

# Port of Houston Authority Pension Plan

Investment Performance Review  
Period Ended September 30, 2016





I am delighted to announce that we will be rebranding our firm early next year to reflect our enduring commitment to true independence and our firm's desire to always put our clients first.

In September of 2000, our founder, Joe Bogdahn, started Bogdahn Consulting, LLC. In an industry dominated by brokerage firms and conflicted service models, he realized early on that only true independence would provide the platform for an institutional consulting firm to offer objective advice and guide clients through an increasingly challenging world. Joe shared his vision with me soon thereafter; I quickly appreciated the power of the independent model and our shared desire to put the client first in every aspect of our business dealings.

As the firm has evolved and grown over the past 16 years, and as we have recruited talented employees and businesses from around the country, this foundation remains the bedrock of what we do and think about every day – always putting our clients' interests first. We are very proud of the service culture we created and continue to foster within our firm.

As an important milestone, we recently transitioned the majority ownership of the firm from our founder to the next generation of leaders. We believe this was a very important step in solidifying our business and ensuring we can continue to serve clients without interruption or disruption in our core servicing philosophy of "clients first". Our employees continue to exemplify a relentless pursuit of serving our clients within an independent structure every day.

The timing of this rebrand corresponds with the expansion of employee ownership and participation, as well as our collective passion of putting clients first in everything we do. While the change will occur early in 2017, we wanted to share this exciting news with you as early as possible. Until then, please contact your consulting team to keep you up to date with developments along the way.

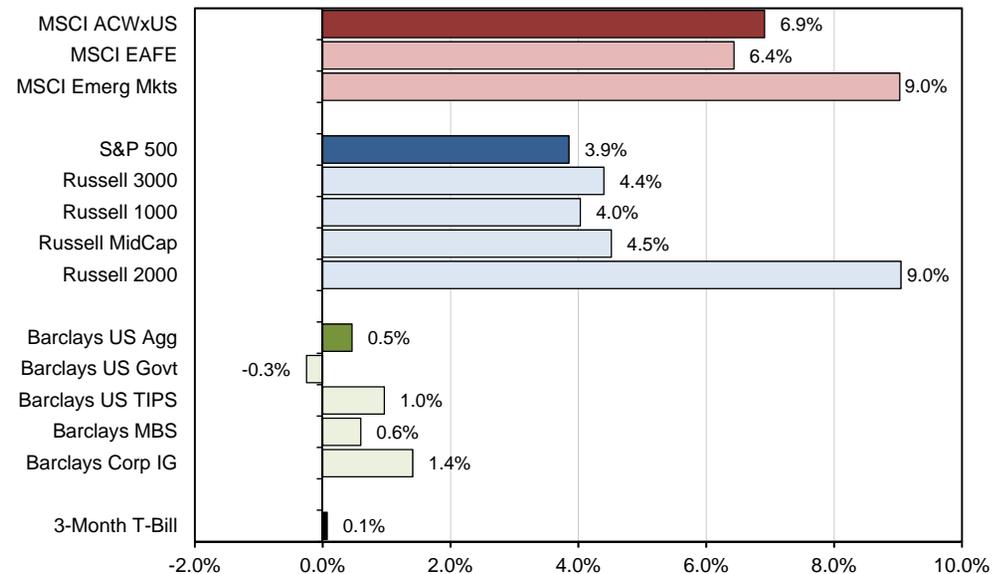
We appreciate your business and the opportunity to serve you. Here, our clients will always be first.

Sincerely,

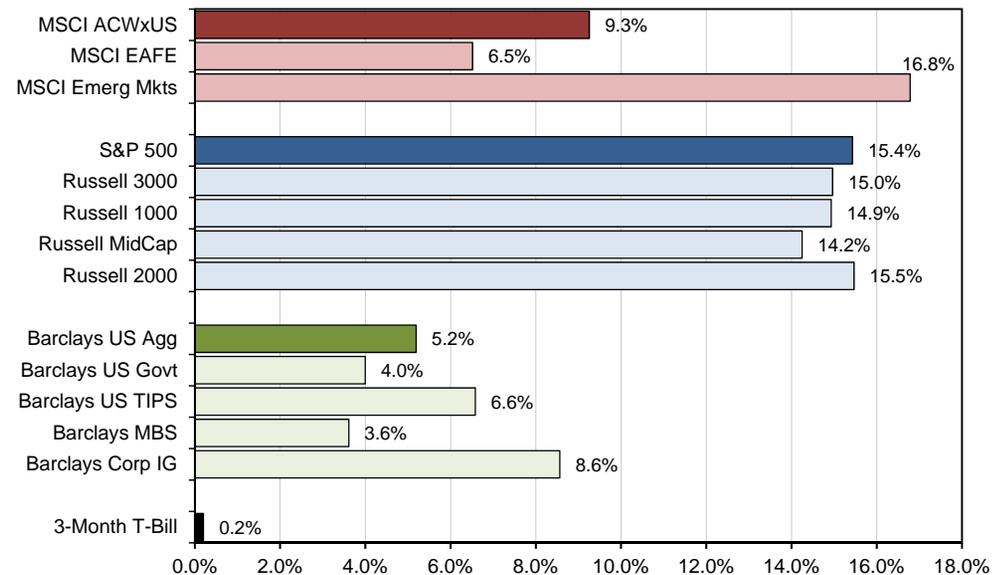
Mike Welker  
President/CEO

- Asset class returns were broadly positive for the 3rd quarter as global markets continued to rebound from the late June shock caused by the U.K.'s decision to leave the European Union. Investment returns also benefited from continued expansionary global central bank policies as well as general improvement in economic data. Domestic and international equity, particularly small cap and emerging markets, easily outperformed bonds as investor sentiment shifted once again to a "risk-on" posture. Returns for the trailing twelve months illustrated a similar pattern with higher risk assets generally outperforming defensive investments.
- Equity market indices were positive for the 3rd quarter and the 1-year period. Domestic stock market returns represented by the Russell 3000 Index have been solid, returning 4.4% for the 3rd quarter and 15.0% over the trailing year. Within domestic stocks, the small cap index doubled the performance of other domestic indices with a return of 9.0% for the quarter. This strong outperformance for the quarter also elevated the small cap benchmark marginally past the return of domestic equity indices for the 1-year period. Similar to domestic equity results, international equity indices also yielded robust performance for the 3rd quarter. In U.S. Dollar (USD) terms, the MSCI ACWI ex U.S. Index (net) appreciated 6.9% for the quarter and 9.3% over the last year. The Emerging market index posted its third straight quarter of outperformance relative to developed market MSCI-EAFE Index (net). The MSCI Emerging Market Index (net) posted returns of 9.0% and 16.8%, respective, for the 3rd quarter and 1-year period versus returns of 6.4% and 6.5% for the MSCI EAFE Index (net).
- Despite a brief drop in yields at the start of the 3rd quarter, the U.S. Treasury yield curve moved higher as interest rates rose moderately across the maturity spectrum. This upward shift in the yield curve caused U.S. Government bonds to post negative returns for the quarter. In contrast, the investment grade corporate and mortgage-backed bond components of the Aggregate benchmark managed to post positive performance for the quarter. Investment grade corporate issues benefited from increased demand for yield, which led to tightening credit spreads throughout the quarter, particularly in lower credit quality issues.

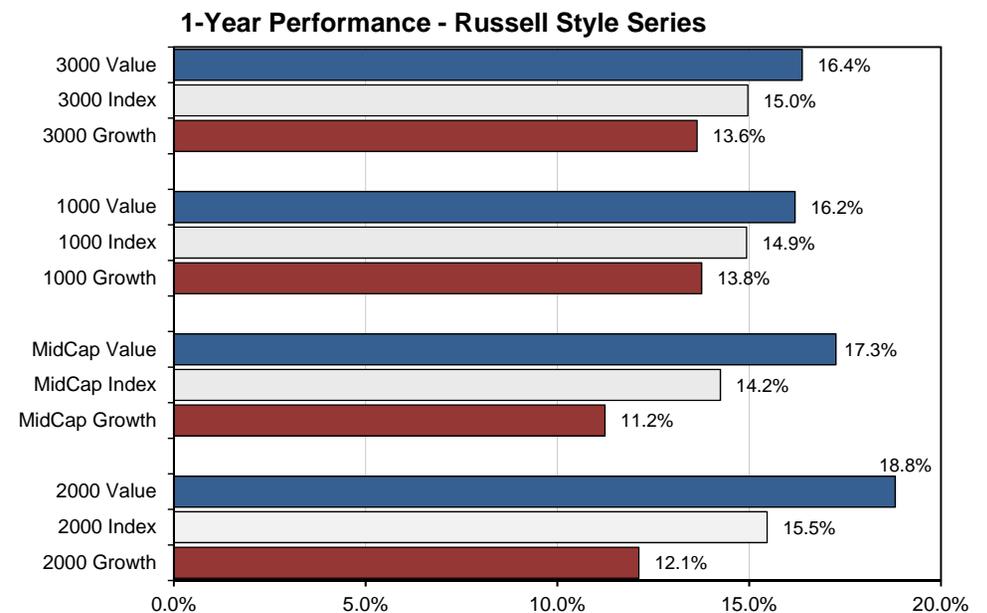
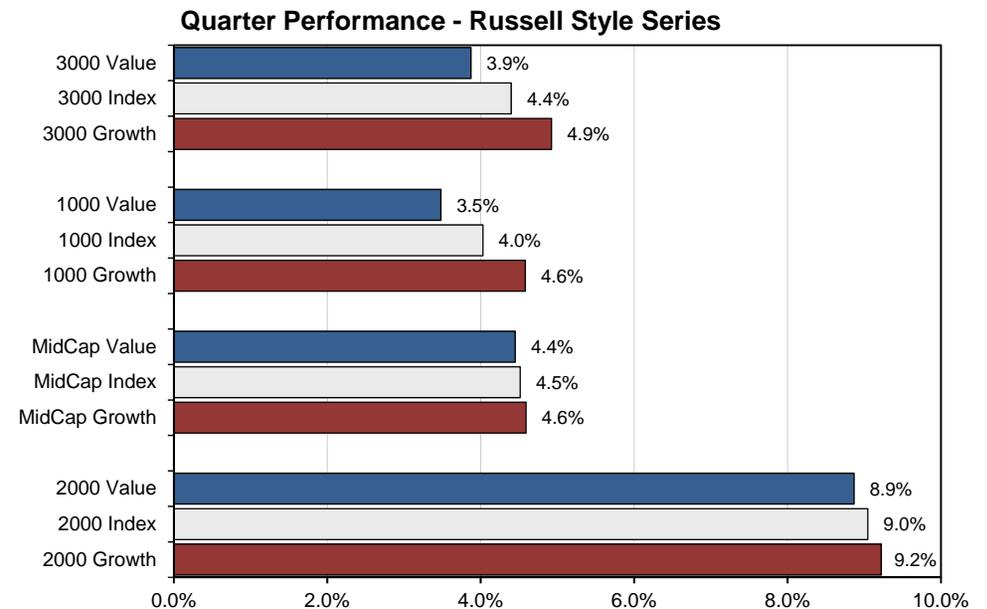
### Quarter Performance



### 1-Year Performance



- U.S. equity index returns were positive across the style and capitalization spectrum during the 3rd quarter. The enthusiasm from generally better than expected 2nd quarter earnings and positive macroeconomic data early in the quarter were tempered by rising expectations the U.S. Federal Reserve (Fed) would tighten monetary policy by increasing short-term interest rates in September. While the Fed ultimately decided to leave short-term interest rates unchanged, Fed Chair Janet Yellen provided guidance that the case for a rate increase had been “strengthened”, increasing the odds of a rate hike before the end of the year, but likely not until after the November election cycle.
- Growth stocks marginally outpaced value stocks across the capitalization spectrum for the 3rd quarter, reversing the trend of value outperformance for the first half of 2016. Growth index results were led by investors seeking the potential return premium associated with faster growing companies. Growth index performance also benefited from larger weights to Information Technology, the best performing economic sector for the 3rd quarter. As with the core indices, small cap style benchmarks were the best performers across the capitalization spectrum, doubling their mid and large cap counterparts. Despite a strong 3rd quarter for growth indices, the style-based performance reverses over the 1-year period with the more defensive value indices outpacing growth indices across the capitalization spectrum.
- From a valuation perspective, equity valuations appear stretched relative to historical levels based on their forward Price/Earnings ratios (P/E). Even the most attractively valued indices are trading modestly above their historical valuation averages. The large and mid cap growth indices trade at valuations near their respective historical average, while the remaining indices range between 106% and 114% of their 15-year averages.

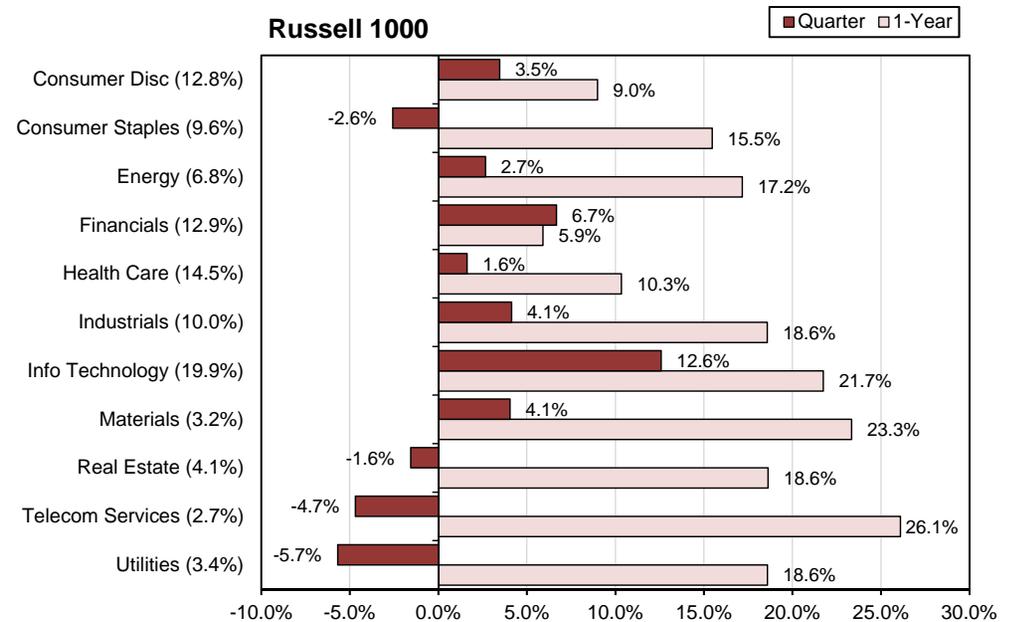


- Large cap sector performance was polarizing for the 3rd quarter with a performance span of 18.3% between the best and worst performing sectors. Seven of eleven sectors within the Russell 1000 Index posting gains for the period but only four economic sectors outpaced the 4.0% return of the broad Russell 1000 index. The Information Technology sector was the quarter's best performer. The sector's return of 12.6% was supported by a strong earnings season. Financial securities also performed notably well, returning 6.7%, as market participants considered the heightened possibility of a near-term interest rate hike. The prospect of higher interest rates represented a headwind to more defensive sectors, reversing a trend of outperformance in the Utilities, Real Estate, Telecommunications and Consumers Staples sectors. Utilities were the worst performers, returning -5.7% for the quarter. Sector performance over the 1-year period has been remarkably solid with all eleven economic sectors posting positive results, and nine posting double-digit returns. Despite its negative performance for the 3rd quarter, the Telecommunications sector was the best performer over the 1-year period with a return of 26.1%. Financial stocks have struggled relative to other sectors over the 1-year period as the persistent low interest rate environment continues to inhibit bank profits.

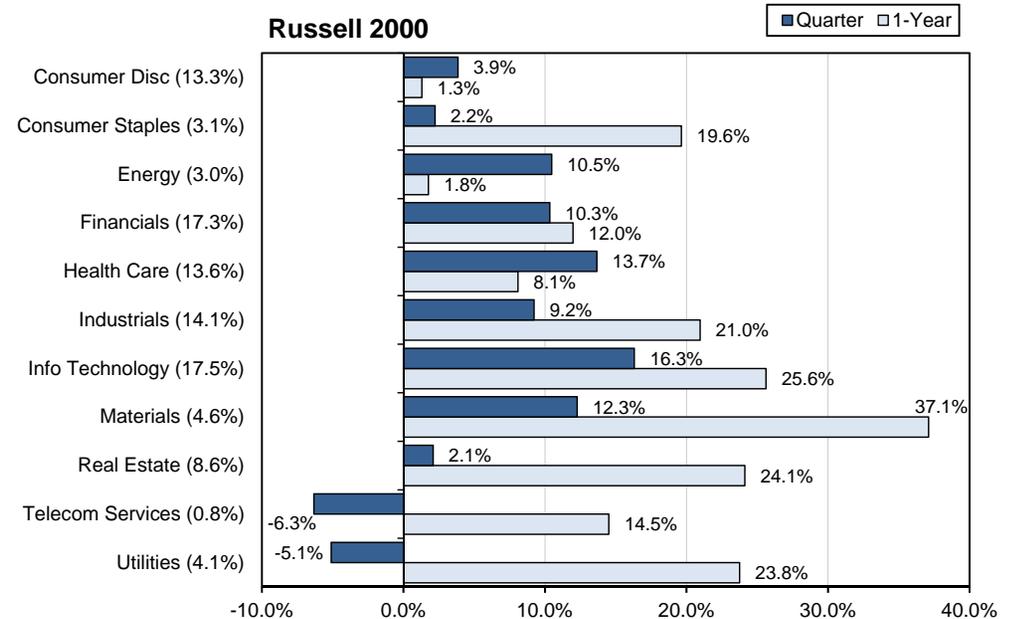
- Small cap sector performance was generally positive for the 3rd quarter with nine of eleven sectors advancing. However, much like large cap sector results, the performance span between the best and worst performing sectors was a large 22.6% for the period. While the trends observable in the large cap index generally persisted in the small cap benchmark, small cap sector performance outpaced the respective large cap sector result in ten of eleven sectors. Also similar to large cap issues, higher yielding, defensive sectors lagged the more cyclical, economically sensitive sectors. Over the 1-year period, higher dividend paying Real Estate, Utilities and Telecommunications sectors posted double-digit performance despite their relatively weak 3rd quarter results. Although positive, the Consumer Discretionary and Energy sectors lagged over the 1-year period returning 1.3% and 1.8% respectively.

- Using the S&P 500 as a proxy, forward P/E ratios for six GICS sectors were below their long-term (20-year) averages at quarter-end. The Information Technology and Telecommunications sectors were trading at the largest discount to their long-term average P/E ratios. In contrast, Energy and Utilities sector valuations were the most extended relative to their historical P/E ratios.

**Russell 1000**



**Russell 2000**



**The Market Environment**  
**Top 10 Index Weights & Quarterly Performance for the Russell 1000 & 2000**  
As of September 30, 2016

Top 10 Weighted Stocks				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Apple Inc	2.96%	18.9%	4.7%	Information Technology
Microsoft Corp	2.08%	13.3%	33.7%	Information Technology
Exxon Mobil Corp	1.74%	-6.1%	21.6%	Energy
Amazon.com Inc	1.56%	17.0%	63.6%	Consumer Discretionary
Johnson & Johnson	1.55%	-2.0%	30.2%	Health Care
Facebook Inc A	1.38%	12.2%	42.7%	Information Technology
Berkshire Hathaway Inc B	1.31%	-0.2%	10.8%	Financials
General Electric Co	1.30%	-5.2%	21.1%	Industrials
AT&T Inc	1.20%	-5.0%	31.2%	Telecommunication Services
JPMorgan Chase & Co	1.16%	8.0%	12.5%	Financials

Top 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Puma Biotechnology Inc	0.00%	125.1%	-11.0%	Health Care
The Chemours Co	0.00%	94.7%	151.1%	Materials
Genworth Financial Inc	0.00%	92.2%	7.4%	Financials
Lumentum Holdings Inc	0.00%	72.6%	146.4%	Information Technology
Copa Holdings SA Class A	0.01%	69.3%	118.4%	Industrials
Groupon Inc	0.01%	58.5%	58.0%	Consumer Discretionary
Ionis Pharmaceuticals Inc	0.02%	57.3%	-9.4%	Health Care
bluebird bio Inc	0.00%	56.6%	-20.8%	Health Care
GoPro Inc A	0.00%	54.3%	-46.6%	Consumer Discretionary
Penske Automotive Group Inc	0.01%	54.2%	2.3%	Consumer Discretionary

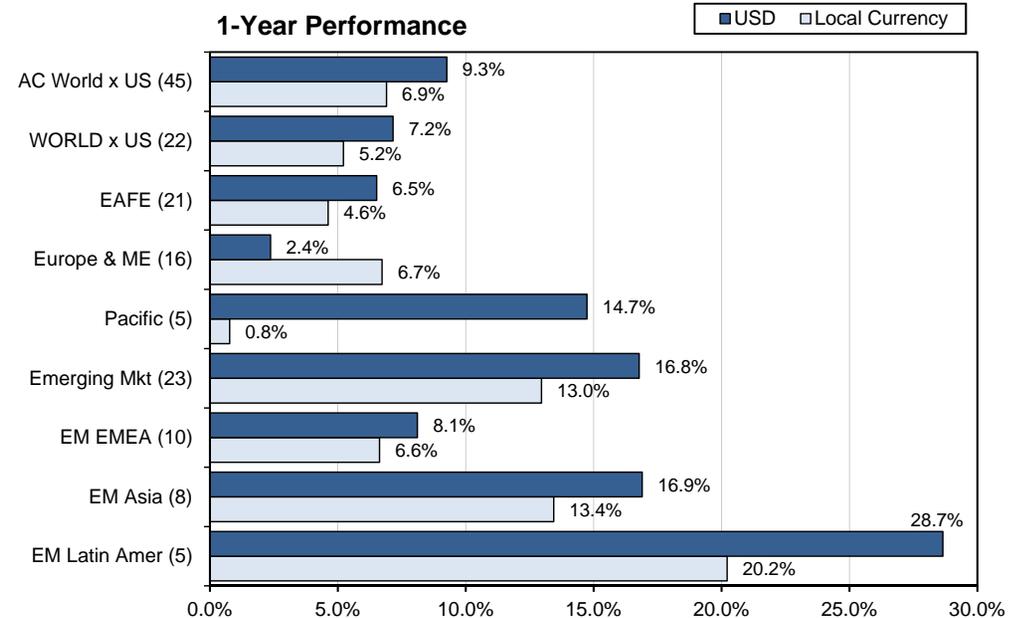
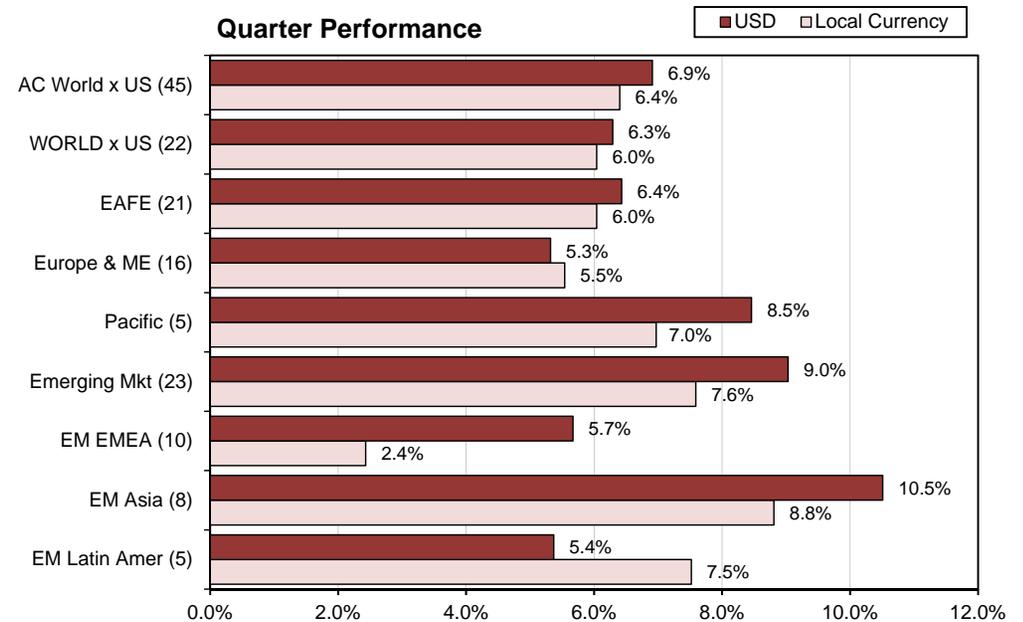
Bottom 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
SunEdison Inc	0.00%	-64.5%	-99.3%	Information Technology
Corrections Corp of America	0.01%	-58.8%	-48.6%	Real Estate
SunPower Corp	0.00%	-42.4%	-55.5%	Information Technology
Quorum Health Corp	0.00%	-41.5%	N/A	Health Care
The Hain Celestial Group Inc	0.02%	-28.5%	-31.0%	Consumer Staples
Diamond Offshore Drilling Inc	0.01%	-27.6%	2.4%	Energy
Bristol-Myers Squibb Company	0.43%	-26.7%	-7.4%	Health Care
Tractor Supply Co	0.04%	-25.9%	-19.3%	Consumer Discretionary
Dollar General Corp	0.09%	-25.3%	-2.2%	Consumer Discretionary
NRG Energy Inc	0.02%	-25.1%	-22.2%	Utilities

Top 10 Weighted Stocks				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Microsemi Corp	0.27%	28.5%	27.9%	Information Technology
Advanced Micro Devices Inc	0.26%	34.4%	301.7%	Information Technology
Gramercy Ppty Tr	0.23%	5.7%	54.8%	Real Estate
Curtiss-Wright Corp	0.23%	8.1%	46.7%	Industrials
Idacorp Inc	0.23%	-3.2%	24.4%	Utilities
Healthcare Realty Trust Inc	0.22%	-1.8%	42.7%	Real Estate
Aspen Technology Inc	0.22%	16.3%	23.4%	Information Technology
Fair Isaac Corp	0.22%	10.3%	47.6%	Information Technology
Cepheid	0.22%	71.3%	16.6%	Health Care
Portland General Electric Co	0.22%	-2.8%	18.8%	Utilities

Top 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Seventy Seven Energy Inc	0.00%	20366.9%	1265.9%	Energy
Sarepta Therapeutics Inc	0.15%	222.0%	91.2%	Health Care
Tobira Therapeutics Inc	0.02%	216.4%	311.4%	Health Care
Clayton Williams Energy Inc	0.03%	211.1%	120.1%	Energy
Ultra Petroleum Corp	0.00%	184.6%	-21.6%	Energy
Cloud Peak Energy Inc	0.00%	164.1%	106.8%	Energy
Clovis Oncology Inc	0.07%	162.8%	-60.8%	Health Care
Acacia Communications Inc	0.03%	158.6%	N/A	Information Technology
Abeona Therapeutics Inc	0.00%	154.2%	48.1%	Health Care
Healthways Inc	0.05%	129.1%	137.9%	Health Care

Bottom 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Horsehead Holding Corp	0.00%	-93.8%	-99.4%	Materials
Fairway Group Holdings Corp A	0.00%	-89.2%	-99.3%	Consumer Staples
Key Energy Services Inc	0.00%	-82.1%	-91.2%	Energy
Violin Memory Inc	0.00%	-80.2%	-86.8%	Information Technology
Code Rebel Corp	0.00%	-80.0%	-99.9%	Information Technology
CytRx Corp	0.00%	-73.6%	-75.2%	Health Care
Tokai Pharmaceuticals Inc	0.00%	-72.2%	-85.2%	Health Care
Novavax Inc	0.03%	-71.4%	-70.6%	Health Care
6D Global Technologies Inc	0.00%	-66.7%	-98.3%	Information Technology
Intra-Cellular Therapies Inc	0.03%	-60.7%	-61.9%	Health Care

- Similar to domestic equity benchmarks, the 3rd quarter was largely positive for international equities with developed and emerging market indices posting solid returns in both USD and local currency terms. The currency impact on returns was mixed during the quarter and the performance differential was more muted than recent quarters. Similar to the 3rd quarter, results for the 1-year period were also broadly positive in both USD and local currency.
- European stocks bounced back during the 3rd quarter as markets recovered from the immediate negative assessment of the U.K.'s vote to leave the European Union. Although the impact of the referendum will likely have economic consequences, they are not near-term in nature. While European Central Bank (ECB) President Mario Draghi signaled that further monetary policy stimulus would be available if needed, the ECB, supported by generally positive economic data in the region, left monetary policy unchanged through the quarter. U.K. economic data also surprised to the upside through the quarter as the Bank of England (BoE) launched a series of expansionary monetary policy measures and Theresa May became prime minister following the resignation of David Cameron.
- Japanese equities rose sharply through the quarter, gaining 8.6%, as elections within Japan's House of Councilors strengthened the position of Prime Minister Abe. The result of the elections made way for the announcement of a \$28 trillion Yen fiscal stimulus package. In addition, the Bank of Japan (BoJ) increased the scale of its ETF purchasing program from \$3.3 trillion Yen to \$6 trillion Yen annually, and while it left interest rates unchanged, the BoJ placed a 0.0% ceiling on 10-year government bond yields and planned to reduce ongoing purchases of ultra-long Government bonds in an effort to influence the shape of their yield curve.
- Broad emerging market indices were positive throughout the quarter, outperforming their developed market counterparts. Asian markets, led by China, South Korea, and Taiwan were the best performers for the 3rd quarter in both USD and local currency terms. Over the trailing 1-year period, Latin America was the best performing region returning 28.7% in USD terms and 20.2% on a local currency basis as the region benefited from political tailwinds in Brazil and rising commodity prices. Russia, Egypt, and Indonesia were also notable positive performers over the period. Emerging European countries were laggards relative to emerging peers in Asia and Latin America.



**The Market Environment**  
**U.S. Dollar International Index Attribution & Country Detail**  
As of September 30, 2016

MSCI - EAFE	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	12.2%	10.9%	2.6%
Consumer Staples	12.8%	1.9%	13.9%
Energy	4.8%	-1.5%	15.6%
Financials	19.2%	11.0%	-6.7%
Health Care	11.4%	-2.4%	0.8%
Industrials	14.1%	8.6%	15.8%
Information Technology	5.5%	14.8%	18.1%
Materials	7.5%	15.8%	21.6%
Real Estate	4.0%	4.9%	12.4%
Telecommunication Services	4.8%	-0.4%	6.0%
Utilities	3.7%	0.1%	4.3%
<b>Total</b>	<b>100.0%</b>	<b>6.4%</b>	<b>6.5%</b>

MSCI - ACWIXUS	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	11.4%	5.8%	4.8%
Consumer Staples	11.1%	-0.7%	13.2%
Energy	6.6%	2.1%	20.5%
Financials	21.6%	10.1%	0.1%
Health Care	8.6%	0.1%	-2.2%
Industrials	11.7%	5.8%	13.8%
Information Technology	9.6%	15.6%	26.2%
Materials	7.5%	9.1%	24.8%
Real Estate	3.5%	4.9%	13.0%
Telecommunication Services	4.9%	2.0%	5.3%
Utilities	3.4%	2.6%	5.5%
<b>Total</b>	<b>100.0%</b>	<b>6.9%</b>	<b>9.3%</b>

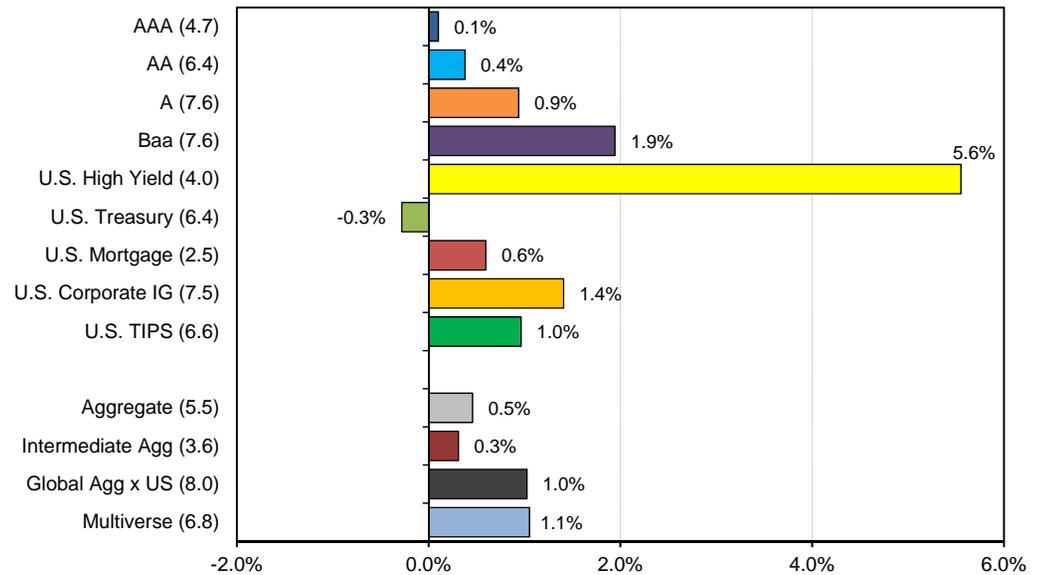
MSCI - Emerging Mkt	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	10.6%	9.6%	13.9%
Consumer Staples	7.9%	1.2%	10.1%
Energy	7.3%	8.0%	26.2%
Financials	23.7%	11.5%	14.6%
Health Care	2.6%	2.3%	4.5%
Industrials	5.9%	4.9%	1.2%
Information Technology	23.9%	16.1%	32.7%
Materials	6.4%	10.2%	23.7%
Real Estate	2.7%	7.7%	15.5%
Telecommunication Services	6.1%	2.2%	2.2%
Utilities	2.9%	0.9%	9.3%
<b>Total</b>	<b>100.0%</b>	<b>9.0%</b>	<b>16.8%</b>

Country	MSCI-EAFE Weight	MSCI-ACWIXUS Weight	Quarter Return	1-Year Return
Japan	23.8%	16.7%	8.6%	12.1%
United Kingdom	18.9%	13.2%	4.0%	1.5%
France	9.7%	6.8%	6.4%	3.6%
Germany	9.0%	6.3%	10.0%	9.1%
Switzerland	9.0%	6.3%	2.6%	1.0%
Australia	7.3%	5.1%	7.9%	21.7%
Hong Kong	3.5%	2.5%	11.9%	19.1%
Netherlands	3.4%	2.4%	9.1%	10.4%
Spain	3.0%	2.1%	9.3%	-5.7%
Sweden	2.8%	2.0%	7.5%	3.9%
Italy	1.9%	1.3%	2.2%	-21.0%
Denmark	1.8%	1.2%	-6.3%	-1.5%
Belgium	1.4%	1.0%	5.0%	19.1%
Singapore	1.3%	0.9%	-0.2%	9.7%
Finland	1.0%	0.7%	7.4%	9.3%
Israel	0.7%	0.5%	-2.0%	-7.7%
Norway	0.6%	0.5%	6.3%	10.1%
Ireland	0.5%	0.3%	7.4%	-0.7%
New Zealand	0.2%	0.1%	12.4%	56.9%
Austria	0.2%	0.1%	16.7%	11.6%
Portugal	0.2%	0.1%	6.3%	11.2%
<b>Total EAFE Countries</b>	<b>100.0%</b>	<b>70.1%</b>	<b>6.4%</b>	<b>6.5%</b>
Canada		6.7%	4.9%	14.5%
<b>Total Developed Countries</b>		<b>76.9%</b>	<b>6.3%</b>	<b>7.2%</b>
China		6.2%	13.9%	13.0%
Korea		3.4%	11.0%	21.5%
Taiwan		2.8%	11.7%	22.7%
India		2.0%	5.9%	6.1%
Brazil		1.7%	11.3%	57.6%
South Africa		1.7%	6.3%	9.9%
Mexico		0.9%	-2.2%	-2.5%
Russia		0.9%	8.4%	25.2%
Indonesia		0.6%	9.5%	53.2%
Malaysia		0.6%	-1.5%	13.2%
Thailand		0.5%	7.2%	20.9%
Philippines		0.3%	-5.3%	6.6%
Turkey		0.3%	-5.3%	5.8%
Chile		0.3%	-1.7%	11.8%
Poland		0.3%	3.1%	-15.7%
Qatar		0.2%	6.9%	-5.2%
United Arab Emirates		0.2%	6.1%	0.7%
Colombia		0.1%	2.8%	17.3%
Peru		0.1%	1.1%	39.5%
Greece		0.1%	1.0%	-38.3%
Hungary		0.1%	10.8%	38.0%
Egypt		0.0%	21.6%	6.4%
Czech Republic		0.0%	-0.4%	-12.8%
<b>Total Emerging Countries</b>		<b>23.2%</b>	<b>9.0%</b>	<b>16.8%</b>
<b>Total ACWIXUS Countries</b>		<b>100.0%</b>	<b>6.9%</b>	<b>9.3%</b>

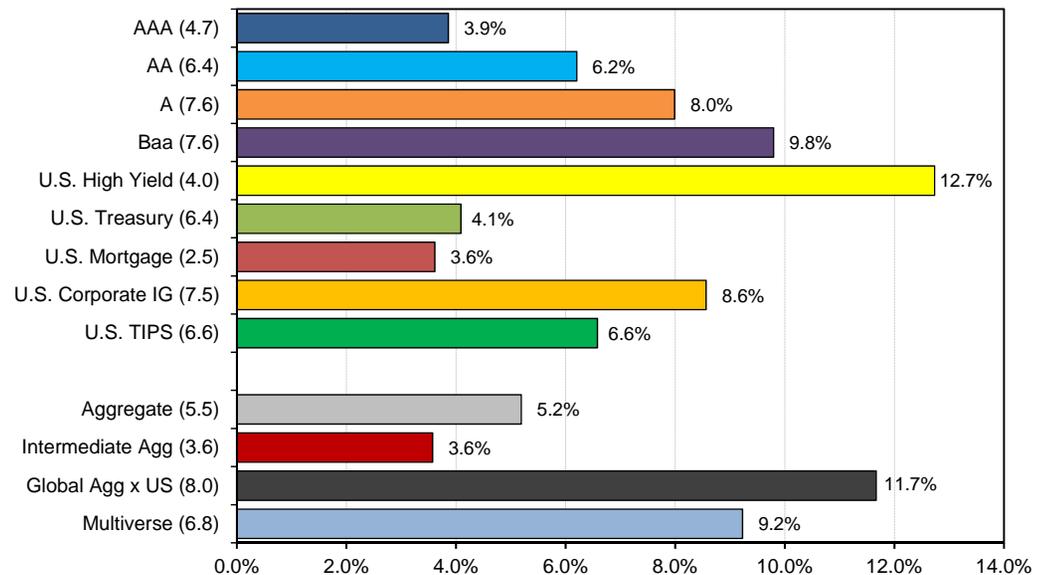
Source: MSCI Global Index Monitor (Returns are Net in USD)

- Despite historically low yields, fixed income indices continued their strong 2016 performance through the 3rd quarter of the year. The initial downward yield shock caused by June's "Brexit" vote wore off quickly and bond market volatility remained relatively low through the remainder of the quarter. Improving economic data in the U.S. led investors to price in greater likelihood of a rate increase at the Fed's September meeting. This expectation caused interest rates to creep up across the yield curve, especially at the short end of the curve. While Fed Chair Janet Yellen relayed a generally positive view of the U.S. economy, the Federal Open Market Committee voted to keep interest rates stable for the time being. However, three of the ten voting committee members were in favor of a rate increase. Although an interest rate hike is not likely until after the November elections, there is certainly a reasonable expectation for a rate hike before year end.
- The yield curve rose over the 3rd quarter with short-term interest rates rising to a greater degree than long-term interest rates. This curve "flattening" represented a headwind to shorter duration market indices. Despite rising interest rates, U.S. investment grade bond indices posted gains for the 3rd quarter. Investment grade corporates benefited from tightening interest rate credit spreads as investors became more comfortable taking on risk for the prospect of greater return. In contrast, the Bloomberg Barclays U.S. Treasury Index finished the quarter in the red due to its relatively high duration and low yield. The broad market Bloomberg Barclays Aggregate Index posted a return between the Treasury and Investment Grade indices with a return of 0.5% for the 3rd quarter. Returns over the 1-year period follow the same general trend as 3rd quarter results with the Bloomberg Barclays U.S. Corporate IG Index returning a strong 8.6% for the period.
- Lower credit quality issues outperformed higher quality securities during the 3rd quarter. Baa rated securities returned 1.9% versus a return of 0.1% for AAA issues due to the compression of interest rate credit spreads throughout the quarter. Spread compression was more prominent, and thus more beneficial, within lower credit qualities. The Bloomberg Barclays U.S. Corporate High Yield Index gained an impressive 5.6% for the quarter and 12.7% for the trailing 1-year period.

**Quarter Performance**

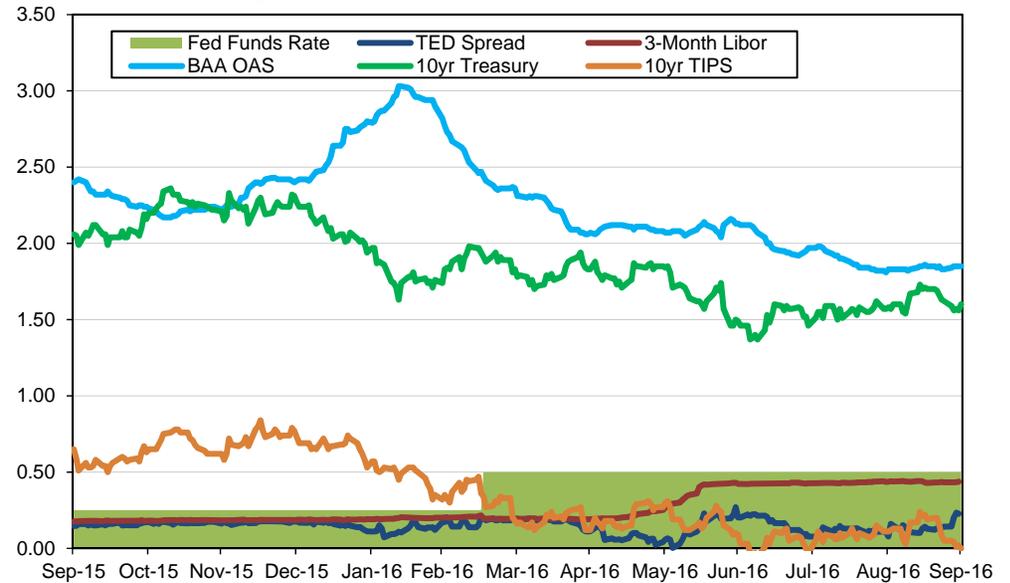


**1-Year Performance**

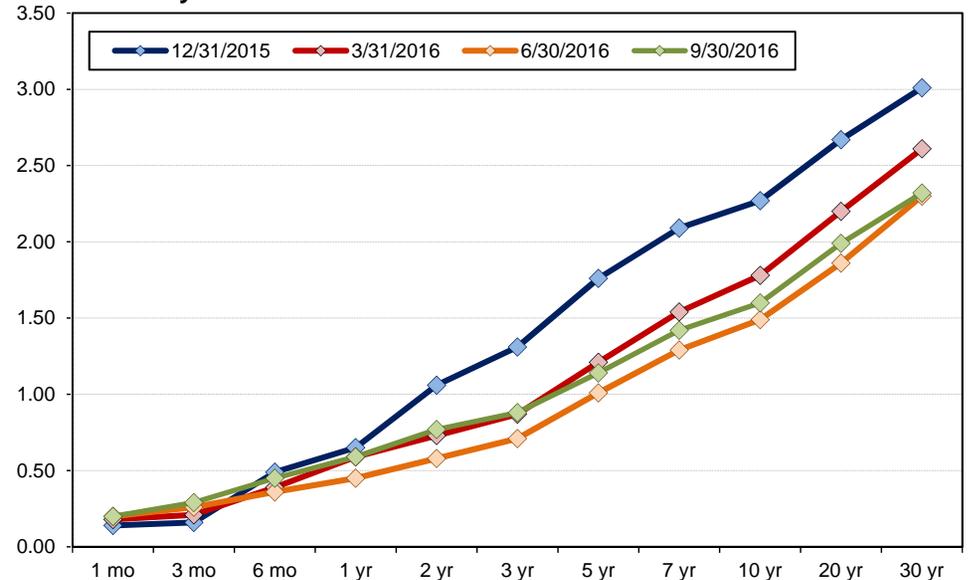


- U.S. TIPS finished the 3rd quarter with a return of 1.0%. The quarter's return can be attributed to a modest decline in yields at the longer end of the TIPS yield curve as well as an increase in the CPI All Urban Index from April to July. The TIPS return for the trailing 1-year period is a solid 6.6%.
- In USD terms, international fixed income indices posted gains for both the 3rd quarter and 1-year period. Despite relatively low interest rates in international markets, with several government issues trading at negative yields, the Bloomberg Barclays Global Aggregate ex U.S. Index returned 1.0% for the quarter and strong 11.7% over the 1-year period. This performance outpaced all domestic indices except the Bloomberg Barclays U.S. Corporate High Yield Index's return of 12.7% over the last twelve months.
- Some of factors supporting the index performance detailed in the bar graphs on the previous page is visible on a time series basis in the line graphs on the right. The '1-Year Trailing Market Rates' chart illustrates that the 10-year Treasury yield (green line), after initially falling on the "Brexit" vote, rose over the remainder of the quarter. The blue line illustrates changes in the BAA OAS (Option Adjusted Spread), which quantifies the additional yield premium that investors require to purchase and hold non-Treasury issues. When credit spreads tighten (widen), i.e., the line is falling, it is equivalent to an interest rate decrease (increase) for corporate bonds, which boosts returns. This spread has consistently fallen since the beginning of 2016 and is now near its lowest point of the calendar year. While there was upside momentum in credit spreads early in 2016, they have narrowed by more than 1% since their high on February 11th. The lower graph provides a snapshot of the U.S. Treasury yield curve at each of the last four calendar quarters. While Treasury issues ended the 3rd quarter slightly higher than the prior quarter, long-term rates remain near their lowest levels in the past twelve months while short-term rates are at the high end of their twelve month range.
- The Fed has stated future rate increases would be implemented at a measured pace and with an ongoing assessment of current economic data. Despite this domestic policy assertion, geopolitical events and non-U.S. stimulus programs are likely to keep demand for U.S. Treasury issues elevated and exert significant downward pressure on how high domestic interest rates will rise in the short-term.

1-Year Trailing Market Rates

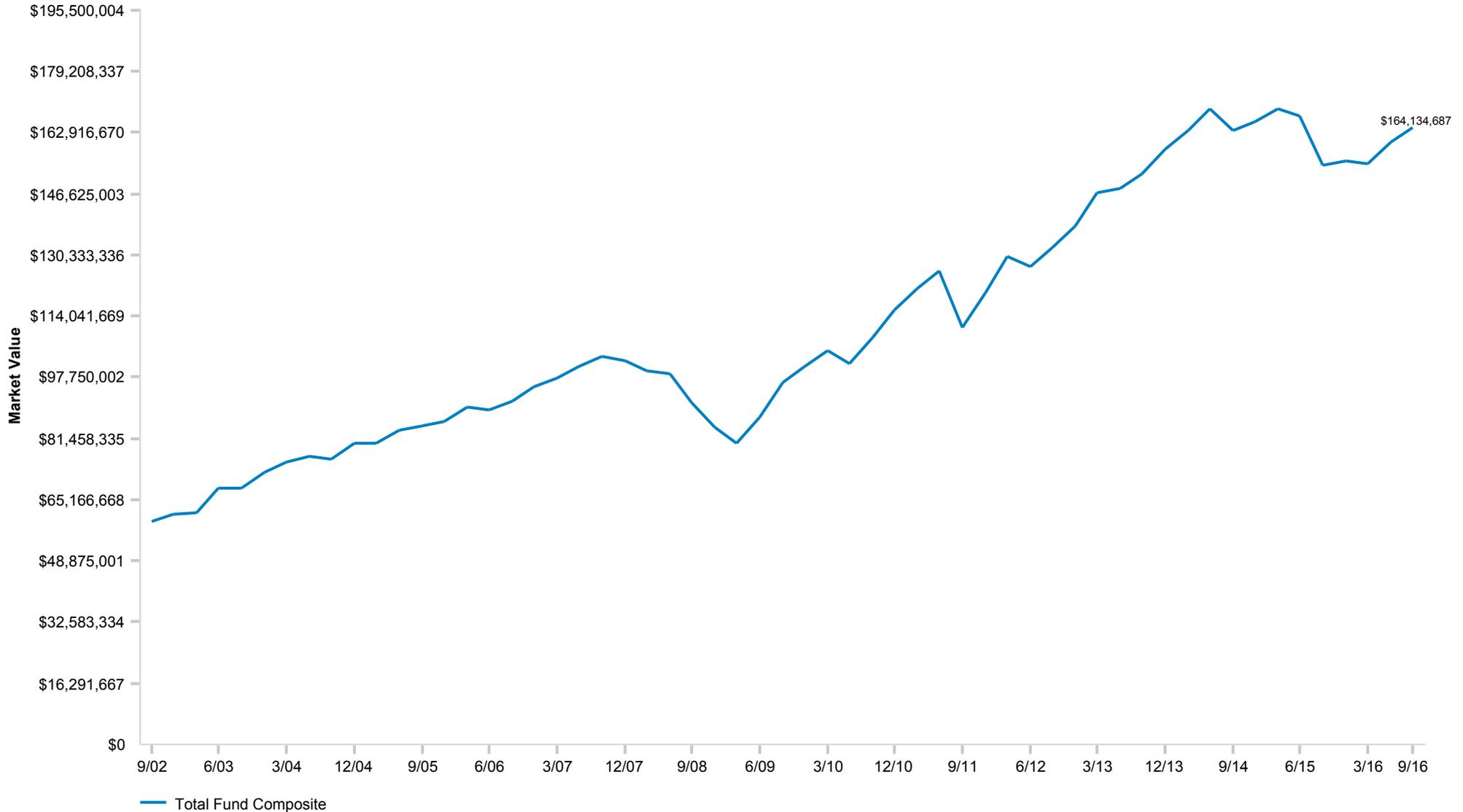


Treasury Yield Curve



9.9%

**Schedule of Investable Assets**

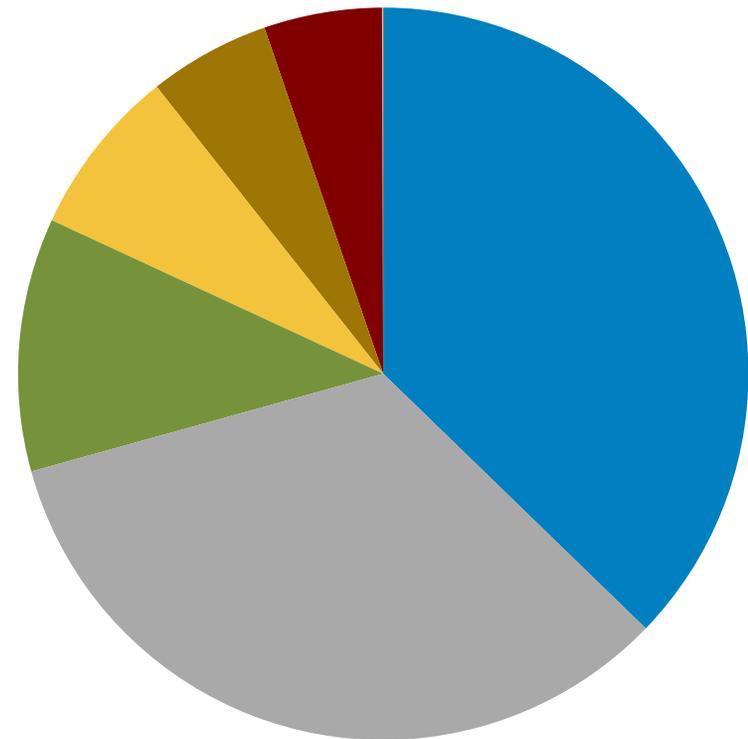
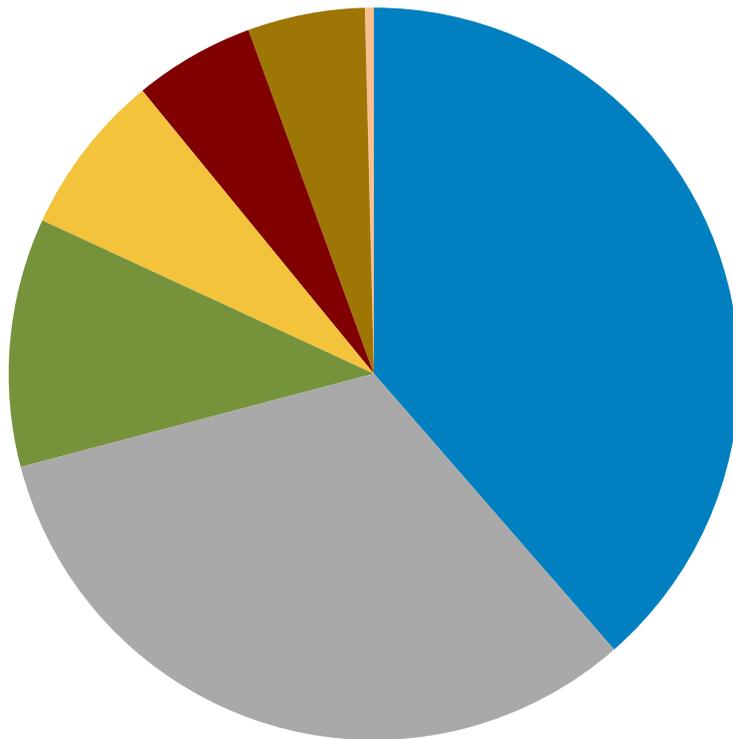


**Schedule of Investable Assets**

Periods Ending	Beginning Market Value \$	Net Cash Flow \$	Gain/Loss \$	Ending Market Value \$	%Return
Oct-2002 To Sep-2016	59,280,518	3,889,011	100,965,158	164,134,687	7.33

June 30, 2016 : \$160,350,013

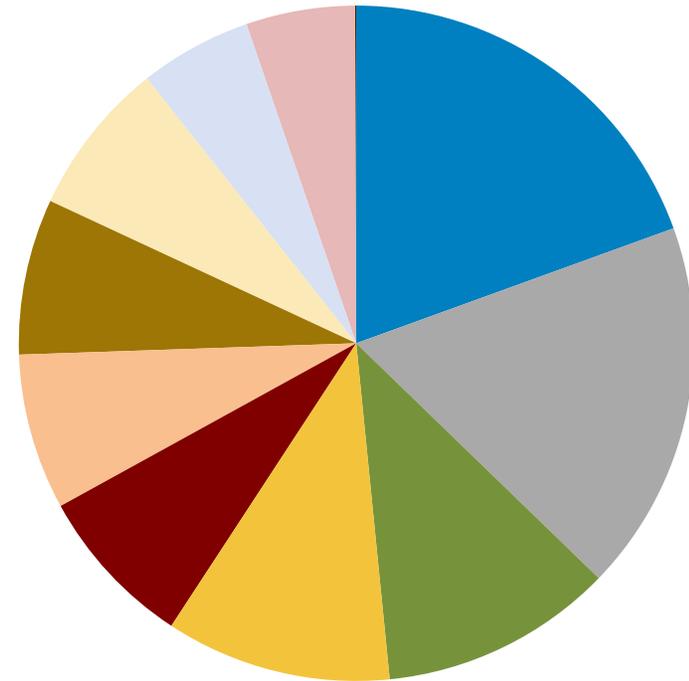
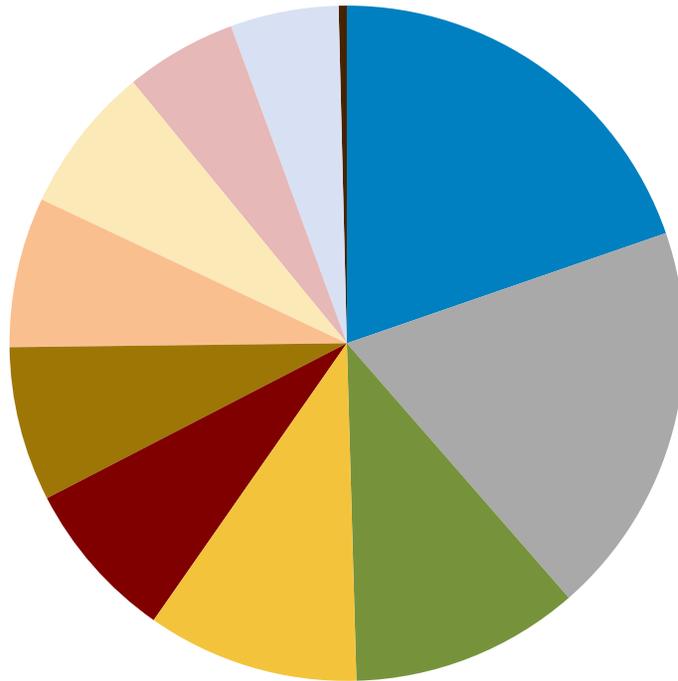
September 30, 2016 : \$164,134,687



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
Fixed Income	61,862,091	38.6	Fixed Income	61,119,620	37.2
Domestic Equity	51,832,755	32.3	Domestic Equity	54,924,502	33.5
MLPs	17,598,980	11.0	MLPs	18,357,473	11.2
International Equity	11,528,809	7.2	International Equity	12,249,161	7.5
Real Estate	8,573,325	5.3	High Yield Fixed Income	8,821,537	5.4
High Yield Fixed Income	8,317,577	5.2	Real Estate	8,570,673	5.2
Cash	636,476	0.4	Cash	91,722	0.1

June 30, 2016 : \$160,350,013

September 30, 2016 : \$164,134,687



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
■ MacKay Shields Core Plus	31,606,531	19.7	■ MacKay Shields Core Plus	31,952,246	19.5
■ Smith Graham Core Plus	30,255,561	18.9	■ Smith Graham Core Plus	29,167,374	17.8
■ ARI MLP	17,598,980	11.0	■ ARI MLP	18,357,473	11.2
■ Barrow Hanley MeWhinney & Strauss	16,273,196	10.1	■ Barrow Hanley MeWhinney & Strauss	17,740,563	10.8
■ Fiduciary Management	12,372,700	7.7	■ Fiduciary Management	12,753,493	7.8
■ Stacey Braun	11,859,352	7.4	■ Causeway International (CIVIX)	12,249,161	7.5
■ Causeway International (CIVIX)	11,528,809	7.2	■ Stacey Braun	12,245,494	7.5
■ Stephens Mid Cap Growth	11,327,506	7.1	■ Stephens Mid Cap Growth	12,184,952	7.4
■ Cohen & Steers (CSRIX)	8,573,325	5.3	■ Loomis Sayles High Yield (LSHIX)	8,821,537	5.4
■ Loomis Sayles High Yield (LSHIX)	8,317,577	5.2	■ Cohen & Steers (CSRIX)	8,570,673	5.2
■ Cash	636,476	0.4	■ Cash	91,722	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>164,134,687</b>	<b>100.0</b>	<b>3.58</b>	<b>9.86</b>	<b>5.80</b>	<b>10.07</b>	<b>7.33</b>	<b>10/01/2002</b>
Policy Index			2.80	10.82	6.01	9.84	7.63	
Pension Actuarial Assumption			1.71	7.00	7.01	7.11	7.34	
<b>Total Fund Composite (Net of Fees)</b>	<b>164,134,687</b>	<b>100.0</b>	<b>3.47</b>	<b>9.40</b>	<b>5.26</b>	<b>9.52</b>	<b>6.65</b>	<b>10/01/2002</b>
Fiduciary Management	12,753,493	7.8	3.23	13.34	9.94	15.87	9.06	01/01/2006
Russell 1000 Value Index			3.48	16.19	9.70	16.15	6.66	
S&P 500 Index			3.85	15.43	11.16	16.37	7.53	
Stacey Braun	12,245,494	7.5	3.38	11.00	10.04	14.69	8.95	07/01/2008
Russell 1000 Growth Index			4.58	13.76	11.83	16.60	9.83	
S&P 500 Index			3.85	15.43	11.16	16.37	8.95	
Stephens Mid Cap Growth	12,184,952	7.4	7.78	11.59	6.14	N/A	11.97	01/01/2013
Russell Midcap Growth Index			4.59	11.24	8.90	15.85	13.72	
Barrow Hanley MeWhinney & Strauss	17,740,563	10.8	9.23	15.47	7.43	20.31	10.91	04/01/2005
Russell 2000 Value Index			8.87	18.81	6.77	15.45	6.95	
Causeway International (CIVIX)	12,249,161	7.5	6.26	2.74	-1.08	N/A	-1.08	10/01/2013
MSCI EAFE Index			6.50	7.06	0.93	7.88	0.93	
Cohen & Steers (CSRIX)	8,570,673	5.2	-0.03	18.48	14.60	N/A	13.23	01/01/2012
FTSE NAREIT All Equity REITs			-1.21	20.94	13.86	15.97	13.44	
ARI MLP	18,357,473	11.2	4.51	10.80	-2.25	7.05	5.43	07/01/2011
Alerian MLP Index			1.07	12.74	-4.82	4.96	3.29	
MacKay Shields Core Plus	31,952,246	19.5	1.20	6.20	N/A	N/A	3.38	07/01/2014
Bloomberg Barclays U.S. Aggregate Index			0.46	5.19	4.03	3.08	3.68	
Smith Graham Core Plus	29,167,374	17.8	0.46	5.57	4.16	3.63	4.51	10/01/2002
Bloomberg Barclays U.S. Aggregate Index			0.46	5.19	4.03	3.08	4.53	
Loomis Sayles High Yield (LSHIX)	8,821,537	5.4	6.06	12.50	4.63	N/A	8.77	01/01/2012
BofA Merrill Lynch High Yield Master II			5.49	12.82	5.27	8.24	7.33	
Cash	91,722	0.1						

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: 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 \$	%	2015	2014	2013	2012	2011
<b>Total Fund Composite (Gross of Fees)</b>	<b>164,134,687</b>	<b>100.0</b>	<b>-3.17</b>	<b>6.74</b>	<b>18.15</b>	<b>12.64</b>	<b>2.33</b>
Policy Index			-2.53	7.49	16.29	12.11	4.25
Pension Actuarial Assumption			7.00	7.00	7.19	7.25	7.25
<b>Total Fund Composite (Net of Fees)</b>	<b>164,134,687</b>	<b>100.0</b>	<b>-3.61</b>	<b>6.07</b>	<b>17.53</b>	<b>12.10</b>	<b>1.79</b>
Fiduciary Management	12,753,493	7.8	-1.86	13.56	32.43	16.10	1.47
Russell 1000 Value Index			-3.83	13.45	32.53	17.51	0.39
S&P 500 Index			1.38	13.69	32.39	16.00	2.11
Stacey Braun	12,245,494	7.5	3.02	10.97	33.88	13.53	4.02
Russell 1000 Growth Index			5.67	13.05	33.48	15.26	2.64
S&P 500 Index			1.38	13.69	32.39	16.00	2.11
Stephens Mid Cap Growth	12,184,952	7.4	-0.15	4.27	36.37	N/A	N/A
Russell Midcap Growth Index			-0.20	11.90	35.74	15.81	-1.65
Barrow Hanley MeWhinney & Strauss	17,740,563	10.8	-6.17	3.14	48.60	23.31	-9.02
Russell 2000 Value Index			-7.47	4.22	34.52	18.05	-5.50
Causeway International (CIVIX)	12,249,161	7.5	-3.00	-6.22	N/A	N/A	N/A
MSCI EAFE Index			-0.39	-4.48	23.29	17.90	-11.73
Cohen & Steers (CSRIX)	8,570,673	5.2	5.22	30.18	3.46	15.91	N/A
FTSE NAREIT All Equity REITs			2.83	28.03	2.86	19.70	8.28
ARI MLP	18,357,473	11.2	-32.48	12.08	28.34	5.96	N/A
Alerian MLP Index			-32.59	4.80	27.58	4.80	13.88
MacKay Shields Core Plus	31,952,246	19.5	0.15	N/A	N/A	N/A	N/A
Bloomberg Barclays U.S. Aggregate Index			0.55	5.97	-2.02	4.21	7.84
Smith Graham Core Plus	29,167,374	17.8	1.04	5.49	-1.83	6.42	7.06
Bloomberg Barclays U.S. Aggregate Index			0.55	5.97	-2.02	4.21	7.84
Loomis Sayles High Yield (LSHIX)	8,821,537	5.4	-10.29	5.17	15.07	17.98	N/A
BofA Merrill Lynch High Yield Master II			-4.64	2.50	7.42	15.58	4.38
Cash	91,722	0.1					

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: 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 a single portfolio manager. As of September 30, 2016, Fiduciary had a market value of \$12,753,493.

Fiduciary Management		Russell 1000 Value Index	
	Weight %		Weight %
Comcast Corp	4.8	Exxon Mobil Corp	3.5
Berkshire Hathaway Inc	4.6	Berkshire Hathaway Inc	2.6
Accenture PLC	4.3	Johnson & Johnson	2.6
Dollar General Corp	4.2	AT&T Inc	2.4
Unitedhealth Group Inc	4.0	JPMorgan Chase & Co	2.3
eBay Inc.	3.9	Procter & Gamble Co (The)	2.3
Schlumberger Ltd	3.8	General Electric Co	2.1
Expeditors Intl	3.4	Wells Fargo & Co	1.9
Omnicom Group Inc.	3.4	Chevron Corp	1.9
TE Connectivity Ltd	3.4	Pfizer Inc	1.8

**Equity Assets Exposures by Sector**

	Fiduciary Management	Russell 1000 Value Index
Cash	11.15	N/A
Consumer Discretionary	19.27	4.88
Consumer Staples	7.09	8.86
Energy	6.78	13.46
Financials	15.98	23.42
Health Care	7.26	11.48
Industrials	13.49	9.48
Information Technology	14.08	10.04
Materials	3.05	2.86
Real Estate	N/A	5.11
Telecommunication Services	1.87	3.91
Utilities	N/A	6.49

**Equity Characteristics**

	Fiduciary Management	Russell 1000 Value Index
Wtd. Avg. Mkt. Cap (\$)	81,108,165,994	112,504,866,075
Price/Earnings ratio	16.9	17.0
Price/Book ratio	2.9	2.1
Current Yield	1.9	2.6
Number of Stocks	30	687

Stacey Braun utilizes a sector neutral, bottom up equity strategy which closely aligns their sector weightings to those of the S&P 500 Index. The firm employs an active flexible investment approach. Cash equivalents are used as a defensive measure in times of declining equity markets. Their equity portfolios consist of a diverse group of stocks selected through fundamental and technical analysis. Securities are chosen through their analysis are compared to their peers before purchase. This process results in an emphasis on growth at a reasonable price. As of September 30, 2016, Stacey Braun had a market value of \$12,245,494.

Stacey Braun		Russell 1000 Growth Index	
	Weight %		Weight %
Apple Inc	2.9	Apple Inc	5.4
Facebook Inc	1.9	Microsoft Corp	4.1
Microsoft Corp	1.8	Amazon.com Inc	3.1
NXP Semiconductors NV	1.7	Facebook Inc	2.7
Amazon.com Inc	1.6	Alphabet Inc	2.2
Edwards Lifesciences Corp	1.5	Alphabet Inc	2.2
CME Group Inc	1.5	Home Depot Inc. (The)	1.5
Exxon Mobil Corp	1.5	Visa Inc	1.5
Berkshire Hathaway Inc	1.5	Walt Disney Co (The)	1.4
Alphabet Inc	1.5	Comcast Corp	1.4

#### Equity Assets Exposures by Sector

	Stacey Braun	Russell 1000 Growth Index
Cash	0.42	N/A
Consumer Discretionary	11.60	20.62
Consumer Staples	9.87	9.64
Energy	7.15	0.64
Financials	14.00	2.72
Health Care	14.56	16.78
Industrials	9.84	10.39
Information Technology	22.55	31.50
Materials	2.92	3.58
Real Estate	2.50	2.85
Telecommunication Services	1.67	1.22
Utilities	2.93	0.06

#### Equity Characteristics

	Stacey Braun	Russell 1000 Growth Index
Wtd. Avg. Mkt. Cap (\$)	123,355,368,862	147,012,431,352
Price/Earnings ratio	22.3	23.3
Price/Book ratio	3.2	5.5
Current Yield	1.8	1.5
Number of Stocks	105	599

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 September 30, 2016 Stephens had a market value of \$12,184,952.

Stephens Mid Cap Growth		Russell Midcap Growth Index	
	Weight %		Weight %
MercadoLibre Inc	2.0	NVIDIA Corp	1.3
Ross Stores Inc	1.8	Illumina Inc	1.0
CoStar Group Inc	1.7	O'Reilly Automotive Inc	1.0
Monster Beverage Corp	1.7	Intuitive Surgical Inc	1.0
IDEXX Laboratories Inc	1.7	Edwards Lifesciences Corp	0.9
Illumina Inc	1.6	Ross Stores Inc	0.9
Cerner Corp	1.6	Electronic Arts Inc.	0.9
NVIDIA Corp	1.6	Zoetis Inc	0.9
Microchip Technology Inc	1.6	Equinix Inc	0.9
SVB Financial Group	1.5	Newell Brands Inc	0.9

## Equity Assets Exposures by Sector

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Cash	3.09	N/A
Consumer Discretionary	19.37	23.44
Consumer Staples	2.95	7.35
Energy	6.30	1.45
Financials	4.80	4.91
Health Care	22.86	16.22
Industrials	9.73	13.92
Information Technology	30.90	22.22
Materials	N/A	5.05
Real Estate	N/A	4.80
Telecommunication Services	N/A	0.49
Utilities	N/A	0.14

## Equity Characteristics

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Wtd. Avg. Mkt. Cap (\$)	11,547,665,706	13,188,099,349
Price/Earnings ratio	32.2	25.3
Price/Book ratio	4.5	5.0
Current Yield	0.5	1.1
Number of Stocks	93	464

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 September 30, 2016, Barrow, Hanley, MeWhinney & Strauss had a market value of \$17,740,563.

Barrow Hanley MeWhinney & Strauss		Russell 2000 Value Index	
	Weight %		Weight %
Vishay Intertechnology Inc.	4.0	IDACORP Inc.	0.5
II VI Inc	3.8	Gramercy Property Trust	0.4
Simpson Manufacturing Co. Inc.	3.7	Portland Gen. Elec. Co.	0.4
Barnes Group Inc	3.5	XPO Logistics Inc	0.4
Texas Capital Bancshares Inc	3.5	Olin Corp	0.4
Trex Co Inc	3.4	Healthcare Realty Trust Inc	0.4
Plexus Corp	3.4	Investors Bancorp Inc	0.4
Terex Corp	3.2	PrivateBancorp Inc	0.4
PolyOne Corp	3.1	Webster Financial Corp	0.4
Brooks Automation Inc	3.0	Prosperity Bancshares Inc	0.4

## Equity Assets Exposures by Sector

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Cash	4.69	N/A
Consumer Discretionary	10.25	10.56
Consumer Staples	N/A	2.90
Energy	2.61	5.19
Financials	9.37	30.09
Health Care	2.67	4.89
Industrials	32.22	12.63
Information Technology	27.59	10.55
Materials	10.59	4.53
Real Estate	N/A	11.06
Telecommunication Services	N/A	0.73
Utilities	N/A	6.85

## Equity Characteristics

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Wtd. Avg. Mkt. Cap (\$)	2,242,843,706	1,746,459,562
Price/Earnings ratio	20.1	17.1
Price/Book ratio	1.9	1.6
Current Yield	1.1	2.1
Number of Stocks	39	1,338

**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 : \$5,585 Million  
 Portfolio Turnover : 28%

Portfolio Assets : \$6,295 Million  
 Portfolio Manager : Team Managed  
 PM Tenure :  
 Fund Style : IM International Large Cap Value Equity (MF)  
 Style Benchmark : MSCI EAFE Index

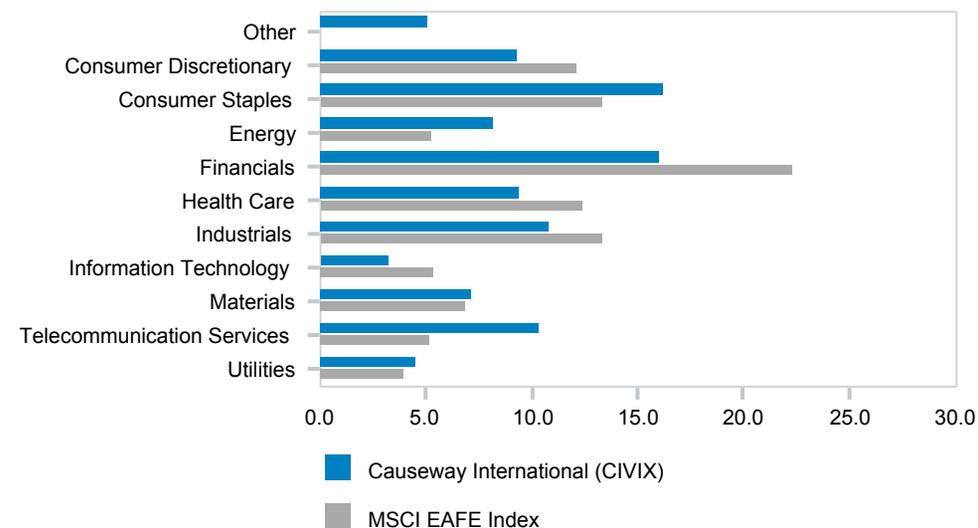
**Portfolio Characteristics As of 06/30/2016**

	Portfolio	Benchmark
Total Securities	58	930
Avg. Market Cap (\$)	69,634,029,854	8,598,822,516
Price/Earnings (P/E)	20.43	15.56
Price/Book (P/B)	3.33	2.29
Dividend Yield	3.39	3.57
Annual EPS	-0.20	N/A
5 Yr EPS	2.27	5.30
3 Yr EPS Growth	1.30	N/A
Beta (3 Years, Monthly)	0.91	1.00

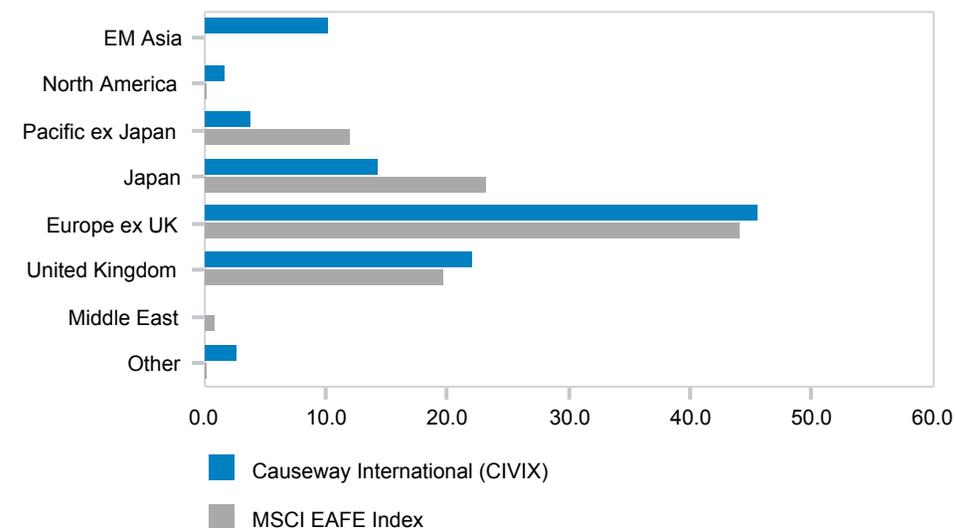
**Top Ten Securities As of 06/30/2016**

Dreyfus Cash Management;Institutional	3.9 %
British American Tobacco PLC ORD	3.5 %
KDDI Corp ORD	3.5 %
Volkswagen AG PFD	3.2 %
Akzo Nobel NV ORD	3.2 %
Royal Dutch Shell Plc B ORD	3.0 %
Novartis AG ORD	3.0 %
Total SA ORD	3.0 %
East Japan Railway Co ORD	3.0 %
Roche Holding AG Par	2.9 %

**Sector Weights As of 06/30/2016**



**Region Weights As of 06/30/2016**



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 : \$3,184 Million  
 Portfolio Turnover : 60%

Portfolio Assets : \$3,184 Million  
 Portfolio Manager : Team Managed  
 PM Tenure :  
 Fund Style : IM Real Estate Sector (MF)  
 Style Benchmark : FTSE NAREIT All Equity REITs

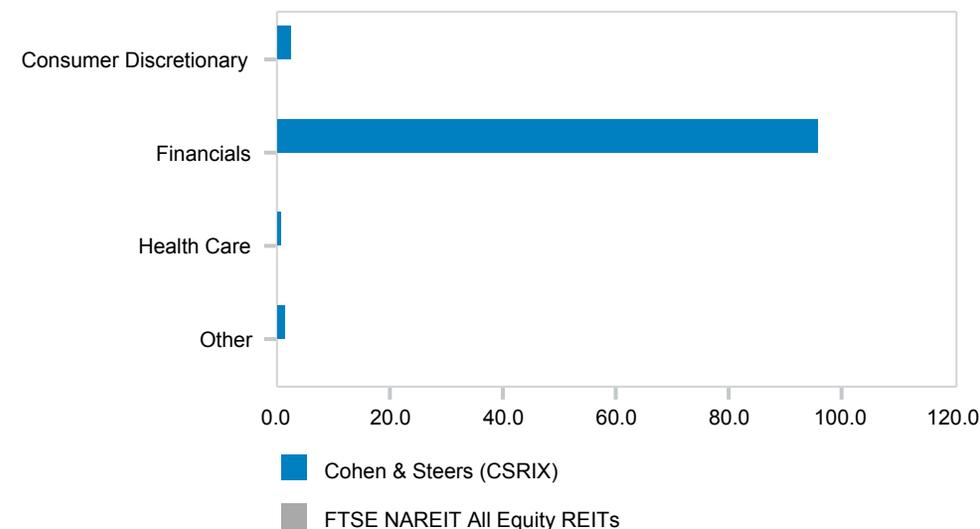
**Portfolio Characteristics As of 06/30/2016**

	Portfolio	Benchmark
Total Securities	50	N/A
Avg. Market Cap (\$)	17,927,955,365	-
Price/Earnings (P/E)	45.22	N/A
Price/Book (P/B)	4.34	N/A
Dividend Yield	3.60	N/A
Annual EPS	45.43	N/A
5 Yr EPS	20.69	N/A
3 Yr EPS Growth	22.74	N/A
Beta (3 Years, Monthly)	1.03	1.00

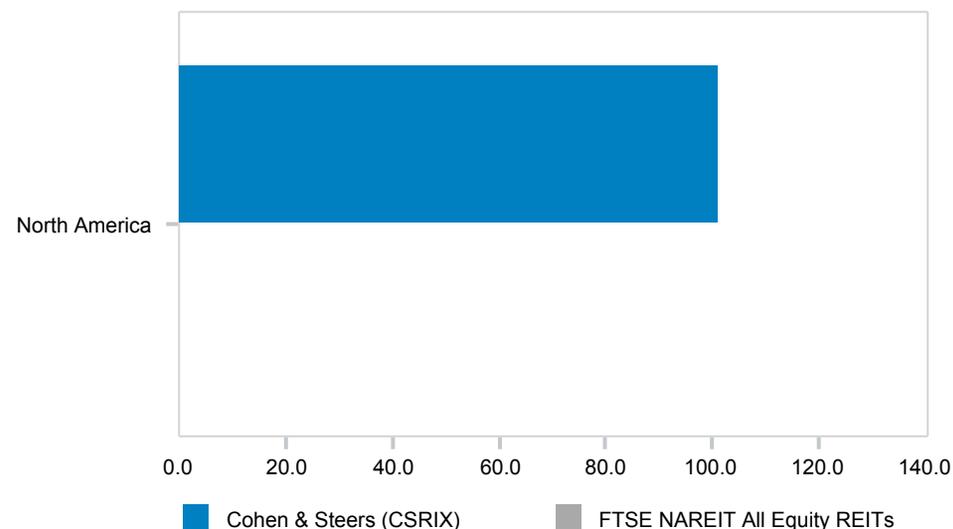
**Top Ten Securities As of 06/30/2016**

Simon Property Group Inc ORD	12.5 %
UDR Inc	5.6 %
Equinix Inc ORD	4.6 %
Prologis Inc ORD	4.4 %
Essex Property Trust Inc	4.1 %
HCP Inc ORD	3.9 %
Apartment Investment and Management Co	3.5 %
Digital Realty Trust Inc ORD	3.5 %
Vornado Realty Trust ORD	3.2 %
Kilroy Realty Corp	3.0 %

**Sector Weights As of 06/30/2016**



**Region Weights As of 06/30/2016**



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 September 30, 2016, the ARI MLP had a market value of \$18,357,473.

ARI MLP		Alerian MLP Index	
	Weight %		Weight %
Magellan Midstream Partners LP	8.4	Enterprise Products Partners LP	18.4
Energy Transfer Partners LP	8.2	Williams Partners LP	7.2
DCP Midstream Partners LP	7.6	Energy Transfer Partners LP	5.7
Plains All American Pipeline LP	5.9	Magellan Midstream Partners LP	5.1
Buckeye Partners LP	5.9	Plains All American Pipeline LP	4.6
MPLX LP	5.5	Spectra Energy Partners LP	4.2
Williams Partners LP	4.9	Cheniere Energy Partners LP	4.1
Enbridge Energy Partners LP	4.8	MPLX LP	4.0
Tesoro Logistics LP	4.6	ONEOK Partners LP	3.6
Western Gas Equity Partners LP	4.5	Enbridge Energy Partners LP	3.2

## Equity Assets Exposures by Sector

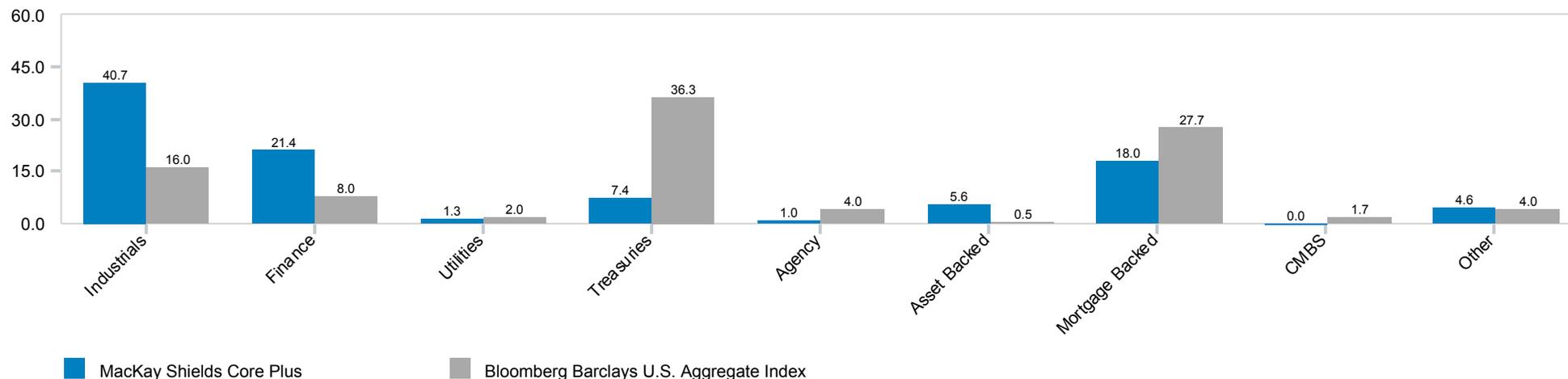
	ARI MLP	Alerian MLP Index
Cash	1.59	N/A
Energy	98.41	96.98
Materials	N/A	0.66
Utilities	N/A	2.36

## Equity Characteristics

	ARI MLP	Alerian MLP Index
Wtd. Avg. Mkt. Cap (\$)	9,107,763,883	18,196,790,932
Price/Earnings ratio	23.8	23.3
Price/Book ratio	2.3	2.4
Current Yield	7.3	7.0
Number of Stocks	31	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 first quarter of 2014. As of September 30, 2016, MacKay Shields had a market value of \$31,952,246.

**Sector Distribution (%)**

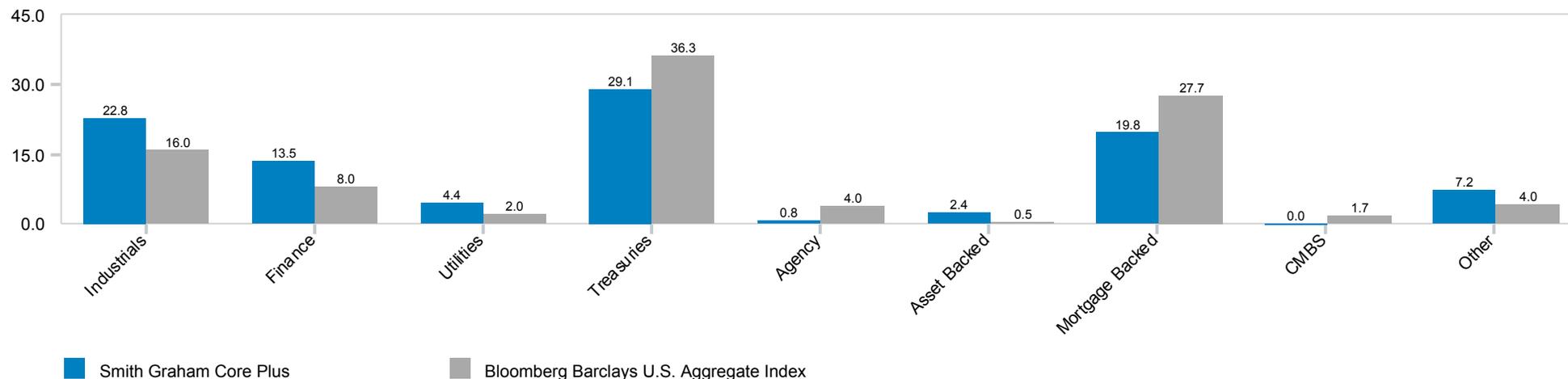


**Portfolio Characteristics**

	<b>Portfolio</b>	<b>Benchmark</b>
Avg. Maturity	7.19	7.85
Avg. Quality	A	AA
Coupon Rate (%)	4.23	3.09
Modified Duration	5.31	5.42
Yield To Maturity (%)	2.64	1.96
Holdings Count	172	9,977

Smith Graham uses a bottom-up methodology with independent examination of each investment opportunity, rather than being process driven by an economic view. The portfolio focuses on opportunities where they believe the reward is at least two times greater than the visible risk. The investment team focuses on five key factors; security selection, sector rotation, yield curve positioning, volatility management, and duration management. As of September 30, 2016, Smith Graham had a market value of \$29,167,374.

**Sector Distribution (%)**



**Portfolio Characteristics**

	Portfolio	Benchmark
Avg. Maturity	7.50	7.85
Avg. Quality	AA	AA
Coupon Rate (%)	3.25	3.09
Modified Duration	5.46	5.42
Yield To Maturity (%)	1.92	1.96
Holdings Count	118	9,977

**Fund Information**

Fund Name :	Loomis Sayles Funds I: Loomis Sayles Institutional High Income Fund; Institutional Class	Portfolio Assets :	\$714 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 :	\$714 Million	Style Benchmark :	Citigroup High Yield Market Index
Portfolio Turnover :	19%		

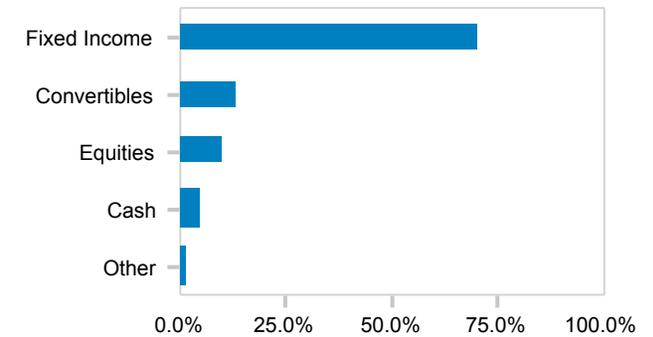
**Fund Characteristics As of 06/30/2016**

Avg. Coupon	5.11 %
Nominal Maturity	N/A
Effective Maturity	6.59 Years
Duration	4.07 Years
SEC 30 Day Yield	5.5
Avg. Credit Quality	BB

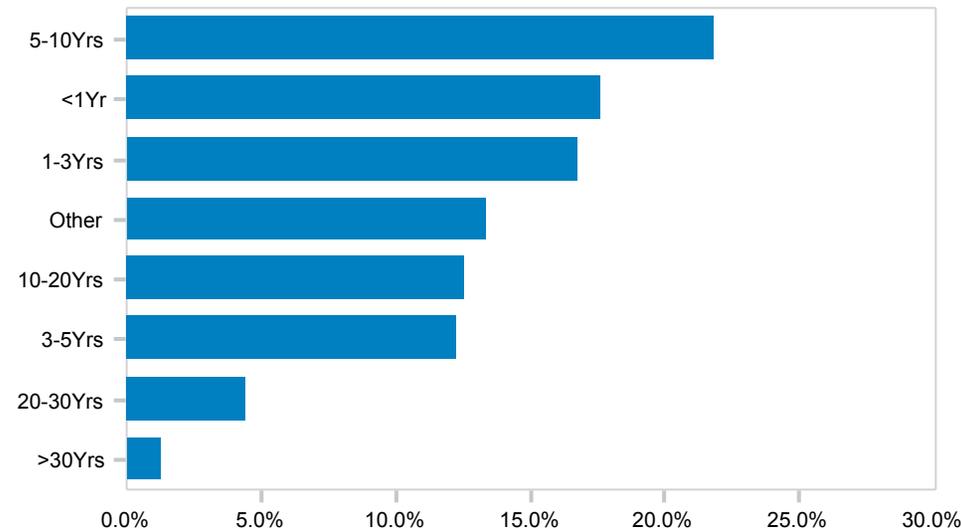
**Top Ten Securities As of 06/30/2016**

Corporate Notes/Bonds	60.1 %
Convertible Securities	13.2 %
Common Stock	10.0 %
Fgn. Currency Denominated Bonds	8.2 %
Treasury Notes/Bonds	3.0 %
Asset Backed Securities	0.3 %
Preferred Stock-Non Convertible	0.3 %

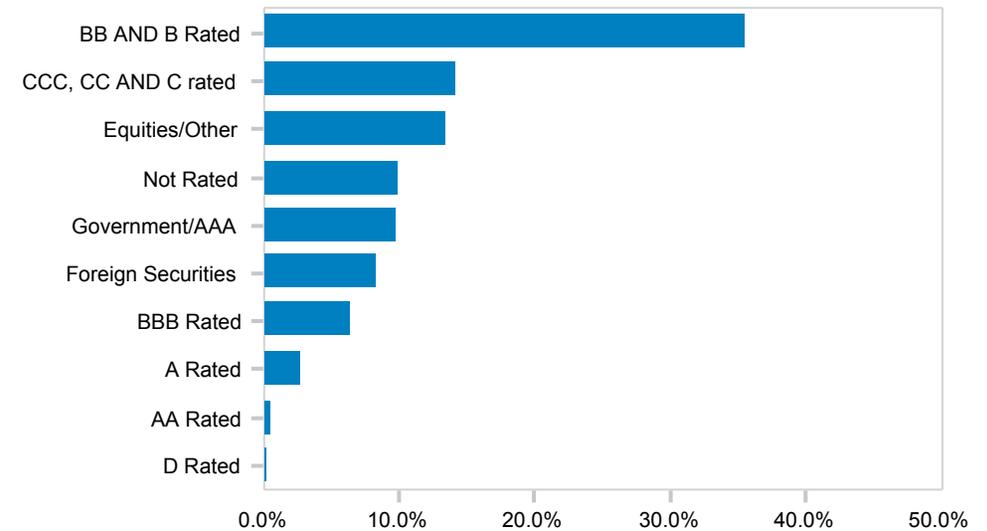
**Asset Allocation As of 06/30/2016**



**Maturity Distribution As of 06/30/2016**



**Sector/Quality Allocation As of 06/30/2016**



Statistics provided by Lipper. Most recent available data shown.

**Port of Houston Pension  
Manager Status Summary  
As of September 30, 2016**

Manager	Mandate	Status	Notes
Fiduciary Management	Large Cap Value Equity	In Compliance	
Stacey Braun	Large Cap Growth Equity	In Compliance	
Stephens Mid Cap Growth	Mid Cap Growth Equity	On Alert	4q2014 - Performance
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	Non-Compliance	Beta 1.35 vs. Investment Policy Statement of 1.20
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	
Smith Graham 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.

**Port of Houston Pension  
Fee Summary  
As of September 30, 2016**

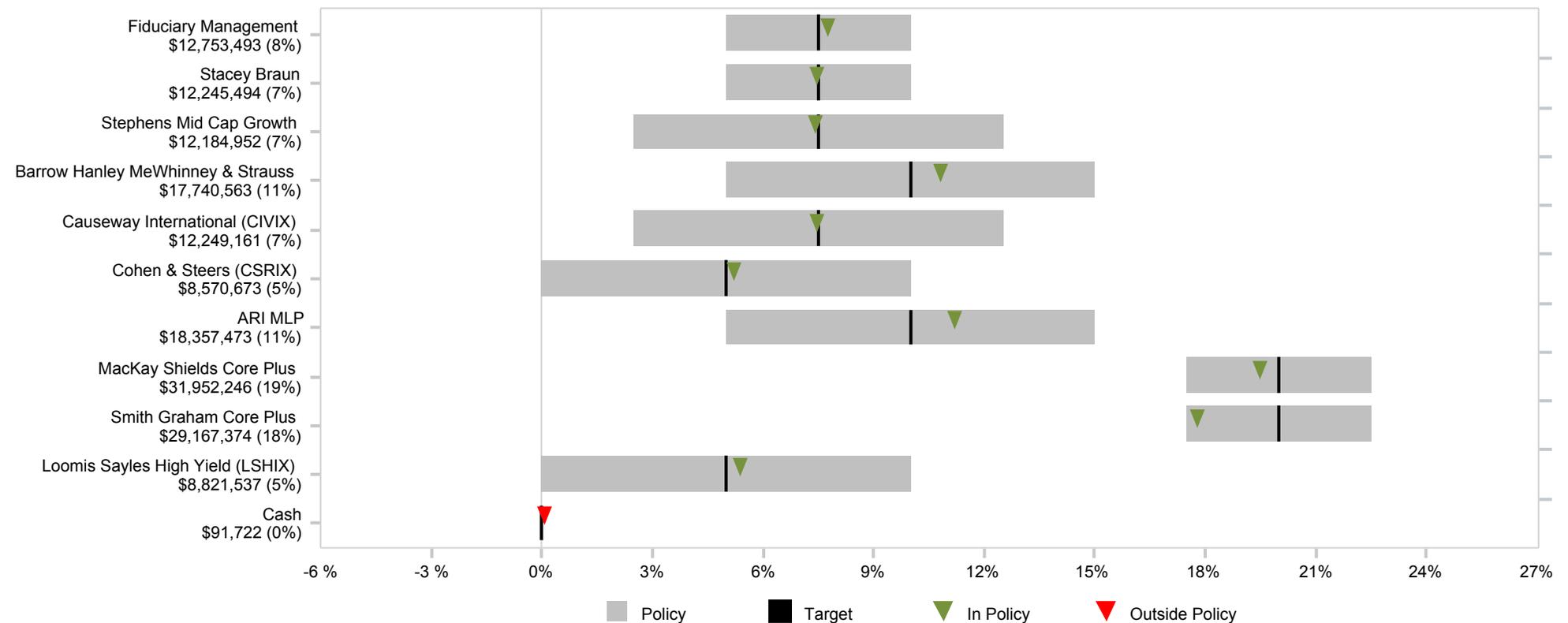
Structure	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Fiduciary Management	Large Cap Value Equity	0.55%	1.21%	0.66%	\$84,173
Stacey Braun	Large Cap Growth Equity	0.44%	1.21%	0.77%	\$94,290
Stephens Mid Cap Growth	Mid Cap Growth Equity	0.78%	1.35%	0.57%	\$69,454
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	0.74%	1.40%	0.66%	\$117,088
Causeway International (CIVIX)	International Equity	0.90%	1.16%	0.26%	\$31,848
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	0.75%	1.31%	0.56%	\$47,996
ARI MLP	Master Limited Partnership	0.75%	1.00%	0.25%	\$45,894
Mackay Shields Core Plus	Core Plus Fixed Income	0.35%	0.84%	0.49%	\$156,566
Smith Graham Core Plus	Core Plus Fixed Income	0.30%	0.84%	0.54%	\$157,504
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	0.68%	1.08%	0.40%	\$35,286
<b>Total Management Fees</b>		<b>0.56%</b>	<b>1.07%</b>	<b>0.51%</b>	<b>\$840,099</b>

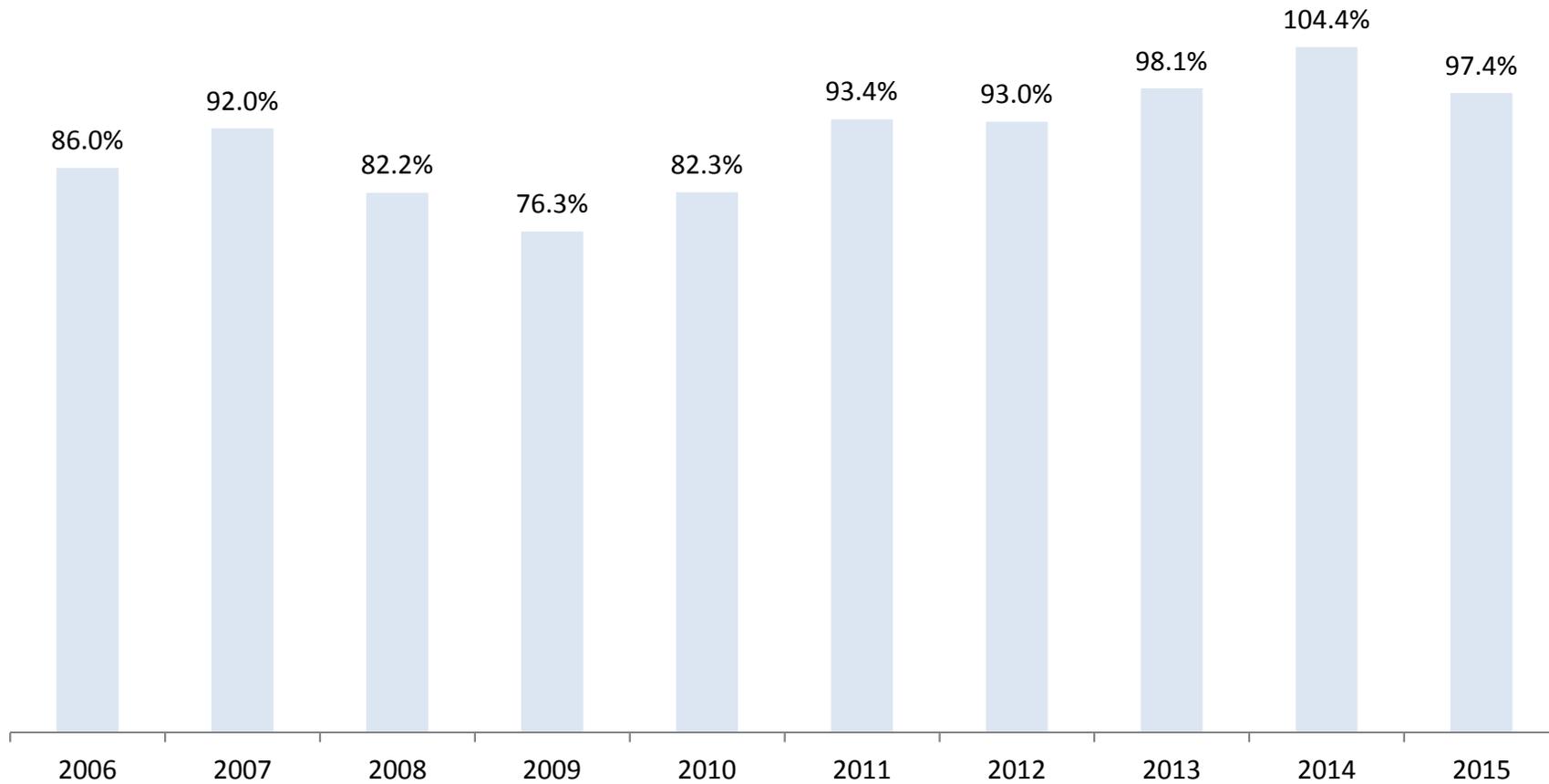
Source: Morningstar and Investment Managers

Asset Allocation Compliance

	Asset Allocation \$	Current Allocation (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund Composite	164,134,687	100.0	100.0	0.0		
Fiduciary Management	12,753,493	7.8	7.5	0.3	5.0	10.0
Stacey Braun	12,245,494	7.5	7.5	0.0	5.0	10.0
Stephens Mid Cap Growth	12,184,952	7.4	7.5	-0.1	2.5	12.5
Barrow Hanley MeWhinney & Strauss	17,740,563	10.8	10.0	0.8	5.0	15.0
Causeway International (CIVIX)	12,249,161	7.5	7.5	0.0	2.5	12.5
Cohen & Steers (CSRIX)	8,570,673	5.2	5.0	0.2	0.0	10.0
ARI MLP	18,357,473	11.2	10.0	1.2	5.0	15.0
MacKay Shields Core Plus	31,952,246	19.5	20.0	-0.5	17.5	22.5
Smith Graham Core Plus	29,167,374	17.8	20.0	-2.2	17.5	22.5
Loomis Sayles High Yield (LSHIX)	8,821,537	5.4	5.0	0.4	0.0	10.0
Cash	91,722	0.1	0.0	0.1	0.0	0.0

Executive Summary





Source: Port of Houston Authority Restated Retirement Plan Actuarial Valuation Report as of August 1, 2015. The funded ratio is calculated by dividing the actuarial value of assets by the actuarial accrued liability.

The 2013 funded status was calculated as 100.7%, prior to reduction of the actuarial assumption from 7.25% to 7.00%.

<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.

The Bogdahn Group compiled this report for the sole use of the client for which it was prepared. The Bogdahn Group is responsible for evaluating the performance results of the Total Fund along with the investment advisors by comparing their performance with indices and other related peer universe data that is deemed appropriate. The Bogdahn group uses the results from this evaluation to make observations and recommendations to the client.

The Bogdahn Group 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. The Bogdahn Group analyzes transactions as indicated on the custodian statements and reviews the custodial market values of the portfolio. As a result, this provides The Bogdahn Group with a reasonable basis that the investment information presented is free from material misstatement. This methodology of evaluating and measuring performance provides The Bogdahn Group with a practical foundation for our observations and recommendations. Nothing came to our attention that would cause The Bogdahn Group to believe that the information presented is significantly misstated.

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