
Nebraska Investment Council
Real Assets Performance Report – Q3 2025
February 2026

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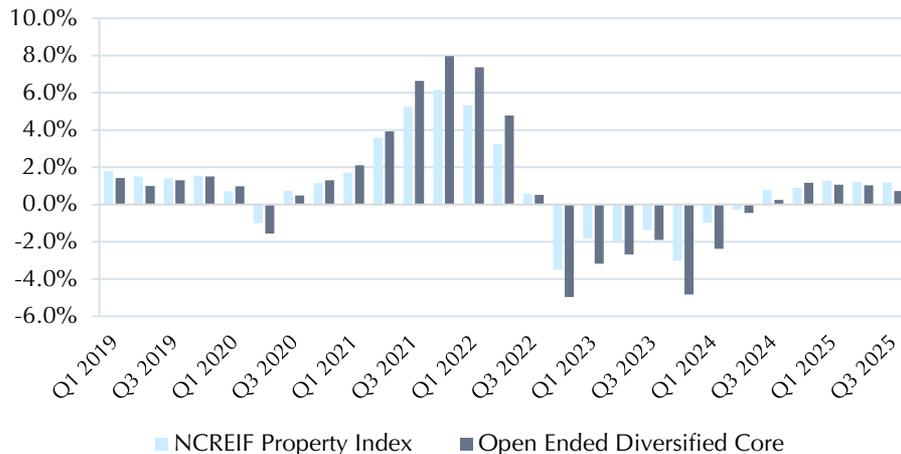
Real Assets

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Real Estate Overview

Tailwinds	Headwinds
<ul style="list-style-type: none"> In our view, the industrial sector fundamentals remain strong, stemming from a secular trend towards increasing e-commerce, supply chain reconfiguration and “near-shoring” impacts, though increased new deliveries has resulted in recent upticks in vacancy, particularly for mid-size and big-box distribution warehouses. We observed that overall operational performance of market-rate residential rental assets remains steady in many markets, buoyed by higher mortgage rates. While increased new deliveries and slower absorption in select markets (e.g., U.S. Sunbelt) is putting short-term pressure on occupancy, rents and concessions, medium-term dynamics should remain healthy as new deliveries are expected to slow in 2026. Stubbornly-high input costs (due in part to tariffs, 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 slow recovery in transaction volumes. 	<ul style="list-style-type: none"> Potential new government policies on immigration and trade could add to inflationary pressures, raising concerns that high costs may weight on growth and consumer spending, even as supply-demand fundamentals remain broadly solid outside the office 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/SFR) driven by secular demand have created growth but also structural liquidity risk, with elevated pricing, rising costs, and thin exit markets increasing repricing risk.

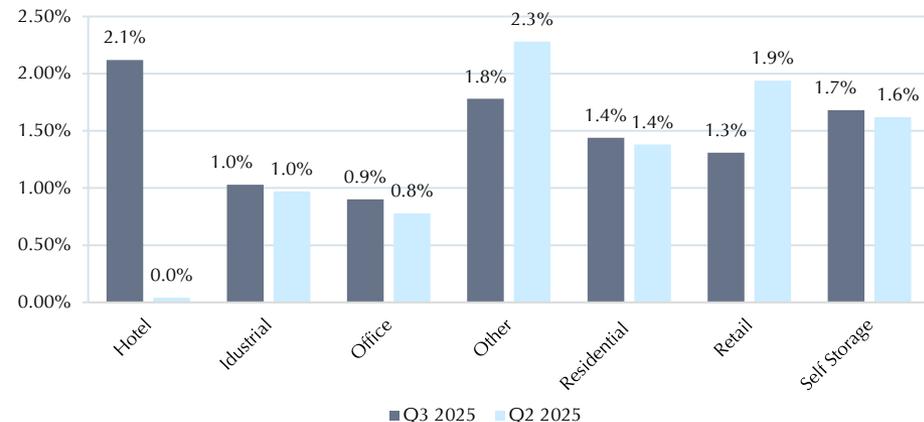
Figure 1: Gross Quarterly Returns | %



Performance at a Glance

- The NCREIF Open End Diversified Core (“ODCE”) and NCREIF Property Index (“NPI”) reported Q3 2025 gross returns of 0.7% and 1.2%, respectively.^{1,2}
- Transaction volumes during Q3 2025 were meaningfully up quarter-over-quarter. The NPI reported 182 property transactions during the quarter, a 70% increase from Q2 2025 (107). The Industrial sector was most active with a total of 72 transactions, which represents a 100% increase from Q2 deal volume. Apartment properties followed with a total of 45 transactions during the quarter, representing a 105% increase from