All Country International Equity Review

Prepared Exclusively for the Employees' Retirement Fund of the City of Dallas

AQR Capital Management, LLC
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Firm Overview

Our Firm

AQR is a global investment management firm built at the intersection of financial theory and practical application. We strive to deliver superior, long-term results for our clients by looking past market noise to identify and isolate what matters most, and by developing ideas that stand up to rigorous testing. Our focus on practical insights and analysis has made us leaders in alternative and traditional strategies since 1998.

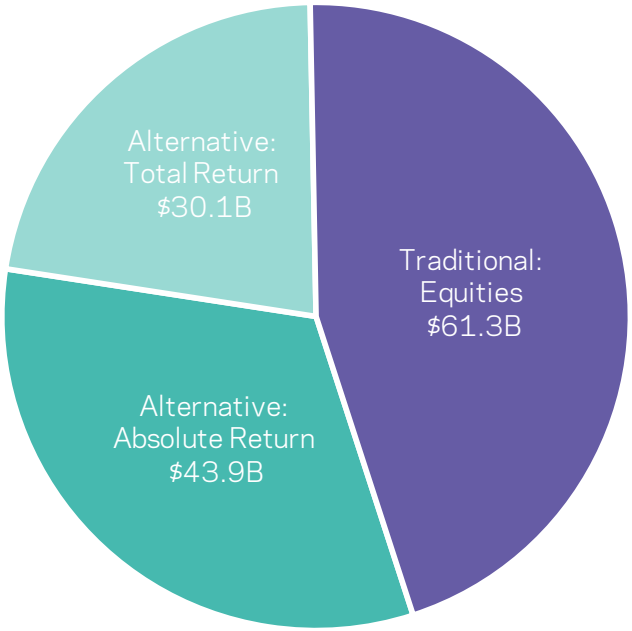
At a Glance

- AQR takes a systematic, research-driven approach to managing alternative and traditional strategies
- We apply quantitative tools to process fundamental information and manage risk
- Our clients include institutional investors, such as pension funds, insurance companies, endowments, foundations and sovereign wealth funds, as well as financial advisors
- The firm has 24 principals and 589 employees; nearly half of employees hold advanced degrees
- AQR is based in Greenwich, Connecticut, with offices in Boston, Chicago, Los Angeles, London and Sydney
- Approximately $135.3 billion in assets under management*

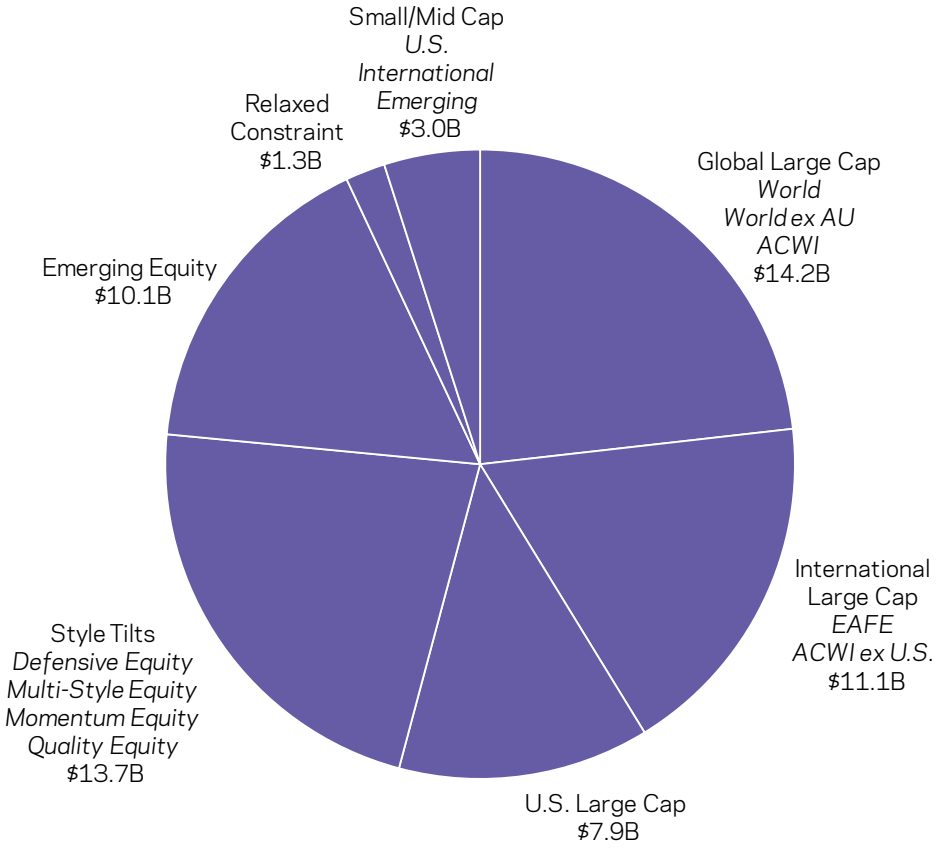
* Approximate as of 9/30/2015, includes assets managed by CNH Partners, an affiliate of AQR.

