

# City Of Burlington Employees Retirement Plan

Performance Review  
December 2016



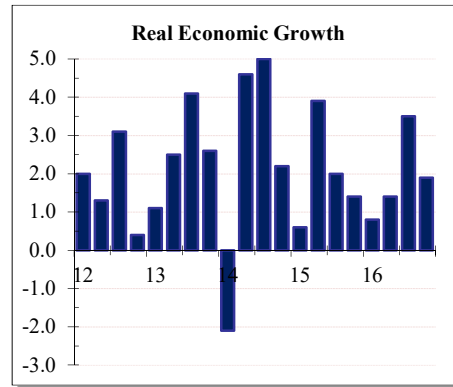
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## ECONOMIC ENVIRONMENT

### Good News All Around

The worldwide trend of nationalism over globalism that began with the Brexit vote in the second quarter continued in the fourth quarter of 2016 with the U.S. Presidential election victory of Donald Trump. Long-term economic forecasts are marked by high uncertainty, as no one can confidently predict what changes may come to domestic and global policy, regulations, NAFTA, and even NATO. The only real certainty is that Twitter has suddenly become more important than anyone could have predicted.

While the long-term is uncertain, many economic indicators helped reduce short-term angst. As the Obama Presidency comes to a close, the economic



policies advanced under his administration produced one last solid quarter. The advance estimate from the BEA for fourth quarter GDP was a 1.9% expansion. Third quarter GDP grew a solid 3.5% vs. 1.4% in Q2, reflecting housing, export and inventory investment gains. The jobs market was also favorable, if not as strong as in 2015. Home prices (through November)

continued upward, but at a less inflationary rate. Manufacturing activity was very strong, although services were less so. By December, consumer confidence was near a record high. Commodities came on strong, especially the energy and agricultural categories. Finally, the Fed followed through with its long-expected ¼% rate hike. With essentially all economic signals turning green, bond prices went south and yields rose accordingly, reflecting inflation concerns. Long maturity issues suffered the most. Economic details follow:

- 2016 job growth was 2.2 million, down moderately from 2.7 million in 2015. Q4 monthly job growth was 165,000. Q4 unemployment rate averaged 4.7% with 7.5 million unemployed, down slightly from the third quarter. The long-term unemployed totaled 1.8 million, down a significant 263,000 during the year. However, the jobs participation

rate for the year was unchanged at 62.7%. All told, the job market tightened and wages were up.

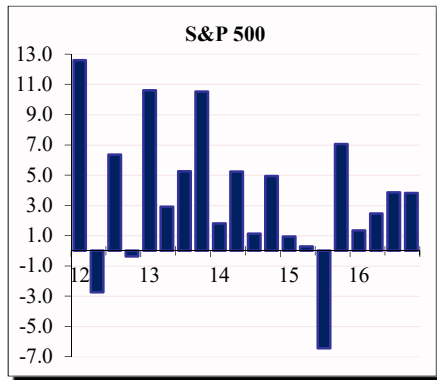
- Year-over-year, home prices have risen 7.1% (through November). This robust sector of the economy has increased for 58 consecutive months, but has settled down to an annualized rate well below 10%. Amidst a blistering housing market, the average single family home is still 4.1% below its April 2006 peak. On the one hand, homes in 14 states have reached new highs – especially Hawaii, New York, Washington, and Oregon. On the other hand, Nevada, Florida, Arizona, and Maryland are furthest away from their respective price peaks.
- December manufacturing activity was a robust 54.7% (a rate above 50% represents growth). New orders jumped from 53% in November to over 60% in December. Major growth sectors included energy, metals, food, and clothing. Among the modestly contracting sectors were plastics, furniture, printing, and textiles. The service sector remained the same in December, but at a 61+% level. However, new service orders rose substantially. The strongest service areas were mining, retail trade, finance, and information. Public administration, wholesale trade, and agriculture were relatively weak.
- As consumers digested the election results, the Consumer Confidence Index increased over 4% to 113.7% (100% is the base). The Index is comprised of two components: the present situation and expectations. The present situation confidence level actually dropped from 132% to 126%, reflecting post-election uncertainty; yet the level was still absolutely high. Just as important, expectations soared from 94.4% to a 13-year high of 105.5%! For the moment, at least, consumers appear very confident.
- Climbing out of the 2015 doldrums, commodities rose 11.8% this past year. Not surprisingly, crude oil was the driving force, with industrial metals not far behind. Crude oil gained 25.4%. Among metals, zinc rose a spectacular 57.5%. Precious metals climbed almost 10% for the year, but lost ground to stocks recently. Livestock did well in Q4, but experienced single-digit losses for the year. The so-called soft commodities, such as coffee and especially wheat, performed poorly for both the quarter and year. As a result, farmers had a difficult time.

- The Federal Reserve Board voted unanimously to raise rates at its December 13-14 meeting. The rationale for the modest ¼% increase was the expanding GDP, continued labor gains and inflation approaching its 2% target. The 2017 outlook was deemed a bit murkier, with only a slow path of rate increases expected. Basically, the Fed will wait and see how the Trump economic initiatives unfold. Meanwhile, the stock and bond markets took the long-expected rate increase in stride.

## DOMESTIC EQUITIES

### What a Quarter and What a Year!

The market fared poorly through November 8<sup>th</sup>, the day of the Presidential election. As the election results unfolded that evening, stock futures plunged as investors predicted an impending global sell-off. The market was actually up on November 9<sup>th</sup> and soared through year-end. For example, the S&P 500 fell 1.1% through November 8<sup>th</sup>, then rose 5.0% for the rest of the quarter. Its full quarter return was a healthy 3.8%. Small-cap names fell more (4.4%) and then climbed more (13.8%) during the same periods for an 8.8% quarter.



Some pundits ascribe the change to extremely favorable investor outlook due to announcements by the new Administration. In particular, companies that stood to gain the most were those that would participate in infrastructure spending and a loosening of regulations as well as favorable tax treatment. The market accommodated them with value stocks besting growth stocks in every size category. The clear winner was small-cap value, gaining a hefty 14.1%. The major indices all advanced, as the S&P rose 3.8%, the NASDAQ pushed up 1.7% and the value-tilted DJIA climbed 8.7%.

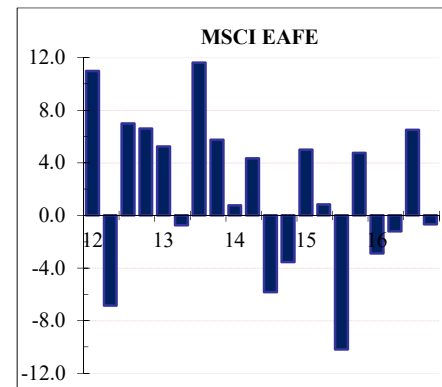
The full year 2016, which began with predictions of a negative or flat return, ended with a very good return. The S&P added 12.0%, the tech-

laden NASDAQ posted 8.9% and the more cyclical DJIA thundered ahead 16.5%. In Q4, financial companies shined as the highest-performer (17.2%) among all S&P sectors. This was expected because of fewer revenue-limiting regulations promised by the new administration. Other beneficiaries of the expected policy changes were transportation (14.0%), energy (8.3%) and basic industries (6.6%). Utilities and REITs suffered from reduced interest in high dividend bond proxies. Health care stocks were down 2.7% as investors digested a likely rise in drug prices and slashing of benefits under Obamacare. The S&P 500's dividend yield held steady at 2.1%. Higher prices led to an increase in the average price/earnings ratio from 22.6 in September to 23.1 at year-end. More than 54% of the S&P stocks have P/E ratios of 20 or more, suggesting that stock prices are relatively rich.

## INTERNATIONAL EQUITIES

### A Poor Quarter and Year

Non-US developed markets encountered tough times in the fourth quarter; the MSCI EAFE Index declined 0.7%. Some country markets did well in



local currency terms, but not when the performance was restated in US dollars. The EU region eked out a 0.3% gain in US dollars. German stocks rose 1.5% as the materials sector offset a general refugee fatigue and resurgence of the political right. French stocks rose a bit more or 3.1% on the strength of higher manufacturing output. The Italian market showed the most strength by far, rising

10.8%. Investors there were encouraged by the likely bailout of Italy's third largest bank Monte dei Paschi di Siena, and by the defeat of a political reform referendum. UK shares dropped back 0.9%, as the economy and investors continued to feel the effects of the late June Brexit surprise. On the other hand, the weaker pound sterling is helping to boost exports.

Australian shares moved up a meager 0.8%, despite rising exports and bank share gains. By comparison, the much smaller New Zealand market

dropped nearly 11%; while its economy was doing well, Prime Minister John Key abruptly stepped down, thereby unsettling investors. The Far East component fell 1.4%. Japan, the biggest regional player, was essentially flat in US dollars. However, in Yen terms, the Japanese market rose substantially. The return difference was due to a 13% drop in the Yen vs. the dollar! Hong Kong, also part of the Far East, swooned 9%, mainly due to poor real estate returns and troubles at insurer AIA. The Israeli market dropped 11.2% as giant generic drug maker Teva stumbled. Canada, technically not part of EAFE, was a relative star, rising 3.4%, fueled by a surge in energy exports.

For the year, EAFE rose a modest 1.5% overall. The EU region was a laggard, adding only 0.8%. The UK market was flat. The Far East region logged a weak but positive 2.6%. Breaking the pattern, commodity-heavy Australia and New Zealand turned in 11.7% and 19.3%, respectively. While portfolio diversification away from domestic equities failed to pay off in 2016, it has rewarded well, longer-term.

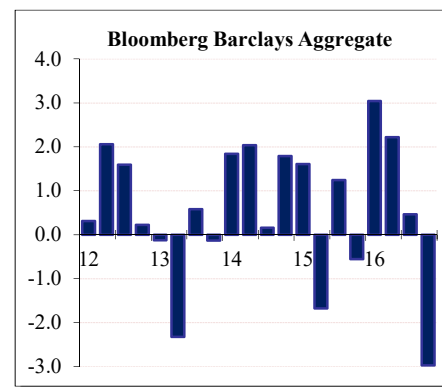
Emerging markets (EM) had a disappointing quarter as the MSCI EM Index fell 4.1%. Performance of the BRIC countries (Brazil, Russia, India, China) ranged from highly negative to quite positive. The **Brazilian** market gained 2.2% on the strength of commodity exports. **Russian** shares soared 18.7% due to a surge in oil prices coupled with an OPEC agreement limiting production. Prime Minister Modi tried his best to attack rampant corruption and tax evasion in **India** during the quarter, but in the end there was an 8% Indian market decline. President Trump has called into question the huge **China**-US trading relationship, and the Chinese market fell a significant 7.1% for the quarter. Elsewhere in the Far East, country after country was in the red, while in Latin America, stock results were mixed. Most EM countries returned double-digit positive returns for the full year, and the EM Index gained 11.6%.

## BOND MARKET

### It's Difficult to Offset Rising Rates

The Trump election, an inflation uptick, and the December Fed-rate hike contributed to a steepened yield curve. From T-bills to the 30-year Treasury bond, Q4 yields rose dramatically, leading the Bloomberg Barclays Aggregate Index to give back 3.0%. The Treasury component lost more (3.8%), with the 30-year issues down a whopping 13.7%.

Investment grade corporate bonds returned -3.0%. The financial bond subset fell a lesser 1.9% because investors had hopes for reduced banking regulation.



Residential mortgage debt (MBS) dropped 2%, while commercial mortgages (CMBS) returned -2.9%. The much shorter maturity asset-backed debt (ABS) fell only 0.7%. High yield/junk bonds with yields of 5% and higher plus low default rates (for the time being) still held allure for investors. BB credits earned a tiny 0.4%, while single B names returned 2%, CCCs were up 4.7%

and CC through D issues (lowest rated) jumped 12.2%. Combined, the high yield sector yielded a +1.8% return. The G-6 developed countries' sovereign debt results were a highly negative 12% on the long maturities of sovereigns and the currency weakness vs. the US dollar. By comparison, emerging market sovereigns lost 4.2%.

Year 2016 bond results were positive, but varied tremendously based on category, maturity and credit rating. The Barclays Aggregate rose 2.7%. The Treasury component added a low 1%. However, investment grade corporates rose 5.6%. Collateralized residential mortgages and asset-backed securities both gained approximately 2% and CMBS added 3.5%. High yield bonds extended their winning streak with a 17.1% advance. The lowest-rated and relatively illiquid credits (CC-D) soared a spectacular 83.1%! Overall, junk bonds were king.

## CASH EQUIVALENTS

### A Glimmer of Hope from the Fed

The hope derived from the Federal Reserve's increase of its (short term) federal funds rate, which increased from ¼% to ½%. As a result, yields increased accordingly on other short-term instruments. Still, being out of the 2016 bond and stock market entirely was a huge tactical mistake.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	<b>CURRENT QTR</b>	<b>LAST QTR</b>
GDP	1.9	3.5
Unemployment	4.7	4.9
CPI All Items Year/Year	2.10	1.50
Fed Funds Rate	0.75	0.50
Industrial Capacity	75.5	75.3
US Dollars per Euro	1.06	1.12

**MAJOR INDEX QUARTER RETURNS**

<b>INDEX</b>		<b>PERFORMANCE</b>
<b>Russell 3000</b>	<b>4.2</b>	
<b>S&amp;P 500</b>	<b>3.8</b>	
<b>Russell Mid</b>	<b>3.2</b>	
<b>Russell 2000</b>	<b>8.8</b>	
<b>MSCI EAFE</b>	<b>-0.7</b>	
<b>MSCI Emg Mkts</b>	<b>-4.1</b>	
<b>NCREIF ODCE</b>	<b>2.1</b>	
<b>Aggregate Index</b>	<b>-3.0</b>	
<b>90 Day Tbills</b>	<b>0.1</b>	

**EQUITY RETURN DISTRIBUTIONS**

	<b>QUARTER</b>			<b>TRAILING YEAR</b>		
	<b>VAL</b>	<b>COR</b>	<b>GRO</b>	<b>VAL</b>	<b>COR</b>	<b>GRO</b>
<b>LC</b>	<b>6.7</b>	<b>3.8</b>	<b>1.0</b>	<b>17.3</b>	<b>12.0</b>	<b>7.1</b>
<b>MC</b>	<b>5.5</b>	<b>3.2</b>	<b>0.5</b>	<b>20.0</b>	<b>13.8</b>	<b>7.3</b>
<b>SC</b>	<b>14.1</b>	<b>8.8</b>	<b>3.6</b>	<b>31.7</b>	<b>21.3</b>	<b>11.3</b>

**MARKET SUMMARY**

- \* Q4 GDP grew by 1.9% (advance estimate).
- \* Unemployment dipped to 4.7%.
- \* CPI increased 2.1% year over year.
- \* The dollar strengthened relative to the euro.
- \* Value stocks raced ahead of their growth counterparts last quarter and were also ahead for the year. Smaller cap sizes bested larger ones in Q4. Mid caps joined in the lead with small names in outperforming for the year.

## **INVESTMENT RETURN**

On December 31st, 2016, the City of Burlington Employees Retirement System was valued at \$166,471,670, representing an increase of \$2,651,426 from the September quarter's ending value of \$163,820,244. Last quarter, the Fund posted withdrawals totaling \$54,807, which partially offset the portfolio's net investment return of \$2,706,233. Income receipts totaling \$111,205 plus net realized and unrealized capital gains of \$2,595,028 combined to produce the portfolio's net investment return.

For the cumulative period since December 2001, the fund has recorded net withdrawals totaling \$24.0 million and posted net investment gains of \$91.5 million. For the period since December 2001, if the total fund returned a compound annual rate of 8.0% it would have been valued at \$262.9 million or \$96.4 million more than the actual value as of December 31st, 2016.

## **RELATIVE PERFORMANCE**

### **Total Fund**

In the fourth quarter, the total portfolio gained 1.7%, which was 0.3% above the Burlington Policy Index's return of 1.4% and ranked in the 13th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 8.9%, which was 0.3% less than the benchmark's 9.2% performance, and ranked in the 12th percentile. Since December 2006, the portfolio returned 4.3% on an annualized basis and ranked in the 95th percentile.

### **Equity**

The equity portfolio returned 2.6% in the fourth quarter, 1.3% greater than the MSCI All Country World index's return of 1.3% and ranked in the 26th percentile of the Global Equity universe. Over the trailing

twelve-month period, the equity portfolio returned 10.8%; that return was 2.3% greater than the benchmark's 8.5% return, and ranked in the 19th percentile.

### **Real Assets**

In the fourth quarter, the real assets component returned 1.7%, which was 0.3% below the Real Assets Blended Index's return of 2.0%. Over the trailing twelve-month period, this component returned 3.9%, which was 3.9% less than the benchmark's 7.8% return.

### **Fixed Income**

The fixed income portfolio returned -2.1% last quarter; that return was 0.1% below the Intermediate Aggregate Index's return of -2.0% and ranked in the 59th percentile of the Broad Market Fixed Income universe. Over the trailing year, this component returned 2.1%, 0.1% above the benchmark's 2.0% performance, ranking in the 73rd percentile.

## **ASSET ALLOCATION**

At the end of the fourth quarter, equities comprised 70.7% of the total portfolio (\$117.7 million), while real assets totaled 11.1% (\$18.5 million). The account's fixed income component comprised 18.1% (\$30.1 million) of total value, while the remaining 0.1% was comprised of cash & equivalents (\$126,801).

The Retirement System also had a negative cash balance in the Pooled Account (not included in the valuations in this report) of -\$3,871,775.71.

## EXECUTIVE SUMMARY

## PERFORMANCE SUMMARY

	Quarter	FYTD	1 Year	3 Year	5 Year	10 Year	Since 12/01
<b>Total Portfolio - Gross</b>	1.7	5.8	8.9	3.8	6.5	4.3	5.2
<i>PUBLIC FUND RANK</i>	(13)	(10)	(12)	(81)	(95)	(95)	----
<b>Total Portfolio - Net</b>	1.6	5.7	8.7	3.4	6.0	----	----
POLICY INDEX	1.4	5.5	9.2	3.8	6.3	----	----
<b>Equity - Gross</b>	2.6	8.3	10.8	----	----	----	----
<i>GLOBAL EQUITY RANK</i>	(26)	(29)	(19)	----	----	----	----
MSCI AC WORLD	1.3	6.8	8.5	3.7	10.0	4.1	6.5
ACWI EX US	-1.2	5.7	5.0	-1.3	5.5	1.4	6.3
MSCI EAFE	-0.7	5.8	1.5	-1.2	7.0	1.2	5.7
MSCI EMG MKTS	-4.1	4.7	11.6	-2.2	1.6	2.2	9.8
RUSSELL 3000	4.2	8.8	12.7	8.4	14.7	7.1	7.1
S&P COMPLETION	5.6	13.2	16.0	6.4	14.6	7.8	----
<b>Real Assets - Gross</b>	1.7	3.5	3.9	----	----	----	----
REAL ASSETS IDX	2.0	1.6	7.8	2.1	3.3	2.5	6.0
NCREIF ODCE	2.1	4.2	8.7	12.0	12.2	5.8	8.2
NCREIF TIMBER	1.2	1.9	2.6	6.0	7.1	5.8	7.4
BLP COMMODITY	2.7	-1.3	11.8	-11.3	-9.0	-5.6	1.2
<b>Fixed Income - Gross</b>	-2.1	-1.9	2.1	----	----	----	----
<i>BROAD MARKET FIXED RANK</i>	(59)	(73)	(73)	----	----	----	----
GLOBAL AGGREGATE	-7.1	-6.3	2.1	-0.2	0.2	3.3	4.8
GLOBAL AGG EX US	-10.3	-9.3	1.5	-2.6	-1.4	2.4	5.0
AGGREGATE INDEX	-3.0	-2.5	2.7	3.0	2.2	4.4	4.6

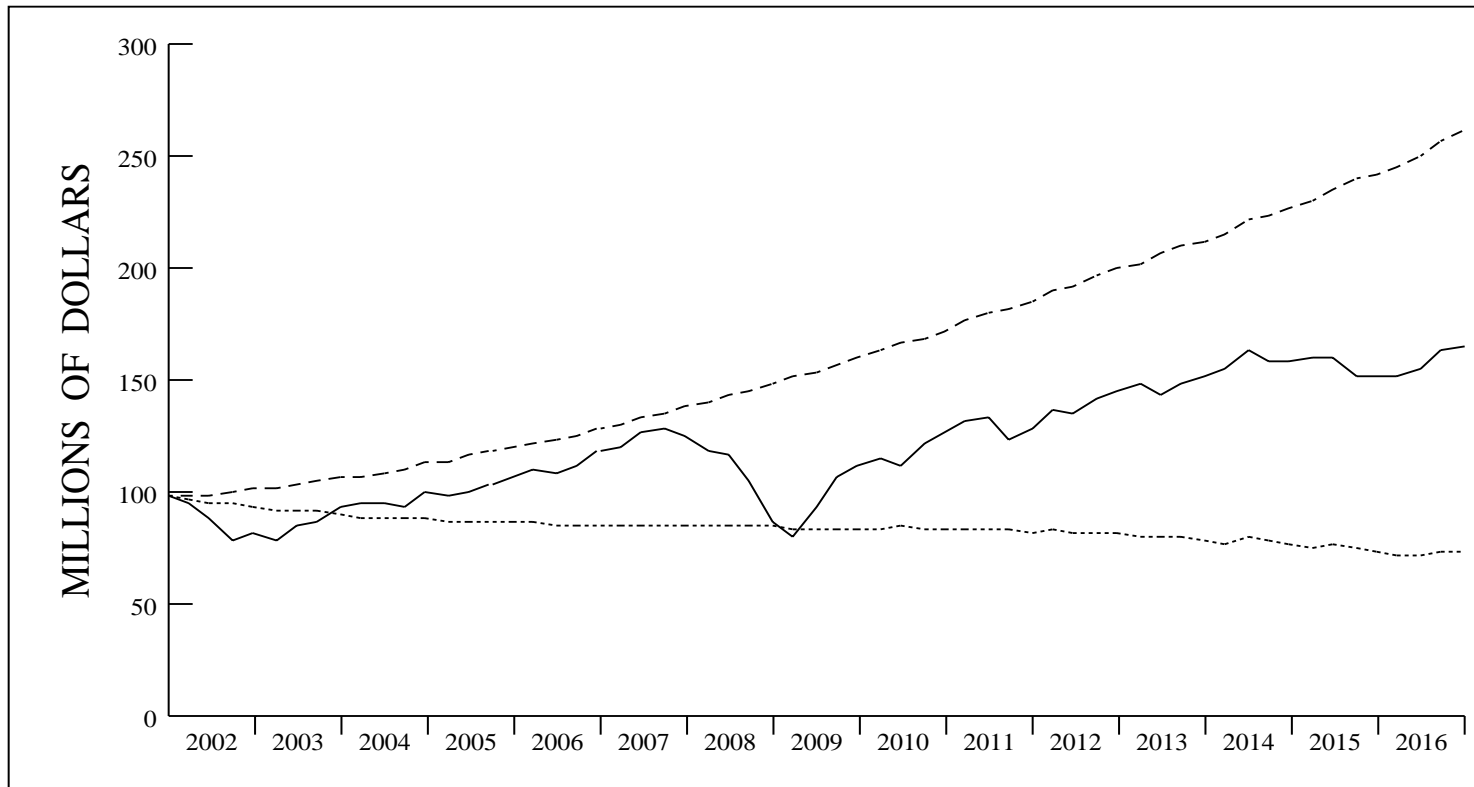
## ASSET ALLOCATION

Equity	70.7%	\$ 117,685,156
Real Assets	11.1%	18,517,229
Fixed Income	18.1%	30,142,484
Cash	0.1%	126,801
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 166,471,670</b>

## INVESTMENT RETURN

Market Value 9/2016	\$ 163,820,244
Contribs / Withdrawals	- 54,807
Income	111,205
Capital Gains / Losses	2,595,028
Market Value 12/2016	\$ 166,471,670

**INVESTMENT GROWTH**



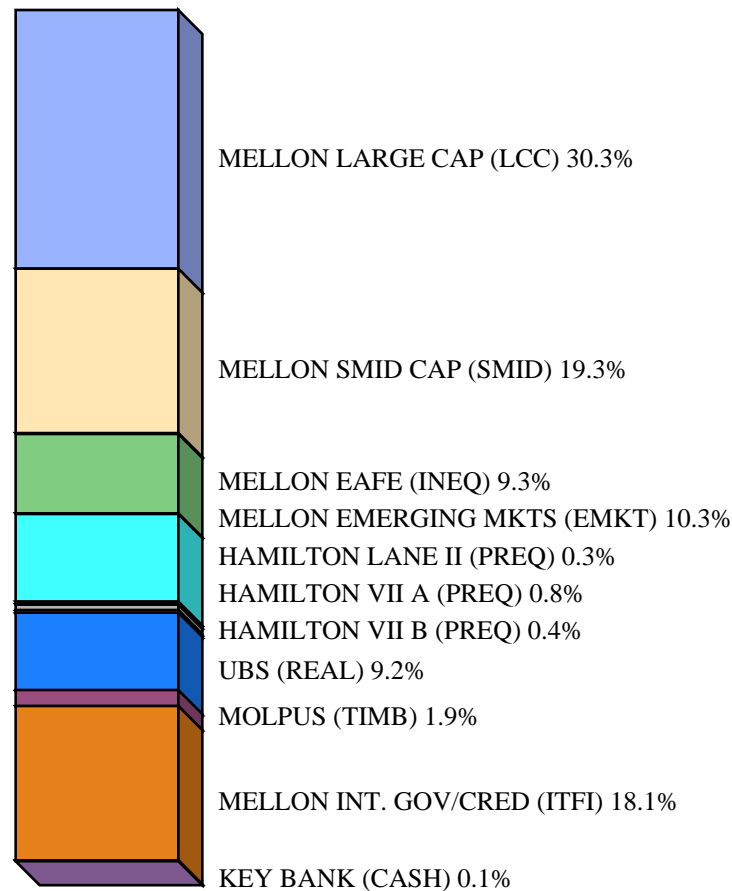
— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.0% RETURN \$ 262,873,705

	LAST QUARTER	PERIOD 12/01 - 12/16
BEGINNING VALUE	\$ 163,820,244	\$ 98,885,312
NET CONTRIBUTIONS	- 54,807	- 23,962,484
<u>INVESTMENT RETURN</u>	<u>2,706,233</u>	<u>91,548,848</u>
ENDING VALUE	\$ 166,471,670	\$ 166,471,670
INCOME	111,205	14,605,945
<u>CAPITAL GAINS (LOSSES)</u>	<u>2,595,028</u>	<u>76,942,896</u>
INVESTMENT RETURN	2,706,233	91,548,848



**MANAGER ALLOCATION AND TARGET SUMMARY**



Name	Market Value	Percent	Target
Mellon Large Cap (LCC)	\$50,490,742	30.3	30.0
Mellon Smid Cap (SMID)	\$32,079,570	19.3	18.0
Mellon EAFE (INEQ)	\$15,504,948	9.3	10.0
Mellon Emerging Mkts (EMKT)	\$17,123,486	10.3	10.0
Hamilton Lane II (PREQ)	\$459,208	0.3	0.5
Hamilton VII A (PREQ)	\$1,297,567	0.8	0.9
Hamilton VII B (PREQ)	\$729,635	0.4	0.6
UBS (REAL)	\$15,318,935	9.2	8.0
Molpus (TIMB)	\$3,198,294	1.9	2.0
Mellon Int. Gov/Cred (ITFI)	\$30,142,484	18.1	20.0
Key Bank (CASH)	\$126,801	0.1	0.0
<b>Total Portfolio</b>	<b>\$166,471,670</b>	<b>100.0</b>	<b>100.0</b>

**INVESTMENT RETURN SUMMARY - ONE QUARTER**

<b>Name</b>	<b>Quarter Total Return</b>	<b>Market Value September 30th, 2016</b>	<b>Net Cashflow</b>	<b>Net Investment Return</b>	<b>Market Value December 31st, 2016</b>
Mellon Large Cap (LCC)	3.8	48,630,347	0	1,860,395	50,490,742
Mellon Smid Cap (SMID)	6.2	30,216,912	0	1,862,658	32,079,570
Mellon EAFE (INEQ)	-0.7	15,612,285	0	-107,337	15,504,948
Mellon Emerging Mkts (EMKT)	-4.2	17,872,964	0	-749,478	17,123,486
Hamilton Lane II (PREQ)	0.8	491,547	-36,277	3,938	459,208
Hamilton VII A (PREQ)	5.0	1,238,616	-3,363	62,314	1,297,567
Hamilton VII B (PREQ)	3.6	706,375	-2,255	25,515	729,635
UBS (REAL)	1.5	15,253,279	-155,373	221,029	15,318,935
Molpus (TIMB)	3.0	3,198,294	-95,544	95,544	3,198,294
Mellon Int. Gov/Cred (ITFI)	-2.1	27,377,410	3,333,419	-568,345	30,142,484
Key Bank (CASH)	---	3,222,215	-3,095,414	0	126,801
<b>Total Portfolio</b>	<b>1.7</b>	<b>163,820,244</b>	<b>-54,807</b>	<b>2,706,233</b>	<b>166,471,670</b>






## MANAGER PERFORMANCE SUMMARY - GROSS OF FEES

Portfolio	(Universe)	Quarter	FYTD	1 Year	3 Years	5 Years	Since Inception
Total Portfolio	(Public Fund)	1.7 (13)	5.8 (12)	8.9 (12)	3.8 (81)	6.5 (95)	5.2 ---- 12/01
<i>Policy Index</i>		<i>1.4 ----</i>	<i>5.5 ----</i>	<i>9.2 ----</i>	<i>3.8 ----</i>	<i>6.3 ----</i>	<i>---- ----</i>
Mellon Large Cap	(LC Core)	3.8 (50)	7.8 ----	---- ----	---- ----	---- ----	10.5 (39) 03/16
<i>S&amp;P 500</i>		<i>3.8 ----</i>	<i>7.8 ----</i>	<i>12.0 ----</i>	<i>8.9 ----</i>	<i>14.7 ----</i>	<i>10.5 ----</i>
Mellon Smid Cap	(Smid Cap)	6.2 (49)	13.1 ----	---- ----	---- ----	---- ----	17.2 (33) 03/16
<i>Russell 2500</i>		<i>6.1 ----</i>	<i>13.1 ----</i>	<i>17.6 ----</i>	<i>6.9 ----</i>	<i>14.5 ----</i>	<i>17.1 ----</i>
Mellon EAFE	(Intl Eq)	-0.7 (27)	5.7 ----	---- ----	---- ----	---- ----	4.4 (48) 03/16
<i>MSCI EAFE</i>		<i>-0.7 ----</i>	<i>5.8 ----</i>	<i>1.5 ----</i>	<i>-1.2 ----</i>	<i>7.0 ----</i>	<i>4.5 ----</i>
Mellon Emerging Mkts	(Emerging Mkt)	-4.2 (45)	4.5 ----	---- ----	---- ----	---- ----	5.1 (54) 03/16
<i>MSCI Emg Mkts</i>		<i>-4.1 ----</i>	<i>4.7 ----</i>	<i>11.6 ----</i>	<i>-2.2 ----</i>	<i>1.6 ----</i>	<i>5.5 ----</i>
Hamilton Lane II		0.8 ----	1.3 ----	-5.1 ----	-1.9 ----	5.2 ----	11.9 ---- 03/09
<i>S&amp;P Completion</i>		<i>5.6 ----</i>	<i>13.2 ----</i>	<i>16.0 ----</i>	<i>6.4 ----</i>	<i>14.6 ----</i>	<i>18.5 ----</i>
Hamilton VII A		5.0 ----	7.0 ----	9.3 ----	11.8 ----	13.9 ----	13.2 ---- 09/11
<i>S&amp;P Completion</i>		<i>5.6 ----</i>	<i>13.2 ----</i>	<i>16.0 ----</i>	<i>6.4 ----</i>	<i>14.6 ----</i>	<i>16.6 ----</i>
Hamilton VII B		3.6 ----	2.8 ----	8.2 ----	5.7 ----	8.5 ----	7.6 ---- 09/11
<i>S&amp;P Completion</i>		<i>5.6 ----</i>	<i>13.2 ----</i>	<i>16.0 ----</i>	<i>6.4 ----</i>	<i>14.6 ----</i>	<i>16.6 ----</i>
UBS		1.5 ----	---- ----	---- ----	---- ----	---- ----	1.5 ---- 09/16
<i>NCREIF ODCE</i>		<i>2.1 ----</i>	<i>4.2 ----</i>	<i>8.7 ----</i>	<i>12.0 ----</i>	<i>12.2 ----</i>	<i>2.1 ----</i>
Molpus		3.0 ----	3.4 ----	3.8 ----	4.8 ----	6.1 ----	4.4 ---- 03/09
<i>NCREIF Timber</i>		<i>1.2 ----</i>	<i>1.9 ----</i>	<i>2.6 ----</i>	<i>6.0 ----</i>	<i>7.1 ----</i>	<i>3.9 ----</i>
Mellon Int. Gov/Cred	(Int Fixed)	-2.1 (81)	-1.9 ----	---- ----	---- ----	---- ----	-0.4 (81) 03/16
<i>Int Gov/Credit</i>		<i>-2.1 ----</i>	<i>-1.9 ----</i>	<i>2.1 ----</i>	<i>2.1 ----</i>	<i>1.8 ----</i>	<i>-0.4 ----</i>

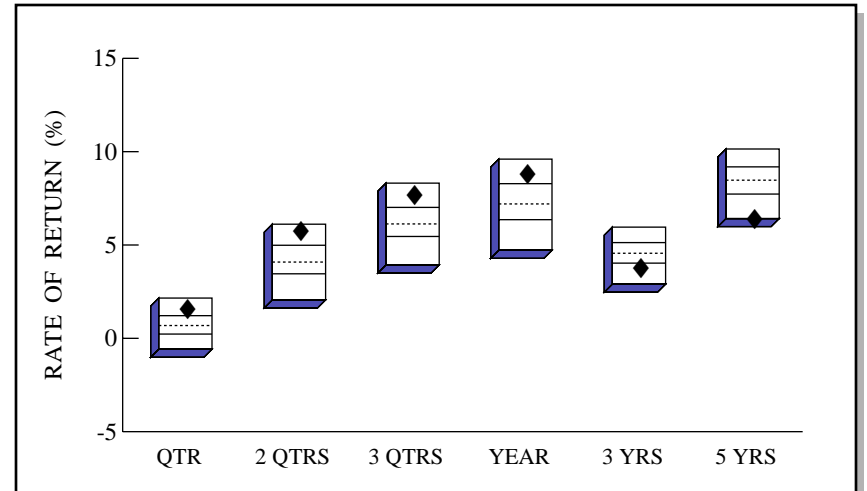
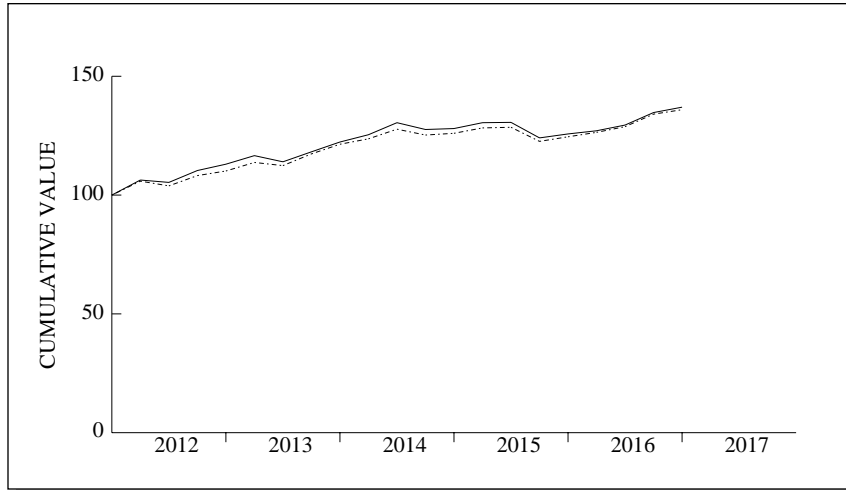
## MANAGER PERFORMANCE SUMMARY - NET OF FEES

Name	Quarter	FYTD	1 Year	3 Years	5 Years	Since Inception	
Total Portfolio	1.6	5.7	8.7	3.4	6.0	----	12/01
<i>Policy Index</i>	<i>1.4</i>	<i>5.5</i>	<i>9.2</i>	<i>3.8</i>	<i>6.3</i>	<i>----</i>	
Mellon Large Cap	3.8	7.8	----	----	----	10.4	03/16
<i>S&amp;P 500</i>	<i>3.8</i>	<i>7.8</i>	<i>12.0</i>	<i>8.9</i>	<i>14.7</i>	<i>10.5</i>	
Mellon Smid Cap	6.2	13.1	----	----	----	17.2	03/16
<i>Russell 2500</i>	<i>6.1</i>	<i>13.1</i>	<i>17.6</i>	<i>6.9</i>	<i>14.5</i>	<i>17.1</i>	
Mellon EAFE	-0.7	5.7	----	----	----	4.3	03/16
<i>MSCI EAFE</i>	<i>-0.7</i>	<i>5.8</i>	<i>1.5</i>	<i>-1.2</i>	<i>7.0</i>	<i>4.5</i>	
Mellon Emerging Mkts	-4.2	4.4	----	----	----	5.1	03/16
<i>MSCI Emg Mkts</i>	<i>-4.1</i>	<i>4.7</i>	<i>11.6</i>	<i>-2.2</i>	<i>1.6</i>	<i>5.5</i>	
Hamilton Lane II	-0.2	-0.7	-8.4	-4.2	3.3	10.3	03/09
<i>S&amp;P Completion</i>	<i>5.6</i>	<i>13.2</i>	<i>16.0</i>	<i>6.4</i>	<i>14.6</i>	<i>18.5</i>	
Hamilton VII A	4.8	6.4	8.1	10.4	11.8	11.0	09/11
<i>S&amp;P Completion</i>	<i>5.6</i>	<i>13.2</i>	<i>16.0</i>	<i>6.4</i>	<i>14.6</i>	<i>16.6</i>	
Hamilton VII B	3.3	2.3	7.0	4.4	6.6	5.6	09/11
<i>S&amp;P Completion</i>	<i>5.6</i>	<i>13.2</i>	<i>16.0</i>	<i>6.4</i>	<i>14.6</i>	<i>16.6</i>	
UBS	1.2	----	----	----	----	1.2	09/16
<i>NCREIF ODCE</i>	<i>2.1</i>	<i>4.2</i>	<i>8.7</i>	<i>12.0</i>	<i>12.2</i>	<i>2.1</i>	
Molpus	3.0	3.1	3.0	3.8	5.1	3.7	03/09
<i>NCREIF Timber</i>	<i>1.2</i>	<i>1.9</i>	<i>2.6</i>	<i>6.0</i>	<i>7.1</i>	<i>3.9</i>	
Mellon Int. Gov/Cred	-2.1	-1.9	----	----	----	-0.4	03/16
<i>Int Gov/Credit</i>	<i>-2.1</i>	<i>-1.9</i>	<i>2.1</i>	<i>2.1</i>	<i>1.8</i>	<i>-0.4</i>	

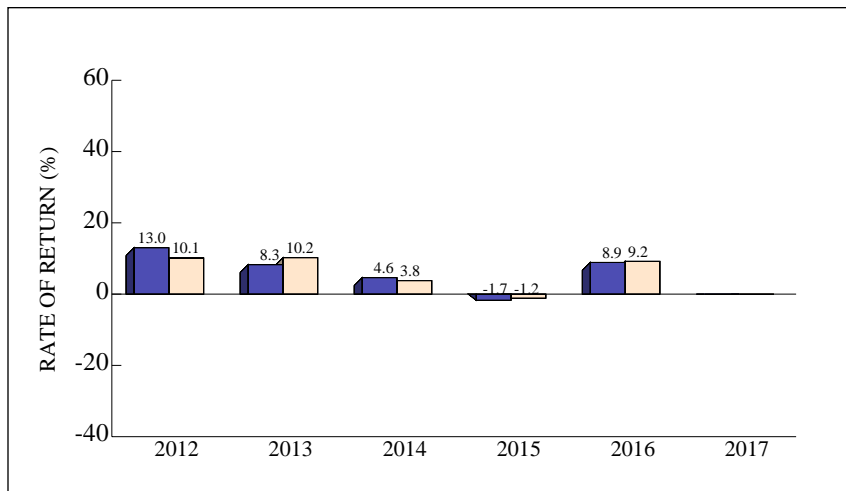
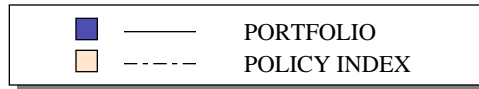
**MANAGER VALUE ADDED**

1 Quarter	Portfolio	Benchmark	1 Year
0.0	Mellon NSL SIF	S&P 500	N/A
0.1	Mellon SL SMID SIF	Russell 2500	N/A
0.0	Mellon NSL INTL SIF	MSCI EAFE	N/A
-0.1	Mellon NSL EM SIF	MSCI Emg Mkts	N/A
 -4.8	Hamilton Lane Secondary Fund II	S&P Completion	 -21.1
 -0.6	Hamilton Lane Fund VII Series A Offshore	S&P Completion	 -6.7
 -2.0	Hamilton Lane Fund VII Series B Offshore	S&P Completion	 -7.8
 -0.6	UBS Realty Investors Trumbull Property Fund	NCREIF ODCE	N/A
1.8 	Molpus Sustainable Woodlands Fund II	NCREIF Timber	1.2
0.0	Mellon NSL IGC BIF	Int Gov/Credit	N/A
<b>0.3  </b>	<b>Total Portfolio</b>	<b>Policy Index</b>	<b>  -0.3</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe

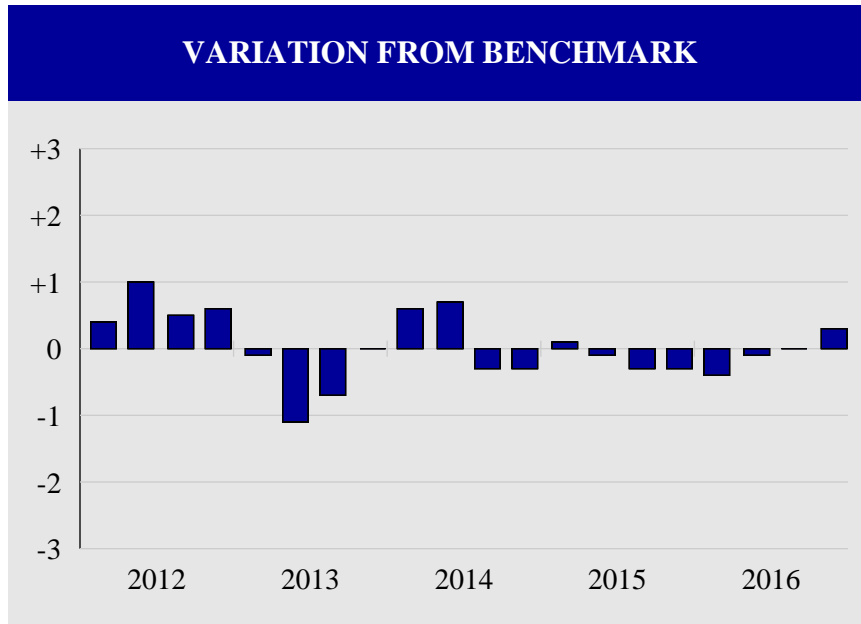


	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	1.7	5.8	7.8	8.9	3.8	6.5
(RANK)	(13)	(10)	(10)	(12)	(81)	(95)
5TH %ILE	2.2	6.1	8.3	9.6	6.0	10.1
25TH %ILE	1.2	5.0	7.0	8.3	5.1	9.2
MEDIAN	0.7	4.1	6.1	7.2	4.6	8.5
75TH %ILE	0.2	3.5	5.5	6.4	4.0	7.7
95TH %ILE	-0.6	2.1	3.9	4.7	2.9	6.4
<b>Policy</b>	<b>1.4</b>	<b>5.5</b>	<b>7.5</b>	<b>9.2</b>	<b>3.8</b>	<b>6.3</b>

Public Fund Universe

**TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY - 5 YEARS**

**COMPARATIVE BENCHMARK: BURLINGTON POLICY INDEX**



<b>Total Quarters Observed</b>	<b>20</b>
<b>Quarters At or Above the Benchmark</b>	<b>10</b>
<b>Quarters Below the Benchmark</b>	<b>10</b>
<b>Batting Average</b>	<b>.500</b>

<b>RATES OF RETURN</b>						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/12	6.3	5.9	0.4	6.3	5.9	0.4
6/12	-0.9	-1.9	1.0	5.3	3.9	1.4
9/12	4.7	4.2	0.5	10.3	8.2	2.1
12/12	2.4	1.8	0.6	13.0	10.1	2.9
3/13	3.2	3.3	-0.1	16.6	13.7	2.9
6/13	-2.3	-1.2	-1.1	14.0	12.4	1.6
9/13	3.7	4.4	-0.7	18.2	17.4	0.8
12/13	3.5	3.5	0.0	22.3	21.4	0.9
3/14	2.5	1.9	0.6	25.4	23.7	1.7
6/14	4.0	3.3	0.7	30.4	27.7	2.7
9/14	-2.2	-1.9	-0.3	27.6	25.3	2.3
12/14	0.3	0.6	-0.3	28.0	26.0	2.0
3/15	1.9	1.8	0.1	30.4	28.3	2.1
6/15	0.1	0.2	-0.1	30.6	28.6	2.0
9/15	-5.0	-4.7	-0.3	24.1	22.6	1.5
12/15	1.3	1.6	-0.3	25.8	24.5	1.3
3/16	1.1	1.5	-0.4	27.1	26.4	0.7
6/16	1.8	1.9	-0.1	29.4	28.8	0.6
9/16	4.1	4.1	0.0	34.7	34.1	0.6
12/16	1.7	1.4	0.3	37.0	35.9	1.1

## Private Equity Investor Report Hamilton Lane Secondary Fund II LP

<b>IRR Since Inception</b>		<b>14.81%</b>	Annualized, Net of Fees
<b>Market Value</b>	\$	<b>459,208</b>	Last Statement Date: 12/31/2016
Capital Commitment	\$	3,400,000	100.00%
Paid In Capital	\$	2,982,695	87.73%
Remaining Commitment	\$	417,305	12.27%

<b>Date</b>	<b>Contributions</b>	<b>% of Commitment</b>	<b>Recallable Distributions</b>	<b>% of Commitment</b>	<b>Distributions</b>
Year 2009	\$ 518,361	15.25%	\$ (151,904)	-4.47%	\$ -
Year 2010	\$ 1,109,828	32.64%	\$ -	-	\$ (87,992)
Year 2011	\$ 607,254	17.86%	\$ (115,109)	-3.39%	\$ (361,234)
Year 2012	\$ 934,221	27.48%	\$ -	-	\$ (836,516)
2/26/2013	\$ 11,511	0.34%	\$ -	-	\$ (137,100)
3/8/2013	\$ 34,000	1.00%	\$ -	-	\$ -
3/29/2013	\$ 43,166	1.27%	\$ -	-	\$ -
6/10/2013	\$ -	-	\$ -	-	\$ (144,307)
8/14/2013	\$ -	-	\$ -	-	\$ (167,406)
9/26/2013	\$ 8,633	0.25%	\$ -	-	\$ (132,375)
10/18/2013	\$ -	-	\$ -	-	\$ (110,666)
11/14/2013	\$ -	-	\$ (17,266)	-0.51%	\$ (40,013)
1/14/2014	\$ -	-	\$ -	-	\$ (143,432)
3/5/2014	\$ -	-	\$ -	-	\$ (120,864)
3/31/2014	\$ -	-	\$ -	-	\$ (63,310)
5/28/2014	\$ -	-	\$ -	-	\$ (172,662)
6/27/2014	\$ -	-	\$ -	-	\$ (71,978)
8/14/2014	\$ -	-	\$ -	-	\$ (115,109)
9/11/2014	\$ -	-	\$ -	-	\$ (132,375)
10/15/2014	\$ -	-	\$ -	-	\$ (187,101)
11/21/2014	\$ -	-	\$ -	-	\$ (44,892)
12/30/2014	\$ -	-	\$ -	-	\$ (89,125)
2/26/2015	\$ -	-	\$ -	-	\$ (59,245)
4/20/2015	\$ -	-	\$ -	-	\$ (116,859)
7/17/2015	\$ -	-	\$ -	-	\$ (78,675)
11/20/2015	\$ -	-	\$ -	-	\$ (278,361)
1/28/2016	\$ -	-	\$ -	-	\$ (38,549)
5/20/2016	\$ -	-	\$ -	-	\$ (81,887)
8/19/2016	\$ -	-	\$ -	-	\$ (46,080)
12/28/2016	\$ -	-	\$ -	-	\$ (31,257)
<b>Total</b>	<b>\$ 3,266,974</b>	<b>96.09%</b>	<b>\$ (284,279)</b>	<b>-8.36%</b>	<b>\$ (3,889,370)</b>



**Private Equity Investor Report**  
**Hamilton Lane Private Equity Fund VII LP Series A Offshore**

<b>IRR Since Inception</b>	<b>11.15%</b>	Annualized, Net of Fees
<b>Market Value</b>	<b>\$ 1,297,567</b>	Last Statement Date: 12/31/2016
Capital Commitment	\$ 1,500,000	100.00%
Paid In Capital	\$ 1,270,659	84.71%
Remaining Commitment	\$ 229,341	15.29%

<b>Date</b>	<b>Contributions</b>	<b>% of Commitment</b>	<b>Recallable Distributions</b>	<b>% of Commitment</b>	<b>Distributions</b>
7/27/2011	\$ 172,500	11.50%	\$ -	-	\$ -
9/27/2011	\$ 52,500	3.50%	\$ -	-	\$ -
11/15/2011	\$ 52,500	3.50%	\$ -	-	\$ -
12/30/2011	\$ 67,947	4.53%	\$ -	-	\$ -
4/24/2012	\$ 83,394	5.56%	\$ -	-	\$ (32,311)
6/24/2012	\$ 52,500	3.50%	\$ -	-	\$ -
8/23/2012	\$ 45,000	3.00%	\$ -	-	\$ (3,692)
10/15/2012	\$ 67,500	4.50%	\$ -	-	\$ (23,932)
11/21/2012	\$ 80,250	5.35%	\$ -	-	\$ -
3/12/2013	\$ 48,750	3.25%	\$ -	-	\$ (27,930)
2/14/2014	\$ 61,500	4.10%	\$ -	-	\$ -
5/20/2014	\$ 187,500	12.50%	\$ -	-	\$ (151,650)
7/14/2014	\$ 50,522	3.37%	\$ -	-	\$ (19,283)
1/6/2015	\$ 145,117	9.67%	\$ -	-	\$ (88,738)
12/8/2015	\$ 28,179	1.88%	\$ -	-	\$ (51,519)
7/22/2016	\$ 75,000	5.00%	\$ -	-	\$ (53,805)
<b>Total</b>	<b>\$ 1,270,659</b>	<b>84.71%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ (452,860)</b>

Valuations of non-public securities are provided by Hamilton Lane, based on current market and company conditions.

**Private Equity Investor Report**  
**Hamilton Lane Private Equity Fund VII LP Series B Offshore**

<b>IRR Since Inception</b>		<b>5.68%</b>	Annualized, Net of Fees
<b>Market Value</b>	\$	<b>729,635</b>	Last Statement Date: 12/31/2016
Capital Commitment	\$	1,000,000	100.00%
Paid In Capital	\$	823,725	82.37%
Remaining Commitment	\$	176,275	17.63%

<b>Date</b>	<b>Contributions</b>	<b>% of Commitment</b>	<b>Recallable Distributions</b>	<b>% of Commitment</b>	<b>Distributions</b>
7/27/2011	\$ 160,000	16.00%	\$ -	-	\$ -
9/27/2011	\$ 35,000	3.50%	\$ -	-	\$ -
12/28/2011	\$ 50,723	5.07%	\$ -	-	\$ -
4/24/2012	\$ 56,445	5.64%	\$ -	-	\$ (22,962)
6/24/2012	\$ 50,000	5.00%	\$ -	-	\$ -
8/23/2012	\$ 50,000	5.00%	\$ -	-	\$ (2,909)
11/21/2012	\$ 30,000	3.00%	\$ -	-	\$ (16,671)
1/3/2013	\$ 40,000	4.00%	\$ -	-	\$ -
8/12/2013	\$ 100,000	10.00%	\$ -	-	\$ (35,860)
2/14/2014	\$ 44,000	4.40%	\$ -	-	\$ -
5/20/2014	\$ 80,000	8.00%	\$ -	-	\$ (49,323)
7/14/2014	\$ 45,512	4.55%	\$ -	-	\$ (3,495)
12/8/2014	\$ 16,254	1.63%	\$ -	-	\$ (29,570)
1/20/2015	\$ 65,791	6.58%	\$ -	-	\$ (11,610)
8/3/2015	\$ -	-	\$ -	-	\$ (9,735)
3/23/2016	\$ -	-	\$ -	-	\$ (67,664)
7/18/2016	\$ -	-	\$ -	-	\$ (10,836)
<b>Total</b>	<b>\$ 823,725</b>	<b>82.37%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ (260,635)</b>

Valuations of non-public securities are provided by Hamilton Lane, based on current market and company conditions.

**Timber Investor Report**  
**Molpus Sustainable Woodlands Fund II, LP**

<b>IRR Since Inception</b>	<b>2.70%</b> Annualized, Net of Fees	
<b>Market Value</b>	<b>\$ 3,198,294</b>	Last Appraisal Date: 9/30/2016
Capital Commitment	\$ 3,400,000	100.00%
Paid In Capital	\$ 3,400,000	100.00%
Remaining Commitment	\$ -	0.00%

<b>Date</b>	<b>Contributions</b>	<b>% of Commitment</b>	<b>Recallable Distributions</b>	<b>% of Commitment</b>	<b>Distributions</b>
2/28/2009	\$ 510,000	15.00%	\$ -	-	\$ -
9/30/2009	\$ 2,890,000	85.00%	\$ -	-	\$ -
4/30/2010	\$ -	-	\$ -	-	\$ (19,365)
6/30/2010	\$ -	-	\$ -	-	\$ (67,116)
12/31/2010	\$ -	-	\$ -	-	\$ (28,663)
6/30/2011	\$ -	-	\$ -	-	\$ (19,109)
12/31/2011	\$ -	-	\$ -	-	\$ (38,218)
12/31/2012	\$ -	-	\$ -	-	\$ (47,772)
6/25/2013	\$ -	-	\$ -	-	\$ (76,435)
12/31/2013	\$ -	-	\$ -	-	\$ (114,653)
3/31/2014	\$ -	-	\$ -	-	\$ (47,772)
9/30/2014	\$ -	-	\$ -	-	\$ (47,772)
12/31/2014	\$ -	-	\$ -	-	\$ (28,663)
3/31/2015	\$ -	-	\$ -	-	\$ (38,218)
9/30/2015	\$ -	-	\$ -	-	\$ (47,772)
12/31/2015	\$ -	-	\$ -	-	\$ (47,772)
6/30/2016	\$ -	-	\$ -	-	\$ (28,663)
9/30/2016	\$ -	-	\$ -	-	\$ (76,435)
12/31/2016	\$ -	-	\$ -	-	\$ (95,544)
<b>Total</b>	<b>\$ 3,400,000</b>	<b>100.00%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ (869,942)</b>

## APPENDIX - MAJOR MARKET INDEX RETURNS

Equity	Style	QTR	FYTD	1 Year	3 years	5 Years
Russell 3000	Broad Equity	4.2	8.8	12.7	8.4	14.7
S&P 500	Large Cap Core	3.8	7.8	12.0	8.9	14.7
Russell 1000	Large Cap Core	3.8	8.0	12.0	8.6	14.7
Russell 1000 Growth	Large Cap Growth	1.0	5.6	7.1	8.6	14.5
Russell 1000 Value	Large Cap Value	6.7	10.4	17.3	8.6	14.8
Russell 2000	Small Cap	8.8	18.7	21.3	6.7	14.5
Russell 2000 Growth	Small Cap Growth	3.6	13.1	11.3	5.0	13.7
Russell 2000 Value	Small Cap Value	14.1	24.2	31.7	8.3	15.1
MSCI EAFE	Developed Markets	-0.7	5.8	1.5	-1.2	7.0
MSCI EAFE Growth	Developed Markets Growth	-5.5	-0.8	-2.6	-0.8	7.1
MSCI EAFE Value	Developed Markets Value	4.2	12.7	5.7	-1.6	6.9
MSCI Emerging Markets	Emerging Markets	-4.1	4.7	11.6	-2.2	1.6
MSCI All Country World	Global Equity	1.3	6.8	8.5	3.7	10.0
MSCI All Country World Ex US	Global Equity (ex. US)	-1.2	5.7	5.0	-1.3	5.5
Fixed Income	Style	QTR	FYTD	1 Year	3 years	5 Years
Bloomberg Barclays Aggregate Index	Core Fixed Income	-3.0	-2.5	2.7	3.0	2.2
Bloomberg Barclays Gov/Credit	Gov/Credit	-3.4	-3.0	3.0	3.0	2.3
Bloomberg Barclays Capital Gov't Bond	Treasuries	-3.7	-4.0	1.0	2.3	1.2
Bloomberg Barclays Capital Credit Bond	Corporate Bonds	-3.0	-1.8	5.6	4.1	3.8
Intermediate Aggregate	Core Intermediate	-2.0	-1.7	2.0	2.4	1.9
Intermediate Gov/Credit	Gov / Credit Intermediate	-2.1	-1.9	2.1	2.1	1.8
ML/BoA 1-3 Year Treasury	Short Term Treasuries	-0.4	-0.5	0.9	0.7	0.5
Citi High Yield BB & B Index	High Yield Bonds	1.5	6.8	15.4	4.4	6.7
Bloomberg Barclays Global Treasury Ex US	International Treasuries	-11.3	-10.7	1.9	-1.9	-1.7
Citi World Gov't Bond Index	International Fixed Income	-8.5	-8.3	1.6	-0.8	-1.0
Bloomberg Barclays Global Aggregate	International Fixed Income	-7.1	-6.3	2.1	-0.2	0.2
Bloomberg Barclays Global Aggregate Ex US	International Fixed Income	-10.3	-9.3	1.5	-2.6	-1.4
Alternative Assets	Style	QTR	FYTD	1 Year	3 years	5 Years
MSCI US REIT Index	REITs	-3.0	-4.4	8.6	13.2	11.9
NCREIF NFI-ODCE Index	Real Estate	2.1	4.2	8.7	12.0	12.2
NCREIF Timber Index	Timber	1.2	1.9	2.6	6.0	7.1
Bloomberg Commodity Index	Commodities	2.7	-1.3	11.8	-11.3	-9.0
HFRI FOF Composite	Hedge Funds	1.1	3.4	0.7	1.2	3.5

**APPENDIX - DISCLOSURES**

- \* The Burlington Policy Index was constructed as follows:

For periods since December 31, 2015:

30% S&P 500	18% Russell 2500	10% MSCI EAFE
10% MSCI EM	28% BC Intermediate Gov/Cred	
2% S&P Completion Index	2% NCREIF Timberland	

For periods through December 31, 2015, this index uses the returns of the Manager Shadow Index.

- \* The Burlington Manager Shadow index is the weighted average of each manager portfolio's beginning value multiplied by its current quarter benchmark return.
- \* The Real Assets Blended Index is comprised of equal parts:  
NCREIF ODCE                      NCREIF Timber                      Bloomberg Commodities (Formerly known as Dow Jones UBS Commodities)
- \* All values for the Pooled Cash account since June 2012 are subject to change. Audited statements are not provided for this account.
- \* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.
- \* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.
- \* All returns for periods greater than one year are annualized.
- \* Dahab Associates uses the modified duration measure to present average duration.
- \* All values are in US dollars.