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## Vermont Pension Investment Committee

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### Third Quarter Investment Performance Analysis

November 26, 2013

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# Market Review

## Investment Market Update: As of September 30, 2013

## PERFORMANCE THROUGH 9/30/2013

| Sector             | Index                          | 2008   | 2009   | 2010  | 2011   | 2012  | Q1    | Q2    | SEP   | Q3    | 2013   |
|--------------------|--------------------------------|--------|--------|-------|--------|-------|-------|-------|-------|-------|--------|
| Small Cap Growth   | Russell 2000 Growth            | -38.5% | 34.5%  | 29.1% | -2.9%  | 14.6% | 13.2% | 3.7%  | 7.0%  | 12.8% | 32.5%  |
| Small Cap          | Russell 2000                   | -33.8% | 27.2%  | 26.9% | -4.2%  | 16.3% | 12.4% | 3.1%  | 6.4%  | 10.2% | 27.7%  |
| SMID Cap           | Russell 2500                   | -36.8% | 34.4%  | 26.7% | -2.5%  | 17.9% | 12.8% | 2.3%  | 5.7%  | 9.1%  | 25.9%  |
| Small Cap Value    | Russell 2000 Value             | -28.9% | 20.6%  | 24.5% | -5.5%  | 18.1% | 11.6% | 2.5%  | 5.8%  | 7.6%  | 23.1%  |
| Large Cap Growth   | Russell 1000 Growth            | -38.4% | 37.2%  | 16.7% | 2.6%   | 15.3% | 9.5%  | 2.1%  | 4.5%  | 8.1%  | 20.9%  |
| Large Cap          | Russell 1000                   | -37.6% | 28.4%  | 16.1% | 1.5%   | 16.4% | 11.0% | 2.7%  | 3.5%  | 6.0%  | 20.8%  |
| Large Cap Value    | Russell 1000 Value             | -36.8% | 19.7%  | 15.5% | 0.4%   | 17.5% | 12.3% | 3.2%  | 2.5%  | 3.9%  | 20.5%  |
| Large Cap          | S&P 500                        | -37.0% | 26.5%  | 15.1% | 2.1%   | 16.0% | 10.6% | 2.9%  | 3.1%  | 5.2%  | 19.8%  |
| Int'l Developed    | MSCI EAFE                      | -43.4% | 31.8%  | 7.8%  | -12.1% | 17.3% | 5.1%  | -1.0% | 7.4%  | 11.6% | 16.1%  |
| Diversified        | Diversified*                   | -24.5% | 24.1%  | 13.5% | 1.3%   | 12.7% | 5.9%  | 0.1%  | 3.4%  | 4.7%  | 11.2%  |
| High Yield         | Barclays US High Yield         | -26.2% | 58.2%  | 15.1% | 5.0%   | 15.8% | 2.9%  | -1.4% | 1.0%  | 2.3%  | 3.7%   |
| REITS              | Wilshire US REIT               | -39.2% | 28.6%  | 28.6% | 9.2%   | 17.6% | 7.4%  | -1.4% | 3.3%  | -3.0% | 2.7%   |
| Govt/Credit        | Barclays US Govt/Credit 1-3 Yr | 5.0%   | 3.8%   | 2.8%  | 1.6%   | 1.3%  | 0.2%  | -0.1% | 0.3%  | 0.4%  | 0.5%   |
| Govt/Credit        | Barclays Govt/Credit 1-5 Yr    | 5.1%   | 4.6%   | 4.1%  | 3.1%   | 2.2%  | 0.3%  | -0.7% | 0.6%  | 0.6%  | 0.1%   |
| Interm Govt/Credit | Barclays US Govt/Credit Interm | 5.1%   | 5.2%   | 5.9%  | 5.8%   | 3.9%  | 0.3%  | -1.7% | 0.8%  | 0.6%  | -0.8%  |
| Interm Core Bonds  | Barclays US Agg Interm         | 4.9%   | 6.5%   | 6.1%  | 6.0%   | 3.6%  | 0.2%  | -1.8% | 1.0%  | 0.8%  | -0.9%  |
| Core Bonds         | Barclays US Agg Bond           | 5.2%   | 5.9%   | 6.5%  | 7.8%   | 4.2%  | -0.1% | -2.3% | 0.9%  | 0.6%  | -1.9%  |
| Muni Bonds         | Barclays Municipal             | -2.5%  | 12.9%  | 2.4%  | 10.7%  | 6.8%  | 0.3%  | -3.0% | 2.2%  | -0.2% | -2.9%  |
| Global Bonds       | Citi WGBI                      | 10.9%  | 2.6%   | 5.2%  | 6.4%   | 1.6%  | -2.8% | -3.0% | 2.0%  | 2.9%  | -2.9%  |
| Emerging Equities  | MSCI EM                        | -53.3% | 78.5%  | 18.9% | -18.4% | 18.2% | -1.6% | -8.1% | 6.5%  | 5.8%  | -4.4%  |
| EMD External       | Barclays EM USD                | -14.7% | 34.2%  | 12.8% | 7.0%   | 17.9% | -1.5% | -5.1% | 2.3%  | 1.4%  | -5.2%  |
| EMD Local          | JPM GBI EM Glob Div            | -5.2%  | 22.0%  | 15.7% | -1.8%  | 16.8% | -0.1% | -7.0% | 4.4%  | -0.4% | -7.6%  |
| Long Credit        | Barclays US Long Credit        | -3.9%  | 16.8%  | 10.7% | 17.1%  | 12.7% | -1.8% | -6.3% | 0.5%  | -0.0% | -8.0%  |
| Commodities        | DJ UBS Commodity               | -35.6% | 18.9%  | 16.8% | -13.3% | -1.1% | -1.1% | -9.5% | -2.6% | 2.1%  | -8.6%  |
| Long Govt/Credit   | Barclays US Govt/Credit Long   | 8.4%   | 1.9%   | 10.2% | 22.5%  | 8.8%  | -2.0% | -6.1% | 0.5%  | -0.8% | -8.7%  |
| Treasury STRIPS    | Barclays US Strips 20+ Yr      | 59.5%  | -36.0% | 10.9% | 58.5%  | 3.0%  | -5.4% | -7.6% | -1.0% | -5.4% | -17.2% |

\* 35% LC, 10% SC, 12% Intl Equity, 3% Emerging Equity, 25% Core Bonds, 5% HY, 5% Global Bonds, 5% REITS