Assets Under Management

Total Assets
$135.3B*



Traditional Equity Strategies
$61.3B*



* Approximate as of 9/30/15, includes assets managed by CNH Partners, an affiliate of AQR.

Who We Are

Cliff Asness, Ph.D.*
Managing and Founding Principal

Portfolio Management, Research, Risk Management and Trading
(Total Team: 221)

John Liew, Ph.D.*
Founding Principal

Portfolio Management and Research

Michele Aghassi, Ph.D.
Principal

Andrea Frazzini, Ph.D.
Principal

Jacques Friedman
Principal

Brian Hurst
Principal

Ronen Israel*
Principal

Michael Katz, Ph.D.
Principal

Oktay Kurbanov
Principal

Michael Mendelson*
Principal

Tobias Moskowitz, Ph.D.
Principal

Lars Nielsen*
Principal

Yao Hua Ooi
Principal

Lasse Pedersen, Ph.D.
Principal

Mark Mitchell, Ph.D.
Principal (CNH)

Todd Pulvino, Ph.D.
Principal (CNH)

Rocky Bryant
Principal (CNH)

Risk Management

Aaron Brown
Managing Director

Counterparty Risk

Lauralyn Pestritto
Vice President

Trading

Brian Hurst
Principal

Business Development
(Total Team: 100)

David Kabiller, CFA*
Founding Principal

Client Solutions

Gregor Andrade, Ph.D.
Principal

Jeff Dunn
Principal

Jeremy Getson, CFA
Principal

Marco Hanig, Ph.D.
Principal

Chris Palazzolo, CFA
Principal

Robert Capone
Managing Director

Matthew Chilewich
Vice President

William Latimer, CFA
Vice President

Portfolio Solutions

Antti Ilmanen, Ph.D.
Principal

Marketing

Suzanne Escousse**
Managing Director
Chief Marketing Officer

Business Strategy

Eric Levy
Vice President

Corporate Infrastructure
(Total Team: 226)

Finance

John Howard*
Principal
Chief Finance Officer and Chief Operating Officer

Fund Accounting, Operations and Client Administration

Steve Mellas
Principal

Talent Strategies

Margaret Belden
Managing Director
Chief Talent Strategies Officer

Systems Development and IT

Neal Pawar
Managing Director
Chief Technology Officer

Compliance And Legal
(Total Team: 42)

Compliance

H.J. Willcox
Managing Director
Chief Compliance Officer

Legal

Bradley Asness
Principal
Chief Legal Officer

Brendan Kalb
Managing Director
General Counsel

Personnel as of 9/30/2015, Total = 589
*Member of Strategic Planning Committee (SPC)
**Suzanne Escousse (CMO) started on 10/5/2015

