

Sewerage & Water Board of New Orleans



***Chief Investment Officer's and FFC Capital Management's
Presentation to the Pension Committee***

August 14, 2017

Today's Agenda

- Clarification: Professional Services Procurement Policy
- Quarterly Review of Markets and Performance for Period Ending June 30, 2017
 - FFC Capital Management (30 minutes)
 - Chief Investment Officer (30 minutes)
- Optional Break (10 minutes)
- FFC's Proposals for Portfolio Adjustments (30 minutes)
- Introduction to the Statement of Risk Capacity and Risk Appetite (15 minutes)



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June 30, 2017 - Quarterly Review of Markets and Plan Performance

Quarterly Market Review: April-June 2017

The second quarter proved to be a bit bumpy for equities, but each of the benchmarks listed here closed the quarter ahead of their first-quarter closing values. April saw equities close the month ahead of March, buoyed by favorable corporate earnings reports, proposed tax cuts, and strong foreign economic advances. Nasdaq led the way posting monthly gains of 2.30%, followed by the Global Dow, which gained almost 1.50%. The large-cap Dow advanced 1.34%, ahead of the S&P 500, which increased close to 1.00% for the month. Even the small-cap Russell 2000, which has had some rough weeks, closed April 1.05% ahead of its March close.

May was a slower month as consumer spending and wage growth were relatively weak, with only 138,000 new jobs added in May, compared with an average monthly gain of 181,000 over the prior 12 months. Nevertheless, only the Russell 2000 lost value, falling 2.16% from its April closing mark. Nasdaq continued to surge, ending May with a monthly gain of 2.50%.

June saw mixed results for the indexes listed here. The Nasdaq lost almost 1.00%, while the Russell 2000 made up for its May losses, advancing almost 4.00% over May. The Dow had a strong June, closing the month up 1.62%, while the S&P 500 and the Global Dow failed to advance 0.50% over May. Long-term bond prices increased in the second quarter with the yield on 10-year Treasuries falling 8 basis points. The price of gold fell during the second quarter, closing June at \$1,241.40, down from its \$1,251.60 closing price at the end of the first quarter.

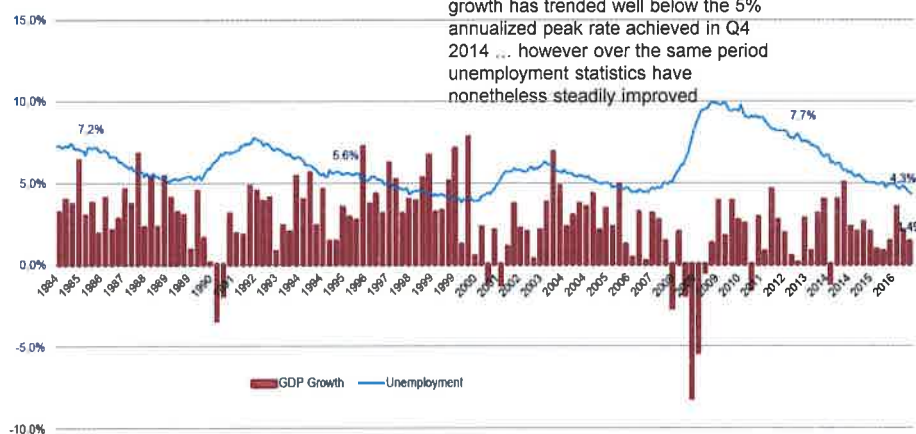


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Domestic GDP and Unemployment



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Global Returns YTD

Year-to-Date Performance



Source: Standard and Poor's and Robert W. Baird

Global Equity Market Performance through June 30, 2017 has been led by Mexico, Europe and the Far East



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FFC CAPITAL MANAGEMENT

Equity Market Levels

| Index | 6/30/2017 | 5/31/2017 | MTD Change | 3/31/2017 | QTD Return | 12/30/2016 | YTD Return |
|-----------------------|-----------|-----------|------------|-----------|------------|------------|------------|
| Dow Jones | 21,349.63 | 21,008.65 | 1.74% | 20,663.22 | 3.95% | 19,762.60 | 9.36% |
| Global Dow | 359.68 | 358.40 | 0.36% | 346.97 | 3.66% | 326.05 | 10.31% |
| S&P 500 | 2,423.41 | 2,411.80 | 0.62% | 2,362.72 | 3.09% | 2,238.83 | 9.34% |
| Russell 2000 | 1,415.36 | 1,370.21 | 3.45% | 1,385.92 | 2.46% | 1,367.13 | 4.98% |
| MSCI EAFE | 1,883.19 | 1,890.06 | -0.15% | 1,792.98 | 6.31% | 1,684.00 | 14.22% |
| Nikkei 225 | 20,033.43 | 19,650.57 | 2.05% | 18,909.26 | 6.06% | 19,114.37 | 5.78% |
| MSCI Emerging Markets | 1,010.80 | 1,005.33 | 1.05% | 958.37 | 6.35% | 862.27 | 18.56% |

Source: Bloomberg

U.S. Treasury Yield Levels

| Maturity | 6/30/2017 | 5/31/2017 | MTD Change | 12/30/2016 | 6/30/2016 | 6/30/2014 | 7/2/2012 | 6/30/2010 | 7/2/2007 |
|----------------|-----------|-----------|------------|------------|-----------|-----------|----------|-----------|----------|
| 30 Yr. Treas. | 2.835 | 2.863 | -1.00% | 3.065 | 2.285 | 3.360 | 2.696 | 3.889 | 5.090 |
| 10 Yr. Treas. | 2.304 | 2.203 | 4.58% | 2.444 | 1.470 | 2.630 | 1.589 | 2.931 | 4.989 |
| 5 Yr. Treas. | 1.888 | 1.752 | 7.81% | 1.927 | 1.000 | 1.630 | 0.674 | 1.773 | 4.889 |
| 3 Yr. Treas. | 1.546 | 1.432 | 7.95% | 1.451 | 0.693 | 0.867 | 0.378 | 0.964 | 4.846 |
| 6 Month Treas. | 1.132 | 1.065 | 6.24% | 0.610 | 0.350 | 0.061 | 0.147 | 0.217 | 4.966 |

Source: Bloomberg

Sovereign Debt Yield Levels

| Maturity | 6/30/2017 | 5/31/2017 | MTD Change | 12/30/2016 | 6/30/2016 | 6/30/2014 | 7/2/2012 | 6/30/2010 | 7/2/2007 |
|----------------------|-----------|-----------|------------|------------|-----------|-----------|----------|-----------|----------|
| Italy 10 Yr. | 2.158 | 2.203 | -2.04% | 1.815 | 1.258 | 2.946 | 5.735 | 4.094 | 4.743 |
| Spain 10 Yr. | 1.542 | 1.522 | 1.31% | 1.441 | 1.214 | 2.582 | 6.420 | 4.575 | 4.587 |
| Germany 10 Yr. | 0.517 | 0.325 | 59.10% | 0.237 | -0.152 | 1.226 | 1.533 | 2.561 | 4.502 |
| France 10 Yr. | 0.763 | 0.637 | 19.81% | 0.616 | 0.159 | 1.815 | 2.667 | 3.150 | 4.553 |
| Great Britain 10 Yr. | 1.257 | 1.046 | 20.17% | 1.239 | 0.867 | 2.670 | 1.699 | 3.355 | 5.420 |
| Japan 10 Yr. | 0.086 | 0.049 | 75.51% | 0.046 | -0.217 | 0.566 | 0.829 | 1.091 | 1.894 |

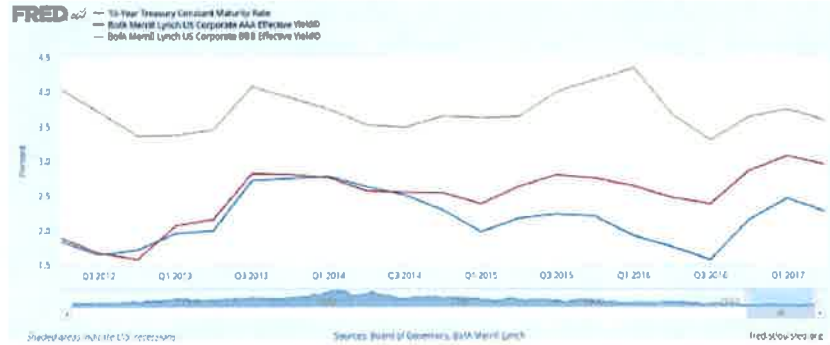
Source: Bloomberg



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10 Yr. Treasuries vs. Aaa/Baa Corps.

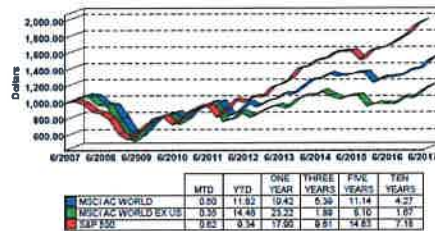


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**Relative Broad Market Performance & Style Comparison
Period Ending June 30, 2017**

Domestic vs. International



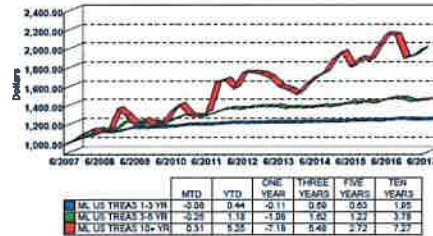
Large vs. Small



Value vs. Growth



Treasuries



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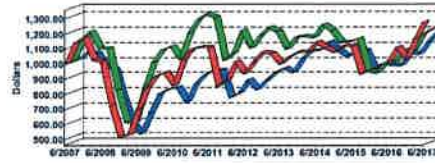
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FEC Financial Management

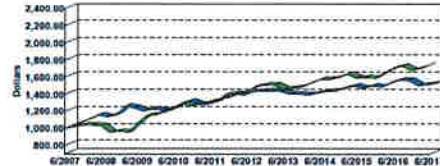
Relative Broad Market Performance & Style Comparison Period Ending June 30, 2017

Developed World Markets vs. Emerging Markets



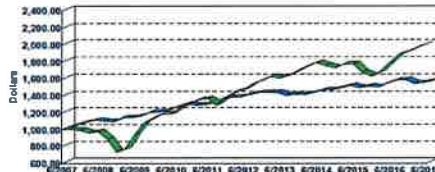
| | MTD | YTD | ONE YEAR | THREE YEARS | FIVE YEARS | TEN YEARS |
|--------------------|------|-------|----------|-------------|------------|-----------|
| MSCIAC WORLD EX US | 8.35 | 14.46 | 33.22 | 1.89 | 8.10 | 1.67 |
| MSCIEM VALUE | 8.17 | 13.85 | 32.11 | -0.85 | 2.74 | 1.94 |
| MSCIEM GROWTH | 1.86 | 23.81 | 35.39 | 3.88 | 8.45 | 2.47 |

US Government vs. US Corporate



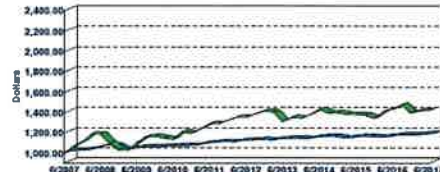
| | MTD | YTD | ONE YEAR | THREE YEARS | FIVE YEARS | TEN YEARS |
|--------------------|-------|------|----------|-------------|------------|-----------|
| ML US TREAS MASTER | -0.18 | 1.92 | -2.48 | 2.50 | 1.37 | 4.13 |
| ML US CORP MASTER | 0.28 | 7.88 | 2.33 | 3.54 | 4.85 | 5.72 |

Investment Grade vs. Speculative Grade



| | MTD | YTD | ONE YEAR | THREE YEARS | FIVE YEARS | TEN YEARS |
|--------------------|-------|-------|----------|-------------|------------|-----------|
| BARCLAYS AGGREGATE | -0.10 | 2.37 | -0.31 | 2.46 | 2.21 | 4.48 |
| CREDITORY MARKET | 0.05 | -4.47 | 12.31 | 3.05 | 6.42 | 7.34 |

Inflation



| | MTD | YTD | ONE YEAR | THREE YEARS | FIVE YEARS | TEN YEARS |
|----------------------|-------|------|----------|-------------|------------|-----------|
| CPI | 0.10 | 1.51 | 1.51 | 0.86 | 1.26 | 1.61 |
| BARCLAYS WLD INF LNK | -0.48 | 1.73 | -0.71 | -0.21 | 0.97 | 3.56 |



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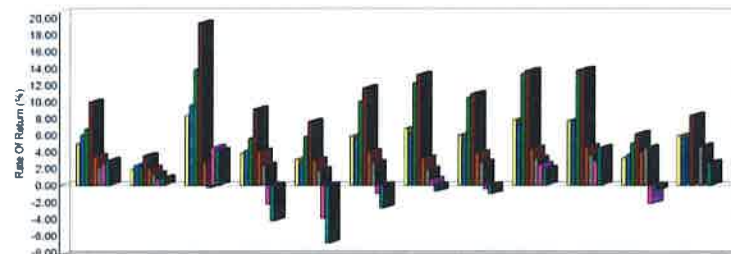
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FEC Financial Management

Sewerage and Water Board of New Orleans Composite Executive Summary Composite Profile

Performance Analysis
June 30, 2002 through June 30, 2017



| | YTD | Last Thru Months | One Year | Two Years | Three Years | Four Years | Five Years | Six Years | Seven Years | Eight Years | Ten Years | Since Inception |
|------------------------|------|------------------|----------|-----------|-------------|------------|------------|-----------|-------------|-------------|-----------|-----------------|
| Total Fund Composite | 5.00 | 1.93 | 8.37 | 3.64 | 3.12 | 5.89 | 6.80 | 6.03 | 7.83 | 7.71 | 3.31 | 5.92 |
| Policy Index | 6.04 | 2.40 | 9.62 | 4.16 | 2.61 | 5.42 | 6.12 | 5.45 | 7.41 | 7.79 | 3.73 | 5.56 |
| Equity Composite | 6.72 | 2.16 | 13.87 | 5.59 | 5.81 | 10.03 | 12.19 | 10.48 | 13.33 | 13.76 | 5.05 | N/A |
| Equity Policy Index | 9.94 | 3.56 | 19.42 | 9.09 | 7.59 | 11.62 | 13.25 | 10.92 | 13.71 | 13.84 | 6.17 | 8.36 |
| Fixed Income Composite | 3.45 | 1.99 | 2.74 | 4.06 | 3.00 | 3.99 | 3.23 | 3.85 | 4.42 | 4.62 | 3.99 | N/A |
| Fix Inc Policy Index | 2.18 | 1.39 | -0.29 | 2.39 | 1.79 | 2.71 | 1.90 | 2.73 | 3.21 | 3.61 | 4.49 | 4.69 |
| Alternatives Composite | 2.60 | 0.71 | 4.55 | -2.31 | -4.02 | -1.00 | 0.64 | -0.41 | 2.50 | 2.83 | -2.19 | N/A |
| Alt Policy Index | 2.94 | 0.90 | 4.13 | -4.29 | -6.93 | -2.77 | -0.73 | -1.05 | 1.96 | 4.48 | -0.65 | 2.74 |



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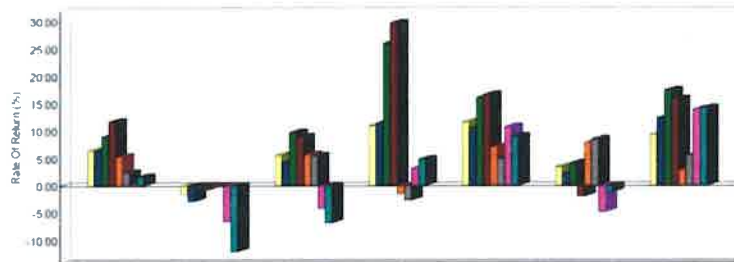
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Sewerage and Water Board of New Orleans Composite Executive Summary Composite Profile

SWBNOERS has outpaced ★ its Policy
Benchmark 6 of the past 8 calendar years
since 1/2009

Calendar Year Performance Analysis
through December 31, 2016



| | ★ 2016 | ★ 2015 | ★ 2014 | 2013 | ★ 2012 | ★ 2011 | 2010 |
|------------------------|--------|--------|--------|-------|--------|--------|-------|
| Total Fund Composite | 6.48 | -1.67 | 5.81 | 11.03 | 11.66 | 3.50 | 9.37 |
| Policy Index | 6.42 | -2.80 | 4.22 | 11.50 | 10.49 | 2.18 | 12.45 |
| Equity Composite | 9.02 | -0.65 | 9.81 | 26.09 | 16.17 | 4.15 | 17.51 |
| Equity Policy Index | 11.75 | -0.73 | 8.97 | 29.83 | 16.88 | -2.01 | 15.91 |
| Fixed Income Composite | 5.37 | -0.27 | 5.71 | -1.61 | 7.17 | 7.91 | 2.88 |
| Fix Inc Policy Index | 2.44 | -0.19 | 5.51 | -2.69 | 4.88 | 6.55 | 5.60 |
| Alternatives Composite | 0.31 | -6.62 | -4.12 | 3.22 | 10.77 | -4.80 | 14.01 |
| Alt Policy Index | 1.68 | -11.98 | -6.62 | 4.92 | 9.14 | -1.16 | 14.27 |



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Sewerage and Water Board of New Orleans Composite Executive Summary Composite Profile

A further look back, reveals the Plan
beat★Policy, 3 of the 6 years ending
12/2008 .. a period which included both
Katrina and the Banking Crisis.

Calendar Year Performance Analysis
through December 31, 2009



| | ★ 2009 | 2008 | 2007 | ★ 2006 | 2005 | ★ 2004 | ★ 2003 |
|------------------------|--------|--------|------|--------|------|--------|--------|
| Total Fund Composite | 17.14 | -25.77 | 3.34 | 14.23 | 3.82 | 10.61 | 27.38 |
| Policy Index | 15.92 | -24.82 | 7.10 | 11.14 | 3.93 | 10.37 | 22.03 |
| Equity Composite | 27.75 | -39.20 | 0.87 | 18.62 | 4.80 | 13.14 | 36.07 |
| Equity Policy Index | 30.88 | -38.84 | 6.99 | 17.46 | 7.43 | 14.28 | 33.37 |
| Fixed Income Composite | 14.88 | -8.73 | 6.65 | 5.89 | 2.08 | 5.45 | 5.54 |
| Fix Inc Policy Index | 3.78 | 7.58 | 8.75 | 4.87 | 0.23 | 5.63 | 8.99 |
| Alternatives Composite | 12.08 | -33.84 | N/A | N/A | N/A | N/A | N/A |
| Alt Policy Index | 32.43 | -37.00 | 7.84 | 9.66 | 1.40 | 16.69 | 19.21 |



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FFC Capital Management

Sewerage and Water Board of New Orleans Composite Period Ending June 30, 2017

| Target Allocation | Current Allocation | Asset Class | Market Value | MTD | 2nd Qtr 2017 | 1st Qtr 2017 | 4th Qtr 2016 | 3rd Qtr 2016 | YTD | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | Since Inception | Inception Date |
|-------------------|--------------------|--|--------------|-------|--------------|--------------|--------------|--------------|-------|-------|-------|-------|-------|-------|--------|-----------------|----------------|
| 48.25% | 51.35% | Equity Composite | 111,537,773 | 1.88 | 2.16 | 4.46 | 2.99 | 3.60 | 6.72 | 9.02 | -8.85 | 9.81 | 26.09 | 16.17 | 4.15 | 8.78 | Nov-05 |
| | | Equity Policy Index | | 0.80 | 3.06 | 6.16 | 3.29 | 5.22 | 9.94 | 11.75 | -0.73 | 8.97 | 29.63 | 16.68 | -2.01 | 8.14 | |
| 10.00% | 13.76% | LC Value | | | | | | | | | | | | | | | |
| | | Barrow Hanley | 29,803,908 | 2.70 | 3.16 | 3.41 | 6.64 | 3.11 | 6.68 | 13.61 | -1.85 | 12.08 | 30.55 | 14.67 | 1.96 | 6.77 | Aug-06 |
| | | Russell 1000 Value | | 1.63 | 1.34 | 3.27 | 6.68 | 2.48 | 4.66 | 17.34 | -3.83 | 13.45 | 32.83 | 17.51 | 0.39 | 6.68 | |
| | | S&P 500 Value | | 1.90 | 1.81 | 3.29 | 7.35 | 2.94 | 4.85 | 17.40 | -3.13 | 12.36 | 31.99 | 17.88 | -0.48 | 6.61 | |
| 10.00% | 12.33% | LC Enhanced Core | | | | | | | | | | | | | | | |
| | | Chicago Equity | 28,738,017 | 0.75 | 1.93 | 5.95 | 4.25 | 3.61 | 7.99 | 8.07 | 2.47 | 13.06 | 32.28 | 15.62 | 5.35 | 8.24 | May-06 |
| | | Russell 1000 | | 0.70 | 3.06 | 6.03 | 3.83 | 4.03 | 9.27 | 12.05 | 0.92 | 13.24 | 33.11 | 16.42 | 1.50 | 8.37 | |
| | | S&P 500 | | 0.62 | 3.09 | 6.07 | 3.82 | 3.85 | 9.34 | 11.96 | 1.38 | 13.89 | 32.39 | 16.00 | 2.11 | 8.28 | |
| 7.25% | 3.57% | LC Growth | | | | | | | | | | | | | | | |
| | | Northern S&P 500 Growth ETV | 7,748,930 | -0.40 | 4.47 | 8.36 | 0.70 | 4.86 | 13.22 | N/A | N/A | N/A | N/A | N/A | N/A | 13.96 | Feb-16 |
| | | S&P 500 Growth | | -0.39 | 4.42 | 8.63 | 0.48 | 4.76 | 13.33 | 6.38 | 0.02 | 0.03 | 0.03 | 0.05 | 0.05 | 15.03 | |
| | | Russell 1000 Growth | | -0.26 | 4.67 | 8.91 | 1.01 | 4.58 | 13.88 | 7.09 | 5.67 | 13.05 | 33.48 | 15.26 | 2.64 | 21.26 | |
| 13.00% | 14.45% | SMID Cap | | | | | | | | | | | | | | | |
| | | New South Capital | 31,324,952 | 0.04 | -1.72 | 1.80 | 0.97 | 1.50 | 0.05 | 9.08 | 0.51 | 11.97 | 26.04 | 16.71 | N/A | 12.53 | Aug-11 |
| | | Russell 2500 | | 2.50 | 2.13 | 3.78 | 6.12 | 6.56 | 8.97 | 17.59 | -2.80 | 7.07 | 36.80 | 17.88 | -2.51 | 14.36 | |
| | | Russell 2000 Value | | 2.66 | 0.32 | 1.62 | 9.34 | 6.18 | 1.95 | 25.20 | -6.49 | 7.11 | 33.32 | 19.21 | -3.36 | 14.20 | |
| 9.00% | 7.25% | International | | | | | | | | | | | | | | | |
| | | Ernest Partners | 15,724,068 | 1.50 | 7.88 | 7.96 | -0.64 | 9.12 | 16.46 | 4.59 | -0.34 | -2.48 | 12.43 | 18.50 | N/A | 8.41 | Sep-11 |
| | | MSCI AC World Ex US | | 0.35 | 5.99 | 7.98 | -1.20 | 8.97 | 14.46 | 6.96 | -5.24 | -3.43 | 15.80 | 17.40 | -13.32 | 8.28 | |
| 34.75% | 37.81% | Fixed Income Composite | 80,246,283 | -0.12 | 1.98 | 1.43 | -2.34 | 1.69 | 3.45 | 5.17 | 0.27 | 5.78 | 1.64 | 7.17 | 7.91 | 4.15 | Nov-05 |
| | | Fixed Income Policy Index | | -0.09 | 1.38 | 0.78 | -2.84 | 0.44 | 2.19 | 2.44 | -0.18 | 5.91 | -2.89 | 4.88 | 6.55 | 4.58 | |
| 37.00% | 36.87% | Core Plus | | | | | | | | | | | | | | | |
| | | Fixed Income Institutional Asset Value | 79,541,456 | -0.11 | 1.38 | 1.43 | -2.34 | 1.72 | 2.83 | 5.49 | 0.14 | 6.20 | -0.68 | 7.65 | 7.81 | 5.22 | Apr-07 |
| | | Barclays Aggregate | | -0.10 | 1.46 | 0.82 | -2.98 | 0.46 | 2.27 | 2.65 | 0.55 | 5.97 | -2.02 | 4.21 | 7.84 | 4.29 | |
| | | Barclays Global Agg | | -0.09 | 2.80 | 1.76 | -7.07 | 0.82 | 4.41 | 2.09 | -3.15 | 0.58 | -2.58 | 4.32 | 5.64 | 3.43 | |
| 1.75% | 0.12% | Cash | | | | | | | | | | | | | | | |
| | | Money and Prime Money DL 90.0 | 263,446 | 2.83 | 2.83 | 0.00 | 0.00 | 0.00 | 2.83 | 0.00 | 0.00 | 0.02 | 0.04 | 0.01 | 0.02 | 0.37 | Jan-08 |
| | | 30 Day T-Bill | | 0.07 | 0.19 | 0.11 | 0.06 | 0.05 | 0.30 | 0.21 | 0.02 | 0.83 | 0.08 | 0.05 | 0.05 | 0.17 | |
| 0.00% | 0.02% | Total Residual Assets | 41,882 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | Nov-06 |



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FFC Capital Management

Sewerage and Water Board of New Orleans Composite Period Ending June 30, 2017

| Target Allocation | Current Allocation | Asset Class | Market Value | MTD | 2nd Qtr 2017 | 1st Qtr 2017 | 4th Qtr 2016 | 3rd Qtr 2016 | YTD | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | Since Inception | Inception Date |
|-------------------|--------------------|------------------------------|--------------|-------|--------------|--------------|--------------|--------------|------|-------|--------|-------|-------|-------|-------|-----------------|----------------|
| 17.00% | 11.64% | Alternatives Composite | 2,532,926 | 0.24 | 0.24 | 0.11 | -0.35 | -0.53 | 1.68 | 0.21 | -6.85 | -1.12 | -3.22 | 18.77 | 1.86 | 1.13 | Mar-07 |
| | | Alt Policy Index | | 0.42 | 0.90 | 2.02 | -0.14 | 1.29 | 2.84 | 1.88 | -11.58 | -6.82 | 4.52 | 9.14 | -1.16 | -0.25 | |
| 8.75% | 0.55% | Multi-Strategy HFOF | | | | | | | | | | | | | | | |
| | | Primo Capital Partners & HOF | 20,710,774 | -0.14 | 0.48 | 2.11 | 1.11 | 2.27 | 2.60 | -1.24 | 0.15 | 2.27 | 11.12 | 7.31 | -3.21 | 2.99 | Apr-07 |
| | | HFRI Fund of Funds | | -0.21 | 0.82 | 2.39 | 0.86 | 2.29 | 3.02 | 0.51 | -0.27 | 3.37 | 8.95 | 4.81 | -5.71 | 1.11 | |
| | | Barclays Aggregate | | -0.10 | 1.46 | 0.82 | -2.98 | 0.46 | 2.27 | 2.65 | 0.55 | 5.97 | -2.02 | 4.21 | 7.84 | 4.29 | |
| 3.25% | 2.09% | Domestic REIT | | | | | | | | | | | | | | | |
| | | Vanguard Index FOF REIT | 4,521,262 | 2.24 | 1.74 | 0.80 | -1.90 | -1.53 | 2.55 | 8.43 | 2.61 | 29.72 | -1.77 | 17.69 | 8.23 | 10.30 | Apr-10 |
| | | MSCI REIT | | 2.13 | 1.65 | 0.98 | -2.96 | -1.46 | 2.66 | 8.60 | 2.82 | 30.38 | 2.47 | 17.77 | 8.69 | 11.13 | |
| | | S&P 500 | | 0.82 | 3.09 | 6.07 | 3.82 | 3.85 | 9.34 | 11.96 | 1.38 | 13.89 | 32.39 | 16.00 | 2.11 | 12.88 | |
| 100.00% | 100.00% | Total Fund Composite | 316,814,582 | 0.54 | 1.93 | 3.01 | 0.88 | 2.59 | 5.08 | 6.48 | -1.67 | 5.61 | 11.63 | 11.66 | 3.50 | 5.92 | Jan-03 |
| | | Policy Index | | 0.41 | 2.40 | 3.56 | 0.47 | 2.89 | 6.04 | 6.42 | -2.80 | 4.22 | 11.30 | 10.49 | 2.18 | 5.58 | |

