NFI-ODCE Index Overview
March 2017

Aon Hewitt
Retirement and Investment

Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.

Nothing in this document should be construed as legal or investment advice. Please consult with your independent professional for any such advice. To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon Hewitt.
NFI-ODCE Index

- NCREIF’s Open-End Diversified Core Equity Index (NFI-ODCE)
  - is a value weighted, time weighted return index
  - comprises 24 open-end real estate funds
  - reflects Fund level performance, reported both gross and net of fees

- Index Statistics:
  (as of 12/31/16)

<table>
<thead>
<tr>
<th></th>
<th>NFI-ODCE Index</th>
</tr>
</thead>
<tbody>
<tr>
<td># Funds</td>
<td>24</td>
</tr>
<tr>
<td>GAV ($Bil.)</td>
<td>$217.8</td>
</tr>
<tr>
<td>NAV ($Bil.)</td>
<td>$174.3</td>
</tr>
<tr>
<td># Assets</td>
<td>2,510</td>
</tr>
<tr>
<td>Average Asset Size ($Mil.)</td>
<td>$86.8</td>
</tr>
<tr>
<td>Average Occupancy %</td>
<td>92.7%</td>
</tr>
<tr>
<td>Leverage %</td>
<td>21.7%</td>
</tr>
<tr>
<td>Cash</td>
<td>3.6%</td>
</tr>
</tbody>
</table>

Source: NCREIF, 12/31/2016
NFI-ODCE Index: Inclusion Criteria

- Key requirements for inclusion:
  - The fund must market itself as a diversified core investment strategy, primarily investing in private equity real estate, as follows:
    - **Real Estate**: 80% of net assets invested in real estate
    - **Investments**: 80% of real estate net assets must be in private equity real estate properties
    - **Domain**: 95% of real estate net assets must be located in the U.S.
    - **Property Types**: 80% of real estate net assets must be invested in office, industrial, apartment, or retail properties
    - **Life Cycle**: 80% of real estate net assets must be invested in operating properties
    - **Leverage**: No more than 40% leverage
    - **Diversification**: No more than 65% invested in one property type or region

Source: NCREIF, 12/31/2016
NFI-ODCE Index: Current Fund Contributors

Growth of Funds in Index

Source: NCREIF, 12/31/2016

Source: AHIC, 9/30/2016
Aon Hewitt | Retirement and Investment
Proprietary & Confidential
Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.
NFI-ODCE Index: Property Type and Geographic Distributions

- Office: 36.9%
- Apartments: 24.3%
- Retail: 20.2%
- Industrial: 14.7%
- Hotel: 0.7%
- Other: 3.3%

- West: 40.6%
- East: 30.7%
- South: 19.0%
- Midwest: 9.7%

Source: NCREIF, 12/31/2016
NFI-ODCE Funds: Use of Leverage

- Use of leverage in the Index tends to fluctuate with the real estate cycle
- Leverage rose significantly leading into and during the global financial crisis (GFC)
- Use of leverage since the GFC has been more moderate on average
- Variance between funds is significant

Source: NCREIF, AHIC, 12/31/2016; box chart 9/30/2016

Aon Hewitt | Retirement and Investment
Proprietary & Confidential
Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.
NFI-ODCE: Long Term Performance

- Annual income returns have been relatively stable throughout the history
- Appreciation exhibits considerably greater variance, following the general trend of the real estate market cycle

Since Inception (annualized averages):

**Total Return: 8.06%**

*Income Return: 6.3%; Appreciation Return: 1.7%*

Source: NCREIF, AHIC, 12/31/2016
NFI-ODCE Funds: Return Quartiles

- Long term, fund returns across the NFI-ODCE universe tend to converge
- Leverage explains a large percentage of the performance variance
NFI-ODCE Funds: Income Return Quartiles

Source: NCREIF, AHIC, 9/30/2016
Aon Hewitt | Retirement and Investment
Proprietary & Confidential
Investment advice and consulting services provided by Aon Hewitt Investment Consulting, Inc., an Aon Company.