

Investment Performance Review  
Period Ending June 30, 2018

# Port of Houston Authority OPEB Trust

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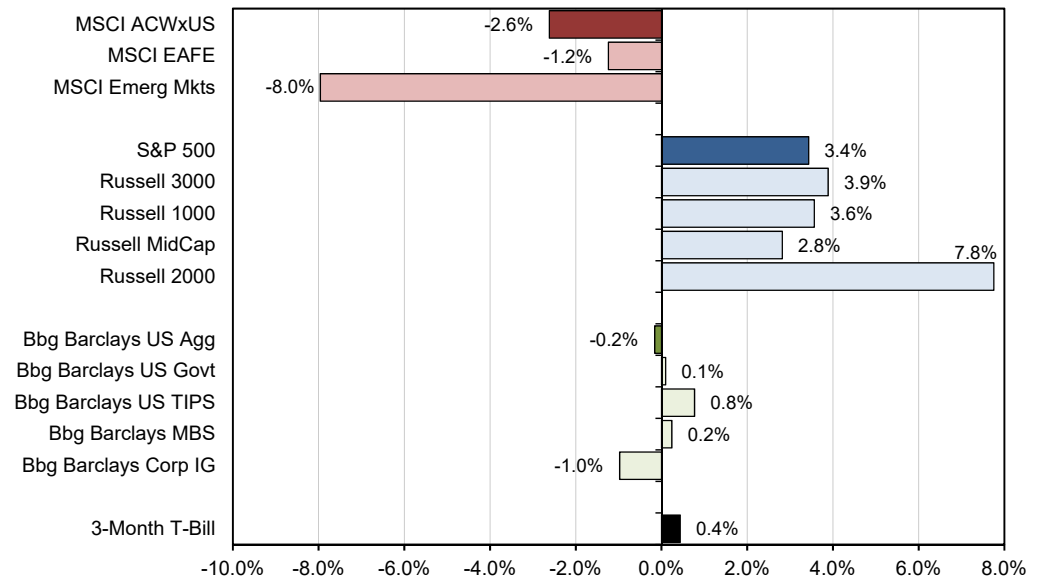


## **2nd Quarter 2018 Market Environment**

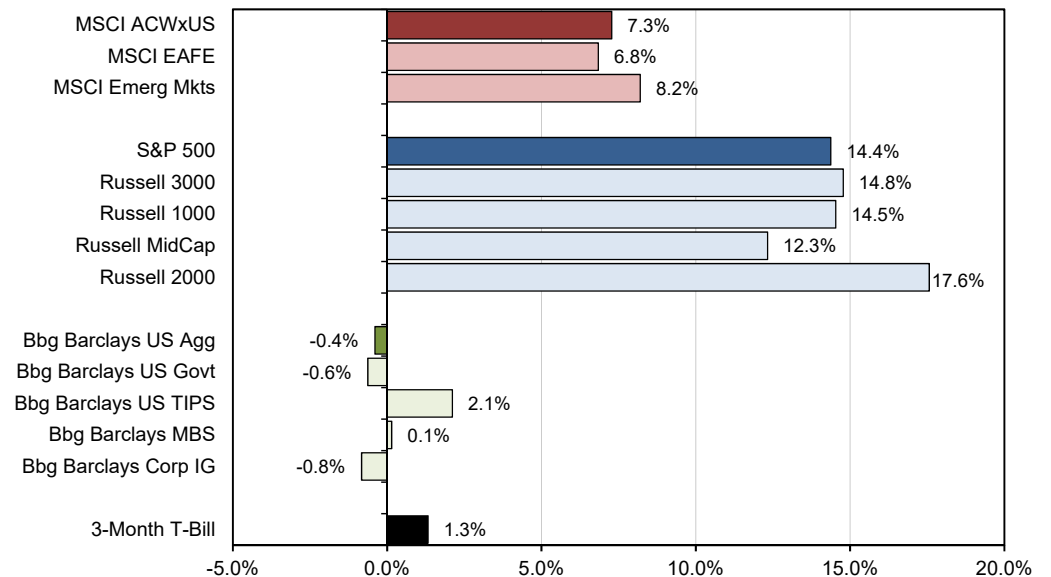


- Market returns were mixed across major equity and fixed income indices for the 2nd quarter of 2018. Broad domestic equity indices had healthy gains as supportive economic and corporate earnings data, helped by a fiscal stimulus tailwind resulting from the Republican Party led tax reform passed in late 2017, continued to push domestic stocks higher. International indices did not fare as well during the period, posting negative returns in US dollar (USD) terms, as markets were hurt by relatively soft economic data, geopolitical concerns and a strengthening USD. Fixed income returns were somewhat flat for the quarter with the various sector segments producing minor gains or losses. Despite the Federal Reserve's (Fed) ongoing tightening of monetary policy and the potential for global trade disruptions resulting from Trump administration protectionist trade policies, economic momentum in the US continued to fuel investor demand for domestic equities. The US stock market represented by the Russell 3000 Index returned 3.9% and 14.8% for the quarter and 1-year period respectively.
- International equity posted negative returns for the quarter with emerging markets stocks falling the greatest degree. The developed market MSCI EAFE Index lost -1.2% as macroeconomic data abroad, while still signaling a continuation in global growth, appeared to slow throughout the quarter. International markets were also affected by investor concerns surrounding ongoing political developments in various countries and continued uncertainty around the outlook for global trade relations. International market returns also faced a currency effect headwind as the USD appreciated against most other currencies during the period. This combination of factors had the greatest influence on emerging market equities with the MSCI Emerging Markets Index posting a sharp decline of -8.0%. One-year returns remain broadly positive with the MSCI EAFE and MSCI Emerging Markets indices returning 6.8% and 8.2% respectively.
- Interest rates on the US Treasury Yield Curve rose across all maturities during the 2nd quarter. The increase in interest rates was most pronounced in short-term maturities resulting in further flattening of the yield curve. The relatively large increase at the short-end of the curve was partially due to the Fed's decision to tighten monetary policy by increasing short-term interest rates for the second time this year during their June meeting. Also significant was the change in the Fed's forecasted schedule for interest rate increases, which now projects two potential additional rate increases in 2018, where it had previously forecast just one. The broad market Bloomberg Barclays US Aggregate Index was modestly negative for both the 2nd quarter and the 1-year time period, returning -0.2% and -0.4% respectively. Corporate issues were the worst performing investment grade sector during the quarter, returning -1.0% as credit spreads continued to widen through 2018.

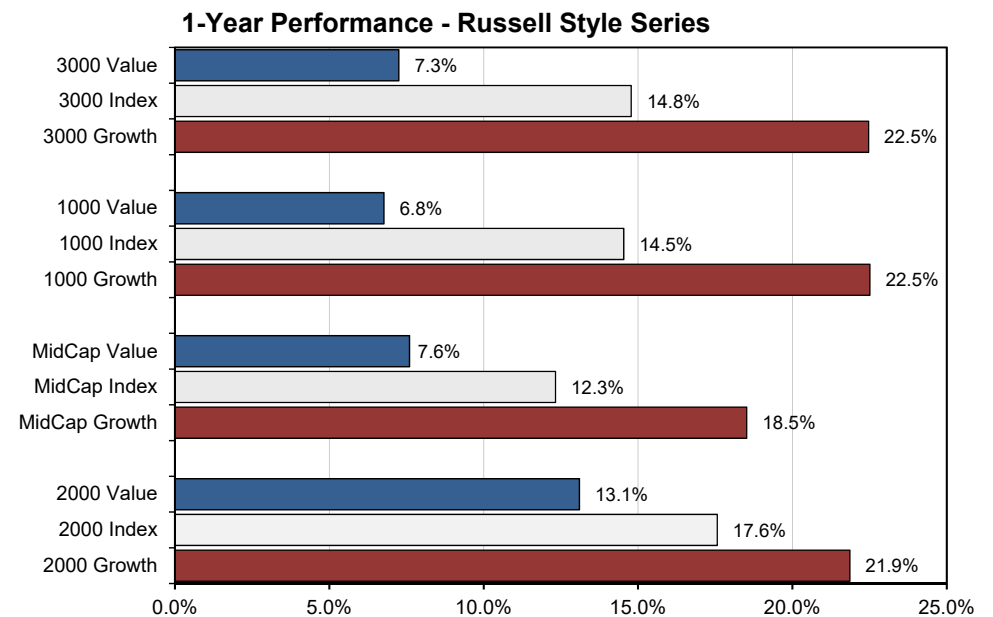
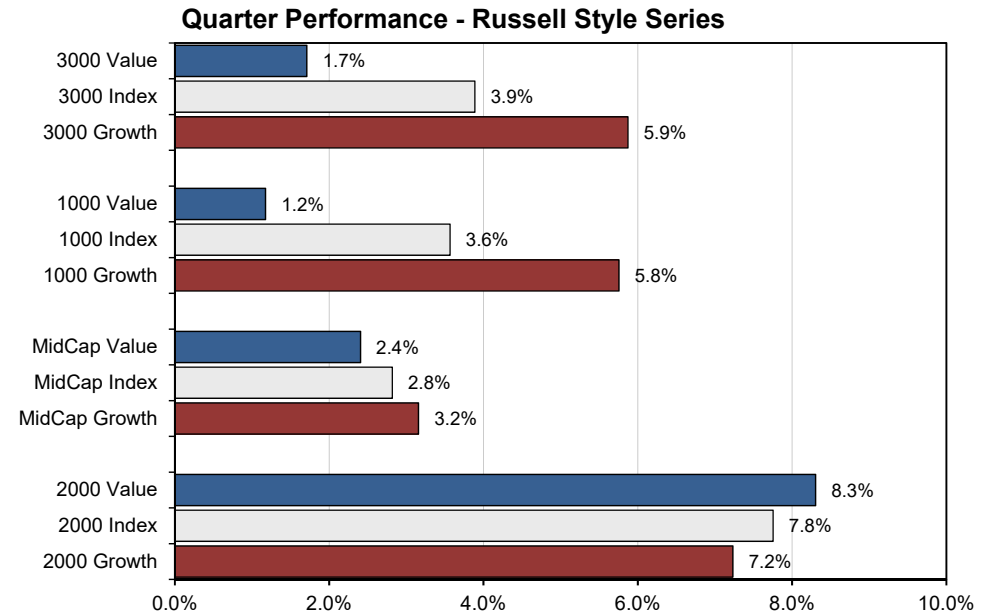
### Quarter Performance



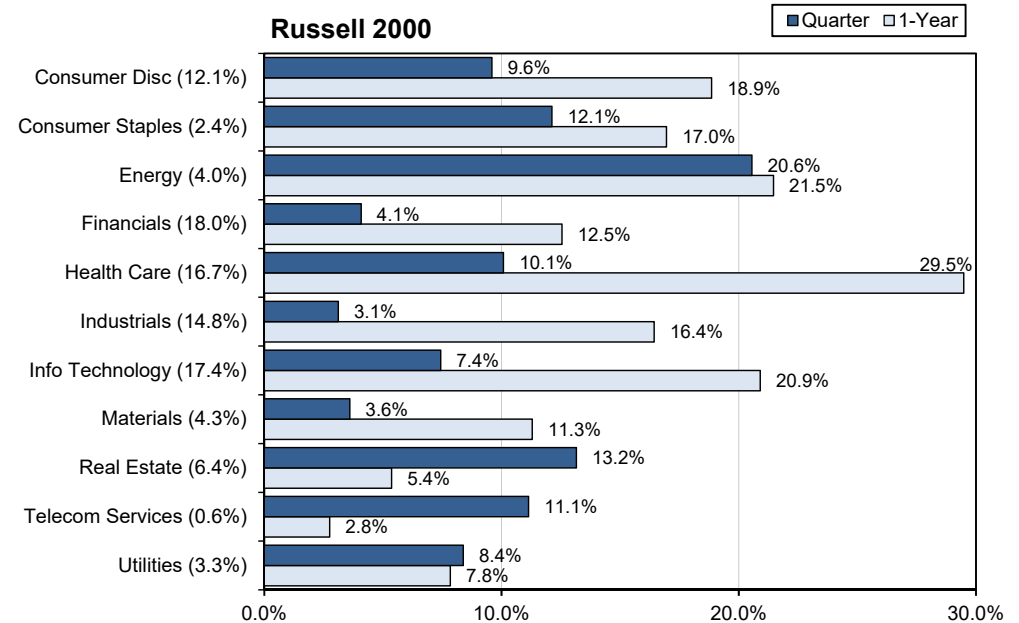
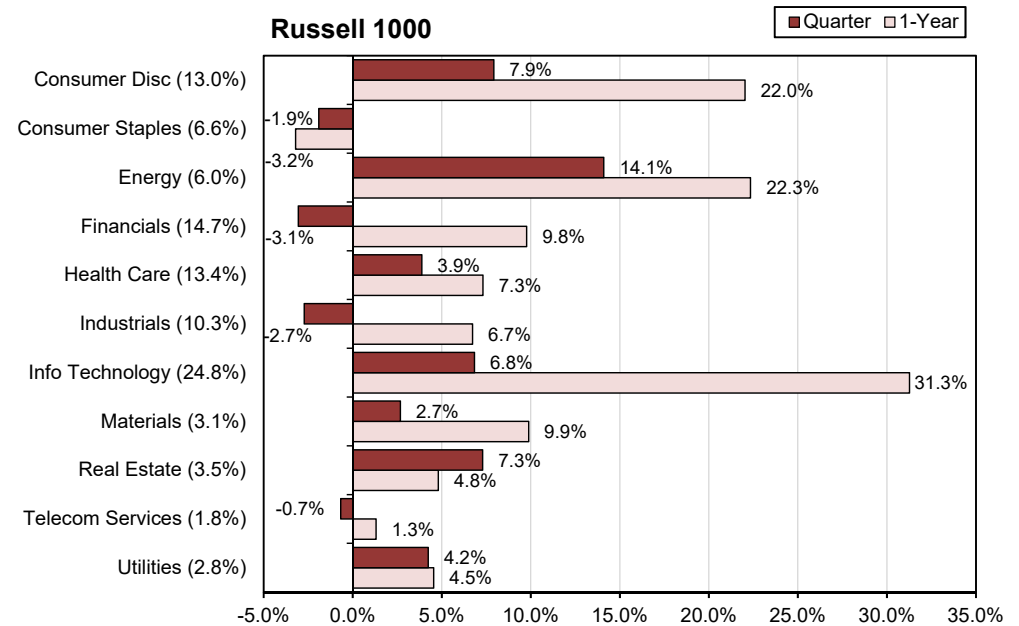
### 1-Year Performance



