Employees' Retirement Fund of the City of Dallas
Executive Summary of Performance

Third Quarter 2016

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Capital Market Overview

U.S. Equity Market

The U.S. stock market, represented by the Wilshire 5000 Total Market Index^{SM}, was up for the third quarter of 2016 by 4.29%. This marks the fourth straight quarterly gain although most of the pricing activity occurred during roughly the first dozen trading days of the quarter. The post-Bexit rebound resulted in a 3.7% gain in the U.S., with a modest net gain thereafter. Interestingly, strong equity returns this year have coincided with a drop in corporate earnings. However a major contributor to that decline is the Energy sector, which is suffering due to depressed oil prices. It should be noted that reported earnings are historical in nature while equity prices are forward looking, so that earnings growth is not necessary for positive returns, at least in the short term.

Large capitalization stocks underperformed smaller shares with the Wilshire Large-Cap Index^{SM} up 3.92% versus a gain of 7.67% for the Wilshire US Small-Cap Index^{SM}. Small cap has performed better, generally, in 2016 with an index return in the double digits. The Wilshire US Micro-Cap Index^{SM} was up 11.64% for the quarter and 8.16% year-to-date. Growth stocks led value during the third quarter in both large- and small-cap spaces but trail for the calendar year.

Sector performance was quite varied during the quarter. The best performing sectors were Information Technology and Financials, up 12.6% and 4.7%, respectively, while the main laggards were Utilities (-5.7%) and Telecom (-4.4%).

Real GDP growth during the first half of the year equaled 1.1% at an annualized rate. The two main drivers of economic activity were personal consumption and private investment. Solid jobs growth and a slow but upward trend in hourly earnings provided a boost as consumer spending contributed 2% to overall real growth. Private investment, despite accounting for less than 20% of GDP, detracted -1%. Businesses have been both spending less and drawing down their inventories. Investments are down from a year ago for a total decline of -1.5%. Growth in inventories has been on the decline for more than a year now and shrank during the second quarter for the first time in five years.

Fixed Income Market

U.S. Treasury yields were on a slow and steady rise for most of the third quarter. The bellwether 10-year Treasury yield reached a historic low of 1.37% in early July before reversing course and climbing to end the quarter at 1.60%. The Federal Open Market Committee decided to leave the overnight rate unchanged at their September meeting, the sixth consecutive meeting with no interest rate increase. Various market data and surveys express an expectation that the Committee will raise rates one more time in 2016, at their December meeting. Credit spreads tightened during the quarter in both investment grade and high yield bonds. Sovereign bond yields fell across much of Europe but ticked higher in Japan.

Non-U.S. Market

Equity markets outside of the U.S. were in positive territory for both the third quarter and year-to-date, particularly within emerging countries. The European Central Bank maintained their accommodative policies during the quarter while the Bank of England cut their bank rate to 0.25% in August and extended their existing quantitative easing program. In Japan where the overnight rate is negative, the central bank announced a plan to target the 10-year bond yield near 0% in an effort to achieve their 2% inflation goal. Emerging market equities have benefitted throughout 2016 from strong economic growth within developing countries, asset inflows from investors seeking higher returns and economic resilience in China.

Real Assets Market

Real estate securities were down in the U.S. during the third quarter with better performance globally. Commodities were down for the quarter as crude oil fell -0.2% to $48.24 per barrel after a strong run in prices during the first half of the year. Natural gas prices were down, as well, with a loss of -0.6%, ending the quarter at $2.91 per million BTUs. MLP returns were positive as the sector experienced a small recovery in drilling activity and rig counts. Finally, gold prices were down, but with little movement during the quarter, and finished at approximately $1,317 per troy ounce, down -0.3% from last quarter.

Summary of Index Returns

For Periods Ended September 30, 2016

	Quarter	One Year	Three Years	Five Years	Ten Years
Domestic Equity					
Standard & Poor's 500	3.85%	15.43%	11.16%	16.37%	7.24%
Wilshire 5000	4.29	15.35	10.65	16.31	7.44
Wilshire 4500	7.08	14.79	8.29	16.61	8.49
Wilshire Large Cap	3.92	15.32	11.01	16.26	7.34
Wilshire Small Cap	7.67	15.99	7.81	16.86	8.72
Wilshire Micro Cap	11.64	12.40	5.59	16.12	5.82
Domestic Equity					
Wilshire Large Value	1.79%	18.76%	10.71%	15.82%	6.16%
Wilshire Large Growth	6.23	11.25	11.20	16.67	8.44
Wilshire Mid Value	2.20	20.15	11.39	18.21	8.54
Wilshire Mid Growth	6.05	8.38	6.30	14.92	9.13
Wilshire Small Value	6.05	21.17	10.20	18.19	8.48
Wilshire Small Growth	9.35	10.54	5.23	15.38	8.88
International Equity					
MSCI All World ex U.S. (USD)	6.91%	9.26%	0.18%	6.04%	2.16%
MSCI All World ex U.S. (local currency)	6.36	7.75	5.93	10.71	3.38
MSCI EAFE	6.43	6.52	0.48	7.39	1.82
MSCI Europe	5.40	2.49	-0.56	7.46	1.50
MSCI Pacific	8.46	14.74	2.31	7.31	2.50
MSCI Emerging Markets Index	9.03	16.78	-0.56	3.03	3.94
Domestic Fixed Income					
Barclays Aggregate Bond	0.46%	5.19%	4.03%	3.08%	4.79%
Barclays Credit	1.23	8.30	5.44	4.83	5.77
Barclays Mortgage	0.60	3.61	3.61	2.65	4.65
Barclays Treasury	-0.28	4.09	3.38	2.18	4.46
Citigroup High Yield Cash Pay	5.45	12.71	4.76	7.83	7.31
Barclays US TIPS	0.96	6.11	4.27	3.62	5.00
91-Day Treasury Bill	0.10	0.27	0.12	0.10	0.92
International Fixed Income					
Citigroup Non-U.S. Gov. Bond	0.60%	12.61%	1.21%	0.24%	3.94%
Citigroup World Gov. Bond	0.30	9.71	1.78	0.77	4.10
Citigroup Hedged Non-U.S. Gov.	0.10	8.13	6.38	5.23	4.79
Currency*					
Euro vs. $	1.16%	0.68%	-6.01%	-3.48%	-1.19%
Yen vs. $	1.31	18.27	-1.04	-5.31	1.55
Pound vs. $	-2.83	-14.24	-7.09	-3.57	-3.57
Real Estate					
Wilshire REIT Index	-1.21%	17.94%	14.34%	15.82%	5.93%
Wilshire RESI	-1.40	18.45	14.61	16.02	5.93
NCREIFC Property Index	1.77	9.22	11.30	11.18	7.22

Total Fund Overview

Asset Class Performance

	Assets		Performance (%)					
	($Mil)	(%)	QTR	YTD	1-year	3-year	5-year	10-year
U.S. Equity	488.8	14.6	5.03	7.86	14.39	10.00	15.93	7.00
International Equity	482.9	14.4	7.51	5.01	9.58	1.35	8.02	3.23
Global Equity	158.8	4.7	5.69	4.61	10.07	3.85	-.-	-.-
Global Low Volatility	339.4	10.1	0.24	10.92	15.68	-.-	-.-	-.-
Real Estate	367.6	10.9	0.36	6.66	11.12	12.30	13.00	5.15
Global Fixed Income	479.6	14.3	1.08	6.53	5.99	4.59	3.90	4.73
High Yield	421.9	12.6	4.64	12.35	10.39	4.91	7.61	6.89
Credit Opportunities	89.5	2.7	4.68	-.-	-.-	-.-	-.-	-.-
Public Real Assets	280.2	8.3	4.28	20.47	14.29	1.45	-.-	-.-
Private Equity	166.6	5.0	2.14	2.47	4.88	10.46	9.84	-.-
Cash Equivalents	81.9	2.4	0.10	0.22	0.25	0.11	0.11	-0.55
Total Fund	**3,357.2**	**100.0**	**3.45**	**8.50**	**10.80**	**6.12**	**10.25**	**5.91**
Asset Allocation Policy			**2.94**	**10.00**	**11.22**	**5.95**	**9.92**	**5.97**
Value Added vs Policy			*0.51*	*-1.50*	*-0.42*	*0.17*	*0.33*	*-0.06*
Actuarial Rate			1.94	5.94	8.00	8.10	8.16	8.21
Wilshire 5000 Index			4.29	8.44	15.35	10.65	16.31	7.44
S&P 500 Index			3.85	7.84	15.43	11.16	16.37	7.24
MSCI ACWI x-U.S. IMI Index			7.05	6.08	9.81	0.62	6.37	2.47
MSCI EAFE Index			6.43	1.73	6.52	0.48	7.39	1.82
Barclays Aggregate Bond Index			0.46	5.80	5.19	4.03	3.08	4.79
Citigroup High Yield Cash Pay			5.45	15.42	12.71	4.76	7.83	7.31
Wilshire RE Securities Index			-1.40	10.04	18.45	14.61	16.02	5.93
91-Day Treasury Bill			0.10	0.24	0.27	0.12	0.10	0.92

Total Fund Asset Growth

($Millions)	Beg. Mkt Value	Net Contrib.	Net Distrib.	Investment Fees	Investment Gain/Loss	End Mkt Value	Total Return
1Q13	2,985.2	18.3	56.8	3.4	179.4	3,122.7	5.92%
2Q13	3,122.7	22.3	59.0	3.2	8.1	3,091.0	0.15%
3Q13	3,091.0	18.0	58.2	3.4	151.2	3,198.6	4.76%
4Q13	3,198.6	24.1	57.2	3.3	169.8	3,332.1	5.22%
1Q14	3,332.1	26.1	62.0	4.3	76.3	3,368.2	2.21%
2Q14	3,368.2	25.4	58.8	3.9	148.0	3,479.0	4.26%
3Q14	3,479.0	22.6	62.0	2.5	(39.5)	3,397.5	-1.21%
4Q14	3,397.5	30.7	62.8	3.3	40.4	3,402.5	1.16%
1Q15	3,402.5	36.1	73.5	3.5	85.2	3,446.8	2.40%
2Q15	3,446.8	44.4	83.3	3.7	6.5	3,410.6	0.08%
3Q15	3,410.6	29.6	69.6	3.4	(202.7)	3,164.5	-6.08%
4Q15	3,164.5	49.4	82.5	3.2	71.0	3,199.2	2.12%
1Q16	3,199.2	89.0	127.7	3.0	40.9	3,198.3	1.29%
2Q16	3,198.3	70.8	105.2	2.8	116.2	3,277.3	3.55%
3Q16	3,277.3	32.9	67.4	2.9	117.3	3,357.2	3.45%

- At the end of the third quarter of 2016, the Fund's market value was $3,357.2 million, which represented an increase of $79.9 million in total net asset value over the previous quarter. The change in the Fund's value was driven by $32.9 million in net contributions and a $117.3 million investment gain. Meanwhile, $67.4 million in net distributions and $2.9 million in investment management fees flowed out of the Fund.

Quarterly Total Fund Attribution vs. Policy

Asset Class	Assets (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
U.S. Equity	15.0	5.03	15.0	4.29	0.0	0.74	0.00	0.00	0.11	0.10
International Equity	14.0	7.51	15.0	7.05	-1.0	0.46	-0.05	0.00	0.07	0.02
Global Equity	4.7	5.69	5.0	5.30	-0.3	0.39	-0.01	0.00	0.02	0.01
Global Low Volatility	10.3	0.24	10.0	-0.28	0.3	0.52	-0.01	0.00	0.05	0.05
Public REITs	5.8	-0.84	5.0	-1.40	0.8	0.56	-0.04	0.00	0.03	0.00
Direct Core Real Estate	6.0	1.38	5.0	1.42	1.0	-0.04	-0.02	0.00	0.00	-0.02
Global Fixed Income	14.4	1.08	15.0	0.46	-0.6	0.62	0.01	0.00	0.09	0.10
High Yield	12.8	4.64	12.5	5.45	0.3	-0.81	0.01	0.00	-0.10	-0.10
Credit Opportunities	2.6	4.68	2.5	4.21	0.1	0.47	0.00	0.00	0.01	0.01
Public Real Assets	8.2	4.28	10.0	1.07	-1.8	3.21	0.03	-0.06	0.32	0.30
Private Equity	4.9	2.14	5.0	0.80	-0.1	1.34	0.01	-0.01	0.06	0.06
Cash Equivalents	1.4	0.10	0.0	0.10	1.4	0.00	-0.05	0.00	0.00	-0.05
Monthly Linked Return	**100.0**	**3.42**	**100.0**	**2.94**		**0.48**	**-0.11**	**-0.08**	**0.66**	**0.48**
Trading/Hedging		*0.03*		*0.00*		*0.03*				***0.03***
Total		**3.45**		**2.94**		**0.51**				**0.51**

2.94	**Asset Allocation Policy**
-0.11	Actual/Tactical Asset Allocation
0.66	Active Management
-0.08	Interaction
0.03	Trading
3.45	**Total Fund Return**

**Note: factors may not sum exactly to total return due to rounding.*

The Total Fund attribution table, shown above, displays the return contribution of each asset class to the Total Fund's overall return. The attribution provides some insights as to whether tactical allocation and active management within asset classes helped or hurt performance during the quarter.

- ***Strategic Policy:*** The contribution to total return from each asset class, calculated as the percentage allocated to each asset class multiplied by the benchmark for that asset class.
- ***Actual Allocation:*** The return contribution during the quarter due to differences in the actual allocation from the policy allocation (i.e.: the actual allocation to U.S. equity was higher than the policy allocation). A positive number would indicate an overweight allocation benefited performance, and vice versa.
- ***Active Management:*** The return contribution from active management. This number would be positive if the asset class outperformed the designated policy index and vice versa (i.e.: the U.S. equity segment outperformed the policy index, the Wilshire 5000 Index, during the quarter and contributed positively to active management).
- ***Interaction:*** Captures the interaction of managers' performance and asset class weighting differences.
- ***Actual Return:*** The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.

