September 15, 2025

NEPC PRIVATE MARKETS INVESTMENT DUE DILIGENCE REPORT

PGIM

PGIM Real Estate Capital VIII

PRODUCT RATING: N/A – Not Rated

This document represents a high-level review of the manager/fund described herein. NEPC has not performed a full due diligence on the fund, and the fund has not been reviewed or rated by NEPC's Private Investment Committee.

PGIM Real Estate Capital VIII

European Diversified Real Estate Debt

To: San Bernardino County Employees' Retirement Association

From: NEPC, LLC

Date: September 15, 2025

Subject: Proposed Commitment to PGIM Real Estate Capital VIII

Recommendation

NEPC supports the San Bernardino County Employees' Retirement Association's recommendation to commit £50 million pound sterling (~$68.2 million USD as of 9/15/2025) to PGIM Real Estate Capital Fund VIII. The recommended commitment amount is consistent with SBCERA's strategic capital allocation plan to US and non-US Credit.

Summary & Analyst Opinion

Prudential Global Investment Management ("PGIM," the "Firm," or the "Manager") is targeting £1.5 billion of investor commitments for PGIM Real Estate Capital VIII ("PRECap VIII,", "Fund VIII," or the "Fund"), the eighth iteration of the Firm's dedicated European real estate debt fund series. NEPC has reviewed this Fund on behalf of San Bernardino County Employees' Retirement Association ("SBCERA"). Fund VIII is seeking to deliver a 12% net IRR and 8% current yield to investors by building a diversified portfolio of primarily junior debt investments backed by real estate in Western Europe and the United Kingdom.

PRECap VIII, managed by the PGIM Real Estate team, continues over a decade of strategy built on the foundation of a seasoned and stable leadership team, offering investors access to a diversified pan-European mezzanine real estate debt strategy. The Fund benefits from the expertise of its founders and a robust London-based team, which has shown strong senior-level stability. The Fund will also continue to offer clients a broad reach into major Western European markets and the availability of a USD-denominated sleeve, which enables U.S. investors to participate while minimizing currency risk. The current market environment amplifies these advantages, as European real estate debt presents compelling opportunities amid notable bank retrenchment and elevated interest rates.

However, there are several considerations NEPC believes investors should be aware of. PRECap VIII's historical track record reveals mixed performance, with several previous vintages falling short of their targets. While earlier funds in the series succeeded in delivering strong IRRs, others have struggled to meet expectations due to varied market conditions. Additionally, the Fund's approach includes exposure to recourse debt structures and a significant allocation to construction lending. These elements introduce heightened credit and execution risks, as repayment can depend on broader borrower finances and successful project completion. While PGIM's experience may mitigate some of these concerns, prospective investors should weigh the potential for lower current yields and increased default risk against the Fund's strategic positioning and market expertise.

Overall, PRECap VIII presents an attractive opportunity for accessing European real estate debt, with a stable team that SBCERA has previously invested with. NEPC believes that if SBCERA is aware of the risks outlined below and concludes that the positive attributes of the Fund and team balance out the inherent risks and historical volatility of the series, then PRECap VIII can be a compelling investment opportunity to include in SBCERA's extensive credit portfolio.

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Differentiators & Areas to Monitor

Differentiators:

- **Experience and Senior Team Continuity within a Robust Platform:** The PRECap VIII team is led by Andrew Radkiewicz, Andrew Macland, and Matthew Crowther, who founded the PRECap fund series after joining PGIM Real Estate in 2009 from Rothschild Bank. The London-based team includes over 30 professionals spanning asset management, originations, global credit, ESG, and portfolio management. Team members specialize by loan type (senior debt, mezzanine debt, or preferred equity), while their geographic coverage remains flexible. The team has experienced limited senior level turnover and has developed a strong continuity between each sector of the organization, retaining a strong level of leadership and experience investing in the target strategy and sectors.

- **Pan-European Diversification and Market Opportunity:** The strategy will focus on the major Western European markets, including the United Kingdom and with a special focus on Germany as well. NEPC believes that European CRE debt funds are well positioned in the current market, benefitting from the same elevated interest rates that US focused funds have, with the addition of significantly more pronounced bank retrenchment in Europe than in the US. This results in the European market having a larger funding gap to fill and provides debt managers with better pricing terms and an increase in opportunities to source for the strategy. PGIM and the team have operated within this space for multiple market cycles and can utilize its vast existing relationships across Europe to take advantage of the current market dynamics.

- **USD Denominated Sleeve:** The Fund offers a USD denominated sleeve for U.S. investors to access the European market opportunities without taking on direct foreign exchange risk or the need to implement their own hedging practices.

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Areas to Monitor:

- **Inconsistent Track Record:** PRECap Fund VIII will target a net IRR of 12% or higher and a net current yield 8% throughout its fund life. NEPC observes that the Manager's historical performance indicates that initial target returns have not been consistently met across the fund series, despite adjusting the targeted returns based on underlying market conditions for each iteration of the strategy. Each strategy has been introduced under distinct market conditions and have not all targeted a consistent geographical focus, both of which should be considered when evaluating performance. Notably, only PRECap I and PRECap II (launched in 2010 and 2012 respectively, in the aftermath of the global financial crisis) have consistently achieved or exceeded their stated target IRRs. However, Fund III, Fund IV, and Fund VI have all underperformed their targets. It should be noted that the fund series has managed to avoid significant losses on investments and has at the least returned LP capital in each of its fully realized strategies, despite some underperformance relative to targets.

- **Construction Lending Risk:** The Fund expects to allocate an above-average amount of capital to construction lending. This is consistent with previous vintages, as 71% of Fund VII was invested in construction financing and the Manager has indicated that they anticipate a similar allocation in Fund VIII. While other real estate debt strategies have incorporated development into their funds on an opportunistic basis, allocating over 70% of the portfolio is less common in a diversified lending strategy and should be monitored as construction financing brings differentiated attributes (both positive and negative) to a portfolio. The inclusion of development with interest reserves and accrual features can drive outsized returns in real estate debt, as the pricing power of the lender is typically stronger than a traditional CRE loan, however this also increases the inherent borrower default risk and lowers the current income as the repayment and interest payments are dependent on the completion of the underlying asset and positive execution of the underlying business plan following asset construction. While this is an increased risk, PGIM has been a long-tenured lender within the construction financing space and has shown an ability to properly structure its construction loans to mitigate risks and return capital to investors the majority of the time.

- **Potential Recourse Debt Risk:** The strategy may utilize both recourse and cross-collateralized debt on its investments, but only on those considered senior whole loans originated by the Fund. While the Fund aims to mitigate the increased risks associated with potential recourse financing by only leveraging senior whole loans, the use of recourse and/or cross-collateralized financing structures can still undermine the overall risk profile of the Fund.

Firm & People

PGIM oversees each individual asset management business within Prudential Financial, Inc.

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("PFI" or "Prudential"), including PGIM Real Estate. Since inception in 1970, PGIM Real Estate has invested alongside both equity and debt participants in the U.S. and globally. The Firm has executed over $200 billion in private real estate equity and debt transactions with $131 billion of real estate debt AUM and $80 billion real estate equity AUM as of March 31, 2025. The Firm has continued to grow its real estate practices with both the equity and debt teams originating over $9 billion worth of deals in 2024, respectively.

As a result of being a part of the broader PGIM platform, all PGIM Real Estate strategies are wholly owned indirect subsidiaries of PFI, which is itself publicly traded and owned by the parent company Prudential (NYSE: PRU). The Firm currently oversees 17 active open-end funds on the real estate side and 6 closed-end fund series in both equity and debt. Each fund series has a dedicated team of investment professionals but also has access to other teams and resources across PGIM Real Estate in order to assist in market research, deal by deal underwriting, and diligence questions.

The team dedicated to PRECap VIII is headed by Andrew Radkiewicz (Global Head of Private Debt Strategy & Investor Solutions), Andrew Macland (Head of European Debt), and Matthew Crowther (Senior Portfolio Manager, PRECap), collectively the three founders of the PRECap fund series. Andrew, Andrew, and Matt joined PGIM Real Estate in 2009 to launch the strategy after previously working together at Rothschild Bank, where they were focused on originating senior secured loans.

The team beneath the three founders consists of over 30 dedicated professionals across asset management, originations & execution, global credit, ESG, and portfolio management and the team is entirely based in London. Team members of both the originations and asset management sides of the strategy are focused by loan types, focusing solely on their respective coverage of senior debt, mezzanine debt, and preferred equity investments, but are geographically agnostic in their coverages. The PRECap team aims to utilize local relationships within the broader PGIM Real Estate Equity business to assist in originating, sourcing, and researching opportunities in the areas of Western Europe where PGIM retains a presence.

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Investment Strategy & Portfolio

PRECap VIII aims to invest within both the subordinate junior debt positions, senior debt positions, and select preferred equity pieces across the portfolio. The strategy will focus on the major Western European markets, including the United Kingdom and with a special focus on Germany as well. Previous vintages of the fund series invested more in the junior portion of the capital stack than is anticipated for Fund VIII, which the Manager acknowledges is a result of the shifted opportunity landscape in European real estate debt in the past few years. Given the increased interest rates globally since 2023, and the expectation of a higher-for-longer interest rate environment moving forward, senior lending has become more expensive, coinciding with traditional banks have withdrawn from the marketplace, leaving strong pricing power in the hands of alternative lenders such as PGIM and other investment firms. This gives the Fund the opportunity to invest within more secured, historically less risky deals in the senior portion of the capital stack while still generating attractive returns in line with the targets of the Fund.

The strategy aims to utilize their capital in acquisitions financing, refinancing existing debts, or restructuring existing loans. The target hold period for these loans is between three to five years, though the team will include covenants and other triggers within the loan structure to receive full repayment or an additional payment in the case of early or late payoffs from borrowers. Fund VIII aims to focus on the middle market real estate debt market within Europe, originating and purchasing loans between £10 million and £70 million in size, with an average investment size of £35 million and an expected 25 investments in the portfolio. The previous fund totaled just over £1.52 billion in commitments and consisted of an even split between whole loans and mezzanine deals, 48% of NAV respectively, with just 4% of the portfolio in preferred equity. The Fund will also aim to diversify across lending business strategies and underlying real estate sectors, however, will lean towards construction/development lending (71% of Fund VII was initially invested in development) and industrial/logistics investments (44% of Fund VII).

Leverage

The Fund is expected to utilize a subscription facility from Wells Fargo to allow for capital calls and timely allocation and completion of investments. This capital drawn will need to be repaid within 364 days of drawdown, but the Manager has indicated that historically the team has paid off existing subscription line debts within a quarter of them being drawn. Short-term indebtedness of the Fund cannot exceed 25% of the total fund commitments during the investment period, and 10% of total fund commitments after the end of the investment period.

The Fund intends to use short term borrowing and financing on senior loans issued by the strategy only. At the investment level, individual investments may be levered up to 85% LTV of the secured loan pieces, but in general the Fund will target 80% LTV. The strategy will utilize both recourse and cross-collateralized debt on its investments, but only on those considered senior whole loans originated by the Fund.

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Investment Process

The team will continue the overall underwriting process from the previous iterations of the Fund series, beginning with the European Debt Originations team. This team develops a continuously growing pipeline of investment opportunities driven by borrower outreach, existing industry relationships, and competitive auction processes. The team expects the majority of deals to be originated directly from commercial and investment banks which the team has numerous relationships with banking teams across the United Kingdom and Europe. The 117 investments that the team has made since inception total over £4 billion of deals, of which over 90% have been originated by a member of the originations team through a direct bilateral relationship with the underlying borrower or a non-competitive process through a banking relationship. The team benefits greatly from past experience and interactions and has retained a 66% repeat borrower rate over its previous seven funds and anticipates a continuation of this trend in Fund VIII.

The Originations team will then narrow down its investment opportunities into deals which they feel best fit the risk-return profile of the overall portfolio and the target deal type for the strategy. This vigorous underwriting and review process includes financial modeling of the underlying real estate collateral, the geographic market trends in the area, reviewing the real estate sector's viability within these markets, as well as the borrower's intended business plans. At this stage in the process, a dedicated transactions team will visit the asset onsite, including a real estate asset manager from the most local PGIM office in the jurisdiction of the deal. Once an investment is through this initial process, an investment memo is drafted and delivered to the High Yield Debt Investment Committee (IC) for review and approval or denial of a transaction before then negotiating the specific terms and structure of the junior and senior lending pieces of the deal themselves with the underlying borrower. The IC for Fund VIII will consist of Raimondo Amabile (Co-CEO, Global CIO & Senior Portfolio Manager), Cathy Marcus (Co-CEO, Global CIO & Senior Managing Director), Andrew Radkiewicz (Global Head of Private Debt and Managing Director), Bryan McDonnell (Head of U.S. Debt & Agriculture, Chair of Global Debt), Sara Trybus (Global Head of Core Debt Strategies), Sebastiano Ferrante (Head of Europe), Andrew Macland (Head of European Debt), and Matthew Crowther (Managing Director, PRECap Senior Portfolio Manager). The Investment Committee will require unanimous approval regarding each transaction before it is completed and funded.

Following the funding of an investment by the team, the asset management team will take control of the asset from the sourcing team and look to continuously monitor and visit the underlying buildings and meet with the borrower to ensure positive progress on the business plan is taking place. This level of monitoring will vary depending on the type of investment in the Fund, with originated, institutionally backed mezzanine loans receiving quarterly or bi-annual visits by the team. For development and construction-related loans, the team will allocate an additional underwriting and asset management person to the deal who will conduct regular quarterly or monthly visits to the asset as a quantity surveyor and prepare progress reports for the Asset Management team to review on a quarterly basis, or at times a monthly basis.

Every half year, the Senior Management and the IC will conduct a thorough review of each loan in the Fund with the underlying deal teams and asset managers to ensure business plans, risks, and procedures are being followed and the deals are executing according to plan. The team expects the Fund to be fully invested within the 3-year investment period, as it was during Fund VII most recently, which will begin following the Final Close.

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Performance

Over the life of the fund series, PRECap has had varied performance on both an absolute basis and when compared to the initial target returns of each fund. Each strategy has been launched within different market environments, and in the past certain iterations of the fund series have focused exclusively on Continental Europe and others on the United Kingdom only. Fund VII was the first vintage of the series to incorporate the United Kingdom and Continental Europe into one holistic fund, and PRECap VIII anticipates continuing this geographic diversification. While these geographic shifts and the underlying market conditions should be taken into consideration when reviewing fund performance, the strategy has only performed at or above its stated target IRR for PRECap I and PRECap II, which were 2010 and 2012 vintages respectively coming to market following the GFC fallout across the globe, as well as Fund V, which only outperformed its 7% target net IRR by a small margin, generating a 7.8% net IRR. Historically the Funds have targeted between 7% and 12% net IRRs, depending on market environments at the time of launch, and given the current higher interest rate environment, PRECap VIII anticipates a target of 12% + net IRR, with 8% net current yield.

PGIM has an extensive track record for the PRECap series. All return information below is as of December 31, 2024, based on actual cash flows and estimated liquidation values.

- PRECap I was the first iteration of the fund series, launched in 2010, and has been 100% realized and liquidated, returning 10.7% net IRR, 1.3x net TVPI, and 1.3x net DPI on a £492 million initial fund size.
- PRECap II and PRECap III were both launched as 2012 vintages, with the same investment philosophies but a focus on different geographies.
    - PRECap II is fully realized and liquidated, producing a net IRR of 9.0%, net TVPI of 1.4x, and net DPI of 1.4x.
    - PRECap III is the last fully liquidated and realized strategy. A 2012 vintage launched concurrently in the UK, alongside PRECap II (which was a Continental Europe focused sleeve), Fund III returned a 6.3% net IRR, 1.1x net TVPI, and just a 1.1x net DPI.
- PRECap IV and PRECap V were both launched in 2013 as United Kingdom and Continental Europe parallel sleeves respectively, with Fund IV investing just over £698 million and Fund V investing just over €264 million.
    - Fund IV is nearly liquidated, with £1.1 million of reported value left, and has returned a 5.1% net IRR, 1.1x net TVPI, and 1.1x net DPI since inception.
    - Fund V is fully realized with a 7.8% net IRR, 1.2x net TVPI, and 1.2x net DPI.
- PRECap VI, a 2015 vintage fund was the first strategy from the PRECap series to integrate the UK and Continental Europe into the same fund, raising just over £1.09 billion in capital commitments, and in its 10 years since inception has returned a 0.5% net IRR, 1.0x net TVPI, and just a 0.8x net DPI.
- PRECap VII was launched in 2020 and raised just over £1.5 billion in commitments. Fund VII has just completed its investment period and is currently reporting a 10.6% net IRR with a 1.2x net TVPI and has already generated a 0.4x net DPI since inception.

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Summary Investment Terms

Firm Name	Prudential Group Investment Management
Fund Name	PGIM Real Estate Capital VIII
Debt Assets Under Management	$131 billion
Target Size/Max Size	£1.5 billion
Minimum Investment	£10 million
Amount Raised	TBD / No First Close Held Yet
First Close	Q4 2025
Target Final Close	Q4 2026
Investment Period	Three years from final closing, subject to a 1-year extension at LPAC approval
Fund Term	Five years from the end of the Investment Period, subject to two 1-year extensions, one at GP discretion the other at LPAC approval
Sponsor's Investment	£50 million
Target Fund Return	12% net IRR / 8% net current yield
Investment Size	£10 million to £70 million (average deal size of £35 million)
Leverage	At the asset level, individual investments may be levered up to 85% LTV of the secured loan pieces, but in general the Fund will target 80% LTV
Annual Management Fee	1.75% base management fee
Carried Interest	20% over an 8% preferred return with no catch up
Fee Discount Details	Investors participating in the first close will benefit from a discount on the management fee of 10bps; in addition, the following discounts apply based on commitment size: (see table below)
Organizational Costs	The Fund will be responsible for organizational expenses up to £2.5 million
Fund Auditor	PricewaterhouseCoopers
Fund Legal Counsel	Clifford Chance
Website	https://www.pgim.com/us/en/institutional

Investor Commitments	Management Fee
£0 to £25 million	1.75%
£25 million to £50 million	1.50%
£50 million to £100 million	1.20%
£100 million to £150 million	1.10%
£150 million to £200 million	1.00%
£200 million to £500 million	0.90%
£500 million +	0.75%

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Key Team Member Biographies

Andrew Radkiewicz: Andrew Radkiewicz has been with PGIM for 16 years and has 35 years of experience within the European Commercial Real Estate Debt industry. He is a Managing Director and Global Head of Debt Strategies. He is a member of the Global Management and Investment Committee and is Portfolio Manager for the PRECap series of funds, with responsibility for investments and raising capital. Previously, Andrew was Co-Head of Europe where he was responsible for strategy development and implementation, and oversight of PGIM's European credit businesses. In 2007, Andrew co-founded the boutique fund manager Paramount Private Equity, which was subsequently absorbed 2009 to form the PRECap platform. Prior to founding Paramount Private Equity, he spent 13 years at NM Rothschild in London, most recently as managing director of Real Estate Finance and Debt Capital Markets.

Andrew Macland: Andrew Macland is a Managing Director and Head of PGIM's UK business. Andrew serves on PGIM' s European Executive Committee and European Investment Committee and is Portfolio Manager for the PRECap series of funds, with responsibility for investments and capital raising. He has 20 years of European real estate industry experience focused on both equity investing and subordinated debt structures, asset management, property recoveries, and restructuring. In 2007, Andrew, along with Andrew Radkiewicz and Matthew Crowther, formed a boutique fund manager, Paramount Private Equity, which was absorbed in 2009 to form the PRECap platform. Andrew has been with PGIM for 16 years and has 34 years of experience within the European Commercial Real Estate Debt industry.

Matthew Crowther: Matthew Crowther is a Managing Director and Portfolio Manager of the PRECap series of debt funds. He is a qualified English Lawyer with over 15 years of experience specializing in commercial real estate and structured finance. Prior to joining the team in January 2009, Matthew was an Assistant Director in the Real Estate Finance group at NM Rothschild. Before Rothschild, he was a senior lawyer with Clifford Chance's Structured Finance Group, structuring and documenting pan-European real estate financing for Deutsche Bank, Merrill Lynch, and Rothschild. Matthew has been with PGIM for 16 years and has 25 years of experience within the European Commercial Real Estate Debt industry.

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Disclaimers & Disclosures

- Past performance has no guarantee of future results.
- The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.
- Information used to prepare this report was obtained directly from the investment manager, and market index data was provided by other external sources. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.
- NEPC may provide background information on fund structures or the impact of taxes, but you should contact your legal counsel or tax professional for specific advice on such matters.
- This report may contain confidential or proprietary information and may not be copied or redistributed to any party not legally entitled to receive it.

In addition, it is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds, real estate, and private equity:

1. Performance can be volatile, and investors could lose all or a substantial portion of their investment
2. Leverage and other speculative practices may increase the risk of loss
3. Past performance may be revised due to the revaluation of investments
4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms
5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value
6. These funds are not subject to the same regulatory requirements as registered investment vehicles
7. Managers may not be required to provide periodic pricing or valuation information to investors
8. These funds may have complex tax structures and delays in distributing important tax information
9. These funds often charge high fees
10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager’s realm of expertise or contemplated investment strategy


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