



2018 REAL ESTATE PORTFOLIO REVIEW

Employees' Retirement System of Rhode Island
(ERSRI)

PCA

PENSION
CONSULTING
ALLIANCE

September 2018

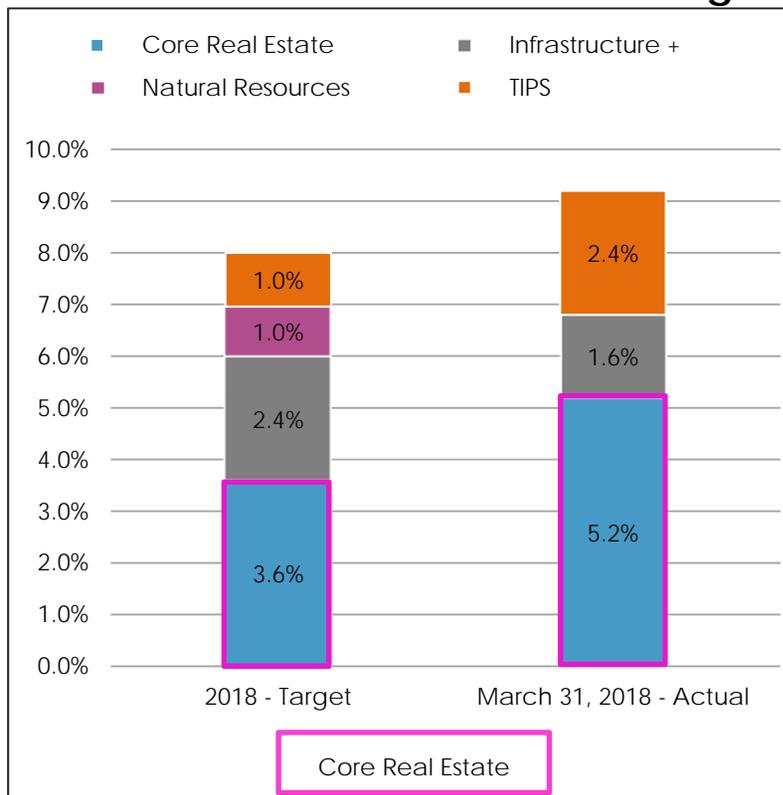
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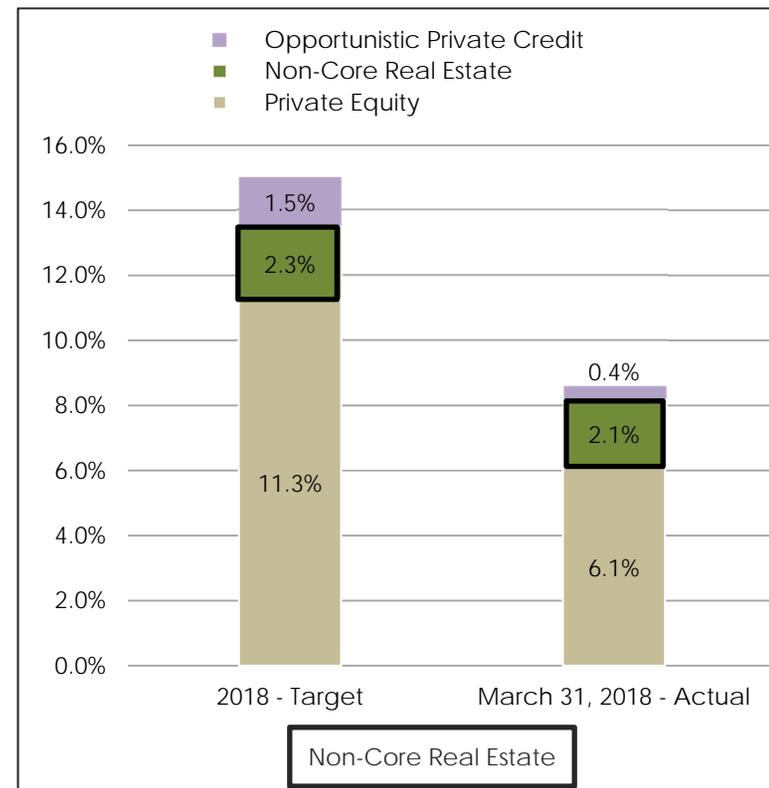
Section 1 Overview

Overview: ERSRI Strategic Allocations

Inflation Protection Class – 8% Target



Private Growth Class – 15% Target



- The targets for private real estate are:
 - Core real estate: 3.6%
 - Non-Core real estate: 2.3%
- Within the Inflation Protection Class, the long-term target for Core real estate is 45%.
- Within the Private Growth Class, the long-term target for Non-Core real estate is 15%.

