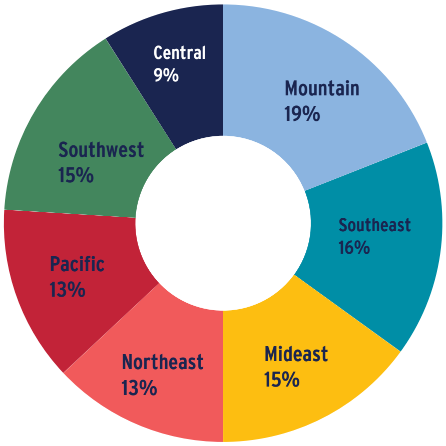
Q1 2026

Public Employee Retirement System of Idaho

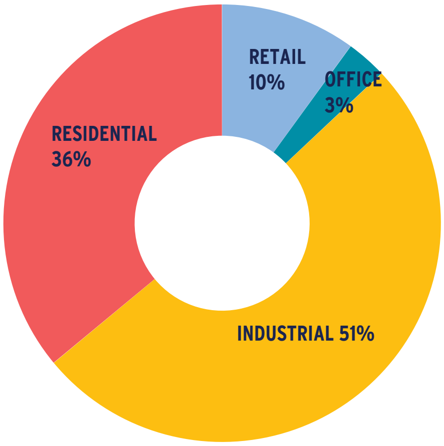
FUND SUMMARY

NET ASSET VALUE	$1,029,222,634
NUMBER OF PROPERTIES	39
PORTFOLIO OCCUPANCY	89%

DIVERSIFICATION BY REGION (BY NIV)



DIVERSIFICATION BY PROPERTY TYPE (BY NIV)



PERFORMANCE SUMMARY

	CURRENT QUARTER	ONE YEAR	THREE YEAR	FIVE YEAR	TEN YEAR	SINCE INCEPTION[1]
INCOME	1.27%	5.78%	5.41%	5.31%	5.55%	5.60%
APPRECIATION	0.20%	(0.43)%	(6.53)%	(0.06)%	1.71%	2.84%
TOTAL GROSS RETURN	1.47%	5.32%	(1.45)%	5.24%	7.35%	8.59%
TOTAL NET RETURN	1.18%	4.11%	(2.58)%	4.06%	6.21%	7.52%
NCREIF ODCE INDEX (NET)	1.04%	3.11%	(2.81)%	2.34%	3.79%	5.84%
RELATIVE PERFORMANCE (NET)	14 bps	100 bps	23 bps	172 bps	242 bps	168 bps

[1] Returns are for the period January 1, 2013 to date.

Research Update

The Search for Growth

The U.S. economy approaches midyear facing an old-fashioned potential macroeconomic spoiler: an energy price shock. A sharp rise in oil and gasoline prices tied to a Middle East conflict has arrived at a moment when growth had already slowed in response to last year's tariff and immigration disruptions. The immediate effects are familiar: real purchasing power is squeezed, headline inflation pops, and consumer confidence deteriorates. The open question is whether this is temporary or longer lasting.