One-Year Total Fund Attribution vs. Policy

Asset Class	Assets (%)		Policy (%)		Difference (%)		Total Fund Return Contribution (%)			
	Weight	Return	Weight	Return	Weight	Return	Actual Allocation	Interaction	Active Management	Total
U.S. Equity	15.0	14.39	15.0	15.35	0.0	-0.97	-0.05	-0.01	-0.13	-0.19
International Equity	14.0	9.58	15.0	9.81	-1.0	-0.23	-0.02	0.01	-0.03	-0.05
Global Equity	4.6	10.07	5.0	11.97	-0.4	-1.90	-0.01	0.01	-0.09	-0.10
Global Low Volatility	10.4	15.68	10.0	16.30	0.4	-0.62	0.02	0.00	-0.06	-0.05
Public REITs	5.6	14.85	5.0	18.45	0.6	-3.59	0.02	-0.02	-0.18	-0.17
Direct Core Real Estate	7.8	8.00	5.0	6.97	2.8	1.03	-0.06	0.03	0.05	0.02
Global Fixed Income	14.3	5.99	15.0	5.19	-0.7	0.80	-0.01	0.00	0.12	0.11
High Yield	13.4	10.39	13.8	12.71	-0.4	-2.32	0.00	0.02	-0.29	-0.26
Credit Opportunities	1.7	11.93	1.3	12.58	0.5	-0.65	-0.03	-0.02	-0.02	-0.07
Public Real Assets	7.5	14.29	10.0	12.74	-2.5	1.55	-0.17	-0.04	0.19	-0.02
Private Equity	4.7	4.88	5.0	-9.42	-0.3	14.29	0.06	-0.06	0.47	0.47
Cash	1.0	0.25	0.0	0.25	1.0	0.00	-0.16	0.00	0.00	-0.16
Monthly Linked Return	**100.00**	**10.76**	**100.00**	**11.22**		**-0.46**	**-0.42**	**-0.08**	**0.03**	**-0.46**
Trading		0.04		0.00		0.04				**0.04**
Total		***10.80***		***11.22***		***-0.42***				***-0.42***

11.22	**Strategic Policy Allocation**
-0.42	Actual/Tactical Asset Allocation
0.03	Active Management
-0.08	Interaction
0.04	Trading
10.80	Total Return

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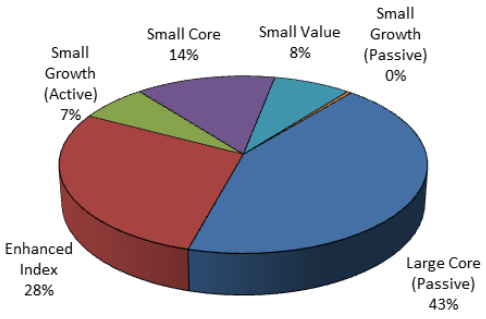
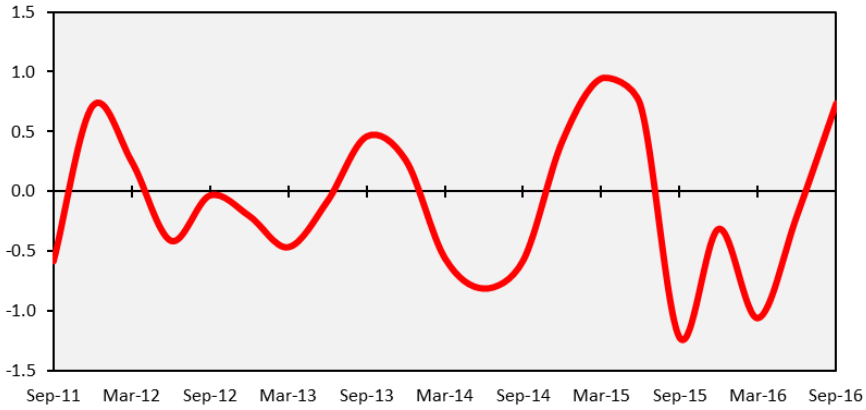
- ***Actual Return:*** The actual return of the asset classes if allocations to them were static during the quarter. These returns will not match exactly with the actual segment returns since asset class allocations change during the quarter due to market movement, cash flows, etc.

Domestic Equity Overview

Domestic Equity Structure



U.S. Equity Composite Quarterly Excess Return



Composite

	Assets (Millions)	QTR	YTD	1-year	3-year	5-year	10-year
		Performance					
Total U.S. Equity (Gross)	**$ 488.8**	**5.12**	**8.17**	**14.82**	**10.40**	**16.33**	**7.37**
Total U.S. Equity (Net)		**5.03**	**7.86**	**14.39**	**10.00**	**15.93**	**7.00**
Custom Benchmark [1]		4.29	8.44	15.35	10.65	16.31	7.44
Net of Fee Value Added vs Benchmark		*0.74*	*-0.58*	*-0.96*	*-0.65*	*-0.38*	*-0.44*
Enhanced Composite	**$ 138.4**	2.66	5.74	13.19	10.30	15.84	6.88
Small Cap Composite	**$ 139.3**	8.45	10.60	15.37	8.01	16.18	7.07
Wilshire 5000 Index		4.29	8.44	15.35	10.65	16.31	7.44
S&P 500 Index		3.85	7.84	15.43	11.16	16.37	7.24
Russell 2000 Index		9.05	11.46	15.47	6.71	15.82	7.07

Domestic Equity Managers

	Assets (Millions)	QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
		Performance (%)						
Large Core - Passive								
Northern Trust S&P 500 (Gross)	**$ 211.2**	**3.83**	**7.86**	**15.48**	**11.23**	**16.45**	**9.55**	**Dec-94**
Northern Trust S&P 500 (Net)		**3.83**	**7.86**	**15.48**	**11.22**	**16.43**	**9.52**	**Dec-94**
S&P 500 Index		3.85	7.84	15.43	11.16	16.37	9.47	Dec-94
Net of Fee Value Added vs Benchmark		*-0.02*	*0.02*	*0.05*	*0.06*	*0.06*	*0.05*	
Enhanced Index								
T. Rowe Price (Gross)	**$ 138.2**	**4.48**	**7.47**	**15.95**	**11.62**	**16.97**	**8.10**	**Mar-06**
T. Rowe Price (Net)		**4.41**	**7.20**	**15.57**	**11.25**	**16.62**	**7.79**	**Mar-06**
S&P 500 Index + 1%		4.10	8.59	16.43	12.16	17.37	8.30	Mar-06
Net of Fee Value Added vs Objective		*0.31*	*-1.39*	*-0.86*	*-0.91*	*-0.75*	*-0.51*	
S&P 500 Index		3.85	7.84	15.43	11.16	16.37	7.30	Mar-06
Net of Fee Value Added vs Benchmark		*0.56*	*-0.64*	*0.14*	*0.09*	*0.25*	*0.49*	
Information Ratio				**0.08**	**0.08**	**0.21**		
Sharpe Ratio				**1.16**	**1.00**	**1.44**		

[1] Domestic Equity Custom Benchmark: Wilshire 5000 Index (3q99 – Present); S&P 500 Index (1q90 – 2q99).

Domestic Equity Overview (Continued)

Domestic Equity Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Small Core - Active								
Systematic Financial (Gross)	**$ 67.1**	**7.93**	**12.68**	**18.94**	**10.91**	**19.24**	**11.45**	**Jun-03**
Systematic Financial (Net)		**7.71**	**11.98**	**17.95**	**9.97**	**18.32**	**10.68**	**Jun-03**
Russell 2000 Index + 1.25%		9.36	12.40	16.72	7.96	17.07	10.30	Jun-03
Net of Fee Value Added vs Objective		*-1.65*	*-0.42*	*1.23*	*2.01*	*1.25*	*0.38*	
Russell 2000 Index		9.05	11.46	15.47	6.71	15.82	9.05	Jun-03
Net of Fee Value Added vs Benchmark		*-1.34*	*0.52*	*2.48*	*3.26*	*2.50*	*1.63*	
Information Ratio				**0.54**	**0.80**	**0.62**		
Sharpe Ratio				**1.22**	**0.73**	**1.25**		
Small Value - Active								
Channing Capital Management (Gross)	**$ 37.2**	**6.73**	**12.36**	**14.87**	**-.-**	**-.-**	**5.30**	**Oct-13**
Channing Capital Management (Net)		**6.49**	**11.56**	**13.79**	**-.-**	**-.-**	**4.37**	**Oct-13**
Russell 2000 Value Index + 1.25%		9.18	16.42	20.06	-.-	-.-	5.81	Oct-13
Net of Fee Value Added vs Objective		*-2.69*	*-4.86*	*-6.27*			*-1.44*	
Russell 2000 Value Index		8.87	15.49	18.81	-.-	-.-	4.56	Oct-13
Net of Fee Value Added vs Benchmark		*-2.38*	*-3.93*	*-5.02*			*-0.19*	
Information Ratio				**-1.08**	**-.-**	**-.-**		
Sharpe Ratio				**0.77**	**-.-**	**-.-**		

- The Fund's domestic equity composite generated a return of 5.03% (net of fees) during the third quarter of 2016, outperforming the Wilshire 5000 Total Market Index which returned 4.29%. This quarter's outperformance was driven by the T. Rowe Price (enhanced equity index) which outpaced its benchmark (S&P 500 Index). In absolute terms, the composite benefitted from the Fund's small cap exposures in a period where small cap stocks outperformed their large cap counterparts. Meanwhile, the passively-managed index fund strategies both managed by Northern Trust (Large Core and Small Growth), continued to perform in line with expectations tracking the risk/return profile of their benchmarks. The domestic equity composite is currently underperforming against its benchmark over one-year (-96 bps), three-year (-65 bps periods), five-year (-38 bps) and ten-year (-44 bps) periods.

Northern Trust (Passive)

- Northern Trust manages a passive large-cap core equity portfolio for the Fund, which is designed to track the S&P 500 Index and replicate the performance of overall market. To date, the passive large-cap core portfolio is performing in line with expectations, matching the risk and return profile of the benchmark index and exhibiting very low tracking error over all time periods.

- Northern Trust also manages a passive small-cap growth portfolio for the Fund which was wound down in September. Benchmarked against the Russell 2000 Growth Index, this portfolio gives the Fund exposure to the smaller-capitalization stocks whose earnings are expected to grow at an above-average rate relative to the market. As a passive investment, this portfolio seeks to replicate the performance of the overall small-cap growth universe of companies rather than relying on security selection to add value. Through its inception, the small-cap growth portfolio was outperforming its benchmark index by 19 bps.

Domestic Equity Overview (Continued)

T. Rowe Price (Enhanced)

- T. Rowe Price manages the Fund's enhanced equity index portfolio. The T. Rowe Price portfolio returned 4.41% (net of fees) during the third quarter, outperforming its benchmark index (S&P 500) which returned 3.85%. Overall, this quarter's performance was driven by above average stock selection coupled with strong sector positioning. Stock selection was strongest within the financials segment of the market, where the portfolio's holdings returned 6.81% compared to 5.26% in the benchmark index. Outperformance in the financials segment was largely aided by strong individual stock selection decisions in the industrials, consumer staples and information technology segments where the portfolio's holdings returned well above that of the respective benchmark holdings. In total, stock selection was positive in six of the ten economic sectors (the only sectors for which it was meaningfully negative were: energy and health care). The portfolio's tactical overweight allocation to the information technology sector which experienced positive returns over the period also served as a modest driver of outperformance from a sector positioning standpoint. Historically, the portfolio's overall sector allocation does not deviate too broadly from the Standard & Poor's 500 (approximately +/- 1%) which means the bulk of the value-added will come from stock selection. The T. Rowe portfolio remains highly concentrated in large-capitalization stocks (with an average market cap of $139,770 million). The portfolio is currently outperforming against its benchmark over the one-year (+14 bps), three-year (+9 bps), five-year (+25 bps), and since inception periods (+49 bps) (3/06).

Systematic Financial (Small-Cap Core)

- Systematic Financial manages the Fund's small-cap core portfolio. The Systematic portfolio returned 7.71% (net of fees) during the third quarter, significantly underperforming its benchmark (Russell 2000) which returned 9.05%; During the period small cap stocks as represented by the Russell 2000 Index, vastly outperformed large caps ending with a total return of 9.05%. Despite these strong returns the Systematic portfolio was unable to keep pace with its benchmark as a result of poor stock selection decisions. The bulk of this period's underperformance can be pinned to stock selection decisions within the Industrials segment. The portfolio's holdings in this segment gained 4.47% compared to 8.18% for the benchmark. Below average selection was not limited to this segment alone, individual stock picking was also weak amongst the health care, financials, information technology and materials sectors. In all, the cumulative effect of stock selection alone detracted a nominal -163 basis points against the benchmark. Stock selection in the consumer discretionary and energy segments served as a lone bright spot for the quarter in which the portfolio's holdings outperformed those of the benchmark significantly. Sector weighting decisions were net positive for the period and helped mitigate some of the losses experienced elsewhere in the portfolio. Much of this stems from the portfolio's tactical underweight allocation to the utilities sector, which was among the market's weakest performing sectors during the period posting a -5.15% return. The Systematic portfolio continues to hold relatively cheaper (or undervalued) stocks when compared to benchmark, with a current average P/E ratio of 24.12 (Russell 2000 P/E ratio is 53.53). The portfolio also continues to exhibit a large historical overweight allocation to financials, albeit smaller in the most recent period, which accounts for around 29% of the portfolio's total net asset value compared to approximately 23% for the benchmark. Despite the most recent underperformance the Systematic portfolio is outperforming against its benchmark over the five-year period as well as since inception (+163 bps) (9/03).

Channing Capital Management (Small-Cap Value)

- Channing Capital manages the Fund's small-cap value portfolio. The Channing portfolio returned 6.49% (net of fees) during the third quarter, underperforming its benchmark (Russell 2000 Value) which returned 8.87%. Unfavorable stock selection throughout several segments prevented the portfolio from keeping pace with the benchmark during the period. Overall, eight of the ten sectors experienced net negative stock selection during the quarter. Particularly

Domestic Equity Overview (Continued)

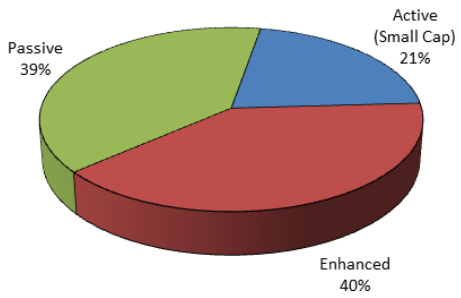
large losses were incurred within the industrials, consumer discretionary, and health sectors. The portfolio's industrial holdings posted a gain of 7.54%, whereas the benchmark experienced a more notable gain of 10.86%. Several positions within the portfolio (very concentrated), posted negative returns during a period of absolute strength in the small cap space. Most notably, "Spire Inc.", which return -9.36% for the period, was the single worst in the portfolio. Overall sector weighting decisions contributed positively over the period, in total, adding around 89 bps in value. To date, the Channing portfolio is consistently positioned with an underweight allocation to consumer discretionary (6% portfolio weight vs. 11% benchmark weight) with significant overweight allocation to industrials (22% portfolio weight vs 12% benchmark weight). The Channing portfolio is currently underperforming against its benchmark for the one-year (-502 bps) period as well as since inception (-19 bps) (12/13).

