Bailard Real Estate Fund Quarterly Update

Q2 | 2024

Plantation Colony Apartments, Plantation, FL

For the quarter ending June 30, 2024:

Bailard Real Estate Fund Q2 Highlights

PERFORMANCE

The Fund's quarterly NCREIF-based gross return was 0.2%, and 0.0% (net of management fee). For the year ended June 30, 2024, the Fund earned a gross return of -8.0%, and -8.8%, net. Since inception in April 1990, the Fund's annualized returns are 9.0% (gross) and 8.4% (net).[1]

INCOME

As of June 30, 2024, the Fund's property portfolio was 93% leased, unchanged from Q1 quarter-end.[2] The total portfolio's Net Operating Income (NOI) decreased by 0.8% year-over-year (Q2 2024 vs. Q2 2023). Measured on a "same-store" basis (excluding properties not owned or not yet operational for the entire measurement period), NOI decreased by 0.1% year-over-year. On a quarter-over-quarter basis (i.e., Q2 2024 vs. Q1 2024), the total portfolio's NOI increased by 4.7% (2.7% by the same-store method).

BALANCE SHEET

As of quarter-end, the Fund held $65.5 million in cash and cash equivalents, or 4.4% of the Fund's Gross Asset Value (GAV).[3] Cash and cash equivalents are inclusive of the $16.0 million held in property-level operating accounts reserved for operations, maintenance, and on-going capital needs including property taxes, tenant improvements, leasing commissions, repairs and maintenance expenditures, and capital improvements. The aggregate loan-to-value (LTV) ratio for the Fund stood at 29.4% at quarter-end, up from 29.1% at the end of Q1 2024.[4] The Fund's in-place weighted average interest rate was 5.4% at the end of the quarter, unchanged from Q1 quarter-end and 40 bps higher than it was one year earlier at the end of Q2 2023, when the average in-place interest rate was 5.0%.

A LOOK BACK

The Bailard Real Estate Fund turned the corner in Q2 2024. After six straight quarters of negative returns beginning in the fourth quarter of 2022, the second quarter returns were slightly positive (~0.2%) on a Gross basis and flat (~0.0%) Net. The only time the Fund has experienced a longer string of negative returns in the last 34 years was during the Great Financial Crisis (GFC) from Q3 2008 through Q1 2010, when returns were down seven quarters in a row. Though the 'non-negative' return for the quarter is nothing to crow about, we believe it is a sign that the worst is behind us. The Fund's returns in Q2 bettered its benchmark, the NFI-ODCE (Equal Weight) Index, by ~80 basis points. The Fund's longer-term returns remain comfortably ahead of the benchmark by 164 bps, 290 bps, 292 bps, 300 bps, and 221 bps over 1-year, 3-year, 5-year, 10-year, and since-inception time periods, respectively.

Over the past year, the Fund has generated an aggregate negative return of -8.0% (Gross of Fee) and -8.8% (Net). During that same rolling one-year period, the NFI-ODCE (EW) was down 9.7% (Gross) and 10.3% (Net).

On the operations front as reflected in the exhibit below, second quarter leasing activity in Bailard's operating portfolio continued apace: Office assets ended the quarter at 75% leased (same as at the end of Q1) after

1 Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. ***Past performance is no indication of future results. All investments have the risk of loss.*** *Please see page 14 for additional performance information and important risks and disclosures on the last page.*

2 The Fund's leased percentage is based on NCREIF-PREA Reporting Standards lifecycle categories, which excludes non-operating assets such as land, development assets, and assets that completed construction, are less than 60% leased, and have not reached one year after construction completion. 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 and property-level cash. Reflects Cash and cash equivalents divided by Gross Asset Value.

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%.

completing three new and one renewal lease. Retail properties saw leased-% climb to 97% from 95% as a result of one new and two renewal leases. The industrial portfolio ended Q2 at 99% leased (no change from Q1) after completing one new lease. And, finally, the leased-% of Bailard's multifamily portfolio dipped modestly (from 96% to 94%) during Q2. All in all, continued strong performance at the property level where it matters most.

The Bailard Real Estate team has been saying for the past few months that it feels like the real estate market is at or near the bottom. Why: because the dispersion between the 'up' valuations and the 'down' valuations this quarter is close to the narrowest it's been the past seven quarters; because there are almost an equal number of value gainers as there are value decliners this quarter; because the most recent valuation adjustments are, for the most part, being made on the basis of real estate fundamentals (i.e., rents and expenses, rent and expense growth rates, leasing gains or losses, and occupancy levels) rather than changes in capitalization and discount rates; because the transaction market is showing signs of gaining traction as bid/ask spreads between buyers and sellers narrows (and the Fund is experiencing this real-time with several of the assets that it currently has on the market for sale); because debt spreads (i.e., the margin over benchmark 5, 7, or 10-year rates) charged by lenders has narrowed from a range of 175 bps – 225 bps six months ago to 150 bps – 200 bps today (signaling lender confidence that the markets are stabilizing); and because the market is gaining greater confidence that the Fed's next interest rate move is down and on the near-term horizon.

Several of these themes are echoed in a recent article in Green Street Research's *Real Estate Alert*, which focused on office property transaction activity. Office property sales "in the first half of 2024 fell to the lowest level in 14 years... At the beginning of the year, market pros shared guarded optimism in a near-term turnaround. But the combination of a lack of availability of reasonably-priced debt, weak leasing performance, and persistent valuation declines continue to deter traditional institutional buyers that dominated the sector and have dashed hopes that a recovery was imminent. However, now that interest rate cuts are back on the table for the second half of 2024, there is optimism among top intermediaries who expect the next six months to be better." As Kevin Shannon, Newmark's co-head of U.S. capital markets recently said, "The good news is that volume isn't likely to tumble further and there is a general sense that we are near or at the bottom from a capital markets perspective."[7]

BREF Quarterly Leasing Activity[6]

	Q3 2023			Q4 2023			Q1 2024			Q2 2024		
	New	Renewal	% Leased	New	Renewal	% Leased	New	Renewal	% Leased	New	Renewal	% Leased
Office												
Square Feet	25,051	29,986	74%	8,116	6,957	74%	34,089	19,990	75%	17,669	6,256	75%
# of leases	3	4	-	2	2	-	3	4	-	3	1	-
Retail												
Square Feet	0	30,000	92%	0	3,150	92%	23,000	4,350	95%	20,086	7,440	97%
# of leases	0	1	-	0	2	-	1	2	-	1	2	-
Industrial												
Square Feet	0	232,250	89%	0	5,876	99%	172,640	0	99%	17,764	0	99%
# of leases	0	3	-	0	1	-	1	0	-	1	0	-
Multifamily												
Retention Rate	-	56%	96%	-	65%	96%	-	67%	96%	-	56%	94%

6 The Fund's leased percentage is based on NCREIF-PREA Reporting Standards lifecycle categories, which excludes non-operating assets such as land, development assets, and assets that completed construction, are less than 60% leased, and have not reached one year after construction completion. Lease percentage is calculated as of quarter-end and is weighted by the Fund's legal share of the gross real estate value.
7 Green Street Research (2024, July 23). Real Estate Alert.

Key Economic & Market Indicators

	Current Quarter 6/30/2024	One Quarter Ago 3/31/2024	One Year Ago 6/30/2023
Real GDP Growth (y/y)	3.1%	2.9%	2.4%
U.S. Personal Income Growth (y/y)	1.0%	1.2%	5.3%
Monthly Nonfarm Payroll Change (qrtly. avg.)	177,333.33	267,333.33	273,666.67
Retail Sales Growth (y/y)	2.3%	3.6%	1.9%
Labor Participation Rate (20-Yr. avg. = 63.9%)	62.6%	62.7%	62.6%
Unemployment Rate	4.1%	3.8%	3.6%
Consumer Sentiment University of Michigan	68.2%	79.4%	64.2%
Homeowners/Renters	65.6%/34.4%	65.6%/34.4%	65.9%/34.1%
Nondefense Capital Goods Orders (y/y)	-2.0%	-0.9%	1.4%
ISM Composite Index	48.5%	50.3%	46.4%
U.S. ISM Services	48.8%	51.4%	53.6%
Trade Deficit ($ Bil.)	-222.577	-204.517	-203.628
Consumer Price Index Growth (y/y)	3.0%	3.5%	3.0%
S&P 500 Index	5,460	5,254	4,450
S&P 500 Index (P/E Ratio)	25.58	25.13	21.41
Dow Jones Industrial Average Index	39,119	39,807	34,408
Dow Jones Industrial Average Index (P/E Ratio)	22.42	22.91	19.90
NASDAQ Composite Index	17,733	16,379	13,788
NASDAQ Composite Index (P/E Ratio)	40.58	38.56	38.97
U.S. Corporate Investment Grade Bond	5.48%	5.30%	5.48%
U.S. Corporate High Yield Bond	7.91%	7.66%	8.50%
Ten-Year U.S. Treasury	4.40%	4.20%	3.84%
WTI (West Texas Intermediate) Crude Oil	81.54	83.17	70.64
CBOE Volatility Index (VIX)	12.44	13.01	13.59

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

Shannon's sentiment was echoed by Bruce Miller, co-leader of JLL's national office practice who cited some recent green shoots in office leasing activity as a catalyst, "That, along with the fact that we should soon see monetary easing from the Fed will instill greater confidence in investors"[8] which should lead to an uptick in transaction volume in the second half of 2024.

Office isn't the only property type suffering through a transaction winter. Really all institutional real estate has experienced a dramatic fall-off in deal volume. The first half of 2024, according to real estate investment boutique Eastdil Secured, saw ~$90 billion of sales of assets $25 million or larger across all property types. This was the lowest level of first-half transaction activity since 2012. Compared to 2022, multifamily sales are down 71%; Industrial sales volume is off by 52%; and retail transaction volume is 56% less.

Why the dramatic fall-off? Two primary reasons: Debt and Confidence. Debt is the grease and the fuel that drives the real estate transaction market. If mortgage financing is available, affordable, and plentiful, then real estate transactions can happen with speed, certainty, and at scale. Regarding confidence, equity investors must be confident that the value of the asset they are purchasing isn't going to crater because interest rates are running away and/or the economy is on the verge of a contraction. So because the Federal Reserve (the Fed) has been raising interest rates and held them high the past two years making debt capital more scarce and more costly that, in turn, has pushed-up capitalization rates, investors have been thrown completely onto their back foot. This has drained real estate investors' enthusiasm and confidence in the asset class. As soon as real estate investors becomes convinced of the Fed's commitment to cut interest rates, the transaction market will get back up to speed.

8 Ibid.

The two consistent caveats to Bailard's sentiment that we are 'touching the bottom' are, first, that the Fed doesn't increase rates from their current level (i.e., above the range of 5.25% to 5.5%), and second, that the economy doesn't tip into recession. While the odds that the Fed won't increase interest rates are increasing as both the economy and the labor market soften, it is still impossible to feel totally confident that the Fed can stick a soft landing and steer the economy clear of recession.

