

Port of Houston Authority OPEB Trust

Third Quarter 2014 Report



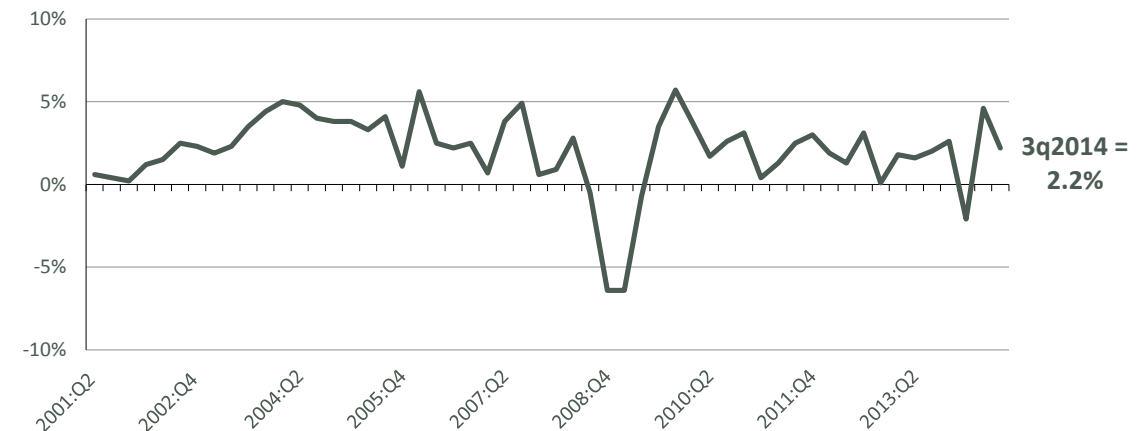
Market Environment – Third Quarter, 2014

- Global economic growth continued at a below average pace during the third quarter. Equity markets surged during the early part of the quarter before pausing during September. Many markets finished the quarter lower. Performance favored lower risk equities as geopolitical uncertainty worried markets. Equity markets displayed low performance correlations. The bond market was challenged; the better parts posted modest gains. International investments were negative during the quarter.
- Domestic real GDP stabilized during the middle two quarters of 2014. Second quarter real GDP growth came in at 4.6% while the third quarter initial measure was 2.2%. A solid rebound from the very soft first quarter drove second quarter gains while military spending pushed the third quarter result higher than most expected.
- The U.S. unemployment rate improved to 5.9% from 6.1% during the quarter. Labor force participation trended slightly lower to 62.7%.
- The U.S. consumer price index rose 1.7% over the year ended September 30, 2014.
- Earlier this year, the Federal Reserve started to wind down its stimulative bond buying program (Quantitative Easing). The goal of the program was to hold interest rates low to encourage investment. Interest rates decreased at the conclusion of previous QE programs.
- Short term interest rates remain pegged at 0.0%, They have been fixed at this level for six years. Highly scrutinized comments from the Federal Reserve suggest that they will remain low for a considerable period.
- Market volatility changed dramatically during the quarter. After an extended period of low price movement, volatility showed two sharp spikes during the quarter, ending the period roughly 40% higher.

Labor Force Participation Rate



US Real GDP Growth - Annualized



Equity Markets – Third Quarter, 2014

- The U.S. equity market saw volatility spike during the third quarter. Large caps, which earned modest returns, outperformed mid and small caps. Growth outperformed value. Trailing year returns remained quite high (+19.0%).
- Information Technology (+4.3% return), Health Care (+5.2%), and Financials (+1.5%) were the best performing sectors by contribution. Energy was the poorest returning sector, falling -8.5%. Utilities and Industrials also suffered third quarter losses.
- The market's top contributing performers were Apple (+9.0%), Gilead Sciences (+28.4%), and Microsoft (+11.9%). The bottom three contributors were Exxon Mobil (-5.9%), Schlumberger (-13.5%), and Chevron (-7.8%).
- Valuations remain reasonable. Based on historical measures, growth stocks are relatively cheaper than value stocks. The broad market forward P/E ratio was 15.6x at quarter end vs. 16.3x for its fifteen year average. The market's dividend yield was 2.0% vs. 1.7% for its long term average. The broad market is 47% higher than its previous high (October 2007) and 228% above the low set in March of 2009.
- Foreign equity markets stumbled as economic activity in Europe, Japan and China slowed. The MSCI All Country World index fell -5.7% during the quarter (\$USD). Emerging markets suffered a loss (-3.5% return) but outperformed developed markets (-5.9%) for the quarter.
- The top performing sectors in the MSCI ACWI ex-US index were Health Care (+0.9%) Telecommunications Services (-1.9%) and Information Technology (-5.7%). All other sectors posted third quarter losses. Energy was poorest, falling -10.0%.
- Top performance contributors were China Mobile (+20.9% return), Novartis (+4.2%), and Sanofi (+6.5%). Top detractors were BP (-15.5%), BASF (-21.2%), and Samsung (-14.4%).
- Developed non-US equity valuations remain above average. The forward P/E ratio for the EAFE index ended the quarter at 13.9x vs. 12.6x for its ten year average. Emerging markets valuations are slightly below average: the MSCI EM index forward P/E ratio was 10.8x vs. 11.0x for its ten year average.
- Equity returns have been strong over the past three years. The rise in volatility and decline in share prices seen during the third quarter was not unusual in the history of equity markets.

Current P/E Ratio as Percentage of Long Term Average

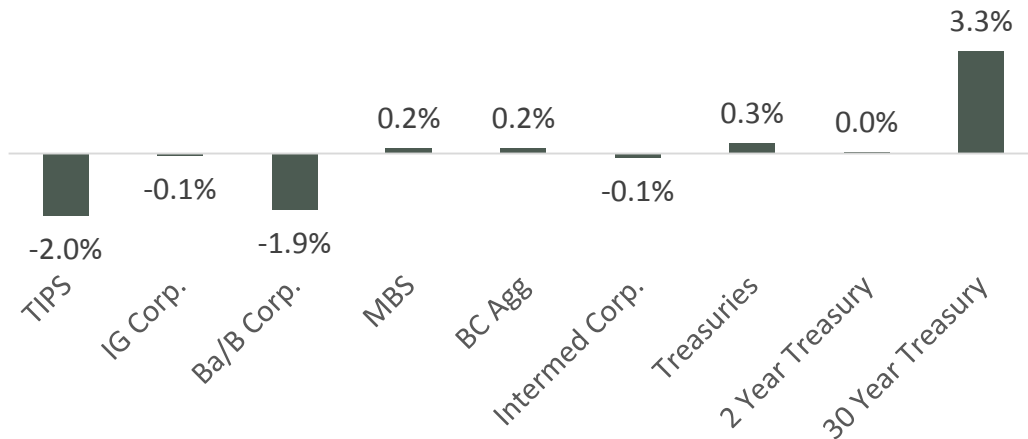
	Value	Blend	Growth
Large	106%	89%	86%
Mid	116%	110%	92%
Small	112%	103%	92%

Russell 1000 Sector Analytics	Ending Weight	3q 2014 Return	Contribution
Consumer Discretionary	12.3%	0.1%	0.0%
Consumer Staples	8.7%	1.6%	0.1%
Energy	9.2%	-8.5%	-0.8%
Financials	17.0%	1.5%	0.2%
Health Care	13.6%	5.2%	0.7%
Industrials	11.0%	-2.1%	-0.2%
Information Technology	19.0%	4.3%	0.8%
Materials	3.8%	-0.8%	-0.0%
Telecommunications	2.3%	2.4%	0.0%
Utilities	3.0%	-4.4%	-0.1%
Total	100.0%	0.7%	0.7%

Fixed Income – Third Quarter, 2014

- Fixed income markets had a difficult quarter as economic uncertainty pushed interest rates around. The Treasury yield curve flattened as the intermediate segment of the curve rose in anticipation of a Fed rate increase while long term rates fell due to the still weak global economy. The long bond rally is still a major surprise to most fixed income investors. The long bond yield began 2014 at 3.9%, sank to 3.4% by mid-year and fell to 3.2% by September 30 and fell below 3% post quarter end.
- The U.S. dollar was very strong during the third quarter, which depressed foreign asset prices. This had a relatively large negative impact on foreign bond prices. The Global Treasury bond index fell almost 4% during the quarter.
- Investment Grade and High Yield bond spreads widened as investors looked for safety as global concerns increased and the stock market fell. Performance was choppy as higher quality bonds outperformed. However, defaults in high yield bonds remained low (1.7% vs. 4.4% historical rate).

Barclays Index Returns – 3q2014



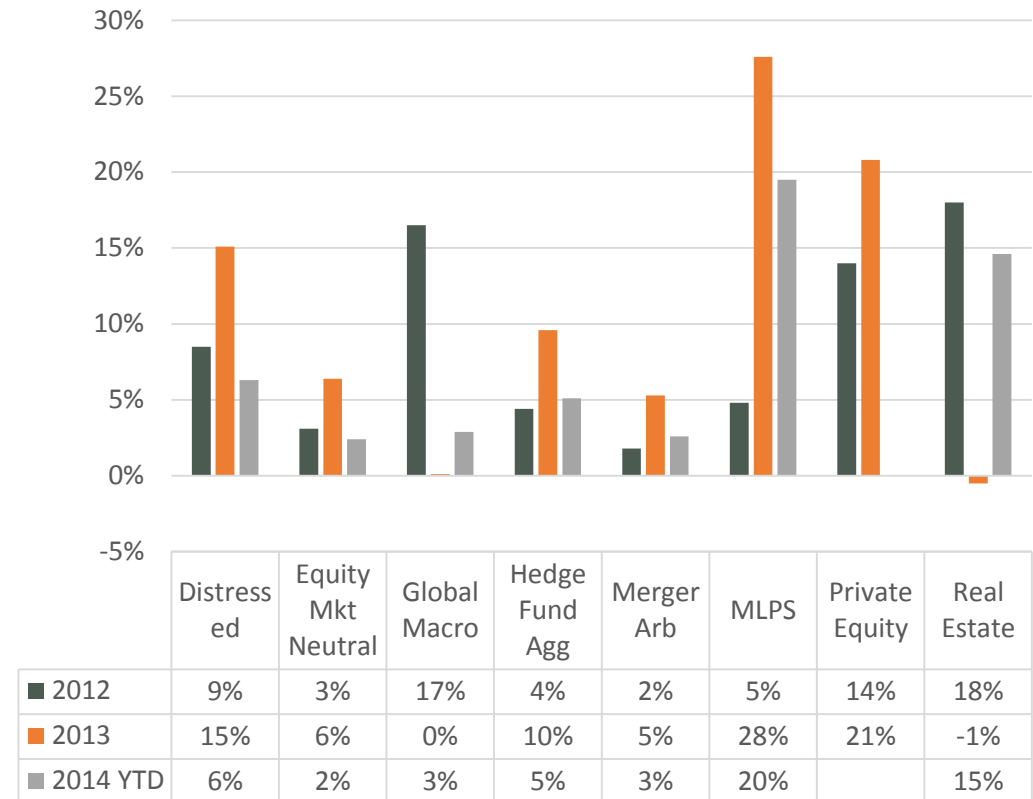
Risk Level	Interest Rate Forecast	Time Horizon			
		1 Year		3 Years	
		Terminal Yield	Total Return	Terminal Yield	Total Return
Low Risk	Pessimistic	2.5%	-3.2%	4.0%	-1.6%
2 Year Treasury	Most Likely	1.3%	-0.8%	3.0%	-1.0%
Present YTM: 0.46%	Optimistic	0.5%	0.7%	2.0%	-0.4%
Medium Risk	Pessimistic	4.5%	-13.5%	5.5%	-5.4%
10 Year Treasury	Most Likely	3.8%	-7.9%	4.5%	-2.9%
Present YTM: 2.53%	Optimistic	2.5%	2.4%	3.5%	-0.3%
High Risk	Pessimistic	5.5%	-30.4%	6.0%	-10.7%
30 Year Treasury	Most Likely	4.5%	-18.1%	5.0%	-6.3%
Present YTM: 3.36%	Optimistic	3.0%	7.2%	4.0%	-1.3%

Yields and Spreads	6/30/2014	9/30/2014
3 Month T-Bill	0.02%	0.02%
2 Year Treasury	0.46%	0.57%
10 Year Treasury	2.53%	2.49%
30 Year Treasury	3.36%	3.20%
Yield Curve 2-10 Year	207	192
Yield Curve 2-30 Year	290	263

Alternative Investments – Third Quarter, 2014

- Alternative investments posted diverse returns during the third quarter. Year to date figures have also been widely divergent with MLPs and real estate posting strong returns while hedge fund returns trailed traditional asset categories.
- California Public Employees' Retirement System announced the end of its hedge fund program over the next year. While the report sent shock waves through the hedge fund community, the initial reaction was probably overblown.
- Hedge funds posted modest returns during the quarter. The HFRI weighted composite index gained 2.1% during the quarter. The top performing hedge fund categories were global macro and relative value arbitrage.
- Real estate investments suffered a setback as initial indications showed a loss on the quarter. Low-risk core real estate returns remained positive as investors continue to favor the asset class as fixed income alternative.
- Private equity returns have been positive but reasonable. The asset class gained just over 20% during 2013 and early indications are positive for 2014.
- Oil prices fell as U.S. production has increased dramatically while European demand has been weak. Saudi Arabia declined to decrease production to support prices. Natural gas prices declined while gold, silver, copper and beef prices moved higher.
- Master Limited Partnerships (energy infrastructure/transport entities) were the best category of alternative assets, gaining 2.7% during the third quarter. They were also best over the year to date period, gaining 19.5%. U.S. Domestic energy production is experiencing a renaissance that saw the U.S. eclipse Russia and Saudi Arabia in daily production over the past year.

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	1.1	19.7	23.0	15.7	8.1
Russell 1000	0.7	19.0	23.2	15.9	8.5
Russell 1000 Value	-0.2	18.9	23.9	15.3	7.8
Russell 1000 Growth	1.5	19.2	22.5	16.5	8.9
Russell 3000	0.0	17.8	23.1	15.8	8.4
Russell Midcap	-1.7	15.8	23.8	17.2	10.3
Russell Midcap Value	-2.7	17.5	24.7	17.2	10.2
Russell Midcap Growth	-0.7	14.4	22.7	17.1	10.2
Russell 2000	-7.4	3.9	21.3	14.3	8.2
Russell 2000 Value	-8.6	4.1	20.6	13.0	7.3
Russell 2000 Growth	-6.1	3.8	21.9	15.5	9.0
Alerian MLP	2.7	25.8	23.0	23.6	16.2
Fixed Income	Last Quarter	Last Year	Last Three Years Annualized	Last Five Years Annualized	Last Ten Years Annualized
Barclays Capital Aggregate Bond	0.2	4.0	2.4	4.1	4.6
Barclays Capital Credit	0.0	6.6	4.8	6.1	5.4
Barclays Capital Government	0.3	2.3	1.1	3.1	4.2
Barclays Capital Govt/Credit	0.2	4.1	2.5	4.3	4.6
Barclays Capital Interm Credit	-0.1	4.0	4.1	5.2	4.9
Barclays Capital Interm Govt	0.0	1.1	0.9	2.5	3.7
Barclays Capital Interm Govt/Cred	0.0	2.2	2.0	3.4	4.1
Barclays Capital Long Credit	0.2	13.6	6.7	8.7	7.0
Barclays Capital Long Term Govt	2.7	11.6	2.0	7.0	6.8
Barclays Capital Long Govt/Credit	1.0	12.9	4.8	8.0	7.0
Barclays Capital Fixed Rate MBS	0.2	3.8	2.1	3.5	4.7
Merrill Lynch US High Yield Master II	-1.9	7.2	11.0	10.4	8.2
91 Day T-Bill	0.0	0.0	0.1	0.1	1.5
International	Last Quarter	Last Year	Last Three Years Annualized	Last Five Years Annualized	Last Ten Years Annualized
MSCI EAFE	-5.9	4.3	13.7	6.6	6.3
MSCI World ex US	-5.7	4.9	13.2	6.5	6.5
MSCI Europe	-7.2	4.9	14.9	6.6	6.5
MSCI Japan	-2.3	0.6	9.2	5.4	3.8
MSCI Pacific ex Japan	-5.9	1.4	12.1	7.3	10.2
MSCI Emerging Markets	-3.5	4.3	7.2	4.4	10.7
Citigroup Non-\$ World Gov	2.0	7.0	4.7	4.0	4.6

Portfolio Trailing Year Performance

+8.87%



OPEB Trust Plan Summary

As of September 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	-0.02%		-		-		-		-	\$9,515,489	33.9%	3/25/2014
<i>Barclays Capital Aggregate</i>	0.17%		3.96%		2.43%		4.12%		-			
Loomis Sayles High Income	-2.34%		11.88%		-		-		13.40%	\$1,436,071	5.1%	12/18/2012
<i>ML High Yield</i>	-1.92%		7.23%		10.95%		10.40%		6.30%			
Advisory Research MLP	-0.40%		32.08%		-		-		27.45%	\$1,727,468	6.1%	7/26/2012
<i>Alerian MLP</i>	2.73%		25.80%		22.95%		23.58%		21.53%			
Fiduciary Management	-1.45%		17.16%		-		-		18.74%	\$4,436,545	15.8%	8/14/2012
<i>Russell 1000 Value</i>	-0.19%		18.89%		23.93%		15.26%		21.49%			
<i>S&P 500</i>	1.13%		19.73%		22.99%		15.70%		20.15%			
Stephens Mid Cap Growth	-1.76%		7.99%		-		-		17.35%	\$3,478,414	12.4%	12/18/2012
<i>Russell Mid Cap Growth</i>	-0.73%		14.43%		22.74%		17.12%		22.93%			
Barrow Hanley Small Cap	-7.09%		6.11%		-		-		21.50%	\$2,643,624	9.4%	7/19/2012
<i>Russell 2000 Value</i>	-8.58%		4.13%		20.61%		13.02%		17.27%			
Causeway	-3.08%		6.04%		-		-		15.06%	\$3,374,956	12.0%	9/16/2013
<i>MSCI EAFE</i>	-5.88%		4.25%		13.65%		6.56%		4.25%			
Cohen & Steers Real Estate	-3.04%		14.31%		-		-		10.29%	\$1,487,660	5.3%	12/18/2012
<i>FTSE NAREIT All REITS</i>	-2.48%		13.17%		17.17%		16.17%		9.17%			
Cash	-		-		-		-		-	\$0	0.0%	
Total Plan - Gross of Fees	-1.83%		8.87%		-		-		10.69%	\$28,100,229	100.0%	
Total Plan - Net of Fees	-2.00%		8.14%						9.96%			
<i>Benchmark</i>	-1.53%		9.50%		-		-		11.20%			
<i>Actuarial Assumption</i>	1.71%		7.00%		-		-		7.13%			

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

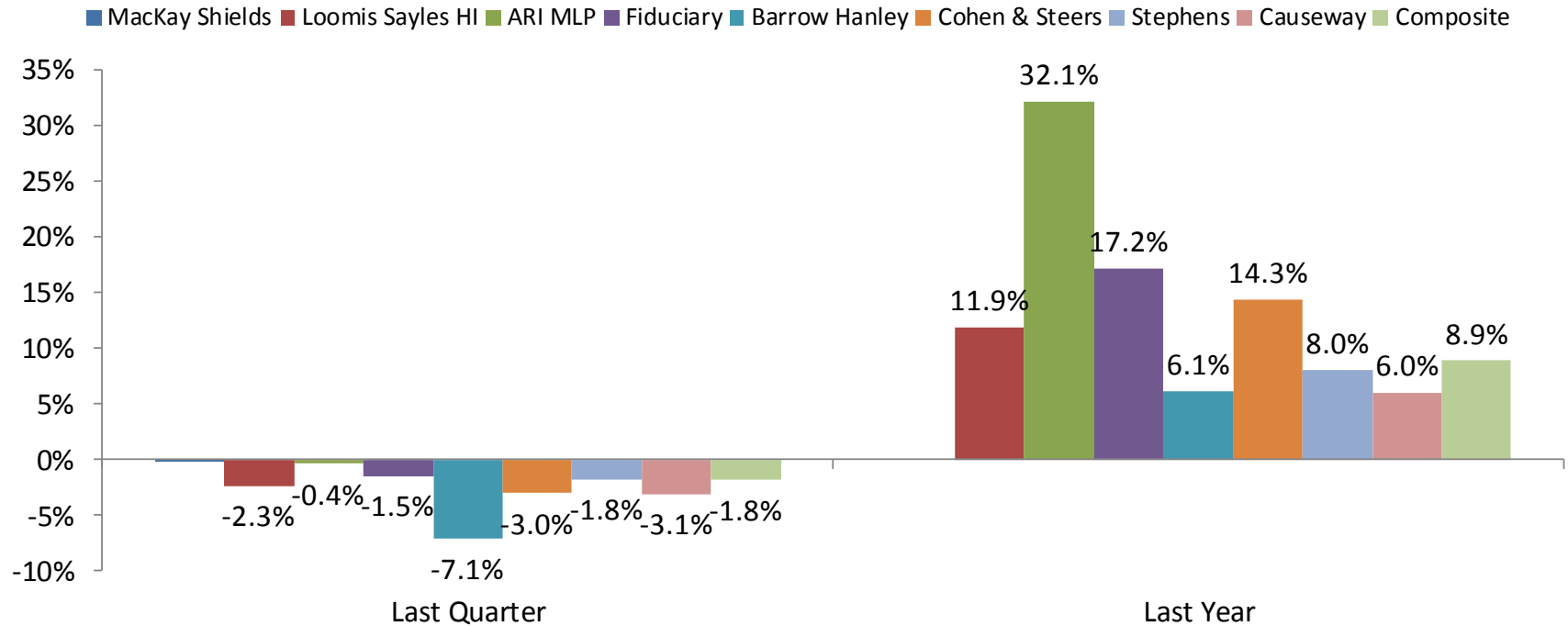
Data believed to be accurate, but cannot be guaranteed.

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

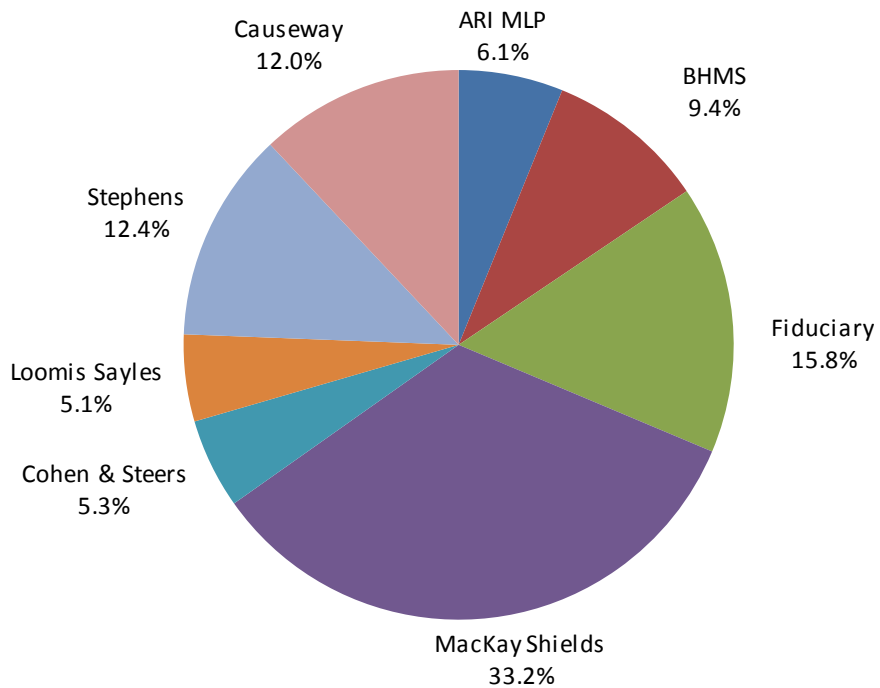


Performance Summary

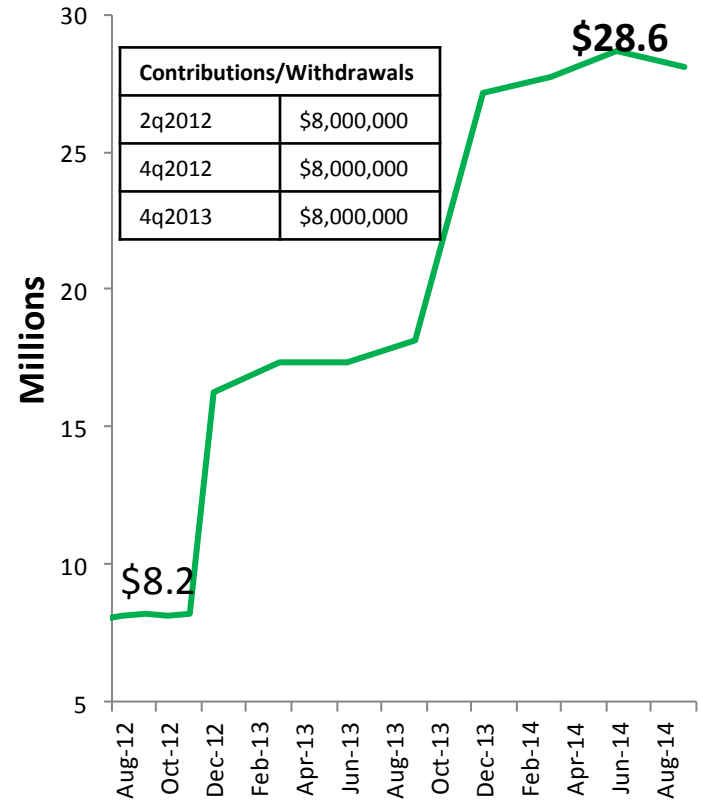
Period ended September 30, 2014



Portfolio Review



Market Value History



Discussion Items

- On September 16th, 2013 Eagle Global was replaced with Causeway Capital as the portfolio's international equity manager. Causeway returned 6.04% over the last year, versus 4.25% for the MSCI EAFE Index.
- The fixed income portfolio managed by Smith Affiliated was replaced by Mackay Shields on March 25, 2014.



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, 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 replace Smith Affiliated during the first quarter of 2014.**

Performance

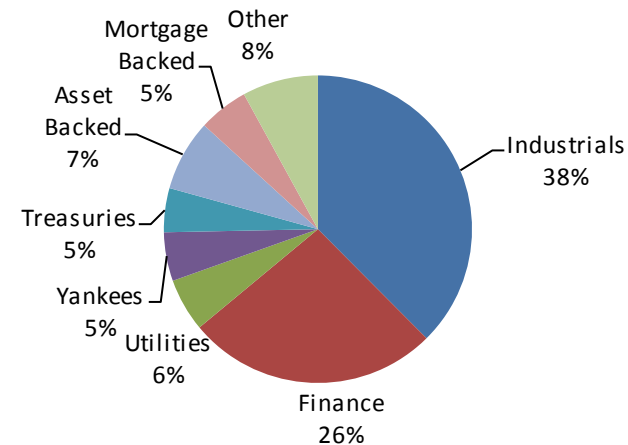
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
MacKay Shields	-0.02%	-	-	-
Barclays Capital Aggregate Bond	0.17%	3.96%	2.43%	4.12%

Key Characteristics

	Portfolio	BC Agg
Effective Duration	5.1	5.6
Maturity	10.3	7.7
Trailing 12 Month Yield	4.6	3.1
Yield to Maturity	3.0	2.4
Average Credit Quality	A-	AA
Average Number of Issues	110	8958
Expense Ratio	0.35%	-

Holding Summary

Market Value	\$9,515,489
Percentage of Plan	33.86%



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

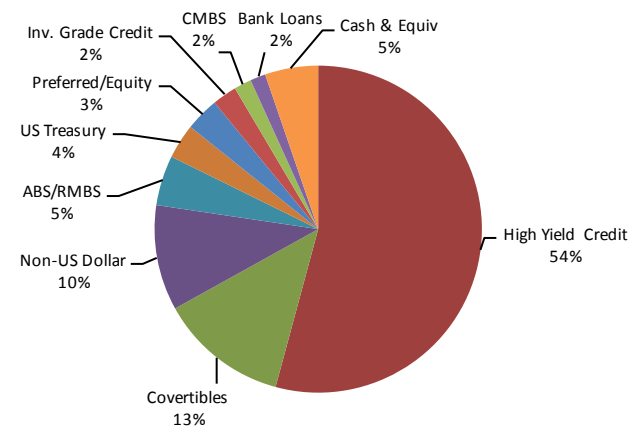
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Loomis Sayles	-2.34%	11.88%	-	-
Merill Lynch High Yield Master II	-1.92%	7.23%	10.95%	10.40%

Key Characteristics

	Portfolio	ML HY II
Effective Duration	5.6	4.4
Maturity	8.1	6.5
Trailing 12 Month Yield	3.7	-
Average Credit Quality	BBB	B
Average Number of Issues	387	2268
Expense Ratio	0.68%	-

Holding Summary

Market Value	\$1,436,071
Percentage of Plan	5.11%



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 September 30, 2014 were **Energy Transfer Equity, LP** (9.9% of the total fund), **Plains GP Holdings LP** (8.1%), and **Enterprise Products Partners, LP** (7.8%).

Performance

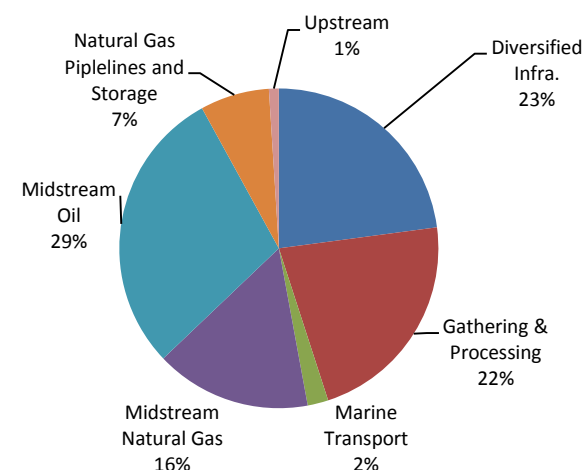
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Advisory Research (ARI)	-0.40%	32.08%	-	-
Alerian MLP	2.73%	25.80%	22.95%	23.58%

Key Characteristics

	Portfolio	Alerian MLP
P/E Ratio	28.7	27.0
P/B Ratio	11.7	2.7
Beta - 5 Year	0.92	1.00
R2 - 5 Year	89	100
Wt. Avg Market Cap. \$MM	11779	15076
Total Number of Holdings	27	50
Prospective Dividend Yield	4.0%	-
Expense Ratio	0.75%	-

Holding Summary

Market Value	\$1,727,468
Percentage of Plan	6.15%



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, 2014 were **Potash** (5.9% of the total portfolio), **Accenture** (5.0%), and **Bank of New York Mellon** (5.0%).

Performance

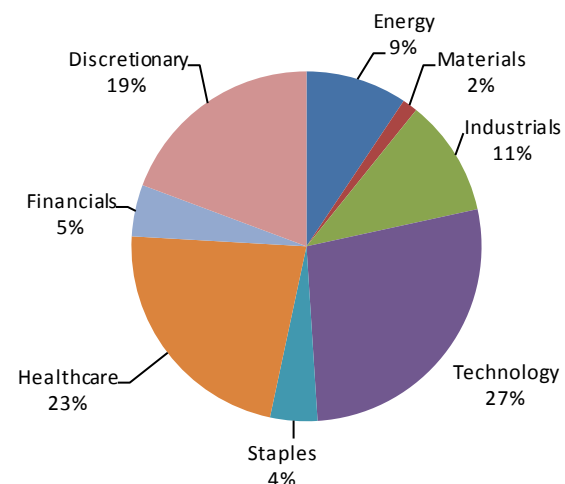
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Fiduciary Management	-1.45%	17.16%	-	-
Russell 1000 Value	-0.19%	18.89%	23.93%	15.26%
S&P 500 Index	1.13%	19.73%	22.99%	15.70%

Key Characteristics

	Portfolio	R 1000 V
P/E Ratio	19.2	16.4
P/B Ratio	3.5	1.8
Beta - 5 Year	0.88	1.00
R2 - 5 Year	96	100
Wt. Avg Market Cap. \$MM	81129	51916
Earnings Growth - 3 Year	11.0%	-
Standard Deviation - 5 Year, monthly	13.1%	-
Total Number of Holdings	25	690
Prospective Dividend Yield	1.8%	-
Expense Ratio	0.55%	-

Holding Summary

Market Value	\$4,436,545
Percentage of Plan	15.79%



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, 2014 were **Illumina** (1.9% of the total portfolio), **Cerner** (1.7%), and **Monster Beverage** (1.6%).

Performance

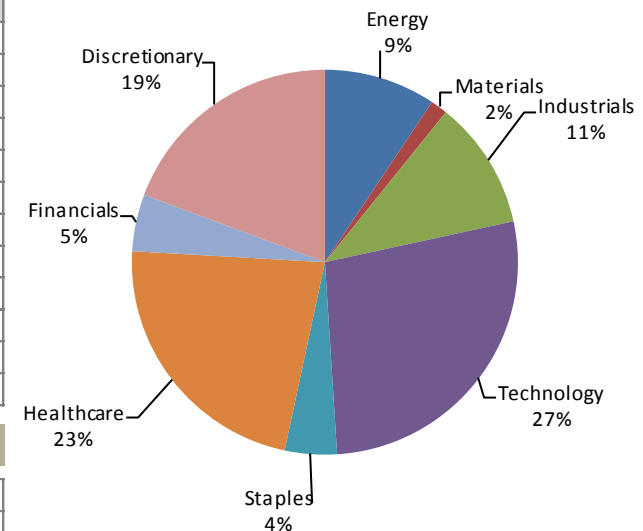
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Stephens	-1.76%	7.99%	-	-
Russell Mid Cap Growth	-0.73%	14.43%	22.74%	17.12%

Key Characteristics

	Portfolio	R MCG
P/E Ratio	24.2	23.8
P/B Ratio	4.7	4.6
Sharpe Ratio - 3 Year	1.6	1.6
Sharpe Ratio - 5 Year	1.2	-
Beta - 5 Year	0.92	1.00
R2 - 5 Year	94	100
Wt. Avg Market Cap. \$MM	9233	10894
Earnings Growth - 5 Year	18.0%	-
Standard Deviation - 5 Year, monthly	14.9%	-
Total Number of Holdings	105	546
Prospective Dividend Yield	0.4%	-
Expense Ratio	0.80%	-

Holding Summary

Market Value	\$3,478,414
Percentage of Plan	12.38%



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, 2014 were **Haemonetics** (4.0% of the total portfolio), **Tempur Sealy International** (3.7%), and **City National Corporation** (3.6%).

Performance

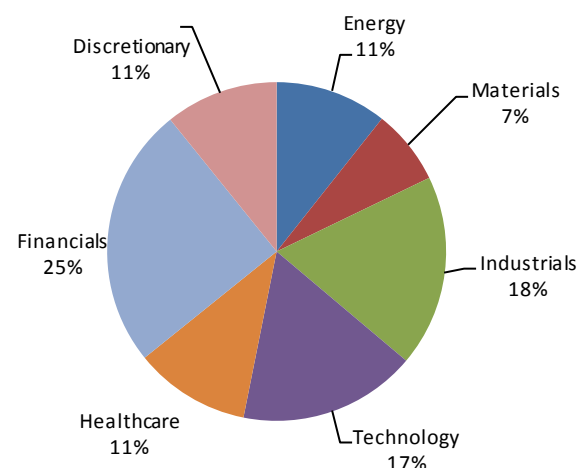
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Barrow Hanley Mewhinney & Strauss	-7.09%	6.11%	-	-
Russell 2000 Value	-8.58%	4.13%	20.61%	13.02%

Key Characteristics

	Portfolio	R 2000 V
P/E Ratio	19.1	17.1
P/B Ratio	2.0	1.4
Sharpe Ratio - 5 Year	0.64	-
Beta - 5 Year	1.42	1.00
R2 - 5 Year	96	100
Wt. Avg Market Cap. \$MM	2546	1231
Earnings Growth - 5 Year	12.8%	-
Total Number of Holdings	42	1307
Prospective Dividend Yield	1.2%	-
Expense Ratio	1.00%	-

Holding Summary

Market Value	\$2,643,624
Percentage of Plan	9.41%



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** (20.7% of the fund), **France** (15.9%), and **Japan** (14.2%). The three largest holdings as of quarter end were **Akzo Nobel** (3.4% of the total fund, Netherlands), **Reed Elsevier** (3.2%, Netherlands), and **Sanofi** (3.2%, France). **This fund replaced Eagle Global during the third quarter of 2013.**

Performance

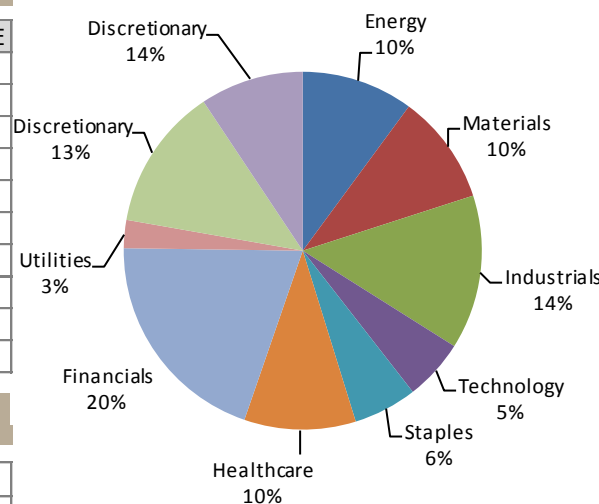
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Causeway	-3.08%	6.04%	-	-
MSCI EAFE	-5.88%	4.25%	13.65%	6.56%

Key Characteristics

	Portfolio	MSCI EAFE
P/E Ratio	18.7	15.8
P/B Ratio	2.7	1.6
Sharpe Ratio - 3 Year	0.60	0.97
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	71064	36028
Total Number of Holdings	513	901
Prospective Dividend Yield	2.7%	-
Expense Ratio	0.99%	-

Holding Summary

Market Value	\$3,374,956
Percentage of Plan	12.01%



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, 2014 were **Simon Property Group** (9.1%), **Equity Residential** (5.6%), and **Public Storage** (4.7%).

Performance

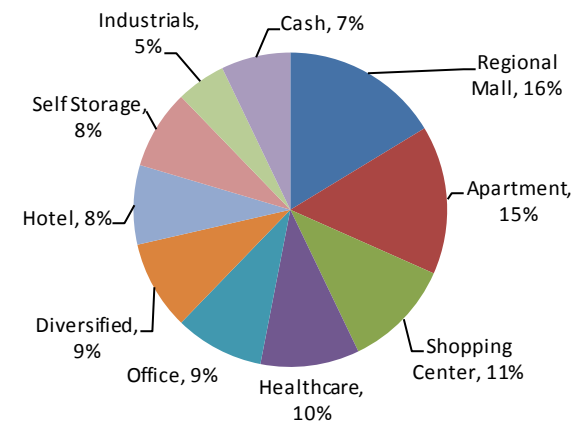
	Last Quarter	Last 12 Months	Last 3 Years	Last 5 Years
Cohen & Steers	-3.04%	14.31%	-	-
FTSE NAREIT ALL REITS	-2.48%	13.17%	17.17%	16.17%

Key Characteristics

	Portfolio	FTSE NAREIT
P/E Ratio	42.0	38.0
P/B Ratio	2.5	2.2
Beta - 5 Year	1.08	1.00
R2 - 5 Year	99	100
Wt. Avg Market Cap. \$MM	9525	8308
Total Number of Holdings	51	143
Prospective Dividend Yield	3.8%	-
Expense Ratio	0.75%	-

Holding Summary

Market Value	\$1,487,660
Percentage of Plan	5.29%



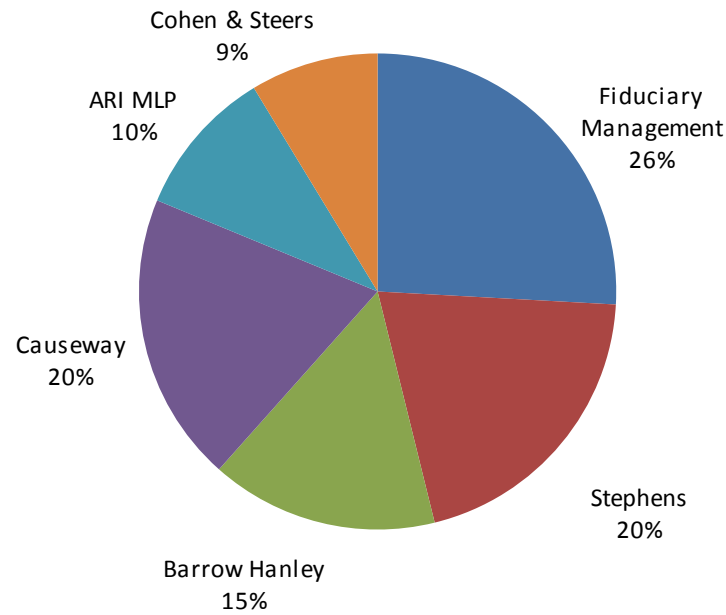
EQUITY PORTFOLIO SNAPSHOT

Portfolio Statistics

	Portfolio	S&P 500
P/E Ratio	23.0	18.4
P/B Ratio	4.1	2.6
Beta - 5yr.	1.03	1.00
R2 - 5yr.	95	100

Holding Summary

Total Market Value	\$17,148,668
Percentage of Total Trust	61.03%



*Statistics calculated using weighted average of current fund lineup.

FIXED INCOME PORTFOLIO SNAPSHOT

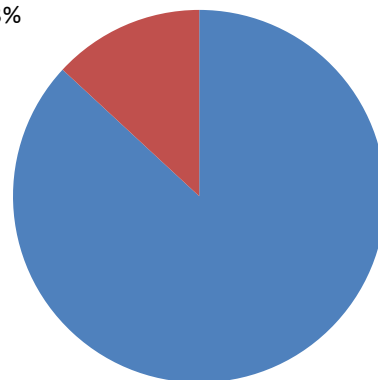
Portfolio Statistics

	Portfolio	BC Agg
Total # of Issues	497	8958
Average Credit Quality	A	AA
Average YTM	3.1	2.4
Average Modified Duration	5.2	5.6
Time to Maturity	10.0	7.7
Average Coupon	4.5	3.1

Holding Summary

Total Market Value	\$10,951,561
Percentage of Total Trust	38.97%

Loomis Sayles
HI
13%



MacKay Shields
87%

*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	Single position > 7% of portfolio
Stephens	Mid Cap Growth	In Compliance	
Barrow Hanley	Small Cap Equity	In Compliance	Beta 1.42 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%	\$29,281
Stephens	Mid Cap Growth	0.80%	1.35%	0.55%	\$19,131
Barrow Hanley	Small Cap Value Equity	1.00%	1.40%	0.40%	\$10,574
Fixed Income					
Mackay Shields	Fixed Income	0.35%	0.89%	0.54%	\$51,384
Loomis Sayles	High Yield Fixed Income	0.68%	1.13%	0.45%	\$6,462
International Equity					
Causeway	International Equity	0.99%	1.41%	0.42%	\$14,006
MLP					
Advisory Research	Master Limited Partnership	0.75%	1.00%	0.25%	\$4,319
Real Estate					
Cohen & Steers	Real Estate	0.75%	1.39%	0.64%	\$9,521
Total Plan		0.64%	1.15%	0.51%	\$144,679

Source: Investment Managers and Morningstar

OPEB TRUST – ASSET ALLOCATION ANALYSIS

Manager	Actual Portfolio ¹	Investment Policy Target	Difference	Minimum	Maximum
Large Cap Domestic Equity	15.8%	15.0%	0.8%	0.0%	20.0%
Mid Cap Domestic Equity	12.4%	12.5%	-0.1%	0.0%	17.5%
Small Cap Domestic Equity	9.4%	10.0%	-0.6%	0.0%	15.0%
International Equity	12.0%	12.5%	-0.5%	0.0%	17.5%
Core Fixed Income	33.9%	35.0%	-1.1%	30.0%	75.0%
High Yield Fixed Income	5.1%	5.0%	0.1%	0.0%	10.0%
Real Estate	5.3%	5.0%	0.3%	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%