

Investment Performance Review
Period Ending December 31, 2016

**Port of Houston Authority
OPEB Trust**



AndCo Consulting | (844) 44-ANDCO | AndCoConsulting.com

Formerly The Bogdahn Group

On the cover of your standard quarterly report, and on all documents we will be sending to you going forward, you will notice **your name** comes before ours. That is not by accident. Everything from the services we provide to how we are structured as an organization is designed to ensure that you, our client, comes first.

We take our role as an independent institutional consulting firm and plan fiduciary very seriously, and we believe this approach and philosophy adds real value to our clients. To ensure that the client always comes first in the service equation and that our fiduciary responsibility is never compromised, the important principles of independence, objectivity and transparency are embodied in our mission and vision statements and define who we are as an organization. They are engrained in our culture and corporate values and used to guide our actions every day.

Over the years, the investment environment has grown more complex and we've seen our staff grow and our expertise and services advance to serve our expanding clientele. To strengthen business continuity and meet the needs of our clients, we recently began a program to broaden employee ownership of our firm. Inherently, as we thought about our mission (*To represent the sole interest of our clients by redefining independence*), vision (*To be a transformational organization viewed as the leader in our industry*), and the passion behind our service culture, we wanted to do something significant that would better reflect who we are as an organization and how we never compromise our client-first mentality and service philosophy.

Why a Company Rebrand?

After more than a decade of growth and original brand equity, why would a company rebrand now? Though client-first consulting has been a cornerstone of our company since its inception, with the milestone of transitioning majority ownership from our founder to the firm's next generation of leadership, it became the perfect opportunity to reintroduce ourselves to the world as AndCo. We have always believed the assets of our firm were the collective body of individuals working together to serve our clients. It has always been bigger than one or even a handful of people. We feel this rebrand is a better reflection of this belief and conviction along with our mission and vision. Our team members could work at other places but they choose to work at AndCo because they believe this approach is better for clients. Business will continue as usual, as the leadership and team you have come to know and trust will not be impacted by this rebrand.

Why AndCo?

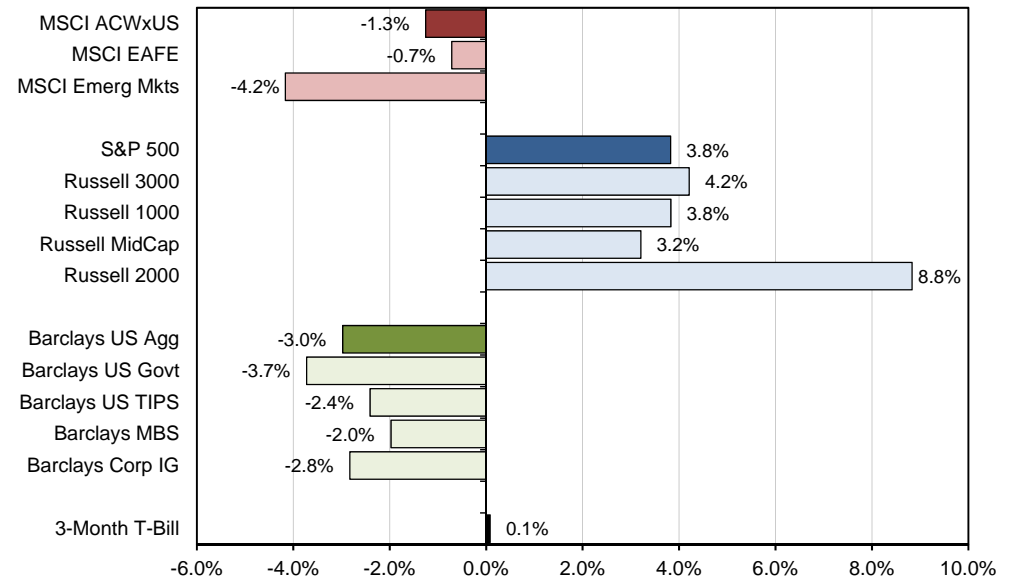
As AndCo, we want your first impression to be our commitment to client-first consulting. Our promise to you spans from our very foundation up to the name on our building. Most importantly, this company rebrand sets the stage for the future of our firm, and your place in it. At AndCo, it is always:

Our Clients 

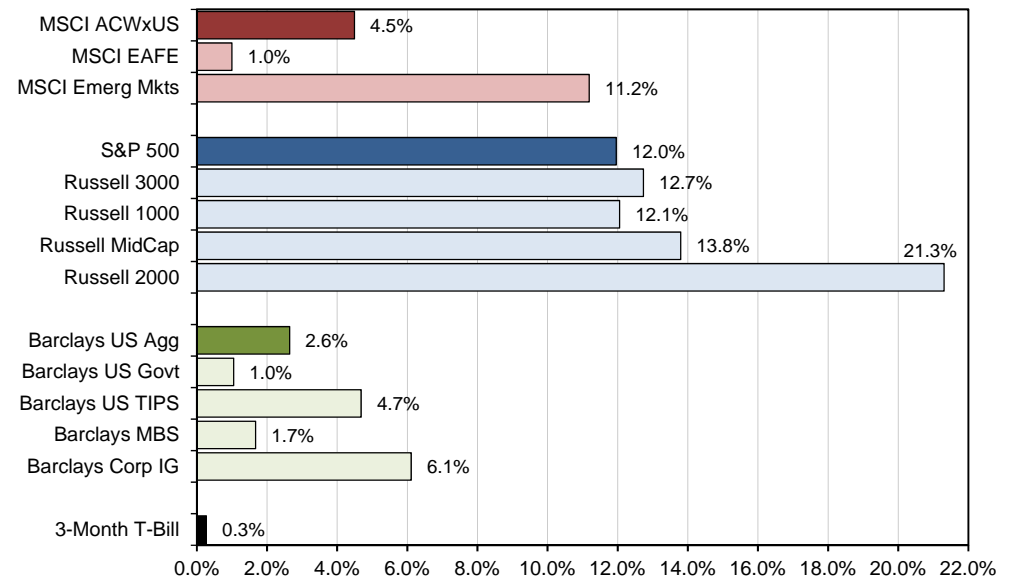


- Broad asset class returns were mixed for the 4th quarter. Domestic equity indices posted positive performance for the quarter, while broad international equity and fixed income benchmarks were negative for the period. The quarter's investment cycle was dominated first by the U.S. presidential election, and then by the largely anticipated Federal Reserve (Fed) interest rate hike in December. The uncertainty that drove equity returns lower during the first half of the quarter gave way to a string of positive macroeconomic data and a Trump victory that drove equity benchmarks, particularly in the U.S., higher through the remainder of the quarter. Trump's platform of strengthening infrastructure, deregulation, and lower personal and corporate taxes drove expectations higher for both domestic growth and inflation. The broad market Russell 3000 Index returned 4.2% for the quarter. The small cap Russell 2000 Index more than doubled performance of other capitalization indices with a return of 8.8% for the quarter and a strong 21.3% for the trailing one-year period.
- International equity market benchmarks stumbled during the quarter with the broad market MSCI ACWI ex U.S. Index posting a return of -1.3% for the period in U.S. dollar (USD) terms. Despite the difficult quarter, the broad market index returned a moderate 4.5% for 2016. Developed markets (-0.7%) outperformed emerging markets (-4.2%) for the quarter as developed market economic data was generally positive. However, emerging markets substantially outperformed developed markets for the one-year period with the MSCI Emerging Markets Index returning 11.2% versus a return of 1.0% for the MSCI EAFE Index.
- The quarter's strong economic backdrop led the Federal Open Market Committee (FOMC) to follow through on investors' expectations and raise short-term interest rates for the first time in 2016. The same events that drove domestic equity markets higher were a headwind for fixed income markets. As a result, the U.S. Treasury yield curve rose dramatically during the quarter with modestly elevated rates at shorter maturities and larger increases in mid-to-long-term maturities. All investment grade benchmarks were negative for the quarter, but the mortgage-backed securities sector was down less than other investment grade sectors due to its shorter duration. Although the 4th quarter took back some of 2016's earlier gains, investment grade benchmarks finished in positive territory for the year. The Bloomberg Barclays Investment Grade Corporate Bond Index was the best performer over the one-year period, advancing a solid 6.1%. Corporate issues benefited from increased demand for yield which led to credit spread compression, especially in lower quality issues.

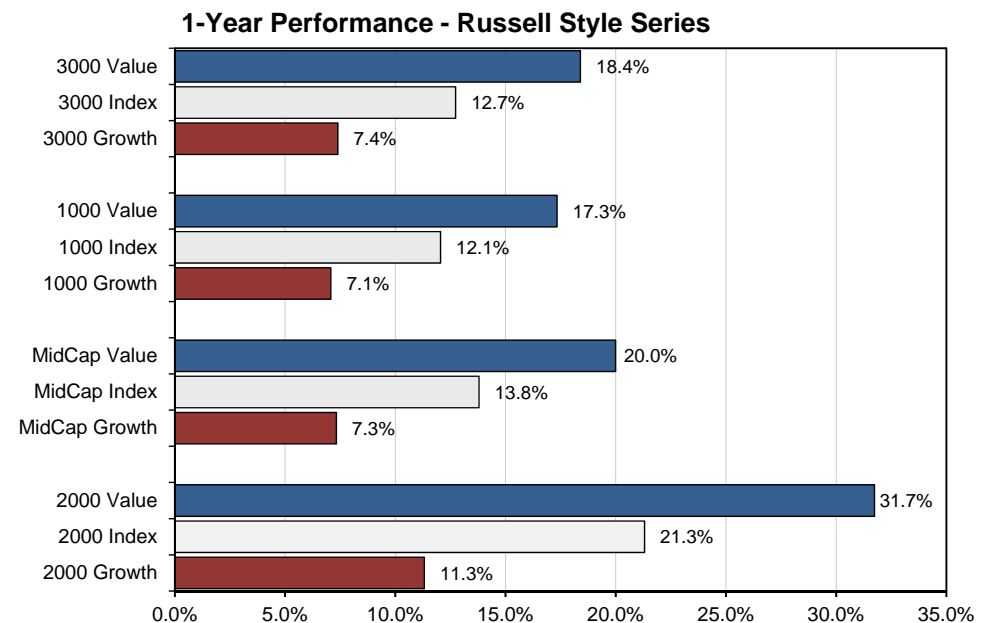
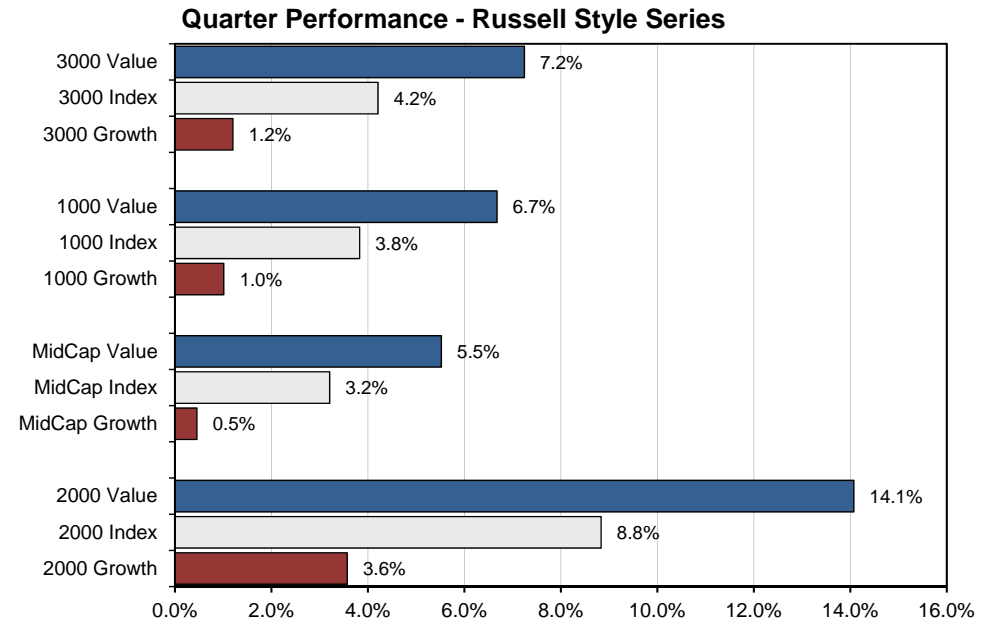
Quarter Performance



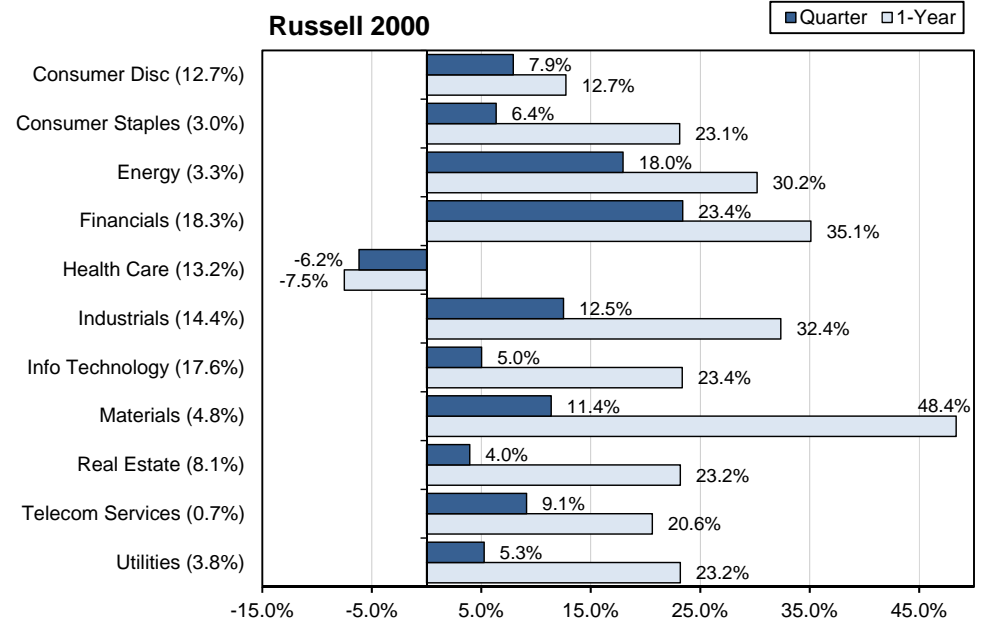
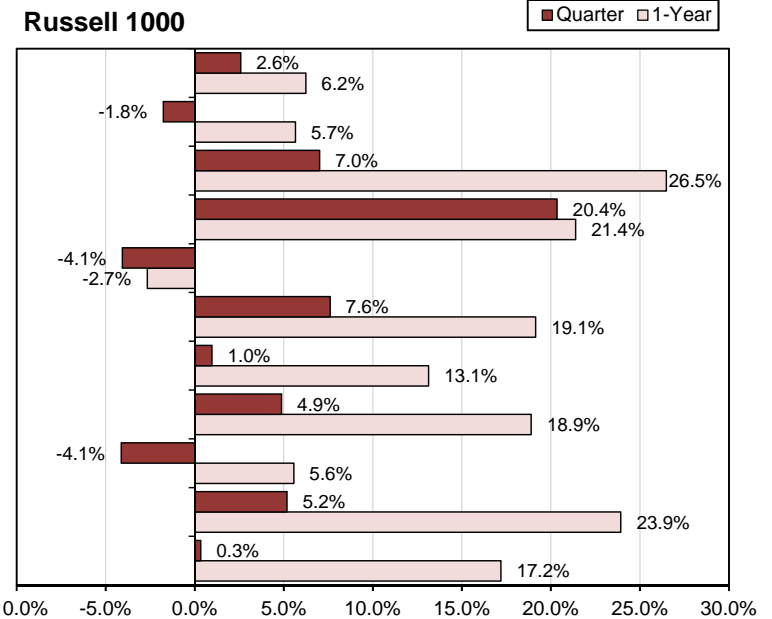
1-Year Performance



- U.S. equity index returns were positive across the style and capitalization spectrum for the 4th quarter as well as for calendar year 2016. During the quarter, index returns were driven by encouraging economic data including improvements in GDP growth, employment, housing, and consumer confidence being reported throughout the period. Domestic markets continued to rally after the November presidential election with several domestic indices hitting new highs on expectations resulting from Trump’s “market-friendly” policy objectives. While the Fed did increase interest rates in December, the market reaction was relatively tame as the rate hike was widely expected.
- Small cap benchmarks posted the quarter’s strongest performance for both value and growth issues. At the core, the small cap Russell 2000 Index returned a robust 8.8% for the quarter and a stellar 21.3% for the year. Although still positive, the core large cap Russell 1000 Index returned a lower 3.8% for the quarter and 12.1% for the year. This dispersion is not totally outside of the norm as small cap stocks generally outperform large cap stocks during “risk-on” market expansions. Interestingly, mid cap stocks finished behind both small and large cap issues for the quarter. This is partially due to the Russell Midcap Index’s higher allocations to the real estate and utilities sectors, which were two of the worst performing sectors for the quarter.
- Value benchmarks more than doubled their comparable growth benchmarks across the capitalization spectrum for both the quarter and one-year periods. Unlike prior quarters where value index outperformance was driven by exposure to higher yielding “bond proxy” sectors, this quarter’s returns were led by exposure to cyclical sectors, particularly financials. Value-style outperformance persists over the one-year period with double-digit returns ranging from an impressive 31.7% for the Russell 2000 Value Index to a still strong 17.3% for the Russell 1000 Value Index. In contrast, growth index performance lagged value results substantially, returning 11.3% and 7.1% for the Russell 2000 Growth and Russell 1000 Growth respectively.
- Domestic equity valuations appear stretched relative to historical levels based on Forward Price/Earnings ratios (P/E), with even the cheapest relative indices trading marginally above historical valuations. The large and midcap growth indices have valuation levels near their respective historical averages, while the remaining indices fall between 110% and 137% of their 15-year averages.



- Large cap sector performance spanned a range of nearly 25% during the 4th quarter, with results in five of eleven economic sectors outpacing the Russell 1000 Index return, and eight of eleven sectors posting gains for the period. Financials were the clear leader during the quarter, posting a strong return of 20.4%, which nearly tripled the result of any other sector. Financials benefited from expectations for potential deregulation as well as the impact of higher interest rates on future profitability. The industrials (7.6%) and materials (4.9%) sectors also outperformed for the period as Trump’s promise for increased investment in U.S. infrastructure brightened the outlook for both sectors. The energy sector (7.0%) also posted a solid gain for the quarter as oil prices rose following an OPEC agreement to cut supply in November. Prices rose further after several non-OPEC countries indicated they would also reduce production. The real estate and health care sectors were the weakest performers for the quarter, both posting -4.1% for the period. Real estate and other “bond proxy” sectors such as consumer staples and utilities were impacted by higher interest rates, reducing the demand for more defensive equity issues. The health care sector’s weak performance was more symptomatic of the uncertainty surrounding the future of health care regulation under a new Administration determined to repeal the Affordable Care Act. Despite some divergence in the 4th quarter, sector performance over the one-year period was robust with ten of eleven sectors posting positive results and seven putting up double-digit gains.
- Small cap sector results were roughly in-line with large caps for the 4th quarter, with five of eleven economic sectors outpacing the Russell 2000 Index return for the quarter and ten of eleven sectors posting positive results for the period. Most of the trends observable in large cap index sector performance also impacted the small cap sectors, but to a larger, positive degree. Similar to large cap issues, higher yielding, defensive sectors lagged the more cyclical, economically sensitive sectors. Over the trailing one-year period the materials, financials, industrials, and energy sectors each posted returns in excess of 30%. The sole negative small cap sector for the year was health care with a return of -7.5%.
- Using S&P 500 sector valuations as a proxy for the market, Forward P/E ratios for five GICS sectors were below their long-term averages at quarter-end. The technology and health care sectors were trading at the largest discount to their long-term average P/E ratios. In contrast, the energy and utilities sector valuations were the most extended relative to their historical P/E ratios.



The Market Environment
Top 10 Index Weights & Quarterly Performance for the Russell 1000 & 2000
As of December 31, 2016

Top 10 Weighted Stocks				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Apple Inc	2.95%	3.0%	12.5%	Information Technology
Microsoft Corp	2.19%	8.6%	15.1%	Information Technology
Exxon Mobil Corp	1.75%	4.3%	19.9%	Energy
Johnson & Johnson	1.47%	-1.8%	15.3%	Health Care
JPMorgan Chase & Co	1.46%	30.5%	34.6%	Financials
Berkshire Hathaway Inc B	1.43%	12.8%	23.4%	Financials
Amazon.com Inc	1.35%	-10.4%	10.9%	Consumer Discretionary
General Electric Co	1.35%	7.5%	4.6%	Industrials
AT&T Inc	1.22%	6.0%	29.9%	Telecommunication Services
Facebook Inc A	1.20%	-10.3%	9.9%	Information Technology

Top 10 Weighted Stocks				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Advanced Micro Devices Inc	0.45%	64.1%	295.1%	Information Technology
Microsemi Corp	0.33%	28.6%	65.6%	Information Technology
Webster Financial Corp	0.26%	43.7%	50.0%	Financials
Prosperity Bancshares Inc	0.26%	31.4%	53.5%	Financials
Bank of the Ozarks Inc	0.25%	37.5%	8.0%	Financials
RSP Permian Inc	0.23%	15.1%	82.9%	Energy
Curtiss-Wright Corp	0.23%	8.2%	44.4%	Industrials
EMCOR Group Inc	0.23%	18.8%	48.2%	Industrials
Aspen Technology Inc	0.23%	16.9%	44.8%	Information Technology
PrivateBancorp Inc	0.23%	18.0%	32.2%	Financials

Top 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
CVR Energy Inc	0.00%	91.7%	-27.2%	Energy
CoreCivic Inc	0.01%	79.4%	0.8%	Real Estate
United States Steel Corp	0.02%	75.4%	319.6%	Materials
California Resources Corp	0.00%	70.3%	-8.6%	Energy
NVIDIA Corp	0.25%	56.0%	226.9%	Information Technology
SVB Financial Group	0.04%	55.3%	44.4%	Financials
KeyCorp	0.09%	50.9%	42.1%	Financials
EP Energy Corp A	0.00%	49.5%	49.5%	Energy
Goldman Sachs Group Inc	0.43%	48.9%	34.9%	Financials
SLM Corp	0.02%	47.5%	69.0%	Financials

Top 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Wins Finance Holdings Inc	0.01%	508.7%	1400.0%	Financials
Key Energy Services Inc	0.00%	293.0%	-66.2%	Energy
Peabody Energy Corp	0.00%	222.6%	-34.9%	Energy
Altisource Asset Management Corp	0.00%	189.2%	211.8%	Real Estate
Seventy Seven Energy Inc	0.00%	138.7%	4185.7%	Energy
AK Steel Holding Corp	0.17%	111.4%	355.8%	Materials
Era Group Inc	0.02%	110.8%	52.2%	Energy
NL Industries Inc	0.00%	107.4%	168.1%	Industrials
Fred's Inc	0.03%	106.1%	15.6%	Consumer Discretionary
Pier 1 Imports Inc	0.04%	104.8%	77.9%	Consumer Discretionary

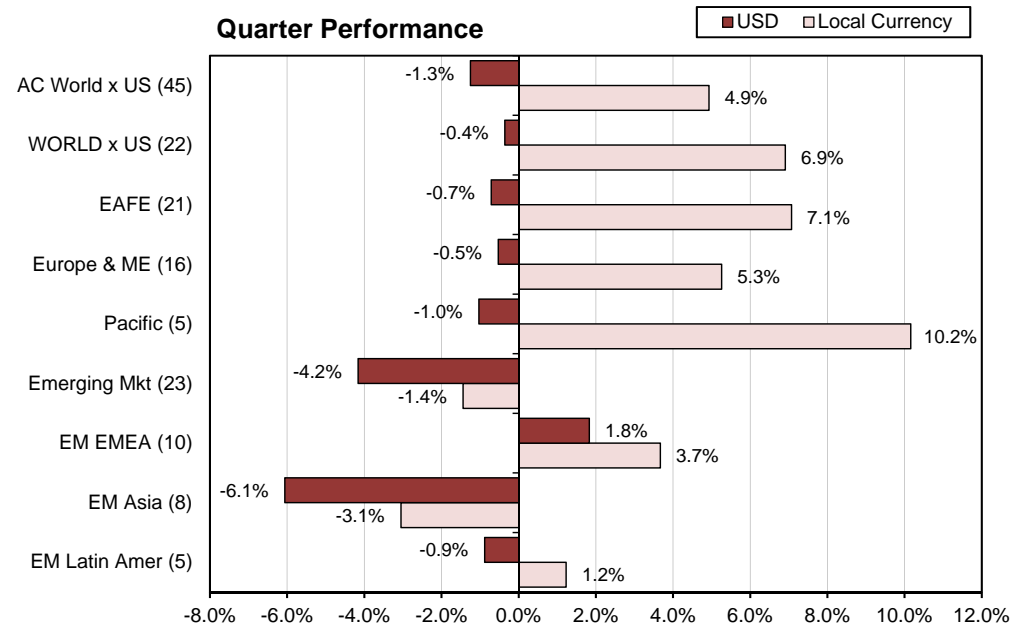
Bottom 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Twilio Inc A	0.00%	-55.2%	N/A	Information Technology
Puma Biotechnology Inc	0.00%	-54.2%	-60.8%	Health Care
Community Health Systems Inc	0.00%	-51.6%	-74.5%	Health Care
Fitbit Inc A	0.00%	-50.7%	-75.3%	Information Technology
GoPro Inc A	0.00%	-47.8%	-51.6%	Consumer Discretionary
Hertz Global Holdings Inc	0.01%	-46.3%	-61.8%	Industrials
GNC Holdings Inc	0.00%	-45.1%	-63.0%	Consumer Discretionary
Alnylam Pharmaceuticals Inc	0.01%	-44.8%	-60.2%	Health Care
Juno Therapeutics Inc	0.01%	-37.2%	-57.1%	Health Care
Groupon Inc	0.01%	-35.5%	8.1%	Consumer Discretionary

Bottom 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Code Rebel Corp	0.00%	-98.0%	-100.0%	Information Technology
Republic Airways Holdings Inc	0.00%	-93.4%	-98.5%	Industrials
Basic Energy Services Inc	0.00%	-92.5%	-97.7%	Energy
Ophthotech Corp	0.01%	-89.5%	-93.8%	Health Care
Cempra Inc	0.01%	-88.4%	-91.0%	Health Care
Violin Memory Inc	0.00%	-88.2%	-98.2%	Information Technology
Adeptus Health Inc Class A	0.01%	-82.3%	-86.0%	Health Care
6D Global Technologies Inc	0.00%	-80.0%	-99.7%	Information Technology
Proteon Therapeutics Inc	0.00%	-79.6%	-87.7%	Health Care
Anthera Pharmaceuticals Inc	0.00%	-79.4%	-86.0%	Health Care

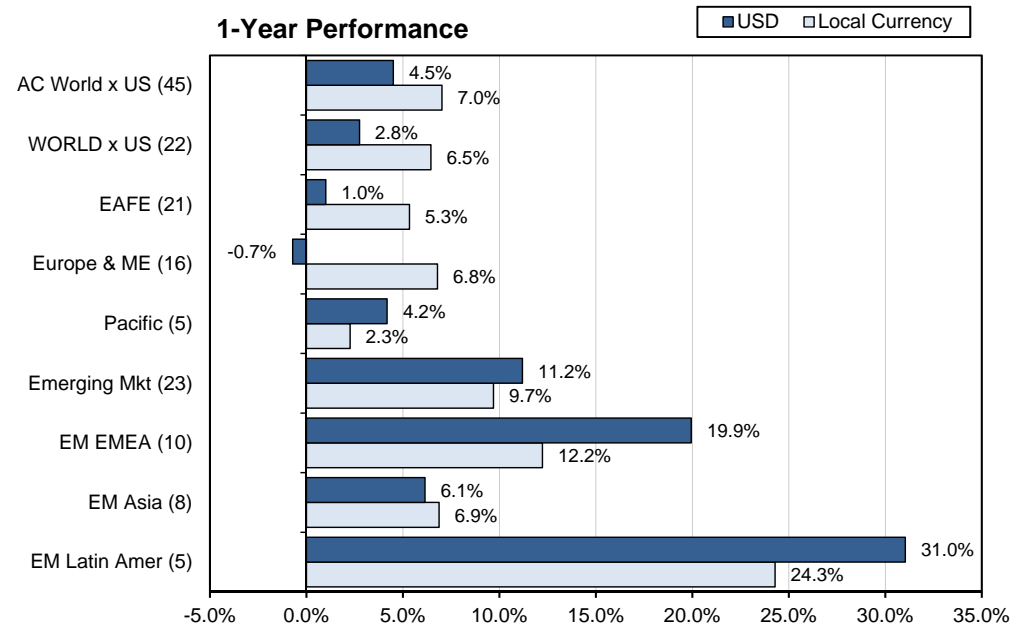


- As the USD versus local currency return charts illustrate, the USD's strength was a major headwind for international index performance during the 4th quarter as well as over the trailing one-year period. The primary factor contributing to the return differentials in 2016 was increasing divergence in U.S. monetary policy (tightening) relative to other developed countries (further accommodation). While the U.S. growth prospects support reduced monetary stimulus, economic data in the Eurozone supports a continuation of monetary accommodation to bolster what has been a slow recovery. As such, the European Central Bank (ECB) lengthened its quantitative easing program, originally scheduled to end in March 2017, to December 2017. Although the program was extended, the ECB reduced the size of monthly purchases from \$80 billion euros to \$60 billion euros. This economic divergence was further reinforced after the election as Trump's pro-growth policies and protectionist views on trade, if enacted, favor additional USD strength.
- The 4th quarter's USD performance was negative for both developed (-0.7%) and emerging (-4.2%) markets. While emerging market performance (-1.4%) was also negative in local currency terms for the period, the currency impact was more pronounced in developed market results with the MSCI-EAFE Index's local currency return of 7.1% representing a 7.9% spread relative to the benchmark's USD returns. While USD strength is also evident in the one-year performance of developed markets (1.0% USD vs. 5.3% local), USD emerging market performance of 11.2% marginally outpaced the emerging market local currency return of 9.7%. Japanese equities advanced considerably in local currency terms as a weaker yen was viewed as a major tailwind to its export driven economy. The U.K. also posted a solid quarter in local currency terms on the back of a weakening pound sterling and continued stimulus. Despite their local currency return strength, the USD returns of both countries were negative for the quarter with Japan returning -0.2% and the U.K. returning -0.9%.
- While the 4th quarter's emerging market results were negatively impacted by rising yields, a stronger USD, and fears surrounding future U.S. trade and foreign policy, one-year performance in emerging markets was more than double the returns posted by developed markets. Although one-year of outperformance does not represent a trend, emerging market investors are hoping for a continuance of 2016's emerging market performance surge after several years of lagging results relative to domestic and developed international equity markets.

Quarter Performance



1-Year Performance



The Market Environment
U.S. Dollar International Index Attribution & Country Detail
As of December 31, 2016

MSCI - EAFE	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	12.5%	1.6%	-1.3%
Consumer Staples	11.2%	-10.3%	-2.8%
Energy	5.5%	10.4%	26.8%
Financials	21.2%	9.5%	-1.7%
Health Care	10.7%	-7.8%	-11.8%
Industrials	14.0%	-1.9%	6.7%
Information Technology	5.5%	-3.2%	3.6%
Materials	7.9%	3.4%	24.3%
Real Estate	3.7%	-7.4%	2.6%
Telecommunication Services	4.5%	-6.9%	-7.3%
Utilities	3.4%	-7.4%	-5.5%
Total	100.0%	-0.7%	1.0%

MSCI - ACWIXUS	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	11.5%	-0.9%	-0.6%
Consumer Staples	9.8%	-10.1%	-1.9%
Energy	7.3%	8.3%	31.3%
Financials	23.4%	6.8%	4.0%
Health Care	8.1%	-8.1%	-13.1%
Industrials	11.7%	-2.2%	6.3%
Information Technology	9.3%	-5.0%	10.7%
Materials	8.0%	2.6%	27.6%
Real Estate	3.3%	-7.9%	1.4%
Telecommunication Services	4.7%	-6.7%	-4.1%
Utilities	3.2%	-7.2%	-3.3%
Total	100.0%	-1.3%	4.5%

MSCI - Emerging Mkt	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	10.3%	-9.5%	0.9%
Consumer Staples	7.2%	-10.5%	0.4%
Energy	7.9%	8.0%	36.5%
Financials	24.4%	-0.7%	15.0%
Health Care	2.5%	-9.6%	-7.5%
Industrials	5.8%	-6.2%	-1.9%
Information Technology	23.3%	-6.3%	16.8%
Materials	7.4%	4.2%	31.4%
Real Estate	2.6%	-10.5%	-1.8%
Telecommunication Services	5.9%	-6.2%	2.0%
Utilities	2.9%	-6.8%	3.2%
Total	100.0%	-4.2%	11.2%

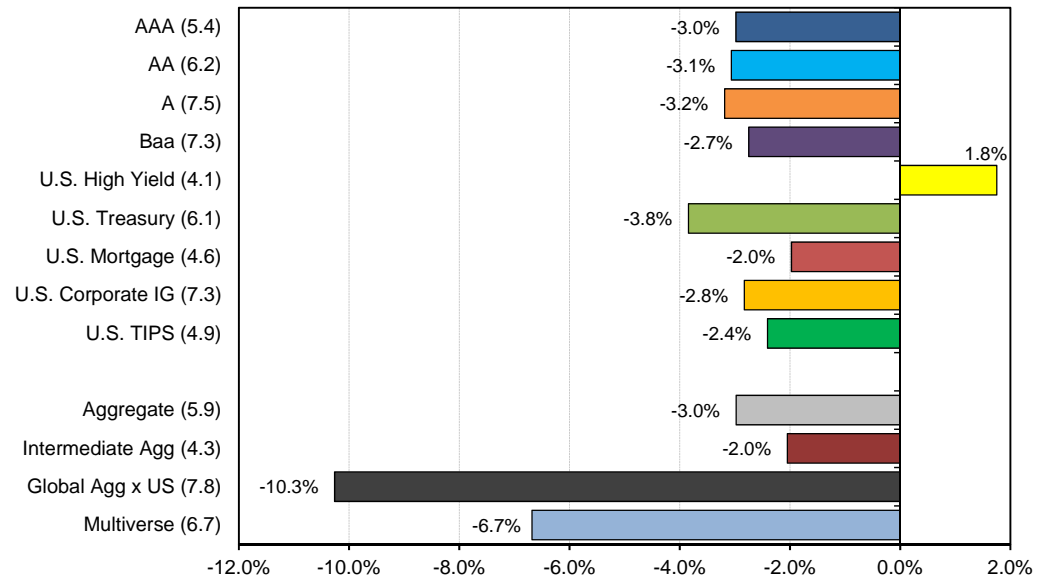
Country	MSCI-EAFE Weight	MSCI-ACWIXUS Weight	Quarter Return	1-Year Return
Japan	24.1%	17.0%	-0.2%	2.4%
United Kingdom	18.3%	12.9%	-0.9%	-0.1%
France	10.2%	7.2%	2.9%	4.9%
Germany	9.3%	6.5%	1.5%	2.8%
Switzerland	8.7%	6.1%	-3.9%	-4.9%
Australia	7.4%	5.2%	0.7%	11.5%
Netherlands	3.3%	2.3%	-2.1%	4.8%
Hong Kong	3.3%	2.3%	-9.0%	2.3%
Spain	3.1%	2.2%	2.2%	-1.0%
Sweden	2.8%	2.0%	-0.8%	0.6%
Italy	2.1%	1.5%	10.8%	-10.5%
Denmark	1.7%	1.2%	-8.7%	-15.8%
Singapore	1.2%	0.9%	-3.6%	1.4%
Belgium	1.2%	0.8%	-11.8%	-7.6%
Finland	1.0%	0.7%	-4.4%	-4.7%
Israel	0.7%	0.5%	-11.3%	-24.9%
Norway	0.7%	0.5%	2.4%	13.3%
Ireland	0.5%	0.3%	0.1%	-7.1%
Austria	0.2%	0.1%	6.5%	11.3%
New Zealand	0.2%	0.1%	-10.9%	18.4%
Portugal	0.2%	0.1%	-2.9%	3.6%
Total EAFE Countries	100.0%	70.3%	-0.7%	1.0%
Canada		7.1%	3.3%	24.6%
Total Developed Countries		77.3%	-0.4%	2.8%
China		6.0%	-7.1%	0.9%
Korea		3.3%	-5.6%	8.8%
Taiwan		2.8%	-2.2%	18.5%
India		1.9%	-8.0%	-1.4%
Brazil		1.7%	2.1%	66.2%
South Africa		1.6%	-4.1%	17.9%
Russia		1.0%	18.6%	54.8%
Mexico		0.8%	-7.9%	-9.2%
Indonesia		0.6%	-7.8%	17.0%
Malaysia		0.6%	-8.4%	-3.9%
Thailand		0.5%	-1.8%	26.6%
Philippines		0.3%	-12.8%	-6.6%
Chile		0.3%	2.2%	15.6%
Poland		0.3%	3.4%	0.1%
Turkey		0.2%	-13.7%	-8.5%
Qatar		0.2%	0.7%	6.3%
United Arab Emirates		0.2%	-1.5%	13.6%
Colombia		0.1%	-2.3%	26.5%
Peru		0.1%	2.5%	55.6%
Greece		0.1%	15.3%	-12.1%
Hungary		0.1%	9.3%	35.4%
Czech Republic		0.0%	-3.4%	-5.0%
Egypt		0.0%	-23.3%	-11.5%
Total Emerging Countries		22.7%	-4.2%	11.2%
Total ACWIXUS Countries		100.0%	-1.3%	4.5%

Source: MSCI Global Index Monitor (Returns are Net in USD)

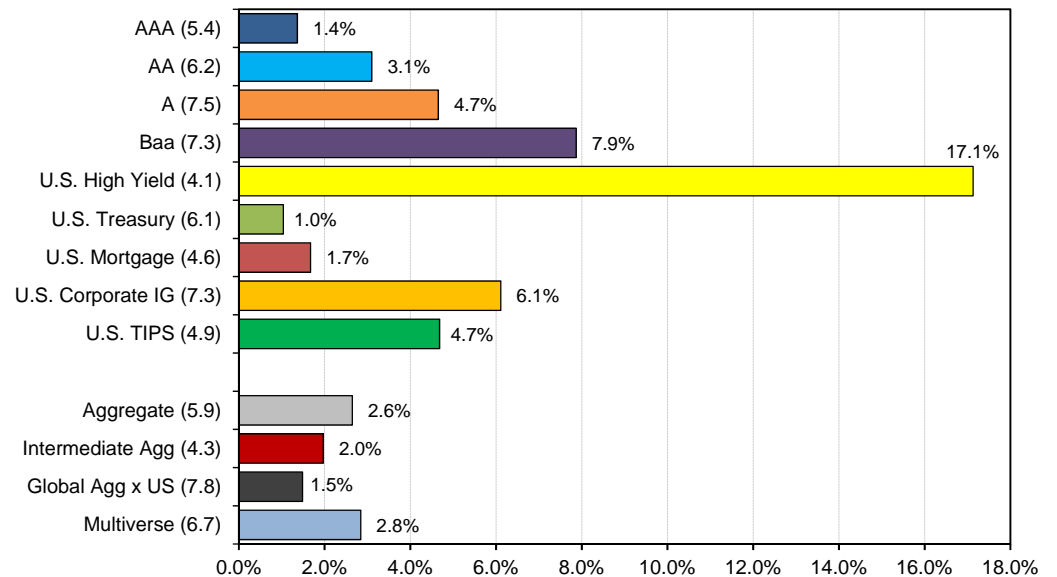


- After defying logic and market expectations with solid positive results for most of 2016, fixed income benchmarks fell across various sectors and quality segments during the 4th quarter as the reality of higher interest rates and inflation expectations exerted their powerful impact on yields. On the interest rate front, market rates rose through the quarter as investors prepared for a telegraphed, and ultimately realized, interest rate increase of 25 basis points (bps) by the Fed. The December increase was supported by continued improvement in the U.S. economy, and represented the sole Fed rate increase for 2016. On the inflation front, Donald Trump's victory in the U.S. presidential election also played a role in the quarter's negative fixed income results as market expectations after the victory shifted sentiment toward potentially higher inflation and economic growth.
- Looking through the quality lens, each of the fixed income quality segment benchmarks (with the exception of high yield) finished the 4th quarter down roughly -3%. The high yield (lower quality) benchmark was the only index to post a positive result for the quarter with a return of 1.8%. The high yield index benefited from its lower duration (less interest rate sensitivity) as well as a steady compression in credit spreads that offset the impact of generally higher market yields. Extending the comparison to the one-year period, the quality benchmarks all posted positive results with annual returns displaying an inverse relationship with their quality.
- Examining results on a sector basis shows the nominal Treasury sector feeling the largest impact from the yield curve shift with a 4th quarter return of -3.8%. The lower-duration TIPS index returned -2.4% for the quarter. The mortgage sector posted the quarter's best relative result with a return of -2.0% benefiting from its lower duration. Given the previously mentioned negative impact of USD strength on foreign investments, the 4th quarter was a particularly difficult quarter for global fixed income markets with the Global Aggregate ex-U.S. index returning -10.3%. Despite the 4th quarter's negative index results, each sector and global benchmark posted positive results for the trailing one-year period.
- The Fed stated that future rate increases will be implemented at a measured pace and will be based on an ongoing assessment of current economic data. However, future policy action by the new Trump Administration and global economic developments will likely impact the pace of future interest rate increases as well.

Quarter Performance

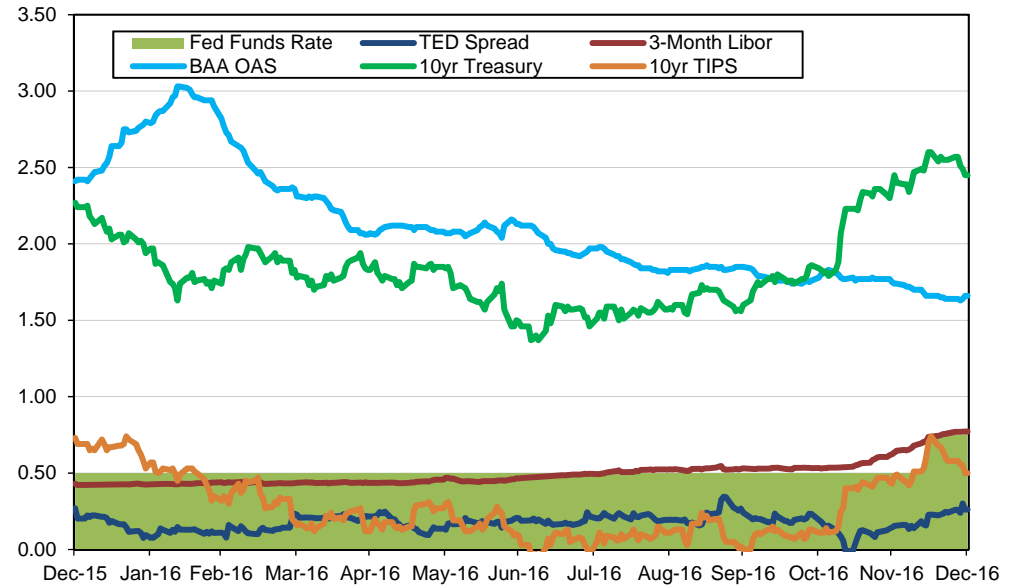


1-Year Performance

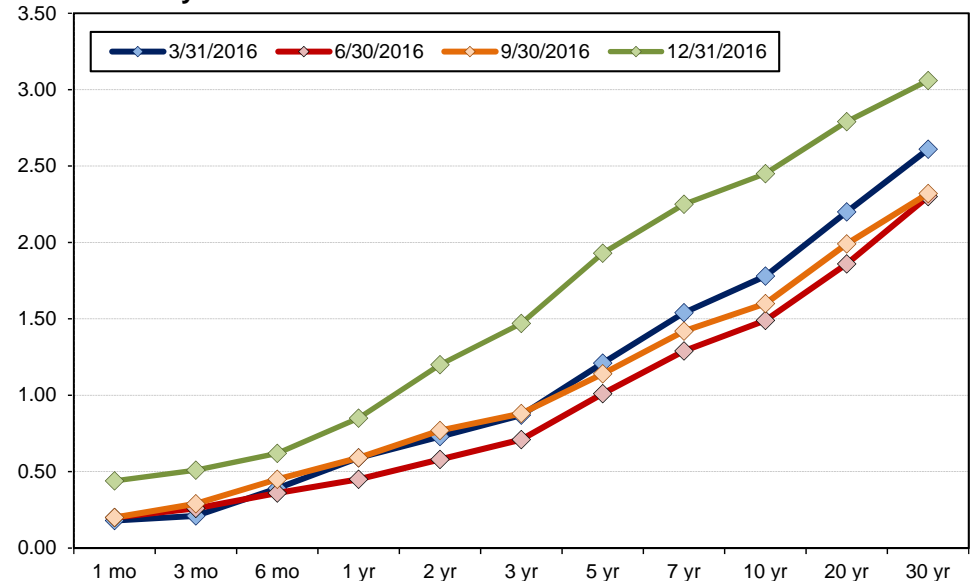


- Much of the index performance detailed in the bar graphs on the previous page is visible on a time series basis by reviewing the line graphs to the right. The '1-Year Trailing Market Rates' chart illustrates that after trading in a tight range for most of the year, the 10-year Treasury yield (green line) rose dramatically over the final months of 2016, closing at a yield (2.45%) near its one-year high. The blue line illustrates changes in the BAA OAS (Option Adjusted Spread). This measure quantifies the additional yield premium that investors require to purchase and hold non-Treasury issues. The steady decline in credit spreads throughout 2016 is equivalent to an interest rate decrease on corporate bonds, which results in a tailwind for corporate bond index returns. While there was some upside momentum in credit spreads early in 2016, they have narrowed by over 1.25% since their high on February 11th.
- The lower graph provides a snapshot of the U.S. Treasury yield curve at each of the last four calendar quarters and clearly illustrates the unrest that materialized in Treasury yields during the 4th quarter. While each of the last three quarter-end yield curves show a fairly tight distribution, the December 31st reading is higher at all maturities with both short- and long-term rates finishing 2016 near the high end of their respective 12-month trading ranges. This upward shift caused yields to rise an average of 22 bps for maturities of less than one-year, 60 bps for the two- to five-year maturity range, and 81 bps for the seven- to thirty-year maturity range. Greater yield increases at the longer end of the curve represent a "steepening" of the yield curve which conveys market anticipation of higher interest rates in the future.
- Given the magnitude of the increase in yields that occurred during the period, it is no surprise that most fixed income indices finished the quarter in negative territory. In a rising rate environment, it is also expected that longer-duration market indices will fall more than equivalent lower-duration benchmarks. Finally, while global benchmarks are impacted by the same yield and duration factors as domestic benchmarks, they have the additional powerful lever of currency impact. This currency effect can either be an offsetting benefit to negative yield and duration factors in a rising rate environment or an exacerbation of negative performance as it was during the 4th quarter.

1-Year Trailing Market Rates



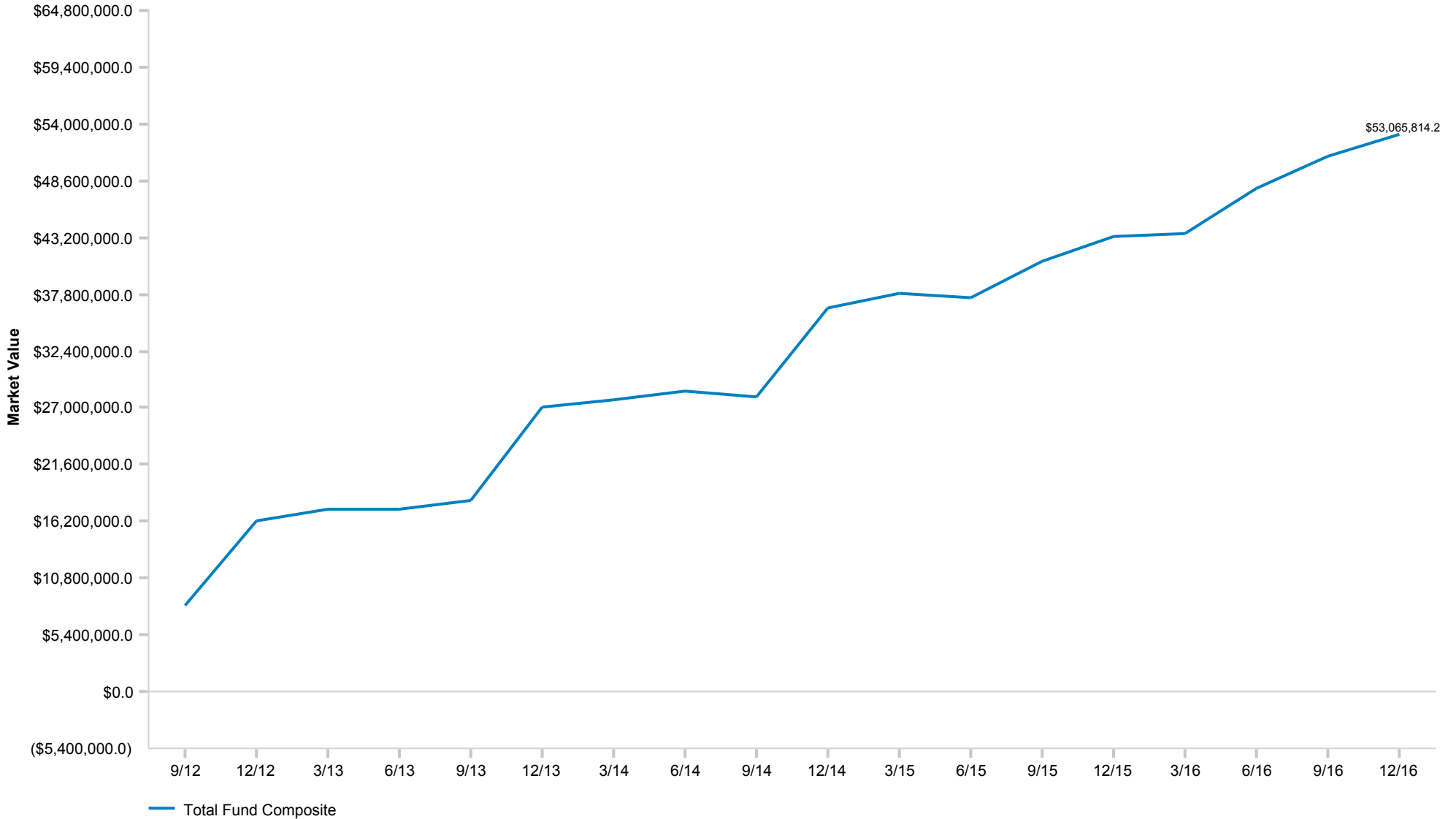
Treasury Yield Curve



10.5%



Schedule of Investable Assets



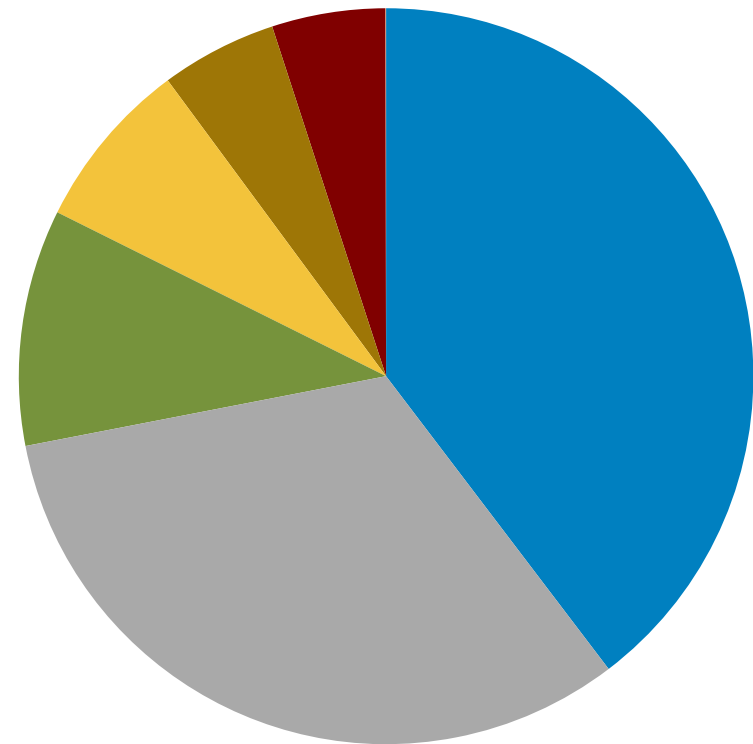
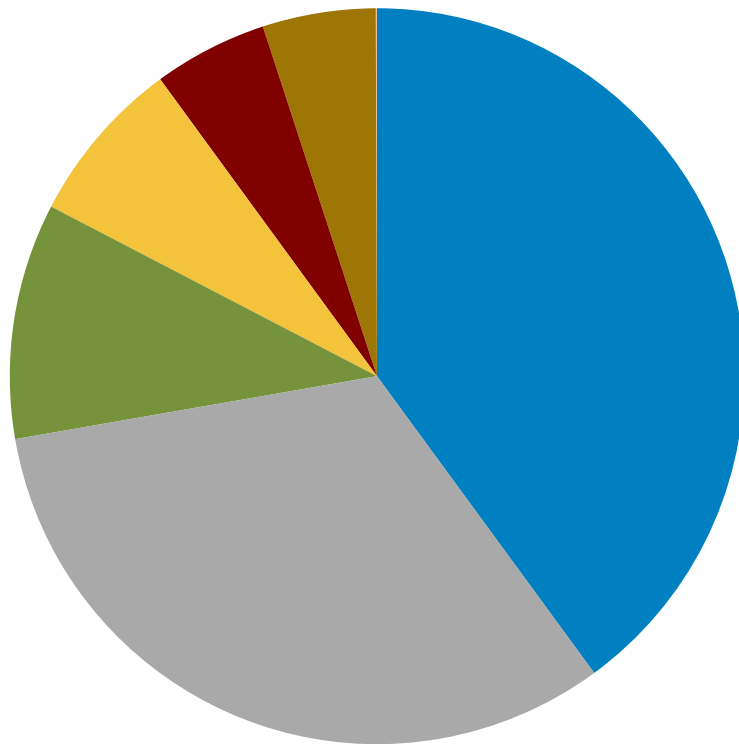
Schedule of Investable Assets

Periods Ending	Beginning Market Value \$	Net Cash Flow \$	Gain/Loss \$	Ending Market Value \$	%Return
Oct-2012 To Dec-2016	8,192,495	36,867,415	8,005,904	53,065,814	7.17



September 30, 2016 : \$50,970,830

December 31, 2016 : \$53,065,814

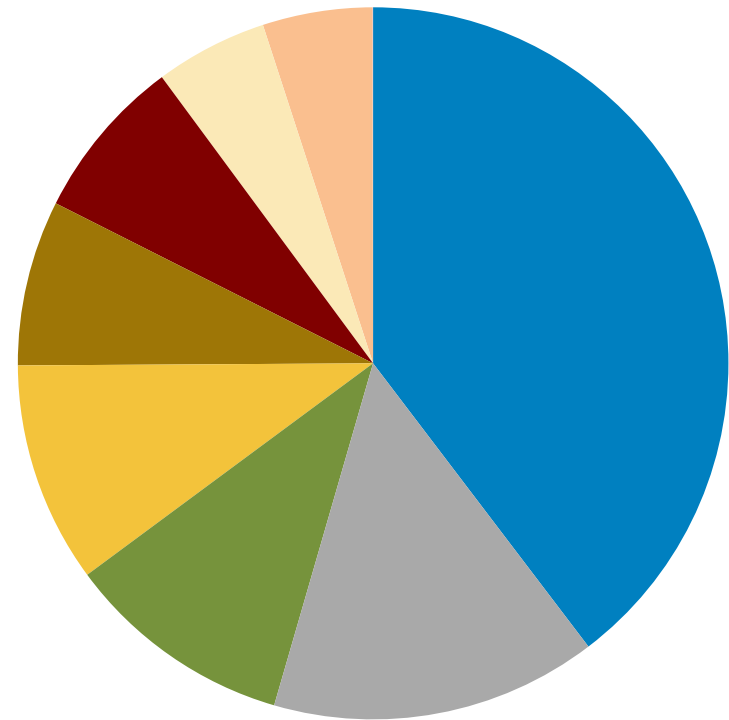
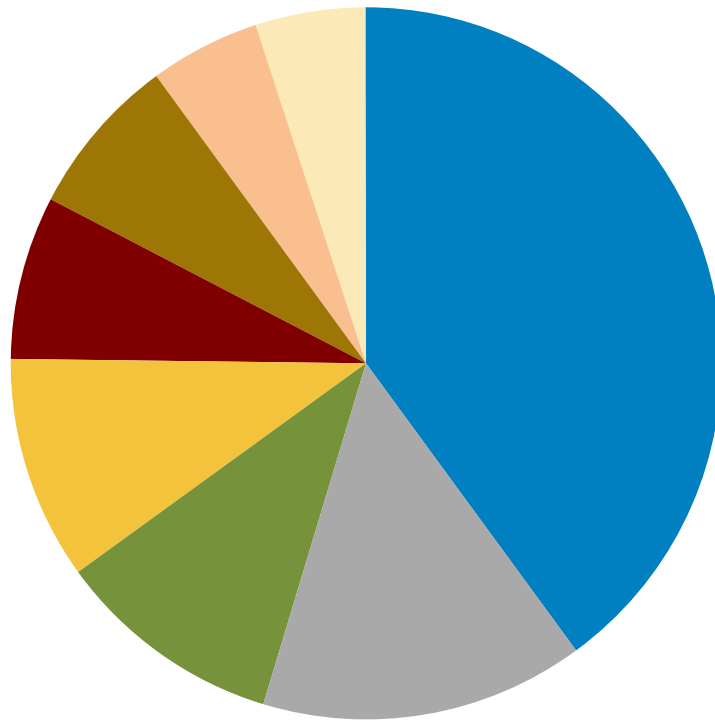


Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
Core Plus Fixed Income	20,353,147	39.9	Core Plus Fixed Income	21,037,126	39.6
Domestic Equity	16,479,685	32.3	Domestic Equity	17,150,217	32.3
MLPs	5,281,926	10.4	MLPs	5,510,660	10.4
International Equity	3,732,431	7.3	International Equity	3,989,794	7.5
High Yield Fixed Income	2,559,832	5.0	Real Estate	2,713,002	5.1
Real Estate	2,535,279	5.0	High Yield Fixed Income	2,645,246	5.0
Cash	28,530	0.1	Cash	19,769	0.0



September 30, 2016 : \$50,970,830

December 31, 2016 : \$53,065,814



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
■ MacKay Shields Core Plus	20,353,147	39.9	■ MacKay Shields Core Plus	21,037,126	39.6
■ Fiduciary Management	7,512,402	14.7	■ Fiduciary Management	7,880,338	14.9
■ ARI MLP	5,281,926	10.4	■ ARI MLP	5,510,660	10.4
■ Barrow Hanley MeWhinney & Strauss	5,180,595	10.2	■ Barrow Hanley MeWhinney & Strauss	5,321,125	10.0
■ Stephens Mid Cap Growth	3,786,689	7.4	■ Causeway International (CIVIX)	3,989,794	7.5
■ Causeway International (CIVIX)	3,732,431	7.3	■ Stephens Mid Cap Growth	3,948,754	7.4
■ Loomis Sayles High Yield (LSHIX)	2,559,832	5.0	■ Cohen & Steers (CSRIX)	2,713,002	5.1
■ Cohen & Steers (CSRIX)	2,535,279	5.0	■ Loomis Sayles High Yield (LSHIX)	2,645,246	5.0
■ Cash	28,530	0.1	■ Cash	19,769	0.0



Asset Allocation & Performance
Total Fund Composite (Gross of Fees)
As of December 31, 2016

Asset Allocation & Performance	Allocation		Performance(%)					
	Market Value \$	%	QTR	1 YR	3 YR	5 YR	Inception	Inception Date
Total Fund Composite (Gross of Fees)	53,065,814	100.0	1.49	10.54	4.37	N/A	7.17	10/01/2012
Policy Index			0.63	9.47	4.67	8.38	7.22	
OPEB Actuarial Assumption			1.71	7.00	7.00	N/A	7.07	
Total Fund Composite (Net of Fees)			1.38	10.10	3.84	N/A	6.58	
Fiduciary Management	7,880,338	14.9	5.07	14.92	8.54	N/A	13.00	10/01/2012
Russell 1000 Value Index			6.68	17.34	8.59	14.80	13.65	
S&P 500 Index			3.82	11.96	8.87	14.66	13.33	
Stephens Mid Cap Growth	3,948,754	7.4	0.33	7.86	4.01	N/A	11.25	01/01/2013
Russell Midcap Growth Index			0.46	7.33	6.23	13.51	12.94	
Barrow Hanley MeWhinney & Strauss	5,321,125	10.0	12.66	27.59	7.23	N/A	16.89	10/01/2012
Russell 2000 Value Index			14.07	31.74	8.31	15.07	14.29	
Causeway International (CIVIX)	3,989,794	7.5	0.44	0.48	-2.99	N/A	-0.88	10/01/2013
MSCI EAFE (Net) Index			-0.71	1.00	-1.60	6.53	0.22	
Cohen & Steers (CSRIX)	2,713,002	5.1	-3.52	5.89	13.20	N/A	10.68	01/01/2013
FTSE NAREIT All Equity REITs			-3.28	8.63	12.66	11.98	10.13	
ARI MLP	5,510,660	10.4	3.38	21.44	-2.13	N/A	5.00	10/01/2012
Alerian MLP Index			2.04	18.31	-5.80	2.25	0.70	
MacKay Shields Core Plus	21,037,126	39.6	-2.29	3.99	N/A	N/A	1.94	07/01/2014
Bloomberg Barclays U.S. Aggregate Index			-2.98	2.65	3.03	2.23	2.06	
Loomis Sayles High Yield (LSHIX)	2,645,246	5.0	2.17	18.92	3.91	N/A	6.60	01/01/2013
BofA Merrill Lynch High Yield Master II			1.88	17.49	4.72	7.35	5.39	
Cash	19,769	0.0						

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: Causeway International (CIVIX), Cohen & Steers (CSRIX), and Loomis Sayles High Yield (LSHIX).
Gross of fees performance would be approximately 0.14% higher on an annual basis if these fees were included.



Asset Allocation & Performance	Allocation		Performance(%)					
	Market Value \$	%	2016	2015	2014	2013	2012	2011
Total Fund Composite (Gross of Fees)	53,065,814	100.0	10.54	-2.43	5.42	17.12	N/A	N/A
Policy Index			9.47	-2.53	7.49	16.29	12.11	4.25
OPEB Actuarial Assumption			7.00	7.00	7.00	7.19	N/A	N/A
Fiduciary Management	7,880,338	14.9	14.92	-1.93	13.46	30.21	N/A	N/A
Russell 1000 Value Index			17.34	-3.83	13.45	32.53	17.51	0.39
S&P 500 Index			11.96	1.38	13.69	32.39	16.00	2.11
Stephens Mid Cap Growth	3,948,754	7.4	7.86	-0.28	4.61	36.16	N/A	N/A
Russell Midcap Growth Index			7.33	-0.20	11.90	35.74	15.81	-1.65
Barrow Hanley MeWhinney & Strauss	5,321,125	10.0	27.59	-6.22	3.03	48.35	N/A	N/A
Russell 2000 Value Index			31.74	-7.47	4.22	34.52	18.05	-5.50
Causeway International (CIVIX)	3,989,794	7.5	0.48	-3.12	-6.22	N/A	N/A	N/A
MSCI EAFE (Net) Index			1.00	-0.81	-4.90	22.78	17.32	-12.14
Cohen & Steers (CSRIX)	2,713,002	5.1	5.89	5.23	30.18	3.46	N/A	N/A
FTSE NAREIT All Equity REITs			8.63	2.83	28.03	2.86	19.70	8.28
ARI MLP	5,510,660	10.4	21.44	-32.54	14.43	32.52	N/A	N/A
Alerian MLP Index			18.31	-32.59	4.80	27.58	4.80	13.88
MacKay Shields Core Plus	21,037,126	39.6	3.99	-0.08	N/A	N/A	N/A	N/A
Bloomberg Barclays U.S. Aggregate Index			2.65	0.55	5.97	-2.02	4.21	7.84
Loomis Sayles High Yield (LSHIX)	2,645,246	5.0	18.92	-10.27	5.17	15.07	N/A	N/A
BofA Merrill Lynch High Yield Master II			17.49	-4.64	2.50	7.42	15.58	4.38
Cash	19,769	0.0						

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: Causeway International (CIVIX), Cohen & Steers (CSRIX), and Loomis Sayles High Yield (LSHIX).
Gross of fees performance would be approximately 0.14% higher on an annual basis if these fees were included.



Fiduciary's objective is to buy durable business at value prices in order to achieve top in class investment results over a three to five year time horizon. Fiduciary considers themselves long-term investors, not traders. They will typically hold between 20-30 companies in their portfolio with an average turnover of 35%. The research process is geared toward finding six new investment ideas for the portfolio in a given year. All investment ideas are generated by a research team consisting of six individuals, rather than relying on the portfolio manager. As of December 31, 2016, Fiduciary had a market value of \$7,880,338.

Fiduciary Management		Weight %
Berkshire Hathaway Inc		5.0
Comcast Corp		4.8
Unitedhealth Group Inc		4.4
Dollar General Corp		4.2
Honeywell International Inc		4.1
Accenture PLC		4.0
JPMorgan Chase & Co		3.9
Schlumberger Ltd		3.9
Bank of New York		3.5
TE Connectivity Ltd		3.4

Equity Assets Exposures by Sector	Fiduciary Management	Russell 1000 Value Index
Cash	9.40	N/A
Consumer Discretionary	18.19	4.54
Consumer Staples	3.80	8.04
Energy	6.80	13.63
Financials	17.97	26.78
Health Care	9.05	10.22
Industrials	14.76	10.03
Information Technology	14.59	9.40
Materials	3.25	2.83
Real Estate	N/A	4.62
Telecommunication Services	2.18	3.86
Utilities	N/A	6.04

Equity Characteristics	Fiduciary Management	Russell 1000 Value Index
Wtd. Avg. Mkt. Cap (\$)	89,921,480,498	120,671,360,621
Price/Earnings ratio	17.6	18.4
Price/Book ratio	3.1	2.1
Current Yield	1.7	2.5
Number of Stocks	31	696



The Stephens Mid Cap Growth portfolio is a diversified portfolio that seeks long term growth of capital by investing primarily in common stock of U.S. companies with market capitalizations of between \$1.5 billion to \$12.5 billion. They select mid cap growth companies that are established growth companies that have achieved above average growth. The combination of core growth and catalyst growth stocks positions the portfolio for varying market conditions. As of December 31, 2016, Stephens had a market value of \$3,948,754.

Stephens Mid Cap Growth		Russell Midcap Growth Index	
	Weight %		Weight %
SVB Financial Group	2.0	NVIDIA Corp	2.0
NVIDIA Corp	1.9	O'Reilly Automotive Inc	1.0
Ross Stores Inc	1.8	Ross Stores Inc	0.9
IDEXX Laboratories Inc	1.8	Equinix Inc	0.9
MercadoLibre Inc	1.7	Zoetis Inc	0.9
Microchip Technology Inc	1.7	Intuitive Surgical Inc	0.9
Cognex Corp	1.6	Fiserv Inc.	0.9
Ulta Salon Cosmetics	1.6	AutoZone Inc	0.8
FLIR Systems Inc	1.6	Electronic Arts Inc.	0.8
Netflix Inc	1.5	Dollar General Corp	0.8

Equity Assets Exposures by Sector

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Cash	3.22	N/A
Consumer Discretionary	18.79	23.60
Consumer Staples	2.72	7.28
Energy	6.66	1.44
Financials	5.80	5.45
Health Care	21.01	14.97
Industrials	10.87	14.91
Information Technology	30.93	21.92
Materials	N/A	5.21
Real Estate	N/A	4.72
Telecommunication Services	N/A	0.49

Equity Characteristics

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Wtd. Avg. Mkt. Cap (\$)	11,799,197,303	13,388,456,973
Price/Earnings ratio	33.1	25.0
Price/Book ratio	4.6	4.9
Current Yield	0.5	1.2
Number of Stocks	94	468



The strategy is designed to exploit inefficiencies in the small cap sector of the market by carefully employing high value-added proprietary research in a universe of small capitalization, low-expectation stocks. This process is directed toward the discovery of companies in which the value of the underlying business is significantly greater than the market price. The portfolio's goal is to consistently generate superior returns while assuming below average levels of risk. As of December 31, 2016, Barrow, Hanley, MeWhinney & Strauss had a market value of \$5,321,125.

Barrow Hanley MeWhinney & Strauss		Russell 2000 Value Index	
	Weight %		Weight %
Texas Capital Bancshares Inc	4.6	Webster Financial Corp	0.5
II VI Inc	4.1	Prosperity Bancshares Inc	0.5
Vishay Intertechnology Inc.	4.1	Advanced Micro Devices Inc	0.4
Terex Corp	3.5	RSP Permian Inc	0.4
Plexus Corp	3.5	PrivateBancorp Inc	0.4
Brooks Automation Inc	3.4	Olin Corp	0.4
UMB Financial Corp	3.4	XPO Logistics Inc	0.4
Prosperity Bancshares Inc	3.3	Investors Bancorp Inc	0.4
Barnes Group Inc	3.1	Umpqua Holdings Corp	0.4
American Axle & Manufacturing Holdings Inc	3.0	IDACORP Inc.	0.4

Equity Assets Exposures by Sector

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Cash	2.75	N/A
Consumer Discretionary	9.01	9.96
Consumer Staples	N/A	2.81
Energy	4.31	5.87
Financials	11.28	32.68
Health Care	2.43	4.27
Industrials	30.37	12.63
Information Technology	29.40	10.35
Materials	10.45	4.63
Real Estate	N/A	10.14
Telecommunication Services	N/A	0.67
Utilities	N/A	5.98

Equity Characteristics

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Wtd. Avg. Mkt. Cap (\$)	2,658,968,538	2,040,201,640
Price/Earnings ratio	23.4	19.8
Price/Book ratio	2.0	1.8
Current Yield	0.9	1.9
Number of Stocks	39	1,369

Fund Information

Fund Name : Causeway Capital Management Trust: Causeway International Value Fund; Institutional Class Shares
 Fund Family : Causeway Capital Management LLC
 Ticker : CIVIX
 Inception Date : 10/26/2001
 Fund Assets : \$5,455 Million
 Portfolio Turnover : 41%

Portfolio Assets : \$6,116 Million
 Portfolio Manager : Team Managed
 PM Tenure :
 Fund Style : IM International Large Cap Value Equity (MF)
 Style Benchmark : MSCI EAFE (Net) Index

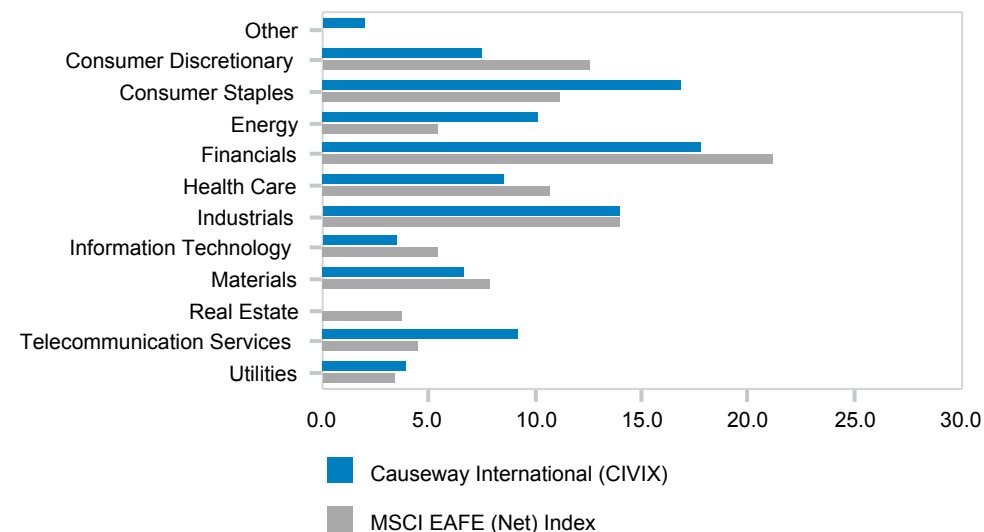
Portfolio Characteristics As of 12/31/2016

	Portfolio	Benchmark
Total Securities	62	930
Avg. Market Cap (\$)	66,888,212,265	8,882,222,266
Price/Earnings (P/E)	23.77	18.05
Price/Book (P/B)	2.79	2.15
Dividend Yield	3.07	3.21
Annual EPS	2.06	N/A
5 Yr EPS	1.44	4.01
3 Yr EPS Growth	-0.02	N/A
Beta (3 Years, Monthly)	0.90	1.00

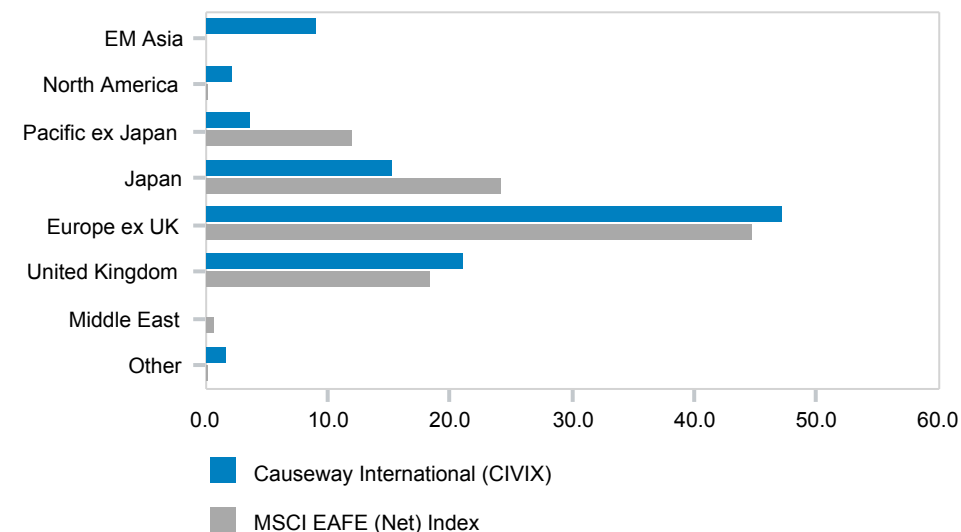
Top Ten Securities As of 12/31/2016

Volkswagen AG PFD	4.2 %
Royal Dutch Shell Plc B ORD	3.8 %
Total SA ORD	3.3 %
British American Tobacco PLC ORD	3.1 %
Akzo Nobel NV ORD	3.0 %
Schneider Electric SE ORD	3.0 %
China Mobile Ltd ORD	2.9 %
East Japan Railway Co ORD	2.9 %
ABB Ltd ORD	2.8 %
Samsung Electronics Co Ltd ORD	2.8 %

Sector Weights As of 12/31/2016



Region Weights As of 12/31/2016



Statistics provided by Lipper. Most recent available data shown.



Fund Information

Fund Name : Cohen & Steers Institutional Realty Shares, Inc
 Fund Family : Cohen & Steers Capital Management Inc
 Ticker : CSRIX
 Inception Date : 02/14/2000
 Fund Assets : \$2,764 Million
 Portfolio Turnover : 60%

Portfolio Assets : \$2,764 Million
 Portfolio Manager : Team Managed
 PM Tenure :
 Fund Style : IM Real Estate Sector (MF)
 Style Benchmark : FTSE NAREIT All Equity REITs

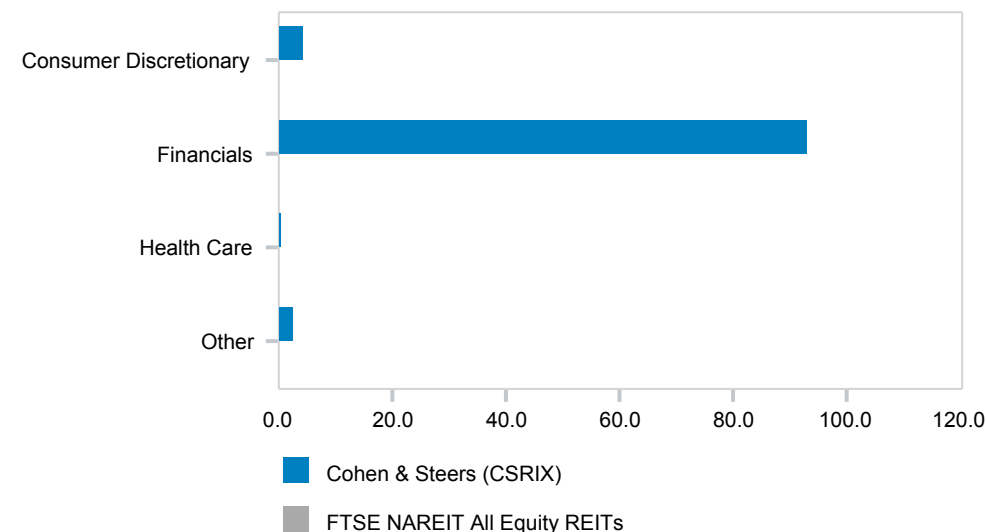
Portfolio Characteristics As of 12/31/2016

	Portfolio	Benchmark
Total Securities	53	N/A
Avg. Market Cap (\$)	16,028,687,234	-
Price/Earnings (P/E)	43.12	N/A
Price/Book (P/B)	3.73	N/A
Dividend Yield	3.57	N/A
Annual EPS	39.99	N/A
5 Yr EPS	21.74	N/A
3 Yr EPS Growth	27.00	N/A
Beta (3 Years, Monthly)	1.02	1.00

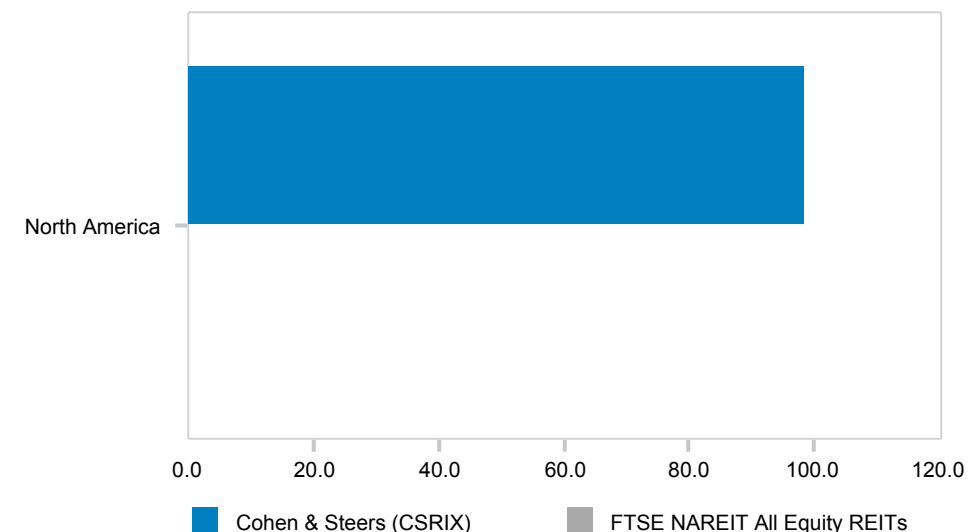
Top Ten Securities As of 12/31/2016

Simon Property Group Inc ORD	8.9 %
Prologis Inc ORD	5.8 %
UDR Inc	5.6 %
Apartment Investment and Management	3.7 %
Digital Realty Trust Inc ORD	3.5 %
SL Green Realty Corp	3.5 %
AvalonBay Communities Inc ORD	3.2 %
Alexandria Real Estate Equities	3.1 %
Brixmor Property Group Inc	3.0 %
Ventas Inc ORD	2.8 %

Sector Weights As of 12/31/2016



Region Weights As of 12/31/2016



Statistics provided by Lipper. Most recent available data shown.



The ARI Master Limited Partnerships (MLPs) strategy is a diversified portfolio consisting primarily of publicly traded partnerships focused in the natural resources and energy infrastructure industries. The objective is to provide high levels of total returns and a growing cash yield. It offers low correlation to the broader equity market over the long-term. As of December 31, 2016, ARI had a market value of \$5,510,660.

ARI MLP		Alerian MLP Index	
	Weight %		Weight %
Energy Transfer Partners LP	9.5	Enterprise Products Partners LP	18.6
Magellan Midstream Partners LP	8.6	Energy Transfer Partners LP	9.1
DCP Midstream LP	8.0	Magellan Midstream Partners LP	8.7
MPLX LP	6.9	Plains All American Pipeline LP	6.5
Tesoro Logistics LP	6.3	Williams Partners LP	4.8
Plains All American Pipeline LP	5.8	Buckeye Partners LP	4.7
Buckeye Partners LP	5.2	MPLX LP	4.7
Williams Partners LP	4.8	ONEOK Partners LP	3.4
Enbridge Energy Partners LP	4.7	Sunoco Logistics Partners LP	3.1
Western Gas Equity Partners LP	4.3	Enbridge Energy Partners LP	2.8

Equity Assets Exposures by Sector

	ARI MLP	Alerian MLP Index
Cash	0.53	N/A
Energy	99.47	97.17
Materials	N/A	0.24
Utilities	N/A	2.59

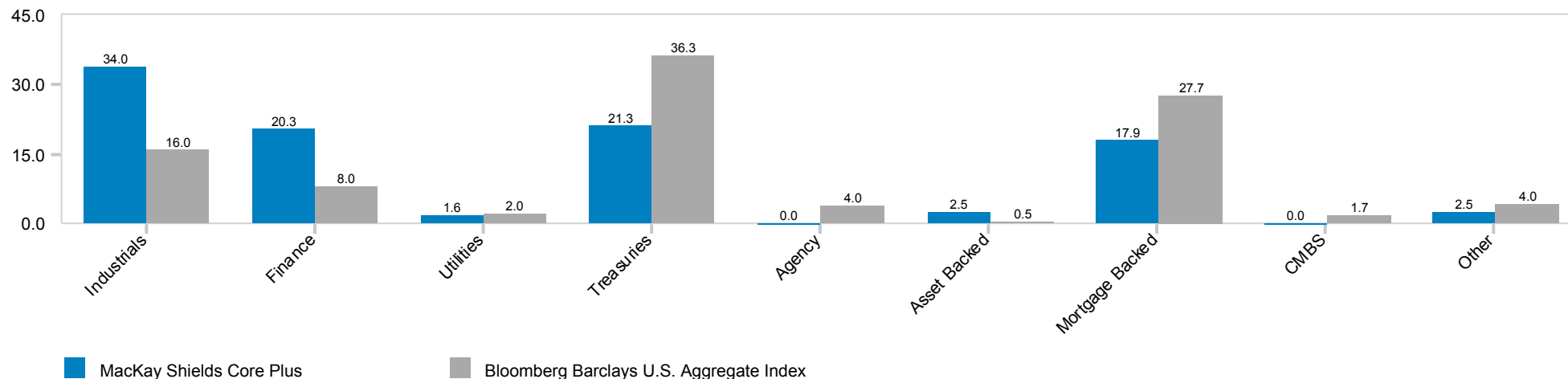
Equity Characteristics

	ARI MLP	Alerian MLP Index
Wtd. Avg. Mkt. Cap (\$)	10,065,360,074	19,586,872,713
Price/Earnings ratio	22.8	23.1
Price/Book ratio	2.5	2.5
Current Yield	7.2	7.1
Number of Stocks	28	43

MacKay Shields Core Plus seeks to outperform the benchmark by eliminating or reducing uncompensated risk while opportunistically allocating investments across a range of core and off-benchmark sectors. The fund typically invests in the same sectors represented by the Barclays U.S. Aggregate Bond Index, as well as high yield, emerging market debt, and non-US Dollar exposure. Their philosophy is centered on their pursuit of consistent, superior rates of return with low volatility. Their goal for the product is to provide enhanced returns over a full market cycle with lower-than market risk. This portfolio replaced Smith

Affiliated during the second quarter of 2014. As of December 31, 2016, MacKay Shields had a market value of \$21,037,126.

Sector Distribution (%)



Portfolio Characteristics

	Portfolio	Benchmark
Avg. Maturity	7.50	7.74
Avg. Quality	A+	AA+
Coupon Rate (%)	3.64	3.06
Modified Duration	5.56	5.82
Yield To Maturity (%)	2.83	2.56
Holdings Count	215	9,905



Fund Information

Fund Name :	Loomis Sayles Funds I: Loomis Sayles Institutional High Income Fund; Institutional Class	Portfolio Assets :	\$735 Million
Fund Family :	Loomis Sayles & Company LP	Portfolio Manager :	Fuss/Eagan/Stokes
Ticker :	LSHIX	PM Tenure :	1996--2007--2007
Inception Date :	06/05/1996	Fund Style :	IM U.S. High Yield Bonds (MF)
Fund Assets :	\$735 Million	Style Benchmark :	Citigroup High Yield Market Index
Portfolio Turnover :	17%		

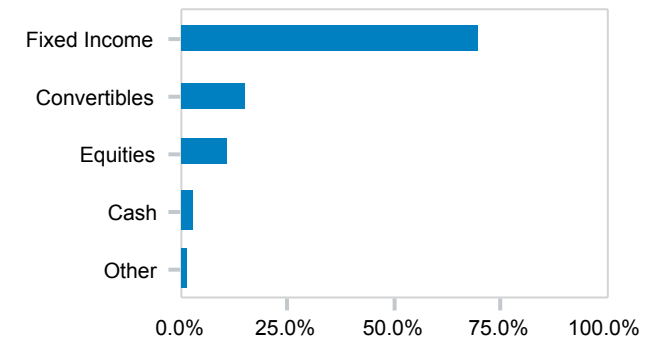
Fund Characteristics As of 09/30/2016

Avg. Coupon	5.19 %
Nominal Maturity	N/A
Effective Maturity	6.29 Years
Duration	3.97 Years
SEC 30 Day Yield	5.5
Avg. Credit Quality	BB

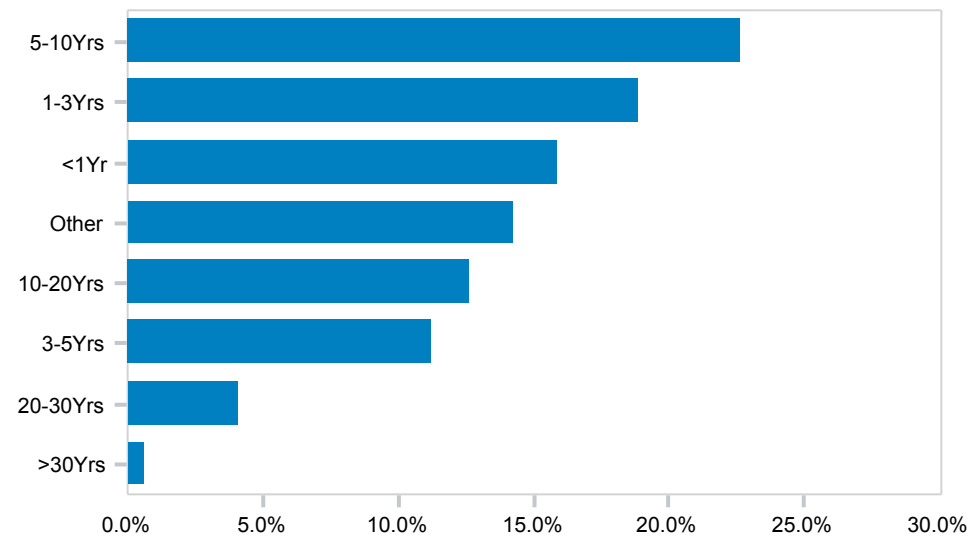
Top Ten Securities As of 09/30/2016

Corporate Notes/Bonds	59.9 %
Convertible Securities	14.9 %
Common Stock	10.8 %
Fgn. Currency Denominated Bonds	8.0 %
Treasury Notes/Bonds	2.9 %
Asset Backed Securities	0.3 %
Preferred Stock-Non Convertible	0.3 %

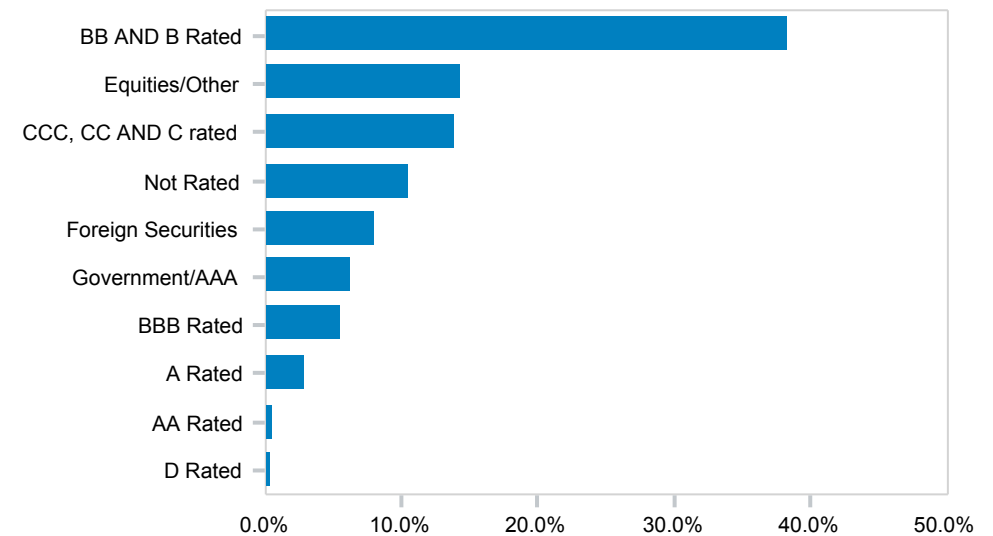
Asset Allocation As of 09/30/2016



Maturity Distribution As of 09/30/2016



Sector/Quality Allocation As of 09/30/2016



Statistics provided by Lipper. Most recent available data shown.



**Port of Houston OPEB
 Manager Status Summary
 As of December 31, 2016**

Manager	Mandate	Status	Notes
Fiduciary Management	Large Cap Value Equity	In Compliance	
Stephens Mid Cap Growth	Mid Cap Growth Equity	On Alert	4q2014 - Performance
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	Non-Compliance	Beta 1.22 vs. Investment Policy Statement of 1.20
Causeway International (CIVIX)	International Equity	In Compliance	
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	In Compliance	
ARI MLP	Master Limited Partnership	In Compliance	
Mackay Shields Core Plus	Core Plus Fixed Income	In Compliance	
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	In Compliance	

In Compliance- The portfolio is acting in full compliance with its guidelines and it is performing according to expectations.

On Alert- Concerns exist with the portfolio's performance, a change in investment characteristics, management style, ownership structure, staff or other related events.

On Notice- A continued and serious problem with any of the issues mentioned above. If the situation is not resolved to the Trustee's satisfaction, a replacement will be replaced and hired.



Port of Houston Authority
OPEB Fee Analysis
As of December 31, 2016

	Estimated Annual Fee (%)	Market Value (\$)	Estimated Annual Fee (\$)	Fee Schedule
Total Fund Composite	0.60	53,065,814	316,960	
Equity Composite	0.77	29,363,672	225,342	
Domestic Equity	0.74	17,150,217	126,959	
Fiduciary Management	0.55	7,880,338	43,342	0.55 % of Assets
Stephens Mid Cap Growth	0.77	3,948,754	30,405	0.77 % of Assets
Barrow Hanley MeWhinney & Strauss	1.00	5,321,125	53,211	1.00 % of First \$10 M 0.50 % of Next \$190 M 0.40 % of Next \$200 M 0.30 % Thereafter
International Equity	0.92	3,989,794	36,706	
Causeway International (CIVIX)	0.92	3,989,794	36,706	0.92 % of Assets
Real Estate	0.75	2,713,002	20,348	
Cohen & Steers (CSRIX)	0.75	2,713,002	20,348	0.75 % of Assets
MLPs	0.75	5,510,660	41,330	
ARI MLP	0.75	5,510,660	41,330	0.75 % of Assets
Fixed Income Composite	0.39	23,702,142	91,618	
Core Plus Fixed Income	0.35	21,037,126	73,630	
MackKay Shields Core Plus	0.35	21,037,126	73,630	0.35 % of Assets
High Yield Fixed Income	0.68	2,645,246	17,988	
Loomis Sayles High Yield (LSHIX)	0.68	2,645,246	17,988	0.68 % of Assets



**Port of Houston OPEB
Fee Summary
As of December 31, 2016**

Structure	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Fiduciary Management	Large Cap Value Equity	0.55%	1.21%	0.66%	\$52,010
Stephens Mid Cap Growth	Mid Cap Growth Equity	0.77%	1.35%	0.58%	\$22,903
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	1.00%	1.40%	0.40%	\$21,285
Causeway International (CIVIX)	International Equity	0.91%	1.16%	0.25%	\$9,974
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	0.75%	1.31%	0.56%	\$15,193
ARI MLP	Master Limited Partnership	0.75%	1.00%	0.25%	\$13,777
Mackay Shields Core Plus	Core Plus Fixed Income	0.35%	0.84%	0.49%	\$103,082
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	0.68%	1.08%	0.40%	\$10,581
Total Management Fees		0.60%	1.07%	0.47%	\$248,804

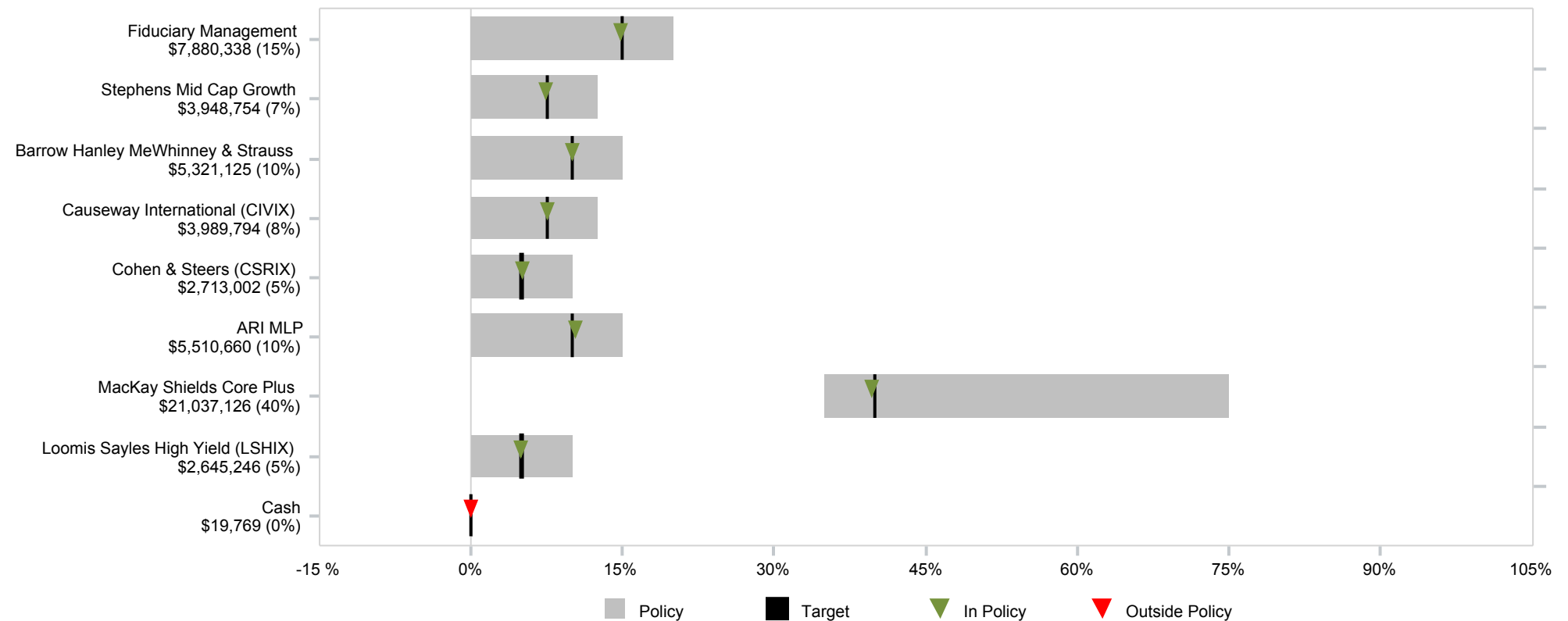
Source: Morningstar and Investment Managers



Asset Allocation Compliance

	Asset Allocation \$	Current Allocation (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund Composite	53,065,814	100.0	100.0	0.0		
Fiduciary Management	7,880,338	14.9	15.0	-0.1	0.0	20.0
Stephens Mid Cap Growth	3,948,754	7.4	7.5	-0.1	0.0	12.5
Barrow Hanley MeWhinney & Strauss	5,321,125	10.0	10.0	0.0	0.0	15.0
Causeway International (CIVIX)	3,989,794	7.5	7.5	0.0	0.0	12.5
Cohen & Steers (CSRIX)	2,713,002	5.1	5.0	0.1	0.0	10.0
ARI MLP	5,510,660	10.4	10.0	0.4	0.0	15.0
MacKay Shields Core Plus	21,037,126	39.6	40.0	-0.4	35.0	75.0
Loomis Sayles High Yield (LSHIX)	2,645,246	5.0	5.0	0.0	0.0	10.0
Cash	19,769	0.0	0.0	0.0	0.0	0.0

Executive Summary



Active Return	- Arithmetic difference between the manager's performance and the designated benchmark return over a specified time period.
Alpha	- A measure of the difference between a portfolio's actual performance and its expected return based on its level of risk as determined by beta. It determines the portfolio's non-systemic return, or its historical performance not explained by movements of the market.
Beta	- A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of the portfolio's systematic risk.
Consistency	- The percentage of quarters that a product achieved a rate of return higher than that of its benchmark. Higher consistency indicates the manager has contributed more to the product's performance.
Distributed to Paid In (DPI)	- The ratio of money distributed to Limited Partners by the fund, relative to contributions. It is calculated by dividing cumulative distributions by paid in capital. This multiple shows the investor how much money they got back. It is a good measure for evaluating a fund later in its life because there are more distributions to measure against.
Down Market Capture	- The ratio of average portfolio performance over the designated benchmark during periods of negative returns. A lower value indicates better product performance
Downside Risk	- A measure similar to standard deviation that utilizes only the negative movements of the return series. It is calculated by taking the standard deviation of the negative quarterly set of returns. A higher factor is indicative of a riskier product.
Excess Return	- Arithmetic difference between the manager's performance and the risk-free return over a specified time period.
Excess Risk	- A measure of the standard deviation of a portfolio's performance relative to the risk free return.
Information Ratio	- This calculates the value-added contribution of the manager and is derived by dividing the active rate of return of the portfolio by the tracking error. The higher the Information Ratio, the more the manager has added value to the portfolio.
Public Market Equivalent (PME)	- Designs a set of analyses used in the Private Equity Industry to evaluate the performance of a Private Equity Fund against a public benchmark or index.
R-Squared	- The percentage of a portfolio's performance that can be explained by the behavior of the appropriate benchmark. A high R-Squared means the portfolio's performance has historically moved in the same direction as the appropriate benchmark.
Return	- Compounded rate of return for the period.
Sharpe Ratio	- Represents the excess rate of return over the risk free return divided by the standard deviation of the excess return. The result is an absolute rate of return per unit of risk. A higher value demonstrates better historical risk-adjusted performance.
Standard Deviation	- A statistical measure of the range of a portfolio's performance. It represents the variability of returns around the average return over a specified time period.
Total Value to Paid In (TVPI)	- The ratio of the current value of remaining investments within a fund, plus the total value of all distributions to date, relative to the total amount of capital paid into the fund to date. It is a good measure of performance before the end of a fund's life
Tracking Error	- This is a measure of the standard deviation of a portfolio's returns in relation to the performance of its designated market benchmark.
Treynor Ratio	- Similar to Sharpe ratio but utilizes beta rather than excess risk as determined by standard deviation. It is calculated by taking the excess rate of return above the risk free rate divided by beta to derive the absolute rate of return per unit of risk. A higher value indicates a product has achieved better historical risk-adjusted performance.
Up Market Capture	- The ratio of average portfolio performance over the designated benchmark during periods of positive returns. A higher value indicates better product performance.



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