

Investment Performance Review
Period Ending March 31, 2018

Port of Houston Authority Pension Plan

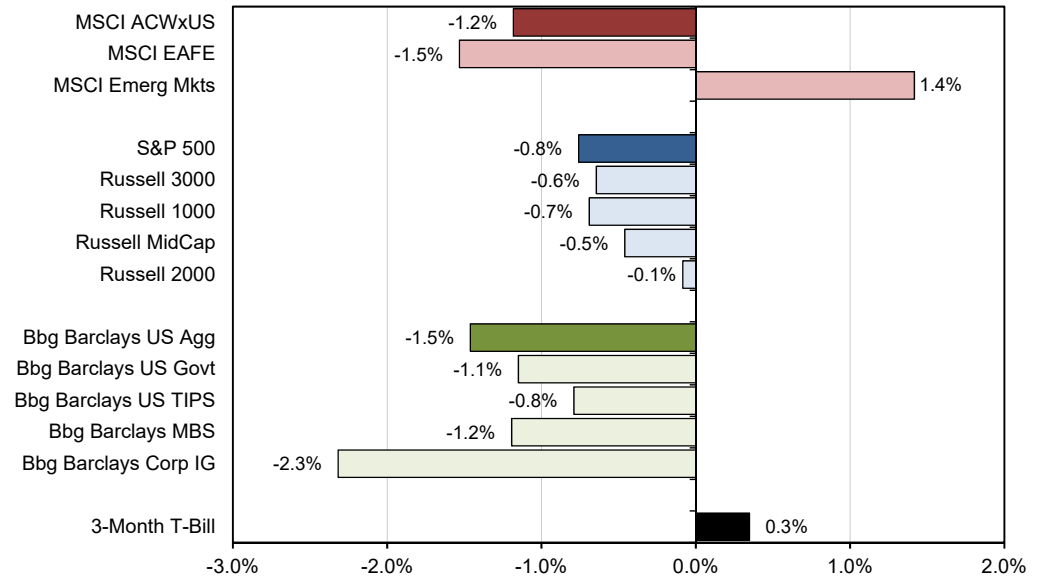


1st Quarter 2018 Market Environment

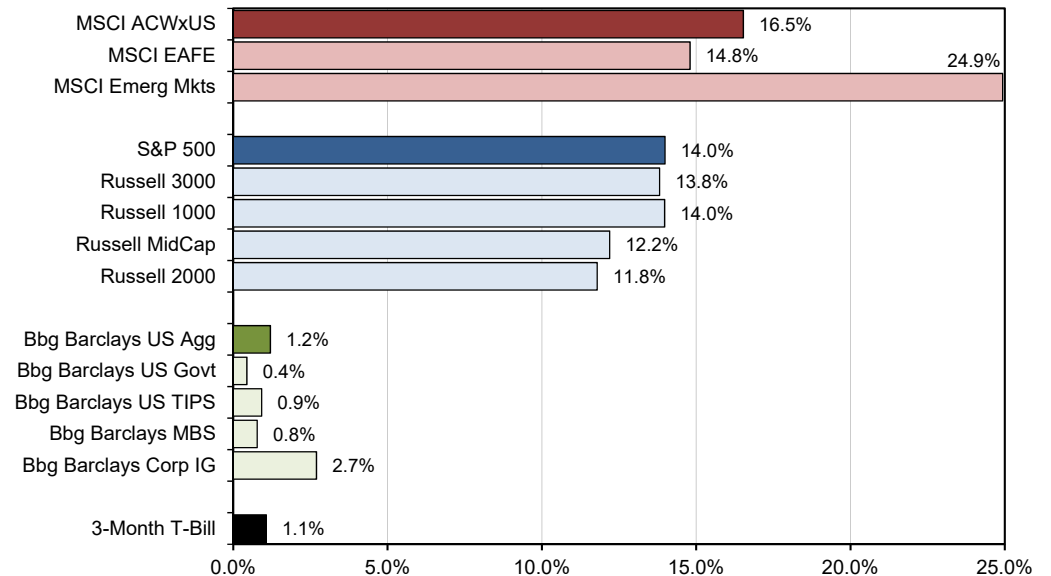


- Market returns were broadly negative across major equity and fixed income indices as we finished a highly volatile 1st quarter of 2018. Broad domestic and international equity markets pulled back modestly following a very strong 2017. Fixed income indices also posted negative results, producing returns in-line with those of equities during the quarter. However, when viewed over the past 1-year period, returns remain positive for major indices as improving macroeconomic data and robust corporate earnings worldwide outweighed the near-term market uncertainty. The US stock market represented by the Russell 3000 Index returned -0.6% and 13.8% for the quarter and 1-year period respectively. While the Russell 3000 outperformed the international MSCI ACWI ex US Index during the 1st quarter, international stocks have performed better over the last 12 months. While the US economy continues to show signs of expansion, investors focused on the future path of Federal Reserve (Fed) monetary policy and the emergence of new protectionist trade policies from the Trump administration during the quarter.
- International equity market benchmarks were mixed with developed markets posting modestly negative returns and emerging markets earning a slightly positive result. This is a continuation of the 2017 trend of emerging market outperformance relative to developed market equities. Emerging market stocks returned 1.4% and 24.9% over the quarter and 1-year period respectively. While the developed market MSCI EAFE Index lost ground through the 1st quarter, returning -1.5%, it still posted solid gains over the 1-year period returning 14.8%, narrowly outpacing major US indices. The strength in fundamentals abroad, ongoing US Dollar (USD) weakness and relatively accommodative global central bank policies continue to act as a tailwind to international markets relative to their US counterparts. Consequently, as the global recovery continues to take hold, international central banks have started to telegraph a greater likelihood of reduced stimulus in the future. Many international markets also saw their returns influenced, both positively and negatively, by ongoing political developments throughout the quarter.
- Interest rates on the US Treasury Yield Curve ended the 1st quarter of 2018 higher across all maturities. The movement in rates was considerable during the quarter as markets reacted to the greater likelihood of increasing inflation and a more restrictive than expected US monetary policy going forward. The Fed followed suit by increasing short-term interest rates by 25 basis points at their March meeting, the third increase in the last 12 months. The rising interest rate environment negatively impacted fixed income market returns for the quarter. The Bloomberg Barclays US Aggregate Index fell -1.5% for the quarter, but managed a positive 1.2% return for the 1-year period. Corporate credit reversed its 2017 trend of outperformance relative to other investment grade sectors returning -2.3% during the 1st quarter as credit spreads began to widen.

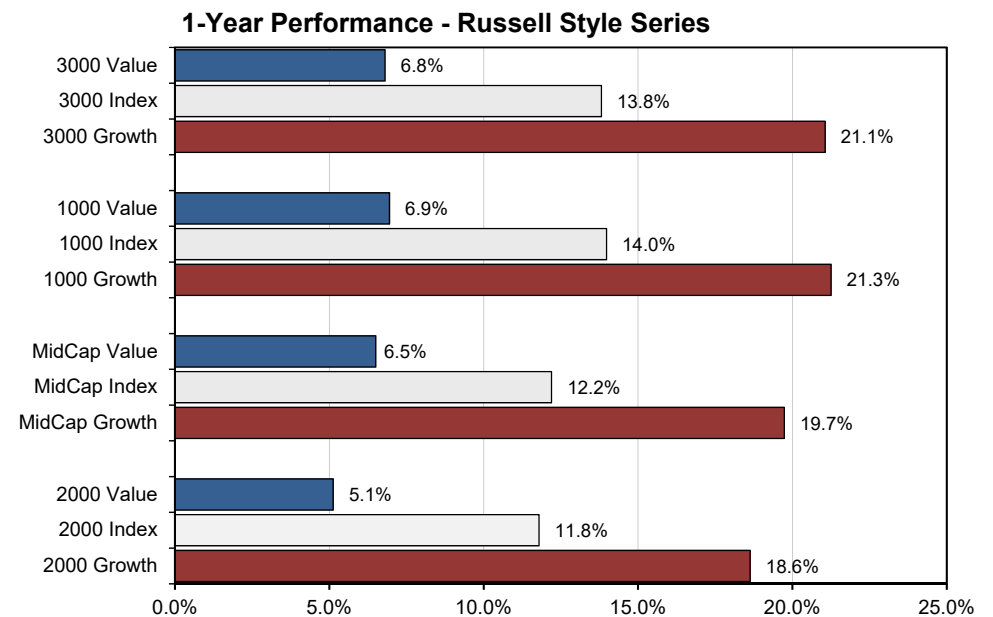
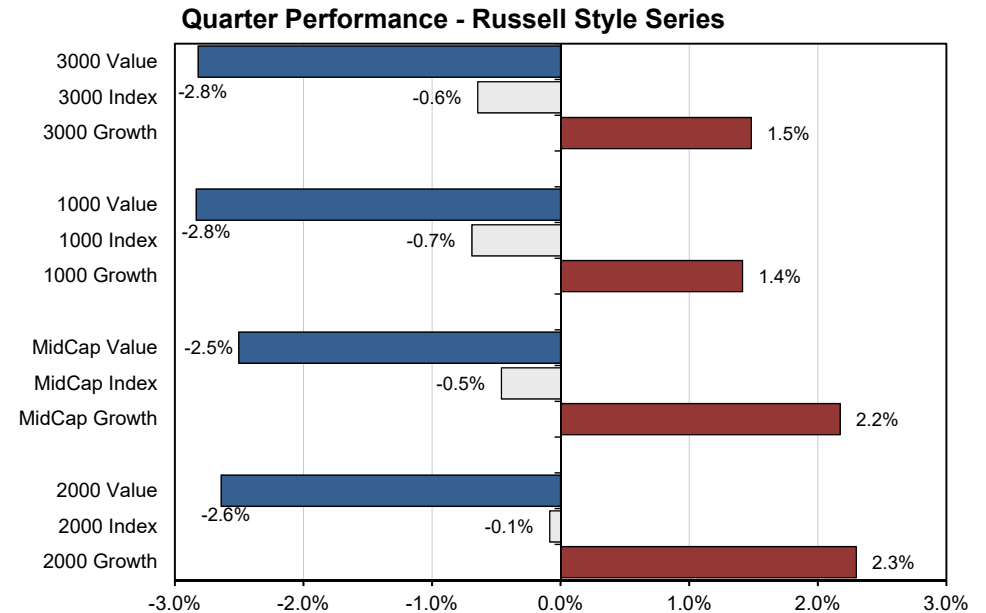
Quarter Performance



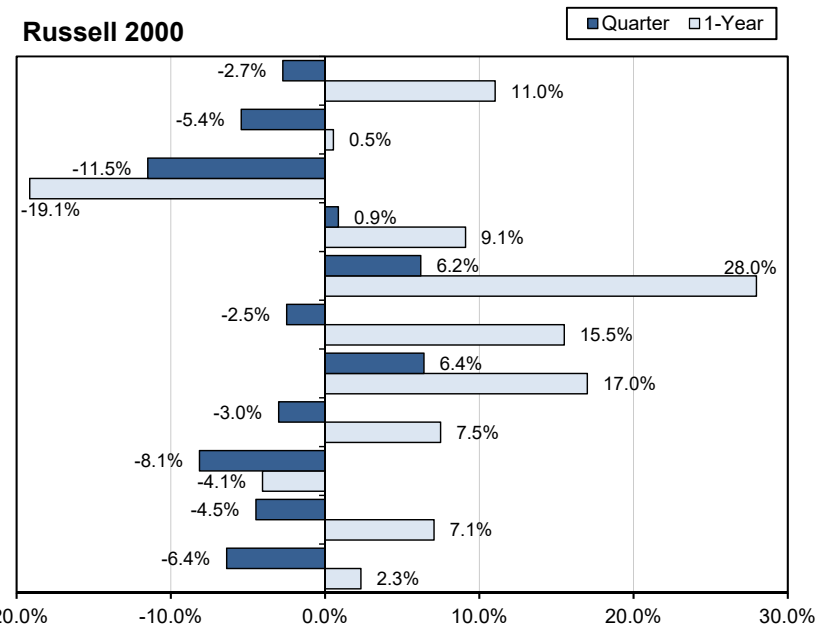
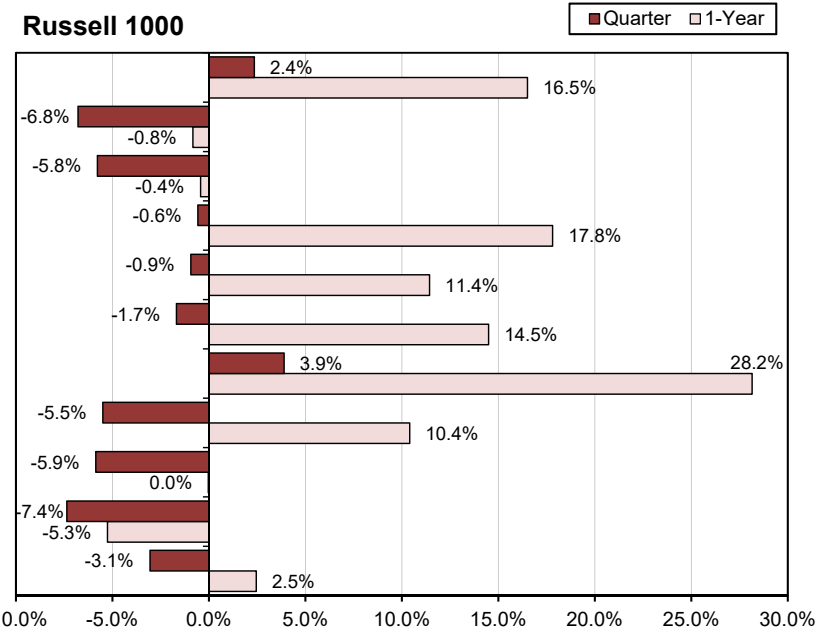
1-Year Performance



