

Public Agenda Item #5a

Review, Discussion and Consideration of
the Investment Performance of the System's Assets:

Fiscal Year 2016 Investment Performance

December 1, 2016

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Fiscal 2016 Performance Update



	Market Value 8/31/2016	1 Year Ending 8/31/2016	3 Year Ending 8/31/2016	5 Year Ending 8/31/2016	10 Year Ending 8/31/2016
Total Fund	\$ 25,499,105,144	5.28	6.61	7.54	5.70
Total Fund Policy Benchmark ^c		7.23	6.87	7.64	5.40
Variance		(1.95)	(0.26)	(0.10)	0.30
Return Seeking	19,578,911,607	6.02	7.72	9.01	
Global Equity	14,668,983,686	5.03	7.69	9.65	
MSCI All Country World Index		7.24	6.74	8.32	
Variance		(2.21)	0.95	1.33	
Global Public Equity	12,111,394,524	4.77	6.68	9.14	4.87
Global Public Equity Floating Benchmark ^a		7.73	7.01	9.14	4.76
Variance		(2.96)	(0.33)	(0.00)	0.11
Domestic Public Equity	5,661,463,713	8.43	10.99	13.87	7.23
S&P 1500/S&P 500 Blended Index		12.54	12.19	14.65	7.60
Variance		(4.11)	(1.20)	(0.78)	(0.37)
International Public Equity	5,327,370,919	1.29	1.90	3.76	2.12
MSCI EAFE/MSCI ACWI ex US Blended Index ^b		2.92	2.03	3.31	1.51
Variance		(1.63)	(0.13)	0.45	0.61
Global Public Equity Special Situations	719,798,273	12.22			
Directional Growth Portfolio	322,755,168	2.29			
Global Equity Tactical	80,006,451	(5.41)			
Private Equity	2,557,589,162	5.82	12.40	11.20	
Global Private Equity Benchmark ^j		8.03	13.47	12.65	
Variance		(2.21)	(1.07)	(1.45)	
Global Credit	1,984,512,205	8.08	5.84		
Barclays U.S. High Yield 2% Issuer Cap Index		9.12	5.41		
Variance		(1.04)	0.43		

Fiscal 2016 Performance Update



	Market Value 8/31/2016	1 Year Ending 8/31/2016	3 Year Ending 8/31/2016	5 Year Ending 8/31/2016	10 Year Ending 8/31/2016
Return Seeking (continued)					
Real Assets	2,823,485,288	10.10	10.27	10.34	
Real Estate - Public	720,685,319	15.49	9.25	9.35	3.41
Total Public RE Blended Benchmark ^d		16.83	10.60	10.18	3.16
Variance		(1.34)	(1.35)	(0.83)	0.25
Real Estate - Private	1,757,317,432	12.80	13.11	12.03	
Private RE Custom Benchmark ^h		10.80	9.34	8.71	
Variance		2.00	3.77	3.32	
Private Infrastructure	345,482,537	(16.35)	(2.92)		
Special Situations	101,930,428				
Risk Reduction	5,920,193,537	2.69	2.69	1.99	
Rates	4,055,950,593	3.34	2.65		
Barclays Treasury Intermediate Index		3.11	2.41		
Variance		0.23	0.23		
Cash	676,342,152	0.76	1.58	0.41	
91 Day Treasury Bill		0.23	0.10	0.09	
Variance		0.53	1.48	0.32	
Absolute Return	1,187,900,792	1.47	4.04		
Hedge Fund custom benchmark ⁱ		4.23	4.10		
Variance		(2.76)	(0.06)		
Texas Employees Group Benefits Program (TEGBP)	431,924,144	3.82	2.12	1.56	3.12
Group Benefits Program Policy Benchmark ^o		2.49	1.80	1.35	2.80
Variance		1.33	0.32	0.21	0.32

