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2017 DEC 27 PM 2:37

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Finance Director

SUBJECT: Informational Report on PFRS'
Investment Portfolio and Actuarial
Valuation

DATE: December 18, 2017

City Administrator Approval

Date:

12/27/17

RECOMMENDATION

Staff Recommends That The City Council Accept An Informational Report On The Oakland Police And Fire Retirement System ("PFRS") Investment Portfolio As Of September 30, 2017.

EXECUTIVE SUMMARY

Attached is the Quarterly Investment Performance report provided by the PFRS Investment Consultant, Pension Consulting Alliance (PCA). It summarizes the performance of the PFRS investment portfolio for the quarter ended September 30, 2017 as **Attachment A**, herein.

During the most recent quarter, the PFRS Total Portfolio generated an absolute return of 4.1 percent, gross of fees, outperforming its policy benchmark by 0.4 percent. The portfolio outperformed its benchmark over the latest one, three and five year periods. This is discussed in more detail in the "Investment Performance" section of this report.

	Quarter	1 Year	3 Year	5 Year
Total Portfolio	4.1	15.4	8.0	8.9
Policy Benchmark	3.7	14.0	7.9	8.4
Excess Return	0.4	1.4	0.1	0.5

BACKGROUND / LEGISLATIVE HISTORY

The Oakland Police and Fire Retirement System (the "PFRS") is a closed defined benefit plan established by the City of Oakland's (the "City") Charter. PFRS is governed by a board of seven trustees (the "PFRS Board"). PFRS covers the City's sworn police and fire employees hired prior to July 1, 1976. PFRS was closed to new members on June 30, 1976. As of September 30, 2017, PFRS had 872 retired members and no active members.

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The System's investment portfolio is governed by the investment policy set by the PFRS Board. The PFRS Board sets an investment policy that authorizes investments in a variety of domestic and international equity and fixed income securities. Twelve external investment managers currently manage the System's portfolio. Most the portfolio is held in custody at Northern Trust. In accordance with the City Charter, the PFRS Board makes investment decisions in accordance with the prudent person standard as defined by applicable court decisions and as required by the California Constitution.

In March 1997, the City issued Taxable Pension Obligation Bonds, Series 1997 ("1997 POBs") and as a result deposited \$417 million into the System to pay the City's contributions through June 2011. As a result of the funding agreement entered at the time the 1997 POBs were issued, City payments to PFRS were suspended from February 25, 1997 to June 30, 2011. The City of Oakland resumed contributing to PFRS effective July 1, 2011 and contributed \$45.5 million for the fiscal year ended June 30, 2012.

In July 2012, the City issued \$212.5 million of Taxable Pension Obligation Bonds, Series 2012 ("2012 POBs"). The City subsequently deposited \$210 million into the System and entered a funding agreement with the PFRS Board. As a result, no additional contributions were required until July 1, 2017. As of the most recent actuary study dated July 1, 2016, the System's Unfunded Actuarial Liability is approximately \$309.37 million and the System had a Funded Ratio of 53.7 percent on a Market Value of Assets (MVA) basis. The City of Oakland is currently making monthly payments to the Plan for the FY 2017/2018 required contribution of \$44.86 million.

ANALYSIS

PFRS' Membership

The City Charter establishes plan membership, contribution, and benefit provisions. The System serves the City's sworn employees hired prior to July 1, 1976 who have not transferred to the California Public Employees' Retirement System ("CalPERS"). As of September 30, 2017, the System's membership was 872, as shown on **Table 1**.

Table 1			
PFRS Membership			
as of September 30, 2017			
Membership	POLICE	FIRE	TOTAL
Retiree	373	229	602
Beneficiary	138	132	270
Total Membership	511	361	872

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PFRS Investment Portfolio

As of September 30, 2017, the PFRS' portfolio had an aggregate value of \$366.5 million as shown in **Table 2** below.

Table 2 PFRS Investment Portfolio as of September 30, 2017 (in thousands)	
Investment	Fair Value
Domestic Equities	\$172,652
Fixed Income	63,652
International Equities	48,315
Covered Calls	73,560
Cash and Cash Equivalents	8,278
Total Portfolio	\$366,457

Over the past quarter, the PFRS investment portfolio increased \$10.8 million in value, net of (\$15) million in benefit payments. During the previous one-year period, the PFRS Total Portfolio increased by \$3.3 million, net of \$60 million in withdrawals during the period as shown in **Table 3** below.

Table 3 Investment Portfolio Valuation as of September 30, 2017*							
	September 30, 2017	June 30, 2017	Quarterly Change	Percentage Change	September 30, 2016	Annual Change	Percentage Change
PFRS	\$ 366.5	\$355.7	\$10.8	3.04%	\$363.2	\$3.3	0.91%

*The calculations listed above represent change in dollar value and not investment returns.

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PFRS Investment Performance

During the last quarter ending September 30, 2017, the PFRS Total Portfolio generated a return of 4.1 percent, gross of fees, outperforming its benchmark return of 3.7 percent. The Plan's Domestic Equity allocation matched its benchmark of 4.6 percent. The Plan's International Equity allocation outperformed its benchmark by 0.7 percent. The Plan's Fixed Income allocation outperformed its benchmark by 0.3 percent, while the Covered Calls allocation outperformed its benchmark of 2.5 percent with a return of 3.8 percent.

Table 4
PFRS ASSET CLASS PERFORMANCE
 as of September 30, 2017

	Quarter	1 Year	3 Year	5 Year
PFRS Total Fund	4.1%	15.4%	8.0%	8.9%
PFRS Policy Benchmark	3.7%	14.0%	7.9%	8.4%
PFRS Domestic Equity	4.6%	19.3%	10.9%	14.3%
Benchmark: Russell 3000	4.6%	18.7%	10.7%	14.2%
PFRS International Equity	7.0%	22.8%	7.9%	9.2%
Benchmark: MSCI ACWI Ex US	6.3%	20.2%	5.2%	7.5%
PFRS Fixed Income	1.3%	1.9%	3.5%	2.6%
Benchmark: Bloomberg Barclays Universal	1.0%	1.0%	3.1%	2.5%
PFRS Covered Calls	3.8%	15.1%	9.0%	---
Benchmark: CBOE BXM	2.5%	12.8%	7.1%	---
Cash	0.3%	0.9%	0.5%	0.2%
Citigroup 3 Month T-Bill Index	0.3%	0.6%	0.3%	0.2%

PFRS Actuarial Valuation

The latest actuarial valuation as of July 1, 2016 was performed by Actuary, Cheiron Associates. As of this report, the PFRS Funded Ratio (actuarial value of assets divided by present value of future benefits) is 53.7 percent. The City's next Annual Required Contribution to the System is due this fiscal year (FY 2017/2018) and is projected to be \$44.86 million. **Table 5** below shows a summary of the July 1, 2016 PFRS Actuarial valuation results.

Table 5	
Summary of Plan Results	
(\$ in thousands)	
	July 01, 2016
Actuarial Liability	\$ 672,916
Less: Actuarial Value of Assets	(363,550)
	\$ 309,366
Unfunded Actuarial Liability	\$ 309,366
	\$ 309,366
Funded Ratio (MVA) liability	53.7%
	53.7%

Projected City of Oakland Contributions

Article XXVI Section 2619 (6) required that the City fully fund the PFRS Plan by 2026. **Table 6** below summarizes the projected employer contributions.

Table 6	
Projected Employer Contributions	
Police and Fire Retirement System	
(in millions)	
Fiscal Year Ending	Employer Contribution
2017	\$ 0.0
2018	44.9
2019	46.4
2020	47.9
2021	49.5
2022	51.1
2023	52.8
2024	54.6
2025	56.4
2026	58.4

FISCAL IMPACT

This is an informational report, there are no budget implications associated with the report.

PUBLIC OUTREACH / INTEREST

This item did not require any additional public outreach other than the required posting on the City's website.

COORDINATION

This report was prepared in coordination with the PFRS' Investment Consultant (PCA) and PFRS' Actuary (Cheiron).

SUSTAINABLE OPPORTUNITIES

Economic: Whenever possible, the PFRS Board seeks to benefit the local Oakland based economy. In 2006, the PFRS Board, along with staff, created the PFRS Local Broker provision. This provision mandates that the PFRS Investment Managers consider using Oakland based brokers for all trades conducted on behalf of the fund based on best execution. This program aims to regenerate some of the commissions generated by the System into the Oakland economy.

Environmental: There are no environmental opportunities associated with this report.

Social Equity: There are no social equity opportunities associated with this report.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the Council accept this informational report on the Oakland Police and Fire Retirement System ("PFRS") Investment Portfolio as of September 30, 2017.

Respectfully submitted,



KATANO KASAINÉ
Finance Director

Prepared by:
Téir Jenkins, Investment Officer
Retirement Division

Attachment A: Oakland Police and Fire Quarterly Investment Performance Report as of
September 30, 2017

Item: _____
Finance and Management Committee
January 9, 2018

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**ATTACHMENT A:
PFRS INVESTMENT PERFORMANCE
AS OF SEPTEMBER 30, 2017**



Q3 2017

**Oakland Police and Fire Retirement
System**
Quarterly Report

This report is solely for the use of client personnel. No part of it may be circulated, quoted, or reproduced for distribution outside the client organization without prior written approval from Pension Consulting Alliance, LLC.

Nothing herein is intended to serve as investment advice, a recommendation of any particular investment or type of investment, a suggestion of purchasing or selling securities, or an invitation or inducement to engage in investment activity.

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TOTAL PORTFOLIO SUMMARY

As of September 30, 2017, the City of Oakland Police and Fire Retirement System (OPFRS) portfolio had an aggregate value of \$366.5 million. This represents a \$10.7 million increase in value, which includes (\$3.5) million in benefit payments, over the quarter. During the previous one-year period, the OPFRS Total Portfolio increased by \$3.3 million, including (\$47.6) million in withdrawals during the period.

Asset Allocation Trends

The asset allocation targets (see table on page 20) reflect those as of September 30, 2017. Target weightings do not yet reflect the interim phase of the Plan's recently approved asset allocation (effective 5/31/2017).

With respect to policy targets, the portfolio ended the latest quarter **overweight International Equity, Covered Calls, and Cash, while underweight Domestic Equity and Fixed Income.**

Recent Investment Performance

During the most recent quarter, the OPFRS Total Portfolio generated an absolute return of 4.1%, gross of fees, outperforming its policy benchmark by 0.4%. The portfolio outperformed its benchmark by 1.4% over the 1-year period, outperformed by 0.1% over the 3-year period, and outperformed by 0.5% over the 5-year period.

The Total Portfolio outperformed the Median fund's return over all time periods measured. Performance differences with respect to the Median Fund continue to be attributed largely to differences in asset allocation.

	Quarter	Fiscal YTD	1 Year	3 Year	5 Year
Total Portfolio ¹	4.1	4.1	15.4	8.0	8.9
Policy Benchmark ²	3.7	3.7	14.0	7.9	8.4
Excess Return	0.4	0.4	1.4	0.1	0.5
Reference: Median Fund ³	3.4	3.4	12.1	6.8	8.6
Reference: Total Net of Fees ⁴	4.0	4.0	15.1	7.6	8.5

¹ Gross of Fees. Performance since 2005 includes securities lending.

² Evolving Policy Benchmark consists of 48% Russell 3000, 12% MSCI ACWI ex U.S., 20% Bbg BC Universal, and 20% CBOE BXM

³ Investment Metrics < \$1 Billion Public Plan Universe.

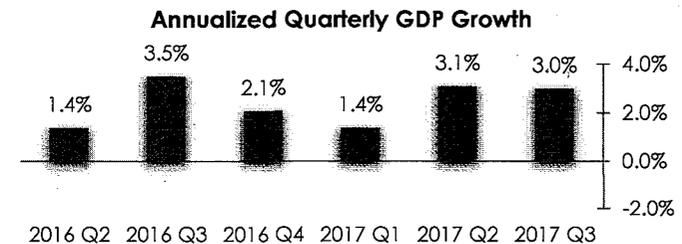
⁴ Longer-term (>1 year) Net of fee returns are estimated based on OPFRS manager fee schedule (approximately 42 bps).

ECONOMIC & MARKET OVERVIEW – 3Q 2017

Overview: US GDP growth increased by 3.0% (advance estimate) in the third quarter of 2017. GDP growth during the quarter was driven by increases in consumer spending, inventory investment, business investment, and exports. At quarter-end, the unemployment rate ticked down to 4.2%. The seasonally adjusted Consumer Price Index for All Urban Consumers increased by 4.3% on an annualized basis during the quarter. Commodities increased during the third quarter but are slightly negative over the trailing 1-year period at (0.3%). Global equity returns were positive for the quarter at 5.3% (MSCI ACWI). The US Dollar depreciated against the Euro and the Pound by (3.4%) and (2.9%), respectively. Conversely, the US Dollar appreciated against the Yen by 10 basis points.

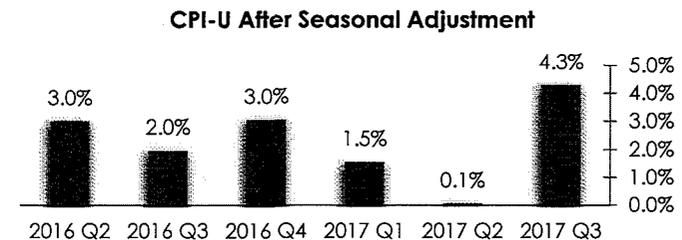
Economic Growth

- Real GDP increased at an annualized rate of 3.0 percent in the third quarter of 2017.
- Real GDP growth was driven by increases in consumer spending, inventory investment, business investment, and exports.
- GDP growth was partially offset during the quarter by a decline in housing investment.



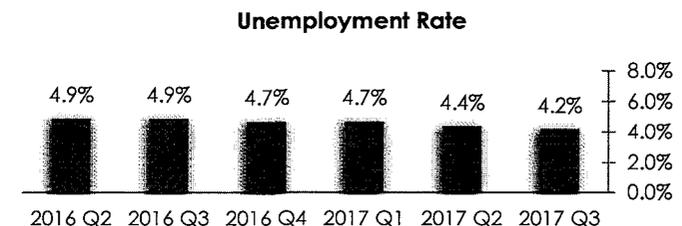
Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) increased 4.3 percent during the third quarter on an annualized basis after seasonal adjustment.
- Quarterly percentage changes may be adjusted between data publications due to periodic updates in seasonal factors.
- Core CPI-U increased by 2.1 percent for the quarter on an annualized basis after seasonal adjustment.
- Over the last 12 months, core CPI-U increased 1.7 percent after seasonal adjustment.



Unemployment

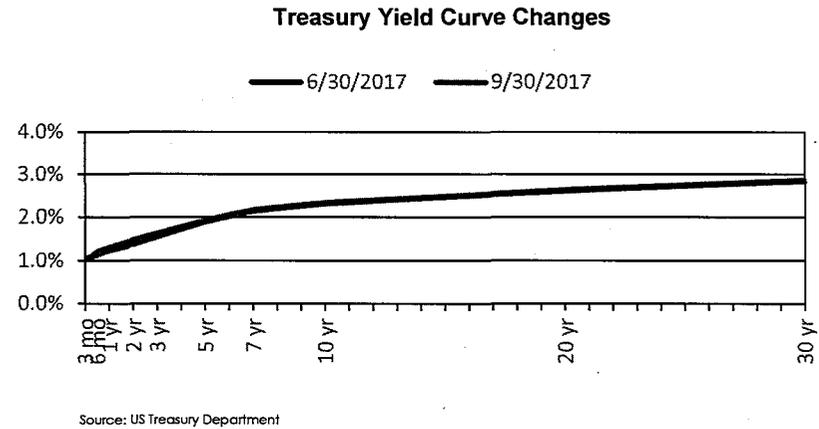
- The US economy gained approximately 274,000 jobs in the third quarter of 2017.
- The unemployment rate decreased to 4.2% at quarter end, the lowest level since February 2001.
- The majority of jobs gained occurred in private service providing, education and health services, and professional and business services. The primary contributors to jobs lost were in leisure and hospitality, retail trade, and information.



ECONOMIC & MARKET OVERVIEW – 3Q 2017

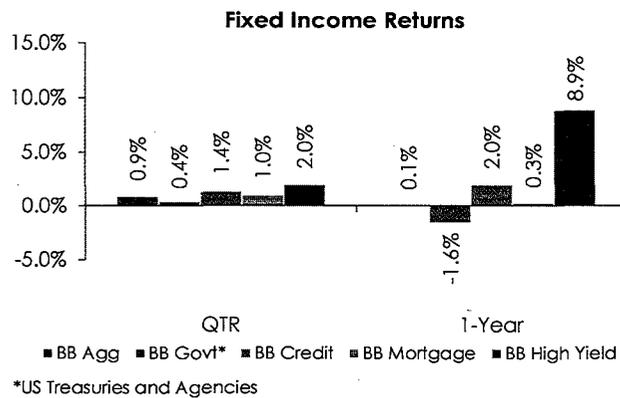
Interest Rates & US Dollar

- US Treasury yields were generally constant over the quarter.
- The Federal Reserve kept the federal funds rate between 1.00 percent and 1.25 percent.
- The US dollar depreciated against the Euro and the Pound by (3.4%) and (2.9%), respectively. Conversely the US dollar appreciated against the Yen by 0.1%.



Fixed Income

- US bonds were essentially flat over the quarter except for Credit and High Yield, returning 1.4% and 2.0%, respectively. Government bonds (US Treasuries and Agencies) delivered the worst performance at 0.4%.
- Over the trailing 1-year period, High Yield materially outperformed all other sectors, producing an 8.9% return over the period. Government bonds (US Treasuries and Agencies) trailed all other bond sectors with a return of minus (1.6%) as rates generally rose over the period.



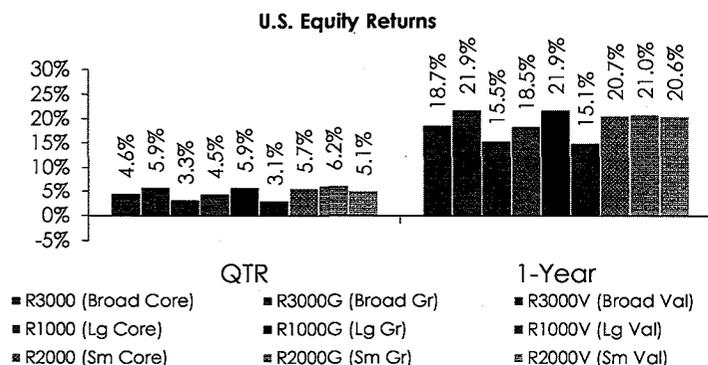
Sector	Weight	QTR	1 Year
Governments*	40.5%	0.5%	-1.3%
Agencies	3.4%	0.8%	0.8%
Inv. Grade Credit	25.6%	1.3%	2.2%
MBS	28.1%	1.0%	0.3%
ABS	0.5%	0.4%	0.9%
CMBS	1.8%	0.8%	0.1%

*US Treasuries and Government Related

ECONOMIC & MARKET OVERVIEW – 3Q 2017

US Equities

- During the quarter, growth stocks outperformed value stocks across the market cap spectrum. In terms of market capitalization, small cap stocks provided the strongest returns across styles. Small cap growth stocks returned this quarter's strongest return at 6.2%, and large cap value provided the weakest result at 3.1%.
- During the trailing 1-year period, US equities provided positive double-digit returns, with the top performers, large cap and broad growth, each returning 21.9%. Conversely, large cap value trailed all other market caps and styles with a return of 15.1%.

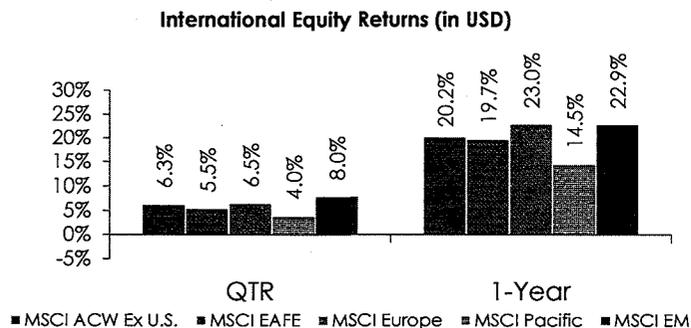


US Equity Sector Performance (Russell 3000 Index)

Sector	Weight	QTR	1 Year
Financial Services	21.1%	12.7%	14.8%
Technology	18.0%	8.9%	3.3%
Consumer Disc.	14.0%	7.6%	6.8%
Health Care	13.3%	5.9%	5.8%
Producer Durables	11.0%	-6.8%	26.3%
Consumer Staples	7.5%	6.0%	23.1%
Energy	6.1%	4.0%	20.1%
Utilities	5.3%	3.0%	18.0%
Materials & Proc.	3.9%	2.0%	20.5%

International Equities

- International equities performed well over the quarter as each region provided positive returns. The best performer was Emerging Markets with a return of 8.0%. The Pacific trailed all other regions with a return of 4.0%.
- Over the trailing 1-year period, international equities provided double digit returns across the board. Europe led all other regions with a return of 23.0%, while the Pacific underperformed all other regions with a 14.5% return.



International Equity Region Performance (in USD) (MSCI ACWI ex US)

Sector	Weight	QTR	1 Year
Europe Ex. UK	32.6%	7.0%	26.4%
Emerging Markets	24.2%	8.0%	22.9%
Japan	16.0%	4.1%	14.5%
United Kingdom	12.4%	5.2%	14.7%
Pacific Ex. Japan	8.2%	3.7%	14.6%
Canada	6.7%	8.1%	15.8%

ECONOMIC & MARKET OVERVIEW – 3Q 2017

Market Summary – Long-term Performance*

Indexes	Month	Quarter	1 Year	3 Years	5 Years	10 Years	20 Years
Global Equity							
MSCI AC World Index	2.0%	5.3%	19.3%	8.0%	10.8%	4.4%	6.1%
Domestic Equity							
S&P 500	2.1%	4.5%	18.6%	10.8%	14.2%	7.4%	7.0%
Russell 3000	2.4%	4.6%	18.7%	10.7%	14.2%	7.6%	7.2%
Russell 3000 Growth	1.6%	5.9%	21.9%	12.6%	15.2%	9.0%	6.5%
Russell 3000 Value	3.3%	3.3%	15.5%	8.8%	13.2%	6.0%	7.4%
Russell 1000	2.1%	4.5%	18.5%	10.6%	14.3%	7.5%	7.2%
Russell 1000 Growth	1.3%	5.9%	21.9%	12.7%	15.3%	9.1%	6.5%
Russell 1000 Value	3.0%	3.1%	15.1%	8.5%	13.2%	5.9%	7.3%
Russell 2000	6.2%	5.7%	20.7%	12.2%	13.8%	7.8%	7.5%
Russell 2000 Growth	5.4%	6.2%	21.0%	12.2%	14.3%	8.5%	6.0%
Russell 2000 Value	7.1%	5.1%	20.5%	12.1%	13.3%	7.1%	8.6%
Russell Microcap	8.1%	6.7%	22.3%	12.2%	13.9%	6.7%	—
CBOE BXM Index	0.9%	2.5%	12.8%	7.1%	7.6%	4.8%	6.4%
International Equity							
MSCI AC World Index ex USA	1.9%	6.3%	20.2%	5.2%	7.5%	1.7%	5.4%
MSCI EAFE	2.5%	5.5%	19.7%	5.5%	8.9%	1.8%	5.0%
MSCI Pacific	3.3%	6.5%	23.0%	5.0%	9.0%	1.7%	5.8%
MSCI Europe	1.1%	4.0%	14.5%	6.9%	8.8%	2.3%	3.7%
MSCI EM (Emerging Markets)	-0.4%	8.0%	22.9%	5.3%	4.4%	1.7%	6.7%
Fixed Income							
BC Universal	-0.4%	1.0%	1.0%	3.1%	2.5%	4.6%	5.3%
Global Agg. - Hedged	-0.5%	0.8%	-0.2%	3.1%	3.1%	4.3%	5.1%
BC Aggregate Bond	-0.5%	0.8%	0.1%	2.7%	2.1%	4.3%	5.1%
BC Government	-0.8%	0.4%	-1.6%	2.0%	1.3%	3.6%	4.7%
BC Credit Bond	-0.2%	1.3%	2.0%	3.9%	3.2%	5.5%	5.8%
BC Mortgage Backed Securities	-0.2%	1.0%	0.3%	2.4%	2.0%	4.1%	5.0%
BC High Yield	0.9%	2.0%	8.9%	5.8%	6.4%	7.8%	6.8%
BC WGIL All Maturities - Hedged	-1.6%	0.6%	-1.2%	4.1%	2.9%	4.8%	—
Emerging Markets Debt	0.1%	2.3%	4.7%	5.5%	4.4%	7.2%	8.3%
Real Estate							
NCREIF	0.6%	1.9%	7.7%	10.8%	11.6%	5.0%	9.1%
FTSE NAREIT All Equity Index	-0.6%	1.2%	3.6%	10.3%	9.9%	6.1%	8.6%
Commodity Index							
Bloomberg Commodity Index	-0.1%	2.5%	-0.3%	-10.4%	-10.5%	-6.8%	0.1%

* Performance is annualized for periods greater than one year.