As of March 31, 2018.

Section 2 Core Real Estate Portfolio Overview

Core Real Estate Portfolio: Net Performance

Partnership	Current Value (\$ Millions)	1Q-18 Total (%)	Net Time-Weighted Returns			Since Inception (%)	Net IRRs Since Inception (%)	ERSRI Inception Year
			1-Year (%)	3-Year (%)	5-Year (%)			
AEW Core Property Trust	103.9	1.5	7.0	9.2	10.0	12.0	11.2	2009
Heitman America Real Estate Trust	80.2	2.0	6.9	9.4	n/a	9.6	10.2	2014 ⁽¹⁾
JP Morgan Strategic Property Fund	108.1	2.0	6.6	8.5	10.2	6.2	6.3	2006
Morgan Stanley Prime Property Fund	63.8	2.0	8.8	10.5	12.4	7.8	7.4	2005
Prudential PRISA	76.8	2.2	7.4	9.3	10.8	6.0	5.4	2005
ERSRI Core Portfolio	432.8	1.9	7.2	9.3	10.7	5.7	5.5	
Net NFI-ODCE		2.0	7.1	9.0	10.4	6.3	n/a	
Performance Under / Over Benchmark		-0.1	0.1	0.3	0.3	-0.6	n/a	

⁽¹⁾ The commitment was made in 2013, but performance reporting did not begin until 2014.

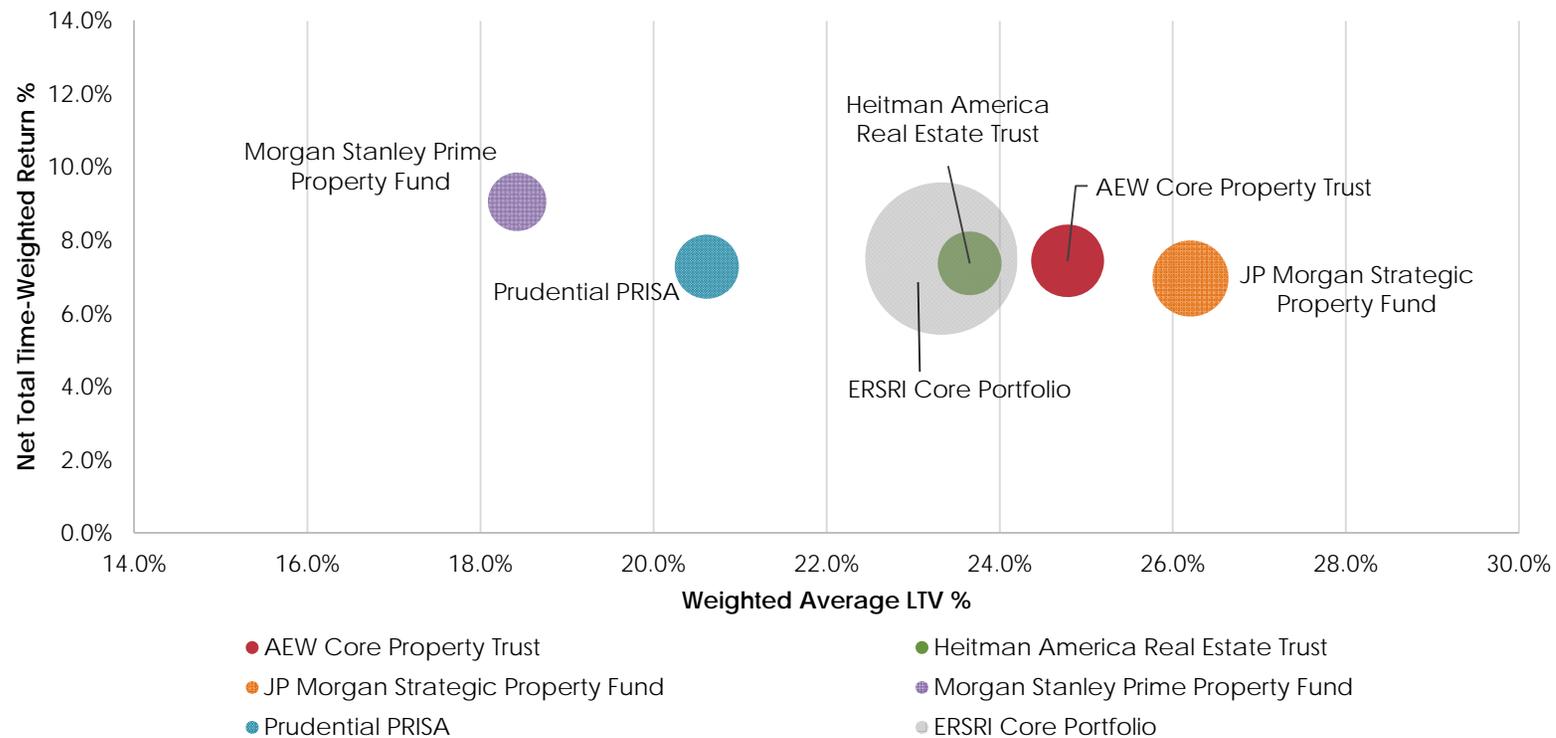
As of March 31, 2018.

- The Core Portfolio net total time-weighted return was slightly below the benchmark for the current quarter and the since inception time periods, but exceeded the benchmark for the 1-, 3-, and 5-year time periods.

Core Real Estate Portfolio: Net Performance

- The Core Portfolio had a total Loan-to-Value (LTV) ratio at quarter end of 22.8%.

Core Real Estate Portfolio 2-Year Net Performance^{(1), (2)}



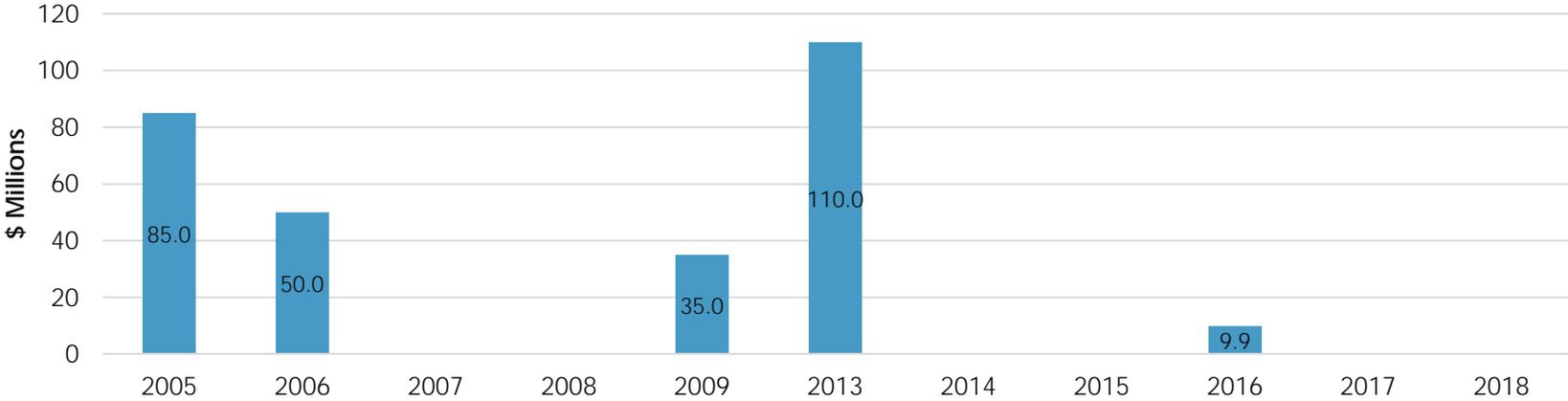
(1) The size of the bubble relates to the NAV amount of the investment as of March 31, 2018.
 (2) The LTV ratios used in the graph are a weighted average.

As of March 31, 2018.

Core Real Estate Portfolio: Capital Activity

- Total 1Q Core Portfolio value: \$432.8 M
- Current committed but unfunded: \$0.0 M
- Total value and unfunded: \$432.8 M
- Total value and unfunded commitments as a percentage of 1Q Total Plan assets: 5.2%

Current Funded Commitments⁽¹⁾

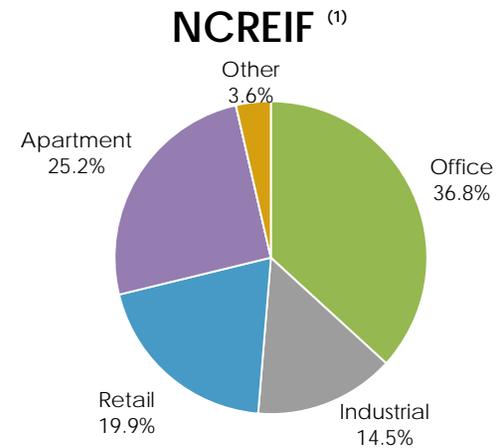
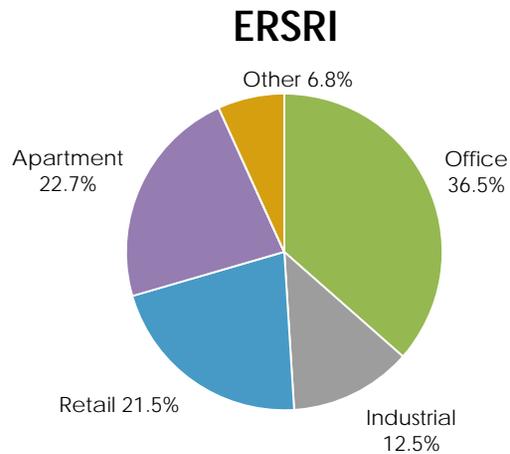


⁽¹⁾ All of the Core Funds are fully funded and do not have a remaining commitment.

As of March 31, 2018.

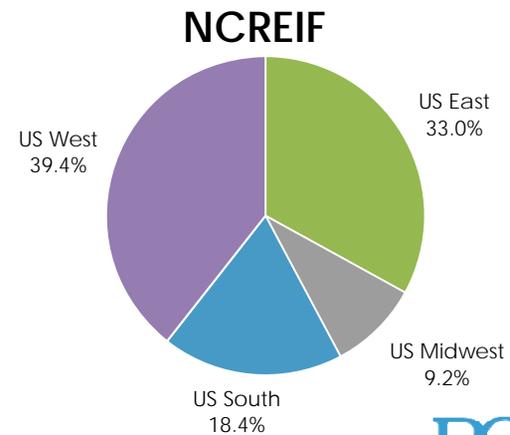
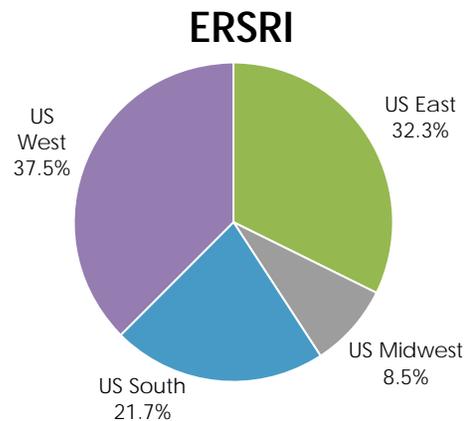
Core Real Estate Portfolio: Diversification

Property Type Diversification



⁽¹⁾ As of March 31, 2018, NFI-ODCE included the 0.4% allocation to Hotel in Other.

Geographic Diversification

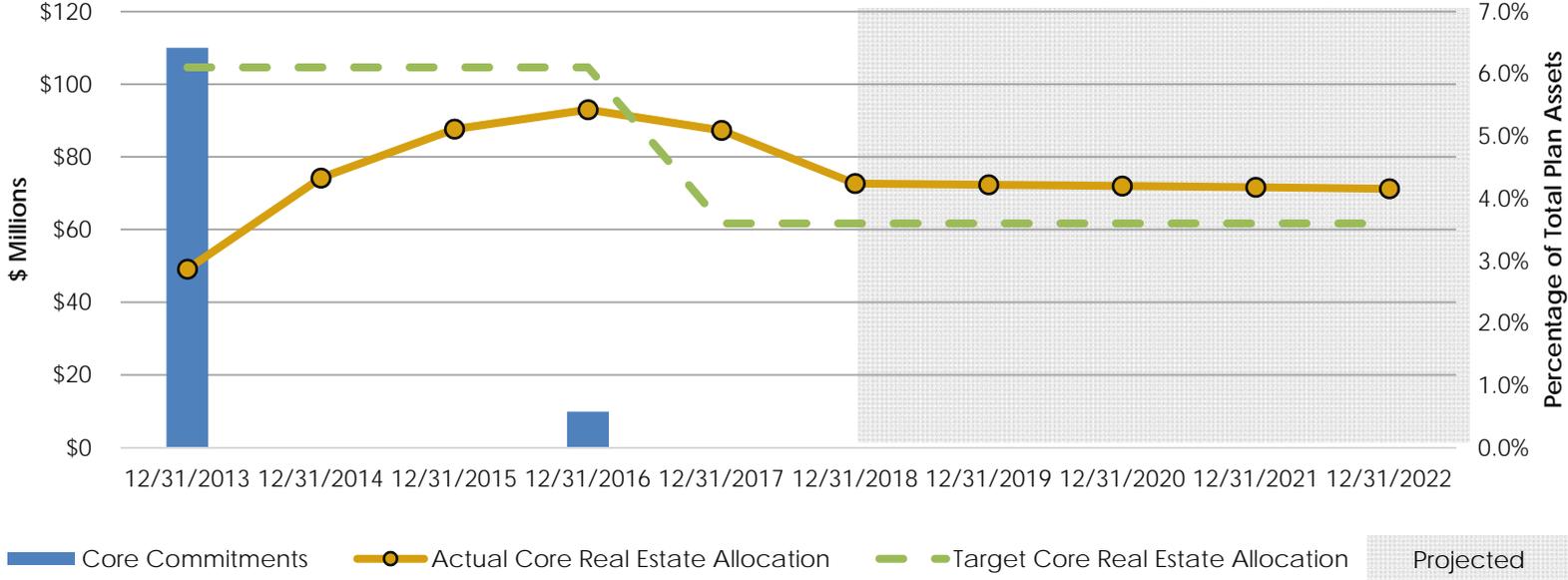


As of March 31, 2018.

Section 3 Core Real Estate Pacing Plan

Core Real Estate Pacing Plan: Commitment Schedule

Historical and Projected Commitments and Allocations



Assumptions

- Total Plan Net Growth Rate: 3.0%
- Total Net Core Real Estate Return: 5.5%

Section 4 Non-Core Real Estate Portfolio Overview

Non-Core Real Estate Portfolio: Net Performance⁽³⁾

Partnership	Current Value (\$ Millions)	1Q-18 Total (%)	Net Time-Weighted Returns			Net IRRs		ERSRI Vintage Year
			1-Year (%)	3-Year (%)	5-Year (%)	Since Inception (%)	Since Inception (%)	
Crow Holdings Retail Fund	22.1	1.6	11.3	n/a	n/a	17.8	11.2	2015
Exeter Industrial Value Fund III ⁽¹⁾	44.9	39.7	59.3	29.7	n/a	26.2	32.3	2014
GEM Realty Fund V	47.2	3.1	8.1	15.5	n/a	8.7	13.0	2013
GEM Realty Fund VI	0.6	8.6	n/a	n/a	n/a	8.6	NM ⁽³⁾	2016
IC Berkeley Partners III	12.9	24.3	46.3	19.6	n/a	23.1	22.6	2014
IC Berkeley Partners IV	9.0	9.9	5.5	n/a	n/a	-0.7	3.3	2016
JP Morgan Alternative Property Fund	0.2	1.2	9.9	5.1	5.1	0.5	-4.4	2006
Lone Star Real Estate Fund IV	15.5	5.8	22.0	n/a	n/a	16.2	20.6	2015
Magna Hotel Fund III	0.4	2.0	-7.3	-12.9	1.1	8.2	15.2	2008
TriCon Capital Fund VII	1.0	7.7	24.6	5.0	-4.0	-13.5	-16.9	2005
Waterton Fund XII	40.1	4.6	12.1	18.2	n/a	18.3	16.2	2013
ERSRI Non-Core Portfolio	194.0	12.1	22.8	17.5	17.0	2.9	0.2	
Net NFI-ODCE + 250 Basis Points		4.5	9.6	11.5	12.9	8.8	n/a	
Performance Under / Over Benchmark		7.6	13.2	6.0	4.1	-5.9	n/a	

- The Non-Core Portfolio net total time-weighted return exceeded the benchmark for the current quarter, 1-, 3-, and 5-year time periods.
- Legacy investments continue to drag on the longer term Since Inception performance; net total time-weighted returns underperform the benchmark on a Since Inception basis.

(1) The current quarter and 1-year returns are unusually high due to a write-up of the portfolio in advance of a sale which closed in April 2018.

(2) The IRR is not meaningful as there is only one quarter with cash activity.

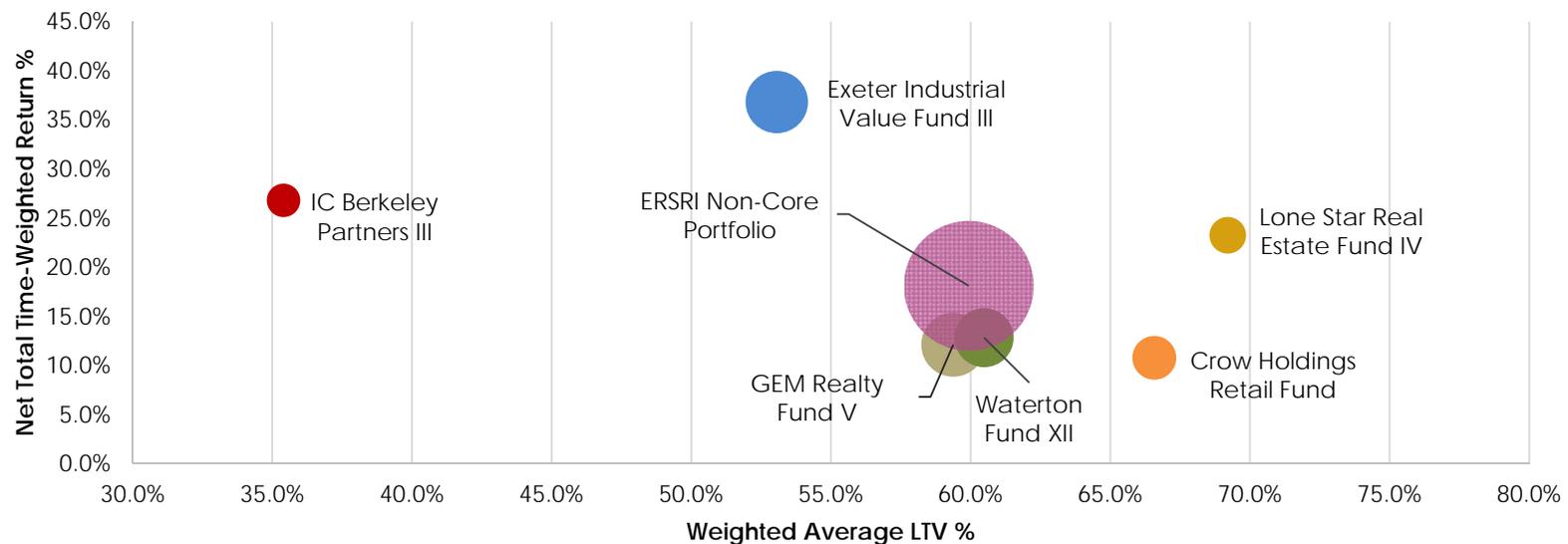
(3) The inception quarter for the non-core private real estate investment portfolio is December 31, 2004.

As of March 31, 2018.

Non-Core Real Estate Portfolio: Net Performance

- The Non-Core Portfolio had a total Loan-to-Value (LTV) ratio at quarter end of 54.0%.
- The Non-Core investments with higher leverage and higher risk, outperformed the Core investments.

Non-Core Real Estate Portfolio 2-Year Net Performance^{(1), (2)}



- Crow Holdings Retail Fund
- Exeter Industrial Value Fund III
- GEM Realty Fund V
- IC Berkeley Partners III
- Lone Star Real Estate Fund IV
- Waterton Fund XII
- ERSRI Non-Core Portfolio

(1) The size of the bubble relates to the NAV amount of the investment as of March 31, 2018. Investments in JP Morgan Alternative Property Fund, Magna Hotel Fund III and TriCon Capital Fund VII are excluded due to each NAV being approximately \$ 1 million or less and each respective fund being in the wind-down stage. IC Berkeley Partners IV & GEM Realty VI were also excluded due to their being early in the fund lifecycle and therefore returns are not meaningful.

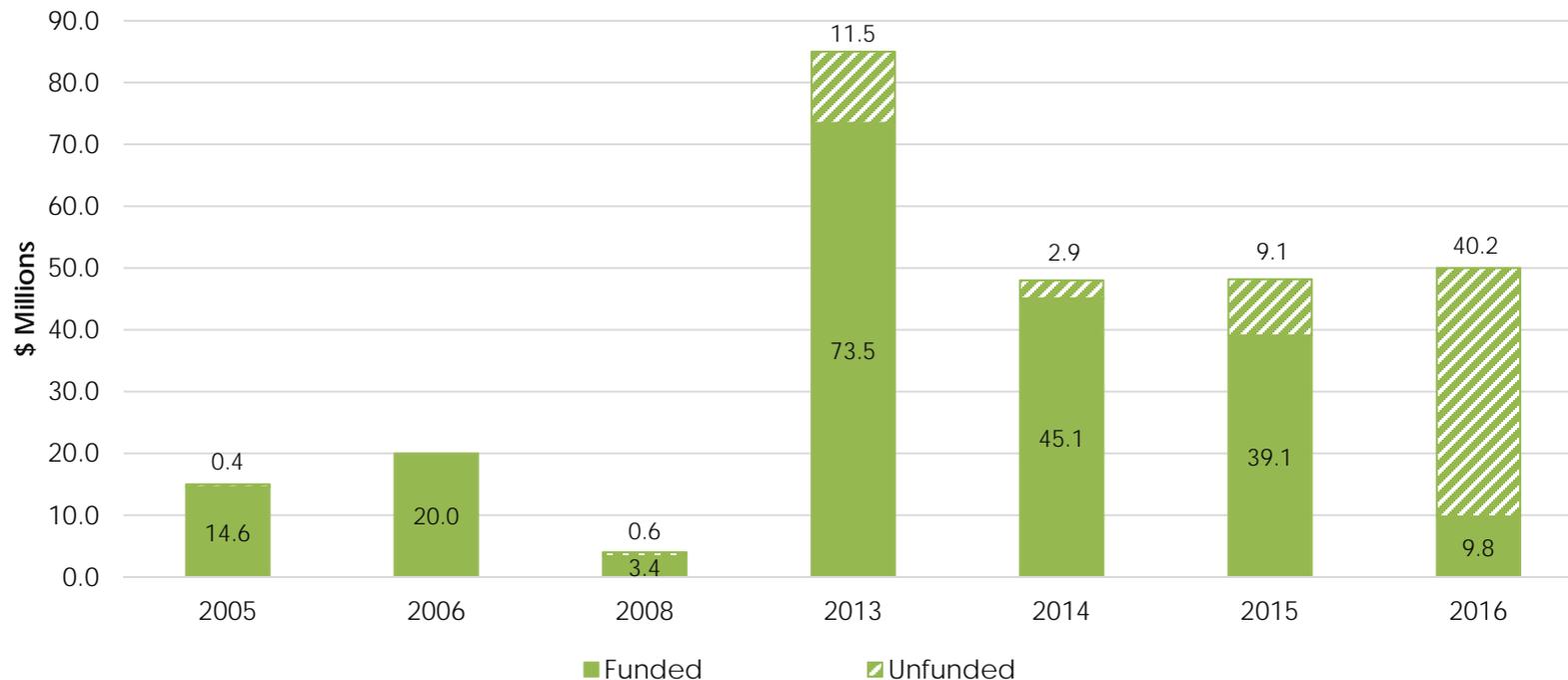
(2) The LTV ratios used in the graph are a weighted average.

As of March 31, 2018.

Non-Core Real Estate Portfolio: Capital Activity

- Total 1Q Non-Core Portfolio value: \$194.0 M
- Current committed but unfunded: \$64.7 M
- Total value and unfunded: \$258.7 M
- Total value and unfunded commitments as a percentage of 1Q Total Plan assets: 3.1%

Current Funded and Unfunded Commitments⁽¹⁾

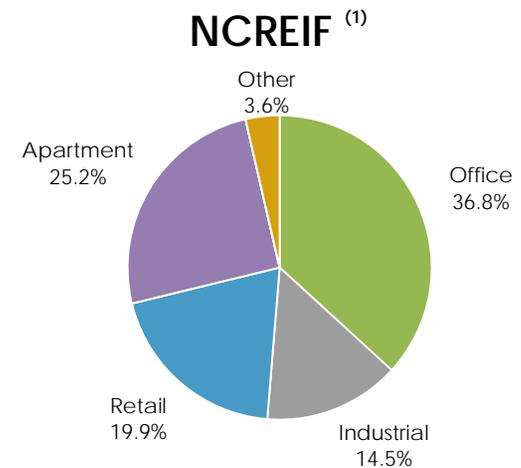
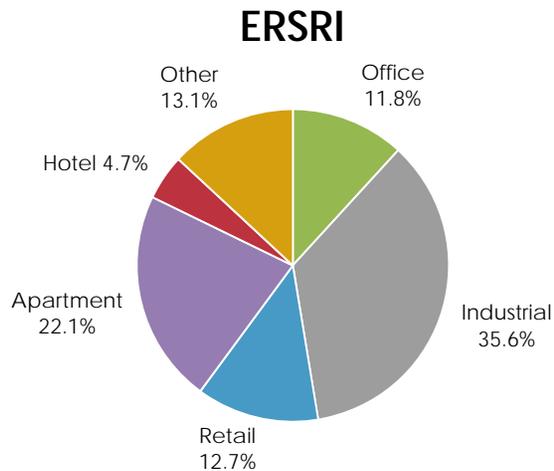


⁽¹⁾ The year listed represents the year the commitment was made.

As of March 31, 2018.