Redwood Investments (Small-Cap Growth)

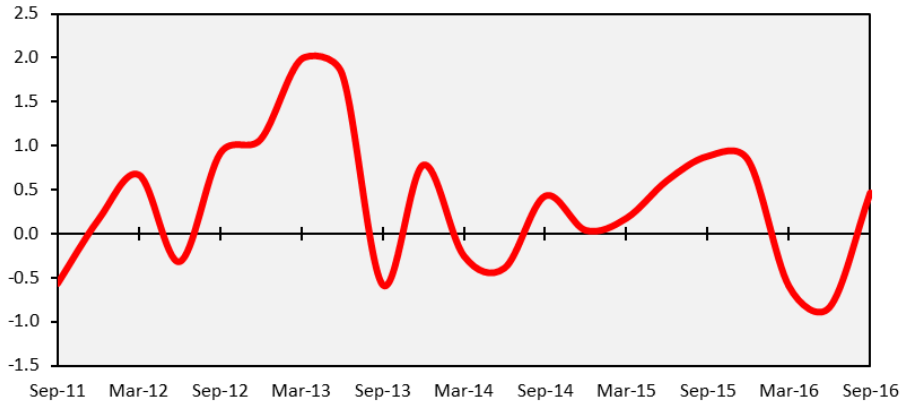
- Redwood Investments manages the Fund's small-cap growth portfolio which was funded in September 2016. The small cap growth strategy typically holds between 50-60 common stocks and is benchmarked against the Russell 2000 Growth Index with an expected excess return target of 250 bps over a full market cycle. Further detail will be provided for the portfolio following its first full quarter of performance in the fourth quarter of 2016.

International Equity Overview

International Equity Structure



International Equity Composite Quarterly Excess Return



International Equity Composite

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Total International Equity (Gross)	**$ 482.9**	**7.61**	**5.28**	**9.96**	**1.73**	**8.44**	**3.65**
Total International Equity (Net)		**7.51**	**5.01**	**9.58**	**1.35**	**8.02**	**3.23**
Custom Benchmark [1]		7.05	6.08	9.81	0.62	6.37	2.40
Net of Fee Value Added vs Benchmark		*0.46*	*-1.07*	*-0.23*	*0.73*	*1.65*	*0.83*
MSCI ACWI x-US IMI (Net)		7.05	6.08	9.81	0.62	6.37	2.47
MSCI ACWI x-US (Net)		6.91	5.82	9.26	0.18	6.04	2.16
MSCI EAFE (Net)		6.43	1.73	6.52	0.48	7.39	1.82
MSCI Emerging Markets		9.03	16.02	16.78	-0.56	3.03	3.94

International Equity Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Int'l Small Cap - Active								
Acadian International (Gross)	**$ 103.0**	**8.26**	**9.55**	**15.55**	**4.06**	**11.38**	**9.93**	**Mar-89**
Acadian International (Net)		**8.12**	**9.08**	**14.91**	**3.55**	**10.80**	**8.27**	**Mar-89**
Custom Benchmark + 2%		8.41	9.20	15.38	5.52	10.60	7.80	Mar-89
Net of Fee Value Added vs Objective		*-0.29*	*-0.12*	*-0.47*	*-1.97*	*0.20*	*0.47*	
Custom Benchmark		7.91	7.70	13.38	3.52	8.60	5.80	Mar-89
Net of Fee Value Added vs Benchmark		*0.21*	*1.38*	*1.53*	*0.03*	*2.20*	*2.47*	
Information Ratio				**0.39**	**0.01**	**0.60**		
Sharpe Ratio				**0.95**	**0.28**	**0.73**		

[2] International Equity Custom Benchmark: MSCI ACWI x-US IMI (2q10 – Present); MSCI ACWI x-US (1q99 – 1q10); Wilshire Non-US/Non-SA (2q96 – 4q98); MSCI EAFE (4q89 – 1q96)

[3] Acadian Custom Benchmark: MSCI ACWI x-US Small Cap (3q09 – Present); MSCI EAFE Small Cap (4q99 – 2q09); S&P/Citigroup Eur/Pac EMI Index (2q96 – 3q99); MSCI EAFE (2q89 – 1q96). Performance Objective: Custom Benchmark +2% (1q05 – Present); +1% (2q89 – 4q04).

International Equity Overview (Continued)

International Equity Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Int'l Enhanced Index								
AQR Capital Management (Gross)	**$ 191.4**	**7.61**	**5.46**	**10.01**	**2.00**	**9.18**	**2.78**	**Mar-06**
AQR Capital Management (Net)		**7.45**	**5.00**	**9.38**	**1.41**	**8.53**	**2.28**	**Mar-06**
Custom Benchmark + 1.5%		7.28	6.95	10.76	1.68	7.54	3.08	Mar-06
Net of Fee Value Added vs Objective		*0.17*	*-1.95*	*-1.38*	*-0.27*	*0.99*	*-0.80*	
Custom Benchmark		6.91	5.82	9.26	0.18	6.04	1.58	Mar-06
Net of Fee Value Added vs Benchmark		*0.54*	*-0.82*	*0.12*	*1.23*	*2.49*	*0.70*	
Information Ratio				**0.05**	**0.56**	**1.02**		
Sharpe Ratio				**0.65**	**0.11**	**0.59**		
Int'l Active/Passive								
Baring International (Gross)	**$ 188.5**	**7.25**	**2.97**	**7.13**	**0.26**	**6.01**	**6.56**	**Mar-88**
Baring International (Net)		**7.25**	**2.97**	**7.13**	**0.13**	**5.83**	**6.41**	**Mar-88**
Custom Benchmark + 1.25%		7.22	6.76	10.51	1.43	7.29	6.13	Mar-88
Net of Fee Value Added vs Objective		*0.03*	*-3.79*	*-3.38*	*-1.30*	*-1.46*	*0.28*	
Custom Benchmark		6.91	5.82	9.26	0.18	6.04	4.88	Mar-88
Net of Fee Value Added vs Benchmark		*0.34*	*-2.85*	*-2.13*	*-0.05*	*-0.21*	*1.53*	
Information Ratio				**-1.12**	**-0.03**	**-0.13**		
Sharpe Ratio				**0.44**	**0.01**	**0.40**		

- The Fund's international equity composite returned 7.51% (net of fees) during the third quarter of 2016, outperforming the MSCI ACWI x-US Investable Market Index (IMI) which returned 7.05%. All three of the segment's non-U.S. strategies managed to outperform against their respective benchmarks in what was generally a positive market environment for international stocks (most major indexes led U.S. Large-caps). The Fund's international small cap equity index manager Acadian International provided the largest absolute return during the period. Meanwhile, the AQR portfolio along with the active/passive Baring International portfolio also outperformed their respective benchmarks, in turn, lifting the total return of the international equity composite as a whole. The international equity composite is outperforming against its benchmark for the three-year (+73 bps), five-year (+165 bps), and ten-year (+83 bps) periods, as well as since inception (+96 bps) (12/89).

Acadian (International Small-Cap)

- Acadian International manages the Fund's active small-cap international equity portfolio. During the third quarter the Acadian portfolio returned 8.12% (net of fees), outperforming against its benchmark (MSCI ACWI x-US Small Cap) which returned 7.91% for the period. Favorable stock selection decisions provided the bulk of this periods value added. Of note, the stock selection decisions were most impactful in the markets of Thailand, Canada and South Korea where the portfolio holdings outperformed the respective benchmark holdings. The portfolio was also aided by sector weighting decisions within the markets of Canada, Brazil and Switzerland. Although the portfolio's stock selection decisions benefitted the portfolio overall, poor stock selection decisions in the markets of Japan and the United Kingdom mitigated these gains. For example, the portfolio's Japanese holdings returned 4.45% versus 7.12% for that of the benchmark which ended up serving as the largest detractor to relative performance over the period. The portfolio incurred similar issues related broadly to its stock selection in the U.K. market. Top-down country

[4] Baring Custom Benchmark: MSCI ACWI x-US (2q02 – Present); PMSCI ACWI x-US (G) (3q01 – 1q02); MSCI ACWI x-US (2q99 – 2q01); Wilshire Non-US/Non-SA (2q96 – 1q99); MSCI EAFE (2q88 – 1q96) . Performance objective: Custom Benchmark + 2%.

[5] AQR Custom Benchmark: MSCI ACWI x-US (2q10 – Present); MSCI EAFE (1q06 – 1q10); Performance Objective: Custom Benchmark + 1.5%.

weighting decisions were slightly detractive during the period overall although these losses were not strong enough to overcome the value added from strong sector weighting and stock selection decisions. As of quarter-end, the Acadian portfolio is outperforming against its benchmark for the one-year (+153 bps), three-year (+3 bps) and five-year (+220 bps) as well as since inception (+247 bps) (3/89).

AQR Capital Management (International Enhanced)

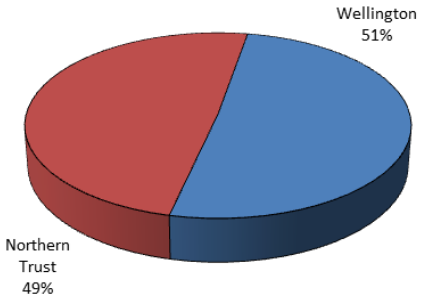
- AQR Capital manages the Fund's enhanced international equity portfolio. The AQR portfolio returned 7.45% (net of fees) during the third quarter, outperforming its benchmark (MSCI ACWI x-US) which returned 6.91%. In a reversal from last period, both country and sector weighting decisions within the portfolio proved beneficial and lifted the portfolios return in excess of its benchmark. County and sector weighting decisions benefitted most notably within the markets of the Denmark, Canada, and the United Kingdom. In these cases the portfolio ended up on the right side of the trade either underweight an underperforming market or overweight an outperforming market. Strategic underweighting to the Denmark and U.K. markets proved beneficial in a continuation from the previous periods. This combined with the aforementioned sector weighting decisions during the period resulted in a positive quarter for the portfolio. Stock selection on the other hand was slightly detractive and suffered most in the markets of the Germany, Japan and Hong Kong. For example, the portfolios German holdings returned 5.86% for the period versus 9.94% for the benchmark. Similar stock selection struggles in the Japanese and Hong Kong markets further detracted value relative to the benchmark albeit on a lesser scale. The AQR portfolio is outperforming against its benchmark for one-year (+12 bps), three-year (+123 bps) and five-year (+249 bps) periods, as well as since inception (+67 bps) (03/06).

Baring (International Active/Passive)

- Baring International, the Fund's international equity large-cap manager, manages an active/passive portfolio. The objective is to actively manage the broad-based country and sector allocations, while passively managing security selection by investing in market indexes. During the third quarter, the Baring portfolio returned 7.25% (net of fees), outperforming its benchmark (MSCI ACWI x-US) which returned 6.91%. Overall, this quarter's results were driven by positive country and sector weighting decisions coupled with positive individual stock selection decisions, all of which provided a mild source of value add during the period. From a sector weighting standpoint the portfolios overweight to the financial sector provided the largest contribution to total return followed by overweight allocations to the consumer discretionary and information technology holdings. From an individual stock selection point of view the portfolios Japanese and French holdings managed to outperform their respective benchmark holdings, in turn, providing a mild source of value add relative to the benchmark. A small overweight exposure to emerging markets also proved beneficial as emerging markets generally outperformed developed markets in the current period posting sizable gains in excess of 9%. The Baring portfolio is currently underperforming against its benchmark over the one-year (-213 bps), three-year (-5 bps), and five-year periods (-21 bps); but continues to outperform against its custom benchmark since inception (+153 bps) (03/88).

Global Equity Overview

Global Equity Structure



Global Equity Composite

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Total Global Equity (Gross)	**$ 158.8**	**5.77**	**4.86**	**10.42**	**4.49**	**-.-**	**-.-**
Total Global Equity (Net)		**5.69**	**4.61**	**10.07**	**3.85**	**-.-**	**-.-**
MSCI ACWI (Net)		5.30	6.59	11.96	5.17	-.-	-.-
Net of Fee Value Added vs Index		*0.39*	*-1.98*	*-1.89*	*-1.32*		
MSCI ACWI IMI (Net)		5.57	7.00	12.25	5.24	10.87	4.63
MSCI ACWI (Net)		5.30	6.59	11.96	5.17	10.63	4.34
MSCI World (Net)		4.86	5.55	11.36	5.84	11.63	4.47

Global Equity Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Global Equity - Active								
Wellington (Gross)	**$ 80.7**	**5.87**	**2.52**	**8.24**	**7.66**	**-.-**	**13.21**	**Aug-12**
Wellington (Net)		**5.71**	**2.04**	**7.57**	**7.07**	**-.-**	**12.61**	**Aug-12**
MSCI ACWI (Net) + 2%		5.80	8.09	13.96	7.17	-.-	10.83	Aug-12
Net of Fee Value Added vs Objective		*-0.09*	*-6.05*	*-6.39*	*-0.10*		*1.78*	
MSCI ACWI (Net)		5.30	6.59	11.96	5.17	-.-	8.83	Aug-12
Net of Fee Value Added vs Benchmark		*0.41*	*-4.55*	*-4.39*	*1.90*		*3.78*	
Information Ratio				**-1.21**	**0.52**	**-.-**		
Sharpe Ratio				**0.48**	**0.58**	**-.-**		
Global Equity - Passive								
Northern Trust (Gross)	**$ 78.1**	**5.68**	**7.39**	**12.79**	**-.-**	**-.-**	**12.79**	**Oct-15**
Northern Trust (Net)		**5.68**	**7.39**	**12.79**	**-.-**	**-.-**	**12.79**	**Oct-15**
MSCI ACWI (Net)		5.57	7.00	12.25	-.-	-.-	12.25	Oct-15
Net of Fee Value Added vs Benchmark		*0.11*	*0.39*	*0.54*			*0.54*	

Global Equity Overview (Continued)

Towards the end of the 2015 the Fund liquidated its investment in the Aberdeen Global Equity portfolio and moved the assets over to Northern Trust. Today, the global equity composite is comprised of an actively-managed strategy (with a U.S. bias relative to the benchmark) managed by Wellington. This strategy is complemented by a passively-managed strategy provided by Northern Trust. As of quarter-end, each strategy is allotted roughly half of the segment's total value (currently approaching $159 million). The Wellington portfolio fared well during the second quarter, outperforming against its benchmark index (MSCI ACWI Index) by a modest margin largely due to strong individual stock selection decisions. The passively-managed Northern Trust strategy is performing in line with expectations, closely tracking the risk/return profile of the benchmark. The global equity composite is currently underperforming over all measured periods greater than the current quarter, including since inception (9/12).