Investment Market Risk Metrics

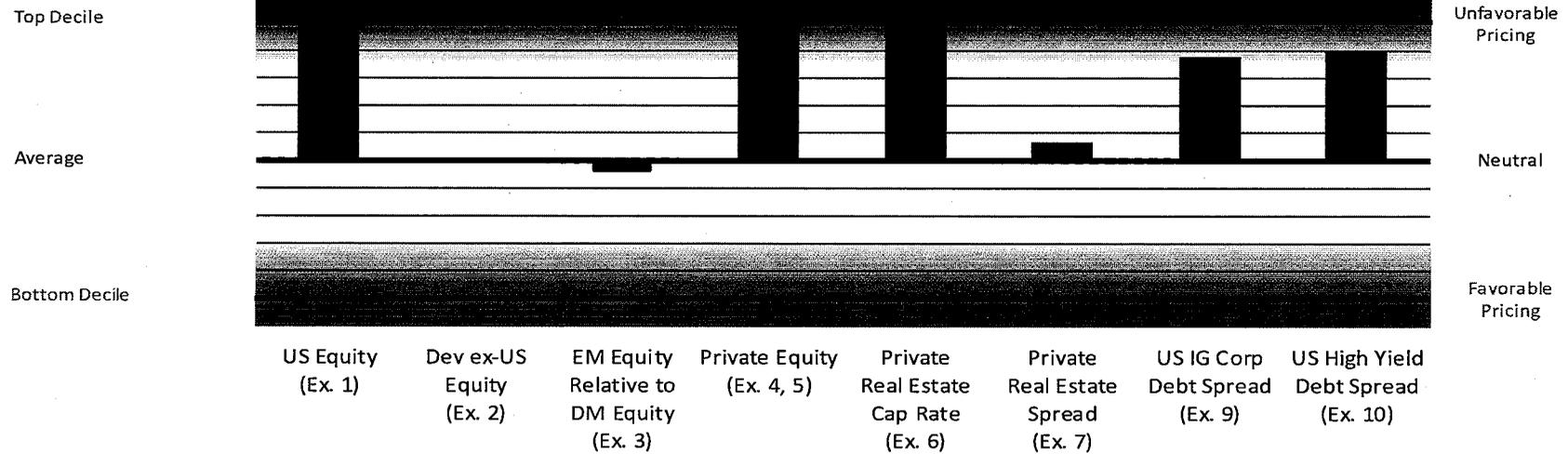
Takeaways

- Growth risk-based assets generated meaningful returns over the quarter.
- The U.S. Treasury yield curve continues to flatten, with short-term rates generally increasing and medium and long-term rates largely remaining stable during the quarter.
- Implied equity market volatility (i.e., VIX) remained near historic lows throughout the quarter. This behavior has been directly mirrored by actual equity market volatility as well as macroeconomic data volatility throughout the globe.
- Due to recent price increases, Non-U.S. Developed and Emerging Market equity valuations are no longer as cheap relative to their own histories (currently in-line with long-term averages, but they remain modestly cheap relative to U.S. levels).
- Credit spreads remain tight (risk seeking) in both U.S. investment grade and high yield markets.
- Inflation indicators remain well behaved; commodity prices are near decade lows and breakeven inflation levels remain stable.
- PCA's sentiment indicator remains positive. The sentiment indicator remains solidly **green**.

* See Appendix for the rationale for selection and calculation methodology used for the risk metrics.

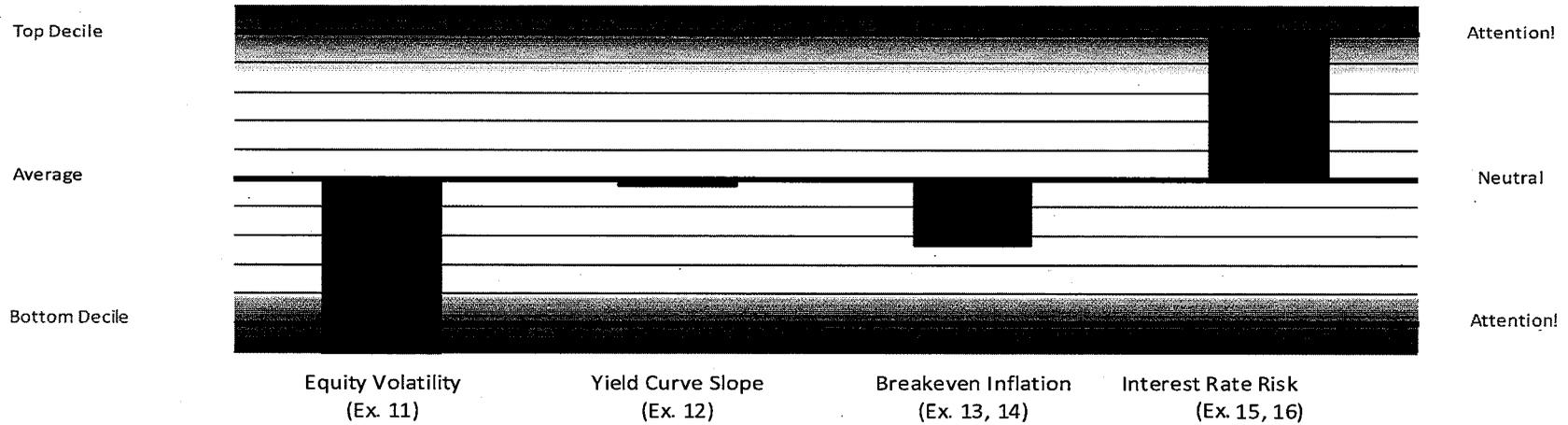
Valuation Metrics versus Historical Range

A Measure of Risk

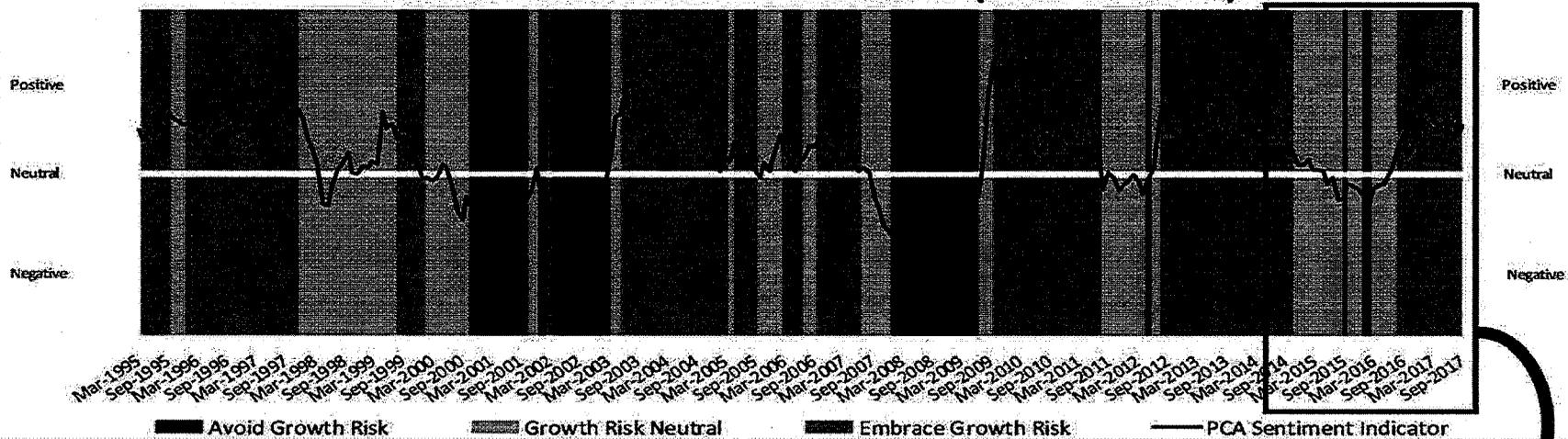


Other Important Metrics within their Historical Ranges

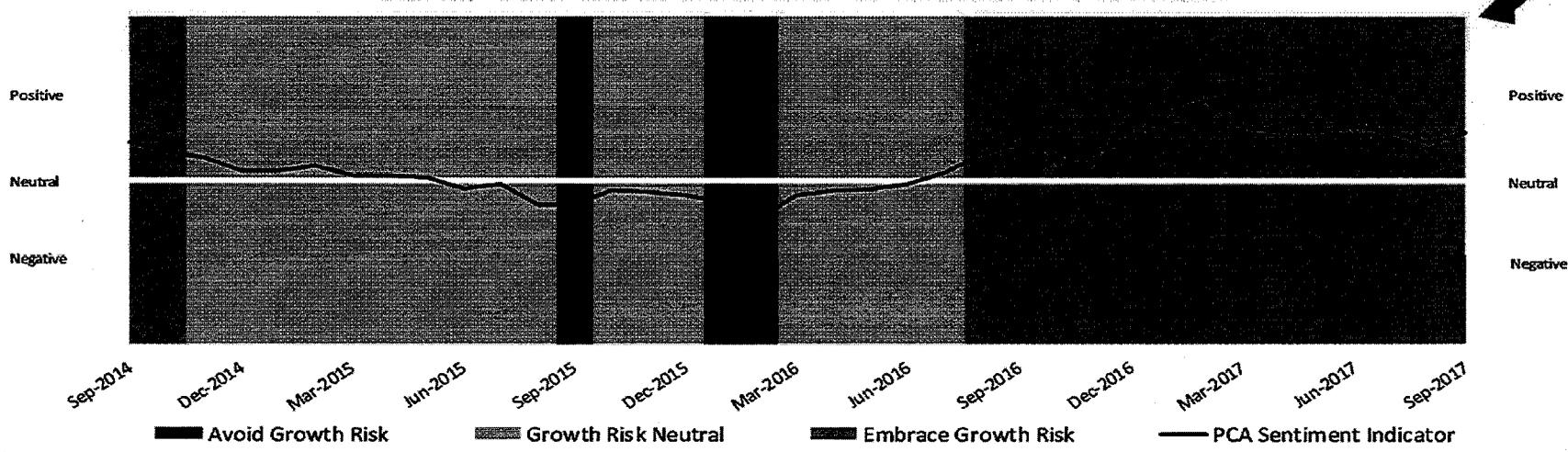
Pay Attention to Extreme Readings



PCA Market Sentiment Indicator (1995-Present)



PCA Market Sentiment Indicator - Most Recent 3-Year Period



Information Behind Current Sentiment Reading

Bond Spread Momentum Trailing-Twelve Months

Equity Return Momentum Trailing-Twelve Months

Agreement Between Bond and Equity Momentum Measures?

Positive

Positive

Agree

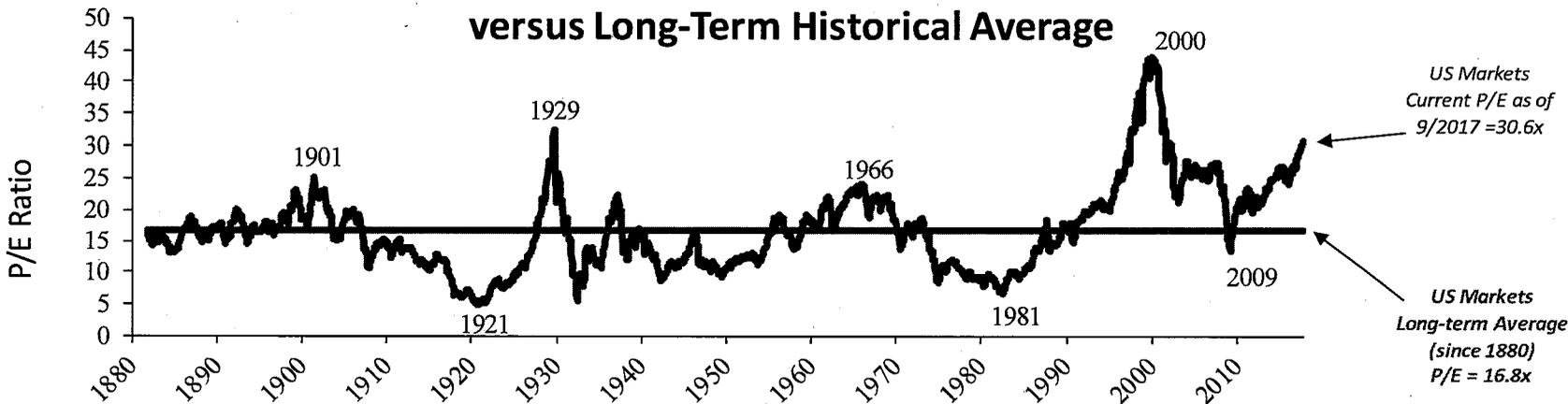
Growth Risk Visibility (Current Overall Sentiment)

Positive

Developed Public Equity Markets

Exhibit 1

U.S. Equity Market P/E Ratio¹ versus Long-Term Historical Average

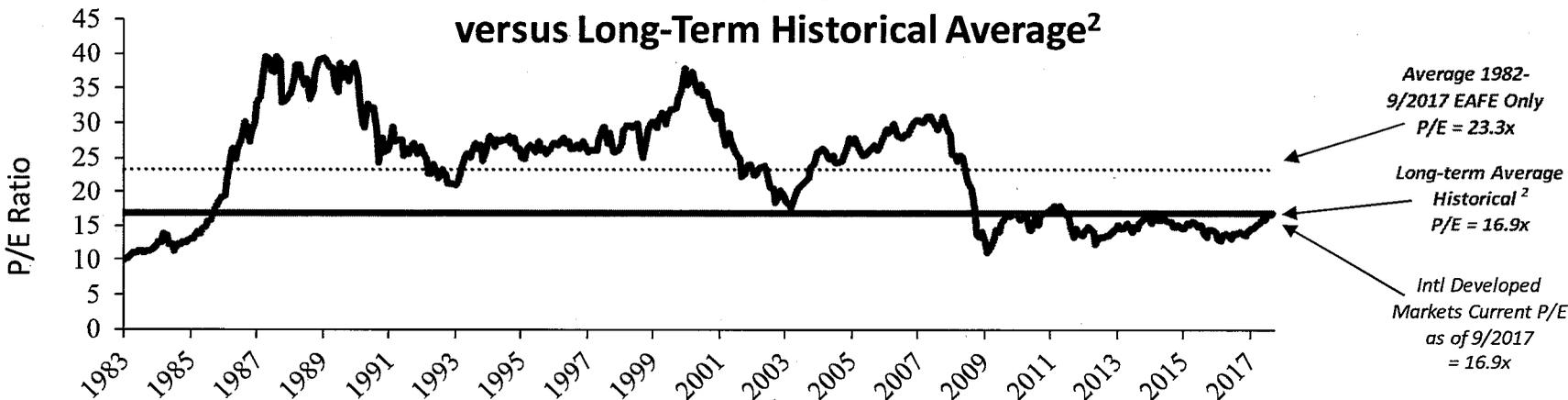


¹ P/E ratio is a Shiller P/E-10 based on 10 year real S&P 500 earnings over S&P 500 index level.

(Please note different time scales)

Exhibit 2

Developed ex-U.S. Equity Market P/E Ratio¹ versus Long-Term Historical Average²



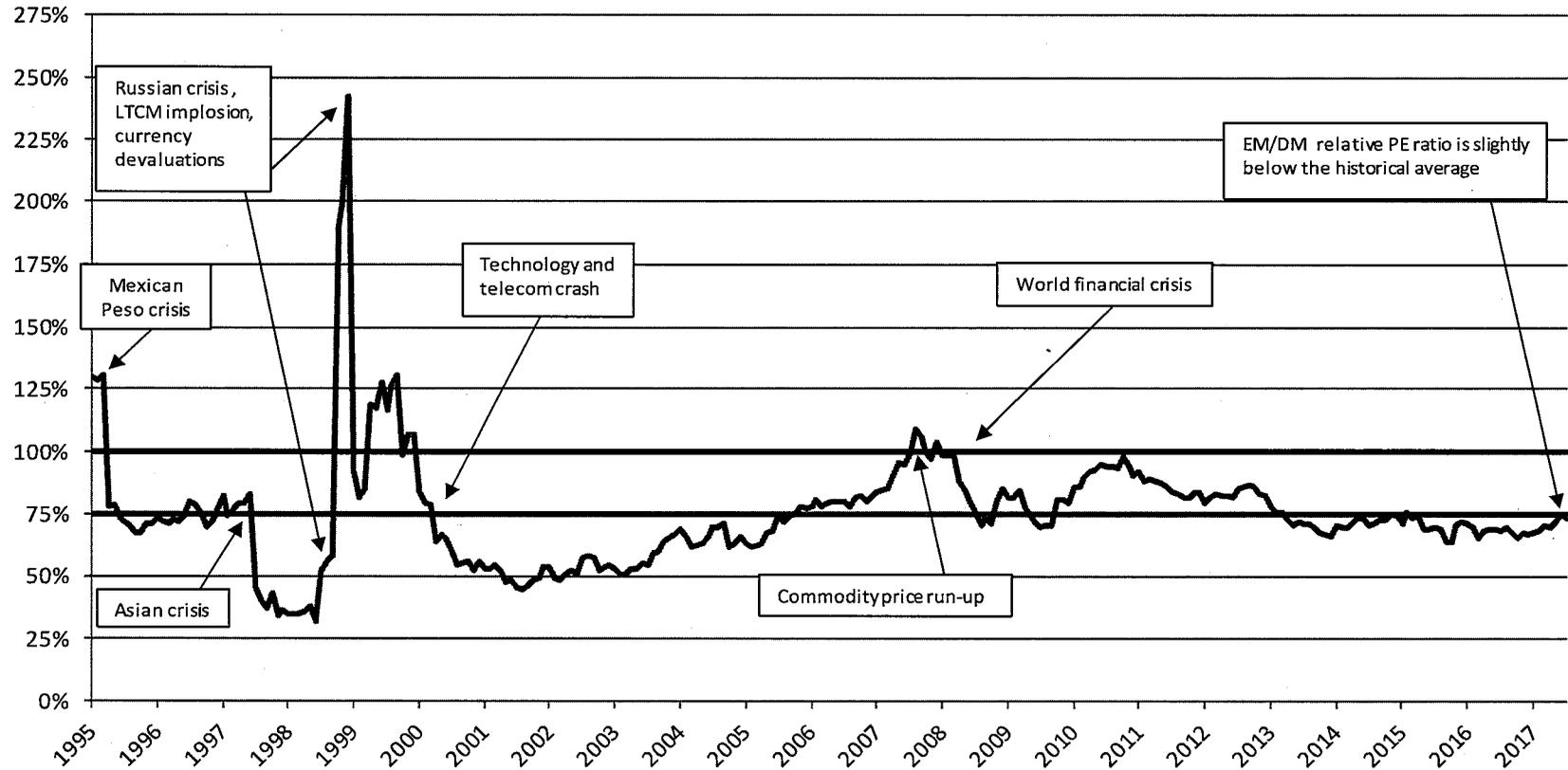
¹ P/E ratio is a Shiller P/E-10 based on 10 year real MSCI EAFE earnings over EAFE index level.

² To calculate the LT historical average, from 1881 to 1982 U.S. data is used as developed market proxy. From 1982 to present, actual developed ex-US market data (MSCI EAFE) is used.

Emerging Markets Public Equity Markets

Exhibit 3

Emerging Markets PE / Developed Markets PE (100% = Parity between PE Ratios)



Source: Bloomberg, MSCI World, MSCI EMF

— EM/DM PE

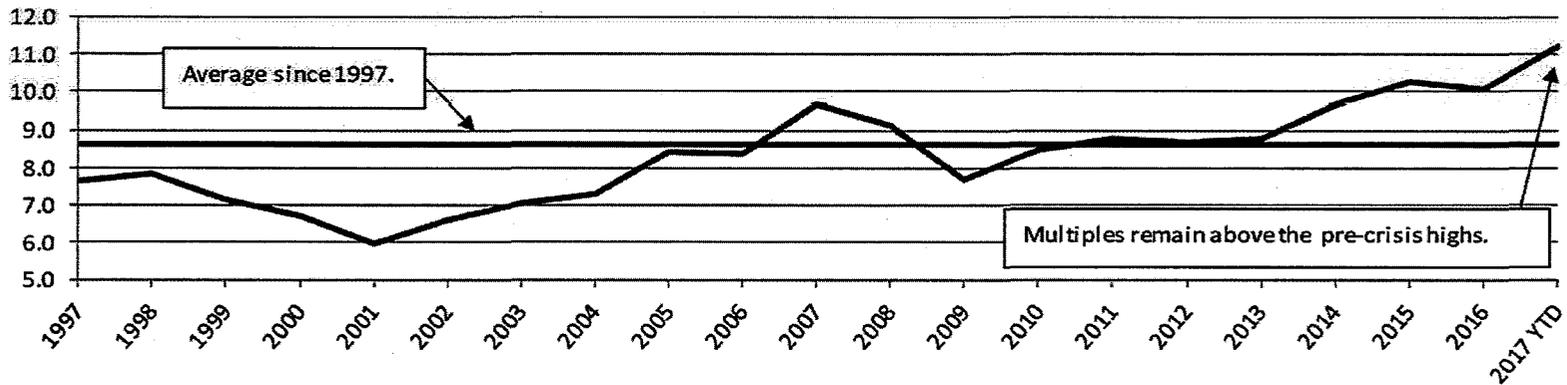
— Average EM/DM PE

— Parity

U.S. Private Equity Markets

Exhibit 4

Price to EBITDA Multiples Paid in LBOs

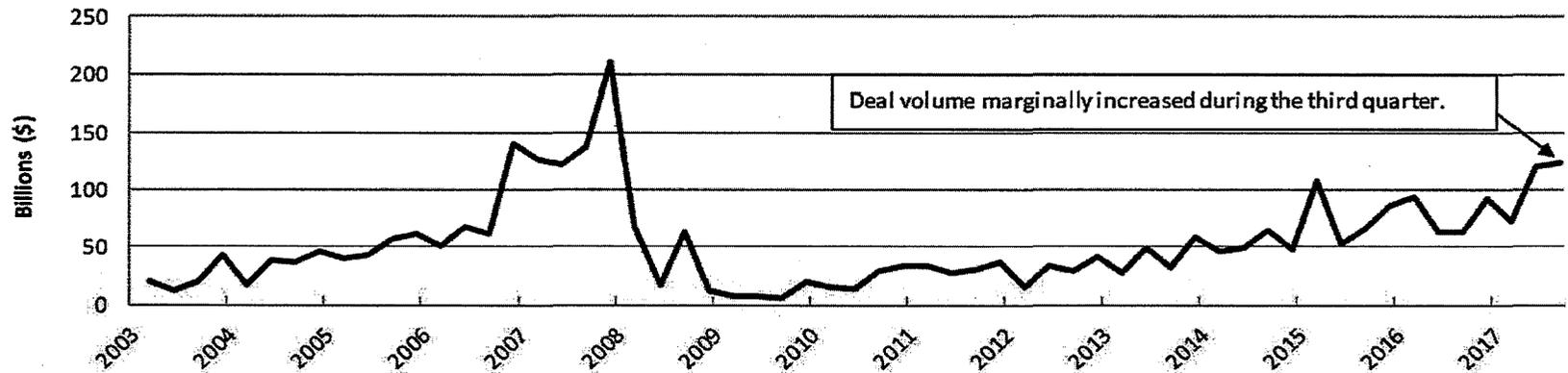


Source: S&PLCD study

(Please note different time scales)

Exhibit 5

Disclosed U.S. Quarterly Deal Volume*



Source: Thomson Reuters Buyouts

* quarterly total deal size (both equity and debt)

Private Real Estate Markets

Exhibit 6

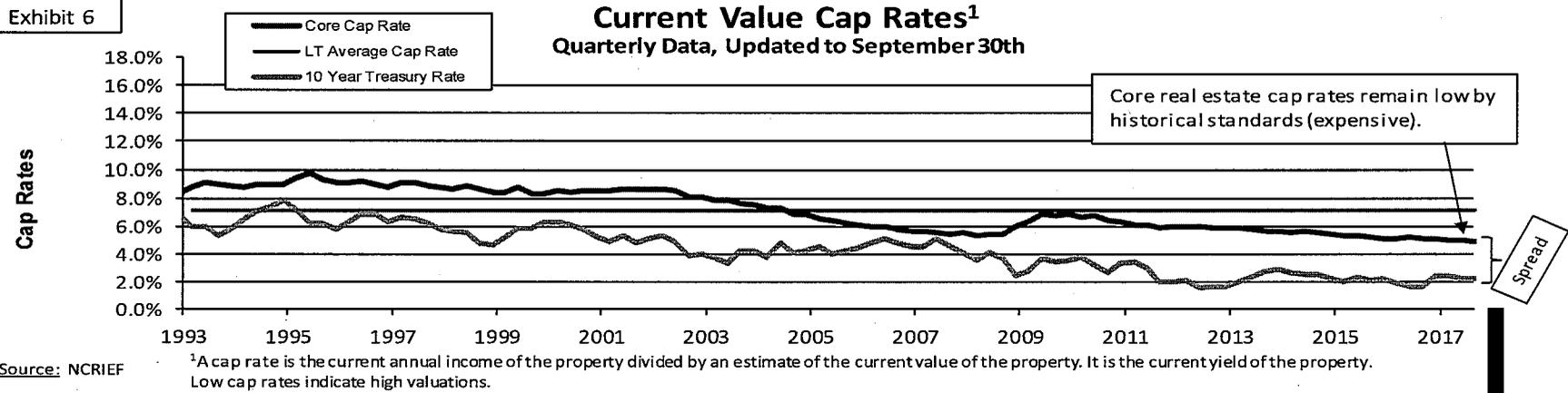


Exhibit 7

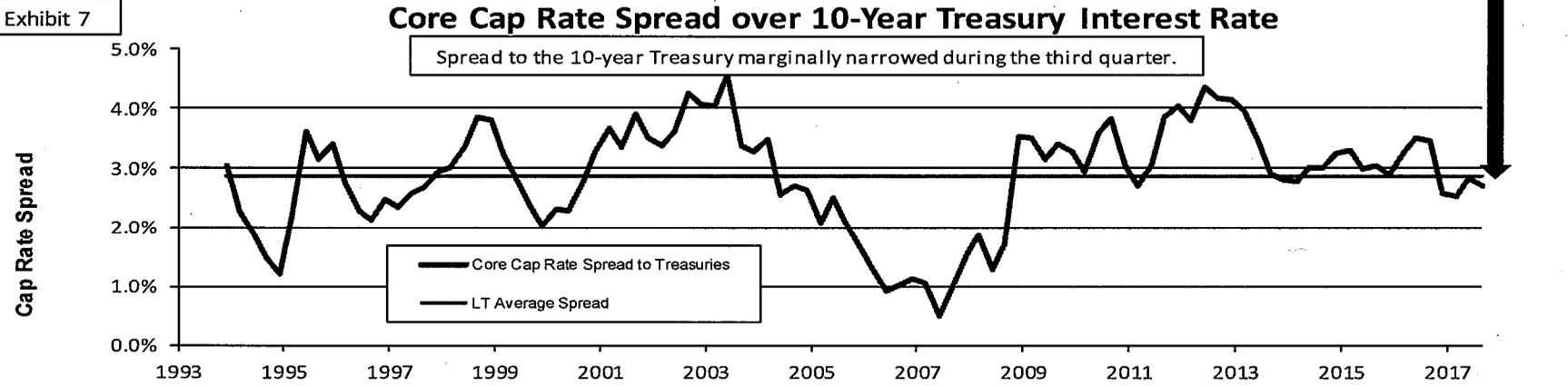
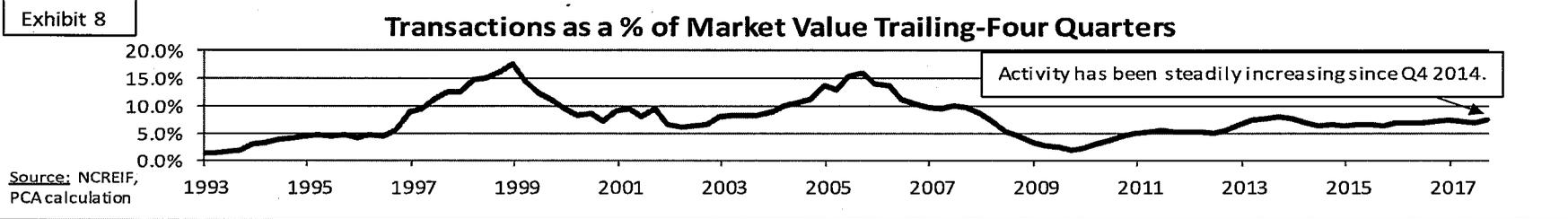