Sources: Barclays, Bloomberg, Wilshire

Investment Market Update: As of October 31, 2013

**PERFORMANCE THROUGH 10/31/2013**

| Sector             | Index                          | 2008   | 2009   | 2010  | 2011   | 2012  | Q1    | Q2    | Q3    | OCT   | 2013   |
|--------------------|--------------------------------|--------|--------|-------|--------|-------|-------|-------|-------|-------|--------|
| Small Cap Growth   | Russell 2000 Growth            | -38.5% | 34.5%  | 29.1% | -2.9%  | 14.6% | 13.2% | 3.7%  | 12.8% | 1.8%  | 34.9%  |
| Small Cap          | Russell 2000                   | -33.8% | 27.2%  | 26.9% | -4.2%  | 16.3% | 12.4% | 3.1%  | 10.2% | 2.5%  | 30.9%  |
| SMID Cap           | Russell 2500                   | -36.8% | 34.4%  | 26.7% | -2.5%  | 17.9% | 12.8% | 2.3%  | 9.1%  | 3.2%  | 30.0%  |
| Small Cap Value    | Russell 2000 Value             | -28.9% | 20.6%  | 24.5% | -5.5%  | 18.1% | 11.6% | 2.5%  | 7.6%  | 3.3%  | 27.1%  |
| Large Cap Growth   | Russell 1000 Growth            | -38.4% | 37.2%  | 16.7% | 2.6%   | 15.3% | 9.5%  | 2.1%  | 8.1%  | 4.4%  | 26.2%  |
| Large Cap          | Russell 1000                   | -37.6% | 28.4%  | 16.1% | 1.5%   | 16.4% | 11.0% | 2.7%  | 6.0%  | 4.4%  | 26.1%  |
| Large Cap Value    | Russell 1000 Value             | -36.8% | 19.7%  | 15.5% | 0.4%   | 17.5% | 12.3% | 3.2%  | 3.9%  | 4.4%  | 25.7%  |
| Large Cap          | S&P 500                        | -37.0% | 26.5%  | 15.1% | 2.1%   | 16.0% | 10.6% | 2.9%  | 5.2%  | 4.6%  | 25.3%  |
| Int'l Developed    | MSCI EAFE                      | -43.4% | 31.8%  | 7.8%  | -12.1% | 17.3% | 5.1%  | -1.0% | 11.6% | 3.4%  | 20.0%  |
| Diversified        | Diversified*                   | -24.5% | 24.1%  | 13.5% | 1.3%   | 12.7% | 5.9%  | 0.1%  | 4.7%  | 3.0%  | 14.6%  |
| REITS              | Wilshire US REIT               | -39.2% | 28.6%  | 28.6% | 9.2%   | 17.6% | 7.4%  | -1.4% | -3.0% | 4.1%  | 6.9%   |
| High Yield         | Barclays US High Yield         | -26.2% | 58.2%  | 15.1% | 5.0%   | 15.8% | 2.9%  | -1.4% | 2.3%  | 2.5%  | 6.3%   |
| Govt/Credit        | Barclays US Govt/Credit 1-3 Yr | 5.0%   | 3.8%   | 2.8%  | 1.6%   | 1.3%  | 0.2%  | -0.1% | 0.4%  | 0.2%  | 0.6%   |
| Govt/Credit        | Barclays Govt/Credit 1-5 Yr    | 5.1%   | 4.6%   | 4.1%  | 3.1%   | 2.2%  | 0.3%  | -0.7% | 0.6%  | 0.4%  | 0.5%   |
| Emerging Equities  | MSCI EM                        | -53.3% | 78.5%  | 18.9% | -18.4% | 18.2% | -1.6% | -8.1% | 5.8%  | 4.9%  | 0.3%   |
| Interm Govt/Credit | Barclays US Govt/Credit Interm | 5.1%   | 5.2%   | 5.9%  | 5.8%   | 3.9%  | 0.3%  | -1.7% | 0.6%  | 0.6%  | -0.2%  |
| Interm Core Bonds  | Barclays US Agg Interm         | 4.9%   | 6.5%   | 6.1%  | 6.0%   | 3.6%  | 0.2%  | -1.8% | 0.8%  | 0.6%  | -0.2%  |
| Core Bonds         | Barclays US Agg                | 5.2%   | 5.9%   | 6.5%  | 7.8%   | 4.2%  | -0.1% | -2.3% | 0.6%  | 0.8%  | -1.1%  |
| Global Bonds       | Citi WGBI                      | 10.9%  | 2.6%   | 5.2%  | 6.4%   | 1.6%  | -2.8% | -3.0% | 2.9%  | 1.0%  | -2.0%  |
| Muni Bonds         | Barclays Municipal             | -2.5%  | 12.9%  | 2.4%  | 10.7%  | 6.8%  | 0.3%  | -3.0% | -0.2% | 0.8%  | -2.1%  |
| EMD External       | Barclays EM USD Agg            | -14.7% | 34.2%  | 12.8% | 7.0%   | 17.9% | -1.5% | -5.1% | 1.4%  | 2.1%  | -3.2%  |
| EMD Local          | JPM GBI EM Glob Div            | -5.2%  | 22.0%  | 15.7% | -1.8%  | 16.8% | -0.1% | -7.0% | -0.4% | 2.7%  | -5.0%  |
| Long Credit        | Barclays US Long Credit        | -3.9%  | 16.8%  | 10.7% | 17.1%  | 12.7% | -1.8% | -6.3% | -0.0% | 2.5%  | -5.8%  |
| Long Govt/Credit   | Barclays US Govt/Credit Long   | 8.4%   | 1.9%   | 10.2% | 22.5%  | 8.8%  | -2.0% | -6.1% | -0.8% | 2.1%  | -6.9%  |
| Commodities        | DJ UBS Commodity               | -35.6% | 18.9%  | 16.8% | -13.3% | -1.1% | -1.1% | -9.5% | 2.1%  | -1.5% | -9.9%  |
| Treasury STRIPS    | Barclays US Strips 20+ Yr      | 59.5%  | -36.0% | 10.9% | 58.5%  | 3.0%  | -5.4% | -7.6% | -5.4% | 2.1%  | -15.5% |

\* 35% LC, 10% SC, 12% Intl Equity, 3% Emerging Equity, 25% Core Bonds, 5% HY, 5% Global Bonds, 5% REITS

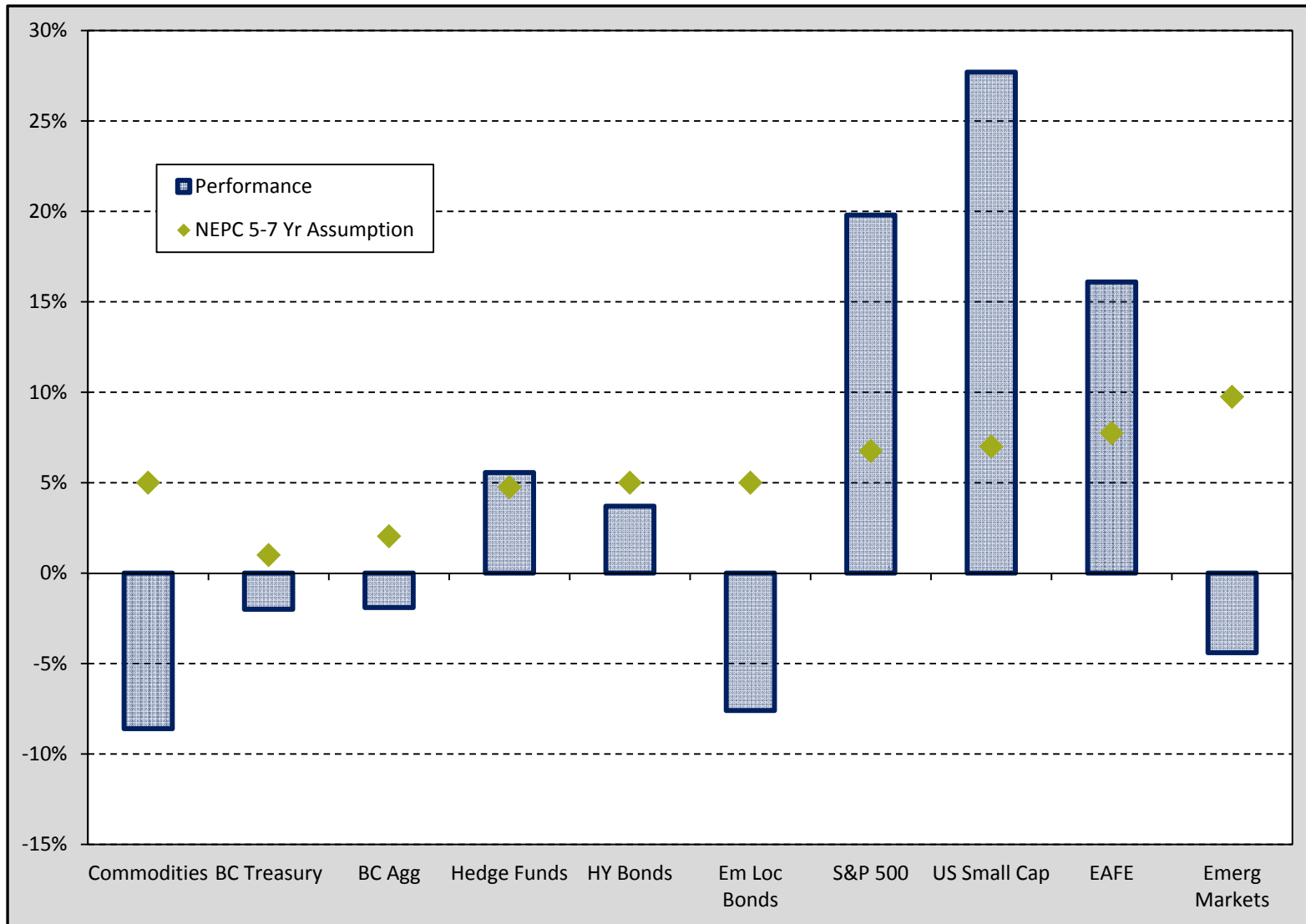
Source: Morningstar Direct

- **After a volatile 2<sup>nd</sup> quarter that left few places for investors to take shelter, equity markets surged in the 3<sup>rd</sup> quarter**
  - Fears of a 2013 Fed taper proved overstated when a continuation of current bond purchasing policy was announced on September 18<sup>th</sup>
  - Volatility receded in most asset classes outside of Treasuries
  - US equities, led by small cap issues, continued their extraordinary run and markets (once again) shrugged off the prospect of fiscal gridlock
  - European and Emerging Markets issues finally joined in on the upswing
  - Following a difficult 2<sup>nd</sup> quarter Risk Parity strategies rebounded
- **While investors will gladly accept the gains from the domestic equity rally, for many a diversified portfolio has been challenging**
  - Emerging market equity and debt indices remain negative through the 3<sup>rd</sup> quarter
  - Though yields have risen, fixed income returns have been muted
    - High Yield and Bank Loans have posted modest returns whereas many 'safer' asset classes have posted losses on the year
  - While positive, hedge fund returns have been tame in comparison to traditional US equity markets
  - Commodities stayed mired in a slump as the energy landscape continued to change

- **Divergence in returns and policy has complicated the “Risk On, Risk Off” environment driven by central banks**
  - Fed action has overwhelmed US legislative inaction to propel markets but the extent to which this will continue remains uncertain
  - Complacency by the European Central Bank hasn’t held back a surging European equity market but threatens to do so in the future
  - Emerging market central banks have been battling currency depreciation and face unique country-by-country growing pains
  - Meanwhile Japan faces the unknown outcomes of “Abe-nomics” and the BoJ’s grand experiment in monetary stimulus
- **The case to stay the course remains strong**
  - US equity surge backed more by Fed actions than fundamental improvements
    - Corporate profits remain at secular highs, cyclically adjusted valuations are expensive, the growth outlook is still mild, and long term fiscal issues persist unresolved
  - High relative growth and attractive valuations in emerging economies remain in place
    - But an active approach is likely necessary as some countries face their own problems
    - Even so, a 10-15% allocation to EM within the equity portfolio is market neutral, a sound starting point for portfolios when rebalancing gains from US equities
  - Multi-asset strategies such as Risk Parity remain solid building blocks for a diversified allocation
  - Private credit strategies including direct lending and real estate debt represent attractive opportunities
- **It is important to stay vigilant by balancing risks and keeping a watchful eye on opportunities that often arise amid periods of changing volatility**