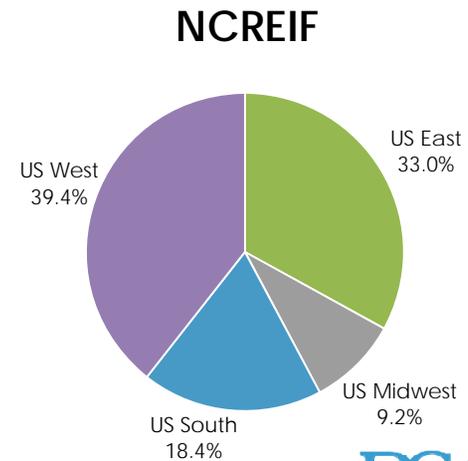
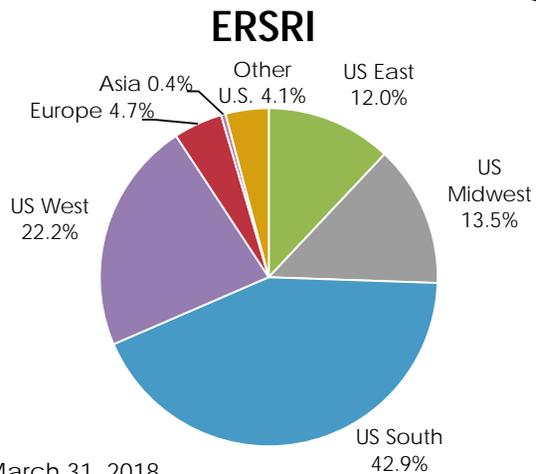
Non-Core Real Estate Portfolio: Diversification

Property Type Diversification



⁽¹⁾ As of March 31, 2018, NFI-ODCE included the 0.4% allocation to Hotel in Other.

Geographic Diversification

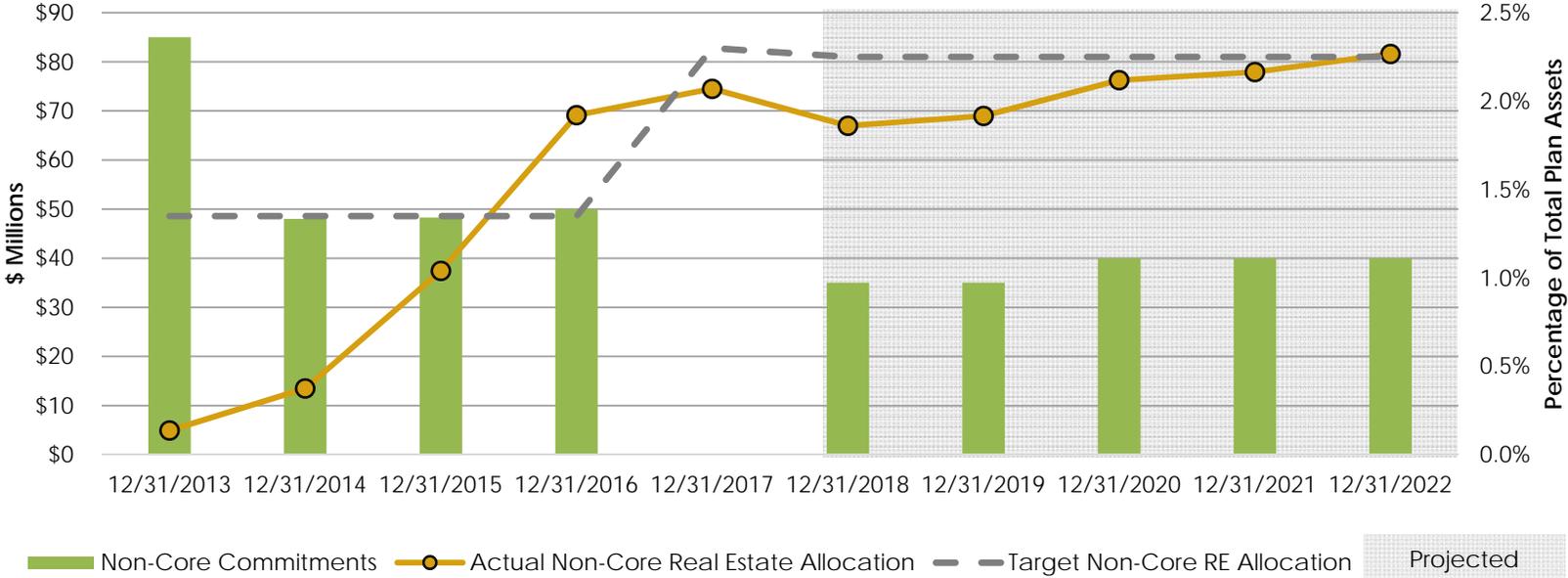


As of March 31, 2018.

Section 5 Non-Core Real Estate Pacing Plan

Non-Core Real Estate Pacing Plan: Commitment Schedule⁽¹⁾

Historical and Projected Commitments and Allocations



Assumptions

- Total Plan Net Growth Rate: 3.0%
- Total Net Non-Core Real Estate Return: 10.1%

(1) Includes commitments made but not yet funded based on year commitment was made and funded commitments based on the year of the capital calls

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