PENNSYLVANIA PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT OBJECTIVES AND GUIDELINES
NON-U.S. PUBLICLY TRADED REAL ESTATE SECURITIES

ADDENDUM T1

I. OBJECTIVES AND GOALS

This actively managed non-U.S. equity portfolio will consist of equity and equity-linked securities of non-U.S. publicly traded companies whose primary business is to own, operate, develop, manage, finance, or sell real estate.

Measurement Process

Relative performance will be measured versus the FTSE EPRA/NAREIT Global Real Estate Index ex. U.S. The target Information Ratio is 0.50.

II. RISK

The Board judges the question of risk to be categorized into groups of concerns including credit or bankruptcy, liquidity, and diversification. These are applied to the market, sectors of the market, and individual issues. To a varying degree, each of these points is addressed implicitly or explicitly in different sections of these guidelines, but for clarity, they are summarized as follows:

A. Credit or Bankruptcy - Stock investments will be in little known as well as recognized companies. At least 80% of the securities held in the portfolio at market value must have been listed on the country exchanges for a minimum of 3 years. Spin-offs of companies are considered to have a listing equal to that of the company from which it was spun-off. New companies formed through the result of a merger are considered to have a listing equal to that of the acquirer.

B. Liquidity - To insure the flexibility necessary to take defensive action when appropriate, positions should be in issues with sufficient float so as to facilitate, under most market conditions, prompt sale without severe market effect.

C. Diversification - Concentration in any one issue, issuer, industry, or geographic area is to be avoided. Adherence to the guidelines documented under III. Portfolio Definition and any amendments thereto will meet the Fund's diversification requirement.

III. PORTFOLIO DEFINITION

It is required that the account be continuously managed. This does not imply continuous activity. It requires staying current at all times with the objectives of the manager's investment policy for discretionary publicly traded real estate securities portfolios and the requirements of these Guidelines.

Within that framework, and the following limitations, the manager has discretion to make portfolio changes to accomplish the stated objectives.

General

A. Not more than 50% of the equity portfolio's assets at market value may be invested in any one real estate industry (i.e. property type).

B. At no time may an individual equity manager's portfolio:
   i. own more than 5% of the sum total of all classes of outstanding common shares of any one corporation, or
   ii. have the greater of 150% of each security's FTSE EPRA/NAREIT Global ex-U.S. Real Estate Index weighting or 7% of the portfolio at market value invested in the securities of any corporation (which includes the total of common, convertible, preferred, depository receipts, when-issued securities, and cash equivalents), or
   iii. have more than 5% of the portfolio at market value invested in convertible bonds, or
   iv. hold rights or warrants in the portfolio unless they were received as part of a corporate distribution, IPO, new issue, or if the result of another holding.

C. International portfolios will be geographically restricted to the countries covered in FTSE EPRA/NAREIT Global Real Estate Index. When a country is added to the FTSE EPRA/NAREIT Global Real Estate Index, the country will concurrently be added to the Fund's approved list upon announcement of the addition. When a country is deleted from the FTSE EPRA/NAREIT Global Real Estate Index, the country will be deleted from the Fund's approved list 60 days after the effective date of the deletion. In the event that the manager owns a security when a country is removed from the FTSE EPRA/NAREIT Global Real Estate Index, the manager is instructed to notify the Chief Investment Officer to discuss their recommended course of action should the manager wish not to liquidate that security within 60 days after the effective date of the deletion.

   The Board may be receptive to inclusion of a country not covered in the FTSE EPRA/NAREIT Global Real Estate Index. The decision to include any additional countries would center on a market's liquidity (see II. Risk, B.), efficient settlement procedures, and the manager's experience in that market. Written approval must be received from the Chief Investment Officer.

Country Allocations

Separately managed portfolios of non-U.S. publicly traded real estate securities will be governed by the following restrictions at market value:

A. Weighting in U.S. dollar-denominated securities, and U.S. cash may, when combined, range from 0% to 100% of a portfolio.

B. Investments in any individual country in the FTSE EPRA/NAREIT Global Real Estate Index may range from 0% of the portfolio to the greater of 15% of the portfolio or 200% of the country's weighting in the FTSE EPRA/NAREIT Global Real Estate Index.

C. Investments in any individual country outside of the FTSE EPRA/NAREIT Global Real Estate Index are limited to not more than 5% of the portfolio. All countries outside of the FTSE EPRA/NAREIT Global Real Estate Index must be pre-approved in writing by the Chief Investment Officer.

D. Total investments outside of the FTSE EPRA/NAREIT Global Real Estate Index are limited to 30% of the portfolio.

Direct investment in any country is contingent upon the Fund's custodian bank being able to successfully establish a sub-custodian relationship in that country. If the Fund's custodian bank currently does not have a sub-custodian relationship established on behalf of the Fund in a desired country, the manager should send a letter to the Fund requesting to establish a sub-custodian relationship. The Fund will then work with the custodian bank to establish a sub-custodian relationship in the market(s) the manager wishes to invest. However, establishing a sub-custodian relationship in all markets requested cannot be guaranteed.

Cash and Cash Equivalents

Cash and cash equivalents will not exceed 7% of the portfolio at market value. To exceed 7%, written permission must be obtained from the Chief Investment Officer. Cash in the portfolio shall be invested in the Fund's STIF account for U.S. dollars and the custodian's or sub-custodian's commingled fund accounts for international currencies.

Common, Convertible, and Preferred Securities

To achieve the quality and liquidity levels desirable, it is recommended that at least 80% of equity securities owned in the portfolio must be listed on the exchanges of the approved countries, including the U.S. exchanges. Convertible bonds, convertible into common stock listed on the exchanges of approved countries, will be considered a listed equity security for this purpose.

Absolute Restrictions

Unless otherwise covered in these investment guidelines, all other investments are strictly prohibited without the written permission of the Chief Investment Officer. The following are examples of some of the prohibited types of transactions and is not meant to be an all-inclusive list: leverage of any sort, letter stock, private placements, commodities, fixed-income securities (excluding STIF), etc.