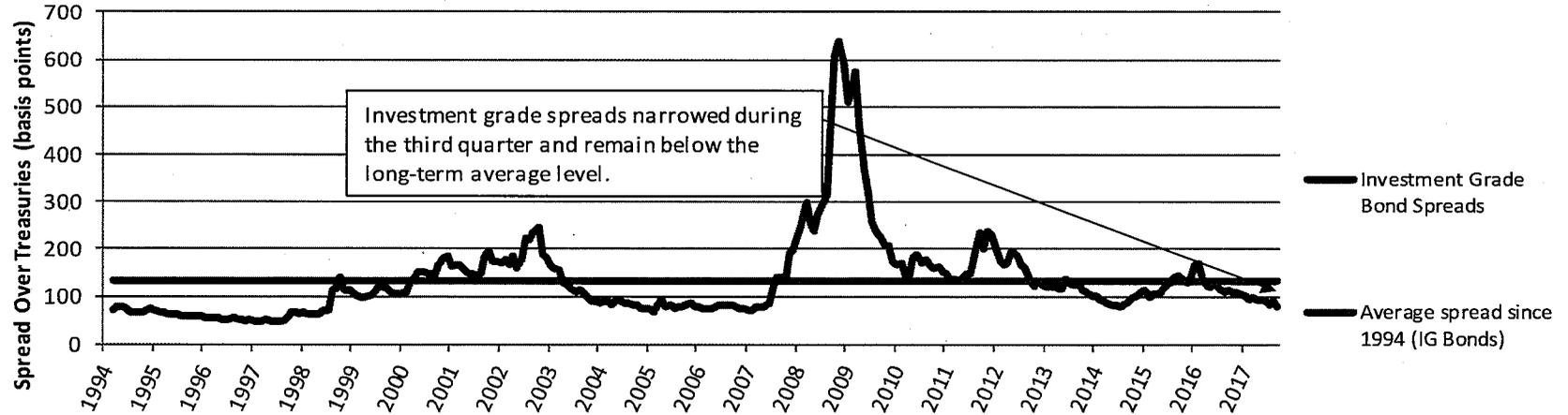
Exhibit 8



Credit Markets U.S. Fixed Income

Exhibit 9

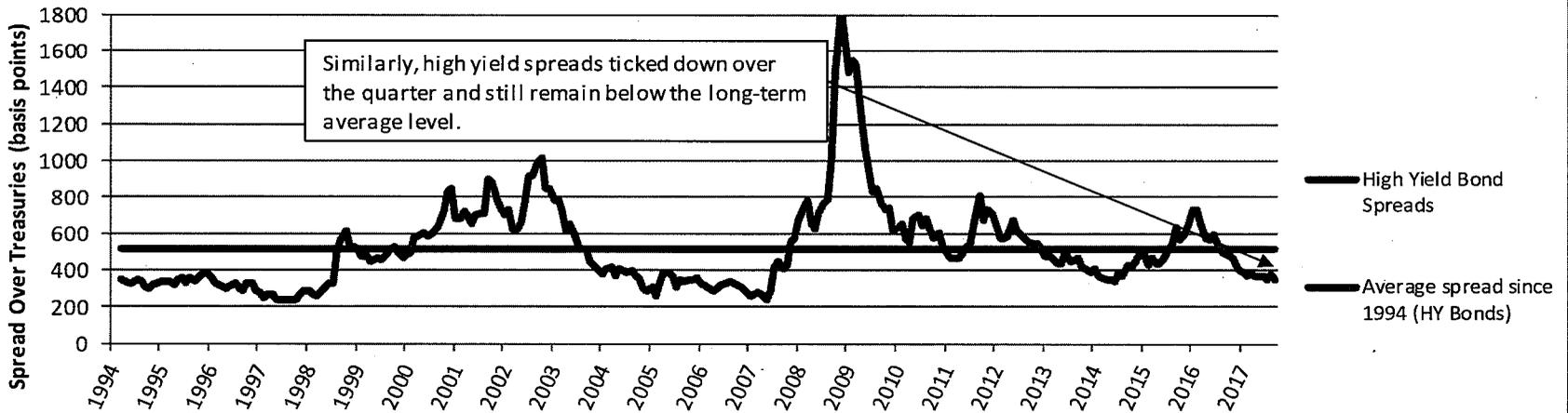
Investment Grade Corporate Bond Spreads



Source: LehmanLive: Barclays Capital US Corporate Investment Grade Index Intermediate Component.

Exhibit 10

High Yield Corporate Bond Spreads

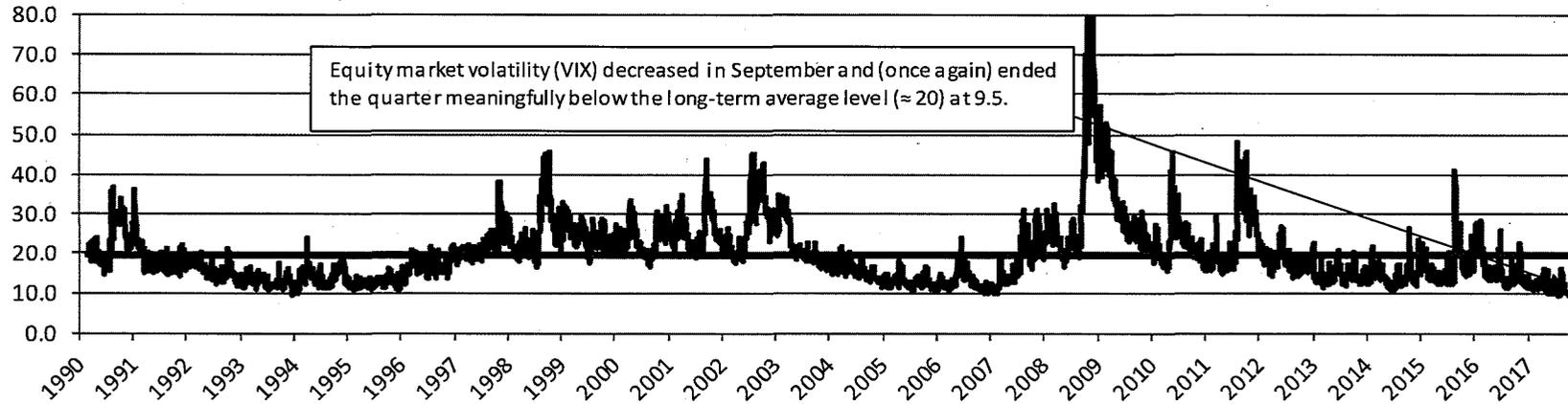


Source: LehmanLive: Barclays Capital U.S. Corporate High Yield Index.

Other Market Metrics

Exhibit 11

VIX - a measure of equity market fear / uncertainty

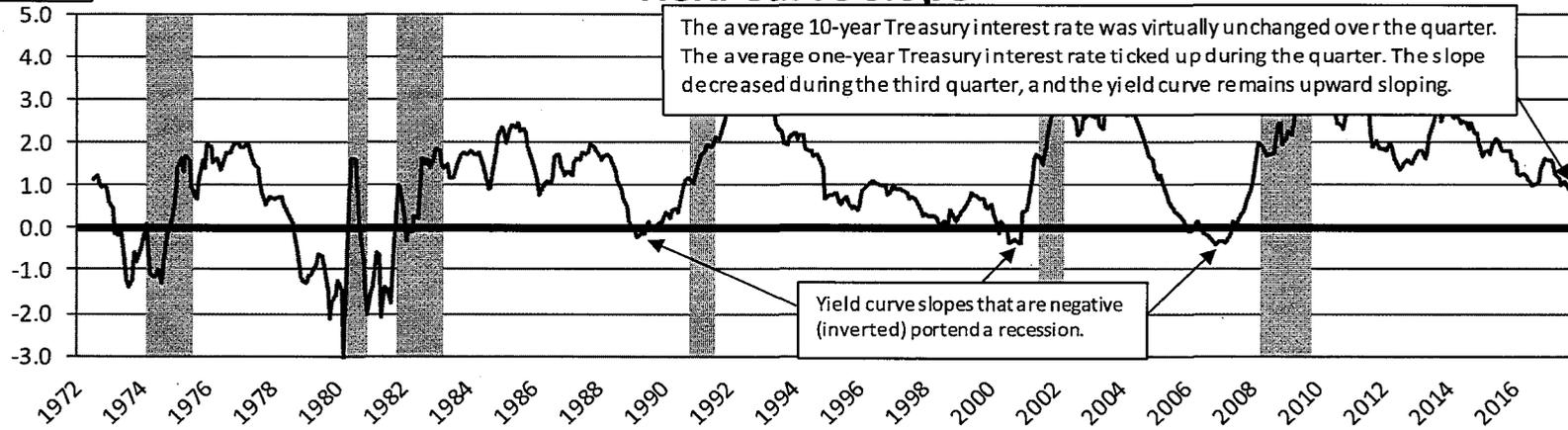


Source: <http://www.cboe.com/micro/vix/historical.aspx>

(Please note different time scales)

Exhibit 12

Yield Curve Slope

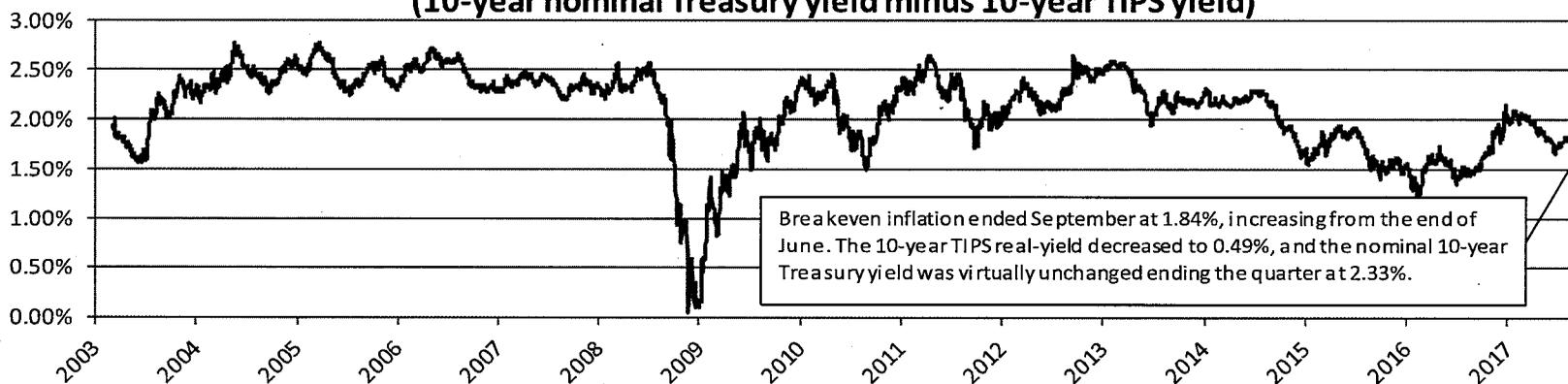


Source: www.ustreas.gov (10-year treasury yield minus 1-year treasury yield)

Measures of Inflation Expectations

Exhibit 13

10-Year Breakeven Inflation (10-year nominal Treasury yield minus 10-year TIPS yield)



Breakeven inflation ended September at 1.84%, increasing from the end of June. The 10-year TIPS real-yield decreased to 0.49%, and the nominal 10-year Treasury yield was virtually unchanged ending the quarter at 2.33%.

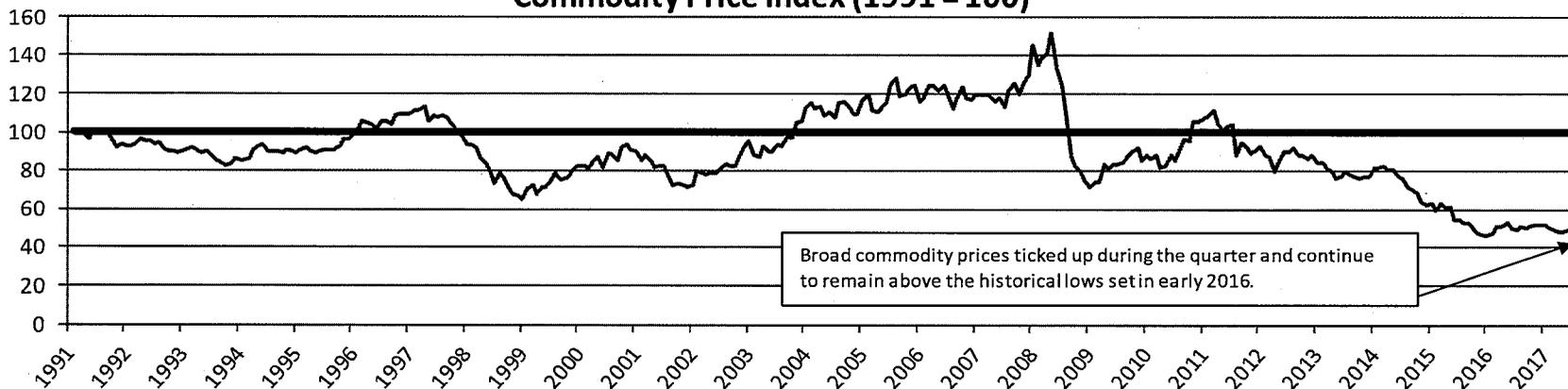
Source: www.ustreas.gov

Daily Yield Curve Rates (10-year nominal treasury yield minus 10-year TIPS yield)

(Please note different time scales)

Exhibit 14

Inflation Adjusted Bloomberg Commodity Price Index (1991 = 100)



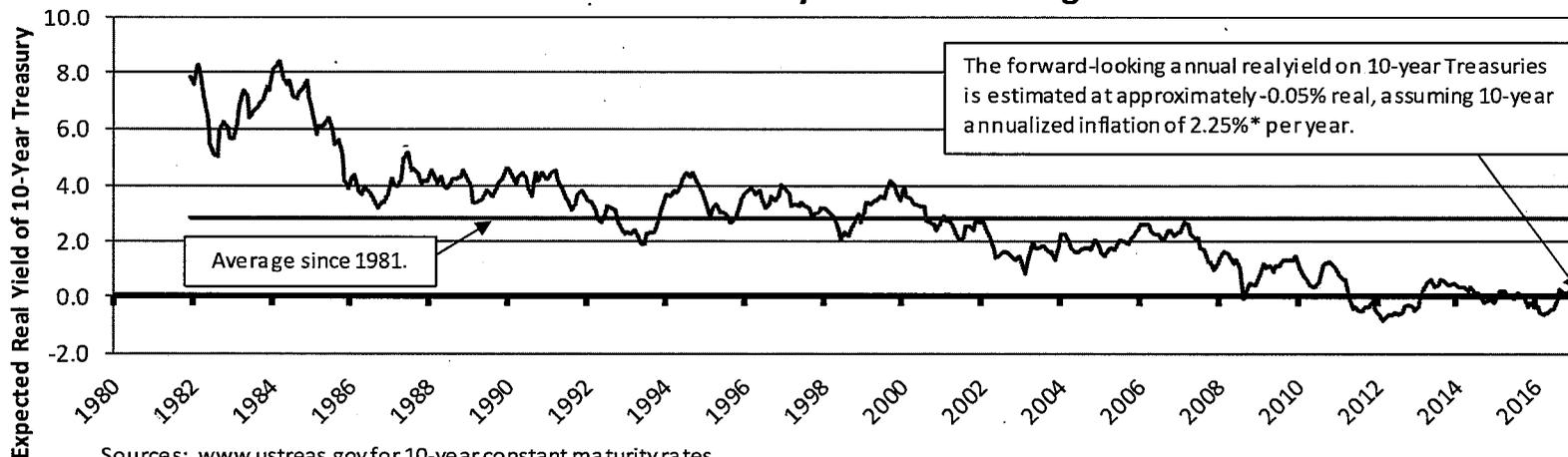
Broad commodity prices ticked up during the quarter and continue to remain above the historical lows set in early 2016.

Source: Bloomberg Commodity Index, St. Louis Fed for US CPI all urban consumers.

Measures of U.S. Treasury Interest Rate Risk

Exhibit 15

Estimate of 10-Year Treasury Forward-Looking Real Yield

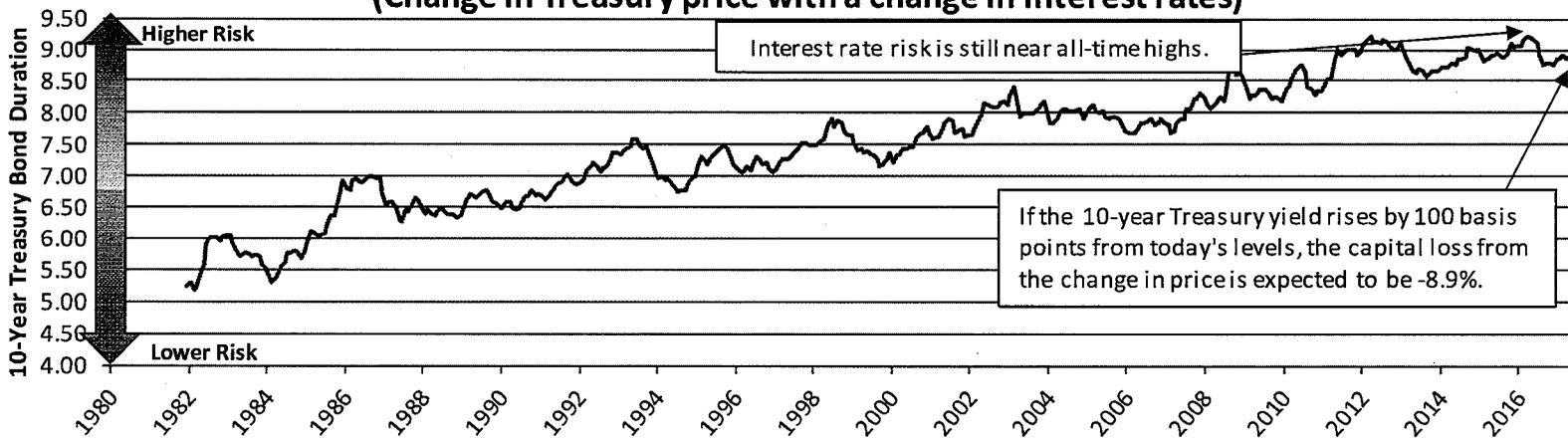


Sources: www.ustreas.gov for 10-year constant maturity rates

*Federal Reserve Bank of Philadelphia survey of professional forecasts for inflation estimates

Exhibit 16

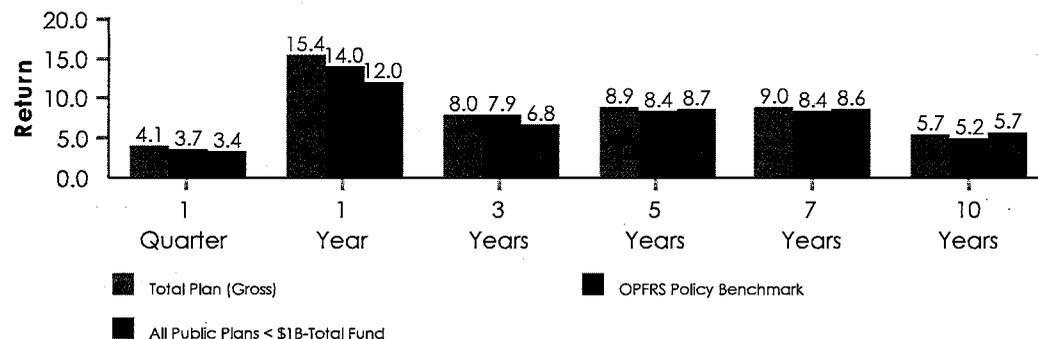
10-Year Treasury Duration (Change in Treasury price with a change in interest rates)



Source: www.ustreas.gov for 10-year constant maturity rates, calculation of duration

Performance and Market Values As of September 30, 2017

Investment Performance



Portfolio Valuation (000's)

	1 Quarter	1 Year
OPFRS Total Plan		
Beginning Market Value	355,726	363,169
Net Contributions	-3,536	-47,611
Gain/Loss	14,269	50,901
Ending Market Value	366,459	366,459

Asset Class Performance (gross of fees)

	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years
OPFRS Total Plan	4.1	15.4	8.0	8.9	9.0	5.7
OPFRS Policy Benchmark*	3.7	14.0	7.9	8.4	8.4	5.2
Domestic Equity	4.6	19.3	10.9	14.3	14.4	7.8
Russell 3000 (Blend)**	4.6	18.7	10.7	14.2	14.3	7.6
International Equity	7.0	22.8	7.9	9.2	6.8	2.0
MSCI ACWI Ex US (Blend)^	6.3	20.2	5.2	7.5	5.7	1.7
Fixed Income	1.3	1.9	3.5	2.6	3.6	4.9
Bloomberg Barclays Universal (Blend)^^	1.0	1.0	3.1	2.5	3.4	4.6
Covered Calls	3.8	15.1	9.0	-	-	-
CBOE BXM	2.5	12.8	7.1	-	-	-
Cash	0.3	0.9	0.5	0.2	-	-
Citigroup 3 Month T-Bill Index	0.3	0.6	0.3	0.2	-	-

* Starting on 5/1/2016, Policy Benchmark consists of 48% Russell 3000, 12% MSCI ACWI ex U.S., 20% BC Universal, 20% CBOE BXM

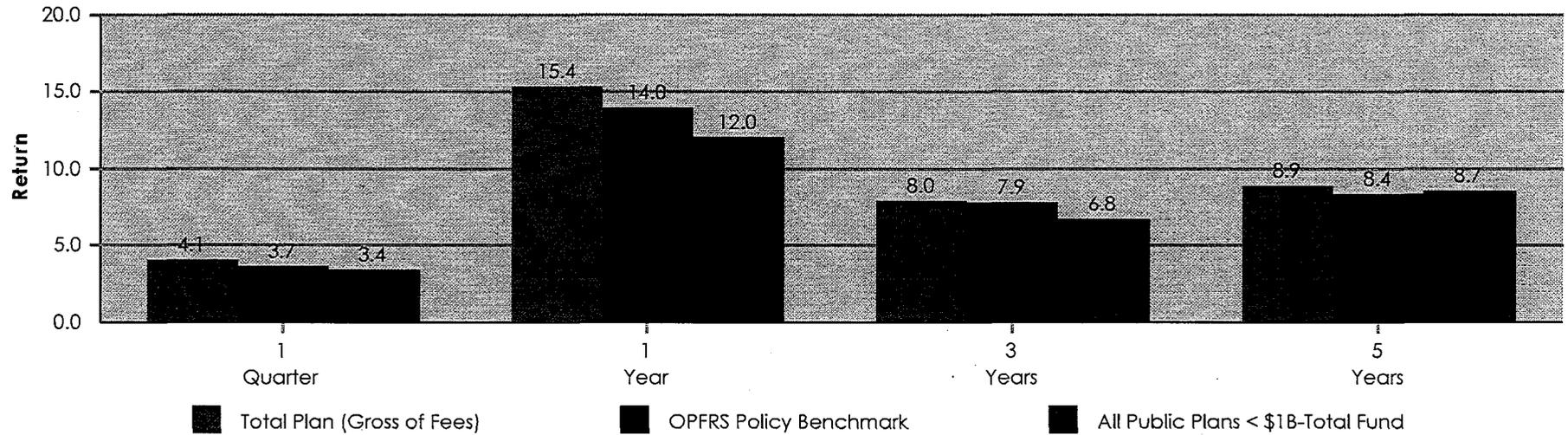
** Domestic Equity Benchmark consists of S&P 500 thru 3/31/98, 10% R1000, 20% R1000V, 5% RMC from 4/1/98 - 12/31/04, and Russell 3000 from 1/1/05 to present

^ International Equity Benchmark consists of MSCI EAFE thru 12/31/04, and MSCI ACWI x US thereafter.

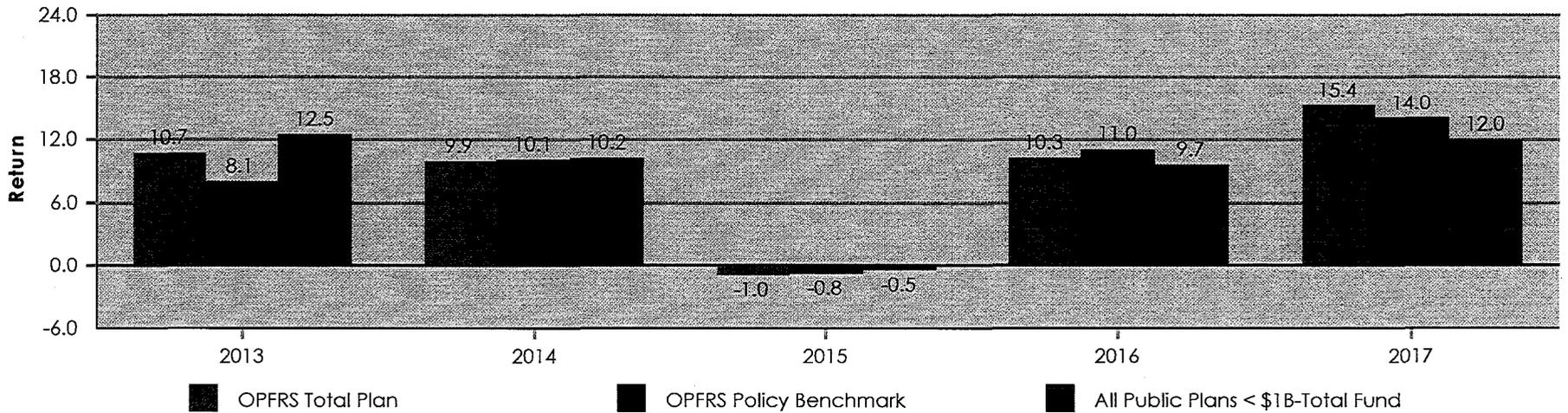
^^ Fixed Income Benchmark consists of Bbg BC Aggregate prior to 4/1/06, and Bbg BC Universal thereafter.

