ITEM 18

SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

For Agenda of:
September 16, 2016

September 21, 2016

TO: President and Members
Board of Retirement

FROM: JR Pearce
Investment Officer

SUBJECT: SCERS' Real Estate Performance Review for the Quarter Ending June 30, 2016

RECOMMENDATION:

It is recommended that your Board receive and file the Real Estate performance presentation report for the second quarter of 2016 and consider taking action on any recommendations made therein.

BACKGROUND:

Attached is Townsend's quarterly performance report for the real estate portfolio ending June 30, 2016.

This memorandum provides a summary of SCERS' real estate portfolio performance and current real estate market conditions, which compliments Townsend's quarterly performance report. Townsend, with commentary from Staff, will be presenting the attached report at the Board meeting, including strategic and tactical considerations in the real estate portfolio and how they are manifested in the performance data.

REAL ESTATE MARKET SUMMARY:

DOMESTIC:

For the second quarter of 2016, the US private real estate market (NCREIF) return was down from the first quarter of 2016, while the US public real estate market (NAREIT) was decidedly up from the first quarter of 2016. The private market NCREIF recorded a 2.0% return for the second quarter, down from last quarter's 2.2% return due to lower capital appreciation. The second quarter return of 2.0% consisted of a 1.1% income return and a 0.8% appreciation return (versus 1.1% in the first quarter of 2016). Over the one-year period, the NCREIF Index (NFI-ODCE) returned 11.8%, down from the 13.7% one-year return as of the first quarter of 2016. During the quarter, all of the core property type returns declined compared to the prior quarter, with industrial at 2.9%; retail at 2.2%; apartments at 1.9%; and office at 1.7%.

NCREIF TOTAL RETURN (%)

	Quarterly		Annually	
	2Q16	1Q16	2Q16	1Q16
NPI	**2.0**	**2.2**	**10.6**	**11.8**
Industrial	2.9	3.0	13.3	14.3
Retail	2.2	3.0	12.2	13.1
Apartments	1.9	1.9	9.7	10.9
Office	1.7	1.7	9.3	10.8
ODCE	**2.1**	**2.2**	**11.8**	**13.7**

Source: NCREIF as of 30 June 2016

FTSE EPRA/NAREIT EQUITY REIT TOTAL RETURN (%)

	Quarterly		Annually	
	2Q16	1Q16	2Q16	1Q16
FTSE EPRA/NAREIT	**23.3**	**3.6**	**6.4**	**5.6**
Industrial	43.7	3.6	17.5	1.3
Retail	30.8	7.0	7.3	8.2
Apartment	20.2	12.1	0.5	3.5
Office	17.7	-3.8	9.2	0.5

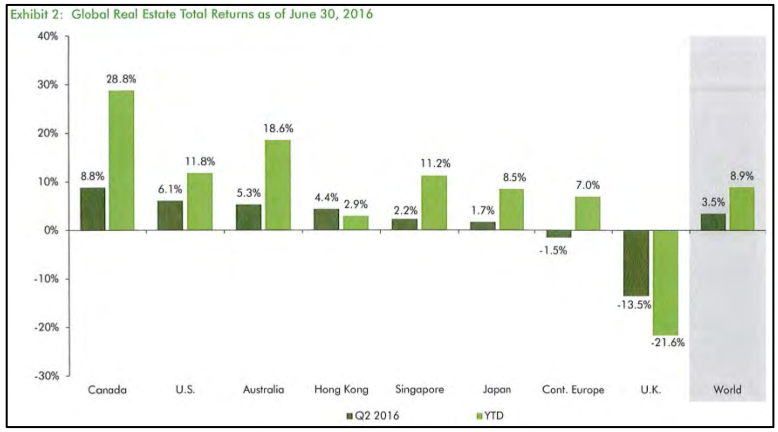
Source: FTSE ERPA/NAREIT, Bloomberg as of 30 June 2016

US REITs experienced a positive quarter as the FTSE NAREIT Equity REIT Index posted a 23.3% return, dramatically up from the previous quarter's 3.6% return. Property-type returns varied with the industrial sector showing the greatest return at 43.7%; followed by retail at 30.8%; apartments at 20.2%; and office at 17.7%.

INTERNATIONAL:

Global REIT markets were up 3.5% overall during the second quarter; although Europe and UK markets were impacted by Britain's surprising voter referendum to leave the European Union. The UK market suffered a -13.5% decline during the quarter, with continental Europe down 1.5%. Following the Brexit vote, both the European Central Bank and The Bank of England indicated further monetary easing to mitigate the impact. While the central bank actions calmed markets, the uncertainty surrounding the how and when the UK will be officially removed from the European Union will have a lasting impact on the UK and European real estate markets. It is too early to determine the true impact of Brexit but real estate has generally benefited from the flight to safety during periods of turmoil. With accommodative

Exhibit 2: Global Real Estate Total Returns as of June 30, 2016



monetary policy and the flight to safety, real estate markets are expected to hold up in the interim.

Overall, the Asia-Pacific region showed considerable strength given the slow growth and economic uncertainties in China. The Australian market was up a strong 5.3% during the quarter followed by Hong Kong at 4.4%, while Singapore and Japan were up modestly at 2.2% and 1.7%, respectively. Central bank monetary policy continues its positive impact on the real estate markets, with The Royal Bank of Australia indicating it would enact additional quantitative easing measures and the Bank of Japan expanding its bond purchases to include J-REITs, leading to the positive response from real estate investors.

SCERS REAL ESTATE PORTFOLIO RETURNS:

SCERS' real estate investment portfolio is built around three different allocation 'buckets': (1) Core Real Estate; (2) Publicly-Traded REITs; and (3) Non-Core (Opportunistic and Value-Add) Real Estate combined with other tactical real estate-related investments. The SCERS year-to-date returns are based on a rolling 12-month basis as of the quarter end.

QUARTER RETURNS:

During the second quarter of 2016, SCERS' total real estate portfolio returned 2.7% net, which was up slightly from last quarter's net return of 2.6%, and outperformed against SCERS' blended benchmark of 2.3%. SCERS' quarter outperformance is attributed to the outperformance achieved in SCERS' REIT portfolio (4.7%) and specifically the outperformance of CenterSquare US REIT (7.4%).

SCERS' quarterly net return performance by portfolio classes against the benchmark was as follows: Core (2.1% versus 1.9% index), non-core (2.1% versus 2.2% index), US REITs (7.4% versus 5.4% index), and Global REITs (0.8% versus 0.7% index).

YEAR-TO-DATE RETURNS:

For the 12-months, ending June 30, 2016 and fiscal year-end, SCERS' total real estate portfolio (including REITs) returned 9.5% net, which is up from last quarter's 12-month return of 7.8% net, but underperformed against SCERS' blended benchmark of 11.4%. SCERS' year-to-date underperformance is attributed to the weak Core Separate Account portfolio return (6.8%), which was primarily affected by asset write-downs.

SCERS REAL ESTATE STRATEGY RETURNS:

CORE:

QUARTER RETURNS:

SCERS' core real estate portfolio returned 2.1% net for the quarter, up from last quarter's net return of 1.5% and equal to the NFI-ODCE benchmark of 1.9% net. Comparatively, the Core Separate Accounts earned 2.4% net, while the Core Commingled Funds earned

1.8% net for the quarter. Though the Core Commingled Funds portfolio underperformed against the benchmark returning 1.8%, the income return equaled the index of 1.1%. The negative currency effect on Prologis Targeted Europe Logistics Fund caused it to earn a -1.1% net return. Excluding the currency effect, Prologis earned a 1.4% net return in its local Euro currency.

YEAR-TO-DATE RETURNS:

For the 12-months ending June 30, 2016 and fiscal year-end, SCERS' total core real estate portfolio returned 6.8% net, underperforming against the benchmark NFI-ODCE return of 10.8% net. The Core Commingled Funds outperformed the benchmark returning 11.0% net versus 10.8%, while the Core Separate Accounts significantly underperformed against the benchmark, returning 4.5% net versus 10.8%. The core separate account portfolio underperformance is attributed to valuation decreases in the BlackRock and Cornerstone separate accounts (5.7% and 2.7% versus the 10.8% index, respectively). Because the separate account portfolio is concentrated, it will tend to have greater volatility of returns.

NON-CORE:

QUARTER RETURNS:

SCERS' Non-Core Real Estate portfolio returned 2.1% net during the quarter, which was slightly below the NFI-ODCE plus 100 bps benchmark return of 2.2% net. Notable quarter outperformance was achieved by ECE European Prime Shopping Center Fund (5.4% net), Hines US Office Value Added Fund II (7.7% net), CIM Fund VIII (3.5%), and Och-Ziff Real Estate Fund III (4.6% net), offset by negative currency exchange in DRC European Real Estate (-2.2% net) and asset write-downs in AEW Value Investors Fund II (0.2% net).

YEAR-TO-DATE RETURNS:

For the 12-months ending June 30, 2016 and fiscal year-end, the SCERS' Non-Core portfolio returned 13.4% net, outperforming the benchmark return of 11.9% net. The outperformance is attributed to the value-add funds (14.0% net versus 11.9%) and, in particular, Hines US Office Value Added Fund II (58.5% net), NREP Nordic Strategies Fund I (35.7% net), and Hammes Partners II (19.0% net).

PUBLICLY TRADED REITs:

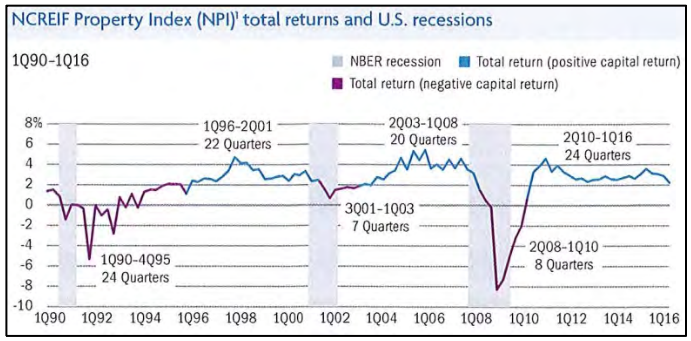
QUARTER RETURNS:

SCERS' US REIT portfolio, managed by CenterSquare, earned a net return for the quarter of 7.4%, which outperformed against the FTSE NAREIT Index return of 5.4%. SCERS' Global REIT portfolio, managed by CBRE Clarion, earned a quarter net return of 0.8%, which slightly outperformed against the FTSE EPRA/NAREIT Global Ex-US REIT Index return of 0.7%.

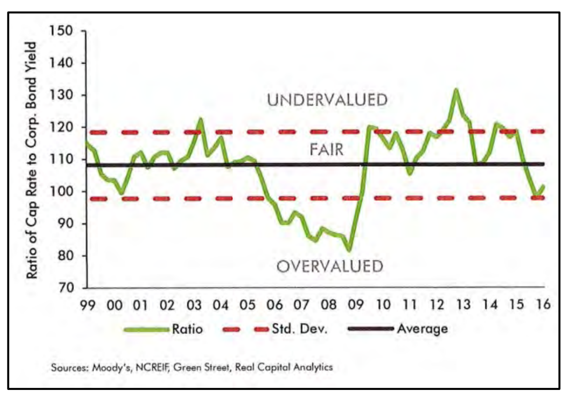
YEAR-TO-DATE RETURNS:

For the 12-months ending June 30, 2016 and fiscal year-end, SCERS' US REIT portfolio earned a 26.2% net return, outperforming against the benchmark return of 18.8%. SCERS' Global REIT portfolio earned a -0.5% net return, underperforming against the benchmark return of 1.4%.

US REAL ESTATE MARKET TRENDS:

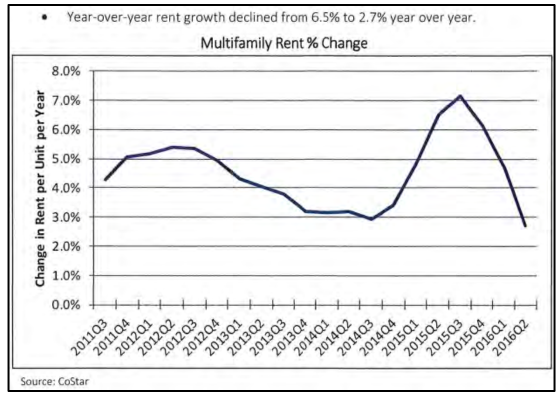


Markets have been going through a roller coaster of economic events, from oil price decline to the UK exit from the Eurozone. In addition, global political events roiled markets from an attempted overthrow of the government in Turkey to terrorists' actions in France and Belgium. The first half of the year has been an eventful six months. The uncertainties in the market along with the prolonged real estate cycle saw fundamentals stabilizing, while transaction volumes declined from 2015 historical levels. JLL reported that investment volume was down 12.9% at mid-year, with full year volumes forecasted to be down 10% to 15% from 2015. Indications are ever more present that the real estate cycle has reached its peak. Sluggish economic growth and persistently low-interest rates have driven capital from all sources into the real estate market in some form or fashion. Although industry experts cite the gap between real estate cap rates and 10-year treasury is at historical average, what remains to be seen is how much unconventional capital has flowed into real estate seeking yield. The real estate market lives and breathes from the flow of capital. Should there be an alternative and better risk-adjusted return elsewhere, unconventional real estate capital will exit the market and in turn drive up cap rates. Investors' unmitigated chase for yield has clouded their assessment of the risk premia. Rather than seeking relative yield, investors have bought into real estate for its absolute yield. It is difficult to determine how or when the real estate cycle will end up, as unprecedented worldwide monetary policy has completely distorted financial markets. It is safe to say that there is more downside risk in today's environment given real estate fundamentals achieving or exceeding prior peak levels. It bears caution to invest in real estate under these circumstances but opportunities will lend themselves when markets correct or switch.



APARTMENTS:

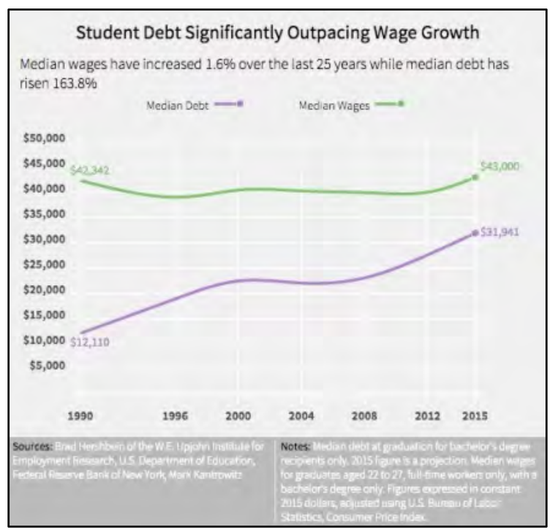
As CBRE stated, apartment fundamentals have enjoyed healthy growth for the past seven years. Demographic trends over this period have favored the apartment market, with the

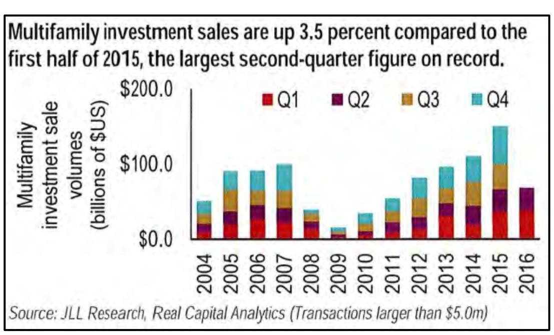


Source: CoStar

millennial population representing some 66 million people, exceeding the baby boomer population. However, each passing quarter the gains in market performance have slowed. This is a direct result of new construction outpacing demand. CBRE expects the highest number of new apartment deliveries since the recovery will occur in 2016. There were 101,100 apartment units delivered during the first half of 2016, a year-over-year increase of 32.2% and the highest first half new supply rate since 2000. However, CBRE notes that construction starts have begun to decline, with new building permit totals declining for the second consecutive quarter after 23 quarters of year-over-year increases. Despite the slowdown in new permits, CBRE estimates a record 275,000 new apartment units will be delivered in 2016.

As new supply has entered the market, rent growth has been declining. According to CBRE, rents were up 3.3% year-over-year compared to 4% in the first quarter and 5.3% in the second quarter of 2015. CBRE makes note that although the current rent growth of 3.3% is below the average growth rate from previous expansion cycles (3.9%), it is still above the historical average of 2.4% over the past 15-years. What is interesting is the growth rate by property type. Garden apartment rents grew 4.2%, while high-rise rents grew 1.7%. The majority of new apartment construction has been for high-rise apartments so the new supply is dampening rent growth. In addition, nearly all of the new construction has been for luxury or upper-income apartments. Further influencing the growth rate in rents has been the increasing student loan burden faced by the prime renter cohort, millennials. As shown by the chart, student debt has risen 163.8% over the last 25-years yet, the median wage for this cohort has only gone up 1.6%. This huge disparity is partly to blame for the drop in the homeownership rate from 69% to 63% and the outsized demand for affordable housing.





Source: JLL Research, Real Capital Analytics (Transactions larger than $5.0m)

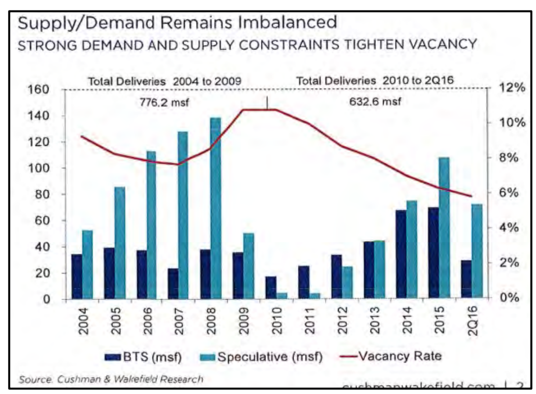
Amazingly enough, investor demand for apartments seems unquenchable despite the headwinds from record new supply and wage constraints. JLL expects investment volumes in 2016 to slightly exceed the record-setting volumes achieved in 2015. Although sales growth has slowed, it is still up 3.5% year-to-date from record-setting volume. With the unprecedented demand, cap rates continue to compress and are now at a record low of 4.4%. Contributing to the cap rate compression has been investors' movement to secondary and tertiary markets, which is pressing the gap between primary and secondary cap rates to their lowest levels.

INDUSTRIAL:

In their second quarter of 2016 investor report, Prologis Target US Logistics summed up the logistics market as such:

"Logistics real estate owners continued to benefit from contained development activity, with demand again outpacing supply in the second quarter. Strong demand supported pricing power as the vacancy rate declined to 5.2%[1], matching its lowest point in recorded history. Strong NOI growth stemmed from the wide gap between in-place and market rents following 25% rent growth over three years. Property values gained from NOI growth and another tick-down in core cap rates."

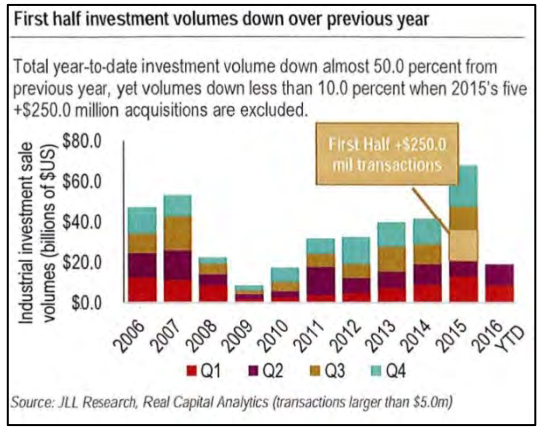
SCERS' investment with Prologis Targeted US Logistics Fund, LP ("PTUSLF") returned 3.1% net during the quarter, which outperformed the NFI-ODCE index of 1.9%. For SCERS' fiscal year-end, PTUSLF generated a 13.6% net return outperforming the index of 10.8%.



