



# PENNSYLVANIA STATE EMPLOYEES' RETIREMENT SYSTEM

REAL ESTATE QUARTERLY  
PERFORMANCE REVIEW

THIRD QUARTER 2023



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# 1. REAL ESTATE QUARTERLY PERFORMANCE REPORT

As of September 30, 2023



# PORTFOLIO PERFORMANCE SUMMARY

The table below displays trailing time period performance for the Pennsylvania State Employees' Retirement System ("PA SERS") Real Estate Portfolio as of September 30, 2023 along with select benchmarks

- The policy benchmark is the NCREIF ODCE Index, which is comprised of open-end core real estate funds; we also show two additional real estate benchmarks and the S&P 500
  - The NCREIF Property Index, a benchmark of unlevered core real estate returns
  - The CJA Non-Core Real Estate benchmark consists of non-core (value-add and opportunistic) closed-end real estate funds
- The total real estate portfolio has generated a total net return of -10.2% year-to-date
  - The portfolio has generated an annualized return of 3.7% over the trailing three years

Portfolio Performance	YTD	1 Year	3 Year	5 Year	10 Year	Inception
Pennsylvania SERS: Total Real Estate Portfolio	-10.2%	-11.7%	3.7%	4.2%	4.9%	6.9%
<i>Policy Benchmark: NFI-ODCE Index<sup>1</sup></i>	<i>-8.1%</i>	<i>-12.9%</i>	<i>6.2%</i>	<i>4.7%</i>	<i>7.2%</i>	<i>N/A</i>
<i>NCREIF Property Index<sup>2</sup></i>	<i>-5.1%</i>	<i>-8.4%</i>	<i>6.0%</i>	<i>5.3%</i>	<i>7.4%</i>	<i>N/A</i>
<i>CJA Non-Core Real Estate Index<sup>3</sup></i>	<i>-2.0%</i>	<i>-1.8%</i>	<i>10.7%</i>	<i>7.9%</i>	<i>10.3%</i>	<i>N/A</i>
<i>S&amp;P 500 Index</i>	<i>13.1%</i>	<i>21.6%</i>	<i>10.2%</i>	<i>9.9%</i>	<i>11.9%</i>	<i>N/A</i>

Data as of September 30, 2023. Sources include NCREIF, CJA, Manager data, and NEPC.

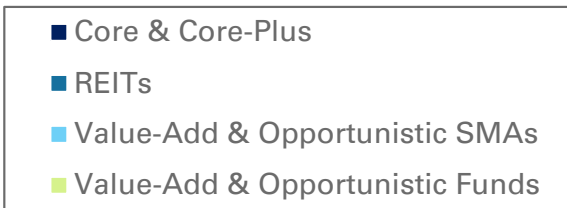
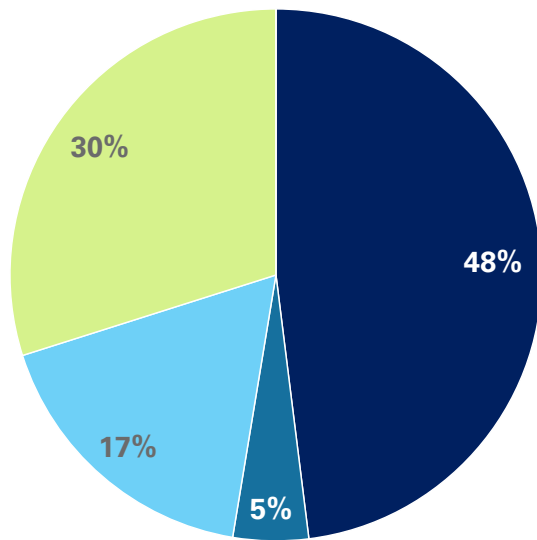
1. The NFI-ODCE Index represents pooled returns of open-end comingled core funds in the ODCE Index. The ODCE includes the effects of leverage, and returns shown are time-weighted and net of fees.
2. The NCREIF Property Index (NPI) represents property-level returns of institutionally-owned core real estate properties in the United States. The NPI is unlevered, and returns are time-weighted and gross of fees.
3. The CJA Benchmark data is preliminary, and represents pooled horizon internal rate of return (IRR) calculations, net of fees, across value-add and opportunistic real estate funds.
4. The timing and magnitude of fund cash flows are integral to the IRR performance. Benchmark indices that are time weighted measures should not be directly compared to dollar-weighted IRR calculations. Index data is continuously updated and is therefore subject to change.



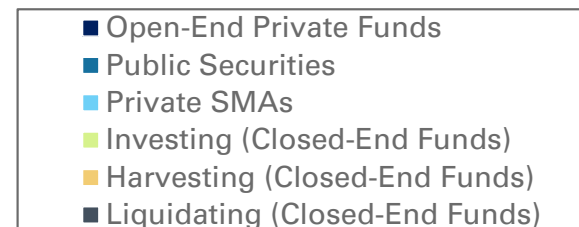
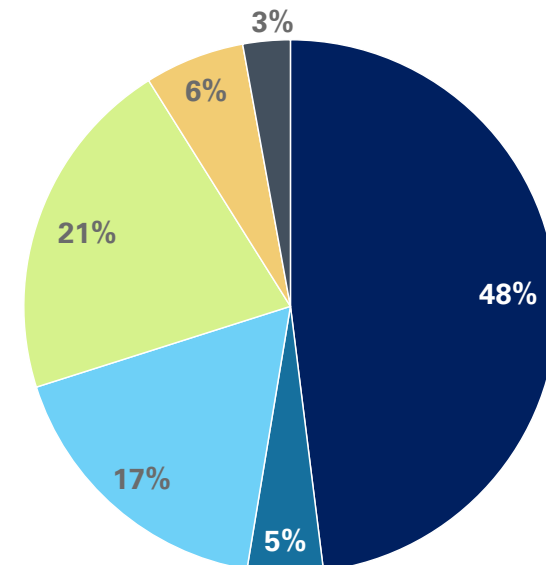
# PORTFOLIO ALLOCATION OVERVIEW

- The charts below show PA SERS real estate portfolio broken out by strategy and by investment structure, with closed-end funds further broken out by lifecycle stage
- As shown, approximately 53% of the portfolio is invested in Core, Core-Plus, and REITs
  - We anticipate the Value-Add and Opportunistic strategies to grow over time, in-line with the recently approved new sub-strategy targets

Allocation by Strategy



Allocation by Structure & Lifecycle Stage

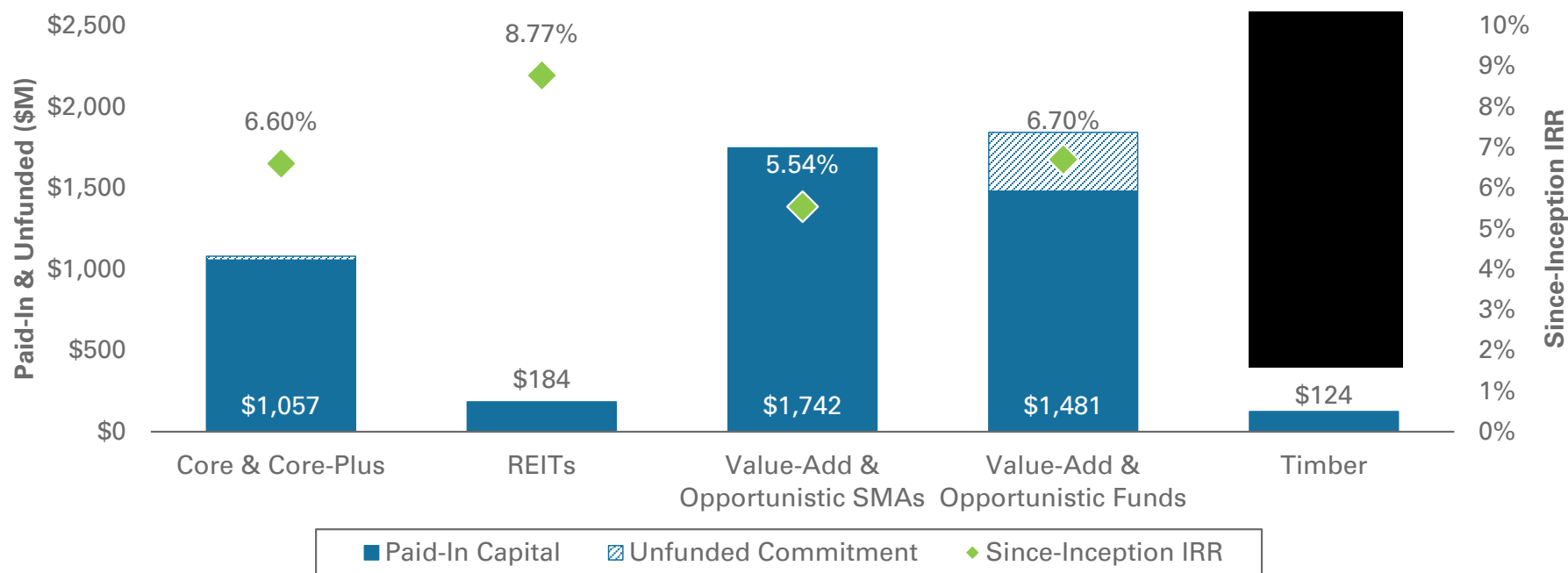


Data as of September 30, 2023.



# PERFORMANCE BY STRATEGY

- The chart and table below shows the performance by strategy for all current (active, non-liquidated) investments in the PA SERS real estate portfolio



Investment Strategy	Commitment	Paid-In Capital	Unfunded Commitment	Cumulative Distributions	Valuation	Total Value	Net Benefit	Call Ratio	DPI Ratio	TVPI Ratio	IRR
Core & Core-Plus	1,077,324,093	1,057,116,979	23,154,259	375,913,714	1,177,534,836	1,553,448,550	496,331,571	98%	0.36x	1.47x	6.60%
REITs	183,616,773	183,616,773	0	211,168,336	112,608,733	323,777,069	140,160,296	100%	1.15x	1.76x	8.77%
Value-Add & Opportunistic SMAs	1,732,785,624	1,741,876,920	5,612,035	2,239,457,174				101%			5.54%
Value-Add & Opportunistic Funds	1,807,642,603	1,480,950,044	360,984,008	1,201,737,944	733,059,912	1,934,797,856	453,847,813	82%	0.81x	1.31x	6.70%
Timber	124,231,969	124,231,969	0	248,372,458				100%			
Total (Active Investments)	4,925,601,061	4,587,792,684	389,750,302	4,276,649,627				93%	0.93x		5.82%

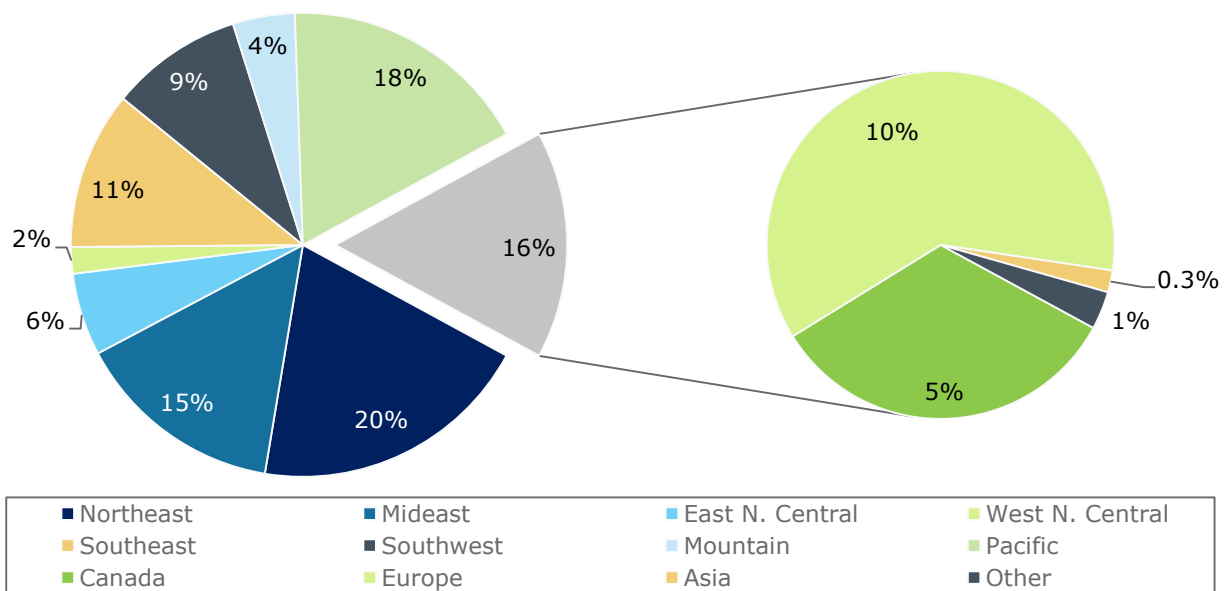
Data as of September 30, 2023. Liquidated investments not shown. Returns shown do not take into account risk/volatility of underlying strategies. Note that, due to rounding, there may be slight differences between the summed figures, totals, and amounts shown elsewhere in this presentation.



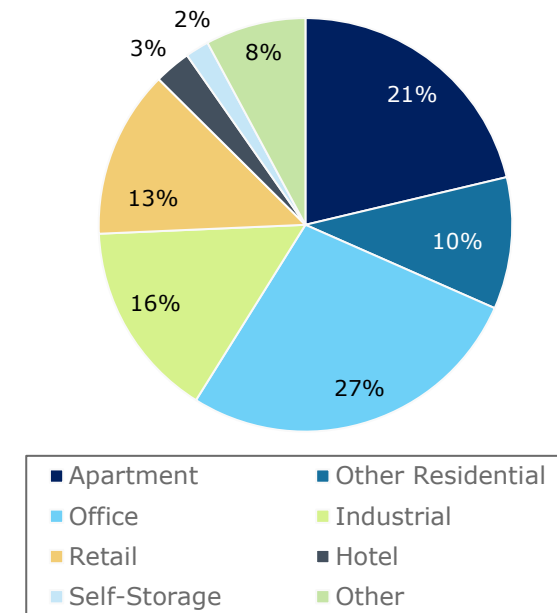
# PORTFOLIO DIVERSIFICATION

- The PA SERS real estate portfolio is broadly diversified by property type and geography within the U.S.
- 16% of the portfolio is invested outside the U.S., primarily in Europe

