Bailard Real Estate Fund Quarterly Update

Q2 | 2023

South Mountain Industrial, Phoenix, AZ

For the quarter ending June 30, 2023:

Bailard Real Estate Fund Q2 Highlights

PERFORMANCE

The Fund's quarterly NCREIF-based gross return was -1.0%, and -1.2% (net of management fee). For the year ended June 30, 2023, the Fund earned a gross return of -1.4%, and -2.2%, net. Since inception in April 1990, the Fund's annualized returns are 9.5% (gross) and 8.9% (net).[1]

INCOME

As of June 30, 2023, the Fund's property portfolio was 93% leased, unchanged from Q1 quarter-end, 2023.[2] The portfolio's Net Operating Income (NOI) increased by 14.7% year-over-year (June 30, 2023 vs. June 30, 2022). Overall, industrial properties in the Fund experienced an NOI increase of 37.0% year-over-year, and retail NOI grew by 20.1%. The NOI of the portfolio's multifamily properties rose by 11.2%, while NOI at the Fund's office assets decreased by 0.4% year-over-year.

BALANCE SHEET

As of quarter-end, the Fund held $78.6 million in cash and cash equivalents, or 5.1% of the Fund's Gross Asset Value (GAV).[3] The aggregate loan-to-value (LTV) ratio for the Fund stood at 25.0% at quarter-end, up from 23.1% at the end of Q1 2023.[4] The portfolio's mortgage indebtedness had an in-place weighted-average interest rate of 5.0% at the end of the quarter, up 20 basis points[5] from 4.8% at Q1 quarter-end and 140 bps higher than it was at the end of Q2 2022, when the average portfolio-wide in-place interest rate was 3.6%.

A LOOK BACK

The second quarter of 2023 is behind us and, like Q1 2023, delivered its share of surprises. First of all, the long awaited and most widely anticipated economic contraction in a generation failed to materialize. In fact, the economy continued to perk along with strong (albeit moderating) job growth, encouraging consumer spending, slowing (though still elevated) inflation, upward trending GDP, low unemployment, and capital spending growth. As Katie Martin so deftly put it in a June 16, 2023 *Financial Times* piece: "The lack of a nice steady macroeconomic narrative is unnerving fund managers, who love to hang a portfolio strategy on a reliable view. Sadly for them, that is proving elusive. So we have ended up with pessimists who cannot understand why the recession has failed to arrive and optimists who feel like they are running their luck."[6]

The stock market continued its ascent adding to robust first quarter performance as the S&P gained 8.3%, while the NASDAQ Composite raced ahead another 12.8% and the Dow Jones Industrial Average grew 3.4%. Clearly

*1 Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. Starting from June 30, 2023, Bailard Real Estate Investment Trust Inc. (the "Fund") calculates the gross-of-fee returns and net-of-fee returns to reflect the inclusion of fund-level expenses such as the operating management fee the Fund pays to Bailard, Inc., appraisal, fund administration, legal, audit, tax, and other administrative expenses. We applied this change retroactively to all prior returns presented above. Net-of-fee returns are calculated by netting down the gross-of-fee returns by the actual investment management fee paid to Bailard, Inc. The investment management fee schedule for the Fund, which is included in the Real Estate Composite I, is 0.85% on the Fund's net asset value up to and including $750M and 0.75% on the Fund's net asset value above $750M. If the Fund's uncommitted cash exceeds 10% of the Fund's net asset value, the fee shall be reduced by an amount equal to the product obtained by multiplying 0.425% by the excess cash amount. The total expense ratio, including the investment management fee, for the trailing four quarters was 1.46%. **Past performance is no indication of future results. All investments have the risk of loss.** Please see page 14 for additional performance information and important risks and disclosures on the last page.*

2 The Fund's leased percentage excludes land and development assets. Lease percentage is calculated as of quarter-end and is weighted by the Fund's legal share of the gross real estate value.

3 Market value of cash equivalents shown is before quarterly shareholder transactions. Cash and cash equivalents consists of Fund-level cash and do not include cash held at the property-level.

4 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets).

5 A basis point (bp) is 0.01%.

6 Martin, K. (2023, June 16). Stock market scramble has left investors skittish despite rally. Financial Times. https://www.ft.com/content/d64687ad-db3f-4e82-a9dc-d1346eb2e30e equities investors like what they see and, more importantly, like the prospect that the Federal Reserve (the "Fed") might be nearing the end of its current rate-hiking cycle. While many market participants are eagerly anticipating a "nearish-term" Fed pivot (i.e., where the Fed begins to initiate interest rate cuts), most observers expect at least one more 25 bp bump in rates and the Fed Funds rate to stay "higher for longer" (i.e., at least until mid-2024) because of persistent above-target inflation, resilient consumers, a vigorous labor market, and underlying economic strength.

The Wall Street Journal captured the essence of the current environment in its June 30, 2023 article entitled "Markets Defy Expectations, But Outlook Remains Murky."[7] The author posits that any number of things could have derailed equities markets in the first half of the year, but investors kept buying risky assets anyway. The NASDAQ Composite was up 32%, its best first half year since the 1980s. Why did markets keep rising despite a banking crisis, the threat of a U.S. default, sticky inflation, and more interest rate increases by the Fed? Because time and again, investors' worst-case scenarios failed to materialize.

As Stacie Mintz of PGIM Quantitative Solutions says: "If this year has shown anything, it is that it is difficult to predict which headline-grabbing events wind up having a lasting impact on market returns."[8] This year, so far, has been a lesson about not getting overly pessimistic.

Real estate enjoyed an unprecedented run of positive performance from the first quarter of 2010 until the fourth quarter of 2022. In fact—but for the one quarter of negative returns (Q2 2020) caused by the dramatic pullback in economic activity triggered by the pandemic in Q1 2020—private real estate grew every quarter for 51 straight quarters. To top it off, private real estate was a star performer in 2022, while public equities and bonds were getting crushed. And it was in 2022 that real estate proved the benefits of diversification for investors fortunate enough to have some portion of their portfolios allocated to private real estate.

But, as seasoned investors know, "What the market giveth, the market can taketh away." Real estate is now suffering through its period of adversity. As of Q2 2023, real estate had experienced three negative quarters in a row. This is the first such string since 2009 when the Great Financial Crisis (GFC)-induced real estate downturn resulted in six straight negative quarters between Q3 2008 and Q4 2009. The unusual thing about the current challenges for real estate is that the adverse returns are happening independent of an economic downturn. For the past 35 years, there have been four periods of economic contraction, which have all been a harbinger of a real estate downcycle. In the S&L-crisis induced recession of the late 80s/early 90s, the economy receded for three quarters before real estate returns turned negative. In the dot com/telecom-crisis induced recession of 2001, the economy contracted for a quarter before real estate values declined. However, total returns (including income) actually never turned negative during that recession because the real estate pain was "localized" and really only felt in a small number of tech and telecom-heavy markets like Seattle, San Francisco, San Diego, Austin, and Boston. The GFC-induced recession (late '07 through early '09) lasted three quarters before real estate returns turned negative. And, finally, the Coronavirus pandemic-induced recession of 2020 started in Q1 and was followed by one quarter (Q2) of negative real estate returns.

So real estate professionals are navigating through uncharted waters.

The catalyst for real estate's current troubles is clearly the Fed's recent aggressive monetary tightening cycle. On July 26, the Fed raised interest rates for the eleventh time since March, 2022 and to the highest level in 22 years. The downturn, so far, has been almost entirely catalyzed by the capital markets. The Fed's efforts to take steam out of the economy and cool the red-hot labor market have had modest success (inflation is moderating as is job growth), but it has negatively impacted the confidence that real estate investors have in both the economy and the asset class. It didn't help that the Fed kept interest rates excruciatingly (and, some believe, irresponsibly) low for such a long period of time before March 2022, creating false (and dangerous) expectations about proper levels of interest rates.

7 Dow Jones & Company. (2023, June 30). Markets' monster 2023 rally defied all expectations. The Wall Street Journal. https://www.wsj.com/articles/markets-monster-2023-rally-defied-all-expectations-705bc313
8 Id.

Interestingly, real estate fundamentals (except for office), in general, remain in relatively good balance as rents and occupancies for multifamily, industrial, and retail are fairly healthy. But for a few pockets of stress where the supply of industrial or multifamily product has gotten ahead of demand—e.g., Inland Empire or Portland, and Tampa or New York, respectively—vacancies are near or below long-term averages while rents are at or above historic highs. This is good news for the asset class and will likely help keep this downturn shorter and shallower than both the real estate "depression" of the early 1990s and the post-GFC real estate market travails that required both capital markets and real estate fundamentals to be rectified before a real estate recovery could gain traction. As long as the Fed stops its rate-hiking cycle soon, providing the market with some clarity, damage can be contained and real estate returns can most likely return to positive territory within a quarter or two.

The table below shows the fundamentals underlying Bailard's portfolio. The Fund's multifamily occupancy at Q2-end stood at 97%, same as it was one year ago, and only slightly lower than two years ago. Similarly, the Fund's industrial assets have remained 100% over the past year, and were 97% leased at Q2 2021. And while leasing at the Fund's retail assets has slipped modestly since Q2 2021, they are still showing strong at 93%. Bailard's office portfolio is a different story... and very much in line with the malaise inflicting the property type nationally. There is no compelling narrative to bring office workers back *en masse* and be the catalyst for an office property comeback. Encouragingly, however, in the past quarter or two there has been a pick-up in showings at Bailard's suburban office assets in Minneapolis, Chicago, Falls Church, and Southern California. This recent activity may prove to be a frustrating mirage. Or it may turn out to be hopeful green shoots that can jumpstart a return to better occupancies in Bailard's office portfolio. Time will tell.

BREF Leasing Summary[9]

	Two Years Ago 6/30/2021	One Year Ago 6/30/2022	One Quarter Ago 3/31/2023	Current Quarter 6/30/2023
Multifamily	98%	97%	95%	97%
Industrial	97%	100%	100%	100%
Office	82%	82%	78%	75%
Retail	95%	96%	93%	93%
Portfolio	**92%**	**94%**	**93%**	**93%**

Q2 2023 marked the third straight quarter of negative returns for the Bailard Real Estate Fund. This is the first time the Fund has experienced three straight negative quarters since 2010. In fact, over the past 13 years (specifically, a 52-quarter stretch), there was only one quarter of negative returns prior to Q4 2022... not surprisingly, Q2 of 2020 as the U.S. economy nose-dived in reaction to the COVID-19 pandemic.

The Fund continues to be a solid outperformer on a relative basis *vis-a-vis* its benchmark, the NCREIF Fund Index (NFI) Open End Diversified Core Equity (ODCE) real estate index. On a gross basis, the Bailard Real Estate Fund's returns exceed the NFI-ODCE (EW) by substantial margins for all time periods: one quarter (188 bps), one-year (840 bps), three-year (331 bps), five-year (357 bps), ten-year (303 bps), and Since Inception (224 bps). A bar chart reflecting the historic returns in greater detail is on page 14.[10] While relative outperformance is important, investors cannot take relative performance to the bank and negative returns are never satisfactory. And like we said last quarter, it is always humbling to be caught in a down cycle and be reminded that no portfolio is impervious to the broader macro trends and market pressures that are buffeting real estate as the entire asset class goes through a painful but necessary re-pricing of risk.

The real estate transaction market continues to be frozen: buyers are unwilling to buy at prices that satisfy sellers, and sellers are unwilling to sell at prices that are acceptable to buyers. As William McCarthy, global chair

9 The Fund's leased percentage excludes land and development assets. Lease percentage is calculated as of quarter-end and is weighted by the Fund's legal share of the gross real estate value

*10 **Past performance is no indication of future results. All investments have the risk of loss.** Please see page 14 for additional performance information and important risks and disclosures on the last page.*

Key Economic & Market Indicators

	Current Quarter 6/30/2023	One Quarter Ago 3/31/2023	One Year Ago 6/30/2022
Real GDP Growth (y/y)	2.4%	1.1%	(0.9%)
U.S. Personal Income Growth (y/y)	4.7%	4.0%	(3.2%)
Monthly Nonfarm Payroll Change (qrtly. avg.)	244,000	344,667	374,667
Retail Sales Growth (y/y)	1.5%	2.3%	8.4%
Labor Participation Rate (20-Yr. avg. = 63.9%)	62.6%	62.6%	62.2%
Unemployment Rate	3.6%	3.5%	3.6%
Consumer Sentiment (Q1 1966 = 100)	62.4	64.6	57.9
Homeowners/Renters	65.9%/34.1%	66.0%/34.0%	65.8%/34.2%
Nondefense Capital Goods Orders (y/y)	1.7%	1.9%	9.1%
ISM Composite Index	46.0	46.3	53.0
U.S. ISM Services	53.9	51.2	55.3
Trade Deficit ($ Bil.)	(1,206)	(1,235.8)	(1474.7)
Consumer Price Index Growth (y/y)	3.0%	5.0%	9.1%
S&P 500 Index	4,450	4,109	3,785
S&P 500 Index (P/E Ratio)	22.81	21.08	18.49
Dow Jones Industrial Average Index	34,408	33,274	30,775
Dow Jones Industrial Average Index (P/E Ratio)	20.82	20.30	16.37
NASDAQ Composite Index	13,788	12,222	11,029
NASDAQ Composite Index (P/E Ratio)	30.17	26.40	20.55
U.S. Corporate Investment Grade Bond	5.48%	5.17%	4.75%
U.S. Corporate High Yield Bond	8.50%	8.52%	8.80%
Ten-Year U.S. Treasury	3.84%	3.47%	3.01%
WTI (West Texas Intermediate) Crude Oil	70.64	75.67	105.76
CBOE Volatility Index (VIX)	13.59	18.70	28.71

Source: Bloomberg. Please note that any published revisions to previous quarters' data have been included. Index returns are presented as total returns. Past performance is no indication of future results. All investments have the risk of loss.

of the Counselors of Real Estate, put it in a recent paper: "Inflation has a permeating effect on commercial real estate investors. It increases operating costs and the cost of debt which puts downward pressure on asset values. It also heightens uncertainty and stokes cautious behavior. A market with rising inflation and interest rates clouds the crystal ball and makes it difficult to underwrite investments with much confidence."[12]

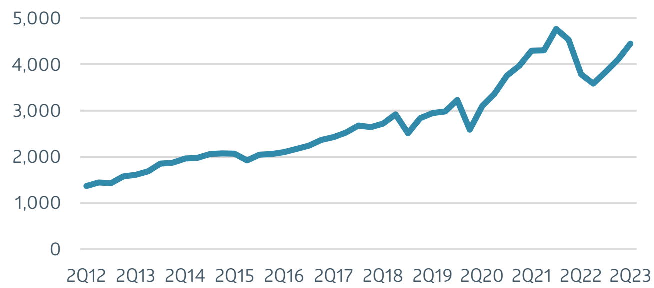
How long this process of "price discovery" will last is impossible to say. Without stabilization in interest rates, underwriting new investments is unnerving and risky. Add to that the higher borrowing rates, limited availability of debt, tighter lending standards by institutional lenders and the bid-ask spread between buyers and sellers has plenty of reasons to persist. Just as we concluded last quarter, a floor under real estate values, which can act as a foundation upon which a recovery can be built, won't be laid until the Fed puts the brakes on interest rate increases, the economy resumes an upward trajectory, financial markets regain their footing, and investors recapture some optimism.

12 Borland, K. M. (2023, June 26). Navigating inflation and uncertainty: Real Estate Investors Tread cautiously. GlobeSt. https://www.globest.com/2023/06/26/navigating-inflation-and-uncertainty-real-estate-investors-tread-cautiously/?slreturn=20230708105222

Real Estate Economic & Market Conditions

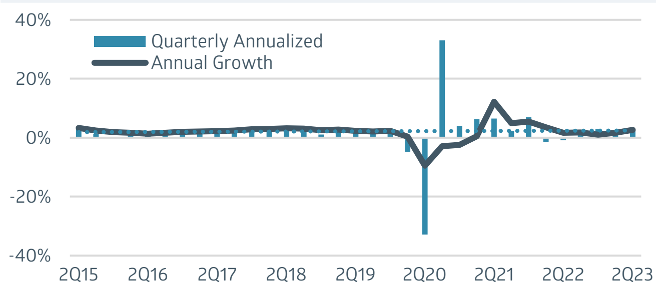
(as of June 30, 2023)

S&P 500 Index[1]



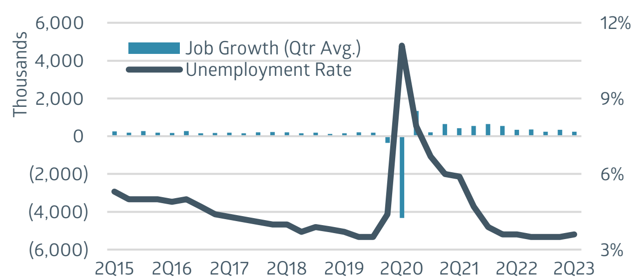
- The S&P 500 Index closed Q2 at 4,450, up 8.3% quarter-over-quarter and 16% year-to-date.
  - The Index ended in positive territory 33 trading days, or 53%, right about the five-year average of 54%.
  - Eight of eleven S&P sectors recorded positive returns for the quarter; Information Technology and Consumer Discretionary were the top performers.
- The Dow Jones Industrial Average and NASDAQ were up 3.4% and 12.2%, respectively, quarter-over-quarter with minimal breadth and a small number of issues driving a significant portion of the gains.

Real Gross Domestic Product (GDP) Growth



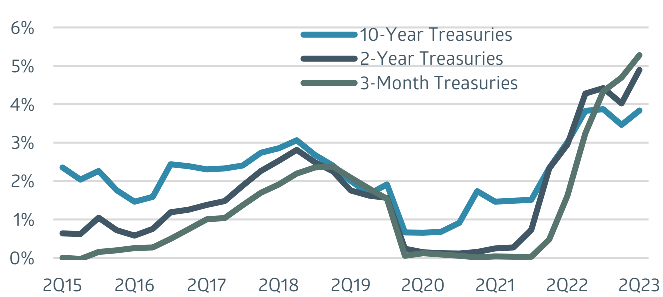
- GDP in Q1 was up 2.4% (annualized); a nice rebound from Q1 and well above market expectations of 1.8%.
- Increases in consumer spending, business investment, and imports drove the rise in GDP during Q2, which offset decreases in exports and housing investment.

Job Growth and Unemployment Rate



- Even though job gains totaled 732,000 (averaging 244,000 jobs per month), the trend so far in 2023 shows a marked month-over-month deceleration in job creation.
- The unemployment rate at the end of Q2 was 3.6%, up ten basis points[2] quarter-over-quarter and year-to-date.
- Further signs of a softer labor market include a declining quit-rate and increased unemployment duration.
- The Federal Reserve Open Market Committee predicted that job growth will slow further through the balance of 2023 and unemployment rate will end the year at 4.1%.

U.S. Treasury Yields

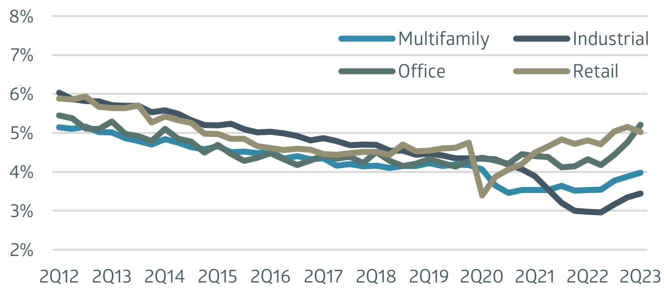


- The 10-Year Treasury yield closed Q2 2023 at 3.84%, up 37 bps since Q1 2023 and 82 bps year-over-year.
- The 2-Year Treasury yield hit 4.90% at Q2-end, up 87 bps from Q1 2023 and 194 bps year-over-year.
- The 3-Month Treasury yield closed Q1 at 5.28%, up 59 bps from Q1 2023 and 366 bps from the previous year.
- The negative 106 bps spread between the 10-Year and 2-Year Treasury yields at Q2-end marked the fourth consecutive quarter of yield-curve inversion.

Source: Bloomberg.

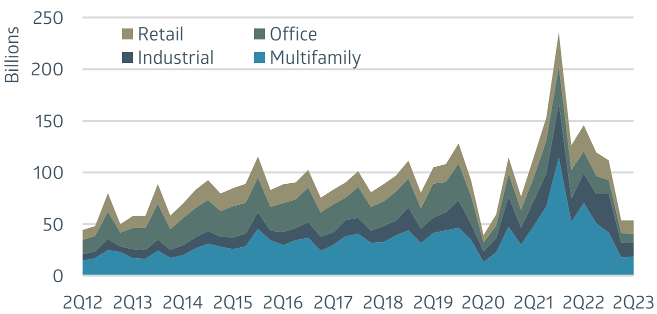
1 Returns of the S&P 500 Index are presented as price change only. 2 A basis point (bp) is 0.01%.

Capitalization Rates[3]



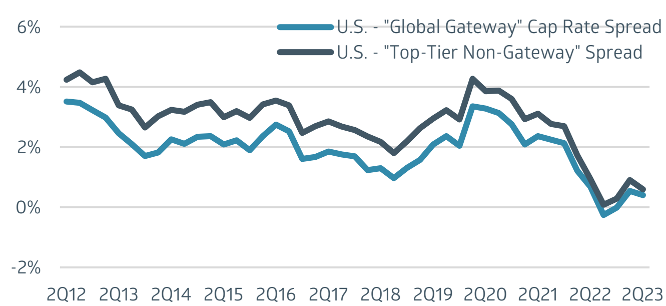
- According to NCREIF, capitalization rates at the end of Q2 for industrial, multifamily, retail, and office properties were 3.4%, 4.0%, 5.0%, and 5.2%, respectively.
- Retail cap rates compressed by 13 bps, quarter-over-quarter, while multifamily, industrial, and office cap rates increased by 10 bps, 10 bps, and 45 bps, respectively.
- Office cap rates experienced the largest expansion year-over-year, 77 basis points.
- Out of the four main property types, industrial cap rates remain the lowest.

Investment Volume



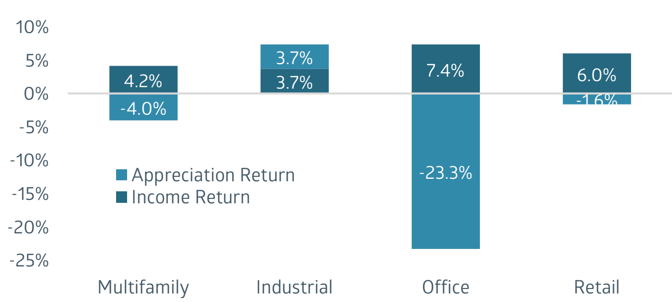
- During Q2, the combined transaction volume of the four major property types (multifamily, industrial, office, and retail) amounted to $53.5 billion, a dramatic 63.3% year-over-year decline.
- The multifamily sector contributed the largest share of the total volume at 35%, followed by industrial at 24%.
- Over the past three quarters, investment activity has been restrained due to ongoing concerns about the cost and scarcity of debt, uncertainty about the direction of inflation, interest rates, and the economy, and challenges in price discovery between buyers and sellers.

Cap Rate to Ten-Year Treasury Spreads[4]



- The spread between the 10-Year Treasury and U.S. "Global Gateway" market cap rates narrowed to 40 bps at the end of Q2, 28 bps tighter year-over-year.
- The spread between the 10-Year Treasury and "Top Tier Non-Gateway" cap rates also narrowed to 60 bps, 34 bps tighter year-over-year.
- In Q2, the spread between "Global Gateway" and "Top Tier Non-Gateway" cap rates tightened modestly: a 58 bps increase in "Global Gateway" cap rates vis-a-vis a 52 bps increase in "Top Tier Non-Gateway" cap rates.

One-Year Performance, NFI-ODCE Unleveraged Property Returns[5]



- The NFI-ODCE unleveraged had a one-year return of -7.5%.
- Although the income return for the year was 3.7%, negative appreciation of 10.8% pushed the total return into negative territory.
- Of the four major asset types, retail had the best rolling one-year return at Q2-end with a total return of -0.8%, outperforming the next closest asset type, industrial, by 300 bps.

Sources: Bloomberg, CoStar, NCREIF.
3 A property's capitalization rate, or cap rate, is a measure of its Net Operating Income relative to its market value.
4 The "Global Gateway" markets are defined to include Boston, Chicago, Los Angeles, New York, San Francisco, Seattle, Washington, DC. The "Top-Tier Non-Gateway" markets are defined to include Atlanta, Baltimore, Minneapolis-St. Paul, Philadelphia, Phoenix, Raleigh-Durham, St. Louis.
5 Unleveraged property returns reflect the performance of the underlying properties, without the impact of property debt. The NCREIF Fund Index - Open-End Diversified Core Equity (NFI-ODCE) attribution is preliminary as of 7/31/2023; please see important information regarding the Index on the last page. For reference, the Bailard Real Estate Fund's unleveraged property returns for the same period were: Multifamily, -0.49% (Inc: 4.4%, App: -4.7%); Industrial, 7.6% (Inc: 3.7%, App: 3.7%); Office, -16.7% (Inc: 7.5%, App: -22.9%); and Retail, 4.6% (Inc: 6.1%, App: -1.4%).