The industrial market continued its strong performance driven by the growth in e-commerce and its disruption of the traditional retail supply chain. According to Colliers International, online sales grew 15% compared to the 3% growth in overall retail sales. E-commerce sales are contributing a greater percentage of industrial demand than from traditional brick-and-mortar stores as more retailers are pushing goods online than from stores. This has resulted in industrial fundamentals over the first half of the year to achieve pre-recession levels. During the quarter, Colliers recorded the lowest vacancy rates and highest levels of net absorption, new construction, and asking rents ever recorded. Newmark Grub Knight Frank (NGKF) reported net absorption for the first half of the year of 119.2 million square feet was the highest total on record. As NGKF noted, high demand from web-based retailers is pushing fundamentals to record levels. E-commerce driven demand accounted for 45% of all transactions during the first half of the year according to NGKF.

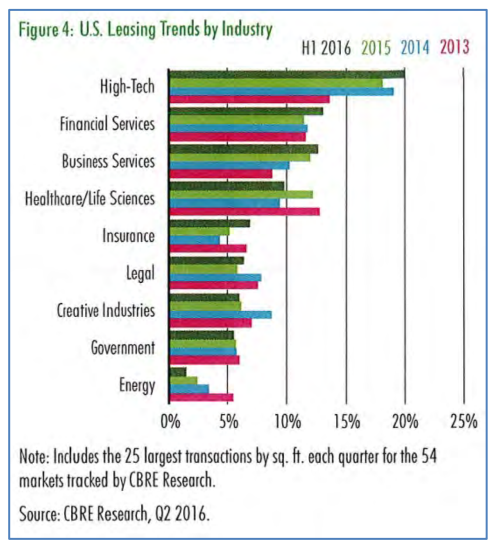
The persistent supply-demand gap continues to push vacancy rates down and rental rates upward. CBRE reported the overall vacancy rate for the quarter of 5.2%, the lowest it has seen since 2002. Highlighting the supply-demand imbalance, CBRE noted that 41.6 million square feet of new supply were delivered during the quarter compared to the 66.4 million square feet of net absorption. Net absorption has outpaced new supply for 24 consecutive quarters, the longest period ever recorded by CBRE since 1980. This strong absorption is the result of the fundamental change occurring in the supply chain to meet consumer demand for next day delivery.

Although the industrial market saw record-breaking demand, investment volumes declined for the second consecutive quarter, bringing the year-to-date total almost 50% lower than the record-breaking volume in 2015 according to JLL. However, the decline in transaction volumes was not due to a lack of demand but due to lack of available properties. With the lack of available product, investors have been increasingly buying single and smaller buildings in growing secondary markets. These secondary industrial markets are seeing strong demand because of their locations near high-growth population centers and have excellent intermodal transportation systems. Despite the lower transaction volumes, asset values were up with cap rates declining to 6.6%.

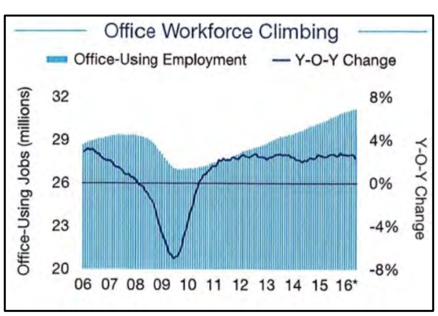


OFFICE:

Office–using employment increased by 110,700 jobs during the second quarter, with office-using employment increasing for 26 consecutive quarters. According to CBRE, financial services employment grew for the 20th consecutive quarter. The leading job growth markets continue to be in the south and west, with the tech-orientated metros contributing the majority of the growth. The 12-month moving average shows an average of 200,000 net new jobs per month, which is leading to improving office fundamentals.

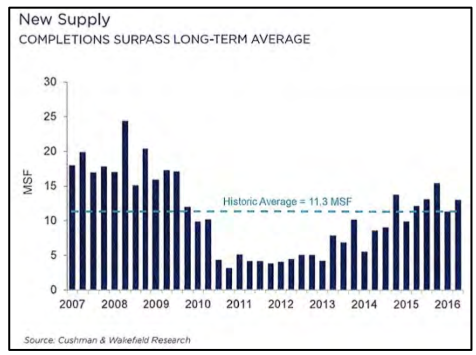


Tech employment is the leading segment in the growth of office-using employment, with a 4.3% annual growth recorded in May 2016 versus 1.9% US job growth. JLL estimated there are now 13.1% more tech jobs today than there were at the height of the dot.com boom in 2001. However, the difference between the dot.com era and today is that the tech industry has evolved into consumer-based applications, enterprise cloud software, and social media platforms. It is not surprising then that the majority of office leasing activity has come from the tech sector, which CBRE estimates represents nearly 20% of major leases year-to-date. Consistent job growth in the key office-using sectors is strengthening office fundamentals, with vacancy declining and rents rising.



The steady office-using job growth led to another quarter of positive absorption increase, with 14.7 million square feet achieved during the quarter, up from 11.8 million square feet from the first quarter according to Cushman and Wakefield. Although, Cushman noted the first half of 2016 absorption was 34% down from the same period of 2015. Looking at the quarters, JLL noted that leasing volumes were down 17.3% in the first quarter but rebounded 18.2% in the second quarter, indicating a return to steadily improving fundamentals. Of particular note by JLL was that 46.3% of leasing activity was for tenant expansions, an important metric of business sentiment.

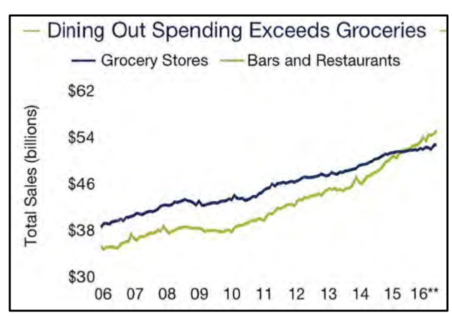
Despite the positive job growth and strong absorption, new construction continues to be subdued. Marcus and Millichap report new deliveries totaled 15.1 million square feet during the quarter and 68.5 million square feet year-to-date, well below the prior peak of 120 million square feet in 2007 and the three-year average of 109 million square feet leading up to the recession. What should be noted is that construction activity has been primarily concentrated in a handful of markets, Dallas, New York City, Silicon Valley, Seattle, and Atlanta. Together these five markets accounted for 40% of total construction, with San Francisco, Chicago, Houston, Boston and Northern Virginia adding up to nearly 60% of all new construction activity, according to Colliers International.



RETAIL:

Job growth continues upward despite the weak GDP growth. Along with job growth has been an improvement in wage growth. As such, consumer confidence has been increasing and according to the University of Michigan Consumer Sentiment Index, consumer confidence has reached its highest point since 2005. The result is retail sales have been steadily increasing, with total retail sales up 2.6% year-over-year in the second quarter, per CBRE. However, excluding gasoline and motor vehicle sales, retail sales were up 4.3% year-over-year. The strongest growth was recorded in online sales, up 15.1% year-over-year. E-commerce outpaced store sales growth by a ratio of five to one according to Cushman & Wakefield. According to the US Commerce Department, e-commerce accounted for 10.5% of total retail sales in 2015, up from 9.5% in 2014.

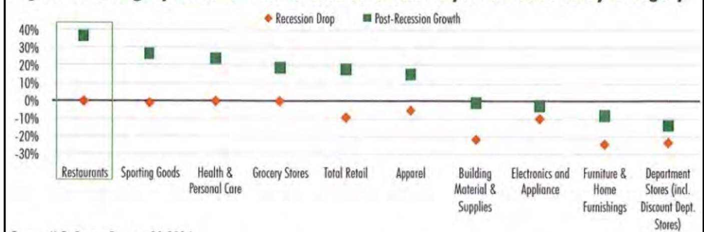
Although online shopping has been one of the main drivers of retail sales growth, the consumer preference for experiences is resulting in a significant increase in sales from food service and drinking places, i.e. restaurants. According to the US Census Bureau, between 2012 and 2015 the restaurant category grew more than any other retail category and showed the most consistent growth. The restaurant segment has been one of the retail industry's highlights during and after the GFC. While overall retail sales fell 10% in 2009, restaurant sales only declined 1%. In



2015, restaurant sales were 37% higher than the pre-recession peak. US Census Bureau data for 2015 showed spending at restaurants grew 5%, more than goods (4%), services (3%), and groceries (0%). Sales at food service and drinking places exceeded grocery store sales for the first time in history during 2015, with the gap steadily increasing.

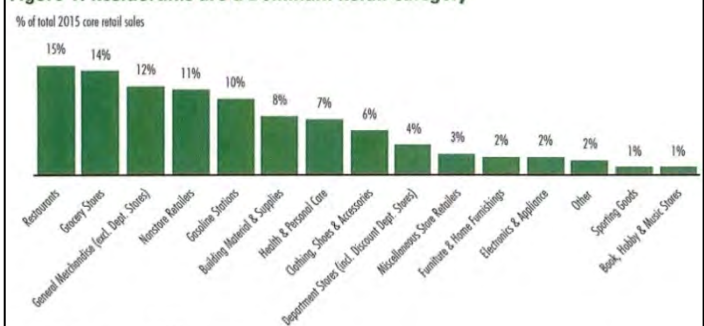
Restaurants now account for 15% of total retail sales and have promoted retail property owners to reassess their centers' tenant mix. Property owners see restaurants as strong traffic-drivers, with frequent and regular customers. Restaurants offer an alternative to soft goods retailers, who are experiencing declining sales. In addition, restaurants are a buffer against e-commerce and have shown resilience during the economic recession. Landlords are recognizing the consumers' shift from goods to services and experiences by increasing the amount of space devoted to these categories. Non-retail space has grown steadily since 2012 and now represents 20.5% of total shopping center space according to CBRE. According to Cushman and Wakefield, restaurants accounted for roughly half of all retail sales growth since 2010, prior to that restaurant sale made up only a third to total sales.

Figure 3: Category Retail Sales: Recession Sensitivity and Rebound by Category



Source: U.S. Census Bureau, Q1 2016.
Note: "Recession Drop" measures 2009 sales against the maximum annual sales reached between 2005 and 2009; "Post-Recession Growth" measures 2015 sales compared to the same maximum.

Figure 1: Restaurants are a Dominant Retail Category



Source: U.S. Census Bureau, Q1 2016.

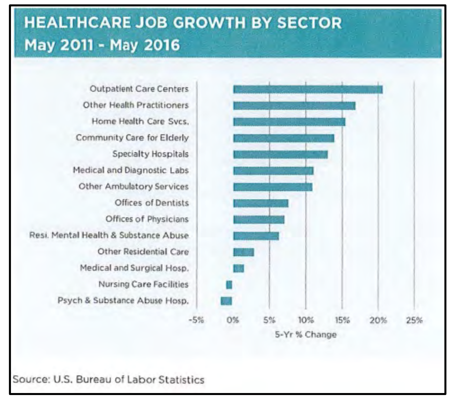
Despite headlines around store closures (Macy's, Sports Authority, etc.), shopping center vacancy rates declined during the quarter, reaching 7.6%, down from 8.1% a year ago according to Cushman and Wakefield. Most of the store closures and consolidations are occurring in malls, while shopping centers have seen most of the leasing activity and improving occupancy. Sectors contributing to the demand for shopping center space include discounters, dollar stores, off-price apparel, and food related concepts, according to Cushman and Wakefield. CBRE noted that net absorption in shopping centers was up 44% year-over-year, while lifestyle and mall absorption increased 27% year-over-year.

New retail supply continues to be muted. New supply during the quarter totaled 12.3 million square feet, nearly 60% lower than the pre-recession average according to CBRE. Cushman and Wakefield noted some 24.6 million square feet of new supply in the pipeline, with more than 80% already pre-leased. Nearly half of the new construction has been in the expansion of existing centers

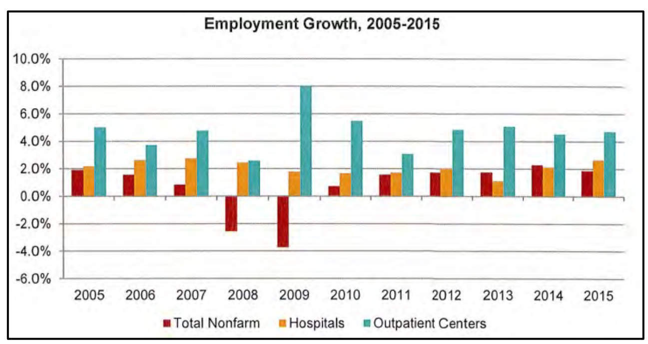
OTHER:

HEALTHCARE:

Attributing to the significant job growth in healthcare has been an aging population, the Affordable Care Act (ACA), and increasing use of preventative medical care. Outpatient Care Centers saw a five-year job growth of 21%, followed by Offices of Healthcare Practitioners at 17%. Healthcare spending has increased steadily, increasing by 5.3% in 2014 and 5.6% in 2015. According to the Centers for Medicare and Medicaid, spending for hospital care increased over 4% in 2015 and over 5% for physicians and clinical services. According to a study by the Kaiser Family Foundation, healthcare spending will grow more than 5% over the next several years.

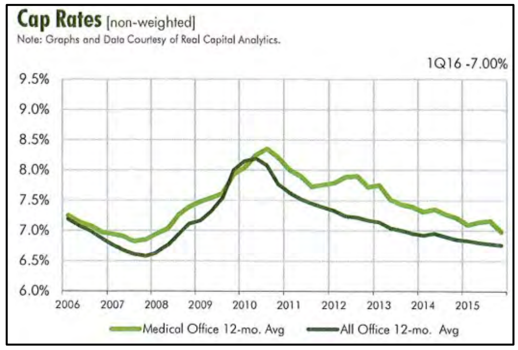


Despite the job growth and increased spending, healthcare systems are facing financial pressures from the changing payment models. The industry is transforming from a fee-for-service model to a value-based-performance model driven by ACA and Medicare/Medicaid reform. In addition to new payment models, the 2015 US Budget Resolution included a provision for site-neutral payments for outpatient care beginning in 2017. The change in reimbursements applies to hospital-owned physician practices acquired or owned since November 2, 2015 and stipulates that Medicare will no longer pay these practices higher rates than independent physician practices if they are located more than 250 yards from a hospital's main campus. Those facilities are eligible for reimbursement from either the Ambulatory Surgical Center or Medicare Physician Fee Schedule, both of which offer lower reimbursement rates than hospital facility rates



The change in payment models is accelerating the push of outpatient healthcare delivery. Acute care and urgent care facilities have seen significant growth as a result. Healthcare systems are addressing their financial pressures by identifying alternative care delivery models such as ambulatory and acute care facilities. The changes occurring in the healthcare industry has translated to positive fundamentals for medical facility investments. Absorption rates have seen continued strong growth with 13.2 million square feet absorbed in 2015 and nearly 7 million square feet for the first half of 2016. The strong net abortion has pressed overall vacancy rate down to 9.0%, achieving the low set in 2008. As healthcare systems transition their care delivery models, demand for ambulatory care facilities is widely expected to continue to increase for the near future.

Medical office properties have been garnering increasing investor demand but the lack of quality supply is hampering overall sale volumes. According to Real Capital Analytics, year-over-year sales figures for medical office portfolios valued at $5 million and higher dropped 15% to $9 billion. Due to the high investor demand, property values are seeing significant increases. Values have increased 9% year-over-year, with cap rates declining to an average of 6.7%. The supply-demand imbalance and influx of traditional office investors are contributing to the decline in medical office cap rates, a trend that is expected to continue as industry fundamentals strengthen.



SCERS' commitment to Hammes Partners II, an on-campus ambulatory, and acute care manager, is capitalizing on the structural shifts occurring in the healthcare industry by cultivating its long-term healthcare system relationships. SCERS' investment with Hammes Partners II ("Hammes") returned 2.2% net during the quarter, equaling the NFI-ODCE plus 100 bps index of 1.9%. For SCERS' fiscal year-end, Hammes returned 19.0% net, significantly outperforming the index of 11.8%.

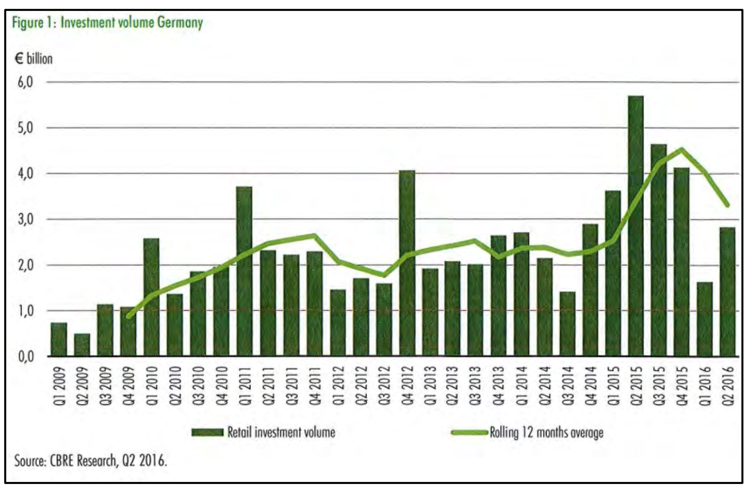
INTERNATIONAL REAL ESTATE MARKET TRENDS:

The second quarter was dominated by Brexit, the UK referendum to exit its membership in the Eurozone. Surprising and unexpectedly, UK voters overwhelming sided with exiting the Eurozone. The proverbial "the shot heard around the world" roiled the global financial markets and particularly hit the UK real estate market hard. In the days and weeks after the vote, many UK open-end funds received a flood of redemption notices, prompting many to gate investor exits. While the ultimate outcome of Brexit will not be known for some years to come, it is apparent that the UK real estate market will be viewed differently. Many industry experts believe the UK real estate market will prevail long term but suffer in the interim. It is expected that countries such as Germany will benefit from Brexit, as financial firms assess their Europe headquarters given the UK's exit. London office will, in particular, feel the negative effects near term of Brexit, as it houses the majority of global financial and investment institutions. While there is still a few years to go before the UK is completely extracted from the Eurozone, the uncertainty surrounding it may leave some investors with more caution towards the UK and Europe. However, the UK and European markets are quite diverse, attract a wide range of investors, and are economically well diversified, and will remain an attractive destination for investors.

	GDP Growth	Retail Spending Growth
Eurozone	1.5%	2.5%
United Kingdom	2.4%	4.0%
Germany	1.5%	2.8%
France	1.2%	3.2%
Sweden	3.3%	5.0%
Netherlands	1.9%	1.7%
Poland	3.5%	6.2%
Italy	0.7%	2.0%

RETAIL:

Brexit had a noticeable effect in the second quarter, with Oxford Economics suggesting that 2016 Eurozone GDP (1.8%) will lag 2015 GDP (1.9%). Consumer confidence had slipped from 2015 leading up to Brexit but has since stabilized, although below its 2-year average according to the Macrobond EU Consumer Confidence Barometer. While the European continent experienced a downward trend in consumer confidence, the Nordics have experienced quite the opposite. The Nordic countries are benefiting from their strong economies and influx of investment capital. Europe still faces some headwinds both political and economic. The Brexit vote is reverberating across Europe, with an uncertain financial impact prompting both EU and UK monetary easing measures. The migrant crisis is still unsettled and continues to draw the ire of the EU population. Greece's financial straits have not gone away and will more than likely need further support. Italy's banking system is under stress, with many financial institutions facing insolvency. However, these are headline-making news and beneath the surface, and each country is experiencing varying degrees of positive economic news. As an example, Germany maintained it's growth in GDP, up 0.4% quarter-to-quarter and is forecast for a full year at 1.7%. Because of Germany's robust economy and strong labor market, it is considered a safe haven by international retailers and retail investors. In a recent 2016 survey, CBRE found that seven of the top 10 global markets targeted by retailers are within in Europe, specifically Germany, France, and the UK.