## Geography



## Property Type

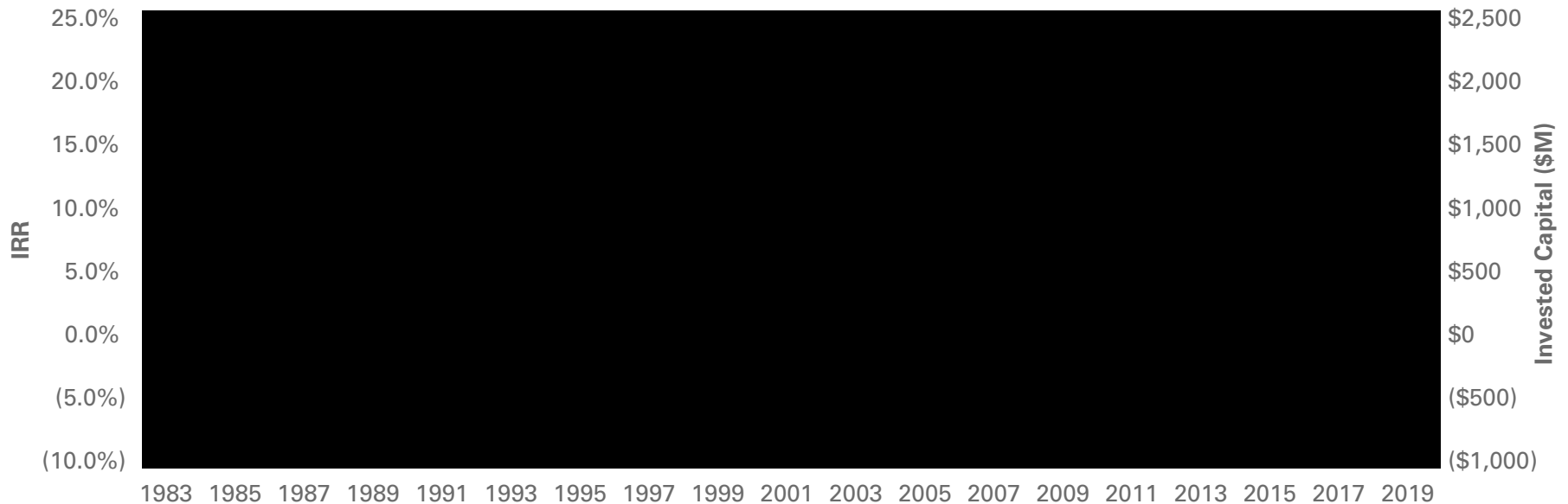


Data as of September 30, 2023. Underlying diversification data provided by the investment managers.

# HISTORICAL PERFORMANCE BY VINTAGE

- **The following chart illustrates capital invested and inception-to-date performance by vintage year as of September 30, 2023**
  - Inconsistent pacing has negatively impacted portfolio performance
  - The PA SERS Investment Office and NEPC are focused on maintaining a consistent investment pacing schedule to mitigate the risk of heavy capital investments in poor vintage years

**Commitments & Performance by Vintage Year**



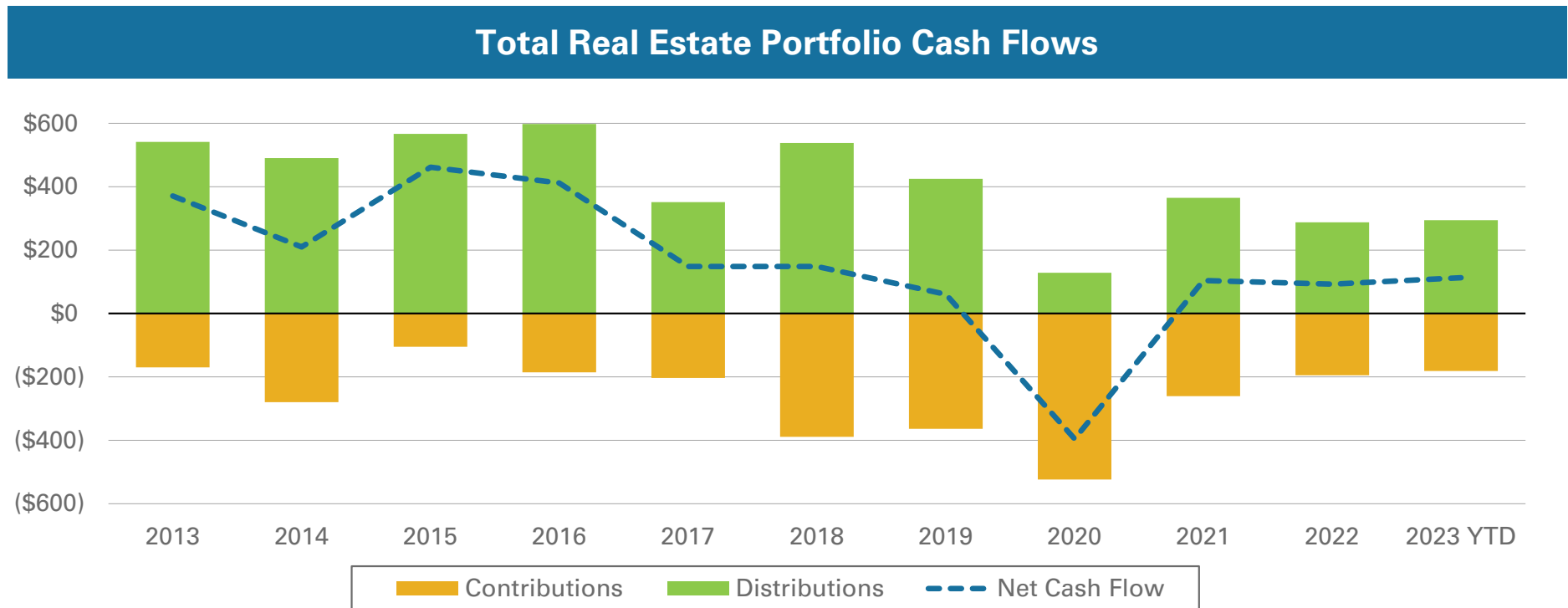
Data as of September 30, 2023. Notes: Vintage years 2020 and later are excluded as data is less meaningful. For separate accounts, the date of initial commitment or investment is used as the vintage year.





# 10-YEAR CASH FLOWS

- The chart below illustrates the capital invested, distributed, and net cash flows for the real estate portfolio YTD and over the prior 10 full calendar years**
  - The portfolio was cash flow positive in nine of the last 10 years, including in 2022
  - The portfolio is cash flow positive YTD as there was an uptick in distributions in the third quarter



Data as of September 30, 2023. Offsetting cash flows have been excluded, such as assets that were transferred from one account to another.

# ACTIVE DIVERSE-LED INVESTMENTS

- The table below displays the since-inception performance of active (non-liquidated) investments managed by diverse-owned and diverse-led investment management firms in the PA SERS real estate portfolio

Investment Name	Vintage Year	Commitment	Paid-In Capital	Unfunded Commitment	Cumulative Distributions	Valuation	Total Value	Net Benefit	DPI Ratio	TVPI Ratio	IRR
Blue Moon Senior Housing II Sidecar L.P.	2019	50,000,000	41,468,832	8,562,589	0	42,238,454	42,238,454	769,622	0.00x	1.02x	0.78%
Blue Moon Senior Housing II, L.P.	2019	50,000,000	42,456,684	8,708,818	0	39,910,402	39,910,402	(2,546,282)	0.00x	0.94x	(2.85%)
HotelAVE Separate Account	2018	95,994,432	95,994,432	0	57,691,396	21,434,066	79,125,462	(16,868,970)	0.60x	0.82x	(8.31%)
Rubicon First Ascent Sidecar	2021	20,000,000	5,757,389	14,752,611	0	NM	NM	NM	NM	NM	NM
Rubicon First Ascent, L.P.	2021	30,000,000	9,460,493	24,320,449	0	NM	NM	NM	NM	NM	NM
Scout Fund II-A, L.P.	2016	30,000,000	30,000,000	0	605,865	16,868,795	17,474,660	(12,525,340)	0.02x	0.58x	(8.79%)
<b>Total</b>		<b>275,994,432</b>	<b>225,137,830</b>	<b>56,344,467</b>	<b>58,297,261</b>	<b>130,567,484</b>	<b>188,864,745</b>	<b>(36,273,085)</b>	<b>0.26x</b>	<b>0.84x</b>	<b>(6.48%)</b>

NM - Not Meaningful

Data as of September 30, 2023. NEPC defines “diverse-owned” as a firm that’s at least 50% owned by an under-represented group and “diverse-led” as a firm that’s 33% to 50% owned by an under-represented group. The funds listed on this page are those which NEPC has identified as diverse-owned or diverse-led as of September 30, 2023. Therefore, it is possible that a firm may have been diverse-owned or diverse-led at the time of PA SERS commitment but is no longer, and therefore is excluded from this list. While NEPC has exercised reasonable professional care in preparing this information, we cannot guarantee the accuracy of all source information. Note that, due to rounding, there may be slight differences between the summed figures and the totals.



