SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

For Agenda of:
December 21, 2016

December 16, 2016

TO: President and Members
Board of Retirement

FROM: JR Pearce
Investment Officer

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

RECOMMENDATION:

It is recommended that your Board receive and file the Real Estate performance presentation report for the third 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 September 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 RETURN SUMMARY

UNITED STATES

For the third quarter of 2016, the US private real estate market (NCREIF) return was down from the second quarter of 2016, while the US public real estate market (NAREIT) was decidedly down from the second quarter of 2016.

- NCREIF (NPI) index recorded a 1.8% return for the third quarter, down from last quarter's 2.0% return, due to slowing appreciation (0.6% versus 0.8% in the second quarter of 2016).
- Year-to-date, the NPI Index returned 9.2%, down from the 10.6% year-to-date return as of the second quarter of 2016.
- The NPI-Open End Diversified Core Equity (NPI-ODCE) index returned 2.1% for the quarter, the same as last quarter's 2.1% return.
- The FTSE NAREIT US Equity REIT Index was down for the quarter, returning a negative 0.8% return, dramatically down from the previous quarter's 6.4% return, due to the expectation of an interest rate hike and uncertainty surrounding the US presidential election.

NCREIF TOTAL RETURN (%)

	Quarterly		Annually	
	3Q16	2Q16	3Q16	2Q16
NPI	**1.8**	**2.0**	**9.2**	**10.6**
Industrial	2.9	2.9	12.5	13.3
Retail	2.0	2.2	11.0	12.2
Apartments	1.7	1.9	8.5	9.7
Office	1.3	1.7	7.5	9.3
ODCE	**2.1**	**2.1**	**10.1**	**11.8**

Source: NCREIF as of 30 September 2016

FTSE EPRA/NAREIT EQUITY REIT TOTAL RETURN (%)

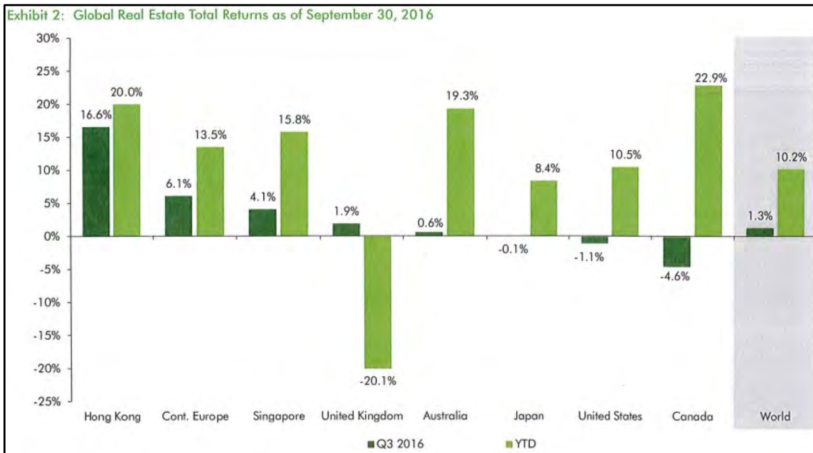
	Quarterly		Annually	
	3Q16	2Q16	3Q16	2Q16
FTSE EPRA/NAREIT	**-0.8**	**6.4**	**19.6**	**43.7**
Industrial	7.2	17.5	45.9	43.7
Retail	-2.6	7.3	22.2	30.8
Apartment	-1.0	0.5	11.4	20.2
Office	3.8	9.2	22.8	17.7

INTERNATIONAL

Global REIT markets returned 1.3% during the third quarter, down from last quarter's return of 3.5%. Year-to-date, the Global REIT market returned 14.9%.

- Central bank monetary policy continues to dominate the real estate markets.
  - ➢ European Central Bank indicated it would taper quantitative easing.
  - ➢ Bank of Japan continues to manipulate interest rates in order to stoke inflation.
- With the immediate impact of Brexit behind, the UK market recovered quite dramatically from last quarter's negative 20.1% return and was up 1.9% for the quarter.
- Continental Europe performed well during the quarter, up 6.1%, benefiting from investors moving out of the

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



- UK and into European real estate investments.
- The expectation of lower interest rates for longer is driving Hong Kong residential market, leading to a robust 16.6% quarter return.
- The Japanese market suffered during the quarter, down 0.1% as investors doubt the effectiveness of the Bank of Japan stimulus efforts.

TOTAL REAL ESTATE PORTFOLIO RETURNS

SCERS' real estate investment portfolio is built around three different allocation 'buckets': (1) Core Real Estate; (2) Non-Core (Opportunistic and Value-Add) Real Estate; and (3) Publicly-Traded REITs. The SCERS one year annualized returns noted below are based on a rolling twelve-month basis as of the quarter end.

QUARTER RETURNS

- Total real estate portfolio returned 1.9% net, which was down from last quarter's net return of 2.7% net, and outperformed against SCERS' blended benchmark of 1.7%.
  - The quarter's slight outperformance is attributed to the outperformance achieved in SCERS' Core Commingled portfolio (2.4% net) and the Value-Add portfolio (2.4% net).
  - Net return by portfolio classes against the benchmark was as follows: Core (2.1% versus 1.8% index), non-core (2.1% versus 2.1% index), US REITs (-1.4% versus -1.2% index), and Global REITs (4.9% versus 4.3% index).

ONE YEAR ANNUALIZED RETURNS

- For the twelve months, ending September 30, 2016, total real estate portfolio (including REITs) returned 10.1% net, which is up from last quarter's twelve-month return of 9.5% net, but underperformed against SCERS' blended benchmark of 10.8%.
  - The underperformance is attributed to the underperformance of SCERS' Core portfolio (7.0% net).

REAL ESTATE INVESTMENT STRATEGY RETURNS

QUARTER RETURNS

CORE

- Core real estate portfolio returned 2.1% net for the quarter, equal to last quarter's net return of 2.1% and better than the NFI-ODCE benchmark of 1.8% net.
- Comparatively, the Core Separate Accounts earned 1.9% net, while the Core Commingled Funds earned 2.4% net for the quarter.

- The Core Commingled Funds outperformance is due to the appreciation return exceeding the benchmark, 1.5% versus 0.9%.
- Unlike the last quarter where a negative currency exchange in the Prologis Targeted Europe Logistics Fund dragged returns, this quarter a positive currency exchange contributed 120 basis points to its return. Excluding the currency effect, Prologis earned a 1.3% net return in its local Euro currency versus 2.5% in US dollars.

NON-CORE

- Non-Core Real Estate portfolio returned 2.1% net during the quarter, which was equal to the NFI-ODCE plus 100 bps benchmark return of 2.1% net.
  - Notable quarter outperformance was achieved by ECE European Prime Shopping Center Fund (17.0% net), Hines US Office Value Added Fund II (6.5% net), and NREP Nordic Strategies Fund I (6.2% net),
  - Notable underperformers were DRC European Real Estate (-4.4% net) due to the negative currency (Sterling) exchange and asset write-downs in AEW Value Investors Fund II (-13.6% net).

PUBLICLY-TRADED REITs

- SCERS' US REIT portfolio, managed by CenterSquare, earned a net return for the quarter of -1.4%, which underperformed against the FTSE EPRA/NAREIT US Index return of -1.2%.
- SCERS' Global REIT portfolio, managed by CBRE Clarion, earned a quarter net return of 4.9%, which outperformed against the FTSE EPRA/NAREIT Developed ex-US Index return of 4.3%.

ONE YEAR ANNUALIZED RETURNS

CORE

- For the twelve months ending September 30, 2016, the total core real estate portfolio returned 7.0% net, significantly underperforming against the NFI-ODCE Index return of 9.1% net.
  - The Core Commingled Funds outperformed the benchmark returning 9.7% net versus 9.1% net, while the Core Separate Accounts significantly underperformed against the benchmark, returning 5.3% net versus 9.1% net.
  - The Core Separate Account portfolio underperformance is attributed to valuation decreases in the BlackRock and Cornerstone separate accounts leading to lower returns (6.4% and 3.6% versus the 9.1% index, respectively). Because the separate account portfolio is concentrated, it will tend to have greater volatility of returns.

NON-CORE

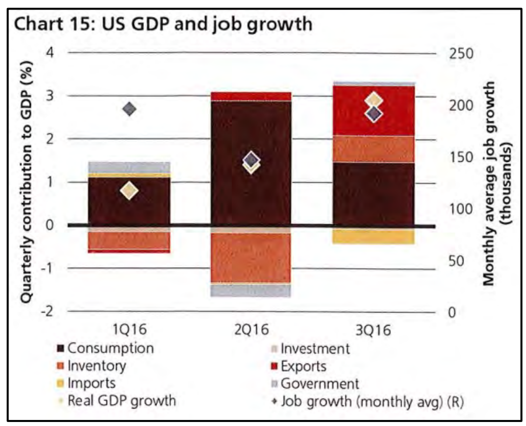
- For the twelve months ending September 30, 2016, the non-core portfolio returned 12.7% net, outperforming the NFI-ODCE +100 bps benchmark return of 10.2% net.
    - Outperformance is attributed to the value-add funds (14.3% net versus 10.2% net) and, in particular, Hines US Office Value Added Fund II (68.4% net), NREP Nordic Strategies Fund I (31.9% net), and ECE European Prime Shopping Center Fund II (39.0% net).

PUBLICLY-TRADED REITs

- For the twelve months ending September 30, 2016, the US REIT portfolio earned a 20.7% net return, underperforming against the FTSE EPRA/NAREIT US Index return of 20.9%.
- The Global REIT portfolio earned a 10.6% net return, materially underperforming against the FTSE EPRA/NAREIT Developed ex-US Index return of 11.7%.

GLOBAL REAL ESTATE MARKET TRENDS

UNITED STATES



Real estate returns are influenced by the flow of capital, which in turn is influenced by interest rates, economic conditions, and alternative investment opportunities. The US economy has shown steady but sluggish GDP growth compared to prior recoveries. According to the US Bureau of Economic Analysis, previous market recoveries averaged 4.5% annual GDP growth, yet this market recovery has only averaged 2.0%. Early in the recovery, sluggish growth was the result of consumer's pullback in expenditures resulting from unemployment and wage stagnation. However, over the past three years, unemployment has declined to 5% and wages are on an upswing. According to US Department of Labor data, US household incomes increased a strong 5.2% in 2015, although household incomes remain below the 2007 level. Measured in the third quarter, the key hourly wages index was up 2.6% year-over-year, which is down from 2015, indicating a slowing and a potential headwind. How the labor market responds will have an outsized influence on GDP, as consumer spending represents two-thirds of GDP.

It is generally accepted that the economy is in the latter stages of this eight-year market recovery. Although not as widely accepted, real estate indicators would also place it on the downside of the peak and clearly at the late stage of the cycle. Data points over the past year show transaction volumes declining, real estate appreciation flattening, rent growth slowing, and investment risks creeping in, which would indicate later stage cycle behavior. Investment risk is, or should be, high on investors mind. With the unprecedented amount of capital chasing real estate, prices are now well above their prior peak according to CBRE and Real Capital Analytics' (RCA) research. As would be expected, pricing varies depending on asset class-type and geographic location, with core market apartments and CBD office posting the greatest appreciation. As measured by CBRE and RCA, apartment values are an astonishing 50.3% over their 2007 peak, while conversely, the retail sector is just returning to its prior peak at just under 0.8% below. There should be a caveat for the retail sector as it includes several different formats from large shopping malls, neighborhood shopping centers, and power centers, which obfuscates the retail pricing data. Notably, the Federal Reserve recently made note of its concern with the elevated real estate values, an indication of the risk facing real estate investors.

Figure 9: Moody's/RCA Commercial Property Price Index

Sector	2007 Peak	Dec. 2015	Sept. 2016	Sept. 16 vs. 07 Peak (%)	Sept. 16 vs. Dec. 15 (%)
All	178	205	215	21.0	5.0
Office	176	200	204	15.8	1.8
Industrial	163	168	180	9.9	6.9
Retail	184	178	183	-0.8	2.5
Multifamily	182	249	274	50.3	10.0

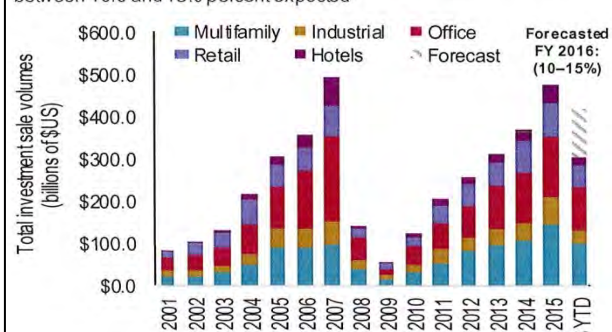
Source: CBRE Research, Real Capital Analytics, Q3 2016. Based on repeat property sales.

Future interest rate movements are at the forefront of investors' minds and a growing concern/risk. Although industry pundits believe cap rates will not move in lock step with interest rate increases, higher interest rates will invariably raise the cost of real estate debt. With more cash flow going to pay higher loan payments, investment returns would decline to the point where acquisition and development projects become less attractive. Therefore, cap rates will have to rise, potentially in lock step or higher, if only because the higher debt rates lower investment returns, which will force asset prices downward to compensate. What is being somewhat downplayed is the risk premia, despite the spread of cap rates to 10-year Treasury being 50 basis points above the historical average, should investors perceive more risk in real estate from global events, cap rates could rise quicker than expected to compensate for the higher cost of capital and higher perceived risks.

Given recent global events, including the deceleration in the Chinese economy, Brexit uncertainty, central bank policy, and global presidential elections, it is not too surprising that investors are pressing the brakes. According to Real Capital Analytics and JLL Research, the year-to-date transaction volume is down 7.1% from the same period in 2015. With a few exceptions, deal volumes were down across all the property-types and geographic locations. It should be noted that although the quarter's transaction volume is down, CBRE Research expects 2016 total deal volume to be the third highest ever.

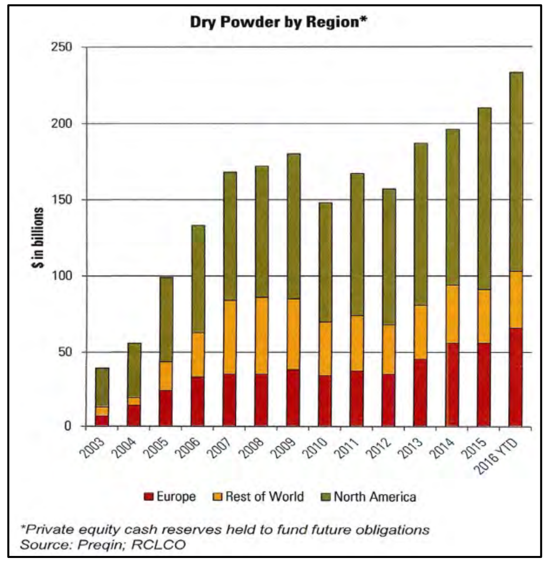
With a strong third quarter, annual volume declines moderating

After 28.8 percent growth in volumes at year-end, U.S. investment sales down 7.1 percent at the close of the third quarter; full-year decline between 10.0 and 15.0 percent expected



Source: JLL Research, Real Capital Analytics (transactions larger than $5.0M;

Although transaction volumes are down, it is not because there is less capital in the market. In fact, there is a record amount of capital sitting idle or dry powder, amounting to



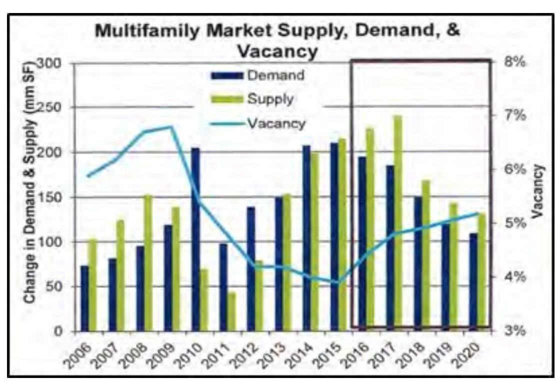
$239 billion globally, with 57% of the capital targeting the US. JLL Research notes that overall real estate fundraising declined 17.9% year-to-date; however, fundraising for real estate debt funds reached a record $14.5 billion, up 78% year-to-date.