- US equity index returns were mixed across the style and capitalization spectrum to start 2018 with growth indices being the best performers. Markets were highly volatile throughout the quarter. Investors initially cheered the passage of the republican party tax reforms containing reductions to both individual and corporate income tax rates, increasing expectations for consumer spending and corporate earnings going forward. However, high US wage growth in January raised investor concerns that inflation could be picking up more quickly than the market expected, and would therefore require increased Fed action to prevent overheating of the economy. Market volatility rose and the S&P 500 Index had its first correction since 2015, falling over 10%. The market began a recovery from its February low as later economic releases made it appear that fears over inflation had likely been overstated. However, volatility returned in March when the Trump administration announced a series of protectionist tariff policies, with emphasis placed on China, increasing the potential for a global trade war. Despite the considerable market volatility, most US economic data was positive during the quarter and congress passed a new federal budget deal that will increase government spending by about \$300 billion over the next two years which can be used to stimulate the economy over the short-term.
- During the quarter, small cap stocks outperformed mid and large cap equities. The small cap Russell 2000 Index returned -0.1% during the period, while the large cap Russell 1000 Index returned -0.7%. The opposite was true over the 1-year period as large cap names were the best performers. The Russell 1000 returned 14.0% over the trailing year while the Russell 2000 posted a return of 11.8%. This large cap outperformance can be partially explained by their greater exposure to foreign markets relative to small cap companies. This can be especially beneficial during periods of USD weakness, such as that experienced over the last year. Large cap companies generate more revenue outside of the US which can expose them to faster growing markets, foreign tax benefits or strengthening foreign currencies.
- Growth indices outperformed value indices across the market cap spectrum for the fifth straight quarter and were all able to post a positive return for the 1st quarter of 2018. Performance for growth indices more than doubled value index performance for each respective cap segment for the year. 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 “bond proxy” sectors such as REITs, utilities and telecom. Lower exposure to the energy sector also acted as tailwind to growth benchmarks.



- Sector performance was largely negative across large cap sectors for the 1st quarter of 2018. Only two of eleven sectors had positive returns for the quarter and only three of eleven economic sectors outpaced the Russell 1000 Index return. Cyclical sectors tended to do well through the quarter with the higher yielding bond proxy sectors lagging on a relative basis as interest rates rose sharply during the period. Technology stocks continued their 2017 gains over the quarter, gaining 3.9% and consumer discretionary stocks performed well on the back of a strong holiday season earning a 2.4% return. The largest detractors for the quarter were the more defensive telecom services, consumer staples and real estate sectors which returned -7.4%, -6.8% and -5.9% respectively. Over the trailing 1-year period, technology was the best performing sector by a relatively wide margin returning an impressive 28.2%. Consumer discretionary and financials also returned greater than 15%. Seven of eleven large cap economic sectors posted positive returns for the 1-year period with six posting double digit returns. Telecom services was the largest underperformer losing -5.3%. The three other sectors with negative returns for the trailing year (real estate, energy and consumer staples) fell by less than 1.0%.
- Small cap sector results were mixed relative to their large capitalization counterparts. Only three of eleven economic sectors outpaced the Russell 2000 Index return for the quarter and posted positive results for the period. Like the large cap index sector performance, higher dividend yielding sectors also tended to trail more economically sensitive sectors. Technology was the best performing sector returning 6.4%. However, there were several notable differences, particularly in consumer discretionary and energy where there was significant underperformance relative to their large cap counterparts. Small cap sectors trailed large cap sectors in those two categorizations by over 5.0% during the quarter. Similarly, the small cap health care sector had much stronger performance than the large cap health care sector posting a 6.2% gain for the quarter. Over the 1-year period, nine of eleven sectors have posted gains with four of eleven sectors having returns greater than 10%. Health care stocks were the best performers within the Russell 2000 for the year returning a solid 28.0%. Energy and real estate were the only Russell 2000 sectors to post a negative return, falling -19.1% and -4.1% respectively.
- 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 utilities, materials and energy sectors appear the most extended. In contrast the telecommunications, technology and health care sectors were trading at a discount to their long-term average P/E ratios.



The Market Environment
Top 10 Index Weights & Quarterly Performance for the Russell 1000 & 2000
As of March 31, 2018

Top 10 Weighted Stocks				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Apple Inc	3.41%	-0.5%	18.6%	Information Technology
Microsoft Corp	2.74%	7.2%	41.5%	Information Technology
Amazon.com Inc	2.33%	23.8%	63.3%	Consumer Discretionary
Berkshire Hathaway Inc B	1.54%	0.6%	19.7%	Financials
JPMorgan Chase & Co	1.52%	3.4%	28.0%	Financials
Facebook Inc A	1.51%	-9.4%	12.5%	Information Technology
Johnson & Johnson	1.38%	-7.7%	5.5%	Health Care
Exxon Mobil Corp	1.27%	-9.9%	-5.5%	Energy
Alphabet Inc C	1.25%	-1.4%	24.4%	Information Technology
Alphabet Inc A	1.24%	-1.5%	22.3%	Information Technology

Top 10 Weighted Stocks				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
bluebird bio Inc	0.52%	-4.1%	87.8%	Health Care
MGIC Investment Corp	0.49%	-7.9%	28.3%	Financials
Sterling Bancorp	0.49%	-8.1%	-3.7%	Financials
Wintrust Financial Corp	0.49%	4.7%	25.5%	Financials
Umpqua Holdings Corp	0.48%	3.9%	25.1%	Financials
Idacorp Inc	0.45%	-2.7%	9.2%	Utilities
Hancock Holding Co	0.44%	4.9%	15.8%	Financials
LivaNova PLC	0.44%	10.7%	80.6%	Health Care
WGL Holdings Inc	0.44%	-2.0%	3.8%	Utilities
Radian Group Inc	0.42%	-7.6%	6.1%	Financials

Top 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
XL Group Ltd	0.06%	57.8%	41.6%	Financials
Abiomed Inc	0.05%	55.3%	132.4%	Health Care
Netflix Inc	0.48%	53.9%	99.8%	Consumer Discretionary
Validus Holdings Ltd	0.02%	44.6%	23.1%	Financials
Herbalife Ltd	0.02%	43.9%	67.6%	Consumer Staples
Agios Pharmaceuticals Inc	0.02%	43.0%	40.0%	Health Care
Match Group Inc	0.01%	41.9%	172.1%	Information Technology
Square Inc A	0.05%	41.9%	184.7%	Information Technology
CSRA Inc	0.03%	38.6%	43.0%	Information Technology
DST Systems Inc	0.02%	34.8%	37.9%	Information Technology

Top 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Atara Biotherapeutics Inc	0.13%	115.5%	89.8%	Health Care
Iovance Biotherapeutics Inc	0.12%	111.3%	126.8%	Health Care
Cambium Learning Group Inc	0.01%	97.2%	128.6%	Consumer Discretionary
G1 Therapeutics Inc	0.01%	86.7%	N/A	Health Care
Arsanis Inc	0.00%	79.4%	N/A	Health Care
Eastman Kodak Co	0.00%	72.6%	-53.5%	Information Technology
American Public Education Inc	0.07%	71.7%	87.8%	Consumer Discretionary
Infirera Corp	0.16%	71.6%	6.2%	Information Technology
Novavax Inc	0.04%	69.4%	64.1%	Health Care
WMIH Corp	0.03%	67.2%	-2.1%	Financials

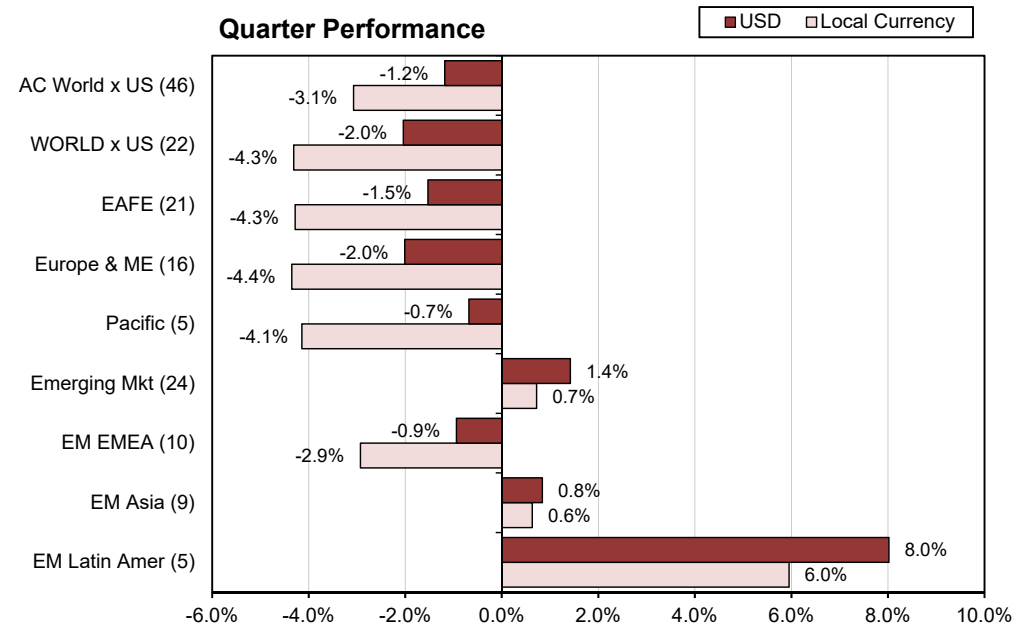
Bottom 10 Performing Stocks (by Quarter)				
Russell 1000	Weight	1-Qtr Return	1-Year Return	Sector
Colony NorthStar Inc A	0.01%	-49.8%	-52.7%	Real Estate
Weatherford International PLC	0.01%	-45.1%	-65.6%	Energy
Akorn Inc	0.01%	-41.9%	-22.3%	Health Care
Universal Display Corp	0.02%	-41.5%	17.4%	Information Technology
Macquarie Infrastructure Corp	0.01%	-40.3%	-49.7%	Industrials
Patterson Companies Inc	0.01%	-38.0%	-49.6%	Health Care
Mallinckrodt PLC	0.01%	-35.8%	-67.5%	Health Care
L Brands Inc	0.04%	-35.8%	-14.5%	Consumer Discretionary
OPKO Health Inc	0.00%	-35.3%	-60.4%	Health Care
Coherent Inc	0.02%	-33.6%	-8.9%	Information Technology

Bottom 10 Performing Stocks (by Quarter)				
Russell 2000	Weight	1-Qtr Return	1-Year Return	Sector
Dermira Inc	0.01%	-71.3%	-76.6%	Health Care
Ascent Capital Group Inc A	0.00%	-68.0%	-74.0%	Consumer Discretionary
Roadrunner Transportation Systems Inc	0.01%	-67.1%	-63.0%	Industrials
Tintri Inc	0.00%	-66.5%	N/A	Information Technology
Westmoreland Coal Co	0.00%	-66.1%	-97.2%	Energy
Protagonist Therapeutics Inc	0.01%	-58.7%	-32.9%	Health Care
RAIT Financial Trust	0.00%	-56.9%	-94.5%	Real Estate
Ultra Petroleum Corp	0.08%	-54.0%	-67.4%	Energy
Melinta Therapeutics Inc	0.01%	-53.2%	-60.5%	Health Care
Tetraphase Pharmaceuticals Inc	0.02%	-51.3%	-66.6%	Health Care

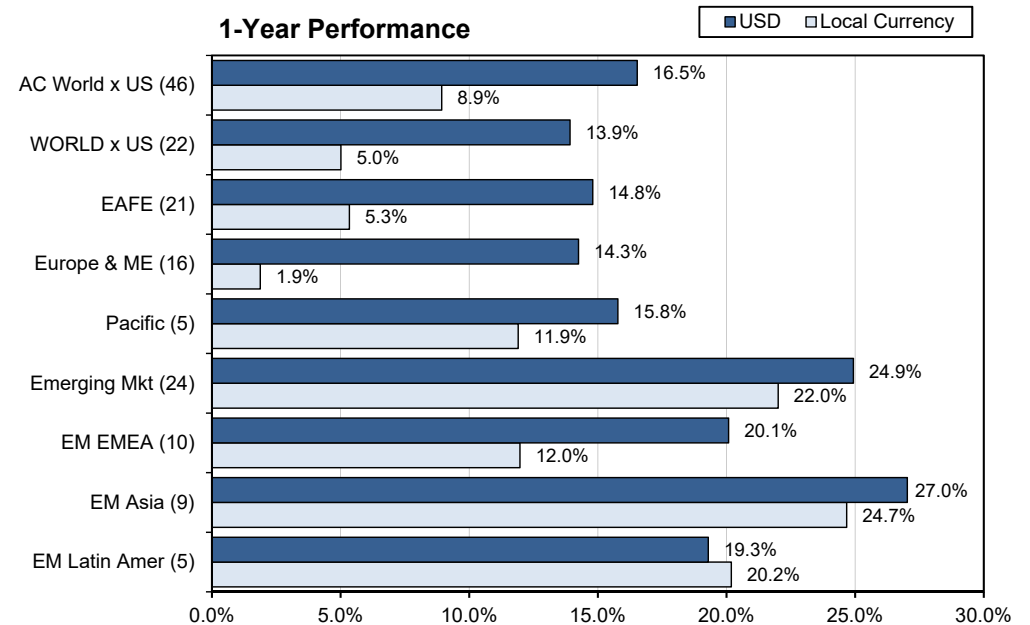


- Similar to domestic equities, broad international equity returns pulled back during the 1st quarter. Performance was largely driven by the same catalysts as the US equity markets, as global macroeconomic data remained generally positive. US investors in international markets had a currency effect tailwind as the USD continued its 2017 fall, weakening against most other currencies during the 1st quarter. The MSCI ACWI ex US Index lost -1.2% in USD terms and -3.1% in local currency terms. Emerging markets were a bright spot for the quarter with the MSCI Emerging Markets Index finishing with a slight gain. The returns over the 1-year period are substantially better with MSCI ACWI ex US returning 16.5% in USD terms and 8.9% in local currency terms.
- Results for developed market international indices were negative to start 2018 in both USD and local currency terms with the MSCI EAFE Index returning -1.5% and -4.3% respectively. Investors ignored broadly positive global economic data, focusing their attention on US monetary policy uncertainty and the outlook for global trade relations. There were several newsworthy political events during the quarter. In Europe, Italian elections resulted in a hung parliament with the populist Five Star Movement winning the largest number of seats. There is currently no clear path for a coalition government to be formed and it is possible elections may need to be re-held. In contrast, German Chancellor Merkel succeeded in forming a “grand coalition” government during March. In the UK, continued progress was made on “Brexit” as the UK and European Union were able to agree to initial terms on a transition period following the UK’s separation that should allow for an orderly withdrawal. In Japan, Prime Minister Abe was engulfed in a scandal regarding a discounted land sale to a school operator with ties to his wife and its subsequent coverup. The MSCI EAFE Index returned 14.8% and 5.3% for the last twelve months in USD and local currency terms respectively.
- The MSCI Emerging Market Index outperformed developed markets for the 1st quarter, posting a narrow gain of 1.4% and 0.7% in USD and local currency terms respectively. While emerging markets were also affected by the rise in global market volatility, strong GDP and corporate earnings growth combined with USD weakness helped them to finish the quarter ahead. China modestly outperformed despite late quarter trade tensions with the US. Brazil was the index’s strongest performer, returning 12.4% in USD terms, after former President Lula da Silva had a corruption and money laundering conviction upheld, likely preventing him from running for office again and opening the door for future economic reforms. Russian equities also performed well after Standard & Poor’s raised the countries credit rating to investment grade for the first time in over a decade citing prudent policy responses to sanctions and falling commodity prices. Indian stocks underperformed after fraud allegations emerged at a state-run bank. One year returns for the MSCI Emerging Market Index were 24.9% in USD terms and 22.0% in terms of local currency.

Quarter Performance



1-Year Performance



The Market Environment
US Dollar International Index Attribution & Country Detail
As of March 31, 2018

MSCI - EAFE	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	12.6%	0.7%	19.2%
Consumer Staples	11.1%	-3.0%	10.4%
Energy	5.3%	-2.0%	21.4%
Financials	21.1%	-2.2%	13.6%
Health Care	10.2%	-0.9%	7.0%
Industrials	14.6%	-1.5%	17.4%
Information Technology	6.6%	1.1%	26.2%
Materials	8.0%	-3.8%	19.8%
Real Estate	3.5%	-1.5%	13.1%
Telecommunication Services	3.8%	-3.9%	3.1%
Utilities	3.3%	1.3%	12.1%
Total	100.0%	-1.5%	14.8%

MSCI - ACWIXUS	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	11.4%	-1.0%	18.6%
Consumer Staples	9.5%	-2.8%	11.0%
Energy	6.7%	-1.8%	15.4%
Financials	23.1%	-1.1%	15.9%
Health Care	7.7%	-0.3%	9.1%
Industrials	11.8%	-1.6%	16.3%
Information Technology	11.8%	1.8%	34.3%
Materials	8.0%	-2.9%	18.4%
Real Estate	3.2%	-1.7%	16.5%
Telecommunication Services	3.9%	-4.1%	3.6%
Utilities	3.0%	1.2%	10.9%
Total	100.0%	-1.2%	16.5%

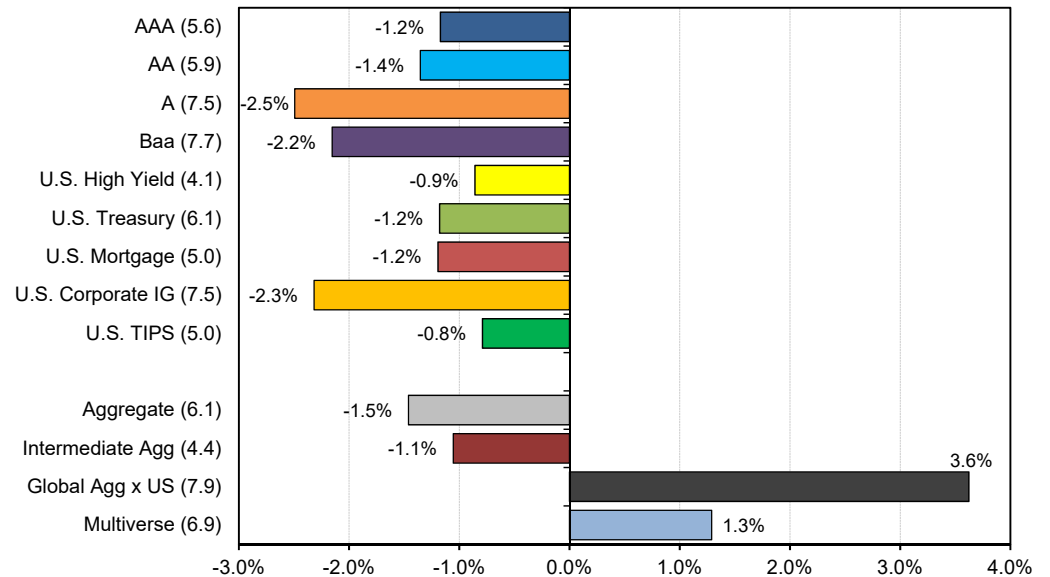
MSCI - Emerging Mkt	Sector Weight	Quarter Return	1-Year Return
Consumer Discretionary	9.5%	-6.1%	16.5%
Consumer Staples	6.4%	-0.8%	15.8%
Energy	7.2%	7.5%	24.7%
Financials	24.0%	4.2%	25.6%
Health Care	2.8%	7.0%	34.6%
Industrials	5.2%	-0.8%	10.1%
Information Technology	27.8%	2.1%	40.1%
Materials	7.3%	0.7%	20.0%
Real Estate	2.8%	-2.1%	32.5%
Telecommunication Services	4.6%	-3.7%	4.5%
Utilities	2.4%	3.0%	9.2%
Total	100.0%	1.4%	24.9%

Country	MSCI-EAFE Weight	MSCI-ACWIXUS Weight	Quarter Return	1-Year Return
Japan	24.6%	16.8%	0.8%	19.6%
United Kingdom	17.3%	11.8%	-3.9%	11.9%
France	10.9%	7.5%	0.3%	20.4%
Germany	9.7%	6.6%	-3.6%	13.6%
Switzerland	7.8%	5.3%	-4.3%	8.2%
Australia	6.6%	4.5%	-6.2%	1.4%
Netherlands	3.7%	2.5%	1.0%	19.9%
Hong Kong	3.6%	2.5%	-1.4%	18.4%
Spain	3.2%	2.2%	-1.7%	8.8%
Sweden	2.7%	1.8%	-2.4%	7.6%
Italy	2.5%	1.7%	5.4%	27.5%
Denmark	1.8%	1.2%	-1.5%	25.1%
Singapore	1.4%	0.9%	2.8%	22.8%
Belgium	1.1%	0.8%	0.5%	13.3%
Finland	1.0%	0.7%	8.2%	23.5%
Norway	0.7%	0.5%	2.3%	29.3%
Ireland	0.5%	0.3%	-5.9%	7.2%
Israel	0.5%	0.3%	-5.3%	-8.4%
Austria	0.3%	0.2%	2.2%	48.5%
New Zealand	0.2%	0.1%	-5.1%	4.0%
Portugal	0.2%	0.1%	3.1%	17.9%
Total EAFE Countries	100.0%	68.3%	-1.5%	14.8%
Canada		6.2%	-7.4%	4.9%
Total Developed Countries		74.5%	-2.0%	13.9%
China		7.6%	1.8%	38.9%
Korea		3.9%	-0.5%	25.4%
Taiwan		3.0%	5.7%	20.6%
India		2.1%	-7.0%	10.2%
Brazil		1.9%	12.4%	26.4%
South Africa		1.7%	-4.2%	25.0%
Russia		0.9%	9.4%	20.6%
Mexico		0.7%	0.9%	0.9%
Malaysia		0.6%	8.5%	25.3%
Thailand		0.6%	9.0%	35.0%
Indonesia		0.5%	-7.2%	7.8%
Chile		0.3%	1.5%	24.5%
Poland		0.3%	-8.2%	20.7%
Philippines		0.3%	-11.6%	3.8%
Turkey		0.3%	-5.0%	18.6%
United Arab Emirates		0.2%	-1.0%	-0.4%
Qatar		0.1%	2.5%	-11.0%
Colombia		0.1%	4.9%	15.4%
Peru		0.1%	10.3%	44.7%
Greece		0.1%	-6.8%	24.3%
Hungary		0.1%	-1.0%	38.6%
Czech Republic		0.1%	6.4%	36.4%
Egypt		0.0%	10.9%	14.5%
Pakistan		0.0%	11.4%	-14.0%
Total Emerging Countries		25.5%	1.4%	24.9%
Total ACWIXUS Countries		100.0%	-1.2%	16.5%

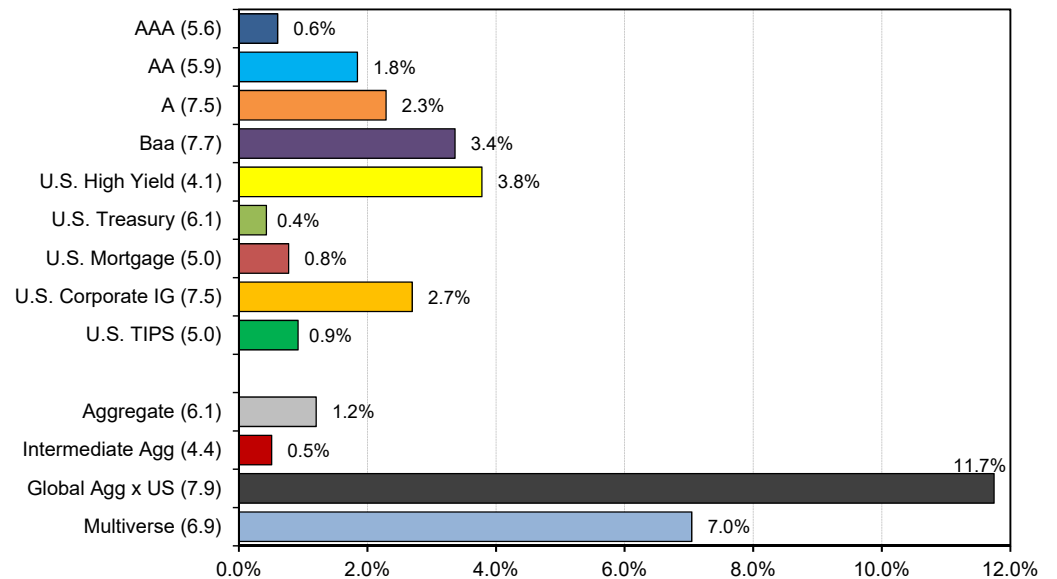


- Broad fixed income benchmarks were mostly negative during the 1st quarter, with international bonds being the exception. Early in the quarter, particularly strong January wage growth report caused investors to speculate that inflation was quickly increasing and that the Fed would need to tighten monetary policy to a greater degree than originally planned. This sent a shock through financial markets and caused interest rates to rise considerably. Economic releases later in the quarter showed that the fear of inflation was most likely overstated. Later in the quarter, the Federal Open Market Committee (FOMC), led by new Fed Chair Jerome Powell, decided to increase short-term interest rates by 25 basis points. The current Fed Funds Rate target sits at 1.50% - 1.75%. This rate increase was expected by the market and, importantly, the Fed did not change its plan for further rate increases for 2018. Concerns over new Treasury issuance needed to finance plans for increased fiscal spending also could have contributed to the rise in interest rates. The yield curve flattened through the quarter as short-term yields rose at a greater rate than longer-term yields. The Bloomberg Barclays US Aggregate Index fell -1.5% the quarter, but managed a positive 1.2% return for the trailing year.
- Within investment grade credit, higher quality corporate issues generally outperformed lower quality issues for the quarter as credit spreads widened and investors looked for safety amid increased financial market volatility. AAA rated credit was the best performing investment grade credit quality segment returning -1.2% for the quarter. Interestingly, high yield debt outperformed relative to investment grade credit, returning -0.9%, as spreads widened to a lesser degree for these issues and the index benefitted from a lower duration. Part of the reason for the increased spread widening for investment grade issues relative to high yield issues was selling pressure from companies repatriating foreign cash reserves in response to the new tax code. When viewed over the 1-year period, lower quality issues have advanced to a greater degree, partly due to the continued strength in the global economy. High yield debt returned 3.8% over the period whereas AAA rated issues returned 0.6%.
- US Treasury securities were the best performing investment grade sector through the quarter, narrowly outperforming US mortgage backed securities (MBS). This reversed the trend of corporate credit outperformance that was witnessed through 2017 as investors reacted to market volatility and moved into higher quality government issues. The Bloomberg Barclays US Corporate IG Index returned -2.3% for the quarter as widening credit spreads and a higher duration acted as headwinds to these issues. US Treasury and US MBS both posted a -1.2%. However, over the trailing year, Treasury securities were the worst performing investment grade sector returning 0.4%, while US investment grade corporate bonds were the best performing investment grade sector gaining 2.7%.

Quarter Performance

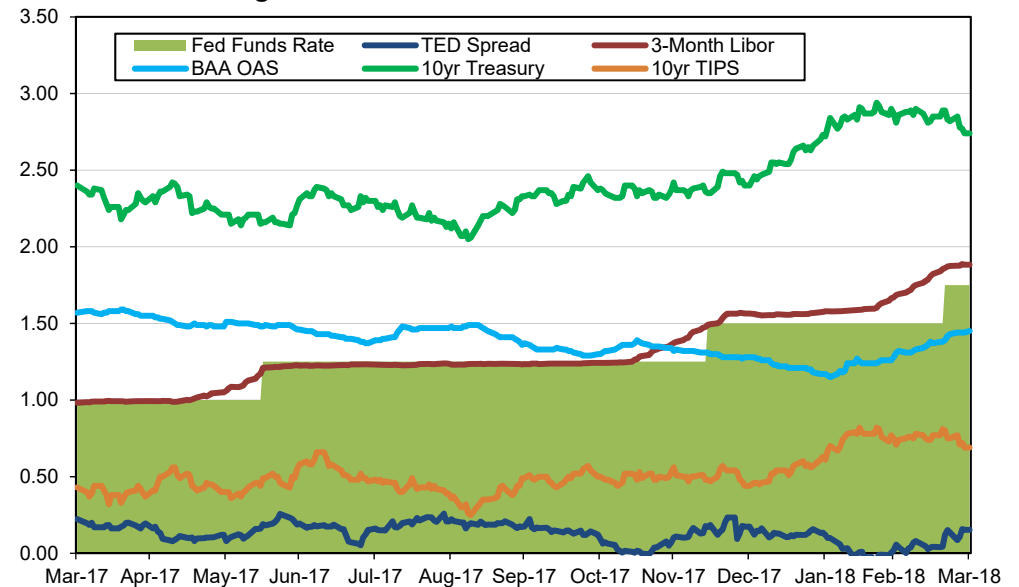


1-Year Performance

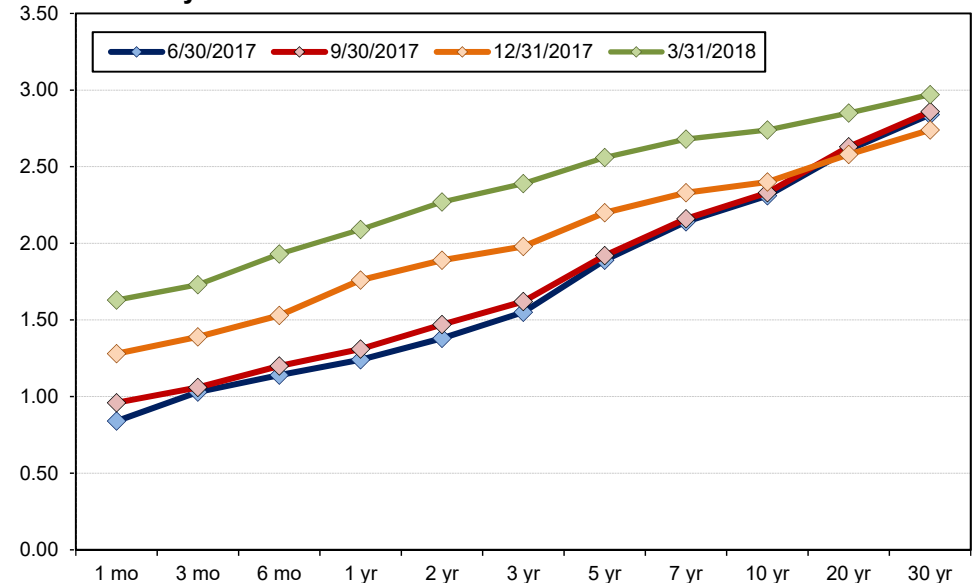


- In contrast to their domestic counterparts, global fixed income indices posted gains for the quarter. Global benchmarks are impacted by the same local yield and duration factors as domestic benchmarks. While these indices have relatively high durations, which would have acted as a headwind in the current quarter as interest rates increased, the returns of these indices are also significantly influenced by fluctuations in their currency denomination relative to the USD. This currency effect can add additional return to foreign issues as it did during calendar year 2017, or it can further exacerbate negative performance as it did in 2016. Global bonds outperformed domestic issues during the quarter and 1-year period partially due to a currency effect tailwind caused by a weakening USD. Returns on global bonds represented by the Bloomberg Barclays Global Aggregate ex US Index were 3.6% and 11.7% for the 1st quarter and trailing twelve months respectively. As the global economy continues to recover, several international central banks have started to move toward a less accommodative posture. Notably, the ECB, has extended its current quantitative easing program well into 2018, but has reduced the amount of monthly asset purchases from 60 billion euro per month to 30 billion euro per month. They also signaled that they would end the program entirely if the eurozone recovery continues to flourish. Similarly, the Bank of Japan (BoJ) inferred that they could end their quantitative easing program sometime in 2019 if target metrics were met. Lastly, the BoE voted to raise interest rates for the first time in a decade during the 4th quarter of 2017 and indicated rates may rise again more quickly than expected.
- Much of the index performance detailed in the bar graphs on the previous page is visible on a time series basis by reviewing the line graphs to the right. The '1-Year Trailing Market Rates' chart illustrates that the 10-year Treasury yield (green line) rose significantly during the 1st quarter, rising from 2.40%, to a peak of 2.94%, before falling to 2.74% to end the period. The blue line illustrates changes in the BAA OAS (Option Adjusted Spread). This measure quantifies the additional yield premium that investors require to purchase and hold non-Treasury issues. This line illustrates a steady decline in credit spreads throughout 2017. However, the trend begins to reverse in early February. This increase is equivalent to an interest rate increase on corporate bonds, which produces a headwind for corporate bond index returns. These credit spreads have widened by about 17 basis points over the last 3-months. The green shading at the bottom of the graph illustrates the gradual increase in the Federal Funds Rate due to a less 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 significant upward shift in interest rates that occurred in the 1st quarter is clearly visible.

1-Year Trailing Market Rates



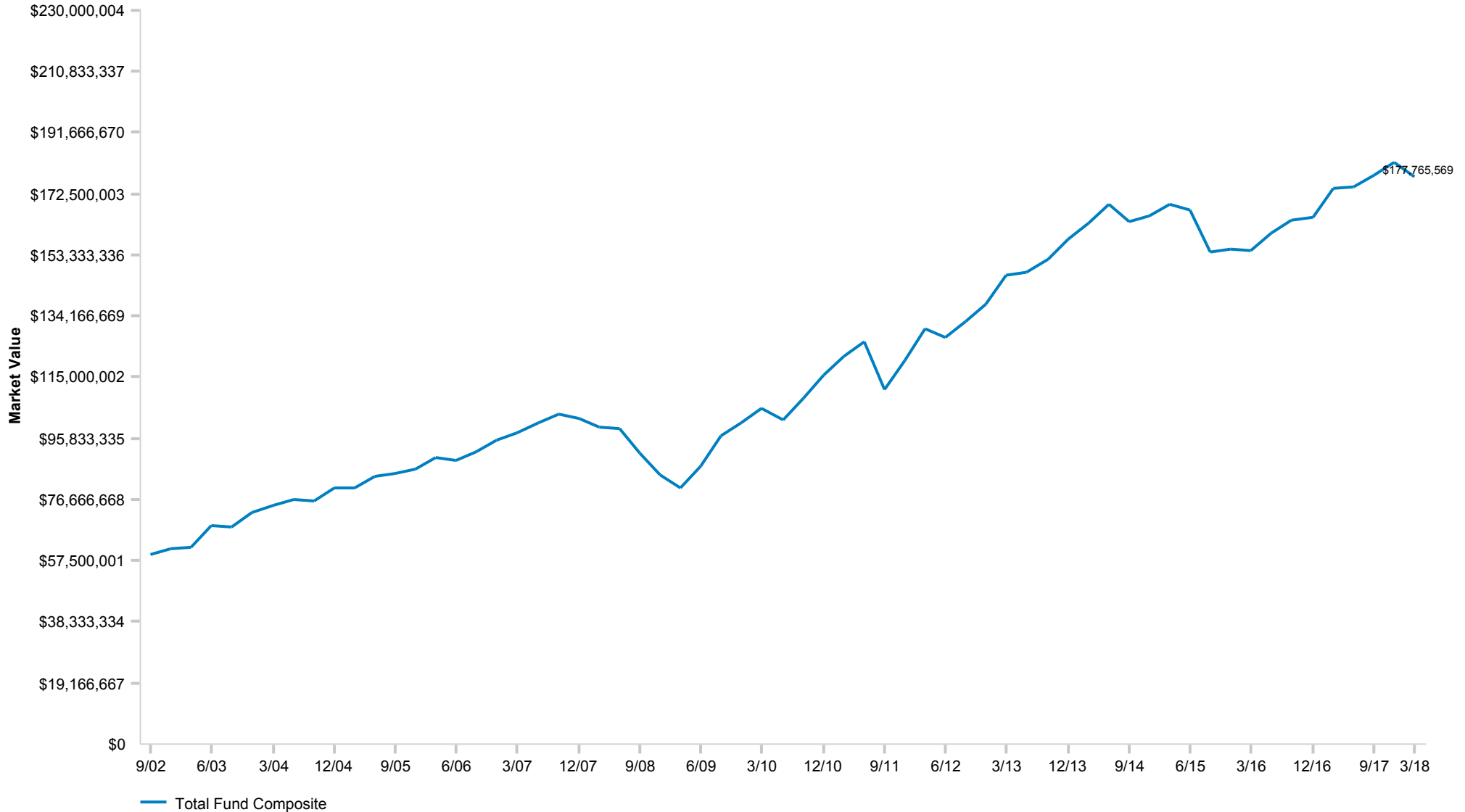
Treasury Yield Curve



5.3%



Schedule of Investable Assets



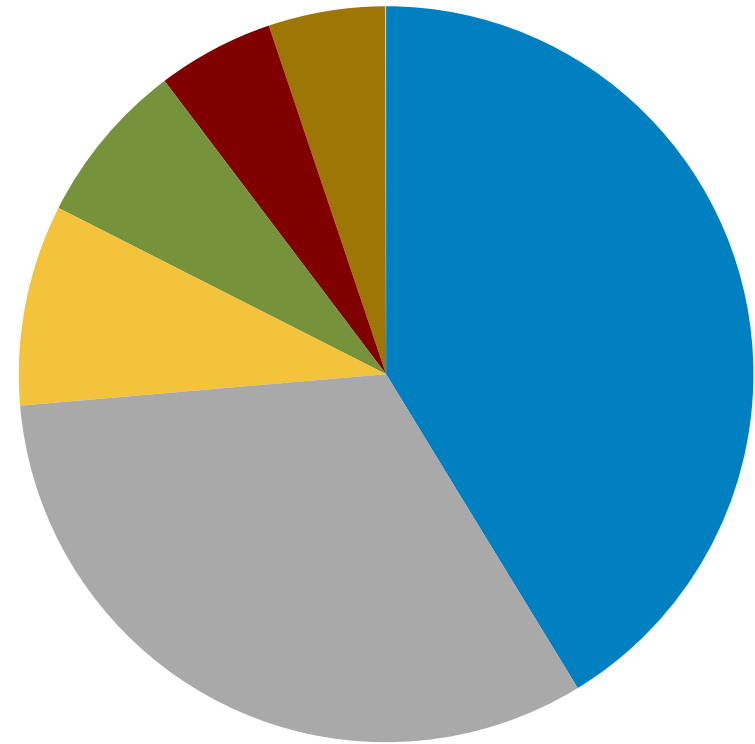
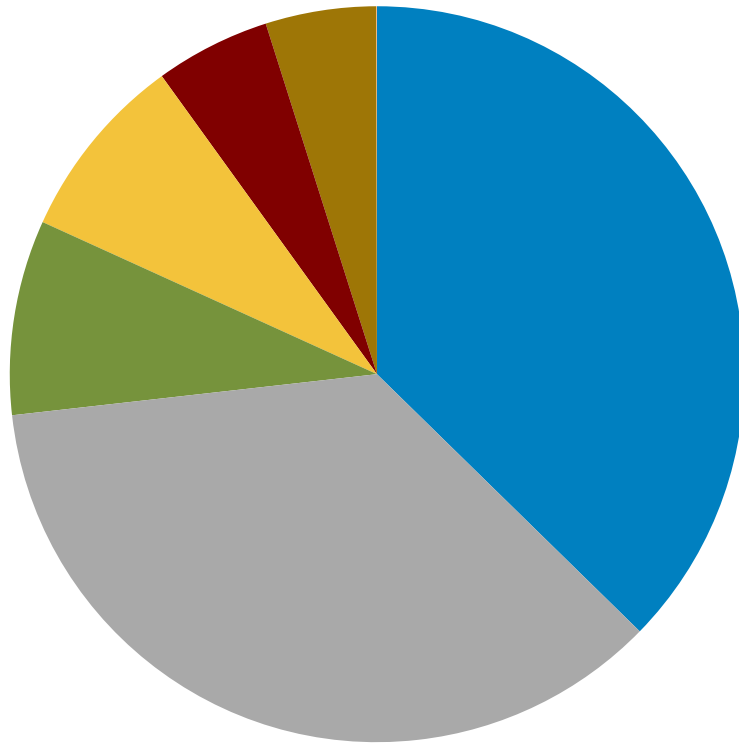
Schedule of Investable Assets

Periods Ending	Beginning Market Value \$	Net Cash Flow \$	Gain/Loss \$	Ending Market Value \$	%Return
Oct-2002 To Mar-2018	59,280,518	-81,742	118,566,793	177,765,569	7.30



December 31, 2017 : \$182,502,896

March 31, 2018 : \$177,765,569



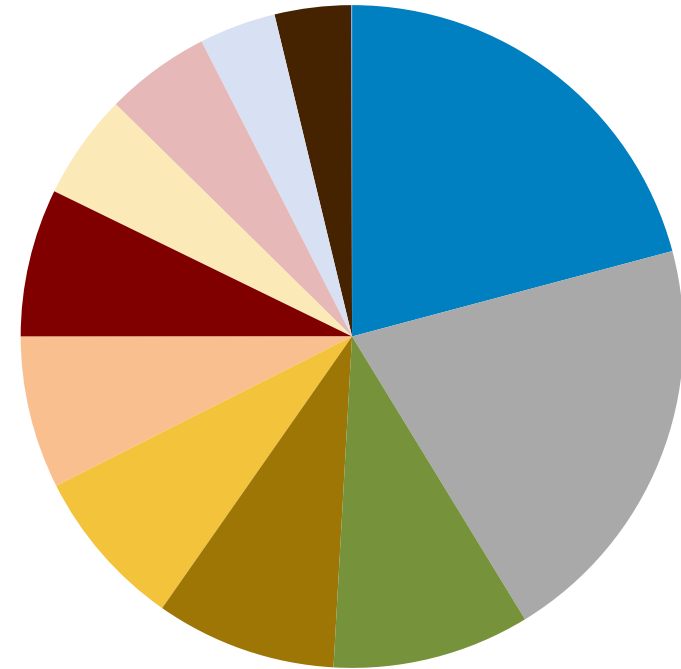
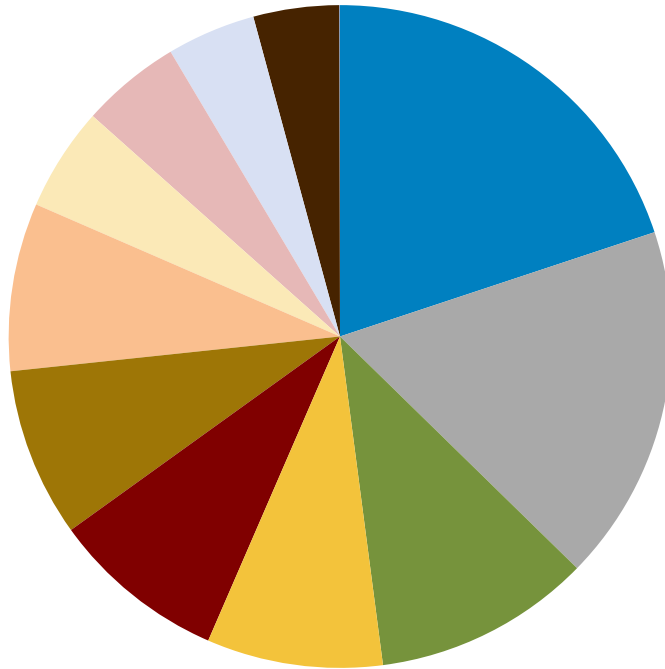
Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
Fixed Income	68,100,482	37.3	Fixed Income	73,359,120	41.3
Domestic Equity	65,523,717	35.9	Domestic Equity	57,544,487	32.4
International Equity	15,635,601	8.6	MLPs	15,683,300	8.8
MLPs	15,052,585	8.2	International Equity	12,845,585	7.2
High Yield Fixed Income	9,242,472	5.1	High Yield Fixed Income	9,130,962	5.1
Real Estate	8,878,710	4.9	Real Estate	9,113,218	5.1
Cash	69,330	0.0	Cash	88,898	0.1



**Asset Allocation By Manager
Total Fund
As of March 31, 2018**

December 31, 2017 : \$182,502,896

March 31, 2018 : \$177,765,569



Allocation			Allocation		
	Market Value	Allocation		Market Value	Allocation
■ MacKay Shields Core Plus	36,320,212	19.9	■ MacKay Shields Core Plus	37,060,729	20.8
■ Smith Graham Core Plus	31,780,269	17.4	■ Smith Graham Core Plus	36,298,391	20.4
■ Barrow Hanley MeWhinney & Strauss	19,376,589	10.6	■ Barrow Hanley MeWhinney & Strauss	17,112,612	9.6
■ Stephens Mid Cap Growth	15,659,142	8.6	■ ARI MLP	15,683,300	8.8
■ Causeway International (CIVIX)	15,635,601	8.6	■ Stephens Mid Cap Growth	13,951,182	7.8
■ ARI MLP	15,052,585	8.2	■ Vanguard Index Fund Institutional (VINIX)	13,214,253	7.4
■ Vanguard Index Fund Institutional (VINIX)	14,962,027	8.2	■ Causeway International (CIVIX)	12,845,585	7.2
■ Loomis Sayles High Yield (LSHIX)	9,242,472	5.1	■ Loomis Sayles High Yield (LSHIX)	9,130,962	5.1
■ Cohen & Steers (CSRIX)	8,878,710	4.9	■ Cohen & Steers (CSRIX)	9,113,218	5.1
■ Stacey Braun	7,898,269	4.3	■ Stacey Braun	6,659,012	3.7
■ Fiduciary Management	7,627,690	4.2	■ Fiduciary Management	6,607,427	3.7
■ Cash	69,330	0.0	■ Cash	88,898	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)	177,765,569	100.0	-1.86	5.27	4.17	6.56	7.30	10/01/2002
Policy Index			-2.27	3.67	3.65	6.00	7.37	
Pension Actuarial Assumption			1.65	6.75	6.90	6.96	7.28	
Total Fund Composite (Net of Fees)	177,765,569	100.0	-1.94	4.88	3.76	6.05	6.65	10/01/2002
Fiduciary Management	6,607,427	3.7	-0.77	12.42	9.51	12.48	9.88	01/01/2006
Russell 1000 Value Index			-2.83	6.95	7.88	10.78	7.24	
S&P 500 Index			-0.76	13.99	10.78	13.31	8.58	
Vanguard Index Fund Institutional (VINIX)	13,214,253	7.4	-0.77	N/A	N/A	N/A	12.80	05/01/2017
S&P 500 Index			-0.76	13.99	10.78	13.31	12.83	
Stacey Braun	6,659,012	3.7	0.51	17.99	9.39	13.17	10.31	07/01/2008
Russell 1000 Growth Index			1.42	21.25	12.90	15.53	11.51	
S&P 500 Index			-0.76	13.99	10.78	13.31	10.06	
Stephens Mid Cap Growth	13,951,182	7.8	6.05	24.99	12.23	13.48	15.22	01/01/2013
Russell Midcap Growth Index			2.17	19.74	9.17	13.31	15.00	
Barrow Hanley MeWhinney & Strauss	17,112,612	9.6	-1.54	10.98	9.89	12.88	11.92	04/01/2005
Russell 2000 Value Index			-2.64	5.13	7.87	9.96	7.61	
Causeway International (CIVIX)	12,845,585	7.2	-3.81	13.50	4.52	N/A	3.93	10/01/2013
MSCI EAFE Index			-1.41	15.32	6.05	6.98	5.36	
Cohen & Steers (CSRIX)	9,113,218	5.1	-6.56	-1.15	2.10	6.97	9.34	01/01/2012
FTSE NAREIT All Equity REITs			-6.66	-1.09	2.90	6.66	9.72	
ARI MLP	15,683,300	8.8	-9.97	-19.21	-11.70	-3.78	1.89	07/01/2011
Alerian MLP Index			-11.12	-20.07	-11.24	-5.85	0.07	
MacKay Shields Core Plus	37,060,729	20.8	-1.42	2.22	1.97	N/A	2.31	07/01/2014
Blmbg. Barc. U.S. Aggregate Index			-1.46	1.20	1.20	1.82	1.92	
Smith Graham Core Plus	36,298,391	20.4	-1.78	1.37	1.34	1.93	4.01	10/01/2002
Blmbg. Barc. U.S. Aggregate Index			-1.46	1.20	1.20	1.82	4.02	
Loomis Sayles High Yield (LSHIX)	9,130,962	5.1	-1.19	3.48	4.26	5.62	8.15	01/01/2012
ICE BofAML High Yield Master II			-0.91	3.69	5.18	5.01	6.91	
Cash	88,898	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)	177,765,569	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)	177,765,569	100.0	10.91	9.73	-3.61	6.07	17.53	
Fiduciary Management	6,607,427	3.7	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)	13,214,253	7.4	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	6,659,012	3.7	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	13,951,182	7.8	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	17,112,612	9.6	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)	12,845,585	7.2	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)	9,113,218	5.1	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	15,683,300	8.8	-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	37,060,729	20.8	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	36,298,391	20.4	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)	9,130,962	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	88,898	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 March 31, 2018, Fiduciary had a market value of \$6,607,427.

Fiduciary Management		Russell 1000 Value Index	
	Weight %		Weight %
Berkshire Hathaway Inc	5.1	Berkshire Hathaway Inc	3.2
Unitedhealth Group Inc	4.9	JPMorgan Chase & Co	3.1
TJX Companies Inc (The)	4.6	Exxon Mobil Corp	2.6
Dollar General Corp	4.5	Johnson & Johnson	2.4
Honeywell International Inc	4.3	Bank of America Corp	2.4
Accenture PLC	4.1	Intel Corp	2.0
JPMorgan Chase & Co	4.1	Wells Fargo & Co	1.9
Progressive Corp (The)	4.0	AT&T Inc	1.8
eBay Inc.	3.9	Chevron Corp	1.8
TE Connectivity Ltd	3.5	Cisco Systems Inc	1.8

Equity Assets Exposures by Sector

	Fiduciary Management	Russell 1000 Value Index
Cash	11.84	N/A
Consumer Discretionary	18.29	6.76
Consumer Staples	4.37	8.09
Energy	2.97	10.72
Financials	16.22	27.09
Health Care	12.44	13.63
Industrials	12.55	8.23
Information Technology	16.31	9.26
Materials	2.87	2.92
Real Estate	N/A	4.57
Telecommunication Services	2.15	2.87
Utilities	N/A	5.86

Equity Characteristics

	Fiduciary Management	Russell 1000 Value Index
Wtd. Avg. Mkt. Cap (\$)	112,502,706,505	122,119,495,789
Price/Earnings ratio	18.3	17.0
Price/Book ratio	3.2	2.1
Current Yield	2.0	2.5
Number of Stocks	28	711



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 : \$136,740 Million
 Portfolio Turnover : 5%

Portfolio Assets : \$227,837 Million
 Portfolio Manager : Butler/Louie
 PM Tenure : 2000--2017
 Fund Style : IM S&P 500 Index (MF)
 Style Benchmark : S&P 500 Index

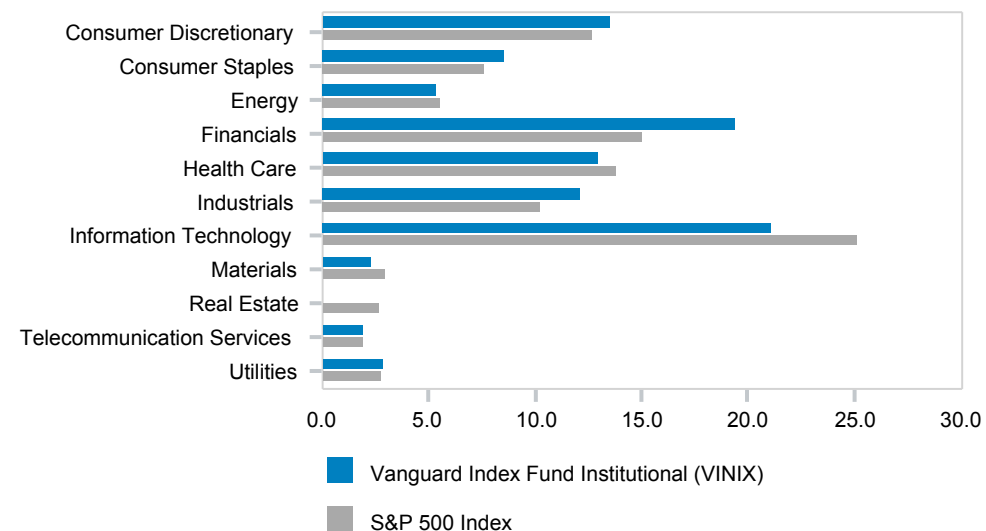
Portfolio Characteristics As of 02/28/2018

	Portfolio	Benchmark
Total Securities	512	505
Avg. Market Cap (\$)	198,743,579,219	21,334,393,680
Price/Earnings (P/E)	27.89	22.12
Price/Book (P/B)	6.77	3.37
Dividend Yield	2.31	1.91
Annual EPS	19.82	N/A
5 Yr EPS	12.65	14.63
3 Yr EPS Growth	11.09	N/A
Beta	N/A	1.00

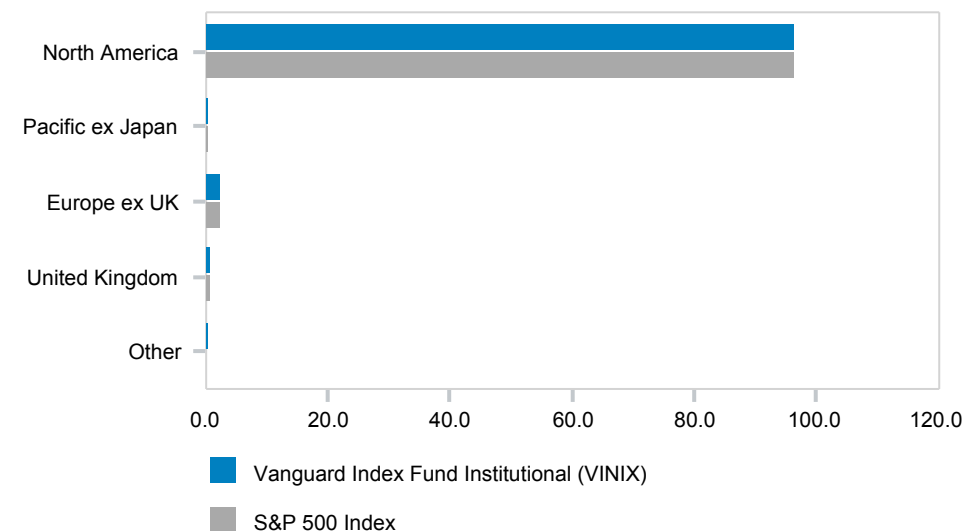
Top Ten Securities As of 02/28/2018

Apple Inc ORD	3.9 %
Microsoft Corp ORD	3.1 %
Amazon.com Inc ORD	2.6 %
Facebook Inc ORD	1.8 %
JPMorgan Chase & Co ORD	1.7 %
Berkshire Hathaway Inc ORD	1.6 %
Johnson & Johnson ORD	1.5 %
Alphabet Inc ORD 1	1.4 %
Alphabet Inc ORD 2	1.4 %
Exxon Mobil Corp ORD	1.4 %

Sector Weights As of 02/28/2018



Region Weights As of 02/28/2018



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 March 31, 2018, Stacey Braun had a market value of \$6,659,012.

Stacey Braun		Russell 1000 Growth Index	
	Weight %		Weight %
Apple Inc	3.6	Apple Inc	6.6
Microsoft Corp	2.6	Microsoft Corp	5.3
JPMorgan Chase & Co	2.1	Amazon.com Inc	4.5
Bank of America Corp	2.0	Facebook Inc	2.9
Amazon.com Inc	2.0	Alphabet Inc	2.4
Zoetis Inc	1.5	Alphabet Inc	2.4
Berkshire Hathaway Inc	1.5	Visa Inc	1.7
Zebra Technologies Corp.	1.5	Home Depot Inc. (The)	1.6
Mastercard Inc	1.4	Unitedhealth Group Inc	1.6
Chevron Corp	1.4	Boeing Co	1.4

Equity Assets Exposures by Sector

	Stacey Braun	Russell 1000 Growth Index
Cash	1.58	N/A
Consumer Discretionary	11.98	18.61
Consumer Staples	7.65	6.37
Energy	5.88	0.83
Financials	14.99	3.49
Health Care	14.20	12.51
Industrials	10.23	12.70
Information Technology	24.42	38.68
Materials	2.72	3.48
Real Estate	2.01	2.40
Telecommunication Services	2.08	0.91
Utilities	2.26	0.01

Equity Characteristics

	Stacey Braun	Russell 1000 Growth Index
Wtd. Avg. Mkt. Cap (\$)	167,508,222,278	228,882,072,017
Price/Earnings ratio	22.0	27.0
Price/Book ratio	3.4	6.3
Current Yield	1.4	1.4
Number of Stocks	99	553



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 March 31, 2018 Stephens had a market value of \$13,951,182.

Stephens Mid Cap Growth		Russell Midcap Growth Index	
	Weight %		Weight %
CoStar Group Inc	2.1	Zoetis Inc	1.3
IDEXX Laboratories Inc	2.1	Progressive Corp (The)	1.1
SVB Financial Group	2.0	Illumina Inc	1.1
FLIR Systems Inc	1.9	Analog Devices Inc.	1.1
Burlington Stores Inc	1.8	Lam Research Corp	1.0
Verisk Analytics Inc	1.7	Fiserv Inc.	0.9
MarketAxess Holdings Inc	1.7	Ross Stores Inc	0.9
Illumina Inc	1.7	Edwards Lifesciences Corp	0.9
WEX Inc	1.7	DXC Technology Company	0.9
IPG Photonics Corp	1.7	ServiceNow Inc	0.9

Equity Assets Exposures by Sector

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Cash	1.65	N/A
Consumer Discretionary	13.67	16.71
Consumer Staples	2.74	4.19
Energy	3.08	2.34
Financials	5.10	7.49
Health Care	20.89	13.32
Industrials	15.02	17.62
Information Technology	37.65	29.16
Materials	0.20	5.78
Real Estate	N/A	3.13
Telecommunication Services	N/A	0.20
Utilities	N/A	0.06

Equity Characteristics

	Stephens Mid Cap Growth	Russell Midcap Growth Index
Wtd. Avg. Mkt. Cap (\$)	16,436,688,642	16,157,112,973
Price/Earnings ratio	37.8	26.6
Price/Book ratio	6.1	5.4
Current Yield	0.4	1.0
Number of Stocks	92	423



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 March 31, 2018, Barrow, Hanley, MeWhinney & Strauss had a market value of \$17,112,612.

Barrow Hanley MeWhinney & Strauss		Russell 2000 Value Index	
	Weight %		Weight %
Texas Capital Bancshares Inc	4.4	bluebird bio Inc	0.5
Vishay Intertechnology Inc.	4.0	MGIC Investment Corp	0.5
II VI Inc	4.0	Sterling Bancorp	0.5
Allegheny Technologies Inc	3.8	Wintrust Financial Corp.	0.5
Brooks Automation Inc	3.6	Umpqua Holdings Corp	0.5
Plexus Corp	3.3	IDACORP Inc.	0.5
Simpson Manufacturing Co. Inc.	3.1	Hancock Holding Co	0.4
Diodes Inc	3.0	LivaNova PLC	0.4
Federal Signal Corp.	3.0	WGL Holdings Inc.	0.4
PolyOne Corp	3.0	Radian Group Inc.	0.4

Equity Assets Exposures by Sector

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Cash	4.91	N/A
Consumer Discretionary	4.51	10.97
Consumer Staples	2.68	2.21
Energy	2.75	6.45
Financials	12.76	31.44
Health Care	4.47	6.83
Industrials	30.30	12.34
Information Technology	26.08	8.85
Materials	11.55	4.27
Real Estate	N/A	9.90
Telecommunication Services	N/A	0.45
Utilities	N/A	6.28

Equity Characteristics

	Barrow Hanley MeWhinney & Strauss	Russell 2000 Value Index
Wtd. Avg. Mkt. Cap (\$)	2,404,643,916	2,044,749,352
Price/Earnings ratio	20.7	17.7
Price/Book ratio	2.1	1.7
Current Yield	0.7	1.9
Number of Stocks	39	1,398

Fund Information

Fund Name : Causeway Capital Management Trust: Causeway International Value Fund; Institutional Class Shares
 Fund Family : Causeway Capital Management LLC
 Ticker : CIVIX
 Inception Date : 10/26/2001
 Fund Assets : \$7,793 Million
 Portfolio Turnover : 35%

Portfolio Assets : \$8,483 Million
 Portfolio Manager : Team Managed
 PM Tenure :
 Fund Style : IM International Large Cap Value Equity (MF)
 Style Benchmark : MSCI EAFE Index

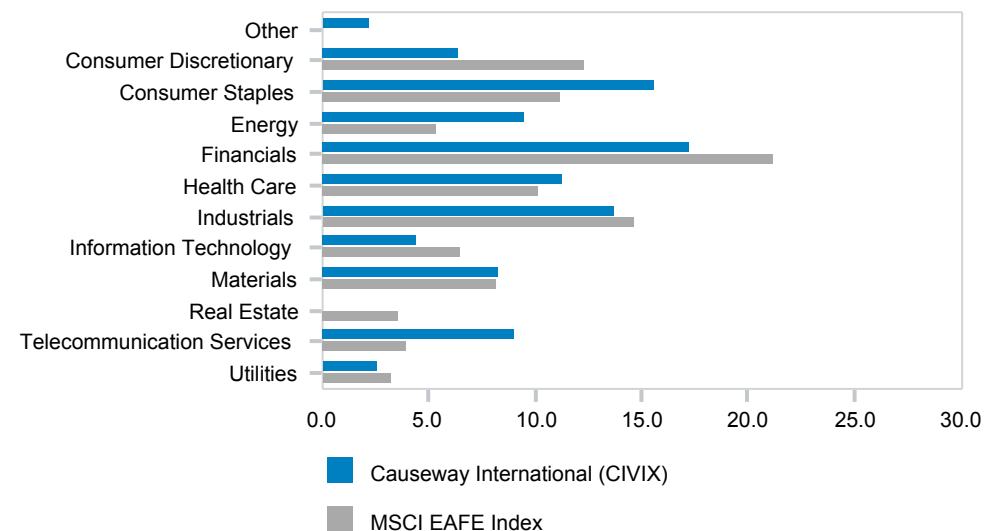
Portfolio Characteristics As of 12/31/2017

	Portfolio	Benchmark
Total Securities	63	928
Avg. Market Cap (\$)	76,383,130,538	11,855,956,232
Price/Earnings (P/E)	19.88	17.11
Price/Book (P/B)	3.28	2.22
Dividend Yield	2.71	3.07
Annual EPS	21.27	N/A
5 Yr EPS	-1.73	7.68
3 Yr EPS Growth	0.07	N/A
Beta (3 Years, Monthly)	0.93	1.00

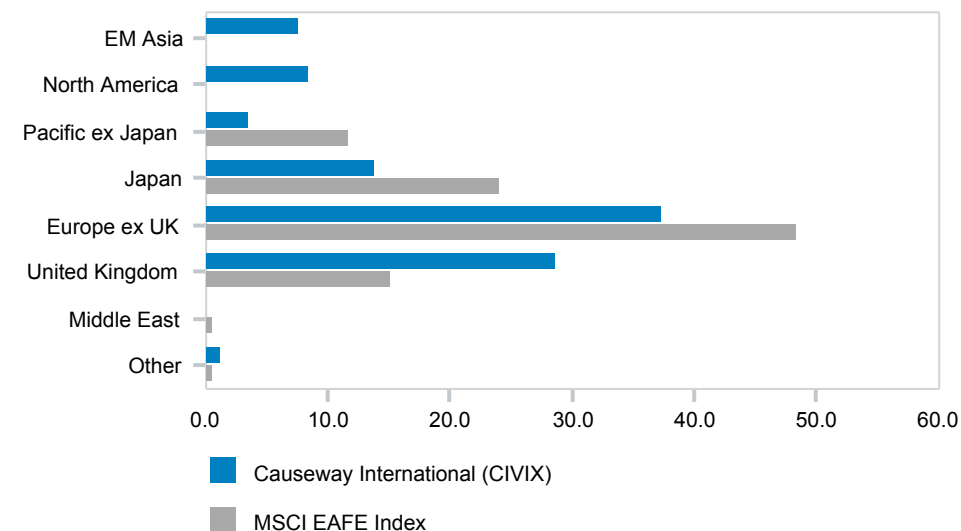
Top Ten Securities As of 12/31/2017

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

Sector Weights As of 12/31/2017



Region Weights As of 12/31/2017



Statistics provided by Lipper. Most recent available data shown.



Fund Information

Fund Name : Cohen & Steers Institutional Realty Shares, Inc
 Fund Family : Cohen & Steers Capital Management Inc
 Ticker : CSRIX
 Inception Date : 02/14/2000
 Fund Assets : \$2,694 Million
 Portfolio Turnover : 79%

Portfolio Assets : \$2,694 Million
 Portfolio Manager : Team Managed
 PM Tenure :
 Fund Style : IM Real Estate Sector (MF)
 Style Benchmark : FTSE NAREIT All Equity REITs

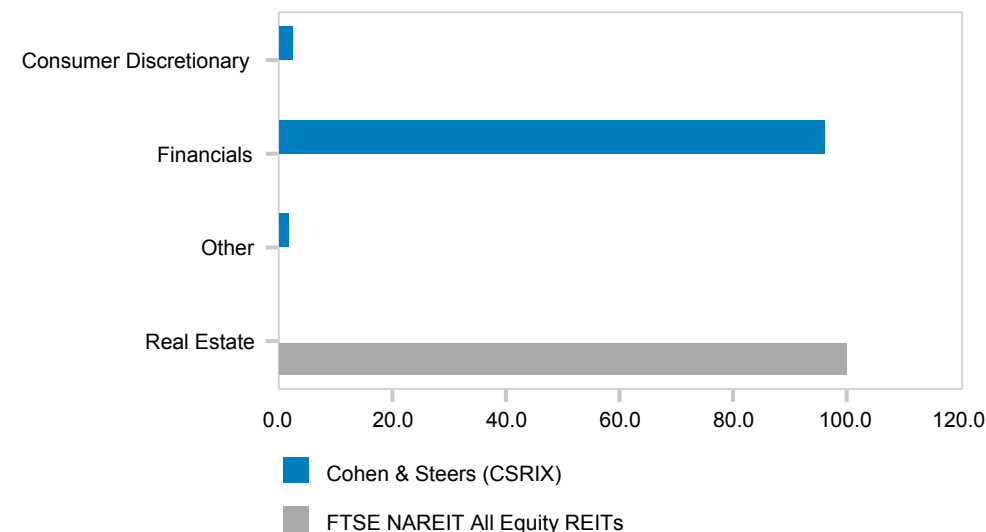
Portfolio Characteristics As of 12/31/2017

	Portfolio	Benchmark
Total Securities	52	167
Avg. Market Cap (\$)	16,594,499,631	3,256,386,480
Price/Earnings (P/E)	42.67	33.34
Price/Book (P/B)	3.83	2.57
Dividend Yield	3.56	3.94
Annual EPS	17.64	N/A
5 Yr EPS	26.31	22.03
3 Yr EPS Growth	23.36	N/A
Beta (5 Years, Monthly)	1.01	1.00

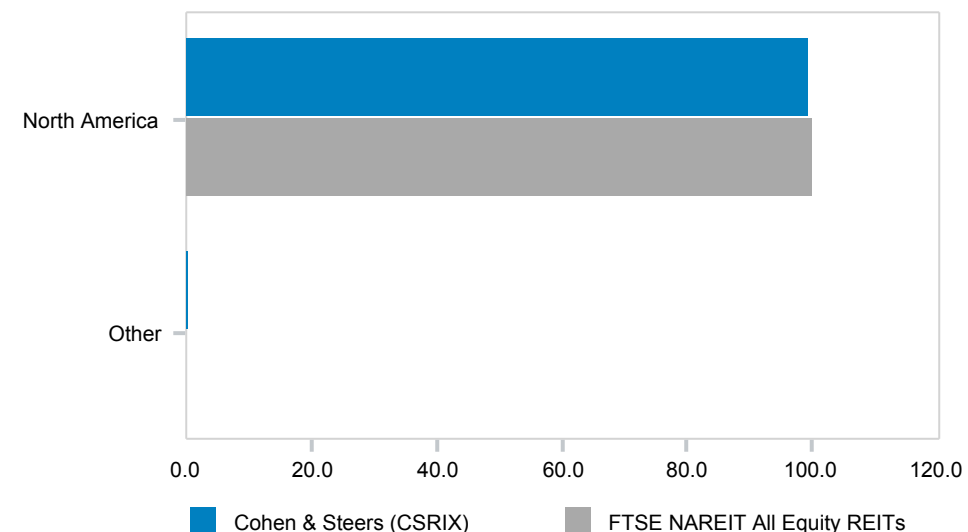
Top Ten Securities As of 12/31/2017

Simon Property Group Inc ORD	5.3 %
Equinix Inc ORD	5.2 %
UDR Inc ORD	5.1 %
Prologis Inc ORD	4.5 %
Digital Realty Trust Inc ORD	4.5 %
Extra Space Storage Inc ORD	4.2 %
Crown Castle International Corp	3.7 %
Equity Residential ORD	3.5 %
Essex Property Trust Inc ORD	3.2 %
Healthcare Trust Of America Inc	3.1 %

Sector Weights As of 12/31/2017



Region Weights As of 12/31/2017



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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 March 31, 2018, the ARI MLP had a market value of \$15,683,300.

ARI MLP		Alerian MLP	
	Weight %		Weight %
DCP Midstream LP	8.8	Enterprise Products Partners LP	17.4
Andeavor Logistics LP	8.3	Williams Partners LP	11.1
MPLX LP	7.8	MPLX LP	9.0
Energy Transfer Partners LP	7.7	Energy Transfer Partners LP	6.2
Phillips 66 Partners LP	7.5	Plains All American Pipeline LP	5.8
Magellan Midstream Partners LP	7.4	Spectra Energy Partners LP	5.4
Plains All American Pipeline LP	5.5	Cheniere Energy Partners LP	4.6
Antero Midstream GP LP	4.8	Magellan Midstream Partners LP	4.4
Williams Partners LP	4.6	Andeavor Logistics LP	3.2
Western Gas Equity Partners LP	4.0	Western Gas Partners Lp	2.3

Equity Assets Exposures by Sector

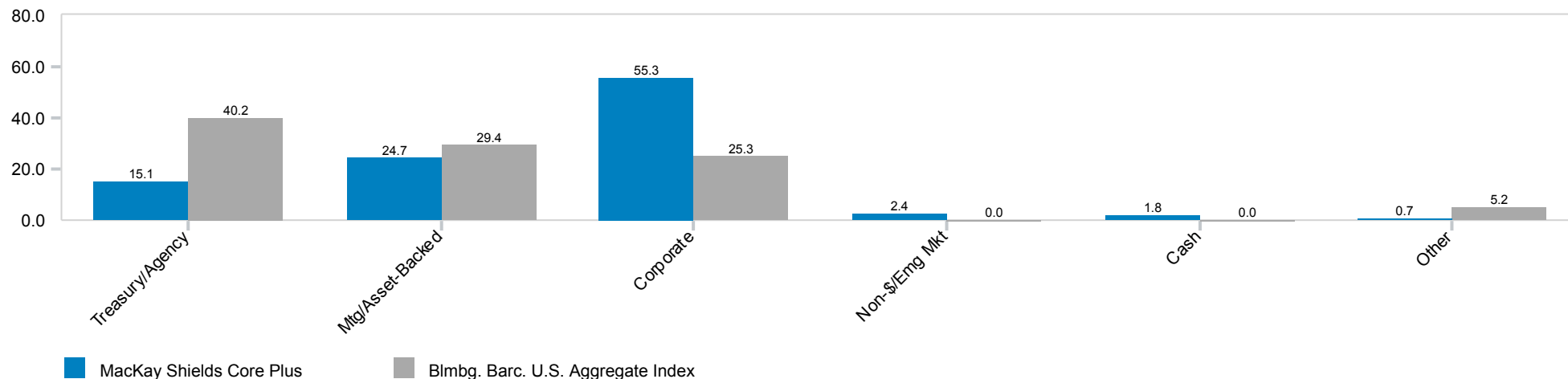
	ARI MLP	Alerian MLP
Cash	0.58	N/A
Energy	99.42	98.33
Utilities	N/A	1.67

Equity Characteristics

	ARI MLP	Alerian MLP
Wtd. Avg. Mkt. Cap (\$)	11,382,194,536	20,811,165,505
Price/Earnings ratio	19.9	20.3
Price/Book ratio	2.5	2.3
Current Yield	8.3	8.2
Number of Stocks	26	42

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 March 31, 2018, MacKay Shields had a market value of \$37,060,729.

Sector Distribution (%)



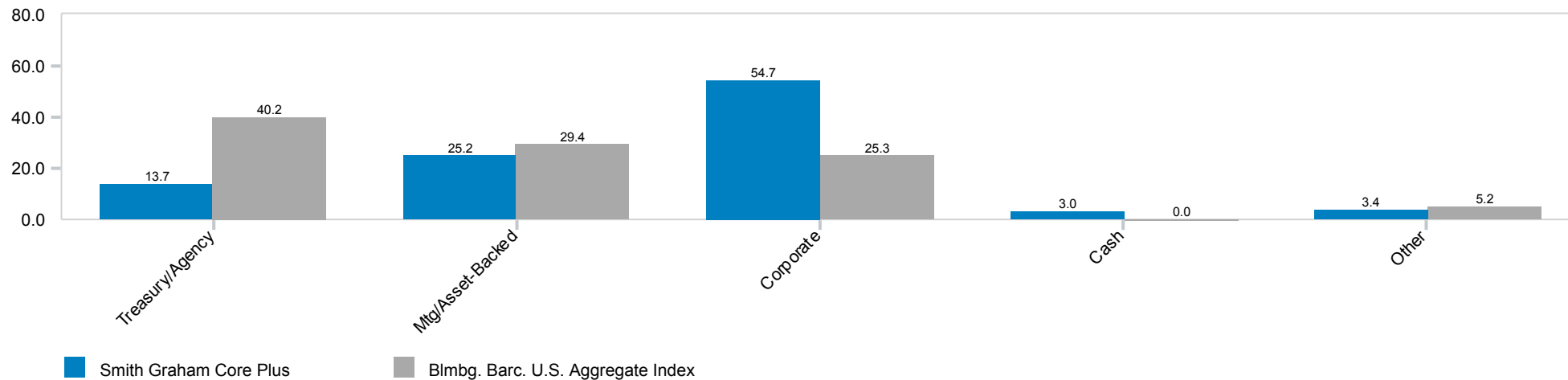
Portfolio Characteristics

	Portfolio	Benchmark
Avg. Maturity	8.06	8.03
Avg. Quality	A-/A3	AA
Coupon Rate (%)	3.82	3.07
Modified Duration	5.88	5.97
Yield To Maturity (%)	3.52	3.09



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 March 31, 2018, Smith Graham had a market value of \$36,298,391.

Sector Distribution (%)



Portfolio Characteristics

	Portfolio	Benchmark
Avg. Maturity	8.60	8.03
Avg. Quality	A1	AA
Coupon Rate (%)	3.43	3.07
Modified Duration	6.09	5.97
Yield To Maturity (%)	3.55	3.09
Holdings Count	N/A	N/A



Fund Information

Fund Name :	Loomis Sayles Funds I: Loomis Sayles Institutional High Income Fund; Institutional Class	Portfolio Assets :	\$705 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 :	\$705 Million	Style Benchmark :	FTSE High Yield Market Index
Portfolio Turnover :	17%		

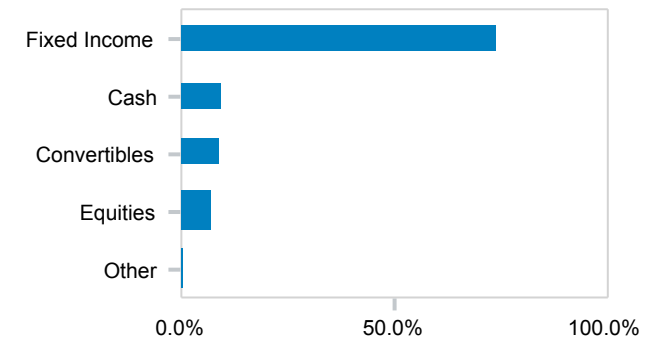
Fund Characteristics As of 12/31/2017

Avg. Coupon	4.98 %
Nominal Maturity	N/A
Effective Maturity	5.25 Years
Duration	3.53 Years
SEC 30 Day Yield	5.5
Avg. Credit Quality	BB

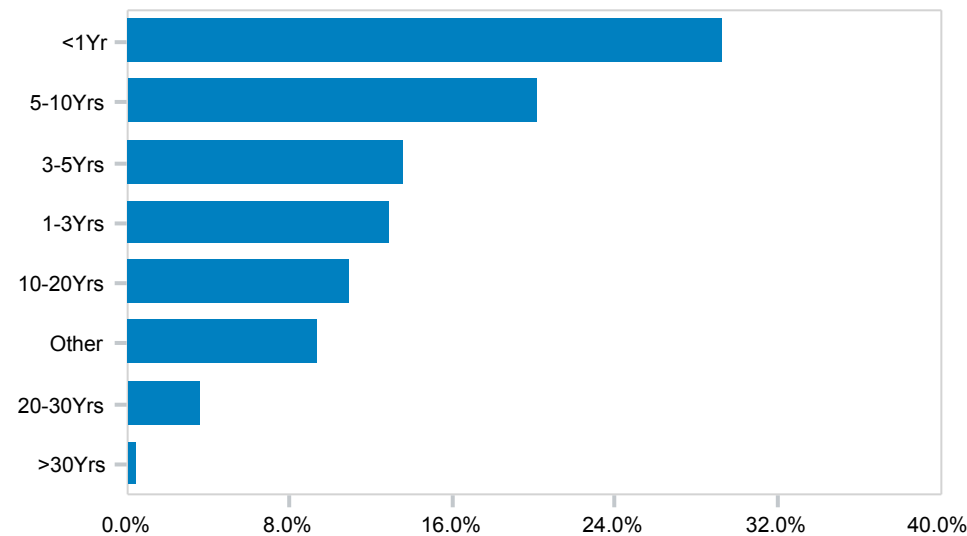
Top Ten Securities As of 12/31/2017

Corporate Notes/Bonds	60.8 %
Convertible Securities	8.9 %
Common Stock	7.0 %
Fgn. Currency Denominated Bonds	5.4 %
Treasury Notes/Bonds	4.5 %
Government Agency Securities	2.9 %
GNMA and Other Mtg Backed	0.6 %
Preferred Stock-Non Convertible	0.2 %
Asset Backed Securities	0.1 %

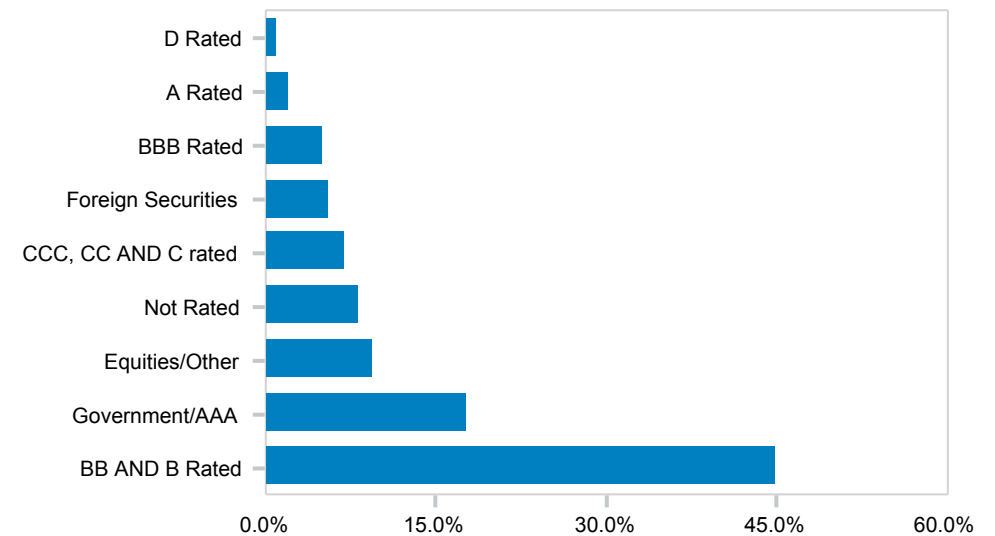
Asset Allocation As of 12/31/2017



Maturity Distribution As of 12/31/2017



Sector/Quality Allocation As of 12/31/2017



Statistics provided by Lipper. Most recent available data shown.



**Port of Houston Pension
Manager Status Summary
As of March 31, 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 March 31, 2018

	Estimated Annual Fee (%)	Market Value (\$)	Estimated Annual Fee (\$)	Fee Schedule
Total Fund Composite	0.52	177,765,569	918,146	
Equity Composite	0.80	37,642,103	302,869	
Domestic Equity	0.55	57,544,487	314,579	
Fiduciary Management	0.55	6,607,427	36,341	0.55 % of Assets
Vanguard Index Fund Institutional (VINIX)	0.04	13,214,253	5,286	0.04 % of Assets
Stacey Braun	0.45	6,659,012	29,966	0.45 % of First \$10 M 0.40 % Thereafter
Stephens Mid Cap Growth	0.77	13,951,182	107,424	0.77 % of Assets
Barrow Hanley MeWhinney & Strauss	0.79	17,112,612	135,563	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	12,845,585	116,895	
Causeway International (CIVIX)	0.91	12,845,585	116,895	0.91 % of Assets
Real Estate	0.75	9,113,218	68,349	
Cohen & Steers (CSRIX)	0.75	9,113,218	68,349	0.75 % of Assets
MLPs	0.75	15,683,300	117,625	
ARI MLP	0.75	15,683,300	117,625	0.75 % of Assets
Fixed Income Composite	0.36	82,490,081	300,698	
Core Fixed Income	0.33	73,359,120	238,608	
Mackay Shields Core Plus	0.35	37,060,729	129,713	0.35 % of Assets
Smith Graham Core Plus	0.30	36,298,391	108,895	0.30 % of Assets
High Yield Fixed Income	0.68	9,130,962	62,091	
Loomis Sayles High Yield (LSHIX)	0.68	9,130,962	62,091	0.68 % of Assets



**Port of Houston Pension
Fee Summary
As of March 31, 2018**

Structure	Mandate	Expense Ratio	Category Average	Difference	Annual Savings
Fiduciary Management	Large Cap Value Equity	0.55%	1.21%	0.66%	\$43,609
Vanguard Index Institutional (VINIX)	Large Cap Core Equity	0.04%	1.21%	1.17%	\$154,607
Stacey Braun	Large Cap Growth Equity	0.45%	1.21%	0.76%	\$50,608
Stephens Mid Cap Growth	Mid Cap Growth Equity	0.77%	1.35%	0.58%	\$80,917
Barrow Hanley MeWhinney & Strauss	Small Cap Value Equity	0.76%	1.40%	0.64%	\$109,521
Causeway International (CIVIX)	International Equity	0.91%	1.16%	0.25%	\$32,114
Cohen & Steers (CSRIX)	Real Estate and Investment Trust	0.75%	1.31%	0.56%	\$51,034
ARI MLP	Master Limited Partnership	0.75%	1.00%	0.25%	\$39,208
Mackay Shields Core Plus	Core Plus Fixed Income	0.35%	0.84%	0.49%	\$181,598
Smith Graham Core Plus	Core Plus Fixed Income	0.30%	0.84%	0.54%	\$196,011
Loomis Sayles High Yield (LSHIX)	High Yield Fixed Income	0.68%	1.08%	0.40%	\$36,524
Total Management Fees		0.52%	1.06%	0.54%	\$975,751

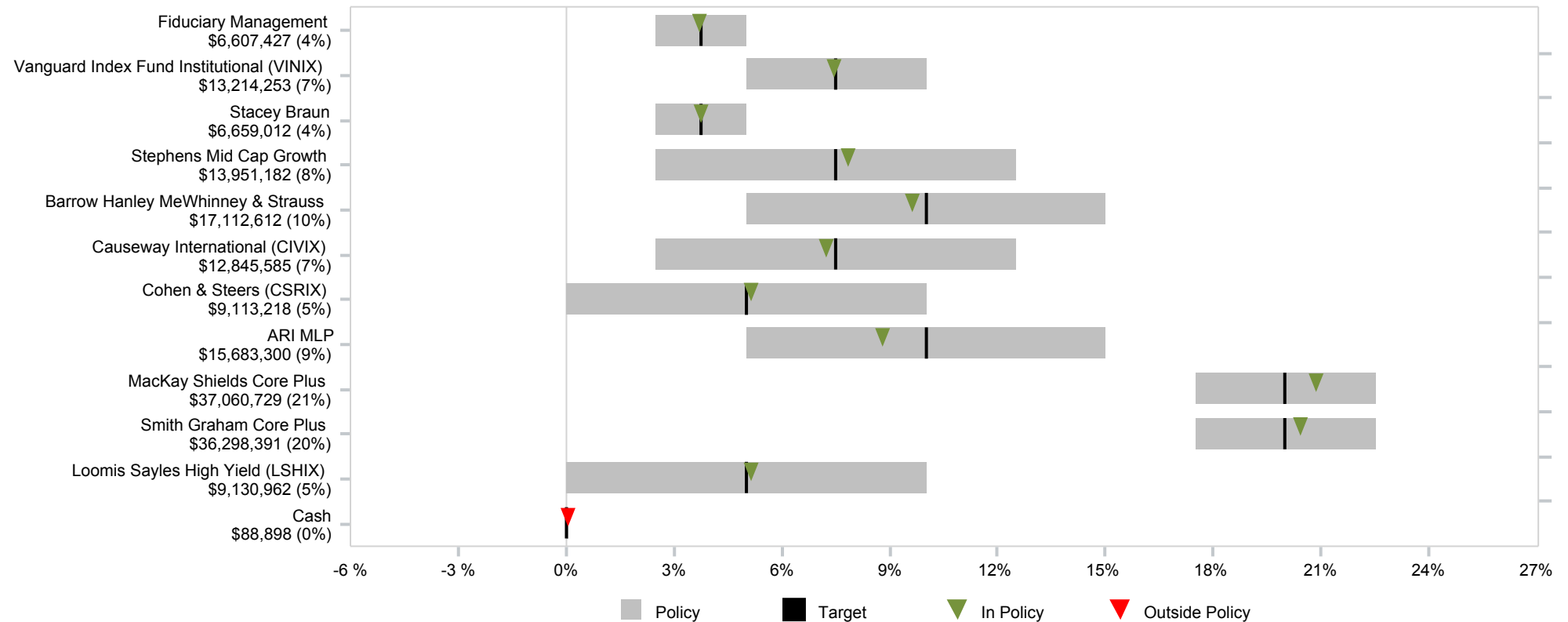
Source: Morningstar and Investment Managers

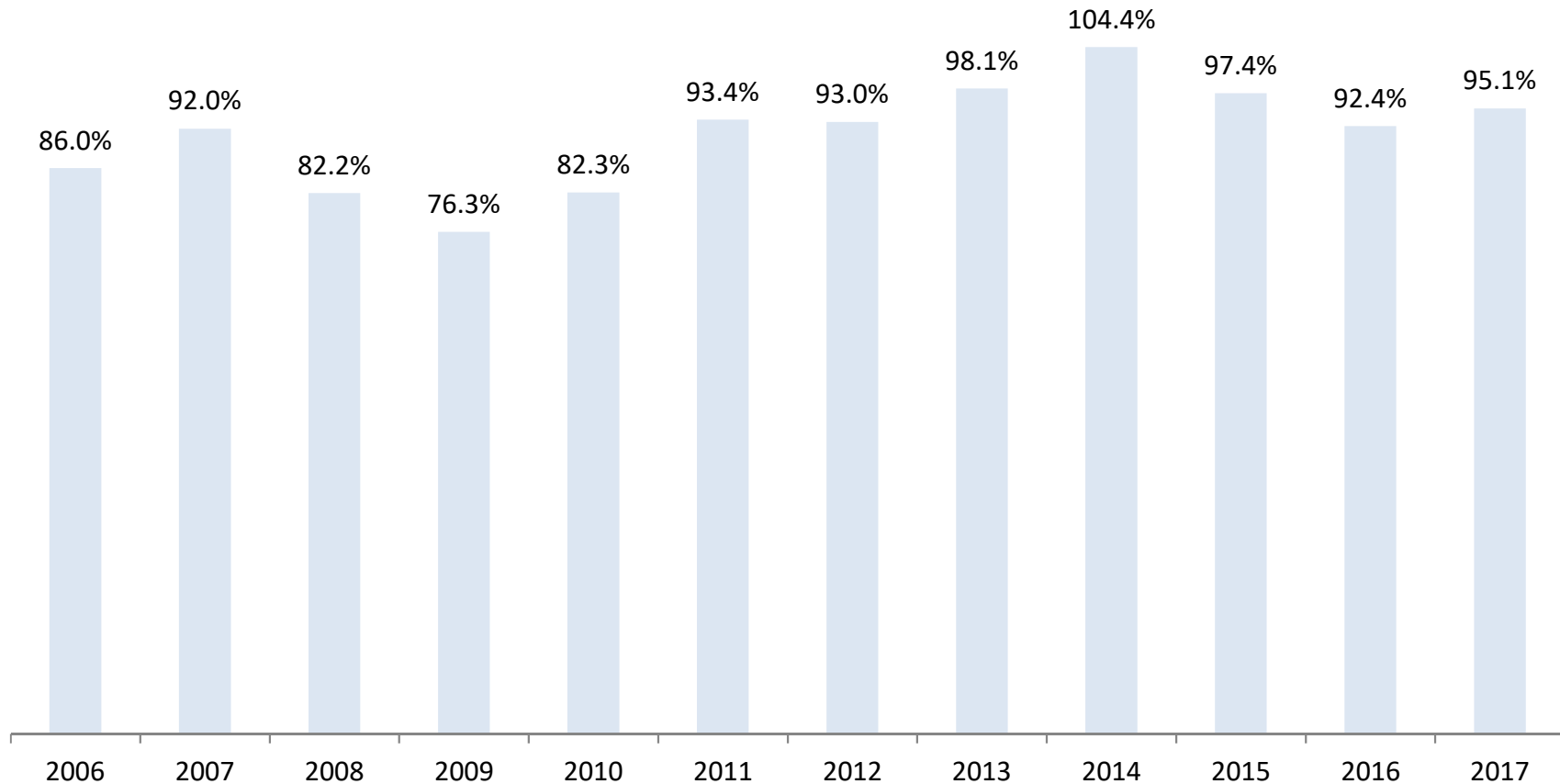


Asset Allocation Compliance

	Asset Allocation \$	Current Allocation (%)	Target Allocation (%)	Differences (%)	Minimum Allocation (%)	Maximum Allocation (%)
Total Fund Composite	177,765,569	100.0	100.0	0.0		
Fiduciary Management	6,607,427	3.7	3.8	0.0	2.5	5.0
Vanguard Index Fund Institutional (VINIX)	13,214,253	7.4	7.5	-0.1	5.0	10.0
Stacey Braun	6,659,012	3.7	3.8	0.0	2.5	5.0
Stephens Mid Cap Growth	13,951,182	7.8	7.5	0.3	2.5	12.5
Barrow Hanley MeWhinney & Strauss	17,112,612	9.6	10.0	-0.4	5.0	15.0
Causeway International (CIVIX)	12,845,585	7.2	7.5	-0.3	2.5	12.5
Cohen & Steers (CSRIX)	9,113,218	5.1	5.0	0.1	0.0	10.0
ARI MLP	15,683,300	8.8	10.0	-1.2	5.0	15.0
MacKay Shields Core Plus	37,060,729	20.8	20.0	0.8	17.5	22.5
Smith Graham Core Plus	36,298,391	20.4	20.0	0.4	17.5	22.5
Loomis Sayles High Yield (LSHIX)	9,130,962	5.1	5.0	0.1	0.0	10.0
Cash	88,898	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, 2017. 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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