

QUARTER ENDING SEPTEMBER 30, 2020
INVESTMENT PERFORMANCE ANALYSIS
EASTERN MICHIGAN BOARD OF REGENTS

November 18, 2020

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- Q3 2020 Asset Class Assumptions	



NEPC UPDATE

NEPC, LLC

2020 THIRD QUARTER HAPPENINGS AT NEPC

NEPC INSIGHTS

- 2020 Second Quarter Market Thoughts
- Market Chatter: Investing in Private Markets, From Recession to Recovery
- NEPC's CIO Conversations Recap: Recovering From The COVID-19 Crisis With J.P. Morgan's Michael Cembalest
- Taking Stock: Diversifying Asset Allocations, an Exercise in Portfolio Construction
- Taking Stock: Are U.S. Equities Overpriced?
- Taking Stock: The Faceoff Between Value and Growth (Part 2): Is Active the Way to Go for Value Investors?
- Taking Stock: The Faceoff Between Value and Growth (Part 3): Too Early to Call It?
- Taking Stock: NEPC's Defined Contribution Flash Poll
- Webinar Notes: Healthcare Strategic Investing Post-COVID-19, a Conversation with Health Velocity Capital
- NEPC's Healthcare Innovation Leaders Series: Redefining Strategic Investing in an Era of Technological Disruption with Scientia Ventures
- Peer Roundtable Series: Multifaceted Challenges Facing Universities
- Taking Stock: One Corporate Plan's Journey of Terminating Its Pension (Part 2)
- Taking Stock: NEPC's June 2020 Pension Monitor
- Taking Stock: NEPC's July 2020 Pension Monitor
- Taking Stock: NEPC's August 2020 Pension Monitor

To download NEPC's recent insights and webinar replays, visit: www.NEPC.com/insights



2020 THIRD QUARTER HAPPENINGS AT NEPC

WEBINAR REPLAYS

- NEPC's CIO Conversations: Market Impacts of COVID-19 with Cliff Asness
- NEPC's 2020 Q2 Market Outlook: Investing During a Pandemic
- Healthcare Strategic Investing Post COVID-19
- Redefining Strategic Investing in an Era of Technological Disruption
- Unprecedented Times or Business as Usual?

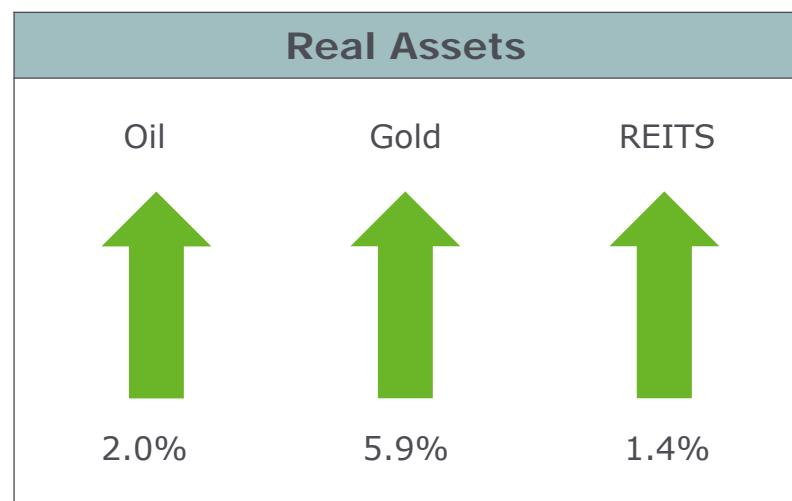
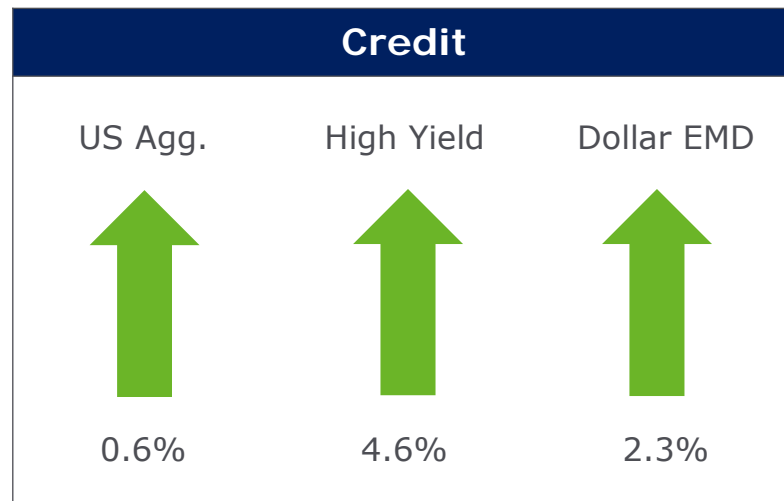
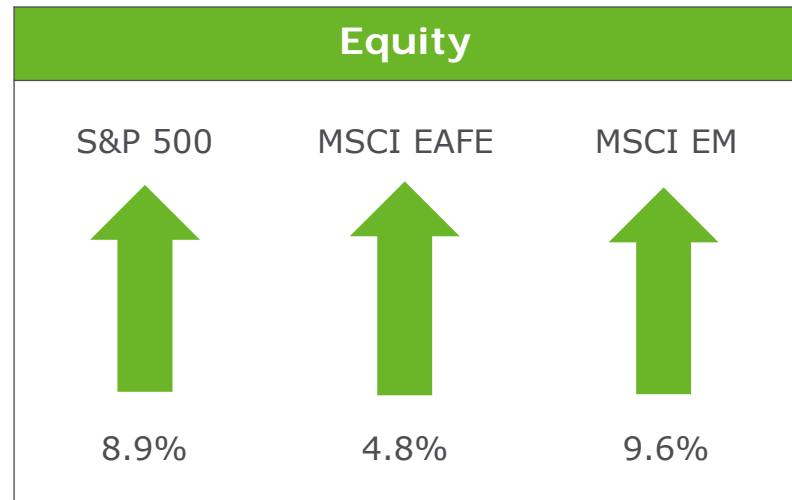
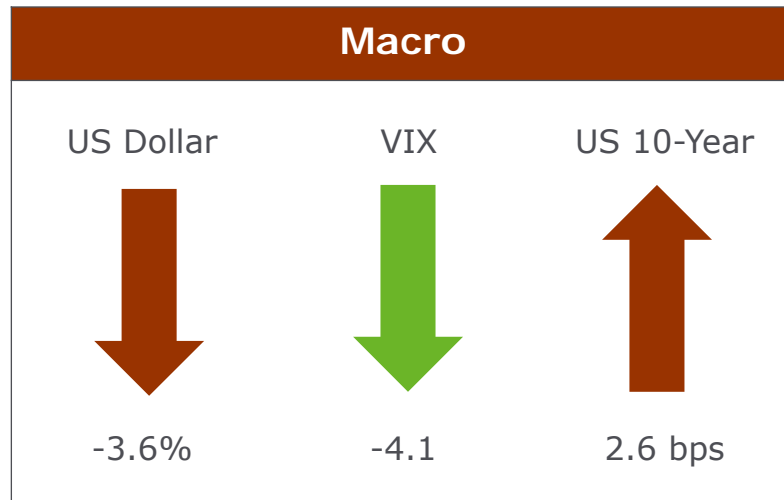
To stay up-to-date on our COVID-19 content, visit: <https://info.nepc.com/covid-19>



QUARTERLY REVIEW

NEPC, LLC







MARKET OVERVIEW



Market segment (index representation) as follows: US Dollar (DXY Index), VIX (CBOE Volatility Index), US 10-Year (US 10-Year Treasury Yield), S&P 500 (US Equity), MSCI EAFE Index (International Developed Equity), MSCI Emerging Markets (Emerging Markets Equity), US Agg (Barclays US Aggregate Bond Index), High Yield (Barclays US High Yield Index), Dollar EMD (JPM EMBI Global Diversified Index), Crude Oil (WTI Crude Oil Spot), Gold (Gold Price Spot), and REITS (NAREIT Composite Index). Source: FactSet



ECONOMIC DATA HAS SLOWLY IMPROVED

Metric	12/31/19	06/30/20	09/30/20	Trend
S&P 500 NTM Earnings Estimate	\$177.8	\$145.0	\$157.6	
US Real GDP (QoQ%)	2.4%	-31.4%	25.4% ¹	
US 10 Year Breakeven Inflation	1.8%	1.3%	1.6%	
US Unemployment Rate	3.5%	11.1%	7.9%	
Continued Claims for Unemployment	1.7M	19.0M	11.8M ²	
Federal Reserve Balance Sheet as % of Nominal GDP	19.2%	36.3%	32.9%	

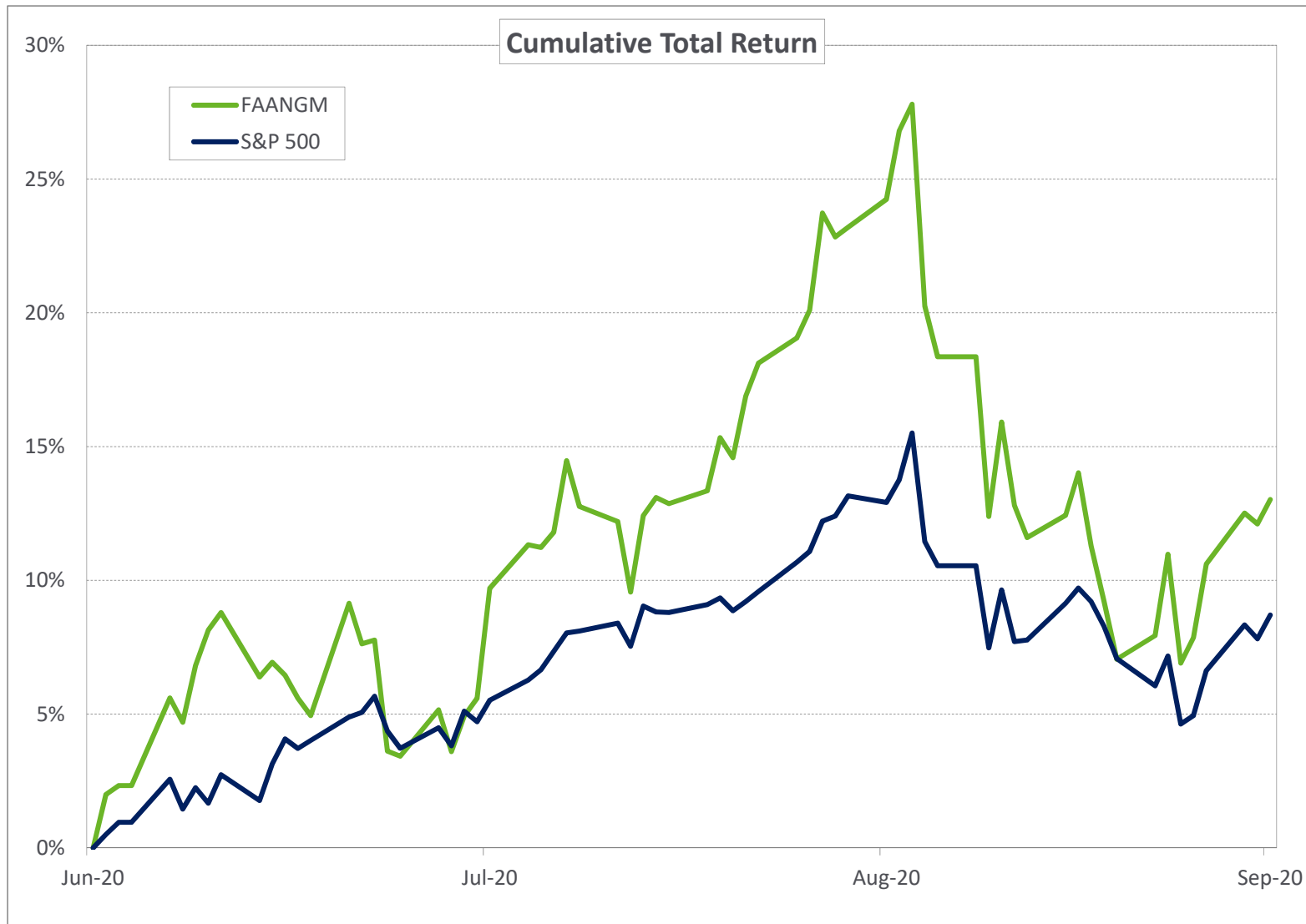
Source: US Bureau of Labor Statistics, Federal Reserve, FactSet, NEPC
NTM represents next 12 months

¹The 09/30/20 real GDP figure represents the consensus estimate from FactSet

²The 09/30/20 Continued Claims represents data as of 9/18/2020



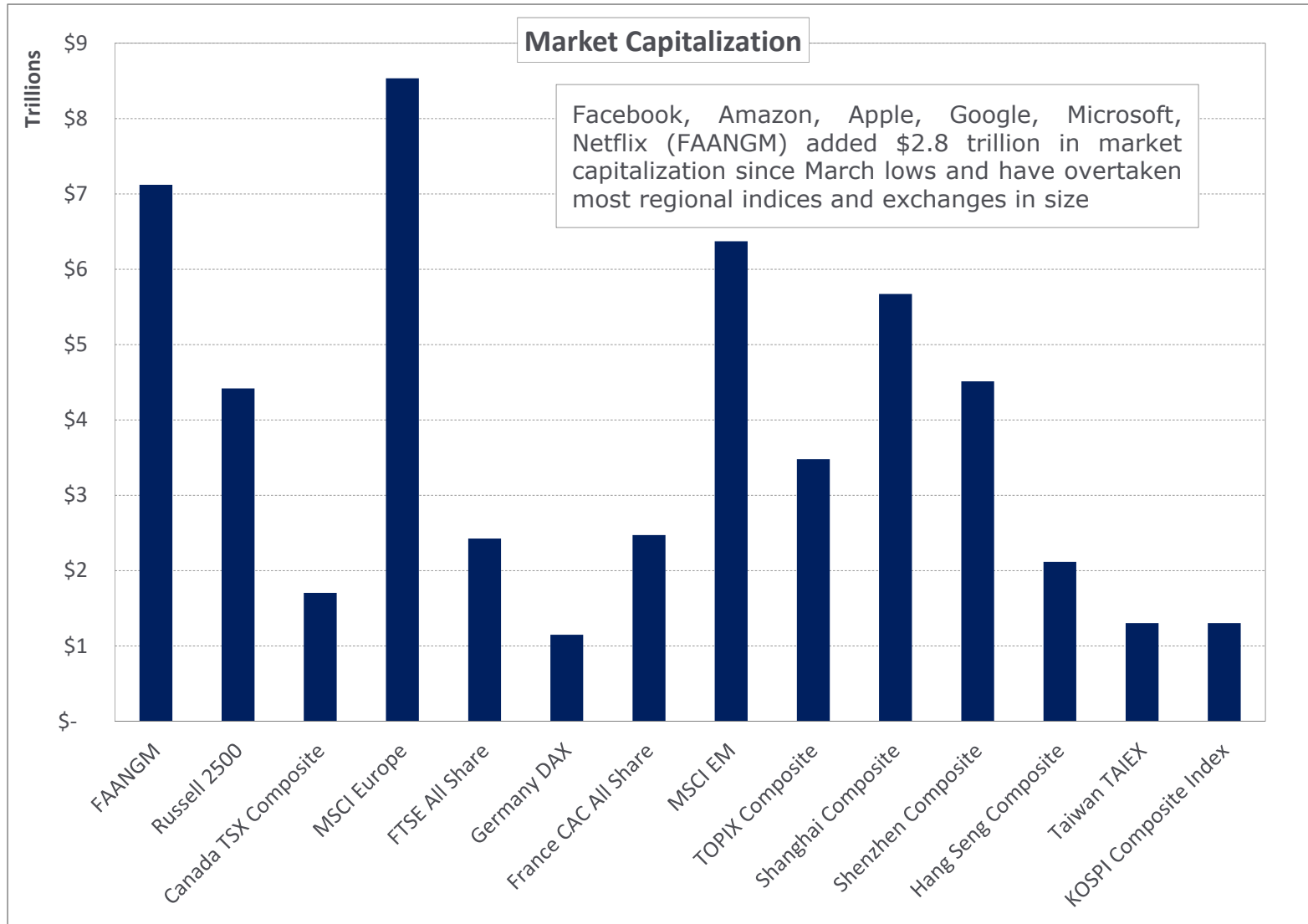
FAANGM CONTINUED TO OUTPERFORM



Source: S&P, FactSet
*FAANGM: Facebook, Apple, Amazon, Netflix, Google, Microsoft



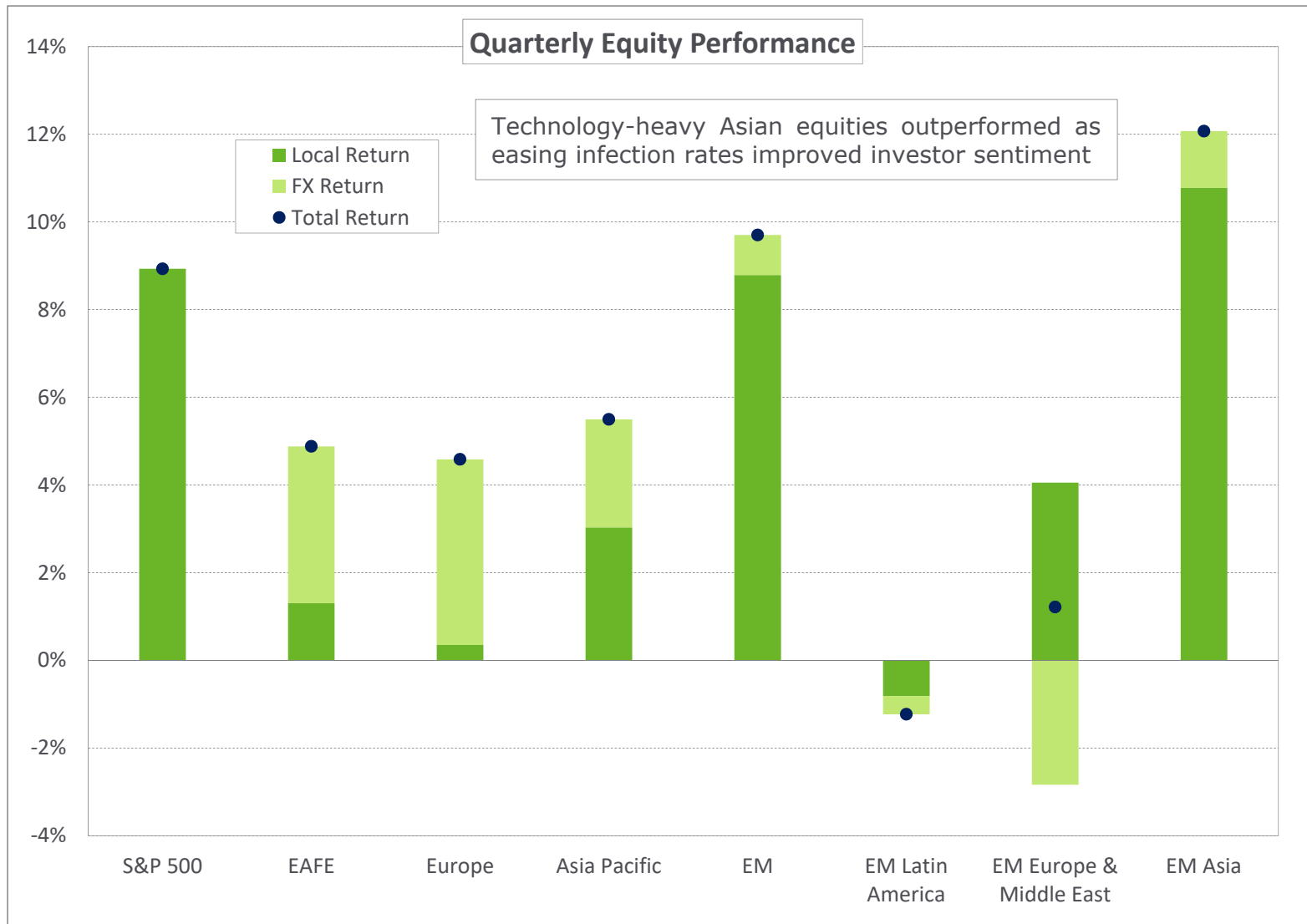
FAANGM NOW LARGER THAN MOST INDICES



Source: MSCI, S&P, Russell, FTSE, DAX, CAC, TOPIX, SSE, SZSE, Hang Seng, TAIEX, KOSPI, FactSet



DOLLAR WEAKNESS BOLSTERED NON-US ASSETS

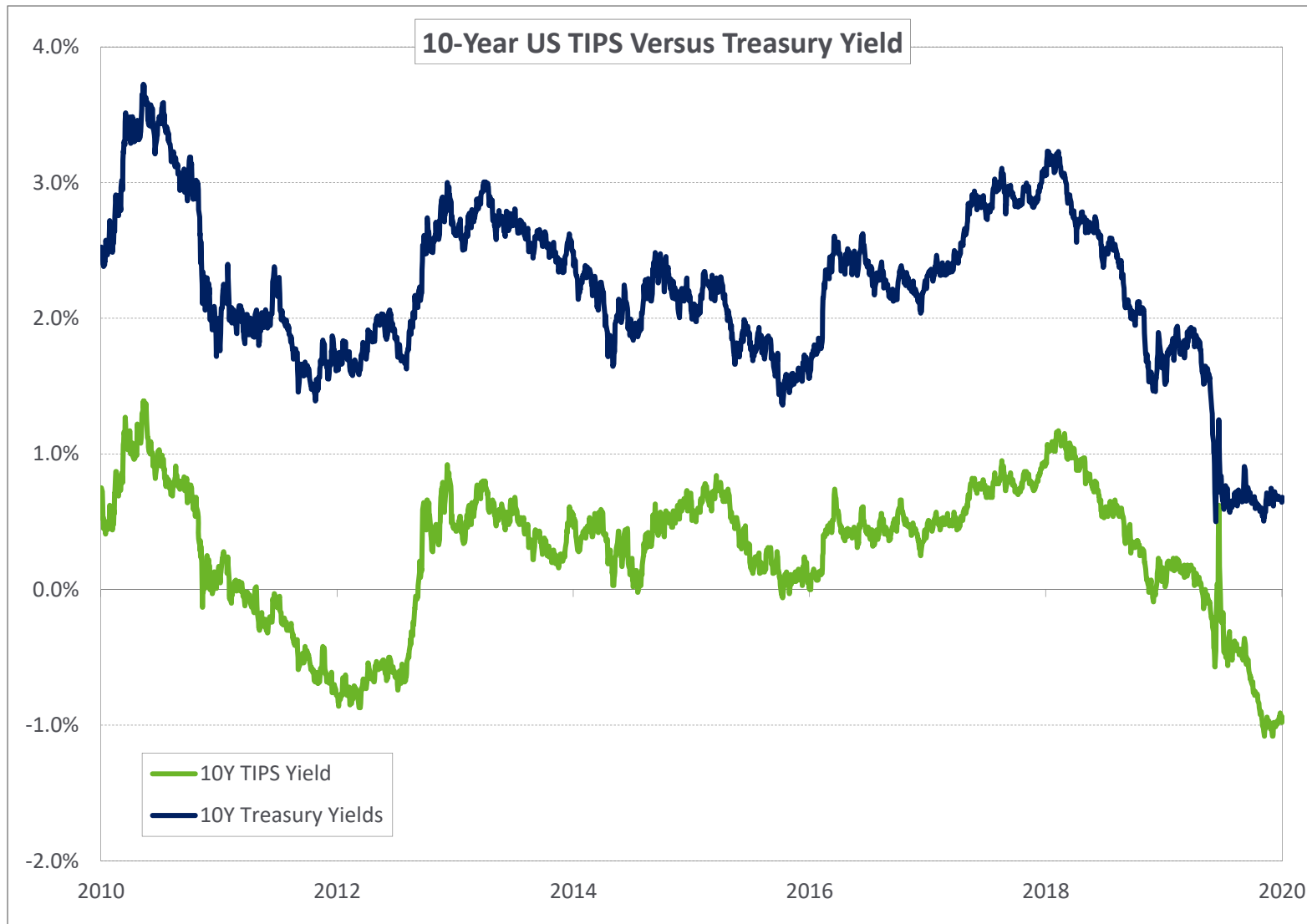


Source: S&P, MSCI, FactSet

Asia Pacific represents (from highest to lowest) Japan, China, Australia, Taiwan, South Korea, and Other
 EM Europe & Middle East represents (from highest to lowest) Russia, Saudi Arabia, Qatar, Poland, United Arab Emirates, and Other