The European retail market continues to draw robust investor demand. Transaction volumes reached EUR €20.7 billion year-to-date, 15% above the five-year average, according to JLL. However, transaction volumes were down 19% year-over-year, not due to lack of investor demand but due to a lack of available properties. The intense investor demand and lack of quality product have led to continuing cap rate compression. German retail properties remain in particularly high demand, with investors primarily focused on core and core-plus assets. Value-add properties are considered but primarily as portfolio additions rather than a specific target. This has brought a dearth of available properties, as asset owners are reluctant to sell given the lack of reinvestment opportunities. Average prime class A cap rates declined a further 20 basis points during the quarter to 4.1%, while class B property cap rates now stand at 4.8%. Per Colliers International, in the top tier German cities, such as Frankfurt and Hamburg, prime class A cap rates are 3.5% and 3.6% respectively.

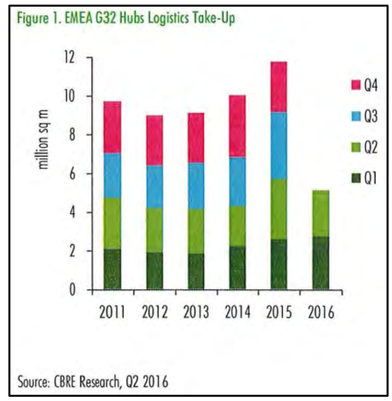
SCERS' investment with ECE European Prime Shopping Center Fund II ("ECE") returned 5.4% net (in US dollars) during the quarter, significantly outperforming the NFI-ODCE plus 100 bps index of 2.2% net. When calculated in local currency (Euro), ECE returned 7.8%

net during the quarter. ECE is still early in its investment phase but is already performing above expectations.

INDUSTRIAL:

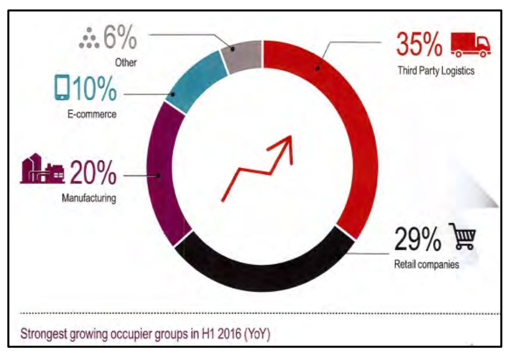
In their second quarter of 2016 investor report, Prologis Target Europe Logistics summed up the European logistics market as such:

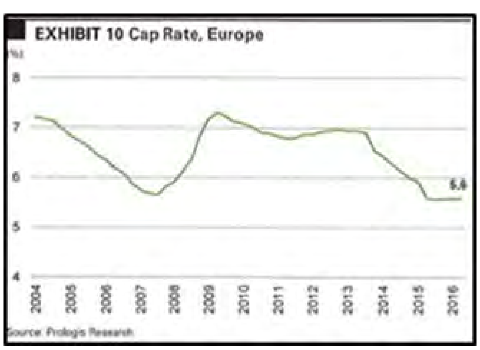
"The outlook for logistics real estate remains positive as structural drivers offset macroeconomic crosscurrents. Vacancies fell to all-time lows in the first half of 2016, both in the UK and on the continent. The UK vote to leave the European Union will have a tempering effect on the outlook and the potential for unforeseen surprises; however, business activity continues. Interest rate declines have led real estate valuations to become more attractive on a relative basis, as spreads are among the widest in the world. Consequently, there is the potential for further cap rate declines and value growth in the years ahead."



SCERS' investment with Prologis Targeted European Logistics Fund, LP ("PTELF") returned -1.1% net (in US dollars) during the quarter, significantly underperforming the NFI-ODCE index of 2.2% due to the negative currency effect. When calculated in local currency (Euro), PTELF returned 1.4% net during the quarter.

The first half of 2016 saw record tenant demand, with net absorption up 5% year-over-year and 24% higher than the 5-year average, according to JLL. Tenant demand was quite broad-based throughout Europe, with the exception of France and Spain. The largest user group remains the third-party logistics (3PL) companies driven by the growth in e-commerce and the compressing of the supply-chain. JLL estimates e-commerce driven absorption is up 145% year-over-year. Despite the high tenant demand, new supply continues to be muted, with most new construction being build-to-suit. Delivery of new space was up 26% year-over-year but second quarter deliveries marked the second consecutive quarter of slowing new supply volume. Demand far exceeds new supply, which JLL estimates new supply at only 52% of net absorption, compared to previous cycle average of 75%. The supply-demand imbalance is lowering vacancy leading to higher rental rates. CBRE estimates overall vacancy rate during the second quarter at 5.5%





Investor demand for prime industrial properties remains robust, with year-to-date investment volume the highest ever recorded by CBRE. Deal volumes did decline during the second quarter but were mainly due to decreased activity in the UK resulting from Brexit and the lack of available quality product. According to Prologis Research, prime industrial cap rates have stabilized at 6.8% and are equal to the prior peak.

<u>THE NORDICS REAL ESTATE TRENDS:</u>

In their second quarter of 2016 investor report, NREP Nordic Strategies summed up the Nordic markets as such:

"The Nordic property market continued to be strong during Q2 2016 with continued high activity from both domestic and foreign capital across all markets and segments. The total investment volume in the Nordics increased by 41% when compared to the previous quarter, reaching a total investment volume of EUR 18.6bn, which is the strongest first half year ever. The increased investment volume was mainly driven by large office deals in Denmark, Norway, and Sweden."

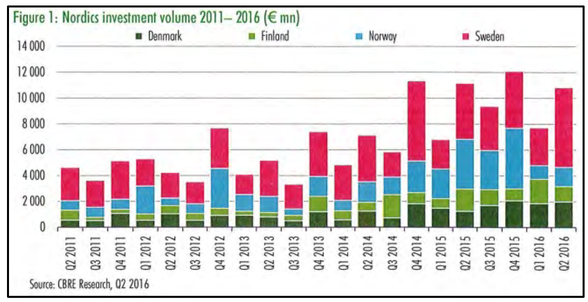


Figure 1: Nordics investment volume 2011– 2016 (€ mn)
Source: CBRE Research, Q2 2016

SCERS' investment with NREP Nordic Strategies Fund, FCP-FIS ("NREP I") returned 2.6% net (in US dollars) during the quarter, outperforming the NFI-ODCE + 100 bps index of 2.2% net. For the twelve months ending June 30, 2016 and fiscal year-end, NREP I returned 35.7% net (in US dollars) compared to the index of 11.8%. When calculated in local currency (Euro), NREP I returned 5.2% net during the quarter and 36.0% net for the fiscal year-ending June 30, 2016.

The Nordics remains a target among global real estate investors. Transaction volume was up 41% quarter-to-quarter, resulting in the highest recorded first half transaction volume ever as tracked by CBRE. Investors remain focused on Sweden, Denmark, and Norway, with Sweden the perennial favorite representing 57% of total transaction volume. The second quarter saw the office segment garnering the most transaction volume, approximately 44% of total volume and was up 4.8% quarter-to-quarter. Residential investment volumes were up 3.1% quarter-to-quarter but the lack of quality logistics properties saw industrial transaction volumes up only 0.7%.

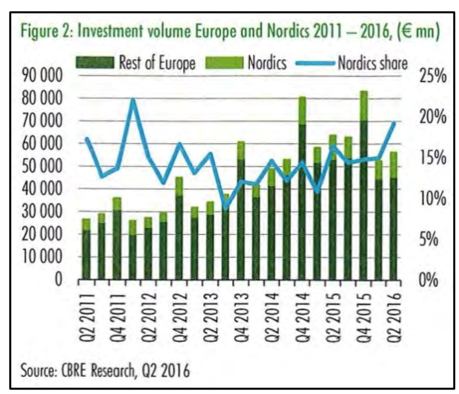


Figure 2: Investment volume Europe and Nordics 2011 – 2016, (€ mn)
Source: CBRE Research, Q2 2016

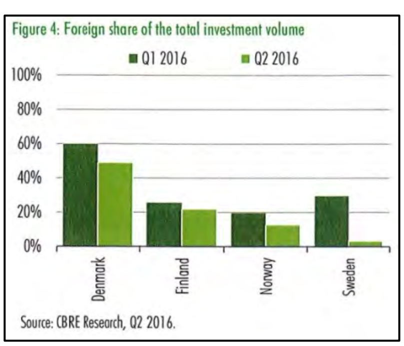


Figure 4: Foreign share of the total investment volume
Source: CBRE Research, Q2 2016.

The Nordics' robust economies remain an attractive location for foreign investors. The foreign share of Nordic transaction volume decreased to 15% of the total volume in the second quarter, down from 22% in the first quarter but significantly higher than the historical average of less than 10%. The influx of foreign capital and the outsized demand for prime assets has driven cap rates ever lower, although the second quarter saw cap rates level out across all markets and property types.

We would be happy to address any questions.

Respectfully submitted,

JR Pearce
Investment Officer

Concur:

Richard Stensrud
Chief Executive Officer

Steve Davis
Deputy Chief Investment Officer

Attachment

TOWNSEND GROUP

Real Estate Portfolio

Performance Measurement Report

SECOND QUARTER 2016

SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

SCERS Real Estate Portfolio Overview

- The Sacramento County Employees' Retirement System ("SCERS") places Real Estate within its Real Asset, Opportunities and Equity allocations. Core Real Estate is included within the SCERS Real Asset allocation, while Real Estate Investment Trusts ("REITs") and Non-Core Real Estate are included within the Equity and Opportunities allocations, respectively. However, Staff continues to evaluate the placement of Real Estate within the Total Plan. This report will focus on the SCERS Core Portfolio, with performance for Non-Core Real Estate and REITs provided as reference.

- SCERS targets 7.0% to Core Real Estate with an allowable range of 4.0% to 9.0%. As of Quarter-end, the Core Portfolio is below target at 6.8% of the Total Plan but well within the allowable range. Including the remaining unfunded commitments to the Prologis logistics funds (Targeted US Logistics Fund and Prologis Targeted European Logistics Fund, ~$8.8 million) and the Townsend Real Estate Fund ("TREF", $48 million) SCERS will have a 7.5% exposure to Core Real Estate. Note that exposure to Core is expected to approach the lower end of the permissible range over the next few years assuming no new commitments and projected sales from the separate account portfolio.

- 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 in the United States. The SCERS Core Portfolio underperformed the NFI-ODCE over all time periods with exception of the Quarter and since inception periods. Rationale is detailed on slides 6 and 7.

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

- The loan-to-value ratio of the Core Portfolio was 27.3% at the end of the Second Quarter of 2016, well below the 40.0% leverage constraint for Core as approved by the Board. This level is above the loan-to-value ratio of the NFI-ODCE, which was 24.0% as of the Second Quarter. The Non-Core Portfolio reported a loan-to-value ratio of 46.4%.

Portfolio Funding Status

- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the "Portfolio") through June 30, 2016.
- Recent investment themes and executions are provided as **Exhibit A**. A detailed performance report is also provided in **Exhibit B**.
- Figures exclude commitments / redemptions / dispositions approved subsequent to Quarter-end.

	Market Value ($ millions)*	% SCERS Plan
SCERS Total Plan Assets	**7,686**	
Core Portfolio Target	**538**	**7.0%**
Core Portfolio Market Value	**521**	**6.8%**
Unfunded Commitments	57	0.7%
Core Portfolio Market Value & Unfunded Commitments	**577**	**7.5%**
Remaining Allocation	**-40**	**-0.5%**
Total RE Market Value:		
Core Portfolio	521	6.8%
Non-Core Portfolio	161	2.1%
REIT Portfolio	201	2.6%
Total SCERS Real Estate Market Value	**882**	**11.5%**

- Also note that the exposure to Core Real Estate will reduce further as result of disposition activity in the separate accounts. Flying Cloud, an office asset in the Cornerstone Separate Account, was sold during the Quarter. Additionally, within the Blackrock Core Separate Account, Forest Pointe was sold subsequent to Quarter-end, and Stonefield is in the process of being sold.

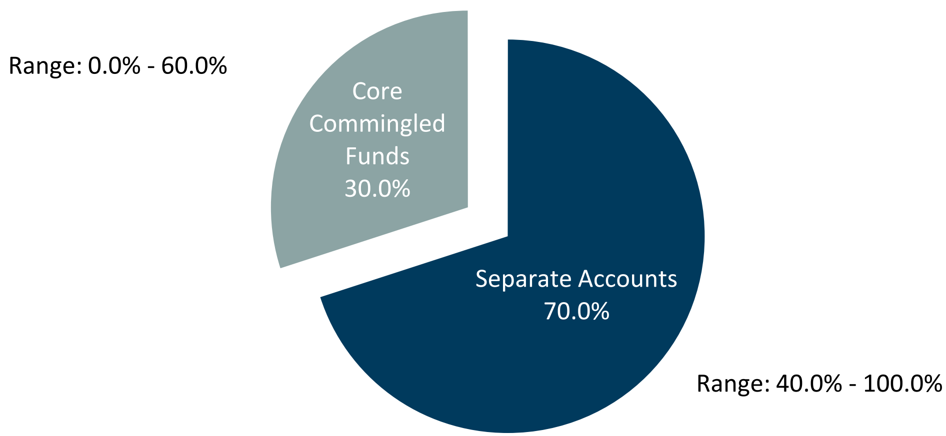
*Figures may not add due to rounding.

Real Estate Portfolio Composition

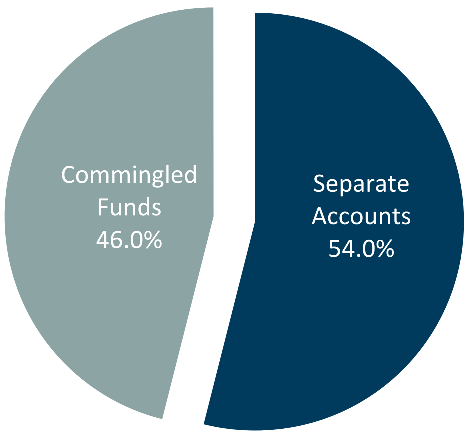
Core Portfolio

- The SCERS Core Portfolio represents 6.8% of the Total Plan which is well within the established range of 4.0% to 9.0%.
- Separate Account and Open-End Core Commingled Fund exposure was in-line with established guidelines during the Quarter, as displayed below.
  - Core Commingled Fund exposure increased during the Quarter following a capital call of ~$22 million by Townsend Real Estate Fund.
  - Separate Account exposure decreased during the Quarter and is expected to decline further with projected asset sales.
    - Cornerstone closed the sale of Flying Cloud during the Quarter.
    - Subsequent to Quarter-end (August 31, 2016) BlackRock closed the sale of Forest Pointe.
    - Stonefield, another Blackrock core separate account asset, is in the later stages of the sales process and expected to close in the Fourth Quarter.

Target Allocation by Vehicle



Fund Allocation By Vehicle

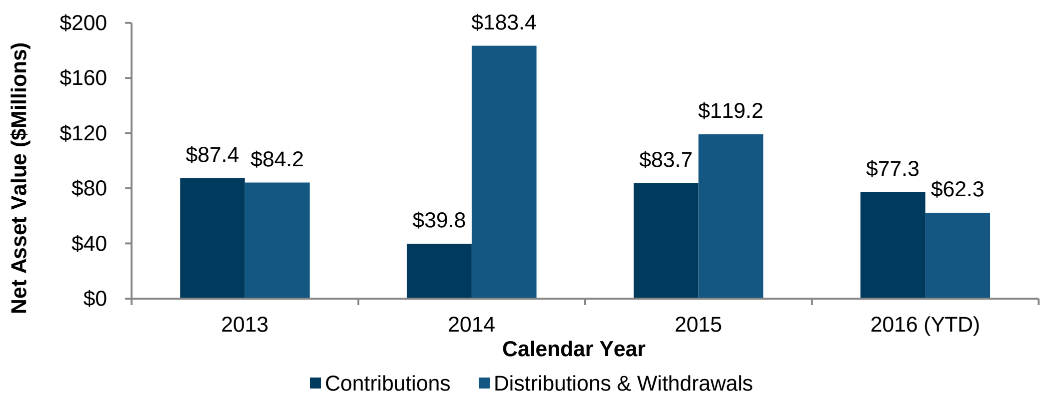


Real Estate Portfolio Composition

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 and 2016 (year-to-date). Each of the actions below were part of the Core Rebalancing Program, which was implemented to improve the quality of the SCERS Core Program, and reposition the Portfolio toward investments focused on strong net operating income growth.

	2013	2014	2015	2016 (YTD)
Acquisitions	• Prime Property Fund • MetLife Core Property Fund	• Jamestown Premier Property Fund • Refinancing of Lake Washington Park (now unlevered)	• Prologis US Targeted Logistics Fund • Prologis European Targeted Logistics Fund • Principal US Property Account • Townsend Real Estate Fund ("TREF")	*No Core acquisitions to date.*
Dispositions	• BlackRock Granite Fund (Full Redemption)	• Cornerstone Patriot Fund (Partial Redemption) • Salt Pond • Fontana Industrial • Dupont	• Cornerstone Patriot Fund (Remaining Investment Redemption) • Weston, Inc	• Gateway Corporate Center • Flying Cloud • Forest Pointe (Closed August 2016) • Stonefield Apartments (Expected Fourth Quarter 2016)



* 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 Opportunities allocation with an allowable range of 0.0% to 5.0%. As of the Second Quarter, the Non-Core Real Estate Portfolio was well within its established range, representing 2.1% of the Total Plan. Including all approved unfunded commitments through June 30, SCERS has an aggregate exposure of 4.1% to Non-Core opportunities.

- Non-Core Real Estate includes investments that take on additional risk in order to achieve higher returns. Typical sources of risk are: development, re-development, rehabilitation, land investing, operating company investing, international exposure, debt investments, distressed properties and high leverage (unlimited).

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

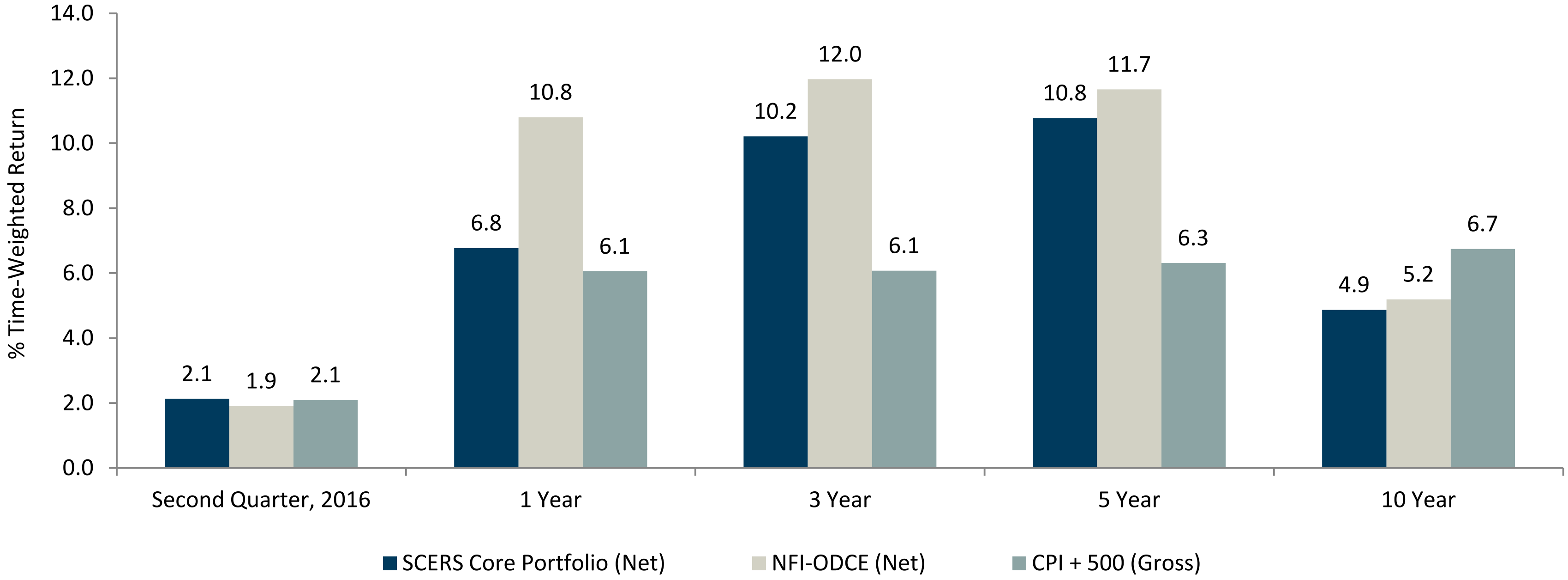
REIT Portfolio

- REITs are included within the SCERS Equity allocation with a target of 2.25%. As of the Second Quarter, the REIT Portfolio represented 2.6% of the Total Plan, in-line with the long-term target.

