

# PUBLIC FUNDS UNIVERSE SUMMARY

## PUBLIC FUNDS PLANS BEGIN 2015 WITH SOLID RETURNS



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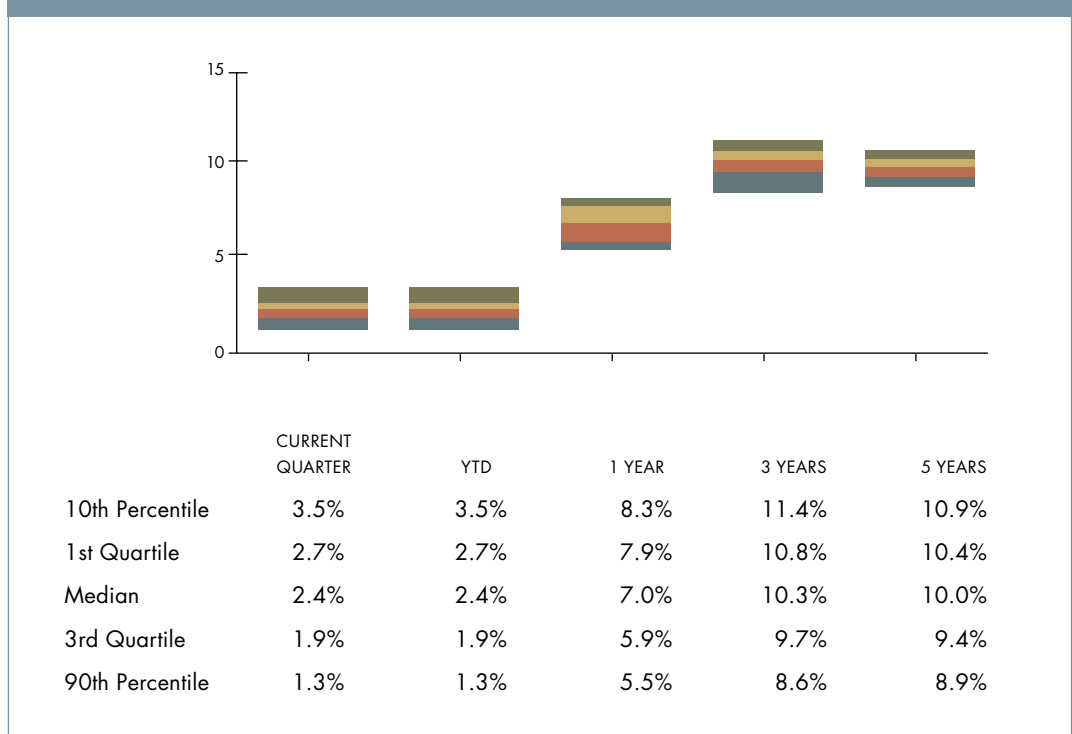
Public Funds started the year on a positive note with the median plan gaining 2.4% in the first quarter of 2015. Longer time-period results continued to improve with the one-, three-, five- and 10-year returns coming in at 7.0%, 10.3%, 10.0% and 7.3%, respectively.

Within the Public Funds Universe, domestic equities comprise the largest allocation, at 33.1%, as of March 31, 2015. Volatility remained elevated in the first quarter as concerns about global growth, oil price volatility and the timing of the Fed’s impending rate hike weighed on investors. Despite the improving U.S. economy stocks only delivered modest gains. Broad-based domestic equity indexes such as the S&P 500 and Russell 3000 posted gains of 0.95% and 1.8%, respectively. Small cap

stocks significantly outperformed large cap stocks during the quarter as the Russell 2000 return was more than double that of the Russell 1000. Growth stocks outperformed value stocks across all market capitalizations.

Non-U.S stocks rebounded in the first quarter as the European Central Bank unveiled a €1.1 trillion stimulus package. The MSCI EAFE and MSCI ACWI ex US indices finished the quarter with gains of 5.0% and 3.6%, respectively. Fears of a Greek debt crisis didn’t completely sink emerging markets as China and Russia helped to boost returns. The MSCI Emerging Markets index posted a gain of 2.3% in the quarter. As of March 31, 2015, the public funds composite allocation to international equities was 24.0%.

PUBLIC FUNDS – TOTAL RETURNS MARCH 31, 2015



The domestic and foreign fixed income allocations within the Public Funds Universe were 17.2% and 4.9%, respectively, at the end of the first quarter. Domestic fixed income, represented by the Barclays Capital US Aggregate Index, generated a gain of 1.6% for the quarter. Foreign fixed income, represented by the Citi-Group WGBI ex US Index, showed a loss in the quarter of 4.4% due to the continued climb of the U.S. dollar against major currencies. If an investor hedged these positions to the U.S. dollar they would have seen returns of more than 2.2% for the quarter.

Real estate and private equity allocations within the Public Funds composite were

5.0% and 6.0%, respectively, at the end of the quarter. Real estate markets continued their climb as evidenced by the Wilshire REIT index gaining 4.7% in the first quarter. Over longer periods real estate has continued to be an important asset class with one-, three- and five-year returns of 25.2%, 14.3% and 16.2%, respectively.

Public Funds continued their hot streak in the first quarter and had gains in 10 of the last 12 quarters. Plan sponsors will look for continued global growth to help close the gap on their long-term return assumptions and boost their funding status.

COMPOSITE ASSET ALLOCATION – PUBLIC FUNDS				
	Current	1 Year Ago	3 Years Ago	5 Years Ago
<b>U.S. Equity</b>	33%	33%	33%	36%
<b>Global/Non-U.S. Equity</b>	24%	23%	20%	20%
<b>U.S. Fixed Income</b>	17%	19%	22%	23%
<b>Global/Non-U.S. Bonds</b>	5%	4%	5%	4%
<b>Private Equity/Hedge Funds</b>	9%	10%	9%	13%
<b>Cash &amp; Other</b>	12%	11%	11%	3%

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Returns are shown gross of fees. Index returns assume reinvestment of dividends and earnings and do not reflect the deduction of any trading costs or other expenses. It is not possible to invest directly in an index. Periods greater than one year are annualized. Past performance does not indicate future results.