It could be argued that this unprecedented amount of capital will keep real estate values elevated as demand exceeds supply. However, the record debt fundraise is yet another indicator the real estate cycle has run its course. As caution creeps into the marketplace due to late cycle fundamentals weakening, debt funds appeal to investors' caution by offering a lower risk profile thus the record fund raise. The record amount of debt raised can also be traced to the regulatory constraints placed on banks and traditional real estate lenders, which is reducing the availability of capital that these debt funds are looking to fill.

Future market cycles or events can never be predicted, although experts try, and recent events (Brexit and President-elect Trump) highlight that future outcomes can deviate from expectations. As was noted last quarter, it is safe to say we have entered a period of elevated investment risk given today's record property prices. Staff and Townsend continue to advocate caution, in general, but stand to capitalize on opportunities that may occur through the market cycle.

US PROPERTY-TYPE TRENDS

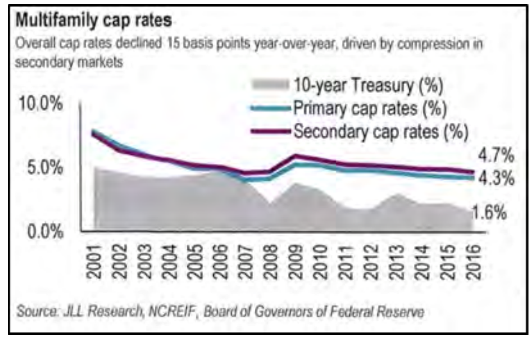
APARTMENTS:



Demographic trends continue to support apartment fundamentals, as millennials and baby boomers are choosing to rent. Homeownership is at generational lows, which illustrates the preference for renting. The advance of jobs and wage growth, along with a penchant for renting, remains a catalyst for apartment demand. However, the supply of new apartments is outstripping demand, particularly in large population centers, which is having an impact on vacancy and rent growth. In response, new apartment starts have throttled back, along with financing sources being less favorable towards new construction. For the quarter:

- Per CoStar, net completions equaled 44,475 units, a year-over-year decline of 25%. JLL reports completions still equaled 1.9% of total inventory, unchanged from the previous quarter.

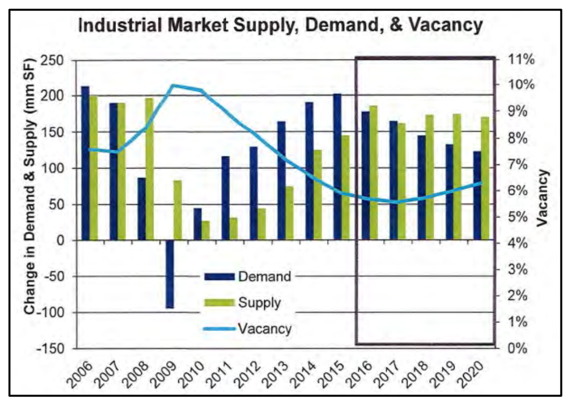
- Net absorption equaled 42,498 units, down 27% year-over-year, per CoStar. JLL notes absorption represented 1.4% of total inventory, short of the 1.9% of new completions.
- Due to new supply exceeding demand, vacancy increased from 4.2% to 4.5%, still lower than the historical average of 5.5%.
- Despite the supply-demand gap, CoStar reported apartment rents increased 3.3% year-over-year, although down from 4.0%.
- Per JLL, deal volume was up 8.2% year-to-date, the fifth straight quarter above $30 billion, leading to new record low cap rates.



INDUSTRIAL/LOGISTICS:

Prologis Targeted US Logistics' third quarter report highlighted conditions occurring in the US logistics market:

"2016 has been a historic year for the U.S. logistics real estate market, with the vacancy rate falling to an all-time low as the result of a fourth consecutive year of very strong demand. At the same time, structural trends constrained the growth of new supply, benefiting existing owners who have been able to raise rents more than 30% over the past four years. While cap rates are at historically low levels, too, the NOI outlook is sizable and is expected to augment returns in the coming quarters and years."



The industrial sector fundamentals continue to go from strength to strength. Third quarter activity pushed net absorption, occupancy, rental rates, and investment values to record highs. The reconfiguration of the retail supply chain fostered by e-commerce continues to drive demand, with new supply unable to keep up with demand. For the quarter:

- Newmark Grubb reported US industrial markets absorbed a record 74.9 million square feet during the quarter, up 7 million square feet from the previous record hit in the fourth quarter of 2015.
  - ➢ This quarter's activity represents the 26th consecutive quarter of strong net absorption, with the third quarter net absorption reaching a new cyclical high.
  - ➢ This is the eighth consecutive quarter of net absorption exceeding 50 million square feet, compared to prior cycle peak of 35 million square feet.

- Although new supply equaled 53 million square feet, exceeding the prior peak in 2008, it was 23 million square feet short of tenant demand.

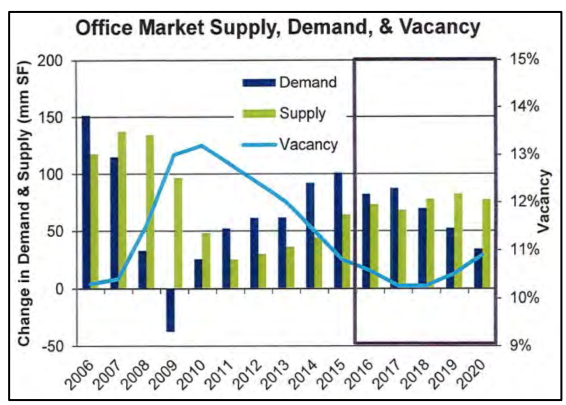
- Strong net absorption pushed overall vacancy down to 5.0%, a 16-year low, and down from 6.5% a year ago, according to CBRE.
- The supply-demand imbalance pushed rental rates up 6.9% year-over-year. Rents now exceed the prior peak ($6.06 per square foot versus $6.04 per square foot), per CBRE.
- Real Capital Analytics (RCA) reported year-over-year transaction volumes increased 7.5%, with the top 10 core markets accounting for 60% of the total.
- Cap rates declined to 6.5%, the lowest recorded by RCA.

SCERS' commitment to Prologis Targeted US Logistics Fund, LP ("Prologis US"), is a strategic investment in US logistics and the transformation occurring in retailing. Prologis US targets logistics and industrial properties primarily in the core coastal markets. Prologis is one of the world's largest specialist logistics managers targeting the US, and has a European focused strategy. SCERS' has an equal commitment to each strategy:

- Prologis US returned 2.1% net during the quarter, outperforming the benchmark return of 1.8%.
- For the twelve months ending September 30, 2016, Prologis US returned 9.3% net, outperforming the benchmark of 9.1%.

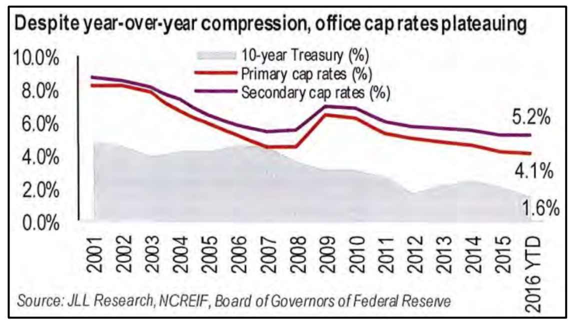
OFFICE:

Solid office-using job growth during the third quarter contributed to office fundamentals tightening further. Per CBRE Research, office-using jobs expanded for the 27th consecutive quarter and are now 8% above the prior peak. During the quarter, 125,000 new office-using jobs were added. Coupled with office-using job growth, relatively moderate level of new office construction is contributing to absorption increasing, vacancies declining, and rental rates upward. However, there are signs the office market is slowing. For the quarter;



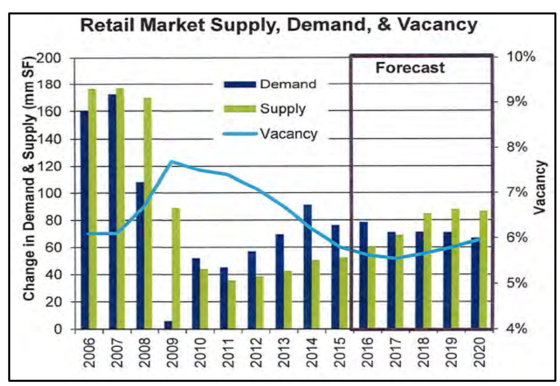
- Per Cushman & Wakefield, third quarter net absorption equaled 13 million square feet and 42 million square feet year-to-date.
  - Net absorption is down from 21 million square feet reached in the third quarter of 2015 and down from 61.5 million square feet year-to-date in 2015.

- Vacancy rate declined to 13.2%, down from 13.3% last quarter and 13.7% from a year ago.
- Colliers recorded 105.6 million square feet of new supply, the second highest since the recovery, 56% of which is in the top 10 markets.
- Colliers found 40 CBDs and 43 suburban markets posted quarterly rent increases but noted rent increases were moderating. Although, CBRE did report a 6.3% year-over-year rent growth, which is the highest rate it has recorded since the recovery.
- Year-over-year deal volume was down 4% according to RCA.
    - Deal volume in secondary markets was up 3%, while the major markets declined 4% and CBDs down 10%.
    - Per JLL, cap rates reached record lows, with primary markets at 4.1% and secondary markets at 5.2% but are leveling out.



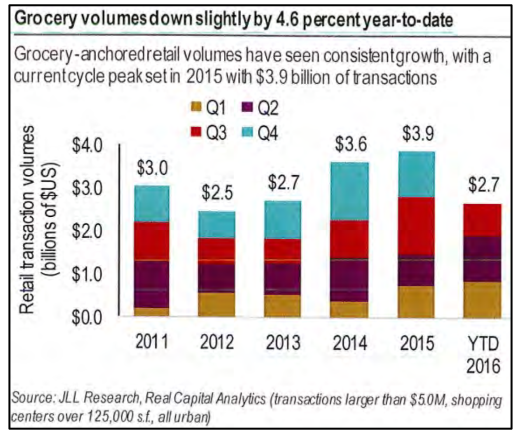
RETAIL:

With the dual catalyst of consumers' cost conscientiousness and market share growth of e-commerce, the retail industry continues to evolve and reinvent. The profound impact of e-commerce is accelerating how retailers transact with consumers. The internet has brought consumers greater price discovery, where the lowest provider is easily searched online from a cell phone or computer. This transparency has led to the demise of several retail categories, such as bookstores, video outlets, and electronic stores. Cushman & Wakefield tracked over 4,000 major chain closures year-to-date, surpassing the 2010 record of 3,600 closures. Several retail categories are facing e-commerce pressure, including apparel, office supplies, sporting goods, and home furnishings. The retail industry is going through an unprecedented structural change that has retail real estate investors fretting what is next. Nevertheless, retail real estate comes in various forms (malls, grocery-anchored shopping centers, power centers, high street retail, and outlet centers), with varying degrees of performance. For the quarter:



- Neighborhood shopping centers, which comprises 63% of retail inventory, is the most resistant to e-commerce. Its necessity-driven tenants, such as grocery stores, drug stores, restaurants, and service-related, insulates it from online sales.
- Per Cushman & Wakefield, vacancy in shopping centers reached 8.1%, down from 8.5% a year ago. New construction totaled 11 million square feet, down from 14.5 million square feet a year ago.

- Unanchored shopping centers saw vacancy decline to 7.2% from 8.7% a year ago, benefiting from the expansion of dollar stores, restaurants, and service-related businesses.
- Power centers are the most exposed to e-commerce. Big-box tenants such as electronics, sporting goods, and home accessories, have experienced the greatest number of store closures.
- Although power center vacancy remains low, it increased during the quarter to 5.3% from 5% a year ago. As a result, rents are down 5% from the prior quarter.
- Grocery-anchored retail transaction volumes have been consistent quarter-to-quarter, with 2015 a record year. However, deal volume is down 4.6% year-to-date, primarily due to limited inventory.



HEALTHCARE:

Healthcare systems continue to face pricing pressures as the industry is pushed towards a value-based-performance payment model from a fee-for-service model. The changes in medical payment models are accelerating the movement of healthcare systems from inpatient to outpatient healthcare delivery. In response to increasing outpatient care needs, new construction of ambulatory and urgent care centers has picked up. On-campus outpatient facilities are garnering the majority of new development activity, as hospitals have been replacing existing functionally obsolete buildings and adding more specialized facilities, such as cancer and critical care centers, to their campuses. For the quarter:

- Healthcare real estate fundamentals are tightening due to the demand for outpatient healthcare facilities:
  - ➢ Total net absorption in 2015 exceeded 2014 activity by over 30%.
  - ➢ Overall vacancy declined to 8.9%, compared to the 10-year average of 9.5%.
- In response to the tight fundamentals, medical office development has picked up considerably:
  - ➢ Per Cushman & Wakefield Healthcare, new construction was up 55% in 2015 or 3.7 million square feet over 2014.
  - ➢ However, new construction represented

Top U.S. Markets for Medical Office Construction Mid-2014

Market	Square Feet Under Construction	% of Existing Inventory
Minneapolis	827,879	6.9%
Houston	409,440	1.4%
Los Angeles	374,376	1.1%
Washington, DC	321,000	1.8%
Indianapolis	274,000	5.3%
Birmingham	240,648	8.5%
Atlanta	233,000	1.4%
Greater Cincinnati	200,000	4.2%
Grand Rapids	99,369	1.8%
Richmond	92,377	2.1%
U.S. Total*	**3,657,153**	**0.9%**

* Includes MOB properties totaling 10,000 square feet or greater with at least 50% occupancy by medical tenants in 44 markets tracked by Colliers

Source: Colliers International

less than 1% of existing inventory compared to 2.3% that occurred prior to 2009.

- Colliers Healthcare reported 72% of new medical facility construction was for ambulatory and urgent care centers.

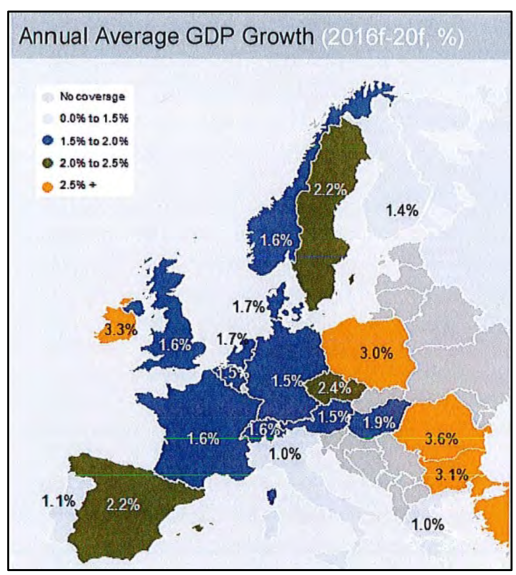
SCERS' commitment to Hammes Partners II ("Hammes"), an on-campus ambulatory and acute care manager, is capitalizing on the structural shifts occurring in the healthcare industry:

- Hammes returned 2.1% net during the quarter, outperforming the benchmark return of 1.8%.
- For the twelve months endin September 30, 2016, Hammes returned 11.7% net, outperforming the benchmark of 10.2%.

EUROPE AND NORDICS

The European markets continued to be dominated by Brexit and the uncertainty surrounding how and when. In response, the UK currency (Sterling) plunged, which will have the positive effect of driving exports but will also have the negative effect of increasing prices for the UK consumer. To calm markets, the Bank of England (BOE) decreased interest rates, which despite the market turbulence caused by Brexit, contributed to the UK economy growing 0.5% in the third quarter. The combined impact of the devaluation of the Sterling and BOE stimulus provided support for the UK economy. However, uncertainty surrounding the process of the UK exiting the Eurozone will place a cloud over the UK real estate market, particularly London office.

