	11.9				
MetLife Core Property Fund	53,474,653	5.0	4.7	2.2	2.1	9.3	8.8	16.9	16.3	17.4	16.9				
Prime Property Fund	54,685,820	7.4	6.5	2.5	2.2	10.4	9.2	15.9	14.6	15.5	14.1	3.8	3.6		
Principal U.S. Property Account	41,617,465	6.9	6.1	2.3	2.1	10.0	9.0	3.0	2.8						
Prologis Targeted Europe Logistics Fund	34,479,993	22.2	20.8	8.1	7.4	2.8	2.4								
Prologis Targeted U.S. Logistics Fund	59,593,125	18.0	15.0	8.2	7.0	16.1	14.2	9.1	7.9						
Townsend Real Estate Fund, L.P.	100,525,908	8.5	8.3	2.8	2.8	8.4	8.2								
Core Commingled Funds	364,302,052	10.1	9.1	3.9	3.5	9.8	8.9	15.7	14.1	13.5	12.4	10.2	9.3	11.1	10.1
Core Separate Accounts															
BlackRock Core Separate Account	150,640,326	6.7	5.6	2.5	2.0	11.3	9.3	15.3	13.9	16.3	12.5	11.8	9.6	13.5	13.0
BlackRock Separate Account (PM Realty Takeover)	1,593,939	0.5	0.5	-0.5	-0.5	-9.6	-10.2	-13.2	-13.9	19.2	18.4	6.7	5.9	10.1	9.5
Cornerstone Separate Account	70,903,804	11.6	11.1	4.6	4.5	14.0	13.3	2.4	1.6	14.0	13.2	11.3	10.5	16.2	15.4
Core Separate Accounts	223,138,069	8.2	7.2	3.1	2.8	10.0	8.6	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5
<i>Total BlackRock Separate Account</i>	<i>173,242,362</i>	<i>7.7</i>	<i>6.7</i>	<i>2.5</i>	<i>2.1</i>	<i>8.6</i>	<i>7.0</i>	<i>10.7</i>	<i>9.4</i>	<i>17.0</i>	<i>13.6</i>	<i>10.9</i>	<i>9.0</i>	<i>13.1</i>	<i>12.5</i>
Total Core Portfolio	587,440,121	9.3	8.4	3.6	3.2	9.8	8.5	10.4	9.2	15.3	13.2	10.8	9.5	13.3	12.6
Value Added Portfolio															
AEW Value Investors Fund II ^{1,2}	318,118														
Allegis Value Trust	16,752,198	6.0	5.7	2.6	2.5	9.9	9.4	8.6	8.0	10.8	10.2	4.7	4.0	21.8	20.9
Carlyle China Realty ¹	3,453,608	-0.5	-1.9												
DRC European Real Estate Debt Fund II	23,628,082	19.3	18.2	4.3	4.0	-7.8	-8.9	5.0	3.0	1.4	-2.1				
ECE European Prime Shopping Centre Fund II ¹	10,419,575	21.0	21.0	7.4	8.2	27.0	25.9	12.1	11.0						
Hammes Partners II	13,925,693	9.3	6.7	2.8	2.1	14.8	8.9	19.4	12.9						
Hines US Office Value Added Fund II ²	655,647														
NREP Nordic Strategies Fund	19,311,611	28.2	27.4	6.6	6.4	23.1	21.7	55.1	50.8						
NREP Nordic Strategies Fund II	14,836,290	33.1	25.6	11.9	10.3	10.7	-1.9								
Value Added Portfolio	103,300,822	12.5	11.3	5.3	4.9	9.5	7.0	19.1	17.0	15.7	13.7	13.3	10.8	19.6	18.1

Returns (%)	Market Value (\$)	2017 (YTD)		Fiscal Year 2018		2016		2015		2014		2013		2012	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Opportunistic Portfolio															
BlackRock High Return Separate Account	21,008,097	16.2	16.2	2.5	2.5	6.3	6.3								
Carlyle China Project Rome Co-Investment ¹	10,252,155	-0.2	-0.8												
CIM Fund VIII	28,470,069	5.7	4.4	1.9	1.5	5.8	3.4	16.9	13.8						
KKR Real Estate Partners Americas	21,737,310	12.3	9.3	3.8	3.1	6.5	5.4	17.1	12.5	12.7	6.5				
Och-Ziff Real Estate Fund III ¹	13,459,235	24.1	20.7	6.1	5.1	30.0	22.2	33.7	6.9	9.4	-28.3				
Opportunistic Portfolio	94,926,866	11.8	9.9	2.9	2.4	10.0	7.5	23.8	13.1	77.7	62.7	11.7	9.4	54.2	38.5
Total Non-Core Portfolio 1Q 2007 Forward	198,227,688	15.1	13.2	4.2	3.7	9.8	7.4	20.0	15.6	19.7	16.3	16.7	13.5	34.6	26.9
Total Private Portfolio															
SCERS	785,667,809	10.3	9.3	3.7	3.4	9.7	8.2	12.3	10.5	15.9	13.6	11.4	9.9	16.4	14.7
Indices															
NFI-ODCE + 35 bps		5.6	4.9	2.0	1.7	9.1	8.1	15.4	14.3	12.8	11.8	14.3	13.3	11.3	10.1
NFI-ODCE		5.4	4.7	1.9	1.6	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8
NFI-ODCE + 100 bps		5.9	5.2	2.1	1.9	9.8	8.8	16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8
CPI + 500 bps		5.2		2.3		7.2		5.7		5.7		6.6		6.9	

