Bailard Real Estate Fund Quarterly Update

Q3 | 2023

Plantation Colony Apartments, Columbia, MD

For the quarter ending September 30, 2023:

Bailard Real Estate Fund Q3 Highlights

PERFORMANCE

The Fund's quarterly NCREIF-based gross return was -0.6%, and -0.9% (net of management fee). For the year ended September 30, 2023, the Fund earned a gross return of -5.1%, and -5.9%, net. Since inception in April 1990, the Fund's annualized returns are 9.4% (gross) and 8.8% (net).[1]

INCOME

As of September 30, 2023, the Fund's property portfolio was 89% leased, down from 93% at Q2 quarter-end, 2023.[2] The portfolio's Net Operating Income (NOI) increased by 9.4% year-over-year (September 30, 2023 vs. September 30, 2022). The Fund's industrial properties experienced a year-over-year NOI increase of 38.7%. The outsized expansion was driven by leasing, as well as four recent acquisitions that contributed to the year-over-year calculation for the first time. Similarly, the 20.3% increase for the Fund's retail properties was in part related to the 2022 acquisitions of two assets now factored into the year-over-year analysis. The NOI of the portfolio's multifamily properties decreased by 0.1%, while NOI at the Fund's office assets dropped by 7.3% year-over-year.

BALANCE SHEET

As of quarter-end, the Fund held $53.4 million in cash and cash equivalents, or 3.4% of the Fund's Gross Asset Value (GAV), down from $75.4 million (4.8% of the Fund's GAV) at the end of Q3, 2022.[3] The aggregate loan-to-value (LTV) ratio for the Fund stood at 26.8% at quarter-end, up from 25.0% at the end of Q2 2023.[4] The portfolio's mortgage indebtedness had an in-place weighted-average interest rate of 5.2% at the end of the quarter, up 20 basis points[5] from 5.0% at Q2 quarter-end and 120 bps higher than it was at the end of Q3 2022, when the average portfolio-wide in-place interest rate was 4.0%.

A LOOK BACK

The most highly anticipated recession in a generation once again failed to arrive last quarter. In fact, as Bailard's Chief Investment Officer, Eric Leve, CFA, recounted last week, the recent GDP report "was a blockbuster" with a 4.9% third quarter (annualized rate) driven by the indefatigable consumer (+2.7%), inventories (+1.3%) and the government (+0.8%). A notable weak spot was capital expenditures, which were flat. All-in-all, however, hardly a landscape that portends an imminent economic contraction.

Katie Martin at the *Financial Times* recently described it this way, "Over the summer, a certain familiar fairy tale kept cropping up in financial markets: Goldilocks. Key economic data releases were neither too hot nor too cold, but just right, like the porridge sampled in the story by the plucky young eponymous hero. Jobs and inflation

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 1.47%. ***Past performance is no indication of future results. All investments have the risk of loss.*** *Please see page 15 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%.

figures were bright enough to suggest the US economy, in particular, was successfully withstanding the Federal Reserve's scorching campaign of interest rate rises, and dull enough to suggest the central bank might not need to do too much more before inflation gets back in its box." Bhanu Baweja and his colleagues at UBS deemed it "Peak Goldilocks."[6]

Now that summer is over and both August and September delivered back-to-back monthly drops in the S&P 500 (down 6.5% from 7/31 through 9/29) investors are reminded that things did not end well for Goldilocks... so they are hoping for a different fairy tale ending. And yet, the September jobs print showed, once again, that the U.S. economy's job creation machine continues to chug along with surprising vitality. In a sign of impressive economic stamina, payrolls grew by 336,000 in September on a seasonally-adjusted basis. The growth surprised economists and confirmed the labor market's strength.

The unemployment rate was steady at 3.8% and it has been below 4% for nearly two years, a stretch not achieved in over five decades. The gains reflected confidence among employers that the economic recovery had room left to run. Fears of an imminent recession have been easing since the spring, allowing businesses to revisit hiring plans that had been put on hold. The jobs report showed an economy still growing while wage pressures moderate, a positive sign that assuaged Traders and seemed to allay market fears of further Fed rate hikes.

And yet, there is a long list of concerns (economic and geopolitical) that, individually or in combination, could weigh on businesses, investors, and consumers over the next few quarters and send the economy in reverse, e.g., Elevated ("higher for longer") interest rates, two wars (Eastern Europe and the Middle East), political dysfunction in Washington, D.C., resumption of student loan payments, labor unrest across several industries, a housing market weighed-down by 25-year high mortgage rates, and a heretofore resilient consumer that may eventually finally be tapped-out.

Though the broad economy has so far avoided a contraction, the real estate investment and management industry (both public and private) has been in recession for the past four quarters. But it's a different kind of real estate recession. While vacancies are up for three of the four major property types over the past twelve months (see the table below), yet in-place rental rates for all four property types are actually up, albeit modestly, year-over-year. As we've said many times before, real estate houses our economy. And as long as the U.S. economy continues to grow, users will need space and, as long as developers don't get too far ahead of tenants' needs for space, supply/demand fundamentals can stay in relatively good balance. That is evidenced below for the multifamily, industrial, and retail property types.

Values, on the other hand, are where the asset class has gotten hit pretty hard. As depicted in the table below, the only property type that has, so far, avoided a valuation pullback is industrial, where values are relatively flat year-over-year. The obvious culprit for the value declines is the capital markets. The following table summarizes the damage across markets nationally:

National Vacancy and Rent Averages by Property Type

	Percent Leased			In-Place Rent ($/unit or $/SF)		
	Q3 2022	Q3 2023	% Change	Q3 2022	Q3 2023	% Change
Multifamily	94.5%	92.9%	-1.6%	$1,635	$1,668	$33
Industrial	96.0%	94.9%	-1.1%	$10.86	$11.74	$0.88
Office	87.7%	86.7%	-1.0%	$34.93	$35.13	$0.20
Retail	95.7%	95.9%	0.2%	$23.53	$24.49	$0.97
National Average	**93.5%**	**92.6%**	**-0.9%**	-	-	-

Source: NCREIF.

6 Martin, K. (2023, September 8). Inflation can still shake markets out of their peak Goldilocks vibe. Financial Times. https://www.ft.com/content/ff79759e-b093-46c7-a959-af1949401b97

The cost of debt and equity capital has increased dramatically since late 2022 and it has injected uncertainty into the markets and stymied investment activity. Debt is the fuel that powers a smooth, functioning, and robust transaction engine in the institutional real estate investment world. Over the past four quarters mortgage debt has become scarcer, more expensive, and tighter, which has sent the investment market into a deep freeze not seen since the Great Financial Crisis.

National Valuation Changes by Property Type

	Q4 2022 ($/unit or $/SF)	Q3 2023 ($/unit or $/SF)	% Change
Multifamily	$225,000	$212,000	-5.8%
Industrial	$145	$146	0.7%
Office	$235	$182	-22.5%
Retail	$214	$199	-7.0%

Source: NCREIF.

However, when discussing an asset class as diverse and nuanced as real estate, it's important to avoid broad generalizations. The national media is fond of painting real estate with a big wide brush, mostly because it's easy and makes for catchier headlines. MSCI, in its recent *Capital Trends* publication made the point this way, "Off-the-cuff comments from industry participants might lead one to believe that the Commercial Real Estate ("CRE") markets are in freefall with no debt available. The reality is more complex, however, with some sectors facing debt illiquidity and others simply facing more costly debt. The pace of investment sales surged to record levels quarter-after-quarter in 2021 and 2022 due to abundant and inexpensive debt and equity capital as low interest rates drove yield-hungry investors into CRE. The largest portion of the real estate debt market is the apartment sector, which often accounts for over 40% of all commercial property (office, retail, industrial, multifamily, and hotel) financing activity. Apartment sector originations were actually up 4% in Q2 2023 over Q2 2022. The industrial sector in Q2 2023 was even stronger relative to 2022 with originations up 45% year-over-year. The refrain that debt is not available does not apply to these two sectors."[7] As always, it's property type-by-property type, market-by market, and asset-by-asset. But the office sector is an entirely different story. Originations in the sector in Q2 2023 were 52% lower than the pre-pandemic (2015 through 2019) average.

The Bailard Real Estate Fund's assets, for the most part, continued to perform admirably.[8] The one exception is Bailard's office portfolio that is struggling for traction. There are a few encouraging signs, however, for some of the Fund's office properties. In west suburban Washington, D.C., west suburban Chicago, east suburban Columbus, and southwest suburban Minneapolis, tour activity has picked-up in the past few quarters.

Bailard's retail portfolio—although having slightly lower occupancy than the national average—has been a solid performer the past twelve months and is poised to get even better as two significant leases at the Fund's largest retail asset (Knightdale) are on the verge of being finalized and executed before year-end.

Bailard's industrial portfolio is sporting a sub-90% occupancy for the first time in many years and is significantly below the national average occupancy numbers. In fact, the portfolio has been consistently at or near 100% occupancy quarter after quarter for the past three years. What happened? The Fund acquired South Logistics Center in West Valley (suburban Salt Lake City), Utah during the third quarter. South Logistics is a 328,000 square foot class-A warehouse and distribution building that was at the time of acquisition (and remains) 100% vacant. Bailard is optimistic about South Logistics and believes the asset will be a solid long-term performer. But, unfortunately, additions to supply have been quite robust the past twelve months in the greater Salt Lake City

7 Costello, J. (2023, October 24). US Capital Trends, Q3 2023. https://events.msci.com/profile/web/index.cfm?PKwebID=0x7506abcd
*8 **Past performance is no indication of future results. All investments have the risk of loss.** Please see page 15 for additional performance information and important risks and disclosures on the last page.*

industrial market at the same time that tenant demand has started to slow. Bailard believes that the market will regain equilibrium over the next twelve to 18 months and that South Logistics is well-positioned to get leased-up over the next few quarters.

Finally, as can be seen by examining the graphics both above and below, Bailard's multifamily occupancy continues to outperform national averages and remains a steady and strong component of Bailard's overall property portfolio.

