



**TOWNSEND**<sup>®</sup>  
GROUP

an Aon company

Real Estate Portfolio

# Performance Measurement Report

THIRD QUARTER 2023



**SCERS**

SACRAMENTO COUNTY  
EMPLOYEES'  
RETIREMENT SYSTEM

## SCERS Real Estate Portfolio Overview

- SCERS has a target real estate allocation of 9% with an allowable range of 7.0%-11.0%. As of the end of the third quarter, 2023 (the “Quarter”), the Real Estate Portfolio was slightly below the real estate target but within the allowable range at 7.6%. Core Real Estate currently makes up 69.7% of the portfolio, with Non-Core Real Estate making up the remaining 30.3%.

### SCERS' Real Estate Portfolio Construction:

	Minimum	Target	Maximum	Policy Index Benchmark
Total Real Estate Program	7%	<b>9%</b>	11%	Custom blend of benchmarks below:
Core Real Estate	50%	<b>60%</b>	80%	60% NFI-ODCE +
Non-Core Real Estate	30%	<b>40%</b>	50%	40% NFI-ODCE + 1%
U.S. Real Estate	60%	<b>65%</b>	80%	
Non-U.S. Real Estate	0%	<b>35%</b>	35%	

- 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-fix Diversified Core open-end commingled funds invested across the United States.
- In July of 2017, Staff and Townsend recommended revising the Real Estate IPS to reflect transition away from IMAs, including removal of the Core vehicle constraints of 0-60% (30% target) for funds and 40-100% (70% target) for IMAs, which was subsequently approved by the Board.
- In 2018, SCERS’ Core IMA Program transitioned to a commingled fund manager. Following an extensive bidding, selection and structuring process, Staff and Townsend selected Clarion’s Lion Properties Fund as the recipient for the Core IMA Portfolio. Given the size of the Core IMA Portfolio, SCERS reduced concentration risk by allocating funds to an additional manager, Brookfield’s Premier Property Partners, in order to achieve greater diversification within the Core Portfolio. SCERS’ investment in Brookfield Premier Property Fund was funded October 1, 2018.
- The loan-to-value ratio of the Private Real Estate Portfolio was 38.1% at the end of the third quarter of 2023. The loan-to-value ratio of the Core Portfolio was 33.3%, below the 40.0% leverage constraint for Core as approved by the Board. As a point of reference, the loan-to-value ratio of the NFI-ODCE was 25.0% as of the third quarter. The Non-Core Portfolio reported a loan-to-value ratio of 47.0%.

## Portfolio Funding Status

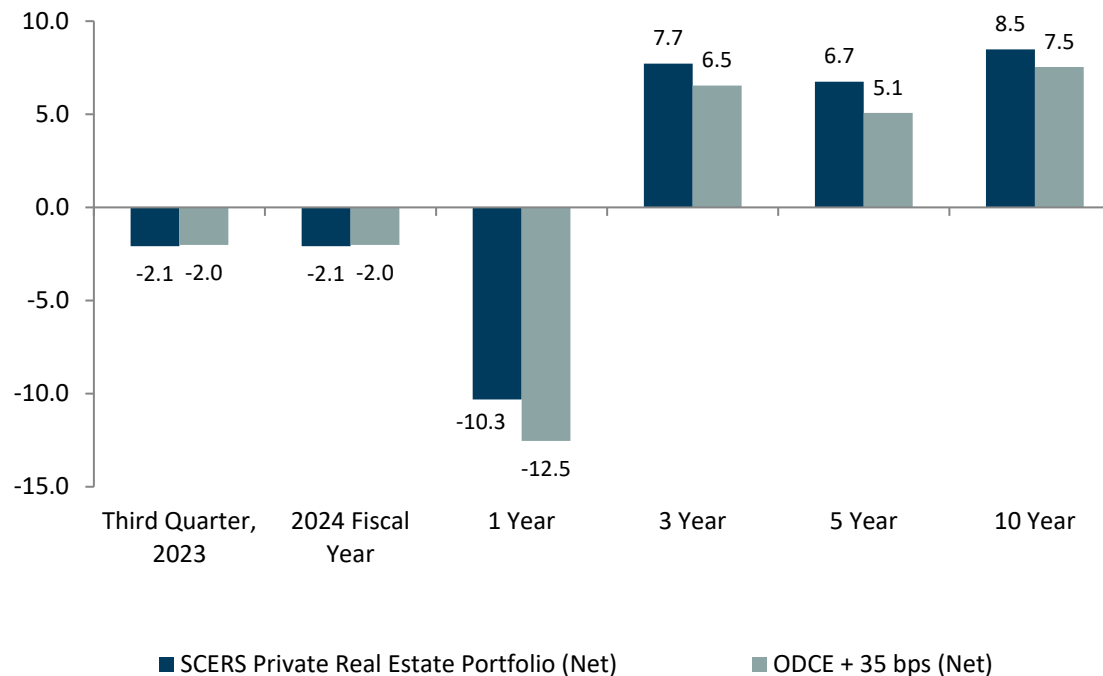
- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the “Portfolio”) through September 30, 2023.
- A detailed performance report is also provided in **Exhibit A**.
- Figures exclude commitments / redemptions / dispositions approved subsequent to Quarter-end and future distributions.
- Unfunded commitments may never be fully drawn.

<b>SCERS Portfolio Snapshot</b> <i>As of September 30, 2023</i>	<b>Market Value</b> (in millions of dollars)*	<b>% of SCERS Plan</b>	<b>% of Real Estate</b>
<b>SCERS Total Plan Assets</b>	<b>12,368</b>	<b>100.0%</b>	
<b>Private Portfolio Target</b>	<b>1,113</b>	<b>9.0%**</b>	
<b>Private Portfolio Permissible Range</b>		<b>7.0-11.0%**</b>	
<b>Private Real Estate</b>			
Core Portfolio	652	5.3%	69.7%
Non-Core Portfolio	283	2.3%	30.3%
<b>Total SCERS Private Real Estate Market Value</b>	<b>935</b>	<b>7.6%</b>	
<b>Total SCERS Private Real Estate Unfunded Commitments</b>	<b>207</b>	<b>1.7%</b>	

• Figures may not add due to rounding

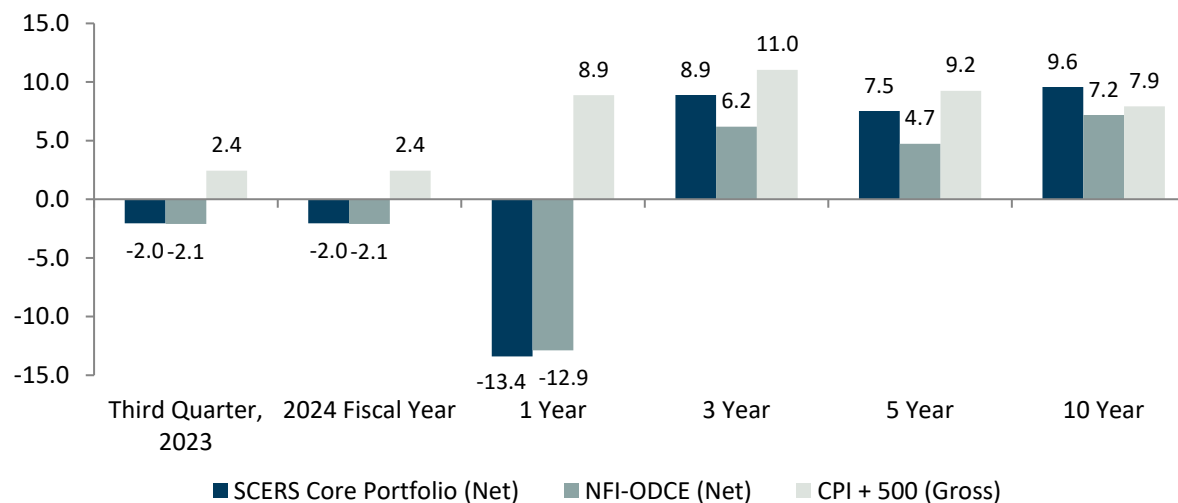
\*\* The 9% Private Portfolio (RE) target and permissible range were approved during the third quarter of 2021

## Private Real Estate 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.
- During the third quarter of 2023, the SCERS Private Real Estate Portfolio underperformed the benchmark by 6 basis points, driven by underperformance of the Non-Core Portfolio.
- Nevertheless, the SCERS Total Real Estate Portfolio outperformed the benchmark over the 1-year, 3-year, 5-year and 10-year time periods driven mostly by strong performance of the Core funds.

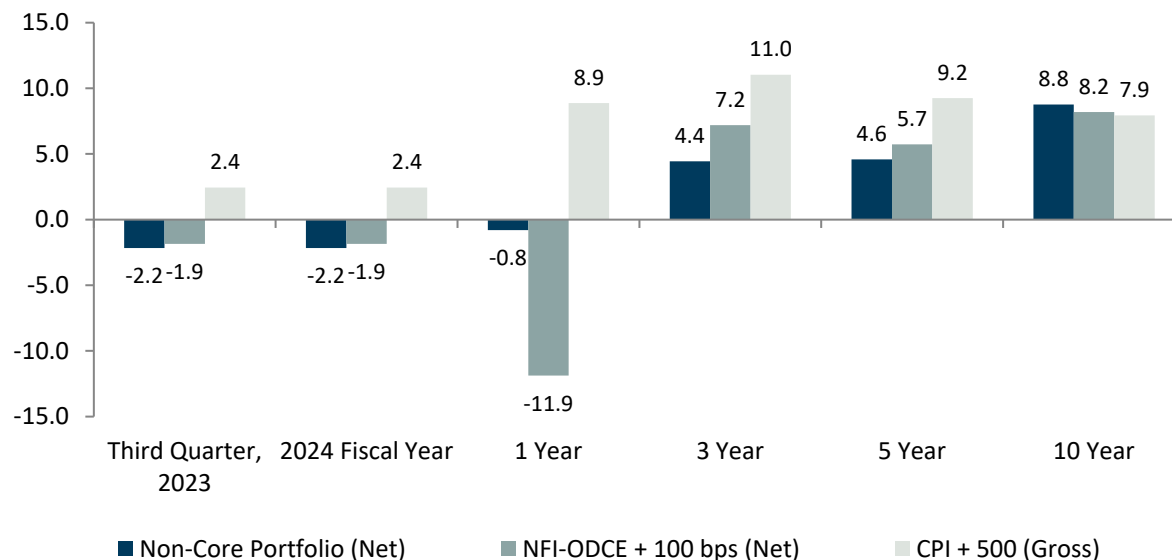
## Core Portfolio Performance



- The SCERS Core Portfolio consists of seven open-end Core Commingled funds. The Core Commingled Fund exposure includes, MetLife Core Property Fund, Principal U.S. Property Account, Prologis Targeted U.S. Logistics Fund, Prologis European Logistics Fund, Townsend Real Estate Fund, Brookfield Premier Real Estate Partners, and Clarion’s Lion Properties Fund.
- Performance of the Core Portfolio is evaluated relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds (“NFI-ODCE”), net of fees. In aggregate, the Core Portfolio outperforms the NFI-ODCE, net of fees, over all time periods except for the trailing year. The NFI-ODCE benchmark has been lagging in reflecting the overall market conditions in real estate as appraisers are challenged with valuations because of the lack of transactions.
- During the Quarter, the Core portfolio outperformed the NFI-ODCE by 6 basis points generating -2.0% in net returns as the Core open-end fund managers continue to write-downs their assets in response to the higher interest rate environment.

\*EX-US funds produced the following 3Q23 net returns in local currency: Prologis European Logistics Fund (Euro) (-2.5%).

