

Investment Performance Review
Period Ending September 30, 2018

Port of Houston Authority Pension Plan

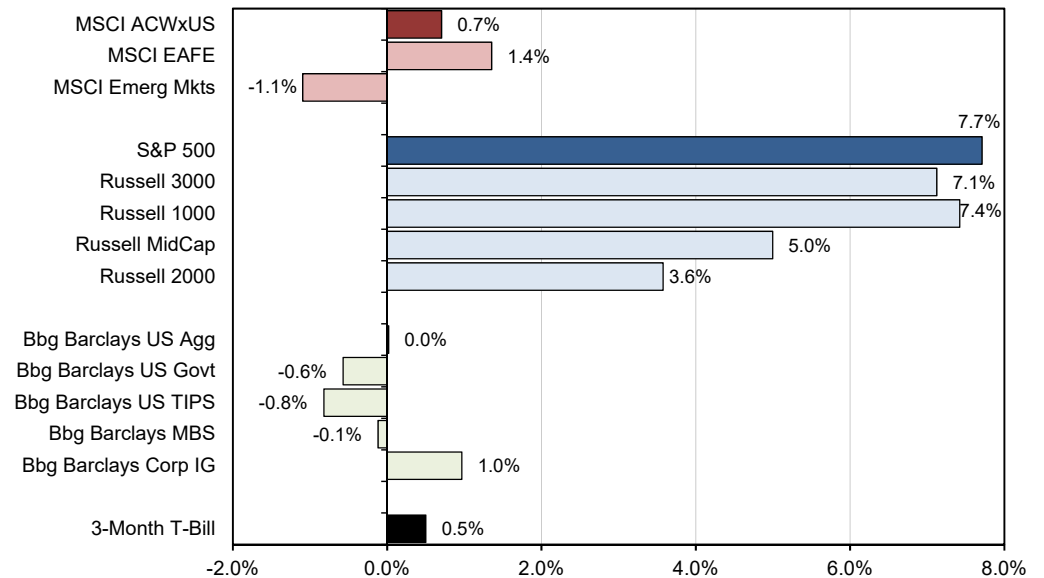


3rd Quarter 2018 Market Environment

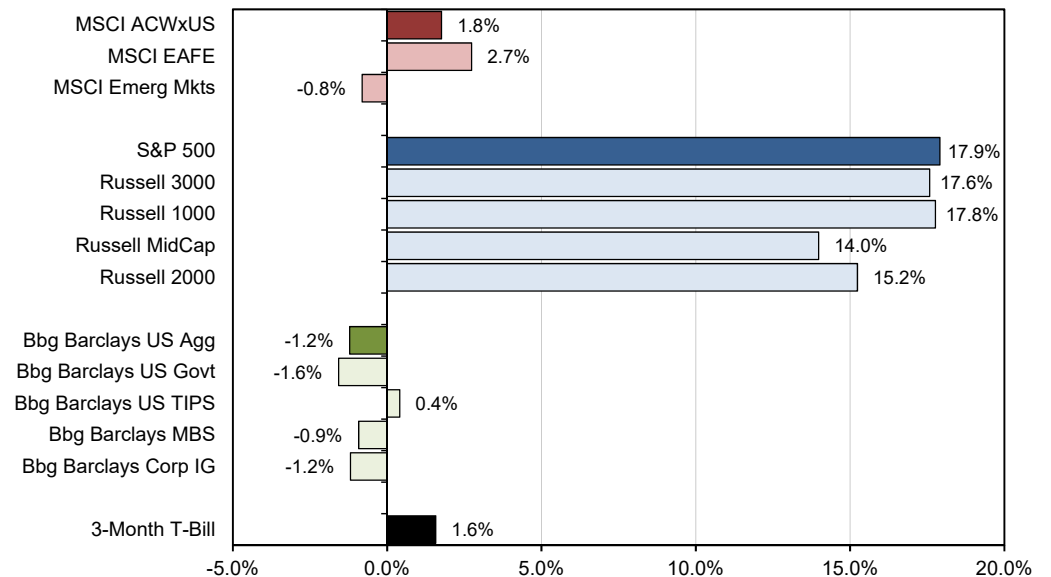


- Market returns were mixed across major equity and fixed income indices for the 3rd quarter of 2018 with many themes from the 2nd quarter repeating during the current period. Broad domestic equity indices pushed higher on continued strength in both economic and corporate earnings data. Corporate earnings continue to benefit from fiscal stimulus tailwinds in the form of the late 2017 tax reform. International indices underperformed domestic indices during the period, posting more muted returns in US dollar (USD) terms, as investors weighed relatively soft economic data, a strengthening USD and geopolitical concerns, especially around global trade relations. Fixed income returns were flat for the quarter as interest rates continued to rise. Domestic stocks rose as concerns around ongoing monetary policy tightening by the Federal Reserve (Fed) and an escalating trade war between the US and China were not substantial enough to dampen investor enthusiasm around the ongoing strength of the US economy. The US stock market represented by the Russell 3000 Index returned 7.1% and 17.6% for the quarter and 1-year period respectively.
- International equity returns finished the quarter slightly positive with the MSCI ACWI ex US Index returning 0.7%. Developed market stocks pushed higher through the period, however, relatively subdued economic growth and ongoing political and trade uncertainty tempered returns versus domestic equities. The developed market MSCI EAFE Index gained 1.4% during the quarter. Emerging market stocks struggled in comparison, posting negative returns for the period, as trade tensions grew between the US and China. In addition, a strengthening USD caused headwinds for most international markets, but caused particular difficulties for emerging market countries that issue debt in USD. The MSCI Emerging Markets Index posted a small decline of -1.1% during the 3rd quarter. The relative outperformance of developed markets can also be seen in the 1-year period with the MSCI EAFE and MSCI Emerging Markets indices returning 2.7% and -0.8% respectively.
- Interest rates on the US Treasury Yield Curve continued their year-to-date rise during the 3rd quarter as investor expectations for further Fed tightening of monetary policy increased during the period. The yield curve did flatten slightly as interest rates had the greatest increase in short-term maturities, but overall, the shift in rates was fairly consistent throughout the entire curve. The Fed did implement another interest rate increase following their September meeting citing the continued strength of the US economy and stable inflation. The broad market Bloomberg Barclays US Aggregate Index was flat for the quarter returning 0.0% and is slightly negative over the 1-year period returning -1.2%. Corporate issues rebounded following underperformance during the first half of the year and were the only investment grade sector to post a positive return during the quarter, as they benefitted from tightening credit spreads and strong investor demand.

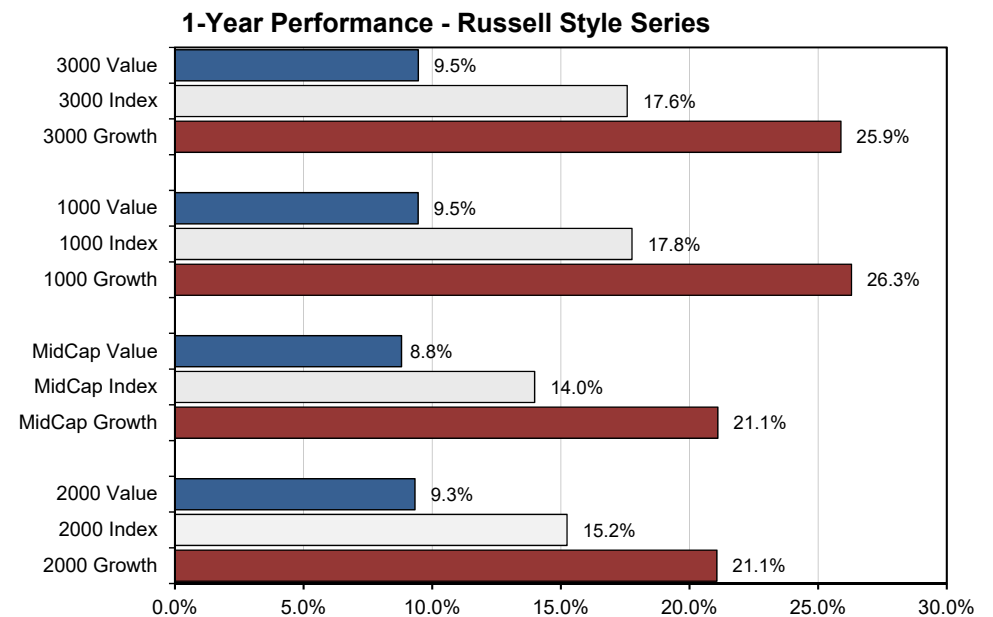
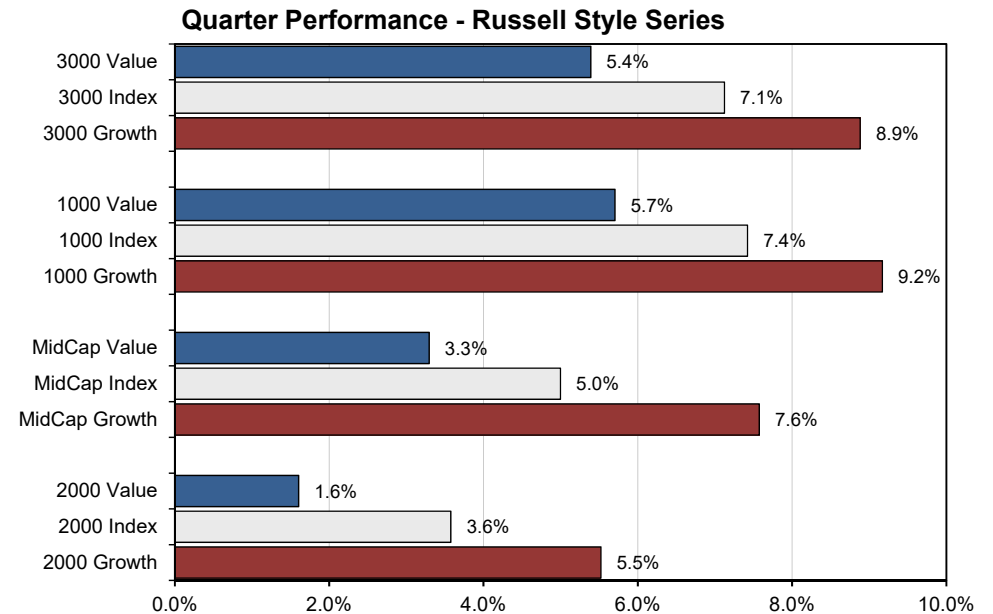
Quarter Performance



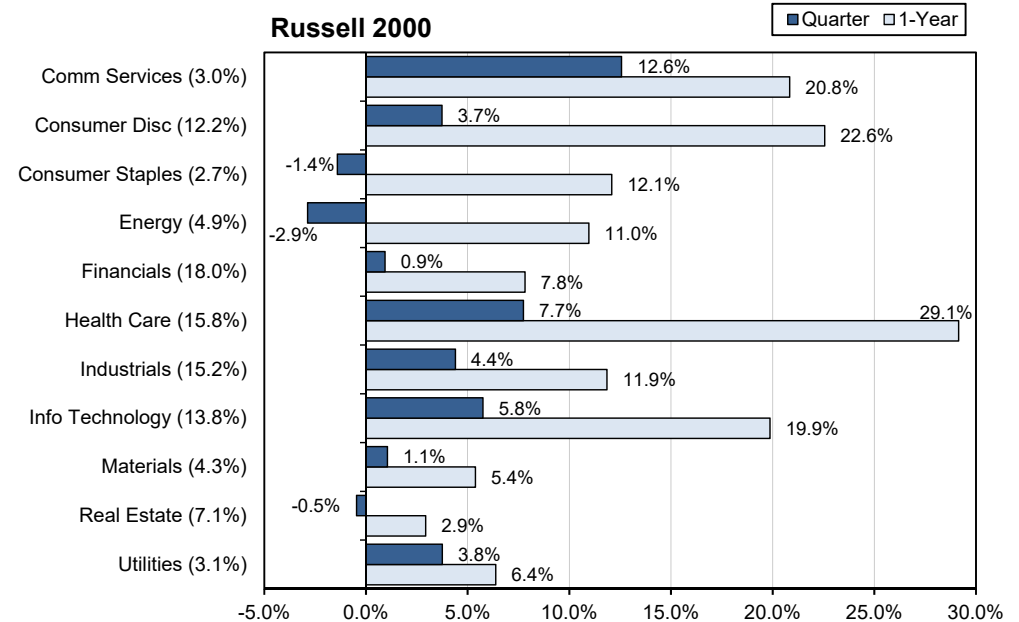
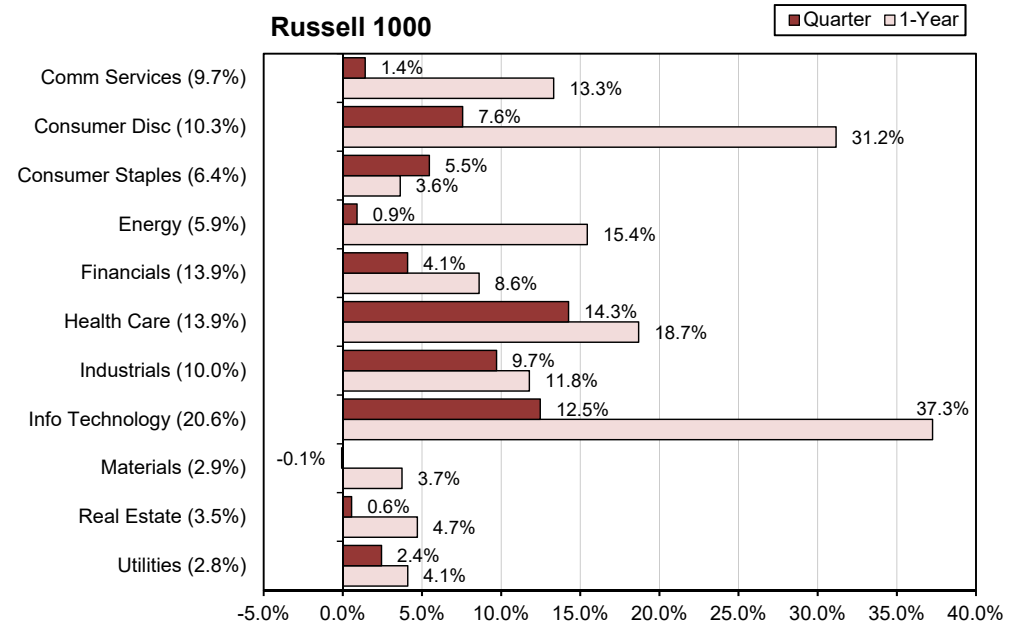
1-Year Performance



- US equity index returns were positive across the style and capitalization spectrum during the 3rd quarter of 2018. US equity markets were pushed higher by the ongoing strength in US economic data and corporate earnings. Positive data releases in GDP, unemployment, retail sales, consumer consumption and investor sentiment highlighted the continued health of the US economy. Corporate earnings released during the quarter were also impressive. Earnings reported for S&P 500 companies were up over 20% on a year-over-year basis for the second straight quarter as corporate profits continued to benefit from the new tax code. The current expansion in US equity markets now marks the longest bull market in history. While the positive economic data drove returns through the quarter, trade negotiations with China broke down with both the US and China instituting several rounds of new tariffs during the period. Currently the US is imposing tariffs on \$250 billion of Chinese imports with China placing tariffs on \$110 billion worth of goods. Further action has been threatened by both countries. While negotiations with China have been unsuccessful, progress was made in the renegotiation of the North American Free Trade Agreement (NAFTA) and discussions with the European Union (EU) appear to be moving ahead productively.
- During the quarter, large cap stocks outperformed mid and small cap equities across growth, value and core indices. The large cap Russell 1000 Index returned 7.4% for the quarter versus a 3.6% return for the Russell 2000 Index. The Russell 1000 benefitted from strong performance from some of its largest exposures. Apple Inc, Microsoft Corp and Amazon.com Inc alone make up over 10% of the index and posted quarterly returns of 22.4%, 16.4% and 17.8% respectively. Those same three stocks have gained 48.7%, 56.3% and 108.4% over the 1-year period. This strong performance from some of the index's largest constituents has helped large caps outperform small caps over the 1-year period as well with the Russell 1000 returning 17.8% over the trailing year while the Russell 2000 posted a still solid return of 15.2%.
- Growth stocks outperformed value stocks across the market cap spectrum during the 3rd quarter. The large cap Russell 1000 Growth Index was the best performing style index for the period returning a notable 9.2% for the quarter. The outperformance of growth indices relative to value indices is also evident over the 1-year period as growth indices continue to show significant outperformance relative to their value counterparts. The returns for growth indices more than double the returns of the corresponding value indices over the last 12 months. Growth benchmarks benefitted from larger exposures to more cyclical names within the information technology, consumer discretionary, health care and industrials sectors. They also benefitted from underweights to more defensive sectors such as REITs and utilities.



- Both S&P Dow Jones Indices and MSCI made changes to the Global Industry Classification Standard (GICS) sector configurations of their indices, creating a new GICS sector classification called Communication Services which replaced the Telecommunications sector on September 28, 2018. The Communication Services sector is comprised of companies in the Telecommunications sector, as well as certain companies formerly classified as Consumer Discretionary and Information Technology. As a result, the sector, went from a weighting of about 2% of the Russell 1000 Index to almost 10% post reclassification. Notable names now classified under Communication Services include Netflix, Alphabet, Facebook and Disney. This is just the second change to the GICS classifications since 1999.
- Sector performance was broadly positive across large cap sectors for the 3rd quarter. Ten of eleven sectors had positive returns for the quarter with four outpacing the Russell 1000 Index return. The consumer discretionary sector continues to do well on the back of strong retail sales and increased consumer spending, gaining 7.6% for the period. Health care and technology stocks increased 14.3% and 12.5% during the quarter respectively, with companies in both sectors reporting strong earnings. Industrials benefitted from continued economic strength returning 9.7%. The largest detractors for the quarter were the materials, real estate and energy sectors which returned -0.1%, 0.6% and 0.9% respectively. Over the trailing 1-year period, all large cap all sectors were positive. The information technology and consumer discretionary sectors were the best performers, returning over 30% over the last 12 months, and six of eleven sectors have returns over 10% for the year.
- Quarterly results for small cap sectors were generally lower relative to their large capitalization counterparts. Nine of eleven sectors had positive returns during the period with six of eleven economic sectors outpacing the Russell 2000 Index return for the quarter. Energy, consumer staples and real estate posted negative returns for the period returning -2.9%, -1.4% and -0.5% respectively. Communications services and health care were the best performers returning 12.6% and 7.7%. Over the trailing 1-year period, all eleven sectors posted gains. Health care stocks were the best performers within the Russell 2000 for the trailing year returning a solid 29.1%. Communication services, technology, and consumer discretionary also had particularly robust returns for the 1-year period.
- Using S&P 500 sector valuations as a proxy for the market, forward P/E ratios for seven of the eleven GICS sectors were higher than their long-term averages at quarter-end. Using these historical P/E measures, the utilities, consumer discretionary and real estate sectors appear the most extended. In contrast the financials, technology and health care sectors were trading at a discount to their long-term average P/E ratios.



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

Top 10 Weighted Stocks				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Apple Inc	3.97%	22.4%	48.7%	Information Technology
Microsoft Corp	3.15%	16.4%	56.3%	Information Technology
Amazon.com Inc	2.96%	17.8%	108.4%	Consumer Discretionary
Berkshire Hathaway Inc B	1.51%	14.7%	16.8%	Financials
Facebook Inc A	1.42%	-15.4%	-3.8%	Communication Services
JPMorgan Chase & Co	1.37%	8.9%	20.7%	Financials
Johnson & Johnson	1.35%	14.6%	9.1%	Health Care
Alphabet Inc Class C	1.32%	7.0%	24.4%	Communication Services
Alphabet Inc A	1.31%	6.9%	24.0%	Communication Services
Exxon Mobil Corp	1.31%	3.8%	7.9%	Energy

Top 10 Weighted Stocks				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Five Below Inc	0.31%	33.1%	137.0%	Consumer Discretionary
Etsy Inc	0.27%	21.8%	204.4%	Consumer Discretionary
Integrated Device Technology Inc	0.27%	47.5%	76.9%	Information Technology
LivaNova PLC	0.27%	24.2%	76.9%	Health Care
Haemonetics Corp	0.26%	27.8%	155.4%	Health Care
Teladoc Health Inc	0.25%	48.8%	160.5%	Health Care
Ligand Pharmaceuticals Inc	0.25%	32.5%	101.6%	Health Care
HubSpot Inc	0.24%	20.4%	79.6%	Information Technology
Primerica Inc	0.23%	21.3%	49.2%	Financials
HealthEquity Inc	0.22%	25.7%	86.7%	Health Care

Top 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Advanced Micro Devices Inc	0.10%	106.1%	142.3%	Information Technology
Square Inc A	0.10%	60.6%	243.7%	Information Technology
Paycom Software Inc	0.03%	57.2%	107.3%	Information Technology
Twilio Inc A	0.02%	54.0%	189.0%	Information Technology
Atlassian Corporation PLC A	0.03%	53.8%	173.5%	Information Technology
Molina Healthcare Inc	0.03%	51.8%	116.3%	Health Care
DexCom Inc	0.05%	50.6%	192.4%	Health Care
Match Group Inc	0.01%	49.5%	149.7%	Communication Services
Fortinet Inc	0.05%	47.8%	157.4%	Information Technology
IAC/InterActiveCorp	0.06%	42.1%	84.3%	Communication Services

Top 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
CareDx Inc	0.04%	135.7%	679.7%	Health Care
Reata Pharmaceuticals Inc A	0.07%	133.8%	162.9%	Health Care
Invitae Corp	0.05%	127.6%	78.5%	Health Care
RigNet Inc	0.01%	97.6%	18.3%	Energy
Tandem Diabetes Care Inc	0.10%	94.6%	486.8%	Health Care
Health Insurance Innovations Inc	0.03%	90.6%	325.2%	Financials
Funko Inc Class A	0.01%	88.8%	N/A	Consumer Discretionary
LSB Industries Inc	0.01%	84.5%	23.2%	Materials
Viking Therapeutics Inc	0.04%	83.6%	812.0%	Health Care
Ra Pharmaceuticals Inc	0.01%	81.8%	23.9%	Health Care

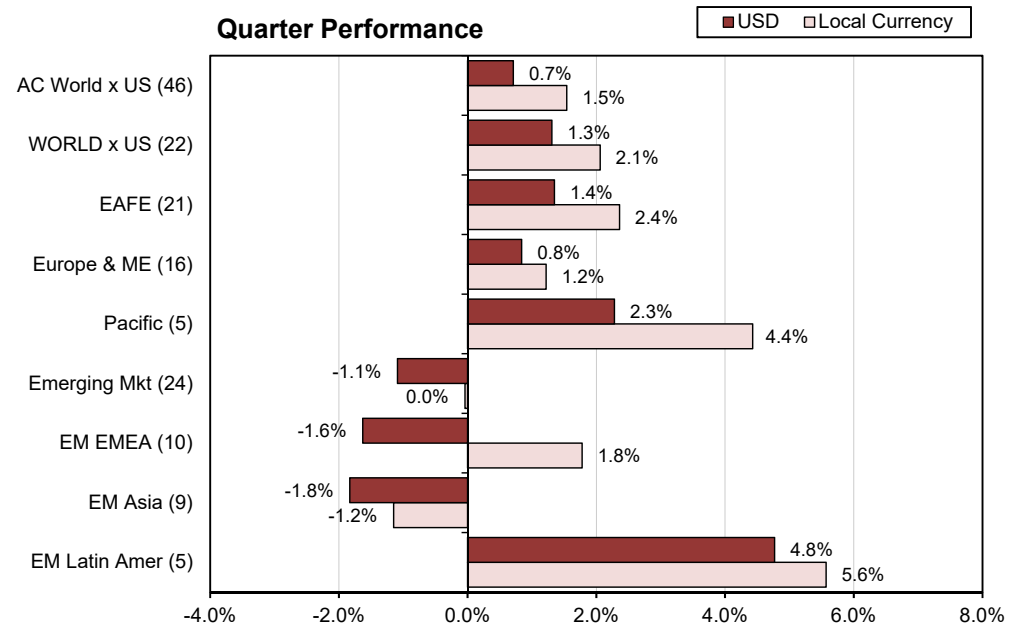
Bottom 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Floor & Decor Holdings Inc	0.01%	-38.8%	-22.5%	Consumer Discretionary
Twitter Inc	0.07%	-34.8%	68.7%	Communication Services
IPG Photonics Corp	0.02%	-29.3%	-15.7%	Information Technology
Visteon Corp	0.01%	-28.1%	-24.9%	Consumer Discretionary
Zillow Group Inc A	0.01%	-26.0%	10.1%	Communication Services
Zillow Group Inc C	0.02%	-25.1%	10.0%	Communication Services
Western Digital Corp	0.06%	-23.7%	-30.4%	Information Technology
Wynn Resorts Ltd	0.05%	-23.7%	-13.3%	Consumer Discretionary
Extraction Oil & Gas Inc	0.00%	-23.1%	-26.6%	Energy
Tesla Inc	0.13%	-22.8%	-22.4%	Consumer Discretionary

Bottom 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Vital Therapies Inc	0.00%	-96.0%	-94.5%	Health Care
GTx Inc	0.00%	-89.7%	-81.4%	Health Care
Ampio Pharmaceuticals Inc	0.00%	-76.9%	-16.9%	Health Care
Innovate Biopharmaceuticals Inc	0.01%	-71.0%	-2.4%	Health Care
Zion Oil & Gas Inc	0.00%	-68.4%	-62.5%	Energy
Endologix Inc	0.01%	-66.3%	-57.2%	Health Care
Lannett Co Inc	0.01%	-65.1%	-74.3%	Health Care
Maiden Holdings Ltd	0.01%	-62.6%	-61.1%	Financials
Diebold Nixdorf Inc	0.02%	-62.3%	-80.1%	Information Technology
Sears Holdings Corp	0.00%	-59.2%	-86.7%	Consumer Discretionary

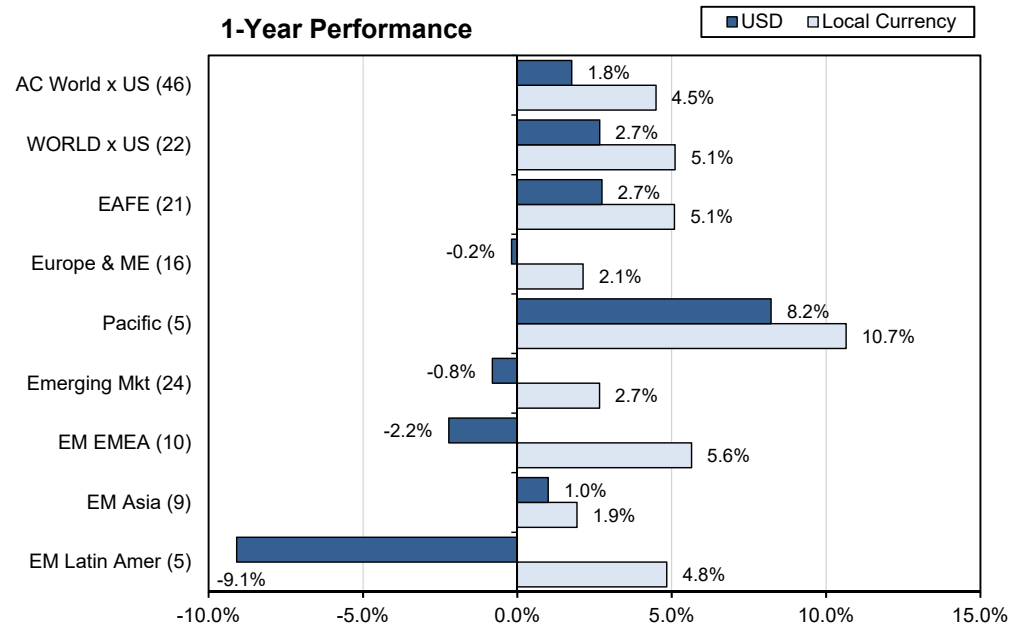


- Broad international equity returns were mixed for the quarter. Most developed markets were positive in local currency and USD terms whereas emerging markets were negative in both local currency and USD terms. Performance was largely driven by the same catalysts as the US equity markets for the second straight quarter. We saw global macroeconomic data slow, but remain generally positive through the period, with returns being tempered by global trade tensions and ongoing political uncertainty. The USD continued to strengthen against most currencies for the period as relatively strong US economic fundamentals and the continued divergence in global monetary policy hurt US investors in international markets. The MSCI ACWI ex US Index gained 1.5% in local currency terms and 0.7% in USD terms during the 3rd quarter. Returns over the 1-year period are modestly positive in both local currency and USD terms with the MSCI ACWI ex US returning 4.5% and 1.8% respectively.
- Third quarter results for developed market international indices were positive in local currency terms and USD terms with the MSCI EAFE Index returning 2.4% and 1.4% respectively. Returns were dampened for US investors as continued strength in the USD pushed returns lower. Developed markets were pushed higher by broadly positive, but slowing, global economic and earnings data despite several significant political events in Europe during the quarter. Concerns over a “no deal” Brexit and worries over a pending budget approval in Italy weighed on returns, while markets were encouraged by progress in trade negotiations between the US and the eurozone and signs of continued political stability in Japan. The MSCI EAFE Index returned 5.1% and 2.7% for the last twelve months in local currency and USD terms respectively.
- Emerging markets underperformed relative to developed markets for the 3rd quarter, posting a flat return in local currency terms that was exacerbated by the rising USD. The MSCI Emerging Markets Index returned 0.0% and -1.1% in local currency and USD terms respectively. Returns in emerging markets were the hurt by the deterioration in trade negotiations between the US and China followed by several rounds of new tariffs enacted by both countries. Emerging market stocks were also negatively affected by rising US interest rates coupled with an appreciating USD. Many emerging market countries and companies issue debt denominated in USD and the combination of higher interest rates and a relatively weaker local currency can put stress on the balance sheets of these borrowers, especially those heavily dependent on external capital. This was particularly problematic for Turkey, Argentina and South Africa during the 3rd quarter with Argentina having to expedite their request for an emergency bailout of \$50 billion from the World Monetary Fund. In positive news, Mexico and the US made progress toward the renegotiation of NAFTA. One year returns for the MSCI Emerging Market Index were 2.7% in local currency terms and -0.8% in USD terms.

Quarter Performance



1-Year Performance



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

MSCI - EAFE	Sector Weight	Quarter Return	1-Year Return
Communication Services	5.4%	3.3%	-2.4%
Consumer Discretionary	11.1%	-0.5%	3.3%
Consumer Staples	11.3%	-0.1%	2.5%
Energy	6.0%	3.5%	24.6%
Financials	19.8%	0.9%	-4.0%
Health Care	10.9%	5.6%	7.1%
Industrials	14.3%	2.6%	4.2%
Information Technology	6.2%	0.3%	7.4%
Materials	8.1%	0.4%	5.1%
Real Estate	3.5%	-3.0%	1.0%
Utilities	3.3%	-0.6%	0.7%
Total	100.0%	1.4%	2.7%

MSCI - ACWIXUS	Sector Weight	Quarter Return	1-Year Return
Communication Services	7.6%	-3.0%	-4.1%
Consumer Discretionary	10.7%	-3.2%	-1.4%
Consumer Staples	9.7%	-0.6%	1.6%
Energy	7.1%	4.1%	18.3%
Financials	22.0%	1.7%	-1.9%
Health Care	8.3%	4.5%	7.6%
Industrials	11.7%	2.8%	3.8%
Information Technology	8.5%	1.3%	5.6%
Materials	8.2%	0.4%	5.2%
Real Estate	3.2%	-3.5%	-2.7%
Utilities	3.0%	-0.9%	-1.2%
Total	100.0%	0.7%	1.8%

MSCI - Emerging Mkt	Sector Weight	Quarter Return	1-Year Return
Communication Services	14.8%	-9.4%	-6.0%
Consumer Discretionary	11.3%	-9.9%	-13.2%
Consumer Staples	6.7%	-2.9%	-1.9%
Energy	6.3%	14.5%	26.0%
Financials	23.3%	1.5%	0.4%
Health Care	3.1%	-7.2%	11.4%
Industrials	5.3%	2.5%	-4.3%
Information Technology	15.9%	2.2%	2.3%
Materials	7.8%	4.5%	8.6%
Real Estate	2.9%	-5.6%	-15.1%
Utilities	2.5%	-1.9%	-5.4%
Total	100.0%	-1.1%	-0.8%

Country	MSCI-EAFE Weight	MSCI-ACWIXUS Weight	Quarter Return	1-Year Return
Japan	24.6%	16.9%	3.7%	10.2%
United Kingdom	17.5%	12.0%	-1.7%	2.9%
France	11.2%	7.7%	2.8%	4.2%
Germany	9.4%	6.5%	-0.6%	-5.4%
Switzerland	8.3%	5.7%	7.3%	1.6%
Australia	6.8%	4.7%	-0.9%	4.4%
Hong Kong	3.5%	2.4%	-1.0%	2.9%
Netherlands	3.3%	2.3%	-1.5%	-1.6%
Spain	3.0%	2.0%	-2.4%	-9.7%
Sweden	2.7%	1.9%	7.0%	-3.3%
Italy	2.3%	1.6%	-4.5%	-8.9%
Denmark	1.7%	1.2%	2.3%	-4.2%
Singapore	1.3%	0.9%	2.2%	6.9%
Finland	1.1%	0.7%	3.2%	10.3%
Belgium	1.0%	0.7%	-5.2%	-11.8%
Norway	0.8%	0.5%	6.7%	13.7%
Israel	0.6%	0.4%	5.1%	14.9%
Ireland	0.5%	0.4%	-5.4%	-6.1%
Austria	0.2%	0.2%	0.2%	-3.1%
New Zealand	0.2%	0.2%	2.4%	4.4%
Portugal	0.2%	0.1%	-0.6%	1.7%
Total EAFE Countries	100.0%	68.7%	1.4%	2.7%
Canada		6.7%	0.8%	1.9%
Total Developed Countries		75.3%	1.3%	2.7%
China		7.6%	-7.5%	-2.2%
Korea		3.7%	0.7%	1.4%
Taiwan		3.0%	6.5%	9.7%
India		2.1%	-2.3%	1.1%
Brazil		1.5%	6.1%	-14.0%
South Africa		1.5%	-7.4%	-5.1%
Russia		0.9%	6.2%	13.7%
Mexico		0.8%	6.9%	-4.4%
Thailand		0.6%	13.6%	15.2%
Malaysia		0.6%	3.8%	7.6%
Indonesia		0.5%	2.0%	-10.4%
Poland		0.3%	10.6%	-5.0%
Chile		0.3%	-2.0%	-5.7%
Philippines		0.2%	1.0%	-15.6%
Qatar		0.2%	12.8%	25.3%
United Arab Emirates		0.2%	3.1%	-6.9%
Turkey		0.2%	-20.5%	-41.7%
Colombia		0.1%	-2.5%	10.0%
Peru		0.1%	-2.1%	12.2%
Greece		0.1%	-17.6%	-14.8%
Hungary		0.1%	4.7%	-5.0%
Czech Republic		0.1%	4.0%	12.8%
Egypt		0.0%	-6.8%	-7.1%
Pakistan		0.0%	-4.9%	-20.6%
Total Emerging Countries		24.7%	-1.1%	-0.8%
Total ACWIXUS Countries		100.0%	0.7%	1.8%

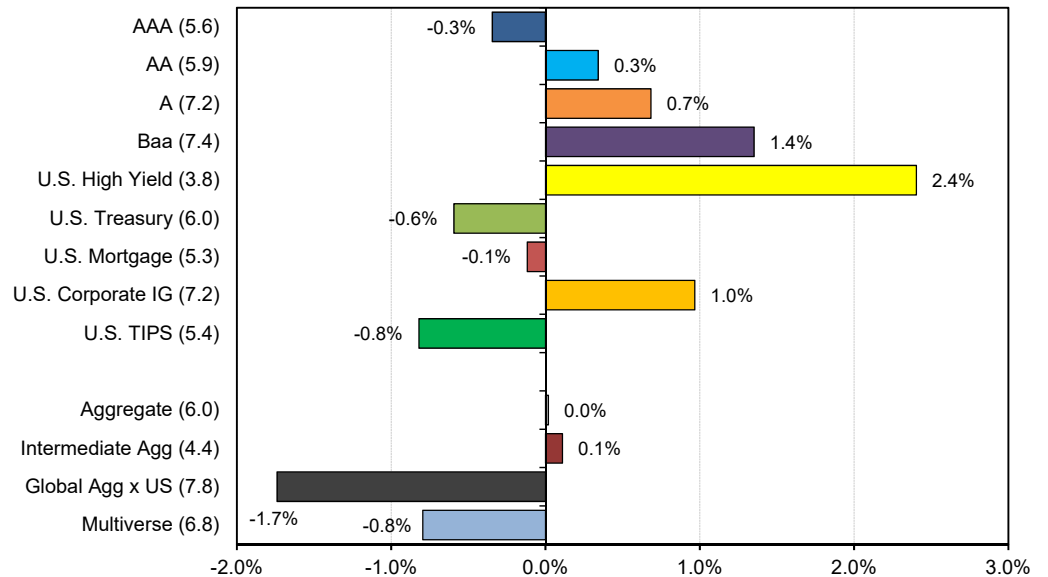
Source: Morningstar Direct, MSCI Global Index Monitor (Returns are Net in USD)

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.

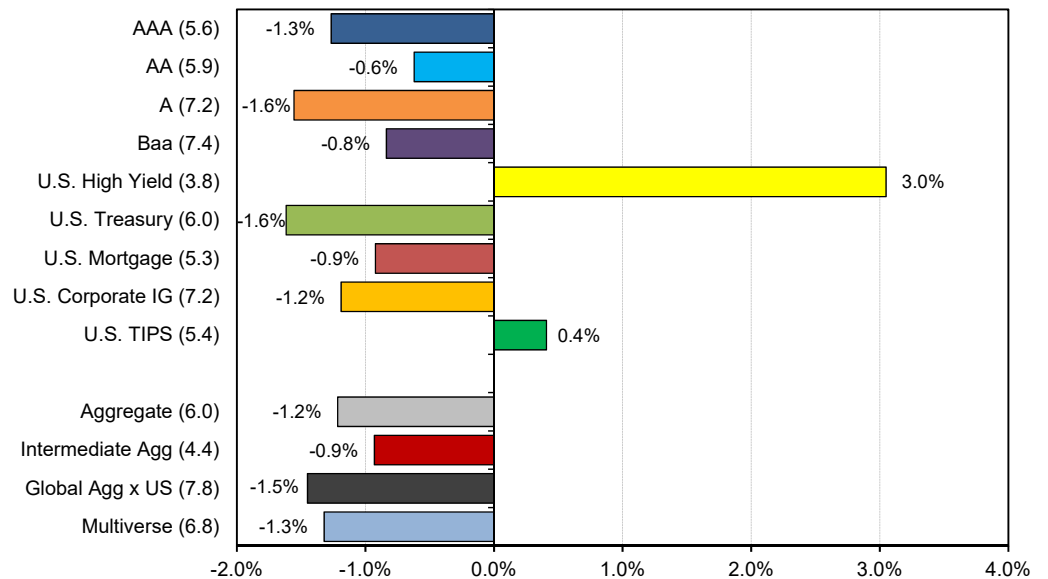


- Broad fixed income benchmarks had mixed results during the 3rd quarter. Interest rates rose across all maturities on the US Treasury Yield Curve. The Federal Open Market Committee (FOMC), decided to increase short-term interest rates by 25 basis points at their September meeting citing continued strength in the economy and stable inflation. This is the third rate hike of 2018. The current Fed Funds Rate target range sits at 2.00%-2.25%. The FOMC also changed the language used in its policy statement, removing the word “accommodative”, which investors took as a signal that the Fed plans to continue its trend of monetary policy tightening. The yield curve continued to flatten, although very gradually, as short-term yields rose at a greater rate than long-term yields during the quarter. The difference in yields between the 2-year and 10-year Treasury now sits at just 0.24%. As the curve continues to flatten, it moves closer to becoming “inverted”, which happens when short-term maturities have greater yields than long-term securities. Historically, an inverted yield curve has signaled a greater probability of a recession. The Fed is also continuing the reduction of the size of its balance sheet by slowing its pace of reinvestment as the securities it holds mature. The Bloomberg Barclays US Aggregate Index was flat during the quarter, posting a 0.0% return. Over the 1-year period the index has fallen -1.2%.
- Within investment grade credit, lower quality corporate issues outperformed higher quality issues as credit spreads tightened steadily over the quarter. 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 1.4% for the quarter, while AAA was the worst performing, falling -0.3%. High yield debt outperformed relative to investment grade credit, returning 2.0%, as spreads tightened to a greater degree for these issues and the index benefitted from less sensitivity to rising interest rates due to its lower duration. Returns are negative for all investment grade quality segments when viewed over the 1-year period while high yield continues to outperform with a return of 3.0%.
- Of the Bloomberg Barclays US Aggregate Index’s three broad sectors, US investment grade corporates were the best performing investment grade sector through the quarter, returning 1.0%, and the only sector to post a positive return for the period. Corporate credit outperformed as credit spreads tightened. Demand for these securities outweighed supply for the period despite considerable new issuance and a headwind from the sectors higher duration relative to other index sectors. Treasuries were the worst performing sector posting a -0.6% return. Over the 1-year period, all three broad investment grade sectors posted losses with mortgages, investment grade credit and Treasuries falling -0.9%, -1.2% and -1.6% respectively.

Quarter Performance

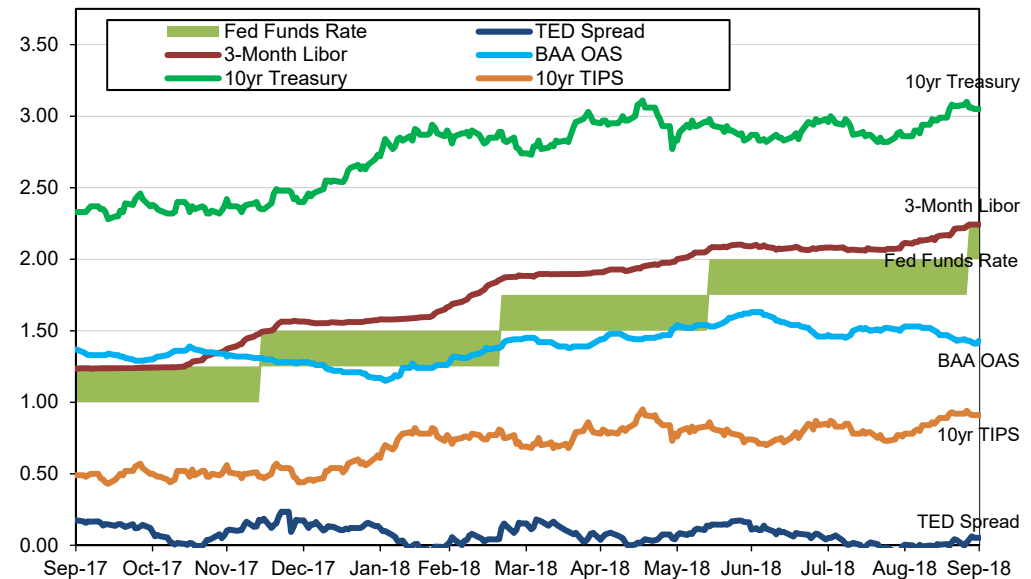


1-Year Performance

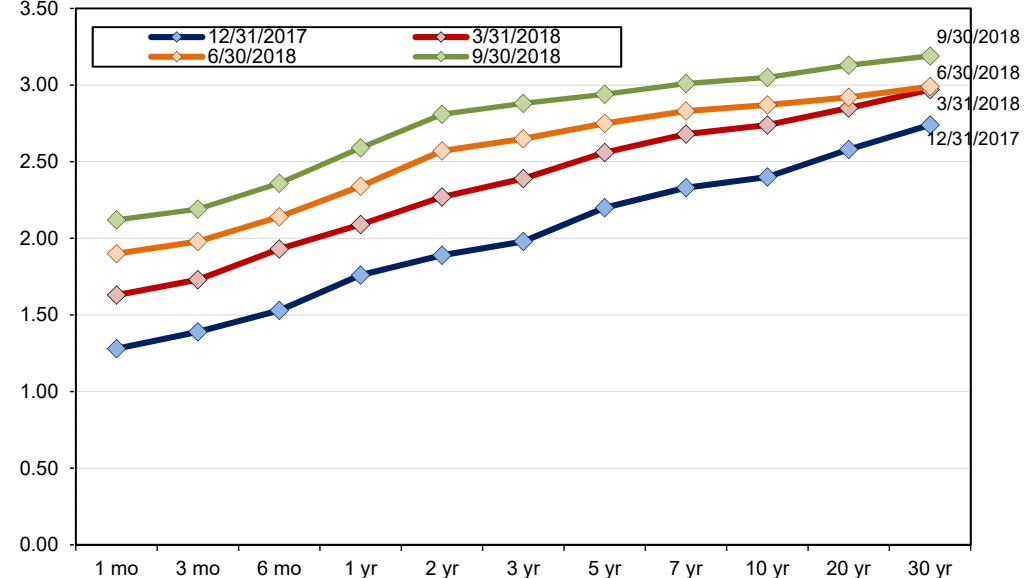


- Global fixed income indices continue to struggle relative to their domestic counterparts, underperforming during the 3rd quarter. These indices have lower yields and their relatively high duration acted as a headwind to performance in the current quarter as interest rates increased. The returns of these indices are also significantly influenced by fluctuations in their currency denomination relative to the USD. During the 3rd quarter the USD strengthened against most other currencies, negatively impacting the returns on global bond indices. The return on global bonds, as represented by the Bloomberg Barclays Global Aggregate ex US Index, was -1.7% and -1.5% for the quarter and 1-year period respectively. As the global economy continues to recover, several international central banks have started to move toward less accommodative postures. Notably, the ECB, began to slow its monthly bond purchase program in September, reducing new purchases to 15 billion euro per month from 30 billion euro per month, as well as forecasting an end to the program by the end of the year assuming the eurozone recovery continues to flourish. However, they have indicated a continuation of reinvestment in maturing securities and would likely not raise interest rates from current levels until summer 2019. The Bank of England increased interest rates by 0.25% during the quarter citing improvement in their near-term economic outlook and the Bank of Japan has changed its policy to allow flexibility for future tightening in the future.
- Much of the index performance detailed in the bar graphs on the previous page is visible on a time series basis by reviewing the line graphs to the right. The '1-Year Trailing Market Rates' chart illustrates that the 10-year Treasury yield (green line) rose steadily during the end of the 3rd quarter, ending the period at 3.05%. The blue line illustrates changes in the BAA OAS (Option Adjusted Spread). This measure quantifies the additional yield premium that investors require to purchase and hold non-Treasury issues. This line illustrates a steady increase in credit spreads through the first two quarters of 2018, followed by a smooth decline during the 3rd quarter. This decline 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 20 basis points over the last 3-months. The green band across the graph illustrates the gradual increase in the Federal Funds Rate (three increases in the last twelve months) due to the continued unwinding of accommodative US monetary policy.
- The lower graph provides a snapshot of the US Treasury yield curve at the end of each of the last four calendar quarters. As mentioned, the yield curve continues to flatten as yields on shorter-term maturities have risen more than interest rates on the long end of the curve. The upward momentum of interest rates as well as a general flattening of the yield curve are clearly visible over the last twelve months.

1-Year Trailing Market Rates



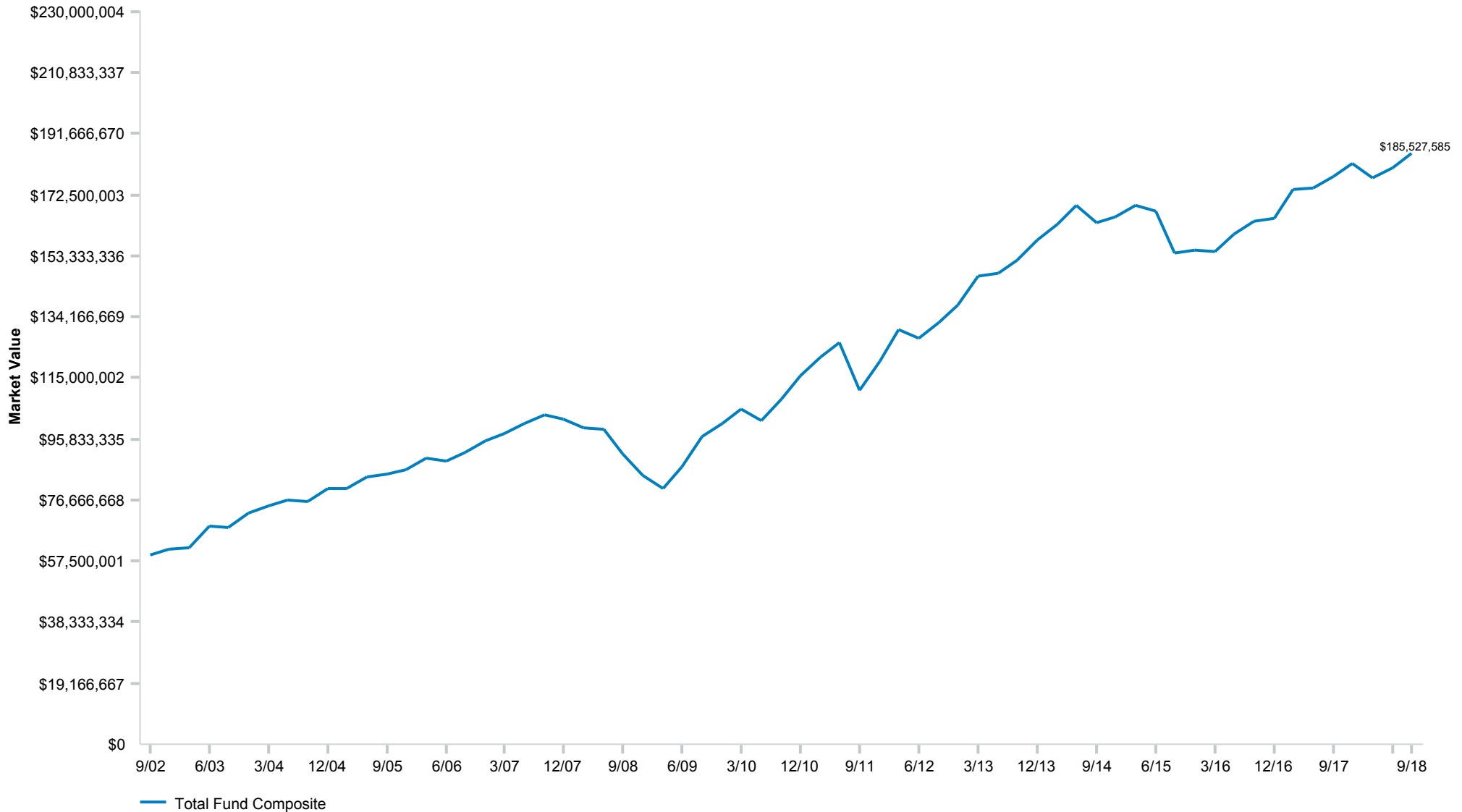
Treasury Yield Curve



7.0%



Schedule of Investable Assets



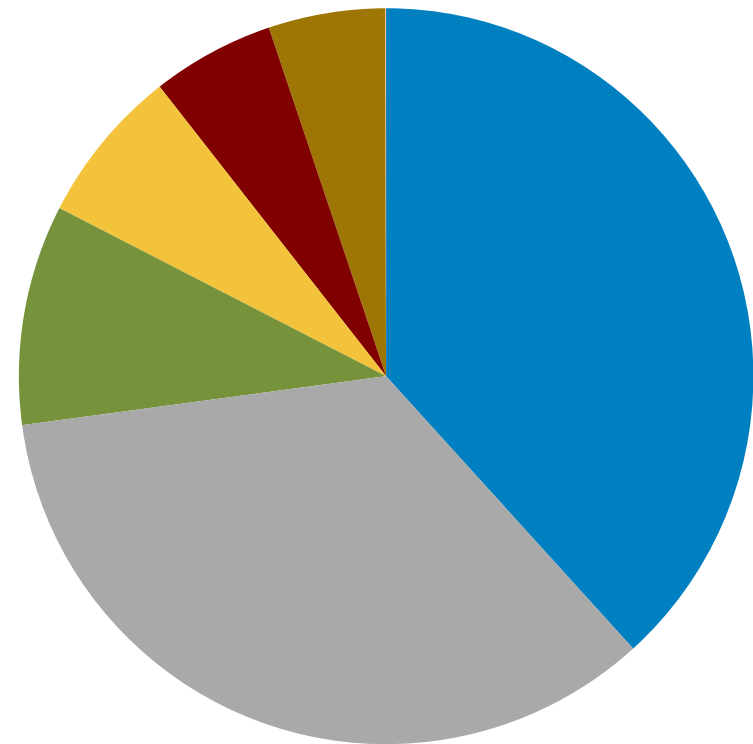
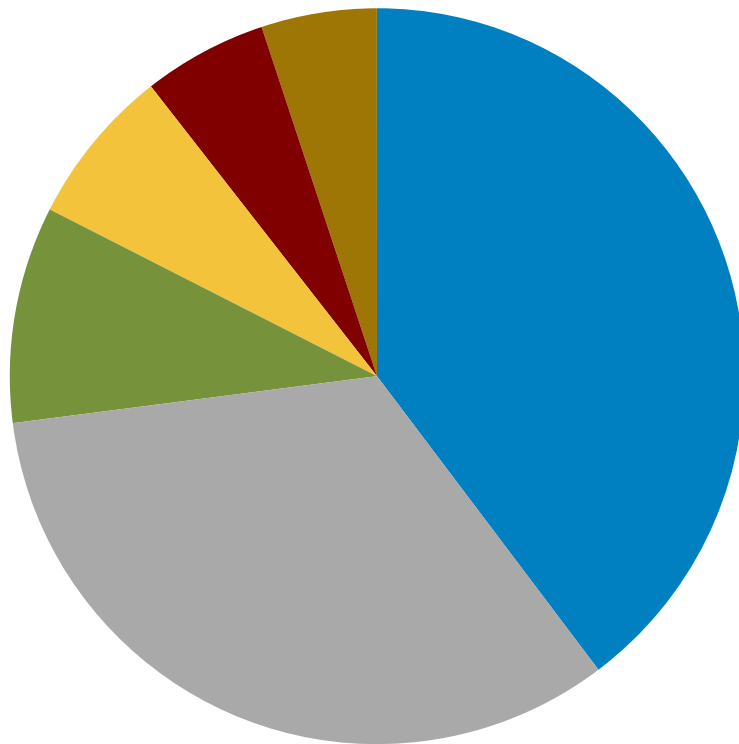
Schedule of Investable Assets

Periods Ending	Beginning Market Value \$	Net Cash Flow \$	Gain/Loss \$	Ending Market Value \$	%Return
Oct-2002 To Sep-2018	59,280,518	-2,854,122	129,101,189	185,527,585	7.45



June 30, 2018 : \$181,057,102

September 30, 2018 : \$185,527,585

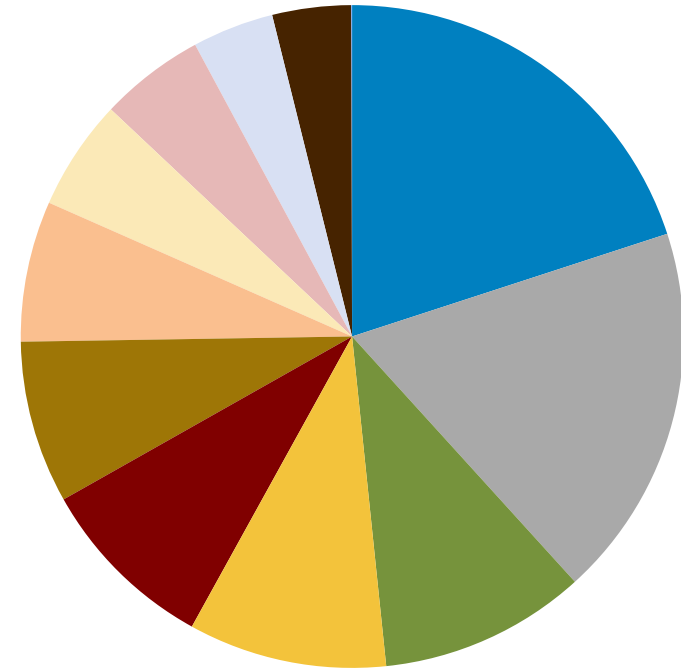
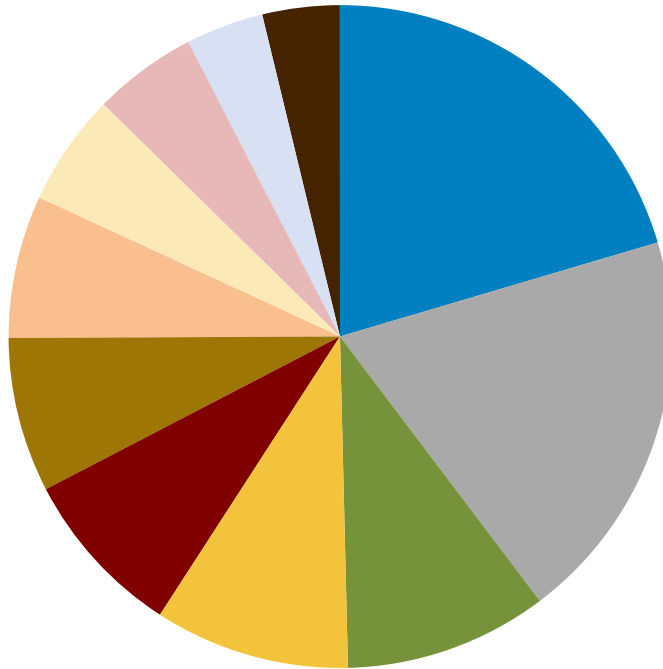


Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
Fixed Income	71,879,927	39.7	Fixed Income	70,990,144	38.3
Domestic Equity	60,224,436	33.3	Domestic Equity	64,217,155	34.6
MLPs	17,250,089	9.5	MLPs	17,953,403	9.7
International Equity	12,589,324	7.0	International Equity	12,741,655	6.9
Real Estate	9,895,813	5.5	Real Estate	10,026,164	5.4
High Yield Fixed Income	9,198,473	5.1	High Yield Fixed Income	9,500,028	5.1
Cash	19,040	0.0	Cash	99,035	0.1



June 30, 2018 : \$181,057,102

September 30, 2018 : \$185,527,585



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
■ MacKay Shields Core Plus	36,963,728	20.4	■ MacKay Shields Core Plus	37,078,663	20.0
■ Smith Graham Core Plus	34,916,199	19.3	■ Smith Graham Core Plus	33,911,481	18.3
■ Barrow Hanley MeWhinney & Strauss	17,961,743	9.9	■ Barrow Hanley MeWhinney & Strauss	18,725,284	10.1
■ ARI MLP	17,250,089	9.5	■ ARI MLP	17,953,403	9.7
■ Stephens Mid Cap Growth	14,910,894	8.2	■ Stephens Mid Cap Growth	16,299,880	8.8
■ Vanguard Index Fund Institutional (VINIX)	13,664,294	7.5	■ Vanguard Index Fund Institutional (VINIX)	14,714,568	7.9
■ Causeway International (CIVIX)	12,589,324	7.0	■ Causeway International (CIVIX)	12,741,655	6.9
■ Cohen & Steers (CSRIX)	9,895,813	5.5	■ Cohen & Steers (CSRIX)	10,026,164	5.4
■ Loomis Sayles High Yield (LSHIX)	9,198,473	5.1	■ Loomis Sayles High Yield (LSHIX)	9,500,028	5.1
■ Stacey Braun	6,863,767	3.8	■ Stacey Braun	7,377,202	4.0
■ Fiduciary Management	6,823,738	3.8	■ Fiduciary Management	7,100,221	3.8
■ Cash	19,040	0.0	■ Cash	99,035	0.1



Asset Allocation & Performance	Allocation		Performance(%)					
	Market Value \$	%	QTR	1 YR	3 YR	5 YR	Inception	Inception Date
Total Fund Composite (Gross of Fees)	185,527,585	100.0	3.20	6.98	8.82	6.80	7.45	10/01/2002
Policy Index			2.80	5.88	8.06	6.29	7.51	
Pension Actuarial Assumption			1.65	6.75	6.85	6.91	7.27	
Total Fund Composite (Net of Fees)	185,527,585	100.0	3.10	6.59	8.39	6.31	6.81	10/01/2002
Fiduciary Management	7,100,221	3.8	4.21	13.51	15.09	12.31	10.12	01/01/2006
Russell 1000 Value Index			5.70	9.45	13.55	10.72	7.51	
S&P 500 Index			7.71	17.91	17.31	13.95	9.15	
Vanguard Index Fund Institutional (VINIX)	14,714,568	7.9	7.70	17.86	N/A	N/A	17.48	05/01/2017
S&P 500 Index			7.71	17.91	17.31	13.95	17.53	
Stacey Braun	7,377,202	4.0	7.61	19.11	16.52	13.69	10.91	07/01/2008
Russell 1000 Growth Index			9.17	26.30	20.55	16.58	12.48	
S&P 500 Index			7.71	17.91	17.31	13.95	10.71	
Stephens Mid Cap Growth	16,299,880	8.8	9.53	31.94	21.70	14.07	17.01	01/01/2013
Russell Midcap Growth Index			7.57	21.10	16.65	13.00	15.68	
Barrow Hanley MeWhinney & Strauss	18,725,284	10.1	4.44	12.76	18.57	12.35	12.23	04/01/2005
Russell 2000 Value Index			1.60	9.33	16.12	9.91	8.08	
Causeway International (CIVIX)	12,741,655	6.9	1.22	0.33	7.79	3.36	3.36	10/01/2013
MSCI EAFE Index			1.42	3.25	9.77	4.90	4.90	
Cohen & Steers (CSRIX)	10,026,164	5.4	1.32	5.90	8.08	9.91	10.17	01/01/2012
FTSE NAREIT All Equity REITs			0.50	4.31	8.97	9.57	10.38	
ARI MLP	17,953,403	9.7	4.28	3.02	3.06	-1.60	3.73	07/01/2011
Alerian MLP Index			6.57	4.89	4.43	-2.72	2.52	
MacKay Shields Core Plus	37,078,663	20.0	0.41	-0.52	2.48	N/A	2.09	07/01/2014
Blmbg. Barc. U.S. Aggregate Index			0.02	-1.22	1.31	2.16	1.65	
Smith Graham Core Plus	33,911,481	18.3	0.65	-0.88	1.63	2.36	3.90	10/01/2002
Blmbg. Barc. U.S. Aggregate Index			0.02	-1.22	1.31	2.16	3.88	
Loomis Sayles High Yield (LSHIX)	9,500,028	5.1	3.29	4.31	8.62	5.47	8.16	01/01/2012
ICE BofAML High Yield Master II			2.44	2.94	8.19	5.54	6.92	
Cash	99,035	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 0.15% higher on an annual basis if these fees were included.



Asset Allocation & Performance							
	Allocation		Performance(%)				
	Market Value \$	%	2017	2016	2015	2014	2013
Total Fund Composite (Gross of Fees)	185,527,585	100.0	11.35	10.18	-3.17	6.74	18.15
Policy Index			9.35	9.47	-2.53	7.49	16.29
Pension Actuarial Assumption			6.75	7.00	7.00	7.00	7.19
Total Fund Composite (Net of Fees)	185,527,585	100.0	10.91	9.73	-3.61	6.07	17.53
Fiduciary Management	7,100,221	3.8	19.68	14.90	-1.86	13.56	32.43
Russell 1000 Value Index			13.66	17.34	-3.83	13.45	32.53
S&P 500 Index			21.83	11.96	1.38	13.69	32.39
Vanguard Index Fund Institutional (VINIX)	14,714,568	7.9	N/A	N/A	N/A	N/A	N/A
S&P 500 Index			21.83	11.96	1.38	13.69	32.39
Stacey Braun	7,377,202	4.0	26.00	5.58	3.02	10.97	33.88
Russell 1000 Growth Index			30.21	7.08	5.67	13.05	33.48
S&P 500 Index			21.83	11.96	1.38	13.69	32.39
Stephens Mid Cap Growth	16,299,880	8.8	29.35	8.02	-0.15	4.27	36.37
Russell Midcap Growth Index			25.27	7.33	-0.20	11.90	35.74
Barrow Hanley MeWhinney & Strauss	18,725,284	10.1	18.60	27.69	-6.17	3.14	48.60
Russell 2000 Value Index			7.84	31.74	-7.47	4.22	34.52
Causeway International (CIVIX)	12,741,655	6.9	27.18	0.38	-3.00	-6.22	N/A
MSCI EAFE Index			25.62	1.51	-0.39	-4.48	23.29
Cohen & Steers (CSRIX)	10,026,164	5.4	7.43	5.99	5.22	30.18	3.46
FTSE NAREIT All Equity REITs			8.67	8.63	2.83	28.03	2.86
ARI MLP	17,953,403	9.7	-7.60	21.52	-32.48	12.08	28.34
Alerian MLP Index			-6.52	18.31	-32.59	4.80	27.58
MacKay Shields Core Plus	37,078,663	20.0	4.92	4.29	0.15	N/A	N/A
Blmbg. Barc. U.S. Aggregate Index			3.54	2.65	0.55	5.97	-2.02
Smith Graham Core Plus	33,911,481	18.3	3.83	2.90	1.04	5.49	-1.83
Blmbg. Barc. U.S. Aggregate Index			3.54	2.65	0.55	5.97	-2.02
Loomis Sayles High Yield (LSHIX)	9,500,028	5.1	8.40	18.94	-10.29	5.17	15.07
ICE BofAML High Yield Master II			7.48	17.49	-4.64	2.50	7.42
Cash	99,035	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 0.15% 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, 2018, Fiduciary had a market value of \$7,100,221.

Fiduciary Management		Russell 1000 Value Index	
	Weight %		Weight %
Berkshire Hathaway Inc	5.1	JPMorgan Chase & Co	2.8
Dollar General Corp	4.9	Berkshire Hathaway Inc	2.7
Honeywell International Inc	4.6	Exxon Mobil Corp	2.6
Unitedhealth Group Inc	4.6	Johnson & Johnson	2.2
TJX Companies Inc (The)	4.3	Bank of America Corp	2.0
Twenty-First Century Fox Inc	4.1	Pfizer Inc	1.9
JPMorgan Chase & Co	3.9	AT&T Inc	1.8
Accenture PLC	3.5	Chevron Corp	1.7
Quest Diagnostics Inc	3.3	Cisco Systems Inc	1.7
Potash Corp of Saskatchewan	3.3	Wells Fargo & Co	1.7

Equity Assets Exposures by Sector

	Fiduciary Management	Russell 1000 Value Index
Cash	9.04	0.00
Communication Services	9.06	6.75
Consumer Discretionary	14.42	5.25
Consumer Staples	8.39	7.19
Energy	2.60	10.78
Financials	15.24	22.85
Health Care	15.60	15.22
Industrials	14.45	8.08
Information Technology	7.94	9.77
Materials	3.26	3.89
Real Estate	0.00	4.64
Utilities	0.00	5.57

Equity Characteristics

	Fiduciary Management	Russell 1000 Value Index
Wtd. Avg. Mkt. Cap (\$)	104,966,427,070	126,935,326,977
Price/Earnings ratio	19.8	16.4
Price/Book ratio	3.1	2.2
Current Yield	2.0	2.5
Number of Stocks	31	727



Fund Information

Fund Name :	Vanguard Institutional Index Fund: Vanguard Institutional Index Fund; Institutional Shares	Portfolio Assets :	\$231,559 Million
Fund Family :	Vanguard Group Inc	Portfolio Manager :	Butler/Louie
Ticker :	VINIX	PM Tenure :	2000--2017
Inception Date :	07/31/1990	Fund Style :	IM S&P 500 Index (MF)
Fund Assets :	\$124,343 Million	Style Benchmark :	S&P 500 Index
Portfolio Turnover :	5%		

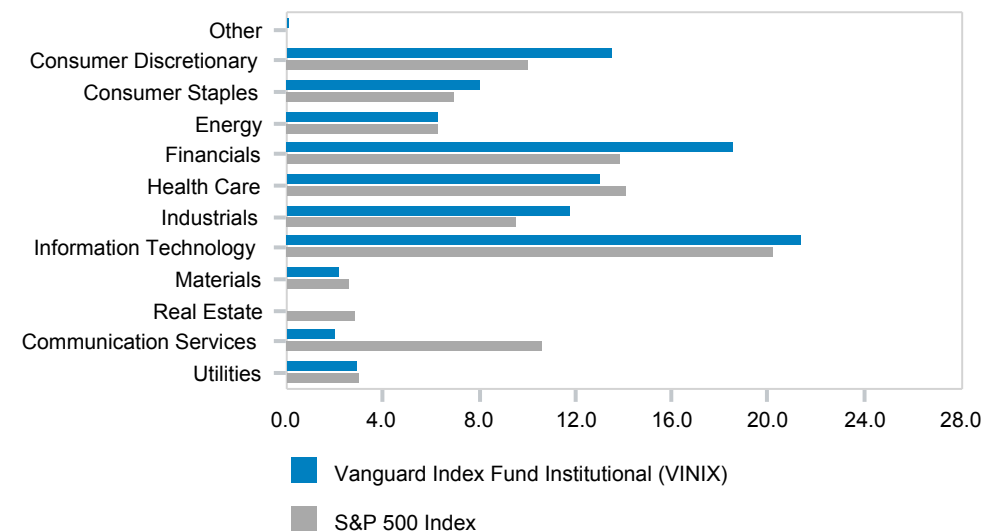
Portfolio Characteristics As of 06/30/2018

	Portfolio	Benchmark
Total Securities	512	505
Avg. Market Cap (\$)	205,421,653,713	20,691,162,930
Price/Earnings (P/E)	27.18	20.90
Price/Book (P/B)	6.88	3.39
Dividend Yield	2.41	1.96
Annual EPS	21.01	N/A
5 Yr EPS	12.83	14.76
3 Yr EPS Growth	11.17	N/A
Beta	N/A	1.00

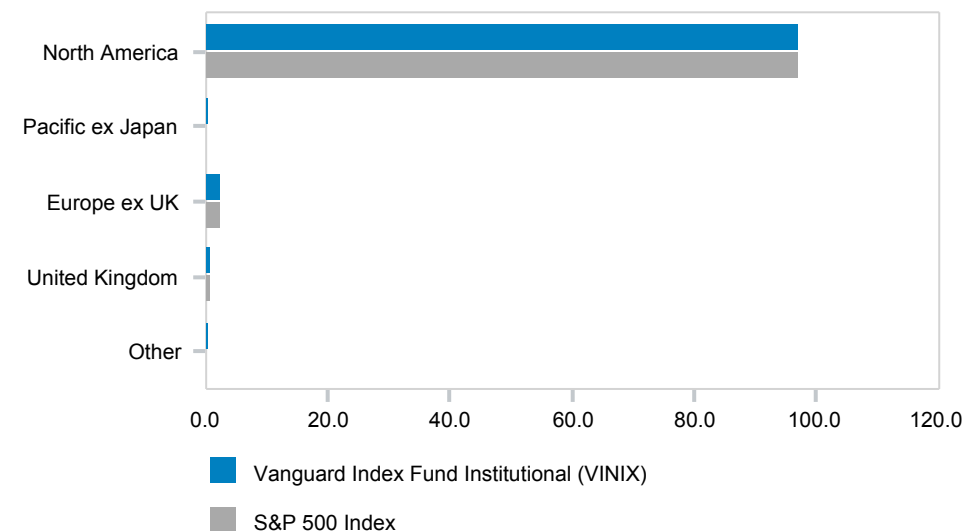
Top Ten Securities As of 06/30/2018

Apple Inc ORD	3.9 %
Microsoft Corp ORD	3.3 %
Amazon.com Inc ORD	3.0 %
Facebook Inc ORD	2.0 %
JPMorgan Chase & Co ORD	1.5 %
Exxon Mobil Corp ORD	1.5 %
Berkshire Hathaway Inc ORD	1.5 %
Alphabet Inc ORD 1	1.5 %
Alphabet Inc ORD 2	1.5 %
Johnson & Johnson ORD	1.4 %

Sector Weights As of 06/30/2018



Region Weights As of 06/30/2018



Statistics provided by Lipper. Most recent available data shown.



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, 2018, Stacey Braun had a market value of \$7,377,202.

Stacey Braun		Russell 1000 Growth Index	
	Weight %		Weight %
Apple Inc	4.2	Apple Inc	7.9
Microsoft Corp	3.0	Microsoft Corp	5.9
Amazon.com Inc	2.9	Amazon.com Inc	5.9
JPMorgan Chase & Co	2.1	Facebook Inc	2.8
Bank of America Corp	1.8	Alphabet Inc	2.6
Mastercard Inc	1.7	Alphabet Inc	2.6
Berkshire Hathaway Inc	1.5	Visa Inc	1.9
Chevron Corp	1.4	Unitedhealth Group Inc	1.8
Walt Disney Co (The)	1.3	Home Depot Inc. (The)	1.7
Burlington Stores Inc	1.3	Mastercard Inc	1.5

Equity Assets Exposures by Sector

	Stacey Braun	Russell 1000 Growth Index
Cash	2.02	0.00
Communication Services	8.77	12.04
Consumer Discretionary	10.51	15.38
Consumer Staples	6.70	5.45
Energy	5.90	0.90
Financials	12.67	4.18
Health Care	15.87	13.79
Industrials	10.25	12.00
Information Technology	20.06	32.63
Materials	2.45	1.65
Real Estate	2.28	1.99
Utilities	2.53	0.00

Equity Characteristics

	Stacey Braun	Russell 1000 Growth Index
Wtd. Avg. Mkt. Cap (\$)	202,328,845,665	313,613,099,484
Price/Earnings ratio	22.1	29.3
Price/Book ratio	3.7	7.5
Current Yield	1.4	1.2
Number of Stocks	100	542



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, 2018 Stephens had a market value of \$16,299,880.

Stephens Mid Cap Growth		Russell Midcap Growth Index	
	Weight %		Weight %
IDEXX Laboratories Inc	2.1	Ross Stores Inc	1.2
Illumina Inc	2.0	Edwards Lifesciences Corp	1.2
FLIR Systems Inc	1.9	ServiceNow Inc	1.1
SVB Financial Group	1.9	Fiserv Inc.	1.1
Aspen Technology Inc	1.9	Align Technology Inc	1.0
ABIOMED Inc	1.9	Dollar General Corp	0.9
Square Inc	1.8	Autodesk Inc.	0.9
lululemon athletica inc	1.7	Square Inc	0.9
Verisk Analytics Inc	1.7	Advanced Micro Devices Inc	0.9
Intuitive Surgical Inc	1.7	Moody's Corp.	0.9

Equity Assets Exposures by Sector

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Cash	2.94	0.00
Communication Services	5.34	3.82
Consumer Discretionary	13.82	16.37
Consumer Staples	2.27	2.90
Energy	2.61	1.69
Financials	4.23	6.65
Health Care	23.18	15.28
Industrials	14.57	16.47
Information Technology	30.84	31.25
Materials	0.18	3.55
Real Estate	0.00	2.01

Equity Characteristics

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Wtd. Avg. Mkt. Cap (\$)	16,731,088,200	16,585,164,469
Price/Earnings ratio	39.1	27.1
Price/Book ratio	6.6	6.3
Current Yield	0.3	0.8
Number of Stocks	95	415



The strategy is designed to exploit inefficiencies in the small cap sector of the market by carefully employing high value-added proprietary research in a universe of small capitalization, low-expectation stocks. This process is directed toward the discovery of companies in which the value of the underlying business is significantly greater than the market price. The portfolio's goal is to consistently generate superior returns while assuming below average levels of risk. As of September 30, 2018, Barrow, Hanley, MeWhinney & Strauss had a market value of \$18,725,284.

Barrow Hanley MeWhinney & Strauss		Russell 2000 Value Index	
	Weight %		Weight %
Allegheny Technologies Inc	4.3	IDACORP Inc.	0.5
Brooks Automation Inc	3.8	MGIC Investment Corp	0.4
II VI Inc	3.7	CACI International Inc.	0.4
Texas Capital Bancshares Inc	3.7	IBERIABANK Corp	0.4
Encompass Health Corp	3.6	Ciena Corp	0.4
Simpson Manufacturing Co. Inc.	3.5	Radian Group Inc.	0.4
Federal Signal Corp.	3.5	Gramercy Property Trust	0.4
American Axle & Manufacturing Holdings Inc	3.5	ONE Gas Inc	0.4
MGIC Investment Corp	3.2	Sabra Health Care REIT Inc	0.4
Diodes Inc	3.0	Portland Gen. Elec. Co.	0.4

Equity Assets Exposures by Sector

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Cash	2.91	0.00
Communication Services	0.00	3.03
Consumer Discretionary	4.70	9.51
Consumer Staples	3.77	2.53
Energy	2.27	7.52
Financials	15.43	28.20
Health Care	4.81	5.03
Industrials	30.10	12.05
Information Technology	25.23	10.26
Materials	10.77	4.43
Real Estate	0.00	11.48
Utilities	0.00	5.97

Equity Characteristics

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Wtd. Avg. Mkt. Cap (\$)	2,727,974,215	2,150,162,535
Price/Earnings ratio	17.0	15.5
Price/Book ratio	2.1	1.7
Current Yield	0.7	2.0
Number of Stocks	41	1,387

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 : \$8,042 Million
 Portfolio Turnover : 35%

Portfolio Assets : \$8,716 Million
 Portfolio Manager : Team Managed
 PM Tenure :
 Fund Style : IM International Large Cap Value Equity (MF)
 Style Benchmark : MSCI EAFE Index

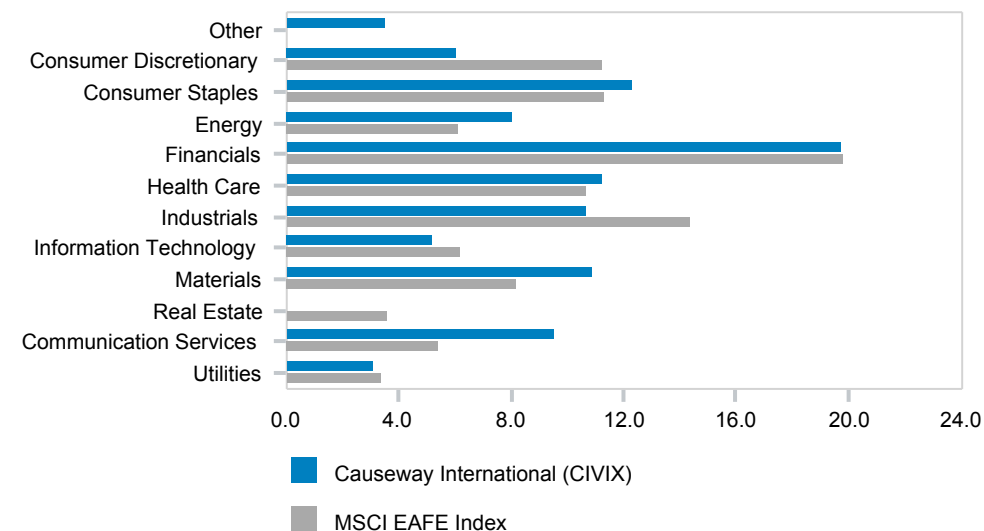
Portfolio Characteristics As of 06/30/2018

	Portfolio	Benchmark
Total Securities	60	926
Avg. Market Cap (\$)	70,213,538,085	11,374,751,690
Price/Earnings (P/E)	17.41	14.10
Price/Book (P/B)	2.24	2.15
Dividend Yield	3.39	3.28
Annual EPS	39.93	N/A
5 Yr EPS	5.95	10.98
3 Yr EPS Growth	8.97	N/A
Beta (5 Years, Monthly)	0.94	1.00

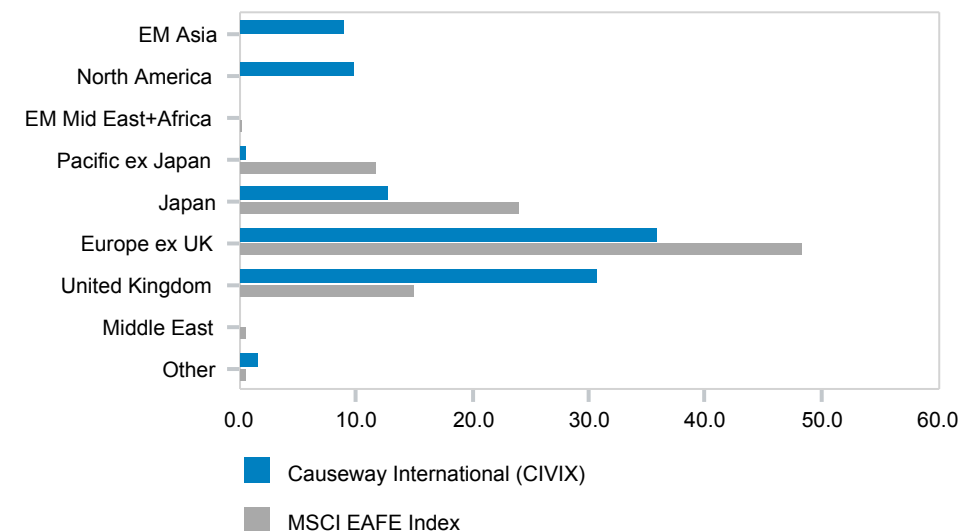
Top Ten Securities As of 06/30/2018

Volkswagen AG PFD	3.6 %
Linde AG ORD	3.6 %
Invesco Government & Agency Portfolio;In	3.5 %
British American Tobacco PLC ORD	3.3 %
BP PLC ORD	3.3 %
China Mobile Ltd ORD	2.9 %
Royal Dutch Shell Plc B ORD	2.8 %
Takeda Pharmaceutical Co Ltd ORD	2.8 %
BASF SE ORD	2.8 %
KDDI Corp ORD	2.8 %

Sector Weights As of 06/30/2018



Region Weights As of 06/30/2018



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 : \$2,857 Million
 Portfolio Turnover : 76%

Portfolio Assets : \$2,857 Million
 Portfolio Manager : Team Managed
 PM Tenure :
 Fund Style : IM Real Estate Sector (MF)
 Style Benchmark : FTSE NAREIT All Equity REITs

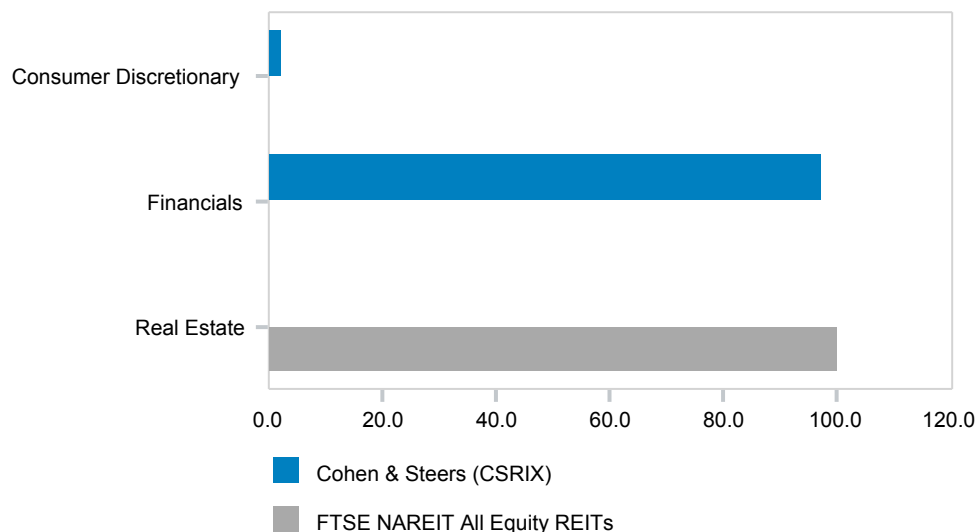
Portfolio Characteristics As of 06/30/2018

	Portfolio	Benchmark
Total Securities	48	172
Avg. Market Cap (\$)	15,259,681,484	3,366,096,230
Price/Earnings (P/E)	42.59	33.90
Price/Book (P/B)	3.47	2.54
Dividend Yield	3.94	3.97
Annual EPS	4.60	N/A
5 Yr EPS	14.58	19.66
3 Yr EPS Growth	21.24	N/A
Beta (5 Years, Monthly)	1.01	1.00

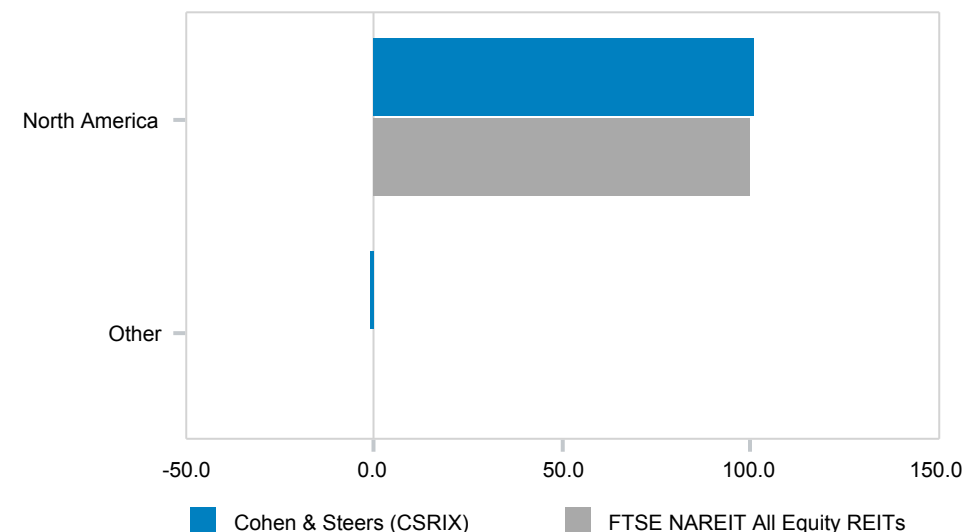
Top Ten Securities As of 06/30/2018

Essex Property Trust Inc ORD	5.3 %
UDR Inc ORD	5.1 %
Prologis Inc ORD	4.9 %
Equinix Inc ORD	4.8 %
Extra Space Storage Inc ORD	4.7 %
Digital Realty Trust Inc ORD	4.6 %
Boston Properties Inc ORD	4.2 %
Crown Castle International Corp	4.1 %
Simon Property Group Inc ORD	3.4 %
Hudson Pacific Properties Inc ORD	3.0 %

Sector Weights As of 06/30/2018



Region Weights As of 06/30/2018



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 September 30, 2018, the ARI MLP had a market value of \$17,953,403.

ARI MLP		Alerian MLP	
	Weight %		Weight %
Enterprise Products Partners LP	9.7	Magellan Midstream Partners LP	11.6
Magellan Midstream Partners LP	9.4	Enterprise Products Partners LP	11.2
MPLX LP	7.7	Plains All American Pipeline LP	8.7
Williams Cos Inc. (The)	7.1	MPLX LP	8.2
Plains All American Pipeline LP	7.0	Buckeye Partners LP	4.3
Energy Transfer Partners LP	6.8	Western Gas Partners Lp	3.6
Phillips 66 Partners LP	5.3	EQT Midstream Partners LP	3.6
Tallgrass Energy GP LP	5.3	Andeavor Logistics LP	3.5
Andeavor Logistics LP	5.2	DCP Midstream LP	2.9
Targa Resources Corp	5.1	Tallgrass Energy GP LP	2.9

Equity Assets Exposures by Sector

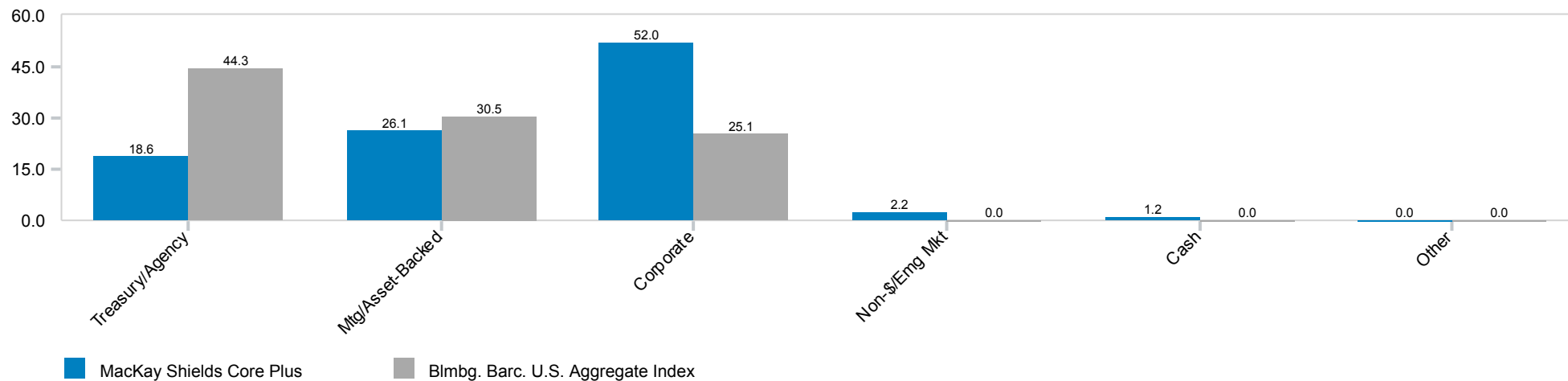
	ARI MLP	Alerian MLP
Cash	0.55	0.00
Energy	99.45	96.46
Utilities	0.00	3.54

Equity Characteristics

	ARI MLP	Alerian MLP
Wtd. Avg. Mkt. Cap (\$)	20,485,952,463	15,891,512,539
Price/Earnings ratio	20.8	18.5
Price/Book ratio	3.1	2.6
Current Yield	6.7	7.8
Number of Stocks	22	40

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, 2018, MacKay Shields had a market value of \$37,078,663.

Sector Distribution (%)



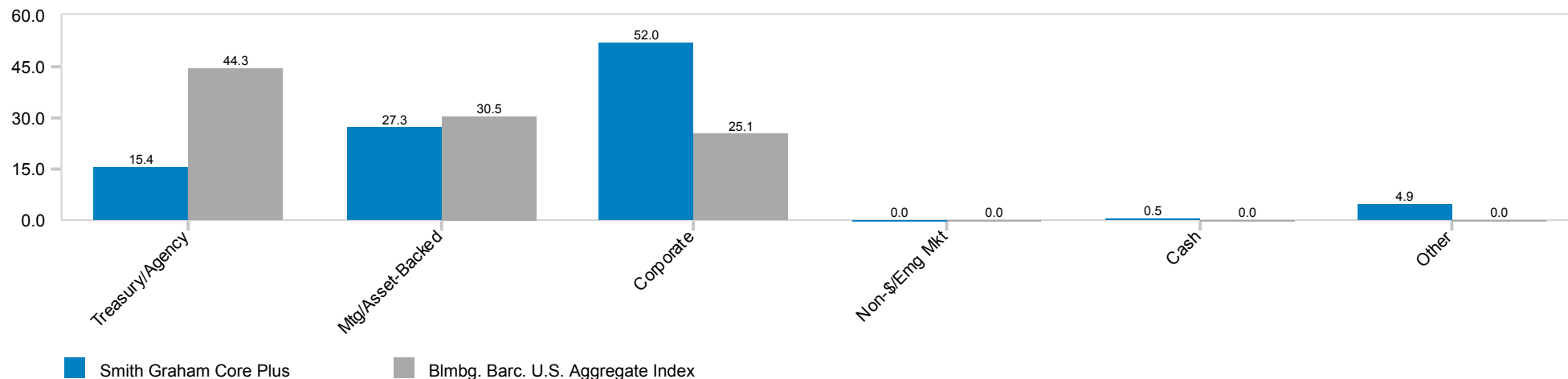
Portfolio Characteristics

	Portfolio	Benchmark
Avg. Maturity	7.93	8.42
Avg. Quality	A+/A1	AA1/AA2
Coupon Rate (%)	3.80	3.16
Modified Duration	5.77	6.01
Yield To Maturity (%)	3.71	3.46
Holdings Count	235	N/A



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, 2018, Smith Graham had a market value of \$33,911,481.

Sector Distribution (%)



Portfolio Characteristics

	Portfolio	Benchmark
Avg. Maturity	8.76	8.42
Avg. Quality	AA-	AA1/AA2
Coupon Rate (%)	3.46	3.16
Modified Duration	6.33	6.01
Yield To Maturity (%)	3.80	3.46
Holdings Count	124	N/A



Fund Information

Fund Name :	Loomis Sayles Funds I: Loomis Sayles Institutional High Income Fund; Institutional Class	Portfolio Assets :	\$669 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 :	\$669 Million	Style Benchmark :	FTSE High Yield Market Index
Portfolio Turnover :	17%		

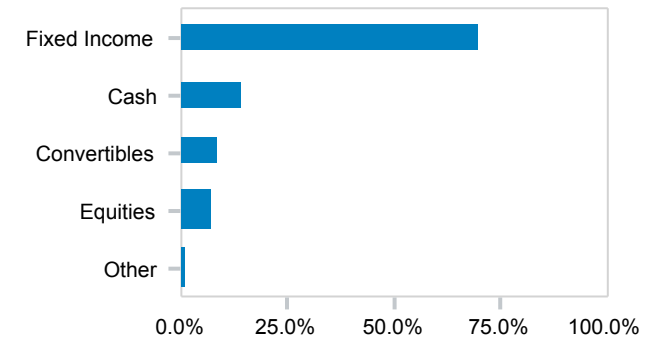
Fund Characteristics As of 06/30/2018

Avg. Coupon	5.21 %
Nominal Maturity	N/A
Effective Maturity	5.56 Years
Duration	3.67 Years
SEC 30 Day Yield	5.5
Avg. Credit Quality	BB

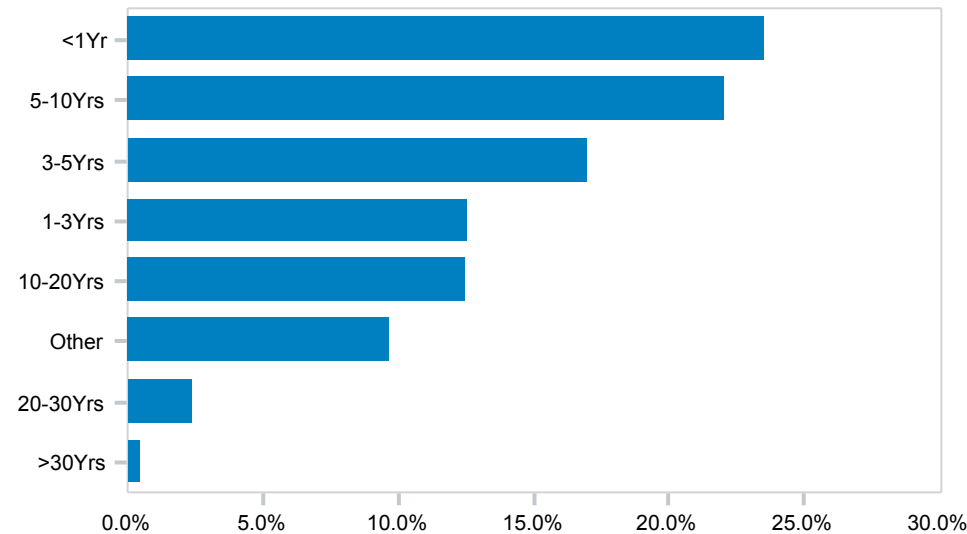
Top Ten Securities As of 06/30/2018

Corporate Notes/Bonds	65.5 %
Convertible Securities	8.2 %
Common Stock	6.8 %
Fgn. Currency Denominated Bonds	5.4 %
Treasury Notes/Bonds	0.8 %
Preferred Stock-Non Convertible	0.2 %
Asset Backed Securities	0.1 %

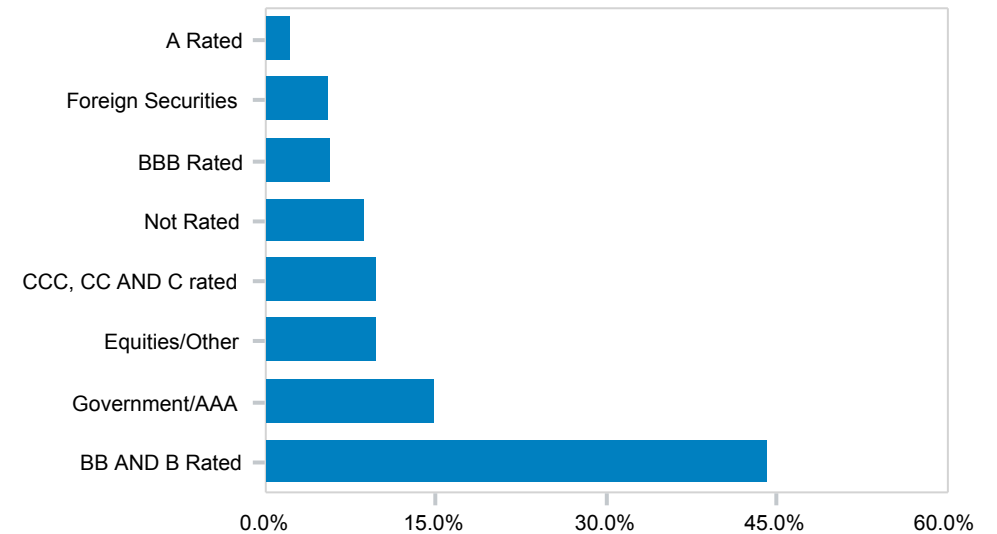
Asset Allocation As of 06/30/2018



Maturity Distribution As of 06/30/2018



Sector/Quality Allocation As of 06/30/2018



Statistics provided by Lipper. Most recent available data shown.



**Port of Houston Pension
Manager Status Summary
As of September 30, 2018**

Manager	Mandate	Status	Notes
Fiduciary Management	Large Cap Value Equity	In Compliance	
Vanguard Index Institutional (VINIX)	Large Cap Core Equity	In Compliance	
Stacey Braun	Large Cap Growth 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	
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 Authority
Fee Analysis

As of September 30, 2018

	Estimated Annual Fee (%)	Market Value (\$)	Estimated Annual Fee (\$)	Fee Schedule
Total Fund Composite	0.52	185,527,585	969,176	
Equity Composite	0.80	40,721,223	325,796	
Domestic Equity	0.54	64,217,155	347,270	
Fiduciary Management	0.55	7,100,221	39,051	0.55 % of Assets
Vanguard Index Fund Institutional (VINIX)	0.04	14,714,568	5,886	0.04 % of Assets
Stacey Braun	0.45	7,377,202	33,197	0.45 % of First \$10 M 0.40 % Thereafter
Stephens Mid Cap Growth	0.77	16,299,880	125,509	0.77 % of Assets
Barrow Hanley MeWhinney & Strauss	0.77	18,725,284	143,626	1.00 % of First \$10 M 0.50 % of Next \$190 M 0.40 % of Next \$200 M 0.30 % Thereafter
International Equity	0.91	12,741,655	115,949	
Causeway International (CIVIX)	0.91	12,741,655	115,949	0.91 % of Assets
Real Estate	0.75	10,026,164	75,196	
Cohen & Steers (CSRIX)	0.75	10,026,164	75,196	0.75 % of Assets
MLPs	0.75	17,953,403	134,651	
ARI MLP	0.75	17,953,403	134,651	0.75 % of Assets
Fixed Income Composite	0.37	80,490,172	296,110	
Core Fixed Income	0.33	70,990,144	231,510	
Mackay Shields Core Plus	0.35	37,078,663	129,775	0.35 % of Assets
Smith Graham Core Plus	0.30	33,911,481	101,734	0.30 % of Assets
High Yield Fixed Income	0.68	9,500,028	64,600	
Loomis Sayles High Yield (LSHIX)	0.68	9,500,028	64,600	0.68 % of Assets



**Port of Houston Pension
Fee Summary
As of September 30, 2018**

Structure	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Fiduciary Management	Large Cap Value Equity	0.55%	0.99%	0.44%	\$31,241
Vanguard Index Institutional (VINIX)	Large Cap Core Equity	0.04%	0.99%	0.95%	\$139,788
Stacey Braun	Large Cap Growth Equity	0.45%	0.99%	0.54%	\$39,837
Stephens Mid Cap Growth	Mid Cap Growth Equity	0.77%	1.26%	0.49%	\$79,869
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	0.76%	1.27%	0.51%	\$95,499
Causeway International (CIVIX)	International Equity	0.91%	1.21%	0.30%	\$38,225
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	0.75%	1.24%	0.49%	\$49,128
ARI MLP	Master Limited Partnership	0.75%	1.00%	0.25%	\$44,884
Mackay Shields Core Plus	Core Plus Fixed Income	0.35%	0.84%	0.49%	\$181,685
Smith Graham Core Plus	Core Plus Fixed Income	0.30%	0.84%	0.54%	\$183,122
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	0.68%	1.04%	0.36%	\$34,200
Total Management Fees		0.52%	1.02%	0.50%	\$917,479

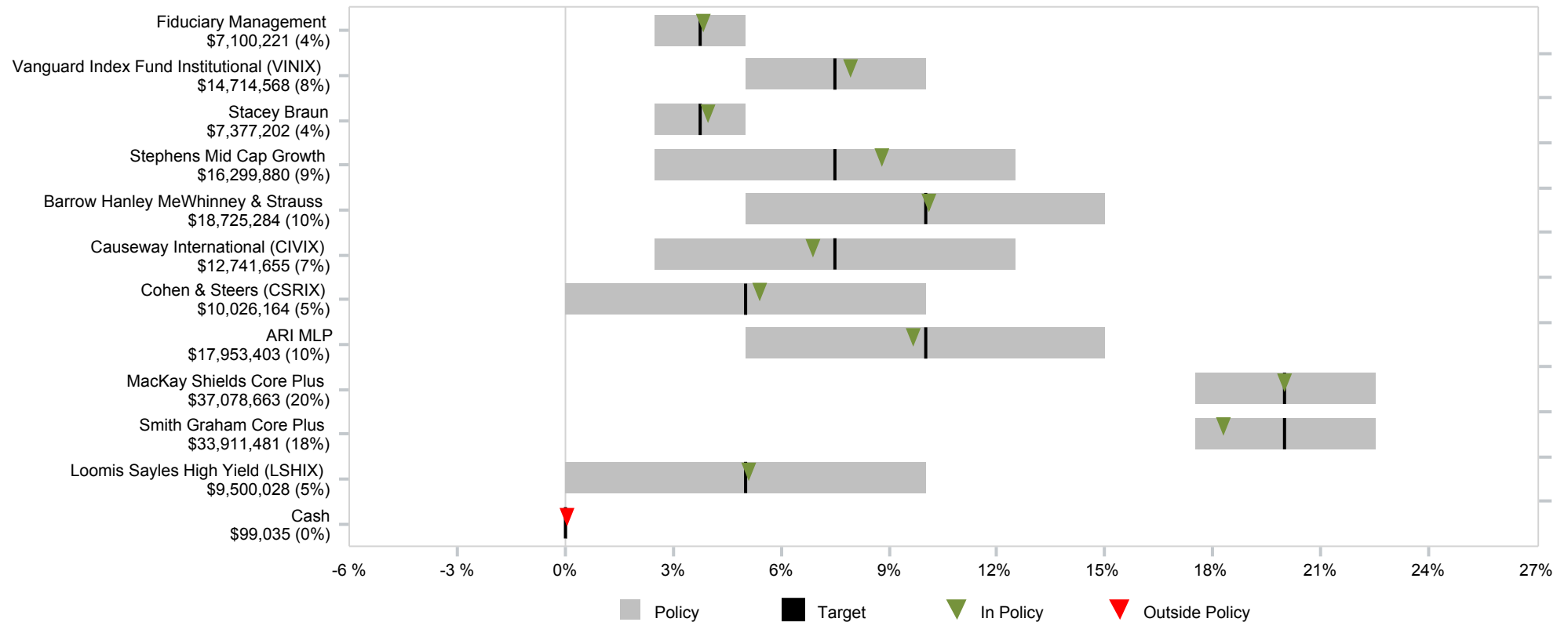
Source: Morningstar and Investment Managers

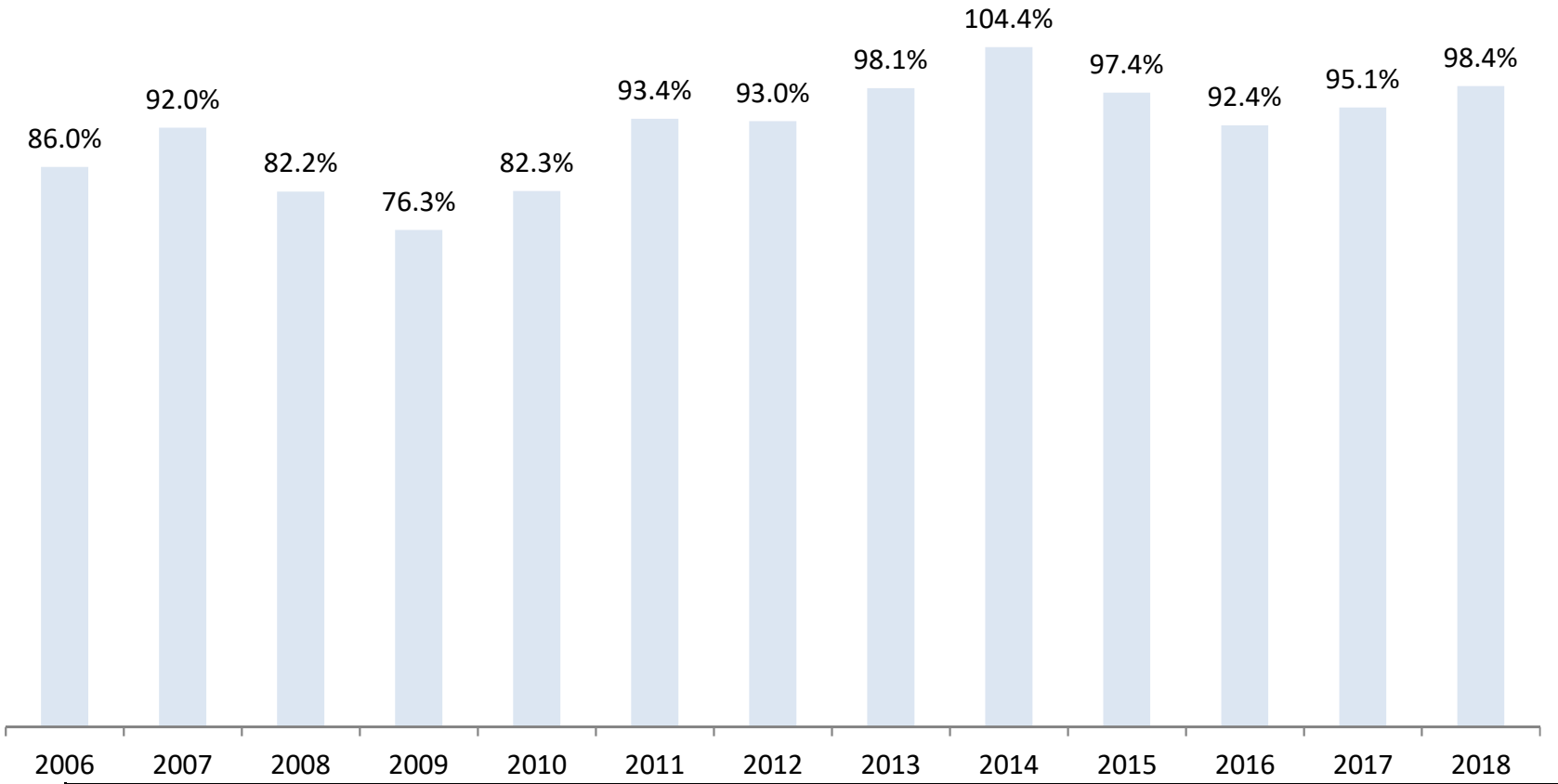


Asset Allocation Compliance

	Asset Allocation \$	Current Allocation (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund Composite	185,527,585	100.0	100.0	0.0		
Fiduciary Management	7,100,221	3.8	3.8	0.1	2.5	5.0
Vanguard Index Fund Institutional (VINIX)	14,714,568	7.9	7.5	0.4	5.0	10.0
Stacey Braun	7,377,202	4.0	3.8	0.2	2.5	5.0
Stephens Mid Cap Growth	16,299,880	8.8	7.5	1.3	2.5	12.5
Barrow Hanley MeWhinney & Strauss	18,725,284	10.1	10.0	0.1	5.0	15.0
Causeway International (CIVIX)	12,741,655	6.9	7.5	-0.6	2.5	12.5
Cohen & Steers (CSRIX)	10,026,164	5.4	5.0	0.4	0.0	10.0
ARI MLP	17,953,403	9.7	10.0	-0.3	5.0	15.0
MacKay Shields Core Plus	37,078,663	20.0	20.0	0.0	17.5	22.5
Smith Graham Core Plus	33,911,481	18.3	20.0	-1.7	17.5	22.5
Loomis Sayles High Yield (LSHIX)	9,500,028	5.1	5.0	0.1	0.0	10.0
Cash	99,035	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, 2018. 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%. The actuarial assumption was reduced from 7.00% to 6.75% by the Port Commission on December 13, 2016. The effective date of the change is January 1, 2017 for reporting purposes.



Active Return	- Arithmetic difference between the manager's performance and the designated benchmark return over a specified time period.
Alpha	- 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.
Beta	- A measure of the sensitivity of a portfolio to the movements in the market. It is a measure of the portfolio's systematic risk.
Consistency	- 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.
Distributed to Paid In (DPI)	- 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.
Down Market Capture	- The ratio of average portfolio performance over the designated benchmark during periods of negative returns. A lower value indicates better product performance
Downside Risk	- 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.
Excess Return	- Arithmetic difference between the manager's performance and the risk-free return over a specified time period.
Excess Risk	- A measure of the standard deviation of a portfolio's performance relative to the risk free return.
Information Ratio	- 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.
Public Market Equivalent (PME)	- 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.
R-Squared	- 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.
Return	- Compounded rate of return for the period.
Sharpe Ratio	- 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.
Standard Deviation	- 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.
Total Value to Paid In (TVPI)	- 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
Tracking Error	- This is a measure of the standard deviation of a portfolio's returns in relation to the performance of its designated market benchmark.
Treynor Ratio	- 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.
Up Market Capture	- 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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