BREF Quarterly Leasing Activity[9]

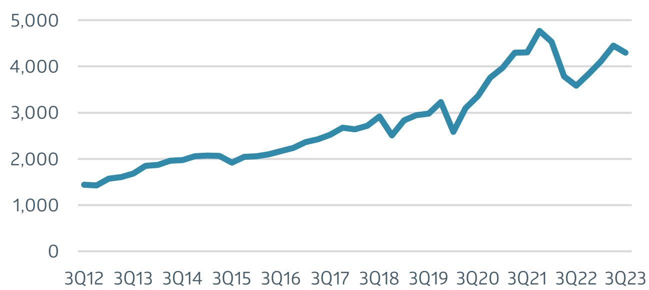
	One Year Ago Q3 2022			One Quarter Ago Q2 2023			Current Quarter Q3 2023		
	New	Renewal	% Leased	New	Renewal	% Leased	New	Renewal	% Leased
Office									
Square Feet	13,884	7,155	84%	0	1,446	75%	25,051	27,056	74%
# of leases	4	3		0	1		3	3	
Retail									
Square Feet	1,550	14,913	95%	45,000	1,400	93%	0	30,000	92%
# of leases	1	1		1	1		0	1	
Industrial									
Square Feet	0	39,798	100%	40,188	43,909	100%	0	232,250	89%
# of leases	0	2		1	1		0	3	
Multifamily									
# of units	255	263	95%	263	238	97%	317	319	96%

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.

Real Estate Economic & Market Conditions

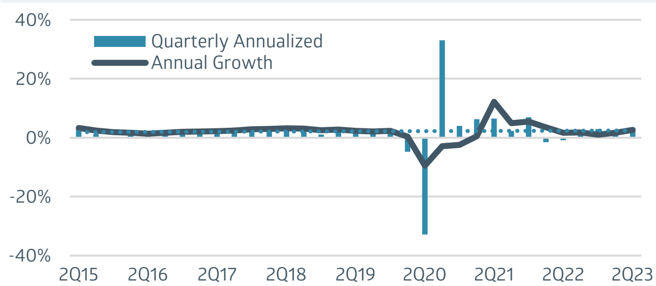
(as of September 30, 2023)

S&P 500 Index[1]



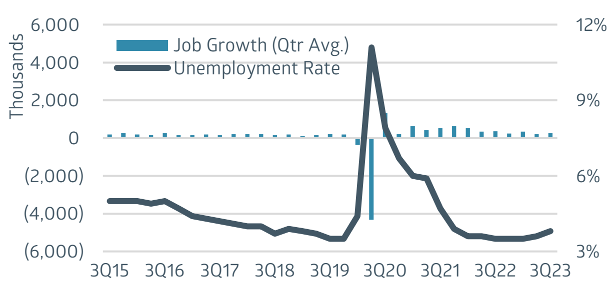
- The S&P 500 Index ended Q3 at 4,299, down 3.4% quarter-over-quarter, but still up 12% year-to-date.
- The Index ended in positive territory 31 trading days, or 49%, below the five-year average of 54%.
- Nine of the eleven S&P sectors recorded negative returns for the quarter. Energy and Communication Services defied the negative trend.
- Tech-related stocks, which enjoyed a stellar run in the first half of 2023, suffered the biggest pullback in Q3.

Real Gross Domestic Product (GDP) Growth



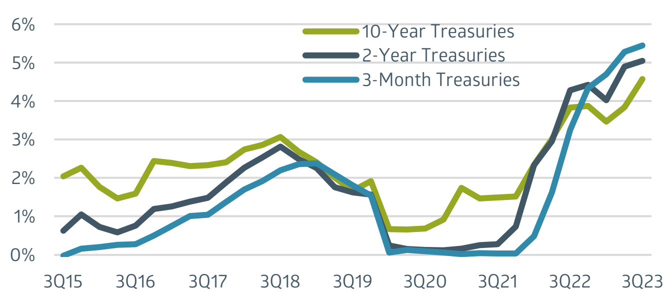
- GDP in Q3 increased at an astounding and surprising annual rate of 4.9%, the highest rate since Q4 of 2021.
- Increases in consumer spending, private inventory investment, and exports drove the rise in GDP during Q3, which offset decreases in nonresidential fixed investment and state and local government spending.

Job Growth and Unemployment Rate



- Even though job gains totaled 799,000 jobs (a monthly average of 266,000 jobs), the trend line over the last twelve months shows decelerating job growth.
- The unemployment rate at the end of Q3 was 3.8%, up 20 basis points[2] quarter-over-quarter and 30 bps year-to-date.
- The Federal Reserve Open Market Committee (FOMC) anticipates a further slowdown in the labor market and projects an unemployment rate of 3.9% by year-end.

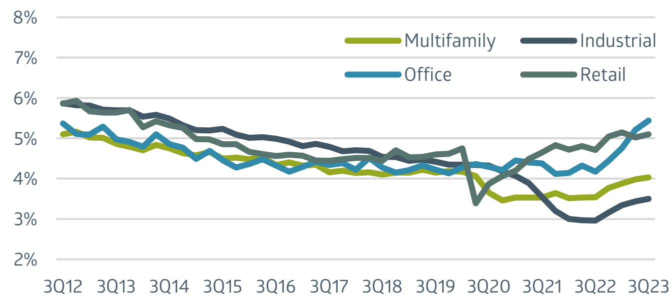
U.S. Treasury Yields



- The 10-Year Treasury yield closed Q3 2023 at 4.57%, up 73 bps since Q2 2023 and 74 bps year-over-year.
- The 2-Year Treasury yield hit 5.04% at Q3-end, up 15 bps from Q2 2023 and 76 bps year-over-year.
- The 3-Month Treasury yield closed Q3 at 5.45%, up 16 bps from Q2 2023 and 220 bps from the previous year.
- The 47 bp inversion gap between the 10-year and 2-year Treasury yields at Q3-end was down 59 bps from 106 bps at the end of Q2 2023, and down 4 bps year-over-year from 51 bps.

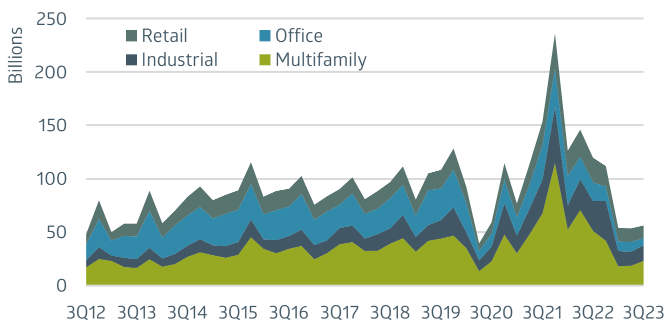
Source: Bloomberg.
1 Returns of the S&P 500 Index are presented as price change only. 2 A basis point (bp) is 0.01%.

Capitalization Rates[3]



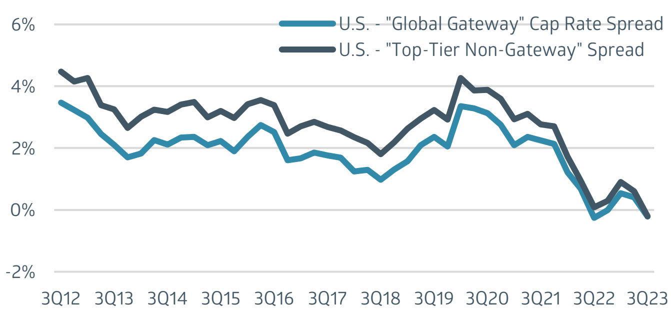
- According to NCREIF, capitalization rates at the end of Q3 for industrial, multifamily, retail, and office properties were 3.5%, 4.0%, 5.1%, and 5.4%, respectively.
- Office cap rates expanded the most, increasing by 23 bps quarterly, while multifamily, industrial, and retail increased by 5, 6, and 8 bps, respectively.
- Retail cap rates experienced minimal expansion year-over-year, up only 39 basis points.

Investment Volume



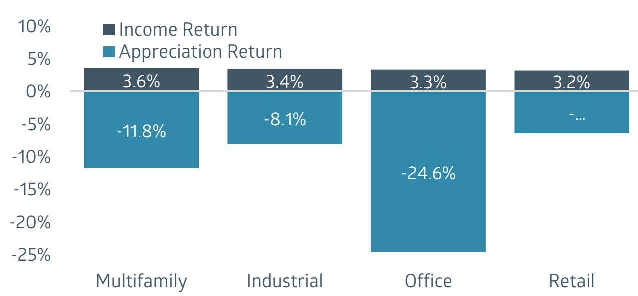
- During Q3, the combined transaction volume of the four main property types hit $56.2 billion, a 53% decline year-over-year.
- The multifamily sector contributed the largest share of the total volume at 41%, followed by industrial at 26%.
- Over the last year, the high cost of leverage, along with tighter lending standards and scarcity of debt coupled with a persistent bid/ask gap between buyers and sellers (especially for office), have dramatically impacted investment activity. This trend will continue until lenders and buyers are confident that values have hit proper levels.

Cap Rate to Ten-Year Treasury Spreads[4]



- The spread between the 10-Year Treasury and U.S. "Global Gateway" cap rates inverted by 22 bps at the end of Q3.
- The spread between the 10-Year Treasury and "Top-Tier Non-Gateway" cap rates also inverted by 21 bps.
- In Q3, the spread between "Global Gateway" and "Top-Tier Non-Gateway" cap rates was virtually zero due to an 80 bps increase in "Global Gateway" cap rates compared to a 47 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 -9.3%, 183 bps lower than Q2 2023.
- Although there was a one-year income return of 3.8%, the negative appreciation return of 12.7% (due to softening property values) pushed the total return deep into negative territory.
- Of the four major asset types, retail had the best one-year total return in Q2 2023, at -1.6%, outperforming the next closest asset type, industrial, by 360 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 10/31/2023; 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

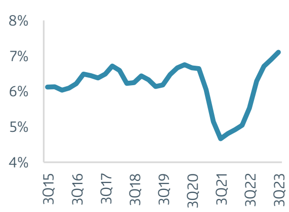
Vacancy has climbed for eight straight quarters (after touching historic lows), reaching 7.1% at Q3 quarter-end, 50 bps above its 20-year historical average. Consequently, the robust rent growth enjoyed from mid-2020 through early 2022 has decelerated dramatically. This is a direct result of the explosion of new supply over the past 18 months. In Q3 alone, developers completed 166,000 units, exceeding the positive absorption of 104,000 units. As a result, several markets that have endured the recent wave of deliveries and/or have substantial construction pipelines—e.g., Nashville, Atlanta, Denver, Dallas, and Austin—are grappling with a short-term oversupply. Fortunately, the market is responding and construction starts are poised to fall dramatically. Despite the challenges posed by oversupply in certain pockets, overall demand remains solid. Year-to-date absorption figures have surged 43% over a decidedly anemic 2022. Overall, the multifamily sector is poised to continue benefiting from household formation growth and the ongoing challenges for would-be first-time home buyers, including constrained inventory, elevated prices, home mortgage rates at 25-year highs, and tighter lending standards. These factors will continue to support a pathway to stabilization and a healthy and balanced multifamily sector.