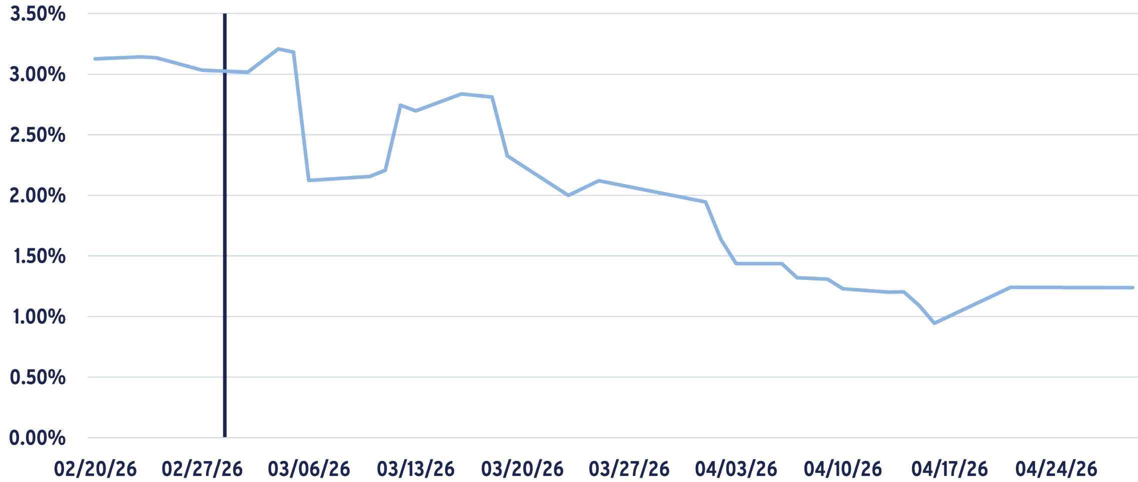
Summary

- **We continue to expect no U.S. recession during 2026, but the economy is slowing as higher energy prices act as a tax on consumers. Regional or metro specific recessions or growth recessions are likely.**
- **Inflation reaccelerates near term, then presumably eases as energy prices move back towards pre-war levels. Underlying inflation continues to cool as wage growth and shelter inflation decelerate.**
- **The Fed stays on hold amidst uncertainty, but a gradual easing cycle towards year-end is plausible if headline inflation rolls over and growth stays soft. The new Fed Chair will ultimately be approved and will find a way to deliver rate cuts.**
- **A prolonged geopolitical shock that keeps oil prices elevated would meaningfully worsen the consumption outlook and delay disinflation.**
- **U.S. CRE is shifting from a protracted stasis in values to selective value improvement. Transaction volume in Q1 accelerated to pre-COVID levels, still down from the recent peaks in 2021 and 2022 but back in line with 2019. Despite this, overall appreciation in the NCREIF Property Index (NPI) for Q1 was only 0.08%.**

Slower Growth, But Not Recession

Consumer spending is under pressure as higher gasoline and utility bills reduce real purchasing power, particularly for middle- and lower- income households. The transmission mechanism is straightforward: the effective "oil tax" from higher energy prices is quickly eroding what had looked like a supportive early-year stimulus from larger-than-normal tax refunds and new lower tax withholding rates. Households are now spending materially more per month on energy than a year ago, an offset that effectively neutralizes much of the temporary fiscal tailwind. Reflecting this, the preliminary estimate of Q1 annualized real GDP growth was only 2.0%, below expectations but an improvement from the 0.5% annualized growth reported for Q4. Fourth-quarter growth was distorted lower by the impact of the federal government shutdown and, consequently, first-quarter growth was biased upward by approximately 70 basis points by catch up in government activity. Considered together, the past six months show annualized real growth of only 1.2%. More significantly, the Federal Reserve's real time estimate of Q1 GDP growth (GDPNow) revealed steady erosion from 3% expected growth prior to the start of the Iran War to less than 2% right before the actual release of Q1 data.

FIGURE 1: REVISIONS TO Q1 GROWTH EXPECTATION SINCE START OF IRAN WAR



Source: Federal Reserve Bank of Atlanta, GDPNow

As in most late-cycle environments, the consumer picture is increasingly bifurcated. Higher-income households retain liquidity and wealth buffers and can absorb higher fuel costs with fewer behavioral changes. Lower-income households, by contrast, have largely exhausted their pandemic-era excess savings and are more exposed to rising prices and borrowing costs. Survey data already point to rising financial stress with more reliance on revolving credit and a higher perceived risk of missed payments. Strikingly, confidence has fallen sharply over the past two years and has taken an additional leg down since the war began. Overall consumer confidence now sits at the lowest level since the University of Michigan survey began in the early 1950s.

FIGURE 2: CONSUMER CONFIDENCE AT ALL TIME LOWS

Source: University of Michigan

Inflation: Temporary Reacceleration, Then Re-Anchoring?

Inflation has reemerged as a headline concern in early 2026, driven overwhelmingly by energy. Gasoline and utilities have swung from a drag to a meaningful positive contributor to year-over-year CPI, lifting headline prints even as the underlying trend continues to soften. In other words, this is mostly a price-level shock rather than a broad-based re-acceleration in the inflation regime, assuming of course that this is a temporary acceleration of energy prices and not a protracted or structural change.

Energy aside, disinflation forces remain intact. Wage growth is cooling as labor market tightness eases, and shelter inflation is slowing with a lag. Measures of worker wage expectations and quitting behavior have largely normalized to pre-pandemic patterns, implying limited risk of a wage-price spiral. Despite this, bond market pricing expectations for future inflation continue to inch higher, in line with the path charted by tariff-related inflation concerns at this time last year.

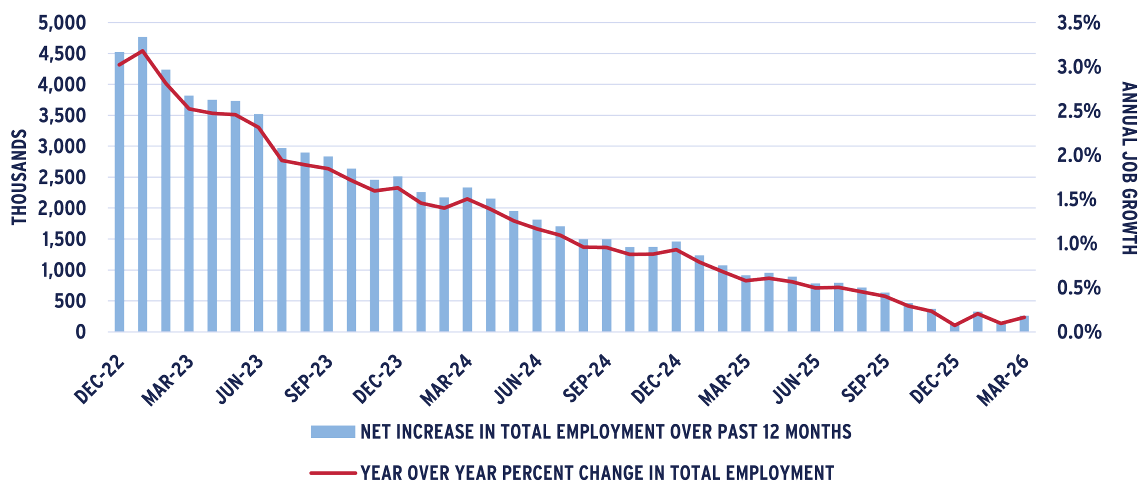
FIGURE 3: EXPECTED INFLATION OVER NEXT FIVE TEARS

Source: Treasury

Fleeting Job Growth

The labor market continues to cool. Payroll growth has moved toward breakeven levels as labor demand softens, job openings and postings have declined, and hiring intentions have turned more cautious in response to heightened uncertainty. For the quarter, the U.S. economy added approximately 200,000 net total jobs, an increase of only 0.1%. While the downward trend in aggregate employment growth has finally flattened (Figure 4) and has stabilized at annual growth rate slightly above zero. Going forward, investors need to recalibrate their understanding of what a "good" jobs report entails. With limited population and labor force growth, the economy will likely produce far fewer net new jobs each month.

FIGURE 4: STEADILY SLOWING JOB GROWTH



Source: Bureau of Labor Statistics (BLS)

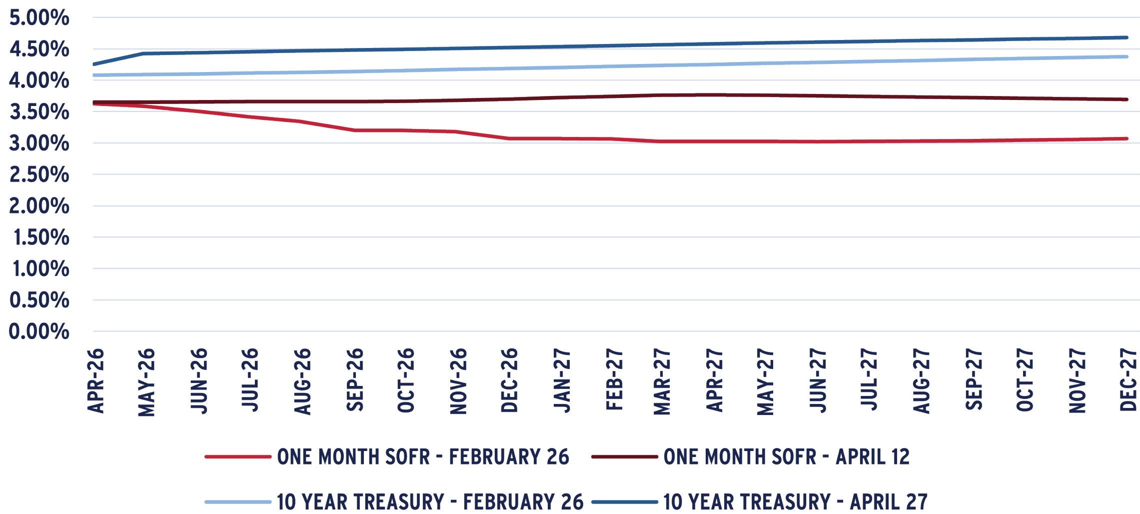
To this point, recent Census data shows U.S. population growth slowing sharply during 2025, largely in response to significantly reduced immigration[1]. Census estimates reflect data through mid-year 2025 and likely underestimate the degree of net out migration during the second half of 2025. As such, other estimates from non-government groups such as Pew Research and Brookings suggest the U.S. likely experienced negative net migration for the year which, if true, would further reduce the national population growth for 2025 and possibly beyond.

[1] https://www.census.gov/newsroom/press-releases/2026/population-estimates-age-sex.html

Monetary Policy: On Hold, But New Sheriff Coming to Town

The Federal Reserve remains on hold after completing its tightening cycle, balancing near-term headline inflation against weakening growth momentum. With real rates already restrictive and demand softening, further hikes appear unlikely in the base case, particularly as the transition to a new Federal Reserve Chairman appears to have restarted at the end of April. At the same time, any move to cut rates also seems constrained. Regardless, prediction and asset market pricing show little evidence that policy rates and, by extension, Treasury yields are likely to change meaningfully in the near term. Since the start of the war at the end of February, the futures market expectation of the one-month SOFR (a proxy for the Fed Funds policy rate) has shifted upward by approximately 50 basis points, suggesting no interest rate cuts by the Federal Reserve this year and possibly next. For its part, the suggested path for the yield on the benchmark Treasury bond has also shifted upward, albeit by a somewhat smaller amount (approximately 30 basis points). For property investors hoping for valuation support from a generally lower yield environment, all of this indicates that any near-term value increase will come not from compressing property yields but rather from fundamental growth in property earnings (NOI).

FIGURE 5: FUTURE PATH OF LONG AND SHORT INTEREST RATES

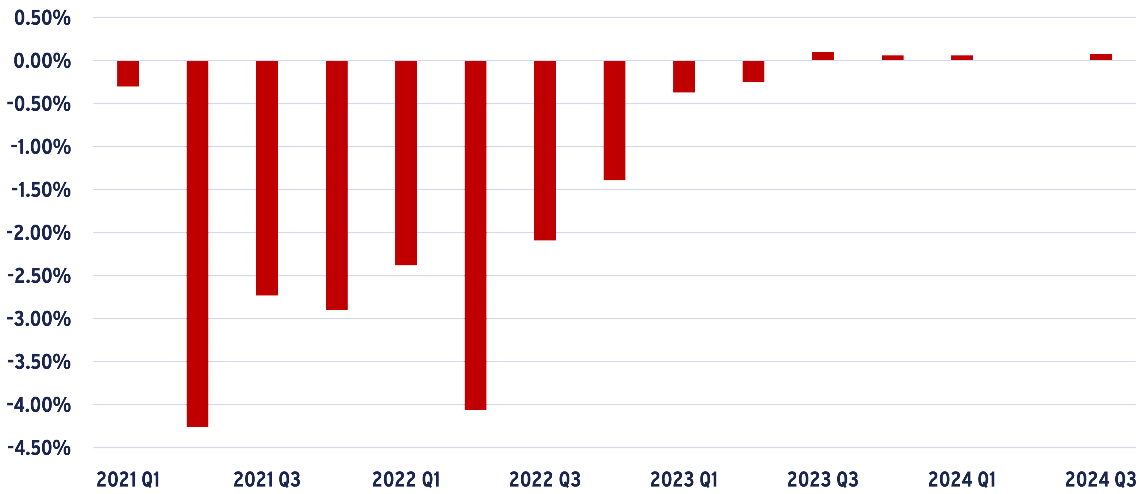


Source: Chatham Financial

U.S. Commercial Property

U.S. commercial property continues to produce positive total returns but anemic capital appreciation, with the NPI Capital Value Index rising less than 0.1% during the first quarter. Following ten consecutive quarters of capital value decline, the NPI has now shown positive appreciation in each of the past five quarters totaling only 30 basis points of aggregate value increase.

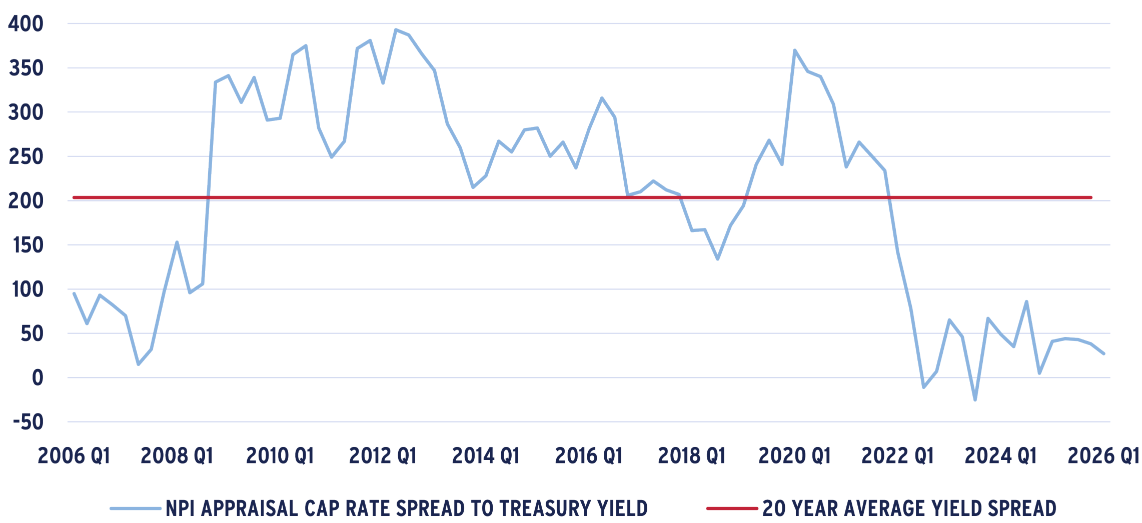
FIGURE 6: QUARTERLY CHANGE IN NPI CAPITAL VALUE INDEX 2022 Q1 – 2026 Q1



Source: NCREIF

In large part, the absence of appreciation over the past five quarters reflects still lower- than-average property yields (cap rates) relative to other asset yields, specifically the Treasury bond yield. As of Q1, the NPI aggregate cap rate (4.57%) stood 27 basis points above the 10-year Treasury yield (4.3%), in sharp contrast to the average spread over the past twenty years of approximately 200 basis points. Broadly, this suggests a further elongated period of limited capital appreciation as property yield spreads continue to revert towards historic norms through property NOI growth, additional property valuation adjustment or eventual declines in Treasury yields—or some combination of the three.

FIGURE 7: NPI AGGREGATE CAP RATE SPREAD TO 10-YEAR TREASURY YIELD

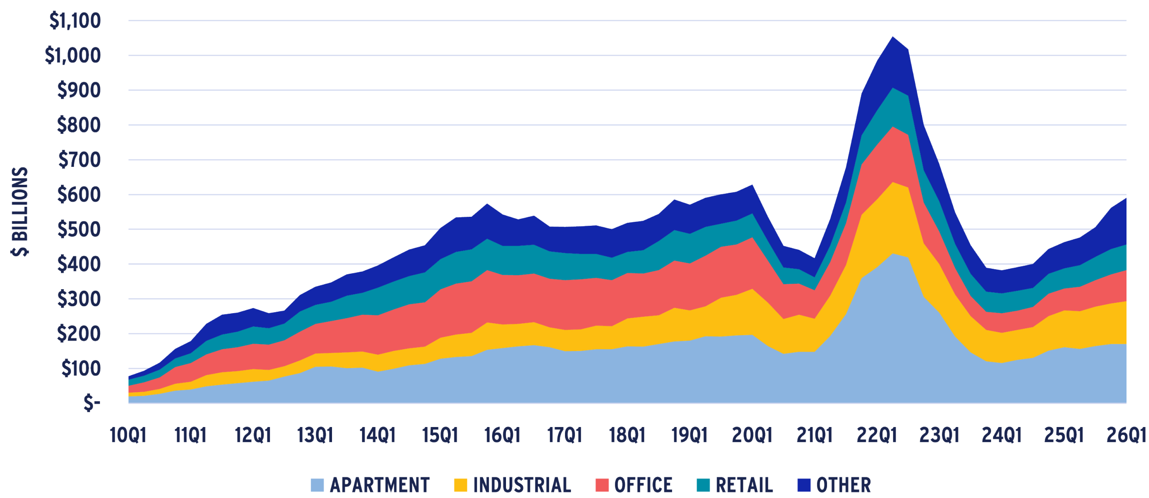


Sources: NCREIF, Treasury

Transaction Volume Recovery

Liquidity is improving from the 2023–2024 trough, but not uniformly. Even modest improvements in loan proceeds and spreads can reopen the bid side for stabilized assets in multifamily, industrial and necessity-based retail. That said, the market is still working through a meaningful legacy-loan overhang: maturities, extensions and workouts will continue to create forced decisions. Practically, two markets will coexist over the next year: a relatively functional market for high-quality, well-leased assets at reset pricing, and a resolution market where clearing prices depend on capital stack restructuring and fresh equity. In aggregate, total CRE transaction volume over the past four quarters is back to approximately $600 billion, far below the $1 trillion record volume of 2022 but consistent with levels seen prior to the pandemic.

FIGURE 8: U.S. COMMERCIAL PROPERTY TRANSACTION VOLUME TRAILING FOUR QUARTER TOTAL



Source: RCA/MSCI

Near-Term Property Sector Outlook

The near-term CRE investment environment will be shaped, as always, by macro variables: (1) the trajectory of inflation after the energy-driven spike, (2) the timing and pace of any Fed easing, and (3) whether slower growth becomes slower occupier demand. Despite the paucity of headline growth, the U.S. remains the largest and most diverse economy and property market. The same Census data that showed significantly slowing in aggregate population also showed continued strong migration within the U.S. still favoring various locations in the southeast, southwest and mountain states. At the same time, the U.S. age structure offers significant "temporal" growth patterns with millions of Americans aging into the oldest age groups every year, creating significant new demand for a variety of real estate categories such as seniors housing and medical offices.

In the "no recession" baseline, the typical sequence is a gradual thaw: transaction activity improves first, cap rates stabilize next, and leasing/rent growth becomes durable last. Even in that constructive path, the binding constraint remains the cost and availability of debt—many transactions still require either a clear NOI growth story, meaningful seller price adjustment, or structured capital (preferred equity, JV capital, assumable debt) to clear return hurdles.

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Performance Returns: Performance returns presented are computed monthly using a time-weighted total rate of return methodology adjusted for daily weighted cash flows. Quarterly returns are calculated by linking monthly returns, and annual returns are calculated by linking quarterly returns. Returns shown for periods greater than one year have been annualized. The sum of presented income and appreciation returns may not equal their respective total returns due to the chain-linking of returns. Returns are presented beginning January 1, 2013, the effective transfer date of IDA Fund I, LLC's is November 1, 2012.

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