¹ Preliminary performance, subject to change.

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

Returns (%)	Market Value (\$)	2011		2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Commingled Funds																	
Jamestown Premier Property Fund	19,925,088																
MetLife Core Property Fund	53,474,653																
Prime Property Fund	54,685,820																
Principal U.S. Property Account	41,617,465																
Prologis Targeted Europe Logistics Fund	34,479,993																
Prologis Targeted U.S. Logistics Fund	59,593,125																
Townsend Real Estate Fund, L.P.	100,525,908																
Core Commingled Funds	364,302,052	16.4	15.5	14.1	13.3	-33.0	-33.6	-13.8	-14.6	15.5	14.5	16.9	15.8	23.5	22.3	36.7	35.2
Core Separate Accounts																	
BlackRock Core Separate Account	150,640,326	17.8	17.4	20.7	19.6	-29.5	-29.1	-13.9	-14.3	21.2	16.8	17.7	13.3	27.1	21.6	9.3	5.1
BlackRock Separate Account (PM Realty Takeover)	1,593,939	11.9	11.4	11.5	11.0	-22.7	-23.1	-5.6	-6.5	12.5	10.6	14.4	12.5	55.8	49.3	11.3	10.3
Cornerstone Separate Account	70,903,804	24.9	23.9	21.2	20.2	-31.7	-32.4	-9.4	-10.1	11.9	11.1	11.1	10.2	18.7	17.6	2.9	2.4
Core Separate Accounts	223,138,069	18.7	18.2	18.6	17.6	-28.5	-28.7	-10.5	-11.1	16.3	13.6	15.2	12.1	31.7	26.6	9.8	6.3
<i>Total BlackRock Separate Account</i>	<i>173,242,362</i>	<i>16.1</i>	<i>15.7</i>	<i>17.3</i>	<i>16.4</i>	<i>-26.8</i>	<i>-26.7</i>	<i>-11.1</i>	<i>-11.6</i>	<i>18.5</i>	<i>15.0</i>	<i>16.8</i>	<i>13.1</i>	<i>34.0</i>	<i>28.2</i>	<i>9.9</i>	<i>6.6</i>
Total Core Portfolio	587,440,121	18.2	17.6	17.6	16.7	-29.5	-29.8	-11.3	-12.0	16.1	13.8	15.5	12.7	30.3	25.8	10.6	7.1
Value Added Portfolio																	
AEW Value Investors Fund II ^{1,2}	318,118																
Allegis Value Trust	16,752,198	15.7	14.7	21.6	20.4	-62.2	-62.8	-21.2	-23.9	38.6	28.4						
Carlyle China Realty ¹	3,453,608																
DRC European Real Estate Debt Fund II	23,628,082																
ECE European Prime Shopping Centre Fund II ¹	10,419,575																
Hammes Partners II	13,925,693																
Hines US Office Value Added Fund II ²	655,647																
NREP Nordic Strategies Fund	19,311,611																
NREP Nordic Strategies Fund II	14,836,290																
Value Added Portfolio	103,300,822	16.7	14.7	23.2	20.3	-56.4	-57.6	-31.2	-33.5	18.2	5.6	0.8	0.5				

Returns (%)	Market Value (\$)	2011		2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Opportunistic Portfolio																	
BlackRock High Return Separate Account	21,008,097																
Carlyle China Project Rome Co-Investment ¹	10,252,155																
CIM Fund VIII	28,470,069																
KKR Real Estate Partners Americas	21,737,310																
Och-Ziff Real Estate Fund III ¹	13,459,235																
Opportunistic Portfolio	94,926,866	-10.1	-8.0	42.4	34.2	54.0	43.5	-44.5	-45.4	3.4	2.6						
Total Non-Core Portfolio 1Q 2007 Forward	198,227,688	-0.3	0.4	37.0	30.4	-13.5	-17.8	-33.7	-35.7	18.2	5.6						
Total Private Portfolio																	
SCERS	785,667,809	14.9	14.5	20.6	18.8	-28.1	-28.8	-12.8	-13.5	15.8	13.4	15.5	12.7	30.3	25.8	10.6	7.1
Indices																	
NFI-ODCE + 35 bps		16.3	15.3	16.7	15.6	-29.4	-30.0	-9.7	-10.3	16.3	15.2	16.7	15.6	21.7	20.5	13.4	12.4
NFI-ODCE		16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3	21.4	20.2	13.1	12.0
NFI-ODCE + 100 bps		17.0	16.0	17.4	16.3	-28.8	-29.4	-9.0	-9.7	17.0	15.8	17.3	16.3	22.4	21.2	14.1	13.0
CPI + 500 bps		8.2		6.5		8.0		5.0		9.3		7.7		8.5		8.5	

¹ Preliminary performance, subject to change.