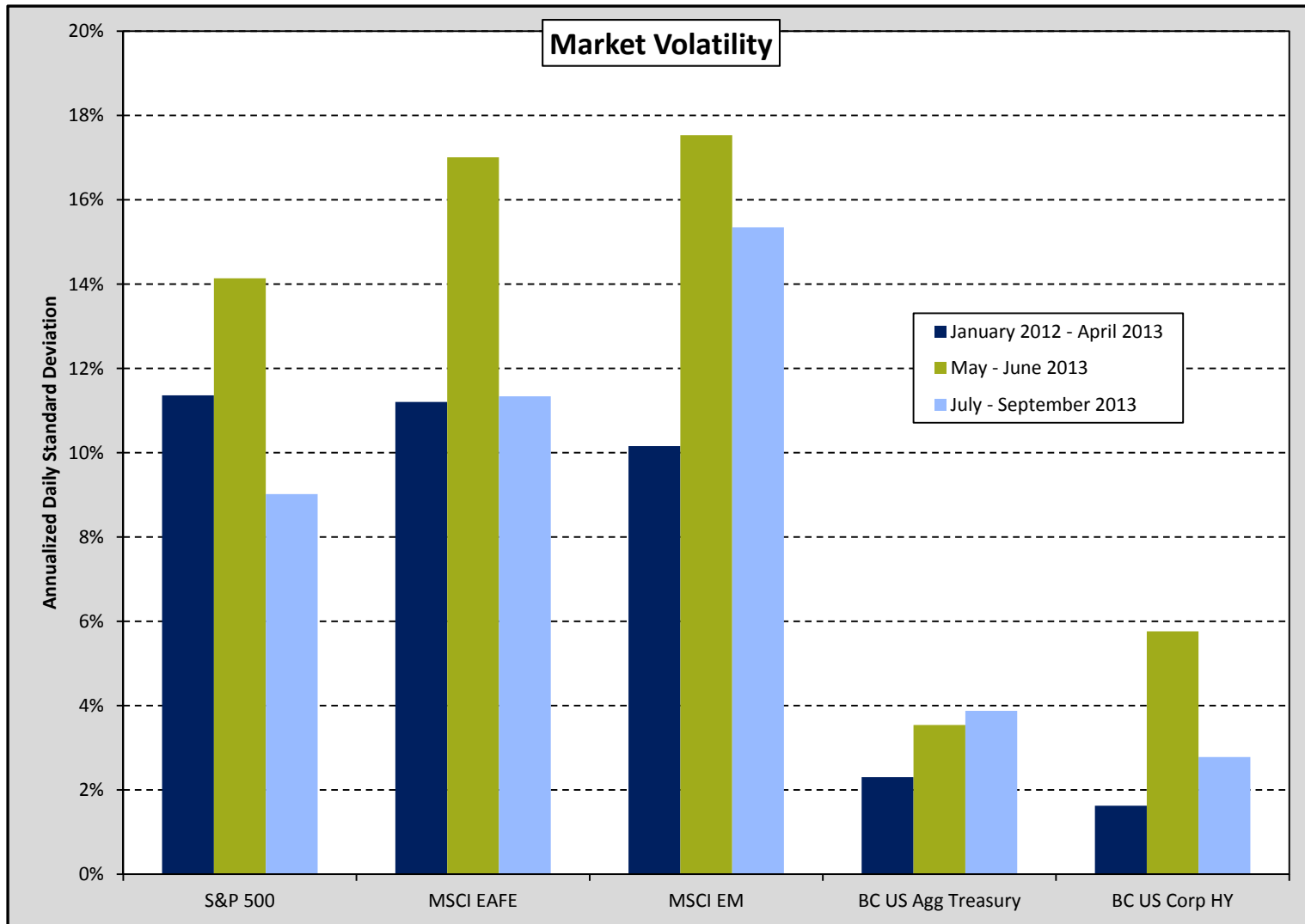


# So Far in 2013... Diversification Hasn't Helped



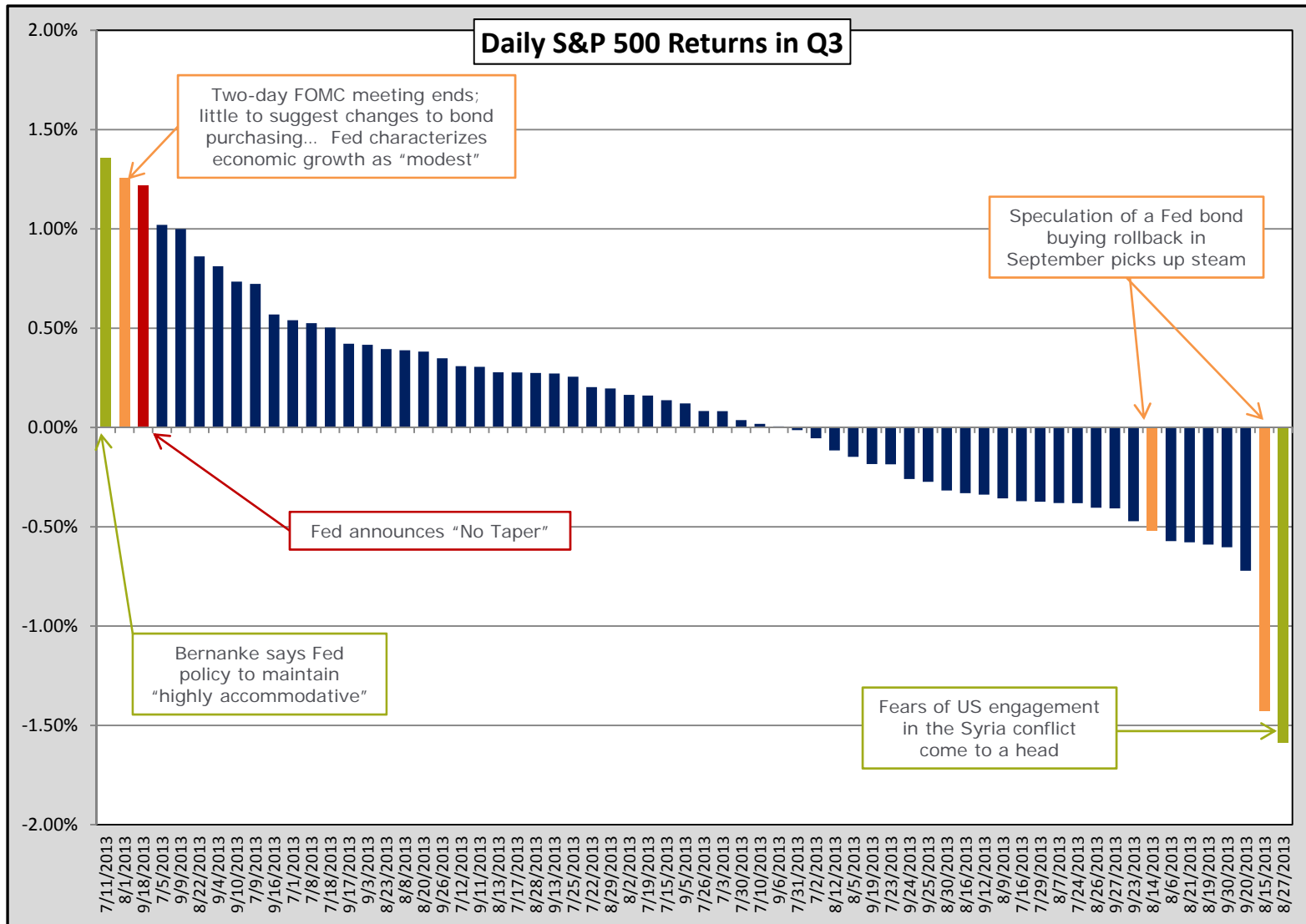
Source: Bloomberg, NEPC as of 9/30

# Volatility Has Receded in Most Asset Classes After a Spike in May and June



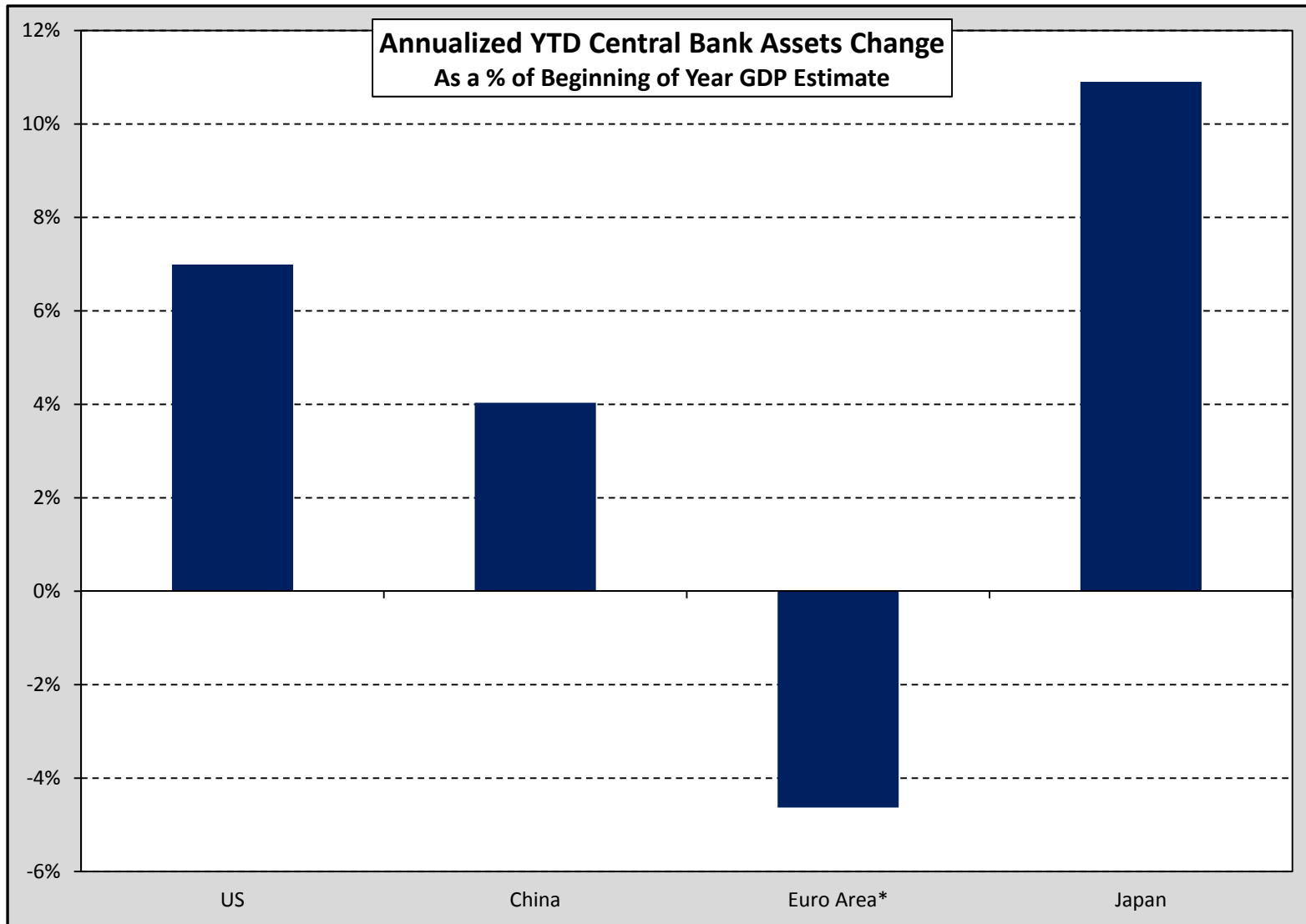
Source: Bloomberg as of 9/30

