



# TMRS Quarterly Summary

Period Ended: June 30, 2016

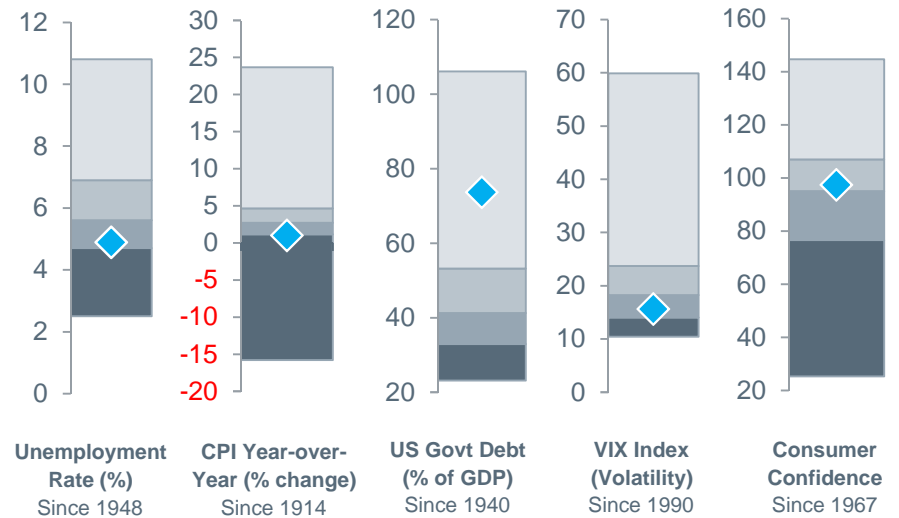


**Second Quarter Economic Environment**

**Key Economic Indicators**

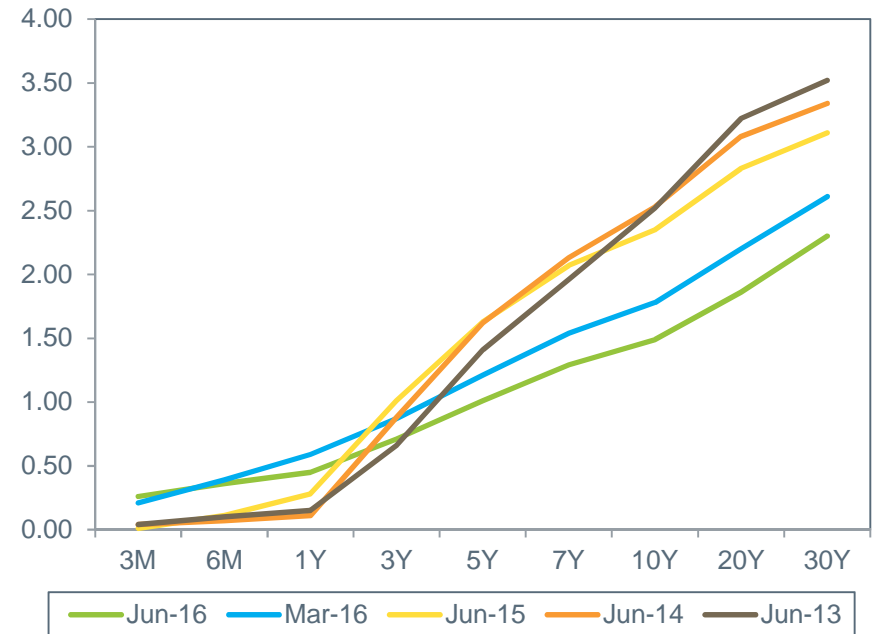
The second quarter of 2016 was characterized by a broad based rally across commodities, a range bound US dollar, and a flight to safety on the back of the UK's referendum vote to leave the European Union. Uncertainty around Brexit dominated the news flow in late June and catalyzed a flight to safety across risk assets. Recent data show that 36% of outstanding global developed market government debt is now yielding less than 0%. However, investors continue to have an appetite for risk where yields remain positive. In developed markets, the surprise Brexit vote led to sharp initial declines in equities, though markets recovered quickly following a series of dovish statements from central banks. Long duration assets outperformed short duration, and gold rallied amid the flight to safety. In the US, probabilities for a June interest rate hike swung from as high as 35% in late May, down to 0% after disappointing May payroll numbers were released.