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

Returns (%)	Market Value (\$)	2017 (YTD)		Fiscal Year 2018		2016		2015		2014		2013		2012		2011	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Separate Accounts																	
BlackRock Core Separate Account	150,640,326	6.7	5.6	2.5	2.0	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)	1,593,939	0.5	0.5	-0.5	-0.5	-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	70,903,804	11.6	11.1	4.6	4.5	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	223,138,069	8.2	7.2	3.1	2.8	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>173,242,362</i>	<i>7.7</i>	<i>6.7</i>	<i>2.5</i>	<i>2.1</i>	<i>8.6</i>	<i>7.0</i>	<i>10.7</i>	<i>9.4</i>	<i>17.0</i>	<i>13.6</i>	<i>10.9</i>	<i>9.0</i>	<i>13.1</i>	<i>12.5</i>	<i>16.1</i>	<i>15.7</i>
Separate Account Returns by Property Type																	
Apartment	132,383,013	4.8	4.3	4.5	4.0	12.3	10.6	9.2	7.7	14.7	13.0	13.3	12.0	18.2	17.5	15.5	14.8
Industrial	13,027,520	2.5	2.4	1.4	1.3	8.4	7.7	3.5	6.5	25.9	24.5	9.9	8.4	-0.3	-0.7	17.2	16.8
Office	60,026,347	6.7	6.5	1.5	1.4	4.4	3.9	4.8	4.1	12.7	9.3	9.4	8.6	15.0	14.2	20.7	20.0
Retail	38,625,331	7.4	6.2	1.5	1.1	8.5	6.7	12.2	9.8	22.2	20.1	10.3	6.5	12.4	12.0	13.5	13.6
Total																	
Total Separate Accounts	227,197,006	8.8	7.9	3.1	2.8	10.0	8.5	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5	18.7	18.2
Indices																	
NFI-ODCE + 35 bps		5.6	4.9	2.0	1.7	9.1	8.1	15.4	14.3	12.8	11.8	14.3	13.3	11.3	10.1	16.3	15.3
NFI-ODCE		5.4	4.7	1.9	1.6	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		5.9	5.2	2.1	1.9	9.8	8.8	16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8	17.0	16.0
CPI + 500 bps		5.2		2.3		7.2		5.7		5.7		6.6		6.9		8.2	

Returns (%)	Market Value (\$)	2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Separate Accounts															
BlackRock Core Separate Account	150,640,326	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)	1,593,939	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	70,903,804	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	223,138,069	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>173,242,362</i>	<i>17.3</i>	<i>16.4</i>	<i>-26.8</i>	<i>-26.7</i>	<i>-11.1</i>	<i>-11.6</i>	<i>18.5</i>	<i>15.0</i>	<i>16.8</i>	<i>13.1</i>	<i>34.0</i>	<i>28.2</i>	<i>9.9</i>	<i>6.6</i>
Separate Account Returns by Property Type															
Apartment	132,383,013	26.6	25.8	-22.2	-22.8	-13.5	-14.0	11.1	9.9	2.6	1.7	22.9	21.3	2.9	1.0
Industrial	13,027,520	2.0	1.6	-25.3	-25.7	-8.3	-9.4	28.9	23.3	20.8	17.6	48.5	39.3	13.1	6.8
Office	60,026,347	19.1	17.9	-43.6	-43.7	-11.0	-11.3	13.3	11.7	36.1	24.7	39.4	34.1	8.7	4.7
Retail	38,625,331	13.4	12.0	-24.5	-23.1	-10.8	-11.7	10.3	7.7	14.2	12.2	20.1	14.9	28.9	23.3
Total															
Total Separate Accounts	227,197,006	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
Indices															
NFI-ODCE + 35 bps		16.7	15.6	-29.4	-30.0	-9.7	-10.3	16.3	15.2	16.7	15.6	21.7	20.5	13.4	12.4
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
CPI + 500 bps		6.5		8.0		5.0		9.3		7.7		8.5		8.5	