Q2. Retail properties also experienced a significant increase in transaction volume, up 88% from the prior quarter, while office properties experienced a modest 6% increase QoQ.²
- All property types produced positive returns during the quarter according to NPI, with the greatest positive moves in Hotel, Other and Self Storage. While still positive, Other and Retail declined versus prior quarter.²
- The ODCE index reported negative appreciation during Q3 2025 (-0.3%), with a consistently-positive income return of 1.0%. The overall appreciation return for the trailing 1-year is -0.1%.¹

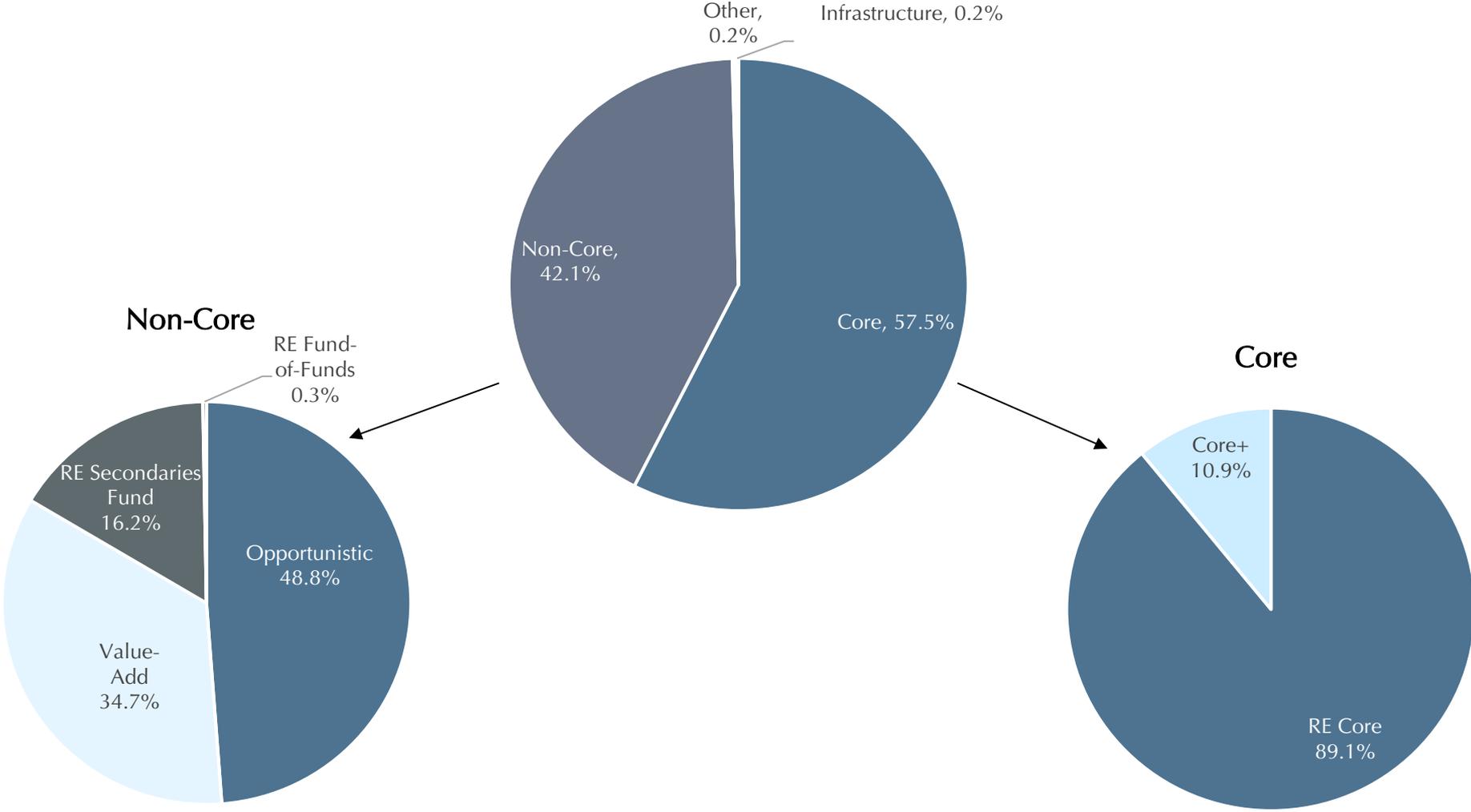
Figure 2: Property Index Returns by Component | %