OPFRS Portfolio Relative Performance Results
As of September 30, 2017

Trailing Period Performance (annualized)



12-month Performance- As of September 30, 2017



Actual vs. Target Allocation

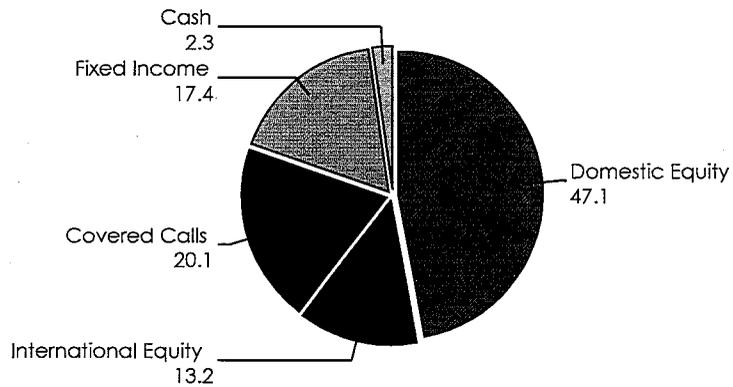
As of September 30, 2017

	Asset Allocation (\$000)	Asset Allocation (%)	Target Allocation* (%)	Variance (%)
OPFRS Total Plan	366,459	100.0	100.0	0.0
Domestic Equity	172,652	47.1	48.0	-0.9
International Equity	48,315	13.2	12.0	1.2
Total Fixed Income	63,652	17.4	20.0	-2.6
Covered Calls	73,560	20.1	20.0	0.1
Cash	8,278	2.3	0.0	2.3

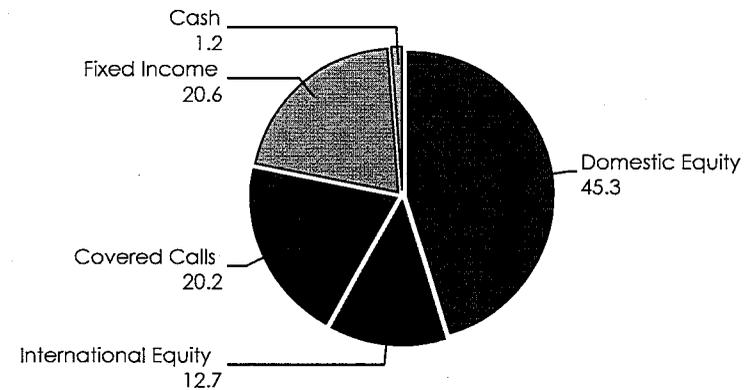
*Target weightings reflect the Plan's evolving asset allocation (effective 3/31/2014).

Actual Asset Allocation Comparison

September 30, 2017 : \$366,457,715



June 30, 2017 : \$355,724,726



Manager Performance - Gross of Fees

As of September 30, 2017

Domestic Equity

Manager - Style	Mkt Value (\$000)	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
Large Cap Core							
Northern Trust Russell 1000 Index	71,878	4.5	18.5	10.7	14.2	14.5	06/2010
Russell 1000 Index		4.5	18.5	10.6	14.3	14.5	
Excess Return		0.0	0.0	0.1	0.1	0.0	
Large Cap Value							
SSgA Russell 1000 Value Index	26,128	3.1	15.2	---	---	8.1	11/2014
Russell 1000 Value Index		3.1	15.1	---	---	8.0	
Excess Return		0.0	0.1	---	---	0.1	
Large Cap Growth							
SSgA Russell 1000 Growth Index	27,081	5.9	22.0	---	---	12.1	11/2014
Russell 1000 Growth Index		5.9	21.9	---	---	12.1	
Excess Return		0.0	0.1	---	---	0.0	
Mid Cap Core							
EARNST Partners - Active	27,292	4.5 (20)	23.1 (4)	13.3 (18)	15.8 (31)	9.4 (37)	04/2006
Russell Midcap Index		3.5	15.3	9.5	14.3	8.5	
Excess Return		1.0	7.8	3.8	1.5	0.9	
Small Cap Value							
NWQ - Active	9,425	6.2 (31)	18.6 (69)	11.7 (58)	15.5 (38)	8.0 (75)	02/2006
Russell 2000 Value Index		5.1	20.5	12.1	13.3	7.0	
Excess Return		1.1	1.9	0.4	2.2	1.0	
Small Cap Growth							
Rice Hall James*	10,848	---	---	---	---	3.5 (86)	07/2017
Russell 2000 Growth Index		---	---	---	---	6.2	
Excess Return		---	---	---	---	2.7	

* Reflects partial returns data due to RHJ funding date of 7/13/2017

Over the latest three-month period ending September 30, 2017, two of OPFRS's three active Domestic Equity managers outperformed its respective benchmark.

All of OPFRS's passive Domestic Equity mandates performed in-line with their respective benchmarks.

Northern Trust, the Plan's passive large cap core transition account, continues to perform in-line with its benchmark over all time periods measured. This performance is within expectations for a passive mandate.

SSgA Russell 1000 Value, the Plan's passive large cap value account, has continued to perform within expectations for a passive mandate.

Manager Performance - Gross of Fees

As of September 30, 2017

Domestic Equity

SSgA Russell 1000 Growth, the Plan's passive large cap growth account, has continued to perform within expectations for a passive mandate.

EARNEST Partners, the Plan's mid cap core manager, completed a strong quarter, outperforming its Russell Midcap benchmark by 1.0%. Performance has been especially strong over the 1-year period as the portfolio has returned 23.1%, outperforming the benchmark by 7.8%. EARNEST has also outperformed over the 3- and 5-year periods by 3.8% and 1.5%, respectively.

NWQ, the Plan's small cap value manager, outperformed the Russell 2000 Value Index by 1.1% over the latest quarter. NWQ continues to underperform over the 1-year period by (1.9%), and is now underperforming over the 3-year period by (0.4%). However, NWQ continues to outperform over the 5-year period, returning 15.5% compared to the benchmark's 13.3% return.

Rice Hall James, the Plan's new small cap growth manager was funded on July 13, 2017 and thus does not yet have a full quarter of performance history. However, over the total 3-month period, Rice Hall James's composite portfolio returned 3.8%. trailing the portfolio by (2.4%)

Manager Performance - Gross of Fees

As of September 30, 2017

International Equity

Manager - Style	Mkt Value (\$000)	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
Active International							
Fisher Investments	17,277	6.9 (17)	24.1 (4)	8.3 (3)	9.3 (7)	5.7 (24)	04/2011
MSCI AC World ex USA		6.3	20.2	5.2	7.5	4.5	
Excess Return		0.6	3.9	3.1	1.8	1.2	
Hansberger	16,669	8.5 (3)	24.6 (3)	9.8 (1)	9.8 (3)	5.0 (27)	02/2006
MSCI AC World ex USA		6.3	20.2	5.2	7.5	4.5	
Excess Return		2.2	4.4	4.6	2.3	0.5	
Passive International							
SSgA	14,369	5.5	19.6	5.4	8.7	7.8	08/2002
MSCI EAFE Index		5.5	19.7	5.5	8.9	7.8	
Excess Return		0.0	-0.1	-0.1	-0.2	0.0	

Over the latest three-month period ending September 30, 2017, both of OPFRS's active International Equity managers earned strong returns and outperformed their respective benchmarks.

The **SSgA** account has performed roughly in-line with its benchmark over all time periods measured. This performance is within expectations for a passive mandate.

Hansberger, one of OPFRS' active international equity managers, outperformed the MSCI ACWI x US Index during the quarter by 2.2%. The portfolio also outperformed its the benchmark over the 1-, 3-, and 5-year periods by 4.4%, 4.6%, and 2.3%, respectively.

Fisher, one of OPFRS' active international equity managers, outperformed the MSCI ACWI x US Index by 0.6% during the quarter. Over the latest 1-, 3-, and 5-year periods the fund has outperformed its benchmark by 3.9%, 3.1%, and 1.8%, respectively.

Manager Performance - Gross of Fees

As of September 30, 2017

Fixed Income

Manager - Style	Mkt Value (\$000)	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
Core Fixed Income							
Ramirez	33,621	1.3 (5)	---	---	---	4.0 (17)	01/2017
Bloomberg Barclays U.S. Aggregate Index		0.8	---	---	---	3.1	
Excess Return		0.5	---	---	---	0.9	
Core-Plus Fixed Income							
Reams	22,593	0.9 (90)	0.3 (100)	3.0 (81)	2.5 (91)	5.7 (56)	02/1998
Bbg Barclays Universal (Blend)		1.0	1.0	3.1	2.5	5.1	
Excess Return		-0.1	-0.7	-0.1	0.0	0.6	
High Yield / Bank Loans							
DDJ Capital	7,438	2.3 (23)	13.6 (3)	---	---	7.6 (12)	02/2015
BofA Merrill Lynch High Yield Master II		2.0	9.1	---	---	6.8	
Excess Return		0.3	4.5	---	---	0.8	

Over the latest three-month period, ending September 30, 2017, two of OPFRS' three active Fixed Income managers outperformed their respective benchmarks.

Ramirez, the Plan's new core fixed income manager, produced an excess quarterly return of 50 basis points by returning 1.3% compared to the benchmark return of 0.8%. Since its inception at the start of 2017, Ramirez has returned 4.0% and outperformed its benchmark by 90 basis points.

Reams, the Plan's core plus fixed income manager, trailed its benchmark, the Bbg BC Universal, by (10) basis points over the quarter. During the latest 1-year period, the portfolio underperformed its benchmark by (70) basis points and also underperformed over the 3-year period by (10) basis points. Reams matched its benchmark over the 5-year period by returning an annualized 2.5%.

DDJ, the Plan's High Yield & Bank Loan manager, outperformed its benchmark, the BofAML US High Yield Master II index, by 30 basis points over the most recent quarter. The DDJ portfolio has returned 13.6% over the latest 1-year period, outperforming the benchmark by 4.5%, and has now earned an annualized excess return of 80 basis points since its inception in early 2015.

Manager Performance - Gross of Fees

As of September 30, 2017

Covered Calls

Manager - Style	Mkt Value (\$000)	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
Covered Calls Composite							
Covered Calls	73,560	3.8	15.1	9.0	---	9.0	04/2014
CBOE BXM		2.5	12.8	7.1	---	7.2	
Excess Return		1.3	2.3	1.9	---	1.8	
CC - Passive Allocation							
Parametric BXM	35,839	3.2	13.1	8.0	---	8.0	04/2014
CBOE BXM		2.5	12.8	7.1	---	7.2	
Excess Return		0.7	0.3	0.9	---	0.8	
CC - Active Allocation							
Parametric DeltaShift	37,722	4.3	17.1	10.5	---	10.9	04/2014
CBOE BXM		2.5	12.8	7.1	---	7.2	
Excess Return		1.8	4.3	3.4	---	3.7	

During the latest three-month period ending September 30, 2017, OPFRS' aggregate Covered Calls portfolio has outperformed its benchmark over all time periods measured.

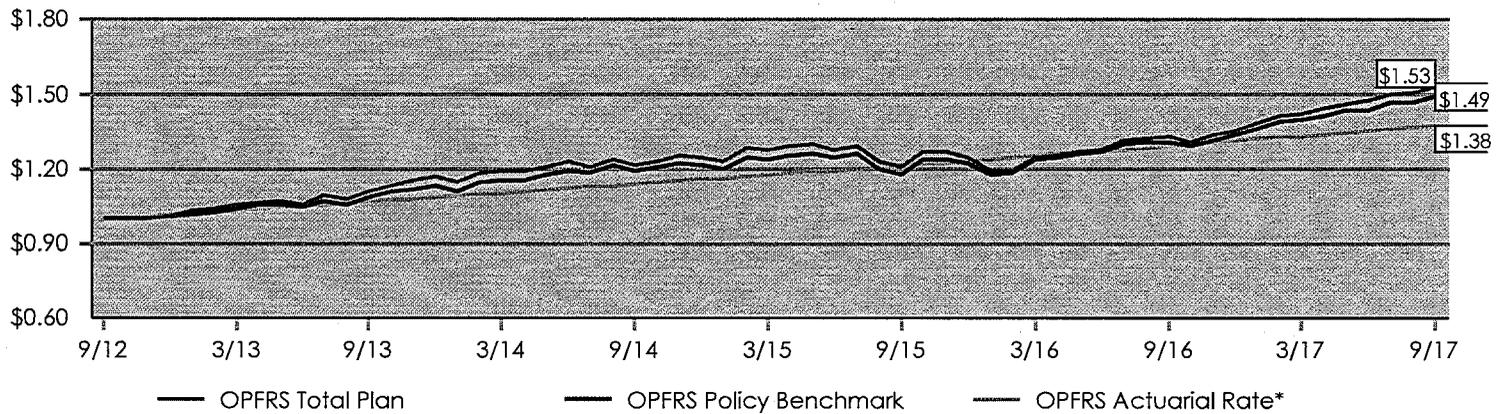
Parametric BXM Portfolio, the Plan's passive covered calls allocation outperformed its CBOE BXM index by 70 basis points over the most recent quarter. Over the most recent 1- and 3-year periods, the replication strategy has outperformed its benchmark by 30 and 90 basis points, respectively.

Parametric Delta Shift Portfolio, the Plan's active covered calls allocation has outperformed the CBOE BXM benchmark by 1.8% over the most recent quarter, and has outperformed the benchmark by 4.3% and 3.4% over the most recent 1- and 3-year periods, respectively.

OPFRS Total Portfolio 5-Year Performance

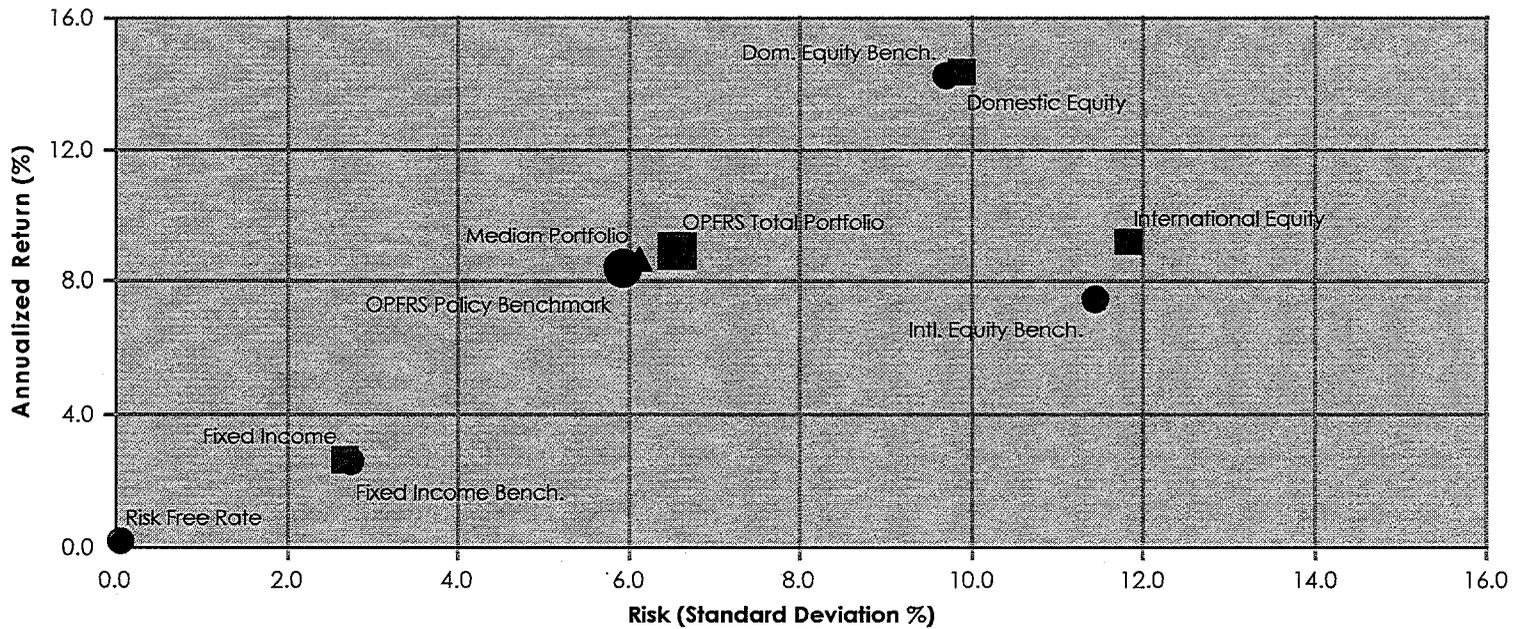
As of September 30, 2017

Growth of \$1 (5-year)

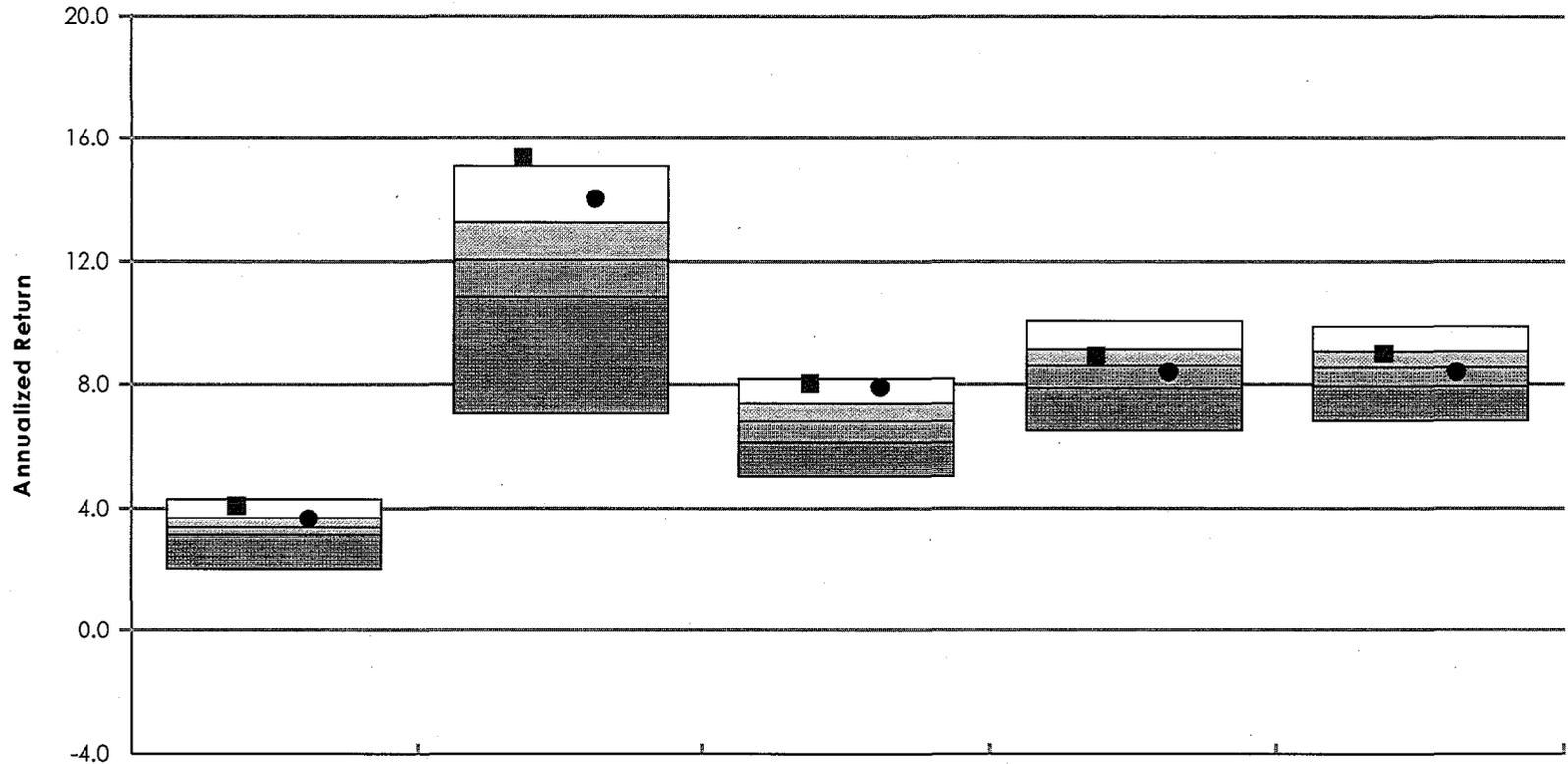


* The actuarial expected rate of return was 8% through 6/30/2009, 7.5% through 6/30/2010, 7% through 6/30/2011, 6.75% through 6/30/2014, and 6.5% currently

Risk/Return Performance (5-year)

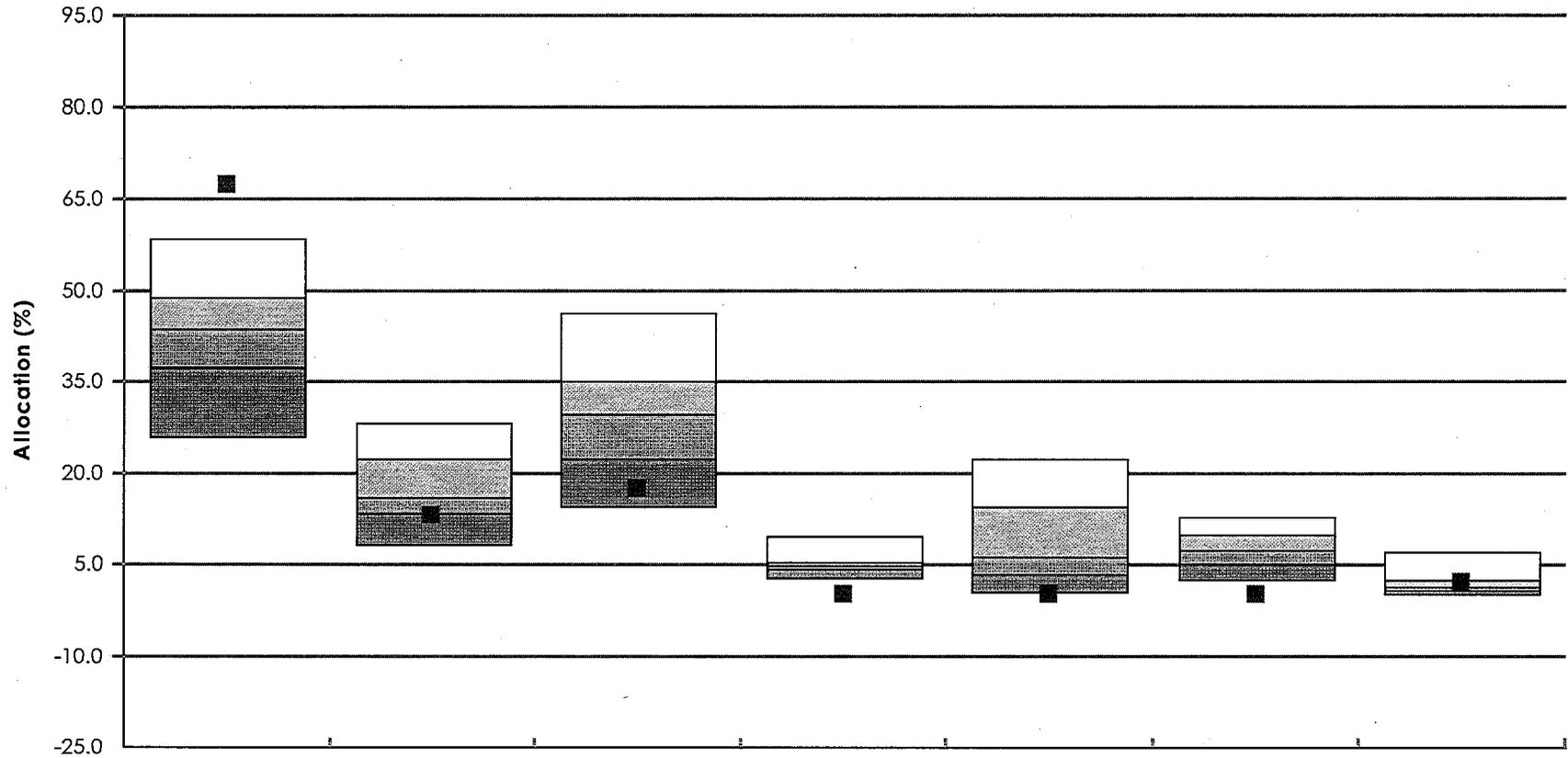


Plan Sponsor Peer Group Analysis
As of September 30, 2017



	1 Quarter	1 Year	3 Years	5 Years	7 Years
■ OPFRS Total Plan	4.1 (9)	15.4 (4)	8.0 (8)	8.9 (39)	9.0 (33)
● OPFRS Policy Benchmark	3.7 (27)	14.0 (12)	7.9 (11)	8.4 (58)	8.4 (58)
5th Percentile	4.3	15.1	8.2	10.1	9.9
1st Quartile	3.7	13.3	7.4	9.2	9.2
Median	3.4	12.0	6.8	8.7	8.6
3rd Quartile	3.1	10.9	6.1	7.9	8.0
95th Percentile	2.0	7.0	5.0	6.5	6.8
Population	432	421	402	391	377

**Plan Sponsor TF Asset Allocation
As of September 30, 2017**



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
■ OPFRS Total Plan	67.2 (2)	13.2 (77)	17.4 (90)	0.0	0.0	0.0	2.3 (26)
5th Percentile	58.4	28.2	46.3	9.6	22.4	12.9	7.1
1st Quartile	48.8	22.2	35.1	5.2	14.5	9.8	2.3
Median	43.8	15.9	29.4	4.7	6.2	7.2	1.3
3rd Quartile	37.3	13.4	22.4	4.2	3.4	4.9	0.7
95th Percentile	25.9	8.3	14.6	2.8	0.4	2.3	0.1
Population	464	438	463	117	110	284	423

Parenteses contain percentile rankings.
Calculation based on monthly periodicity.

Monitoring/Probation Status
As of September 30, 2017
Return vs. Benchmark since Corrective Action

Portfolio	Status	Concern	Months Since Corrective Action	Performance [^] Since Corrective Action	Date of Corrective Action*
Reams	On Watch	Organizational	4	0.8%	5/31/2017
Bbg. BC Universal (Blend)	—	—	4	0.9%	—

[^] Annualized performance if over one year.

* Approximate date based on when Board voted to either monitor a manager at a heightened level or place it on probation.

Investment Performance Criteria
For Manager Monitoring/Probation Status

Asset Class	Short-term (rolling 12 mth periods)	Medium-term (rolling 36 mth periods)	Long-term (60 + months)
Active Domestic Equity	Fd return < bench return – 3.5%	Fd annlzd return < bench annlzd return – 1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Active International Equity	Fd return < bench return – 4.5%	Fd annlzd return < bench annlzd return – 2.0% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Passive International Equity	Tracking Error > 0.50%	Tracking Error > 0.45% for 6 consecutive months	Fd annlzd return < bench annlzd return – 0.40% for 6 consecutive months
Fixed Income	Fd return < bench return – 1.5%	Fd annlzd return < bench annlzd return – 1.0% for 6 consecutive months	VRR < 0.98 for 6 consecutive months

All critelized basis.

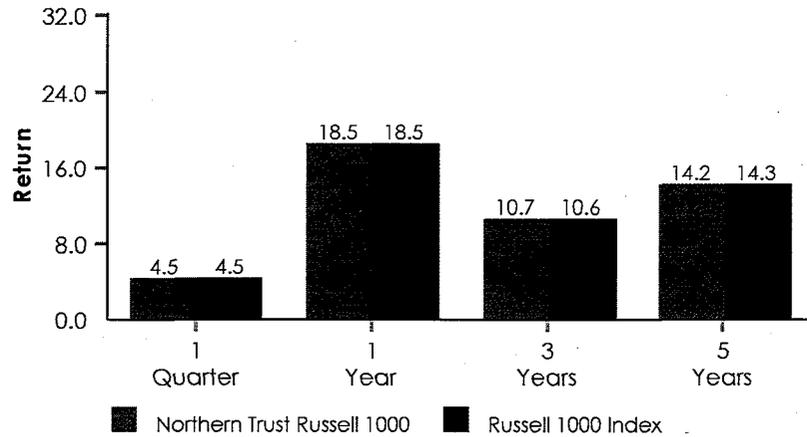
VRR – Value Relative Ratio – is calculated as: manager cumulative return / benchmark cumulative return.

Northern Trust Russell 1000 - gross of fees

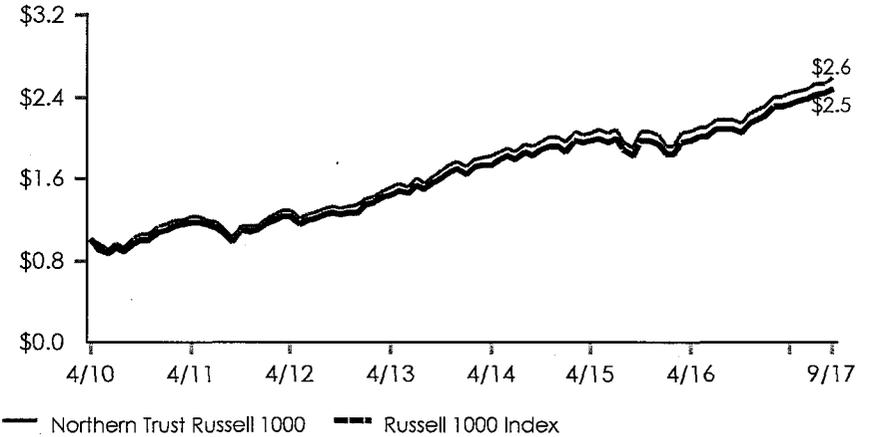
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Northern Trust Russell 1000	1.04	0.96	0.36	1.13	1.46	0.99	99.49	93.97	05/01/2010
Russell 1000 Index	0.00	1.00	-	1.05	0.00	1.00	100.00	100.00	05/01/2010

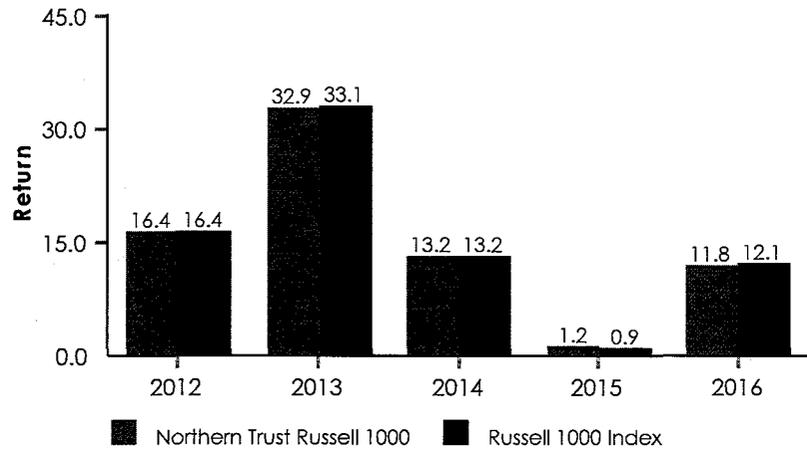
Trailing Period Performance



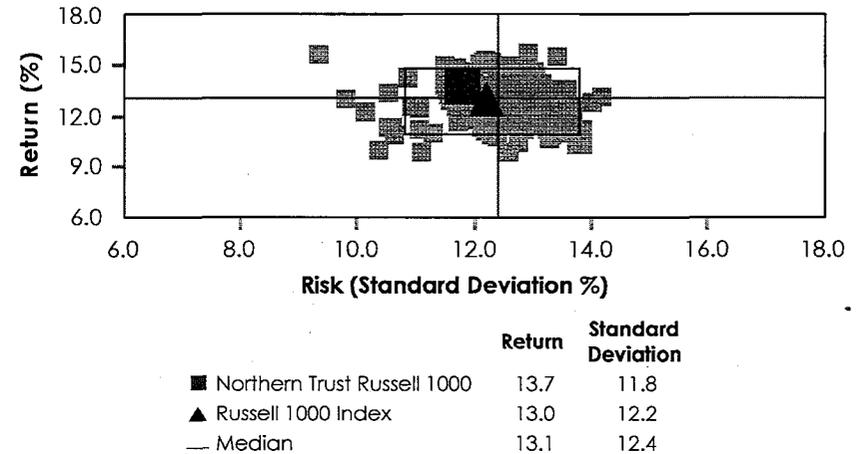
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

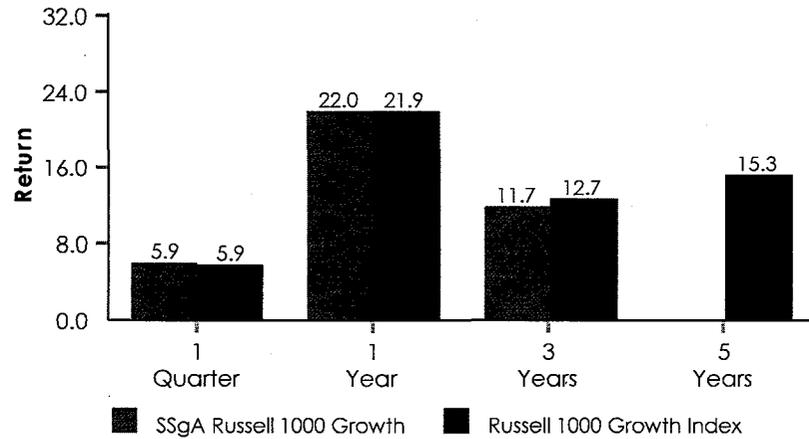


SSgA Russell 1000 Growth - gross of fees

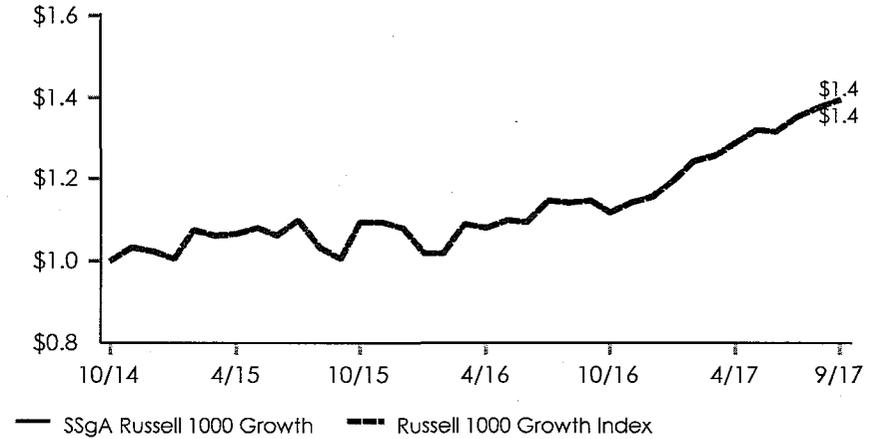
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
SSgA Russell 1000 Growth	0.01	1.00	0.29	1.10	0.04	1.00	100.04	99.96	11/01/2014
Russell 1000 Growth Index	0.00	1.00	-	1.10	0.00	1.00	100.00	100.00	11/01/2014

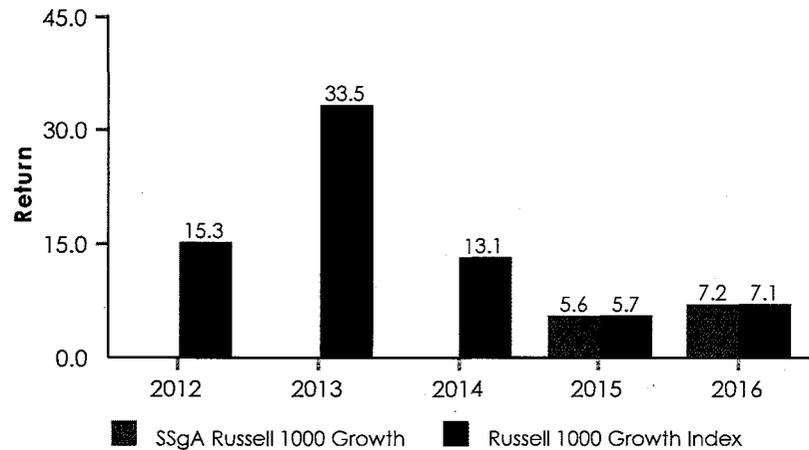
Trailing Period Performance



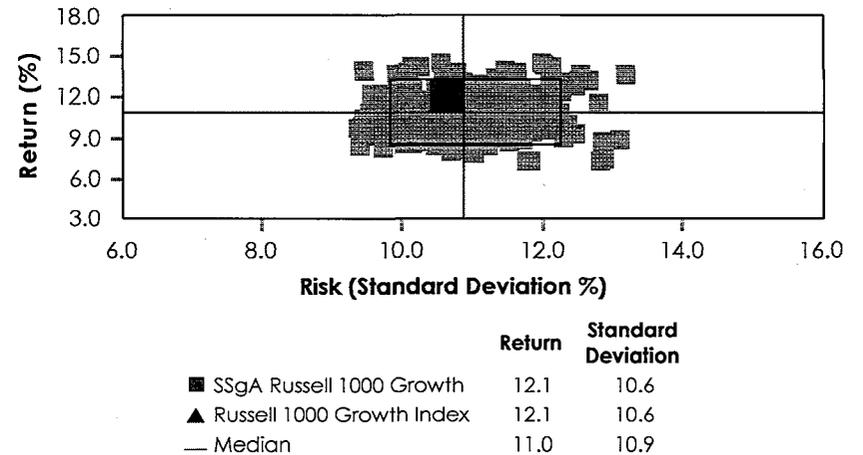
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

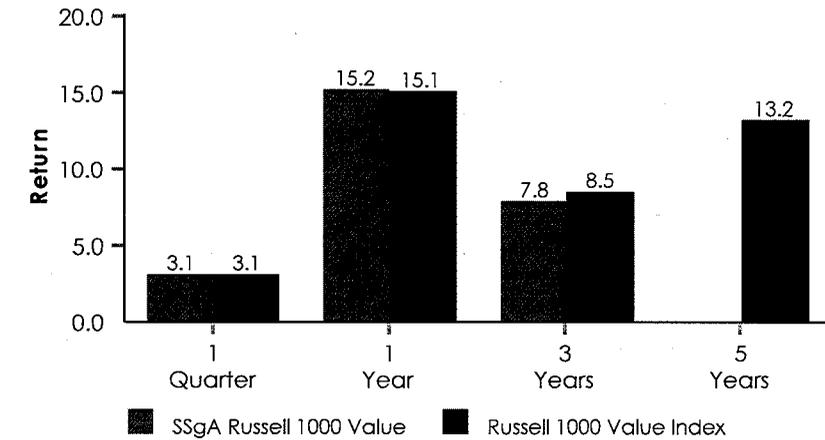


SSgA Russell 1000 Value - gross of fees

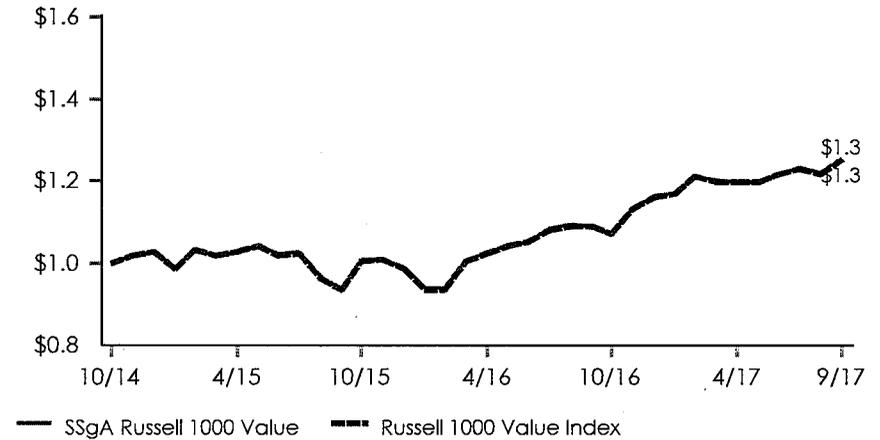
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
SSgA Russell 1000 Value	0.11	1.00	1.41	0.78	0.07	1.00	100.20	99.31	11/01/2014
Russell 1000 Value Index	0.00	1.00	-	0.77	0.00	1.00	100.00	100.00	11/01/2014

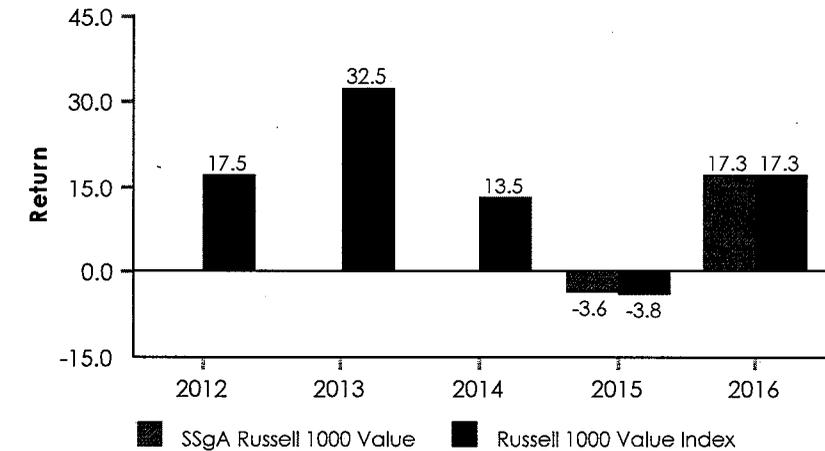
Trailing Period Performance



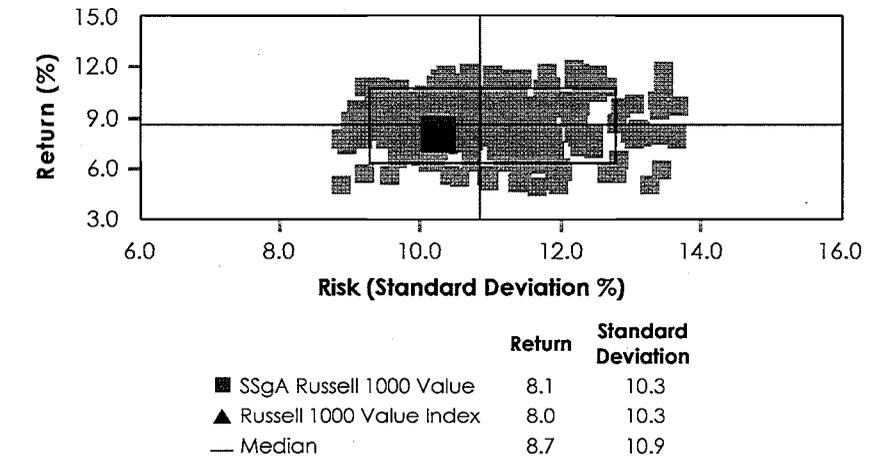
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

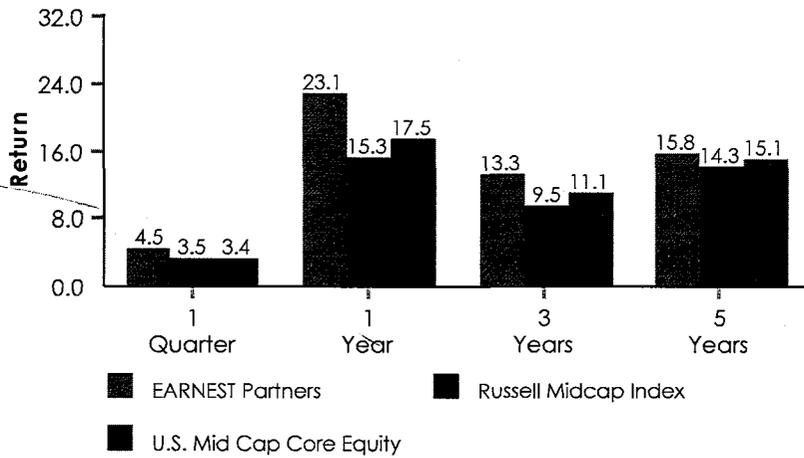


EARNEST Partners - gross of fees

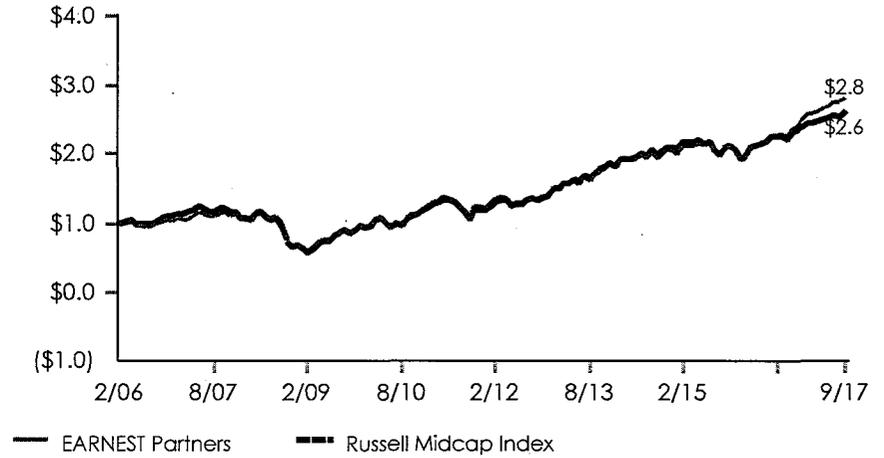
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
EARNEST Partners	0.77	0.99	0.20	0.55	3.47	0.96	99.45	95.06	03/01/2006
Russell Midcap Index	0.00	1.00	-	0.52	0.00	1.00	100.00	100.00	03/01/2006
U.S. Mid Cap Core Equity Median	-	-	-	-	-	-	-	-	-

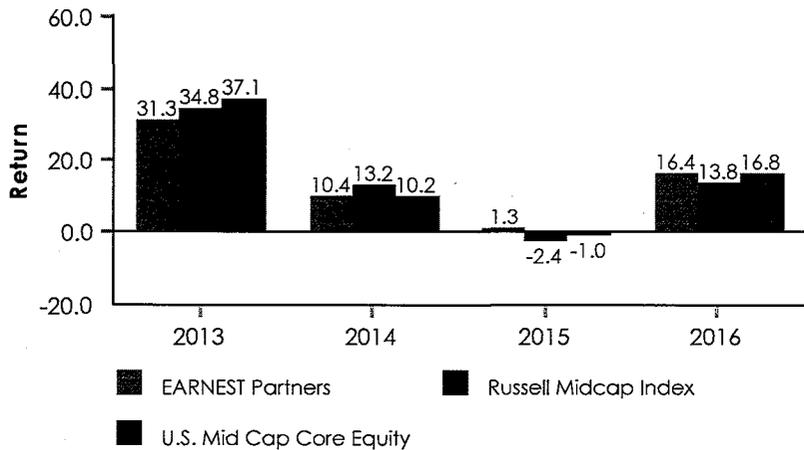
Trailing Period Performance



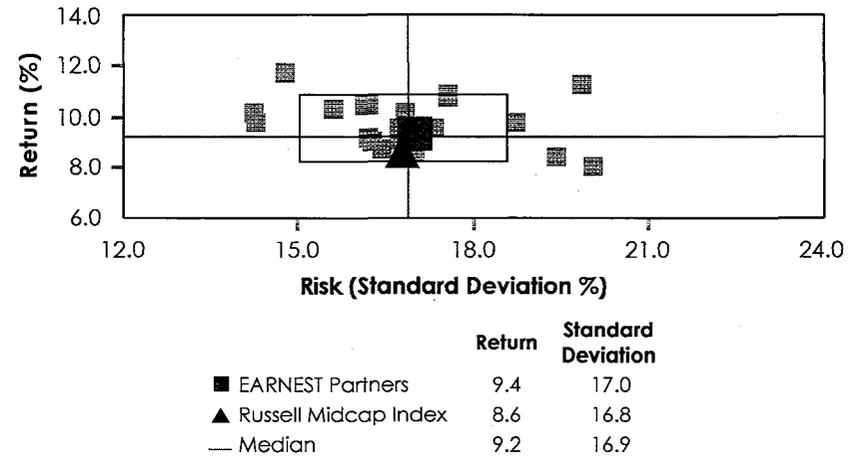
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

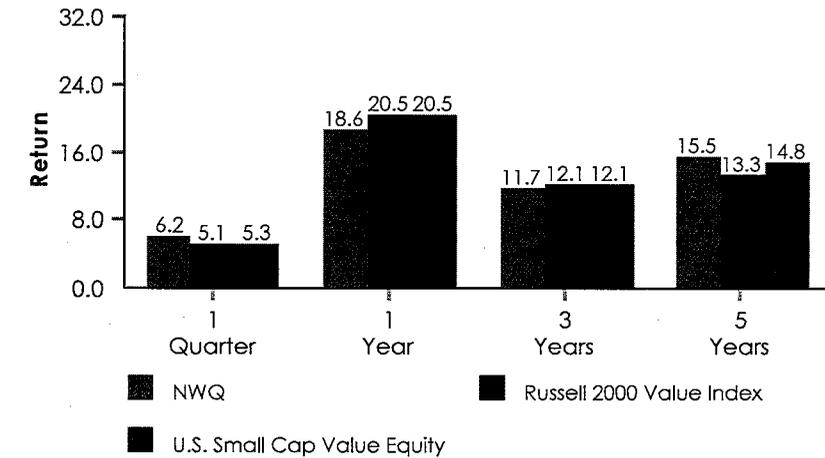


NWQ - gross of fees

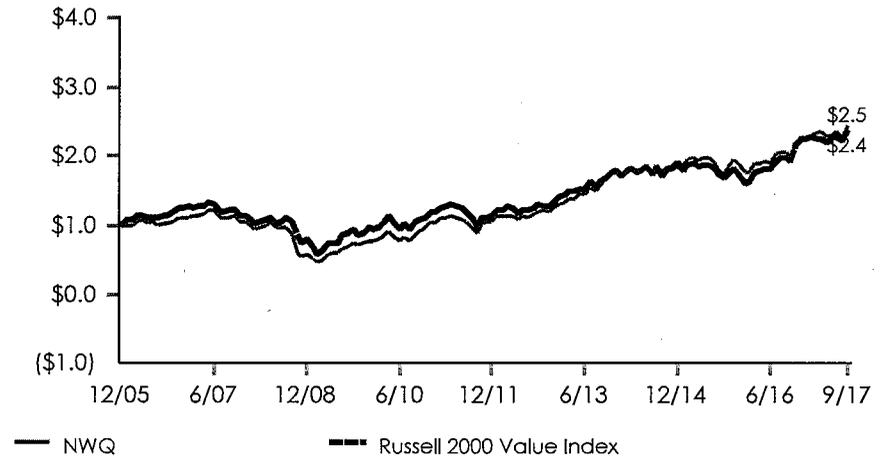
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
NWQ	0.46	1.01	0.08	0.43	7.06	0.88	101.87	100.01	01/01/2006
Russell 2000 Value Index	0.00	1.00	-	0.43	0.00	1.00	100.00	100.00	01/01/2006
U.S. Small Cap Value Equity Median	-	-	-	-	-	-	-	-	-