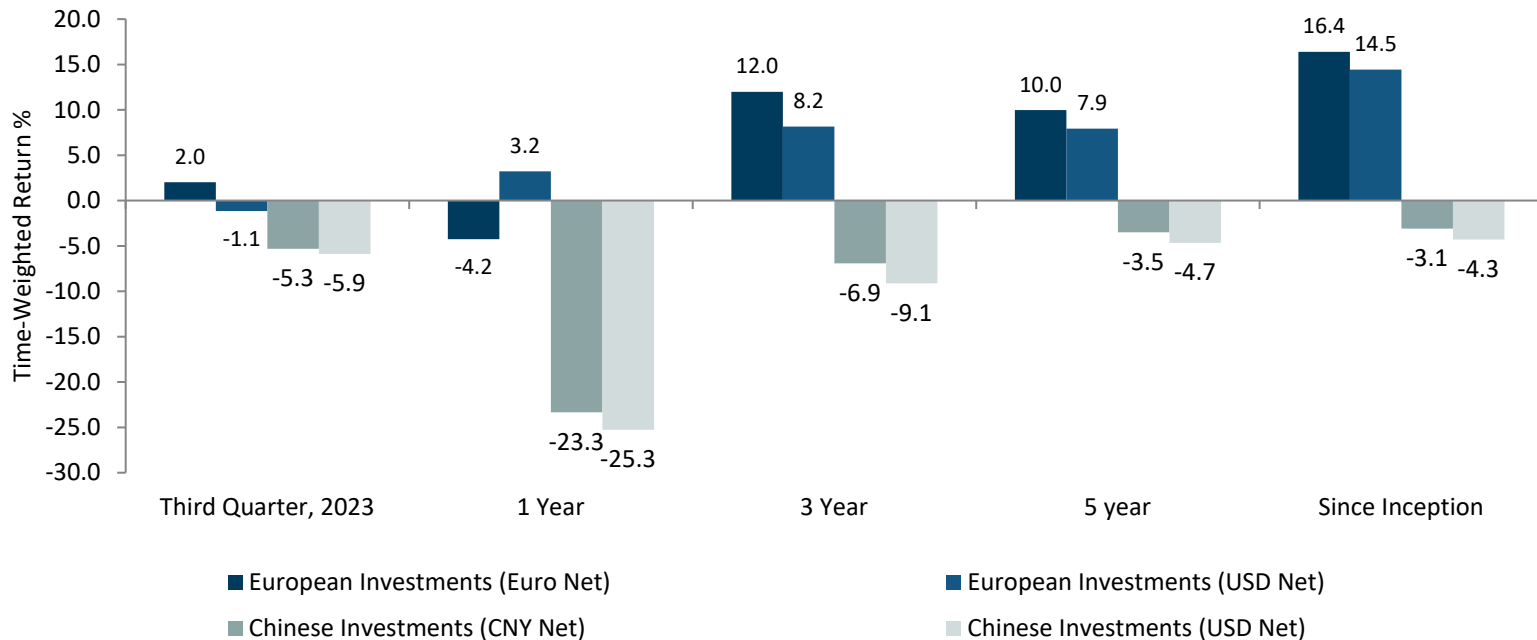
## Non-Core Portfolio Performance



- The SCERS Non-Core Portfolio includes both Value Added and Opportunistic Real Estate strategies, which are defined in the Glossary of Terms.
- The Non-Core Portfolio's performance has been mixed with underperformance over the trailing quarter, 3-year and 5-year periods but outperformance over the trailing year and 10-year periods.
- During the quarter, the Non-Core Portfolio underperformed the benchmark by 32 basis points recording net returns of -2.2%. The underperformance is attributed to the opportunistic investments, especially Carlyle China Realty and Carlyle China Project Rome Co-Investment which generated net returns of -6.0% and -5.8%, respectively.

*\*EX-US funds produced the following 3Q23 net returns in local currency: DRC European Real Estate Debt Fund II (Pound Sterling) 0.0%, ECE European Prime Shopping Centre Fund II (Euro) 1.2%, NREP Nordic Strategies Fund (Euro) (N/A), NREP Nordic Strategies Fund II (Euro) -10.3%, NREP Nordic Strategies Fund III (Euro) -6.3%, NREP Nordic Strategies Fund IV (Euro) -1.2%, Carlyle China Realty Fund (Chinese Yuan) -6.0% and Carlyle's Project Rome (Chinese Yuan) -5.8%.*

## Ex-US Portfolio Performance

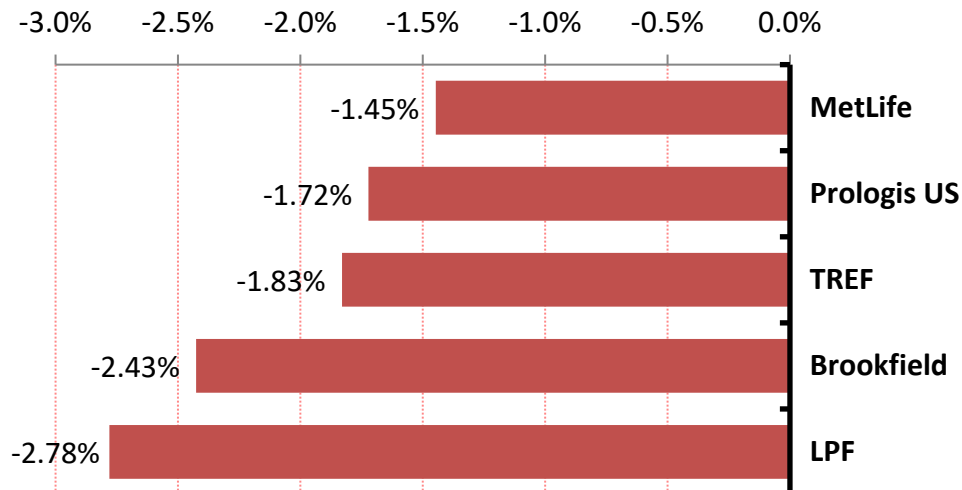
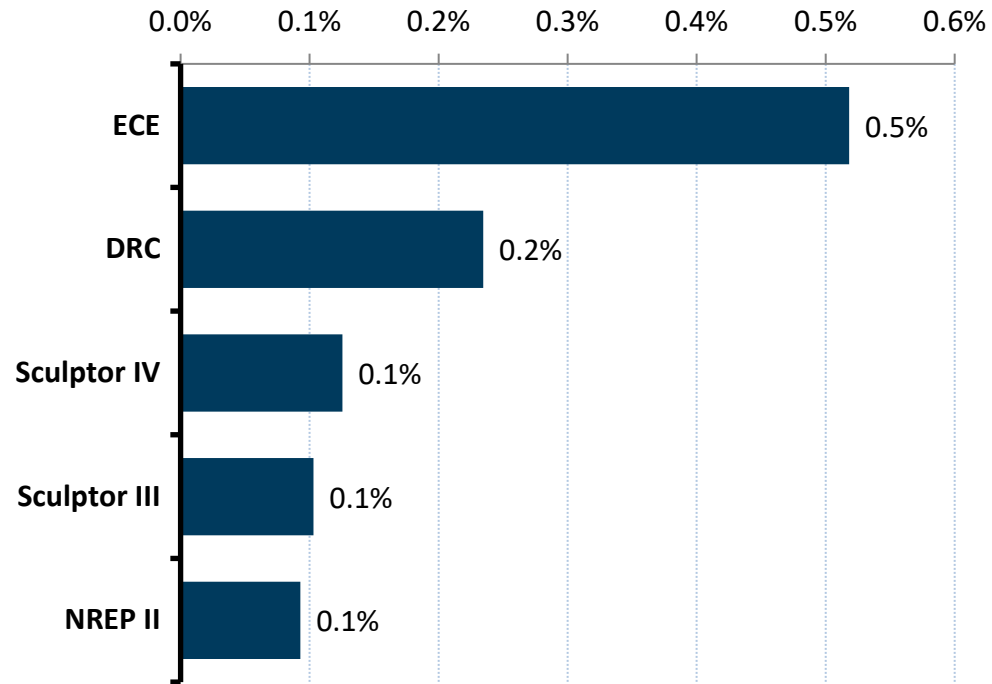


- Approximately 21.8% of the SCERS Portfolio is comprised of Ex-US investments. SCERS does not currently hedge its foreign currency exposures and pays liabilities in US Dollars. As such, FX movement will impact performance for Ex-US investments. The chart above isolates European and Asian investments and displays performance both before and after currency conversion.
- During the quarter, currency movements had a mixed impact on foreign investments with investments in Euros negatively affected while investments in and Chinese Yuan were not materially impacted. However, currency impacts on performance tend to be cyclical in nature.
- The SCERS Euro Denominated Composite includes: ECE European Prime Shopping Center Fund II, NREP Nordic Strategies Funds I-V, and Prologis European Logistics Fund (PELF).
  - Since Inception period begins 1Q15.
  - For the purposes of this composite, DRC has been excluded since it is a Pound denominated fund.
- The SCERS Chinese Yuan Composite includes: Carlyle China Realty Fund, Carlyle's Project Rome and LaSalle China Logistics Venture.
  - Since Inception period begins 3Q17.
  - Carlyle and LaSalle investments are USD denominated at the fund level, but property values are exposed to currency translation.

\*Seven Seas Japan was excluded from the graph because the fund is new and undergoing the J-curve effect so returns aren't meaningful.

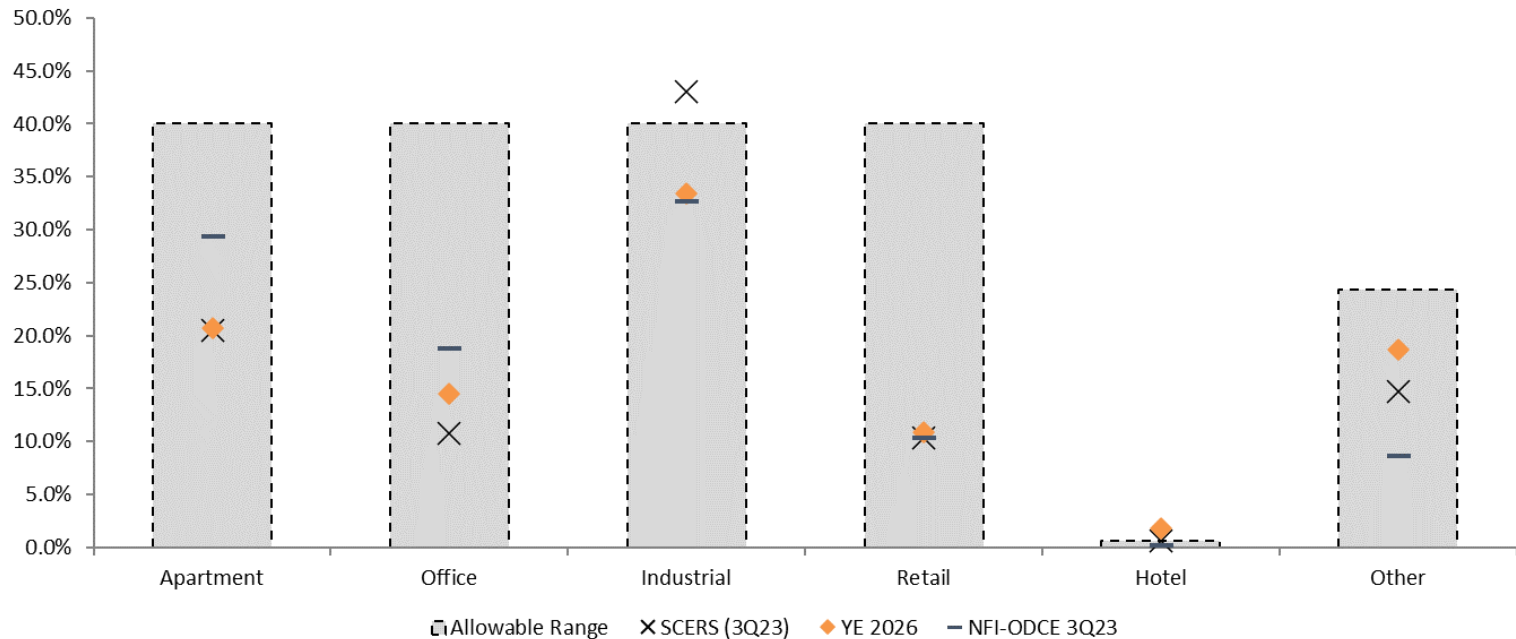
## Performance Attribution- One Year Period

- Over the trailing twelve-months period, the top five performers were non-core investments including value-add and opportunistic funds which drove outperformance of the SCERS Portfolio recently. The funds include Sculptor Real Estate Fund III and IV, DRC European Real Estate Debt Fund II, ECE European Prime Shopping Center Fund II and NREP II.
- The five largest detractors were all Core funds given the continued valuation write-downs witnessed across all stabilized properties due to higher interest rates.
- Lion Properties Fund (LPF) was the largest detractor. LPF recorded negative returns as a result of cap rate expansion across the fund's assets, especially office.
- Brookfield Premier Real Estate Partners was the second largest detractor. Brookfield's performance was impacted by valuation write-downs in the office sector particularly in San Francisco and Denver.





## Real Estate Private Portfolio Diversification – Property Type

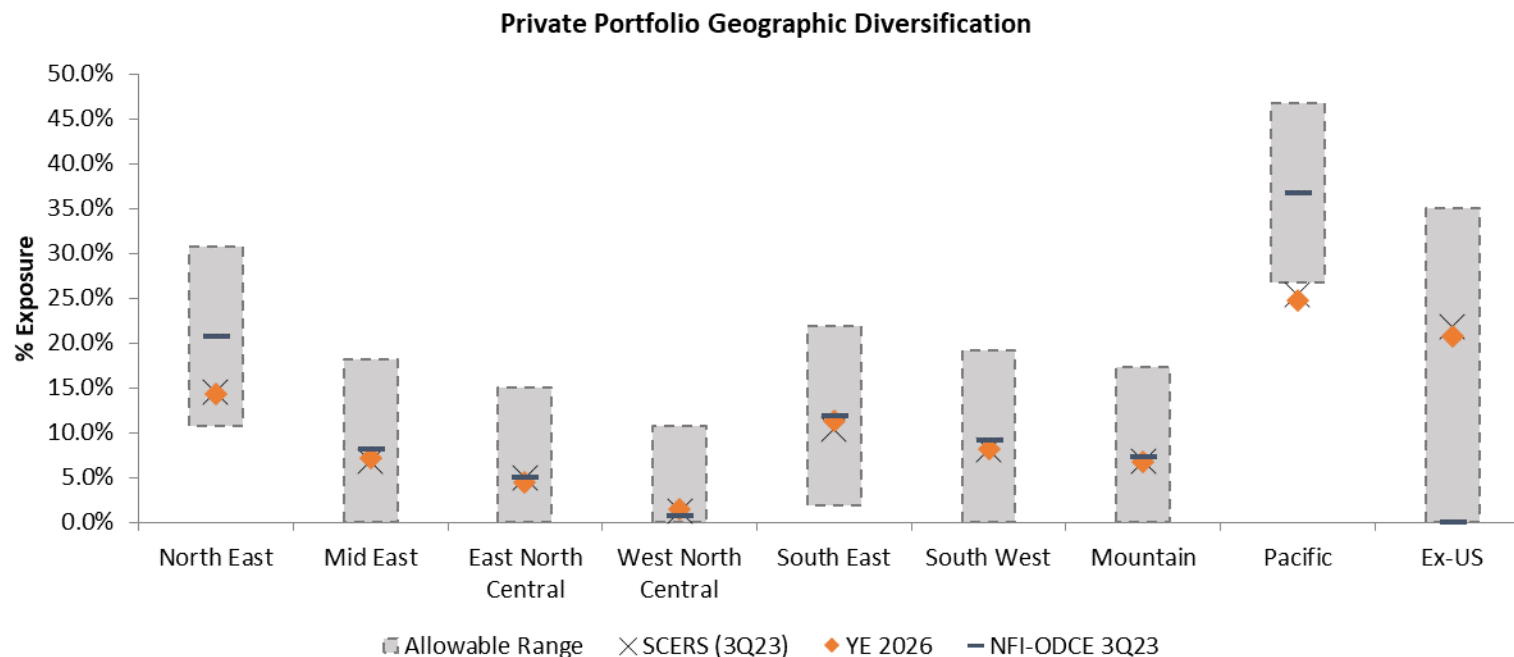


- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, and has a maximum limit of 40% for each property type, except for the “other” property type which has a maximum limit of 25%\*\*. The Real Estate Policy also allows for temporary deviations in order to provide SCERS with the flexibility required to overweight or underweight property types during certain parts of the market cycle.
- As of the third quarter, the industrial property type was the only sector outside the current set limit of 40%. However, the industrial exposure has already been brought down through a partial redemption and is anticipated to decrease further as new non-industrial investments continue to call capital.
- The “Other” property type exposure represents Sculptor Real Estate Fund III\* (parking, senior housing and cell towers), Sculptor Real Estate Fund IV (parking), CIM Fund VIII (condominiums), Hammes Partners II, III and IV (medical office), Townsend Real Estate Fund (senior and student housing), NREP Nordic Strategies Fund II (student housing), NREP Nordic Strategies Fund III (senior living and land) and NREP Nordic strategies Fund IV (Senior Living and Student Housing).

\*Sculptor Real Estate Fund III was previously called Och-Ziff Real Estate Fund III.

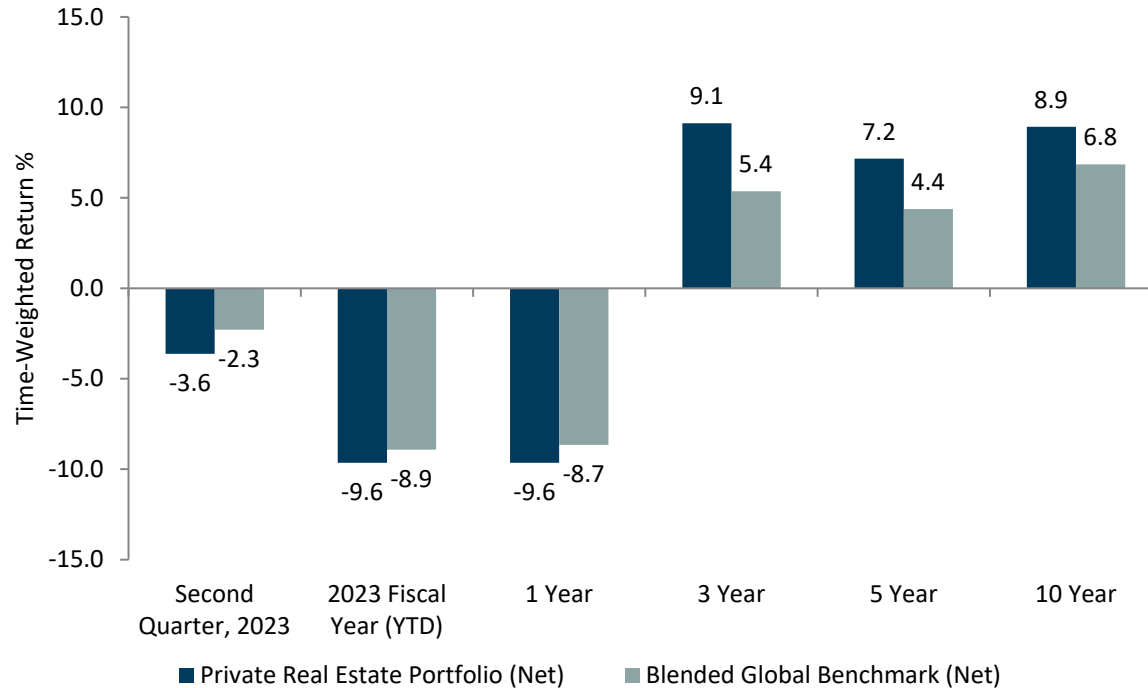
\*\* The 25% limit is for “Other” property type exposure including hotels. However, our chart currently separates the “Hotel” property sector from “Other” due to be aligned with the ODCE classifications.

## 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 35.0% of the Total Private Portfolio.
- As of the third quarter, the Private Portfolio was in compliance across all regions excluding the Pacific.
- The Private Portfolio's international exposure is 21.8%, well within its 35% constraint, and will remain similar as newer funds such as NREP Nordic Strategies Fund III and IV as well as LaSalle China Logistics and Seven Seas Japan continue to call capital and purchase assets in Europe, China and Japan while older vintage funds liquidate.
- Ex-US exposure consists of 5.3% in China, 3.0% in Denmark, 2.2% in Finland, 2.6% in Germany, 1.1% in France, 2.9% in Sweden, 1.4% in Poland, 1.1% in Netherlands, 1.6% in the UK and 0.8% in other countries.

## Private Real Estate Performance – Global Ancillary Benchmark (2Q23)



- The Global Ancillary Benchmark is made-up of the NFI-ODCE (Core), NFI-ODCE + 100bps (Non-Core), GREFI Europe Core, GREFI Europe Non-Core, and GREFI Non-Core Asia Pacific to create a global blended benchmark based on weighted average invested capital for each strategy.
  - GREFI reports on a 12 week lag. As a result, the ancillary benchmark will be reported on a quarterly lag to SCERS.
- The Private Portfolio's international exposure is 21.8%, well within its 35% constraint. International exposure is mainly Non-Core in nature, with the exception of Prologis Targeted Europe Logistics Fund.
- The SCERS Private Real Estate program has outperformed its secondary benchmark significantly over the medium and long-term, but underperformed over the quarter and trailing year.

## Exhibit A: Performance Flash Report



Portfolio Composition (\$)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
12,367,872,243	Core	7.0%	651,955,074	5.3%	0	0.0%	213,795,983	1.7%
	Non-Core	0.0% - 5.0%	283,004,007	2.3%	207,014,945	1.7%	-211,741,827	-1.7%
	<b>Total</b>	<b>9.0%</b>	<b>934,959,081</b>	<b>7.6%</b>	<b>207,014,945</b>	<b>1.7%</b>	<b>2,054,156</b>	<b>0.0%</b>

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	-2.1	-2.0	-13.8	-13.4	10.2	8.9	8.7	7.5
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	-1.7	-2.2	0.6	-0.8	9.3	4.4	9.3	4.6
Private Real Estate Portfolio	-2.0	-2.1	-10.3	-10.3	10.0	7.7	8.8	6.7
NFI-ODCE (Core)	-1.9	-2.1	-12.1	-12.9	7.1	6.2	5.7	4.7
NFI-ODCE + 100 bps (Non-Core)	-1.7	-1.9	-11.1	-11.9	8.1	7.2	6.7	5.7
NFI-ODCE + 35 bps (Private Portfolio)	-1.8	-2.0	-11.8	-12.5	7.5	6.5	6.0	5.1

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
<b>Core Commingled Funds</b>								
Brookfield Premier Real Estate Partners	2018	100,000,000	100,000,000	0	22,286,116	109,282,711	11.8	6.2
Lion Properties Fund	2018	152,400,000	157,725,894	0	76,421,833	115,550,349	12.5	6.5
MetLife Core Property Fund	2013	35,000,000	55,099,893	0	22,683,389	80,354,750	8.7	4.6
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	56,875,140	6.2	3.2
Prologis European Logistics Fund <sup>1,3</sup>	2017	47,950,142	49,151,023	0	10,289,270	60,360,077	6.5	3.4
Prologis Targeted U.S. Logistics Fund	2015	50,000,000	50,225,869	0	65,773,374	77,316,361	8.4	4.4
Townsend Real Estate Fund, L.P. <sup>3</sup>	2016	90,000,000	120,975,151	0	39,090,362	152,215,686	16.5	8.6
<b>Core Commingled Funds</b>	<b>1986</b>	<b>510,350,142</b>	<b>568,177,830</b>	<b>0</b>	<b>236,544,344</b>	<b>651,955,074</b>	<b>69.7</b>	<b>57.1</b>
<b>Value Added Portfolio</b>								
Asana Partners Fund II <sup>3</sup>	2019	35,000,000	25,681,250	10,412,500	0	30,860,909	3.3	2.3
Asana Partners Fund III <sup>3</sup>	2022	45,000,000	13,066,667	29,466,667	0	11,454,681	1.2	2.3
DRC European Real Estate Debt Fund II <sup>3</sup>	2013	50,007,963	47,627,074	3,939,527	43,336,305	5,922,654	0.6	0.6
ECE European Prime Shopping Centre Fund II C <sup>3</sup>	2015	33,611,623	34,613,419	0	5,918,388	34,863,668	3.8	2.0
Hammes Partners II	2015	25,000,000	27,625,214	1,148,189	43,726,956	3,207,259	0.3	0.2
Hammes Partners III	2018	25,000,000	29,177,951	3,761,661	14,461,297	20,286,070	2.2	1.4
Hammes Partners IV	2022	40,000,000	1,650,018	38,349,982	54,895	979,735	0.1	40.2
NREP Nordic Strategies Fund <sup>4</sup>	2014	25,130,756	22,485,011	0	36,076,702	3,051,718	0.3	0.3
NREP Nordic Strategies Fund II <sup>3</sup>	2016	35,176,432	35,664,816	464,755	55,351,664	15,862,026	1.7	0.9
NREP Nordic Strategies Fund III <sup>3</sup>	2018	39,019,632	32,998,146	2,832,396	8,455,396	33,040,864	3.6	2.0

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
NREP Nordic Strategies Fund IV <sup>2</sup>	2019	35,449,208	19,095,461	16,347,199	0	17,841,129	1.9	1.9
NREP Nordic Strategies Fund V <sup>4</sup>	2022	41,710,115	3,419,401	35,363,563	0	8,425,518	0.8	3.6
<b>Value Added Portfolio</b>	<b>1986</b>	<b>430,105,729</b>	<b>293,104,428</b>	<b>142,086,439</b>	<b>207,381,603</b>	<b>185,796,231</b>	<b>19.9</b>	<b>28.7</b>
<b>Opportunistic Portfolio</b>								
Carlyle China Project Rome Co-Investment	2017	40,000,000	38,745,488	4,405,916	0	28,391,961	3.1	1.9
Carlyle China Realty	2017	10,000,000	10,783,995	695,409	2,342,232	6,387,082	0.7	0.4
CIM Fund VIII	2015	35,000,000	39,907,861	0	8,216,313	22,908,536	2.5	1.3
KKR Real Estate Partners Americas	2014	22,720,638	30,477,571	3,842,263	37,619,531	1,581,561	0.2	0.3
LaSalle China Logistics Venture	2021	30,000,000	5,840,173	24,159,827	0	5,301,261	0.6	1.7
Sculptor Real Estate Fund III <sup>2,3</sup>	2014	35,000,000	26,874,343	12,628,245	43,804,779	3,980,483	0.4	0.9
Sculptor Real Estate Fund IV <sup>2,3</sup>	2020	30,000,000	20,858,870	13,661,086	6,527,892	16,652,375	1.8	1.7
Seven Seas Japan Opportunity Fund	2022	177,336	16,530,212	5,535,760	282,249	12,004,517	1.3	1.0
<b>Opportunistic Portfolio</b>	<b>1991</b>	<b>202,897,974</b>	<b>190,018,513</b>	<b>64,928,506</b>	<b>98,792,996</b>	<b>97,207,776</b>	<b>10.4</b>	<b>14.2</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>2007</b>	<b>633,003,703</b>	<b>483,122,941</b>	<b>207,014,945</b>	<b>306,174,599</b>	<b>283,004,007</b>	<b>30.3</b>	<b>42.9</b>
<b>Total Private Portfolio</b>								
<b>SCERS</b>	<b>1986</b>	<b>1,143,353,845</b>	<b>1,904,077,835</b>	<b>207,014,945</b>	<b>1,763,049,994</b>	<b>934,959,081</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.

<sup>4</sup> Fund was unable to submit in time for this report. Prior quarter NAV has been used as a placeholder.

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2024				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Brookfield Premier Real Estate Partners	109,282,711	0.4	-5.3	-4.9	-5.0	0.4	-5.3	-4.9	-5.0	1.4	-21.7	-20.5	-18.9	2.6	5.5	8.2	6.4
Lion Properties Fund	115,550,349	0.9	-1.9	-1.1	-1.3	0.9	-1.9	-1.1	-1.3	3.9	-19.0	-15.6	-16.4	3.7	3.2	7.1	6.2
MetLife Core Property Fund	80,354,750	1.1	-1.2	-0.1	-0.2	1.1	-1.2	-0.1	-0.2	4.4	-16.2	-12.3	-12.7	4.5	4.9	9.6	9.1
Principal U.S. Property Account	56,875,140	1.0	-4.7	-3.7	-3.9	1.0	-4.7	-3.7	-3.9	3.9	-17.0	-13.6	-14.4	4.0	2.7	6.8	5.8
Prologis European Logistics Fund <sup>1,5</sup>	60,360,077	1.2	-3.4	-2.3	-2.5	1.2	-3.4	-2.3	-2.5	4.5	-12.9	-8.8	-9.7	4.6	0.9	5.4	3.0
Prologis Targeted U.S. Logistics Fund	77,316,361	0.6	-1.8	-1.2	-0.3	0.6	-1.8	-1.2	-0.3	3.2	-15.3	-12.5	-9.7	3.6	17.9	22.0	19.0
Townsend Real Estate Fund, L.P. <sup>3</sup>	152,215,686	0.7	-2.6	-1.8	-1.9	0.7	-2.6	-1.8	-1.9	2.9	-13.7	-11.0	-11.2	3.2	6.9	10.2	10.0
<b>Core Commingled Funds</b>	<b>651,955,074</b>	<b>0.8</b>	<b>-2.9</b>	<b>-2.1</b>	<b>-2.0</b>	<b>0.8</b>	<b>-2.9</b>	<b>-2.1</b>	<b>-2.0</b>	<b>3.3</b>	<b>-16.7</b>	<b>-13.8</b>	<b>-13.4</b>	<b>3.6</b>	<b>6.5</b>	<b>10.2</b>	<b>8.9</b>
<b>Value Added Portfolio</b>																	
Asana Partners Fund II <sup>7</sup>	30,860,909	-0.3	-0.5	-0.8	-0.2	-0.3	-0.5	-0.8	-0.2	-1.3	2.7	1.3	3.8	-0.4	20.7	20.2	17.3
Asana Partners Fund III <sup>5</sup>	11,454,681	-0.5	0.8	0.4	-0.8	-0.5	0.8	0.4	-0.8	-9.0	16.3	7.0	-5.6				
DRC European Real Estate Debt Fund II <sup>5</sup>	5,922,654	0.0	-4.0	-4.0	-4.0	0.0	-4.0	-4.0	-4.0	40.1	8.7	49.2	49.4	-9.7	-2.7	-10.9	-11.5
ECE European Prime Shopping Centre Fund II C <sup>7</sup>	34,863,668	-0.5	-0.7	-1.2	-1.9	-0.5	-0.7	-1.2	-1.9	-3.7	20.9	17.1	14.2	0.0	3.1	3.3	0.6
Hammes Partners II	3,207,259	1.6	0.9	2.5	1.8	1.6	0.9	2.5	1.8	4.4	8.0	12.7	9.7	6.3	24.6	31.6	24.2
Hammes Partners III	20,286,070	1.5	-1.3	0.2	-0.2	1.5	-1.3	0.2	-0.2	6.5	-0.3	6.2	3.7	9.2	15.4	25.4	17.6
Hammes Partners IV	979,735	-126.0	-162.8	-288.7	-758.5	-126.0	-162.8	-288.7	-758.5								
NREP Nordic Strategies Fund <sup>9</sup>	3,051,718	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NREP Nordic Strategies Fund II <sup>7</sup>	15,862,026	0.8	-6.1	-5.3	-5.3	0.8	-6.1	-5.3	-5.3	0.3	1.1	2.3	6.0	-2.2	27.2	26.1	17.9
NREP Nordic Strategies Fund III <sup>5</sup>	33,040,864	1.0	-2.7	-1.7	-1.8	1.0	-2.7	-1.7	-1.8	3.6	-6.4	-3.0	-1.5	-0.1	15.0	15.3	8.7
NREP Nordic Strategies Fund IV <sup>3</sup>	17,841,129	2.7	-6.2	-3.6	-4.2	2.7	-6.2	-3.6	-4.2	-1.3	-6.0	-7.0	-6.0	-11.0	42.5	30.8	11.3
NREP Nordic Strategies Fund V <sup>9</sup>	8,425,518	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A								
<b>Value Added Portfolio</b>	<b>185,796,231</b>	<b>1.8</b>	<b>-4.4</b>	<b>-2.6</b>	<b>-1.7</b>	<b>1.8</b>	<b>-4.4</b>	<b>-2.6</b>	<b>-1.7</b>	<b>5.2</b>	<b>3.5</b>	<b>8.7</b>	<b>7.8</b>	<b>0.1</b>	<b>16.6</b>	<b>17.0</b>	<b>10.6</b>
<b>Opportunistic Portfolio</b>																	
Carlyle China Project Rome Co-Investment	28,391,961	0.0	-5.5	-5.5	-5.8	0.0	-5.5	-5.5	-5.8	-0.1	-24.1	-24.2	-25.2	-0.1	-7.9	-8.0	-9.0
Carlyle China Realty	6,387,082	-0.1	-5.5	-5.6	-6.0	-0.1	-5.5	-5.6	-6.0	-0.4	-24.1	-24.4	-25.6	-0.3	-7.9	-8.1	-9.5
CIM Fund VIII	22,908,536	0.0	-2.6	-2.6	-3.0	0.0	-2.6	-2.6	-3.0	-0.2	-19.1	-19.2	-20.5	-0.2	-9.9	-10.1	-11.3
KKR Real Estate Partners Americas	1,581,561	-0.4	0.2	-0.2	-0.1	-0.4	0.2	-0.2	-0.1	-3.3	-10.6	-13.5	-10.8	-39.2	28.2	-4.7	-5.2
LaSalle China Logistics Venture	5,301,261	-0.9	-1.9	-2.8	-4.3	-0.9	-1.9	-2.8	-4.3	-1.8	4.9	3.0	-4.4				
Sculptor Real Estate Fund III <sup>4,5</sup>	3,980,483	4.5	-6.1	-1.6	-1.9	4.5	-6.1	-1.6	-1.9	8.3	10.2	19.4	17.9	11.9	25.3	39.5	36.7
Sculptor Real Estate Fund IV <sup>2,3</sup>	16,652,375	1.1	2.8	3.9	3.2	1.1	2.8	3.9	3.2	3.4	10.5	14.2	10.5	12.3	13.3	26.9	17.5
Seven Seas Japan Opportunity Fund	12,004,517	-0.8	7.5	6.8	4.0	-0.8	7.5	6.8	4.0	20.9	-7.3	13.8	7.3				
<b>Opportunistic Portfolio</b>	<b>97,207,776</b>	<b>0.3</b>	<b>-2.0</b>	<b>-1.7</b>	<b>-2.4</b>	<b>0.3</b>	<b>-2.0</b>	<b>-1.7</b>	<b>-2.4</b>	<b>2.3</b>	<b>-13.9</b>	<b>-11.8</b>	<b>-13.9</b>	<b>0.9</b>	<b>-3.3</b>	<b>-2.4</b>	<b>-5.0</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>283,004,007</b>	<b>0.4</b>	<b>-2.1</b>	<b>-1.7</b>	<b>-2.2</b>	<b>0.4</b>	<b>-2.1</b>	<b>-1.7</b>	<b>-2.2</b>	<b>4.1</b>	<b>-3.4</b>	<b>0.6</b>	<b>-0.8</b>	<b>0.5</b>	<b>8.6</b>	<b>9.3</b>	<b>4.4</b>
<b>Total Private Portfolio</b>																	
<b>SCERS</b>	<b>934,959,081</b>	<b>0.7</b>	<b>-2.7</b>	<b>-2.0</b>	<b>-2.1</b>	<b>0.7</b>	<b>-2.7</b>	<b>-2.0</b>	<b>-2.1</b>	<b>3.5</b>	<b>-13.4</b>	<b>-10.3</b>	<b>-10.3</b>	<b>2.8</b>	<b>7.1</b>	<b>10.0</b>	<b>7.7</b>

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2024				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
<b>Ex-US Dollar Denominated Investments (In Local Currency)</b>																	
Prologis Targeted Europe Logistics Fund (Euro) <sup>1,2</sup>	€ 57,088,560	1.2	-0.3	0.8	0.6	1.2	-0.3	0.8	0.6	4.5	-19.3	-15.5	-16.3	4.6	4.4	9.1	6.6
DRC European Real Estate Debt Fund II (Pound Sterling)	£4,854,800	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	36.6	0.0	36.6	36.8	-9.1	0.0	-9.1	-9.8
ECE European Prime Shopping Centre Fund II (Euro) <sup>3</sup>	€ 32,974,057	-0.5	2.5	2.0	1.2	-0.5	2.5	2.0	1.2	-3.4	12.1	8.6	5.9	0.0	6.6	6.8	4.1
NREP Nordic Strategies Fund (Euro) <sup>4</sup>	€ 2,797,510	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
NREP Nordic Strategies Fund II (Euro)	14,999,942	0.8	-3.2	-2.3	-2.4	0.8	-3.2	-2.3	-2.4	0.5	-6.4	-5.2	-1.8	-2.1	31.6	30.5	22.1
NREP Nordic Strategies Fund III (Euro)	31,250,049	1.9	-0.5	1.4	1.4	1.9	-0.5	1.4	1.4	4.5	-14.0	-10.0	-8.6	0.2	18.6	19.3	12.4
NREP Nordic Strategies Fund IV (Euro)	€ 16,874,140	2.7	-3.2	-0.5	-1.2	2.7	-3.2	-0.5	-1.2	-1.2	-12.9	-13.9	-13.0	-11.0	48.7	36.5	16.2
NREP Nordic Strategies Fund V (Euro) <sup>4</sup>	€ 7,723,672	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A								
Seven Seas Japan Opportunity Fund	¥1,793,114,722	-0.8	11.7	10.9	8.1	-0.8	11.7	10.9	8.1	19.2	-5.0	17.8	11.1				
<b>Indices</b>																	
NFI ODCE+ 35bps				-1.8	-2.0			-1.8	-2.0			-11.8	-12.5			7.5	6.5
NFI-ODCE		0.9	-2.8	-1.9	-2.1	0.9	-2.8	-1.9	-2.1	3.5	-15.2	-12.1	-12.9	3.7	3.4	7.1	6.2
NFI-ODCE + 100bps				-1.7	-1.9			-1.7	-1.9			-11.1	-11.9			8.1	7.2
CPI + 500 bps				2.4				2.4				8.9				11.0	

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.

<sup>4</sup> Fund was unable to submit in time for this report. Prior quarter NAV has been used as a placeholder.



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			
Brookfield Premier Real Estate Partners	109,282,711	2.7	4.6	7.4	5.9					2.7	4.6	7.4	5.9	4Q18	6.2	1.3
Lion Properties Fund	115,550,349	3.8	2.3	6.1	5.3					3.8	2.3	6.1	5.3	4Q18	5.5	1.2
MetLife Core Property Fund	80,354,750	4.6	2.9	7.6	7.1					4.9	4.8	9.8	9.3	1Q14	9.4	1.9
Principal U.S. Property Account	56,875,140	4.1	1.5	5.7	4.7					4.4	2.8	7.3	6.3	4Q15	6.3	1.6
Prologis European Logistics Fund <sup>1,5</sup>	60,360,077	4.9	3.3	8.3	6.1					5.1	4.6	9.8	7.6	4Q17	7.5	1.4
Prologis Targeted U.S. Logistics Fund	77,316,361	4.0	14.2	18.5	16.1					4.6	13.9	19.0	16.5	3Q15	16.8	2.8
Townsend Real Estate Fund, L.P. <sup>3</sup>	152,215,686	3.6	4.4	8.0	7.8					3.8	5.0	8.9	8.7	2Q16	8.6	1.6
<b>Core Commingled Funds</b>	<b>651,955,074</b>	<b>3.7</b>	<b>4.8</b>	<b>8.7</b>	<b>7.5</b>	<b>4.2</b>	<b>6.3</b>	<b>10.8</b>	<b>9.6</b>	<b>4.4</b>	<b>3.6</b>	<b>8.1</b>	<b>7.2</b>	<b>4Q86</b>	<b>7.1</b>	<b>1.5</b>
<b>Value Added Portfolio</b>																
Asana Partners Fund II <sup>2</sup>	30,860,909									-3.2	6.7	2.9	-4.7	4Q19	8.3	1.2
Asana Partners Fund III <sup>3</sup>	11,454,681									-7.2	9.6	2.6	-15.7	3Q22	-20.2	0.9
DRC European Real Estate Debt Fund II <sup>2</sup>	5,922,654	-3.6	-1.9	-4.6	-5.3					3.1	-3.8	-0.2	-1.5	1Q14	1.2	1.0
ECE European Prime Shopping Centre Fund II C <sup>2</sup>	34,863,668	0.7	2.6	3.3	0.8					1.0	9.1	10.3	7.7	4Q15	3.8	1.2
Hammes Partners II	3,207,259	7.8	24.1	32.9	26.8					8.8	18.9	28.7	22.3	3Q15	23.2	1.7
Hammes Partners III	20,286,070									8.5	14.2	23.5	4.8	1Q19	11.1	1.2
Hammes Partners IV	979,735													3Q23	N/A	N/A
NREP Nordic Strategies Fund <sup>4</sup>	3,051,718	N/A	N/A	N/A	N/A					N/A	N/A	N/A	N/A	1Q15	N/A	N/A
NREP Nordic Strategies Fund II <sup>2</sup>	15,862,026	-1.2	24.8	24.3	16.1					0.1	26.6	27.4	17.5	3Q16	20.4	2.0
NREP Nordic Strategies Fund III <sup>3</sup>	33,040,864	-2.7	18.0	15.4	2.7					-3.0	19.7	16.7	3.2	4Q18	8.3	1.3
NREP Nordic Strategies Fund IV <sup>3</sup>	17,841,129									-18.5	32.9	11.0	N/A	1Q20	-3.6	0.9
NREP Nordic Strategies Fund V <sup>4</sup>	8,425,518									N/A	N/A	N/A	N/A	1Q23	N/A	N/A
<b>Value Added Portfolio</b>	<b>185,796,231</b>	<b>1.2</b>	<b>15.2</b>	<b>16.6</b>	<b>9.6</b>	<b>4.4</b>	<b>11.5</b>	<b>16.3</b>	<b>11.4</b>	<b>1.9</b>	<b>5.3</b>	<b>7.3</b>	<b>5.4</b>	<b>4Q86</b>	<b>6.5</b>	<b>1.3</b>
<b>Opportunistic Portfolio</b>																
Carlyle China Project Rome Co-Investment	28,391,961	-0.2	-3.6	-3.8	-4.9					-0.7	-2.2	-2.9	-4.7	3Q17	-5.9	0.7
Carlyle China Realty	6,387,082	1.4	-3.3	-1.9	-3.6					1.3	-2.3	-1.0	-3.1	3Q17	-5.1	0.8
CIM Fund VIII	22,908,536	-0.1	-8.1	-8.1	-9.3					0.0	-0.7	-0.7	-2.3	2Q15	-4.5	0.8
KKR Real Estate Partners Americas	1,581,561	-24.5	2.7	-10.7	-8.8					-7.0	-1.6	-0.7	-0.5	2Q14	11.9	1.3
LaSalle China Logistics Venture	5,301,261									N/A	119.2	60.8	-10.6	3Q21	-6.7	0.9
Sculptor Real Estate Fund III <sup>4,5</sup>	3,980,483	10.9	16.8	29.0	26.5					13.1	17.0	31.8	19.7	4Q14	24.1	1.8
Sculptor Real Estate Fund IV <sup>2,3</sup>	16,652,375									10.7	11.9	23.6	11.6	3Q20	11.3	1.1
Seven Seas Japan Opportunity Fund	12,004,517									11.7	-36.3	-28.4	-32.6	2Q22	-24.5	0.8
<b>Opportunistic Portfolio</b>	<b>97,207,776</b>	<b>1.3</b>	<b>-1.9</b>	<b>-0.6</b>	<b>-2.8</b>	<b>5.1</b>	<b>6.2</b>	<b>12.1</b>	<b>8.2</b>	<b>1.9</b>	<b>6.1</b>	<b>8.3</b>	<b>6.3</b>	<b>1Q91</b>	<b>4.7</b>	<b>1.1</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>283,004,007</b>	<b>1.2</b>	<b>8.0</b>	<b>9.3</b>	<b>4.6</b>	<b>4.4</b>	<b>8.1</b>	<b>12.8</b>	<b>8.8</b>	<b>3.7</b>	<b>5.8</b>	<b>9.6</b>	<b>5.3</b>	<b>1Q07</b>	<b>6.1</b>	<b>1.2</b>
<b>Total Private Portfolio</b>																
SCERS	934,959,081	3.1	5.6	8.8	6.7	4.1	6.0	10.3	8.5	4.1	5.1	9.4	8.3	4Q86	8.2	1.4

Returns (%)	Market Value (\$)	5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple					
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET								
<b>Ex-US Dollar Denominated Investments (In Local Currency)</b>																					
Prologis Targeted Europe Logistics Fund (Euro) <sup>1,2</sup>	€ 57,088,560	4.9	5.2	10.3	8.1									4.8	6.1	11.1	9.1	1Q16	9.1	1.4	
DRC European Real Estate Debt Fund II (Pound Sterling)	£4,854,800	-3.2	0.0	-3.2	-3.9									3.3	-0.4	2.9	1.6	1Q14	5.0	1.2	
ECE European Prime Shopping Centre Fund II (Euro) <sup>3</sup>	€ 32,974,057	0.6	4.5	5.2	2.7									1.0	9.8	11.1	8.5	4Q15	5.3	1.3	
NREP Nordic Strategies Fund (Euro) <sup>4</sup>	€ 2,797,510	N/A	N/A	N/A	N/A									N/A	N/A	N/A	N/A	1Q15	N/A	N/A	
NREP Nordic Strategies Fund II (Euro)	14,999,942	-1.1	27.1	26.6	18.3									0.3	25.2	26.2	16.7	3Q16	21.5	2.1	
NREP Nordic Strategies Fund III (Euro)	31,250,049	-2.6	20.1	17.7	4.7									-2.6	20.1	17.7	4.7	4Q18	10.6	1.3	
NREP Nordic Strategies Fund IV (Euro)	€ 16,874,140													-16.9	32.4	12.8	N/A	1Q20	-0.8	1.0	
NREP Nordic Strategies Fund V (Euro) <sup>4</sup>	€ 7,723,672													N/A	N/A	N/A	N/A	1Q23	N/A	N/A	
Seven Seas Japan Opportunity Fund	¥1,793,114,722													10.6	-26.6	-16.9	-21.7	2Q22	-14.5	0.9	
<b>Indices</b>																					
NFI ODCE+ 35bps				6.0	5.1			8.5	7.5									7.5	6.5	4Q86	
NFI-ODCE		3.8	1.8	5.7	4.7	4.2	3.8	8.2	7.2	6.4	0.7	7.1	6.1					7.1	6.1	4Q86	
NFI-ODCE + 100bps				6.7	5.7			9.2	8.2									8.1	7.1	4Q86	
CPI + 500 bps				9.2				7.9										8.0		4Q86	

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.

<sup>4</sup> Fund was unable to submit in time for this report. Prior quarter NAV has been used as a placeholder.

Returns (%)	Market Value (\$)	Fiscal Year 2024		2023		2022		2021		2020		2019		2018		2017		2016	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Core Commingled Funds</b>																			
Brookfield Premier Real Estate Partners	109,282,711	-4.9	-5.0	-14.8	-13.4	13.1	10.8	28.5	23.0	1.8	1.9	10.6	8.5	2.3	1.9				
Lion Properties Fund	115,550,349	-1.1	-1.3	-11.1	-11.7	9.6	8.7	23.4	22.4	2.2	1.4	7.3	6.4	2.0	1.8				
MetLife Core Property Fund	80,354,750	-0.1	-0.2	-7.3	-7.6	9.7	9.1	27.8	27.2	1.0	0.5	8.6	8.1	7.8	7.3	8.4	7.9	9.3	8.8
Principal U.S. Property Account	56,875,140	-3.7	-3.9	-8.1	-8.8	5.1	4.1	23.7	22.6	1.6	0.6	7.0	6.0	9.1	8.1	9.1	8.1	10.0	9.0
Prologis European Logistics Fund <sup>1,3</sup>	60,360,077	-2.3	-2.5	-3.7	-4.4	-10.2	-11.6	22.7	18.0	20.2	18.7	13.5	11.1	13.6	10.8	6.8	6.5		
Prologis Targeted U.S. Logistics Fund	77,316,361	-1.2	-0.3	-6.3	-4.6	13.9	12.2	59.3	48.7	11.1	9.8	19.4	16.8	18.5	16.1	24.2	20.3	16.1	14.2
Townsend Real Estate Fund, L.P. <sup>3</sup>	152,215,686	-1.8	-1.9	-7.6	-7.8	10.5	10.3	29.3	29.1	2.6	2.3	7.6	7.3	9.0	8.8	11.0	10.8	8.4	8.2
<b>Core Commingled Funds</b>	<b>651,955,074</b>	<b>-2.1</b>	<b>-2.0</b>	<b>-8.8</b>	<b>-8.6</b>	<b>8.8</b>	<b>7.6</b>	<b>30.8</b>	<b>27.6</b>	<b>4.6</b>	<b>4.0</b>	<b>9.5</b>	<b>8.3</b>	<b>10.9</b>	<b>9.7</b>	<b>14.2</b>	<b>12.8</b>	<b>9.8</b>	<b>8.9</b>
<b>Value Added Portfolio</b>																			
Asana Partners Fund II <sup>3</sup>	30,860,909	-0.8	-0.2	-4.9	-1.0	1.8	0.7	63.7	49.9	-36.4	-45.7	11.1	1.5						
Asana Partners Fund III <sup>3</sup>	11,454,681	0.4	-0.8	-9.4	-14.6	13.9	-5.4												
DRC European Real Estate Debt Fund II <sup>3</sup>	5,922,654	-4.0	-4.0	0.8	0.8	52.5	52.3	-11.0	-12.4	-47.1	-47.7	12.0	11.1	-0.6	-1.7	23.8	22.3	-7.8	-8.9
ECE European Prime Shopping Centre Fund II C <sup>3</sup>	34,863,668	-1.2	-1.9	4.8	3.2	3.5	0.9	-0.2	-3.0	0.7	-1.8	2.2	0.0	15.1	12.8	24.7	21.5	22.1	19.7
Hammes Partners II	3,207,259	2.5	1.8	9.4	6.8	10.9	8.2	28.6	21.3	61.5	46.9	59.2	55.9	27.9	19.6	12.7	10.0	16.2	10.4
Hammes Partners III	20,286,070	0.2	-0.2	4.8	2.9	13.2	9.0	29.1	18.3	43.5	24.5	23.9	-24.4						
Hammes Partners IV	979,735	-288.7	-758.5	-288.7	-758.5	13.2	9.0	29.1	18.3	43.5	24.5	23.9	-24.4						
NREP Nordic Strategies Fund <sup>4</sup>	3,051,718	N/A	N/A	N/A	N/A	6.6	5.4	-3.0	-11.6	27.2	21.8	23.0	-4.2	0.8	0.1	41.2	40.1	23.1	21.7
NREP Nordic Strategies Fund II <sup>3</sup>	15,862,026	-5.3	-5.3	-12.4	-6.5	7.8	-1.9	71.5	52.7	35.1	26.6	20.9	9.8	17.0	12.3	44.9	34.4	8.6	-3.8
NREP Nordic Strategies Fund III <sup>3</sup>	33,040,864	-1.7	-1.8	-8.9	-7.4	0.3	-3.3	35.9	22.8	42.3	28.1	19.0	-5.5	-2.8	-14.4				
NREP Nordic Strategies Fund IV <sup>3</sup>	17,841,129	-3.6	-4.2	-13.4	-12.2	0.6	-6.4	42.2	20.5	22.1	-121.4								
NREP Nordic Strategies Fund V <sup>4</sup>	8,425,518	N/A	N/A	N/A	N/A	0.6	-6.4	42.2	20.5	22.1	-121.4								
<b>Value Added Portfolio</b>	<b>185,796,231</b>	<b>-2.6</b>	<b>-1.7</b>	<b>-2.6</b>	<b>-2.1</b>	<b>5.1</b>	<b>0.7</b>	<b>36.4</b>	<b>25.1</b>	<b>19.0</b>	<b>10.6</b>	<b>22.1</b>	<b>11.5</b>	<b>10.5</b>	<b>6.3</b>	<b>24.9</b>	<b>22.3</b>	<b>9.5</b>	<b>7.0</b>
<b>Opportunistic Portfolio</b>																			
Carlyle China Project Rome Co-Investment	28,391,961	-5.5	-5.8	-22.5	-23.3	-3.3	-4.3	2.4	1.3	-0.9	-2.0	7.2	5.8	-2.5	-7.1	4.7	3.6		
Carlyle China Realty	6,387,082	-5.6	-6.0	-22.7	-23.6	-3.4	-4.8	2.2	0.8	-0.3	-2.1	18.1	15.7	1.6	-1.4	2.7	0.2		
CIM Fund VIII	22,908,536	-2.6	-3.0	-10.1	-11.2	-13.1	-14.3	-3.7	-4.9	-16.7	-17.9	2.0	0.9	9.4	8.0	8.4	6.7	6.4	4.0
KKR Real Estate Partners Americas	1,581,561	-0.2	-0.1	1.5	1.2	-25.1	-21.8	27.9	19.1	-30.9	-24.7	7.8	7.3	11.0	10.7	27.5	23.3	20.8	17.2
LaSalle China Logistics Venture	5,301,261	-2.8	-4.3	-3.2	-8.2	4.2	-9.6	188.6	-6.2	-30.9	-24.7	7.8	7.3	11.0	10.7	27.5	23.3	20.8	17.2
Sculptor Real Estate Fund III <sup>2,3</sup>	3,980,483	-1.6	-1.9	11.3	10.2	82.4	80.0	28.5	24.1	12.4	10.8	15.9	13.6	29.7	25.7	43.3	38.2	30.0	22.2
Sculptor Real Estate Fund IV <sup>2,3</sup>	16,652,375	3.9	3.2	10.9	8.4	6.9	0.8	40.3	25.9	19.6	3.9								
Seven Seas Japan Opportunity Fund	12,004,517	6.8	4.0	-3.0	-6.2	-55.4	-60.3												
<b>Opportunistic Portfolio</b>	<b>97,207,776</b>	<b>-1.7</b>	<b>-2.4</b>	<b>-10.5</b>	<b>-12.1</b>	<b>-4.9</b>	<b>-7.9</b>	<b>6.2</b>	<b>2.8</b>	<b>-6.9</b>	<b>-8.1</b>	<b>8.6</b>	<b>7.1</b>	<b>11.5</b>	<b>9.1</b>	<b>19.1</b>	<b>16.0</b>	<b>13.9</b>	<b>10.2</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward<sup>5</sup></b>	<b>283,004,007</b>	<b>-1.7</b>	<b>-2.2</b>	<b>-5.5</b>	<b>-5.8</b>	<b>1.1</b>	<b>-2.7</b>	<b>24.4</b>	<b>16.4</b>	<b>6.5</b>	<b>1.6</b>	<b>15.8</b>	<b>9.9</b>	<b>10.9</b>	<b>7.6</b>	<b>22.3</b>	<b>19.4</b>	<b>10.8</b>	<b>8.1</b>
<b>Total Private Portfolio</b>																			
<b>SCERS</b>	<b>934,959,081</b>	<b>-2.0</b>	<b>-2.1</b>	<b>-8.0</b>	<b>-7.9</b>	<b>6.8</b>	<b>4.9</b>	<b>29.1</b>	<b>24.5</b>	<b>5.2</b>	<b>3.5</b>	<b>11.0</b>	<b>8.7</b>	<b>9.2</b>	<b>7.5</b>	<b>15.2</b>	<b>13.6</b>	<b>9.1</b>	<b>7.8</b>
<b>Indices</b>																			
NFI-ODCE + 35 bps		-1.8	-2.0	-7.4	-8.0	7.6	6.7	22.4	21.3	1.5	0.7	5.7	4.7	8.7	7.7	8.0	7.0	9.1	8.1
NFI-ODCE		-1.9	-2.1	-7.6	-8.1	7.5	6.5	22.2	21.0	1.2	0.3	5.3	4.4	8.3	7.4	7.6	6.7	8.8	7.8
NFI-ODCE + 100 bps		-1.7	-1.9	-7.1	-7.6	8.0	7.0	22.9	21.8	2.2	1.3	6.3	5.4	9.3	8.4	8.6	7.7	9.8	8.8
CPI + 500 bps		2.4		6.7		9.9		11.4		6.4		7.4		7.0		7.2		7.2	

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.

<sup>4</sup> Fund was unable to submit in time for this report. Prior quarter NAV has been used as a placeholder.

Returns (%)	Market Value (\$)	2015		2014		2013		2012		2011		2010		2009		2008		2007		2006	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
<b>Core Commingled Funds</b>																					
Brookfield Premier Real Estate Partners	109,282,711																				
Lion Properties Fund	115,550,349																				
MetLife Core Property Fund	80,354,750	16.9	16.3	17.4	16.9																
Principal U.S. Property Account	56,875,140	3.0	2.8																		
Prologis European Logistics Fund <sup>1,3</sup>	60,360,077																				
Prologis Targeted U.S. Logistics Fund	77,316,361	9.1	7.9																		
Townsend Real Estate Fund, L.P. <sup>3</sup>	152,215,686																				
<b>Core Commingled Funds</b>	<b>651,955,074</b>	<b>15.7</b>	<b>14.1</b>	<b>13.5</b>	<b>12.4</b>	<b>10.2</b>	<b>9.3</b>	<b>11.1</b>	<b>10.1</b>	<b>16.4</b>	<b>15.5</b>	<b>14.1</b>	<b>13.3</b>	<b>-33.0</b>	<b>-33.6</b>	<b>-13.8</b>	<b>-14.6</b>	<b>15.5</b>	<b>14.5</b>	<b>16.9</b>	<b>15.8</b>
<b>Value Added Portfolio</b>																					
Asana Partners Fund II <sup>2</sup>	30,860,909																				
Asana Partners Fund III <sup>3</sup>	11,454,681																				
DRC European Real Estate Debt Fund II <sup>3</sup>	5,922,654	5.0	3.0	1.4	-2.1																
ECE European Prime Shopping Centre Fund II C <sup>3</sup>	34,863,668	12.1	11.0																		
Hammes Partners II	3,207,259	19.4	12.9																		
Hammes Partners III	20,286,070																				
Hammes Partners IV	979,735																				
NREP Nordic Strategies Fund <sup>4</sup>	3,051,718	55.1	50.8																		
NREP Nordic Strategies Fund II <sup>3</sup>	15,862,026																				
NREP Nordic Strategies Fund III <sup>3</sup>	33,040,864																				
NREP Nordic Strategies Fund IV <sup>3</sup>	17,841,129																				
NREP Nordic Strategies Fund V <sup>4</sup>	8,425,518																				
<b>Value Added Portfolio</b>	<b>185,796,231</b>	<b>19.1</b>	<b>17.0</b>	<b>15.7</b>	<b>13.7</b>	<b>13.3</b>	<b>10.8</b>	<b>19.6</b>	<b>18.1</b>	<b>16.7</b>	<b>14.7</b>	<b>23.2</b>	<b>20.3</b>	<b>-56.4</b>	<b>-57.6</b>	<b>-31.2</b>	<b>-33.5</b>	<b>18.2</b>	<b>5.6</b>	<b>0.8</b>	<b>0.5</b>
<b>Opportunistic Portfolio</b>																					
Carlyle China Project Rome Co-Investment	28,391,961																				
Carlyle China Realty	6,387,082																				
CIM Fund VIII	22,908,536	16.9	13.8																		
KKR Real Estate Partners Americas	1,581,561	79.0	55.3	30.1	24.7																
LaSalle China Logistics Venture	5,301,261	79.0	55.3	30.1	24.7																
Sculptor Real Estate Fund III <sup>2,3</sup>	3,980,483	33.7	6.9	9.4	-28.3																
Sculptor Real Estate Fund IV <sup>2,3</sup>	16,652,375																				
Seven Seas Japan Opportunity Fund	12,004,517																				
<b>Opportunistic Portfolio</b>	<b>97,207,776</b>	<b>44.5</b>	<b>23.2</b>	<b>33.3</b>	<b>19.9</b>	<b>11.7</b>	<b>9.4</b>	<b>54.2</b>	<b>38.5</b>	<b>-10.1</b>	<b>-8.0</b>	<b>42.4</b>	<b>34.2</b>	<b>54.0</b>	<b>43.5</b>	<b>-44.5</b>	<b>-45.4</b>	<b>3.4</b>	<b>2.6</b>	<b>0.0</b>	<b>0.0</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward<sup>5</sup></b>	<b>283,004,007</b>	<b>23.0</b>	<b>17.9</b>	<b>17.0</b>	<b>14.2</b>	<b>16.7</b>	<b>13.5</b>	<b>34.6</b>	<b>26.9</b>	<b>-0.3</b>	<b>0.4</b>	<b>37.0</b>	<b>30.4</b>	<b>-13.5</b>	<b>-17.8</b>	<b>-33.7</b>	<b>-35.7</b>	<b>18.2</b>	<b>5.6</b>		
<b>Total Private Portfolio</b>																					
<b>SCERS</b>	<b>934,959,081</b>	<b>9.9</b>	<b>8.5</b>	<b>16.0</b>	<b>14.2</b>	<b>12.0</b>	<b>10.7</b>	<b>19.2</b>	<b>17.8</b>	<b>9.8</b>	<b>9.4</b>	<b>20.6</b>	<b>19.2</b>	<b>-16.0</b>	<b>-16.7</b>	<b>-14.1</b>	<b>-14.7</b>	<b>10.7</b>	<b>8.7</b>	<b>16.9</b>	<b>14.2</b>
<b>Indices</b>																					
NFI-ODCE + 35 bps		15.4	14.3	12.8	11.8	14.3	13.3	11.3	10.1	16.3	15.3	16.7	15.6	-29.4	-30.0	-9.7	-10.3	16.3	15.2	16.7	15.6
NFI-ODCE		15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3
NFI-ODCE + 100 bps		16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8	17.0	16.0	17.4	16.3	-28.8	-29.4	-9.0	-9.7	17.0	15.8	17.3	16.3
CPI + 500 bps		5.7		5.7		6.6		6.8		8.2		6.5		8.0		5.0		9.3		7.7	

<sup>1</sup> Represent composite performance of Prologis Targeted Europe Logistics Fund and Prologis European Logistics Fund.

<sup>2</sup> Previously Och-Ziff Real Estate Fund III.

<sup>3</sup> Preliminary data.

<sup>4</sup> Fund was unable to submit in time for this report. Prior quarter NAV has been used as a placeholder.

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
<b>Core Commingled Funds</b>									
Brookfield Premier Real Estate Partners	116,109,627	0	1,032,898	0	453,712	159,007	-6,088,724	109,282,711	47.8
Lion Properties Fund	117,828,901	265,058	1,066,267	0	1,053,983	246,230	-2,285,097	115,550,349	25.3
MetLife Core Property Fund	81,177,753	0	635,380	0	864,871	96,072	-956,422	80,354,750	32.5
Principal U.S. Property Account	59,186,484	0	0	0	603,347	140,291	-2,774,400	56,875,140	26.1
Prologis European Logistics Fund	62,374,056	0	460,995	0	717,744	147,028	-2,123,701	60,360,077	24.7
Prologis Targeted U.S. Logistics Fund	127,854,309	225,869	327,294	50,000,000	771,408	-1,092,003	-2,299,933	77,316,361	17.3
Townsend Real Estate Fund, L.P.	157,571,701	0	1,550,116	836,017	1,179,872	86,554	-4,063,200	152,215,686	37.6
<b>Core Commingled Funds</b>	<b>722,102,831</b>	<b>490,927</b>	<b>5,072,950</b>	<b>50,836,017</b>	<b>5,644,937</b>	<b>-216,821</b>	<b>-20,591,477</b>	<b>651,955,074</b>	<b>33.3</b>
<b>Value Added Portfolio</b>									
Asana Partners Fund II	29,836,153	1,093,750	0	0	-89,432	-180,296	-159,858	30,860,909	48.0
Asana Partners Fund III	9,007,765	2,533,333	0	0	-48,642	125,000	87,225	11,454,681	0.0
DRC European Real Estate Debt Fund II	6,167,174	0	0	0	0	0	-244,520	5,922,654	0.0
ECE European Prime Shopping Centre Fund II	35,760,830	0	210,454	0	-183,974	267,692	-235,042	34,863,668	55.5
Hammes Partners II	3,252,690	10,781	67,916	46,605	50,979	23,311	30,641	3,207,259	60.0
Hammes Partners III	20,183,438	986,963	425,886	426,728	304,105	72,670	-263,151	20,286,070	67.9
Hammes Partners IV	-381,008	1,650,018	27,018	27,877	-38,921	145,159	-50,300	979,735	87.0
NREP Nordic Strategies Fund <sup>1</sup>	3,039,589	0	0	0	0	7,434	19,563	3,051,718	0.0
NREP Nordic Strategies Fund II	16,758,007	0	0	0	137,185	3,226	-1,029,940	15,862,026	62.0
NREP Nordic Strategies Fund III	33,629,761	0	0	0	325,983	12,285	-902,595	33,040,864	52.0
NREP Nordic Strategies Fund IV	18,632,707	0	0	0	495,086	127,934	-1,158,731	17,841,129	51.0
NREP Nordic Strategies Fund V <sup>1</sup>	6,039,337	0	0	0	2,799,000	390,277	-22,542	8,425,518	58.0
<b>Value Added Portfolio</b>	<b>181,926,443</b>	<b>6,274,845</b>	<b>731,274</b>	<b>501,210</b>	<b>3,751,369</b>	<b>994,692</b>	<b>-3,929,250</b>	<b>185,796,231</b>	<b>54.0</b>
<b>Opportunistic Portfolio</b>									
Carlyle China Project Rome Co-Investment	30,155,249	0	0	0	-3,650	100,822	-1,658,817	28,391,961	29.0
Carlyle China Realty	6,796,869	0	0	0	-6,631	29,830	-373,326	6,387,082	29.0
CIM Fund VIII	23,646,979	98,200	0	125,671	-3,181	98,444	-609,347	22,908,536	36.0
KKR Real Estate Partners Americas	1,583,715	0	0	0	-5,776	-538	3,084	1,581,561	51.0
LaSalle China Logistics Venture	5,536,758	0	0	0	-50,106	81,013	-104,378	5,301,261	42.3
Sculptor Real Estate Fund III	5,344,739	11,416	1,281,308	0	221,249	15,060	-300,553	3,980,483	0.0
Sculptor Real Estate Fund IV	13,951,621	2,508,496	295,587	0	168,081	103,973	423,737	16,652,375	0.0
Seven Seas Japan Opportunity Fund	7,416,753	4,215,677	0	0	-71,074	253,785	696,946	12,004,517	0.0
<b>Opportunistic Portfolio</b>	<b>94,432,683</b>	<b>6,833,789</b>	<b>1,576,895</b>	<b>125,671</b>	<b>248,912</b>	<b>682,389</b>	<b>-1,922,654</b>	<b>97,207,776</b>	<b>25.1</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>276,359,126</b>	<b>13,108,634</b>	<b>2,308,169</b>	<b>626,881</b>	<b>4,000,281</b>	<b>1,677,081</b>	<b>-5,851,904</b>	<b>283,004,007</b>	<b>47.0</b>
<b>Total Private Portfolio</b>									
<b>SCERS</b>	<b>998,461,957</b>	<b>13,599,561</b>	<b>7,381,119</b>	<b>51,462,898</b>	<b>9,645,218</b>	<b>1,460,260</b>	<b>-26,443,381</b>	<b>934,959,081</b>	<b>38.1</b>

<sup>1</sup> Fund was unable to submit in time for this report. Data as of 2Q23.

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
<b>Core Commingled Funds</b>						
Brookfield Premier Real Estate Partners	32.1	10.7	52.1	-	-	5.1
Lion Properties Fund	27.9	15.7	37.0	5.6	-	13.8
MetLife Core Property Fund	31.2	19.7	27.6	10.7	1.5	9.3
Principal U.S. Property Account	26.6	16.9	38.4	10.4	-	7.6
Prologis European Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P. <sup>†</sup>	32.9	7.2	38.9	1.9	0.1	19.0
<b>Core Commingled Funds</b>	<b>24.2</b>	<b>10.2</b>	<b>52.3</b>	<b>3.7</b>	<b>0.2</b>	<b>9.5</b>
<b>Value Added Portfolio</b>						
Asana Partners Fund II	1.2	45.4	-	53.5	-	-
Asana Partners Fund III	0.3	41.6	-	58.1	-	-
DRC European Real Estate Debt Fund II	-	50.0	-	50.0	-	-
ECE European Prime Shopping Centre Fund II	-	-	-	100.0	-	-
Hammes Partners II	-	-	-	-	-	100.0
Hammes Partners III	-	-	-	-	-	100.0
Hammes Partners IV	-	-	-	-	-	100.0
NREP Nordic Strategies Fund <sup>†</sup>	-	-	-	-	-	-
NREP Nordic Strategies Fund II	2.6	-	-	23.0	-	74.4
NREP Nordic Strategies Fund III	37.4	6.9	24.6	6.1	-	25.0
NREP Nordic Strategies Fund IV	30.4	3.5	31.0	3.3	6.6	25.1
NREP Nordic Strategies Fund V <sup>†</sup>	7.4	43.9	17.7	9.9	-	21.1
<b>Value Added Portfolio</b>	<b>10.5</b>	<b>15.5</b>	<b>8.3</b>	<b>37.2</b>	<b>0.6</b>	<b>27.8</b>

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
<b>Opportunistic Portfolio</b>						
Carlyle China Project Rome Co-Investment	-	-	100.0	-	-	-
Carlyle China Realty	-	-	100.0	-	-	-
CIM Fund VIII	46.8	18.3	-	15.2	6.4	13.4
KKR Real Estate Partners Americas	-	-	-	14.5	73.6	11.9
LaSalle China Logistics Venture	-	-	100.0	-	-	-
Sculptor Real Estate Fund III	-	-	-	-	-	100.0
Sculptor Real Estate Fund IV	4.8	-	0.0	-	4.0	91.2
Seven Seas Japan Opportunity Fund	-	48.6	-	-	51.4	-
<b>Opportunistic Portfolio</b>	<b>13.5</b>	<b>4.9</b>	<b>47.0</b>	<b>4.4</b>	<b>3.9</b>	<b>26.3</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>11.5</b>	<b>12.1</b>	<b>20.6</b>	<b>26.8</b>	<b>1.7</b>	<b>27.3</b>
<b>Total Private Portfolio</b>						
<b>SCERS</b>	<b>20.5</b>	<b>10.7</b>	<b>43.0</b>	<b>10.4</b>	<b>0.6</b>	<b>14.7</b>
<b>Indices</b>						
<b>NFI-ODCE</b>	<b>29.4</b>	<b>18.7</b>	<b>32.7</b>	<b>10.4</b>	<b>0.2</b>	<b>8.6</b>

<sup>4</sup>Property diversification numbers used are from 2Q23.

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
<b>Core Commingled Funds</b>									
Brookfield Premier Real Estate Partners	23.7	8.4	3.2	-	12.5	9.8	2.0	40.4	-
Lion Properties Fund	18.9	9.1	2.3	0.0	10.3	8.3	8.4	42.6	-
MetLife Core Property Fund	13.8	12.2	8.6	2.2	11.5	9.3	10.3	32.2	-
Principal U.S. Property Account	9.7	9.2	1.9	1.6	11.5	15.8	14.3	35.8	-
Prologis European Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	14.7	5.0	10.9	-	12.8	8.2	5.7	42.9	-
Townsend Real Estate Fund, L.P. <sup>1</sup>	15.2	7.9	9.3	3.0	18.1	11.6	9.1	25.9	-
<b>Core Commingled Funds</b>	<b>15.2</b>	<b>7.8</b>	<b>5.6</b>	<b>1.1</b>	<b>12.1</b>	<b>9.3</b>	<b>7.1</b>	<b>32.6</b>	<b>9.3</b>
<b>Value Added Portfolio</b>									
Asana Partners Fund II	17.1	19.2	-	7.9	18.8	7.6	22.1	7.3	-
Asana Partners Fund III	-	12.3	2.6	3.4	48.7	18.3	14.6	-	-
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	-	46.9	4.7	-	-	18.0	30.5	-	-
Hammes Partners III	44.6	2.0	15.4	3.2	6.0	20.7	6.9	1.2	-
Hammes Partners IV	6.6	-	14.0	3.0	-	64.5	11.9	-	-
NREP Nordic Strategies Fund <sup>1</sup>	-	-	-	-	-	-	-	-	-
NREP Nordic Strategies Fund II	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund III	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund IV	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund V <sup>7</sup>	-	-	-	-	-	-	-	-	100.0
<b>Value Added Portfolio</b>	<b>9.2</b>	<b>5.9</b>	<b>2.4</b>	<b>2.2</b>	<b>8.1</b>	<b>6.3</b>	<b>7.0</b>	<b>1.6</b>	<b>57.3</b>



Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
<b>Opportunistic Portfolio</b>									
Carlyle China Project Rome Co-Investment	-	-	-	-	-	-	-	-	100.0
Carlyle China Realty	-	-	-	-	-	-	-	-	100.0
CIM Fund VIII	50.7	-	11.8	-	-	-	10.0	27.1	0.4
KKR Real Estate Partners Americas	-	-	-	-	-	11.9	-	73.6	14.5
LaSalle China Logistics	-	-	-	-	-	-	-	-	100.0
Sculptor Real Estate Fund III	54.0	0.4	4.5	0.9	0.9	15.4	2.9	3.2	17.7
Sculptor Real Estate Fund IV	14.4	4.6	6.5	3.4	11.2	2.6	3.7	22.2	14.9
Seven Seas Japan Opportunity Fund	-	-	-	-	-	-	-	-	100.0
<b>Opportunistic Portfolio</b>	<b>20.1</b>	<b>0.0</b>	<b>4.2</b>	<b>0.1</b>	<b>0.1</b>	<b>1.2</b>	<b>3.5</b>	<b>10.9</b>	<b>60.0</b>
<b>Total Non-Core Portfolio 1Q 2007 Forward</b>	<b>12.5</b>	<b>4.1</b>	<b>2.9</b>	<b>1.6</b>	<b>5.6</b>	<b>4.7</b>	<b>6.0</b>	<b>4.4</b>	<b>58.1</b>
<b>Total Private Portfolio</b>									
<b>SCERS</b>	<b>14.5</b>	<b>6.8</b>	<b>4.9</b>	<b>1.2</b>	<b>10.4</b>	<b>8.1</b>	<b>6.8</b>	<b>25.3</b>	<b>21.8</b>
<b>Indices</b>									
<b>NFI-ODCE</b>	<b>20.7</b>	<b>8.2</b>	<b>5.1</b>	<b>0.8</b>	<b>11.9</b>	<b>9.2</b>	<b>7.3</b>	<b>36.7</b>	<b>-</b>

<sup>1</sup>Geographic diversification numbers used are from 2Q23.

## Advisory Disclosures and Definitions

### Disclosure

Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

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

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

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

### Benchmarks

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

## Exhibit B: Real Estate Market Update 3Q23



# United States Real Estate Market Update (3Q23)

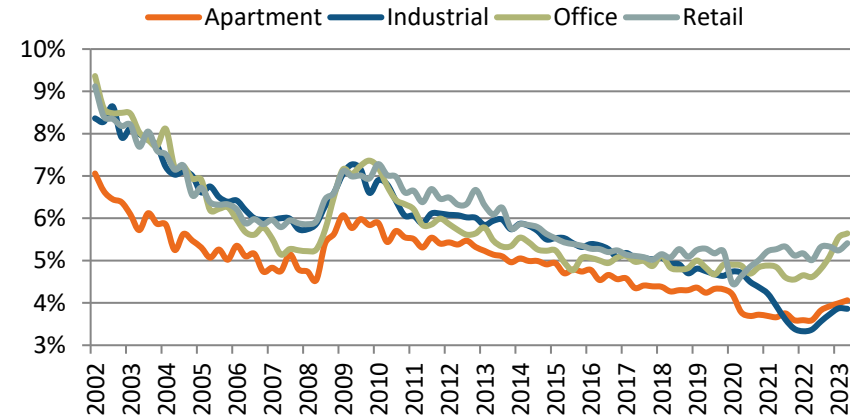
## General

- The economy continues to face headwinds stemming from an increasingly aggressive federal funds rate, continuous inflation, and geopolitical events. The S&P 500 has returned a negative quarter coming in at -3.27% slowing down after a steady start in the first half of 2023. The MSCI US REIT index held a steady pace in the second quarter, posting a gross return of -7.0%.
- During the second quarter, GDP increased at an annualized rate of 4.9%. This positive growth was primarily due to government spending, consumer spending, and strong job market growth. As a result of geopolitical events such as the atrocities of the Russia-Ukraine war, Saudi-Iranian oil concerns, and increased protectionist measures, commodity pricing has remained elevated in tandem with persistent inflation, which may persist throughout 2023. Federal reserve officials remain committed to taming inflation and reducing the central bank's balance sheet for the foreseeable future. The Fed has approved 11 consecutive interest rate hikes since March 2022, pausing only at the end of the third quarter, increasing the Fed Rate by 525 basis points.

## Commercial Real Estate

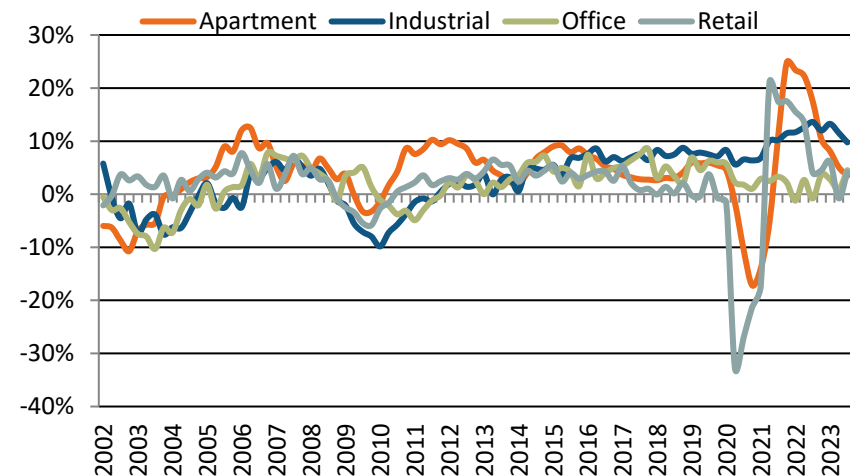
- After closing out the third quarter of 2023, total CRE transaction activity for the third quarter decreased by -53% YoY, with the 2023 transaction activity down -55% Year-To-Date. The office sector transaction volumes in the U.S. have notably not recovered to pre-pandemic levels. Although the office sector has seen minor improvements, transaction volumes for the office sector in the U.S. have continued to fall due to the increase in the cost of debt and loose return to office requirements
- Transaction cap rates (5.0%) contracted, moving in 18 bps during the quarter. This decrease comes after cap rates have risen sharply since 4Q21. Current valuation cap rates expanded for all major property sectors, led by office (+23 bps), and followed by retail (+8 bps), industrial (+6 bps), and apartment (+5 bps).
- NOI growth has continued to diverge between property sectors. Apartment sector fundamentals continue to show strength. With the cost of debt for homes continuing to become more expensive, Apartment NOI contracted (-9%) YoY. Industrial NOI continued to expand (+19%) YoY with the continued investments into direct-to-customer distribution by companies.
- 10-year treasury bond yields increased, ending the quarter at 4.6%. As economists expected, rates moved significantly higher throughout 2023, with the potential to climb further in efforts to slow the economy down.

## Current Value Cap Rates by Property Type



Source: NCREIF

## 4 Qtr Rolling NOI Growth



Source: NCREIF

# United States Property Matrix (3Q23)

## INDUSTRIAL

- In 3Q23, industrial properties returned -0.26% and outperformed the NPI by 111 bps.
- Transaction volumes decreased to \$21 billion in the third quarter of the year, resulting in a 45% decrease year-over-year. Individual asset sales decreased 65% year-over-year, while portfolio purchases turned in a year-over-year volume decrease of 71%. At \$21 billion, the industrial sector slightly decreased by \$1 billion quarter-over-quarter.
- The industrial sector turned in NOI growth of 15.8% over the past year. NOI continues to reach all time highs for the sector.
- Vacancy increased by 51 bps year-over-year to 2.0%. Vacancy in the sector increased 19 bps from the prior quarter, reaching all-time historic lows. E-commerce continues to drive demand across the sector.
- Industrial cap rates expanded approximately 49 bps from a year ago, to 3.86%. Industrial overall fundamentals still top all property sectors.

## MULTIFAMILY

- The apartment sector delivered a -1.41% return during the quarter, underperforming the NPI by 4 bps.
- Transaction volume in the third quarter of 2023 slightly decreased to \$30 billion, resulting in a decrease of 62% year-over-year. Transaction volume for the sector slightly decreased from the second quarter by nearly 6%. This volume continues to make multifamily the most actively traded sector for the twenty second straight quarter.
- Cap rates remained steady at 4.06% quarter-over-quarter, increasing 47 bps year-over-year. Multifamily cap rates remain at low levels relative to prior years, driven by continued increases in valuation.
- The multifamily sector saw increasing vacancy rates throughout the entirety of 2020 due to the global pandemic. Throughout 2021 and 2022, the sector appeared to have shaken that trend although vacancy rates remained steady. Vacancy rates increased during fourth quarter of 2022 and have remained steady through the second quarter at 6.3%. The aging millennials have begun shifting their desires to suburban living, but continued home price appreciation has deterred the full effect of this migratory trend.

## OFFICE

- The office sector returned -3.67% in 3Q23, 230 bps below the NPI return over the period.
- Transaction volumes decreased by 65% year-over-year in the third quarter. Transaction volume equated to \$11 billion for the quarter, remaining flat quarter-over-quarter. Office transaction levels have regressed since 4Q21 and are now at levels seen during the COVID-19 pandemic.
- Office sector vacancy rates have expanded since the beginning of the pandemic due to work from home orders and uncertainty revolving around the future of office space. Office continues to be the highest vacancy property type at 13.59%, increasing by 52 bps from last quarter.
- NOI growth in the office sector decreased quarter-over-quarter by 200 bps to 0.00% and is still experiencing volatility given the current market environment.
- Office cap rates expanded from a year ago, sitting at approximately 5.6%. Office-using job growth was stunted significantly through out 2020 due to work from home orders. Though we are observing a slow but steady flow back to in-office work, there is still uncertainty in the sector as many companies remain hesitant.

## RETAIL

- As of 3Q23, the retail sector delivered a quarterly return of -0.13%, outperforming 124 bps compared to the NPI.
- Transaction volumes totaled \$15 billion in the third quarter, decreasing 31% year-over-year. Single asset transactions accounted for just over 60% of all sales volume for the quarter.
- Cap rates have remained fairly steady within the sector over the last year at 5.4%. Current valuation cap rates expanded quarter-over-quarter by 17 bps due to valuation adjustments made across the sector in general.
- NOI growth increased from the prior quarter to 0.43% as of the third quarter. Retail has begun its slow recovery but has continued to experience volatility due to the current market environment.
- Retail vacancy rates remained steady over the quarter at 7.6%, down 45 bps over the past year. Many big box stores have closed as the need for retail space shrinks, translating to a negative outlook for rent growth. Paired with the global economic crisis, which has had a significant negative impact on this sector.

# Global Real Estate Market Update (3Q23)

- Despite persistent challenges present in the market, macroeconomic growth has shown resilience in the face of widespread tightening of monetary policy. Headline inflationary pressure has begun to wane related to the easing energy and food costs. Sustained excess demand across several economies and sectors have reflected in sticky underlying price pressures. Year over year, deal volumes have contracted by 44% with capital markets activity stymied with prevalent pricing uncertainty.
- US markets have exhibited pronounced deterioration with transaction volumes decreasing 53% since the third quarter of last year. This drawback in activity has outgrown the period in decline at the onset of the pandemic. Significant distress, up to \$42 billion in office alone, is expected to materialize in the coming months. The refinancing and discounted sales to offset these losses should compound as the year progresses.
- China's expected economic rebound following an impassioned reopening effort has proven to be fleeting with subdued rates of activity. Office occupancy rates in Asian markets have elevated in part due to certain structural factors: a swifter return to office post-Covid, smaller living quarters per individual, and more affordable and efficient office commutes in key Asian cities. New ESG-Compliant buildings along with "Flight to Quality" has been the focus as a 20 year high 18% vacancy rate gives occupiers numerous options to upgrade.
- Europe experienced a widespread decrease in transaction volume, receding 8% during the quarter and 53% year over year. A product of expensive debt financing, European banks have become risk adverse to large and highly levered transactions which were once the primary driver of the market's growth. Declining capital values have driven returns in the European markets to be extracted from income, opposed to pure appreciation as valuation corrections are ongoing. Notably, occupier markets with senior housing, hotel and retail have remained resilient connected to high rent growth potential, a tight labor market, and consumer spending proving steadier than presumed.
- In the third quarter, US logistics and industrial markets have continued their recoil as manufacturers are pausing future accumulation of inventory due to economic headwinds. Record amounts of new inventory are expected by year end, especially in the U.S. and Asia Pacific, causing vacancy rates to expand going forward. The resulting moderate increase in vacancy from new construction however does not dramatically shift the market in tenants' favor. With continued healthy fundamentals, rents continue to increase globally but this will be marginal relative to their post-pandemic highs.
- Economic resilience found in the labor market, in conjunction with costly single-family mortgages have contributed to robust demand for US Multifamily. Despite demand raising 11% this quarter (600% increase year over year) rent and occupancy growth have slowed. Across Europe, stable re-ricing has been more prevalent in multifamily assets than in other sectors. The impact on valuations has been offset by rental growth and indexation from CPI as well. Asia Pacific investors are following suit, pursuing opportunities in Japan and Australia where occupier fundamentals and recent tax changes to have been implemented to encourage new developments

**Global Total Commercial Real Estate Volume - 2022 - 2023**

\$ US Billions	Q3 2023	Q3 2022	% Change		% Change	
			Q3 23 - Q3 22	YTD 2023	Q1-Q3 2023	YTD 2023/ Q1-Q3 23
Americas	80	170	-53%	255	579	-56%
EMEA	35	74	-53%	123	268	-54%
Asia Pacific	145	219	-34%	410	594	-31%
<b>Total</b>	<b>259</b>	<b>463</b>	<b>-44%</b>	<b>788</b>	<b>1442</b>	<b>-45%</b>

Source: Real Capital Analytics, Inc., Q3' 23

**Global Outlook - GDP (Real) Growth % pa, 2023-2025**

	2023	2024	2025
<b>Global</b>	<b>2.8</b>	<b>2.6</b>	<b>3.0</b>
<b>Asia Pacific</b>	<b>4.0</b>	<b>4.0</b>	<b>4.1</b>
Australia	1.8	1.5	2.2
China	5.2	4.5	4.5
India	7.0	6.2	6.3
Japan	1.9	1.0	1
<b>North America</b>	<b>2.3</b>	<b>1.0</b>	<b>1.8</b>
US	2.3	1.0	1.8
<b>Middle East</b>	<b>2.0</b>	<b>3.5</b>	<b>3.6</b>
<b>European Union</b>	<b>0.6</b>	<b>1.1</b>	<b>1.8</b>
France	0.8	0.8	1.4
Germany	-0.4	0.5	1.5
UK	0.4	0.4	1.3

Source: Bloomberg