# The Fed Continued to Prove It Can Drive Markets



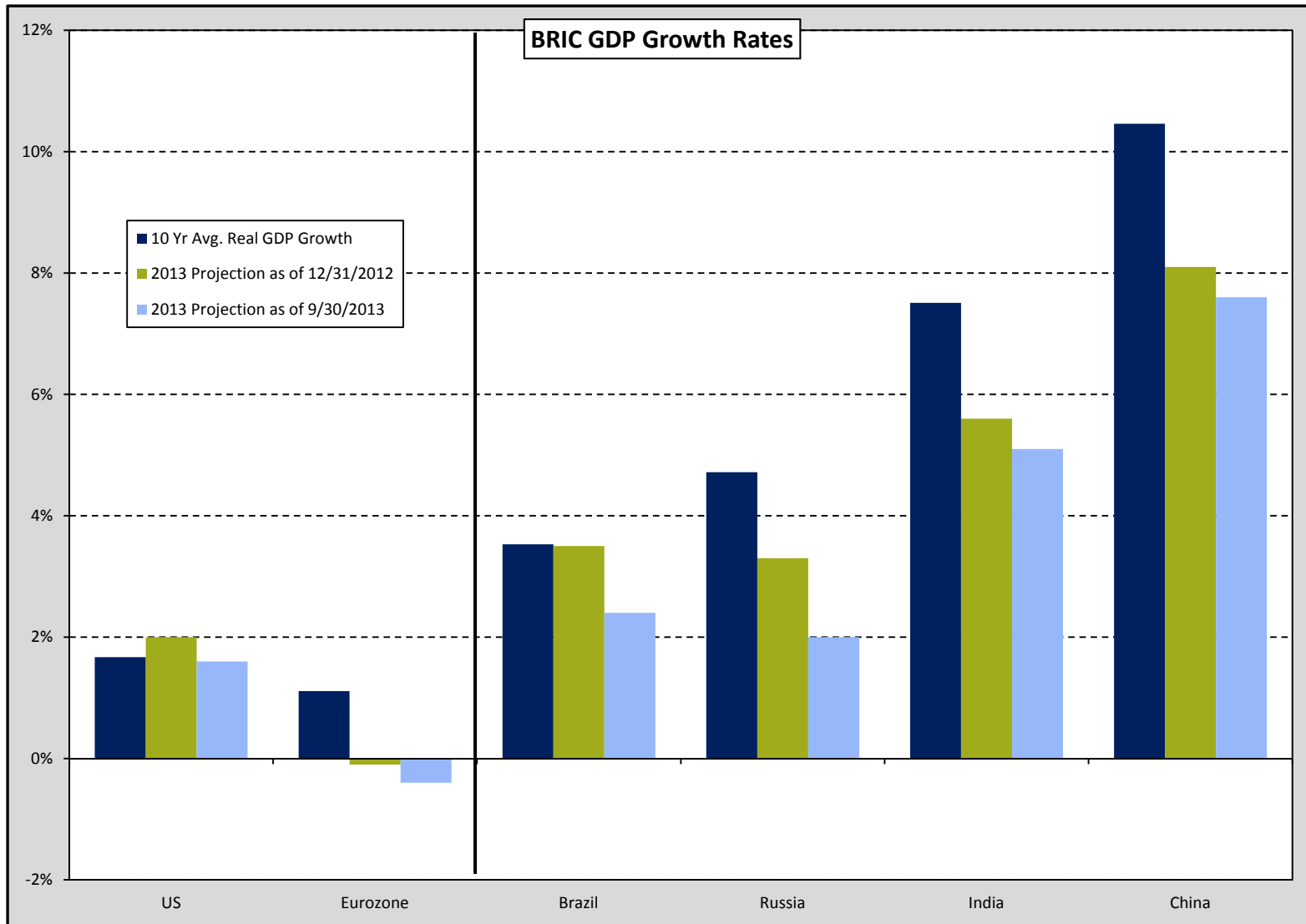
Source: Bloomberg, NEPC as of 9/30

# Major Economies Continue Easing while the ECB Has Tightened



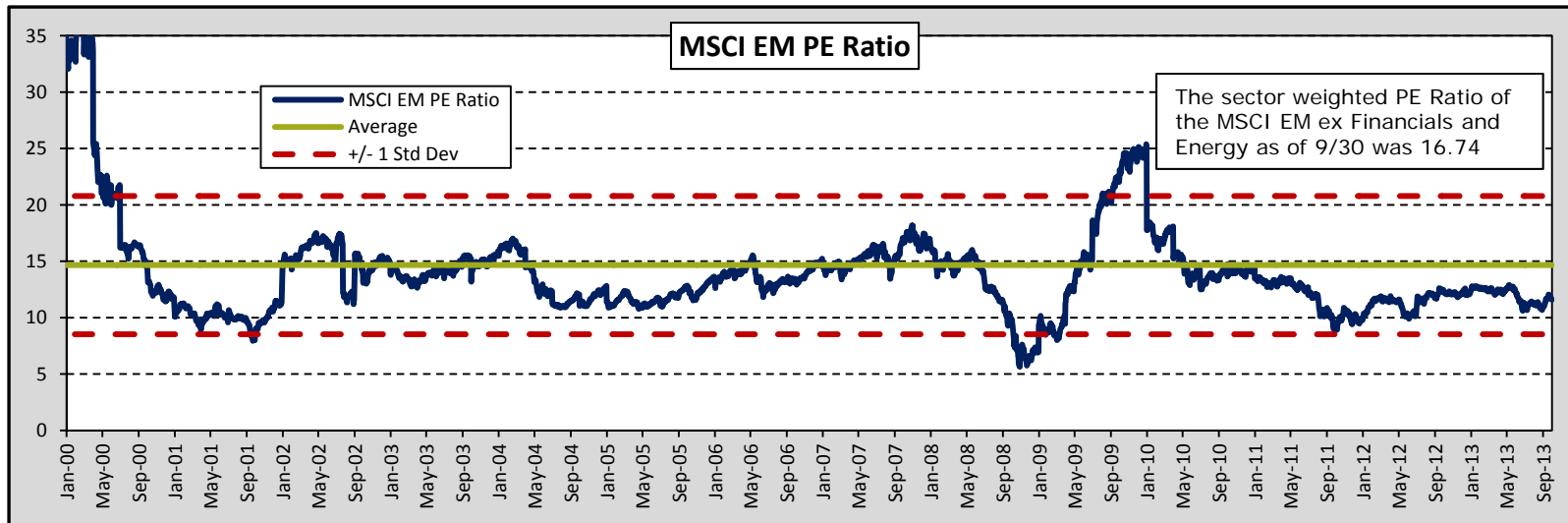
Source: Bloomberg as of 9/30; All calculations converted to USD \*GDP figure reflects World Bank Euro Area GDP

Real GDP Growth Forecasts

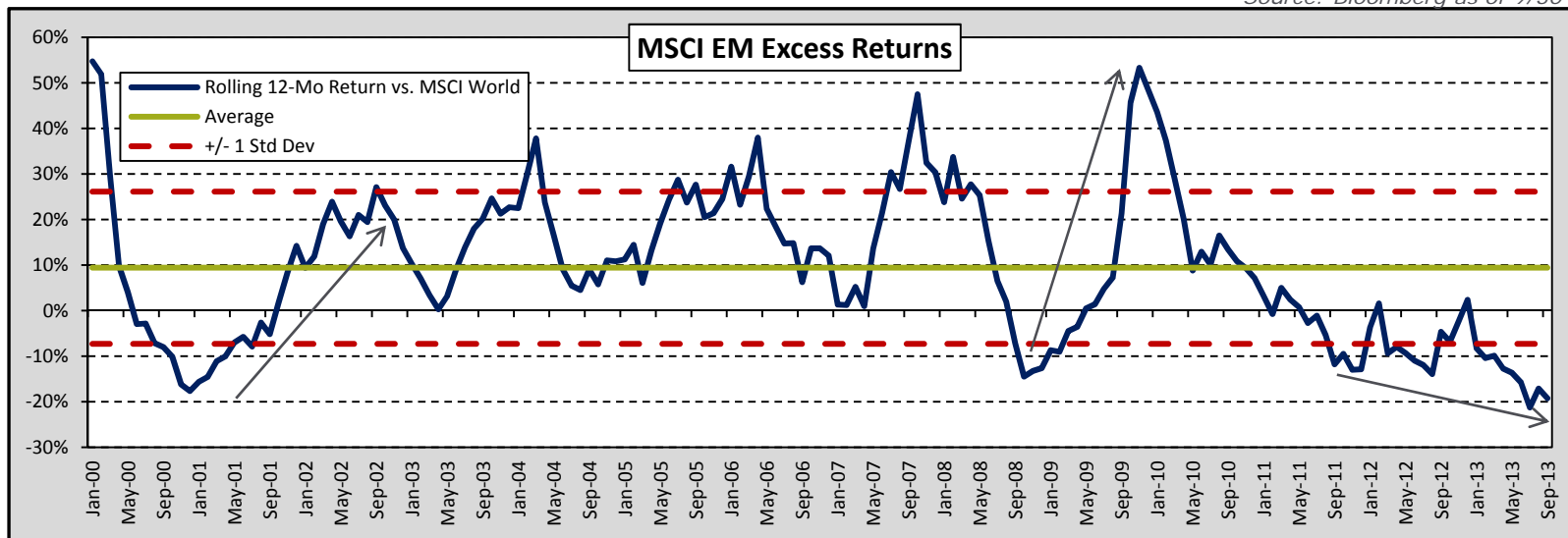


Source: Bloomberg as of 9/30

Valuations Attractive on the Whole and Performance Relative to MSCI World Is At Lower Bound

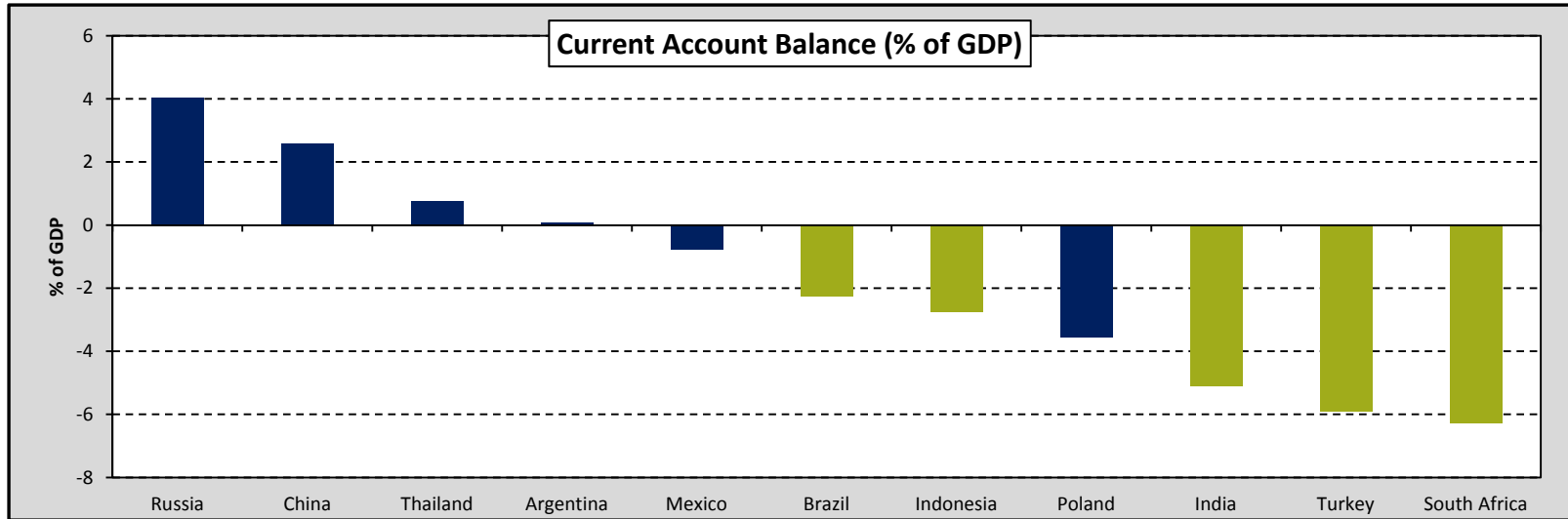


Source: Bloomberg as of 9/30

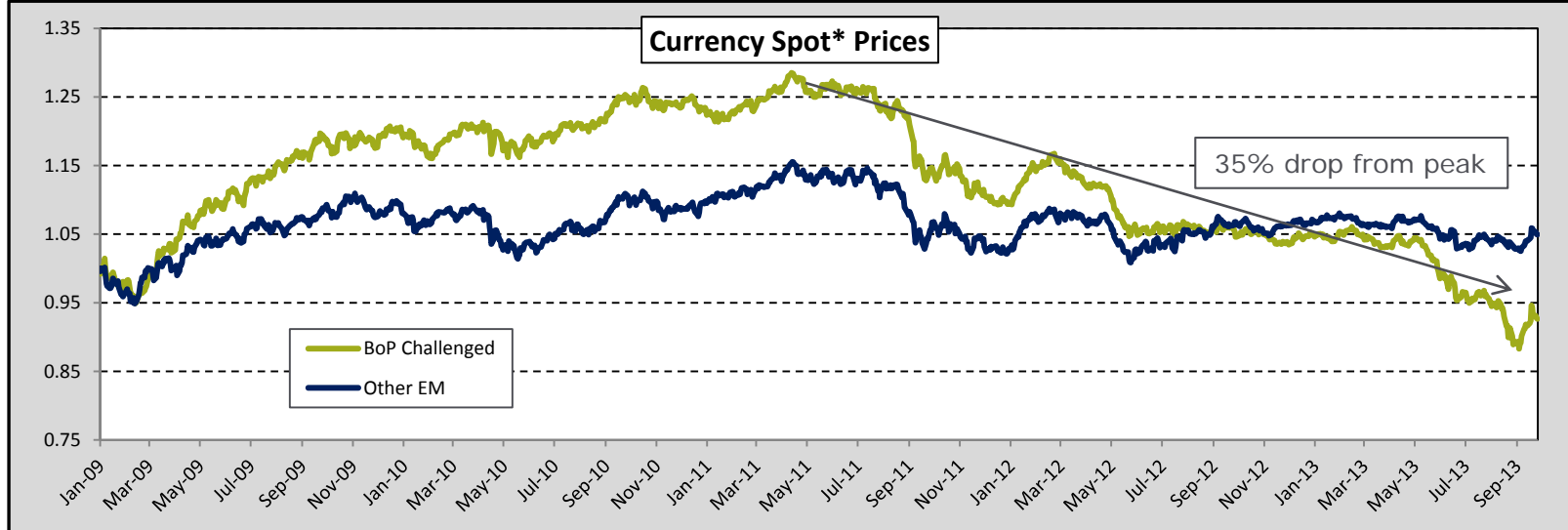


Source: Bloomberg as of 9/30

EM Countries With Current Account Deficits Face Currency Headwinds



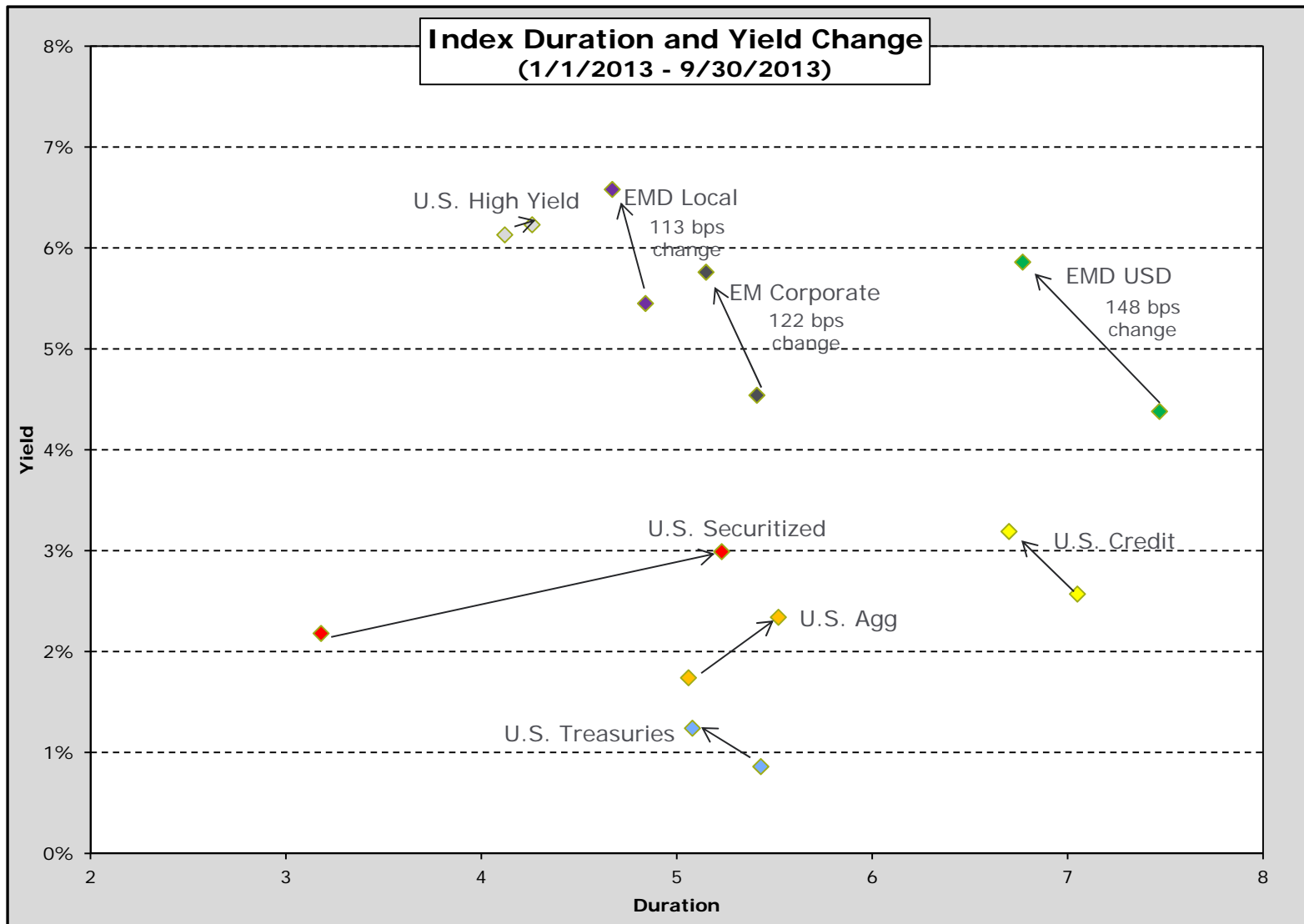
Source: IMF



Source: Bloomberg as of 9/25

\*Versus USD; Brazilian Real, Indian Rupee, Indonesian Rupiah, Turkish Lira, and South African Rand make up BoP Challenged basket

Yields Changed but EM Debt Retained Relative Attractiveness

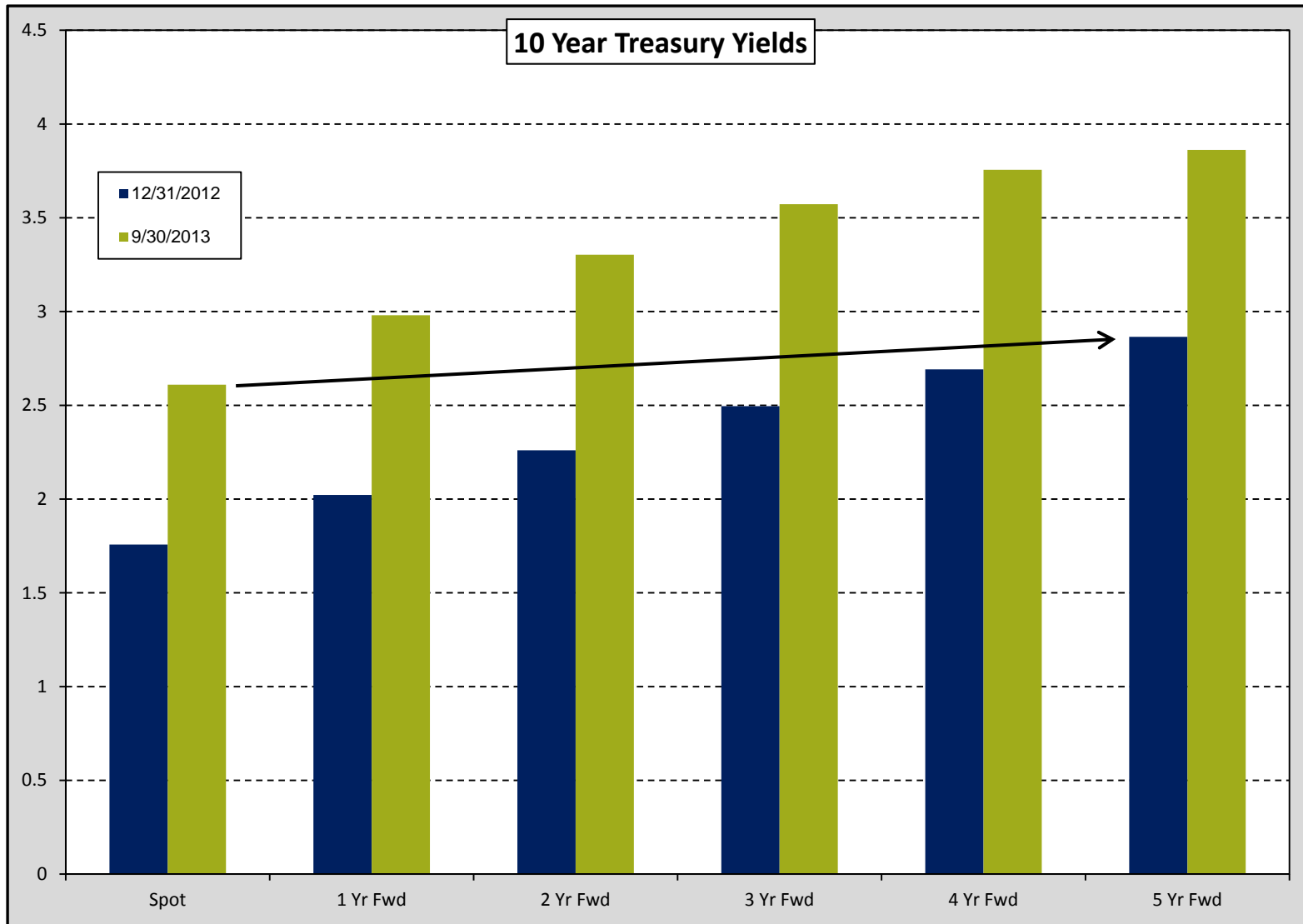


Source: Barclays and JP Morgan as of 9/30



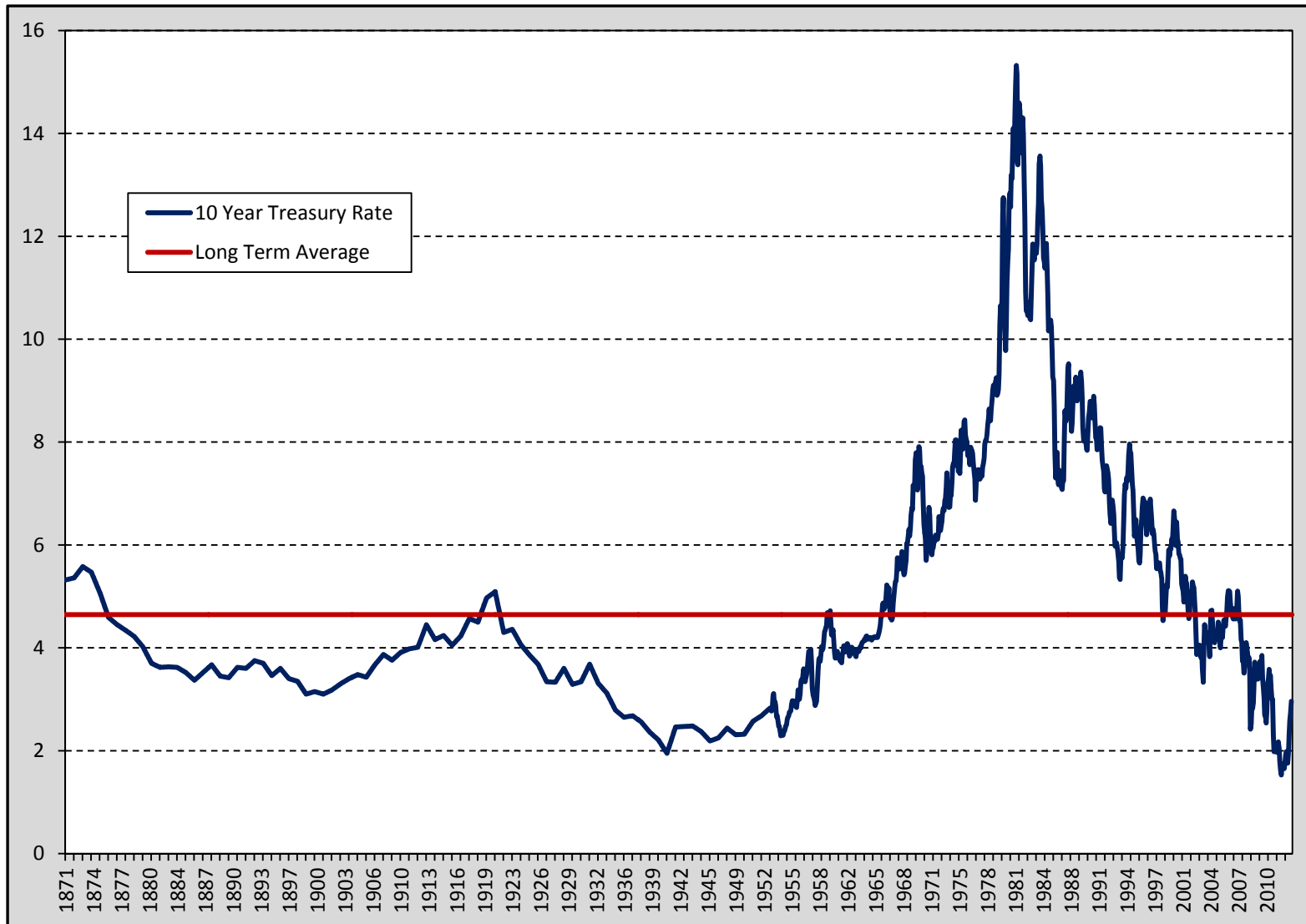
- **Emerging markets remain likely to outpace developed markets in economic growth**
  - Yet lower than recent experience
- **There are several reasons to maintain a positive outlook on EM**
  - Growth is still high relative to the developed world
  - Overall valuations attractive on a historical basis
  - Healthy government balance sheets
  - Continued development of middle class
- **There are also reasons to proceed with caution**
  - Slowing growth (though now priced in)
  - Balance of payment and currency issues in prominent countries
    - Potential to get worse before it gets better
  - Economies face challenging growth
    - Transition to reliance on Consumption vs. Investment/exports
    - Social unrest and political turmoil threaten to derail this path
- **Looking forward, a more nuanced view on emerging markets is needed to navigate a tricky environment**
  - Individual EM countries are likely to behave in a more idiosyncratic fashion
  - Sound active management can alleviate some of the macro challenges
  - Critical to recognize that higher return expectations come with high volatility