Wellington (Active)

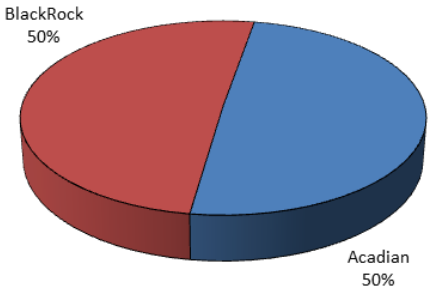
- Wellington manages the Fund's active global equity portfolio. During the third quarter, the Wellington portfolio returned 5.71% (net of fees), outperforming its benchmark (MSCI ACWI) which returned 5.30%. The Wellington portfolio is structured with a consistent overweight bias towards the home country market (U.S.). As a result, whatever happens domestically quarter-to-quarter is a powerful determinant of how the overall portfolio will fare in relation to the benchmark. To begin the period, the U.S. market comprised around 66% of the portfolio's total asset value, compared to 58% of the benchmark. In the current period International stocks as a whole delivered better performance than U.S. equities producing a slight drag on relative performance. Nevertheless, stock selection decisions elsewhere in the portfolio were able overcome these losses. Specifically, the portfolio was aided by strong individual stock selection decisions within the Japanese market which returned 12.54% versus 8.71% for the benchmark. Similar drivers of outperformance could be seen in the Swiss and Dutch markets where the portfolio holdings outpaced the benchmark holdings by sizable margins. Collectively country and sector weighting decisions ended the period flat. Despite the portfolios recent underperformance, the Wellington portfolio is outperforming for the three-year (+190 bps) period as well as since inception (+378 bps) (09/12).

Northern Trust (Passive)

- In early September (2015) the Fund added a new global equity manager to the segment. Managed by Northern Trust, this strategy gives the Fund broadly diversified exposure to global stocks via a passively managed investment vehicle, which will result in lower turnover and costs incurred. The Northern Trust global equity portfolio was funded with proceeds from the liquidated Aberdeen Global Equity portfolio. The new funded strategy has been quickly built up to size and by quarter-end represented nearly 50% of the segment's total value. After its first full year of performance, the Northern Trust portfolio continues to closely track the risk profile while modestly outperforming its benchmark index MSCI ACWI (+54) basis points since inception.

Global Low Volatility Equity Overview

Global Low Volatility Structure



Global Low Volatility Composite

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Total Global Low Volatility (Gross)	**$ 339.4**	**0.29**	**11.06**	**15.88**	**-.-**	**-.-**	**-.-**
Total Global Low Volatility (Net)		**0.24**	**10.92**	**15.68**	**-.-**	**-.-**	**-.-**
MSCI ACWI Minimum Volatility (Net)		-0.28	10.65	16.31	-.-	-.-	-.-
Net of Fee Value Added vs Index		*0.52*	*0.27*	*-0.63*			
MSCI ACWI Minimum Volatility (Net)		-0.28	10.65	16.31	9.33	11.38	7.16
MSCI World x-US Minimum Volatility (Net)		2.03	7.53	12.34	6.74	8.71	5.54
MSCI ACWI (Net)		5.30	6.59	11.96	5.17	10.63	4.34

Global Equity Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Global Low Volatility - Active								
Acadian Global Low Vol (Gross)	**$ 168.9**	**0.78**	**11.01**	**14.80**	**-.-**	**-.-**	**8.41**	**Jun-15**
Acadian Global Low Vol (Net)		**0.69**	**10.72**	**14.41**	**-.-**	**-.-**	**8.09**	**Jun-15**
MSCI ACWI (Net) + 2%		5.80	8.09	13.96	-.-	-.-	3.10	Jun-15
Net of Fee Value Added vs Objective		*-5.11*	*2.63*	*0.45*			*4.99*	
MSCI ACWI (Net)		5.30	6.59	11.96	-.-	-.-	1.10	Jun-15
Net of Fee Value Added vs Benchmark		*-4.61*	*4.13*	*2.45*			*6.99*	
MSCI ACWI Min Vol (Net)		-0.28	10.65	16.31	-.-	-.-	8.89	Jun-15
Information Ratio				**-0.55**	**-.-**	**-.-**		
Sharpe Ratio				**1.36**	**-.-**	**-.-**		
Global Low Volatility - Passive								
BlackRock Global Low Vol (Gross)	**$ 170.5**	**-0.19**	**11.10**	**16.93**	**-.-**	**-.-**	**9.46**	**Jun-15**
BlackRock Global Low Vol (Net)		**-0.19**	**11.10**	**16.93**	**-.-**	**-.-**	**9.46**	**Jun-15**
MSCI ACWI Min Vol (Net)		-0.28	10.65	16.31	-.-	-.-	8.89	Jun-15
Net of Fee Value Added vs Benchmark		*0.09*	*0.45*	*0.62*			*0.57*	

Acadian Info Ratio statistic is based on MSCI ACWI Min Vol benchmark.

Global Low Volatility Equity Overview (Continued)

- In June of 2015, the Board elected to transfer assets from existing strategies elsewhere in the Fund into two new global low volatility equity portfolios. The first portfolio is actively-managed and run by Acadian. Its primary mandate is to provide the Fund with a better risk/return profile relative to the broad MSCI ACWI, its primary benchmark (the Acadian portfolio's performance is also measured against the MSCI ACWI Minimum Volatility as a secondary benchmark). The second portfolio is a passively-managed index fund provided through BlackRock. Taken together, both funds will add diversification benefits to the existing suite of public equity managers. After its first full year of performance within the Fund, the global low volatility equity composite is currently underperforming the MSCI ACWI Minimum Volatility Index.

Acadian (Global Low Volatility – Active)

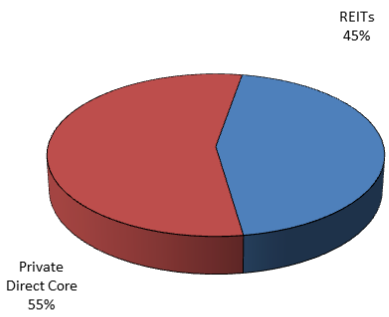
- Acadian manages the Fund's active global low volatility equity portfolio. The strategy was funded during June of 2015 and has just completed its first full year of performance within the Fund. During the third quarter, the Acadian portfolio returned 0.69% (net of fees). The portfolio's primary benchmark is the traditional cap-weighted MSCI All-Country World Index (ACWI). In addition, the portfolio is viewed in comparison to its secondary benchmark, the MSCI ACWI Minimum Volatility. During the quarter, the Acadian portfolio underperformed the primary cap-weighted benchmark (5.30% return) but was able to outpace its reweighted minimum volatility benchmark (-0.28% return). Relative to the primary cap-weighted benchmark, the portfolio had much greater exposure to the lowest-volatility securities from within the opportunity set, which had a negative impact on the overall portfolio's performance. The portfolio also had underweight exposure (compared against the primary benchmark) to highest volatility securities, which was also a detractor during the period. Despite the portfolios relative underperformance against its primary benchmark it was able to keep pace with its secondary benchmark as a result of both country and sector weighting decisions. This outperformance can be largely attributed to country and sector weighting decisions in the South Korean, German and Canadian markets where the portfolio ended up on the right side of the trade, either underweight an underperforming market or overweight an outperforming market (ex. South Korea). Security selection ended the period slightly negative. Additionally, the Acadian portfolio has wide dispersion in its economic sector allocations as compared to the cap-weighted index, potentially leading to a higher degree of tracking error (this difference is reduced when comparing against the secondary minimum volatility benchmark). The Acadian portfolio is currently outperforming its primary benchmark since inception (+699 bps) (07/15). The portfolio has trailed its secondary minimum volatility benchmark since inception (-80 bps).

BlackRock (Global Low Volatility – Passive)

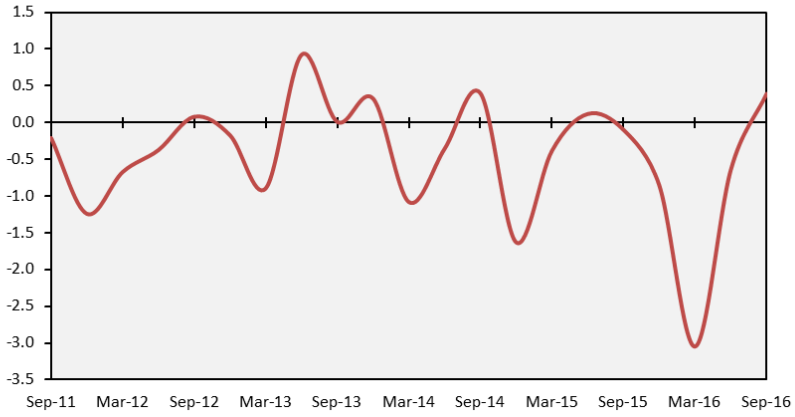
- BlackRock manages the Fund's passive global volatility equity strategy. Like Acadian above, this strategy is relatively new within the Fund having been funded at the end of June 2015. The BlackRock portfolio is intended to provide a low-cost, highly diversified global equity investment strategy focused on minimizing volatility. The BlackRock portfolio is benchmark against the MSCI ACWI Minimum Volatility. To date, the portfolio continues to perform in line with expectations, closely tracking the risk profile of the benchmark index while outperforming the benchmark (+57 bps) since inception.

Real Estate Overview

Real Estate Structure



Total Real Estate Composite
Quarterly Excess Return



Real Estate Composite

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Total Real Estate (Gross)	**$ 367.6**	**0.52**	**7.17**	**11.83**	**13.11**	**13.83**	**5.85**
Total Real Estate (Net)		**0.36**	**6.66**	**11.12**	**12.30**	**13.00**	**5.15**
Custom Benchmark [1]		0.01	7.41	12.84	12.02	13.20	5.61
Net of Fee Value Added vs Benchmark		*0.35*	*-0.75*	*-1.72*	*0.28*	*-0.20*	*-0.46*
REIT Strategies	$ 164.9	-0.85	7.59	14.85	13.94	15.19	5.23
Private Core Real Estate	$ 202.7	1.38	5.22	8.00	10.94	11.06	-.-
Wilshire Real Estate Securities Index		-1.40	10.04	18.45	14.61	16.02	5.93
NCREIF Open Diversified Core Equity (Net)		1.83	5.80	9.09	11.42	11.34	5.05

Real Estate Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Real Estate Securities - Public								
Adelante Capital Management (Gross)	**$ 82.6**	**-0.80**	**7.04**	**13.39**	**14.53**	**16.15**	**11.40**	**Sep-01**
Adelante Capital Management (Net)		**-0.93**	**6.59**	**12.75**	**13.89**	**15.50**	**10.83**	**Sep-01**
Wilshire Real Estate Securities + 1%		-1.15	10.79	19.45	15.61	17.02	12.40	Sep-01
Net of Fee Value Added vs Objective		*0.22*	*-4.20*	*-6.70*	*-1.72*	*-1.52*	*-1.57*	
Wilshire Real Estate Securities		-1.40	10.04	18.45	14.61	16.02	11.40	Sep-01
Net of Fee Value Added vs Index		*0.47*	*-3.45*	*-5.70*	*-0.72*	*-0.52*	*-0.57*	
Information Ratio				**-2.44**	**-0.34**	**-0.25**		
Sharpe Ratio				**0.84**	**0.98**	**1.05**		
Security Capital (Gross)	**$ 82.2**	**-0.61**	**9.10**	**17.71**	**14.70**	**15.63**	**11.80**	**Sep-01**
Security Capital (Net)		**-0.76**	**8.57**	**16.96**	**13.96**	**14.87**	**11.13**	**Sep-01**
Wilshire Real Estate Securities + 1%		-1.15	10.79	19.45	15.61	17.02	12.40	Sep-01
Net of Fee Value Added vs Objective		*0.39*	*-2.22*	*-2.49*	*-1.65*	*-2.15*	*-1.27*	
Wilshire Real Estate Securities		-1.40	10.04	18.45	14.61	16.02	11.40	Sep-01
Net of Fee Value Added vs Index		*0.64*	*-1.47*	*-1.49*	*-0.65*	*-1.15*	*-0.27*	
Information Ratio				**-0.79**	**-0.47**	**-0.88**		
Sharpe Ratio				**1.06**	**0.91**	**0.94**		

[6] Real Estate Custom Benchmark: 50% Wilshire RESI / 39% NCREIF ODCE NOF/11% Invesco Custom Benchmark (4q13 – Present); Wilshire RESI (4q89 – 4q10).

Real Estate Overview (Continued)

Real Estate Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Direct Core Real Estate - Private								
Heitman America Real Estate Trust (Gross)	**$ 86.8**	**2.32**	**7.24**	**11.37**	**12.65**	**12.90**	**14.44**	**Aug-10**
Heitman America Real Estate Trust (Net)		**2.10**	**6.53**	**10.40**	**11.67**	**11.90**	**13.35**	**Aug-10**
NCREIF Open-End Diversified Core (Net)		1.83	5.80	9.09	11.42	11.34	13.76	Aug-10
Net of Fee Value Added vs Index		*0.27*	*0.73*	*1.31*	*0.25*	*0.56*	*-0.41*	
Invesco Core Real Estate USA (Gross)	**$ 69.0**	**1.91**	**7.60**	**10.50**	**13.22**	**12.43**	**13.68**	**Aug-10**
Invesco Core Real Estate USA (Net)		**1.68**	**6.90**	**9.57**	**12.22**	**11.43**	**12.68**	**Aug-10**
NCREIF Open-End Diversified Core (Net)		1.83	5.80	9.09	11.42	11.34	13.76	Aug-10
Net of Fee Value Added vs Index		*-0.15*	*1.10*	*0.48*	*0.80*	*0.09*	*-1.08*	
Invesco II	**$ 46.9**	**-0.38**	**-0.33**	**-0.30**	**-0.19**	**-.-**	**-0.19**	**Oct-13**

- The Fund's total real estate composite is comprised of both public market real estate securities (REITs) and private investment in direct core real estate. The total segment returned 0.36% (net of fees) during the third quarter, outperforming its benchmark (split 50% Wilshire Real Estate Securities Index, 39% NCREIF Open-End Diversified Core Index and 11% Invesco II Custom Benchmark) which returned 0.01%. On the public side, the Adelante portfolio outpaced the Wilshire RESI mostly as a result of stock selection (confined largely to the "other" segment of the market). Likewise, the companion strategy managed by Security Capital also outperformed the benchmark largely due to superior stock selection in the apartment and "other" segments. During the third quarter, the Heitman portfolio outperformed relative to the NCREIF Open-End Diversified Core Index while the Invesco U.S. Core Real Estate fund was unable to keep pace with the benchmark. Currently, the Fund's total real estate composite is outperforming its benchmark over the three-year period (+28 bps), but continues to trail the benchmark since inception (12/89).