Fiscal 2016 Performance Update

Internally vs. Externally Managed



	Market Value 8/31/2016	1 Year Ending 8/31/2016	3 Year Ending 8/31/2016	5 Year Ending 8/31/2016	10 Year Ending 8/31/2016
Global Public Equity	12,111,394,524	4.77	6.68	9.14	4.87
Global Public Equity Floating Benchmark		7.73	7.01	9.14	4.76
Variance		(2.96)	(0.33)	(0.00)	0.11
<i>Global Public Equity - Internal**</i>	8,963,147,961	6.02	7.63	9.89	5.61
<i>Internal Global Public Equity Benchmark ^f</i>		8.81	7.63	9.80	5.24
<i>Variance</i>		(2.79)	(0.00)	0.09	0.37
<i>Global Public Equity - External**</i>	3,148,246,563	2.08	4.65	7.50	
<i>External Global Public Equity Benchmark ^g</i>		4.60	5.33	7.55	
<i>Variance</i>		(2.52)	(0.68)	(0.05)	
<i>Domestic Public Equity - Internal</i>	4,876,136,342	8.49	11.13	13.95	7.71
<i>Domestic Public Equity - External</i>	785,327,371	8.17	10.37	13.61	5.39
<i>International Public Equity - Internal</i>	3,287,206,895	2.25	1.94	2.98	1.70
<i>International Public Equity - External</i>	2,040,164,024	(0.19)	1.79	4.65	2.46
Global Credit	1,984,512,205	8.08	5.84		
Barclays U.S. High Yield 2% Issuer Cap Index		9.12	5.41		
Variance		(1.04)	0.43		
<i>Global Credit - Internal</i>	1,658,820,405	9.42	6.31		
<i>Barclays U.S. High Yield 2% Issuer Cap Index</i>		9.12	5.41		
<i>Variance</i>		0.30	0.90		
<i>Global Credit - External</i>	325,691,800	1.63	4.51		
<i>Barclays U.S. High Yield 2% Issuer Cap Index</i>		9.12	5.41		
<i>Variance</i>		(7.49)	(0.90)		

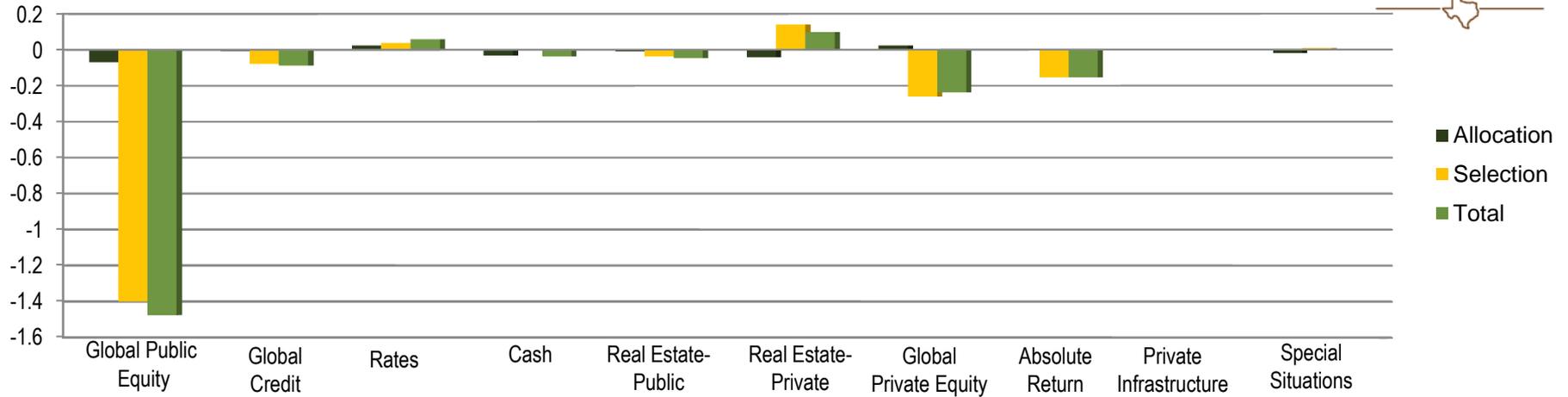
Fiscal 2016 Performance Update



Footnotes

- ^a The Global Public Equity Benchmark consists of the S&P 1500 and MSCI ACWI ex US Net using actual portfolio weights through 8/31/14 and the MSCI All Country World Net from 9/1/14 through 8/31/15. Starting 9/1/15 the benchmark is the MSCI ACWI IMI USA*
- ^b The Total International Public Equity Benchmark consists of the MSCI EAFE Net January 1999 through August 2008 and the MSCI ACWI ex US Net thereafter.*
- ^c The Total Fund Policy Benchmark is currently comprised of the MSCI ACWI IMI USA Gross, Barclays US High Yield 2% Issuer Cap, FTSE EPRA/NAREIT Blend, NCREIF ODCE NET (1 month in arrears), Barclays Intermediate Treasury, BofA Merrill Lynch 3 Month Treasury Bill + 4% (lagged 1 month), BofA Merrill Lynch 3 Month Treasury Bill, MSCI ACWI IMI USA Gross + 300 bps, and the actual return for Private Infrastructure.*
- ^d The Total Public Real Estate Blended Benchmark consists of the MSCI REIT from March 2005 - March 2007, a floating weight benchmark comprised of the EPRA/NAREIT US and EPRA/NAREIT US Global ex US from April 2007 through December 2007, the EPRA NAREIT Global Index from January 2008 through August 2013, the FTSE EPRA/NAREIT Developed Net from September 2013 through August 2014, and a MV weighted blend of the Total Internal Public RE Benchmark and the Wells St. Partner custom benchmark from September 2014 through March 2016. Effective April 2016, the benchmark is 100% FTSE EPRA/ NAREIT Developed Net.*
- ^e The Group Benefits Program Policy benchmark is comprised of 40% Barclays Capital Aggregate and 60% 91 Day T-Bill.*
- ^f The Total Internal Global Public Equity Benchmark utilizes actual portfolio market value weights against associated member indices through 8/31/14, the MSCI All Country World Net from 9/1/14 through 8/31/15 and then reverts back to using the market value weighted process effective 9/1/15.*
- ^g The Total External Global Public Equity Benchmark utilizes actual portfolio market value weights against associated member indices through 8/31/14, the MSCI All Country World Net from 9/1/14 through 8/31/15 and then reverts back to using the market value weighted process effective 9/1/15.*
- ^h The Private RE Custom Benchmark consists of the 91 Day T-Bill + 4% RE benchmark from 9/1/2012 through 8/31/14 and the NCREIF NFI-ODCE Net 1 month lagged beginning 9/1/14.*
- ⁱ The Hedge Fund Custom Benchmark consists of the 91 Day T-Bill + 4% through 8/31/14 and the 91 Day T-Bill + 4% 1 month lagged beginning 9/1/14.*
- ^j The Global Private Equity Benchmark is the actual gross of fees return of the Global Private Equity Composite from 9/1/11 through 8/31/15. Beginning 9/1/15, the benchmark is the MSCI ACWI IMI USA Gross Index plus 300 bps.*

Fiscal 2016 Performance Attribution

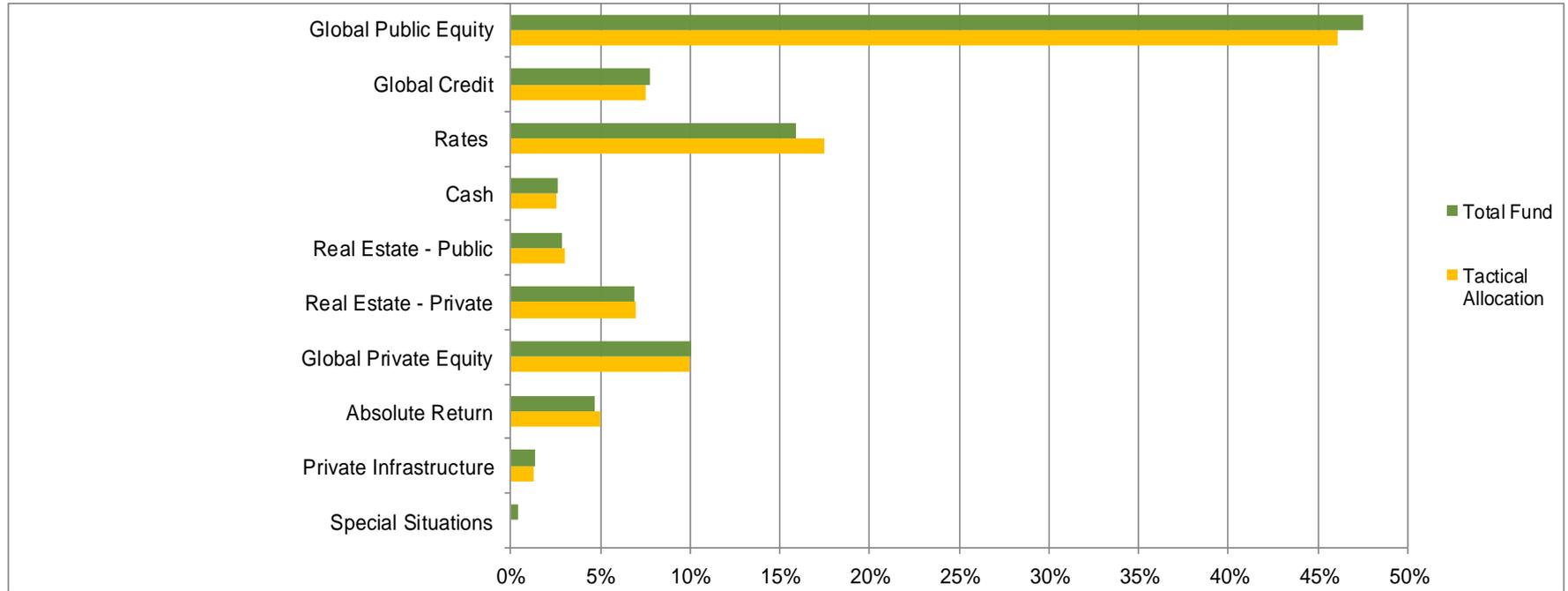


Asset Class	Portfolio		Benchmark		Attribution Effects		
	Weight	Return	Weight	Return	Allocation	Selection	Total
Global Public Equity	48.05%	4.77%	47.74%	7.73%	-0.07%	-1.40%	-1.47%
Global Credit	6.95%	8.08%	6.75%	9.12%	-0.01%	-0.08%	-0.09%
Rates	16.61%	3.34%	18.25%	3.11%	0.02%	0.04%	0.06%
Cash	1.16%	0.76%	1.09%	0.23%	-0.03%	-0.01%	-0.04%
Real Estate – Public	2.94%	15.49%	3.00%	16.83%	-0.01%	-0.04%	-0.05%
Real Estate - Private	7.04%	12.80%	7.00%	10.80%	-0.04%	0.14%	0.10%
Global Private Equity	10.93%	5.82%	10.00%	8.03%	0.02%	-0.26%	-0.24%
Absolute Return	5.05%	1.47%	5.00%	4.23%	0.00%	-0.15%	-0.15%
Private Infrastructure	1.17%	-16.35%	1.17%	-16.35%	0.00%	0.00%	0.00%
Special Situations	0.10%	1.93%	0.00%	0.00%	-0.02%	0.01%	-0.01%
Transition Effects**		-0.06%				-0.06%	-0.06%
Total Fund w RM!	100.00%	5.28%	100.00%	7.23%	-0.14%	-1.81%	-1.95%

Fiscal Year End Asset Allocation



Asset Allocation as of 8/31/16



Questions?