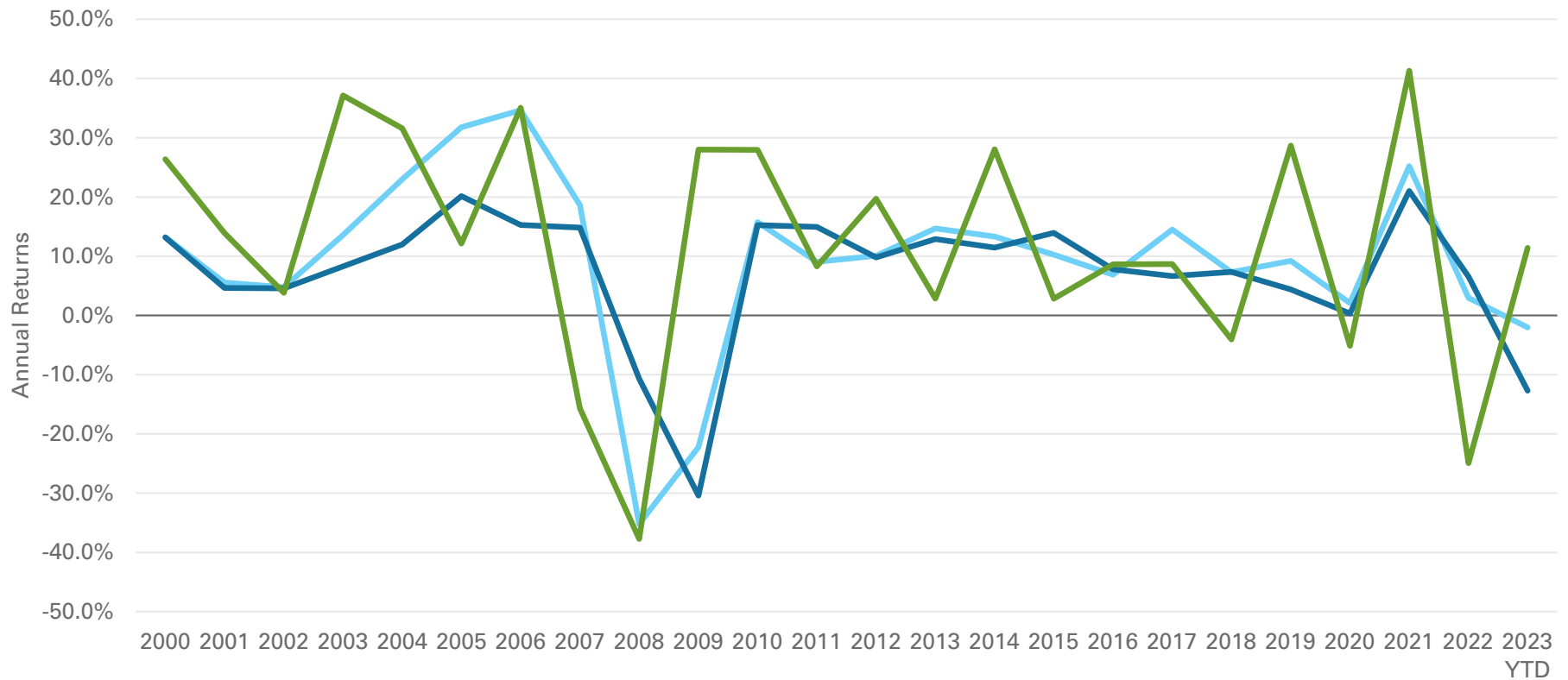
## 2. REAL ESTATE MARKET & PORTFOLIO UPDATE



# REAL ESTATE MARKET UPDATE

- **Private core real estate continued its downward trend in the fourth quarter**
  - The ODCE finished the year down -12.7% gross of fees, compared to the 8.1% average annual return for the prior 20 years
- **High interest rates continue to put pressure on real estate markets, and transaction markets have provided limited liquidity**
  - In addition to higher interest rates, traditional lenders have tightened their underwriting standards and, overall, pulled back their lending volumes
  - As cheaper debt matures, borrowers are likely to face some challenging decisions as they look to refinance or solve capital structure issues
- **Despite challenges, there are attractive investment themes in 2024**
  - Transaction markets are expected to pick-up
  - Debt and opportunistic strategies can capitalize on market dislocation
  - Potential for distressed opportunities and providing rescue capital
  - Secondaries strategies may also see increased deal flow and attractive pricing as funds approach end of term and investors seek liquidity

# 2023 RETURNS DECLINE WHILE REITS RECOVER



## REITs

- Trend: **Recovery**
- 2023 return: 11.4%

## Core

- Trend: **Correction**
- 2023 return: -12.7%

## Non-Core

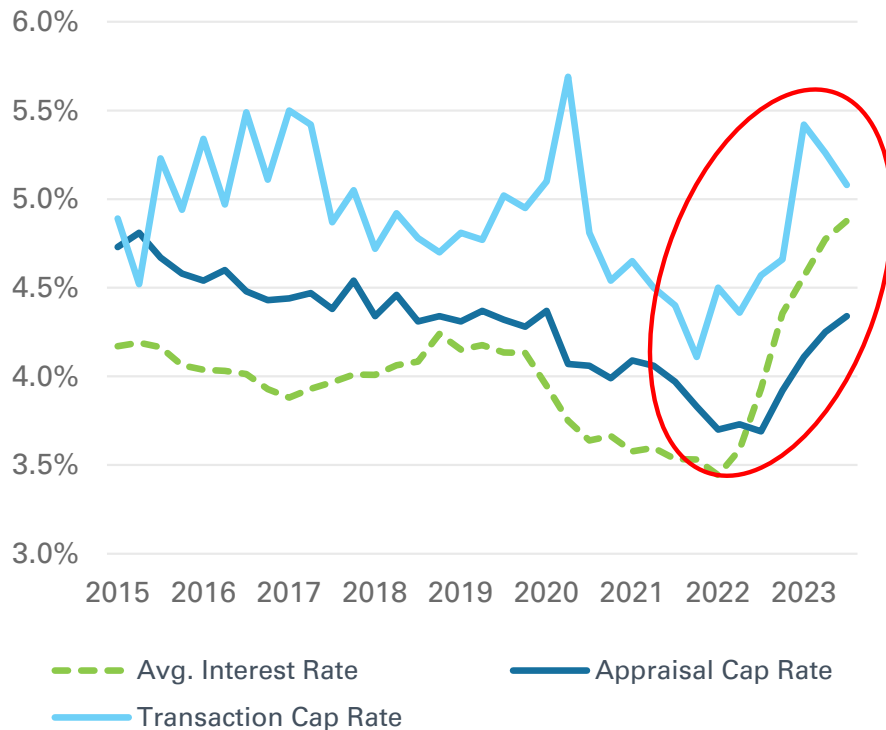
- Trend: **Mixed**
- 2023 YTD: -2.0%

Source: NCREIF, NAREIT, Factset. Data shown is most recent available quarter-end for each index; non-core performance is preliminary as of September 30, 2023, core performance is preliminary as of December 31, 2023, REIT performance as of December 31, 2023.