Outside of the UK, continental Europe is experiencing growth although moderating. Projections are for the Eurozone to generate GDP growth of 1.5% in 2016. This is down from the 2.0% average over the past few years. The European Central Bank (ECB) stated current stimulus efforts would remain in effect, but indicated it was prepared to loosen further should growth slacken. ECB stimulus efforts had a positive impact on third quarter Eurozone GDP growth, although slightly down from the second quarter, GDP increased 1.5% versus 1.6% previously. Eurozone growth is expected to be muted in the short term; however, domestic consumption has been steadily increasing over the last few quarters and is contributing a greater share of GDP, which should support future GDP growth.



The European real estate market has been ping-ponging between political turmoil and interest rate uncertainty during the year. As observed in the US, the European investment market took a breather during the third quarter. According to Knight Frank's third quarter market research, European transaction volumes equaled €37.1 billion, the weakest volume since the first quarter of 2014. JLL reports that year-over-year investment volumes are down 14%, with the UK investment volumes the main contributor to the decline, down 44% year-over-year. The fall in European investment volumes is primarily attributed to the three largest markets, the UK, Germany, and France. Interestingly, of the 14 main European markets tracked by BNP Paribas, investment volumes declined 13% from the comparable period; however, the first nine months of 2016, transactions were 32% above the 10-year transaction average (€53.5 billion versus €40.5 billion average). JLL notes that if the UK is excluded from the transaction activity, deal volume was actually up 5% year-over-year.

As expected, the decline in deal volume in the UK is solely attributed to Brexit and the uncertainties surrounding the exit process, while the decline in Germany is due to the lack of suitable investments and not investor's interest. Overall, investors are exercising caution until there is more clarity on how Brexit plays out and where interest rates are headed. Because of the caution being exercised, investors are solely focused on core assets in core markets, which are compressing cap rates for those assets. The weight of capital targeting core European assets has compressed cap rates across the Eurozone markets, which have now fallen below prior record lows.

Commentary in ECE European Prime Shopping Center's third quarter report highlighted conditions occurring in the Eurozone retail market:

"The Eurozone economy seemed unfazed by political developments and heightened uncertainty in Q3, shrugging off any early Brexit contagion, as GDP growth expanded by 0.3% (q-o-q). As a result, economists have increased their GDP growth projections for the full year 2016 to 1.6% (1.5% in Q2). Across the region GDP growth continues to be supported by solid domestic demand and private consumption fueled by low-interest rates, accommodative monetary policies, and ongoing job creation, in the face of a subdued external sector.

Consumer confidence remains robust, boosted by the low inflation environment and real wages growth, resulting in increased household spending and retail sales growth (2.5% in 2016.) Despite the convoluted and uncertain political atmosphere coupled with a projected reduction in tailwinds to domestic demand as inflation rises, economic growth is expected to lose steam but remain positive in 2017 (1.4% GDP growth). The same is predicted for Europe's retail sales, which are forecasted to grow by 2.0% on average from 2016 to 2018, with all countries bar Russia and Greece posting positive growth.

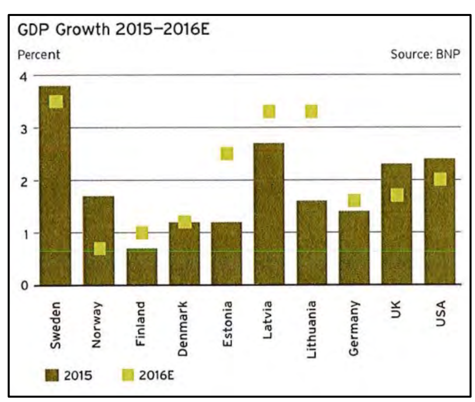
This outlook continues to attract retail occupier demand including new entrances to the market, as witnessed by 160 online retailers opening physical space over the past year in order to drive sales and raise brand awareness i.e. zalando and eBay. Increased occupier demand for prime retail space is projected to place upward pressure on corresponding rents (1.8% growth p.a. projected until 2018). As a result, investors remain focused on trying to secure prime retail product, with the only barrier to investment volumes being the limited suitable stock this year."

Prologis Targeted European Logistics' third quarter report highlighted conditions occurring in the European logistics market:

"The outlook for the sector continues to be positive, for both property operations and investment performance. The shock of Brexit has faded somewhat, and transactional evidence suggests that the logistics sector has been the most resilient commercial property class in the UK. Customer sentiment seems to have recovered for now and economic indicators that dipped in July have recently shown resilience. Some have returned to pre-Brexit levels, yet, as the long-term effect of the UK decision is still to be determined, Prologis Research remains cautious but positive on the near-to-medium term future. Customers are responding similarly, as they continue to absorb space both on the continent and in the UK. Coupled with measured amounts of available supply, vacancy levels remain low. Against this backdrop, property values of well-leased products in prime locations are rising as they continue to attract investor interest."

SCERS' commitment with ECE European Prime Shopping Center Fund II ("ECE") and Prologis Targeted European Logistics Fund, LP ("PTELF") are strategic investments in Europe. ECE targets prime shopping malls and centers primarily in Germany, Austria, and Central Eastern Europe. PTELF is one of the world's largest specialist logistics managers targeting Europe, including the UK.

- During the quarter, SCERS' investment with ECE returned 17.0% net (in US dollars), significantly outperforming the NFI-ODCE plus 100 bps index of 2.1% net. When calculated in local currency (Euro), ECE returned 15.5% net.
- For the twelve months ending September 30, 2016, ECE returned 39.0% net (in US dollars), compared to the index of 10.2%. When calculated in local currency (Euro), ECE returned 39.0% net.
- During the quarter, SCERS' investment with PTELF returned 2.5% net (in US dollars), outperforming the NFI-ODCE index of 1.8% due to a positive currency exchange rate. When calculated in local currency (Euro), PTELF returned 1.3% net.



The Nordic countries are experiencing solid GDP growth, although with varying degrees. Projections are for GDP growth in 2016 to be roughly equal to 2015's growth across the Nordics. Sweden continues to dominate growth among the Nordic countries, with GDP up 4.2% in 2015. Sweden is enjoying strong consumer consumption driven by a tight labor market and strong income growth. Despite the difficult environment for oil, Norway's GDP growth picked up in 2015, although projections for 2016 show some softening due to the weak energy market. Oil related industries account for 20% of Norway's GDP; therefore, the oil market has an influence on the economy. Finland's GDP growth has been sluggish due to weakness in its manufacturing sector. However, Finland's construction and services sectors have been driving recent growth, with exports slowly contributing a greater share. Weakness in Denmark's commodity driven industries have been a drag on its GDP growth but has been less so in 2015 and 2016. Strengthening of the Denmark services and construction sectors drove employment growth of over 1.5%, resulting in unemployment tightening to 4.2%. Improving employment is driving Denmark consumer consumption, and in turn, resulting in solid GDP growth.

A recent Colliers International report on the best European countries to invest in 2017, according to country fundamentals and real estate risk-return profile, identified the Nordics, Switzerland, and core Central Eastern Europe as the most attractive real estate markets. The combination of political stability, transparency, and strong real estate returns put the Nordics and Netherlands at the top of Collier's list. Across the Nordics, there are investment options for all investor groups, from risk adverse to yield seekers. For risk adverse investors, the Nordic countries were ranked in the top 5 of preferred markets by Colliers.

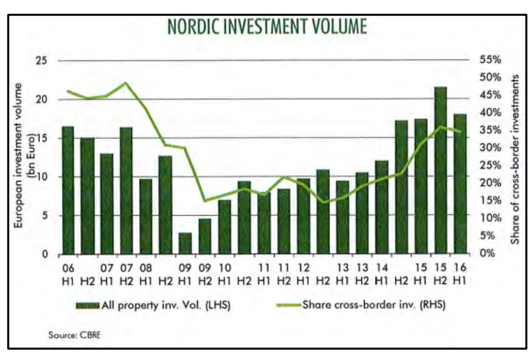
Tab. 1: Top Markets for Risk-averse Investors

Country	Politics Rank
Norway	1
Sweden	2
Switzerland	3
Finland	4
Denmark	5
Netherlands	6
Austria	7
Germany	8
United Kingdom	9
Belgium	10

Source: Colliers International

According to CBRE, the Nordics' third quarter transaction volume totaled €7.2 billion, which represented a 36% drop from the previous quarter but still above the 4-year average. It has been the lack of product contributing to the reduced transaction volumes, not investor demand. Sweden remains the most sought after market by investors, with 42% of total Nordic transactions occurring in Sweden during the quarter. Following Sweden with equal 20% share of transactions were Denmark and Finland, with investors targeting residential investments in both markets. In fact, residential investments have been particularly active across the Nordics, representing 33% of total deal volume.

The Nordics' robust economies remain an attractive location for foreign investors. The foreign share of Nordic transaction volume increased to 23% of the total volume in the third quarter, up from 15% in the second quarter and significantly higher than the historical average of 10%. The influx of foreign capital and the outsized demand for prime assets has compressed cap rates ever lower, although the third quarter saw cap rates stabilizing across all markets and property types.



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

- During the quarter, SCERS' investment with NREP I and NREP II returned 6.2% net and -4.1% net (in US dollars), respectively, compared to the NFI-ODCE + 100 bps index of 2.1% net. When calculated in local currency (Euro), NREP I returned 5.2% net and NREP II returned -5.2% net. NREP II is in its early months and the negative return is due to fund fees.
- For the twelve months ending September 30, 2016, NREP I returned 31.9% net (in US dollars) and NREP II is in its early months to be able to calculate a return. This is compared to the index return of 10.2% net. When calculated in local currency (Euro), NREP I returned 31.3% net.

We would be happy to address any questions.

Respectfully submitted,

Concur:

JR Pearce
Investment Officer

Richard Stensrud
Chief Executive Officer

Steve Davis
Chief Investment Officer

Attachment

TOWNSEND GROUP

Real Estate Portfolio

Performance Measurement Report

THIRD QUARTER 2016

SCERS
SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

SCERS Real Estate Portfolio Overview

TOWNSEND GROUP

- 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 the end of 3rd Quarter 2016 (the "Quarter"), the Core Portfolio is below target at 6.4% 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, approximately $8.8 million) and $25 million to Townsend Real Estate Fund ("TREF") SCERS will have a 6.8% 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 8 and 9.

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

- The loan-to-value ratio of the Core Portfolio was 28.7% at the end of the Third 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 22.1% as of the Third Quarter. The Non-Core Portfolio reported a loan-to-value ratio of 45.9%.

Portfolio Funding Status

- The following slides provide a review of key information of the SCERS Real Estate Portfolio (the "Portfolio") through September 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	**8,081**	
Core Portfolio Target	**566**	**7.0%**
Core Portfolio Market Value	**519**	**6.4%**
Unfunded Commitments	34	0.4%
Core Portfolio Market Value & Unfunded Commitments	**553**	**6.8%**
Remaining Allocation	**13**	**0.2%**
Total RE Market Value:		
Core Portfolio	519	6.4%
Non-Core Portfolio	173	2.1%
REIT Portfolio	203	2.5%
Total SCERS Real Estate Market Value	**896**	**11.1%**

- Also note that the exposure to Core Real Estate will reduce further as a result of disposition activity in the separate accounts. Within the Blackrock Core Separate Account, Forest Pointe was sold during the Quarter. Additionally, and subsequent to Quarter-end, the sale of Stonefield closed.

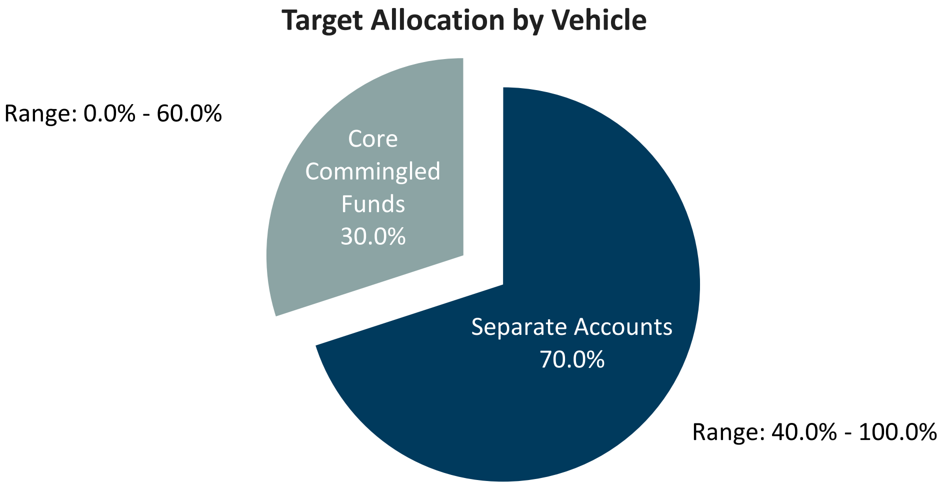
- To offset the disposition of core assets, an additional commitment of $20 million to Townsend Real Estate Fund was approved subsequent to Quarter end.

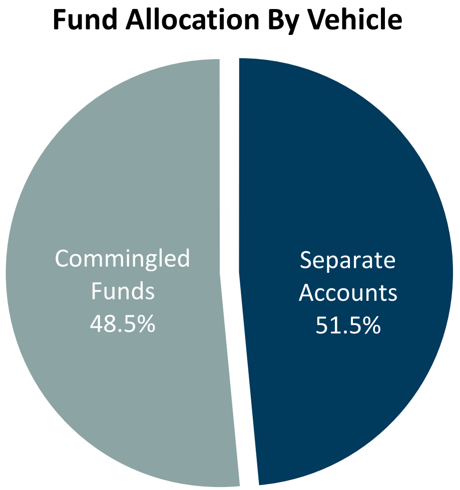
* Figures may not add due to rounding.

Real Estate Portfolio Composition

Core Portfolio

- The SCERS Core Portfolio represents 6.4% 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 c.$23 million by Townsend Real Estate Fund. Going forward, an additional commitment of $20 million to TREF will increase core commingled fund exposure.
    - Separate Account exposure decreased during the Quarter and is expected to decline further with projected asset sales. The sale of Forest Pointe (Blackrock) closed during the Quarter. Following Quarter-end, the sale of Stonefield, another Blackrock core separate account asset, closed. Portfolio exposure to Core Real Estate (and Separate Accounts) will reduce further.



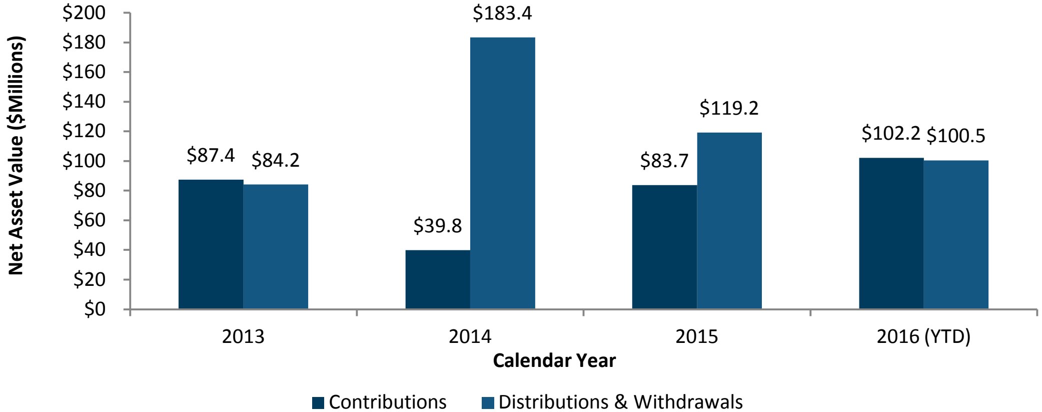


Real Estate Portfolio Composition

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 (October 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 Third 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 September 30, SCERS has an aggregate exposure of 3.9% to Non-Core opportunities.

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

- Within the opportunistic portfolio, the BlackRock High Return Separate account recently made its first acquisition, Block 295. Block 295 is a joint venture with Cairn Pacific and Capstone Partners to renovate a 3-story office building in Portland, Oregon. Third Quarter 2016 is the first full period of performance reported for Block 295.

