



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: March 21, 2018

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 fourth 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

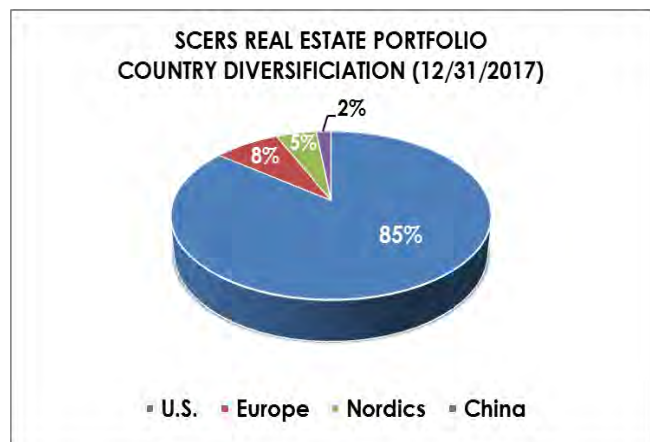
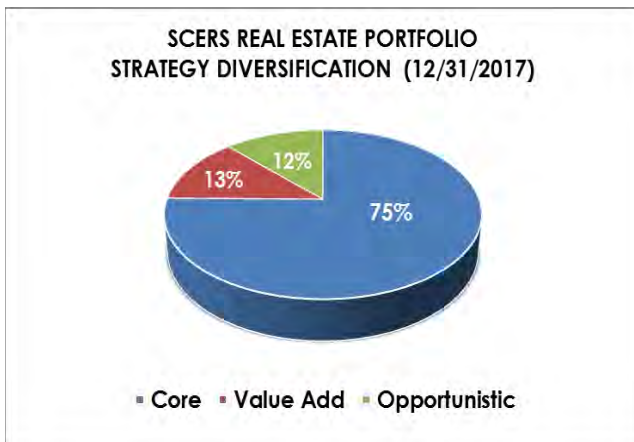
SCERS REAL ESTATE PERFORMANCE SUMMARY
As of December 31, 2017

SUB-ASSET CLASS	Quarter	1-Year	3-Year	5-Year	Since Inception	Since Inception Date
SCERS Real Estate Portfolio	3.8%	13.7%	10.8%	11.1%	8.3%	Nov-86
(65%) NFI-ODCE + (35%) NFI-ODCE + 1%	1.9%	7.0%	9.8%	10.9%	6.6%	
Core Portfolio	3.6%	12.3%	10.0%	10.5%	6.5%	Nov-86
Separate Account	4.0%	11.6%	8.9%	9.9%	9.0%	Nov-86
Commingled Funds	3.4%	12.8%	11.9%	11.5%	7.0%	Sep-13
NFI-ODCE Index	1.8%	6.7%	9.4%	10.5%	6.3%	Jul-95
Non-Core Portfolio	4.4%	17.8%	13.5%	14.1%	5.4%	Jun-06
Value Add Portfolio	5.4%	21.7%	15.0%	13.9%	4.6%	Jun-06
Opportunistic	3.4%	13.6%	11.3%	19.7%	7.7%	May-13
NFI-ODCE + 1% Index	2.1%	7.7%	10.4%	11.5%	7.3%	Jun-06

The Townsend fourth quarter 2017 report reflects the changes made to SCERS' Real Estate portfolio recently approved by the Board. Previously, non-U.S. and non-core real estate was allocated to the Opportunities portfolio, but is now combined in the SCERS Real Estate portfolio.

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

SCERS PORTFOLIO DIVERSIFICATION



SCERS CORE PORTFOLIO RETURNS

Fourth Quarter 2017:

- Another strong quarter, with the Q4 2017 SCERS Core portfolio generating a +3.6% net return, which is up from Q3 2017 net return of +3.2% and Q2 2017 net return of +2.8%. The quarter return exceeded the NFI-ODCE Index net return of +1.9%.
- Notable outperformers include:
 - Barings Separate Account: +8.7%
 - Jamestown Premier Property Fund: +8.3%
 - Prologis Targeted Europe Logistics: +6.0% in U.S. dollars (+4.3% in Euros)

One-year ended December 30, 2017:

- SCERS' Core portfolio generated a strong net return of +12.3%, nearly double the NFI-ODCE Index return of +6.7%.
- Notable outperformers include:
 - Prologis Targeted Europe Logistics: +28.0% in U.S. dollars (+12.1% in Euros)
 - Barings Separate Account: +20.8%

- Prologis Targeted U.S. Logistics: +20.3%

SCERS NON-CORE PORTFOLIO RETURNS

Fourth Quarter 2017:

- SCERS’ Non-Core portfolio generated another strong quarter, returning +4.4% net, which is up from the Q3 2017 net return of 3.7%, and higher than the NFI-ODCE plus 1% benchmark net return of +2.1%.
- Notable outperformers include:
 - Och-Ziff Real Estate Fund III: +14.5%
 - NREP Nordic Strategies Fund I: +10.3% in U.S. dollars (+8.7% in Euros)
 - ECE European Prime Shopping: +8.7% in U.S. dollars (+7.7% in Euros)

One-year ended December 30, 2017:

- SCERS’ Non-Core portfolio generated a solid +17.8% net return, almost 2.5 times greater than the NFI-ODCE +100 bps benchmark net return of +7.7%.
- Notable outperformers include:
 - NREP Nordic Strategies Fund I: +40.5% in U.S. dollars (+23.0% in Euros)
 - Och-Ziff Real Estate Fund III: +38.2%
 - NREP Nordic Strategies Fund I: +34.4% in U.S. dollars (+17.6% in Euros)

U.S. REAL ESTATE PERFORMANCE AND MARKET TRENDS

U.S. REAL ESTATE PERFORMANCE

U.S. private real estate market (NCREIF) returns for Q4 2017 were up from the prior quarter due to a slight increase in price appreciation.

- The NCREIF Fund Index-Open End Diversified Core Equity (NFI-ODCE) index returned 2.1% gross for the quarter, up from the prior quarter return of 1.9% gross due to a change in appreciation (1.0% versus 0.8%). The NFI-ODCE income return has flattened out over the past five quarters, while the appreciation return had been trending down until this quarter.

NCREIF Investment Performance					
December 31, 2017					
Sector	Total Gross Return (%)				
	2016	1Q2017	2Q2017	3Q2017	4Q2017
NFI - ODCE	8.8%	2.1%	1.7%	1.9%	2.1%
Apartments	7.3%	1.3%	1.5%	1.2%	1.6%
Industrial	12.3%	2.8%	3.1%	3.3%	3.3%
Office	6.2%	1.3%	1.6%	1.4%	1.7%
Retail	9.0%	1.6%	1.5%	1.7%	1.3%

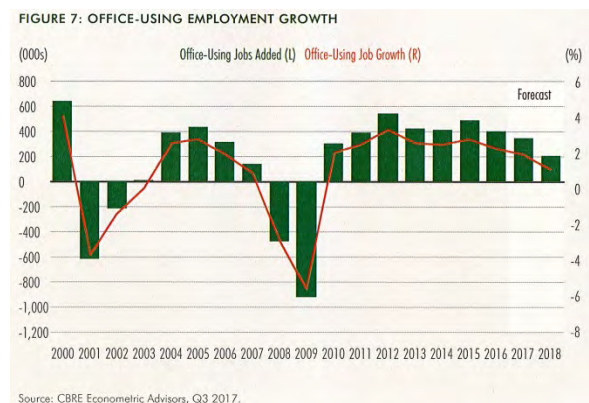
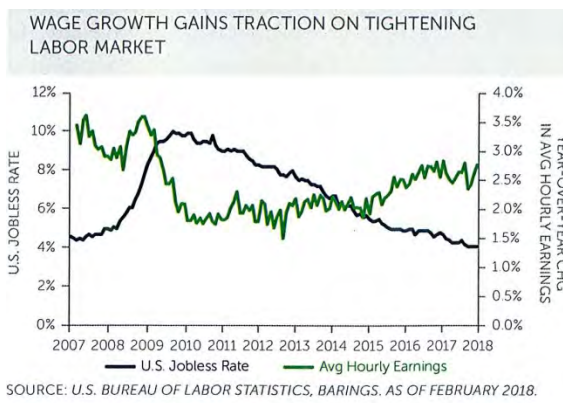
Source: NCREIF®.

- The industrial sector continues its strong performance and has been the best performing sector for the last five quarters, exceeding NFI-ODCE on average of over 100 bps per quarter.

- Headwinds from e-commerce continue to weigh on the retail sector’s performance. Prior to Q4 2017, the last three quarters’ retail gross returns were fairly flat between 1.5% and 1.6%; however, the Q4 2017 retail returns were decidedly down at 1.3%.
- Apartment fundamentals have been pressured by new supply; however, investor demand continues to drive returns, with the Q4 2017 gross return of 1.6% up from the Q3 2017 return of 1.2% gross. Despite the uptick in Q4 2017, returns have flattened, reflective of muted fundamentals.

U.S. REAL ESTATE MARKET TRENDS

U.S. GDP grew a solid 2.6% in Q4 2017, although down from Q3 2017 pace of 3.2%. Despite a slowing in GDP during the quarter, job growth gained further momentum, averaging 204,000 new jobs per month, up from the prior three quarter average of 160,000 new jobs per month. Job growth in the financial, professional, and business services sectors has been trending downward since 2015



Holding back the U.S. economy has been the gradual increase in wages. With unemployment at 4.1%, many economists expect upward pressure on wages. Consumer confidence is near a 16-year high, with retail sales over the holidays up 6% compared to 4% - 5% projected.

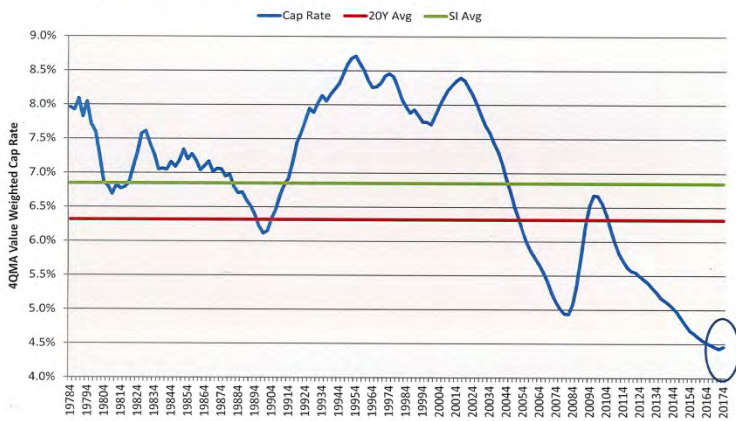
In December, the tax reform law, Tax Cuts and Jobs Act of 2017, was enacted. Reductions in the corporate tax rate from 35% to 21%, a reduction of the repatriation tax to incentivize companies to bring offshore earnings back to the U.S., and a tax provision to allow the 100% expensing of capital items were all a part of the tax reform.

As expected later in a cycle, real estate fundamentals are softening, as new supply across the real estate sectors is exceeding demand. CBRE, in their February 2017 Americas Watch report, found both the office and industrial sectors experiencing supply exceeding demand after a 7-year period of net positive demand. Retail had a very difficult year, with negative absorption in nearly all retail segments. As the economy has dialed back, real estate demand has also stepped back, and coupled with new supply fundamentals has been trending downward.

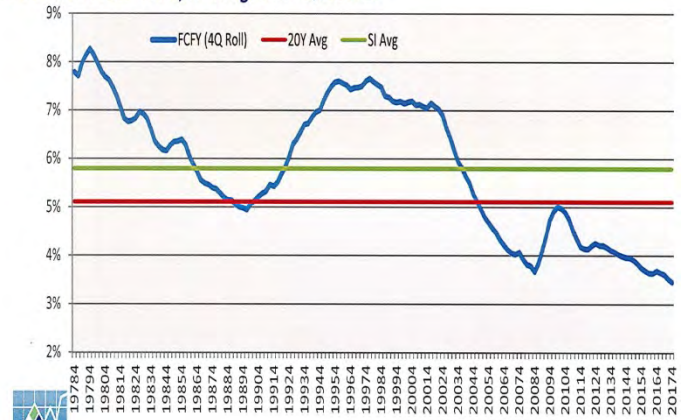
Real Capital Analytics reported that 2017 transaction activity was down 10% overall, with apartment and office transactions down 7% and 8% respectively. CBD office had the steepest decline in deal volume, down 56% with overall office volumes down 23%. Only the industrial sector experienced an increase in transaction activity, up 16%.

Several late cycle indicators are provided within charts prepared by NCREIF and Green Street highlighting the unsustainability of real estate investment values:

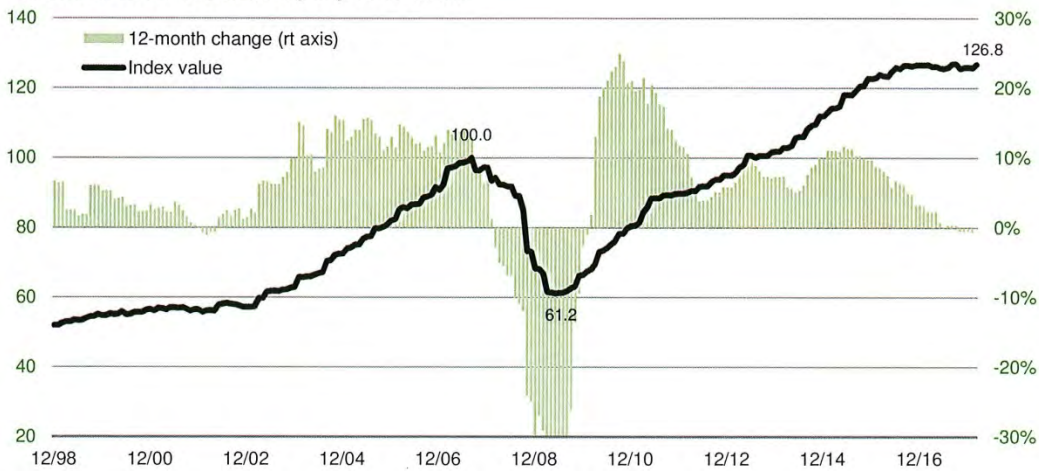
Long-Term NPI Implied Appraisal Capitalization Rate Trend



Free Cash Flow Yield, Rolling Four Quarters

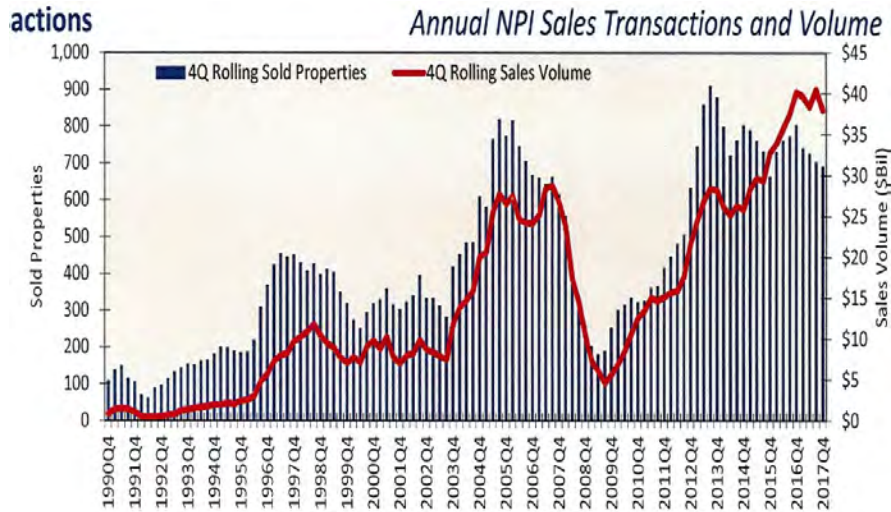


Green Street Commercial Property Price Index



According to CBRE's 2018 U.S. real estate investment outlook:

“Despite continued economic growth, the outlook for commercial real estate in 2018 is cloudy as the cycle enters its late stages, with policy uncertainty – particularly regarding corporate tax reform and the direction of interest rates – looming large. In times like these, agility is more important than ever for investors and occupiers.”



UBS Asset Management in their 2018 U.S. Real Estate Outlook provided a succinct summary of the U.S. property sectors using data prepared by Real Estate Research & Strategy.

<p>Exhibit 11 - Outlook 2018</p> <p>Apartments</p> <p>Source: Real Estate Research & Strategy - US as of November 2017. Excerpt from exhibit 51 in the Strategy section.</p>	<p>2018 expectations</p> <p>Demand – Sustained Supply – Peaking</p> <p>Conclusion: Decelerating NOI growth</p>	<p>Exhibit 29 - Outlook 2018</p> <p>Office</p> <p>Source: Real Estate Research & Strategy - US as of November 2017. Excerpt from exhibit 51 in the Strategy section.</p>	<p>2018 expectations</p> <p>Demand – Decelerating Supply – Decreasing</p> <p>Conclusion: Decelerating NOI growth</p>
<p>Exhibit 22 - Outlook 2018</p> <p>Industrial</p> <p>Source: Real Estate Research & Strategy - US as of November 2017. Excerpt from exhibit 51 in the Strategy section.</p>	<p>2018 expectations</p> <p>Demand – Sustained Supply – Increasing</p> <p>Conclusion: Decelerating NOI growth</p>	<p>Exhibit 36 - Outlook 2018</p> <p>Retail</p> <p>Source: Real Estate Research & Strategy - US as of November 2017. Excerpt from exhibit 51 in the Strategy section.</p>	<p>2018 expectations</p> <p>Demand – Decelerating Supply – Flat</p> <p>Conclusion: Decelerating NOI growth</p>

HEALTHCARE

A Wall Street Journal (WSJ) report on the future of hospitals and how medical care will be delivered argued that technology changes and increasing costs shouldered by patients are resulting in the decline in traditional inpatient care. There has been a dramatic shift to outpatient care due to cost measures and more efficient care. The WSJ compared the cost of medical procedures inpatient versus outpatient and found significant savings. Patient preference for convenience and how they receive care is pushing a focus on preventative and wellness care, reducing the need for hospitals.

Healthcare systems are reaching out to consumers by investing in outpatient clinics, same-day surgery centers, free-standing emergency rooms, and micro-hospitals. In the WSJ article, the president of the University of Michigan health system stated “Eventually, most patients who aren’t acutely ill will be getting care in an outpatient center.” The Chief Executive Officer of Louisiana’s largest non-profit academic health system with 30 hospitals said, 80% of its capital expenditures are going to outpatient clinics, and I doesn’t see building new hospitals.

The Cost Benefit

Average savings on these outpatient procedures compared with inpatient settings

	TOTAL SAVINGS	PATIENT OUT-OF-POCKET SAVINGS
Hysterectomy	\$4,505	\$483
Lumbar/spine surgery	\$8,475	\$320
Gallbladder removal	\$11,262	\$924
Angioplasty	\$17,530	\$1,062

Note: 2014 data

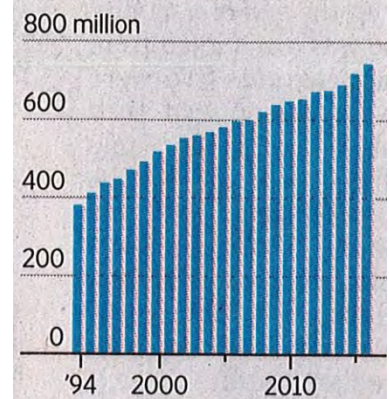
Source: Blue Cross Blue Shield Association

THE WALL STREET JOURNAL.

- According to the US Bureau of Labor, healthcare employment has grown 47% from 2000 to 2017, exceeding the 12% growth of total employment. As the population has aged, the demand for medical care and healthcare professionals has grown.
- Employment in the ambulatory-care services sector, which includes outpatient care centers, medical and diagnostic laboratories, and home healthcare services has exceeded the overall healthcare employment growth, increasing 72% since 2000.
- According to CBRE Econometric research for 4Q 2017, net absorption of medical office space has exceeded new supply in 24 of the past 29 quarters, i.e., 6 years out of the last 7 years.
- In their Q4 2017 medical office report, CBRE commented:

More Patients

But outpatient visits have climbed steadily.

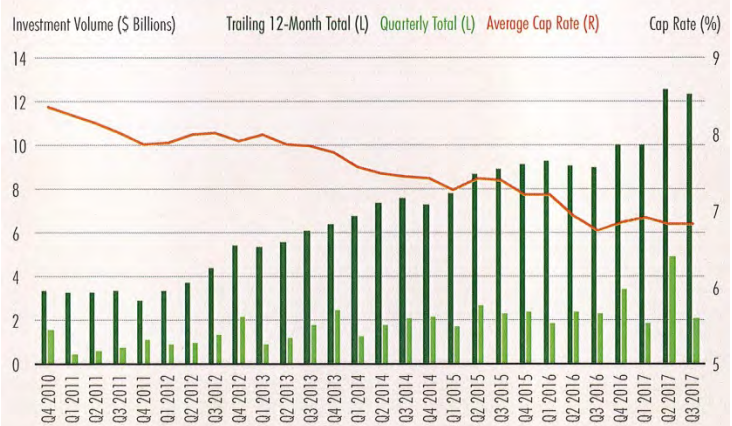


“Overall, we expect demand for medical office buildings to grow, fueled by continued health care job growth, the aging population, tight market conditions and the relative recession resistance of these properties. These factors will attract even more investors in the years ahead”

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

- Hammes Partners II period returns versus the benchmark:

FIGURE 28: U.S. MEDICAL OFFICE INVESTMENT VOLUME AND CAP RATES



Note: Data includes only closed sales and excludes entity-level transactions.
Source: Real Capital Analytics, Q3 2017.

- Fourth Quarter: +3.1% versus +2.1%
- One-year ended December 30, 2017: +10.0% versus +7.7%

GLOBAL REAL ESTATE PERFORMANCE AND MARKET TRENDS

GLOBAL REAL ESTATE PERFORMANCE

As of the latest available data, the Global Real Estate Fund Index (GREFI) returned 2.2% for Q3 2017, up slightly from the prior quarter return of 2.1%. GREFI consists of 521 funds with \$691 billion in gross asset value. The U.S. accounts for the largest share of GAV at 45%, followed by Europe with 35%, and Asia Pacific at 18%. Europe represents the largest count of funds at 321, compared to 96 Asia Pacific, and 90 U.S. funds.

Annual GREFI Total Returns by Region

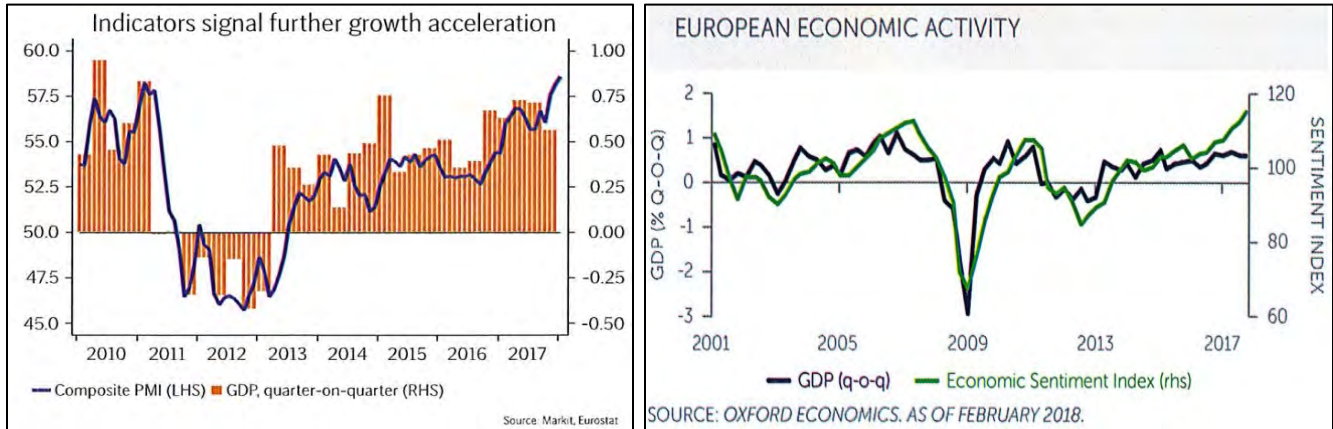


- The Asia Pacific region was the strongest performer returning 2.7%, followed by Europe at 2.3%, and 2.0% for the U.S.. Funds with a global strategy delivered a 1.0% total return over the third quarter.
- Over the trailing 1-year period, the GREFI returned 8.8%, up from the 1-year period ending Q3 2016 of 8.6%. By region, Asia Pacific returned 11.8%, outperforming Europe at 9.4%, and the U.S. at 7.7%. The Asia Pacific region has been the best trailing 1-year performer since Q2 2016.
- By style, non-core funds outperformed core funds with a quarterly return of 2.8% compared with 2.0% for core. European core funds outperformed U.S. core funds for the fourth quarter in a row with a total return of 2.3%, compared with 1.6% in the U.S.. Over the trailing 1-year period, non-core funds returned 11.2%, with core funds returning 8.3%.
- The GREFI Open End Funds Index returned 2.2% for the quarter, with open end funds in Asia Pacific returning 2.6%, outperforming Europe and U.S. open end funds at 2.5% and 1.9%, respectively.

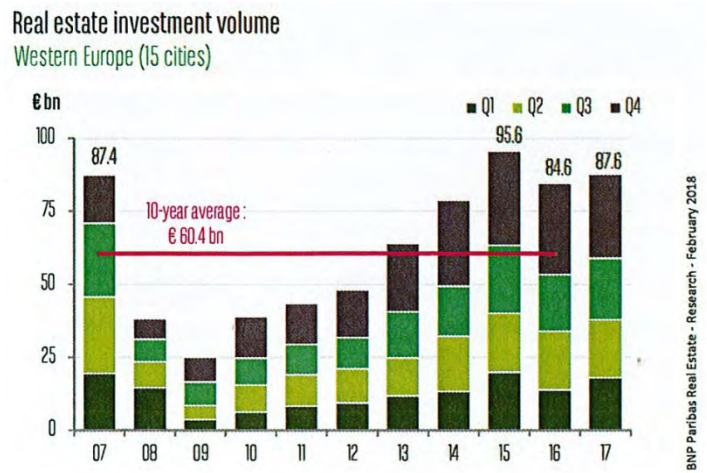
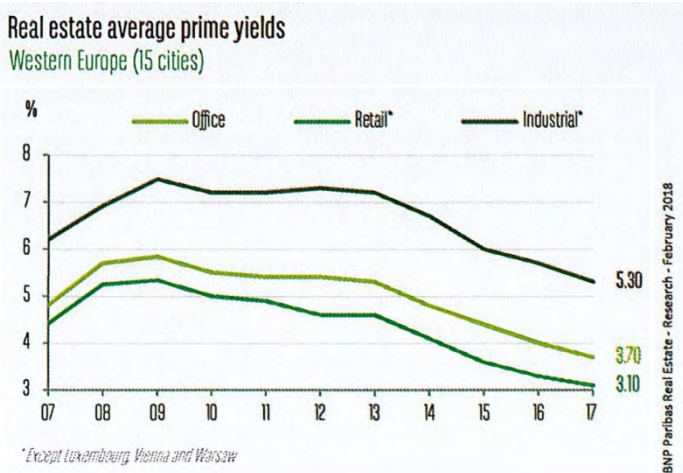
EUROPE REAL ESTATE MARKET TRENDS

The Euro zone ended the year with its strongest GDP growth since the GFC, up 2.5%. Sentiment indicators are back to prior cycle levels, with some sub-sectors at record highs, such as the Purchasing Managers Index (PMI). Driving GDP growth has been the manufacturing sector, which has been accelerating across the continent, most notably in Germany. With broad-based economic growth, Europe has entered a period of sustained expansion.

Positive economic fundamentals across the Euro zone are driving further tightening of real estate fundamentals and heightened investor demand.



- Office leasing was up 13% year-over-year, leading to prime office rents up 5.7% in 2017. Increased new supply is beginning to impact fundamentals, with overall office rents up a subdued 1.1%. The vacancy rate declined to 7.9%, the lowest level since the GFC.
- In the retail sector, high consumer confidence has driven retail sales and in turn pushed retail prime rents up 2.0% year-over-year. Although retail performance is mixed across Europe, online retail is placing pressure on some of Europe's prime locations, such as a 5% rent drop in the major German cities. Shopping center supply has been restrained although the retail warehouse sub-type is seeing elevated levels.
- Following a strong Q4 2017, European retail real estate investment volumes were up 2% from 2016. A lack of quality assets continues to drive a disparity in deal volume between geographies and retail types, with the top-5 retail sub-markets seeing transaction declines, while secondary locations and retail warehouses are enjoying robust activity. Prime shopping centers remain highly sought after, keeping yields at record lows with further downward pressure in the top sub-markets across Europe.
- The combination of structural changes from online retailing, upward momentum in economic growth, and increasing trade levels are leading to robust industrial absorption and increasing rental rates.
- Strong investor demand pushed total transaction activity up 11% over 2016, with cap rates compressing 20 bps to reach another record low, such as Berlin prime office hitting 2.9%, the lowest in all of Europe. Real Capital Analytics reported that Q4 2017 transaction activity was the highest on record at €97 billion. All property sectors saw deal volume increase over 2016 except retail, which was down 43%.



Prologis Targeted Europe Logistics' Q4 2017 investor report highlighted conditions in the European logistics market as such:

“Structural drivers have cemented demand for logistics in Europe, even amid sluggish economic growth. Notably, modern logistics stock remains low by global standards. Geopolitical clouds, which dampened economic growth for several years, have dissipated. Customers are reaping the benefits of this improvement and are increasingly looking to expand. Demand for logistics space accelerated in 2017 to an annual volume of 8.7 million square meters (+28% yr / yr) in Europe’s main markets, making it the strongest year of net absorption recorded to date. Completion levels grew in line with demand in most markets and vacancy fell to 5.5% in Q4 (-.02% yr / yr) in Europe’s main markets”

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

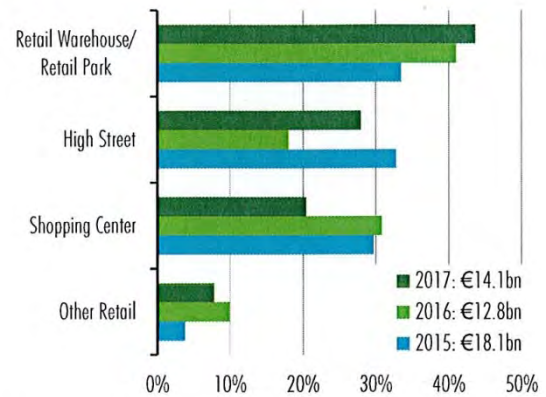
- Prologis Targeted Europe Logistics period returns:
 - Fourth Quarter: +6.0% in U.S. dollars (+4.3% in Euros) versus +1.8% U.S. benchmark return
 - One-year ended December 30, 2017: +28.0% in U.S. dollars (+12.1% in Euros) versus +7.7% U.S. benchmark return

GERMANY REAL ESTATE MARKET TRENDS

Germany's strong economic growth, strong job growth, and wage momentum has made it the most in demand market by real estate investors. For these reasons, Germany has been the most attractive market for international retailers expanding or seeking new locations outside of their home market. However, after a torrid pace, retailers have become more cautious and pulled in expansion plans. Online retailing is changing how consumers are shopping which is leading to decreasing foot traffic, except in the most iconic centers.

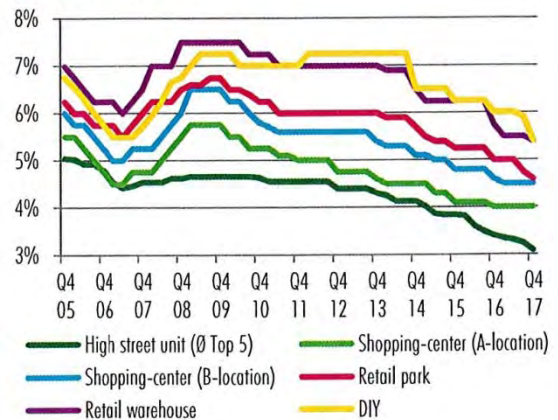
- In its Q4 2017 research report on the retail market in Germany, Savills stated the market for retail space is now a tenant’s market.
- Despite very positive economic conditions, JLL’s Q4 2017 research found 2017 net absorption by area declined by 7% and the number of leases by 2%. Only 4 of the top 10 major markets exceeded their 2016 results
- According to JLL, prime rents in the 10 most important retail markets fell 1% year-over year, which is telling that the premier markets declined. Overall, the 185 German retail markets tracked by JLL saw rents decline by 2.6% year-over-year.
- Contrary to the decline in retail fundamentals, investor demand for retail assets goes unabated. According to Cushman & Wakefield’s Q4 2017 research report, the strong Q4 deal volume pushed 2017 transaction activity to the second highest in the last 11 years.
- In its Q4 2017 market report, CBRE noted 2017 transaction activity increased 10% over 2016, above its 10-year average. With high investor demand and few available properties, transaction yields tumbled further. Cap rates have compressed 45 bps from already record lows.

Figure 2: Investment volume by property type



Source: CBRE Research, Q4 2017.

Figure 7: Prime yields retail



Source: CBRE Research, Q4 2017.

ECE European Prime Shopping Center Q4 2017 investor report highlighted conditions in the German retail market as such:

“The German government is forecasting economic activity and retail sales to increase by 2.5% and 1.9% respectively. These economic conditions remain beneficial for retailers. As in previous quarters, Q4 saw several international retailers such as Swedish Park Lane fashion label, Belgian fashion label Essentiel and U.S. Burger chain Five Guys entering the market, confirming the attractiveness of Germany for international brands. Whereas prime locations continue to see strong retailer demand, supporting current rent, occupancy and yield levels, secondary locations are witnessing reduced retailer demand, placing downwards pressure on rents and yields.”

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

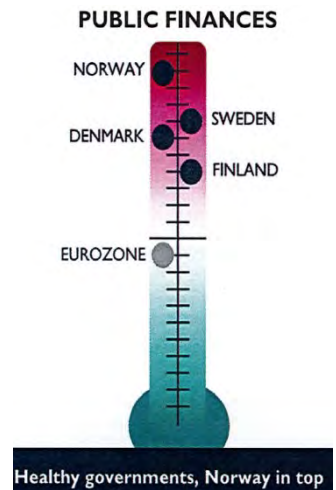
- ECE European Prime Shopping Center period returns versus the U.S. benchmark:

- Fourth Quarter: +8.7% in U.S. dollars (+7.7% in Euros) versus +2.4% U.S. benchmark return
- One-year ended December 30, 2017: +22.6% in U.S. dollars (+8.1% in Euros) versus +7.7% U.S. benchmark return

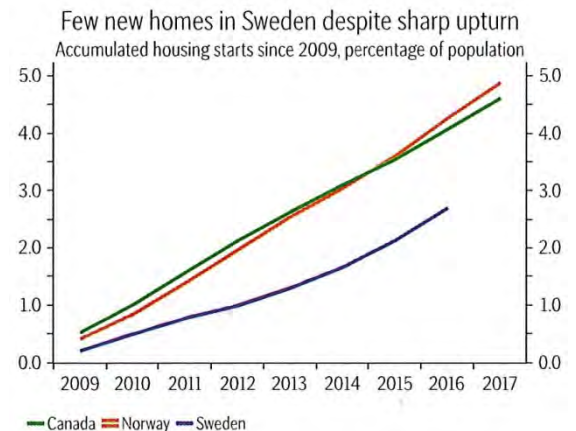
NORDICS REAL ESTATE MARKET TRENDS

GDP in the Nordic region again exceeded the growth of all of the developed markets, except Germany, in 2017. According to International Monetary Fund (IMF), GDP in the Nordic countries grew 2.4% compared to 2.3% in the U.S., 1.8% in the U.K., 1.5% in Japan, and 2.3% in the Euro zone. Only Germany at 2.5% GDP growth exceeded the Nordic countries.

- The Swedish economy continued its strong run of GDP growth and tops among the Nordic, but is showing signs of slowing, albeit from a high level. GDP was up 2.6%, down from 3.2% achieved in 2016.
- With the movement in oil prices, Norway’s economy accelerated, up 2.0% compared to 1.1% in 2016. The Danish economy remained steady at 2.1%, but export growth is leading to above trend growth. Finland topped the GDP growth charts at 3.1%, up from 2.1% in 2016, as export growth accelerated, particularly to the Euro zone.



Going into the Q4 2017, reports in the Nordic region noted declining home prices and apartment rents in Norway and Sweden. While prices are trending down, it can be partly explained by the excessive amount of new supply in the high-end residential segment. Virtually nothing has been built in the low and middle income segment; subsequently, there is a chronic undersupply of housing options, as illustrated by the virtually non-existent vacancy in the apartment sector.

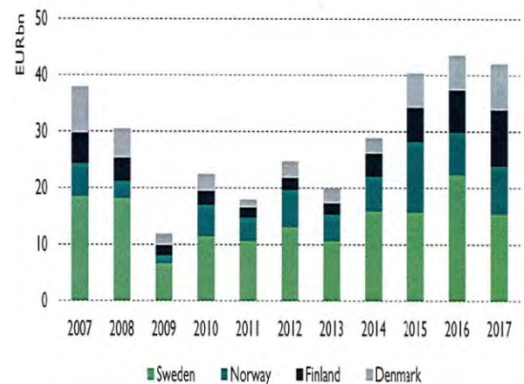


- According to Q4 2017 research conducted by Newsec, a Nordic real estate services company, the residential vacancy rate for the entire country of Sweden was basically none, registering just over 0.2% of total housing stock.
- In CBRE’s Q4 2017 Nordic report, 2017 was another notable year for transactions. High investor demand pushed Q4 2017 deal volume to record levels in Finland and Denmark, while in Norway it was the second highest on record.

SCERS' investment in NREP Nordic Strategies Fund (NREP I), NREP II, and recent investment in NREP III 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:
 - Fourth Quarter: +10.3% and +7.0%, respectively in U.S. dollars (+8.7% and +5.1% in Euros) versus +2.1% U.S. benchmark return
 - One-year ended December 30, 2017: +40.5% and +34.4%, respectively in U.S. dollars (+23.0% and +17.6% in Euros) versus +7.7% U.S. benchmark return

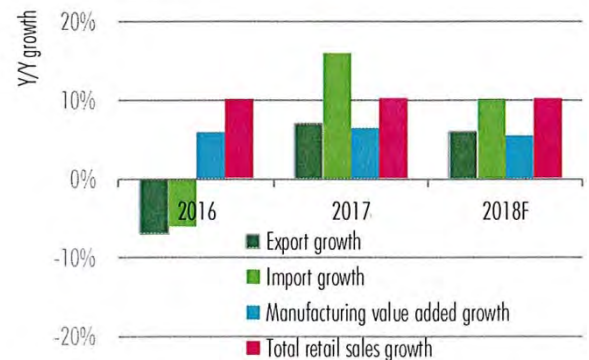
NORDIC TRANSACTION VOLUMES (2007-2017)



CHINA REAL ESTATE MARKET TRENDS

Exceeding official targets, China's GDP grew 6.9% in 2017. Domestic consumption continues to contribute a growing amount to China's GDP growth. According to Statista, a provider of market and consumer data, China is the world's largest e-commerce market, with an estimated \$975 billion in sales in 2016. As a percentage of total retail sales, China consumer's purchased 23.1% of total retail sales online, the highest percentage globally. In comparison, the U.S. had the second highest amount of online sales at \$648.6 billion, but only represented 8.9% of total retail sales. Based on research conducted by CBRE Econometrics, China's retail sales grew 32% year-over-year in 2017 and is expected to grow 28% year-over-year in 2018.

Figure 25: Macro Drivers



Source: CASS, CITIC Securities, Oxford

- With concerns over public safety, the Chinese government stepped up efforts to demolish illegal and unsafe warehouses.
 - After two serious fires in old warehouses in Beijing, the government promptly inspected and shut down all warehouse and logistics facilities that did not meet safety regulations, dislocating thousands of businesses.
- The scarcity of logistics land and the demolition of old warehouses are leading to developers building multi-story warehouses, accounting for 31% of new supply according to CBRE.

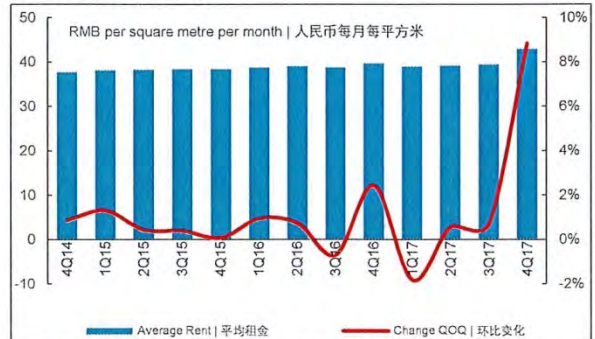
Figure 26: Online Retail Sale Growth



Source: Euromonitor, CBRE Research, Q4 2017

- Logistics demand continues to outstrip supply in the tier 1 and tier 2 cities. Following the closures of illegal warehouses along with several national online shopping festivals, absorption during the quarter reached record highs, resulting in vacancy rate of less than 5% in the tier 1 cities, with the largest market, Beijing, being fully occupied.
- The severe supply shortage of modern logistics facilities and unprecedented demand has pushed rental rates to record highs. During the quarter, rents spiked 8.8% in Beijing, according to Colliers Q4 2017 research.
- CBRE’s Q4 2017 China logistics report found:

Average Rent & Change QOQ
平均租金及环比变化



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

“Leasing momentum remained solid in Q4 2017. Total new demand in 2017 rose 73% year-over-year to record high. E-commerce and 3PL firms accounted for 80% of newly leased space firmly established themselves as major demand drivers in the domestic logistics market. Rents in tier 1 cities continued to pick up.”

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

- China Realty and China Rome Logistics are too early in their initial investment period for returns to be meaningful:
 - Fourth Quarter: +2.2% and +4.4%, respectively versus +2.1% U.S. benchmark return
 - One-year ended December 30, 2017: not applicable

ATTACHMENT

Townsend’s Real Estate Portfolio Performance Measurement Report for Fourth Quarter 2017

Prepared by:

/S/
JR Pearce
Investment Officer

Reviewed by:

/S/
Steve Davis
Chief Investment Officer

/S/
Eric Stern
Chief Executive Officer



TOWNSEND[®]
GROUP

an Aon company

Real Estate Portfolio

Performance Measurement Report

FOURTH 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' Private Real Estate portfolio.

SCERS targets 7.0% to Real Estate with an allowable range of 5.0% to 9.0%. As of the end of the 4th quarter, 2017 (the "Quarter"), the Real Estate Portfolio remains within the allowable range at 8.4%. Core Real Estate currently makes up 75.2% of the portfolio, with Non-Core Real Estate making up the remaining 24.8%.

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 five-year time period. Rationale is detailed on slides 8 and 9.

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

The loan-to-value ratio of the Private Real Estate Portfolio was 29.8% at the end of the Fourth Quarter of 2017. The loan-to-value ratio of the Core Portfolio was 26.4%, below the 40.0% leverage constraint for Core as approved by the Board. As a point of reference, the loan-to-value ratio of the NFI-ODCE was 21.4% as of the Fourth Quarter. The Non-Core Portfolio reported a loan-to-value ratio of 38.3%.

Portfolio Funding Status

- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the “Portfolio”) through December 31, 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 December 31, 2017</i>	Market Value (in millions of dollars)*	% of SCERS Plan
SCERS Total Plan Assets	9,580	100.0%
Private Portfolio Target	671	7.0%
Private Portfolio Permissible Range		5.0-9.0%
Private Real Estate		
Core Portfolio	605	6.3%
Non-Core Portfolio	199	2.1%
Total SCERS Private Real Estate Market Value	804	8.4%
Total SCERS Private Real Estate Unfunded Commitments	149	1.6%

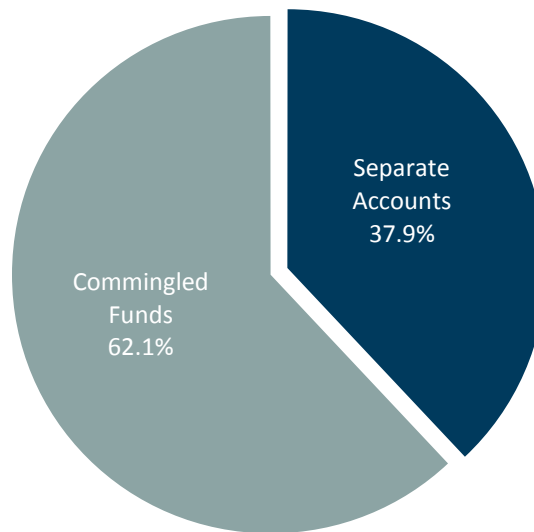
* Figures may not add due to rounding.

Real Estate Portfolio Composition

CORE PORTFOLIO

- The SCERS Core Portfolio represents 6.3% of the Total Plan which is well within the established range for real estate of 5.0% to 9.0%. The Core Portfolio exposure represented 75.2% of the Private Real Estate Portfolio, and a breakout of the current allocation by vehicle is displayed below.
 - Core Commingled Fund exposure increased during the Quarter, as the carrying value of the positions appreciated by \$9.4 million.
- In July of 2017, SCERS' staff and Townsend recommended revising the Real Estate IPS to reflect transition away from IMAs, including removal of the Core vehicle constraints of 0-60% (30% target) for funds and 40-100% (70% target) for IMAs, which was subsequently approved by the Board.
- SCERS' staff and Townsend continue to work on an IMA liquidation plan. Staff and Townsend have engaged a select group of OECF managers who are progressing through a competitive bid process for the portfolio of assets. Final bids are due March 16th, with four finalists under consideration.

Core Portfolio Allocation By Vehicle

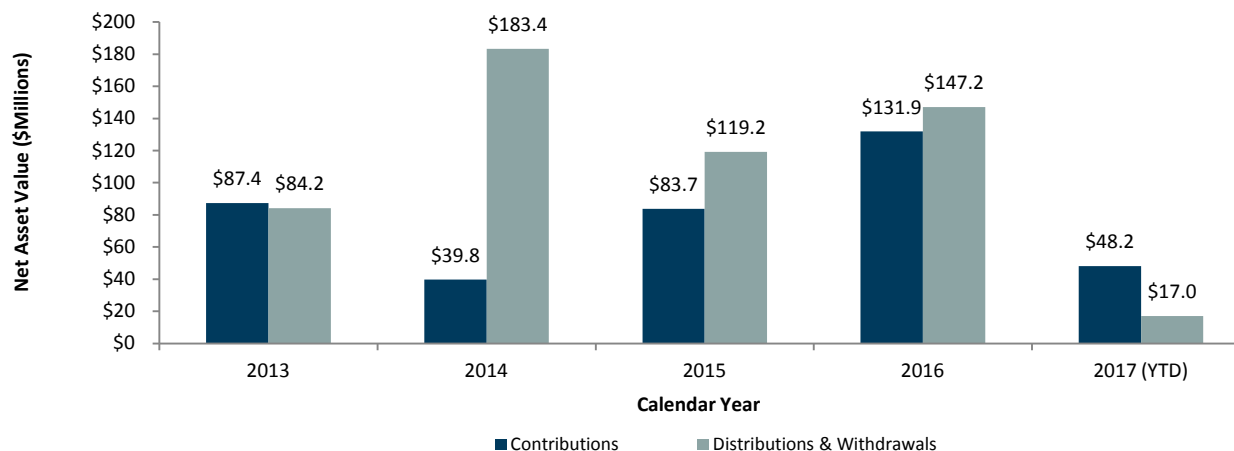


Real Estate Portfolio Composition

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

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



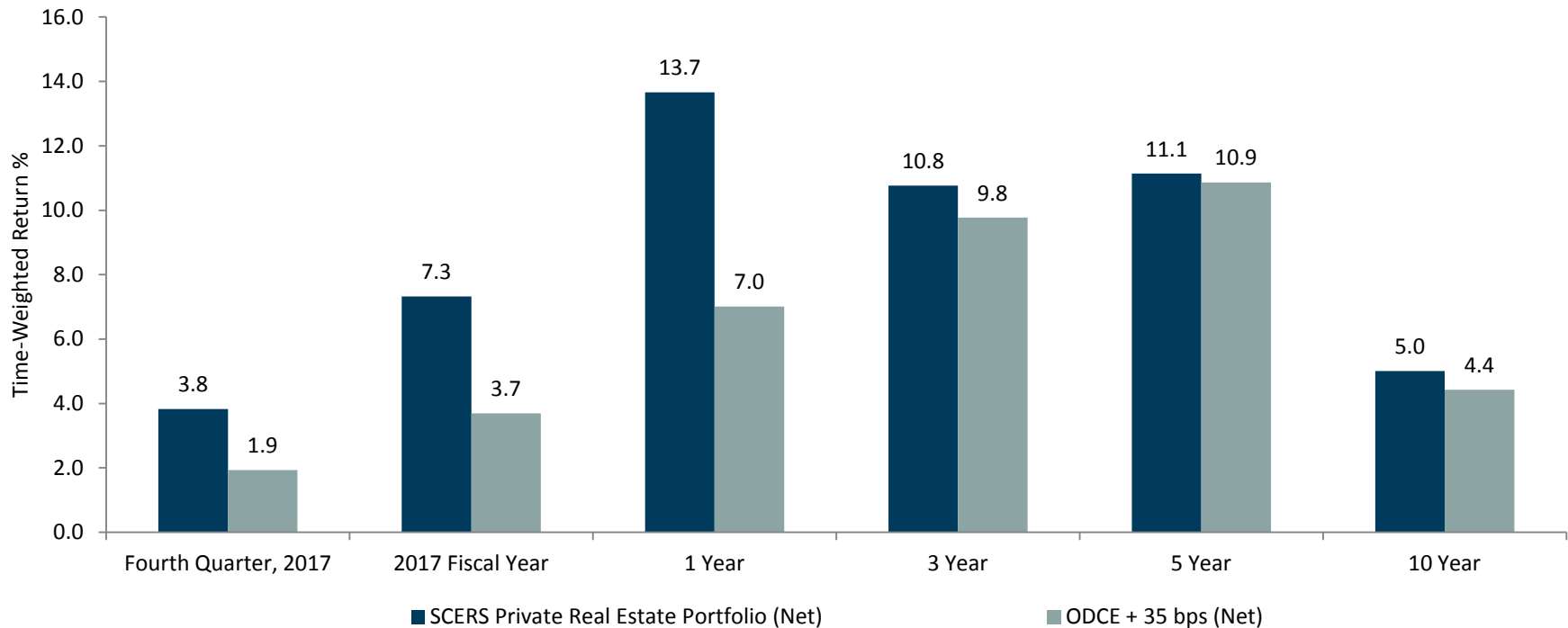
* Note that contributions, distributions and withdrawals will not only represent acquisitions and dispositions, but also income, refinancing activity and fees (where appropriate for accurate calculation of net asset values based on cash flows).

Real Estate Portfolio Composition (continued)

Non-Core Portfolio

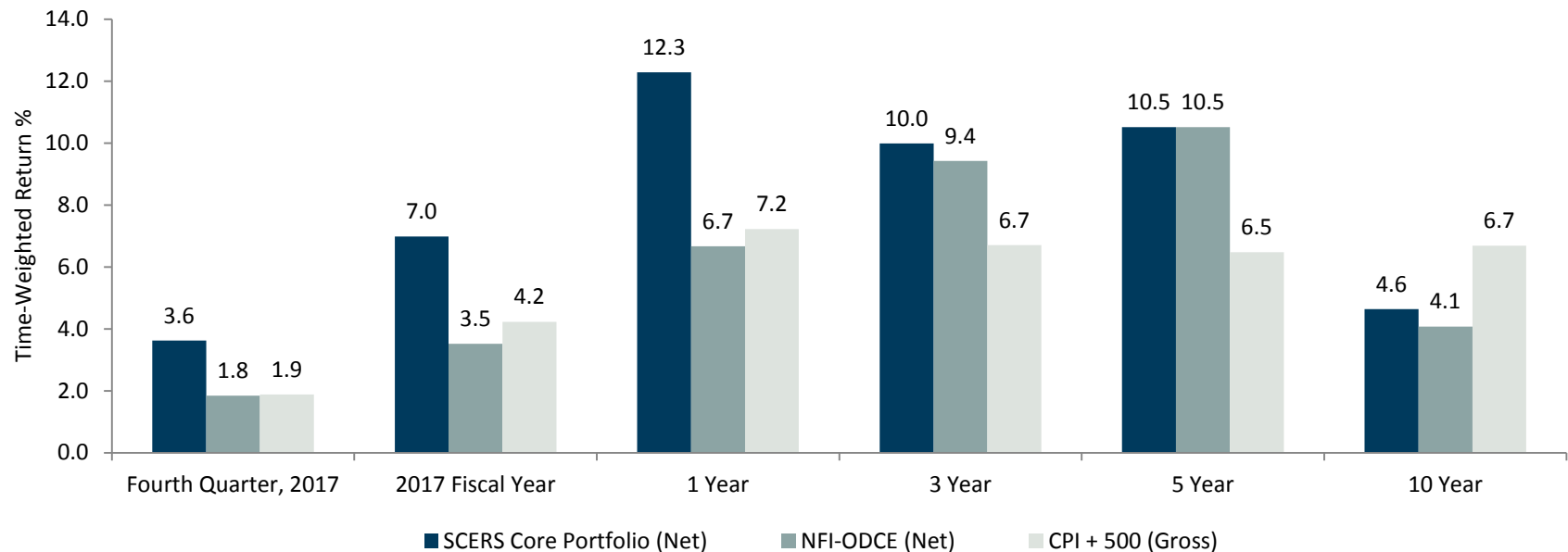
- Non-Core Real Estate includes both Value Add and Opportunistic Real Estate strategies and is included in the SCERS Real Estate allocation with an allowable range of 20.0% to 50.0% of the Real Estate Portfolio. As of the Fourth Quarter, the Non-Core Real Estate Portfolio was well within its established range, representing 24.8% of the Real Estate Portfolio but lower than the target 35%. Including all approved unfunded commitments through December 31, SCERS has an aggregate exposure of 3.6% to Non-Core opportunities, measured as a percentage of the Total Plan.
- 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 in 2016. 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. During the Quarter, a ten year lease was executed for 27% of the gross leasable area and will commence in September of 2018.
- In the first half of 2017, SCERS committed an aggregate \$30 million to Carlyle to invest in China. These investments provide the first ex-US exposure outside of Europe within the Private Real Estate Portfolio. Project Rome, a \$20 million co-invest, provides SCERS with exposure to a pre-specified portfolio of logistics assets in China, a compelling investment thematic. In addition, SCERS committed \$10 million to Carlyle China Realty fund. In February 2018, Carlyle decided to effectively discontinue new investment inside Carlyle China Realty Fund, after two departures from Carlyle's Asia Pacific team.
- During the Quarter, SCERS committed \$25 million to Hammes Partners III, which is a continuation of Hammes Partners II strategy of acquiring medical office assets located in national markets. Subsequent to Quarter-end, SCERS' committed \$40 million to NREP Nordic Strategies III, a diversified value-add fund and follow on commitment to Fund I and II.
- Based on discussions with managers, near-term liquidations are expected as the following funds wind-down: AEW Value Investors Fund II (2018), Hines U.S. Office Value Added Fund II (2018), 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



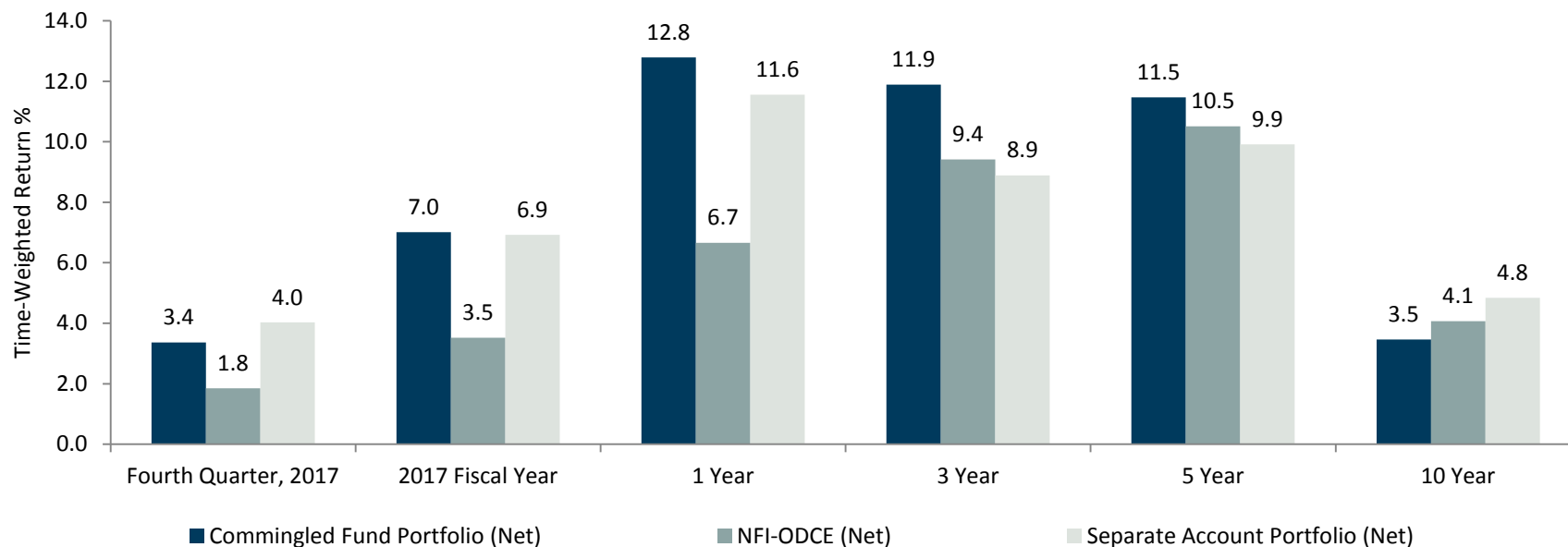
- The SCERS Private Real Estate Portfolio includes: (1) Core Real Estate and (2) Non-Core Real Estate.
- The SCERS Private Real Estate Benchmark is comprised of the NFI-ODCE (Core Benchmark, net) (65%) and the NFI-ODCE + 100bps (Non-Core Benchmark, net) (35%), resulting in an NFI-ODCE + 35bps (net) portfolio 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;
 - Strong near-term performance was driven by exposure to NREP's Nordics Fund I & II, and an overweight exposure to logistics in the Core Portfolio.

Core Portfolio Performance



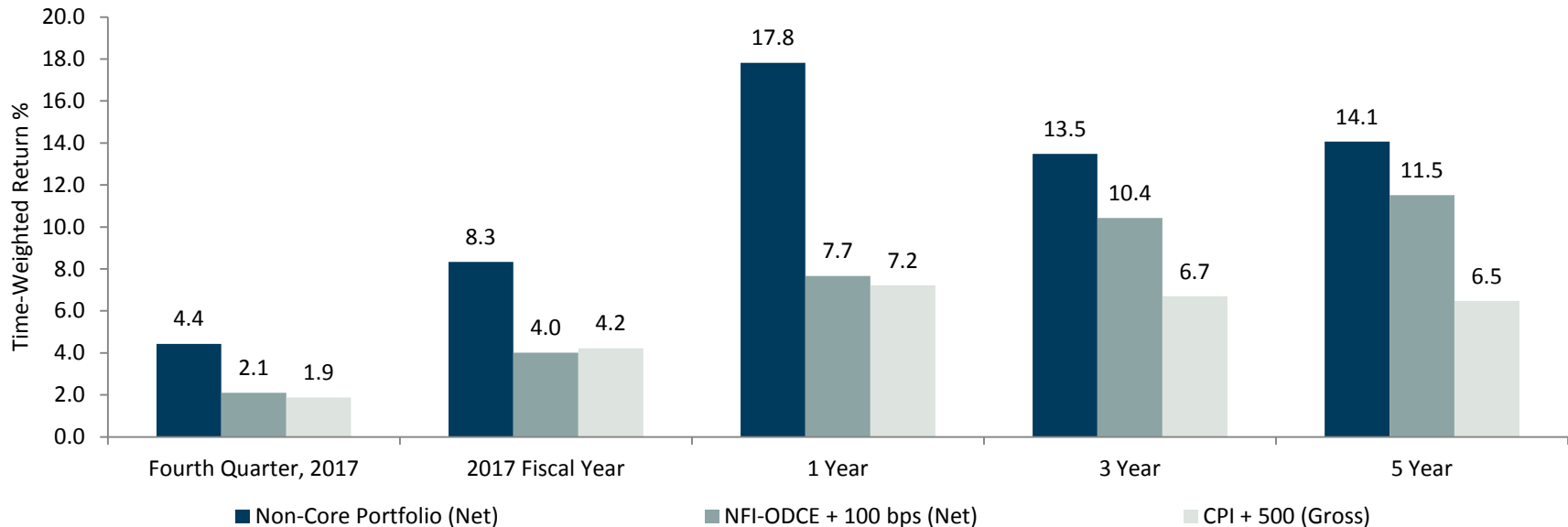
- The SCERS Core Portfolio consists of two Core Separate Accounts, managed by BlackRock and Cornerstone, and seven open-end Core Commingled funds. The Core Commingled Fund exposure includes Morgan Stanley’s Prime Property Fund, MetLife Core Property Fund, Jamestown Premier Property Fund, Principal U.S. 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 have been accretive to outperforming the benchmark.
- Performance of the Core Portfolio is evaluated relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds (“NFI-ODCE”), net of fees.
- In aggregate, the Core Portfolio outperforms the NFI-ODCE, net of fees, over all displayed time periods with exception of the five-year period.
- The Core Portfolio has recently benefited from an overweight exposure to industrial, with both the Prologis U.S. and European fund generating a 1 year net return of 20.3% and 28.0%, respectively. In addition, the Core portfolio benefitted from a write-up of Jamestown’s Chelsea Market, which Google is in contract to acquire for well above carrying value.
- Medium term performance experienced a drag from write-downs in the SCERS Separate Accounts, specifically for assets being sold that did not command the prior carrying value (Flying Cloud / Cornerstone Separate Account and Stonefield Apartments / Blackrock Separate Account).
- The SCERS Core Portfolio outperformed the CPI + 500 bps (the SCERS Real Asset benchmark), with the exception of the ten-year and since inception time period (since inception returns not displayed).

Core Portfolio Performance By Vehicle



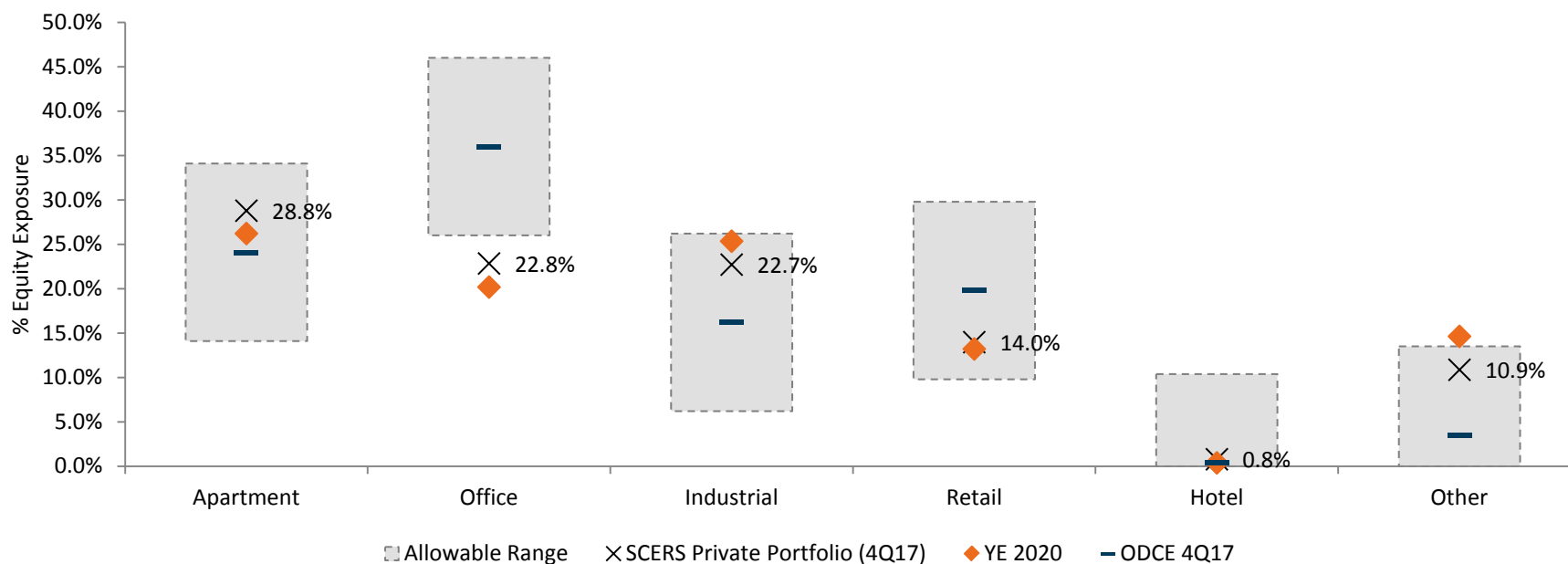
- Commingled Funds outperformed the NFI-ODCE over the Quarter, Fiscal, one-year, three-year, five-year and since inception time periods (not displayed) but underperformed over the ten-year time period. During the Quarter, the industrial sector continues to benefit from global economic growth, with Prologis Targeted U.S. Logistics Fund outperforming the ODCE by 270bps and Prologis Targeted Europe Logistics fund by 410 bps. 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, Jamestown Premier Property Fund, Principal U.S. Property Account and Townsend Real Estate Fund.
- Longer term underperformance is primarily attributable to the inclusion of the BlackRock Granite Property Fund in historical returns (as a result, SCERs redeemed capital in the third Quarter of 2013). As a result, and also as part of the overall rebalancing plan for the Core Commingled Fund Portfolio, a partial redemption was made from Cornerstone Patriot Fund in 2014 followed by a full redemption in 2015.
- Separate Account performance has suffered as a result of recent sales activity, where sale prices trailed carrying value. The decision to liquidate was made in recognition of core pricing reaching a perceived cyclical peak and in tandem with efforts to rebalance the core portfolio with commingled funds. In July 2017, SCER's board approved a complete liquidation of the separate account assets, in favor of commingled fund investments going forward.
- Jamestown has entered into an agreement with Google to sell Chelsea Market. This price was well above carrying value and approximately half of the difference was recognized in 4Q17. This transaction should continue to provide positive tailwinds for the core portfolio in 1Q18.

Non-Core Portfolio Performance



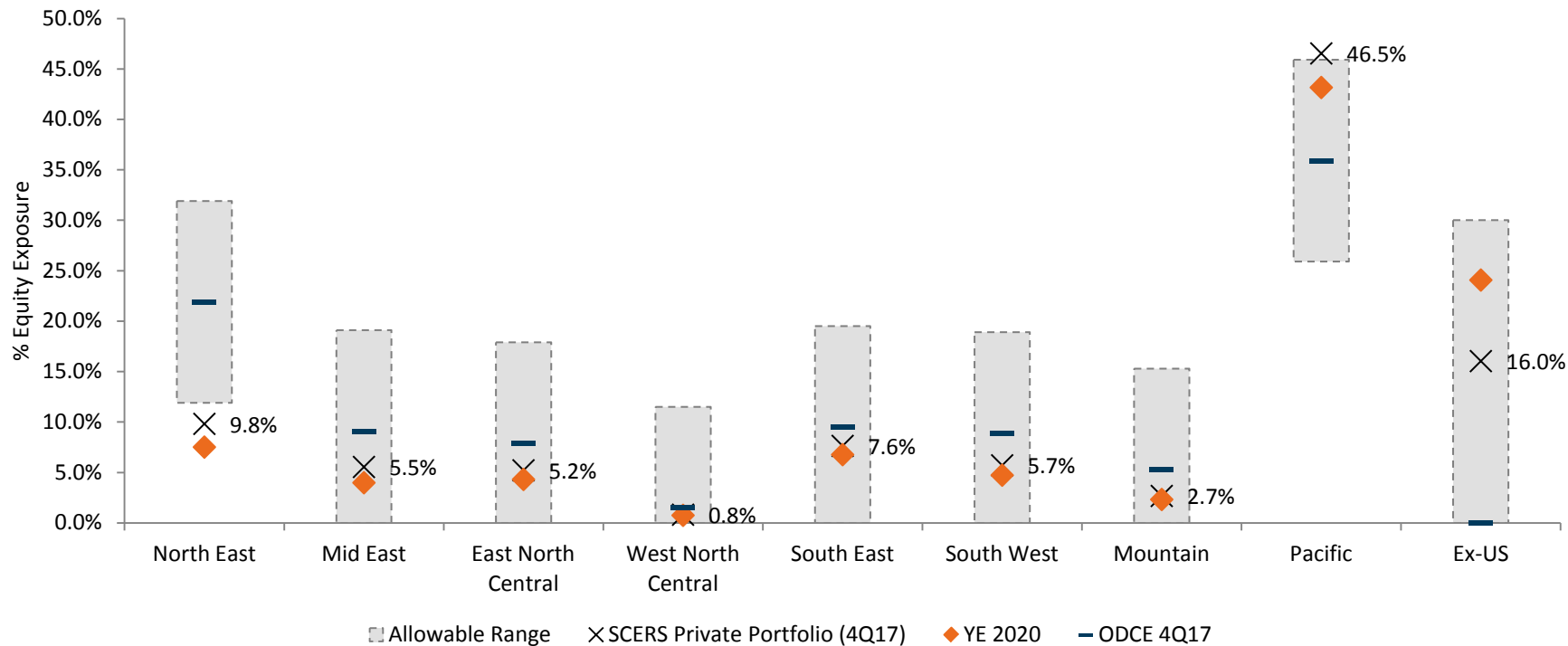
- The SCERS Non-Core Portfolio includes both Value Add and Opportunistic Real Estate strategies, which are defined in the Glossary of Terms. As displayed above, the SCERS Non-Core Portfolio outperformed the NFI-ODCE + 100 basis points over all periods displayed; short-term outperformance has been driven by further augmented by the appreciation of the Euro relative to the Dollar.
- 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 (3.5%), ECE European Prime Shopping Centre Fund II (8.7%), NREP Nordic Strategies Fund (10.3%) and NREP Nordic Strategies Fund II (7.0%).
 - During the Quarter, the following Opportunistic funds were particularly accretive and have outperformed relative to the NFI-ODCE + 100bps (Net): Block 295 (4.7%), Carlyle's Project Rome (4.4%), and Och-Ziff Real Estate Fund III (14.5%).
- The five-year number also reflects a reset of market values for underperforming legacy investments following the global financial crisis.

Real Estate Private Portfolio Diversification – Property Type



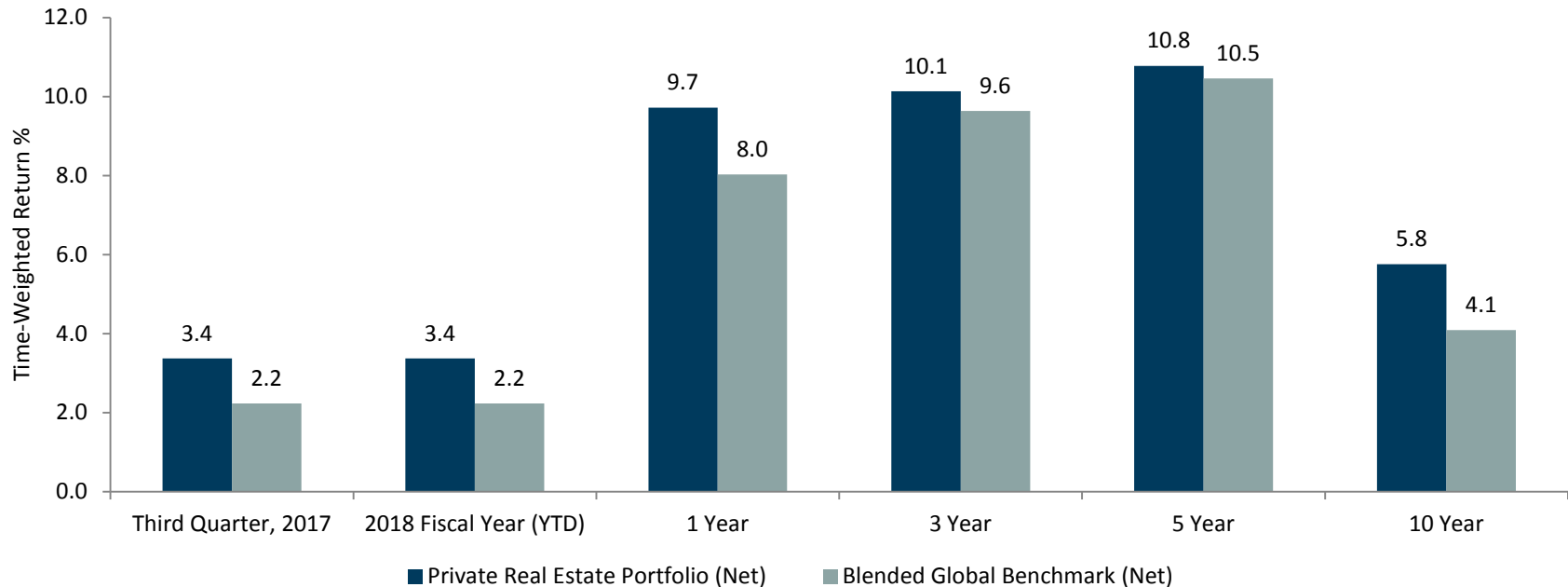
- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, with a permissible deviation of $\pm 10.0\%$ for each property type. The Real Estate Policy also allows for temporary deviations in order to provide SCERS with the flexibility required to overweight or underweight property types during certain parts of the market cycle.
- As of the Fourth Quarter, the Private Portfolio was in compliance across all property types with the exception of Office.
- Favorable views on the industrial property type fundamentals support increasing exposure in today's environment. SCERS made a \$70 million commitment in 2014 to the industrial space (in both the US and Europe). SCERS made an additional contribution of \$15 million to Prologis USLF during the Quarter which further increased exposure. Going forward, exposure to logistics assets will increase as capital is called by Carlyle for the Project Rome co-invest and an additional \$15 million commitment to Prologis' European vehicle.
- Office strategies should be considered going forward given the current underweight to the property type and no real projected change to exposure through year-end 2020.
- The "Other" property type exposure represents Och-Ziff Real Estate Fund III (parking, senior housing and cell towers), KKR Real Estate Partners Americas (senior housing), CIM Fund VIII (condominiums), Hammes Partners II (medical office), Jamestown Premier Property Fund (signage – One Times Square), Townsend Real Estate Fund (senior and student housing) and Prime Property Fund (self storage).

Real Estate Private Portfolio Diversification – Geographic Region



- The diversification of the Private Portfolio is compared to the diversification of the NFI-ODCE, with a permissible deviation of $\pm 10.0\%$ for each region. Ex-US exposure is limited to 30% of the Total Private Portfolio.
- As of the Fourth Quarter, the Private Portfolio was in breach of the target compliance range with an overweight exposure to the Pacific region and underweight exposure to the North East. Near-term plans for terminating the separate account program should dilute the Portfolio's exposure to the Pacific region, given the separate account program's current exposure of more than 90% to the Pacific region, as capital gets redeployed across regions.
- Tactical overweight/underweight positions may exist over time.
- The Private Portfolio's international exposure is 16.0%, well within its 30% constraint, but will increase as KKR Real Estate Partners Americas, Och-Ziff Real Estate Fund III, NREP Nordic Strategies Fund II & III, ECE European Prime Shopping Centre Fund II, and Prologis European Logistics Fund continue to call capital and purchase assets in Europe.
- In 2017, SCERS committed to Carlyle China Realty (\$10m) and Project Rome co-invest (\$20m) which will increase Ex-US exposure and diversify international exposure as both investments are 100% China. As of 4Q17, these investments provide \$14 million in equity exposure to China.

Private Real Estate Performance – Global Ancillary Benchmark (3Q17)



- 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 quarterly lag to SCERS.
- The Private Portfolio's international exposure is 16.0%, 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	
9,580,211,202	Core	7.0%	604,910,824	6.3%	335,573	0.0%	65,368,387	0.7%
	Non-Core	0.00% - 5.00%	199,406,157	2.1%	148,961,383	1.6%	-132,812,788	-1.4%
	Total	7.0%	804,316,981	8.4%	149,296,956	1.6%	-67,444,401	-0.7%

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	4.0	3.6	13.7	12.3	11.3	10.0	12.0	10.5
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	5.1	4.4	20.6	17.8	16.7	13.5	17.3	14.1
Private Real Estate Portfolio	4.3	3.8	15.4	13.7	12.4	10.8	12.9	11.1
NFI-ODCE (Core)	2.1	1.8	7.6	6.7	10.4	9.4	11.5	10.5
NFI-ODCE + 100 bps (Non-Core)	2.3	2.1	8.6	7.7	11.4	10.4	12.5	11.5
NFI-ODCE + 35 bps (Private Portfolio)	2.2	1.9	8.0	7.0	10.8	9.8	11.9	10.9

Funding Status (\$)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Core Commingled Funds								
Jamestown Premier Property Fund	2014	15,000,000	19,002,608	335,573	5,851,924	21,573,863	2.7	2.3
MetLife Core Property Fund	2013	35,000,000	42,196,828	0	7,760,510	55,072,417	6.8	5.8
Prime Property Fund	2013	35,000,000	42,459,512	0	7,459,512	55,824,191	6.9	5.9
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	42,378,231	5.3	4.4
Prologis Targeted Europe Logistics Fund	2015	22,978,305	31,392,181	0	3,176,539	36,362,281	4.5	3.8
Prologis Targeted U.S. Logistics Fund	2015	50,000,000	50,000,000	0	3,021,593	61,853,273	7.7	6.5
Townsend Real Estate Fund, L.P. ¹	2016	90,000,000	94,578,558	0	4,578,558	102,827,382	12.8	10.8
Core Commingled Funds	1986	282,978,305	314,629,687	335,573	31,848,636	375,891,638	46.7	39.5
Core Separate Accounts								
BlackRock Core Separate Account	1995	828,104,272	828,104,272	0	1,042,317,447	151,564,126	18.8	15.9
BlackRock Separate Account (PM Realty Takeover)	2002	150,601,481	150,601,481	0	216,336,654	25,073	0.0	0.0
Cornerstone Separate Account	2004	255,273,169	255,273,169	0	270,306,331	77,429,987	9.6	8.1
Core Separate Accounts	1996	1,233,978,922	1,233,978,922	0	1,528,960,432	229,019,186	28.5	24.0
<i>Total BlackRock Separate Account</i>	<i>1996</i>	<i>995,705,753</i>	<i>996,424,145</i>	<i>0</i>	<i>1,258,654,101</i>	<i>173,588,605</i>	<i>18.8</i>	<i>15.9</i>
Total Core Portfolio	1986	1,516,957,227	1,548,608,609	335,573	1,560,809,068	604,910,824	75.2	63.5
Value Added Portfolio								
AEW Value Investors Fund II ¹	2007	21,812,596	21,857,719	0	27,736,393	47,053	0.0	0.0
Allegis Value Trust	2006	25,000,000	25,550,296	0	17,909,296	15,574,720	1.9	1.6
Carlyle China Realty	2017	10,000,000	3,941,786	6,058,215	0	3,527,967	0.4	1.0
DRC European Real Estate Debt Fund II ¹	2013	23,242,280	45,210,336	27,836,044	35,557,182	13,128,788	1.6	4.3
ECE European Prime Shopping Centre Fund II ¹	2015	25,823,000	7,866,449	28,692,296	1,459,582	14,202,587	1.8	4.5
Hammes Partners II ¹	2015	25,000,000	19,494,076	6,415,081	4,725,597	17,027,097	2.1	2.5
Hines US Office Value Added Fund II ¹	2007	25,000,000	24,382,964	846,154	16,970,755	539,559	0.1	0.1
NREP Nordic Strategies Fund ¹	2014	16,410,100	21,924,715	591,236	19,571,286	19,465,340	2.4	2.1
NREP Nordic Strategies Fund II ¹	2016	35,176,432	16,766,796	20,444,716	1,420,508	19,013,752	2.4	4.1
Value Added Portfolio	1986	207,464,408	186,995,137	90,883,742	125,350,599	102,526,863	12.7	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	17,718,392	0	0	21,999,406	2.7	2.3
Carlyle China Project Rome Co-Investment ¹	2017	20,000,000	10,951,455	9,329,790	0	10,698,729	1.3	2.1
CIM Fund VIII ¹	2015	35,000,000	25,829,678	11,692,227	857,764	28,261,474	3.5	4.2
KKR Real Estate Partners Americas ¹	2014	35,000,000	28,496,656	16,826,659	16,718,108	20,538,188	2.6	3.9
Och-Ziff Real Estate Fund III ¹	2014	35,000,000	16,282,651	20,228,965	7,246,339	15,381,497	1.9	3.7
Opportunistic Portfolio	1991	142,000,000	99,278,832	58,077,641	24,822,211	96,879,294	12.0	16.2
Total Non-Core Portfolio 1Q 2007 Forward	2007	349,464,408	286,273,969	148,961,383	150,172,810	199,406,157	24.8	36.5
Total Private Portfolio								
SCERS	1986	1,866,421,635	1,834,882,578	149,296,956	1,710,981,878	804,316,981	100.0	100.0

¹ Preliminary performance, subject to change.

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2018				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Core Commingled Funds																	
Jamestown Premier Property Fund	21,573,863	1.2	9.4	10.6	8.3	2.5	9.9	12.5	9.9	4.8	12.7	18.0	14.2	4.7	10.4	15.5	12.2
MetLife Core Property Fund	55,072,417	1.2	2.0	3.2	3.0	2.3	3.1	5.4	5.2	5.0	3.3	8.4	7.9	5.0	6.2	11.5	10.9
Prime Property Fund	55,824,191	1.0	1.3	2.3	2.1	2.0	2.8	4.9	4.4	4.1	5.6	9.9	8.7	4.3	7.5	12.0	10.8
Principal U.S. Property Account	42,378,231	1.1	1.0	2.1	1.8	2.2	2.2	4.4	3.9	4.7	4.3	9.1	8.1				
Prologis Targeted Europe Logistics Fund	36,362,281	1.4	5.4	6.8	6.0	2.8	12.5	15.5	13.8	5.4	24.2	30.5	28.0				
Prologis Targeted U.S. Logistics Fund	61,853,273	1.3	3.9	5.2	4.6	2.6	11.1	13.8	11.9	5.4	18.1	24.2	20.3				
Townsend Real Estate Fund, L.P. ^c	102,827,382	1.1	1.3	2.3	2.3	2.2	3.0	5.2	5.1	4.5	6.4	11.1	10.8				
Core Commingled Funds	375,891,638	1.1	2.6	3.8	3.4	2.3	5.4	7.8	7.0	4.8	9.1	14.2	12.8	4.7	8.2	13.2	11.9
Core Separate Accounts																	
BlackRock Core Separate Account	151,564,126	1.4	0.8	2.2	1.8	2.6	2.0	4.7	3.9	5.3	3.6	9.1	7.5	5.1	6.5	11.8	10.2
BlackRock Separate Account (PM Realty Takeover)	25,073	0.1	0.0	0.1	0.1	-0.3	0.0	-0.3	-0.3	1.7	-1.0	0.6	0.6	3.4	-10.7	-7.6	-8.0
Cornerstone Separate Account	77,429,987	1.1	7.8	8.9	8.7	2.2	11.6	13.9	13.6	4.5	16.5	21.5	20.8	4.9	7.2	12.4	11.6
Core Separate Accounts	229,019,186	1.3	3.0	4.3	4.0	2.5	5.0	7.6	6.9	5.0	7.5	12.8	11.6	5.0	5.0	10.2	8.9
<i>Total BlackRock Separate Account</i>	<i>173,588,604</i>	<i>1.2</i>	<i>1.5</i>	<i>2.7</i>	<i>2.2</i>	<i>2.3</i>	<i>2.9</i>	<i>5.2</i>	<i>4.3</i>	<i>4.7</i>	<i>5.7</i>	<i>10.6</i>	<i>9.0</i>	<i>4.7</i>	<i>5.0</i>	<i>10.0</i>	<i>8.5</i>
Total Core Portfolio	604,910,824	1.2	2.8	4.0	3.6	2.4	5.3	7.7	7.0	4.9	8.5	13.7	12.3	4.9	6.2	11.3	10.0
Value Added Portfolio																	
AEW Value Investors Fund II ^{c,a}	47,053																
Allegis Value Trust ^{c,c}	15,574,720	1.0	1.0	2.0	1.9	2.2	2.4	4.7	4.5	5.0	3.0	8.2	7.8	5.5	3.3	8.9	8.4
Carlyle China Realty	3,527,967	-0.3	3.6	3.2	2.2	-0.2	2.8	2.7	0.2								
DRC European Real Estate Debt Fund II ^c	13,128,788	2.0	1.8	3.8	3.5	3.7	4.5	8.3	7.6	12.7	10.3	23.8	22.3	12.512	-5.752	6.2329	4.6989
ECE European Prime Shopping Centre Fund II C ^c	14,202,587	3.2	6.3	9.5	8.7	8.4	8.8	17.6	17.6	5.1	19.3	25.2	22.6				
Hammes Partners II ^c	17,027,097	1.8	1.9	3.7	3.1	4.0	2.5	6.6	5.3	9.3	3.8	13.4	10.0				
Hines US Office Value Added Fund II ^{c,a}	539,559																
NREP Nordic Strategies Fund ^c	19,465,340	1.5	9.0	10.4	10.3	2.8	14.8	17.8	17.3	7.8	32.0	41.6	40.5	12.0	25.1	39.3	37.1
NREP Nordic Strategies Fund II ^c	19,013,752	-1.1	9.9	8.8	7.0	-0.5	22.3	21.7	18.0	2.1	42.1	44.9	34.4				
Value Added Portfolio	102,526,863	1.3	4.8	6.1	5.4	3.0	8.6	11.7	10.6	7.3	16.3	24.5	21.7	8.6	8.4	17.5	15.0
Opportunistic Portfolio																	
BlackRock High Return Separate Account	21,999,406	-0.1	6.8	6.7	4.7	-0.2	9.5	9.3	7.3	-0.3	24.3	24.0	21.7				
Carlyle China Project Rome Co-Investment	10,698,729	-0.1	4.9	4.8	4.4	-0.3	5.0	4.7	3.6								
CIM Fund VIII ^c	28,261,474	-0.1	-0.7	-0.7	-1.1	-0.1	1.2	1.1	0.3	-0.2	5.1	5.0	3.3				
KKR Real Estate Partners Americas ^c	20,538,188	4.0	-3.4	0.6	0.7	7.3	-2.8	4.4	3.8	9.4	3.2	13.0	10.0	10.4	1.3	12.1	9.3
Och-Ziff Real Estate Fund III ^{c,p}	15,381,497	3.0	12.4	15.5	14.5	5.1	17.0	22.5	20.4	10.8	30.2	43.3	38.2	15.0	18.4	35.5	21.8
Opportunistic Portfolio	96,879,293	1.3	2.8	4.1	3.4	2.3	4.7	7.1	5.9	3.6	12.4	16.4	13.6	5.2	11.0	16.6	11.3
Total Non-Core Portfolio 1Q 2007 Forward	199,406,156	1.3	3.8	5.1	4.4	2.7	6.7	9.5	8.3	5.7	14.4	20.6	17.8	7.5	8.7	16.7	13.5
Total Private Portfolio																	
SCERS	804,316,980	1.2	3.0	4.3	3.8	2.5	5.6	8.2	7.3	5.1	9.9	15.4	13.7	5.4	6.7	12.4	10.8

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2018				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Ex-US Dollar Denominated Investments (In Local Currency)																	
Prologis Targeted Europe Logistics Fund (Euro)	€ 30,289,780	1.9	3.2	5.1	4.3	3.3	6.5	9.9	8.3	5.8	8.2	14.3	12.1				
DRC European Real Estate Debt Fund II (Pound Sterling) ⁴	£9,717,929	3.6	0.0	3.6	3.3	5.4	0.0	5.4	4.8	14.3	0.0	14.3	12.9	13.1	-1.5	11.5	9.9
ECE European Prime Shopping Centre Fund II (Euro) ⁴	€ 11,889,991	4.9	3.6	8.6	7.7	7.5	2.7	10.2	8.6	7.6	2.8	10.4	8.1				
NREP Nordic Strategies Fund (Euro) ⁴	€ 16,214,628	1.5	7.4	8.8	8.7	3.2	8.7	12.0	11.6	7.5	15.5	23.9	23.0	12.1	25.2	39.5	37.3
NREP Nordic Strategies Fund II (Euro) ⁴	€ 15,838,455	-1.1	8.1	7.0	5.1	-0.5	16.3	15.8	12.2	2.0	24.4	26.8	17.6				
Indices																	
NFI ODCE+ 35bps ⁵				2.2	1.9			4.1	3.7			8.0	7.0			10.8	9.8
NFI-ODCE		1.1	1.0	2.1	1.8	2.1	1.8	4.0	3.5	4.3	3.2	7.6	6.7	4.5	5.7	10.4	9.4
NFI-ODCE + 100bps				2.3	2.1			4.5	4.0			8.6	7.7			11.4	10.4
CPI + 500 bps				1.9				4.2				7.2				6.7	

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 2Q17, 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	21,573,863									4.8	10.2	15.3	12.1	1Q14	12.1	1.4
MetLife Core Property Fund	55,072,417									5.1	7.5	12.9	12.4	1Q14	12.4	1.5
Prime Property Fund	55,824,191									4.4	8.4	13.1	11.9	4Q13	11.8	1.5
Principal U.S. Property Account	42,378,231									4.8	4.9	9.9	8.9	4Q15	8.9	1.2
Prologis Targeted Europe Logistics Fund	36,362,281									3.9	11.5	15.8	14.5	1Q16	11.7	1.3
Prologis Targeted U.S. Logistics Fund	61,853,273									5.7	13.6	19.9	17.1	3Q15	18.4	1.3
Townsend Real Estate Fund, L.P. ^c	102,827,382									4.5	6.5	11.2	10.9	2Q16	10.8	1.1
Core Commingled Funds	375,891,638	4.7	7.7	12.7	11.5	4.9	-0.4	4.5	3.5	4.5	3.3	7.9	7.0	4Q86	6.5	1.3
Core Separate Accounts																
BlackRock Core Separate Account	151,564,126	5.3	7.1	12.7	10.5	5.3	0.6	5.9	4.8	7.0	3.2	10.4	8.8	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)	25,073	3.7	-3.5	0.1	-0.5	4.5	-4.3	0.1	-0.5	5.4	0.6	6.1	5.1	3Q02	8.3	1.4
Cornerstone Separate Account	77,429,987	5.2	6.9	12.5	11.7	5.4	1.5	7.0	6.1	5.5	2.8	8.4	7.6	3Q04	5.6	1.4
Core Separate Accounts	229,019,186	5.2	6.1	11.5	9.9	5.3	0.5	5.9	4.8	7.2	3.0	10.3	9.0	1Q96	8.9	1.4
<i>Total BlackRock Separate Account</i>	<i>173,588,604</i>	<i>5.0</i>	<i>6.3</i>	<i>11.5</i>	<i>9.6</i>	<i>5.2</i>	<i>0.4</i>	<i>5.6</i>	<i>4.5</i>	<i>7.1</i>	<i>3.2</i>	<i>10.5</i>	<i>9.0</i>	<i>1Q96</i>	<i>9.8</i>	<i>1.4</i>
Total Core Portfolio	604,910,824	5.0	6.7	12.0	10.5	5.2	0.4	5.7	4.6	5.6	1.9	7.5	6.5	4Q86	8.4	1.4
Value Added Portfolio																
AEW Value Investors Fund II ^{c,n}	47,053													3Q07	5.6	1.3
Allegis Value Trust ^{c,c}	15,574,720	5.8	2.5	8.4	7.9	5.5	-7.8	-2.7	-3.6	4.8	-4.2	0.5	-1.1	1Q07		
Carlyle China Realty	3,527,967									-0.2	2.8	2.7	0.2	3Q17	-20.3	0.9
DRC European Real Estate Debt Fund II ^c	13,128,788									11.1	-6.4	5.0	2.9	1Q14	3.4	1.1
ECE European Prime Shopping Centre Fund II C ^c	14,202,587									4.1	26.1	31.4	30.2	4Q15	42.9	2.0
Hammes Partners II ^c	17,027,097									11.2	7.8	19.9	13.4	3Q15	9.8	1.1
Hines US Office Value Added Fund II ^{c,n}	539,559									4.9	-12.7	-8.5	-11.8	4Q07	-4.9	0.7
NREP Nordic Strategies Fund ^c	19,465,340									12.0	25.1	39.3	37.1	1Q15	36.4	1.8
NREP Nordic Strategies Fund II ^c	19,013,752									5.2	28.9	35.2	18.7	3Q16	24.8	1.2
Value Added Portfolio	102,526,863	7.8	8.0	16.3	13.9	6.7	-5.3	1.0	-1.2	1.9	3.7	5.7	4.6	4Q86	4.9	1.2
Opportunistic Portfolio																
BlackRock High Return Separate Account	21,999,406									-1.1	21.5	20.2	18.7	3Q16	18.7	1.2
Carlyle China Project Rome Co-Investment	10,698,729									-0.3	5.0	4.7	3.6	3Q17	-4.5	1.0
CIM Fund VIII ^c	28,261,474									0.1	10.0	10.2	7.6	2Q15	6.1	1.1
KKR Real Estate Partners Americas ^c	20,538,188									10.0	2.7	13.1	9.2	2Q14	14.7	1.3
Och-Ziff Real Estate Fund III ^{c,p}	15,381,497									17.0	16.9	36.1	8.3	4Q14	25.2	1.4
Opportunistic Portfolio	96,879,293	4.5	20.5	25.8	19.7	3.5	14.3	18.2	12.6	1.3	8.3	9.7	7.7	1Q91	27.7	1.3
Total Non-Core Portfolio 1Q 2007 Forward	199,406,156	7.1	9.7	17.3	14.1	5.5	3.4	8.9	5.4	4.5	5.2	9.7	5.4	1Q07	7.4	1.3
Total Private Portfolio																
SCERS	804,316,980	5.4	7.2	12.9	11.1	5.3	1.0	6.4	5.0	4.4	4.7	9.3	8.3	4Q86	8.3	1.4

Returns (%)	Market Value (\$)	5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET			
Ex-US Dollar Denominated Investments (In Local Currency)																
Prologis Targeted Europe Logistics Fund (Euro)	€ 30,289,780									5.3	5.8	11.4	9.9	1Q16	9.2	1.2
DRC European Real Estate Debt Fund II (Pound Sterling) ⁴	£9,717,929									11.4	-1.0	10.4	8.2	1Q14	8.1	1.2
ECE European Prime Shopping Centre Fund II (Euro) ⁴	€ 11,889,991									1.1	21.3	23.2	20.5	4Q15	38.1	1.9
NREP Nordic Strategies Fund (Euro) ⁴	€ 16,214,628									12.1	25.2	39.5	37.3	1Q15	36.7	1.8
NREP Nordic Strategies Fund II (Euro) ⁴	€ 15,838,455									5.3	21.7	27.6	12.0	3Q16	15.7	1.1
Indices																
NFI ODCE+ 35bps ⁵				11.9	10.9			5.4	4.4			7.7	6.6	4Q86		
NFI-ODCE		4.8	6.5	11.5	10.5	5.2	-0.2	5.0	4.1	6.9	0.4	7.3	6.3	4Q86		
NFI-ODCE + 100bps				12.5	11.5			6.0	5.1			8.3	7.3	4Q86		
CPI + 500 bps				6.5				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 2Q17, made up of ODCE (65%) plus ODCE + 100 bps (35%)

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2018 (YTD)				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
BlackRock Core Separate Account																	
1811 Brittmoore	13,134,818	0.9	-0.1	0.8	0.7	2.3	-0.1	2.3	2.0	5.9	-1.1	4.8	4.4	6.3	-0.4	5.9	6.5
Forest Pointe ¹	112,519																
Harbour Pointe	39,001,772	1.4	0.6	2.1	1.6	2.7	0.9	3.6	2.8	5.7	5.3	11.2	9.2	5.7	4.6	10.6	8.5
Hillside Village	43,369,499	1.2	0.0	1.2	0.9	2.4	3.0	5.5	4.4	4.6	3.6	8.3	6.5	4.3	10.6	15.2	12.3
Lake Washington Park	38,591,904	1.3	1.0	2.3	2.2	2.3	1.0	3.3	3.0	4.6	2.0	6.7	6.2	4.7	4.0	8.9	8.3
SCERS - Portfolio Master Acct. ²	84,386																
The Tower at Hollywood Hills Weston, Inc. ¹	17,269,228 0	1.6	3.2	4.8	3.9	3.3	6.6	10.1	8.2	6.1	7.4	13.9	10.9	5.6	10.1	16.1	12.8
Investment Total	151,564,126	1.4	0.8	2.2	1.8	2.6	2.0	4.7	3.9	5.3	3.6	9.1	7.5	5.1	6.5	11.8	10.2
BlackRock Separate Account (PM Realty Takeover)																	
Stonefield Apts ¹	25,073																
Investment Total	25,073	0.1	0.0	0.1	0.1	-0.3	0.0	-0.3	-0.3	1.7	-1.0	0.6	0.6	3.4	-10.7	-7.6	-8.0
Cornerstone Separate Account																	
Crescent Park	77,411,428	1.1	7.8	8.9	8.7	2.2	11.6	13.9	13.6	4.5	16.5	21.5	20.8	5.0	12.2	17.6	16.8
Flying Cloud ¹	6,088																
Gateway Corporate ¹	2,514																
Salt Pond ¹	9,958																
Investment Total	77,429,988	1.1	7.8	8.9	8.7	2.2	11.6	13.9	13.6	4.5	16.5	21.5	20.8	4.9	7.2	12.4	11.6
BlackRock High Return Separate Account																	
Block 295	21,999,406	-0.1	6.8	6.7	4.7	-0.2	9.5	9.3	7.3	-0.3	24.3	24.0	21.7				
Investment Total	21,999,406	-0.1	6.8	6.7	4.7	-0.2	9.5	9.3	7.3	-0.3	24.3	24.0	21.7				
Total																	
Total Separate Accounts	251,018,593	1.2	3.4	4.5	4.1	2.2	5.4	7.7	7.0	4.6	8.8	13.7	12.3	4.8	5.4	10.4	9.1
Index																	
NFI-ODCE		1.1	1.0	2.1	1.8	2.1	1.8	4.0	3.5	4.3	3.2	7.6	6.7	4.5	5.7	10.4	9.4

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

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

Returns (%)	Market Value (\$)	5 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	TGRS	TNET			
BlackRock Core Separate Account										
1811 Brittmoore	13,134,818	6.5	3.0	9.6	9.1	9.7	9.2	4Q12	9.2	1.5
Forest Pointe ¹	112,519							4Q05	5.2	1.3
Harbour Pointe	39,001,772	5.9	5.8	11.9	8.7	8.4	6.9	4Q05	7.3	1.6
Hillside Village	43,369,499	4.4	13.0	17.7	15.0	8.3	6.8	4Q07	4.6	1.4
Lake Washington Park	38,591,904	4.3	8.2	12.8	12.1	3.3	2.6	3Q07	3.4	1.3
SCERS - Portfolio Master Acct. ²	84,386							2Q01	4.6	1.7
The Tower at Hollywood Hills	17,269,228	5.3	8.6	14.2	10.9	9.1	7.3	1Q08	6.2	1.6
Weston, Inc. ¹	0							1Q06	4.4	1.3
Investment Total	151,564,126	5.3	7.1	12.7	10.5	10.4	8.8	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)										
Stonefield Apts ¹	25,073							1Q03	6.9	1.3
Investment Total	25,073	3.7	-3.5	0.1	-0.5	6.1	5.1	3Q02	8.3	1.4
Cornerstone Separate Account										
Crescent Park	77,411,428	5.0	10.9	16.3	15.5	8.1	7.0	1Q06	6.8	1.8
Flying Cloud ¹	6,088							4Q06	0.1	1.0
Gateway Corporate ¹	2,514							1Q08	-1.4	0.9
Salt Pond ¹	9,958							3Q04	7.2	1.6
Investment Total	77,429,988	5.2	6.9	12.5	11.7	8.4	7.6	3Q04	5.6	1.4
BlackRock High Return Separate Account										
Block 295	21,999,406					20.2	18.7	3Q16	18.7	1.2
Investment Total	21,999,406					20.2	18.7	3Q16	18.7	1.2
Total										
Total Separate Accounts	251,018,593	5.1	6.3	11.6	10.1	10.4	9.0	1Q96	8.9	1.4
Index										
NFI-ODCE		4.8	6.5	11.5	10.5	7.3	6.3	4Q86		

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

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

Returns (%)	Market Value (\$)	Quarter				Fiscal Year 2018 (YTD)				1 Year				3 Year			
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET
Core Separate Accounts																	
BlackRock Core Separate Account	151,564,126	1.4	0.8	2.2	1.8	2.6	2.0	4.7	3.9	5.3	3.6	9.1	7.5	5.1	6.5	11.8	10.2
BlackRock Separate Account (PM Realty Takeover)	25,073	0.1	0.0	0.1	0.1	-0.3	0.0	-0.3	-0.3	1.7	-1.0	0.6	0.6	3.4	-10.7	-7.6	-8.0
Cornerstone Separate Account	77,429,987	1.1	7.8	8.9	8.7	2.2	11.6	13.9	13.6	4.5	16.5	21.5	20.8	4.9	7.2	12.4	11.6
Core Separate Accounts	229,019,186	1.3	3.0	4.3	4.0	2.5	5.0	7.6	6.9	5.0	7.5	12.8	11.6	5.0	5.0	10.2	8.9
<i>Total BlackRock Separate Account</i>	<i>173,588,604</i>	<i>1.2</i>	<i>1.5</i>	<i>2.7</i>	<i>2.2</i>	<i>2.3</i>	<i>2.9</i>	<i>5.2</i>	<i>4.3</i>	<i>4.7</i>	<i>5.7</i>	<i>10.6</i>	<i>9.0</i>	<i>4.7</i>	<i>5.0</i>	<i>10.0</i>	<i>8.5</i>
Separate Account Returns by Property Type																	
Apartment	138,187,746	1.2	4.6	5.8	5.5	2.4	8.1	10.5	9.7	4.7	10.8	15.9	14.5	4.9	7.3	12.4	10.9
Industrial	13,134,818	0.9	-0.1	0.8	0.7	2.3	-0.1	2.3	2.0	5.9	-1.1	4.8	4.4	6.0	-0.5	5.5	6.2
Office	60,599,911	0.8	3.1	3.8	3.1	1.4	3.9	5.4	4.5	3.2	9.0	12.4	11.3	3.6	3.4	7.1	6.4
Retail	39,011,730	1.4	0.6	2.1	1.6	2.7	0.9	3.6	2.8	5.7	5.3	11.2	9.2	5.8	4.6	10.6	8.6
Total Private Portfolio																	
SCERS	804,316,980	1.2	3.0	4.3	3.8	2.5	5.6	8.2	7.3	5.1	9.9	15.4	13.7	5.4	6.7	12.4	10.8
NPI Property Level Returns																	
NPI- Apartment		1.1	0.5	1.6		2.1	1.1	3.3		4.4	1.7	6.2		4.6	3.8	8.5	
NPI- Industrial		1.2	2.1	3.3		2.5	4.2	6.7		5.1	7.7	13.1		5.3	7.8	13.4	
NPI-Office		1.2	0.4	1.7		2.3	0.7	3.1		4.6	1.3	6.0		4.6	3.4	8.2	
NPI-Retail		1.1	0.1	1.3		2.3	0.2	2.5		4.7	0.9	5.7		4.9	4.8	9.9	
Indices																	
NFI-ODCE		1.1	1.0	2.1	1.8	2.1	1.8	4.0	3.5	4.3	3.2	7.6	6.7	4.5	5.7	10.4	9.4

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	151,564,126	5.3	7.1	12.7	10.5	5.3	0.6	5.9	4.8	7.0	3.2	10.4	8.8	1Q96	10.0	
BlackRock Separate Account (PM Realty Takeover)	25,073	3.7	-3.5	0.1	-0.5	4.5	-4.3	0.1	-0.5	5.4	0.6	6.1	5.1	3Q02	8.3	
Cornerstone Separate Account	77,429,987	5.2	6.9	12.5	11.7	5.4	1.5	7.0	6.1	5.5	2.8	8.4	7.6	3Q04	5.6	
Core Separate Accounts	229,019,186	5.2	6.1	11.5	9.9	5.3	0.5	5.9	4.8	7.2	3.0	10.3	9.0	1Q96	8.9	
<i>Total BlackRock Separate Account</i>	<i>173,588,604</i>	<i>5.0</i>	<i>6.3</i>	<i>11.5</i>	<i>9.6</i>	<i>5.2</i>	<i>0.4</i>	<i>5.6</i>	<i>4.5</i>	<i>7.1</i>	<i>3.2</i>	<i>10.5</i>	<i>9.0</i>	<i>1Q96</i>	<i>9.8</i>	
Separate Account Returns by Property Type																
Apartment	138,187,746	5.0	7.8	13.0	11.5	4.7	3.2	7.9	6.9	5.8	2.4	8.4	7.4	1Q96	6.4	
Industrial	13,134,818	5.2	4.8	10.2	10.1	5.2	-2.2	2.9	2.5	7.5	3.1	10.8	9.4	3Q96	13.3	
Office	60,599,911	4.5	4.1	8.7	7.4	5.3	-2.9	2.3	1.4	7.5	2.4	10.0	8.5	1Q96	8.6	
Retail	39,011,730	5.9	6.6	12.8	10.4	6.3	-0.4	5.9	4.7	7.5	3.1	10.8	9.1	4Q99	9.8	
Total Private Portfolio																
SCERS	804,316,980	5.4	7.2	12.9	11.1	5.3	1.0	6.4	5.0	4.4	4.7	9.3	8.3	4Q86	8.3	
NPI Property Level Returns																
NPI- Apartment		4.8	4.3	9.2		5.0	1.0	6.1		6.2	3.2	9.5		1Q96		
NPI- Industrial		5.5	7.4	13.2		6.0	1.1	7.2		7.3	3.0	10.4		3Q96		
NPI-Office		4.9	4.1	9.2		5.4	-0.5	4.9		6.8	2.5	5.7		1Q96		
NPI-Retail		5.3	5.7	11.1		5.8	1.6	7.6		6.7	3.7	10.5		4Q99		
Indices																
NFI-ODCE		4.8	6.5	11.5	10.5	5.2	-0.2	5.0	4.1	6.9	0.4	7.3	6.3	4Q86		

Returns (%)	Market Value (\$)	2017		Fiscal Year 2018 (YTD)		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	21,573,863	18.0	14.2	12.5	9.9	6.6	5.3	22.4	17.3	14.7	11.9				
MetLife Core Property Fund	55,072,417	8.4	7.9	5.4	5.2	9.3	8.8	16.9	16.3	17.4	16.9				
Prime Property Fund	55,824,191	9.9	8.7	4.9	4.4	10.4	9.2	15.9	14.6	15.5	14.1	3.8	3.6		
Principal U.S. Property Account	42,378,231	9.1	8.1	4.4	3.9	10.0	9.0	3.0	2.8						
Prologis Targeted Europe Logistics Fund	36,362,281	30.5	28.0	15.5	13.8	2.8	2.4								
Prologis Targeted U.S. Logistics Fund	61,853,273	24.2	20.3	13.8	11.9	16.1	14.2	9.1	7.9						
Townsend Real Estate Fund, L.P. ¹	102,827,382	11.1	10.8	5.2	5.1	8.4	8.2								
Core Commingled Funds	375,891,638	14.2	12.8	7.8	7.0	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	151,564,126	9.1	7.5	4.7	3.9	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)	25,073	0.6	0.6	-0.3	-0.3	-9.6	-10.2	-13.2	-13.9	19.2	18.4	6.7	5.9	10.1	9.5
Cornerstone Separate Account	77,429,987	21.5	20.8	13.9	13.6	14.0	13.3	2.4	1.6	14.0	13.2	11.3	10.5	16.2	15.4
Core Separate Accounts	229,019,186	12.8	11.6	7.6	6.9	10.0	8.6	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5
<i>Total BlackRock Separate Account</i>	<i>173,588,604</i>	<i>10.6</i>	<i>9.0</i>	<i>5.2</i>	<i>4.3</i>	<i>8.6</i>	<i>7.0</i>	<i>10.7</i>	<i>9.4</i>	<i>17.0</i>	<i>13.6</i>	<i>10.9</i>	<i>9.0</i>	<i>13.1</i>	<i>12.5</i>
Total Core Portfolio	604,910,824	13.7	12.3	7.7	7.0	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}	47,053														
Allegis Value Trust	15,574,720	8.2	7.8	4.7	4.5	9.9	9.4	8.6	8.0	10.8	10.2	4.7	4.0	21.8	20.9
Carlyle China Realty	3,527,967	0.0	0.0												
DRC European Real Estate Debt Fund II ¹	13,128,788	23.8	22.3	8.3	7.6	-7.8	-8.9	5.0	3.0	1.4	-2.1				
ECE European Prime Shopping Centre Fund II ¹	14,202,587	25.2	22.6	17.6	17.6	27.0	25.9	12.1	11.0						
Hammes Partners II ¹	17,027,097	13.4	10.0	6.6	5.3	14.8	8.9	19.4	12.9						
Hines US Office Value Added Fund II ²	539,559														
NREP Nordic Strategies Fund ¹	19,465,340	41.6	40.5	17.8	17.3	23.1	21.7	55.1	50.8						
NREP Nordic Strategies Fund II ¹	19,013,752	44.9	34.4	21.7	18.0	10.7	-1.9								
Value Added Portfolio	102,526,863	24.5	21.7	11.7	10.6	9.5	7.0	19.1	17.0	15.7	13.7	13.3	10.8	19.6	18.1

Returns (%)	Market Value (\$)	2017		Fiscal Year 2018 (YTD)		2016		2015		2014		2013		2012	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Opportunistic Portfolio															
BlackRock High Return Separate Account	21,999,406	24.0	21.7	9.3	7.3	6.3	6.3								
Carlyle China Project Rome Co-Investment ¹	10,698,729	0.0	0.0	4.7	3.6										
CIM Fund VIII ¹	28,261,474	5.0	3.3	1.1	0.3	5.8	3.4	16.9	13.8						
KKR Real Estate Partners Americas ¹	20,538,188	13.0	10.0	4.4	3.8	6.5	5.4	17.1	12.5	12.7	6.5				
Och-Ziff Real Estate Fund III ¹	15,381,497	43.3	38.2	22.5	20.4	30.0	22.2	33.7	6.9	9.4	-28.3				
Opportunistic Portfolio	96,879,293	16.4	13.6	7.1	5.9	10.0	7.5	23.8	13.1	77.7	62.7	11.7	9.4	54.2	38.5
Total Non-Core Portfolio 1Q 2007 Forward	199,406,156	20.6	17.8	9.5	8.3	9.8	7.4	20.0	15.6	19.7	16.3	16.7	13.5	34.6	26.9
Total Private Portfolio															
SCERS	804,316,980	15.4	13.7	8.2	7.3	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		8.0	7.0	4.1	3.7	9.1	8.1	15.4	14.3	12.8	11.8	14.3	13.3	11.3	10.1
NFI-ODCE		7.6	6.7	4.0	3.5	8.8	7.8	15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8
NFI-ODCE + 100 bps		8.6	7.7	4.5	4.0	9.8	8.8	16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8
CPI + 500 bps		7.2		4.2		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	21,573,863																
MetLife Core Property Fund	55,072,417																
Prime Property Fund	55,824,191																
Principal U.S. Property Account	42,378,231																
Prologis Targeted Europe Logistics Fund	36,362,281																
Prologis Targeted U.S. Logistics Fund	61,853,273																
Townsend Real Estate Fund, L.P. ¹	102,827,382																
Core Commingled Funds	375,891,638	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	151,564,126	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)	25,073	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	77,429,987	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	229,019,186	18.7	18.2	18.6	17.6	-28.5	-28.7	-10.5	-11.1	16.3	13.6	15.2	12.1	31.7	26.6	9.8	6.3
<i>Total BlackRock Separate Account</i>	<i>173,588,604</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	604,910,824	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 ^{1,4}	47,053																
Allegis Value Trust	15,574,720	15.7	14.7	21.6	20.4	-62.2	-62.8	-21.2	-23.9	38.6	28.4						
Carlyle China Realty	3,527,967																
DRC European Real Estate Debt Fund II ¹	13,128,788																
ECE European Prime Shopping Centre Fund II ¹	14,202,587																
Hammes Partners II ¹	17,027,097																
Hines US Office Value Added Fund II ²	539,559																
NREP Nordic Strategies Fund ¹	19,465,340																
NREP Nordic Strategies Fund II ¹	19,013,752																
Value Added Portfolio	102,526,863	16.7	14.7	23.2	20.3	-56.4	-57.6	-31.2	-33.5	18.2	5.6	0.8	0.5				

Returns (%)	Market Value (\$)	2011		2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Opportunistic Portfolio																	
BlackRock High Return Separate Account	21,999,406																
Carlyle China Project Rome Co-Investment ¹	10,698,729																
CIM Fund VIII ¹	28,261,474																
KKR Real Estate Partners Americas ¹	20,538,188																
Och-Ziff Real Estate Fund III ¹	15,381,497																
Opportunistic Portfolio	96,879,293	-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	199,406,156	-0.3	0.4	37.0	30.4	-13.5	-17.8	-33.7	-35.7	18.2	5.6						
Total Private Portfolio																	
SCERS	804,316,980	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		Fiscal Year 2018 (YTD)		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	151,564,126	9.1	7.5	4.7	3.9	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)	25,073	0.6	0.6	-0.3	-0.3	-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	77,429,987	21.5	20.8	13.9	13.6	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	229,019,186	12.8	11.6	7.6	6.9	10.0	8.6	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5	18.7	18.2
<i>Total BlackRock Separate Account</i>	<i>173,588,604</i>	<i>10.6</i>	<i>9.0</i>	<i>5.2</i>	<i>4.3</i>	<i>8.6</i>	<i>7.0</i>	<i>10.7</i>	<i>9.4</i>	<i>17.0</i>	<i>13.6</i>	<i>10.9</i>	<i>9.0</i>	<i>13.1</i>	<i>12.5</i>	<i>16.1</i>	<i>15.7</i>
Separate Account Returns by Property Type																	
Apartment	138,187,746	15.9	14.5	10.5	9.7	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	13,134,818	4.8	4.4	2.3	2.0	8.4	7.7	3.5	6.5	25.9	24.5	9.9	8.4	-0.3	-0.7	17.2	16.8
Office	60,599,911	12.4	11.3	5.4	4.5	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	39,011,730	11.2	9.2	3.6	2.8	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	251,018,591	11.6	10.5	7.7	7.0	10.0	8.5	7.7	6.6	16.0	13.5	11.0	9.5	14.1	13.5	18.7	18.2
Indices																	
NFI-ODCE + 35 bps		8.0	7.0	4.1	3.7	9.1	8.1	15.4	14.3	12.8	11.8	14.3	13.3	11.3	10.1	16.3	15.3
NFI-ODCE		7.6	6.7	4.0	3.5	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		8.6	7.7	4.5	4.0	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		7.2		4.2		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	151,564,126	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)	25,073	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	77,429,987	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	229,019,186	18.6	17.6	-28.5	-28.7	-10.5	-11.1	16.3	13.6	15.2	12.1	31.7	26.6	9.8	6.3
<i>Total BlackRock Separate Account</i>	<i>173,588,604</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	138,187,746	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	13,134,818	2.0	1.6	-25.3	-25.7	-8.3	-9.4	28.9	23.3	20.8	17.6	48.5	39.3	13.1	6.8
Office	60,599,911	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	39,011,730	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	251,018,591	18.6	17.6	-28.5	-28.7	-10.5	-11.1	16.3	13.6	15.2	12.1	31.7	26.6	9.8	6.3
Indices															
NFI-ODCE + 35 bps		16.7	15.6	-29.4	-30.0	-9.7	-10.3	16.3	15.2	16.7	15.6	21.7	20.5	13.4	12.4
NFI-ODCE		16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3	21.4	20.2	13.1	12.0
NFI-ODCE + 100 bps		17.4	16.3	-28.8	-29.4	-9.0	-9.7	17.0	15.8	17.3	16.3	22.4	21.2	14.1	13.0
CPI + 500 bps		6.5		8.0		5.0		9.3		7.7		8.5		8.5	

Quarterly Cash Flow Activity (\$)	Beginning Market Value	Contributions	Distributions	Withdrawals	Gross Income	Manager Fees	Appreciation	Ending Market Value	LTV (%)
Core Commingled Funds									
Jamestown Premier Property Fund	19,925,088	200,794	200,794	0	239,321	472,103	1,881,557	21,573,863	34.5
MetLife Core Property Fund	53,474,653	535,854	563,682	0	619,075	65,449	1,071,966	55,072,417	26.0
Prime Property Fund	54,685,820	539,037	539,037	0	549,417	132,477	721,431	55,824,191	17.4
Principal U.S. Property Account	41,617,465	0	0	0	452,292	100,653	409,128	42,378,231	22.4
Prologis Targeted Europe Logistics Fund	34,479,993	0	179,693	0	658,605	280,277	1,683,653	36,362,281	22.8
Prologis Targeted U.S. Logistics Fund	59,593,125	0	474,788	0	766,247	375,035	2,343,723	61,853,273	24.2
Townsend Real Estate Fund, L.P.	100,525,908	1,007,397	1,007,397	0	1,090,271	57,693	1,268,896	102,827,382	40.5
Core Commingled Funds	364,302,052	2,283,082	2,965,391	0	4,375,228	1,483,687	9,380,354	375,891,638	29.2
Core Separate Accounts									
BlackRock Core Separate Account	150,640,326	221,375	2,035,000	0	2,074,993	513,309	1,175,741	151,564,126	13.0
BlackRock Separate Account (PM Realty Takeover)	1,593,939	0	1,570,000	0	1,134	0	0	25,073	0.0
Cornerstone Separate Account	70,903,804	321,750	0	0	750,360	107,250	5,561,323	77,429,987	33.6
Core Separate Accounts	223,138,069	543,125	3,605,000	0	2,826,487	620,559	6,737,064	229,019,186	21.3
<i>Total BlackRock Separate Account</i>	<i>173,242,362</i>	<i>221,375</i>	<i>3,605,000</i>	<i>0</i>	<i>2,056,098</i>	<i>926,036</i>	<i>2,599,806</i>	<i>173,588,605</i>	<i>11.6</i>
Total Core Portfolio	587,440,121	2,826,207	6,570,391	0	7,201,715	2,104,246	16,117,418	604,910,824	26.4
Value Added Portfolio									
AEW Value Investors Fund II	318,118	0	268,817	0	-3,243	0	995	47,053	0.0
Allegis Value Trust	16,752,198	0	0	1,500,000	169,980	13,832	166,374	15,574,720	10.0
Carlyle China Realty	3,453,608	0	0	0	-10,783	37,808	122,950	3,527,967	0.0
DRC European Real Estate Debt Fund II	23,628,082	0	444,129	10,752,424	402,933	68,459	362,784	13,128,788	0.0
ECE European Prime Shopping Centre Fund II	13,184,236	0	108,204	20,348	419,778	104,023	831,148	14,202,587	54.8
Hammes Partners II	13,925,693	2,989,655	288,415	39,298	262,694	93,750	270,518	17,027,097	68.7
Hines US Office Value Added Fund II	655,647	0	0	0	-245	0	-115,843	539,559	72.0
NREP Nordic Strategies Fund	19,311,611	0	1,747,453	0	275,541	34,582	1,660,223	19,465,340	49.3
NREP Nordic Strategies Fund II	14,836,290	4,433,890	1,420,508	0	-182,000	311,430	1,657,510	19,013,752	42.0
Value Added Portfolio	106,065,483	7,423,545	4,277,526	12,312,070	1,334,655	663,884	4,956,659	102,526,863	46.9
Opportunistic Portfolio									
BlackRock High Return Separate Account	21,008,097	0	0	0	-20,029	412,727	1,424,065	21,999,406	0.0
Carlyle China Project Rome Co-Investment	10,252,155	0	0	0	-7,851	50,411	504,836	10,698,729	0.0
CIM Fund VIII	28,470,069	109,375	0	0	-18,671	109,375	-189,924	28,261,474	3.9
KKR Real Estate Partners Americas	21,737,310	200,831	844,135	702,793	864,589	-12,620	-730,234	20,538,188	61.0
Och-Ziff Real Estate Fund III	13,459,235	1,687,075	1,671,217	0	399,974	131,250	1,637,680	15,381,497	0.0
Opportunistic Portfolio	94,926,866	1,997,281	2,515,352	702,793	1,218,012	691,143	2,646,423	96,879,294	25.6
Total Non-Core Portfolio 1Q 2007 Forward	200,992,349	9,420,826	6,792,878	13,014,863	2,552,667	1,355,027	7,603,082	199,406,157	38.3
Total Private Portfolio									
SCERS	788,432,470	12,247,033	13,363,269	13,014,863	9,754,382	3,459,273	23,720,500	804,316,981	29.8

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core Commingled Funds						
Jamestown Premier Property Fund	-	70.1	-	17.2	-	12.7
MetLife Core Property Fund	25.7	38.8	18.4	17.0	-	-
Prime Property Fund	24.4	34.1	16.2	16.4	-	8.9
Principal U.S. Property Account	11.2	41.9	22.4	16.7	1.3	6.6
Prologis Targeted Europe Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P.	36.3	15.1	13.5	12.9	-	22.2
Core Commingled Funds	18.2	22.8	39.3	11.0	0.1	8.7
Core Separate Accounts						
BlackRock Core Separate Account	41.0	24.2	8.2	26.7	-	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-
Cornerstone Separate Account	100.0	-	-	-	-	-
Core Separate Accounts	60.2	16.3	5.5	18.0	-	-
<i>Total BlackRock Separate Account</i>	<i>35.9</i>	<i>33.6</i>	<i>7.2</i>	<i>23.4</i>	-	-
Total Core Portfolio	33.6	20.4	26.9	13.5	0.1	5.5
Value Added Portfolio						
AEW Value Investors Fund II	24.6	27.9	47.5	-	-	-
Allegis Value Trust	-	95.6	4.4	-	-	-
Carlyle China Realty	-	-	100.0	-	-	-
DRC European Real Estate Debt Fund II	-	39.1	22.8	23.2	15.0	-
ECE European Prime Shopping Centre Fund II	-	-	-	100.0	-	-
Hammes Partners II	-	-	-	-	-	100.0
Hines US Office Value Added Fund II	-	100.0	-	-	-	-
NREP Nordic Strategies Fund	79.7	-	-	-	-	20.3
NREP Nordic Strategies Fund II	14.8	9.6	52.5	12.0	-	11.1
Value Added Portfolio	25.6	23.1	16.0	5.7	2.5	27.0
Opportunistic Portfolio						
BlackRock High Return Separate Account	-	100.0	-	-	-	-
Carlyle China Project Rome Co-Investment	-	-	100.0	-	-	-
CIM Fund VIII	-	29.2	-	10.0	0.0	60.8
KKR Real Estate Partners Americas	16.9	17.7	-	31.5	15.1	18.8
Och-Ziff Real Estate Fund III	3.0	12.8	10.6	4.3	4.7	64.7
Opportunistic Portfolio	4.0	42.9	2.0	10.6	3.9	36.7
Total Non-Core Portfolio	15.7	32.1	9.6	8.0	3.1	31.4
Total Private Portfolio						
SCERS	29.6	23.0	23.1	12.3	0.8	11.2
Indices						
NFI-ODCE	24.1	36.0	16.2	19.8	0.4	3.5

Property Type Diversification

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	54.0	19.9	-	-	1.9	-	-	24.3	-
MetLife Core Property Fund	2.3	12.9	11.2	-	19.0	11.2	7.2	36.0	-
Prime Property Fund	21.7	8.0	9.3	2.0	11.8	9.0	4.3	33.7	-
Principal U.S. Property Account	15.5	9.2	4.6	1.8	9.0	13.7	10.1	36.2	-
Prologis Targeted Europe Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	9.6	6.7	10.6	-	9.5	14.4	2.5	46.8	-
Townsend Real Estate Fund, L.P.	18.8	8.8	14.4	0.9	15.1	14.1	5.5	22.4	-
Core Commingled Funds	14.8	8.6	9.2	0.7	11.2	10.6	4.6	29.3	11.0
Core Separate Accounts									
BlackRock Core Separate Account	-	-	-	-	8.2	-	-	91.8	-
BlackRock Separate Account (PM Realty Takeover)	-	-	-	-	-	-	-	-	-
Cornerstone Separate Account	-	-	-	-	-	-	-	100.0	-
Core Separate Accounts	-	-	-	-	5.5	-	-	94.5	-
<i>Total BlackRock Separate Account</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>7.2</i>	<i>-</i>	<i>-</i>	<i>92.8</i>	<i>-</i>
Total Core Portfolio	9.4	5.5	5.8	0.5	9.1	6.7	2.9	53.2	7.0
Value Added Portfolio									
AEW Value Investors Fund II	-	-	-	-	-	-	-	-	-
Allegis Value Trust	18.8	56.3	-	-	-	-	-	24.9	-
Carlyle China Realty	-	-	-	-	-	-	-	-	100.0
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	26.2	8.7	7.8	19.0	20.3	2.1	6.9	9.0	-
Hines US Office Value Added Fund II	-	-	-	-	-	-	-	100.0	-
NREP Nordic Strategies Fund	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund II	-	-	-	-	-	-	-	-	100.0
Value Added Portfolio	7.9	10.3	1.5	3.7	3.9	0.4	1.3	6.0	64.9
Opportunistic Portfolio									
BlackRock High Return Separate Account	-	-	-	-	-	-	-	100.0	-
Carlyle China Project Rome Co-Investment	-	-	-	-	-	-	-	-	100.0
CIM Fund VIII	34.2	1.2	10.4	-	1.1	1.8	5.5	42.6	3.3
KKR Real Estate Partners Americas	13.1	2.5	11.1	1.9	9.8	19.9	-	13.0	28.7
Och-Ziff Real Estate Fund III	15.4	3.2	4.5	0.8	4.1	3.6	6.2	24.6	37.6
Opportunistic Portfolio	17.3	1.5	6.6	0.5	3.1	5.3	3.0	48.8	13.9
Total Non-Core Portfolio	12.2	6.3	3.9	2.2	3.6	2.6	2.1	25.5	41.6
Total Private Portfolio									
SCERS	10.0	5.6	5.4	0.9	7.9	5.8	2.7	47.0	14.6
Indices									
NFI-ODCE	21.9	9.1	7.9	1.5	9.5	8.9	5.3	35.9	-

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 4Q17



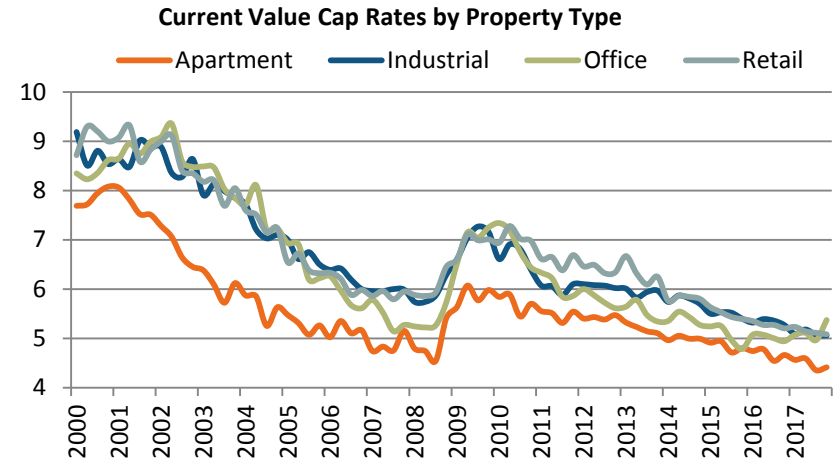
United States Real Estate Market Update (4Q17)

General

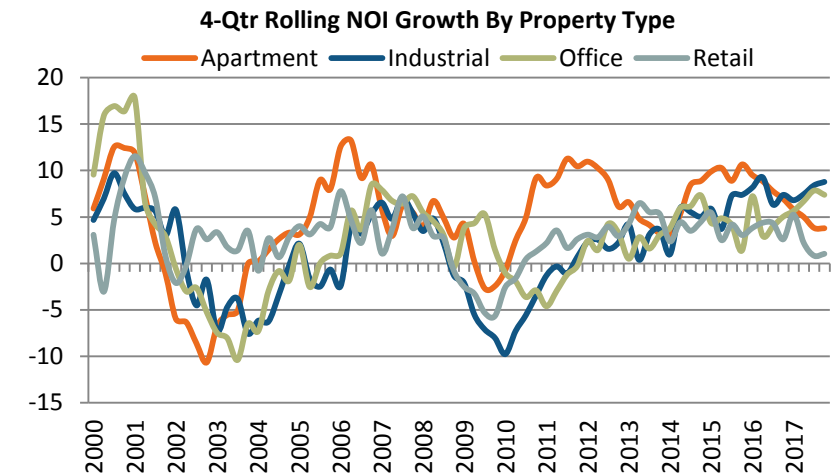
- The S&P 500 produced a gross total return of 6.6% during the Quarter, as markets have continued to rally on the back of tax cuts. MSCI US REIT index produced a more moderate return of 1.4%. REITs underperformed the broader equities market by 16.8%. Consumer Sentiment improved during the Quarter, concluding the year at 95.9. US 10 year treasury bond yields expanded 7 bps during the Quarter.
- Macro indicators for U.S. real estate continue to be positive; GDP grew at an annualized rate of 2.6% in the 4th Quarter. With the conclusion of December, the economy has now experienced 87 consecutive months of job growth. For 2017, headline inflation remained healthy at 2.1%, near the Fed's 2% target. The Federal Reserve has continued to tighten their policy, in light of improving economic data, and raised base rates to 1.25-1.5%. In 2018, the consensus expectation is three rate hikes.

Commercial Real Estate

- In 2016, \$124.1bn of aggregate capital was raised by US real estate funds. 2017, Private Equity Real Estate Funds have raised 111.6bn. Continuing on trend since 2012, 2017 has witnessed the largest average fund size at \$444m; this trend which has strengthened as capital has concentrated in a small group of established managers.
- Transaction cap rates (5.87%) on average expanded 5 bps during the 4th Quarter of 2017. Office experienced an expansion of current value cap rates of 40 bps; other sectors remained relatively flat.
- 10 year treasury bond yields compressed an expanded 7 bps to 2.4% during the quarter and, subsequent to quarter end, have continued to expand. A combination of fiscal stimulus and tightening from the fed has increased the investor's expectation of inflation.



Source: NCREIF



Source: NCREIF

United States Property Matrix (4Q17)

INDUSTRIAL

- As of 4Q17, Industrial properties returned 3.3% and outperformed the NPI by 149 bps.
- With nearly 82 million square feet of net absorption in 4Q17 (the highest fourth quarter number on record), 2017 demand reached 245 million square feet. This represents a 6.1% decline from 2016 totals.
- Midsized product (100,000 – 500,000 square feet) significantly increased from 2016 deal volumes, with 73% of transactions falling into this category.
- Construction levels remain elevated, with new deliveries reaching 232.7 million square feet in 2017, with many markets reaching historical highs in new deliveries. Speculative development was 75% of total deliveries for 2017 speaking to continued demand.
- A 20 bps reduction in vacancy has resulted in another all-time low of 5.0%. Strong demand has pushed asking rents up 5.4% year-over-year and now stand at \$5.50 PSF.

MULTIFAMILY

- Sales volumes decreased by 8.3% in 2017. Despite the slowdown, multifamily led all other property types in terms of transaction volume for the third straight year, speaking to the strong liquidity that remains in the market.
- Primary market transaction activity represented 40.3% of activity, down from 44.0% in 2016. New supply has continued to drive investors' cautious outlook on primary markets.
- Acquisitions by REITs decreased by 23%, as pricing has made it difficult to underwrite required return hurdles. Meanwhile, foreign investment increased 16%, with Canada and Singapore accounting for 66% of foreign investment.
- Annual rent growth ended the year at 2.3%. Concessions continue to increase in many markets nationally, a product of increased supply coming to market.
- The apartment sector delivered a 1.6% return during the Quarter, underperforming the NPI by 18 bps.

OFFICE

- The Office sector returned 1.7% in 4Q17, 15bps below the NPI.
- For the year, the office market recorded occupancy growth of 36.4 million square feet, 13% less than 2016 numbers, representing a third consecutive year of slowed occupancy growth.
- As a result of slowed expansion activity, vacancy has increased to 14.9%, with levels anticipated to increase through 2018 and 2019.
- Construction starts have dropped sharply in 2017 by 29%, with construction volumes dropping below the 100 million square feet level for the first time in three years.
- New supply has provided some upside for landlords with completions commanding a 43% premium to existing Class A space. Pricing discounts to Core product, as well as increased deliveries, has resulted in suburban office product being able to increase asking rents at a greater pace than urban assets.

RETAIL

- Transaction volumes totaled \$51.5 billion for 2017, a 22.5% decrease from the prior year. Secondary markets seeing strong population and job growth experienced growth, but not enough to offset the decline in gateway markets.
- Lifestyle centers and malls had transaction volume declines of 48.5% and 53.5%, respectively. One bright spot was general purpose centers, which experienced a 10.5% increase.
- Growth in rent for 2017 was 5.5%, marking a slowdown from that seen in 2016. Store closure announcements remain a headwind for rent growth going forward.
- Institutional retail investment declined 41.8% in 2017. REIT acquisitions increased by 12.0%, focused primarily on general purpose centers. Foreign investment declined by 56.7%, with core assets remaining the predominate component of activity.
- As of 4Q17, the retail sector delivered a quarterly return of 1.3%, which underperformed the NPI by 52 bps.

Global Real Estate Market Update (4Q17)

GLOBAL

- Global investment activity during 4Q 2017 totaled \$228 billion, marking a 10% increase as compared to 4Q 2016 levels. This brings full-year 2017 volumes to \$698 billion, which is 6% higher than last year's total. The strong 4Q 2017 performance demonstrated investors' confidence in the real estate sector despite continued political uncertainty. Overall, 2017 produced record volumes for investment activity in the post-crisis era, driven by broad-based growth, low interest rates, and lack of inflationary pressure. Looking forward, global investment volumes in 2018 are expected to soften by 5% - 10% to around \$650 billion due to a relative lack of product combined with continued investor discipline. However, investors are still keen to access the sector and will look for new strategies as the prominence of single-asset transactions has started to decline.

EUROPE

- European investment increased 31% y/y in 4Q 2017, for a full-year volume of \$300 billion. This was a 22% increase over full-year 2016 volumes and was the strongest year since 2007. Growth was strong across all regions, with investment volumes up 57% in the Benelux region, 24% in Southern Europe, and 27% in the Nordics as compared to 2016. Central and Eastern Europe rose 3% to \$19 billion, surpassing the previous cyclical peak in 2006 by 29%. The U.K. showed continuous recovery following the impact of Brexit, with 4Q volumes up 80% y/y and totaling \$79 billion for the full-year, a 37% increase as compared to full-year 2016 volumes. Germany saw volumes rise 8% in 4Q with full-year volumes up 9% compared to 2016. The French market saw a reversal of the 2Q and 3Q slowdown with investment volumes up 61% y/y.

ASIA

- Asia Pacific 4Q 2017 investment activity reached a record \$52 billion, up 16% y/y. Full-year volumes were \$249 billion, marking a 13% increase as compared to full-year 2016 volumes. Cross-border investment activity accounted for 40% of total transaction volumes, with Singaporeans being the largest cross-border buyers. Japan's transaction volumes totaled \$37 billion for 2017, up 10% y/y. Australia's full-year investment volume was \$21 billion, up 14% compared to 2016. Investor interest has been shifting towards secondary cities such as Brisbane. Chinese transaction activity marked an all-time record, reaching \$36 billion in 2017. This represents a 5% increase compared to 2016. Specifically, Hong Kong volumes came in at \$16.4 billion, up 58% y/y.

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

\$ US Billions	Q3 2017	Q4 2017	% Change		% Change		FY 2016	FY 2017	% Change
			Q3 17 - Q4 17	Q4 2016	Q4 16 - Q4 17	FY 2016			
Americas	61	66	8%	78	-15%	285	249	-13%	
EMEA	73	110	51%	84	31%	245	300	22%	
Asia Pacific	35	52	49%	45	16%	131	149	14%	
Total	169	228	35%	207	10%	661	698	6%	

Source: Jones Lang LaSalle, January 2018

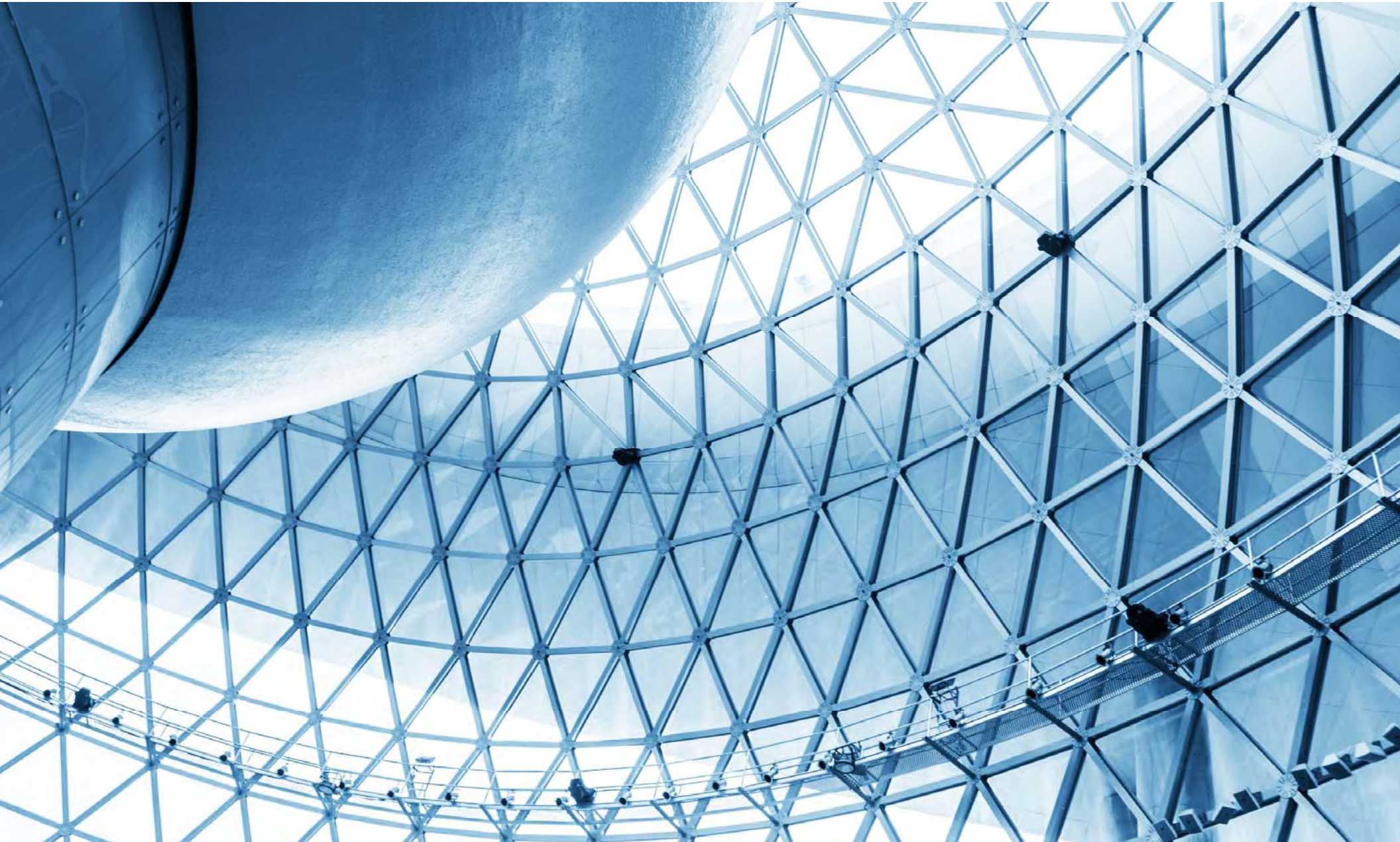
Global Outlook - GDP (Real) Growth % pa, 2017-2019

	2017	2018	2019
Global	3.6	3.9	3.6
Asia Pacific	5.5	5.5	5.2
Australia	2.2	2.5	2.4
China	6.8	6.4	6.0
India	6.1	7.4	7.1
Japan	1.8	1.7	0.9
North America	2.0	2.6	2.2
US	2.3	2.7	1.9
MENA*	2.0	3.2	3.8
European Union	2.8	2.5	2.0
France	1.8	1.9	1.7
Germany	2.5	2.4	1.8
UK	1.5	1.5	1.6

*Middle East North Africa

Source: Jones Lang LaSalle (Oxford Economics), January 2018

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>	
Core:	<p>Direct investments in operating, fully leased, office, retail, industrial, or multifamily properties using little or no leverage (normally less than 30%).</p>
Value-Added:	<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>
Opportunistic:	<p>Investments that take on additional risk in order to achieve a higher return. Typical sources of risks are: development, land investing, operating company investing, international exposure, high leverage, distressed properties.</p>

Indices

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

Performance

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

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

GEOGRAPHIC REGIONS and DIVISIONS

