

City of Hollywood Employees' Retirement Fund
Preliminary Market Value Update
as of December 31, 2016

	Market Value	Percent of Total Plan	New Target Allocation	Difference	Range
<u>Domestic Equity - Large Cap</u>	\$78,145,700	25.7%	20.0%	5.7%	15-30%
Northern Trust	\$78,145,700	25.7%			
<u>Domestic Equity - SMID Cap</u>	\$43,020,786	14.2%	10.0%	4.2%	7-15.5%
TSW	\$19,974,685	6.6%			
Frontier Capital	\$23,046,101	7.6%			
<u>International Equity</u>	\$59,728,521	19.7%	20.0%	-0.3%	15-25%
Wellington	\$43,103,538	14.2%			
Brandes	\$16,624,983	5.5%			
<u>Fixed</u>	\$84,606,866	27.8%	30.0%	-2.2%	25-37.5%
Neuberger & Berman	\$28,722,830	9.5%			
Baird Advisors	\$55,884,036	18.4%			
<u>Real Estate</u>	\$33,955,143	11.2%	10.0%	1.2%	7-14%
Morgan Stanley	\$23,764,420	7.8%			
Principal	\$10,190,723	3.4%			
<u>Private Equity</u>	\$4,409,649	1.5%	7.5%	-6.0%	0-15%
Neuberger Berman Crossroads XXI	\$4,087,590	1.3%			
HarbourVest Dover Fund IX	\$322,059	0.1%			
<u>Infrastructure</u>	\$0	0.0%	2.5%	-2.5%	0-5%
IFM Global Infrastructure	\$0	0.0%			
Total Fund	\$303,866,665	100.0%	100.0%		

City of Hollywood Employees' Retirement Fund
Preliminary Performance Update
as of December 31, 2016

	1 Month ended December 31, 2016	Fiscal YTD December 31, 2016	Market Value December 31, 2016	Percent of Total Plan December 31, 2016
Domestic Equity				
Northern Trust S&P 500	1.99%	3.82%	\$78,145,700	25.7%
<i>Northern Trust - net</i>	1.99%	3.81%		
<i>S&P 500 Index</i>	1.98%	3.82%		
TSW	1.62%	4.14%	\$19,974,685	6.6%
<i>TSW - net</i>	1.55%	3.94%		
<i>Russell 2500 Value Index</i>	2.85%	9.34%		
Frontier Capital	1.37%	3.90%	\$23,046,101	7.6%
<i>Frontier Capital - net</i>	1.31%	3.71%		
<i>Russell 2500 Growth Index</i>	0.89%	2.60%		
International Equity				
Wellington	3.10%	-1.54%	\$43,103,538	14.2%
<i>Wellington- net</i>	3.04%	-1.72%		
<i>MSCI ACWI - ex US (net)</i>	2.56%	-1.25%		
Brandes	3.66%	1.91%	\$16,624,983	5.5%
<i>Brandes - net</i>	3.58%	1.67%		
<i>MSCI EAFE Small Cap (net)</i>	2.87%	-2.86%		
Fixed				
Neuberger & Berman	0.07%	-2.03%	\$28,722,830	9.5%
<i>Neuberger & Berman - net</i>	0.05%	-2.11%		
<i>Blmbg. Barclays Intermediate Gov't/Credit Index</i>	0.07%	-2.07%		
<i>90 Day U.S. Treasury Bill</i>	0.04%	0.07%		
Baird Advisors	0.19%	-2.72%	\$55,884,036	18.4%
<i>Baird Advisors - net</i>	0.17%	-2.79%		
<i>Blmbg. Barclays Aggregate Index</i>	0.14%	-2.98%		
Real Estate				
Morgan Stanley*	2.47%	2.61%	\$23,764,420	7.8%
<i>Morgan Stanley - net</i>	2.40%	2.40%		
<i>NCREIF ODCE (ew) Index</i>	2.19%	2.19%		
Principal*	5.41%	5.63%	\$10,190,723	3.4%
<i>Principal - net</i>	5.30%	5.30%		
<i>NCREIF Property Index</i>	0.00%	0.00%		
Private Equity				
NB Crossroads XXI*	N/A	N/A	\$4,087,590	1.3%
HarborVest Dover Fund IX*	N/A	N/A	\$322,059	0.1%
Total Fund	1.77%	0.99%	\$303,866,665	100.0%
Total Fund - net	1.73%	0.86%		
Policy Index**	1.44%	0.89%		

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.