- REITs represent diversified non-control investments in real estate investment trusts or real estate operating companies.

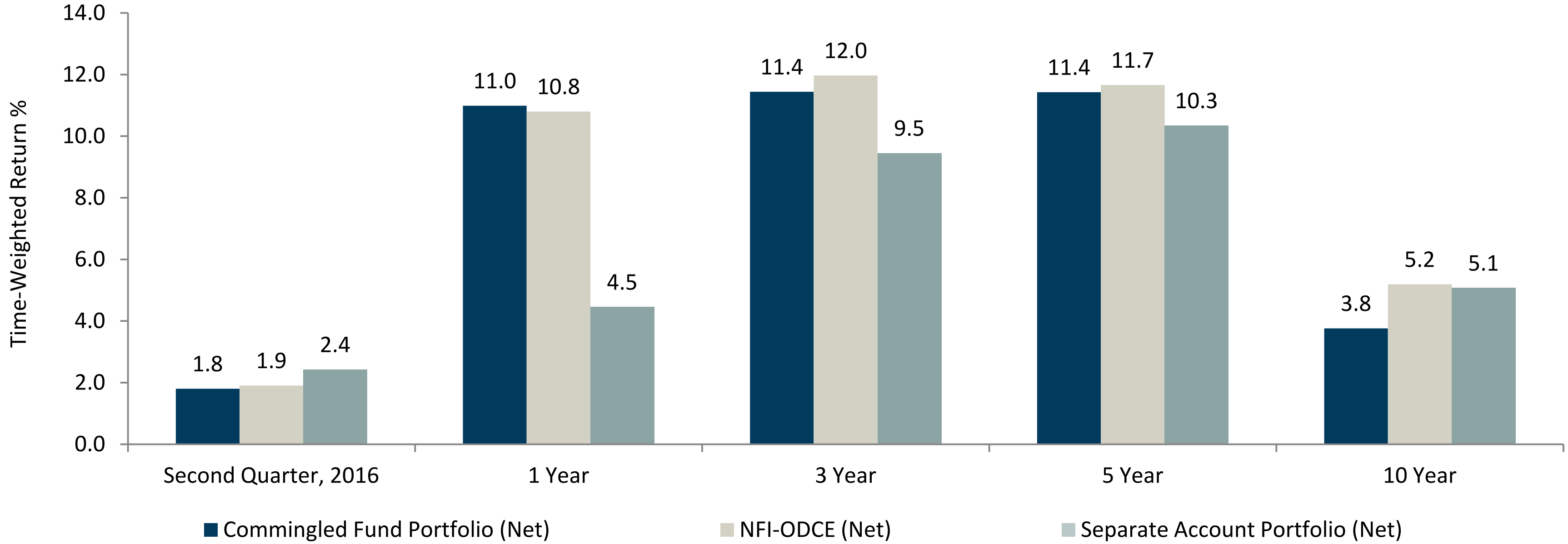
- Note that SCERS reduced its target allocation to REITs from 5.00% to 2.25% in 2013. In the Second Quarter of 2013, SCERS redeemed in full from the Principal REIT in order to rebalance the Portfolio to its established target.

Core Portfolio Performance



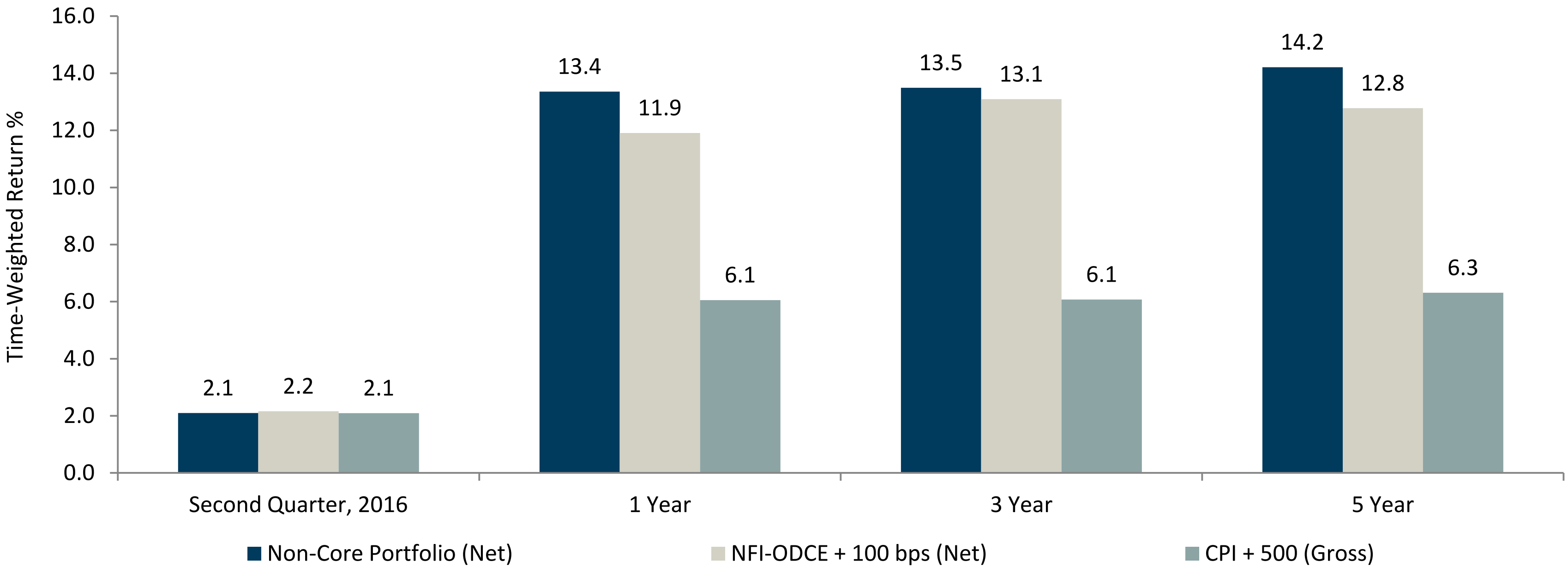
- The SCERS Core Portfolio consists of two Core Separate Accounts, managed by BlackRock and Cornerstone, and seven open-end Core Commingled funds. The Core Commingled Fund exposure includes Morgan Stanley's Prime Property Fund, MetLife Core Property Fund, Jamestown Premier Property Fund, Principal U.S. Property Account, Prologis Targeted U.S. Logistics Fund, Prologis Targeted European Logistics Fund and Townsend Real Estate Fund.
- In aggregate, the Core Portfolio underperformed the NFI-ODCE, net of fees, over all time periods with the exception of the Quarter and since inception time period (not displayed).
- Underperformance over the previous year is attributable to the write-downs in the SCERS Separate Accounts, specifically for assets being sold that did not command the prior carrying value (Flying Cloud / Cornerstone Separate Account and Stonefield Apartments / Blackrock Separate Account). Flying Cloud was sold during the Quarter. Longer term underperformance is detailed on the following slide.
- The SCERS Core Portfolio outperformed the CPI + 500 bps (the SCERS Real Asset benchmark) over all time periods, with the exception of the ten-year and since inception time periods (since inception returns not displayed).

Core Portfolio Performance by Vehicle



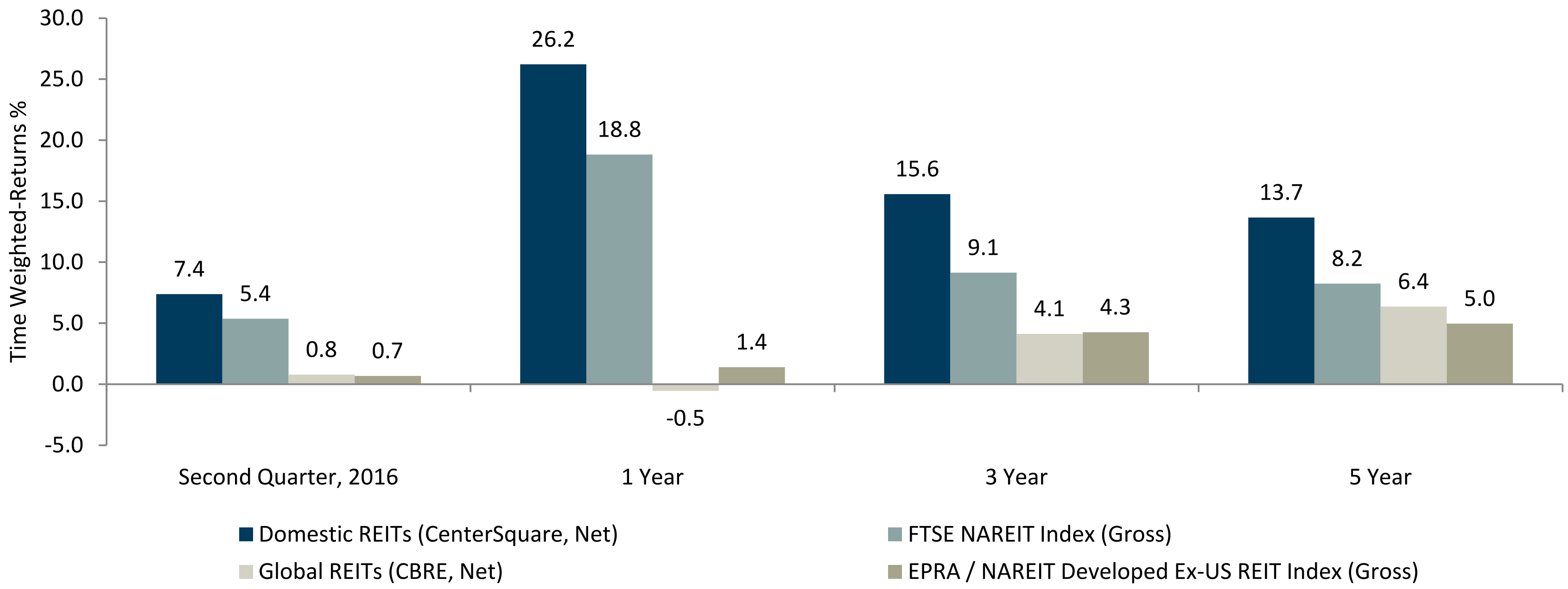
- Commingled Funds outperformed the NFI-ODCE over the one-year and since inception time periods (not displayed) but underperformed over the most recent Quarter, three and five-year time periods. Performance over the Quarter was mostly driven by Prologis Targeted US Logistics Fund and Townsend Real Estate Fund, both outperforming the NFI-ODCE. Commingled Fund outperformance over the one-year time period is attributable to recent investments in Prologis Targeted U.S. Logistics Fund, Premier Property Fund, MetLife Core Property Fund and Prime Property Fund (all made since 2013).
- Longer term underperformance is primarily attributable to the inclusion of the BlackRock Granite Property Fund in historical returns (as a result, SCERS redeemed capital in the third quarter of 2013). Furthermore, the Cornerstone Patriot Fund underperformed the Index over all time periods with the exception of the ten-year time period, due to lower leverage and occupancy levels relative to the benchmark. As a result, and also as part of the overall rebalancing plan for the Core Commingled Fund Portfolio, SCERS redeemed in full from the fund in 2015.
- Separate Account performance has suffered as a result of recent sales activity, where prices trailed carrying value.

Non-Core Portfolio Performance



- The SCERS Non-Core Portfolio includes both Value Add and Opportunistic Real Estate strategies, which are defined in the Glossary of Terms. As displayed above, the SCERS Non-Core Portfolio outperformed the NFI-ODCE + 100 basis points over all time periods with exception of the most recent Quarter.
- Over the Quarter, the Opportunistic strategies outperformed Value Add strategies with performance driven by CIM Fund VII and Och-Ziff Real Estate Fund III.
- Outperformance over the shorter time periods is attributable to Value Add strategies, specifically the NREP Nordic Strategies Fund, Hammes Partners II, Hines US Office Value Added Fund II (legacy investment). Hines & NREP's funds valued assets externally at year-end 2015, resulting in significant valuation increases.
  - Hines reported a 43% appreciation return at year-end of 2015. Despite a temporary rebound in performance, the net IRR to SCERS remains negative.
  - NREP's valuation increases in 2015 were driven by continued business plan execution and letting of vacant space, decreasing fund vacancy from 15% in 2014 to below 5%.
- Outperformance over the longer time periods is attributable to liquidated Opportunistic strategies managed by PIMCO. The five-year number also reflects a reset of market values for underperforming legacy investments following the global financial crisis.

Public Portfolio Performance

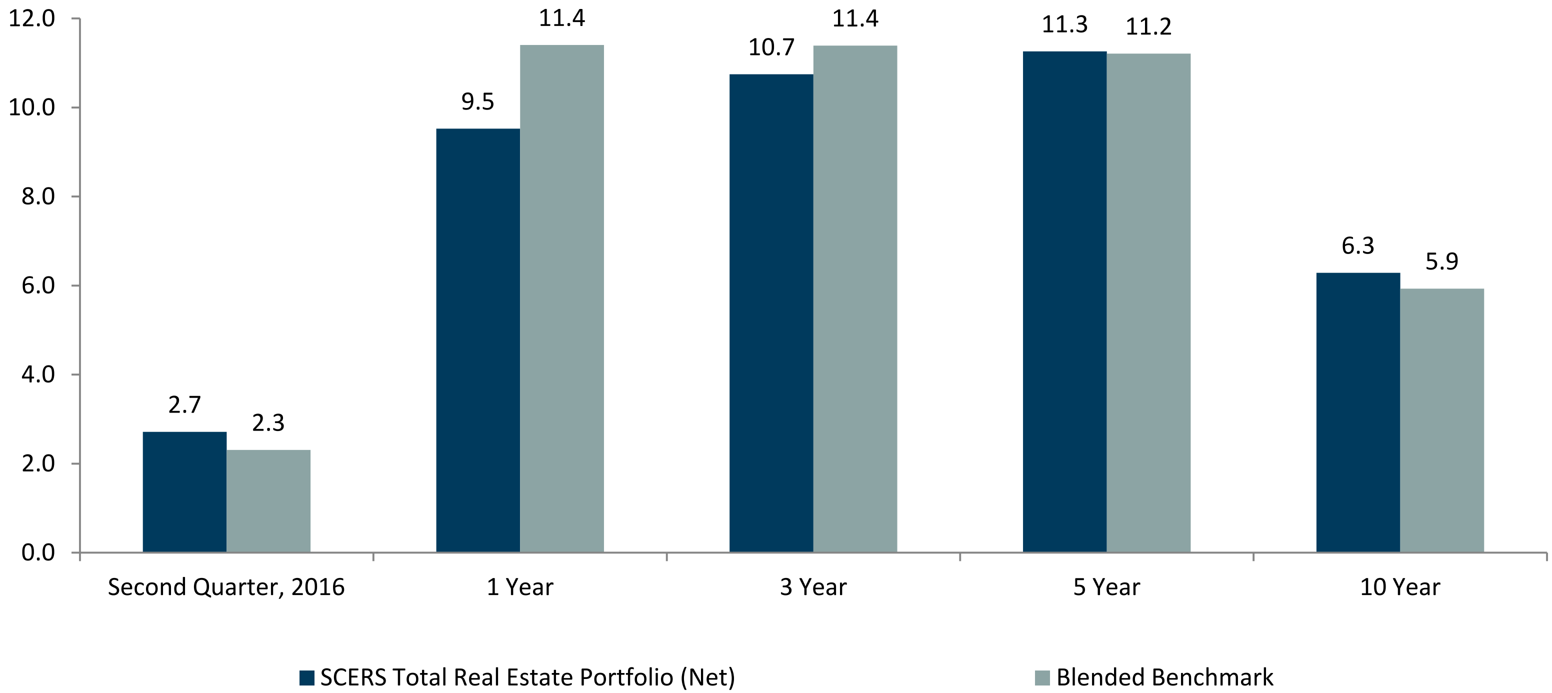


- The SCERS Public Portfolio consists of two Real Estate Investment Trusts ("REITs") managed by CBRE and CenterSquare (previously Urdang). REITs are included within the SCERS Equities Portfolio (also small cap US equities, international equities and emerging markets).
- CenterSquare manages a domestic REIT, while CBRE manages a global program. Public benchmarks by strategy are provided below:

  Domestic REITs: FTSE EPRA NAREIT Index

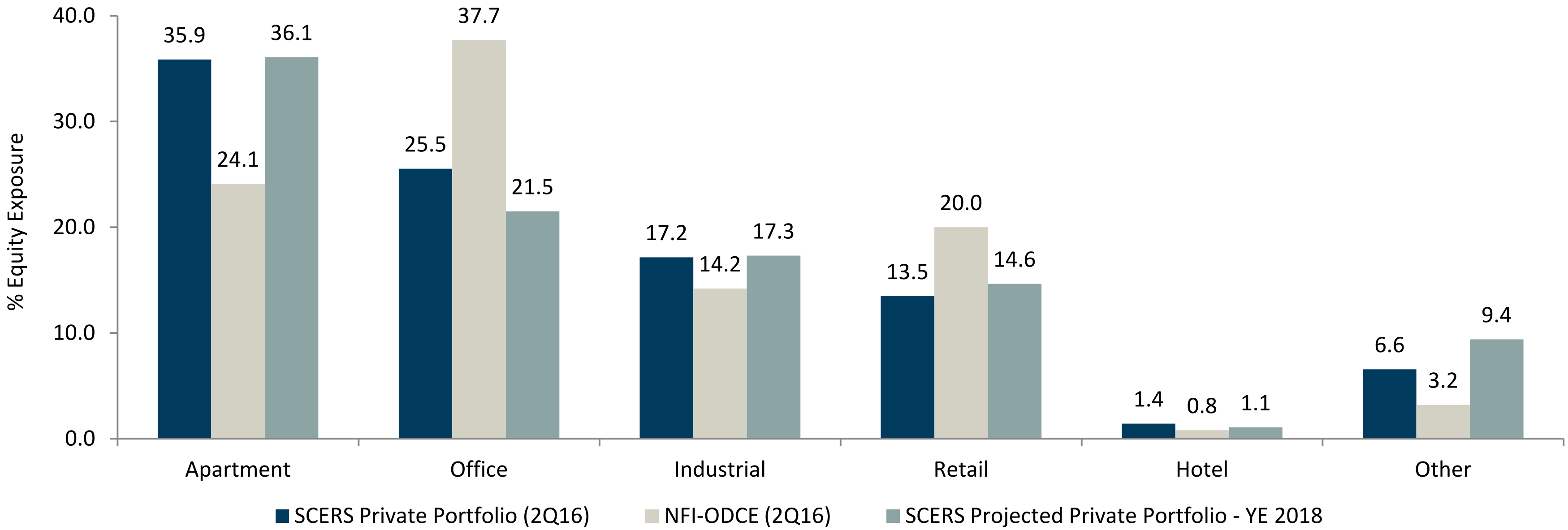
  Global REITs: FTSE EPRA / NAREIT Global Ex-US REIT Index
- The SCERS Domestic REIT, CenterSquare, outperformed its benchmark (FTSE EPRA NAREIT Index) over all time periods.
- The SCERS Global REIT, CBRE, underperformed its benchmark (FTSE EPRA/NAREIT Global Ex-US REIT Index) over the one and three-year time periods, but outperformed over the Quarter and five-year time period.