**Key Economic Indicators**



Economic Indicators	Jun-16	Mar-16	Jun-15	Jun-13	20 Yr
Federal Funds Rate (%)	0.30 ▲	0.25	0.08	0.07	2.47
Breakeven Infl. - 1 Yr (%)	1.17 ▼	2.10	0.73	0.74	N/A
Breakeven Infl. - 10 Yr (%)	1.44 ▼	1.63	1.89	1.99	N/A
CPI YoY (Headline) (%)	1.0 ▲	0.9	0.1	1.8	2.2
Unemployment Rate (%)	4.9 ▼	5.0	5.3	7.5	6.0
Real GDP YoY (%)	1.2 ▼	1.6	3.0	1.0	2.4
PMI - Manufacturing	53.20 ▲	51.80	53.10	52.30	52.20
USD Total Wtd Idx	90.64 ▲	89.84	89.96	77.58	86.76
WTI Crude Oil per Barrel (\$)	48 ▲	38	59	97	55
Gold Spot per Oz (\$)	1,322 ▲	1,233	1,172	1,235	762

**Treasury Yield Curve (%)**



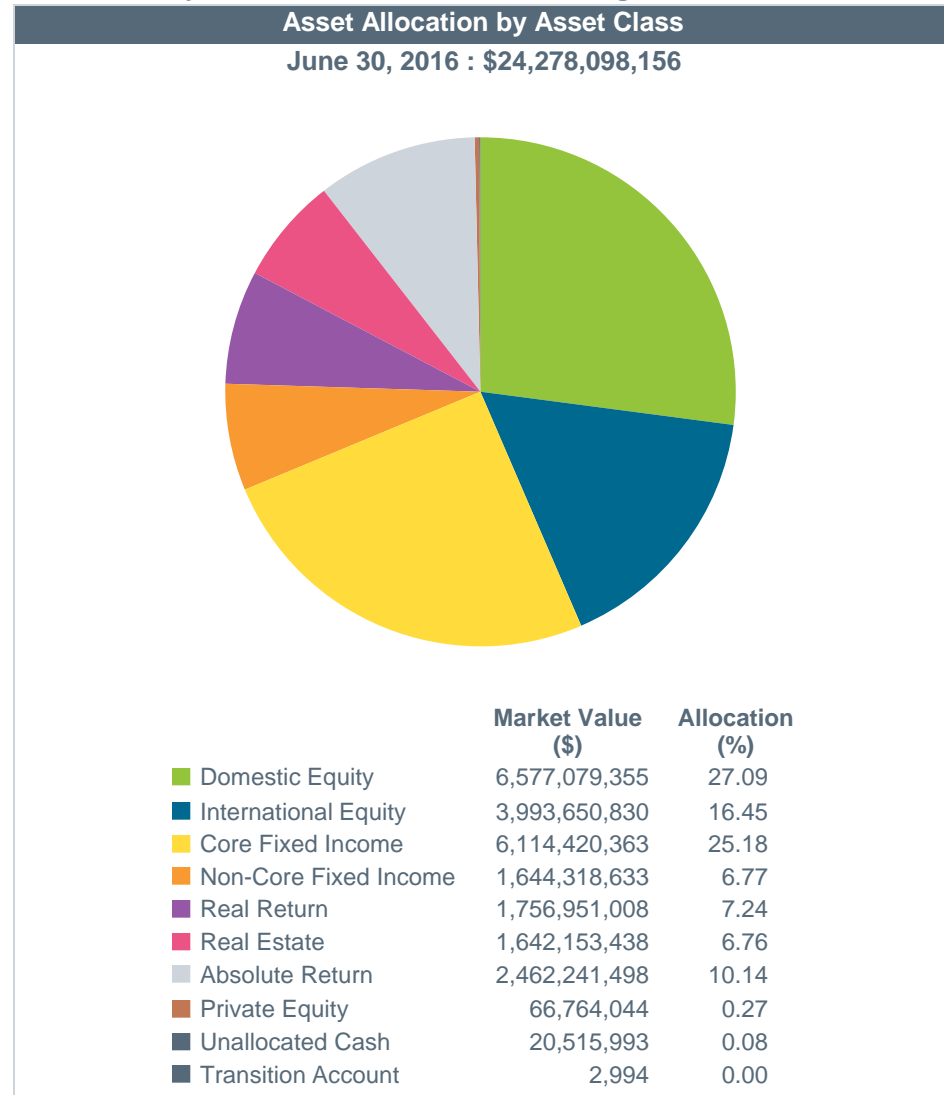
Market Performance (%)	QTD	CYTD	1 Yr	5 Yr	10 Yr
S&P 500 (Cap Wtd)	2.46	3.84	3.99	12.10	7.42
Russell 2000	3.79	2.22	-6.73	8.35	6.20
MSCI EAFE (Net)	-1.46	-4.42	-10.16	1.68	1.58
MSCI EAFE SC (Net)	-2.60	-3.18	-3.67	4.84	3.57
MSCI Emg Mkts (Net)	0.66	6.41	-12.05	-3.78	3.54
Barclays US Agg Bond	2.21	5.31	6.00	3.76	5.13
BofA ML 3 Mo US T-Bill	0.07	0.15	0.19	0.09	1.04
NCREIF ODCE (Gross)	2.13	4.36	11.82	12.72	6.17
Wilshire US REIT	5.60	11.09	22.82	12.48	6.99
HFN FOF Multi-Strat	0.36	-2.83	-6.48	1.46	1.24
Bloomberg Cmdty (TR)	12.76	13.23	-13.34	-10.83	-5.59