- Based on discussions with managers, near-term liquidations are in process and are expected to be completed for AEW Value Investors Fund II (by 1Q-17), Hines U.S. Office Value Added Fund II (by 4Q-16), and UBS Allegis Value Trust Fund II (by 3Q-18)

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

REIT Portfolio

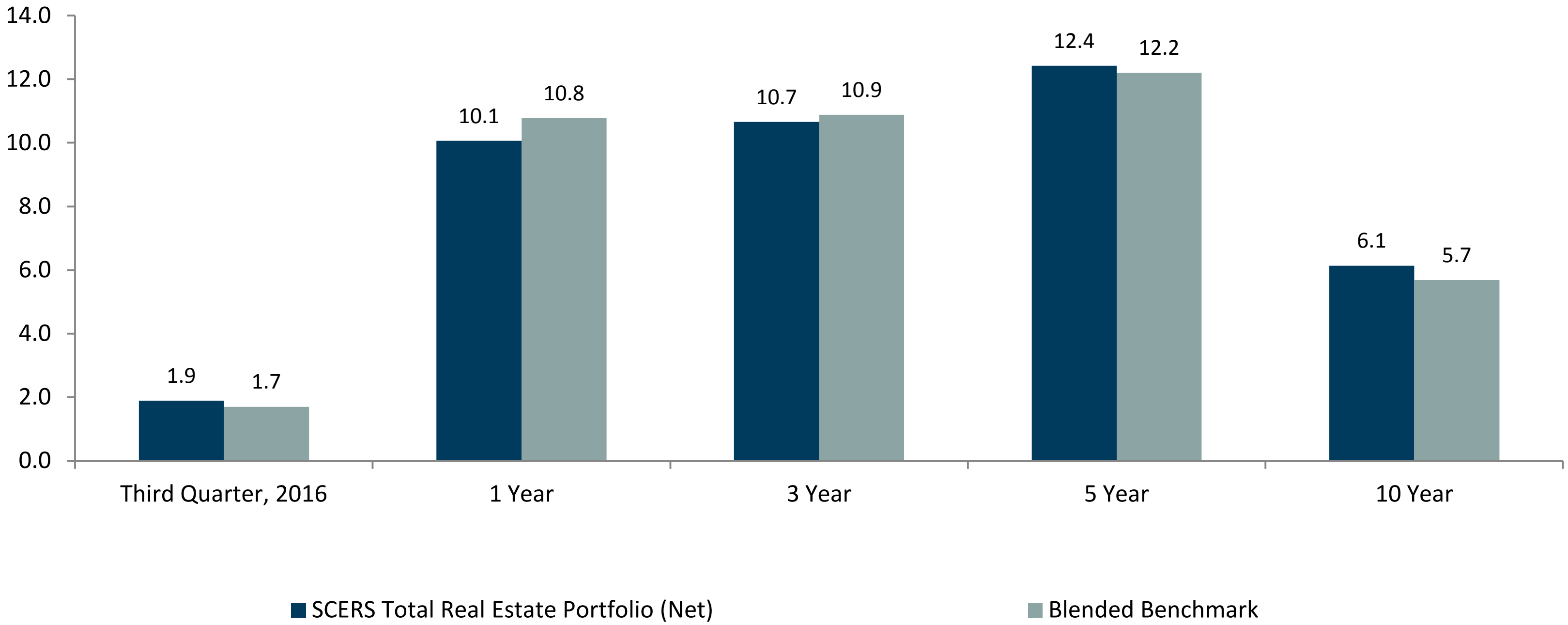
- REITs are included within the SCERS Equity allocation with a target of 2.25%. As of the Third Quarter, the REIT Portfolio represented 2.5% of the Total Plan, in-line with the long-term target.

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

- SCERS currently invests in two REITs – CBRE Clarion International Real Estate Securities Strategy and CenterSquare REIT.

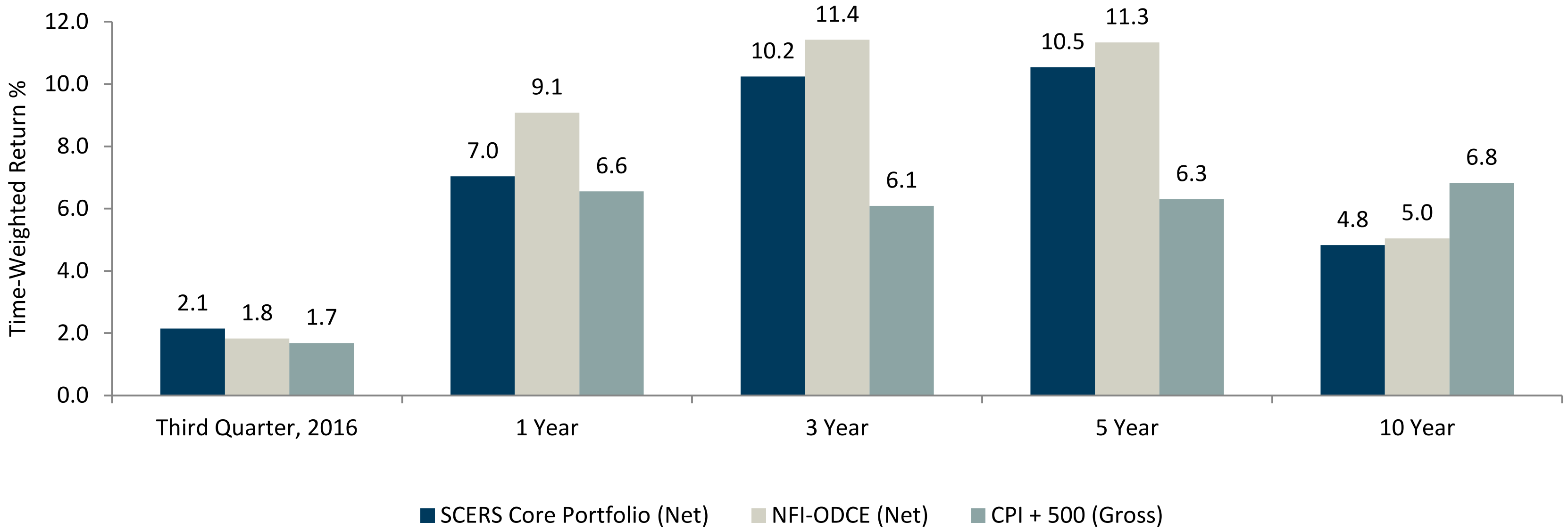
- Note that SCERS reduced its target allocation to REITs from 5.00% to 2.25% in 2013. In the Second Quarter of 2013, SCERS redeemed in full from the Principal REIT in order to rebalance the Portfolio to its established target.

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.
  - Underperformance was mainly attributed to write-downs on liquidating separate account assets and BlackRock's Granite Property Fund.

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.
- Performance of the Core Portfolio is evaluated relative to the NCREIF Fund Index of Open-End Diversified Core Equity funds ("NFI-ODCE"), net of fees.
- In aggregate, the Core Portfolio underperformed the NFI-ODCE, net of fees, over all time periods with the exception of the Quarter.
- 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). 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

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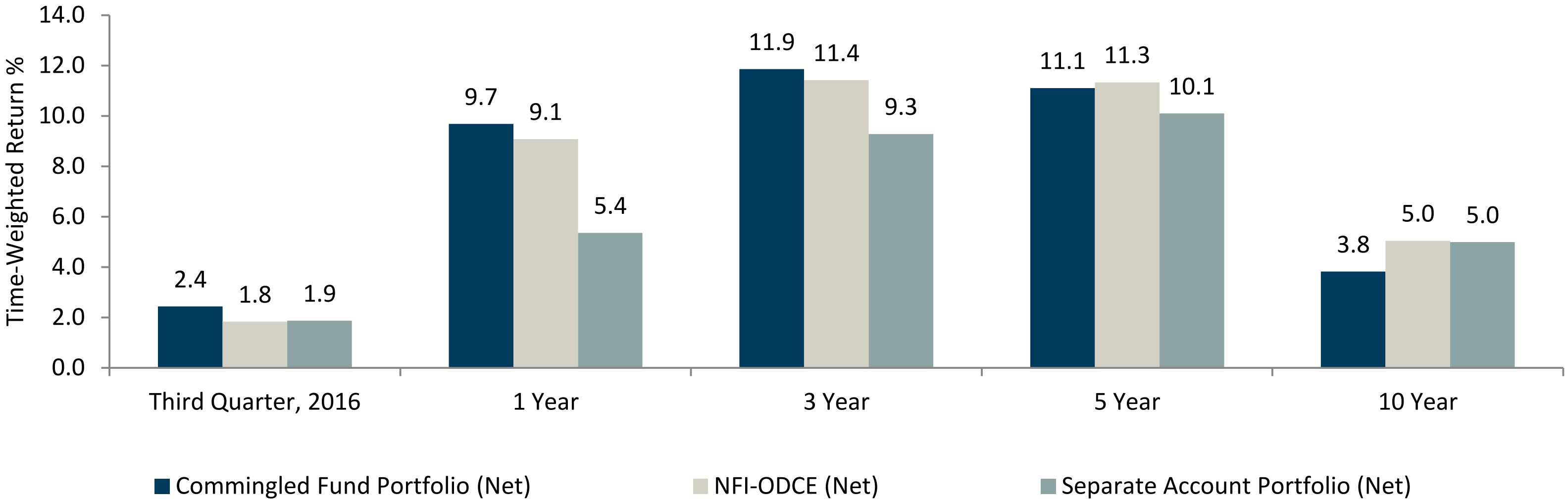
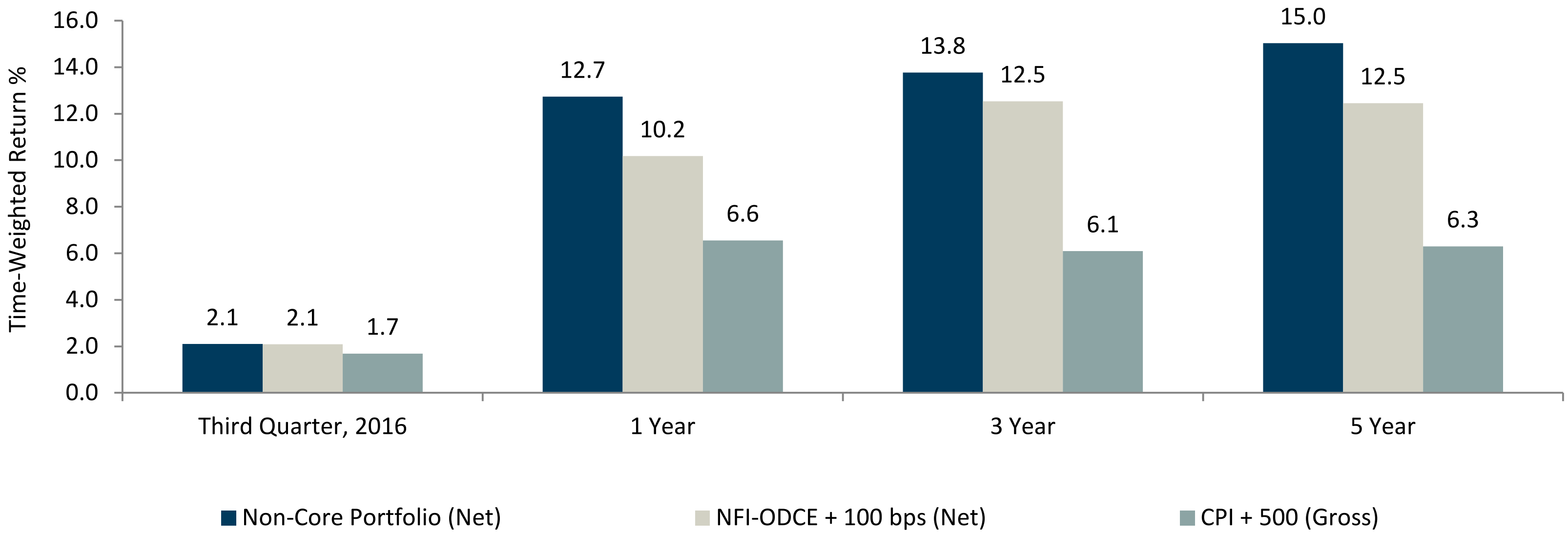


- Commingled Funds outperformed the NFI-ODCE over the Quarter, one-year, three-year and since inception time periods (not displayed) but underperformed over the five-year and ten-year time periods. Performance over the Quarter was mostly driven by Prologis Targeted US Logistics Fund and Jametown Premier Property Fund, both of which outperformed 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, a partial redemption was made from Cornerstone Patriot Fund in 2014 followed by a full redemption in 2015.
- Separate Account performance has suffered as a result of recent sales activity, where sale prices trailed carrying value. The decision to liquidate was made in recognition of core pricing reaching a perceived cyclical peak and in tandem with efforts to rebalance the core portfolio.

**Prologis Targeted* European *Logistics Fund (Euro) produced a local return of 1.3% (Net)*

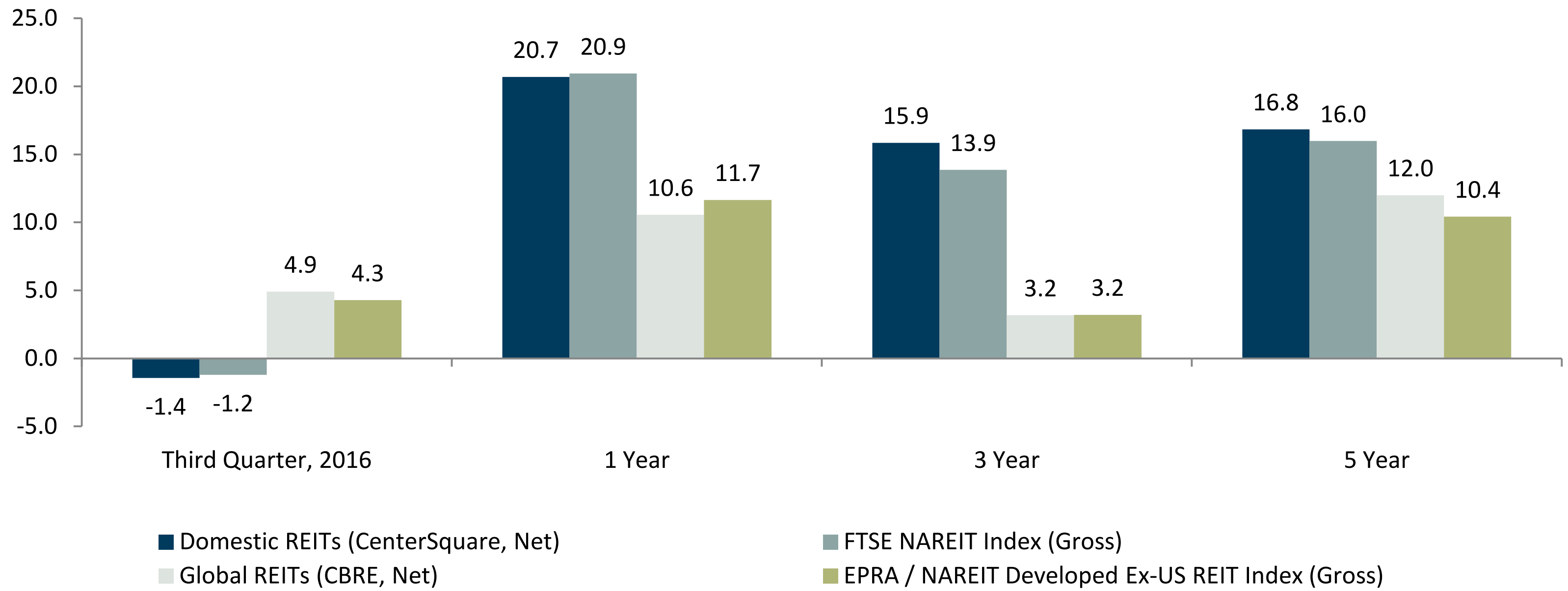
Non-Core Portfolio Performance



- 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.
- Outperformance over the shorter time periods is attributable to Value Add and Opportunistic strategies.
  - The following Value Add funds have driven performance: NREP Nordic Strategies Fund, ECE European Shopping Centre Fund II and 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, and, while Hines short-term performance has been accretive, the net IRR to SCERS remains negative.
  - Och-Ziff Real Estate Fund III has driven short-term performance of the Opportunistic portfolio.
- Outperformance over the longer time periods is attributable to liquidated Opportunistic strategies managed by PIMCO. The five-year number also reflects a reset of market values for underperforming legacy investments following the global financial crisis.

