
Nebraska Investment Council
Real Assets Performance Report – Q4 2025
May 2026

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Real Estate Overview

Tailwinds	Headwinds
<ul style="list-style-type: none"> In our view, the industrial sector fundamentals remain relatively strong, stemming from a secular trend towards increasing e-commerce, supply chain reconfiguration and “near-shoring” impacts, despite elevated new deliveries in recent years resulting in increasing vacancy, particularly for mid-size and big-box distribution warehouses. We observed that operational performance of market-rate residential assets remains relatively steady, buoyed by higher mortgage rates and declining new supply. However, rental rate growth has slowed as many markets absorb elevated new deliveries in 2025 and 2026. Stubbornly-high input costs (due to higher interest rates, trade policy and immigration reform) may support existing asset values by discouraging new development. Recent (and expected future) interest rate cuts have boosted industry sentiment and resulted in lower debt costs for equity owners, leading to a steady recovery in transaction volumes. 	<ul style="list-style-type: none"> Government policies on immigration, trade, and the Iran war could add to inflationary pressures, raising concerns that high costs may weigh on growth and consumer spending, even as supply-demand fundamentals remain broadly solid outside the office sector. Potential regulatory reforms restricting institutional investment in single-family residential (SFR) properties could have broader downstream effects, further limiting capital investment across the residential sector. Despite recent rate cuts, base rates remain elevated, driving higher yield requirements (cap rates) for investors, as expected incremental return from debt utilization (positive leverage) is muted. Strong capital inflows into “new economy” sectors (data centers, cold storage, BTR) driven by secular demand have created growth but also structural liquidity risk, with elevated pricing, rising costs, and thin exit markets increasing repricing risk.

Performance at a Glance

- The NCREIF Open End Diversified Core (“ODCE”) and NCREIF Property Index (“NPI”) reported Q4 2025 gross returns of 0.9% and 1.2%, respectively.^{1,2}
- NPI Transaction volumes during Q4 2025 were meaningfully up quarter-over-quarter with a total of 275 property transactions (51% increase), driven by the industrial sector with a total of 150 transaction, up over 108%. The Office sector was the second most active with a total of 51 transactions, which represents a 46% increase from Q3 deal volume. Retail properties followed with a total of 36 transactions during the quarter, representing a 20% increase from Q3. Apartment properties experienced a decrease in transaction volume, down 16% from the prior quarter.²
- All property types produced positive returns during the quarter according to NPI, except Other, with the greatest positive moves in Industrial, Self-Storage, and Retail. While still positive, Hotel, Office and Residential declined versus prior quarter.²
- The ODCE index reported negative appreciation during Q4 2025 (-0.1%), with a consistently-positive income return of 1.0%. The overall appreciation return for the trailing 1-year is -0.3%.¹

Figure 1: Gross Quarterly Returns | %

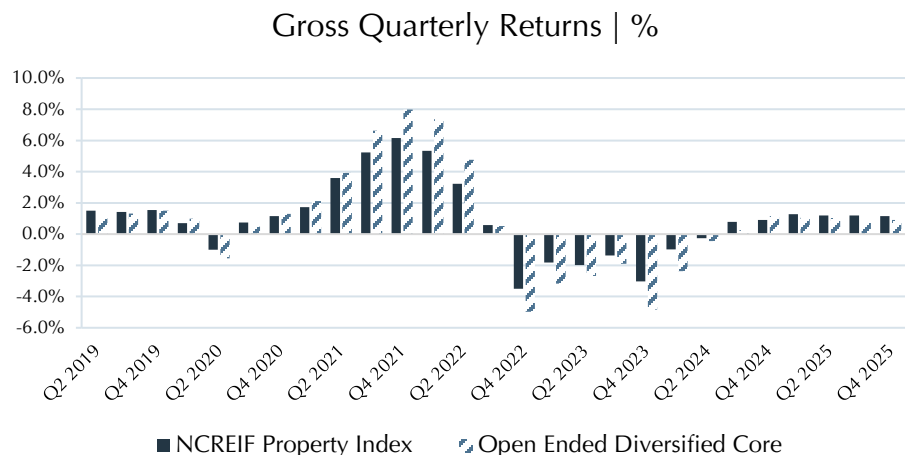
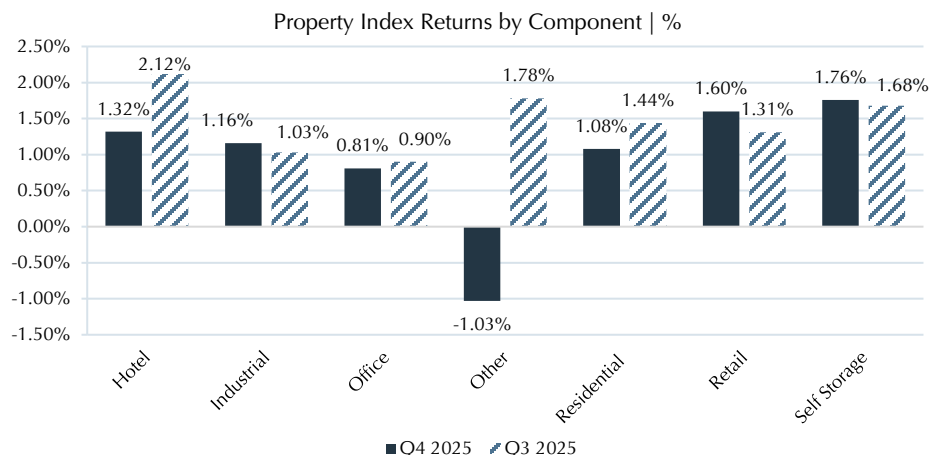


Figure 2: Property Index Returns by Component | %



Source: NCREIF, as of December 31, 2025. Past performance is not indicative of future results. The above represents Aksia’s market observations. Observations are subject to change. All references to Aksia herein refer to Aksia LLC, together with its wholly owned subsidiaries (collectively, “Aksia”).

Residential

Sector fundamentals remain strong supported by persistently elevated interest rates and home prices, which have kept the renter pool large. Additionally, inflated financing and construction costs have resulted in a tapering of supply growth which has resulted in falling vacancies and improving rental growth for existing assets. Aksia expects the sector's demographic demand drivers will keep it somewhat insulated from macroeconomic concerns. Furthermore, sub-sectors continue to emerge, most prominently in the U.S., to cater to specific renter profiles and support a growing demand of "renters-by-necessity" (e.g. build-to-rent, age-restricted, manufactured housing).

Industrial

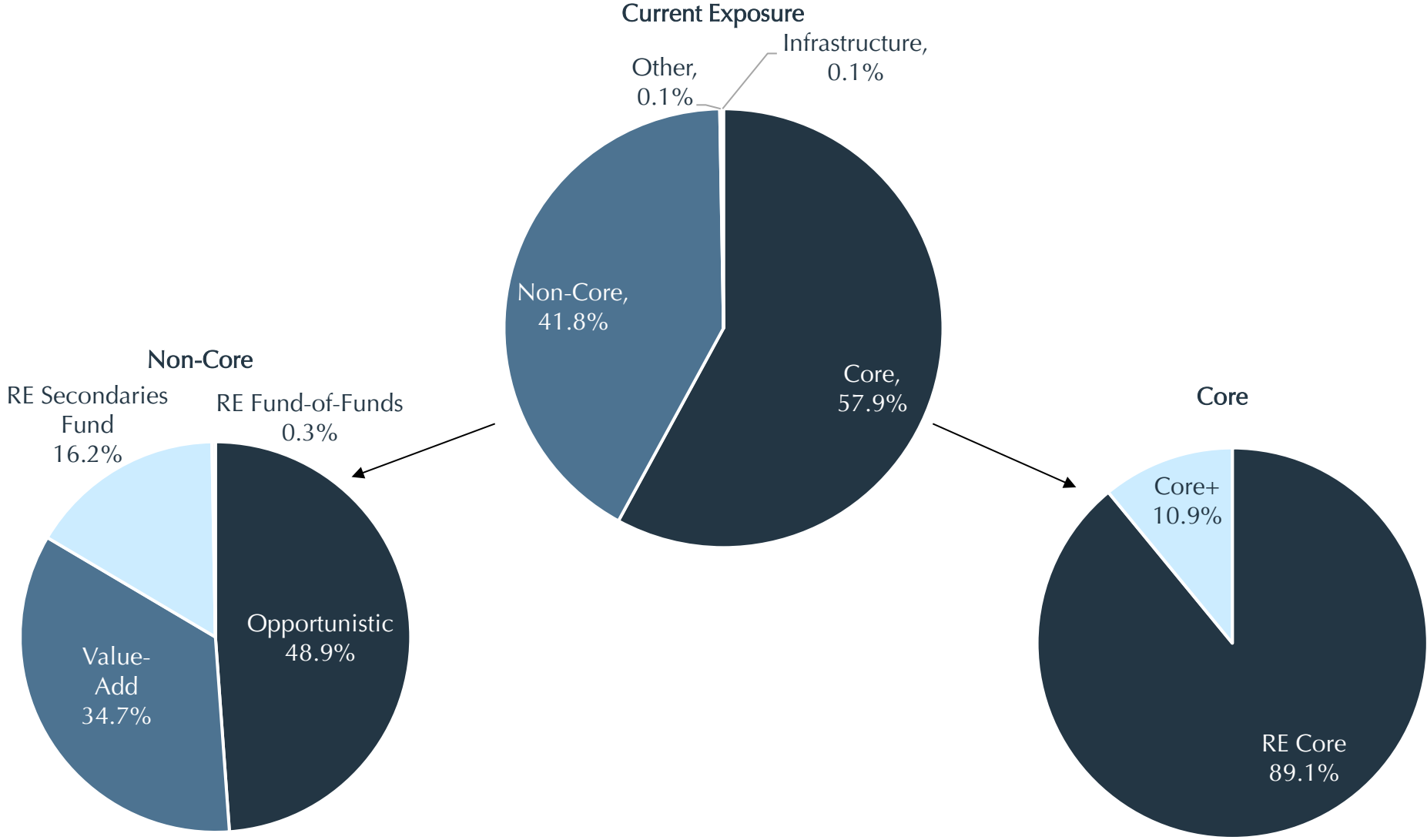
Tariff uncertainty, labor shortages, and a weaker consumer continue to be the main headwinds for the sector. As tenants and corporates navigate this volatile environment, net absorption remains at decade lows, and Aksia expects leasing activity to favor well-located, modern assets. Although fundamentals vary across markets and property types, global e-commerce demand and onshoring/near-shoring efforts are expected to be tailwinds for the sector in the long-term.

Office

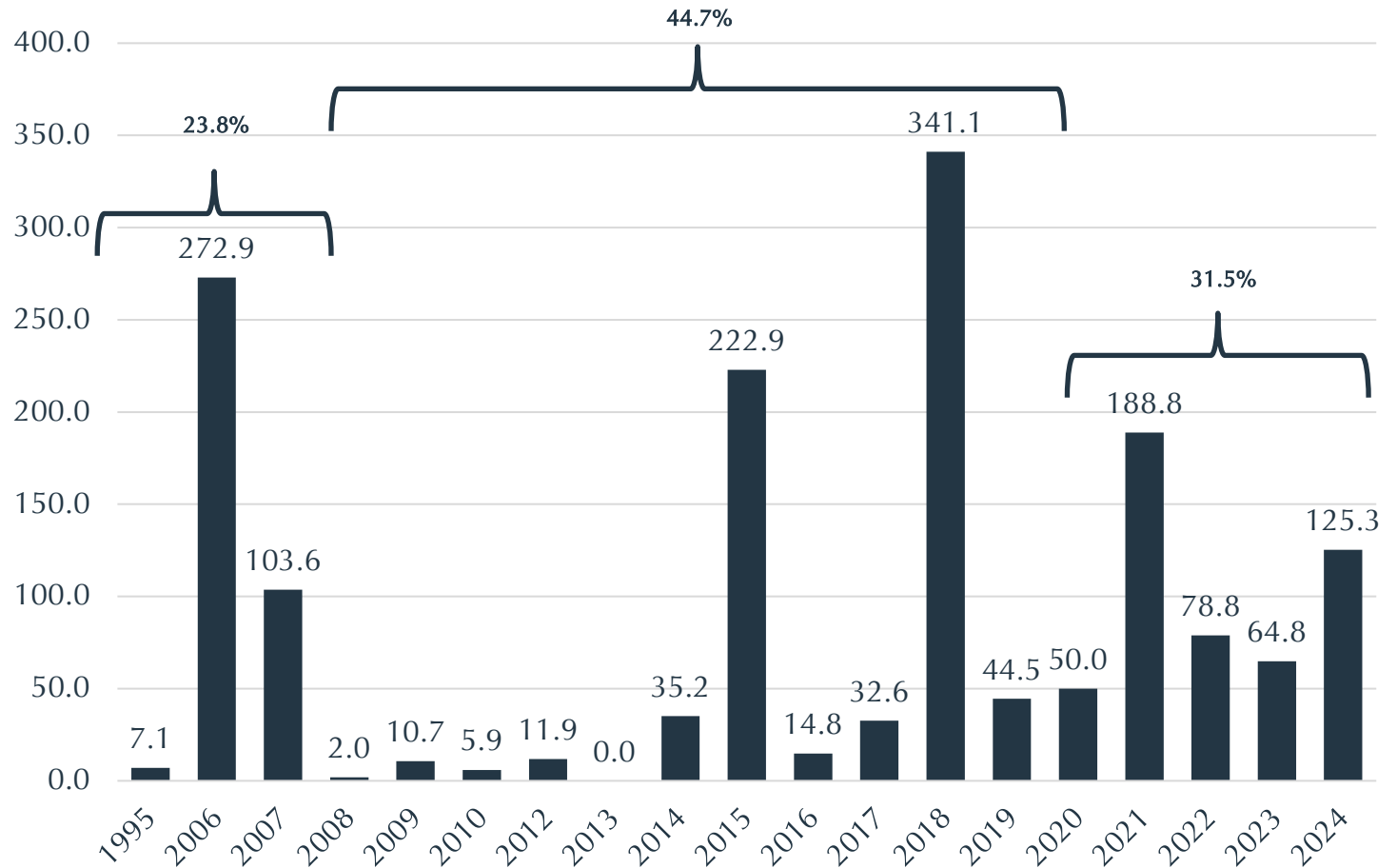
Globally, performance in the office sector remains bifurcated. European and Asian return-to-office mandates have buoyed performance in those markets, especially for newer, well-located buildings. U.S. office holds some of the highest vacancies globally, with minimal office transactions and growing loan defaults defining the sector. However, the "flight to quality" trend is evident with tenant demand for modern class A space dramatically outpacing lower quality product.

Alternatives

As many alternative sectors are demographic-driven, they remain more insulated from the current macroeconomic volatility. Senior housing is supported by low supply growth and an aging population, and manufactured housing and built-to-rent assets are supported by their relative affordability and the continued housing shortage. Additionally, data center demand continues to surge globally with the rapid expansion of and reliance on "AI", machine learning, and cloud computing. However, the rush toward mega-scale (1 GW+) campuses warrants caution, as these projects carry outsized execution, power-availability, absorption, and ultimately exit/liquidity risks that can materially undermine underwriting assumptions.



- Open-ended managers causing outsized exposure to 2006, 2015, 2018 and 2021 commitment years



Defined Benefit and Cash Benefit Balance Program

Total Plan Assets	\$24.3 bn
Real Assets Target	7.5%
Real Assets Net Asset Value	\$1.2 bn
Real Assets Exposure	4.9%
Net IRR Since Inception	5.3%
Total-Value-to-Paid-in Since Inception	1.4x

Healthcare Endowment Program

Total Plan Assets	\$661.9 mn
Real Assets Target	5.0%
Real Assets Net Asset Value	\$18.8 mn
Real Assets Exposure	2.8%
Net IRR Since Inception	6.6%
Total-Value-to-Paid-in Since Inception	1.3x

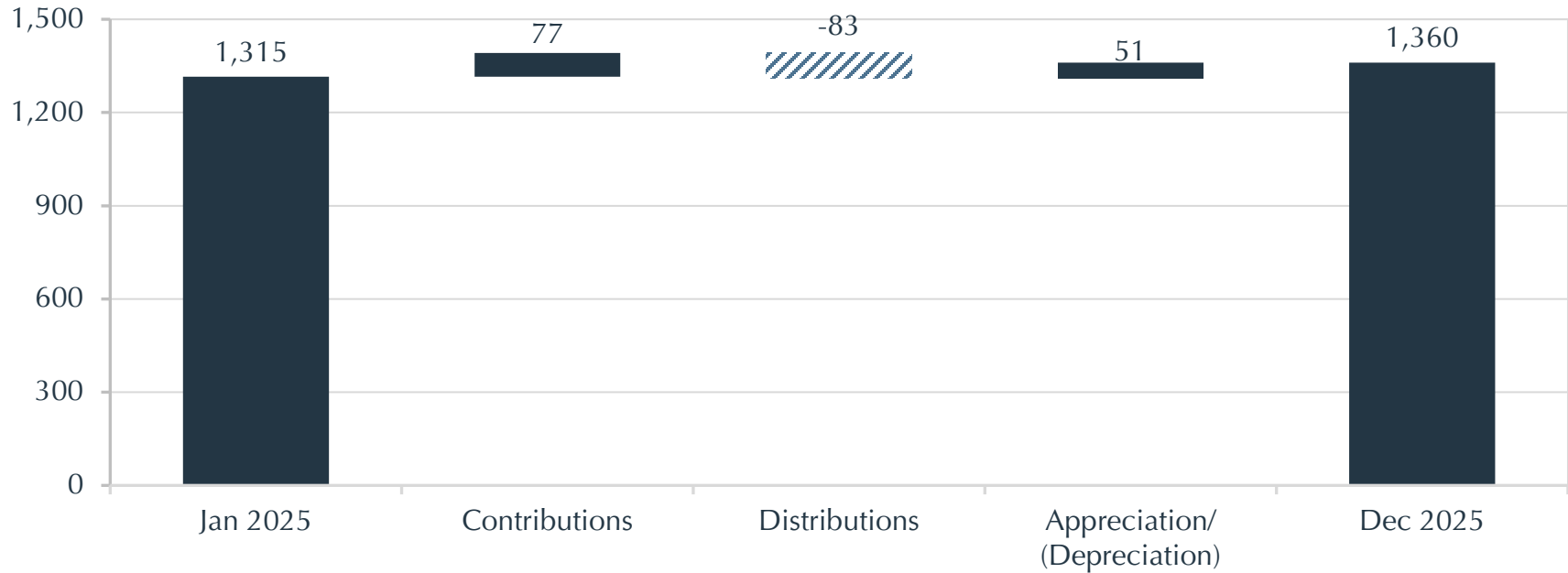
General Endowment Program

Total Plan Assets	\$1.3 bn
Real Assets Target	5.0%
Real Assets Net Asset Value	\$42.5 mn
Real Assets Exposure	3.2%
Net IRR Since Inception	6.6%
Total-Value-to-Paid-in Since Inception	1.3x

OSERS Program

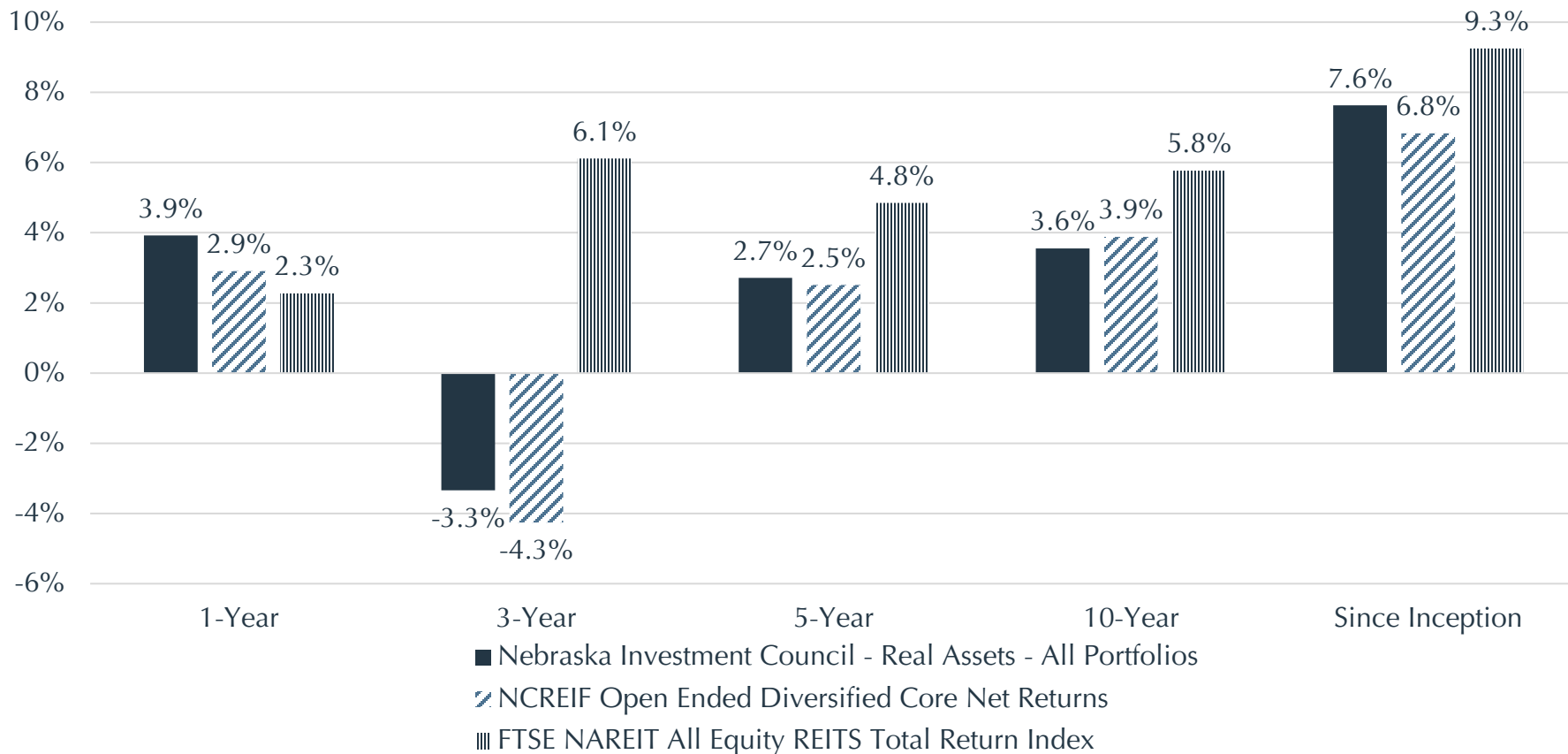
Total Plan Assets	\$2.0 bn
Real Assets Target	7.5%
Real Assets Net Asset Value	\$111.6 mn
Real Assets Exposure	5.7%
Net IRR Since Inception	6.8%
Total-Value-to-Paid-in Since Inception	1.4x

Portfolio Value Bridge | January 01, 2025 through December 31, 2025 | \$ millions



- Contributions of \$76.8 million lagged behind distributions of \$83.0 million generating positive cash flow from the program of \$6.2 million.
- From January 01, 2025 to December 31, 2025, the portfolio appreciated by \$51.5 million.
- Total market value on December 31, 2025 was \$1.4 billion.
- Unfunded commitment on December 31, 2025 was \$252.4 million.

Portfolio TWR vs Benchmark | As of December 31, 2025



- NIC outperformed its private markets benchmark for the 1-year , 3-year, 5-year periods and since inception, and underperformed over the 10-year period.
- NIC outperformed the REIT benchmark for the 1-year period.

Top 10 Managers Ranked by Exposure¹ | As of December 31, 2025 | \$ millions

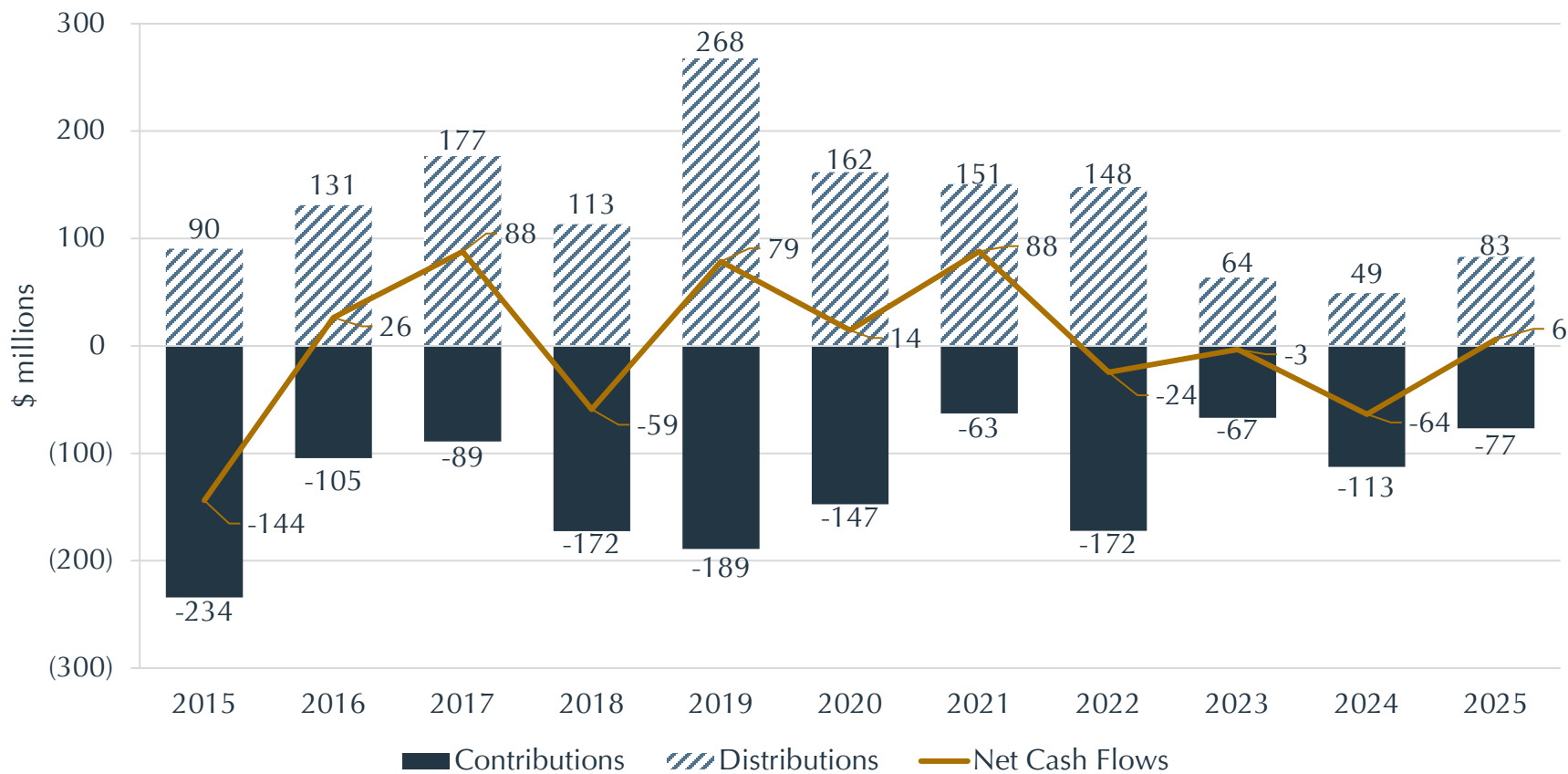
Manager	Commitment	Fair Market Value	% of Fair Market Value	Unfunded	Total Exposure ¹	% of Total Exposure	IRR ²	TVPI
PGIM Real Estate	207.5	317.8	23.4%	0.0	317.8	19.7%	4.9%	2.0x
Clarion Partners LLC	239.6	300.2	22.1%	0.0	300.2	18.6%	2.5%	1.1x
UBS Financial Services Inc	283.1	255.2	18.8%	0.0	255.2	15.8%	5.1%	1.6x
Neuberger Berman	237.3	103.5	7.6%	46.2	149.7	9.3%	9.6%	1.4x
Oaktree Capital Management LP	120.0	46.3	3.4%	68.9	115.1	7.1%	0.3%	1.0x
Ares Management LLC	199.4	50.3	3.7%	58.9	109.2	6.8%	11.7%	1.3x
Torchlight Investors	154.0	82.9	6.1%	14.7	97.6	6.1%	7.4%	1.3x
Kayne Anderson Capital Advisors LP	80.5	80.8	5.9%	15.2	96.0	6.0%	13.3%	1.3x
Morgan Stanley	160.3	60.9	4.5%	0.0	60.9	3.8%	-1.0%	1.0x
Harrison Street Advisors LLC	98.3	28.0	2.1%	4.5	32.5	2.0%	-7.4%	0.8x
Total Portfolio	2,635.7	1,360.4	100.0%	252.4	1,612.8	100.0%	5.7%	1.4x

¹Total Exposure = FMV + Unfunded

²The internal rate of return (IRR) is based on daily cash flows. IRRs of investments held less than twelve months generally are not meaningful and are therefore labeled NM

Annual Contributions, Distributions & Net Cash Flows | As of December 31, 2025

- Program cash flows have varied over the years. Lower distributions in the past two years have led to the program using cash rather than generating it on a net basis.
- Since the beginning of 2015, real assets program distributions have exceeded contributions by \$7.2 million.



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