- US equity index returns were positive across the style and capitalization spectrum during the 2nd quarter of 2018. Markets were encouraged by the ongoing strength in US economic data and corporate earnings. Positive data releases in unemployment, retail sales, consumer consumption, GDP and investor sentiment highlighted the continued health of the US economy. Additionally, Q1 2018 corporate earnings announced throughout the period grew at an impressive rate as corporate profits were beneficiaries of the late 2017 Republican Party tax reforms. Returns for the period were tempered by global trade uncertainty as tariffs on steel and aluminum imported from Canada, Mexico and the European Union took effect with the possibility of additional tariffs aimed at China and foreign auto producers being considered. The Trump administration also announced the US withdrawal from the Iran nuclear accord, proposing new sanctions, which could disrupt oil markets in the future, and made progress toward a denuclearization deal with North Korea.
- During the quarter, small cap stocks outperformed mid and large cap equities for style and core indices. This is partially due to the increased tax reform benefit small cap companies will receive relative to large caps. Small cap stocks have historically paid higher taxes relative to large cap companies since they typically generate more of their revenue in the US. More globally oriented large caps also faced a considerable headwind from the recent USD strength. Large cap companies generate more revenue outside of the US and an appreciating USD makes US exports more expensive to foreign consumers. The small cap Russell 2000 Index returned 7.8% during the period, while the large cap Russell 1000 Index returned 3.6%. Small caps also outperformed over the 1-year period with the Russell 2000 returning 17.6% over the trailing year while the Russell 1000 posted a return of 14.5%.
- Style index performance was mixed during the quarter with growth companies outperforming in large- and mid-cap, but value stocks outperforming in the small-cap space. The Russell 2000 Value Index was the best performing style index for the period returning a notable 8.3% for the quarter. Returns over the trailing year continue to show significant outperformance of growth indices relative to their value counterparts with the return of the Russell 1000 Growth Index more than tripling the return of the Russell 1000 Value Index. Growth benchmarks benefitted from larger exposures to more cyclical names within the information technology, consumer discretionary, health care and industrials sectors. They also benefitted from underweights to more defensive sectors such as REITs, utilities and telecom.



- Sector performance was mixed across large cap sectors for the 2nd quarter of 2018. Seven of eleven sectors had positive returns for the quarter and six of eleven economic sectors outpaced the Russell 1000 Index return. Energy was the best performing sector during the quarter, returning 14.1%, as an OPEC announced increase in crude oil production was overshadowed by supply concerns in Iran, Venezuela and Libya, resulting in considerably higher oil prices. The consumer discretionary sector also performed well on the back of strong retail sales and increased consumer spending, gaining 7.9% for the period. Technology stocks continued their climb, returning 6.8% over the quarter. Technology names now account for nearly 25% of the market cap of the Russell 1000 Index. The largest detractors for the quarter were the financials, industrials and consumer staples sectors which returned -3.1%, -2.7% and -1.9% respectively. Over the trailing 1-year period, technology was the best performing sector by a relatively wide margin returning an impressive 31.3% and the consumer discretionary and energy sectors also posted returns greater than 20%. Ten of eleven large cap economic sectors posted positive returns for the 1-year period with consumer staples being the only sector to post negative performance, returning -3.2%.
- Quarterly results for small cap sectors were higher relative to their large capitalization counterparts. All sectors had positive returns during the period with seven of eleven economic sectors outpacing the Russell 2000 Index return for the quarter. Like the large cap index sector performance, industrials and financials were relative underperformers for the 2nd quarter. Financials were hurt by a flattening yield curve and concerns over global trade weighed on industrials. Quarterly performance on industrials and financials was 3.1% and 4.1% respectively. Energy was the best performing sector in the Russell 2000 as well, returning a notable 20.6%. However, there were several differences, particularly in consumer staples and telecom where there was significant outperformance relative to their large cap counterparts. Small cap sectors beat large cap sectors in those two categorizations by over 10.0% during the quarter. Over the trailing 1-year period, all eleven sectors posted gains. Health care stocks were the best performers within the Russell 2000 for the trailing year returning a solid 29.5%. Energy and technology also posted returns over 20% for the 1-year period.
- Using S&P 500 sector valuations as a proxy for the market, forward P/E ratios for six of the eleven GICS sectors were higher than their long-term averages at quarter-end. Using these historical P/E measures, the utilities, consumer discretionary and real estate sectors appear the most extended. In contrast the telecommunications, technology and health care sectors were trading at a discount to their long-term average P/E ratios.



**The Market Environment**  
**Top 10 Index Weights & Quarterly Performance for the Russell 1000 & 2000**  
As of June 30, 2018

Top 10 Weighted Stocks				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Apple Inc	3.53%	10.8%	30.5%	Information Technology
Microsoft Corp	2.89%	8.5%	45.8%	Information Technology
Amazon.com Inc	2.68%	17.4%	75.6%	Consumer Discretionary
Facebook Inc A	1.79%	21.6%	28.7%	Information Technology
Berkshire Hathaway Inc B	1.40%	-6.4%	10.2%	Financials
JPMorgan Chase & Co	1.37%	-4.8%	16.5%	Financials
Exxon Mobil Corp	1.36%	12.0%	6.6%	Energy
Alphabet Inc C	1.32%	8.1%	22.8%	Information Technology
Alphabet Inc A	1.31%	8.9%	21.5%	Information Technology
Johnson & Johnson	1.26%	-4.6%	-5.8%	Health Care

Top 10 Weighted Stocks				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Five Below Inc	0.24%	33.2%	97.9%	Consumer Discretionary
Etsy Inc	0.23%	50.4%	181.3%	Information Technology
Blackbaud Inc	0.22%	0.8%	20.1%	Information Technology
LivaNova PLC	0.22%	12.8%	63.1%	Health Care
Haemonetics Corp	0.22%	22.6%	127.1%	Health Care
Entegris Inc	0.22%	-2.4%	55.4%	Information Technology
FibroGen Inc	0.21%	35.5%	93.8%	Health Care
Idacorp Inc	0.21%	5.2%	10.9%	Utilities
Medidata Solutions Inc	0.21%	28.3%	3.0%	Health Care
Loxo Oncology Inc	0.21%	50.4%	116.3%	Health Care

Top 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Sarepta Therapeutics Inc	0.03%	78.4%	292.1%	Health Care
Wayfair Inc Class A	0.03%	75.9%	54.5%	Consumer Discretionary
Chesapeake Energy Corp	0.02%	73.5%	5.4%	Energy
Whiting Petroleum Corp	0.02%	55.8%	139.2%	Energy
Twitter Inc	0.12%	50.5%	144.4%	Information Technology
Advanced Micro Devices Inc	0.05%	49.2%	20.1%	Information Technology
Exact Sciences Corp	0.03%	48.3%	69.0%	Health Care
Under Armour Inc C	0.02%	46.9%	4.6%	Consumer Discretionary
Twilio Inc A	0.02%	46.7%	92.4%	Information Technology
Weatherford International PLC	0.01%	43.7%	-15.0%	Energy

Top 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Turtle Beach Corp	0.01%	746.8%	625.7%	Consumer Discretionary
Solid Biosciences Inc	0.01%	375.1%	N/A	Health Care
Tandem Diabetes Care Inc	0.04%	344.0%	175.2%	Health Care
Intelsat SA	0.03%	343.1%	444.4%	Telecommunication Services
Evolus Inc	0.01%	210.0%	N/A	Health Care
California Resources Corp	0.09%	165.0%	431.5%	Energy
TransEnterix Inc	0.03%	156.5%	514.1%	Health Care
Penn Virginia Corp	0.05%	142.3%	131.0%	Energy
Regenxbio Inc	0.09%	140.4%	263.3%	Health Care
Madrigal Pharmaceuticals Inc	0.07%	139.5%	1620.1%	Health Care

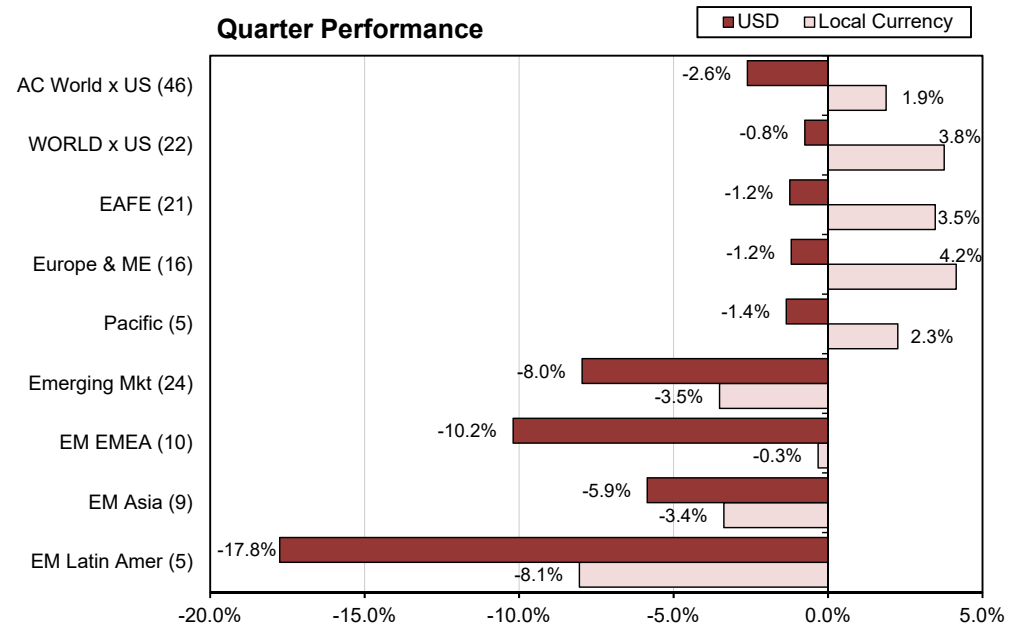
Bottom 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Nektar Therapeutics Inc	0.03%	-54.0%	149.8%	Health Care
Alkermes PLC	0.02%	-29.0%	-29.0%	Health Care
CommScope Holding Co Inc	0.02%	-26.9%	-23.2%	Information Technology
American Airlines Group Inc	0.06%	-26.8%	-23.9%	Industrials
Arconic Inc	0.03%	-25.9%	-24.1%	Industrials
Copa Holdings SA Class A	0.01%	-25.9%	-17.0%	Industrials
First Solar Inc	0.02%	-25.8%	32.0%	Information Technology
ManpowerGroup Inc	0.02%	-24.4%	-21.5%	Industrials
Switch Inc Class A	0.00%	-23.3%	N/A	Information Technology
Skechers USA Inc	0.02%	-22.8%	1.7%	Consumer Discretionary

Bottom 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Arsanis Inc	0.00%	-84.1%	N/A	Health Care
Menlo Therapeutics Inc	0.00%	-78.4%	N/A	Health Care
Jounce Therapeutics Inc	0.01%	-65.7%	-45.4%	Health Care
Prothena Corp PLC	0.03%	-60.3%	-73.1%	Health Care
Biglari Holdings Inc	0.01%	-55.1%	-54.1%	Consumer Discretionary
Catalyst Biosciences Inc	0.01%	-54.8%	151.0%	Health Care
Recro Pharma Inc	0.00%	-54.4%	-28.6%	Health Care
scPharmaceuticals Inc	0.00%	-54.4%	N/A	Health Care
Agenus Inc	0.01%	-51.8%	-41.9%	Health Care
Syndax Pharmaceuticals Inc	0.00%	-50.7%	-49.7%	Health Care