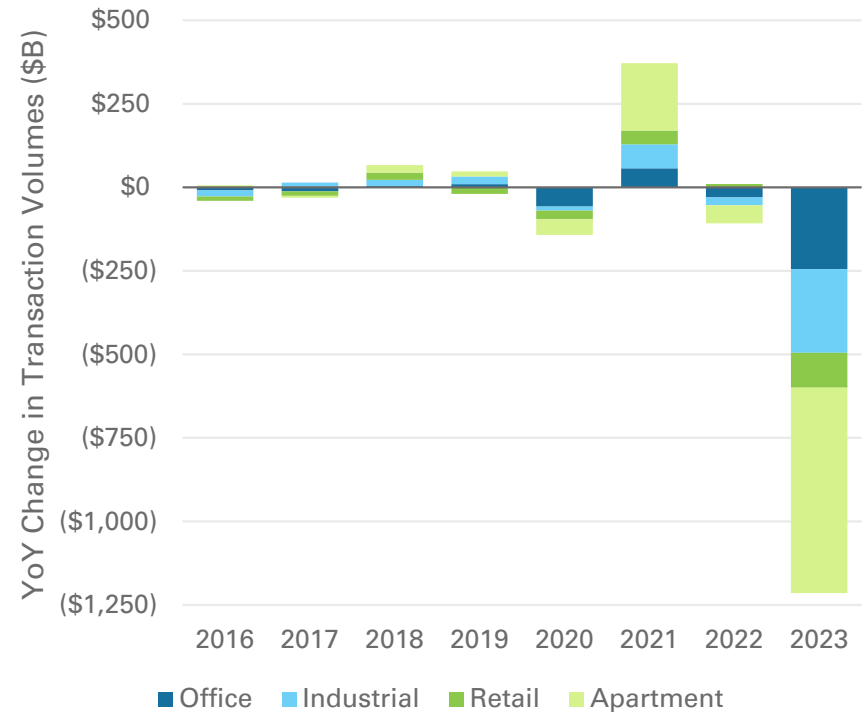


# REAL ESTATE VALUES ARE STILL ADJUSTING

## Interest Rate Increases Lead to Cap Rate Expansion with Valuation Lag



## Transaction Volumes Decline Across Property Sectors



- **Cap rate inversion occurred mid-year 2022 and widened as interest rates continued to increase into 2023**
- **Transaction volumes declined abruptly in late 2022 and a bid-ask spread persists but is narrowing**
- **Market acceptance of higher for longer interest rates, continued recognition of value declines, and debt maturities should prompt transaction volumes to increase in 2024 over 2023 levels**



Sources: Average Interest Rates, Transaction Cap Rates, and Appraisal Cap Rates represent NPI figures from NCREIF.

# LOOKING FORWARD

- **NEPC will continue to work with the PA SERS Investment Office to implement the strategic investment plan for the real estate portfolio, including:**
  - Shifting the underlying strategy mix to the new targets approved in 2022, a process which we anticipate occurring over several years
  - Identifying potential investment opportunities for future value-add and opportunistic commitments in 2024
    - We will seek strategies that will both complement the PA SERS portfolio and capitalize on the current market environment
- **Best practices for private market investments include maintaining annual commitment pacing, even through periods of uncertainty**
  - It is the manager’s job to navigate the market and identify attractive investment opportunities

Sub-Strategy	Current Allocation	Target Allocation
Core / Core-Plus	48%	25%
Value-Add & Opportunistic	47%	70%
REITs	5%	5%



# **APPENDIX 1:**

Investment Level  
Performance  
as of September 30, 2023



# ACTIVE INVESTMENTS

Investments			Trailing Period Returns (IRR) %							
Investment Name	Vintage Year	Commitment	QTD	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	SI IRR
Activum SG Fund VI L.P.	2019	50,000,000								
Activum SG Fund VI Pennsylvania Side-Car L.P.	2019	50,000,000	NM	NM	NM	NM	NM	NM	NM	NM
AG Asia Realty Fund, L.P.	2007	25,000,000								
Blackstone Property Partners, L.P.	2017	300,000,000	0.60%	-3.75%	-9.80%	6.75%	5.32%			5.55%
Blackstone Real Estate Partners IV, L.P.	2003	25,000,000	0.35%	-2.94%	-14.10%	195.79%	20.18%	8.81%	6.25%	11.96%
Blackstone Real Estate Partners V, L.P.	2006	50,000,000	6.19%	33.22%	376.68%	77.87%	9.25%	7.80%	14.41%	10.73%
Blackstone Real Estate Partners VI, L.P.	2007	75,000,000	6.03%	-9.00%	-14.99%	-2.23%	6.89%	22.65%	18.88%	12.69%
Blackstone Real Estate Partners VII, L.P.	2011	75,000,000	-8.10%	-19.09%	-23.89%	14.18%	3.09%	7.21%	12.16%	14.61%
Blackstone Real Estate Partners X, L.P.	2022	75,000,000	NM	NM	NM	NM	NM	NM	NM	NM
Blue Moon Senior Housing II Sidecar L.P.	2019	50,000,000	2.67%	5.35%	-4.09%	1.83%				0.78%
Blue Moon Senior Housing II, L.P.	2019	50,000,000	0.50%	0.94%	-8.41%	-0.69%				-2.85%
Blue Owl Real Estate Capital Fund IV, L.P.	2017	100,000,000	-0.45%	3.12%	5.92%	31.89%	20.89%			20.34%
Blue Owl Real Estate Capital Fund V, L.P.	2020	50,000,000	NM	NM	NM	NM	NM	NM	NM	NM
Blue Owl Real Estate Capital Fund VI, L.P.	2022	75,000,000	NM	NM	NM	NM	NM	NM	NM	NM
Blue Owl Real Estate Capital Net Lease Property Fund, L.P.	2018	309,743,743	1.05%	3.92%	6.88%	15.28%				13.81%
BPG Investment Partnership IX, L.P.	2012	25,000,000								
BPG Investment Partnership VI, L.P.	2002	25,000,000								
BPG Investment Partnership VII, L.P.	2005	25,000,000								
C-III Recovery Fund III, L.P.	2017	100,000,000								
CenterSquare Real Estate Securities	2002	183,616,773	-7.28%	-1.38%	4.64%	6.27%	4.29%	4.09%	5.73%	8.77%
Forest Separate Account	1992	124,231,969								
Heitman America Real Estate Trust, L.P.	2007	100,000,000								
Heitman Separate Account	1988	813,635,039								
Henderson Park Enhanced Income Fund, SCSp	2019	300,000,000								
HotelAVE Separate Account	2018	95,994,432	-1.15%	-22.90%	-28.09%	-11.29%	-9.29%			-8.31%
LaSalle Separate Account	1994	498,290,637	-34.46%	-50.45%	-54.78%	-27.84%	-16.94%	-4.78%	3.65%	8.52%
LaSalle Takeover Account	2018	324,865,516	1.45%	-16.58%	-21.37%	-1.22%	11.61%			10.87%

NM - Not Meaningful



Data as of September 30, 2023. Performance metrics calculated by NEPC based on data provided by the investment managers.

# ACTIVE INVESTMENTS (CONTINUED)

Investments			Trailing Period Returns (IRR) %							
Investment Name	Vintage Year	Commitment	QTD	YTD	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	SI IRR
LEM Multifamily Fund VI, L.P.	2022	75,000,000	NM	NM	NM	NM	NM	NM	NM	NM
Lubert-Adler Real Estate Fund VII, L.P.	2014	25,000,000	-4.45%	-11.75%	-19.50%	-3.50%	-3.45%	0.97%		0.89%
Mesirow Financial Real Estate Value Fund III, L.P.	2018	25,000,000	1.11%	2.84%	3.47%	18.42%	14.91%			13.84%
Rockpoint Real Estate Fund II, L.P.	2005	35,000,000								
Rockpoint Real Estate Fund III, L.P.	2007	50,000,000								
Rockpoint Real Estate Fund V, L.P.	2015	50,000,000								
Rubicon First Ascent Sidecar	2021	20,000,000	NM	NM	NM	NM	NM	NM	NM	NM
Rubicon First Ascent, L.P.	2021	30,000,000	NM	NM	NM	NM	NM	NM	NM	NM
Scout Fund II-A, L.P.	2016	30,000,000	-7.44%	-26.71%	-45.68%	-19.05%	-11.17%	-7.86%		-8.79%
Senior Housing Partners V, L.P.	2015	45,727,881								
Senior Housing Partners VI, L.P.	2019	100,000,000								
SRE Opportunity Fund III Select, L.P.	2018	50,000,000								
SRE Opportunity Fund III, L.P.	2018	50,000,000								
Starwood Global Opportunity Fund VII-A, L.P.	2006	35,000,000								
Starwood Global Opportunity Fund VIII, L.P.	2009	50,000,000								
Starwood Opportunity Fund VI, L.P.	2001	50,000,000								
Trumbull Property Fund, L.P.	1988	25,558,525	-1.65%	-12.11%	-16.89%	2.68%	0.36%	3.05%	6.08%	6.81%
ValStone Opportunity Fund V, LLC	2014	14,663,402	0.48%	-2.31%	-4.97%	3.06%	5.81%	5.22%		6.98%
Westbrook Real Estate Fund VI, L.P.	2006	35,000,000	0.00%	-0.93%	0.79%	-0.39%	-1.10%	0.83%	10.24%	0.23%
Westbrook Real Estate Fund VII, L.P.	2007	50,000,000	-20.62%	-29.45%	-39.17%	-12.36%	-10.99%	-6.83%	1.89%	1.45%
Westbrook Real Estate Fund VIII, L.P.	2009	50,000,000	-8.74%	-11.29%	-15.63%	-8.27%	-9.98%	-5.79%	3.25%	9.14%
<b>Total</b>			<b>-4.31%</b>	<b>-10.20%</b>	<b>-11.69%</b>	<b>3.72%</b>	<b>4.25%</b>	<b>4.70%</b>	<b>6.74%</b>	<b>5.82%</b>

NM - Not Meaningful



Data as of September 30, 2023. Performance metrics calculated by NEPC based on data provided by the investment managers.

# PERFORMANCE BY STRATEGY

Investments		Commitments		Cash Flows		Valuations			Performance		
Investment Name	Vintage Year	Commitment	Unfunded Commitment	Paid In Capital	Cumulative Distributions	Valuation	Total Value	Net Benefit	DPI	TVPI	IRR
<b>Core/Core-Plus</b>											
Blackstone Property Partners, L.P.	2017	\$300,000,000	\$0	\$300,000,000	\$18,348,544	\$382,766,480	\$401,115,024	\$101,115,024	0.06	1.34	5.55%
Blue Owl Real Estate Capital Net Lease Property Fund, L.P.	2018	\$309,743,743	\$0	\$309,743,743	\$57,592,203	\$382,740,943	\$440,333,146	\$130,589,404	0.19	1.42	13.81%
Heitman America Real Estate Trust, L.P.	2007	\$100,000,000	\$0	\$102,947,145	\$100,490,242						
Henderson Park Enhanced Income Fund, SCSp	2019	\$342,021,825	\$23,154,259	\$318,867,566	\$72,881,431						
Trumbull Property Fund, L.P.	1988	\$25,558,525	\$0	\$25,558,525	\$126,601,294	\$19,083,574	\$145,684,868	\$120,126,343	4.95	5.70	6.81%
<b>Total Core/Core-Plus</b>		<b>\$1,077,324,093</b>	<b>\$23,154,259</b>	<b>\$1,057,116,979</b>	<b>\$375,913,714</b>	<b>\$1,177,534,836</b>	<b>\$1,553,448,550</b>	<b>\$496,331,571</b>	<b>0.36</b>	<b>1.47</b>	<b>6.60%</b>
<b>Value-Add/Oppportunistic SMAs</b>											
Heitman Separate Account	1988	\$813,635,039	\$0	\$825,277,792	\$1,230,476,873						
HotelAVE Separate Account	2018	\$95,994,432	\$0	\$95,994,432	\$57,691,396	\$21,434,066	\$79,125,462	-\$16,868,970	0.60	0.82	-8.31%
LaSalle Separate Account	1994	\$498,290,637	\$340,044	\$501,011,172	\$778,848,456	\$99,265,425	\$878,113,881	\$377,102,709	1.55	1.75	8.52%
LaSalle Takeover Account	2018	\$324,865,516	\$5,271,991	\$319,593,524	\$172,440,449	\$286,399,621	\$458,840,070	\$139,246,546	0.54	1.44	10.87%
<b>Total Value-Add/Oppportunistic SMAs</b>		<b>\$1,732,785,624</b>	<b>\$5,612,035</b>	<b>\$1,741,876,920</b>	<b>\$2,239,457,174</b>						<b>5.54%</b>
<b>REIT</b>											
CenterSquare Real Estate Securities	2002	\$183,616,773	\$0	\$183,616,773	\$211,168,336	\$112,608,733	\$323,777,069	\$140,160,296	1.15	1.76	8.77%
<b>Total REIT</b>		<b>\$183,616,773</b>	<b>\$0</b>	<b>\$183,616,773</b>	<b>\$211,168,336</b>	<b>\$112,608,733</b>	<b>\$323,777,069</b>	<b>\$140,160,296</b>	<b>1.15</b>	<b>1.76</b>	<b>8.77%</b>
<b>Timber</b>											
Forest Separate Account	1992	\$124,231,969	\$0	\$124,231,969	\$248,372,458						
<b>Total Timber</b>		<b>\$124,231,969</b>	<b>\$0</b>	<b>\$124,231,969</b>	<b>\$248,372,458</b>						
<b>Value Add/Oppportunistic</b>											
Activum SG Fund VI L.P.	2019	\$57,044,851	\$7,249,708	\$49,786,709	\$2,613,676						
Activum SG Fund VI Pennsylvania Side-Car L.P.	2019	\$55,243,527	\$22,193,656	\$33,049,871	\$325,069						
AG Asia Realty Fund, L.P.	2007	\$25,000,000	\$1,500,000	\$23,500,000	\$27,487,500						
Blackstone Real Estate Partners IV, L.P.	2003	\$25,000,000	\$0	\$25,000,000	\$41,002,682	\$292,511	\$41,295,193	\$16,295,193	1.64	1.65	11.96%
Blackstone Real Estate Partners V, L.P.	2006	\$50,000,000	\$2,087,026	\$47,912,974	\$100,311,328	\$61,534	\$100,372,862	\$52,459,888	2.09	2.09	10.73%
Blackstone Real Estate Partners VI, L.P.	2007	\$75,000,000	\$3,680,925	\$71,621,919	\$153,645,373	\$1,022,057	\$154,667,430	\$83,045,511	2.15	2.16	12.69%
Blackstone Real Estate Partners VII, L.P.	2011	\$75,000,000	\$8,141,499	\$69,616,854	\$121,476,241	\$11,934,569	\$133,410,810	\$63,793,956	1.74	1.92	14.61%
Blackstone Real Estate Partners X, L.P.	2022	\$75,000,000	\$72,201,080	\$3,480,170	\$0						
Blue Moon Senior Housing II Sidecar L.P.	2019	\$50,000,000	\$8,562,589	\$41,468,832	\$0	\$42,238,454	\$42,238,454	\$769,622	0.00	1.02	0.78%
Blue Moon Senior Housing II, L.P.	2019	\$50,000,000	\$7,543,316	\$42,456,684	\$0	\$39,910,402	\$39,910,402	-\$2,546,282	0.00	0.94	-2.85%
Blue Owl Real Estate Capital Fund IV, L.P.	2017	\$100,000,000	\$0	\$100,000,000	\$117,718,288	\$41,313,287	\$159,031,575	\$59,031,575	1.18	1.59	20.34%
Blue Owl Real Estate Capital Fund V, L.P.	2020	\$50,000,000	\$0	\$49,996,863	\$15,361,143						
Blue Owl Real Estate Capital Fund VI, L.P.	2022	\$75,000,000	\$66,098,499	\$8,875,173	\$214,287						
BPG Investment Partnership IX, L.P.	2012	\$25,000,000	\$696,591	\$24,189,456	\$40,262,169						