VACANCY

As of Q3, 23: **7.1%**

10-Year Avg: **6.2%**

Qtr/Qtr Change:
20 bps ▲

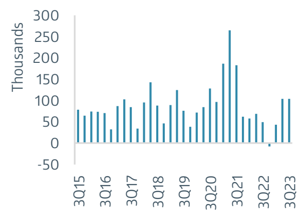


ABSORPTION

As of Q3, 23: **104,000 units**

10-Year Avg: **84,000 units**

Qtr/Qtr Change:
0 units

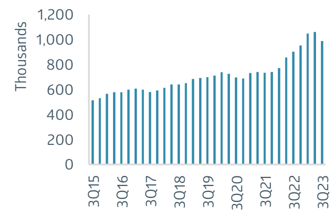


CONSTRUCTION

As of Q3, 23: **987,000 units**

10-Year Avg: **667,000 units**

Qtr/Qtr Change:
73,000 units ▼

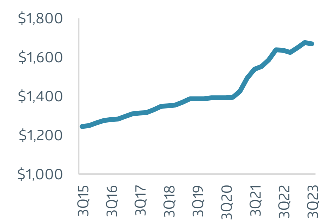


RENT

As of Q3, 23: **$1,668/month**

10-Year Avg: **$1,378/month**

Qtr/Qtr Change:
-0.4% ▼



Industrial

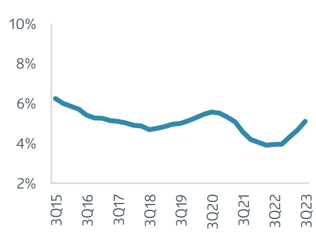
Since the pandemic-triggered industrial (warehouse & distribution) boom, user demand has moderated the past four quarters as third-party logistics providers, wholesalers, and retailers have become more cautious in the face of economic uncertainty and the changing economic landscape. In Q3, net absorption reached 31.2 million SF, a 56% decline year-over-year. If the demand deceleration continues, 2023 will be the slowest year of net absorption since 2013. The vacancy rate stood at 5.1% at Q3-end, marking a 40 bp increase quarter-over-quarter and 115 bp year-to-date. The continued gradual rise was due to a surge in new supply, moderating demand, and occupiers right-sizing their footprint (through subleasing). Since the beginning of the year, 505 million sf of new supply has been added; handily surpassing last year's all-time high of 487 million SF. However, with a shrinking construction pipeline and upcoming delivery slowdown, as long as demand holds up, albeit at a moderated pace, the over-supply challenging many markets should get absorbed and, in most cases, bring those markets back into equilibrium over the next twelve to 18 months.

VACANCY

As of Q3, 23: **5.1%**

10-Year Avg: **5.4%**

Qtr/Qtr Change:
50 bps ▲

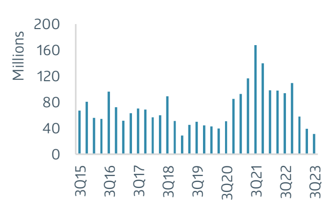


ABSORPTION

As of Q3, 23: **31 million SF**

10-Year Avg: **69 million SF**

Qtr/Qtr Change:
8 million SF ▼

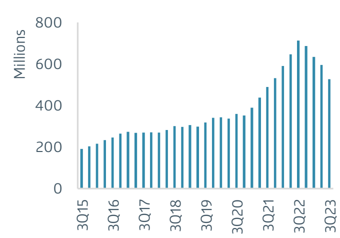


CONSTRUCTION

As of Q3, 23: **527 million SF**

10-Year Avg: **339 million SF**

Qtr/Qtr Change:
68 million SF ▼

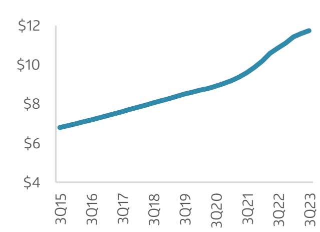


RENT

As of Q3, 23: **$11.74/SF (NNN)**

10-Year Avg: **$8.36/SF (NNN)**

Qtr/Qtr Change:
1.2% ▲



Source: CoStar Group.

Office

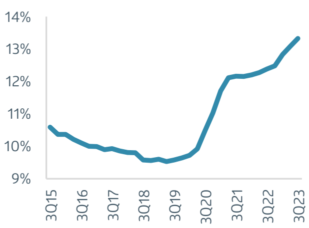
The office downturn persists as occupiers delay making long-term commitments and/or continue to reduce their footprints. As a result, most landlords face the sisyphean challenge of trying to stabilize buildings while tenants downsize and the cost of retaining and/or attracting new tenants skyrockets. Negative net absorption in Q3 brought the year-to-date total to a negative 47 million SF. The national vacancy rate increased another 20 bps to close Q3 at 13.3%, a new high, and sublease space continues to burden the office landscape, with 255 million SF total available sublease nationally. So far, rents continue to defy gravity, as average asking rents were down a mere 0.3% quarter-over-quarter and still up 0.6% year-over-year. Landlords are being forced to offer significant concessions, generous tenant improvement packages, and other tenant-friendly terms to attract the few active and available users. Though new construction starts are falling off a cliff, it's too little too late for the beleaguered sector. It is going to be a long, painful, and uncertain recovery for the once-healthy and dominant property type.

VACANCY

As of Q3, 23: **13.3%**

10-Year Avg: **10.9%**

Qtr/Qtr Change:
20 bps ▲

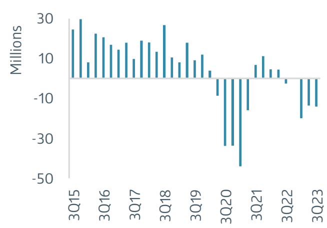


ABSORPTION

As of Q3, 23: **-14 SF**

10-Year Avg: **7 million SF**

Qtr/Qtr Change:
1 million SF ▼

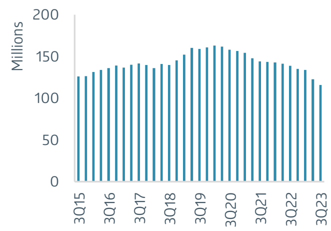


CONSTRUCTION

As of Q3, 23: **116 million SF**

10-Year Avg: **137 million SF**

Qtr/Qtr Change:
7 million SF ▼

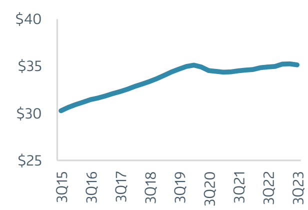


RENT

As of Q3, 23: **$35.13/SF (Gross)**

10-Year Avg: **$32.70/SF (Gross)**

Qtr/Qtr Change:
-0.3% ▼



Retail

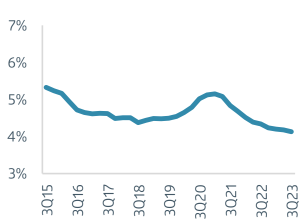
During Q3, the sector continued to shine, even amid a cornucopia of economic uncertainties. Supply/demand fundamentals are healthy, thanks to a combination of manageable additions to supply from cautious and chastened retail developers, along with steady demand for space by retailers eager to expand. The balanced landscape continues to benefit from strong and durable consumer spending activity. Positive net leasing in Q3 clocked-in at an impressive 12 million sf, the eleventh straight quarter of positive net absorption. Discount retailers, quick-service restaurants, and grocery stores were the most active formats during the quarter as retailers continued to expand and store openings outpaced closures. Strong fundamentals continued to support solid rent growth; average asking rent increased 1.0% quarter-over-quarter and an impressive 4.1% year-over-year. At the close of Q3, 60.7 million SF of retail space was under construction, 14.0% below the 10-year average of 70 million SF. In the shadow of the pandemic, the retail sector has demonstrated remarkable adaptability and resilience, and appears to be in a sweet spot for at least the near to mid term.

VACANCY

As of Q3, 23: **41%**

10-Year Avg: **4.9%**

Qtr/Qtr Change:
0 bps

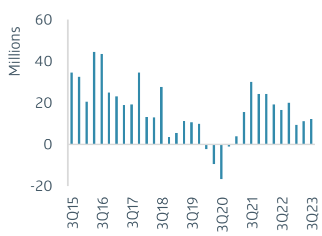


ABSORPTION

As of Q3, 23: **12 million SF**

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

Qtr/Qtr Change:
1 million SF ▲

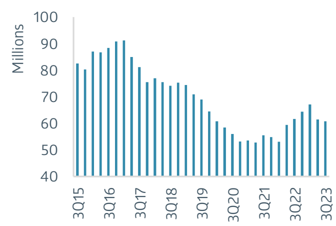


CONSTRUCTION

As of Q3, 23: **61 million SF**

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

Qtr/Qtr Change:
1 million SF ▼

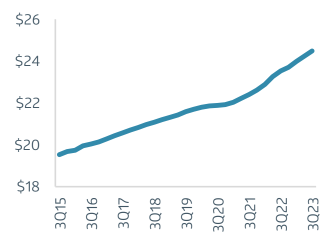


RENT

As of Q3, 23: **$24.49/SF (NNN)**

10-Year Avg: **$21.18/SF (NNN)**

Qtr/Qtr Change:
1.0% ▲



Sources: CBRE, CoStar Group.