Treasury data courtesy of the US Department of the Treasury. Economic data courtesy of Bloomberg Professional Service. Breakeven Inflation does not have 20 years of history; therefore, its 20-year average is shown as N/A.



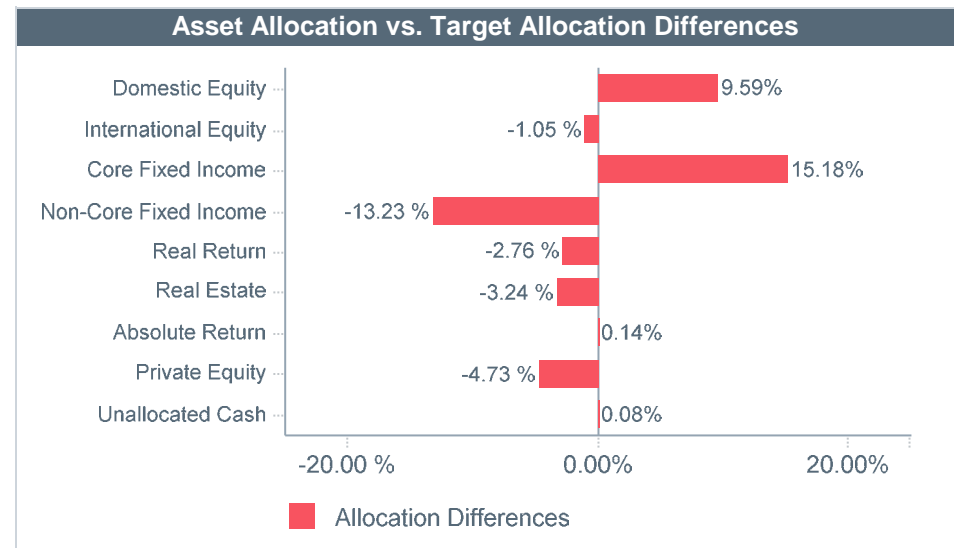
Total Fund Composite

Asset Alloc. by Asset Class, Asset Alloc. vs. Target, and Schedule of Investable Assets



### Asset Allocation vs. Target Allocation

	Market Value (\$)	Allocation (%)	Target (%)
Domestic Equity	6,577,079,355	27.09	17.50
International Equity	3,993,650,830	16.45	17.50
Core Fixed Income	6,114,420,363	25.18	10.00
Non-Core Fixed Income	1,644,318,633	6.77	20.00
Real Return	1,756,951,008	7.24	10.00
Real Estate	1,642,153,438	6.76	10.00
Absolute Return	2,462,241,498	10.14	10.00
Private Equity	66,764,044	0.27	5.00
Unallocated Cash	20,515,993	0.08	0.00
Total Fund	24,278,095,161	100.00	100.00