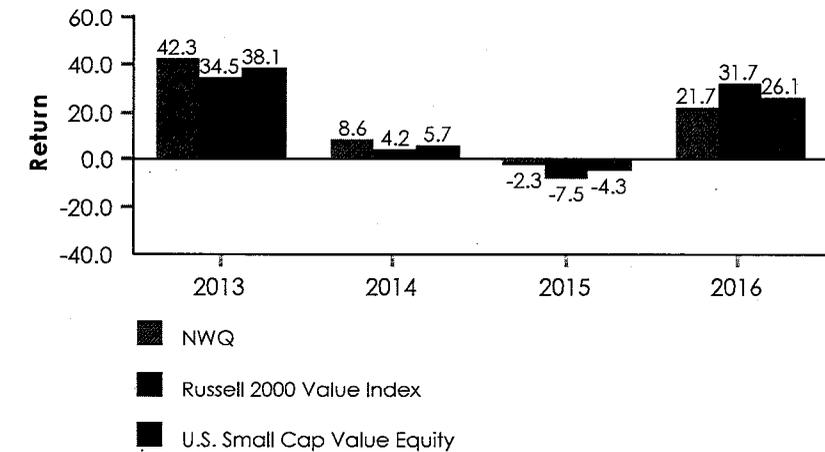
Trailing Period Performance



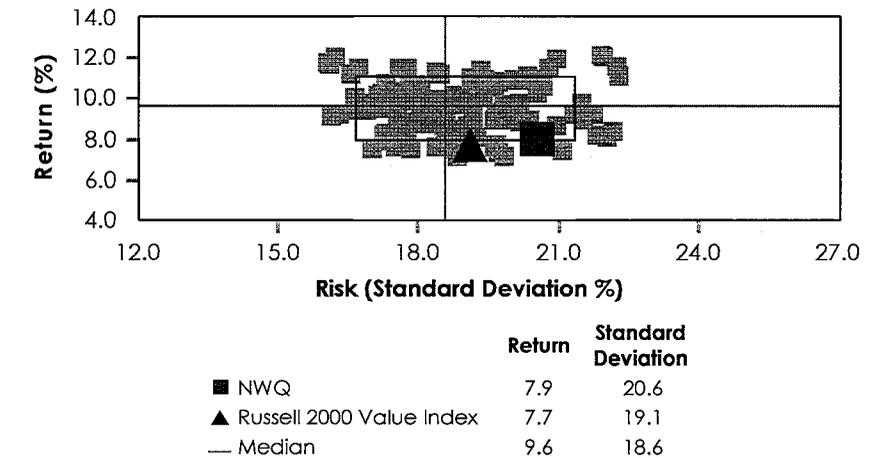
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

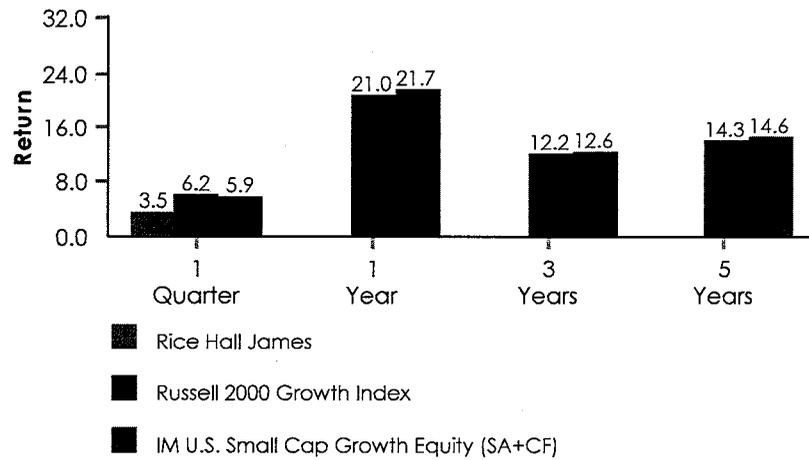


Rice Hall James - gross of fees

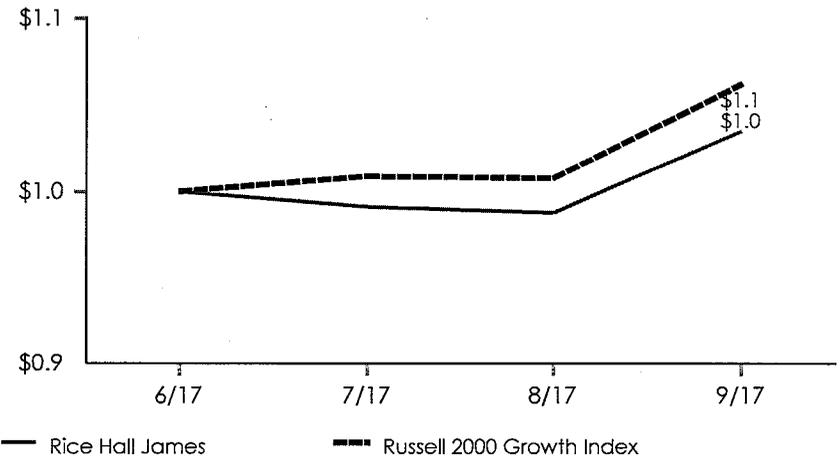
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Rice Hall James	-0.90	1.01	-1.22	0.43	0.71	0.92	60.29	204.88	07/01/2017
Russell 2000 Growth Index	0.00	1.00	-	0.81	0.00	1.00	100.00	100.00	07/01/2017
IM U.S. Small Cap Growth Equity (SA+CF) Median	-	-	-	-	-	-	-	-	-

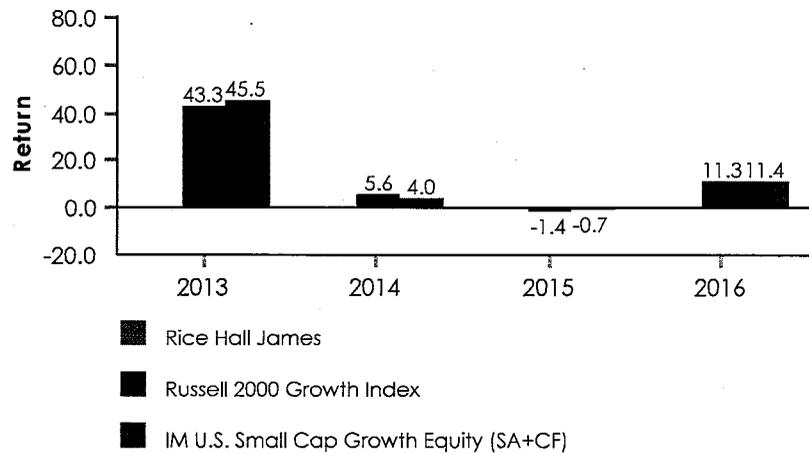
Trailing Period Performance



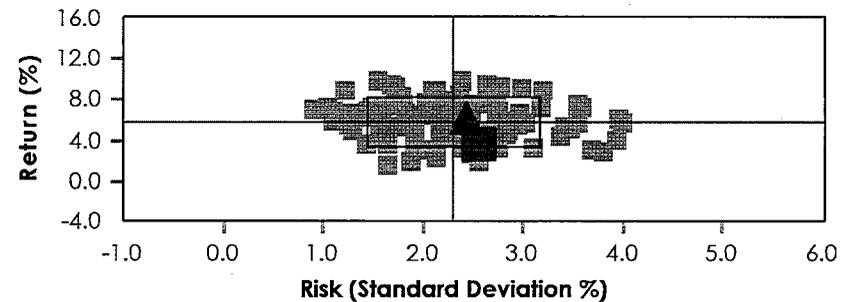
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

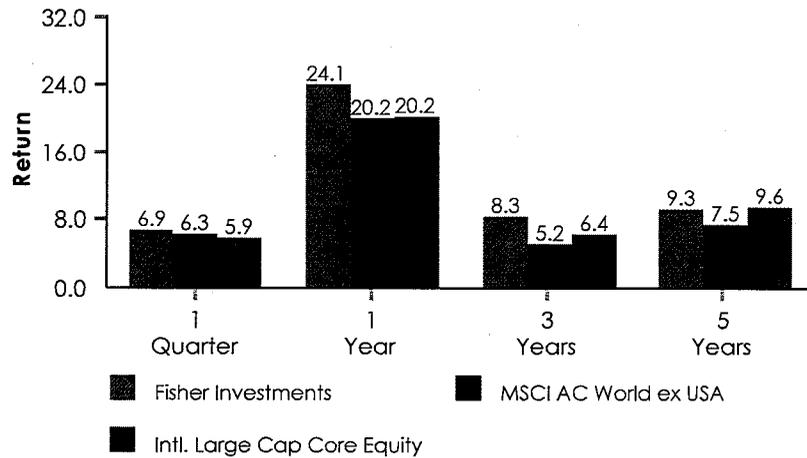


Fisher Investments - gross of fees

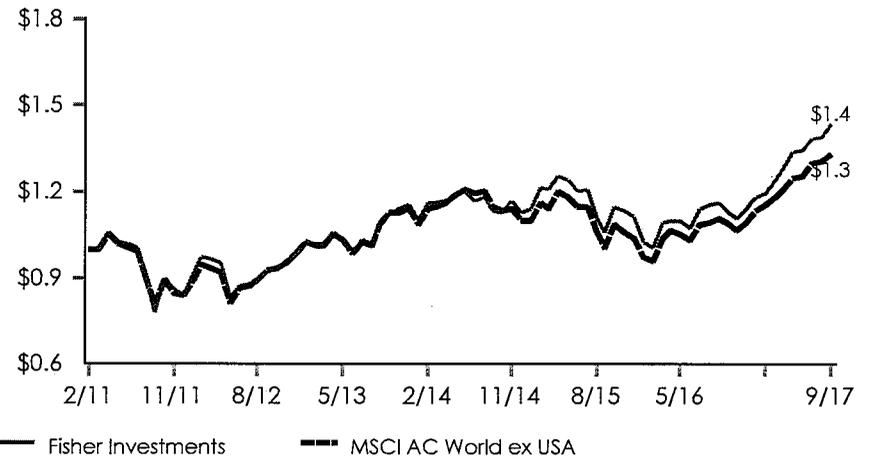
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Fisher Investments	0.95	1.09	0.39	0.42	3.63	0.95	108.33	102.24	03/01/2011
MSCI AC World ex USA	0.00	1.00	-	0.37	0.00	1.00	100.00	100.00	03/01/2011
Intl. Large Cap Core Equity Median	-	-	-	-	-	-	-	-	-

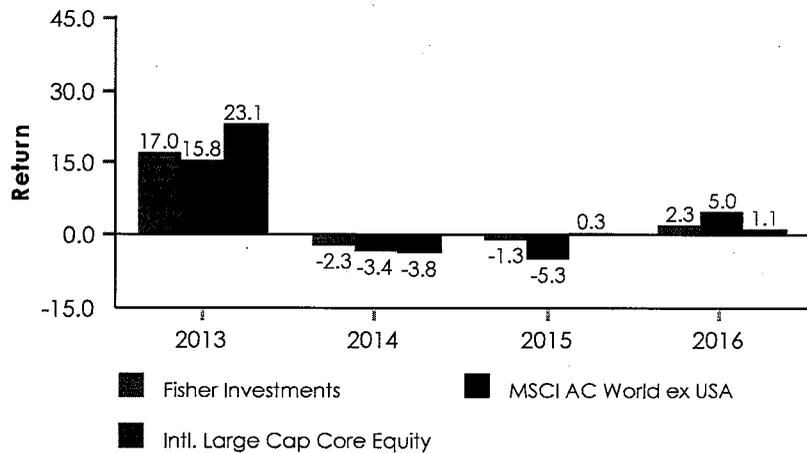
Trailing Period Performance



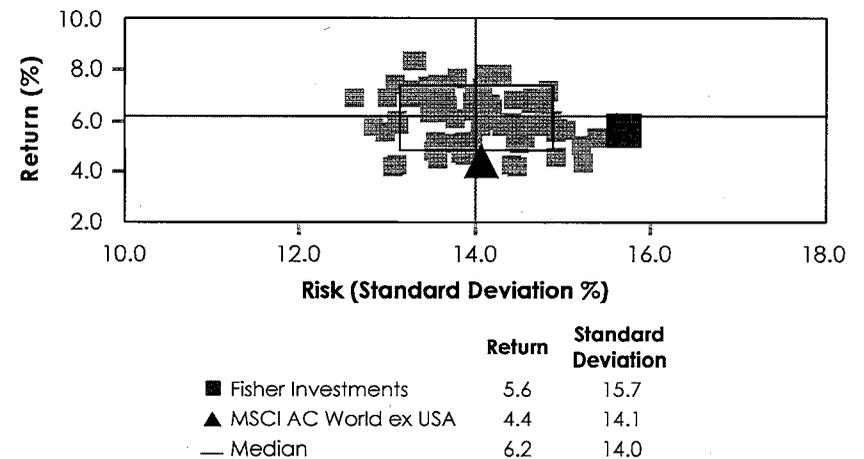
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

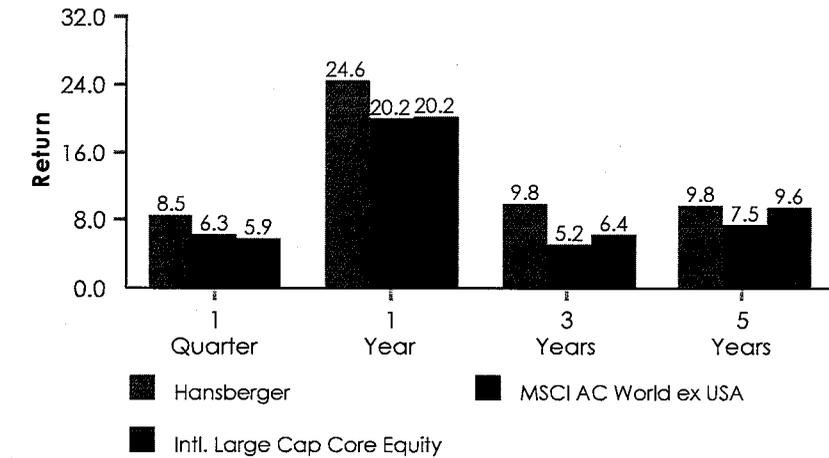


Hansberger - gross of fees

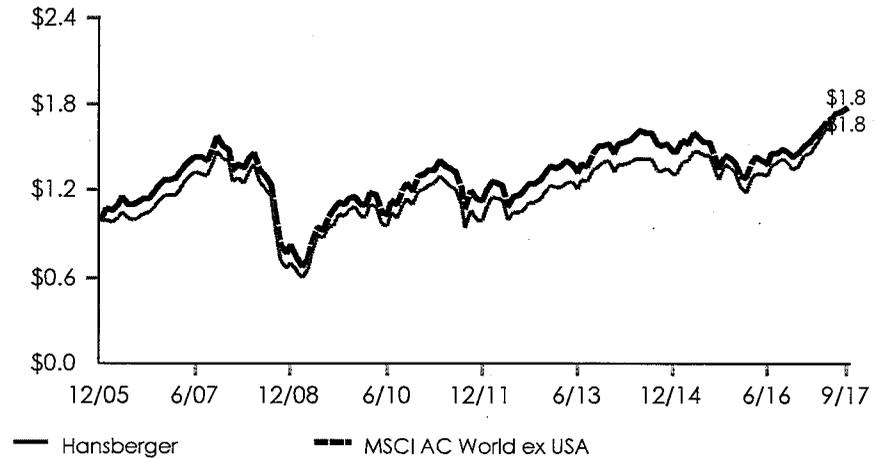
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Hansberger	-0.18	1.08	0.07	0.29	4.52	0.95	104.86	104.83	01/01/2006
MSCI AC World ex USA	0.00	1.00	-	0.31	0.00	1.00	100.00	100.00	01/01/2006
Intl. Large Cap Core Equity Median	-	-	-	-	-	-	-	-	-

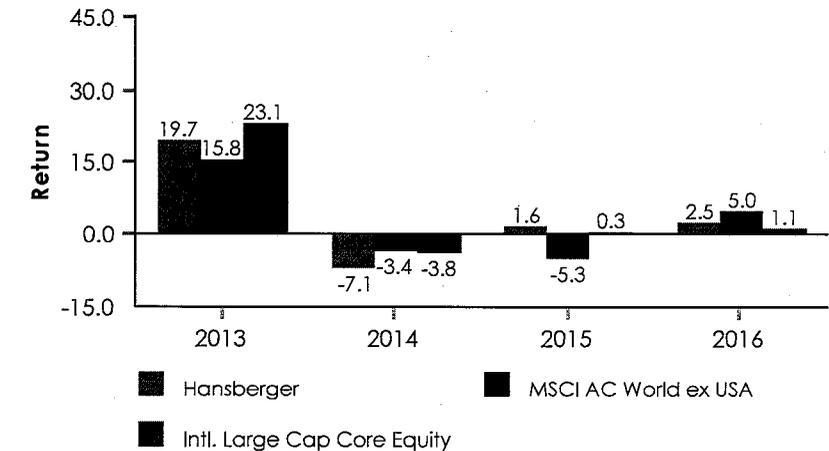
Trailing Period Performance



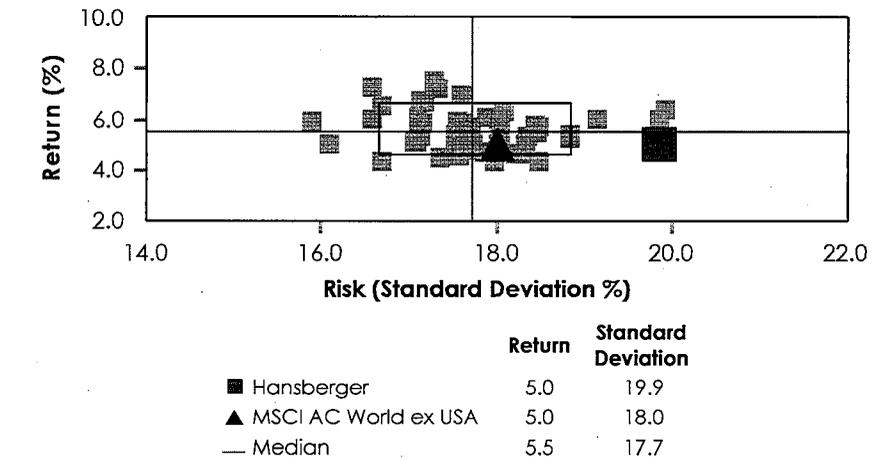
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

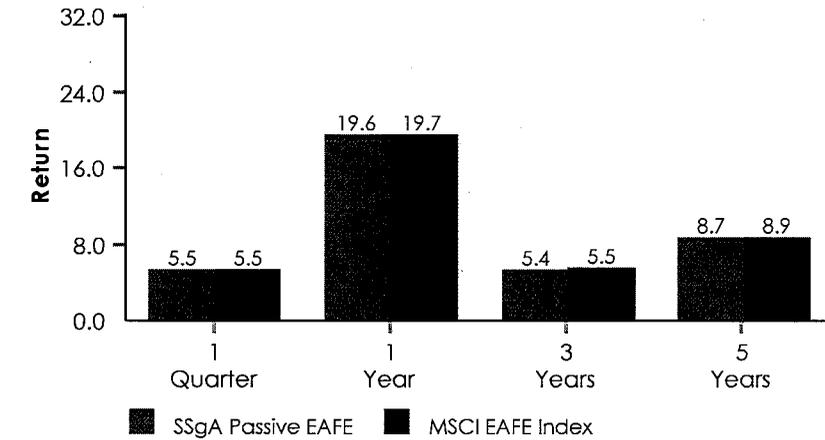


SSgA Passive EAFE - gross of fees

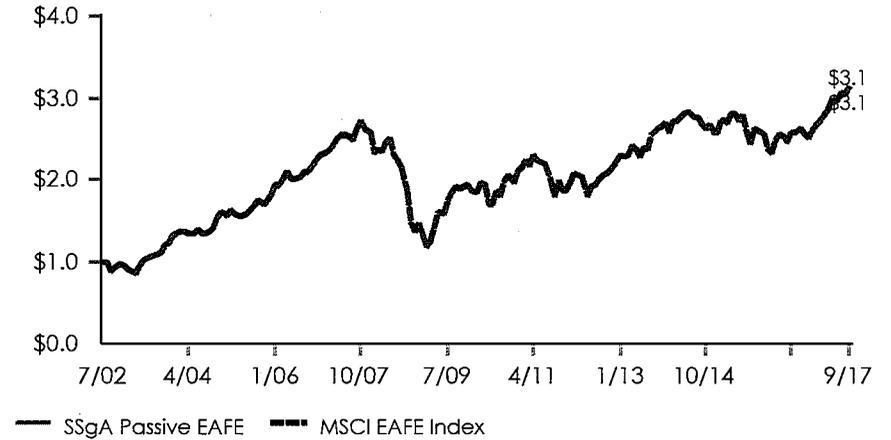
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
SSgA Passive EAFE	0.01	0.99	-0.13	0.47	0.45	1.00	99.27	99.24	08/01/2002
MSCI EAFE Index	0.00	1.00	-	0.47	0.00	1.00	100.00	100.00	08/01/2002

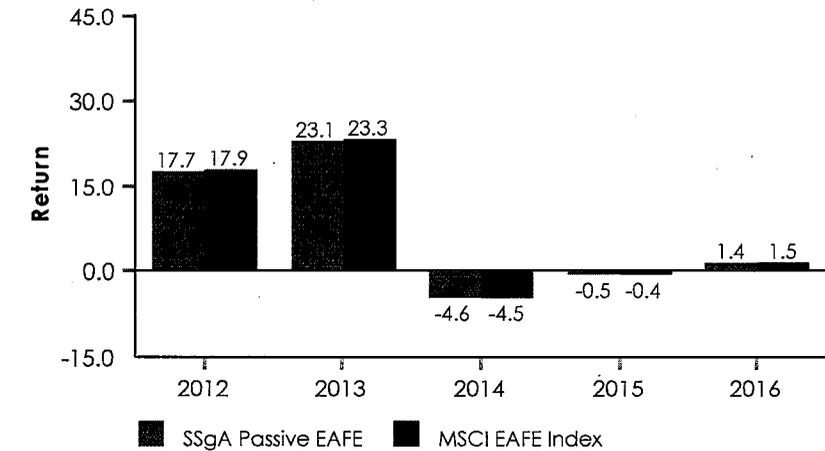
Trailing Period Performance



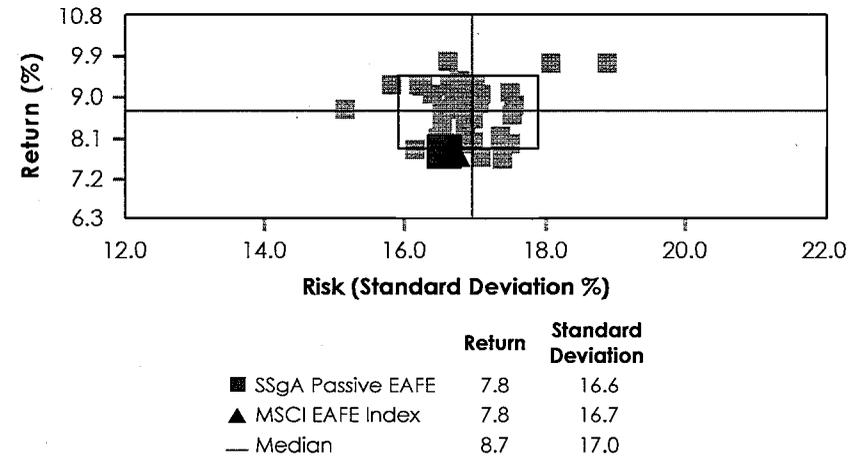
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

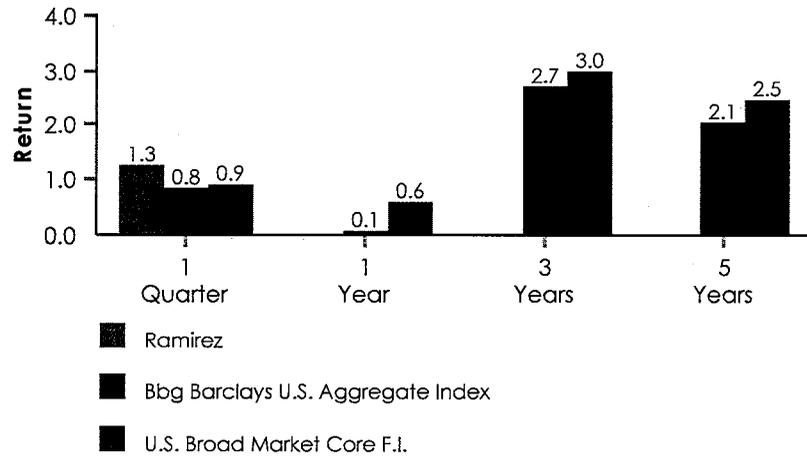


Ramirez - gross of fees

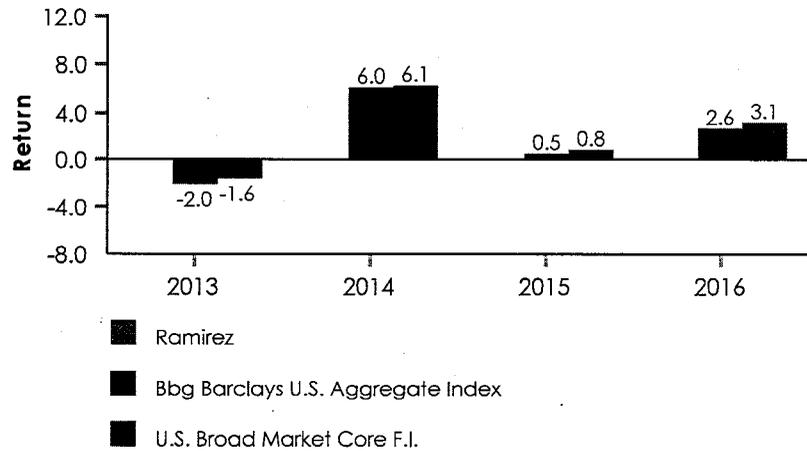
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Ramirez	0.11	0.96	0.61	0.82	0.15	0.89	118.05	72.35	01/01/2017
Bbg Barclays U.S. Aggregate Index	0.00	1.00	-	0.62	0.00	1.00	100.00	100.00	01/01/2017
U.S. Broad Market Core F.I. Median	-	-	-	-	-	-	-	-	-

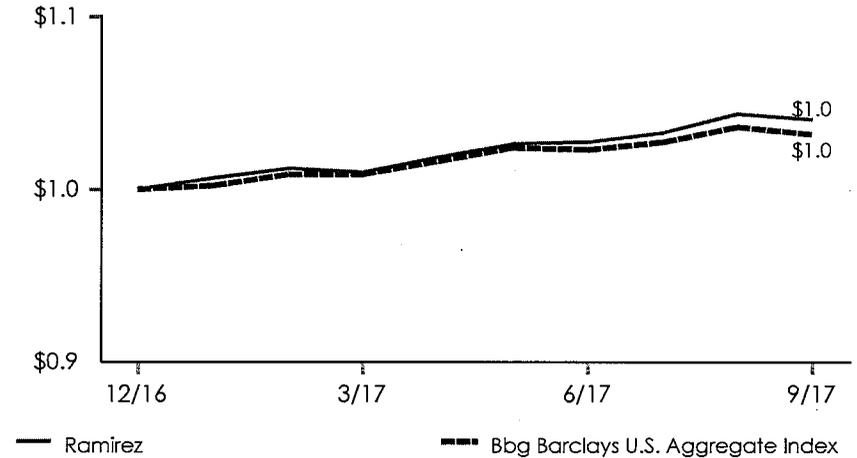
Trailing Period Performance



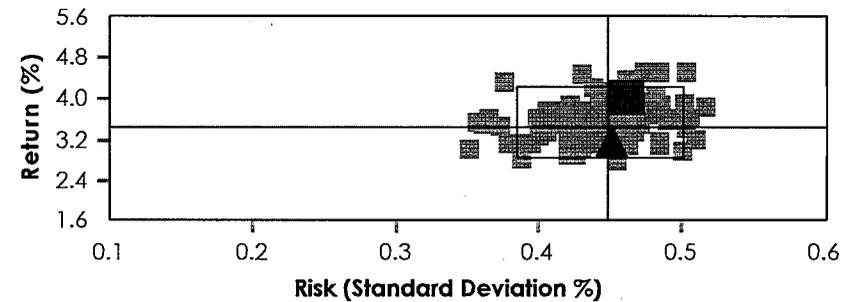
Calendar Year Performance



Growth of \$1 - Since Inception



Risk/Return - Since Inception



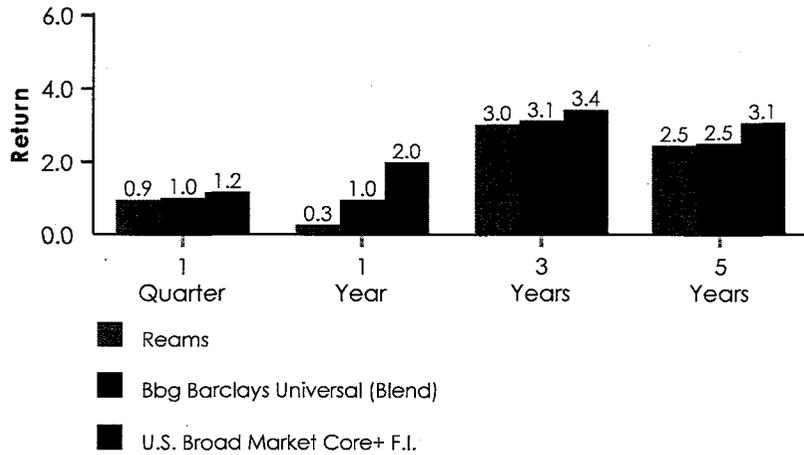
	Return	Standard Deviation
■ Ramirez	4.0	0.5
▲ Bbg Barclays U.S. Aggregate Index	3.1	0.5
— Median	3.5	0.4

Reams - gross of fees

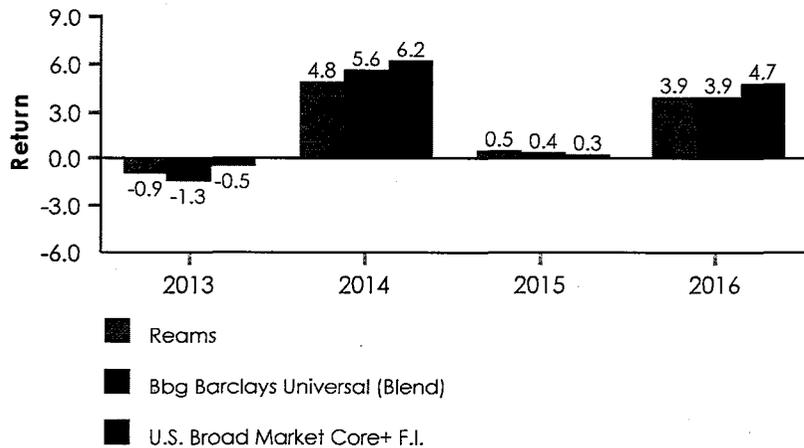
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Reams	0.28	1.06	0.14	0.68	4.12	0.43	108.92	104.20	01/01/1998
Bbg Barclays Universal (Blend)	0.00	1.00	-	0.93	0.00	1.00	100.00	100.00	01/01/1998
U.S. Broad Market Core+ F.I. Median	-	-	-	-	-	-	-	-	-

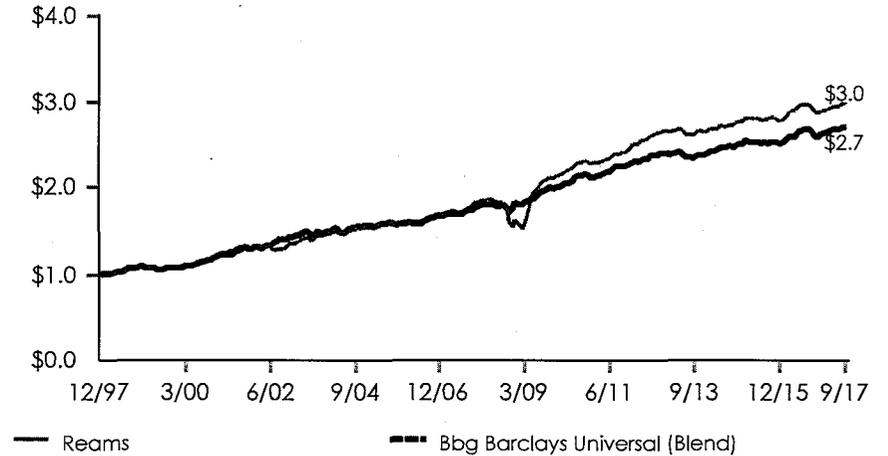
Trailing Period Performance



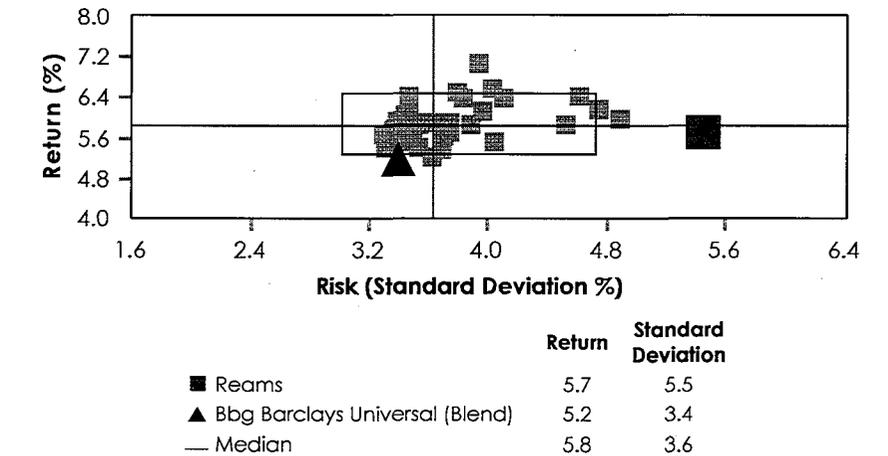
Calendar Year Performance



Growth of \$1 - Since Inception



Risk/Return - Since Inception

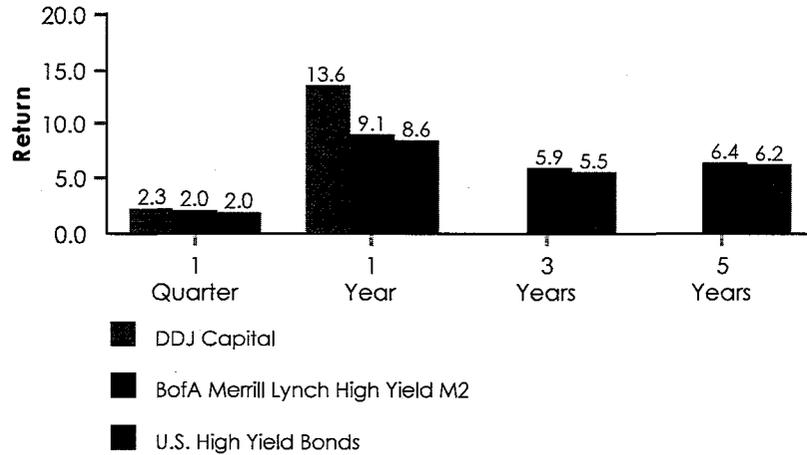


DDJ Capital - gross of fees

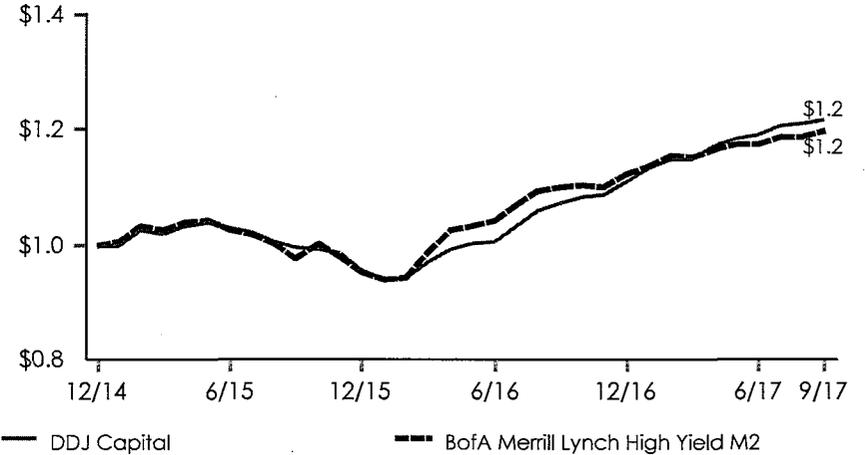
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
DDJ Capital	2.39	0.72	0.16	1.44	2.95	0.74	92.28	72.67	01/01/2015
BofA Merrill Lynch High Yield M2	0.00	1.00	-	1.12	0.00	1.00	100.00	100.00	01/01/2015
U.S. High Yield Bonds Median	-	-	-	-	-	-	-	-	-

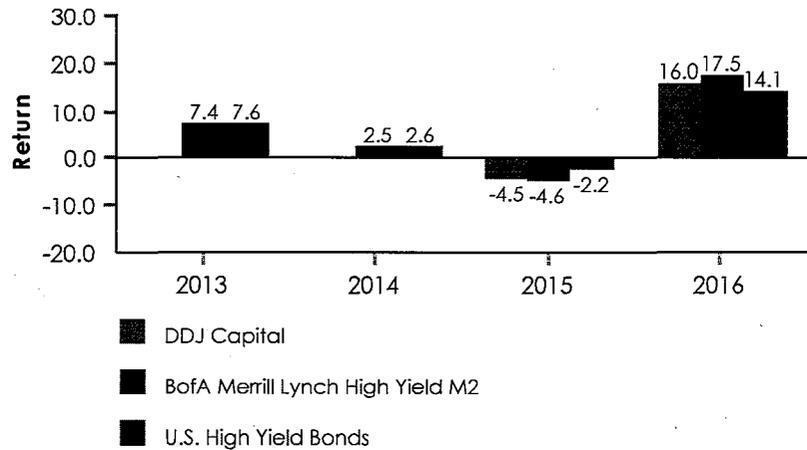
Trailing Period Performance



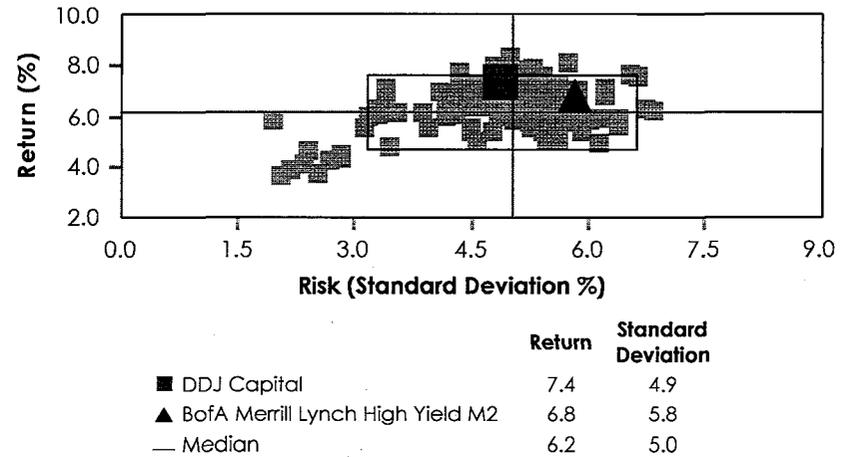
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

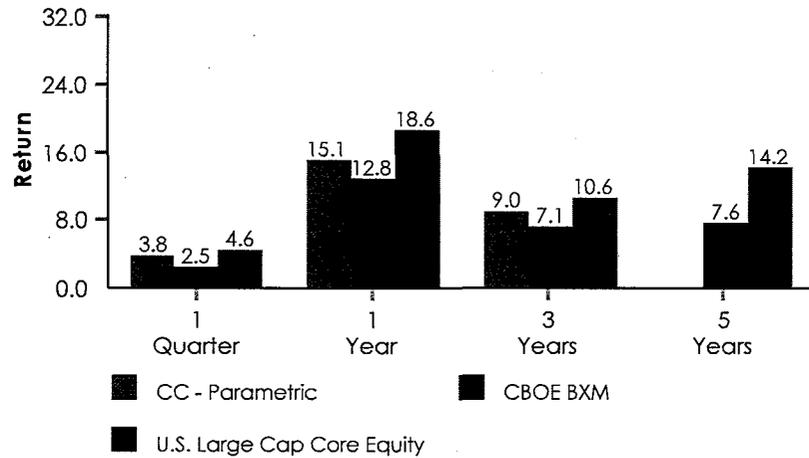


CC - Parametric - gross of fees

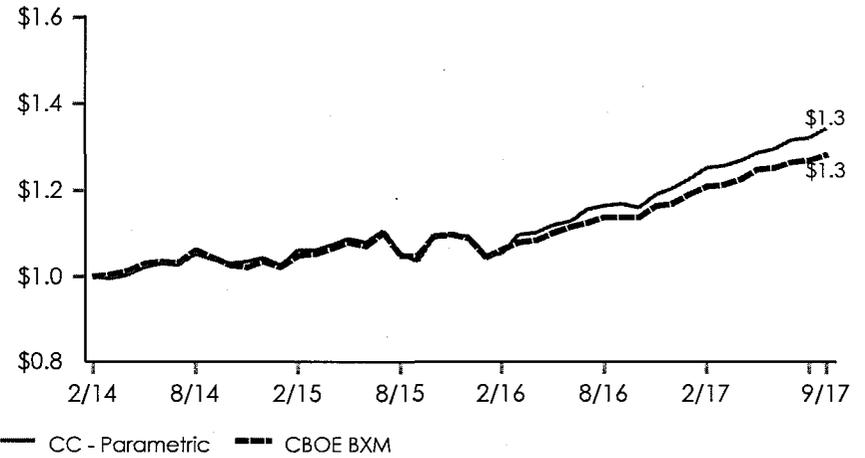
As of September 30, 2017

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
CC - Parametric	1.01	1.05	0.62	1.29	2.23	0.88	112.84	101.90	03/01/2014
CBOE BXM	0.00	1.00	-	1.20	0.00	1.00	100.00	100.00	03/01/2014
U.S. Large Cap Core Equity Median	-	-	-	-	-	-	-	-	-

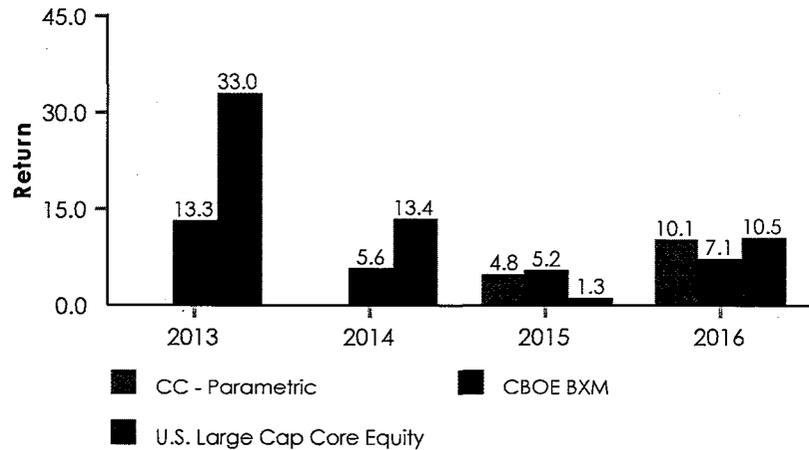
Trailing Period Performance



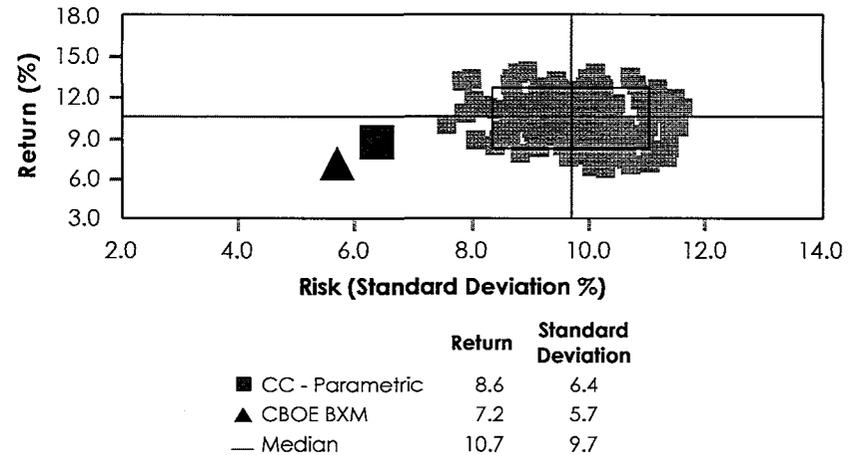
Growth of \$1 - Since Inception



Calendar Year Performance

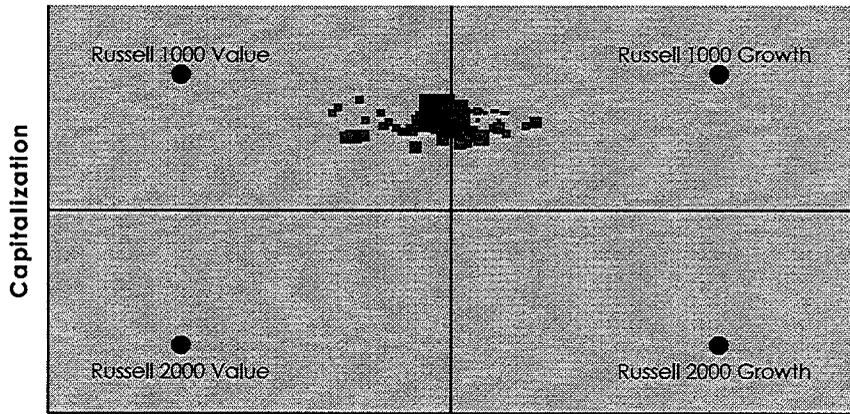


Risk/Return - Since Inception



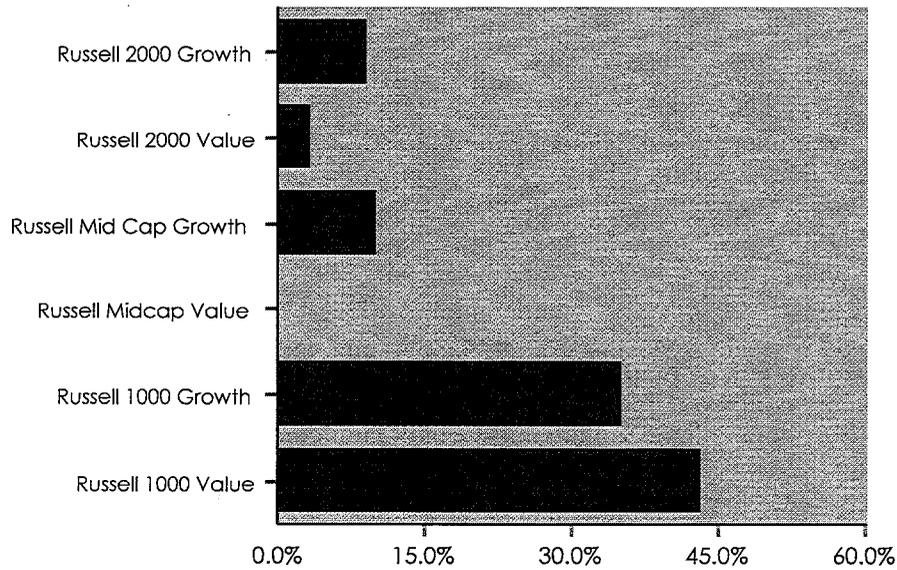
Domestic Equity Analysis
As of September 30, 2017

Style Map (5-Year)

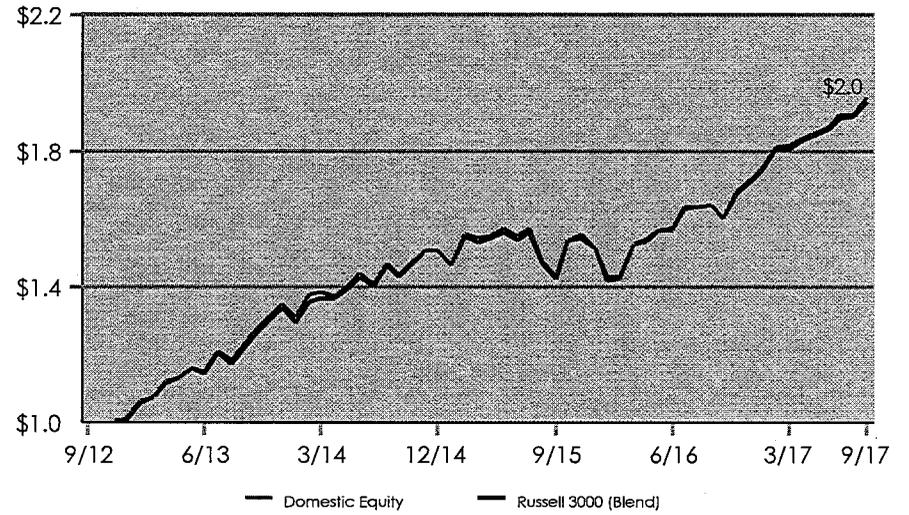


Style History
 Most Recent
 Average Style Exposure

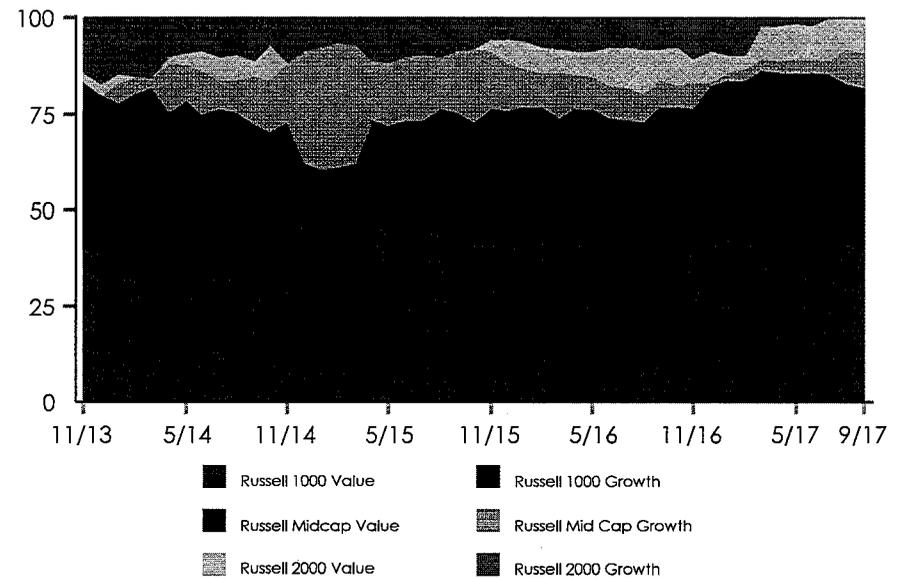
Style Exposure



Growth of \$1 (5-Year)

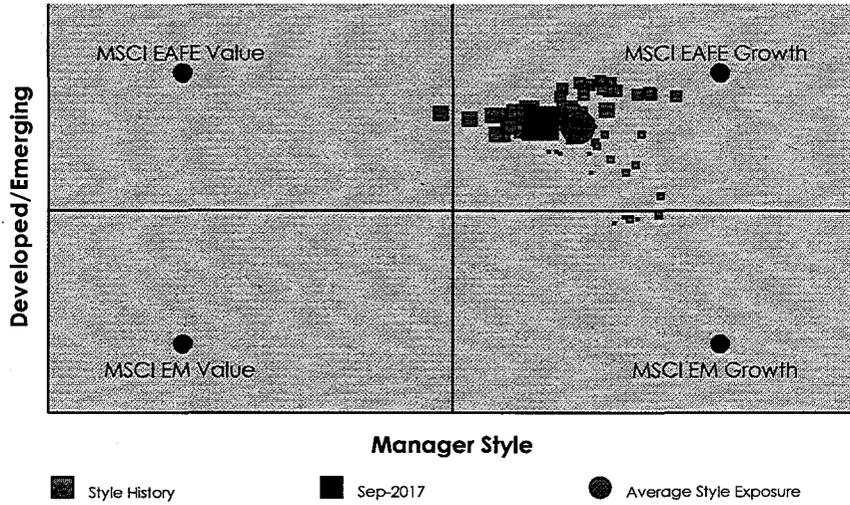


Style History (5-Year)

