

Investment Performance Review
Period Ending June 30, 2017

Port of Houston Authority OPEB Trust

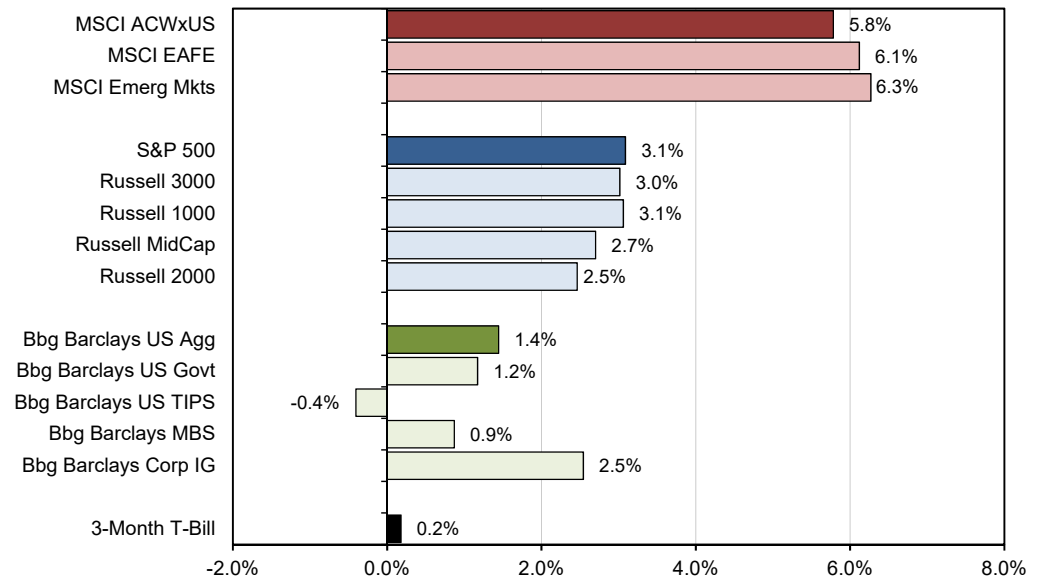


2nd Quarter 2017 Market Environment

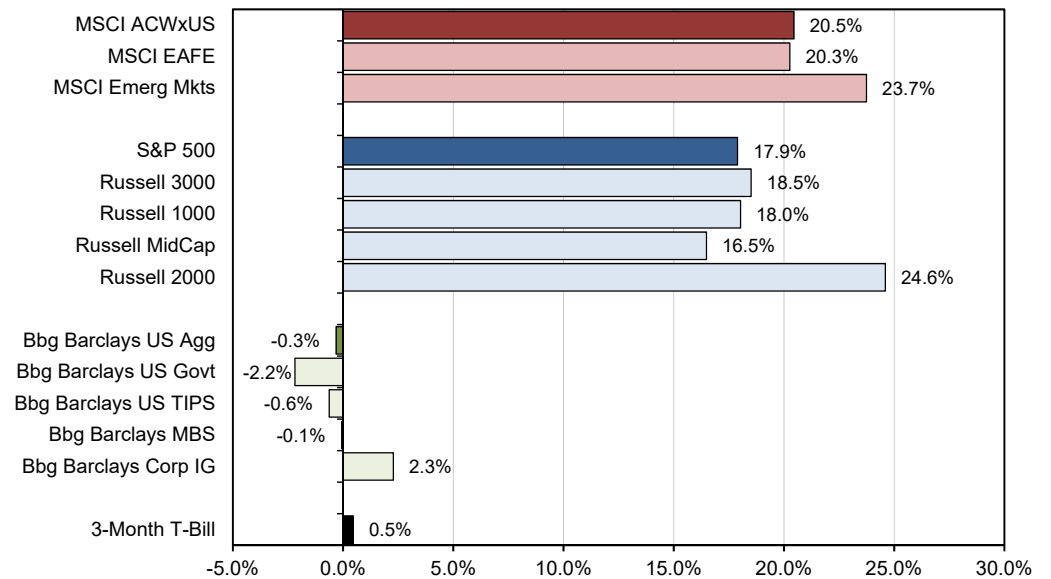


- Returns for the 2nd quarter of 2017 were positive for most major equity and fixed income indices. Broad domestic and international equity market performance was largely fueled by continued improvement in economic data worldwide. Domestic equities trailed international indices during the quarter. While U.S. economic fundamentals and corporate earnings growth were viewed positively, political concerns surrounding the pace of implementation of Trump administration expansive fiscal policy reforms and the fallout associated with the dismissal of FBI Director James Comey dampened investor enthusiasm. Despite these concerns, investor optimism remained high and many major domestic equity indices hit record levels during the quarter. Large cap stocks continued a year-to-date trend of outperformance relative to small cap equities with the S&P 500 Index returning 3.1% versus a 2.5% return for the Russell 2000 Index. However, small cap stock returns still show substantial outperformance relative to large cap indices over the one-year period due to their remarkable performance in the second half of 2016.
- International equity market benchmarks continued to outpace U.S. markets through the 2nd quarter of 2017 as both developed and emerging market international equities saw benefits from continued strength in global macroeconomic data, a weakening U.S. Dollar (USD) and ongoing accommodative global central bank policies. While the ongoing improvement in the global economy pushed international index returns higher, gains were tempered toward the end of the quarter as central banks began to signal an increased probability of a future reduction in stimulus. Emerging markets narrowly outperformed developed markets for the quarter. The MSCI Emerging Market Index returned 6.3% for the quarter and a solid 23.7% for the 1-year period. While weaker by comparison, the developed market MSCI EAFE Index also posted robust performance returning 6.1% for the quarter and 20.3% for the year.
- The yield curve flattened through the 2nd quarter of 2017 as interest rates in the U.S. declined through the majority of the second quarter before rising moderately in June. The rise in interest rates coincided with the Federal Open Market Committee's (FOMC) June meeting and their decision to further tighten monetary policy by raising short-term interest rates by 0.25%. The Fed also announced a plan to systematically shrink the size of its balance sheet, gradually reducing its securities holdings by tapering the amount they reinvest as securities mature. This can be viewed similarly to a tightening of monetary policy. Broad fixed income indices were generally positive through the quarter with the bellwether Bloomberg Barclays U.S. Aggregate Index returning 1.4% for the quarter. Benefitting from falling credit spreads, corporate credit was the only investment grade sector to post gains over the 1-year period returning 2.3% versus a -0.3% return for the Bloomberg Barclays U.S. Aggregate Index.

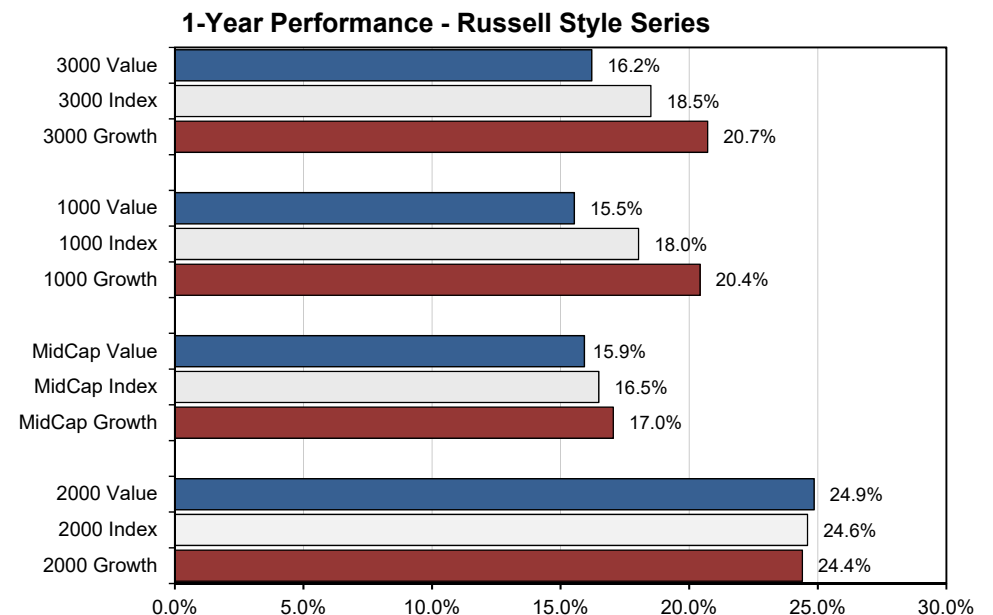
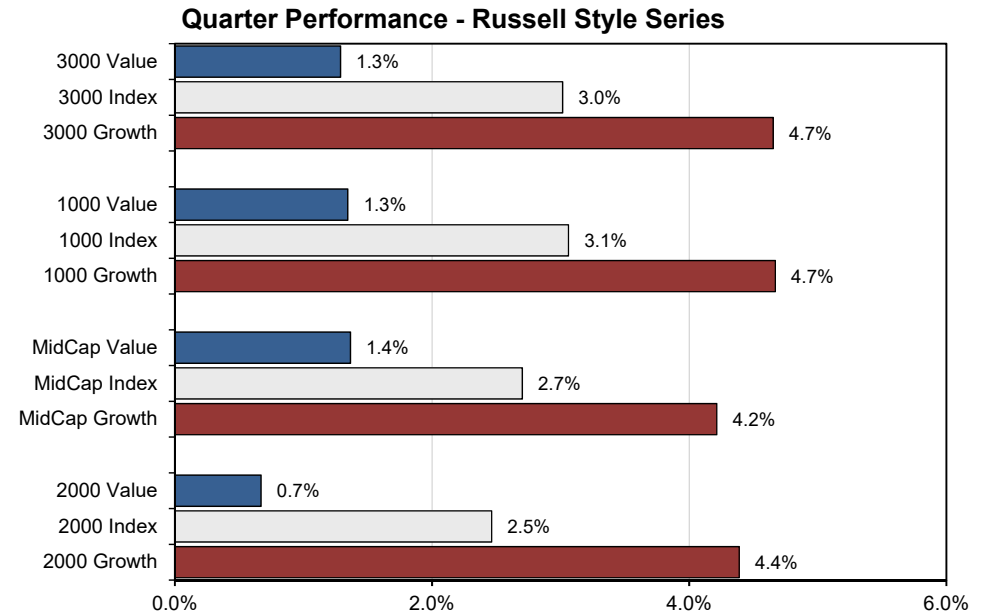
Quarter Performance



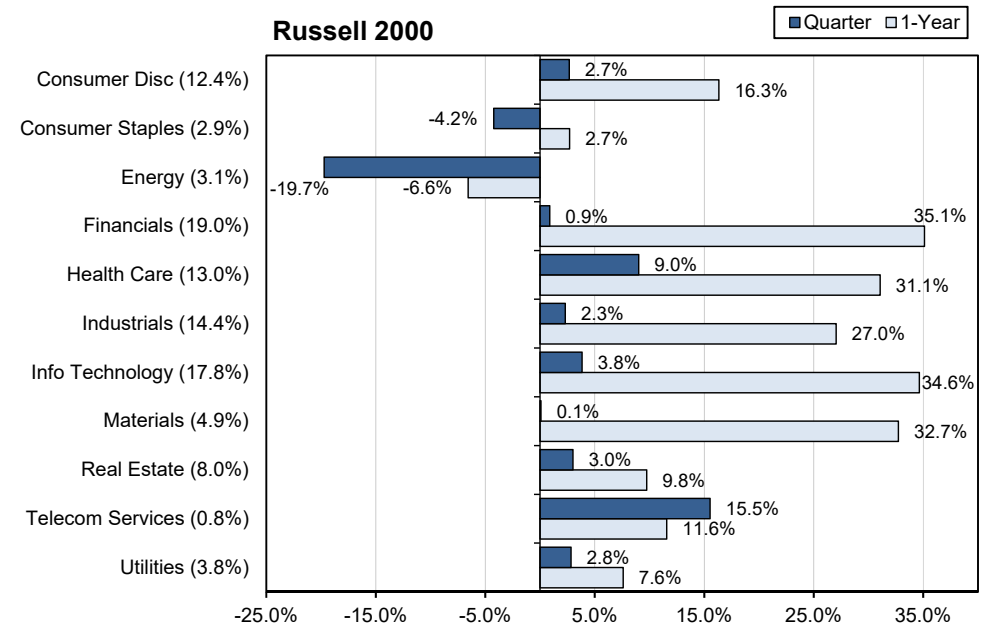
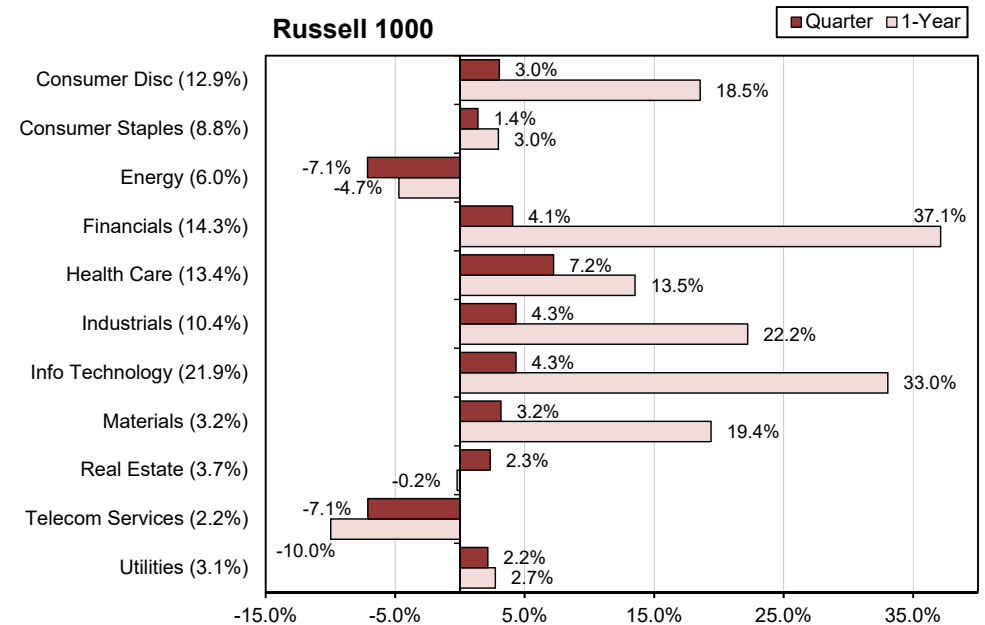
1-Year Performance



- U.S. equity index returns were positive across the style and capitalization spectrum for the 2nd quarter and the trailing 1-year period. Domestic equity index returns were driven by positive trends in economic data reported throughout the period including improvements in GDP, consumer and business sentiment, and employment. In addition, corporate earnings grew at a double digit pace for 1Q 2017 with most sectors showing improvement. U.S. equity returns were somewhat subdued by ongoing political concerns. Media attention surrounding the dismissal of FBI Director James Comey and the ongoing gridlock associated with the repeal and replacement of the Affordable Care Act has cast doubt on the current administration's ability to implement promised expansionary fiscal policy measures.
- Large cap stocks were the best performing capitalization segment for the quarter for both core and growth issues while mid cap equities posted a slight premium relative to other capitalizations within the value spectrum. While large cap stocks were the best performers, returns for the quarter fell in a narrow range for the period. Large-cap stocks represented by the Russell 1000 Index returned 3.1% for the quarter while the small cap Russell 2000 Index returned 2.5%. This return spread was partially due to the effects of rising interest rates and a falling USD. Conversely, over the 1-year period, small cap issues still maintain a considerable performance advantage, with the Russell 2000 returning 24.6% versus a return of 18.0% for the Russell 1000.
- Building on trends from the 1st quarter, index sector allocations were a substantial contributor to growth index outperformance during the 2nd quarter. Growth indices benefitted from significant underweights to the energy and telecommunications sectors, both of which lagged the broad index return. Growth benchmarks also benefitted from greater exposure to the information technology and health care sectors which posted strong sector returns. The Russell 2000 Value Index's return of 0.7% was the worst performing style index for the period. Over the 1-year period, growth indices outperformed value indices in the large and mid cap market capitalizations, but underperformed value equities within the small cap space.
- Domestic equity valuations appear stretched relative to historical levels based on Forward Price/Earnings ratios (P/E), with even the most reasonably valued indices trading above their historical P/E valuations. Index P/E valuations range from 112% to 134% of their respective 15-year P/E averages. The mid cap core and small cap value indices appear the most inexpensive and the large cap growth and small cap growth segments look the most overvalued.



- Sector performance within the Russell 1000 Index was largely positive for the 2nd quarter. Five of eleven economic sectors outpaced the Russell 1000 Index return, and nine of eleven sectors posted gains during the period. Energy trailed for the second consecutive quarter as crude prices continued to fall. While OPEC continues to take measures to limit production, accelerating output from shale producers in the U.S. fueled concerns of oversupply, putting downward pressure on prices. Telecommunication services was the only other large cap sector to post negative performance for the quarter, also returning -7.1%. Despite continued uncertainty surrounding potential reform, health care was the best performing sector in the large cap index, returning 7.2%. Technology and industrials also performed well as increasing business and consumer confidence and strong earnings pushed stock prices 4.3% higher in both sectors through the quarter. Over the trailing 1-year period, financials and technology were the best performing sectors in the Russell 1000, each returning greater than 30%. Eight of eleven large cap economic sectors posted positive returns for the 1-year period with six posting double digit returns.
- Small cap sector results generally lagged their large capitalization counterparts for the 2nd straight quarter. Six of eleven economic sectors outpaced the Russell 2000 Index return for the quarter, and nine of eleven sectors posted positive results for the period. Most of the sector trends observable in large cap index sector performance also impacted small cap sectors. However, small cap telecom services outperformed large cap telecom stocks by over 20%, returning 15.5%. Similar to large cap issues, energy was the biggest detractor, falling -19.7% for the quarter. Returns for health care were also solid through the quarter posting a 9.0% gain. Over the 1-year period, the materials, financials, health care and technology sectors each posted returns in excess of 30% and seven sectors had gains greater than 10%. Energy was the only Russell 2000 sector to post a negative return over last year, falling -6.6%.
- Using S&P 500 sector valuations as a proxy for the market, Forward P/E ratios for eight of the GICS sectors were higher than their long-term averages at quarter-end. Using these historical P/E measures, the energy, materials and utilities sectors appear the most extended. In contrast the technology, health care and telecommunications sectors were trading at a discount to their long-term average P/E ratios.



The Market Environment
Top 10 Index Weights & Quarterly Performance for the Russell 1000 & 2000
As of June 30, 2017

Top 10 Weighted Stocks				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Apple Inc	3.24%	0.7%	53.5%	Information Technology
Microsoft Corp	2.23%	5.2%	38.0%	Information Technology
Amazon.com Inc	1.66%	9.2%	35.3%	Consumer Discretionary
Johnson & Johnson	1.54%	6.9%	12.0%	Health Care
Facebook Inc A	1.52%	6.3%	32.1%	Information Technology
Exxon Mobil Corp	1.48%	-0.6%	-10.7%	Energy
Berkshire Hathaway Inc B	1.40%	1.6%	17.0%	Financials
JPMorgan Chase & Co	1.39%	4.6%	51.0%	Financials
Alphabet Inc A	1.19%	9.7%	32.1%	Information Technology
Alphabet Inc C	1.18%	9.5%	31.3%	Information Technology

Top 10 Weighted Stocks				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Kite Pharma Inc	0.26%	32.1%	107.3%	Health Care
Gramercy Property Trust	0.23%	13.0%	11.8%	Real Estate
Catalent Inc	0.23%	23.9%	52.7%	Health Care
Medidata Solutions Inc	0.23%	35.6%	66.8%	Health Care
Parexel International Corp	0.23%	37.7%	38.2%	Health Care
Healthsouth Corp	0.22%	13.6%	27.5%	Health Care
Idacorp Inc	0.22%	3.6%	7.8%	Utilities
bluebird bio Inc	0.22%	15.6%	142.7%	Health Care
Fair Isaac Corp	0.22%	8.1%	23.4%	Information Technology
WGL Holdings Inc	0.22%	1.7%	21.1%	Utilities

Top 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Wayfair Inc Class A	0.01%	89.9%	97.1%	Consumer Discretionary
Alnylam Pharmaceuticals Inc	0.03%	55.6%	43.7%	Health Care
SunPower Corp	0.00%	53.1%	-39.7%	Information Technology
First Solar Inc	0.01%	47.2%	-17.7%	Information Technology
Zillow Group Inc C	0.02%	45.6%	35.1%	Information Technology
Yum China Holdings Inc	0.06%	45.0%	N/A	Consumer Discretionary
Zillow Group Inc A	0.01%	44.5%	33.3%	Information Technology
Whole Foods Market Inc	0.06%	43.0%	33.9%	Consumer Staples
IAC/InterActiveCorp	0.03%	40.0%	83.4%	Information Technology
Akorn Inc	0.01%	39.3%	17.7%	Health Care

Top 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Straight Path Communications Inc	0.08%	399.4%	549.3%	Telecommunication Services
Altimmune Inc	0.00%	294.3%	146.8%	Health Care
Global Sources Ltd	0.01%	142.4%	118.1%	Information Technology
Puma Biotechnology Inc	0.13%	134.9%	193.4%	Health Care
Angie's List Inc	0.03%	124.4%	96.5%	Information Technology
Conn's Inc	0.02%	118.3%	154.0%	Consumer Discretionary
Weight Watchers International Inc	0.05%	114.6%	187.4%	Consumer Discretionary
NantKwest Inc	0.01%	113.8%	22.0%	Health Care
NovoCure Ltd	0.05%	113.6%	48.2%	Health Care
Vivint Solar Inc	0.01%	108.9%	90.6%	Industrials

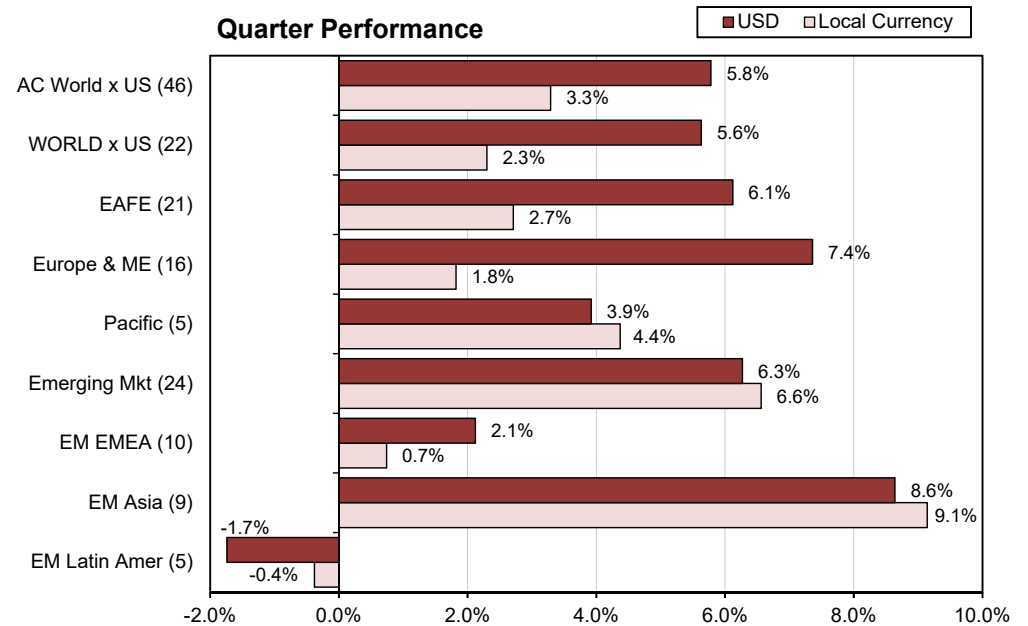
Bottom 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Frontier Communications Corp Class B	0.00%	-44.2%	-73.4%	Telecommunication Services
Enesco PLC Class A	0.00%	-42.3%	-46.6%	Energy
Weatherford International PLC	0.01%	-41.8%	-30.3%	Energy
Whiting Petroleum Corp	0.01%	-41.8%	-40.5%	Energy
Noble Corp PLC	0.00%	-41.5%	-55.9%	Energy
Nabors Industries Ltd	0.01%	-37.3%	-17.3%	Energy
Chicago Bridge & Iron Co NV	0.00%	-35.5%	-42.3%	Industrials
Diamond Offshore Drilling Inc	0.00%	-35.2%	-55.5%	Energy
Hertz Global Holdings Inc	0.00%	-34.4%	-73.8%	Industrials
United States Steel Corp	0.02%	-34.4%	32.4%	Materials

Bottom 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
First NBC Bank Holding Co	0.00%	-99.3%	-99.8%	Financials
Seadrill Ltd	0.00%	-76.8%	-88.6%	Energy
Avinger Inc	0.00%	-76.4%	-96.2%	Health Care
Bonanza Creek Energy Inc	0.03%	-75.5%	-85.9%	Energy
EXCO Resources Inc	0.00%	-71.5%	-86.4%	Energy
XBiotech Inc	0.00%	-71.5%	-77.5%	Health Care
Vince Holding Corp	0.00%	-69.6%	-91.4%	Consumer Discretionary
NewLink Genetics Corp	0.01%	-69.5%	-34.7%	Health Care
Cobalt International Energy Inc	0.00%	-69.1%	-87.7%	Energy
Terravia Holdings Inc	0.00%	-67.8%	-91.1%	Materials

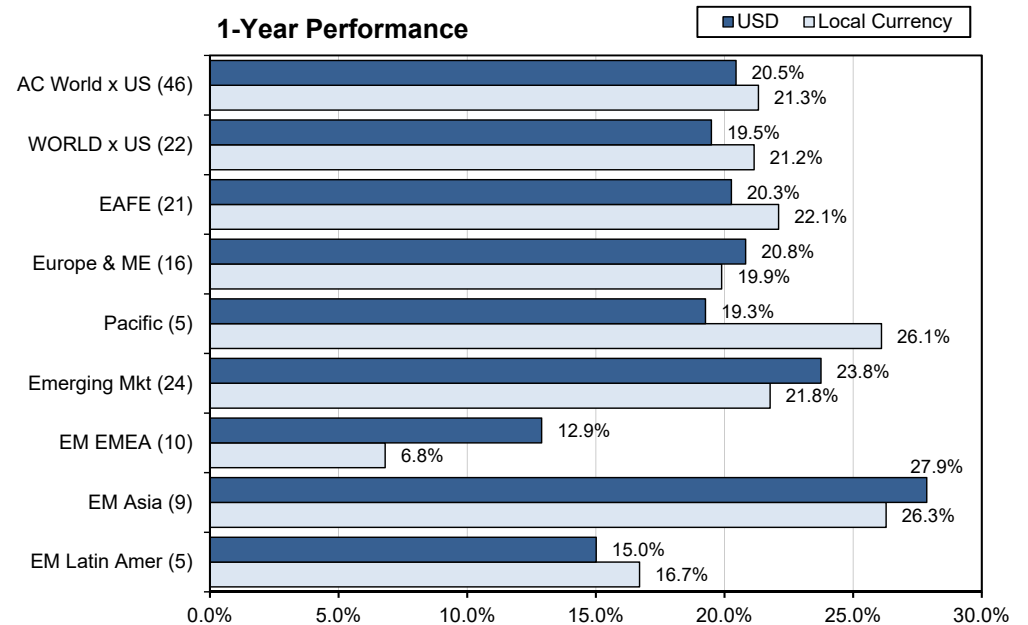


- International equity returns for the 2nd quarter were largely driven by ongoing improvement in the global economy, a weakening USD and political news in Europe and the U.K. Emerging markets were the greatest beneficiaries of these trends, outperforming developed economies for the second straight quarter. While USD strength remains on the high side of its 10-year range, the USD continued its year-to-date decline, providing further tailwinds to international index returns denominated in USD. However, the 1-year performance for broad international indices still show a modest negative currency impact due to USD strength.
- Broad developed market international index performance was positive for the 2nd quarter in both USD and local currency terms with the MSCI EAFE Index returning 6.1% and 2.7% respectively. Eurozone, U.K. and Japanese markets advanced on the back of positive macroeconomic data and strong corporate earnings. Similar to U.S. markets, ongoing political developments also had an effect on international markets with elections in France and the U.K. making headline news. In France, the presidential election of centrist candidate Emmanuel Macron calmed market fears of further break-up within the European Union. Macron's party also won parliamentary majority giving rise to optimism on the possibility of new economic reforms. In the U.K., Prime Minister Theresa May's decision to call special elections in an attempt to strengthen her party's parliamentary position prior to the start of Brexit negotiations had the opposite effect and resulted in a hung parliament, increasing the odds of a "hard Brexit" scenario. Markets gave back some gains towards the end of the quarter as central bank commentary indicated the increased possibility of tightened monetary policy in the future. When viewed over the last 12 months, developed market index performance is robust in both USD and local currency terms, with the MSCI EAFE returning 20.3% and 22.1% respectively.
- A supportive global economic environment and a weakening USD allowed emerging markets to build on their strong start to the year, outperforming developed markets, and returning 6.3% and 6.6% in USD and local currency terms respectively. Greece had a particularly good quarter, returning 33.8% in USD terms, after it was able to reach an agreement to obtain additional bailout funds needed to pay creditors. Russia, Qatar and Brazil were the worst performing countries in the index. Russia and Qatar both suffered from falling oil prices. Qatar was also subject to a blockade by several neighboring countries alleging that Qatar is responsible for supporting instability within the region. Brazilian equities fell as corruption allegations against its President, Michel Temer, increased political risk within the country, putting downward pressure on equity markets. One year returns on the MSCI Emerging Market Index are an impressive 23.8% in USD terms.

Quarter Performance



1-Year Performance



Source: MSCI Global Index Monitor (Returns are Net)



The Market Environment
U.S. Dollar International Index Attribution & Country Detail
As of June 30, 2017

MSCI - EAFE	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	12.1%	4.7%	24.2%
Consumer Staples	11.5%	7.6%	7.3%
Energy	4.7%	-0.7%	6.1%
Financials	21.5%	7.2%	39.8%
Health Care	10.8%	7.2%	4.6%
Industrials	14.5%	7.0%	24.5%
Information Technology	6.1%	9.5%	35.8%
Materials	7.5%	3.3%	33.1%
Real Estate	3.6%	4.6%	7.7%
Telecommunication Services	4.3%	4.8%	2.2%
Utilities	3.4%	7.2%	7.1%
Total	100.0%	6.1%	20.3%

MSCI - ACWIXUS	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	11.3%	5.6%	23.7%
Consumer Staples	9.9%	7.1%	6.5%
Energy	6.3%	-2.9%	6.5%
Financials	23.3%	5.7%	33.6%
Health Care	8.1%	7.2%	4.3%
Industrials	12.0%	6.8%	23.8%
Information Technology	10.8%	12.9%	41.9%
Materials	7.6%	1.7%	27.2%
Real Estate	3.2%	5.8%	9.1%
Telecommunication Services	4.4%	4.0%	3.3%
Utilities	3.1%	5.2%	5.9%
Total	100.0%	5.8%	20.5%

MSCI - Emerging Mkt	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	10.6%	8.4%	21.4%
Consumer Staples	6.8%	5.1%	2.5%
Energy	6.6%	-4.9%	15.9%
Financials	23.6%	3.9%	26.6%
Health Care	2.4%	4.4%	1.9%
Industrials	5.7%	3.9%	16.1%
Information Technology	26.6%	15.5%	46.9%
Materials	7.1%	-0.5%	28.1%
Real Estate	2.7%	11.4%	18.6%
Telecommunication Services	5.4%	2.0%	5.1%
Utilities	2.6%	-1.8%	1.6%
Total	100.0%	6.3%	23.8%

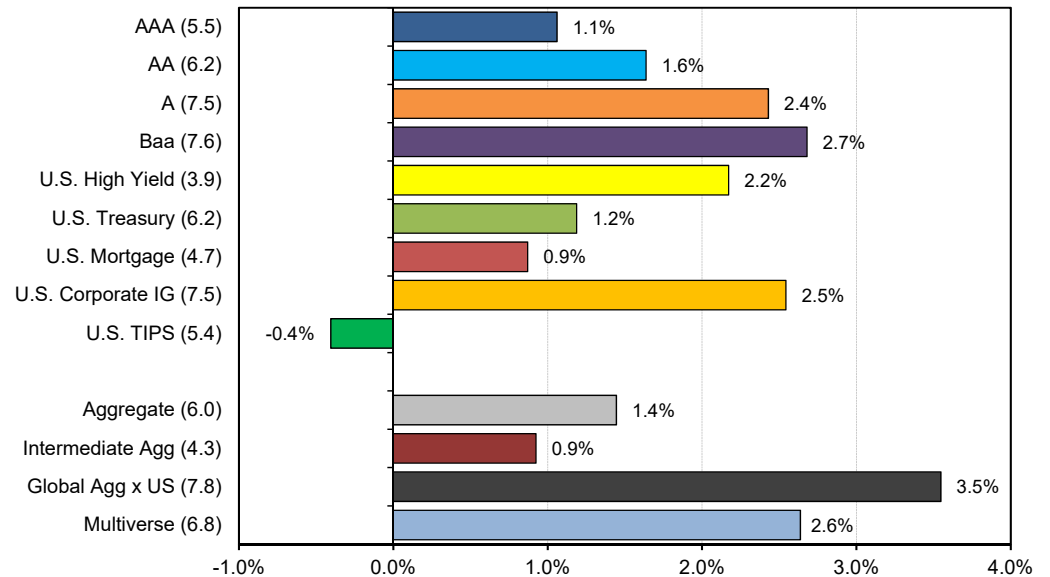
Country	MSCI-EAFE Weight	MSCI-ACWIXUS Weight	Quarter Return	1-Year Return
Japan	23.5%	16.3%	5.2%	19.2%
United Kingdom	17.7%	12.3%	4.7%	13.4%
France	10.5%	7.3%	9.1%	28.1%
Germany	9.5%	6.6%	6.4%	28.7%
Switzerland	8.5%	5.9%	9.0%	16.5%
Australia	7.1%	4.9%	-1.9%	18.3%
Netherlands	3.5%	2.5%	7.8%	28.2%
Hong Kong	3.5%	2.4%	7.2%	23.8%
Spain	3.5%	2.4%	7.9%	38.4%
Sweden	2.9%	2.0%	8.6%	26.7%
Italy	2.3%	1.6%	9.0%	30.9%
Denmark	1.8%	1.3%	15.3%	4.7%
Singapore	1.3%	0.9%	5.3%	14.9%
Belgium	1.1%	0.8%	4.8%	2.1%
Finland	1.0%	0.7%	13.4%	25.0%
Israel	0.7%	0.5%	6.5%	-2.3%
Norway	0.6%	0.4%	4.1%	14.9%
Ireland	0.5%	0.3%	3.8%	15.8%
Austria	0.2%	0.2%	21.8%	65.0%
New Zealand	0.2%	0.1%	8.1%	10.4%
Portugal	0.2%	0.1%	3.1%	15.2%
Total EAFE Countries	100.0%	69.6%	6.1%	20.3%
Canada		6.6%	0.6%	11.7%
Total Developed Countries		76.2%	5.6%	19.5%
China		6.6%	10.6%	32.2%
Korea		3.7%	10.2%	34.9%
Taiwan		3.0%	8.8%	32.9%
India		2.1%	2.9%	17.5%
Brazil		1.6%	-6.7%	17.0%
South Africa		1.6%	3.5%	10.2%
Mexico		0.9%	7.2%	12.0%
Russia		0.8%	-10.0%	10.3%
Indonesia		0.6%	8.5%	17.2%
Malaysia		0.6%	5.1%	2.7%
Thailand		0.5%	2.4%	17.1%
Poland		0.3%	13.6%	42.6%
Philippines		0.3%	7.1%	-6.2%
Turkey		0.3%	19.3%	8.1%
Chile		0.3%	-2.1%	14.0%
United Arab Emirates		0.2%	1.3%	8.4%
Qatar		0.2%	-10.9%	-2.3%
Colombia		0.1%	2.5%	8.8%
Peru		0.1%	7.2%	17.2%
Greece		0.1%	33.8%	50.4%
Hungary		0.1%	19.4%	44.4%
Czech Republic		0.0%	8.1%	10.0%
Pakistan		0.0%	-2.3%	18.3%
Egypt		0.0%	3.2%	-2.1%
Total Emerging Countries		23.8%	6.3%	23.8%
Total ACWIXUS Countries		100.0%	5.8%	20.5%

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

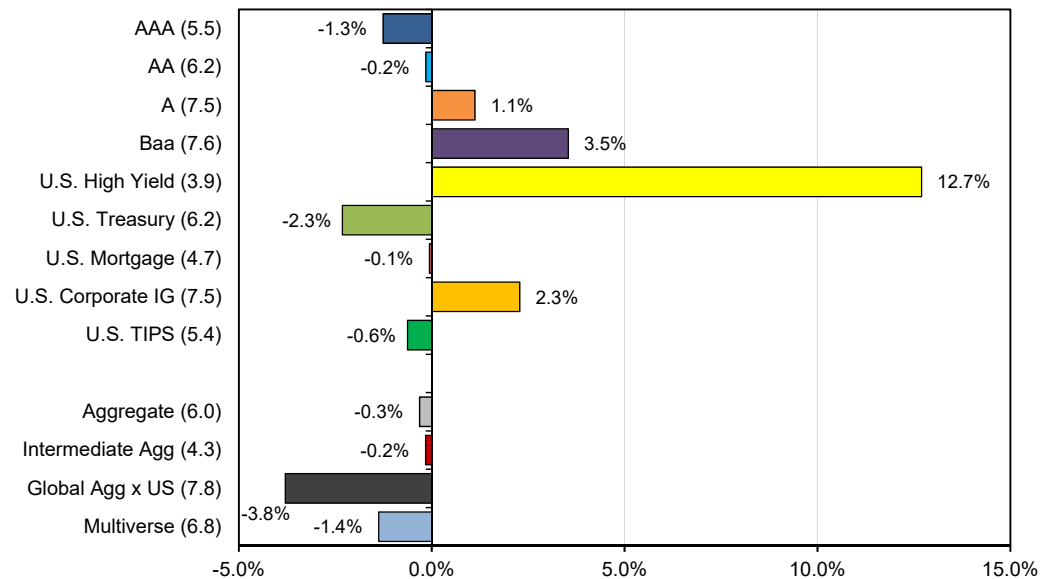


- Most broad fixed income benchmarks finished the 2nd quarter with modest gains. The Bloomberg Barclays U.S. Aggregate Index ended the quarter with a 1.4% increase. Interest rates fell through most of the period before rising near the end of the quarter. The Federal Open Market Committee (FOMC) voted to increase short-term interest rates by 25 basis points (bps) during their June meeting. This represented the third consecutive interest rate increase in the last 3 quarters. While inflation remains below target, the Fed viewed the economy as healthy enough to warrant continued tightening. This caused a flattening of the yield curve as short-term market yields rose through the quarter, but long term interest rates fell. The Fed also outlined plans to gradually reduce its balance sheet by slowing the rate of reinvestment of the Treasury and mortgage backed securities (MBS) it holds on its books as the securities mature. The amount reinvested each month will fall systematically, reducing the size of the Fed's balance sheet over time. Implementation of this plan could begin before the end of the year and would be viewed as further tightening of monetary policy. This news from the Fed put upward pressure on interest rates as the quarter came to a close. Most investment grade indices posting slightly negative returns over the last year. The Bloomberg Barclays U.S. Aggregate index returned -0.3% for the 1-year period.
- Lower quality bonds outperformed higher quality issues for both the quarter and 1-year period as contracting credit spreads from improvements in economic fundamentals acted as a tailwind to these issues. During the 2nd quarter credit spreads for high yield debt decreased by 19 bps versus only 9 bps for investment grade corporate issues. BAA issues more than doubled the return of AAA securities, returning 2.7% versus a more modest 1.1% for AAA debt. High yield debt has been the largest beneficiary of the strengthening economy, returning 2.2% for the quarter and 12.7% for the 1-year period.
- A review of sector performance shows investment grade credit outpacing other Treasuries, and MBS indices. As previously mentioned, corporate issues benefited from tightening credit spreads. MBS trailed Treasuries and investment grade corporates for the quarter as the Fed's plan to taper their ongoing reinvestment in agency MBS pushed spreads on MBS 5 bps higher while spreads tightened across all other fixed income sectors. TIPS posted the worst returns for the quarter, falling -0.4%, as lower inflation expectations drove prices lower. Led by a weakening USD, global bond indices posted solid results for the quarter. However, hawkish comments from several global central banks pared some gains at the end of the period. Fixed income returns over the 1-year period were broadly negative with only corporate issues posting gains. Despite a strong start to 2017, global bond returns trail domestic indices over the 1-year period with the Bloomberg Barclays Aggregate ex U.S. returning -3.8% for the period.

Quarter Performance

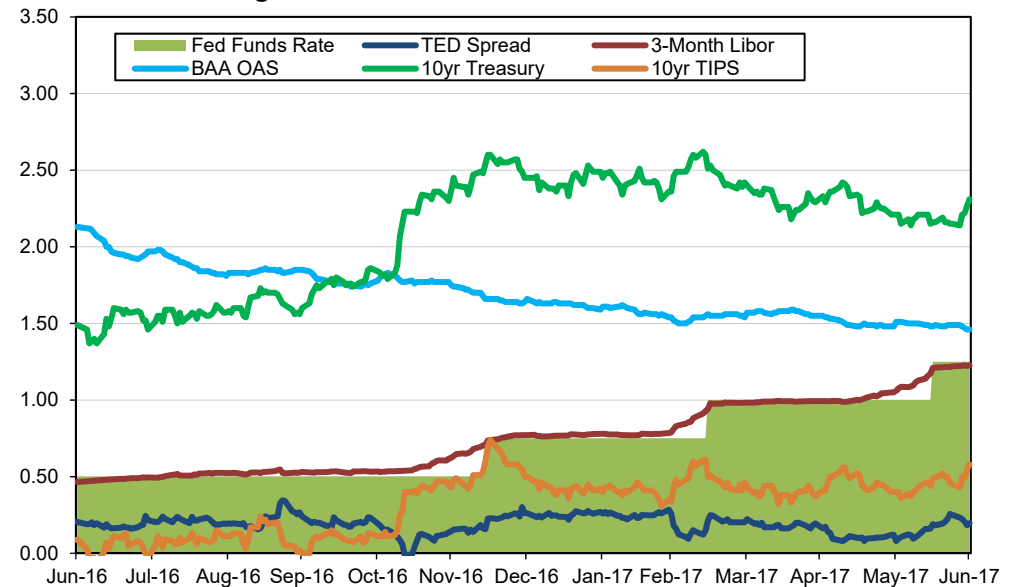


1-Year Performance

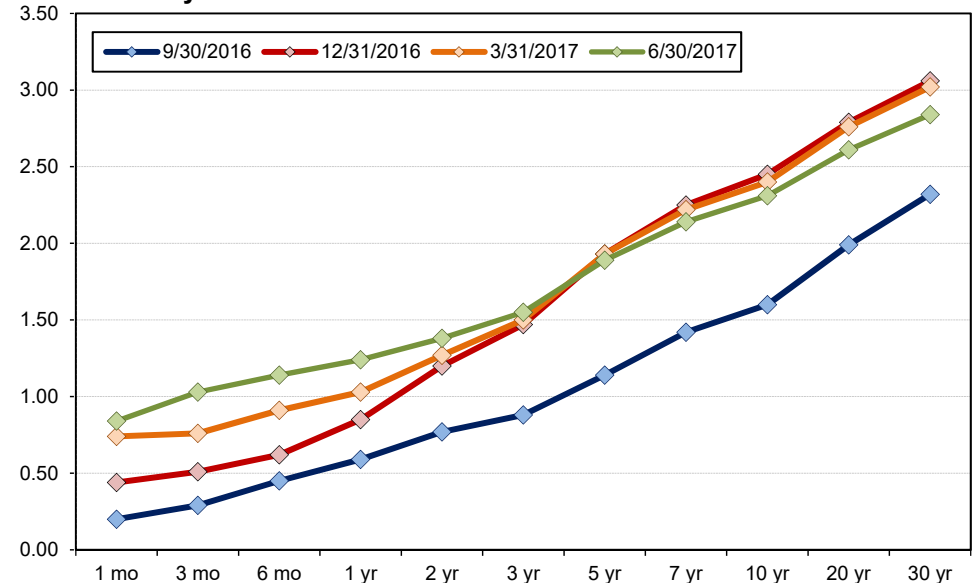


- Much of the index performance detailed in the bar graphs on the previous page is visible on a time series basis by reviewing the line graphs to the right. The '1-Year Trailing Market Rates' chart illustrates that the 10-year Treasury yield (green line) rose dramatically in the 4th quarter of 2016, held largely steady during the 1st quarter of 2017 and then gradually fell through most of 2nd quarter before spiking at the end of June. The yield on the 10-year Treasury has fallen to 2.31% from 2.45% at the start of the year. 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 decline in credit spreads throughout 2016 and into 2017. This decline is equivalent to an interest rate decrease on corporate bonds, which produces a tailwind for corporate bond index returns. These credit spreads have tightened by about 65 bps over the last 12-months. The green shading at the bottom of the graph illustrates the continued increase in the Federal Funds Rate due to a less accommodative Fed monetary policy.
- The lower graph provides a snapshot of the U.S. Treasury yield curve at each of the last four calendar quarters. Similar to the 1st quarter, the yield curve flattened further throughout the 2nd quarter as yields on shorter-term maturities rose, while interest rates on the long end of the curve (5-years and beyond) continued to decline. Interest rate movement during the period was relatively muted, the significant upward shift in interest rates since the end of 2016 is clearly visible. Yields on the 3-month Treasury Bill have jumped by almost 75 bps since September 30, 2016. Yields on the 30-year Treasury Bond have increased by more than 50 bps over the same period.
- Despite the rise in short-term interest rates, most fixed income indices finished the 2nd quarter in positive territory. In a rising rate environment, it is generally expected that longer-duration market indices will fall more than equivalent lower-duration benchmarks. However, the magnitude of interest rate shifts across the term structure and spread movements can lead to atypical short-term results. Finally, while global benchmarks are impacted by the same local yield and duration factors as domestic benchmarks, the returns of these indices are also significantly influenced by fluctuations in their currency denomination relative to the USD. This currency effect can either be an offsetting benefit to negative yield and duration factors in a rising rate environment as it has been year-to-date, or it can further exacerbate negative performance as it did in 2016.

1-Year Trailing Market Rates

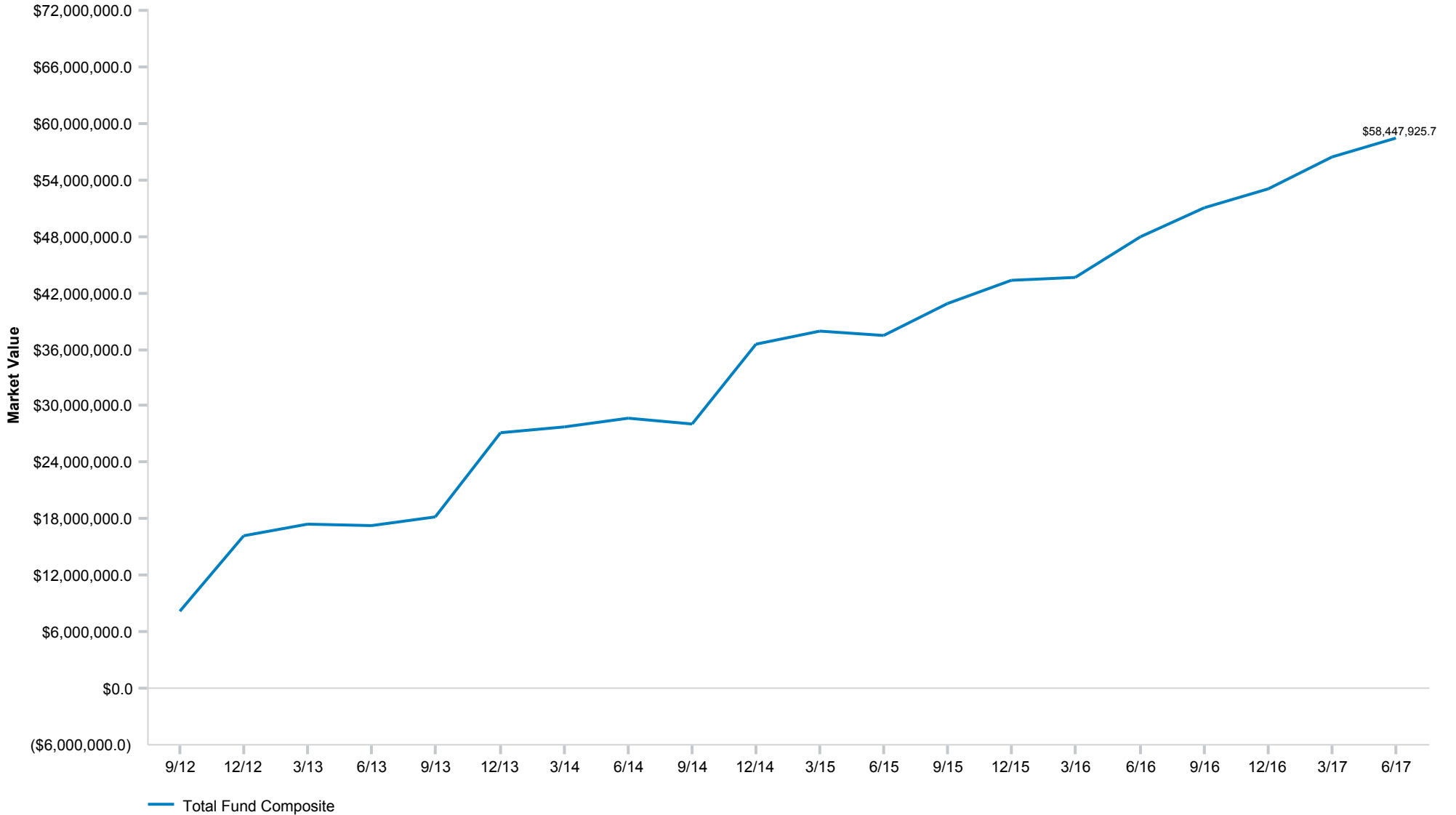


Treasury Yield Curve



10.3%

Schedule of Investable Assets



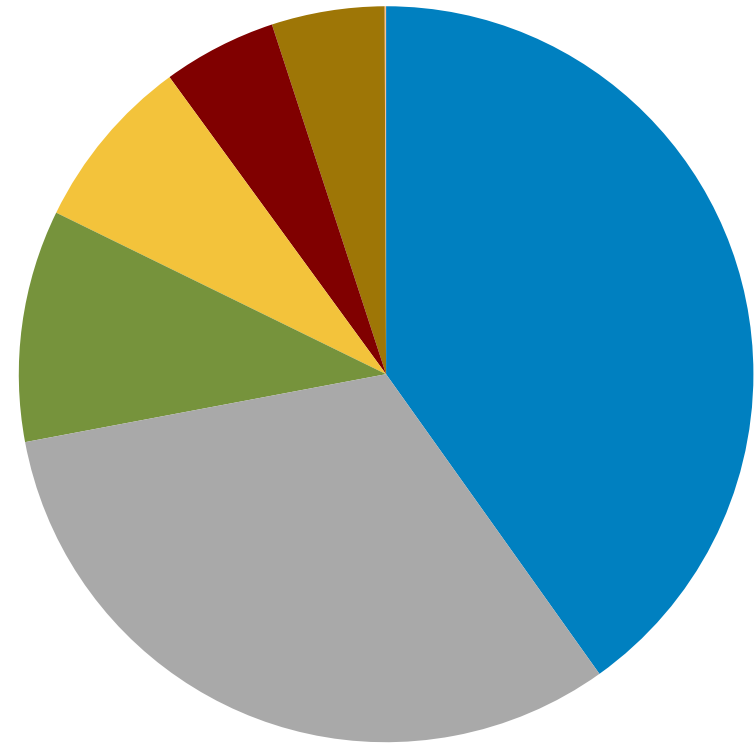
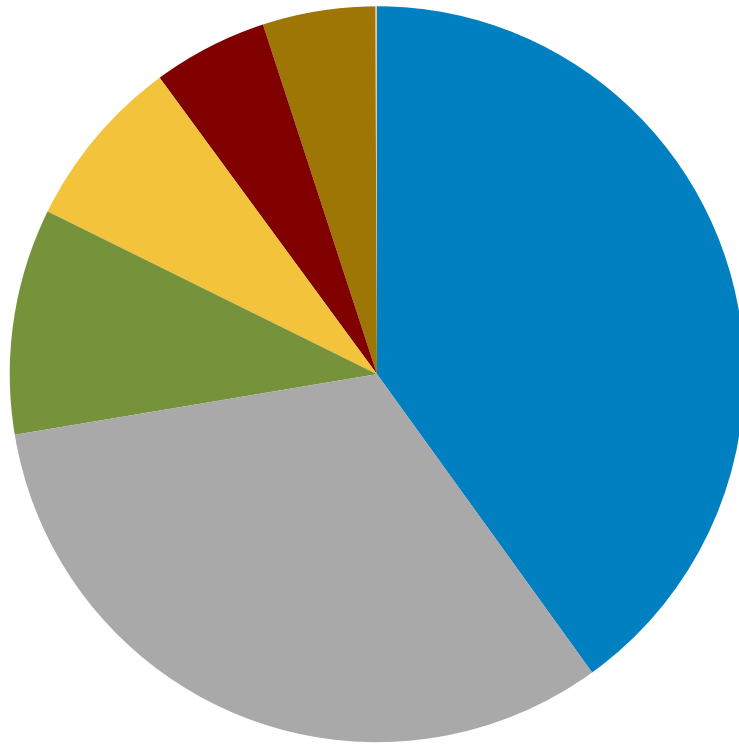
Schedule of Investable Assets

Periods Ending	Beginning Market Value \$	Net Cash Flow \$	Gain/Loss \$	Ending Market Value \$	%Return
Oct-2012 To Jun-2017	8,192,495	39,612,646	10,642,785	58,447,926	7.48



March 31, 2017 : \$56,387,193

June 30, 2017 : \$58,447,926

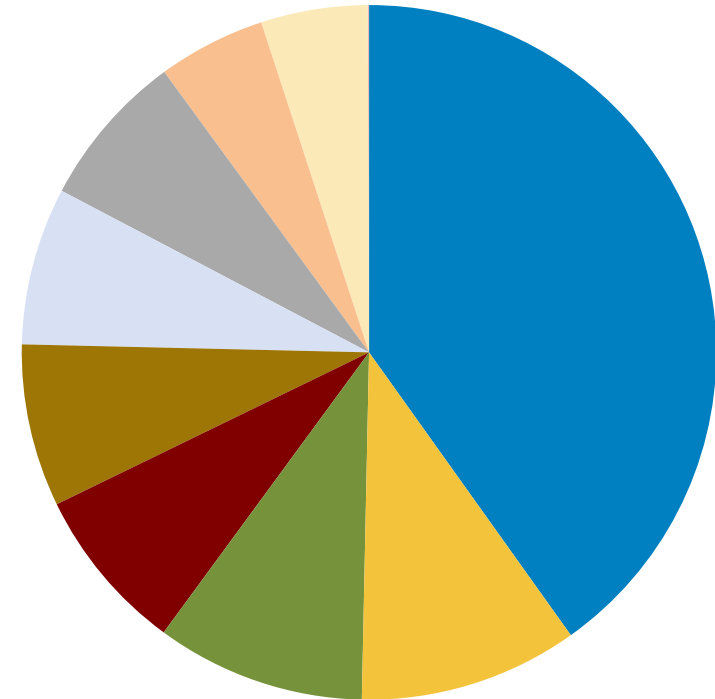
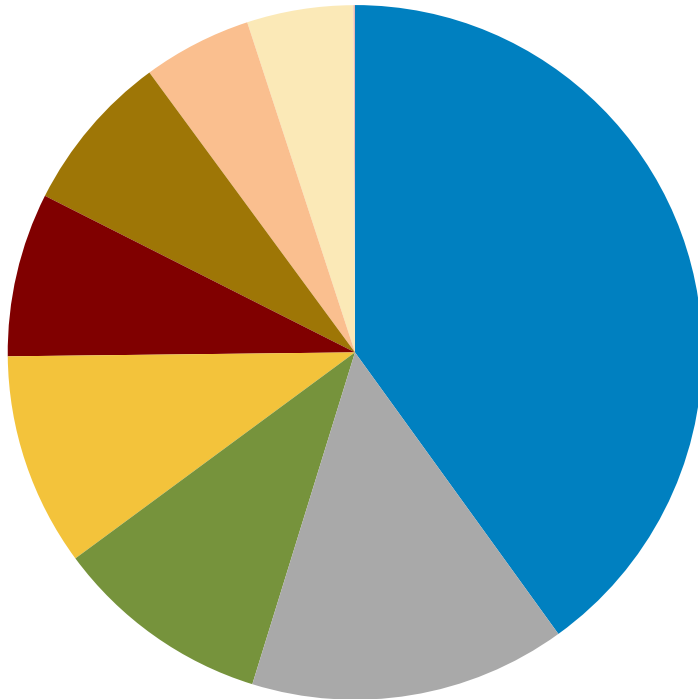


Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
Core Plus Fixed Income	22,580,218	40.0	Core Plus Fixed Income	23,461,968	40.1
Domestic Equity	18,226,415	32.3	Domestic Equity	18,645,729	31.9
MLPs	5,595,060	9.9	MLPs	5,957,601	10.2
International Equity	4,299,630	7.6	International Equity	4,514,422	7.7
Real Estate	2,852,706	5.1	Real Estate	2,926,327	5.0
High Yield Fixed Income	2,787,900	4.9	High Yield Fixed Income	2,903,317	5.0
Cash	45,264	0.1	Cash	38,561	0.1



March 31, 2017 : \$56,387,193

June 30, 2017 : \$58,447,926



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
MacKay Shields Core Plus	22,580,218	40.0	MacKay Shields Core Plus	23,461,968	40.1
Fiduciary Management	8,309,641	14.7	ARI MLP	5,957,601	10.2
Barrow Hanley MeWhinney & Strauss	5,702,782	10.1	Barrow Hanley MeWhinney & Strauss	5,690,659	9.7
ARI MLP	5,595,060	9.9	Causeway International (CIVIX)	4,514,422	7.7
Causeway International (CIVIX)	4,299,630	7.6	Stephens Mid Cap Growth	4,425,925	7.6
Stephens Mid Cap Growth	4,213,992	7.5	Vanguard Index Fund Institutional (VINIX)	4,288,548	7.3
Cohen & Steers (CSRIX)	2,852,706	5.1	Fiduciary Management	4,240,598	7.3
Loomis Sayles High Yield (LSHIX)	2,787,900	4.9	Cohen & Steers (CSRIX)	2,926,327	5.0
Cash	45,264	0.1	Loomis Sayles High Yield (LSHIX)	2,903,317	5.0
Vanguard Index Fund Institutional (VINIX)	-	0.0	Cash	38,561	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)	58,447,926	100.0	1.22	10.34	4.12	7.23	7.48	10/01/2012
Policy Index			1.54	8.28	4.09	7.99	7.46	
OPEB Actuarial Assumption			1.65	6.88	6.96	N/A	7.03	
Total Fund Composite (Net of Fees)			1.11	9.89	3.62	6.66	6.90	
Fiduciary Management	4,240,598	7.3	2.24	17.14	8.26	13.05	13.38	10/01/2012
Russell 1000 Value Index			1.34	15.53	7.36	13.94	13.21	
S&P 500 Index			3.09	17.90	9.61	14.63	13.97	
Vanguard Index Fund Institutional (VINIX)	4,288,548	7.3	N/A	N/A	N/A	N/A	2.03	05/01/2017
S&P 500 Index			3.09	17.90	9.61	14.63	2.04	
Stephens Mid Cap Growth	4,425,925	7.6	5.25	24.97	8.08	N/A	13.53	01/01/2013
Russell Midcap Growth Index			4.21	17.05	7.83	14.19	14.13	
Barrow Hanley MeWhinney & Strauss	5,690,659	9.7	-1.78	27.20	8.06	16.67	15.77	10/01/2012
Russell 2000 Value Index			0.67	24.86	7.02	13.39	12.82	
Causeway International (CIVIX)	4,514,422	7.7	5.02	20.86	0.42	N/A	2.57	10/01/2013
MSCI EAFE (Net) Index			6.12	20.27	1.15	8.69	3.70	
Cohen & Steers (CSRIX)	2,926,327	5.0	2.60	0.47	8.82	N/A	10.44	01/01/2013
FTSE NAREIT All Equity REITs			2.27	0.22	8.86	9.95	10.11	
ARI MLP	5,957,601	10.2	-7.64	3.13	-10.37	4.79	3.44	10/01/2012
Alerian MLP Index			-6.35	0.40	-11.23	1.77	0.05	
MacKay Shields Core Plus	23,461,968	40.1	1.80	1.57	2.57	N/A	2.57	07/01/2014
Bloomberg Barclays U.S. Aggregate Index			1.45	-0.31	2.48	2.21	2.48	
Loomis Sayles High Yield (LSHIX)	2,903,317	5.0	2.36	14.83	2.86	N/A	7.22	01/01/2013
BofA Merrill Lynch High Yield Master II			2.14	12.75	4.48	6.92	5.90	
Cash	38,561	0.1						

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: Vanguard Index Institutional (VINIX), Causeway International (CIVIX), Cohen & Steers (CSRIX), and Loomis Sayles High Yield (LSHIX). Gross of fees performance would be approximately 0.14% higher on an annual basis if these fees were included.



Asset Allocation & Performance	Allocation		Performance(%)				
	Market Value \$	%	2016	2015	2014	2013	2012
Total Fund Composite (Gross of Fees)	58,447,926	100.0	10.54	-2.43	5.42	17.12	N/A
Policy Index			9.47	-2.53	7.49	16.29	12.11
OPEB Actuarial Assumption			7.00	7.00	7.00	7.19	N/A
Fiduciary Management	4,240,598	7.3	14.92	-1.93	13.46	30.21	N/A
Russell 1000 Value Index			17.34	-3.83	13.45	32.53	17.51
S&P 500 Index			11.96	1.38	13.69	32.39	16.00
Vanguard Index Fund Institutional (VINIX)	4,288,548	7.3	N/A	N/A	N/A	N/A	N/A
S&P 500 Index			11.96	1.38	13.69	32.39	16.00
Stephens Mid Cap Growth	4,425,925	7.6	7.86	-0.28	4.61	36.16	N/A
Russell Midcap Growth Index			7.33	-0.20	11.90	35.74	15.81
Barrow Hanley MeWhinney & Strauss	5,690,659	9.7	27.59	-6.22	3.03	48.35	N/A
Russell 2000 Value Index			31.74	-7.47	4.22	34.52	18.05
Causeway International (CIVIX)	4,514,422	7.7	0.48	-3.12	-6.22	N/A	N/A
MSCI EAFE (Net) Index			1.00	-0.81	-4.90	22.78	17.32
Cohen & Steers (CSRIX)	2,926,327	5.0	5.89	5.23	30.18	3.46	N/A
FTSE NAREIT All Equity REITs			8.63	2.83	28.03	2.86	19.70
ARI MLP	5,957,601	10.2	21.44	-32.54	14.43	32.52	N/A
Alerian MLP Index			18.31	-32.59	4.80	27.58	4.80
MackKay Shields Core Plus	23,461,968	40.1	3.99	-0.08	N/A	N/A	N/A
Bloomberg Barclays U.S. Aggregate Index			2.65	0.55	5.97	-2.02	4.21
Loomis Sayles High Yield (LSHIX)	2,903,317	5.0	18.92	-10.27	5.17	15.07	N/A
BofA Merrill Lynch High Yield Master II			17.49	-4.64	2.50	7.42	15.58
Cash	38,561	0.1					

Total Fund Composite (Gross of Fees) includes net performance for mutual funds within the portfolio: Vanguard Index Institutional (VINIX), Causeway International (CIVIX), Cohen & Steers (CSRIX), and Loomis Sayles High Yield (LSHIX).
Gross of fees performance would be approximately 0.14% higher on an annual basis if these fees were included.



Fiduciary's objective is to buy durable business at value prices in order to achieve top in class investment results over a three to five year time horizon. Fiduciary considers themselves long-term investors, not traders. They will typically hold between 20-30 companies in their portfolio with an average turnover of 35%. The research process is geared toward finding six new investment ideas for the portfolio in a given year. All investment ideas are generated by a research team consisting of six individuals, rather than relying on the portfolio manager. As of June 30, 2017, Fiduciary had a market value of \$4,240,598.

Fiduciary Management		Weight %
Comcast Corp		4.9
Berkshire Hathaway Inc		4.7
Unitedhealth Group Inc		4.6
Honeywell International Inc		4.4
AmerisourceBergen Corp		3.9
Accenture PLC		3.9
Dollar General Corp		3.8
JPMorgan Chase & Co		3.8
eBay Inc.		3.6
TE Connectivity Ltd		3.6

Equity Assets Exposures by Sector

	Fiduciary Management	Russell 1000 Value Index
Cash	9.76	N/A
Consumer Discretionary	17.85	6.88
Consumer Staples	5.10	9.23
Energy	3.91	10.52
Financials	15.14	25.50
Health Care	12.11	14.20
Industrials	14.30	8.69
Information Technology	15.43	8.04
Materials	2.71	2.72
Real Estate	N/A	4.97
Telecommunication Services	3.70	3.11
Utilities	N/A	6.13

Equity Characteristics

	Fiduciary Management	Russell 1000 Value Index
Wtd. Avg. Mkt. Cap (\$)	99,149,719,420	115,486,685,218
Price/Earnings ratio	17.7	18.6
Price/Book ratio	3.1	2.2
Current Yield	1.6	2.5
Number of Stocks	30	719



Fund Information

Fund Name : Vanguard Institutional Index Fund: Vanguard Institutional Index Fund; Institutional Shares
 Fund Family : Vanguard Group Inc
 Ticker : VINIX
 Inception Date : 07/31/1990
 Fund Assets : \$132,229 Million
 Portfolio Turnover : 5%

Portfolio Assets : \$228,906 Million
 Portfolio Manager : Donald M. Butler
 PM Tenure : 2000
 Fund Style : IM S&P 500 Index (MF)
 Style Benchmark : S&P 500 Index

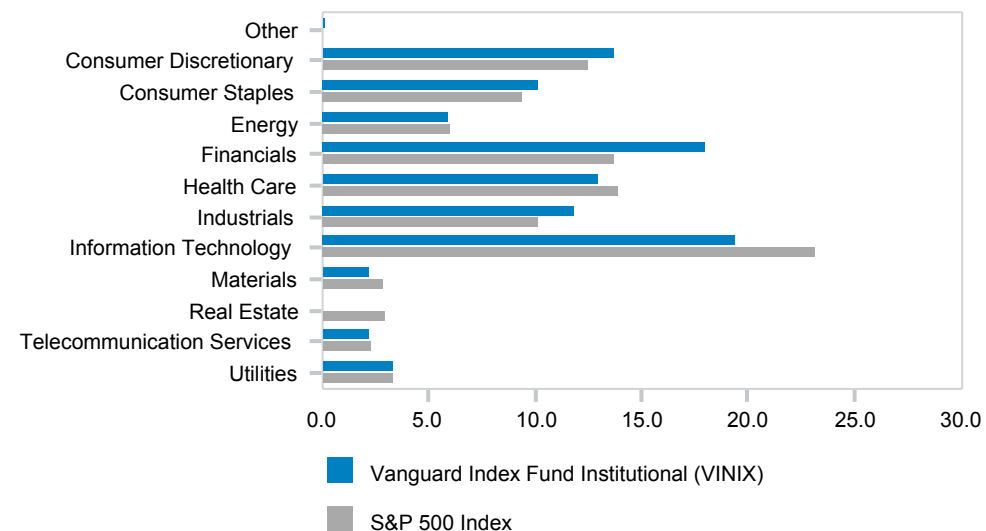
Portfolio Characteristics As of 05/31/2017

	Portfolio	Benchmark
Total Securities	512	505
Avg. Market Cap (\$)	162,442,411,921	20,448,691,200
Price/Earnings (P/E)	26.74	21.49
Price/Book (P/B)	6.01	3.29
Dividend Yield	2.39	2.01
Annual EPS	14.57	N/A
5 Yr EPS	10.75	11.14
3 Yr EPS Growth	11.83	N/A
Beta	N/A	1.00

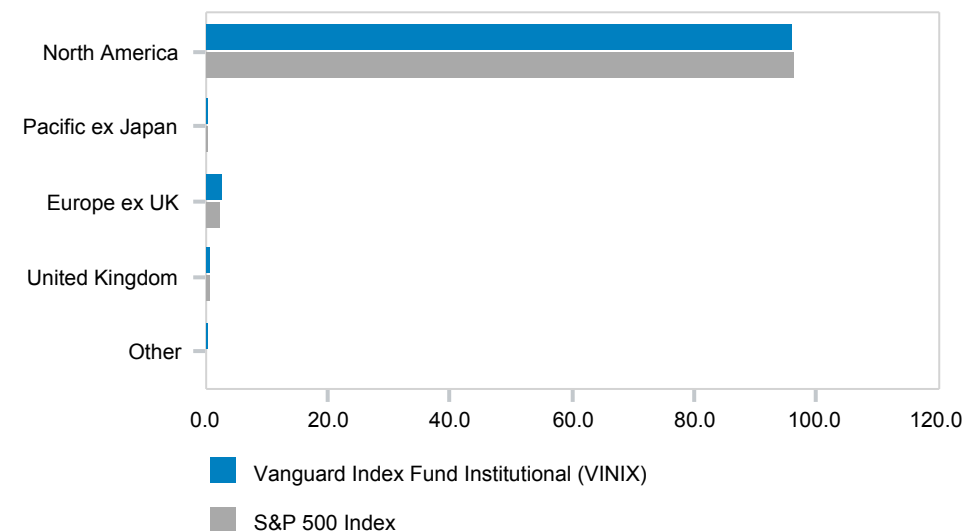
Top Ten Securities As of 05/31/2017

Apple Inc ORD	3.9 %
Microsoft Corp ORD	2.6 %
Amazon.com Inc ORD	1.9 %
Facebook Inc ORD	1.7 %
Johnson & Johnson ORD	1.7 %
Exxon Mobil Corp ORD	1.6 %
Berkshire Hathaway Inc ORD	1.4 %
JPMorgan Chase & Co ORD	1.4 %
Alphabet Inc ORD 1	1.4 %
Alphabet Inc ORD 2	1.4 %

Sector Weights As of 05/31/2017



Region Weights As of 05/31/2017



Statistics provided by Lipper. Most recent available data shown.



The Stephens Mid Cap Growth portfolio is a diversified portfolio that seeks long term growth of capital by investing primarily in common stock of U.S. companies with market capitalizations of between \$1.5 billion to \$12.5 billion. They select mid cap growth companies that are established growth companies that have achieved above average growth. The combination of core growth and catalyst growth stocks positions the portfolio for varying market conditions. As of June 30, 2017, Stephens had a market value of \$4,425,925.

Stephens Mid Cap Growth		Russell Midcap Growth Index	
	Weight %		Weight %
IDEXX Laboratories Inc	1.9	Zoetis Inc	1.1
MercadoLibre Inc	1.8	Analog Devices Inc.	1.0
NVIDIA Corp	1.8	Fiserv Inc.	0.9
Cognex Corp	1.8	Progressive Corp (The)	0.9
MarketAxess Holdings Inc	1.8	Illumina Inc	0.9
CoStar Group Inc	1.7	Edwards Lifesciences Corp	0.9
Microchip Technology Inc	1.7	Delphi Automotive PLC	0.8
Ulta Salon Cosmetics	1.6	Bard (C.R.) Inc	0.8
SVB Financial Group	1.6	Lam Research Corp	0.8
Expedia Inc	1.6	Ross Stores Inc	0.8

Equity Assets Exposures by Sector

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Cash	2.59	N/A
Consumer Discretionary	15.00	18.14
Consumer Staples	3.32	4.49
Energy	4.78	2.25
Financials	5.74	6.84
Health Care	22.91	15.11
Industrials	10.83	16.61
Information Technology	34.83	26.43
Materials	N/A	6.55
Real Estate	N/A	3.34
Telecommunication Services	N/A	0.21
Utilities	N/A	0.04

Equity Characteristics

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Wtd. Avg. Mkt. Cap (\$)	14,075,472,029	13,598,413,521
Price/Earnings ratio	35.6	27.1
Price/Book ratio	5.1	5.5
Current Yield	0.4	1.1
Number of Stocks	95	426



The strategy is designed to exploit inefficiencies in the small cap sector of the market by carefully employing high value-added proprietary research in a universe of small capitalization, low-expectation stocks. This process is directed toward the discovery of companies in which the value of the underlying business is significantly greater than the market price. The portfolio's goal is to consistently generate superior returns while assuming below average levels of risk. As of June 30, 2017, Barrow, Hanley, MeWhinney & Strauss had a market value of \$5,690,659.

Barrow Hanley MeWhinney & Strauss		Russell 2000 Value Index	
	Weight %		Weight %
II VI Inc	4.5	IDACORP Inc.	0.5
Texas Capital Bancshares Inc	4.2	WGL Holdings Inc.	0.4
Brooks Automation Inc	4.2	Wintrust Financial Corp.	0.4
Vishay Intertechnology Inc.	4.1	MGIC Investment Corp	0.4
Terex Corp	4.0	Hancock Holding Co	0.4
Barnes Group Inc	3.5	IBERIABANK Corp	0.4
Ferroglobe PLC	3.4	Portland Gen. Elec. Co.	0.4
Plexus Corp	3.3	Umpqua Holdings Corp	0.4
UMB Financial Corp	3.3	Healthcare Realty Trust Inc	0.4
PolyOne Corp	3.1	United Bankshares Inc	0.4

Equity Assets Exposures by Sector

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Cash	2.75	N/A
Consumer Discretionary	5.19	10.65
Consumer Staples	N/A	2.78
Energy	3.84	6.12
Financials	13.47	30.60
Health Care	2.76	5.61
Industrials	31.32	11.70
Information Technology	26.84	9.51
Materials	13.82	4.11
Real Estate	N/A	11.56
Telecommunication Services	N/A	0.70
Utilities	N/A	6.65

Equity Characteristics

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Wtd. Avg. Mkt. Cap (\$)	2,668,749,243	1,862,364,512
Price/Earnings ratio	22.9	18.1
Price/Book ratio	2.1	1.7
Current Yield	0.9	1.9
Number of Stocks	40	1,399

Fund Information

Fund Name : Causeway Capital Management Trust: Causeway International Value Fund; Institutional Class Shares
 Fund Family : Causeway Capital Management LLC
 Ticker : CIVIX
 Inception Date : 10/26/2001
 Fund Assets : \$6,390 Million
 Portfolio Turnover : 41%

Portfolio Assets : \$7,137 Million
 Portfolio Manager : Team Managed
 PM Tenure :
 Fund Style : IM International Large Cap Value Equity (MF)
 Style Benchmark : MSCI EAFE (Net) Index

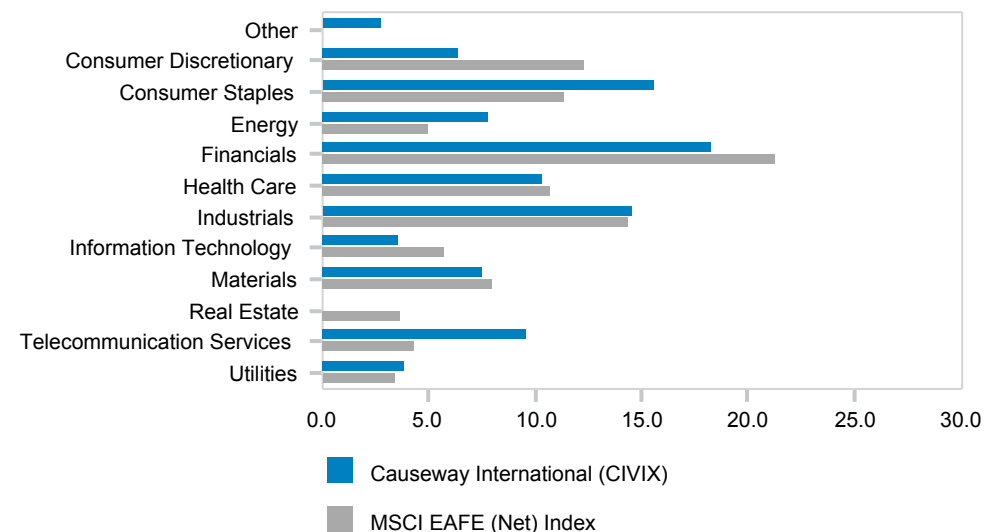
Portfolio Characteristics As of 03/31/2017

	Portfolio	Benchmark
Total Securities	60	929
Avg. Market Cap (\$)	66,801,788,352	9,745,319,925
Price/Earnings (P/E)	22.07	18.26
Price/Book (P/B)	2.89	2.12
Dividend Yield	2.95	3.17
Annual EPS	17.40	N/A
5 Yr EPS	-0.37	3.93
3 Yr EPS Growth	1.86	N/A
Beta (3 Years, Monthly)	0.89	1.00

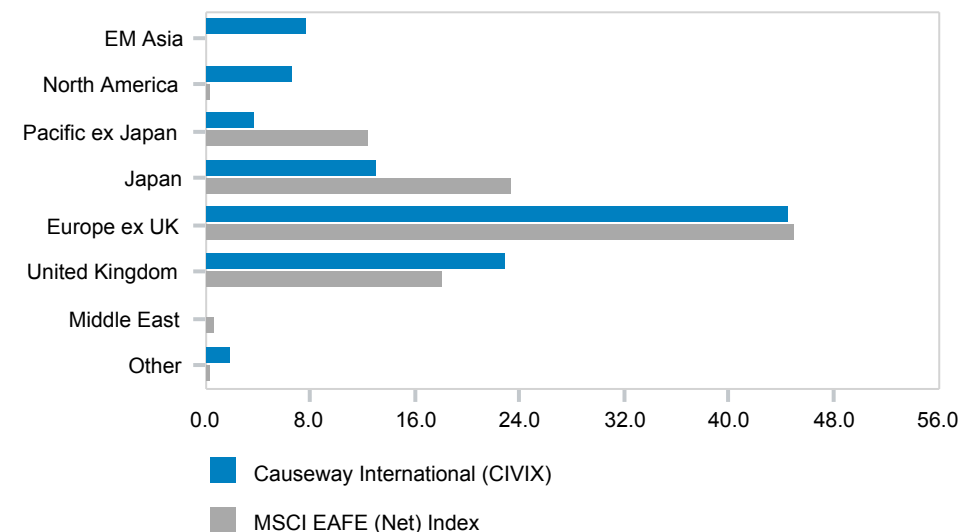
Top Ten Securities As of 03/31/2017

Volkswagen AG PFD	4.2 %
Akzo Nobel NV ORD	3.6 %
Royal Dutch Shell Plc B ORD	3.2 %
British American Tobacco PLC ORD	3.1 %
ABB Ltd ORD	2.9 %
Schneider Electric SE ORD	2.9 %
China Mobile Ltd ORD	2.8 %
Engie SA ORD	2.7 %
Novartis AG ORD	2.6 %
KDDI Corp ORD	2.5 %

Sector Weights As of 03/31/2017



Region Weights As of 03/31/2017



Statistics provided by Lipper. Most recent available data shown.



Fund Information

Fund Name : Cohen & Steers Institutional Realty Shares, Inc
 Fund Family : Cohen & Steers Capital Management Inc
 Ticker : CSRIX
 Inception Date : 02/14/2000
 Fund Assets : \$2,675 Million
 Portfolio Turnover : 79%

Portfolio Assets : \$2,675 Million
 Portfolio Manager : Team Managed
 PM Tenure :
 Fund Style : IM Real Estate Sector (MF)
 Style Benchmark : FTSE NAREIT All Equity REITs

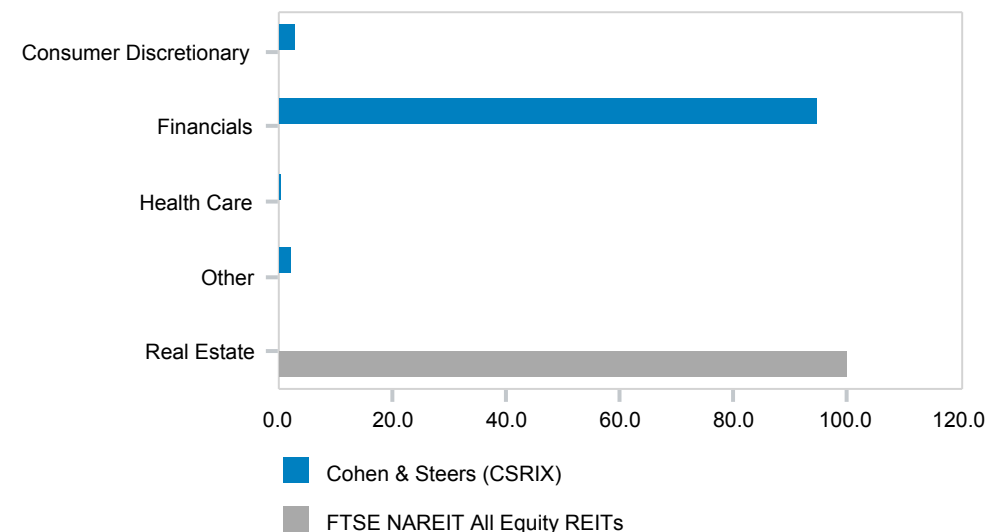
Portfolio Characteristics As of 03/31/2017

	Portfolio	Benchmark
Total Securities	57	167
Avg. Market Cap (\$)	14,725,784,703	-
Price/Earnings (P/E)	41.59	N/A
Price/Book (P/B)	3.63	N/A
Dividend Yield	3.59	N/A
Annual EPS	15.26	N/A
5 Yr EPS	21.32	N/A
3 Yr EPS Growth	28.81	N/A
Beta (3 Years, Monthly)	1.02	1.00

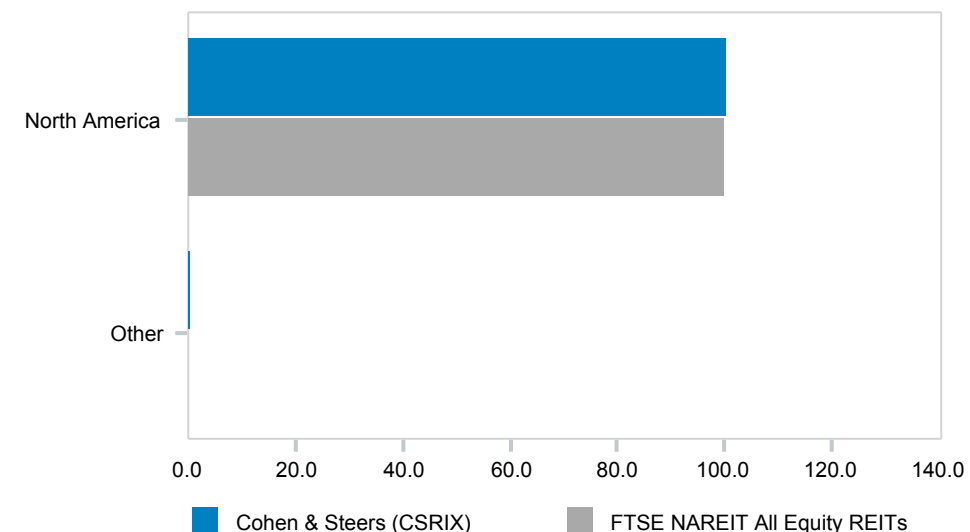
Top Ten Securities As of 03/31/2017

Simon Property Group Inc ORD	5.5 %
Equinix Inc ORD	4.8 %
UDR Inc ORD	4.8 %
Prologis Inc ORD	4.6 %
AvalonBay Communities Inc ORD	3.5 %
SL Green Realty Corp ORD	3.5 %
Brixmor Property Group Inc ORD	2.8 %
Public Storage ORD	2.8 %
Essex Property Trust Inc ORD	2.6 %
American Campus Communities Inc	2.5 %

Sector Weights As of 03/31/2017



Region Weights As of 03/31/2017



Statistics provided by Lipper. Most recent available data shown.



The ARI Master Limited Partnerships (MLPs) strategy is a diversified portfolio consisting primarily of publicly traded partnerships focused in the natural resources and energy infrastructure industries. The objective is to provide high levels of total returns and a growing cash yield. It offers low correlation to the broader equity market over the long-term. As of June 30, 2017, ARI had a market value of \$5,957,601.

ARI MLP	Weight %	Alerian MLP Index	Weight %
Energy Transfer Partners LP	8.6		
Magellan Midstream Partners LP	8.0		
DCP Midstream LP	7.5		
MPLX LP	7.0		
Tesoro Logistics LP	6.8		
Plains All American Pipeline LP	5.8		
Antero Resources Midstream Management LLC	5.8		
Phillips 66 Partners LP	5.5		
Buckeye Partners LP	5.4		
Williams Partners LP	4.8		

Equity Assets Exposures by Sector

	ARI MLP	Alerian MLP Index
Cash	1.58	N/A
Energy	98.42	N/A

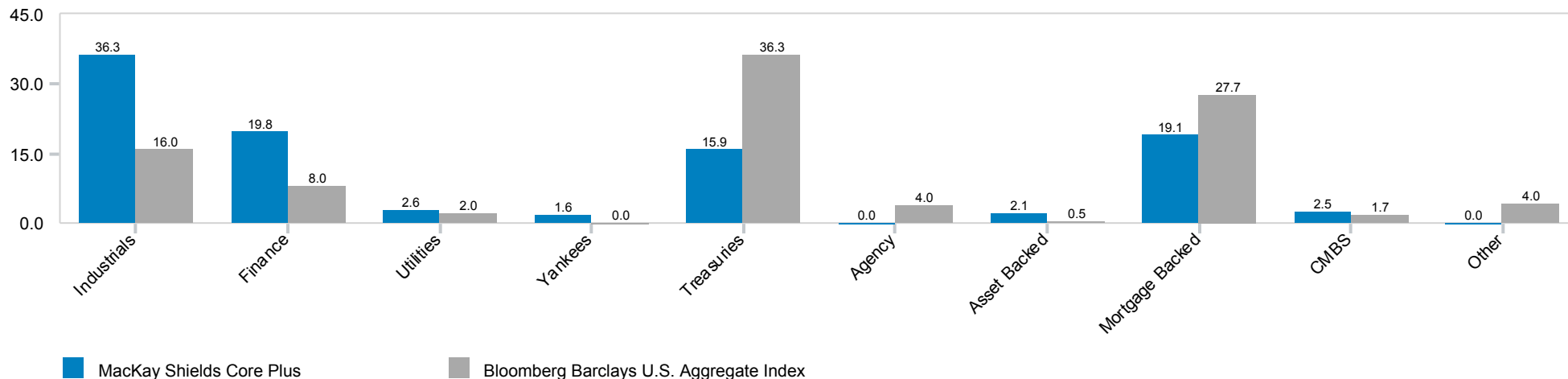
Equity Characteristics

	ARI MLP	Alerian MLP Index
Wtd. Avg. Mkt. Cap (\$)	10,582,227,683	-
Price/Earnings ratio	22.0	N/A
Price/Book ratio	2.6	N/A
Current Yield	6.9	N/A
Number of Stocks	26	0

MacKay Shields Core Plus seeks to outperform the benchmark by eliminating or reducing uncompensated risk while opportunistically allocating investments across a range of core and off-benchmark sectors. The fund typically invests in the same sectors represented by the Barclays U.S. Aggregate Bond Index, as well as high yield, emerging market debt, and non-US Dollar exposure. Their philosophy is centered on their pursuit of consistent, superior rates of return with low volatility. Their goal for the product is to provide enhanced returns over a full market cycle with lower-than market risk. This portfolio replaced Smith

Affiliated during the second quarter of 2014. As of June 30, 2017, MacKay Shields had a market value of \$23,462,650.

Sector Distribution (%)



Portfolio Characteristics

	Portfolio	Benchmark
Avg. Maturity	7.98	7.72
Avg. Quality	A+	AA+
Coupon Rate (%)	3.77	3.04
Modified Duration	5.77	N/A
Yield To Maturity (%)	2.85	2.49
Holdings Count	235	9,179



Fund Information

Fund Name :	Loomis Sayles Funds I: Loomis Sayles Institutional High Income Fund; Institutional Class	Portfolio Assets :	\$759 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 :	\$759 Million	Style Benchmark :	Citigroup High Yield Market Index
Portfolio Turnover :	17%		

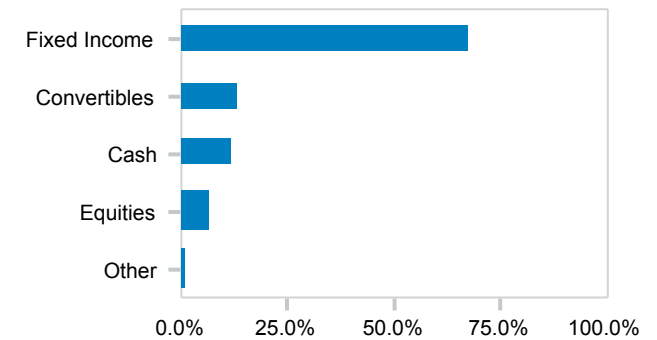
Fund Characteristics As of 03/31/2017

Avg. Coupon	4.91 %
Nominal Maturity	N/A
Effective Maturity	5.61 Years
Duration	3.55 Years
SEC 30 Day Yield	5.5
Avg. Credit Quality	BBB

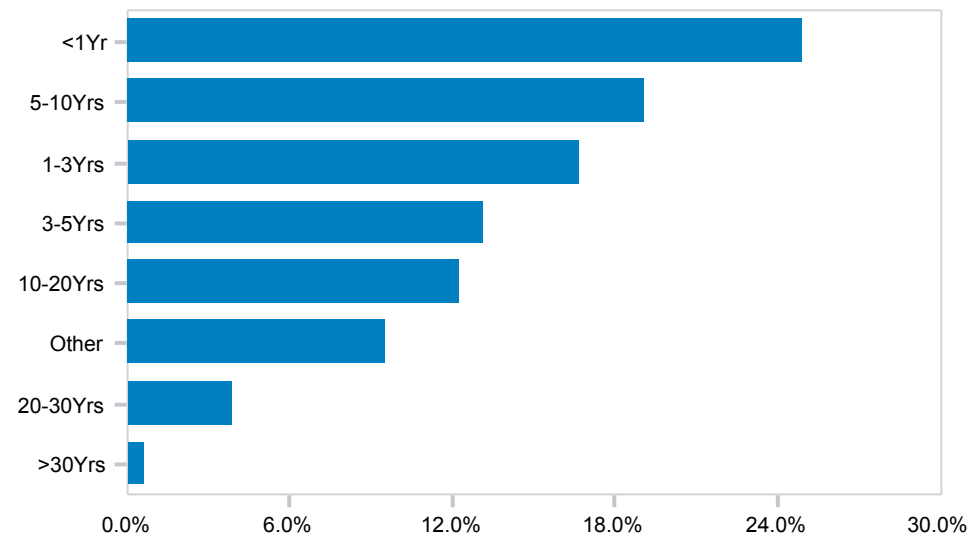
Top Ten Securities As of 03/31/2017

Corporate Notes/Bonds	57.6 %
Convertible Securities	12.9 %
Common Stock	6.7 %
Fgn. Currency Denominated Bonds	6.7 %
Treasury Notes/Bonds	4.3 %
Asset Backed Securities	0.3 %
Preferred Stock-Non Convertible	0.3 %

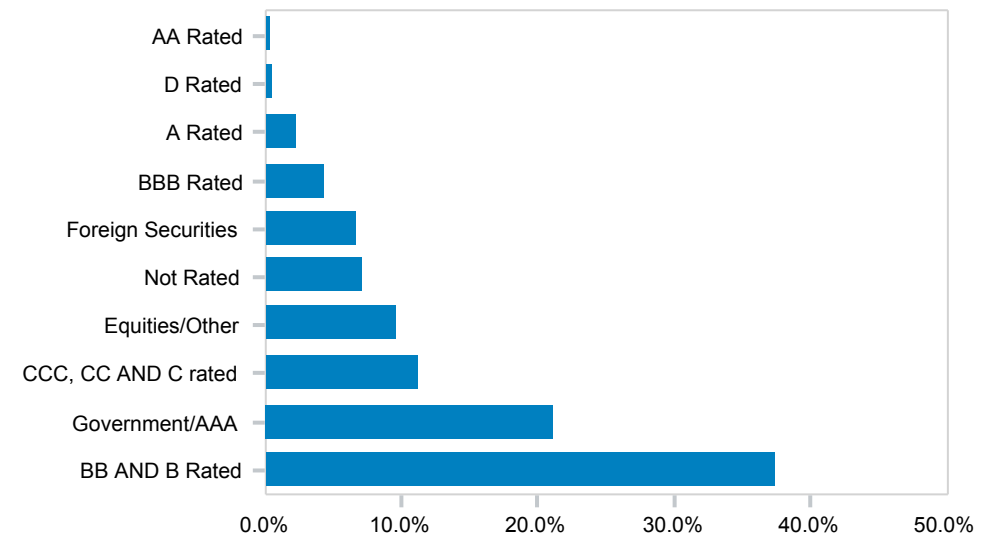
Asset Allocation As of 03/31/2017



Maturity Distribution As of 03/31/2017



Sector/Quality Allocation As of 03/31/2017



Statistics provided by Lipper. Most recent available data shown.



**Port of Houston OPEB
Manager Status Summary
As of June 30, 2017**

Manager	Mandate	Status	Notes
Fiduciary Management	Large Cap Value Equity	In Compliance	
Vanguard Index Fund (VINIX)	Large Cap Core Equity	In Compliance	
Stephens Mid Cap Growth	Mid Cap Growth Equity	In Compliance	
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	In Compliance	
Causeway International (CIVIX)	International Equity	In Compliance	
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	In Compliance	
ARI MLP	Master Limited Partnership	In Compliance	
Mackay Shields Core Plus	Core Plus Fixed Income	In Compliance	
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	In Compliance	

In Compliance- The portfolio is acting in full compliance with its guidelines and it is performing according to expectations.

On Alert- Concerns exist with the portfolio's performance, a change in investment characteristics, management style, ownership structure, staff or other related events.

On Notice- A continued and serious problem with any of the issues mentioned above. If the situation is not resolved to the Trustee's satisfaction, a replacement will be replaced and hired.



	Estimated Annual Fee (%)	Market Value (\$)	Estimated Annual Fee (\$)	Fee Schedule
Total Fund Composite	0.56	58,447,926	326,047	
Equity Composite	0.70	32,044,080	224,187	
Domestic Equity	0.62	18,645,729	116,025	
Fiduciary Management	0.55	4,240,598	23,323	0.55 % of Assets
Vanguard Index Fund Institutional (VINIX)	0.04	4,288,548	1,715	0.04 % of Assets
Stephens Mid Cap Growth	0.77	4,425,925	34,080	0.77 % of Assets
Barrow Hanley MeWhinney & Strauss	1.00	5,690,659	56,907	1.00 % of First \$10 M 0.50 % of Next \$190 M 0.40 % of Next \$200 M 0.30 % Thereafter
International Equity	0.92	4,514,422	41,533	
Causeway International (CIVIX)	0.92	4,514,422	41,533	0.92 % of Assets
Real Estate	0.75	2,926,327	21,947	
Cohen & Steers (CSRIX)	0.75	2,926,327	21,947	0.75 % of Assets
MLPs	0.75	5,957,601	44,682	
ARI MLP	0.75	5,957,601	44,682	0.75 % of Assets
Fixed Income Composite	0.39	26,403,846	101,859	
Core Plus Fixed Income	0.35	23,461,968	82,117	
MackKay Shields Core Plus	0.35	23,461,968	82,117	0.35 % of Assets
High Yield Fixed Income	0.68	2,903,317	19,743	
Loomis Sayles High Yield (LSHIX)	0.68	2,903,317	19,743	0.68 % of Assets



**Port of Houston OPEB
Fee Summary
As of June 30, 2017**

Structure	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Fiduciary Management	Large Cap Value Equity	0.55%	1.21%	0.66%	\$27,988
Vanguard Index Fund (VINIX)	Large Cap Core Equity	0.04%	1.21%	1.17%	\$50,176
Stephens Mid Cap Growth	Mid Cap Growth Equity	0.77%	1.35%	0.58%	\$25,670
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	1.00%	1.40%	0.40%	\$22,763
Causeway International (CIVIX)	International Equity	0.92%	1.16%	0.24%	\$10,835
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	0.75%	1.31%	0.56%	\$16,387
ARI MLP	Master Limited Partnership	0.75%	1.00%	0.25%	\$14,894
Mackay Shields Core Plus	Core Plus Fixed Income	0.35%	0.84%	0.49%	\$114,967
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	0.68%	1.08%	0.40%	\$11,613
Total Management Fees		0.56%	1.06%	0.51%	\$295,293

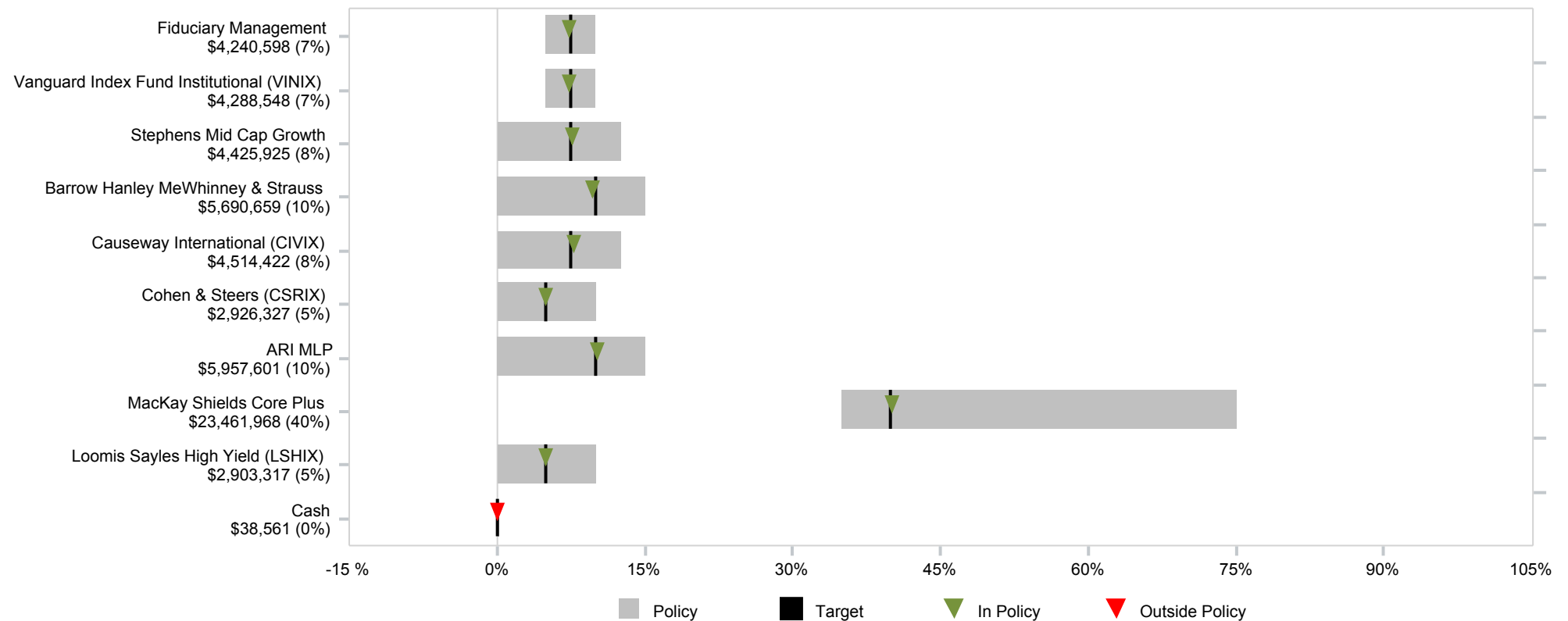
Source: Morningstar and Investment Managers



Asset Allocation Compliance

	Asset Allocation \$	Current Allocation (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund Composite	58,447,926	100.0	100.0	0.0		
Fiduciary Management	4,240,598	7.3	7.5	-0.2	5.0	10.0
Vanguard Index Fund Institutional (VINIX)	4,288,548	7.3	7.5	-0.2	5.0	10.0
Stephens Mid Cap Growth	4,425,925	7.6	7.5	0.1	0.0	12.5
Barrow Hanley MeWhinney & Strauss	5,690,659	9.7	10.0	-0.3	0.0	15.0
Causeway International (CIVIX)	4,514,422	7.7	7.5	0.2	0.0	12.5
Cohen & Steers (CSRIX)	2,926,327	5.0	5.0	0.0	0.0	10.0
ARI MLP	5,957,601	10.2	10.0	0.2	0.0	15.0
MacKay Shields Core Plus	23,461,968	40.1	40.0	0.1	35.0	75.0
Loomis Sayles High Yield (LSHIX)	2,903,317	5.0	5.0	0.0	0.0	10.0
Cash	38,561	0.1	0.0	0.1	0.0	0.0

Executive Summary



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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AndCo uses time-weighted calculations which are founded on standards recommended by the CFA Institute. The calculations and values shown are based on information that is received from custodians. AndCo analyzes transactions as indicated on the custodian statements and reviews the custodial market values of the portfolio. As a result, this provides AndCo with a reasonable basis that the investment information presented is free from material misstatement. This methodology of evaluating and measuring performance provides AndCo with a practical foundation for our observations and recommendations. Nothing came to our attention that would cause AndCo to believe that the information presented is significantly misstated.

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