

City of Hollywood Employees' Retirement Fund
Preliminary Market Value Update
as of May 31, 2017

	Market Value	Percent of Total Plan	New Target Allocation	Difference	Range
<u>Domestic Equity - Large Cap</u>	\$85,510,164	27.3%	20.0%	7.3%	15-30%
Northern Trust	\$85,510,164	27.3%			
<u>Domestic Equity - SMID Cap</u>	\$45,070,831	14.4%	10.0%	4.4%	7-15.5%
TSW	\$20,457,384	6.5%			
Frontier Capital	\$24,613,447	7.9%			
<u>International Equity</u>	\$67,383,130	21.5%	20.0%	1.5%	15-25%
Wellington	\$49,149,157	15.7%			
Brandes	\$18,233,973	5.8%			
<u>Fixed Income</u>	\$76,868,137	24.5%	30.0%	-5.5%	25-37.5%
Neuberger & Berman	\$24,328,234	7.8%			
Baird Advisors	\$52,539,903	16.8%			
AG Direct Lending Fund II, LP	\$0	0.0%			
<u>Real Estate</u>	\$33,612,790	10.7%	10.0%	0.7%	7-14%
Morgan Stanley	\$24,221,866	7.7%			
Principal	\$9,390,924	3.0%			
<u>Private Equity</u>	\$4,877,064	1.6%	7.5%	-5.9%	0-15%
Neuberger Berman Crossroads XXI	\$4,155,005	1.3%			
HarbourVest Dover Fund IX	\$722,059	0.2%			
<u>Infrastructure</u>	\$0	0.0%	2.5%	-2.5%	0-5%
IFM Global Infrastructure	\$0	0.0%			
Total Fund*	\$313,322,116	100.0%	100.0%		

***Note:**

In June 2017 - \$5M was transferred from Frontier to Neuberger.

In June 2017 - \$2.4M and \$0.9M was called by AG and assets sourced from Northern Trust.

City of Hollywood Employees' Retirement Fund
Preliminary Performance Update
as of May 31, 2017

	Quarter ended December 31, 2016	Quarter ended March 31, 2017	1 Month ended April 30, 2017	1 Month ended May 31, 2017	Fiscal YTD May 31, 2017	Market Value May 31, 2017	Percent of Total Plan May 31, 2017
Domestic Equity							
Northern Trust S&P 500	3.83%	6.04%	1.03%	1.41%	12.78%	\$85,510,164	27.3%
<i>Northern Trust - net</i>	3.82%	6.03%	1.03%	1.41%	12.76%		
<i>S&P 500 Index</i>	3.83%	6.07%	1.03%	1.41%	12.82%		
TSW	4.13%	3.10%	0.96%	-1.62%	6.64%	\$20,457,384	6.5%
<i>TSW - net</i>	3.93%	2.90%	0.89%	-1.69%	6.11%		
<i>Russell 2500 Value Index</i>	9.34%	1.62%	-0.10%	-2.17%	8.59%		
Frontier Capital	3.91%	5.74%	1.18%	0.14%	11.27%	\$24,613,447	7.9%
<i>Frontier Capital - net</i>	3.72%	5.55%	1.12%	0.08%	10.77%		
<i>Russell 2500 Growth Index</i>	2.59%	6.25%	1.76%	0.05%	10.98%		
International Equity							
Wellington	-1.54%	7.32%	2.44%	3.57%	12.10%	\$49,149,157	15.7%
<i>Wellington- net</i>	-1.72%	7.13%	2.38%	3.51%	11.63%		
<i>MSCI ACWI - ex US (net)</i>	-1.25%	7.86%	2.14%	3.25%	12.32%		
Brandes	1.89%	6.65%	1.46%	1.35%	11.77%	\$18,233,973	5.8%
<i>Brandes - net</i>	1.65%	6.41%	1.38%	1.27%	11.14%		
<i>MSCI EAFE Small Cap (net)</i>	-2.85%	7.97%	4.28%	3.69%	13.41%		
Fixed							
Neuberger & Berman	-2.03%	0.72%	0.63%	0.48%	-0.22%	\$24,328,234	7.8%
<i>Neuberger & Berman - net</i>	-2.11%	0.65%	0.61%	0.46%	-0.42%		
<i>Blmbg. Barclays Intermediate Gov't/Credit Index</i>	-2.06%	0.78%	0.62%	0.50%	-0.19%		
<i>90 Day U.S. Treasury Bill</i>	0.06%	0.10%	0.07%	0.05%	0.29%		
Baird Advisors	-2.72%	1.11%	0.84%	0.89%	0.06%	\$52,539,903	16.8%
<i>Baird Advisors - net</i>	-2.79%	1.04%	0.82%	0.87%	-0.12%		
<i>Blmbg. Barclays Aggregate Index</i>	-2.98%	0.82%	0.77%	0.77%	-0.67%		
Real Estate							
Morgan Stanley*	2.61%	2.13%	0.07%	0.07%	4.93%	\$24,221,866	7.7%
<i>Morgan Stanley - net</i>	2.40%	1.92%	0.00%	0.00%	4.37%		
<i>NCREIF ODCE (ew) Index</i>	2.16%	1.83%	0.00%	0.00%	4.03%		
Principal*	4.05%	2.28%	0.11%	0.11%	6.61%	\$9,390,924	3.0%
<i>Principal - net</i>	3.72%	1.95%	0.00%	0.00%	5.74%		
<i>NCREIF Property Index</i>	1.73%	1.55%	0.00%	0.00%	3.31%		
Private Equity							
NB Crossroads XXI*	N/A	0.00%	0.00%	0.00%	1.65%	\$4,155,005	1.3%
HarborVest Dover Fund IX*	N/A	0.00%	0.00%	0.00%	N/A	\$722,059	0.2%
Total Fund	0.94%	4.10%	1.07%	1.09%	7.39%	\$313,322,116	100.0%
Total Fund - net	0.81%	3.97%	1.03%	1.05%	7.05%		
Policy Index**	0.93%	3.96%	1.09%	1.06%	7.26%		