Adelante Capital Management (REITs)

- Adelante Capital manages one of the Fund's two marketable real estate securities (REIT) portfolios. Real Estate Investments Trust (REITs) were little changed in the period, as interest rates, although still relatively low, trended higher during the quarter. During the third quarter, the Adelante portfolio returned -0.93% (net of fees), outperforming its benchmark index (Wilshire Real Estate Securities) which returned -1.40%. Both individual stock selection and sector positioning served as the predominant drivers of this quarter's outperformance. Sector positioning was most additive within the "other" and storage segments of the REIT market. In the "other" segment in particular, these holdings dwarf any other segment within the portfolio, comprising over 47% of total asset value (the next largest group of holdings in the portfolio, apartments, make up approximately 16% of assets). Therefore, as a result of it massive size, any return differential within this group of holdings will have a strong impact at the total portfolio level. Likewise, the stock selection exhibited among the portfolio's "other" segment holdings was also additive during the period. The portfolio's strongest-performing segment from an individual stock selection standpoint was the "apartment" segment where the portfolio holdings returned -0.19% versus -1.21% in that of the benchmark holdings. Similarly, individual stock selection in the portfolio's office, industrial, and storage sectors were also positive during the period. Overall, small gains due to stock selection and sector positioning collectively pushed the portfolios return above that of the benchmark in what was a relatively stagnant real estate market during the quarter. The Adelante portfolio is currently underperforming its benchmark over the one-year (-570), three-year (-72 bps) and five-year (-52 bps) periods as well as since inception (09/01).

Security Capital (REITs)

- Security Capital manages the Fund's other REIT portfolio. The Security portfolio delivered similar performance to its companion strategy managed by Adelante, returning -0.76% (net of fees) during the third quarter, outperforming its benchmark (Wilshire Real Estate Securities Index) which returned -1.40%. This quarter's results were driven by strong stock selection, which was primarily spread across two of the main market segments: apartments and "other". In each segment, the portfolio's mix of holdings delivered returns above that of the benchmark. The greatest return differential came from within the "other" segment, where the portfolio's holdings gained 1.22% compared to 0.09% for the benchmark. Collectively, these two segments provide around 65% of the portfolios total exposure. Of the previously mentioned sectors there were several positions that experienced positive returns amongst a relatively negative (from a returns standpoint) real estate market. Most notably, "Hudson Pac Properties Inc." (+13.34%), "Senior Hsg Properties" (+10.98%), "Prologis Inc." (+10.07%) experienced such returns. Top-down sector weighting decisions had a net positive impact during the period. Most of this was confined to the storage, local retail and "other" segments of the market. The portfolio was aided by underweight allocations to these segments which were the weakest performing sectors returning -5.03% and -12.25% respectively. The Security Capital portfolio is currently underperforming its benchmark over all measured periods greater than the current quarter, including since inception (-27 bps) (09/01).

Heitman (Direct Core Real Estate)

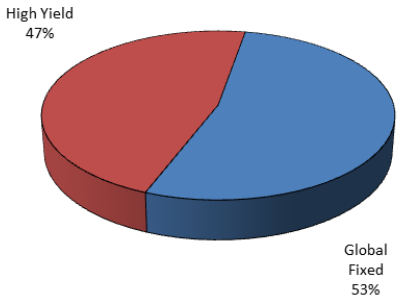
- Heitman manages one of the Fund's three direct core real estate portfolios. The Heitman portfolio returned 2.10% (net of fees) during the third quarter, outperforming its benchmark (NCREIF Open End Diversified Core Index) which returned 1.83%. Valued added for the period was driven in large part by the Fund's industrial and self -storage investments. The portfolio continues to remain well leased with an overall leasing level of 94% at quarter end. Year over year same-property net operating income through the third quarter increased 6.6% with the industrial and self-storage sectors realizing the largest valuation increases. The Fund anticipates paying a dividend in October of around $13.56 per share, providing investors with additional yield. At quarter end the portfolio's allocation is well diversified across the apartment (26% allocation), office (23%), retail (22%), self-storage (17%) and industrial (12%) segments of the market. The portfolio is also well diversified across the U.S. geographical landscape allocating 37% of the portfolio to the Western region of the U.S., 24% to the Southern region, 20% to the Midwest region and 19% to the Eastern region of the country. The portfolio completed one acquisition during the quarter: an industrial investment in San Bernadino, California. Meanwhile, the Fund sold three investments during the period resulting in net proceeds of approximately $241.7 million. The Heitman portfolio is currently outperforming its benchmark over all measured periods greater than one-year including since inception (+69 bps) (08/10).

Invesco Core Real Estate-USA (Direct Core Real Estate)

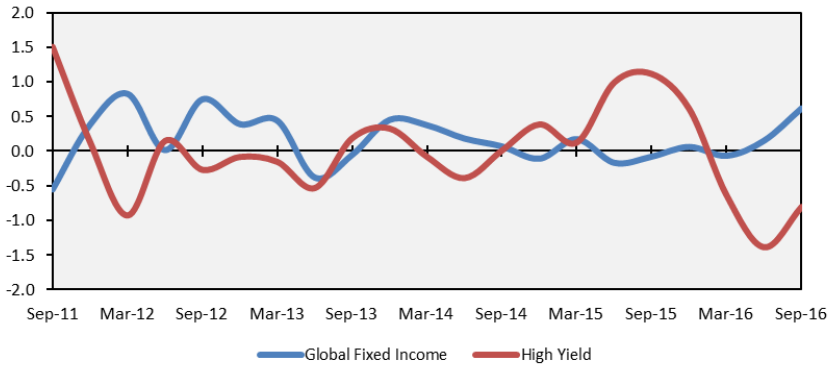
- Invesco manages two of the Fund's three direct core real estate portfolios. The Invesco Core Real Estate-USA portfolio returned 1.68% (net of fees) during the third quarter, underperforming its benchmark (NCREIF Open End Diversified Core Index) which returned 1.83%. Historically, the portfolio maintains an overweight allocation to the apartment and retail segments of the market. At current levels, the portfolio sits underweight the industrials and office segments of the market while holding overweight exposures to the apartment and retail segments of the market. The portfolio holds 91 investments that are diversified across the United States with large allocation to the west coast region. Three areas in California; the San Francisco Bay Area, Los Angeles and Orange County alone make up 34% of the portfolio's total value. During the quarter the Fund closed on four acquisitions throughout the country for a total of $560.0 million. Going forward the Fund will continue to explore opportunities to take advantage of strong capital market conditions and will selectively sell assets that they believe may not perform as well during the next downturn to enhance the quality of the existing portfolio. The Invesco portfolio is currently outperforming its benchmark over all measured periods including since inception (+2 bps) (08/10).

Fixed Income Overview

Fixed Income Structure



Global Fixed Income and High Yield Quarterly Excess Return



Fixed Income Composites

	Assets (Millions)	Performance QTR	YTD	1-year	3-year	5-year	10-year
Global Fixed Income (Gross)	**$ 479.6**	**1.13**	**6.70**	**6.22**	**4.77**	**4.08**	**4.94**
Global Fixed Income (Net)		**1.08**	**6.53**	**5.99**	**4.59**	**3.90**	**4.73**
Barclays Aggregate Bond Index		0.46	5.80	5.19	4.03	3.08	4.79
Net of Fee Value Added vs Benchmark		*0.62*	*0.73*	*0.80*	*0.56*	*0.82*	*-0.06*
High Yield (Gross)	**$ 421.9**	**4.76**	**12.77**	**10.94**	**5.41**	**8.12**	**7.39**
High Yield (Net)		**4.64**	**12.35**	**10.39**	**4.91**	**7.61**	**6.89**
Custom Benchmark [1]		5.45	15.42	12.71	4.76	7.83	7.31
Net of Fee Value Added vs Benchmark		*-0.81*	*-3.07*	*-2.32*	*0.15*	*-0.22*	*-0.42*
Barclays Aggregate		0.46	5.80	5.19	4.03	3.08	4.79
Citigroup High Yield Cash Pay		5.45	15.42	12.71	4.76	7.83	7.31
BofA ML High Yield Master II		5.49	15.32	12.82	5.27	8.24	7.59

Global Fixed Income Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Global Fixed Income								
Advantus Capital Mgmt. (Gross)	**$ 201.5**	**1.34**	**7.09**	**6.53**	**5.14**	**4.39**	**5.39**	**Apr-07**
Advantus Capital Mgmt. (Net)		**1.30**	**6.95**	**6.34**	**4.97**	**4.22**	**5.21**	**Apr-07**
Barclays Aggregate + 0.5%		0.58	6.17	5.69	4.53	3.58	5.44	Apr-07
Net of Fee Value Added vs Objective		*0.72*	*0.78*	*0.65*	*0.44*	*0.64*	*-0.23*	
Barclays Aggregate		0.46	5.80	5.19	4.03	3.08	4.94	Apr-07
Net of Fee Value Added vs Benchmark		*0.84*	*1.15*	*1.15*	*0.94*	*1.14*	*0.27*	
Information Ratio				**1.63**	**1.86**	**2.21**		
Sharpe Ratio				**2.72**	**1.89**	**1.52**		
Aberdeen (Gross)	**$ 205.0**	**1.22**	**6.63**	**6.11**	**4.26**	**3.96**	**5.63**	**Apr-07**
Aberdeen (Net)		**1.16**	**6.44**	**5.86**	**4.12**	**3.52**	**5.42**	**Apr-07**
Barclays Aggregate + 0.5%		0.58	6.17	5.69	4.53	3.58	5.23	Apr-07
Net of Fee Value Added vs Objective		*0.58*	*0.27*	*0.17*	*-0.41*	*-0.06*	*0.19*	
Barclays Aggregate		0.46	5.80	5.19	4.03	3.08	4.73	Apr-07
Net of Fee Value Added vs Benchmark		*0.70*	*0.64*	*0.67*	*0.09*	*0.44*	*0.69*	
Information Ratio				**0.49**	**0.11**	**0.37**		
Sharpe Ratio				**2.20**	**1.54**	**1.17**		

[7] High Yield Custom Benchmark: Citigroup High Yield Cash Pay (4q99 – Present); Citigroup High Yield Composite Index (1q97 – 3q99).

Fixed Income Overview (Continued)

Global Fixed Income Managers

	Assets (Millions)	Performance (%) QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
Global Fixed Income								
Garcia Hamilton (Gross)	**$ 73.1**	**0.31**	**5.86**	**5.68**	**-.-**	**-.-**	**4.90**	**Oct-13**
Garcia Hamilton (Net)		**0.24**	**5.66**	**5.42**	**-.-**	**-.-**	**4.66**	**Oct-13**
Barclays Aggregate + 0.5%		0.58	6.17	5.69	-.-	-.-	4.36	Oct-13
Net of Fee Value Added vs Objective		*-0.34*	*-0.51*	*-0.27*			*0.30*	
Barclays Aggregate		0.46	5.80	5.19	-.-	-.-	3.86	Oct-13
Net of Fee Value Added vs Benchmark		*-0.22*	*-0.14*	*0.23*			*0.80*	
Information Ratio				**0.17**	**-.-**	**-.-**		
Sharpe Ratio				**1.99**	**-.-**	**-.-**		

- The Fund's global fixed income segment returned 1.08% (net of fees) during the third quarter of 2016, outperforming the Barclays Aggregate Bond Index, which returned 0.46%. The segment is comprised of three actively managed strategies: (1) Advantus Capital Management, (2) Aberdeen Asset Management, and (3) Garcia Hamilton. During the period, the Advantus and Aberdeen portfolio's managed to outperform the Barclays Aggregate while the Garcia Hamilton portfolio struggled to keep pace with the benchmark. Advantus and Aberdeen (both with early 2007 inception dates) manage roughly the same level of assets for the Fund, the newer Garcia Hamilton portfolio (late 2013 inception) has a smaller mandate. Therefore, quarter to quarter performance is largely driven by the results of the Advantus and Aberdeen accounts while the Garcia Hamilton account does not have the ability to move the needle as much, so to speak, on account of its smaller size. The global fixed income composite is outperforming against the Barclays Aggregate over the one-year (+80 bps), three-year (+56 bps), and five-year (+82 bps) periods.

Advantus Capital Management (Core Fixed Income)

- Advantus Capital manages one of the Fund's three global fixed income portfolios. During the third quarter, the Advantus portfolio returned 1.30% (net of fees), outperforming its benchmark (Barclays Aggregate) which returned 0.46% for the quarter. The Advantus portfolio has a persistent and long-standing underweight allocation to government/agency securities (including Treasuries), which most recently made up only 22% of the portfolio compared to 41% for the benchmark. During the quarter U.S. Treasury securities fell -0.28% (as measured by the Barclays Capital U.S. Treasury Index), while the Corporate segment was able to manage a mild gain (as measured by the Barclays Corporate Index which returned 1.41%) during the period. With Treasury securities across all maturity buckets lagging the broader core fixed income market space, the portfolio's tactical underweight exposure here proved beneficial. Additionally, the portfolio had a slightly lower weighted-average credit quality (rating of A for the portfolio vs. AA for the benchmark). In the current market environment, investors are continuing to seek out opportunities to increase the yield of their fixed income portfolios. One way to do this is by moving down the quality spectrum, incrementally further away from the safest investment-grade securities. This has in turn increased the demand among this segment of the bond market, pushing prices higher and producing higher overall returns for investors. The portfolio had slightly higher exposure to long-dated bonds (those maturing in twenty-years or more) which comprised 20% of the portfolio versus 12% of the benchmark. This slight mismatch was a contributor during the period as returns rose with increasing time of maturity in corporate debt. The Advantus portfolio is currently outperforming against its benchmark over the one-year (+115 bps), three-year (+94 bps), and five-year (+114 bps) periods as well as since inception (+27 bps) (06/07).

Fixed Income Overview (Continued)

Aberdeen (Core Fixed Income)

- Aberdeen (formerly Artio Global Investors) manages another of the Fund's global fixed income portfolios. During the third quarter the Aberdeen portfolio returned 1.16% (net of fees), outperforming its benchmark the Barclays Aggregate Index which returned 0.46% during the period. The Aberdeen portfolio is similarly positioned as the Advantus portfolio in many respects, with a notable underweight exposure to government and agency bonds (35% portfolio weight vs. 41% benchmark weight). In the current market environment, U.S. Government debt (primarily Treasury securities) lagged corporate paper within the core fixed income opportunity set (the Barclays U.S. Treasury Index returned -0.28% while the Barclays U.S. Corporate Index returned 1.41%). This theme remained largely consistent as the time to maturity increased. So, holding all else equal, the portfolio's greater relative exposure to corporate debt (conversely, less exposure to government debt) was a positive contributor during the period, not isolated to any one particular maturity bucket. The portfolio's weighted-average credit quality (AA), sits in line with that of the benchmark (AA), such that this was not a meaningful source of added or detracted value. Relative to the benchmark, the portfolio also had a greater proportion of its debt characterized by long maturities: bonds maturing in ten years or more comprised over 28% of the portfolio's total asset value, compared to just 16% for the benchmark. This structural composition was a contributor for the portfolio, as within the corporate segment of the market, longer-term securities generally outperformed their more intermediate counterparts on a total return basis. The Aberdeen portfolio is outperforming against its benchmark over the one-year (+67 bps), three-year (+9 bps) and five-year (+44 bps) period, as well as since inception (+69 bps) (06/07).

Garcia Hamilton (Core Fixed Income)

- Garcia Hamilton is the Fund's third global fixed income manager. During the third quarter, the portfolio returned 0.24% (net of fees), underperforming its benchmark index (Barclays Aggregate) which returned 0.46%. The Garcia Hamilton portfolio also underperformed its performance objective (Barclays Aggregate + 0.5%) which returned 0.58%. Unlike the two other strategies in the Fund's global fixed income segment (Advantus and Aberdeen), the Garcia Hamilton portfolio has typically maintained exposure to government and agency bonds (predominantly Treasuries) at a level that is greater than the benchmark. However, at the end of the quarter these holdings comprised 42% of the portfolio compared to 41% for the benchmark. This sector allocation variance had a net negative impact on the overall portfolio, as U.S. Treasury securities generally lagged the rest of the core fixed income market space (the Barclays U.S. Treasury Index returned -0.28% while the Barclays U.S. Corporate Index returned 1.41%). Additionally, the portfolio had a much higher percentage of its assets with long-dated maturities: those maturing in twenty years or more made up approximately 35% of the portfolio versus only just over 12% for the benchmark. While this structural composition proved to be a contributor during the period across the corporate segment of the market, total return decreased as time to maturity increased in treasury securities which were the most heavily weighted segment of the portfolio. The credit quality of the portfolio (AA) closely matched that of the Barclays Aggregate (also AA), such that this was not a meaningful source of added or detracted value. The Garcia Hamilton portfolio is currently outperforming against its benchmark since inception (+80 bps) (12/13).

Fixed Income Overview (Continued) [8]

High Yield/Credit Opportunities Managers

	Assets (Millions)	QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
		Performance (%)						
High Yield								
Oaktree Capital Management (Gross)	**$ 210.7**	**4.87**	**14.13**	**11.82**	**4.79**	**7.75**	**7.51**	**Dec-96**
Oaktree Capital Management (Net)		**4.74**	**13.68**	**11.24**	**4.27**	**7.21**	**7.00**	**Dec-96**
Performance Objective		5.70	16.17	13.71	5.76	8.83	8.06	Dec-96
Net of Fee Value Added vs Objective		*-0.96*	*-2.49*	*-2.47*	*-1.49*	*-1.62*	*-1.06*	
Custom Benchmark		5.45	15.42	12.71	4.76	7.83	7.06	Dec-96
Net of Fee Value Added vs Benchmark		*-0.71*	*-1.74*	*-1.47*	*-0.49*	*-0.62*	*-0.06*	
Information Ratio				**-1.37**	**-0.66**	**-0.61**		
Sharpe Ratio				**1.43**	**0.69**	**1.16**		
BlackRock High Yield (Gross)	**$ 211.3**	**4.65**	**11.41**	**10.05**	**5.27**	**8.02**	**7.13**	**Sep-06**
BlackRock High Yield (Net)		**4.54**	**11.01**	**9.53**	**4.76**	**7.52**	**6.65**	**Sep-06**
Citigroup High Yield Cash Pay + 1%		5.70	16.17	13.71	5.76	8.83	8.31	Sep-06
Net of Fee Value Added vs Objective		*-1.16*	*-5.16*	*-4.18*	*-1.00*	*-1.31*	*-1.66*	
Citigroup High Yield Cash Pay		5.45	15.42	12.71	4.76	7.83	7.31	Sep-06
Net of Fee Value Added vs Benchmark		*-0.91*	*-4.41*	*-3.18*	*0.00*	*-0.31*	*-0.66*	
Information Ratio				**-1.35**	**0.00**	**-0.17**		
Sharpe Ratio				**1.42**	**0.86**	**1.33**		
Credit Opportunities								
Neuberger Berman (Gross)	**$ 89.5**	**4.68**	**-.-**	**-.-**	**-.-**	**-.-**	**11.93**	**Jan-16**
Neuberger Berman (Net)		**4.68**	**-.-**	**-.-**	**-.-**	**-.-**	**11.93**	**Jan-16**
Custom Benchmark + 1%		4.45	-.-	-.-	-.-	-.-	14.17	Jan-16
Net of Fee Value Added vs Objective		*0.23*					*-2.24*	
Custom Benchmark		4.20	-.-	-.-	-.-	-.-	13.50	Jan-16
Net of Fee Value Added vs Benchmark		*0.48*					*-1.57*	
Information Ratio				**-.-**	**-.-**	**-.-**		
Sharpe Ratio				**-.-**	**-.-**	**-.-**		

- The high yield composite returned 4.64% (net of fees) during the third quarter, underperforming against the Citigroup High Yield Cash Pay Index which returned 5.45%. The composite is currently split equally between the two actively-managed strategies. Underperformance this period can be attributed to both of the composites strategies which lagged the benchmark by a substantial margin. The high yield composite is currently outperforming over the three-year (+15 bps) as well as since inception period (03/97).

Oaktree Capital Management (High Yield Fixed Income)

- Oaktree Capital manages one of the Fund's two high yield fixed income portfolios. The Oaktree portfolio returned -4.74% (net of fees) during the third quarter, underperforming its benchmark (Citigroup High Yield Cash Pay) which returned 5.45%. The rally in the non-investment grade fixed income market continued in the third quarter of 2016, with metals & mining and energy leading the way. However, the portfolio was unable to gain ground against the benchmark for the second quarter in a row. Despite, strong absolute returns for the period, the portfolio lost ground due to its underweight allocation to the energy sector coupled with an overweight allocation to the poorly performing utilities sector. A lower weighted-average credit quality (B) relative to the benchmark index (BB) served as a contributor during the period. Amidst a search for yield in the non-investment grade market space in the

[8] Oaktree Capital Management Performance Objective: Citigroup High Yield Cash Pay + 1% (4q99 – Present); Citigroup High Yield Composite Index + 1% (2q97 – Present).

Fixed Income Overview (Continued)

current period, securities further down along the quality spectrum relatively outperformed those with higher ratings (the CCC-rated component of the Citigroup High Yield index returned 8.00% while the BB-rated component returned 4.21%). The portfolio is currently positioned with a slightly lower current yield, suggesting that the price performance of its bond holdings has been mildly more resilient to downwards pressures that the benchmark. Additionally, the portfolio maintains a slightly higher effective duration of its portfolio relative to the benchmark, as it has over the last couple of years; this indicates that the portfolio has greater price sensitivity to changes in interest rates. Given the prevailing low level or rates, it stands to reason that they are bound to head higher over some indeterminate period going forward. The Oaktree portfolio is currently underperforming over the one-year (-147 bps), three-year (-49 bps) and five-year (-62 bps) periods, as well as since inception (-6 bps) (03/97).

BlackRock (High Yield Fixed Income)

- BlackRock manages the Fund's other high yield fixed income portfolio. During the third quarter, the BlackRock portfolio returned 4.54%, underperforming its benchmark (Citigroup High Yield Cash Pay) which returned 5.45%. Despite a relatively strong quarter for the space overall, several of the portfolios holdings experienced modest gains which eroded the strong performance of positions elsewhere in the portfolio. The portfolios relative underweight exposure to the hard hit energy sector over the past year has benefited the portfolio's performance on both an absolute and relative basis. In the current period however, energy related names continued to rally as oil stabilized, in turn, becoming a detracting force year to date. The weighted-average credit quality of the portfolio (B) is one-notch below that of the benchmark (BB). This variance was a contributing force during the period, as investors bid up the prices of lower-rated securities in the non-investment-grade space ratings (the CCC-rated component of the Citigroup High Yield index returned 8.00% while the BB-rated component returned 4.21%). The portfolio is exhibiting a slightly lower current yield relative to the benchmark while the effective duration of the portfolio sits moderately above that of the benchmark, pointing to increase price sensitivity to sudden changes in the prevailing interest rates. The BlackRock portfolio is currently underperforming over the one-year (-318 bps), and five-year (-31 bps) periods as well as since inception period (-66 bps) (09/06).

Neuberger Berman (Credit Opportunities)

- Neuberger Berman manages the Fund's credit opportunities portfolio. During January of 2016 the Neuberger Berman Credit Opportunities portfolio was funded to further diversify the plan's fixed income basket. In its second full quarter of performance the portfolio returned 4.68% outperforming its custom benchmark (*33% ML High Yield Master II Index/33% S&P LSTA Leveraged Loan Index/33% JPM EMBI Global Diversified Index*) which returned 4.20%. The Neuberger Berman portfolio is also currently underperforming its custom benchmark since its inception (-157 bps)(01/16).

Private Equity Overview

Private Equity Composite

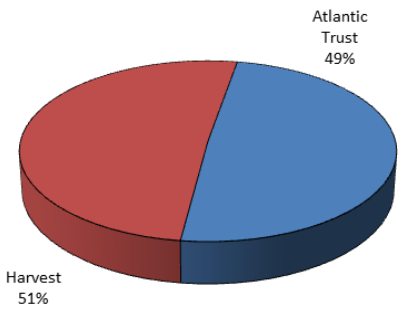
	Total Commitment	Cumulative Capital Called		Cumulative Distributions	Capital Balance	Multiple	Calculated IRR
Hamilton Lane Fund VII LP (Series A)	30,000,000	25,297,247	84.3%	8,430,690	25,283,214	1.33	10.4%
Hamilton Lane Fund VII LP (Series B)	20,000,000	17,695,467	88.5%	5,917,455	14,236,211	1.14	4.5%
Hamilton Lane Fund VII LP (Total)	*50,000,000*	*42,992,714*	86.0%	*14,348,145*	*39,519,425*	1.25	8.0%
Hamilton Lane Secondary Fund II LP	25,000,000	22,783,343	91.1%	25,203,014	3,596,981	1.26	9.9%
Hamilton Lane Secondary Fund III LP	30,000,000	17,732,318	59.1%	12,150,873	15,410,357	1.55	32.3%
Hamilton Lane Fund VIII LP (Global)	30,000,000	13,819,756	46.1%	1,341,061	14,606,178	1.15	8.6%
GCM-CFIG *	135,000,000	66,695,314	49.4%	1,016,325	86,655,348	1.31	10.6%
Fairview Capital III	40,000,000	4,556,865	11.4%	62,624	3,931,254	0.88	-28.2%
Total Private Equity Program	**310,000,000**	**168,580,310**	**54.4%**	**54,122,042**	**166,616,581**	**1.31**	**11.8%**

- Multiple calculation = (market value + distributions) / capital called
- Internal Rate of Return shown here is calculated by Wilshire based on cumulative cash flows and annualized since inception.