In an article in *The Wall Street Journal* dated July 19, 2024, Greg Ip captured the angst that some economists and Fed watchers are having about the central bank's ongoing restrictive monetary policy and its slavish adherence to "data dependency" as he championed initiating rate cuts sooner rather than later: "The Fed's reticence [to cut rates too soon] is understandable. It likes to telegraph its plans well in advance and, having blown its forecasts on inflation so badly before, is doubly cautious." But, "economists surveyed by *The Wall Street Journal* on average put the probability of recession in the coming year at 28%—not high, but higher than normal. If that risk becomes reality, even a few months' delay will have mattered."[9]

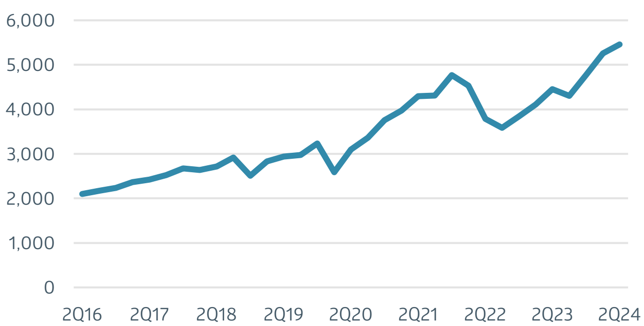
Another positive sign for the Bailard Real Estate Fund is that new redemption requests for Q2 ($5.6 million) were at their lowest level in over two years. The last time they were lower ($5.4 million) was Q1 2022 just before the Federal Reserve Bank embarked on its recent historic rate hiking initiative. It appears that Fund investors share our sentiment that the market is bottoming and that this is not a good time to get out of real estate. The Real Estate team is confident that, with several properties in the market for sale, it is on a glide path to generating ~$100 million of liquidity by year-end, which will allow the Fund to clear the current redemption queue over the next few quarters and also have some 'dry powder' to take advantage of current dislocation and make some attractive and accretive acquisitions for the Fund. In addition, the Bailard Real Estate team believes that as the real estate recovery gains momentum, the Fund will, once again, enjoy positive net inflows which will compound the salutary impact of paying off the queue and allow for more acquisitions and positive growth.

9 Ip, Greg. (2024, July 19). "Why the Fed Should Cut Rates Now—Not Wait Until September." The Wall Street Journal. https://www.wsj.com/economy/central-banking/why-the-fed-should-cut-rates-nownot-wait-until-september-806b8ddf.

Real Estate Economic & Market Conditions

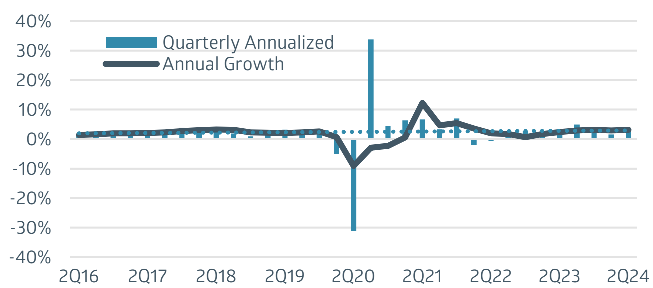
(as of June 30, 2024)

S&P 500 Index[1]



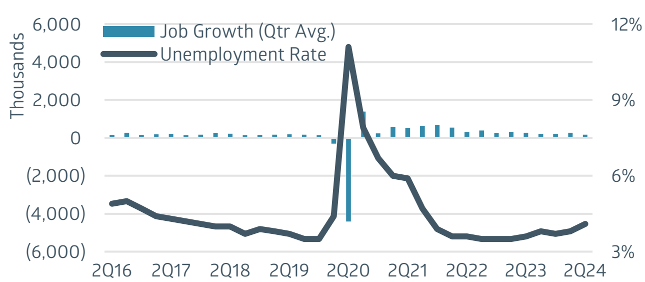
- The S&P 500 finished Q2 2024 at 5,460, up 3.9% from the previous quarter, 14.5% year-to-date, and 22.7% year-over-year.
- Top performing sectors during the quarter included technology (13.6%) and communication services (9.1%)
- Underperforming sectors during the quarter included materials (-4.9%), industrials (-3.3%), energy (-3.2%), real estate (-2.8%), financials (-2.4%), and healthcare (-1.4%).

Real Gross Domestic Product (GDP) Growth



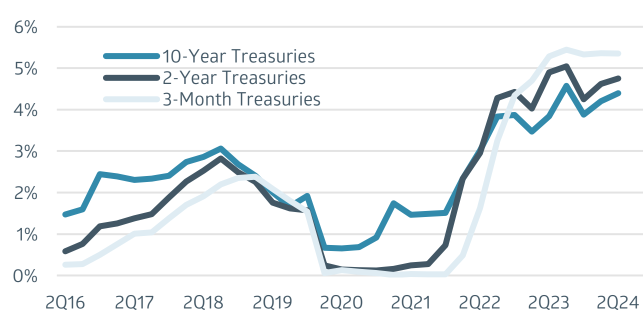
- GDP in Q2 grew at an annualized rate of 2.8%, double the Q1 rate of 1.4%.
- Compared to Q1, the acceleration in GPD was largely due to an increase in private inventory investment and non-residential fixed investment.
- Year-over-year, GDP is up 3.1%, which is higher than the 2.4% annual rate one year ago in Q2 2023.

Job Growth and Unemployment Rate



- In Q2, non-farm payrolls added 532,000 jobs, averaging ~177,000 per month, a 27% decline from the same period a year ago and down 36%, quarter-over-quarter.
- Q2 had the slowest pace of job gains since 2021 highlighting that the Federal Reserve's efforts to cool the economy and the pace of job growth appear to be working.
- The unemployment rate rose 30 basis points[2] to 4.1% from Q1, its highest level since 2021.

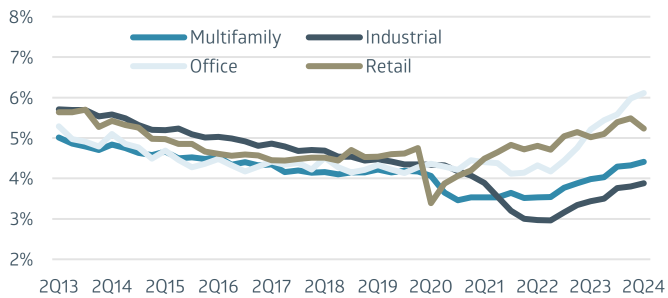
U.S. Treasury Yields



- The 10-Year Treasury finished Q2 at 4.40%, up 20 bps from Q1, and up 56 bps year-over-year.
- The 2-Year Treasury finished Q2 at 4.75%, up 13 bps quarter-over-quarter and down 14 bps year-over-year.
- The 3-Month Treasury finished Q2 at 5.35%, down 1 bp from Q1, and up 7 bps year-over-year.
- The 10-2 yield curve remained inverted for the eighth consecutive quarter, but the spread (35 bps) has been moderating.

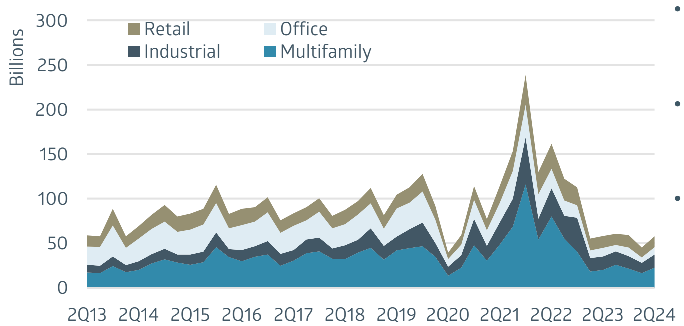
Source: Bloomberg.
1 Returns of the S&P 500 Index are presented as price change only. 2 A basis point (bp) is 0.01%.

Capitalization Rates[3]



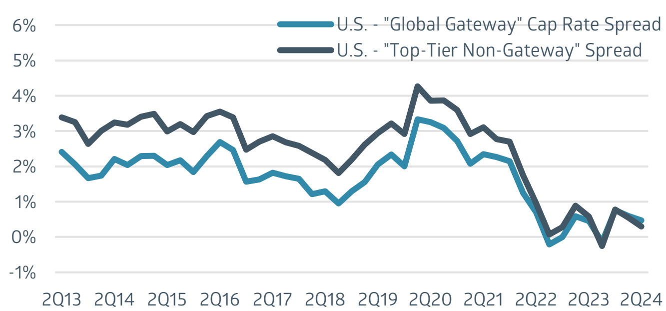
- According to the National Council of Real Estate Investment Fiduciaries (NCREIF), capitalization rates at the end of Q2 for multifamily, industrial, office, and retail properties were 4.4%, 3.9%, 6.1%, and 5.2%, respectively.
- During the quarter, multifamily, industrial, and office cap rates increased modestly from Q1. Office cap rates suffered the biggest rise in Q2: up 13 bps.
- Retail cap rates compressed from last quarter by 26 bps, but remain 21 bps wider than Q2 of last year.

Investment Volume



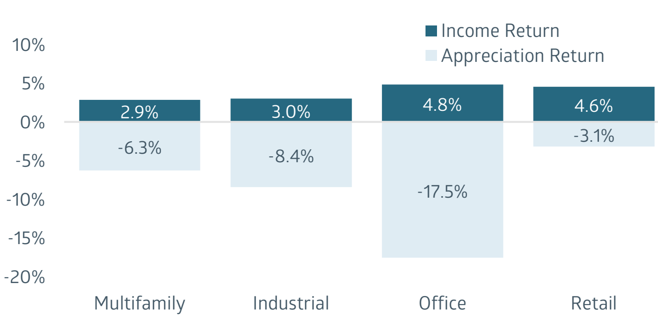
- In Q2, the total transaction volume across the four main property types reached $57.6 billion, a 28.2% increase quarter-over-quarter, and down 7.1% year-over-year.
- The multifamily sector contributed the largest share of the total volume with $22.4 billion, up 11.2% year-over-year.
- The office sector recorded $8.5 billion in transaction volume for the quarter, 63% lower than its 10-year quarterly average of $22.8 billion.

Cap Rate to Ten-Year Treasury Spreads[4]



- In Q2, the spread between the 10-Year Treasury yield and "Global Gateway" cap rates was 47 bps, while the spread for the "Top-Tier Non-Gateway" markets was 30 bps.
- On average, over the last ten years, "Top-Tier Non-Gateway" cap rates are 70 bps wider than "Global Gateway" cap rates.
- Since 2Q 2023, that spread has reduced to near zero and is now inverted, where the "Global Gateway" Cap Rate spread to 10-Year Treasuries is wider than the "Primary Non-Gateway" spread.

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



- As of Q2, the ODCE Index had a -0.5% total return (gross of fee), resulting in a -9.25% one-year return.
- The worst performing asset class was office, with a -2.3% unlevered property return for Q2.
- Retail was the top performing asset class within the Index, with a 1.4% return and, over a one-year period, it is the only asset class with a positive return at 1.9%.

Sources: Bloomberg, CoStar, NCREIF.
3 A property's capitalization rate, or cap rate, is a measure of its Net Operating Income relative to its market value.
4 The "Global Gateway" markets are defined to include Boston, Chicago, Los Angeles, New York, San Francisco, Seattle, Washington, DC. The "Top-Tier Non-Gateway" markets are defined to include Atlanta, Baltimore, Minneapolis-St. Paul, Philadelphia, Phoenix, Raleigh-Durham, St. Louis.
5 Unleveraged property returns reflect the performance of the underlying properties, without the impact of property debt. The NCREIF Fund Index - Open-End Diversified Core Equity (NFI-ODCE) attribution is preliminary as of 7/30/2024; 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, -4.1% (Inc: 4.3%, App: -8.1%); Industrial, -4.1% (Inc: 4.6%, App: -8.4%); Office, -14.3% (Inc: 6.9%, App: -20.1%); and Retail, 3.6% (Inc: 6.3%, App: -2.6%).

Multifamily

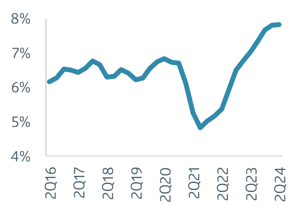
The U.S. multifamily sector has rebounded strongly in 2024, with Q2 seeing 168,000 units absorbed, the highest since Q3 2021, driven by stable economic growth and fewer renter households moving to ownership. Despite 184,000 new units delivered during the quarter, the vacancy rate held steady at 7.8%, marking the smallest new supply to demand gap in eleven quarters. Year-over-year rent growth slowed to 1.1%, with lower-tier (Class B/C) apartment properties experiencing higher rent growth at 2.1% compared to 0.2% for high-end apartments. The Sun Belt markets continue to face oversupply issues, particularly Austin and Raleigh, while the Midwest and Northeast showed favorable rent growth due to moderate supply additions. According to CoStar, projections indicate 569,000 units delivered for the year, a 4% decline from the record additions to supply in 2023.

VACANCY

As of Q2, 24: **7.8%**

10-Year Avg: **6.3%**

Qtr/Qtr Change:
10 bps ▲

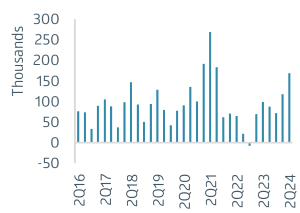


ABSORPTION

As of Q2, 24: **117,000 units**

10-Year Avg: **88,000 units**

Qtr/Qtr Change:
46,000 units ▲

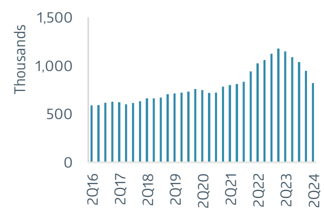


CONSTRUCTION

As of Q2, 24: **948,000 units**

10-Year Avg: **739,000 units**

Qtr/Qtr Change:
91,000 units ▼

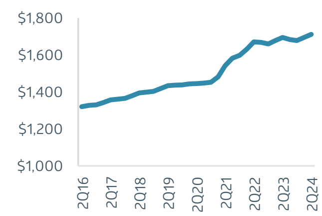


RENT

As of Q2, 24: **$1,696/month**

10-Year Avg: **$1,448/month**

Qtr/Qtr Change:
1.1% ▲



Industrial

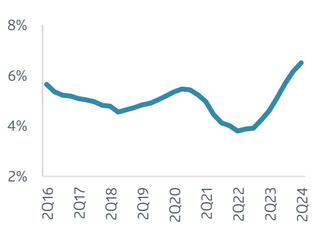
The U.S. industrial sector has faced shifting conditions in 2024, with vacancy rising for the third consecutive quarter. Q2 saw 31.2 million SF of net absorption, a 32% decline from Q2 last year, but up 169% over the exceptionally weak first quarter. Amazon was the largest contributor to new space absorbed as they continue to expand their distribution centers. New supply during Q2 reached 102 million square feet resulting in vacancy increasing to 6.5% from 6.2% in Q1. Year-over-year rent growth slowed to 4.3%, its lowest level in a decade. The supply wave is peaking with 356 million SF still under construction, but new construction starts are plummeting, and, according to CoStar, expected to hit 10-year lows by late 2025. This reduction in new supply, coupled with stable tenant demand, should help stabilize the market. Rent growth will remain sluggish through year-end.

VACANCY

As of Q2, 24: **6.2%**

10-Year Avg: **5.2%**

Qtr/Qtr Change:
50 bps ▲

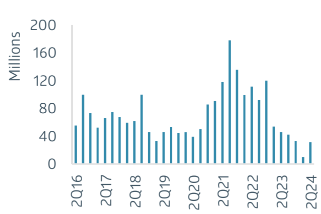


ABSORPTION

As of Q2, 24: **10 million SF**

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

Qtr/Qtr Change:
23 million SF ▼

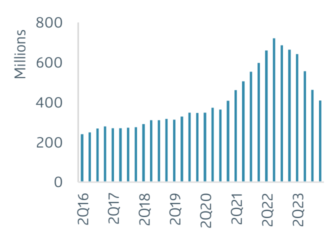


CONSTRUCTION

As of Q2, 24: **409 million SF**

10-Year Avg: **364 million SF**

Qtr/Qtr Change:
54 million SF ▼

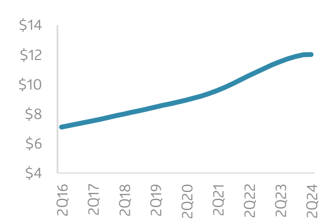


RENT

As of Q2, 24: **$11.99/SF (NNN)**

10-Year Avg: **$8.69/SF (NNN)**

Qtr/Qtr Change:
1.0% ▲



Source: CoStar Group.

Office

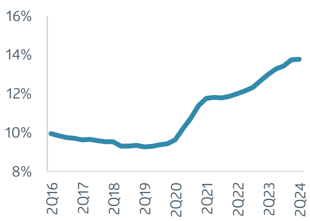
The U.S. office sector continues to grapple with significant challenges. Q2 saw net absorption turn marginally positive, breaking a two-year trend of negative absorption with positive two million square feet absorbed. However, new supply growth of 5.7 million SF outpaced absorption, pushing the vacancy rate to a record high of 13.8%. Year-over-year rent growth remains sluggish at 0.8%, with average asking rents holding at $35.52 per square foot per year. Sublease availability remains elevated, nearly double pre-pandemic levels. Despite these headwinds, the construction pipeline is shrinking, with only 89.3 million SF under construction, the lowest since 2013, according to CoStar. This slowdown in new supply is the first step in helping the office market get back into balance over the next several years.

VACANCY

As of Q2, 24: **13.7%**

10-Year Avg: **10.7%**

Qtr/Qtr Change:
30 bps ▲

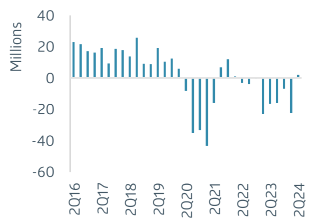


ABSORPTION

As of Q2, 24: **-22 million SF**

10-Year Avg: **5 million SF**

Qtr/Qtr Change:
16 million SF ▼

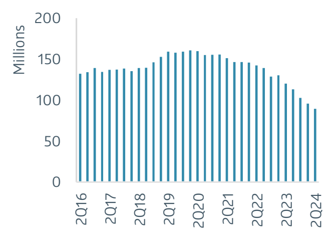


CONSTRUCTION

As of Q2, 24: **96 million SF**

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

Qtr/Qtr Change:
7 million SF ▼

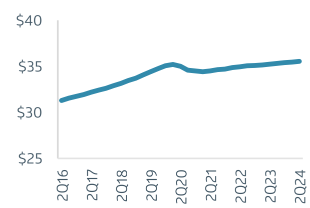


RENT

As of Q2, 24: **$35.45/SF (Gross)**

10-Year Avg: **$33.16/SF (Gross)**

Qtr/Qtr Change:
0.2% ▲



Retail

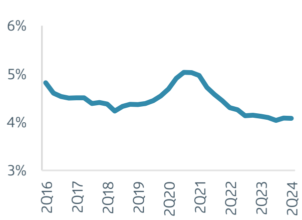
The U.S. retail sector continues to demonstrate strong fundamentals in 2024, marked by steady demand and minimal new supply. Over the past 12 months ending in Q2, net absorption totaled 40.7 million SF, while new deliveries were at 37.5 million SF. This has helped push the vacancy rate to 4.1%, near the tightest since CoStar began tracking the retail market in 2006. The limited availability of retail space has driven asking rents up by 2.7% year-over-year, reaching an all-time high of $25 per square foot per year, Net Net Net. The Sun Belt markets have seen the most significant rent growth, fueled by population and buying power increases. Despite some high-profile tenant bankruptcies, the overall market impact from store closures remains minimal and outpaced by occupancy gains from expanding and high performing retailers.

VACANCY

As of Q2, 24: **4.1%**

10-Year Avg: **4.7%**

Qtr/Qtr Change:
0 bps

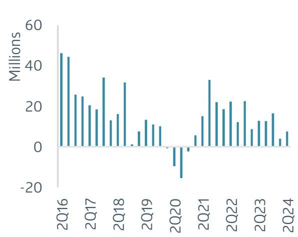


ABSORPTION

As of Q2, 24: **4 million SF**

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

Qtr/Qtr Change:
13 million SF ▼



CONSTRUCTION

As of Q2, 24: **54 million SF**

10-Year Avg: **72 million SF**

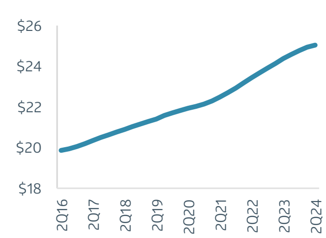
Qtr/Qtr Change:
6 million SF ▼

RENT

As of Q2, 24: **$24.94/SF (NNN)**

10-Year Avg: **$21.52/SF (NNN)**

Qtr/Qtr Change:
0.6% ▲



Sources: CBRE, CoStar Group.

THE LOOK AHEAD

A quick review of what's happened so far this year: After a sensational 2023, many investors were optimistic going into 2024, yet the market's spectacular performance in the first quarter still managed to surprise them. The S&P 500 Index, which hit 22 new all-time highs during the quarter, gained 10% in the first three months of the year, its best start to a year in five years.

A March 28, 2024, *Wall Street Journal* article put it this way: "The economy continues to defy expectations. Recession worries have mostly disappeared. Resilient corporate profits, enthusiasm around artificial-intelligence developments and hopes that the Federal Reserve is on track to begin cutting interest rates have given investors plenty of reasons to continue buying.... Consumers are still spending briskly, employers are still hiring and unemployment is still below 4%. Fed Chair Jerome Powell believes inflation remains on a downward trend."[6] The first quarter proved that, for whatever reason, stocks can keep levitating without the Fed cutting rates six times in 2024 as the market had been anticipating going into the year.

Then April proved something different: What the markets giveth, they can quickly taketh away. Because of some economic data points in early April that the market read as being 'too hot,' traders reacted by sending the major indexes on a ride: All lost ground with the S&P 500, Nasdaq, and Dow down 4.2%, 4.5%, and 5%, respectively for the month. An April 11, *Wall Street Journal* article entitled "Fed Rate Cuts Are Now a Matter of If, Not Just When" captured the dynamic this way: "Solid hiring and the prospect that inflation might settle out above the Fed's 2% goal could call into question whether the central bank will be able to cut rates until much later in the year without evidence of a sharper slowdown in the economy... Many Wall Street forecasters threw in the towel on their projection that the Fed would make three cuts this year... Analysts at Barclays and Deutsche Bank anticipate just one reduction, in September and December, respectively."[7]

And then the script flipped again! By the first week of May, we were back to 'bad news is good news': April job growth (175,000) came in much lower than anticipated and the unemployment rate ticked up (from 3.8% to 3.9%). The labor market report on Friday, May 3 painted a picture of moderating conditions that kept hope alive that the Fed might still cut rates later this summer. On the basis of cooler-than-expected jobs and unemployment data, the Dow Jones Industrial Average rose 450 points (1.2%), its best day in over a month. From May 1 till the end of the quarter, the S&P 500 climbed 8.8% (from 5,018 to 5,460), for an astounding 14.5% gain in the first half of 2024.

Market optimism continued into the first month of the third quarter. On July 11, *The Wall Street Journal* headline exclaimed: S&P 500 Clinches Longest Streak of Records Since 2021. The article went on to explain that the S&P logged its sixth straight record close—its longest such streak since 2021—with all eleven components advancing. As of July 11, the S&P had hit 37 record closes during 2024, while the Nasdaq Composite notched its seventh straight record close, continuing its blistering growth. And it wasn't done, a week later, on July 16, the S&P closed at another record: 5,667... up 18.8% year-to-date at that point. Through the balance of July the market moved sideways and down to 5,522, up 1.1% in July but down 2.5% from its peak on July 16.[8]

The Federal Reserve's FOMC (Federal Open Market Committee) held its regularly scheduled meeting on July 30 and July 31, and left rates unchanged, as had been widely anticipated. Following the meeting, Chairman Jerome Powell made the following comments: "The question will be whether the totality of the data, the evolving outlook, and the balance of risks are consistent with rising confidence on inflation and maintaining a solid labor market. If that test is met, a reduction in our policy rate could be on the table as soon as the next meeting in September."[9]

While the job market remains solid, there are signs of softening: Unemployment inched up in each month of the second quarter, reaching 4.1% by the end of June, its highest level since 2021. Additionally, hiring has slowed and

6 Miao, H. (2024, March 28). S&P Clinches Best Start to Year Since 2019. The Wall Street Journal. https://www.wsj.com/finance/stocks/the-s-p-500-is-poised-for-best-start-to-year-since-2019-0ffbf02a
7 Timiraos, N. (2024, April 11). Fed Rate Cuts Are Now a Matter of If, Not Just When. The Wall Street Journal. https://www.wsj.com/economy/central-banking/fed-rate-cuts-are-now-a-matter-of-if-not-just-when-144a978e
8 Langley, K. (2024, July 10). S&P 500 Clinches Longest Streak of Records Since 2021. The Wall Street Journal. https://www.wsj.com/finance/stocks/global-stocks-markets-dow-news-07-10-2024-4e06cb7d
9 Federal Reserve Board. (2024, July 31). Transcript of Chair Powell's FOMC Press Conference. https://www.federalreserve.gov/mediacenter/files/fomcpresconf20240731.pdf

become more concentrated, while the ratio of job openings relative to job seekers has returned to 2019 levels. Such trends have caused some Fed policymakers to warn that any further slowing in the labor market could start a spiral and lead to significantly higher unemployment.

The U.S. economy remains remarkably resilient in the face of high rates, growing at a solid pace amid healthy consumer spending. That resilience has been key to hopes that the central bank can tame inflation while maneuvering the economy to a soft landing.

Immediately after July's FOMC meeting, the market was hit with some concerning news: The jobs data on Thursday, August 1 was the opening salvo, with unit labor costs strongly confirming a downward post-COVID trend and modest increases in initial and ongoing jobless claims. Construction spending and the Institute for Supply Management's (ISM's) manufacturing report also showed increasing weakness. Then, Friday, August 2 data was more of the same, with nonfarm payrolls rising by only 114,000 in July, the second lowest read since 2020, and strong confirmation of a softening labor market. At the same time, unemployment rose to 4.3% triggering the 'Sahm Rule': The three-month moving average of unemployment is 0.53% higher than the lowest level over the past twelve months. To labor market watchers, the reading confirms a recession is underway.

Now we are back to 'bad news is bad news'... and U.S. markets reacted violently: On Thursday, August 1 the S&P 500 closed down 1.4% (to 5,446). It was down another 1.8% on Friday (to 5,346). The weekend didn't calm any frayed nerves and the market tanked again on Monday, August 5: down another 3% to 5,186; a level it hadn't seen since early May.

Commentary in the two leading business publications on August 5 captured the prevailing market vibe in the following way: *The Wall Street Journal* - "Concerns about a slowing U.S. economy are front and center after job growth slowed sharply in July. Investors are worried that the Federal Reserve has moved too slowly and will need to play catch up in cutting rates."[10] The *Financial Times* - "Markets, which have been rising for most of the year, fell amid fears that the Federal Reserve has been to slow to respond to signs that the U.S. economy was weakening."[11]

The reality is that the jobs report wasn't that bad. The modest number of jobs added by the U.S. economy in July (114,000) might be the result of summertime distortions. And the pop in the unemployment rate (from 4.1% to 4.3%) can easily be explained by immigration and higher numbers of job seekers. Most importantly, there are no signs that the U.S. consumer is wrung-out in a way that would signal a coming recession.

Cooler heads at *Oxford Economics* characterized the landscape this way: "The soft employment report for July fits the pattern of recent data pointing to a gradual slowdown in the economy, but nothing worse. A financial market panic could drag the economy into recession anyway, but our composite recession models based on Monday's market pricing remain below their historical recession thresholds. Fears over the health of the economy escalated drastically in recent days, but we think that is an overreaction to what has been a steady weakening in the incoming economic data. The rise in the unemployment rate is partly due to the increased labor supply rather than greater layoffs."[12]

Researchers at Blackrock echoed the sentiment: "While risks have risen, we believe the market has overreacted to a small number of weaker-than-expected datapoints, not a drastic change to the macro outlook. Much of the recent moves have been driven by technical factors and systematic investors, belying the fact that fundamentals remain broadly constructive."[13]

"What we do know is that over the course of 2024, expectations for a soft-landing have been rising and markets had repriced accordingly. We don't believe we are headed for a recession, but a recalibration of recession odds

10 The Wall Street Journal. (2024, August 5). Dow, S&P 500, Nasdaq Slide Amid Global Selloff. https://www.wsj.com/livecoverage/stock-market-today-dow-sp500-nasdaq-live-08-05-2024
11 Financial Times. (2024, August 5). US stocks finish sharply lower to close out global market rout. https://www.ft.com/content/ef7198e5-44b4-47a0-86f5-a7bf9a34d76b
12 Oxford Economics. (2024, August 6). Research Briefing, Recession Monitor - Still no sign of a recession.
13 Akullian, K. (2024, August 8). Navigating market volatility: Insights for investors. Blackrock. https://www.ishares.com/us/insights/stock-market-volatility-2024#:~:text=While%20risks%20have%20risen%2C%20we,that%20fundamentals%20remain%20broadly%20constructive.

will certainly have an impact on the prices investors are willing to pay for risky assets. This repricing can be violent. Markets are forward looking, but they are also prone to overshoot."[14]

Bolstering this 'it's not time to panic' narrative was the positive ISM services index released on August 5. The details of the ISM report were encouraging, with business activity, new orders, and employment all rebounding in July after a decline in June. The six-month moving average remains well above the level that would be consistent with a recession.

Bottom line: Many observers predict that the latest results almost certainly lock-in a September rate cut. The Federal Reserve has been walking a tight-rope for months and is acutely aware that steering the incalculably complex U.S. economy to a soft landing while bringing inflation down to its target level is akin to landing a Boeing Super Hornet on the deck of an aircraft carrier at night in the middle of the Pacific ocean: it's unimaginably difficult and not for the faint of heart!

Overshadowed by the latest equitiy market gyrations is the salutary news that the yield curve (captured by the 10-Year/2-Year Treasury spread) has been quietly normalizing. Yields for both durations have lately settled in close to 4%. And the spread for the past week has been inside 10 basis points... its narrowest since the curve first inverted over two years ago! A normal yield curve and imminent interest rate cuts is good news for real estate. Real estate investors (like equities investors) loathe uncertainty. And this is especially so when debt capital is expensive, scarce, and comes with lots of restrictions.

The Bailard Real Estate team does not anticipate any kind of a snap back—as occurred soon after the coast was clear following the COVID-19 pandemic—but rather a gradual closing of the bid/ask gap between buyers and sellers over the next few quarters and a regression to normal levels of transaction activity and continued rationalization of yield rates (i.e., capitalization discount rates used by buyers in the underwriting models).

As we said last quarter: Since the early 1980s, commercial real estate has endured five downturns (1981-83, 1990-93, 2001-02, 2008-10, and 2020). Recoveries after all five pullbacks have been 'V-shaped' and characterized by both a recovery in the capital markets (with capitalization rates declining in tandem with improving investor sentiment) and a rebound in real estate fundamentals (i.e., vacancies going down and rents going up).

All of the previous real estate recessions corresponded with moderate to significant economic contractions. And all five came with dislocation, some broad and some narrow, in real estate fundamentals (i.e., the supply of space and the demand for that space by users/tenants) that were either caused by or made more severe by the economic downturn. The doldrums through which real estate is currently navigating is different from past downturns in important respects: 1) Real estate values have gotten hammered this time almost entirely as a result in the shift upward of the cost of debt and equity capital at the same time that the economy continued to grow; 2) Consumers have exhibited remarkable resilience and continued to spend throughout this real estate downturn; 3) Real estate fundamentals have continued to be in fairly good balance while values have been getting pummeled since Q3 2022; and 4) Inflation and the lingering prospect of interest rate hikes to cool the economy were not on the table in any previous real estate downturn.

Once the Fed begins cutting rates, investor confidence will rise and deal activity will pick up. Because there will be no catalyst for 10-Year Treasuries to go much below 4% until the Fed Funds rate declines to 3% or lower, there's little pressure on cap rates to compress significantly from their current levels. And 10-Year Treasuries remain the benchmark return utilized by most institutional debt and equity investors to calibrate risk and return. Additionally, fundamentals are likely to continue tread water the next few quarters and then modestly improve thereafter. For these reasons this will likely be the shallowest 'V-recovery' in memory.

Bottom line: real estate market dynamics will, more or less, remain status quo until the Fed starts lowering interest rates and there's consensus that rates are on a sustainable downward trajectory. For the foreseeable future, performance will be achieved 'the old fashioned way,' by focusing on customer satisfaction, keeping tenants, and attracting new ones, aggressively managing costs, finding ways to minimize capital investment without sacrificing quality, and utilizing conservative/low risk capitalization strategies.

14 Ibid.

Fund Performance

The Fund's Net Asset Value (NAV) settled in at $30.76 per share as of June 30, 2024, the result of a flat net return and a $0.10 per share quarterly distribution. The Fund's quarterly NCREIF-based return was 0.2% (gross) and 0.0% (net of management fee). For the year ended June 30, 2024, the Fund earned a -8.0% gross return and -8.8% net return.[1]

During the second quarter, 18 of the Fund's 35 properties experienced losses in value of between 0.1% and 15.0%, 15 saw increases of 0.3% to 7.0%, while two remained unchanged.

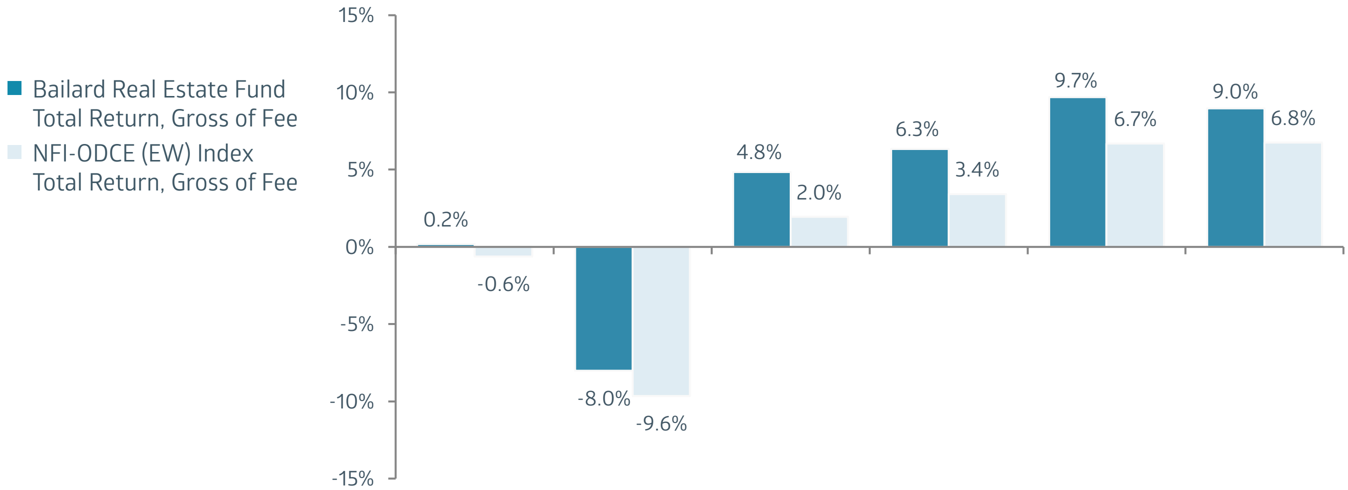
The largest percentag write-down occurred at Town & Country in Orange, CA, which experienced a decline of 15.0% due to ongoing softness in the market and more conservative market leasing assumptions. Highland Pointe in Lombard, IL dropped in value by 7.2% due to increased leasing costs incorporated into the appraiser's valuation model and a reduction in revenue stemming from a prospective tenant move-out at lease expiry at the beginning of Q3. Grand at Manor in Manor, TX declined by 4.5% due to valuation metrics (residual capitalization and discount rates) expanding to account for persistent weak supply/demand fundamentals in the Austin market.

Flying Cloud in Eden Prairie, MN experienced the largest write-up of the quarter, rising in value by 7.0% due to a building re-measurement necessitated by recent leasing activity which resulted in slightly higher square footage at the building. Poplar Glen in Columbia, MD increased in value by 5.8% as a result of continued market strength driving higher rents. The value of M Street in Washington, DC grew by 4.7% due to higher rents being negotiated in the prospective Wells Fargo renewal.

Sources: Bailard, NCREIF.
1 Gross-of-fee and Net-of-fee returns are calculated using NCREIF PREA's time-weighted return methodology quarterly. The Fund's underlying performance results 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. 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. ***Past performance is no indication of future results. All investments have the risk of loss.***

Bailard Real Estate Fund Total Returns[1, 2]

FOR PERIODS ENDING 6/30/2024



	Quarter	1 Year	3 Year	5 Year	10 Year	Since Inception (4/90)
Total Return						
Bailard, Net of Fee	0.0%	-8.8%	4.0%	5.5%	8.8%	8.4%
ODCE (EW), Net of Fee	-0.8%	-10.3%	1.1%	2.6%	5.8%	5.8%
Income Return						
Bailard, Gross of Fee	0.8%	3.0%	3.3%	3.7%	4.0%	5.2%
ODCE (EW), Gross of Fee	1.0%	3.8%	3.7%	3.9%	4.2%	6.3%
Bailard, Net of Fee	0.6%	2.2%	2.4%	2.9%	3.1%	4.6%
ODCE (EW), Net of Fee	0.8%	3.0%	2.9%	3.1%	3.4%	4.9%

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

Fund Overview

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

At the portfolio's multifamily assets, total Net Operating Income (NOI) declined by 11.8%, year-over-year (Q2 2024 vs. Q2 2023). Measured on a "same store" basis, multifamily NOI decreased by 9.4%, year-over-year. (The same-store calculation excludes Grand at Saginaw in Saginaw, TX and Beck46 in Minneapolis, MN, which were in development during Q2 2023.) Lowa46 in Minneapolis, MN declined by 39.3% due to higher vacancy and increased operating expenses as a new property manager took over the asset. Plantation Colony in Plantation, FL and La Morada at Weston in Weston, FL contracted by 30.6% and 27.6% respectively, stemming from a large increase in Florida property insurance rates. Partially offsetting these declines were C&E Lofts in St. Paul, MN, which grew by 119.5% because of a one-time property tax expense adjustment necessitated from an over accrual in the previous year, and Poplar Glen in Columbia, MD that increased by 22.2%, driven by higher rents and less bad debt.

On a quarterly basis (Q2 2024 vs. Q1 2024), NOI at the Fund's multifamily properties increased by 4.1% in total and grew by 3.2% on a same-store basis (excluding Grand at Saginaw and Beck46). C&E Lofts expanded by 90.2% due to a true up of a property tax "over-accrual" from the prior year, while Poplar Glen increased by 7.6% resulting from higher rents at the property. In contrast, C&E Flats and Lowa46 declined by 20.0% and 18.0%, respectively. These declines are mostly attributable to unbudgeted repairs and maintenance items required at both properties.

Fund Summary

AS OF 6/30/2024[2]

Property Portfolio	$1,393.0 mil.
Cash and Cash Equivalents[3]	$65.5 mil.
Restricted Cash[4]	$13.9 mil.
Other Assets	$4.7 mil.
Gross Asset Value[5]	$1,477.1 mil.
Debt[6]	$440.5 mil.
Dividends Payable	$3.2 mil.
Other Liabilities	$20.8 mil.
Net Asset Value (NAV)	$1,012.6 mil.
Noncontrolling Interests in Joint Ventures	$43.0 mil.
Fund's Net Asset Value	$969.6 mil.
Current NAV/Share	$30.76
Dividends Paid/Share (Quarter)[7]	$0.10
Dividends Paid/Share (Trailing Twelve Months)[7]	$0.40
Number of Properties	35
% Core / Operating	94%
% Leased[1]	93%
Multifamily	94%
Office	75%
Industrial	99%
Retail	97%
Other	59%
Weighted Average Remaining Lease Term (SF)	5.3 years
Office	3.4 years
Industrial	5.3 years
Retail	7.8 years
Other	7.7 years

1 The Fund's leased percentage is based on NCREIF-PREA Reporting Standards lifecycle categories, which excludes non-operating assets such as land, development assets, and assets that completed construction, are less than 60% leased, and have not reached one year after construction completion. 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 Includes cash held by the Fund and properties. Balance includes restrictions and escrows held for property taxes, insurance, capital and leasing expenditures, security deposits, and obligations relating to loan covenants. Market value of cash equivalents shown is before quarterly shareholder transactions.
5 Values for the Fund's properties are gross of total noncontrolling interest in joint ventures of $43.0 mil.
6 Debt is shown at fair market value at quarter-end.
7 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, are for illustrative purposes only, and are not necessarily representative of investments that will be made in the future.

Year-over-year, total NOI at the Fund's office properties decreased by 25.5% (the same-store decrease was identical). Flying Cloud in Eden Prairie, MN contracted by 82.7% after two major tenants vacated at the end of Q2 2023, while Fairview Park in Falls Church, VA dropped by 76.5% after UHG vacated its space. Highland Pointe in Lombard, IL declined by 11.7%. Positive NOI changes occurred at 150 Pierce Road in Itasca, IL and District 237 in San Jose, CA, which expanded by 22.6% and 10.9%, respectively.

Measured quarterly, office NOI increased 10.0% on both a total and same-store basis. 150 Pierce Road grew by 36.3%, Highland Pointe rose by 32.2%, and Fairview Park expanded by 28.0%, while Flying Cloud dropped by 58.4% because of unbudgeted tree removals required by the city and a large subsidy for the new on-site café. The subsidy for the café will shrink as they ramp up sales at the property.

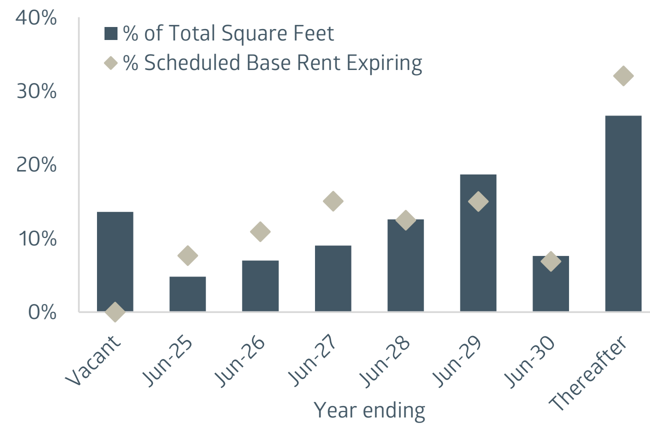
At the portfolio's industrial assets, total year-over-year NOI expanded by 20.8%. Same store industrial NOI rose by 20.2% year-over-year. The same-store calculation excludes one property: South Logistics Center in West Valley City, UT, purchased in August 2023. Fullerton Industrial in Fullerton, CA increased by 90.1% and Westport Industrial Portfolio in St. Louis, MO rose by 45.8%. Highland Business Park in Westampton, NJ grew by 29.5%. Partially offsetting these increases was Market Street Industrial in Houston, TX, which decreased by 47.6% due to differences in prior-year expense reimbursement reconciliations and higher property insurance expenses, which will be reconciled early next year.

On a quarterly basis, total industrial NOI declined by 0.9%. Excluding South Logistics Center, same store NOI was down by 5.3%. Market Street Industrial contracted by 39.5%, and Meadowville Distribution Center in Chester, VA decreased by 28.6% due to the Fund collecting a county property tax reimbursement for the prior year during Q1, which significantly increased revenue for the quarter. Partially offsetting these declines, Westport Industrial Portfolio increased by 11.2% and Highland Business Park expanded by 8.2%.

The portfolio's retail properties rose by 14.0% year-over-year on both a total and same store basis. Shoppes

Upcoming Lease Expirations

EXCLUDING MULTIFAMILY



Top 10 Tenants

AS OF 6/30/2024[8]

Tenant	Property Name	% of Portfolio Revenue
CDK Global	District 237	2.9%
Engineered Floors & Pentz Str	Fullerton Industrial	2.8%
Stop & Shop	Mansfield Stop & Shop; Norwell Stop & Shop	2.7%
Lowe's Home Centers	Georgia Trade Center	2.6%
BAE Systems	South Mountain Industrial	2.2%
CCBCC Operations	Meadowville Distribution Center	2.2%
SFC Global Supply Chain	Fullerton Industrial	1.9%
Jewel Food Stores	150 Pierce Road	1.9%
Lone Star Integrated Distribution	Market Street Industrial	1.7%
Northrop Grumman	Junction Drive	1.7%
Total Top 10 Tenants		**22.5%**

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, are for illustrative purposes only, and are not necessarily representative of investments that will be made in the future.

at Knightdale in Knightdale, NC increased by 37.3% after Academy Sports moved into its space and began paying rent and M Street in Washington, DC grew by 11.4% due to the Fund owing its tenants a credit in 2023 for prior-year expense reimbursements from over-billing in 2022. Charter Colony in Midlothian, VA declined by 10.3% because of higher repairs and maintenance expenses from painting the property in Q2. Total retail NOI expanded by 12.8% on a quarterly basis, identical to the same store measurement. M Street rose by 23.8% and Shoppes at Knightdale increased by 23.6%. Charter Colony fell by 14.9% because of higher repairs and maintenance expenses from painting the property in Q2.

The portfolio contains two properties classified as "Other": Perimeter East Data Center in Dunwoody, GA and Junction Drive in Annapolis Junction, MD. Perimeter East is currently vacant. Junction Drive, also a data center (and previously classified as industrial), is 100% leased and experienced a year-over-year NOI increase of 2,193.8%. This outsized growth occurred because the tenant was in a free-rent period during Q2 2023. On a quarterly basis, Junction Drive's NOI grew by 7.9%.

LEVERAGE

As of June 30, the Fund had leverage totaling $445.5 million at par ($440.5 million at fair value), amounting to an aggregate Debt-to-Gross Asset Value ratio of 29.4%, up from 29.1% at the end of the previous quarter.[9] Individual property Loan-to-Value (LTV) ratios ranged from 36% to 95%, with the average LTV on encumbered properties at 51%, up from 44% at the end of the second quarter one year ago. The Fund's in-place weighted average interest rate was 5.4% at the end of the quarter, unchanged from Q1 quarter-end and up from 5.0% one year ago. The quarter's impact of marking debt to market was 0.01%.

During Q2, the Fund exercised its one-year extension on the loan at 150 Pierce Road ($12.5 million at SOFR + 2.11%). The new maturity date is April 2025. Given the asset's fundamentals, we do not foresee difficulty refinancing this loan in 2025 at equal or better terms.

The Bailard Real Estate Fund has nine loans—with a principal balance of ~$166.4 million at a variety of interest rates—maturing over the course of 2024 and 2025. Below is a summary of those maturing loans and the Bailard Real Estate team's plans for each.

2024 Floating Rate Loan

- Grand at Manor ($18.5 million at SOFR + 2.75%, maturing September 2024): The Fund plans to sell this asset and pay off the loan in advance of debt maturity. In the event a sale is not consummated, the current loan could be refinanced at a lower fixed interest rate and save the Fund over $300,000 per year in debt service.

2024 Fixed Rate Loans

- Town & Country ($12.0 million at 3.33%, maturing July 2024): Subsequent to quarter-end, the Fund paid off the full loan balance at maturity.
- C&E Lofts and C&E Flats ($11.7 million at 4.23%, and $14.5 million at 3.82%, respectively; both maturing August 2024): The Fund plans to pay off both loans at maturity.
- Highland Pointe ($24.6 million at 7.11%, maturing October 2024): The Fund and its partner, Hamilton Partners, are in ongoing discussions with the lender, JP Morgan Chase, to extend this loan for three years, with no change in interest rate and no amortization but with an escrow requirement (with a variety of restrictions) for tenant improvements and capital expenditures. The Fund and Hamilton Partners are evaluating the Bank's proposal.

2025 Fixed Rate Loans

- Gwinnett Apartments ($27.0 million at 3.67%, maturing January 2025): The Fund is considering a sale of the property in late 2024 and would pay off

Leverage Statistics
AS OF 6/30/2024[9]

Debt Outstanding (Fund's Economic Share)	$411.6 mil.
Debt to Gross Asset Value	29%
% Fixed Rate Debt	78%
Property Portfolio Debt Service Coverage Ratio	2.7x
Weighted Avg. Interest Rate	5.4%
Fixed Rate: Weighted Avg. Remaining Term	2.9 years
Floating Rate: Weighted Avg. Remaining Term	1.4 years
# of Unencumbered Properties	15

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).

this loan would be refinanced and, assuming interest rates remain unchanged through the balance of 2024, that would result in an additional ~$600,000 per year in debt service.

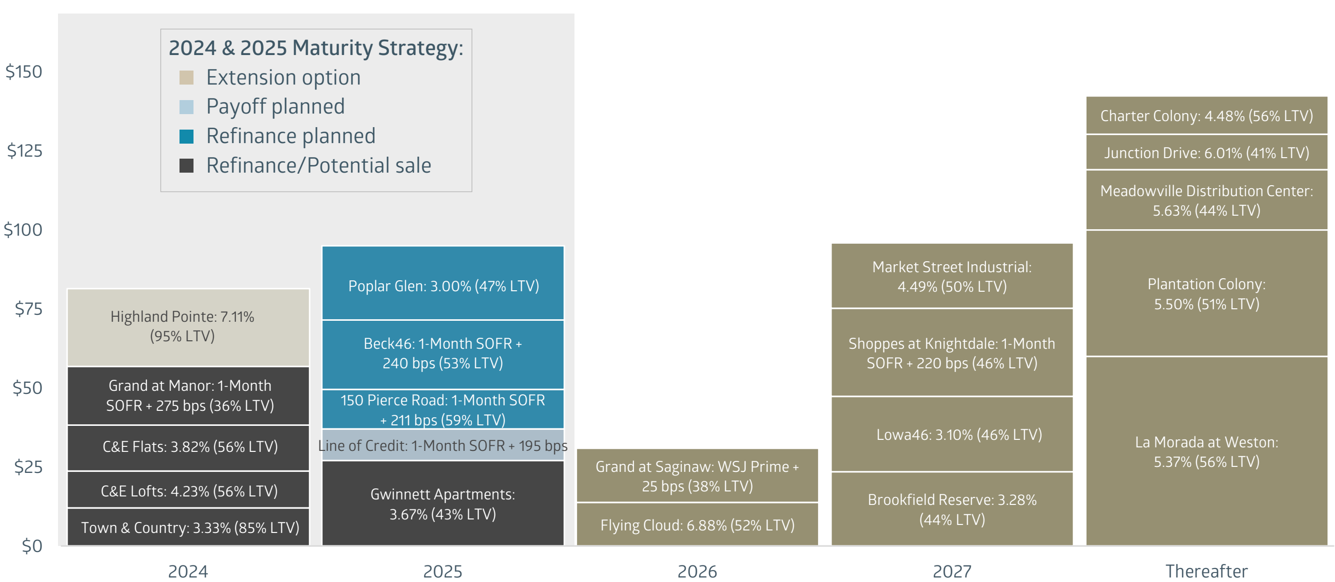
the loan in that event. If a sale is not consummated, this loan would be refinanced and, assuming interest rates remain unchanged through the balance of 2024, that would result in an additional ~$600,000 per year in debt service.

- Poplar Glen ($23.5 million at 3.00%, maturing April 2025): There are no plans to dispose of this asset. At 47% LTV, this loan is easily refinanced. Assuming interest rates stay the same for the next 14 months, that would result in an additional $700,000 per year in debt service for the Fund.

2025 Floating Rate Loans

- 150 Pierce Road ($12.5 million at SOFR + 2.11%, maturing April 2025): Given the fundamentals at this asset, we do not foresee difficulty refinancing this loan in 2025 at equal or better terms.
- Beck46 ($22.0 million at SOFR + 2.4%, maturing May 2025): This floating rate construction loan will be easily refinanced as soon as this asset reaches stabilization. The current floating rate is approximately 7.7%, and if it is refinanced at a current fixed rate of 6%, that would save the Fund ~$325,000 per year in debt service.

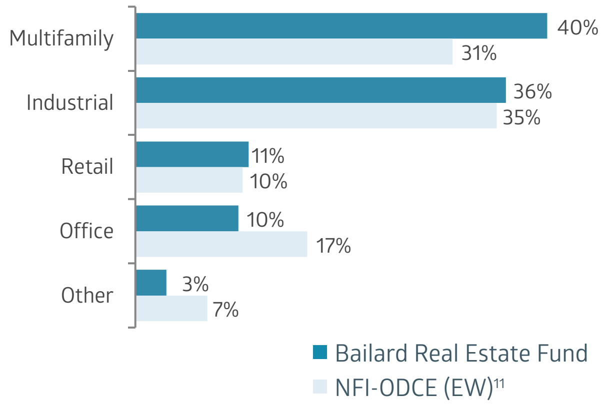
Debt Maturity Schedule[9] AT PAR, AS OF 6/30/2024



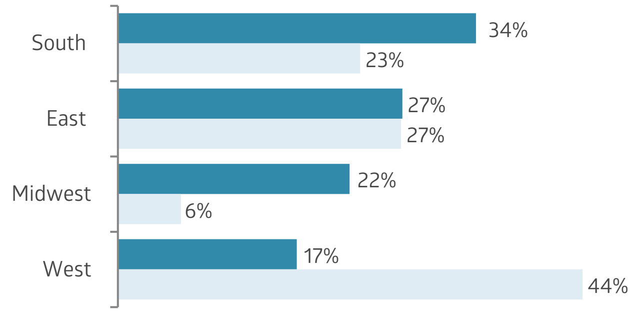
9 Per the NCREIF PREA Reporting Standards, leverage percentage is calculated as follows: the Fund's economic share of outstanding debt at par divided by the Fund's total gross assets (the Fund's economic share of gross real estate, cash and cash equivalents, and other assets).
Chart reflects shaded areas 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. There is no guarantee that planned strategies regarding debt maturities can or will be achieved.

PORTFOLIO DIVERSIFICATION[10] (as of 6/30/2024)

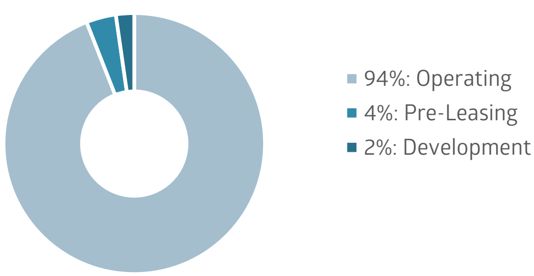
Property Type



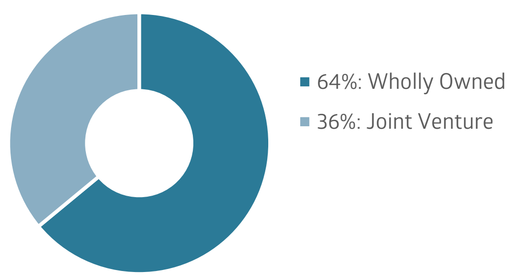
Geography



Property Life Cycle[12]



Investment Structure



Fund Management

Effective June 14, 2024, Jamil Harkness departed the Bailard real estate team to pursue other professional interests. Jamil joined Bailard in December 2020, as a Research and Performance Associate. We appreciate his contributions during his tenure and wish Jamil all the best in his future endeavors.

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 Based on NCREIF-PREA Reporting Standards lifecycle categories.

Commitment to SRII

The Fund remains committed to broad incorporation of Sustainable, Responsible & Impacting Investing (SRII) practices into its acquisition, asset management, and portfolio management activities through the implementation of portfolio-wide policies and processes. SRII 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 best practices both at the Fund and individual property level. The Fund is tracking energy and water usage, while maintaining a focus on tenant safety and community building.

Property Spotlight: Brookfield Reserve

Located in Brookfield, WI, Brookfield Reserve is a 194-unit multifamily property developed by the Fund in 2018.

ENVIRONMENTAL – The local developer worked with a third-party energy consultant to implement energy-efficient designs throughout the property, including LED fixtures, low flow kitchen and bathroom fixtures, energy efficient heating and cooling systems, reflective roof paint, and motion sensor garage lighting. These efforts led to an estimated $91,000 in annual cost savings through reduced electric, water, and gas usage.

SOCIAL – The construction was led by a local, Wisconsin-based general contractor. Residents benefit from immediate access to local bus systems along Bluemound Road, which connects to major area employers. In addition, residents have access to onsite amenities including a fitness center, tenant lounge and conference rooms, pool and outdoor recreation area, enclosed parking, and pet amenities.

GOVERNANCE – All properties are valued quarterly by MAI certified appraisers in a thoroughly independent process overseen/managed by Altus. After the property appraisals are completed and vetted by Altus, they are presented to the Bailard Real Estate Fund's independent Board of Directors for final approval

ENVIRONMENTAL HIGHLIGHTS

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

2024 GOALS

- Increase reporting to 100% for all landlord-controlled utility accounts into Measurabl.
- Improve upon GRESB score via increased data collection and creation of internal policies.
- Install solar panels at Highland Business Park to offset energy usage with onsite renewables.

SOCIAL HIGHLIGHTS

- The Fund continued to focus on communications: providing housing resources for our residents, CDC guidelines for commercial tenants, and 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.

2024 GOALS

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

GOVERNANCE HIGHLIGHTS

- 100% of properties valued by MAI-certified appraisers on a quarterly basis and reviewed by an independent third-party appraisal management group.
- Created ESG committee to help oversee Fund initiatives related to sustainable goals.

2024 GOALS

- Commitment to continued high standards in Board management and 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	93%	-2.1%
Austin	The Grand at Manor	270 units	96%	-4.5%
Baltimore	Poplar Glen	191 units	98%	5.8%
Dallas/Ft. Worth	The Grand at Saginaw	235 units	N/A	2.0%
Ft. Lauderdale	La Morada at Weston	367 units	95%	-3.4%
Ft. Lauderdale	Plantation Colony	255 units	99%	0.9%
Milwaukee	Brookfield Reserve	193 units	98%	0.8%
Minneapolis-St. Paul	Beck46	142 units	61%	-0.1%
Minneapolis-St. Paul	C&E Flats - Multifamily	118 units	98%	0.4%
Minneapolis-St. Paul	C&E Lofts	103 units	96%	1.8%
Minneapolis-St. Paul	Lowa46 - Multifamily	147 units	97%	-0.4%
		2,259 units	**94%**	**-0.5%**
Industrial				
Houston	Market Street Industrial	395,725 SF	100%	0.5%
Orange County	Fullerton Industrial	254,750 SF	100%	-0.1%
Philadelphia	Highland Business Park	569,893 SF	100%	-0.1%
Phoenix	South Mountain Industrial	188,140 SF	100%	-1.3%
Richmond	Meadowville Distribution Ctr	353,044 SF	100%	3.6%
Salt Lake City	South Logistics Center	328,607 SF	N/A	-3.0%
San Diego	Waterville Industrial	101,435 SF	100%	-0.1%
Savannah	Georgia Trade Center	416,450 SF	100%	-0.8%
St. Louis	Westport Industrial Portfolio	651,009 SF	95%	-0.9%
		3,259,053 SF	**99%**	**-0.3%**
Office				
Baltimore	Nottingham 7941	57,782 SF	100%	-1.4%
Chicago	150 Pierce Road	181,614 SF	90%	-1.9%
Chicago	Highland Pointe	376,571 SF	74%	-7.2%
Columbus	Easton Commons	135,485 SF	0%	0.0%
Minneapolis-St. Paul	Flying Cloud	201,495 SF	59%	7.0%
Orange County	Town & Country	90,191 SF	77%	-15.0%
San Jose	District 237	76,410 SF	100%	-3.9%
Washington, DC	Fairview Park	117,065 SF	53%	-1.5%
		1,236,613 SF	**75%**	**-3.2%**
Retail				
Boston	Mansfield Stop & Shop	74,383 SF	100%	0.0%
Boston	Norwell Stop & Shop	59,519 SF	100%	0.4%
Minneapolis-St. Paul	C&E Flats - Retail	11,636 SF	76%	0.0%
Minneapolis-St. Paul	Lowa46 - Retail	49,545 SF	93%	0.0%
Raleigh	Shoppes at Knightdale	323,113 SF	100%	0.3%
Richmond	Charter Colony	71,741 SF	100%	0.4%
Washington, DC	M Street	10,806 SF	68%	4.7%
		600,743 SF	**97%**	**0.5%**
Other				
Atlanta	Perimeter East Data Center	88,000 SF	0%	1.8%
Baltimore	Junction Drive	96,666 SF	100%	0.7%
		184,666 SF	**59%**	**1.2%**
TOTAL PROPERTY PORTFOLIO: $1,392,837,000			**93%**	**-0.5%**

1 The Fund's leased percentage is based on NCREIF-PREA Reporting Standards lifecycle categories, which excludes non-operating assets such as land, development assets, and assets that completed construction, are less than 60% leased, and have not reached one year after construction completion. 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 $43.0 million. Previous Carry Value is equal to the previous appraised value plus capital spent since that appraisal. Recent acquisitions ardddddde 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.

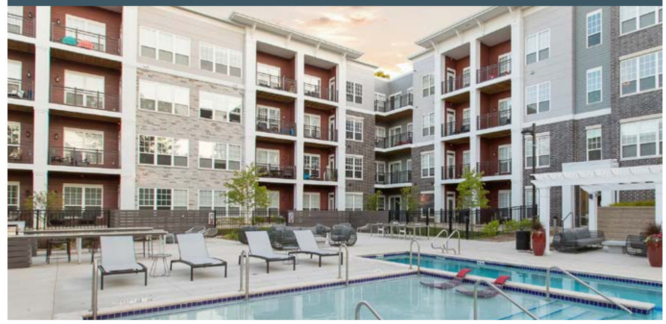
Multifamily

Beck46

4020 Nawadaha Blvd, Minneapolis, MN 55406
Acquired May 2022

The leasing activity at the newly-completed Beck46 surged during Q2, with the arrival of warmer weather in Minneapolis. The property ended the quarter at 61% leased, and momentum is strong heading into summer. The Fund expects the property to reach stabilized occupancy by year-end. The Fund and its JV partner hired a debt broker in order to pursue an early loan refinance with the goal of reducing interest expense at the property.

Multifamily



Brookfield Reserve

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

Brookfield continues to achieve robust rent growth and high resident retention. Its construction—featuring attractive unit finishes and extensive community amenities, along with an outstanding onsite management team and limited new competition—ensures it is well-positioned for ongoing strong performance. The Fund continues to collaborate with the onsite property manager to complete small projects aimed at enhancing the resident living experience.

Multifamily/Retail

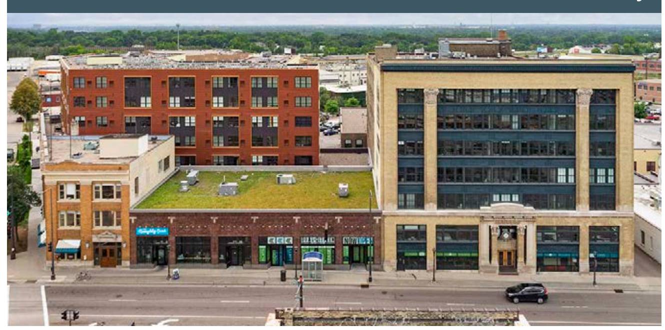
C&E Flats

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

C&E Flats finished the quarter at 98% leased. The property maintained high occupancy, but used concessions on select units to remain competitive with neighboring properties.

The Fund marketed the property for sale during the quarter but was not satisfied with the offers received. Consequently, the Fund intends to repay the property loan at maturity rather than refinance and use the Fund's line of credit for a near term financing solution. This will offer greater flexibility for future decisions, whether to hold the asset longer term or pursue a sale again in the next few years.

Multifamily



C&E Lofts

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

The property stayed well-leased during the quarter, although concessions were offered for specific floor plans. Lofts continues to be a cost-effective, unconventional alternative to the new supply in the neighborhood. Similar to Flats, the Fund will pay off the loan at maturity, using its line of credit for near term financing, and continue to own the property.

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 Q1. Despite the increasing supply of apartments in Austin—which is softening market fundamentals—the asset continues to perform well, maintaining occupancy and leasing activity without offering concessions.

The property remains on the market for sale. A buyer has been selected, and the Fund is in the process of negotiating the purchase and sale agreement with the potential purchaser of the asset.

Multifamily

The Grand at Saginaw

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

The Grand at Saginaw is an under-construction 235-unit garden-style apartment community being developed on 9.8 acres north of Ft. Worth, Texas. During the quarter, building four was completed, with building three being the remaining structure still under construction. By the end of Q2, 58% of the units were leased, an increase from 49% in Q1. At quarter-end 50% of the units were physically occupied. Despite the construction progress, the project continues to encounter challenges with the general contractor's performance, delaying substantial completion of the project, but the Fund is confident the project will be completed by the end of Q3.

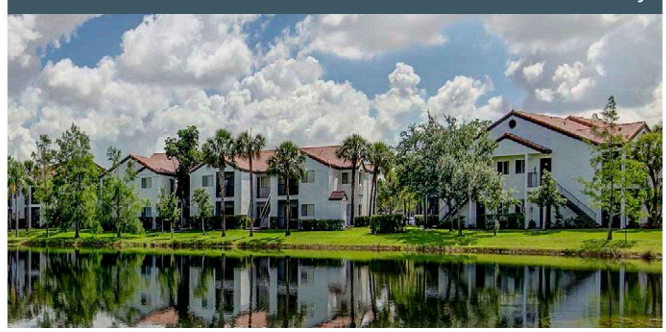
Multifamily

Gwinnett Apartments

1760 Lakes Parkway, Lawrenceville, GA 30043
Acquired December 2017

Gwinnett Apartments ended the quarter at 93% leased. The leasing market has softened and the property's current leasing objective is to keep resident retention high. The Fund and its JV partner have engaged CBRE to list the property for sale during Q3. The property's loan comes due in early 2025 and the Fund believes the proceeds can be better reinvested elsewhere. Transaction activity for multifamily product in suburban Atlanta has been strong in 2024, and both institutional investors and private buyers are pursuing acquisitions in the market.

Multifamily



La Morada at Weston

1201 Fairlake Boulevard, Weston, FL 33326
Acquired March 2000

La Morada ended the quarter at 95% leased. The strong leasing demand in South Florida has led to ample rent growth on new and renewal leases at the property.

The Fund's main priority is commencement of the stair landing repairs. The work has been held up due to city bureaucracy, but the Fund's construction manager believes the project will kick off during the third quarter. The onsite property manager is working diligently to ensure the construction does not interrupt leasing at the property.

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/Retail

Lowa46

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

The property has rebounded from its earlier leasing challenges, and ended Q2 at 97% leased. The leasing and management team's high-touch customer service has completely changed the tenant experience at the property.

The Fund and its JV partner are monitoring a leak issue occurring in some of the units, which might require further inspections to determine the underlying cause.

Multifamily

Plantation Colony

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

Plantation Colony ended the quarter at 99% leased. The property's tenants continue to be very satisfied at the property resulting in strong resident retention. The Fund expects to push rents moving into the second half of the year. Roof repairs will be completed across the property during the third quarter, as weather permits. The electrical panel replacement project is also on track to be completed by the end of the year.

Multifamily

Poplar Glen

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

Poplar Glen continues to perform well: it had the highest resident retention during the first half of 2024 (tied with Plantation Colony), while still growing rents significantly.

The balcony replacement project remains on track to be completed in the third quarter. Onsite property management has worked diligently to ensure the construction work was not disruptive to residents.

Industrial

Fullerton Industrial

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

Fullerton remains fully leased, backed by an eight-year weighted average lease term from two creditworthy tenants. The Mid-Counties submarket faces high barriers to new construction due to significant land constraints, reducing the risk of additional supply. Additionally, infill locations like this property's location will continue to experience strong demand due to their proximity to the ports and the major population centers of Los Angeles and Orange County.

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

Industrial

Georgia Trade Center

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

Georgia Trade Center is 100% leased to Lowe's through November 2033. Market rental rates for bulk warehouse properties in the Savannah area continue to rise. However, capitalization rates have also gone up as investors seek higher returns on stabilized assets.

Industrial

Highland Business Park

300 Highland Drive, Westampton, NJ 08060
Acquired June 1999

Highland Business Park maintained 100% occupancy, unchanged from Q1. The portfolio of industrial buildings boasts a weighted average lease term of five years.

During the quarter, the Fund continued to progress in its ongoing initiative to replace most of the building roofs and upgrade the monument signage, which will enhance curb appeal and boost brand visibility for the tenants. Although market fundamentals for industrial properties in the Northeast are softening, the Fund remains optimistic about the long-term performance of this asset.

Industrial

Market Street Industrial

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

Market Street Industrial remains fully leased (unchanged from Q1) to two third-party logistics firms, Lone Star Integrated Distribution and Gulf Stream Marine, with a weighted average lease term of just over four years. Leasing fundamentals for industrial properties in the Port of Houston submarkets remain strong relative to other industrial markets. Subsequent to quarter-end, the Houston market was hit by a hurricane that was downgraded to a tropical storm, Hurricane Beryl. Aside from some interruption to the utility services, the property had no significant issues nor damages.

Industrial

Meadowville Distribution Center

1400 Digital Drive, Chester, VA 23836
Acquired March 2023

Meadowville Distribution remained 100% leased at the end of the quarter. The property is fully leased through January 2028 to CCBCC Operations, LLC, a wholly owned subsidiary of Coca-Cola Bottling, who is one of the largest Coca-Cola bottlers In United States. The company bottles Coca-Cola for the Southeast, Midwest, and mid-Atlantic portion of the country.

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

South Logistics Center

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

South Logistics Center, a newly built 328,607 square-foot industrial building in the Northwest Quadrant of Salt Lake City, is 53% leased, unchanged from Q1. The Fund continues to market the remaining vacancy, but activity has remained slow.

Salt Lake City's industrial market has weakened due to a downward shift in demand coupled with an unprecedented surge in new supply. The Fund is in the process of adding speculative office space to the available warehouse to increase its marketability.

Industrial

South Mountain Industrial

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

South Mountain Industrial remains fully leased to BAE Systems, through 2027. The Fund attempted to sell the property late last year without success and brought it to market again this year. The process has not improved, as prospective buyers remain concerned about the building's high office finish and specialized build-out for BAE Systems. The Fund will continue working to dispose of the asset by year-end.

Industrial

Waterville Industrial

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

Waterville Industrial is fully leased to Honeywell, the former owner, who will lease back the asset until March 2025. Honeywell plans to vacate the property at the end of the lease term. In anticipation of this, the Fund, in collaboration with its joint venture partner, Murphy Development Company, has been developing various asset repositioning strategies for when the property becomes available in 2025. During the quarter, the joint venture partnership has been working on design plans for the property renovation.

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

Westport Industrial Portfolio ended the quarter 95% leased, up from 92% in Q1. During the quarter, the Fund leased 17,764 square feet to Allied Oil and Tile Company. Despite a slowdown in industrial leasing fundamentals in St. Louis, this asset remains notably well-leased. Additionally, the property's value has remained largely stable as the yields are already aligned with the current 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.

Office

150 Pierce Road

150 Pierce Road, Itasca, IL 60143
Acquired May 2015

The property ended the quarter 90% leased, after a 2,800 sf lease was signed. The Fund continues to market the remaining vacant suites, but tour activity at the property was slow during the Spring. There is minimal lease rollover over the next 12 months at the property, as multiple tenants signed extensions earlier in the year.

Office

District 237

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

District 237 remains fully leased to CDK Global, Inc. until March 2027. CDK does not physically occupy the building, and the property is available for sublease. While the Bay Area office market is far from pre-COVID levels, it is showing signs of life, driven by major tech companies' return-to-office mandates and potential job growth from generative AI technology. According to CBRE, the San Francisco Bay Area accounted for 76% of AI venture capital funding in the first half of 2024 and 57% since 2019.

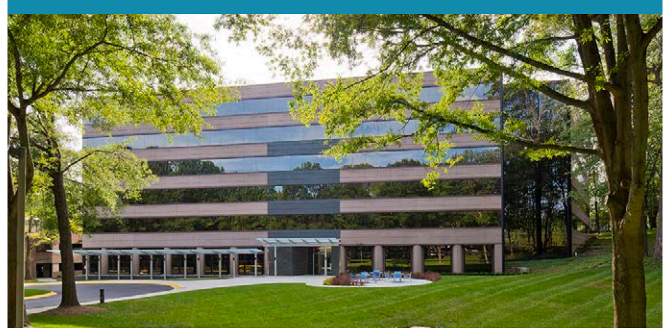
Office

Easton Commons

3344 Morse Crossing, Columbus, OH 43219
Acquired December 2017

Easton Commons remains vacant, unchanged from Q1. The Fund re-evaluated designs for new amenity spaces and floor layouts to attract smaller tenants. However, substantial capital costs are involved in converting the building to a multi-tenant layout. Additionally, user buyers prefer a single-tenant layout. Therefore, the Fund continues to market the space for lease or sale in its current condition to a larger occupier.

Office



Fairview Park

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

Fairview Park ended the quarter 53% leased, up from a 34% occupancy rate at Q1. Subsequent to quarter-end, UHG vacated 29,475 square feet but partially offsetting this, the Fund leased 14,826 square feet to Apex Systems and 7,677 square feet to Martin Construction Group. In addition, the Fund back-filled 10,000 square feet of the UHG space to Washington Soccer Properties on a short-term basis, at below market rents with the right to terminate the lease should a new prospect want the space.

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

Office

Flying Cloud

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

7500 Flying Cloud is 59% leased but generated substantial leasing interest during Q2. The Fund is currently negotiating a full floor lease with a new tenant, an early extension and expansion with a current full-floor tenant, and an additional 8,300 sf lease with another new user. If all three are completed, the property would be close to leasing stabilization once more. The Fund and its JV partner are working with the onsite property manager to finalize plans for two spec suites at the property. The asset's new common area amenities and café are being well utilized by current tenants, and are a strong selling point for prospects touring the building.

Office

Highland Pointe

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

Occupancy at Highland Pointe held steady at 74%. Despite significant tour activity, no new leases were signed during the quarter. With high vacancy rates in the submarket, competition among landlords remains intense. Tenant improvement costs continue to be inflated, and many new deals fail to generate sufficient rental income to justify the landlord's substantial investment. The Fund and its partner are actively negotiating a loan restructure with the lender as the loan maturity date nears.

Office

Nottingham 7941

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

The property remains 100% leased to Prometric through 2025. During the quarter, the Fund was approached by a charter school interested in leasing the whole building. At the same time, the current tenant, Prometric, expressed interest in renewing half of its current space. The Fund will explore both options further during Q3.

Office

Town & Country

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

Town & Country ended the quarter 77% leased, up from 75% in Q1. During Q2, Zephyr, a 8,650 square-foot tenant, expanded by 1,822 square feet.

The Fund had hired CBRE to market the property for sale during Q1. A buyer intending to use the building for its own occupancy has been identified. The offer, which is still being negotiated, involves a complicated process with an extended due diligence and closing period. If the transaction proceeds, it will likely occur towards the end of Q4.

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

Retail

Charter Colony

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

Charter Colony remained fully leased throughout Q2. The property features a robust weighted average lease term of 12 years, with the anchor tenant, Publix, having over 16 years of remaining lease term. Year-to-date net operating income is up nearly 4% due to additional revenue from tenant expense reimbursement reconciliations. Given the stability of this asset, the Fund is concentrating on strengthening tenant relations and implementing minor capital improvements at the property.

Retail

M Street

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

M Street remained 68% leased through Q2, unchanged from Q1. The property, anchored by Wells Fargo, has all current leases set to expire in 2025. During the quarter, the Fund agreed to economic terms with Wells Fargo. The agreed-upon terms will increase the rent from $80 to $220 per square foot, making the lease very accretive to the property's value.

Retail

Mansfield Stop & Shop

377 Chauncy Street, Mansfield, MA 02048
Acquired October 2020

Mansfield Stop & Shop is a 74,383 square foot neighborhood retail center, fully leased to Stop & Shop until March 2033. Stop & Shop manages all utilities and maintenance, minimizing landlord involvement. The Fund continues to focus on maintaining a cooperative relationship with the tenant.

Retail

Norwell Stop & Shop

468 Washington Street, Norwell, MA 02061
Acquired August 2022

Norwell Stop & Shop is a standalone neighborhood grocery store encompassing 59,519 square feet, fully leased to Stop & Shop until July 2032. This property is the Fund's second Stop & Shop location in the Boston MSA. As the landlord for two Stop & Shop leased buildings in Boston, the Fund continues to focus on actively enhancing its relationship with the tenant.

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

Retail

Shoppes at Knightdale

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

Shoppes at Knightdale achieved 100% leased status after soft-goods retailer, Burlington, signed a 20,086 square-foot lease. The build-out of the Home Goods store is currently underway, with a projected opening date of October 2024. Burlington's build-out work has an estimated completion date of Q1 2025. The Fund is also working on smaller capital projects to enhance the shopping experience. The inline shops at the center continue to perform well. The Fund and its JV partner decided not to pursue the acquisition of the undeveloped land parcel adjacent to Starbucks due to development restrictions.

Other (Data Center)

Junction Drive

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

The property is 100% leased to Northrop Grumman through January 2032. As previously mentioned, the Fund has decided to change the property's asset type classification from Industrial to Other (Data Center) to better reflect how the tenant utilizes the building.

Other (Data Center)

Perimeter East Data Center

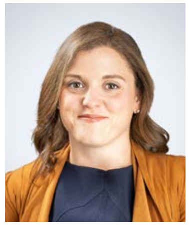
40 Perimeter Center East, Dunwoody, GA 30346
Acquired May 2017

Perimeter East remains vacant. After extensive discussions with Georgia Power, the Fund and its JV partner are able to increase power at the site with a small capital investment. This should make the site more attractive to a deeper pool of tenants needing greater power for operations. The Fund is exploring engaging a sales broker to sell the property as-is.

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.

Bailard Real Estate Team

Preston Sargent
Fund President & CEO
EVP, Real Estate, Bailard, Inc.
psargent@bailard.com



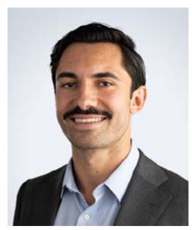
Tess Gruenstein
SVP, Acquisitions &
Portfolio Management
tgruenstein@bailard.com

James Pinkerton
SVP, Acquisitions &
Portfolio Management
jpinkerton@bailard.com

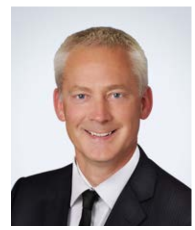
Alex Spotswood
VP, Acquisitions &
Portfolio Management
aspotswood@bailard.com

David Abramson
Analyst

Geoffrey Esmail
Senior Associate



Juan Rascon-Borgia
Associate



Brian Urback
Asset Manager

Accounting

Dipika Shull, CPA
Chief Accounting
Officer

Investor Relations

Jeffrey Abell
Senior Client
Operations Associate
jabell@bailard.com

Ben Lathrop
SVP, Director, Business
Development
blathrop@bailard.com

Erin Randolph
SVP, Director, Marketing
& Communications
erandolph@bailard.com

Fund Board of Directors

Charles Crocker, Chairman, Independent Director
Brad Blake, Independent Director
Evelyn Dilsaver, Independent Director
Geoffrey Dohrmann, CRE, Independent Director
Ronald Kaiser, CRE, Independent Director
Sonya Mughal, CFA, Director
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 June 30, 2024 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.

Bailard, Inc.
950 Tower Lane, Suite 1900
Foster City, California 94404-2131
call: (800) 224-5273
visit: bailard.com/real-estate

Bailard

Published August 2024