

Port of Houston Authority OPEB Trust

Third Quarter 2013 Report



Market Environment – No Taper for Now

The third quarter of 2013 was an uncertain time for investors. Geopolitical events like the Syrian civil war and the looming U.S. Federal Government shutdown affected markets as did a myriad of conflicting economic data points. By quarter end, it was again apparent that equity and risky assets were favored by investors, even by greater margins during a rising interest rates/falling bond price environment. Domestic and international equities enjoyed strong third quarter gains while bonds were modestly positive or slightly negative.

According to the Bureau of Labor Statistics (BLS), the unemployment rate dropped from 7.6% to 7.3%, and U.S. employers created 273,000 jobs during the first two months of the third quarter. U.S. nominal GDP grew at a modest rate of 2.5% during the second quarter while real GDP growth was only 1.6%.

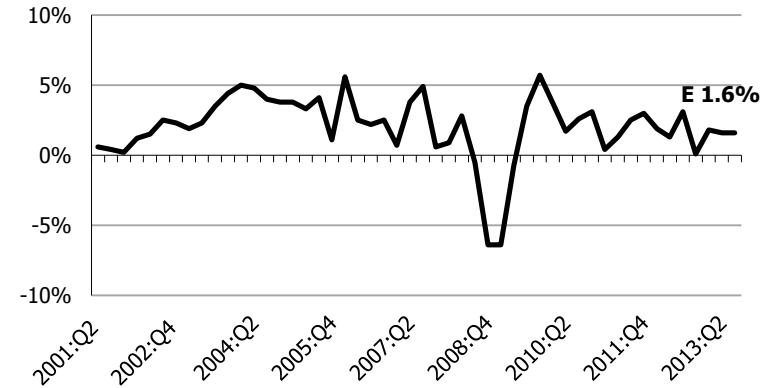
Worldwide economic growth has been unimpressive. Europe has failed to grow out of a double dip recession brought on by austerity programs. Emerging markets growth and market performance have slowed dramatically. The U.S. economy is growing, but at a subpar rate. Japan is perhaps the only positive growth surprise this year, but even it has disappointed recently.

International equity investors enjoyed gains in US dollar terms. The US dollar fell versus major currencies, increasing returns for domestic investors. Local currency returns for the EAFE were 7.5% during the quarter. Currency impacts boosted the return to 11.6% for US dollar based investors. Europe led developed regions, gaining 13.6% during the quarter. Japan enjoyed a gain and remained the top performer over the trailing year. Emerging markets also enjoyed gains on the quarter.

Fixed income investors were surprised in September when the Federal Reserve announced that the scale of their Large Scale Asset Program would not be tapered. Economic activity was judged too weak to pare back the controversial stimulus program. Bond prices recovered during the quarter, only to encounter the uncertainty of the partial government shutdown.

West Texas Intermediate Oil ended the quarter at \$102.33/barrel, up from \$96.56 barrel last quarter. Natural gas prices fell -\$0.03 during the quarter, ending the period at \$3.55. Oil and natural gas production continues to expand at a rapid pace in the U.S.

US Real GDP Growth - Annualized



	2011				2012				2013	
	First Quarter	third quarter	Third Quarter	Fourth Quarter	First Quarter	third quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter
Real GDP	0.1%	2.5%	1.3%	4.1%	2.0%	1.3%	3.1%	0.4%	1.8%	1.6%
Unemployment	8.9%	9.1%	9.1%	8.7%	8.3%	8.2%	8.1%	7.8%	7.7%	7.6%
Inflation (CPI)	2.1%	3.4%	3.8%	3.3%	2.8%	1.9%	1.7%	1.9%	1.7%	1.4%
Prime Rate	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
91 Day T-Bill Yield	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%
10 Year Bond Yield	3.4%	3.2%	2.4%	2.0%	2.0%	1.8%	1.6%	1.7%	1.9%	2.1%

Market Environment – Domestic Equity

The domestic equity market performed well during the third quarter. All market sectors except for Telecommunication Services posted gains. The overall market closed 5% higher, bringing its one year return up to 20%. Domestic equities again provided investors with surprisingly strong returns despite a weak domestic economy. Corporate profits are at an all time high as corporate America has aggressively cut costs, reorganized and remained diligent allocating to new investments. However, the overall impact of their cautious behavior has been restrained economic growth and slow recovery in private sector employment.

Reversing the table from last quarter, small cap growth was the best performing market segment during the third quarter. Performance varied by almost 9% from best to worst. Large cap value was the poorest performer. Growth outperformed value among all capitalizations. Over the year to date period, small growth has moved to the top while large cap value has been the poorest performer, albeit with a 20.5% return. Since the market low set in March of 2009, domestic equities have been led higher by mid cap value stocks, which have posted a cumulative return of 245%. Over that period, value outperformed growth among large and mid caps while growth edged value among small caps. The S&P 500 has compounded returns at 16.3% and 10.0% over the trailing three and five year periods.

The quarter's top performing sectors were Materials (+10.3% return), Industrials (+8.9%) and Consumer Discretionary (+7.8%). Poorest performers were Telecommunications (-4.4%), Utilities (0.2%), and Consumer Staples (0.8%).

The largest contributors to the S&P 500 Index third quarter return were Apple (+21% return), Schlumberger (+24%), and Gilead Sciences (+23%). The largest detractors were Hewlett-Packard (-15%), The Coca-Cola Company (-5%), and Microsoft (-3%).

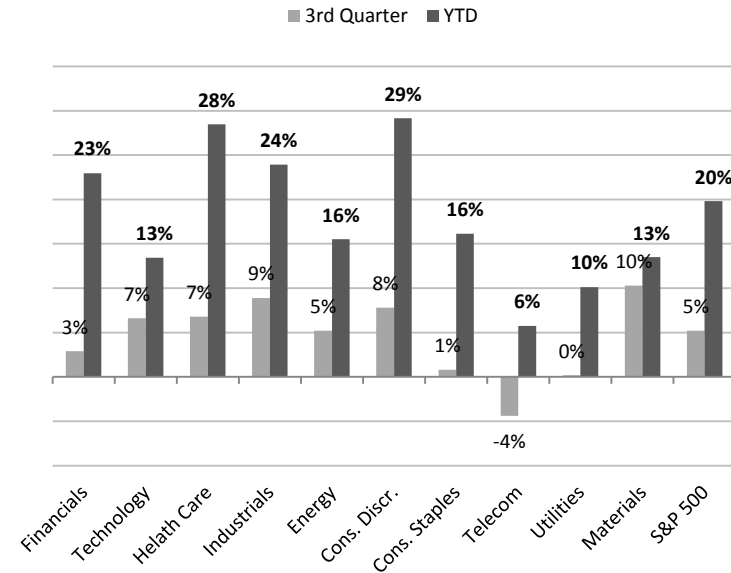
The domestic equity market remains within a historically normal price range. The forward P/E ratio of the S&P 500 ended the quarter at 14.3x vs. 12.9x a year ago and 14.0x for its ten year average. It had a dividend yield of 2.2% vs. 2.1% ten year average. The earnings yield of the S&P 500 (inverse of the forward p/e ratio) is 7.0% vs. 5.4% yield on a Baa rated corporate bond index, indicating stocks relative cheapness versus bonds.

Extremely large private equity deals remain elusive. However, activity within smaller companies is strong. Large scale corporate merger and acquisition activity also remains relatively subdued. However, activist investors are stirring up corporate board rooms in high profile fights.

Energy investors remain extremely active within the U.S. The Master Limited Partnership sector did suffer a minor loss during the third quarter. However, the sector remained very attractive to investors. Corporate activity remains strong with a number of IPOs and mergers so far this year. Real Estate Investment Trusts also traded lower during the unusual interest rate environment. The NAREIT Index lost -3.1% on the quarter.

	3q2013			YTD 2013		
	Value	Blend	Growth	Value	Blend	Growth
Large	3.9%	5.2%	8.1%	20.5%	19.8%	20.9%
Mid	5.9%	7.7%	9.3%	22.9%	24.3%	25.4%
Small	7.6%	10.2%	12.8%	23.1%	27.7%	32.5%

S&P 500 Sector Performance



Market Environment – International Equity

In U.S. Dollar terms, international equities enjoyed healthy returns. The MSCI ACWI ex-US index gained 11.3% during the quarter as both share prices and foreign currencies rose. Europe, showing some marginal signs of improvement, was the leading region, gaining 13.6%. Japan (+6.7%) cooled off during the quarter, but remained the top performing region over the trailing year with a gain of 31.5%. Emerging Markets enjoyed a recovery after a difficult first half, gaining 5.0% during the quarter.

Over the trailing year, the Euro appreciated 5% vs. the US Dollar. The Chinese currency gained 3% vs. the Dollar while the Japanese Yen, responding to massive government stimulus efforts, fell -26% versus the US Dollar. Weakness in the US Dollar during September was directly traceable to the partial government shutdown and political dysfunction that characterizes Washington D.C.

Year to date, the top three performing equity markets (in U.S. \$ terms) were Ireland (+29%), Finland (+23%), and Japan (+22%). The three poorest performers were Indonesia (-19%), Chile (-16%), and Brazil (-13%). Latin America is down -13% year to date while Japan and Western Europe are up 8% and 15% respectively. Top performing international equity market sectors (ACWI ex-US) during the quarter were Telecommunication Services (+13%), Industrials (+13%), and Materials(+13%). Consumer Staples (+5%), Healthcare (+6%), and Utilities (+8%) were the poorest performing market sectors.

The largest contributors to the ACWI ex-US third quarter return were Vodafone Group (+23% return), Total SA (+21%), and Banco Santander (+31%). The largest detractors were Potash Corporation of Saskatchewan (-17%), Taiwan Semiconductor (-6%), and Housing Development Finance Corporation (-17%).

Eurozone economic conditions remained slow but there were some signs of incremental improvement in overall growth despite heavy unemployment. **August saw European Union wide unemployment at 10.9%.** Germany, the strongest economy in Europe, had 5.2% unemployment while Spain and Greece suffered 26.2% and 27.9% unemployment rates. The European Central Bank kept short term rates at 0.5%, their lowest ever level. Early data indicated that Europe actually enjoyed modest positive growth during the third quarter, breaking the previous string of six consecutive quarters with negative growth, the longest recessionary period for the continent since the end of World War II.

Emerging markets trailed developed markets during the quarter and for the one and three year periods just ended. The forward P/E ratio for the overall EM index ended September at 10.0x vs. 13.0x for the ACWI. The P/E of China's traded shares was 8.6x vs. 12.1x for its ten year average. Russia ended the quarter with a market P/E of 5.0x and a yield of 4.4%, both substantially below average. It appears that investor interest in emerging markets peaked just before they began underperforming.

	GDP Growth (2013 Estimate)*	GDP Growth Five Year 2012 – 2014 Estimated CAGR
Global Economy	2.5%	2.7%
USA	1.7%	1.9%
Euro Area	-0.4%	0.4%
UK	1.3%	1.5%
Japan	1.5%	1.6%
Asia ex-Japan	6.1%	6.2%
Latin America	2.6%	2.8%

*source: Bloomberg and the World Bank.

12-Month Forward P/E Ratio Comparison	Current	10 Year Average	Dividend Yield
World (ACWI)	13.4	13.2	2.6%
EAFE	13.2	12.7	3.2%
USA	14.5	14.1	2.0%
Germany	11.7	11.5	3.1%
UK	12.0	11.2	3.8%
Japan	14.4	16.6	1.8%

Market Environment – Fixed Income

Bond prices traced a volatile pattern during the third quarter of 2013. Yields moved upward from the end of the second quarter until September 18th, waiting for the Fed to announce that it was “tapering” or reducing the amount of bonds it was purchasing on the open market. Instead, the Fed announced that they were skipping the taper due to weaker than expected economic growth. Bond prices recovered, and the U.S. government partially shut down as the quarter ended.

The Federal Open Market Committee’s decision not to taper its \$85 billion in monthly bond purchases during its September meeting shocked bond investors. Regardless of the timing of the Fed’s tapering, the FOMC will continue to maintain its target range for the federal funds rate at 0-0.25% for the foreseeable future. In September, Lawrence Summers withdrew his name from the race to become Ben Bernanke’s replacement as chairman of the Federal Reserve. This announcement led to an outlook that the next Fed chair Janet Yellen, will likely be more dovish than the market previously handicapped.

Treasury yields reacted to the Fed’s talk of maintaining their large scale asset purchases by moving lower. For the full quarter, short term interest rates fell while longer maturities rose. This meant that short and intermediate bonds posted modest gains while long maturity bonds suffered losses. Five year Treasuries ended the quarter with a yield of 1.38% while the thirty year bond yielded 3.69%, 0.19% higher than at the quarter’s beginning.

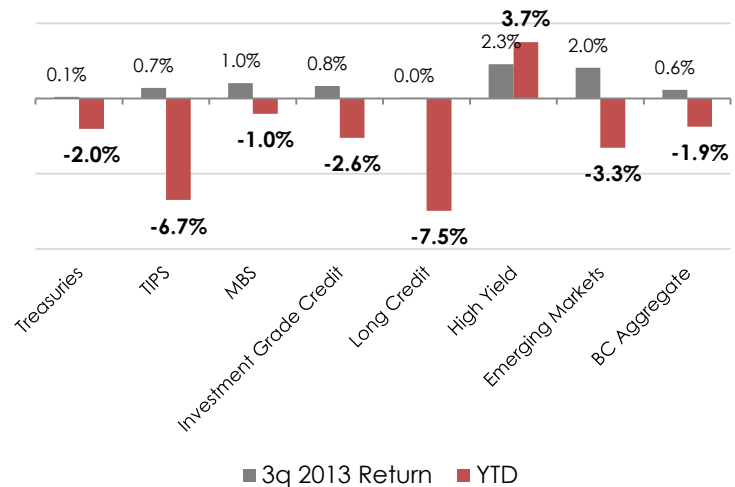
Almost all sectors of the bond market posted modest third quarter gains. After the difficult first half, calendar year to date returns remain negative, except for high yield bonds. Their elevated yields insulate them from rising interest rates. Credit spreads narrowed during the quarter. Corporate bond issuance was strong during the third quarter. During early September, Verizon completed the largest corporate bond issue in history, **floating \$49 billion in debt across eight maturities.**

High yield bonds were the top performing segment of the U.S. fixed income market for the second consecutive quarter. High yield bond yield spreads vs. Treasuries ended the quarter at 5.1% vs. their long term average of 5.9%. Defaults remained low at 1.1% vs. 4.2% long term average. Net fund flows for high yield bond funds have been negative for the year.

U.S. unemployment showed modest improvement during the third quarter. Unemployment figures continued their unusual dance, with the reported rate of unemployment edging lower while the proportion of citizens actually working also moved lower. The Affordable Care Act is having an impact on employment and hiring practices. Inflation remains low to nonexistent. The full year real U.S. growth outlook remains below average, with no clear indication of improvement. Thankfully the same can be said of inflation.

Risk Level	Time Horizon			
	One Year		Three Years (annualized)	
	Terminal Yield	Total Return	Terminal Yield	Total Return
Low Risk				
2 Year Treasury (9.30 = 0.32%)	2.50%	-3.9%	4.00%	-2.1%
	1.25%	-1.5%	3.00%	-1.4%
	0.50%	0.0%	2.00%	-0.8%
Medium Risk				
10 Year Treasury (9.30 = 2.61%)	4.50%	-12.5%	5.50%	-4.9%
	3.50%	-4.8%	4.50%	-2.4%
	2.00%	8.1%	3.50%	0.2%
High Risk				
30 Year Treasury (9.30 = 3.69%)	5.50%	-22.7%	6.00%	-7.3%
	4.50%	-9.5%	5.00%	-3.0%
	3.00%	17.3%	4.00%	2.0%

Third Quarter 2013 Returns



Market Environment – Index Comparison

Domestic Equity	Last Quarter	Last Year	Last Three Years Annualized	Last Five Years Annualized	Last Ten Years Annualized
S&P 500	5.3	19.3	16.3	10.0	7.6
Russell 1000	6.0	20.9	16.6	10.5	8.0
Russell 1000 Value	3.9	22.3	16.3	8.9	8.0
Russell 1000 Growth	8.1	19.3	16.9	12.1	7.8
Russell 3000	6.4	21.6	16.8	10.6	8.1
Russell Midcap	7.7	27.9	17.5	13.0	10.8
Russell Midcap Value	5.9	27.8	17.3	11.9	10.9
Russell Midcap Growth	9.3	27.5	17.7	13.9	10.2
Russell 2000	10.2	30.1	18.3	11.2	9.6
Russell 2000 Value	7.6	27.0	16.6	9.1	9.3
Russell 2000 Growth	12.8	33.1	20.0	13.2	9.9
Alerian MLP	-0.7	17.1	16.5	22.6	15.8
Fixed Income					
Barclays Capital Aggregate Bond	0.6	-1.7	2.9	5.4	4.6
Barclays Capital Credit	0.7	-1.9	4.1	8.5	5.2
Barclays Capital Government	0.1	-2.0	2.1	4.0	4.2
Barclays Capital Govt/Credit	0.4	-2.0	2.9	5.7	4.5
Barclays Capital Interm Credit	1.0	0.1	3.7	7.7	4.8
Barclays Capital Interm Govt	0.4	-0.8	1.8	3.5	3.8
Barclays Capital Interm Govt/Cred	0.6	-0.5	2.4	5.0	4.1
Barclays Capital Long Credit	0.0	-6.9	5.4	11.2	6.4
Barclays Capital Long Term Govt	-2.1	-10.4	3.6	6.5	6.1
Barclays Capital Long Govt/Credit	-0.8	-8.3	4.7	9.1	6.3
Barclays Capital Fixed Rate MBS	1.0	-1.2	2.7	4.7	4.8
Merrill Lynch US High Yield Master II	2.3	7.1	8.9	13.4	8.7
91 Day T-Bill	0.0	0.1	0.1	0.2	1.6
Consumer Price Index	0.7	1.5	2.3	1.3	2.4
International					
MSCI EAFE	11.6	23.8	8.5	6.4	8.0
MSCI World ex US	11.3	21.5	7.9	6.1	8.2
MSCI Europe	13.6	24.2	8.7	6.0	8.5
MSCI Japan	6.7	31.5	8.9	5.2	4.8
MSCI Pacific ex Japan	10.3	11.6	7.4	11.6	12.6
MSCI Emerging Markets	5.0	-1.5	-2.8	4.7	10.1
Citigroup Non-\$ World Gov	4.1	-5.7	0.6	4.3	4.9

Retirement Program Plan Summary

As of September 30, 2013

Manager	Three Month	One Year	Three Year	Five Year	Since Inception	Market Value	% of Total ¹	Inception Date
Smith Affiliated	0.59%	-2.81%	-	-	-2.81%	\$6,034,341	33.3%	6/25/2012
Barclays Capital Aggregate	0.57%	-1.68%	2.86%	5.41%	-1.43%			
Loomis Sayles High Income	3.43%	14.94%	-	-	14.17%	\$911,199	5.0%	
ML High Yield	2.29%	7.14%	8.88%	13.35%	7.93%			
FAMCO MLP	-0.76%	22.98%	-	-	22.98%	\$922,226	5.1%	7/26/2012
Alerian MLP	-0.73%	17.05%	16.48%	22.55%	17.76%			
Fiduciary Management	4.89%	20.34%	-	-	20.34%	\$2,774,356	15.3%	8/14/2012
Russell 1000 Value	3.94%	22.30%	16.25%	8.86%	23.95%			
S&P 500	5.25%	19.34%	16.27%	10.02%	20.54%			
Stephens Mid Cap Growth	11.26%	-	-	-	27.52%	\$2,439,197	13.4%	12/18/2012
Russell Mid Cap Growth	9.34%	27.54%	17.65%	13.92%	25.42%			
Barrow Hanley Small Cap	9.94%	39.13%	-	-	39.13%	\$1,959,530	10.8%	7/19/2012
Russell 2000 Value	7.59%	27.04%	16.57%	16.57%	28.82%			
Causeway	-	-	-	-	-	\$2,266,301	12.5%	9/13/2013
MSCI EAFE	11.56%	23.77%	8.47%	6.35%	-			
Cohen & Steers Real Estate	-2.27%	6.40%	-	-	5.62%	\$836,964	4.6%	
FTSE NAREIT ALL REITS	-2.62%	6.23%	12.79%	6.00%	2.89%			
Cash	-	-	-	-	-	\$0	0.0%	
Total Plan - Gross of Fees	4.57%	11.49%	-	-	7.42%	\$18,144,114	100.0%	
Total Plan - Net of Fees	4.43%	11.03%			6.97%			
Benchmark	4.37%	-	-	-	10.22%			
Actuarial Assumption	1.77%	7.25%	7.25%	7.25%	7.25%			

Benchmark was updated on 12/1/12 to reflect new long-term asset allocation. Current benchmark reflects IPS that was formally approved on January 22, 2013.

The Total Plan Benchmark is composed as follows; S&P 500 (15%), Russell Mid Cap (12.5%), Russell 2000 (10%), MSCI EAFE (12.5%), Barclays US Aggregate (35%), Merrill Lynch US High Yield Master II (5%), NAREIT ALL REITS (5%), and the Alerian MLP (5%)

Sources: First Southwest, Morningstar, and Investment Managers

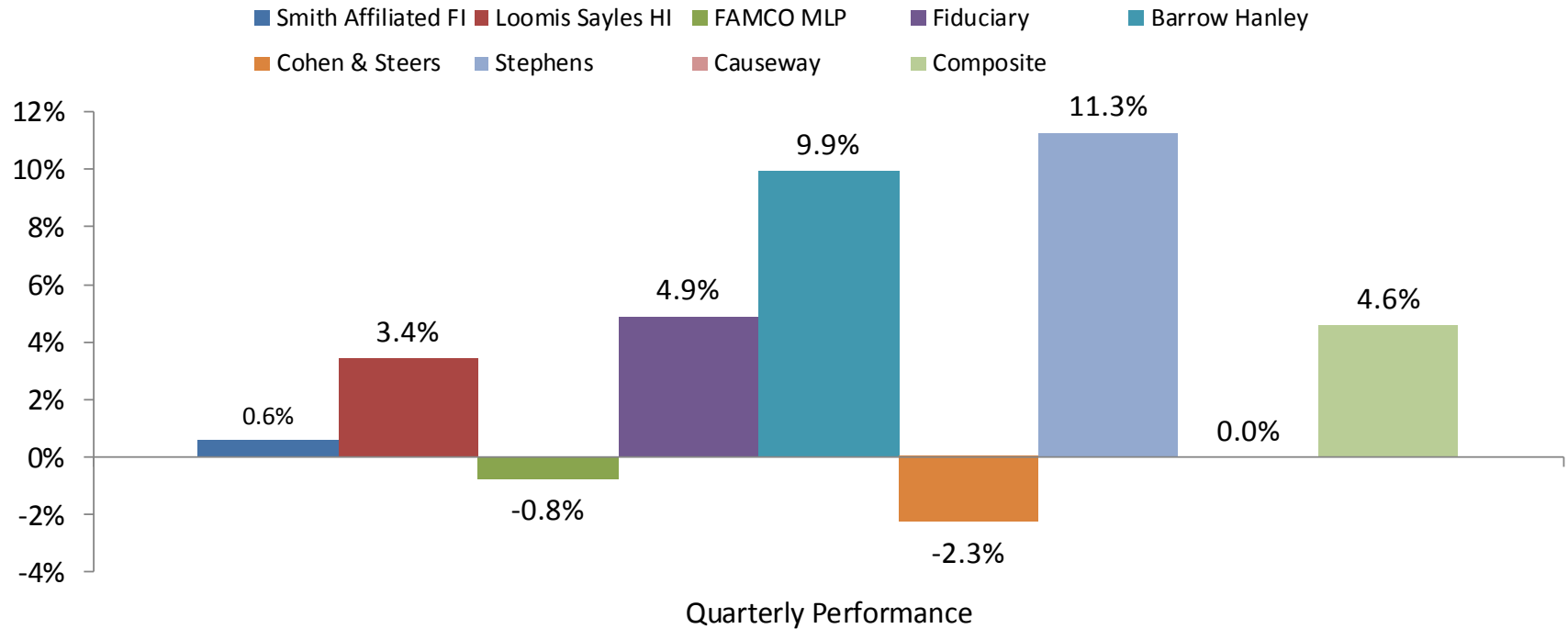
Data believed to be accurate, but cannot be guaranteed.

¹Since inception performance calculated using the first whole quarter as the inception date.

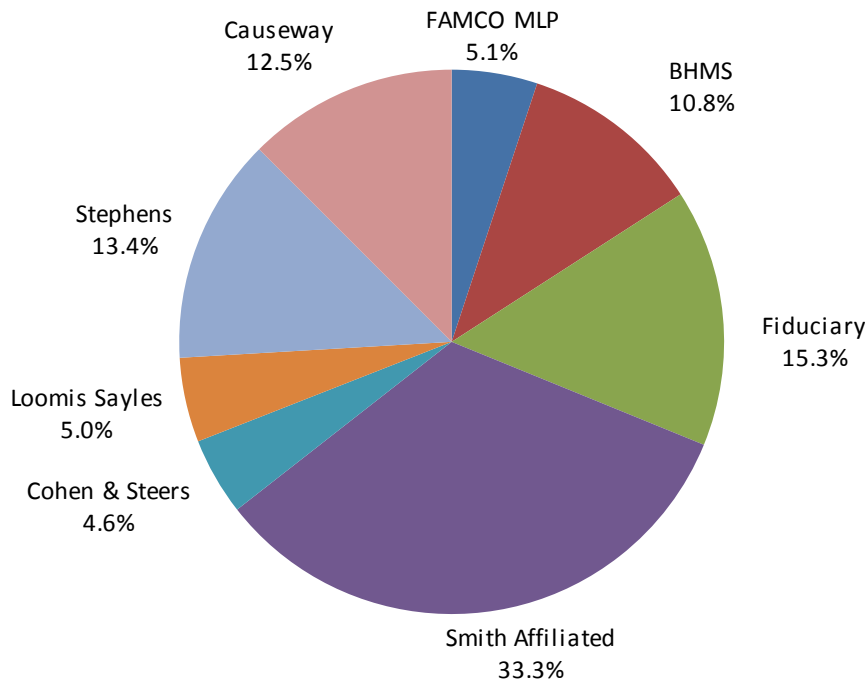


Performance Summary

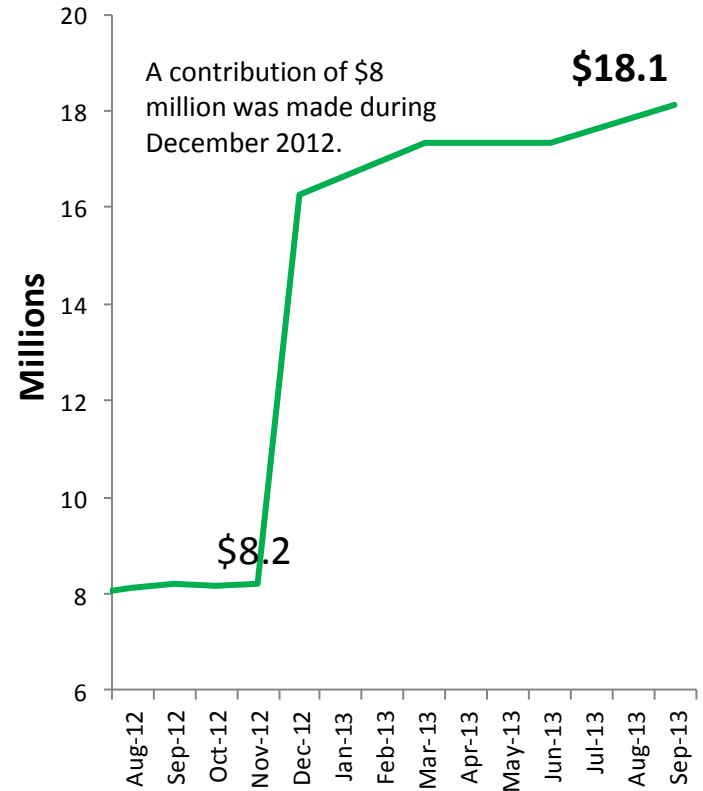
Period ended September 30, 2013



Portfolio Review



Market Value History



Discussion Items

- During the quarter Eagle Global was replaced with Causeway Capital as the portfolio's international equity manager.
- The fixed income portfolio is currently under review.
- The Causeway International Equity fund was funded on September 16th, 2013. The return for the partial quarter was 3.91%.



Smith Affiliated **Fixed Income**

Smith Affiliated seeks to provide a stable income stream, principal protection, and to outperform market-weighted inflation on a risk-adjusted total return basis versus the relevant benchmark. The strategy provides a high degree of liquidity with an asset allocation heavily weighted in high quality fixed income securities. The fund's asset allocation is driven by a two-tier approach: a 'top-down' view of global markets followed by Smith Affiliated's qualitative and quantitative 'bottom-up' approach.

Performance

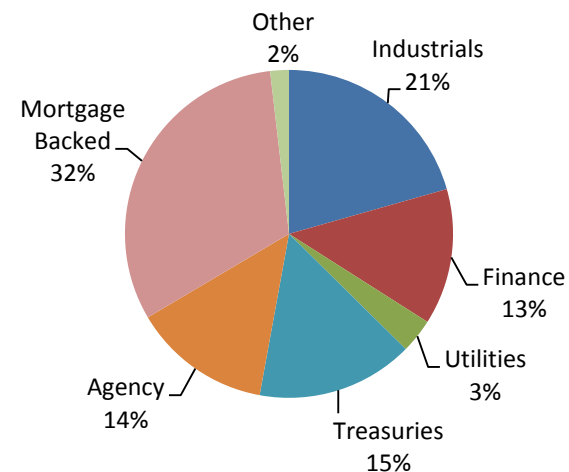
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Smith Affiliated	0.59%	-2.81%	-	-
Barclays Capital Aggregate Bond	0.57%	-1.68%	2.86%	5.41%

Key Characteristics

	Portfolio	BC Agg
Effective Duration	5.8	5.5
Maturity	8.9	7.5
Trailing 12 Month Yield	2.1	3.2
Yield to Maturity	2.6	2.4
Average Credit Quality	AA	A
Average Number of Issues	32	8395
Expense Ratio	0.25%	-

Holding Summary

Market Value	\$6,034,341
Percentage of Plan	33.26%



Loomis Sayles

High Yield Fixed Income

The Loomis Sayles High Income Fund invests primarily in lower-rated fixed income securities and may invest up to 50% of assets in foreign securities, including emerging markets securities. An emphasis on issue selection is a key driver of returns. The fund also uses sector rotation within and outside of the benchmark to add alpha. The Loomis Sayles Fixed Income team responsible for the management of the fund was named the Fixed Income Team of the Year for 2009 by Morningstar.

Performance

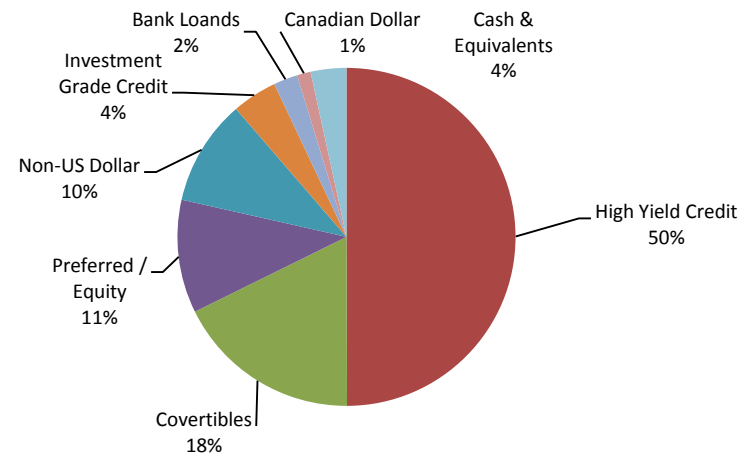
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Loomis Sayles	3.43%	14.94%	-	-
Merill Lynch High Yield Master II	2.29%	7.14%	8.88%	13.35%

Key Characteristics

	Portfolio	ML HY II
Effective Duration	4.9	4.5
Maturity	8.4	6.6
Trailing 12 Month Yield	6.1	-
Yield to Maturity	6.3	-
Average Credit Quality	B	B-
Average Number of Issues	351	2147
Expense Ratio	0.68%	-

Holding Summary

Market Value	\$911,199
Percentage of Plan	5.02%



Fiduciary Asset Management Co. (FAMCO) MLP

The FAMCO 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. The three largest holdings as of September 30, 2013 were **Energy Transfer Equity** (8.5%, of the total fund), **Enterprise Products Partners** (7.3%), and **Williams Partners** (7.1%).

Performance

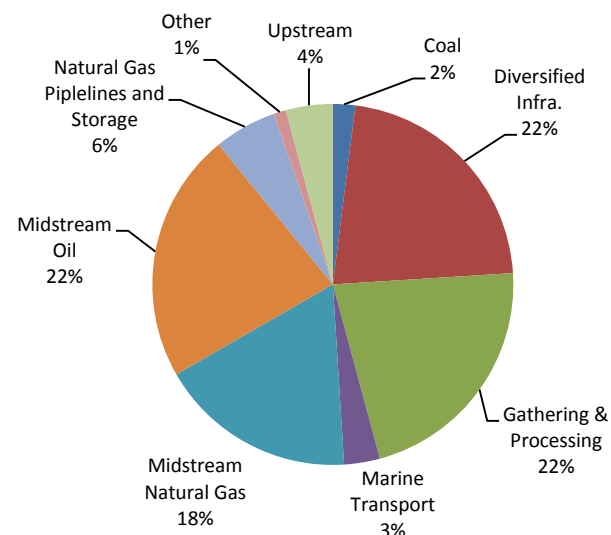
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Fiduciary Asset Management Co. (FAMCO)	-0.76%	22.98%	-	-
Alerian MLP	-0.73%	17.05%	16.48%	22.55%

Key Characteristics

	Portfolio	Alerian MLP
P/E Ratio	23.8	20.4
P/B Ratio	4.4	2.4
Beta - 5 Year	0.93	1.00
R2 - 5 Year	92	100
Wt. Avg Market Cap. \$MM	8691	11446
Earnings Growth - 5 Year	13.7	-
Standard Deviation - 5 Year, monthly	0.2	-
Total Number of Holdings	27	50
Prospective Dividend Yield	5.1%	-
Expense Ratio	0.75%	-

Holding Summary

Market Value	\$922,226
Percentage of Plan	5.08%



Fiduciary Management **Large Cap Value**

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. The top three holdings as of September 30, 2013 were **Potash** (5.2%, of the total portfolio), **3M** (5.1%), and **Illinois Tool Works** (4.8%).

Performance

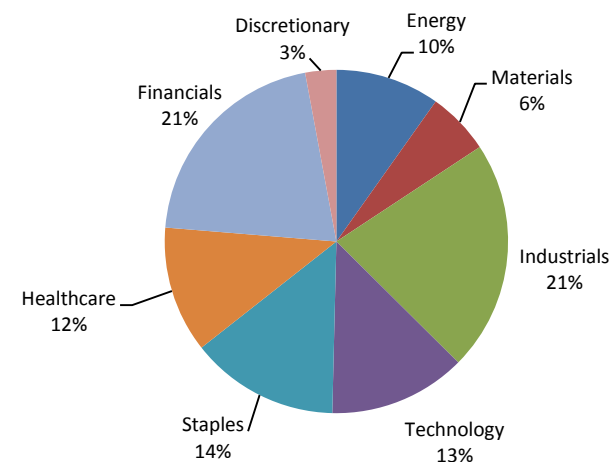
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Fiduciary Management	4.89%	20.34%	-	-
Russell 1000 Value	3.94%	22.30%	16.25%	8.86%
S&P 500 Index	5.25%	19.34%	16.27%	10.02%

Key Characteristics

	Portfolio	R 1000 V
P/E Ratio	15.3	14.8
P/B Ratio	3.1	1.7
Beta - 5 Year	0.81	1.00
R2 - 5 Year	97	100
Wt. Avg Market Cap. \$MM	65594	46388
Earnings Growth - 3 Year	8.4%	-
Standard Deviation - 5 Year, monthly	18.3%	-
Total Number of Holdings	25	690
Prospective Dividend Yield	1.9%	2.6%
Expense Ratio	0.55%	-

Holding Summary

Market Value	\$2,774,356
Percentage of Plan	15.29%



Stephens

Mid Cap Growth

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. The top three holdings as of September 30, 2013 were **LKQ** (1.7%, of the total portfolio), **Cerner** (1.7%), and **Portfolio Recovery Associates** (1.6%).

Performance

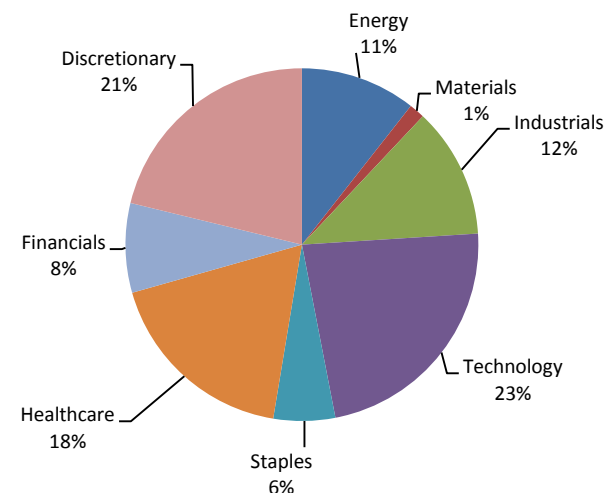
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Stephens	11.26%	-	-	-
Russell Mid Cap Growth	9.34%	27.54%	17.65%	13.92%

Key Characteristics

	Portfolio	R MCG
P/E Ratio	25.3	23.8
P/B Ratio	4.0	4.6
Beta - 5 Year	0.90	1.00
R2 - 5 Year	97	100
Wt. Avg Market Cap. \$MM	8499	9749
Earnings Growth - 5 Year	17.2%	-
Standard Deviation - 5 Year, monthly	19.3%	-
Total Number of Holdings	107	795
Prospective Dividend Yield	0.3%	1.2%
Expense Ratio	0.80%	-

Holding Summary

Market Value	\$2,439,197
Percentage of Plan	13.44%



Barrow Hanley MeWhinney & Strauss

Small Cap Value

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. The top three holdings as of September 30, 2013 were **Oshkosh** (5.0%, of the total portfolio), **PolyOne** (4.6%), and **Terex** (4.2%).

Performance

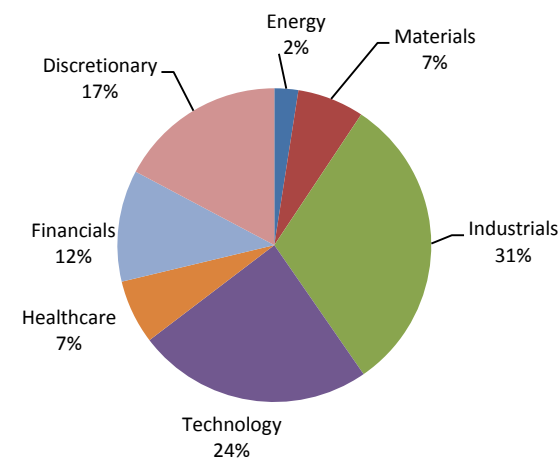
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Barrow Hanley MeWhinney & Strauss	9.94%	39.13%	-	-
Russell 2000 Value	7.59%	27.04%	16.57%	16.57%

Key Characteristics

	Portfolio	R 2000 V
P/E Ratio	16.6	15.9
P/B Ratio	2.0	1.4
Beta - 5 Year	1.34	1.00
R2 - 5 Year	0.93	100
Wt. Avg Market Cap. \$MM	2570	1112
Earnings Growth - 5 Year	12.7%	-
Total Number of Holdings	38	1406
Prospective Dividend Yield	0.8%	2.1%
Expense Ratio	1.00%	-

Holding Summary

Market Value	\$1,959,530
Percentage of Plan	10.80%



Causeway

International Equity

The goal of the Causeway International Value fund is to construct a portfolio that provides consistent long-term, risk-adjusted returns. Causeway International Value Fund is a fully invested, 50-80 stock portfolio, typically with a value bias. Sector and regional weights are by-products of their bottom-up approach to stock selection. Their international investment philosophy is value-driven with a fundamentally based, bottom-up approach to stock selection. They believe that companies derive their value from the contribution of yield and profitable re-investment back into the company. The three largest country allocations as of quarter end were to **Japan** (12.9% of the fund), **France** (12.7%), and **Germany** (10.6%). The three largest holdings as of quarter end were **Azko Nobel** (3.7% of the total fund, Netherlands), **Reed El Sevier** (3.4%, Netherlands), and **KDDI** (2.9%, Japan). **This fund replaced Eagle Global during the third quarter of 2013.**

Performance

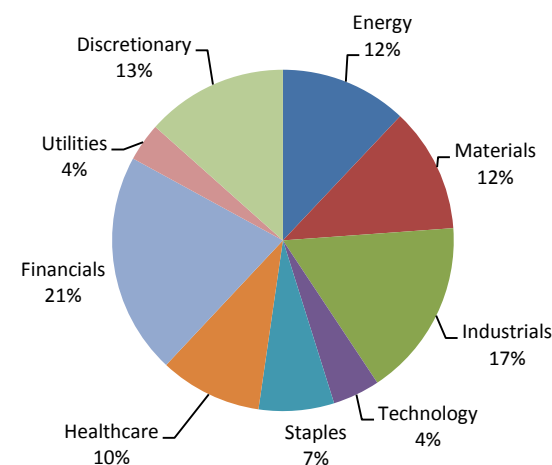
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Causeway	-	-	-	-
MSCI EAFE	11.56%	23.77%	8.47%	6.35%

Key Characteristics

	Portfolio	MSCI EAFE
P/E Ratio	12.8	15.2
P/B Ratio	1.4	1.5
Sharpe Ratio - 3 Year	0.68	0.55
Sharpe Ratio - 5 Year	0.47	0.39
Beta - 3 Year	0.92	1.00
Wt. Avg Market Cap. \$MM	31653	35751
Total Number of Holdings	67	920
Prospective Dividend Yield	3.0%	3.0%
Expense Ratio	0.99%	-

Holding Summary

Market Value	\$2,266,301
Percentage of Plan	12.49%



Cohen & Steers

Real Estate & Investment Trusts

The investment objective of the Fund is total return through investment in real estate securities. In pursuing total return, the Fund seeks both capital appreciation and current income with approximately equal emphasis. Under normal market conditions, the Fund invests at least 80%, and normally substantially all, of its total assets in common stocks and other equity securities issued by real estate companies. The Fund may invest up to 20% of its total assets in securities of foreign issuers which meet the same criteria for investment as domestic companies. The three largest holdings as of September 30, 2013 were **Simon Property Group** (9.2%, of the total fund), **ProLogis** (5.5%) and **Vornado Realty Trust** (5.5%).

Performance

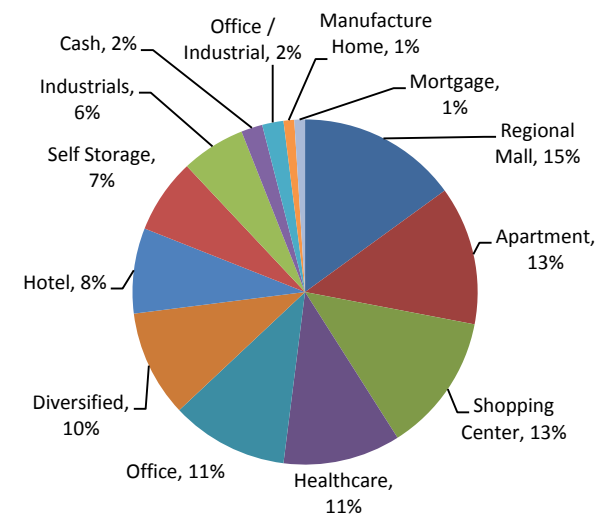
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Cohen & Steers	-2.27%	6.40%	-	-
FTSE NAREIT ALL REITS	-2.62%	6.23%	12.79%	6.00%

Key Characteristics

	Portfolio	FTSE NAREIT
P/E Ratio	47.6	37.2
P/B Ratio	2.3	2.1
Sharpe Ratio - 3 Year	0.7	0.8
Beta - 3 Year	0.94	-
R2 - 3 Year	65.4	-
Wt. Avg Market Cap. \$MM	8826	7728
Standard Deviation - 5 Year, monthly	31.5%	-
Total Number of Holdings	85	131
Prospective Dividend Yield	2.5%	3.7%
Expense Ratio	0.75%	-

Holding Summary

Market Value	\$836,964
Percentage of Plan	4.61%



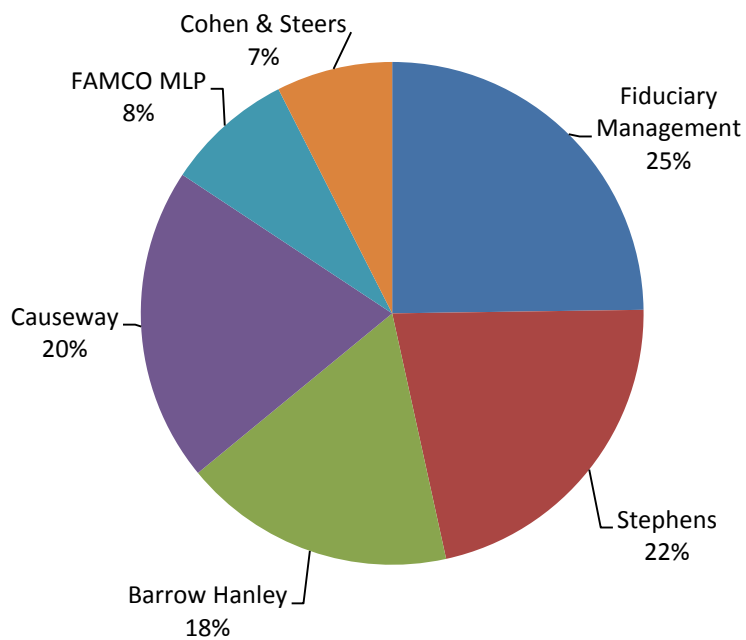
EQUITY PORTFOLIO SNAPSHOT — DATA AS OF SEPTEMBER 30, 2013

Portfolio Statistics

	Portfolio	S&P 500
P/E Ratio	20.3	17.0
P/B Ratio	2.8	2.4
Beta - 5yr.	0.96	1.00
R2 - 5yr.	72	100

Holding Summary

Total Market Value	\$11,198,574
Percentage of Total Trust	61.72%



*Statistics calculated using weighted average of current fund lineup.

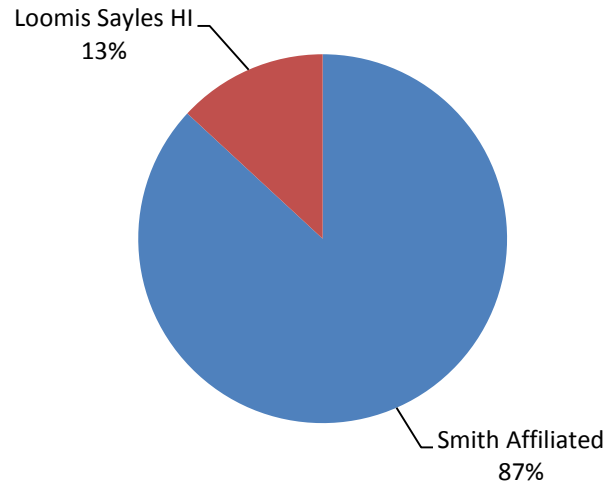
FIXED INCOME PORTFOLIO SNAPSHOT — DATA AS OF SEPTEMBER 30, 2013

Portfolio Statistics

	Portfolio	BC Agg
Total # of Issues	383	8395
Average Credit Quality	A	A
Average YTM	3.1	2.4
Average Modified Duration	5.7	5.5
Time to Maturity	8.8	7.5
Average Coupon	2.6	3.2

Holding Summary

Total Market Value	\$6,945,540
Percentage of Total Trust	38.28%



*Statistics calculated using weighted average of current fund lineup.

OPEB TRUST - MANAGER STATUS SUMMARY AS OF SEPTEMBER 30, 2013

Manager	Mandate	Status	Note
Fixed Income			
Smith Affiliated	Core Fixed Income	In Compliance	
Loomis Sayles	High Yield Fixed Income	In Compliance	
Domestic Equity			
Fiduciary	Large Cap Equity	In Compliance	Beta 1.34 vs. Investment Policy Statement of 1.20
Stephens	Mid Cap Growth	In Compliance	
Barrow Hanley	Small Cap Equity	Non Compliance	
International Equity			
Causeway	International Equity	In Compliance	
MLPs			
FAMCO	Master Limited Partnership	In Compliance	
Real Estate			
Cohen & Steers	Real Estate	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 Committee’s satisfaction, a replacement will be selected and hired.

OPEB TRUST - MANAGER EXPENSE REVIEW

AS OF SEPTEMBER 30, 2013

Manager	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Domestic Equity					
Fiduciary Management	Large Cap Equity	0.55%	1.31%	0.76%	\$21,103
Stephens	Mid Cap Growth	0.80%	1.40%	0.60%	\$14,726
Barrow Hanley	Small Cap Value Equity	1.00%	1.48%	0.48%	\$9,313
Fixed Income					
Smith Affiliated	Fixed Income	0.25%	0.97%	0.72%	\$43,509
Loomis Sayles	High Yield Fixed Income	0.68%	1.18%	0.50%	\$4,540
International Equity					
Causeway	International Equity	0.99%	1.48%	0.49%	\$11,130
MLP					
FAMCO	Master Limited Partnership	0.75%	1.00%	0.25%	\$2,306
Real Estate					
Cohen & Steers	Real Estate	0.75%	1.39%	0.64%	\$5,357
Total Plan		0.61%	1.23%	0.62%	\$111,984

Source: Morningstar

OPEB TRUST – ASSET ALLOCATION ANALYSIS

AS OF SEPTEMBER 30, 2013

Manager	Actual Portfolio ¹	Investment Policy Target	Difference	Minimum	Maximum
Large Cap Domestic Equity	15.3%	15.0%	0.3%	0.0%	20.0%
Mid Cap Domestic Equity	13.4%	12.5%	0.9%	0.0%	17.5%
Small Cap Domestic Equity	10.8%	10.0%	0.8%	0.0%	15.0%
International Equity	12.5%	12.5%	0.0%	0.0%	17.5%
Core Fixed Income	33.3%	35.0%	-1.7%	30.0%	75.0%
High Yield Fixed Income	5.0%	5.0%	0.0%	0.0%	10.0%
Real Estate	4.6%	5.0%	-0.4%	0.0%	10.0%
Master Limited Partnerships	5.1%	5.0%	0.1%	0.0%	10.0%
Cash	0.0%	0.0%	0.0%	-	-
Total	100.0%	100.0%		100.0%	100.0%