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
Core Commingled Funds									
Jamestown Premier Property Fund	19,634,546	203,275	203,275	0	243,746	39,039	85,834	19,925,088	37.0
MetLife Core Property Fund	52,379,503	546,878	535,854	0	608,841	63,537	538,822	53,474,653	27.8
Prime Property Fund	53,488,671	527,802	527,802	0	539,016	130,199	788,332	54,685,820	17.1
Principal U.S. Property Account	40,768,849	0	0	0	465,309	98,713	482,019	41,617,465	21.4
Prologis Targeted Europe Logistics Fund	32,497,219	0	407,491	0	475,656	246,754	2,161,363	34,479,993	19.2
Prologis Targeted U.S. Logistics Fund	41,046,340	15,000,000	382,934	0	741,405	660,378	3,848,693	59,593,125	24.6
Townsend Real Estate Fund, L.P.	97,820,497	979,057	979,057	0	1,115,013	56,541	1,646,939	100,525,908	40.5
Core Commingled Funds	337,635,625	17,257,012	3,036,413	0	4,188,986	1,295,161	9,552,002	364,302,052	29.3
Core Separate Accounts									
BlackRock Core Separate Account	149,644,084	217,625	2,250,871	0	1,835,906	657,087	1,850,668	150,640,326	13.1
BlackRock Separate Account (PM Realty Takeover)	1,601,553	0	0	0	-7,614	0	0	1,593,939	0.0
Cornerstone Separate Account	68,481,718	0	619,500	0	747,707	107,250	2,401,129	70,903,804	35.4
Core Separate Accounts	219,727,355	217,625	2,870,371	0	2,575,999	764,337	4,251,797	223,138,069	21.6
<i>Total BlackRock Separate Account</i>	<i>171,686,264</i>	<i>277,845</i>	<i>2,250,871</i>	<i>0</i>	<i>1,809,292</i>	<i>657,087</i>	<i>2,376,918</i>	<i>173,242,362</i>	<i>11.5</i>
Total Core Portfolio	557,362,980	17,474,637	5,906,784	0	6,764,985	2,059,498	13,803,799	587,440,121	26.6
Value Added Portfolio									
AEW Value Investors Fund II	321,592	0	0	0	-2,479	0	-995	318,118	0.0
Allegis Value Trust	16,344,712	0	0	0	194,753	16,635	229,369	16,752,198	14.0
Carlyle China Realty	2,448,731	1,058,198	0	0	4,422	37,808	-19,935	3,453,608	0.0
DRC European Real Estate Debt Fund II	25,786,117	0	512,434	2,634,268	417,965	72,185	642,886	23,628,082	0.0
ECE European Prime Shopping Centre Fund II	9,700,127	0	52,959	18,906	488,805	-77,023	225,485	10,419,575	56.0
Hammes Partners II	14,512,005	0	336,957	558,557	309,612	93,750	93,340	13,925,693	71.5
Hines US Office Value Added Fund II	672,701	0	0	0	-17,054	0	0	655,647	65.0
NREP Nordic Strategies Fund	20,139,200	0	2,094,527	0	247,741	38,088	1,057,286	19,311,611	53.0
NREP Nordic Strategies Fund II	11,025,112	2,473,154	0	0	79,170	205,372	1,464,225	14,836,290	45.0
Value Added Portfolio	100,950,297	3,531,352	2,996,877	3,211,731	1,722,935	386,815	3,691,661	103,300,822	45.4
Opportunistic Portfolio									
BlackRock High Return Separate Account	20,440,627	60,220	0	0	-19,000	0	526,250	21,008,097	0.0
Carlyle China Project Rome Co-Investment	7,276,771	3,038,998	0	0	-18,240	50,411	5,037	10,252,155	0.0
CIM Fund VIII	26,227,290	1,836,940	0	0	-3,857	109,375	519,071	28,470,069	5.2
KKR Real Estate Partners Americas	21,333,637	1,292,560	-450,682	2,003,757	686,464	151,200	128,924	21,737,310	60.0
Och-Ziff Real Estate Fund III	15,405,098	244,533	2,920,006	0	283,516	131,250	577,344	13,459,235	60.3
Opportunistic Portfolio	90,683,423	6,473,251	2,469,324	2,003,757	928,883	442,236	1,756,626	94,926,866	36.5
Total Non-Core Portfolio 1Q 2007 Forward	191,633,720	10,004,603	5,466,201	5,215,488	2,651,818	829,051	5,448,287	198,227,688	41.5
Total Private Portfolio									
SCERS	748,996,700	27,479,240	11,372,985	5,215,488	9,416,803	2,888,549	19,252,086	785,667,809	31.0

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core Commingled Funds						
Jamestown Premier Property Fund	-	67.2	-	19.6	-	13.3
MetLife Core Property Fund	23.7	40.7	17.7	17.9	-	-
Prime Property Fund	24.7	33.9	15.7	16.4	-	9.3
Principal U.S. Property Account	11.3	40.6	23.1	17.3	1.3	6.4
Prologis Targeted Europe Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P.	39.1	16.1	15.1	10.8	-	18.9
Core Commingled Funds	19.5	23.5	37.8	11.0	0.1	8.1
Core Separate Accounts						
BlackRock Core Separate Account	41.0	24.1	8.2	26.7	-	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-
Cornerstone Separate Account	100.0	-	-	-	-	-
Core Separate Accounts	59.4	16.6	5.7	18.4	-	-
<i>Total BlackRock Separate Account</i>	<i>36.2</i>	<i>33.0</i>	<i>7.2</i>	<i>23.6</i>	-	-
Total Core Portfolio	34.4	20.9	25.8	13.8	0.1	5.1
Value Added Portfolio						
AEW Value Investors Fund II	24.6	27.9	47.5	-	-	-
Allegis Value Trust	8.0	88.2	3.8	-	-	-
Carlyle China Realty	-	-	100.0	-	-	-
DRC European Real Estate Debt Fund II	-	39.1	22.8	23.2	15.0	-
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	72.3	0.9	5.3	21.5	-	-
NREP Nordic Strategies Fund II	15.8	16.6	49.9	10.5	-	7.2
Value Added Portfolio	23.6	26.1	16.8	13.6	4.0	15.8
Opportunistic Portfolio						
BlackRock High Return Separate Account	-	100.0	-	-	-	-
Carlyle China Project Rome Co-Investment	-	-	100.0	-	-	-
CIM Fund VIII	-	31.4	-	8.1	0.0	60.5
KKR Real Estate Partners Americas	15.5	23.8	-	28.9	18.1	13.7
Och-Ziff Real Estate Fund III	6.9	11.7	10.7	5.0	4.1	61.7
Opportunistic Portfolio	4.6	44.1	1.8	10.1	4.7	34.7
Total Non-Core Portfolio	15.5	33.8	10.4	12.1	4.3	23.9
Total Private Portfolio						
SCERS	29.9	24.0	22.1	13.4	1.1	9.6
Indices						
NFI-ODCE	23.8	36.7	15.6	20.0	0.5	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	48.1	21.7	-	-	2.3	-	-	27.9	-
MetLife Core Property Fund	2.5	13.6	12.2	-	17.2	11.8	7.2	35.7	-
Prime Property Fund	21.4	8.4	9.9	2.0	12.1	8.6	3.9	33.7	-
Principal U.S. Property Account	15.7	8.2	4.7	1.9	9.2	13.6	10.2	36.7	-
Prologis Targeted Europe Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	9.6	6.6	10.5	-	9.8	14.6	2.4	46.5	-
Townsend Real Estate Fund, L.P.	16.8	10.6	9.8	1.3	17.1	14.3	5.8	24.4	-
Core Commingled Funds	14.2	9.4	8.3	0.9	11.9	10.9	4.7	30.4	9.3
Core Separate Accounts									
BlackRock Core Separate Account	-	-	-	-	8.2	-	-	91.8	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-	-	-	-
Cornerstone Separate Account	-	-	-	-	-	-	-	100.0	-
Core Separate Accounts	-	-	-	-	5.7	-	-	94.3	-
<i>Total BlackRock Separate Account</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>7.2</i>	<i>-</i>	<i>-</i>	<i>92.8</i>	<i>-</i>
Total Core Portfolio	8.9	5.9	5.2	0.6	9.6	6.9	3.0	54.3	5.8
Value Added Portfolio									
AEW Value Investors Fund II	-	-	-	-	100.0	-	-	-	-
Allegis Value Trust	18.1	50.5	-	-	-	-	-	31.4	-
Carlyle China Realty	-	-	-	-	-	-	-	-	100.0
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	26.2	8.7	20.3	2.1	7.8	19.0	6.9	9.0	-
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	6.5	8.7	3.0	0.3	1.2	2.8	1.0	6.4	70.0
Opportunistic Portfolio									
BlackRock High Return Separate Account	-	-	-	-	-	-	-	100.0	-
Carlyle China Project Rome Co-Investment	-	-	-	-	-	-	-	-	100.0
CIM Fund VIII	35.5	1.1	11.7	-	1.1	1.6	5.6	39.3	4.2
KKR Real Estate Partners Americas	14.2	2.1	11.6	1.8	9.1	16.8	-	15.1	29.3
Och-Ziff Real Estate Fund III	22.9	2.5	5.1	1.0	4.4	4.0	5.6	24.3	30.2
Opportunistic Portfolio	19.5	1.3	7.6	0.6	3.1	5.0	2.9	47.1	13.0
Total Non-Core Portfolio	12.1	5.5	5.0	0.4	2.0	3.7	1.8	23.7	45.7
Total Private Portfolio									
SCERS	9.6	5.8	5.1	0.5	7.8	6.1	2.7	47.0	15.3
Indices									
NFI-ODCE	21.8	9.4	8.0	1.4	9.4	9.4	4.9	35.7	-

Exhibit B: Real Estate Market Update 3Q17



United States Real Estate Market Update (3Q17)