* Formerly Credit Suisse

Public Real Assets Overview

Fixed Income Structure



Public Real Assets Composite

	Assets (Millions)	QTR	YTD	1-year	3-year	5-year	10-year
		Performance					
Total Public Real Assets (Gross)	**$ 280.2**	**4.44**	**21.05**	**15.05**	**2.10**	**-.-**	**-.-**
Total Public Real Assets (Net)		**4.28**	**20.47**	**14.29**	**1.45**	**-.-**	**-.-**
Alerian MLP Index		1.07	15.94	12.74	-4.82	-.-	-.-
Net of Fee Value Added vs Index		*3.21*	*4.53*	*1.55*	*6.27*		
Alerian MLP Index		1.07	15.94	12.74	-4.82	4.96	9.01
S&P MLP Index		2.92	18.03	10.12	-4.38	5.50	8.64
Bloomberg Commodities Index		-3.86	8.87	-2.58	-12.34	-9.36	-5.33

Managers

	Assets (Millions)	QTR	YTD	1-year	3-year	5-year	Since Inception	Inception Date
		Performance (%)						
Public Real Assets								
Harvest Fund Advisors (Gross)	**$ 138.2**	**3.99**	**16.97**	**12.67**	**1.26**	**-.-**	**8.49**	
Harvest Fund Advisors (Net)		**3.80**	**16.33**	**11.83**	**0.58**	**-.-**	**7.77**	**Dec-11**
Alerian MLP Index + 1.5%		1.45	17.06	14.24	-3.32	-.-	3.43	Dec-11
Net of Fee Value Added vs Objective		*2.35*	*-0.73*	*-2.41*	*3.90*		*4.34*	
Alerian MLP Index		1.07	15.94	12.74	-4.82	-.-	1.93	Dec-11
Net of Fee Value Added vs Benchmark		*2.73*	*0.39*	*-0.91*	*5.40*		*5.84*	
Information Ratio				**-0.24**	**1.13**	**-.-**		
Sharpe Ratio				**0.47**	**0.02**	**-.-**		
Atlantic Trust CIBC (Gross)	**$ 142.0**	**4.89**	**25.31**	**17.46**	**1.74**	**-.-**	**10.23**	
Atlantic Trust CIBC (Net)		**4.75**	**24.78**	**16.78**	**1.17**	**-.-**	**9.64**	**Dec-11**
Alerian MLP Index + 1.5%		1.45	17.06	14.24	-3.32	-.-	3.43	Dec-11
Net of Fee Value Added vs Objective		*3.30*	*7.72*	*2.54*	*4.49*		*6.21*	
Alerian MLP Index		1.07	15.94	12.74	-4.82	-.-	1.93	Dec-11
Net of Fee Value Added vs Benchmark		*3.68*	*8.84*	*4.04*	*5.99*		*7.71*	
Information Ratio				**0.74**	**1.33**	**-.-**		
Sharpe Ratio				**0.62**	**0.05**	**-.-**		

Public Real Assets Overview (Continued)

- The Fund's Master Limited Partnership (MLP) program is comprised of two individual managers, Harvest Fund Advisors and Atlantic Trust (formerly Invesco), with the mandates essentially split evenly between the two. After several quarters of underperformance – driven by weak stock selection and small measures of sector diversification – both the Harvest Fund Advisors and Atlantic Trust portfolios have bounced back and outperformed the broader market (as represented by the Alerian MLP Index) over the past two periods. By the end of the second quarter of 2016, the MLP market looked to be making offensive gains. As Crude oil and natural gas prices, likewise, rebounded strongly off of the first quarter of 2016's historic low levels. This resurgence, combined with a favorable outlook for energy commodity supply/demand balances, suggested at the end of the second quarter that we were on our way back to energy commodity price levels that could sustain new exploration and production activity and growth. During the third quarter of 2016, however, MLPs as a group failed to advance meaningfully. Rather than continuing a supportive march upward, crude oil and natural gas prices stagnated in a horizontal trading band and ultimately ending the period just above where they began. Against this environment, MLP performance remained relatively low compared to investor expectations. Total returns for the period were 1.08% for the capitalization-weighted Alerian MLP Index. Despite the challenging environment over the past several quarters, both strategies continue to add significant value over longer historical periods. The MLP composite is currently outperforming over the three-year (+627 bps) periods, as well as since inception (09/12).

Harvest Fund Advisors (MLPs)

- Harvest Fund Advisors manages one of the Fund's two MLP portfolios. During the third quarter the Harvest portfolio returned 3.80% (net of fees), outperforming its benchmark (Alerian MLP Index) which 1.07%. Since the Harvest portfolio typically has approximately anywhere from 96% to 100% of its value invested in energy sector MLPs, sector weighting has not historically been a meaningful source of added or detracted value. However, given the protracted depression in the energy market over the past few years coupled with high degrees of performance dispersion across different segments of the market, sector weighting is playing an increasingly important role. The portfolio was rewarded by its allocation or lack thereof to the utilities sector MLPs, which comprised 0% of the portfolio compared to 3.4% in the benchmark and returned -6.2% . Additionally, the portfolio maintained small out-of-benchmark positions in the materials (less than 1% weight) and industrials (2.4% weight) segments of the MLP market space. Each of these segments outperformed the broader market and posted positive returns – materials sector equity holdings gained 16.0% while industrials sector equity holdings saw an increase of 14.2% for the portfolio during the period. The ongoing wide dispersion in performance among different midstream companies is at least partially driven by balance sheet strength – those carrying lest debt burden have been able to maintain dividend growth investors expect, which in turn helps to somewhat buoy the market price of the stock. Several of the portfolio's positions experienced returns of over 30% during the period offsetting some of the losses incurred elsewhere in the portfolio. Notable gains during the most recent period include returns of 43.0% and 40.1% for Williams Cos and Archrock Inc. respectively. The portfolio has lower current yield, but with the expectation of higher dividend growth over the five-year period. The Harvest Fund Advisors MLP portfolio continues to outperform against its benchmark for the three-year (+540 bps) period, as well as since inception (+584bps) (12/11) but has fallen in the past few quarters, trailing over the one-year period (-91 bps).

Atlantic Trust (MLPs)

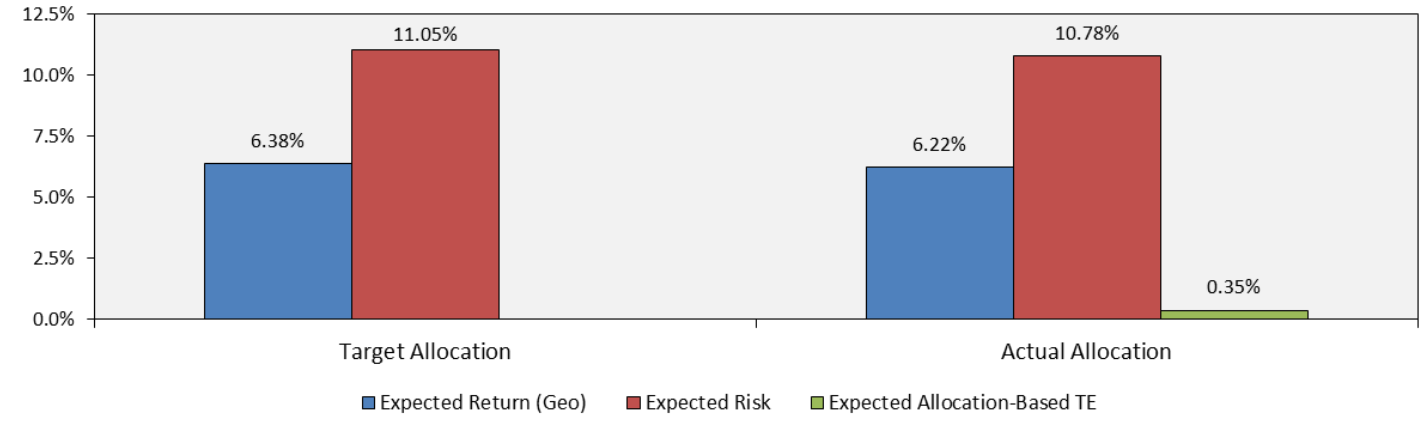
- Atlantic Trust CIBC (formerly Invesco) manages the Fund's other MLP portfolio. During the third quarter, the Atlantic Trust portfolio returned 4.75% (net of fees), outperforming its benchmark (Alerian MLP Index) which returned -1.07%. It is important to note that the Atlantic Trust portfolio (containing 32 stocks) is much more concentrated than the Harvest portfolio (47 stocks). As a result, many of its position sizes are relatively much larger and have a

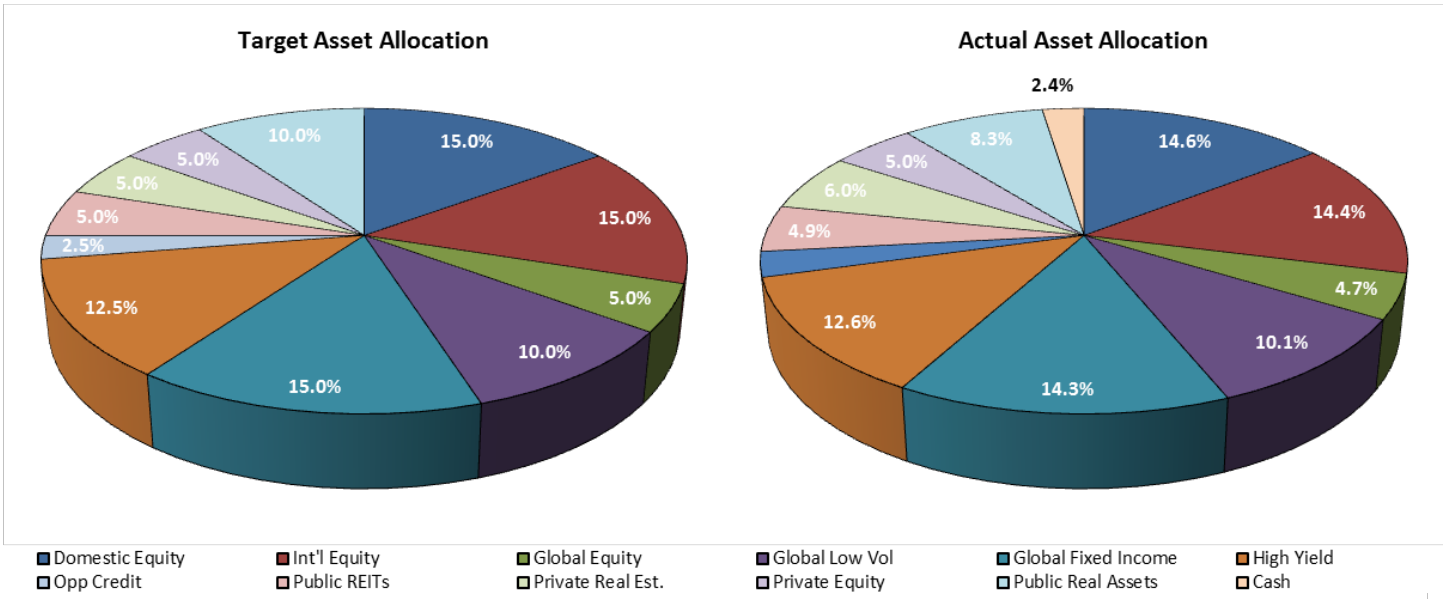
Public Real Assets Overview (Continued)

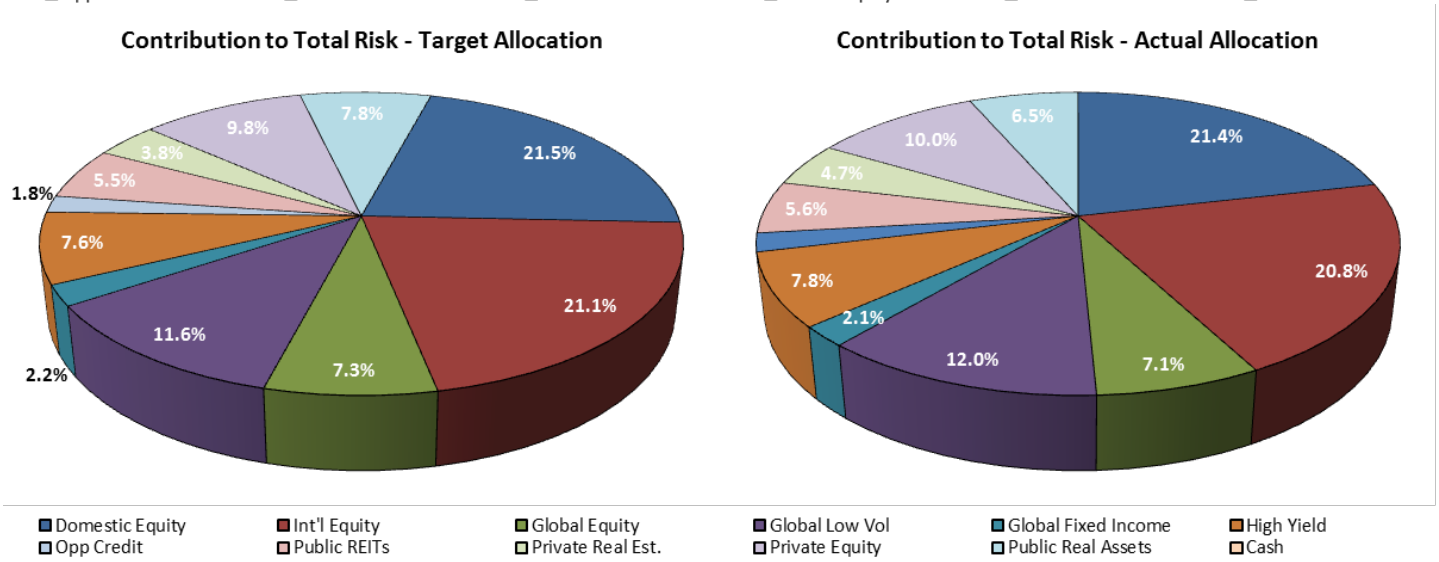
greater impact on the overall return. The portfolio's outperformance during the period was primarily as a result of superior stock selection, which was confined to the energy segment (this is of course the dominant segment in the market space, comprising over 97% of the benchmark's total asset value). The portfolio's energy-focused MLP stocks generated a 5.2% gain for the period. This was driven at least in part by the fact that one of the portfolio's larger holdings was among its best performers during the period: "Plains All American Pipeline" (17.2% return, 4.9% weight). Several other of the portfolio's holdings posted significant gains above 10%. Collectively, seven of the portfolio's top ten holdings – comprising 64.7% of the total portfolio value –saw significant gains during the current quarter alone. These include: "Kinder Morgan Inc." (24.3% gain), "Energy Transfer Equity" (18.9% gain), and "Enbridge Energy Partners" (12.3% gain). The portfolio also gained value from its relative underweighting to the utilities segment which underperformed the broader MLP market over the period. The portfolio continues to succeed in retaining a mix of higher quality names from within this segment which allowed it to recoup some of the losses it experienced elsewhere in the portfolio. The portfolio has lower current yield, but with the expectation of slightly higher dividend growth over the five-year period. The Atlantic Trust MLP portfolio is outperforming against its benchmark for the one- (+404 bps) and three-year (+599) periods, as well as since inception (+771) (12/11)