**Ex. US funds produced the following net returns in local currency: DRC European Real Estate Debt Fund II (Pound Sterling) -1.7%, ECE European Prime Shopping Center Fund II (Euro) 15.5%, NREP Nordic Strategies Fund (Euro) 5.2%, and NREP Nordic Strategies Fund II (Euro) -5.2%*

Public Portfolio Performance

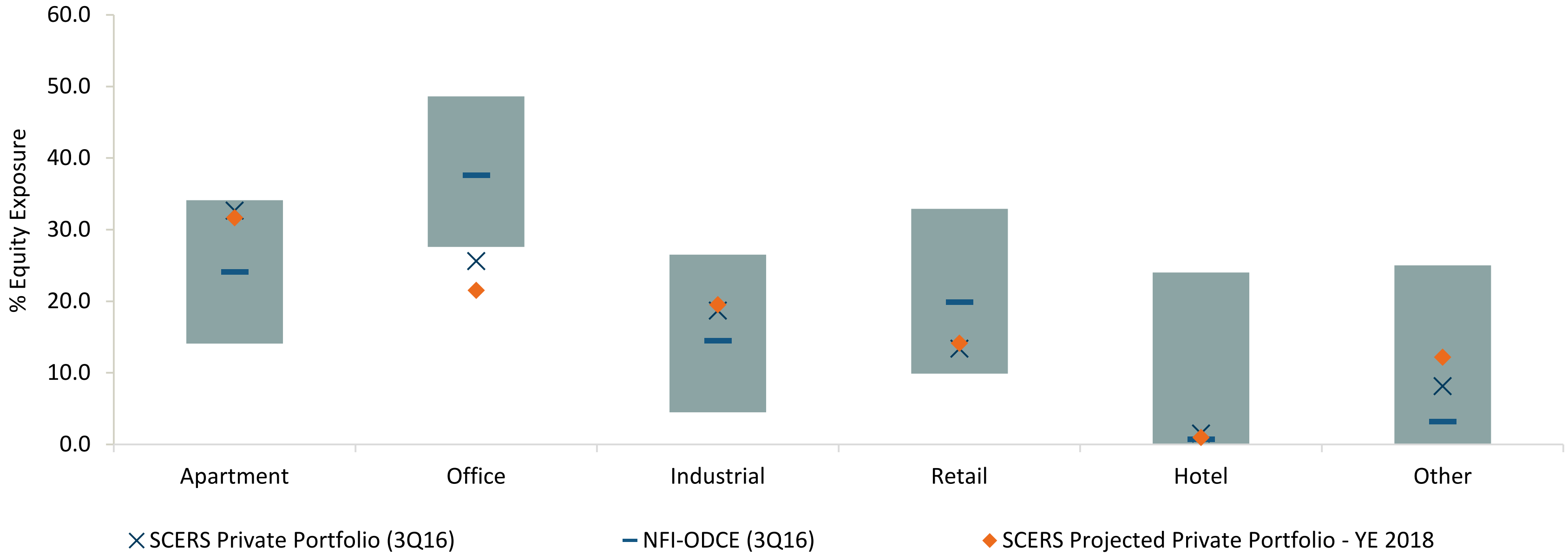


- The SCERS Public Portfolio consists of two Real Estate Investment Trusts ("REITs") managed by CBRE and CenterSquare (previously Urdang). REITs are included within the SCERS Equities Portfolio (also small cap US equities, international equities and emerging markets).
- CenterSquare manages a domestic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

  Domestic REITs: FTSE EPRA NAREIT Index

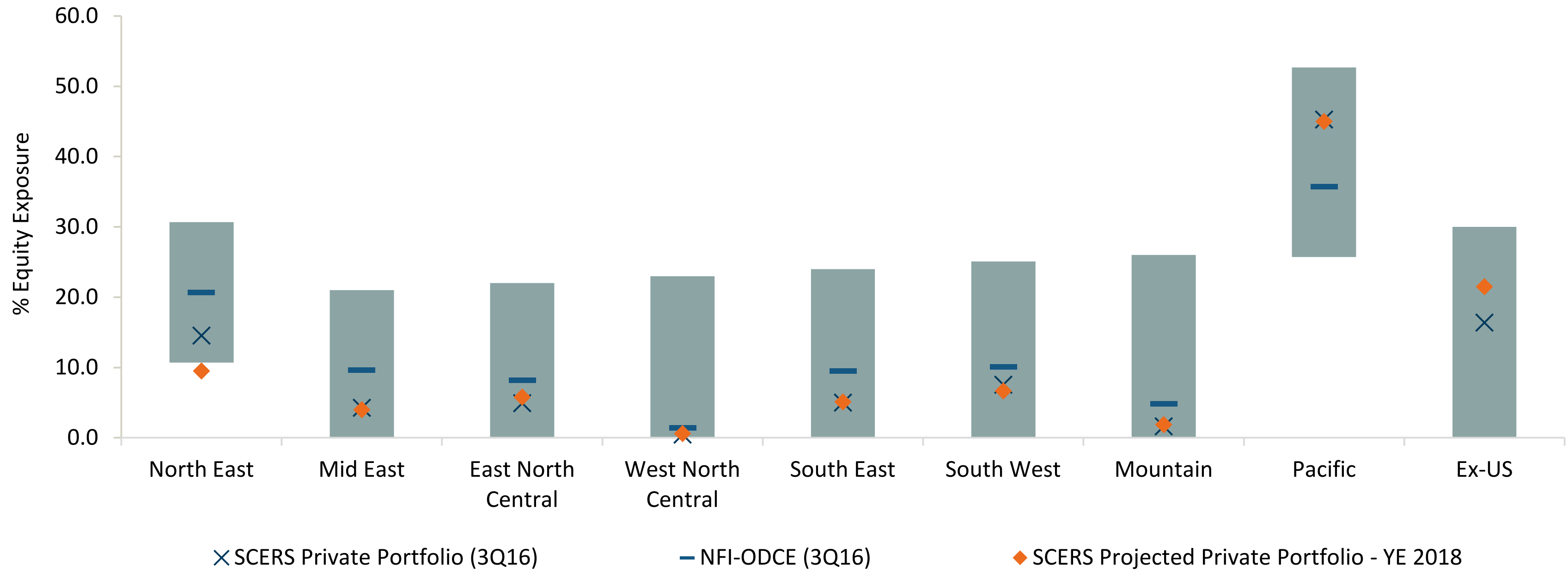
  Global REITs: FTSE EPRA / NAREIT Global Ex-US REIT Index
- The SCERS Domestic REIT, CenterSquare, outperformed its benchmark (FTSE EPRA NAREIT Index) over the three and five-year time periods, but underperformed over the Quarter and one-year time period.
- The SCERS Global REIT, CBRE, underperformed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

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 Third Quarter, the Private Portfolio was in compliance across all property types with the exception of the Office property type.
- 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 September 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 Third Quarter, the Private Portfolio was in compliance across all geographic regions although exposure to the pacific region is nearly in breach.
- 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. Although recent populist sentiment towards globalization may impact trade going forward, policy stances are uncertain and sector fundamentals remain strong. Furthermore, we expect that the secular shift in e-commerce will continue to provide positive tailwinds to the industrial sector for some time.

- 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)

TOWNSEND GROUP

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 had a pre-specified portfolio generating a current income return, which was appealing. Given the manager’s resources, relationships and healthcare real estate track record, along with a defensive niche investment theme, Staff and Townsend anticipate that the fund will provide the SCERS portfolio with income and cash generation. Additionally, Hammes provides some exposure to the healthcare industry, albeit through property investments which tend to have long maturity leases. SCERS remains significantly underweight to the healthcare industry 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)

TOWNSEND GROUP

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 (relative to alternative options) and more attractive return projections 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

Portfolio Composition ($)								
Total Plan Assets	Allocation		Market Value		Unfunded Commitments		Remaining Allocation	
8,081,348,758	Core	7.0%	519,066,554	6.4%	33,916,740	0.4%	12,711,119	0.2%
	Non-Core	0.00% - 5.00%	173,149,483	2.1%	151,283,055	1.9%	-142,602,191	-1.8%
	REITs	2.25%	203,310,992	2.5%	0	0.0%	-21,480,645	-0.3%
	Total	**11.5%**	**895,527,029**	**11.1%**	**185,199,795**	**2.3%**	**-151,371,717**	**-1.9%**

Performance Summary	Quarter (%)		1 Year (%)		3 Year (%)		5 Year (%)	
	TGRS	TNET	TGRS	TNET	TGRS	TNET	TGRS	TNET
Core Portfolio (Commingled Funds & Separate Accounts)	2.4	2.1	8.3	7.0	11.8	10.2	11.9	10.5
Non-Core Portfolio (Value Added & Opportunistic, 1Q2007 Forward)	2.7	2.1	15.6	12.7	17.5	13.8	19.0	15.0
REIT Portfolio	1.1	1.0	16.7	16.4	10.3	10.0	15.7	15.4
Total Portfolio	2.2	1.9	11.4	10.1	12.2	10.7	13.8	12.4
NFI-ODCE (Core)	2.1	1.8	10.1	9.1	12.5	11.4	12.4	11.3
NFI-ODCE + 100 bps (Non-Core)	2.3	2.1	11.2	10.2	13.6	12.5	13.5	12.5
FTSE EPRA/NAREIT Developed ex US Index (Global REITs)	4.3		11.7		3.2		10.4	
FTSE NAREIT Index (Domestic REITs)	-1.2		20.9		13.9		16.0	

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	17,807,323	0	4,312,343	19,276,154	2.2	1.8
MetLife Core Property Fund	2013	35,000,000	39,534,961	0	5,038,163	49,665,921	5.5	4.6
Prime Property Fund	2013	35,000,000	39,875,045	0	4,875,045	50,128,375	5.6	4.6
Principal U.S. Property Account	2015	35,000,000	35,000,000	0	0	38,251,787	4.3	3.5
Prologis Targeted Europe Logistics Fund	2015	35,000,000	31,392,181	3,607,819	1,468,652	31,254,893	3.5	3.2
Prologis Targeted U.S. Logistics Fund	2015	35,000,000	29,800,000	5,200,000	1,029,586	32,041,757	3.6	3.4
Townsend Real Estate Fund, L.P.	2016	70,000,000	45,098,090	25,108,921	207,011	46,637,666	5.2	6.6
Core Commingled Funds	**1986**	**260,000,000**	**238,507,600**	**33,916,740**	**16,930,800**	**267,256,553**	**29.8**	**27.9**
Core Separate Accounts								
BlackRock Core Separate Account	1995	826,946,631	826,946,631	0	1,033,455,846	146,032,486	16.3	13.5
BlackRock Separate Account (PM Realty Takeover)	2002	150,488,414	150,488,414	0	172,818,606	44,282,370	4.9	4.1
Cornerstone Separate Account	2004	254,736,919	254,736,919	0	267,356,831	61,495,145	6.9	5.7
Core Separate Accounts	**1996**	**1,232,171,964**	**1,232,171,964**	**0**	**1,473,631,283**	**251,810,001**	**28.1**	**25.9**
Total BlackRock Separate Account	*1996*	*994,435,045*	*987,065,045*	*7,370,000*	*1,206,274,452*	*200,075,168*	*21.3*	*17.6*
Total Core Portfolio	**1986**	**1,492,171,964**	**1,470,679,564**	**33,916,740**	**1,490,562,083**	**519,066,554**	**58.0**	**53.7**
Value Added Portfolio								
AEW Value Investors Fund II[1]	2007	21,812,596	21,857,719	0	26,123,490	1,808,361	0.2	0.2
Allegis Value Trust	2006	25,000,000	25,550,296	0	10,109,296	22,103,728	2.5	2.0
DRC European Real Estate Debt Fund II	2013	50,007,963	40,498,722	12,763,878	13,220,712	26,574,888	3.0	3.6
ECE European Prime Shopping Centre Fund II	2015	33,611,623	7,866,449	26,851,682	1,010,241	9,310,866	1.0	3.3
Hammes Partners II	2015	25,000,000	11,914,365	13,085,635	1,168,973	11,301,239	1.3	2.3
Hines US Office Value Added Fund II	2007	25,000,000	24,359,142	846,154	11,172,917	6,873,689	0.8	0.7
NREP Nordic Strategies Fund	2014	25,130,756	21,924,715	1,106,617	5,516,283	25,703,594	2.9	2.5
NREP Nordic Strategies Fund II	2016	35,176,432	4,569,226	31,310,130	0	4,111,129	0.5	3.3
Value Added Portfolio	**1986**	**240,739,370**	**158,540,634**	**85,964,096**	**68,321,912**	**107,787,494**	**12.0**	**17.9**

Funding Status

Funding Status ($)	Investment Vintage Year	Commitment Amount	Funded Amount	Unfunded Commitments	Capital Returned	Market Value	Market Value (%)	Market Value + Unfunded Commitments (%)
Opportunistic Portfolio								
BlackRock High Return Separate Account	2016	17,000,000	9,630,000	7,370,000	0	9,760,312	1.1	1.6
CIM Fund VIII	2015	35,000,000	21,626,070	15,348,960	857,764	23,112,743	2.6	3.6
KKR Real Estate Partners Americas	2014	35,000,000	24,794,987	17,214,825	9,349,828	21,785,058	2.4	3.6
Och-Ziff Real Estate Fund III	2014	35,000,000	10,037,527	25,385,174	517,300	10,703,876	1.2	3.3
Opportunistic Portfolio	**1991**	**122,000,000**	**66,088,584**	**65,318,959**	**10,724,892**	**65,361,989**	**7.3**	**12.1**
Private Portfolio	**1986**	**1,854,911,334**	**1,695,308,782**	**185,199,795**	**1,569,608,887**	**692,216,037**	**9.2**	**7.6**
Total Non-Core Portfolio 1Q 2007 Forward	**2007**	**362,739,370**	**224,629,218**	**151,283,055**	**79,046,804**	**173,149,483**	**13.5**	**11.2**
Public Portfolio								
CBRE Clarion International Real Estate Securities Strategy	2008	60,000,000	61,135,410	0	65,280,474	82,423,602	9.2	7.6
CenterSquare REIT (formerly Urdang)	2006	50,000,000	51,176,120	0	861,558	120,887,390	13.5	11.2
Public Portfolio	**2006**	**110,000,000**	**112,311,530**	**0**	**66,142,032**	**203,310,992**	**22.7**	**18.8**
Total Current Portfolio								
SCERS	**1986**	**1,964,911,334**	**1,807,620,312**	**185,199,795**	**1,635,750,919**	**895,527,029**	**100.0**	**100.0**

[1] Preliminary performance, subject to change.

