

Port of Houston Authority OPEB Trust

Second Quarter 2014 Report



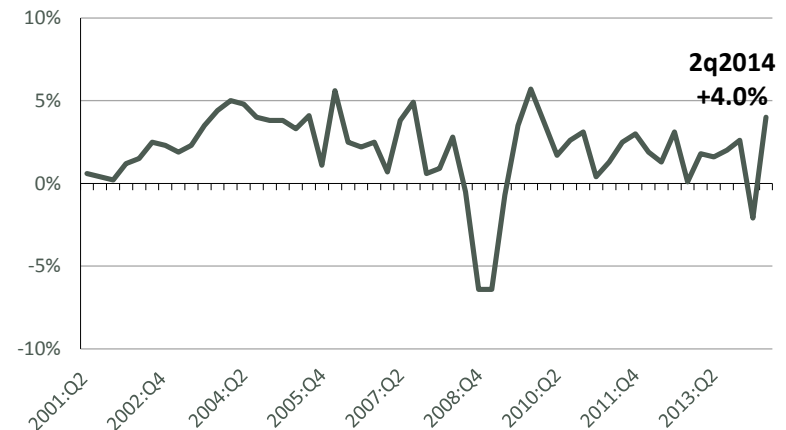
Market Environment – Second Quarter, 2014

- Strong market returns during first half of 2014 caught most investors off guard. Equity and bond investors both profited during the second quarter. Domestic and non-US investments both posted large gains.
- Domestic real GDP suffered an unexpectedly severe decline of -2.9% during the first quarter. Second quarter growth is likely to be below long-term goals.
- The U.S. unemployment rate improved from 6.7% to 6.1% during the quarter.
- The U.S. consumer price index rose 2.1% over the year ended June 30, 2014.
- Earlier this year the Federal Reserve began tapering its bond buying program (Quantitative Easing). At its peak, the program was buying \$85 billion in bonds per month. It has been tapering \$10 billion per month and it now stands at \$35 billion per month.
- Short term interest rates remain pegged at 0.0%, They have been fixed at this level for six years and will likely remain here until after 2015.
- Despite several macro-level events during 2014, market volatility has been low – roughly half of its historical levels.

Labor Force Participation Rate



US Real GDP Growth - Annualized



Equity Markets – Second Quarter, 2014

- The U.S. equity market posted strong positive returns during the second quarter (Russell 1000 +5.1%). Trailing year returns were extremely rewarding (+25.4%).
- Information Technology (+10.6% return), Energy (+10.5%), and Utilities (7.9%) were the best performing sectors. All sectors posted positive second quarter returns.
- The market's top contributing performers were Apple (+21.9%), Schlumberger (+21.4%), and Intel (+20.7%). The bottom three contributors were Bank of America (-10.6%), Pfizer (-6.8%), and JP Morgan (-4.5%).
- Valuations appear normal. The broad market forward P/E ratio was 15.6x at quarter end vs. 15.8x for its fifteen year average. The market's dividend yield was 1.9% vs. 1.7% for its long term average. The broad market is 45% higher than its previous high (October 2007) and 224% above the low set in March of 2009.
- Foreign equity markets also posted gains during the quarter. The MSCI All Country World index gained 5.2% during the quarter (\$USD). Emerging markets (+6.7% return) outperformed developed markets (4.3%) for the quarter.
- The top performing sectors in the MSCI ACWI ex-US index were Energy (+11.6%) Utilities (+7.7%) and Information Technology (+6.4%). All sectors posted second quarter gains.
- Top performance contributors were Royal Dutch Shell (14.6% return), BP (11.3%), and Shire (59.2%). Top detractors were all banks: Deutsche Bank (-14.9%), BNP Paribas (-9.5%), and UBS (-10.0%).
- Developed non-US equity valuations are above average. The forward P/E ratio for the EAFE index ended the quarter at 14.2x vs. 12.6x for its ten year average. Emerging markets valuations are slightly below average: the MSCI EM index forward P/E ratio was 10.9x vs. 11.1 for its ten year average.
- Equity returns have been very strong over the past three years. Volatility is currently low and valuations remain reasonable.

Current P/E Ratio as Percentage of Long Term Average

	Value	Blend	Growth
Large	107.4%	96.6%	87.1%
Mid	120.1%	111.7%	90.7%
Small	116.1%	107.6%	96.5%

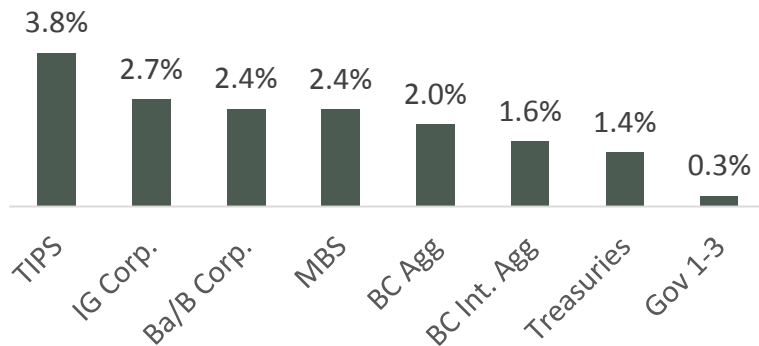
Russell 1000 Sector Analytics	Ending Weight	2q 2014 Return	Contribution
Consumer Discretionary	6.3%	6.0%	0.4%
Consumer Staples	6.9%	1.7%	0.1%
Energy	13.9%	10.5%	1.6%
Financials	28.5%	1.9%	0.5%
Health Care	13.1%	3.4%	0.4%
Industrials	10.5%	4.1%	0.4%
Information Technology	8.9%	10.6%	0.9%
Materials	3.4%	5.8%	0.2%
Telecommunications	2.3%	2.9%	0.1%
Utilities	6.3%	7.9%	0.5%
Total	100.0%	5.1%	5.1%

Fixed Income – Second Quarter, 2014

- Fixed income markets posted surprisingly high second quarter results. The rally in long bonds all year caught many off guard. After starting the year at 3.9%, the long Treasury bond yielded 3.4% by mid-year. Shorter-dated yields have been more stable, with five year notes trading in a range between 1.8% and 1.5% all year.
- The dollar index is relatively unchanged during 2014 after a rally to start the year followed by a reversal. The British Pound and the Euro moved gradually higher, while the Japanese Yen also strengthened.
- Investment Grade and High Yield bond spreads further declined during the quarter as the market scrambled for yield. Yield spreads are at their lowest since the pre-financial crisis environment of 2007, causing some concern among investors. The market is expensive but corporate balance sheets are the strongest on record which gives us comfort that a bond market crash similar to 2008 is unlikely. Defaults in high yield bonds remained low (2.1% vs. 4.0% historical rate).

Risk Level	Interest Rate Forecast	Time Horizon				
		1 Year		3 Years		
		Terminal Yield	Total Return	Terminal Yield	Total Return	
Low Risk	Pessimistic	2.5%	-3.5%	4.0%	-1.8%	
2 Year Treasury	Most Likely	1.3%	-1.1%	3.0%	-1.2%	
	Present YTM: 0.46%	Optimistic	0.5%	0.4%	2.0%	-0.5%
Medium Risk	Pessimistic	4.5%	-13.2%	5.5%	-5.2%	
10 Year Treasury	Most Likely	3.8%	-7.5%	4.5%	-2.7%	
	Present YTM: 2.53%	Optimistic	2.5%	2.8%	3.5%	-0.1%
High Risk	Pessimistic	5.5%	-27.9%	6.0%	-9.6%	
30 Year Treasury	Most Likely	4.5%	-15.3%	5.0%	-5.2%	
	Present YTM: 3.36%	Optimistic	3.0%	10.5%	4.0%	-0.2%

Barclays Index Returns – 2q2014

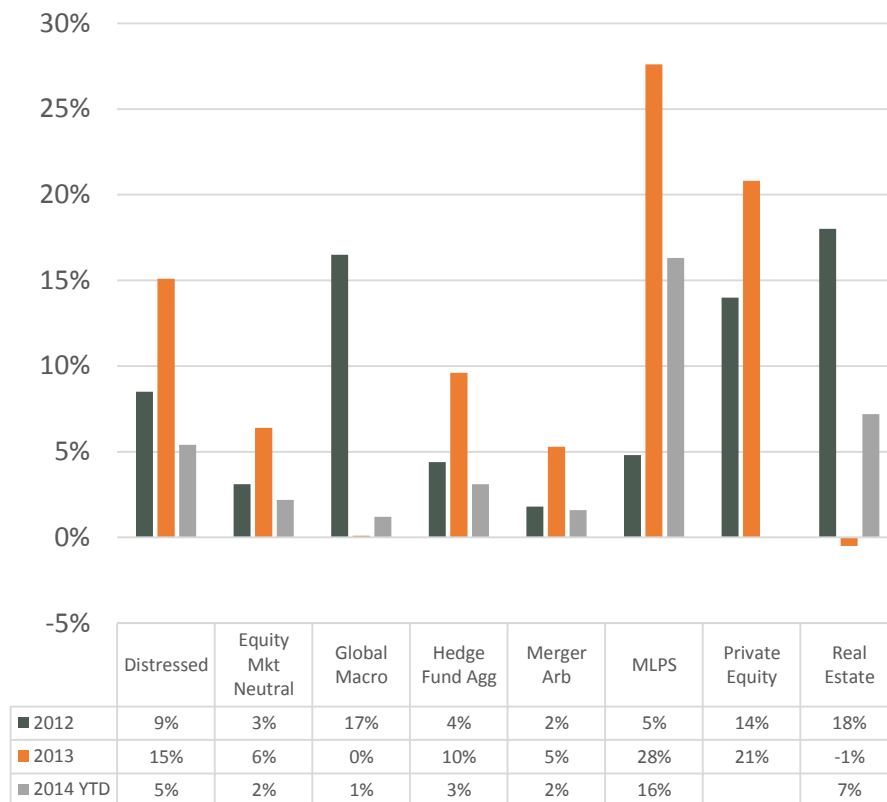


Yields and Spreads	3/31/2014	6/30/2014	YTD High	YTD Low
3 Month T-Bill	0.03%	0.02%	0.08%	0.00%
2 Year Treasury	0.42%	0.46%	0.48%	0.30%
10 Year Treasury	2.72%	2.53%	3.03%	2.44%
30 Year Treasury	3.56%	3.36%	3.97%	3.30%
Yield Curve 2-10 Year	230	207	265	206
Yield Curve 2-30 Year	314	290	359	290

Alternative Investments – Second Quarter, 2014

- Alternative investments posted diverse returns during the second quarter. Generally speaking, their returns trailed traditional asset categories.
- Hedge funds posted modest returns during the quarter. The HFRI weighted composite index gained 2.0% during the quarter, led by event driven and relative value arbitrage. While hedge funds have continued to gather assets, a few high profile institutions (California Public Employees' Retirement System most notably) have indicated dissatisfaction with the asset class.
- Real estate investments earned positive returns during the quarter (7.2%). Low-risk core real estate returns have been above average as investors have flocked to the asset class as an alternative to bonds. Real estate investors are moving in larger numbers towards higher risk/return categories and structures.
- Private equity returns have been positive but reasonable. The asset class gained just over 20% during 2013.
- Master Limited Partnerships (energy infrastructure/transport entities) were the best category of alternative assets, gaining 14% during the second quarter. Domestic energy production is undergoing a renaissance that saw the U.S. surpass Russia and Saudi Arabia in daily production over the past year. The gains resulted from extraction of oil and natural gas from shale formations which places the U.S. as the largest producer of oil in the world.
- Commodity prices remained relatively stable. Oil and natural gas stayed within established trading ranges. Gold prices moved slightly higher while food prices also gained.

Alternative Asset Category Returns



Domestic Equity	Last Quarter	Last Year	Last Three Years Annualized	Last Five Years Annualized	Last Ten Years Annualized
S&P 500	5.2	24.6	16.6	18.8	7.8
Russell 1000	5.1	25.4	16.6	19.3	8.2
Russell 1000 Value	5.1	23.8	16.9	19.2	8.0
Russell 1000 Growth	5.1	26.9	16.3	19.2	8.2
Russell 3000	4.9	25.2	16.5	19.3	8.2
Russell Midcap	5.0	26.9	16.1	22.1	10.4
Russell Midcap Value	5.6	27.8	17.6	23.0	10.7
Russell Midcap Growth	4.4	26.0	14.5	21.2	9.8
Russell 2000	2.1	23.6	14.6	20.2	8.7
Russell 2000 Value	2.4	22.5	14.7	19.9	8.2
Russell 2000 Growth	1.7	24.7	14.5	20.5	9.0
Alerian MLP	14.2	21.6	19.0	26.2	17.3
Fixed Income					
Barclays Capital Aggregate Bond	2.1	4.4	3.7	4.9	4.9
Barclays Capital Credit	2.7	7.4	5.9	7.7	5.9
Barclays Capital Government	1.3	2.1	2.9	3.5	4.4
Barclays Capital Govt/Credit	1.9	4.3	4.1	5.1	4.9
Barclays Capital Interm Credit	1.8	5.2	4.5	6.4	5.2
Barclays Capital Interm Govt	0.9	1.5	2.0	2.8	3.9
Barclays Capital Interm Govt/Cred	1.2	2.9	2.8	4.1	4.3
Barclays Capital Long Credit	5.0	13.3	9.8	11.1	7.7
Barclays Capital Long Term Govt	4.7	6.4	8.7	7.4	7.2
Barclays Capital Long Govt/Credit	4.9	10.8	9.6	9.6	7.6
Barclays Capital Fixed Rate MBS	2.4	4.7	2.8	3.9	5.0
Merrill Lynch US High Yield Master II	2.6	11.8	9.3	13.9	8.9
91 Day T-Bill	0.8	2.1	1.8	2.2	2.3
Consumer Price Index	0.0	0.0	0.1	0.1	1.5
International					
MSCI EAFE	4.1	23.6	8.1	11.8	6.9
MSCI World ex US	4.6	23.8	7.6	11.7	7.2
MSCI Europe	3.3	29.3	8.7	13.0	7.5
MSCI Japan	6.7	9.9	7.6	7.2	3.3
MSCI Pacific ex Japan	4.3	18.8	6.3	14.0	11.9
MSCI Emerging Markets	5.6	11.8	-2.9	6.7	9.3

Portfolio Trailing Year Performance

+16.02%



OPEB Trust Plan Summary

As of June 30, 2014

Manager	Last Quarter	% Rank	Last Year	% Rank	Three Years	% Rank	Five Years	% Rank	Since Inception ¹	Market Value	% of Total	Inception Date
MacKay Shields	-		-		-		-		-	\$9,517,029	33.2%	3/25/2014
<i>Barclays Capital Aggregate</i>	2.05%		4.37%		3.67%		4.85%		-			
Loomis Sayles High Income	4.67%		18.50%		-		-		17.28%	\$1,473,074	5.1%	12/18/2012
<i>ML High Yield</i>	2.57%		11.84%		9.27%		13.94%		8.79%			
Advisory Research MLP	17.64%		31.61%		-		-		32.25%	\$1,734,473	6.1%	7/26/2012
<i>Alerian MLP</i>	14.18%		21.57%		18.96%		26.19%		22.84%			
Fiduciary Management	5.94%		24.70%		-		-		22.71%	\$4,501,827	15.7%	8/14/2012
<i>Russell 1000 Value</i>	5.10%		23.81%		16.92%		19.23%		23.99%			
<i>S&P 500</i>	5.23%		24.61%		16.59%		18.83%		21.84%			
Stephens Mid Cap Growth	2.36%		22.30%		-		-		25.25%	\$3,540,777	12.4%	12/18/2012
<i>Russell Mid Cap Growth</i>	4.97%		26.85%		16.09%		22.07%		27.86%			
Barrow Hanley Small Cap	0.51%		25.56%		-		-		30.29%	\$2,845,399	9.9%	7/19/2012
<i>Russell 2000 Value</i>	2.38%		22.54%		14.65%		19.88%		23.50%			
Causeway	2.23%		-		-		-		9.41%	\$3,491,334	12.2%	9/16/2013
<i>MSCI EAFE</i>	4.09%		23.57%		8.10%		11.77%		10.76%			
Cohen & Steers Real Estate	7.13%		15.23%		-		-		14.58%	\$1,534,778	5.4%	12/18/2012
<i>FTSE NAREIT All REITS</i>	6.97%		13.71%		12.01%		22.92%		12.84%			
Cash	-		-		-		-		-	\$0	0.0%	
Total Plan - Gross of Fees	3.42%		16.02%		-		-		13.50%	\$28,638,690	100.0%	
Total Plan - Net of Fees	3.25%		15.26%						12.75%			
<i>Benchmark</i>	4.03%		16.06%		-		-		13.90%			
<i>Actuarial Assumption</i>	1.71%		7.06%		-		-		7.14%			

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

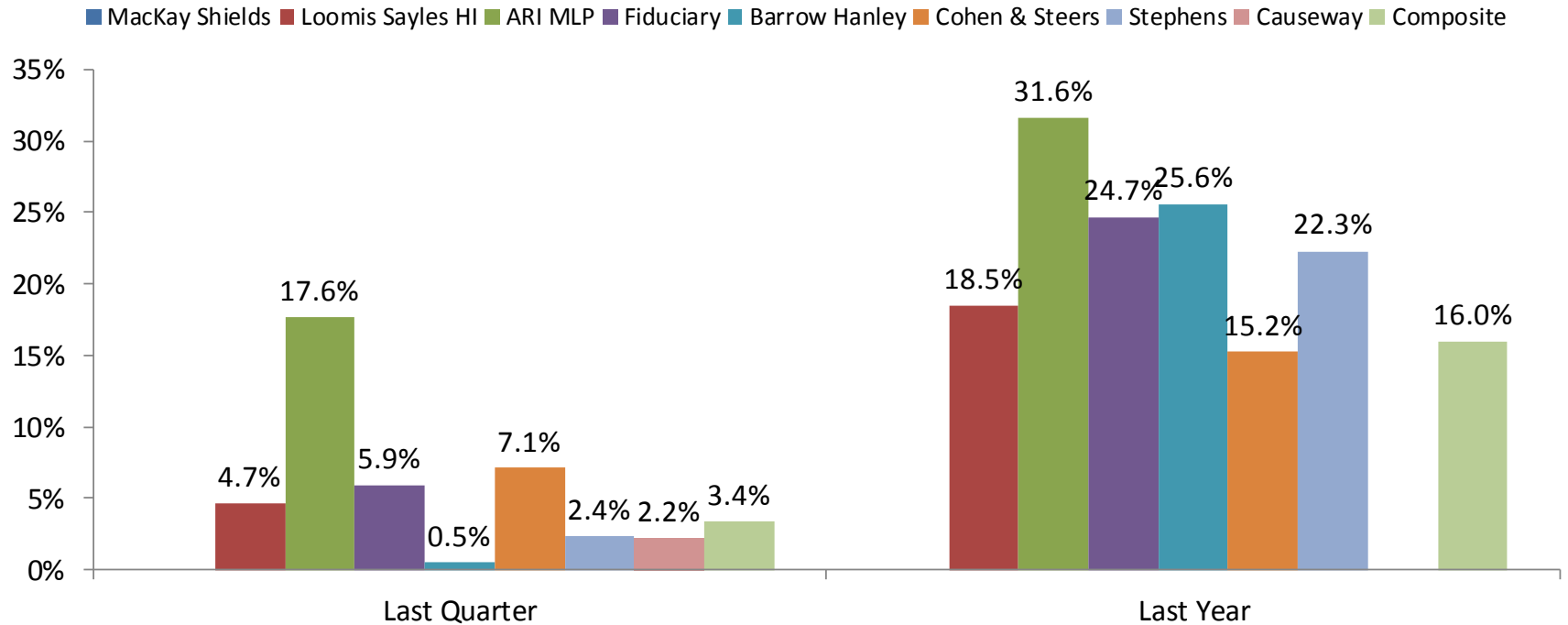
Data believed to be accurate, but cannot be guaranteed.

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

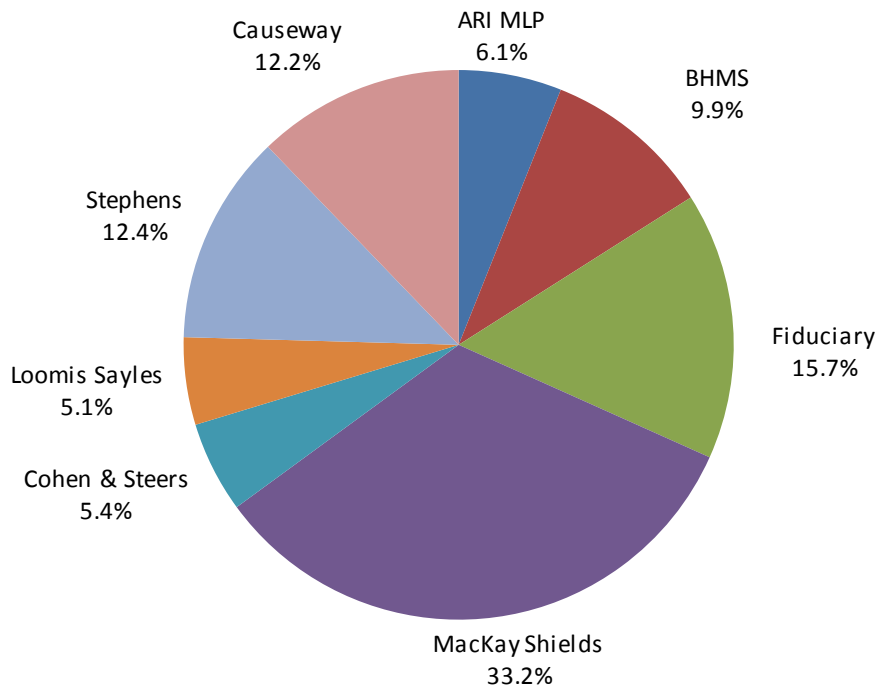


Performance Summary

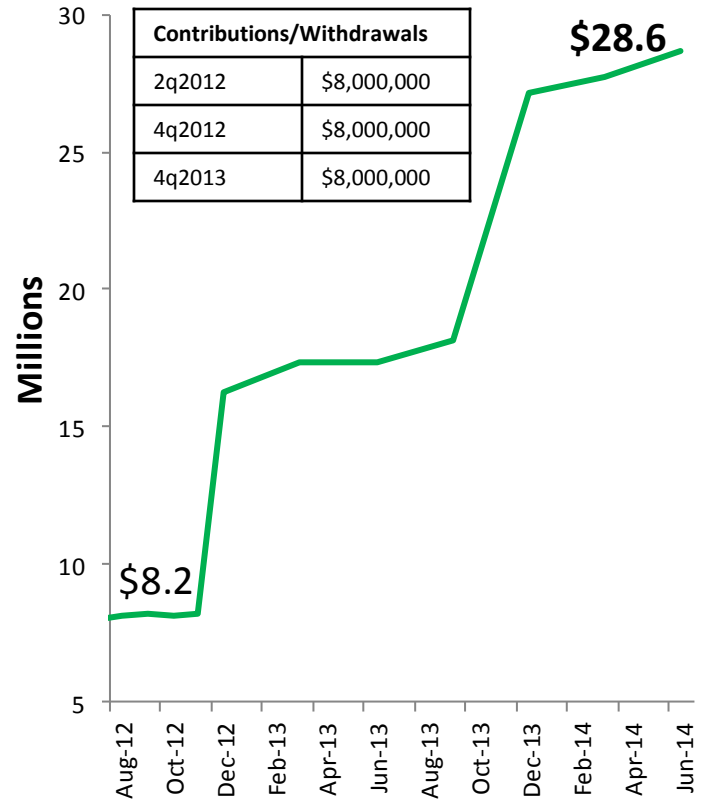
Period ended June 30, 2014



Portfolio Review



Market Value History



Discussion Items

- On September 16, 2013 Eagle Global was replaced with Causeway Capital as the portfolio's international equity manager. Causeway returned 2.23% during the quarter. Over the last three quarters the fund has returned 9.41%.
- The fixed income portfolio managed by Smith Affiliated was replaced by Mackay Shields on March 25, 2014. A full quarter of returns is not yet available, as Mackay spent the month of April liquidating positions transferred from the Smith Affiliated account. The fund returned 1.39% for the May through June period.



MacKay Shields **Fixed Income**

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 (20%), emerging market debt (10%) and non-US Dollar exposure (10%). 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 replace Smith Affiliated during the first quarter of 2014.**

Performance

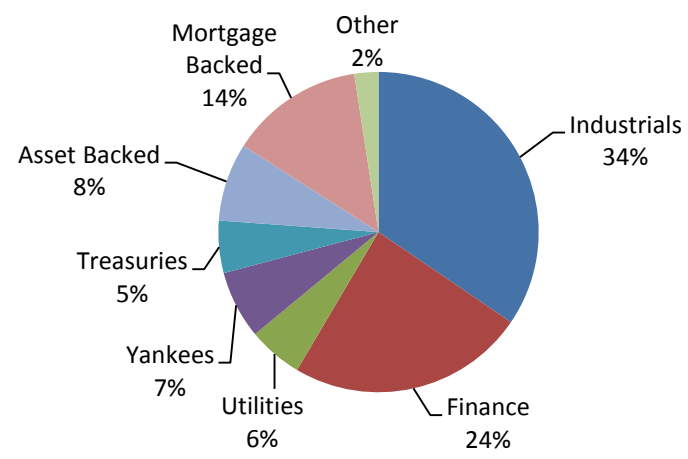
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
MacKay Shields	-	-	-	-
Barclays Capital Aggregate Bond	2.05%	4.37%	3.67%	4.85%

Key Characteristics

	Portfolio	BC Agg
Effective Duration	5.2	5.6
Maturity	10.7	7.7
Trailing 12 Month Yield	4.7	3.1
Yield to Maturity	2.8	2.4
Average Credit Quality	A-	A
Average Number of Issues	112	8818
Expense Ratio	0.35%	-

Holding Summary

Market Value	\$9,517,029
Percentage of Plan	33.23%



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

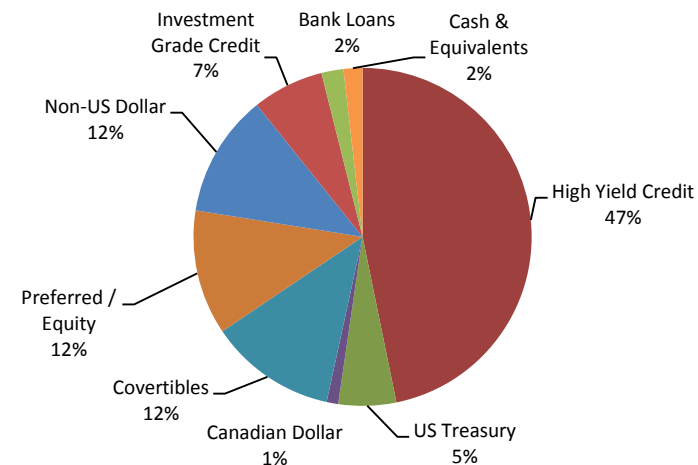
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Loomis Sayles	4.67%	18.50%	-	-
Merill Lynch High Yield Master II	2.57%	11.84%	9.27%	13.94%

Key Characteristics

	Portfolio	ML HY II
Effective Duration	4.6	4.1
Maturity	6.8	6.6
Trailing 12 Month Yield	5.9	-
Yield to Maturity	5.1	6.3
Average Credit Quality	BB	B
Average Number of Issues	339	2244
Expense Ratio	0.68%	-

Holding Summary

Market Value	\$1,473,074
Percentage of Plan	5.14%



Advisory Research (ARI) MLP

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. The three largest holdings as of June 30, 2014 were **Energy Transfer Equity, LP** (10.4% of the total fund), **Plains GP Holdings LP** (8.1%), and **Enterprise Products Partners, LP** (7.5%).

Performance

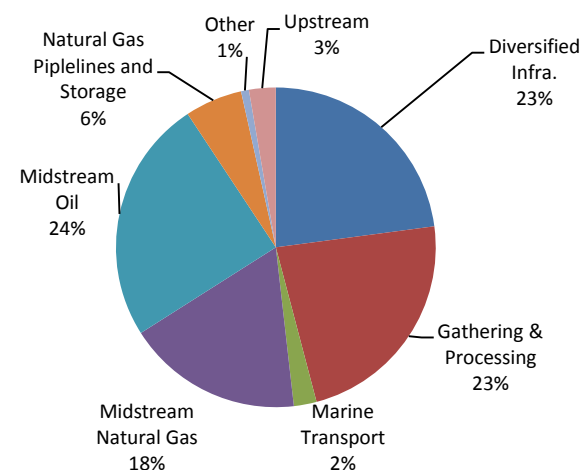
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Advisory Research (ARI)	17.64%	31.61%	-	-
Alerian MLP	14.18%	21.57%	18.96%	26.19%

Key Characteristics

	Portfolio	Alerian MLP
P/E Ratio	29.5	24.5
P/B Ratio	16.5	2.7
Beta - 5 Year	0.87	1.00
R2 - 5 Year	82	100
Wt. Avg Market Cap. \$MM	12021	14344
Total Number of Holdings	24	50
Prospective Dividend Yield	3.9%	-
Expense Ratio	0.75%	-

Holding Summary

Market Value	\$1,734,473
Percentage of Plan	6.06%



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 June 30, 2014 were **Potash** (6.1% of the total portfolio), **Accenture** (4.9%), and **United HealthGroup** (4.7%).

Performance

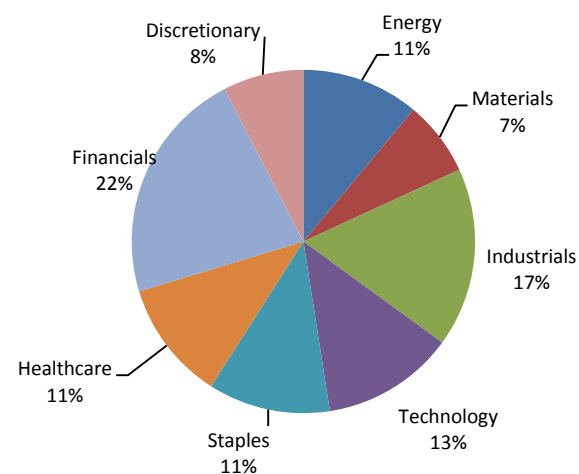
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Fiduciary Management	5.94%	24.70%	-	-
Russell 1000 Value	5.10%	23.81%	16.92%	19.23%
S&P 500 Index	5.23%	24.61%	16.59%	18.83%

Key Characteristics

	Portfolio	R 1000 V
P/E Ratio	17.8	16.5
P/B Ratio	3.8	1.8
Beta - 5 Year	0.85	1.00
R2 - 5 Year	96	100
Wt. Avg Market Cap. \$MM	76786	51149
Earnings Growth - 3 Year	9.9%	-
Standard Deviation - 5 Year, monthly	13.7%	-
Total Number of Holdings	25	690
Prospective Dividend Yield	1.8%	2.5%
Expense Ratio	0.55%	-

Holding Summary

Market Value	\$4,501,827
Percentage of Plan	15.72%



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 June 30, 2014 were **Illumina** (2.1% of the total portfolio), **Stericycle** (1.6%), and **Cerner** (1.6%).

Performance

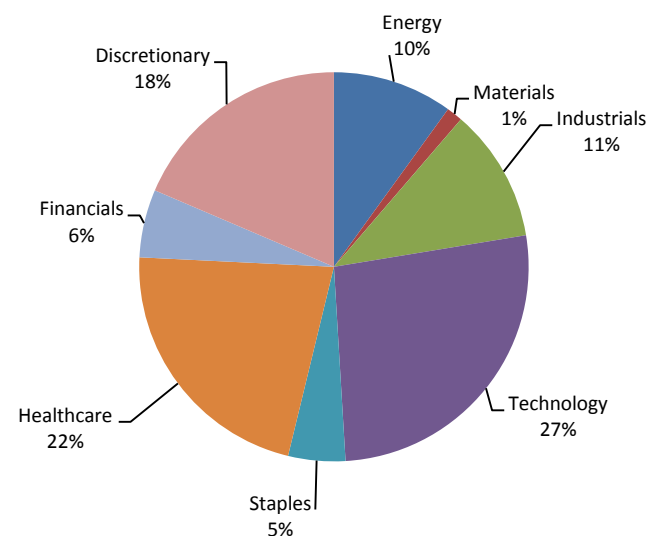
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Stephens	2.36%	22.30%	-	-
Russell Mid Cap Growth	4.97%	26.85%	16.09%	22.07%

Key Characteristics

	Portfolio	R MCG
P/E Ratio	25.3	21.5
P/B Ratio	4.6	2.6
Sharpe Ratio - 3 Year	1.0	1.1
Sharpe Ratio - 5 Year	1.5	-
Beta - 5 Year	0.92	1.00
R2 - 5 Year	94	100
Wt. Avg Market Cap. \$MM	9974	10125
Earnings Growth - 5 Year	18.1%	-
Standard Deviation - 5 Year, monthly	14.9%	-
Total Number of Holdings	107	795
Prospective Dividend Yield	0.4%	1.6%
Expense Ratio	0.80%	-

Holding Summary

Market Value	\$3,540,777
Percentage of Plan	12.36%



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 June 30, 2014 were **Mobile Mini** (4.2% of the total portfolio), **HealthSouth** (3.8%), and **Haemonetics** (3.8%).

Performance

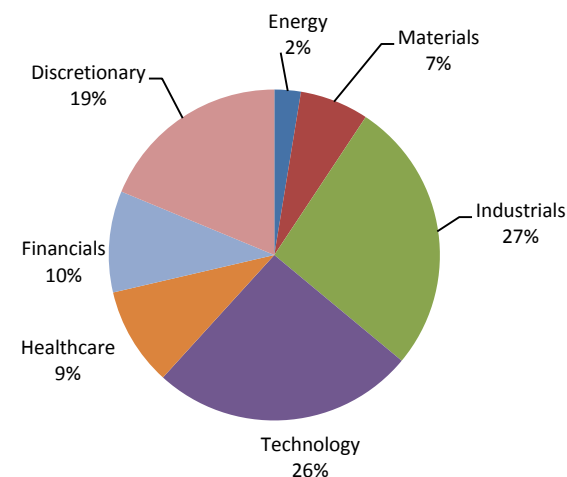
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Barrow Hanley Mewhinney & Strauss	0.51%	25.56%	-	-
Russell 2000 Value	2.38%	22.54%	14.65%	19.88%

Key Characteristics

	Portfolio	R 2000 V
P/E Ratio	18.2	18.7
P/B Ratio	2.2	1.5
Sharpe Ratio - 5 Year	0.89	-
Beta - 5 Year	1.51	1.00
R2 - 5 Year	97	100
Wt. Avg Market Cap. \$MM	2744	1327
Earnings Growth - 5 Year	10.6%	-
Total Number of Holdings	40	1406
Prospective Dividend Yield	1.0%	1.9%
Expense Ratio	1.00%	-

Holding Summary

Market Value	\$2,845,399
Percentage of Plan	9.94%



Causeway

International Equity

The goal of the Causeway International Value fund is to construct a portfolio that provides consistent long-term, risk-adjusted returns. The 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 the **United Kingdom** (20.6% of the fund), **France** (15.5%), and **Japan** (13.1%). The three largest holdings as of quarter end were **Reed Elsevier** (3.9% of the total fund, Netherlands), **Akzo Nobel** (3.1%, Netherlands), and **Novartis AG** (3.0%, Switzerland). **This fund replaced Eagle Global during the third quarter of 2013.**

Performance

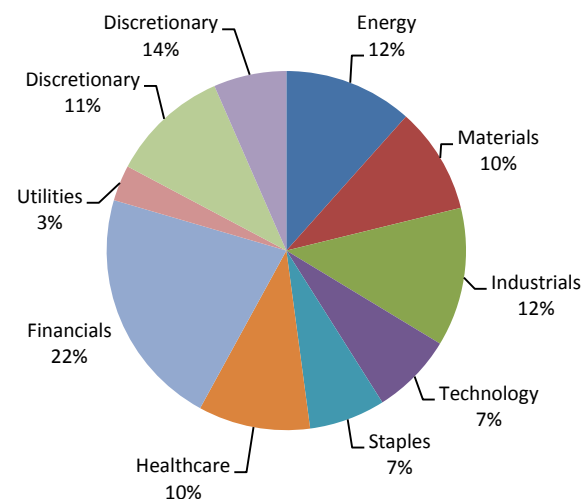
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Causeway	2.23%	-	-	-
MSCI EAFE	4.09%	23.57%	8.10%	11.77%

Key Characteristics

	Portfolio	MSCI EAFE
P/E Ratio	13.8	16.1
P/B Ratio	1.5	1.6
Sharpe Ratio - 3 Year	0.60	0.56
Sharpe Ratio - 5 Year	0.82	0.39
Beta - 5 Year	1.07	1.00
R2 - 5 Year	95	100
Wt. Avg Market Cap. \$MM	40314	38643
Total Number of Holdings	69	920
Prospective Dividend Yield	2.7%	2.8%
Expense Ratio	0.99%	-

Holding Summary

Market Value	\$3,491,334
Percentage of Plan	12.19%



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 June 30, 2014 were **Simon Property Group** (10.6%, of the total fund), **Equity Residential** (5.4%) and **Prologis** (5.1%).

Performance

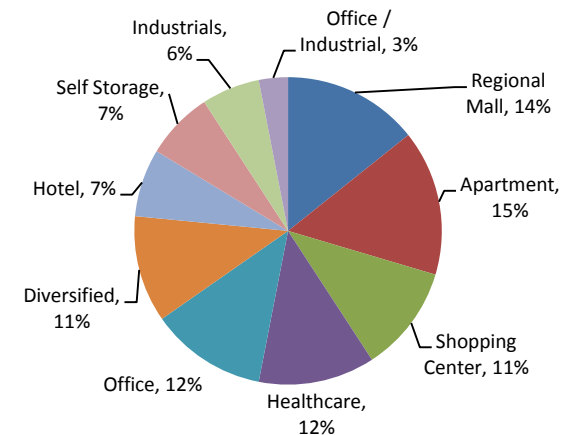
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Cohen & Steers	7.13%	15.23%	-	-
FTSE NAREIT All REITS	6.97%	13.71%	12.01%	22.92%

Key Characteristics

	Portfolio	FTSE NAREIT
P/E Ratio	42.0	40.7
P/B Ratio	2.5	2.3
Beta - 5 Year	1.08	1.00
R2 - 5 Year	99	100
Wt. Avg Market Cap. \$MM	9525	8554
Total Number of Holdings	51	131
Prospective Dividend Yield	3.8%	3.7%
Expense Ratio	0.75%	-

Holding Summary

Market Value	\$1,534,778
Percentage of Plan	5.36%



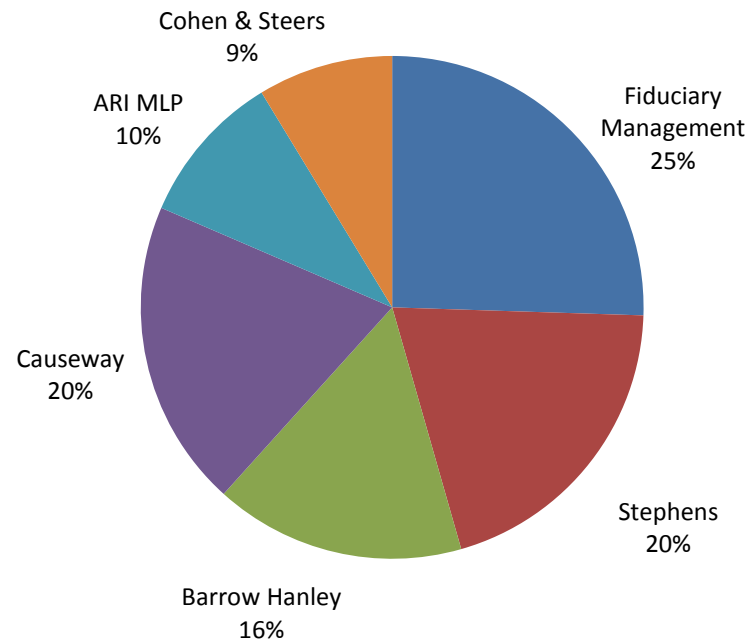
EQUITY PORTFOLIO SNAPSHOT

Portfolio Statistics

	Portfolio	S&P 500
P/E Ratio	21.8	18.6
P/B Ratio	4.4	2.7
Beta - 5yr.	1.04	1.00
R2 - 5yr.	94	100

Holding Summary

Total Market Value	\$17,648,586
Percentage of Total Trust	61.62%



*Statistics calculated using weighted average of current fund lineup.

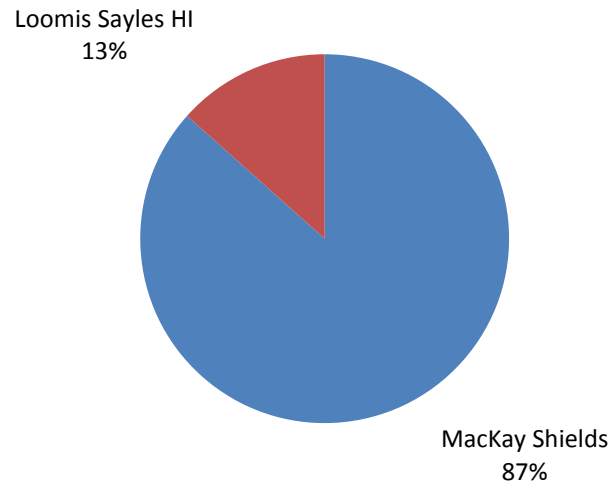
FIXED INCOME PORTFOLIO SNAPSHOT

Portfolio Statistics

	Portfolio	BC Agg
Total # of Issues	451	8818
Average Credit Quality	A	A
Average YTM	3.1	2.4
Average Modified Duration	5.1	5.6
Time to Maturity	10.1	7.7
Average Coupon	4.8	3.1

Holding Summary

Total Market Value	\$10,990,103
Percentage of Total Trust	38.38%



*Statistics calculated using weighted average of current fund lineup.

OPEB TRUST - MANAGER STATUS SUMMARY

Manager	Mandate	Status	Note
Fixed Income			
Mackay Shields	Core Fixed Income	In Compliance	
Loomis Sayles	High Yield Fixed Income	In Compliance	
Domestic Equity			
Fiduciary	Large Cap Equity	In Compliance	
Stephens	Mid Cap Growth	In Compliance	
Barrow Hanley	Small Cap Equity	Non Compliance	Beta 1.51 vs. Investment Policy Statement of 1.20
International Equity			
Causeway	International Equity	In Compliance	
MLPs			
Advisory Research	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

Manager	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Domestic Equity					
Fiduciary Management	Large Cap Equity	0.55%	1.21%	0.66%	\$29,712
Stephens	Mid Cap Growth	0.80%	1.35%	0.55%	\$19,474
Barrow Hanley	Small Cap Value Equity	1.00%	1.40%	0.40%	\$11,382
Fixed Income					
MacKay Shields	Fixed Income	0.35%	0.89%	0.54%	\$51,392
Loomis Sayles	High Yield Fixed Income	0.68%	1.13%	0.45%	\$6,629
International Equity					
Causeway	International Equity	0.99%	1.41%	0.42%	\$14,489
MLP					
Advisory Research	Master Limited Partnership	0.75%	1.00%	0.25%	\$4,336
Real Estate					
Cohen & Steers	Real Estate	0.75%	1.39%	0.64%	\$9,823
Total Plan		0.64%	1.16%	0.51%	\$147,237

Source: Investment Managers and Morningstar

OPEB TRUST – ASSET ALLOCATION ANALYSIS

Manager	Actual Portfolio ¹	Investment Policy Target	Difference	Minimum	Maximum
Large Cap Domestic Equity	15.7%	15.0%	0.7%	0.0%	20.0%
Mid Cap Domestic Equity	12.4%	12.5%	-0.1%	0.0%	17.5%
Small Cap Domestic Equity	9.9%	10.0%	-0.1%	0.0%	15.0%
International Equity	12.2%	12.5%	-0.3%	0.0%	17.5%
Core Fixed Income	33.2%	35.0%	-1.8%	30.0%	75.0%
High Yield Fixed Income	5.1%	5.0%	0.1%	0.0%	10.0%
Real Estate	5.4%	5.0%	0.4%	0.0%	10.0%
Master Limited Partnerships	6.1%	5.0%	1.1%	0.0%	10.0%
Cash	0.0%	0.0%	0.0%	-	-
Total	100.0%	100.0%		100.0%	100.0%