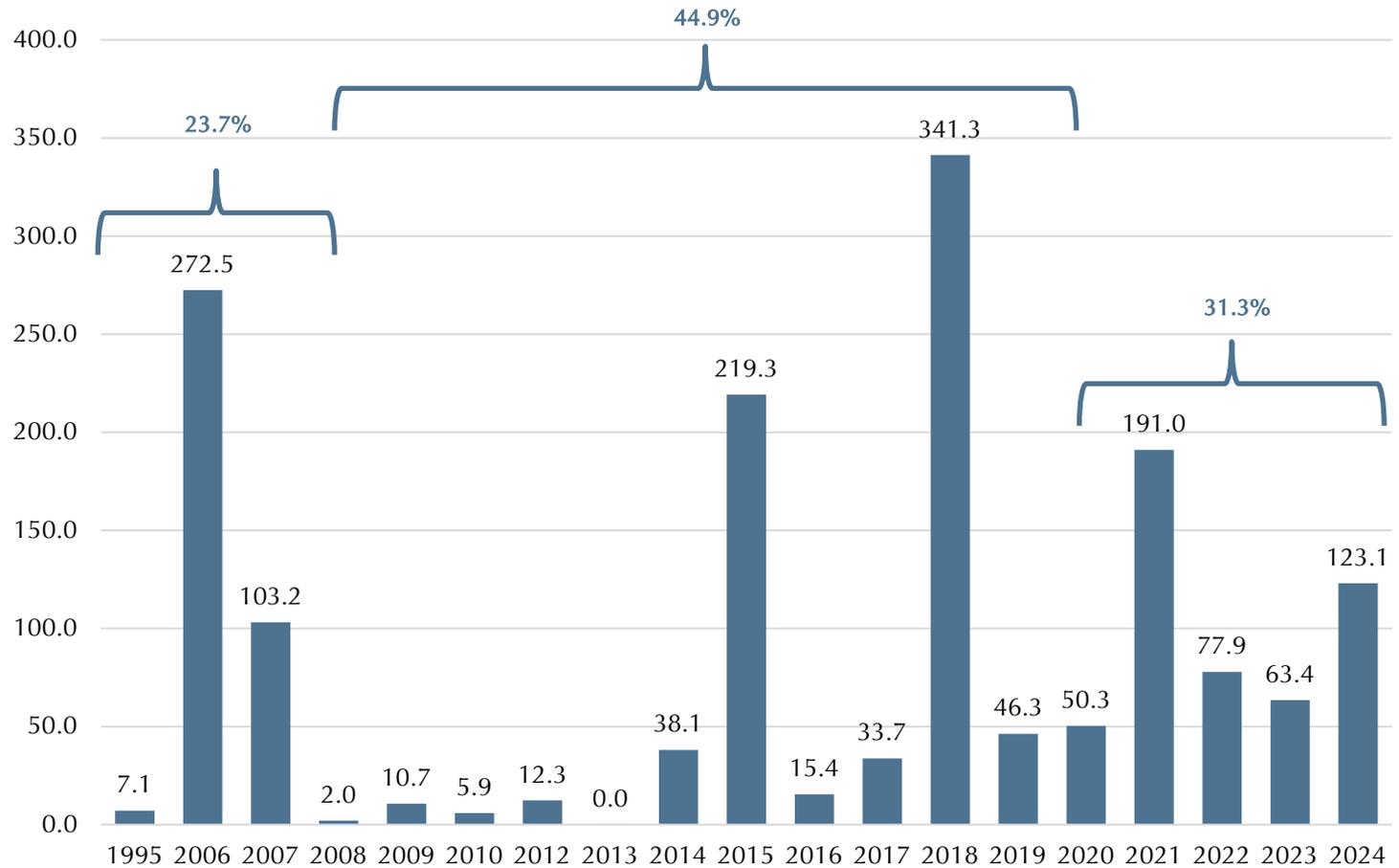
<p>Residential</p>	<p>Sector fundamentals remain strong as interest rates remain high across geographies and home prices have kept the renter pool large. Additionally, heightened rates and construction costs have resulted in a tapering of supply growth which has resulted in falling vacancies and improving 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).</p>
<p>Industrial</p>	<p>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.</p>
<p>Office</p>	<p>Globally, performance in the office sector continues to be 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.</p>
<p>Alternatives</p>	<p>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.</p>

