

# TEXPERS 2008

---

---

Opportunities in Global Real Estate

---

---

August 2008

STATE STREET  
GLOBAL ADVISORS



# State Street Global Advisors

Overview



STATE STREET®

- \$15.1 Trillion in Assets Under Custody \*
- One of the world's largest custodians

- Over \$2.0 Trillion in Assets Under Management \*\*
- Ranked #1 in worldwide institutional assets under management\*\*\*
- 2007 Best Asset Management Bank in the World \*\*\*\*
- Ranked # 1 Manager of U.S. Institutional Tax-Exempt Assets \*\*\*\*\*

STATE STREET GLOBAL ADVISORS | SSGA®

Global Institutional Investment Mgmt.

SSgA Funds Management, Inc.

Fiduciary Advisor

Global Alliance Companies

- Strategic venturing unit established in 1997
- Focus on higher value- added strategies/firms with substantial growth opportunities
- Increase range of solutions for investment needs of State Street clients

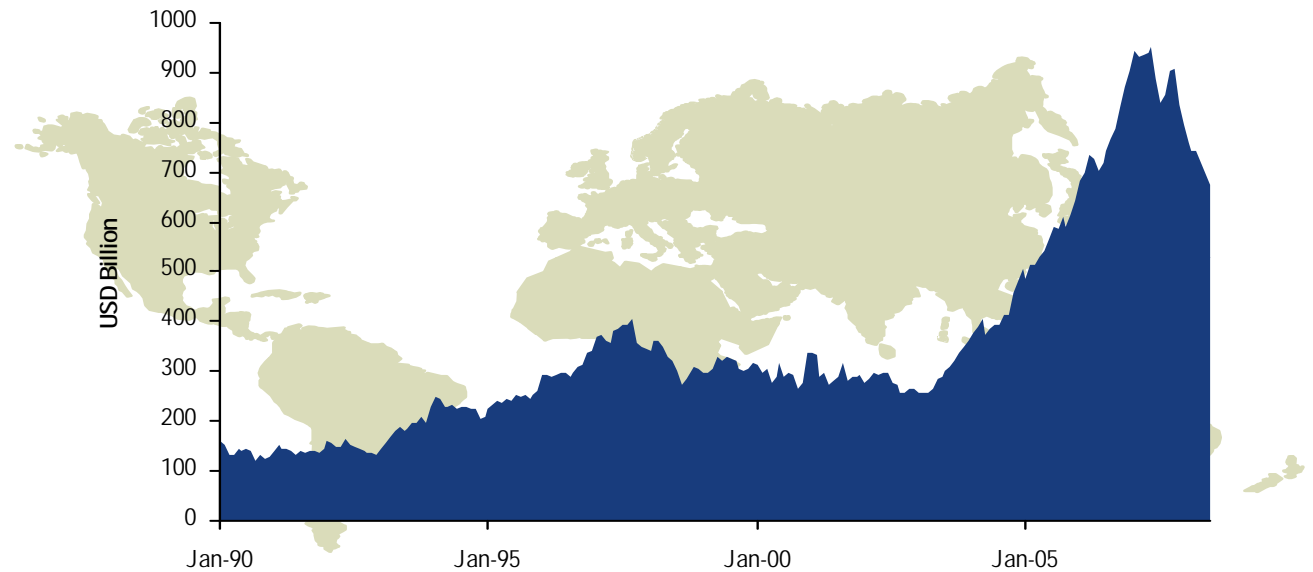


\* As of September 30, 2007  
 \*\* As of December 31, 2007  
 \*\*\* Source: Most recent ranking in this category, *Pension & Investments*, May 28, 2007  
 \*\*\*\* Source: *Global Finance Magazine*, October, 2007  
 \*\*\*\*\* Source: *Pension & Investments*, May 28, 2007

Why Global Real Estate?

## Significant growth in global public real estate market:

Why Global Real Estate?



- \$165B market capitalization in 1990 to \$742B in 2008
- Significant growth in international markets outside of the US
  - International markets represent 60% of global
- Acceptance of real estate securities as a proxy for direct real estate
- Global adoption of REIT structures

Why Global  
Real Estate?

## Expansion of REITs Internationally

- 1994 – 3 developed market countries; 2007 – 30 countries
- Tax transparency increases yield and investor confidence
- Presents opportunities for market expansion and capital appreciation

Country	Region	Intro Year	Vehicle
United States	North America	1960	REIT
Canada	North America	1993	REIT
Mexico	North America	2004	REIT
Brazil	South America	1993	FII
Puerto Rico	South America	1972/2000	REIT
Costa Rica	South America	1997	FII
Chile	South America	1989/2001	FII
Netherlands	Europe	1969	FBI
France	Europe	2003/2005	SIIC
Belgium	Europe	1995	SICAFI
Luxembourg	Europe	1988/2002	FCP, SICAV, SICAF
Spain	Europe	1994/2003	REIF, REIC
Malta	Europe	1994	PIF
UK	Europe	2007	UK-REIT
Germany	Europe	2007	G-REIT
Italy	Europe	1994	REIF
Turkey	Europe	1998	REIT
Greece	Europe	1999	REMF, REIC
Russia	Europe	2001	JSIF
Bulgaria	Europe	2003	SPIE
Israel	Europe	2006	REIF
South Africa	Europe	1969	PUT
Australia	Asia-Pacific	1981/1985	LPT
Hong Kong	Asia-Pacific	2003	REIT
Singapore	Asia-Pacific	1999	REIT
Japan	Asia-Pacific	2000	J-REIT
South Korea	Asia-Pacific	2001	REIT
Malaysia	Asia-Pacific	2004	REIT
Thailand	Asia-Pacific	1992	PF
Taiwan	Asia-Pacific	2003	REIT
Finland	Europe	UC*	
India	Asia-Pacific	UC*	

Source: Ernst & Young

\*Legislation under consideration

## Portfolio Diversification and Risk Management Tool

- Low historical correlation to fixed income and equity markets

Why Global Real Estate?

Correlation of FTSE EPRA/NAREIT Global Real Estate Index with broad market indices			
	10 Years	5 Years	3 Years
MSCI World Index	0.6571	0.7289	0.8100
S&P 500 Index	0.6136	0.7180	0.8203
Lehman Brothers Global Aggregate Index	0.1915	0.2125	-0.1207

- Unique asset class – capital appreciation and Income

Each Standard & Poor's Index is a registered trademark of Standard & Poor's, a division of the McGraw-Hill Companies, Inc. The MSCI EAFE® Index is a trademark of Morgan Stanley Capital International. The MSCI financial products described herein are indexed to an MSCI index. The financial products referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such financial products or any index on which such financial products are based. The Lehman Index names are trademarks of Lehman Brothers, Inc. Source: SSgA/Tuckerman as of June 30, 2008.

## Strong Country Level Diversification

- Significantly below 0.50 for most regions

Why Global Real Estate?

Country level real estate correlations:

