

Investment Performance Review  
Period Ending June 30, 2019

# Port of Houston Authority OPEB Trust

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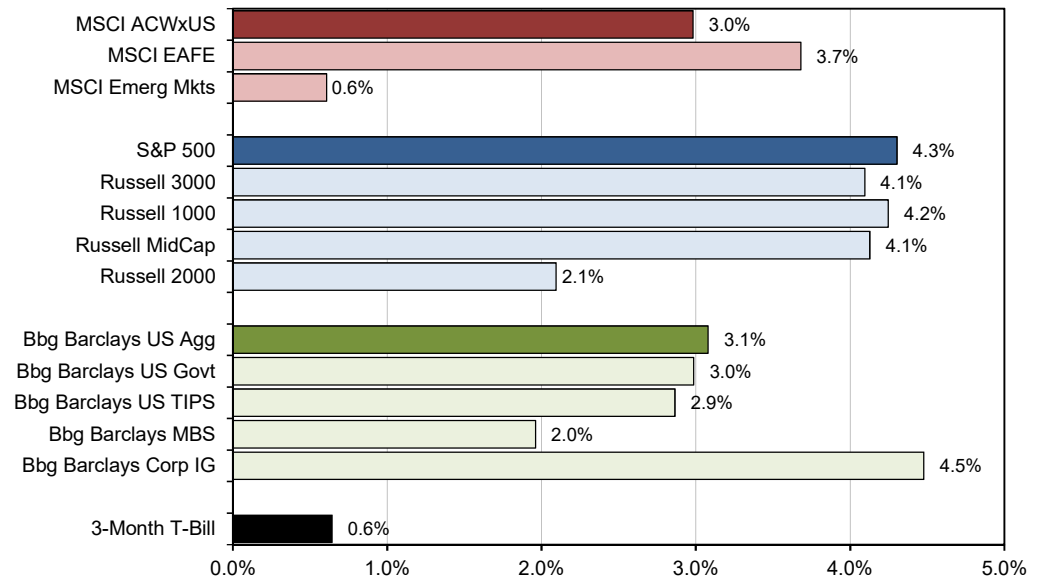


## **2nd Quarter 2019 Market Environment**

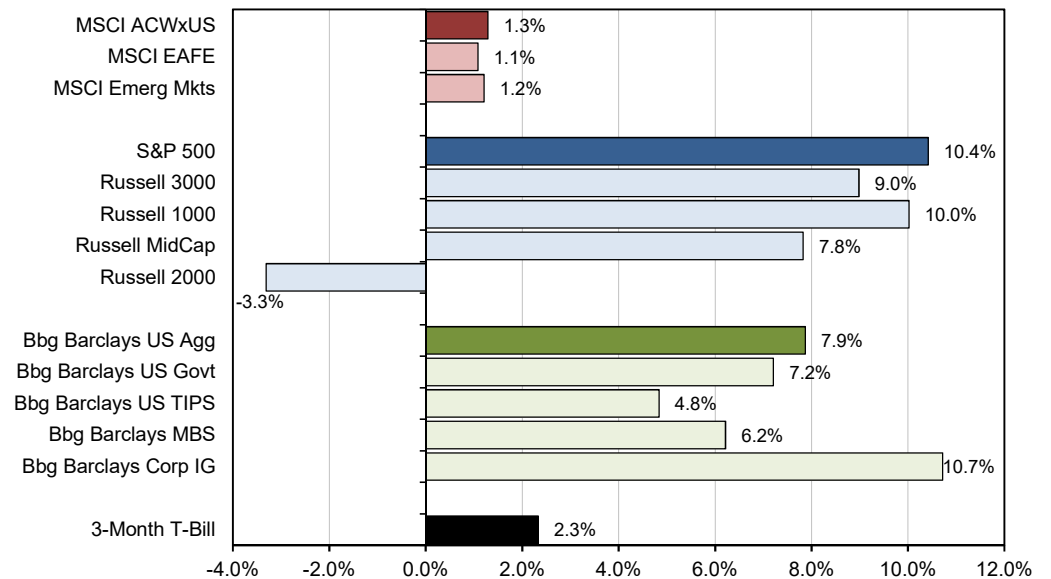


- Broad asset class returns were positive during the 2nd quarter of 2019 with both equity and fixed income indices extending their year-to-date gains. US stocks outperformed international stocks during a very volatile quarter. Equity indices rose to start the period as progress in global trade negotiations outweighed signs of weakness in macroeconomic data. However, trade discussions between the US and China fell apart in May prompting increased tariffs and sharp declines in equity markets. The softening in economic data, stubbornly low inflation and the threat of slower future growth caused by ongoing disruption in trade led the Federal Reserve (Fed) to communicate a shift toward a more accommodative policy stance. This change in central bank posture caused markets to rebound strongly, ending the quarter higher for the period. Fixed income returns were also positive during the quarter as the prospect of more accommodative monetary policy pushed interest rates lower, increasing bond prices. Within domestic equity markets, large cap stocks outperformed small cap equities during the quarter with the S&P 500 Index returning 4.3% versus a 2.1% return on the small cap Russell 2000 Index. US equity returns over the 1-year period were positive within large and mid cap stocks, returning 10.4% and 7.8% respectively, but small cap stocks posted a loss, falling -3.3%.
- Similar to US markets, international markets were volatile during the 2nd quarter as investors reacted to mixed economic data, heightened geopolitical uncertainty, particularly around the outlook for global trade and Brexit, and increased accommodation in central bank policy with the European Central Bank (ECB) and People's Bank of China (PBoC) pledging additional stimulus if needed. Developed markets outperformed emerging markets during the period with the MSCI EAFE Index returning 3.7% versus a 0.6% return on the MSCI Emerging Markets Index. Both developing and emerging markets posted modest gains over the 1-year period, returning 1.1% and 1.2% respectively.
- Fixed income returns were in line with equities during the 2nd quarter. The broad market Bloomberg Barclays Aggregate Index returned 3.1% as a more dovish stance from the Fed and other global central banks pushed interest rates lower across the US Treasury Yield Curve. The curve steepened but remained inverted with shorter-term maturities paying higher interest rates than those in the middle of the curve. Investment grade corporate issues were the best performing securities for the second quarter in a row, outperforming Treasury and securitized issues. The Bloomberg Barclays Corporate IG Index returned 4.5% for the period, as corporate credit had tailwinds due to greater interest rate sensitivity, higher yields and tightening credit spreads. Corporate issues also outperformed the other major fixed income sectors over the 1-year period, returning 10.7% versus a 7.9% return for the Bloomberg Barclays Aggregate Index.

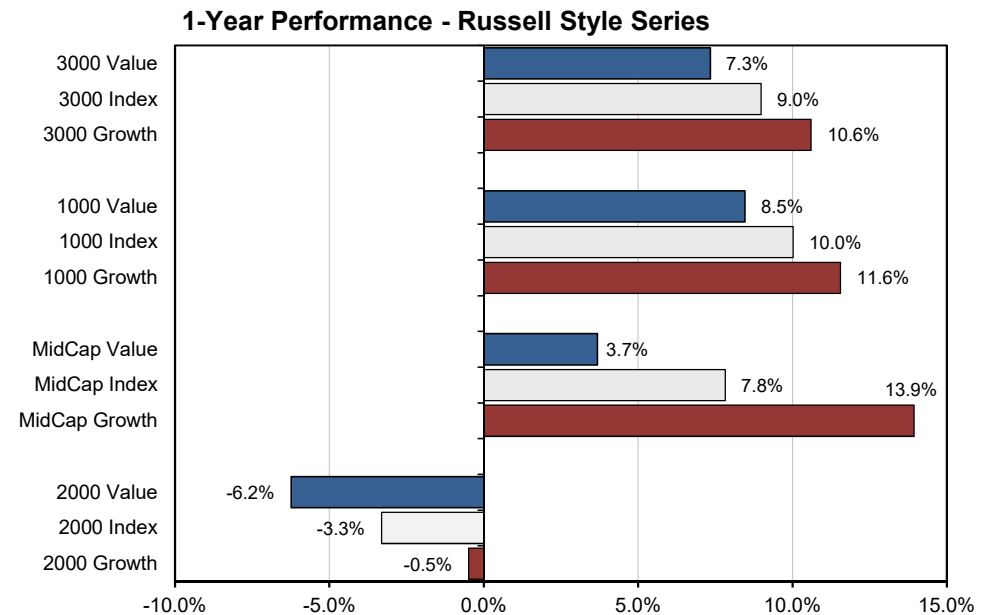
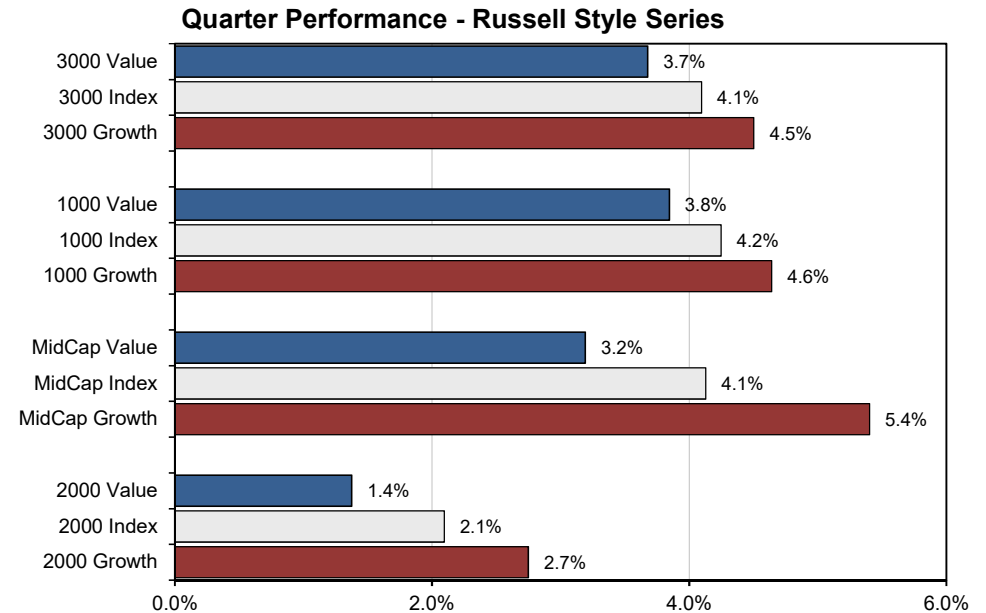
### Quarter Performance



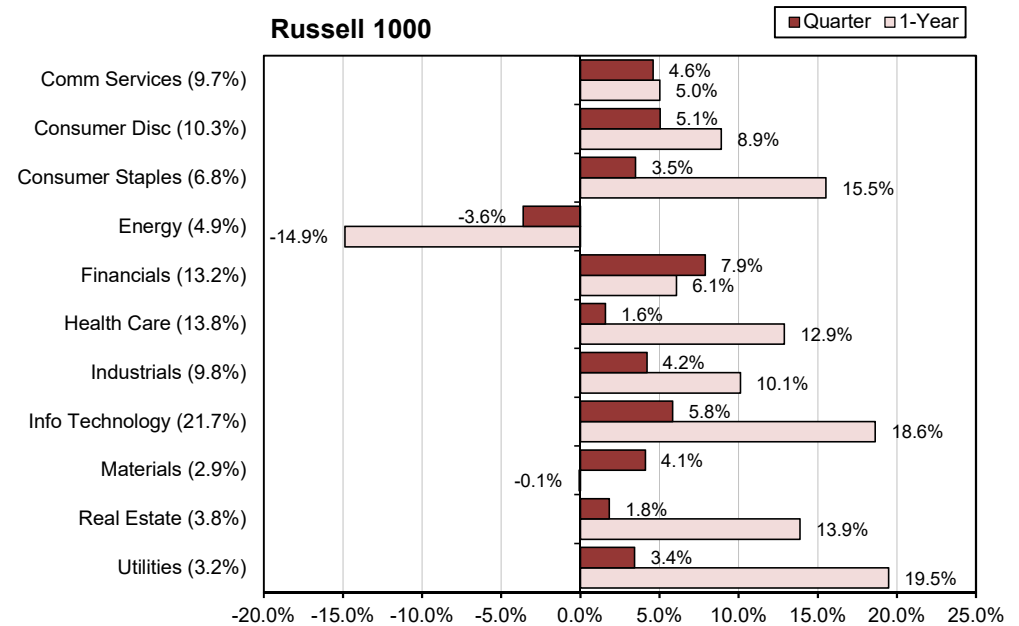
### 1-Year Performance



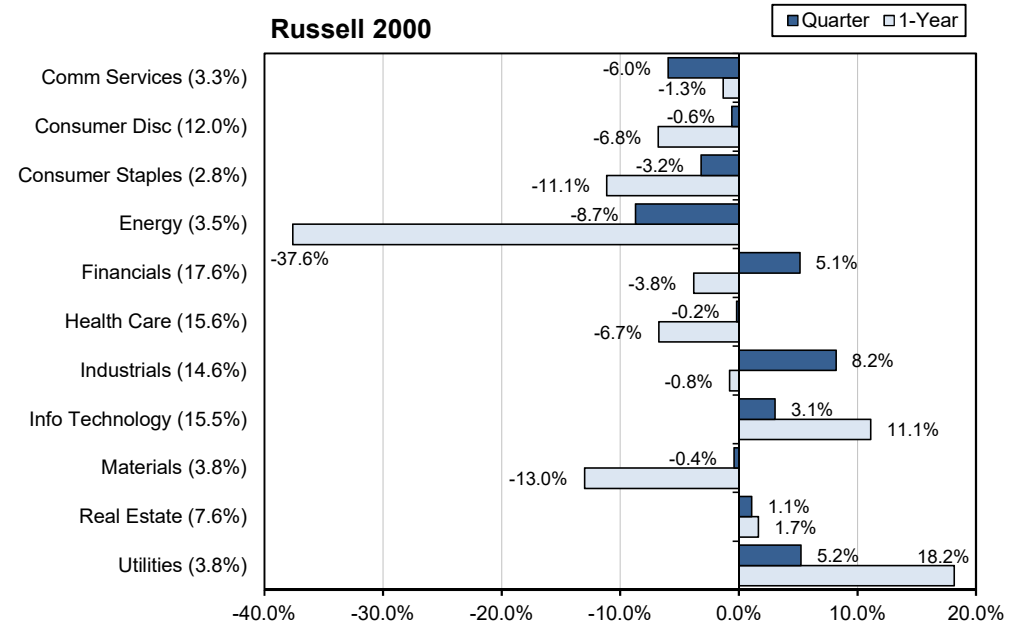
- US equity index returns were modestly positive across the style and capitalization spectrum for the 2nd quarter. Corporate earnings reported during the quarter surprised to the upside, but economic data released during the period showed signs of slowing growth. Developments around global trade were particularly prominent during the period, heavily influencing market sentiment. Positive developments in trade negotiations with China came to an abrupt halt in May leading the US to increase tariffs on \$200 billion of Chinese imports from 10% to 25% and announce that the US would consider tariffs on the remaining \$300 billion in goods imported from China. China retaliated by increasing the tariff range on \$60 billion of US goods from 5-10% to 5-25%. Additionally, the US instituted a ban on sales of technology equipment to Chinese telecommunications firm Huawei citing national security risks. China is expected to take similar action in retaliation although nothing has been announced. Trade talks are ready to resume and both sides have agreed to cease escalations following a meeting between President Trump and President Jinping at the G20 summit held at the end of the quarter. In addition, President Trump threatened a 5% tariff on all Mexican imports as a tact to reduce the level of illegal immigration at the US border with Mexico, and US waivers on sanctions for Iranian oil ended leading to increased tensions in the region that were further escalated after Iran downed a US drone. Despite these headwinds, markets rose following comments from an increasingly accommodative Fed as investors priced in greater odds of easy monetary policy going forward.
- During the quarter, higher market cap stocks outperformed lower market cap stocks across the style spectrum with the only exception being the outperformance of mid cap growth stocks relative to large cap growth stocks. The large cap Russell 1000 Index gained 4.2% during the period versus a 4.1% return for the Russell MidCap Index and a 2.1% gain on the small cap Russell 2000 Index as market participants may be moving toward the relative safety of large cap names as the economy continues to show growing signs of weakness. When viewed over the most recent 1-year period, large cap stocks outperformed relative to small cap stocks. The Russell 1000 returned 10.0% for the year while the Russell 2000 fell -3.3%.
- Growth indices outperformed value indices across the market cap spectrum during the 2nd quarter. Growth stocks have outperformed value in nine of the last ten quarters. The Russell MidCap Growth Index was the best performing style index for the period, returning 5.4% for the quarter with the small cap value index posting the lowest relative return, a gain of 1.4%. The trend of growth outperformance is also visible over the 1-year period as growth indices have benefitted from larger exposures to technology which has been a large driver of index performance over the last year, as well as a meaningful underweight to energy which has been a relative detractor.



- Sector performance was broadly positive across large cap sectors for the 2nd quarter. There were gains for ten out of eleven sectors within the Russell 1000 Index during the period with four sectors outpacing the return of the index. Cyclical sectors such as technology, industrials and consumer discretionary were some of the best performers through the quarter returning 5.8%, 4.2% and 5.1% respectively. Financials also outperformed, returning 7.9%, as investors weighed the benefits of continued economic expansion due to easing monetary policy against the effects of lower interest rates on bank earnings. More defensive higher yielding sectors such as consumer staples, real estate and utilities underperformed for the quarter returning 3.5%, 1.8% and 3.4% respectively. The energy sector was the only large cap sector to post a negative return during the quarter, falling -3.6%, as headwinds from weakening economic data and low oil and natural gas prices weighed on 1st quarter earnings. Health care stocks also lagged as continued discussions in Washington around the potential for increased regulation on drug pricing acted as a headwind. Returns over the 1-year period were positive with nine out of eleven sectors posting gains, six of which were over 10%. Defensive sectors such as utilities, REITs and consumer staples performed well returning 19.5%, 13.9% and 15.5% respectively. Technology returns were also strong gaining 18.6%. Energy and materials were the only sectors to post negative results over the 1-year period with energy falling -14.9% and materials returning -0.1%.



- Quarterly results for small cap sectors were generally worse than their large capitalization counterparts with only two of eleven sectors (industrials and utilities) outperforming their corresponding large cap equivalents. Five of eleven sectors produced gains during the period with four of eleven economic sectors outpacing the Russell 2000 Index return for the quarter. Similar to large caps, cyclical sectors performed well on hopes that any Fed policy easing would counteract the recent weakness in economic growth. The industrials sector performed particularly well returning 8.2%, financials posted a 5.1% gain and technology returned 3.1%. Utilities also outperformed returning 5.2%. The largest detractors over the period were energy and communication services which returned -8.7% and -6.0% respectively. Over the trailing 1-year period, returns were broadly negative. Utilities and technology were relative bright spots returning 18.2% and 11.1%. The energy sector was an outlier in terms of negative returns losing -37.6% during the period. There were also notable losses in materials and consumer staples with materials losing -13.0% and consumer staples falling -11.1%.



**The Market Environment**  
**Top 10 Index Weights & Quarterly Performance for the Russell 1000 & 2000**  
As of June 30, 2019

Top 10 Weighted Stocks				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Microsoft Corp	3.71%	14.0%	37.5%	Information Technology
Apple Inc	3.44%	4.6%	8.6%	Information Technology
Amazon.com Inc	2.85%	6.3%	11.4%	Consumer Discretionary
Facebook Inc A	1.68%	15.8%	-0.7%	Communication Services
Berkshire Hathaway Inc B	1.51%	6.1%	14.2%	Financials
Johnson & Johnson	1.37%	0.3%	17.9%	Health Care
JPMorgan Chase & Co	1.35%	11.3%	10.3%	Financials
Alphabet Inc Class C	1.20%	-7.9%	-3.1%	Communication Services
Exxon Mobil Corp	1.19%	-4.1%	-3.3%	Energy
Alphabet Inc A	1.18%	-8.0%	-4.1%	Communication Services

Top 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Adient PLC	0.01%	87.3%	-50.0%	Consumer Discretionary
Anadarko Petroleum Corp	0.13%	55.8%	-1.6%	Energy
Cypress Semiconductor Corp	0.03%	49.8%	46.9%	Information Technology
Okta Inc A	0.04%	49.3%	145.2%	Information Technology
Erie Indemnity Co Class A	0.02%	43.2%	122.5%	Financials
Heico Corp	0.02%	41.1%	83.9%	Industrials
Legg Mason Inc-LeggMason RETAIL	0.01%	39.9%	14.4%	Financials
Exact Sciences Corp	0.05%	36.3%	97.4%	Health Care
Caesars Entertainment Corp	0.02%	36.0%	10.5%	Consumer Discretionary
Ardagh Group SA	0.00%	35.9%	9.6%	Materials

Bottom 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
2U Inc	0.01%	-46.9%	-55.0%	Information Technology
Alkermes PLC	0.01%	-38.2%	-45.2%	Health Care
Range Resources Corp	0.01%	-37.7%	-58.0%	Energy
Antero Resources Corp	0.00%	-37.4%	-74.1%	Energy
Chesapeake Energy Corp	0.01%	-37.1%	-62.8%	Energy
RPC Inc	0.00%	-36.5%	-48.8%	Energy
Realogy Holdings Corp	0.00%	-35.8%	-67.4%	Real Estate
The Chemours Co	0.02%	-34.7%	-44.2%	Materials
United Therapeutics Corp	0.01%	-33.5%	-31.0%	Health Care
Mylan NV	0.04%	-32.8%	-47.3%	Health Care

Top 10 Weighted Stocks				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Array BioPharma Inc	0.48%	90.0%	176.1%	Health Care
The Trade Desk Inc A	0.37%	15.1%	142.8%	Information Technology
Etsy Inc	0.36%	-8.7%	45.5%	Consumer Discretionary
Coupa Software Inc	0.35%	39.2%	103.4%	Information Technology
Five Below Inc	0.32%	-3.4%	22.8%	Consumer Discretionary
Planet Fitness Inc A	0.31%	5.4%	64.9%	Consumer Discretionary
HubSpot Inc	0.31%	2.6%	36.0%	Information Technology
Haemonetics Corp	0.30%	37.6%	34.2%	Health Care
Woodward Inc	0.30%	19.4%	48.0%	Industrials
Ciena Corp	0.29%	10.1%	55.1%	Information Technology

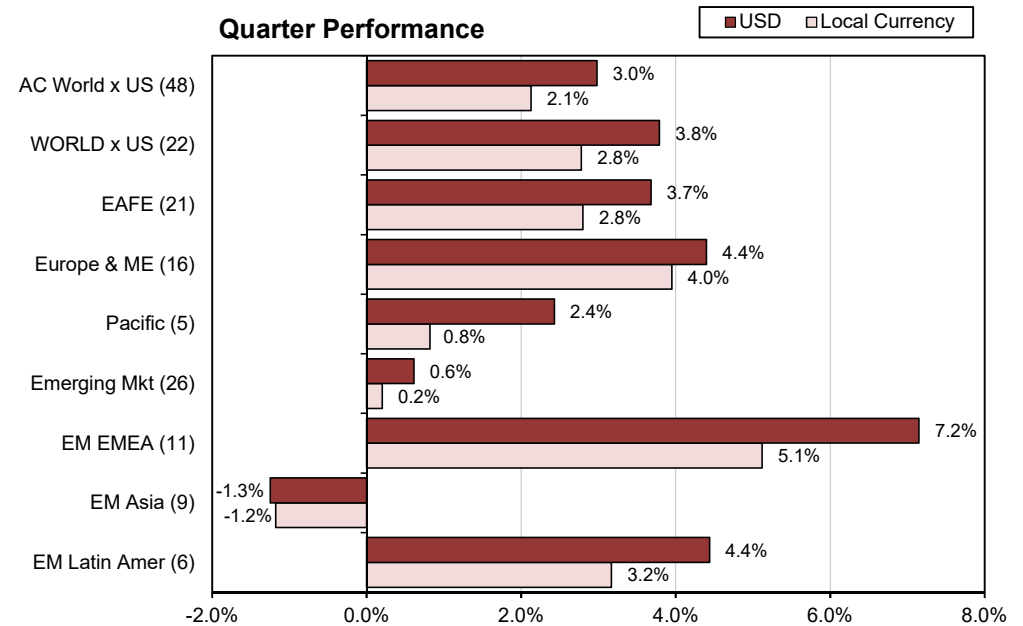
Top 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Iovance Biotherapeutics Inc	0.13%	157.8%	91.6%	Health Care
Arqule Inc	0.06%	129.9%	99.1%	Health Care
Adverum Biotechnologies Inc	0.03%	126.9%	124.3%	Health Care
Chimerix Inc	0.01%	105.7%	-9.2%	Health Care
Enphase Energy Inc	0.08%	97.5%	170.9%	Information Technology
Maxar Technologies Inc	0.02%	94.8%	-84.0%	Industrials
Array BioPharma Inc	0.48%	90.0%	176.1%	Health Care
Melinta Therapeutics Inc	0.00%	87.3%	-79.1%	Health Care
G1 Therapeutics Inc	0.03%	84.7%	-29.5%	Health Care
Foundation Building Materials Inc	0.01%	80.7%	15.6%	Industrials

Bottom 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
FuelCell Energy Inc	0.00%	-94.0%	-98.9%	Industrials
Halcon Resources Corp	0.00%	-86.9%	-96.0%	Energy
Pioneer Energy Services Corp	0.00%	-85.7%	-95.7%	Energy
Eros International PLC	0.00%	-85.2%	-89.6%	Communication Services
Superior Energy Services Inc	0.01%	-72.2%	-86.7%	Energy
electroCore Inc	0.00%	-71.4%	-87.9%	Health Care
Ultra Petroleum Corp	0.00%	-70.5%	-92.2%	Energy
Nuvecra Corp	0.00%	-69.6%	-83.7%	Health Care
Dean Foods Co	0.00%	-69.5%	-91.1%	Consumer Staples
Kirkland's Inc	0.00%	-67.9%	-80.6%	Consumer Discretionary

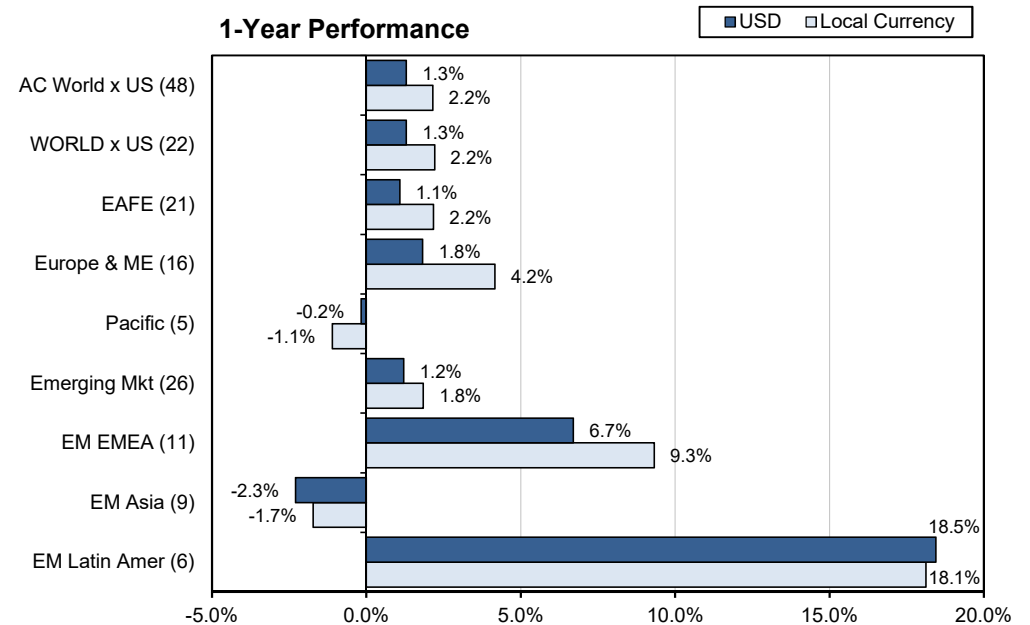


- Broad international equity returns were positive for the quarter in both local currency and USD terms. The MSCI ACWI ex US Index gained 2.1% in local currency terms and 3.0% in US dollar (USD) terms during the 2nd quarter. Similar to US markets, international equity investors balanced difficulties around global trade with central bank shifts toward more accommodative policies as a response to slowing global growth. Notably the ECB President Mario Draghi stated that further monetary policy action may need to be taken if inflation remains below target and the PBoC launched stimulus measures designed to encourage growth following the deterioration of trade negotiations with the US. Returns in USD largely outperformed those in local currency during the quarter as the USD depreciated against most major developed currencies following dovish Fed comments in June. However, the recent USD strength can still be seen over the 1-year period with USD returns trailing most local currency returns. Returns for the MSCI ACWI ex US Index were 2.2% in local currency terms and 1.3% in USD terms for the trailing year.
- Results for developed market international indices were positive in both local currency and USD terms during the 2nd quarter, with the MSCI EAFE Index returning 2.8% and 3.7% respectively. Outside of central bank policy and trade, there was notable news out of the UK with Prime Minister Theresa May resigning from her post after her Brexit withdrawal plan failed to gain parliamentary approval and a new vote for the office is currently underway. UK markets were pressured by continued uncertainty around Brexit with the UK having until October to strike an agreement with the European Union (EU) or withdraw with no agreement in place. Despite the growing uncertainty, the Bank of England (BoE) left monetary policy unchanged. Japan also underperformed as the yen appreciated due to its perceived safe haven status and trade headwinds were expected to affect its export driven economy. The MSCI EAFE Index returned 2.2% and 1.1% for the last twelve months in local currency and USD terms respectively.
- Emerging markets underperformed relative to developed markets for the 2nd quarter, slightly appreciating in both local currency and USD terms. The MSCI Emerging Markets Index gained 0.2% and 0.6% respectively. As expected, geopolitical tensions around trade put pressure on emerging market stocks, with Chinese equities underperforming relative to most countries. Latin American stocks performed well with Brazil and Argentina posting strong returns as commodity prices appreciated from recent lows at the end of 2018 and interest rates fell. Russian equities also performed well, benefiting from increasing commodity prices, but also had a tailwind from a decrease in the likelihood of future US sanctions. One year returns for the MSCI Emerging Market Index were 1.8% in local currency terms and 1.2% in USD terms.

**Quarter Performance**



**1-Year Performance**



**The Market Environment**  
**US Dollar International Index Attribution & Country Detail**  
As of June 30, 2019

MSCI - EAFE	Sector Weight	Quarter Return	1-Year Return
Communication Services	5.4%	4.0%	4.3%
Consumer Discretionary	11.1%	5.9%	-2.6%
Consumer Staples	11.7%	1.9%	4.8%
Energy	5.6%	0.4%	-5.5%
Financials	18.9%	4.3%	-2.9%
Health Care	11.2%	2.0%	7.5%
Industrials	14.8%	5.9%	2.4%
Information Technology	6.7%	6.6%	2.7%
Materials	7.4%	3.9%	0.2%
Real Estate	3.6%	-2.2%	2.3%
Utilities	3.6%	1.5%	9.8%
<b>Total</b>	<b>100.0%</b>	<b>3.7%</b>	<b>1.1%</b>

MSCI - ACWIxUS	Sector Weight	Quarter Return	1-Year Return
Communication Services	6.9%	1.0%	5.6%
Consumer Discretionary	11.3%	3.8%	-3.6%
Consumer Staples	9.8%	2.2%	4.6%
Energy	7.2%	0.5%	-1.4%
Financials	21.9%	4.4%	2.0%
Health Care	8.3%	1.2%	4.2%
Industrials	11.9%	5.2%	2.9%
Information Technology	8.5%	4.0%	-0.7%
Materials	7.6%	2.9%	-0.5%
Real Estate	3.3%	-1.6%	4.3%
Utilities	3.3%	2.2%	10.1%
<b>Total</b>	<b>100.0%</b>	<b>3.0%</b>	<b>1.3%</b>

MSCI - Emerging Mkt	Sector Weight	Quarter Return	1-Year Return
Communication Services	11.7%	-2.4%	4.5%
Consumer Discretionary	13.5%	-1.2%	-7.6%
Consumer Staples	6.6%	3.3%	0.9%
Energy	7.9%	1.2%	16.3%
Financials	25.2%	4.0%	11.9%
Health Care	2.6%	-6.6%	-24.7%
Industrials	5.3%	0.0%	4.1%
Information Technology	13.9%	-0.1%	-6.1%
Materials	7.6%	-1.2%	-1.9%
Real Estate	3.0%	-0.2%	10.1%
Utilities	2.7%	2.9%	9.0%
<b>Total</b>	<b>100.0%</b>	<b>0.6%</b>	<b>1.2%</b>

Country	MSCI-EAFE Weight	MSCI-ACWIxUS Weight	Quarter Return	1-Year Return
Japan	23.7%	15.8%	1.0%	-4.2%
United Kingdom	16.8%	11.2%	0.9%	-2.1%
France	11.4%	7.6%	6.5%	3.0%
Switzerland	9.3%	6.2%	8.4%	19.8%
Germany	8.8%	5.9%	7.1%	-3.8%
Australia	7.1%	4.8%	7.3%	6.6%
Hong Kong	4.0%	2.7%	1.0%	10.4%
Netherlands	3.6%	2.4%	5.8%	5.3%
Spain	3.0%	2.0%	2.6%	-2.1%
Sweden	2.7%	1.8%	4.9%	3.4%
Italy	2.3%	1.6%	2.9%	-0.7%
Denmark	1.7%	1.1%	1.6%	5.8%
Singapore	1.4%	0.9%	7.0%	8.3%
Finland	1.0%	0.7%	0.2%	-4.7%
Belgium	1.0%	0.7%	1.2%	-9.1%
Norway	0.7%	0.5%	2.4%	-4.3%
Israel	0.6%	0.4%	-3.6%	-4.5%
Ireland	0.5%	0.4%	4.7%	-9.2%
New Zealand	0.3%	0.2%	3.9%	16.0%
Austria	0.2%	0.2%	0.8%	-13.1%
Portugal	0.2%	0.1%	1.6%	-4.6%
<b>Total EAFE Countries</b>	<b>100.0%</b>	<b>66.8%</b>	<b>3.7%</b>	<b>1.1%</b>
Canada		6.8%	4.9%	3.3%
<b>Total Developed Countries</b>		<b>73.6%</b>	<b>3.8%</b>	<b>1.3%</b>
China		8.3%	-4.0%	-6.7%
Korea		3.3%	-1.0%	-9.1%
Taiwan		2.9%	0.9%	1.1%
India		2.4%	0.5%	7.9%
Brazil		2.0%	7.2%	39.4%
South Africa		1.6%	6.6%	-0.8%
Russia		1.1%	16.9%	27.1%
Thailand		0.8%	9.3%	19.8%
Saudi Arabia		0.8%	0.6%	11.0%
Mexico		0.7%	1.1%	-7.4%
Indonesia		0.6%	3.2%	20.3%
Malaysia		0.6%	1.2%	-0.8%
Philippines		0.3%	4.4%	19.7%
Poland		0.3%	3.5%	10.5%
Qatar		0.3%	0.6%	18.8%
Chile		0.2%	-5.6%	-12.1%
United Arab Emirates		0.2%	-2.7%	3.0%
Turkey		0.1%	2.8%	-17.1%
Colombia		0.1%	-2.4%	-3.7%
Peru		0.1%	-1.9%	3.5%
Argentina		0.1%	31.7%	15.8%
Greece		0.1%	16.2%	-9.2%
Hungary		0.1%	-4.1%	12.7%
Czech Republic		0.0%	2.6%	1.1%
Egypt		0.0%	7.8%	5.4%
Pakistan		0.0%	-20.8%	-36.7%
<b>Total Emerging Countries</b>		<b>26.4%</b>	<b>0.6%</b>	<b>1.2%</b>
<b>Total ACWIxUS Countries</b>		<b>100.0%</b>	<b>3.0%</b>	<b>1.3%</b>

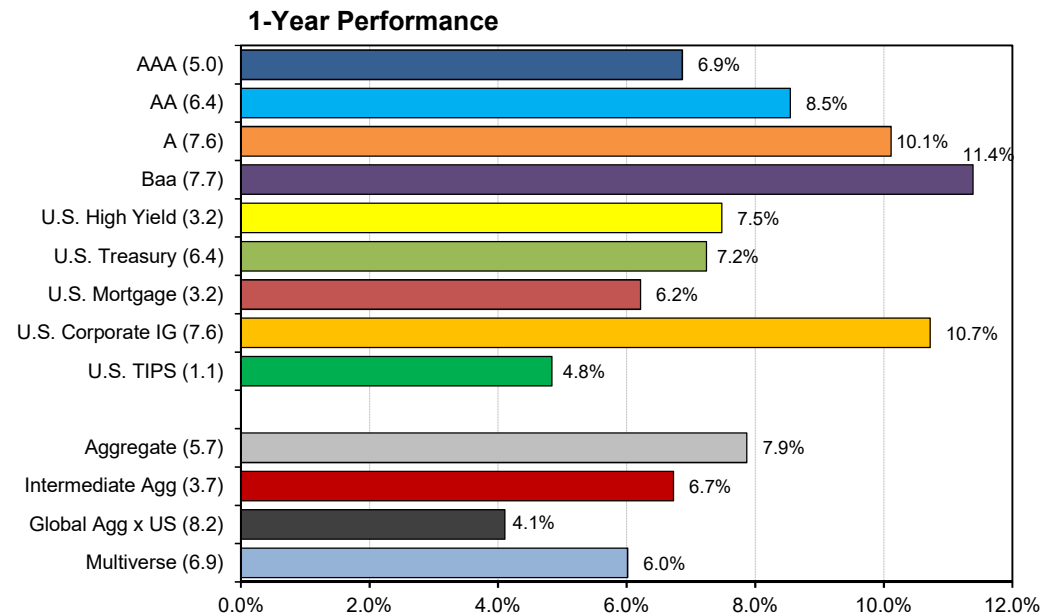
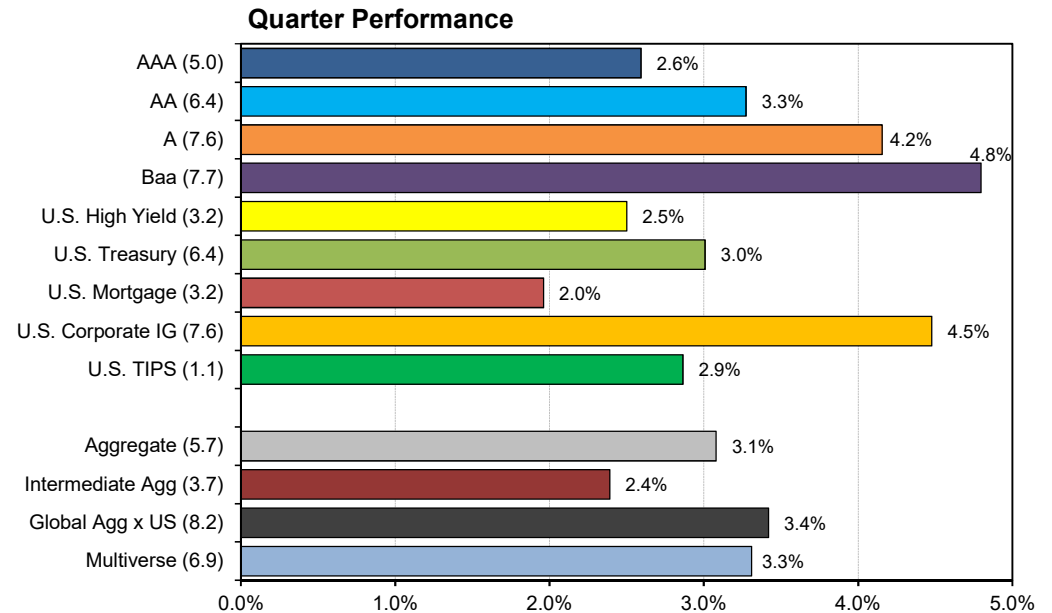
Source: Morningstar Direct, MSCI Global Index Monitor (Returns are Net in USD)

As a result of the GICS classification changes on 9/28/2018 and certain associated reporting limitations, sector performance represents backward looking performance for the prior year of each sector's current constituency, post creation of the Communication Services sector.



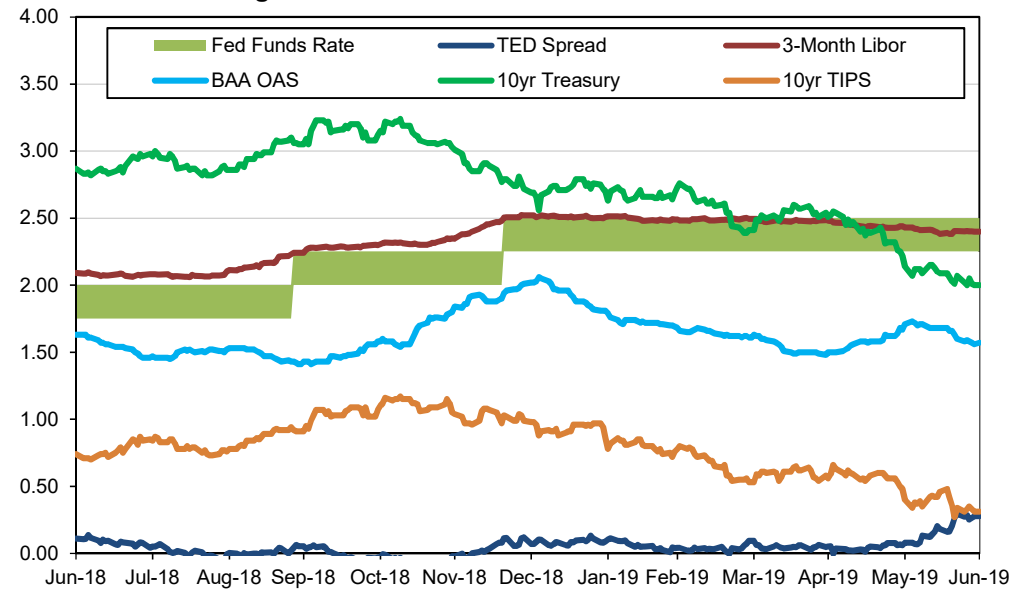


- Broad fixed income benchmarks built on their early 2019 gains during the 2nd quarter. During the 1st quarter, the Federal Open Market Committee (FOMC) reacted to a difficult end to 2018 by issuing guidance that the FOMC is no longer projecting any further interest rate increases through 2019. Federal Reserve Chair Jerome Powell also stated that the Fed would begin tapering the roll off from the planned balance sheet reduction program in May with a plan to halt the program entirely in September. The stoppage of the balance sheet reduction program represents an easing of monetary policy. The Fed took an increasingly dovish stance during the 2nd quarter reacting to softening economic data, tepid inflation and increased risks around global trade. While the committee left interest rates unchanged, the minutes from the June FOMC meeting indicate that the committee felt “downside risks to the outlook for economic activity had risen materially” during the quarter with several participants noting that a “near-term cut in the target range for the Federal Funds Rate could help cushion the effects of possible future adverse shocks to the economy”. These comments led market participants to forecast greater odds of an interest rate cut this year, pushing markets higher. Interest rates fell across all maturities on the US Treasury Yield Curve with the greatest declines occurring in the mid- and long-term issues. The curve remains inverted with short-term maturities paying higher interest rates than issues in the mid- to long-end of the curve. The bellwether Bloomberg Barclays US Aggregate Index posted positive returns for both the 1st quarter and the 1-year period, returning 3.1% and 7.9% respectively.
- Within investment grade credit, lower quality issues outperformed higher quality issues as investors gravitated toward higher risk securities during the quarter. Lower quality issues also benefitted from their higher durations. On an absolute basis, without negating the duration differences in the sub-indices, Baa rated credit was the best performing investment grade credit quality segment returning 4.8% for the quarter, while AAA was the worst performing, returning 2.6%. High yield issues returned 2.5% for the quarter as these issues did not commensurately benefit from the drop in interest rates due to their lower durations. Returns over the 1-year period generally show lower quality securities outperforming higher quality issues.
- Investment grade corporates outperformed the more defensive Treasury and mortgage backed sectors of the Bloomberg Barclays US Aggregate Index’s three broad sectors during the 2nd quarter. Investment grade corporate credit returned 4.5%, as falling interest rates benefitted these securities to a greater degree and credit spreads have continued to tighten since the end of 2018. When viewed over the 1-year period, corporate credit outperformed both Treasuries and mortgage backed securities. Corporate issues returned 10.7% versus a 6.2% return for mortgages and 7.2% gain on Treasury securities.

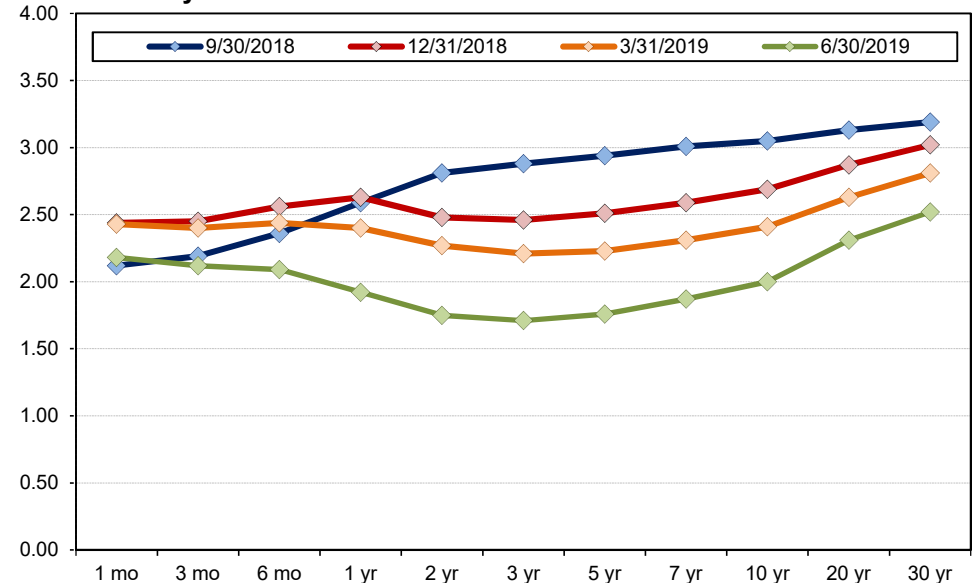


- Global fixed income returns were in line with their domestic counterparts, slightly outperforming during the 2nd quarter. These indices have lower, or in some cases (Germany, Japan), negative yields, but have higher durations. The returns of these indices are also significantly influenced by fluctuations in their currency denomination relative to the USD. The USD depreciated against most other developed currencies, acting as a tailwind to global bond indices. The return on global bonds, as represented by the Bloomberg Barclays Global Aggregate ex US Index, was 3.4%. Global bonds still trail over the 1-year period with the Global Aggregate ex US Index returning 4.1% versus a 7.9% return on the domestically focused Barclays Aggregate Index. As global growth has shown signs of stalling, several international central banks have started to step back from more restrictive postures. The ECB and the PBoC have moved toward an easing of monetary policy and implemented various stimulus programs designed to support their respective economies. The Bank of England and the Bank of Japan made no major policy changes during the quarter as they continue to review macroeconomic data within their respective countries.
- 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) fell from recent high's greater than 3.0%, to 2.0% to end the quarter. 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 an abrupt increase in credit spreads during the 4th quarter of 2018 as investors moved to higher quality assets during the quarter's risk-off environment. Subsequently, spreads dropped steadily until they rose again in May and then later declined in June. This spread tightening is equivalent to an interest rate decrease on corporate bonds, which produces an additional tailwind for corporate bond index returns. These credit spreads have tightened by about 6 basis points over the last three months. The green band across the graph illustrates the gradual increase in the Federal Funds Rate due to the tightening of US monetary policy during 2018. There have been no changes to the Federal Funds Rate in 2019.
- The lower graph provides a snapshot of the US Treasury yield curve at the end of each of the last four calendar quarters. The downward shift in interest rates as well as a general steepening of the yield curve are clearly visible over the last quarter. As mentioned, the yield curve continues to invert as yields on shorter-term maturities fell less than interest rates in the middle- to long-end of the curve.

1-Year Trailing Market Rates



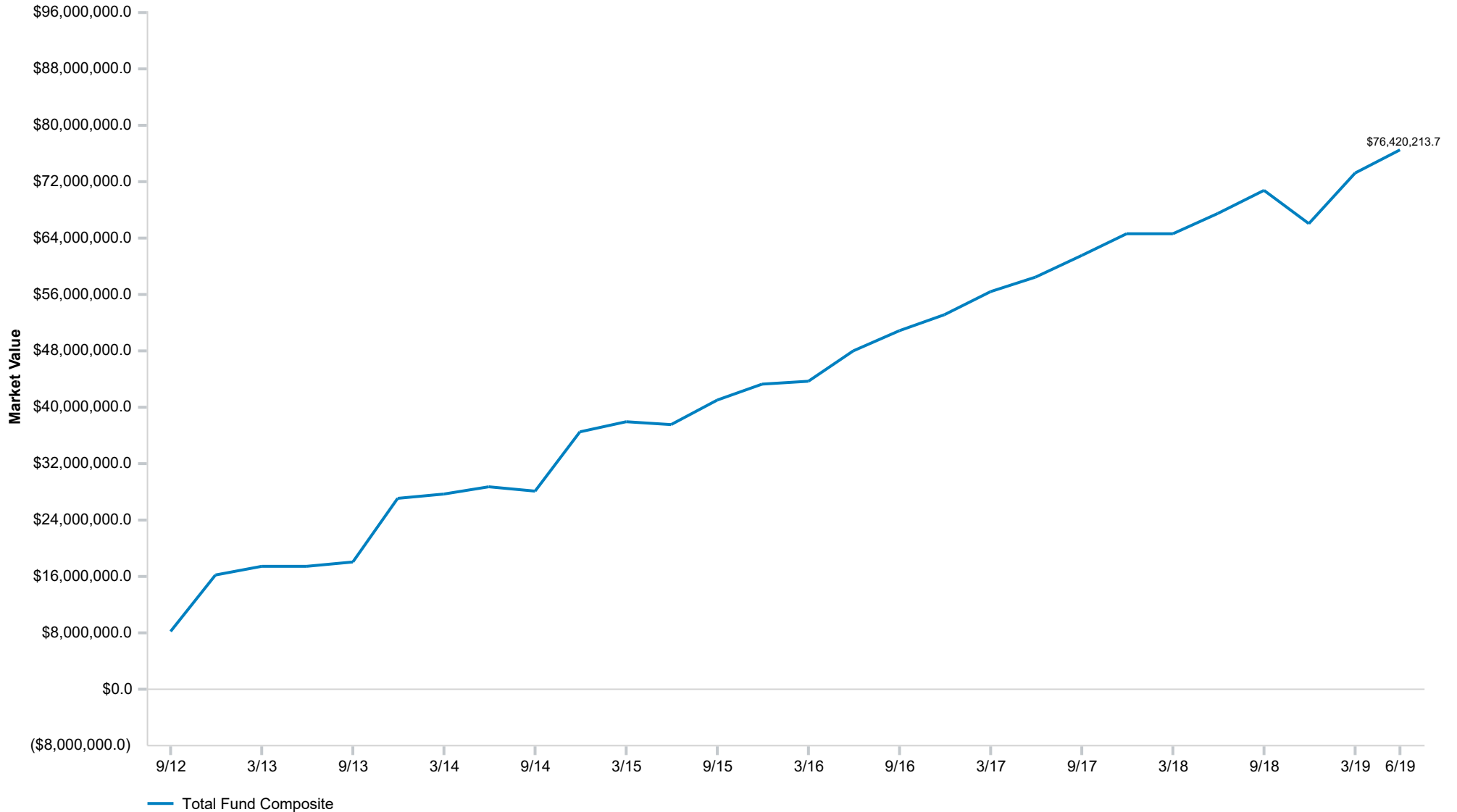
Treasury Yield Curve



5.7%



Schedule of Investable Assets



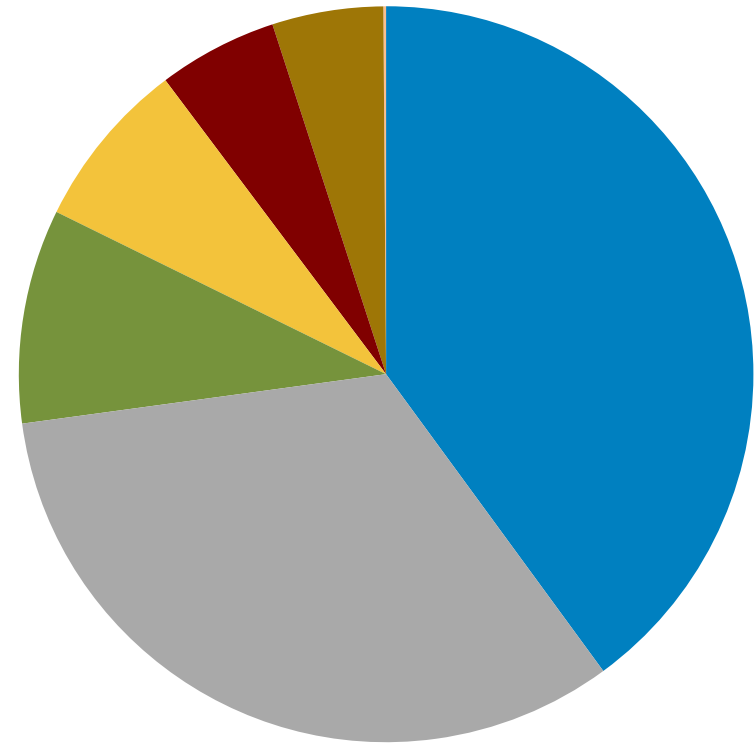
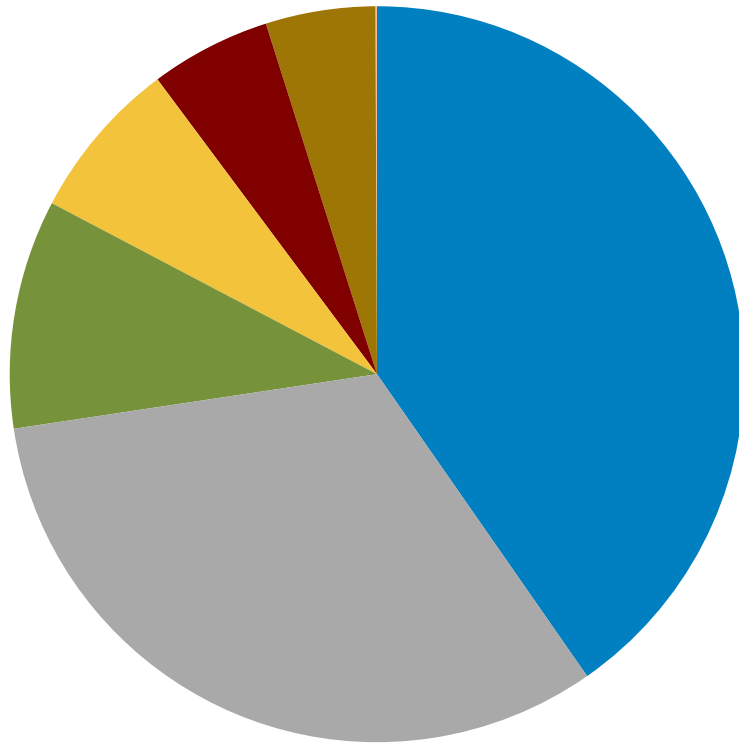
Schedule of Investable Assets

Periods Ending	Beginning Market Value \$	Net Cash Flow \$	Gain/Loss \$	Ending Market Value \$	%Return
Oct-2012 To Jun-2019	8,192,495	49,724,434	18,503,284	76,420,214	7.05



March 31, 2019 : \$73,174,100

June 30, 2019 : \$76,420,214

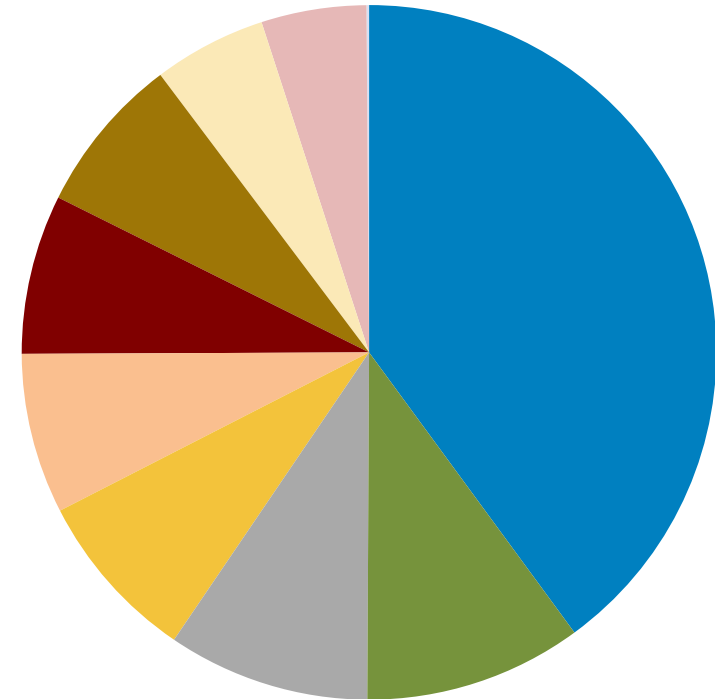
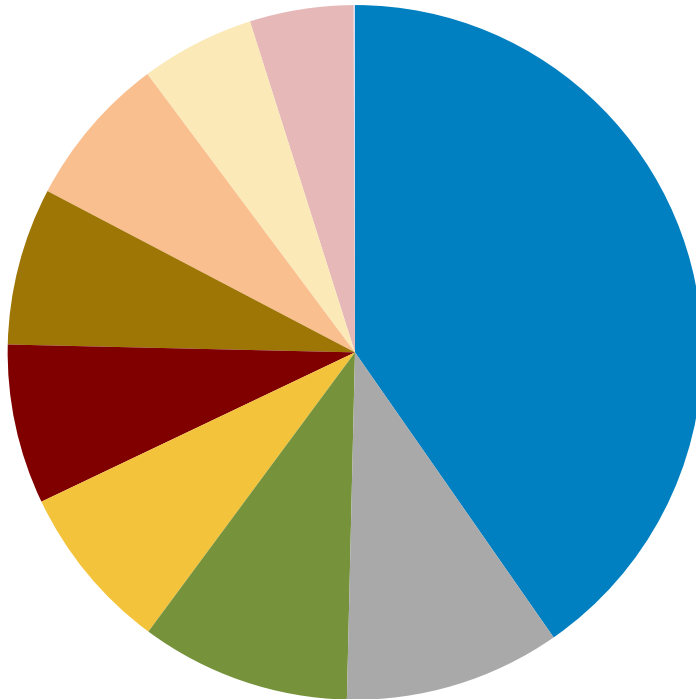


Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
Core Plus Fixed Income	29,499,647	40.3	Core Plus Fixed Income	30,516,359	39.9
Domestic Equity	23,646,271	32.3	Domestic Equity	25,160,675	32.9
MLPs	7,362,691	10.1	MLPs	7,193,265	9.4
International Equity	5,201,514	7.1	International Equity	5,705,681	7.5
Real Estate	3,881,817	5.3	Real Estate	4,015,379	5.3
High Yield Fixed Income	3,530,092	4.8	High Yield Fixed Income	3,734,389	4.9
Cash	52,066	0.1	Cash	94,466	0.1



March 31, 2019 : \$73,174,100

June 30, 2019 : \$76,420,214



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
■ MacKay Shields Core Plus	29,499,647	40.3	■ MacKay Shields Core Plus	30,516,359	39.9
■ ARI MLP	7,362,691	10.1	■ Barrow Hanley MeWhinney & Strauss	7,755,094	10.1
■ Barrow Hanley MeWhinney & Strauss	7,145,346	9.8	■ ARI MLP	7,193,265	9.4
■ Stephens Mid Cap Growth	5,700,729	7.8	■ Stephens Mid Cap Growth	6,094,006	8.0
■ Vanguard Index Fund Institutional (VINIX)	5,439,177	7.4	■ Causeway International (CIVIX)	5,705,681	7.5
■ Fiduciary Management	5,361,019	7.3	■ Vanguard Index Fund Institutional (VINIX)	5,671,821	7.4
■ Causeway International (CIVIX)	5,201,514	7.1	■ Fiduciary Management	5,639,754	7.4
■ Cohen & Steers (CSRIX)	3,881,817	5.3	■ Cohen & Steers (CSRIX)	4,015,379	5.3
■ Loomis Sayles High Yield (LSHIX)	3,530,092	4.8	■ Loomis Sayles High Yield (LSHIX)	3,734,389	4.9
■ Cash	52,066	0.1	■ Cash	94,466	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>76,420,214</b>	<b>100.0</b>	<b>2.83</b>	<b>5.65</b>	<b>7.44</b>	<b>4.88</b>	<b>7.05</b>	<b>10/01/2012</b>
Policy Index			3.04	6.91	6.78	4.86	7.04	
OPEB Actuarial Assumption			1.65	6.75	6.79	6.88	6.94	
<b>Total Fund Composite (Net of Fees)</b>			<b>2.75</b>	<b>5.26</b>	<b>7.03</b>	<b>4.42</b>	<b>6.52</b>	
Fiduciary Management	5,639,754	7.4	5.36	10.21	13.37	9.56	12.83	10/01/2012
Russell 1000 Value Index			3.84	8.46	10.19	7.46	11.52	
S&P 500 Index			4.30	10.42	14.19	10.71	13.50	
Vanguard Index Fund Institutional (VINIX)	5,671,821	7.4	4.30	10.39	N/A	N/A	12.39	05/01/2017
S&P 500 Index			4.30	10.42	14.19	10.71	12.42	
Stephens Mid Cap Growth	6,094,006	8.0	7.11	15.70	22.46	13.16	15.84	01/01/2013
Russell Midcap Growth Index			5.40	13.94	16.49	11.10	14.76	
Barrow Hanley MeWhinney & Strauss	7,755,094	10.1	2.22	-8.15	11.53	6.59	12.29	10/01/2012
Russell 2000 Value Index			1.38	-6.24	9.81	5.39	9.81	
Causeway International (CIVIX)	5,705,681	7.5	0.07	-4.73	6.84	0.43	1.83	10/01/2013
MSCI EAFE (Net) Index			3.68	1.08	9.11	2.25	3.78	
MSCI EAFE Value Index (Net)			1.54	-2.10	8.46	0.05	2.14	
Cohen & Steers (CSRIX)	4,015,379	5.3	3.46	14.67	6.43	9.11	10.16	01/01/2013
FTSE NAREIT All Equity REITs			1.79	13.01	5.92	8.88	9.74	
ARI MLP	7,193,265	9.4	-2.11	-1.79	-0.42	-7.17	1.75	10/01/2012
Alerian MLP Index			0.12	3.09	-0.42	-7.20	-0.20	
Mackay Shields Core Plus	30,516,359	39.9	3.22	8.12	3.16	3.13	3.13	07/01/2014
Blmbg. Barc. U.S. Aggregate Index			3.08	7.87	2.31	2.95	2.95	
Loomis Sayles High Yield (LSHIX)	3,734,389	4.9	1.56	4.79	7.01	3.03	6.00	01/01/2013
ICE BofAML High Yield Master II			2.56	7.58	7.54	4.70	5.63	
Cash	94,466	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 \$	%	2018	2017	2016	2015	2014
<b>Total Fund Composite (Gross of Fees)</b>	<b>76,420,214</b>	<b>100.0</b>	<b>-5.28</b>	<b>10.92</b>	<b>10.54</b>	<b>-2.43</b>	<b>5.42</b>
Policy Index			-4.68	9.35	9.47	-2.53	7.49
OPEB Actuarial Assumption			6.75	6.75	7.00	7.00	7.00
Fiduciary Management	5,639,754	7.4	-2.89	18.86	14.92	-1.93	13.46
Russell 1000 Value Index			-8.27	13.66	17.34	-3.83	13.45
S&P 500 Index			-4.38	21.83	11.96	1.38	13.69
Vanguard Index Fund Institutional (VINIX)	5,671,821	7.4	-4.42	N/A	N/A	N/A	N/A
S&P 500 Index			-4.38	21.83	11.96	1.38	13.69
Stephens Mid Cap Growth	6,094,006	8.0	3.31	29.36	7.86	-0.28	4.61
Russell Midcap Growth Index			-4.75	25.27	7.33	-0.20	11.90
Barrow Hanley MeWhinney & Strauss	7,755,094	10.1	-17.80	18.51	27.59	-6.22	3.03
Russell 2000 Value Index			-12.86	7.84	31.74	-7.47	4.22
Causeway International (CIVIX)	5,705,681	7.5	-18.62	27.18	0.48	-3.12	-6.22
MSCI EAFE (Net) Index			-13.79	25.03	1.00	-0.81	-4.90
MSCI EAFE Value Index (Net)			-14.78	21.44	5.02	-5.68	-5.39
Cohen & Steers (CSRIX)	4,015,379	5.3	-3.99	7.43	5.89	5.23	30.18
FTSE NAREIT All Equity REITs			-4.04	8.67	8.63	2.83	28.03
ARI MLP	7,193,265	9.4	-15.76	-6.15	21.44	-32.54	14.43
Alerian MLP Index			-12.42	-6.52	18.31	-32.59	4.80
MacKay Shields Core Plus	30,516,359	39.9	-0.32	4.75	3.99	-0.08	N/A
Blmbg. Barc. U.S. Aggregate Index			0.01	3.54	2.65	0.55	5.97
Loomis Sayles High Yield (LSHIX)	3,734,389	4.9	-3.54	8.42	18.92	-10.27	5.17
ICE BofAML High Yield Master II			-2.27	7.48	17.49	-4.64	2.50
Cash	94,466	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, 2019, Fiduciary had a market value of \$5,639,754.

Fiduciary Management		Russell 1000 Value Index	
	Weight %		Weight %
Berkshire Hathaway Inc	4.9	JPMorgan Chase & Co	2.8
Honeywell International Inc	4.6	Berkshire Hathaway Inc	2.7
Unitedhealth Group Inc	4.3	Exxon Mobil Corp	2.4
Dollar General Corporation	4.2	Johnson & Johnson	2.3
JPMorgan Chase & Co	3.7	Procter & Gamble Co (The)	2.0
Masco Corp	3.7	Bank of America Corp	1.9
eBay Inc.	3.6	Pfizer Inc	1.8
Dollar Tree Inc	3.6	Cisco Systems Inc	1.8
Quest Diagnostics Inc	3.5	AT&T Inc	1.8
Unilever PLC	3.3	Chevron Corp	1.8

## Equity Assets Exposures by Sector

	Fiduciary Management	Russell 1000 Value Index
Cash	11.14	0.00
Communication Services	5.58	7.08
Consumer Discretionary	15.60	5.28
Consumer Staples	9.60	7.78
Energy	2.17	8.98
Financials	15.10	22.50
Health Care	13.93	15.15
Industrials	16.49	8.00
Information Technology	5.52	9.73
Materials	4.86	4.03
Other	0.00	0.00
Real Estate	0.00	5.04

## Equity Characteristics

	Fiduciary Management	Russell 1000 Value Index
Wtd. Avg. Mkt. Cap (\$)	95,489,192,881	130,324,341,559
Price/Earnings ratio	18.0	17.4
Price/Book ratio	3.1	2.3
Current Yield	1.9	2.6
Number of Stocks	32	722



**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 : \$114,380 Million  
 Portfolio Turnover : 6%

Portfolio Assets : \$224,719 Million  
 Portfolio Manager : Butler/Louie  
 PM Tenure : 2000--2017  
 Fund Style : IM S&P 500 Index (MF)  
 Style Benchmark : S&P 500 Index

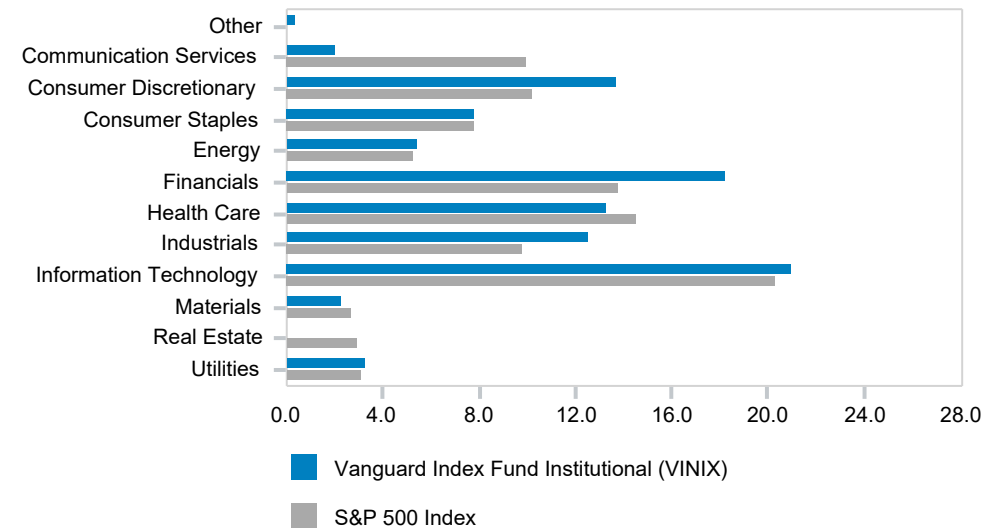
**Portfolio Characteristics As of 02/28/2019**

	Portfolio	Benchmark
Total Securities	511	505
Avg. Market Cap (\$)	203,273,835,106	21,314,058,600
Price/Earnings (P/E)	25.24	19.65
Price/Book (P/B)	6.77	3.40
Dividend Yield	2.53	2.02
Annual EPS	31.60	7.34
5 Yr EPS	15.71	14.67
3 Yr EPS Growth	19.27	N/A
Beta	N/A	1.00

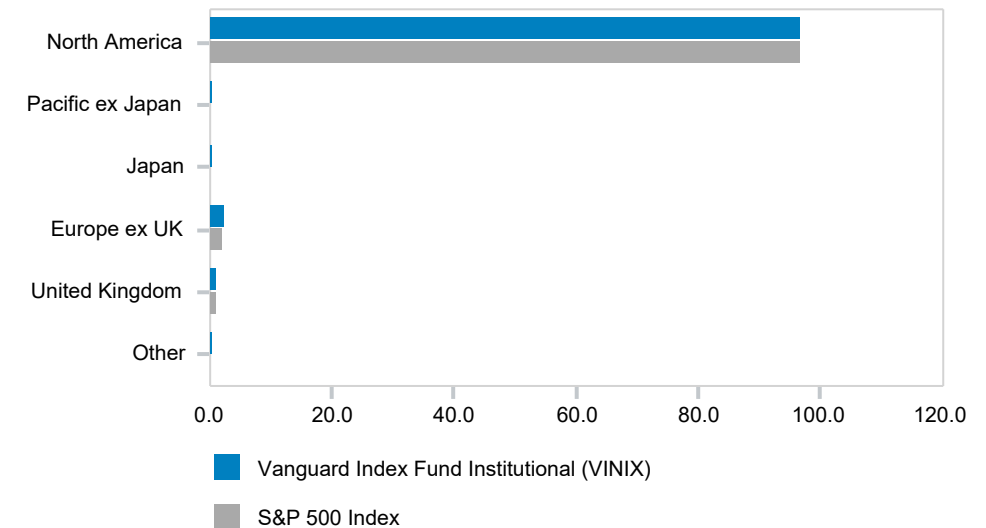
**Top Ten Securities As of 02/28/2019**

Microsoft Corp ORD	3.7 %
Apple Inc ORD	3.3 %
Amazon.com Inc ORD	2.9 %
Facebook Inc ORD	1.7 %
Berkshire Hathaway Inc ORD	1.6 %
Johnson & Johnson ORD	1.6 %
JPMorgan Chase & Co ORD	1.5 %
Alphabet Inc ORD 1	1.5 %
Alphabet Inc ORD 2	1.4 %
Exxon Mobil Corp ORD	1.4 %

**Sector Weights As of 02/28/2019**



**Region Weights As of 02/28/2019**



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, 2019, Stephens had a market value of \$6,094,006.

Stephens Mid Cap Growth		Russell Midcap Growth Index	
	Weight %		Weight %
IDEXX Laboratories Inc	2.2	ServiceNow Inc	1.5
CoStar Group Inc	2.1	Edwards Lifesciences Corp	1.2
Aspen Technology Inc	2.0	Fiserv Inc.	1.1
Verisk Analytics Inc	2.0	Ross Stores Inc	1.1
Illumina Inc	1.9	Dollar General Corporation	1.1
Cadence Design Systems Inc	1.9	Red Hat Inc	1.0
MarketAxess Holdings Inc	1.9	Moody's Corp.	1.0
Copart Inc	1.8	Xilinx Inc.	0.9
Live Nation Entertainment Inc	1.8	Autodesk Inc.	0.9
Global Payments Inc.	1.7	Workday Inc	0.9

## Equity Assets Exposures by Sector

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Cash	1.35	0.00
Communication Services	5.53	3.86
Consumer Discretionary	14.91	16.32
Consumer Staples	2.27	2.95
Energy	2.28	1.33
Financials	5.14	6.76
Health Care	21.73	14.29
Industrials	14.67	15.74
Information Technology	32.12	32.78
Materials	0.00	3.54
Other	0.00	0.15
Real Estate	0.00	2.30

## Equity Characteristics

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Wtd. Avg. Mkt. Cap (\$)	17,517,549,973	18,181,418,265
Price/Earnings ratio	35.2	24.9
Price/Book ratio	6.5	6.1
Current Yield	0.3	0.9
Number of Stocks	96	418

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, 2019, Barrow, Hanley, MeWhinney & Strauss had a market value of \$7,755,094.

Barrow Hanley MeWhinney & Strauss		Russell 2000 Value Index	
	Weight %		Weight %
Brooks Automation Inc	4.8	Ciena Corp	0.6
Federal Signal Corp.	3.9	Cree Inc.	0.6
Whirlpool Corp	3.9	Cousins Properties Inc	0.5
Diodes Inc	3.8	IDACORP Inc.	0.5
Simpson Manufacturing Co. Inc.	3.7	CACI International Inc.	0.5
Texas Capital Bancshares Inc	3.6	Radian Group Inc.	0.5
MGIC Investment Corp	3.6	Portland Gen. Elec. Co.	0.5
American Axle & Manufact	3.5	Southwest Gas Holdings Inc	0.5
II VI Inc	3.3	ONE Gas Inc	0.5
Air Transport Services Group Inc	3.3	MGIC Investment Corp	0.5

## Equity Assets Exposures by Sector

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Cash	5.45	0.00
Communication Services	0.00	2.93
Consumer Discretionary	8.37	8.51
Consumer Staples	4.25	2.37
Energy	2.65	5.09
Financials	11.79	29.38
Health Care	2.95	4.05
Industrials	31.16	11.75
Information Technology	25.16	11.76
Materials	8.23	4.21
Real Estate	0.00	12.32
Utilities	0.00	7.64

## Equity Characteristics

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Wtd. Avg. Mkt. Cap (\$)	2,524,896,246	2,211,973,602
Price/Earnings ratio	18.5	15.2
Price/Book ratio	2.0	1.7
Current Yield	1.0	2.2
Number of Stocks	38	1,347

**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 : \$6,726 Million  
 Portfolio Turnover : 30%

Portfolio Assets : \$7,405 Million  
 Portfolio Manager : Team Managed  
 PM Tenure :  
 Fund Style : IM International Large Cap Core Equity (MF)  
 Style Benchmark : MSCI EAFE (Net) Index

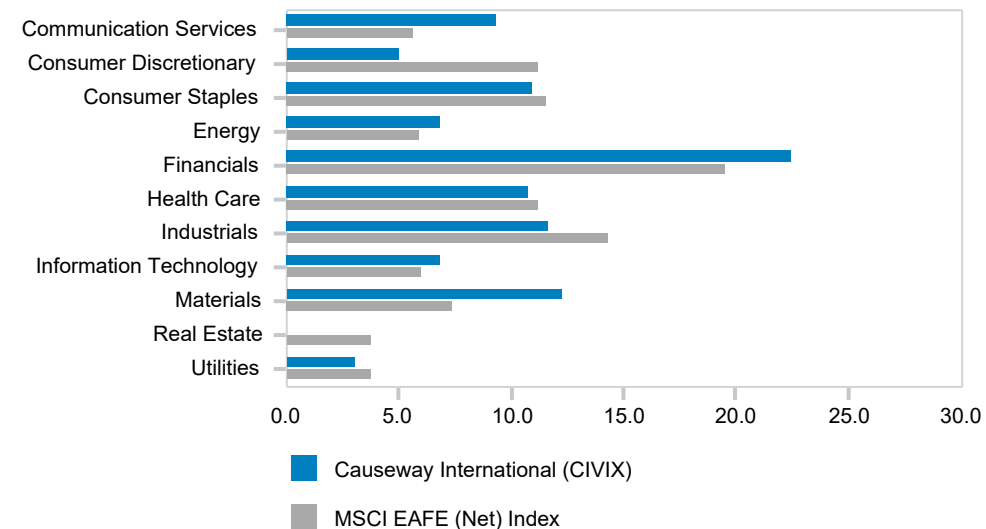
**Portfolio Characteristics As of 12/31/2018**

	Portfolio	Benchmark
Total Securities	60	920
Avg. Market Cap (\$)	59,140,106,496	9,371,617,180
Price/Earnings (P/E)	16.06	12.27
Price/Book (P/B)	2.80	2.12
Dividend Yield	3.84	3.73
Annual EPS	36.62	135.93
5 Yr EPS	5.05	9.78
3 Yr EPS Growth	7.94	N/A
Beta (5 Years, Monthly)	0.97	1.00

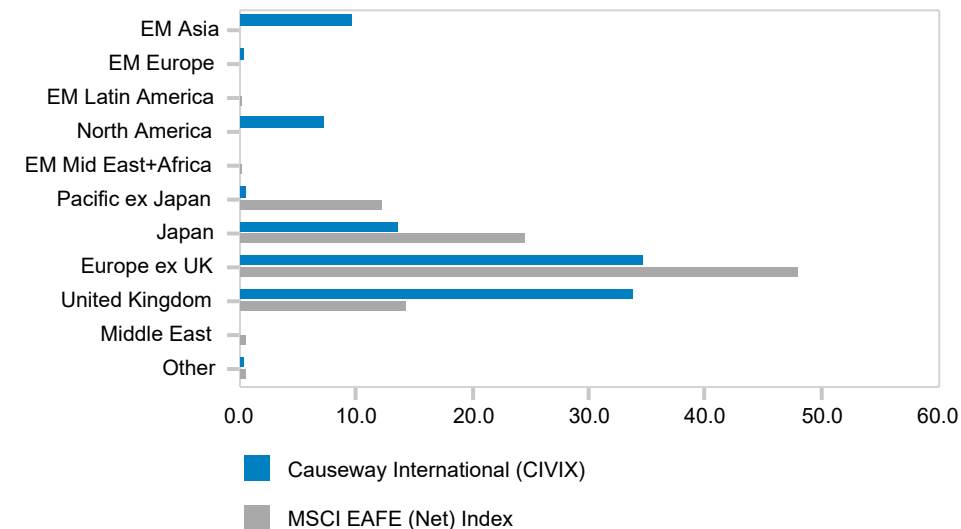
**Top Ten Securities As of 12/31/2018**

Volkswagen AG PFD	4.1 %
Linde PLC ORD	3.8 %
Takeda Pharmaceutical Co Ltd ORD	3.5 %
Prudential PLC ORD	3.3 %
UniCredit SpA ORD	3.2 %
BASF SE ORD	3.1 %
Abb Ltd ORD	3.1 %
China Mobile Ltd ORD	3.0 %
Akzo Nobel NV ORD	2.8 %
British American Tobacco PLC ORD	2.7 %

**Sector Weights As of 12/31/2018**



**Region Weights As of 12/31/2018**



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 : \$3,114 Million  
 Portfolio Turnover : 68%

Portfolio Assets : \$3,114 Million  
 Portfolio Manager : Team Managed  
 PM Tenure :  
 Fund Style : IM Real Estate Sector (MF)  
 Style Benchmark : FTSE NAREIT All Equity REITs

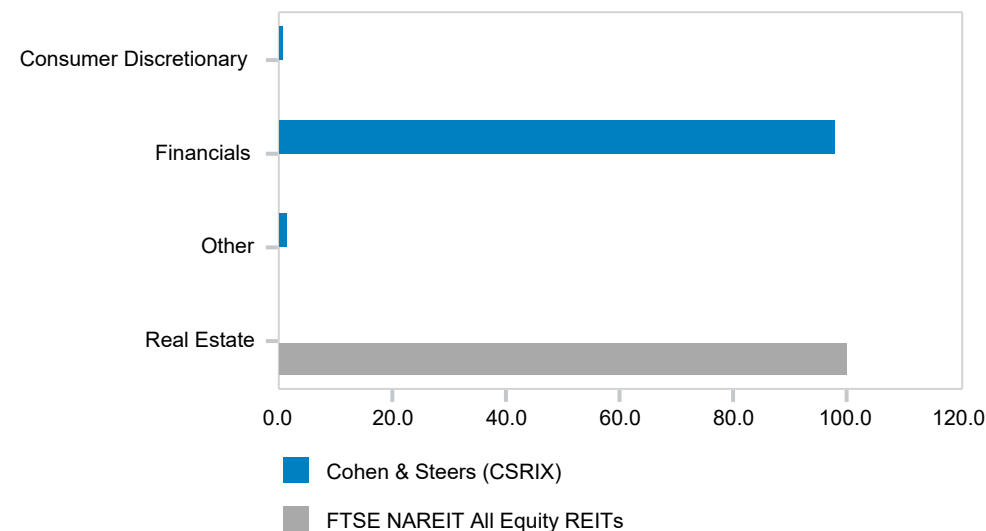
**Portfolio Characteristics As of 12/31/2018**

	Portfolio	Benchmark
Total Securities	46	1
Avg. Market Cap (\$)	13,956,768,467	-
Price/Earnings (P/E)	42.31	N/A
Price/Book (P/B)	3.04	N/A
Dividend Yield	4.33	N/A
Annual EPS	4.48	N/A
5 Yr EPS	11.73	N/A
3 Yr EPS Growth	19.27	N/A
Beta (5 Years, Monthly)	1.00	1.00

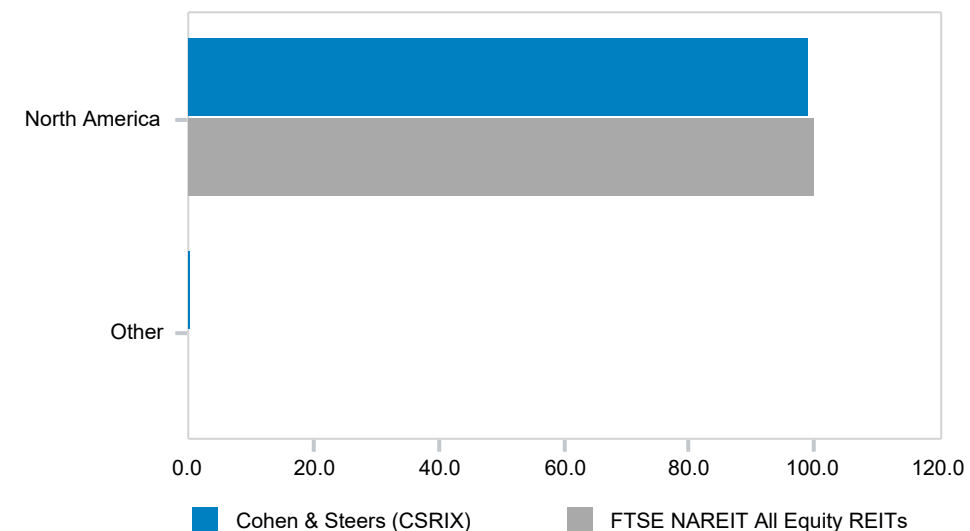
**Top Ten Securities As of 12/31/2018**

Welltower Inc ORD	6.7 %
UDR Inc ORD	6.3 %
Essex Property Trust Inc ORD	4.9 %
Prologis Inc ORD	4.5 %
Equinix Inc ORD	4.5 %
Apartment Investment and Management	4.4 %
Digital Realty Trust Inc ORD	4.4 %
Extra Space Storage Inc ORD	3.8 %
Boston Properties Inc ORD	3.3 %
Sun Communities Inc ORD	3.2 %

**Sector Weights As of 12/31/2018**



**Region Weights As of 12/31/2018**



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, 2019, ARI had a market value of \$7,193,265.

ARI MLP		Alerian MLP	
	Weight %		Weight %
Magellan Midstream Partners LP	10.7	Magellan Midstream Partners LP	10.3
Enterprise Products Partners LP	10.1	Plains All American Pipeline LP	10.2
Plains All American Pipeline LP	10.1	Enterprise Products Partners LP	10.2
Energy Transfer LP	9.4	Energy Transfer LP	9.3
MPLX LP	9.0	MPLX LP	9.0
Phillips 66 Partners LP	7.0	Buckeye Partners LP	6.1
ONEOK Inc.	6.0	Western Midstream Partners LP	6.0
Williams Cos Inc. (The)	5.5	EQT Midstream Partners LP	3.6
Tallgrass Energy GP LP	4.9	Andeavor Logistics LP	3.1
Shell Midstream Partners LP	4.5	Tallgrass Energy GP LP	3.1

## Equity Assets Exposures by Sector

	ARI MLP	Alerian MLP
Cash	1.15	0.00
Energy	98.85	100.00

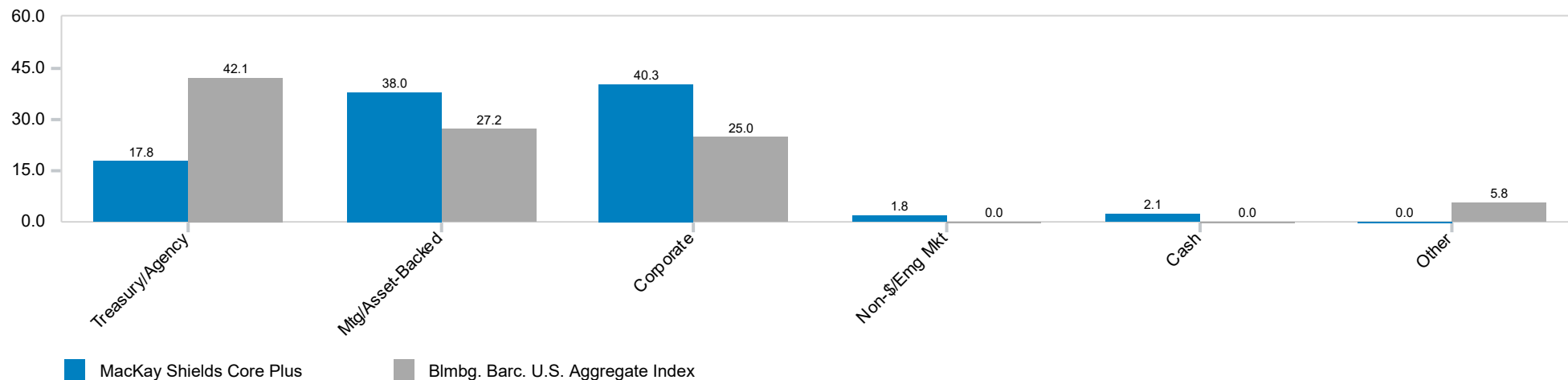
## Equity Characteristics

	ARI MLP	Alerian MLP
Wtd. Avg. Mkt. Cap (\$)	21,517,135,057	18,687,842,254
Price/Earnings ratio	12.6	11.8
Price/Book ratio	2.3	2.4
Current Yield	7.7	7.9
Number of Stocks	17	35

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, 2019, MacKay Shields had a market value of \$30,516,359.

**Sector Distribution (%)**



**Portfolio Characteristics**

	Portfolio	Benchmark
Avg. Maturity	7.77	7.87
Avg. Quality	A+	AA1/AA2
Coupon Rate (%)	3.59	3.23
Modified Duration	5.63	N/A
Yield To Maturity (%)	2.80	2.50
Holdings Count	235	N/A





**Fund Information**

Fund Name :	Loomis Sayles Funds I: Loomis Sayles Institutional High Income Fund; Institutional Class	Portfolio Assets :	\$676 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 :	\$676 Million	Style Benchmark :	FTSE High Yield Market Index
Portfolio Turnover :	14%		

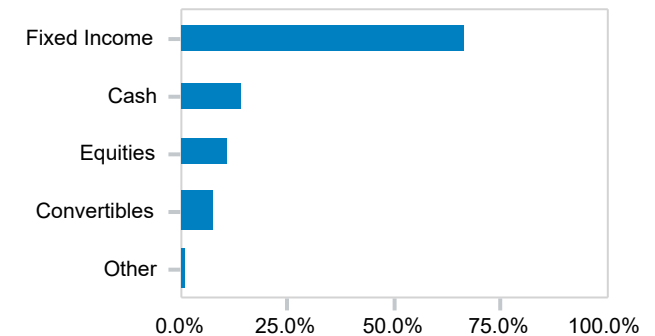
**Fund Characteristics As of 12/31/2018**

Avg. Coupon	4.82 %
Nominal Maturity	N/A
Effective Maturity	5.42 Years
Duration	3.63 Years
SEC 30 Day Yield	5.5
Avg. Credit Quality	BB

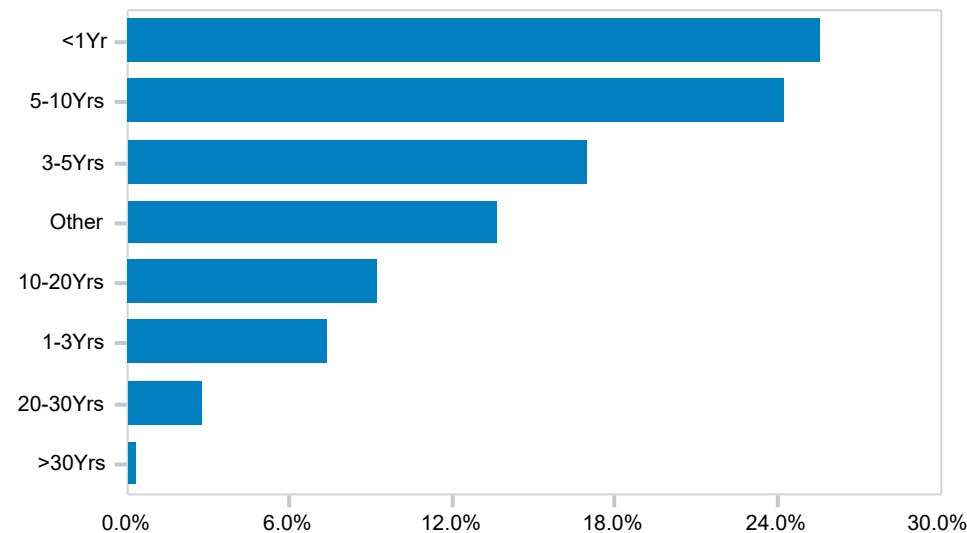
**Top Ten Securities As of 12/31/2018**

Corporate Notes/Bonds	60.7 %
Common Stock	11.0 %
Convertible Securities	7.5 %
Fgn. Currency Denominated Bonds	5.2 %
Treasury Notes/Bonds	1.7 %
Government Agency Securities	0.8 %
Preferred Stock-Non Convertible	0.1 %
Asset Backed Securities	0.1 %

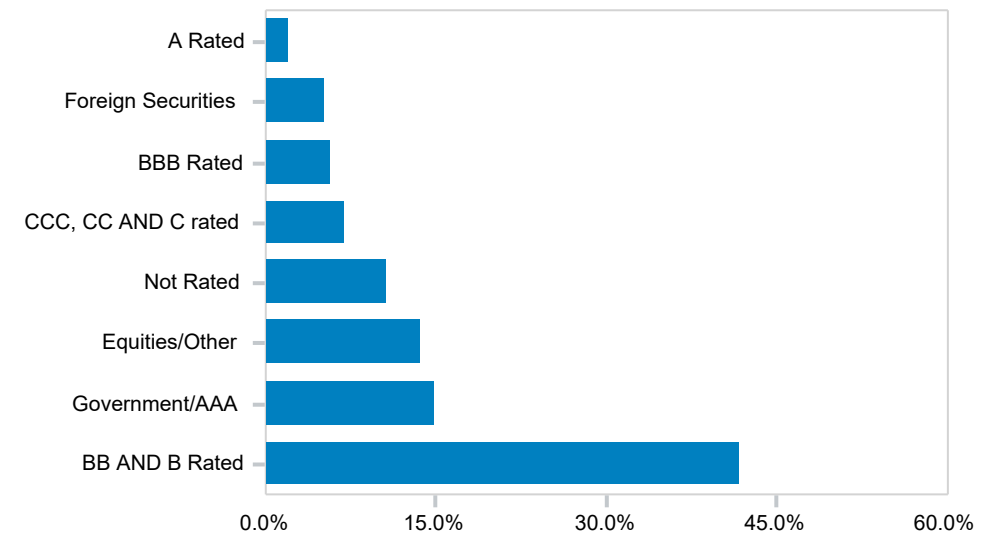
**Asset Allocation As of 12/31/2018**



**Maturity Distribution As of 12/31/2018**



**Sector/Quality Allocation As of 12/31/2018**



Statistics provided by Lipper. Most recent available data shown.



**Port of Houston OPEB  
Manager Status Summary  
As of June 30, 2019**

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>76,420,214</b>	<b>387,745</b>	
Equity Composite	0.61	42,074,999	255,544	
Domestic Equity	0.47	25,160,675	118,987	
Fiduciary Management	0.55	5,639,754	31,019	0.55 % of Assets
Vanguard Index Fund Institutional (VINIX)	0.04	5,671,821	2,269	0.04 % of Assets
Stephens Mid Cap Growth	0.77	6,094,006	46,924	0.77 % of Assets
Barrow Hanley MeWhinney & Strauss	0.50	7,755,094	38,775	0.50 % of Assets
International Equity	0.92	5,705,681	52,492	
Causeway International (CIVIX)	0.92	5,705,681	52,492	0.92 % of Assets
Real Estate	0.75	4,015,379	30,115	
Cohen & Steers (CSRIX)	0.75	4,015,379	30,115	0.75 % of Assets
MLPs	0.75	7,193,265	53,949	
ARI MLP	0.75	7,193,265	53,949	0.75 % of Assets
Fixed Income Composite	0.38	34,345,215	132,201	
Core Plus Fixed Income	0.35	30,516,359	106,807	
MackKay Shields Core Plus	0.35	30,516,359	106,807	0.35 % of Assets
High Yield Fixed Income	0.68	3,734,389	25,394	
Loomis Sayles High Yield (LSHIX)	0.68	3,734,389	25,394	0.68 % of Assets



**Port of Houston OPEB**  
**Fee Summary**  
As of June 30, 2019

Structure	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Fiduciary Management	Large Cap Value Equity	0.55%	0.99%	0.44%	\$24,815
Vanguard Index Fund (VINIX)	Large Cap Core Equity	0.04%	0.99%	0.95%	\$53,882
Stephens Mid Cap Growth	Mid Cap Growth Equity	0.77%	1.26%	0.49%	\$29,861
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	0.50%	1.27%	0.77%	\$59,714
Causeway International (CIVIX)	International Equity	0.92%	1.21%	0.29%	\$16,546
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	0.75%	1.24%	0.49%	\$19,675
ARI MLP	Master Limited Partnership	0.75%	1.00%	0.25%	\$17,983
Mackay Shields Core Plus	Core Plus Fixed Income	0.35%	0.84%	0.49%	\$149,530
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	0.68%	1.04%	0.36%	\$13,444
<b>Total Management Fees</b>		<b>0.51%</b>	<b>1.01%</b>	<b>0.50%</b>	<b>\$385,451</b>

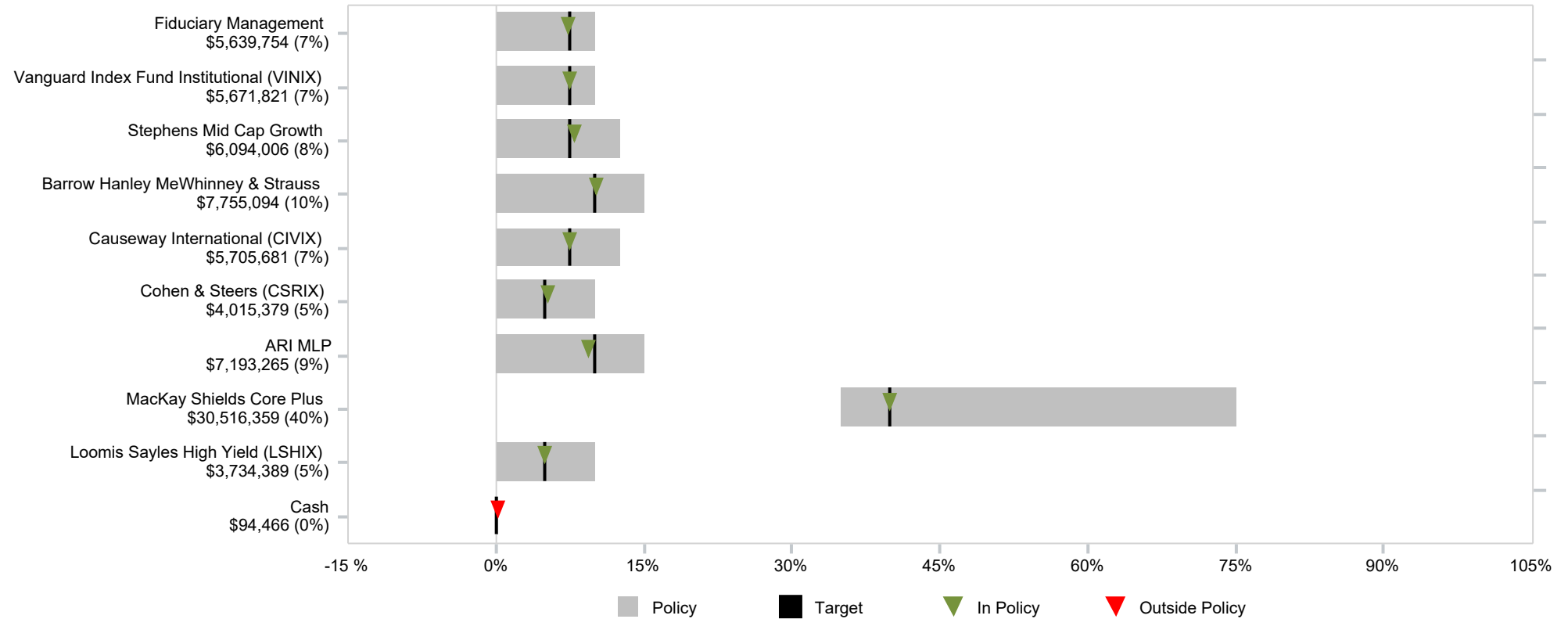
Source: Morningstar and Investment Managers



**Asset Allocation Compliance**

	Asset Allocation \$	Current Allocation (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund Composite	76,420,214	100.0	100.0	0.0		
Fiduciary Management	5,639,754	7.4	7.5	-0.1	0.0	10.0
Vanguard Index Fund Institutional (VINIX)	5,671,821	7.4	7.5	-0.1	0.0	10.0
Stephens Mid Cap Growth	6,094,006	8.0	7.5	0.5	0.0	12.5
Barrow Hanley MeWhinney & Strauss	7,755,094	10.1	10.0	0.1	0.0	15.0
Causeway International (CIVIX)	5,705,681	7.5	7.5	0.0	0.0	12.5
Cohen & Steers (CSRIX)	4,015,379	5.3	5.0	0.3	0.0	10.0
ARI MLP	7,193,265	9.4	10.0	-0.6	0.0	15.0
MacKay Shields Core Plus	30,516,359	39.9	40.0	-0.1	35.0	75.0
Loomis Sayles High Yield (LSHIX)	3,734,389	4.9	5.0	-0.1	0.0	10.0
Cash	94,466	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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