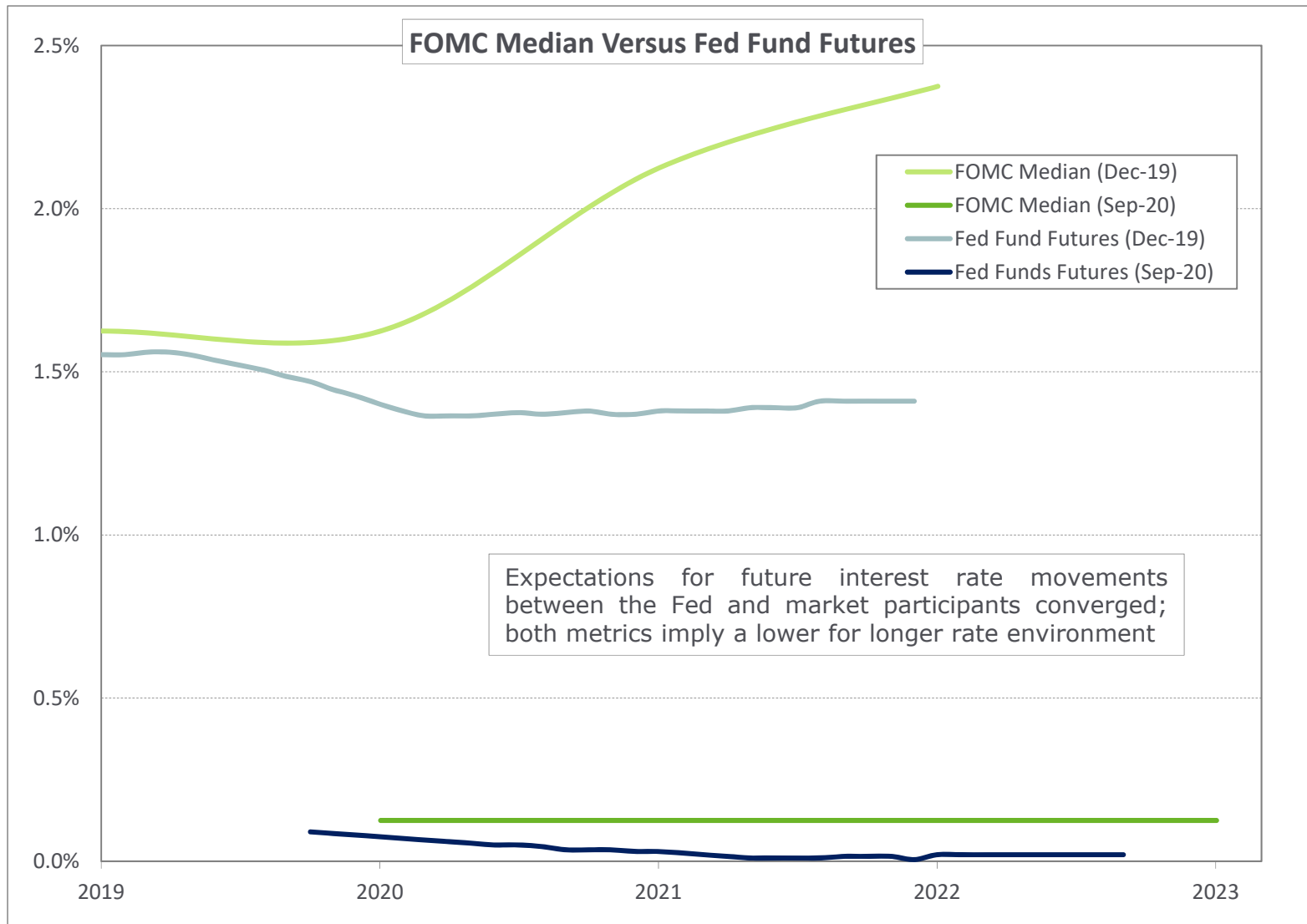
TREASURY YIELDS FELL TO HISTORICAL LOWS



Source: FactSet



FED FUNDS RATE EXPECTED TO REMAIN LOW



Source: Federal Reserve, FactSet



DEBT ISSUANCE LIKELY TO HIT RECORD LEVELS



Source: Federal Reserve System, FactSet
2020* represents issuance data for the first eight months



Q3 2020 PERFORMANCE SUMMARY

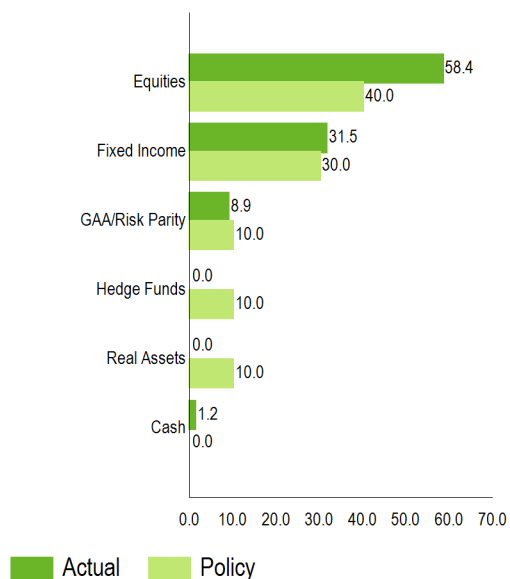
NEPC, LLC

TOTAL FUND PERFORMANCE SUMMARY

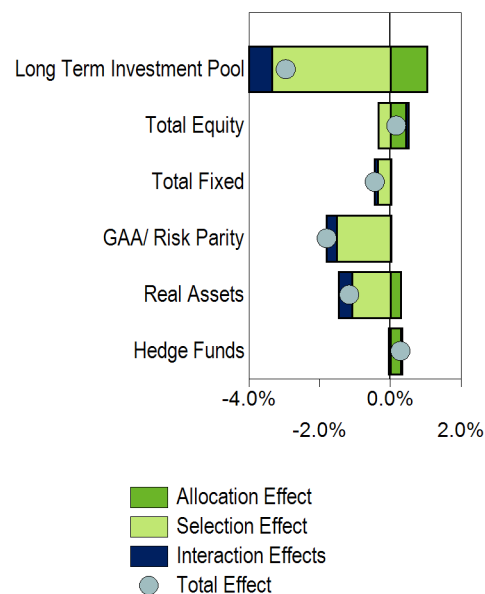
	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs
Board of Regents Total Composite	\$20,879,020	2.0%	-6.2%	-2.0%	1.9%	3.7%
<i>Allocation Index</i>		2.1%	-0.6%	4.3%	4.9%	5.5%

	Market Value	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs
Long Term Investment Pool	\$8,433,223	5.2%	-2.9%	1.5%	3.1%	5.5%
<i>Long Term Allocation Index</i>		2.1%	-0.4%	4.6%	4.7%	6.6%
<i>Long Term Balanced Index</i>		4.7%	3.7%	8.9%	5.9%	7.5%

Long Term Investment Pool Actual vs. Target Allocation



Long Term Investment Pool Attribution Effects 3 Years Ending September 30, 2020



	Year to Date		
	Anlzd Ret	Anlzd Std Dev	Sharpe Ratio
Board of Regents Total Composite	-6.16%	12.77%	-0.52
Allocation Index	-0.57%	8.95%	-0.11

