Metro Gov't Nashville and Davidson County

Quarterly Investment Review

June 30, 2016

Prepared by: Summit Strategies Group

Economic & Capital Market Highlights

June 30, 2016

Economy

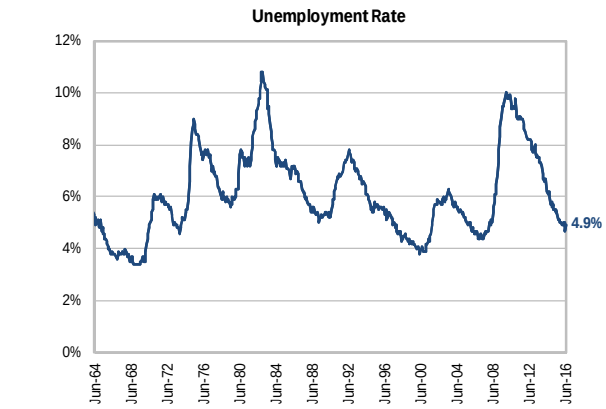
The major economic event of the second quarter was the United Kingdom's referendum to remain or exit the European Union, commonly known as "Brexit." From an economic and political perspective, the result of the vote has increased uncertainty as the exit process will likely take place over several years and require a great deal of negotiation. In the aftermath of the Brexit vote, policy makers around the world have stepped in to ease market volatility, vowing to keep monetary policy accommodative for longer than previously expected. At the end of May, financial markets were pricing in approximately a 50% chance of a Federal Reserve rate hike at the July FOMC meeting; following the Brexit vote, the probability of any rate hike occurring in 2016 dropped to below 10%. One of the main drivers of market performance over the past several years has been central bank intervention, which has pushed bond yields to all-time lows and raised equity markets, particularly in the US, to new all-time highs. Overall, the US economy appears to have continued along its slow growth trajectory during the quarter. Payroll increases have moderated somewhat but remain expansionary, and wage growth is starting to rise from low levels. The service sector of the US economy continues to perform well, while manufacturing is showing signs of recovery following a sustained period of weakness.

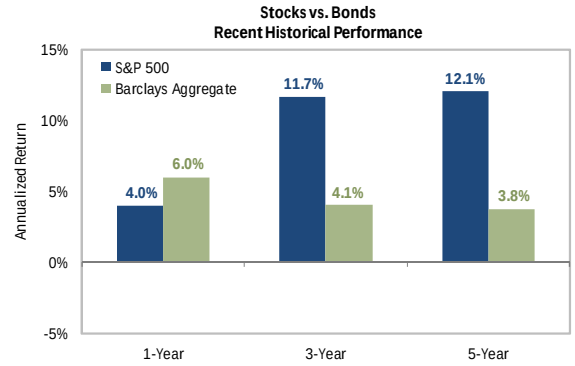
Capital Markets

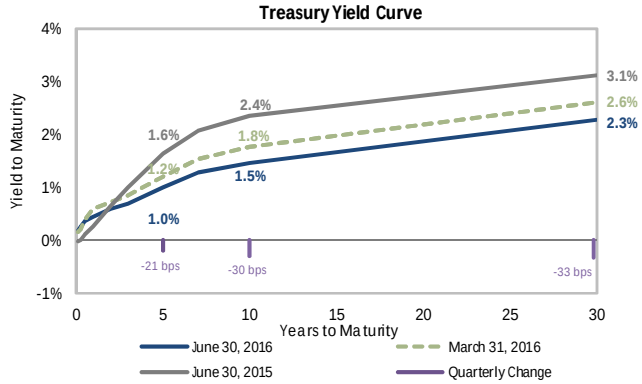
Global equities declined following the Brexit vote before recovering their losses to end the quarter slightly higher. Fixed income assets performed well as yields drifted near historically low levels; the 10-year Treasury ended June yielding 1.47%, 30 basis points lower quarter-over-quarter. Credit investments performed well due to declining yields and spread tightening, while energy-related investments such as master limited partnerships rose on oil price increases and improving investor sentiment.

Market Performance (Returns in USD)

		Quarter	1 Year	3 Year	5 Year
MSCI ACWI IMI	Global Equity	1.1%	-3.9%	6.1%	5.4%
Russell 3000	US Equity	2.6%	2.1%	11.1%	11.6%
S&P 500	US Large Cap Equity	2.5%	4.0%	11.7%	12.1%
Russell 1000	US Large Cap Equity	2.5%	2.9%	11.5%	11.9%
Russell 1000 Value	US Large Cap Value Equity	4.6%	2.9%	9.9%	11.4%
Russell 1000 Growth	US Large Cap Growth Equity	0.6%	3.0%	13.1%	12.3%
Russell 2000	US Small Cap Core Equity	3.8%	-6.7%	7.1%	8.4%
Russell 2000 Value	US Small Cap Value Equity	4.3%	-2.6%	6.4%	8.1%
Russell 2000 Growth	US Small Cap Growth Equity	3.2%	-10.8%	7.7%	8.5%
MSCI EAFE	Int'l Developed Large Cap Equity	-1.5%	-10.2%	2.1%	1.7%
MSCI EAFE Small Cap	Int'l Developed Small Cap Equity	-2.6%	-3.7%	7.3%	4.8%
MSCI Emerging Markets	Emerging Market Equity	0.7%	-12.1%	-1.6%	-3.8%
Alerian MLP	Master Limited Partnerships	19.7%	-13.1%	-5.4%	3.2%
Barclays Aggregate	US Core Fixed Income	2.2%	6.0%	4.1%	3.8%
Barclays US Treasury	US Treasuries	2.1%	6.2%	3.5%	3.5%
Barclays US Credit	US Corporate Bonds	3.5%	7.6%	5.3%	5.2%
Barclays US MBS	US Mortgage Backed Securities	1.1%	4.3%	3.8%	3.0%
Barclays US Corp: High Yield	US High Yield Bonds	5.5%	1.6%	4.2%	5.8%
NCREIF ODCE (net)	Core Real Estate	1.9%	10.8%	12.0%	11.7%



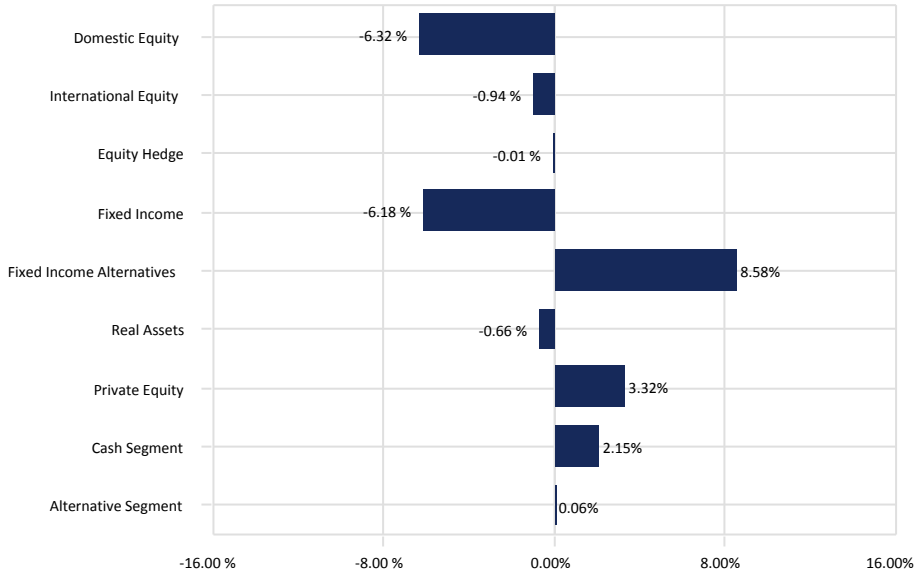


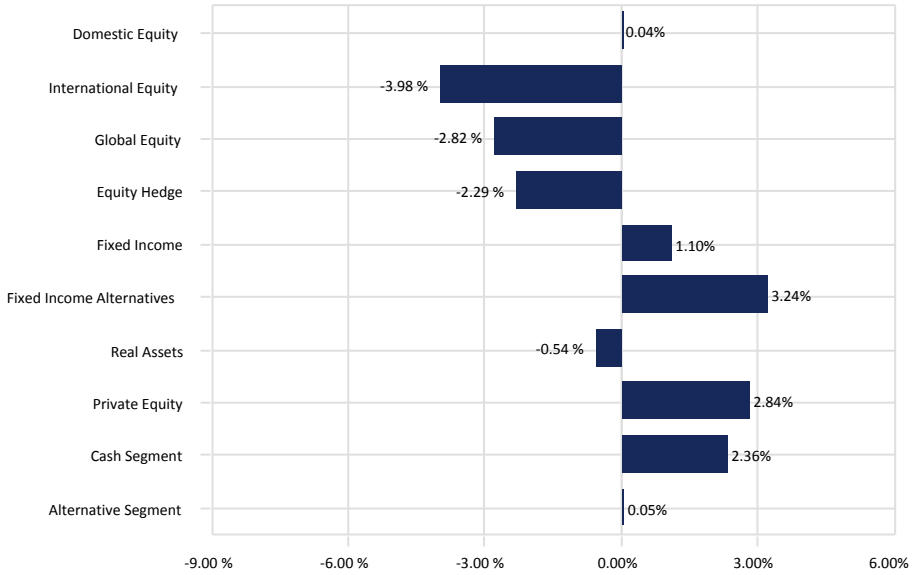


Metro Gov't Nashville and Davidson County

Asset Allocation vs. Target Allocation

June 30, 2016





June 30, 2016

	Market Value ($)	Allocation (%)	Target (%)
Domestic Equity	379,274,759	13.68	20.00
International Equity	334,297,174	12.06	13.00
Equity Hedge	193,780,767	6.99	7.00
Fixed Income	410,806,409	14.82	21.00
Fixed Income Alternatives	653,487,728	23.58	15.00
Real Assets	314,301,389	11.34	12.00
Private Equity	424,532,276	15.32	12.00
Cash Segment	59,669,165	2.15	0.00
Alternative Segment	1,706,140	0.06	0.00
Total Fund	2,771,855,805	100.00	100.00

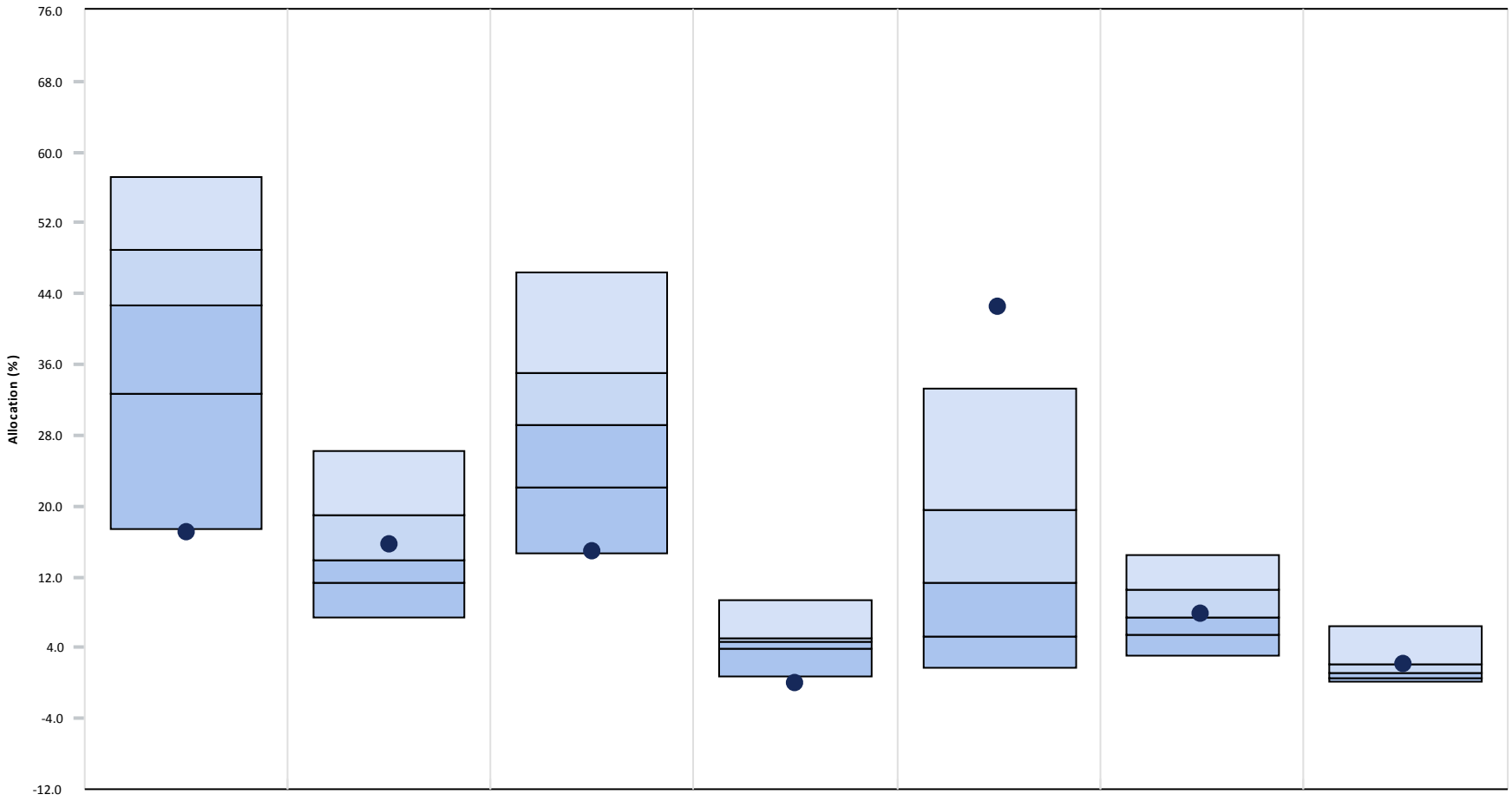
December 31, 2015

	Market Value ($)	Allocation (%)	Target (%)
Domestic Equity	409,265,192	14.54	14.50
International Equity	253,908,596	9.02	13.00
Global Equity	202,157,253	7.18	10.00
Equity Hedge	216,964,798	7.71	10.00
Fixed Income	453,178,639	16.10	15.00
Fixed Income Alternatives	513,421,120	18.24	15.00
Real Assets	336,588,524	11.96	12.50
Private Equity	361,488,517	12.84	10.00
Cash Segment	66,568,047	2.36	0.00
Alternative Segment	1,438,190	0.05	0.00
Total Fund	2,814,978,876	100.00	100.00

Metro Gov't Nashville and Davidson County

Plan Sponsor TF Asset Allocation - All Public Plans

June 30, 2016



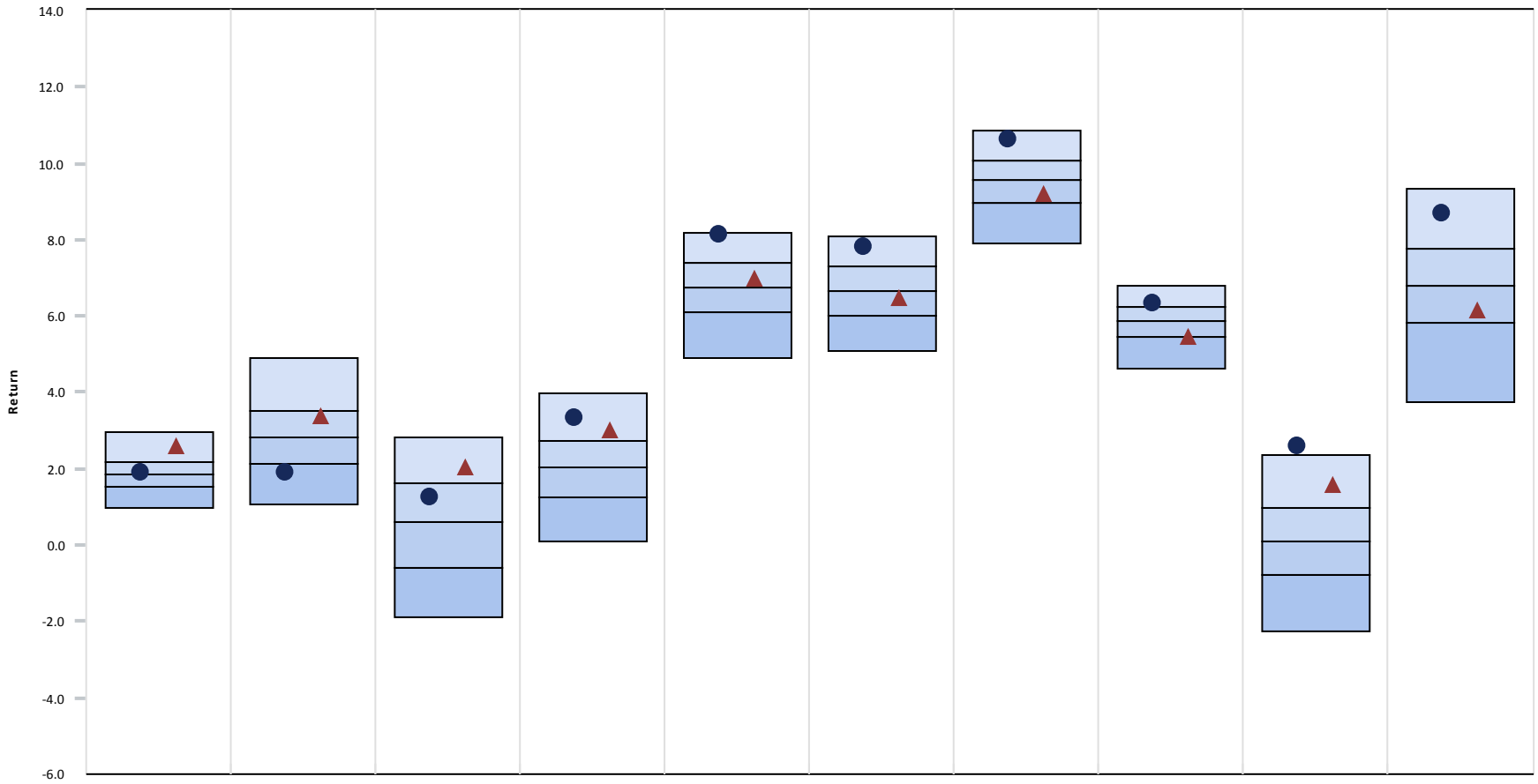
	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
● Total Fund Composite	17.02 (96)	15.72 (36)	14.82 (95)	0.00	42.50 (2)	7.79 (49)	2.15 (26)
5th Percentile	57.20	26.26	46.35	9.43	33.22	14.42	6.52
1st Quartile	49.00	19.05	35.09	5.14	19.62	10.63	2.19
Median	**42.75**	**13.80**	**29.24**	**4.63**	**11.35**	**7.44**	**1.16**
3rd Quartile	32.65	11.25	22.01	3.83	5.21	5.45	0.57
95th Percentile	17.39	7.46	14.62	0.67	1.66	3.17	0.08
Population	381	360	363	152	140	233	328

Parentheses contain percentile rankings.

Metro Gov't Nashville and Davidson County

All Public Plans - Total Fund Peer Group Return

June 30, 2016



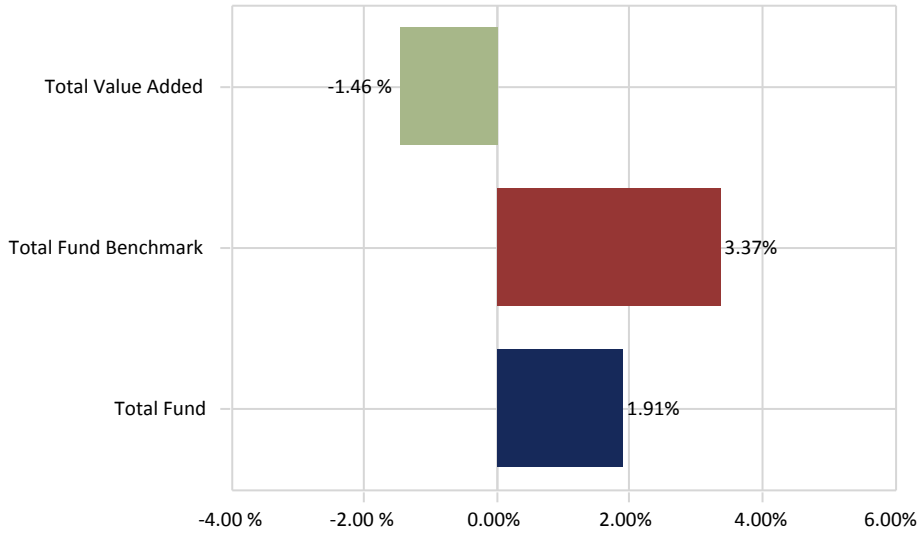
	3 Month	CYTD	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	2015	2014
● Total Fund Composite	1.91 (43)	1.91 (82)	1.27 (35)	3.35 (13)	8.14 (6)	7.82 (9)	10.62 (9)	6.34 (20)	2.61 (4)	8.69 (9)
▲ Target Policy Index	2.59 (10)	3.37 (31)	2.05 (15)	3.01 (19)	6.98 (40)	6.47 (58)	9.19 (66)	5.45 (77)	1.56 (15)	6.16 (68)
5th Percentile	2.95	4.90	2.82	3.97	8.19	8.11	10.85	6.82	2.34	9.32
1st Quartile	2.18	3.51	1.63	2.72	7.39	7.32	10.08	6.22	0.96	7.76
Median	**1.83**	**2.82**	**0.60**	**2.02**	**6.75**	**6.65**	**9.57**	**5.85**	**0.12**	**6.82**
3rd Quartile	1.52	2.15	-0.61	1.27	6.11	6.02	8.97	5.47	-0.79	5.81
95th Percentile	0.99	1.08	-1.90	0.08	4.91	5.08	7.89	4.65	-2.27	3.76
Population	408	407	398	389	385	366	347	241	546	500

Metro Gov't Nashville and Davidson County

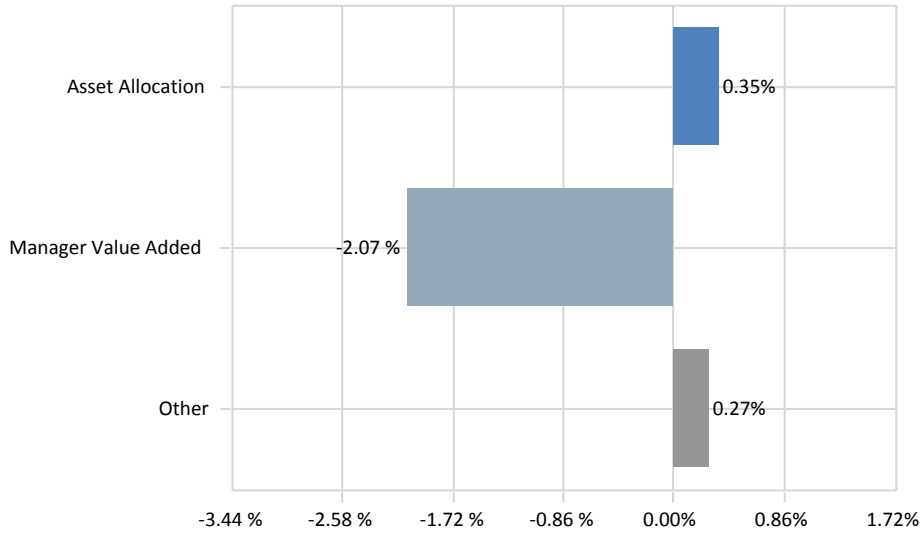
Target Policy Attribution

Year To Date Ending June 30, 2016

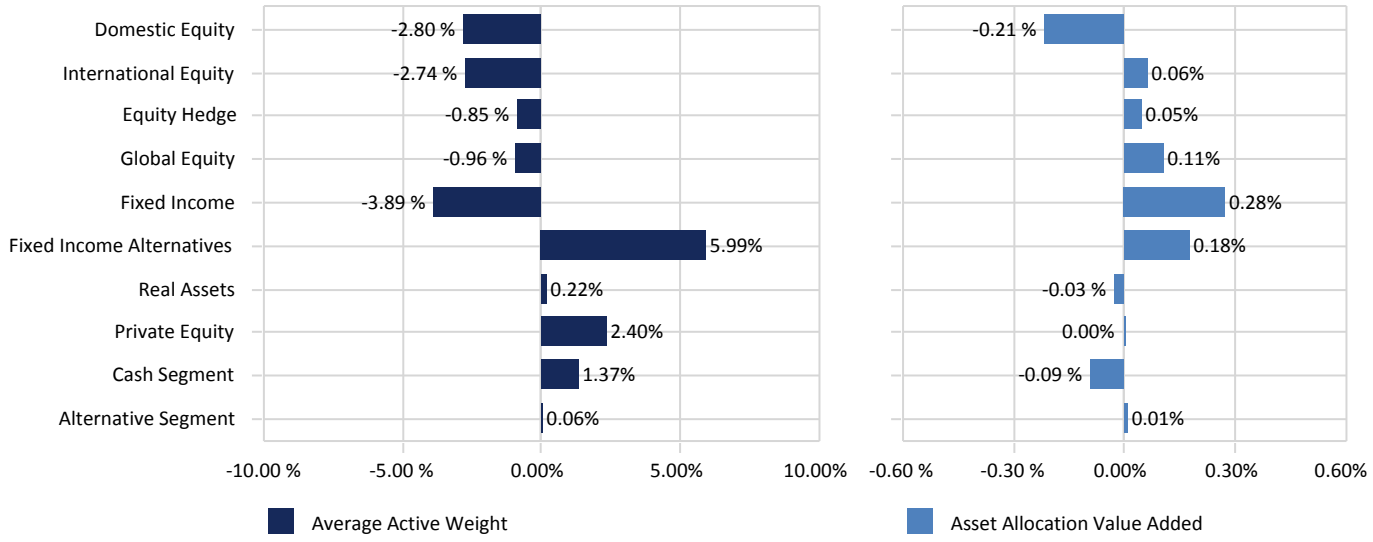
Total Fund Performance



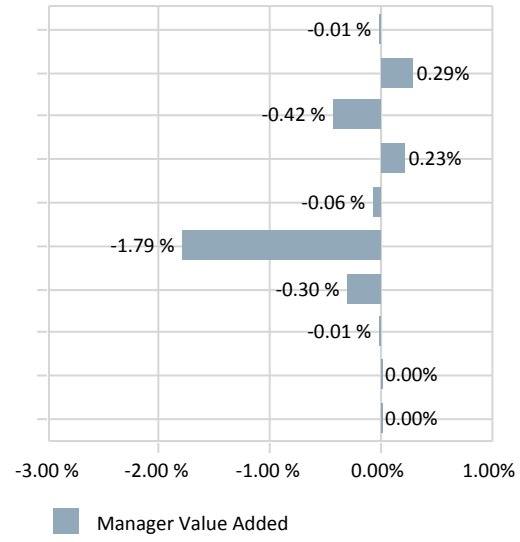
Total Value Added:-1.46 %



Total Asset Allocation:0.35%



Total Manager Value Added:-2.07 %

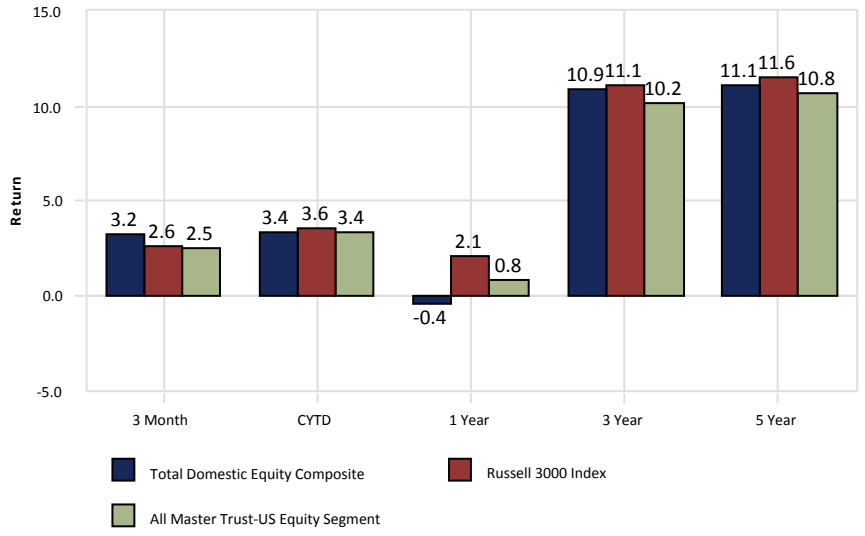


Metro Gov't Nashville and Davidson County

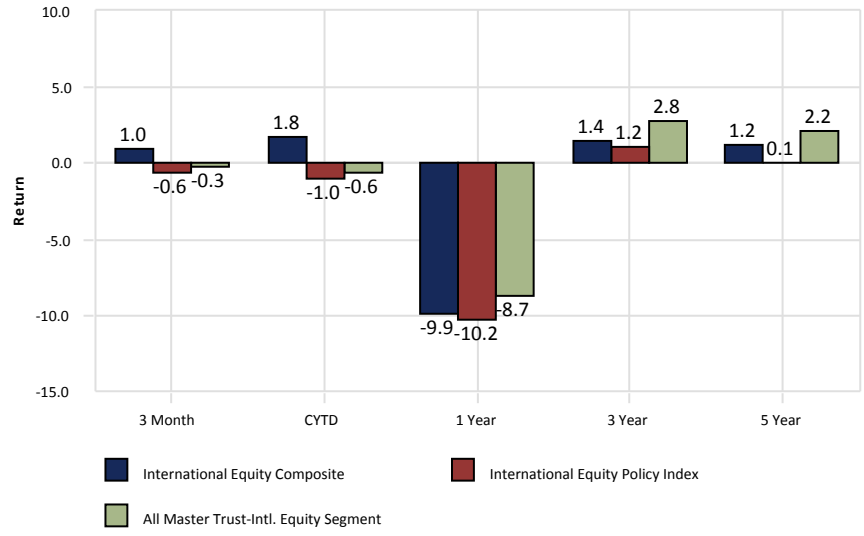
Comparative Performance

June 30, 2016

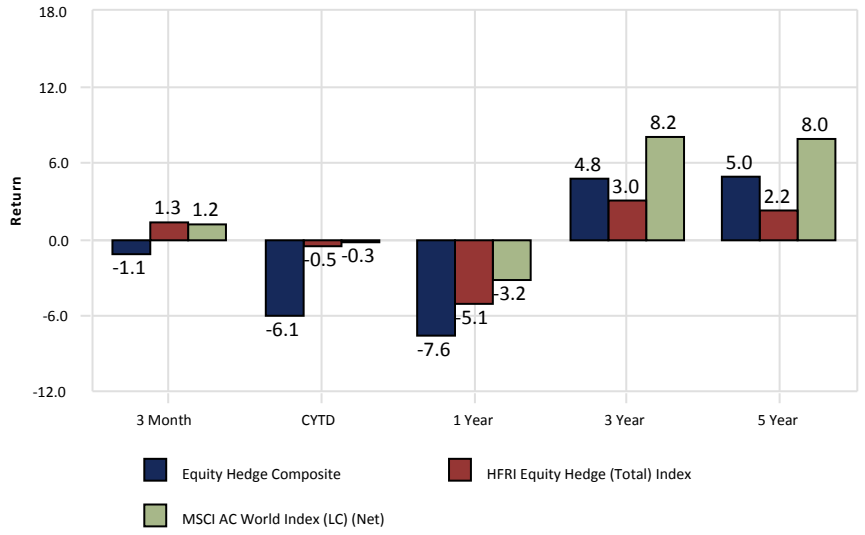
US Equity



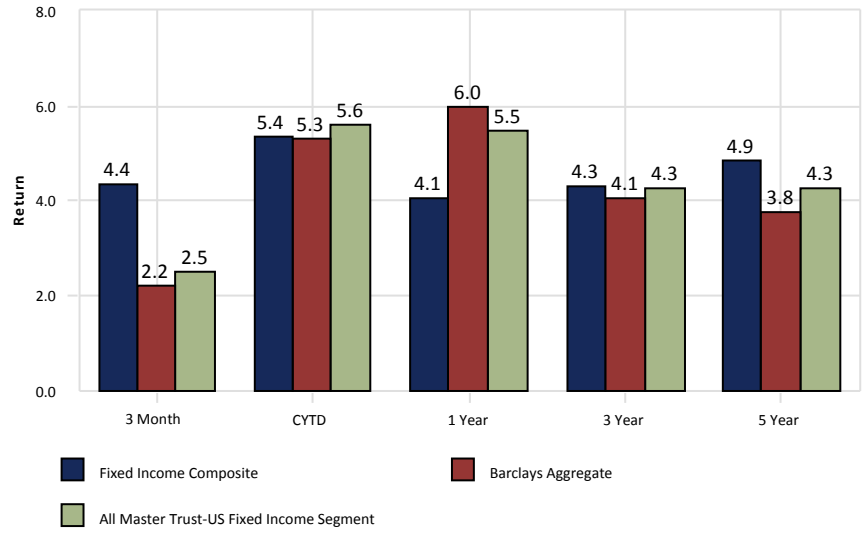
International Equity



Equity Hedge



Fixed Income

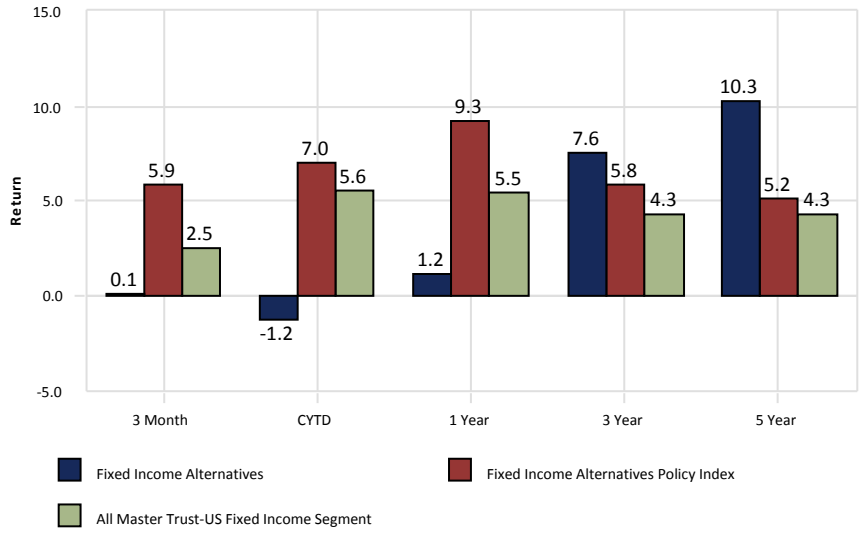


Metro Gov't Nashville and Davidson County

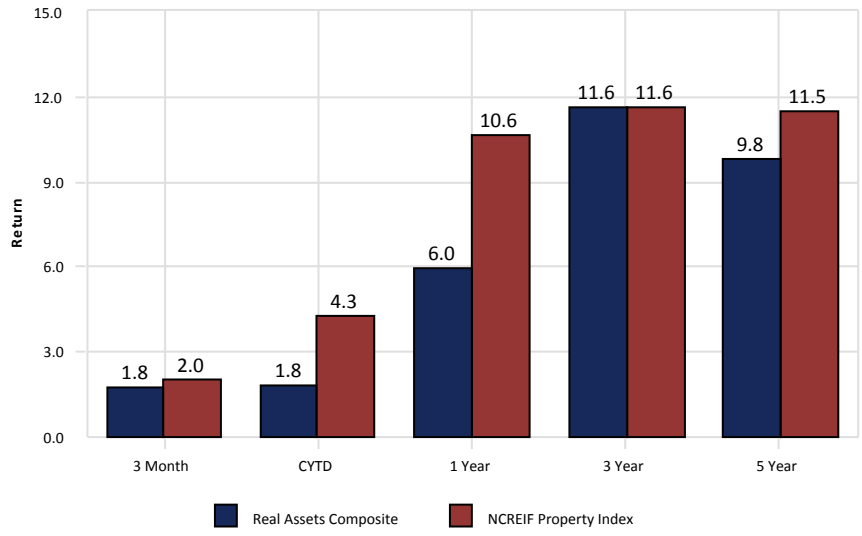
Comparative Performance

June 30, 2016

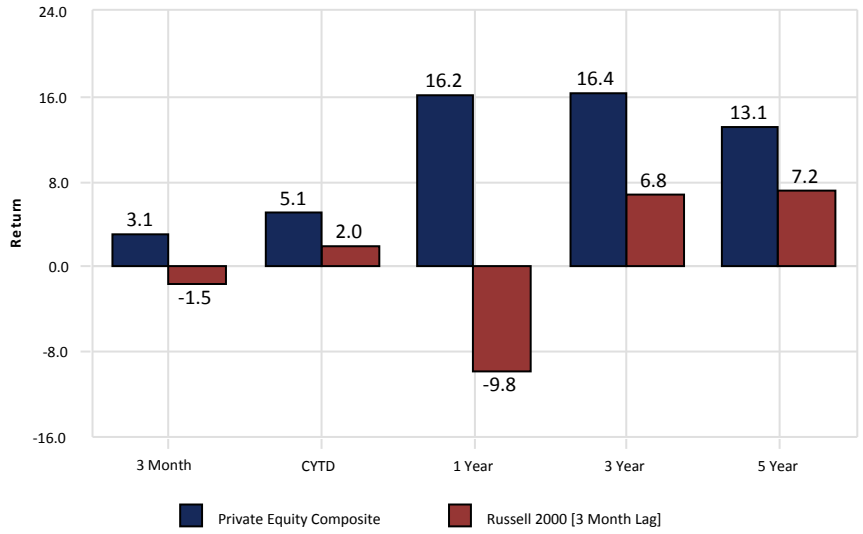
Fixed Income Alternatives



Real Assets



Private Equity



Metro Gov't Nashville and Davidson County

Composite Asset Allocation & Performance

June 30, 2016

	Asset $	Asset %	3 Month		CYTD		1 Year		2 Year		3 Year		5 Year		10 Year		Since Inception		Inception Date
			Performance(%) and Percentile Rank																
Total Fund Composite	2,771,855,805	100.00	1.91	43	1.91	82	1.27	35	3.35	13	8.14	6	7.82	9	6.34	20	8.41	27	Jul-1991
Target Policy Index			*2.59*		*3.37*		*2.05*		*3.01*		*6.98*		*6.47*		*5.45*		*8.18*		
Excess Return			-0.68		-1.46		-0.78		0.34		1.16		1.35		0.89		0.23		
Total Equity Composite	713,571,933	25.74	2.32		3.59		-3.81		-0.72		7.03		7.38		5.43		6.42		Apr-2001
Total Domestic Equity Composite	379,274,759	13.68	3.23	18	3.40	51	-0.42	64	4.33	38	10.92	29	11.14	38	6.75	62	6.87	38	Apr-2001
Russell 3000 Index			*2.63*		*3.62*		*2.14*		*4.68*		*11.13*		*11.60*		*7.40*		*6.45*		
Excess Return			0.60		-0.22		-2.56		-0.35		-0.21		-0.46		-0.65		0.42		
Large Cap Equity Composite	207,654,048	7.49	2.79	30	2.91	42	0.07	58	4.69	48	11.34	47	11.56	49	6.89	74	6.24	100	Jul-1991
S&P 500			*2.46*		*3.84*		*3.99*		*5.69*		*11.66*		*12.10*		*7.42*		*9.40*		
Excess Return			0.33		-0.93		-3.92		-1.00		-0.32		-0.54		-0.53		-3.16		
Mid Cap Equity Composite	80,561,063	2.91	6.22	3	8.97	8	4.44	7	7.04	9	12.94	12	12.28	16	-		4.59	96	Jan-2008
Russell Midcap Index			*3.18*		*5.50*		*0.56*		*3.55*		*10.80*		*10.90*		-		*7.65*		
Excess Return			3.04		3.47		3.88		3.49		2.14		1.38		-		-3.06		
Small Cap Equity Composite	91,059,648	3.29	2.23	66	0.76	71	-4.80	50	1.54	43	8.60	51	9.48	56	4.64	97	10.81	73	Jul-1991
Russell 2000 Index			*3.79*		*2.22*		*-6.73*		*-0.34*		*7.09*		*8.35*		*6.20*		*9.52*		
Excess Return			-1.56		-1.46		1.93		1.88		1.51		1.13		-1.56		1.29		
International Equity Composite	334,297,174	12.06	1.02	18	1.75	19	-9.86	71	-7.59	87	1.45	84	1.20	74	3.47	32	7.60	54	Jul-1993
International Equity Policy Index			*-0.64*		*-1.02*		*-10.24*		*-7.78*		*1.16*		*0.10*		*1.87*		*5.02*		
Excess Return			1.66		2.77		0.38		0.19		0.29		1.10		1.60		2.58		
Equity Hedge Composite	193,780,767	6.99	-1.09	56	-6.11	73	-7.56	60	0.44	35	4.81	36	4.97	35	-		4.97	35	Jul-2011
HFRI Equity Hedge (Total) Index			*1.33*		*-0.46*		*-5.07*		*-1.41*		*3.03*		*2.25*		-		*2.25*		
Excess Return			-2.42		-5.65		-2.49		1.85		1.78		2.72		-		2.72		
MSCI AC World Index (LC) (Net)			*1.23*		*-0.30*		*-3.19*		*2.34*		*8.16*		*7.99*		*4.62*		*3.73*		*Jan-2001*
Fixed Income Composite	410,806,409	14.82	4.35	23	5.37	58	4.06	77	3.18	64	4.29	50	4.86	38	6.40	35	6.38	73	Jul-1991
Barclays Aggregate			*2.21*		*5.31*		*6.00*		*3.91*		*4.06*		*3.76*		*5.13*		*6.19*		
Excess Return			2.14		0.06		-1.94		-0.73		0.23		1.10		1.27		0.19		
Fixed Income Alternatives	653,487,728	23.58	0.11	100	-1.23	100	1.22	95	4.41	33	7.56	18	10.28	1	-		19.74	1	Jan-2009
*Fixed Income Alternatives Policy Index**			*5.88*		*7.04*		*9.28*		*6.70*		*5.85*		*5.20*		-		*4.91*		
Excess Return			-5.77		-8.27		-8.06		-2.29		1.71		5.08		-		14.83		
Total Distressed Composite	254,092,798	9.17	2.15		0.40		2.13		4.75		7.53		11.40		-		20.79		Jan-2009
BofA Merrill Lynch High Yield Master II			*5.88*		*9.32*		*1.71*		*0.57*		*4.18*		*5.71*		-		*13.07*		
Excess Return			-3.73		-8.92		0.42		4.18		3.35		5.69		-		7.72		
Income Strategies	399,394,929	14.41	-1.17		-2.23		0.75		4.30		7.80		9.25		-		8.94		May-2011
Real Assets Composite	314,301,389	11.34	1.75		1.85		5.99		8.28		11.64		9.83		4.18		6.91		Jul-2001
NCREIF Property Index			*2.03*		*4.29*		*10.64*		*11.80*		*11.61*		*11.52*		*7.41*		*8.92*		
Excess Return			-0.28		-2.44		-4.65		-3.52		0.03		-1.69		-3.23		-2.01		
Real Estate Composite	215,962,858	7.79	2.01	50	5.62	25	15.24	10	13.12	22	15.35	3	12.26	50	5.65	49	7.91	-	Jul-2001
NCREIF Property Index			*2.03*		*4.29*		*10.64*		*11.80*		*11.61*		*11.52*		*7.41*		*8.92*		
Excess Return			-0.02		1.33		4.60		1.32		3.74		0.74		-1.76		-1.01		
Infrastructure Composite	48,338,423	1.74	2.86		4.58		10.64		10.95		10.86		8.79		-		7.76		Jul-2009

* Fixed Income Alternatives Policy Index consists of BofA Merrill Lynch High Yield Master II as of April 2016 and LIBOR + 4% prior to this date.

Metro Gov't Nashville and Davidson County

Composite Asset Allocation & Performance

June 30, 2016

	Asset $	Asset %	Performance(%) and Percentile Rank								
			3 Month	CYTD	1 Year	2 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
Private Energy Composite	50,000,107	1.80	-0.84	-17.31	-28.79	-11.43	0.61	-	-	0.79	Sep-2012
Private Equity Composite	424,532,276	15.32	3.08	5.15	16.23	13.34	16.39	13.11	11.16	10.85	Oct-2001
Alternative Segment	1,706,140	0.06	-10.60	19.94	20.81	8.20	3.40	2.66	-	-	Apr-2001
Cash Segment	59,669,165	2.15	2.13	-0.98	-0.94	-0.34	0.25	0.19	-	-	Jul-1991
90 Day US Treasury Bill			*0.06*	*0.12*	*0.13*	*0.08*	*0.07*	*0.07*	-	-	
Excess Return			2.07	-1.10	-1.07	-0.42	0.18	0.12	-	-	

* Fixed Income Alternatives Policy Index consists of BofA Merrill Lynch High Yield Master II as of April 2016 and LIBOR + 4% prior to this date.

Metro Gov't Nashville and Davidson County

Policy Compositions

June 30, 2016

Target Policy Index

	(%)
Apr-2016	
Russell 3000 Index	20.00
MSCI AC World ex USA (Net)	13.00
HFRI Equity Hedge (Total) Index	7.00
Barclays Aggregate	21.00
BofA Merrill Lynch High Yield Master II	15.00
NCREIF Property Index	12.00
Russell 2000 Index	12.00

Nicholas Applegate Policy

	(%)
Jan-2009	
MSCI AC World ex USA IMI (Net)	100.00

International Equity Policy

	(%)
Jan-2005	
MSCI AC World ex USA (Net)	100.00

Lazard Freres Policy

	(%)
Jan-2005	
MSCI AC World ex USA (Net)	100.00

Fixed Income Alternatives Policy Index

	(%)
Apr-2016	
BofA Merrill Lynch High Yield Master II	100.00

PIMCO Corporate Credit Policy

	(%)
Jan-2016	
Barclays US Credit Index	70.00
BofAML High Yield BB-B Constrained Index	30.00

Aronson & Partners Policy

	(%)
Jan-2002	
Russell 2500 Value Index	100.00

Metro Gov't Nashville and Davidson County

Target Policy Index Historical Composition

June 30, 2016

	(%)
Apr-2016	
Russell 3000 Index	20.00
MSCI AC World ex USA (Net)	13.00
HFRI Equity Hedge (Total) Index	7.00
Barclays Aggregate	21.00
BofA Merrill Lynch High Yield Master II	15.00
NCREIF Property Index	12.00
Russell 2000 Index	12.00
Mar-2016	
Russell 3000 Index	20.00
MSCI AC World ex USA (Net)	13.00
HFRI Equity Hedge (Total) Index	7.00
Barclays Aggregate	21.00
LIBOR + 4%	15.00
NCREIF Property Index	12.00
Russell 3000 Index	12.00
Jan-2014	
Russell 3000 Index	14.50
MSCI AC World ex USA (Net)	13.00
MSCI AC World Index (Net)	10.00
HFRI Equity Hedge (Total) Index	10.00
Barclays Aggregate	15.00
LIBOR + 4%	15.00
NCREIF Property Index	12.50
Russell 3000 Index	10.00

	(%)
Aug-2013	
Russell 3000 Index	24.00
MSCI AC World ex USA (Net)	16.00
HFRI Equity Hedge (Total) Index	10.00
Barclays Aggregate	20.00
LIBOR + 4%	10.00
NCREIF Property Index	10.00
Russell 3000 Index	10.00
Mar-2013	
Russell 3000 Index	24.00
MSCI AC World ex USA (Net)	16.00
HFRI Equity Hedge (Total) Index	10.00
Barclays Aggregate	20.00
LIBOR + 4%	10.00
NCREIF Property Index	10.00
Russell 3000 Index	10.00
Oct-2011	
Russell 3000 Index	24.00
MSCI AC World ex USA (Net)	16.00
HFRI Equity Hedge (Total) Index	10.00
Barclays Aggregate	35.00
NCREIF Property Index	10.00
Russell 3000 Index	5.00

Metro Gov't Nashville and Davidson County

Target Policy Index Historical Composition

June 30, 2016

	(%)
Apr-2009	
S&P 500	30.00
Russell 2000 Index	10.00
MSCI AC World ex USA (Net)	15.00
Barclays Aggregate	35.00
NCREIF Property Index	7.00
Russell 3000 Index	3.00
Oct-2006	
S&P 500	35.00
Russell 2000 Index	10.00
MSCI AC World ex USA (Net)	15.00
Barclays Aggregate	30.00
NCREIF Property Index	7.00
Russell 3000 Index	3.00
Jan-2005	
S&P 500	35.00
Russell 2000 Index	10.00
MSCI AC World ex USA (Net)	15.00
Barclays Aggregate	30.00
NCREIF Property Index	5.00
Russell 3000 Index	5.00
Jul-2001	
S&P 500	35.00
Russell 2000 Index	10.00
MSCI EAFE Index (Net)	12.00
MSCI Emerging Markets Index	3.00
Barclays Aggregate	30.00
NCREIF Property Index	5.00
Russell 3000 Index	5.00

	(%)
Jul-1991	
S&P 500	49.00
Russell 2000 Index	11.00
MSCI EAFE Index (Net)	14.00
MSCI Emerging Markets Index	5.00
Barclays US Government/Credit	21.00

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