Total Real Estate Portfolio Performance



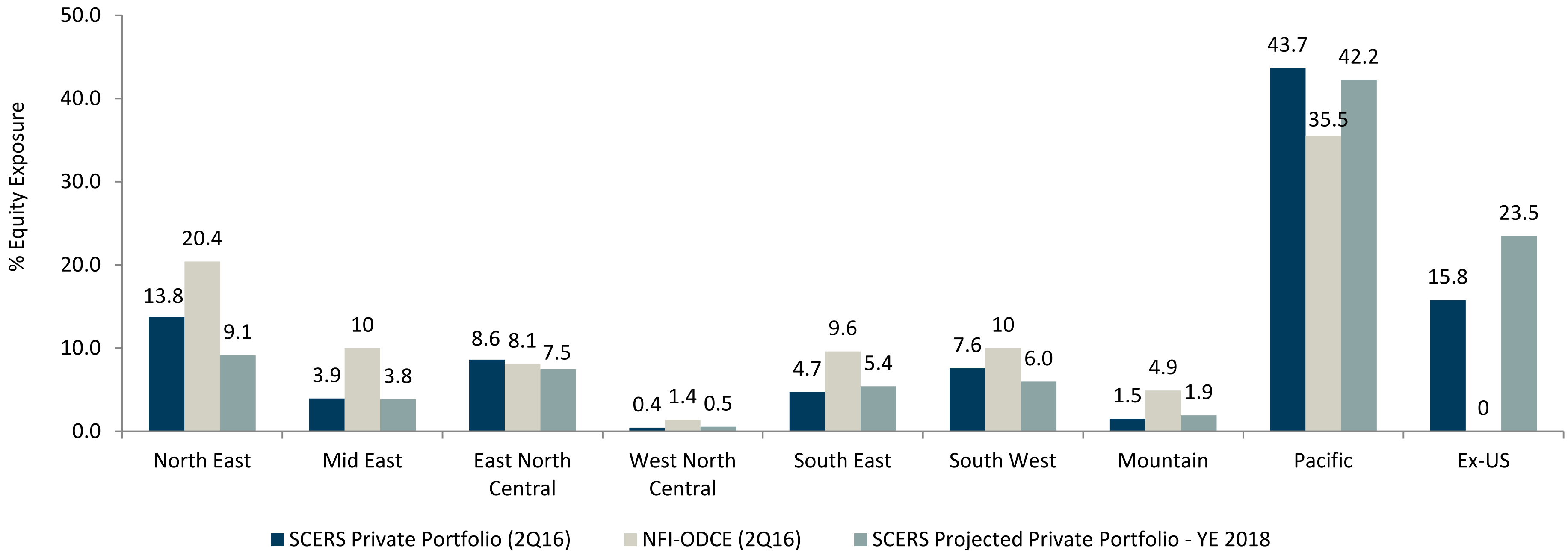
- The SCERS Total Real Estate Portfolio includes: (1) Core Real Estate, (2) Non-Core Real Estate and (3) Public Securities or REITs.
- The SCERS Blended Benchmark is comprised of the NFI-ODCE (Core Benchmark, net), NFI-ODCE + 100bps (Non-Core Benchmark, net), FTSE EPRA NAREIT Index (Domestic REITs Benchmark, gross) and FTSE EPRA / NAREIT Global Ex-US REIT Index (Global REITs Benchmark, gross) weighted by the quarterly average invested capital of each subset.
- On a net of fee basis, the SCERS Total Real Estate Portfolio underperformed the Blended Benchmark over the one and three-year time periods but outperformed over the Quarter, five and ten-year time periods.

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 ± 10.0% for each property type. The Real Estate Policy also allows for temporary deviations in order to provide SCERS with the flexibility required to overweight or underweight property types during certain parts of the market cycle.
- As of the Second Quarter, the Private Portfolio was in compliance across all property types with the exception of Apartment and Office property types.
- 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). As the remaining capital is called in 2016, the SCERS exposure to the industrial property type will increase. Note that Prologis has called $61.2 million of the $70 million committed through June 30.
- Office strategies should be considered going forward given a projected underweight to the property type by year end 2018.
- 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 ± 10.0% for each region. Ex-US exposure is limited to 30% of the Total Private Portfolio.
- As of the Second Quarter, the Private Portfolio was in compliance across all geographic regions.
- Tactical overweight/underweight positions may exist over time.
- The Private Portfolio's international exposure is 15.8%, well within its 30% constraint, but will increase as KKR Real Estate Partners Americas, Och-Ziff Real Estate Fund III, NREP Nordic Strategies Fund I and II, ECE European Prime Shopping Centre Fund II and Prologis Targeted European Logistics Fund continue to call capital and purchase assets in Europe. Though well diversified by country, 100% of the SCERS Ex-US exposure lies in European holdings.

Exhibit A: Recent Investment Themes and Execution

Recent Investment Themes and Execution

TOWNSEND GROUP

Global Industrial

- As we continue to experience a growth in e-commerce and positive momentum across global economies, Staff and Townsend identified the industrial sector as a priority investment theme in 2014. The investment thesis is supported by rebounding global trade and rising inventories as well as positive leasing activity, absorption and rent growth in the sector. At the time the theme was identified, the industrial property type had experienced lower cap rate compression than other global property types and the forecasted NOI growth for existing portfolios of assets was amongst the highest. Relative to other diversified funds, the manager return expectations for the industrial-specific funds available for investment are 11%-13%, driven by NOI growth. These returns were 100-300 basis points higher than the average manager forecasted return for the NFI-ODCE.

- SCERS made two $25 million commitments to Core open-end commingled funds in 2014: ProLogis US Logistics Fund and ProLogis European Logistics Fund. ProLogis is a leading global operator of industrial and logistics assets with meaningful relationships with the largest occupiers of space, globally (to include Amazon, Walmart, etc). Unlike closed-end funds, the open-end vehicles provide SCERS immediate access to the property type upon drawdown of capital as well as an overall portfolio diversification benefit. Townsend and Staff believe that the two commitments are complimentary, allowing SCERS to take advantage of continued economic growth in the US and a lower basis in Europe.

- SCERS made an additional $10 million commitment to the Prologis Targeted US & European Logistics Funds in the first quarter of 2015. The additional commitment to these funds is viewed as a replacement to SCERS’ underperforming real assets proxy. This additional investment will be evaluated for redemption when SCERS Staff identifies opportunities for the private real asset allocation (outside of Townsend’s purview).

- SCERS also has European industrial exposure through Och-Ziff Fund III (Poland) and NREP Nordic Strategies Fund I & II.

Recent Investment Themes and Execution (continued)

US Non-Core Exposure & Pre-Specified Asset Pools with Intrinsic Value

- In 2014, Staff and Townsend identified Non-Core real estate as an area of focus due to above-average risk premium spreads. At the time the theme was executed, the Non-Core real estate cycle had entered the later stages of recovery and as such, distress was more limited. For this reason, SCERS focused its initial US Non-Core activity on acquiring interests in commingled funds with a pre-specified component (assets that had been acquired earlier in the cycle). By focusing on portfolios of pre-existing assets, SCERS was able to limit J-Curve exposure by accessing income generating assets early in the fund life (a feature atypical for Opportunistic strategies).

- SCERS made a $35 million commitment to KKR Real Estate Partners America Fund in early 2014, an Opportunity Fund sponsored by an existing manager in the SCERS ex-real estate portfolio. KKR was 35% pre-specified when SCERS closed in to the fund. Though an "allocator," Staff and Townsend evaluated the assets that had been acquired in the fund prior to closing and recognized that asset values of the pre-specified component would increase shortly after closing due to asset improvement and positive momentum since acquisition. Similar to the DRC investment (detailed on the next slide), this helped SCERS to offset the stagnating returns of the existing positions in the SCERS Non-Core portfolio, which were positions acquired in 2006 and 2007 and had experienced strong returns as they reset in value following the global financial crisis.

- At the end of 2014, SCERS also made a $35 million commitment to CIM Fund VIII, an Opportunistic fund. CIM Fund VIII had an attractive pre-specified pool of assets purchased in the second half of 2013 and first half of 2014, which is believed to be a competitive advantage relative to other Non-Core fund offerings in the market. Additionally, CIM's vertical integration, opportunistic investment performance and qualified community strategy led Staff and Townsend to believe the fund will produce strong returns.

- In the second quarter of 2015, SCERS made a $25 million commitment to Hammes Partners II, a Value Add medical office fund. Hammes Partners II has a pre-specified portfolio generating a current income return. Given the manager's resources and relationships and past track record along with a defensive property type and unique investment space, Staff and Townsend believe the fund will provide the SCERS portfolio with income and cash generation, while mitigating J-curve. Additionally, Hammes provides exposure to the healthcare industry, which SCERS remains significantly underweight to at the Total Plan level.

Recent Investment Themes and Execution (continued)

Europe – Specialist Operator

- In 2014, Staff and Townsend also targeted a retail operator to realign the property type diversification of the Portfolio with the NFI-ODCE. The investment thesis is supported by the positive outlook on the retail segment in specific European markets with strong real estate fundamentals. Further, SCERS and Townsend have a preference for investing with operators with a niche or focus by property type or region given evidence to suggest historical outperformance relative to allocators as well as to reduce fee leakage associated with investments in allocator funds.

- SCERS made a $35 million commitment to ECE Retail Shopping Centre Fund II during the fourth quarter of 2014. When SCERS committed to ECE, the fund had a pipeline of nine investment opportunities throughout Europe, of which seven are fully stabilized. Given the pipeline and the manager's vertically integrated in-house platform, proprietary research, sourcing and leasing abilities and past track record, Staff and Townsend believe the fund will provide the SCERS portfolio with income and cash generation, while mitigating J-curve, as well as provide additional portfolio diversification.

Europe – Current Income & Downside Risk Protection

- In 2012 and 2013, the European property markets remained under pressure following the GFC, with limited prospects for growth. As such, Staff and Townsend identified a temporary dislocation in the debt sector that allowed investors to invest in senior loans collateralized by high quality Core real estate in Europe generating better risk-adjusted returns than Core equity real estate and other fixed income alternatives. In addition to better risk-adjusted returns, debt investments provide high income returns and additional downside protection should asset values decline.

- In 2014, SCERS closed on a pre-specified pool of assets acquired in 2013 within the DRC European Real Estate Debt Fund II. SCERS invested in the assets due to the quality of the underlying collateral and extremely low risk of "first dollar loss." One of the risks identified during due diligence was the possibility and expectation that the future returns would fall as the lending environment improved in Europe. As a result, SCERS structured a side-car investment in the pre-specified pool of assets with opt-out rights on any future assets acquired in the traditional commingled fund structure.

Recent Investment Themes and Execution (continued)

Core Rebalancing

- In 2014, SCERS and Townsend focused on the continued rebalancing of the Core Portfolio through commitments and redemptions from open-end funds and strategic dispositions from the separate account portfolios. In the Core Commingled Fund Portfolio, Cornerstone Patriot Fund ("CPF") was identified as an underperforming manager and as such, SCERS made a partial redemption of $50 million in the second quarter of 2014. After further evaluation of the Core Portfolio in 2015, SCERS and Townsend decided it would be best to withdraw in full from CPF and replace the investment with a Core commingled fund positioned to outperform the NFI-ODCE going-forward. During the Fourth Quarter 2015, Cornerstone redeemed SCERS in full from its investment in the Cornerstone Property Fund.

- Therefore, a $35 million commitment to the Principal US Property Account was made during the fourth quarter of 2014, with the redemption from CPF to be made prior to the funding of Principal. The rationale for investment was Principal's past performance relative to CPF, favorable rating by Townsend, complimentary diversification benefits, a shorter deposit queue wait period (relative to alternative options) and more attractive projected returns going-forward.

- In recognition of increasing Core pricing in attractive markets in 2013, Townsend and SCERS expanded the Separate Account mandates to allow for Non-Core investments. Such investments may be classified as strictly Non-Core, "acquire-to-Core" or "build-to-Core." After reviewing several Non-Core opportunities presented by the Separate Account managers, Townsend and SCERS reviewed and approved an office re-development opportunity located in Portland, Oregon with BlackRock. The deal closed in the Second Quarter of 2016.

- Before year-end 2015, and as a result of being a net seller, SCERS approved a $70 million commitment to the Townsend Real Estate Fund ("TREF"). This investment, which is a liquid core real estate fund containing multiple underlying positions, made its first capital call in the Second Quarter of 2016 and will continue to call capital as SCERS receives separate account asset sale and commingled fund distributions.

Recent Investment Themes and Execution (continued)

Nordic Region

- In 2014, Staff and Townsend targeted the Nordics Region for inclusion in the SCERS Opportunistic Portfolio to further diversify the total plan. The investment thesis is supported by the market's size, transparency, stable economic and real estate fundamentals, liquid exit market to domestic institutions, and Nordic countries budget surplus. Additionally, managers in the region have demonstrated an ability to identify and convert assets to core institutional product, with current NOI, as well as build-to-suit opportunities. This deal flow, coupled with attractive financing available from local lenders, highlights an opportune time for value-add investing in the region.

- SCERS made a $25 million commitment to NREP Nordic Strategies Fund in 2014. When SCERS committed to NREP, the fund had a seed portfolio of 4 closed assets and 3 signed transactions. Given the manager's proven track record, stable platform, and active management strategy, Staff and Townsend believe the fund will provide the SCERS portfolio with income and cash generation, as well as portfolio diversification. In 2015, SCERS approved a $35 million re-up commitment to NREP Nordics Strategies Fund II. This fund will provide the SCERS portfolio with additional diversification through allocating a portion of its capital to sectors not covered in Fund I, such as student housing and land leaseholds.

Exhibit B: Performance Flash Report

Sacramento County Employees' Retirement System

Second Quarter 2016

Portfolio Composition ($)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
7,686,208,871	Core	7.0%	520,811,628	6.8%	56,779,445	0.7%	-39,556,452	-0.5%
	Non-Core	0.00% - 5.00%	160,510,282	2.1%	155,814,814	2.0%	-143,385,396	-1.9%
	REITs	2.25%	201,129,400	2.6%	0	0.0%	-28,189,700	-0.4%
	Total	**11.5%**	**882,451,310**	**11.5%**	**212,594,259**	**2.8%**	**-211,131,549**	**-2.7%**

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	2.5	2.1	8.0	6.8	11.7	10.2	12.1	10.8
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	2.7	2.1	16.4	13.4	17.1	13.5	17.7	14.2
REIT Portfolio	4.8	4.7	14.5	14.2	10.8	10.5	11.3	11.0
Total Portfolio	3.1	2.7	10.8	9.5	12.2	10.7	12.6	11.3
NFI-ODCE (Core)	2.1	1.9	11.8	10.8	13.0	12.0	12.7	11.7
NFI-ODCE + 100 bps (Non-Core)	2.4	2.2	12.8	11.8	14.0	13.0	13.7	12.7
FTSE EPRA/NAREIT Developed ex US Index (Global REITs)	0.7		1.4		4.3		5.0	
FTSE NAREIT Index (Domestic REITs)	5.4		18.8		9.1		8.2	

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	17,561,640	0	2,897,214	19,883,495	2.3	1.8
MetLife Core Property Fund	2013	35,000,000	39,023,567	0	4,534,961	48,437,689	5.5	4.4
Prime Property Fund	2013	35,000,000	39,390,552	0	4,390,552	49,019,764	5.6	4.5
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	37,482,334	4.2	3.4
Prologis Targeted Europe Logistics Fund	2015	35,000,000	31,392,181	3,607,819	1,081,168	30,878,629	3.5	3.1
Prologis Targeted U.S. Logistics Fund	2015	35,000,000	29,800,000	5,200,000	741,181	31,429,200	3.6	3.3
Townsend Real Estate Fund, L.P.	2016	70,000,000	22,028,374	47,971,626	0	22,700,281	2.6	6.5
Core Commingled Funds	**1986**	**260,000,000**	**214,196,314**	**56,779,445**	**13,645,076**	**239,831,392**	**27.2**	**27.1**
Core Separate Accounts								
BlackRock Core Separate Account	1995	826,708,131	826,708,131	0	999,094,246	175,967,164	19.9	16.1
BlackRock Separate Account (PM Realty Takeover)	2002	150,426,664	150,426,664	0	172,818,606	43,936,798	5.0	4.0
Cornerstone Separate Account	2004	254,458,047	254,458,047	0	266,881,831	61,076,274	6.9	5.6
Core Separate Accounts	**1996**	**1,231,592,842**	**1,231,592,842**	**0**	**1,438,794,683**	**280,980,236**	**31.8**	**25.9**
Total BlackRock Separate Account	*1996*	*977,134,795*	*977,134,795*	*0*	*1,171,912,852*	*219,903,962*	*24.9*	*20.1*
Total Core Portfolio	**1986**	**1,491,592,842**	**1,445,789,156**	**56,779,445**	**1,452,439,759**	**520,811,628**	**59.0**	**53.0**
Value Added Portfolio								
AEW Value Investors Fund II[1]	2007	21,812,596	21,857,719	0	26,123,490	2,092,018	0.2	0.2
Allegis Value Trust	2006	25,000,000	25,550,296	0	10,109,296	21,538,910	2.4	2.0
DRC European Real Estate Debt Fund II	2013	50,007,963	36,989,727	12,585,823	7,859,144	29,612,738	3.4	3.9
ECE European Prime Shopping Centre Fund II[1]	2015	27,912,400	7,866,449	26,544,516	407,829	8,829,887	1.0	3.2
Hammes Partners II	2015	25,000,000	7,624,768	17,375,232	907,774	7,123,395	0.8	2.2
Hines US Office Value Added Fund II	2007	25,000,000	24,327,792	846,154	7,488,874	10,013,526	1.1	1.0
NREP Nordic Strategies Fund	2014	25,130,756	18,583,844	4,375,833	5,516,283	20,969,341	2.4	2.3
NREP Nordic Strategies Fund II	2016	35,176,432	4,569,226	30,953,787	0	4,288,970	0.5	3.2
Value Added Portfolio	**1986**	**235,040,147**	**147,369,821**	**92,681,345**	**58,412,690**	**104,468,785**	**11.8**	**18.0**

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	0	8,000,000	0	0	7,861,518	0.9	0.7
CIM Fund VIII	2015	35,000,000	16,837,876	20,027,779	857,764	18,102,439	2.1	3.5
KKR Real Estate Partners Americas	2014	35,000,000	24,794,987	15,748,152	9,349,828	21,551,166	2.4	3.4
Och-Ziff Real Estate Fund III[1]	2014	35,000,000	8,014,303	27,357,538	371,841	8,526,374	1.0	3.3
Opportunistic Portfolio	**1991**	**105,000,000**	**57,647,166**	**63,133,469**	**10,579,433**	**56,041,497**	**6.4**	**10.9**
Private Portfolio	**1986**	**1,831,632,989**	**1,650,806,143**	**212,594,259**	**1,521,431,882**	**681,321,910**	**8.9**	**7.2**
Total Non-Core Portfolio 1Q 2007 Forward	**2007**	**340,040,147**	**205,016,987**	**155,814,814**	**68,992,123**	**160,510,282**	**13.9**	**11.2**
Public Portfolio								
CBRE Clarion International Real Estate Securities Strategy	2008	60,000,000	61,135,410	0	65,280,474	78,563,890	8.9	7.2
CenterSquare REIT (formerly Urdang)	2006	50,000,000	51,089,570	0	861,558	122,565,510	13.9	11.2
Public Portfolio	**2006**	**110,000,000**	**112,224,979**	**0**	**66,142,032**	**201,129,400**	**22.8**	**18.4**
Total Current Portfolio								
SCERS	**1986**	**1,941,632,989**	**1,763,031,122**	**212,594,259**	**1,587,573,914**	**882,451,310**	**100.0**	**100.0**

[1] Preliminary performance, subject to change.