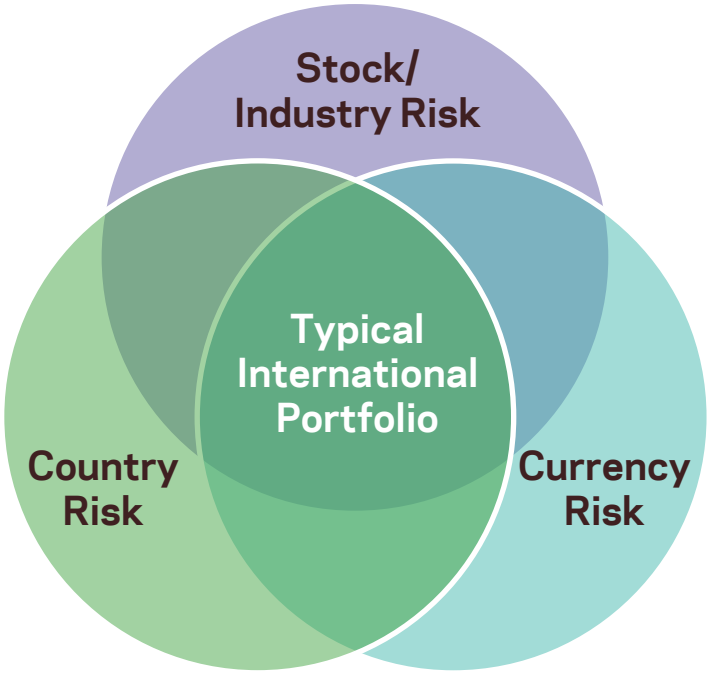
Philosophy & Process Overview

Our Investment Approach

Risk-Managed, Multistrategy Investment Approach

Typical Approach

Multiple risks
embedded in one instrument



AQR Approach

AQR seeks to separate these risks,
managing each proactively
to avoid unintended bets

Source: AQR. For illustrative purposes only. Please read important disclosures in the Appendix.

Multistrategy Approach

Strategy Diversification May Lead to Higher Risk-Adjusted Portfolio Returns

Diversification Characteristics

Correlation of Monthly Contribution to Gross Excess Return*

International Equity Live Returns February 2000 – September 2015

	Stock	Country	Currency
Stock Selection	1.00		
Country Selection	0.19	1.00	
Currency Selection	0.17	0.14	1.00

Emerging Equity Live Returns June 2008–September 2015

	Stock	Country	Currency
Stock Selection	1.00		
Country Selection	0.26	1.00	
Currency Selection	0.05	-0.01	1.00

Portfolio Construction

Preservation of alpha from multiple sources

Clear investment process

Management of separate risks – minimize unintended bets

* Source: AQR. Represents our International Equity Composite and Emerging Equity Composite performance. Excess returns are in excess to the benchmark: the MSCI EAFE Index (Net) and MSCI Emerging Markets Index (Net), respectively. The data presented herein is supplemental to the GIPS® compliant presentation for the International Equity Composite and Emerging Equity Composite included in the Appendix. Diversification does not eliminate the risk of experiencing investment losses. Please read important disclosures in the Appendix.

Two Hallmarks of our Process

Systematic Application of Fundamental Investment Philosophy

Research

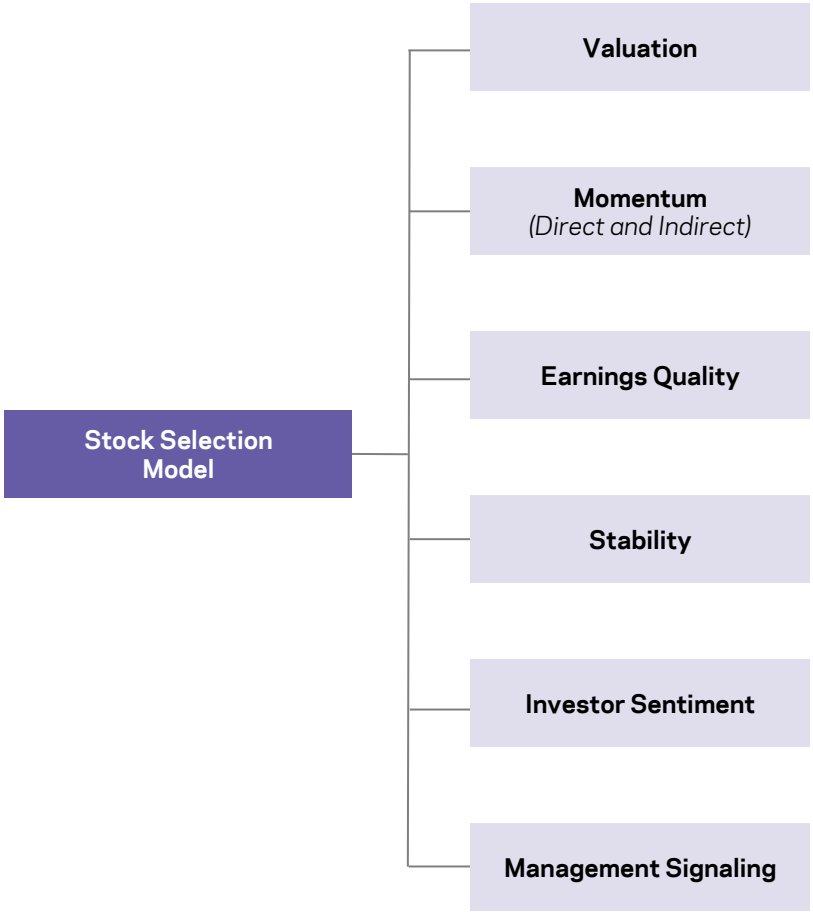
- We believe fundamentals drive returns
- Multi-asset-class global research process
- Regional nuances incorporated based on economic intuition

Implementation

- Investment process that incorporates risk-management at every stage
- Proprietary, robust optimization techniques
- Direct market access using proprietary algorithms

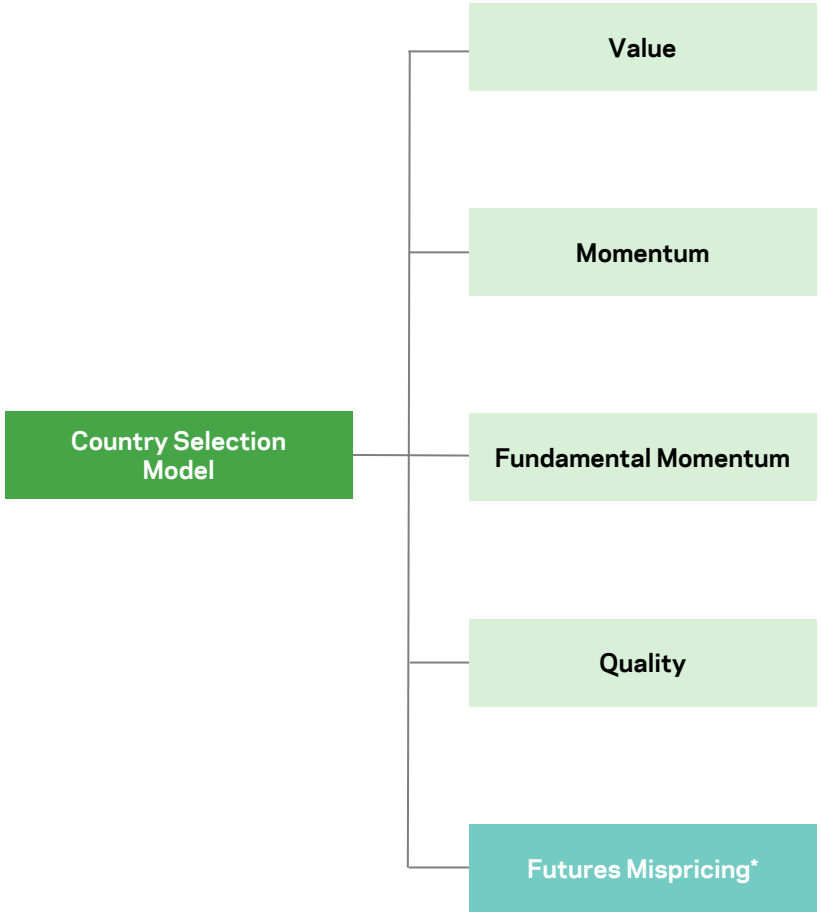
Source: AQR. Please read important disclosures in the Appendix.

Stock Selection



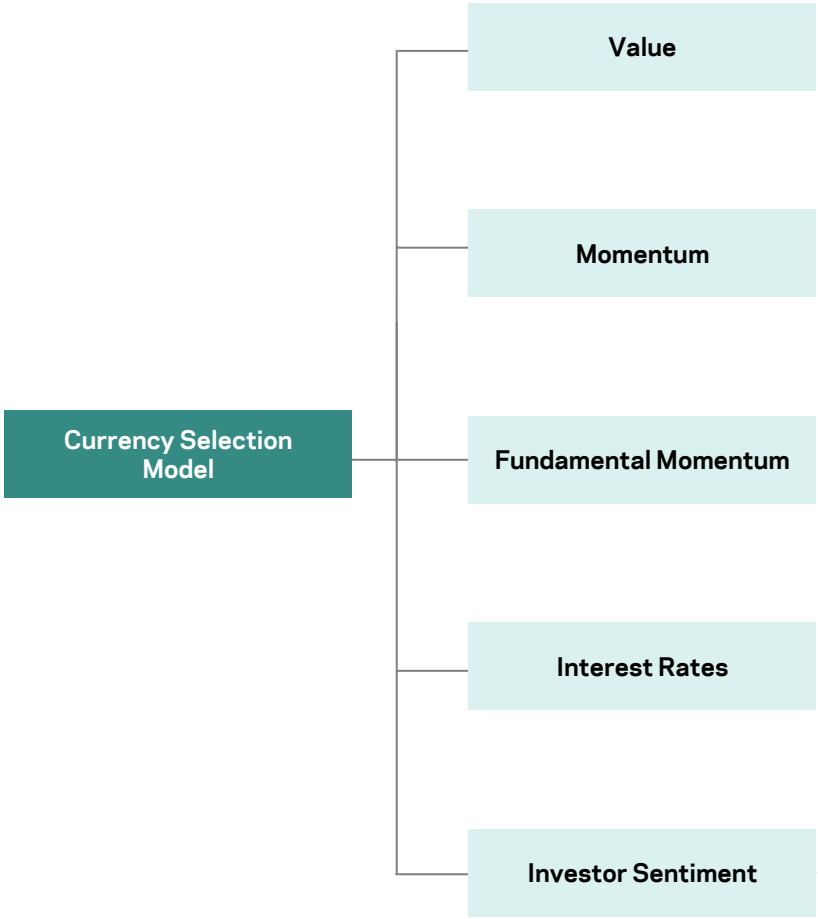
Source AQR. The investment process above is for illustrative purposes and is subject to change without notice. Please read important disclosures in the Appendix.

Country Selection



Source AQR. * The Futures Mispricing theme is only in our emerging markets model. The investment process above is for illustrative purposes and is subject to change without notice. Please read important disclosures in the Appendix.

Currency Selection



Source AQR. The investment process above is for illustrative purposes and is subject to change without notice. Please read important disclosures in the Appendix.

Performance Review & Portfolio Characteristics

Performance Since Inception

City of Dallas Estimated Net of Fee Returns

As of September 30, 2015*

	City of Dallas	MSCI ACWI ex US (Net)**	Portfolio - Benchmark
Rolling 1 year	-9.3%	-12.2%	2.8%
Rolling 3 year (Annl)	5.6%	2.3%	3.2%
Rolling 5 year (Annl)	3.9%	1.8%	2.1%
Summary (since 4/1/2006)			
Since Inception (Total)	15.2%	7.9%	7.3%
Since Inception (Annl)	1.5%	0.8%	0.7%

* Figures as of September 30, 2015 contained herein are unaudited estimates prepared by AQR Capital Management, LLC. Please see the Appendix for risk and performance disclosures.
** From April 1, 2006 to March 31, 2010, the benchmark was MSCI EAFE (Net) in USD. After that the benchmark is MSCI ACWI ex US (Net) in USD.

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Portfolio Characteristics

Equity Exposure as of September 30, 2015

All Country International Equity

Portfolio Statistics
Equity Portfolio

	City of Dallas	MSCI ACWI ex-US
Number of Stocks	492	1,842
Average Market Cap ($M)	40,758	52,111
Median Market Cap ($M)	10,133	6,730
P/E (trailing)	13.8	15.0
P/E (forecast)	11.9	13.2
P/B	1.5	1.6
Sales/EV	0.8	0.6
12 Month Return*	15.4%	5.4%

Sector Exposure
Equity Portfolio

	City of Dallas	MSCI ACWI ex-US	Active Weight
Consumer Discretionary	15.1%	12.0%	3.1%
Consumer Staples	7.9%	10.9%	-2.9%
Energy	4.5%	6.3%	-1.8%
Financials	26.1%	27.3%	-1.2%
Health Care	12.2%	9.6%	2.6%
Industrials	13.3%	11.2%	2.1%
Information Technology	7.0%	7.4%	-0.3%
Materials	4.4%	6.7%	-2.3%
Telecommunication Services	6.1%	5.2%	0.9%
Utilities	3.4%	3.6%	-0.2%
Total	**100.0%**	**100.0%**	**0.0%**

Data includes the stock selection portfolio only – country and currency overlays are not included. Average P/E ratios (both trailing and forecast) of the stocks in the portfolios exclude individual stock price-to-earnings ratios that are negative and the top and bottom 1 percentile of the remaining. Average P/B ratios of the stocks in the portfolios exclude individual stock price-to-book ratios that are negative and the top and bottom 1 percentile of the remaining. Average Sales/EV ratios of the portfolios exclude individual stocks that have sales-to-enterprise vales that are negative and the top and bottom 1 percentile of the remaining. 12 Month Return represents the average return on the stocks within the portfolio. Data sources: Compustat, Datastream, Bloomberg, XpressFeed and IBES. Portfolio holdings are subject to change. Benchmark: MSCI ACWI ex US (Net).
*12 Month Local Return of Holdings represents how the current stocks in the account would have performed over the last 12 months, gross of fees in local currency.

Portfolio Characteristics

Developed and Emerging Country Exposure as of September 30, 2015

Top 3 Overweights

Country	AQR Notional Total	Benchmark	AQR - Benchmark
Norway	2.6%	0.4%	**+2.2%**
China	6.6%	4.8%	**+1.8%**
Spain	3.8%	2.5%	**+1.3%**

Top 3 Underweights

Country	AQR Notional Total	Benchmark	AQR - Benchmark
United Kingdom	12.0%	14.8%	**-2.8%**
Canada	3.8%	6.4%	**-2.7%**
Switzerland	5.4%	7.1%	**-1.6%**

Exposure weights are subject to change at any time without notice. Actual portfolio weights will vary from model weights.

Portfolio Characteristics

Developed and Emerging Currency Exposure as of September 30, 2015

Top 3 Overweights

Currency	AQR Notional Total	Benchmark	AQR - Benchmark
Japanese Yen	26.3%	16.4%	**+9.9%**
Euro	27.4%	22.4%	**+4.9%**
Australian Dollar	7.7%	4.7%	**+3.0%**

Top 3 Underweights

Currency	AQR Notional Total	Benchmark	AQR - Benchmark
British Pound	5.0%	14.8%	**-9.9%**
Norwegian Krone	-4.3%	0.4%	**-4.7%**
Swiss Franc	3.3%	7.1%	**-3.8%**

Exposure weights are subject to change at any time without notice. Actual portfolio weights will vary from model weights.

Conclusion

Experience and Research	• Industry thought leaders • Widely published in top academic/professional journals • Substantial, practical experience in all aspects of portfolio and risk management
Philosophy and Process	• Fundamentally grounded, systematic investment process • Proprietary enhancements to traditional value and momentum • Unique framework for combining investment signals
Implementation and Trading	• Robust process for portfolio optimization and rebalancing • Direct-to-market, liquidity-providing execution capabilities, low transaction costs • Risk management integral to the investment process

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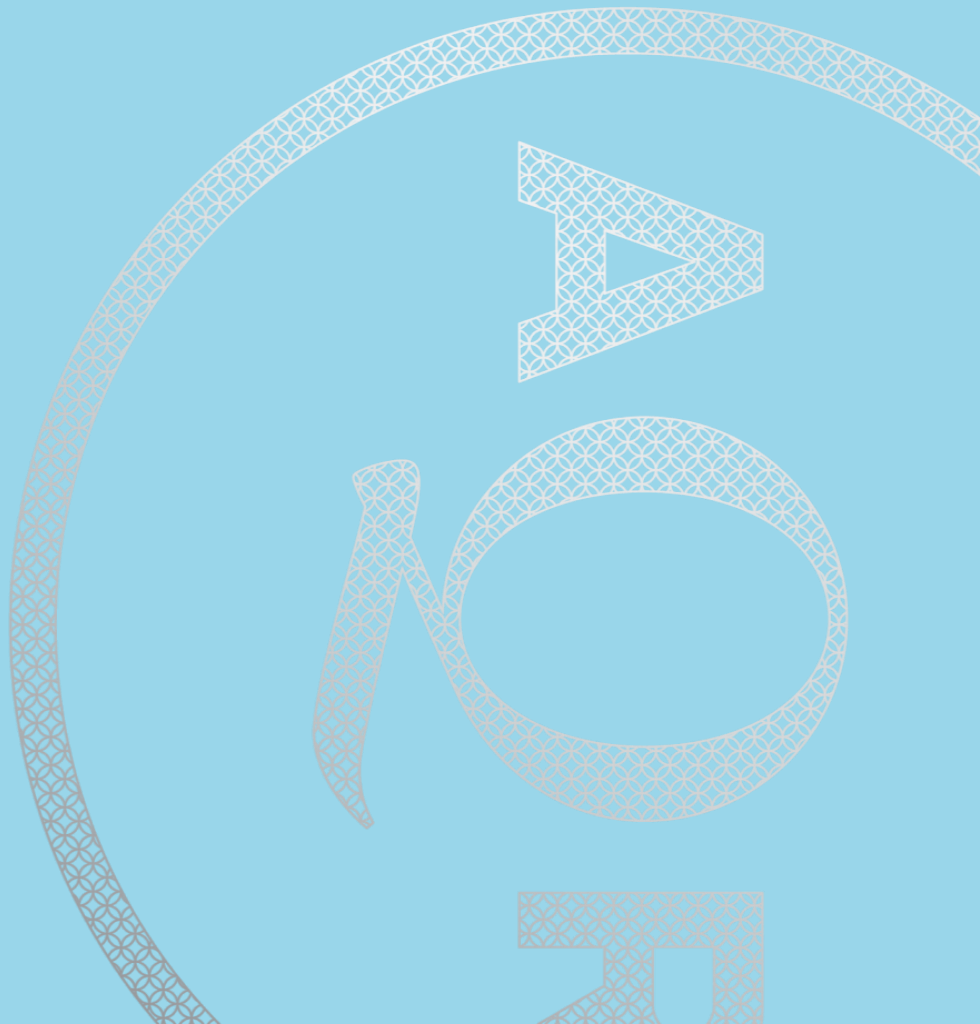
Appendices