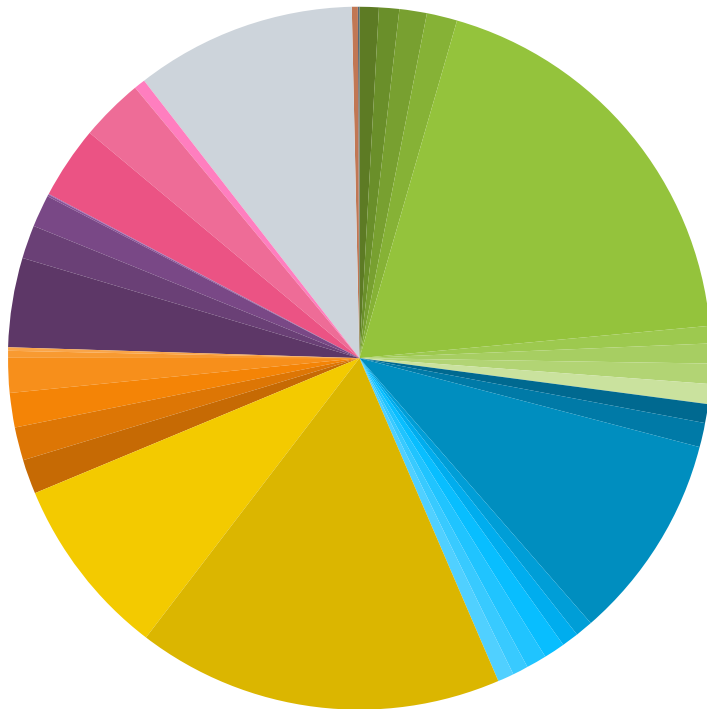
### Schedule of Investable Assets

Periods Ending	Beginning Market Value (\$)	Net Cash Flow (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return	Unit Value
CYTD	23,572,748,495	-15,885,338	721,234,998	24,278,098,156	3.41	103.41

Performance shown is gross of fees and provided by State Street. Allocations shown may not sum up to 100% exactly due to rounding. Gain/Loss figure includes both realized and unrealized gains and losses. Asset Allocation vs. Target Allocation charts do not include the Transition Account. Domestic Equity includes Citi Global Markets, Inc.



June 30, 2016 : \$24,278,098,156

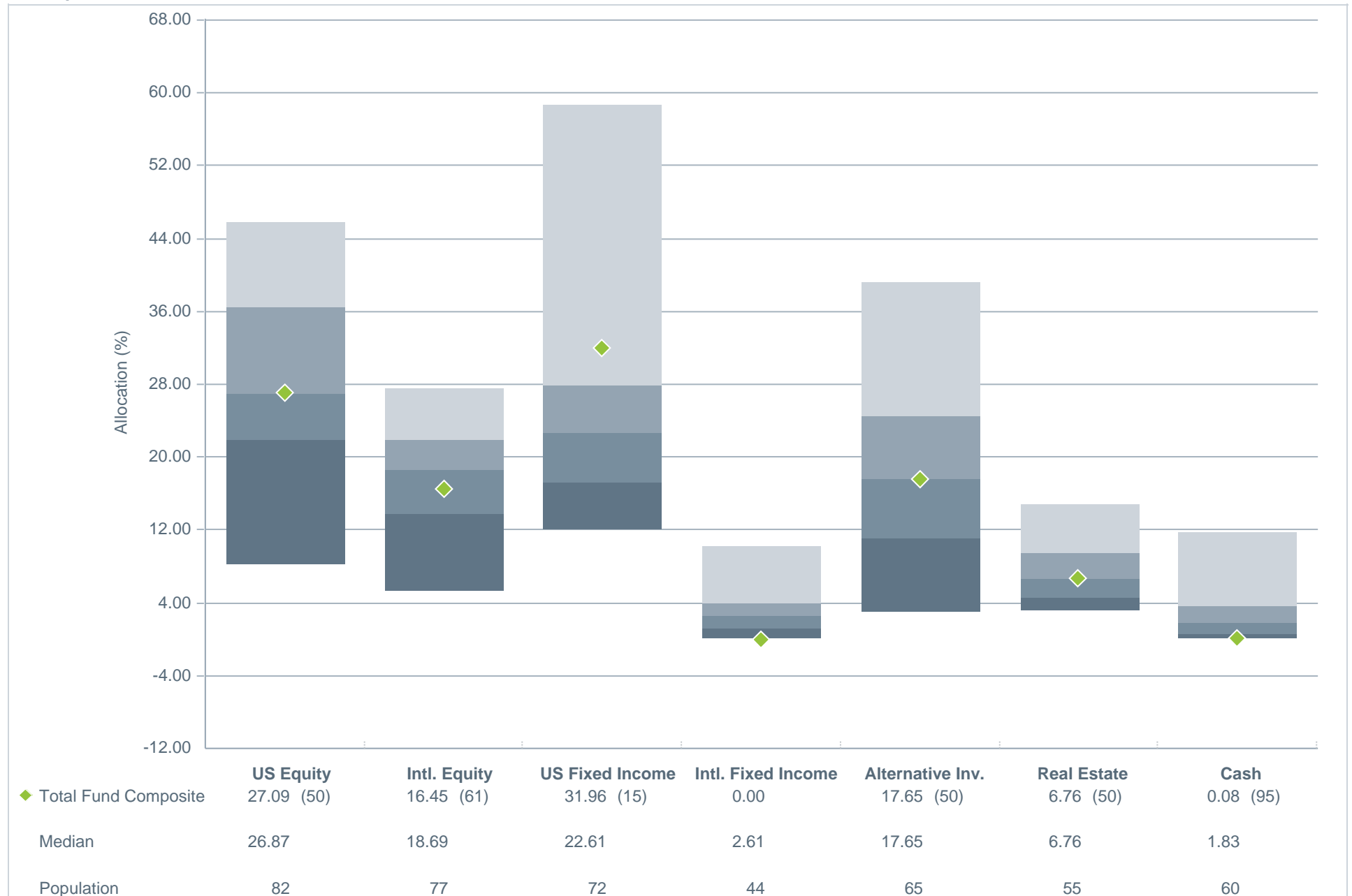


	Market Value (\$)	Allocation (%)
Sasco U.S. Contrarian Value (SA)	212,926,833	0.88
Epoch U.S. Choice (SA)	227,010,870	0.94
State Street Russell Fndmtl US Index NL (CF)	303,579,360	1.25
UBS US Equity Min Volatility Index (CF)	342,298,053	1.41
NT Collective Russell 3000 Index NL (CF)	4,628,156,773	19.06
The Boston Company Mid Cap Opp Value (SA)	190,710,131	0.79
Champlain Mid-Cap Core (SA)	221,919,469	0.91
Wellington US Small Cap Opp (SA)	227,275,018	0.94
The Boston Company Small Cap Opp Value (SA)	223,189,056	0.92
State Street Russell Fndmtl Gbl ex-US Index NL (CF)	210,445,863	0.87
UBS World Ex US Min Volatility NL (CF)	270,003,500	1.11
NT Daily Collective ACW Ex US IMI Non-Lending (CF)	2,310,011,419	9.51
Wellington International Horizons (SA)	196,659,325	0.81
Lazard International Equity Plus (SA)	187,628,960	0.77
Wasatch International Small Cap Growth (SA)	235,477,119	0.97
Wellington International Small Cap Opp (SA)	227,007,288	0.94
Acadian Emerging Markets (SA)	176,504,200	0.73
William Blair Emerging Markets (SA)	179,913,156	0.74
BlackRock, Inc. Core (SA)	4,090,752,009	16.85
PIMCO Core Plus Fixed Income (SA)	2,023,668,354	8.34
Guggenheim Bandera Strategic Credit Partners II, LP	386,830,086	1.59
Highland Bandera Strategic Credit Partners I, LP	369,715,302	1.52
Voya RMBS/CMBS (SA)	385,517,956	1.59
Ellington RMBS/CMBS (SA)	384,751,724	1.58
White Oak Summit Fund, LP	79,458,112	0.33
Golub Capital Pearls DLP, LP	38,045,454	0.16
Colchester Global Inflation Linked Bond (SA)	997,866,679	4.11
Nuveen Real Asset Income	371,482,696	1.53
Cohen & Steers Real Asset	361,900,000	1.49
MTP Energy Opportunities Fund II	19,691,905	0.08
Orion Mine Finance Fd II	6,009,728	0.02
Core Real Estate	811,659,375	3.34
Non-Core Real Estate	702,719,563	2.89
Real Estate Liquid Funds	127,774,500	0.53
Absolute Return	2,462,241,498	10.14
Private Equity	66,764,044	0.27
State Street Government STIF 6 (CF) - Cash	20,515,993	0.08
Citigroup Global Markets, Inc.	13,790	0.00
Transition Account	2,994	0.00