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)

City of Hollywood Employees' Retirement Fund
Preliminary Performance Update
as of December 31, 2016

	Quarter ended March 31, 2016	Quarter ended June 30, 2016	Quarter ended September 30, 2016	Quarter ended December 31, 2016	Calendar YTD December 31, 2016
Domestic Equity					
Northern Trust	1.30%	2.44%	3.86%	3.82%	11.90%
<i>S&P 500 Index</i>	<i>1.35%</i>	<i>2.46%</i>	<i>3.86%</i>	<i>3.82%</i>	<i>11.98%</i>
TSW SMID	3.97%	3.67%	6.18%	4.14%	19.18%
<i>Russell 2500 Value Index</i>	<i>3.34%</i>	<i>4.37%</i>	<i>6.18%</i>	<i>9.34%</i>	<i>25.21%</i>
Frontier Capital	1.73%	0.89%	13.31%	3.90%	20.84%
<i>Russell 2500 Growth Index</i>	<i>-2.66%</i>	<i>2.70%</i>	<i>6.98%</i>	<i>2.60%</i>	<i>9.72%</i>
International Equity					
Wellington	-1.96%	-1.39%	6.91%	-1.54%	1.76%
<i>MSCI ACWI ex-US Index</i>	<i>-0.37%</i>	<i>-0.65%</i>	<i>6.91%</i>	<i>-1.25%</i>	<i>4.50%</i>
Brandes	4.34%	-2.77%	6.98%	1.91%	10.59%
<i>MSCI EAFE Small Cap (net)</i>	<i>-0.59%</i>	<i>-2.60%</i>	<i>8.64%</i>	<i>-2.86%</i>	<i>2.19%</i>
Fixed					
Neuberger & Berman	2.08%	1.29%	0.20%	-2.03%	1.50%
<i>Barclays Intermediate Gov't/Credit Index</i>	<i>2.45%</i>	<i>1.59%</i>	<i>0.15%</i>	<i>-2.07%</i>	<i>2.08%</i>
<i>90 Day U.S. Treasury Bill</i>	<i>0.06%</i>	<i>0.06%</i>	<i>0.07%</i>	<i>0.07%</i>	<i>0.26%</i>
Baird Advisors	3.50%	2.70%	0.87%	-2.72%	4.30%
<i>Barclays Aggregate Index</i>	<i>3.04%</i>	<i>2.22%</i>	<i>0.46%</i>	<i>-2.98%</i>	<i>2.66%</i>
Real Estate					
Morgan Stanley	2.09%	2.59%	2.47%	2.61%	10.13%
<i>NCREIF ODCE (ew) Index</i>	<i>2.44%</i>	<i>2.18%</i>	<i>2.13%</i>	<i>2.19%</i>	<i>9.24%</i>
Principal	3.19%	3.83%	2.97%	5.63%	16.53%
<i>NCREIF Property Index</i>	<i>2.21%</i>	<i>2.03%</i>	<i>0.00%</i>	<i>0.00%</i>	<i>4.28%</i>

**City of Hollywood Employees' Retirement Fund
Investment Manager Fee Table
Period Ended December 31, 2016**

<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	\$ 78,145,700	3.5 bps on assets	\$ 27,351	0.04%
TSW	SMID Cap Value Equity	\$ 19,974,685	80 bps on assets	\$ 159,797	0.80%
Frontier Capital	SMID Cap Growth Equity	\$ 23,046,101	75 bps on assets	\$ 172,846	0.75%
Wellington	International Equity	\$ 43,103,538	71 bps on assets	\$ 306,035	0.71%
Brandes	International Small Cap Equity	\$ 16,624,983	95 bps on first \$25MM, 90 bps on next \$25MM, 80 bps on balance	\$ 157,937	0.95%
Neuberger & Berman	Intermediate Fixed Income	\$ 28,722,830	30 bps on first \$50MM, 20 bps on next \$50mm, 15 bps on balance	\$ 86,168	0.30%
Baird Advisors	Core Plus Fixed Income	\$ 55,884,036	30 bps on first \$25MM, 25 bps on next \$25MM, 20 bps on next \$20MM, 15 bps on balance	\$ 152,210	0.27%
Morgan Stanley	Real Estate	\$ 23,764,420	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	\$ 199,621	0.84%
Principal ¹	Real Estate	\$ 10,190,723	130 bps on assets + incentive fee	\$ 132,479	1.30%
Neuberger Berman Crossroads XXI ²	Private Equity	\$ 4,087,590	25.8 bps on assets	\$ 10,546	0.26%
HarbourVest Dover Fund IX ³	Private Equity	\$ 322,059	70 bps on assets	\$ 2,254	0.70%
IFM Global Infrastructure ⁴	Infrastructure	\$ -	77 bps on assets	\$ -	-
Investment Management Fees		\$ 303,866,665		\$ 1,407,246	0.46%
Segal Rogerscasey	Investment Consulting		\$130,000 annual retainer	\$ 130,000	0.04%
Wells Fargo	Custodian	\$ 303,866,665	2 bps on first \$50MM, 1 bps on next \$75MM, 0.5 bps on balance	\$ 26,443	0.01%
TOTAL FEES				\$ 1,563,690	0.51%

¹Incentive fee is equal to 15% of the profits in excess of an 11% net IRR to investors.

²NB is aggregating commitments to provide best pricing for SRC 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.

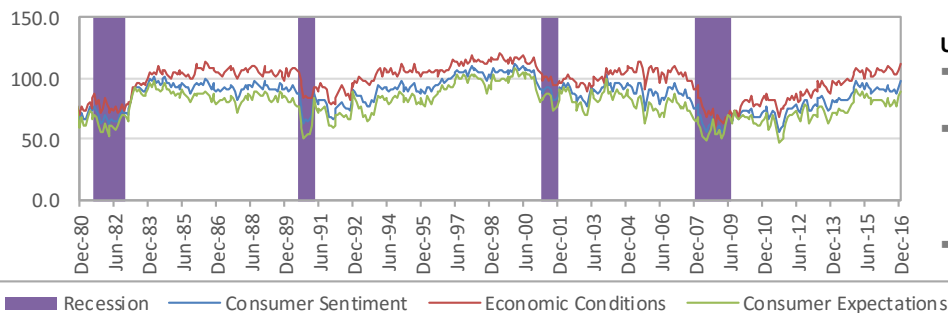
³The fee for the Dover IX Fund is 75 bps, but the City of Hollywood is receiving a 5 bps fee discount.

⁴Incentive fee is equal to 10% of the profits in excess of an 8% per annum.

U.S. Economy

- In December, the U.S. unemployment rate ticked up by 0.1% to 4.7%, while the labor force participation rate was unchanged at 62.7%. Nonfarm payrolls grew by 156,000 jobs. Employment gains were revised downward for October and upward for November.
- The University of Michigan Consumer Sentiment Index rose from 93.8 in November to 98.2 in December. Views on both present conditions and expectations improved.
- The Purchasing Manager's Index (PMI) ended November at 53.2 and December at 54.7, indicating that manufacturing growth occurred at a faster rate of change.

Consumer Sentiment Index



Sources: University of Michigan and National Bureau of Economic Research

U.S. Equity

- The Russell style and size index returns:

	Value	Core	Growth
Large Cap	2.5%	1.9%	1.2%
Mid Cap	1.8%	1.1%	0.4%
Small Cap	4.1%	2.8%	1.4%
- The Russell 3000 Index (2.0%) gained in December. All size and style indices were positive for the month. Value gained more than growth within each market cap, and small caps outperformed within each style category.
- All sector returns were positive. Telecom (8.1%) posted the strongest gain, while Consumer Discretionary (0.1%) and Materials (0.1%) increased the least.

Non-U.S. Equity (All returns in USD unless otherwise stated.)

- The MSCI EAFE Index (3.4% USD; 4.6% local) gained for the month. All size and style returns were positive, but large cap value (4.7%) gained the most.
- Pacific ex Japan (-0.5%) was the only region to post a loss, hurt by poor returns in Hong Kong (-6.4%) and New Zealand (-2.7%). Europe ex U.K. (5.7%) fared the best of all regions, boosted by strong performance in Italy (13.0%), Spain (8.3%) and Germany (7.0%).
- All sectors gained, with particularly strong performance among those that are more defensive. Energy (9.1%), Telecom (4.1%) and Utilities (3.4%) rebounded significantly from November, rising 920 bps, 1,220 bps, and 1,090 bps, respectively.

	MSCI EAFE			MSCI EM		
	Value	Core	Growth	Value	Core	Growth
Large Cap	4.7%	3.6%	2.3%	1.0%	0.4%	-0.2%
Mid Cap	3.9%	2.8%	1.9%	-0.3%	-0.7%	-1.0%
Small Cap	3.4%	2.9%	2.3%	0.2%	-0.2%	-0.6%

Emerging Markets Equity (All returns in USD unless otherwise stated.)

- The MSCI EM Index (0.3% USD; 0.1% local) was positive in December, although returns were subdued due to the continued uncertainty over U.S. foreign and trade policies and the prospect of tighter USD liquidity. Size and style returns were mixed, but large cap value (1.0%) fared the best and mid cap growth (-1.0%) was the worst performer.
- Strong returns in Russia (12.6%), Poland (8.1%) and Hungary (7.6%) contributed to a solid gain in the EMEA Index (7.2%). Latin America (0.9%) was positive, buoyed by Colombia (8.0%). Asia (-1.3%) fell, hurt mostly by China (-4.1%).
- Sector results were mixed in December. Energy (5.2%) and Financials (0.9%) posted the strongest returns, while Healthcare (-2.8%) and IT (-1.3%) declined the most.

U.S. Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index returned 0.1% in December. Treasuries fell during the month, returning -0.1%.
- Among spread sectors, corporate credit as a whole outperformed the securitized sectors. Long credit was the best performer with 194 bps of excess returns over duration-matched treasuries, followed by High Yield (+188 bps), Industrials (+98 bps), Utilities (+89 bps), and Financials (+50 bps). MBS was the best performer within the securitized sectors.
- Spread movements were mixed across the various sectors of the fixed income market. Sectors that tightened were corporates (-5 bps), MBS (-1 bps) and USD emerging market debt (-23 bps). CMBS (+8 bps) and ABS (+9 bps) widened. The Bloomberg Barclays U.S. Corporate High Yield Index returned -0.5% and spreads compressed 46 bps to 409 bps.
- While yields rose across the curve, the shape of the yield curve remained steep and relatively unchanged from November to December.

Non-U.S. Fixed Income

- In Global, the Citigroup WGBI Index returned 0.2% on a hedged basis and -0.7% on an unhedged basis.
- In the emerging markets, the JPM GBI EM Global Diversified index and the JPM EMBI Global Diversified index gained 1.9% and 1.3%, respectively.

Commodities

- The Bloomberg Commodity Index (1.8%) and the S&P GSCI (4.7%) gained as a result of strong returns in Energy (9.0% BCOM; 8.4% GSCI) and Livestock (10.0% BCOM; 7.5% GSCI). Industrial Metals (-5.0% BCOM; -5.4% GSCI), Precious Metals (-2.2% BCOM; -2.0% GSCI) and Agriculture (-2.3% BCOM; -1.3% GSCI) were negative contributors during the month.
- The price of crude oil rose from \$49/barrel in November to \$54/barrel in December, and the price of gold dropped from \$1,173/troy ounce to \$1,152/troy ounce.

Hedge Funds

- The HFRI Fund Weighted Composite Index (1.1%) gained in December.
- The HFRI Fund of Funds Composite Index (0.9%) also increased.
- All of the major hedge fund strategies posted positive results during the month.

	Month	YTD
HFRI Equity Hedge Index	0.9%	5.5%
HFRI Relative Value Index	1.2%	7.8%
HFRI Event-Driven Index	1.5%	10.2%
HFRI Emerging Markets Index	0.3%	7.1%
HFRI Macro Index	1.2%	1.5%