Returns (%)	Market Value ($)	Quarter				1 Year				3 Year				5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET			
Core Commingled Funds																												
Jamestown Premier Property Fund	19,883,495	1.2	0.8	2.1	1.8	4.5	7.2	11.9	9.8													4.8	10.8	15.9	12.7	1Q14	12.7	1.3
MetLife Core Property Fund	48,437,689	1.2	0.2	1.4	1.3	5.0	7.4	12.7	12.1													5.2	9.4	15.0	14.5	1Q14	14.5	1.4
Prime Property Fund	49,019,764	1.1	1.6	2.6	2.4	4.4	8.1	12.7	11.4													4.5	9.9	14.7	13.4	4Q13	13.4	1.4
Principal U.S. Property Account	37,482,334	1.3	1.3	2.5	2.3																	3.8	4.0	7.8	7.1	4Q15	9.6	1.1
Prologis Targeted Europe Logistics Fund	30,878,629	0.3	-1.4	-1.1	-1.1																	-0.5	4.6	4.2	4.2	1Q16	2.7	1.0
Prologis Targeted U.S. Logistics Fund	31,429,200	1.4	2.0	3.5	3.1	5.8	9.1	15.3	13.6													5.8	9.1	15.3	13.6	3Q15	13.5	1.1
Townsend Real Estate Fund, L.P.	22,700,281	1.0	2.1	3.1	3.1																	1.0	2.1	3.1	3.1	2Q16	13.0	1.0
Core Commingled Funds	**239,831,392**	**1.1**	**0.9**	**2.0**	**1.8**	**4.4**	**7.5**	**12.1**	**11.0**	**4.5**	**7.8**	**12.6**	**11.4**	**4.8**	**7.5**	**12.5**	**11.4**	**4.8**	**-0.1**	**4.7**	**3.8**	**4.5**	**3.1**	**7.7**	**6.8**	**4Q86**	**5.6**	**1.2**
Core Separate Accounts																												
BlackRock Core Separate Account	175,967,164	1.2	2.5	3.7	3.0	5.0	7.6	12.8	11.2	5.3	9.1	14.8	12.4	5.4	8.2	13.9	12.1	5.4	2.0	7.5	6.0	7.2	3.1	10.5	8.9	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)	43,936,798	1.4	-5.0	-3.6	-3.8	5.3	-24.2	-19.9	-20.6	4.6	-3.6	0.8	0.0	5.0	-0.5	4.5	3.7	5.1	-2.4	2.5	1.8	5.8	1.4	7.3	6.1	3Q02	8.4	1.4
Cornerstone Separate Account	61,076,274	1.2	3.2	4.4	4.2	4.5	-1.0	3.4	2.7	5.5	2.7	8.3	7.5	5.5	4.7	10.3	9.5	5.4	-0.2	5.3	4.4	5.7	1.2	6.9	6.1	3Q04	5.0	1.3
Core Separate Accounts	**280,980,236**	**1.2**	**1.8**	**3.0**	**2.4**	**4.8**	**0.8**	**5.7**	**4.5**	**5.3**	**5.6**	**11.1**	**9.5**	**5.4**	**6.1**	**11.7**	**10.3**	**5.4**	**0.8**	**6.3**	**5.1**	**7.3**	**2.7**	**10.2**	**8.8**	**1Q96**	**8.9**	**1.4**
Total BlackRock Separate Account	*219,903,962*	*1.1*	*1.3*	*2.4*	*1.8*	*4.9*	*2.2*	*7.2*	*5.7*	*5.2*	*7.2*	*12.6*	*10.6*	*5.3*	*6.9*	*12.5*	*10.8*	*5.4*	*1.4*	*6.8*	*5.4*	*7.3*	*3.0*	*10.5*	*9.1*	*1Q96*	*9.8*	*1.4*
Total Core Portfolio	**520,811,628**	**1.1**	**1.4**	**2.5**	**2.1**	**4.6**	**3.2**	**8.0**	**6.8**	**5.1**	**6.4**	**11.7**	**10.2**	**5.2**	**6.6**	**12.1**	**10.8**	**5.3**	**0.7**	**6.0**	**4.9**	**5.6**	**1.6**	**7.3**	**6.3**	**4Q86**	**8.2**	**1.4**
Value Added Portfolio																												
AEW Value Investors Fund II[2]	2,092,018	2.1	-1.6	0.5	0.2	8.4	-1.7	6.6	5.6	8.4	8.3	17.2	16.1	7.5	10.7	18.8	17.5					6.9	-2.9	3.8	2.0	3Q07	6.0	1.3
Allegis Value Trust[1]	21,538,910	1.4	1.2	2.6	2.5	5.9	6.1	12.2	11.7	6.0	3.2	9.3	8.8	6.1	5.1	11.4	10.7					4.7	-5.1	-0.6	-2.3	1Q07		
DRC European Real Estate Debt Fund II	29,612,738	5.2	-7.2	-1.9	-2.2	11.9	-15.0	-4.4	-5.8													10.4	-8.0	1.9	-0.5	1Q14	0.8	1.0
ECE European Prime Shopping Centre Fund II[2]	8,829,887	4.5	1.3	5.8	5.4																	5.1	19.5	25.8	23.8	4Q15	33.2	1.2
Hammes Partners II	7,123,395	4.0	-0.2	3.8	2.2	14.9	12.9	29.9	19.0													14.9	12.9	29.9	19.0	3Q15	9.3	1.1
Hines US Office Value Added Fund II	10,013,526	1.4	6.8	8.2	7.7	5.1	54.7	61.7	58.5	3.8	29.7	34.4	31.1	5.4	18.2	24.5	21.0					5.3	-12.1	-7.6	-11.3	4Q07	-5.0	0.7
NREP Nordic Strategies Fund	20,969,341	3.1	-0.2	2.9	2.6	13.5	22.3	38.0	35.7													15.5	26.3	44.8	41.5	1Q15	42.9	1.4
NREP Nordic Strategies Fund II[4]	4,288,970																									3Q16		
Value Added Portfolio	**104,468,785**	**3.4**	**-1.1**	**2.3**	**1.9**	**9.9**	**5.9**	**16.3**	**14.0**	**8.4**	**6.8**	**15.6**	**13.3**	**7.6**	**7.7**	**15.8**	**13.8**	**5.0**	**-4.6**	**0.2**	**-2.8**	**1.7**	**3.4**	**5.1**	**4.1**	**4Q86**	**2.8**	**1.1**
Opportunistic Portfolio																												
BlackRock High Return Separate Account[4]	7,861,518																									3Q16	-36.6	1.0
CIM Fund VIII	18,102,439	0.5	3.7	4.2	3.5	-0.4	21.6	21.1	17.4													0.2	16.5	16.8	13.1	2Q15	12.0	1.1
KKR Real Estate Partners Americas	21,551,166	0.0	3.0	3.0	2.0	5.3	6.1	11.7	7.8													6.5	8.1	15.0	9.5	2Q14	19.2	1.2
Och-Ziff Real Estate Fund III[(2)(3)]	8,526,374	2.5	3.7	6.3	4.6	12.5	15.0	28.9	17.6													23.4	10.1	35.3	-8.4	4Q14	13.2	1.1
Opportunistic Portfolio	**56,041,497**	**0.3**	**3.3**	**3.6**	**2.6**	**4.0**	**12.1**	**16.5**	**11.8**	**4.6**	**24.1**	**29.7**	**21.9**	**3.5**	**24.3**	**28.5**	**21.2**	**2.6**	**13.4**	**16.3**	**11.1**	**1.0**	**8.4**	**9.4**	**7.5**	**1Q91**	**0.0**	**1.3**
Total Non-Core Portfolio 1Q 2007 Forward	**160,510,282**	**2.5**	**0.2**	**2.7**	**2.1**	**8.1**	**7.8**	**16.4**	**13.4**	**7.7**	**8.9**	**17.1**	**13.5**	**6.5**	**10.7**	**17.7**	**14.2**					**4.1**	**4.6**	**8.7**	**4.2**	**1Q07**	**5.2**	**1.2**
Private Portfolio	**681,321,910**	**1.5**	**1.1**	**2.5**	**2.1**	**5.4**	**4.1**	**9.7**	**8.1**	**5.5**	**6.9**	**12.7**	**10.8**	**5.4**	**7.2**	**12.9**	**11.3**	**5.3**	**1.2**	**6.6**	**5.1**	**4.4**	**4.6**	**9.1**	**8.1**	**4Q86**	**8.1**	**1.3**
Public Portfolio																												
CBRE Clarion International Real Estate Securities Strategy	78,563,890	0.8	0.0	0.8	0.8	2.7	-3.0	-0.4	-0.5	2.9	1.5	4.4	4.1	3.3	3.3	6.6	6.4					3.6	8.8	12.6	12.2	1Q09	15.3	2.4
CenterSquare REIT (formerly Urdang)	122,565,510	0.8	6.6	7.5	7.4	4.5	21.3	26.6	26.2	4.0	11.6	15.9	15.6	3.9	9.9	14.1	13.7	4.3	5.6	10.1	9.4	4.2	5.2	9.7	9.0	2Q06	9.2	2.4
Public Portfolio	**201,129,400**	**0.8**	**4.0**	**4.8**	**4.7**	**3.7**	**10.5**	**14.5**	**14.2**	**3.5**	**7.2**	**10.8**	**10.5**	**3.5**	**7.6**	**11.3**	**11.0**	**3.8**	**5.9**	**9.9**	**9.4**	**3.8**	**5.6**	**9.6**	**9.1**	**2Q06**	**10.2**	**2.1**
Total Portfolio																												
SCERS	**882,451,310**	**1.3**	**1.7**	**3.1**	**2.7**	**5.0**	**5.6**	**10.8**	**9.5**	**5.1**	**6.9**	**12.2**	**10.7**	**5.0**	**7.3**	**12.6**	**11.3**	**4.9**	**2.5**	**7.5**	**6.3**	**4.3**	**5.0**	**9.4**	**8.5**	**4Q86**	**8.4**	**1.4**

Returns (%)	Market Value ($)	Quarter				1 Year				3 Year				5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	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)	€ 27,803,118	0.3	1.0	1.3	1.4																	-1.0	4.7	3.7	3.7	1Q16	6.6	1.0
DRC European Real Estate Debt Fund II (Pound Sterling)	£22,245,089	5.2	0.0	5.2	4.9	12.0	0.0	12.0	10.4													10.5	0.3	10.8	8.1	1Q14	8.2	1.1
ECE European Prime Shopping Centre Fund II (Euro)[2]	€ 7,950,430	5.6	2.5	8.2	7.8																	8.4	27.0	38.0	35.2	4Q15	32.8	1.2
NREP Nordic Strategies Fund (Euro)	€ 18,880,794	3.2	2.3	5.6	5.2	13.8	22.4	38.3	36.0													15.8	33.2	52.7	49.2	1Q15	48.2	1.5
NREP Nordic Strategies Fund II (Euro)[4]	€ 3,861,788																									3Q16	-100.0	0.9
Indices																												
NFI-ODCE		1.1	1.0	2.1	1.9	4.6	7.0	11.8	10.8	4.9	7.8	13.0	12.0	5.1	7.3	12.7	11.7	5.4	0.7	6.2	5.2	7.0	0.3	7.3	6.3	4Q86		
NFI-ODCE + 100bps				2.4	2.2			12.8	11.8			14.0	13.0			13.7	12.7			7.2	6.2			8.3	7.3	4Q86		
FTSE EPRA/NAREIT Developed ex-US Index				0.7				1.4				4.3				5.0				3.1				9.0		1Q93		
FTSE EPRA NAREIT US Index				5.4				18.8				9.1				8.2				8.2				6.7		1Q90		
CPI + 500 BPS				2.1				6.1				6.1				6.3				6.7				7.6		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] Partial Performance Period, Returns will be reported beginning in the subsequent quarter

TOWNSENDGROUP

Sacramento County Employees' Retirement System

Second Quarter 2016

Returns (%)	Market Value ($)	Quarter				1 Year				3 Year				5 Year				Inception		TWR Calculation Inception	Net IRR	Equity Multiple
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	TGRS	TNET			
BlackRock Core Separate Account																						
1811 Brittmoore	12,803,950	1.5	0.6	2.0	1.9	6.7	-2.7	3.9	7.2	6.5	2.7	9.4	8.8					11.0	10.4	4Q12	10.3	1.4
Forest Pointe	33,825,723	1.2	1.0	2.2	2.0	6.0	0.3	6.2	5.5	6.1	3.7	10.0	9.2	6.5	3.1	9.8	9.0	6.1	5.3	4Q05	5.1	1.3
Harbour Pointe	35,845,849	1.1	-0.1	0.9	0.6	5.3	5.8	11.4	9.1	6.1	6.1	12.4	9.9	6.2	6.4	13.0	10.2	8.0	6.6	4Q05	7.1	1.5
Hillside Village	40,481,503	1.1	7.2	8.3	5.7	4.4	15.8	20.7	16.9	4.3	17.5	22.3	18.9	4.1	13.2	17.6	15.4	8.2	6.7	4Q07	4.3	1.3
Lake Washington Park	37,423,513	1.1	2.5	3.6	3.4	4.8	3.3	8.2	7.7	4.2	11.5	16.1	15.4	4.4	9.2	13.9	13.2	2.9	2.1	3Q07	2.9	1.2
SC Dupont Fee, inc.[1]	85,346																			1Q07		
SCERS - Portfolio Master Acct.[2]	91,969																			2Q01		
The Tower at Hollywood Hills	15,116,062	1.4	1.5	2.9	2.6	5.9	11.8	18.3	14.2	5.2	9.5	15.1	12.3	5.1	7.1	12.4	10.0	8.2	6.6	1Q08	5.7	1.5
Weston, Inc.	293,249	4.2	1.0	5.2	5.2	5.5	15.8	22.3	22.1	5.2	10.0	15.8	15.4	5.4	6.8	12.5	12.1	1.7	1.2	1Q06	4.4	1.3
Investment Total	**175,967,164**	**1.2**	**2.5**	**3.7**	**3.0**	**5.0**	**7.6**	**12.8**	**11.2**	**5.3**	**9.1**	**14.8**	**12.4**	**5.4**	**8.2**	**13.9**	**12.1**	**10.5**	**8.9**	**1Q96**	**10.0**	**1.4**
BlackRock Separate Account (PM Realty Takeover)																						
Fontana Industrial Ctr[1]	54,629	-49.5	0.0	-49.5	-49.5	-37.9	0.0	-37.9	-37.9	-16.7	9.1	-9.0	-9.2	-9.0	5.1	-4.2	-4.5	3.5	2.4	3Q02	9.4	1.8
Stonefield Apts	43,882,170	1.6	-5.1	-3.5	-3.7	5.4	-24.4	-20.0	-20.7	5.3	-6.5	-1.5	-2.3	5.9	1.3	7.2	6.4	8.4	7.5	1Q03	7.1	1.4
Investment Total	**43,936,799**	**1.4**	**-5.0**	**-3.6**	**-3.8**	**5.3**	**-24.2**	**-19.9**	**-20.6**	**4.6**	**-3.6**	**0.8**	**0.0**	**5.0**	**-0.5**	**4.5**	**3.7**	**7.3**	**6.1**	**3Q02**	**8.4**	**1.4**
Cornerstone Separate Account																						
Crescent Park	60,926,644	1.2	4.0	5.2	5.0	5.3	5.4	10.9	10.1	5.0	7.6	12.9	12.1	4.6	9.9	14.8	13.9	6.4	5.3	1Q06	5.3	1.5
Flying Cloud[1]	83,935	-0.4	-5.4	-5.8	-6.0	4.6	-17.5	-13.5	-14.0	5.1	-7.0	-2.3	-2.9	4.8	-4.8	-0.2	-0.8	0.2	-0.4	4Q06	0.1	1.0
Gateway Corporate[1]	43,047	16.6	0.0	16.6	16.6	12.9	-16.9	-6.5	-7.2	10.0	-8.5	0.6	-0.4	9.0	-0.8	8.1	7.0	-0.6	-1.7	1Q08	-1.4	0.9
Salt Pond[1]	22,649	26.4	0.0	26.4	26.4	115.1	0.0	115.1	115.1	32.1	5.8	39.6	39.2	21.3	5.3	27.6	27.1	11.3	10.6	3Q04	7.2	1.6
Investment Total	**61,076,275**	**1.2**	**3.2**	**4.4**	**4.2**	**4.5**	**-1.0**	**3.4**	**2.7**	**5.5**	**2.7**	**8.3**	**7.5**	**5.5**	**4.7**	**10.3**	**9.5**	**6.9**	**6.1**	**3Q04**	**5.0**	**1.3**
BlackRock High Return Separate Account																						
Block 295	7,861,518																			3Q16	-36.6	1.0
Investment Total	**7,861,518**																			**3Q16**	**-36.6**	**1.0**
Total																						
Total Separate Accounts	**288,841,756**	**1.2**	**1.8**	**3.0**	**2.4**	**4.8**	**0.8**	**5.7**	**4.5**	**5.3**	**5.6**	**11.1**	**9.5**	**5.4**	**6.1**	**11.7**	**10.3**	**10.2**	**8.8**	**1Q96**	**8.9**	**1.4**
Index																						
NFI-ODCE		1.1	1.0	2.1	1.9	4.6	7.0	11.8	10.8	4.9	7.8	13.0	12.0	5.1	7.3	12.7	11.7	7.3	6.3	4Q86		

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

[2] SCERS - Portfolio Master Acct. is a cash account that holds leftover cash from previous sales and used for various expenses.

Returns (Property)

Returns (%)	Market Value ($)	Quarter				1 Year				3 Year				5 Year				10 Year				Inception				TWR Calculation Inception	Net IRR
		INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET	INC	APP	TGRS	TNET		
Core Separate Accounts																											
BlackRock Separate Account	175,967,164	1.2	2.5	3.7	3.0	5.0	7.6	12.8	11.2	5.3	9.1	14.8	12.4	5.4	8.2	13.9	12.1	5.4	2.0	7.5	6.0	7.2	3.1	10.5	8.9	1Q96	10.0
BlackRock Separate Account (PM Realty Takeover)	43,936,798	1.4	-5.0	-3.6	-3.8	5.3	-24.2	-19.9	-20.6	4.6	-3.6	0.8	0.0	5.0	-0.5	4.5	3.7	5.1	-2.4	2.5	1.8	5.8	1.4	7.3	6.1	3Q02	8.4
Cornerstone Separate Account	61,076,274	1.2	3.2	4.4	4.2	4.5	-1.0	3.4	2.7	5.5	2.7	8.3	7.5	5.5	4.7	10.3	9.5	5.4	-0.2	5.3	4.4	5.7	1.2	6.9	6.1	3Q04	5.0
Core Separate Accounts	**280,980,236**	**1.2**	**1.8**	**3.0**	**2.4**	**4.8**	**0.8**	**5.7**	**4.5**	**5.3**	**5.6**	**11.1**	**9.5**	**5.4**	**6.1**	**11.7**	**10.3**	**5.4**	**0.8**	**6.3**	**5.1**	**7.3**	**2.7**	**10.2**	**8.8**	**1Q96**	**8.9**
Total BlackRock Separate Account	*219,903,962*	*1.1*	*1.3*	*2.4*	*1.8*	*4.9*	*2.2*	*7.2*	*5.7*	*5.2*	*7.2*	*12.6*	*10.6*	*5.3*	*6.9*	*12.5*	*10.8*	*5.4*	*1.4*	*6.8*	*5.4*	*7.3*	*3.0*	*10.5*	*9.1*	*1Q96*	*9.8*
Separate Account Returns by Property Type																											
Apartment	194,232,101	1.3	2.3	3.6	2.9	5.3	1.4	6.7	5.1	5.1	6.5	11.8	10.3	5.1	7.6	12.9	11.6	4.5	2.5	7.0	6.0	5.9	1.9	7.9	7.0	1Q96	6.0
Industrial	12,858,578	1.0	0.6	1.6	1.5	6.3	-2.6	3.6	6.9	5.0	6.5	11.7	11.8	5.1	4.3	9.5	9.4	5.2	0.3	5.5	4.6	7.6	3.3	11.1	9.7	3Q96	13.4
Office	37,929,090	1.1	1.4	2.5	2.4	3.5	-2.3	1.2	0.6	5.1	2.7	7.9	6.3	5.3	4.6	10.1	8.9	5.7	-2.3	3.3	2.3	7.9	2.0	10.0	8.4	1Q96	8.6
Retail	35,868,498	1.1	-0.1	0.9	0.7	5.5	5.8	11.5	9.3	6.1	7.8	14.3	12.3	6.3	6.3	12.8	10.9	6.4	-0.6	5.8	4.5	7.7	2.8	10.7	9.1	4Q99	9.8
Total Portfolio																											
SCERS	**882,451,310**	**1.3**	**1.7**	**3.1**	**2.7**	**5.0**	**5.6**	**10.8**	**9.5**	**5.1**	**6.9**	**12.2**	**10.7**	**5.0**	**7.3**	**12.6**	**11.3**	**4.9**	**2.5**	**7.5**	**6.3**	**4.3**	**5.0**	**9.4**	**8.5**	**4Q86**	**8.4**
NPI Property Level Returns																											
NPI- Apartment		1.2	0.7	1.9		4.7	4.9	9.7		4.8	5.4	10.4		5.0	5.8	11.0		5.1	1.7	6.9		6.3	3.3	9.8		1Q96	
NPI- Industrial		1.3	1.6	2.9		5.4	7.6	13.3		5.6	7.6	13.6		5.9	6.6	12.8		6.2	1.2	7.5		7.4	2.6	10.2		3Q96	
NPI-Office		1.1	0.6	1.7		4.6	4.5	9.3		5.0	5.6	10.8		5.2	5.1	10.5		5.6	1.4	7.0		7.0	2.6	9.8		1Q96	
NPI-Retail		1.2	1.0	2.2		5.0	7.0	12.2		5.4	7.4	13.1		5.7	7.1	13.1		6.0	2.5	8.6		6.8	3.9	10.9		4Q99	
Indices																											
NFI-ODCE		1.1	1.0	2.1	1.9	4.6	7.0	11.8	10.8	4.9	7.8	13.0	12.0	5.1	7.3	12.7	11.7	5.4	0.7	6.2	5.2	7.0	0.3	7.3	6.3	4Q86	

Returns (%)	Market Value ($)	2016 (YTD)		2015		2014		2013		2012		2011		2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Commingled Funds																											
Jamestown Premier Property Fund	19,883,495	3.1	2.7	22.4	17.3	14.7	11.9																				
MetLife Core Property Fund	48,437,689	3.4	3.1	16.9	16.3	17.4	16.9																				
Prime Property Fund	49,019,764	4.9	4.3	15.9	14.6	15.5	14.1	3.8	3.6																		
Principal U.S. Property Account	37,482,334	4.7	4.2	3.0	2.8																						
Prologis Targeted Europe Logistics Fund	30,878,629	4.2	4.2																								
Prologis Targeted U.S. Logistics Fund	31,429,200	5.7	5.2	9.1	7.9																						
Townsend Real Estate Fund, L.P.	22,700,281	3.1	3.1																								
Core Commingled Funds	**239,831,392**	**4.5**	**4.1**	**15.7**	**14.1**	**13.5**	**12.4**	**10.2**	**9.3**	**11.1**	**10.1**	**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	175,967,164	6.0	5.0	15.3	13.9	16.3	12.5	11.8	9.6	13.5	13.0	17.8	17.4	20.7	19.6	-29.5	-29.1	-13.9	-14.3	21.2	16.8	17.7	13.3	27.1	21.6	9.3	5.1
BlackRock Separate Account (PM Realty Takeover)	43,936,798	-2.8	-3.2	-13.2	-13.9	19.2	18.4	6.7	5.9	10.1	9.5	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	61,076,274	4.0	3.7	2.4	1.6	14.0	13.2	11.3	10.5	16.2	15.4	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	**280,980,236**	**4.2**	**3.5**	**7.7**	**6.6**	**16.0**	**13.5**	**11.0**	**9.5**	**14.1**	**13.5**	**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**
Total BlackRock Separate Account	*219,903,962*	*4.5*	*3.6*	*10.7*	*9.4*	*17.0*	*13.6*	*10.9*	*9.0*	*13.1*	*12.5*	*16.1*	*15.7*	*17.3*	*16.4*	*-26.8*	*-26.7*	*-11.1*	*-11.6*	*18.5*	*15.0*	*16.8*	*13.1*	*34.0*	*28.2*	*9.9*	*6.6*
Total Core Portfolio	**520,811,628**	**4.3**	**3.7**	**10.4**	**9.2**	**15.3**	**13.2**	**10.8**	**9.5**	**13.3**	**12.6**	**18.2**	**17.6**	**17.6**	**16.7**	**-29.5**	**-29.8**	**-11.3**	**-12.0**	**16.1**	**13.8**	**15.5**	**12.7**	**30.3**	**25.8**	**10.6**	**7.1**
Value Added Portfolio																											
AEW Value Investors Fund II[1]	2,092,018	0.0	-0.5	20.8	19.7	19.4	18.3	23.1	21.8	21.6	20.2	24.7	22.7	22.6	18.3	-49.0	-50.5	-18.9	-20.3	2.0	1.0						
Allegis Value Trust	21,538,910	6.7	6.4	8.6	8.0	10.8	10.2	4.7	4.0	21.8	20.9	15.7	14.7	21.6	20.4	-62.2	-62.8	-21.2	-23.9	38.6	28.4						
DRC European Real Estate Debt Fund II	29,612,738	-1.5	-2.1	5.0	3.0	1.4	-2.1																				
ECE European Prime Shopping Centre Fund II[1]	8,829,887	12.2	11.5	12.1	11.0																						
Hammes Partners II	7,123,395	8.8	5.4	19.4	12.9																						
Hines US Office Value Added Fund II	10,013,526	10.8	9.8	50.8	47.2	50.2	46.4	11.5	8.4	10.4	6.8	5.3	0.7	26.2	18.0	-71.5	-73.2	-47.7	-50.3	-18.0	-19.4						
NREP Nordic Strategies Fund	20,969,341	12.3	11.6	55.1	50.8																						
NREP Nordic Strategies Fund II	4,288,970																										
Value Added Portfolio	**104,468,785**	**6.3**	**5.2**	**19.1**	**17.0**	**15.7**	**13.7**	**13.3**	**10.8**	**19.6**	**18.1**	**16.7**	**14.7**	**23.2**	**20.3**	**-56.4**	**-57.6**	**-31.2**	**-33.5**	**18.2**	**5.6**	**0.8**	**0.5**				
Opportunistic Portfolio																											
BlackRock High Return Separate Account	7,861,518																										
CIM Fund VIII	18,102,439	3.8	2.5	16.9	13.8																						
KKR Real Estate Partners Americas	21,551,166	3.7	2.3	17.1	12.5	12.7	6.5																				
Och-Ziff Real Estate Fund III[1]	8,526,374	16.1	11.9	33.7	6.9	9.4	-28.3																				
Opportunistic Portfolio	**56,041,497**	**5.2**	**3.4**	**23.8**	**13.1**	**77.7**	**62.7**	**11.7**	**9.4**	**54.2**	**38.5**	**-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	**160,510,282**	**6.0**	**4.7**	**20.0**	**15.6**	**19.7**	**16.3**	**16.7**	**13.5**	**34.6**	**26.9**	**-0.3**	**0.4**	**37.0**	**30.4**	**-13.5**	**-17.8**	**-33.7**	**-35.7**	**18.2**	**5.6**						
Private Portfolio	**681,321,910**	**4.7**	**3.9**	**12.3**	**10.5**	**15.9**	**13.6**	**11.4**	**9.9**	**16.4**	**14.7**	**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**
Public Portfolio																											
CBRE Clarion International Real Estate Securities Strategy	78,563,890	5.2	5.1	-2.7	-2.9	2.9	2.8	15.2	14.8	37.7	37.5	-15.1	-15.3	13.9	13.6	50.7	49.3										
CenterSquare REIT (formerly Urdang)	122,565,510	14.0	13.8	5.4	5.1	32.7	32.3	3.7	3.4	17.7	17.0	11.3	10.4	30.8	29.6	37.7	35.9	-35.0	-35.3	-13.7	-14.2	17.8	17.5				
Public Portfolio	**201,129,400**	**10.4**	**10.3**	**1.9**	**1.7**	**18.1**	**17.8**	**11.9**	**11.5**	**26.2**	**25.8**	**-2.1**	**-2.5**	**21.0**	**20.5**	**41.5**	**40.2**	**-19.0**	**-19.4**	**-15.0**	**-15.6**	**17.6**	**17.1**				
Total Portfolio																											
SCERS	**882,451,310**	**6.0**	**5.4**	**9.8**	**8.3**	**16.3**	**14.4**	**12.0**	**10.7**	**19.2**	**17.8**	**9.8**	**9.4**	**20.6**	**19.2**	**-16.0**	**-16.7**	**-14.1**	**-14.7**	**10.7**	**8.7**	**16.9**	**14.2**	**30.3**	**25.8**	**10.6**	**7.1**
Indices																											
NFI-ODCE		4.4	3.9	15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3	21.4	20.2	13.1	12.0
NFI-ODCE + 100 bps		4.9	4.4	16.0	15.0	13.5	12.5	14.9	13.9	11.9	10.8	17.0	16.0	17.4	16.3	-28.8	-29.4	-9.0	-9.7	17.0	15.8	17.3	16.3	22.4	21.2	14.1	13.0
FTSE EPRA/NAREIT Developed ex-US Index		5.9		-3.2		3.2		6.1		38.6		-15.3		16.0		44.7		-52.0		-0.9		47.4		18.3		42.4	
FTSE EPRA NAREIT Index		10.4		2.8		28.0		2.9		19.7		8.3		27.9		28.0		-37.7		-15.7		35.1		12.2		31.6	
CPI + 500 BPS		3.3		5.7		5.7		6.6		6.9		8.2		6.5		8.0		5.0		9.3		7.7		8.5		8.5	

[1] Preliminary performance, subject to change.

Returns (%)	Market Value ($)	2016 (YTD)		2015		2014		2013		2012		2011		2010		2009		2008		2007		2006		2005		2004	
		TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Separate Accounts																											
BlackRock Core Separate Account	175,967,164	6.0	5.0	15.3	13.9	16.3	12.5	11.8	9.6	13.5	13.0	17.8	17.4	20.7	19.6	-29.5	-29.1	-13.9	-14.3	21.2	16.8	17.7	13.3	27.1	21.6	9.3	5.1
BlackRock Separate Account (PM Realty Takeover)	43,936,798	-2.8	-3.2	-13.2	-13.9	19.2	18.4	6.7	5.9	10.1	9.5	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	61,076,274	4.0	3.7	2.4	1.6	14.0	13.2	11.3	10.5	16.2	15.4	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	**280,980,236**	**4.2**	**3.5**	**7.7**	**6.6**	**16.0**	**13.5**	**11.0**	**9.5**	**14.1**	**13.5**	**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**
Total BlackRock Separate Account	*227,765,481*	*4.5*	*3.6*	*10.7*	*9.4*	*17.0*	*13.6*	*10.9*	*9.0*	*13.1*	*12.5*	*16.1*	*15.7*	*17.3*	*16.4*	*-26.8*	*-26.7*	*-11.1*	*-11.6*	*18.5*	*15.0*	*16.8*	*13.1*	*34.0*	*28.2*	*9.9*	*6.6*
Separate Account Returns by Property Type																											
Apartment	194,232,101	5.7	4.7	9.2	7.7	14.7	13.0	13.3	12.0	18.2	17.5	15.5	14.8	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	12,858,578	3.3	2.9	3.5	6.5	25.9	24.5	9.9	8.4	-0.3	-0.7	17.2	16.8	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	37,929,090	1.5	1.2	4.8	4.1	12.7	9.3	9.4	8.6	15.0	14.2	20.7	20.0	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	35,868,498	2.6	2.0	12.2	9.8	22.2	20.1	10.3	6.5	12.4	12.0	13.5	13.6	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 Portfolio																											
SCERS	**288,841,755**	**5.9**	**5.3**	**9.8**	**8.3**	**16.3**	**14.4**	**12.0**	**10.7**	**19.2**	**17.8**	**9.8**	**9.4**	**20.6**	**19.2**	**-16.0**	**-16.7**	**-14.1**	**-14.7**	**10.7**	**8.7**	**16.9**	**14.2**	**30.3**	**25.8**	**10.6**	**7.1**
Indices																											
NFI-ODCE		4.4	3.9	15.0	14.0	12.5	11.5	13.9	12.9	10.9	9.8	16.0	15.0	16.4	15.3	-29.8	-30.4	-10.0	-10.7	16.0	14.8	16.3	15.3	21.4	20.2	13.1	12.0
NFI-ODCE + 100 bps		4.9	4.4	16.2	15.1	13.6	12.6	15.1	14.0	12.0	10.9	17.1	16.1	17.5	16.4	-29.1	-29.7	-9.1	-9.8	17.1	16.0	17.5	16.4	22.6	21.4	14.2	13.1
FTSE EPRA/NAREIT Developed ex-US Index		5.9		-3.2		3.2		6.1		38.6		-15.3		16.0		44.7		-52.0		-0.9		47.4		18.3		42.4	
FTSE EPRA NAREIT Index		10.4		2.8		28.0		2.9		19.7		8.3		27.9		28.0		-37.7		-15.7		35.1		12.2		31.6	
CPI + 500 BPS		3.3		5.7		5.7		6.6		6.9		8.2		6.5		8.0		5.0		9.3		7.7		8.5		8.5	

Cal YR Returns (Prop type)

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	19,535,768	207,311	207,311	0	235,817	53,414	165,323	19,883,495	40.6
MetLife Core Property Fund	47,825,732	495,338	511,394	0	568,070	57,583	117,526	48,437,689	32.0
Prime Property Fund	47,880,717	471,216	471,216	0	508,023	125,464	756,488	49,019,764	18.7
Principal U.S. Property Account	36,639,347	0	0	0	460,728	87,437	469,696	37,482,334	22.4
Prologis Targeted Europe Logistics Fund	31,597,583	0	383,052	0	99,134	-16,565	-451,600	30,878,629	31.1
Prologis Targeted U.S. Logistics Fund	14,961,793	15,800,000	299,530	0	437,504	100,069	629,502	31,429,200	26.8
Townsend Real Estate Fund, L.P.	0	22,028,374	0	0	222,784	14,199	463,322	22,700,281	0.0
Core Commingled Funds	**198,440,940**	**39,002,239**	**1,872,503**	**0**	**2,532,060**	**421,601**	**2,150,257**	**239,831,392**	**25.9**
Core Separate Accounts									
BlackRock Core Separate Account	162,183,613	11,243,875	2,336,000	0	1,957,357	1,243,559	4,161,878	175,967,164	29.3
BlackRock Separate Account (PM Realty Takeover)	25,252,736	19,911,750	0	0	448,106	61,750	-1,614,044	43,936,798	0.0
Cornerstone Separate Account	84,624,121	226,782	26,475,000	0	768,724	114,447	2,046,094	61,076,274	39.1
Core Separate Accounts	**272,060,470**	**31,382,407**	**28,811,000**	**0**	**3,174,187**	**1,419,756**	**4,593,928**	**280,980,236**	**28.5**
Total BlackRock Separate Account	*187,436,349*	*31,155,625*	*2,336,000*	*0*	*2,405,463*	*1,305,309*	*2,547,834*	*219,903,962*	*24.9*
Total Core Portfolio	**470,501,410**	**70,384,646**	**30,683,503**	**0**	**5,706,247**	**1,841,357**	**6,744,185**	**520,811,628**	**27.3**
Value Added Portfolio									
AEW Value Investors Fund II	2,854,332	0	152,767	615,282	53,516	6,763	-41,018	2,092,018	64.0
Allegis Value Trust*	23,208,233	0	990,000	1,260,000	330,392	30,474	280,759	21,538,910	30.0
DRC European Real Estate Debt Fund II	33,453,885	0	0	3,125,541	1,699,180	85,129	-2,329,657	29,612,738	0.0
ECE European Prime Shopping Centre Fund II C	6,543,692	1,994,262	102,741	0	326,757	29,794	97,712	8,829,887	59.6
Hammes Partners II	5,793,904	1,474,303	274,045	0	232,447	93,750	-9,464	7,123,395	76.3
Hines US Office Value Added Fund II	9,254,671	42,222	0	0	131,309	42,222	627,546	10,013,526	56.0
NREP Nordic Strategies Fund	24,347,520	0	3,974,909	0	725,478	76,518	-52,231	20,969,341	52.4
NREP Nordic Strategies Fund II	-486,972	4,569,226	0	0	62,366	121,860	266,209	4,288,970	50.0
Value Added Portfolio	**104,969,265**	**8,080,013**	**5,494,462**	**5,000,823**	**3,561,445**	**486,510**	**-1,160,144**	**104,468,785**	**46.0**
Opportunistic Portfolio									
BlackRock High Return Separate Account	0	8,000,000	0	0	-138,820	0	338	7,861,518	0.0
CIM Fund VIII	15,201,198	2,844,684	115,171	431,891	77,606	109,375	635,388	18,102,439	17.8
KKR Real Estate Partners Americas	18,923,261	2,236,042	0	0	0	193,748	585,611	21,551,166	57.0
Och-Ziff Real Estate Fund III	7,825,456	527,142	86,567	95,667	195,569	131,250	291,691	8,526,374	66.8
Opportunistic Portfolio	**41,949,915**	**13,607,868**	**201,738**	**527,558**	**134,355**	**434,373**	**1,513,028**	**56,041,497**	**47.0**
Total Non-Core Portfolio 1Q 2007 Forward	**146,919,180**	**21,687,881**	**5,696,200**	**5,528,381**	**3,695,800**	**920,883**	**352,884**	**160,510,282**	**46.4**
Private Portfolio	**617,420,590**	**92,072,527**	**36,379,703**	**5,528,381**	**9,402,047**	**2,762,240**	**7,097,069**	**681,321,910**	**32.9**
Public Portfolio									
CBRE Clarion International Real Estate Securities Strategy	77,951,692	0	0	0	638,227	46,709	20,681	78,563,890	0.0
CenterSquare REIT (formerly Urdang)	114,144,240	82,464	0	82,995	936,893	82,464	7,567,372	122,565,510	0.0
Public Portfolio	**192,095,932**	**82,464**	**0**	**82,995**	**1,575,120**	**129,173**	**7,588,053**	**201,129,400**	**0.0**
Total Portfolio									
SCERS	**809,516,522**	**92,154,991**	**36,379,703**	**5,611,376**	**10,977,167**	**2,891,413**	**14,685,122**	**882,451,310**	**27.5**