Multifamily

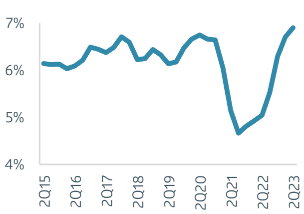
Multifamily vacancy in the U.S. increased for the sixth consecutive quarter, reaching 6.9% at the end of Q2, 80 bps above the 10-year historical average of 6.1%. As a result, rent growth continued to slow. The average asking rate closed Q2 at a mere 2.2% year-over-year increase and a significant drop from the 11.3% annual increase enjoyed in Q1 2022. The primary driver of softening fundamentals is the supply pressure from a substantial influx of new units, outpacing demand. In Q2 alone, 190,636 units were completed, surpassing the positive net absorption of 104,131 units. Consequently, major markets with robust construction pipelines like Washington, D.C., Seattle, Denver, Dallas, and Austin are now grappling with excess supply and choppy fundamentals. Nevertheless, future population growth projections and housing dynamics indicate that these deliveries (and future ones) will be absorbed in time and are essential to the overall health of those markets, and others. Despite the episodic supply surplus—due to the persistent and substantial rent vs. buy gap between for-rent multifamily and home ownership—the for-rent sector will continue to benefit from the difficulties prospective homeowners have mustering the equity for a down payment as well as qualifying for a mortgage given both higher prices (resulting in the need to larger mortgages) and significantly higher mortgage rates.

VACANCY

As of Q2, 23: **6.9%**

10-Year Avg: **6.1%**

Qtr/Qtr Change:
20 bps ▲

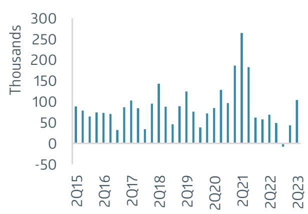


ABSORPTION

As of Q2, 23: **104,000 units**

10-Year Avg: **83,000 units**

Qtr/Qtr Change:
61,000 units ▲

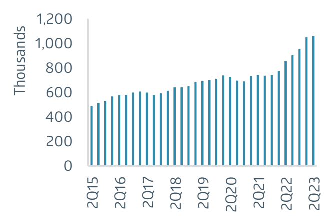


CONSTRUCTION

As of Q2, 23: **1,060,000 units**

10-Year Avg: **652,000 units**

Qtr/Qtr Change:
12,000 units ▲

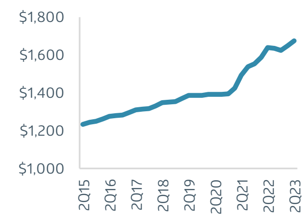


RENT

As of Q2, 23: **$1,675/month**

10-Year Avg: **$1,365/month**

Qtr/Qtr Change:
1.6% ▲



Industrial

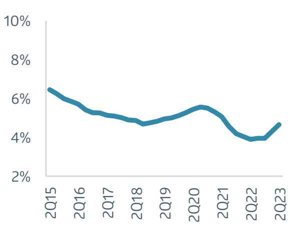
After two years of record-setting demand, fundamentals have started to ease as retailers and wholesalers pause on further inventory accumulation out of caution over the economic outlook. In Q2, net absorption reached 39.2 million SF, bringing the year-to-date total to 97 million SF, a 51% year-over-year decline, and is on pace to post the weakest annual positive net absorption in a decade. The vacancy rate was 4.7% at quarter-end, an increase of 40 bps quarter-over-quarter. The average asking rent closed Q2 up 1.6% quarter-to-quarter and 9.0% year-over-year, slowing from the record pace observed in Q2 and Q3 of 2022. As a result of more widespread supply/demand imbalances, developers have grown increasingly concerned that higher interest rates may cause the values of newly delivered projects to dip below replacement cost. Thus, many developers are tapping the brakes on future projects, causing new construction to decline. The construction pipeline closed Q2 at 596 million SF, down 6% quarter-over-quarter and 8% year-over-year. Despite the pullback in development activity, current projects set to be completed this year are expected to outpace demand, creating additional supply challenges for a number of markets.

VACANCY

As of Q2, 23: **4.7%**

10-Year Avg: **5.4%**

Qtr/Qtr Change:
40 bps ▲

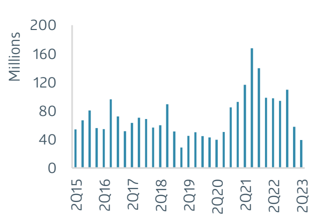


ABSORPTION

As of Q2, 23: **39 million SF**

10-Year Avg: **70 million SF**

Qtr/Qtr Change:
19 million SF ▼

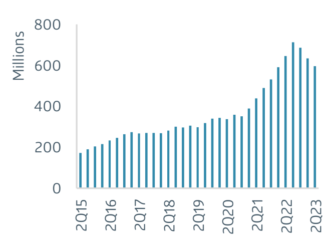


CONSTRUCTION

As of Q2, 23: **596 million SF**

10-Year Avg: **329 million SF**

Qtr/Qtr Change:
39 million SF ▼

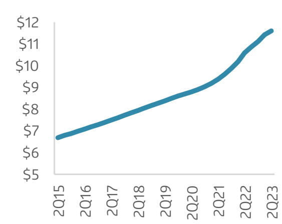


RENT

As of Q2, 23: **$11.60/SF (NNN)**

10-Year Avg: **$8.22/SF (NNN)**

Qtr/Qtr Change:
1.6% ▲



Source: CoStar Group.

Office

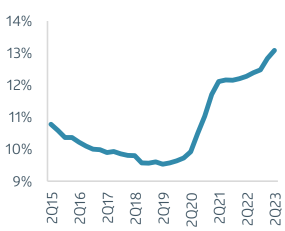
Office users continued to delay leasing decisions and/or shed space, deepening the office downturn as landlords struggle to maintain occupancies. Net absorption in Q2 was negative 13.5 million SF, the second straight quarter of negative net absorption and bringing total net absorption year-to-date to a negative 33 million SF. As a result of ongoing negative user demand, the vacancy rate increased 30 bps in Q2, closing the quarter at 13.1%. Also, the amount of space available for sublease continued to grow, with 18.8 million SF added in the last two quarters, for a total of 45 million SF of new sublease space in the past year. In spite of the massive supply/demand imbalances, average asking rent closed Q2 up 0.1% quarter-over-quarter and 1.2% year-over-year. Rents in premium buildings continue to grow (albeit modestly) while rents in lower tier buildings are under stress as landlords offer generous concessions to attract new tenants and/or hang on to existing ones. The 122.5 million SF of office space currently under construction, along with the 44.8 million SF delivered in the first two quarters of the year, will further exacerbate the weak fundamentals in the office sector.

VACANCY

As of Q2, 23: **13.1%**

10-Year Avg: **10.8%**

Qtr/Qtr Change:
30 bps ▲

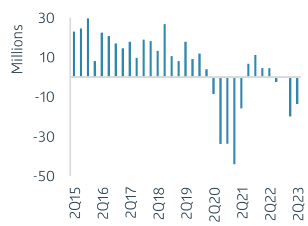


ABSORPTION

As of Q2, 23: **-13 SF**

10-Year Avg: **8 million SF**

Qtr/Qtr Change:
-6 million SF ▼

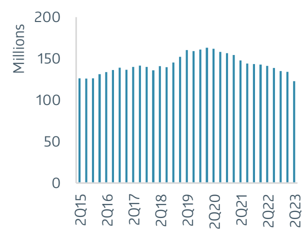


CONSTRUCTION

As of Q2, 23: **123 million SF**

10-Year Avg: **136 million SF**

Qtr/Qtr Change:
11 million SF ▼

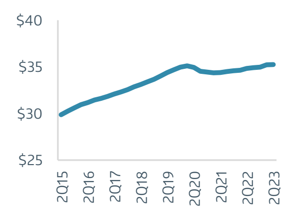


RENT

As of Q2, 23: **$35.25/SF (Gross)**

10-Year Avg: **$32.51/SF (Gross)**

Qtr/Qtr Change:
0.1% ▲



Retail

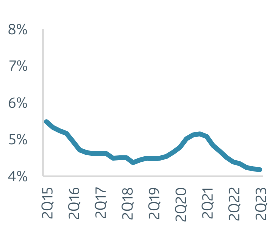
Retail real estate continued to demonstrate resilience during the second quarter, despite economic uncertainty and some high-profile bankruptcies. Strong leasing activity resulted in 11 million SF of positive net absorption, marking ten consecutive quarters of positive absorption. Positive absorption was driven by discounters, quick-service restaurants, and grocers. Landlords continued to enjoy strong user demand keeping the sector's vacancy at a 15-year low of 4.2%, unchanged since last quarter and down 90 bps from its pandemic peak of 5.1% in Q4 2020. Strong fundamentals helped push retail rents higher; average asking rent closed Q2 with an increase of 1% quarter-over-quarter and 4.2% year-over-year. While demand has remained strong, new retail development activity has been restrained, as only 33.7 million SF of new retail space has been delivered in the past twelve months, 46% less than the 10-year pre-pandemic average. In addition, at the end of Q2, 61.4 million SF of retail space was under construction, 13.0% below the 10-year average of 71 million SF. Despite uncertainty on the economy, consumers continue to spend and retail real estate is enjoying solid fundamentals and a positive near to mid-term outlook.

VACANCY

As of Q2, 23: **4.2%**

10-Year Avg: **4.9%**

Qtr/Qtr Change:
0 bps

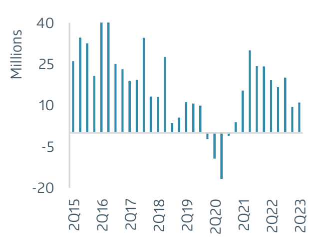


ABSORPTION

As of Q2, 23: **11 million SF**

10-Year Avg: **19 million SF**

Qtr/Qtr Change:
-2 million SF ▼

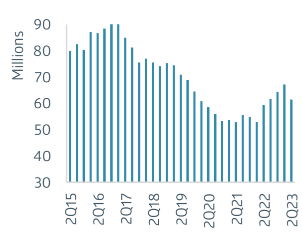


CONSTRUCTION

As of Q2, 23: **61 million SF**

10-Year Avg: **71 million SF**

Qtr/Qtr Change:
-6 million SF ▲

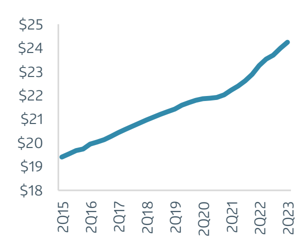


RENT

As of Q2, 23: **$24.24/SF (NNN)**

10-Year Avg: **$21.03/SF (NNN)**

Qtr/Qtr Change:
1.0% ▲



Sources: CBRE, CoStar Group.

THE LOOK AHEAD

Two quarters ago we quoted from a *Bloomberg* article entitled, “U.S. Recession Call Trickier Than Ever as Mixed Signals Abound.” The piece presented several data points, some of which supported the thesis of an imminent slowdown while others pointed to various statistics supporting continued growth and an economy in little danger of tipping into recession.[6] Last quarter, this report said that “a lot has changed in the past three months and yet, the outlook is as uncertain as ever and the clouds over commercial real estate are firmly in place.” As we survey the current macroeconomic landscape, we’re left feeling, once again, that lots of things have changed and nothing has changed. And we’re challenged, as well, with trying to come up with new ways of saying insightful things about the current state of the economy and where it may be headed. Now that vinyl LPs are once again in vogue, we are able to use a metaphor that went out of fashion nearly 40 years ago with the advent of compact discs. Specifically, we continue to try very hard not to sound “like a broken record.” Quarter after quarter, that gets ever more difficult.

The headlines for two recent articles in *The Wall Street Journal* summed it up well: “Signs Point to a Recession – or Not,”[7] and the second, “Still Waiting for Recession: The 2023 Recession is Missing in Action.”[8]

There’s plenty of evidence that the U.S. economy may be on the cusp of a downturn: an inverted yield curve—an historically reliable predictor of a coming recession—now in its 13th month, Fed raising interest rates a lot and quickly, borrowing costs for consumers and businesses continuing to rise, the mini-banking crisis in March causing lenders to tighten standards, flagging consumer confidence, and falling corporate earnings.

And there’s plenty of evidence that a recession isn’t coming. The labor market remains strong, auto sales and home sales are bouncing back, and consumer spending continues to show remarkable resilience.

As the *WSJ* observed on June 8, “The ease with which prognosticators can cite a litany of convincing factors pointing to one outcome or the other is a sign of how out of whack the economy is after all the distortions the pandemic introduced.”[9] Oren Klachkin, lead economist at Oxford Economics put it this way recently: the environment of “pick your data point to support your narrative” persists.[10]

Just recently, in the last week of July, the Federal Reserve once again increased interest rates (by 25 bps): the eleventh time since March, 2022. The Fed Funds rate is now in the range of 5.25% to 5.5%, the highest since the early 2000s… and slightly above where most economists one year ago predicted as the terminal rate for this hiking cycle. No one knows whether the fastidiously “data-dependent” Fed is done raising rates in this cycle or whether the Fed will deem it necessary to crank rates up another notch or two. However, the current uncertainty calls to mind Winston Churchill’s famous utterance on November 10, 1942 when he was asked about progress in the war: “Now this is not the end. It is not even the beginning of the end. But it is, perhaps, the end of the beginning.” Most economists believe that in the Fed’s fight to tame inflation that we are much closer to the end than we are to the beginning in terms of rate hikes. But it is impossible to know how long the Fed will need to keep rates elevated at or near the current levels in order to bring inflation down to its 2% target.