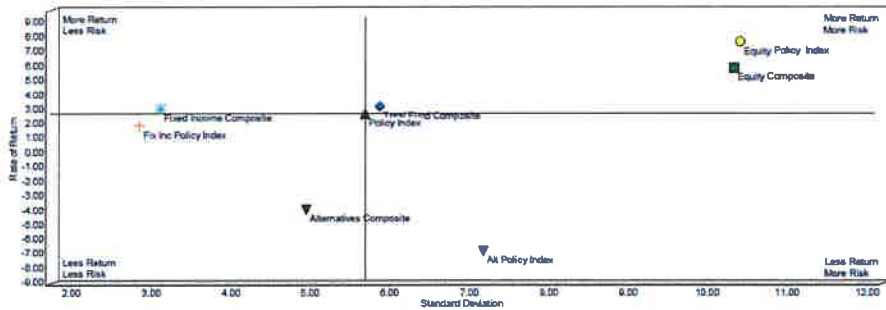


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**Sewerage and Water Board of New Orleans Composite
Executive Summary
Risk Reward Analysis
June 30, 2014 Through June 30, 2017**



| | Return | Std Dev | Sharpe Ratio | Alpha | Beta | R-Squared |
|-----------------------------|--------|---------|--------------|-------|------|-----------|
| ◆ Total Fund Composite | 3.12 | 5.80 | 0.40 | 0.81 | 1.00 | 69.72 |
| ▲ Policy Index | 2.81 | 5.70 | 0.41 | 0.00 | 1.00 | 100.00 |
| ■ Equity Composite | 5.81 | 10.34 | 0.54 | -1.42 | 0.97 | 94.71 |
| □ Equity Policy Index | 7.56 | 10.42 | 0.70 | 3.35 | 1.78 | 92.83 |
| ■ Fixed Income Composite | 3.10 | 3.11 | 0.89 | 1.23 | 0.97 | 79.00 |
| ■ Fixed Income Policy Index | 1.79 | 2.85 | 0.63 | 1.27 | 0.11 | 5.08 |
| ▼ Alternatives Composite | -4.62 | 4.95 | -0.80 | 0.28 | 0.63 | 69.51 |
| ▼ Alternatives Policy Index | -6.83 | 7.18 | -1.00 | -9.75 | 1.04 | 68.07 |

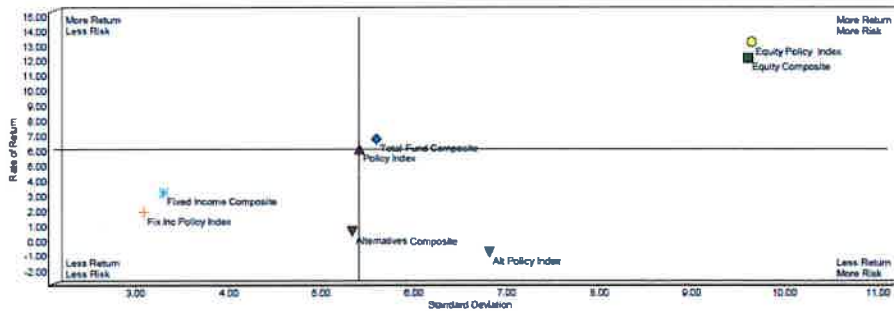


Sewerage & Water Board of New Orleans

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**Sewerage and Water Board of New Orleans Composite
Executive Summary
Risk Reward Analysis
June 30, 2012 Through June 30, 2017**



| | Return | Std Dev | Sharpe Ratio | Alpha | Beta | R-Squared |
|-----------------------------|--------|---------|--------------|-------|------|-----------|
| ◆ Total Fund Composite | 6.80 | 5.80 | 1.18 | 0.62 | 1.00 | 94.44 |
| ▲ Policy Index | 6.12 | 5.42 | 1.10 | 0.00 | 1.00 | 100.00 |
| ■ Equity Composite | 12.18 | 9.82 | 1.25 | -0.25 | 0.97 | 94.45 |
| □ Equity Policy Index | 13.25 | 9.66 | 1.35 | 2.78 | 1.70 | 92.44 |
| ■ Fixed Income Composite | 3.23 | 3.30 | 0.93 | 1.30 | 1.01 | 88.59 |
| ■ Fixed Income Policy Index | 1.00 | 3.08 | 0.66 | 0.54 | 0.19 | 10.01 |
| ▼ Alternatives Composite | 0.94 | 5.34 | 0.08 | 1.09 | 0.72 | 84.83 |
| ▼ Alternatives Policy Index | -0.73 | 6.82 | -0.13 | -6.85 | 1.04 | 85.44 |

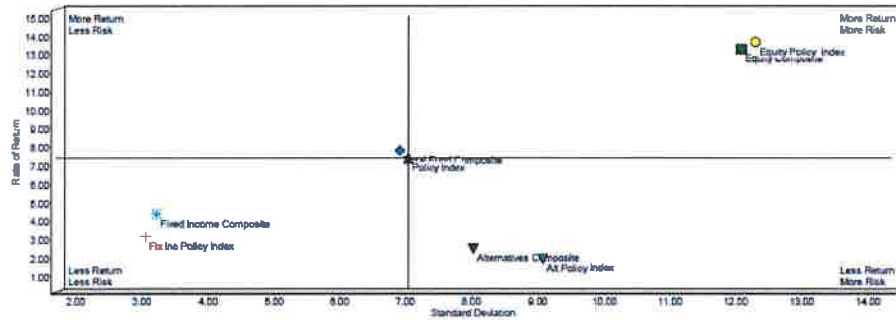


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**Sewerage and Water Board of New Orleans Composite
Executive Summary
Risk Reward Analysis
June 30, 2010 Through June 30, 2017**



| | Return | Std Dev | Sharpe Ratio | Alpha | Beta | R-Squared |
|---------------------------|--------|---------|--------------|-------|------|-----------|
| Total Fund Composite | 7.83 | 8.90 | 1.11 | 0.63 | 0.97 | 95.75 |
| Policy Index | 7.41 | 7.06 | 1.03 | 0.00 | 1.00 | 100.00 |
| Equity Composite | 13.33 | 12.09 | 1.06 | 0.15 | 0.99 | 95.82 |
| Equity Policy Index | 13.71 | 12.31 | 1.10 | 1.23 | 1.00 | 98.80 |
| Fixed Income Composite | 4.42 | 3.22 | 1.32 | 1.19 | 0.68 | 58.20 |
| Fixed Income Policy Index | 3.21 | 3.06 | 1.00 | 2.22 | 0.12 | 7.94 |
| Alternatives Composite | 2.50 | 8.03 | 0.29 | 0.78 | 0.85 | 61.78 |
| Alt Policy Index | 1.86 | 9.08 | 0.20 | -0.35 | 1.18 | 83.59 |

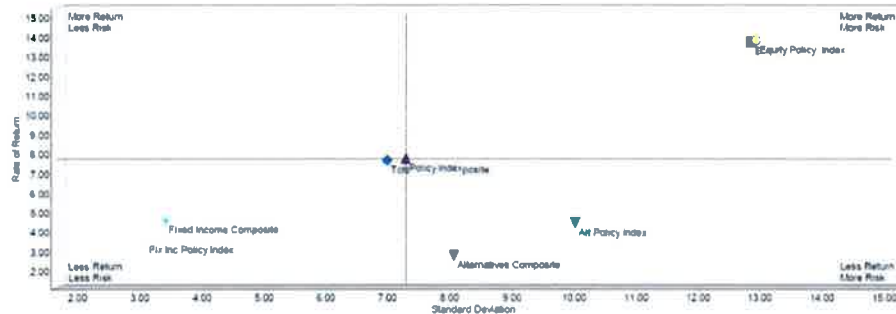


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**Sewerage and Water Board of New Orleans Composite
Executive Summary
Risk Reward Analysis
June 30, 2009 Through June 30, 2017**

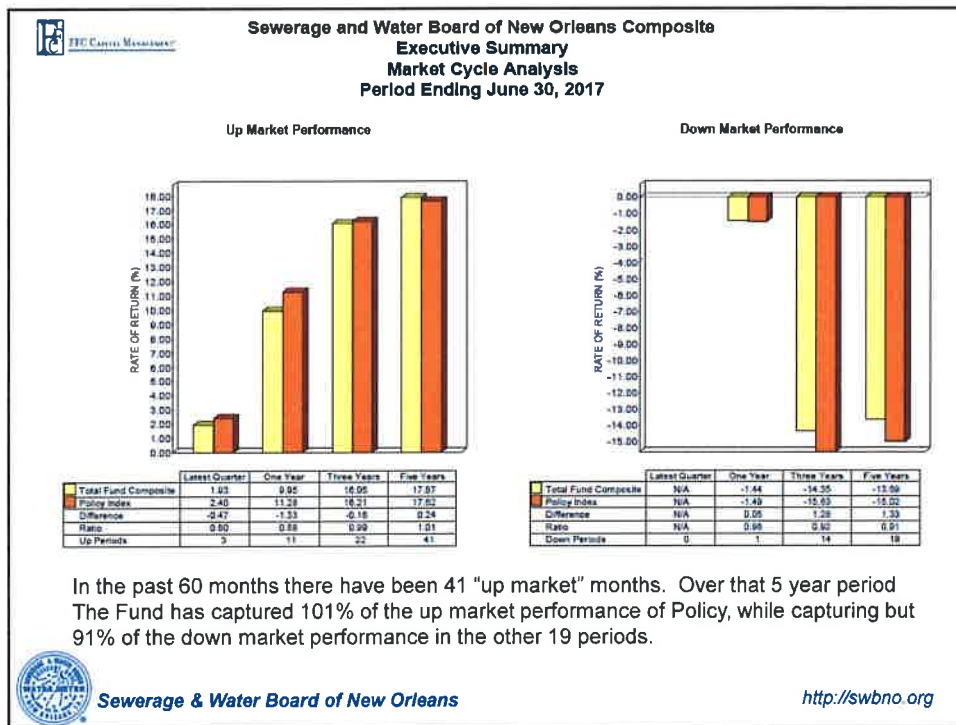
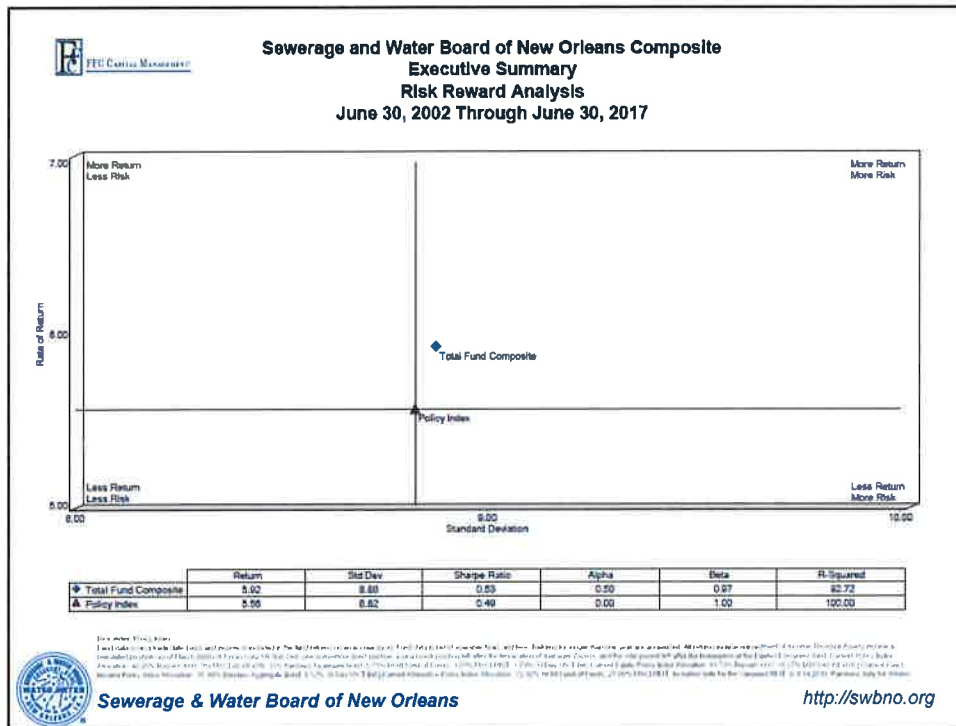


| | Return | Std Dev | Sharpe Ratio | Alpha | Beta | R-Squared |
|---------------------------|--------|---------|--------------|-------|------|-----------|
| Total Fund Composite | 7.71 | 7.00 | 1.06 | 0.42 | 0.93 | 94.61 |
| Policy Index | 7.79 | 7.30 | 1.05 | 0.00 | 1.00 | 100.00 |
| Equity Composite | 13.78 | 12.88 | 1.06 | 0.27 | 0.97 | 96.12 |
| Equity Policy Index | 13.64 | 12.94 | 1.06 | 0.80 | 1.72 | 93.88 |
| Fixed Income Composite | 4.62 | 3.42 | 1.31 | 1.18 | 0.84 | 73.87 |
| Fixed Income Policy Index | 3.61 | 3.11 | 1.11 | 2.68 | 0.10 | 5.72 |
| Alternatives Composite | 2.83 | 8.97 | 0.33 | -0.47 | 0.73 | 61.41 |
| Alt Policy Index | 4.48 | 10.03 | 0.43 | -4.88 | 1.23 | 80.83 |



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Quarterly Review of Markets and Performance for period ending June 30, 2017

- Comments by the Chief Investment Officer
 - Due to the timing of reports, the analyses are over different time periods.
 - The focus is on longer-term, larger trends.



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3 Questions to Always Ask

For the period ended June 30, 2017

1-Year 3-Years 5-Years 7-Years 10-Years

Has the Fund exceeded the Actuarial Rate of Return?

| | | | | | |
|--|--------------|---------------|---------------|---------------|---------------|
| Total Fund Net of Fees | 8.37% | 3.12% | 6.80% | 7.83% | 3.31% |
| Actuarial Return Assumption | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% |
| Value-Added vs. Actuarial Requirement | 1.37% | -3.88% | -0.20% | +0.83% | -3.69% |

Has Taking Risk Been Rewarded?

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Total Fund Policy Index Return | 9.62% | 2.61% | 6.12% | 7.41% | 3.73% |
| Risk Free Rate of Return [30-Day Treasury Bill] | 0.55% | 0.25% | 0.18% | 0.15% | 0.45% |
| Policy Impact | 9.07% | 2.36% | 5.94% | 7.26% | 3.28% |

Has Implementation Added Value?

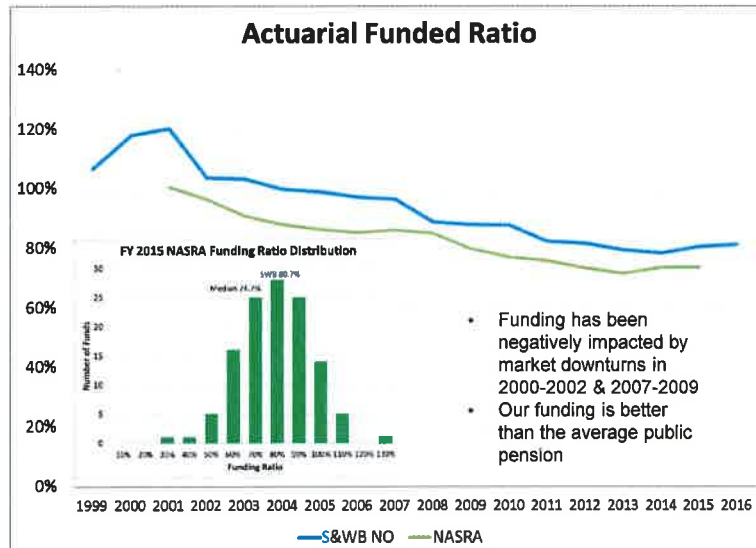
| | | | | | |
|----------------------------------|---------------|--------------|--------------|--------------|---------------|
| Total Fund Net of Fees | 8.37% | 3.12% | 6.80% | 7.83% | 3.31% |
| Total Fund Policy Index Return | 9.62% | 2.61% | 6.12% | 7.41% | 3.73% |
| Excess Return Net of Fees | -1.25% | 0.51% | 0.68% | 0.42% | -0.42% |



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Underfunded, but above average funded ratio.



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A more conservative portfolio in this environment will generally underperform.

Gross Performance

Asset Allocation

| | S&WB Estimated Public Fund | BNY Mellon Public Fund | Northern Trust Public Fund | RVK Public Fund | Wishire TUCS Public Fund |
|------------|-------------------------------|---------------------------|-------------------------------|--------------------|--------------------------------|
| 12/31/2017 | Gross | Gross | Gross | Gross | Gross |
| 1-Year | 7.19% | 7.81% | 7.90% | 7.25% | 7.77% |
| 3-Year | 3.93% | N/A | 4.70% | 4.39% | 4.67% |
| 5-Year | 6.88% | 8.45% | 8.90% | 8.16% | 8.63% |
| 7-Year | 6.88% | N/A | N/A | N/A | N/A |
| 10-year | 3.81% | 5.23% | N/A | 5.16% | 5.64% |

| Asset Allocations 2015 | S&WB | NASRA |
|----------------------------|-------|-------|
| Equity | 45.0% | 49.0% |
| Fixed Income | 37.0% | 22.8% |
| Alternatives & Real Estate | 18.0% | 24.1% |
| Cash & Other | 0.0% | 4.1% |

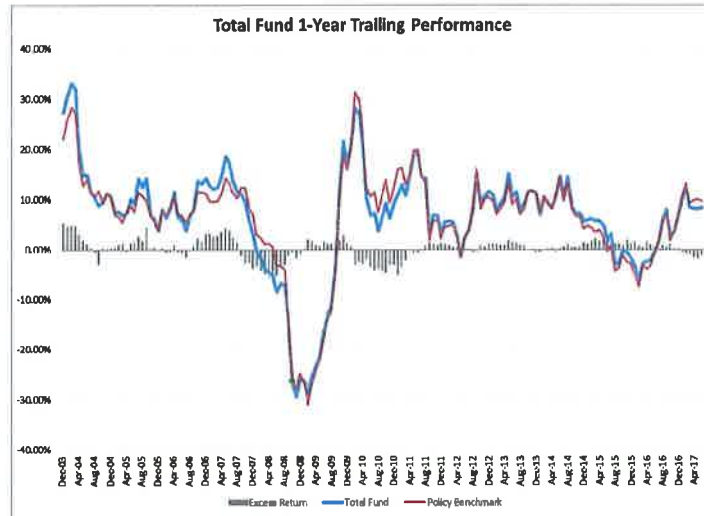
- The 2007-2009 financial crisis made it difficult for public pensions to meet their actuarially assumed rate of returns over the last decade.
- Our fund has earned lower returns relative other public funds.
- In part because we have a more "conservative" portfolio:
 - Less equity and less alternatives
 - More fixed income
- However, the performance gap has been shrinking.



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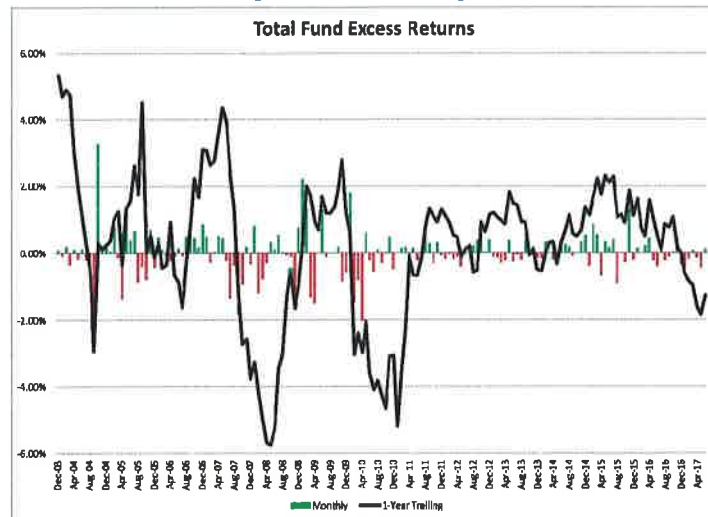
Return levels depend what the market offers.



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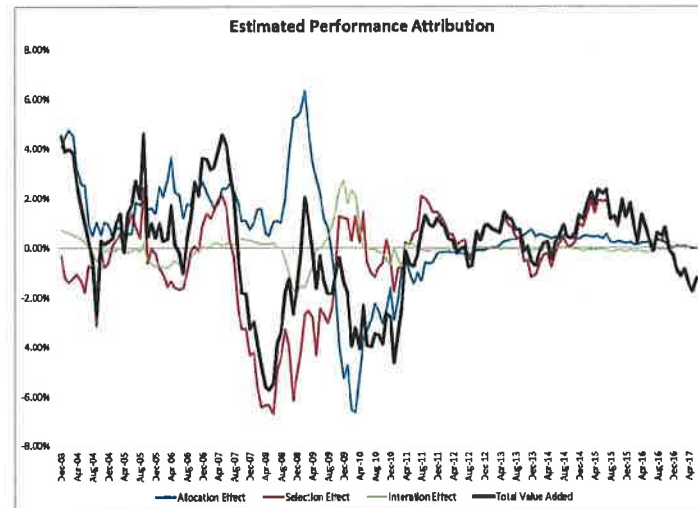
The pattern of performance has changed over the past seven years.



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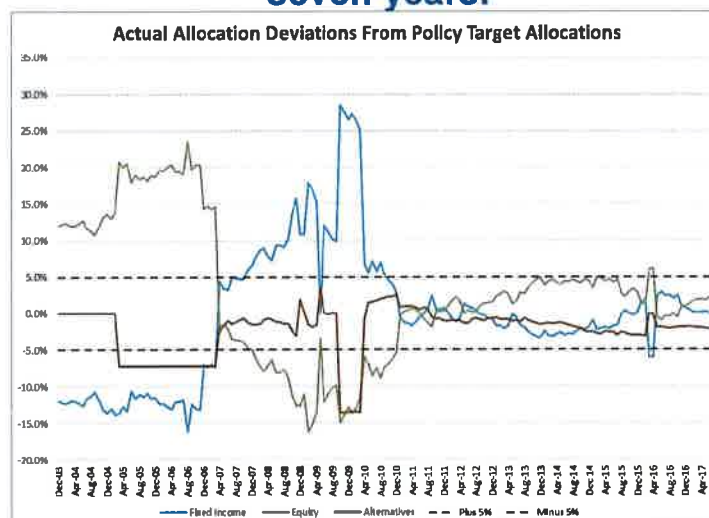
Manager selection is currently an important driver of excess returns, but allocation drove excess returns 7-15 years ago.



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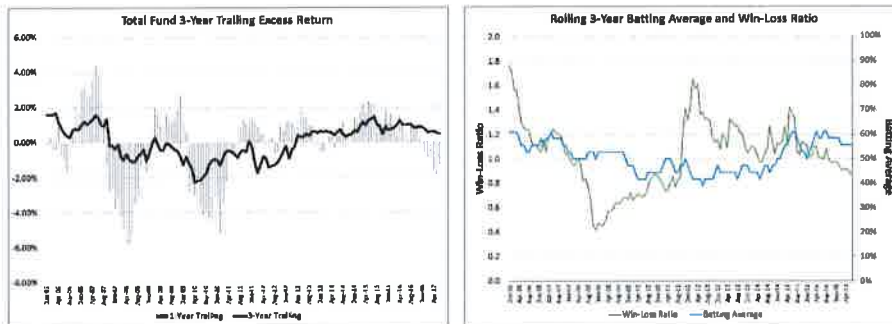
The portfolio has relied less on market timing and been more risk-controlled over the past seven years.



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Excess returns:
Win more times than you lose (batting average > 50%)
and win bigger than you lose (win-loss ratio > 1.0).



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August 2017 Portfolio Recommendations
Octave J. Francis III, CIMA®

- **#1 Recommendation to Un-Constrain FIAM Core Plus**
- **#2 Recommendation to Rebalance to Policy Targets**



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FFC CAPITAL MANAGEMENT

Recommendation to Un-Constrain FIAM Core Plus

- Remove constraints from SWBNOERS' Fidelity Institutional Asset Management (FIAM) Core Plus portfolio which limit the SWBNOERS portfolio to a maximum of 15% in below investment grade securities;
- Moving from a governed to the standard FIAM Core Plus offering;
- Incrementally diversifying the Fund's Global Fixed Income Composite credit profile further;
- Nominally increasing Expected Returns (R_E) for the Composite;
- Requires policy amendment increasing Allowable Below Investment Grade securities, specific to Core Plus mandate to a maximum of 30% (Current percentage holdings for standard portfolio is 17.36%).



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FFC CAPITAL MANAGEMENT

| Characteristics | SWBNO Core Plus | FIAM Core Plus | Difference | Investment Grade Corporate Allocation (%) | SWBNO Core Plus | FIAM Core Plus | Difference |
|-----------------------|--------------------|-------------------|------------|--|--------------------|-------------------|------------|
| YTW% | 2.80% | 3.18% | -0.32% | Banking | 0.89 | 0.37 | 1.52 |
| Duration | 5.50 | 5.56 | -0.16 | Energy | 2.93 | 1.83 | 1.10 |
| Sector Allocation (%) | | | | REITS | 3.31 | 2.80 | 0.51 |
| US Treasuries | 26.77 | 23.80 | 1.97 | Communications | 2.85 | 2.39 | 0.46 |
| TIPS | 6.83 | 6.80 | 0.33 | Electric Utility | 1.89 | 1.51 | 0.38 |
| Gov't Related | 4.26 | 1.79 | 2.47 | Insurance | 1.77 | 1.42 | 0.35 |
| Agencies | 2.47 | 0.00 | 2.47 | Consumer Noncyclical | 2.80 | 2.46 | 0.34 |
| Municipals | 1.64 | 1.33 | 0.29 | Consumer Cyclical | 1.19 | 1.03 | 0.16 |
| Sovereigns | 0.15 | 0.44 | (0.29) | Finance | 0.42 | 0.35 | 0.07 |
| Credit | 27.82 | 23.28 | 4.67 | Brokerage | 0.24 | 0.20 | 0.04 |
| Financials | 15.63 | 13.17 | 2.46 | Basic Industry | 0.26 | 0.23 | 0.03 |
| Industrials | 10.23 | 8.44 | 1.79 | Natural Gas Utility | 0.16 | 0.13 | 0.03 |
| Utilities | 2.06 | 1.64 | 0.42 | Transportation | 0.10 | 0.13 | (0.03) |
| Securitized | 22.84 | 19.30 | 3.54 | Other | 0.00 | 0.04 | (0.04) |
| Agency MBS | 21.17 | 17.51 | 3.66 | Capital Goods | 0.07 | 0.19 | (0.12) |
| Non-Agency MBS | 0.14 | 0.11 | 0.02 | Technology | 0.03 | 0.17 | (0.14) |
| CMBS | 0.91 | 1.38 | (0.47) | Total | 27.92% | 23.28% | |
| Consumer ABS | 0.42 | 0.29 | 0.13 | | | | |
| Plus Sectors | 8.89 | 21.08 | (12.17) | Rating Allocation (%) | | | |
| High Yield | 4.29 | 8.87 | (4.58) | AAA | 59.54 | 53.39 | 6.15 |
| EMD | 1.81 | 5.11 | (3.30) | AA | 0.88 | 0.86 | 0.12 |
| Leveraged Loans | 0.00 | 5.21 | (5.21) | A | 12.42 | 10.88 | 1.76 |
| Global | 0.00 | 1.27 | (1.27) | BBB | 18.32 | 17.74 | 1.58 |
| High Yield CMBS | 2.79 | 0.60 | 2.19 | Below Investment Grade | 7.74 | 17.36 | (9.62) |
| Cash/Other | 3.89 | 4.21 | (0.62) | Total | 100.00% | 100.00% | |
| Total | 100.00% | 100.00% | | | | | |



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| Portfolio Name | Inception Date | Period Ending | Gross/Net | 3 Month | YTD | Trailing 1Yr | Trailing 3Yr | Trailing 5Yr | Trailing 10Yr | Since Inception |
|--|----------------|---------------|-----------|---------|--------|--------------|--------------|--------------|---------------|-----------------|
| SWBNO Core Plus | Apr 16, 2007 | Jun 30, 2017 | Gross* | 1.43 | 2.88 | 2.30 | 3.35 | 3.50 | 5.53 | 6.36 |
| FIAM Core Plus (unconstrained) | | Jun 30, 2017 | Gross* | 1.52 | 3.07 | 3.17 | 3.64 | 3.70 | 5.67 | 6.40 |
| Relative Performance | | Jun 30, 2017 | | (0.09) | (0.19) | (0.87) | (0.29) | (0.20) | (0.04) | (0.04) |
| Bloomberg Barclays Aggregate Bond Index | | Jun 30, 2017 | | 1.45 | 2.27 | (.31) | 2.48 | 2.21 | 4.48 | 4.34 |
| Bloomberg Barclays US Universal Bond Index | | Jun 30, 2017 | | | 2.63 | .91 | 2.76 | 2.73 | 4.73 | 4.54 |
| Bloomberg Global Aggregate Bond Index | | Jun 30, 2017 | | | 4.41 | (2.18) | (.35) | .78 | 3.69 | 3.43 |



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FFC CAPITAL MANAGEMENT®

Sewerage and Water Board of New Orleans

PERFORMANCE RETURNS (%) CONTINUED

| | Cumulative | | Annualized | | | | |
|--|------------|--------|------------|--------|--------|---------|--|
| | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year | |
| FIAM Bond Market Duration (unconstrained) Pool | 1.36 | 2.62 | 1.16 | 3.11 | 3.08 | 5.17 | |
| Wrightson US Agg Bond | 1.45 | 2.27 | (0.31) | 2.48 | 2.21 | 4.48 | |
| Relative Return | (0.09) | (0.35) | 1.47 | (0.65) | (0.87) | 0.69 | |
| FIAM High Yield Bond (unconstrained) Pool | 2.08 | 4.25 | 12.52 | 4.99 | 6.48 | 7.14 | |
| Bullish MHHH Credit 2008 | 2.16 | 4.90 | 12.74 | 4.49 | 6.50 | 7.63 | |
| Relative Return | (0.08) | (0.15) | (0.22) | (0.10) | (0.02) | (0.49) | |
| FIAM Emerging Markets Debt Core (Net) (unconstrained) Pool | 2.40 | 4.72 | 10.15 | 6.88 | 7.61 | 8.28 | |
| JPM EMBI GA (Duff & Wiegman EMB) | 2.28 | 6.89 | 8.08 | 5.38 | 5.72 | 7.44 | |
| Relative Return | 0.12 | (2.17) | 2.07 | 1.50 | 1.89 | 0.84 | |
| Fidelity Real Estate High Income Fund (NET) | 1.76 | 3.81 | 4.75 | 3.97 | 6.83 | 4.28 | |
| Wrightson CMBS 2008 A/B | 1.87 | 3.91 | 3.27 | 3.08 | 4.81 | (0.88) | |
| Relative Return | (0.11) | (0.10) | 1.48 | 0.89 | 2.43 | 5.17 | |

Results are calculated based on weighted and gross of fees (net of fees)



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FFC CAPITAL MANAGEMENT

Recommendation to Rebalance to Policy Target Weights

SWBNO Rebalancing Policy Language (As Amended April 2015, Page 11)

The percentage allocation to each asset class may vary as much as plus or minus 5% from the strategic allocation (policy), depending upon market conditions. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Plan. If there are no cash flows, the allocation of the Plan will be reviewed quarterly.

If the Board of Trustees judges cash flows to be insufficient to bring the Plan within the strategic allocation ranges, the Board of Trustees shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges.



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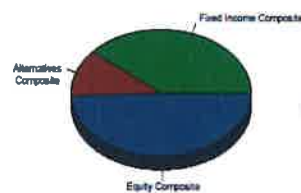
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Actual Allocation by Asset Class



| | Value | Percent |
|------------------------|-------------|---------|
| Equity Composite | 111,337,773 | 51.35 |
| Fixed Income Composite | 80,246,783 | 37.01 |
| Alternatives Composite | 26,332,026 | 11.64 |
| Total | 216,916,582 | 100.00 |

Target Allocation by Asset Class



| | Value | Percent |
|------------------------|-------------|---------|
| Equity Composite | 106,782,186 | 49.25 |
| Fixed Income Composite | 84,016,435 | 38.75 |
| Alternatives Composite | 26,017,960 | 12.00 |
| Total | 216,816,582 | 100.00 |



Sewerage & Water Board of New Orleans

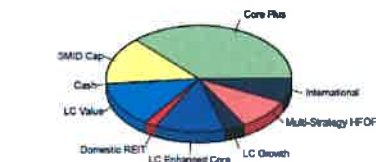
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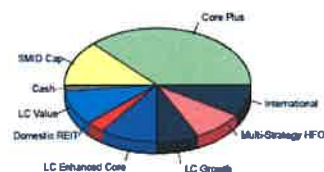


Actual Allocation by Asset Sub Class



| | Value | Percent |
|---------------------|-------------|---------|
| LC Enhanced Core | 25,738,017 | 12.33 |
| LC Growth | 7,745,930 | 3.57 |
| LC Value | 29,603,608 | 13.75 |
| International | 15,724,095 | 7.25 |
| SMID Cap | 31,324,553 | 14.45 |
| Core Plus | 79,941,455 | 36.87 |
| Residual Assets | 41,882 | 0.02 |
| Cash | 253,446 | 0.12 |
| Multi-Strategy HFOF | 20,710,774 | 9.55 |
| Domestic REIT | 4,521,252 | 2.09 |
| Total | 216,616,582 | 100.00 |

Target Allocation by Asset Sub Class



| | Value | Percent |
|---------------------|-------------|---------|
| LC Enhanced Core | 21,551,558 | 10.00 |
| LC Growth | 15,718,202 | 7.25 |
| LC Value | 21,551,558 | 10.00 |
| International | 19,513,482 | 9.00 |
| SMID Cap | 28,186,156 | 13.00 |
| Core Plus | 80,222,135 | 37.00 |
| Cash | 3,764,290 | 1.75 |
| Multi-Strategy HFOF | 18,971,451 | 8.75 |
| Domestic REIT | 7,045,539 | 3.25 |
| Total | 216,616,582 | 100.00 |



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FFC CAPITAL MANAGEMENT®



Recommendation to Rebalance to Policy Targets

- Straightforward or Enhanced rebalancing recommendations re-allocate assets back to adopted Policy Target Weights
- Mitigating overall risk in the Total Fund by bringing asset allocation back in line with long term strategic profile
- Effectively pulling some assets from the Fund's historically larger winners (Asset Class and Manager levels) and reallocating those assets to the Fund's historically less prolific asset classes and managers ... in keeping with the philosophy of Buy Low & Sell High ... rebalancing is selling your winners and buying your losers
- Straightforward Rebalance to Policy Target results in reductions in current allocations to Barrow Hanley (LCV), Chicago Equity (LCEC) and New South (SMID) ... While notably increasing allocations to iShares S&P 500 Growth (LCG) and Earnest (International Equity) ... increasing Expected Returns (R_E) for the Composite
- Enhanced Rebalance to Policy Target additionally results in reduced allocation to Prisma KKR and an increased allocation to Vanguard REIT, while maintaining Alternatives Composite Target levels
- Annual expense savings for Straightforward Rebalance of \$64k (Fund Expense Ratio down to 47 bps)
- Annual expense savings for Enhanced Rebalance of \$96k (Fund Expense Ratio down to 45 bps) ... bringing estimated manager related expenses for the Fund below \$1M



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SWBNOERS - Rebalance Recommendations


Straightforward - Rebalance to Policy Targets and Unconstrain FIAM (Core Plus)

| Market Value as of 06/30/2017 | Composited/Manager | Current Annual Expense | Est. Annual Expense Ratio | Current Allocation | Proposed as of 06/30/2017 | Composited/Manager | Proposed Annual Expense | Est. Annual Expense Ratio | Target Allocation | Difference in MV as of 06/30/2017 | Difference in Est. Annual Expenses |
|-------------------------------|------------------------|------------------------|---------------------------|--------------------|---------------------------|------------------------|-------------------------|---------------------------|-------------------|-----------------------------------|------------------------------------|
| 111,327,773.00 | Global Equity | 710,870.35 | 0.63% | 81.38% | 104,782,187.13 | Global Equity | 660,314.90 | 0.63% | 49.33% | (4,565,605.87) | (60,555.45) |
| 29,803,906.00 | Barrow Hanley | 187,764.62 | 0.63% | 13.75% | 21,681,858.30 | Barrow Hanley | 136,594.45 | 0.63% | 10.00% | (8,122,047.70) | (51,170.17) |
| 26,738,017.00 | Chicago Equity | 93,583.06 | 0.35% | 12.33% | 21,681,858.30 | Chicago Equity | 75,885.80 | 0.35% | 10.00% | (5,056,358.70) | (17,697.26) |
| 7,746,930.00 | Shares S&P 500 Growth | 13,944.47 | 0.18% | 3.57% | 15,718,202.27 | Shares S&P 500 Growth | 28,294.56 | 0.18% | 7.25% | 7,972,272.27 | 14,350.09 |
| 31,324,862.00 | New South | 281,923.67 | 0.90% | 14.45% | 28,186,155.79 | New South | 253,675.40 | 0.90% | 13.00% | (3,138,686.21) | (28,248.27) |
| 15,724,066.00 | Earnest | 133,654.56 | 0.85% | 7.25% | 19,513,492.47 | Earnest | 165,864.69 | 0.85% | 9.00% | 3,789,426.47 | 32,210.12 |
| 80,346,784.00 | Global Fixed Income | 189,882.91 | 0.24% | 37.61% | 84,016,428.01 | Global Fixed Income | 160,444.27 | 0.20% | 38.78% | (2,330,355.99) | (28,438.64) |
| 79,941,458.00 | Fidelity | 159,882.91 | 0.20% | 36.87% | 80,222,135.71 | Fidelity | 160,444.27 | 0.20% | 37.00% | 280,676.71 | 561.36 |
| 305,328.00 | Cash & Residual Assets | - | 0.00% | 0.14% | 3,794,290.20 | Cash & Residual Assets | - | 0.00% | 1.75% | 3,488,962.20 | - |
| 26,322,028.00 | Alternatives | 212,833.34 | 0.80% | 11.64% | 26,017,898.86 | Alternatives | 164,780.80 | 0.62% | 12.00% | (780,063.86) | (47,052.54) |
| 20,710,774.00 | Prisma | 207,107.74 | 1.00% | 9.55% | 15,177,161.81 | Prisma | 151,771.61 | 1.00% | 7.00% | (5,533,612.19) | (56,338.13) |
| 4,921,252.00 | Vanguard REIT | 5,425.50 | 0.12% | 2.09% | 10,840,829.15 | Vanguard REIT | 13,009.95 | 0.12% | 5.00% | 6,319,577.15 | 7,583.49 |
| 216,816,583.00 | TOTAL | 1,063,384.54 | 0.50% | 100.00% | 216,816,583.00 | TOTAL | 985,539.78 | 0.45% | 100.00% | - | (77,343.22) |

Enhanced - Rebalance to Policy Targets, Unconstrain FIAM (Core Plus) and Lower Allocation to Prisma (HFoF) w/ proceeds to Vanguard REIT (VNG)

| Market Value as of 06/30/2017 | Composited/Manager | Current Annual Expense | Est. Annual Expense Ratio | Current Allocation | Proposed as of 06/30/2017 | Composited/Manager | Proposed Annual Expense | Est. Annual Expense Ratio | Target Allocation | Difference in MV as of 06/30/2017 | Difference in Est. Annual Expenses |
|-------------------------------|------------------------|------------------------|---------------------------|--------------------|---------------------------|------------------------|-------------------------|---------------------------|-------------------|-----------------------------------|------------------------------------|
| 111,327,773.00 | Global Equity | 710,870.35 | 0.63% | 81.38% | 104,782,187.13 | Global Equity | 660,314.90 | 0.63% | 49.33% | (4,565,605.87) | (60,555.45) |
| 29,803,906.00 | Barrow Hanley | 187,764.62 | 0.63% | 13.75% | 21,681,858.30 | Barrow Hanley | 136,594.45 | 0.63% | 10.00% | (8,122,047.70) | (51,170.17) |
| 26,738,017.00 | Chicago Equity | 93,583.06 | 0.35% | 12.33% | 21,681,858.30 | Chicago Equity | 75,885.80 | 0.35% | 10.00% | (5,056,358.70) | (17,697.26) |
| 7,746,930.00 | Shares S&P 500 Growth | 13,944.47 | 0.18% | 3.57% | 15,718,202.27 | Shares S&P 500 Growth | 28,294.56 | 0.18% | 7.25% | 7,972,272.27 | 14,350.09 |
| 31,324,862.00 | New South | 281,923.67 | 0.90% | 14.45% | 28,186,155.79 | New South | 253,675.40 | 0.90% | 13.00% | (3,138,686.21) | (28,248.27) |
| 15,724,066.00 | Earnest | 133,654.56 | 0.85% | 7.25% | 19,513,492.47 | Earnest | 165,864.69 | 0.85% | 9.00% | 3,789,426.47 | 32,210.12 |
| 80,346,784.00 | Global Fixed Income | 189,882.91 | 0.24% | 37.61% | 84,016,428.01 | Global Fixed Income | 160,444.27 | 0.20% | 38.78% | (2,330,355.99) | (28,438.64) |
| 79,941,458.00 | Fidelity | 159,882.91 | 0.20% | 36.87% | 80,222,135.71 | Fidelity | 160,444.27 | 0.20% | 37.00% | 280,676.71 | 561.36 |
| 305,328.00 | Cash & Residual Assets | - | 0.00% | 0.14% | 3,794,290.20 | Cash & Residual Assets | - | 0.00% | 1.75% | 3,488,962.20 | - |
| 26,322,028.00 | Alternatives | 212,833.34 | 0.80% | 11.64% | 26,017,898.86 | Alternatives | 164,780.80 | 0.62% | 12.00% | (780,063.86) | (47,052.54) |
| 20,710,774.00 | Prisma | 207,107.74 | 1.00% | 9.55% | 15,177,161.81 | Prisma | 151,771.61 | 1.00% | 7.00% | (5,533,612.19) | (56,338.13) |
| 4,921,252.00 | Vanguard REIT | 5,425.50 | 0.12% | 2.09% | 10,840,829.15 | Vanguard REIT | 13,009.95 | 0.12% | 5.00% | 6,319,577.15 | 7,583.49 |
| 216,816,583.00 | TOTAL | 1,063,384.54 | 0.50% | 100.00% | 216,816,583.00 | TOTAL | 985,539.78 | 0.45% | 100.00% | - | (77,343.22) |

Note: Data contained herein was derived from sources believed to be reliable, however its accuracy and completeness is not guaranteed.

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Chief Investment Officer Comments on Rebalancing Proposal

- Rebalancing to asset allocation policy targets is an important risk management tool and usually delegated to staff discretion.
- The timing of rebalancing is dependent upon the actual allocation relative to target, market volatility, valuations, and market fund flows.
- The FFC Capital Management proposals:
 - ✓ Move the actual allocations to target.
 - ✓ The United States represents 52.2% of the MSCI All Country World Investable Market Index (ACWI IMI) capitalization weight. Our actual allocation is 85.9%. This rebalance would move us to the policy target 81.7%. This allocation benefited S&WB performance over the past 6 years.
 - ✓ Historically, the S&P 500 and MSCI EAFE have taken turns outperforming.
 - ✓ Shift from over-valued U.S. equity to relatively under-valued Non-U.S. equity.
 - ✓ Un-Constraining Fidelity means uses their standard product.
 - ✓ Reducing the Fund of Hedge Funds increases liquidity and lowers fees.



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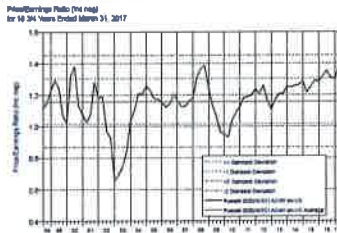
<http://swbno.org>

Factors Supporting a Shift Back to Policy Target in International Equity

International equity is relatively cheap versus the U.S.

Global Equity

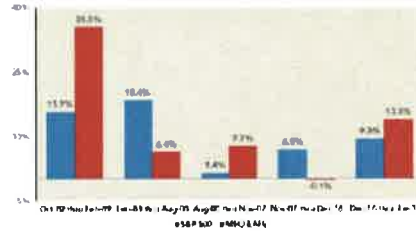
Relative Valuations: U.S. vs. International P/E



Source: Callan Associates

Mean reversion would favor international equity.

Historically the S&P 500 and S&P 500 have often been out performing



Source: Marquette Associates



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The Many Faces of Risk



Photo credit: Nightmares Fear Factory.

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Proposed Definitions of Risk and Risk Management

- **Risk** combines both the uncertainty of outcomes and the benefits of those outcomes.
- The degree of “*riskiness*” depends upon an investor’s *preferences*.
- Managing investment risk is as much about *exploiting opportunities for gain* as it is about *avoiding downside*.

Source: Thomas S. Coleman, A Practical Guide to Risk Management, CFA Institute, 2011.



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Risk Capacity & Risk Appetite

- **Risk Capacity** is the ability to withstand the worst-case outcome that could arise from risk taking planned or already assumed.
 - Net Earnings
 - Capital
 - Liquidity
 - Reputation
- **Risk Appetite** is the desired degree of risk taking that might, (but in a well-run firm should not), either exceed the risk capacity (or more often me materially lower than it).

Source: David Coleman, "Chapter 3: The Risk Management Framework," Risk Management Framework and Operational Risk, Professional Risk Managers' International Association, 2015, pages 56 and 59.



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The Reason We Are Discussing Risk Capacity and Risk Appetite

- The Pension Committee's risk appetite will prioritize the investment objectives and the kinds of investment strategies to be considered in the asset-liability study.
- The asset-liability study will provide metrics to help the Pension Committee to articulate its risk appetite which will be used in the asset-allocation study.



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Future Risk Topics

- Prioritizing investment objectives.
- Economic drivers of investment returns.
- Building block approach to investment returns.
- Reputational risk.



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September Meeting Agenda

- Continued Discussion of ERS Governance Structure - Mission
- Ensure IPS Asset Allocation Target & Ranges are Up-To-Date
- Continued Discussion of the Statement of Risk Capacity and Appetite
 - Review Investment Objectives
 - Economic Drivers of Investment Returns



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Appendix A Investment Philosophy

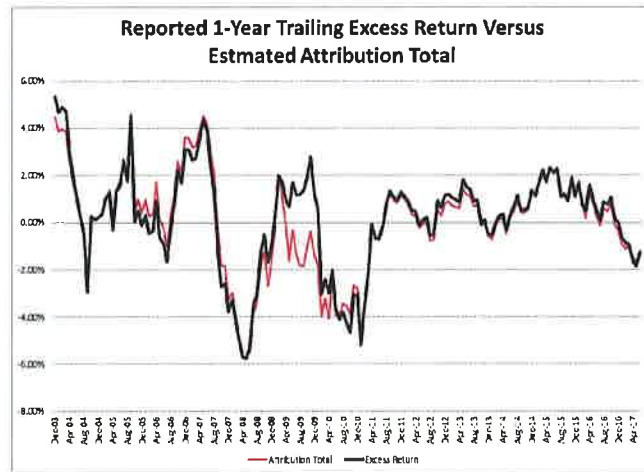
- The goal of investing is to earn enough to meet your objectives.
- Understand what you can control (in descending order: costs, liquidity, risk, and returns).
 - While you cannot control returns, you can decide to buy low and sell high.
- We have met the enemy, and he is us.
- There are limits to prediction:
 - The future is unknowable, so diversify.
 - Market timing is generally unrewarding.
 - Markets don't just mean revert, they overshoot.
- There are trade-offs in investing:
 - More risk must be assumed to gain higher expected returns.
 - Excess returns and market efficiency are inversely related and often cyclical.
 - Too much capital is the enemy of good returns.
- Performance cannot be guaranteed, but there are some predictions:
 - Philosophy, processes, and organizational resources drive excess returns. Culture and alignment of interest can enhance or detract.
 - IR is a function of skills, breadth, and freedom.



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Appendix B



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Re-Building the City's Water Systems for the 21st Century