Composite Performance

- H1Y Total Composite accrued +2.0% in Q3, despite the increased volatility at the end of the quarter
- The Long Term Investment Pool earned +5.2% over the same period

Allocation Index

- Over the quarter, the Equity and Fixed Income portfolios outperformed the global stock markets and US bond markets, respectively

Active Management

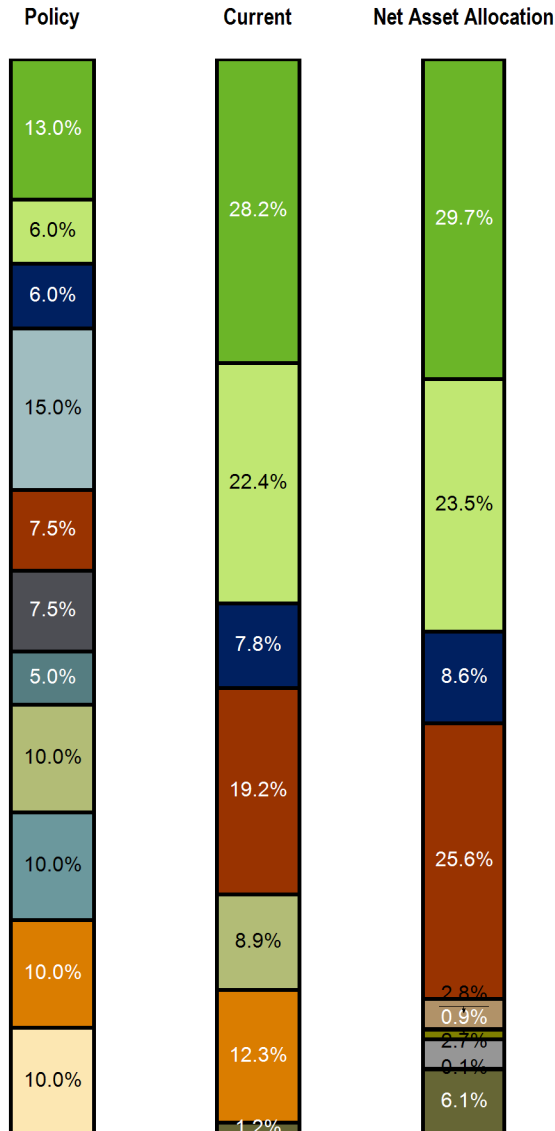
- As a reminder, the remaining positions represent post Q1 trades per guidance from the team to provide liquidity for operating needs
- Blackrock Strategic Income Opportunities, an absolute return fixed income mandate, adopted a risk on sentiment and profited from the run up in Q3

Other Business

- NEPC recommends realizing gains from the Equity portfolio and redistributing into the Fixed Income sleeve



ASSET ALLOCATION VS. POLICY TARGETS



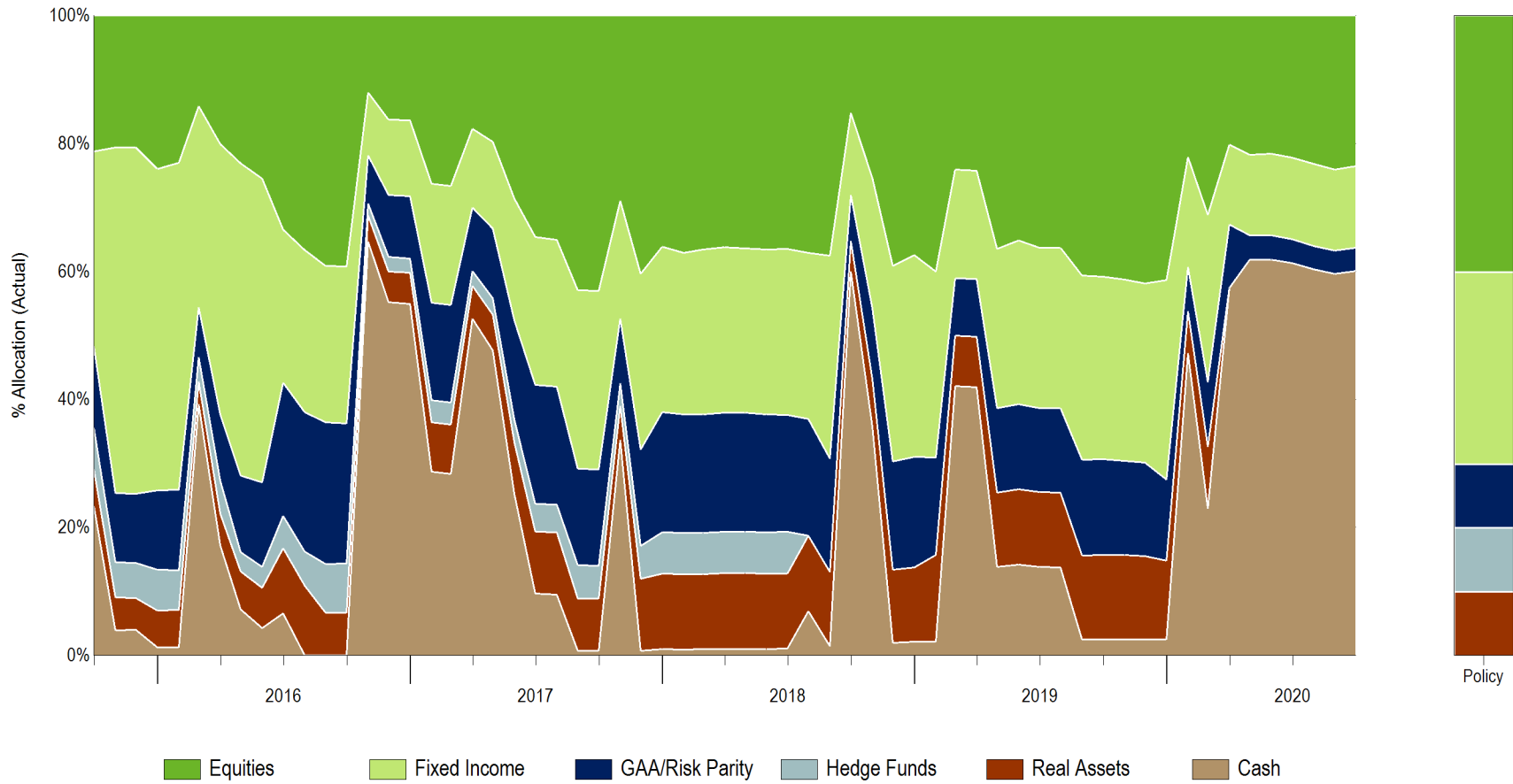
Asset Allocation vs. Target				
	Current	Policy	Current	Net Asset Allocation
Domestic Equity	\$2,378,549	13.0%	28.2%	29.7%
International Equity	\$1,886,723	6.0%	22.4%	23.5%
Emerging Markets Equity	\$659,746	6.0%	7.8%	8.6%
Global Equity	--	15.0%	--	--
Core Fixed Income	\$1,620,830	7.5%	19.2%	25.6%
High Yield	--	--	--	2.8%
TIPS	--	7.5%	--	0.1%
Multi-Sector Fixed Income	--	5.0%	--	--
Non-US Developed Bonds	--	--	--	0.9%
Emerging Market Debt	--	--	--	2.7%
GAA/Risk Parity	\$749,771	10.0%	8.9%	--
Hedge Funds	--	10.0%	--	--
Absolute Return	\$1,037,971	10.0%	12.3%	--
Real Assets	--	10.0%	--	0.1%
Cash	\$99,633	--	1.2%	6.1%
Total	\$8,433,223	100.0%	100.0%	100.0%

-Asset Allocation vs. Policy Targets analytics are based on the Long Term Investment Pool.

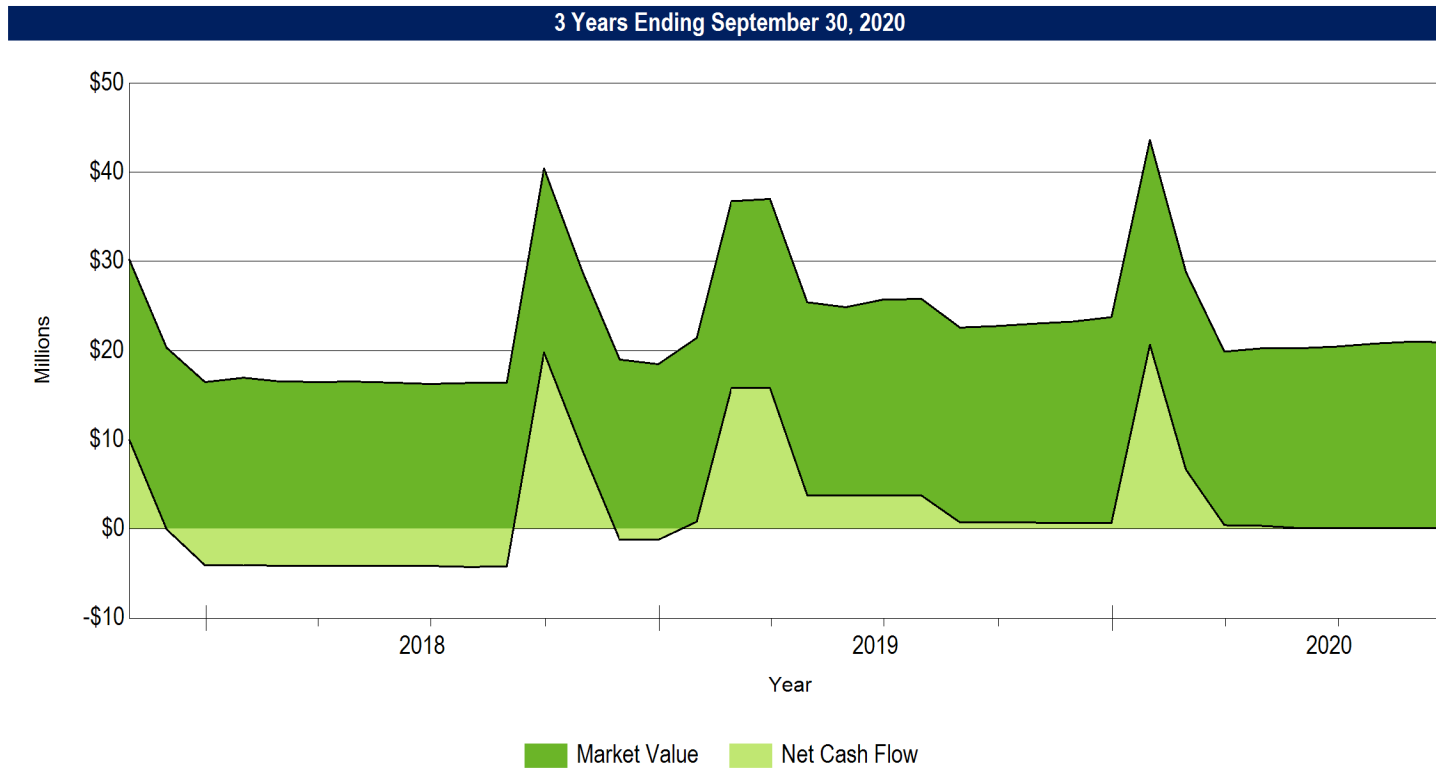


TOTAL FUND ASSET ALLOCATION HISTORY

Asset Allocation History



TOTAL FUND ASSET GROWTH SUMMARY



	Last Three Months	Year-To-Date	One Year	Three Years
Beginning Market Value	\$20,455,158	\$23,750,387	\$22,750,224	\$19,980,510
Contributions	\$9,197	\$43,170,136	\$44,538,616	\$106,060,911
Withdrawals	-\$14,439	-\$43,766,823	-\$45,176,240	-\$105,979,494
Net Cash Flow	-\$5,242	-\$596,687	-\$637,624	\$81,417
Net Investment Change	\$429,103	-\$2,274,681	-\$1,233,580	\$817,092
Ending Market Value	\$20,879,020	\$20,879,020	\$20,879,020	\$20,879,020



INVESTMENT MANAGER - DUE DILIGENCE STATUS

Investment Options	Manager Changes/ Announcements (Recent Quarter)	NEPC Due Diligence Committee Recommendations
Acadian Emerging Markets Equity	Loss of Personnel: Acadian PM Departure	FYI

Investment Options	Commentary	NEPC Rating
Acadian Emerging Markets Equity	<p>DD Trigger: PM departure</p> <p>Recommendation: DD FYI</p> <p>Acadian announced the departure of Asha Mehta, SVP and PM, in their latest consultant and client updates. The departure is described as amicable given differences in her vision of what she wanted to focus on (Frontier) vs. what the firm wanted her to focus on (ESG). She is staying on in an advisory role in the meantime. While Acadian markets their quantitative strategies as being developed and run by the whole team, we know Asha has been impactful on the Frontier and EM Small Cap fronts. We have had multiple follow up conversations and did not find any major cause for concern.</p>	1



DUE DILIGENCE MONITOR

NEPC Due Diligence Status Key

No Action	Informational items have surfaced; no action is recommended.
Watch	Issues have surfaced to be concerned over; manager can participate in future searches, but current and prospective clients must be made aware of the issues.
Hold	Serious issues have surfaced to be concerned over; manager cannot be in future searches unless a client specifically requests, but current and prospective clients must be made aware of the issues.
Client Review	Very serious issues have surfaced with a manager; manager cannot be in future searches unless a client specifically requests. Current clients must be advised to review the manager.
Terminate	We have lost all confidence in the product; manager would not be recommended for searches and clients would be discouraged from using. The manager cannot be in future searches unless a client specifically requests. Current clients must be advised to replace the manager.

NEPC Due Diligence Rating Key

1	A high conviction investment product. Product has a clear and economically-grounded investment thesis, and is managed by an investment team that is sufficiently resourced and incented to execute on the thesis.
2	NEPC has a positive view of the strategy. Strategy has a compelling and sound investment thesis. The manager is sufficiently resourced and incented to execute on the thesis. Strengths outweigh the weaknesses, but the strategy does not meet all requirements for a 1 rating.
3	A satisfactory investment product. The strategy lacks a compelling investment thesis, however there are no significant concerns around the manager's viability.
4	The strategy may have an unclear or ambiguous investment thesis or the manager may lack the ability to execute on the stated thesis. The strategy likely has strengths and weaknesses and the weaknesses may outweigh the strengths.
5	A strategy that lacks an investment thesis or NEPC has no confidence in the manager's ability to execute on the thesis, and/or the investment firm may not be viable. Serious issues have been identified with an investment manager or product. This rating aligns with a Terminate Due Diligence status for client-owned products.
NR	Due diligence has not been sufficiently completed on the product or manager.



TOTAL FUND SUMMARY

NEPC, LLC

Eastern Michigan University - Board of Regents

TOTAL FUND PERFORMANCE DETAIL

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Inception (%)	Inception Date
Board of Regents Total Composite	20,879,020	100.0	2.0		-6.2		-2.0		1.9		3.7		3.7		4.5	Apr-09
<i>Allocation Index</i>			2.1	--	-0.6	--	4.3	--	4.9	--	5.5	--	--	--	--	Apr-09
Short Term Investment Pool	12,445,797	59.6	0.0		0.4		0.8		1.0		0.7		0.4		0.3	Apr-09
<i>91 Day T-Bills</i>			0.0	--	0.4	--	0.8	--	1.6	--	1.1	--	0.6	--	0.5	Apr-09
Northern Inst Govt Select MMKT	12,445,797	59.6	0.0		0.4		0.4		0.5		0.4		0.2		0.2	Nov-09
<i>91 Day T-Bills</i>			0.0	--	0.4	--	0.8	--	1.6	--	1.1	--	0.6	--	0.5	Nov-09
Bank of Ann Arbor Trust Cash	0	0.0	0.0		0.2		0.6		1.1		0.7		0.3		0.3	Nov-09
<i>91 Day T-Bills</i>			0.0	--	0.4	--	0.8	--	1.6	--	1.1	--	0.6	--	0.5	Nov-09
Long Term Investment Pool	8,433,223	40.4	5.2		-2.9		1.5		3.1		5.5		5.4		5.1	Apr-09
<i>Long Term Allocation Index</i>			2.1	--	-0.4	--	4.6	--	4.7	--	6.6	--	--	--	--	Apr-09
<i>Long Term Balanced Index</i>			4.7	--	3.7	--	8.9	--	5.9	--	7.5	--	6.2	--	5.8	Apr-09
Total Equity	4,925,018	23.6	8.5	41	-2.8	60	5.6	58	5.8	52	9.5	46	--	--	7.3	Jan-14
<i>MSCI ACWI</i>			8.1	45	1.4	48	10.4	46	7.1	46	10.3	40	8.5	55	7.0	Jan-14
<i>eV All Global Equity Net Median</i>			7.6		0.6		8.8		6.1		8.9		8.8		6.7	Jan-14
SEG Baxter	1,886,723	9.0	8.7	57	2.4	43	8.6	54	7.4	28	--	--	--	--	8.5	Jul-17
<i>MSCI ACWI ex USA</i>			6.3	75	-5.4	66	3.0	67	1.2	62	6.2	64	4.0	81	2.9	Jul-17
<i>eV All ACWI ex-US Equity Net Median</i>			9.2		-0.6		10.5		3.6		8.0		6.1		5.3	Jul-17
Acadian Emerging Markets Equity	659,746	3.2	6.7	81	-3.6	66	8.0	62	-0.5	71	7.5	61	--	--	2.6	Oct-14
<i>MSCI Emerging Markets</i>			9.6	53	-1.2	50	10.5	49	2.4	43	9.0	44	2.5	58	3.7	Oct-14
<i>eV Emg Mkts Equity Net Median</i>			9.7		-1.3		10.3		1.9		8.4		2.8		3.7	Oct-14
Vanguard Total Stock Market VIPERs	2,378,549	11.4	8.8	33	4.1	37	13.4	36	11.1	34	--	--	--	--	12.9	Nov-16
<i>Russell 3000</i>			9.2	29	5.4	34	15.0	33	11.6	32	13.7	29	13.5	28	13.3	Nov-16
<i>eV All US Equity Net Median</i>			6.8		-2.9		4.9		6.6		9.8		11.2		8.7	Nov-16

-Allocation Index: Used to measure the value add from active management. Calculated as the asset weight from the prior month end multiplied by the specified market index.

-Long-Term Balanced Index: (40% - MSCI ACWI)(30% - Barclays Aggregate)(10% - 60% MSCI World (Net)/ 40% FTSE WGBI)(10% - HFRI Fund of Funds Composite)(10% - Real Assets Custom Benchmark) as of April 1, 2020

-Real Assets Custom Benchmark: (40% - Barclays Aggregate)(30% - Barclays TIPS)(10% - S&P 500)(10% - Barclays High Yield)(10% - JP Morgan EMBI+) as of April 1, 2020. Formerly PIMCO All Asset Index.



Eastern Michigan University - Board of Regents

TOTAL FUND PERFORMANCE DETAIL

	Market Value (\$)	% of Portfolio	3 Mo (%)	Rank	YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank	10 Yrs (%)	Rank	Inception (%)	Inception Date
Total Fixed	2,758,434	13.2	1.7	89	3.0	51	4.2	58	3.4	63	4.6	54	--	--	3.5	Jan-14
BBgBarc US Aggregate TR			0.6	98	6.8	17	7.0	27	5.2	20	4.2	65	3.6	51	4.1	Jan-14
eV All Global Fixed Inc Net Median			3.4		3.0		4.9		3.8		4.7		3.6		3.4	Jan-14
BlackRock- SIO	1,037,971	5.0	2.8	4	3.5	99	5.4	95	3.9	99	3.8	99	--	--	3.2	Oct-14
BBgBarc US Aggregate TR			0.6	99	6.8	44	7.0	55	5.2	61	4.2	92	3.6	97	4.0	Oct-14
eV US Core Plus Fixed Inc Net Median			1.7		6.7		7.1		5.4		4.8		4.5		4.3	Oct-14
Baird - Core Bond	1,620,830	7.8	1.1	49	7.5	37	7.8	29	5.6	30	4.7	24	--	--	4.2	Dec-14
BBgBarc US Aggregate TR			0.6	88	6.8	63	7.0	62	5.2	61	4.2	71	3.6	72	3.8	Dec-14
eV US Core Fixed Inc Net Median			1.0		7.2		7.2		5.4		4.4		3.9		3.9	Dec-14
US Treasury	99,633	0.5														
GAA/ Risk Parity	749,771	3.6	-2.1	99	-14.4	98	-14.3	99	-4.1	99	-1.1	99	--	--	-1.5	Dec-14
60% MSCI World (Net) / 40% FTSE WGBI			6.0	30	4.4	20	9.6	16	6.8	13	8.1	12	6.6	28	5.9	Dec-14
eV Global TAA Net Median			4.5		-0.8		4.1		2.9		5.4		5.3		3.6	Dec-14
William Blair Macro Allocation	688,430	3.3	-2.3	99	-9.1	90	-7.5	93	-1.9	95	--	--	--	--	-1.3	Aug-17
60% MSCI World (Net) / 40% FTSE WGBI			6.0	30	4.4	20	9.6	16	6.8	13	8.1	12	6.6	28	6.9	Aug-17
eV Global TAA Net Median			4.5		-0.8		4.1		2.9		5.4		5.3		3.2	Aug-17
AQR Global Market and Alternative Premia Offshore Fund	61,341	0.3														



Eastern Michigan University - Board of Regents

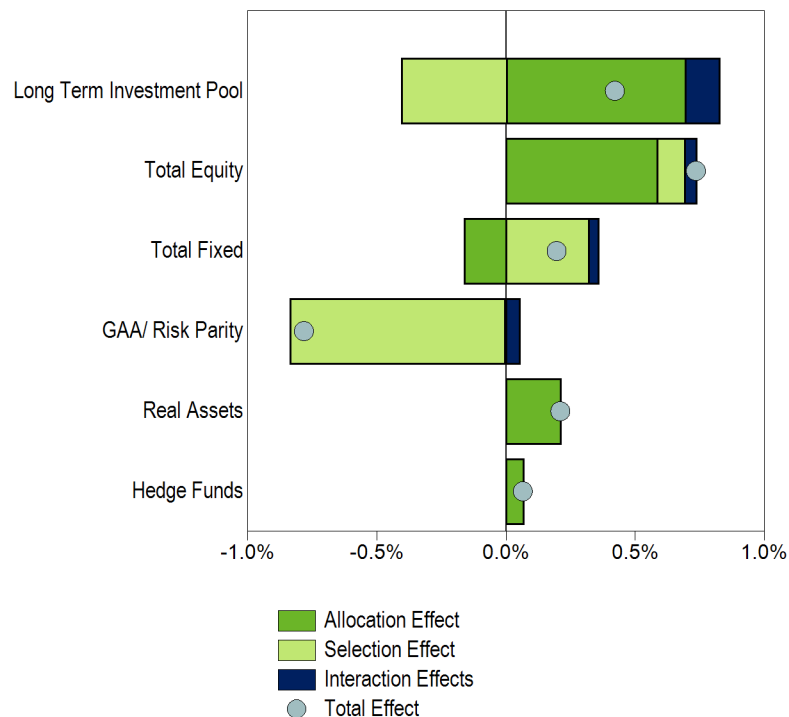
TOTAL FUND ASSET GROWTH SUMMARY

	Quarter Ending September 30, 2020					
	Beginning Market Value	Contributions	Withdrawals	Net Cash Flow	Net Investment Change	Ending Market Value
Acadian Emerging Markets Equity	\$618,238	\$0	-\$1,077	-\$1,077	\$42,585	\$659,746
AQR Global Market and Alternative Premia Offshore Fund	\$61,341	\$0	\$0	\$0	\$0	\$61,341
Baird - Core Bond	\$1,603,904	\$0	\$0	\$0	\$16,926	\$1,620,830
Bank of Ann Arbor Trust Cash	\$0	\$0	\$0	\$0	\$0	\$0
BlackRock- SIO	\$1,009,874	\$0	\$0	\$0	\$28,097	\$1,037,971
Northern Inst Govt Select MMKT	\$12,435,723	\$9,197	-\$305	\$8,892	\$1,181	\$12,445,797
SEG Baxter	\$1,736,051	\$0	\$0	\$0	\$150,672	\$1,886,723
US Treasury	\$99,490	\$0	\$0	\$0	\$143	\$99,633
Vanguard Total Stock Market VIPERs	\$2,186,098	\$0	\$0	\$0	\$192,451	\$2,378,549
William Blair Macro Allocation	\$704,440	\$0	\$0	\$0	-\$16,010	\$688,430
Total	\$20,455,158	\$9,197	-\$1,382	\$7,815	\$416,046	\$20,879,020



LONG TERM INVESTMENT POOL

Attribution Effects
3 Months Ending September 30, 2020

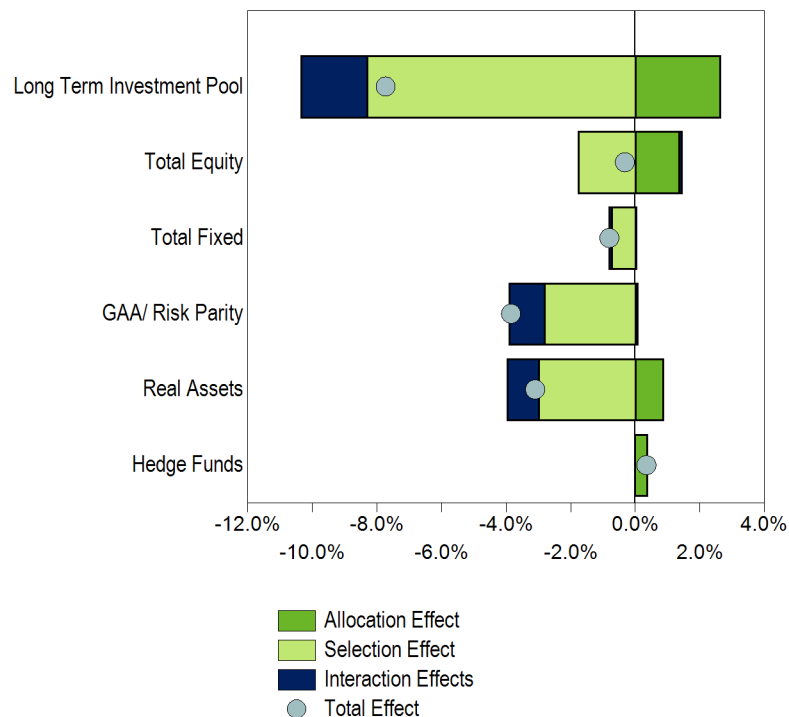


Attribution Summary							
3 Months Ending September 30, 2020							
	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Total Equity	8.5%	8.1%	0.3%	0.1%	0.6%	0.0%	0.7%
Total Fixed	1.7%	0.6%	1.0%	0.3%	-0.2%	0.0%	0.2%
GAA/ Risk Parity	-2.1%	6.0%	-8.1%	-0.8%	0.0%	0.1%	-0.8%
Real Assets	--	--	--	--	0.2%	--	--
Hedge Funds	--	--	--	--	0.1%	--	--
Total	5.2%	4.7%	0.4%	-0.4%	0.7%	0.1%	0.4%



LONG TERM INVESTMENT POOL

Attribution Effects 1 Year Ending September 30, 2020



Attribution Summary 1 Year Ending September 30, 2020

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Total Equity	5.6%	10.3%	-4.7%	-1.7%	1.5%	0.1%	-0.1%
Total Fixed	4.2%	6.4%	-2.1%	-0.7%	0.2%	-0.2%	-0.7%
GAA/ Risk Parity	-14.3%	9.6%	-23.8%	-2.8%	0.1%	-1.1%	-3.9%
Real Assets	--	-1.1%	--	-3.0%	0.8%	-0.7%	-2.9%
Hedge Funds	--	--	--	--	0.3%	--	--
Total	1.5%	8.8%	-7.3%	-8.3%	2.9%	-1.9%	-7.3%



INVESTMENT POLICY

NEPC, LLC

REVISED INVESTMENT POLICY

<u>ASSET CLASS</u>	<u>PERMISSIBLE RANGE %</u>	<u>TARGET BENCHMARK</u>
Equity Total Equity	20%-60%	MSCI ACWI Index
Domestic All Cap Equities	5%—40%	
International Equities	0%—30%	
Emerging International Equities	0%—8%	
Global Equity	10%—30%	
Fixed Income	20% - 60%	Custom Benchmark⁽¹⁾
Core Fixed Income High Quality	0%—60% 0% - 50%	Manager Specific
Absolute Return Fixed Income Return Seeking	0%—15% 0% - 50%	Manager Specific
Emerging Market Debt	0%—8%	-
Global Multi-Sector Fixed Income	0%—10%	-
Treasury Inflation Protected Securities (TIPS)	0-15%	-
Global Asset Allocation / Risk Parity	0%—30%	60% MSCI World / 40% Citi WGBI
Alternatives	0% - 25%	
Hedge Funds	0% - 20%	HFRI Fund of Funds Composite Index
Real Assets	0% - 15%	Custom Benchmark ⁽²⁾
Global Asset Allocation / Risk Parity	0% - 25%	Manager Specific

- Our goal is to simplify the portfolio and the policy revisions allow for more flexibility and liquidity
- We feel the changes would benefit the Board of Regents through a variety of market environments



APPENDIX

NEPC, LLC

ASSET CLASS ASSUMPTIONS AS OF 9/30/2020

	Asset Class	10-Year Return	Volatility
	Cash	0.6%	1.00%
	US Inflation	1.6%	-
Equity	Large Cap Equities	5.8%	16.50%
	International Equities (Unhedged)	6.2%	20.50%
	Emerging International Equities	8.0%	28.00%
	<i>Global Equity*</i>	<i>6.6%</i>	<i>17.74%</i>
	<i>Private Equity*</i>	<i>10.0%</i>	<i>24.58%</i>
Fixed Income	Treasuries	0.6%	5.50%
	<i>Core Bonds*</i>	<i>1.2%</i>	<i>6.06%</i>
	TIPS	0.8%	6.50%
	High Yield Bonds	3.6%	12.50%
	<i>Private Debt*</i>	<i>6.3%</i>	<i>11.54%</i>
Real Assets	Commodities	0.6%	19.00%
	REITs	5.7%	20.00%
	Core Real Estate	4.2%	13.00%
	Private Real Assets: Infrastructure/Land	5.5%	12.00%
Multi-Asset	<i>US 60/40*</i>	<i>4.3%</i>	<i>10.40%</i>
	<i>Global 60/40*</i>	<i>4.9%</i>	<i>11.65%</i>
	<i>Hedge Funds*</i>	<i>4.3%</i>	<i>8.18%</i>

*Calculated as a blend of other asset classes



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ALTERNATIVE INVESTMENT DISCLOSURES

It is important that investors understand the following characteristics of non-traditional investment strategies including hedge funds and private equity:

- 1. Performance can be volatile and investors could lose all or a substantial portion of their investment**
- 2. Leverage and other speculative practices may increase the risk of loss**
- 3. Past performance may be revised due to the revaluation of investments**
- 4. These investments can be illiquid, and investors may be subject to lock-ups or lengthy redemption terms**
- 5. A secondary market may not be available for all funds, and any sales that occur may take place at a discount to value**
- 6. These funds are not subject to the same regulatory requirements as registered investment vehicles**
- 7. Managers may not be required to provide periodic pricing or valuation information to investors**
- 8. These funds may have complex tax structures and delays in distributing important tax information**
- 9. These funds often charge high fees**
- 10. Investment agreements often give the manager authority to trade in securities, markets or currencies that are not within the manager's realm of expertise or contemplated investment strategy**



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