Section 1: Introduction

The Employees Retirement System of Texas ("ERS") Private Real Estate Capital Plan ("Capital Plan") is to outline the expected commitment schedule for the fiscal year from September 1, 2023, to August 31, 2024. The Capital Plan for fiscal year 2024 includes a review of the asset class exposures, commitments, current values, and performance. In addition, it includes an updated portfolio pacing plan analysis, which creates the foundation for the program's fiscal year 2024 commitment schedule.

All Private Real Estate portfolio information in this plan reflects values as of December 31, 2022, unless otherwise noted.

Portfolio Statistics
As of December 31, 2022 *($ in millions)*

	12/31/2022	12/31/2021
Committed Capital:	6,411.14	5,941.14
Unfunded Capital:	1,519.56	1,848.89
Contributed Capital:	5,566.50	4,946.34
Distributed Capital:	4,292.28	3,716.30
Recallable Capital:	150.68	91.14
Fair Market Value:	3,795.98	3,518.69
Realized Income & Gain / (Loss):	1,778.03	1,527.85
Total Value:	8,088.26	7,234.99
Total Exposure:	5,315.54	5,367.58
Distributed to Paid-In (DPI):	0.76x	0.74x
Total Value to Paid-In (TVPI):	1.44x	1.47x
Net Internal Rate of Return (IRR):	12.3%	13.1%

Section 2: Portfolio Exposures

The Private Real Estate portfolio remains well diversified. The Private Real Estate team evaluates portfolio exposures based on both fair market value and total exposure. Although fair market value reflects the current portfolio position, total exposure incorporates both committed but undrawn capital, which provides additional insight into the future direction of the portfolio. The following table shows exposure by strategy, geography, and property type.

Strategy	Committed	FMV	Exposure	Target
Core	23.1%	32.1%	29.8%	20-50%
Non-Core	76.9%	67.9%	70.2%	50-80%
Prop Tech[1]	0.9%	0.8%	1.2%	0-≤5%
Geography				
United States	67.2%	69.2%	67.3%	55-85%
Global	15.8%	13.4%	13.6%	n/a
Europe	3.4%	4.2%	3.5%	15-45% total International
Asia Pacific	13.6%	13.2%	15.6%	15-45% total International
Property Type				
Residential	32.0%	31.4%	29.8%	±30% of Benchmark
Industrial	13.3%	20.0%	18.9%	±30% of Benchmark
Office	25.2%	24.9%	25.2%	±30% of Benchmark
Retail	7.0%	6.4%	5.6%	±30% of Benchmark
Hotel	6.0%	4.4%	4.8%	±30% of Benchmark
Other	16.3%	12.9%	15.6%	≤ 30% of Program NAV

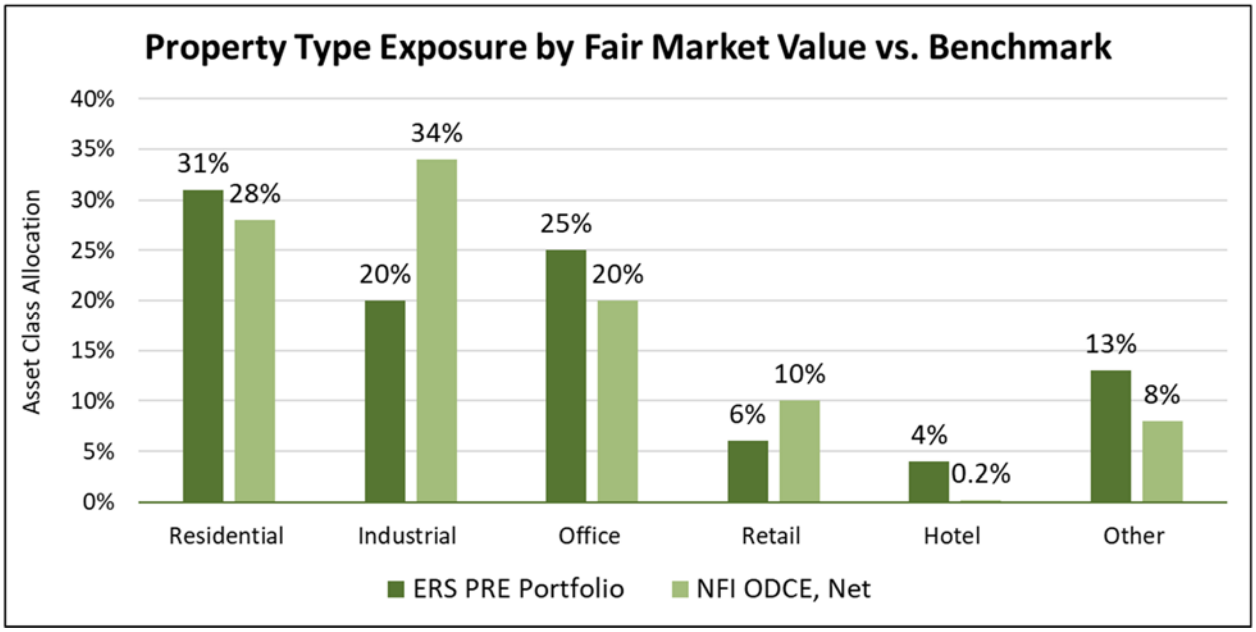
From an investment strategy perspective, as outlined in the table above, the portfolio is within the various target ranges for each strategy. The current portfolio reflects prudent diversification by strategy. Each targeted strategy is designed to fulfill a role in the overall return profile of the portfolio and the target ranges reflect the potential scale for each strategy over the long term.

Going forward, particular emphasis will be placed on reviewing industrial opportunities within the private real estate market. Select new relationships will be evaluated when deemed additive to the portfolio. The non-core segment of the market has been and will continue to be the key driver of co-investment deal flow for the portfolio.

From a geographic perspective, as outlined in the table above, the current portfolio reflects broad geographic diversification, within each of the respective target ranges. The portfolio is within its ranges overall for domestic and non-domestic markets.

The table above also outlines diversification by property type. The portfolio is within the various target ranges.

[1] Prop Tech investments are shown separately, but are also included in the Non-Core investments.



Note: Portfolio exposure is based on net fair market value as of December 31, 2022. Benchmark used is NCREIF ODCE, Net as of December 31, 2022.
**The ERS Office category is comprised of: Traditional Office (17%), Medical Office (2%) and Life Sciences (5%)*

When thinking about portfolio construction it is also important to consider underlying exposures to different property types and aim towards broad diversification. As outlined in the graph above, the portfolio is well diversified in comparison to the benchmark.

The portfolio is underweight both industrial and retail property types. The underweight to industrial was not intentional and the weighting is in the process of being increased. The underweight to retail has been additive to the portfolio. The residential category is overweight due to the inclusion of niche student housing, senior housing and manufactured housing assets. Secular tailwinds continue to benefit various types of residential assets. While the portfolio's office exposure is overweight relative to its benchmark, it is underweight traditional office assets, which has been additive to the portfolio's performance. Medical office and life sciences assets, which have performed well, are also included as office under property type. For assets included as other under property type, these assets include investments in self-storage and data centers, which have been additive to the portfolio. The Private Real Estate team expects to increase the portfolio's exposure to industrial property type investments.

Top 10 Managers by Committed Capital
As of December 31, 2022 *($ in thousands)*

Rank	Firm	No. of Funds[1]	Commitment ($)	Commitment (%)
1	LaSalle Investment Management	4	450,000	8%
2	Brookfield Asset Management	5	377,000	6%
3	Wheelock Street Capital	4	337,000	6%
4	Abacus Capital Group	4	325,000	6%
5	Waterton Associates	5	310,348	5%
6	Rockpoint Group	3	300,000	5%
7	True North Management Group	3	300,000	5%
8	PAG Asia Capital	6	245,000	4%
9	Invesco	2	225,000	4%
10	Blue Owl Capital	5	195,000	3%
	Top 10	**41**	**3,064,348**	**52%**
	Other Commitments	**53**	**2,775,818**	**48%**
	Total	**94**	**5,840,166**	**100%**

[1] *includes commitments for co-investments. Note this includes active funds only.*

The above table presents the top 10 exposures to general partners calculated by total committed capital. In reviewing the top ten holdings, it is worth noting that a redemption request for the full investment in Invesco Core Real Estate - USA has been submitted to the manager. The commitment to the preceding fund is $100 million. Post redemption, Invesco will not longer be a top 10 manager.

All of the portfolio exposures are within program guidelines as of December 31, 2022.

Section 3: Performance Review

Performance Versus Benchmarks
As of December 31, 2022

	1 Year	3 Year	5 Year	10 Year	Inception
Program Time-Weighted Return ("TWR")	6.7%	11.4%	10.8%	12.2%	12.4%
NCREIF-ODCE, Net (VW)	6.5%	9.0%	7.7%	9.1%	10.1%
Difference	*0.2%*	*2.4%*	*3.1%*	*3.1%*	*2.3%*
NCREIF-ODCE, Net (EW)	7.6%	9.7%	8.3%	9.5%	10.4%
Difference	*-0.9%*	*1.7%*	*2.5%*	*2.7%*	*2.0%*

From inception through December 31, 2022, the ERS Private Real Estate program has performed well, generating a net time-weighted return of +12.4% since inception. The portfolio has outperformed its primary benchmark, the NCREIF Fund Index-Open End Diversified Core Equity (NCREIF-ODCE), Net Total Return Index on a value weighted basis (VW) over all time periods presented. The portfolio outperformed the NCREIF-ODCE, Net benchmark on an equal weighted basis (EW) for all time periods presented, with the exception of the 1-year.

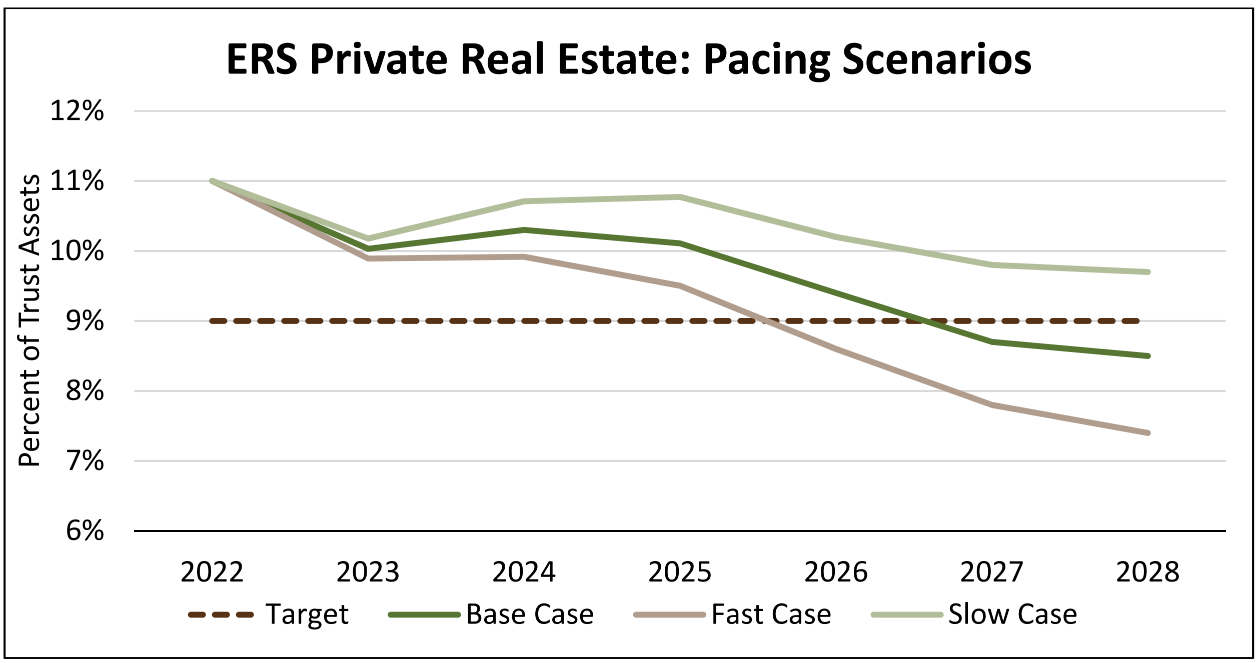
Section 4: Pacing Plan Analysis

The portfolio pacing plan analysis is built upon the forward-looking investment parameters previously described. The objective of the current pacing plan analysis is to create a realistic glidepath to manage the overall exposure down over time to the target, given the current over allocation, without undermining the core foundation of the portfolio.

Meketa's pacing plan model estimates fair market values and net cash flows arising from capital contributions, distributions and appreciation generated from existing and planned capital commitments. It is important to recognize that the model output is driven by numerous assumptions about the future and is more directional in nature than precise. It is a tool for planning purposes, but it should be expected that future values will not equal the precise amounts predicted by the model. It should also be noted that the years shown in the pacing plan model are calendar years and not ERS' fiscal years as investments are generally labeled a certain "vintage year" based on the calendar year in which they first begin to accrue management fees. Over the long term, the discrepancy between the fiscal and calendar years should be immaterial.

The model incorporates cash flows, fair market values, and unfunded balances as of December 31, 2022.

The following graph summarizes three different Trust level growth scenarios, for the trajectory of the allocation within the total Trust: Base Case, Fast Case, and a Slow Case. In each case, capital commitments are held constant and various Trust growth, cash flow, and asset class return assumptions are adjusted.



The following table outlines the commitment projections over the next five years in order to achieve the 9% target in the Base Case, with a range of +/- 50%.

Projected Commitment Requirements
($ in millions)

Fiscal Year	Target Commitment	Range	
FY 2024 Projection	300	150	450
FY 2025 Projection	400	200	600
FY 2026 Projection	300	150	450
FY 2027 Projection	400	200	600
FY 2028 Projection	600	300	900

ERS was over its targeted Private Real Estate allocation of 9% as of December 31, 2022, but within the policy range. The proposed pacing plan analysis projects a glidepath to stay within the target over the next several years, without disrupting the consistency of pacing and the foundation of the portfolio. The forecasted commitment levels are projections based on a variety of assumptions and should be viewed with a degree of flexibility in line with the target ranges outlined in the table above. Such flexibility allows for adjustments related to market conditions and the opportunity set over time.

Section 5: Prospective Investments

As a result of the portfolio review in conjunction with ERS staff, the following investment objectives for the next year have been developed.

Industrial Properties:

The Private Real Estate portfolio has been underweight the industrial sector, which was not intentional. Industrial valuations have grown substantially in the last several years and the Private Real Estate team did not want to invest in what appeared to be an overvalued market. In addition, the growth of industrial valuations and the rotation of capital into the asset class has caused the percentage of industrial assets within the NCREIF-ODCE benchmark to significantly increase. The current capital market disruption is resulting in a repricing of commercial real estate assets. Once valuations have stabilized, it is expected to result in a compelling entry point.

Niche Sector/Other Property Types

The Private Real Estate portfolio has continued to increase its exposure to niche sector/other property types including self-storage, data center and life science properties, which has enhanced portfolio performance and further diversified the portfolio.

Co-Investments:

ERS continues to pursue co-investments across property types and geographies, on a selective basis in order to enhance returns. Due to the capital market disruption, there may be opportunities to invest in recapitalizations of specific assets, asset portfolios, and/or general partners on an attractive basis. However, this is dependent on the amount of capital available to invest within private real estate. Historically, the allocation to co-investments varies by year with no consistent deployment. For FY23, there were no co-investments. Over the last 6 years, the average yearly deployment based on a year's commitments totals ~9%.

Open End Funds:

Core investors have been actively rebalancing their portfolios due to increasing interest rates and declining commercial real estate values. To-date, the Private Real Estate team has submitted approximately $195 million in redemption requests and received only $50 million. Staff is closely monitoring fund valuations and can decide to rescind the redemptions depending on future market conditions, perceived fair value of the fund(s) and the real estate weighting, among other factors. Staff expects to adjust future commitments and consider additional incremental liquidations within the open-ended fund holdings in the Private Real Estate portfolio if it becomes too overweight within the Trust.

Private Real Estate Overall:

While some further write-downs are expected, it is generally anticipated that valuations will stabilize towards the end of calendar year 2023 and into 2024. However, this is dependent on the economy and capital markets. Once there is more clarity around commercial real estate values, transaction activity should increase and could result in compelling entry points across geographies and property types.

Section 6: Summary

The targeted commitment amount for FY2024 is 300 million (+/- 50%). The capital budget will be deployed within the pre-existing portfolio parameters guiding diversification. The long-term objectives of the portfolio will inform each investment brought forward or not, with the ultimate objective of building a well-diversified, sustainable portfolio of high-quality general partners and associated co-investments. Meketa will continue to work closely with the Private Real Estate team to review each actionable opportunity in terms of its accretive value to the portfolio and the long-term objectives of the Trust. Meketa will also continue to work closely with the ERS Private Real Estate team to build out a multi-year relationship development pipeline for potential new additions into the portfolio within the framework of the contemplated Capital Plan, and actively assess the success or lack thereof of existing relationships.