Sacramento County Employees' Retirement System

Third Quarter 2016

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	19,276,154	1.1	2.3	3.4	2.8	4.5	7.3	12.0	9.9													4.8	10.6	15.8	12.6	1Q14	12.6	1.3
MetLife Core Property Fund	49,665,921	1.3	1.3	2.6	2.5	5.1	5.6	10.9	10.4													5.2	9.1	14.6	14.1	1Q14	14.1	1.4
Prime Property Fund	50,128,375	1.1	1.4	2.5	2.3	4.4	6.6	11.2	10.0	4.5	9.5	14.3	13.1									4.5	9.5	14.3	13.1	4Q13	13.0	1.4
Principal U.S. Property Account	38,251,787	1.2	1.1	2.3	2.1	5.0	5.1	10.3	9.3													5.0	5.1	10.3	9.3	4Q15	9.3	1.1
Prologis Targeted Europe Logistics Fund	31,254,893	0.7	1.9	2.6	2.5																	0.2	6.6	6.9	6.8	1Q16	4.7	1.0
Prologis Targeted U.S. Logistics Fund	32,041,757	1.5	1.7	3.2	2.9	5.8	8.6	14.8	13.2													5.9	8.6	14.9	13.3	3Q15	13.1	1.1
Townsend Real Estate Fund, L.P.	46,637,666	1.1	1.3	2.4	2.4																	2.1	3.5	5.6	5.5	2Q16	10.8	1.0
Core Commingled Funds	**267,256,553**	**1.2**	**1.5**	**2.6**	**2.4**	**4.4**	**6.1**	**10.7**	**9.7**	**4.7**	**8.1**	**13.0**	**11.9**	**4.7**	**7.2**	**12.2**	**11.1**	**4.8**	**-0.1**	**4.8**	**3.8**	**4.5**	**3.1**	**7.7**	**6.8**	**4Q86**	**5.7**	**1.2**
Core Separate Accounts																												
BlackRock Core Separate Account	146,032,486	1.3	1.7	3.0	2.5	5.5	6.7	12.4	10.5	5.3	9.1	14.7	12.3	5.4	8.2	13.9	12.0	5.4	1.8	7.3	5.8	7.2	3.2	10.5	8.9	1Q96	10.0	1.4
BlackRock Separate Account (PM Realty Takeover)	44,282,370	1.3	-0.5	0.8	0.6	5.5	-17.5	-12.7	-13.3	4.6	-3.6	0.9	0.1	4.9	-0.9	4.0	3.3	5.1	-2.7	2.3	1.5	5.8	1.3	7.2	6.1	3Q02	8.4	1.4
Cornerstone Separate Account	61,495,145	1.2	0.0	1.2	1.0	4.7	-0.4	4.3	3.6	5.5	2.3	7.9	7.1	5.4	4.2	9.8	9.0	5.5	-0.1	5.4	4.6	5.6	1.2	6.9	6.0	3Q04	5.0	1.3
Core Separate Accounts	**251,810,001**	**1.3**	**1.0**	**2.2**	**1.9**	**5.2**	**1.5**	**6.8**	**5.4**	**5.3**	**5.4**	**11.0**	**9.3**	**5.3**	**5.9**	**11.5**	**10.1**	**5.4**	**0.7**	**6.2**	**5.0**	**7.3**	**2.7**	**10.2**	**8.8**	**1Q96**	**8.9**	**1.4**
Total BlackRock Separate Account	*200,075,169*	*1.2*	*1.4*	*2.5*	*2.2*	*5.3*	*2.7*	*8.1*	*6.4*	*5.1*	*7.2*	*12.6*	*10.5*	*5.3*	*6.9*	*12.4*	*10.7*	*5.3*	*1.2*	*6.6*	*5.3*	*7.3*	*3.1*	*10.5*	*9.1*	*1Q96*	*9.8*	*1.4*
Total Core Portfolio	**519,066,554**	**1.2**	**1.2**	**2.4**	**2.1**	**4.9**	**3.3**	**8.3**	**7.0**	**5.1**	**6.4**	**11.8**	**10.2**	**5.2**	**6.4**	**11.9**	**10.5**	**5.3**	**0.7**	**6.0**	**4.8**	**5.6**	**1.6**	**7.3**	**6.3**	**4Q86**	**8.2**	**1.4**
Value Added Portfolio																												
AEW Value Investors Fund II[2]	1,808,361	2.2	-15.5	-13.3	-13.6	8.3	-18.4	-11.1	-12.1	8.6	1.7	10.4	9.3	7.6	6.8	14.8	13.6					6.9	-4.5	2.1	0.3	3Q07	5.8	1.3
Allegis Value Trust[1]	22,103,728	1.4	1.3	2.8	2.6	5.9	5.8	12.0	11.4	6.0	4.1	10.3	9.7	6.2	4.6	11.0	10.4					4.7	-4.9	-0.3	-2.0	1Q07		
DRC European Real Estate Debt Fund II	26,574,888	3.0	-7.1	-4.1	-4.4	14.4	-18.1	-5.6	-6.9													10.6	-9.8	0.2	-2.1	1Q14	-1.1	1.0
ECE European Prime Shopping Centre Fund II	9,310,866	5.5	10.8	16.3	17.0	7.6	31.0	40.4	39.0													7.6	31.0	40.4	39.0	4Q15	40.6	1.3
Hammes Partners II	11,301,239	2.3	1.1	3.4	2.1	18.9	1.0	20.0	11.7													13.8	11.2	26.6	16.8	3Q15	9.1	1.0
Hines US Office Value Added Fund II	6,873,689	1.2	5.7	6.9	6.5	5.4	63.6	71.3	68.4	4.0	32.3	37.2	34.1	5.4	19.3	25.6	22.2					5.3	-11.3	-6.7	-10.4	4Q07	-4.5	0.7
NREP Nordic Strategies Fund	25,703,594	2.6	3.9	6.5	6.2	12.1	19.6	33.5	31.9													14.8	24.9	42.4	39.4	1Q15	40.1	1.4
NREP Nordic Strategies Fund II	4,111,129	4.5	-0.7	3.8	-4.1																	4.5	-0.7	3.8	-4.1	3Q16	-33.6	0.9
Value Added Portfolio	**107,787,494**	**2.7**	**0.3**	**2.9**	**2.4**	**10.9**	**5.3**	**16.6**	**14.3**	**8.7**	**6.9**	**16.0**	**13.6**	**7.8**	**7.3**	**15.5**	**13.5**	**5.3**	**-4.5**	**0.5**	**-2.6**	**1.7**	**3.4**	**5.2**	**4.1**	**4Q86**	**3.0**	**1.1**
Opportunistic Portfolio																												
BlackRock High Return Separate Account	9,760,312	-1.2	4.4	3.1	3.1																	-1.2	4.4	3.1	3.1	3Q16	5.3	1.0
CIM Fund VIII	23,112,743	-0.1	1.6	1.5	1.0	-0.5	11.3	10.8	7.9													0.1	14.8	14.9	11.5	2Q15	10.3	1.1
KKR Real Estate Partners Americas	21,785,058	8.8	-7.3	1.5	1.1	12.3	-1.3	11.5	7.9													9.5	4.0	14.1	9.0	2Q14	17.4	1.3
Och-Ziff Real Estate Fund III[3]	10,703,876	1.5	3.0	4.5	3.1	9.9	14.9	25.9	16.8													21.1	10.3	33.2	-6.0	4Q14	13.1	1.1
Opportunistic Portfolio	**65,361,989**	**3.1**	**-0.9**	**2.2**	**1.7**	**5.5**	**7.3**	**13.2**	**9.2**	**5.7**	**26.2**	**33.2**	**24.6**	**3.9**	**26.2**	**31.1**	**22.8**	**2.9**	**13.3**	**16.5**	**11.3**	**1.1**	**8.3**	**9.4**	**7.5**	**1Q91**	**0.0**	**1.3**
Total Non-Core Portfolio 1Q 2007 Forward	**173,149,483**	**2.8**	**-0.2**	**2.7**	**2.1**	**9.3**	**5.8**	**15.6**	**12.7**	**8.1**	**8.8**	**17.5**	**13.8**	**6.8**	**11.6**	**19.0**	**15.0**					**4.3**	**4.4**	**8.8**	**4.3**	**1Q07**	**5.3**	**1.2**
Private Portfolio	**692,216,037**	**1.6**	**0.9**	**2.5**	**2.1**	**5.9**	**3.8**	**9.8**	**8.2**	**5.7**	**6.8**	**12.8**	**10.9**	**5.5**	**7.2**	**13.0**	**11.2**					**4.4**	**4.5**	**9.1**	**8.1**	**4Q86**	**8.1**	**1.3**
Public Portfolio																												
CBRE Clarion International Real Estate Securities Strategy	82,423,602	0.7	4.3	5.0	4.9	2.9	7.8	10.9	10.6	2.9	0.5	3.4	3.2	3.3	8.8	12.3	12.0					3.5	9.1	12.9	12.5	1Q09	15.4	2.4
CenterSquare REIT (formerly Urdang)	120,887,390	1.0	-2.4	-1.4	-1.4	4.3	16.3	21.0	20.7	4.1	11.8	16.2	15.9	3.9	13.0	17.3	16.8	4.3	4.6	9.0	8.4	4.2	4.9	9.3	8.7	2Q06	8.8	2.4
Public Portfolio	**203,310,992**	**0.9**	**0.2**	**1.1**	**1.0**	**3.7**	**12.7**	**16.7**	**16.4**	**3.6**	**6.6**	**10.3**	**10.0**	**3.5**	**11.9**	**15.7**	**15.4**	**3.8**	**5.2**	**9.2**	**8.7**	**3.8**	**5.5**	**9.4**	**8.9**	**2Q06**	**10.1**	**2.1**
Total Portfolio																												
SCERS	**895,527,029**	**1.4**	**0.7**	**2.2**	**1.9**	**5.4**	**5.8**	**11.4**	**10.1**	**5.2**	**6.7**	**12.2**	**10.7**	**5.0**	**8.5**	**13.8**	**12.4**	**5.0**	**2.3**	**7.4**	**6.1**	**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)	€ 27,819,980	0.7	0.7	1.4	1.3																	0.3	4.0	4.4	4.3	1Q16	6.2	1.1
DRC European Real Estate Debt Fund II (Pound Sterling)	£20,475,951	3.1	-4.5	-1.4	-1.7	14.6	-4.5	9.6	8.1													10.7	-1.4	9.2	6.7	1Q14	6.6	1.1
ECE European Prime Shopping Centre Fund II (Euro)	€ 8,287,602	5.5	9.4	14.9	15.5	7.4	30.9	40.4	39.0													7.4	30.9	40.4	39.0	4Q15	38.3	1.3
NREP Nordic Strategies Fund (Euro)	€ 22,878,769	2.6	2.9	5.5	5.2	12.4	18.9	32.9	31.3													15.1	29.9	48.2	45.0	1Q15	43.4	1.4
NREP Nordic Strategies Fund II (Euro)	€ 3,659,316	4.5	-1.9	2.7	-5.2																	4.5	-1.9	2.7	-5.2	3Q16	-37.4	0.9
Indices																												
NFI-ODCE		1.1	0.9	2.1	1.8	4.6	5.3	10.1	9.1	4.8	7.3	12.5	11.4	5.0	7.1	12.4	11.3	5.4	0.6	6.0	5.0	7.0	0.3	7.3	6.3	4Q86		
NFI-ODCE + 100bps				2.3	2.1			11.2	10.2			13.6	12.5			13.5	12.5			7.1	6.1			8.4	7.3	4Q86		
FTSE EPRA/NAREIT Developed ex-US Index				4.3				11.7				3.2				10.4				2.6				6.4		1Q90		
FTSE EPRA NAREIT US Index				-1.2				20.9				13.9				16.0				6.4				10.4		4Q86		
CPI + 500 BPS				1.7				6.6				6.1				6.3				6.8				7.8		4Q86		

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

[2] Preliminary performance, subject to change.

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

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	13,197,217	1.6	1.6	3.1	3.0	6.7	-0.3	6.4	10.4	6.5	2.1	8.7	8.7					11.2	10.6	4Q12	10.4	1.4
Forest Pointe	921,808	0.9	1.8	2.7	2.6	5.4	2.3	7.8	7.2	5.8	1.2	7.1	6.4	6.3	3.2	9.7	9.0	6.2	5.4	4Q05	5.2	1.3
Harbour Pointe	36,258,795	1.5	-0.2	1.3	1.0	5.5	5.7	11.5	9.2	6.1	5.7	12.1	9.6	6.2	5.6	12.1	9.3	8.0	6.6	4Q05	7.0	1.5
Hillside Village	41,765,923	0.9	4.0	4.9	4.0	4.3	15.0	19.8	15.3	4.4	17.6	22.5	18.9	4.1	14.1	18.6	16.2	8.5	7.0	4Q07	4.5	1.4
Lake Washington Park	37,897,276	1.3	0.0	1.3	1.1	4.9	3.3	8.3	7.7	4.3	11.5	16.2	15.5	4.5	8.5	13.3	12.6	2.9	2.2	3Q07	3.0	1.2
SC Dupont Fee, inc.[1]	57,730																			1Q07		
SCERS - Portfolio Master Acct.[2]	87,432																			2Q01		
The Tower at Hollywood Hills	15,555,329	1.3	4.2	5.5	3.9	6.1	9.3	15.9	10.5	5.2	10.9	16.5	13.2	5.1	7.7	13.1	10.4	8.6	6.9	1Q08	5.9	1.5
Weston, Inc.[2]	290,975					7.6	5.0	12.9	12.9	4.5	10.7	15.6	15.3	4.9	6.8	12.0	11.6	1.6	1.1	1Q06	4.4	1.3
Investment Total	**146,032,485**	**1.3**	**1.7**	**3.0**	**2.5**	**5.5**	**6.7**	**12.4**	**10.5**	**5.3**	**9.1**	**14.7**	**12.3**	**5.4**	**8.2**	**13.9**	**12.0**	**10.5**	**8.9**	**1Q96**	**10.0**	**1.4**
BlackRock Separate Account (PM Realty Takeover)																						
Fontana Industrial Ctr[1]	36,903	-32.4	0.0	-32.4	-32.4	-56.6	0.0	-56.6	-56.6	-27.1	9.7	-20.0	-20.1	-16.0	4.0	-12.6	-12.8	0.6	-0.4	3Q02	9.4	1.8
Stonefield Apts	44,245,467	1.3	-0.5	0.8	0.7	5.6	-17.6	-12.7	-13.4	5.3	-6.6	-1.6	-2.4	5.8	1.2	7.0	6.2	8.3	7.4	1Q03	7.0	1.4
Investment Total	**44,282,370**	**1.3**	**-0.5**	**0.8**	**0.6**	**5.5**	**-17.5**	**-12.7**	**-13.3**	**4.6**	**-3.6**	**0.9**	**0.1**	**4.9**	**-0.9**	**4.0**	**3.3**	**7.2**	**6.1**	**3Q02**	**8.4**	**1.4**
Cornerstone Separate Account																						
Crescent Park	61,402,314	1.2	0.0	1.2	1.0	5.1	5.2	10.5	9.7	5.1	7.4	12.9	12.0	4.8	9.5	14.5	13.7	6.3	5.3	1Q06	5.2	1.5
Flying Cloud[1]	37,604	-0.8	0.0	-0.8	-0.8	2.2	-14.6	-12.6	-13.0	4.6	-8.1	-3.8	-4.4	4.2	-4.9	-0.8	-1.4	0.1	-0.5	4Q06	0.1	1.0
Gateway Corporate[1]	35,047	-39.7	0.0	-39.7	-39.7	-31.6	-17.3	-43.7	-43.9	-7.6	-8.7	-15.7	-16.4	-1.9	-2.4	-4.3	-5.2	-6.1	-7.2	1Q08	-1.4	0.9
Salt Pond[1]	20,181	-10.9	0.0	-10.9	-10.9	91.4	0.0	91.4	91.4	26.5	5.5	33.2	32.9	18.1	5.3	24.2	23.8	10.0	9.3	3Q04	7.2	1.6
Investment Total	**61,495,146**	**1.2**	**0.0**	**1.2**	**1.0**	**4.7**	**-0.4**	**4.3**	**3.6**	**5.5**	**2.3**	**7.9**	**7.1**	**5.4**	**4.2**	**9.8**	**9.0**	**6.9**	**6.0**	**3Q04**	**5.0**	**1.3**
BlackRock High Return Separate Account																						
Block 295	9,760,312	-1.2	4.4	3.1	3.1													3.1	3.1	3Q16	5.3	1.0
Investment Total	**9,760,312**	**-1.2**	**4.4**	**3.1**	**3.1**													**3.1**	**3.1**	**3Q16**	**5.3**	**1.0**
Total																						
Total Separate Accounts	**261,570,313**	**1.2**	**1.1**	**2.2**	**1.9**	**5.1**	**1.6**	**6.7**	**5.3**	**5.3**	**5.5**	**10.9**	**9.3**	**5.3**	**5.9**	**11.5**	**10.1**	**9.1**	**7.6**	**1Q96**	**8.9**	**1.4**
Index																						
NFI-ODCE		1.1	0.9	2.1	1.8	4.6	5.3	10.1	9.1	4.8	7.3	12.5	11.4	5.0	7.1	12.4	11.3	7.3	6.3	4Q86		