	Australia	Singapore	Hong Kong	Japan	US	Canada	UK	Switzerland	Sweden	Austria	Netherlands	Norway	Italy	France	Germany	Greece	Poland	Belgium	Denmark	Finland	Global Equities	Global Bonds	
Australia	1.00																						
Singapore	0.43	1.00																					
Hong Kong	0.36	0.52	1.00																				
Japan	0.44	0.39	0.39	1.00																			
US	0.55	0.47	0.37	0.44	1.00																		
Canada	0.59	0.51	0.33	0.47	0.78	1.00																	
UK	0.48	0.33	0.16	0.32	0.46	0.46	1.00																
Switzerland	0.23	0.21	-0.02	0.17	0.39	0.35	0.56	1.00															
Sweden	0.42	0.44	0.24	0.28	0.53	0.49	0.59	0.53	1.00														
Austria	0.47	0.48	0.17	0.48	0.45	0.44	0.46	0.47	0.48	1.00													
Netherlands	0.57	0.44	0.29	0.45	0.52	0.49	0.65	0.61	0.69	0.69	1.00												
Norway	0.51	0.27	0.26	0.27	0.27	0.24	0.32	0.19	0.32	0.45	0.40	1.00											
Italy	0.64	0.61	0.32	0.44	0.55	0.64	0.62	0.54	0.65	0.67	0.74	0.44	1.00										
France	0.50	0.49	0.22	0.42	0.62	0.64	0.68	0.62	0.68	0.61	0.83	0.40	0.74	1.00									
Germany	0.41	0.48	0.27	0.37	0.43	0.48	0.55	0.42	0.48	0.58	0.57	0.26	0.74	0.57	1.00								
Greece	0.30	0.38	0.19	0.27	0.20	0.32	0.30	0.43	0.41	0.42	0.45	0.21	0.44	0.44	0.24	1.00							
Poland	0.54	0.58	0.35	0.35	0.71	0.62	0.39	0.50	0.55	0.53	0.54	0.31	0.60	0.57	0.52	0.48	1.00						
Belgium	0.36	0.33	0.18	0.39	0.39	0.46	0.59	0.47	0.55	0.58	0.72	0.29	0.59	0.67	0.51	0.17	0.37	1.00					
Denmark	0.16	0.15	0.26	0.26	0.17	0.19	0.12	0.14	0.14	0.32	0.21	0.07	0.24	0.15	0.26	0.00	0.23	0.17	1.00				
Finland	0.44	0.54	0.16	0.37	0.45	0.52	0.63	0.66	0.71	0.60	0.73	0.37	0.77	0.74	0.65	0.43	0.54	0.61	0.10	1.00			
Global Equities	0.18	0.15	0.17	0.33	0.20	0.36	0.27	0.29	0.29	0.11	0.18	-0.01	0.25	0.20	0.27	0.26	0.32	0.15	0.14	0.23	1.00		
Global Bonds	-0.01	-0.19	-0.03	-0.17	0.05	0.03	0.15	-0.02	0.01	-0.20	0.10	-0.12	-0.01	0.10	-0.06	-0.41	-0.28	0.14	-0.02	0.01	-0.24	1.00	

## Stable Income and Cash Flow

- Significant component of total return is through dividends

Why Global Real Estate?

- Competitive long term total returns

	Three Year			Five Year		
	Dividend Return	Price Appreciation	Total Return	Dividend Return	Price Appreciation	Total Return
FTSE EPRA/NAREIT Global Real Estate Index	3.88	4.37	8.25	4.59	13.26	17.85
MSCI World Index (Global Equity)	2.64	6.68	9.50	2.61	9.98	12.59
Lehman Brothers Global Aggregate (Global Fixed Income)	6.24	-0.43	5.81	5.99	-0.08	5.91

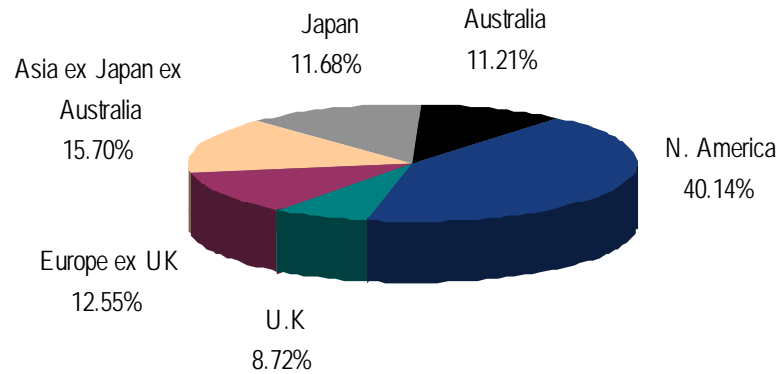
Historic performance is not necessarily indicative of future performance, which could vary substantially. The performance figures contained herein are provided on a gross basis and do not reflect the deduction of advisory or other fees which could reduce the return. The MSCI Indices are a trademark of Morgan Stanley Capital International. The MSCI financial products described herein are indexed to an MSCI index. The financial products referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such financial products or any index on which such financial products are based. The performance information should not be shown without these accompanying notes.