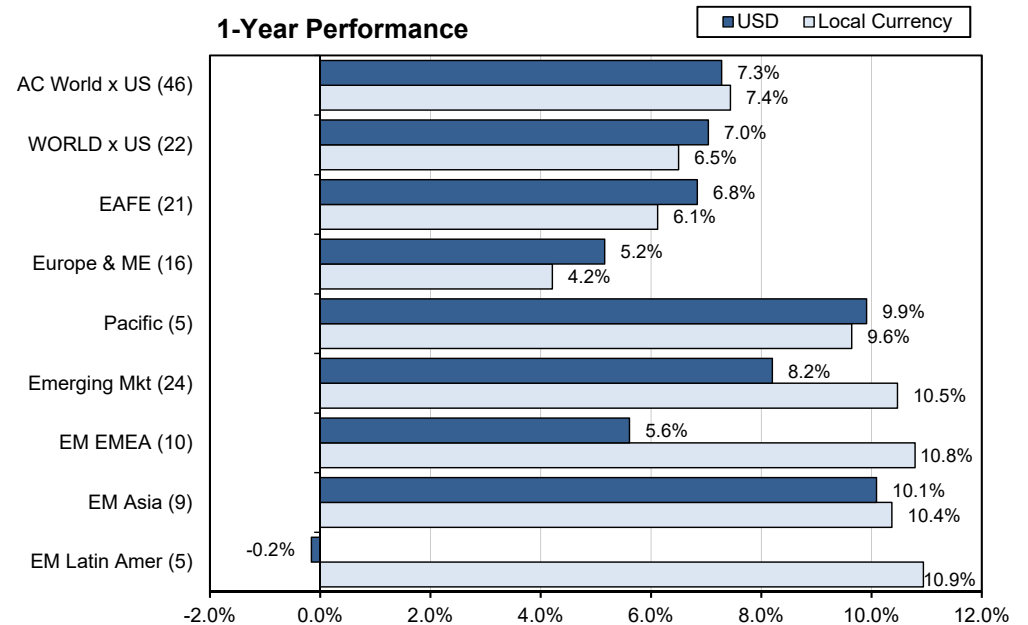


- Broad international equity returns were mixed for the quarter. Many developed markets were positive in local currency terms, but negative in USD terms whereas emerging markets posted negative returns in both local currency and USD. Performance was largely driven by the same catalysts as the US equity markets with global macroeconomic data remaining generally positive, but returns being tempered by global trade tensions and ongoing political uncertainty. A strengthening USD caused by relatively strong US economic fundamentals and the continued divergence in global monetary policy hurt US investors in international markets. The MSCI ACWI ex US Index gained 1.9% in local currency terms, but lost -2.6% in USD terms during the second quarter. Returns over the 1-year period remain positive in both local currency and USD terms with the MSCI ACWI ex US returning 7.4% and 7.3% respectively.
- Second quarter results for developed market international indices were generally positive in local currency terms with the MSCI EAFE Index returning 3.5%. However, an appreciating USD pushed returns for US investors into negative territory, with the index returning -1.2% in USD terms. Developed markets were pushed higher by broadly positive, but slowing, global economic and earnings data despite several significant political events in Europe during the quarter. There was considerable volatility surrounding the formation of a coalition government in Italy which called into question Italy's future as part of the European Union. Spain also had a change in leadership after a political fundraising scandal led to a vote of no-confidence in Prime Minister Rajoy, forcing him to step down. World markets also reacted to the implementation of new tariffs on US imports of steel and aluminum and the possibility of new tariffs in the future, including tariffs on auto imports, which would negatively affect producers in Europe and Japan. The MSCI EAFE Index returned 6.1% and 6.8% for the last twelve months in local currency and USD terms respectively.
- Emerging markets trailed developed markets for the 2nd quarter, posting losses in local currency terms that were then intensified by the strengthening USD. The MSCI Emerging Markets Index returned -3.5% and -8.0% in local currency and USD terms respectively. The main factors affecting emerging markets were the threat of continued protectionist trade policies from the US creating uncertainty for export focused economies and rising US interest rates coupled with an appreciating USD. Many emerging market countries and companies issue debt denominated in USD and the combination of higher interest rates and a relatively weaker local currency can put stress on the balance sheets of these borrowers, especially those heavily dependent on external capital. One year returns for the MSCI Emerging Market Index were 10.5% in local currency terms and 8.2% in USD terms.

**Quarter Performance**



**1-Year Performance**



**The Market Environment**  
**US Dollar International Index Attribution & Country Detail**  
As of June 30, 2018

MSCI - EAFE	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	12.4%	-2.6%	10.9%
Consumer Staples	11.3%	0.4%	3.1%
Energy	6.1%	11.2%	35.8%
Financials	19.8%	-6.2%	-0.5%
Health Care	10.7%	1.9%	1.7%
Industrials	14.3%	-2.2%	7.3%
Information Technology	6.8%	-0.2%	15.0%
Materials	8.2%	0.7%	16.7%
Real Estate	3.5%	-0.4%	7.8%
Telecommunication Services	3.6%	-4.8%	-6.3%
Utilities	3.3%	0.5%	5.2%
<b>Total</b>	<b>100.0%</b>	<b>-1.2%</b>	<b>6.8%</b>

MSCI - ACWIXUS	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	11.2%	-3.5%	8.4%
Consumer Staples	9.7%	-0.7%	2.9%
Energy	7.4%	7.3%	27.5%
Financials	21.9%	-7.3%	1.7%
Health Care	8.1%	1.4%	3.2%
Industrials	11.7%	-2.7%	5.9%
Information Technology	11.9%	-2.9%	15.5%
Materials	8.2%	-0.4%	16.1%
Real Estate	3.2%	-3.0%	6.9%
Telecommunication Services	3.7%	-6.0%	-6.3%
Utilities	3.0%	-1.5%	3.8%
<b>Total</b>	<b>100.0%</b>	<b>-2.6%</b>	<b>7.3%</b>

MSCI - Emerging Mkt	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	9.8%	-7.1%	-0.2%
Consumer Staples	6.7%	-6.2%	3.3%
Energy	7.2%	-4.7%	24.9%
Financials	22.8%	-12.7%	5.5%
Health Care	3.2%	-5.0%	22.4%
Industrials	5.2%	-11.2%	-5.9%
Information Technology	27.9%	-5.1%	15.2%
Materials	7.6%	-5.5%	14.0%
Real Estate	3.0%	-11.2%	5.6%
Telecommunication Services	4.3%	-9.7%	-7.5%
Utilities	2.4%	-8.1%	2.2%
<b>Total</b>	<b>100.0%</b>	<b>-8.0%</b>	<b>8.2%</b>

Country	MSCI-EAFE Weight	MSCI-ACWIXUS Weight	Quarter Return	1-Year Return
Japan	24.0%	16.4%	-2.8%	10.5%
United Kingdom	18.0%	12.3%	3.0%	10.0%
France	11.0%	7.5%	-0.5%	9.9%
Germany	9.5%	6.5%	-4.0%	2.6%
Switzerland	7.8%	5.3%	-2.7%	-3.4%
Australia	7.0%	4.8%	5.2%	8.7%
Hong Kong	3.6%	2.5%	-1.2%	9.2%
Netherlands	3.6%	2.5%	-1.8%	9.2%
Spain	3.1%	2.1%	-4.4%	-3.6%
Sweden	2.6%	1.8%	-3.7%	-4.6%
Italy	2.4%	1.7%	-7.3%	8.4%
Denmark	1.7%	1.1%	-7.0%	0.9%
Singapore	1.3%	0.9%	-7.5%	7.9%
Belgium	1.1%	0.7%	-6.0%	1.7%
Finland	1.0%	0.7%	1.3%	10.4%
Norway	0.7%	0.5%	2.3%	27.1%
Ireland	0.6%	0.4%	2.0%	5.3%
Israel	0.5%	0.4%	10.9%	-4.6%
Austria	0.2%	0.2%	-10.6%	8.9%
New Zealand	0.2%	0.2%	5.8%	1.7%
Portugal	0.2%	0.1%	1.2%	15.8%
<b>Total EAFE Countries</b>	<b>100.0%</b>	<b>68.4%</b>	<b>-1.2%</b>	<b>6.8%</b>
Canada		6.6%	4.7%	9.1%
<b>Total Developed Countries</b>		<b>75.0%</b>	<b>-0.8%</b>	<b>7.0%</b>
China		8.2%	-3.5%	21.2%
Korea		3.7%	-9.2%	3.4%
Taiwan		2.9%	-6.3%	3.9%
India		2.2%	-0.6%	6.5%
South Africa		1.6%	-11.9%	6.4%
Brazil		1.5%	-26.4%	-0.3%
Russia		0.9%	-6.0%	26.0%
Mexico		0.7%	-3.6%	-9.3%
Malaysia		0.6%	-11.4%	5.6%
Thailand		0.5%	-15.0%	12.0%
Indonesia		0.5%	-12.5%	-13.1%
Chile		0.3%	-11.5%	12.5%
Poland		0.3%	-11.6%	-6.2%
Philippines		0.2%	-11.2%	-13.9%
Qatar		0.2%	3.5%	3.5%
Turkey		0.2%	-25.9%	-26.3%
United Arab Emirates		0.2%	-4.4%	-6.0%
Colombia		0.1%	6.7%	20.1%
Peru		0.1%	-3.2%	30.7%
Greece		0.1%	-2.2%	-9.2%
Hungary		0.1%	-14.4%	-0.6%
Czech Republic		0.0%	-5.4%	19.4%
Egypt		0.0%	-8.1%	1.9%
Pakistan		0.0%	-20.8%	-30.3%
<b>Total Emerging Countries</b>		<b>25.0%</b>	<b>-8.0%</b>	<b>8.2%</b>
<b>Total ACWIXUS Countries</b>		<b>100.0%</b>	<b>-2.6%</b>	<b>7.3%</b>

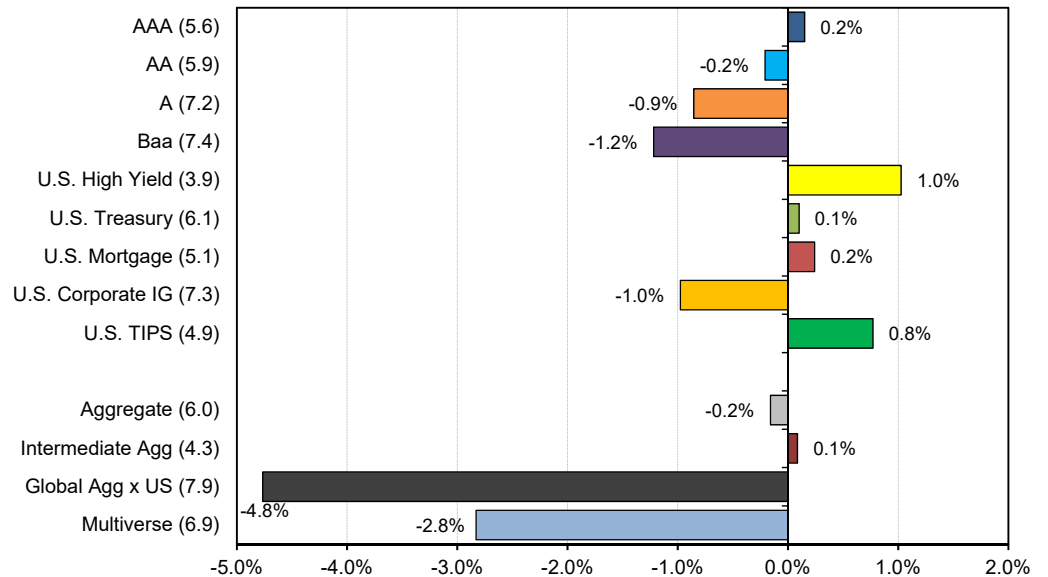
Source: MSCI Global Index Monitor (Returns are Net in USD)



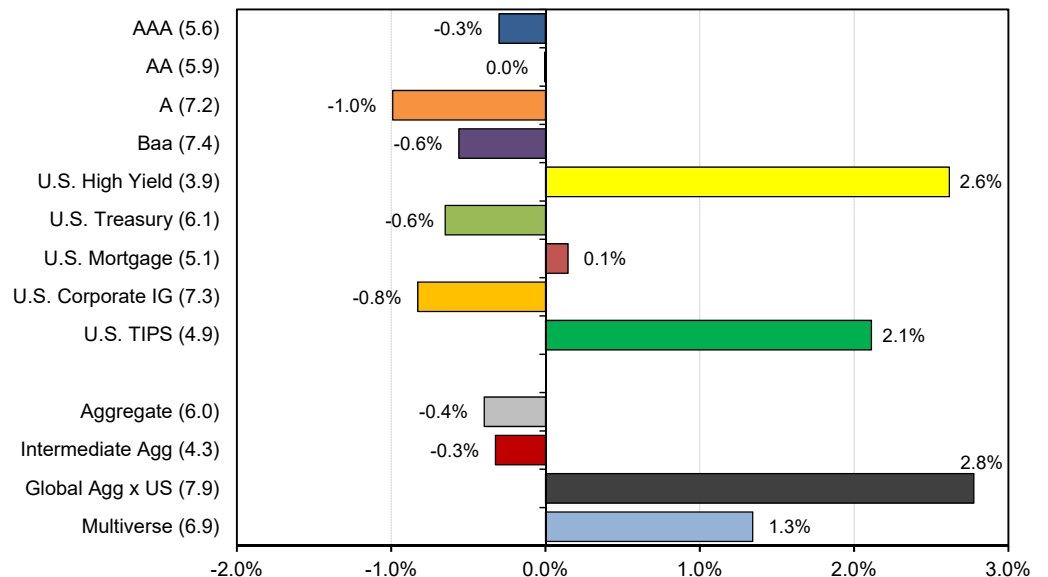


- Broad fixed income benchmarks had mixed results during the 2nd quarter. Interest rates rose across all maturities on the US Treasury Yield Curve. Early in the quarter, rates rose as positive economic data and signs of higher inflation increased investor expectations for another Fed interest rate hike. However, volatility caused by ongoing geopolitical developments later in the quarter led to an increase in risk aversion and demand for relatively safe assets, driving rates lower through the rest of the quarter. Interest rates on the 10-year Treasury reached a near-term high of 3.11% in mid-May before falling to end the quarter at 2.87%. As expected, the Federal Open Market Committee (FOMC), decided to increase short-term interest rates by 25 basis points at their June meeting. This is the second rate hike of 2018. The current Fed Funds Rate target range sits at 1.75%-2.00%. The FOMC also updated their forecast for future rate increases, now expecting two potential additional hikes in 2018 and three in 2019. The yield curve continued to flatten through the quarter as short-term yields rose at a greater rate than longer-term yields. The difference in yields between the 2-year and 10-year Treasury now sits at just 0.3%. The Fed is also continuing to reduce the size of its balance sheet by slowing its pace of reinvestment as the securities it holds mature. The Bloomberg Barclays US Aggregate Index was relatively flat during the quarter, falling -0.2%. It was also negative for the 1-year period returning -0.4%.
- Within investment grade credit, higher quality corporate issues outperformed lower quality issues for the quarter as credit spreads widened and investors looked for safety amid increased financial market volatility. On an absolute basis, without negating the duration differences in the sub-indices, AAA rated credit was the best performing investment grade credit quality segment returning 0.2% for the quarter. High yield debt outperformed relative to investment grade credit, returning 1.0%, as spreads widened to a lesser degree for these issues and the index benefitted from its lower duration. Part of the reason for the increased spread widening for investment grade issues relative to high yield issues was continued selling pressure from companies repatriating foreign cash reserves in response to the new tax code and lower demand from foreign investors due to increased hedging costs and a stronger USD.
- Of the Bloomberg Barclays US Aggregate Index's three broad sectors, US mortgage backed securities (MBS) were the best performing investment grade sector through the quarter, narrowly outperforming US Treasuries. Corporate credit underperformed as credit spreads widened and investors reacted to market volatility by moving into higher quality issues. Higher durations relative to other index sectors also acted as a headwind to these issues. The Bloomberg Barclays US Corporate IG Index returned -1.0%. While TIPS were also positive, it is important to note these Treasury issues are not part of the Bloomberg Barclays US Aggregate Index.

**Quarter Performance**

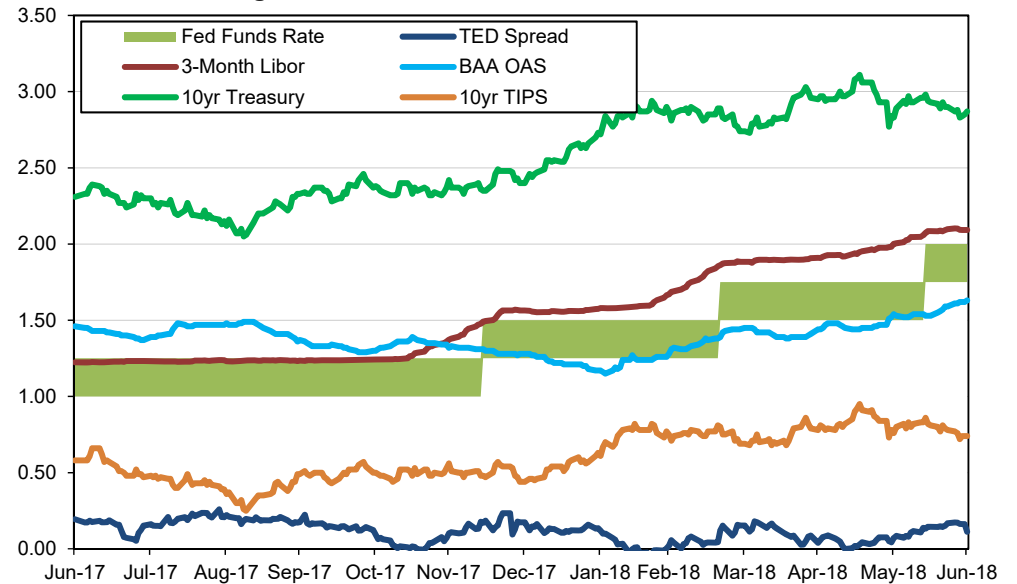


**1-Year Performance**

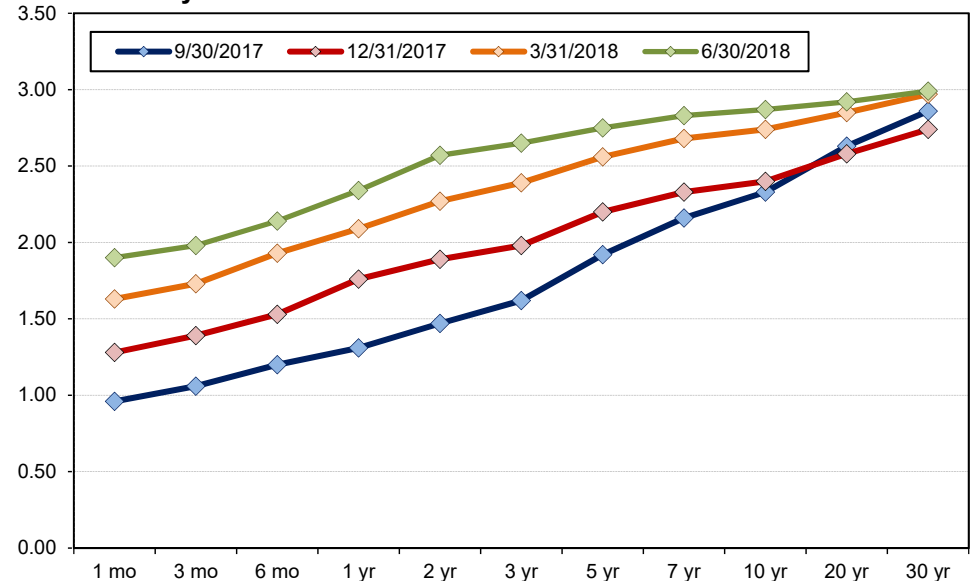


- Relative to their domestic counterparts, global fixed income indices underperformed during the quarter. The relatively high duration of these indices acted as a headwind to performance in the current quarter as interest rates increased. The returns of these indices are also significantly influenced by fluctuations in their currency denomination relative to the USD. During the 2nd quarter the USD strengthened against most other currencies, negatively impacting the returns on global bond indices. The return on global bonds, as represented by the Bloomberg Barclays Global Aggregate ex US Index, was -4.8% for the quarter. However, when viewed over the trailing year, global issues have outperformed domestic securities, returning 2.8%. As the global economy continues to recover, several international central banks have started to move toward less accommodative postures. Notably, the ECB, is planning to slow its monthly bond purchase program in September, reducing new purchases to 15 billion euro per month from 30 billion euro per month, as well as forecasting an end to the program by the end of the year assuming the eurozone recovery continues to flourish. However, they have indicated a continuation of reinvestment in maturing securities and would likely not raise interest rates from current levels until summer 2019. In contrast, the Bank of Japan will continue current stimulus programs and the Bank of England backed away from a telegraphed interest rate hike after disappointing economic data led them to lower their forecasts for future growth.
- 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 the 10-year Treasury yield (green line) rose significantly during the first half of the 2nd quarter, rising to a near-term high of 3.11% before falling to 2.87% to end the period. 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. This line illustrates a steady increase in credit spreads through the first two quarters of 2018. This increase is equivalent to an interest rate increase on corporate bonds, which produces an additional headwind for corporate bond index returns. These credit spreads have widened by about 17 basis points over the last 3-months. The green band across the graph illustrates the gradual increase in the Federal Funds Rate (three in the last twelve months) due to the continued unwinding of accommodative US monetary policy.
- The lower graph provides a snapshot of the US Treasury yield curve at the end of each of the last four calendar quarters. As mentioned, the yield curve continues to flatten as yields on shorter-term maturities have risen more than interest rates on the long end of the curve. The upward momentum of interest rates as well as a general flattening of the yield curve are clearly visible over both the 2nd quarter and the last twelve months.

1-Year Trailing Market Rates



Treasury Yield Curve

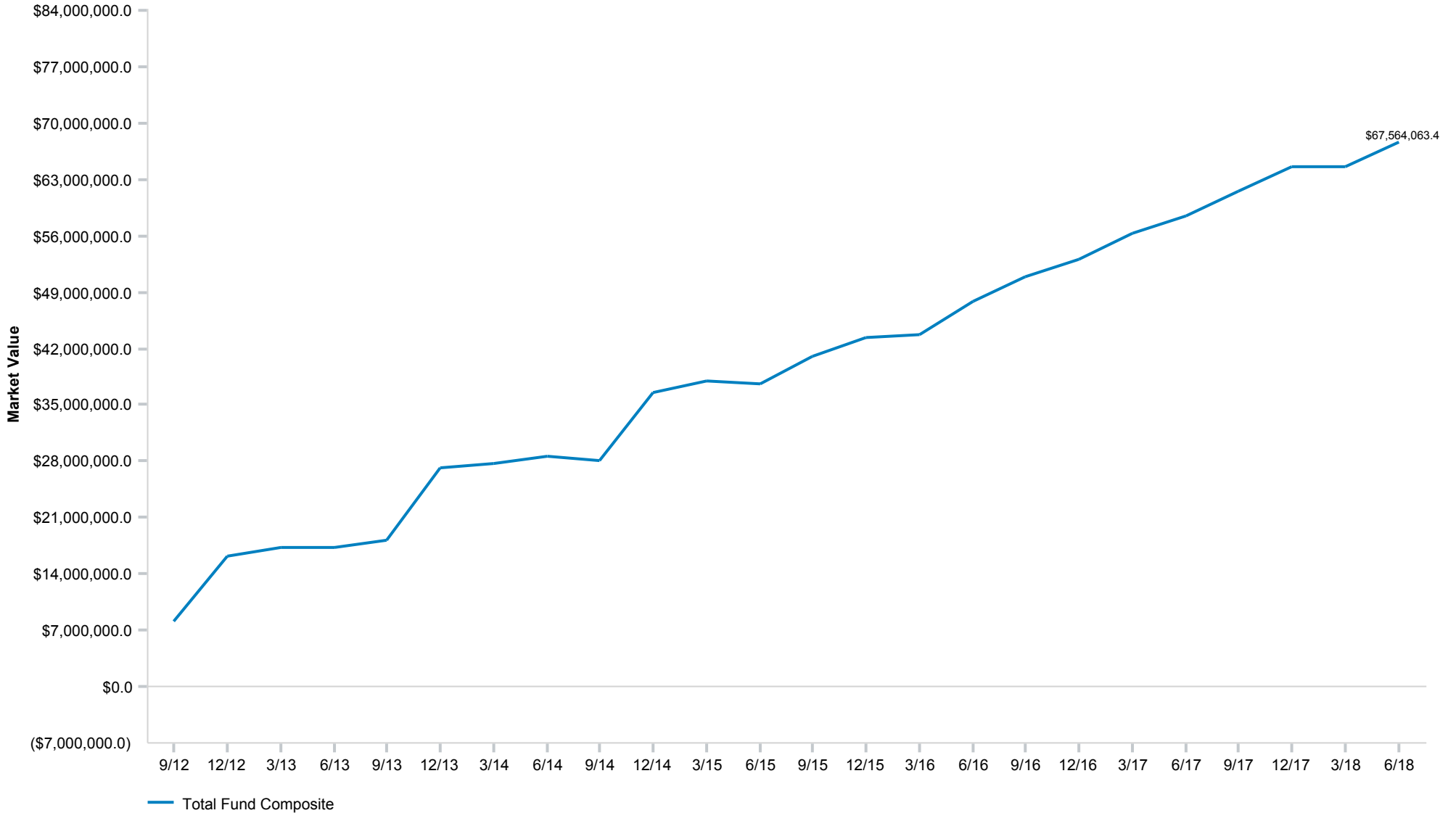


Source: US Department of Treasury, FRED (Federal Reserve of St. Louis)



6.4%

Schedule of Investable Assets



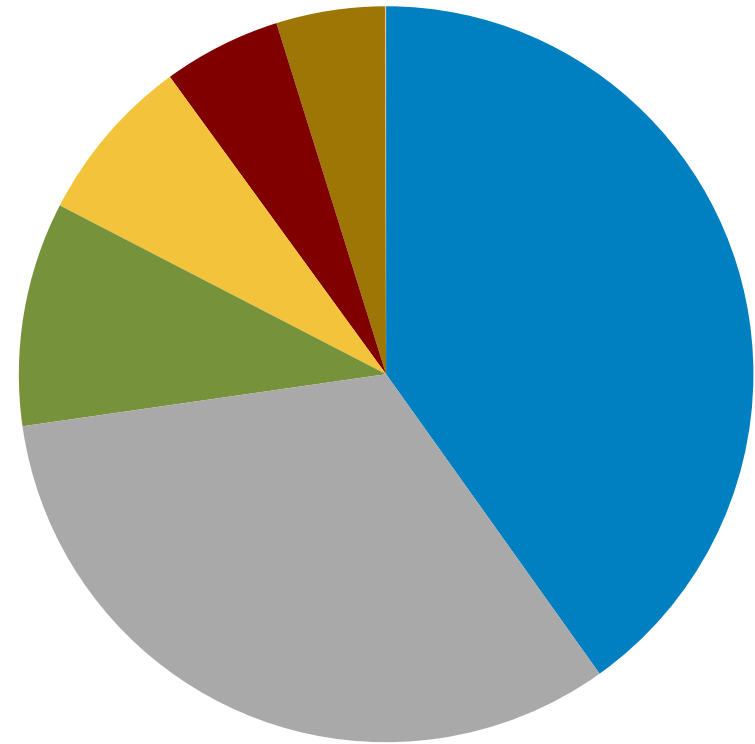
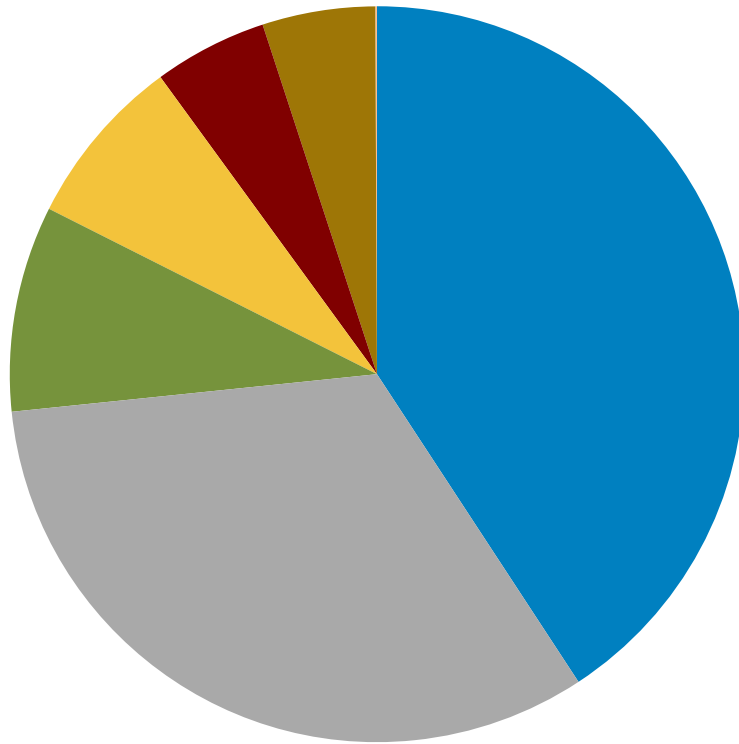
Schedule of Investable Assets

Periods Ending	Beginning Market Value \$	Net Cash Flow \$	Gain/Loss \$	Ending Market Value \$	%Return
Oct-2012 To Jun-2018	8,192,495	44,884,016	14,487,552	67,564,063	7.29



March 31, 2018 : \$64,571,124

June 30, 2018 : \$67,564,063

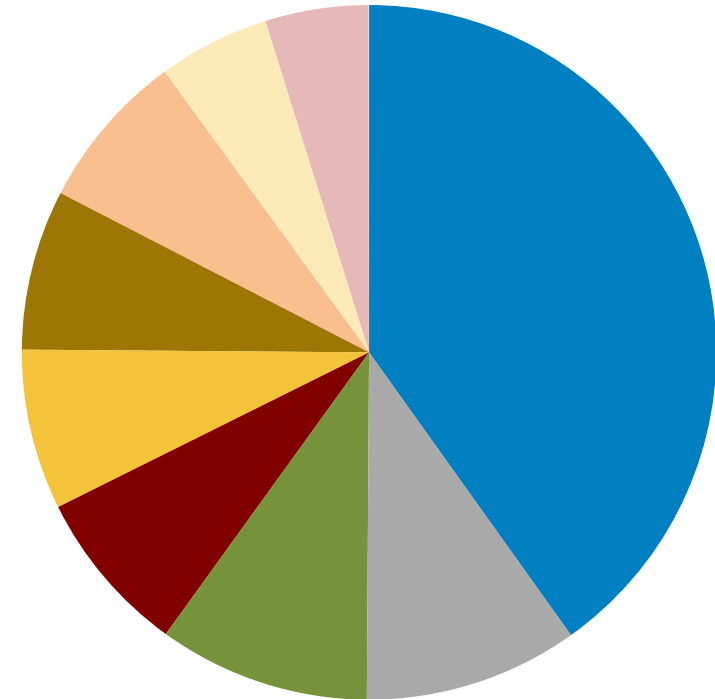
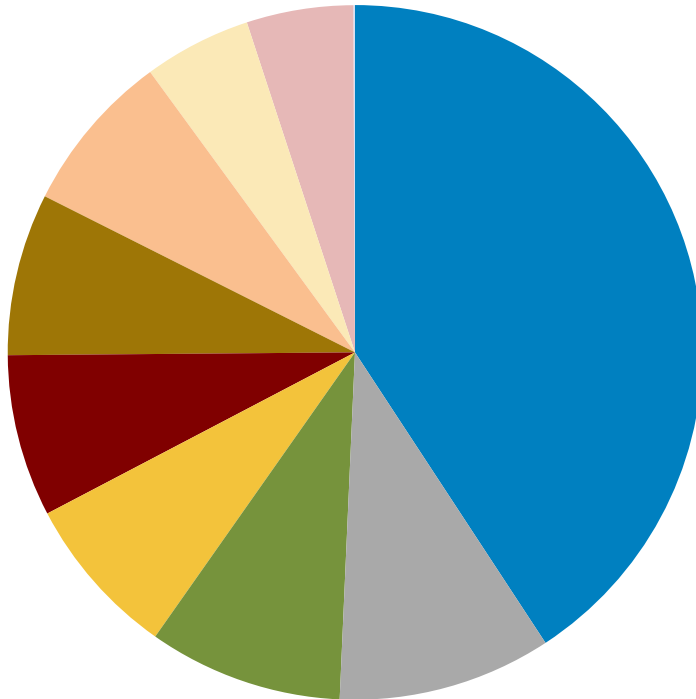


Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
Core Plus Fixed Income	26,320,888	40.8	Core Plus Fixed Income	27,116,704	40.1
Domestic Equity	21,056,462	32.6	Domestic Equity	22,031,134	32.6
MLPs	5,842,476	9.0	MLPs	6,651,082	9.8
International Equity	4,866,467	7.5	International Equity	4,997,096	7.4
Real Estate	3,227,380	5.0	Real Estate	3,504,345	5.2
High Yield Fixed Income	3,205,788	5.0	High Yield Fixed Income	3,229,323	4.8
Cash	51,663	0.1	Cash	34,379	0.1



March 31, 2018 : \$64,571,124

June 30, 2018 : \$67,564,063



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
■ MacKay Shields Core Plus	26,320,888	40.8	■ MacKay Shields Core Plus	27,116,704	40.1
■ Barrow Hanley MeWhinney & Strauss	6,419,117	9.9	■ Barrow Hanley MeWhinney & Strauss	6,737,736	10.0
■ ARI MLP	5,842,476	9.0	■ ARI MLP	6,651,082	9.8
■ Fiduciary Management	4,887,572	7.6	■ Stephens Mid Cap Growth	5,205,905	7.7
■ Stephens Mid Cap Growth	4,875,384	7.6	■ Fiduciary Management	5,047,348	7.5
■ Vanguard Index Fund Institutional (VINIX)	4,874,389	7.5	■ Vanguard Index Fund Institutional (VINIX)	5,040,145	7.5
■ Causeway International (CIVIX)	4,866,467	7.5	■ Causeway International (CIVIX)	4,997,096	7.4
■ Cohen & Steers (CSRIX)	3,227,380	5.0	■ Cohen & Steers (CSRIX)	3,504,345	5.2
■ Loomis Sayles High Yield (LSHIX)	3,205,788	5.0	■ Loomis Sayles High Yield (LSHIX)	3,229,323	4.8
■ Cash	51,663	0.1	■ Cash	34,379	0.1



Asset Allocation & Performance	Allocation		Performance(%)					
	Market Value \$	%	QTR	1 YR	3 YR	5 YR	Inception	Inception Date
<b>Total Fund Composite (Gross of Fees)</b>	<b>67,564,063</b>	<b>100.0</b>	<b>2.69</b>	<b>6.41</b>	<b>5.44</b>	<b>6.86</b>	<b>7.29</b>	<b>10/01/2012</b>
Policy Index			3.00	5.16	5.14	6.61	7.06	
OPEB Actuarial Assumption			1.65	6.75	6.88	6.94	6.98	
<b>Total Fund Composite (Net of Fees)</b>			<b>2.59</b>	<b>6.01</b>	<b>5.02</b>	<b>6.33</b>	<b>6.74</b>	
Fiduciary Management	5,047,348	7.5	3.43	12.86	10.30	12.30	13.29	10/01/2012
Russell 1000 Value Index			1.18	6.77	8.26	10.34	12.06	
S&P 500 Index			3.43	14.37	11.93	13.42	14.04	
Vanguard Index Fund Institutional (VINIX)	5,040,145	7.5	3.42	14.35	N/A	N/A	14.13	05/01/2017
S&P 500 Index			3.43	14.37	11.93	13.42	14.16	
Stephens Mid Cap Growth	5,205,905	7.7	7.00	27.01	13.80	14.42	15.87	01/01/2013
Russell Midcap Growth Index			3.16	18.52	10.73	13.37	14.92	
Barrow Hanley MeWhinney & Strauss	6,737,736	10.0	5.17	18.76	12.36	13.47	16.28	10/01/2012
Russell 2000 Value Index			8.30	13.10	11.22	11.18	12.87	
Causeway International (CIVIX)	4,997,096	7.4	-1.98	5.92	3.55	N/A	3.27	10/01/2013
MSCI EAFE (Net) Index			-1.24	6.84	4.90	6.44	4.36	
Cohen & Steers (CSRIX)	3,504,345	5.2	8.60	4.65	8.53	9.06	9.36	01/01/2013
FTSE NAREIT All Equity REITs			8.50	4.93	9.14	8.88	9.15	
ARI MLP	6,651,082	9.8	10.20	-2.50	-7.95	-1.57	2.38	10/01/2012
Alerian MLP Index			11.80	-4.58	-5.93	-4.09	-0.77	
Mackay Shields Core Plus	27,116,704	40.1	-0.29	-0.02	2.15	N/A	1.92	07/01/2014
Blmbg. Barc. U.S. Aggregate Index			-0.16	-0.40	1.72	2.27	1.75	
Loomis Sayles High Yield (LSHIX)	3,229,323	4.8	0.75	1.84	4.86	5.46	6.22	01/01/2013
ICE BofAML High Yield Master II			1.00	2.53	5.55	5.51	5.28	
Cash	34,379	0.1						

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: Vanguard Index Institutional (VINIX), 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 \$	%	2017	2016	2015	2014	2013
<b>Total Fund Composite (Gross of Fees)</b>	<b>67,564,063</b>	<b>100.0</b>	<b>10.92</b>	<b>10.54</b>	<b>-2.43</b>	<b>5.42</b>	<b>17.12</b>
Policy Index			9.35	9.47	-2.53	7.49	16.29
OPEB Actuarial Assumption			6.75	7.00	7.00	7.00	7.19
Fiduciary Management	5,047,348	7.5	18.86	14.92	-1.93	13.46	30.21
Russell 1000 Value Index			13.66	17.34	-3.83	13.45	32.53
S&P 500 Index			21.83	11.96	1.38	13.69	32.39
Vanguard Index Fund Institutional (VINIX)	5,040,145	7.5	N/A	N/A	N/A	N/A	N/A
S&P 500 Index			21.83	11.96	1.38	13.69	32.39
Stephens Mid Cap Growth	5,205,905	7.7	29.36	7.86	-0.28	4.61	36.16
Russell Midcap Growth Index			25.27	7.33	-0.20	11.90	35.74
Barrow Hanley MeWhinney & Strauss	6,737,736	10.0	18.51	27.59	-6.22	3.03	48.35
Russell 2000 Value Index			7.84	31.74	-7.47	4.22	34.52
Causeway International (CIVIX)	4,997,096	7.4	27.18	0.48	-3.12	-6.22	N/A
MSCI EAFE (Net) Index			25.03	1.00	-0.81	-4.90	22.78
Cohen & Steers (CSRIX)	3,504,345	5.2	7.43	5.89	5.23	30.18	3.46
FTSE NAREIT All Equity REITs			8.67	8.63	2.83	28.03	2.86
ARI MLP	6,651,082	9.8	-6.15	21.44	-32.54	14.43	32.52
Alerian MLP Index			-6.52	18.31	-32.59	4.80	27.58
Mackay Shields Core Plus	27,116,704	40.1	4.75	3.99	-0.08	N/A	N/A
Blmbg. Barc. U.S. Aggregate Index			3.54	2.65	0.55	5.97	-2.02
Loomis Sayles High Yield (LSHIX)	3,229,323	4.8	8.42	18.92	-10.27	5.17	15.07
ICE BofAML High Yield Master II			7.48	17.49	-4.64	2.50	7.42
Cash	34,379	0.1					

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: Vanguard Index Institutional (VINIX), 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 June 30, 2018, Fiduciary had a market value of \$5,047,348.

Fiduciary Management		Russell 1000 Value Index	
	Weight %		Weight %
TJX Companies Inc (The)	5.2	JPMorgan Chase & Co	2.7
Berkshire Hathaway Inc	4.6	Exxon Mobil Corp	2.7
Dollar General Corp	4.6	Berkshire Hathaway Inc	2.4
Unitedhealth Group Inc	4.5	Johnson & Johnson	2.1
Honeywell International Inc	4.2	Bank of America Corp	2.0
Twenty-First Century Fox Inc	4.1	Wells Fargo & Co	1.9
JPMorgan Chase & Co	3.9	Chevron Corp	1.8
eBay Inc.	3.7	AT&T Inc	1.8
Accenture PLC	3.5	Intel Corp	1.8
Quest Diagnostics Inc	3.5	Pfizer Inc	1.6

**Equity Assets Exposures by Sector**

	Fiduciary Management	Russell 1000 Value Index
Cash	10.90	N/A
Consumer Discretionary	16.63	8.34
Consumer Staples	8.44	7.27
Energy	3.06	11.12
Financials	14.46	23.29
Health Care	15.40	13.85
Industrials	13.93	7.87
Information Technology	11.55	9.89
Materials	3.31	4.10
Real Estate	N/A	4.91
Telecommunication Services	2.31	3.63
Utilities	N/A	5.72

**Equity Characteristics**

	Fiduciary Management	Russell 1000 Value Index
Wtd. Avg. Mkt. Cap (\$)	93,711,101,386	117,081,350,325
Price/Earnings ratio	20.2	16.1
Price/Book ratio	3.3	2.1
Current Yield	2.0	2.5
Number of Stocks	29	729



**Fund Information**

Fund Name : Vanguard Institutional Index Fund: Vanguard Institutional Index Fund; Institutional Shares  
 Fund Family : Vanguard Group Inc  
 Ticker : VINIX  
 Inception Date : 07/31/1990  
 Fund Assets : \$127,702 Million  
 Portfolio Turnover : 5%

Portfolio Assets : \$225,070 Million  
 Portfolio Manager : Butler/Louie  
 PM Tenure : 2000--2017  
 Fund Style : IM S&P 500 Index (MF)  
 Style Benchmark : S&P 500 Index

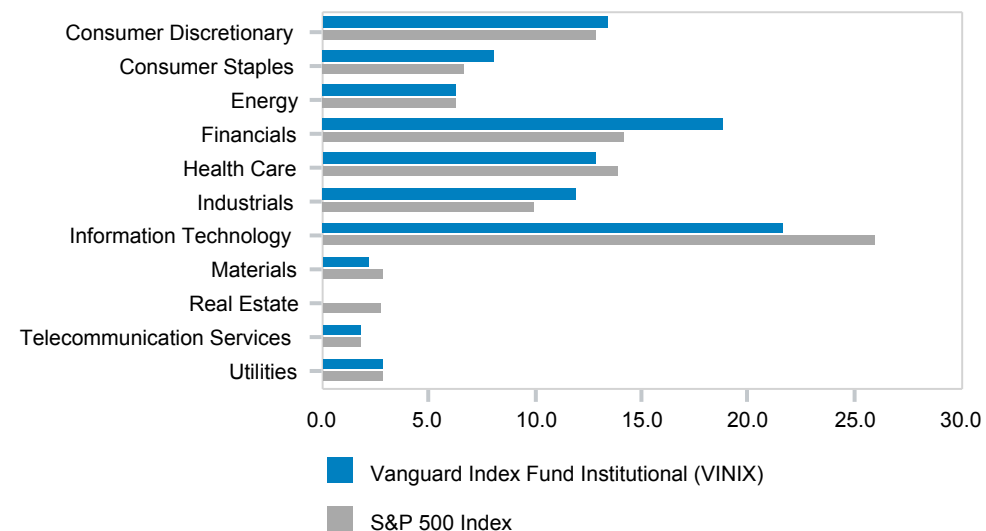
**Portfolio Characteristics As of 05/31/2018**

	Portfolio	Benchmark
Total Securities	515	505
Avg. Market Cap (\$)	203,578,819,826	21,175,128,720
Price/Earnings (P/E)	26.86	20.97
Price/Book (P/B)	6.84	3.38
Dividend Yield	2.39	1.96
Annual EPS	21.33	N/A
5 Yr EPS	12.77	14.50
3 Yr EPS Growth	11.04	N/A
Beta	N/A	1.00

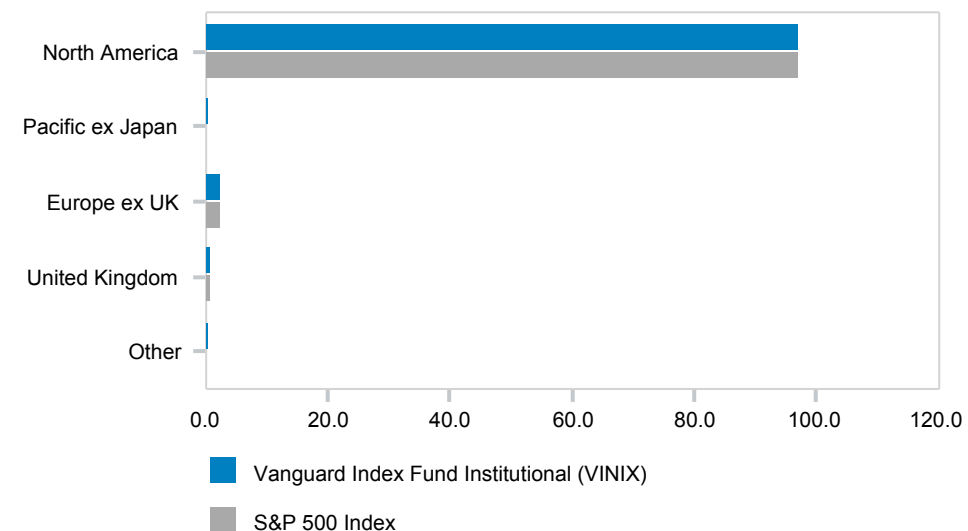
**Top Ten Securities As of 05/31/2018**

Apple Inc ORD	4.1 %
Microsoft Corp ORD	3.3 %
Amazon.com Inc ORD	2.8 %
Facebook Inc ORD	2.0 %
JPMorgan Chase & Co ORD	1.6 %
Berkshire Hathaway Inc ORD	1.5 %
Exxon Mobil Corp ORD	1.5 %
Alphabet Inc ORD 1	1.4 %
Alphabet Inc ORD 2	1.4 %
Johnson & Johnson ORD	1.4 %

**Sector Weights As of 05/31/2018**



**Region Weights As of 05/31/2018**



Statistics provided by Lipper. Most recent available data shown.



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 June 30, 2018, Stephens had a market value of \$5,205,905.

Stephens Mid Cap Growth		Russell Midcap Growth Index	
	Weight %		Weight %
IDEXX Laboratories Inc	2.2	Ross Stores Inc	1.1
SVB Financial Group	1.9	Twitter Inc	1.1
CoStar Group Inc	1.9	Edwards Lifesciences Corp	1.0
Illumina Inc	1.9	Fiserv Inc.	1.0
ABIOMED Inc	1.8	ServiceNow Inc	1.0
FLIR Systems Inc	1.8	Moody's Corp.	1.0
Aspen Technology Inc	1.7	Lam Research Corp	1.0
lululemon athletica inc	1.7	Align Technology Inc	0.9
Verisk Analytics Inc	1.6	Dollar General Corp	0.9
Burlington Stores Inc	1.6	Amphenol Corp	0.9

## Equity Assets Exposures by Sector

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Cash	2.10	N/A
Consumer Discretionary	13.35	18.22
Consumer Staples	2.43	3.48
Energy	3.05	1.78
Financials	4.68	7.35
Health Care	23.09	14.43
Industrials	14.83	16.14
Information Technology	36.30	32.19
Materials	0.19	3.99
Real Estate	N/A	2.19
Telecommunication Services	N/A	0.25

## Equity Characteristics

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Wtd. Avg. Mkt. Cap (\$)	16,821,097,386	15,249,415,426
Price/Earnings ratio	38.0	27.5
Price/Book ratio	6.2	6.1
Current Yield	0.4	0.9
Number of Stocks	96	415

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 June 30, 2018, Barrow, Hanley, MeWhinney & Strauss had a market value of \$6,737,736.

Barrow Hanley MeWhinney & Strauss		Russell 2000 Value Index	
	Weight %		Weight %
Texas Capital Bancshares Inc	4.2	IDACORP Inc.	0.4
Brooks Automation Inc	4.1	WGL Holdings Inc.	0.4
II VI Inc	4.0	Gramercy Property Trust	0.4
Allegheny Technologies Inc	3.8	IBERIABANK Corp	0.4
Vishay Intertechnology Inc.	3.7	Cree Inc.	0.4
Diodes Inc	3.3	CACI International Inc.	0.4
Encompass Health Corp	3.3	Cousins Properties Inc	0.4
Federal Signal Corp.	3.2	PDC Energy Inc	0.4
Simpson Manufacturing Co. Inc.	3.1	ALLETE Inc.	0.4
Darling Ingredients Inc	2.9	MGIC Investment Corp	0.4

## Equity Assets Exposures by Sector

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Cash	3.46	N/A
Consumer Discretionary	4.28	11.40
Consumer Staples	2.93	2.69
Energy	2.12	7.60
Financials	13.47	28.30
Health Care	4.87	4.65
Industrials	31.03	11.53
Information Technology	27.41	10.60
Materials	10.43	4.41
Real Estate	N/A	12.06
Telecommunication Services	N/A	0.54
Utilities	N/A	6.23

## Equity Characteristics

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Wtd. Avg. Mkt. Cap (\$)	2,577,503,802	2,081,334,930
Price/Earnings ratio	18.8	15.7
Price/Book ratio	2.1	1.7
Current Yield	0.8	2.0
Number of Stocks	40	1,364



**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 : \$7,914 Million  
 Portfolio Turnover : 35%

Portfolio Assets : \$8,557 Million  
 Portfolio Manager : Team Managed  
 PM Tenure :  
 Fund Style : IM International Large Cap Value Equity (MF)  
 Style Benchmark : MSCI EAFE (Net) Index

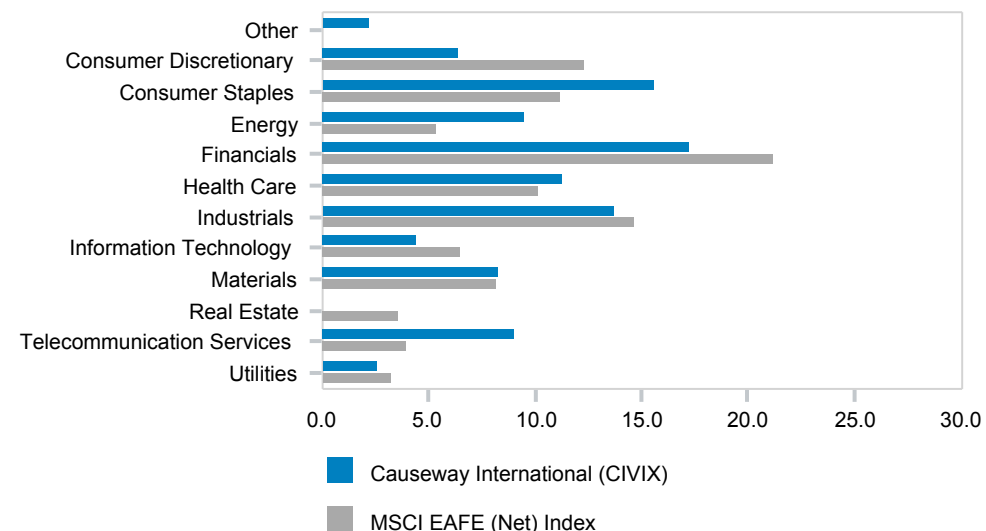
**Portfolio Characteristics As of 12/31/2017**

	Portfolio	Benchmark
Total Securities	63	928
Avg. Market Cap (\$)	76,383,130,538	11,855,956,232
Price/Earnings (P/E)	19.88	17.11
Price/Book (P/B)	3.28	2.22
Dividend Yield	2.71	3.07
Annual EPS	21.27	N/A
5 Yr EPS	-1.73	7.68
3 Yr EPS Growth	0.07	N/A
Beta (3 Years, Monthly)	0.92	1.00

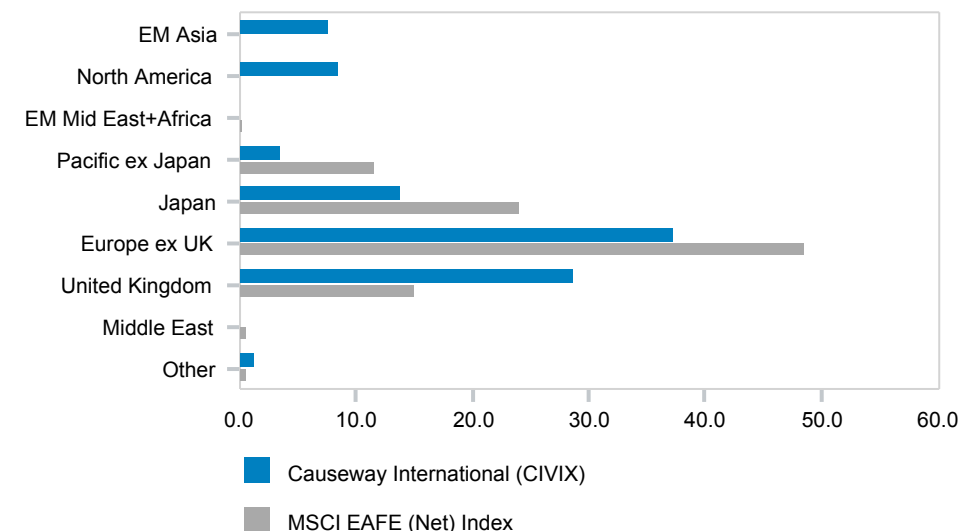
**Top Ten Securities As of 12/31/2017**

Volkswagen AG PFD	4.8 %
British American Tobacco PLC ORD	3.3 %
Barclays PLC ORD	3.3 %
Royal Dutch Shell Plc B ORD	2.9 %
BP PLC ORD	2.8 %
Schneider Electric SE ORD	2.8 %
ABB Ltd ORD	2.8 %
BASF SE ORD	2.7 %
China Mobile Ltd ORD	2.7 %
Linde AG ORD	2.5 %

**Sector Weights As of 12/31/2017**



**Region Weights As of 12/31/2017**



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 : \$2,739 Million  
 Portfolio Turnover : 76%

Portfolio Assets : \$2,739 Million  
 Portfolio Manager : Team Managed  
 PM Tenure :  
 Fund Style : IM Real Estate Sector (MF)  
 Style Benchmark : FTSE NAREIT All Equity REITs

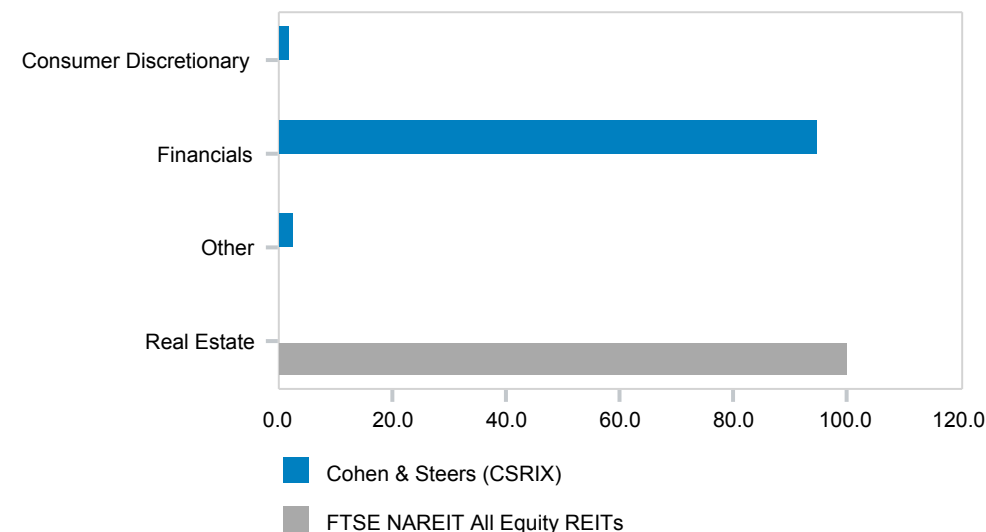
**Portfolio Characteristics As of 03/31/2018**

	Portfolio	Benchmark
Total Securities	46	169
Avg. Market Cap (\$)	15,001,788,803	2,871,525,740
Price/Earnings (P/E)	42.26	31.45
Price/Book (P/B)	3.19	2.42
Dividend Yield	3.98	4.26
Annual EPS	0.18	N/A
5 Yr EPS	16.72	13.16
3 Yr EPS Growth	19.45	N/A
Beta (5 Years, Monthly)	1.02	1.00

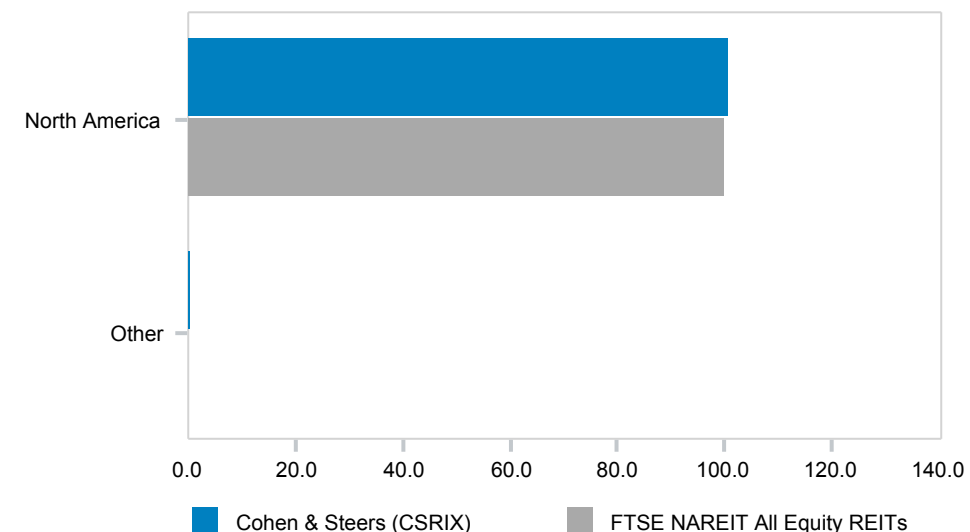
**Top Ten Securities As of 03/31/2018**

UDR Inc ORD	5.1 %
Prologis Inc ORD	4.8 %
Equinix Inc ORD	4.8 %
Digital Realty Trust Inc ORD	4.6 %
Extra Space Storage Inc ORD	4.5 %
Crown Castle International Corp	4.0 %
Equity Residential ORD	3.7 %
Essex Property Trust Inc ORD	3.5 %
Simon Property Group Inc ORD	3.4 %
Kilroy Realty Corp ORD	3.2 %

**Sector Weights As of 03/31/2018**



**Region Weights As of 03/31/2018**



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 June 30, 2018, ARI had a market value of \$6,651,082.

ARI MLP		Alerian MLP	
	Weight %		Weight %
Magellan Midstream Partners LP	10.0	Enterprise Products Partners LP	17.3
Enterprise Products Partners LP	9.8	Williams Partners LP	11.4
MPLX LP	7.8	MPLX LP	8.1
Williams Partners LP	7.4	Energy Transfer Partners LP	6.4
Plains All American Pipeline LP	6.8	Plains All American Pipeline LP	5.4
Phillips 66 Partners LP	5.4	Cheniere Energy Partners LP	5.0
Energy Transfer Equity LP	5.1	Spectra Energy Partners LP	4.9
Energy Transfer Partners LP	5.0	Magellan Midstream Partners LP	4.5
DCP Midstream LP	5.0	Andeavor Logistics LP	2.7
ONEOK Inc.	5.0	Western Gas Partners Lp	2.3

## Equity Assets Exposures by Sector

	ARI MLP	Alerian MLP
Cash	0.61	N/A
Energy	99.39	98.45
Utilities	N/A	1.55

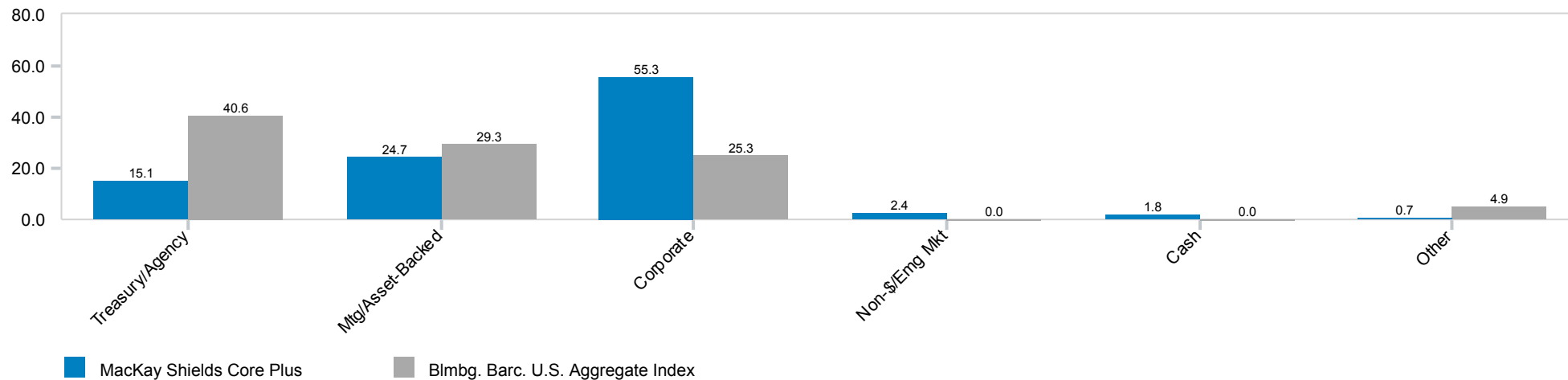
## Equity Characteristics

	ARI MLP	Alerian MLP
Wtd. Avg. Mkt. Cap (\$)	19,847,608,637	23,271,721,244
Price/Earnings ratio	22.9	21.7
Price/Book ratio	3.2	2.6
Current Yield	6.8	7.5
Number of Stocks	24	44

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 June 30, 2018, MacKay Shields had a market value of \$27,116,704.

**Sector Distribution (%)**



**Portfolio Characteristics**

	Portfolio	Benchmark
Avg. Maturity	8.12	8.08
Avg. Quality	AA	AA
Coupon Rate (%)	3.80	3.11
Modified Duration	5.88	5.94
Yield To Maturity (%)	3.56	3.29
Holdings Count	235	9,355





**Fund Information**

Fund Name :	Loomis Sayles Funds I: Loomis Sayles Institutional High Income Fund; Institutional Class	Portfolio Assets :	\$655 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 :	\$655 Million	Style Benchmark :	FTSE High Yield Market Index
Portfolio Turnover :	17%		

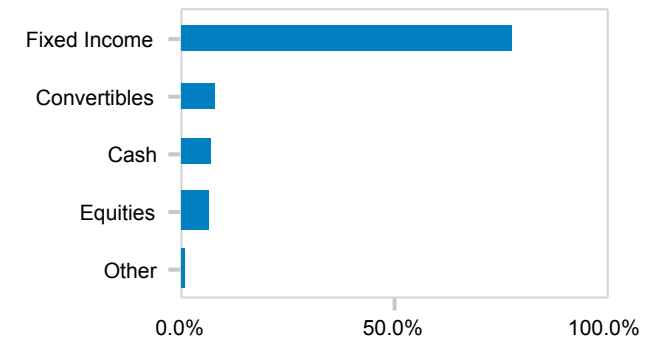
**Fund Characteristics As of 03/31/2018**

Avg. Coupon	4.95 %
Nominal Maturity	N/A
Effective Maturity	5.51 Years
Duration	3.66 Years
SEC 30 Day Yield	5.5
Avg. Credit Quality	BBB

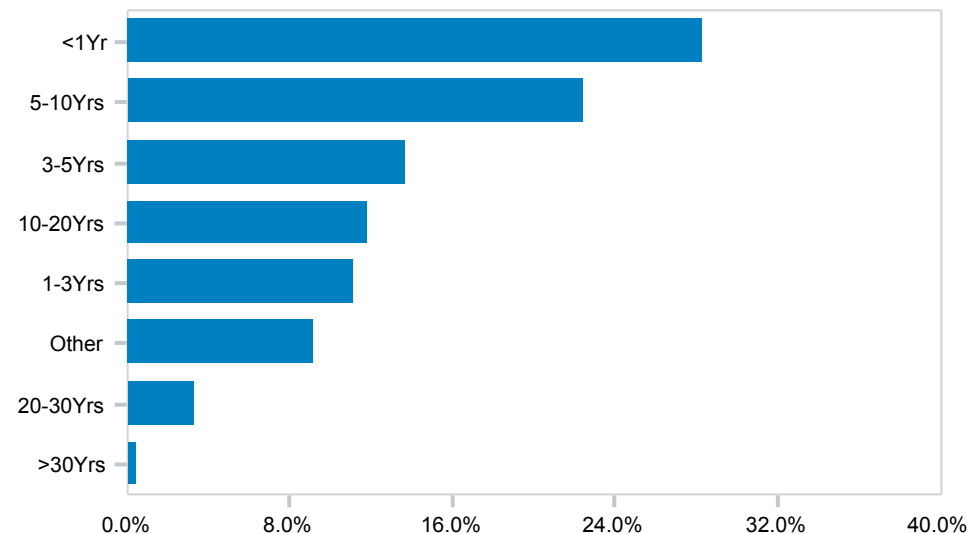
**Top Ten Securities As of 03/31/2018**

Corporate Notes/Bonds	61.7 %
Government Agency Securities	10.7 %
Convertible Securities	7.8 %
Common Stock	6.5 %
Fgn. Currency Denominated Bonds	5.5 %
Treasury Notes/Bonds	1.7 %
Preferred Stock-Non Convertible	0.2 %
Asset Backed Securities	0.1 %

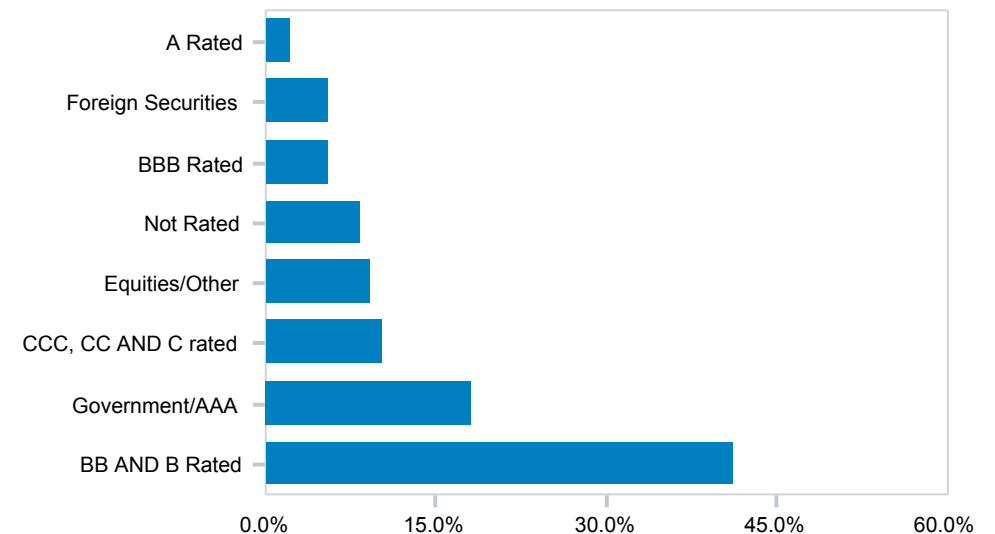
**Asset Allocation As of 03/31/2018**



**Maturity Distribution As of 03/31/2018**



**Sector/Quality Allocation As of 03/31/2018**



Statistics provided by Lipper. Most recent available data shown.



**Port of Houston OPEB  
Manager Status Summary  
As of June 30, 2018**

Manager	Mandate	Status	Notes
Fiduciary Management	Large Cap Value Equity	In Compliance	
Vanguard Index Fund (VINIX)	Large Cap Core Equity	In Compliance	
Stephens Mid Cap Growth	Mid Cap Growth Equity	In Compliance	
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	In Compliance	
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.



	Estimated Annual Fee (%)	Market Value (\$)	Estimated Annual Fee (\$)	Fee Schedule
<b>Total Fund Composite</b>	<b>0.51</b>	<b>67,564,063</b>	<b>342,557</b>	
Equity Composite	0.61	37,183,657	225,690	
Domestic Equity	0.47	22,031,134	103,551	
Fiduciary Management	0.55	5,047,348	27,760	0.55 % of Assets
Vanguard Index Fund Institutional (VINIX)	0.04	5,040,145	2,016	0.04 % of Assets
Stephens Mid Cap Growth	0.77	5,205,905	40,085	0.77 % of Assets
Barrow Hanley MeWhinney & Strauss	0.50	6,737,736	33,689	0.50 % of Assets
International Equity	0.92	4,997,096	45,973	
Causeway International (CIVIX)	0.92	4,997,096	45,973	0.92 % of Assets
Real Estate	0.75	3,504,345	26,283	
Cohen & Steers (CSRIX)	0.75	3,504,345	26,283	0.75 % of Assets
MLPs	0.75	6,651,082	49,883	
ARI MLP	0.75	6,651,082	49,883	0.75 % of Assets
Fixed Income Composite	0.38	30,380,407	116,868	
Core Plus Fixed Income	0.35	27,116,704	94,908	
Mackay Shields Core Plus	0.35	27,116,704	94,908	0.35 % of Assets
High Yield Fixed Income	0.68	3,229,323	21,959	
Loomis Sayles High Yield (LSHIX)	0.68	3,229,323	21,959	0.68 % of Assets



**Port of Houston OPEB  
Fee Summary  
As of June 30, 2018**

Structure	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Fiduciary Management	Large Cap Value Equity	0.55%	1.21%	0.66%	\$33,312
Vanguard Index Fund (VINIX)	Large Cap Core Equity	0.04%	1.21%	1.17%	\$58,970
Stephens Mid Cap Growth	Mid Cap Growth Equity	0.77%	1.35%	0.58%	\$30,194
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	0.50%	1.40%	0.90%	\$60,640
Causeway International (CIVIX)	International Equity	0.92%	1.16%	0.24%	\$11,993
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	0.75%	1.31%	0.56%	\$19,624
ARI MLP	Master Limited Partnership	0.75%	1.00%	0.25%	\$16,628
Mackay Shields Core Plus	Core Plus Fixed Income	0.35%	0.84%	0.49%	\$132,872
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	0.68%	1.08%	0.40%	\$12,917
<b>Total Management Fees</b>		<b>0.51%</b>	<b>1.07%</b>	<b>0.56%</b>	<b>\$377,150</b>

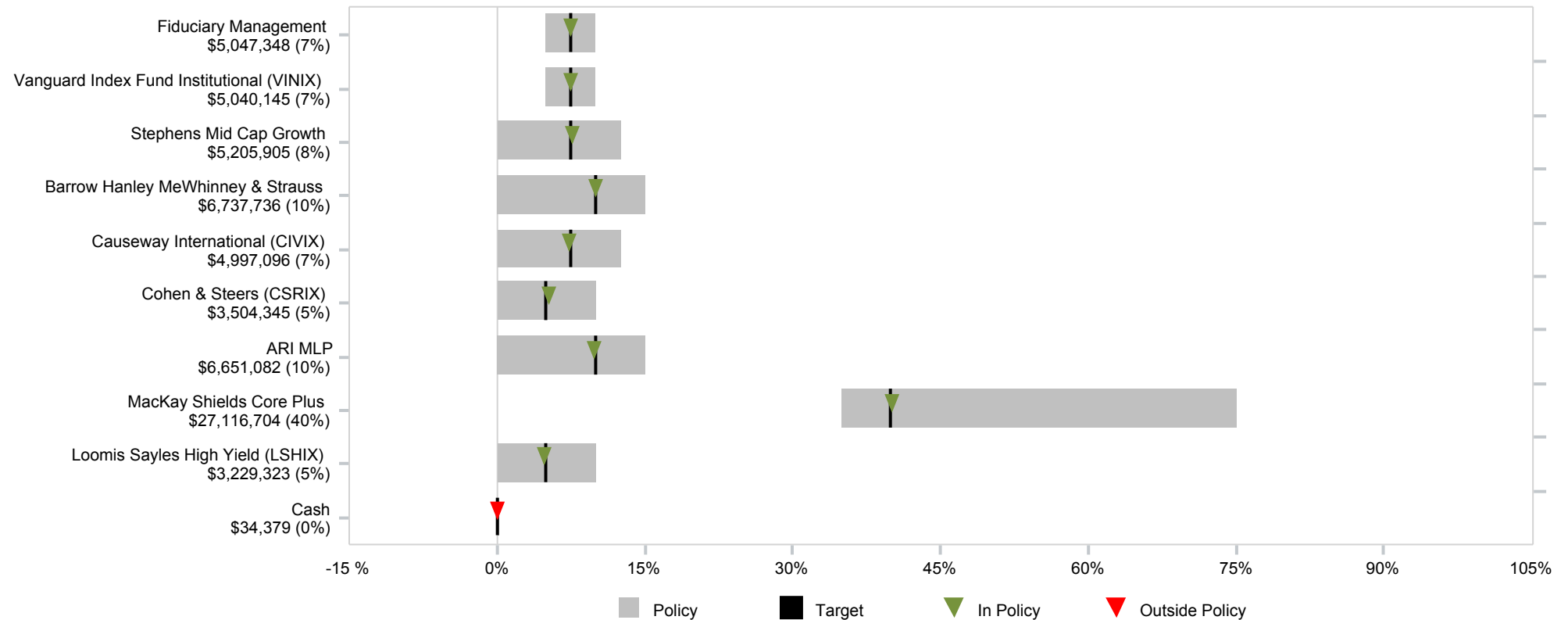
Source: Morningstar and Investment Managers



Asset Allocation Compliance

	Asset Allocation \$	Current Allocation (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund Composite	67,564,063	100.0	100.0	0.0		
Fiduciary Management	5,047,348	7.5	7.5	0.0	5.0	10.0
Vanguard Index Fund Institutional (VINIX)	5,040,145	7.5	7.5	0.0	5.0	10.0
Stephens Mid Cap Growth	5,205,905	7.7	7.5	0.2	0.0	12.5
Barrow Hanley MeWhinney & Strauss	6,737,736	10.0	10.0	0.0	0.0	15.0
Causeway International (CIVIX)	4,997,096	7.4	7.5	-0.1	0.0	12.5
Cohen & Steers (CSRIX)	3,504,345	5.2	5.0	0.2	0.0	10.0
ARI MLP	6,651,082	9.8	10.0	-0.2	0.0	15.0
MacKay Shields Core Plus	27,116,704	40.1	40.0	0.1	35.0	75.0
Loomis Sayles High Yield (LSHIX)	3,229,323	4.8	5.0	-0.2	0.0	10.0
Cash	34,379	0.1	0.0	0.1	0.0	0.0

Executive Summary



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<b>Active Return</b>	- Arithmetic difference between the manager's performance and the designated benchmark return over a specified time period.
<b>Alpha</b>	- 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.
<b>Beta</b>	- A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of the portfolio's systematic risk.
<b>Consistency</b>	- 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.
<b>Distributed to Paid In (DPI)</b>	- 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.
<b>Down Market Capture</b>	- The ratio of average portfolio performance over the designated benchmark during periods of negative returns. A lower value indicates better product performance
<b>Downside Risk</b>	- 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.
<b>Excess Return</b>	- Arithmetic difference between the manager's performance and the risk-free return over a specified time period.
<b>Excess Risk</b>	- A measure of the standard deviation of a portfolio's performance relative to the risk free return.
<b>Information Ratio</b>	- 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.
<b>Public Market Equivalent (PME)</b>	- 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.
<b>R-Squared</b>	- 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.
<b>Return</b>	- Compounded rate of return for the period.
<b>Sharpe Ratio</b>	- 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.
<b>Standard Deviation</b>	- 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.
<b>Total Value to Paid In (TVPI)</b>	- 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
<b>Tracking Error</b>	- This is a measure of the standard deviation of a portfolio's returns in relation to the performance of its designated market benchmark.
<b>Treynor Ratio</b>	- 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.
<b>Up Market Capture</b>	- 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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AndCo uses time-weighted calculations which are founded on standards recommended by the CFA Institute. The calculations and values shown are based on information that is received from custodians. AndCo analyzes transactions as indicated on the custodian statements and reviews the custodial market values of the portfolio. As a result, this provides AndCo with a reasonable basis that the investment information presented is free from material misstatement. This methodology of evaluating and measuring performance provides AndCo with a practical foundation for our observations and recommendations. Nothing came to our attention that would cause AndCo to believe that the information presented is significantly misstated.

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