More and more economists seem to believe that the Fed might, in fact, be able to pull off a “soft landing.” That is, slow the economy enough to cool the labor market, taking pressure off wage growth, and bringing inflation down without causing the economy to contract triggering massive job losses. Jason Draho of UBS in a cautiously optimistic tone recently put it this way: “Twelve to 18 months ago, if an economist was asked what needed to happen

6 Saraiva, A. (2023, January 26). Bloomberg.com. https://www.bloomberg.com/news/articles/2023-01-26/us-economy-expands-at-a-faster-than-expected-2-9-pace
7 Lahart, J. (2023, June 8). Signs Point to a Recession—or Not. The Wall Street Journal. https://www.wsj.com/articles/is-this-recession-in-the-room-with-us-now-b18d669b
8 Mackintosh, J. (2023, June 23). Where’s the recession we were promised? The Wall Street Journal. https://www.wsj.com/articles/wheres-the-recession-we-were-promised-cd68a992
9 Wall Street Journal. (2023, June 8). Signs Point to a Recession – or Not: Predicting an economic downturn isn’t crazy, but being confident about it right now might be.
10 Smith, T. J. (2023, July 7). Against the odds, the U.S. economy chugs along, as Fears Linger. The New York Times. https://www.nytimes.com/2023/07/07/business/economy/jobs-report-june.html

to get a soft landing, it would look a lot like what has happened so far. Not many people thought it was possible, including many prominent economists. It may still not, but we're on a path consistent with one."[11]

In a July 23 article, the *Financial Times* called it "Immaculate Disinflation."[12] Goldman Sachs now sees only a 20% chance of a recession over the coming year.[13] Economic activity is resilient. This month consumer sentiment reached a near two-year high just as annual inflation slowed to just 3% (though core inflation, the Fed's preferred measure, is still over 4%), its lowest level since March of 2021. Markets are buoyant too. But a soft landing is far from assured. On the flip side, for the economy it is possible to have too much of a good thing as an ever-larger cohort of market participants fear that sustained growth will sow the seeds of its own destruction as the Fed is forced to keep rates higher for longer than businesses have anticipated and/or can sustain.

Put another way: There are myriad reasons for caution about a soft landing, e.g., interest rates may still need to go higher which will put more pressure on both businesses and consumers. This could lead to a fall-off in demand for goods and services which could trigger job losses and feed (negatively) into consumer confidence and further dent consumption. A vicious circle if there ever was one.

Moreover, there are timing idiosyncrasies... most economists agree that a significant portion of the 525 basis points of Fed rate increases have yet to completely feed through the economy and be felt. That may well drag down growth further than currently anticipated.

What does this all mean for real estate?

The current landscape for real estate looks like this: 1) The macro-economic environment is challenging, confounding, concerning, and encouraging all at the same time with weaker growth, sticky inflation, higher interest rates, resilient consumers, and a robust labor market; 2) Real estate fundamentals are healthy and in relatively good balance for multifamily, industrial, and retail properties (and a host of others including healthcare, data centers, and medical office); 3) The office segment is going through a once-in-a-generation rationalization and realignment... with no end in sight; 4) Cap rates have adjusted quickly causing values to decline – partially offset by rent and Net Operating Income growth; 5) Higher interest rates and more stringent lending standards will make it more difficult for developers to get construction loans and new projects to pencil, which will curtail additions to supply of all property types and, over time, improve supply/demand dynamics and reinvigorate rent increases; 6) Returns have been negative for three quarters with significant dispersion by property type and market; and 7) The surprising stock market comeback so far in 2023 along with falling real estate values is reversing the denominator effect that could catalyze institutional capital back into real estate.

Quite simply, it is a tale of many markets and market nodes and property types and sub-types. There is no neat tidy narrative to either explain where the market is and/or where it is likely to go. In a recent appearance on CNBC, Amazon's CEO, Andy Jassy, was talking about the economy and Amazon's activities and prospects when he offered the following: "I don't think any of us believe we're out of the woods with the economy... I think there's a lot of uncertainty, and I don't think anybody knows what the next several months are going to be like."[14] His candor is a refreshing and humbling reminder that even business leaders at the highest levels are muddling through with limited visibility.

Currently, the real estate transaction world is nearly frozen. Call it a logjam. Call it a bid/ask spread. Call it a stalemate. Regardless, real estate transaction activity has hit a wall. Here's what's driving it: 1) Tight credit, making it more difficult for buyers to get mortgages to make investments; 2) Higher interest rates, which lower returns, raise risk, and make underwriting more challenging; 3) Persistent inflation that keeps the Fed rate-hiking

11 Draho, J. (2023, June 29). Why hasn't there been a recession? UBS Financial Services, Inc.
12 Editorial Board. (2023, July 23). An "immaculate disinflation" in the US is not guaranteed. Financial Times. https://www.ft.com/content/787426e2-e658-4dc3-a791-e00ccea2fab2
13 Goldman Sachs. The probability of US recession in the next year has fallen to 20%. (2023, July 19). https://www.goldmansachs.com/intelligence/pages/the-probability-of-us-recession-in-the-next-year-has-fallen-to-20-percent.html#
14 CNBC. (2023, July 6). Amazon CEO & president Andy Jassy speaks with CNBC's "Closing bell: Overtime" today. https://www.cnbc.com/2023/07/06/cnbc-exclusive-cnbc-transcript-amazon-ceo-president-andy-jassy-speaks-with-cnbcs-closing-bell-overtime-today.html

cycle in play and perpetuating doubt about where the top is and the ultimate impact of interest rate hikes on the economy and asset values; and 4) Broad economic uncertainty exacerbated by disparate data that is making buyers nervous, as well as space users cautious because no one wants to jump in too early. All are interrelated. All aggravate the concerns and reservations for investment decision-makers. All weaken confidence and diminish the "animal spirits" that feed the conviction that drives an active and efficient market.

A few things we said in last quarter's report are still apt and worth repeating:

- Investors and borrowers in all asset classes, but especially real estate are, once again, getting a painful reminder that leverage cuts two ways: it has a powerful positive magnifying effect on the way up, and has an opposite powerful negative impact when values are deteriorating. Many commercial real estate borrowers cannot remember the last time that mortgage loan rates were in the 6% to 7% range. They're now finding out what that does to their return expectations and tolerance for risk.
- It's a complicated period for real estate, as property owners are contending simultaneously with a cyclical market downturn as well as secular changes to the way people live, work, shop, and play. Surging interest rates have put lots of landlords under pressure and caused many property values to drop, while the rise in remote work and e-commerce is reducing the demand for office and some retail space.

But, as always with real estate, the landscape is not uniform. Some properties are imperiled and others are not. Warehouse and distribution buildings have benefited from e-commerce trends, while multifamily assets in many markets continue to enjoy healthy fundamentals and are able to raise rents. Experts expect the country's housing shortage to persist at the same time that ownership remains out of reach of would-be home-buyers, providing additional support for apartment owners to raise rents. Likewise, there are pockets of health in the traditional brick and mortar retail, where a number of major national retailers, in a variety of sizes and formats, are expanding.

A few things are for certain, the current landscape puts a premium on a handful of qualities and characteristics that enable an investor to weather the immediate storm and respond to opportunities once the coast is clear:

1. Liquidity
2. Healthy/low leverage levels
3. Strong financials
4. Robust risk management
5. Flexibility
6. Agility, and
7. Humility

Once there is broad consensus that the Fed is finished hiking rates, investors can make decisions with more confidence. It "feels" like we're getting closer to the end of the current hiking cycle, but we won't know until it's in the rearview mirror. In spite of the redemption queues at most of the big ODCE funds, there is a lot of capital (both equity and debt) poised to come into real estate once there is a bit more clarity. Some of it has an opportunistic bent, but the reality is that there has been very little distressed selling or bank seizures aside from a few high-profile cases in San Francisco and New York that obscure the reality that overall loan defaults and delinquencies remain relatively low. Moreover, regulators are urging banks to give troubled real estate borrowers some slack to give them time to fix their finances. This may frustrate the current generation of grave dancers looking for deep-discounted bargains. Previous market down-cycles coincided with economic slumps, and as soon as the Federal Reserve cut interest rates to lower borrowing costs and boost the economy, that usually put a floor under real

16 National Council of Real Estate Investment Fiduciaries. http://www.ncreif.org
17 Wigglesworth, Robin. (2023, May 05.) This US jobs market absolutely slaps. Financial Times. https://www.ft.com/content/2f5f6fb4-d25c-4807-83ed-b5ab5f7f9b74

estate values and kickstarted both fundamentals and sentiment. This time is, as we said in the "Look Back" section of this report, is a bit different because real estate values turned down in advance of a recession. So the eventual real estate upturn may, in fact, precede a Fed easing cycle. We'll see.

At the risk of sounding like a broken record, we think that the concluding paragraph of last quarter's report is as pertinent now as it was three months ago:

> *"There are some very smart people predicting an imminent economic contraction, others predicting it later in the year or early 2024, and still others feeling strongly that this time is, in fact, different and that the U.S. economy will dodge a recession. One thing for certain is that it is impossible to know. In the meantime, the Bailard real estate team will have one finger firmly planted on the market's pulse and one finger on the "pause button." The time is right for caution, patience, and discipline. Moreover, Bailard is committed to protecting the Fund's strong balance sheet and liquidity so that when market conditions and visibility improve, the real estate team can move with confidence to take advantage of attractive buying opportunities for the long term benefit of the Fund and its shareholders."*

Fund Performance

The Fund's Net Asset Value (NAV) decreased to $34.16 per share as of June 30, 2023, the result of the negative returns for the quarter and a $0.10 per share quarterly distribution. The Fund's quarterly NCREIF-based return was -1.0% (gross) and -1.2% (net of management fee). For the year ended June 30, 2023, the Fund earned a -1.4% gross return and -2.2% net return.[1]

Please note that—beginning with the data presented for June 30, 2023—the Fund has updated its return calculation methodology. While the methodology used up until the current quarter has always been entirely within the standards of both NCREIF and GIPS, the performance presentation has been updated to also reflect Fund expenses. The Fund's goal is to align its reporting with evolving industry best practices and to proactively increase transparency for shareholders. On a related and important note, this update to the calculation methodology has no impact on the Fund's current or historic quarterly Net Asset Value per share calculations or pricing.

During the second quarter, 16 of the Fund's 34 properties experienced valuation declines between 0.8% and 14.6% and 16 saw increases of 0.1% to 8.5%, while two were unchanged.

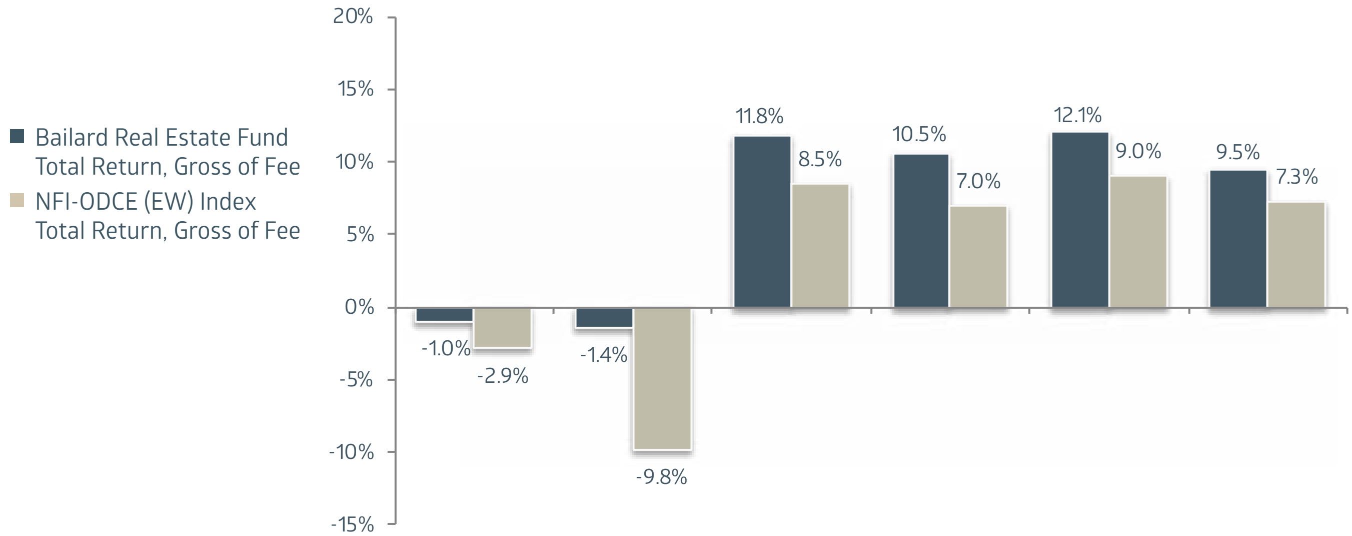
The largest valuation decline occurred at Fairview Park in Falls Church, VA, which decreased by 14.6%, as a result of the downsizing of the building's primary tenant (United Healthcare Group) and an increase of the general vacancy in the valuation model. District 237 in San Jose, CA experienced a drop of 12.3% due to an increase in yield rates driven by higher interest rates and lower investor demand for office properties. Flying Cloud in Eden Prairie, MN was written down by 11.9% related to an increase of the general vacancy in the valuation model given the slippage in occupancy at the property.

Meadowville Distribution Center in Chester, VA experienced the largest write-up of the quarter, increasing by 8.5% . This was the first quarter in which the asset was appraised; it benefitted from higher market rents compared to the Fund's acquisition underwriting. Brookfield Reserve in Brookfield, WI rose in value by 5.5%, based on increased market rents at the property. The Grand at Saginaw multifamily development in north-suburban Fort Worth, TX increased by 5.3% due to ongoing progress in the development process.

Sources: Bailard, NCREIF.
1 Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. Starting from June 30, 2023, Bailard Real Estate Investment Trust Inc. (the "Fund") calculates the gross-of-fee returns and net-of-fee returns to reflect the inclusion of fund-level expenses such as the operating management fee the Fund pays to Bailard, Inc., appraisal, fund administration, legal, audit, tax, and other administrative expenses. We applied this change retroactively to all prior returns presented above. Net-of-fee returns are calculated by netting down the gross-of-fee returns by the actual investment management fee paid to Bailard, Inc. The investment management fee schedule for the Fund, which is included in the Real Estate Composite I, is 0.85% on the Fund's net asset value up to and including $750M and 0.75% on the Fund's net asset value above $750M. If the Fund's uncommitted cash exceeds 10% of the Fund's net asset value, the fee shall be reduced by an amount equal to the product obtained by multiplying 0.425% by the excess cash amount. The total expense ratio, including the investment management fee, for the trailing four quarters was 1.46%. The underlying performance results of the Fund are calculated using National Council of Real Estate Investment Fiduciaries' (NCREIF) methodology and reflect the impact of leverage, interest, and dividend income from short-term cash investments and publicly-traded real estate investments, as applicable. Please see additional detail and important information regarding the Fund's performance results and methodology on the last page. ***Past performance is no indication of future results. All investments have the risk of loss.*** *Specific investments described herein do not represent all investment decisions made by Bailard. It should not be assumed that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future.*

Bailard Real Estate Fund Total Returns[1, 2]

FOR PERIODS ENDING 6/30/2023



	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (4/90)
Total Return						
Bailard, Gross of Fee	-1.0%	-1.4%	11.8%	10.5%	12.1%	9.5%
ODCE (EW), Gross of Fee	-2.9%	-9.8%	8.5%	7.0%	9.0%	7.3%
Bailard, Net of Fee	-1.2%	-2.2%	10.9%	9.6%	11.1%	8.9%
ODCE (EW), Net of Fee	-3.1%	-10.5%	7.6%	6.1%	8.1%	6.3%
Income Return						
Bailard, Gross of Fee	0.7%	3.1%	3.8%	4.0%	4.0%	5.2%
ODCE (EW), Gross of Fee	0.9%	3.4%	3.8%	4.0%	4.4%	6.4%
Bailard, Net of Fee	0.5%	2.3%	2.9%	3.1%	3.1%	4.7%
ODCE (EW), Net of Fee	0.7%	2.6%	3.0%	3.2%	3.5%	5.9%

Sources: Bailard, NCREIF.
1 Please see last page for important disclosures. Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. Starting from June 30, 2023, Bailard Real Estate Investment Trust Inc. (the "Fund") calculates the gross-of-fee returns and net-of-fee returns to reflect the inclusion of fund-level expenses such as the operating management fee the Fund pays to Bailard, Inc., appraisal, fund administration, legal, audit, tax, and other administrative expenses. We applied this change retroactively to all prior returns presented above. Net-of-fee returns are calculated by netting down the gross-of-fee returns by the actual investment management fee paid to Bailard, Inc. The investment management fee schedule for the Fund, which is included in the Real Estate Composite I, is 0.85% on the Fund's net asset value up to and including $750M and 0.75% on the Fund's net asset value above $750M. If the Fund's uncommitted cash exceeds 10% of the Fund's net asset value, the fee shall be reduced by an amount equal to the product obtained by multiplying 0.425% by the excess cash amount. The total expense ratio, including the investment management fee, for the trailing four quarters was 1.46%.
Past performance is no indication of future results. All investments have the risk of loss.

Fund Overview

As of June 30, the Fund's property portfolio was 93% leased, unchanged from Q1 2023 and down from 94% as of Q2 2022, one year ago.[1]

Aggregate Net Operating Income at the portfolio's multifamily assets increased by 11.2%, year-over-year, led by C&E Lofts in St. Paul, MN, which grew by 25.6%. Plantation Colony in Plantation, FL rose by 16.7%, while La Morada at Weston in Weston, FL increased by 15.4%. C&E Flats in St. Paul, MN increased by 12.3%. Partially offsetting these gains was Lowa46 in Minneapolis, MN, which decreased by 13.5%.

Year-over-year, NOI at the Fund's office properties decreased by 0.4%. Town & Country in Orange, CA experienced an NOI drop of 14.2%, while Highland Pointe in Lombard, IL declined by 9.9%. In addition, the office portfolio experienced loss of NOI as a result of the sale of Inverness Business Center in Q1 2022, as well as the continued vacancy at Easton Commons in Columbus, OH. Partially offsetting these decreases was Fairview Park in Falls Church, VA, which rose by 68.9% resulting from an early termination fee paid by United Healthcare Group. In addition, 150 Pierce Road in Itasca, IL grew by 20.7% as the free rent period on two large 2021 leases ended early in 2022.

NOI at the Fund's industrial properties increased 37.0%, year-over-year. Highland Business Park in Westampton, NJ rose by 39.7%. South Mountain Industrial in Phoenix, AZ grew by 29.3% as the higher rent from the tenant's lease renewal commenced. Also substantially contributing to industrial NOI were four recently acquired properties: Georgia Trade Center

Fund Summary

AS OF 6/30/2023[2]

Property Portfolio	$1,413.4 mil.
Cash and Cash Equivalents[3]	$96.4 mil.
Restricted Cash[3]	$14.2 mil.
Other Assets	$20.5 mil.
Gross Asset Value[4]	$1,544.5 mil.
Debt[5]	$390.2 mil.
Dividends Payable	$3.2 mil.
Other Liabilities	$20.3 mil.
Net Asset Value (NAV)	$1,130.8 mil.
Noncontrolling Interests in Joint Ventures	$50.3 mil.
Fund's Net Asset Value	$1,080.5 mil.
Current NAV/Share	$34.16
Dividends Paid/Share (Quarter)[6]	$0.10
Dividends Paid/Share (Trailing Twelve Months)[6]	$0.55
Number of Properties	34
% Core / Operating	97%
% Leased[1]	93%
Multifamily	97%
Office	75%
Industrial	100%
Retail	93%
Other (Data Center)	0%
Weighted Average Remaining Lease Term (SF)	5.7 years
Office	3.8 years
Industrial	5.8 years
Retail	7.8 years
Other (Data Center)	-

1 Fund's leased percentage excludes land and development assets. Lease percentage is calculated as of quarter-end and is weighted by the Fund's legal share of the gross real estate value.
2 Unaudited year-to-date financial statements available upon request.
3 Includes cash held by the Fund and properties. Market value of cash equivalents shown is before quarterly shareholder transactions.
4 Values for the Fund's properties are gross of total noncontrolling interest in joint ventures of $50.3 mil.
5 Debt is shown at fair market value at quarter end.
6 Includes distributions that may be characterized as ordinary income, capital gains, or return of capital.
Specific investments described herein do not represent all investment decisions made by Bailard. It should not be assumed that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future.

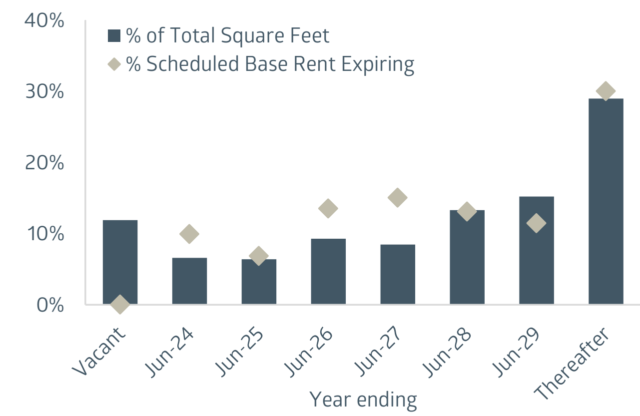
in Savannah, GA (Q4 2021), Market Street Industrial in Houston, TX (Q3 2022), Waterville Industrial in San Diego, CA (Q4 2022), and Meadowville Distribution Center in Chester, VA (Q1 2023). Partially offsetting these increases was Junction Drive in Annapolis Junction, MD, which dropped by 57.0% due to the free-rent provided to Northrop Grumman in exchange for its long-term lease commitment.

The Fund's retail holdings experienced a year-over-year NOI increase of 20.1%. M Street in Washington, D.C. saw more consistent rent collections over the past year, leading to a 14.5% uptick in NOI. The acquisitions of Charter Colony in Midlothian, VA in Q1 2022 and Norwell Stop & Shop in Norwell, MA in Q3 2022 also contributed to increased portfolio-wide retail NOI. Partially offsetting these increases was Shoppes at Knightdale in Knightdale, NC, which declined by 12.5% after a short-term month-to-month tenant vacated.

As of second quarter-end 2023, the Fund held $78.6 million in cash, representing 5.1% of the Fund's Gross Asset Value (GAV).[7] Additionally, the individual property-level accounts accumulated another $25.0 million reserved for operations, maintenance, and on-going capital needs including property taxes, tenant improvements, leasing commissions, and other pending property improvements.

Upcoming Lease Expirations

EXCLUDING MULTIFAMILY



Top 10 Tenants

AS OF 6/30/2023[8]

Tenant	Property Name	% of Portfolio Revenue
CDK Global	District 237	3.0%
Stop & Shop	Mansfield Stop & Shop; Norwell Stop & Shop	2.9%
Lowe's Home Centers	Georgia Trade Center	2.7%
BAE Systems	South Mountain Industrial	2.4%
CCBCC Operations	Meadowville Distribution Center	2.3%
Jewel Food Stores	150 Pierce Road	2.0%
CJ Foods Manufacturing	Fullerton Industrial	2.0%
Lone Star Integrated Distribution	Market Street Industrial	1.8%
Northrop Grumman	Junction Drive	1.6%
Prometric	Nottingham 7941	1.4%
Total Top 10 Tenants		**22.1%**

7 Market value of cash equivalents shown is before quarterly shareholder transactions. Reflects Fund-level cash divided by Gross Asset Value.
8 Top 10 tenants measured by annual base rent relative to total portfolio gross revenue.
Specific investments described herein do not represent all investment decisions made by Bailard. It should not be assumed that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future.

LEVERAGE

As of June 30, the Fund had leverage totaling $390.2 million, amounting to an aggregate Debt-to-Gross Asset Value ratio of 25.0%, up from 23.1% at the end of the previous quarter.[9] Individual property Loan-to-Value (LTV) ratios ranged from 25% to 65%, with the average LTV on encumbered properties at 44%, up 5% from 39% at the end of the second quarter one year ago. The in-place weighted average interest rate on encumbered properties was 5.0% at the end of the quarter, up from 4.8% at Q1 quarter-end and 3.6% from one year ago. The quarter's impact of marking debt to market was 0.03%.

During the quarter, the Fund refinanced the loan on Flying Cloud in Eden Prairie, MN. The previous loan had been scheduled to mature in April, 2023. The loan's new fixed interest rate is 6.88%, replacing the previous fixed interest rate of 3.60%. Debt payments are interest-only for the first 18 months, and thereafter the loan will amortize over a 20-year schedule. The new loan remains at American National Bank, the existing lender, and has a maturity date of May, 2026.

The Fund also refinanced the loan on La Morada at Weston in Weston, FL. The previous loan had been scheduled to mature in September, 2024. The loan's new fixed interest rate is 5.37%, replaces the previous floating interest rate of LIBOR + 175 basis points. The new lender is Lincoln National Life Insurance Company. The debt payments are interest-only, and the loan has a maturity date of June, 2028.

The Fund exercised its option to extend the maturity date on the loan at 150 Pierce Road in Itasca, IL for one year. The new maturity date is April, 2024. As part of the extension, the loan's new floating interest rate is 1-Month SOFR + 211 basis points, replacing the previous fixed interest rate of 2.44%. The loan will continue to amortize over a 25-year schedule.

Leverage Statistics
AS OF 6/30/2023[9]

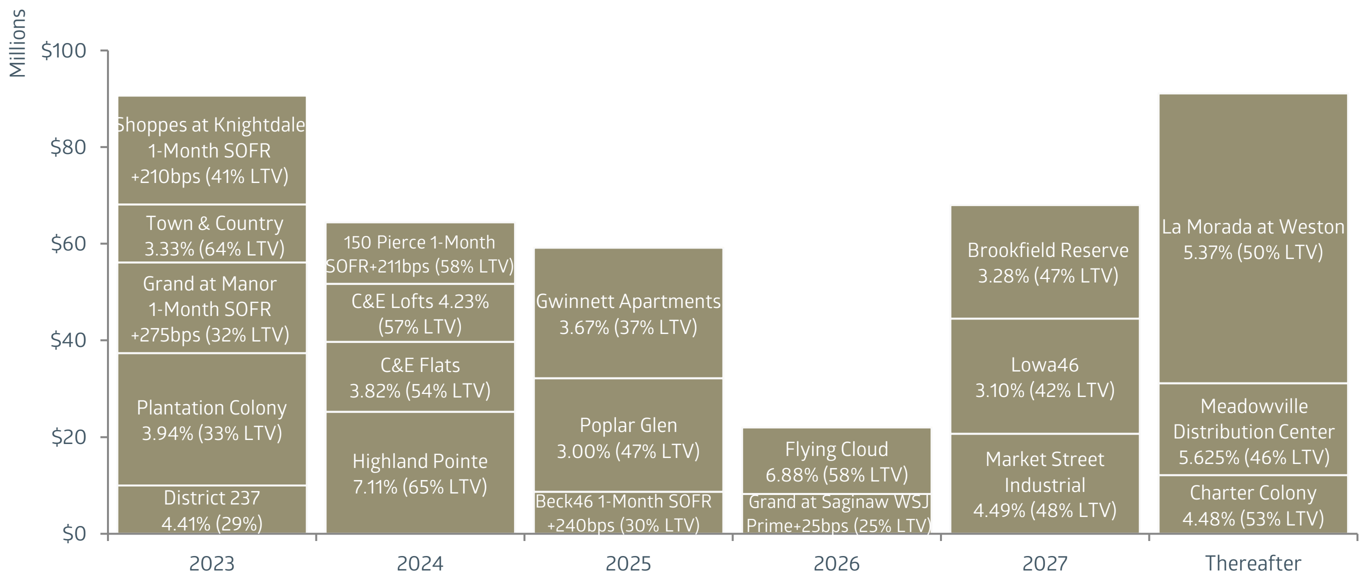
Debt Outstanding (Fund's Economic Share)	$365.5 mil.
Debt to Gross Asset Value	25%
% Fixed Rate Debt	84%
Property Portfolio Debt Service Coverage Ratio	3.7x
Weighted Avg. Interest Rate	5.0%
Fixed Rate: Weighted Avg. Remaining Term	3.1 years
Floating Rate: Weighted Avg. Remaining Term	0.7 years
# of Unencumbered Properties	14

Subsequent to quarter-end, the Fund exercised options to extend the maturity dates on two loans:

1) At Shoppes at Knightdale in Knightdale, NC, the loan was extended for one year. The new maturity date is July, 2024. The interest rate will remain floating at 1-Month SOFR + 210 basis points with a 30-year amortization schedule.
2) At Town & Country in Orange, CA, the interest-only loan was also extended for one year. The new maturity date is July, 2024. The interest rate will remain fixed at 3.33%.

9 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets).

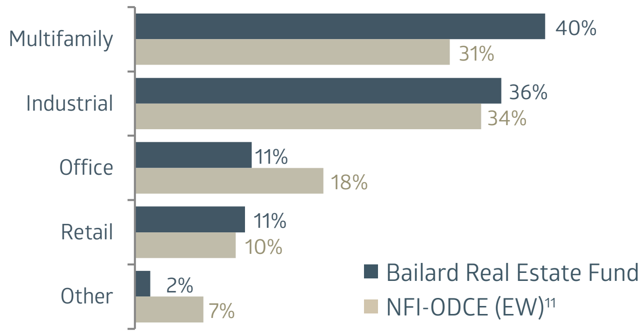
Debt Maturity Schedule[9] AT PAR, AS OF 6/30/2023



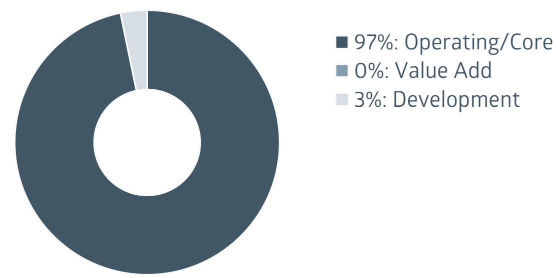
9 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets).
Chart reflects shaded areas for each encumbered property's debt at par scheduled to mature in that year, in millions, along with its interest rate and loan-to-value ratio; further detail on individual assets is available in the Property Key Statistics & Status section.

PORTFOLIO DIVERSIFICATION[10] (as of 6/30/2023)

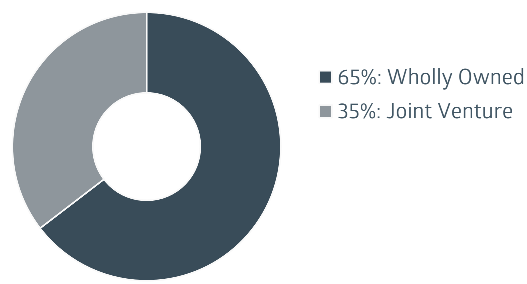
Property Type



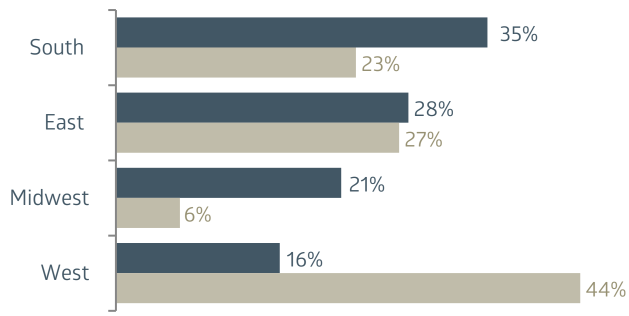
Property Life Cycle



Investment Structure



Geography



Fund Management

On April 17, 2023, Bailard welcomed Jeffrey Abell as Senior Client Operations Associate. In this role, Jeffrey focuses on client service for the Fund's shareholders and manages the client operations of Bailard's private real estate vehicles. Prior to Bailard, Jeffrey worked as a financial analyst for a Registered Investment Advisor. Jeffrey holds a B.S. in Biological Sciences from the University of California, Merced.

Effective June 30, 2023, Daniel Merhi left the Bailard team to pursue a career outside of real estate investment management. Daniel had joined the team in February 2022 as an Analyst supporting acquisitions and asset management.

Sources: NCREIF, Bailard.
10 Diversification metrics calculated based on the current quarter's appraised value and the Fund's economic share in the gross real estate.
11 The NCREIF Fund Index - Open End Diversified Core Equity is a fund-level index of open-end commingled funds pursuing a core private real estate investment strategy and qualifying for inclusion in the NFI-ODCE based upon certain pre-defined index policy inclusion characteristics. The NFI-ODCE (EW) shows what the results would be if all funds were treated equally, regardless of size.

Environmental, Social & Governance (ESG) Focus

The Fund remains committed to broad incorporation of Environmental, Social, and Governance practices into its acquisition, asset management, and portfolio management activities through the implementation of portfolio-wide policies and processes. ESG considerations must be and are a key component of the Fund's strategies and actions, not only to enhance returns and manage risk but also to "future proof" the Fund.

The Bailard team incorporates ESG best practices both at the Fund and individual property level. The Fund is tracking energy and water usage, while maintaining a focus on tenant safety and community building.

Property Spotlight: C&E Flats

C&E Flats is a mixed-use property consisting of 118 multifamily units above 11,636 square feet of retail. The Fund developed the property in 2017 with a local, Minneapolis-based sponsor and general contractor.

ENVIRONMENTAL – The project was constructed with an environmentally-friendly design, highlighted by the green roof and solar array. The onsite power generation is used to offset common area utilities.

SOCIAL – The construction was completed by a local general contractor and sub-contractors. Residents benefit from immediate access to the light rail station, two onsite fitness centers, and a rooftop garden with seasonal vegetable offerings. The property has partnered with one of the retail tenants to support an annual arts and music show, in addition to sponsoring a block party for local arts.

GOVERNANCE – Independent third party appraisal every quarter.

E
Environmental

HIGHLIGHTS

- All of the Fund's properties are now being monitored via Measurabl.
- 100% of the multifamily properties and all of the commercial properties which the Fund controls utilities for are now tracked on Energy Star.

2023 GOALS

- Increase reporting to 100% for all landlord-controlled utility accounts into Measurabl.
- Improve upon initial GRESB score via increased data collection and creation of internal policies.
- Continue to invest in the Fund's buildings to ensure energy/water efficiency.

S
Social

HIGHLIGHTS

- The Fund continued to focus on communications: providing housing resources for our residents, CDC guidelines for commercial tenants, and began hosting in person tenant and community events.
- Responsible Contractor Policy demonstrates Bailard's belief that well-trained, motivated, and fairly-compensated workers deliver higher quality products and services.

2023 GOALS

- Maintaining safe working and living environments for tenants and residences by focusing on health & safety initiatives.
- Continued focus on driving tenant satisfaction through building programs and amenities aimed at sustainable and healthy properties.

G
Governance

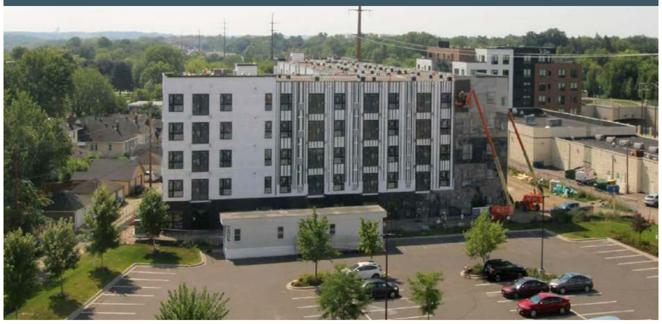
HIGHLIGHTS

- 100% of properties valued by MAI-certified appraisers on a quarterly basis and reviewed by an independent third-party appraisal management group.
- Bailard reviewed and implemented suggestions from the Board-effectiveness consultant.

2023 GOALS

- Commitment to continued high standards in Board management as well as shareholder transparency via the Fund's communication materials.

Multifamily

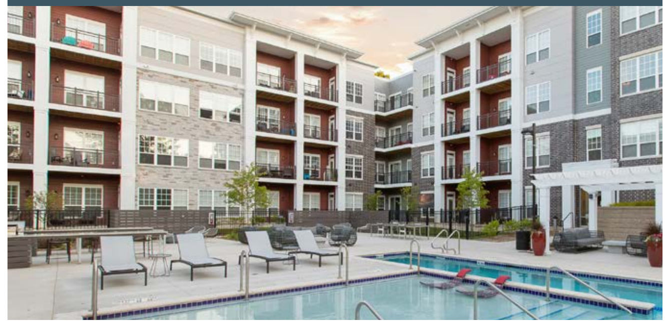


Beck46

4020 Nawadaha Blvd, Minneapolis, MN 55406
Acquired May 2022

Lowa Phase II was formally renamed “Beck46” in the second quarter. The asset is a currently under-construction 144-unit mid-rise apartment project on a 1.5-acre site adjacent to the Lowa46 Cub Foods parking field. During the quarter, a significant portion of masonry and siding work was completed while interior building work commenced. The Fund is finalizing the property website and marketing strategy, and the project remains on track to be completed in Q4 2023. Preleasing will begin during the third quarter.

Multifamily



Brookfield Reserve

13701 W. Bluemound Road, Brookfield, WI 53005
Acquired September 2017

Brookfield Reserve ended the quarter at 99% leased. The property experienced robust rental growth during the quarter and has surpassed budgeted revenue expectations through the first half of the year. Competing properties in the area continue to utilize concessions on new leases; however, this has not been necessary at the property. While rent growth has been a priority, the Fund is working with property management to ensure that the property maintains a healthy renewal retention rate and keeps long-time residents at the property.

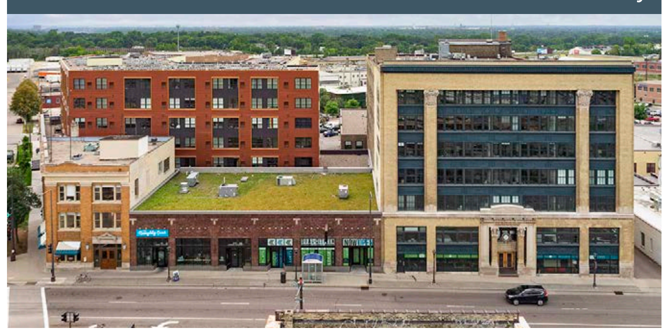
Multifamily/Retail

C&E Flats

2410 University Avenue, St. Paul, MN 55114
Acquired May 2016

C&E Flats ended the quarter at 97% leased. Neither of the two newly-delivered properties proximate to C&E have reached stabilization, but Flats has yet to implement significant concessions in order to drive traffic. The price differential between the new properties and Flats has resulted in minimal competition thus far. The Fund also received a letter-of-intent from a dance studio to lease the remaining vacant retail space along University Avenue. The Fund will perform due diligence on the prospective tenant’s financials and work with the property manager’s construction management team to finalize cost figures prior to executing a lease.

Multifamily



C&E Lofts

2410 University Avenue, St. Paul, MN 55114
Acquired May 2016

C&E Lofts ended the quarter at 92% leased. The property had a strong leasing quarter but utilized concessions (1 month free) on select floor plans to help momentum. Rent growth through the first half of the year was relatively flat, which was expected, and the Fund is focused on maintaining a stabilized occupancy at the property for the remainder of the year.

The Fund completed a patio/deck enhancement project including new furniture and grills, which has been well received by both current residents and prospective tenants.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance described herein; please refer to the Property Portfolio Summary for a full listing of all properties held by the Fund.

Multifamily

The Grand at Manor

Acquired March 2020
10700 Genome Drive, Manor, TX 78653

The Grand at Manor ended the quarter well leased at 96%, up from 93% at the end of Q1. Apartment fundamentals in the Austin market are strong, but have moderated from their red-hot pace of the past few years. The slowing growth dynamics coupled with volatile capital markets are putting downward pressure on valuations. Buyers are much more cautious, even though the long-term prospects for residential properties in the Austin metro area remain outstanding. Buyers are utilizing more traditional rent growth and yield-rate metrics when evaluating potential multifamily investments, which is negatively impacting forward cash-flow projections and discounted cash flow models.

Multifamily

The Grand at Saginaw

Acquired September 2021
1451 Belt Mill Parkway, Saginaw, TX 76179

The Grand at Saginaw is a currently under-construction 236-unit garden-style apartment community on a 9.8-acre site just north of Ft. Worth, Texas. During the quarter, the project achieved significant progress as it neared completion of Building One in order to attain a final irrevocable Certificate of Occupancy from the City of Saginaw. Building One includes the pool, the community gym, clubhouse, and 38 of the property's apartment units and is expected to be finished in early Q3, while the rest of the project will be completed in phases over the balance of 2023. As of quarter-end, the project is 3% pre-leased.

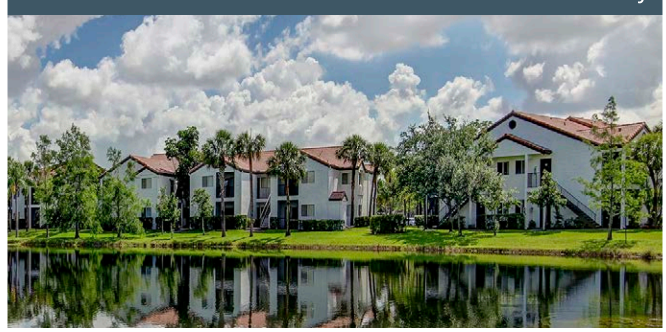
Multifamily

Gwinnett Apartments

Acquired December 2017
1760 Lakes Parkway, Lawrenceville, GA 30043

The Gwinnett Apartments finished the quarter at 95% leased, up 4% over Q1. Through the Fund's efforts working with the asset's diligent and highly professional property management team, the property's 15 units that were affected by flooding and fire damage over the 2022 holidays have been totally restored and were, as of Q2-end, back online. The Fund's insurance fully covered all costs associated with the repairs and the Fund continues to actively focus on maintaining occupancy by improving retention rates amid a general market slowdown.

Multifamily



La Morada at Weston

1201 Fairlake Boulevard, Weston, FL 33326
Acquired March 2000

La Morada ended the quarter at 97% leased. The property enjoyed substantial rental rate increases on both new and renewal leases, however, rental growth continues to lag 2022 levels. The Fund remains focused on completing various capital projects, which have moved slowly due to city bureaucracy as well as weather delays. Completion of the capital work around the property should also help with leasing and resident satisfaction.

During the quarter, the Fund closed on a $60 million, five-year, fixed rate (5.37%), interest-only loan with Lincoln Financial.

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Multifamily/Retail

Lowa46

3939 E 46th Street, Minneapolis, MN 55406
Acquired May 2018

Lowa46 ended the second quarter at 100% leased and the Fund was able to reduce concessions from two-months free to one-month free. The Fund hopes to decrease concessions further during the remainder of the summer leasing season. Minor capital projects on the outdoor amenity space were completed early in the quarter in preparation for resident use over the summer. Resident satisfaction remains a priority for property management.

Multifamily

Plantation Colony

8210 SW 12th Street, Plantation, FL 33324
Acquired July 2002

Plantation Colony ended the quarter at 96% leased. Strong performance continued during Q2 and the property remains well positioned for the summer leasing season. The Fund is testing the market with the renovation of a handful of units to gauge demand. The Fund also plans to complete budgeted capital work during the second half of the year, including important tenant amenities like pool resurfacing, grill replacements, and a new pet wash station.

The Fund recently signed a term sheet for a fixed-rate (5.5%), interest-only, 48% loan-to-value loan with Lincoln Financial for the refinance of the current mortgage on the property and hopes to close during the third quarter.

Multifamily

Poplar Glen

11608 Little Patuxent Parkway, Columbia, MD 21044
Acquired December 2005

Poplar Glen ended the quarter at 95% leased. The property had solid traffic during the quarter and rent growth on both new and renewal leases was encouraging. The onsite property management team also remains focused on resolving sticky delinquency issues. The property is well positioned for the second half of the year and the Fund will continue to complete minor capital work as needed.

Industrial

Fullerton Industrial

675 S Placentia Avenue, Fullerton, CA 92831
Acquired December 1995

Fullerton Industrial remained 100% leased in Q2. The property is occupied by two tenants; CJ Omni's lease expires in 2033, while Engineered Floors lease expires in November of this year. The Fund remains focused on minimizing the downtime with the Engineered Floors lease expiry. The Fund sent a lease proposal to Engineered Floors for an extension of its lease and the tenant remains interested but has informed the Fund that it is considering other options (e.g., Inland Empire and even Las Vegas). As a result, Fund management is now marketing the space for lease in the event Engineered Floors vacates.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance described herein; please refer to the Property Portfolio Summary for a full listing of all properties held by the Fund.

Industrial

Georgia Trade Center

2000 Trade Center Boulevard, Savannah, GA 31326
Acquired November 2021

Georgia Trade Center continued to be 100% leased to Lowe's at the end of Q2. In Q4 2022, the Fund successfully negotiated a 10-year renewal with Lowe's beginning in December, 2023. As part of the renewal, the Fund provided a tenant improvement allowance, which the tenant plans to utilize for adding HVAC throughout the warehouse space. This AC installation will take place in the second half of the year.

Industrial

Highland Business Park

300 Highland Drive, Westampton, NJ 08060
Acquired June 1999

Highland Business Park remained 100% leased through the end of Q2. During the quarter, the Fund executed a lease with DBN Enterprise, Inc., an office supply company, at $11.00 per square foot with 4% escalations, for 40,188 square feet of warehouse space. Overall, leasing activity remains strong as indicated by a 7% quarterly increase in market rent.

Industrial

Junction Drive

9020 Junction Drive, Annapolis Junction, MD 20701
Acquired December 2019

The property is 100% leased to Northrop Grumman through January, 2032. The Annapolis Junction submarket continues to see strong demand and rent growth for flex industrial space. At the end of the quarter, the Fund executed a term sheet with Delta Community Credit Union (the current lender on Charter Colony and Meadowville Distribution Center) to finance the property with a seven-year, 50% loan-to-value, fixed rate loan. The Fund plans to close the loan during the third quarter.

Industrial

Market Street Industrial

15130-15150 Market Street, Houston, TX 77015
Acquired September 2022

Market Street Industrial is 100% leased, unchanged from Q1. The property is leased to two third-party logistics firms, Lone Star Integrated Distribution and Gulf Stream Marine, for a weighted average lease term of approximately five years. The property's value remains unaffected by evolving valuation metrics due to its attractive pricing during acquisition by the Fund last year. In addition, leasing fundamentals for industrial properties in the Port of Houston submarket remain strong.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance described herein; please refer to the Property Portfolio Summary for a full listing of all properties held by the Fund.

Industrial

Meadowville Distribution Center

1400 Digital Drive, Chester, VA 23836
Acquired March 2023

Meadowville Distribution remained 100% leased at the end of the quarter. In Q1, the Fund acquired the newly-constructed distribution warehouse totaling 353,044 square feet in Chester, VA for $38.0 million, inclusive of closing costs. The property is fully leased through January 2028 to CCBCC Operations, LLC, a wholly owned subsidiary of Coca-Cola Bottling. The Fund retained the existing property manager, Thalhimer, with whom the Fund has successfully partnered on Charter Colony.

Industrial

South Mountain Industrial

7822 S 46th Street, Phoenix, AZ 85040
Acquired September 2017

South Mountain Industrial is 100% leased, unchanged from Q1. The property's value is stable due to a strong credit tenant and a remaining lease term of four years. In addition, despite some weakness in the Phoenix industrial market, particularly in submarkets with low barriers to entry and high new supply, the Airport submarket in Phoenix remains resilient. Having executed the business plan to renew the property's tenant, the Fund is currently testing the market for potential disposition in the second half of 2023. The Fund is inclined to sell the asset if market pricing expectations at the current valuation level can be realized.

Industrial

Waterville Industrial

7828 Waterville Road, San Diego, CA 92154
Acquired December 2022

Waterville Industrial is 100% leased, unchanged from Q1. The property is fully leased to Honeywell, the previous owner, who has leased back the asset until March, 2025. As the property is leased through the year, there was minimal involvement for the Fund during Q2. However, Honeywell is scheduled to vacate the property once the lease term ends. The Fund has been collaborating with its joint venture partner, the Murphy Development Company, to formulate various asset repositioning strategies once the property becomes available in 2025.

Industrial

Westport Industrial Portfolio

11418-11446, 11401-11445 Moog Dr.; 10986 N Warson Rd.; 2130-2132 Kratky Rd.; 10602-10610 Trenton Ave; St. Louis, MO
Acquired September 2017

The Westport Portfolio ended the quarter 100% leased, unchanged from Q1. During the quarter, the Fund extended Xpress Global, a ~44,000 square foot tenant at the 11401 Moog building, for five years at a start rate of $4.75 per square foot per year, NNN.

The Fund received notice during Q1 that DHL, a 50,302 square-foot tenant, plans to exercise its right for an early termination and will vacate in July of this year. The Fund has listed the space for lease and was already receiving lease proposals from potential tenants before the end of Q2.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance described herein; please refer to the Property Portfolio Summary for a full listing of all properties held by the Fund.

Office

150 Pierce Road

150 Pierce Road, Itasca, IL 60143
Acquired May 2015

The property ended the quarter at 88% leased, down 1% from the prior quarter. The Fund had entered into a Purchase and Sale agreement with a prospective buyer during the first quarter, but the transaction fell through in Q2.

The Fund also extended the loan on the property for an additional year. The Fund will focus on leasing the remaining vacant suites during the second half of 2023.

Office

District 237

250 Holger Way, San Jose, CA 95134
Acquired September 2020

District 237 is fully leased to CDK Global, Inc. until March 2027. CDK was purchased and taken private by Brookfield Business Partners in 2022. CDK does not physically occupy the building and it is available for sublease. The Bay Area office market continues to experience a lack of demand, and despite stable tech employment figures, news of tech layoffs from major corporate companies is worsening the negative sentiment towards office in Silicon Valley. Consequently, office pricing is undergoing significant downward adjustments, and upcoming office trades in the area will likely reflect this pricing trend.

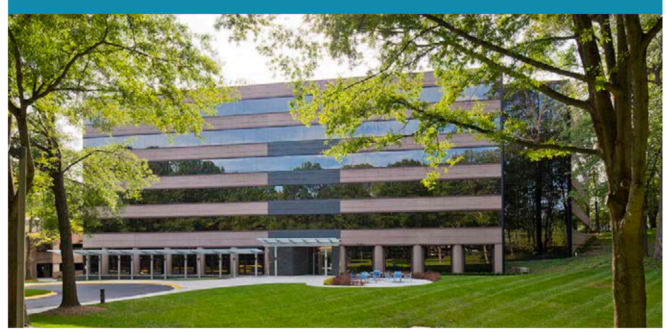
Office

Easton Commons

3344 Morse Crossing, Columbus, OH 43219
Acquired December 2017

Easton Commons remains vacant, no change from Q1. The Fund made improvements during the past two quarters to enhance marketability, such as opening up the lobby and “white-boxing” a section of the third floor. Despite these efforts, demand for the space has remained low. Consequently, the Fund is considering divesting the asset. During Q2, an owner-user expressed interest in purchasing the property with the intention of repurposing it as a school. The buyer is currently conducting its due diligence of the asset while working towards a Purchase and Sale Agreement.

Office



Fairview Park

3160 Fairview Park Drive, Falls Church, VA 22042
Acquired November 2017

Fairview Park remained 34% leased in Q2. Last quarter, the property’s largest tenant terminated 22,000 of its square feet, which reduced the property’s occupancy from 53%. The Fund is pricing out construction to build three additional spec suites on the fourth floor, ranging in size from 2,000 to 4,500 SF. The current leasing market is prioritizing ready to go spaces and shorter terms, both lending themselves to a more wholesome spec suite program. Some potential user-market “green shoots” have appeared and the property has recently been toured by several potential tenants, including a county public school system and a healthcare provider.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance described herein; please refer to the Property Portfolio Summary for a full listing of all properties held by the Fund.

Office

Flying Cloud

7500 Flying Cloud Drive, Eden Prairie, MN 55344
Acquired April 2016

The property ended the second quarter at 72% leased after several tenants moved out at the expiry of their leases. All of the new vacancies were anticipated. During the quarter, the Fund executed a five-year renewal with a 1,500 square-foot tenant and finalized a Letter of Intent with a 7,100 square-foot prospect for a five-year lease.

The renovation of the lobby and common areas commenced at the end of Q2 and is scheduled to be completed by Q3-end. The project renderings were well received by brokers in the market. Also during the quarter, the Fund closed a three-year loan renewal with the current lender.

Office

Highland Pointe

333 & 377 E Butterfield Road, Lombard, IL 60148
Acquired October 2015

The property ended the quarter at 77% leased. The Fund originally executed an LOI with a civil engineering firm for 21,800 square feet on a ten-year term in the first quarter, but the tenant requested a smaller suite and will now lease 16,600 square feet. The lease is expected to be executed early in the third quarter. While leasing remains difficult, larger tenants have begun to look for space in the market and there appears to be a pickup in activity that the Fund hopes to capitalize on during the second half of the year. Multiple capital projects were completed during Q2, including restroom renovations and garage repairs.

Office

Nottingham 7941

7941 Corporate Drive, White Marsh, MD 21236
Acquired October 2017

The building remains 100% leased to Prometric through 2025; however, Prometric continues to actively look to sublease its space. The Fund is also working with leasing brokers to market the building to potential tenants looking to directly lease the building on a long-term basis.

Office

Town & Country

725 Town & Country Road, Orange, CA 92868
Acquired January 2016

Town & Country ended the quarter 73% leased, unchanged from Q1. The Orange County office market continues to face challenges. Weak fundamentals and fluctuating capital markets have led to declines in office asset values throughout the market. The Fund is currently repositioning the former 18,711 square-foot Toll Brothers' space into smaller speculative suites. This strategic move aims to meet the demand from occupiers seeking smaller, move-in-ready "plug-and-play" office suites. The Fund believes that this approach is the most effective strategy to increase occupancy and restabilize the asset.

It should not be assumed that recommendations made in the future will be profitable or will equal the performance described herein; please refer to the Property Portfolio Summary for a full listing of all properties held by the Fund.

Retail

Charter Colony

200 Charter Colony Parkway, Midlothian, VA 23114
Acquired February 2022

Charter Colony remained 100% leased through Q2. The property boasts a strong weighted average lease term of 13.2 years, including over 17 years of firm term for the property's anchor tenant, Publix. The Fund is now focused on building tenant relations and completing minor capital improvements, including parking lot striping and awning replacements.

Retail

M Street

2901 M Street NW, Washington, D.C. 20007
Acquired July 2018

M Street remained 68% leased through Q2, unchanged from the prior quarter. The property is anchored by Wells Fargo and the second-floor office tenant, with all in-place leases expiring in 2025. With that, the Fund has begun early-stage conversations with a local architect to explore the property's potential repositioning capabilities.

Across M Street a new mixed-use, retail and residential, re-development was recently approved. The project will include over 12,000 square feet of high-street retail directly across from the property, further enhancing the draw for luxury tenants and shoppers to the eastern end of Georgetown.

Retail

Mansfield Stop & Shop

377 Chauncy Street, Mansfield, MA 02048
Acquired October 2020

Mansfield Stop & Shop is a 74,383 square foot neighborhood retail center, 100% leased to Stop & Shop through March 2033. Stop & Shop handles all of the utilities and maintenance directly, leaving little landlord required work. The Fund continues to focus on building a proper and collaborative relationship with the tenant.

Retail

Norwell Stop & Shop

468 Washington Street, Norwell, MA 02061
Acquired August 2022

Norwell Stop & Shop is a stand-alone neighborhood grocery store totaling 59,519 square feet, 100% leased to Stop & Shop through July 2032. The property is the Fund's second Boston MSA Stop & Shop. Given the Fund is Stop & Shop's landlord at two locations in Boston, the Fund is actively focusing on improving its customer service to the tenant.

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Retail

Shoppes at Knightdale

216 Hinton Oaks Boulevard, Knightdale, NC 27545
Acquired July 2019

The property ended the quarter at 88% leased, unchanged from Q1. The Fund signed a lease with Academy Sports & Outdoors to backfill the 45,000 square-foot former Dick's Sporting Goods space. The property's second largest tenant, Best Buy, is in discussions to renew its full 30,000 square feet. The Fund has received multiple LOIs for the former PetSmart and Overstock boxes, both with national retailers.

Single family home and multifamily developers continue to announce new projects in East Raleigh, which is a positive sign for the property's continued viability, robust shopper traffic, and tenant success. The Fund expects to utilize the one-year loan extension option during Q3, while also possibly going to market to find longer-term financing solutions, depending on debt market conditions.

Other (Data Center)

Perimeter East Data Center

40 Perimeter Center East, Dunwoody, GA 30346
Acquired May 2017

Perimeter East remained vacant through Q2. During the quarter, the Fund continued its engagement with CBRE to market the property for sale. The Fund and CBRE decided to strategically focus on privately marketing Perimeter East to 15 to 20 data center-specialized groups. If a buyer cannot be found off-market, the Fund will recommend the property be broadly exposed to the market in a more traditional manner. Additionally, the Fund is exploring potential alternative uses for the site.

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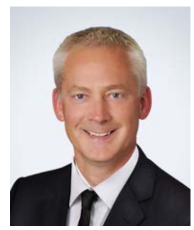

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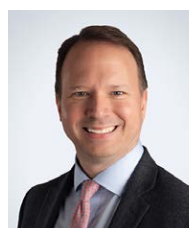

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RISKS

The Fund invests primarily in real estate. As a result, an investment in the Fund entails significant risks that are customarily associated with the development and ownership of income-producing real estate, including illiquidity, changes in supply and demand, and inexact valuation. The Fund may be leveraged. An investor may lose all or a substantial portion of the investment. There is no assurance that the Fund will achieve its investment objectives. For a more thorough discussion of the risks involved in making an investment in the Fund, please refer to the Offering Memorandum. The Fund's shares fluctuate in value and may be illiquid due to a lack of a right of redemption, the lack of a secondary market, and restrictions on transfer. Shares of the Fund, if offered, would be available for purchase only by accredited investors who could bear a loss and hold shares of the Fund indefinitely. This information does not purport to be complete and is qualified in its entirety by, and an offer or solicitation will only be made through, a final Confidential Offering Memorandum.

DISCLOSURES

This summary is confidential and proprietary. It has been prepared for the use of existing shareholders of the Fund and prospective accredited investors; it does not constitute an offer to sell or buy any securities and may not be used or relied upon in connection with any offer or sale of securities or for any other purpose. The information provided in this report with respect to the Fund is as of June 30, 2023 unless otherwise noted. The Fund undertakes no duty to update any of the information contained in this report. The information in this report includes forward-looking statements, including statements regarding the outlook for the real estate market generally and the individual markets for the properties, the performance of the individual properties, and the Fund's business strategy and investment objectives. These statements involve a number of risks and uncertainties, and actual results may differ materially from these forward-looking statements. Please refer to the Confidential Offering Memorandum of the Fund for further information regarding these risks.

Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. Starting from June 30, 2023, the Fund calculates the gross-of-fee returns and net-of-fee returns to reflect the inclusion of fund-level expenses such as the operating management fee the Fund pays to Bailard, Inc., appraisal, fund administration, legal, audit, tax, and other administrative expenses. We applied this change retroactively to all prior returns presented above. Net-of-fee returns are calculated by netting down the gross-of-fee returns by the actual investment management fee paid to Bailard, Inc. The investment management fee schedule for the Fund, which is included in the Real Estate Composite I, is 0.85% on the Fund's net asset value up to and including $750M and 0.75% on the Fund's net asset value above $750M. If the Fund's uncommitted cash exceeds 10% of the Fund's net asset value, the fee shall be reduced by an amount equal to the product obtained by multiplying 0.425% by the excess cash amount. The underlying performance results of the Fund reflect the impact of leverage, interest, and dividend income from short-term cash investments and publicly-traded real estate investments, as applicable. Capital expenditures, tenant improvements, and lease commissions are capitalized and included in the cost of the property; are not amortized; and are reconciled through the valuation process and reflected in the appreciation return component. The Fund's income return is not the distributed income to the investor, and the Income Return is presented gross-of-fee and after Fund expenses.

The NCREIF gross return methodology is as follows: the total gross return is equal to net investment income plus appreciation divided by the beginning net asset value plus time-weighted external contributions less time-weighted external distributions ("Time-Weighted Denominator"). With respect to income and appreciation, the NCREIF methodology for net income return is equal to net investment income divided by the Time-Weighted Denominator, and net appreciation return is equal to appreciation divided by the Time-Weighted Denominator. Returns shown are inclusive of dividends reinvested as they are accounted for as an external contribution upon reinvestment. Returns for periods greater than one year are annualized. Annual returns are time-weighted rates of return calculated by linking quarterly returns. Income and appreciation returns may not equal total returns due to compounding effects of linking quarterly returns. From inception through the second quarter of 2009, all properties were appraised annually; from the third quarter of 2009, all properties have been appraised quarterly. Recent acquisitions are carried at cost until first appraisal. The Fund's Board of Directors determines the value of properties based on input from independent appraisers and all levels of the Fund management. Securities, mortgages payable, derivatives, and cash and cash-equivalent investments held by the properties and Fund are marked to market on each valuation date. The Fund's Inception Date is April 20, 1990. The NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE) is a fund-level, time weighted return index reporting the performance results of various open-end commingled funds pursuing a core private real estate investment strategy and qualifying for inclusion in the NFI-ODCE based upon certain pre-defined index policy inclusion characteristics. Like the Fund, the NFI-ODCE performance results reflect leverage and the impact of cash holdings and joint ventures (i.e., returns reflect each contributing fund's actual asset ownership positions and financing strategy). As the Fund has done in the past, some NFI-ODCE funds may invest in real estate securities. The use of leverage varies among the funds included in the NFI-ODCE. The NFI-ODCE (EW) shows what the results would be if all funds were treated equally, regardless of size. Like the Fund's presentation, the Income Return is shown gross-of-fee. Per NCREIF, fees represent investment management advisory fees. To the extent fees are paid outside the fund, a deemed contribution and fee expense is recorded to capture the impact of fees in the net of fee returns. NCREIF defines gross and net of fees as follows:

- *Total Return, gross of investment advisory fees, based on changes in published market value Net Assets. The data contributing members provide all fund level returns as well as other pertinent data. NCREIF does not calculate individual fund returns but does calculate the overall aggregated Index return based on invested capital.*
- *Total Return, net of advisory fees. Net of fee returns are only presented at the Index Aggregate level to provide a proxy for the average advisory fees charged. Fee structures not only vary across managers and funds but also within a fund as fees may be negotiable and scaled based on the size of an investors' investment.*

The NFI-ODCE data, once aggregated, may not be comparable to the performance of the Fund due to current and historical differences in portfolio composition by asset size, geographic location, property type, and degree of leverage. The NFI-ODCE is unmanaged and uninvestable.

The S&P 500 Index is a commonly-used U.S. stock index of 500 large capitalization stocks. The Dow Jones Industrial Average is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ 100 Index is a modified capitalization-weighted index comprised of 100 of the largest non-financial domestic and foreign companies listed on the National Market tier of the NASDAQ Stock Market, Inc.

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