## Geographic and Property Sector Diversification

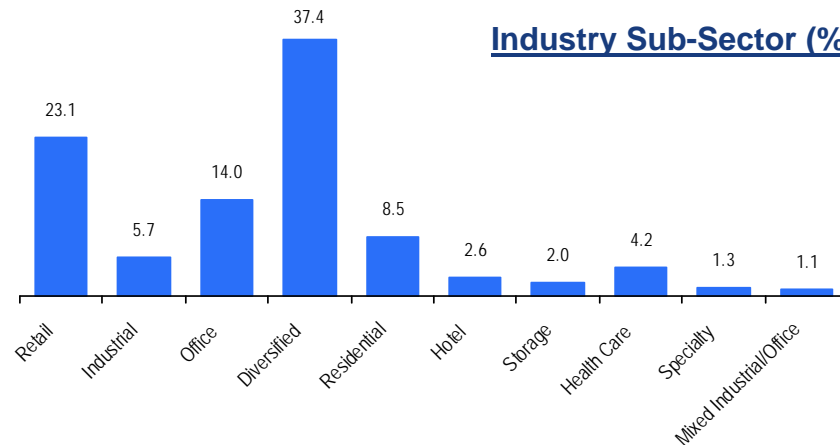
<b>Total Market Cap (mm)</b>	\$676,352
<b>Weighted Average Market Cap</b>	\$8,625
<b>Median Market Cap</b>	\$1,113
<b># of holdings</b>	286
<b>Yield</b>	4.76%

<b>Country Allocation</b>	
Australia	10.55%
Austria	1.30
Belgium	0.57
Canada	3.67
Denmark	0.05
Finland	0.30
France	4.90
Germany	0.56
Greece	0.18
Hong Kong	12.59
Italy	0.21
Japan	12.66
Netherlands	1.89
New Zealand	0.10
Norway	0.10
Poland	0.23
Singapore	3.04
Spain	0.01
Sweden	0.84
Switzerland	0.73
United Kingdom	6.92
United States	38.59

### Regional Allocation



### Industry Sub-Sector (%)

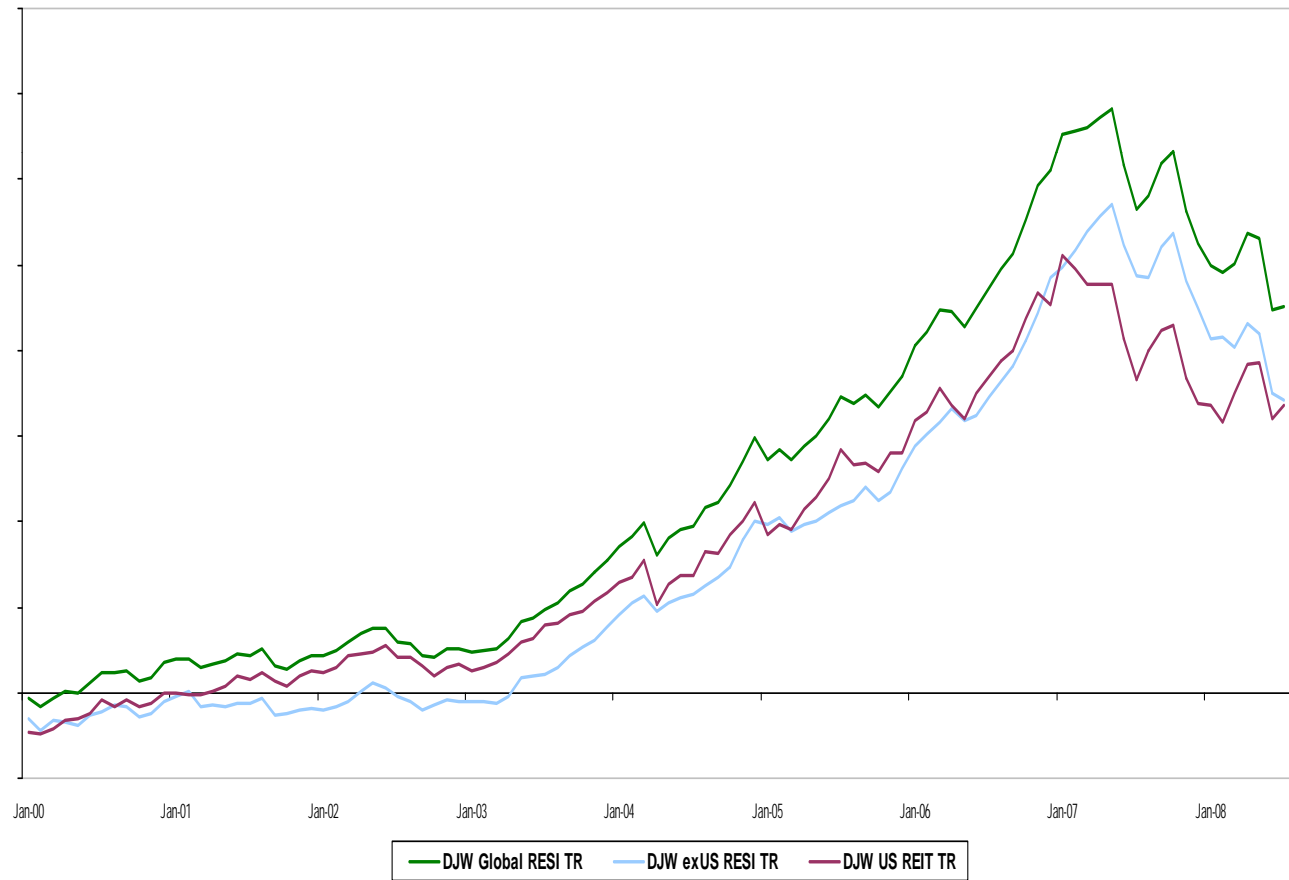


\* Source: EPRA/NAREIT – SSgA/Tuckerman as of June 30, 2008

## Significant Market Correction Beginning in 2007

- Securities valuations more attractive

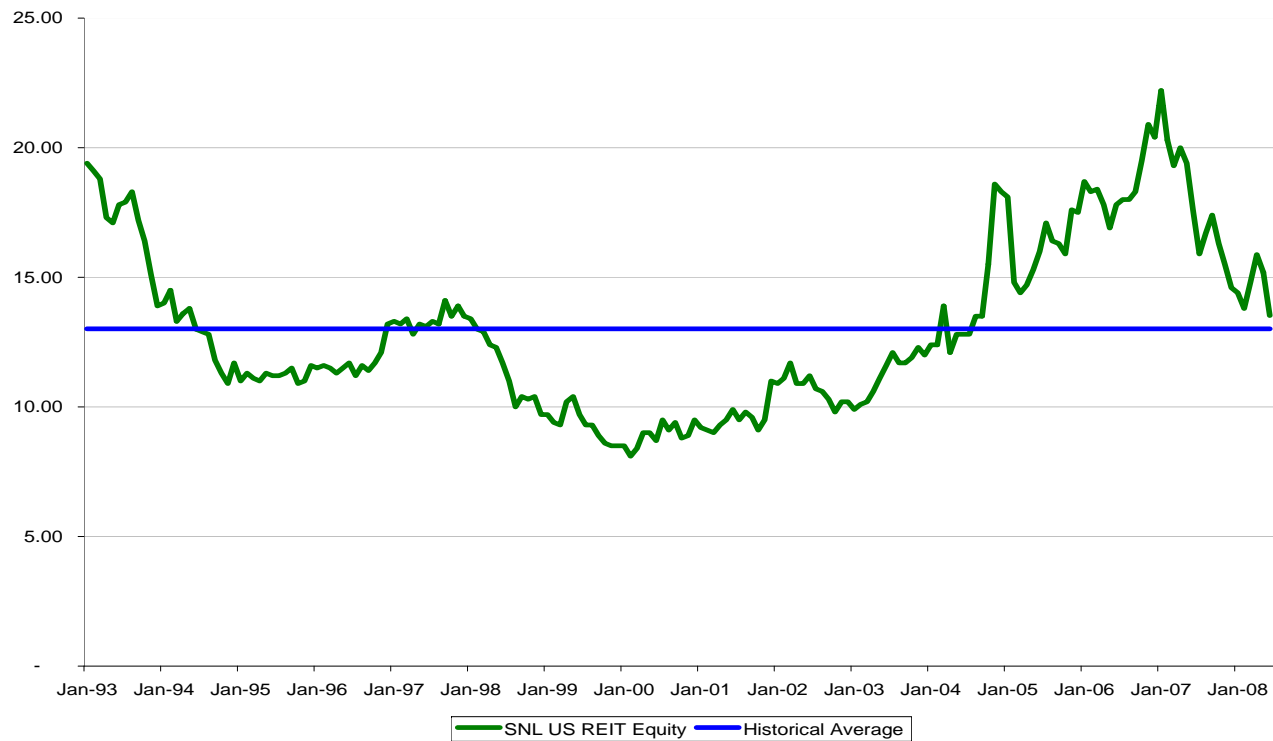
Market Overview



## Market Overview

### Earnings Multiples Have Improved

- Market correction has lowered P/FFO multiple to 13.5x (vs. historical average of 13.0x premium)

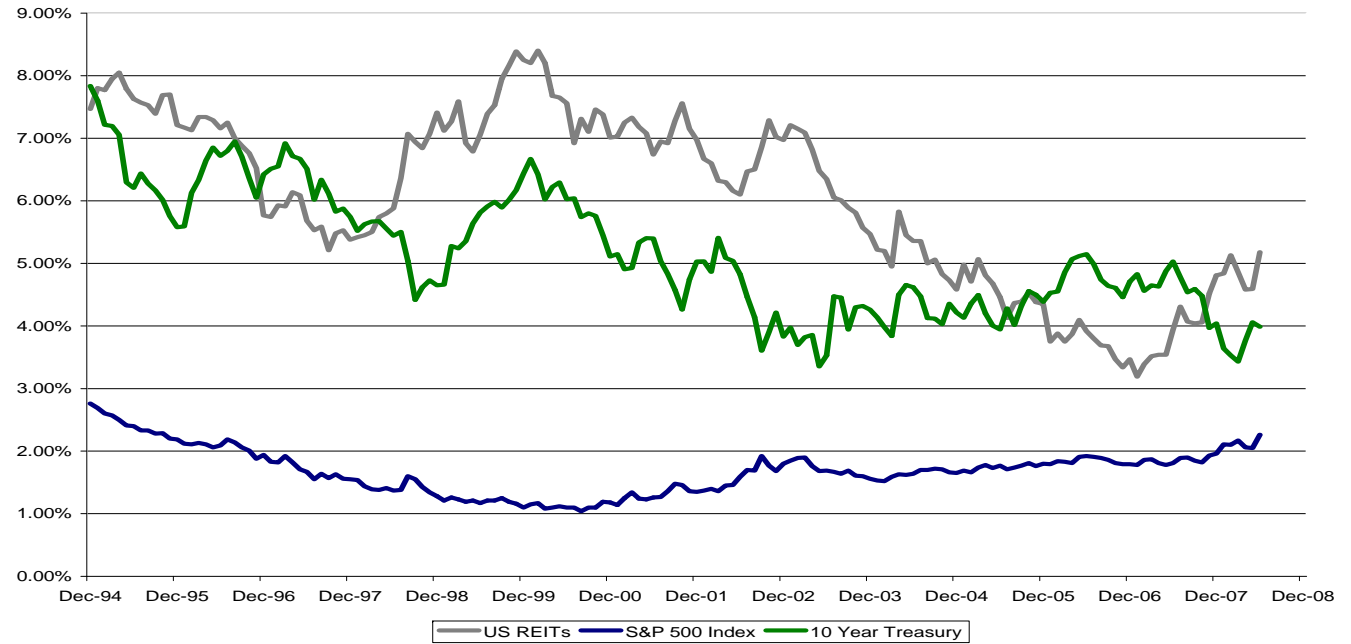


Source: SSgA/Tuckerman, SNL Financial as of June 30, 2008.

Market Overview

## Dividend Yield Has Improved

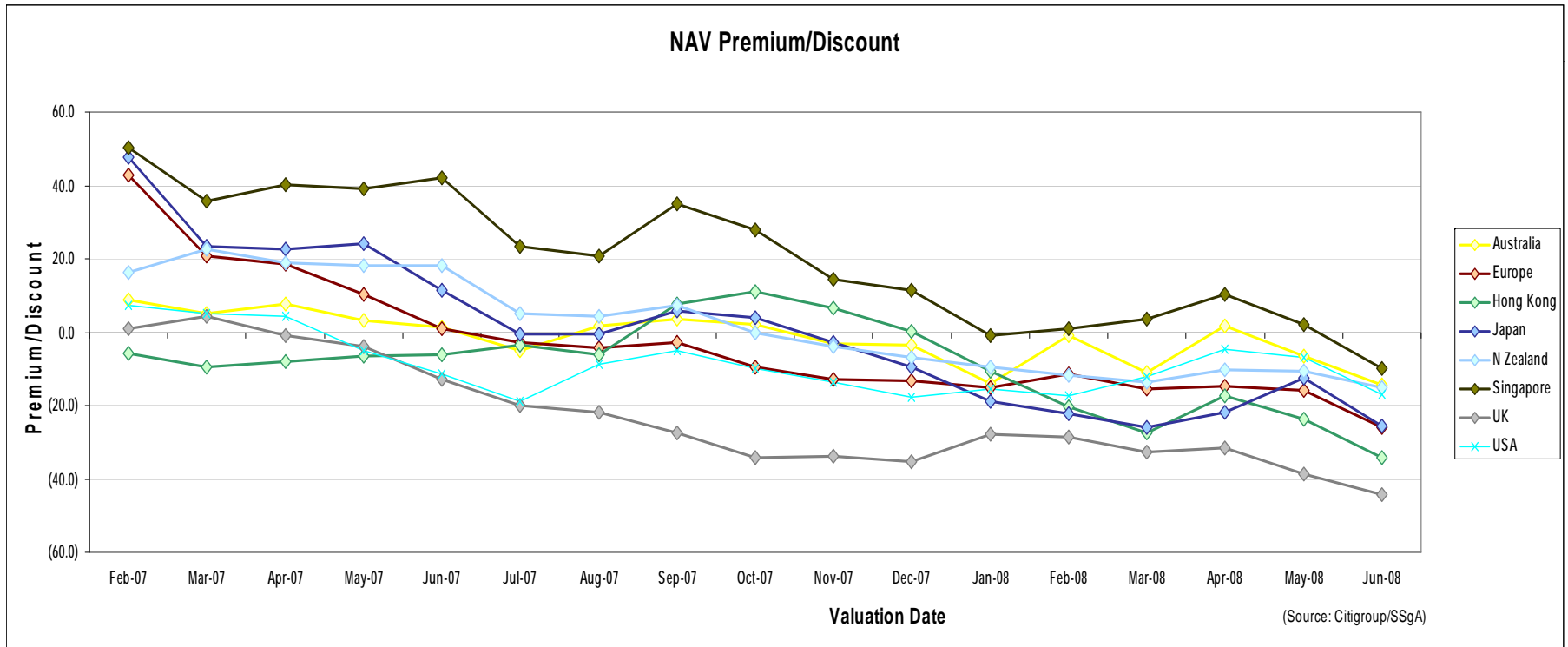
- Dividend yield spread (vs. the 10 yr Treasury) is staying positive (+119 bps)




- Historical dividend yield spread is 89 bps

Global NAV  
Premium/Discount

## Security Prices Have Improved vs. Asset Values



\* Source: Citigroup, SSgA/Tuckerman June 30, 2008



Summary  
Benefits

## Strengths

- Expanding Global Marketplace, Improved Investability
- Liquidity
- Geographic and Property Sector Diversification
- Transparency
- Quality Assets, Balance Sheets and Management Teams
- Attractive Valuations in the Current Market

## Limitations

- Volatility

## Performance Disclosures

# SSgA/Tuckerman

Global Real Estate Securities Strategy

---

This presentation contains material that has been prepared by State Street Global Advisors and The Tuckerman Group (together, "SSgA") and the material was prepared solely for the benefit and internal use of the client to whom it is addressed and SSgA is not soliciting any action based upon it. No part of this material may be copied, photocopied, or duplicated in any form, by any means, or redistributed by electronic mail or any other means without SSgA's prior written consent. By accepting this information, the recipient agrees that it will, and it will cause its directors, partners, officers, employees and representatives to use the information only to evaluate its potential interest in the strategies described herein and for no other purpose and will not divulge any such information to any other party.

The material is not intended to provide specific advice or recommendations but, rather, a basis from which strategies can be built, taking into account the specific objectives of each portfolio, in terms of return, time horizon, and risk constraints, as well as diverging investment perspectives and assumptions. The material contains information regarding the investment approach described herein and is not a complete description of the investment objectives, policies, guidelines or portfolio management and research that supports this investment approach. Any decision to engage SSgA should be based upon a review of the terms of the investment management agreement and the specific investment objectives, policies and guidelines that apply under the terms of such agreement.

REIT portfolios may be subject to a high degree of market risk due to lack of industry diversification. REIT portfolios may be subject to other risks including, but not limited to, changes in real estate values or economic conditions, credit risk and interest rate fluctuations and changes in the value of the underlying property owned by the trust and defaults by borrowers.

Opinions expressed are SSgA's present opinions only and are subject to changes based on market, economic and other conditions and may not actually come to pass. Any historical price(s) or value(s) are also only as of the date indicated. The information presented has been obtained from sources believed to be reliable. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information. Estimates of future performance are based on assumptions that may not be realized. Past performance is no indication of future returns.

# SSgA/Tuckerman

Global Real Estate Securities Strategy

---

The back tested information shown was created by FTSE. Returns are back tested from back history based on back casted data from 31st December 1999 to 31th March 2006 calculated on FactSet software. The index constituents are based on constituents as at March 2006. Constituents are uploaded on a six-monthly basis and are combined to create the history. Constituents that either FactSet do not cover, or do not exist historically, are not included in the six-monthly performance figures. Prices are sourced from FactSet and are closing mid prices, transaction costs are not included. Index performances are calculated on a market capitalization weighted basis in US Dollars, gross dividends are included in the index calculation.

The results shown do not represent the results of actual trading using client assets but were achieved by means of the retroactive application of a model that was designed with the benefit of hindsight. The back tested performance was compiled after the end of the period depicted and does not represent the actual investment decisions of the advisor. These results do not reflect the effect of material economic and market factors on decision-making.

The back tested performance data is reported on a gross of fees basis, but net of administrative costs. Additional fees, such as the advisory fee, would reduce the return. For example, if an annualized gross return of 10% was achieved over a 5-year period and a management fee of 1% per year was charged and deducted annually, then the resulting return would be reduced from 61% to 54%. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in U. S. dollars. A complete description of Tuckerman's fees can be found in Part II of its Form ADV.

The back tested performance is not necessarily indicative of future performance, which could differ substantially. The index returns are unmanaged and do not reflect the deduction of any fees or expenses. The index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. All trademarks are the property of their respective owners.

Not all products will be available to all investors, please contact SSgA/Tuckerman for further information regarding these strategies. The performance information should not be shown without these accompanying notes.

## Trademarks

---

"FTSE®", "FT-SE®" and "Footsie®" are trade marks jointly owned by the London Stock Exchange Plc and The Financial Times Limited and are used by FTSE International Limited under licence. "All-World", "All-Share" and "All-Small" are trade marks of FTSE International Limited.

The IFC Investable Indexes are service marks of International Finance Corporation.

The Lehman Index names are trademarks of Lehman Brothers, Inc.

The MSCI financial products described herein are indexed to an MSCI index. The MSCI financial products referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such financial products or any index on which such financial products are based.

The MSCI/Barra index names are trademarks of Barra, Inc.

Each Russell Index is a trademark of the Frank Russell Company. Russell™ is a trademark of the Frank Russell Company.

Each Standard & Poor's Index is a trademark of The McGraw-Hill Companies, Inc. and has been licensed for use by State Street Bank and Trust Company. The product is not sponsored, endorsed, sold or promoted by Standard & Poor's and Standard & Poor's makes no representation regarding the advisability of investing in the Product.

Dow Jones & Company, Inc. is the owner of the trademarks and copyrights relating to the Dow Jones Indexes. Each Dow Jones/Wilshire Index is calculated by Dow Jones & Company, Inc. and licensed to State Street Bank and Trust Company. The financial products are not sponsored, endorsed, sold or promoted by Dow Jones and Dow Jones makes no representation regarding the advisability of investing in the financial products. Dow Jones bears no liability with respect to any such financial products or any index on which such financial products are based.

NCREIF Property Index: The NCREIF Property Index is owned by NCREIF (National Council of Real Estate Fiduciaries).

NAREIT Equity REIT Index: NAREIT is a trademark of the National Association of Real Estate Investment Trusts®, Inc.

NASDAQ Composite Index: NASDAQ® is a registered service/trademark of The NASDAQ Stock Market, Inc.