



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 11

MEETING DATE: September 20, 2017

SUBJECT: Quarterly Investment Performance Report
Real Estate

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

RECOMMENDATION

Staff recommends the Board receive and file the Townsend Real Estate Portfolio Performance Measurement Report for the second 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 June 30, 2017

Sub-Asset Class	Quarter	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS Real Estate Portfolio	3.7%	10.6%	10.9%	11.0%	8.2%	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE + 1%	1.6%	7.2%	10.7%	11.1%	4.6%	
Core Portfolio	2.8%	9.8%	10.2%	10.2%	6.4%	Nov-86
Separate Account	2.8%	9.5%	9.2%	9.6%	8.9%	Nov-86
Commingled Funds	2.9%	10.2%	11.7%	11.0%	6.9%	Sep-13
NFI-ODCE Index	1.5%	6.9%	10.3%	10.8%	6.3%	Jul-95
Non-Core Portfolio	6.3%	12.8%	13.2%	15.5%	5.0%	Jun-06
Value Add Portfolio	8.0%	13.3%	14.2%	13.3%	4.3%	Jun-06
Opportunistic	4.3%	12.8%	10.9%	23.8%	7.7%	May-13
NFI-ODCE + 1% Index	1.7%	7.9%	11.3%	11.8%	7.3%	Jun-06

The Townsend second 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 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. Staff and Townsend are currently developing an implementation plan for closing the separate accounts. The plan will be presented to the Board at a future meeting. 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 continues to be included in the quarterly reports.

SCERS CORE PORTFOLIO RETURNS

Second Quarter 2017:

- Returned +2.8% net, up from Q1 2017 +2.1% net return and better than the NFI-ODCE Index +1.5% net return.
- Notable outperformers include:
 - Prologis Targeted Europe Logistics: +8.9% in U.S. dollars (+1.6% in Euros)
 - Barings/Cornerstone Separate Account: +4.7%
 - Prologis Targeted U.S. Logistics: +3.4%

One-year ended June 30, 2017:

- Returned +9.8% net, meaningfully outperforming the NFI-ODCE Index +6.9% net return.
- Notable outperformers include:
 - Prologis Targeted U.S. Logistics: +16.6%
 - Barings/Cornerstone Separate Account: +16.2%
 - Townsend Real Estate Fund: +10.7%

SCERS NON-CORE PORTFOLIO RETURNS

Second Quarter 2017:

- Returned +6.3% net, significantly outperforming the NFI-ODCE plus 1% benchmark return of +1.7% net.
- Notable outperformers include:
 - NREP Nordic Strategies Fund I: +14.2% in U.S. dollars (+6.4% in Euros)
 - NREP Nordic Strategies Fund II: +10.2% in U.S. dollars (+2.7% in Euros)
 - ECE European Prime Shopping: +8.6% in U.S. dollars (+1.2% in Euros)

One-year ended June 30, 2017:

- Returned +12.8% net, significantly outperforming the NFI-ODCE +100 bps benchmark of +7.9% net.
- Notable outperformers include:
 - NREP Nordic Strategies Fund I: +30.6% in U.S. dollars (+27.2% in Euros)
 - Och-Ziff Real Estate Fund III: +25.5%
 - ECE European Prime Shopping: +25.0% in U.S. dollars (+21.5% in Euros)

GLOBAL REAL ESTATE PERFORMANCE REVIEW

UNITED STATES

For the Second quarter, the U.S. private real estate market (NCREIF) returns were up from the prior quarter due to price appreciation.

- The NCREIF Fund Index-Open End Diversified Core Equity (NFI-ODCE) index returned 2.1% for the quarter, down from the prior quarter return of 1.7% due to slowing appreciation (0.6% versus 0.7%). The index income return has flattened out over the past three quarters, while the appreciation return is trending down (1.0% to 0.6%).
- The industrial sector continues its strong performance and has been the best performing sector the last three quarters (3.0%, 2.8%, and 3.1%).
- Although the retail sector is facing headwinds from ecommerce, the sector performance over the last three quarter has remained steady at 1.5% to 1.6% the last three quarters.

NCREIF Investment Performance			
June 30, 2017			
Sector	Total Return (%)		
	2016	1Q2017	2Q2017
NFI - ODCE	8.8%	2.1%	1.7%
Apartments	7.3%	1.3%	1.5%
Industrial	12.3%	2.8%	3.1%
Office	6.2%	1.3%	1.6%
Retail	9.0%	1.6%	1.5%
Source: NCREIF®.			

EUROPE

The INREV (European Investors in Non-Listed Real Estate) returned a solid 2.4% for the second quarter, with income returning 1.1% and capital appreciation returning 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.

GLOBAL REAL ESTATE MARKET TRENDS

UNITED STATES

- The U.S. economy continued its steady but subdued expansion. According to the U.S. Bureau of Labor Statistics, overall employment for the first half of 2017 averaged 180,000 new jobs per month, down slightly from 2016’s average of 187,000 per month.
 - Despite the solid growth in employment, wage growth has been weak, up 2.5% year-over-year.

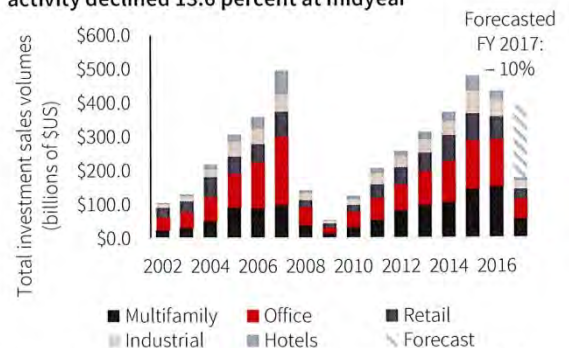
- The second quarter annualized GDP was a solid 2.6%, up from the first quarter of 1.2%.
 - Consumer confidence continues its upward trend on the back of positive economic fundamentals.
 - Consensus GDP growth expectations for 2017 is 2.0%.



- With the favorable U.S. economic environment, real estate fundamental trends remain positive although slowing, if not slightly down. New construction is up across all property sectors, which is slowing rent growth and net absorption.
 - According to Real Estate Information Solutions (“REIS”), all property sectors recorded second quarter new supply above their 5-year average except apartments, which was lower. For the first half of the year, commercial construction was up 6% year-over-year, while multifamily construction was down 7%.

- Real estate transaction volumes continue to recede from the record volume reached in 2015. For the first half of 2017, Real Capital Analytics (“RCA”) reports deal volume is down 13.6% from the same period in 2016, although transaction volume in the second quarter was up 7% over the prior quarter.

While domestic and offshore capital remains active, activity declined 13.6 percent at midyear



Source: JLL Research, Real Capital Analytics (Transactions larger than \$5.0m; portfolio, entity-level transactions)

- The majority (62%) of the decline in transactions is due to the pullback in the multifamily sector, which was down 22.3% for the first half of 2017 compared to the same period in 2016.

- Bucking the decline in transactions was the industrial sector, with deal volume up a robust 20.7% through the first half of 2017.
- Cap rates have stabilized across the property sectors compared to the first half of 2016, with retail experiencing a cap rate increase, although a moderate 22 bps. Retail power centers saw the largest cap rate increase at 39 bps, going from 6.92% to 7.31%, according to CBRE 2Q 2017 research.
- Despite the pullback in the transaction volumes, the Moody's/RCA Commercial Property price Index rose 2.2% year-to-date. Other than the retail sector, all property type values are well above their prior peak, with apartments an astounding 55% above peak.

MOODY'S/RCA COMMERCIAL PROPERTY PRICE

Sector	May 2017	Dec. 2016	2007 Peak	May 17 vs. 07 Peak (%)	Change YTD (%)
All	219	214	176	24.5	2.2
Office	213	204	173	22.9	4.1
Industrial	186	182	163	13.9	2.0
Retail	174	177	182	-4.3	-1.5
Multifamily	282	275	182	55.2	2.5

Source: CBRE Research, Real Capital Analytics, Q2 2017. Based on repeat property sales.

According to JLL's mid-year 2017 U.S. real estate investment outlook:

“Continued uncertainty and selectivity are impacting volumes in the first half of 2017. While domestic and offshore capital remains active, activity declined 13.6 percent at midyear. Full-year activity is forecasted to decline 10.0 percent. Despite this decline, market sentiment and liquidity remains elevated, with an active, engaged and diverse investor pool in the markets.”

U.S. PROPERTY FUNDAMENTALS TRENDS

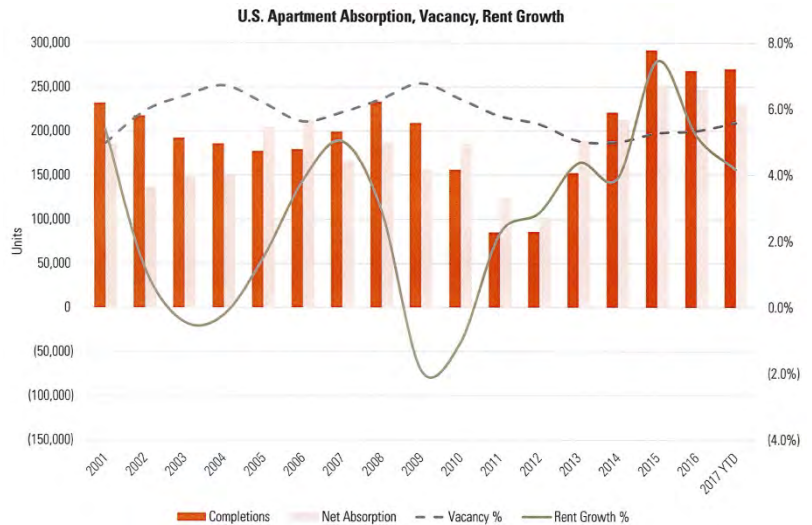
U.S. real estate fundamentals continue to moderate, an indication we are past the cycle peak and entering into a later stage. For the first half of the year, fundamentals are showing signs of plateauing, although at relatively healthy levels. Vacancy rates across the property sectors remain below their long-term average, except retail, which is still higher at 10.1% versus 9.8%. The industrial property sector continues to benefit from outside demand coming from e-commerce, with vacancy tightening to 7.8% versus its long-term average of 10.5%. Net absorption across the property sectors is trending downward for the office and retail sector, partly due to availability of suitable product; in contrast, the industrial sector continues to post robust net absorption due to the secular change in the retail supply chain.

PROPERTY TYPE	VACANCY RATE	RENTS	ABSORPTION	COMPLETIONS	CAP RATES	TRANSACTION
Office	13.0%	↔	↑	↓	↑	↔
Industrial	7.8%	↓	↑	↓	↑	↓
Retail	10.1%	↓	↑	↓	↔	↓
Apartment	4.6%	↑	↔	↑	↔	↓

Source: CBRE-EA, NCREIF, RCA, NICMAP
 Note: The arrows reflect the trend for previous 12 months for rents, absorption, completions and transaction volumes; and current quarter versus year ago for vacancy rates and cap rates. For vacancy rates, a down arrow indicates declining vacancy rates. For cap rates, a down arrow indicates falling cap rates or rising prices.

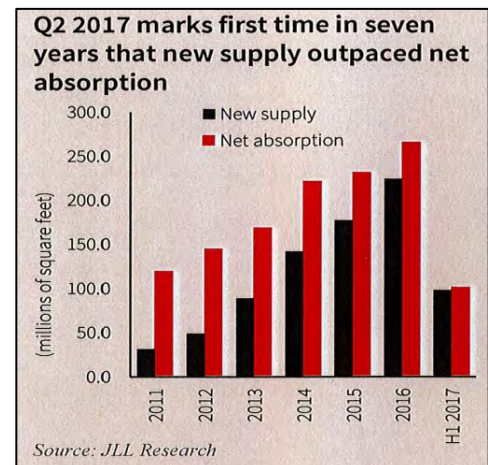
APARTMENTS

- Apartment fundamentals have weakened over the first half of the year as new supply is exceeding demand.
 - Effective apartment rents grew a moderate 2.5% in the second quarter. According to JLL research, after 24 consecutive quarters of greater than 3.0% rental growth, the last two quarters have each been below.
 - New apartment completions as a percent of current inventory continues to exceed demand, 1.4% versus net absorption of 1.1%. New completions for the first half of 2017 increased 4.0% over the same period in 2016.
 - According to CBRE, new supply is reaching peak levels, which is resulting in 70% of the markets it covers incurring higher vacancy rates.
 - Over the past year, new supply has averaged 0.7% per quarter, while net absorption has averaged 0.5% per quarter.
 - What is under construction but not yet delivered was again over 6.0% of total inventory, with 6.2% recorded in the second quarter.
 - Completions for the first half of 2017 increased 4.0% over the same period in 2016.

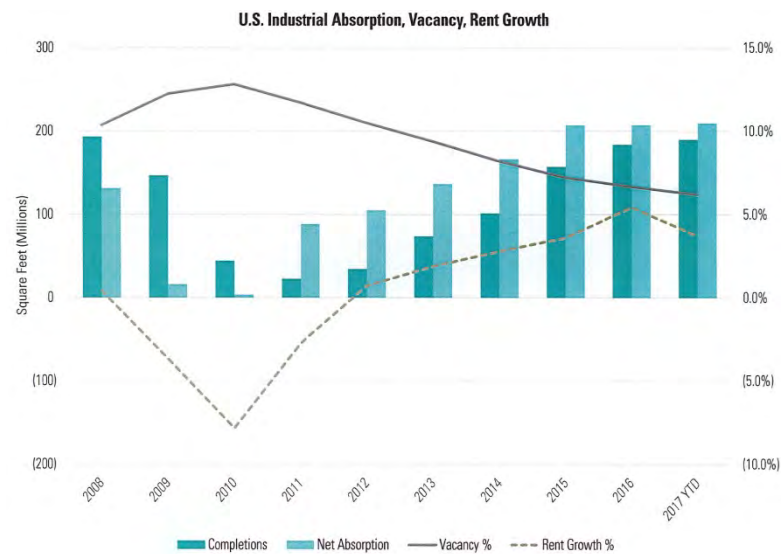


INDUSTRIAL/LOGISTICS

- Industrial fundamentals have, in some cases, exceeded peak levels, with robust demand exceeding supply. The growth in e-commerce is causing a profound structural change in the retail supply chain, which has exploded demand. Up until the second quarter, new deliveries were well below demand but new supply is beginning to catch up.
 - As noted by JLL, new completions for the second quarter were higher than net absorption for the first time in seven years.



- However, year-over-year net absorption was still higher than new deliveries, with net absorption totaling 1.9% of total inventory, while new deliveries came in at 1.7% of inventory.
- Although over 67% of new supply has been on a speculative-basis, pre-lease levels increased over the first quarter, from 45.5% to 48.9%, per Cushman & Wakefield's second quarter research.
- According to JLL, while still robust, rent growth is slowing. Industrial rents for the second quarter were up 3.8% year-over-year, less than the 4.2% achieved in the first quarter, and significantly below the 2016 average of 5.2%.
- Despite rent growth slowing, Cushman & Wakefield reported that industrial rents increased in 61 of the 79 markets it follows, with the average rental rate in each of these markets hitting historical highs.
- With demand exceeding supply, the vacancy rate continues to reach record lows, standing at 5.3% for the second quarter, well below its 10-year historical average of 8.3%.



Prologis Targeted U.S. Logistics' second quarter report highlighted the strong conditions occurring in the U.S. logistics market:

“Through the first half of 2017, demand outpaced new supply, sending the vacancy rate to a new historic low of 4.6%. With market conditions decidedly in landlord's favor, market rents increased at a faster rate in 2017 than the year before, particularly in markets with high barriers to new supply. At the same time economic conditions remained supportive of continued growth for logistics real estate users”.

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. SCERS committed an additional \$15 million to PUSLF in July 2017.

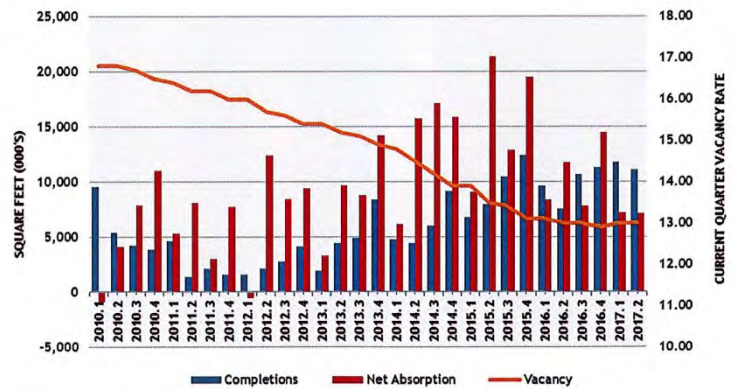
- Prologis Targeted U.S. Logistics period returns versus the benchmark:
 - Second Quarter: +3.4% versus +1.5%
 - One-year ended June 30, 2017: +16.6% versus +6.9%

OFFICE

- Office fundamentals, although positive, have tapered off as new deliveries have exceeded net absorption over the past four quarters.

- JLL reported that the second quarter year-over-year deliveries equaled 1.3% of total inventory, while net absorption was only 0.7%.
- CBRE's second quarter figures found new deliveries were the highest first half total since the peak reached in 2009.

VACANCY RATES FLAT OVER THE LAST 2 YEARS
TOTAL OFFICE SUPPLY - DEMAND 2010 Q1-2017 Q2



Source: CBRE-EA U.S. Office Market Fundamentals

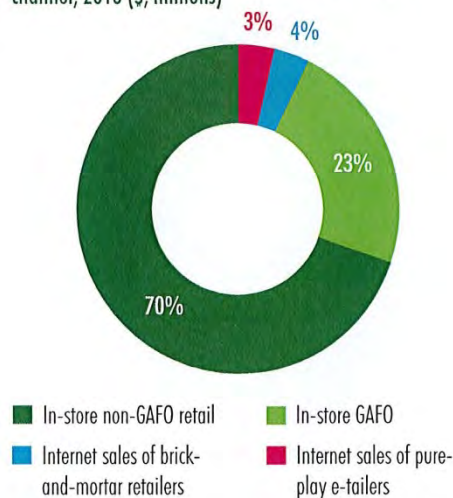
- Suburban office construction accounted for 82% of completions yet they represent only 65% of the office supply.
- Along with the new supply, the vacancy rate tapered in the second quarter, with an overall vacancy rate of 13.0%, unchanged from the prior quarter.
 - Markets with a strong technology presence still enjoy the lowest vacancy rates, including Seattle at 7.0%, San Francisco at 6.7%, and Austin at 8.4%.
- Despite the new supply, the average rental rate actually increased, with the second quarter rents up 3.2% year-over-year. Downtown office rents, although up 3.1% in the second quarter, are well below the 8.8% average growth achieved in 2016.
- CBRE reported that the overall rental rate is now 10.8% above peak, with the second quarter rate reaching \$32.14 per square foot versus the previous peak of \$28.99 per square foot in 2008.

RETAIL

- The retail sector remains challenged by the secular change occurring in the retail supply chain resulting from the growth of online sales.
 - However, grocery anchored shopping centers, which account for 40% of retail inventory, are experiencing tightening fundamentals from a lack of new supply.
- Retailer bankruptcies and store closures continued through the first half of the year and are on track to exceed 2016 closures by 3,000, according to Cushman & Wakefield research.
 - The majority of the retail closures have been from department stores and apparel retailers, which are primarily mall and power center tenants.

- An August 2017 research report prepared by CBRE, *Beyond the Retail Headlines*, found investor perceptions did not match up with the retail industry reality.
 - Online sales only accounted for 9% of total U.S. retail sales, with dedicated online retailers accounting for less than 4% of total sales.
 - CBRE found 50% of online sales were actually by traditional brick-and-mortar stores.
- Traditional store retailers are making the transition to online platforms, with online sales becoming an increasing share of revenues.
 - Examples include Williams-Sonoma with 52% of its revenues coming through online; 45% of Restoration Hardware’s revenues were from online sales; and even high-end retailer Neiman Marcus’ generated 29% of its total sales online.
- CBRE analysis found that the greatest demand for logistics space came from traditional retailers who have taken 58% of all industrial space the last two years, highlighting traditional retailers’ supply chain change.

Figure 1: Distribution of total retail sales by type and channel, 2016 (\$, millions)



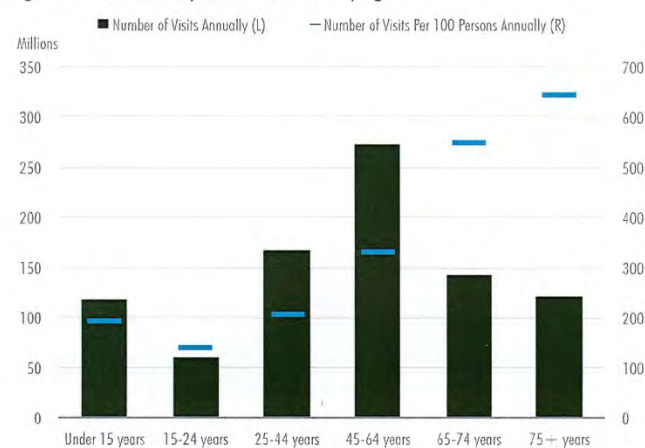
Note: “GAFO” includes goods sold in the general merchandise, apparel & accessories, furniture and other categories.
 Source: U.S. Census Bureau, Euromonitor International, CBRE Research, ICSC, Q1 2017.

HEALTHCARE

- Demographic trends, technology, and cost containment continue to drive health care services regardless of legislative efforts to change the Affordable Care Act.
 - The U.S. Census Bureau estimates those over 65 years of age will double between 2015 and 2055 and represent nearly a quarter of the U.S. population.
 - Health care needs increase as people age and with the growing population of those over 65; the demand for medical facilities is projected to be robust.
- Health care systems continue to face financial pressure to improve healthcare delivery more efficiently and reign in medical costs.
 - In response, there has been a significant consolidation in the healthcare industry, with hospital systems merging or acquiring other healthcare systems, physician

Trips to the doctor rise rapidly as people age

Figure 2: Number of Physicians Office Visits by Age

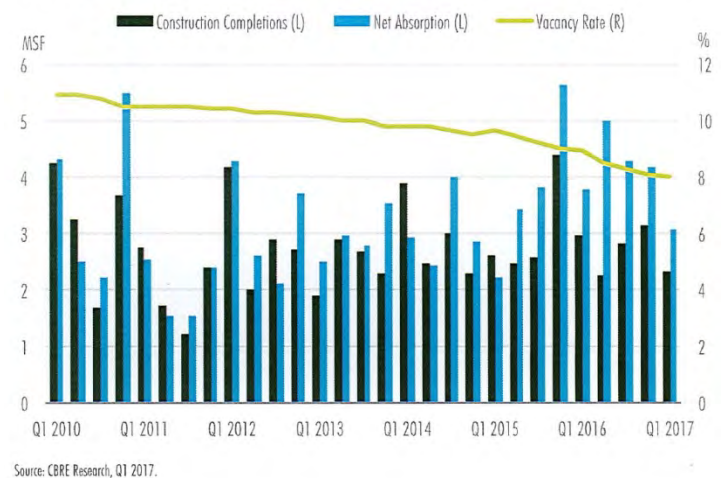


Source: CDC National Ambulatory Medical Care Survey, 2014.

groups being acquired by healthcare systems, and small medical practices combining.

- Price Waterhouse Coopers estimates merger activity among physician groups increased 16% in 2016 and 109% year-over-year through 1Q 2017.
- With the financial pressures faced by health care providers, hospitals are moving patient care to outpatient and urgent-care facilities to reduce costs.
- According to Colliers first half of 2017 health care research report, the robust demand for medical facilities has dropped the vacancy rate to a historical low of 7.4%, which contributed to the 8% increase in rental rates.
- Medical facility demand continues to outpace new supply.
 - Colliers research found demand exceeded supply in 22 of the past 29 quarters
 - Based on available data, new completions totaled 22 million square feet in 2016, up from the 14.6 million square feet delivered in 2015.
 - Year-to-date 2017, new supply is on pace to reach 20 million square feet, which is less than the peak deliveries reached in 2008 of 24.9 million square feet.

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



Source: CBRE Research, Q1 2017.

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

- Hammes period returns versus the benchmark:
 - Second Quarter: +2.0% versus +1.7%
 - One-year ended June 30, 2017: +9.4% versus +7.9%

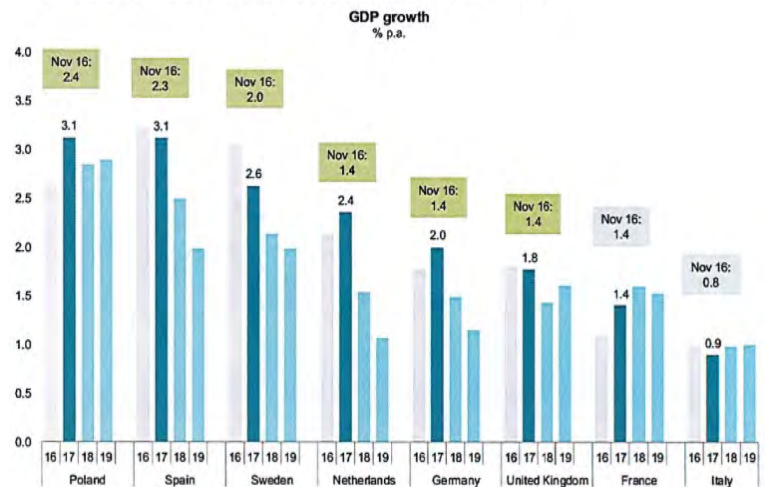
GLOBAL PROPERTY FUNDAMENTALS TRENDS

EUROZONE

The Eurozone economy has found some solid footing with GDP growth across all of the major Eurozone countries. GDP was up 2.2% year-over-year in the second quarter. As such, Oxford Economics has revised their projected full-year 2017 GDP Eurozone growth from 1.7% to 2.0%.

- Business and consumer sentiment continue to trend upward, with many economic indicators accelerating leading to consumer optimism nearing its pre-financial crisis highs.
- The real estate sector continues to trend along with and benefit from the economic momentum. Market fundamentals are tightening, while tenant demand in many property-types exceeds supply as new construction has lagged historical averages.
- CBRE reports that vacancy rates across Europe continue to decline and rent growth is positive in most key markets.
- CBD offices, dominant retail, and prime logistics properties are particularly benefiting from the economic momentum.

Chart 6: Eurozone GDP Growth Forecast Upgraded to 2.0% in 2017

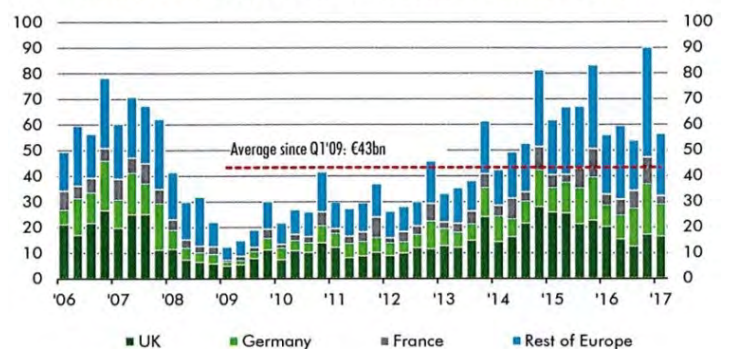


Source: Oxford Economics (05/17), LaSalle (06/17)
 Note: Green boxes indicate upgraded forecast from 6 months earlier, grey unchanged within 10bps, orange downgraded

- According to JLL’s second quarter global research, Europe office rents are up 2.1% year-to-date, nearly double its 10-year average growth.
- Demand for Europe logistics properties continue to out strip supply, which JLL expects the vacancy rate to decline to 5% by year-end.
- Deal volume for the first half of 2017 is up 13% compared to the same period in 2016. CBRE reported strong transaction volumes were primarily from the robust activity in Germany and the UK, which recorded a 49% and 54% year-over-year increase in deal volume, respectively.

- The office sector recorded the highest transaction volume but overall volumes are down 6% year-over-year. The industrial sector recorded the second highest deal volume by far the greatest year-over-year increase at 303%.
- Italy and Spain are seeing strong investment activity, up 110% and 76%, respectively, while Ireland and France transaction declined -86% and -12%, respectively.

EUROPE DIRECT INVESTMENT VOLUME TO MARCH '17, €BN.



Sources: CBRE, CBRE Global Investors

Prologis Targeted Europe Logistics' second quarter 2017 Investor report highlighted conditions in the European logistics market:

“European logistics real estate continues to perform well. As major elections in Europe passed and economic indicators improved further, customers in general have become more confident in their long-term strategy. In fact, demand in the first half of 2017 was the strongest in a decade and economic growth is set to support further demand expansion. Still, supply chain reconfiguration remains the most important driver of demand. Six consecutive years of demand exceeding supply have resulted in record low vacancy rates in most European markets. Decreasing availability has generated further rental growth on the continent. Barring any unforeseen shocks, values are set to increase further as operating conditions strengthen and capital interest in the sector remain unabated”

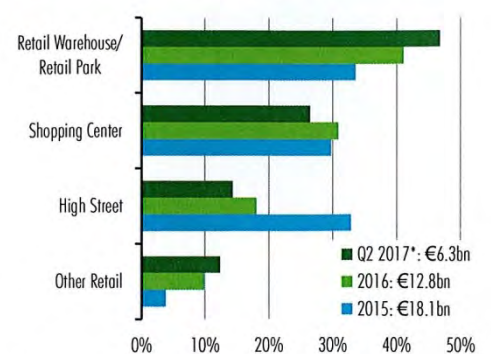
SCERS' commitment with Prologis Targeted Europe Logistics Fund, LP (“PTELF”) has been a strategic investment in Europe. PTELF is one of the world's largest specialist logistics managers targeting Europe, including the UK.

- Prologis Targeted Europe Logistics period returns:
 - Second Quarter: +8.9% in U.S. dollars (+1.6% in Euros) versus +1.5% U.S. benchmark return
 - One-year ended June 30, 2017: +10.5% in U.S. dollars (+7.4% in Euros) versus +7.9% U.S. benchmark return

GERMANY

- According to CBRE, the German real estate market reached another record high in transaction volume, up 45% year-over-year, with 48% of buyers coming from foreign investors, mainly the U.S. and the UK.
 - Germany's logistics sector saw the largest growth in transaction volume, with the first half of 2017 volume exceeding all of 2016. Deal volume for all other property types was down slightly compared to 2016.
- Cushman & Wakefield's second quarter 2017 research noted how Germany continues to attract international retailers such as Saks Off 5th outlet opening its first German locations (Dusseldorf, Frankfurt, Wiesbaden, Heidelberg, and Stuttgart) in 2017.
- According to CBRE's second quarter 2017 market report, year-to-date retail transaction volume was 44% higher than the same period in 2016.
 - Retail investments represented 24% of total transaction volumes, second only to office transactions at 39%.
 - Grocery-anchored shopping centers and food markets, which are less sensitive to

Figure 2: Investment volume by property type



Source: CBRE Research, Q2 2017.

* cumulated

online retail, were the most sought after retail type, representing 47% of total retail transactions.

- Unabated demand for retail investments and an exceedingly low supply has compressed cap rates to historical lows; however, they held steady at 3.4% in the second quarter.
 - Munich assets, which are highly valued due to the city’s high demographic metrics, and was the only sub-market where cap rates compressed further, down 20 bps from the prior quarter to reach an unheard of 2.9%.

Commentary in ECE European Prime Shopping Center’s second quarter 2017 Investor report highlighted conditions occurring in the German retail market:

“The German economy continued its healthy momentum in Q2 2017 expanding 0.6% (q-o-q) and 2.1% (y-o-y), the highest amount in three years. Business and consumer confidence reached a three-year high according to GfK, boosted by a constantly improving labour market and the global cyclical upswing resulting in increased external demand. Economic growth seems resilient and undeterred by the threats of Brexit, U.S. trade deals or the upcoming elections in September, as recent polling suggests weakening support for the far-right. Due to a further rise in consumer sentiment and spending expected as a result of an ever-strengthening labour market pushing up wage demands, German economic growth will remain robust and GDP is forecast to grow by 1.8% in 2017 and 1.7% in 2018. This positive outlook is projected to be mirrored in an increase in retail sales by 1.3% in 2017 and 1.2% in 2018 according to Oxford Economics. Germany continues to be a consistent target for international retail occupiers and investors alike.”

SCERS’ commitment with 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:
 - Second Quarter: +8.6% in U.S. dollars (+1.2% in Euros) versus +1.7% U.S. benchmark return
 - One-year ended June 30, 2017: +25.0% in U.S. dollars (+21.5% in Euros) versus +7.9% U.S. benchmark return

NORDICS

- Year-over-year GDP across the Nordic countries has been strong, with Sweden up 3.2% followed by Finland at 2.5%, Denmark at 2.3%, and Norway at 1.7%.
 - The robust growth in Swedish GDP is due to its strong export growth, steady domestic consumption, and

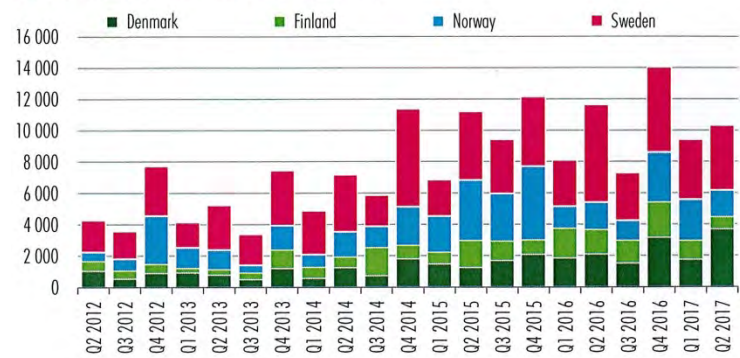
Nordics, GDP growth				
Year-on-year percentage change				
	2016	2017	2018	2019
Sweden	3.2	3.2	2.8	2.4
Norway	1.1	1.7	1.6	1.9
Denmark	1.7	2.3	2.4	2.4
Finland	1.9	2.5	2.2	2.2

Source: OECD, SEB

record-high growth in housing construction. Sweden's export market is benefiting from the strengthening Eurozone economy, which receives 70% of Sweden's exports.

- Finland's GDP expansion is due to accelerating exports, particularly to Germany and Russia, and domestic consumption, driven by record-high consumer confidence.
- The Nordics' real estate transaction volume (€22.3 billion) set a new record high for the first half of 2017, per Pangea Nordic Property Partners market report. CBRE also reported high deal volume (€19.7 billion) across the Nordic region.
- Foreign buyers accounted for 53% of the deal volume, which Pangea indicated was the highest level ever recorded. CBRE also reported a large share (39%) coming from foreign investors.
- The Nordics contributed 14% of European deal volumes, which CBRE reported is in line with the 5-year average.
- Once again, Sweden dominates investor interest with 40% of transaction activity, according to CBRE. Across the property sectors, the residential sector garnered the largest portion (33%) of transactions.
- The high demand for Nordic real estate has compressed cap rates to peak lows but have plateaued with cap rates unchanged from the first quarter, with office remaining at 3.75%, retail at 3.6%, and logistics at 5.6%.

Figure 1: Nordics investment volume 2012– 2017 (€ mn)



Source: CBRE Research, Q2 2017

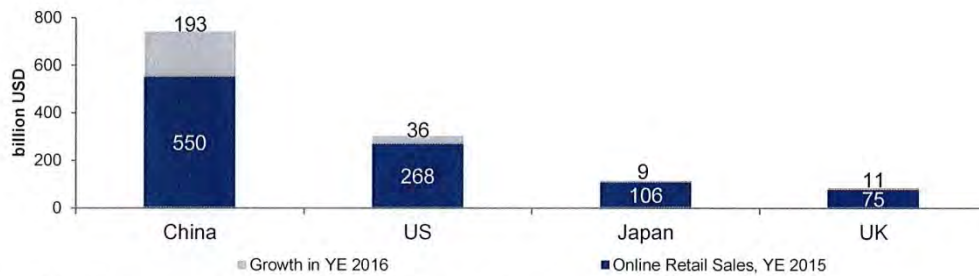
SCERS' investment in NREP Nordic Strategies Fund, FCP-FIS ("NREP I") and NREP Nordic Strategies Fund II, SCSp ("NREP II") is a strategic investment in the Nordic region. NREP targets residential, retail, and logistics properties across the Nordic region.

- NREP I and NREP II period returns versus the U.S. benchmark:
 - Second Quarter: +14.2% and +10.2%, respectively in U.S. dollars (+6.4% and +2.7% in Euros) versus +1.7% U.S. benchmark return
 - One-year ended June 30, 2017: +30.6% and +9.2%, respectively in U.S. dollars (+27.2% and +5.7% in Euros) versus +7.9% U.S. benchmark return

CHINA

- China’s economy expanded an unexpected 6.9% year-over-year despite concerns of a tighter regulatory environment.
 - The service sector recorded solid growth, up 8.3% year-over-year according to China’s National Bureau of Statistics second quarter report, while exports grew 10% year-over-year.
 - The telecom, software, and information technology sectors together grew 6.9% year-over-year.
- Domestic consumption continues to be robust, with total retail sales up 10.4% year-to-date while online sales were up 28.6%. For the first half of the year, domestic consumption contributed 63.4% to overall GDP growth.

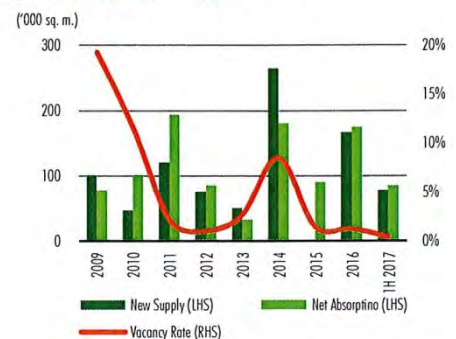
Figure 6: Online retail sales



Source: Oxford Economics, eMarketer, iResearch, LaSalle Investment Management (2016)

- High demand from online retailers remains robust, which is contributing to tightening logistic fundamentals in tier 1 cities; however, tier 2 cities are experiencing a supply spurt that is dampening rental growth and pressuring vacancies.
 - Beijing’s logistics vacancy rate increased by 0.9% during the quarter with the delivery of two new logistics projects but it is still a tight 5.2%.
 - Strong demand from e-commerce and third party logistics (3PLs) providers continue to drive space absorption.
 - The Shanghai logistics market also delivered two new projects adding another 2.1% of vacancy for a total market vacancy of 14.7%.

Figure 9: Beijing Logistics Supply & Demand



Source: CBRE Research, Q2 2017

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 did not make its first capital call until after the second quarter ended.

ATTACHMENT

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

Prepared by:

/S/
JR Pearce
Investment Officer

Reviewed by:

/S/
Steve Davis
Chief Investment Officer

/S/
Annette St. Urbain
Interim Chief Executive Officer



**TOWNSEND
GROUP**

Real Estate Portfolio

Performance Measurement Report

SECOND QUARTER 2017



SCERS Real Estate Portfolio Overview

In July 2017, Sacramento County Employees’ Retirement System (“SCERS”) Board adopted a series of changes to its Real Estate Investment Policy Statement. Real Estate, housed within the Real Return asset category, now includes Core, Non-Core and Non-U.S. Private Real Estate; Real Estate Investment Trusts (“REITs”) are included within the Equity allocation. This report will focus on the SCERS Core and Non-Core Portfolio, with performance for REITs provided as reference. Now, the REIT allocation will formally be moved into the SCERS’ Equities allocation and will no longer be collected or reported by Townsend.

SCERS targets 7.0% to Real Estate with an allowable range of 5.0% to 9.0%. As of the end of the 2nd quarter, 2017 (the “Quarter”), the Real Estate Portfolio is nearing the upper limit at 8.6% of the Total Plan but remains within the allowable range. Core Real Estate currently makes up 75.4% of the portfolio, with Non-Core Real Estate marking up the remaining 24.6%. Recent capital projections have indicated exposure to Core is expected to approach the lower end of the permissible range over the next few years, assuming no new commitments and projected sales from the separate account portfolio.

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 6 and 7.

Townsend and Staff continue to evaluate and underwrite Non-Core opportunities in Asia, Europe and the United States.

The loan-to-value ratio of the Core Portfolio was 29.5% at the end of the Second Quarter of 2017, below the 40.0% leverage constraint for Core as approved by the Board. This level is above the loan-to-value ratio of the NFI-ODCE, which was 21.5% as of the Second Quarter. The Non-Core Portfolio reported a loan-to-value ratio of 43.1%.

Portfolio Funding Status

- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the “Portfolio”) through June 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 June 30, 2017</i>	Market Value (in millions of dollars)*	% of SCERS Plan
SCERS Total Plan Assets	8,572	100.0%
Private Portfolio Target	600	7.0%
Private Portfolio Permissible Range		5.0-9.0%
Private Real Estate		
Core Portfolio	557	6.5%
Non-Core Portfolio	182	2.1%
Total SCERS Private Real Estate Market Value	739	8.6%
Total SCERS Private Real Estate Unfunded Commitments	132	1.5%

Also note that the exposure to Core Real Estate will reduce further as result of planned disposition activity in the separate accounts. To offset the disposition of core assets, an additional commitment of \$20 million to Townsend Real Estate Fund was approved. During the Quarter, Townsend Real Estate Fund called the remaining additional commitment, resulting in an \$11.6 million contribution.

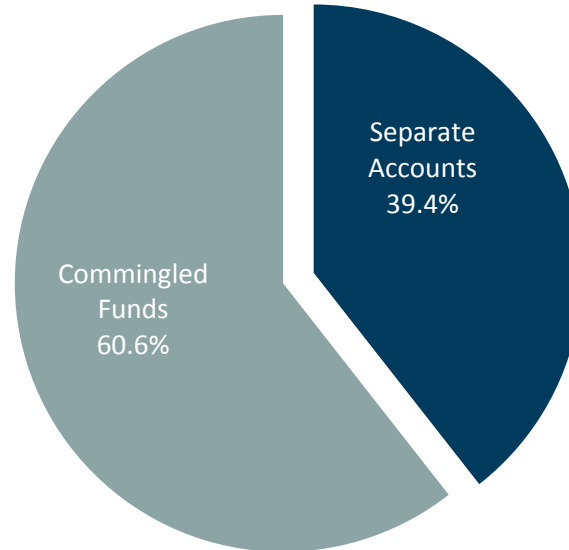
* Figures may not add due to rounding.

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 75.4% 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 \$11.6 million by Townsend Real Estate.
- 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, including the engagement of Open-Ended Core Fund managers to gauge interest in a potential transfer of IMA assets in lieu of fund shares.

Core Portfolio Allocation By Vehicle

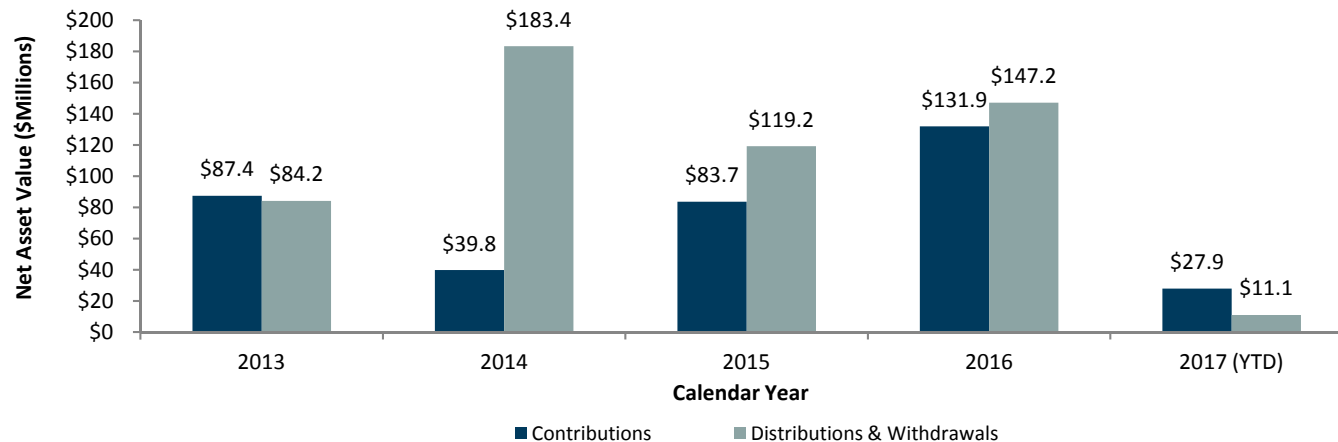


Real Estate Portfolio Composition

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 were part of the Core Rebalancing Program, which was implemented to improve the quality of the SCERS Core Program, and reposition the Portfolio toward investments focused on strong net operating income growth.

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



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

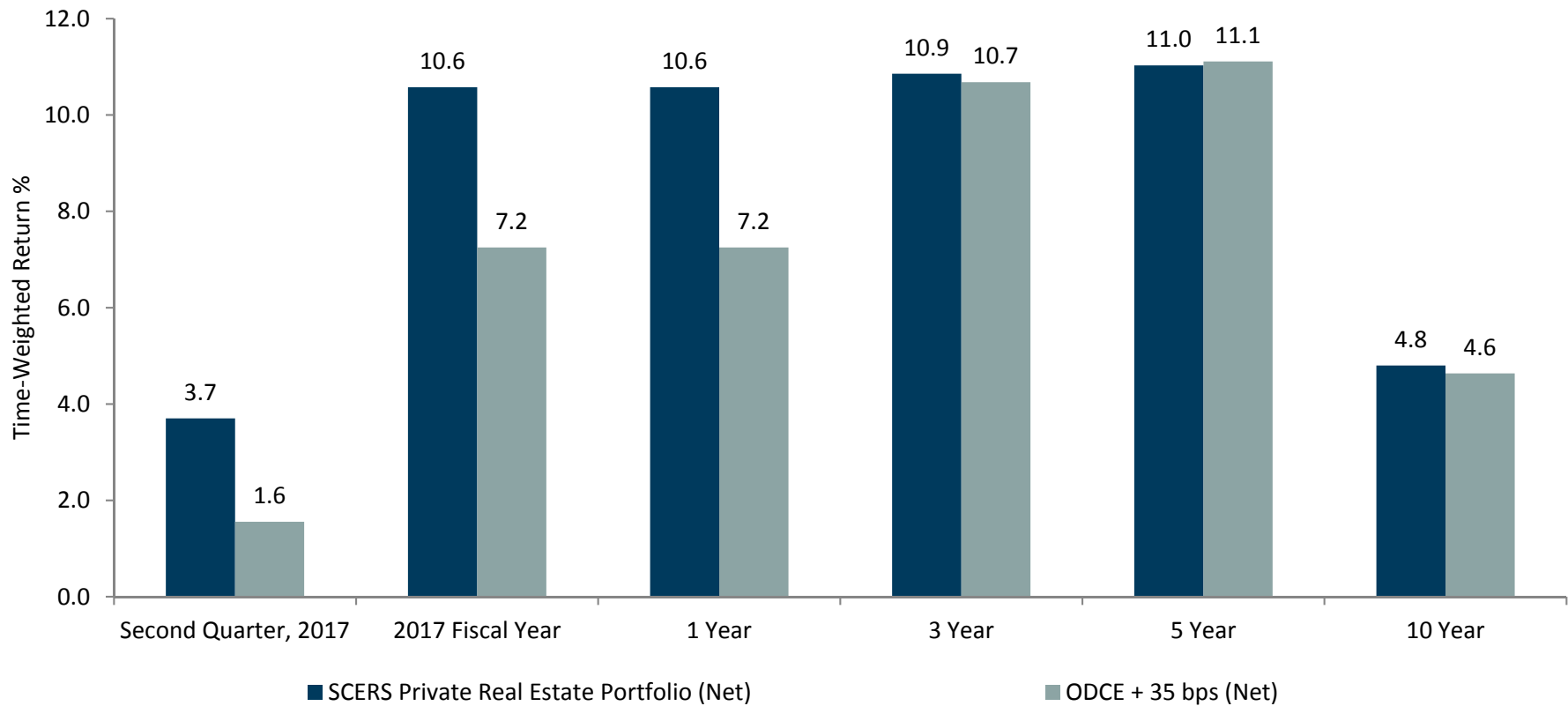


Real Estate Portfolio Composition (continued)

Non-Core Portfolio

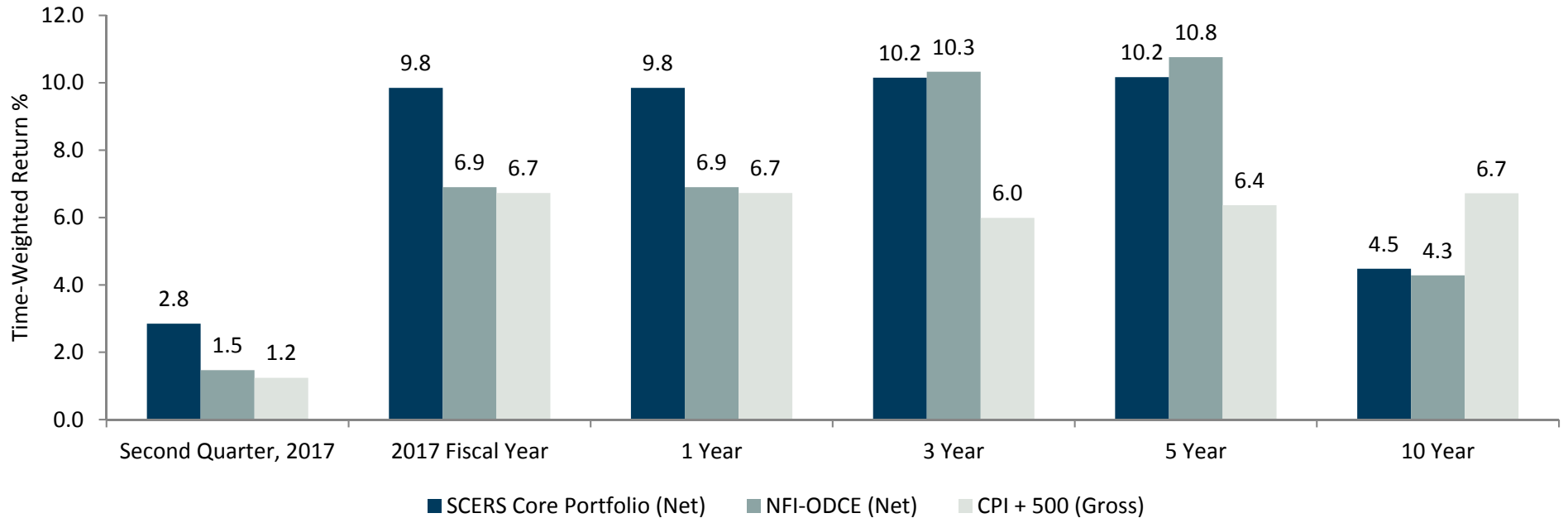
- Non-Core Real Estate includes both Value Add and Opportunistic Real Estate strategies and is included in the SCERS Real Estate allocation with an allowable range of 20.0% to 50.0% of the Real Estate Portfolio. As of the Second Quarter, the Non-Core Real Estate Portfolio was well within its established range, representing 24.6% of the Real Estate Portfolio but lower than the target 35%. Including all approved unfunded commitments through June 30, SCERS has an aggregate exposure of 3.7% to Non-Core opportunities.
- Non-Core Real Estate includes investments that take on additional risk in order to achieve higher returns. Typical sources of risk are: development, re-development, rehabilitation, land investing, operating company investing, international exposure, debt investments, distressed properties and high leverage.
- 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.
- 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

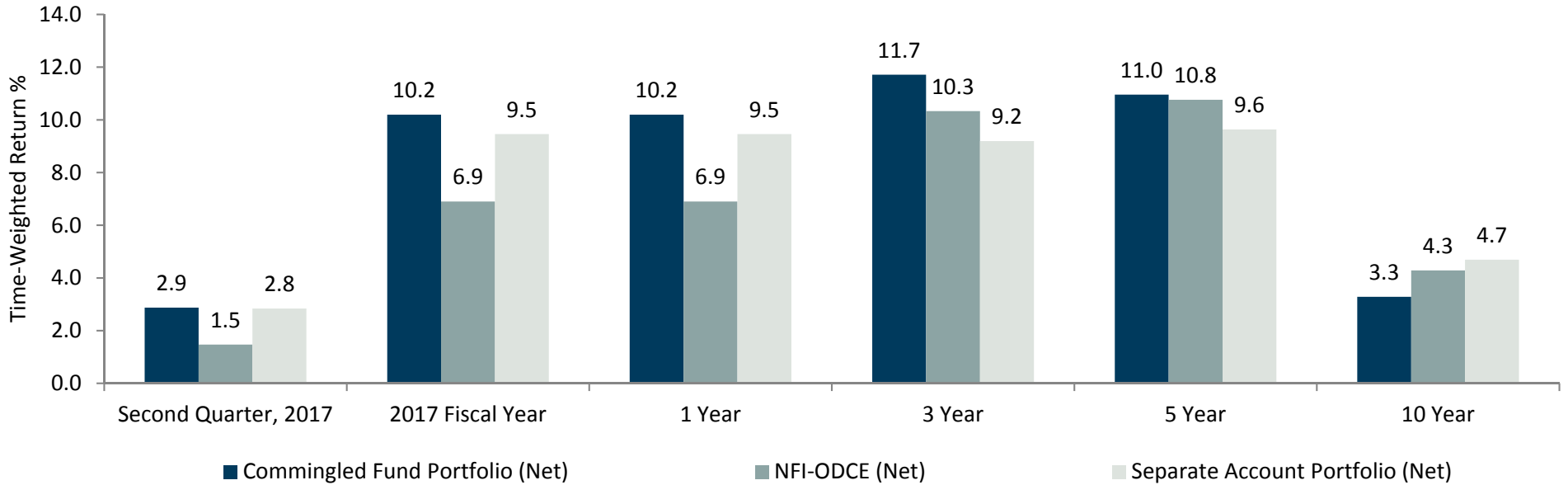


- The SCERS Core Portfolio consists of two Core Separate Accounts, managed by BlackRock and Cornerstone, and seven open-end Core Commingled funds. The Core Commingled Fund exposure includes Morgan Stanley’s Prime Property Fund, MetLife Core Property Fund, Jamestown Premier Property Fund, Principal U.S.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

*EX-US funds produced the following 2Q17 net returns in local currency: Prologis Targeted Europe Logistics Fund (Euro) 1.6%

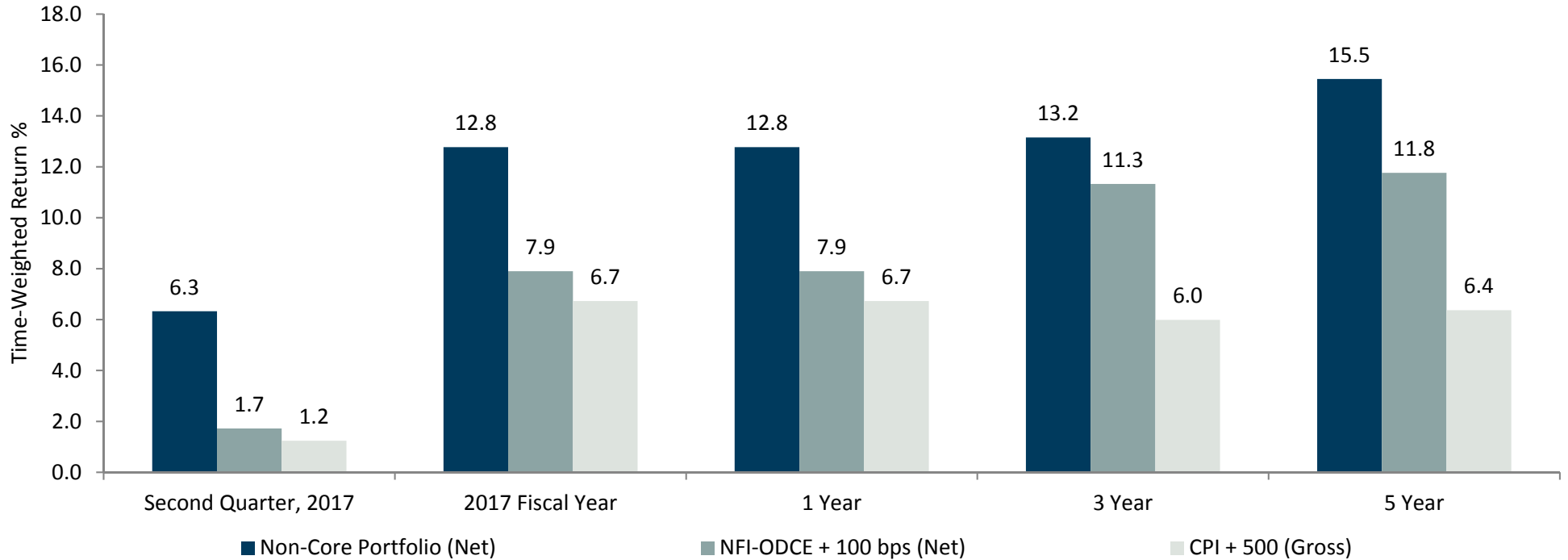


Core Portfolio Performance By Vehicle



- 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 190bps. 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). Furthermore, the Cornerstone Patriot Fund underperformed the index over all time periods with the exception of the ten-year time period, due to lower leverage and occupancy levels relative to the benchmark. As a result, and also as part of the overall rebalancing plan for the Core Commingled Fund Portfolio, a partial redemption was made from Cornerstone Patriot Fund in 2014 followed by a full redemption in 2015.
- Separate Account performance has suffered as a result of recent sales activity, where sale prices trailed carrying value. The decision to liquidate was made in recognition of core pricing reaching a perceived cyclical peak and in tandem with efforts to rebalance the core portfolio with commingled funds. In July 2017, SCER's board approved a complete liquidation of the separate account assets, in favor of commingled fund investments going forward.

Non-Core Portfolio Performance

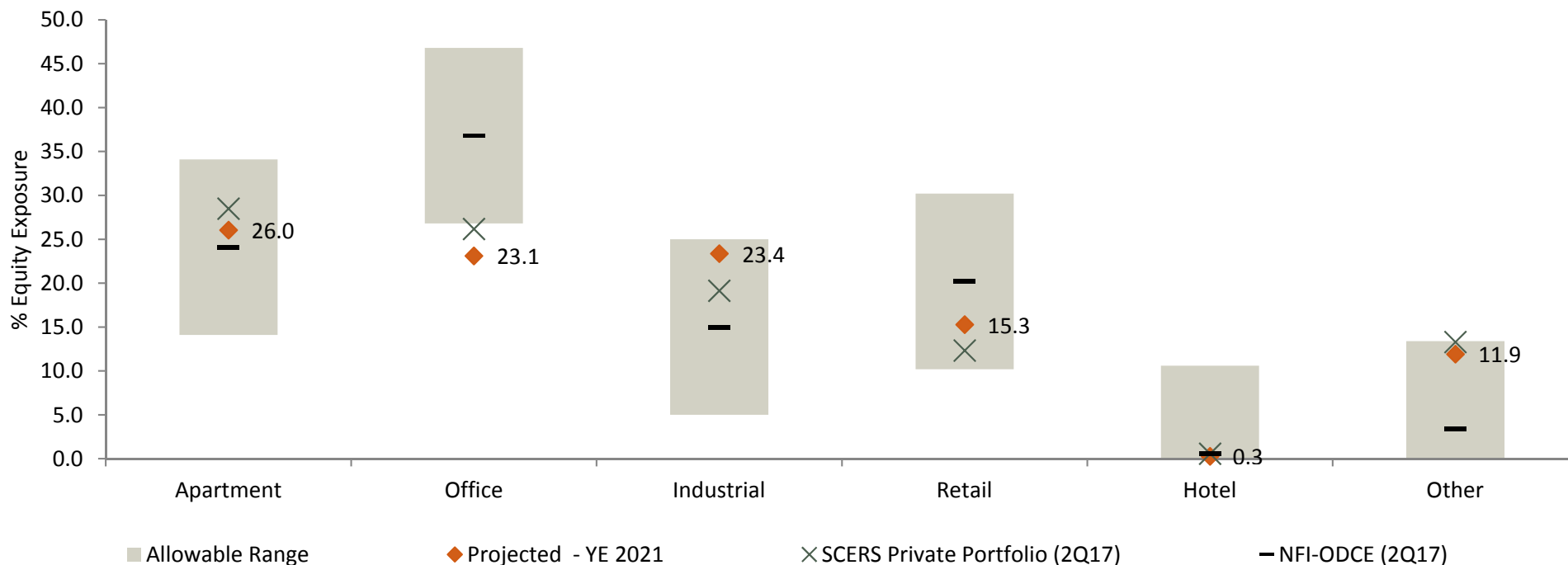


- The SCERS Non-Core Portfolio includes both Value Add and Opportunistic Real Estate strategies, which are defined in the Glossary of Terms. As displayed above, the SCERS Non-Core Portfolio outperformed the NFI-ODCE + 100 basis points over all periods displayed; Short-term outperformance has been driven 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 (9.7%), ECE European Prime Shopping Centre Fund II (8.6%), NREP Nordic Strategies Fund (14.2%) and NREP Nordic Strategies Fund II (10.2%).
 - The following Opportunistic funds 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.

**EX-US funds produced the following 2Q17 net returns in local currency: DRC European Real Estate Debt Fund II (Pound Sterling) 5.7%, ECE European Prime Shopping Center Fund II (Euro) 1.2%, NREP Nordic Strategies Fund (Euro) 6.4%, and NREP Nordic Strategies Fund II (Euro) 2.7%*

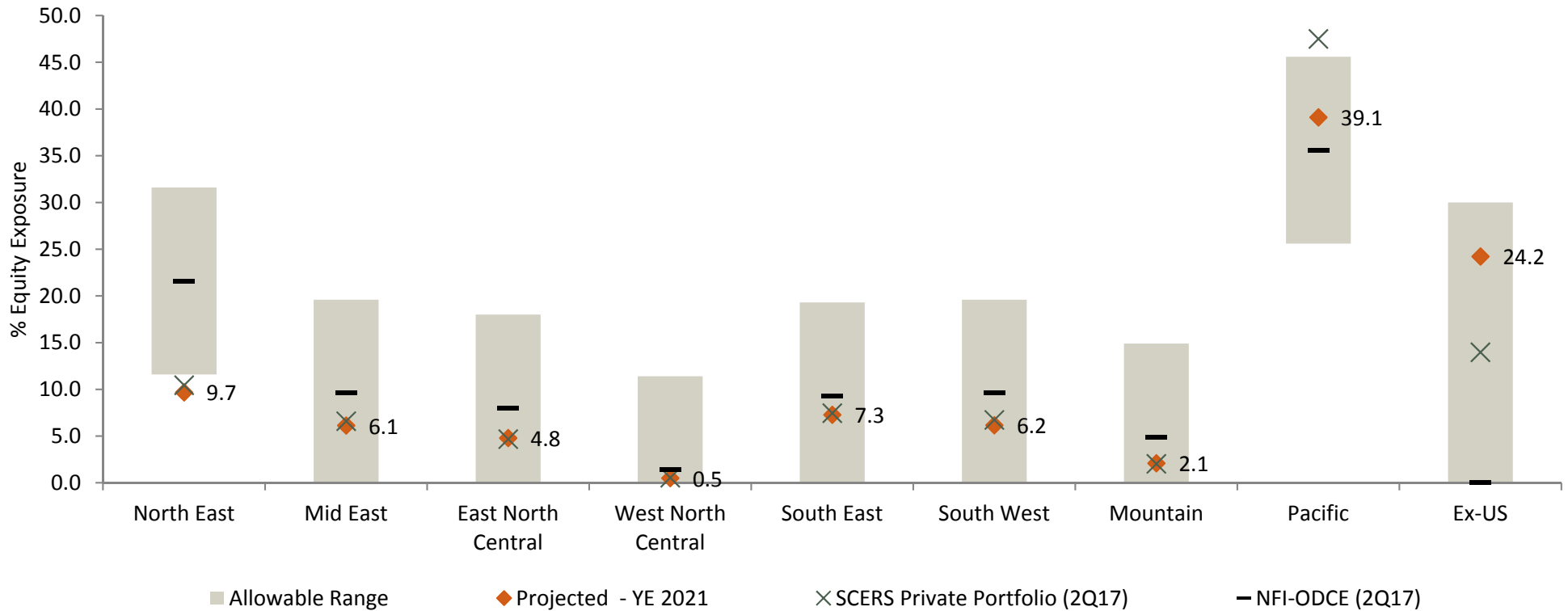


Real Estate Private Portfolio Diversification – Property Type



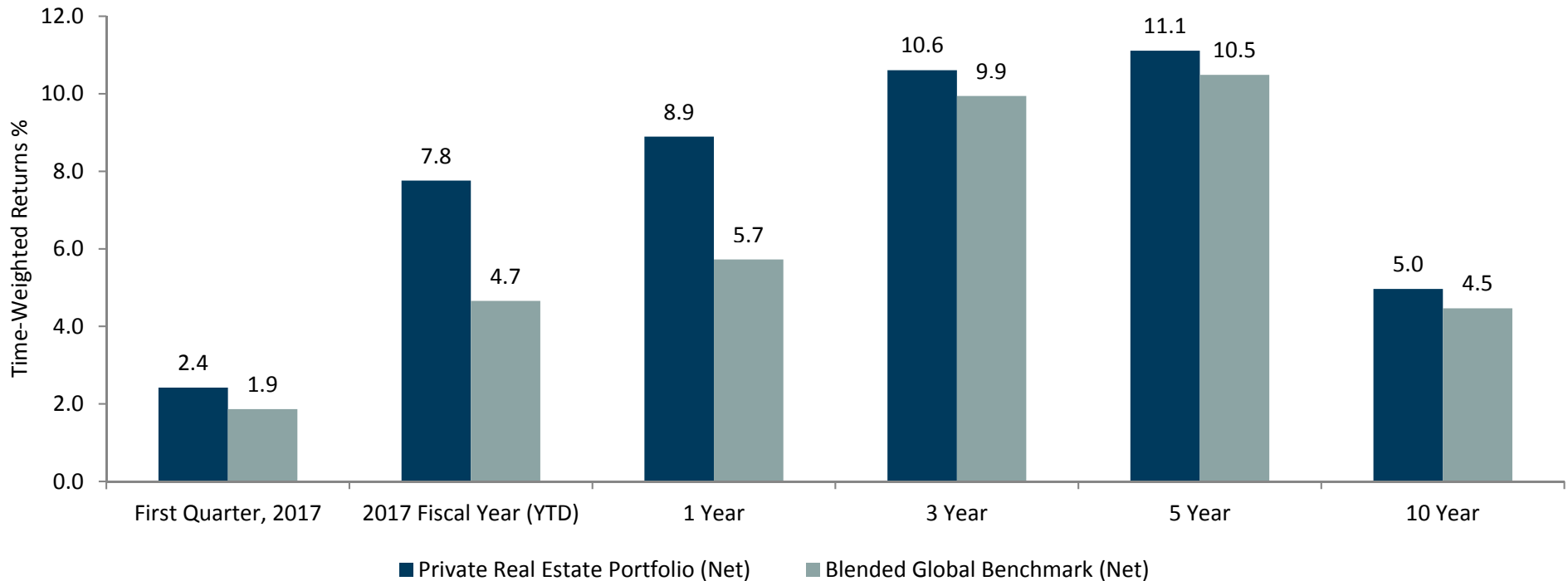
- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, with a permissible deviation of $\pm 10.0\%$ for each property type. The Real Estate Policy also allows for temporary deviations in order to provide SCERS with the flexibility required to overweight or underweight property types during certain parts of the market cycle.
- As of the Second Quarter, the Private Portfolio was in compliance across all property types with the exception of the Office.
- Favorable views on the industrial property type fundamentals support increasing exposure in today's environment. SCERS made a \$70 million commitment in 2014 to the industrial space (in both the US and Europe). 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 2021.
- The "Other" property type exposure represents Och-Ziff Real Estate Fund III (parking, senior housing and cell towers), KKR Real Estate Partners Americas (senior housing), CIM Fund VIII (condominiums), Hammes Partners II (medical office), Jamestown Premier Property Fund (signage – One Times Square), Townsend Real Estate Fund (senior and student housing) and Prime Property Fund (self storage).

Real Estate Private Portfolio Diversification – Geographic Region



- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, with a permissible deviation of $\pm 10.0\%$ for each region. Ex-US exposure is limited to 30% of the Total Private Portfolio.
- As of the Second 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 will 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.
- Tactical overweight/underweight positions may exist over time.
- The Private Portfolio's international exposure is 14.0%, well within its 30% constraint, but will increase as KKR Real Estate Partners Americas, Och-Ziff Real Estate Fund III, NREP Nordic Strategies Fund I and II, and ECE European Prime Shopping Centre Fund II continue to call capital and purchase assets in Europe. Though well diversified by country, 100% of the SCERS Ex-US exposure lies in European holdings.
- In the first half of 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.

Private Real Estate Performance – Global Ancillary Benchmark (1Q17)



- The Global Ancillary Benchmark is made-up of a 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 quaterly 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 it's secondary benchmark over all time periods.

Exhibit A: Performance Flash Report



Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
8,571,728,529	Core	7.0%	557,362,980	6.5%	335,573	0.0%	42,322,444	0.5%
	Non-Core	0.00% - 5.00%	181,895,540	2.1%	131,261,597	1.5%	-120,293,245	-1.4%
	Total	7.0%	739,258,520	8.6%	131,597,170	1.5%	-77,970,801	-0.9%

Performance Summary								
	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	3.1	2.8	11.0	9.8	11.7	10.2	11.5	10.2
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	6.9	6.3	15.2	12.8	16.5	13.2	19.3	15.5
Private Real Estate Portfolio	4.0	3.7	12.1	10.6	12.8	10.9	12.8	11.0
NFI-ODCE (Core)	1.7	1.5	7.9	6.9	11.3	10.3	11.8	10.8
NFI-ODCE + 100 bps (Non-Core)	1.9	1.7	8.9	7.9	12.3	11.3	12.8	11.8
NFI-ODCE + 35 bps (Private Portfolio)	1.8	1.6	8.2	7.2	11.7	10.7	12.1	11.1

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	18,598,539	335,573	5,447,855	19,634,546	2.7	2.3
MetLife Core Property Fund	2013	35,000,000	41,114,096	0	6,660,974	52,379,503	7.1	6.0
Prime Property Fund	2013	35,000,000	41,392,673	0	6,392,673	53,488,671	7.2	6.1
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	40,768,849	5.5	4.7
Prologis Targeted Europe Logistics Fund	2015	30,086,929	31,392,181	0	2,589,356	32,497,219	4.4	3.7
Prologis Targeted U.S. Logistics Fund	2015	35,000,000	35,000,000	0	2,163,871	41,046,340	5.6	4.7
Townsend Real Estate Fund, L.P.	2016	90,000,000	92,592,104	0	2,592,104	97,820,497	13.2	11.2
Core Commingled Funds	1986	275,086,929	295,089,593	335,573	25,846,833	337,635,625	45.7	38.8
Core Separate Accounts								
BlackRock Core Separate Account	1995	827,665,272	827,665,272	0	1,038,031,576	149,644,084	20.2	17.2
BlackRock Separate Account (PM Realty Takeover)	2002	150,601,481	150,601,481	0	214,766,654	1,601,553	0.2	0.2
Cornerstone Separate Account	2004	254,951,419	254,951,419	0	269,686,831	68,481,718	9.3	7.9
Core Separate Accounts	1996	1,233,218,172	1,233,218,172	0	1,522,485,061	219,727,355	29.7	25.2
<i>Total BlackRock Separate Account</i>	<i>1996</i>	<i>995,266,753</i>	<i>995,924,925</i>	<i>0</i>	<i>1,252,798,230</i>	<i>171,686,264</i>	<i>20.5</i>	<i>17.4</i>
Total Core Portfolio	1986	1,508,305,101	1,528,307,765	335,573	1,548,331,894	557,362,980	75.4	64.0
Value Added Portfolio								
AEW Value Investors Fund II ¹	2007	21,812,596	21,857,719	0	27,467,576	321,592	0.0	0.0
Allegis Value Trust	2006	25,000,000	25,550,296	0	16,409,296	16,344,712	2.2	1.9
DRC European Real Estate Debt Fund II ¹	2013	50,007,963	45,210,336	13,674,782	21,213,927	25,786,117	3.5	4.5
ECE European Prime Shopping Centre Fund II ¹	2015	33,611,623	7,866,449	27,308,824	1,216,334	9,700,127	1.3	4.2
Hammes Partners II ¹	2015	25,000,000	16,504,421	8,897,503	3,502,370	14,512,005	2.0	2.7
Hines US Office Value Added Fund II	2007	25,000,000	24,382,964	846,154	16,970,755	672,701	0.1	0.2
NREP Nordic Strategies Fund	2014	25,130,756	21,924,715	1,125,457	15,729,305	20,139,200	2.7	2.4
NREP Nordic Strategies Fund II	2016	28,006,400	9,859,751	26,207,253	0	11,012,434	1.5	4.3
Value Added Portfolio	1986	233,569,338	173,156,651	78,059,973	102,509,563	98,488,888	13.3	20.3



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	17,658,172	0	0	20,440,627	2.8	2.3
CIM Fund VIII	2015	35,000,000	23,883,363	13,419,792	857,764	26,227,290	3.5	4.6
KKR Real Estate Partners Americas ¹	2014	35,000,000	27,003,265	18,271,873	13,618,105	21,333,637	2.9	4.5
Och-Ziff Real Estate Fund III ¹	2014	35,000,000	14,351,043	21,509,959	2,655,116	15,405,098	2.1	4.2
Opportunistic Portfolio	1991	122,000,000	82,895,843	53,201,624	17,130,985	83,406,652	11.3	15.7
Total Non-Core Portfolio 1Q 2007 Forward	2007	355,569,338	256,052,494	131,261,597	119,640,548	181,895,540	24.6	36.0
Total Private Portfolio								
SCERS	1986	1,863,874,439	1,784,360,259	131,597,170	1,667,972,442	739,258,520	100.0	100.0

¹ Preliminary performance, subject to change.

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2017				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	19,634,546	1.2	1.3	2.5	2.0	4.6	3.7	8.4	6.6	4.6	3.7	8.4	6.6	4.7	8.2	13.1	10.5
MetLife Core Property Fund	52,379,503	1.3	-0.5	0.9	0.7	5.1	3.5	8.7	8.2	5.1	3.5	8.7	8.2	5.1	6.9	12.2	11.7
Prime Property Fund	53,488,671	1.0	1.5	2.5	2.2	4.3	5.8	10.3	9.1	4.3	5.8	10.3	9.1	4.4	8.7	13.4	12.1
Principal U.S. Property Account	40,768,849	1.2	1.2	2.3	2.1	4.8	4.8	9.8	8.8	4.8	4.8	9.8	8.8				
Prologis Targeted Europe Logistics Fund	32,497,219	0.9	8.2	9.1	8.9	5.5	5.7	11.5	10.5	5.5	5.7	11.5	10.5				
Prologis Targeted U.S. Logistics Fund	41,046,340	1.4	2.8	4.2	3.4	5.8	13.5	19.9	16.6	5.8	13.5	19.9	16.6				
Townsend Real Estate Fund, L.P.	97,820,497	1.1	1.8	2.8	2.8	4.6	6.2	11.0	10.7	4.6	6.2	11.0	10.7				
Core Commingled Funds	337,635,625	1.2	2.0	3.1	2.9	4.9	6.2	11.3	10.2	4.9	6.2	11.3	10.2	4.7	7.9	12.9	11.7
Core Separate Accounts																	
BlackRock Core Separate Account	149,644,084	1.1	1.2	2.4	2.0	5.1	4.1	9.4	7.8	5.1	4.1	9.4	7.8	5.0	8.3	13.6	11.2
BlackRock Separate Account (PM Realty Takeover)	1,601,553	0.6	-0.1	0.5	0.5	3.2	-9.1	-6.1	-6.3	3.2	-9.1	-6.1	-6.3	4.2	-7.5	-3.5	-4.1
Cornerstone Separate Account	68,481,718	1.2	3.7	4.8	4.7	4.8	11.8	16.9	16.2	4.8	11.8	16.9	16.2	5.2	5.1	10.5	9.7
Core Separate Accounts	219,727,355	1.0	2.2	3.2	2.8	4.9	5.6	10.7	9.5	4.9	5.6	10.7	9.5	5.1	5.6	10.9	9.2
<i>Total BlackRock Separate Account</i>	<i>171,686,264</i>	<i>1.0</i>	<i>2.2</i>	<i>3.2</i>	<i>2.8</i>	<i>4.5</i>	<i>4.6</i>	<i>9.3</i>	<i>7.9</i>	<i>4.5</i>	<i>4.6</i>	<i>9.3</i>	<i>7.9</i>	<i>4.8</i>	<i>6.8</i>	<i>11.8</i>	<i>9.7</i>
Total Core Portfolio	557,362,980	1.1	2.0	3.1	2.8	4.9	5.9	11.0	9.8	4.9	5.9	11.0	9.8	4.9	6.5	11.7	10.2
Value Added Portfolio																	
AEW Value Investors Fund II ^{4,5}	321,592																
Allegis Value Trust ¹	16,344,712	1.3	0.9	2.2	2.1	5.6	0.9	6.5	6.0	5.6	0.9	6.5	6.0	5.8	4.0	10.0	9.5
DRC European Real Estate Debt Fund II ⁴	25,786,117	6.2	3.9	10.1	9.7	14.0	-6.1	7.1	5.8	14.0	-6.1	7.1	5.8	13.3	-9.7	2.7	0.7
ECE European Prime Shopping Centre Fund II ⁴	9,700,127	3.5	5.6	9.1	8.6	-3.2	31.4	27.7	25.0	-3.2	31.4	27.7	25.0				
Hammes Partners II	14,512,005	2.5	0.1	2.6	2.0	9.1	4.3	13.7	9.4	9.1	4.3	13.7	9.4				
Hines US Office Value Added Fund II ⁴	672,701																
NREP Nordic Strategies Fund	20,139,200	2.0	12.5	14.5	14.2	9.5	20.8	31.7	30.6	9.5	20.8	31.7	30.6				
NREP Nordic Strategies Fund II	11,012,434	1.5	11.1	12.6	10.2	7.3	20.9	29.2	9.2	7.3	20.9	29.2	9.2				
Value Added Portfolio	98,488,888	3.1	5.5	8.6	8.0	8.5	7.1	16.0	13.3	8.5	7.1	16.0	13.3	9.2	6.9	16.5	14.2
Opportunistic Portfolio																	
BlackRock High Return Separate Account	20,440,627	-0.1	9.6	9.6	9.6	-1.5	22.3	20.5	20.5	-1.5	22.3	20.5	20.5				
CIM Fund VIII	26,227,290	0.0	0.5	0.5	0.1	0.2	6.2	6.4	4.5	0.2	6.2	6.4	4.5				
KKR Real Estate Partners Americas ⁴	21,333,637	1.9	2.1	4.0	3.1	15.5	-4.6	11.1	9.3	15.5	-4.6	11.1	9.3	9.3	3.3	13.1	9.7
Och-Ziff Real Estate Fund III ^{4,5}	15,405,098	2.7	5.4	8.1	7.2	9.6	20.0	31.0	25.5	9.6	20.0	31.0	25.5				
Opportunistic Portfolio	83,406,652	1.0	3.9	4.9	4.3	6.5	7.6	14.5	12.5	6.5	7.6	14.5	12.5	6.1	10.6	17.3	10.9
Total Non-Core Portfolio 1Q 2007 Forward	181,895,540	2.1	4.8	6.9	6.3	7.5	7.3	15.2	12.8	7.5	7.3	15.2	12.8	8.1	7.9	16.5	13.2
Total Private Portfolio																	
SCERS	739,258,520	1.4	2.7	4.0	3.7	5.5	6.3	12.1	10.6	5.5	6.3	12.1	10.6	5.6	6.9	12.8	10.9
Ex-US Dollar Denominated Investments (In Local Currency)																	
Prologis Targeted Europe Logistics Fund (Euro)	€ 28,441,566	0.9	0.9	1.8	1.6	5.6	2.7	8.4	7.4	5.6	2.7	8.4	7.4				
DRC European Real Estate Debt Fund II (Pound Sterling)	£19,976,002	6.0	0.0	6.0	5.7	13.9	-4.5	9.0	7.7	13.9	-4.5	9.0	7.7	13.4	-1.3	12.0	9.8
ECE European Prime Shopping Centre Fund II (Euro) ²	€ 8,489,551	3.3	-1.6	1.8	1.2	-3.8	27.6	24.1	21.5	-3.8	27.6	24.1	21.5				
NREP Nordic Strategies Fund (Euro)	€ 17,625,828	1.9	4.8	6.7	6.4	9.5	17.6	28.3	27.2	9.5	17.6	28.3	27.2				
NREP Nordic Strategies Fund II (Euro)	€ 9,649,178	1.8	3.3	5.0	2.7	8.5	15.4	24.5	5.7	8.5	15.4	24.5	5.7				
Indices																	
NFI ODCE+ 35bps ⁵				1.8	1.6			8.2	7.2			8.2	7.2			11.7	10.7
NFI-ODCE		1.1	0.6	1.7	1.5	4.4	3.3	7.9	6.9	4.4	3.3	7.9	6.9	4.6	6.5	11.3	10.3
NFI-ODCE + 100bps				1.9	1.7			8.9	7.9			8.9	7.9			12.3	11.3
CPI + 500 bps				1.2				6.7				6.7				6.0	

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

⁴ Preliminary performance, subject to change.

⁵ Fees for this Fund are charged on total commitments. As a result of Och-Ziff only calling a portion of SCERS' committed capital, the gross to net spread is significant and expected to normalize over time.

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

³ SCERS' new primary policy benchmark, as of 2Q16, made up of ODCE (65%) plus ODCE + 100 bps (35%)

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	19,634,546									4.7	8.7	13.7	10.9	1Q14	11.1	1.3
MetLife Core Property Fund	52,379,503									5.2	7.7	13.2	12.6	1Q14	12.7	1.4
Prime Property Fund	53,488,671									4.4	8.8	13.5	12.2	4Q13	12.2	1.4
Principal U.S. Property Account	40,768,849									4.9	5.0	10.1	9.1	4Q15	9.1	1.2
Prologis Targeted Europe Logistics Fund	32,497,219									3.3	6.9	10.5	9.8	1Q16	7.1	1.1
Prologis Targeted U.S. Logistics Fund	41,046,340									5.8	11.3	17.6	15.1	3Q15	15.6	1.2
Townsend Real Estate Fund, L.P.	97,820,497									4.5	6.7	11.4	11.1	2Q16	11.0	1.1
Core Commingled Funds	337,635,625	4.7	7.2	12.1	11.0	4.9	-0.6	4.3	3.3	4.5	3.2	7.8	6.9	4Q86	6.1	1.3
Core Separate Accounts																
BlackRock Core Separate Account	149,644,084	5.3	7.5	13.1	11.0	5.3	1.2	6.5	5.2	7.1	3.2	10.4	8.9	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)	1,601,553	4.4	-3.9	0.4	-0.3	4.9	-4.1	0.6	0.0	5.7	0.7	6.3	5.3	3Q02	8.3	1.4
Cornerstone Separate Account	68,481,718	5.3	5.5	11.0	10.2	5.4	0.3	5.8	5.0	5.6	2.0	7.7	6.8	3Q04	5.3	1.3
Core Separate Accounts	219,727,355	5.2	5.7	11.1	9.6	5.3	0.4	5.8	4.7	7.2	2.8	10.2	8.9	1Q96	8.9	1.4
<i>Total BlackRock Separate Account</i>	<i>171,686,264</i>	<i>5.0</i>	<i>6.3</i>	<i>11.6</i>	<i>9.8</i>	<i>5.2</i>	<i>0.8</i>	<i>6.0</i>	<i>4.8</i>	<i>7.2</i>	<i>3.1</i>	<i>10.5</i>	<i>9.0</i>	<i>1Q96</i>	<i>9.8</i>	<i>1.4</i>
Total Core Portfolio	557,362,980	5.0	6.3	11.5	10.2	5.2	0.3	5.5	4.5	5.6	1.8	7.4	6.4	4Q86	8.3	1.4
Value Added Portfolio																
AEW Value Investors Fund II ^{1,2}	321,592													3Q07	5.6	1.3
Allegis Value Trust ¹	16,344,712	6.0	2.5	8.6	8.0	5.0	-7.4	-2.7	-3.7	4.8	-4.6	0.1	-1.6	1Q07		
DRC European Real Estate Debt Fund II ²	25,786,117									11.4	-7.5	3.4	1.2	1Q14	2.0	1.0
ECE European Prime Shopping Centre Fund II ²	9,700,127									-0.8	28.7	28.1	25.4	4Q15	25.3	1.4
Hammes Partners II	14,512,005									12.0	8.5	21.5	14.1	3Q15	9.4	1.1
Hines US Office Value Added Fund II ³	672,701													4Q07	-4.8	0.7
NREP Nordic Strategies Fund	20,139,200									13.0	24.1	39.4	37.0	1Q15	36.3	1.6
NREP Nordic Strategies Fund II	11,012,434									7.3	20.9	29.2	9.2	3Q16	14.9	1.1
Value Added Portfolio	98,488,888	7.9	7.1	15.5	13.3	5.7	-6.3	-1.0	-3.4	1.9	3.5	5.4	4.3	4Q86	4.0	1.2
Opportunistic Portfolio																
BlackRock High Return Separate Account	20,440,627									-1.5	22.3	20.5	20.5	3Q16	21.2	1.2
CIM Fund VIII	26,227,290									0.2	11.8	12.0	9.2	2Q15	7.9	1.1
KKR Real Estate Partners Americas ²	21,333,637									9.2	4.0	13.8	9.4	2Q14	15.8	1.3
Och-Ziff Real Estate Fund III ^{2,3}	15,405,098									18.2	13.6	33.7	2.7	4Q14	20.5	1.3
Opportunistic Portfolio	83,406,652	4.1	26.5	31.6	23.8	3.2	14.2	17.8	12.4	1.2	8.3	9.6	7.7	1Q91	38.9	1.3
Total Non-Core Portfolio 1Q 2007 Forward	181,895,540	7.0	11.6	19.3	15.5	4.6	2.5	7.1	3.4	4.5	4.8	9.3	5.0	1Q07	6.5	1.2
Total Private Portfolio																
SCERS	739,258,520	5.4	7.1	12.8	11.0	5.3	0.8	6.2	4.8	4.4	4.6	9.2	8.2	4Q86	8.2	1.4
Ex-US Dollar Denominated Investments (In Local Currency)																
Prologis Targeted Europe Logistics Fund (Euro)	€ 28,441,566									3.4	3.4	6.8	6.2	1Q16	7.1	1.1
DRC European Real Estate Debt Fund II (Pound Sterling)	£19,976,002									11.5	-1.1	10.3	8.0	1Q14	7.9	1.2
ECE European Prime Shopping Centre Fund II (Euro) ²	€ 8,489,551									-1.2	27.3	26.9	24.2	4Q15	23.1	1.4
NREP Nordic Strategies Fund (Euro)	€ 17,625,828									13.3	29.1	43.8	41.6	1Q15	38.7	1.7
NREP Nordic Strategies Fund II (Euro)	€ 9,649,178									8.5	15.4	24.5	5.7	3Q16	8.4	1.1
Indices																
NFI ODCE+ 35bps ⁵				12.1	11.1			5.6	4.6			7.7	6.6	4Q86		
NFI-ODCE		4.9	6.7	11.8	10.8	5.3	0.0	5.3	4.3	6.9	0.4	7.3	6.3	4Q86		
NFI-ODCE + 100bps				12.8	11.8			6.3	5.3			8.3	7.3	4Q86		
CPI + 500 bps				6.4				6.7				7.8		4Q86		

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

² Preliminary performance, subject to change.

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

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

⁵ SCERS' new primary policy benchmark, as of 2Q16, made up of ODCE (65%) plus ODCE + 100 bps (35%)

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2017				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	13,219,989	1.8	-1.0	0.8	0.8	6.9	0.7	7.6	7.2	6.9	0.7	7.6	7.2	6.7	1.2	8.0	8.3
Forest Pointe ¹	912,844																
Harbour Pointe	38,473,225	1.2	4.2	5.5	4.7	5.6	7.5	13.4	11.0	5.6	7.5	13.4	11.0	5.8	5.8	11.8	9.4
Hillside Village	41,934,044	0.9	0.7	1.6	1.3	4.1	4.1	8.3	6.5	4.1	4.1	8.3	6.5	4.2	14.4	19.1	15.4
Lake Washington Park	38,803,797	0.9	0.5	1.4	1.3	4.8	1.2	6.0	5.5	4.8	1.2	6.0	5.5	4.7	6.5	11.4	10.8
SC Dupont Fee, inc. ¹	0																
SCERS - Portfolio Master Acct. ²	84,577																
The Tower at Hollywood Hills	16,082,350	1.4	-0.5	0.9	0.6	5.2	6.5	11.9	8.6	5.2	6.5	11.9	8.6	5.2	10.1	15.7	12.3
Weston, Inc. ¹	133,257																
Investment Total	149,644,083	1.1	1.2	2.4	2.0	5.1	4.1	9.4	7.8	5.1	4.1	9.4	7.8	5.0	8.3	13.6	11.2
BlackRock Separate Account (PM Realty Takeover)																	
Fontana Industrial Ctr ¹	0																
Stonefield Apts ¹	1,601,553																
Investment Total	1,601,553	0.6	-0.1	0.5	0.5	3.2	-9.1	-6.1	-6.3	3.2	-9.1	-6.1	-6.3	4.2	-7.5	-3.5	-4.1
Cornerstone Separate Account																	
Crescent Park	68,450,293	1.2	3.7	4.8	4.7	4.7	11.8	16.9	16.2	4.7	11.8	16.9	16.2	5.2	10.3	15.8	15.0
Flying Cloud ¹	9,476																
Gateway Corporate ¹	9,705																
Salt Pond ¹	12,245																
Investment Total	68,481,719	1.2	3.7	4.8	4.7	4.8	11.8	16.9	16.2	4.8	11.8	16.9	16.2	5.2	5.1	10.5	9.7
BlackRock High Return Separate Account																	
Block 295	20,440,627	-0.1	9.6	9.6	9.6	-1.5	22.3	20.5	20.5	-1.5	22.3	20.5	20.5				
Investment Total	20,440,627	-0.1	9.6	9.6	9.6	-1.5	22.3	20.5	20.5	-1.5	22.3	20.5	20.5				
Total																	
Total Separate Accounts	240,167,982	1.0	2.6	3.6	3.4	4.6	6.6	11.4	10.2	4.6	6.6	11.4	10.2	4.9	6.0	11.1	9.4
Index																	
NFI-ODCE		1.1	0.6	1.7	1.5	4.4	3.3	7.9	6.9	4.4	3.3	7.9	6.9	4.6	6.5	11.3	10.3

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	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	TGRS	TNET	Calculation Inception		
BlackRock Core Separate Account										
1811 Brittmoore	13,219,989					10.3	9.7	4Q12	9.7	1.5
Forest Pointe ¹	912,844							4Q05	5.2	1.3
Harbour Pointe	38,473,225	6.1	6.6	12.9	9.8	8.5	7.0	4Q05	7.4	1.6
Hillside Village	41,934,044	4.2	13.2	17.8	15.3	8.2	6.7	4Q07	4.4	1.4
Lake Washington Park	38,803,797	4.5	8.0	12.7	12.1	3.2	2.5	3Q07	3.2	1.3
SC Dupont Fee, inc. ¹	0							1Q07	8.5	1.6
SCERS - Portfolio Master Acct. ²	84,577							2Q01	2.0	1.2
The Tower at Hollywood Hills	16,082,350	5.1	7.6	13.0	10.0	8.6	6.8	1Q08	5.9	1.5
Weston, Inc. ¹	133,257							1Q06	4.4	1.3
Investment Total	149,644,083	5.3	7.5	13.1	11.0	10.4	8.9	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)										
Fontana Industrial Ctr ¹	0							3Q02	9.4	1.8
Stonefield Apts ¹	1,601,553							1Q03	6.9	1.3
Investment Total	1,601,553	4.4	-3.9	0.4	-0.3	6.3	5.3	3Q02	8.3	1.4
Cornerstone Separate Account										
Crescent Park	68,450,293	5.0	9.7	15.0	14.2	7.2	6.2	1Q06	6.1	1.7
Flying Cloud ¹	9,476							4Q06	0.1	1.0
Gateway Corporate ¹	9,705							1Q08	-1.4	0.9
Salt Pond ¹	12,245							3Q04	7.2	1.6
Investment Total	68,481,719	5.3	5.5	11.0	10.2	7.7	6.8	3Q04	5.3	1.3
BlackRock High Return Separate Account										
Block 295	20,440,627					20.5	20.5	3Q16	21.2	1.2
Investment Total	20,440,627					20.5	20.5	3Q16	21.2	1.2
Total										
Total Separate Accounts	240,167,982	5.1	5.9	11.2	9.8	10.2	8.9	1Q96	8.9	1.4
Index										
NFI-ODCE		4.9	6.7	11.8	10.8	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 2017				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	149,644,084	1.1	1.2	2.4	2.0	5.1	4.1	9.4	7.8	5.1	4.1	9.4	7.8	5.0	8.3	13.6	11.2
BlackRock Separate Account (PM Realty Takeover)	1,601,553	0.6	-0.1	0.5	0.5	3.2	-9.1	-6.1	-6.3	3.2	-9.1	-6.1	-6.3	4.2	-7.5	-3.5	-4.1
Cornerstone Separate Account	68,481,718	1.2	3.7	4.8	4.7	4.8	11.8	16.9	16.2	4.8	11.8	16.9	16.2	5.2	5.1	10.5	9.7
Core Separate Accounts	219,727,355	1.0	2.2	3.2	2.8	4.9	5.6	10.7	9.5	4.9	5.6	10.7	9.5	5.1	5.6	10.9	9.2
<i>Total BlackRock Separate Account</i>	<i>171,686,264</i>	<i>1.0</i>	<i>2.2</i>	<i>3.2</i>	<i>2.8</i>	<i>4.5</i>	<i>4.6</i>	<i>9.3</i>	<i>7.9</i>	<i>4.5</i>	<i>4.6</i>	<i>9.3</i>	<i>7.9</i>	<i>4.8</i>	<i>6.8</i>	<i>11.8</i>	<i>9.7</i>
Separate Account Returns by Property Type																	
Apartment	128,981,084	1.1	2.1	3.2	2.9	4.5	6.7	11.4	10.1	4.5	6.7	11.4	10.1	4.9	6.5	11.7	10.0
Industrial	13,219,989	1.8	-1.0	0.8	0.8	6.8	0.7	7.5	7.1	6.8	0.7	7.5	7.1	5.9	6.0	12.2	12.7
Office	59,396,861	0.6	3.5	4.0	4.0	3.4	6.6	10.2	9.8	3.4	6.6	10.2	9.8	4.0	3.6	7.8	6.4
Retail	38,485,470	1.2	4.2	5.5	4.7	5.7	7.5	13.5	11.1	5.7	7.5	13.5	11.1	5.8	7.8	13.9	11.6
Total Private Portfolio																	
SCERS	739,258,520	1.4	2.7	4.0	3.7	5.5	6.3	12.1	10.6	5.5	6.3	12.1	10.6	5.6	6.9	12.8	10.9
NPI Property Level Returns																	
NPI- Apartment		1.1	0.4	1.5		4.5	1.7	6.3		4.5	1.7	6.3		4.7	4.4	9.2	
NPI- Industrial		1.3	1.8	3.1		5.2	6.9	12.4		5.2	6.9	12.4		5.4	7.8	13.5	
NPI-Office		1.1	0.4	1.6		4.5	1.0	5.6		4.5	1.0	5.6		4.7	4.3	9.2	
NPI-Retail		1.1	0.4	1.5		4.8	2.0	6.9		4.8	2.0	6.9		5.1	5.6	10.8	
Indices																	
NFI-ODCE		1.1	0.6	1.7	1.5	4.4	3.3	7.9	6.9	4.4	3.3	7.9	6.9	4.6	6.5	11.3	10.3

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	149,644,084	5.3	7.5	13.1	11.0	5.3	1.2	6.5	5.2	7.1	3.2	10.4	8.9	1Q96	10.0
BlackRock Separate Account (PM Realty Takeover)	1,601,553	4.4	-3.9	0.4	-0.3	4.9	-4.1	0.6	0.0	5.7	0.7	6.3	5.3	3Q02	8.3
Cornerstone Separate Account	68,481,718	5.3	5.5	11.0	10.2	5.4	0.3	5.8	5.0	5.6	2.0	7.7	6.8	3Q04	5.3
Core Separate Accounts	219,727,355	5.2	5.7	11.1	9.6	5.3	0.4	5.8	4.7	7.2	2.8	10.2	8.9	1Q96	8.9
<i>Total BlackRock Separate Account</i>	<i>171,686,264</i>	<i>5.0</i>	<i>6.3</i>	<i>11.6</i>	<i>9.8</i>	<i>5.2</i>	<i>0.8</i>	<i>6.0</i>	<i>4.8</i>	<i>7.2</i>	<i>3.1</i>	<i>10.5</i>	<i>9.0</i>	<i>1Q96</i>	<i>9.8</i>
Separate Account Returns by Property Type															
Apartment	128,981,084	5.0	6.7	11.9	10.5					5.9	2.1	8.1	7.1	1Q96	6.1
Industrial	13,219,989	5.2	4.3	9.6	9.5					7.6	3.2	11.0	9.6	3Q96	13.3
Office	59,396,861	4.7	4.2	9.0	7.9					7.7	2.2	10.0	8.5	1Q96	8.6
Retail	38,485,470	6.1	7.2	13.6	11.3					7.6	3.1	10.9	9.2	4Q99	9.8
Total Private Portfolio															
SCERS	739,258,520	5.4	7.1	12.8	11.0	5.3	0.8	6.2	4.8	4.4	4.6	9.2	8.2	4Q86	8.2
NPI Property Level Returns															
NPI- Apartment		4.9	4.6	9.6		5.1	1.1	6.2		6.2	3.2	9.6		1Q96	
NPI- Industrial		5.6	6.8	12.8		6.1	0.9	7.1		7.3	2.8	10.3		3Q96	
NPI-Office		5.0	4.3	9.5		5.5	0.0	5.5		6.9	2.6	9.6		1Q96	
NPI-Retail		5.4	6.1	11.8		5.9	2.0	8.0		6.7	3.8	10.7		4Q99	
Indices															
NFI-ODCE		4.9	6.7	11.8	10.8	5.3	0.0	5.3	4.3	6.9	0.4	7.3	6.3	4Q86	

Returns (%)	Market Value (\$)	2017 (YTD)		Fiscal Year 2017		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	19,634,546	4.9	4.0	8.4	6.6	6.6	5.3	22.4	17.3	14.7	11.9				
MetLife Core Property Fund	52,379,503	2.8	2.6	8.7	8.2	9.3	8.8	16.9	16.3	17.4	16.9				
Prime Property Fund	53,488,671	4.8	4.2	10.3	9.1	10.4	9.2	15.9	14.6	15.5	14.1	3.8	3.6		
Principal U.S. Property Account	40,768,849	4.5	4.0	9.8	8.8	10.0	9.0	3.0	2.8						
Prologis Targeted Europe Logistics Fund	32,497,219	13.0	12.5	11.5	10.5	2.8	2.4								
Prologis Targeted U.S. Logistics Fund	41,046,340	9.1	7.5	19.9	16.6	16.1	14.2	9.1	7.9						
Townsend Real Estate Fund, L.P.	97,820,497	5.6	5.4	11.0	10.7	8.4	8.2								
Core Commingled Funds	337,635,625	5.9	5.4	11.3	10.2	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	149,644,084	4.2	3.5	9.4	7.8	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)	1,601,553	1.0	1.0	-6.1	-6.3	-9.6	-10.2	-13.2	-13.9	19.2	18.4	6.7	5.9	10.1	9.5
Cornerstone Separate Account	68,481,718	6.7	6.3	16.9	16.2	14.0	13.3	2.4	1.6	14.0	13.2	11.3	10.5	16.2	15.4
Core Separate Accounts	219,727,355	4.9	4.3	10.7	9.5	10.0	8.6	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5
<i>Total BlackRock Separate Account</i>	<i>171,686,264</i>	<i>5.1</i>	<i>4.5</i>	<i>9.3</i>	<i>7.9</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	557,362,980	5.5	5.0	11.0	9.8	9.8	8.5	10.4	9.2	15.3	13.2	10.8	9.5	13.3	12.6
Value Added Portfolio															
AEW Value Investors Fund II ^{1,2}	321,592														
Allegis Value Trust	16,344,712	3.4	3.1	6.5	6.0	9.9	9.4	8.6	8.0	10.8	10.2	4.7	4.0	21.8	20.9
DRC European Real Estate Debt Fund II ¹	25,786,117	14.4	13.7	7.1	5.8	-7.8	-8.9	5.0	3.0	1.4	-2.1				
ECE European Prime Shopping Centre Fund II ¹	9,700,127	12.7	11.8	27.7	25.0	27.0	25.9	12.1	11.0						
Hammes Partners II	14,512,005	6.4	4.5	13.7	9.4	14.8	8.9	19.4	12.9						
Hines US Office Value Added Fund II ²	672,701														
NREP Nordic Strategies Fund	20,139,200	20.2	19.7	31.7	30.6	23.1	21.7	55.1	50.8						
NREP Nordic Strategies Fund II ¹	11,012,434	19.0	13.9	29.2	9.2	10.7	-1.9								
Value Added Portfolio	98,488,888	12.5	11.3	16.0	13.3	9.6	7.2	19.1	17.0	15.7	13.7	13.3	10.8	19.6	18.1



Returns (%)	Market Value (\$)	2017 (YTD)		Fiscal Year 2017		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	20,440,627	13.4	13.4	20.5	20.5	6.3	6.3								
CIM Fund VIII	26,227,290	3.8	2.9	6.4	4.5	5.8	3.4	16.9	13.8						
KKR Real Estate Partners Americas ¹	21,333,637	8.2	6.0	11.1	9.3	6.5	5.4	17.1	12.5	12.7	6.5				
Och-Ziff Real Estate Fund III ¹	15,405,098	17.0	14.8	31.0	25.5	30.0	22.2	33.7	6.9	9.4	-28.3				
Opportunistic Portfolio	83,406,652	9.5	8.2	14.5	12.5	9.8	7.3	23.8	13.1	77.7	62.7	11.7	9.4	54.2	38.5
Total Non-Core Portfolio 1Q 2007 Forward	181,895,540	11.1	9.9	15.2	12.8	9.8	7.4	20.0	15.6	19.7	16.3	16.7	13.5	34.6	26.9
Total Private Portfolio															
SCERS	739,258,520	6.9	6.2	12.1	10.6	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		3.7	3.2	8.2	7.2	9.1	8.1	15.4	14.3	12.8	11.8	14.3	13.3	11.3	10.1
NFI-ODCE		3.5	3.0	7.9	6.9	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8
NFI-ODCE + 100 bps		4.0	3.5	8.4	7.4	9.8	8.8	16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8
CPI + 500 bps		2.9		6.7		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	19,634,546																
MetLife Core Property Fund	52,379,503																
Prime Property Fund	53,488,671																
Principal U.S. Property Account	40,768,849																
Prologis Targeted Europe Logistics Fund	32,497,219																
Prologis Targeted U.S. Logistics Fund	41,046,340																
Townsend Real Estate Fund, L.P.	97,820,497																
Core Commingled Funds	337,635,625	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	149,644,084	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)	1,601,553	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	68,481,718	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	219,727,355	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>171,686,264</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	557,362,980	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}	321,592																
Allegis Value Trust	16,344,712	15.7	14.7	21.6	20.4	-62.2	-62.8	-21.2	-23.9	38.6	28.4						
DRC European Real Estate Debt Fund II ¹	25,786,117																
ECE European Prime Shopping Centre Fund II ¹	9,700,127																
Hammes Partners II	14,512,005																
Hines US Office Value Added Fund II ²	672,701																
NREP Nordic Strategies Fund	20,139,200																
NREP Nordic Strategies Fund II ¹	11,012,434																
Value Added Portfolio	98,488,888	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	20,440,627																
CIM Fund VIII	26,227,290																
KKR Real Estate Partners Americas ¹	21,333,637																
Och-Ziff Real Estate Fund III ¹	15,405,098																
Opportunistic Portfolio	83,406,652	-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	181,895,540	-0.3	0.4	37.0	30.4	-13.5	-17.8	-33.7	-35.7	18.2	5.6						
Total Private Portfolio																	
SCERS	739,258,520	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 2017		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	149,644,084	4.2	3.5	9.4	7.8	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)	1,601,553	1.0	1.0	-6.1	-6.3	-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	68,481,718	6.7	6.3	16.9	16.2	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	219,727,355	4.9	4.3	10.7	9.5	10.0	8.6	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5	18.7	18.2
<i>Total BlackRock Separate Account</i>	<i>171,686,264</i>	<i>5.1</i>	<i>4.5</i>	<i>9.3</i>	<i>7.9</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	128,981,084	4.8	4.3	11.4	10.1	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	13,219,989	2.5	2.4	7.5	7.1	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	59,396,861	6.7	6.5	10.2	9.8	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	38,485,470	7.4	6.2	13.5	11.1	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	6.9	6.2	12.1	10.6	8.9	7.7	9.8	8.3	16.3	14.4	12.0	10.7	19.2	17.8	9.8	9.4
Indices																	
NFI-ODCE + 35 bps		3.7	3.2	8.2	7.2	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		3.5	3.0	7.9	6.9	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0
NFI-ODCE + 100 bps		4.0	3.5	8.4	7.4	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		2.9		6.7		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	149,644,084	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)	1,601,553	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	68,481,718	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	219,727,355	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>171,686,264</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	128,981,084	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	13,219,989	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	59,396,861	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	38,485,470	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	20.6	19.2	-16.0	-16.7	-14.1	-14.7	10.7	8.7	16.9	14.2	30.3	25.8	10.6	7.1
Indices															
NFI-ODCE + 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	19,250,485	201,411	201,411	0	237,933	105,846	251,974	19,634,546	37.3
MetLife Core Property Fund	52,000,266	543,114	546,878	0	680,238	62,262	-234,975	52,379,503	29.3
Prime Property Fund	52,320,569	516,730	516,730	0	547,858	149,113	769,357	53,488,671	18.1
Principal U.S. Property Account	39,940,709	0	0	0	463,592	95,403	459,951	40,768,849	21.6
Prologis Targeted Europe Logistics Fund	30,189,786	0	394,081	0	284,812	53,996	2,470,698	32,497,219	20.5
Prologis Targeted U.S. Logistics Fund	40,023,646	0	327,776	0	542,623	328,243	1,136,089	41,046,340	23.2
Townsend Real Estate Fund, L.P.	83,900,940	12,469,734	904,247	0	912,601	55,188	1,496,657	97,820,497	39.7
Core Commingled Funds	317,626,401	13,730,989	2,891,123	0	3,669,657	850,051	6,349,751	337,635,625	29.5
Core Separate Accounts									
BlackRock Core Separate Account	148,604,863	0	1,940,000	0	1,670,200	532,357	1,841,379	149,644,084	13.1
BlackRock Separate Account (PM Realty Takeover)	1,641,473	0	48,047	0	9,089	0	-962	1,601,553	0.0
Cornerstone Separate Account	66,153,582	0	740,000	0	758,969	107,250	2,416,417	68,481,718	36.3
Core Separate Accounts	216,399,918	0	2,728,047	0	2,438,258	639,607	4,256,834	219,727,355	21.9
<i>Total BlackRock Separate Account</i>	<i>168,254,676</i>	<i>651,000</i>	<i>1,988,047</i>	<i>0</i>	<i>1,669,401</i>	<i>532,357</i>	<i>3,631,591</i>	<i>171,686,264</i>	<i>11.6</i>
Total Core Portfolio	534,026,319	13,730,989	5,619,170	0	6,107,915	1,489,658	10,606,585	557,362,980	26.7
Value Added Portfolio									
AEW Value Investors Fund II	337,612	0	0	0	-14,347	0	-1,673	321,592	0.0
Allegis Value Trust	16,004,316	0	0	0	210,066	17,437	147,767	16,344,712	14.0
DRC European Real Estate Debt Fund II	24,248,002	0	796,042	0	1,490,824	83,129	926,462	25,786,117	0.0
ECE European Prime Shopping Centre Fund II	8,935,545	0	0	0	312,348	49,884	502,117	9,700,127	56.2
Hammes Partners II	14,793,880	0	432,546	141,870	370,299	93,750	15,992	14,512,005	70.0
Hines US Office Value Added Fund II	744,761	0	90,591	0	18,531	0	0	672,701	65.8
NREP Nordic Strategies Fund	25,105,605	0	7,771,316	0	393,356	50,911	2,462,466	20,139,200	52.0
NREP Nordic Strategies Fund II	9,997,622	0	0	0	147,649	247,328	1,114,490	11,012,434	45.0
Value Added Portfolio	100,167,343	0	9,090,495	141,870	2,928,726	542,439	5,167,621	98,488,888	45.2
Opportunistic Portfolio									
BlackRock High Return Separate Account	18,008,340	651,000	0	0	-9,888	0	1,791,174	20,440,627	0.0
CIM Fund VIII	26,099,589	109,375	0	0	-1,624	109,375	129,325	26,227,290	11.0
KKR Real Estate Partners Americas	20,238,495	1,509,130	400,297	656,363	400,297	184,153	426,528	21,333,637	57.0
Och-Ziff Real Estate Fund III	13,086,754	2,289,466	957,452	0	372,321	131,250	745,259	15,405,098	61.7
Opportunistic Portfolio	77,433,178	4,558,971	1,357,749	656,363	761,106	424,778	3,092,286	83,406,652	40.3
Total Non-Core Portfolio 1Q 2007 Forward	177,600,521	4,558,971	10,448,244	798,233	3,689,832	967,217	8,259,907	181,895,540	43.1
Total Private Portfolio									
SCERS	711,626,840	18,289,960	16,067,414	798,233	9,797,747	2,456,875	18,866,492	739,258,520	31.5

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core Commingled Funds						
Jamestown Premier Property Fund	-	66.8	-	19.9	-	13.3
MetLife Core Property Fund	23.9	43.6	17.6	14.8	-	-
Prime Property Fund	25.1	31.9	14.1	16.7	-	12.2
Principal U.S. Property Account	11.5	44.4	19.9	16.8	1.3	6.0
Prologis Targeted Europe Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P.	33.0	34.7	15.9	7.8	-	8.6
Core Commingled Funds	18.6	30.5	34.6	10.2	0.1	5.9
Core Separate Accounts						
BlackRock Core Separate Account	40.3	24.3	8.3	27.1	-	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-
Cornerstone Separate Account	100.0	-	-	-	-	-
Core Separate Accounts	58.6	16.9	5.8	18.8	-	-
<i>Total BlackRock Separate Account</i>	<i>35.6</i>	<i>33.1</i>	<i>7.4</i>	<i>23.9</i>	-	-
Total Core Portfolio	34.0	25.3	23.5	13.5	0.1	3.6
Value Added Portfolio						
AEW Value Investors Fund II	17.9	23.0	37.1	-	21.9	-
Allegis Value Trust	6.8	89.2	4.0	-	-	-
DRC European Real Estate Debt Fund II	-	-	-	-	-	100.0
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	63.3	0.8	9.0	26.8	-	-
NREP Nordic Strategies Fund II	16.5	20.2	45.5	12.7	-	5.0
Value Added Portfolio	15.3	17.7	7.6	6.6	0.0	52.9
Opportunistic Portfolio						
BlackRock High Return Separate Account	-	100.0	-	-	-	-
CIM Fund VIII	-	32.7	-	8.1	0.0	59.2
KKR Real Estate Partners Americas	17.8	13.6	-	28.8	15.6	24.3
Och-Ziff Real Estate Fund III	6.6	19.6	12.6	4.6	3.7	53.0
Opportunistic Portfolio	5.6	42.0	2.2	10.7	4.5	35.0
Total Non-Core Portfolio	10.7	29.0	5.0	8.5	2.1	44.5
Total Private Portfolio						
SCERS	28.5	26.2	19.1	12.3	0.6	13.3
Indices						
NFI-ODCE	24.1	36.8	15.0	20.2	0.6	3.4

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
Core Commingled Funds									
Jamestown Premier Property Fund	47.3	21.6	-	-	2.4	-	-	28.7	-
MetLife Core Property Fund	-	13.3	13.0	-	17.5	12.3	6.3	37.6	-
Prime Property Fund	21.2	8.6	9.2	2.0	12.6	8.8	3.4	34.2	-
Principal U.S. Property Account	15.3	8.1	4.9	2.0	9.2	15.5	9.3	35.8	-
Prologis Targeted Europe Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	12.3	3.3	8.8	-	9.7	14.0	-	51.8	-
Townsend Real Estate Fund, L.P.	21.6	16.3	7.5	0.7	24.5	5.4	3.3	20.8	-
Core Commingled Funds	15.7	10.7	7.4	0.7	14.3	8.5	3.5	29.9	9.3
Core Separate Accounts									
BlackRock Core Separate Account	-	-	-	-	-	8.3	-	91.7	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-	-	-	-
Cornerstone Separate Account	-	-	-	-	-	-	-	100.0	-
Core Separate Accounts	-	-	-	-	-	5.8	-	94.2	-
<i>Total BlackRock Separate Account</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>7.4</i>	<i>-</i>	<i>92.6</i>	<i>-</i>
Total Core Portfolio	9.7	6.6	4.5	0.5	8.8	7.5	2.2	54.6	5.7
Value Added Portfolio									
AEW Value Investors Fund II	4.9	21.9	-	-	73.2	-	-	-	-
Allegis Value Trust	18.5	50.7	-	-	-	-	-	30.7	-
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	25.1	11.2	19.5	5.1	7.4	18.3	4.6	8.7	-
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	7.5	10.3	3.5	0.9	1.3	3.3	0.8	7.2	65.2
Opportunistic Portfolio									
BlackRock High Return Separate Account	-	-	-	-	-	-	-	100.0	-
CIM Fund VIII	36.3	1.2	10.9	-	1.1	1.4	5.5	39.8	3.9
KKR Real Estate Partners Americas	12.3	1.8	10.2	2.8	16.1	18.9	-	13.2	24.7
Och-Ziff Real Estate Fund III	23.1	8.7	4.8	0.8	3.9	3.2	4.9	20.8	29.9
Opportunistic Portfolio	19.2	2.3	7.0	0.8	5.1	5.7	2.7	44.5	12.6
Total Non-Core Portfolio	13.0	6.6	5.1	0.9	3.1	4.4	1.7	24.6	40.6
Total Private Portfolio									
SCERS	10.4	6.6	4.7	0.6	7.5	6.7	2.0	47.5	14.0
Indices									
NFI-ODCE	21.6	9.6	8.0	1.4	9.3	9.6	4.9	35.6	-



Advisory Disclosures and Definitions

Disclosure

Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

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

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

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

Benchmarks

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

Exhibit B: Real Estate Market Update 2Q17



United States Real Estate Market Update (2Q17)

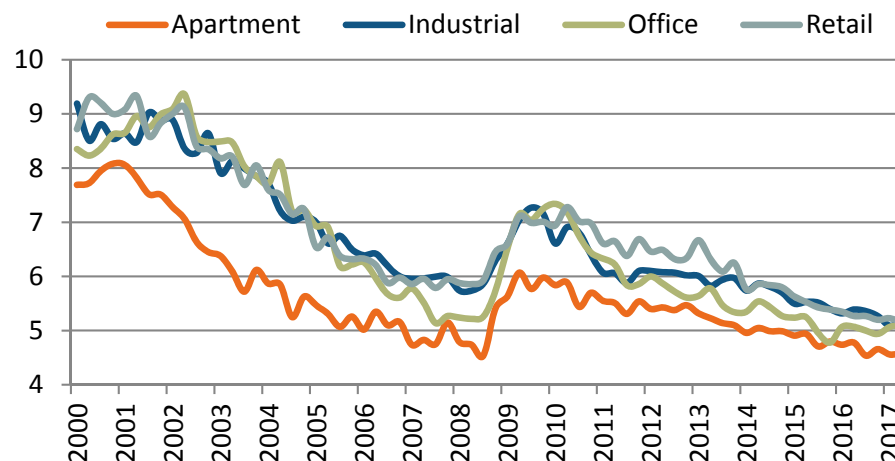
General

- The S&P 500 produced a gross total return of 3.1% during the Quarter, as market have continued to rally to new heights. Likewise, the MSCI US REIT index produced a more moderate return of 1.7%. Consumer Sentiment cooled off during the Quarter, with a final value of 95.1 in June, but remains elevated. US 10 year treasury bond yields compressed an additional 8 bps, from March 31 to June 30, to 2.3%.
- Macro indicators for U.S. real estate surpassed expectation, GDP growth for the 2nd quarter was revised up to an annualized rate of 3.0%, beating the 2.7% expected. With the conclusion of June, the economy has now experienced 81 consecutive months of job growth. Furthermore, headline inflation remained healthy at 1.9%, just shy of the fed's 2% target. The Federal reserve did not raises rates as initially expected, and now the futures market implied probabilities indicate that another rate hike is not likely until 2018.

Commercial Real Estate

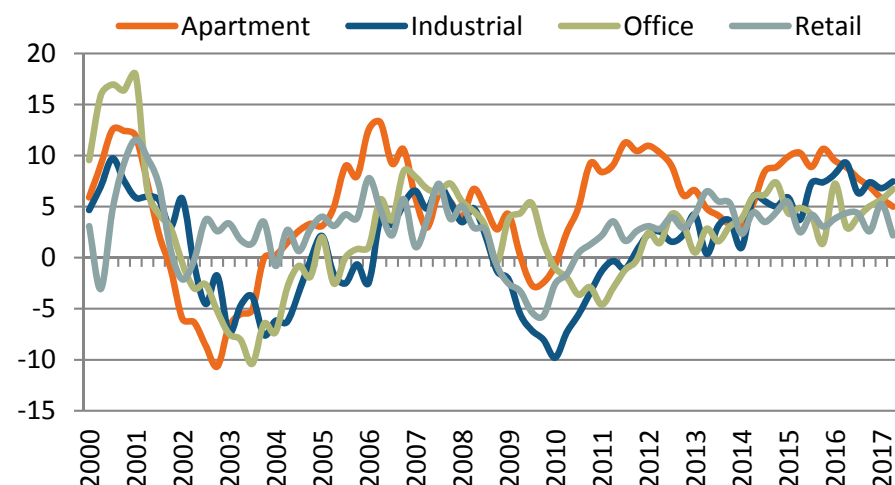
- In 2016, \$124.1bn of aggregate capital was raised by US real estate funds. During the 1st half of 2017, an additional \$56.3bn of capital was raised which represents a decline of 10% compared to the 1st half of 2016. Continuing on trend since 2012, 2017 (YTD) has witnessed the largest average fund size at \$449m thus far.
- According to RCA, deal volume dropped 8% during the 1st half of 2017 in the US compared to 2016, although capital markets remains healthy at this point. NOI Growth remains positive for all major property types tracked in the NPI, even retail despite recent negative headlines.
- Transaction cap rates (6.06%) on average remained flat during the 2nd Quarter of 2017. Multifamily, industrial and office witnessed less than 10 bps of expansion, while retail experienced 9 bps of compression.
- 10 year treasury bond yields compressed an additional 10 bps to 2.3% during the quarter and, subsequent to quarter end, have continued to decline. It appears now the pro-growth political agenda the market expected will be more difficult to achieve than initially implied by the markets reaction.

Current Value Cap Rates by Property Type



Source: NCREIF

4-Qtr Rolling NOI Growth By Property Type



Source: NCREIF

United States Property Matrix (2Q17)

INDUSTRIAL

MULTIFAMILY

- As of 2Q17, Industrial properties returned 3.1% and outperformed the NPI by 132 bps.
- During the quarter, net absorption was exceeded by new deliveries for the first time in seven years. However, net deliveries still lags net absorption for the first half of the year.
- A lack of investment opportunities persists, driving a continued increase in investor demand for secondary and tertiary markets. Tertiary market activity has increased 36.2% since 2014.
- First half volumes totaled \$23.8 billion, amounting to 245.0 million sqft of activity, representing year-over-year growth of 20.7%.
- The 50 bps vacancy rate decrease over the past 12 months has led to an historical low of 5.2%. A lack of supply continues to increase rental rates, reaching an all-time high of \$5.35 psf equating to 12-month rental rate growth of 9.2%.

- Sales volume totaled \$30.5 billion in the second quarter, compared to the \$24.8 billion the prior quarter. First half sales are down 22.3% from 2016's record setting pace of activity.
- Investors continue to shift their focus to untapped submarkets with limited exposure to construction. This shift has caused garden-style transactions to represent 70.6% of year-to-date activity, the highest level since 2009.
- Declines in primary markets transactions continues to elevate the liquidity in secondary and tertiary markets. Secondary markets comprised a two-decade record 44.6% of first half transactions.
- Annual rent growth in the second quarter was 2.5%. The pace of rent growth has now declined 190 bps year-over-year, with concessions increasing alongside recent deliveries.
- The apartment sector delivered a 1.5% return during the Quarter, underperforming the NPI by 30 bps.

OFFICE

RETAIL

- The Office sector returned 1.6% in 2Q17, 16 bps below the NPI.
- Year-to-date absorption in the office sector has totaled 9.9 million sqft, marking 29 consecutive quarters of positive absorption.
- Construction volumes held steady at 108.8 million sqft, remaining near the cycle high. Development and financing markets have begun to pull back, with construction starts now below the long-term quarterly average of 11.1 million sqft.
- With the market realizing increased new deliveries, year-over-year Class A vacancy has increased approximately 50 bps. The increase in deliveries has not impacted rent growth, which is up 3.2% over the past 12 months.
- Volumes recovered modestly this quarter, falling just 3.6% year-over-year, reaching \$31.5 billion. The first half of 2017 has still seen an 11.9% year-over-year decline. Investor selectivity in the market led to a forecasted volume decline of 10.0% from 2016 levels.

- First half retail sales volumes declined 18.7% at midyear to \$27.0 billion in transactions. Investors are returning to strong gateway markets to place capital with less risk, given the uncertainty surrounding retail.
- Transactions over \$1.0 billion accounted for 31.7% of retail volume in the first half of 2017, the highest level since 2014.
- Outside of power center vacancy softening by 62 bps year-over-year, all other retail products are experiencing vacancy declines with a 20 bps reduction over the past 12 months.
- Institutional retail investment declined 67.1% year-over-year. Private sources of capital increasingly represent a potential opportunity to divest, if sellers are willing to meet these buyers' pricing expectations.
- As of 2Q17, the retail sector delivered a quarterly return of 1.5%, performing 23 bps below the NPI.



Global Real Estate Market Update (2Q17)

Global

- Global investment activity remained stable during 2Q 2017 totaling \$153 billion, unchanged from 2Q 2016 levels. Existing political tension and uncertainties continued into the second quarter, but global markets were largely unaffected and commercial real estate investments continue to be accretive. London maintained its top global investment position, followed by New York and Los Angeles in second and third place, respectively.

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

\$ US Billions	Q1 2017	Q2 2017	% Change		% Change		% Change	
			Q1 17 - Q2 17	Q2 2016	Q2 16 - Q2 17	H1 2016	H1 2017	H1 16 - H1 17
Americas	58	64	10%	69	-7%	130	122	-6%
EMEA	56	58	4%	56	4%	106	114	8%
Asia Pacific	29	31	7%	28	11%	54	61	13%
Total	143	153	7%	153	0%	290	297	2%

Source: Jones Lang LaSalle, July 2017

Europe

- European investment increased 4% y/y in 2Q 2017 to \$58 billion. While France saw a 45% decline y/y, this was compensated for by a strong 8% annual increase by Germany. The U.K. performed well, with \$18 billion in Q2, or an increase of 18% y/y. Southern Europe posted a 58% y/y jump, with Spain and Italy being the significant contributors. Further, Greece had a large increase in investment volumes with \$400M in 2Q 2017 as compared to \$38 million in 2Q 2016. Central and Eastern Europe was down 5% y/y, mostly due to a 28% decrease by Poland. However, Russia saw a major \$1 billion hike in investment volumes resulting in a 285% y/y increase. The Nordics saw a 6% y/y increase in activity.

Asia

- Asia Pacific investment for 1H 2017 increased 13% from 1H 2016, coming in at \$60.7 billion. China was the strongest contributor with \$12.4 billion of investment volumes, or a 36% y/y increase, but activity also increased in South Korea and Japan and remained stable in Australia, Singapore, and Hong Kong. Domestic buyers dominated the Japanese market by making up 30% of total transactions, and a significant portion of demand in Australia came from offshore capital sources. Cross border investments accounted for 30% of total transaction volumes.

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

	2016	2017	2018
Global	3.1	3.5	3.7
Asia Pacific	5.5	5.4	5.3
Australia	2.5	2.5	2.4
China	6.7	6.6	6.1
India	7.9	6.9	7.5
Japan	1.0	1.4	1.3
North America	0.8	1.9	2.5
US	1.6	2.2	2.7
MENA*	3.2	2.5	3.7
European Union	2.0	2.2	1.9
France	1.1	1.6	1.7
Germany	1.8	2.0	1.6
UK	1.8	1.7	1.5

*Middle East North Africa

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

Exhibit C: Glossary of Terms



Cash Flow Statement

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

Style Groups

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

Indices

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

Performance

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

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



Glossary of Terms

GEOGRAPHIC REGIONS and DIVISIONS

