



Metro Gov't Nashville and Davidson County
Quarterly Investment Review
March 31, 2017

Economic & Capital Market Highlights

March 31, 2017

Economy

The first quarter of 2017 saw an increase in economic performance globally, as illustrated by strong equity market gains over the three months ending in March. Economic data releases generally surprised to the upside throughout the world, a sign that accommodative monetary policy may be starting to flow through to increased activity outside the US. The US Federal Reserve raised interest rates 25 basis points for the third time this cycle in March, bringing the Federal Funds rate target to 0.75% - 1.00%. Continued progress in the labor market (the unemployment rate reached its lowest level since May 2007) and inflation rising closer to the Fed's 2.0% target supported the Fed's decision to raise rates once again; going forward, however, members of the Federal Open Market Committee (FOMC) expect to be cautious when raising rates given the limited ability to ease in an economic downturn.

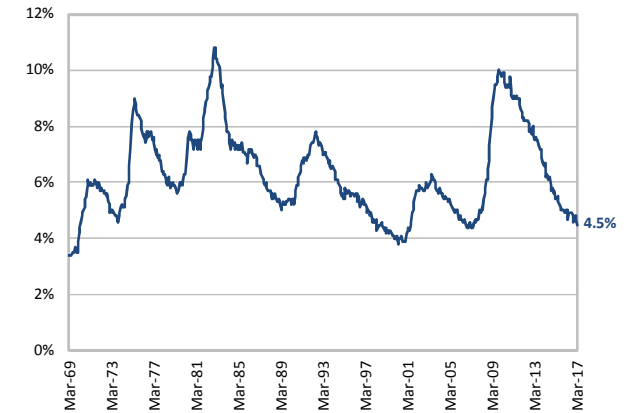
Capital Markets

Many of the investment trends that had been in place following the US election in November reversed to begin 2017. Underperformers from the fourth quarter, such as international equity markets and long duration bonds, outperformed their US equity and low duration counterparts during the first quarter. This performance reversal was due in part to softening rhetoric regarding trade from the new administration, as well as investors beginning to realize that some of the proposed pro-growth policies may take longer to implement. In aggregate, though, risk markets were propelled higher by positive economic data and increased expectations for corporate earnings.

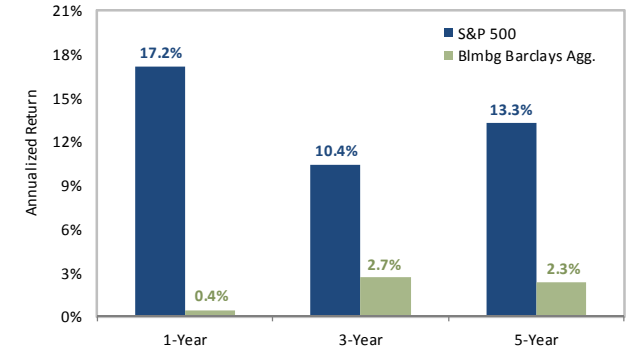
Market Performance (Returns in USD)

		Quarter	1 Year	3 Year	5 Year
MSCI ACWI IMI	Global Equity	6.8%	15.4%	5.1%	8.6%
Russell 3000	US Equity	5.7%	18.1%	9.8%	13.2%
S&P 500	US Large Cap Equity	6.1%	17.2%	10.4%	13.3%
Russell 1000	US Large Cap Equity	6.0%	17.4%	10.0%	13.3%
Russell 1000 Value	US Large Cap Value Equity	3.3%	19.2%	8.7%	13.1%
Russell 1000 Growth	US Large Cap Growth Equity	8.9%	15.8%	11.3%	13.3%
Russell 2000	US Small Cap Core Equity	2.5%	26.2%	7.2%	12.4%
Russell 2000 Value	US Small Cap Value Equity	-0.1%	29.4%	7.6%	12.5%
Russell 2000 Growth	US Small Cap Growth Equity	5.4%	23.0%	6.7%	12.1%
MSCI EAFE	Int'l Developed Large Cap Equity	7.3%	11.7%	0.5%	5.8%
MSCI EAFE Small Cap	Int'l Developed Small Cap Equity	8.0%	11.0%	3.6%	9.2%
MSCI Emerging Markets	Emerging Market Equity	11.4%	17.2%	1.2%	0.8%
Alerian MLP	Master Limited Partnerships	4.0%	28.3%	-5.2%	2.6%
Blmbg Barc. US Aggregate	US Core Fixed Income	0.8%	0.4%	2.7%	2.3%
Blmbg. Barc. US Treasury	US Treasuries	0.7%	-1.4%	2.1%	1.6%
Blmbg Barc. US Credit	US Corporate Bonds	1.3%	3.0%	3.5%	3.7%
Blmbg Barc. US MBS	US Mortgage Backed Securities	0.5%	0.2%	2.7%	2.0%
Blmbg. Barc. High Yield	US High Yield Bonds	2.7%	16.4%	4.6%	6.8%

