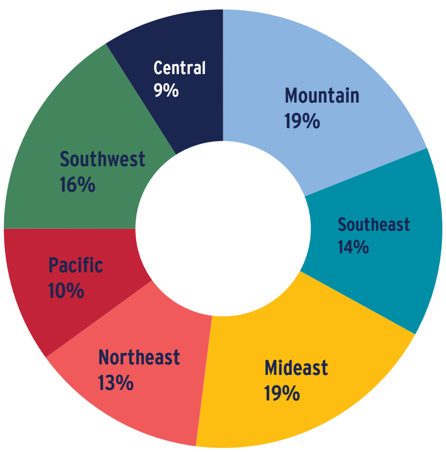
Q2 2026

Public Employee Retirement System of Idaho

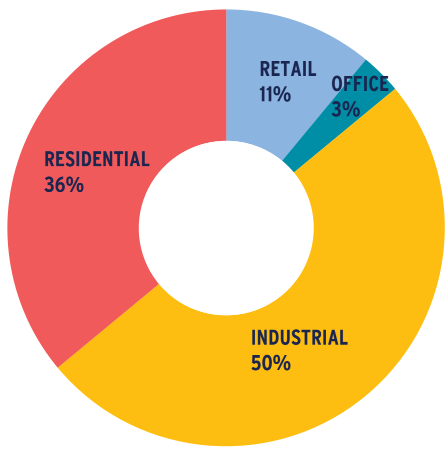
FUND SUMMARY

NET ASSET VALUE	$1,011,963,501
NUMBER OF PROPERTIES	38
PORTFOLIO OCCUPANCY	90%

DIVERSIFICATION BY REGION (BY NAV)



DIVERSIFICATION BY PROPERTY TYPE (BY NAV)



PERFORMANCE SUMMARY

	CURRENT QUARTER	YEAR TO DATE	ONE YEAR	THREE YEAR	FIVE YEAR	TEN YEAR	SINCE INCEPTION [1]
INCOME	1.38%	2.67%	5.67%	5.48%	5.28%	5.54%	5.61%
APPRECIATION	1.17%	1.37%	2.03%	(4.63)%	(0.98)%	1.69%	2.88%
TOTAL GROSS RETURN	2.56%	4.07%	7.80%	0.61%	4.25%	7.32%	8.62%
TOTAL NET RETURN	2.25%	3.45%	6.55%	(0.55)%	3.07%	6.16%	7.55%
NCREIF ODCE INDEX (NET)	1.28%	2.34%	3.59%	(1.44)%	1.86%	3.72%	5.82%
RELATIVE PERFORMANCE (NET)	97 bps	111 bps	296 bps	89 bps	121 bps	244 bps	173 bps

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

AEW

Research Update

Growth is Fundamental

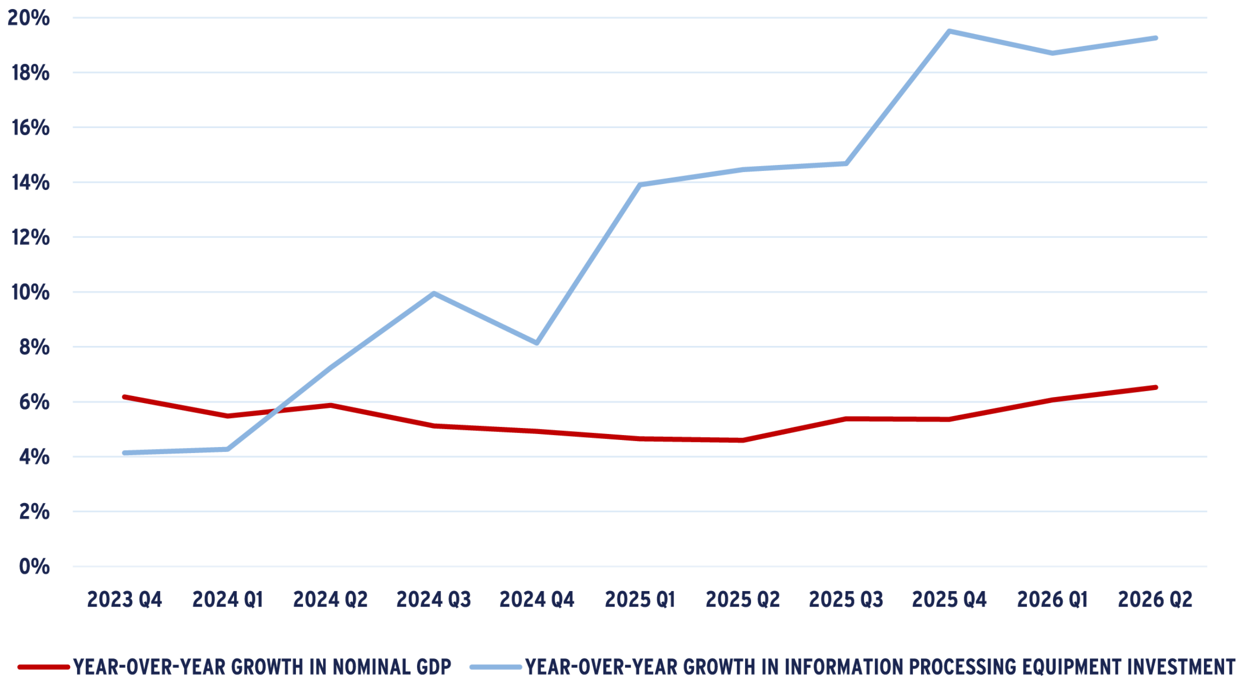
The U.S. economy continues to expand at a moderate pace despite geopolitical uncertainty, trade friction, and renewed inflation pressure. The key story remains the AI-led investment cycle, which is now an important driver of business spending and broader economic activity.

Summary

- **Growth remains positive, but uneven.** Real GDP grew at a 1.5% annualized rate in Q2, supported by solid consumption and continued AI-related capital spending, even as trade and inventory effects weighed on headline growth.
- **Labor availability is becoming the bigger constraint.** Job growth has reaccelerated modestly in 2026, but labor force growth has turned negative in five of the past six months and participation has fallen from 62.8% at year-end 2023 to 61.5% in June.
- **Inflation and rates remain the main macro headwinds.** Inflation has reaccelerated with energy shocks tied to the Iran conflict, real yields have moved higher, and the 30-year Treasury yield ended July at its highest level in twenty years.
- **Commercial real estate fundamentals remain generally resilient.** NPI total returns have been positive for eight consecutive quarters, driven primarily by income rather than appreciation, while most sectors are still expected to generate moderate positive NOI growth over the next three to five years.
- **In this environment, fundamentals matter more.** With rates likely to stay higher for longer, income growth, capital discipline, sector selection, and market-level differentiation should matter more than cap rate compression or financial engineering.

Despite significant headwinds from the on-again, off-again war with Iran, heightened energy market volatility, and renewed trade uncertainty, the U.S. economy continues to expand. Real GDP grew at a 1.5% annualized rate during the second quarter, supported by 3.2% real consumption growth and offset by drags from trade and inventories. The underlying engine of growth remains the outsized AI-driven capex boom at the center of the current late-cycle expansion. This investment continues to increase at an annual rate of nearly 20%, even as investors increasingly question the durability of the cycle.

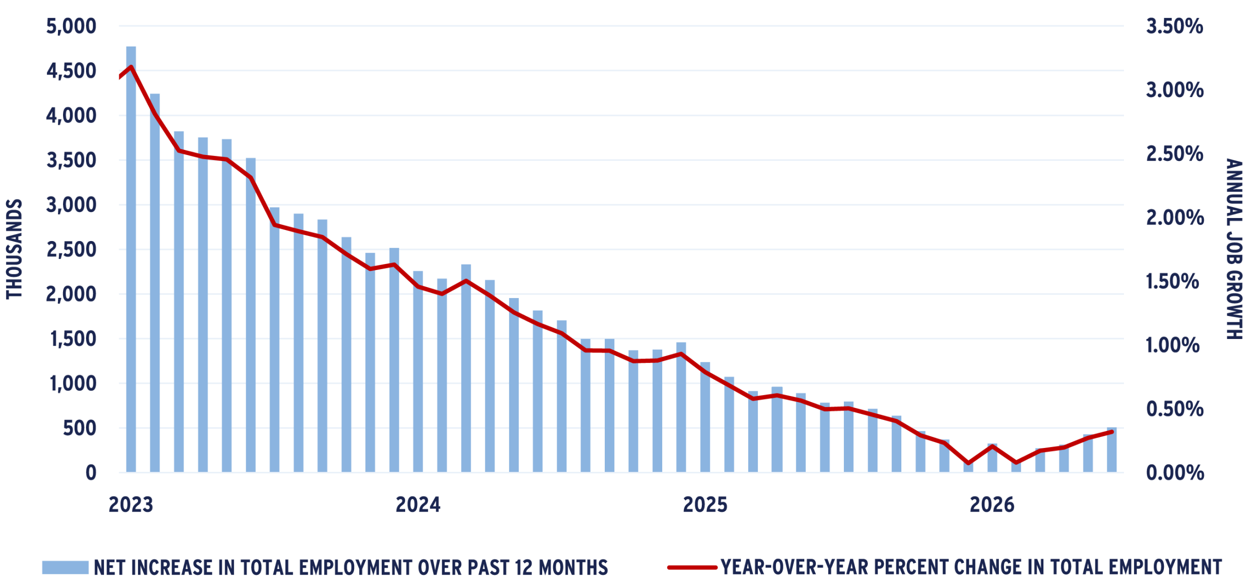
FIGURE 1: GROWTH IN INFORMATION PROCESSING EQUIPMENT INVESTMENT AND NOMINAL GDP



Source: Bureau of Economic Analysis (BEA)

U.S. job growth, which had been slowing for several years, likely bottomed at the end of 2025 with near-zero year-over-year growth and has reaccelerated, albeit moderately, over the first six months of this year.

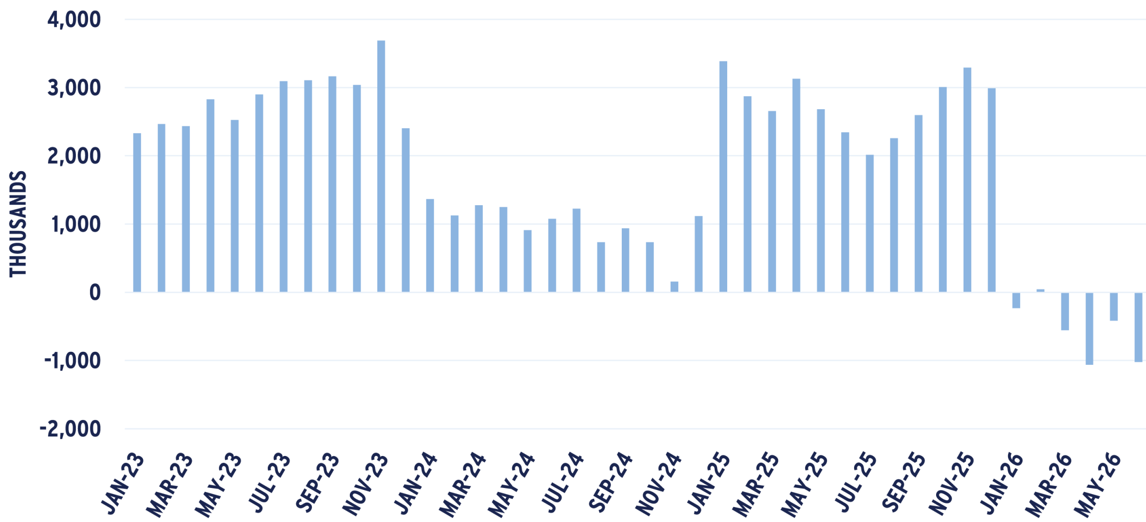
FIGURE 2: U.S. MONTHLY EMPLOYMENT GROWTH



Source: Bureau of Labor Statistics (BLS)

Regardless of employer demand for labor, the greatest constraint on near-term employment growth will likely be labor availability. So far in 2026, the U.S. labor force has recorded negative year-over-year growth in five of the past six months, a phenomenon typically observed only during severe economic events such as the global financial crisis (GFC) or the COVID-19 pandemic.

FIGURE 3: U.S. MONTHLY LABOR FORCE GROWTH (YEAR-OVER-YEAR CHANGE)

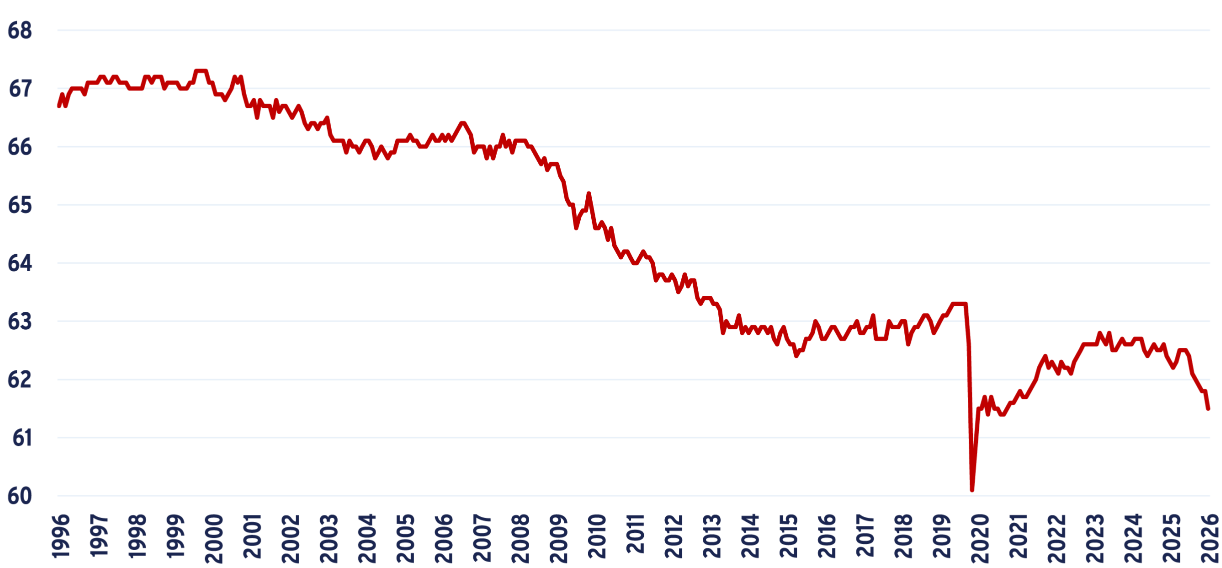


Source: Bureau of Labor Statistics (BLS)

Labor force growth, or contraction, is shaped by two factors: changes in the working-age population, typically defined as ages 15 to 64, and the degree to which working-age people choose to participate in the workforce. Current projections from the Census Bureau show little or no growth in the working-age population over this decade as the tail end of the Baby Boom, people currently age 62 to 80, fully exits the labor force over the next several years while the smaller Gen Alpha cohort, people currently under age 16, enters the working-age group. Recent changes to U.S. immigration policy and enforcement likely increase the downside risk to current working-age population growth projections, particularly with respect to foreign-born workers.

More significantly, U.S. labor force participation rates, while recovered somewhat from the pandemic period, have been falling steadily since the beginning of the century. After reaching a post-pandemic high of 62.8% at the end of 2023, the overall U.S. labor force participation rate declined to 61.5% in June, with the pace of decline accelerating since the beginning of 2025.

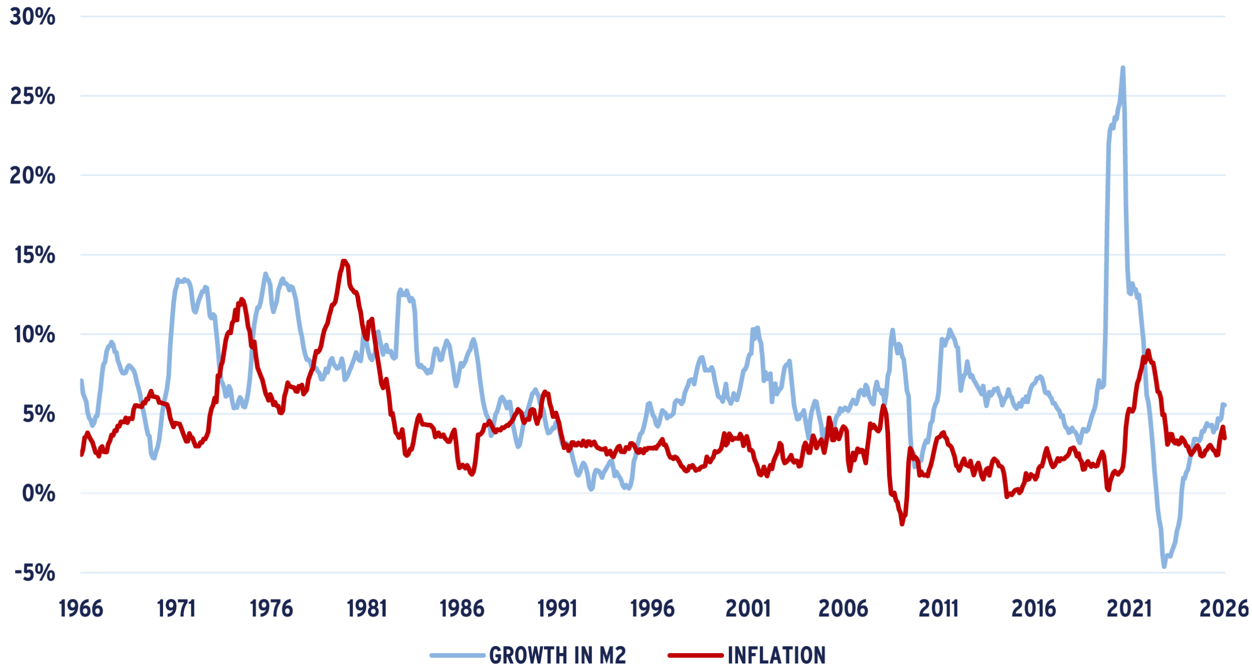
FIGURE 4: U.S. LABOR FORCE PARTICIPATION RATE



Source: Bureau of Labor Statistics (BLS)

Left unchanged, current labor force trends are likely to contribute negatively to the larger issue of continued higher inflation. U.S. inflation surged during and immediately after the COVID period, in part reflecting a broad timing mismatch between demand and supply across the economy. In response to fears of collapsing final demand, the U.S. government flooded the economy with direct transfer payments to stimulate consumer and business spending, but increased supply, or production, lagged. The more significant inflationary impact during this period, however, came directly from growth in the money supply as the Federal Reserve monetized government borrowing to facilitate these payments. Between the end of 2019 and the end of 2022, the total U.S. money supply increased approximately 40%, roughly twice the increase in nominal GDP over this period.

FIGURE 5: U.S. MONEY SUPPLY GROWTH AND INFLATION



Sources: Federal Reserve, Bureau of Labor Statistics (BLS)

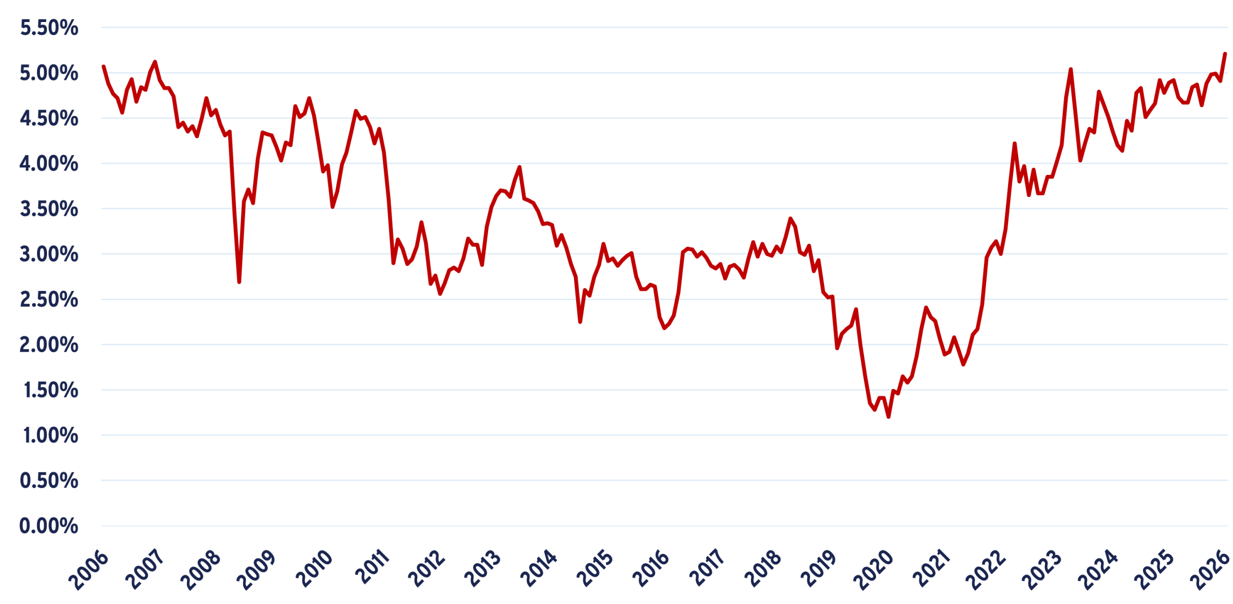
While overall inflation has retreated from post-pandemic highs, it has reaccelerated in recent months in response to energy supply shocks related to the war with Iran. Initially, markets viewed this as a temporary phenomenon, likely to fade as the expected "brief" war concluded. As the war enters its sixth month, markets continue to reassess the temporary nature of the conflict and its impacts on energy prices and broader inflation. To this point, since the day before the war began, February 27, U.S. real yields have moved steadily higher, increasing by roughly 70 basis points and accelerating since mid-May.

FIGURE 6: INFLATION-INDEXED 10-YEAR YIELD

Source: Treasury.gov

Currently, we do not anticipate a near-term interest rate reduction by the Federal Reserve or any meaningful decline in longer rates. To this point, the yield on the 30-year U.S. Treasury bond finished July at the highest level in twenty years, rising above the high watermark of the post-pandemic inflation spike.

FIGURE 7: 30 YEAR TREASURY BOND YIELD



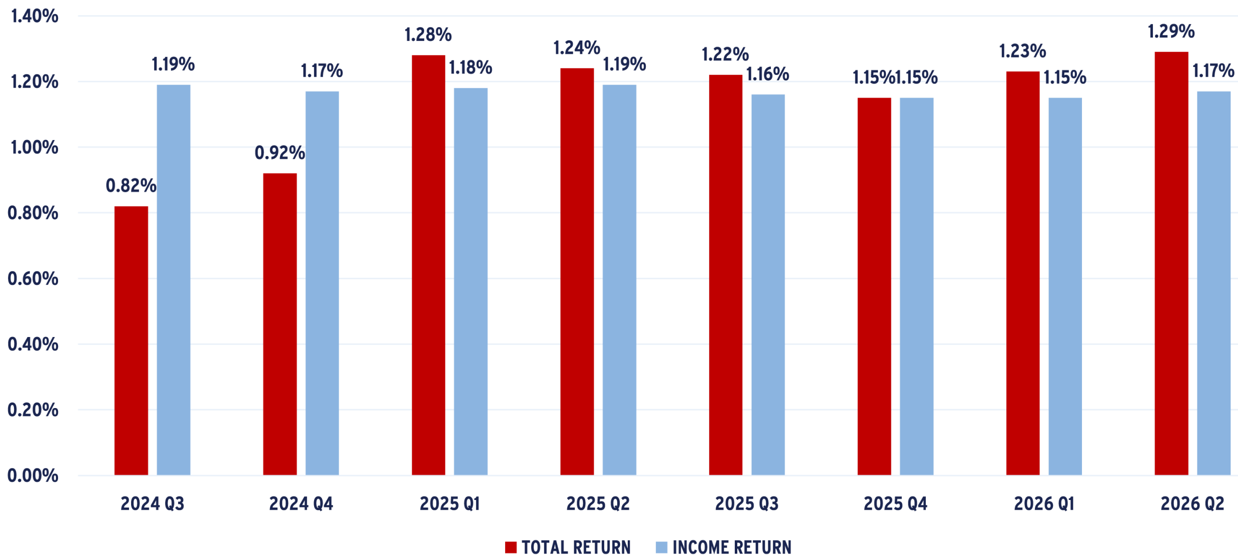
Source: Treasury.gov

Outlook for U.S. Commercial Property Investment

For commercial real estate investors, the macro backdrop remains generally supportive for property market fundamentals, with continued economic expansion, stable employment, improving productivity, and healthy corporate profits. At the same time, interest rates are likely to remain higher for longer than many investors anticipated, delaying a more meaningful easing in capital markets conditions and limiting overall property appreciation for some time.

Through Q2, U.S. commercial property, as measured by the NCREIF Property Index (NPI), has posted positive total return for eight consecutive quarters, with all or nearly all of the return coming from income rather than appreciation. Over this eight-quarter period, the NPI Capital Value Index is down slightly owing to negative appreciation during the last two quarters of 2024. Since year-end 2024, the NPI Capital Value Index has risen just 42 basis points in total.

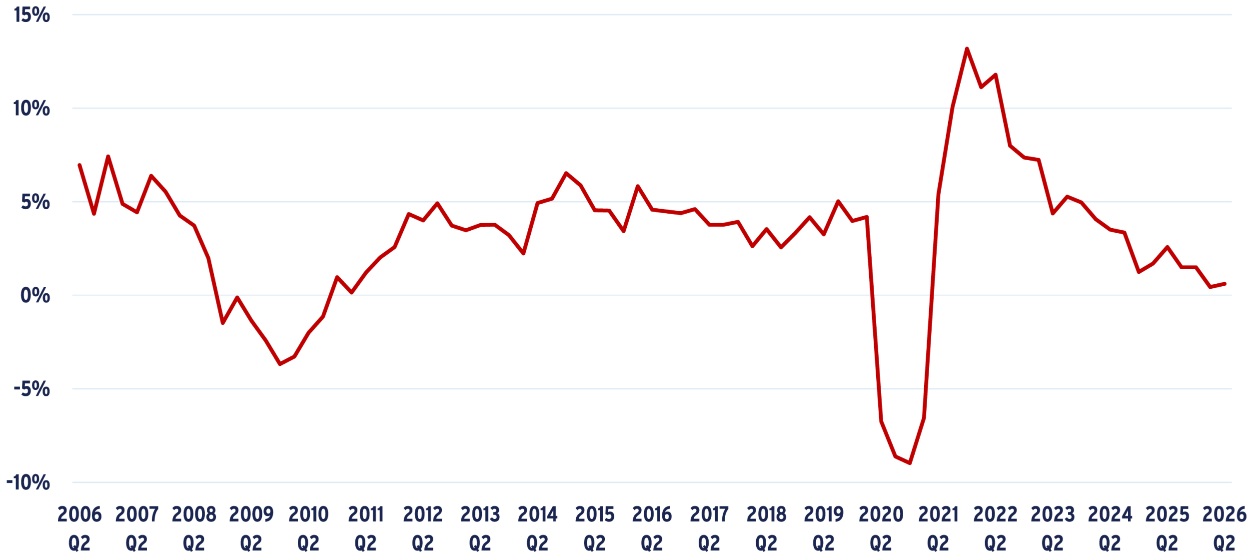
FIGURE 8: NPI TOTAL AND INCOME RETURN BY QUARTER



Source: NCREIF

In part, limited recent capital appreciation reflects slowing growth in net operating income (NOI). For the NCREIF universe, year-over-year growth in property NOI has slowed steadily over the past several years, though not evenly across property sectors. As of the second quarter, trailing four-quarter growth in NOI ranged from a low of -5% for office properties to more than +15% for seniors housing. Current forecasts from Green Street (and others) suggest moderate but positive property sector NOI growth over the next three to five years. While there are outliers to both the positive side, including seniors housing, and the negative side, including life science, the near-term outlook for most property sectors is roughly 3% to 4% average annual NOI growth, assuming the broader economy performs as expected.

FIGURE 9: YEAR-OVER-YEAR GROWTH IN PROPERTY NET OPERATING INCOME (NOI)



Source: NCREIF

NOI growth considerations aside, the primary challenge for property investors remains the interest rate environment. Put simply, rates are higher than had been expected and, more significantly, are expected to remain higher in response to higher-than-expected inflation and growing investor concerns over the size and trajectory of the U.S. federal budget deficit.

For commercial real estate, this suggests:

- Cap rate compression, if any, is likely to be further in the future and gradual rather than dramatic.
- Debt costs should remain elevated relative to both earlier periods and, importantly, property income yields.
- Property fundamentals (NOI growth) will matter more than financial engineering.
- Sectors with durable NOI growth should continue to outperform.

The Bottom Line

While the next several years are likely to remain volatile, the setup for commercial real estate continues to improve. Capital markets may take longer to normalize, but property-level fundamentals remain intact, and income return is again doing the heavy lifting. While the near-term NOI growth outlook remains somewhat range bound across sectors, productivity gains from AI-driven investment should ultimately create meaningful differences in growth across markets and sectors. For disciplined long-term investors, that is a constructive environment. The opportunity is not simply to wait for rates to fall, but to focus capital where durable income growth and market selection can drive attractive risk-adjusted returns.

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Index Performance: Indices are unmanaged, and investors cannot actually make investments in an index. The index performance shown does not reflect the deduction of management fees or other expenses, which would reduce an index's performance returns.

ODCE Index: The IDA Fund I, LLC is benchmarked against the NCREIF Fund Index–Open-End Diversified Core Equity ("NFI- ODCE"). The NFI-ODCE is a fund-level capitalization weighted, time-weighted return index and includes property investments at ownership share, cash balances and leverage (i.e., returns reflect the IDA Fund I, LLC's actual ownership positions and financing strategy). The inception date of the index is the first quarter of 1978.

Past Performance: The performance data presented in this report represents past performance and all dollar amounts are in USD. Past performance is not an indication of future performance, provides no guarantee for the future, and is not constant over time. The value of an investment in the IDA Fund I, LLC may fluctuate and may be worth more or less than its original cost when redeemed. Current performance may be lower or higher than the performance data quoted.

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.

Portfolio Holdings: The portfolio holdings, characteristics, weightings, and allocations presented in this report represent the portfolio at the time this report was completed and are subject to change without notice. Although these transactions presented in this report represent the types we may pursue in the future, no representative is made that similar opportunities will be available.

Risks: Investments in real estate and real estate related entities are subject to various risks, including fluctuating property values, changes in interest rates, property taxes and mortgage-related risks. International investing involves certain risks, such as currency exchange rate fluctuations, political or regulatory developments, economic instability, and lack of information transparency. Investment in fewer issuers or concentrating investments by region or sector involves more risk than a fund that invests more broadly. The use of leverage in connection with any investment (in the form of either debt or preferred equity) creates greater potential for loss and increases exposure to adverse economic factors such as rising interest rates, economic downturns, or deterioration in the condition of a real estate asset or market. If a real estate asset that secures a loan is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the lender will be entitled to exercise the remedies specified under the loan documents and applicable law, which may include acceleration of the indebtedness and foreclosure on the real estate asset. There can be no assurance that any investments in real estate or real estate related entities will achieve their investment objectives.

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Valuation and Account Policy: Assets are valued quarterly by the independent valuation advisor and appraised annually by an independent member of the Appraisal Institute. Additional information, including IDA Fund I's valuation policy, is presented in the notes accompanying the financial statements.