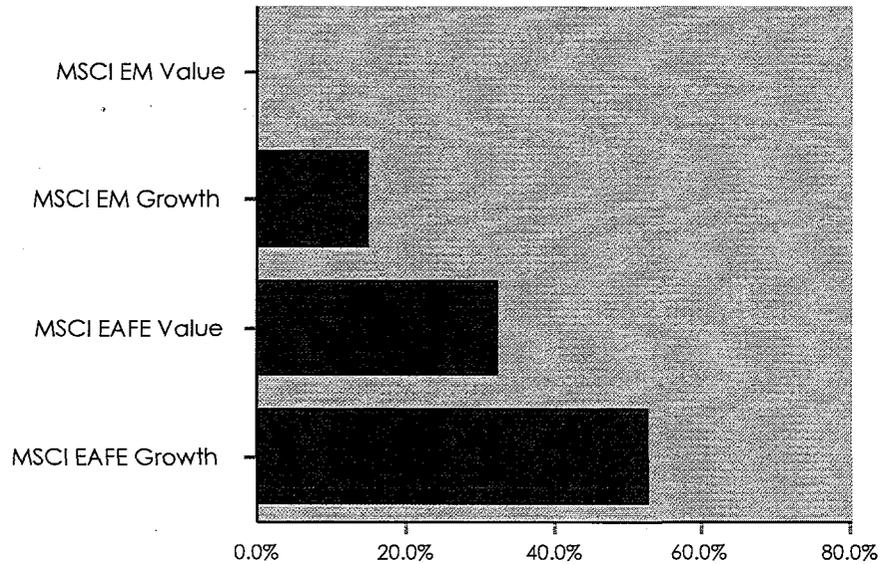


International Equity Analysis
As of September 30, 2017

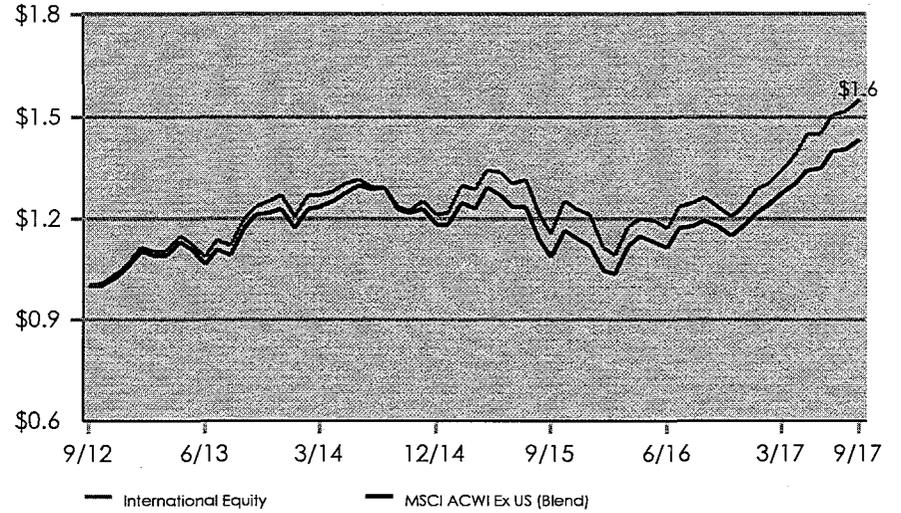
Style Map (5-Year)



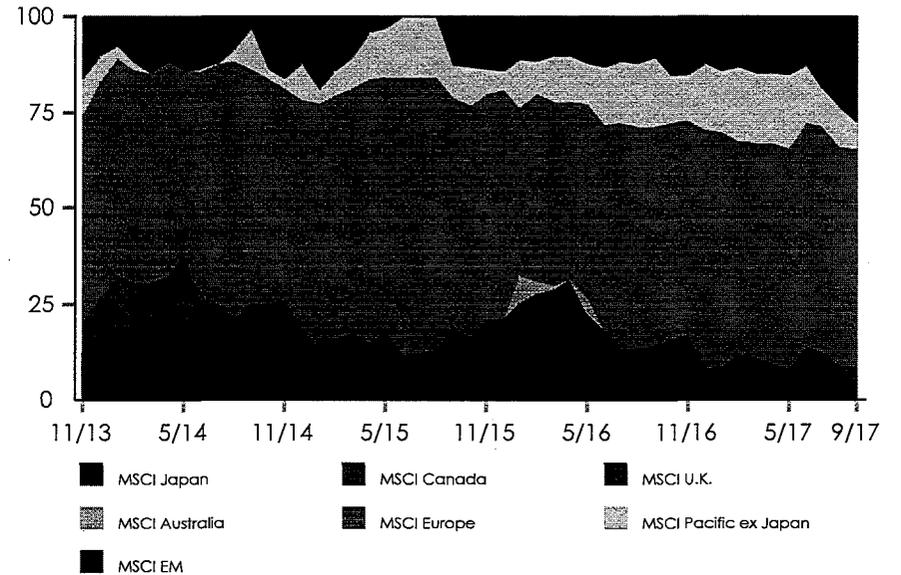
Style Exposure



Growth of \$1 (5-Year)

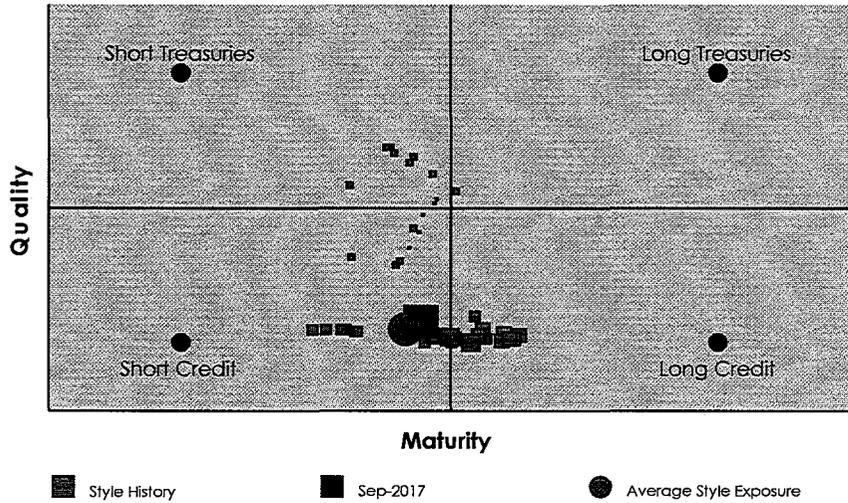


Style History (5-Year)

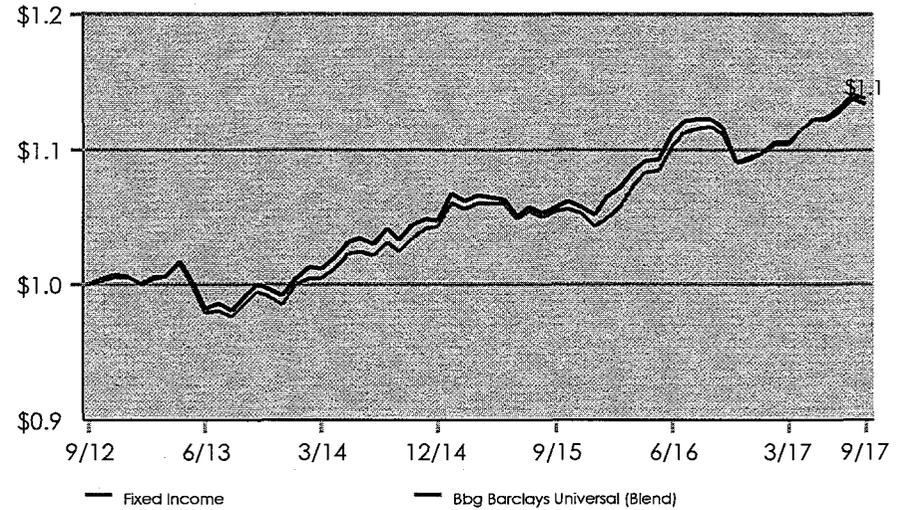


Fixed Income Analysis
As of September 30, 2017

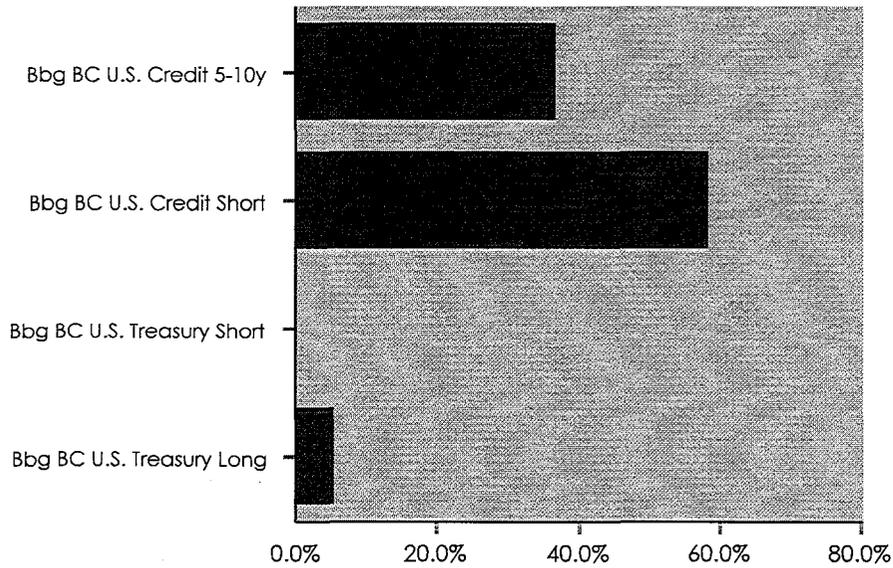
Style Map (5-Year)



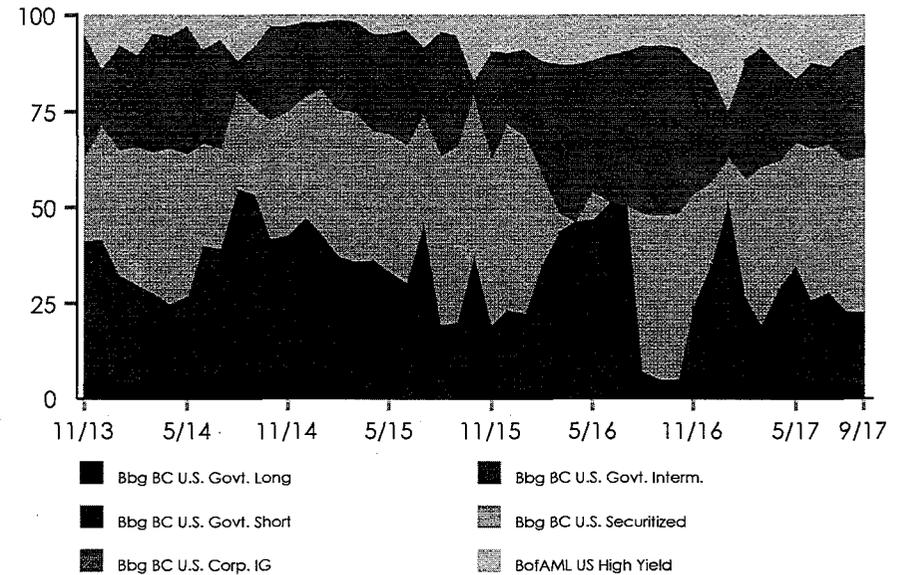
Growth of \$1 (5-Year)



Style Exposure



Style History (5-Year)



Glossary

Alpha

The premium an investment earns above a set standard. This is usually measured in terms of a common index (i.e., how the stock performs independent of the market). An Alpha is usually generated by regressing excess return on the S&P 500 excess return.

Annualized Performance

The annual rate of return that when compounded (t) times generates the same (t) period holding return as actually occurred from periods (1) to period (t).

Batting Average

Percentage of periods a portfolio outperforms a given index.

Beta

The measure of an asset's risk in relation to the Market (for example, the S&P 500) or to an alternative benchmark or factors. Roughly speaking, a security with a Beta of 1.5 will have moved, on average, 1.5 times the market return.

Bottom-up

A management style that de-emphasizes the significance of economic and market cycles, focusing instead on the analysis of individual stocks.

Dividend Discount Model

A method to value the common stock of a company that is based on the present value of the expected future dividends.

Growth Stock

Common stock of a company that has an opportunity to invest money and earn more than its opportunity cost of capital.

Information Ratio

The ratio of annualized expected residual return to residual risk. A central measurement for active management, value added is proportional to the square of the information ratio.

R - Squared

Square of the correlation coefficient. The proportion of the variability in one series that can be explained by the variability of one or more other series in a regression model. A measure of the quality of fit. 100% R-square means a perfect predictability.

Standard Deviation

The square root of the variance. A measure of dispersion of a set of data from its mean.

Sharpe Ratio

A measure of a portfolio's excess return relative to the total variability of the portfolio.

Style Analysis

A returns-based analysis using a multi-factor attribution model. The model calculates a product's average exposure to particular investment styles over time (i.e., the products normal style benchmark).

Top-Down

Investment style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding various sectors of the financial markets and various industries.

Tracking Error

The standard deviation of the difference between the returns of a portfolio and an appropriate benchmark.

Turnover

For mutual funds, a measure of trading activity during the previous year, expressed as a percentage of the average total assets of the fund. A turnover rate of 25% means that the value of trades represented (1/4) of the assets of the fund.

Value Stock

Stocks with low price/book ratios or price/earnings ratios. Historically, value stocks have enjoyed higher average returns than growth stocks (stocks with high price/book or price/earnings ratios) in a variety of countries.

Benchmark Definitions

Bloomberg Barclays Capital Universal: includes market coverage by the Aggregate Bond Index fixed rate debt issues, which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investor's Service, in that order with all issues having at least one year to maturity and an outstanding par value of at least \$100 million) and includes exposures to high yield CMBS securities. All returns are market value weighted inclusive of accrued interest.

MSCI ACWI x US: MSCI ACWI (All Country World Index) Free excluding US (gross dividends): is a free-floating adjusted market capitalization index designed to measure equity performance in the global developed and emerging markets. As of April 2002, the index consisted of 49 developed and emerging market country indices.

MSCI EAFE (Europe, Australasia, Far East): is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada.

Russell 1000: measures the performance of the 1,000 largest securities in the Russell 3000 Index. Russell 1000 is highly correlated with the S&P 500 Index and capitalization-weighted.

Russell 1000 Growth: measures the performance of those Russell 1000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

Russell 1000 Value: measures the performance of those Russell 1000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

Russell Mid-Cap: measures the performance of the smallest 800 companies in the Russell 1000 Index, as ranked by total market capitalization.

Russell 2000: measures the performance of the 2,000 smallest securities in the Russell 3000 Index. Russell 2000 is market capitalization-weighted.

Russell 2000 Growth: measures the performance of those Russell 2000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-to-earnings ratios.

Russell 2000 Value: measures the performance of those Russell 2000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-to-earnings ratios.

CBOE BXM: measures the performance of a hypothetical buy-write strategy on the S&P 500 Index.

BofA ML U.S. High Yield Master II: Tracks the performance of US dollar denominated below investment grade rated corporate debt publically issued in the US domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings). Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of \$100 million.

RISK METRIC DESCRIPTION – Rationale for selection and calculation methodology

US Equity Markets:

Metric: P/E ratio = Price / "Normalized" earnings for the S&P 500 Index

To represent the price of US equity markets, we have chosen the S&P 500 index. This index has the longest published history of price, is well known, and also has reliable, long-term, published quarterly earnings. The price=P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the S&P 500 index). Equity markets are very volatile. Prices fluctuate significantly during normal times and extremely during periods of market stress or euphoria. Therefore, developing a measure of earnings power (E) which is stable is vitally important, if the measure is to provide insight. While equity prices can and do double, or get cut in half, real earnings power does not change nearly as much. Therefore, we have selected a well known measure of real, stable earnings power developed by Yale Professor Robert Shiller known as the Shiller E-10. The calculation of E-10 is simply the average real annual earnings over the past 10 years. Over 10 years, the earnings shenanigans and boom and bust levels of earnings tend to even out (and often times get restated). Therefore, this earnings statistic gives a reasonably stable, slow-to-change estimate of average real earnings power for the index. Professor Shiller's data and calculation of the E-10 are available on his website at <http://www.econ.yale.edu/~shiller/data.htm>. We have used his data as the base for our calculations. Details of the theoretical justification behind the measure can be found in his book *Irrational Exuberance* [Princeton University Press 2000, Broadway Books 2001, 2nd ed., 2005].

Developed Equity Markets Excluding the US:

Metric: P/E ratio = Price / "Normalized" earnings for the MSCI EAFE Index

To represent the price of non-US developed equity markets, we have chosen the MSCI EAFE index. This index has the longest published history of price for non-US developed equities. The price=P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the MSCI EAFE index). The price level of this index is available starting in December 1969. Again, for the reasons described above, we elected to use the Shiller E-10 as our measure of earnings (E). Since 12/1972, a monthly price earnings ratio is available from MSCI. Using this quoted ratio, we have backed out the implied trailing-twelve month earnings of the EAFE index for each month from 12/1972 to the present. These annualized earnings are then inflation adjusted using CPI-U to represent real earnings in US dollar terms for each time period. The Shiller E-10 for the EAFE index (10 year average real earnings) is calculated in the same manner as detailed above.

However, we do not believe that the pricing and earnings history of the EAFE markets are long enough to be a reliable representation of pricing history for developed market equities outside of the US. Therefore, in constructing the Long-Term Average Historical P/E for developed ex-US equities for comparison purposes, we have elected to use the US equity market as a developed market proxy, from 1881 to 1982. This lowers the Long-Term Average Historical P/E considerably. We believe this methodology provides a more realistic historical comparison for a market with a relatively short history.

Emerging Market Equity Markets

Metric: Ratio of Emerging Market P/E Ratio to Developed Market P/E Ratio

To represent the Emerging Markets P/E Ratio, we have chosen the MSCI Emerging Market Free Index, which has P/E data back to January 1995 on Bloomberg. To represent the Developed Markets PE Ratio, we have chosen the MSCI World index, which also has data back to January 1995 on Bloomberg. Although there are issues with published, single time period P/E ratios, in which the denominator effect can cause large movements, we feel that the information contained in such movements will alert investors to market activity that they will want to interpret.

RISK METRIC DESCRIPTION – Rationale for selection and calculation methodology

US Private Equity Markets:

Metrics: S&P LCD Average EBITDA Multiples Paid in LBOs and US Quarterly Deal Volume

The Average Purchase Price to EBITDA multiples paid in LBOs is published quarterly by S&P in their LCD study. This is the total price paid (both equity and debt) over the trailing-twelve month EBITDA (earnings before interest, taxes, depreciation and amortization) as calculated by S&P LCD. This is the relevant, high-level pricing metric that private equity managers use in assessing deals. Data is published monthly.

US quarterly deal volume for private equity is the total deal volume in \$ billions (both equity and debt) reported in the quarter by Thomson Reuters Buyouts. This metric gives a measure of the level of activity in the market. Data is published quarterly.

U.S Private Real Estate Markets:

Metrics: US Cap rates and Annual US Real Estate Deal Volume

Real estate cap rates are a measure of the price paid in the market to acquire properties versus their annualized income generation before financing costs (NOI=net operating income). The data is published by NCREIF. We chose to use current value cap rate. These are capitalization rates from properties that were revalued during the quarter. While this data does rely on estimates of value and therefore tends to be lagging, (estimated prices are slower to rise and slow to fall than transaction prices), the data series goes back to 1979, providing a long data series for valuation comparison. Data is published quarterly.

Annual US real estate deal volume is the total deal transaction volume in \$ billions (both equity and debt) reported by Real Capital Analytics during the trailing-twelve months. This metric gives the level of activity in the market. Data is published monthly.

Measure of Equity Market Fear / Uncertainty

Metric: VIX – Measure of implied option volatility for U.S. equity markets

The VIX is a key measure of near-term volatility conveyed by implied volatility of S&P 500 index option prices. VIX increases with uncertainty and fear. Stocks and the VIX are negatively correlated. Volatility tends to spike when equity markets fall.

Measure of Monetary Policy

Metric: Yield Curve Slope

We calculate the yield curve slope as the 10 year treasury yield minus the 1 year treasury yield. When the yield curve slope is zero or negative, this is a signal to pay attention. A negative yield curve slope signals lower rates in the future, caused by a contraction in economic activity. Recessions are typically preceded by an inverted (negatively sloped) yield curve. A very steep yield curve (2 or greater) indicates a large difference between shorter-term interest rates (the 1 year rate) and longer-term rates (the 10 year rate). This can signal expansion in economic activity in the future, or merely higher future interest rates.

RISK METRIC DESCRIPTION – Rationale for selection and calculation methodology

Definition of “extreme” metric readings

A metric reading is defined as “extreme” if the metric reading is in the top or bottom decile of its historical readings. These “extreme” reading should cause the reader to pay attention. These metrics have reverted toward their mean values in the past.

Credit Markets US Fixed Income:

Metric: Spreads

The absolute level of spreads over treasuries and spread trends (widening / narrowing) are good indicators of credit risk in the fixed income markets. Spreads incorporate estimates of future default, but can also be driven by technical dislocations in the fixed income markets. Abnormally narrow spreads (relative to historical levels) indicate higher levels of valuation risk, wide spreads indicate lower levels of valuation risk and / or elevated default fears. Investment grade bond spreads are represented by the Barclays Capital US Corporate Investment Grade Index Intermediate Component. The high yield corporate bond spreads are represented by the Barclays Capital US Corporate High Yield Index.

Measures of US Inflation Expectations

Metrics: Breakeven Inflation and Inflation Adjusted Commodity Prices

Inflation is a very important indicator impacting all assets and financial instruments. Breakeven inflation is calculated as the 10 year nominal treasury yield minus the 10 year real yield on US TIPS (treasury inflation protected securities). Abnormally low long-term inflation expectations are indicative of deflationary fears. A rapid rise in breakeven inflation indicates acceleration in inflationary expectations as market participants sell nominal treasuries and buy TIPS. If breakeven inflation continues to rise quarter over quarter, this is a signal of inflationary worries rising, which may cause Fed action and / or dollar decline.

Commodity price movement (above the rate of inflation) is an indication of anticipated inflation caused by real global economic activity putting pressure on resource prices. We calculate this metric by adjusted in the Dow Jones UBS Commodity Index (formerly Dow Jones AIG Commodity Index) by US CPI-U. While rising commodity prices will not necessarily translate to higher US inflation, higher US inflation will likely show up in higher commodity prices, particularly if world economic activity is robust.

These two measures of anticipated inflation can, and often are, conflicting.

Measures of US Treasury Bond Interest Rate Risk

Metrics: 10-Year Treasury Forward-Looking Real Yield and 10-Year Treasury Duration

The expected annualized real yield of the 10 year US Treasury Bond is a measure of valuation risk for US Treasuries. A low real yield means investors will accept a low rate of expected return for the certainty of receiving their nominal cash flows. PCA estimates the expected annualized real yield by subtracting an estimate of expected 10 year inflation (produced by the Survey of Professional Forecasters as collected by the Federal Reserve Bank of Philadelphia), from the 10 year Treasury constant maturity interest rate.

Duration for the 10-Year Treasury Bond is calculated based on the current yield and a price of 100. This is a measure of expected percentage movements in the price of the bond based on small movements in percentage yield. We make no attempt to account for convexity.

RISK METRIC DESCRIPTION – Rationale for selection and calculation methodology

What is the PCA Market Sentiment Indicator (PMSI)?

The PMSI is a measure meant to gauge the market's sentiment regarding economic growth risk. Growth risk cuts across most financial assets, and is the largest risk exposure that most portfolios bear. The PMSI takes into account the momentum (trend over time, positive or negative) of the economic growth risk exposure of publicly traded stocks and bonds, as a signal of the future direction of growth risk returns; either positive (risk seeking market sentiment), or negative (risk averse market sentiment).

How do I read the PCA Market Sentiment Indicator (PMSI) graph?

Simply put, the PMSI is a color coded indicator that signals the market's sentiment regarding economic growth risk. It is read left to right chronologically. A green indicator on the PMSI indicates that the market's sentiment towards growth risk is positive. A gray indicator indicates that the market's sentiment towards growth risk is neutral or inconclusive. A red indicator indicates that the market's sentiment towards growth risk is negative. The black line on the graph is the level of the PMSI. The degree of the signal above or below the neutral reading is an indication the signal's current strength.

How is the PCA Market Sentiment Indicator (PMSI) Constructed?

The PMSI is constructed from two sub-elements representing investor sentiment in stocks and bonds:

1. Stock return momentum: Return momentum for the S&P 500 Equity Index (trailing 12-months)
2. Bond yield spread momentum: Momentum of bond yield spreads (excess of the measured bond yield over the identical duration U.S. Treasury bond yield) for corporate bonds (trailing 12-months) for both investment grade bonds (75% weight) and high yield bonds (25% weight). The scale of this measure is adjusted to match that of the stock return momentum measure.

The black line reading on the graph is calculated as the average of the stock return momentum measure and the bonds spread momentum measure. The color reading on the graph is determined as follows:

1. If both stock return momentum and bond spread momentum are positive = GREEN (positive)
2. If one of the momentum indicators is positive, and the other negative = GRAY (inconclusive)
3. If both stock return momentum and bond spread momentum are negative = RED (negative)

What does the PCA Market Sentiment Indicator (PMSI) mean? Why might it be useful?

There is strong evidence that time series momentum is significant and persistent. In particular, across an extensive array of asset classes, the sign of the trailing 12-month return (positive or negative) is indicative of future returns (positive or negative) over the next 12 month period. The PMSI is constructed to measure this momentum in stocks and corporate bond spreads. A reading of green or red is agreement of both the equity and bond measures, indicating that it is likely that this trend (positive or negative) will continue over the next 12 months. When the measures disagree, the indicator turns gray. A gray reading does not necessarily mean a new trend is occurring, as the indicator may move back to green, or into the red from there. The level of the reading (black line) and the number of months at the red or green reading, gives the user additional information on which to form an opinion, and potentially take action.

Momentum is defined as the persistence of relative performance. There is a significant amount of academic evidence indicating that positive momentum (e.g., strong performing stocks over the recent past continue to post strong performance into the near future) exists over near-to-intermediate holding periods. See, for example, "Understanding Momentum," *Financial Analysts Journal*, Scowcroft, Sefton, March, 2005.

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