NM - Not Meaningful



Data as of September 30, 2023. Performance metrics calculated by NEPC based on data provided by the investment managers. Note that, due to rounding, there may be slight differences between the summed figures, subtotals, totals, and amounts shown elsewhere in this presentation.

# PERFORMANCE BY STRATEGY (CONTINUED)

Investments		Commitments		Cash Flows		Valuations			Performance		
Investment Name	Vintage Year	Commitment	Unfunded Commitment	Paid In Capital	Cumulative Distributions	Valuation	Total Value	Net Benefit	DPI	TVPI	IRR
<b>Value Add/Oppportunistic (Continued)</b>											
BPG Investment Partnership VI, L.P.	2002	\$24,543,712	\$0	\$24,543,712	\$44,895,114						
BPG Investment Partnership VII, L.P.	2005	\$25,000,000	\$0	\$24,985,519	\$18,270,069						
C-III Recovery Fund III, L.P.	2017	\$100,000,000	\$10,844,979	\$88,815,579	\$8,471,944						
LEM Multifamily Fund VI, L.P.	2022	\$75,000,000	\$40,125,000	\$34,875,000	\$835,598	NM	NM	NM	NM	NM	NM
Lubert-Adler Real Estate Fund VII, L.P.	2014	\$25,000,000	\$625,000	\$24,375,000	\$14,355,221	\$11,219,612	\$25,574,834	\$1,199,834	0.59	1.05	0.89%
Mesirow Financial Real Estate Value Fund III, L.P.	2018	\$25,647,559	\$0	\$25,859,215	\$8,164,868	\$34,313,098	\$42,477,966	\$16,618,751	0.32	1.64	13.84%
Rockpoint Real Estate Fund II, L.P.	2005	\$34,138,784	\$0	\$37,446,828	\$31,202,182				0.83		
Rockpoint Real Estate Fund III, L.P.	2007	\$50,632,887	\$4,241,165	\$50,675,144	\$68,151,141				1.34		
Rockpoint Real Estate Fund V, L.P.	2015	\$50,000,000	\$7,108,485	\$47,839,001	\$25,396,310				0.53		
Rubicon First Ascent Sidecar	2021	\$20,000,000	\$14,242,611	\$5,757,389	\$0	NM	NM	NM	NM	NM	NM
Rubicon First Ascent, L.P.	2021	\$30,000,000	\$20,539,507	\$9,460,493	\$0	NM	NM	NM	NM	NM	NM
Scout Fund II-A, L.P.	2016	\$30,000,000	\$0	\$30,000,000	\$605,865	\$16,868,795	\$17,474,660	-\$12,525,340	0.02	0.58	-8.79%
Senior Housing Partners V, L.P.	2015	\$45,727,881	\$4,590,192	\$41,137,690	\$4,886,698	\$44,937,299	\$49,823,996	\$8,686,307	0.12		
Senior Housing Partners VI, L.P.	2019	\$100,000,000	\$24,639,523	\$75,266,435	\$0	\$72,070,004	\$72,070,004	-\$3,196,432	0.00		
SRE Opportunity Fund III Select, L.P.	2018	\$50,000,000	\$20,242,500	\$29,897,486	\$18,629,003						
SRE Opportunity Fund III, L.P.	2018	\$50,000,000	\$9,186,439	\$44,653,386	\$16,863,561						
Starwood Global Opportunity Fund VII-A, L.P.	2006	\$35,000,000	\$0	\$35,000,000	\$27,413,405						
Starwood Global Opportunity Fund VIII, L.P.	2009	\$50,000,000	\$4,643,719	\$45,356,281	\$72,256,025						
Starwood Opportunity Fund VI, L.P.	2001	\$50,000,000	\$0	\$50,153,525	\$51,927,126						
ValStone Opportunity Fund V, LLC	2014	\$14,663,402	\$0	\$14,663,777	\$10,164,834	\$12,816,154	\$22,980,988	\$8,317,211	0.69	1.57	6.98%
Westbrook Real Estate Fund VI, L.P.	2006	\$35,000,000	\$0	\$38,550,099	\$38,837,150	\$144,898	\$38,982,048	\$431,949	1.01	1.01	0.23%
Westbrook Real Estate Fund VII, L.P.	2007	\$50,000,000	\$0	\$56,347,333	\$56,575,755	\$4,906,093	\$61,481,848	\$5,134,515	1.00	1.09	1.45%
Westbrook Real Estate Fund VIII, L.P.	2009	\$50,000,000	\$0	\$54,335,646	\$63,418,319	\$6,194,769	\$69,613,088	\$15,277,442	1.17	1.28	9.14%
<b>Total Value Add/Oppportunistic</b>		<b>\$1,807,642,603</b>	<b>\$360,984,008</b>	<b>\$1,480,950,044</b>	<b>\$1,201,737,944</b>	<b>\$733,059,912</b>	<b>\$1,934,797,856</b>	<b>\$453,847,813</b>	<b>0.81</b>	<b>1.31</b>	<b>6.70%</b>
<b>Total</b>		<b>\$4,925,601,061</b>	<b>\$389,750,302</b>	<b>\$4,587,792,684</b>	<b>\$4,276,649,627</b>				<b>0.93</b>		<b>5.82%</b>

NM - Not Meaningful



Data as of September 30, 2023. Performance metrics calculated by NEPC based on data provided by the investment managers. Note that, due to rounding, there may be slight differences between the summed figures, subtotals, totals, and amounts shown elsewhere in this presentation.



