REAL ESTATE INVESTMENT POLICY

I. PURPOSE AND OBJECTIVES

The purpose of this Real Estate Policy is to formalize the Nebraska Investment Council's ("Council") investment objectives and policy with respect to the Real Estate asset class and to define the duties and responsibilities of the various entities involved in the Real Estate investment process. This statement is to be considered an extension of the Council's overall Statement of Investment Philosophy. No provision of this Real Estate Policy shall be construed in contravention of the enabling legislation found in the Nebraska State Funds Investment Act and the Nebraska Capital Expansion Act.

II. INVESTMENT PHILOSOPHY

The Council allocates a portion of its total assets to the Real Estate asset class. The Council defines its Real Estate asset class by its investment values directly relating to the ownership or operation of commercial or residential Real Estate investments. The Council also includes investments in agriculture and natural resources within the Real Estate asset class. The Council allocates assets to Real Estate with the following goals:

Diversification with Other Asset Classes
Real Estate returns have historically performed differently than the returns of other asset classes in which The Council invests. The Council believes that Real Estate returns will continue to behave differently from other asset class returns, allowing The Council to lower the risk of its overall portfolio through diversification by allocating to the Real Estate asset class.

Potential Inflation Hedge
Real Estate returns have historically shown the ability to provide a hedge against rising inflation. By allocating a portion of its investments to an asset class with these characteristics, the overall risk of rising inflation to the portfolio is reduced.

Current Income and Appreciation
Core and Value-Added Real Estate strategies have historically shown the ability to maintain a moderate current income component with a modest appreciation component. As such, an appropriate proportion of the Real Estate portfolio is targeted to be allocated to each of these strategies.

Return Enhancement
Value-Added and Opportunistic Real Estate strategies have historically shown the ability to deliver higher degrees of appreciation and higher total returns relative to Real Estate industry benchmarks. To help the portfolio's ability to outperform and produce excess returns, an allocation is made to the Real Estate asset class in these styles.

III. ALLOCATION

The Council controls allocation risk at the fund level as shown below.

Real Estate Target Allocations

Defined Benefit ("DB/CBB")	7.5%
General Endowment	5.0%
Health Care Endowment	5.0%
Investor Select Program	7.50%

Asset allocation is a critical driver for the long-term success of the Real Estate program. Modern portfolio theory suggests that asset allocation risk is managed by establishing target portfolio exposure parameters and optimizing the portfolio along risk and return expectations. Real Estate is not conducive to a rigorous quantitative approach and asset allocation risk is controlled through long-term subjective market value parameters.

Long-term market value targets are established below. The Real Estate portfolio will achieve diversification beyond geographic focus by making investments that are complementary in nature regarding fund size, style, and strategic focus.

Real Estate Style Allocations

Core	50% to 80%
Value-Added	10% to 30%
Opportunistic	10% to 30%

IV. PERFORMANCE OBJECTIVES & BENCHMARKING

The Real Estate portfolio performance is benchmarked against the National Council of Real Estate Investment Fiduciaries ("NCREIF") NCREIF Fund Index – Open End Diversified Core Equity ("NFI-ODCE"). The portfolio is measured net of manager fees (not including overhead expenses) against the net of fee NFI-ODCE returns. The Real Estate portfolio is expected to exceed the NFI-ODCE as measured over rolling three-year periods.

V. RISK MANAGEMENT

For Real Estate investments, the following sections identify the most significant risks and the method of control. Compliance with the following risk parameters shall be based on % of the Real Estate portfolio's net asset value at fair value as of each quarter end.

Property Type

The Council seeks to minimize the risk of its Real Estate portfolio by allocating its assets across the spectrum of property types, with the majority of its investments allocated to the primary sectors of the NPI as follows:.

Office	10-50%
Industrial	10-40%
Retail	10-40%
Multifamily (apartment)	10-40%
Lodging (hotel)	0-20%
Other	0-15%

Geography

The Council seeks to minimize the risk of its Real Estate portfolio by allocating its investments across the geographic spectrum. Within the United States, the allowable range of total Real Estate allocation is as follows:

West	NPI +/- 50%
East	NPI +/- 50%
Midwest	NPI +/- 50%
South	NPI +/- 50%

No more than 25% of the Real Estate portfolio may be invested outside of the United States.

Individual Investment

In order to mitigate the risk of large loss, the Council will diversify its Real Estate investments across many different individual properties. As such, and based on the aggregate size of the Real Estate asset class allocation, direct investment into properties is prohibited as are fund investments that have the sole purpose of acquiring or developing one property.

Manager Concentration

Manager risk consists of two elements: the exposure to a manager and the number of managers in the private markets Real Estate portfolio. To control manager exposure, the net asset value exposure to a single private markets Real Estate manager is limited to 20% of the private markets Real Estate portfolio. As Core Real Estate comprises a majority of the portfolio and most Core fund managers are large stable managers, exposure to a single Core fund manager is limited to 35%.

Where fund-of-fund managers are used for efficiency in achieving diversification, such manager concentration is limited to 50% of the private market Real Estate portfolio.

VI. APPENDIX

The Nebraska Investment Council has granted the State Investment Officer the authority to make commitments and fund follow-on private equity partnerships (partnerships) and private closed-end real estate funds (funds) on behalf of the Council if, and only if time is of the essence, and there is a risk that the most favorable terms for the investment will not be obtained if the SIO waits until the next regularly scheduled Council meeting to make a commitment on behalf of the Council. In addition, the following conditions also apply to this delegation of authority:

The amount of the commitment is in line with the respective target asset allocation for private equity or real estate funds, the sub-asset class limitations, and the respective pacing schedules set by the Council;

The investment is with the same partnership or fund that the Council currently has a private equity or private real estate investment with;

The investment is in a partnership or fund that has a similar focus, risk profile, and strategy as that of Council's prior investments in the respective partnership or fund;

A majority of the general partners or the leadership teams has remained the same;

The standard approach to investment and legal due diligence has been completed and documented and no material adverse findings exist beyond those that were in existence when the Council made prior investments with the same general partnership or fund;

The amount to be committed to a follow-on partnership or fund shall not be larger than any prior single commitment the Council has made to any partnership or fund, as the case may be (excluding fund-of-fund investments);

The commitments shall not result in the Council owning more than 10% of the follow-on partnership or fund; and

The investment decision is communicated to all members of the Council in writing, along with supporting documentation, before a commitment is made.

The Council reserves the right to change this delegation of authority at any time.

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