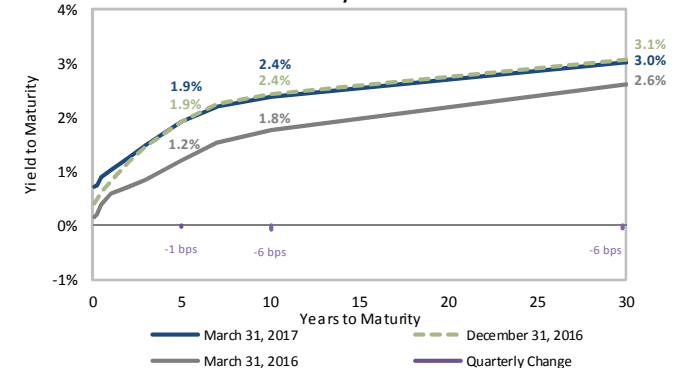
Unemployment Rate



Stocks vs. Bonds
Recent Historical Performance



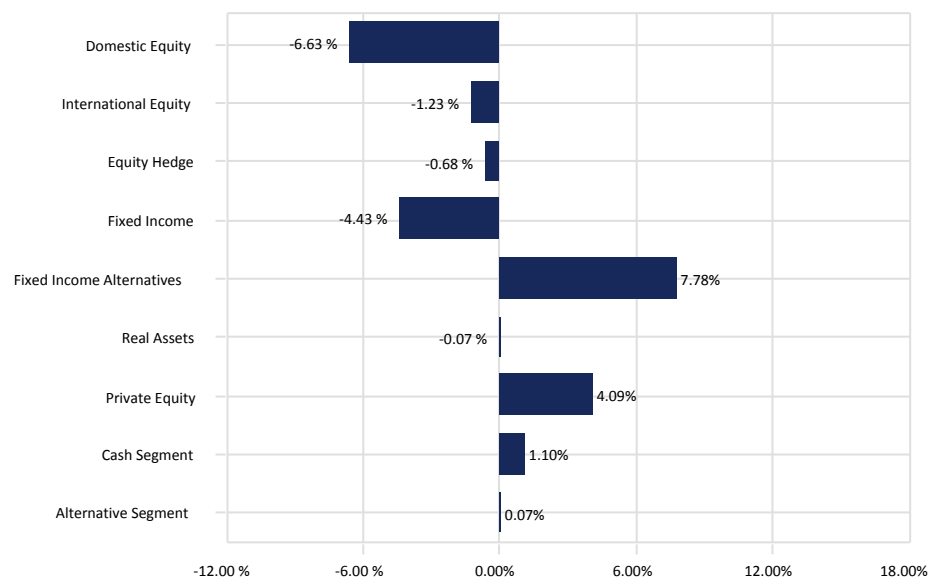
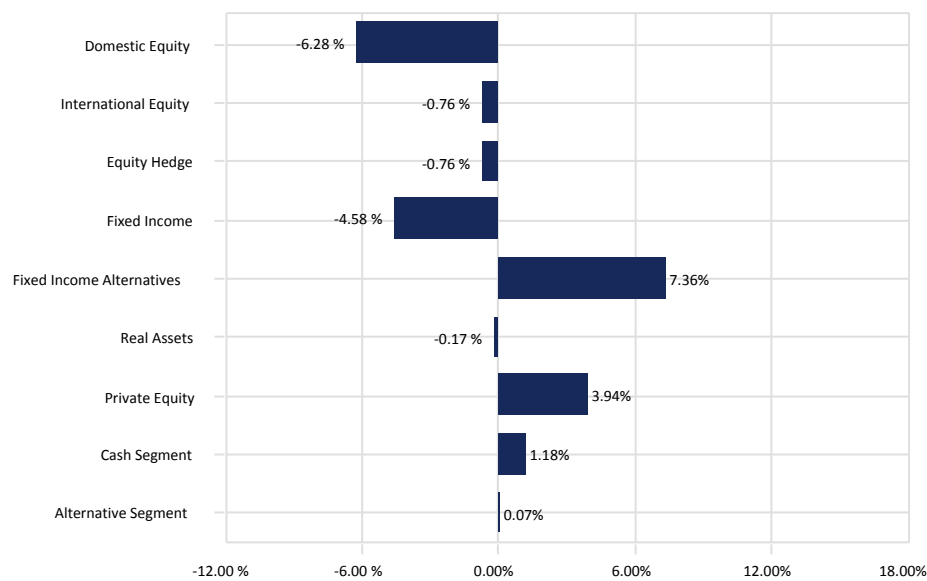
Treasury Yield Curve



Metro Gov't Nashville and Davidson County

Asset Allocation vs. Target Allocation

March 31, 2017



March 31, 2017

	<u>Market Value</u> (\$)	<u>Allocation</u> (%)	<u>Target</u> (%)
Domestic Equity	414,301,539	13.72	20.00
International Equity	369,483,863	12.24	13.00
Equity Hedge	188,303,441	6.24	7.00
Fixed Income	495,779,592	16.42	21.00
Fixed Income Alternatives	674,903,257	22.36	15.00
Real Assets	357,098,725	11.83	12.00
Private Equity	481,090,888	15.94	12.00
Cash Segment	35,548,541	1.18	0.00
Alternative Segment	2,253,237	0.07	0.00
Total Fund	3,018,763,084	100.00	100.00

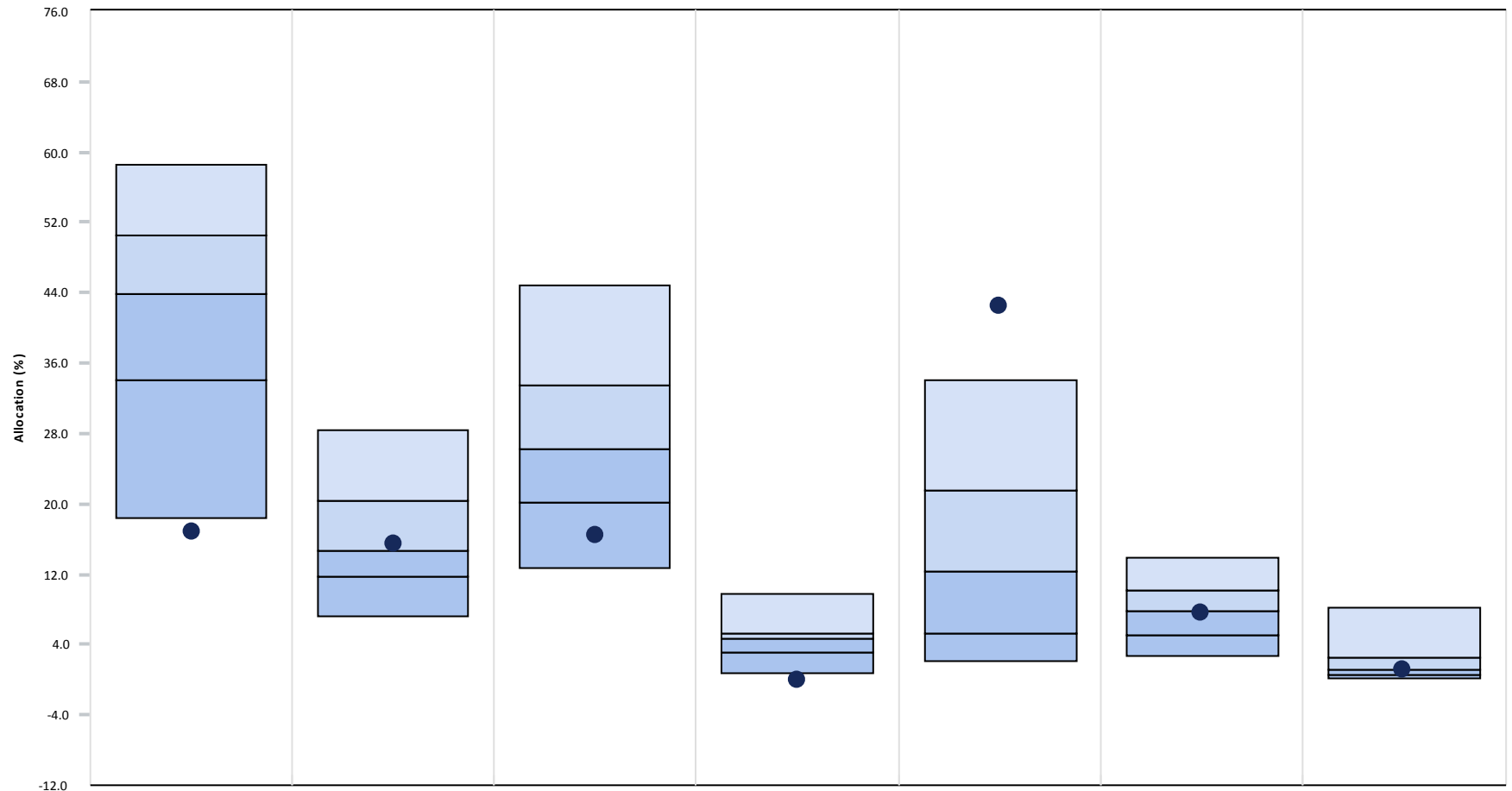
December 31, 2016

	<u>Market Value</u> (\$)	<u>Allocation</u> (%)	<u>Target</u> (%)
Domestic Equity	388,566,015	13.37	20.00
International Equity	341,947,827	11.77	13.00
Equity Hedge	183,680,535	6.32	7.00
Fixed Income	481,632,846	16.57	21.00
Fixed Income Alternatives	661,983,154	22.78	15.00
Real Assets	346,521,906	11.93	12.00
Private Equity	467,424,463	16.09	12.00
Cash Segment	32,003,731	1.10	0.00
Alternative Segment	2,031,147	0.07	0.00
Total Fund	2,905,791,623	100.00	100.00

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Plan Sponsor TF Asset Allocation - All Public Plans

March 31, 2017



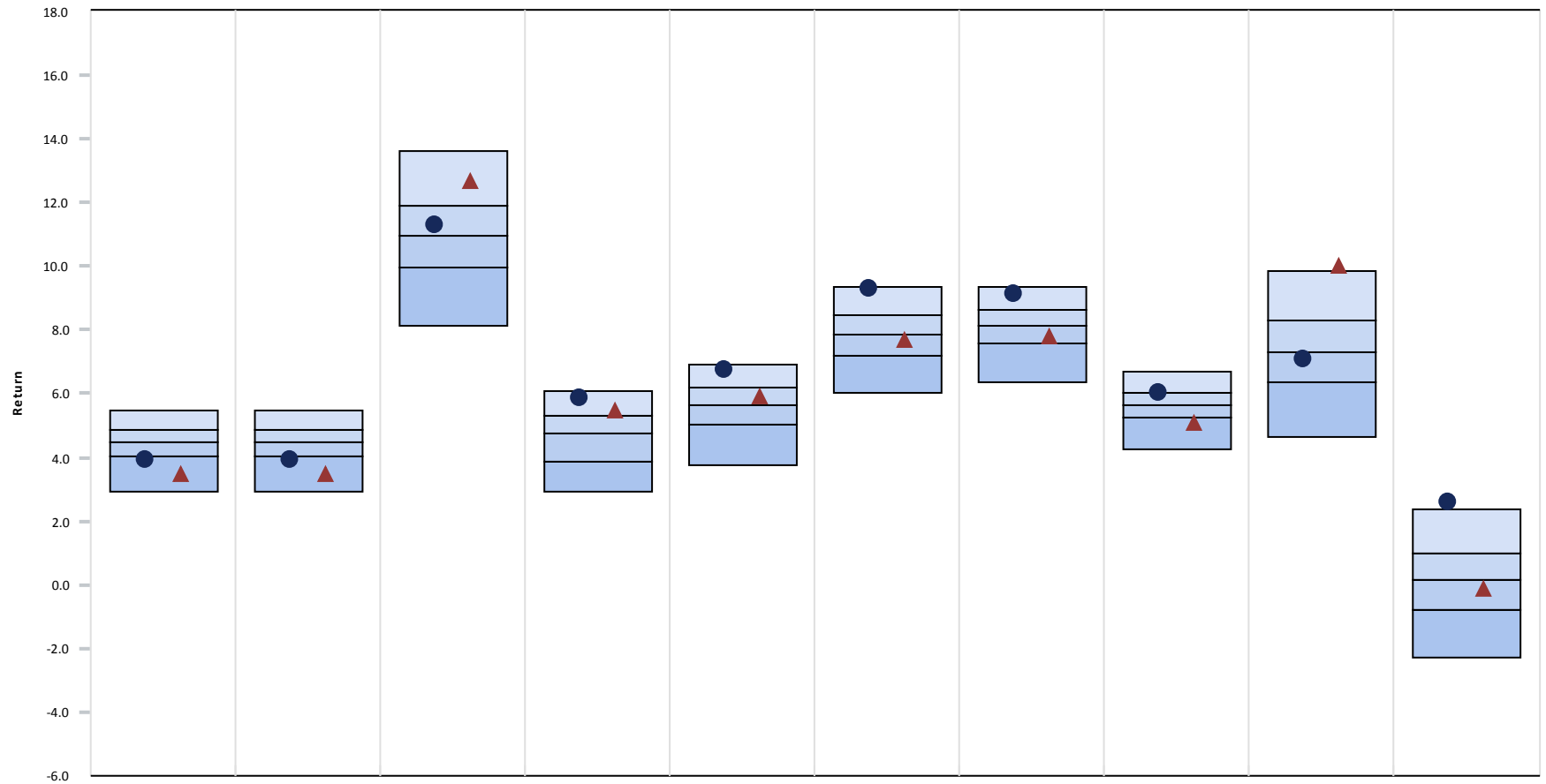
	<u>US Equity</u>	<u>Intl. Equity</u>	<u>US Fixed Income</u>	<u>Intl. Fixed Income</u>	<u>Alternative Inv.</u>	<u>Real Estate</u>	<u>Cash</u>
● Total Fund Composite	16.80 (97)	15.40 (42)	16.42 (88)	0.00	42.57 (4)	7.63 (52)	1.18 (52)
5th Percentile	58.54	28.43	44.82	9.76	34.06	13.86	8.17
1st Quartile	50.45	20.29	33.43	5.25	21.59	10.11	2.52
Median	43.88	14.65	26.25	4.71	12.30	7.85	1.21
3rd Quartile	34.02	11.75	20.24	3.03	5.30	5.12	0.57
95th Percentile	18.34	7.13	12.63	0.67	2.17	2.76	0.06
Population	355	342	356	143	131	226	307

Parentheses contain percentile rankings.

Metro Gov't Nashville and Davidson County

All Public Plans - Total Fund Peer Group Return

March 31, 2017



	<u>3 Month</u>	<u>CYTD</u>	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>7 Year</u>	<u>10 Year</u>	<u>2016</u>	<u>2015</u>
● Total Fund Composite	3.93 (80)	3.93 (80)	11.27 (41)	5.83 (10)	6.76 (7)	9.28 (6)	9.15 (10)	6.04 (26)	7.07 (57)	2.61 (4)
▲ Target Policy Index*	3.49 (89)	3.49 (89)	12.67 (15)	5.46 (20)	5.91 (37)	7.69 (57)	7.81 (65)	5.08 (80)	10.02 (4)	-0.14 (59)
5th Percentile	5.48	5.48	13.62	6.08	6.91	9.34	9.33	6.70	9.85	2.37
1st Quartile	4.87	4.87	11.91	5.33	6.17	8.44	8.63	6.04	8.29	0.98
Median	4.46	4.46	10.93	4.74	5.64	7.83	8.12	5.65	7.32	0.17
3rd Quartile	4.03	4.03	9.97	3.85	5.02	7.17	7.56	5.24	6.37	-0.78
95th Percentile	2.93	2.93	8.15	2.91	3.74	6.03	6.38	4.27	4.64	-2.27
Population	382	382	375	367	362	349	338	244	564	549

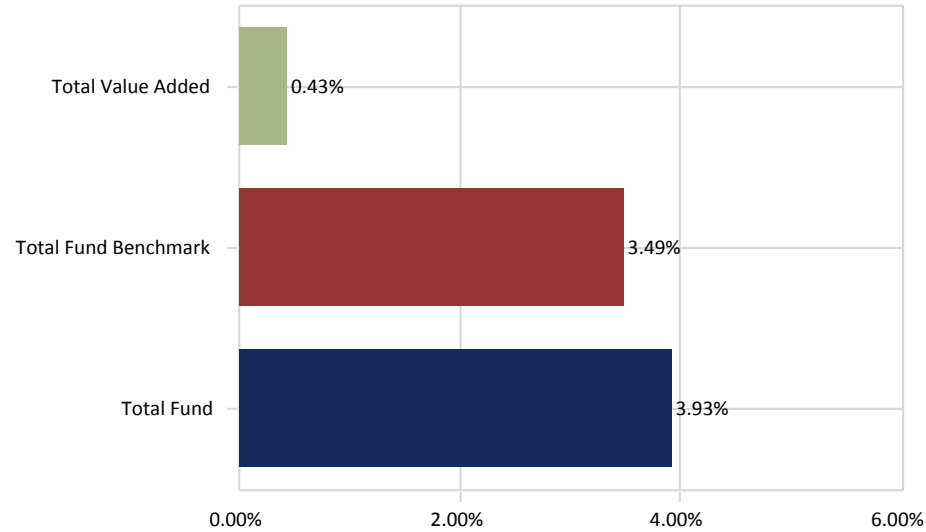
* The Alternative Fixed Income benchmark was changed from LIBOR + 4% to HY for the Fiscal Year starting 6/30/15.

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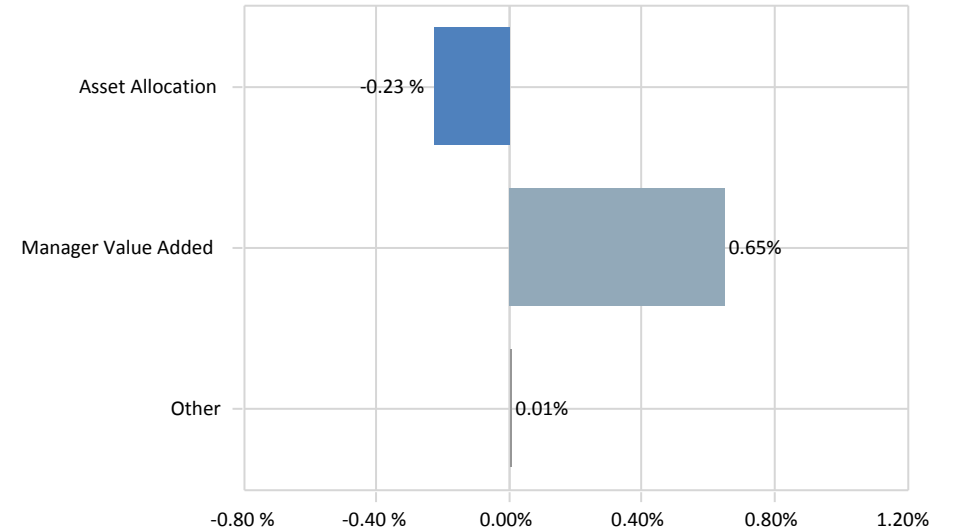
Target Policy* Attribution

Year To Date Ending March 31, 2017

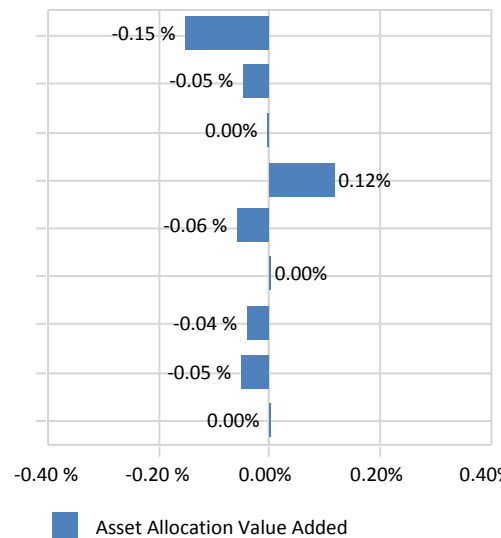
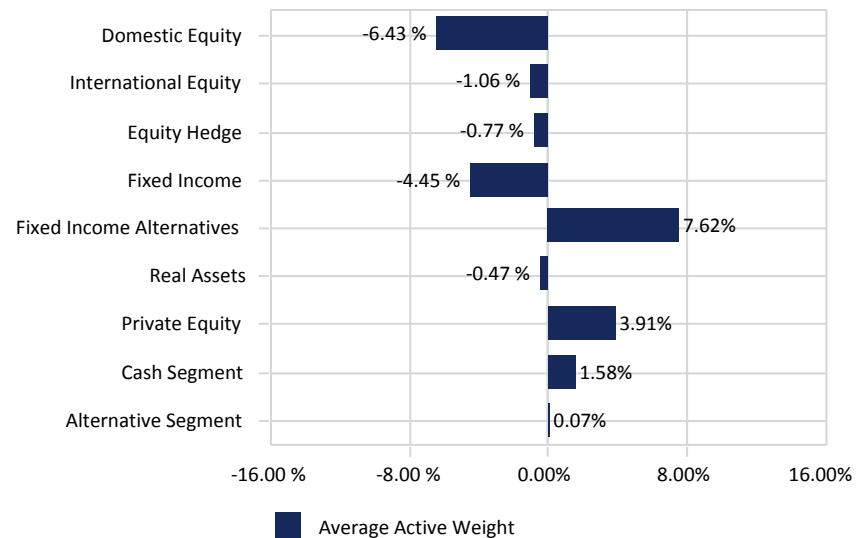
Total Fund Performance



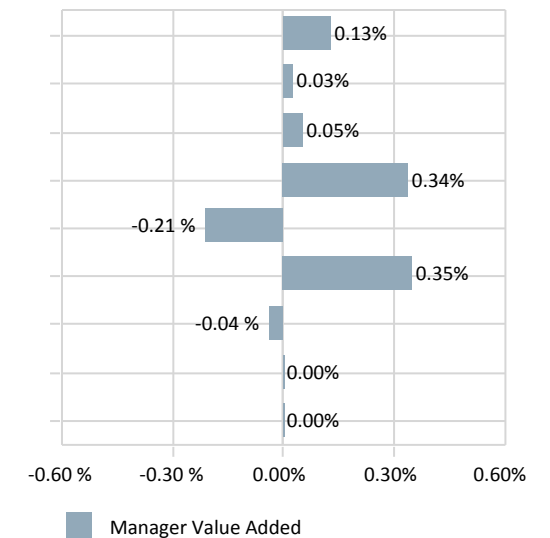
Total Value Added:0.43%



Total Asset Allocation:-0.23 %



Total Manager Value Added:0.65%



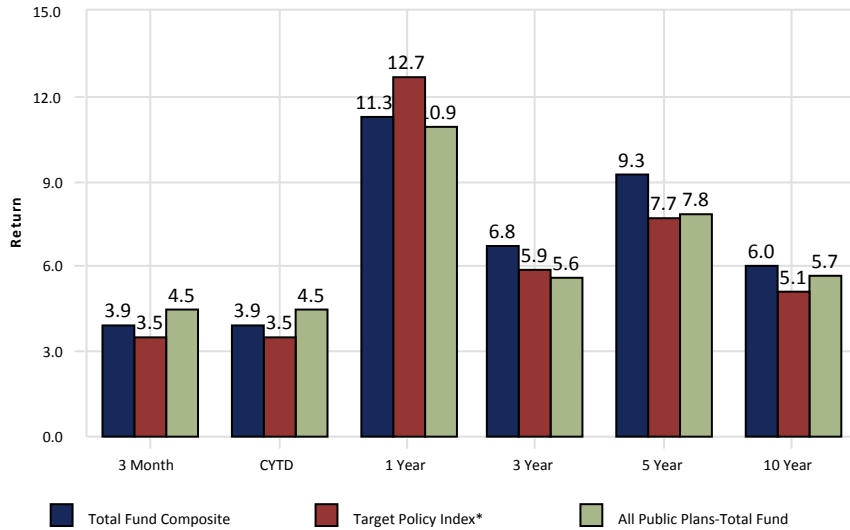
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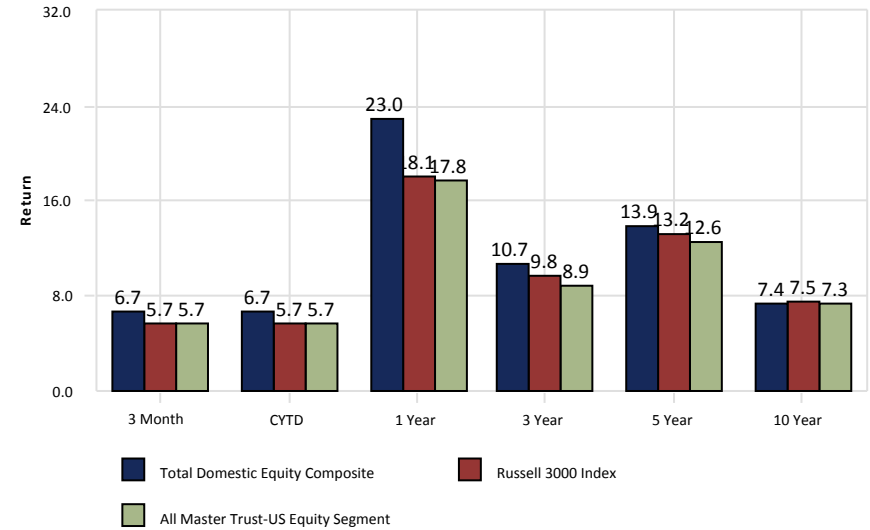
Comparative Performance

March 31, 2017

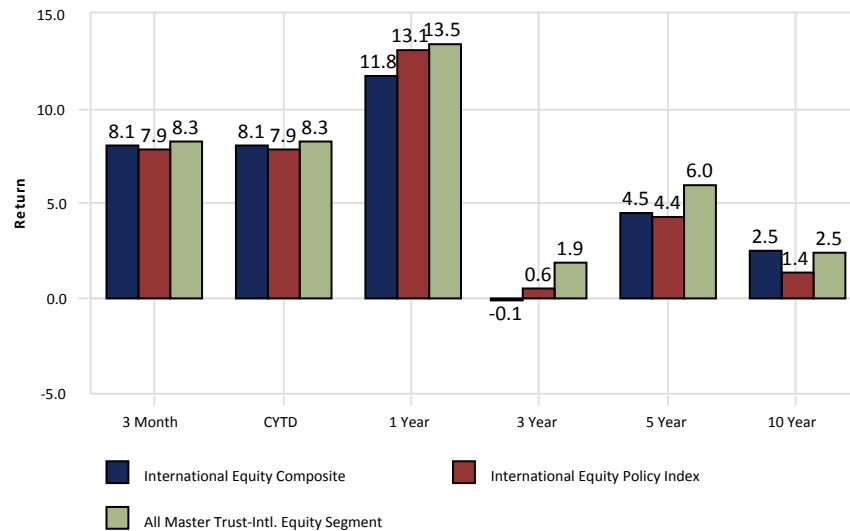
Total Fund



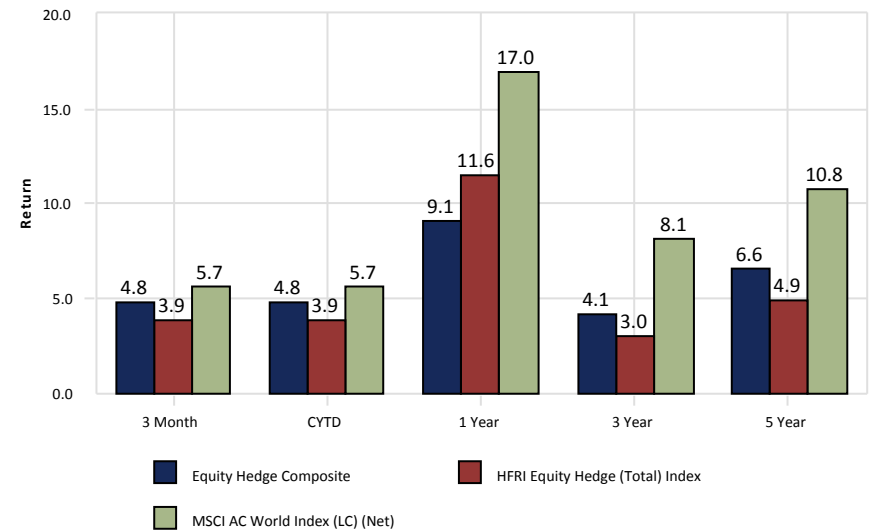
US Equity



International Equity



Equity Hedge



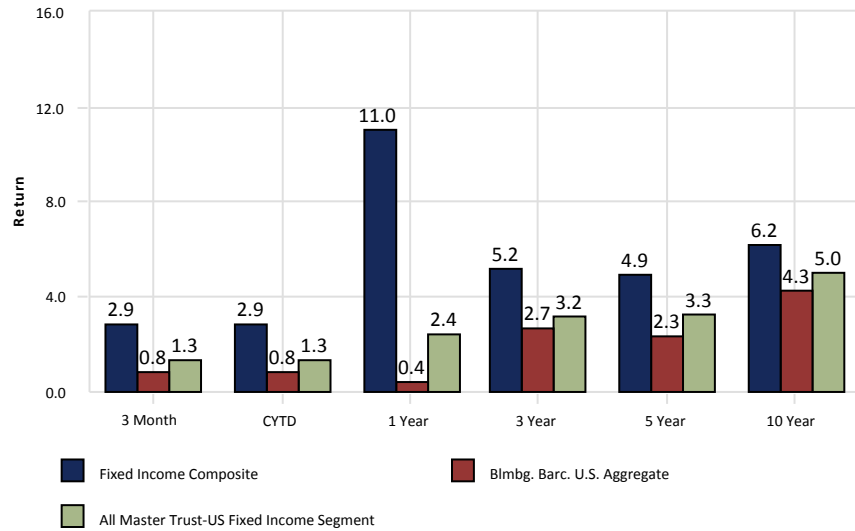
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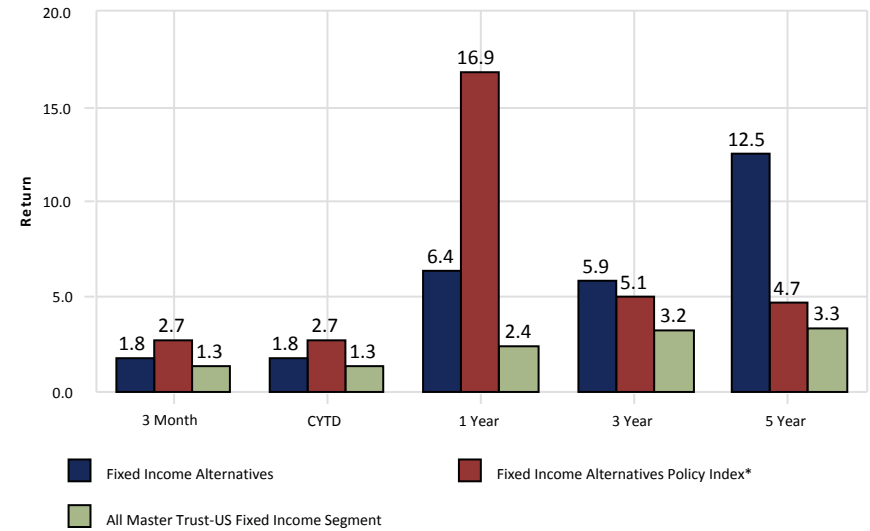
Comparative Performance

March 31, 2017

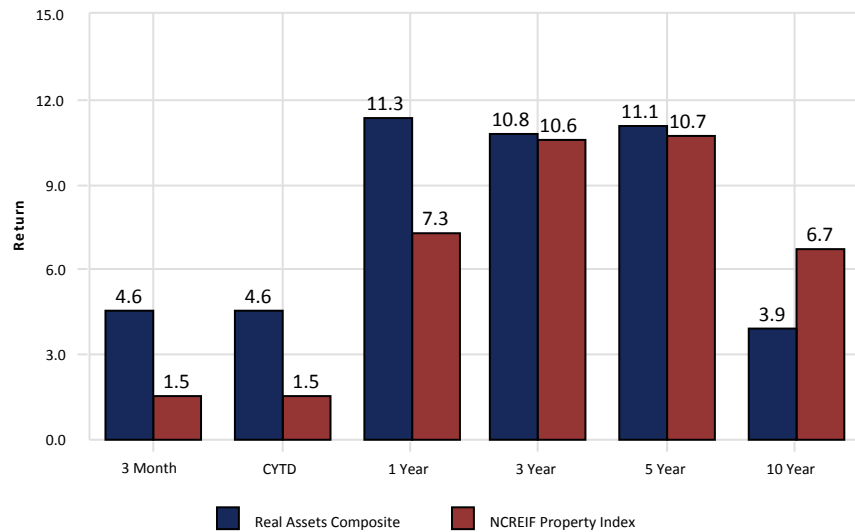
Fixed Income



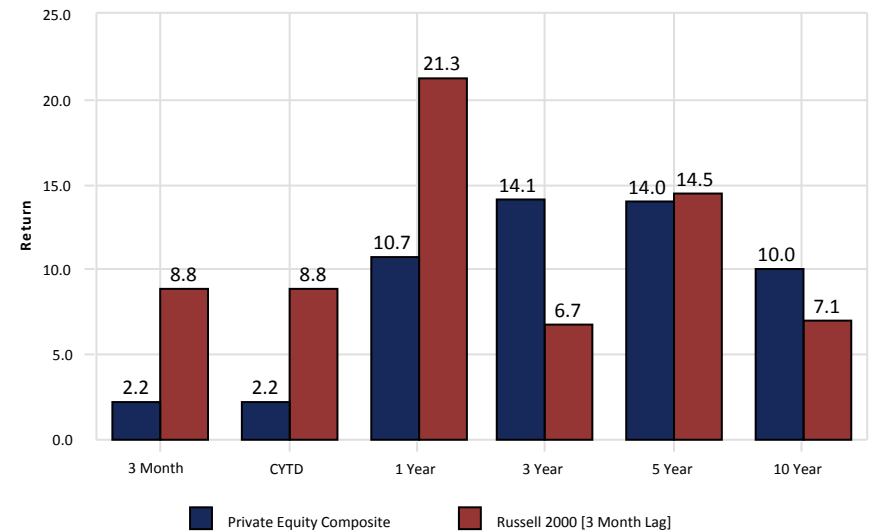
Fixed Income Alternatives



Real Assets



Private Equity



* The Alternative Fixed Income benchmark was changed from LIBOR + 4% to HY for the Fiscal Year starting 6/30/15.

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Asset Allocation & Performance (gross of fees)

March 31, 2017

	Asset \$	Asset %	Performance(%) and Percentile Rank														Inception Date		
			3 Month	CYTD	1 Year	2 Year	3 Year	5 Year	10 Year	Since Inception									
Total Fund Composite	3,018,763,084	100.00	3.93	80	3.93	80	11.27	41	5.83	10	6.76	7	9.28	6	6.04	26	8.53	34	Jul-1991
Target Policy Index			3.49		3.49		12.67		5.46		5.91		7.69		5.08		8.27		
Excess Return			0.44		0.44		-1.40		0.37		0.85		1.59		0.96		0.26		
Total Equity Composite	783,785,402	25.96	7.37		7.37		17.70		5.54		5.99		10.03		5.41		7.00		Apr-2001
Total Domestic Equity Composite	414,301,539	13.72	6.71	16	6.71	16	23.01	4	9.38	12	10.70	9	13.92	9	7.45	45	7.71	28	Apr-2001
Russell 3000 Index			5.74		5.74		18.07		8.47		9.76		13.18		7.54		7.07		
Excess Return			0.97		0.97		4.94		0.91		0.94		0.74		-0.09		0.64		
Large Cap Equity Composite	229,059,483	7.59	8.20	21	8.20	21	24.08	6	10.14	12	11.86	9	14.38	15	7.58	59	6.84	100	Jul-1991
S&P 500			6.07		6.07		17.17		9.21		10.37		13.30		7.51		9.68		
Excess Return			2.13		2.13		6.91		0.93		1.49		1.08		0.07		-2.84		
Mid Cap Equity Composite	77,713,365	2.57	5.75	52	5.75	52	23.51	11	11.74	3	11.57	8	14.73	18	-		5.66	97	Jan-2008
Russell Midcap Index			5.15		5.15		17.03		5.97		8.48		13.09		-		8.47		
Excess Return			0.60		0.60		6.48		5.77		3.09		1.64		-		-2.81		
Small Cap Equity Composite	107,528,691	3.56	4.33	33	4.33	33	20.74	77	6.23	66	7.50	59	12.72	61	5.64	97	11.23	76	Jul-1991
Russell 2000 Index			2.47		2.47		26.22		6.72		7.22		12.35		7.12		10.07		
Excess Return			1.86		1.86		-5.48		-0.49		0.28		0.37		-1.48		1.16		
International Equity Composite	369,483,863	12.24	8.11	60	8.11	60	11.78	75	0.51	92	-0.05	93	4.48	88	2.52	49	7.81	50	Jul-1993
International Equity Policy Index			7.86		7.86		13.13		1.36		0.56		4.36		1.35		5.43		
Excess Return			0.25		0.25		-1.35		-0.85		-0.61		0.12		1.17		2.38		
Equity Hedge Composite	188,303,441	6.24	4.77	-	4.77	-	9.06	-	1.53	-	4.14	-	6.57	-	-		5.47	-	Jul-2011
HFRI Equity Hedge (Total) Index			3.90		3.90		11.55		3.16		3.00		4.87		-		3.67		
Excess Return			0.87		0.87		-2.49		-1.63		1.14		1.70		-		1.80		
MSCI AC World Index (LC) (Net)			5.67		5.67		16.99		5.48		8.14		10.80		-		9.64		Jul-2011
Fixed Income Composite	495,779,592	16.42	2.85	3	2.85	3	11.05	1	4.45	3	5.16	17	4.93	22	6.16	27	6.36	57	Aug-1991
Blmbg. Barc. U.S. Aggregate			0.82		0.82		0.44		1.20		2.68		2.34		4.27		5.89		
Excess Return			2.03		2.03		10.61		3.25		2.48		2.59		1.89		0.47		
Fixed Income Alternatives	674,903,257	22.36	1.79	22	1.79	22	6.40	10	4.77	2	5.86	8	12.54	1	-		18.67	1	Jan-2009
Fixed Income Alternatives Policy Index			2.71		2.71		16.88		5.51		5.06		4.72		-		4.56		
Excess Return			-0.92		-0.92		-10.48		-0.74		0.80		7.82		-		14.11		
Total Distressed Composite	249,738,613	8.27	0.85		0.85		7.03		4.74		5.40		13.79		-		19.41		Jan-2009
BofA Merrill Lynch High Yield Master II			2.71		2.71		16.88		5.93		4.62		6.85		-		13.16		
Excess Return			-1.86		-1.86		-9.85		-1.19		0.78		6.94		-		6.25		
Income Strategies	425,164,644	14.08	2.36		2.36		5.98		4.80		6.24		9.30		-		9.05		May-2011
Real Assets Composite	357,098,725	11.83	4.56		4.56		11.34		8.99		10.82		11.06		3.94		7.18		Jul-2001
NCREIF Property Index			1.55		1.55		7.27		9.53		10.58		10.69		6.72		8.82		
Excess Return			3.01		3.01		4.07		-0.54		0.24		0.37		-2.78		-1.64		
Real Estate Composite	230,273,370	7.63	2.39	42	2.39	42	9.42	48	13.37	6	13.53	11	12.88	25	5.19	51	8.00	-	Jul-2001
NCREIF Property Index			1.55		1.55		7.27		9.53		10.58		10.69		6.72		8.82		
Excess Return			0.84		0.84		2.15		3.84		2.95		2.19		-1.53		-0.82		
Infrastructure Composite	48,642,328	1.61	-2.96		-2.96		0.44		5.18		7.88		7.85		-		6.65		Jul-2009
Private Energy Composite	78,183,027	2.59	17.49		17.49		24.97		-6.57		1.49		-		-		5.87		Sep-2012
Private Equity Composite	481,090,888	15.94	2.22		2.22		10.70		13.99		14.14		14.05		10.05		10.81		Oct-2001
Alternative Segment	2,253,237	0.07	2.55		2.55		-6.59		9.90		7.00		3.08		-		17.05		Jul-2009
Cash Segment	35,548,541	1.18	0.43		0.43		2.73		-0.20		0.16		0.30		-		6.97		Jul-2009
Citigroup 3 Month T-Bill			0.12		0.12		0.34		0.21		0.15		0.12		-		0.10		
Excess Return			0.31		0.31		2.39		-0.41		0.01		0.18		-		6.87		

Metro Gov't Nashville and Davidson County

Target Policy Index Historical Composition

March 31, 2017

	(%)		(%)
Apr-2016		Jan-2014	
Russell 3000 Index	20.00	Russell 3000 Index	14.50
MSCI AC World ex USA (Net)	13.00	MSCI AC World ex USA (Net)	13.00
HFRI Equity Hedge (Total) Index	7.00	MSCI AC World Index (Net)	10.00
Blmbg. Barc. U.S. Aggregate	21.00	HFRI Equity Hedge (Total) Index	10.00
BofA Merrill Lynch High Yield Master II	15.00	Blmbg. Barc. U.S. Aggregate	15.00
NCREIF Property Index	12.00	LIBOR + 4%	15.00
Russell 2000 Index	12.00	NCREIF Property Index	12.50
		Russell 3000 Index	10.00
Mar-2016		Aug-2013	
Russell 3000 Index	20.00	Russell 3000 Index	24.00
MSCI AC World ex USA (Net)	13.00	MSCI AC World ex USA (Net)	16.00
HFRI Equity Hedge (Total) Index	7.00	HFRI Equity Hedge (Total) Index	10.00
Blmbg. Barc. U.S. Aggregate	21.00	Blmbg. Barc. U.S. Aggregate	20.00
BofA Merrill Lynch High Yield Master II	15.00	LIBOR + 4%	10.00
NCREIF Property Index	12.00	NCREIF Property Index	10.00
Russell 3000 Index	12.00	Russell 3000 Index	10.00
Jun-2015		Mar-2013	
Russell 3000 Index	14.50	Russell 3000 Index	24.00
MSCI AC World ex USA (Net)	13.00	MSCI AC World ex USA (Net)	16.00
MSCI AC World Index (Net)	10.00	HFRI Equity Hedge (Total) Index	10.00
HFRI Equity Hedge (Total) Index	10.00	Blmbg. Barc. U.S. Aggregate	20.00
Blmbg. Barc. U.S. Aggregate	15.00	LIBOR + 4%	10.00
BofA Merrill Lynch High Yield Master II	15.00	NCREIF Property Index	10.00
NCREIF Property Index	12.50	Russell 3000 Index	10.00
Russell 3000 Index	10.00		

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Target Policy Index Historical Composition

March 31, 2017

	(%)		(%)
Oct-2011		Jul-2001	
Russell 3000 Index	24.00	S&P 500	35.00
MSCI AC World ex USA (Net)	16.00	Russell 2000 Index	10.00
HFRI Equity Hedge (Total) Index	10.00	MSCI EAFE Index (Net)	12.00
Blmbg. Barc. U.S. Aggregate	35.00	MSCI Emerging Markets Index	3.00
NCREIF Property Index	10.00	Blmbg. Barc. U.S. Aggregate	30.00
Russell 3000 Index	5.00	NCREIF Property Index	5.00
		Russell 3000 Index	5.00
Apr-2009		Jul-1991	
S&P 500	30.00	S&P 500	49.00
Russell 2000 Index	10.00	Russell 2000 Index	11.00
MSCI AC World ex USA (Net)	15.00	MSCI EAFE Index (Net)	14.00
Blmbg. Barc. U.S. Aggregate	35.00	MSCI Emerging Markets Index	5.00
NCREIF Property Index	7.00	Blmbg. Barc. U.S. Gov't/Credit	21.00
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		
Blmbg. Barc. U.S. 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		
Blmbg. Barc. U.S. Aggregate	30.00		
NCREIF Property Index	5.00		
Russell 3000 Index	5.00		

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Historical Hybrid Composition

March 31, 2017

International Equity Policy Index		Fixed Income Alternatives Policy Index	
	<u>(%)</u>		<u>(%)</u>
Jan-2005		Jun-2015	
MSCI AC World ex USA (Net)	100.00	BofA Merrill Lynch High Yield Master II	100.00
Jul-1993		Jan-1985	
MSCI EAFE Index (Net)	100.00	LIBOR + 4%	100.00

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