The above represents Aksia’s market observations. Observations are subject to change.

Current Exposure



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



Defined Benefit and Cash Benefit Balance Program

Total Plan Assets*	\$23.9 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	1.3x

Healthcare Endowment Program

Total Plan Assets*	\$646.6 mn
Real Assets Target	5.0%
Real Assets Net Asset Value	\$18.3 mn
Real Assets Exposure	2.8%
Net IRR Since Inception	6.6%
Total-Value-to-Paid-in Since Inception	1.3x

General Endowment Program

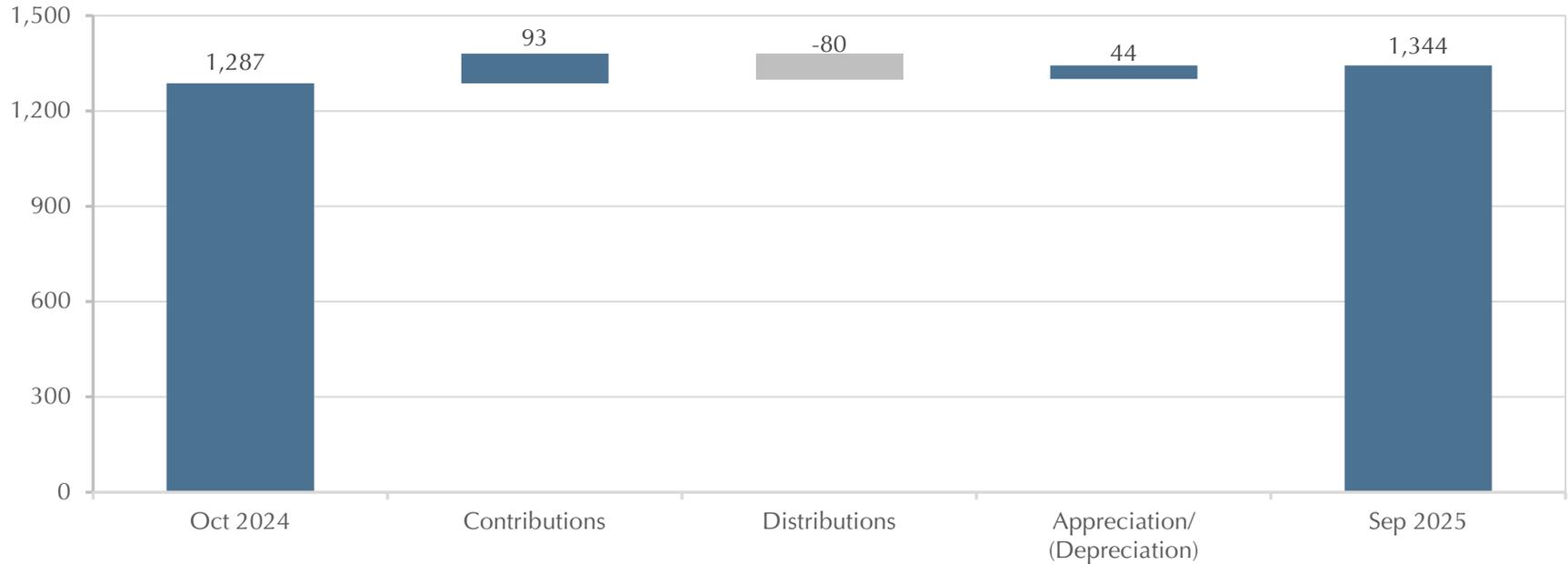
Total Plan Assets*	\$1.3 bn
Real Assets Target	5.0%
Real Assets Net Asset Value	\$41.6 mn
Real Assets Exposure	3.2%
Net IRR Since Inception	6.6%
Total-Value-to-Paid-in Since Inception	1.3x

OSERS Program

Total Plan Assets*	\$1.9 bn
Real Assets Target	7.5%
Real Assets Net Asset Value	\$110.5 mn
Real Assets Exposure	5.7%
Net IRR Since Inception	6.8%
Total-Value-to-Paid-in Since Inception	1.3x

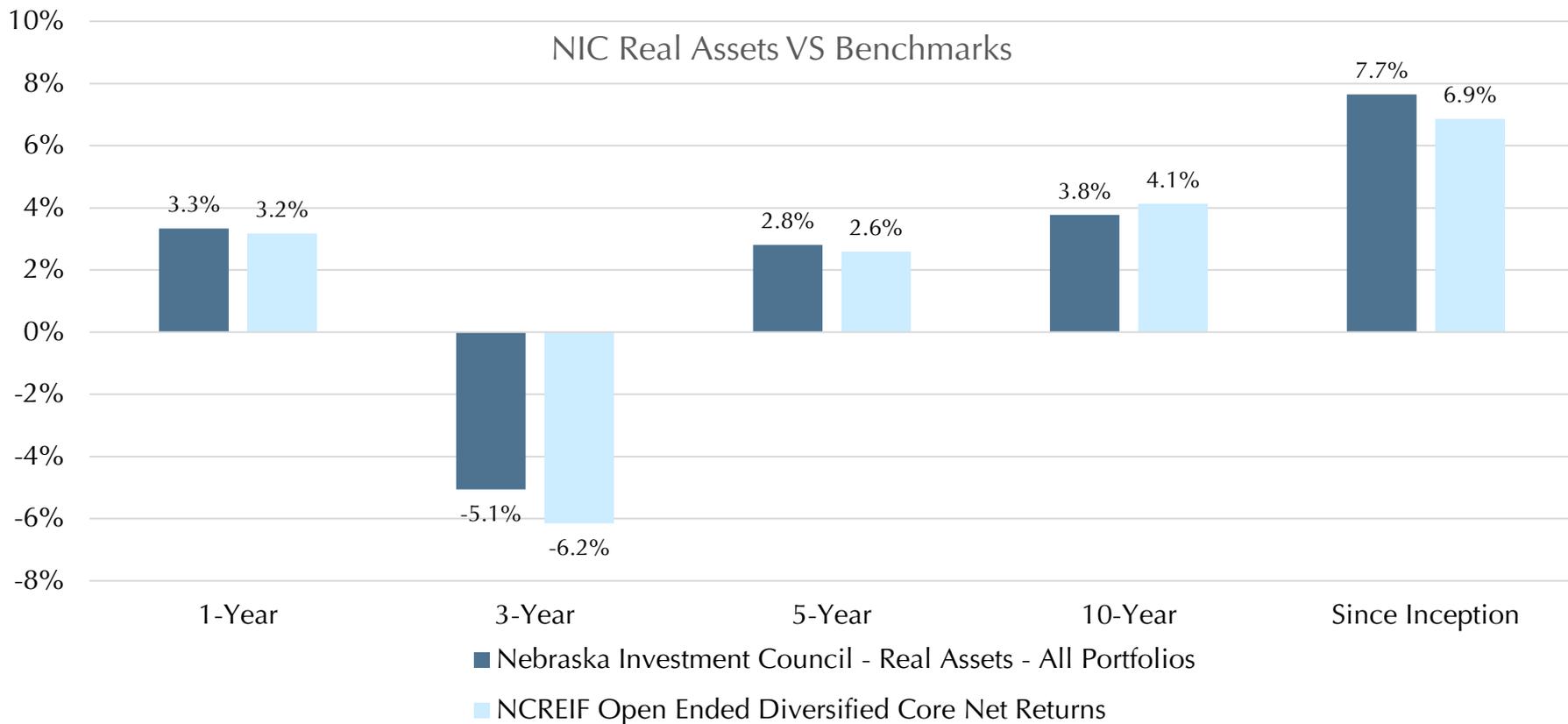
*As of September 30, 2025

Portfolio Value Bridge | October 01, 2024 through September 30, 2025 | \$ millions



- Contributions of \$92.9 million exceeded distributions of \$79.9 million generating negative cash flow from the program of \$13.0 million.
- From October 01, 2024 to September 30, 2025, the portfolio appreciated by \$43.5 million.
- Total market value on September 30, 2025 was \$1.3 billion.
- Unfunded commitment on September 30, 2025 was \$269.9 million.

Portfolio TWR vs Benchmark | As of September 30, 2025



- NIC outperformed its benchmark for the 1-year , 3-year, 5-year periods and since inception
- The portfolio underperformed over the 10-year period

Top 10 Managers Ranked by Exposure¹ | As of September 30, 2025 | \$ in million

Manager	Commitment	Fair Market Value	% of Fair Market Value	Unfunded	Total Exposure ¹	% of Total Exposure	IRR ²	TVPI
PGIM Real Estate	207.5	316.3	23.5%	0.0	316.3	19.6%	4.9%	1.9x
Clarion Partners LLC	239.6	296.5	22.1%	0.0	296.5	18.4%	2.3%	1.1x
UBS Financial Services Inc	283.1	253.3	18.9%	0.0	253.3	15.7%	5.1%	1.6x
Neuberger Berman	237.3	99.2	7.4%	49.6	148.7	9.2%	9.5%	1.3x
Oaktree Capital Management LP	120.0	45.6	3.4%	68.9	114.5	7.1%	-0.3%	1.0x
Ares Management LLC	200.5	47.3	3.5%	62.6	109.9	6.8%	11.7%	1.3x
Torchlight Investors	154.0	83.7	6.2%	14.7	98.4	6.1%	7.5%	1.3x
Kayne Anderson Capital Advisors LP	80.5	71.4	5.3%	25.1	96.5	6.0%	14.1%	1.3x
Morgan Stanley	160.3	61.7	4.6%	0.0	61.7	3.8%	-0.9%	1.0x
Rockwood Capital LLC	98.3	30.8	2.3%	4.5	35.3	2.2%	-7.1%	0.8x
Total Portfolio	2,636.9	1,343.7	100.0%	269.9	1,613.5	100.0%	5.7%	1.3x

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 September 30, 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 \$7.4 million.



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