THE LOOK AHEAD

So, where to from here? As we've said several times over the past four quarters, there are some very smart people predicting an imminent economic contraction. Some others have pushed their recession forecast out to mid or late 2024. And still others believe that the Fed will be able to stick a soft landing and the U.S. economy will dodge a recession all together. There is certainly ample evidence on both sides of the divide. Several factors are cause for concern: higher-for-longer interest rates, tighter credit standards, two hot wars attracting U.S. resources, faltering consumer confidence, moderating wage growth, ebbing savings rates, rising fuel costs, and a persistent inverted yield curve. While on the other side, a few factors give rise to some optimism: a stalwart U.S. consumer, a resilient and steady labor market, moderating inflation, and the Federal Reserve signaling that it may be done raising rates this cycle.

A recent article in *The Wall Street Journal* provided some important context in this way, "...on the eve of recessions in 1990, 2001, and 2007, many economists and Wall Street analysts proclaimed that the U.S. economy was on the cusp of a soft landing."[6] Similarly, this summer's combination of easing inflation and cooling labor market while consumers continued to buy and the economy continued to grow has fueled optimism that this most difficult of policy goals might actually be achieved. But soft landings are rare for a reason: because they are exceedingly difficult to pull off. The Federal Reserve held rates steady (albeit at a 22-year high) at its meeting in late September and then again on November 1 (after eleven straight increases starting in March, 2022), in the hopes of slowing the economy down without tipping it into recession.

Since WWII, the U.S. has achieved only one durable soft landing, in 1995. Back then, inflation was at 2% and the Fed lifted rates to prevent it from rising... and then the Fed pivoted quickly to lowering rates when they realized they might have acted too aggressively. Today, with inflation above 3% and the Fed determined to force it down, officials have indicated that they will hold rates higher for longer than they might have before the recent spell of inflation to ensure that price pressures don't re-emerge.

Another recent article in *The Wall Street Journal* trumpeted the positive news that in its latest quarterly survey of business and academic economists, the probability of a recession dropped to 48% from 54% last quarter. "The probability of recession continues to recede in the U.S. as banking turmoil subsides, strong labor market fundamentals persist, and rising real incomes support consumer demand."[7]

Fueling optimism are several key factors: inflation continuing to decline, the prospect that the Fed may be done raising rates, a robust labor market, and economic growth that has outperformed expectations.

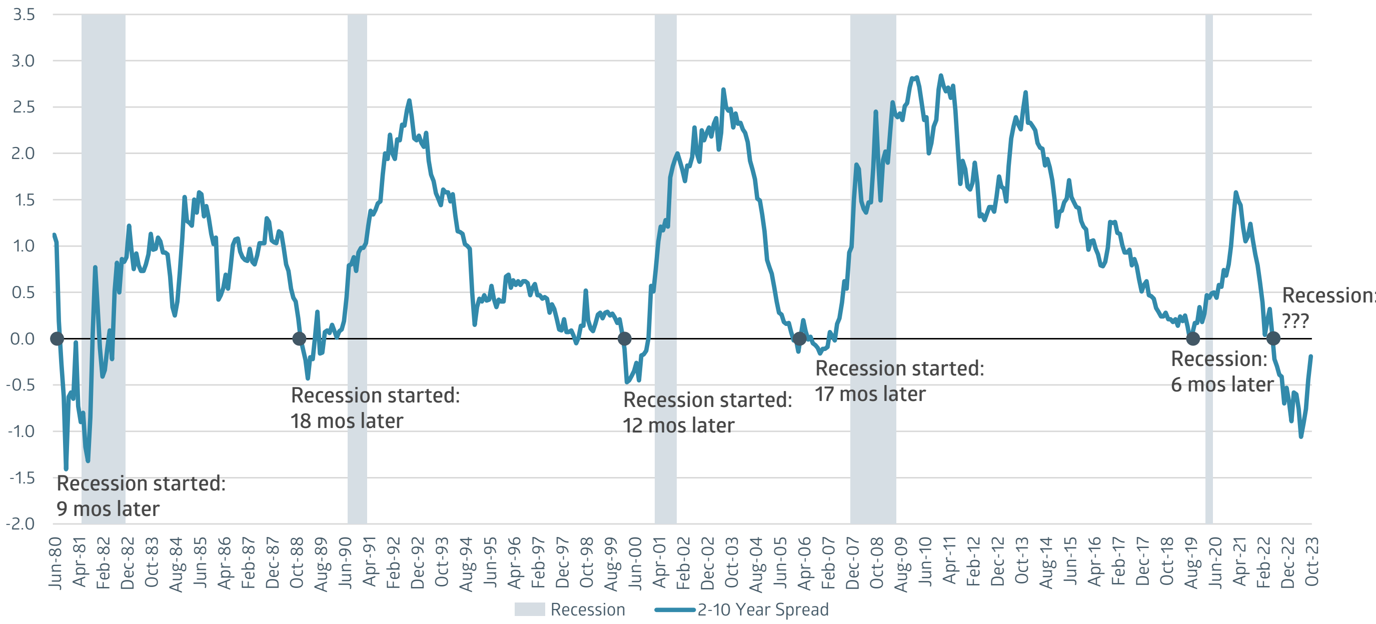
"Over the past several months, the case for a soft landing has undeniably strengthened," said economists at Deutsche Bank. "However, headwinds such as depleted savings, tightening credit conditions, slowing income growth, and resumption of student loan payoffs will weigh more appreciably over the next year."[8]

But there are rough spots on the path for households. With long-term rates shooting up recently, that will translate into higher mortgage rates, higher car loan rates, higher personal loan rates, and higher credit card rates.... All conspiring to put additional strain on consumers.

Regarding the yield curve, an inverted yield curve has been a reliable predictor of recessions over the past several decades. The yield curve is now in its 18th month of inversion, slightly longer than the historical average for yield curve inversions. The most popular yield-curve measure is the relationship between the yield on 2-year and 10-year government notes, known as the 2-10 spread. The simplest message sent by inverted yield curves is that investors think that short-term interest rates will be lower in the future than they are now... though that doesn't guarantee a recession.

6 Timiraos, N. (2023, September 18). Why a soft landing could prove elusive. The Wall Street Journal. https://www.wsj.com/economy/central-banking/why-a-soft-landing-could-prove-elusive-3d17e134
7 Torry, H., & DeBarros, A. (2023, October 15). WSJ News Exclusive | A recession is no longer the consensus. The Wall Street Journal. https://www.wsj.com/economy/a-recession-is-no-longer-the-consensus-3ad0c3a3
8 ibid.

Recession Indicators: Inverted Yield Curve & Subsequent Recessions



Sources: Bailard, NCREIF, as of 9/30/2023.

The economy doesn't typically contract while the yield curve is inverted. Rather the curve un-inverts shortly before a recession with short-term bond yields falling because the Fed is cutting rates or is on the verge of doing so. Recently, the curve was becoming less inverted, but not in a normal way, when longer-term yields rose sharply while short-term yields barely budged. Some surmise that this a sign that investors were growing more optimistic about a soft landing and scaling back bets on interest-rate cuts designed to stimulate a flagging economy.

The table above shows that the last five recessions (since 1980) were all preceded by a yield curve inversion. The average number of months between inversion and recession over that time period has been 12.4 months. Some analysts see a good chance that the yield-curve could continue to stay inverted well beyond historical norms given the unusually large yield-gap for most of the past year and the underlying strength of the U.S. economy.

One sign that investors are struggling to make sense of the investment landscape and figure out where the economy is headed is the recent explosive growth of money market funds. As catalogued in a recent *Financial Times* article, investors poured over $1 trillion (~16.5% growth) into global money market funds through the first nine months of 2023, attracted by the best yields available in over 15 years and uncertainty over the outlook for the U.S. economy. The flood of new cash into money market funds, puts the vehicles on course for record inflows of $1.5 trillion by year-end, according to Bank of America Securities. [11]

Analysts at BofA are saying that the steady flow of cash into these low-risk vehicles reflected "one-trillion dollars of doubt" about the outlook for the economy and riskier assets. There's tremendous uncertainty about "whether it's a soft landing or a hard landing, whether the Fed's done or not done, and whether it's a bull market or still a bear market," said Michael Hartnett at BofA Securities. Those big questions haven't been resolved, and until they are, and an investor can get ~5% risk-free in a money market fund, it's going to attract inflows.[12]

In an editorial entitled "Some Sanity is Returning at last to Bond Trading," in the *Financial Times*, American

11 Clarfelt, H. (2023, September 15). Nervy investors pour $1tn into money market funds. Financial Times. https://www.ft.com/content/58d65ee5-f224-4e66-8674-beefbf30c776
12 ibid

business writer William Cohan puts a positive, though pointed, spin on the recent run-up in interest rates and the resultant turmoil. “There’s a lot of unjustified hand-wringing these days among economists and others about how quickly interest rates have risen in the wake of the Federal Reserve’s 18-month effort to reverse its easy money policies that followed the financial crisis of 2008.

“But, hello, what did the hand-wringers expect to happen after central banks around the world manipulated down interest rates to their lowest levels in recorded history between 2009 and 2022? Did they really think there would be no financial consequences to keeping interest rates at or near zero for more than a decade? Or that the Great Unwinding of the Fed’s relentless policy of zero interest rates would be painless?”[13]

The Fed’s balance sheet expanded ten-fold as the Fed became the buyer of last resort for all kinds of corporate and government debt that was larding up the balance sheets of Wall Street’s teetering financial institutions. The process, which Fed Chair Bernanke dubbed the Orwellian “quantitative easing” had the intended effect of causing bond prices to soar and debt yields to plummet. The idea, not a bad one at first, was to make borrowing so cheap that individuals and businesses would start borrowing again. But it was too much of a good thing as Bernanke’s successors (Yellen and Powell) kept it up, in part to appease traders, borrowers, and others making money from money, all of whom were addicted to free money. Apparently this obvious, inevitable, and overdue rise in rates has come as a shock to many.