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core Commingled Funds						
Jamestown Premier Property Fund	-	70.7	-	17.1	-	12.2
MetLife Core Property Fund	23.5	51.2	14.4	10.9	-	-
Prime Property Fund	26.1	35.2	13.2	16.3	-	9.2
Principal U.S. Property Account	10.8	44.4	20.5	16.5	1.3	6.5
Prologis Targeted Europe Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P.	41.8	19.1	19.5	7.9	-	11.7
Core Commingled Funds	**15.8**	**32.4**	**36.7**	**10.1**	**0.2**	**4.7**
Core Separate Accounts						
BlackRock Core Separate Account	51.2	20.6	7.1	21.1	-	-
BlackRock Separate Account (PM Realty Takeover)	100.0	-	-	-	-	-
Cornerstone Separate Account	100.0	-	-	-	-	-
Core Separate Accounts	**69.0**	**13.1**	**4.5**	**13.4**	**-**	**-**
Total BlackRock Separate Account	*58.5*	*19.4*	*5.5*	*16.5*	-	-
Total Core Portfolio	**43.2**	**22.4**	**20.1**	**11.8**	**0.1**	**2.3**
Value Added Portfolio						
AEW Value Investors Fund II	2.6	28.4	59.7	9.3	-	-
Allegis Value Trust	28.3	68.7	0.5	2.6	-	-
DRC European Real Estate Debt Fund II	-	42.5	8.0	23.8	21.9	3.8
ECE European Prime Shopping Centre Fund II C	-	-	-	100.0	-	-
Hammes Partners II	-	-	-	-	-	100.0
Hines US Office Value Added Fund II	-	100.0	-	-	-	-
NREP Nordic Strategies Fund	52.3	0.7	32.8	14.2	-	-
NREP Nordic Strategies Fund II	48.0	5.6	16.8	24.8	4.8	-
Value Added Portfolio	**16.7**	**35.5**	**10.3**	**19.5**	**6.9**	**11.0**
Opportunistic Portfolio						
BlackRock High Return Separate Account	-	100.0	-	-	-	-
CIM Fund VIII	-	45.6	-	9.8	0.0	44.6
KKR Real Estate Partners Americas	5.0	9.6	1.3	32.2	7.1	44.8
Och-Ziff Real Estate Fund III	22.2	20.5	18.7	7.1	3.1	28.5
Opportunistic Portfolio	**5.1**	**34.8**	**3.1**	**17.0**	**3.3**	**36.7**
Total Non-Core Portfolio	**12.7**	**35.3**	**7.8**	**18.6**	**5.6**	**20.0**
Private Portfolio	**35.9**	**25.5**	**17.2**	**13.5**	**1.4**	**6.6**
Public Portfolio						
CBRE Clarion International Real Estate Securities Strategy	14.9	12.3	6.2	26.7	-	40.0
CenterSquare REIT (formerly Urdang)	13.7	10.9	7.1	23.1	4.8	40.4
Public Portfolio	**14.2**	**11.4**	**6.8**	**24.5**	**2.9**	**40.2**
Total Portfolio						
SCERS	**31.3**	**22.5**	**15.0**	**15.8**	**1.7**	**13.7**
Indices						
NFI-ODCE	**24.1**	**37.7**	**14.2**	**20.0**	**0.8**	**3.2**

Property Type Diversification

Geographic Diversification

TOWNSENDGROUP

Sacramento County Employees' Retirement System

Second Quarter 2016

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	55.0	20.2	-	-	2.9	-	-	21.9	-
MetLife Core Property Fund	-	8.1	13.4	-	17.1	21.5	5.8	34.1	-
Prime Property Fund	20.2	8.2	9.1	2.2	12.7	9.7	3.5	34.3	-
Principal U.S. Property Account	14.4	6.9	5.5	2.0	9.3	16.7	9.2	36.0	-
Prologis Targeted Europe Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	13.4	3.5	9.8	-	9.8	13.2	-	50.4	-
Townsend Real Estate Fund, L.P.	18.0	7.9	14.3	1.1	16.4	11.1	4.8	26.3	-
Core Commingled Funds	**13.9**	**7.3**	**8.3**	**0.8**	**10.8**	**12.1**	**3.7**	**31.0**	**12.1**
Core Separate Accounts									
BlackRock Core Separate Account	-	-	18.5	-	-	7.1	-	74.4	-
BlackRock Separate Account (PM Realty Takeover)	100.0	-	-	-	-	-	-	-	-
Cornerstone Separate Account	-	-	-	-	-	-	-	100.0	-
Core Separate Accounts	**15.0**	**-**	**11.7**	**-**	**-**	**4.5**	**-**	**68.7**	**-**
Total BlackRock Separate Account	*18.5*	-	*14.5*	-	-	*5.5*	-	*61.5*	-
Total Core Portfolio	**14.5**	**3.5**	**10.1**	**0.4**	**5.3**	**8.2**	**1.8**	**50.4**	**5.9**
Value Added Portfolio									
AEW Value Investors Fund II	9.5	51.5	-	1.8	37.1	-	0.0	-	-
Allegis Value Trust	31.3	26.3	-	-	-	6.3	-	36.1	-
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II C	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	17.2	13.0	29.9	-	9.8	7.9	-	22.1	-
Hines US Office Value Added Fund II	-	-	-	-	7.5	-	-	92.5	-
NREP Nordic Strategies Fund	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund II	-	-	-	-	-	-	-	-	100.0
Value Added Portfolio	**7.7**	**7.0**	**3.0**	**0.0**	**2.2**	**2.0**	**0.0**	**17.2**	**60.9**
Opportunistic Portfolio									
BlackRock High Return Separate Account	-	-	-	-	-	-	-	100.0	-
CIM Fund VIII	24.8	2.0	2.7	2.6	5.2	-	3.4	50.0	9.4
KKR Real Estate Partners Americas	15.9	-	11.0	1.7	4.9	30.9	-	4.3	31.3
Och-Ziff Real Estate Fund III	27.7	9.6	4.0	0.6	7.2	3.1	2.9	7.5	37.4
Opportunistic Portfolio	**18.5**	**2.0**	**5.8**	**1.6**	**4.7**	**12.7**	**1.6**	**32.3**	**20.8**
Total Non-Core Portfolio	**11.5**	**5.3**	**4.0**	**0.6**	**3.1**	**5.7**	**0.5**	**22.4**	**46.9**
Private Portfolio	**13.8**	**3.9**	**8.6**	**0.4**	**4.7**	**7.6**	**1.5**	**43.7**	**15.8**
Public Portfolio									
CBRE Clarion International Real Estate Securities Strategy	-	-	-	-	-	-	-	-	100.0
CenterSquare REIT (formerly Urdang)	20.8	14.9	9.2	3.5	15.4	11.6	5.8	18.8	-
Public Portfolio	**12.7**	**9.1**	**5.6**	**2.2**	**9.4**	**7.1**	**3.5**	**11.4**	**39.0**
Total Portfolio									
SCERS	**13.5**	**5.0**	**8.0**	**0.8**	**5.7**	**7.5**	**1.9**	**36.8**	**20.7**
Indices									
NFI-ODCE	**20.4**	**10.0**	**8.1**	**1.4**	**9.6**	**10.0**	**4.9**	**35.5**	**-**

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[1] from the investment managers via a secure data collection site.

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

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

Real Estate Market Update: Second Quarter 2016

United States Real Estate Market Update (2Q16)

General

- Economic activity increased during the second quarter of 2016 at an annual rate of 1.1%, 2% over 2Q15 levels. Growth during the quarter was chiefly supported by positive contributions by the consumer, with fractional help from trade. Favorable employment trends with moderate wage growth (+2.5% y/y) and strong sentiment (+4.4% annual rate) helped buoy consumer spending. Business investment continues to weigh on trade, reducing growth by 9.7% during the quarter. Leading indicators for the business sector; Purchasing Managers Index (49.4 with 50 and above signaling expansion), Durable Goods Orders (-6% y/y), and Industrial Production Index, point to more of the same to come from subsequent quarters.

- Macro indicators for U.S. real estate came in tepid during 2Q16 with residential housing starts and total construction investment flat to marginally down y/y. Building permits, which signal future construction activity, also fell 9% compared to same period 2015.

Commercial Real Estate

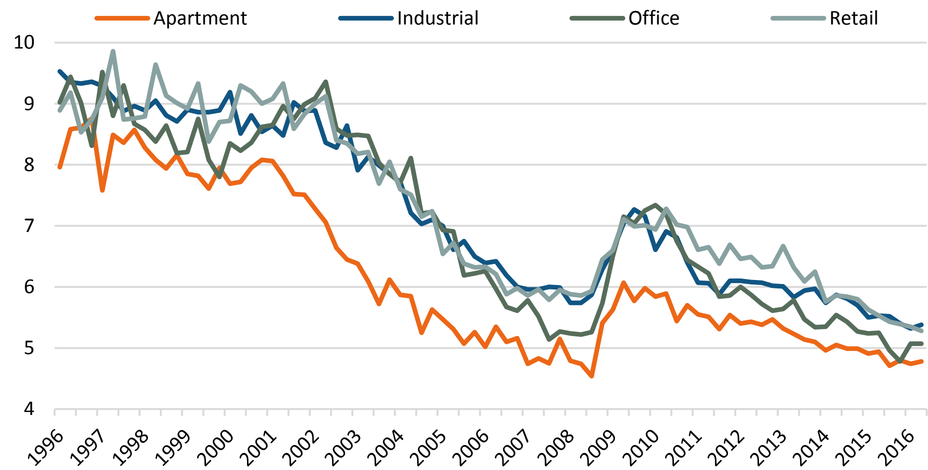
- 2Q16 saw $63.5 billion in commercial real estate transaction volume or 41% of global activity. While solid, this represented a 16% drop compared to record 2015 levels. The U.S. decline was on trend with the broad moderation of global transaction activity during the quarter.

- CMBS issuances slowed to $11.4 billion in 2Q16, less than half of the $27.5 billion a year ago. Credit conditions remain relatively unchanged from 1Q, with the Fed's survey of senior loan officers showing stronger demand but tighter standards for commercial real estate loans.

- U.S. cities continue to be attractive targets for global investment capital. New York and Los Angeles (1st and 3rd respectively), accounted for 12% of global transactions. Foreign investment represented approximately 12% of total U.S. activity, with China overtaking Canada as the primary foreign capital source year-to-date.

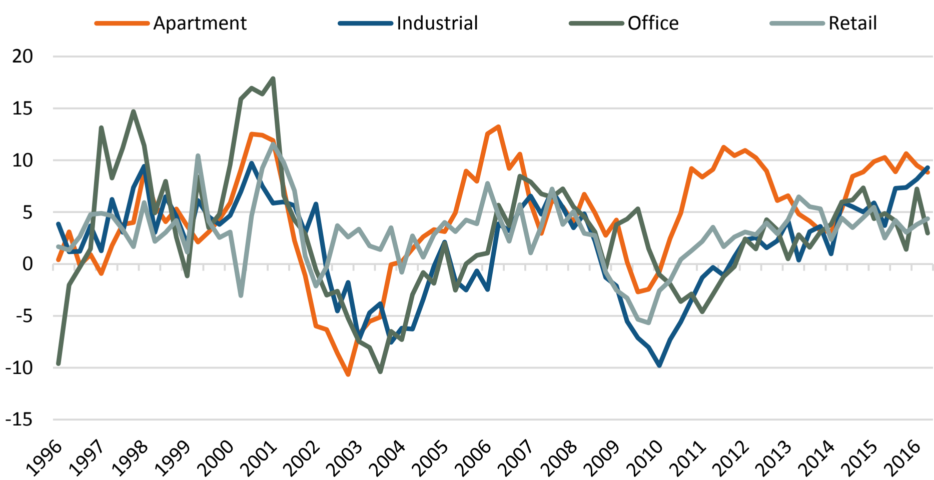
- On average, industrial and multifamily transaction cap rates were essentially flat (0 and 2 bps respectively) for the first half of 2016 while hotel and office saw 15 and 11 basis point expansions respectively.

Current Value Cap Rates by Property Type



Source: NCREIF

4-Qtr Rolling NOI Growth by Property Type



Source: NCREIF

United States Property Matrix (2Q16)

TOWNSEND GROUP

INDUSTRIAL

- Net absorption for 2Q16 was 18.9% higher than the previous quarter, with 62.0 million SF being absorbed. Vacancy rate has continued to decline posting a new record low of 6.1%.
- First half y/y investment volumes were down 47.2%, however removing the five largest transaction in segment history, volumes were only down 8.0% since last year.
- Single-asset acquisitions continue to dominate the landscape, outpacing portfolio activity and representing 75% of transactions on a dollar basis.
- Speculative completions have increased by 15.0% compared to 1Q16 to 35.0 million SF. Despite this increase 36.3% of all speculative space preleases prior to completion, an increase of 10.0% since the first quarter and nearly double the rate of 4Q15.
- As of 2Q16, industrial properties returned 2.90% and outperformed the NPI by 87 bps.

MULTIFAMILY

- Investment for 2Q16 totaled $30.6 billion. The YTD figure increased 3.5% from the first half of 2015 to $68.2 billion, outpacing the record –setting volumes of 2015.
- New supply continues to come to market with completions increasing a modest 10 bps compared to the second quarter of 2015. Conversely, absorption of inventory declined 10 bps. The current national vacancy rate increased 10 bps to 4.5%, which is still 100 bps above the long-term average.
- Cap rates continue to compress reaching 4.4%, driven by persistent investor demand. This is a function of increased focus on secondary markets. Mid- and high-rise activity in secondary markets has increased 56.7% YTD.
- The apartment sector delivered a 1.88% return during the quarter, underperforming the NPI by 15 bps.

OFFICE

- The office segment experienced $67.2 billion of reported capital markets activity through the first two quarters of 2016, compared $71.8 billion at this time last year representing -6.4% investment sales growth.
- Volumes are moving back towards primary markets with 70.1% of total transaction volume, indicating a current resistance to market risk.
- Leasing activity rebounded by 18.2% during the second quarter. Total absorption was 59.1 million SF, with 38.4% taking place in primary markets. Vacancy has declined 10 bps to reach 14.6%, with suburban declining 20 bps to 16.1%, and CBDs remaining at 12.1%.
- Cap rates continue to compress, with 75% of markets seeing compressing. Cap rates have increased the rate of compression declining 36 bps in the last 12 months to 4.4%.
- The office sector returned 1.74% in 2Q16, 29 bps below the NPI.

RETAIL

- Retail volume has declined 20.5% y/y down $8.5 billion to $32.9 billion. Second quarter volume was also below 2015's levels, dropping 7.7%. While urban investment volumes have declined 47.3% YTD, activity in secondary markets has increased 34.9%
- West region sales continues its growth accounting for 39.9% of total quarter volume. Conversely, Northeast and Mid-Atlantic regions have decreasing YTD activity of 50.1% and 16.5%, respectively.
- While mall volume for the year has decreased by 41.8% y/y, it has increased 56.6% q/q to a volume of $5.9 billion for the first half of 2016. Class A malls continue to move quickly and fetch premiums, while Class B and C malls have lagged due to a pricing disconnect between buyers and sellers.
- As of 2Q16, the retail sector delivered a quarterly return of 2.17%, beating the NPI by 14 bps.

Sources: Cushman & Wakefield, Jones Lang LaSalle, Bloomberg LP, NCREIF, REIS

Global Real Estate Market Update (2Q16)

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Global

- Global investment activity for 2Q16 was generally subdued, coming in at $154 billion, bringing the first half down 10% y/y over 2015. This was the result of broad investor caution surrounding the unanticipated result of the Brexit vote. Medium to long term effects remain unclear, however the expectation is for investors to adopt a 'wait and see' attitude in the short term while exploiting any asset mispricing that occurs. Fund managers anecdotally anticipate longer hold periods at lower return forecasts for their U.K. assets.

Europe

- Commercial real estate transaction volume in Europe was €54.0 billion during 2Q 2016, moderately better than the €50.3 posted during the prior quarter although down 19% over a record 2015.
- Europe's top two markets, UK (-24% y/y) and Germany (-4% y/y), saw investment dampen while France, Sweden, and other markets held up the Euro wide number, suggesting that outside of the UK, the Brexit effect might be somewhat muted. Of note was the 51% and 21% y/y declines in hotel and retail investment respectively, sectors most associated with Brexit effect.

Asia

- Asia Pacific investment ended the second quarter at $28.4 billion, a 17% sequential growth rate, due to several large transactions such as the Qatar Investment Authority's record $2.5 billion purchase of Singapore's Asia Square Tower 1 office property. Compared to prior year, investment was down 8% with China and Japan as the main laggards.
- Investment in China was down 24% y/y to $6.0 billion, almost entirely made up of local capital as international inflow fell across Asia Pacific by 21% y/y. While institutional capital generally seeks core stabilized assets in primary cities, availability is tight following a strong 2015 and yields are tight given strong rent growth.
- Investment in Australia fell 3% y/y to $4.4 billion, driven by a lack of assets after several years of record transaction volume from foreign capital inflows. A similar scenario is unfolding in Japan as single asset investments have dried up, resulting in a 12% decline in transactions year-to-date.
- Hong Kong recorded $1.6 billion in investment during 2Q, a 59% decline from record 2Q15 levels. These declines follow recent strong performance with more prime assets expected to come online as some investors capitalize on high pricing.

Direct Commercial Real Estate Investment - Regional Volumes, 2015-2016

$ US Billions	Q1 16	Q2 16	% Change Q1 16 - Q2 16	Q2 15	% Change Q2 15 - Q2 16	H1 2015	H1 2016	% Change H1 2015 - H1 2016
Americas	61	69	13%	80	-14%	153	130	-15%
EMEA	51	57	12%	58	-2%	115	109	-5%
Asia Pacific	25	28	12%	31	-10%	56	54	-4%
Total	137	154	12%	169	-9%	324	293	-10%

Source: Jones Lang LaSalle, July 2016

Global Outlook - GDP (Real) Growth % pa, 2015-2017

	2015	2016	2017
Global	**3.1**	**2.9**	**3.2**
Asia Pacific	**4.8**	**4.4**	**4.8**
Australia	2.5	3.0	3.0
China	6.9	6.5	6.3
India	7.2	7.4	7.8
Japan	0.6	1.0	1.3
North America	**1.9**	**1.5**	**2.2**
US	1.9	2.0	2.0
MENA*	**3.3**	**2.4**	**2.8**
European Union	**2.2**	**1.7**	**1.3**
France	1.3	1.3	1.1
Germany	1.7	1.6	1.2
UK	2.2	0.7	1.7

*Middle East North Africa
Source: Bloomberg LP, August 2016

Sources: Jones Lang LaSalle Research, CBRE Global Research and Consulting, Bloomberg LP

Glossary of Terms

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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 and gains from sales.
Withdrawals:	Cash returned from the investment, representing a return of capital.
Ending Market Value:	Sum of the beginning market value + contributions – distributions – withdrawals for the quarter.
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. Represents dollars available for allocation.

Glossary of Terms

Private Real Estate Style Groups

Core : Direct investments in operating, fully leased, office, retail, industrial, or multifamily properties using little or no leverage (normally less than 30%).

Value-Add: Core return 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.

A Value-Added fund is one that generally includes a mix of Core investments and other investments that will have less reliable income streams. The fund as a whole is likely to have moderate lease exposure and moderate leverage. As a result, such funds should achieve a significant portion of the return from appreciation and are expected to exhibit moderate volatility. Please refer to NCREIF's Portfolio Management Committee's whitepaper, "Real Estate Investment Styles: Trends from the Catwalk" at www.NCREIF.org for more details.

Opportunistic: 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.

An Opportunistic fund is one that has preponderantly Non-Core investments. The fund as a whole is expected to derive most of its return from appreciation and/or which may exhibit significant volatility in returns. This may be due to a variety of characteristics such as exposure to development, significant leasing risk, high leverage, or a combination of moderate risk factors. Please refer to NCREIF's fund Management Committee's whitepaper, "Real Estate Investment Styles: Trends from the Catwalk" at www.NCREIF.org for more details.

Glossary of Terms

Indices

FTSE NAREIT Index:	This is an index of Equity Real Estate Investment Trust returns reflecting the stock value changes of REIT issues as determined through public market transactions in the United States.
EPRA/NAREIT Global ex-US Index :	The EPRA/NAREIT Global ex-US Index is a subset of the FTSE EPRA/NAREIT Developed Index and is designed to track the performance of listed real estate companies and REITs. The European Public Real Estate Association (EPRA) is a common interest group, which aims to promote, develop and represent the European public real estate sector. The National Association of Real Estate Investment Trusts (NAREIT) is the trade association of REITs and publicly traded real estate companies with an interest in the US property and investment markets.
NCREIF Open-End Diversified Core Equity Index (“NFI-ODCE”):	An index of 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. The ODCE Index is capitalization-weighted and is reported gross and net of fees. Measurement is time-weighted and includes leverage.
Townsend Non-Core Indices:	Townsend Fund Return Indices presents the performance information of private equity real estate funds pursuing value-added and opportunistic investment strategies using both open-ended and closed-ended structures. The performance data is comprised of both active investments, as well as funds that have completed their full lifecycle or discontinued operations and represents over $300 billion and 260 funds. Return information is represented in a time-weighted format.

Glossary of Terms

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Performance

Income ("INC"):	Net operating income net of debt service before deduction of capital items (e.g., roof replacement, renovations, etc.).
Appreciation ("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 ("TGRS"):	The sum of the income return and appreciation return before adjusting for fees paid to and/or accrued by the manager.
Total Net ("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 Returns:	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.

Glossary of Terms