Allocations shown may not sum up to 100% exactly due to rounding.

**Texas Municipal Retirement System**  
**All Public Plans > \$1B-Total Fund**  
**Plan Sponsor TF Asset Allocation**

As of June 30, 2016



Parentheses contain percentile ranks. Allocations shown may not sum up to 100% exactly due to rounding.





Texas Municipal Retirement System  
Comparative Performance

As of June 30, 2016

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2015	Since Incep.	Inception Date
<b>Total Fund Composite</b>	<b>1.99</b>	<b>3.41</b>	<b>1.80</b>	<b>5.83</b>	<b>5.56</b>	<b>6.94</b>	<b>6.60</b>	<b>0.34</b>	<b>8.51</b>	<b>01/01/1989</b>
Actual Allocation Benchmark	1.78	3.52	1.36	5.59	5.29	6.55	6.22	-0.32	7.91	
Difference	0.21	-0.11	0.44	0.24	0.27	0.39	0.38	0.66	0.60	
<b>Global Equity Composite</b>	<b>1.77</b>	<b>2.56</b>	<b>-1.80</b>	<b>7.40</b>	<b>6.67</b>	<b>10.51</b>	<b>N/A</b>	<b>-1.38</b>	<b>3.93</b>	<b>02/01/2008</b>
Global Equity Benchmark	1.37	1.89	-2.52	7.04	6.42	10.29	N/A	-1.47	3.73	
Difference	0.40	0.67	0.72	0.36	0.25	0.22	N/A	0.09	0.20	
<b>Domestic Equity Composite</b>	<b>2.84</b>	<b>3.99</b>	<b>1.85</b>	<b>10.86</b>	<b>11.43</b>	<b>14.82</b>	<b>N/A</b>	<b>-0.32</b>	<b>7.45</b>	<b>02/01/2008</b>
Russell 3000 Index	2.63	3.62	2.14	11.12	11.60	14.95	7.40	0.48	7.54	
Difference	0.21	0.37	-0.29	-0.26	-0.17	-0.13	N/A	-0.80	-0.09	
<b>International Equity Composite</b>	<b>0.05</b>	<b>0.26</b>	<b>-7.62</b>	<b>2.77</b>	<b>1.19</b>	<b>5.64</b>	<b>N/A</b>	<b>-3.32</b>	<b>-0.07</b>	<b>02/01/2008</b>
International Equity Benchmark	-0.68	-0.91	-9.61	1.65	0.41	4.98	0.92	-4.60	-0.65	
Difference	0.73	1.17	1.99	1.12	0.78	0.66	N/A	1.28	0.58	
<b>Core Fixed Income Composite</b>	<b>2.27</b>	<b>5.31</b>	<b>5.85</b>	<b>4.10</b>	<b>3.94</b>	<b>4.87</b>	<b>5.42</b>	<b>0.80</b>	<b>8.08</b>	<b>01/01/1989</b>
Fixed Income Benchmark	2.21	5.31	6.00	4.06	3.76	4.58	5.12	0.55	7.50	
Difference	0.06	0.00	-0.15	0.04	0.18	0.29	0.30	0.25	0.58	
<b>Non-Core Fixed Income Composite</b>	<b>2.15</b>	<b>1.69</b>	<b>0.55</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1.09</b>	<b>2.06</b>	<b>10/01/2014</b>
Non-Core Fixed Income Benchmark	4.43	10.05	2.08	N/A	N/A	N/A	N/A	-6.90	1.67	
Difference	-2.28	-8.36	-1.53	N/A	N/A	N/A	N/A	7.99	0.39	
<b>Real Return Composite</b>	<b>2.67</b>	<b>7.49</b>	<b>3.03</b>	<b>2.76</b>	<b>2.71</b>	<b>N/A</b>	<b>N/A</b>	<b>-5.55</b>	<b>3.54</b>	<b>02/01/2011</b>
Barclays Wrld Gov't Infl Lnkd Index (Unhedged)	1.70	6.57	2.76	2.76	2.02	3.95	4.29	-4.70	3.16	
Difference	0.97	0.92	0.27	0.00	0.69	N/A	N/A	-0.85	0.38	
<b>Real Estate Composite</b>	<b>3.02</b>	<b>8.09</b>	<b>19.13</b>	<b>16.06</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>15.25</b>	<b>13.79</b>	<b>01/01/2012</b>
Real Estate Benchmark	2.18	5.50	13.55	13.62	13.25	9.06	6.36	15.00	12.81	
Difference	0.84	2.59	5.58	2.44	N/A	N/A	N/A	0.25	0.98	
<b>Absolute Return Composite</b>	<b>1.87</b>	<b>-1.96</b>	<b>-2.75</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>3.39</b>	<b>1.15</b>	<b>08/01/2014</b>
Absolute Return Benchmark	0.47	-2.39	-5.89	2.05	1.84	2.93	1.70	0.11	-0.40	
Difference	1.40	0.43	3.14	N/A	N/A	N/A	N/A	3.28	1.55	

Performance shown is gross of fees and provided by State Street. Performance is annualized for periods greater than one year. Real Estate and Private Equity fund returns are calculated by Private Edge. Private Real Estate fund returns are lagged 1 quarter. Inception dates shown for the Private Real Estate and Private Equity funds and composites represent the first full quarter following initial funding. Inception dates for non-real estate and private equity funds and composites represent the first full month following initial funding.

**Texas Municipal Retirement System  
Comparative Performance**

As of June 30, 2016

	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	2015	Since Incep.	Inception Date
<b>Private Equity Composite</b>	<b>-12.64</b>	<b>-10.20</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-10.20</b>	<b>01/01/2016</b>
Russell 3000 Index + 3%	3.39	5.17	5.20	14.46	14.94	18.39	10.62	3.49	5.17	
Difference	-16.03	-15.37	N/A	N/A	N/A	N/A	N/A	N/A	-15.37	
<b>TMRS Unallocated Cash (SA)</b>	<b>0.06</b>	<b>0.44</b>	<b>1.12</b>	<b>0.49</b>	<b>0.33</b>	<b>0.27</b>	<b>N/A</b>	<b>0.84</b>	<b>0.36</b>	<b>06/01/2008</b>
BofA ML 3 Mo US T-Bill Index	0.07	0.15	0.19	0.09	0.09	0.11	1.04	0.05	0.23	
Difference	-0.01	0.29	0.93	0.40	0.24	0.16	N/A	0.79	0.13	

- Historical performance shown for the Global Equity, Domestic Equity, International Equity, and Total Fixed Income composites is provided by State Street.
- RVK cautions that for private market investments like Commercial Real Estate, for which there are no market prices, as are available for public securities, and for which an appraised value is calculated only quarterly, daily time weighted return calculations (public market return methodology) are imperfect at best and usually misleading.

Performance shown is gross of fees and provided by State Street. Performance is annualized for periods greater than one year. Real Estate and Private Equity fund returns are calculated by Private Edge. Private Real Estate fund returns are lagged 1 quarter. Inception dates shown for the Private Real Estate and Private Equity funds and composites represent the first full quarter following initial funding. Inception dates for non-real estate and private equity funds and composites represent the first full month following initial funding.

Custom Benchmark Comments

- The **Actual Allocation Benchmark** is calculated monthly using beginning of month asset class weights applied to each corresponding benchmark return and currently consists of the following:
  - Russell 3000 Index
  - International Equity Benchmark
  - Fixed Income Benchmark
  - Non-Core Fixed Income Benchmark
  - Barclays World Government Inflation-Linked Index (Unhedged)\*
  - Real Estate Benchmark
  - Absolute Return Benchmark
  - Russell 3000 Index + 3%
  - BofA Merrill Lynch 3 Month US Treasury Bill Index

\*As the Real Return asset class structure becomes diversified, the performance objective will be the Consumer Price Index + 4%.

The **Global Equity Benchmark** is calculated monthly and consists of 50% Russell 3000 Index and 50% MSCI EAFE Index (USD) (Net) through July 31, 2010; a blend of the Russell 3000 Index, MSCI ACW Ex US IM Index (USD) (Net) and MSCI EAFE Index (USD) (Net) at beginning of month investment weights through November 30, 2012; and a blend of the Russell 3000 Index and the MSCI ACW Ex US IM Index (USD) (Net) at beginning of the month weights thereafter.

The **International Equity Benchmark** is calculated monthly and consists of the MSCI EAFE Index (USD) (Net) through July 31, 2010; a blend of the MSCI ACW Ex US IM Index (USD) (Net) and MSCI EAFE Index (USD) (Net) at beginning of month investment weights through January 31, 2012; and the MSCI ACW Ex US IM Index (USD) (Net) thereafter.

The **Fixed Income Benchmark** is calculated monthly and consists of the Barclays Gov't/Credit Long Term Bond Index through June 30, 2009; and Barclays US Agg Bond Index thereafter.

The **Non-Core Fixed Income Benchmark** consists of 50% Barclays US Corporate: High Yield Index, 25% JPM GBI-EM Global Diversified Total Return Index (USD) (Unhedged), and 25% JPM CEMBI Broad Diversified Index. As part of the transition to a non-lagged benchmark, the October 2015 return for the previously lagged portion of the Non-Core Fixed Income Benchmark includes linked returns for September and October.

Prior to October 2015, the Non-Core Fixed Income Benchmark is calculated monthly and consists of 50% Barclays US Corporate: High Yield Index, 25% JPM GBI-EM Global Diversified Total Return Index (USD) (Unhedged), and 25% JPM CEMBI Broad Diversified Index. The return is composed of lagged and un-lagged returns in the same proportion as the market value of managers whose returns are being reported on a lagged versus non-lagged basis.

The **RMBS/CMBS Custom Index** is calculated monthly and consists of 67% Barclays US Corporate: High Yield Index and 33% Barclays US Corporate: Investment Grade Index.

The **Real Estate Benchmark** is calculated quarterly and consists of the NCREIF ODCE Index (AWA) (Gross); interim months assume a 0.00% return. The return is composed of lagged and un-lagged returns in the same proportion as the market value of managers whose returns are being reported on a lagged versus non-lagged basis.

The **Absolute Return Benchmark** is calculated monthly and consists of the HFRI Fund of Funds Diversified Index through November 30, 2014; the HFRI Fund of Funds Diversified Index - 1 Month Lag through October 31, 2015; and HFRI Fund of Funds Diversified Index thereafter.

Real Estate Performance Comments

"Privately held real estate fund returns are one-quarter lagged and are provided by Private Edge. Quarterly returns are incorporated in the last month of that particular quarter. The returns for the first two months are zero.

Market values are previous quarter-end values as reported, rolled forward with current cash flows. Returns and market values provided by Private Edge are rolled into their respective Real Estate composite and the Total Plan composite.

Publicly traded real estate fund performance is non-lagged, reflecting monthly fluctuations. Detailed information regarding methodology can be found in the internal TMRS Performance Reporting Policy statement" (State Street Performance Team).

H/2 CP, LP is a publicly traded real estate fund, previously classified as non-public. Performance from Oct 2015 - Dec 2015 is revised to reflect the change in calculation methodology.



PORTLAND

CHICAGO

NEW YORK

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