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A1. Disclosures

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Gross performance results do not reflect the deduction of investment advisory fees, which would reduce an investor's actual return. For example, assume that $1 million is invested in an account with the Firm, and this account achieves a 10% compounded annualized return, gross of fees, for five years. At the end of five years that account would grow to $1,610,510 before the deduction of management fees. Assuming management fees of 1.00% per year are deducted monthly from the account, the value of the account at the end of five years would be $1,532,886 and the annualized rate of return would be 8.92%. For a ten-year period, the ending dollar values before and after fees would be $2,593,742 and $2,349,739, respectively. AQR's asset based fees may range up to 2.85% of assets under management, and are generally billed monthly or quarterly at the commencement of the calendar month or quarter during which AQR will perform the services to which the fees relate. Performance fees are generally equal to 20% of net realized and unrealized profits each year, after restoration of any losses carried forward from prior years. In addition, AQR funds incur expenses (including start-up, legal, accounting, audit, administrative and regulatory expenses) and may have redemption or withdrawal charges up to 2% based on gross redemption or withdrawal proceeds. Please refer to the Fund's Private Offering Memoranda and AQR's ADV Part II, Schedule F for more information on fees. Consultants supplied with gross results are to use this data in accordance with SEC, CFTC, NFA or the applicable jurisdiction's guidelines.

There is a risk of substantial loss associated with trading commodities, futures, options, derivatives and other financial instruments. Before trading, investors should carefully consider their financial position and risk tolerance to determine if the proposed trading style is appropriate. Investors should realize that when trading futures, commodities, options, derivatives and other financial instruments one could lose the full balance of their account. It is also possible to lose more than the initial deposit when trading derivatives or using leverage. All funds committed to such a trading strategy should be purely risk capital.

CNH Partners, LLC ("CNH"), of which AQR is a member, is a Delaware limited liability company and SEC-registered investment adviser specializing in global merger arbitrage, global convertible arbitrage and other event driven strategies.

Hypothetical performance results (e.g., quantitative backtests) have many inherent limitations, some of which, but not all, are described herein. No representation is being made that any fund or account will or is likely to achieve profits or losses similar to those shown herein. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently realized by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or adhere to a particular trading program in spite of trading losses are material points which can adversely affect actual trading results. The hypothetical performance results contained herein represent the application of the quantitative models as currently in effect on the date first written above and there can be no assurance that the models will remain the same in the future or that an application of the current models in the future will produce similar results because the relevant market and economic conditions that prevailed during the hypothetical performance period will not necessarily recur. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results, all of which can adversely affect actual trading results. Hypothetical performance results are presented for illustrative purposes only.

A2. Compliance Certification

In accordance with the Investment Management Agreement, dated March 20, 2006, as amended from time to time (the "Agreement"), between Employees' Retirement Fund of the City of Dallas and AQR Capital Management, LLC ("AQR"), to the best of our knowledge, AQR has materially complied with all of the investment guidelines specified in the Agreement for the period from January 1, 2015 through September 30, 2015.