



INVESTMENT GROUP

# Employees' Retirement System of Rhode Island (ERSRI)

Private Real Estate | Overview

Strategic Allocation

January 27, 2021

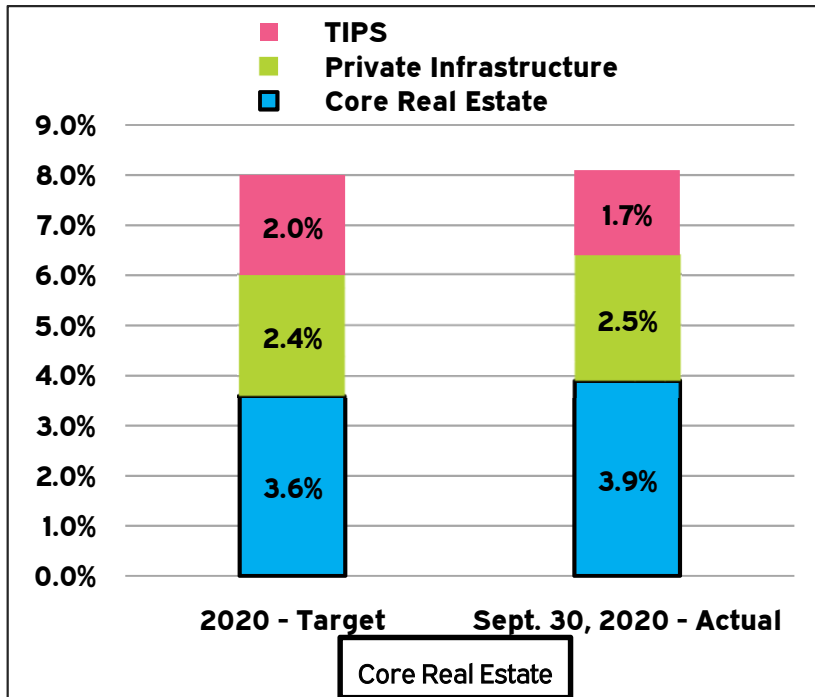


# Employees' Retirement System of Rhode Island

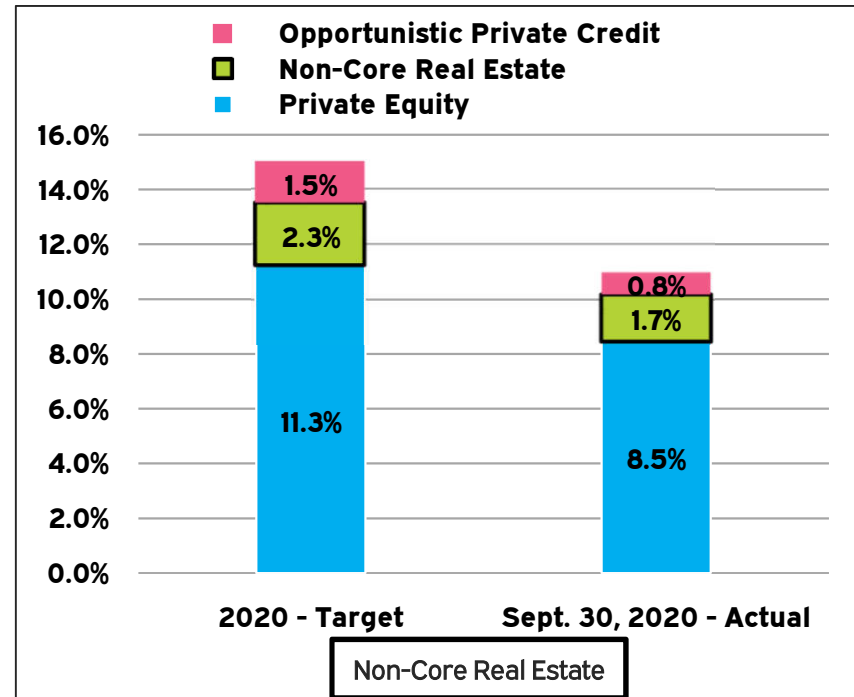
## Private Real Estate | Strategic Allocation

### Overview<sup>(1)</sup>

#### INFLATION PROTECTION CLASS – 8%



#### 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%.

<sup>(1)</sup> Please note that the current values presented differ from those shown in the October 28, 2020 State Investment Commission materials with data as of September 30, 2020. The custodian reports values for the private real estate investments on a one quarter lag, adjusted for cash activity through September 30, 2020.

# **Core Real Estate | Portfolio Overview**

**Net Performance, Capital Activity and Diversification**



# Employees' Retirement System of Rhode Island

## Core Real Estate | Portfolio Overview

### Net Performance<sup>(1,2,3)</sup>

As of September 30, 2020

Partnership	Current Value (\$ Millions)	Net Total Time-Weighted Returns					Net IRRs	
		1-Year (%)	3-Year (%)	5-Year (%)	10-Year (%)	Since Inception (%)	Since Inception (%)	ERSRI Inception Year
Morgan Stanley Prime Property Fund	90.4	1.3	5.3	7.0	10.9	7.2	7.0	2005
JP Morgan Strategic Property Fund	73.9	0.7	3.6	5.2	9.1	5.6	5.8	2006
AEW Core Property Trust	104.4	0.2	4.7	6.1	9.3	10.1	9.3	2009
Heitman America Real Estate Trust	76.3	-3.8	2.2	4.7	n/a	6.0	6.5	2014
<b>ERSRI Core Portfolio</b>	<b>345.0</b>	<b>-0.1</b>	<b>4.0</b>	<b>5.7</b>	<b>9.6</b>	<b>5.5</b>	<b>5.3</b>	
Net NFI-ODCE		0.5	4.2	5.7	9.3	6.1	n/a	
Performance <b>Under</b> / Over Benchmark		<b>-0.6</b>	<b>-0.2</b>	0.0	0.3	<b>-0.6</b>	n/a	

- The Core Portfolio net total time-weighted return exceeded the benchmark for the ten-year time period, was in-line with the benchmark for the five-year time period, and underperformed the benchmark for the one-year, three-year and since inception time periods.

<sup>(1)</sup> Please note that the current values presented differ from those shown in the October 28, 2020 State Investment Commission materials with data as of September 30, 2020. The custodian reports values for the private real estate investments on a one quarter lag, adjusted for cash activity through September 30, 2020.

<sup>(2)</sup> Please note that the net total time-weighted returns and the Net NFI-ODCE benchmark figures presented differ from those shown in the October 28, 2020 State Investment Commission materials with data as of September 30, 2020. The custodian reports time-weighted returns for the private real estate investments based on lagged valuations. The Net NFI-ODCE benchmark returns are also on a one quarter lag, due to the availability of information.

<sup>(3)</sup> The Since Inception time period presented for the Net NFI-ODCE benchmark is based on the inception date of the core real estate portfolio.

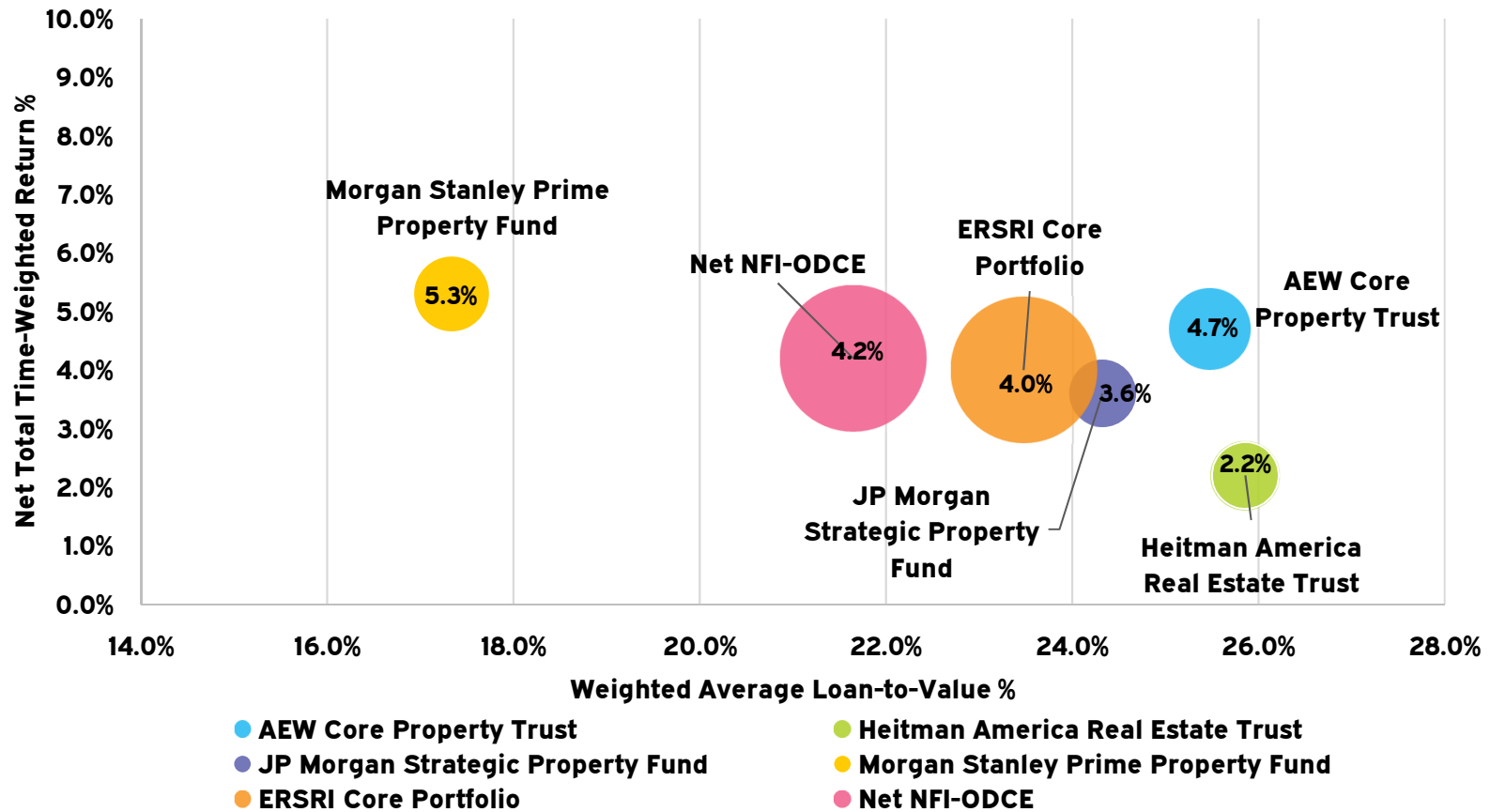


# Employees' Retirement System of Rhode Island

## Core Real Estate | Portfolio Overview

### Net Performance<sup>(1,2)</sup>

#### CORE REAL ESTATE PORTFOLIO 3-YEAR NET PERFORMANCE



<sup>(1)</sup> The size of the bubble relates to the NAV amount of the investment and the percentage inside the bubble is the net total time-weighted return.

<sup>(2)</sup> The Loan-to-Value ratios used in the graph are a weighted average.

As of September 30, 2020.

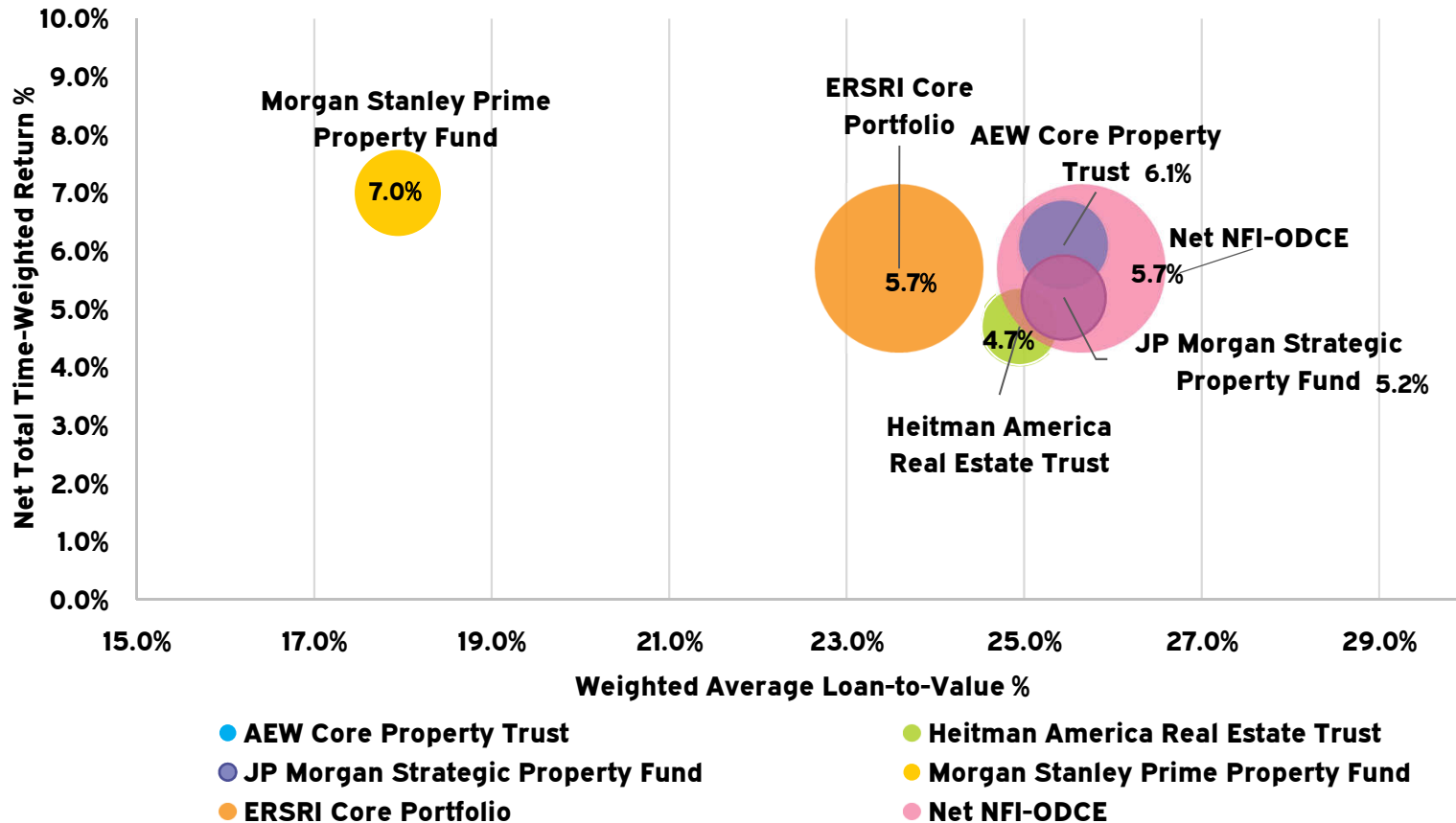


# Employees' Retirement System of Rhode Island

## Core Real Estate | Portfolio Overview

### Net Performance<sup>(1,2)</sup>

#### CORE REAL ESTATE PORTFOLIO 5-YEAR NET PERFORMANCE



<sup>(1)</sup> The size of the bubble relates to the NAV amount of the investment and the percentage inside the bubble is the net total time-weighted return.

<sup>(2)</sup> The Loan-to-Value ratios used in the graph are a weighted average.

As of September 30, 2020.



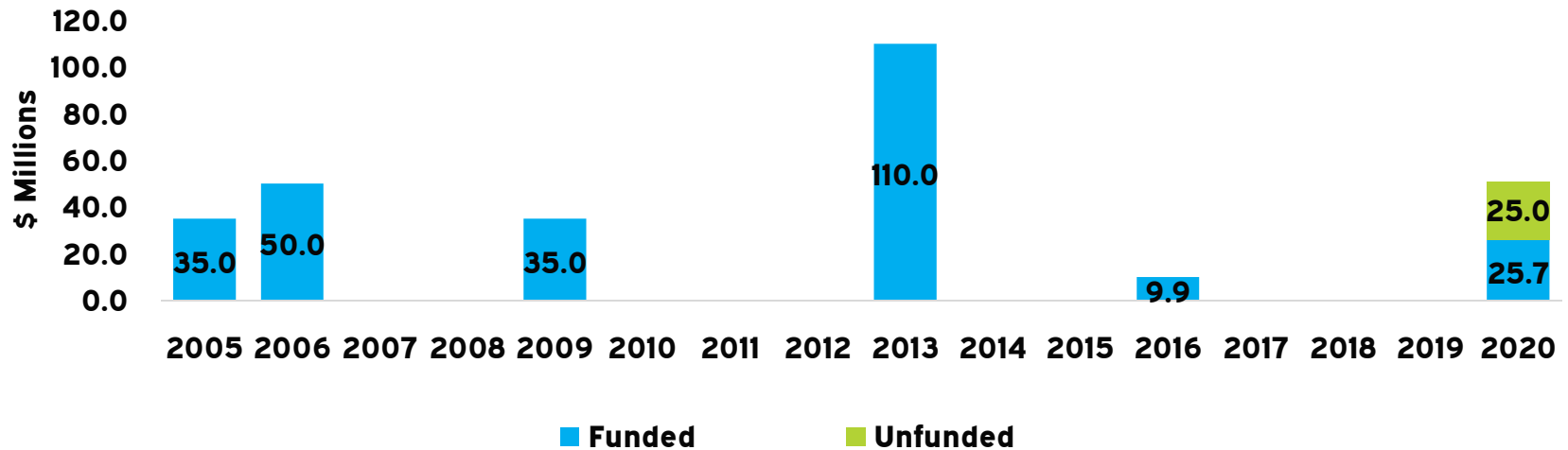
# Employees' Retirement System of Rhode Island

## Core Real Estate | Portfolio Overview

### Capital Activity

- Total 3Q Core Portfolio value: \$345.0 million
- Current committed but unfunded: \$25.0 million
- Total value and unfunded: \$370.0 million
- Total value and unfunded commitments as a percentage of 3Q Total Plan assets: 4.2%

### CURRENT FUNDED COMMITMENTS



As of September 30, 2020.



## Employees' Retirement System of Rhode Island

### Core Real Estate | Portfolio Overview

#### Capital Activity

- Investment and Redemption Activity and Queues
  - A redemption of the approximate \$110.2 million balance from the JP Morgan Strategic Property Fund was approved in November 2019.
    - Through September 30, 2020, \$35.1 million has been received.
    - An additional \$9.1 million is anticipated to be received in January 2021. The remaining NAV to be redeemed is approximately \$73.9 million.
  - An additional commitment of \$25.7 million to the Morgan Stanley Prime Property Fund has been funded.
  - An additional commitment to Heitman America Real Estate Trust in the amount of \$25 million remains unfunded. It is anticipated the amount will be called during 2021.
  - Fund Investment Queue Balances
    - AEW Core Property Trust \$64.3 million
    - Heitman America Real Estate Trust \$100.5 million
    - JP Morgan Strategic Property Fund \$325.7 million
    - Morgan Stanley Prime Property Fund \$892.0 million
  - Fund Redemption Queue Balances
    - AEW Core Property Trust \$494.1 million, 6.9% of \$7.1 billion of Fund NAV
    - Heitman America Real Estate Trust \$957.8 million, 10.9% of \$8.8 billion of Fund NAV
    - JP Morgan Strategic Property Fund \$3.1 billion, 10.3% of \$30.4 billion of Fund NAV
    - Morgan Stanley Prime Property Fund \$609.7 million, 2.3% of \$26.2 billion of Fund NAV

As of September 30, 2020.





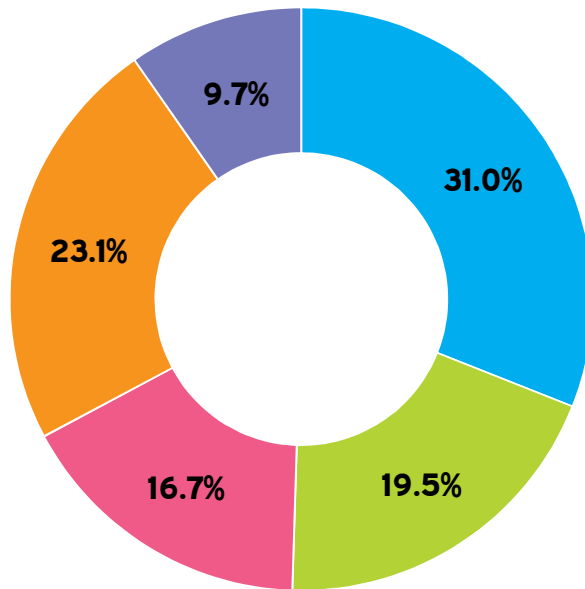
# Employees' Retirement System of Rhode Island

## Core Real Estate | Portfolio Overview

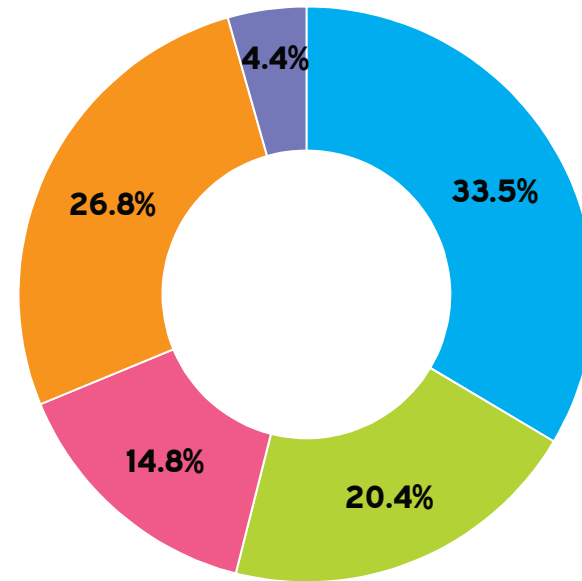
### Diversification

#### PROPERTY TYPE DIVERSIFICATION

**ERSRI**



**NCREIF**



■ Office ■ Industrial ■ Retail ■ Apartment ■ Other

■ Office ■ Industrial ■ Retail ■ Apartment ■ Other

As of September 30, 2020.



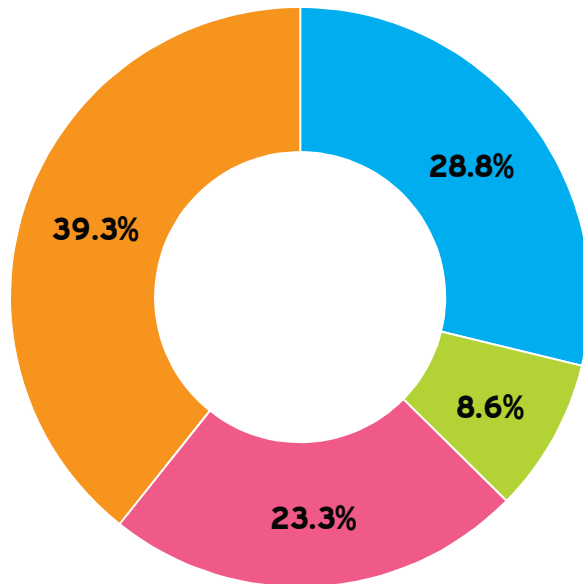
# Employees' Retirement System of Rhode Island

## Core Real Estate | Portfolio Overview

### Diversification

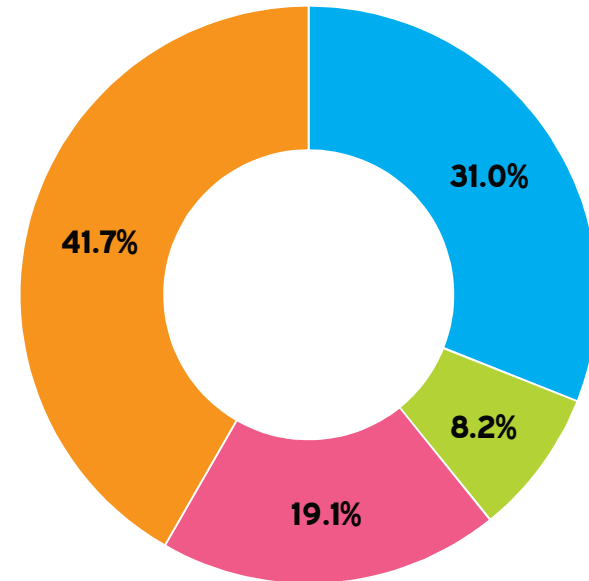
#### GEOGRAPHIC DIVERSIFICATION

**ERSRI**



■ US East ■ US Midwest ■ US South ■ US West

**NCREIF**



■ US East ■ US Midwest ■ US South ■ US West

As of September 30, 2020.

# **Core Real Estate | Pacing Plan**

## **Commitment Schedule**

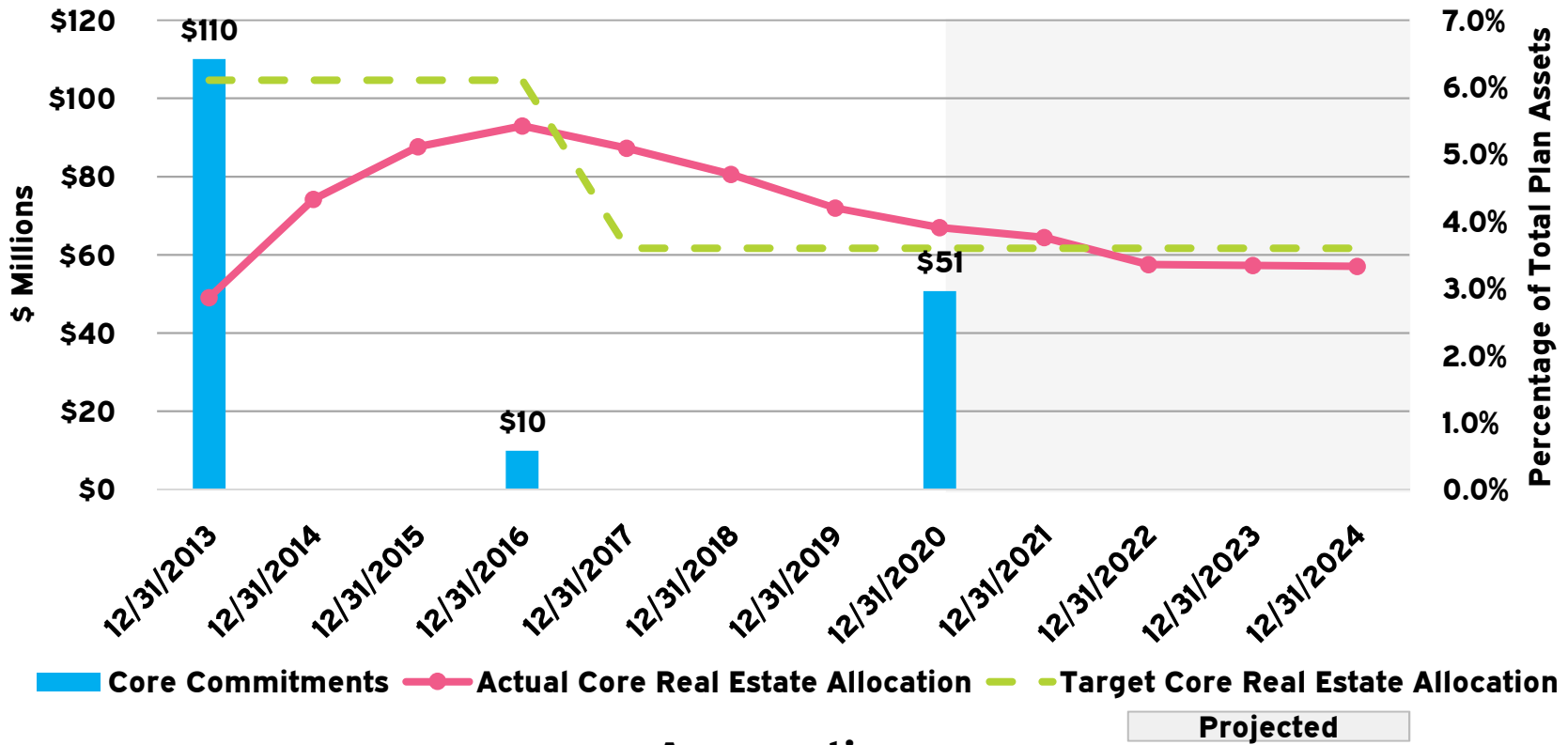


# Employees' Retirement System of Rhode Island

## Core Real Estate | Pacing Plan

### Commitment Schedule

#### HISTORICAL & PROJECTED COMMITMENTS AND ALLOCATION



### Assumptions

- Total Plan Net Growth Rate: 3.0%
- Total Net Core Real Estate Return: 6.1%

As of September 30, 2020.

# **Non-Core Real Estate | Portfolio Overview**

**Net Performance, Capital Activity and Diversification**



# Employees' Retirement System of Rhode Island

## Non-Core Real Estate | Portfolio Overview

### Net Performance<sup>(1,2,3)</sup>

As of September 30, 2020

Partnership	Committed (\$ Millions)	Current Value (\$ Millions)	Net Total Time-Weighted Returns				Net IRRs Since Inception (%)	Net TVPI Since Inception (x)	Distributions Since Inception (\$ Millions)	ERSRI Inception Year
			1-Year (%)	3-Year (%)	5-Year (%)	Since Inception (%)				
TriCon Capital Fund VII*	15.0	0.4	-1.9	14.4	9.2	-10.0	-15.2	0.3	4.9	2005
GEM Realty Fund V**	50.0	26.2	-25.7	-4.4	2.0	2.5	4.4	1.2	24.1	2013
Exeter Industrial Value Fund III*	30.0	12.0	17.3	29.6	25.0	22.3	28.1	1.9	47.0	2014
Waterton Fund XII*	35.0	23.7	-5.9	4.7	8.8	11.5	10.5	1.4	27.9	2014
Crow Holdings Retail Fund I**	24.0	21.5	-11.3	2.2	9.0	9.0	5.1	1.2	3.7	2015
Lone Star Real Estate Fund IV*	24.3	6.7	-15.8	2.6	7.6	7.6	13.4	1.3	19.3	2015
IC Berkeley Partners IV**	30.0	33.4	19.5	15.8	n/a	7.9	14.7	1.3	6.2	2016
GEM Realty Fund VI***	20.0	7.4	0.1	n/a	n/a	10.7	-4.4	1.0	1.2	2017
Linchris Capital Opportunity Fund II***	17.7	9.8	n/a	n/a	n/a	-7.1	6.8	1.0	0.4	2019
Raith Real Estate Fund II***	35.0	8.3	-39.2	n/a	n/a	-26.6	-37.0	0.9	6.5	2019
IC Berkeley Partners V***	35.0	1.7	n/a	n/a	n/a	-2.4	NM	NM	0.0	2020
<b>ERSRI Non-Core Portfolio</b>	<b>316.0</b>	<b>151.1</b>	<b>-8.2</b>	<b>6.8</b>	<b>9.6</b>	<b>2.8</b>	<b>0.7</b>	<b>1.0</b>	<b>141.2</b>	
<b>Net NFI-ODCE + 250 Basis Points</b>			<b>3.0</b>	<b>6.7</b>	<b>8.2</b>	<b>8.6</b>	<b>n/a</b>	<b>n/a</b>		
<b>Performance Under / Over Benchmark</b>			<b>-11.2</b>	<b>0.1</b>	<b>1.4</b>	<b>-5.8</b>	<b>n/a</b>	<b>n/a</b>		

\*Harvesting \*\*Operating \*\*\*Investing

(1) Please note that the current values presented differ from those shown in the October 28, 2020 State Investment Commission materials with data as of September 30, 2020. The custodian reports values for the private real estate investments on a one quarter lag, adjusted for cash activity through September 30, 2020.

(2) Please note that the net total time-weighted returns and the Net NFI-ODCE benchmark figures presented differ from those shown in the October 28, 2020 State Investment Commission materials with data as of September 30, 2020. The custodian reports time-weighted returns for the private real estate investments based on lagged valuations. The Net NFI-ODCE benchmark returns are also on a one quarter lag, due to the availability of information.

(3) The commitment to Exeter Industrial Value Fund V of \$25 million and other metrics are not shown since the initial capital call for \$3.7 million was issued in October 2020.

- The Non-Core Portfolio net total time-weighted return exceeded the benchmark for the three-, and five-year time periods but underperformed the benchmark for the one-year and since inception time periods.



## Employees' Retirement System of Rhode Island

### Non-Core Real Estate | Portfolio Overview

#### Net Performance<sup>(1)</sup>

Partnership	Net Total Time-Weighted Returns					ERSRI Inception Year
	Calendar 2019 (%)	Calendar 2018 (%)	Calendar 2017 (%)	Calendar 2016 (%)	Calendar 2015 (%)	
TriCon Capital Fund VII*	23.4	15.9	19.0	1.3	-11.8	2005
JP Morgan Alternative*	n/a	13.7	9.7	3.6	3.3	2006
Magna Hotel*	29.3	-73.2	-10.9	-27.1	-0.4	2008
GEM Realty Fund V**	3.7	10.6	10.2	17.7	22.9	2013
Exeter Industrial Value Fund III**	16.6	60.1	17.3	17.7	18.3	2014
IC Berkeley Partners III**	-17.3	15.4	18.0	15.7	8.7	2014
Waterton Fund XII**	7.6	12.1	11.1	13.5	30.9	2014
Crow Holdings Retail Fund I**	8.7	10.8	12.1	11.9	n/a	2015
Lone Star Real Estate Fund IV**	3.5	20.7	22.9	16.3	n/a	2015
IC Berkeley Partners IV***	23.5	14.0	-5.9	n/a	n/a	2016
GEM Realty Fund VI***	-11.6	56.2	n/a	n/a	n/a	2017
Linchris Capital Opportunity Fund II***	n/a	n/a	n/a	n/a	n/a	2019
Raith Real Estate Fund II***	n/a	n/a	n/a	n/a	n/a	2019
<b>ERSRI Non-Core Portfolio</b>	<b>8.1</b>	<b>21.5</b>	<b>13.3</b>	<b>14.3</b>	<b>17.2</b>	
<b>Net NFI-ODCE + 250 Basis Points</b>	<b>6.9</b>	<b>9.9</b>	<b>9.2</b>	<b>10.3</b>	<b>16.5</b>	
<b>Performance Under / Over Benchmark</b>	<b>1.2</b>	<b>11.6</b>	<b>4.1</b>	<b>4.0</b>	<b>0.7</b>	

\*Harvesting \*\*Operating \*\*\*Investing

<sup>(1)</sup> Please note that the lifecycle categories of Harvesting, Operating and Investing for each investment are representative of all or the majority of the multiple time periods presented.

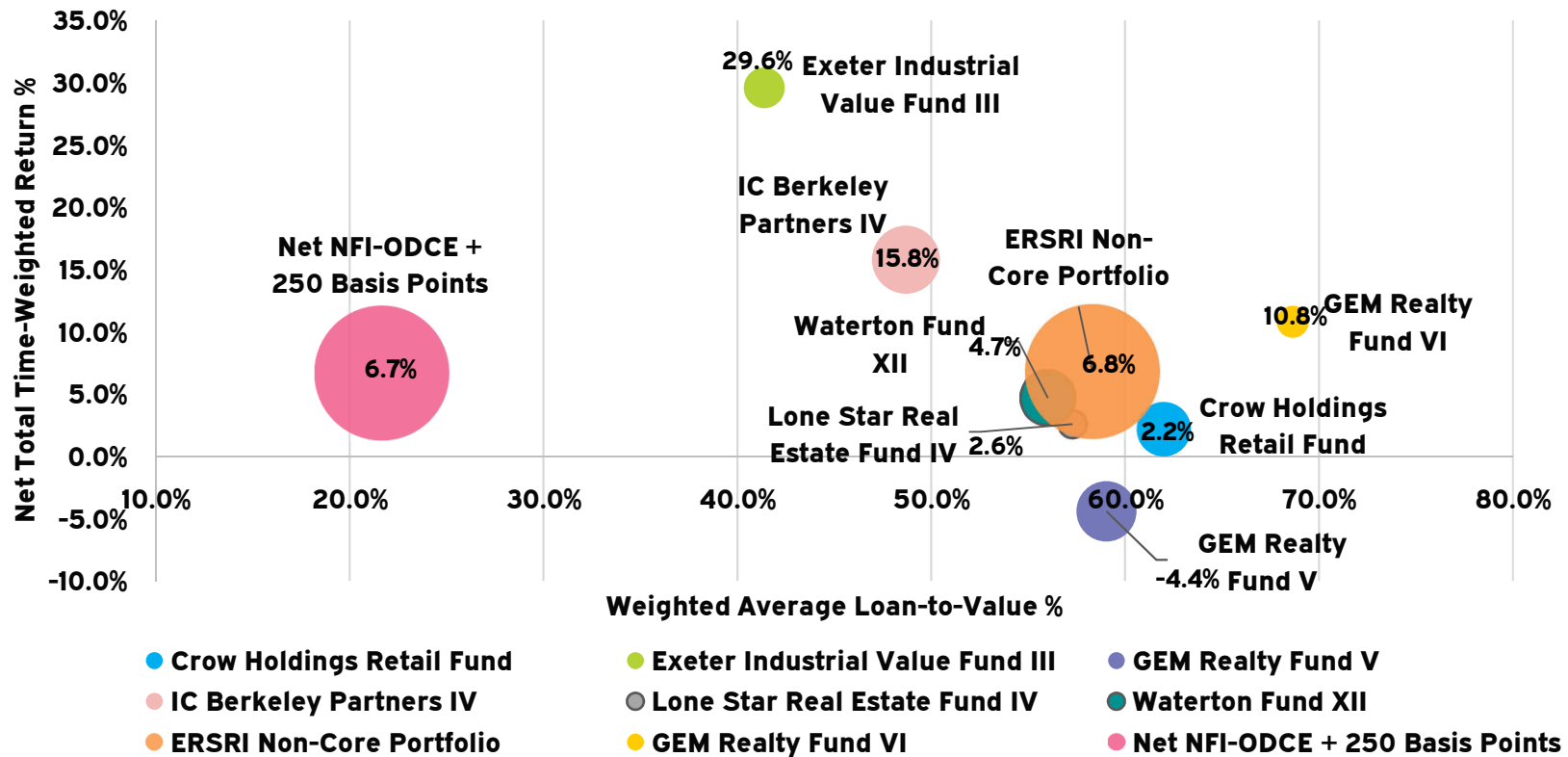


# Employees' Retirement System of Rhode Island

## Non-Core Real Estate | Portfolio Overview

### Net Performance<sup>(1,2,3)</sup>

#### NON-CORE REAL ESTATE PORTFOLIO 3-YEAR NET PERFORMANCE



(1) The size of the bubble relates to the NAV amount of the investment and the percentage inside or near a bubble is the respective net total time-weighted return.  
 (2) The Loan-to-Value ratios used in the graph are a weighted average.  
 (3) Excludes IC Berkeley Partners V, Linchris Capital Opportunity Fund II and Raith Real Estate Fund II since the funds have less than three years of activity. Excludes TriCon Capital Fund VII as the fund is in liquidation. GEM Realty VI is shown using 11 quarters of data.



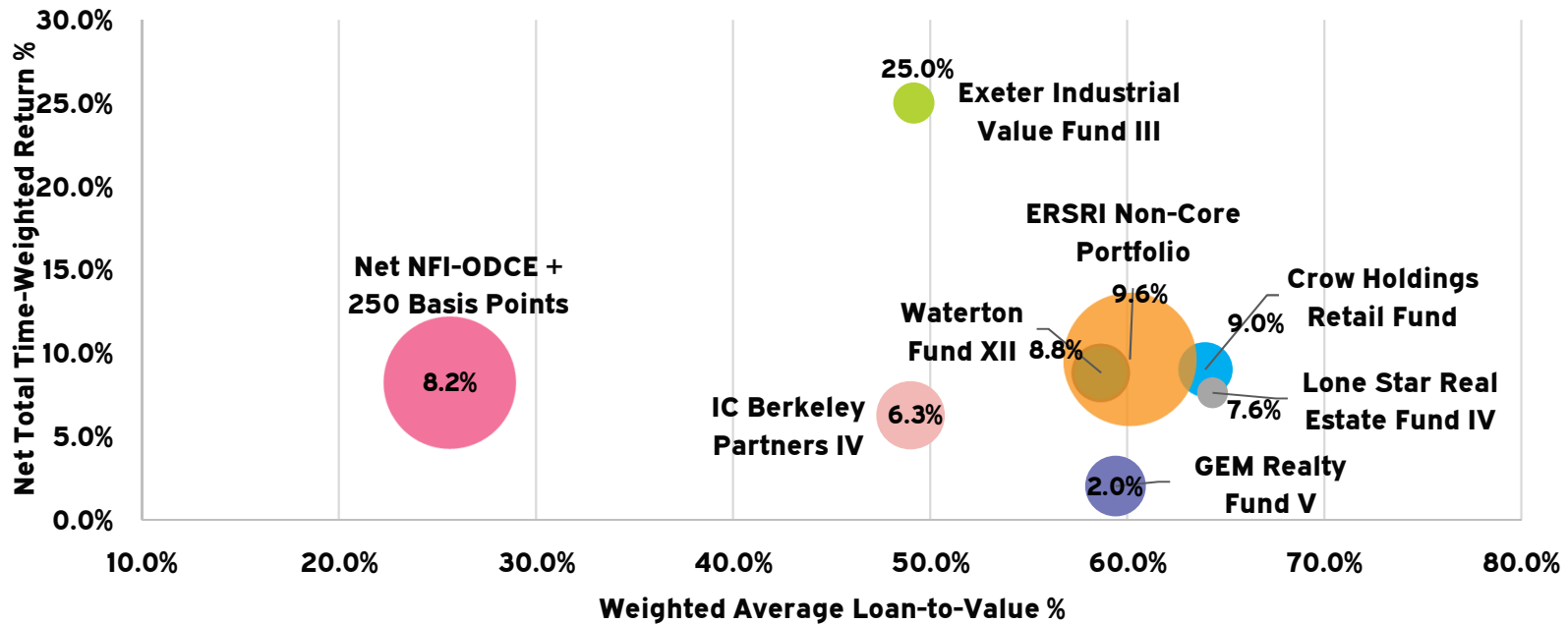


# Employees' Retirement System of Rhode Island

## Non-Core Real Estate | Portfolio Overview

### Net Performance<sup>(1,2,3)</sup>

#### NON-CORE REAL ESTATE PORTFOLIO 5-YEAR NET PERFORMANCE



- Crow Holdings Retail Fund
- IC Berkeley Partners IV
- ERSRI Non-Core Portfolio
- Exeter Industrial Value Fund III
- Lone Star Real Estate Fund IV
- Net NFI-ODCE + 250 Basis Points
- GEM Realty Fund V
- Waterton Fund XII

<sup>(1)</sup> The size of the bubble relates to the NAV amount of the investment and the percentage inside or near a bubble is the respective net total time-weighted return.

<sup>(2)</sup> The Loan-to-Value ratios used in the graph are a weighted average.

<sup>(3)</sup> Excludes GEM Realty Fund VI, IC Berkeley Partners V, Linchris Capital Opportunity Fund II and Raith Real Estate Fund II since the funds have less than five years of activity. Excludes TriCon Capital Fund VII as the fund is in liquidation. IC Berkeley Partners Fund IV is shown using 18 quarters of data.



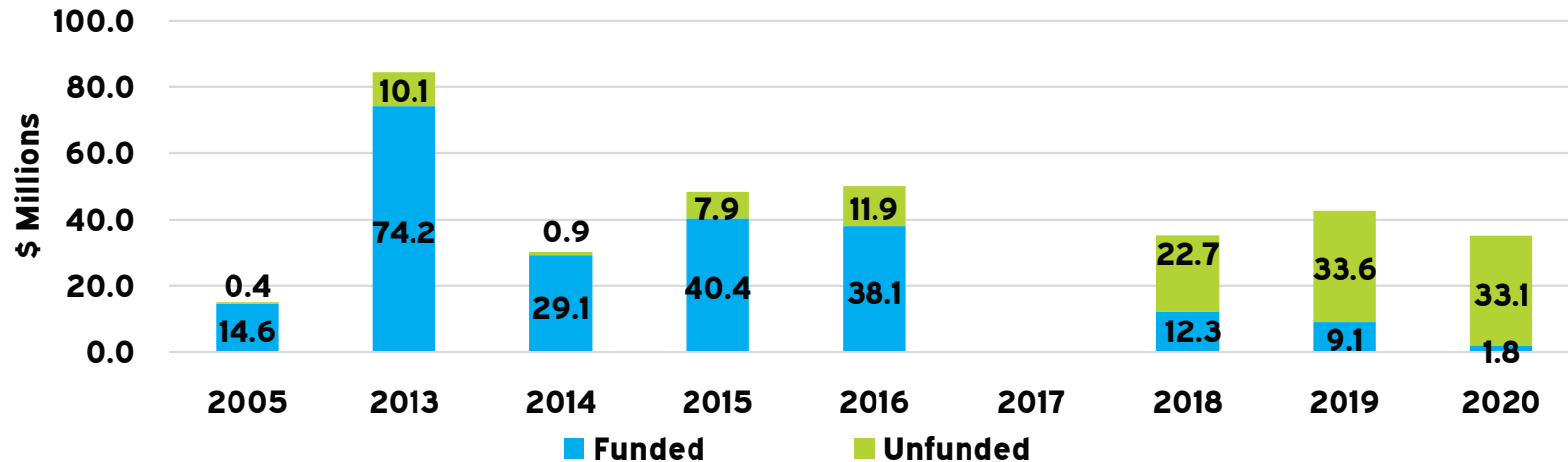
# Employees' Retirement System of Rhode Island

## Non-Core Real Estate | Portfolio Overview

### Capital Activity

- Total 3Q Non-Core Portfolio value: \$151.1 million
- Current committed but unfunded: \$120.6 million
- Total value and unfunded: \$271.7 million
- Total value and unfunded commitments as a percentage of 3Q Total Plan assets: 3.1%
- There was one new commitment in 2020 of \$35 million to IC Berkeley Partners V.
- The State Investment Commission is considering a \$30 million commitment to IPI Partners II on January 27, 2021.

### CURRENT FUNDED COMMITMENTS



As of September 30, 2020.

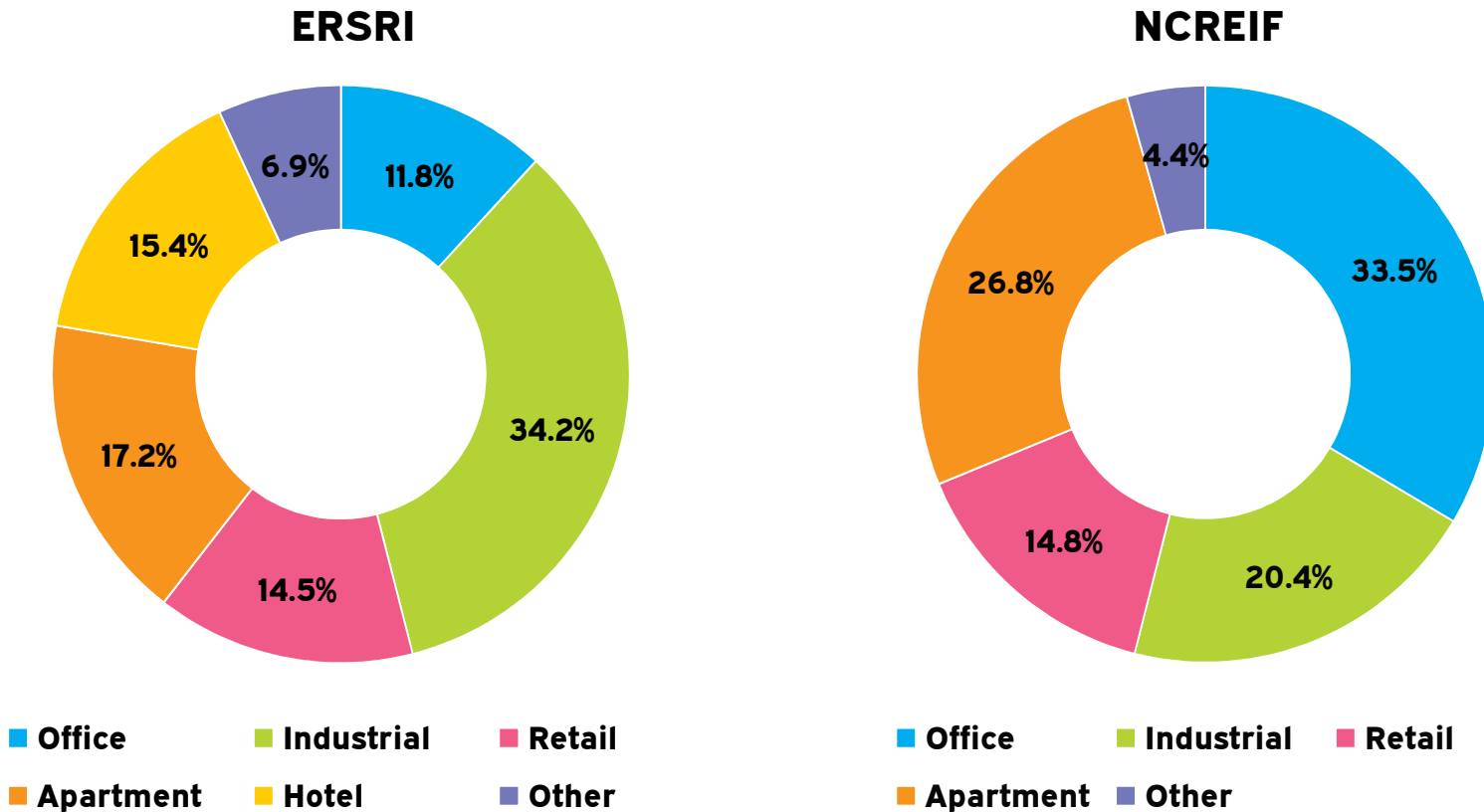


# Employees' Retirement System of Rhode Island

## Non-Core Real Estate | Portfolio Overview

### Diversification

#### PROPERTY TYPE DIVERSIFICATION



As of September 30, 2020.

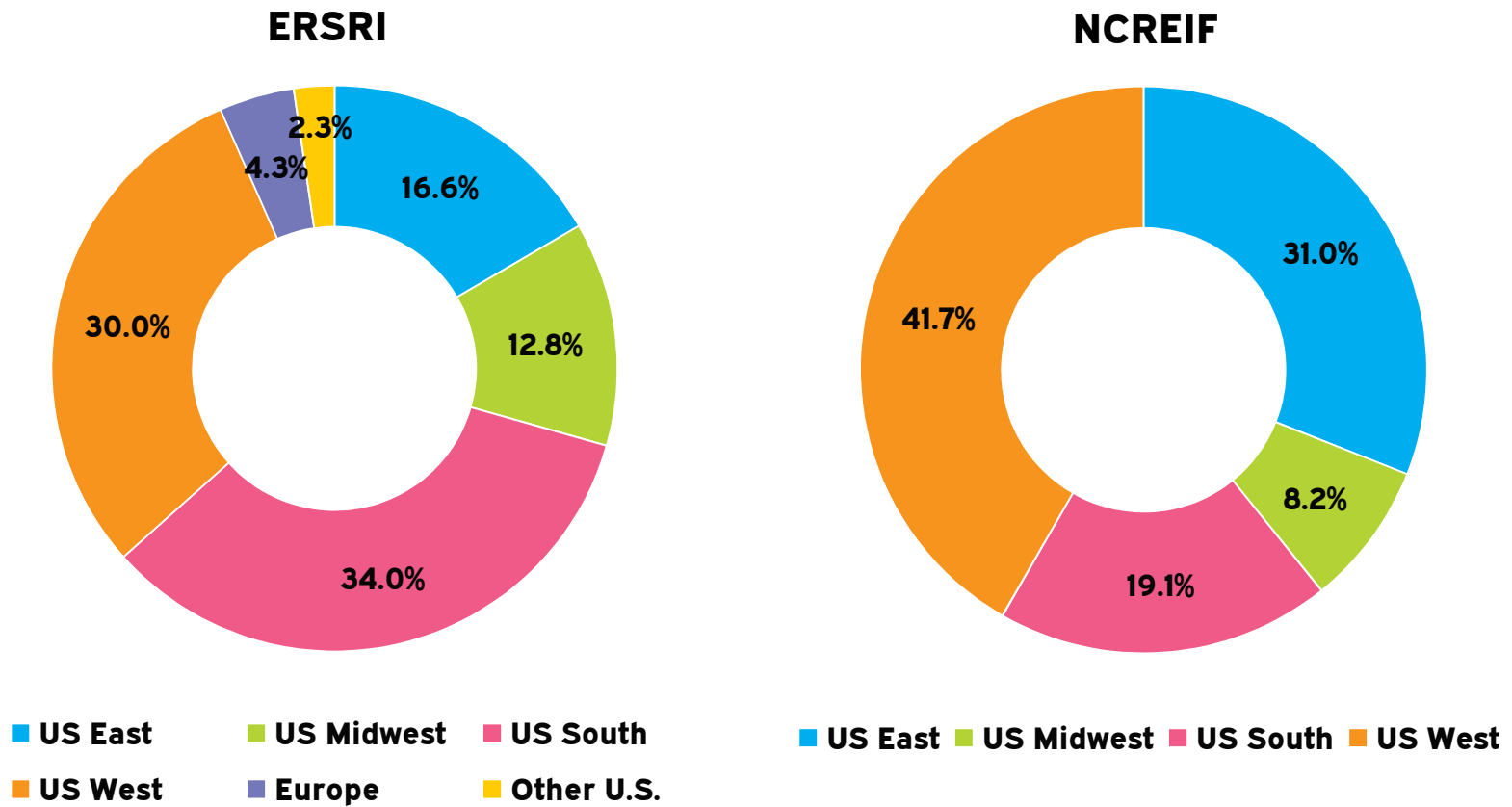


# Employees' Retirement System of Rhode Island

## Non-Core Real Estate | Portfolio Overview

### Diversification

#### GEOGRAPHIC DIVERSIFICATION



As of September 30, 2020.

**Non-Core Real Estate | Pacing Plan**  
**Commitment Schedule**

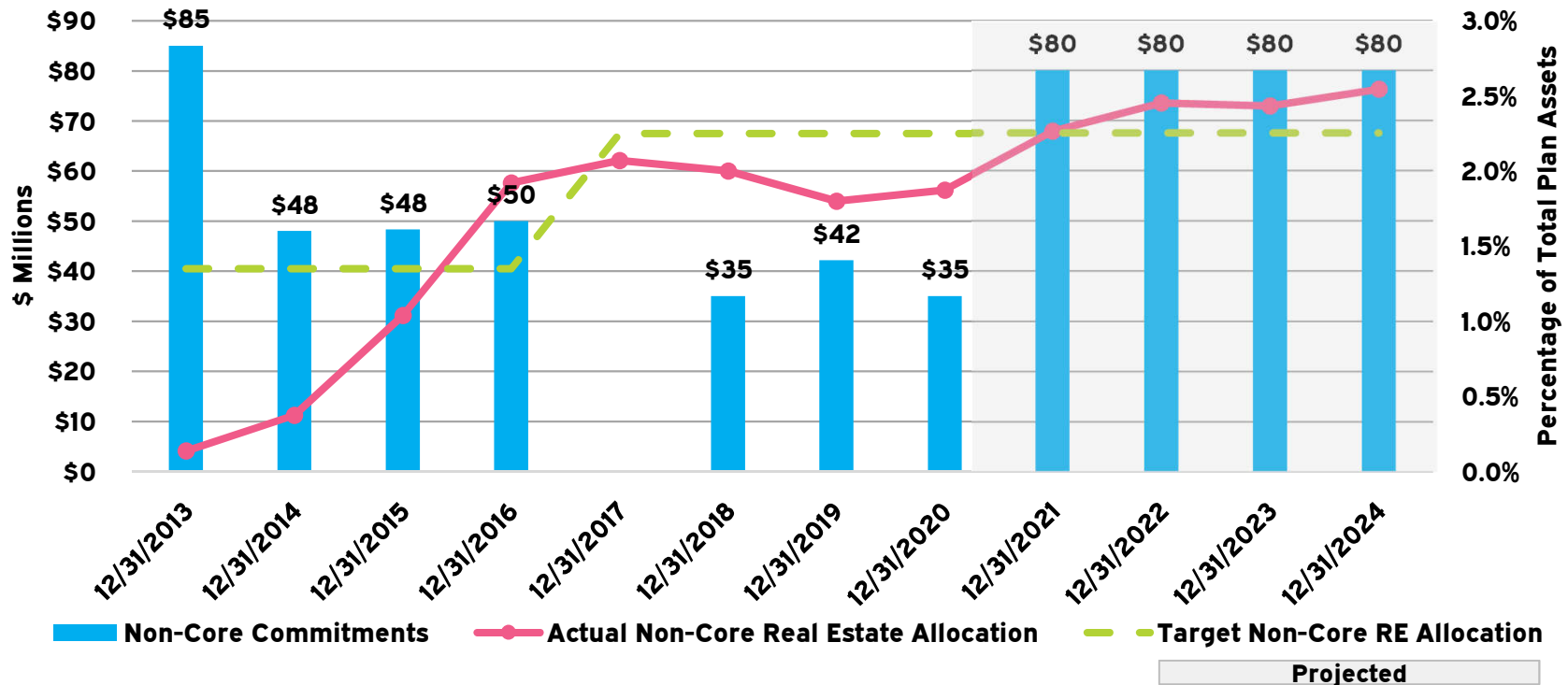


# Employees' Retirement System of Rhode Island

## Non-Core Real Estate | Pacing Study

### Commitment Schedule

#### HISTORICAL & PROJECTED COMMITMENTS AND ALLOCATION



#### ASSUMPTIONS

- Total Plan Net Growth Rate: 3.0%
- Total Net Non-Core Real Estate Return: 9.2%

As of September 30, 2020.



## Employees' Retirement System of Rhode Island

### Contact Information

## Meketa Investment Group

### **Boston**

80 University Avenue  
Westwood, MA 02090

Tel: (781) 471-3500

### **Portland**

2175 NW Raleigh Street  
Suite 300A  
Portland, OR 97209

Tel: (503) 226-1050

### **San Diego**

5796 Armada Drive  
Suite 110  
Carlsbad, CA 92008

Tel: (760) 795-3450

### **Chicago**

One E Wacker Drive  
Suite 1210  
Chicago, IL 60601

Tel: (312) 474-0900

### **Miami**

5200 Blue Lagoon Drive  
Suite 120  
Miami, FL 33126

Tel: (305) 341-2900

### **New York**

48 Wall Street  
11<sup>th</sup> Floor  
New York, NY 10005

Tel: (212) 918-4783

### **London**

25 Green Street  
London W1K 7AX  
U.K.

Tel: +44 (0)20 3841 6255



## Employees' Retirement System of Rhode Island

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The data are provided for informational purposes only, may not be complete, and cannot be relied upon for any purpose other than for discussion.

Meketa Investment Group has prepared this report on the basis of sources believed to be reliable. The data are based on matters as they are known as of the date of preparation of the report, and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available.

In general, the valuation numbers presented in this report are prepared by the custodian bank for listed securities, and by the fund manager or appropriate General Partner in the case of unlisted securities. The data used in the market comparison sections of this report are sourced from various databases. These data are continuously updated and are subject to change.

This report does not contain all the information necessary to fully evaluate the potential risks of any of the investments described herein. Because of inherent uncertainties involved in the valuations of investments that are not publicly traded, any estimated fair values shown in this report may differ significantly from the values that would have been used had a ready market for the underlying securities existed, and the differences could be material. Note that for unlisted securities the valuations may be lagged by one or more calendar quarters, or may reflect original cost.

This document may contain certain forward-looking statements, forecasts, estimates, projections, and opinions ("Forward Statements"). No representation is made or will be made that any Forward Statements will be achieved or will prove to be correct. A number of factors, in addition to any risk factors stated in this material, could cause actual future results to vary materially from the Forward Statements. No representation is given that the assumptions disclosed in this document upon which Forward Statements may be based are reasonable. There can be no assurance that the investment strategy or objective of any fund or investment will be achieved, or that the client will receive a return of the amount invested.

Because there is no readily accessible market for private markets assets (companies and partnerships), the values placed on private markets assets are calculated by General Partners using conservative and industry standard pricing procedures. Annually, an independent auditor reviews the pricing procedures employed by the General Partner of each partnership.

While all private markets partnerships are audited by an independent entity, there is some discretion as to the method employed to price private companies and, therefore, private markets partnerships. At all times, Meketa Investment Group expects General Partners to utilize conservative and industry standard pricing procedures, and requires the General Partners to disclose those procedures in their reports. However, because of the inherent uncertainty of valuation, these estimated values may differ from the values that would be used if a ready market for the investments existed, and the differences could be significant.