Note: Monthly performance is preliminary and provided by investment managers. The Total Fund return is a weighted average of the returns provided.

*Performance is calculated on a quarterly basis. Performance shown is IRR.

** Policy Index: (May 15-current) 25% S&P 500, 12.5% Russell 2500, 15% MSCI ACWI ex US (net), 5% MSCI EAFE Small Cap (Net), 32.5% Barclays Intermediate Aggregate, 7.5% NCREIF ODCE (ew), 2.5% NCREIF NPI (Nov 13-Apr 15) 30% S&P 500, 12.5% R2500, 15% MSCI ACWI ex US (net), 32.5% Barclays Intermediate Aggregate, 7.5% NCREIF ODCE (ew), 2.5% NCREIF NPI (May 13-Oct 13) 32.5% S&P 500, 12.5% Russell 2000, 15% MSCI ACWI ex-US, 32.5% Barclays Intermediate Aggregate, 7.5% NCREIF ODCE (ew)

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as of May 31, 2017

	Quarter ended March 31, 2017	1 Month ended April 30, 2017	1 Month ended May 31, 2017	Calendar YTD May 31, 2017
<u>Domestic Equity</u>				
Northern Trust	6.04%	1.03%	1.41%	8.64%
<i>S&P 500 Index</i>	<i>6.07%</i>	<i>1.03%</i>	<i>1.41%</i>	<i>8.68%</i>
TSW SMID	3.10%	0.96%	-1.62%	2.40%
<i>Russell 2500 Value Index</i>	<i>1.62%</i>	<i>-0.10%</i>	<i>-2.17%</i>	<i>-0.68%</i>
Frontier Capital	5.74%	1.18%	0.14%	7.14%
<i>Russell 2500 Growth Index</i>	<i>6.25%</i>	<i>1.76%</i>	<i>0.05%</i>	<i>8.18%</i>
<u>International Equity</u>				
Wellington	7.32%	2.44%	3.57%	13.86%
<i>MSCI ACWI ex-US Index</i>	<i>7.86%</i>	<i>2.14%</i>	<i>3.25%</i>	<i>13.75%</i>
Brandes	6.65%	1.46%	1.35%	9.67%
<i>MSCI EAFE Small Cap (net)</i>	<i>7.97%</i>	<i>4.28%</i>	<i>3.69%</i>	<i>16.74%</i>
<u>Fixed</u>				
Neuberger & Berman	0.72%	0.63%	0.48%	1.84%
<i>Barclays Intermediate Gov't/Credit Index</i>	<i>0.78%</i>	<i>0.62%</i>	<i>0.50%</i>	<i>1.91%</i>
<i>90 Day U.S. Treasury Bill</i>	<i>0.10%</i>	<i>0.07%</i>	<i>0.05%</i>	<i>0.22%</i>
Baird Advisors	1.11%	0.84%	0.89%	2.87%
<i>Barclays Aggregate Index</i>	<i>0.82%</i>	<i>0.77%</i>	<i>0.77%</i>	<i>2.38%</i>
<u>Real Estate</u>				
Morgan Stanley	2.13%	0.07%	0.07%	2.28%
<i>NCREIF ODCE (ew) Index</i>	<i>1.83%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>1.83%</i>
Principal	2.28%	0.11%	0.11%	2.50%
<i>NCREIF Property Index</i>	<i>1.55%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>1.55%</i>

**City of Hollywood Employees' Retirement Fund
Investment Manager Fee Table
Period Ended May 31, 2017**

<u>Manager</u>	<u>Mandate</u>	<u>Market Value</u>	<u>Fee Schedule</u>	<u>Estimated Annual Fee (\$)</u>	<u>Estimated Annual Fee (%)</u>
Northern Trust	Passive Large Cap Equity	\$ 85,510,164	3.5 bps on assets	\$ 29,929	0.04%
TSW	SMID Cap Value Equity	\$ 20,457,384	80 bps on assets	\$ 163,659	0.80%
Frontier Capital	SMID Cap Growth Equity	\$ 24,613,447	75 bps on assets	\$ 184,601	0.75%
Wellington	International Equity	\$ 49,149,157	71 bps on assets	\$ 348,959	0.71%
Brandes	International Small Cap Equity	\$ 18,233,973	95 bps on first \$25MM, 90 bps on next \$25MM, 80 bps on balance	\$ 173,223	0.95%
Neuberger & Berman	Intermediate Fixed Income	\$ 24,328,234	30 bps on first \$50MM, 20 bps on next \$50mm, 15 bps on balance	\$ 72,985	0.30%
Baird Advisors	Core Plus Fixed Income	\$ 52,539,903	30 bps on first \$25MM, 25 bps on next \$25MM, 20 bps on next \$20MM, 15 bps on balance	\$ 142,580	0.27%
AG Direct Lending Fund II, LP ¹	Direct Lending Fixed Income	\$ -	85 bps on first \$50MM, 80 bps on next \$100MM, 60 bps on balance	\$ -	-
Morgan Stanley	Real Estate	\$ 24,221,866	84 basis points base fee, plus a monthly accrued performance based fee equal to 5% multiplied by NAV multiplied by comparable property NOI growth for the month	\$ 203,464	0.84%
Principal ²	Real Estate	\$ 9,390,924	130 bps on assets + incentive fee	\$ 122,082	1.30%
Neuberger Berman Crossroads XXI ³	Private Equity	\$ 4,155,005	25.8 bps on assets	\$ 10,720	0.26%
HarbourVest Dover Fund IX ⁴	Private Equity	\$ 722,059	70 bps on assets	\$ 5,054	0.70%
IFM Global Infrastructure ⁵	Infrastructure	\$ -	77 bps on assets	\$ -	-
Investment Management Fees		\$ 313,322,116		\$ 1,457,255	0.47%
Segal Marco	Investment Consulting		\$130,000 annual retainer	\$ 130,000	0.04%
Wells Fargo	Custodian	\$ 313,322,116	2 bps on first \$50MM, 1 bps on next \$75MM, 0.5 bps on balance	\$ 26,916	0.01%
TOTAL FEES				\$ 1,614,171	0.52%

¹Incentive fee is equal to 15% of the profits in excess of an 7% net IRR to investors.

²Incentive fee is equal to 15% of the profits in excess of an 11% net IRR to investors.

³NB is aggregating commitments to provide best pricing for SMA clients, and as a result the City of Hollywood \$20 million is saving 10.5 bps; if the commitment had not be aggregated the fee would have been 36.3 bps.

⁴The fee for the Dover IX Fund is 75 bps, but the City of Hollywood is receiving a 5 bps fee discount.

⁵Incentive fee is equal to 10% of the profits in excess of an 8% per annum.

May Highlights

- ❑ The U.S. unemployment rate fell by 0.1% to 4.3%, the lowest it has been since May 2001, but labor force participation also declined by 0.2%. Nonfarm payrolls grew by a fewer-than-expected 138,000 jobs, and gains from March and April were revised downward. The University of Michigan Index of Consumer Sentiment was essentially unchanged from April.
- ❑ Large cap stocks outperformed in May. Info tech was the best performer, while energy fared the worst.
- ❑ Developed market stocks were boosted by reaction to the new French President. Continued strong economic news and U.S. dollar (USD) weakness boosted emerging market stocks.
- ❑ The Bloomberg Barclays U.S. Aggregate Index gained in May. Credit led Treasuries, with investors anticipating more U.S. interest rate hikes in 2017. TIPS lagged other bond categories with U.S. inflation still relatively modest. High yield gains were somewhat tempered by concerns about valuations.
- ❑ Continued uncertainty about global oil supply led commodities lower.
- ❑ Funds of hedge funds were helped by event strategies but hurt by energy.

YTD Highlights

- ❑ The unemployment rate has declined by 0.5% YTD, but nonfarm payroll growth has been slow and labor force participation remains weak, which may lower expectations for more interest rate increases by the Fed beyond June. Consumer sentiment has held virtually steady YTD.
- ❑ Investors still favor U.S. large caps in 2017 for their stability and quality. Mid cap performance has also been strong YTD with continued U.S. economic strength.
- ❑ An improving economy and political stability in Europe have boosted developed market stocks. USD weakness and economic growth have fueled emerging market stocks YTD.
- ❑ The Fed's March rate hike, and anticipation of further hikes, have hurt Treasuries YTD relative to credit. The Treasury-heavy U.S. Aggregate index was also stung by fear of rising rates. TIPS have lagged amid rate hike fears and still-middling inflation levels in the U.S.
- ❑ Continued concerns about a supply glut plagued oil prices YTD, and is a major reason for commodities' negative performance.

Returns