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

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

Returns (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	146,032,486	1.3	1.7	3.0	2.5	5.5	6.7	12.4	10.5	5.3	9.1	14.7	12.3	5.4	8.2	13.9	12.0	5.4	1.8	7.3	5.8	7.2	3.2	10.5	8.9	1Q96	10.0
BlackRock Separate Account (PM Realty Takeover)	44,282,370	1.3	-0.5	0.8	0.6	5.5	-17.5	-12.7	-13.3	4.6	-3.6	0.9	0.1	4.9	-0.9	4.0	3.3	5.1	-2.7	2.3	1.5	5.8	1.3	7.2	6.1	3Q02	8.4
Cornerstone Separate Account	61,495,145	1.2	0.0	1.2	1.0	4.7	-0.4	4.3	3.6	5.5	2.3	7.9	7.1	5.4	4.2	9.8	9.0	5.5	-0.1	5.4	4.6	5.6	1.2	6.9	6.0	3Q04	5.0
Core Separate Accounts	**251,810,001**	**1.3**	**1.0**	**2.2**	**1.9**	**5.2**	**1.5**	**6.8**	**5.4**	**5.3**	**5.4**	**11.0**	**9.3**	**5.3**	**5.9**	**11.5**	**10.1**	**5.4**	**0.7**	**6.2**	**5.0**	**7.3**	**2.7**	**10.2**	**8.8**	**1Q96**	**8.9**
Total BlackRock Separate Account	*200,075,169*	*1.2*	*1.4*	*2.5*	*2.2*	*5.3*	*2.7*	*8.1*	*6.4*	*5.1*	*7.2*	*12.6*	*10.5*	*5.3*	*6.9*	*12.4*	*10.7*	*5.3*	*1.2*	*6.6*	*5.3*	*7.3*	*3.1*	*10.5*	*9.1*	*1Q96*	*9.8*
Separate Account Returns by Property Type																											
Apartment	163,890,841	1.1	1.3	2.5	2.1	5.2	2.8	8.1	6.2	5.1	6.3	11.6	10.0	5.1	7.7	13.0	11.6	4.5	2.6	7.2	6.1	5.9	2.0	8.0	7.0	1Q96	6.0
Industrial	13,234,120	1.4	1.6	3.0	2.8	6.4	-0.3	6.1	10.0	5.1	6.8	12.1	12.5	5.0	4.2	9.3	9.2	5.2	0.1	5.3	4.5	7.6	3.4	11.2	9.7	3Q96	13.4
Office	48,078,945	0.7	0.8	1.5	1.4	3.6	-2.6	0.9	0.4	4.8	2.6	7.5	6.0	5.0	4.3	9.5	8.2	5.6	-2.6	2.9	1.7	7.8	2.0	10.0	8.4	1Q96	8.6
Retail	36,278,976	1.5	-0.2	1.3	1.0	5.8	5.7	11.7	9.4	6.1	7.5	13.9	11.9	6.3	5.9	12.4	10.5	6.4	-0.8	5.6	4.4	7.7	2.8	10.6	9.0	4Q99	9.8
Total Portfolio																											
SCERS	**895,527,029**	**1.4**	**0.7**	**2.2**	**1.9**	**5.4**	**5.8**	**11.4**	**10.1**	**5.2**	**6.7**	**12.2**	**10.7**	**5.0**	**8.5**	**13.8**	**12.4**	**5.0**	**2.3**	**7.4**	**6.1**	**4.3**	**5.0**	**9.4**	**8.5**	**4Q86**	**8.4**
NPI Property Level Returns																											
NPI- Apartment		1.1	0.6	1.7		4.6	3.7	8.5		4.8	5.2	10.1		5.0	5.4	10.6		5.1	1.6	6.8		6.3	3.3	9.7		1Q96	
NPI- Industrial		1.3	1.6	2.9		5.3	6.9	12.5		5.6	7.6	13.5		5.8	6.5	12.6		6.2	1.2	7.4		7.4	2.7	10.2		3Q96	
NPI-Office		1.1	0.2	1.3		4.6	2.8	7.5		4.9	5.3	10.4		5.2	4.8	10.1		5.6	1.1	6.7		7.0	2.6	9.7		1Q96	
NPI-Retail		1.2	0.8	2.0		4.9	5.8	11.0		5.3	7.2	12.8		5.6	6.8	12.7		6.0	2.4	8.5		6.8	3.8	10.8		4Q99	
Indices																											
NFI-ODCE		1.1	0.9	2.1	1.8	4.6	5.3	10.1	9.1	4.8	7.3	12.5	11.4	5.0	7.1	12.4	11.3	5.4	0.6	6.0	5.0	7.0	0.3	7.3	6.3	4Q86	

Returns (Property Type)

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	19,276,154	6.6	5.6	22.4	17.3	14.7	11.9																				
MetLife Core Property Fund	49,665,921	6.1	5.7	16.9	16.3	17.4	16.9																				
Prime Property Fund	50,128,375	7.5	6.7	15.9	14.6	15.5	14.1	3.8	3.6																		
Principal U.S. Property Account	38,251,787	7.1	6.3	3.0	2.8																						
Prologis Targeted Europe Logistics Fund	31,254,893	6.9	6.8																								
Prologis Targeted U.S. Logistics Fund	32,041,757	9.0	8.3	9.1	7.9																						
Townsend Real Estate Fund, L.P.	46,637,666	5.6	5.5																								
Core Commingled Funds	**267,256,553**	**7.3**	**6.7**	**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	146,032,486	9.1	7.6	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 Takeov	44,282,370	-2.0	-2.6	-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	61,495,145	5.3	4.7	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	**251,810,001**	**6.6**	**5.4**	**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	*200,075,168*	*7.1*	*5.8*	*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	**519,066,554**	**6.8**	**5.9**	**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]	1,808,361	-13.3	-14.0	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	22,103,728	9.6	9.2	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	26,574,888	-5.5	-6.4	5.0	3.0	1.4	-2.1																				
ECE European Prime Shopping Centre Fund II	9,310,866	25.3	25.1	12.1	11.0																						
Hammes Partners II	11,301,239	12.4	7.6	19.4	12.9																						
Hines US Office Value Added Fund II	6,873,689	18.5	17.0	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	25,703,594	19.6	18.6	55.1	50.8																						
NREP Nordic Strategies Fund II	4,111,129	3.8	-4.1																								
Value Added Portfolio	**107,787,494**	**9.1**	**7.4**	**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	9,760,312	3.1	3.1																								
CIM Fund VIII	23,112,743	5.4	3.5	16.9	13.8																						
KKR Real Estate Partners Americas	21,785,058	5.3	3.4	17.1	12.5	12.7	6.5																				
Och-Ziff Real Estate Fund III	10,703,876	21.3	15.4	33.7	6.9	9.4	-28.3																				
Opportunistic Portfolio	**65,361,989**	**7.5**	**5.1**	**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	**173,149,483**	**8.6**	**6.7**	**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	**692,216,037**	**7.2**	**6.1**	**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 Securitie	82,423,602	10.6	10.3	-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)	120,887,390	12.4	12.2	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	**203,310,992**	**11.7**	**11.4**	**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	**895,527,029**	**8.3**	**7.3**	**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		6.5	5.8	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		7.3	6.6	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		10.4		-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		12.3		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		5.0		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.

Calendar Year Returns

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	146,032,486	9.1	7.6	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 Takeo	44,282,370	-2.0	-2.6	-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	61,495,145	5.3	4.7	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	**251,810,001**	**6.6**	**5.4**	**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	*200,075,169*	*7.1*	*5.8*	*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	163,890,841	8.3	6.9	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	13,234,120	6.4	5.8	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	48,078,945	2.6	2.3	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	36,278,976	4.0	3.0	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	**895,527,029**	**8.3**	**7.3**	**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		6.5	5.8	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		7.3	6.6	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		10.4		-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		12.3		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		5.0		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	19,883,495	245,682	1,415,130	0	222,994	114,214	453,326	19,276,154	38.3
MetLife Core Property Fund	48,437,689	511,394	503,202	0	639,989	59,018	639,069	49,665,921	29.7
Prime Property Fund	49,019,764	484,493	484,493	0	554,099	133,128	687,641	50,128,375	18.1
Principal U.S. Property Account	37,482,334	0	0	0	465,541	90,429	394,341	38,251,787	22.1
Prologis Targeted Europe Logistics Fund	30,878,629	0	387,485	0	228,599	38,335	573,484	31,254,893	30.8
Prologis Targeted U.S. Logistics Fund	31,429,200	0	288,405	0	469,865	90,380	521,478	32,041,757	26.4
Townsend Real Estate Fund, L.P.	22,700,281	23,069,716	207,011	0	490,727	29,165	613,118	46,637,666	39.7
Core Commingled Funds	**239,831,392**	**24,311,285**	**3,285,726**	**0**	**3,071,814**	**554,669**	**3,882,457**	**267,256,553**	**29.4**
Core Separate Accounts									
BlackRock Core Separate Account	175,967,164	238,500	34,361,600	0	2,136,633	802,535	2,854,325	146,032,486	28.5
BlackRock Separate Account (PM Realty Takeover)	43,936,798	61,750	0	0	566,518	48,250	-234,446	44,282,370	0.0
Cornerstone Separate Account	61,076,274	278,872	475,000	0	709,250	107,250	12,999	61,495,145	39.0
Core Separate Accounts	**280,980,236**	**579,122**	**34,836,600**	**0**	**3,412,401**	**958,035**	**2,632,878**	**251,810,001**	**27.9**
Total BlackRock Separate Account	*227,765,480*	*1,930,250*	*34,361,600*	*0*	*2,598,123*	*850,785*	*2,993,701*	*200,075,168*	*22.5*
Total Core Portfolio	**520,811,628**	**24,890,407**	**38,122,326**	**0**	**6,484,215**	**1,512,704**	**6,515,335**	**519,066,554**	**28.7**
Value Added Portfolio									
AEW Value Investors Fund II	2,092,018	0	0	0	46,835	5,547	-324,945	1,808,361	67.0
Allegis Value Trust	21,538,910	0	0	0	311,592	28,673	281,900	22,103,728	30.0
DRC European Real Estate Debt Fund II	29,612,738	3,508,995	1,347,149	4,014,419	812,301	80,178	-1,917,401	26,574,888	0.0
ECE European Prime Shopping Centre Fund II C	8,516,762	0	154,681	447,731	456,890	-51,532	888,094	9,310,866	57.4
Hammes Partners II	7,123,395	4,289,597	261,199	0	164,477	93,750	78,719	11,301,239	74.0
Hines US Office Value Added Fund II	10,013,526	31,350	3,684,043	0	94,245	31,350	449,961	6,873,689	55.0
NREP Nordic Strategies Fund	20,969,341	3,340,871	0	0	584,931	64,599	873,051	25,703,594	50.8
NREP Nordic Strategies Fund II	4,288,970	0	0	0	195,037	342,559	-30,318	4,111,129	53.0
Value Added Portfolio	**104,155,660**	**11,170,813**	**5,447,072**	**4,462,150**	**2,666,308**	**595,124**	**299,061**	**107,787,494**	**47.5**
Opportunistic Portfolio									
BlackRock High Return Separate Account	7,861,518	1,630,000	0	0	-105,028	0	373,822	9,760,312	0.0
CIM Fund VIII	18,102,439	4,788,194	0	0	-15,758	109,375	347,243	23,112,743	6.7
KKR Real Estate Partners Americas	21,551,166	0	0	0	1,905,658	92,753	-1,579,013	21,785,058	56.0
Och-Ziff Real Estate Fund III	8,526,374	2,023,224	145,459	0	145,994	131,250	284,993	10,703,876	65.6
Opportunistic Portfolio	**56,041,497**	**8,441,418**	**145,459**	**0**	**1,930,866**	**333,378**	**-572,955**	**65,361,989**	**43.2**
Total Non-Core Portfolio 1Q 2007 Forward	**160,197,157**	**19,612,231**	**5,592,531**	**4,462,150**	**4,597,174**	**928,502**	**-273,894**	**173,149,483**	**45.9**
Private Portfolio	**681,008,785**	**44,502,638**	**43,714,857**	**4,462,150**	**11,081,389**	**2,441,206**	**6,241,441**	**692,216,037**	**33.9**
Public Portfolio									
CBRE Clarion International Real Estate Securities Strategy	78,563,890	0	0	0	570,407	97,822	3,387,126	82,423,602	0.0
CenterSquare REIT (formerly Urdang)	122,565,510	86,550	0	0	1,247,089	86,550	-2,925,209	120,887,390	0.0
Public Portfolio	**201,129,400**	**86,550**	**0**	**0**	**1,817,496**	**184,372**	**461,917**	**203,310,992**	**0.0**
Total Portfolio									
SCERS	**882,138,185**	**44,589,188**	**43,714,857**	**4,462,150**	**12,898,885**	**2,625,578**	**6,703,358**	**895,527,029**	**28.4**

Property Type Diversification (%)	Apartment	Office	Industrial	Retail	Hotel	Other
Core Commingled Funds						
Jamestown Premier Property Fund	-	67.7	-	19.5	-	12.7
MetLife Core Property Fund	23.1	50.6	14.9	11.3	-	-
Prime Property Fund	25.5	35.3	13.6	16.1	-	9.5
Principal U.S. Property Account	11.1	36.4	21.4	16.1	1.3	13.7
Prologis Targeted Europe Logistics Fund	-	-	100.0	-	-	-
Prologis Targeted U.S. Logistics Fund	-	-	100.0	-	-	-
Townsend Real Estate Fund, L.P.	27.3	18.8	18.5	7.5	-	27.9
Core Commingled Funds	**15.4**	**28.9**	**36.6**	**9.9**	**0.2**	**9.0**
Core Separate Accounts						
BlackRock Core Separate Account	41.0	24.7	8.6	25.7	-	-
BlackRock Separate Account (PM Realty Takeover)	100.0	-	-	-	-	-
Cornerstone Separate Account	100.0	-	-	-	-	-
Core Separate Accounts	**65.2**	**14.6**	**5.1**	**15.2**	**-**	**-**
Total BlackRock Separate Account	*51.4*	*23.1*	*6.4*	*19.0*	-	-
Total Core Portfolio	**38.5**	**22.3**	**21.9**	**12.3**	**0.1**	**4.8**
Value Added Portfolio						
AEW Value Investors Fund II	2.9	11.3	74.4	11.4	-	-
Allegis Value Trust	28.3	68.7	0.4	2.5	-	-
DRC European Real Estate Debt Fund II	-	53.8	8.6	12.0	25.6	-
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	35.0	22.3	23.5	16.2	3.0	-
Value Added Portfolio	**19.0**	**35.8**	**12.0**	**16.4**	**7.4**	**9.4**
Opportunistic Portfolio						
BlackRock High Return Separate Account	-	100.0	-	-	-	-
CIM Fund VIII	-	38.8	-	8.3	0.0	52.9
KKR Real Estate Partners Americas	13.6	11.0	1.7	39.8	7.2	26.7
Och-Ziff Real Estate Fund III	18.4	16.7	17.3	6.8	4.5	36.3
Opportunistic Portfolio	**7.3**	**35.7**	**3.4**	**16.7**	**3.0**	**33.9**
Total Non-Core Portfolio	**14.9**	**35.7**	**8.9**	**16.5**	**5.9**	**18.1**
Private Portfolio	**32.7**	**25.6**	**18.7**	**13.4**	**1.5**	**8.1**
Public Portfolio						
CBRE Clarion International Real Estate Securities Strategy	14.2	12.6	4.4	24.8	-	44.0
CenterSquare REIT (formerly Urdang)	13.4	10.9	8.0	27.8	4.9	35.1
Public Portfolio	**13.7**	**11.6**	**6.5**	**26.5**	**2.9**	**38.7**
Total Portfolio						
SCERS	**28.6**	**22.6**	**16.1**	**16.2**	**1.8**	**14.7**
Indices						
NFI-ODCE	**24.1**	**37.6**	**14.5**	**19.9**	**0.7**	**3.2**

Property Type Diversification

Geographic Diversification (%)	North East	Mid East	East North Central	West North Central	South East	South West	Mountain	Pacific	Ex-US
Core Commingled Funds									
Jamestown Premier Property Fund	50.1	21.8	-	-	2.4	-	-	25.7	-
MetLife Core Property Fund	-	7.9	13.4	-	17.2	20.5	6.2	34.9	-
Prime Property Fund	20.1	8.1	8.8	2.1	12.8	9.5	2.9	35.6	-
Principal U.S. Property Account	14.5	6.5	5.1	1.9	9.2	16.4	9.1	37.3	-
Prologis Targeted Europe Logistics Fund	-	-	-	-	-	-	-	-	100.0
Prologis Targeted U.S. Logistics Fund	13.0	3.5	9.5	-	9.6	13.1	-	51.4	-
Townsend Real Estate Fund, L.P.	18.9	9.3	17.9	2.6	13.1	9.4	3.8	24.9	-
Core Commingled Funds	**13.9**	**7.4**	**9.2**	**1.1**	**10.6**	**11.2**	**3.6**	**31.1**	**12.0**
Core Separate Accounts									
BlackRock Core Separate Account	-	-	-	-	-	8.6	-	91.4	-
BlackRock Separate Account (PM Realty Takeover)	100.0	-	-	-	-	-	-	-	-
Cornerstone Separate Account	-	-	-	-	-	-	-	100.0	-
Core Separate Accounts	**16.8**	**-**	**-**	**-**	**-**	**5.1**	**-**	**78.1**	**-**
Total BlackRock Separate Account	*21.1*	-	-	-	-	*6.4*	-	*72.5*	-
Total Core Portfolio	**15.3**	**4.0**	**4.9**	**0.6**	**5.7**	**8.4**	**1.9**	**53.0**	**6.4**
Value Added Portfolio									
AEW Value Investors Fund II	11.5	73.1	-	0.1	15.3	-	0.0	-	-
Allegis Value Trust	30.7	25.8	-	-	-	6.2	-	37.2	-
DRC European Real Estate Debt Fund II	-	-	-	-	-	-	-	-	100.0
ECE European Prime Shopping Centre Fund II C	-	-	-	-	-	-	-	-	100.0
Hammes Partners II	22.2	10.0	23.4	-	7.5	22.9	-	14.0	-
Hines US Office Value Added Fund II	-	-	-	-	-	-	-	100.0	-
NREP Nordic Strategies Fund	-	-	-	-	-	-	-	-	100.0
NREP Nordic Strategies Fund II	-	-	-	-	-	-	-	-	100.0
Value Added Portfolio	**8.7**	**6.9**	**3.0**	**0.0**	**1.1**	**4.1**	**0.0**	**14.5**	**61.5**
Opportunistic Portfolio									
BlackRock High Return Separate Account	-	-	-	-	-	-	-	100.0	-
CIM Fund VIII	27.1	1.6	10.3	-	1.3	1.2	4.5	45.6	8.5
KKR Real Estate Partners Americas	15.1	-	11.3	-	15.0	18.2	-	6.0	34.4
Och-Ziff Real Estate Fund III	25.0	8.9	6.5	1.0	7.4	3.6	3.3	10.5	33.8
Opportunistic Portfolio	**18.9**	**2.1**	**8.4**	**0.2**	**6.4**	**6.7**	**2.2**	**35.6**	**19.5**
Total Non-Core Portfolio	**12.3**	**5.2**	**4.9**	**0.1**	**3.0**	**5.1**	**0.8**	**22.0**	**46.6**
Private Portfolio	**14.5**	**4.3**	**4.9**	**0.4**	**5.0**	**7.5**	**1.6**	**45.3**	**16.4**
Public Portfolio									
CBRE Clarion International Real Estate Securities Strategy	-	-	-	-	-	-	-	-	100.0
CenterSquare REIT (formerly Urdang)	20.2	14.8	9.6	3.6	14.9	11.1	5.9	19.9	-
Public Portfolio	**11.9**	**8.8**	**5.7**	**2.1**	**8.8**	**6.6**	**3.5**	**11.8**	**40.9**
Total Portfolio									
SCERS	**14.0**	**5.2**	**5.1**	**0.8**	**5.8**	**7.3**	**2.0**	**38.0**	**21.7**
Indices									
NFI-ODCE	**20.7**	**9.6**	**8.2**	**1.4**	**9.5**	**10.1**	**4.8**	**35.7**	**-**

Advisory Disclosures and Definitions

Disclosure
Trade Secret and Confidential.

Past performance is not indicative of future results.

Investing involves risk, including the possible loss of principal.

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

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

[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.

Exhibit C: Real Estate Market Update 3Q16

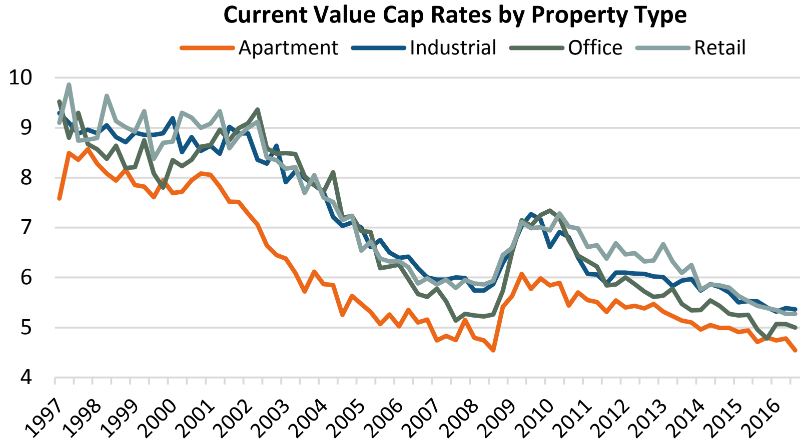
United States Real Estate Market Update (3Q16)

TOWNSEND GROUP

General

- Economic activity increased during the Third Quarter of 2016 at an annual rate of 3.2%, 1.6% over 3Q15 levels. Growth during the quarter was again driven by positive contributions by a more confident consumer as the labor market keeps making progress. Business investment remained a soft spot for growth during the quarter although leading indicators for the business sector point to a subdued expansion to round out the year.

- Macro indicators for U.S. real estate kept pace on a year-over-year basis during the Third Quarter. Total construction investment ticked up (+1% y/y) while residential housing starts declined (-1% y/y). Building permits, which signal future construction activity, rose 2% compared to same period 2015.



Source: NCREIF

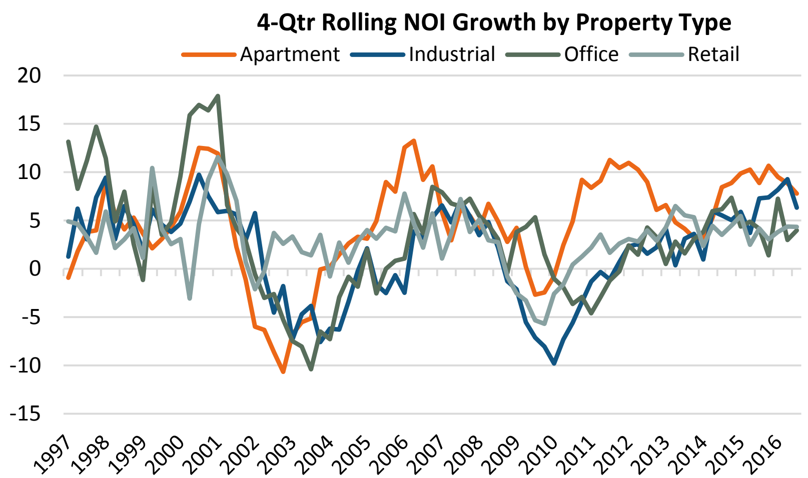
Commercial Real Estate

- 3Q16 saw $71 billion in commercial real estate transaction volume, +1% over the same period last year, or 43% of global investment for the quarter. This represented a 10% year-to-date decline compared to 2015.

- CMBS issuances totaled $19.2 billion in 3Q16, -17% less than year ago levels. Credit conditions tightened further through 3Q, even amid the current low borrowing cost environment, with the Fed's survey of senior loan officers showing stronger demand but tighter standards for commercial real estate loans.

- U.S. cities have dominated as real estate investment targets in 2016. New York and Los Angeles (1st and 3rd respectively), accounted for 29.6% of global transactions year-to-date, with noticeable activity in Seoul, South Korea, Singapore, and Sydney, Australia.

- On average, office, industrial and multifamily transaction cap rates contracted by between 24 and 34 bps while hotel and retail remained flat sequentially.



Source: NCREIF

Sources: Bureau of Economic Analysis, U.S. Census Bureau, Federal Reserve Board, NCREIF, CBRE Global Research and Consulting, Jones Lang LaSalle, Real Capital Analytics, Bloomberg LP.

United States Property Matrix (3Q16)

TOWNSEND GROUP

INDUSTRIAL

- Net absorption for 3Q16 increased by 23.1% year-over-year, with 72.7 million SF being absorbed, well ahead of the 59.3 million SF of delivered to market. Vacancy rate has declined another 30 basis points to a record low of 5.8%.
- Third-quarter investment volumes grew 2.3% compared to the prior year, with year-to-date volume down 28.9%; however if five largest transactions form 2015 were excluded, volumes were only down 3.1% since last year.
- The first three quarters have skewed towards single asset transactions. This is anticipated to change with several offerings averaging a $500 million deal size currently being marketed.
- Year-to-date, developers have completed 164 million SF of space. The development pipeline expanded by 4.2% from last quarter to 201 million SF. 73% of all tracked markets saw an increase in their development pipeline.
- As of 3Q16, industrial properties returned 2.89% and outperformed the NPI by 112 bps.

MULTIFAMILY

- Investment for 3Q16 totaled $31.6 billion. Multifamily sales are up 8.2% YTD to $101.2 billion. This represents the fifth straight quarter of sales in excess of $30 billion.
- Multifamily starts have declined by 5.1% YTD. The decrease in development should alleviate any supply-side risks in the near-term.
- The national vacancy rate has softened 30 basis points to 4.5%, from the recent cycle peak of 4.2% set in the first quarter of 2015.
- Cap rates are averaging 4.4% across major markets, driven by persistent investor demand. This is a function of increased focus on secondary markets, with portfolio activity up 66.4% and single-asset transactions up 7.5%.
- The apartment sector delivered a 1.98% return during the quarter, underperforming the NPI by 21 bps.

OFFICE

- The office segment experienced $35.5 billion of reported capital markets activity in the third quarters of 2016, up 5.7% from the third quarter of last year. This brings YTD volume to $101.4 billion, 1.5% below prior-year levels.
- There has been sustained sensitivity to submarket risk, with CBDs accounting for 55.0% of quarterly deal flow.
- Leasing activity totaled 59.9 million SF, representing a 4.4% increase when compared to the four-quarter trailing average. Total vacancy has declined 10 bps as markets absorbed 12.8 million SF compared to the 12.5 million SF that were delivered.
- Cap rates continue to compress, with 65.6% of the 32 largest office markets seeing year-over-year compression. Cap rates across major primary and secondary markets are averaging 4.4%, but select markets are starting to see pricing disconnects between buyers and sellers.
- The office sector returned 1.26% in 3Q16, 51 bps below the NPI.

RETAIL

- Year-to-date retail volumes remain down 12.1% at $50.8 billion. Investment opportunities are starting to come to market with transaction larger than $100 million accounted for 67.8% of volume.
- With secondary markets experiencing rental rates increases, overall volumes are increasing as investors underwrite more aggressively. An indication is secondary market mall volumes, which increased 510.2%, driven by two large sales of premier malls in Las Vegas.
- Retailers and fashion companies continue to increase the acquisition of strategically located leased assets for future tenancy, raising the barriers-to-entry to urban markets.
- Foreign investment is beginning to gain momentum, down only 2.0% quarter-over-quarter, led by Australian investors. Asian inventors are remaining patient, but notable increases continue to materialize.
- As of 3Q16, the retail sector delivered a quarterly return of 1.98%, beating the NPI by 21 bps.

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

Global Real Estate Market Update (3Q16)

TOWNSEND GROUP

Global

- Global investment activity held up in 3Q 2016. Investment came in at $165 billion, +8% over the Second Quarter, and down -4% compared to 3Q 2015 levels. Despite political and economic uncertainties, commercial real estate investment has remained relatively stable year to date, down -8% over a strong 2015.

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

$ US Billions	Q2 16	Q3 16	% Change Q2 16 - Q3 16	Q3 15	% Change Q3 15 - Q3 16	YTD - 2015	YTD - 2016	% Change YTD 2015 - YTD 2016
Americas	69	77	12%	76	1%	229	207	-10%
EMEA	56	55	-2%	63	-13%	178	160	-10%
Asia Pacific	28	33	18%	32	3%	87	87	0%
Total	153	165	8%	171	-4%	494	454	-8%

Source: Jones Lang LaSalle, November 2016

Europe

- European investment volume was €55 billion during 3Q 2016 and €160 billion year-to-date, down -10% compared to 2015. The decline was driven by the U.K. which saw transaction volume drop -30% year-to-date in local currency terms. Europe, excluding the U.K., saw flat year-to-date growth in the Third Quarter versus 2015.
- Germany accounted for 29% of European transactions during the Third Quarter, replacing the UK as the largest commercial real estate market. France followed with (+8% y/y) growth, dominated by the office sector. The retail sector has been the weakest for investment across Europe (-23% y/y).

Asia

- Asia Pacific investment ended the Third Quarter at $233 billion, a 17% sequential growth rate. Compared to the prior year, investment was up +5%.
- Investment in China was up 45% y/y to $6.0 billion, remains on par with 2015 year-to-date, with an increase in portfolio transactions during the quarter.
- Transaction volumes in Australia continued to decline, falling -9% year-to-date to $13.5 billion with limited investment opportunities. Likewise, investment in Japan dropped 9% year-to-date. Investment stock, especially in central Tokyo, remains scant as a negative interest rate environment encourages owners to refinance assets instead of selling.
- Hong Kong recorded $2.5 billion in investment during 3Q, a 56% sequential increase, driven by Chinese investor demand for long term holds in office properties.

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

	2015	2016	2017
Global	**3.2**	**3.1**	**3.4**
Asia Pacific	**4.9**	**4.5**	**4.7**
Australia	2.4	3.0	3.0
China	6.9	6.7	6.4
India	7.2	7.4	7.8
Japan	0.6	1.0	1.3
North America	**2.5**	**1.6**	**2.2**
US	2.6	1.8	2.0
MENA*	**3.3**	**2.2**	**2.5**
European Union	**2.3**	**1.8**	**1.5**
France	1.3	1.5	1.5
Germany	1.7	1.7	1.4
UK	2.2	2.2	1.4

*Middle East North Africa

Source: Bloomberg LP, November 2016

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

Glossary of Terms

TOWNSEND GROUP

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 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

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

TOWNSEND GROUP

GEOGRAPHIC REGIONS and DIVISIONS

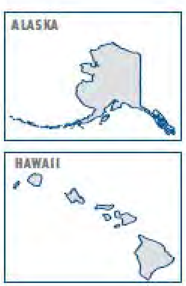
WEST NO. CENTRAL
Iowa
Kansas
Minnesota
Missouri
Nebraska
North Dakota
South Dakota

EAST NO. CENTRAL
Illinois
Indiana
Michigan
Ohio
Wisconsin

NORTHEAST
Connecticut
Maine
Massachusetts
New Hampshire
New Jersey
New York
Pennsylvania
Rhode Island
Vermont

PACIFIC
Alaska
California
Hawaii
Oregon
Washington

MIDEAST
Delaware
Kentucky
Maryland
North Carolina
South Carolina
Virginia
Washington, DC
West Virginia



MOUNTAIN
Arizona
Colorado
Idaho
Montana
Nevada
New Mexico
Utah
Wyoming

SOUTHWEST
Arkansas
Louisiana
Oklahoma
Texas

SOUTHEAST
Alabama
Florida
Georgia
Mississippi
Tennessee

NCREIF