“But at last we are seeing a return to a world where risk and return can be priced in a more real way after the distortions of recent years caused by the huge interventions of the Fed. The market will determine a more proper reward for the risk of owning a piece of debt, not artificial demand generated by Washington bureaucrats. That will be best in the long term for both investors and the financial sector.”[14]

A harsh assessment, for sure. William Cohan’s words resonate with some of us “old-timers” in the real estate investment business who watched with astonishment from 2010 through 2022 as asset values soared to unimaginable heights, going-in capitalization rates plumbed inconceivable lows, and smart, capable real estate professionals (many of who should have known better) utilized fantastical assumptions in their investment models to rationalize pricing in order to “win deals.” It was all so easy. But for a two-quarter pause at the onset of the pandemic, quarter after quarter (48 out of 50 quarters, in fact), values went up supported by artificially low interest rates… and all the while investors hummed “Zip-a-Dee-Doo-Dah.”

Trees don’t grow to the sky… and it had to end sometime. So institutional real estate is going through an important and overdue reset. Yes, debt is more expensive and it’s scarcer. Yes, many borrowers are stressed and some are even distressed. Yes, the bid/ask spread between buyers and sellers is gaping and there is no immediate catalyst to help close it. Yes, the transaction market has fallen off a cliff. And, yes, values have declined substantially over the past four quarters and may still have a bit left to go. To paraphrase William Cohan’s comments above, “Hello, what did you expect?” If you overindulge at the free punchbowl, you are likely to end up with a nasty hangover.

So it’s “back to basics” for real estate investment managers. For the foreseeable future money is going to be made and performance is going to be earned the old-fashioned way, with aggressive and focused management and leasing. Properties have to be actively managed. Tenants have to be courted and nurtured and made to feel special and wanted. Revenues must be pushed and nourished. Expenses need to be rationalized, controlled, and fussed-over. And capital must be invested judiciously. Real Estate owners are not going to have the gale-force tailwinds of ever-compressing cap rates to turbo-charge returns. It’ll happen slowly and painstakingly as it did for most of the 30 years prior to the Great Financial Crisis.

We have no idea how long this reset is going to last. The Fed may be done raising rates. That will be an important precondition for commercial real estate players who are looking for some stability and clarity in the capital

13 https://www.ft.com/content/aa92d184-f5cb-4d45-b0e4-ad0e8137ecb5
14 ibid.

markets. But fortunately, most of the value declines of the past four quarters have come at a time while real estate fundamentals (i.e., the supply of space and the demand for that space) for multifamily, industrial, and retail properties (on average ~80% of the composition of the ODCE fund portfolios) were in relatively good balance while occupancies have held up and rents have been growing. So the necessary diminution in values that have happened were "facilitated" and driven by the rising cost of debt and equity capital the past four quarters. Fed policies did their job! And it feels like a substantial part of the reset is behind us.

Time will tell. But, in the meantime, the Bailard real estate team will remain laser-focused on the basics and will continue to do its best to protect the Fund's liquidity so that when the market does start to turn, the team will be poised to make smart, accretive investments for the benefit of Fund shareholders.

Fund Performance

The Fund's Net Asset Value (NAV) decreased to $33.78 per share as of September 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 -0.6% (gross) and -0.9% (net of management fee). For the year ended September 30, 2023, the Fund earned a -5.1% gross return and -5.9% net return.[1]

During the third quarter, 21 of the Fund's 35 properties experienced losses in value of between 0.1% and 12.3% and ten saw increases of 0.4% to 7.4%, while four were unchanged.

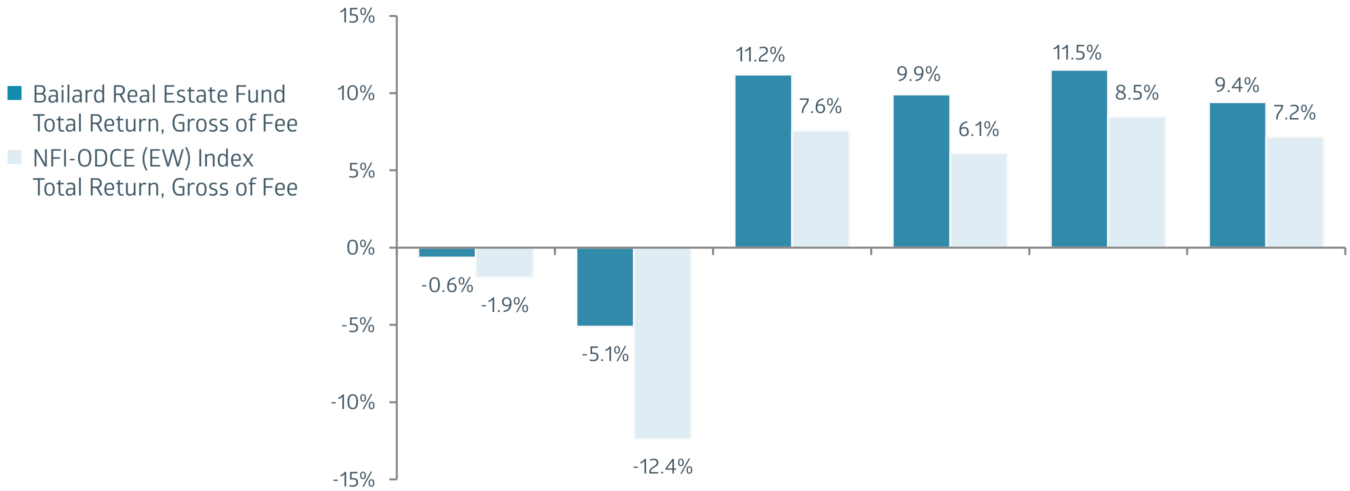
The largest valuation decline occurred at Highland Pointe in Lombard, IL, which was written down by 12.3% due to rising tenant improvement costs and falling rents in the market. Town & Country in Orange, CA decreased by 6.0% related to vacancy loss and re-tenanting costs. Poplar Glen in Columbia, MD experienced a drop of 4.0% due to higher yield rates driven by increases in the cost of equity and debt capital.

The Grand at Saginaw multifamily development in north-suburban Fort Worth, TX experienced the largest write-up of the quarter, increasing by 7.4% related to construction progress and promising initial leasing. M Street in Washington, DC rose in value by 4.7% due to an increase in market rents reflecting growing retail leasing demand in Georgetown. The value of Brookfield Reserve in Brookfield, WI grew by 3.4% due to higher market rents.

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 1.47%. 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 9/30/2023



	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (4/90)
Total Return						
Bailard, Net of Fee	-0.9%	-5.9%	10.3%	9.0%	10.6%	8.8%
ODCE (EW), Net of Fee	-2.1%	-13.1%	6.7%	5.2%	7.6%	6.2%
Income Return						
Bailard, Gross of Fee	0.7%	3.0%	3.5%	3.9%	4.0%	5.2%
ODCE (EW), Gross of Fee	0.9%	3.4%	3.7%	3.9%	4.3%	6.4%
Bailard, Net of Fee	0.5%	2.2%	2.7%	3.0%	3.1%	4.6%
ODCE (EW), Net of Fee	0.7%	2.6%	2.9%	3.1%	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 1.47%.

Past performance is no indication of future results. All investments have the risk of loss.

Fund Overview

As of September 30, the Fund's property portfolio was 89% leased, down from 93% at Q2 quarter-end, 2023 and down from 94% as of Q3 2022, one year ago.[1]

Aggregate Net Operating Income at the portfolio's multifamily assets decreased by 0.1%, year-over-year. This overall decline was primarily due to loss of NOI from Santa Monica Apartments, which was sold in Q4 2022. Lowa46 in Minneapolis, MN declined by 8.0%, and C&E Lofts in St. Paul, MN contracted by 6.3%. Partially offsetting these decreases were Plantation Colony in Plantation, FL and La Morada at Weston in Weston, FL, which increased by 11.9% and 7.1%, respectively.

Year-over-year, NOI at the Fund's office properties dropped by 7.3%. Flying Cloud in Eden Prairie, MN experienced an NOI contraction of 25.6% due to reduced occupancy, while Town & Country in Orange, CA declined by 15.8%. Partially offsetting these decreases was Fairview Park in Falls Church, VA, which rose by 56.2% resulting from a one-time early termination fee paid by United Healthcare Group. In addition, 150 Pierce Road in Itasca, IL grew by 18.4% as the free rent period on two large 2021 leases ended early in 2022.

NOI at the Fund's industrial properties increased 38.7%, year-over-year. Highland Business Park in Westampton, NJ rose by 44.7%. South Mountain Industrial in Phoenix, AZ grew by 19.5% 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 in Savannah, GA (Q4 2021), Market Street Industrial in Houston, TX (Q3 2022), Waterville Industrial in San

Fund Summary

AS OF 9/30/2023[2]

Property Portfolio	$1,467.4 mil.
Cash and Cash Equivalents[3]	$71.4 mil.
Restricted Cash[3]	$15.0 mil.
Other Assets	$4.3 mil.
Gross Asset Value[4]	$1,558.1 mil.
Debt[5]	$421.4 mil.
Dividends Payable	$3.1 mil.
Other Liabilities	$25.7 mil.
Net Asset Value (NAV)	$1,107.9 mil.
Noncontrolling Interests in Joint Ventures	$49.4 mil.
Fund's Net Asset Value	$1,058.5 mil.
Current NAV/Share	$33.78
Dividends Paid/Share (Quarter)[6]	$0.10
Dividends Paid/Share (Trailing Twelve Months)[6]	$0.50
Number of Properties	35
% Core / Operating	96%
% Leased[1]	89%
Multifamily	96%
Office	74%
Industrial	89%
Retail	92%
Other (Data Center)	0%
Weighted Average Remaining Lease Term (SF)	5.9 years
Office	3.7 years
Industrial	6.1 years
Retail	8.1 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 $49.4 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.

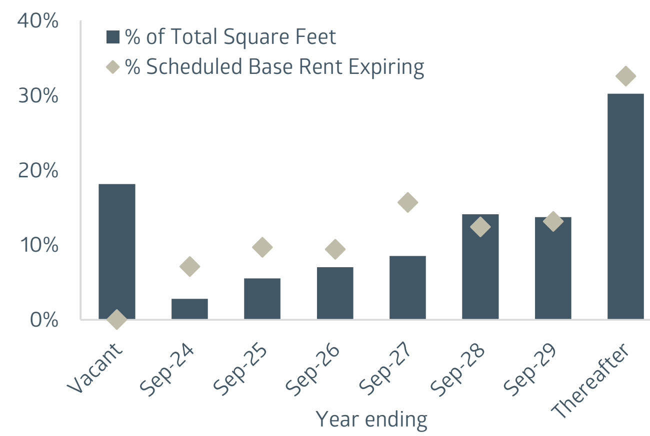
Diego, CA (Q4 2022), and Meadowville Distribution Center in Chester, VA (Q1 2023). Partially offsetting these increases was Junction Drive in Annapolis Junction, MD, which dropped by 78.0% due to the free-rent provided to Northrop Grumman in exchange for its long-term lease commitment.

The Fund's retail holdings experienced a year-over-year NOI increase of 20.3%. M Street in Washington, D.C. saw more consistent rent collections over the past year, leading to a 20.6% 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 6.2% after a short-term month-to-month tenant vacated.

As of third quarter-end 2023, the Fund held $53.4 million in cash, representing 3.4% of the Fund's Gross Asset Value (GAV).[7] Additionally, the individual property-level accounts have accumulated another $26.0 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 9/30/2023[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	2.6%
BAE Systems	South Mountain Industrial	2.3%
CCBCC Operations	Meadowville Distribution Center	2.2%
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	1.5%
Prometric	Nottingham 7941	1.5%
Total Top 10 Tenants		**21.8%**

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 September 30, the Fund had leverage totaling $421.4 million, amounting to an aggregate Debt-to-Gross Asset Value ratio of 26.8%, up from 25.0% at the end of the previous quarter.[9] Individual property Loan-to-Value (LTV) ratios ranged from 29% to 73%, with the average LTV on encumbered properties at 48%, up from 39% at the end of the third quarter one year ago. The in-place weighted average interest rate on encumbered properties was 5.2% at the end of the quarter, up from 5.0% at Q2 quarter-end and 4.0% from one year ago. The quarter's impact of marking debt to market was 0.15%.

During the quarter, the Fund exercised options to extend the maturity dates on two loans:

1) At Shoppes at Knightdale in Knightdale, NC, the $23.3 million 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 $12.0 million 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%.

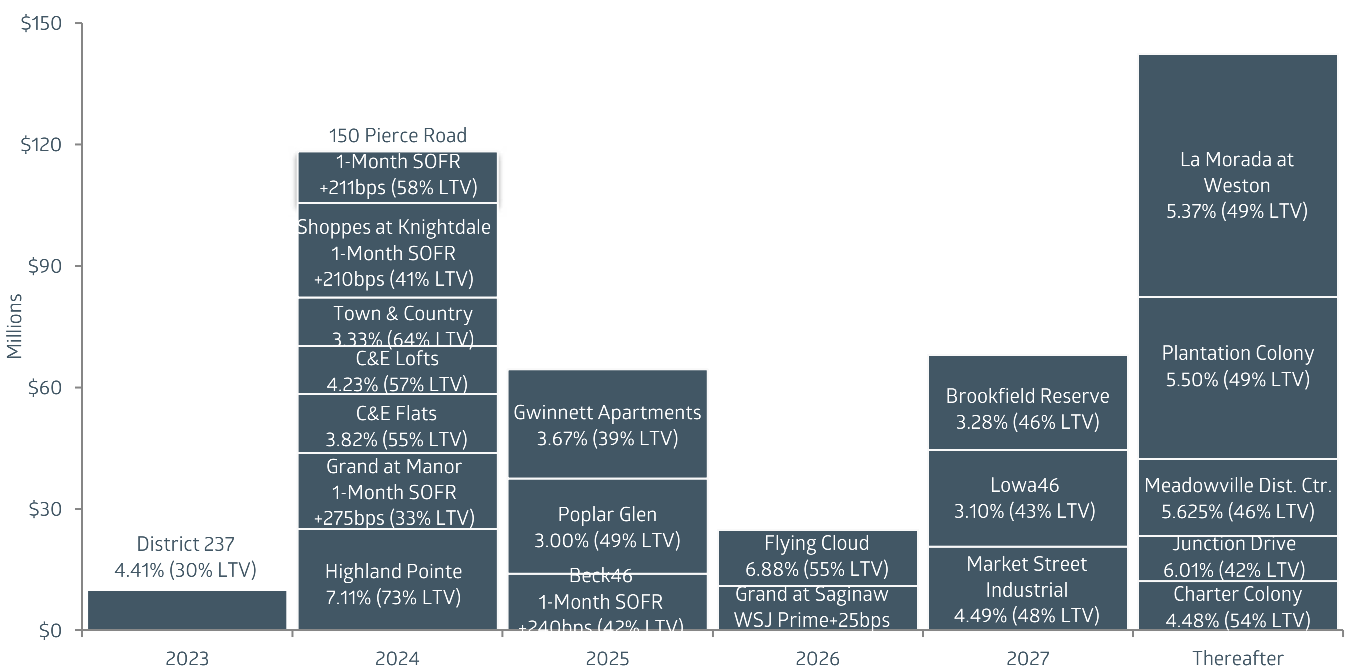
Also during Q3, the Fund financed Junction Drive in Annapolis Junction, MD. The industrial property's new seven-year, $11.25 million loan is interest-only for the first four years with a fixed interest rate of 6.01%.

Looking forward, the $10.0 million loan at District 237 in San Jose, CA is scheduled to mature in Q4, 2023. The Fund plans to pay off the entire loan at maturity.

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

Debt Outstanding (Fund's Economic Share)	$396.0 mil.
Debt to Gross Asset Value	27%
% Fixed Rate Debt	83%
Property Portfolio Debt Service Coverage Ratio	3.4x
Weighted Avg. Interest Rate	5.2%
Fixed Rate: Weighted Avg. Remaining Term	3.5 years
Floating Rate: Weighted Avg. Remaining Term	1.2 years
# of Unencumbered Properties	14

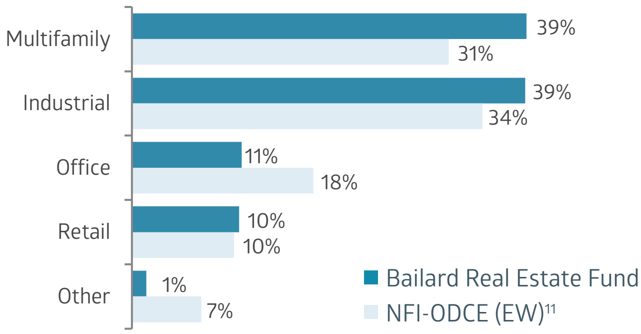
Debt Maturity Schedule[9] AT PAR, AS OF 9/30/2023



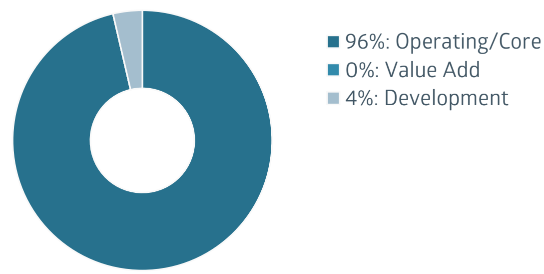
9 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets).
Chart reflects shaded areas 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 9/30/2023)

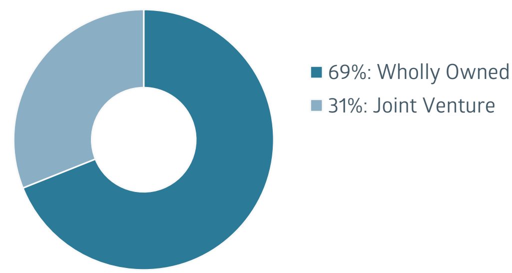
Property Type



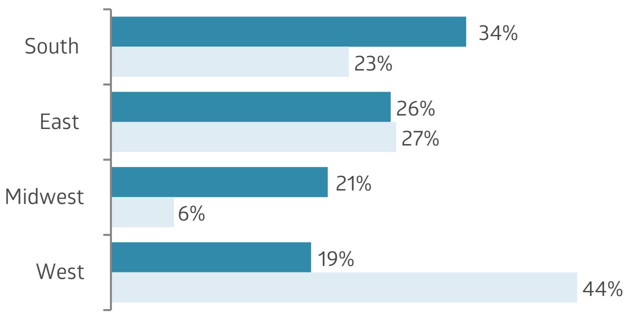
Property Life Cycle



Investment Structure



Geography



Transaction Activity

ACQUISITION[12]

South Logistics Center, West Valley City, UT: On August 7, the Fund closed on the acquisition of South Logistics Center at a gross purchase price of $56.7 million. The building is a freestanding warehouse/distribution facility totaling 328,607 square feet, constructed in 2023 and ready to be leased. South Logistics Center is located in the Northwest Quadrant submarket of Salt Lake City, just west of the State Route 201 corridor. This micro-location benefits from less congested roads and easy access to State Route 201, an east-west freeway that connects to major U.S. highways, Interstate-215 to the east and Interstate-80 to the west.

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.
*12 **Past performance is no indication of future results. All investments have the risk of loss.** There is no guarantee any investment strategy will be successful. 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.*

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.

Initiative Update: GRESB

In 2022, the Fund completed the voluntary GRESB assessment for the first time. Building upon this initial assessment, the Fund recently received its 2023 GRESB score and feedback.

KEY TAKEAWAYS – The Fund saw minor score increases across half of the categories, with an overall increase of two points. Collecting utility data to create a baseline understanding of our impact has been the Fund's primary focus over the past two years. The portfolio's energy use, water use, and GHG emissions scored in line with our competitive set. The largest improvements year-over-year were related to management policies and stakeholder engagement.

NEXT STEPS – Work related to improving the Fund's environmental impact and overall sustainability goals is an ongoing endeavor. The Fund looks to build on its policies and track record each year by concentrating on areas we view as providing the most impact. Over the next year the main opportunities the Fund intends to focus on are onsite renewable energy projects, climate risk assessments, waste monitoring and further enhancing our policies and procedures around monitoring our ESG goals.

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.

Property Portfolio Summary

Location (MSA)	Investment	SF/Units	% Leased[1]	% Change From Previous Carry Value[2]
Multifamily				
Atlanta	Gwinnett Apartments	238 units	95%	-3.0%
Austin	The Grand at Manor	271 units	96%	-3.4%
Baltimore	Poplar Glen	191 units	98%	-4.0%
Dallas/Ft. Worth	The Grand at Saginaw	236 units	N/A	7.4%
Ft. Lauderdale	La Morada at Weston	367 units	97%	0.5%
Ft. Lauderdale	Plantation Colony	255 units	95%	-2.9%
Milwaukee	Brookfield Reserve	193 units	95%	3.4%
Minneapolis-St. Paul	Beck46	144 units	N/A	-2.6%
Minneapolis-St. Paul	C&E Flats - Multifamily	118 units	97%	-0.9%
Minneapolis-St. Paul	C&E Lofts	103 units	96%	-0.1%
Minneapolis-St. Paul	Lowa46 - Multifamily	147 units	95%	-5.4%
		2,263 units	**96%**	**-1.2%**
Industrial				
Baltimore	Junction Drive	96,666 SF	100%	2.7%
Houston	Market Street Industrial	395,725 SF	100%	-1.2%
Orange County	Fullerton Industrial	254,750 SF	100%	0.0%
Philadelphia	Highland Business Park	569,893 SF	100%	-1.9%
Phoenix	South Mountain Industrial	188,140 SF	100%	-0.3%
Richmond	Meadowville Distribution Ctr	353,044 SF	100%	0.7%
Salt Lake City	South Logistics Center	328,607 SF	0%	N/A
San Diego	Waterville Industrial	101,435 SF	100%	0.6%
Savannah	Georgia Trade Center	416,450 SF	100%	-1.5%
St. Louis	Westport Industrial Portfolio	651,009 SF	92%	0.9%
		3,355,719 SF	**89%**	**-0.4%**
Office				
Baltimore	Nottingham 7941	57,782 SF	100%	-2.3%
Chicago	150 Pierce Road	181,614 SF	89%	-0.5%
Chicago	Highland Pointe	376,571 SF	70%	-12.3%
Columbus	Easton Commons	135,485 SF	0%	0.0%
Minneapolis-St. Paul	Flying Cloud	201,495 SF	67%	-2.3%
Orange County	Town & Country	90,191 SF	76%	-6.0%
San Jose	District 237	76,410 SF	100%	-2.3%
Washington, DC	Fairview Park	117.065 SF	34%	-3.7%
		1,236,613 SF	**74%**	**-4.8%**
Retail				
Boston	Mansfield Stop & Shop	74,383 SF	100%	0.4%
Boston	Norwell Stop & Shop	59,519 SF	100%	0.0%
Minneapolis-St. Paul	C&E Flats - Retail	11,636 SF	76%	-3.6%
Minneapolis-St. Paul	Lowa46 - Retail	49,545 SF	93%	0.0%
Raleigh	Shoppes at Knightdale	323,000 SF	87%	0.6%
Richmond	Charter Colony	71,741 SF	100%	-2.2%
Washington, DC	M Street	10,806 SF	68%	4.7%
		600,630 SF	**92%**	**0.2%**
Other				
Atlanta	Perimeter East Data Center	88,000 SF	0%	-1.9%
TOTAL PROPERTY PORTFOLIO: $1,467,385,000			**89%**	**-1.2%**

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 Carry Values are gross of total noncontrolling interest in joint ventures of $49.4 million. Previous Carry Value is equal to the previous appraised value plus capital spent since that appraisal. Recent acquisitions are carried at cost until first appraisal, which may include closing costs in addition to the purchase price. 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.

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Minneapolis-St. Paul	C&E Lofts	103 units	97%	-6.1%
Minneapolis-St. Paul	Lowa46 - Multifamily	147 units	96%	-3.0%
Minneapolis-St. Paul	Lowa Phase II	144 units	N/A	3.2%
Subtotal Multifamily		**2,263 units**	**95%**	**-3.1%**
Industrial				
Baltimore	Junction Drive	96,666 SF	100%	14.8%
Houston	Market Street Industrial	395,725 SF	100%	0.5%
Orange County	Fullerton Industrial	254,750 SF	100%	-0.9%
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Subtotal Industrial		**3,027,112 SF**	**100%**	**0.6%**
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Subtotal Office		**1,236,613 SF**	**78%**	**-9.8%**
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Subtotal Retail		**600,630 SF**	**93%**	**-2.1%**
Other				
Atlanta	Perimeter East Data Center	88,000 SF	0%	0.0%
TOTAL PROPERTY PORTFOLIO			**93%**	**-2.7%**

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.
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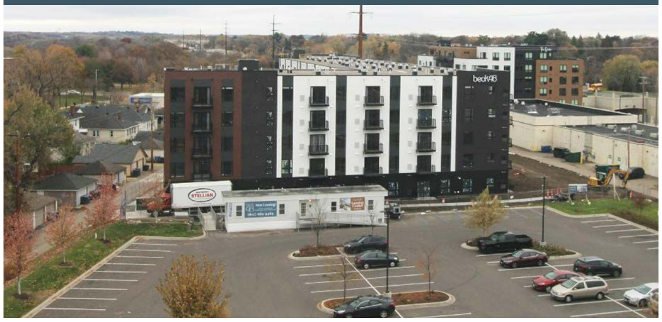
Multifamily



Beck46

4020 Nawadaha Blvd, Minneapolis, MN 55406
Acquired May 2022

Beck46 is a 1.5-acre site currently under development for a 144-unit, midrise apartment project. During the third quarter, building drywall and a significant portion of interior and exterior building finishes were completed. Additionally, the model unit is fully furnished, and pre-leasing began in Q3. The building remains on track to be substantially completed in December 2023.

Multifamily

Brookfield Reserve

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

Brookfield Reserve ended the quarter at 95% leased, and the property enjoyed a strong leasing quarter. A new competing property was delivered in Q3, but appeared to have no impact on leasing demand at the property. The property is well leased going into the slower winter months, and the Fund remains focused on minor projects to boost tenant satisfaction.

Multifamily/Retail

C&E Flats

735 Raymond Avenue, St. Paul, MN 55114
Acquired May 2016

C&E Flats ended the quarter at 97% leased. The two new multifamily properties in the neighborhood continue to struggle to reach stabilized occupancy, while C&E Flats was able to maintain its strong occupancy during the summer. The Fund is in final lease negotiations with a dance studio for the property's vacant retail space. The other two retail tenants are performing well and should benefit from the increased foot traffic once the new properties in the neighborhood reach full occupancy.

Multifamily

C&E Lofts

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

C&E Lofts ended the quarter at 96% leased. The property remained well leased during the summer months, while using concessions in select situations. Rent growth remains relatively flat at the property, which is consistent across the market. The outdoor deck enhancements were well received by residents and tenant retention is very 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.

Multifamily

The Grand at Manor

10700 Genome Drive, Manor, TX 78653
Acquired March 2020

The Grand at Manor ended the quarter well leased at 96%, unchanged from Q2. The fundamentals of the apartment market in Austin have weakened dramatically the past twelve months. Rent growth slowed and concessions have entered the market. Buyers are utilizing more traditional rent growth and yield-rate metrics when evaluating potential multifamily investments, which is negatively impacting the valuation of apartment assets in Austin.

Multifamily

The Grand at Saginaw

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

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.

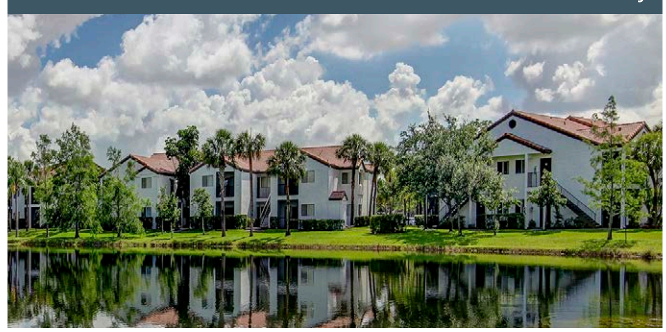
Multifamily

Gwinnett Apartments

1760 Lakes Parkway, Lawrenceville, GA 30043
Acquired December 2017

Gwinnett Apartments ended the quarter at 95% leased. The property performed well during the summer leasing months and is achieving ample rent growth on both new leases and renewals. The Fund is focused on resident satisfaction and maintaining high occupancy through the winter.

Multifamily



La Morada at Weston

1201 Fairlake Boulevard, Weston, FL 33326
Acquired March 2000

La Morada ended the quarter at 97% leased. From a leasing standpoint, the property is well positioned for the remainder of 2023. While the Fund successfully completed multiple capital projects during Q3, including an extensive asphalt and sidewalk repair project, the main focus for the fourth quarter is completing the restoration of three units and repairs to the fire panels.

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Multifamily/Retail

Lowa46

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

Lowa46 ended the quarter at 95% leased. The property maintained a stabilized occupancy during the beginning of the summer but began trending down toward the end of the quarter. As such, the Fund is working closely with property management to adjust rents and concessions to regain higher levels of occupancy. The Fund is also focused on differentiating Lowa46 from its neighboring development project Beck46, through both rental rates and marketing.

Multifamily

Plantation Colony

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

Plantation Colony ended the quarter at 95% leased. The property continues to perform well and has a satisfied tenant base, which has resulted in consistently high resident retention.

At the end of Q3, the Fund closed a loan re-finance with Lincoln Financial for a 5-year, interest-only, fixed rate $40 million loan. Planned capital projects are underway and are expected to be completed during the fourth quarter.

Multifamily

Poplar Glen

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

The property ended Q3 at 98% leased and was still able to achieve rent increases on new and renewal leases, albeit at lower levels than in 2022. During the quarter, the Fund engaged an architect to investigate repair/replacement of balconies at the property. The Fund expects that it may need to replace a majority of the balconies during 2024. Given the age of the property, the Fund will work closely with property management to properly budget for any additional capital repair items needed in 2024.

Industrial

Fullerton Industrial

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

Fullerton Industrial remained 100% leased in Q3, unchanged from Q2. The property is occupied by two tenants, Engineered Floors and CJ Omni. CJ Omni's lease expires in 2033, while Engineered Floors lease expiry was November, 2023. During the quarter, the Fund signed a lease extension with Engineered Floors for seven years at a rate of $1.78 per square foot per month, NNN, and escalating at 4% per year. Due to the Engineered Floors lease extension, the property's weighted average lease term increased from five years to eight years.

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Industrial

Georgia Trade Center

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

Georgia Trade Center is 100% leased to Lowe's. The Fund is focused on maintaining an open and cooperative relationship with Lowe's and monitoring progress on the HVAC installation, which was part of the improvement allowance provided when the lease renewal was executed.

Industrial

Highland Business Park

300 Highland Drive, Westampton, NJ 08060
Acquired June 1999

Highland Business Park remained 100% leased, unchanged from Q2. The portfolio of industrial buildings has a weighted average lease term of just under six years. During the quarter, the Fund extended SJ Elite, a 15,553 square-foot tenant, for five years of additional term at a rate of $11.25 per square foot per year, NNN, and escalating at 4% per year. Additionally, during the quarter, the Fund developed a plan to replace the roofs on all the buildings, increasing the life of the roofs and improving their durability and weather resistance.

Industrial

Junction Drive

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

The property is 100% leased to Northrop Grumman through January 2032. During the quarter, the Fund closed on a seven-year, $11.25 million fixed-rate interest-only loan with Delta Community Credit Union.

Industrial

Market Street Industrial

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

Market Street Industrial remained 100% leased. 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 around five years. Leasing fundamentals for industrial properties in the Port of Houston submarkets remain strong. Despite solid fundamentals, asset values are deteriorating due to the higher cost of debt and equity capital.

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 ended Q3 100% leased, no change from the prior quarter. The property is fully leased through January 2028 to CCBCC Operations, LLC, a wholly owned subsidiary of Coca-Cola Bottling; one of the largest Coca-Cola bottlers in the U.S. The company bottles Coca-Cola for southeast, midwest, and mid-Atlantic markets.

Industrial

South Logistics Center

2215 South 7200 W, West Valley City, UT 84044
Acquired August 2023

During the quarter, the Fund acquired South Logistics Center, a newly-built 328,607 square-foot building located in the Northwest Quadrant submarket of Salt Lake City, for $56.65 million ($172/SF). The investment was a forward purchase whereby the Fund committed to the acquisition one year ago, while the property was under construction. Delivered vacant, the Fund is now actively marketing the asset for lease. The Fund has ordered lighting fixtures in anticipation of expected tenant requirements and is building a 2,000 square foot speculative office suite on the southwest side of the building to aid leasing.

Industrial

South Mountain Industrial

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

South Mountain Industrial is 100% leased, unchanged from Q2, to BAE Systems, a global defense, aerospace, and security company through 2027. The property's value is stable due to a strong credit tenant and a remaining lease term of four years. Having executed the business plan to renew BAE, the Fund tested the market for a potential disposition. The Fund is exploring purchase offers, and is open to selling the asset if the pricing is acceptable.

Industrial

Waterville Industrial

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

Waterville Industrial is 100% leased, unchanged from Q2. The property is fully leased to Honeywell, the previous owner, who has leased back the asset until March 2025. Honeywell is scheduled to vacate the property once the lease term ends. The Fund and its operating partner, Murphy Development Company ("MDC") are in the process of formulating various asset repositioning strategies once the property becomes available in 2025. Going into Q4, the Fund and MDC plan to interview brokerage firms for the future leasing assignment.

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

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 Q3 92% leased, down from 100% in Q2 as DHL vacated 50,302 square feet during the quarter. During Q3, the Fund extended Code 3, who fully occupies the Warson building, for five additional years of term at a start rate of $5.09 per square foot per year, NNN. The Fund is actively working to lease the former DHL space at the 11401 Moog building. Though demand has slowed from 2022, the Fund remains confident that the Westport Portfolio will once again achieve 100% occupancy during the first half of 2024.

Office

150 Pierce Road

150 Pierce Road, Itasca, IL 60143
Acquired May 2015

The property ended the quarter at 89% leased, up 1% from the prior quarter. The Fund is working on several smaller initiatives to best position the last remaining vacancies including paint and lighting upgrades, connecting the two top floor spaces, and furnishing the one remaining vacant second floor speculative suite.

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 lower than pre-COVID demand. However, the forward outlook appears more positive, driven by big tech companies' stricter return-to-the-office policies, alongside potential employment growth associated with the rise in AI.

Office

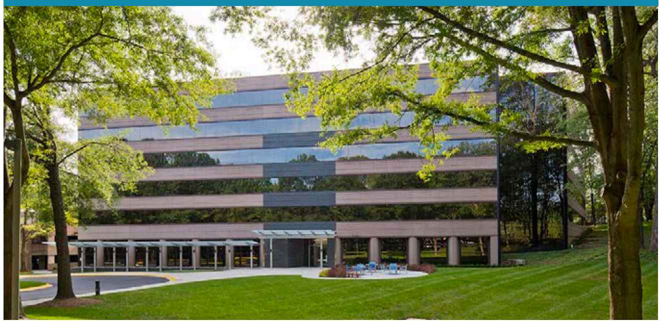
Easton Commons

3344 Morse Crossing, Columbus, OH 43219
Acquired December 2017

Easton Commons remains vacant. The Fund attempted to divest the asset during the third quarter and the property was under contract for sale to an owner-user who intended to repurpose it as a school. Unfortunately, the potential Buyer discovered a deed restriction prohibiting the building's use as a school, and the sale transaction fell through. Despite anemic user demand, the Fund has grown more optimistic about holding the asset as leasing activity has recently picked up.

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



Fairview Park

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

Fairview Park remained 34% leased in Q3. The Fund is in preliminary discussions with a 15,000 square-foot user looking to relocate from its existing space. The broader market remains slow but is showing some signs of life, with a number of larger user leases being signed in nearby sub-markets.

Office

Flying Cloud

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

The property ended the quarter at 67% leased. The Fund signed a new five-year lease during Q3 with EMC Insurance for 7,100 SF. Tour activity remains encouragingly strong, but inquiries from larger users have slowed.

A significant amount of lobby repositioning work took place during Q3, and it remains on track to be completed early in the fourth quarter. The Fund is also working on "white-boxing" the vacant 8th floor so it shows better to prospective full floor users.

Office

Highland Pointe

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

The property ended the quarter at 70% leased after a large tenant reached its expiration date. The tenant's plans to vacate were known to the Fund. The Fund executed a 16,590 SF, 10-year lease with Manhard Consulting and is in the final stages of negotiating a new lease with another 7,600 SF tenant. Multiple full-floor users are active in the market and the Fund continues to vet all opportunities to fill existing vacancy.

Office

Nottingham 7941

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

The building remains 100% leased to Prometric through 2025; however, Prometric is actively looking to subtenant the space. The Fund is also working directly with potential tenants looking to take the building on a long-term basis.

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

Town & Country

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

Town & Country ended the quarter 76% leased. During the quarter, the Fund extended Zephyr for an additional five years of term at a start rate of $2.80 per SF per month, full service gross. The Fund repositioning of the former 18,711 square foot Toll Brothers' space into smaller speculative suites is largely complete. This strategic move aims to meet the demand from occupiers seeking smaller, move-in-ready "plug-and-play" office suites.

Retail

Charter Colony

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

Charter Colony remained 100% leased through Q3. The property boasts a strong Weighted Average Lease Term of 12.9 years, including over 16 years of firm term with the Property's anchor tenant, Publix. The Fund is now focused on maintaining outstanding customer service and bolstering 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 Q3, unchanged from the prior quarter. As all tenants roll in two years, the Fund has begun early-stage conversations with a local architect to explore the Property's potential repositioning capabilities. M Street in Georgetown continues to be recognized as one of the country's premier shopping streets. The submarket continues to evolve with new luxury retailers and dining establishments adding to its vibrancy.

Retail

Mansfield Stop & Shop

377 Chauncy Street, Mansfield, MA 02048
Acquired October 2020

Mansfield Stop & Shop is a 74,383 SF neighborhood retail center, 100% leased to Stop & Shop through March 2033. Stop & Shop is responsible for all of the utilities and maintenance at the property, leaving little landlord required work. The Fund continues to focus on building an open and collaborative relationship with the tenant.

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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 SF, 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.

Retail

Shoppes at Knightdale

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

The property ended the quarter at 87% leased, down 1% from the prior quarter. During Q3, the Fund executed a 5-year lease with Best Buy at their current rent with no tenant improvement dollars. The Fund is also negotiating two large leases: one with Burlington for 21,000 SF and another with Home Goods for 23,000 SF. The Fund hopes to execute both leases during Q4. The landlord work for the Academy box has been completed and the store is on track to open during Q2 of 2024. The Fund is also working on a loan re-finance, which is expected to close towards the end of 2023.

Other (Data Center)

Perimeter East Data Center

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

Perimeter East remained vacant through the third quarter. The property is still being privately marketed for sale by CBRE to data center-specialized groups while the team continues to explore alternative uses for the site.

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.

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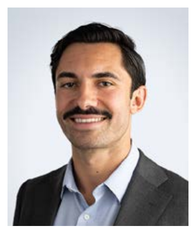

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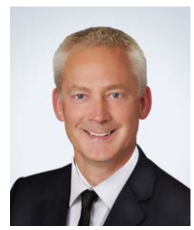

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Preston Sargent, Director

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 September 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.

Past performance is no indication of future results. All investments have the risk of loss.

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