Appendix: Risk Analysis

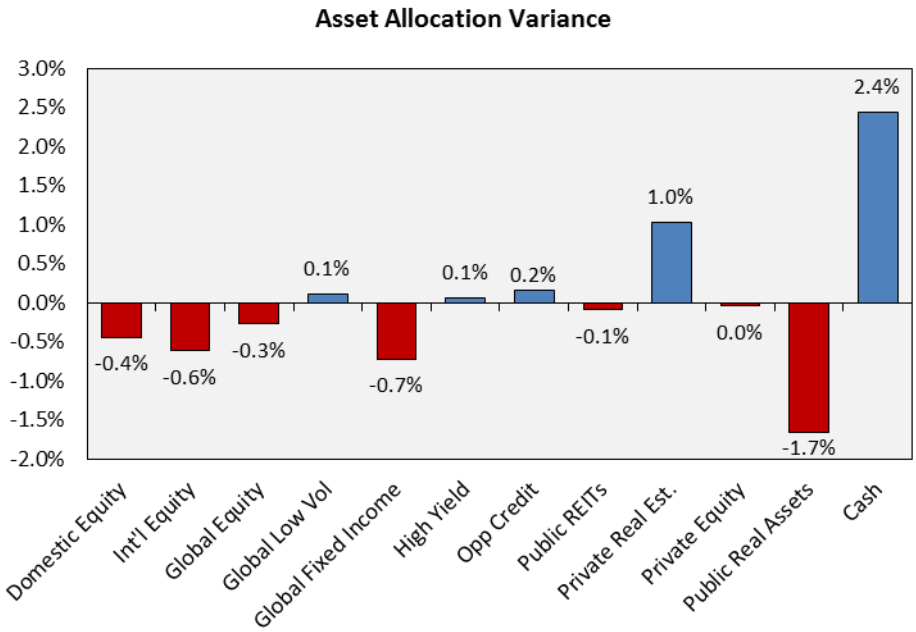
Expected Return and Risk

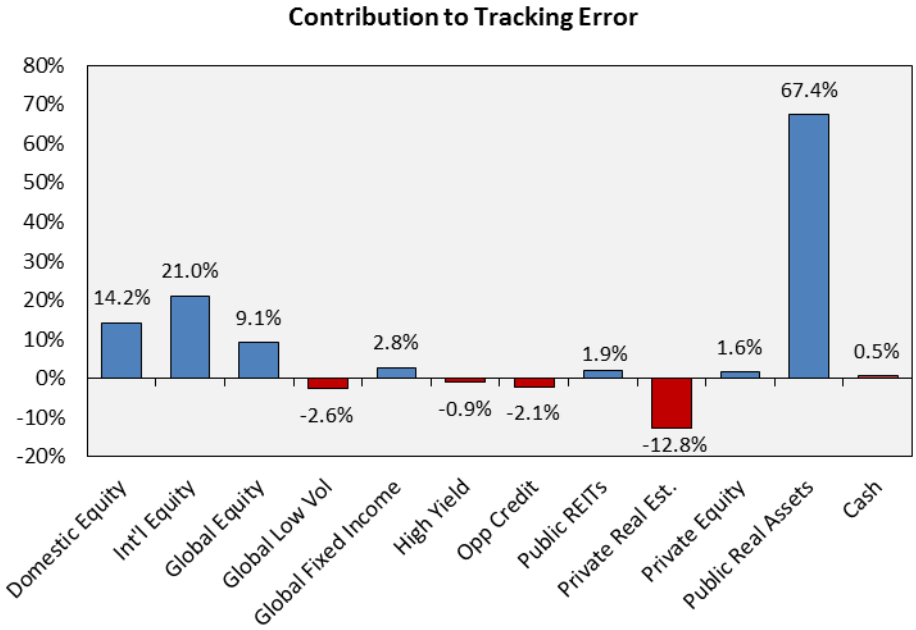






Expected Return and Tracking Error based on Wilshire's Asset Assumptions





- The variance between the Fund's actual asset allocation and the target allocation is a source of tracking error for the Fund. This "asset allocation tracking error" is currently forecasted to be 0.35% (for the one-year period) at quarter-end. The Fund's public real assets segment is the largest contributor to the overall tracking error. This is largely due to the fact that the public real assets composite currently sits around 1.7% underweight to its target allocation. The international and domestic equity segments also contributed towards tracking error. The global low volatility equity and private real estate segments each had a marginally diversifying impact, dampening the Fund's overall tracking error.

Manager Risk Statistics

U.S. Equity				
T. Rowe Price (Enhanced Index)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	13.16	11.09	11.45	15.37
Standard Deviation (Index)	12.46	10.83	11.12	15.25
Sharpe Ratio	1.16	1.00	1.44	0.44
Sharpe Ratio (Index)	1.21	1.02	1.46	0.41
Excess Risk	1.50	1.07	1.00	1.08
Information Ratio	0.08	0.08	0.21	0.44

Systematic (Small Core)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	14.40	13.42	14.51	20.21
Standard Deviation (Index)	16.03	14.55	15.02	19.85
Sharpe Ratio	1.22	0.73	1.25	0.39
Sharpe Ratio (Index)	0.95	0.45	1.05	0.31
Excess Risk	3.96	3.84	3.48	3.78
Information Ratio	0.54	0.80	0.62	0.42

Channing Capital (Small Value)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	17.54	n/a	n/a	n/a
Standard Deviation (Index)	14.67	n/a	n/a	n/a
Sharpe Ratio	0.77	n/a	n/a	n/a
Sharpe Ratio (Index)	1.26	n/a	n/a	n/a
Excess Risk	3.92	n/a	n/a	n/a
Information Ratio	-1.08	n/a	n/a	n/a

Non-U.S. Equity				
Acadian (Int'l Small Cap)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	15.31	12.33	14.58	21.11
Standard Deviation (Index)	15.07	12.15	13.98	19.84
Sharpe Ratio	0.95	0.28	0.73	0.25
Sharpe Ratio (Index)	0.87	0.28	0.61	0.13
Excess Risk	3.47	3.19	3.36	3.96
Information Ratio	0.39	0.01	0.60	0.69

AQR (Int'l Enhanced Index)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	14.06	11.71	14.32	19.33
Standard Deviation (Index)	15.04	12.69	14.23	18.52
Sharpe Ratio	0.65	0.11	0.59	0.05
Sharpe Ratio (Index)	0.60	0.01	0.42	0.02
Excess Risk	2.46	2.18	2.30	2.61
Information Ratio	0.05	0.56	1.02	0.30

Baring (Int'l Enhanced Index)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	15.65	12.64	14.27	19.31
Standard Deviation (Index)	15.04	12.69	14.23	19.19
Sharpe Ratio	0.44	0.01	0.40	0.08
Sharpe Ratio (Index)	0.60	0.01	0.42	0.06
Excess Risk	1.74	1.69	1.54	1.73
Information Ratio	-1.12	-0.03	-0.13	0.21

Global Equity				
Wellington (Global Equity)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	15.02	12.05	n/a	n/a
Standard Deviation (Index)	13.48	11.34	n/a	n/a
Sharpe Ratio	0.48	0.58	n/a	n/a
Sharpe Ratio (Index)	0.86	0.45	n/a	n/a
Excess Risk	3.23	3.47	n/a	n/a
Information Ratio	-1.21	0.52	n/a	n/a

Acadian (Global Low Volatility)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	10.40	n/a	n/a	n/a
Standard Deviation (Index)	9.86	n/a	n/a	n/a
Sharpe Ratio	1.36	n/a	n/a	n/a
Sharpe Ratio (Index)	1.62	n/a	n/a	n/a
Excess Risk	2.95	n/a	n/a	n/a
Information Ratio	-0.55	n/a	n/a	n/a

Fixed Income (Core)				
Advantus Capital (Core Fixed Income)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	2.23	2.56	2.71	n/a
Standard Deviation (Index)	2.34	2.61	2.66	n/a
Sharpe Ratio	2.72	1.89	1.52	n/a
Sharpe Ratio (Index)	2.09	1.50	1.12	n/a
Excess Risk	0.67	0.49	0.50	n/a
Information Ratio	1.63	1.86	2.21	n/a

Aberdeen (Core Fixed Income)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	2.53	2.60	2.92	n/a
Standard Deviation (Index)	2.34	2.61	2.66	n/a
Sharpe Ratio	2.20	1.54	1.17	n/a
Sharpe Ratio (Index)	2.09	1.50	1.12	n/a
Excess Risk	1.30	0.86	1.14	n/a
Information Ratio	0.49	0.11	0.37	n/a

Garcia Hamilton (Core Fixed Income)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	2.57	n/a	n/a	n/a
Standard Deviation (Index)	2.34	n/a	n/a	n/a
Sharpe Ratio	1.99	n/a	n/a	n/a
Sharpe Ratio (Index)	2.09	n/a	n/a	n/a
Excess Risk	1.23	n/a	n/a	n/a
Information Ratio	0.17	n/a	n/a	n/a

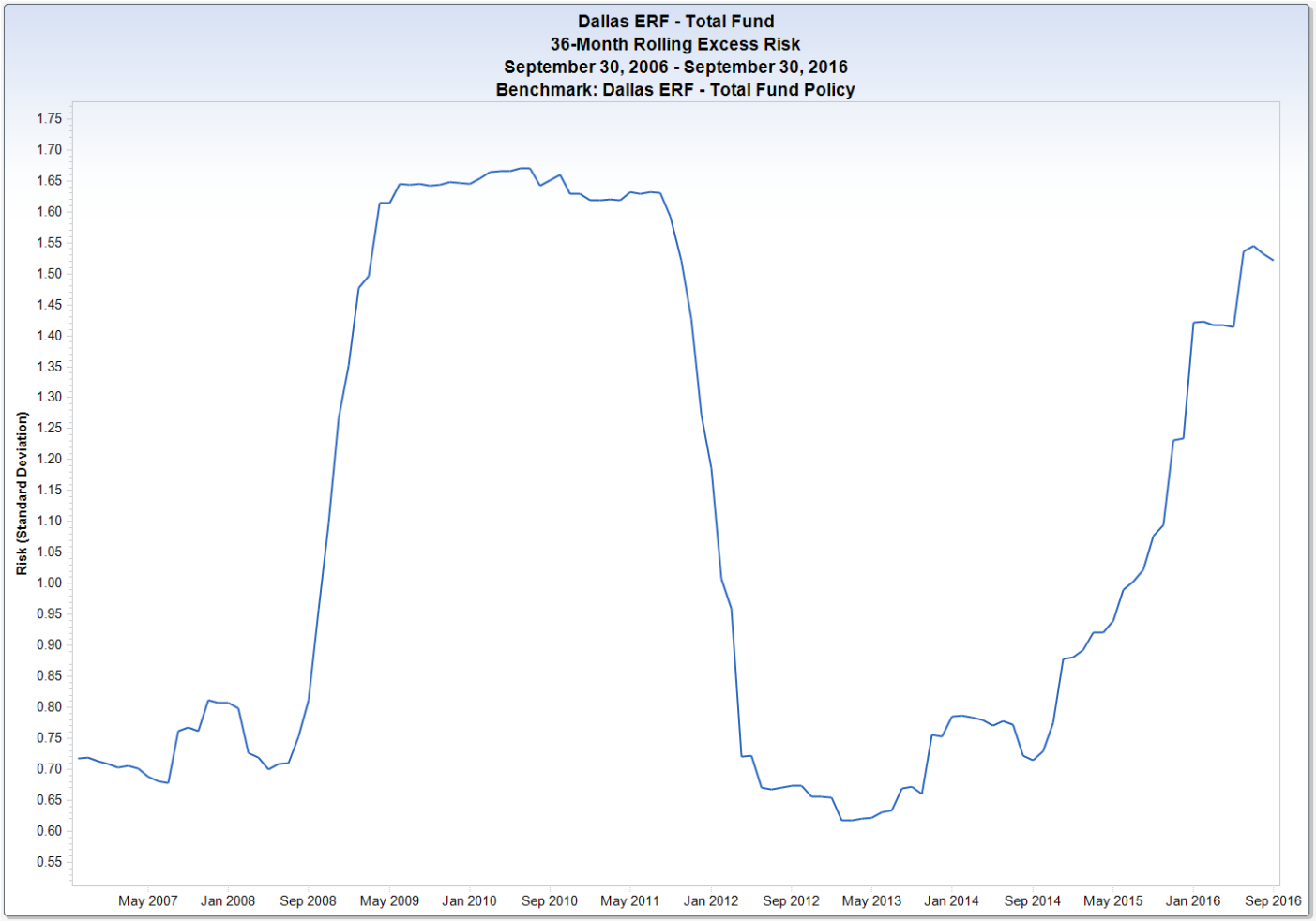
High Yield Fixed Income				
BlackRock (High Yield)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	6.51	5.41	5.56	8.69
Standard Deviation (Index)	8.35	6.45	6.32	10.55
Sharpe Ratio	1.42	0.86	1.33	0.65
Sharpe Ratio (Index)	1.49	0.72	1.22	0.60
Excess Risk	2.08	2.15	1.73	2.88
Information Ratio	-1.35	0.00	-0.17	-0.21

Oaktree (High Yield)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	7.63	6.05	6.15	9.00
Standard Deviation (Index)	8.35	6.45	6.32	10.55
Sharpe Ratio	1.43	0.69	1.16	0.67
Sharpe Ratio (Index)	1.49	0.72	1.22	0.60
Excess Risk	0.95	0.71	0.94	2.76
Information Ratio	-1.37	-0.66	-0.61	-0.12

Master Limited Partnerships				
Harvest (MLP)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	24.61	20.21	n/a	n/a
Standard Deviation (Index)	23.52	19.96	n/a	n/a
Sharpe Ratio	0.47	0.02	n/a	n/a
Sharpe Ratio (Index)	0.53	-0.25	n/a	n/a
Excess Risk	3.38	5.03	n/a	n/a
Information Ratio	-0.24	1.13	n/a	n/a

Atlantic Trust CIBC (MLP)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	26.44	21.03	n/a	n/a
Standard Deviation (Index)	23.52	19.96	n/a	n/a
Sharpe Ratio	0.62	0.05	n/a	n/a
Sharpe Ratio (Index)	0.53	-0.25	n/a	n/a
Excess Risk	4.87	4.72	n/a	n/a
Information Ratio	0.74	1.33	n/a	n/a

Real Estate Investment Trusts				
Adelante (REIT)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	14.73	14.08	14.63	25.18
Standard Deviation (Index)	15.57	14.90	15.40	26.61
Sharpe Ratio	0.84	0.98	1.05	0.16
Sharpe Ratio (Index)	1.16	0.97	1.03	0.19
Excess Risk	1.98	1.87	1.80	3.23
Information Ratio	-2.44	-0.34	-0.25	-0.29

Security(REIT)	1 Yr	3 Yr	5 Yr	10 Yr
Standard Deviation	15.75	15.24	15.63	26.80
Standard Deviation (Index)	15.57	14.90	15.40	26.61
Sharpe Ratio	1.06	0.91	0.94	0.17
Sharpe Ratio (Index)	1.16	0.97	1.03	0.19
Excess Risk	1.59	1.19	1.13	2.22
Information Ratio	-0.79	-0.47	-0.88	-0.21

- Below is a historical visualization of realized tracking error ("ex-post") for Dallas ERF over the preceding ten years: