



The City of Grand Rapids – General Retirement System

Executive Summary of Investment Performance

June 30, 2014

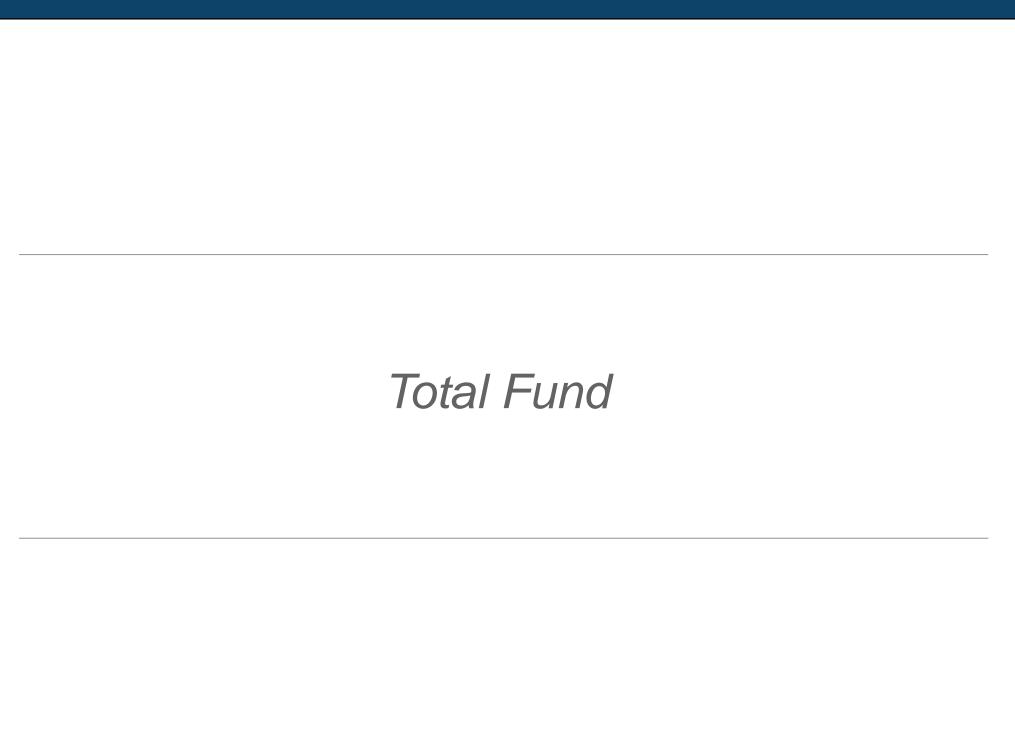
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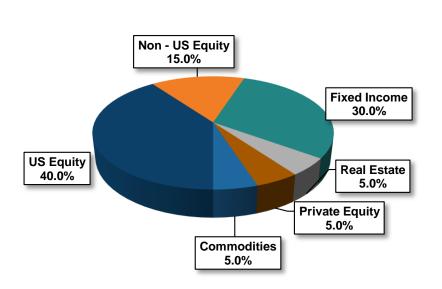


### Policy Allocation vs Actual Allocation

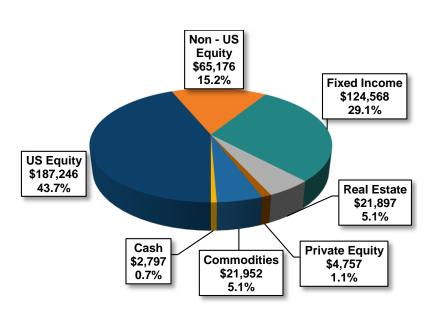


# Total Fund Composite As of June 30, 2014

**Policy Allocation** 



#### Actual Allocation (in \$'000)



Total Assets: \$428,393,000

## Policy Allocation vs Actual Allocation



# Total Fund Composite *As of June 30, 2014*

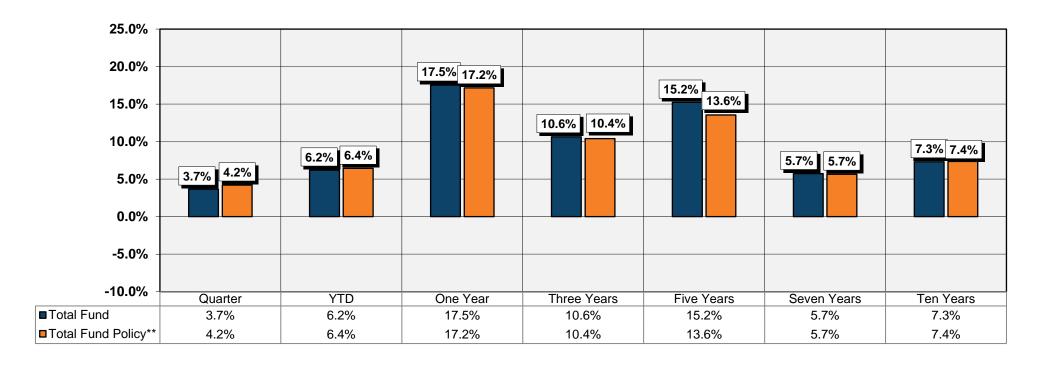
US Equity
Non - US Equity
Fixed Income
Real Estate
Private Equity
Commodities
Cash
Total Fund Composite

Market Value (in \$1000)	Asset Al	location		
Market Value (in \$'000)	Actual	Policy		
\$187,246	43.71%	40.00%		
\$65,176	15.21%	15.00%		
\$124,568	29.08%	30.00%		
\$21,897	5.11%	5.00%		
\$4,757	1.11%	5.00%		
\$21,952	5.12%	5.00%		
\$2,797	0.65%	0.00%		
\$428,393	100.00%	100.00%		

### Investment Performance



Total Fund Composite\*

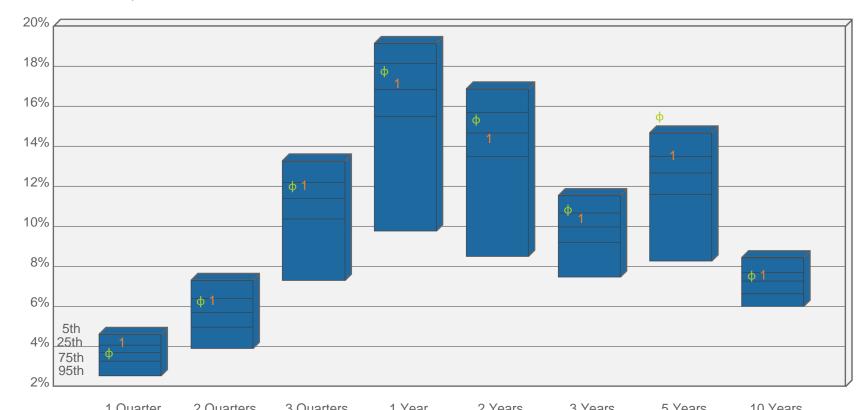


<sup>\*</sup>Returns are net of fees

<sup>\*\*</sup> Policy index = Wilshire 5000 (40%), MSCI ACWI ex U.S. (15%), Barclays Aggregate (30%), FTSE EPRA NAREIT Dev RE (5%), Wilshire 5000 +2.5% (5%), DJ UBS Commodity Index (5%)



#### **Total Fund Composite**



	i Quarter	2 Quarters	3 Quarters	rear	2 rears	3 rears	5 rears	io rears
<ul><li>Total Fund</li><li>Policy Index</li></ul>	3.74 (49)	6.33 (28)	12.10 (28)	17.85 (30)	15.41 (34)	10.92 (17)	15.56 (1)	7.61 (31)
I Folicy Illuex	4.21 (13)	6.43 (22)	11.94 (32)	17.15 (46)	14.41 (57)	10.41 (34)	13.56 (24)	7.35 (44)
5th %tile	4.61	7.30	13.29	19.14	16.89	11.54	14.69	8.45
25th %tile	4.08	6.40	12.22	18.14	15.72	10.69	13.51	7.71
Median	3.71	5.72	11.42	16.86	14.69	9.99	12.69	7.27
75th %tile	3.27	4.98	10.38	15.50	13.53	9.21	11.62	6.66
95th %tile	2.56	3.90	7.32	9.78	8.50	7.47	8.28	6.00
Number of Funds	161	161	161	161	159	155	143	116



### Trailing Returns

	1 Qtr	YTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Incept Date	Incept Ret
U.S. Equity Composite									
Net of Fee Return	4.49	7.23	25.49	16.77	20.57	6.98	8.68	9/30/87	8.33
Wilshire 5000	4.86	7.00	24.92	16.29	19.15	6.42	8.28	9/30/87	9.48
Value Added	-0.37	0.22	0.57	0.48	1.42	0.56	0.41	9/30/87	-1.15
Fixed Income Composite									
Net of Fee Return	2.57	5.24	6.02	5.28	8.68	6.22	5.72	9/30/87	7.20
Barclays Aggregate	2.04	3.93	4.37	3.67	4.85	5.35	4.93	9/30/87	7.05
Value Added	0.52	1.32	1.65	1.61	3.82	0.88	0.78	9/30/87	0.15
Non-U.S. Equity Composite									
Net of Fee Return	2.20	3.38	19.68	6.24	13.00	0.34	5.48	6/30/95	8.15
Policy Benchmark	5.03	5.56	21.75	5.73	11.11	1.27	7.37	6/30/95	5.91
Value Added	-2.83	-2.18	-2.07	0.51	1.89	-0.93	-1.89	6/30/95	2.24
Real Estate Composite									
Net of Fee Return	8.07	11.36	14.19	8.58	15.61			6/30/09	15.61
FTSE EPRA/NAREIT Developed RE	7.88	12.21	14.38	10.19	17.40			6/30/09	17.40
Value Added	0.19	-0.85	-0.20	-1.62	-1.80			6/30/09	-1.80
Commodities Composite									
Net of Fee Return	3.63	7.11	8.27					3/31/13	-3.19
DJ UBS Commodity Index	0.08	7.08	8.21					3/31/13	-1.61
Value Added	3.55	0.03	0.06					3/31/13	-1.58
Alternative Investments Composite									
Net of Fee Return	3.06	7.62	10.08	4.78				6/30/10	4.92
Wilshire 5000 +2.5%	5.49	8.25	27.42	18.79				6/30/10	22.53
Value Added	-2.43	-0.63	-17.34	-14.02				6/30/10	-17.61



### Trailing Returns

	1 Qtr	YTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Incept Date	Incept Ret
Total Fund									
Net of Fee Return	3.67	6.20	17.54	10.64	15.23	5.74	7.31	9/30/87	8.11
Policy Index	4.21	6.43	17.15	10.41	13.56	5.66	7.35	9/30/87	8.84
Value Added	-0.54	-0.23	0.39	0.23	1.66	0.08	-0.03	9/30/87	-0.73

# Custom Benchmark Specification



Total Fund June 30, 2014

	Quarter Start	Quarter End	Percent	Description			
Policy Index	12/79	6/98	55.00	Wilshire 5000			
			40.00	Barclays Aggregate			
			5.00	MSCI EAFE Index (N)			
	9/98	9/02	50.00	Wilshire 5000			
			40.00	Barclays Aggregate			
			10.00	MSCI EAFE Index (N)			
	12/02	3/06	50.00	Wilshire 5000			
			35.00	Barclays Aggregate			
			15.00	MSCI EAFE Index (N)			
	6/06	6/06	55.00	Wilshire 5000			
			30.00	Barclays Aggregate			
			15.00	MSCI EAFE Index (N)			
	9/06	6/09 55.00 Wilshire 5000					
			30.00	Barclays Aggregate			
			15.00	MSCI ACWI X US (N)			
	9/09	3/10	50.00	Wilshire 5000			
			30.00	Barclays Aggregate			
			15.00	MSCI ACWI X US (N)			
			5.00	FTSE EPRA/NAREIT Developed RE			
	6/10	12/12	45.00	Wilshire 5000			
			15.00	MSCI ACWI X US (N)			
			30.00	Barclays Aggregate			
			5.00	FTSE EPRA/NAREIT Developed RE			
			5.00	Wilshire 5000 + 2.5%			
	3/13	6/14	40.00	Wilshire 5000			
			15.00	MSCI ACWI X US (N)			
			30.00	Barclays Aggregate			
			5.00	FTSE EPRA/NAREIT Developed RE			
			5.00	Wilshire 5000 + 2.5%			

# Custom Benchmark Specification



Total Fund June 30, 2014

	Quarter Start	Quarter End	Percent	Description
Policy Index (cont.)			5.00	DJ UBS Commodity Index

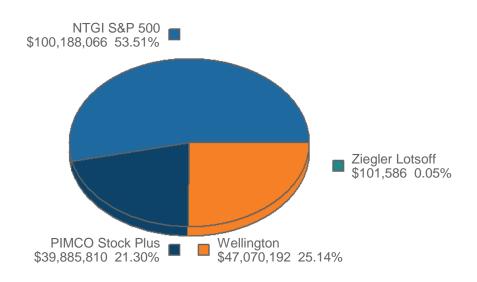


# Manager Allocation



U.S. Equity Composite

As of June 30, 2014





### Trailing Returns

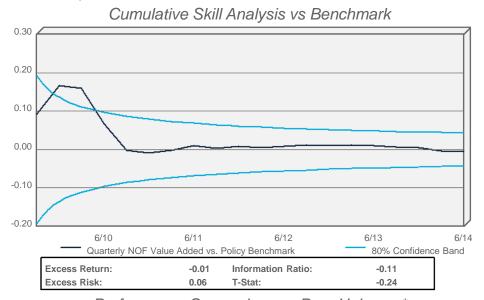
	1 Qtr	YTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Incept Date	Incept Ret
NTGI S&P 500									
Net of Fee Return	5.22	7.08	24.53	16.57	18.82	6.03	7.93	9/30/98	6.49
Policy Benchmark	5.24	7.14	24.62	16.59	18.83	6.15	7.97	9/30/98	6.49
Value Added	-0.02	-0.06	-0.09	-0.02	-0.01	-0.12	-0.04	9/30/98	-0.01
PIMCO Stock Plus									
Net of Fee Return	5.38	8.38	26.91	18.80	21.83	7.61	8.69	9/30/00	5.07
Standard & Poor's 500	5.24	7.14	24.62	16.59	18.83	6.15	7.78	9/30/00	4.29
Value Added	0.14	1.24	2.29	2.22	3.00	1.45	0.91	9/30/00	0.78
Wellington									
Net of Fee Return	2.18	5.60	28.10	17.59	25.48	10.34	11.26	9/30/99	12.00
Russell 2000	2.05	3.19	23.64	14.57	20.21	6.73	8.70	9/30/99	8.63
Value Added	0.14	2.42	4.47	3.03	5.27	3.61	2.56	9/30/99	3.37
U.S. Equity Composite									
Net of Fee Return	4.49	7.23	25.49	16.77	20.57	6.98	8.68	9/30/87	8.33
Wilshire 5000	4.86	7.00	24.92	16.29	19.15	6.42	8.28	9/30/87	9.48
Value Added	-0.37	0.22	0.57	0.48	1.42	0.56	0.41	9/30/87	-1.15

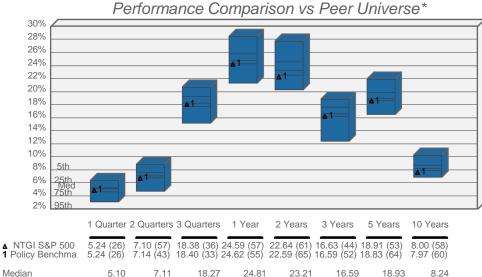


#### **NTGI S&P 500**

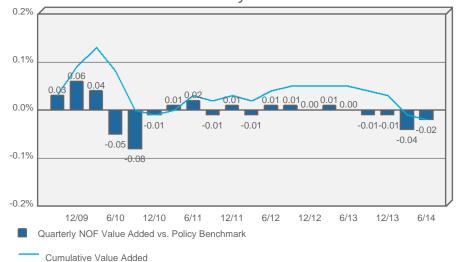
June 30, 2014

Number of Funds

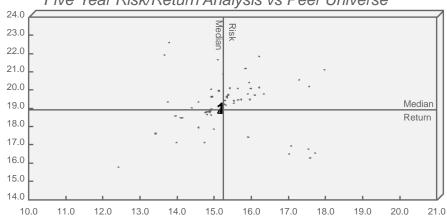




#### Value-Added Analysis vs Benchmark



Five Year Risk/Return Analysis vs Peer Universe\*

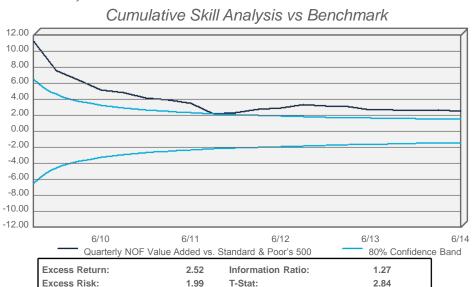


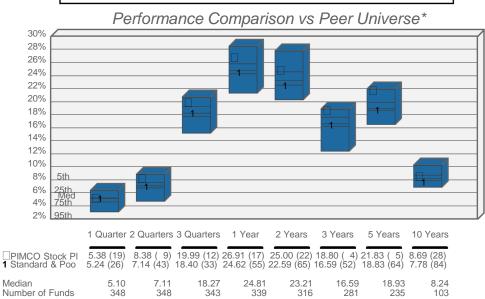
		Gross F	Fee Ret	Standard	Deviation
Description	Legend	Value	Rank	Value	Rank
NTGI S&P 500	Δ	18.91	53	15.28	45
Policy Benchmark	1	18.83	64	15.26	48
Median		18.93		15.24	



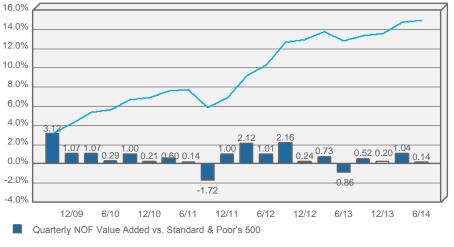
#### PIMCO Stock Plus

June 30, 2014



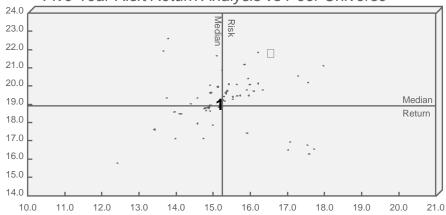


#### Value-Added Analysis vs Benchmark



Cumulative Value Added

#### Five Year Risk/Return Analysis vs Peer Universe\*

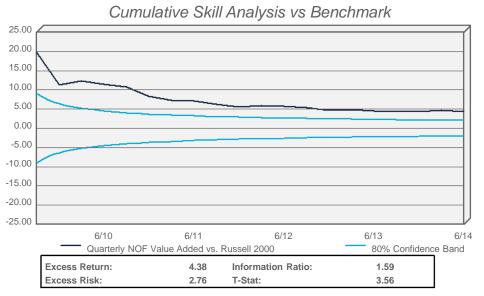


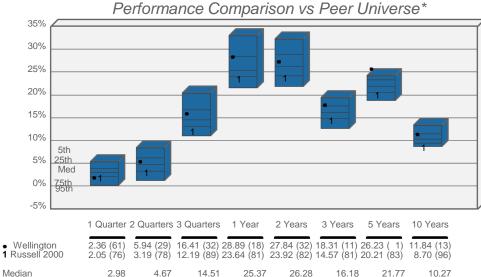
		Gross F	Fee Ret	Standard Deviation		
Description	Legend	Value	Rank	Value	Rank	
PIMCO Stock Plus		21.83	5	16.64	18	
Standard & Poor's 500	1	18.83	64	15.26	48	
Median		18.93		15.24		



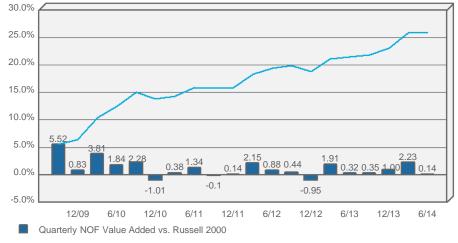
# Wellington June 30, 2014

Number of Funds



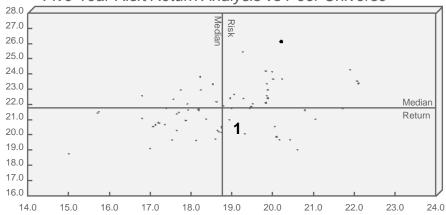


#### Value-Added Analysis vs Benchmark



#### Five Year Risk/Return Analysis vs Peer Universe\*

Cumulative Value Added



		Gross F	Fee Ret	Standard Deviation		
Description	Legend	Value Rank		Value	Rank	
Wellington	•	26.23	1	20.34	16	
Russell 2000	1	20.21	83	19.21	42	
Median		21.77		18.76		

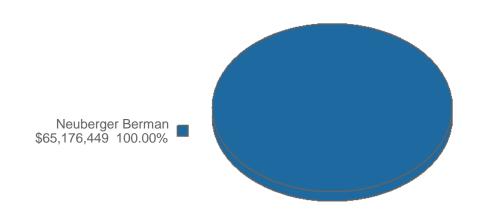
Non – U.S. Equity

# Manager Allocation



Non-U.S. Equity Composite

As of June 30, 2014





### Trailing Returns

	1 Qtr	YTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Incept Date	Incept Ret
Neuberger Berman									
Net of Fee Return	2.20	3.38	19.68	6.24	13.00	0.34		6/30/06	3.30
MSCI ACWI X US (N)	5.03	5.56	21.75	5.73	11.11	1.27		6/30/06	4.44
Value Added	-2.83	-2.18	-2.07	0.51	1.89	-0.93		6/30/06	-1.14
Non-U.S. Equity Composite									
Net of Fee Return	2.20	3.38	19.68	6.24	13.00	0.34	5.48	6/30/95	8.15
Policy Benchmark	5.03	5.56	21.75	5.73	11.11	1.27	7.37	6/30/95	5.91
Value Added	-2.83	-2.18	-2.07	0.51	1.89	-0.93	-1.89	6/30/95	2.24

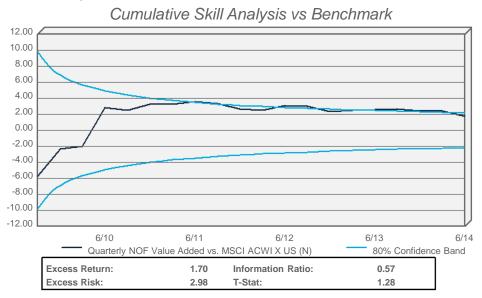


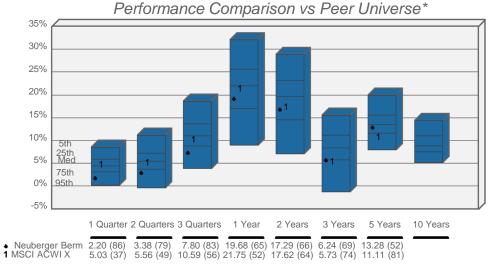
#### Neuberger Berman

June 30, 2014

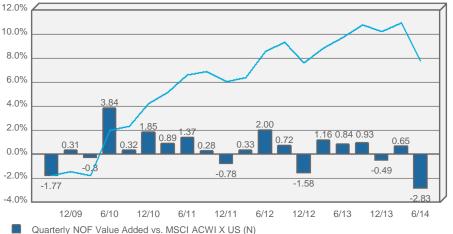
Median

Number of Funds





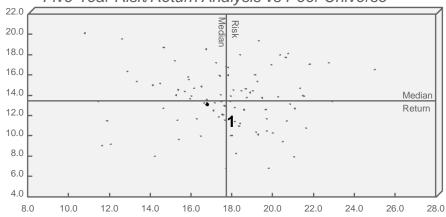
#### Value-Added Analysis vs Benchmark



Quarterly NOF value Added vs. MSCI ACVVI X US (I

Cumulative Value Added

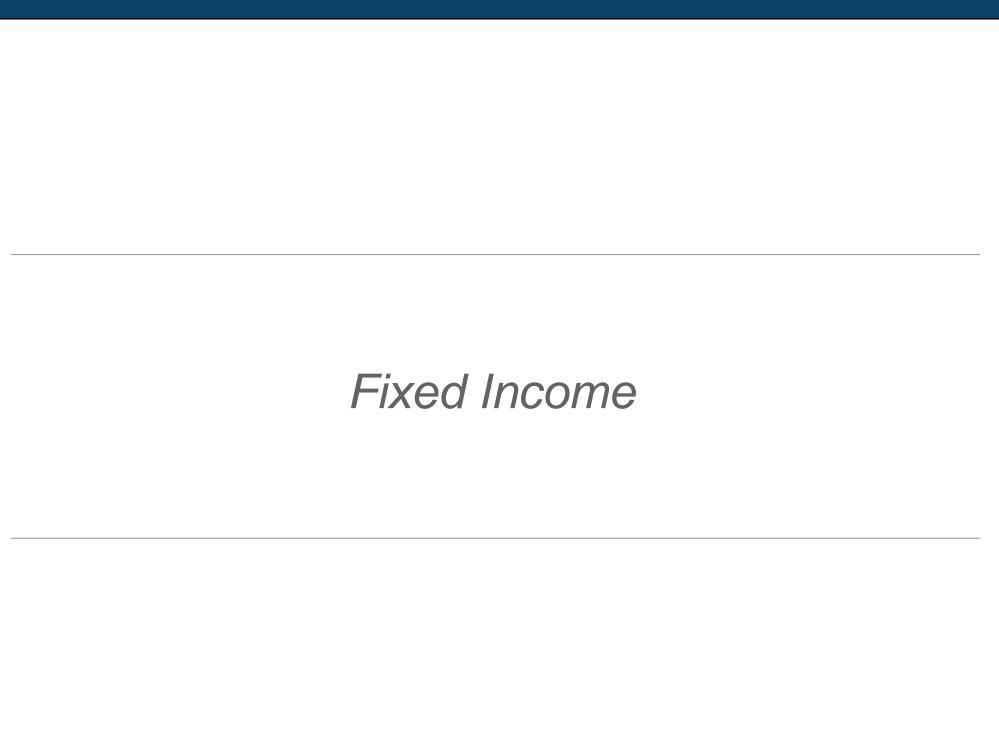
#### Five Year Risk/Return Analysis vs Peer Universe\*



		Gross F	Fee Ret	Standard Deviation		
Description	Legend	Value	Rank	Value	Rank	
Neuberger Berman	•	13.28	52	17.06	66	
MSCI ACWI X US (N)	1	11.11	81	18.12	44	
Median		13.44		17.72		

8.40

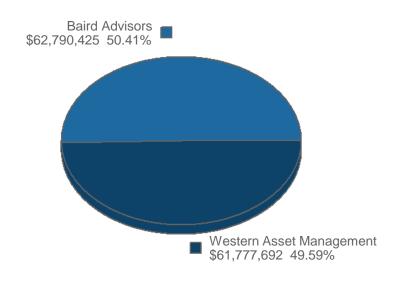
8.79



# Manager Allocation



Fixed Income Composite
As of June 30, 2014





### Trailing Returns

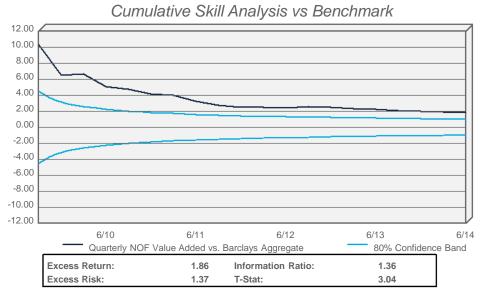
	1 Qtr	YTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Incept Date	Incept Ret
Baird Advisors									
Net of Fee Return	2.20	4.38	4.85	4.64	6.80	5.61	5.23	3/31/03	4.93
Barclays Aggregate	2.04	3.93	4.37	3.67	4.85	5.35	4.93	3/31/03	4.63
Value Added	0.15	0.46	0.48	0.97	1.95	0.26	0.30	3/31/03	0.30
Western Asset Management									
Net of Fee Return	2.97	6.12	7.19	5.87	10.45	6.68	6.08	3/31/04	5.68
Barclays Aggregate	2.04	3.93	4.37	3.67	4.85	5.35	4.93	3/31/04	4.56
Value Added	0.92	2.19	2.81	2.21	5.59	1.33	1.15	3/31/04	1.12
Fixed Income Composite									
Net of Fee Return	2.57	5.24	6.02	5.28	8.68	6.22	5.72	9/30/87	7.20
Barclays Aggregate	2.04	3.93	4.37	3.67	4.85	5.35	4.93	9/30/87	7.05
Value Added	0.52	1.32	1.65	1.61	3.82	0.88	0.78	9/30/87	0.15

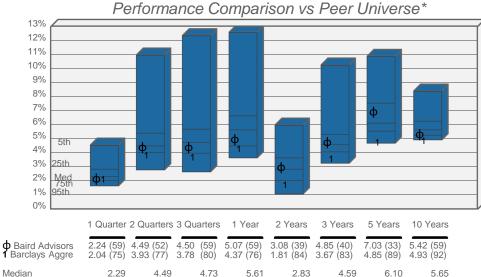


#### **Baird Advisors**

June 30, 2014

Number of Funds





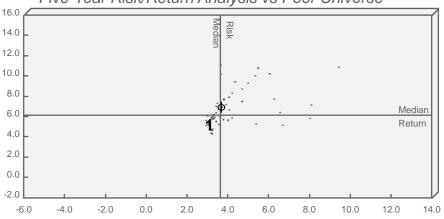
#### Value-Added Analysis vs Benchmark



Quarterly NOF Value Added vs. Barclays Aggregate

Cumulative Value Added

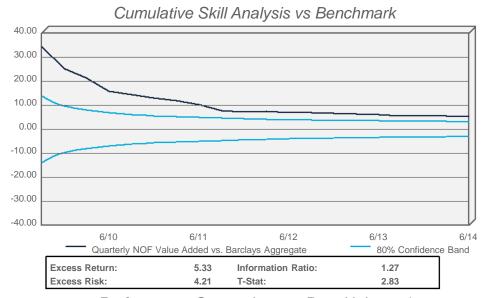
#### Five Year Risk/Return Analysis vs Peer Universe\*

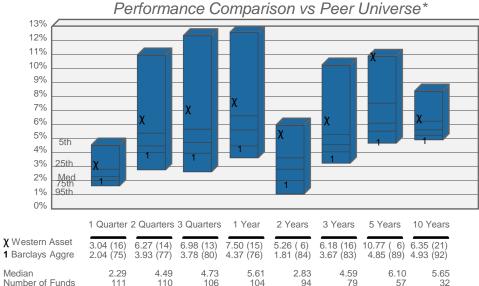


		Gross F	ee Ret	Standard Deviation		
Description	Legend	Value	Rank	Value	Rank	
Baird Advisors	ф	7.03	33	3.83	39	
Barclays Aggregate	1	4.85	89	3.24	76	
Median		6.10		3.65		

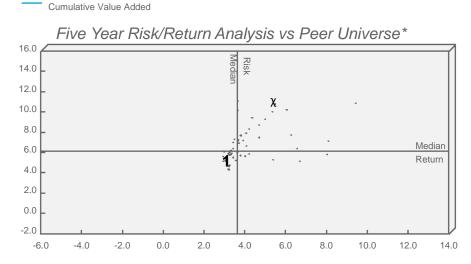


# Western Asset Management *June 30, 2014*



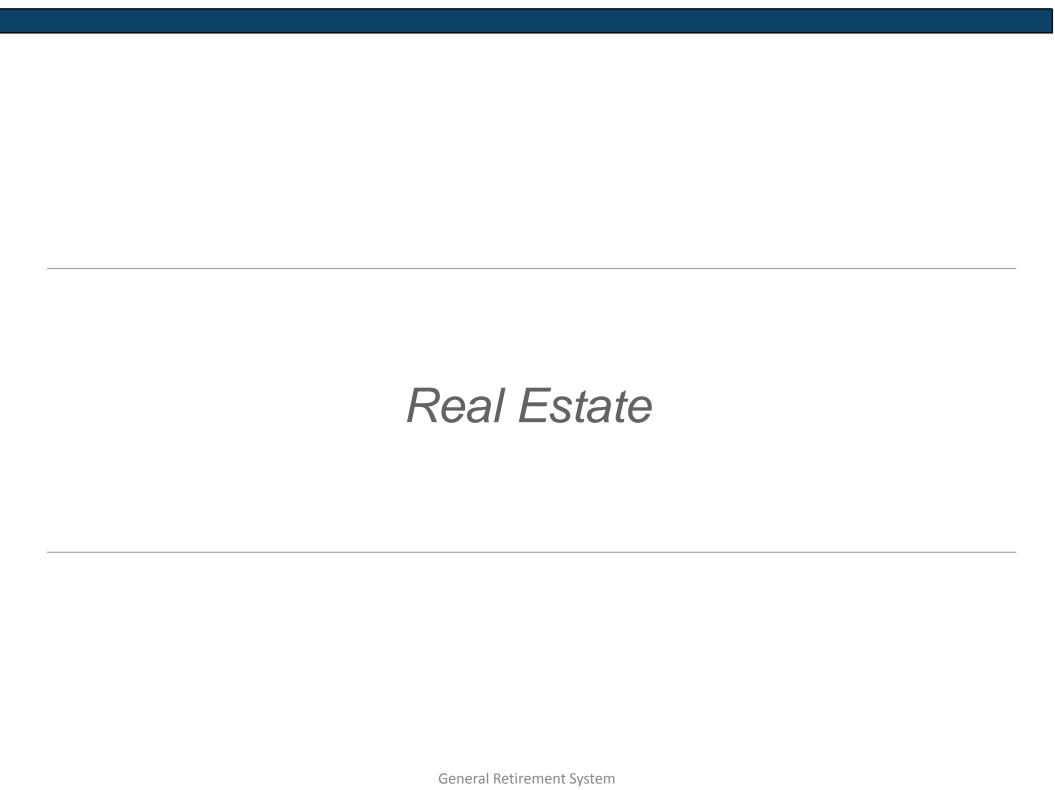


#### Value-Added Analysis vs Benchmark 35.0% 30.0% 25.0% 20.0% 15.0% 10.0% 1.86 0.98 0.82 -0.07 -0.18-0.16 -5.0% -10.0% 6/10 12/10 12/12 12/13 Quarterly NOF Value Added vs. Barclays Aggregate



		Gross F	Fee Ret	Standard Deviation		
Description	Legend	Value	Rank	Value	Rank	
Western Asset Management	Х	10.77	6	5.62	16	
Barclays Aggregate	1	4.85	89	3.24	76	
Median		6.10		3.65		

\*TUCS Total Returns of Fixed Income Portfolios - Core Universe - Gross of Fees

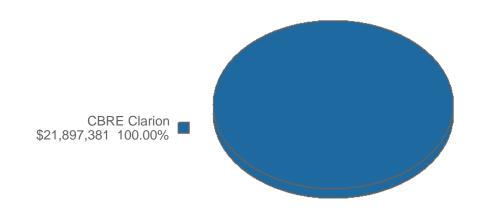


# Manager Allocation



Real Estate Composite

As of June 30, 2014





### Trailing Returns

	1 Qtr	YTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Incept Date	Incept Ret
CBRE Clarion									
Net of Fee Return	8.07	11.36	14.19	8.58	15.61			6/30/09	15.61
FTSE EPRA/NAREIT Developed RE	7.88	12.21	14.38	10.19	17.40			6/30/09	17.40
Value Added	0.19	-0.85	-0.20	-1.62	-1.80			6/30/09	-1.80
Real Estate Composite									
Net of Fee Return	8.07	11.36	14.19	8.58	15.61			6/30/09	15.61
FTSE EPRA/NAREIT Developed RE	7.88	12.21	14.38	10.19	17.40			6/30/09	17.40
Value Added	0.19	-0.85	-0.20	-1.62	-1.80			6/30/09	-1.80

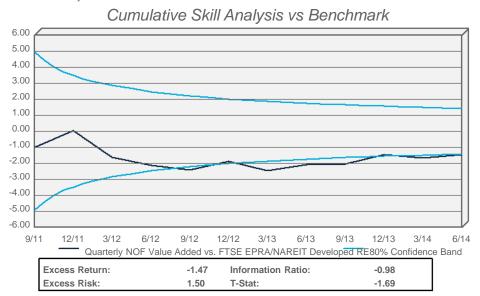


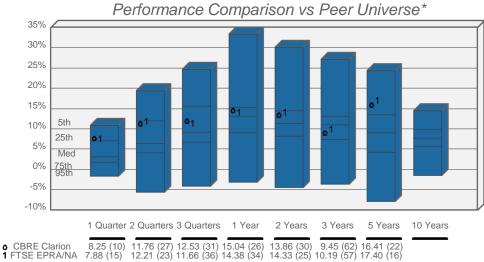
#### **CBRE Clarion**

June 30, 2014

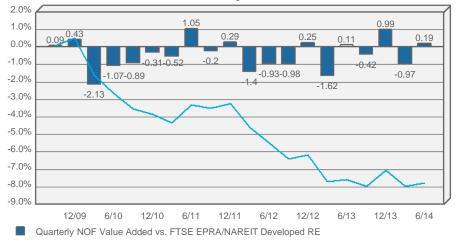
Median

Number of Funds



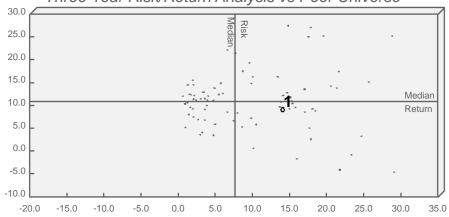


#### Value-Added Analysis vs Benchmark



Three Year Risk/Return Analysis vs Peer Universe\*

Cumulative Value Added

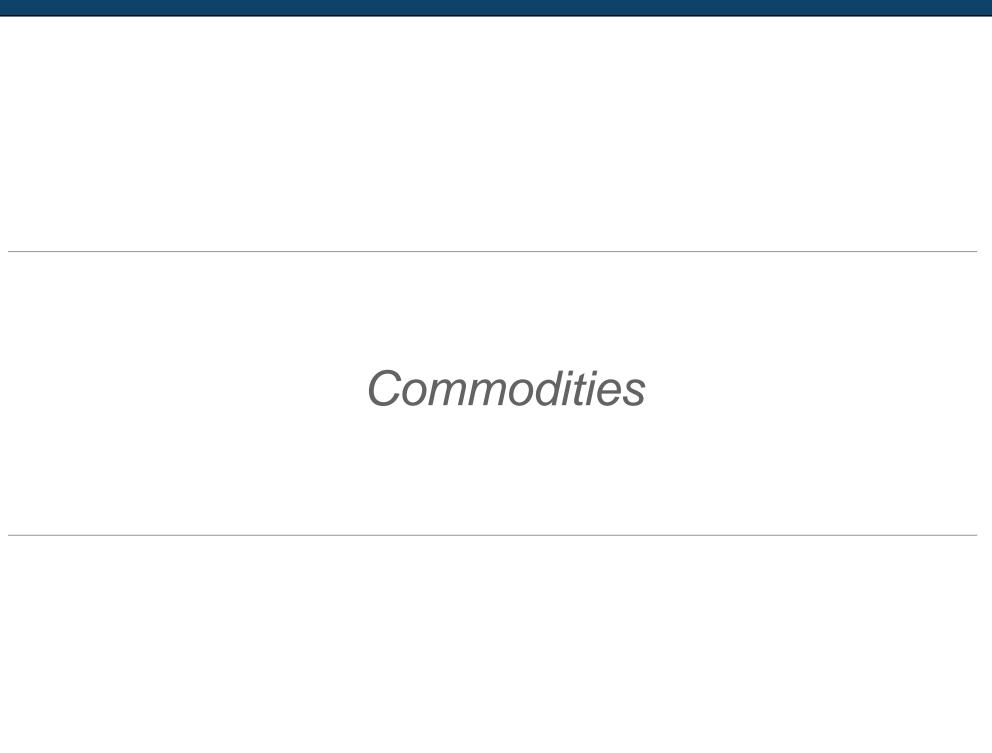


		Gross F	Fee Ret	Standard Deviation		
Description	Legend	Value	Rank	Value	Rank	
CBRE Clarion	٥	9.45	62	14.77	27	
FTSE EPRA/NAREIT Dev RE	1	10.19	57	15.19	20	
Median		10.90		7.67		

13.17

10.90

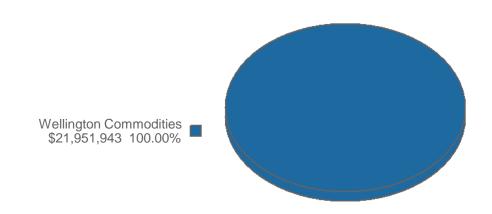
9.22



# Manager Allocation



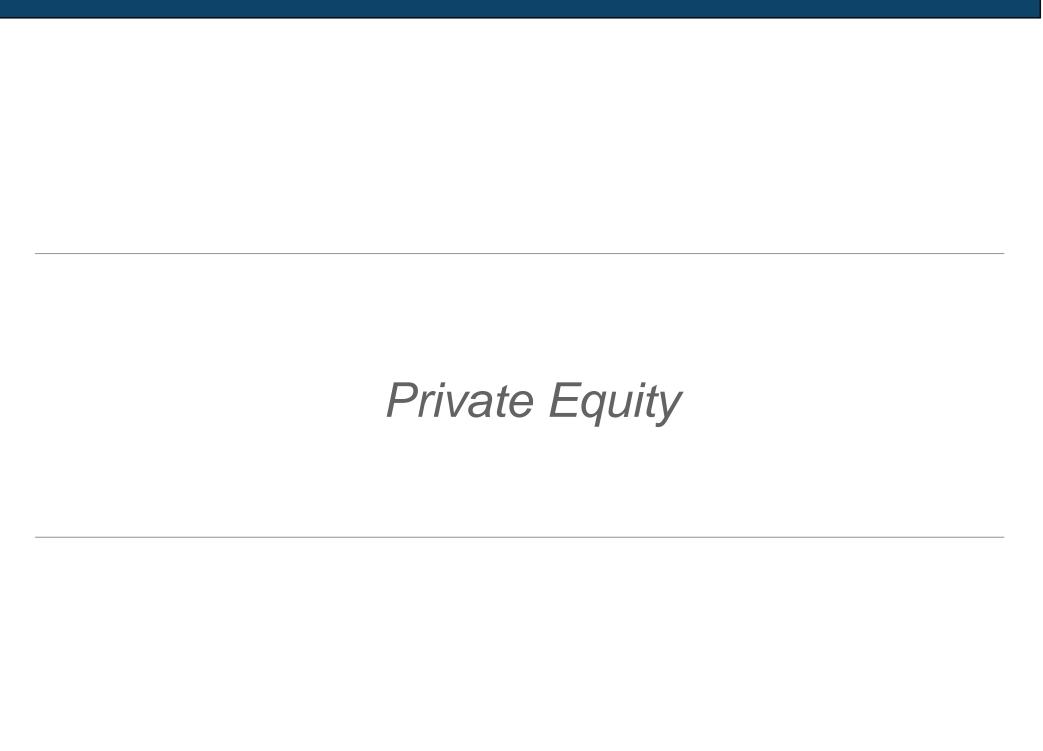
Commodities Composite
As of June 30, 2014





### Trailing Returns

	1 Qtr	YTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Incept Date	Incept Ret
Wellington Commodities									
Net of Fee Return	3.63	7.11	8.27					3/31/13	-3.19
DJ UBS Commodity Index	0.08	7.08	8.21					3/31/13	-1.61
Value Added	3.55	0.03	0.06						-1.58
Commodities Composite									
Net of Fee Return	3.63	7.11	8.27					3/31/13	-3.19
DJ UBS Commodity Index	0.08	7.08	8.21					3/31/13	-1.61
Value Added	3.55	0.03	0.06						-1.58



# Investment Manager Performance



# Private Partnerships As of June 30, 2014

Partnership	Commitment	Inception Date	Capital Called		Capital Distributed		Fair Value	Total Value /	Annualized
raitieisiiip	Value	inception Date	Amount	%	Amount	%	raii vaiue	Paid-In Capital <sup>1</sup>	IRR
Adams Street Direct 2010 Fund	\$500,000	April 27, 2010	\$412,236	82%	\$31,647	6%	\$517,570	1.33	14.51%
Adams Street Non-US Dev. 2010 Fund	\$1,500,000	April 27, 2010	\$582,284	39%	\$43,228	3%	\$635,660	1.17	7.96%
Adams Street Non-US EM 2010 Fund	\$500,000	January 3, 2011	\$237,000	47%	\$0	0%	\$226,108	0.95	-3.58%
Adams Street US 2010 Fund	\$2,500,000	April 27, 2010	\$1,068,760	43%	\$104,933	4%	\$1,291,825	1.31	12.82%
Adams Street 2013 Global Fund	\$5,000,000	July 3, 2013	\$633,215	13%	\$0	0%	\$627,529	0.99	NA
Flag Global Partners	\$5,000,000	January 17, 2012	\$1,600,000	32%	\$66,710	1%	\$1,457,839	0.95	-3.60%
Alternative Investments Composite	\$15,000,000	April 27, 2010	\$4,533,495	30%	\$246,518	2%	\$4,756,531	1.10	6.41%

<sup>&</sup>lt;sup>1</sup> TVPI = Fair Value + Capital Distributed / Capital Called



# **Market Commentary**



### **U.S. Equity**

The U.S. stock market was up 4.9% for the second quarter, posting its eighth consecutive quarterly gain. Investors did not appear overly concerned with the worst quarter for Real GDP growth since the recession – and the largest revision of the initial estimates ever. Reactions from the Federal Reserve were muted, as well. The Fed continued tapering their asset purchases and suggested that they believe the downtick in growth and uptick in inflation are both temporary occurrences.

Large capitalization stocks led smaller shares by a sizeable amount for the quarter while results for growth stocks versus value were mixed. All economic sectors showed gains with Energy leading the way, by far. Utilities and Technology were also strong while Financials were the primary laggard.

After 44 consecutive months of job gains, the U.S. has finally recovered all of the jobs that were lost during 2008 and 2009, which totaled 8.7 million. The U.S. is now at an all-time high in terms of those employed although the labor force participation rate is down from 66.4% at year-end 2006 to 62.8% currently due, in part, to retirements within the "Baby Boom" generation. The rate has not been this low in 37 years, which is when that same generation had entered the work force.

### Non-U.S. Equity

The escalation of tensions between Russia and Ukraine threatened to impact important energy trade flows between Eastern and Western Europe, with much of the West proposing sanctions against Russia in response to its absorption of Crimea. The deterioration of Iraq's fragile régime fueled additional investor concern during the quarter. However, this turmoil barely provided a pause for global stock markets' upward march. With most major economies enjoying increased central bank support, and China's government working to buoy the nation's economic growth, equities returned healthy gains, with emerging market stocks especially strong.

### **Fixed Income**

Fixed income markets were notably strong in the second quarter, as U.S. Treasury yields fell at most maturities. Janet Yellen's initial public statements as the new chair of the U.S. Fed reassured markets that accommodative monetary policy would stay in place in the short term. Yet again, investors looked to longer-maturity and higher-credit risk paper in search of yield, tightening investment-grade Corporate spreads to their lowest level since 2007. Emerging market bonds have performed strongly in the first half of 2014 as well, with frontier market financing activity reaching new levels.

# 2014 Asset Class Assumptions



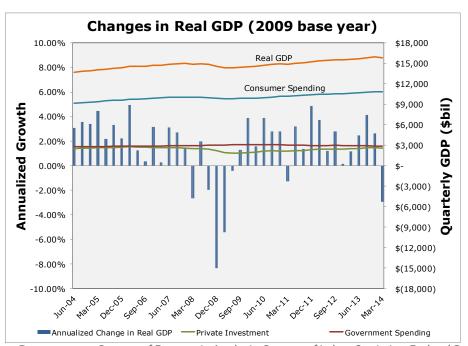
	Т	otal Return (%	)	Risk (%)
	2014	Q2	Change	2014
	ACA	2014	vs YE	ACA
Investment Categories:				
U.S. Stocks	7.25	6.75	(0.50)	17.00
Dev ex-U.S. Stocks	7.25	6.75	(0.50)	18.00
Emerging Mkt Stocks	7.25	6.75	(0.50)	26.00
Global Stocks	7.45	6.95	(0.50)	17.20
Private Markets	10.40	9.65	(0.75)	27.50
Cash Equivalents	1.55	1.30	(0.25)	1.25
Core Bonds	4.10	3.70	(0.40)	5.00
LT Core Bonds	4.70	3.80	(0.90)	10.00
TIPS	4.00	3.40	(0.60)	6.00
High Yield Bonds	5.15	4.70	(0.45)	10.00
EMD Local Currency (h)	6.05	5.35	(0.70)	5.00
U.S. RE Securities	5.20	5.20	-	15.00
Private Real Estate	5.95	5.90	(0.05)	12.25
Commodities	4.25	4.35	0.10	13.00
MLPs	9.10	8.80	(0.30)	17.00
Real Asset Basket	6.55	6.35	(0.20)	7.85
Inflation:	2.25	2.35	0.10	1.75
Returns minus Inflation:				
U.S. Stocks	5.00	4.40	(0.60)	
U.S. Bonds	1.85	1.35	(0.50)	
Cash Equivalents	(0.70)	(1.05)	(0.35)	
Stocks minus Bonds:	3.15	3.05	(0.10)	
Bonds minus Cash:	2.55	2.40	(0.15)	

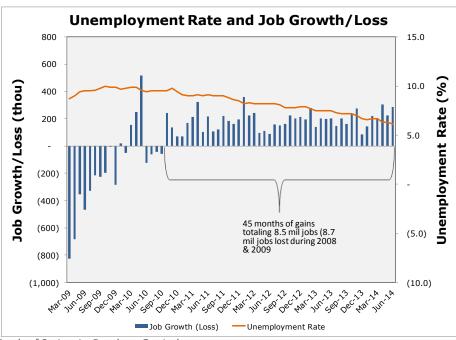
## **Economic Review**



June 30, 2014		Key Econ	omic Indicators	
CPI (all items)	Monthly C	hange	Cumulati	ve Change
Seasonally adjusted	Jun-14	0.3	3-Month	0.9
	May-14	0.4	12-Month	2.1
	Apr-14	0.3	10-Yr Annua	l 2.3
Breakeven Inflation	10-Year	2.4		
Consumer Sentiment	Jun-14	82.5		
Unv. of Michigan Survey	May-14	81.9		
	1-Yr Ago	84.1	10-Yr Avg	77.5
Manufacturing	Jun-14	55.3	Change in Manufac	turing Sector
Inst. for Supply Mgmt	May-14	55.4	>50	Expansion
Purchasing Mngrs' ldx	1-Yr Avg	55.1	<50	Contraction

Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.



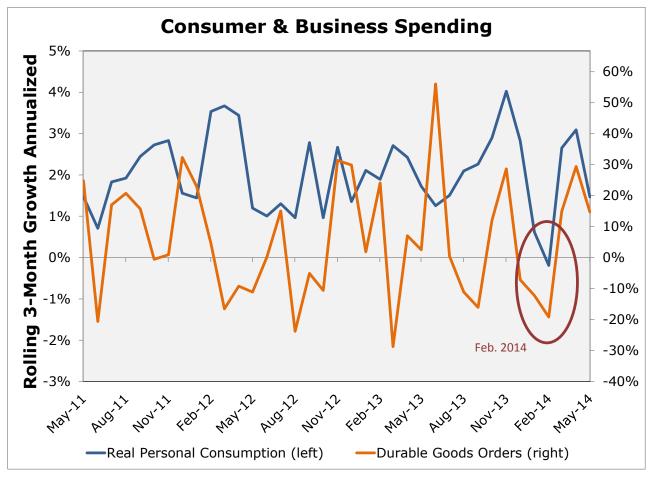


Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Barclays Capital

## **Economic Growth**



- Real GDP was down during the first quarter on weak consumer spending and a drop in business spending
- Both measures seem to be rebounding during Q2 and most experts are forecasting a return to growth



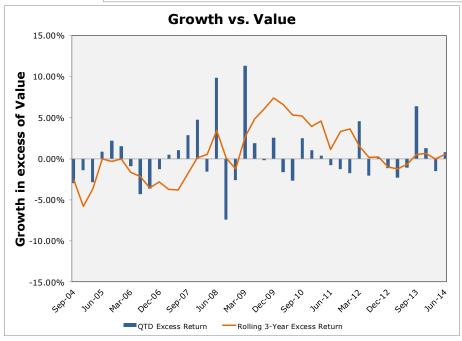
# **U.S. Equity Market**



June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	4.9	7.0	24.9	16.3	19.2	8.3
Wilshire U.S. Large Cap	5.1	7.2	24.7	16.3	18.7	8.1
Wilshire U.S. Small Cap	3.1	5.7	26.4	16.3	22.7	10.5
Wilshire U.S. Large Growth	5.7	6.8	29.7	16.7	19.1	8.4
Wilshire U.S. Large Value	4.6	7.4	20.7	16.0	18.5	7.6
Wilshire U.S. Small Growth	2.4	4.7	28.0	16.3	23.0	11.2
Wilshire U.S. Small Value	3.6	6.6	24.8	16.2	22.4	9.8
Wilshire REIT Index	7.2	18.1	13.5	11.7	24.0	9.6
MSCI USA Minimum Volatility Index	3.7	5.7	16.5	14.4	17.0	7.7
FTSE RAFI U.S. 1000 Index	5.1	7.7	25.1	17.4	21.5	9.7







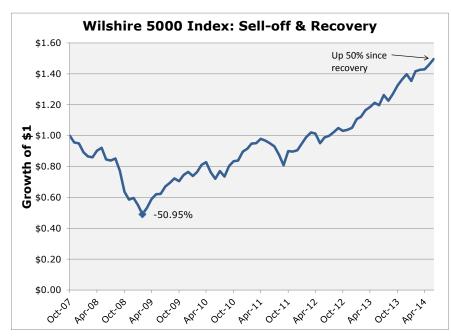
Data sources: Wilshire Compass, Wilshire Atlas

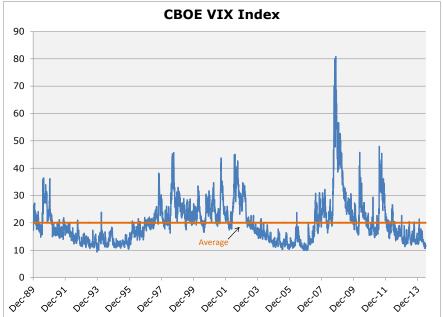
# **Equity Performance**



- Credit crisis sell-off lasted 16 months and took 37 months to recover
- Wilshire 5000 Index is now up 50% since the recovery point in March, 2012

 Short-term volatility expectations are nearing the all-time low

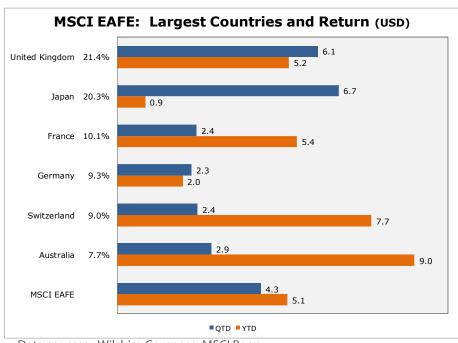


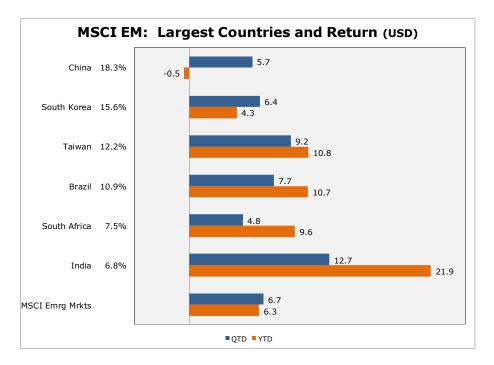


# Non-U.S. Equity Market



June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	5.3	5.9	22.3	6.2	11.6	8.2
MSCI EAFE (\$g)	4.3	5.1	24.1	8.6	12.3	7.4
MSCI Emerging Markets (\$g)	6.7	6.3	14.7	-0.1	9.6	12.3
MSCI Frontier Markets (\$g)	12.1	20.5	36.6	12.8	11.7	9.0
MSCI ACWI ex-US Growth (\$g)	4.6	5.0	19.7	5.8	11.7	8.0
MSCI ACWI ex-US Value (\$g)	5.9	6.7	24.8	6.6	11.4	8.4
MSCI ACWI ex-US Small (\$g)	3.8	7.5	26.5	7.3	15.0	10.2
MSCI EAFE Minimum Volatility ldx	6.4	9.1	19.3	10.3	12.6	9.6
FTSE RAFI Developed ex-US Index	5.0	6.8	29.2	7.8	12.2	8.6
MSCI EAFE LC (g)	3.7	3.5	18.4	10.9	11.4	6.1
MSCI Emerging Markets LC (g)	5.2	4.7	14.1	4.4	9.9	12.0





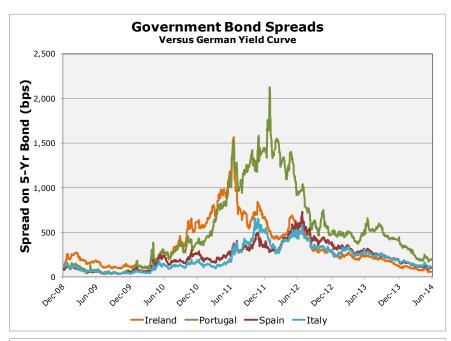
Data sources: Wilshire Compass, MSCI Barra

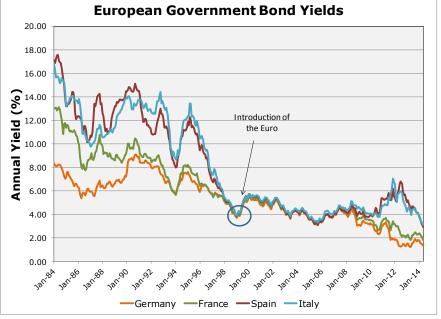
# European Debt Issues



 Government yield spreads for some of the relatively troubled European economies continue to fall

 Yields on government bonds have moderated while the spreads among different countries are beginning to tighten

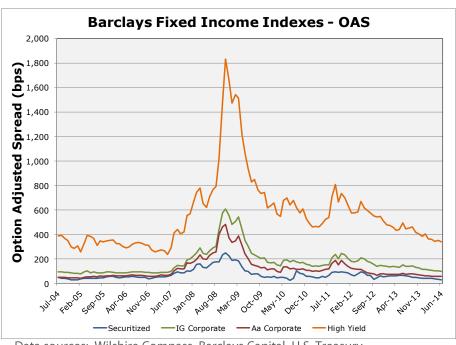




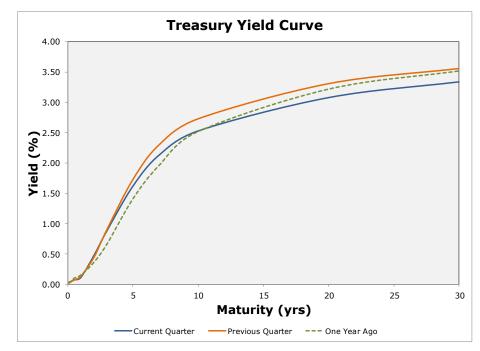
## U.S. Fixed Income Market



June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	2.0	3.9	4.4	3.7	4.9	4.9
Barclays Treasury Index	1.4	2.7	2.0	3.1	3.6	4.5
Barclays Govt-Related Index	2.2	4.4	4.8	3.4	4.1	4.7
Barclays Securitized Index	2.3	3.9	4.6	2.9	4.4	4.9
Barclays Corporate IG Index	2.7	5.7	7.7	6.2	8.1	5.9
Barclays LT Govt/Credit Index	4.9	11.8	10.8	9.6	9.6	7.6
Barclays LT Treasury Index	4.7	12.1	6.3	8.8	7.4	7.2
Barclays LT Gov't-Related Index	5.9	13.0	12.4	9.1	9.5	8.1
Barclays LT Corporate IG Index	4.8	11.2	13.4	9.9	11.3	7.6
Barclays U.S. TIPS Index	3.8	5.8	4.4	3.6	5.6	5.2
Barclays High Yield Index	2.4	5.5	11.7	9.5	14.0	9.1
Treasury Bills	0.0	0.0	0.1	0.1	0.1	1.6



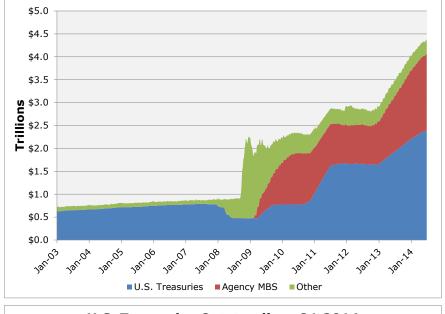
Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury



## Federal Reserve Action

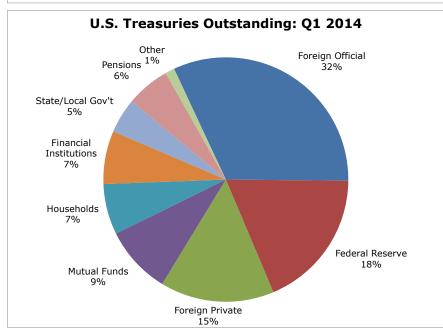


 As the Federal Reserve nears the end of quantitative easing, they hold \$3.5 trillion more in assets than they did in early September, 2008



Federal Reserve Balance Sheet: Assets

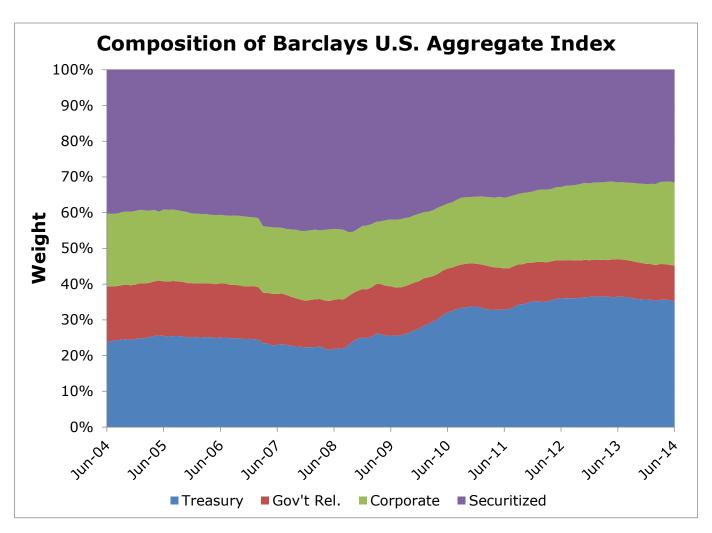
- Federal Reserve holds nearly 20% of all U.S. Treasuries outstanding
  - Second only to foreign governments
  - Total U.S. Treasuries outstanding as of Q1 is \$12.6 trillion



## **Core Bonds**



- Dollar weight in U.S. Treasuries has grown to 35% of the index, from 24% ten years ago
- Weight to Corporate bonds also is up while Gov't Rel. and Securitized are down



47

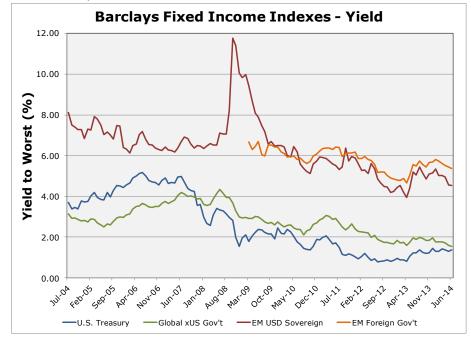
## Non-U.S. Fixed Income Market



June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Developed Markets						
Barclays Global Aggregate xUS	2.7	5.6	9.4	1.7	4.4	5.1
Barclays Global Aggregate xUS *	2.0	4.2	5.6	5.0	4.4	4.7
Barclays Wrld Govt xUS IL Bond	3.4	6.5	13.4	4.0	6.0	6.0
Barclays Wrld Govt xUS IL Bond *	2.0	4.7	4.4	4.5	5.5	5.1
Emerging Mrkts (Hard Currency)						
Barclays EM USD Aggregate	4.5	7.4	10.2	7.4	10.8	9.5
Emerging Mrkts (Foreign Currency)						
Barclays EM Local Currency Govt	5.4	7.1	9.2	3.2	8.3	n.a.
Barclays EM Local Currency Govt *	2.2	2.9	2.7	3.5	4.2	n.a.
Euro vs. Dollar	-0.7	-0.6	5.3	-1.9	-0.5	1.1
Yen vs. Dollar	1.7	3.8	-1.9	-7.3	-1.0	0.7
Pound vs. Dollar	2.6	3.2	12.7	2.1	0.8	-0.6

<sup>\*</sup> Returns are reported in terms of local market investors, which removes currency effects.



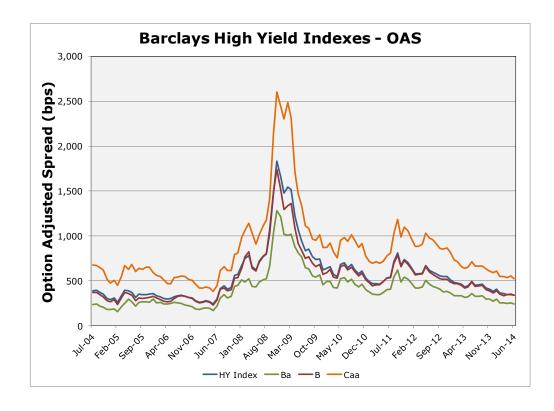


Data sources: Wilshire Compass, Barclays Capital

# High Yield Bond Market



June 30, 2014	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	2.4	5.5	11.7	9.5
Quality Distribution					
Ba U.S. High Yield	41.4%	2.7	5.8	11.1	9.0
B U.S. High Yield	40.7%	2.2	5.0	11.3	9.5
Caa U.S. High Yield	17.3%	2.4	5.8	14.4	10.9
Ca to D U.S. High Yield	0.5%	-1.6	-3.3	1.1	3.0
Non-Rated U.S. High Yield	0.2%	2.9	9.6	16.7	14.3



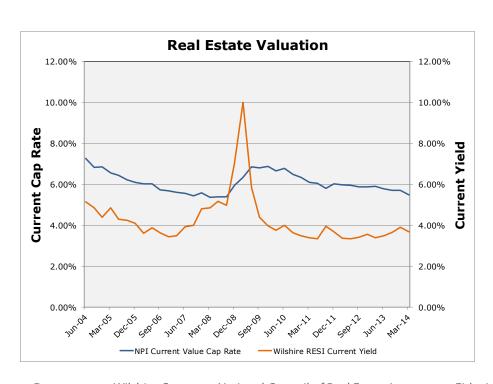
Data sources: Barclays Capital

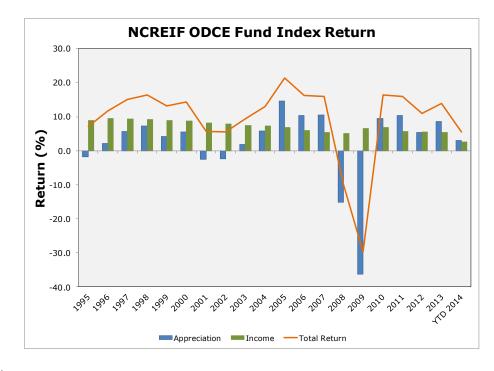
## Real Assets



June 30, 2014	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	3.8	5.8	4.4	3.6	5.6	5.2
Bloomberg Commodity Index	0.1	7.1	8.2	-5.2	2.0	0.9
Global Public Real Estate*	8.2	16.5	15.6	11.1	21.7	9.5
NCREIF ODCE Fund Index	2.9	5.5	12.7	12.4	10.0	7.1
NCREIF Timberland Index	1.1	2.7	9.9	6.7	3.3	8.3
Alerian MLP Index (Oil & Gas)	14.2	16.3	21.6	19.0	26.2	17.3

<sup>\*</sup> Wilshire Global Real Estate Securities from June 2004 to December 2004. Wilshire Global REITs from 2004 to present.



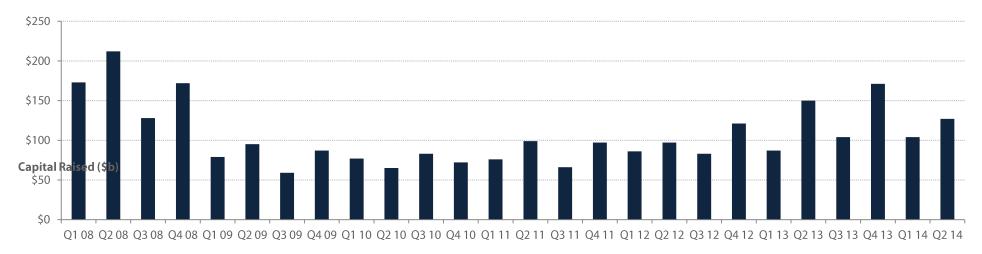


Data sources: Wilshire Compass, National Council of Real Estate Investment Fiduciaries

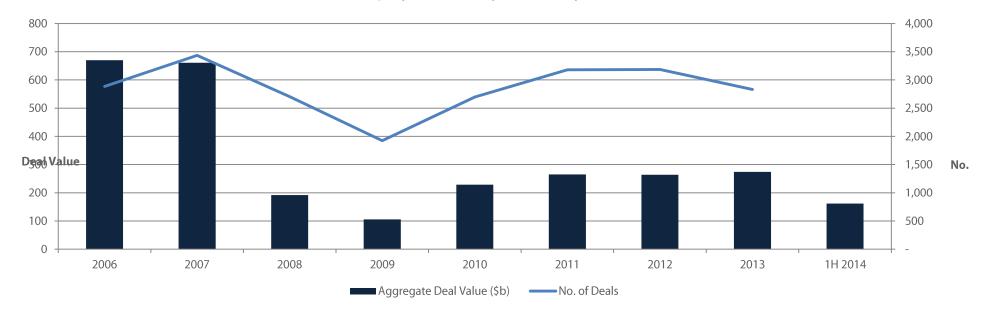
# Private Equity Environment – Fundraising & Investment Activity



### Global Private Equity Fundraising (Q1 2008 – Q2 2014)



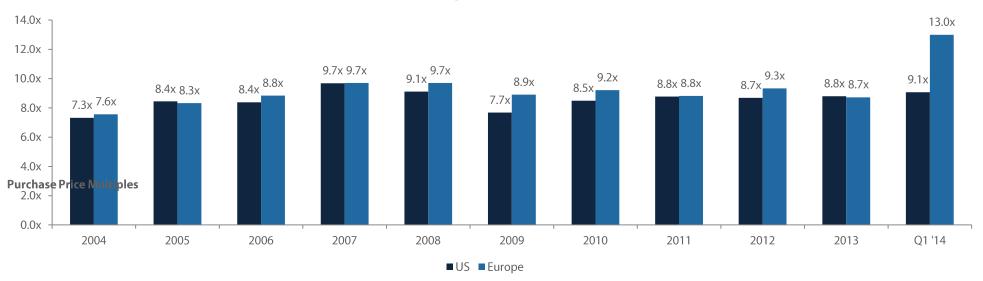
### Global Private Equity-Backed Buyout Activity (2006 – 1H 2014)



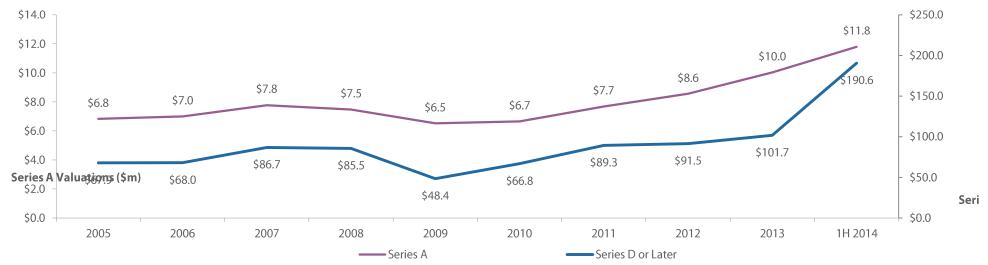
# Private Equity Environment – Pricing



### Global LBO Multiples (2004 – Q1 2014)



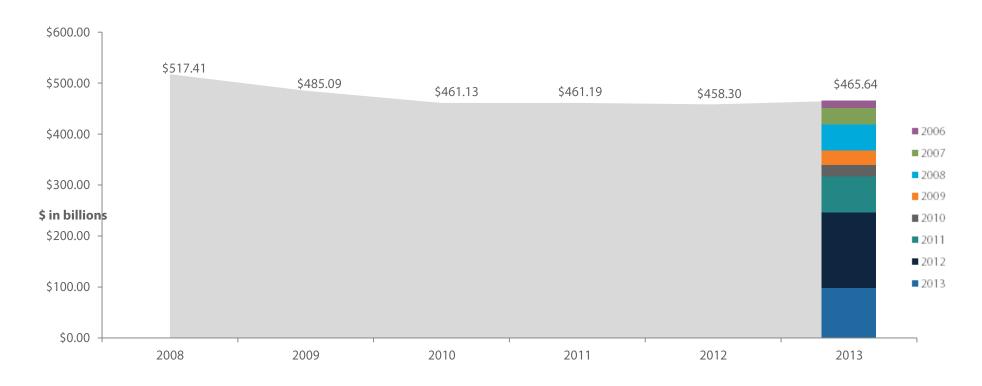
### U.S. Venture Capital Median Pre-Money Valuations (2005 – 1H 2014)



# North American Private Equity Overhang



### Cumulative Vintage Year Overhang



- Total private equity overhang significantly grew to over \$517 billion during the runup to the financial crisis
- While the overhang has slightly decreased since 2008, it remains relatively high at approximately \$466 billion

## **Asset Class Performance**



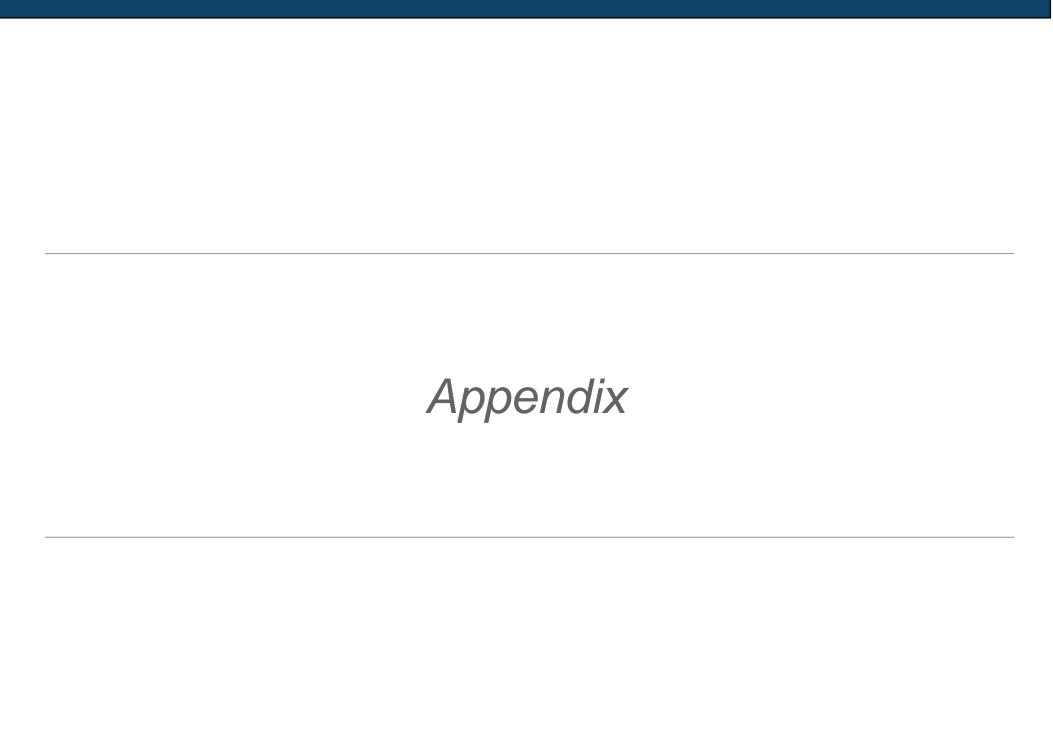
#### Annual Asset Class Returns - Best to Worst

2009	2010	2011	2012	2013	YTD 2014
Emrg Mrkts	REITs	U.S. TIPS	Emrg Mrkts	U.S. Equity	REITs
79.0%	28.6%	13.6%	18.6%	33.1%	18.1%
High Yield	Emrg Mrkts	REITs	Developed	Developed	Commodities
58.2%	19.2%	9.2%	17.9%	23.3%	7.1%
Developed	U.S. Equity	Core Bond	REITs	High Yield	U.S. Equity
32.5%	17.2%	7.8%	17.6%	7.4%	7.0%
REITs	Commodities	High Yield	U.S. Equity	REITs	Emrg Mrkts
28.6%	16.8%	5.0%	16.1%	1.9%	6.3%
U.S. Equity	High Yield	U.S. Equity	High Yield	T-Bills	U.S. TIPS
28.3%	15.1%	1.0%	15.8%	0.1%	5.8%
Commodities	Developed	T-Bills	U.S. TIPS	Core Bond	High Yield
18.9%	8.2%	0.1%	7.0%	-2.0%	5.5%
U.S. TIPS	Core Bond	Developed	Core Bond	Emrg Mrkts	Developed
11.4%	6.5%	-11.7%	4.2%	-2.3%	5.1%
Core Bond	U.S. TIPS	Commodities	T-Bills	U.S. TIPS	Core Bond
5.9%	6.3%	-13.3%	0.1%	-8.6%	3.9%
T-Bills	T-Bills	Emrg Mrkts	Commodities	Commodities	T-Bills
0.2%	0.1%	-18.2%	-1.0%	-9.5%	0.0%

Annualized 5-Year

as of June '14
REITs
24.0%
U.S. Equity
19.2%
High Yield
14.0%
Developed
12.3%
Emrg Mrkts
9.6%
U.S. TIPS
5.6%
Core Bond
4.9%
Commodities
2.0%
T-Bills
0.1%

Data sources: Wilshire Compass

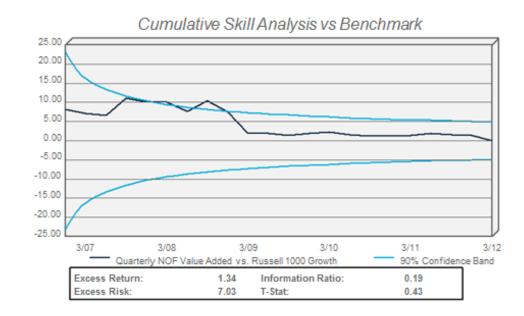


## Glossary



## Cumulative Skill Graph

- Graphical representation of the statistical significance of excess returns over a specified benchmark for the cumulative time period being analyzed.
- Positive cumulative excess performance is shown when the dark blue line is above the "0.00" line measured on the left Y axis.
- The light blue lines that form a channel, or the shape of a trumpet horn, represent the boundaries of the statistical significance test.
- The width of the channel is calculated based on the amount of "Excess Risk" that the manager takes over the benchmark.

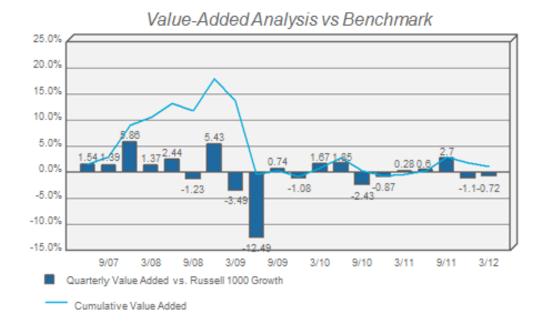


# Glossary



## Value Added Graph

- Illustrates excess returns over the specified benchmark for individual periods, usually quarters, and for the cumulative time period being analyzed.
- A period in which there was positive excess performance the dark blue bar is above the line.
   Negative excess performance is below the line.
   The magnitude of the excess performance is measured on the left Y axis.
- The light blue line is the cumulative result of the quarterly performance and is measured on the right Y axis.



Data sources: Wilshire Compass