# **APPENDIX 2:**

Real Estate Strategy  
Summaries

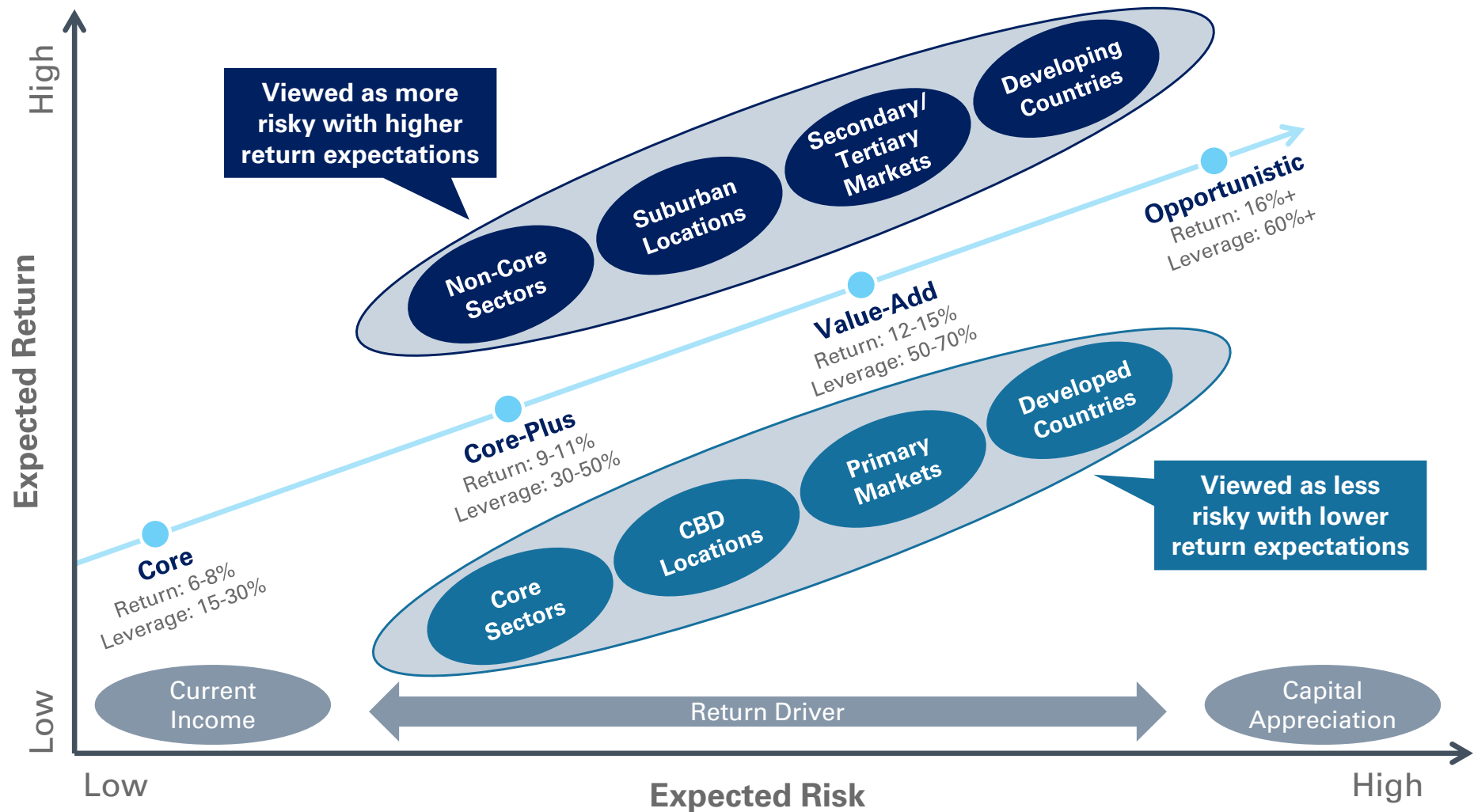
# SPECTRUM OF REAL ESTATE INVESTMENT STRATEGIES

	Real Estate Investment Style / Overview	Investment Strategy	Portfolio Role	Considerations
Core Strategies	<b>Core / Core-Plus</b> <ul style="list-style-type: none"> <li>Return driver: income</li> <li>Primary vehicle: open-end funds</li> <li>Historical avg. returns: 7-8% / 8%-10%</li> <li>Leverage: 15-40% / 40%-50%</li> <li>Hold period: long-term</li> </ul>	Stabilized income producing assets	<ul style="list-style-type: none"> <li>Current income</li> <li>Broad exposure to commercial real estate (asset class beta)</li> <li>Inflation protection</li> </ul>	<ul style="list-style-type: none"> <li>Vehicles are semi-liquid (entrance/exit queues)</li> <li>Limited alpha producing opportunities</li> </ul>
	<b>RE Securities</b> <ul style="list-style-type: none"> <li>Return driver: income</li> <li>Primary vehicle: REIT funds</li> <li>Historical avg. returns: 7-9%</li> <li>Leverage: 30-50%</li> <li>Hold period: long-term</li> </ul>	Stabilized income producing assets	<ul style="list-style-type: none"> <li>Current income (dividends)</li> <li>Long-term exposure to commercial real estate (beta)</li> <li>Long-term inflation protection</li> </ul>	<ul style="list-style-type: none"> <li>Volatility</li> <li>Equity correlation</li> </ul>
Non-Core Strategies	<b>Value-Add</b> <ul style="list-style-type: none"> <li>Return driver: income/appreciation</li> <li>Primary vehicle: varies</li> <li>Historical avg. returns: 8-10%</li> <li>Leverage: 40-70%</li> <li>Hold period: 3-5 years</li> </ul>	Properties requiring lease-up, repositioning, renovation or rehabilitation	<ul style="list-style-type: none"> <li>Provides part current income and capital appreciation</li> <li>Some inflation protection</li> </ul>	<ul style="list-style-type: none"> <li>Vehicles are semi-liquid or illiquid</li> <li>Vintage year is important</li> <li>Higher leverage vs. core</li> <li>Poor benchmarks</li> </ul>
	<b>Opportunistic</b> <ul style="list-style-type: none"> <li>Return driver: appreciation</li> <li>Primary vehicle: closed-end funds</li> <li>Historical avg. returns: 10-12%</li> <li>Leverage: 60%+</li> <li>Hold period: varies</li> </ul>	Distressed investments, recapitalizations, development, etc.	<ul style="list-style-type: none"> <li>Real estate alpha through capital appreciation with minimal current income</li> </ul>	<ul style="list-style-type: none"> <li>Vehicles are illiquid</li> <li>Vintage year is important</li> <li>High leverage</li> <li>Poor benchmarks</li> </ul>



# RELATIVE EXPECTED RISK RETURN PROFILE

## ILLUSTRATIVE RISK / RETURN PROFILE





# **APPENDIX 3:** Disclaimers & Disclosures



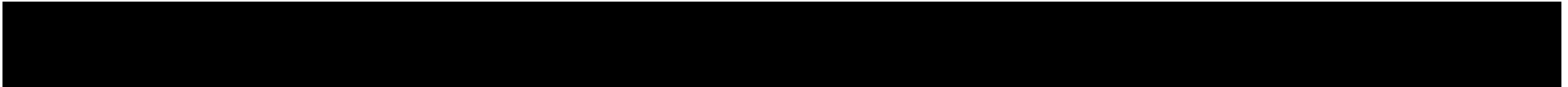


# DISCLAIMER

Past performance is no guarantee of future results.

The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

Information used to prepare this report was obtained directly from the investment managers or custodians, and market index data was provided by other external sources. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.



# ALTERNATIVE INVESTMENT DISCLOSURES

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate and private equity:

1. Performance can be volatile and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy