

# City Of Burlington Employees Retirement Plan

Performance Review  
September 2016

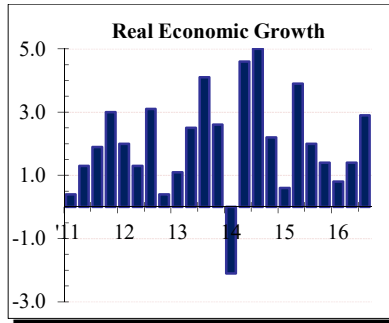


**DAHAB ASSOCIATES**  
New York   Massachusetts   Pennsylvania   Florida

## ECONOMIC ENVIRONMENT

### A Strong Pickup

The second quarter ended with investors breathing a sigh of relief when the Brexit vote was not followed by instant catastrophe. While there is sure to be long-term uncertainty over when, how, and even if Brexit will actually happen, for now those concerns don't seem to be worrying the economy too much. In the US, employment was healthy, housing prices pushed upward, both the manufacturing and service sectors gained ground, consumer confidence was strong, and the Fed held rates steady. GDP in the third quarter advanced 2.9%, stronger than the prior four quarters.



Overall, it was a good quarter in a good year, despite what feels like a mediocre quarter in a bad year.

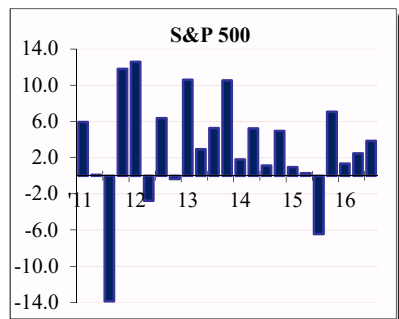
- September brought 156,000 new hires, though the unemployment rate inched up to 5.0%. The latter was mainly attributable to the number of unemployed workers who had gained enough confidence to restart their job searches. New jobs were strongest in the professional, business services, and healthcare categories. Clearly, job gains have eased, averaging 178,000 so far this year vs. 229,000 for the same period last year. Average hourly earnings rose six cents in September to \$25.79; the wage gains were viewed as an encouraging sign by both the Fed and the rank and file. For the fiscal year ended September, wage gains have been a healthy 2.6%.
  - Home prices rose another 1.1% in August, the latest month available. Year-over-year, prices have risen 6.2%. Price gains have been chugging along for 55 straight months and are only 5.6% below their April 2006 peaks. Notably, prices in eighteen states have reached new highs. In particular, price hikes were over 10% in both Oregon and Washington during the latest year. However, in three states prices remained far off their prior peaks: Nevada (-31%), Florida (-23%) and Arizona (-22%).
- September's manufacturing activity grew 2.1%, reaching 51.5% (greater than 50% represents growth). New orders and production climbed 6% and 3.2%, respectively. Minerals, furniture, textiles and food all advanced; but, printing, coal, oil and wood products were key laggards. The service sector rose almost 6% in September to a robust 57.1%. Business activity and new orders components reached 60%. 14 out of 18 industries reported growth, with agriculture, forestry, and fishing, and retail the big winners. Only mining, real estate, entertainment, arts, and educational services declined.
  - Consumer confidence correlated with manufacturing and service activity, as the Consumer Confidence Index climbed to 104.1. That level was the highest reported since the beginning of the Great Recession in 2008-2009. Workers were encouraged regarding their current situations as well as their expectations for the next six-months.
  - The Bloomberg Commodity Index fell 3.9% in the third quarter. Abundant supplies accounted for the big losses: natural gas (-8%), lean hogs (-32%), wheat (-14%), and soybeans (-17%). However, several "soft" agricultural commodities and metals rose in price. Sugar climbed 10%; cotton was up 6%; zinc soared 13%; and nickel prices surged 11%. There were some signs of inflation, mainly due to relatively higher oil prices and wages.
  - Economists were equally divided in their views regarding a Fed rate hike, as were the Fed Board members themselves. But a majority voted against such a hike, based on somewhat weak business spending and inflation still below target. Given that decision, the Board's late September press release intimated that there likely would be a rate increase in the near-term. Our understanding is to expect a small one by year-end.

## DOMESTIC EQUITIES

### Record Highs

It was a risk-on quarter for US stocks with economic indicators that were largely positive. Higher-than-expected earnings by major companies helped, and every major index was positive. Some indexes even touched all-time peaks before declining a bit by quarter-end. With such positive

sentiment, the S&P 500 rose 3.9%, and a turnaround among the NASDAQ's better known tech companies drove that index up 10%. The



more cyclical company-based DJIA lagged the other major indices, gaining just 2.8%. The growth indices performed better than their value counterparts, with the most significant difference occurring among large-cap names; the Russell 1000 Growth Index added 4.6% vs. 3.5% for the Russell 1000 Value Index. Smaller-sized

stocks leaped past their large-cap brethren. As evidence, the Russell 2000 Index rose 9.0% vs. 4.0% for the Russell 1000. REITs, a new, separate S&P sector, ended its string of top-performing quarters; correspondingly, the NAREIT Index fell a modest 1.2%.

Computer technology was the best-performing S&P sector, with outsized price gains by Apple, Google and Microsoft. Runner-up was the much smaller transportation sector (+11.2%), as rails and airline stocks performed well due to higher capacity utilization and low energy prices. Finance stocks advanced 6.2%, despite the infamous dealings at Wells Fargo. On the other hand, investors disfavored utilities, a safe haven and dividend-driven sector that declined 2.2% after a long run. Energy was another weak performer, adding only 1.3% amid rising oil inventories.

