

HEALTH WEALTH CAREER

# NORTH CAROLINA SUPPLEMENTAL RETIREMENT PLANS

## EXECUTIVE SUMMARY

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# NC CURRENT INVESTMENT STRUCTURE

Tier I Target Date Funds	Tier II - A Passive Core Options	Tier II - B Active Core Options	Tier III Specialty Options
Goal Maker		<b>Stable Value Fund</b> Galliard Stable Value	
	<b>Fixed Income</b> BlackRock Debt Index	<b>Fixed Income Fund</b> TCW Core Plus Prudential Core Plus	
	<b>Treasury Inflation Protected Securities (TIPS)</b> BlackRock TIPS Fund	<b>Inflation Responsive Fund</b> PIMCO IRMAF	
	<b>Large Cap Equity</b> BlackRock Equity Index	<b>Large Cap Core Fund</b> Hotchkis & Wiley Large Cap Value Macquarie Large Cap Value Sands Capital Large Cap Growth Loomis Large Cap Growth	
	<b>Small/Mid Cap Equity</b> BlackRock Russell 2500 Index	<b>Small/Mid Cap Core Fund</b> Hotchkis & Wiley Mid Value Earnest Partners SMID Cap Value Wedge SMID Cap Value TimesSquare SMID Growth Brown Advisory SMID Growth	
	<b>International Equity</b> BlackRock ACWI ex US Index	<b>International Equity Fund</b> Baillie Gifford ACWI ex US Growth Mondrian ACWI ex US Value	

# EXECUTIVE SUMMARY

## **Mercer Manager Research and News Items**

- Mercer met with portfolio management teams for three NC investment strategies over the quarter
  - Baillie Gifford, Galliard, and Sands
  - Mercer did not have any concerns as a result of these meetings and retained the “A” or “A (T)” rating for all three strategies

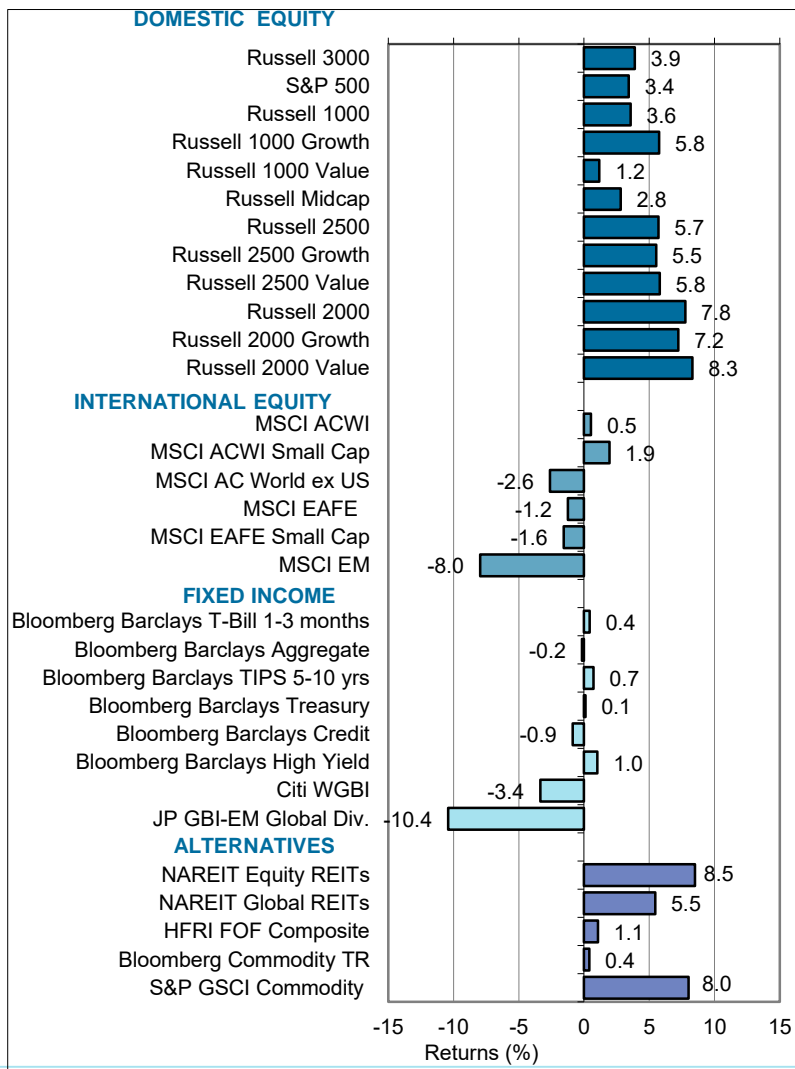
## **Performance Updates**

- As of 7/31/18, four of the five NC active Fund’s outperformed their respective indices net of fees since inception
- Currently, the Hotchkis Mid Value, TimesSquare SMID Cap Growth and Mondrian International Equity strategies are on the watch list for performance concerns
  - Hotchkis outperformed its benchmark by 410 basis points over the trailing-year and ranked in the top quartile of the peer group universe
  - Mondrian’s value oriented international equity strategy trailed the index by 140 basis points over the quarter and continued to struggle as a result of style headwinds and security selection
  - TimesSquare will be replaced by the BlackRock Russell 2500 Index in 3Q18

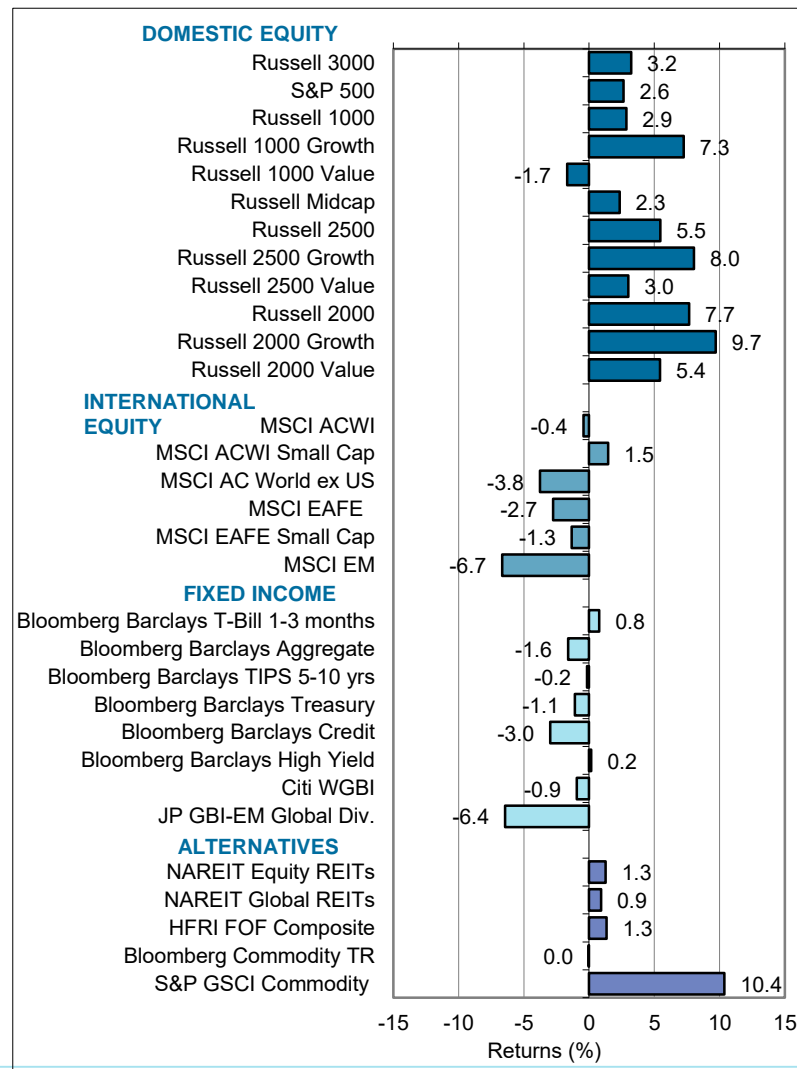
# PERFORMANCE SUMMARY

## QUARTER IN REVIEW

**Market Performance**  
Second Quarter 2018



**Market Performance**  
YTD

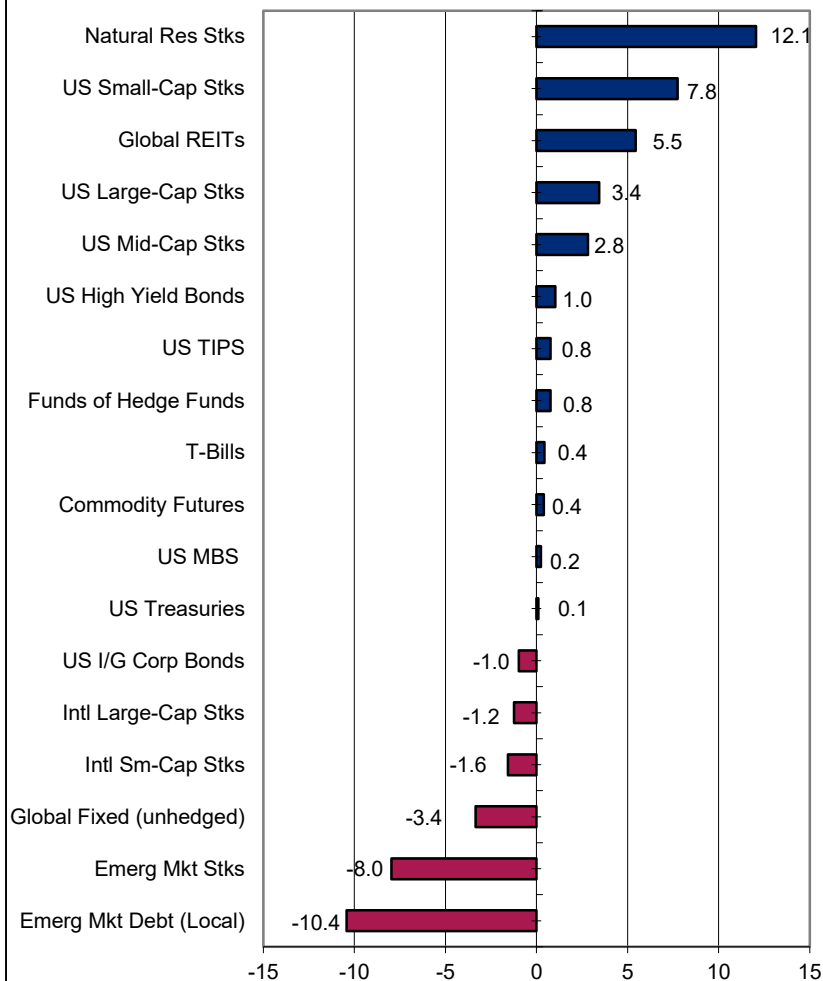


Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

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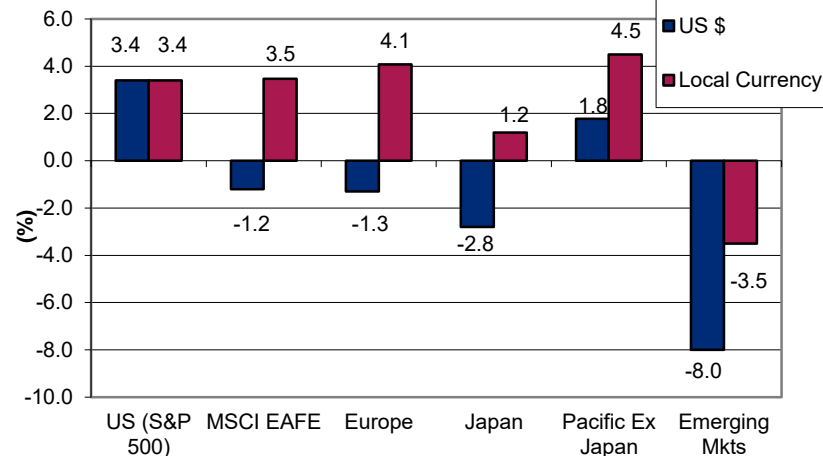
# MARKET ENVIRONMENT REVIEW

Second Quarter Performance (%)



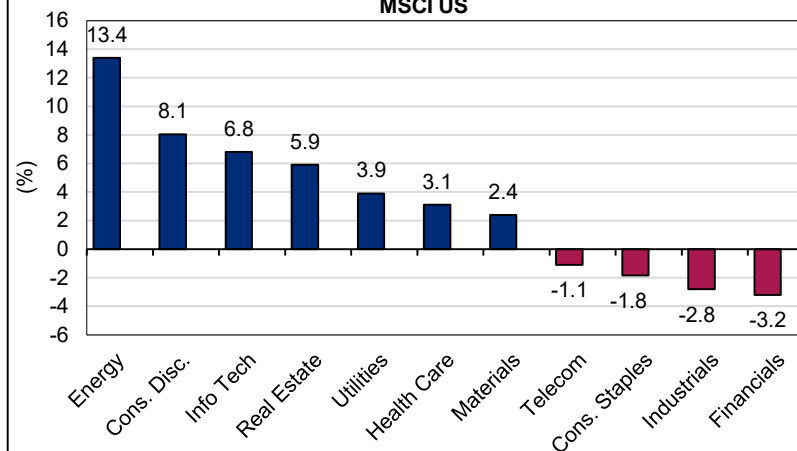
Source: Datastream

Q2 2018 Returns for Global Markets



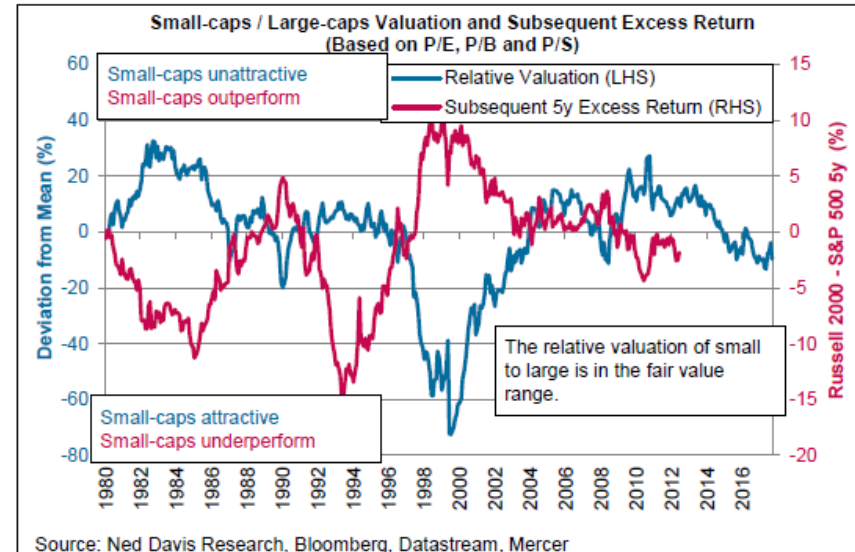
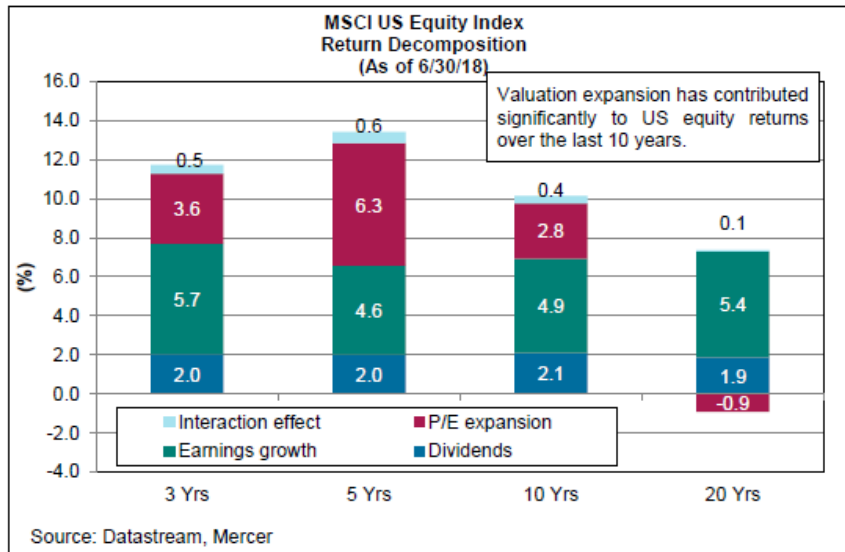
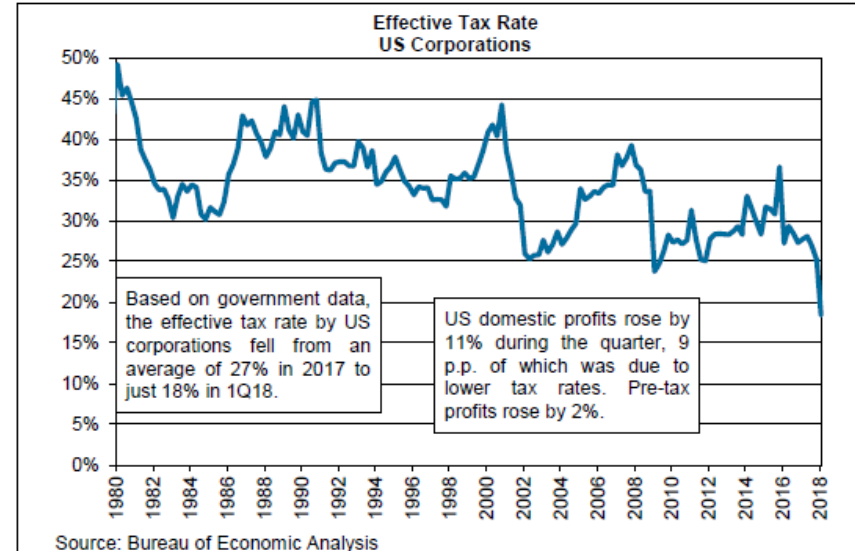
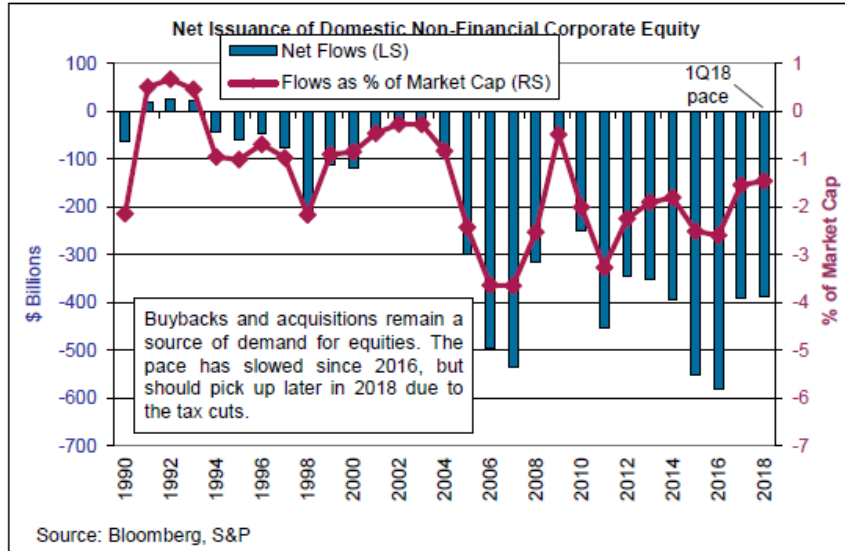
Source: MSCI, Datastream

Q2 2018 Sector Returns  
MSCI US

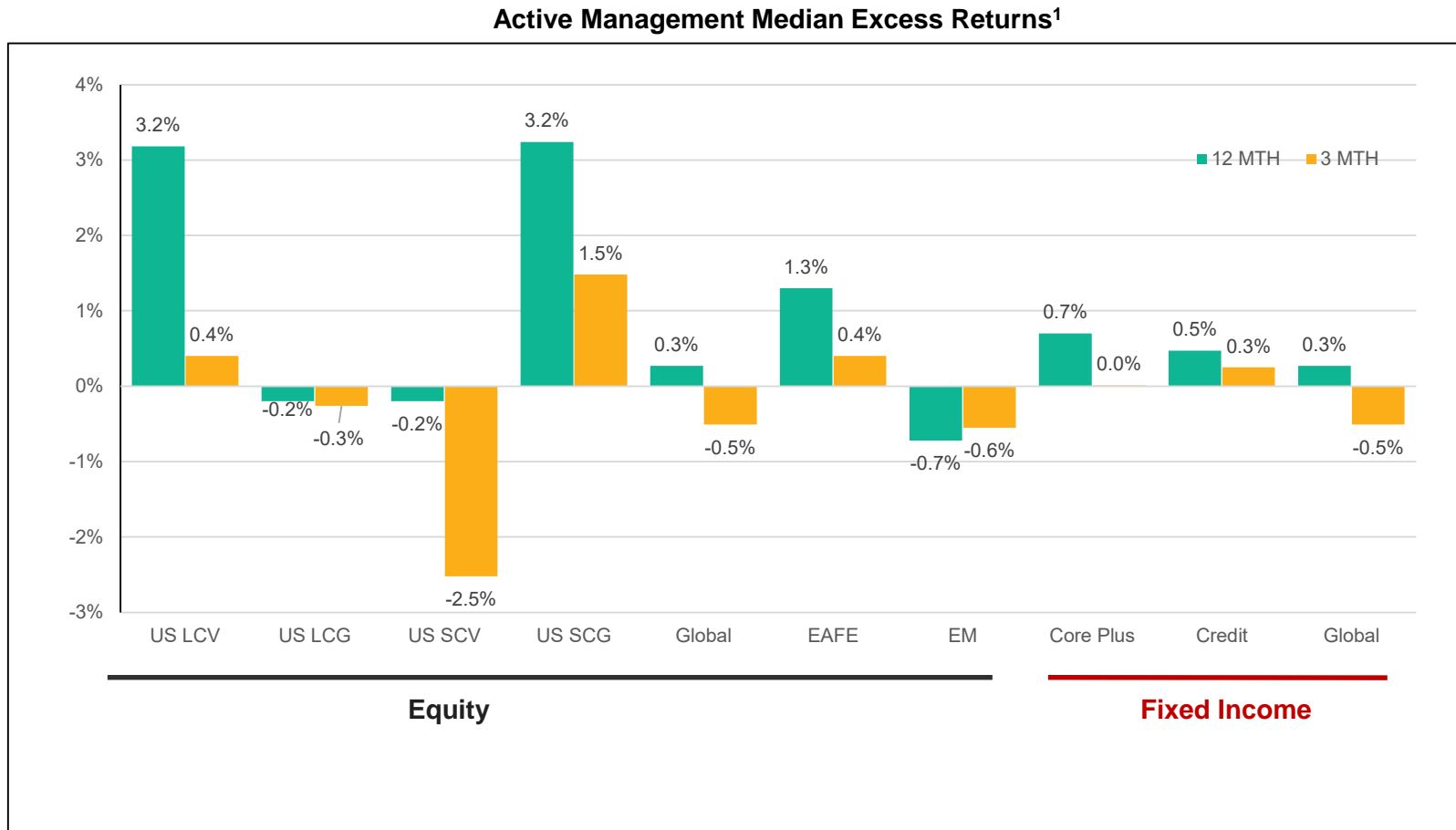


Source: MSCI

# MARKET ENVIRONMENT REVIEW



# RECENT ACTIVE MANAGER RESULTS



<sup>1</sup> Based on Mercer's Institutional Universe Data

# RUSSELL 1000 - INDIVIDUAL STOCK PERFORMANCE

## Top 10 Contributors for 3 months

	Return	Contrib
AMAZON COM INC	17.4	40
APPLE INC	10.8	39
FACEBOOK INC	21.6	32
MICROSOFT CORP	8.5	24
EXXON MOBIL CORP	12.0	15
NETFLIX INC	32.5	15
UNITEDHEALTH GROUP INC	15.0	12
ALPHABET INC CL A	8.9	11
CHEVRON CORP	11.8	10
VISA INC	10.9	10

Source: Russell, Return (%) and Contribution (bps)

## Top 10 Detractors for 3 months

	Return	Contrib
PHILIP MORRIS INTL	-17.6	-11
BERKSHIRE HATHAWAY INC	-6.4	-10
AT&T INC	-8.6	-8
JPMORGAN CHASE & CO	-4.8	-7
JOHNSON & JOHNSON	-4.6	-6
BANK OF AMERICA CORP	-5.6	-6
BRISTOL MYERS SQUIBB	-11.9	-5
3M CO	-9.8	-5
STARBUCKS CORP	-15.2	-5
GOLDMAN SACHS GROUP INC	-12.1	-4

## Top 10 Contributors for 12 months

	Return	Contrib
AMAZON COM INC	75.6	115
APPLE INC	30.5	105
MICROSOFT CORP	45.8	101
FACEBOOK INC	28.7	45
NETFLIX INC	162.0	39
BOEING CO	73.4	35
INTEL CORP	51.2	35
VISA INC	42.2	31
MASTERCARD INC	62.8	30
CISCO SYSTEMS INC	42.1	27

Source: Russell, Return (%) and Contribution (bps)

## Top 10 Detractors for 12 months

	Return	Contrib
GENERAL ELECTRIC CO	-47.9	-48
PHILIP MORRIS INTL	-28.1	-20
CELGENE CORP	-38.8	-16
ALTRIA GROUP INC	-20.4	-12
ALLERGAN PLC	-30.3	-11
COMCAST CORP CL A	-14.5	-11
AT&T INC	-10.3	-10
CVS HEALTH CORPORATION	-17.8	-6
JOHNSON & JOHNSON	-5.8	-6
WALGREENS BOOTS ALLIANCE	-21.6	-6



# MARKET ENVIRONMENT AS OF 8/17/18

## US Market Snapshot as of Friday 17 August 2018

US Equity Market	Cumulative Returns				
	1 Week	Mth to Date	Qtr to Date	Yr to Date	1 Year
S&P 500	0.7%	1.4%	5.1%	7.9%	19.6%
Russell 1000	0.6%	1.4%	4.9%	7.9%	19.7%
Russell 1000 Growth	0.3%	2.2%	5.2%	12.9%	26.6%
Russell 1000 Value	0.9%	0.7%	4.7%	2.9%	12.9%
Russell Midcap	0.8%	1.2%	3.8%	6.2%	18.1%
Russell Mid Cap Growth	0.4%	2.2%	4.4%	10.0%	24.3%
Russell Mid Cap Value	1.1%	0.6%	3.4%	3.2%	13.5%
Russell 2000	0.4%	1.4%	3.2%	11.1%	26.2%
Russell 2000 Growth	0.1%	1.8%	3.5%	13.6%	30.3%
Russell 2000 Value	0.7%	1.0%	2.8%	8.4%	21.9%
Russell 2500	0.6%	1.6%	3.6%	9.2%	23.6%
Russell 2500 Growth	0.3%	2.4%	4.3%	12.7%	29.1%
Russell 2500 Value	0.8%	1.0%	3.0%	6.1%	18.6%
Russell 3000	0.6%	1.4%	4.8%	8.2%	20.2%
Russell 1000 Consumer Discretionary	0.1%	1.5%	2.8%	12.2%	26.1%
Russell 1000 Consumer Staples	3.0%	2.6%	6.6%	-3.3%	-1.3%
Russell 1000 Energy	-3.5%	-5.6%	-4.4%	2.7%	22.5%
Russell 1000 Financial Services	1.1%	1.7%	5.4%	5.4%	18.2%
Russell 1000 Health Care	1.5%	2.5%	9.0%	12.1%	19.3%
Russell 1000 Materials & Processing	-0.2%	-2.1%	1.4%	-2.4%	11.4%
Russell 1000 Producer Durables	1.4%	-0.3%	6.1%	2.6%	16.2%
Russell 1000 Technology	-0.4%	3.1%	5.4%	16.1%	31.5%
Russell 1000 Utilities	3.0%	4.1%	6.1%	3.1%	5.4%
Russell 1000 Defensive - TR Index	1.0%	1.4%	6.0%	7.3%	18.2%
Russell 1000 Dynamic - TR Index	0.3%	1.5%	3.9%	8.6%	21.4%
Russell Fundamental US TR USD	0.9%	1.1%	4.7%	6.0%	19.2%
MSCI USA Minimum Volatility Index	1.6%	2.4%	5.8%	7.7%	15.6%

### Foreign Equity Markets

	1 Week	Mth to Date	Qtr to Date	Yr to Date	1 Year
MSCI ACWI	-0.4%	-1.1%	1.9%	1.8%	11.4%
MSCI ACWI Small Cap	-0.5%	-1.0%	0.6%	1.0%	12.3%
MSCI AC World ex US	-1.7%	-4.1%	-1.7%	-5.1%	2.5%
MSCI EAFE	-1.1%	-3.7%	-1.3%	-3.7%	3.3%
MSCI EAFE Local Index	-1.0%	-2.3%	0.2%	-0.3%	6.0%
MSCI EAFE Small Cap	-1.7%	-3.9%	-3.2%	-4.2%	5.4%
MSCI EM	-3.7%	-5.8%	-3.7%	-9.9%	-1.2%
MSCI ACWI ESG	-0.4%	-1.4%	1.7%	-0.5%	8.0%
MSCI ACWI ex Fossil Fuels	-0.3%	-0.9%	2.1%	0.1%	8.3%
MSCI ACWI Low Carbon Leaders	-0.5%	-1.2%	1.6%	0.1%	8.7%

Bond Market	Cumulative Returns				
	1 Week	Mth to Date	Qtr to Date	Yr to Date	1 Year
Bloomberg Barclays T-Bill 1-3 months	0.0%	0.1%	0.2%	1.0%	1.4%
Bloomberg Barclays Aggregate	0.0%	0.5%	0.5%	-1.1%	-0.8%
Bloomberg Barclays Treasury	0.0%	0.6%	0.1%	-0.9%	-1.3%
Bloomberg Barclays Credit	0.1%	0.5%	1.2%	-1.8%	-0.5%
Bloomberg Barclays Long Credit	0.1%	0.5%	2.0%	-4.5%	-0.8%
Bloomberg Barclays AGG Long Credit AA	0.0%	0.8%	1.0%	-3.3%	-0.4%
Bloomberg Barclays High Yield	0.0%	0.3%	1.4%	1.6%	3.5%
Citi WGBI	-0.2%	-0.8%	-1.2%	-2.2%	-1.6%
JPM GBI-EM GLOBAL DIVERS Composite - TR	-1.8%	-5.7%	-4.0%	-10.1%	-8.4%

### Others

	1 Week	Mth to Date	Qtr to Date	Yr to Date	1 Year
Pound vs. USD	-0.1%	-2.8%	-3.5%	-5.6%	-0.9%
Euro vs. USD	0.2%	-2.2%	-2.1%	-4.7%	-2.4%
Yen vs. USD	0.4%	1.2%	0.2%	2.0%	-0.8%
CAD vs. USD	0.7%	-0.4%	0.6%	-3.7%	-2.9%
60% MSCI ACWI / 40% Bbg Barclays Aggregate	-0.3%	-0.5%	1.3%	0.6%	6.5%
S&P GSCI Commodity	-1.4%	-2.7%	-6.1%	3.6%	21.2%
FTSE NAREIT All Equity REITs Index	3.1%	2.9%	3.5%	4.8%	8.6%
FTSE EPRA/NAREIT Developed Index	1.6%	0.6%	1.5%	2.4%	6.9%

### Bond Yields

	8/17/2018	Beg of Mth	Beg of Qtr	Beg of Yr	1 Year
3-Month T-Bill	1.85	1.94	1.60	1.03	1.01
10-Year Treasury	2.87	2.96	2.85	2.41	2.20
30-Year Treasury	3.03	3.08	2.99	2.74	2.78
10-Year TIPS	0.78	0.84	0.74	0.43	0.42
30-Year TIPS	0.92	0.94	0.87	0.73	0.92
Bloomberg Barclays US CORP High Yield	6.31	6.31	6.49	5.72	5.75
3-Month LIBOR	2.31	2.35	2.34	1.69	1.32
Bloomberg Barclays Aggregate	3.30	3.36	3.29	2.71	2.47
Bloomberg Barclays Long Treasury	3.01	3.07	2.97	2.69	2.70
Bloomberg Barclays Long Corporate	4.58	4.60	4.69	4.02	4.19
Bloomberg Barclays Long Govt/Credit	3.93	3.97	3.96	3.49	3.59

# 7/31/2018 FUND PERFORMANCE

As of July 31, 2018

	Allocation		Performance(%)						
	Market Value (\$)	%	Since Inception	5 Years	3 Years	1 Year	YTD	1 Month	Inception Date
<b>Total Fund excluding GM Funds</b>	<b>11,655,867,955</b>	<b>100.0</b>							
<b>Large Cap Passive</b>	<b>2,613,981,135</b>	<b>22.4</b>	<b>16.79</b>	<b>13.02</b>	<b>12.49</b>	<b>16.26</b>	<b>6.50</b>	<b>3.73</b>	<b>Apr-09</b>
S&P 500			16.89	13.12	12.52	16.24	6.47	3.72	
<b>Large Cap Core Fund</b>	<b>1,904,978,559</b>	<b>16.3</b>	<b>15.34</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8.96</b>	<b>3.11</b>	<b>Oct-17</b>
Russell 1000 Index			13.41	12.96	12.20	16.19	6.40	3.45	
<b>Mid/Small Cap Passive</b>	<b>318,525,686</b>	<b>2.7</b>	<b>17.82</b>	<b>11.25</b>	<b>11.06</b>	<b>17.16</b>	<b>7.46</b>	<b>1.91</b>	<b>Apr-09</b>
Russell 2500 Index			17.87	11.30	11.08	17.28	7.50	1.93	
<b>SMID Cap Core Fund</b>	<b>836,958,709</b>	<b>7.2</b>	<b>11.97</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.07</b>	<b>1.98</b>	<b>Oct-17</b>
Russell 2500 Index			13.13	11.30	11.08	17.28	7.50	1.93	
<b>International Passive</b>	<b>77,610,911</b>	<b>0.7</b>	<b>10.02</b>	<b>5.72</b>	<b>6.24</b>	<b>6.26</b>	<b>-1.21</b>	<b>2.41</b>	<b>Apr-09</b>
MSCI AC World ex USA			10.50	6.07	6.50	6.45	-1.10	2.42	
<b>International Equity</b>	<b>1,683,631,414</b>	<b>14.4</b>	<b>10.71</b>	<b>6.64</b>	<b>6.68</b>	<b>5.11</b>	<b>-2.59</b>	<b>2.01</b>	<b>Apr-09</b>
MSCI AC World ex USA			10.50	6.07	6.50	6.45	-1.10	2.42	
<b>Inflation Responsive Fund</b>	<b>374,106,144</b>	<b>3.2</b>	<b>1.96</b>	<b>-</b>	<b>4.35</b>	<b>3.70</b>	<b>-0.54</b>	<b>-0.35</b>	<b>Oct-13</b>
PIMCO Inflation Response Index			-0.05	-0.04	1.92	1.12	-1.41	-0.70	
<b>Fixed Income Passive Fund</b>	<b>71,200,172</b>	<b>0.6</b>	<b>2.38</b>	<b>2.17</b>	<b>1.46</b>	<b>-0.83</b>	<b>-1.61</b>	<b>0.03</b>	<b>Oct-10</b>
Blmbg. Barc. U.S. Aggregate			2.48	2.25	1.49	-0.80	-1.59	0.02	
<b>Fixed Income Fund</b>	<b>1,564,341,624</b>	<b>13.4</b>	<b>4.41</b>	<b>2.87</b>	<b>2.38</b>	<b>0.03</b>	<b>-1.36</b>	<b>0.08</b>	<b>Apr-09</b>
Blmbg. Barc. U.S. Aggregate			3.54	2.25	1.49	-0.80	-1.59	0.02	
<b>Stable Value Fund</b>	<b>2,034,005,696</b>	<b>17.5</b>	<b>2.53</b>	<b>1.94</b>	<b>2.00</b>	<b>2.16</b>	<b>1.28</b>	<b>0.19</b>	<b>Jul-09</b>
3-Year Constant Maturity Yield			1.03	1.23	1.49	2.18	1.45	0.23	
T-BILLS + 1.5%			1.79	1.94	2.21	2.96	1.85	0.28	

# FEE REVIEW

A	B	C	D	E	F	G	H	I	
					C+D+E	B*F		F-H	
Funds and Sub-Advisors	Assets	Inv. Mgmt. Fee	Custodial Expenses <sup>1</sup>	NC Budget <sup>2</sup>	Total Estimated Expense (%)	Total Estimated Expense (\$) <sup>3</sup>	Mercer Median Expense <sup>4</sup>	Difference	
<b>North Carolina Stable Value Fund<sup>5</sup></b>	<b>\$2,033,115,534</b>	<b>0.306%</b>	<b>0.002%</b>	<b>0.025%</b>	<b>0.333%</b>	<b>\$6,762,142</b>	<b>0.42%</b>	<b>-0.08%</b>	F-H 1
Galliard	\$2,033,115,534	0.306%	0.000%			\$6,221,334	0.42%	-0.11%	
<b>North Carolina Fixed Income Passive</b>	<b>\$71,520,327</b>	<b>0.020%</b>	<b>0.014%</b>	<b>0.025%</b>	<b>0.059%</b>	<b>\$41,911</b>	<b>0.15%</b>	<b>-0.09%</b>	
BlackRock	\$71,520,327	0.020%	0.000%			\$14,304	0.02%	0.00%	
<b>North Carolina Fixed Income Fund</b>	<b>\$1,564,021,745</b>	<b>0.136%</b>	<b>0.011%</b>	<b>0.025%</b>	<b>0.171%</b>	<b>\$2,682,054</b>	<b>0.46%</b>	<b>-0.29%</b>	
50% TCW	\$781,724,447	0.151%	0.000%			\$1,181,724	0.22%	-0.07%	
50% Prudential	\$782,297,298	0.120%	0.000%			\$938,757	0.22%	-0.10%	
<b>North Carolina Inflation Sensitive Fund</b>	<b>\$373,944,167</b>	<b>0.690%</b>	<b>0.144%</b>	<b>0.025%</b>	<b>0.859%</b>	<b>\$3,211,059</b>	<b>0.83%</b>	<b>0.03%</b>	
PIMCO	\$373,944,167	0.690%	0.000%			\$2,580,215	0.83%	-0.14%	
<b>North Carolina Large Cap Passive Fund</b>	<b>\$2,517,836,978</b>	<b>0.005%</b>	<b>0.012%</b>	<b>0.025%</b>	<b>0.042%</b>	<b>\$1,047,420</b>	<b>0.20%</b>	<b>-0.16%</b>	
BlackRock	\$2,517,836,978	0.005%	0.000%			\$125,892	0.01%	-0.01%	
<b>North Carolina Large Cap Core Fund</b>	<b>\$1,858,819,317</b>	<b>0.285%</b>	<b>0.004%</b>	<b>0.025%</b>	<b>0.324%</b>	<b>\$6,015,315</b>	<b>0.65%</b>	<b>-0.33%</b>	
25.00% BlackRock Russell 1000 Index	\$458,792,015	0.005%	0.000%			\$22,940	0.01%	-0.01%	
18.75% Hotchkis & Wiley	\$350,801,481	0.400%	0.000%			\$1,403,206	0.43%	-0.03%	
18.75% Macquarie	\$347,745,328	0.279%	0.000%			\$970,491	0.43%	-0.15%	
18.75% Sands Capital Management	\$353,075,040	0.450%	0.000%			\$1,588,838	0.45%	0.00%	
18.75% Loomis Sayles	\$348,405,453	0.383%	0.000%			\$1,335,216	0.45%	-0.07%	
<b>North Carolina SMID Cap Passive Fund</b>	<b>\$309,932,834</b>	<b>0.005%</b>	<b>0.016%</b>	<b>0.025%</b>	<b>0.046%</b>	<b>\$141,639</b>	<b>0.27%</b>	<b>-0.22%</b>	
BlackRock	\$309,932,834	0.005%	0.000%			\$15,497	0.02%	-0.02%	
<b>North Carolina SMID Core Fund</b>	<b>\$819,353,109</b>	<b>0.532%</b>	<b>0.002%</b>	<b>0.025%</b>	<b>0.559%</b>	<b>\$4,578,660</b>	<b>0.93%</b>	<b>-0.37%</b>	
5.00% BlackRock Russell 2500 Index	\$41,381,434	0.005%	0.000%			\$2,069	0.01%	-0.01%	
15.83% Hotchkis & Wiley	\$129,502,263	0.500%	0.000%			\$647,511	0.62%	-0.12%	
15.83% EARNEST Partners	\$127,897,756	0.470%	0.000%			\$601,119	0.75%	-0.28%	
15.83% WEDGE Capital Management	\$129,588,492	0.632%	0.000%			\$818,354	0.75%	-0.12%	
23.75% TimesSquare Capital Management	\$194,558,821	0.647%	0.000%			\$1,259,514	0.75%	-0.10%	
23.75% Brown Advisory	\$196,424,343	0.523%	0.000%			\$1,027,163	0.77%	-0.25%	
<b>North Carolina International Passive Fund</b>	<b>\$76,296,850</b>	<b>0.025%</b>	<b>0.039%</b>	<b>0.025%</b>	<b>0.089%</b>	<b>\$67,523</b>	<b>0.35%</b>	<b>-0.26%</b>	
BlackRock	\$76,296,850	0.025%	0.000%			\$18,693	0.06%	-0.04%	
<b>North Carolina International Equity Fund</b>	<b>\$1,647,461,344</b>	<b>0.332%</b>	<b>0.012%</b>	<b>0.025%</b>	<b>0.368%</b>	<b>\$6,067,285</b>	<b>0.89%</b>	<b>-0.52%</b>	
50% Baillie Gifford	\$824,048,945	0.276%	0.000%			\$2,275,694	0.52%	-0.24%	
50% Mondrian Investment Partners	\$823,412,399	0.387%	0.000%			\$3,189,914	0.52%	-0.13%	
<b>North Carolina TIPS Fund</b>	<b>\$173,258,704</b>	<b>0.025%</b>	<b>0.006%</b>	<b>0.025%</b>	<b>0.056%</b>	<b>\$96,678</b>	<b>0.39%</b>	<b>-0.33%</b>	
BlackRock	\$173,258,704	0.025%	0.000%			\$43,315	0.54%	-0.51%	
<b>Total</b>	<b>\$11,445,560,909</b>	<b>0.229%</b>	<b>0.012%</b>	<b>0.025%</b>	<b>0.268%</b>	<b>\$30,711,687</b>	<b>0.524%</b>		

<sup>1</sup>Based on annualized monthly fee accruals as of 6/30/2018

<sup>2</sup>The cost of the budget associated with the management of the Supplemental Retirement Plans, borne by each investment option in proportion to the pro-rate share of the applicable assets in that fund.

<sup>3</sup>Manager fee estimates reflect investment management fee only, does not include \$31 per participant record-keeping fee.

<sup>4</sup>Total Fund median expenses are compared against their respective Mercer Mutual Fund Institutional Universe, while the individual managers are compared to peers with the same vehicle and strategy assets.

<sup>5</sup>Mercer Stable Value Median for Funds with over \$500M in assets

\*PIMCO Inflation Sensitive Fund's TER is increasing to 1.22% based on the 7/31/18 prospectus as a result of net interest expense increases

# PUBLIC EQUITY VIEWS

Asset Class	July 2018	Commentary
<b>Global Developed Equities</b>	Neutral	While the macro environment remains healthy, which should be supportive of earnings, downside risks have grown due to trade tensions and the further withdrawal of central bank liquidity. Meanwhile, elevated valuations leave little margin for error.
<i>US Equities</i>	<i>Underweight</i>	While US equities appear expensive, there is cause for short-term optimism. The tax cuts are leading to stronger earnings and firms are using some of the proceeds to buy back shares, reducing supply. However, the intermediate-term outlook is more worrisome because the tight labor market has the potential to squeeze profit margins and valuations are high.
<i>US Small-cap Equities</i>	Neutral	The relative valuation of small to large is in the fair value range. Small-caps should benefit more than large-caps from tax cuts and faster domestic growth and large-caps are more exposed to tariffs, although small-caps are more sensitive to tighter monetary policy.
<i>International Developed Equities</i>	Overweight	While US stocks have a tailwind from corporate tax reform, faster GDP growth and strongly performing technology stocks, we continue to favor non-US stocks over the intermediate-term. Valuations are more attractive overseas and there is more room for earnings growth as economies are in the earlier stages of their economic cycle.
<i>International Small-cap Equities</i>	Neutral	Relative valuations between large-caps and small-caps are close to neutral. Small-caps are more exposed to political risk, but protectionism poses a greater threat to large-cap firms.
<b>Emerging Market Equities</b>	Overweight	Protectionism and the strong dollar could continue to weigh on emerging markets over the near-term and performance is likely to remain sensitive to changes in sentiment and capital flows. However, given the overall favorable macro backdrop and relatively attractive valuations, we continue to recommend overweighting emerging stocks.
<b>Global Defensive Equities</b>	Underweight	While defensive stocks are likely to protect losses in the event of a bear market, valuations are relatively expensive and they are more sensitivity to rising interest rates.

# DEFENSIVE FIXED INCOME VIEWS



US Treasuries



US TIPS



US Investment-grade  
Corporates



Defensive Fixed Income



Duration

● Overweight

● Neutral

● Underweight

Asset Class	July 2018	Commentary
US Treasuries	Neutral	The tight labor market and fiscal stimulus are likely to lead to more inflationary pressures, while quantitative tightening (QT) should place upward pressure on term premiums.
US TIPS	Overweight	The inflation breakeven rate on 10-year TIPS increased by 6 bps to 2.11%. We continue to prefer TIPS over Treasuries since TIPS provide inexpensive insurance against a rise in inflation.
US Investment-grade corporates	Underweight	Credit spreads remain fairly tight and the quality of the universe is worse than before previous recessions. While a recession is unlikely over the next 12 months, the reward-to-risk of credit is unfavorable. As such, we recommend underweighting credit in defensive fixed income.
Duration	Underweight	The yield curve has flattened substantially with the 10Y offering only a 1% premium to cash. We believe bond yields are likely to rise by more than the increase implied by forward rates.

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# North Carolina Supplemental Retirement Plans

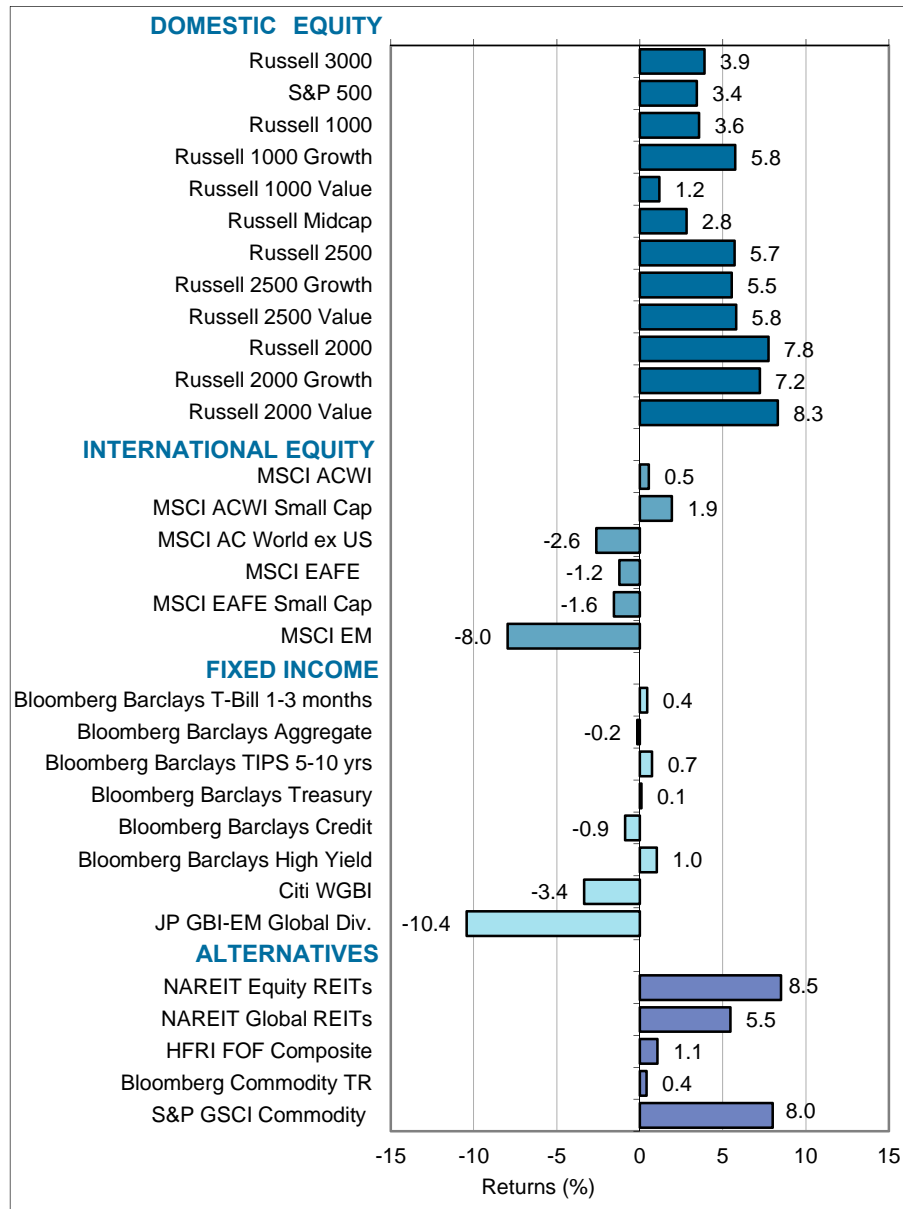
## Performance Evaluation Report

Second Quarter 2018



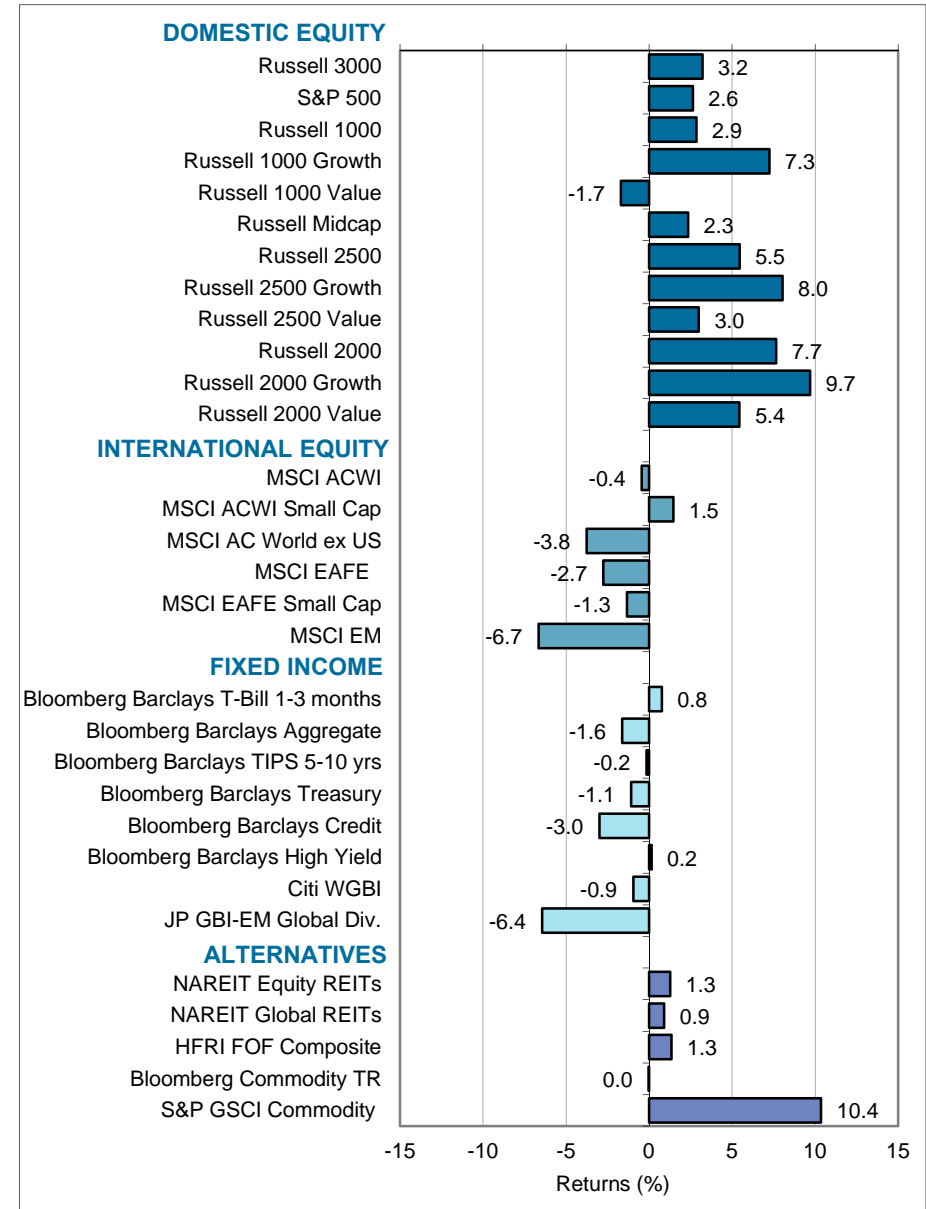
## Performance Summary - Quarter in Review

### Market Performance Second Quarter 2018



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg

### Market Performance YTD



Source: Standard & Poor's, Russell, MSCI Barra, NAREIT, Bloomberg



# NC CURRENT INVESTMENT STRUCTURE

Tier I Target Date Funds	Tier II - A Passive Core Options	Tier II - B Active Core Options	Tier III Specialty Options
Goal Maker		<b>Stable Value Fund</b> Galliard Stable Value	
	<b>Fixed Income</b> BlackRock Debt Index	<b>Fixed Income Fund</b> TCW Core Plus Prudential Core Plus	
	<b>Treasury Inflation Protected Securities (TIPS)</b> BlackRock TIPS Fund	<b>Inflation Responsive Fund</b> PIMCO IRMAF	
	<b>Large Cap Equity</b> BlackRock Equity Index	<b>Large Cap Core Fund</b> Hotchkis & Wiley Large Cap Value Macquarie Large Cap Value Sands Capital Large Cap Growth Loomis Large Cap Growth	
	<b>Small/Mid Cap Equity</b> BlackRock Russell 2500 Index	<b>Small/Mid Cap Core Fund</b> Hotchkis & Wiley Mid Value Earnest Partners SMID Cap Value Wedge SMID Cap Value TimesSquare SMID Growth Brown Advisory SMID Growth	
	<b>International Equity</b> BlackRock ACWI ex US Index	<b>International Equity Fund</b> Baillie Gifford ACWI ex US Growth Mondrian ACWI ex US Value	

# Fee Review

A	B	C	D	E	F	G	H	I	
					C+D+E	B*F		F-H	
Funds and Sub-Advisors	Assets	Inv. Mgmt. Fee	Custodial Expenses <sup>1</sup>	NC Budget <sup>2</sup>	Total Estimated Expense (%)	Total Estimated Expense (\$) <sup>3</sup>	Mercer Median Expense <sup>4</sup>	Difference	
<b>North Carolina Stable Value Fund<sup>5</sup></b>	<b>\$2,033,115,534</b>	<b>0.306%</b>	<b>0.002%</b>	<b>0.025%</b>	<b>0.333%</b>	<b>\$6,762,142</b>	0.42%	-0.08%	F-H 1
Galliard	\$2,033,115,534	0.306%	0.000%			\$6,221,334	0.42%	-0.11%	
<b>North Carolina Fixed Income Passive Fund</b>	<b>\$71,520,327</b>	<b>0.020%</b>	<b>0.014%</b>	<b>0.025%</b>	<b>0.059%</b>	<b>\$41,911</b>	0.15%	-0.09%	
BlackRock	\$71,520,327	0.020%	0.000%			\$14,304	0.02%	0.00%	
<b>North Carolina Fixed Income Fund</b>	<b>\$1,564,021,745</b>	<b>0.136%</b>	<b>0.018%</b>	<b>0.025%</b>	<b>0.178%</b>	<b>\$2,789,972</b>	0.46%	-0.28%	
50% TCW	\$781,724,447	0.151%	0.000%			\$1,181,724	0.22%	-0.07%	
50% Prudential	\$782,297,298	0.120%	0.000%			\$938,757	0.22%	-0.10%	
<b>North Carolina Inflation Sensitive Fund</b>	<b>\$373,944,167</b>	<b>0.690%</b>	<b>0.144%</b>	<b>0.025%</b>	<b>0.859%</b>	<b>\$3,211,059</b>	0.83%	0.03%	
PIMCO	\$373,944,167	0.690%	0.000%			\$2,580,215	0.83%	-0.14%	
<b>North Carolina Large Cap Passive Fund</b>	<b>\$2,517,836,978</b>	<b>0.005%</b>	<b>0.012%</b>	<b>0.025%</b>	<b>0.042%</b>	<b>\$1,047,420</b>	0.20%	-0.16%	
BlackRock	\$2,517,836,978	0.005%	0.000%			\$125,892	0.01%	-0.01%	
<b>North Carolina Large Cap Core Fund</b>	<b>\$1,858,819,317</b>	<b>0.285%</b>	<b>0.004%</b>	<b>0.025%</b>	<b>0.324%</b>	<b>\$6,015,315</b>	0.65%	-0.33%	
25.00% BlackRock Russell 1000 Index	\$458,792,015	0.005%	0.000%			\$22,940	0.01%	-0.01%	
18.75% Hotchkis & Wiley	\$350,801,481	0.400%	0.000%			\$1,403,206	0.43%	-0.03%	
18.75% Macquarie	\$347,745,328	0.279%	0.000%			\$970,491	0.43%	-0.15%	
18.75% Sands Capital Management	\$353,075,040	0.450%	0.000%			\$1,588,838	0.45%	0.00%	
18.75% Loomis Sayles	\$348,405,453	0.383%	0.000%			\$1,335,216	0.45%	-0.07%	
<b>North Carolina SMID Cap Passive Fund</b>	<b>\$309,932,834</b>	<b>0.005%</b>	<b>0.016%</b>	<b>0.025%</b>	<b>0.046%</b>	<b>\$141,639</b>	0.27%	-0.22%	
BlackRock	\$309,932,834	0.005%	0.000%			\$15,497	0.02%	-0.02%	
<b>North Carolina SMID Core Fund</b>	<b>\$819,353,109</b>	<b>0.532%</b>	<b>0.002%</b>	<b>0.025%</b>	<b>0.559%</b>	<b>\$4,578,660</b>	0.93%	-0.37%	
5.00% BlackRock Russell 2500 Index	\$41,381,434	0.005%	0.000%			\$2,069	0.01%	-0.01%	
15.83% Hotchkis & Wiley	\$129,502,263	0.500%	0.000%			\$647,511	0.62%	-0.12%	
15.83% EARNEST Partners	\$127,897,756	0.470%	0.000%			\$601,119	0.75%	-0.28%	
15.83% WEDGE Capital Management	\$129,588,492	0.632%	0.000%			\$818,354	0.75%	-0.12%	
23.75% TimesSquare Capital Management	\$194,558,821	0.647%	0.000%			\$1,259,514	0.75%	-0.10%	
23.75% Brown Advisory	\$196,424,343	0.523%	0.000%			\$1,027,163	0.77%	-0.25%	
<b>North Carolina International Passive Fund</b>	<b>\$76,296,850</b>	<b>0.025%</b>	<b>0.039%</b>	<b>0.025%</b>	<b>0.089%</b>	<b>\$67,523</b>	0.35%	-0.26%	
BlackRock	\$76,296,850	0.025%	0.000%			\$18,693	0.06%	-0.04%	
<b>North Carolina International Equity Fund</b>	<b>\$1,647,461,344</b>	<b>0.332%</b>	<b>0.026%</b>	<b>0.025%</b>	<b>0.382%</b>	<b>\$6,297,930</b>	0.89%	-0.51%	
50% Baillie Gifford	\$824,048,945	0.276%	0.000%			\$2,275,694	0.52%	-0.24%	
50% Mondrian Investment Partners	\$823,412,399	0.387%	0.000%			\$3,189,914	0.52%	-0.13%	
<b>North Carolina TIPS Fund</b>	<b>\$173,258,704</b>	<b>0.025%</b>	<b>0.006%</b>	<b>0.025%</b>	<b>0.056%</b>	<b>\$96,678</b>	0.39%	-0.33%	
BlackRock	\$173,258,704	0.025%	0.000%			\$43,315	0.54%	-0.51%	
<b>Total</b>	<b>\$11,445,560,909</b>	<b>0.229%</b>	<b>0.015%</b>	<b>0.025%</b>	<b>0.271%</b>	<b>\$31,050,249</b>	<b>0.524%</b>		

<sup>1</sup> Based on annualized monthly fee accruals as of 6/30/2018

<sup>2</sup> The cost of the budget associated with the management of the Supplemental Retirement Plans, borne by each investment option in proportion to the pro-rate share of the applicable assets in that fund.

<sup>3</sup> Manager fee estimates reflect investment management fee only, does not include \$31 per participant record-keeping fee.

<sup>4</sup> Total Fund median expenses are compared against their respective Mercer Mutual Fund Institutional Universe, while the individual managers are compared to peers with the same vehicle and strategy assets.

<sup>5</sup> Mercer Stable Value Median for Funds with over \$500M in assets

## Performance Scorecard

	Mercer Rating	Return								Risk <sup>1</sup>
		3 Years to 06/30/2018		3 Years to 03/31/2018		3 Years to 12/31/2017		3 Years to 09/30/2017		5 Years to 06/30/2018
		I	U	I	U	I	U	I	U	I
<b>Large Cap Passive Fund (tracked within 20bps)</b>		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Equity Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
<b>Large Cap Core Fund<sup>2</sup></b>		✓	✓	✓	✓	✓	✓	✓	✓	NA
Hotchkis & Wiley Large Cap Value	A (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓
Macquarie Large Cap Value <sup>3</sup>	A	✗	✓	✓	✓	✓	✓	✓	✓	✓
Sands Capital Large Cap Growth	A (T)	✓	✓	✗	✓	✗	✗	✗	✗	✓
Loomis Large Cap Growth	B+ (T)	✓	✓	✓	✓	✓	✓	✓	✓	✓

<sup>1</sup> A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

<sup>2</sup> Represents the Large Cap Core Composite.

<sup>3</sup> Represents the Macquarie Large Cap Value Composite.

\* A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

## Performance Scorecard

	Mercer Rating	Return								Risk <sup>1</sup>
		3 Years to 06/30/2018		3 Years to 03/31/2018		3 Years to 12/31/2017		3 Years to 09/30/2017		5 Years to 06/30/2018
		I	U	I	U	I	U	I	U	I
<b>Mid/Small Cap Passive Fund (tracked within 30 bps)</b>		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Russell 2500 Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
<b>Mid/Small Cap Core Fund<sup>2</sup></b>		✓	✓	✓	✓	✓	✓	✓	✓	NA
Hotchkis & Wiley SMID Cap Value	B+ (T)	✗	✗	✗	✗	✗	✗	✗	✗	✓
EARNEST Partners SMID Cap Value	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓
WEDGE SMID Cap Value	B+	✗	✗	✗	✗	✓	✓	✓	✓	✓
TimesSquare SMID Cap Growth	A	✗	✗	✗	✗	✗	✗	✗	✗	✓
Brown Advisory	B+	✓	✓	✓	✓	✓	✓	✓	✓	✓

<sup>1</sup> A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

<sup>2</sup> Represents the gross of fee Mid/Small Cap Core Composite.

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## Performance Scorecard

	Mercer Rating	Return								Risk <sup>1</sup>
		3 Years to 06/30/2018		3 Years to 03/31/2018		3 Years to 12/31/2017		3 Years to 09/30/2017		5 Years to 06/30/2018
		I	U	I	U	I	U	I	U	I
<b>International Passive Fund (tracked within 60 bps)</b>		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock ACWI ex US Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA
<b>International Equity Fund</b>		✓	✓	✓	✓	✓	✓	✓	✓	NA
Baillie Gifford ACWI ex US Growth	A	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mondrian ACWI ex US Value	B+	✗	✗	✗	✗	✗	✗	✗	✗	✓
<b>Inflation Responsive Fund</b>		✓	✓	✓	✓	✓	✓	✓	✓	NA
PIMCO Inflation Response-Multi Asset	B+	✓	✓	✓	✓	✓	✓	✓	✓	NA
<b>Fixed Income Passive Fund (tracked within 25 bps)</b>		✓	NA	✓	NA	✓	NA	✓	NA	NA
BlackRock Debt Index Fund	A	✓	NA	✓	NA	✓	NA	✓	NA	NA

<sup>1</sup> A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

\* A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

## Performance Scorecard

	Mercer Rating	Return								Risk <sup>1</sup>	
		3 Years to 06/30/2018		3 Years to 03/31/2018		3 Years to 12/31/2017		3 Years to 09/30/2017		5 Years to 06/30/2018	
		I	U	I	U	I	U	I	U	I	
<b>Fixed Income Fund</b>		✓	✓	✓	✓	✓	✓	✓	✓	NA	
TCW Core Plus <sup>2</sup>	A	✓	✗	✓	✗	✓	✗	✓	✗	✓	
Prudential Core Plus	A	✓	✓	✓	✓	✓	✓	✓	✓	✓	
<b>Treasury Inflation Protected Securities Fund</b>		NA	NA	NA	NA	NA	NA	NA	NA	NA	
BlackRock TIPS Fund <sup>3</sup>	A	NA	NA	NA	NA	NA	NA	NA	NA	NA	
<b>Stable Value Fund</b>	A	✓	✓	✓	✓	✓	✓	✓	✓	NA	

<sup>1</sup> A check mark is given if the fund's/manager's standard deviation is within 150% of the benchmark's. For the International Equity Fund, the stated threshold is within 125%.

<sup>2</sup> Represents the TCW Core Plus Composite.

<sup>3</sup> The BlackRock TIPS Fund was created at the beginning of the third quarter of 2018. Longer history is not available.

\* A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

## Watch List Criteria

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- 1) **Performance:** The underlying manager strategy has trailed the benchmark and peer group universe over four consecutive 3 year periods, as highlighted on the Performance Scorecard. A candidate can also be added to the watch list if performance is not explained by the managers style or investment philosophy
- 2) **Philosophy Change:** Underlying manager strategy has had a material change to the investment process or philosophy, from what was originally established
- 3) **Organizational Instability:** Organizational or team turnover that could materially affect the investment process

## Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Mondrian International Equity Manager	1Q18	B+	Maintain Watch Status	<p>Mondrian is a long-term, value oriented manager that utilizes a dividend discount model to generate a real return forecast for each stock that meets its investment criteria based on a screen for value factors. They construct a concentrated, low turnover portfolio that blends top down and bottom up security selection. The strategy typically displays tilts towards companies with higher dividend yields and lower debt on their balance sheets. This high quality approach has historically protected well on the downside but has lagged during strong growth markets. Mondrian believes that quantitative easing and low interest rates since the financial crisis have distorted discount rates and this has supported the extended period of outperformance of growth over value. Furthermore, despite rising rates in the US, Mondrian points to low interest rates elsewhere and the still growing balance sheets of advanced economies in aggregate to show quantitative tightening has not yet arrived in a global manner.</p> <p>Over the first quarter of 2018, Mondrian underperformed the MSCI AC World ex US benchmark by 40 basis points and ranked in the 72nd percentile of the peer group universe. We wouldn't expect Mondrian to outperform during a period where dividend paying value oriented equities were significantly out of favor. Mondrian typically does a good job protecting in down markets. The first quarter was a bit unique, as the market sold off indiscriminately during February but was quickly followed by higher growth names surging back.</p> <p>In the second quarter of 2018, Mondrian underperformed the MSCI AC World ex US benchmark by 140 basis points, but only trailed its style specific value benchmark by 20 basis points. Mondrian was hurt significantly by an overweight allocation to Brazil, as the Brazilian Real lost 14.8% relative to the US dollar amid political uncertainty. Additionally, the strategy struggled with security selection in the more growth oriented consumer discretionary sector.</p>

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## Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
TimesSquare SMID Growth	3Q16	A	To be Eliminated from SMID Core Fund	<p>TSCM's investment process utilizes a fundamental growth equity approach. They place particular emphasis on management quality and how the management teams are aligned with shareholders, along with a detailed understanding of what constitutes a superior business model. TSCM seeks companies that have experienced, properly motivated management teams with distinct sustainable competitive advantages. The team will focus on securities that have the potential to appreciate 25%-50% over the next 18-month period. The team is constantly reviewing security valuations and will re-examine securities when they near the target price set at purchase. The strategy will have close to 100 names so position sizes are relatively smaller.</p> <p>The strategy has struggled more recently, as it underperformed over the last five calendar years. Historically, the higher quality fundamental approach has been beneficial during falling markets and that is where the strategy had added a significant portion of its alpha. Over 2017, TimesSquare trailed the index by 230 basis points and ranked in the bottom half of the peer group universe. TimeSquare continued to struggle with selection in the healthcare sector, as this was responsible for a majority of the strategy's underperformance. TimesSquare was hurt by its underweight to the more speculative biotechnology industry but the selection within health care services was the largest detractor. Security selection in the health care sector has detracted from performance each of the last four years and continues to be a headwind for the team. In 2018, the portfolio outperformed in the first quarter due to an overweight allocation to the strong performing information technology, but underperformed in the second quarter by 140 basis points to end up 60 basis points below their benchmark over the first two quarters of 2018. Their underperformance in the second quarter was largely attributed to stock selection, especially in Information Technology, Consumer Discretionary, and Financials.</p> <p>TSCM experienced analyst turnover in late 2015 and replaced the departures with two experienced analysts, one focusing on healthcare services while the other focused on biotechnology. The portfolio holdings have turned over significantly over the last two years but performance continued to trail the broad market. The health care sector represents 18.4% of the benchmark, therefore we think it is important that TSCAM have a strong experienced team in place to analyze this area of the universe. They hired another experienced health care analyst with 24 years of experience in May 2018. We view this as a positive move and will continue monitoring progress in the health care sector.</p>

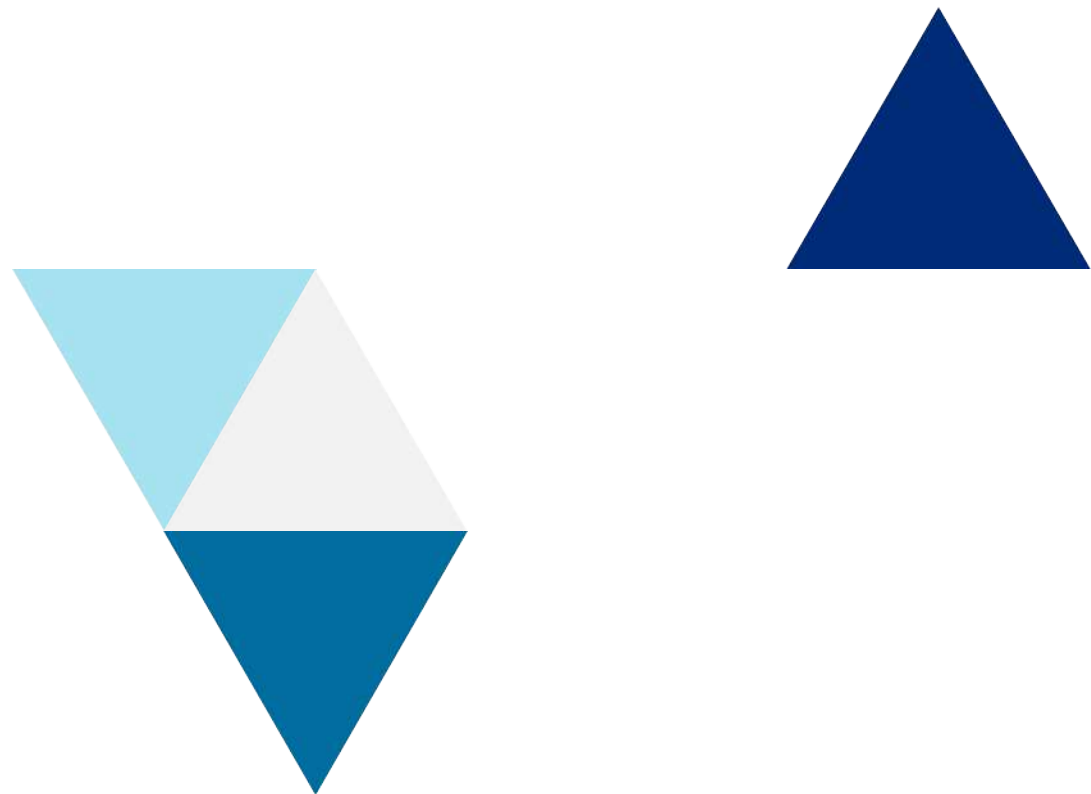
\* A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

## Watch List

Manager	Date Placed on Watch	Mercer Rating*	Recommendation	Comments
Hotchkis and Wiley Mid Cap	1Q17	B+ (T)	Maintain Watch Status	<p>Hotchkis &amp; Wiley's Mid Cap Value strategy utilizes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies where the intrinsic value of the companies future cash flows exceeds the market price. The team does not consider benchmark characteristics in portfolio construction, as they view permanent loss of capital the primary source of risk. Hotchkis believes that the low valuations and lower leverage provides them a margin of safety.</p> <p>Hotchkis was added to the Watch List in 2017, after a difficult period in 2016 when more defensive, higher dividend paying securities with higher valuations led the market. Hotchkis, like many other value managers, did not hold these names and this negatively impacted relative performance. During 2017, Hotchkis again trailed the benchmark by 140 basis points and ranked in the bottom quartile of the peer group universe. Growth continued to outperform value within mid cap equities and the spread was 12% over the year.</p> <p>Hotchkis remained largely overweight the energy sector (16.4% relative to the index at the beginning of the second quarter of 2018) and this was a significant headwind for the strategy throughout 2017. In 2018, Hotchkis outperformed in both the first and second quarters, beating their benchmark over the six month period by 410 basis points and ranked in the top quartile for their peer group universe. Their energy related holdings performed extremely well during the first quarter and were top overall contributors. During the second quarter, the Energy sector was the top-performing sector and Hotchkis's overweight position and positive stock selection within the sector contributed over 400 basis points to relative performance.</p> <p>We continue to have confidence in Hotchkis and Wiley's deeper value approach and expect them to outperform the benchmark over a full market cycle.</p>

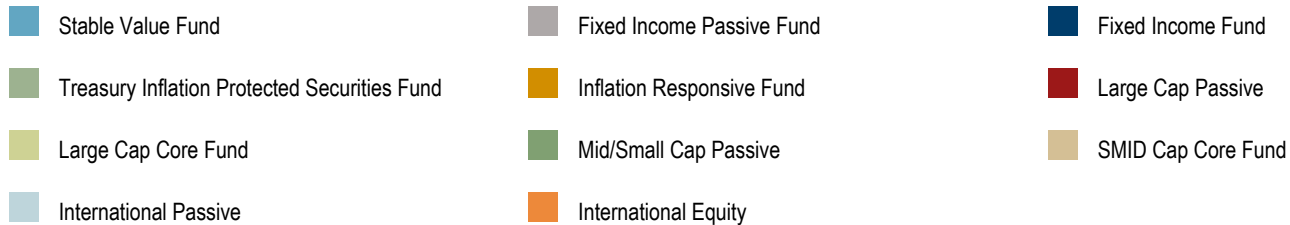
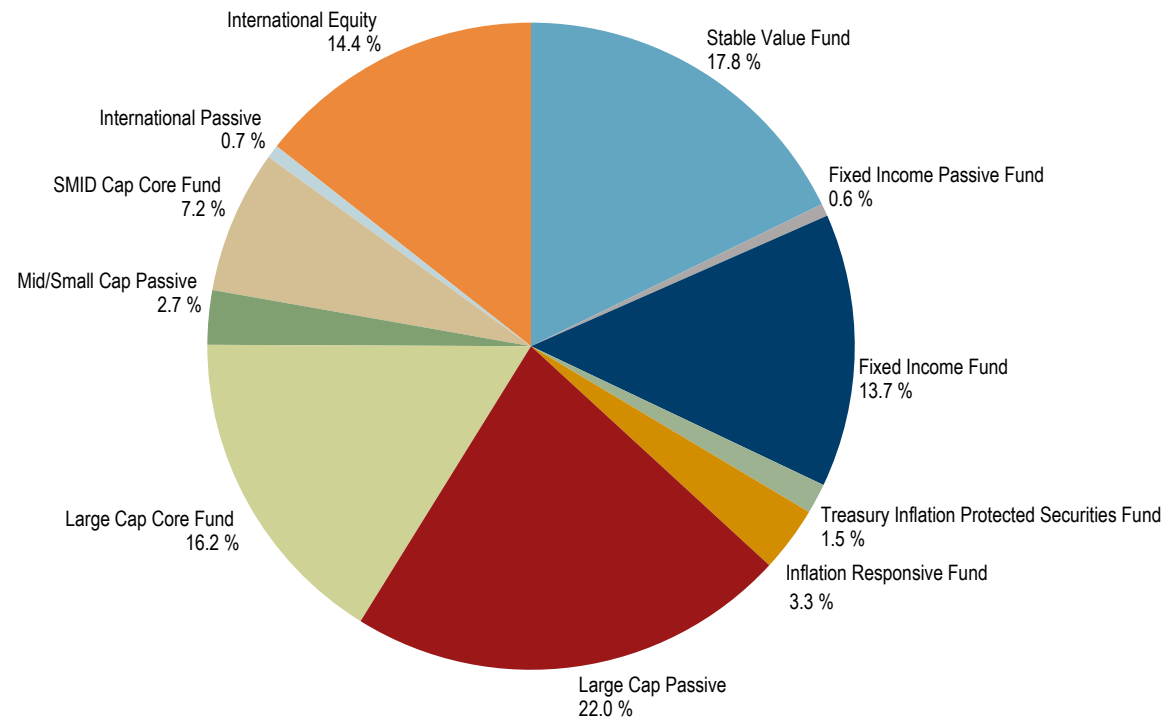
\* A Mercer rating signifies our opinion of a strategy's prospects for outperforming a suitable benchmark over a timeframe appropriate for that particular strategy. Strategies rated A are those assessed as having "above average" prospects of outperformance. Those rated B+ are those assessed as having "above average" prospects of outperformance, but which are qualified by at least one of the following: (1) There are other strategies that Mercer believes are more likely to achieve outperformance; (2) Mercer requires more evidence to support its assessment. Strategies rated B are those assessed as having "average" prospects of outperformance. Those rated C are those assessed as having "below average" prospects of outperformance. The R rating is applied in three situations: (1) Where Mercer has carried out some research, but has not completed its full investment strategy research process; (2) In product categories where Mercer does not maintain formal ratings, but where there are other strategies in which we have a higher degree of confidence; (3) Mercer has in the past carried out its full investment strategy research process, but we are no longer maintaining full research coverage on the strategy. If the rating shown is N, or if no rating is shown at all, this signifies that the strategy is not currently rated by Mercer. Some strategy ratings may carry a supplemental indicator, such as P (Provisional), Watch (W), or High Tracking Error (T). A Preferred Provider status is assigned to high-conviction strategies within product categories for which the primary goal is not outperformance of a benchmark (for example, passive strategies).

Total Fund



## Asset Allocation

As of June 30, 2018



## Total Fund Performance Measurement

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018							
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date	
Large Cap Passive	2,517,836,978	15.1	16.5 (20)	13.3 (19)	11.9 (16)	14.4 (35)	2.7 (31)	3.5 (26)	Apr-09	
S&P 500			16.6 (17)	13.4 (17)	11.9 (16)	14.4 (35)	2.6 (31)	3.4 (27)		
Mercer Mutual Fund US Equity Large Cap Core Median			15.3	12.2	10.3	13.0	1.8	2.9		
NCSRP BlackRock Equity Index	2,517,836,978	15.1	16.6 (53)	13.4 (38)	11.9 (38)	14.4 (55)	2.6 (50)	3.4 (60)	Apr-09	
S&P 500			16.6 (58)	13.4 (37)	11.9 (40)	14.4 (54)	2.6 (49)	3.4 (49)		
Mercer Instl US Equity Large Cap Index Median			16.6	13.4	11.9	14.4	2.6	3.4		
Large Cap Core Fund	1,858,819,318	11.2	11.9 (32)	-	-	-	5.7 (28)	4.5 (28)	Oct-17	
Russell 1000 Index			9.6 (46)	13.4 (38)	11.6 (36)	14.5 (47)	2.9 (46)	3.6 (42)		
Mercer Mutual Fund US Equity Large Cap Median			9.0	12.4	10.7	14.0	2.4	3.1		
NCSRP Russell 1000 Index	458,792,015	2.8	9.0 (49)	-	-	-	2.8 (42)	3.6 (36)	Oct-17	
Russell 1000 Index			9.6 (44)	13.4 (48)	11.6 (38)	14.5 (47)	2.9 (42)	3.6 (36)		
Mercer Instl US Equity Large Cap Median			8.8	13.2	10.9	14.0	2.1	2.9		
NCSRP Macquarie Large Cap Value	347,745,328	2.1	8.4 (45)	-	10.0 (30)	12.7 (18)	1.8 (9)	2.7 (19)	Jun-15	
Macquarie Large Cap Value Strategy			8.6 (41)	12.1 (25)	10.2 (24)	12.8 (17)	1.7 (10)	2.5 (25)		
Russell 1000 Value Index			7.3 (74)	10.3 (73)	8.3 (71)	6.8 (85)	-1.7 (68)	1.2 (58)		
Mercer Instl US Equity Large Cap Value Median			8.3	11.2	9.2	10.0	-0.8	1.5		
NCSRP Hotchkis & Wiley Large Cap Value	350,801,481	2.1	18.5 (2)	12.7 (13)	10.3 (23)	11.0 (39)	0.5 (26)	3.5 (9)	Apr-09	
Russell 1000 Value Index			15.2 (63)	10.3 (73)	8.3 (71)	6.8 (85)	-1.7 (68)	1.2 (58)		
Mercer Instl US Equity Large Cap Value Median			15.7	11.2	9.2	10.0	-0.8	1.5		
NCSRP Loomis Large Cap Growth	348,405,453	2.1	16.5 (13)	-	17.3 (7)	17.9 (75)	4.0 (86)	3.0 (86)	Aug-14	
Loomis Large Cap Growth Strategy			16.1 (15)	17.5 (19)	16.8 (10)	17.5 (78)	3.7 (89)	2.9 (88)		
Russell 1000 Growth Index			14.6 (31)	16.4 (40)	15.0 (27)	22.5 (49)	7.3 (57)	5.8 (44)		
Mercer Instl US Equity Large Cap Growth Median			13.6	15.7	13.5	22.4	8.1	5.5		

## Total Fund Performance Measurement

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018							
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date	
NCSRP Sands Capital Large Cap Growth	353,075,040	2.1	22.9 (1)	18.0 (13)	16.6 (11)	34.9 (1)	21.5 (1)	10.8 (1)	Apr-09	
Russell 1000 Growth Index			18.2 (35)	16.4 (40)	15.0 (27)	22.5 (49)	7.3 (57)	5.8 (44)		
Mercer Instl US Equity Large Cap Growth Median			17.5	15.7	13.5	22.4	8.1	5.5		
Mid/Small Cap Passive	309,932,834	1.9	17.7 (29)	12.2 (34)	10.3 (37)	16.1 (41)	5.4 (46)	5.7 (49)	Apr-09	
Russell 2500 Index			17.8 (29)	12.3 (34)	10.3 (37)	16.2 (41)	5.5 (46)	5.7 (49)		
Mercer Mutual Fund US Equity Small+Mid Median			16.8	11.4	9.4	14.8	5.0	5.5		
NCSRP BlackRock Russell 2500 Index Fund	309,932,834	1.9	17.9 (63)	12.3 (66)	10.3 (63)	16.2 (47)	5.4 (50)	5.7 (52)	Apr-09	
Russell 2500 Index			17.8 (65)	12.3 (67)	10.3 (63)	16.2 (46)	5.5 (50)	5.7 (52)		
Mercer Instl US Equity Small + Mid Cap Median			18.5	13.1	11.1	15.7	5.4	5.8		
SMID Cap Core Fund	819,353,109	4.9	9.8 (49)	-	-	-	5.0 (51)	4.6 (61)	Oct-17	
Russell 2500 Index			11.0 (40)	12.3 (34)	10.3 (37)	16.2 (41)	5.5 (46)	5.7 (49)		
Mercer Mutual Fund US Equity Small+Mid Median			9.6	11.4	9.4	14.8	5.0	5.5		
NCSRP Russell 2500 Index	41,381,434	0.2	9.8 (53)	-	-	-	5.5 (49)	5.8 (51)	Oct-17	
Russell 2500 Index			11.0 (45)	12.3 (67)	10.3 (63)	16.2 (46)	5.5 (50)	5.7 (52)		
Mercer Instl US Equity Small + Mid Cap Median			10.2	13.1	11.1	15.7	5.4	5.8		
NCSRP Hotchkis & Wiley	129,502,263	0.8	20.7 (2)	10.5 (79)	8.1 (73)	15.6 (18)	6.1 (11)	7.9 (6)	Apr-09	
Hotchkis Custom SMID Value Index			17.3 (50)	10.8 (69)	9.8 (38)	11.5 (52)	3.0 (40)	5.8 (23)		
Mercer Instl US Equity SMID Value Median			17.3	11.3	9.2	11.5	2.2	3.7		
NCSRP EARNEST Partners	127,897,756	0.8	17.4 (49)	13.5 (8)	10.5 (25)	11.6 (49)	-1.7 (97)	0.5 (96)	Apr-09	
EARNEST Custom SMID Value Index			16.3 (76)	10.8 (69)	9.8 (38)	11.5 (52)	3.0 (40)	5.8 (23)		
Mercer Instl US Equity SMID Value Median			17.3	11.3	9.2	11.5	2.2	3.7		
NCSRP WEDGE SMID Cap Value	129,588,492	0.8	15.1 (20)	12.3 (22)	8.9 (59)	7.9 (82)	1.0 (66)	4.3 (42)	Jan-12	
Russell 2500 Value Index			13.6 (66)	10.8 (69)	9.8 (38)	11.5 (52)	3.0 (40)	5.8 (23)		
Mercer Instl US Equity SMID Value Median			14.0	11.3	9.2	11.5	2.2	3.7		

## Total Fund Performance Measurement

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018							
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date	
NCSRP Brown Advisory	196,424,343	1.2	19.1 (40)	14.6 (39)	13.4 (30)	19.3 (69)	10.5 (48)	6.4 (55)	Apr-09	
Brown Custom SMID Growth Index			18.5 (60)	13.9 (44)	10.9 (56)	21.5 (60)	8.0 (75)	5.5 (65)		
Mercer Instl US Equity SMID Growth Median			18.7	13.6	11.0	23.1	10.1	7.2		
NCSRP TimesSquare SMID Growth	194,558,821	1.2	12.9 (42)	11.6 (88)	8.6 (82)	17.6 (78)	7.4 (77)	4.1 (87)	Jul-11	
TimesSquare Custom SMID Growth Index			12.6 (59)	13.9 (44)	10.9 (56)	21.5 (60)	8.0 (75)	5.5 (65)		
Mercer Instl US Equity SMID Growth Median			12.8	13.6	11.0	23.1	10.1	7.2		
International Passive	76,296,850	0.5	9.8 (59)	6.1 (66)	5.3 (52)	7.6 (38)	-3.5 (78)	-2.8 (82)	Apr-09	
MSCI AC World ex USA			10.3 (27)	6.5 (43)	5.6 (48)	7.8 (34)	-3.4 (76)	-2.4 (79)		
Mercer Mutual Fund World ex US/EAFE Equity Index Median			9.9	6.3	5.4	7.2	-2.6	-1.5		
NCSRP BlackRock ACWI ex US Fund	76,296,850	0.5	10.0 (100)	6.2 (95)	5.3 (54)	7.6 (33)	-3.6 (100)	-2.8 (80)	Apr-09	
MSCI AC World ex USA			10.3 (47)	6.5 (72)	5.6 (24)	7.8 (26)	-3.4 (69)	-2.4 (57)		
Mercer Instl World ex US/EAFE Equity Passive Median			10.3	6.6	5.3	7.5	-3.3	-1.9		
International Equity	1,647,461,344	9.9	10.6 (50)	7.0 (45)	6.0 (39)	6.5 (60)	-4.5 (79)	-3.4 (75)	Apr-09	
MSCI AC World ex USA			10.3 (56)	6.5 (58)	5.6 (47)	7.8 (44)	-3.4 (64)	-2.4 (56)		
Mercer Mutual Fund World ex US/EAFE Equity Median			10.6	6.8	5.3	7.3	-2.7	-2.2		
NCSRP Baillie Gifford ACWI ex US Growth	824,048,945	4.9	13.6 (11)	9.7 (16)	9.3 (12)	10.3 (27)	-2.8 (55)	-2.0 (55)	Apr-09	
MSCI AC World ex USA			10.3 (81)	6.5 (80)	5.6 (58)	7.8 (55)	-3.4 (64)	-2.4 (65)		
MSCI AC World ex USA Growth			10.9 (69)	7.6 (55)	6.9 (33)	10.3 (28)	-2.0 (42)	-1.2 (41)		
Mercer Instl World ex US/EAFE Equity Median			11.6	7.7	6.2	8.1	-2.5	-1.7		
NCSRP Mondrian ACWI ex US Value	823,412,399	4.9	9.1 (97)	5.7 (89)	4.1 (86)	4.3 (88)	-5.2 (89)	-3.8 (86)	Apr-09	
MSCI AC World ex USA			10.3 (81)	6.5 (80)	5.6 (58)	7.8 (55)	-3.4 (64)	-2.4 (65)		
MSCI AC World ex USA Value			9.7 (89)	5.3 (94)	4.1 (85)	5.3 (79)	-4.9 (85)	-3.6 (84)		
Mercer Instl World ex US/EAFE Equity Median			11.6	7.7	6.2	8.1	-2.5	-1.7		

## Total Fund Performance Measurement

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018							
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date	
<b>Inflation Responsive Fund</b>	<b>373,944,167</b>	<b>2.2</b>	<b>2.1 (27)</b>	<b>-</b>	<b>3.8 (18)</b>	<b>5.9 (65)</b>	<b>-0.2 (65)</b>	<b>-0.1 (93)</b>	<b>Oct-13</b>	
<i>PIMCO Inflation Response Index</i>			0.1 (91)	0.4 (94)	1.3 (88)	3.0 (95)	-0.7 (95)	0.0 (93)		
Mercer Mutual Fund Diversified Inflation Hedge Median			1.4	1.8	2.4	6.4	0.1	1.8		
NCSRP PIMCO Inflation Response Multi-Asset	373,944,167	2.2	2.9 (8)	-	4.6 (10)	6.7 (37)	0.2 (50)	0.1 (91)	Oct-13	
<i>PIMCO Inflation Response Multi-Asset Strategy</i>			2.2 (24)	2.5 (24)	3.6 (29)	5.9 (65)	-0.2 (65)	-0.1 (93)		
<i>PIMCO Inflation Response Index</i>			0.1 (91)	0.4 (94)	1.3 (88)	3.0 (95)	-0.7 (95)	0.0 (93)		
<i>CPI - All Urban Consumers (Unadjusted)</i>			1.6 (44)	1.5 (71)	1.8 (67)	2.9 (96)	2.2 (1)	1.0 (80)		
Mercer Mutual Fund Diversified Inflation Hedge Median			1.4	1.8	2.4	6.4	0.1	1.8		
<b>Fixed Income Passive Fund</b>	<b>71,520,327</b>	<b>0.4</b>	<b>2.4 (63)</b>	<b>2.2 (55)</b>	<b>1.7 (55)</b>	<b>-0.4 (65)</b>	<b>-1.6 (61)</b>	<b>-0.2 (53)</b>	<b>Oct-10</b>	
<i>Blmbg. Barc. U.S. Aggregate</i>			2.5 (59)	2.3 (50)	1.7 (52)	-0.4 (64)	-1.6 (61)	-0.2 (53)		
Mercer Mutual Fund US Fixed Core Median			2.7	2.3	1.7	-0.1	-1.4	-0.1		
NCSRP BlackRock Debt Index Fund	71,520,327	0.4	2.5 (58)	2.3 (49)	1.8 (49)	-0.4 (62)	-1.6 (61)	-0.1 (52)	Oct-10	
<i>Blmbg. Barc. U.S. Aggregate</i>			2.5 (59)	2.3 (50)	1.7 (52)	-0.4 (64)	-1.6 (61)	-0.2 (53)		
Mercer Mutual Fund US Fixed Core Median			2.7	2.3	1.7	-0.1	-1.4	-0.1		
<b>Fixed Income Fund</b>	<b>1,564,021,745</b>	<b>9.4</b>	<b>4.4 (49)</b>	<b>2.9 (26)</b>	<b>2.6 (20)</b>	<b>0.4 (30)</b>	<b>-1.4 (54)</b>	<b>-0.2 (55)</b>	<b>Apr-09</b>	
<i>Blmbg. Barc. U.S. Aggregate</i>			3.6 (67)	2.3 (50)	1.7 (52)	-0.4 (64)	-1.6 (61)	-0.2 (53)		
Mercer Mutual Fund US Fixed Core Median			4.3	2.3	1.7	-0.1	-1.4	-0.1		
NCSRP TCW Core Plus	781,724,447	4.7	1.6 (71)	-	-	0.3 (34)	-1.1 (22)	0.1 (18)	Jan-17	
<i>TCW Core Plus Bond Strategy</i>			1.8 (56)	2.9 (52)	2.0 (71)	0.2 (36)	-1.1 (25)	0.1 (21)		
<i>Blmbg. Barc. U.S. Aggregate</i>			1.2 (92)	2.3 (91)	1.7 (91)	-0.4 (88)	-1.6 (66)	-0.2 (56)		
Mercer Instl US Fixed Core Median			1.9	2.9	2.3	0.1	-1.4	-0.1		
NCSRP Prudential Core Plus	782,297,298	4.7	3.3 (7)	-	3.8 (6)	1.0 (11)	-1.5 (59)	-0.4 (83)	Jan-15	
<i>Prudential Core Plus Strategy</i>			3.2 (8)	4.2 (5)	3.6 (8)	1.0 (12)	-1.6 (70)	-0.4 (86)		
<i>Blmbg. Barc. U.S. Aggregate</i>			1.4 (91)	2.3 (91)	1.7 (91)	-0.4 (88)	-1.6 (66)	-0.2 (56)		
Mercer Instl US Fixed Core Median			2.1	2.9	2.3	0.1	-1.4	-0.1		



## Total Fund Performance Measurement

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018						
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	Inception Date
Treasury Inflation Protected Securities Fund	173,258,704	1.0	-	-	-	-	-	-	Jul-18
Blmbg. Barc. U.S. TIPS 1-10 Year			-	1.2 (65)	1.5 (69)	1.5 (75)	0.2 (30)	0.6 (65)	
Mercer Mutual Fund US Inflation Protected Median			-	1.3	1.6	1.8	-0.1	0.7	
NCSRP BlackRock TIPS Fund	173,258,704	1.0	-	-	-	-	-	-	Jul-18
Blmbg. Barc. U.S. TIPS 1-10 Year			-	1.2 (65)	1.5 (69)	1.5 (75)	0.2 (30)	0.6 (65)	
Mercer Mutual Fund US Inflation Protected Median			-	1.3	1.6	1.8	-0.1	0.7	
Stable Value Fund	2,033,115,534	12.2	2.5 (28)	1.9 (35)	2.0 (35)	2.1 (29)	1.1 (26)	0.6 (26)	Jul-09
3-Year Constant Maturity Yield			1.0 (100)	1.2 (100)	1.4 (97)	2.1 (40)	1.2 (1)	0.6 (1)	
T-BILLS + 1.5%			1.8 (67)	1.9 (37)	2.2 (4)	2.9 (1)	1.6 (1)	0.8 (1)	
Mercer Instl Stable Value Median			2.2	1.8	1.9	2.0	1.0	0.5	
GoalMaker Funds	5,202,352,095	31.2							
Pre Retirement Conservative 0-5 Yrs	220,734,922	1.3	5.9 (100)	4.4 (96)	3.9 (90)	4.0 (94)	0.5 (8)	0.7 (46)	Jul-09
Pre Retirement Conservative 0-5 Yrs Benchmark			4.8 (100)	4.0 (100)	3.6 (94)	3.9 (94)	0.4 (10)	0.8 (35)	
Mercer Mutual Fund Target Date 2020 Median			8.7	6.5	5.4	6.0	0.0	0.6	
Pre Retirement Conservative 6-10 Yrs	141,371,377	0.8	7.0 (100)	5.2 (98)	4.7 (89)	5.2 (92)	0.7 (8)	0.9 (35)	Jul-09
Pre Retirement Conservative 6-10 Yrs Benchmark			5.9 (100)	4.9 (99)	4.4 (91)	5.0 (93)	0.5 (15)	0.9 (32)	
Mercer Mutual Fund Target Date 2025 Median			9.9	7.3	6.2	7.1	0.1	0.7	
Pre Retirement Conservative 11-15 Yrs	94,375,411	0.6	8.6 (92)	6.8 (82)	6.0 (81)	7.1 (74)	0.9 (9)	1.1 (21)	Jul-09
Pre Retirement Conservative 11-15 Yrs Benchmark			7.9 (98)	6.5 (89)	5.7 (86)	6.9 (84)	0.6 (24)	1.2 (19)	
Mercer Mutual Fund Target Date 2030 Median			10.4	8.0	6.8	8.2	0.2	0.9	
Pre Retirement Conservative 16-20 Yrs	74,615,751	0.4	10.3 (79)	8.4 (63)	7.4 (53)	9.4 (39)	1.3 (7)	1.4 (9)	Jul-09
Pre Retirement Conservative 16-20 Yrs Benchmark			9.8 (93)	8.2 (66)	7.2 (61)	9.1 (56)	0.8 (24)	1.4 (9)	
Mercer Mutual Fund Target Date 2035 Median			11.1	8.6	7.5	9.2	0.3	0.9	

## Total Fund Performance Measurement

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
Pre Retirement Conservative 21-25 Yrs	54,413,227	0.3	-	-	-	-	-	-	Jul-18
Pre Retirement Conservative 21-25 Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date 2040 Median			-	9.1	7.7	9.9	0.4	1.0	
Pre Retirement Conservative 26+ Yrs	77,861,454	0.5	-	-	-	-	-	-	Jul-18
Pre Retirement Conservative 26+ Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date 2045 Median			-	9.4	8.1	10.4	0.5	1.1	
Post Retirement Conservative 0-5 Yrs	239,101,227	1.4	-	-	-	-	-	-	Jul-18
Post Retirement Conservative 0-5 Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date 2015 Median			-	6.2	5.1	5.3	-0.1	0.6	
Post Retirement Conservative 6-10 Yrs	53,981,067	0.3	-	-	-	-	-	-	Jul-18
Post Retirement Conservative 6-10 Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date Income Median			-	4.3	3.7	3.9	-0.3	0.3	
Post Retirement Conservative 11+ Yrs	6,723,789	0.0	-	-	-	-	-	-	Jul-18
Post Retirement Conservative 11+ Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date Income Median			-	4.3	3.7	3.9	-0.3	0.3	
Pre Retirement Moderate 0-5 Yrs	450,330,387	2.7	7.4 (85)	5.8 (68)	5.1 (70)	5.9 (56)	0.8 (1)	1.0 (14)	Jul-09
Pre Retirement Moderate 0-5 Yrs Benchmark			6.5 (94)	5.4 (79)	4.8 (74)	5.7 (58)	0.6 (4)	1.0 (9)	
Mercer Mutual Fund Target Date 2020 Median			8.7	6.5	5.4	6.0	0.0	0.6	
Pre Retirement Moderate 6-10 Yrs	478,967,973	2.9	8.4 (86)	6.8 (67)	6.0 (59)	7.1 (50)	0.9 (2)	1.1 (9)	Jul-09
Pre Retirement Moderate 6-10 Yrs Benchmark			7.9 (100)	6.5 (71)	5.7 (73)	6.9 (56)	0.6 (13)	1.2 (8)	
Mercer Mutual Fund Target Date 2025 Median			9.9	7.3	6.2	7.1	0.1	0.7	
Pre Retirement Moderate 11-15 Yrs	384,135,634	2.3	9.8 (58)	8.0 (52)	7.0 (40)	8.8 (31)	1.1 (5)	1.3 (7)	Jul-09
Pre Retirement Moderate 11-15 Yrs Benchmark			9.3 (76)	7.7 (63)	6.7 (51)	8.4 (41)	0.7 (20)	1.3 (12)	
Mercer Mutual Fund Target Date 2030 Median			10.4	8.0	6.8	8.2	0.2	0.9	

## Total Fund Performance Measurement

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
Pre Retirement Moderate 16-20 Yrs	295,180,506	1.8	11.5 (23)	9.6 (9)	8.4 (11)	11.1 (4)	1.5 (4)	1.6 (5)	Jul-09
Pre Retirement Moderate 16-20 Yrs Benchmark			11.2 (42)	9.4 (21)	8.2 (14)	10.7 (9)	1.0 (18)	1.6 (5)	
Mercer Mutual Fund Target Date 2035 Median			11.1	8.6	7.5	9.2	0.3	0.9	
Pre Retirement Moderate 21-25 Yrs	217,644,731	1.3	-	-	-	-	-	-	Jul-18
Pre Retirement Moderate 21-25 Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date 2040 Median			-	9.1	7.7	9.9	0.4	1.0	
Pre Retirement Moderate 26+ Yrs	238,475,613	1.4	-	-	-	-	-	-	Jul-18
Pre Retirement Moderate 26+ Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date 2045 Median			-	9.4	8.1	10.4	0.5	1.1	
Post Retirement Moderate 0-5 Yrs	275,984,351	1.7	-	-	-	-	-	-	Jul-18
Post Retirement Moderate 0-5 Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date 2015 Median			-	6.2	5.1	5.3	-0.1	0.6	
Post Retirement Moderate 6-10 Yrs	49,549,595	0.3	-	-	-	-	-	-	Jul-18
Post Retirement Moderate 6-10 Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date Income Median			-	4.3	3.7	3.9	-0.3	0.3	
Post Retirement Moderate 11+ Yrs	8,407,427	0.1	-	-	-	-	-	-	Jul-18
Post Retirement Moderate 11+ Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date Income Median			-	4.3	3.7	3.9	-0.3	0.3	
Pre Retirement Aggressive 0-5 Yrs	229,780,965	1.4	8.9 (46)	7.1 (24)	6.3 (6)	7.5 (4)	1.0 (1)	1.2 (3)	Jul-09
Pre Retirement Aggressive 0-5 Yrs Benchmark			8.2 (63)	6.8 (32)	6.0 (24)	7.2 (10)	0.6 (4)	1.2 (3)	
Mercer Mutual Fund Target Date 2020 Median			8.7	6.5	5.4	6.0	0.0	0.6	
Pre Retirement Aggressive 6-10 Yrs	338,628,644	2.0	9.9 (47)	8.0 (19)	7.0 (3)	8.8 (1)	1.1 (1)	1.3 (3)	Jul-09
Pre Retirement Aggressive 6-10 Yrs Benchmark			9.3 (72)	7.7 (26)	6.7 (14)	8.4 (8)	0.7 (9)	1.3 (3)	
Mercer Mutual Fund Target Date 2025 Median			9.9	7.3	6.2	7.1	0.1	0.7	

## Total Fund Performance Measurement

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
Pre Retirement Aggressive 11-15 Yrs	335,580,530	2.0	11.1 (17)	9.3 (5)	8.1 (1)	10.6 (1)	1.5 (1)	1.7 (3)	Jul-09
Pre Retirement Aggressive 11-15 Yrs Benchmark			10.8 (23)	9.0 (7)	7.9 (4)	10.2 (1)	1.0 (5)	1.6 (3)	
Mercer Mutual Fund Target Date 2030 Median			10.4	8.0	6.8	8.2	0.2	0.9	
Pre Retirement Aggressive 16-20 Yrs	350,617,784	2.1	12.8 (1)	10.8 (1)	9.4 (1)	12.9 (1)	1.8 (3)	1.9 (1)	Jul-09
Pre Retirement Aggressive 16-20 Yrs Benchmark			12.7 (1)	10.7 (1)	9.2 (1)	12.6 (1)	1.2 (7)	1.9 (1)	
Mercer Mutual Fund Target Date 2035 Median			11.1	8.6	7.5	9.2	0.3	0.9	
Pre Retirement Aggressive 21-25 Yrs	230,138,454	1.4	-	-	-	-	-	-	Jul-18
Pre Retirement Aggressive 21-25 Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date 2040 Median			-	9.1	7.7	9.9	0.4	1.0	
Pre Retirement Aggressive 26+ Yrs	223,034,159	1.3	-	-	-	-	-	-	Jul-18
Pre Retirement Aggressive 26+ Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date 2045 Median			-	9.4	8.1	10.4	0.5	1.1	
Post Retirement Aggressive 0-5 Yrs	105,843,252	0.6	-	-	-	-	-	-	Jul-18
Post Retirement Aggressive 0-5 Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date 2015 Median			-	6.2	5.1	5.3	-0.1	0.6	
Post Retirement Aggressive 6-10 Yrs	20,362,185	0.1	-	-	-	-	-	-	Jul-18
Post Retirement Aggressive 6-10 Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date Income Median			-	4.3	3.7	3.9	-0.3	0.3	
Post Retirement Aggressive 11+ Yrs	6,511,679	0.0	-	-	-	-	-	-	Jul-18
Post Retirement Aggressive 11+ Yrs Benchmark			-	-	-	-	-	-	
Mercer Mutual Fund Target Date Income Median			-	4.3	3.7	3.9	-0.3	0.3	

## Total Fund Performance Measurement - Net of Fees

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
Large Cap Passive	2,517,836,978	15.1	16.5	13.3	11.9	14.4	2.7	3.5	Apr-09
S&P 500			16.6	13.4	11.9	14.4	2.6	3.4	
NCSRP BlackRock Equity Index	2,517,836,978	15.1	16.6	13.4	11.9	14.4	2.6	3.4	Apr-09
S&P 500			16.6	13.4	11.9	14.4	2.6	3.4	
Large Cap Core Fund	1,858,819,318	11.2	11.9	-	-	-	5.7	4.5	Oct-17
Russell 1000 Index			9.6	13.4	11.6	14.5	2.9	3.6	
NCSRP Russell 1000 Index	458,792,015	2.8	9.0	-	-	-	2.8	3.6	Oct-17
Russell 1000 Index			9.6	13.4	11.6	14.5	2.9	3.6	
NCSRP Macquarie Large Cap Value	347,745,328	2.1	8.1	-	9.7	12.4	1.7	2.7	Jun-15
Russell 1000 Value Index			7.3	10.3	8.3	6.8	-1.7	1.2	
NCSRP Hotchkis & Wiley Large Cap Value	350,801,481	2.1	18.0	12.2	9.8	10.5	0.2	3.4	Apr-09
Russell 1000 Value Index			15.2	10.3	8.3	6.8	-1.7	1.2	
NCSRP Loomis Large Cap Growth	348,405,453	2.1	16.0	-	16.8	17.4	3.8	2.9	Aug-14
Russell 1000 Growth Index			14.6	16.4	15.0	22.5	7.3	5.8	
NCSRP Sands Capital Large Cap Growth	353,075,040	2.1	22.3	17.5	16.0	34.3	21.3	10.7	Apr-09
Russell 1000 Growth Index			18.2	16.4	15.0	22.5	7.3	5.8	
Mid/Small Cap Passive	309,932,834	1.9	17.7	12.2	10.3	16.1	5.4	5.7	Apr-09
Russell 2500 Index			17.8	12.3	10.3	16.2	5.5	5.7	
NCSRP BlackRock Russell 2500 Index Fund	309,932,834	1.9	17.9	12.3	10.3	16.1	5.4	5.7	Apr-09
Russell 2500 Index			17.8	12.3	10.3	16.2	5.5	5.7	
SMID Cap Core Fund	819,353,109	4.9	9.8	-	-	-	5.0	4.6	Oct-17
Russell 2500 Index			11.0	12.3	10.3	16.2	5.5	5.7	

## Total Fund Performance Measurement - Net of Fees

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
NCSRP Russell 2500 Index <i>Russell 2500 Index</i>	41,381,434	0.2	9.8 11.0	- 12.3	- 10.3	- 16.2	5.5 5.5	5.8 5.7	Oct-17
NCSRP Hotchkis & Wiley <i>Hotchkis Custom SMID Value Index</i>	129,502,263	0.8	20.0 17.3	9.8 10.8	7.5 9.8	15.0 11.5	5.9 3.0	7.7 5.8	Apr-09
NCSRP EARNEST Partners <i>EARNEST Custom SMID Value Index</i>	127,897,756	0.8	16.8 16.3	12.9 10.8	10.0 9.8	11.1 11.5	-1.9 3.0	0.4 5.8	Apr-09
NCSRP WEDGE SMID Cap Value <i>Russell 2500 Value Index</i>	129,588,492	0.8	14.2 13.6	11.5 10.8	8.2 9.8	7.3 11.5	0.7 3.0	4.2 5.8	Jan-12
NCSRP Brown Advisory <i>Brown Custom SMID Growth Index</i>	196,424,343	1.2	18.5 18.5	13.9 13.9	12.7 10.9	18.7 21.5	10.2 8.0	6.2 5.5	Apr-09
NCSRP TimesSquare SMID Growth <i>TimesSquare Custom SMID Growth Index</i>	194,558,821	1.2	12.0 12.6	10.8 13.9	7.8 10.9	16.8 21.5	7.0 8.0	3.9 5.5	Jul-11
International Passive <i>MSCI AC World ex USA</i>	76,296,850	0.5	9.8 10.3	6.1 6.5	5.3 5.6	7.6 7.8	-3.5 -3.4	-2.8 -2.4	Apr-09
NCSRP BlackRock ACWI ex US Fund <i>MSCI AC World ex USA</i>	76,296,850	0.5	9.9 10.3	6.2 6.5	5.3 5.6	7.6 7.8	-3.6 -3.4	-2.8 -2.4	Apr-09
International Equity <i>MSCI AC World ex USA</i>	1,647,461,344	9.9	10.6 10.3	7.0 6.5	6.0 5.6	6.5 7.8	-4.5 -3.4	-3.4 -2.4	Apr-09
NCSRP Baillie Gifford ACWI ex US Growth <i>MSCI AC World ex USA</i>	824,048,945	4.9	13.1 10.3	9.2 6.5	8.9 5.6	10.0 7.8	-2.9 -3.4	-2.1 -2.4	Apr-09
<i>MSCI AC World ex USA Growth</i>			10.9	7.6	6.9	10.3	-2.0	-1.2	
NCSRP Mondrian ACWI ex US Value <i>MSCI AC World ex USA</i>	823,412,399	4.9	8.6 10.3	5.2 6.5	3.6 5.6	3.9 7.8	-5.4 -3.4	-3.9 -2.4	Apr-09
<i>MSCI AC World ex USA Value</i>			9.7	5.3	4.1	5.3	-4.9	-3.6	

## Total Fund Performance Measurement - Net of Fees

As of June 30, 2018

	Market Value (\$)	%	Ending June 30, 2018						Inception Date
			Since Inception	5 Years	3 Years	1 Year	YTD	1 Quarter	
Inflation Responsive Fund	373,944,167	2.2	2.1	-	3.8	5.9	-0.2	-0.1	Oct-13
PIMCO Inflation Response Index			0.1	0.4	1.3	3.0	-0.7	0.0	
NCSRP PIMCO Inflation Response Multi-Asset	373,944,167	2.2	2.3	-	3.9	6.0	-0.1	0.0	Oct-13
PIMCO Inflation Response Index			0.1	0.4	1.3	3.0	-0.7	0.0	
CPI - All Urban Consumers (Unadjusted)			1.6	1.5	1.8	2.9	2.2	1.0	
Fixed Income Passive Fund	71,520,327	0.4	2.4	2.2	1.7	-0.4	-1.6	-0.2	Oct-10
Blmbg. Barc. U.S. Aggregate			2.5	2.3	1.7	-0.4	-1.6	-0.2	
NCSRP BlackRock Debt Index Fund	71,520,327	0.4	2.5	2.3	1.7	-0.4	-1.6	-0.2	Oct-10
Blmbg. Barc. U.S. Aggregate			2.5	2.3	1.7	-0.4	-1.6	-0.2	
Fixed Income Fund	1,564,021,745	9.4	4.4	2.9	2.6	0.4	-1.4	-0.2	Apr-09
Blmbg. Barc. U.S. Aggregate			3.6	2.3	1.7	-0.4	-1.6	-0.2	
NCSRP TCW Core Plus	781,724,447	4.7	1.4	-	-	0.1	-1.2	0.0	Jan-17
Blmbg. Barc. U.S. Aggregate			1.2	2.3	1.7	-0.4	-1.6	-0.2	
NCSRP Prudential Core Plus	782,297,298	4.7	3.0	-	3.5	0.7	-1.6	-0.4	Jan-15
Blmbg. Barc. U.S. Aggregate			1.4	2.3	1.7	-0.4	-1.6	-0.2	
Treasury Inflation Protected Securities Fund	173,258,704	1.0	-	-	-	-	-	-	Jul-18
Blmbg. Barc. U.S. TIPS 1-10 Year			-	1.2	1.5	1.5	0.2	0.6	
NCSRP BlackRock TIPS Fund	173,258,704	1.0	-	-	-	-	-	-	Jul-18
Blmbg. Barc. U.S. TIPS 1-10 Year			-	1.2	1.5	1.5	0.2	0.6	
Stable Value Fund	2,033,115,534	12.2	2.5	1.9	2.0	2.1	1.1	0.6	Jul-09
3-Year Constant Maturity Yield			1.0	1.2	1.4	2.1	1.2	0.6	
T-BILLS + 1.5%			1.8	1.9	2.2	2.9	1.6	0.8	

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Baillie Gifford	A	The investment approach is bottom-up, based on fundamental research, with a focus on identifying quality, growth stocks that have an identifiable competitive advantage. Portfolios will consist of stocks that can sustain above average growth in earnings and cash flow. The time horizon is genuinely long-term with low turnover.	The strategy is expected to display persistent factor bias to profitability. The bias towards growth and quality stocks may make it more difficult for this strategy to outperform during periods when these market characteristics are out of favour.
BlackRock Indices	A	Through its predecessor firm BGI, BlackRock utilizes a three-pronged philosophy across all of its index strategies. The investment philosophy of passive products at BlackRock is to replicate the index returns while minimizing transaction costs and tracking error of the product.	
Brown Small-Cap Growth Equity	B+	Brown seeks to achieve superior risk-adjusted returns through a concentrated portfolio of diversified, small-capitalization equity securities. With this in mind, Brown looks to invest in companies with durable growth, sound governance, and a scalable go-to-market strategy.	The strategy is not expected to display a persistent factor bias relative to a core benchmark. It is managed in a GARP fashion and will consistently skew larger than its Russell 2000 Growth benchmark in terms of weighted average market cap; as such, it may underperform when the smallest cap stocks are in favor. Similarly, it has tended to perform better in up-market environments owing to its growth orientation and focus on the strength and durability of a business's long-term cash flow potential. An important attribute toward the strategy's long-term relative success has been its stock selection decisions within the Technology sector.
Macquarie Large Cap Value Focus	A	The core philosophy underlying the strategy is that the market can inefficiently price securities and that these inefficiencies can be exploited. The team utilizes a concentrated, bottom-up, fundamental approach to manage the strategy, seeking companies that are trading at a discount to their estimated intrinsic values (in the form of earnings power and net assets) with the belief that mean reversion and lower volatility can lead these companies back to fair value.	The team utilizes the S&P 500 Index for portfolio construction purposes, so while the strategy is concentrated, it tends to be diversified across all sectors. The strategy should outperform its peers and the benchmark when investors focus on company fundamentals and lag in speculative markets that favor lower quality names. In addition, it is suitable for assignments requiring a best-ideas approach and a traditional to relative value orientation.



Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Earnest SMID Cap Value	B+	Earnest employs a disciplined investment philosophy that is rooted in the premise that stock price returns follow identifiable patterns. Its approach seeks to identify what factors drive each stock's returns by focusing on industry clusters. Given the typical characteristics of the firm's portfolios, such as lower P/E's than the market, EARNEST Partners is typically categorized as a value manager. It is important to point out that the firm does not subscribe to a deep value dogma, but rather ends up with a value based portfolio as an outgrowth of the process.	The strategy will tend to fall between value and core over time (relative value). The portfolio is likely to benefit when growth investing is in favor compared to a value oriented benchmark. Given that the process seeks companies with relatively strong profitability measures and higher quality characteristics, the strategy may lag in market environments that reward lower quality companies.
Galliard Stable Value	A	Galliard seeks income generation with the goal of actively managing risk while emphasizing downside risk protection and low tracking error. Galliard believes the role of fixed income is to control risk and deliver a competitive total return over a longer time horizon. Value added is primarily derived from sector emphasis and individual security selection utilizing a fundamental valuation process. Galliard focuses on an above average yield, not positioning the portfolio based on anticipated interest rate movements. Galliard also avoids sector rotation, leverage, non-dollar positions, derivatives, convexity risk and excessive credit risks. Galliard avoids both market timing and being the prognosticator of interest rate direction because of the inherent risk; as such, the firm will make only modest variations from the benchmark in duration segments across the curve. The investment philosophy seeks to add value through strategic diversification of spread sectors, bottom-up value driven fundamental research, broad issuer/issue diversification and client customization to meet unique liquidity needs.	
Hotchkis and Wiley Large Cap Fundamental Value	A (T)	HWCM takes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies. The firm focuses on stocks where its estimate of the intrinsic value of future cash flows exceeds the market price.	The Large Cap Fundamental Value strategy has a deep value bias and should be expected to trail relative and traditional value managers when markets pull back or in "risk off" environments when investors are particularly risk averse. In addition, because of this bias, returns may not track the relevant index closely and may exhibit stretches of volatility.
Hotchkis and Wiley Mid-Cap Value	B+ (T)	HWCM takes a fundamental, bottom-up approach to value investing. The firm seeks to exploit mispriced securities by investing in undiscovered or out of favor companies. The firm focuses on stocks where its estimate of the intrinsic value of future cash flows exceeds the market price.	HWCM's strategies have a deeper value bias and should be expected to trail more traditional value managers when markets pull back or when investors are particularly risk averse. In addition, because of this bias, returns may not track the relevant index closely and may exhibit stretches of volatility.

Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
TCW Core Plus Fixed Income	A	TCW employs a value-oriented approach to fixed income management. Through its bottom-up process, the fixed income team identifies inefficiently priced securities. Yield curve management, with an emphasis on evaluating relative risk/reward relationships along the yield curve, is another important element of the firm's approach.	The firm fuses macro themes, bottom-up fundamental research, and robust quantitative analysis into a single well-integrated investment process. TCW has consistently improved its proprietary risk management systems and trading analytic tools to meet the demands of the market.
Loomis Large Cap Growth	B+ (T)	The Large Cap Growth team believes successful growth investing is the result of identifying a limited number of high quality companies capable of sustaining above average, long-term cash flow growth and purchasing them at discounted prices to their intrinsic value. The result is a concentrated, low-turnover portfolio of the team's highest conviction ideas.	Due to the strategy's loose portfolio construction guidelines, name concentration, and long-term investment horizon, clients should expect short-term performance fluctuations in both absolute terms and relative to the Russell 1000 Growth Index. Given the team's focus on financially strong companies and emphasis on valuation and downside risk, the strategy usually performs better in flat to down markets, and may lag when investor appetite for risk is high. Although the inception date of the strategy under Hamzaogullari's team and process at Loomis is July 1, 2010, he was able to take with him the composite track record which dates back to mid-2006 from Evergreen. However, the track record for the mutual fund (the Natixis Loomis Sayles Growth Fund) includes performance of a different team and process prior to July 1, 2010.
Mondrian Focused All Countries World Ex-US Equity	B+	Mondrian is a long-term, value-oriented manager. Mondrian aims to add value through both top-down country allocation and bottom-up stock selection decisions. Over the long term, the manager expects stock selection to account for most of the excess return relative to the index. Mondrian favours countries, and securities within countries, offering the most attractive forecast real returns. These estimates are based on long-term forecasts of dividend payments discounted to present value (i.e. a dividend discount model approach).	The strategy is expected to display persistent factor bias to value and low volatility. A bias towards high dividend yielding stocks is expected to be a persistent feature of this strategy. The strategy will tend to outperform during periods of falling markets, although performance during rising markets is generally mixed. Absolute volatility is expected to be lower than that of the market.
PIMCO Inflation Response Multi-Asset	B+	IRMAF is designed to hedge global inflation risks while targeting enhanced return opportunities that inflation dynamics may present. The fund provides diversified exposure to a broad opportunity set of inflation factors or assets that will likely respond to different types of inflation including Treasury Inflation-Protected Securities (TIPS), commodities, emerging market (EM) currencies, real estate investment trusts (REITs), gold and tactical use of floating rate securities. Tail-risk hedging strategies are also utilized to limit the impact of periodic market stresses that may affect inflation-related assets.	While the strategy seeks a return in excess of inflation, investors should be aware that CPI is not an investable benchmark and PIMCO does not seek to track it. As such, the shorter-term performance of the strategy will likely be driven by factors other than realized inflation or changes in market inflation expectations. Still, the objective of the strategy is to formulate macroeconomic views regarding potential inflation and then seek exposure to asset classes and investments that should benefit from/protect against inflation and that perform relatively well during periods of rising inflation. While the portfolio is diversified, volatility and downside risk could be higher than expected as many of the underlying asset classes have exposure to common risk factors.

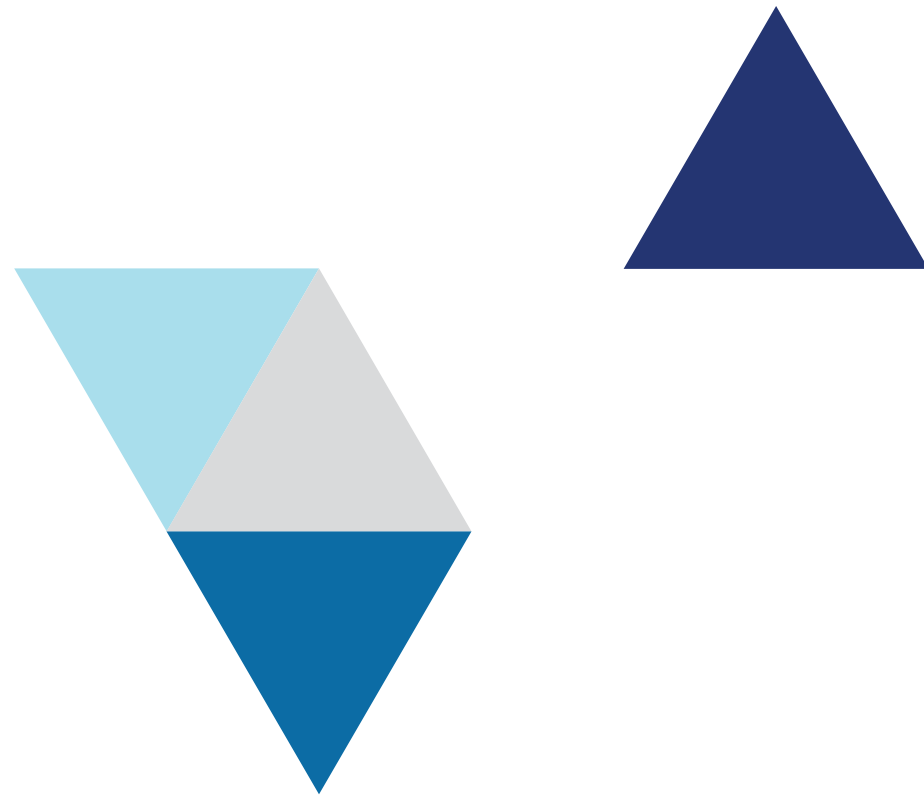
Manager & Strategy	Mercer Rating	Philosophy	Key Strategy Observations
Prudential Core Plus Fixed Income	A	Prudential's Core Plus fixed income strategy is designed to generate excess return from fairly equal increments of both sector allocation and subsector/security selection, and from duration and yield curve on a secondary basis. The active philosophy blends top down and bottom up research to drive sector allocation and issue selection. Duration and yield curve positioning is generally de-emphasized but will be considered when market opportunities dictate. The Core Plus strategy will allocate to non-benchmark sectors, including non-agency mortgage, high yield, and emerging markets.	
Sands Select Growth Equity	A (T)	Sands is a bottom-up, quality growth manager. The firm builds concentrated portfolios of leading companies, which are broadly diversified across a number of business lines. Sands follows a buy and hold philosophy with low turnover. The long-term investment horizon allows the companies in the portfolio to realize long-term business opportunities that lead to shareholder wealth creation.	The strategy is expected to have a persistent factor bias to size. Given the strategy's loose constraints and concentrated nature, tracking error can be high at times. Short-term deviations relative to the benchmark can be quite significant and clients invested with Sands should be willing to take a long-term perspective. The strategy is best classified as aggressive growth.
TimesSquare SMID Cap Growth	A	TSCM believes that their detailed approach and proprietary fundamental growth equity research skills, which place a particular emphasis on the assessment of management quality (and alignment with shareholders) and a comprehensive understanding of superior business models, enable their team to build a diversified portfolio that will generate superior risk adjusted returns over the long run.	TSCM Mid Cap Growth and SMID Cap Growth each display a persistent bias to profitability relative to a core benchmark and are thus best classified as traditional growth sub-style exposures. Although the portfolios are sufficiently diversified on a holdings-count basis, relative sector exposures at times can be meaningful (however, not meaningful enough to warrant tracking error designations as there are upper relative limits for the strategies versus the larger index sector weights). Given the team's traditional growth sub-style and their valuation discipline, strategy performance may lag in more speculative, momentum driven markets.
WEDGE Small/Mid Cap Value	B+	The firm's philosophy is based on the premise that value investing produces superior investment returns over time and that quantitative analysis can increase the probability of investment success. Through fundamental and quantitative processes, the team seeks stocks that meet its value and quality criteria.	Given the strategy's focus on higher quality companies and tendency to overweight lower beta names; it may struggle in market environments that reward lower quality and higher beta stocks. Nonetheless, WEDGE has experienced few periods of significant underperformance and generally helps protect capital in difficult market environments.

## Total Fund Performance Measurement

As of May 31, 2018

	Market Value (\$)	%	Ending May 31, 2018							Inception Date
			Since Inception	10 Years	5 Years	3 Years	1 Year	YTD	1 Quarter	
<b>Global Equity</b>	<b>1,063,628,143</b>		<b>14.0 (45)</b>	<b>-</b>	<b>10.8 (25)</b>	<b>8.3 (38)</b>	<b>13.1 (40)</b>	<b>1.9 (32)</b>	<b>-1.8 (84)</b>	<b>Apr-09</b>
MSCI AC World Index			13.6 (50)	5.5 (53)	9.5 (47)	8.1 (39)	12.4 (45)	0.4 (54)	-0.9 (72)	
Mercer Mutual Fund Global Equity Median			13.6	5.7	9.3	7.5	11.9	0.5	-0.2	
NCSRP Wellington Global Opportunities	531,300,189		12.8 (19)	-	11.3 (24)	8.4 (42)	13.4 (42)	2.4 (26)	-1.2 (69)	Aug-10
MSCI AC World Index			10.3 (68)	5.5 (67)	9.5 (62)	8.1 (47)	12.4 (51)	0.4 (54)	-0.9 (62)	
Mercer Instl Global Equity Median			11.2	6.2	9.9	8.0	12.5	0.6	-0.4	
NCSRP Arrowstreet Global Equity ACWI	532,327,954		12.0 (22)	-	11.5 (21)	9.6 (26)	14.2 (36)	1.9 (30)	-1.9 (78)	Apr-12
MSCI AC World Index			10.0 (67)	5.5 (67)	9.5 (62)	8.1 (47)	12.4 (51)	0.4 (54)	-0.9 (62)	
Mercer Instl Global Equity Median			10.7	6.2	9.9	8.0	12.5	0.6	-0.4	

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# IMPORTANT NOTICES

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