Employees' Retirement Fund of the City of Dallas
Executive Summary of Performance

Second Quarter 2016

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Capital Market Overview

The dominant theme in global asset markets during the second quarter of 2016 was "Uncertainty", primarily due to nervousness regarding the so-called Brexit referendum held in the UK on June 23. This closely-watched vote, asking UK citizens to decide whether their country would remain in the European Union or leave, was a true nail-biter. The final result, which found Brits narrowly deciding to leave the EU, sent global equities into a two-day sharp sell-off, with investors running for the safety of U.S. Treasuries and local-market sovereigns. As a result, yields plummeted for these safe-haven bonds; the yield on Germany's bellwether 10-year Bund, already trading at rock-bottom levels thanks to European Central Bank intervention, dipped below 0% in mid-June and has stayed negative since June 24. The political drama swirling around the upcoming U.S. elections in November and further signs of a global economic slowdown added to overall market jitters. Real GDP growth continued to slow during the first quarter of 2016, expanding 1.1% annualized. Weak business spending continues to act as a drag on growth as private investment shrank for the third quarter in a row. The U.S. actually exported more goods and services despite the strong dollar, which added to growth. Consumer spending continues to be the main point of strength in the economy, although government spending grew for the fourth straight quarter.

The Federal Open Market Committee, in their June meeting, specifically pointed to weaker global economic growth indicators, lackluster U.S. payroll growth and declining productivity as signals against raising interest rates. Despite solid performance in the retail sales and housing sectors, the FOMC cut their forecast for U.S. economic growth and maintained current Fed Funds rate targets. Committee members have also signaled a willingness to postpone proposed interest rate hikes in the second half of this year if economic indicators continue to deteriorate.

Consumer inflation in the U.S. picked up pace in the second quarter of 2016. The Consumer Price Index was up 1.22% for the three months ending June 30 but up just 1.01% for the past 12 months. Core CPI, excluding the volatile food and energy components, increased 0.59% in the second quarter, but leapt 2.26% over the trailing twelve months ending June 30. The 10-year breakeven inflation rate closed the second quarter at 1.40%, down from 1.62% last quarter, and has been below 2% since September 2014.

Commodities in general experienced striking gains for the quarter, with crude oil extending its win streak with a 16.9% price increase, ending the quarter at $48.33 per barrel. Natural gas prices leapt 32.2% over the second quarter, ending at $2.924 per million BTUs. MLP performance benefited from the excellent performance of oil and gas (Alerian MLP Index,19.70%). Gold rallied as well, partly due to Brexit jitters; the precious metal ended the quarter at $1,320.60 per troy ounce, a 6.8% increase.

U.S. Equity Market

The U.S. stock market, represented by the Wilshire 5000 Total Market Index^{SM}, was up for the second quarter of 2016 by 2.78%. Price swings during the quarter were not nearly as extreme as what investors experienced during the first quarter, except for the last week of trading. The market was up in both April and May despite modest to weak news within economic releases. The market rebounded from the U.K.-driven sell-off to post three strong days to end the quarter. Large capitalization stocks underperformed smaller shares with the Wilshire Large-Cap Index^{SM} up 2.65% versus a gain of 4.09% for the Wilshire US Small-Cap Index^{SM}. Larger shares were up for the past

12 months as well (3.83%), while the small cap index was down for the same period (-3.99%). The Wilshire US Micro-Cap Index^{SM} was up 2.79% for the quarter but down -12.01% for the past year. Growth stocks trailed value during the second quarter in both large- and small-cap spaces (Wilshire US Large Growth, 0.41%; Wilshire Large Value, 4.80%; Wilshire US Small Growth, 2.21%; Wilshire US Small Value, 6.02%) as well as for the past year. Wilshire 5000 sector performance in the second quarter was mostly positive except for the Information Technology and Consumer Discretionary sectors, which saw pullbacks of -2.16% and -0.95%, respectively. The three best performing sectors were Energy, Telecom Services and Utilities, up 11.65%, 7.66% and 7.36%, respectively. Real estate securities continued their strong 2016 overall performance into the second quarter, although non-U.S. shares saw gains tempered by the strong U.S. dollar (Wilshire US Real Estate Securities Index^{SM}, 5.99%; Wilshire Global Ex-US RESI^{SM}, 1.32%).

Fixed Income Market

U.S. Treasury securities extended their rally in the second quarter (Barclays U.S. Treasury, 2.10%) thanks to broad investor uncertainty, initially over the outcome of the Brexit vote, then over the details and timetable of the withdrawal of the U.K. from the European Union. Most of the rally unsurprisingly occurred as the Brexit referendum results were followed by broad flight-to-safety purchases in the two trading days after the vote. The bellwether 10-year U.S. Treasury yield fell from 1.78% as of March 31 to 1.49% as of June 30. The U.S. Treasury yield curve flattened somewhat over the quarter; two-year yields dropped 15 basis points to 0.58%, while thirty-year yields rode safe-haven purchases down 31 bps to a quarter-ending yield of 2.30%. Unsurprisingly, long-dated Treasuries enjoyed a stronger quarter than shorter bonds (Barclays U.S. Treasury Long, 6.44%; Barclays U.S. Treasury 1-3 Year, 0.53%). Credit yields tightened somewhat over the quarter as well, as investors continued to seek incremental yield wherever they could find it (Barclays U.S. Government-Related, 2.48%; Barclays U.S. Corporate Investment Grade, 3.57%). This especially benefited high yield bonds in relation to investment-grade issuance (Barclays U.S. Aggregate, 2.21%; Barclays U.S. High Yield, 5.52%).

Non-U.S. Markets

As noted above, the global financial news cycle in the second quarter was dominated by the Brexit vote, overshadowing striking downturns in Asia/Pacific regional markets (MSCI All Country World Index Ex-US, net dividends: -0.10% local currency, 0.99% US dollar terms). The economic slowdown in China, combined with a generally weaker forecast of corporate earnings throughout the region, put investors in a selling mood overall (MSCI Pacific, net: -4.29% local). Despite the Brexit turmoil, however, European stocks overall managed modest gains (MSCI Europe, net, local: 1.23%). Interestingly, the Japanese yen has rallied strongly this year, boosting overall regional performance for U.S dollar-based investors (MSCI Pacific, net, USD: 0.88%), while the British pound and euro unsurprisingly weakened in the second quarter relative to the U.S. dollar (MSCI Europe, net, USD: -2.69%). Emerging market stocks presented a mixed picture with Asian shares underperforming other world region equities (MSCI Emerging Markets, net: 0.70% local, 0.66% USD). In global bond markets, developed market sovereigns benefited from overall market uneasiness, boosting returns relative to emerging market paper (Barclays Global Aggregate Ex-US: 2.72% hedged, 3.40% USD; Barclays Emerging Markets Local Currency Government Universal: 0.87% hedged, 0.18% USD).

Summary of Index Returns

For Periods Ended June 30, 2016

	Quarter	One Year	Three Years	Five Years	Ten Years
Domestic Equity					
Standard & Poor's 500	2.46%	3.99%	11.66%	12.10%	7.43%
Wilshire 5000	2.78	2.96	11.26	11.64	7.46
Wilshire 4500	4.13	-3.29	9.42	9.84	7.77
Wilshire Large Cap	2.65	3.83	11.61	11.89	7.47
Wilshire Small Cap	4.09	-3.99	8.44	9.66	7.91
Wilshire Micro Cap	2.79	-12.01	5.28	8.00	4.48
Domestic Equity					
Wilshire Large Value	4.80%	9.36%	11.03%	12.10%	6.71%
Wilshire Large Growth	0.41	-2.22	12.26	11.61	8.13
Wilshire Mid Value	6.36	9.80	12.57	12.47	8.45
Wilshire Mid Growth	2.75	-8.86	8.17	8.05	8.40
Wilshire Small Value	6.02	4.05	10.47	11.11	7.97
Wilshire Small Growth	2.21	-11.92	6.27	8.07	7.74
International Equity					
MSCI All World ex U.S. (USD)	-0.64%	-10.24%	1.17%	0.10%	1.87%
MSCI All World ex U.S. (local currency)	0.38	-8.15	6.15	5.83	3.23
MSCI EAFE	-1.46	-10.16	2.07	1.68	1.58
MSCI Europe	-2.69	-11.22	1.96	1.02	1.52
MSCI Pacific	0.88	-8.19	2.16	2.98	1.71
MSCI Emerging Markets Index	0.66	-12.05	-1.56	-3.78	3.54
Domestic Fixed Income					
Barclays Aggregate Bond	2.21%	6.00%	4.06%	3.76%	5.13%
Barclays Credit	3.48	7.55	5.26	5.20	6.11
Barclays Mortgage	1.11	4.34	3.76	3.01	4.96
Barclays Treasury	2.10	6.22	3.51	3.53	4.86
Citigroup High Yield Cash Pay	5.96	0.96	3.64	5.51	7.19
Barclays US TIPS	1.71	4.35	2.31	2.63	4.75
91-Day Treasury Bill	0.07	0.19	0.09	0.09	1.04
International Fixed Income					
Citigroup Non-U.S. Gov. Bond	4.04%	13.85%	2.36%	0.31%	3.97%
Citigroup World Gov. Bond	3.41	11.26	2.65	1.18	4.22
Citigroup Hedged Non-U.S. Gov.	3.11	10.19	6.69	5.84	5.12
Currency*					
Euro vs. $	-2.51%	-0.29%	-5.10%	-5.19%	-1.40%
Yen vs. $	9.56	19.28	-1.07	-4.67	1.09
Pound vs. $	-6.99	-15.00	-4.12	-3.60	-3.19
Real Estate					
Wilshire REIT Index	5.60%	22.82%	13.63%	12.48%	6.99%
Wilshire RESI	5.99	23.55	14.07	12.61	7.01

Total Fund Overview

Asset Class Performance

	Assets		Performance (%)					
	($Mil)	(%)	QTR	YTD	1-year	3-year	5-year	10-year
U.S. Equity	483.6	14.8	2.58	2.70	0.06	10.51	10.97	6.98
International Equity	449.2	13.7	-1.52	-2.33	-9.29	2.06	1.71	2.79
Global Equity	150.5	4.6	0.39	-1.03	-5.91	4.63	-.-	-.-
Global Low Volatility	338.6	10.3	4.16	10.65	10.83	-.-	-.-	-.-
Real Estate	388.8	11.9	3.10	5.82	13.51	12.04	11.41	5.85
Global Fixed Income	474.5	14.5	2.36	5.40	6.07	4.40	4.35	5.01
High Yield	418.4	12.8	4.58	7.36	0.82	4.13	5.79	6.68
Credit Opportunities	85.5	2.6	3.41	-.-	-.-	-.-	-.-	-.-
Public Real Assets	268.7	8.2	22.36	15.52	-17.27	0.61	-.-	-.-
Private Equity	155.3	4.7	0.31	0.32	7.42	11.37	10.80	-.-
Cash Equivalents	64.4	2.0	0.07	0.12	0.17	0.08	0.09	-0.43
Total Fund	**3,277.5**	**100.0**	**3.55**	**4.84**	**0.58**	**6.53**	**6.95**	**5.99**
Asset Allocation Policy			**4.40**	**6.88**	**1.45**	**6.56**	**6.90**	**6.18**
Value Added vs Policy			*-0.85*	*-2.04*	*-0.87*	*-0.03*	*0.05*	*-0.19*
Actuarial Rate			1.94	3.92	8.00	8.12	8.17	8.21
Wilshire 5000 Index			2.78	3.98	2.96	11.26	11.64	7.46
S&P 500 Index			2.46	3.84	3.99	11.66	12.10	7.42
MSCI ACWI x-U.S. IMI Index			-0.68	-0.91	-9.61	1.65	0.39	2.16
MSCI EAFE Index			-1.46	-4.42	-10.16	2.07	1.68	1.58
Barclays Aggregate Bond Index			2.21	5.31	6.00	4.06	3.76	5.13
Citigroup High Yield Cash Pay			5.96	9.46	0.96	3.64	5.51	7.19
Wilshire RE Securities Index			5.99	11.60	23.55	14.07	12.61	7.01
91-Day Treasury Bill			0.07	0.15	0.19	0.09	0.09	1.04

Total Fund Asset Growth

($Millions)	Beg. Mkt Value	Net Contrib.	Net Distrib.	Investment Fees	Investment Gain/Loss	End Mkt Value	Total Return
4Q12	2,949.6	20.2	55.7	2.3	73.5	2,985.2	2.43%
1Q13	2,985.2	18.3	56.8	3.4	179.4	3,122.7	5.92%
2Q13	3,122.7	22.3	59.0	3.2	8.1	3,091.0	0.15%
3Q13	3,091.0	18.0	58.2	3.4	151.2	3,198.6	4.76%
4Q13	3,198.6	24.1	57.2	3.3	169.8	3,332.1	5.22%
1Q14	3,332.1	26.1	62.0	4.3	76.3	3,368.2	2.21%
2Q14	3,368.2	25.4	58.8	3.9	148.0	3,479.0	4.26%
3Q14	3,479.0	22.6	62.0	2.5	(39.5)	3,397.5	-1.21%
4Q14	3,397.5	30.7	62.8	3.3	40.4	3,402.5	1.10%
1Q15	3,402.5	36.1	73.5	3.5	85.2	3,446.8	2.40%
2Q15	3,446.8	44.4	83.3	3.7	6.5	3,410.6	-0.09%
3Q15	3,410.6	29.6	69.6	3.4	(202.7)	3,164.5	-6.06%
4Q15	3,164.5	49.4	82.5	3.2	71.0	3,199.2	2.13%
1Q16	3,199.2	89.0	127.8	3.0	41.0	3,198.3	1.30%
2Q16	3,198.3	70.8	105.2	2.8	116.4	3,277.5	3.55%

- At the end of the second quarter of 2016, the Fund's market value was $3,277.5 million, which represented an increase of $79.2 million in total net asset value over the previous quarter. The change in the Fund's value was driven by $70.8 million in net contributions and a $116.4 million investment gain. Meanwhile, $105.2 million in net distributions and $2.8 million in investment management fees flowed out of the Fund.

Quarterly Total Fund Attribution vs. Policy

Asset Class	Assets (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
U.S. Equity	15.1	2.58	15.0	2.78	0.1	-0.20	-0.01	0.00	-0.03	-0.04
International Equity	14.1	-1.52	15.0	-0.68	-0.9	-0.84	0.05	0.01	-0.13	-0.07
Global Equity	4.7	0.39	5.0	0.99	-0.3	-0.60	0.01	0.00	-0.03	-0.02
Global Low Volatility	10.6	4.15	10.0	4.80	0.6	-0.65	0.00	0.00	-0.07	-0.07
Public REITs	5.6	4.42	5.0	5.99	0.6	-1.57	-0.01	-0.01	-0.08	-0.10
Direct Core Real Estate	7.1	1.90	5.0	1.66	2.1	0.24	-0.06	0.01	0.01	-0.04
Global Fixed Income	14.3	2.36	15.0	2.21	-0.7	0.15	0.01	0.00	0.02	0.04
High Yield	12.6	4.58	12.5	5.96	0.1	-1.39	0.00	0.00	-0.17	-0.17
Credit Opportunities	2.6	3.41	2.5	4.61	0.1	-1.20	0.00	0.00	-0.03	-0.03
Public Real Assets	7.4	22.36	10.0	19.70	-2.6	2.67	-0.42	-0.07	0.25	-0.25
Private Equity	4.7	0.31	5.0	-0.25	-0.3	0.56	0.00	0.01	-0.04	-0.03
Cash Equivalents	1.3	0.07	0.0	0.07	1.3	0.00	-0.05	0.00	0.00	-0.05
Monthly Linked Return	**100.0**	**3.57**	**100.0**	**4.40**		**-0.83**	**-0.48**	**-0.06**	**-0.30**	**-0.83**
Trading/Hedging		*-0.02*		*0.00*		*-0.02*				***-0.02***
Total		**3.55**		**4.40**		**-0.85**				**-0.85**

4.40	**Asset Allocation Policy**
-0.48	Actual/Tactical Asset Allocation
-0.30	Active Management
-0.06	Interaction
-0.02	Trading
3.55	**Total Fund Return**

*Note: factors may not sum exactly to total return due to rounding.

The Total Fund attribution table, shown above, displays the return contribution of each asset class to the Total Fund's overall return. The attribution provides some insights as to whether tactical allocation and active management within asset classes helped or hurt performance during the quarter.

- ***Strategic Policy:*** The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
- ***Actual Allocation:*** The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e.: the actual allocation to U.S. equity was higher than the policy allocation). A positive number would indicate an overweight allocation benefited performance, and vice versa.
- ***Active Management:*** The return contribution from active management. This number would be positive if the asset class outperformed the designated policy index and vice versa (i.e.: the U.S. equity segment outperformed the policy index, the Wilshire 5000 Index, during the quarter and contributed positively to active management).
- ***Interaction:*** Captures the interaction of managers' performance and asset class weighting differences.
- ***Actual Return:*** The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.

One-Year Total Fund Attribution vs. Policy

Asset Class	Assets (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
U.S. Equity	14.9	0.06	15.0	2.97	-0.1	-2.91	-0.04	0.00	-0.43	-0.47
International Equity	14.1	-9.29	15.0	-9.62	-0.9	0.33	0.06	0.00	0.05	0.12
Global Equity	4.7	-5.91	5.0	-3.72	-0.3	-2.20	0.01	0.01	-0.11	-0.10
Global Low Volatility	10.4	10.83	10.0	11.54	0.4	-0.71	0.03	0.00	-0.07	-0.05
Public REITs	5.4	19.25	5.0	23.55	0.4	-4.30	0.04	-0.02	-0.18	-0.16
Direct Core Real Estate	8.3	9.29	5.0	9.15	3.3	0.14	0.28	0.00	0.01	0.29
Global Fixed Income	14.2	6.07	15.0	6.04	-0.8	0.03	-0.10	0.00	0.00	-0.10
High Yield	14.0	0.82	13.8	0.96	0.2	-0.14	0.02	0.01	0.03	0.06
Credit Opportunities	1.1	6.93	1.3	8.09	-0.2	-1.16	-0.05	-0.02	-0.03	-0.10
Public Real Assets	7.8	-17.27	10.0	-10.20	-2.2	-7.06	-0.18	-0.02	0.06	-0.14
Private Equity	4.4	7.42	5.0	-4.74	-0.6	12.16	0.10	0.03	-0.56	-0.43
Cash	0.8	0.17	0.0	0.19	0.8	-0.02	-0.04	0.00	0.00	-0.04
Monthly Linked Return	**100.00**	**0.64**	**100.00**	**1.45**		**-0.81**	**0.03**	**0.01**	**-0.85**	**-1.10**
Trading		-0.06		0.00		-0.06				**-0.08**
Total		***0.58***		***1.45***		***-0.87***				***-0.87***

1.45	**Strategic Policy Allocation**
0.04	Actual/Tactical Asset Allocation
-0.85	Active Management
0.01	Interaction
-0.08	Trading
0.58	Total Return

*Note: factors may not sum exactly to total return due to rounding.

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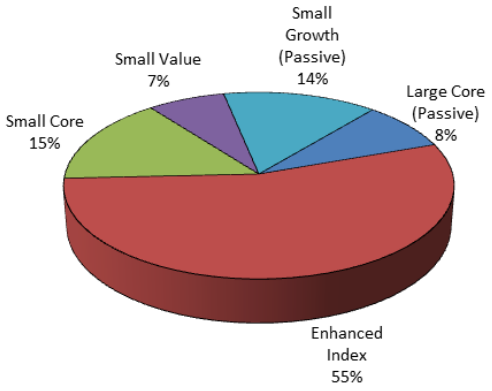
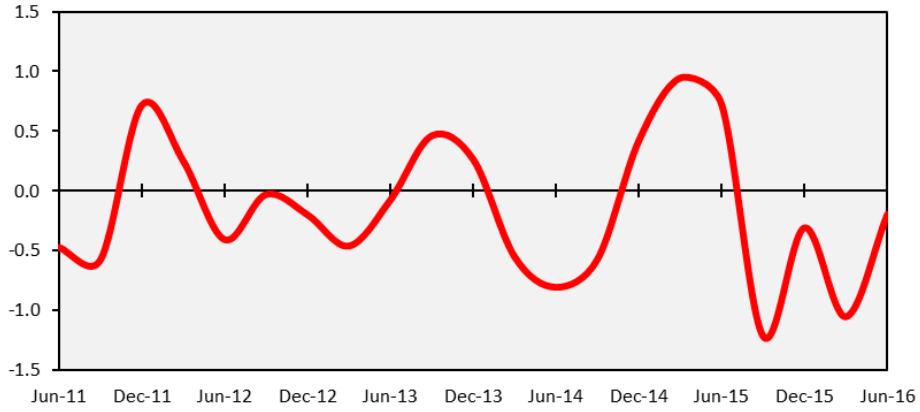
Domestic Equity Overview

Domestic Equity Structure



U.S. Equity Composite Quarterly Excess Return



Composite

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Total U.S. Equity	**$ 483.6**	**2.58**	**2.70**	**0.06**	**10.51**	**10.97**	**6.98**
Custom Benchmark [1]		2.78	3.98	2.96	11.26	11.64	7.46
Value Added vs Benchmark		*-0.20*	*-1.28*	*-2.90*	*-0.75*	*-0.67*	*-0.48*
Enhanced Composite	**$ 264.4**	2.26	2.99	3.59	11.28	11.79	7.17
Small Cap Composite	**$ 178.1**	3.12	1.98	-5.83	9.01	8.81	6.28
Wilshire 5000 Index		2.78	3.98	2.96	11.26	11.64	7.46
S&P 500 Index		2.46	3.84	3.99	11.66	12.10	7.42
Russell 2000 Index		3.79	2.22	-6.73	7.08	8.35	6.20

Domestic Equity Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Large Core - Passive								
Northern Trust S&P 500	**$ 41.1**	**2.47**	**3.88**	**4.07**	**11.72**	**12.15**	**9.44**	**Dec-94**
S&P 500 Index		2.46	3.84	3.99	11.66	12.10	9.39	Dec-94
Value Added vs Benchmark		*0.01*	*0.04*	*0.08*	*0.06*	*0.05*	*0.05*	
Enhanced Index								
INTECH	**$ 132.0**	**2.10**	**3.31**	**3.86**	**10.83**	**11.41**	**6.91**	**Mar-06**
S&P 500 Index + 1.5%		2.70	4.33	4.99	12.66	13.10	8.09	Mar-06
Value Added vs Objective		*-0.60*	*-1.02*	*-1.13*	*-1.83*	*-1.69*	*-1.18*	
S&P 500 Index		2.46	3.84	3.99	11.66	12.10	7.09	Mar-06
Value Added vs Benchmark		*-0.36*	*-0.53*	*-0.13*	*-0.83*	*-0.69*	*-0.18*	
Information Ratio				**-0.08**	**-0.60**	**-0.52**		
Sharpe Ratio				**0.27**	**0.99**	**0.95**		

[1] Domestic Equity Custom Benchmark: Wilshire 5000 Index (3q99 – Present); S&P 500 Index (1q90 – 2q99).

Domestic Equity Overview (Continued)

Domestic Equity Managers

	Assets (Millions)	QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
		Performance (%)						
Enhanced Index								
T. Rowe Price	**$ 132.4**	**2.42**	**2.67**	**3.77**	**11.78**	**12.20**	**7.53**	**Mar-06**
S&P 500 Index + 1.5%		2.83	4.58	5.49	13.16	13.60	8.59	Mar-06
Value Added vs Objective		*-0.41*	*-1.91*	*-1.72*	*-1.38*	*-1.40*	*-1.06*	
S&P 500 Index		2.46	3.84	3.99	11.66	12.10	7.09	Mar-06
Value Added vs Benchmark		*-0.04*	*-1.17*	*-0.22*	*0.12*	*0.10*	*0.44*	
Information Ratio				**-0.16**	**0.10**	**0.09**		
Sharpe Ratio				**0.24**	**1.02**	**0.97**		
Small Core - Active								
Systematic Financial	**$ 73.7**	**2.23**	**3.96**	**-1.51**	**10.47**	**10.52**	**10.26**	**Jun-03**
Russell 2000 Index + 2%		4.29	3.21	-4.73	9.08	10.35	10.51	Jun-03
Value Added vs Objective		*-2.06*	*0.75*	*3.22*	*1.39*	*0.17*	*-0.25*	
Russell 2000 Index		3.79	2.22	-6.73	7.08	8.35	8.51	Jun-03
Value Added vs Benchmark		*-1.56*	*1.74*	*5.22*	*3.39*	*2.17*	*1.75*	
Information Ratio				**1.31**	**0.82**	**0.57**		
Sharpe Ratio				**-0.11**	**0.74**	**0.63**		
Small Value - Active								
Channing Capital Management	**$ 34.9**	**4.54**	**4.76**	**-5.09**	**-.-**	**-.-**	**2.28**	**Oct-13**
Russell 2000 Value Index + 2%		4.80	7.08	-0.58	-.-	-.-	3.61	Oct-13
Value Added vs Objective		*-0.26*	*-2.32*	*-4.51*			*-1.33*	
Russell 2000 Value Index		4.31	6.08	-2.58	-.-	-.-	1.61	Oct-13
Value Added vs Benchmark		*0.23*	*-1.32*	*-2.51*			*0.67*	
Information Ratio				**-0.65**	**-.-**	**-.-**		
Sharpe Ratio				**-0.28**	**-.-**	**-.-**		
Small Growth - Passive								
Northern Trust Rusell 2000 Growt	**$ 69.5**	**3.36**	**-1.33**	**-10.35**	**-.-**	**-.-**	**4.21**	**Sep-14**
Russell 2000 Growth Index		3.24	-1.59	-10.75	-.-	-.-	3.84	Sep-14
Value Added vs Benchmark		*0.12*	*0.26*	*0.40*			*0.37*	

- The Fund's domestic equity composite generated a return of 2.58% (net of fees) during the second quarter of 2016, trailing the Wilshire 5000 Total Market Index which returned 2.78%. This quarter's underperformance was driven by INTECH (enhanced equity index), T Rowe Price (enhanced equity index) and Systematic (small-cap value) all of which trailed their respective benchmarks. Systematic was weighed down by stock selection issues, spread broadly across most market sectors. Similarly, INTECH also underperformed as a result of poor stock selection – but in this case, it was more confined to the health care and energy segments of the market space. T. Rowe Price, the Fund's other enhanced equity index manager, also slightly underperformed during the period largely due to overall sector weighting decisions. The lone bright spot for the period, Channing Capital, the Fund's small-cap value manager performed well, besting the benchmark Russell 2000 Value Index by a modest margin. Meanwhile, the passively-managed index fund strategies both managed by Northern Trust (Large Core and Small Growth), continue to perform in line with expectations tracking the risk/return profile of their benchmarks. The domestic equity composite is currently underperforming against its benchmark over one-year (-290 bps), three-year (-75 bps periods), five-year (-67 bps) and ten-year (-48 bps) periods.

Domestic Equity Overview (Continued)

Northern Trust (Passive)

- Northern Trust manages a passive large-cap core equity portfolio for the Fund, which is designed to track the S&P 500 Index and replicate the performance of overall market. To date, the passive large-cap core portfolio is performing in line with expectations, matching the risk and return profile of the benchmark index and exhibiting very low tracking error over all time periods.

- Northern Trust also manages a passive small-cap growth portfolio for the Fund. Benchmarked against the Russell 2000 Growth Index, this portfolio gives the Fund exposure to the smaller-capitalization stocks whose earnings are expected to grow at an above-average rate relative to the market. As a passive investment, this portfolio seeks to replicate the performance of the overall small-cap growth universe of companies rather than relying on security selection to add value. To date, the small-cap growth portfolio is outperforming its benchmark index (40 bps) over the one year period.

INTECH (Enhanced)

- INTECH manages one of the Fund's two enhanced equity index portfolios. During the second quarter, the INTECH portfolio returned 2.10% (net of fees), lagging its benchmark index (S&P 500) which returned 2.46%. The portfolio underperformed its benchmark as a result of both poor stock selection and poor sector weighting decisions. The bulk of this period's underperformance can be attributed to individual stock selection decisions. Stock selection was most detractive within the health care segment, where the portfolio's holdings gained 4.49% compared to 6.33% for the benchmark index. These holdings constituted a fair portion of the portfolio's total assets (clocking in at just over 16.85% to start the period) which meant that any return variance exhibited here would have a magnified effect at the total portfolio level relative to other smaller segments within the portfolio. The portfolio's holdings also underperformed the benchmark within the energy, financials and consumer staples segments. From a sector positioning standpoint, a relative underweight exposure to the outperforming energy sector 5.22% vs 6.76% proved to be the single largest value detractor over the period. Additionally, an overweight exposure to the poorly performing consumer discretionary sector further detracted value as this sector was one of only two sectors which posted negative returns over the current period. The INTECH portfolio is underperforming against its benchmark over all measured periods, including since inception (-18 bps) (3/06).

T. Rowe Price (Enhanced)

- T. Rowe Price manages the Fund's other enhanced equity index portfolio. The T. Rowe Price portfolio returned 2.42% (net of fees) during the second quarter, slightly underperforming its benchmark index (S&P 500) which returned 2.46%. Overall, this quarter's performance was driven by superior stock selection on one hand and poor sector weighting decisions on the other. Stock selection was strongest within the consumer discretionary segment of the market, where the portfolio's holdings returned 0.88% compared to -1.07% in the benchmark index. Outperformance in the consumer discretionary segment was largely mitigated by poor individual stock selection decisions in the industrials segment where the portfolio's holdings returned -2.43% compared to 1.32% for the benchmark. In total, stock selection was positive in eight of the ten economic sectors (the only sectors for which it was not positive were: industrials and health care). The portfolio's tactical overweight allocation to the information technology sector which experienced negative absolute returns over the period also served as a modest driver of underperformance. Historically, the portfolio's overall sector allocation does not deviate too broadly from the Standard & Poor's 500 (approximately +/- 1%) which means the bulk of the value-added will come from stock selection. The T. Rowe portfolio remains highly concentrated in large-capitalization stocks (with an average market cap of $131,323 million). The portfolio is currently outperforming against its benchmark over the three-year (+12 bps), five-year (+10 bps), and since inception periods (+44 bps) (3/06).

Domestic Equity Overview (Continued)

Systematic Financial (Small-Cap Core)

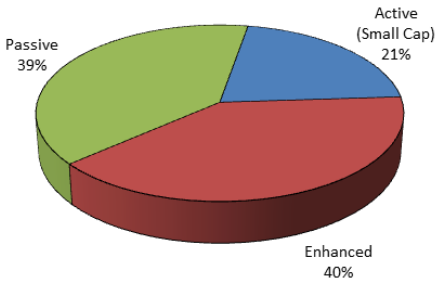
- Systematic Financial manages the Fund's small-cap core portfolio. The Systematic portfolio returned 2.23% (net of fees) during the second quarter, significantly underperforming its benchmark (Russell 2000) which returned 3.79%; Systematic underperformed its benchmark as a result of both poor stock selection and poor sector weighting decisions. The bulk of this period's underperformance can be pinned to stock selection decisions within the consumer discretionary segment. The portfolio's holdings in this segment lost -11.44% (compared to -2.04% for the benchmark). Poor stock selection was not limited to this segment alone, the individual stock picking was also weak amongst the financials, materials, energy and utilities sectors. In all, the cumulative effect of stock selection alone detracted a nominal -131 basis points against the benchmark. Stock selection in the information technology and health care segments served as a lone bright spot for the quarter in which the portfolio's holdings outperformed those of the benchmark significantly. Additionally, sector weighting was also a large driver of underperformance during the period. Much of this came from the portfolio's tactical underweight allocation to the utilities sector, which was among the market's strongest performing sectors during the period (posting a 9.85% return). The portfolio found itself on the wrong side of the respective sector weighting in seven of the ten sectors which further detracted value against the benchmark. The Systematic portfolio continues to hold relatively cheaper (or undervalued) stocks when compared to benchmark, with a current average P/E ratio of 25.3 (Russell 2000 P/E ratio is 49.0). The portfolio also continues to exhibit a large historical overweight allocation to financials, albeit smaller in the most recent period, which accounts for around 32% of the portfolio's total net asset value compared to approximately 26% for the benchmark. The Systematic portfolio is outperforming against its benchmark over all extended periods including since inception (+175 bps) (9/03).

Channing Capital Management (Small-Cap Value)

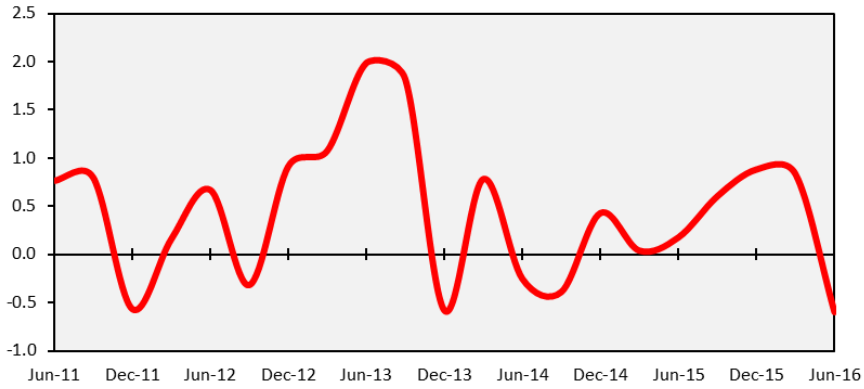
- Channing Capital manages the Fund's small-cap value portfolio. A lone bright spot during the quarter, the Channing portfolio returned 4.54% (net of fees) during the second quarter, outperforming its benchmark (Russell 2000 Value) which returned 4.31%. Favorable stock selection throughout several segments allowed the portfolio to keep pace with the benchmark during the period. Particularly large gains were incurred within the energy, health care, and financials sectors. The portfolio's energy holdings posted a gain of nearly 16.45%, whereas the benchmark experienced a smaller gain of 7.26%. Of the few positions within this market segment (very concentrated), two were among the top ten best performers in the portfolio. Most notably, "Laredo Pete Holdings", which return 32.16% for the period, was the single best performer in the portfolio. Overall sector weighting decisions contributed negatively over the period, in total, detracting around 7 bps in value. To date, the Channing portfolio is consistently positioned with an underweight allocation to the financial sector (35% portfolio weight vs. 41% benchmark weight) with significant overweight allocation to industrials (21% portfolio weight vs 12% benchmark weight). The Channing portfolio is currently underperforming against its benchmark for the one-year (-251 bps) period; but is outperforming the benchmark since inception (+67 bps) (12/13).

International Equity Overview

International Equity Structure



International Equity Composite
Quarterly Excess Return



International Equity Composite

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Total International Equity	**$ 449.2**	**-1.52**	**-2.33**	**-9.29**	**2.06**	**1.71**	**2.79**
Custom Benchmark [1]		-0.68	-0.91	-9.61	1.65	0.39	2.09
Value Added vs Benchmark		*-0.84*	*-1.42*	*0.32*	*0.41*	*1.32*	*0.70*
MSCI ACWI x-US IMI (Net)		-0.68	-0.91	-9.61	1.65	0.39	2.16
MSCI ACWI x-US (Net)		-0.64	-1.02	-10.24	1.17	0.10	1.87
MSCI EAFE (Net)		-1.46	-4.42	-10.16	2.07	1.68	1.58
MSCI Emerging Markets		0.66	6.41	-12.05	-1.56	-3.78	3.54

International Equity Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Int'l Small Cap - Active								
Acadian International	**$ 95.3**	**-0.40**	**0.90**	**-4.25**	**4.37**	**4.72**	**8.04**	**Mar-89**
Custom Benchmark + 2%		-0.38	0.80	-3.46	6.93	4.28	7.56	Mar-89
Value Added vs Objective		*-0.02*	*0.10*	*-0.79*	*-2.56*	*0.44*	*0.48*	
Custom Benchmark		-0.87	-0.20	-5.46	4.93	2.28	5.56	Mar-89
Value Added vs Benchmark		*0.47*	*1.10*	*1.21*	*-0.56*	*2.44*	*2.48*	
Information Ratio				**0.40**	**-0.16**	**0.71**		
Sharpe Ratio				**-0.28**	**0.33**	**0.29**		

[2] International Equity Custom Benchmark: MSCI ACWI x-US IMI (2q10 – Present); MSCI ACWI x-US (1q99 – 1q10); Wilshire Non-US/Non-SA (2q96 – 4q98); MSCI EAFE (4q89 – 1q96)

[3] Acadian Custom Benchmark: MSCI ACWI x-US Small Cap (3q09 – Present); MSCI EAFE Small Cap (4q99 – 2q09); S&P/Citigroup Eur/Pac EMI Index (2q96 – 3q99); MSCI EAFE (2q89 – 1q96). Performance Objective: Custom Benchmark +2% (1q05 – Present); +1% (2q89 – 4q04).

International Equity Overview (Continued)

International Equity Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Int'l Enhanced Index								
AQR Capital Management	**$ 178.2**	**-2.10**	**-2.28**	**-8.25**	**2.02**	**1.69**	**1.62**	**Mar-06**
Custom Benchmark + 1.5%		-0.27	-0.27	-8.74	2.67	1.60	2.46	Mar-06
Value Added vs Objective		*-1.83*	*-2.01*	*0.49*	*-0.65*	*0.09*	*-0.84*	
Custom Benchmark		-0.64	-1.02	-10.24	1.17	0.10	0.96	Mar-06
Value Added vs Benchmark		*-1.46*	*-1.26*	*1.99*	*0.85*	*1.59*	*0.66*	
Information Ratio				**0.81**	**0.43**	**0.66**		
Sharpe Ratio				**-0.55**	**0.17**	**0.11**		
Int'l Active/Passive								
Baring International	**$ 175.7**	**-1.45**	**-3.99**	**-12.55**	**0.83**	**-0.14**	**6.20**	**Mar-88**
Custom Benchmark + 2%		-0.33	-0.39	-8.99	2.42	1.35	5.93	Mar-88
Value Added vs Objective		*-1.12*	*-3.60*	*-3.56*	*-1.59*	*-1.49*	*0.27*	
Custom Benchmark		-0.64	-1.02	-10.24	1.17	0.10	4.68	Mar-88
Value Added vs Benchmark		*-0.81*	*-2.97*	*-2.31*	*-0.34*	*-0.24*	*1.52*	
Information Ratio				**-1.57**	**-0.22**	**-0.17**		
Sharpe Ratio				**-0.74**	**0.05**	**-0.02**		

- The Fund's international equity composite returned -1.52% (net of fees) during the second quarter of 2016, underperforming the MSCI ACWI x-US Investable Market Index (IMI) which returned -0.68%. Only one of the three segment's non-U.S. strategies managed to outperform against their respective benchmark in what was generally a challenging market environment for international stocks (most major indexes trailed U.S. Large-caps). The Fund's international small cap equity index manager Acadian International was the lone positive contributor to relative performance during the period. Meanwhile, the AQR portfolio along with the active/passive Baring International portfolio significantly underperformed their respective benchmarks, in turn, dragging down the return of the international equity composite as a whole. The international equity composite is outperforming against its benchmark for the one-year (+32 bps), three-year (+41 bps), five-year (+132 bps), and ten-year (+70 bps) periods, as well as since inception (+95 bps) (12/89).

Acadian (International Small-Cap)

- Acadian International manages the Fund's active small-cap international equity portfolio. During the second quarter the Acadian portfolio returned -0.40% (net of fees), outperforming against its benchmark (MSCI ACWI x-US Small Cap) which returned -0.87% for the period. The Acadian portfolio was aided by favorable country weighting decisions. Top-down country weighting delivered the most benefit within the markets of the United Kingdom, Japan and Thailand; to a lesser degree, country weighting was also a positive contributor in Canada and Italy among a few other country markets. Most notably, the portfolios underweight exposure to the British market in the midst of the Brexit Vote served as the single largest contributor to this quarter's outperformance. Meanwhile, individual stock selection was largely detractive over the most recent period. Much of the portfolio's aforementioned gains were eroded by the negative impact from stock selection decisions in other countries. For example, the portfolio's

[4] Baring Custom Benchmark: MSCI ACWI x-US (2q02 – Present); PMSCI ACWI x-US (G) (3q01 – 1q02); MSCI ACWI x-US (2q99 – 2q01); Wilshire Non-US/Non-SA (2q96 – 1q99); MSCI EAFE (2q88 – 1q96) . Performance objective: Custom Benchmark + 2%.

[5] AQR Custom Benchmark: MSCI ACWI x-US (2q10 – Present); MSCI EAFE (1q06 – 1q10); Performance Objective: Custom Benchmark + 1.5%.

Japanese holdings lost -0.31% versus 3.96% for that of the benchmark which ended up serving as the largest detractor to relative performance over the period. The portfolio incurred similar issues related broadly to its stock selection in Canadian and British markets among others. As of quarter-end, the Acadian portfolio is outperforming against its benchmark for the one-year (+121 bps), five-year (+244 bps) as well as since inception (+248 bps) (3/89).

AQR Capital Management (International Enhanced)

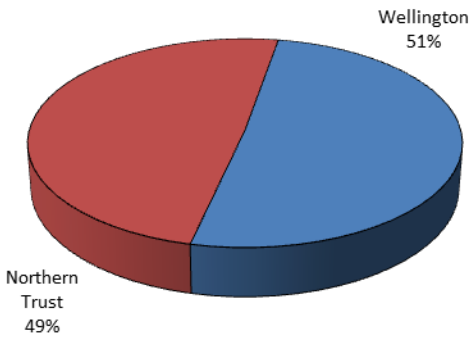
- AQR Capital manages the Fund's enhanced international equity portfolio. The AQR portfolio returned -2.10% (net of fees) during the second quarter, significantly underperforming its benchmark (MSCI ACWI x-US) which returned –0.64%. In all, this quarter's results were driven by poor individual stock selection coupled with poor country/sector weighting decisions. Stock selection was most detractive in the markets of the United Kingdom, Switzerland, and France. For example, the portfolios British holdings returned -7.99% for the period versus -0.75% for the benchmark. Additionally, both country and sector weighting decisions within the portfolio proved costly, further detracting value relative to the benchmark albeit on a lesser scale than that of the portfolios stock selection decisions. County and sector weighting decisions suffered most notably within the markets of the France, Canada, Brazil and Spain. In these cases the portfolio ended up on the wrong side of the trade either underweight an outperforming market or overweight an underperforming market. As noted, a strategic underweighting to the Canadian and Brazilian markets proved costly in a continuation from the previous periods. This combined with the aforementioned individual stock selection issues during the period resulted in poor overall quarter for the portfolio. The AQR portfolio is outperforming against its benchmark for one-year (+199 bps), three-year (+85 bps) and five-year (+159 bps) periods, as well as since inception (+66 bps) (03/06).

Baring (International Active/Passive)

- Baring International, the Fund's international equity large-cap manager, manages an active/passive portfolio. The objective is to actively manage the broad-based country and sector allocations, while passively managing security selection by investing in market indexes. During the second quarter, the Baring portfolio returned -1.45% (net of fees), underperforming its benchmark (MSCI ACWI x-US) which returned -0.64%. This quarter's results were driven by poor sector weighting decisions coupled with poor country weighting decisions. The bulk of value detracted this quarter can be attributed investment decisions made within five European countries, those being; the United Kingdom, Italy, Switzerland, Germany and France. All of which were positioned poorly relative to the benchmark from a country and sector weighting standpoint. Additionally, these markets experienced below average individual stock selection decisions relative to the benchmark holdings which also detracted value. This portfolio's relative overweight exposure to the European region during a period of high volatility and uncertainty proved costly. The Baring portfolio is currently underperforming against its benchmark over the one-year (-231 bps), three-year (-34 bps), and five-year periods (-24 bps); but is outperforming against its custom benchmark since inception (+152 bps) (03/88).

Global Equity Overview

Global Equity Structure



Global Equity Composite

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Total Global Equity	**$ 150.5**	**0.39**	**-1.03**	**-5.91**	**4.63**	**-.-**	**-.-**
MSCI ACWI (Net)		0.99	1.23	-3.73	6.03	-.-	-.-
Value Added vs Index		*-0.60*	*-2.26*	*-2.18*	*-1.40*		
MSCI ACWI IMI (Net)		1.06	1.36	-3.87	6.13	5.43	4.48
MSCI ACWI (Net)		0.99	1.23	-3.73	6.03	5.38	4.26
MSCI World (Net)		1.01	0.65	-2.78	6.95	6.63	4.43

Global Equity Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Global Equity - Active								
Wellington	**$ 76.3**	**-0.39**	**-3.47**	**-6.16**	**8.40**	**-.-**	**11.85**	**Aug-12**
MSCI ACWI (Net) + 2%		1.49	2.22	-1.73	8.03	-.-	9.97	Aug-12
Value Added vs Objective		*-1.88*	*-5.69*	*-4.43*	*0.37*		*1.88*	
MSCI ACWI (Net)		0.99	1.23	-3.73	6.03	-.-	7.97	Aug-12
Value Added vs Benchmark		*-1.38*	*-4.70*	*-2.43*	*2.37*		*3.88*	
Information Ratio				**-0.67**	**0.63**	**-.-**		
Sharpe Ratio				**-0.38**	**0.65**	**-.-**		
Global Equity - Passive								
Northern Trust	**$ 73.9**	**1.21**	**1.62**	**-.-**	**-.-**	**-.-**	**6.73**	**Oct-15**
MSCI ACWI (Net)		1.06	1.36	-.-	-.-	-.-	6.33	Oct-15
Value Added vs Benchmark		*0.15*	*0.26*				*0.40*	

Global Equity Overview (Continued)

- Towards the end of the 2015 the Fund liquidated its investment in the Aberdeen Global Equity portfolio and moved the assets over to Northern Trust. Today, the global equity composite is comprised of an actively-managed strategy (with a U.S. bias relative to the benchmark) managed by Wellington. This strategy is complemented by a passively-managed strategy provided by Northern Trust. As of quarter-end, each strategy is allotted roughly half of the segment's total value (currently approaching $151 million). The Wellington portfolio fared poorly during the second quarter, underperforming against its benchmark index (MSCI ACWI) by a solid margin largely due to poor country and sector weighting decisions. The passively-managed Northern Trust strategy is performing in line with expectations, closely tracking the risk/return profile of the benchmark. The global equity composite is currently underperforming over all measured periods greater than the current quarter, including since inception (9/12).

Wellington (Active)

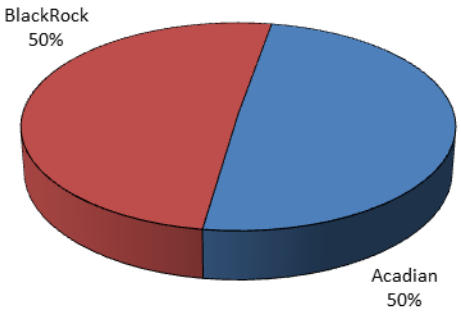
- Wellington manages the Fund's active global equity portfolio. During the second quarter, the Wellington portfolio returned -0.39% (net of fees), underperforming its benchmark (MSCI ACWI) which returned 0.99%. The Wellington portfolio is structured with a consistent overweight bias towards the home country market (U.S.). As a result, whatever happens domestically quarter-to-quarter is a powerful determinant of how the overall portfolio will fare in relation to the benchmark. To begin the period, the U.S. market comprised around 67% of the portfolio's total asset value, compared to 58% of the benchmark. Although the U.S. market generally outperformed against most developed and emerging markets abroad during the second quarter, its contribution within the portfolio was not large enough to cover the losses experienced elsewhere in the portfolio. While the portfolio's relative overweight to the U.S. market aided the portfolio, the portfolio's U.S. holdings actually underperformed those of the benchmark on a relative basis thus serving as an overall detractor for the period. The portfolio also suffered from poor individual stock selection decisions within the Chinese market which returned -5.20% versus +2.59% for the benchmark. The portfolio's overweight exposure to the Italian and Dutch markets also served as large drivers of underperformance from a county and sector weighting standpoint. A lone bright spot in a largely challenging quarter can be found in the stock selection value-added in the German market which posted strong absolute and relative returns during the period. Despite the portfolios recent underperformance, the Wellington portfolio is outperforming for the three-year (+237bps) period as well as since inception (+388 bps) (09/12).

Northern Trust (Passive)

- In early September (2015) the Fund added a new global equity manager to the segment. Managed by Northern Trust, this strategy gives the Fund broadly diversified exposure to global stocks via a passively managed investment vehicle, which will result in lower turnover and costs incurred. The Northern Trust global equity portfolio was funded with proceeds from the liquidated Aberdeen Global Equity portfolio. The new funded strategy has been quickly built up to size and by quarter-end represented nearly 50% of the segment's total value. After its third quarter of performance, the Northern Trust portfolio continues to closely track the risk profile while modestly outperforming its benchmark index (MSCI ACWI) by +40 basis points since inception.

Global Low Volatility Equity Overview

Global Low Volatility Structure



Global Low Volatility Composite

	Assets (Millions)	QTR	YTD	1-year	3-year	5-year	10-year
		Performance					
Total Global Low Volatility	**$ 338.6**	**4.16**	**10.65**	**10.83**	**-.-**	**-.-**	**-.-**
MSCI ACWI Minimum Volatility (Net)		4.80	10.96	11.55	-.-	-.-	-.-
Value Added vs Index		*-0.64*	*-0.31*	*-0.72*			
MSCI ACWI Minimum Volatility (Net)		4.80	10.96	11.55	10.62	9.95	7.84
MSCI World x-US Minimum Volatility (Net)		1.47	5.39	5.07	8.44	6.69	5.96
MSCI ACWI (Net)		0.99	1.23	-3.73	6.03	5.38	4.26

Global Equity Managers

	Assets (Millions)	QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
		Performance (%)						
Global Low Volatility - Active								
Acadian Global Low Vol	**$ 167.8**	**3.31**	**9.96**	**9.46**	**-.-**	**-.-**	**9.46**	**Jun-15**
MSCI ACWI (Net) + 2%		1.49	2.22	-1.73	-.-	-.-	-1.73	Jun-15
Value Added vs Objective		*1.82*	*7.74*	*11.19*			*11.19*	
MSCI ACWI (Net)		0.99	1.23	-3.73	-.-	-.-	-3.73	Jun-15
Value Added vs Benchmark		*2.32*	*8.73*	*13.19*			*13.19*	
MSCI ACWI Min Vol (Net)		4.80	10.96	11.55	-.-	-.-	11.55	Jun-15
Information Ratio				**-0.66**	**-.-**	**-.-**		
Sharpe Ratio				**0.77**	**-.-**	**-.-**		
Global Low Volatility - Passive								
BlackRock Global Low Vol	**$ 170.8**	**4.98**	**11.32**	**12.18**	**-.-**	**-.-**	**12.18**	**Jun-15**
MSCI ACWI Min Vol (Net)		4.80	10.96	11.55	-.-	-.-	11.55	Jun-15
Value Added vs Benchmark		*0.18*	*0.36*	*0.63*			*0.63*	

Global Low Volatility Equity Overview (Continued)

- In June of 2015, the Board elected to transfer assets from existing strategies elsewhere in the Fund into two new global low volatility equity portfolios. The first portfolio is actively-managed and run by Acadian. Its primary mandate is to provide the Fund with a better risk/return profile relative to the broad MSCI ACWI, its primary benchmark (the Acadian portfolio's performance is also measured against the MSCI ACWI Minimum Volatility as a secondary benchmark). The second portfolio is a passively-managed index fund provided through BlackRock. Taken together, both funds will add diversification benefits to the existing suite of public equity managers. After its first full year of performance within the Fund, the global low volatility equity composite is currently underperforming the MSCI ACWI Minimum Volatility Index.

Acadian (Global Low Volatility – Active)

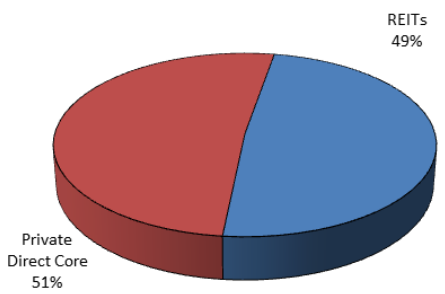
- Acadian manages the Fund's active global low volatility equity portfolio. The strategy was funded during June of 2015 and has just completed its first full year of performance within the Fund. During the second quarter, the Acadian portfolio returned 3.31% (net of fees). The portfolio's primary benchmark is the traditional cap-weighted MSCI All-Country World Index (ACWI). In addition, the portfolio is viewed in comparison to its secondary benchmark, the MSCI ACWI Minimum Volatility. During the quarter, the Acadian portfolio outperformed the primary cap-weighted benchmark (0.99% return) but struggled to keep pace with the reweighted minimum volatility benchmark (4.80% return). Relative to the primary cap-weighted benchmark, the portfolio had much greater exposure to the lowest-volatility securities from within the opportunity set, which had a positive impact on the overall portfolio's performance. The portfolio also had underweight exposure (compared against the primary benchmark) to highest volatility securities, which was also a positive contributor during the period. Despite the portfolios relative outperformance against its primary benchmark it failed to keep pace with its secondary benchmark as a result of country weighting decisions. This underperformance can be largely attributed to country weighting decisions in the South Korean, British, U.S. and Canadian markets where the portfolio ended up on the wrong side of the trade, either underweight an outperforming market (ex. U.S) or overweight an underperforming market (ex. U.K.). Security selection was most beneficial in the Japanese and Hong Kong markets, where collectively, they provided well over the majority of the total value added through stock selection. Broader-based sector weighting decisions were also net positive during the current period but did not have a large enough impact to mitigate the losses incurred due to unfavorable country weighting decisions. Notably, the Acadian portfolio has wide dispersion in it's economic sector allocations as compared to the cap-weighted index, potentially leading to a higher degree of tracking error (this difference is reduced when comparing against the secondary minimum volatility benchmark). The Acadian portfolio is currently outperforming its primary benchmark since inception (+1319 bps) (07/15). The portfolio has trailed its secondary minimum volatility benchmark since inception (-209 bps).

BlackRock (Global Low Volatility – Passive)

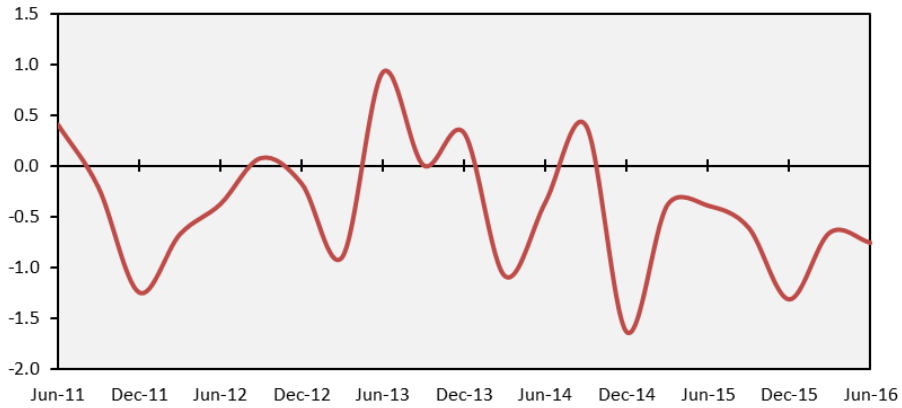
- BlackRock manages the Fund's passive global volatility equity strategy. Like Acadian above, this strategy is new within the Fund having been funded at the end of June 2015. The BlackRock portfolio is intended to provide a low-cost, highly diversified global equity investment strategy focused on minimizing volatility. The BlackRock portfolio is benchmark against the MSCI ACWI Minimum Volatility. To date, the portfolio continues to perform in line with expectations, closely tracking the risk profile of the benchmark index while outperforming the benchmark (+63 bps) since inception.

Real Estate Overview

Real Estate Structure



Total Real Estate Composite Quarterly Excess Return



Real Estate Composite

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Total Real Estate	**$ 388.8**	**3.10**	**5.82**	**13.51**	**12.04**	**11.41**	**5.85**
Custom Benchmark [1]		3.85	7.58	16.46	12.56	12.28	6.78
Value Added vs Benchmark		*-0.75*	*-1.76*	*-2.95*	*-0.52*	*-0.87*	*-0.93*
REIT Strategies	$ 190.0	4.42	8.51	19.25	13.18	11.80	6.15
Private Core Real Estate	$ 198.8	1.90	3.41	9.29	11.13	11.10	-.-
Wilshire Real Estate Securities Index		5.99	11.60	23.55	14.07	12.61	7.01
NCREIF Open Diversified Core Equity		2.13	4.36	11.81	12.99	12.71	6.17

Real Estate Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Real Estate Securities - Public								
Adelante Capital Management	**$ 93.3**	**3.77**	**7.60**	**17.07**	**13.39**	**12.24**	**11.09**	**Sep-01**
Wilshire Real Estate Securities + 1%		6.24	12.10	24.55	15.07	13.61	12.71	Sep-01
Value Added vs Objective		*-2.47*	*-4.50*	*-7.48*	*-1.68*	*-1.37*	*-1.62*	
Wilshire Real Estate Securities		5.99	11.60	23.55	14.07	12.61	11.71	Sep-01
Value Added vs Index		*-2.22*	*-4.00*	*-6.48*	*-0.68*	*-0.37*	*-0.62*	
Information Ratio				**-2.76**	**-0.30**	**-0.18**		
Sharpe Ratio				**1.05**	**0.93**	**0.78**		
Security Capital	**$ 96.7**	**5.06**	**9.41**	**21.43**	**12.95**	**11.34**	**11.39**	**Sep-01**
Wilshire Real Estate Securities + 1%		6.24	12.10	24.55	15.07	13.61	12.71	Sep-01
Value Added vs Objective		*-1.18*	*-2.69*	*-3.12*	*-2.12*	*-2.27*	*-1.32*	
Wilshire Real Estate Securities		5.99	11.60	23.55	14.07	12.61	11.71	Sep-01
Value Added vs Index		*-0.93*	*-2.19*	*-2.12*	*-1.12*	*-1.27*	*-0.32*	
Information Ratio				**-1.10**	**-0.86**	**-1.03**		
Sharpe Ratio				**1.23**	**0.82**	**0.68**		

[6] Real Estate Custom Benchmark: 50% Wilshire RESI / 39% NCREIF ODCE/11% Invesco Custom Benchmark (4q13 – Present); Wilshire RESI (4q89 – 4q10).

Real Estate Overview (Continued)

Real Estate Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Direct Core Real Estate - Private								
Heitman America Real Estate Trust	**$ 85.7**	**1.58**	**3.92**	**11.69**	**11.95**	**11.94**	**12.74**	**Aug-10**
NCREIF Open-End Diversified Core		2.13	4.36	11.81	12.99	12.71	14.40	Aug-10
Value Added vs Index		*-0.55*	*-0.44*	*-0.12*	*-1.04*	*-0.77*	*-1.66*	
Invesco Core Real Estate USA	**$ 68.4**	**3.63**	**4.71**	**10.40**	**12.13**	**11.36**	**12.82**	**Aug-10**
NCREIF Open-End Diversified Core		2.13	4.36	11.81	12.99	12.71	14.00	Aug-10
Value Added vs Index		*1.50*	*0.35*	*-1.41*	*-0.86*	*-1.35*	*-1.18*	
Invesco II	**$ 44.6**	**0.00**	**0.05**	**0.11**	**-.-**	**-.-**	**-0.07**	**Oct-13**

- The Fund's total real estate composite is comprised of both public market real estate securities (REITs) and private investment in direct core real estate. The total segment returned 3.10% (net of fees) during the second quarter, underperforming its benchmark (split 50% Wilshire Real Estate Securities Index, 39% NCREIF Open-End Diversified Core Index and 11% Invesco II Custom Benchmark) which returned 3.85%. On the public side, the Adelante portfolio trailed the Wilshire RESI mostly as a result of stock selection (confined largely to the "other" segment of the market). Likewise, the companion strategy managed by Security Capital also underperformed the benchmark largely due to poor stock selection in the hotel and "other" segments. During the second quarter, the Heitman portfolio underperformed relative to the NCREIF Open-End Diversified Core Index while the Invesco U.S. Core Real Estate fund managed to outperform the benchmark by a substantial margin. Currently, the Fund's total real estate composite is underperforming over all measured periods, including since inception (12/89).

Adelante Capital Management (REITs)

- Adelante Capital manages one of the Fund's two marketable real estate securities (REIT) portfolios. During the second quarter, the Adelante portfolio returned 3.77% (net of fees), underperforming its benchmark index (Wilshire Real Estate Securities) which returned 5.99%. The predominant driver of this quarter's underperformance was poor stock selection, the bulk of which was concentrated in the "other" segment. Here, the portfolio's holdings returned a combined 6.08% compared to 10.35% in the benchmark. Additionally, these holdings dwarf any other segment within the portfolio, comprising over 51% of total asset value (the next largest group of holdings in the portfolio, apartments, make up just shy of 18% of assets). Therefore, as a result of it massive size, any return differential within this group of holdings will have a strong impact at the total portfolio level. Indeed, the poor stock selection exhibited among the portfolio's "other" segment holdings was a strong detractor during the period. The portfolio's worst-performing holdings within the "other" segment were: "Chesapeake Lodging" (-10.58% return, 2.4% weight) and "Pebblebrook Hotel" (-8.32% return, 1.2% weight). Similarly, individual stock selection in the portfolio's industrial, apartment, office and local retail sectors were negative during the period. Top-down sector weighting was a significant contributor during the period although it was not strong enough to mitigate the losses experienced due to poor stock selection decisions. The portfolio had realized some benefit from its lack of exposure (1.8% weight) to the poorly-performing storage segment (which by comparison made up 3.90% of the portfolio compared to 8.41% of the benchmark); however, individual stock selection issues in other segments of the market did not play out so well and largely negated those gains. The Adelante portfolio is currently outperforming its benchmark over the three-year (+67 bps) and five-year (+9 bps) periods; the portfolio is underperforming its benchmark since inception (09/01).

Real Estate Overview (Continued)

Security Capital (REITs)

- Security Capital manages the Fund's other REIT portfolio. The Security portfolio returned 4.14% (net of fees) during the second quarter, underperforming its benchmark (Wilshire Real Estate Securities Index) which returned 5.30%. This quarter's results were driven by poor stock selection, which was primarily spread across two of the main market segments: hotel and "other". In each segment, the portfolio's mix of holdings delivered returns below that of the benchmark. The greatest return differential came from within the "other" segment, where the portfolio's holdings gained 7.96% compared to 10.35% for the benchmark. Collectively, these two segments provide around 50% of the portfolios total exposure. Of the previously mentioned sectors there were several positions that experienced negative returns amongst a relatively strong performing real estate segment. Most notably, "Pebblebrook Hotel" (-8.32%), "Cubesmart" (-6.63%), "General Growth Properties" (0.96%) experienced such returns. Top-down sector weighting decisions had a net positive impact during the period. Most of this was confined to the storage and "other" segments of the market. The portfolio was able to gain back a healthy amount that was lost due to poor stock selection decisions through strong sector positioning although this alone was not enough to tilt the portfolio into a net positive position for the period. The portfolio was aided by an over 2% underweight allocation to the storage segment which was the weakest performing sector returning around -7% for period. In a similar scenario, the portfolio had an underweight exposure to the second weakest segment, apartments which returned -2.36% during the period. The Security Capital portfolio is currently underperforming its benchmark over all measured periods greater than the current quarter, including since inception (-32 bps) (09/01).

Heitman (Direct Core Real Estate)

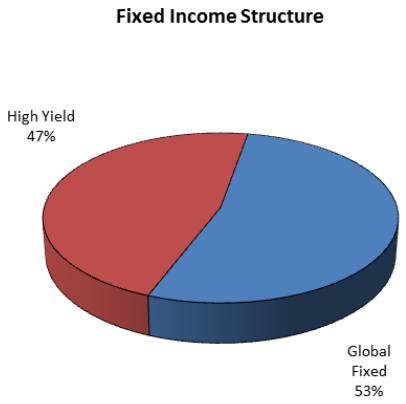
- Heitman manages one of the Fund's three direct core real estate portfolios. The Heitman portfolio returned 1.58% (net of fees) during the second quarter, underperforming its benchmark (NCREIF Open End Diversified Core Index) which returned 2.13%. Historically, the portfolio maintains an overweight allocation to the apartment segment of the market which has provided the portfolio with its largest source of value added over the past year. However, in the current period this overweight sector positioning proved to be a detracting force as the apartment space generally lagged the overall real estate market. At the end of the quarter the portfolio also maintained a significant underweight allocation to the office segment (25% in the portfolio versus 38% in the benchmark) as well as an overweight allocation to the self-storage segment (17% in the portfolio versus 4% in the benchmark). The portfolio is well diversified across the U.S. geographical landscape allocating 35% of the portfolio to the Western region of the U.S., 20% to the Southern region, 20% to the Midwest region and 19% to the Eastern region of the country. The portfolio will continue to seek investment opportunities over the next few quarters as it is aiming to boost its industrial segment holdings which currently sit below their historical allocation in the portfolio. The Heitman portfolio is currently underperforming its benchmark over all measured periods including since inception (-166 bps) (08/10).

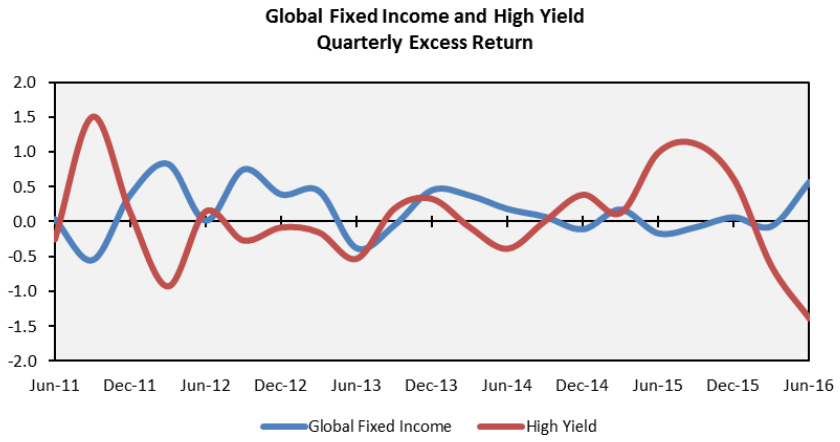
Invesco Core Real Estate-USA (Direct Core Real Estate)

- Invesco manages two of the Fund's three direct core real estate portfolios. The Invesco Core Real Estate-USA portfolio returned 3.63% (net of fees) during the second quarter, outperforming its benchmark (NCREIF Open End Diversified Core Index) which returned 2.13%. Historically, the portfolio maintains an overweight allocation to the apartment and retail segments of the market. At current levels, the portfolio sits underweight the industrials and office segments of the market while holding overweight exposures to the apartment and retail segments of the market. The portfolio holds 93 investments that are diversified across the United States with large allocation to the west coast region. Three areas in California; the San Francisco Bay Area, Los Angeles and Orange County alone make up 33% of the portfolio's total value. During the quarter the Fund closed on four acquisitions throughout the country for a total of $560.0 million. Going forward the Fund will continue to explore opportunities to take advantage of strong capital market conditions and will selectively sell assets that they believe may not perform as well during the

next downturn to enhance the quality of the existing portfolio. The Invesco portfolio is currently underperforming its benchmark over all measured periods including since inception (-118 bps) (08/10).

Fixed Income Overview





Fixed Income Composites

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Global Fixed Income	**$ 474.5**	**2.36**	**5.40**	**6.07**	**4.40**	**4.35**	**5.01**
Barclays Aggregate Bond Index		2.21	5.31	6.00	4.06	3.76	5.13
Value Added vs Benchmark		*0.15*	*0.09*	*0.07*	*0.34*	*0.59*	*-0.12*
High Yield	**$ 418.4**	**4.58**	**7.36**	**0.82**	**4.13**	**5.79**	**6.68**
Custom Benchmark [1]		5.96	9.46	0.96	3.64	5.51	7.19
Value Added vs Benchmark		*-1.38*	*-2.10*	*-0.14*	*0.49*	*0.28*	*-0.51*
Barclays Aggregate		2.21	5.31	6.00	4.06	3.76	5.13
Citigroup High Yield Cash Pay		5.96	9.46	0.96	3.64	5.51	7.19
BofA ML High Yield Master II		5.88	9.32	1.71	4.18	5.71	7.44

Global Fixed Income Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Global Fixed Income								
Advantus Capital Management	**$ 198.9**	**2.75**	**5.58**	**6.06**	**4.75**	**4.66**	**5.21**	**Apr-07**
Barclays Aggregate + 0.5%		2.34	5.56	6.50	4.56	4.26	5.53	Apr-07
Value Added vs Objective		*0.41*	*0.02*	*-0.44*	*0.19*	*0.40*	*-0.32*	
Barclays Aggregate		2.21	5.31	6.00	4.06	3.76	5.03	Apr-07
Value Added vs Benchmark		*0.54*	*0.27*	*0.06*	*0.69*	*0.90*	*0.18*	
Information Ratio				**0.10**	**1.57**	**1.69**		
Sharpe Ratio				**2.62**	**1.79**	**1.66**		
Aberdeen	**$ 202.6**	**2.11**	**5.22**	**5.78**	**3.85**	**3.91**	**5.44**	**Apr-07**
Barclays Aggregate + 0.5%		2.34	5.56	6.50	4.56	4.26	5.31	Apr-07
Value Added vs Objective		*-0.23*	*-0.34*	*-0.72*	*-0.71*	*-0.35*	*0.13*	
Barclays Aggregate		2.21	5.31	6.00	4.06	3.76	4.81	Apr-07
Value Added vs Benchmark		*-0.10*	*-0.09*	*-0.22*	*-0.21*	*0.15*	*0.63*	
Information Ratio				**-0.17**	**-0.25**	**0.12**		
Sharpe Ratio				**2.19**	**1.40**	**1.28**		

[7] High Yield Custom Benchmark: Citigroup High Yield Cash Pay (4q99 – Present); Citigroup High Yield Composite Index (1q97 – 3q99).

Fixed Income Overview (Continued)

Global Fixed Income Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Global Fixed Income								
Garcia Hamilton	**$ 72.9**	**2.02**	**5.40**	**6.96**	**-.-**	**-.-**	**5.01**	**Oct-13**
Barclays Aggregate + 0.5%		2.34	5.56	6.50	-.-	-.-	4.55	Oct-13
Value Added vs Objective		*-0.32*	*-0.16*	*0.46*			*0.46*	
Barclays Aggregate		2.21	5.31	6.00	-.-	-.-	4.05	Oct-13
Value Added vs Benchmark		*-0.19*	*0.09*	*0.96*			*0.96*	
Information Ratio				**0.71**	**-.-**	**-.-**		
Sharpe Ratio				**2.66**	**-.-**	**-.-**		

- The Fund's global fixed income segment returned 2.36% (net of fees) during the second quarter of 2016, slightly outperforming the Barclays Aggregate Bond Index, which returned 2.21%. The segment is comprised of three actively managed strategies: (1) Advantus Capital Management, (2) Aberdeen Asset Management, and (3) Garcia Hamilton. During the period, the Advantus portfolio outperformed the Barclays Aggregate while both the Aberdeen and Garcia Hamilton portfolios struggled to keep pace with the benchmark. Advantus and Aberdeen (both with early 2007 inception dates) manage roughly the same level of assets for the Fund, the newer Garcia Hamilton portfolio (late 2013 inception) has a smaller mandate. Therefore, quarter to quarter performance is largely driven by the results of the Advantus and Aberdeen accounts while the Garcia Hamilton account does not have the ability to move the needle as much, so to speak, on account of its smaller size. The global fixed income composite is outperforming against the Barclays Aggregate over the one-year (+9 bps), three-year (+34 bps), and five-year (+59 bps) periods.

Advantus Capital Management (Core Fixed Income)

- Advantus Capital manages one of the Fund's three global fixed income portfolios. During the second quarter, the Advantus portfolio returned 2.75% (net of fees), outperforming its benchmark (Barclays Aggregate) which returned 2.21% for the quarter. The Advantus portfolio has a persistent and long-standing underweight allocation to government/agency securities (including Treasuries), which most recently made up only 19% of the portfolio compared to 42% for the benchmark. During the quarter U.S. Treasury securities returned 2.10% (as measured by the Barclays Capital U.S. Treasury Index), and generally as the time to maturity increased the total return earned by investors increased (the long component of the Barclays U.S. Treasury Index returned 6.44% for the period) during the period. With Treasury securities across all maturity buckets lagging the broader core fixed income market space, the portfolio's tactical underweight exposure here proved beneficial. Additionally, the portfolio had a slightly lower weighted-average credit quality (rating of A for the portfolio vs. AA for the benchmark). In the current market environment, investors are continuing to seek out opportunities to increase the yield of their fixed income portfolios. One way to do this is by moving down the quality spectrum, incrementally further away from the safest investment-grade securities. This has in turn increased the demand among this segment of the bond market, pushing prices higher and producing higher overall returns for investors. The portfolio had slightly higher exposure to long-dated bonds (those maturing in twenty-years or more) which comprised 19% of the portfolio versus 12% of the benchmark. This slight mismatch was a contributor during the period as returns rose with increasing time of maturity, in both sovereign and corporate debt. The Advantus portfolio is currently outperforming against its benchmark over the one-year (+6 bps), three-year (+69 bps), and five-year (+90 bps) periods as well as since inception (+18 bps) (06/07).

Fixed Income Overview (Continued)

Aberdeen (Core Fixed Income)

- Aberdeen (formerly Artio Global Investors) manages another of the Fund's global fixed income portfolios. During the second quarter the Aberdeen portfolio returned 2.11% (net of fees), slightly underperforming its benchmark the Barclays Aggregate Index which returns 2.21% during the period. The Aberdeen portfolio is similarly positioned as the Advantus portfolio in many respects, with substantial underweight exposure to government and agency bonds (33% portfolio weight vs. 42% benchmark weight). In the current market environment, U.S. Government debt (primarily Treasury securities) lagged corporate paper within the core fixed income opportunity set (the Barclays U.S. Treasury Index returned 2.10% while the Barclays U.S. Corporate Index returned 3.57%). This theme remained largely consistent as the time to maturity increased. So, holding all else equal, the portfolio's greater relative exposure to corporate debt (conversely, less exposure to government debt) was a positive contributor during the period, not isolated to any one particular maturity bucket. The portfolio had a lower weighted-average credit quality (A), one notch below that of the benchmark (AA). This proved beneficial in the current macro environment as investors, in their search for higher yield opportunities, bid up the prices of lower quality securities. Although the portfolio had a lower overall credit quality, it was still well within the realm of investment grade debt – just slightly further down along the continuum, on an incremental discrete basis. Relative to the benchmark, the portfolio also had a greater proportion of its debt characterized by long maturities: bonds maturing in ten years or more comprised over 27% of the portfolio's total asset value, compared to just 16% for the benchmark. This structural composition was a contributor for the portfolio, as within both corporate and sovereign segments of the markets, longer-term securities generally outperformed their more intermediate counterparts on a total return basis. The Aberdeen portfolio is outperforming against its benchmark over the five-year (+15 bps) period, as well as since inception (+63 bps) (06/07).

Garcia Hamilton (Core Fixed Income)

- Garcia Hamilton is the Fund's third global fixed income manager. During the second quarter, the portfolio returned 2.02% (net of fees), underperforming its benchmark index (Barclays Aggregate) which returned 2.21%. The Garcia Hamilton portfolio also underperformed its performance objective (Barclays Aggregate + 0.5%) which returned 2.34%. Unlike the two other strategies in the Fund's global fixed income segment (Advantus and Aberdeen), the Garcia Hamilton portfolio has typically maintained exposure to government and agency bonds (predominantly Treasuries) at a level that is greater than the benchmark. However, at the end of the quarter these holdings comprised 38% of the portfolio compared to 42% for the benchmark. This sector allocation variance had a net positive impact on the overall portfolio, as U.S. Treasury securities moderately lagged the rest of the core fixed income market space (the Barclays U.S. Treasury Index returned 2.10% while the Barclays U.S. Corporate Index returned 3.57%). Additionally, the portfolio had a much higher percentage of its assets with long-dated maturities: those maturing in twenty years or more made up nearly 32% of the portfolio versus only just over 12% for the benchmark. This structural composition proved to be a contributor during the period across most segments of the market, as total return increased as time to maturity increased which helped mitigate losses experience elsewhere in the portfolio. The credit quality of the portfolio (AA) closely matched that of the Barclays Aggregate (also AA), such that this was not a meaningful source of added or detracted value. The Garcia Hamilton portfolio is currently outperforming against its benchmark since inception (+96 bps) (12/13).

Fixed Income Overview (Continued) [8]

High Yield/Credit Opportunities Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
High Yield								
Oaktree Capital Management	**$ 210.7**	**5.00**	**8.54**	**0.77**	**3.37**	**5.48**	**6.87**	**Dec-96**
Performance Objective		6.21	9.96	1.96	4.64	6.51	7.86	Dec-96
Value Added vs Objective		*-1.21*	*-1.42*	*-1.19*	*-1.27*	*-1.03*	*-0.99*	
Custom Benchmark		5.96	9.46	0.96	3.64	5.51	6.86	Dec-96
Value Added vs Benchmark		*-0.96*	*-0.92*	*-0.19*	*-0.27*	*-0.03*	*0.01*	
Information Ratio				**-0.11**	**-0.35**	**-0.02**		
Sharpe Ratio				**0.07**	**0.55**	**0.84**		
BlackRock High Yield	**$ 207.7**	**4.15**	**6.20**	**-1.38**	**4.08**	**5.62**	**6.34**	**Sep-06**
Citigroup High Yield Cash Pay + 1%		6.21	9.96	1.96	4.64	6.51	7.92	Sep-06
Value Added vs Objective		*-2.06*	*-3.76*	*-3.34*	*-0.56*	*-0.89*	*-1.58*	
Citigroup High Yield Cash Pay		5.96	9.46	0.96	3.64	5.51	6.92	Sep-06
Value Added vs Benchmark		*-1.81*	*-3.26*	*-2.34*	*0.44*	*0.11*	*-0.58*	
Information Ratio				**-0.87**	**0.21**	**0.07**		
Sharpe Ratio				**-0.21**	**0.74**	**0.93**		
Credit Opportunities								
Neuberger Berman	**$ 85.5**	**3.41**	**-.-**	**-.-**	**-.-**	**-.-**	**6.93**	**Jan-16**
Custom Benchmark + 1%		4.86	-.-	-.-	-.-	-.-	9.34	Jan-16
Value Added vs Objective		*-1.45*					*-2.41*	
Custom Benchmark		4.61	-.-	-.-	-.-	-.-	8.92	Jan-16
Value Added vs Benchmark		*-1.20*					*-1.99*	
Information Ratio				**-.-**	**-.-**	**-.-**		
Sharpe Ratio				**-.-**	**-.-**	**-.-**		

- The high yield composite returned 4.58% (net of fees) during the second quarter, underperforming against the Citigroup High Yield Cash Pay Index which returned 5.96%. The composite is currently split equally between the two actively-managed strategies. Underperformance this period can be attributed to both of the composites strategies which lagged the benchmark by a substantial margin. The high yield composite is currently outperforming over the three-year (+49 bps), and five-year (+28 bps) periods, as well as since inception period (03/97).

Oaktree Capital Management (High Yield Fixed Income)

- Oaktree Capital manages one of the Fund's two high yield fixed income portfolios. The Oaktree portfolio returned -5.00% (net of fees) during the second quarter, underperforming its benchmark (Citigroup High Yield Cash Pay) which returned 5.96%. The non-investment grade fixed income market has rebounded after a challenging year in 2015, in which dislocations in the energy and commodity sectors pushed prices lower and yields higher. However, the portfolio was unable to gain ground against the benchmark this quarter. A lower weighted-average credit quality (B) relative to the benchmark index (BB) was a contributor during the period. Amidst a search for yield in the non-investment grade market space in the current period, securities further down along the quality spectrum relatively outperformed those with higher ratings (the CCC-rated component of the Citigroup High Yield index returned 13.72% while the BB-rated component returned 4.55%). The portfolio is currently positioned with a slightly lower

[8] Oaktree Capital Management Performance Objective: Citigroup High Yield Cash Pay + 1% (4q99 – Present); Citigroup High Yield Composite Index + 1% (2q97 – Present).

Fixed Income Overview (Continued)

current yield, suggesting that the price performance of its bond holdings has been mildly more resilient to downwards pressures that the benchmark. Additionally, the portfolio maintains a slightly higher effective duration of its portfolio relative to the benchmark, as it has over the last couple of years; this indicates that the portfolio has greater price sensitivity to changes in interest rates. Given the prevailing low level or rates, it stands to reason that they are bound to head higher over some indeterminate period going forward. The Oaktree portfolio is currently underperforming over the one-year (+44 bps), three-year (-27 bps) and five-year (+11 bps) periods, as well as since inception (-3 bps) (03/97).

BlackRock (High Yield Fixed Income)

- BlackRock manages the Fund's other high yield fixed income portfolio. During the second quarter, the BlackRock portfolio returned 4.15%, underperforming its benchmark (Citigroup High Yield Cash Pay) which returned 5.96%. Despite a relatively strong quarter for the space overall, several of the portfolios holdings experienced modest gains which eroded the strong performance of positions elsewhere in the portfolio. The portfolios relative underweight exposure to the hard hit energy sector over the past year has benefited the portfolio's performance on both an absolute and relative basis. In the current period however, several energy related names bounced back as oil continued to rise, in turn, becoming a detracting force over the first six months of the year. The weighted-average credit quality of the portfolio (B) is one-notch below that of the benchmark (BB). This variance was a contributing force during the period, as investors bid up the prices of lower-rated securities in the non-investment-grade space ratings (the CCC-rated component of the Citigroup High Yield index returned 13.72% while the BB-rated component returned 4.55%). The portfolio is exhibiting a slightly lower current yield relative to the benchmark while the effective duration of the portfolio sits moderately above that of the benchmark, pointing to increase price sensitivity to sudden changes in the prevailing interest rates. The BlackRock portfolio is currently outperforming over the three-year (+44 bps), and five-year (+11 bps) periods, while the portfolio is underperforming over the since inception period (-58 bps) (09/06).

Neuberger Berman (Credit Opportunities)

- Neuberger Berman manages the Fund's credit opportunities portfolio. During January of 2016 the Neuberger Berman Credit Opportunities portfolio was funded to further diversify the plan's fixed income basket. In its first full quarter of performance the portfolio returned 3.41% lagging its custom benchmark (*33% ML High Yield Master II Index/33% S&P LSTA Leveraged Loan Index/33% JPM EMBI Global Diversified Index*) which returned 4.61%. The Neuberger Berman portfolio is also currently underperforming its custom benchmark since its inception (-199 bps). (01/16).

Private Equity Overview

Private Equity Composite

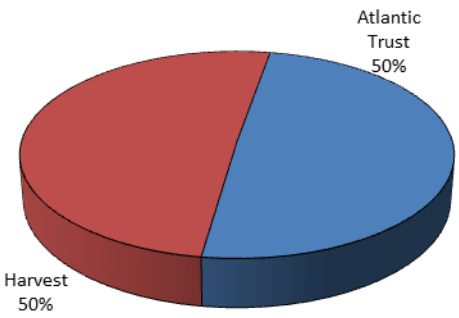
	Total Commitment	Cumulative Capital Called		Cumulative Distributions	Capital Balance	Multiple	Calculated IRR
Hamilton Lane Fund VII LP (Series A)	30,000,000	24,479,403	81.6%	8,430,690	24,398,449	1.34	11.0%
Hamilton Lane Fund VII LP (Series B)	20,000,000	17,642,586	88.2%	5,917,455	14,367,743	1.15	5.1%
Hamilton Lane Fund VII LP (Total)	*50,000,000*	*42,121,989*	84.2%	*14,348,145*	*38,766,192*	1.26	8.6%
Hamilton Lane Secondary Fund II LP	25,000,000	22,783,343	91.1%	24,788,892	4,026,505	1.26	10.1%
Hamilton Lane Secondary Fund III LP	30,000,000	17,732,318	59.1%	12,150,873	15,410,357	1.55	35.0%
Hamilton Lane Fund VIII LP (Global)	30,000,000	12,818,759	42.7%	1,341,061	13,478,535	1.16	9.3%
GCM-CFIG *	135,000,000	62,316,016	46.2%	1,016,325	79,069,889	1.29	10.0%
Fairview Capital III	40,000,000	2,413,990	6.0%	62,624	1,803,796	0.77	NM
Total Private Equity Program	**310,000,000**	**160,186,415**	**51.7%**	**53,707,920**	**155,315,680**	**1.30**	**12.3%**

- Multiple calculation = (market value + distributions) / capital called
- Internal Rate of Return shown here is calculated by Wilshire based on cumulative cash flows and annualized since inception.

* Formerly Credit Suisse

Public Real Assets Overview

Fixed Income Structure



Public Real Assets Composite

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Total Public Real Assets	**$ 268.7**	**22.36**	**15.52**	**-17.27**	**0.61**	**-.-**	**-.-**
Alerian MLP Index		19.70	14.71	-13.11	-5.38	-.-	-.-
Value Added vs Index		*2.66*	*0.81*	*-4.16*	*5.99*		
Alerian MLP Index		19.70	14.71	-13.11	-5.38	3.23	9.48
S&P MLP Index		22.44	14.68	-18.93	-5.44	3.35	8.88
Bloomberg Commodities Index		12.78	13.25	-13.32	-10.55	-10.82	-5.59

Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Public Real Assets								
Harvest Fund Advisors	**$ 133.1**	**20.18**	**12.07**	**-18.56**	**-0.33**	**-.-**	**7.85**	**Nov-11**
Alerian MLP Index + 1.5%		20.07	15.46	-11.61	-3.88	-.-	4.51	Nov-11
Value Added vs Objective		*0.11*	*-3.39*	*-6.95*	*3.55*		*3.34*	
Alerian MLP Index		19.70	14.71	-13.11	-5.38	-.-	3.01	Nov-11
Value Added vs Benchmark		*0.48*	*-2.64*	*-5.45*	*5.05*		*4.84*	
Information Ratio				**-2.64**	**1.07**	**-.-**		
Sharpe Ratio				**-0.61**	**-0.02**	**-.-**		
Atlantic Trust CIBC	**$ 135.6**	**24.59**	**19.12**	**-15.96**	**0.43**	**-.-**	**9.07**	**Nov-11**
Alerian MLP Index + 1.5%		20.07	15.46	-11.61	-3.88	-.-	3.30	Nov-11
Value Added vs Objective		*4.52*	*3.66*	*-4.35*	*4.31*		*5.77*	
Alerian MLP Index		19.70	14.71	-13.11	-5.38	-.-	1.80	Nov-11
Value Added vs Benchmark		*4.89*	*4.41*	*-2.85*	*5.81*		*7.27*	
Information Ratio				**-0.69**	**1.29**	**-.-**		
Sharpe Ratio				**-0.50**	**0.02**	**-.-**		

Public Real Assets Overview (Continued)

- The Fund's Master Limited Partnership (MLP) program is comprised of two individual managers, Harvest Fund Advisors and Atlantic Trust (formerly Invesco), with the mandates essentially split evenly between the two. After several quarters of underperformance – driven by weak stock selection and small measures of sector diversification – both the Harvest Fund Advisors and Atlantic Trust portfolios have bounced back and outperformed the broader market (as represented by the Alerian MLP Index) over the recent period. There remains a wide dispersion in returns not only among individual MLP stocks but also across different segments of the midstream market space. For example, many names saw their value rise by over 40% in the second quarter alone, while others saw much more modest increases in the range of 0% to 5%, and still others lost value in excess of 10%. Despite the challenging environment over the past several quarters, both strategies continue to add significant value over longer historical periods. The MLP composite is currently outperforming over the three-year (+599 bps) periods, as well as since inception (+670 bps) (09/12).

Harvest Fund Advisors (MLPs)

- Harvest Fund Advisors manages one of the Fund's two MLP portfolios. During the second quarter the Harvest portfolio returned 20.18% (net of fees), outperforming its benchmark (Alerian MLP Index) which 19.70%. Since the Harvest portfolio typically has approximately anywhere from 96% to 100% of its value invested in energy sector MLPs, sector weighting has not historically been a meaningful source of added or detracted value. However, given the protracted depression in the energy market and high degrees of performance dispersion across different segments of the market, sector weighting is playing an increasingly important role. The portfolio was rewarded by its allocation to utilities sector MLPs, which comprised around 1% of the portfolio but delivered strong returns over 10% for the period. Additionally, the portfolio maintained small out-of-benchmark positions in the materials (less than 1% weight) and industrials (2.5% weight) segments of the MLP market space. Both of these segments underperformed the broader market but still posted positive returns – materials sector equity holdings gained 2.98% while industrials sector equity holdings saw an increase of 11.70% for the portfolio during the period. The ongoing wide dispersion in performance among different midstream companies is at least partially driven by balance sheet strength – those carrying lest debt burden have been able to maintain dividend growth investors expect, which in turn helps to somewhat buoy the market price of the stock. Several of the portfolio's positions experienced returns of over 30% during the period offsetting some of the losses incurred elsewhere in the portfolio. Notable gains during the most recent period include returns of 165% and 106% for Ngl Energy Partners and Energy Transfer Equity respectively. The portfolio has lower current yield, but with the expectation of higher dividend growth over the five-year period. The Harvest Fund Advisors MLP portfolio continues to outperform against its benchmark for the three-year (+505 bps) period, as well as since inception (+484 bps) (12/11) but has fallen in the past few quarters, trailing over the one-year period (-545 bps).

Atlantic Trust (MLPs)

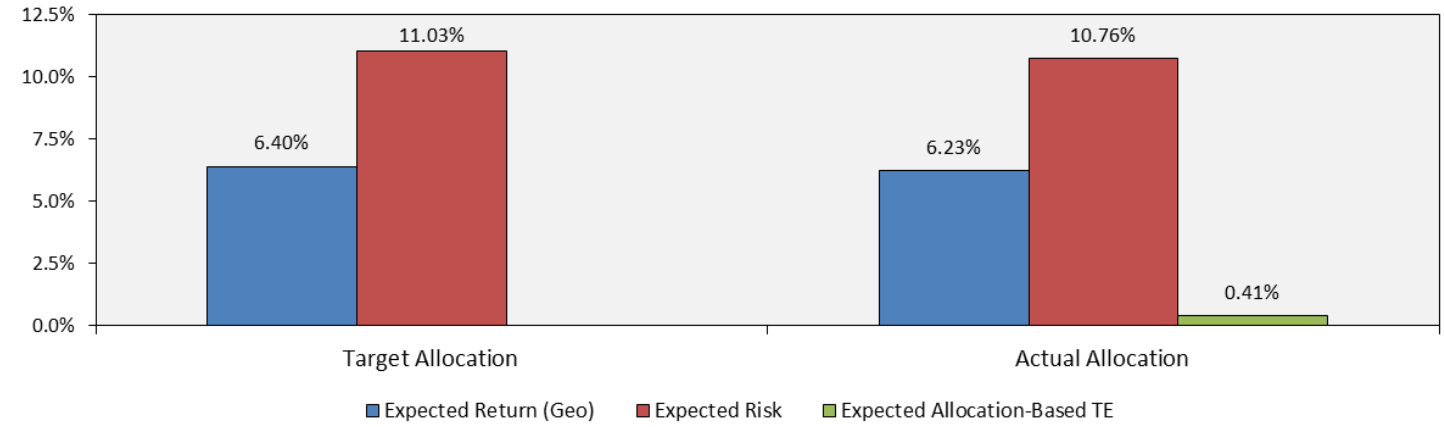
- Atlantic Trust CIBC (formerly Invesco) manages the Fund's other MLP portfolio. During the second quarter, the Atlantic Trust portfolio returned 24.59% (net of fees), outperforming its benchmark (Alerian MLP Index) which returned -19.70%. It is important to note that the Atlantic Trust portfolio (containing 32 stocks) is much more concentrated than the Harvest portfolio (54 stocks). As a result, many of its position sizes are relatively much larger and have a greater impact on the overall return. The portfolio's outperformance during the period was primarily as a result of superior stock selection, which was confined to the energy segment (this is of course the dominant segment in the market space, comprising over 97% of the benchmark's total asset value).

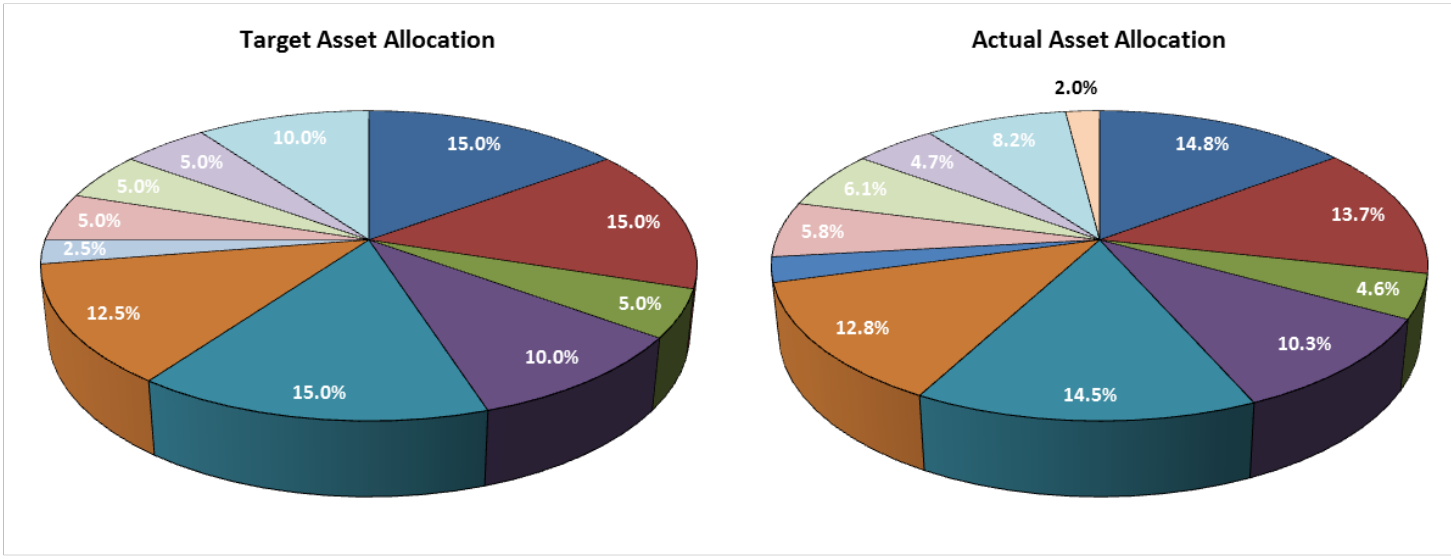
Public Real Assets Overview (Continued)

The portfolio's energy-focused MLP stocks generated a 26.29% gain for the period. This was driven at least in part by the fact that one of the portfolio's larger holdings was among its best performers during the period: "Energy Transfer Equity" (106.25% return, 2.7% weight). Several other of the portfolio's holdings posted significant gains above 50%. Collectively, the portfolio's top five holdings – comprising 43.3% of the total portfolio value – each saw significant gains during the current quarter alone. These include: "Energy Prods Partners" (20.58% gain), "Energy Transfer Partners" (21.54% gain), "Magellan Midstream" (11.73% gain), "Buckeye Partners" (5.32% gain) and "Plains All American Pipeline" (35% gain). The portfolio also gained value from its relative underweighting to the utilities segment which slightly underperformed the broader market over the period. The portfolio continues to succeed in retaining a mix of higher quality names from within this segment which allowed it to recoup some of the losses it experienced elsewhere in the portfolio. The portfolio has lower current yield, but with the expectation of slightly higher dividend growth over the five-year period. The Atlantic Trust MLP portfolio is outperforming against its benchmark for the three-year (+581) period, as well as since inception (+727) (12/11)

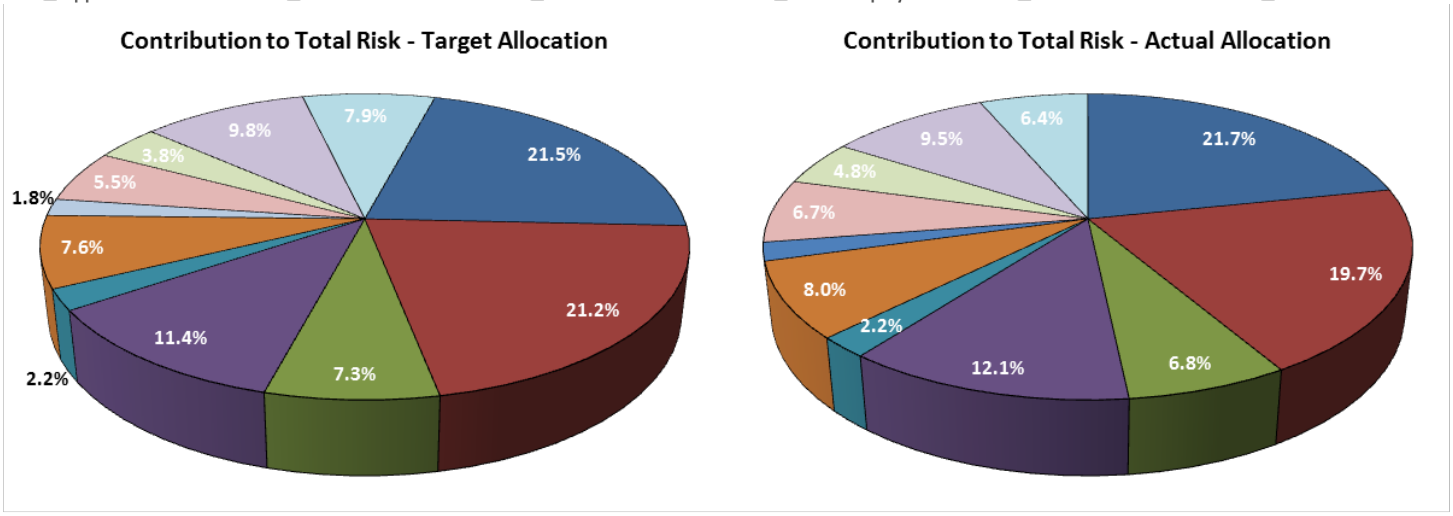
Appendix: Risk Analysis

Expected Return and Risk



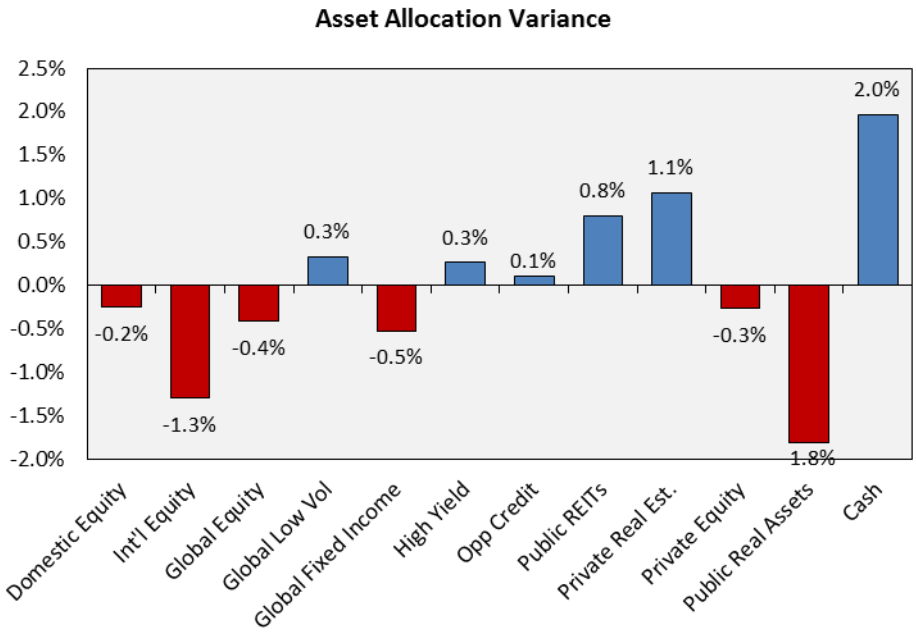


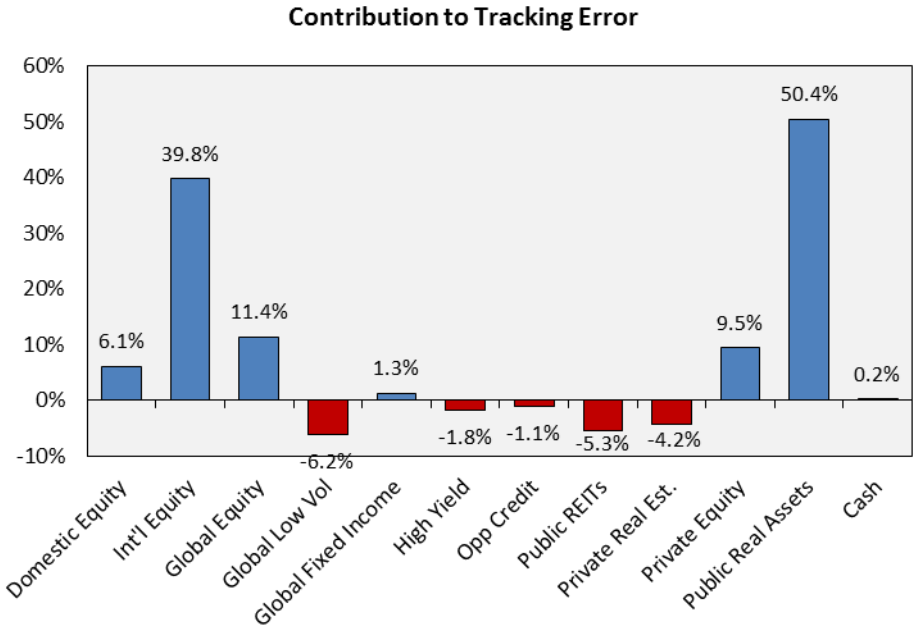
Domestic Equity | Int'l Equity | Global Equity | Global Low Vol | Global Fixed Income | High Yield
Opp Credit | Public REITs | Private Real Est. | Private Equity | Public Real Assets | Cash

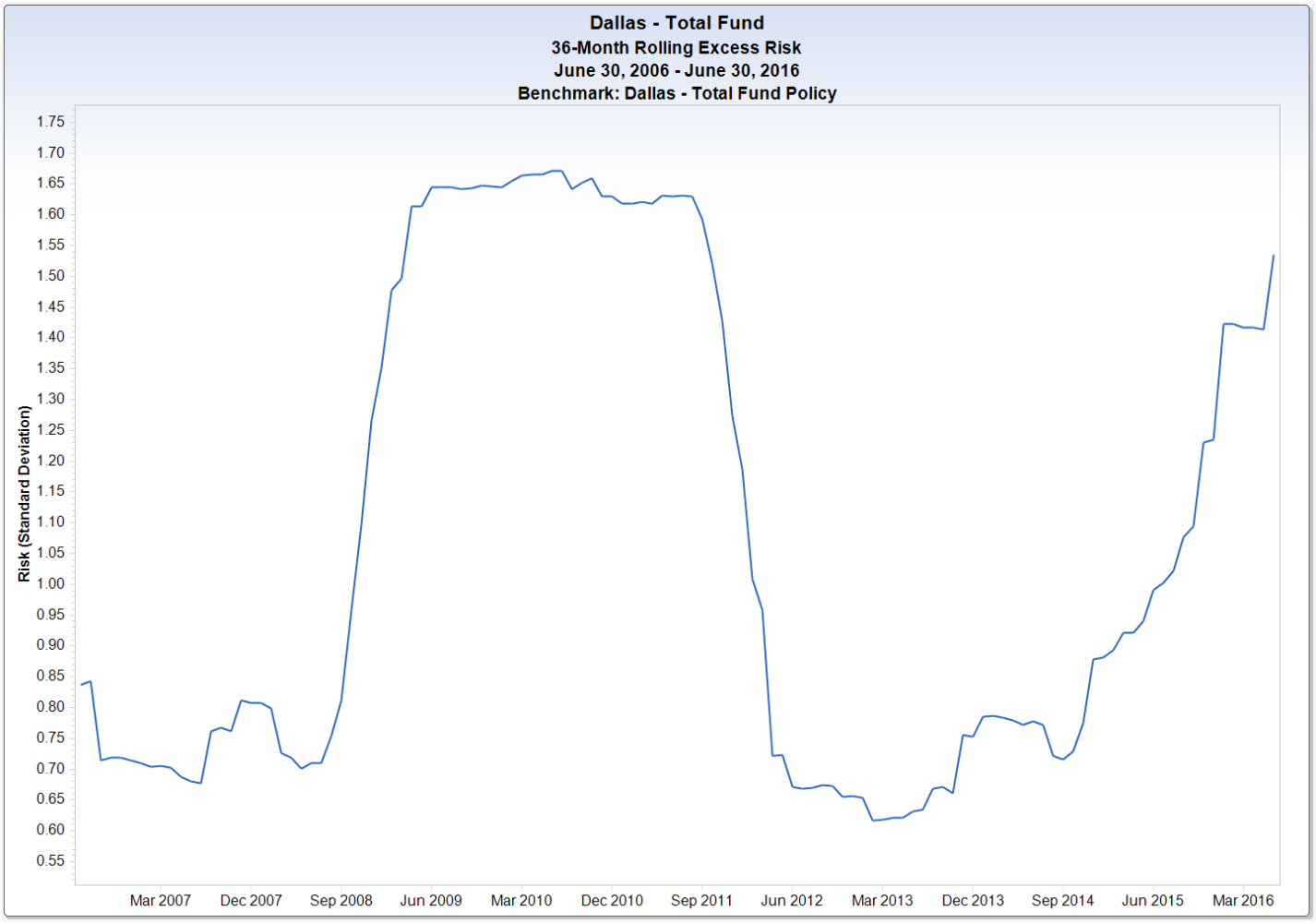


Domestic Equity | Int'l Equity | Global Equity | Global Low Vol | Global Fixed Income | High Yield
Opp Credit | Public REITs | Private Real Est. | Private Equity | Public Real Assets | Cash

Expected Return and Tracking Error based on Wilshire's Asset Assumptions





- The variance between the Fund's actual asset allocation and the target allocation is a source of tracking error for the Fund. This "asset allocation tracking error" is currently forecasted to be 0.41% (for the one-year period) at quarter-end. The Fund's public real assets segment is the largest contributor to the overall tracking error. This is due to the fact that the public real assets composite currently sits around 1.8% underweight to its target allocation. The international equity segment also contributed towards tracking error. The global low volatility equity and REIT segments each had a marginally diversifying impact, dampening the Fund's overall tracking error.

- Below is a historical visualization of realized tracking error ("ex-post") for Dallas ERF over the preceding ten years: