INSTITUTIONAL ASSET OWNERS EKE OUT ANOTHER QUARTER OF POSITIVE RESULTS

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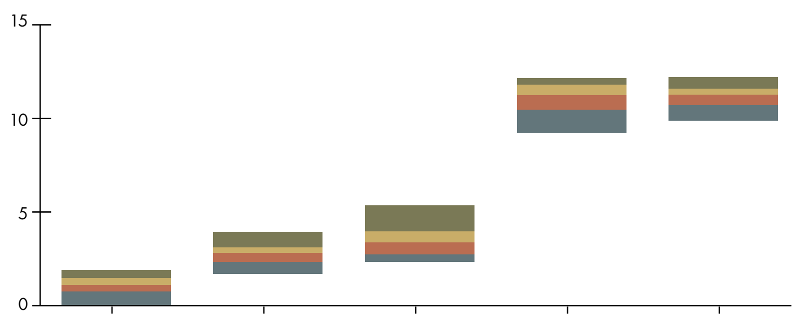
The Public Funds Universe growth slowed in the second quarter, with the median plan gaining 0.4%. However, this is the third straight quarterly gain for public funds, boosting longer period results. The one-, three-, five- and 10-year returns came in at 3.3%, 11.2%, 11.3% and 7.1%, respectively.

Within the Public Funds universe, domestic equities comprise the largest allocation, at 35.9%, as of June 30, 2015. Volatility increased in the second quarter, as concerns about the slowdown in China and continued uncertainty around Greece's place in the eurozone weighed on investors. The U.S. equity market finished the second quarter essentially flat from the beginning of the quarter. Broad-based domestic equity indexes such as the S&P 500 and Russell 3000 posted gains of 0.3% and 0.1%, respectively. Growth stocks outperformed value stocks across all market capitalizations, with small cap growth being the top performing sub-asset class in the quarter. The Russell 2000 Growth Index was up nearly 2% in the quarter.

Despite significant volatility in China and concerns about Greece and the eurozone, international markets were able to produce positive results. The MSCI EAFE and MSCI ACWI ex US indexes finished the quarter with gains of 0.8% and 0.7%, respectively. Strong intervention by the People's Bank of China, including promoting share purchases by the country's major brokerages, helped save emerging market returns in the second quarter. The MSCI Emerging Markets index posted a gain of 0.8% in the quarter. As of

PUBLIC FUNDS – TOTAL RETURNS JUNE 30, 2015



	CURRENT QUARTER	YTD	1 YEAR	3 YEARS	5 YEARS
10th Percentile	1.2%	3.9%	5.4%	12.1%	12.2%
1st Quartile	0.8%	3.1%	3.9%	11.7%	11.5%
Median	0.4%	2.8%	3.3%	11.2%	11.3%
3rd Quartile	0.1%	2.3%	2.8%	10.4%	10.7%
90th Percentile	-0.7%	1.7%	2.3%	9.1%	9.9%

June 30, 2015, the Public Funds composite allocation to international equities was 17.06%.

The domestic and foreign fixed income allocations within the Public Funds universe were 20.7% and 1.1%, respectively, at the end of the second quarter. Bond prices fell in the quarter as investors look for the first Fed rate hike since 2006. Domestic fixed income, represented by the Barclays Capital US Aggregate Index, generated a loss of 1.7% for the quarter. Foreign fixed income, represented by the Citi-Group WGBI ex US index, showed a loss of 1.5%.

Real estate and private equity allocations within the Public Funds composite were 5.3% and 4.3%, respectively, at the end of the quarter. Real estate markets reversed course and declined significantly. The Wilshire REIT index was down 9.9% in the second quarter. Over longer periods, real estate has continued to be an important asset class with one-, three- and five-year returns of 5.2%, 9.0% and 14.7%, respectively.

Public Funds continued their hot streak in the second quarter and had gains in 11 of the last 13 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
U.S. Equity	33%	33%	32%	33%
Global/Non-U.S. Equity	25%	23%	20%	18%
U.S. Fixed Income	17%	19%	23%	26%
Global/Non-U.S. Bonds	5%	4%	5%	4%
Private Equity/Hedge Funds	10%	10%	9%	8%
Cash & Other	10%	11%	11%	11%

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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.

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