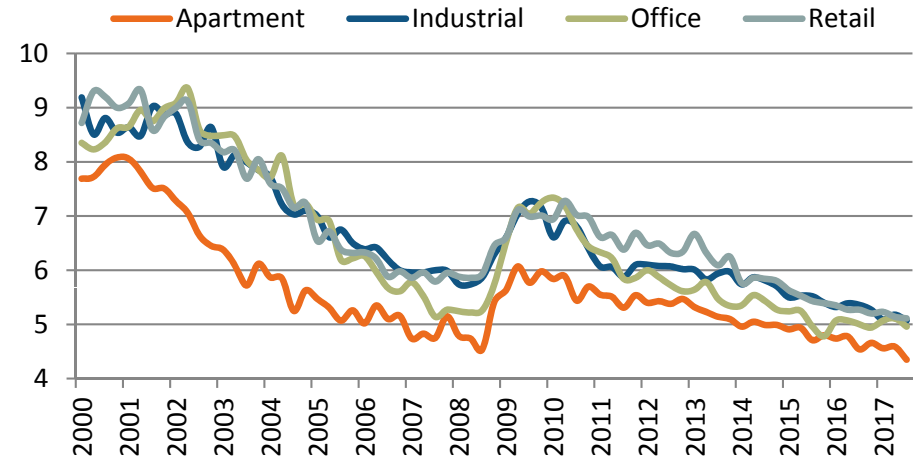
General

- The S&P 500 produced a gross total return of 4.5% during the Quarter, as markets have continued to rally to new heights. MSCI US REIT index produced a more moderate return of 1.3%, as REIT relative performance has continued to lag considerably the equity market year-to-date. Consumer Sentiment remained in line with the end of 2Q17, concluding 3Q17 at a composite 95.1 and remains elevated. US 10 year treasury bond yields expanded 3 bps during the Quarter.
- Macro indicators for U.S. real estate continue to gain momentum, as GDP growth in the 3Q accelerated to an annualized rate of 3.3%. With the conclusion of June, the economy has now experienced 84 consecutive months of job growth. Headline inflation remained healthy at 1.9%, near the Fed's 2% target. The Federal reserve is expected to raise rates in at the January 13th meeting; the futures market implied probabilities indicate that another rate hike is 98%.

Commercial Real Estate

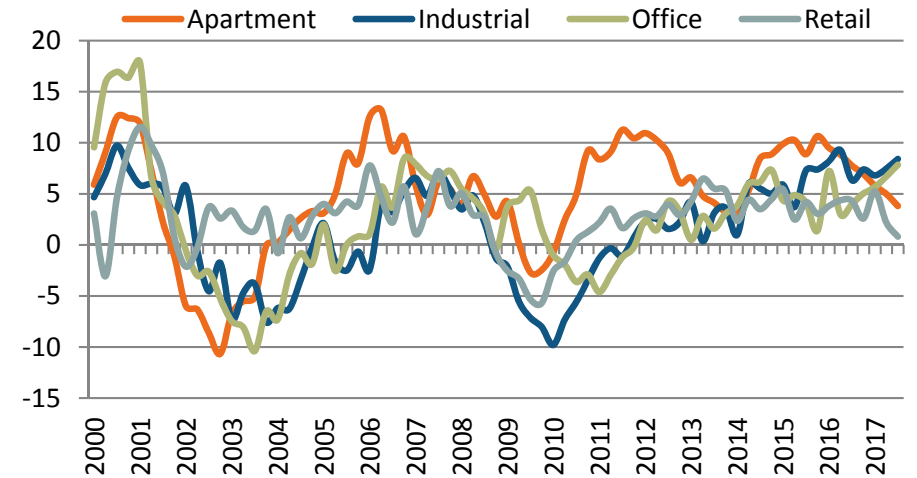
- In 2016, \$124.1bn of aggregate capital was raised by US real estate funds. 2017 (YTD), Private Equity Real Estate Funds have raised 101.8bn. Continuing on trend since 2012, 2017 (YTD) has witnessed the largest average fund size at \$451m thus far.
- Transaction cap rates (5.82%) on average compressed during the 3rd Quarter of 2017. Multifamily, industrial and office experienced cap rate compression, while retail cap rates remained flat.
- 10 year treasury bond yields compressed an expanded 3 bps to 2.33% during the quarter and, subsequent to quarter end, have continued to expand. It appears now the pro-growth political agenda the market expected will be eventually be achieved, as fiscal stimulus through tax cuts now appears imminent.

Current Value Cap Rates by Property Type



Source: NCREIF

4-Qtr Rolling NOI Growth By Property Type



Source: NCREIF

United States Property Matrix (3Q17)



INDUSTRIAL

- As of 3Q17, Industrial properties returned 3.3% and outperformed the NPI by 159 bps.
- Demand continues to outpace new supply as evident by year-to-date absorption. 165.6 million SF has been absorbed while 161.0 million SF of new product has been delivered to market over that same time period.
- With 221.2 million SF of new inventory currently under construction, preleasing has remained strong with a rate of 54.2% for new deliveries.
- Developer confidence remains robust illustrated by 70.0% of projects being developed on a speculative basis over the past several quarters.
- Rents increased 5.3% on an annualized basis to \$5.40 per SF, with 79% of US markets experiencing rental rate increases.

MULTIFAMILY

- Construction deliveries increased 10 bps quarter-over-quarter to what is expected to be the cycle peak of 115,000 units., or 1.5% of supply
- The increased level of deliveries resulted in a national vacancy rate of 5.2%. This represents a 30 bps softening on a year-over-year basis.
- Despite the increased level of deliveries, net absorption increased 20 bps to 1.3% of supply.
- Annualized rent growth was 2.4%, representing 140 bps reduction when compared year-over-year.
- The apartment sector delivered a 1.7% return during the Quarter, underperforming the NPI by 4 bps.

OFFICE

- The Office sector returned 1.4% in 3Q17, 30 bps below the NPI.
- Leasing activity totaled 62.4 million SF, an increase of 11.1% when compared to the previous quarter. This can be attributed to leases in excess of 250,000 SF representing 17.5% of third quarter transactions.
- Rents are up 2.7% year-over-year, slower than the pace experienced in the previous quarter. High-quality new supply remains in high demand, commanding a 41.6% premium.
- As new supply continues to enter the market, vacancy rose for a fourth consecutive quarter to 15.0%. CBD and Class A office vacancy stand at 12.5% and 14.8%, respectively.
- Completions are beginning to surpass groundbreakings, resulting in slowly declining development activity. Current activity stands at 101.4 million SF, remaining near cyclical highs. Year-to-date, 46.5 million SF has been delivered with 2017 totals estimated to reach 69.2 million SF.

RETAIL

- Vacancy is continuing to show a widening margin when comparing quality of assets. Total vacancy stands at 4.2% with top-tier malls experiencing 2.7% vacancy, while second-tier malls standing at 6.0%.
- Despite the increased number of closure announcements, move-ins continue to exceed move-outs. Net absorption totaled 9.9 million SF in the third quarter, bringing the year-to-date figure to 40.1 million SF.
- Construction activity continues to decline, declining 14.4% year-over-year to 72.1 million SF. Total retail deliveries also declined by 19.8% year-over-year to 14.5 million SF.
- As of 3Q17, the retail sector delivered a quarterly return of 1.2%, performing 49 bps below the NPI.



Global Real Estate Market Update (3Q17)

Global

- Global investment activity remained strong during 3Q 2017 totaling \$165 billion, unchanged from 3Q 2016 levels. Despite continued geopolitical tensions and potential rising interest rates, the global real estate market was stable. There will likely be volume growth constraints in 2018 due to late-cycle caution and challenges of deploying capital in a market short of product, which will drive investors to consider non-traditional channels to access real estate. London maintained its top global investment position, followed by Los Angeles and New York in second and third place, respectively.

Direct Commercial Real Estate Investment - Regional Volumes, 2016 - 2017

\$ US Billions	% Change			% Change			% Change	
	Q2 2017	Q3 2017	Q2 17 - Q3 17	Q3 2016	Q3 16 - Q3 17	YTD 2016	YTD 2017	YTD 16 - YTD 17
Americas	64	62	-3%	77	-19%	207	184	-11%
EMEA	60	69	15%	56	23%	161	183	14%
Asia Pacific	33	35	6%	33	6%	87	97	11%
Total	157	166	6%	166	0%	455	464	2%

Source: Jones Lang LaSalle, October 2017

Europe

- European investment increased 24% y/y in 3Q 2017, for a total year-to-date volume of \$183 billion. German and Dutch markets continued to be strong with investment volumes increasing year-to-date by 9% and 115%, respectively. This performance was partially offset by y/y declines in France, Sweden, and Poland, with decreases of 17%, 17%, and 8%, respectively. The U.K. is demonstrating a recovery from a year with performance affected by the uncertainty regarding Brexit, with year-to-date volumes up 28%. The Nordic markets' investment volumes continued to increase, with a 76% rise in Q3 and 22% year-to-date increase as compared to the same period last year. Investment activity in Southern Europe was strong with a 21% year-to-date increase y/y, despite a 24% decrease in Spain in Q3.

Asia

- Asia Pacific year-to-date investment volumes were \$97 billion, a 12% increase as compared to the same period last year. Japan's transactions came in at \$6.9 billion in Q3, a 20% decrease y/y due to fewer large deals. The domestic buyers continued to dominate the Japanese market, comprising 80% of total transactions. Australia demonstrated strong performance, with volumes increasing 18% y/y for a total of \$6.8 billion in Q3. While China contributed \$8.4 billion to investment volumes in Q3, this was a 14% decrease y/y, largely due to domestic investors showing caution before China's Party Congress in October 2017 and Chinese banks being more cautious with lending.

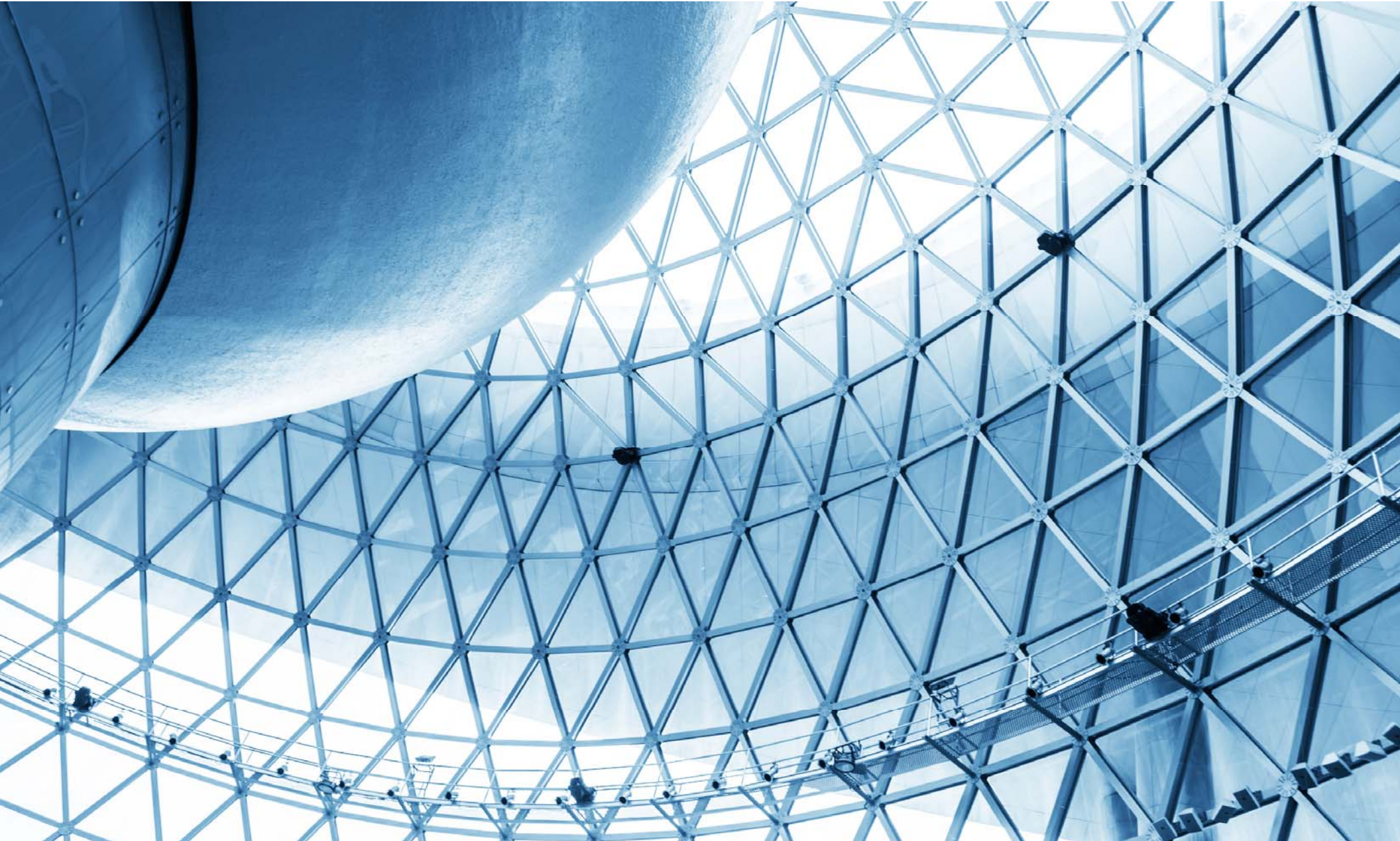
Global Outlook - GDP (Real) Growth % pa, 2016-2018

	2016	2017	2018
Global	3.1	3.6	3.7
Asia Pacific	5.5	5.5	5.4
Australia	2.5	2.2	2.3
China	6.7	6.8	6.2
India	7.9	6.5	7.5
Japan	1.0	1.7	1.6
North America	0.7	1.9	2.4
US	1.6	2.2	2.4
MENA*	4.5	2.1	3.1
European Union	2.0	2.5	2.1
France	1.1	1.7	1.8
Germany	1.8	2.1	2.0
UK	1.8	1.5	1.5

*Middle East North Africa

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

Glossary of Terms



Cash Flow Statement

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

Style Groups

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

Indices

<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