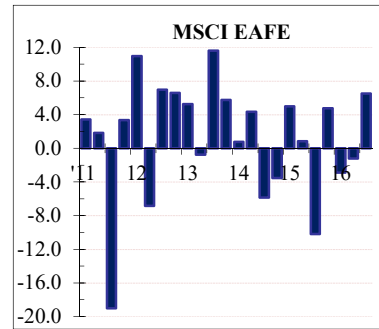
S&P's dividend yield fell slightly, to 2.1%. Higher corporate earnings reduced the index' price/earnings ratio from 23.6 to 22.6. Nonetheless, the P/E remains historically high.

## INTERNATIONAL EQUITIES

### A Surge in Developed and EM Markets

Developed countries outside the US delivered solid results as investors digested the global impact of Brexit. Emerging market countries advanced everywhere, whether in Europe, Asia, Latin America, the Middle East or Africa. The political and military climate around the world was mixed, calming down in some locations but intensifying in the Middle East and Asia. The MSCI EAFE Index returned 6.5%, thereby outperforming the S&P by 2.5%. The Euro region was up 7.4%, aided by Germany's 10.0%

gain. Germany, the largest Euro component, benefited from Bayer, SAP and BASF price gains. Deutsche Bank's balance sheet woes prevented an



even higher return. France, which has the second-highest Euro weight, posted 6.4%. Ireland and Spain added 7.5% and 9.5%, respectively. However, Italy was the one major Euro country to trail (+2.3%), as its poorly-funded banks struggled.

The UK rose 4.0%, a surprising outcome after the initial post-Brexit forecasts. A smooth leadership transition from David Cameron to Theresa May helped steady things, as did the Bank of England lowering the benchmark interest rate. On the other side of the world, the Australian market gained 8.0% on the heels of its mining and large bank stock advances. Japanese stocks climbed 8.8%, reflecting the countries vote of confidence in PM Abe and his announced new spending program. Hong Kong was a big winner, spiking 11.9% on the strength of higher casino gaming revenues. Overall, EAFE stock exchanges parked their worries about low GDPs, the Brexit fallout and the continuing refugee crises to turn in good results.

Emerging market performance easily surpassed those of the US and other developed markets. The MSCI EM Index returned 9.2%. The big four countries, Brazil, Russia, India and China, known collectively as BRIC, account for almost half of the index weighting.

- The **Chinese** market roared anew, generating a stellar 14% return. China also reported 6.7% GDP growth and double-digit price gains by tech giants Alibaba, Tencent and Baidu.
- The **Brazilian** market advanced 11.4%. Investors viewed the change in leadership from President Rousseff to President Temer as favorable to business. At the same time, shares of energy giant Petrobras jumped 42% as that company worked to reduce its debt level. China's stability also helped the Brazilian economy, as Brazil's raw materials exports would undoubtedly benefit from Chinese economic expansion.
- The **Russian** market's 8.9% gain reflected increased confidence that its economy would manage to work around western sanctions and

benefit directly from the recent spike in oil prices. Lukoil, the country's biggest oil conglomerate, skyrocketed 20% and Russian bank and grocery store stocks followed suit.

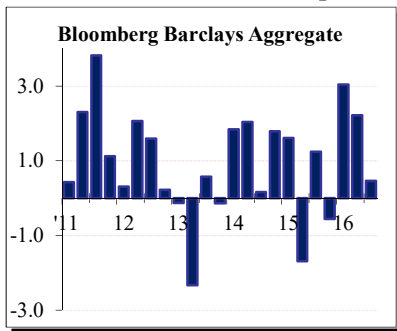
- The **Indian** market rose just 5.9%. Yet, investors had confidence that PM Modi would eliminate still more of the regulations preventing businesses from becoming truly global. As a start, India's parliament approved a tax during the quarter making it easier to conduct business within the country.

Tech shares in both Taiwan and South Korea drove up those markets 12.4% and 11%, respectively. Despite its mobile phone problems, Korea's Samsung shares advanced and investors returned to the peninsula. Closer to home, Mexican shares lost 2.2% as its currency weakened and concerns arose regarding the future of US manufacturing there. The bigger losses occurred in the Philippines (-5.2%) and Turkey (-5.3%), where both countries experienced political firestorms.

## BOND MARKET

### Nominal Gains

Bond yields took a breather from their relentless race downward, and the bond market continued to provide positive returns in a year where rising rates were supposed to lower returns.



The fact that US Treasuries still offered a relatively high yield and also represented a safe haven remained important for investors around the world. The Fed sent a strong signal that it would soon raise the benchmark Fed Funds rate, a contributing factor to the late September yield increase. Noticeably higher wage rates foretold

a possible uptick in inflation and also helped to send yields upward. The 10-year Treasury yield moved from 1.52% in June to 1.64% by September. However, the 30-year Treasury remained steady at 2.35%, as investors focused on the short-end of the yield curve. We continue to see bonds as a safety-based allocation for investors, and continue to advise they take their risk allocations in stocks.

The Bloomberg Barclays Aggregate Index rose 0.5%. The substantial Treasury component lost 0.3%, with long Treasuries falling 0.4%; but the corporate bond market told a better story. Corporates gained 1.4% and long-dated names added almost double that or 2.6%. Investors reasoned that the business cycle was not over and while quarterly earnings weren't spectacular, they were at least acceptable. Industrial corporates gained the most (+1.6%) and utilities the least (+0.8%). Securitized debt performed in a narrow range; the residential mortgage-backed (MBS) and commercial mortgage-backed (CMBS) sectors each added 0.6%, while the very short maturity asset-backed (ABS) securities provided 0.2%.

For investors willing to bear default risk, the high yield (junk) bond market was THE place to be. The combined high yield index posted a 5.6% return, better than the S&P and DJIA. The more risk assumed, the higher the return. BA debt (the highest junk credit category) earned 4.4%; single B names gained 5.7%; CAA bonds jumped 8.2%; lower credits rose even more. The rationale isn't obvious, given the slow growth economic environment. Part of the answer lies in the unceasing reach for yield when other debt instruments provide very little yield or return. Also, as noted above, the business cycle still has momentum.

Non-US sovereign debt (G-6 developed countries) performance was flat. It ranged from -0.7% for Japan to +2.3% for Italy. EM sovereign debt returns were varied, as usual. However, only Turkey experienced a negative outcome (-1.7%). Most country debt returns ranged between the low and high single digits. Notable was Venezuela, a country with sky high inflation and a rapidly deteriorating economy. Nonetheless, its bonds soared 26.7% for the quarter and 54.4% YTD. This is partly attributable to the trajectory of oil prices, which first bottomed and then climbed during the year.

## CASH EQUIVALENTS

### Still Nothing

While Treasury-bills still offered virtually no net return, there may be hope for the near-term future. Should the Fed raise its benchmark rate, T-bill and money market fund returns should rise accordingly.

**MARKET SUMMARY**

**ECONOMIC STATISTICS**

	CURRENT QTR	LAST QTR
GDP	2.9	1.4
Unemployment	5.0	4.9
CPI All Items Year/Year	1.50	1.00
Fed Funds Rate	0.50	0.50
Industrial Capacity	75.4	75.4
US Dollars per Euro	1.12	1.10

**MAJOR INDEX QUARTER RETURNS**

INDEX	PERFORMANCE
Russell 3000	4.4
S&P 500	3.9
Russell Mid	4.5
Russell 2000	9.0
MSCI EAFE	6.5
MSCI Emg Mkts	9.2
NCREIF ODCE	2.0
Aggregate Index	0.5
90 Day Tbills	0.1

**EQUITY RETURN DISTRIBUTIONS**

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	3.5	4.0	4.6	16.2	14.9	13.8
MC	4.4	4.5	4.6	17.3	14.2	11.2
SC	8.9	9.0	9.2	18.8	15.5	12.1

**MARKET SUMMARY**

- \* GDP in the third quarter advanced 2.9%.
- \* Unemployment ticked up to 5%.
- \* CPI increased 1.5% year over year.
- \* The dollar weakened very slightly, against the Euro.
- \* Growth stocks produced stronger returns than their value counterparts, last quarter. Smaller names outperformed the larger cap sizes.

## **INVESTMENT RETURN**

On September 30th, 2016, the City of Burlington Employees Retirement System was valued at \$161,714,094, representing an increase of \$6,303,411 from the June quarter's ending value of \$155,410,683. Last quarter, the Fund posted withdrawals totaling \$195,581, which partially offset the portfolio's net investment return of \$6,498,992. Since there were no income receipts for the third quarter, the portfolio's net investment return figure was the product of net realized and unrealized capital gains totaling \$6,498,992.

For the cumulative period since September 2006, the account has posted net withdrawals totaling \$12.8 million and recorded net investment gains totaling \$62.7 million. Since September 2006, if the portfolio returned a compound annual rate of 8.0% it would have been valued at \$225.2 million or \$63.5 million more than its actual value as of September 30th, 2016.

## **RELATIVE PERFORMANCE**

### **Total Fund**

For the third quarter, the portfolio returned 4.2%, which was 0.1% greater than the Burlington Policy Index's return of 4.1% and ranked in the 14th percentile of the Public Fund universe. Over the trailing year, the portfolio returned 8.7%, which was 0.7% below the benchmark's 9.4% performance, ranking in the 73rd percentile. Since September 2006, the account returned 4.8% on an annualized basis and ranked in the 95th percentile.

## **Equity**

During the third quarter, the equity component returned 5.6%, which was 0.2% greater than the MSCI All Country World index's return of 5.4% and ranked in the 49th percentile of the Global Equity universe.

## **Real Assets**

For the third quarter, the real assets segment gained 2.1%, which was 2.5% greater than the Real Assets Blended Index's return of -0.4%.

## **Fixed Income**

The fixed income portfolio gained 0.2% during the third quarter, 0.1% below the Intermediate Aggregate Index's return of 0.3% and ranked in the 82nd percentile of the Broad Market Fixed Income universe.

## **ASSET ALLOCATION**

At the end of the third quarter, equities comprised 71.0% of the total portfolio (\$114.8 million), while real assets totaled 11.5% (\$18.5 million). The account's fixed income component comprised 16.9% (\$27.4 million) of total value, while the remaining 0.6% was comprised of cash & equivalents (\$1.0 million).

**EXECUTIVE SUMMARY****PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	3 Year	5 Year	Since 09/06
<b>Total Portfolio</b>	4.2	4.2	8.7	4.5	7.0	4.8
<i>PUBLIC FUND RANK</i>	(14)	(14)	(73)	(94)	(94)	(95)
POLICY INDEX	4.1	4.1	9.4	4.5	6.8	----
<b>Equity</b>	5.6	5.6	----	----	----	----
<i>GLOBAL EQUITY RANK</i>	(49)	(49)	----	----	----	----
MSCI AC WORLD	5.4	5.4	12.6	5.8	11.2	4.9
ACWI EX US	7.0	7.0	9.8	0.6	6.5	2.6
MSCI EAFE	6.5	6.5	7.0	0.9	7.9	2.3
MSCI EMG MKTS	9.2	9.2	17.2	-0.2	3.4	4.3
RUSSELL 3000	4.4	4.4	15.0	10.4	16.4	7.4
S&P COMPLETION	7.2	7.2	13.3	7.4	16.2	8.2
<b>Real Assets</b>	2.1	2.1	----	----	----	----
REAL ASSETS IDX	-0.4	-0.4	3.7	2.3	3.2	2.8
NCREIF ODCE	2.1	2.1	10.1	12.4	12.4	6.0
NCREIF TIMBER	0.7	0.7	3.3	7.6	6.9	6.4
BLP COMMODITY	-3.9	-3.9	-2.6	-12.3	-9.4	-5.3
<b>Fixed Income</b>	0.2	0.2	----	----	----	----
<i>BROAD MARKET FIXED RANK</i>	(82)	(82)	----	----	----	----
GLOBAL AGGREGATE	0.8	0.8	8.8	2.1	1.7	4.3
GLOBAL AGG EX US	1.0	1.0	11.7	0.8	0.7	3.8
AGGREGATE INDEX	0.5	0.5	5.2	4.0	3.1	4.8

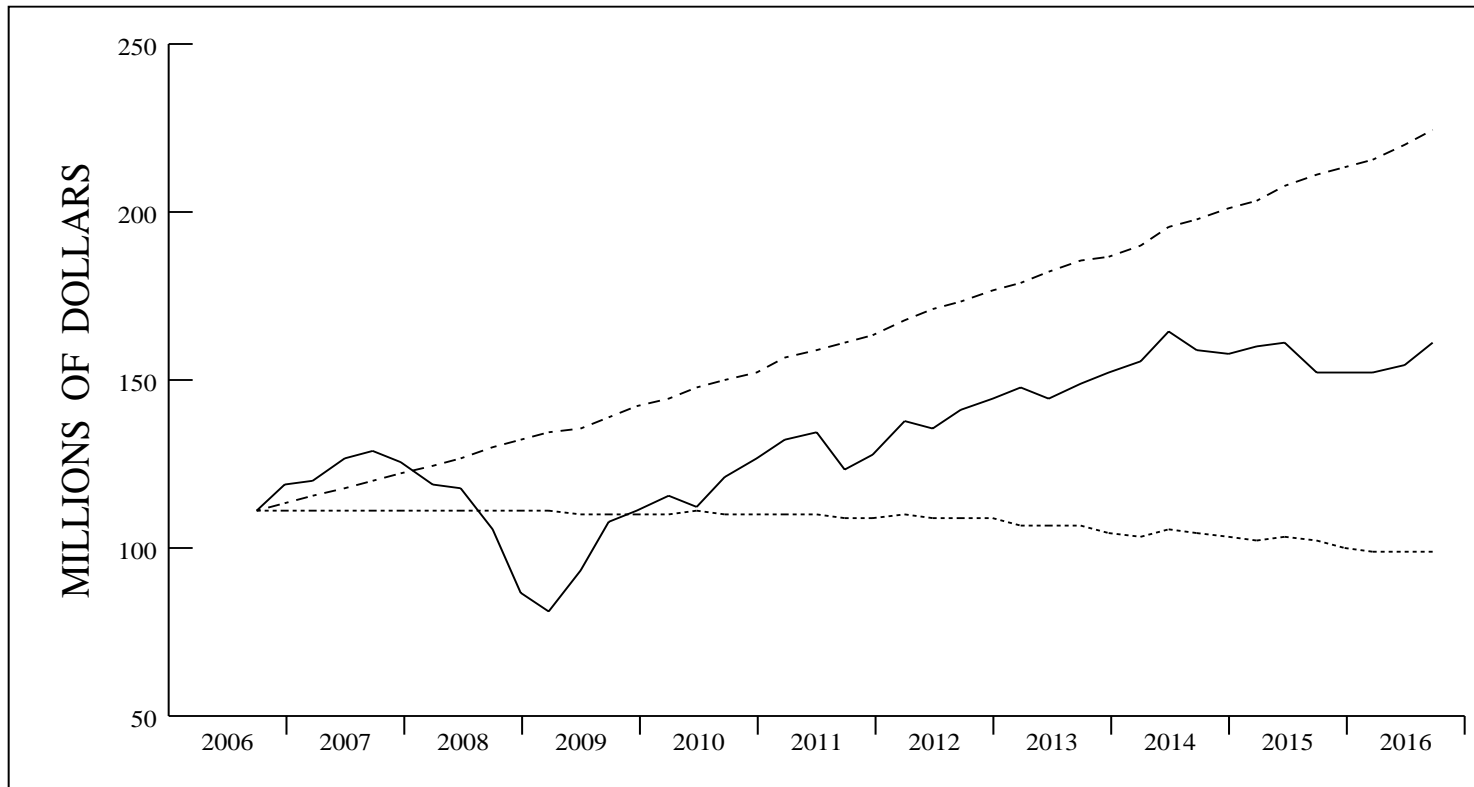
**ASSET ALLOCATION**

Equity	71.0%	\$ 114,769,046
Real Assets	11.5%	18,524,507
Fixed Income	16.9%	27,377,410
Cash	0.6%	1,043,131
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 161,714,094</b>

**INVESTMENT RETURN**

Market Value 6/2016	\$ 155,410,683
Contribs / Withdrawals	-195,581
Income	0
Capital Gains / Losses	6,498,992
Market Value 9/2016	\$ 161,714,094

**INVESTMENT GROWTH**



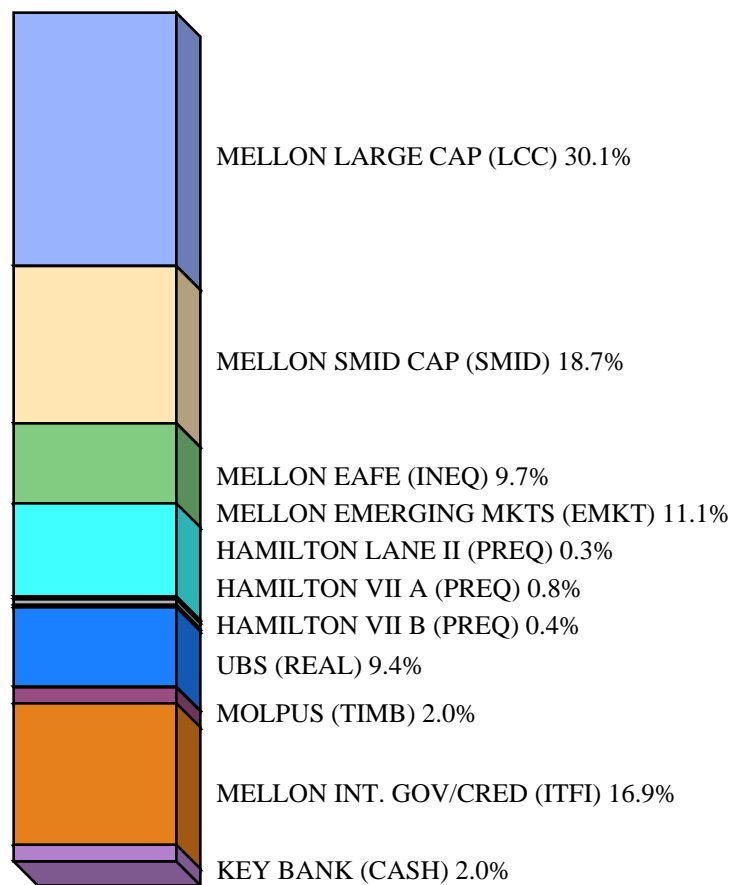
— ACTUAL RETURN  
 - - - 8.0%  
 . . . 0.0%

VALUE ASSUMING  
 8.0% RETURN \$ 225,192,573

	LAST QUARTER	PERIOD 9/06 - 9/16
BEGINNING VALUE	\$ 155,410,683	\$ 111,808,656
NET CONTRIBUTIONS	-195,581	- 12,819,259
<u>INVESTMENT RETURN</u>	<u>6,498,992</u>	<u>62,724,696</u>
ENDING VALUE	\$ 161,714,094	\$ 161,714,094
INCOME	0	8,608,390
<u>CAPITAL GAINS (LOSSES)</u>	<u>6,498,992</u>	<u>54,116,308</u>
INVESTMENT RETURN	6,498,992	62,724,696



**MANAGER ALLOCATION AND TARGET SUMMARY**



Name	Market Value	Percent	Target
Mellon Large Cap (LCC)	\$48,630,347	30.1	30.0
Mellon Smid Cap (SMID)	\$30,216,912	18.7	18.0
Mellon EAFE (INEQ)	\$15,612,285	9.7	10.0
Mellon Emerging Mkts (EMKT)	\$17,872,964	11.1	10.0
Hamilton Lane II (PREQ)	\$491,547	0.3	0.5
Hamilton VII A (PREQ)	\$1,238,616	0.8	0.9
Hamilton VII B (PREQ)	\$706,375	0.4	0.6
UBS (REAL)	\$15,253,279	9.4	8.0
Molpus (TIMB)	\$3,271,228	2.0	2.0
Mellon Int. Gov/Cred (ITFI)	\$27,377,410	16.9	20.0
Cash (CASH)	\$-2,179,084	-1.3	0.0
Key Bank (CASH)	\$3,222,215	2.0	0.0
<b>Total Portfolio</b>	<b>\$161,714,094</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 June 30th, 2016</b>	<b>Net Cashflow</b>	<b>Net Investment Return</b>	<b>Market Value September 30th, 2016</b>
Mellon Large Cap (LCC)	3.9	46,826,352	0	1,803,995	48,630,347
Mellon Smid Cap (SMID)	6.6	28,352,332	0	1,864,580	30,216,912
Mellon EAFE (INEQ)	6.4	14,668,936	0	943,349	15,612,285
Mellon Emerging Mkts (EMKT)	9.0	16,392,711	0	1,480,253	17,872,964
Hamilton Lane II (PREQ)	0.4	540,388	-51,100	2,259	491,547
Hamilton VII A (PREQ)	1.8	1,198,519	17,830	22,267	1,238,616
Hamilton VII B (PREQ)	-0.8	723,997	-11,890	-5,732	706,375
UBS (REAL)	---	0	15,000,000	253,279	15,253,279
Molpus (TIMB)	2.3	3,271,228	-76,435	76,435	3,271,228
Mellon Int. Gov/Cred (ITFI)	0.2	42,319,104	-15,000,000	58,306	27,377,410
Cash (CASH)	---	0	-2,179,084	0	-2,179,084
Key Bank (CASH)	---	1,117,116	2,105,098	1	3,222,215
<b>Total Portfolio</b>	<b>4.2</b>	<b>155,410,683</b>	<b>-195,581</b>	<b>6,498,992</b>	<b>161,714,094</b>

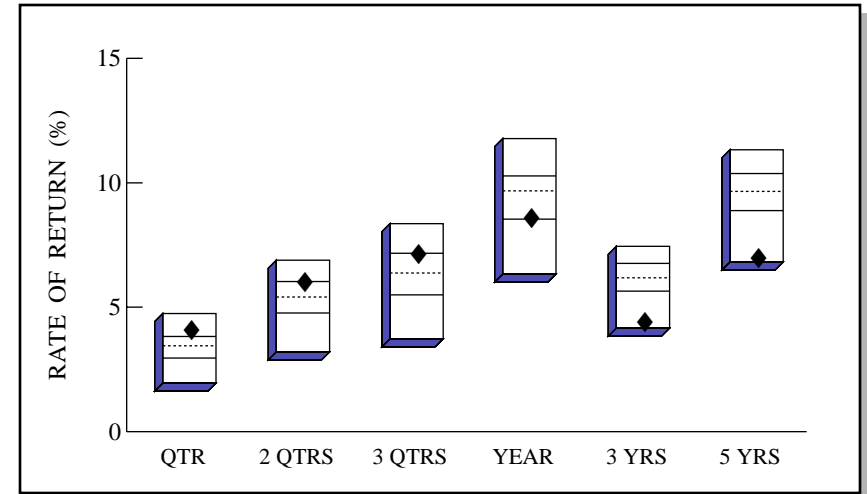
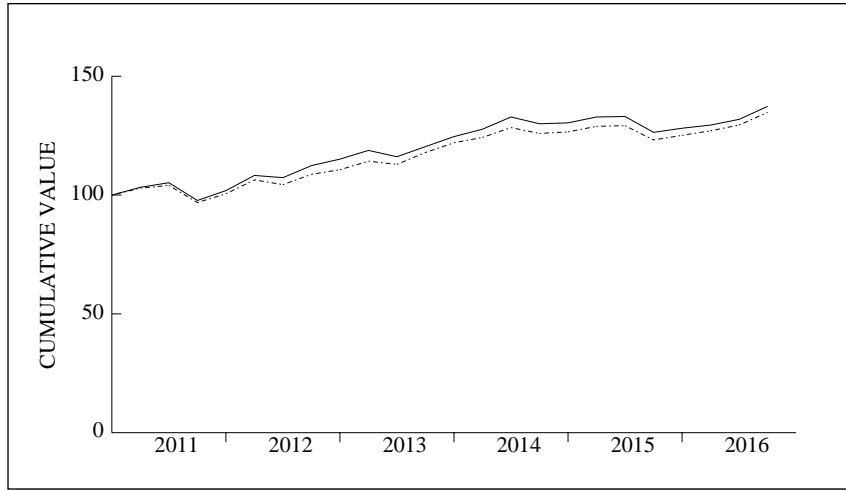
## MANAGER PERFORMANCE SUMMARY

Name	(Universe)	Quarter	FYTD	1 Year	3 Years	5 Years	Since 09/06 or Inception
Composite	(Public Fund)	4.2 (14)	4.2 (14)	8.7 (73)	4.5 (94)	7.0 (94)	4.8 (95) 09/06
<i>Policy Index</i>		<i>4.1 ----</i>	<i>4.1 ----</i>	<i>9.4 ----</i>	<i>4.5 ----</i>	<i>6.8 ----</i>	<i>---- ----</i>
Mellon Large Cap	(LC Core)	3.9 (54)	3.9 (54)	---- ----	---- ----	---- ----	6.4 (38) 03/16
<i>S&amp;P 500</i>		<i>3.9 ----</i>	<i>3.9 ----</i>	<i>15.4 ----</i>	<i>11.2 ----</i>	<i>16.4 ----</i>	<i>6.4 ----</i>
Mellon Smid Cap	(Smid Cap)	6.6 (36)	6.6 (36)	---- ----	---- ----	---- ----	10.4 (18) 03/16
<i>Russell 2500</i>		<i>6.6 ----</i>	<i>6.6 ----</i>	<i>14.4 ----</i>	<i>7.8 ----</i>	<i>16.3 ----</i>	<i>10.4 ----</i>
Mellon EAFE	(Intl Eq)	6.4 (67)	6.4 (67)	---- ----	---- ----	---- ----	5.1 (69) 03/16
<i>MSCI EAFE</i>		<i>6.5 ----</i>	<i>6.5 ----</i>	<i>7.0 ----</i>	<i>0.9 ----</i>	<i>7.9 ----</i>	<i>5.2 ----</i>
Mellon Emerging Mkts	(Emerging Mkt)	9.0 (46)	9.0 (46)	---- ----	---- ----	---- ----	9.7 (64) 03/16
<i>MSCI Emg Mkts</i>		<i>9.2 ----</i>	<i>9.2 ----</i>	<i>17.2 ----</i>	<i>-0.2 ----</i>	<i>3.4 ----</i>	<i>10.0 ----</i>
Hamilton Lane II		0.4 ----	0.4 ----	-13.8 ----	1.5 ----	6.2 ----	8.3 ---- 12/10
<i>S&amp;P Completion</i>		<i>7.2 ----</i>	<i>7.2 ----</i>	<i>13.3 ----</i>	<i>7.4 ----</i>	<i>16.2 ----</i>	<i>10.8 ----</i>
Hamilton VII A		1.8 ----	1.8 ----	3.4 ----	14.0 ----	12.8 ----	12.8 ---- 09/11
<i>S&amp;P Completion</i>		<i>7.2 ----</i>	<i>7.2 ----</i>	<i>13.3 ----</i>	<i>7.4 ----</i>	<i>16.2 ----</i>	<i>16.2 ----</i>
Hamilton VII B		-0.8 ----	-0.8 ----	1.5 ----	8.5 ----	7.3 ----	7.3 ---- 09/11
<i>S&amp;P Completion</i>		<i>7.2 ----</i>	<i>7.2 ----</i>	<i>13.3 ----</i>	<i>7.4 ----</i>	<i>16.2 ----</i>	<i>16.2 ----</i>
Molpus		2.3 ----	2.3 ----	9.3 ----	7.9 ----	3.9 ----	3.3 ---- 12/10
<i>NCREIF Timber</i>		<i>0.7 ----</i>	<i>0.7 ----</i>	<i>3.3 ----</i>	<i>7.6 ----</i>	<i>6.9 ----</i>	<i>6.2 ----</i>
Mellon Int. Gov/Cred	(Int Fixed)	0.2 (76)	0.2 (76)	---- ----	---- ----	---- ----	1.8 (67) 03/16
<i>Int Gov/Credit</i>		<i>0.1 ----</i>	<i>0.1 ----</i>	<i>3.5 ----</i>	<i>2.8 ----</i>	<i>2.4 ----</i>	<i>1.7 ----</i>

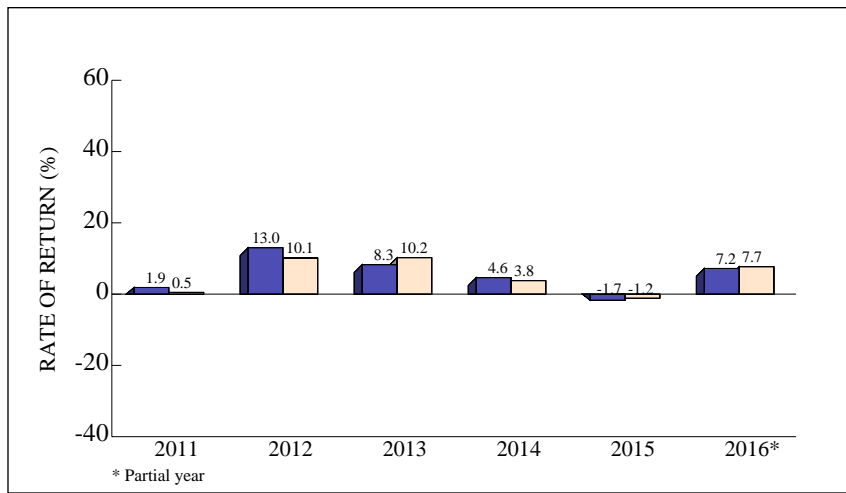
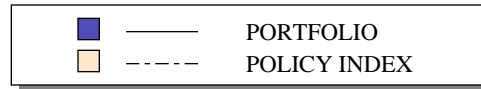
**MANAGER VALUE ADDED**

1 Quarter	Portfolio	Benchmark	1 Year
0.0	Mellon NSL SIF	S&P 500	N/A
0.0	Mellon SL SMID SIF	Russell 2500	N/A
-0.1	Mellon NSL INTL SIF	MSCI EAFE	N/A
-0.2	Mellon NSL EM SIF	MSCI Emg Mkts	N/A
 -6.8	Hamilton Lane Secondary Fund II	S&P Completion	 -27.1
 -5.4	Hamilton Lane Fund VII Series A Offshore	S&P Completion	 -9.9
 -8.0	Hamilton Lane Fund VII Series B Offshore	S&P Completion	 -11.8
1.6 	Molpus Sustainable Woodlands Fund II	NCREIF Timber	6.0 
0.1	Mellon NSL IGC BIF	Int Gov/Credit	N/A
<b>0.1  </b>	<b>Total Portfolio</b>	<b>Policy Index</b>	<b>   -0.7</b>

**TOTAL RETURN COMPARISONS**



Public Fund Universe



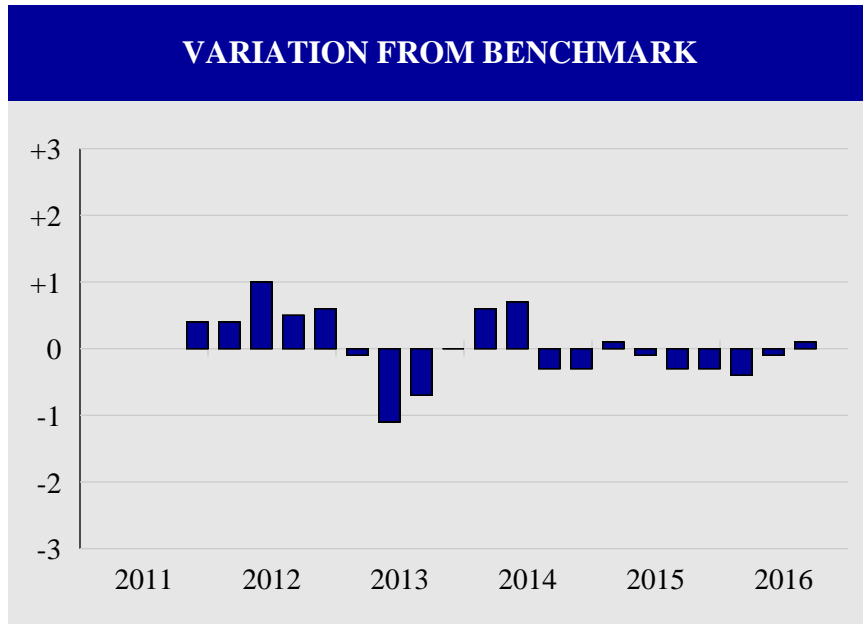
\* Partial year

	QTR	2 QTRS	3 QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	4.2	6.1	7.2	8.7	4.5	7.0
(RANK)	(14)	(24)	(25)	(73)	(94)	(94)
5TH %ILE	4.8	6.9	8.4	11.8	7.5	11.3
25TH %ILE	3.8	6.0	7.2	10.3	6.8	10.4
MEDIAN	3.5	5.4	6.4	9.7	6.2	9.7
75TH %ILE	3.0	4.8	5.5	8.5	5.7	8.9
95TH %ILE	2.0	3.2	3.7	6.3	4.2	6.8
<b>Policy</b>	<b>4.1</b>	<b>6.1</b>	<b>7.7</b>	<b>9.4</b>	<b>4.5</b>	<b>6.8</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>

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
12/11	4.2	3.8	0.4	4.2	3.8	0.4
3/12	6.3	5.9	0.4	10.8	9.9	0.9
6/12	-0.9	-1.9	1.0	9.8	7.8	2.0
9/12	4.7	4.2	0.5	15.0	12.3	2.7
12/12	2.4	1.8	0.6	17.8	14.3	3.5
3/13	3.2	3.3	-0.1	21.6	18.0	3.6
6/13	-2.3	-1.2	-1.1	18.8	16.6	2.2
9/13	3.7	4.4	-0.7	23.2	21.8	1.4
12/13	3.5	3.5	0.0	27.5	26.0	1.5
3/14	2.5	1.9	0.6	30.7	28.4	2.3
6/14	4.0	3.3	0.7	36.0	32.6	3.4
9/14	-2.2	-1.9	-0.3	33.0	30.0	3.0
12/14	0.3	0.6	-0.3	33.4	30.8	2.6
3/15	1.9	1.8	0.1	36.0	33.2	2.8
6/15	0.1	0.2	-0.1	36.2	33.4	2.8
9/15	-5.0	-4.7	-0.3	29.4	27.2	2.2
12/15	1.3	1.6	-0.3	31.1	29.2	1.9
3/16	1.1	1.5	-0.4	32.5	31.2	1.3
6/16	1.8	1.9	-0.1	34.9	33.7	1.2
9/16	4.2	4.1	0.1	40.6	39.2	1.4

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

<b>IRR Since Inception</b>	<b>14.94%</b>	Annualized, Net of Fees
<b>Market Value</b>	<b>\$ 491,547</b>	Last Statement Date: 9/30/2016
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)
<b>Total</b>	<b>\$ 3,266,974</b>	<b>96.09%</b>	<b>\$ (284,279)</b>	<b>-8.36%</b>	<b>\$ (3,858,113)</b>

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

<b>IRR Since Inception</b>	<b>10.62%</b>	Annualized, Net of Fees
<b>Market Value</b>	<b>\$ 1,238,616</b>	Last Statement Date: 9/30/2016
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>5.24%</b>	Annualized, Net of Fees
<b>Market Value</b>	\$	<b>706,375</b>	Last Statement Date: 9/30/2016
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>2.66%</b> Annualized, Net of Fees	
<b>Market Value</b>	<b>\$ 3,271,228</b>	Last Appraisal Date: 6/30/2016
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)
<b>Total</b>	<b>\$ 3,400,000</b>	<b>100.00%</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ (774,398)</b>

## APPENDIX - MAJOR MARKET INDEX RETURNS

Equity	Style	QTR	FYTD	1 Year	3 years	5 Years
Russell 3000	Broad Equity	4.4	4.4	15.0	10.4	16.4
S&P 500	Large Cap Core	3.9	3.9	15.4	11.2	16.4
Russell 1000	Large Cap Core	4.0	4.0	14.9	10.8	16.4
Russell 1000 Growth	Large Cap Growth	4.6	4.6	13.8	11.8	16.6
Russell 1000 Value	Large Cap Value	3.5	3.5	16.2	9.7	16.1
Russell 2000	Small Cap	9.0	9.0	15.5	6.7	15.8
Russell 2000 Growth	Small Cap Growth	9.2	9.2	12.1	6.6	16.1
Russell 2000 Value	Small Cap Value	8.9	8.9	18.8	6.8	15.4
MSCI EAFE	Developed Markets	6.5	6.5	7.0	0.9	7.9
MSCI EAFE Growth	Developed Markets Growth	5.0	5.0	9.9	2.8	9.1
MSCI EAFE Value	Developed Markets Value	8.1	8.1	4.2	-1.0	6.6
MSCI Emerging Markets	Emerging Markets	9.2	9.2	17.2	-0.2	3.4
MSCI All Country World	Global Equity	5.4	5.4	12.6	5.8	11.2
MSCI All Country World Ex US	Global Equity (ex. US)	7.0	7.0	9.8	0.6	6.5
Fixed Income	Style	QTR	FYTD	1 Year	3 years	5 Years
Bloomberg Barclays Aggregate Index	Core Fixed Income	0.5	0.5	5.2	4.0	3.1
Bloomberg Barclays Gov/Credit	Gov/Credit	0.4	0.4	5.9	4.2	3.2
Bloomberg Barclays Capital Gov't Bond	Treasuries	-0.3	-0.3	4.0	3.3	2.2
Bloomberg Barclays Capital Credit Bond	Corporate Bonds	1.2	1.2	8.3	5.4	4.8
Intermediate Aggregate	Core Intermediate	0.3	0.3	3.6	3.1	2.6
Intermediate Gov/Credit	Gov / Credit Intermediate	0.1	0.1	3.5	2.8	2.4
ML/BoA 1-3 Year Treasury	Short Term Treasuries	-0.1	-0.1	0.9	0.8	0.6
Citi High Yield BB & B Index	High Yield Bonds	5.1	5.1	11.7	5.0	7.6
Bloomberg Barclays Global Treasury Ex US	International Treasuries	0.6	0.6	13.6	1.6	0.6
Citi World Gov't Bond Index	International Fixed Income	0.3	0.3	9.7	1.8	0.8
Bloomberg Barclays Global Aggregate	International Fixed Income	0.8	0.8	8.8	2.1	1.7
Bloomberg Barclays Global Aggregate Ex US	International Fixed Income	1.0	1.0	11.7	0.8	0.7
Alternative Assets	Style	QTR	FYTD	1 Year	3 years	5 Years
MSCI US REIT Index	REITs	-1.4	-1.4	19.8	14.1	15.8
NCREIF NFI-ODCE Index	Real Estate	2.1	2.1	10.1	12.4	12.4
NCREIF Timber Index	Timber	0.7	0.7	3.3	7.6	6.9
Bloomberg Commodity Index	Commodities	-3.9	-3.9	-2.6	-12.3	-9.4
HFRI FOF Composite	Hedge Funds	2.4	2.4	0.5	2.1	3.2

**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.