Vermont Pension Investment Committee  
Market Expectations – Then and Now

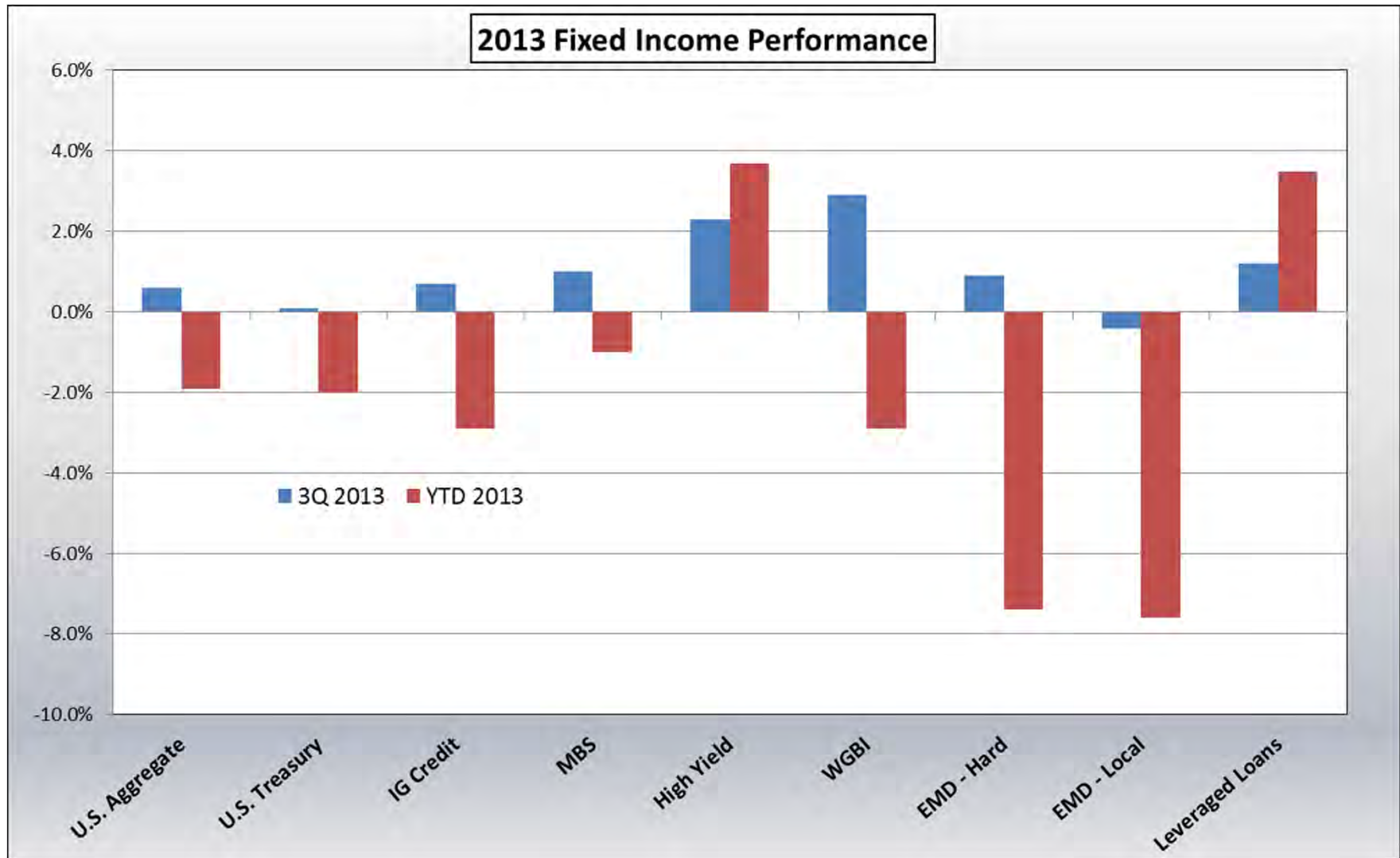


Source: Bloomberg as of 9/30

# Yields Have Historically Moved in Long Term Cycles

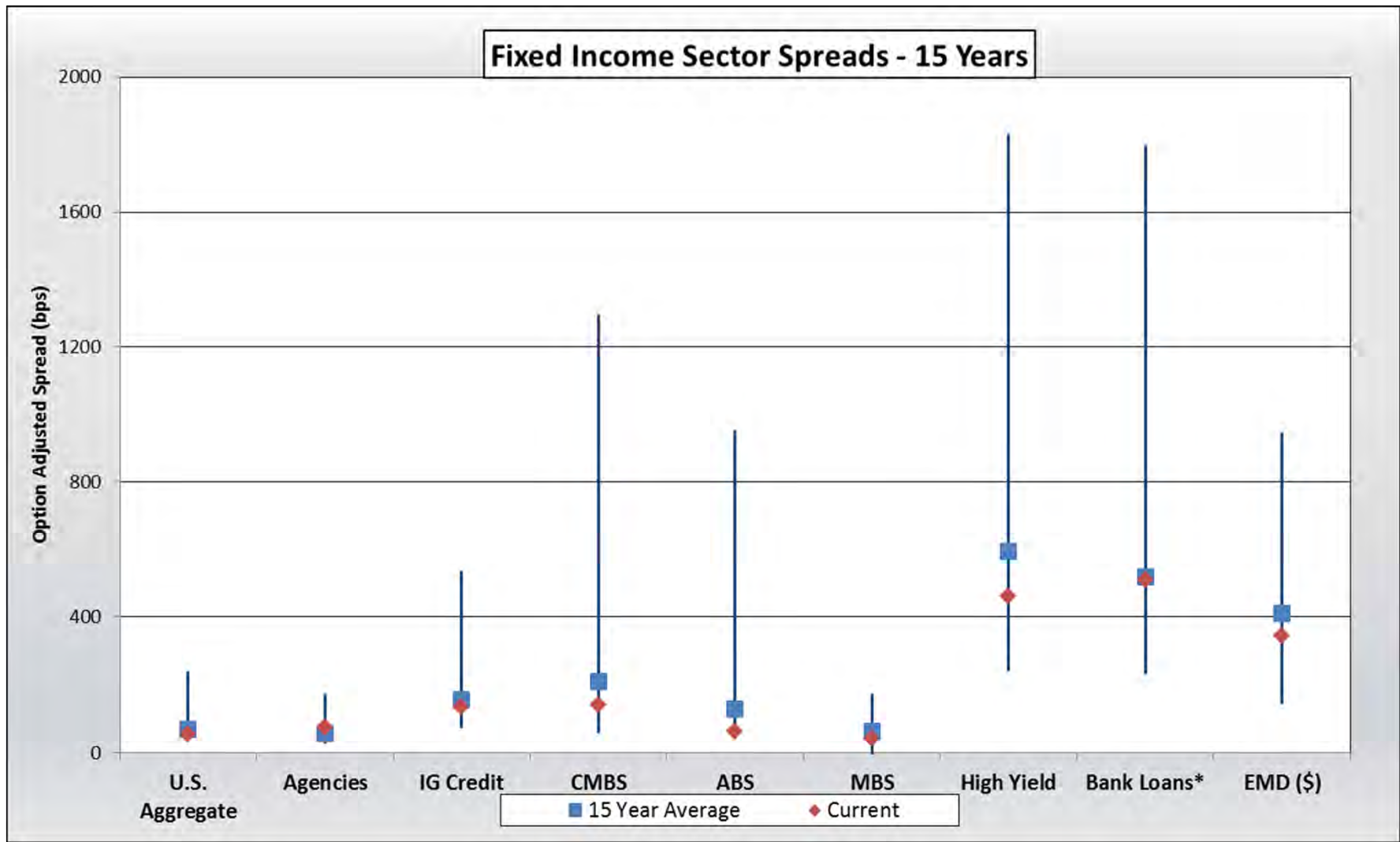


Source: Shiller Data as of 9/30



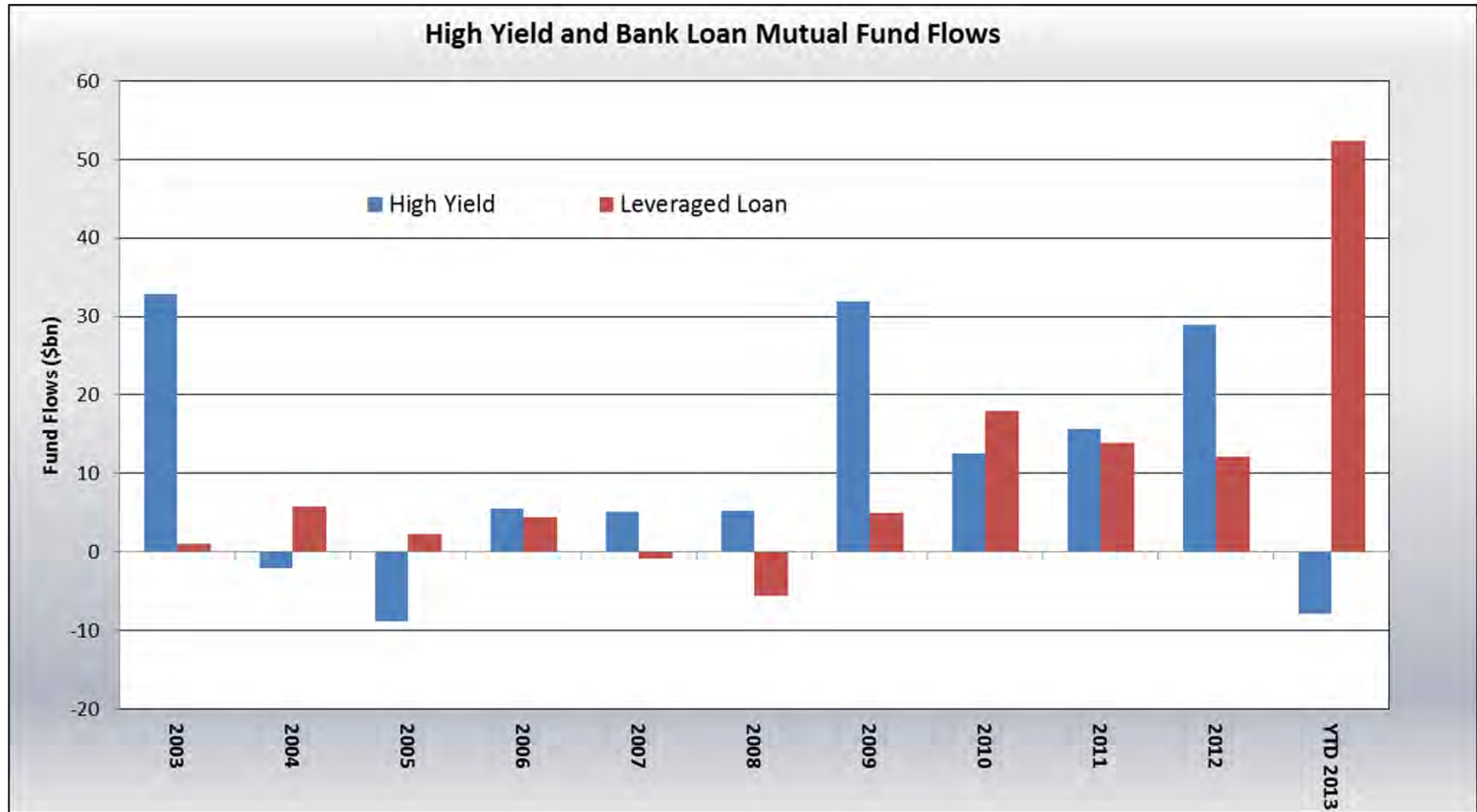
Source: Bloomberg, as of 9/30/2013

Fixed Income Sector Spreads



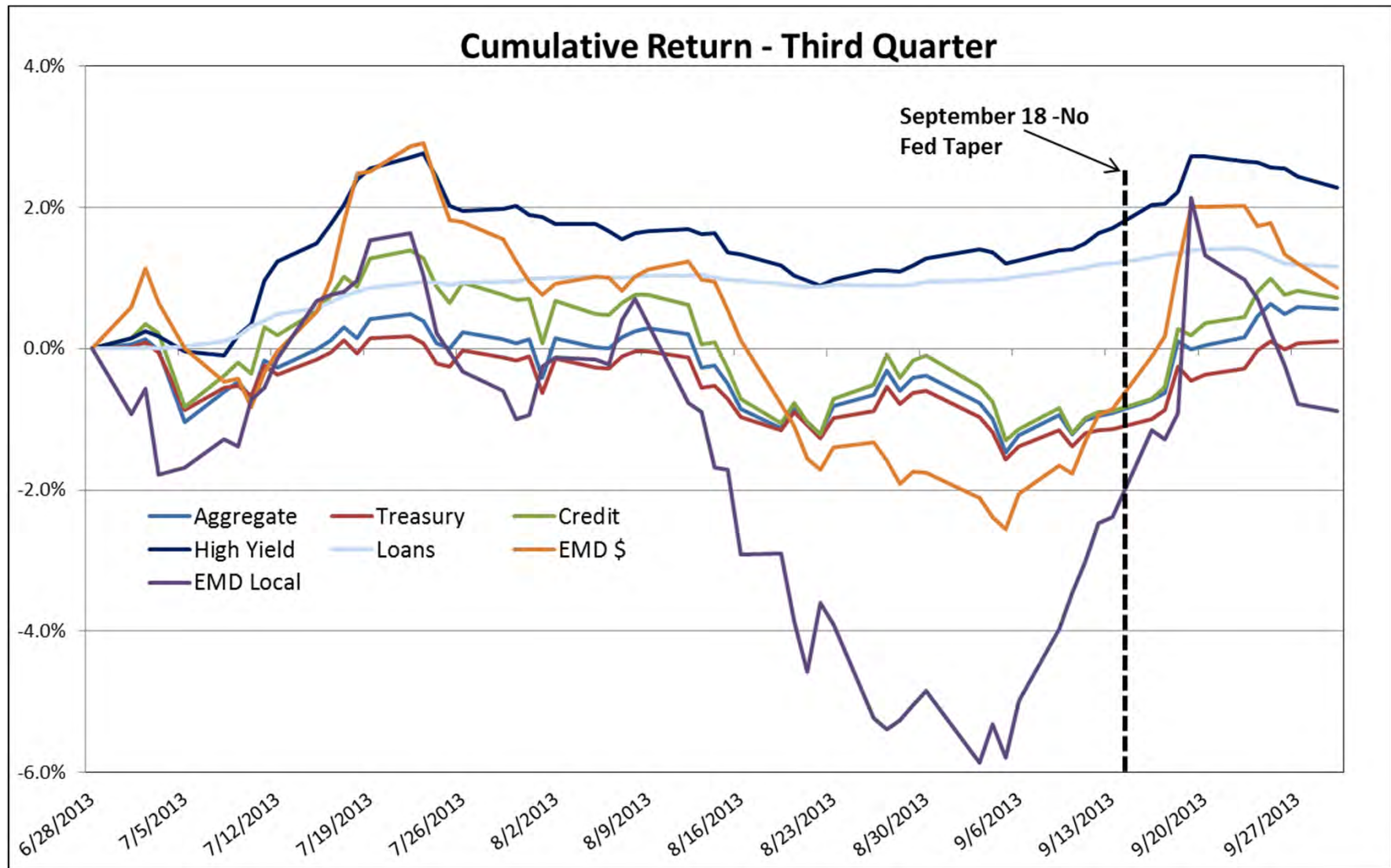
\* Using 3-year Discount Margin

Source: Barclays Live, as of 9/30/2013



- **67 consecutive weeks of inflows into loan funds**
  - \$52 billion into a \$650 billion market
  - Supply is keeping pace

Source: JP Morgan, as of 9/30/2013



Source: Bloomberg, as of 9/30/2013







# State Municipal Employees' Retirement System

# Vermont Municipal Employees

## Total Fund Performance Summary

|                                   | Market Value         | 3 Mo        | Rank      | YTD         | Rank      | Fiscal YTD  | Rank      | 1 Yr        | Rank      | 3 Yrs       | Rank      | 5 Yrs       | Rank      |
|-----------------------------------|----------------------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|
| <b>Municipal Composite</b>        | <b>\$470,995,497</b> | <b>4.1%</b> | <b>80</b> | <b>5.5%</b> | <b>94</b> | <b>4.1%</b> | <b>80</b> | <b>7.7%</b> | <b>92</b> | <b>8.6%</b> | <b>72</b> | <b>8.6%</b> | <b>29</b> |
| <i>Policy Index</i>               |                      | 4.2%        | 75        | 5.8%        | 92        | 4.2%        | 75        | 7.7%        | 93        | 7.3%        | 97        | 6.8%        | 88        |
| <i>Allocation Index</i>           |                      | 4.4%        | 66        | 6.5%        | 90        | 4.4%        | 66        | 8.4%        | 91        | 7.5%        | 96        | 7.2%        | 78        |
| <i>IFx Public DB Gross Median</i> |                      | 4.7%        |           | 10.1%       |           | 4.7%        |           | 12.0%       |           | 9.5%        |           | 8.0%        |           |

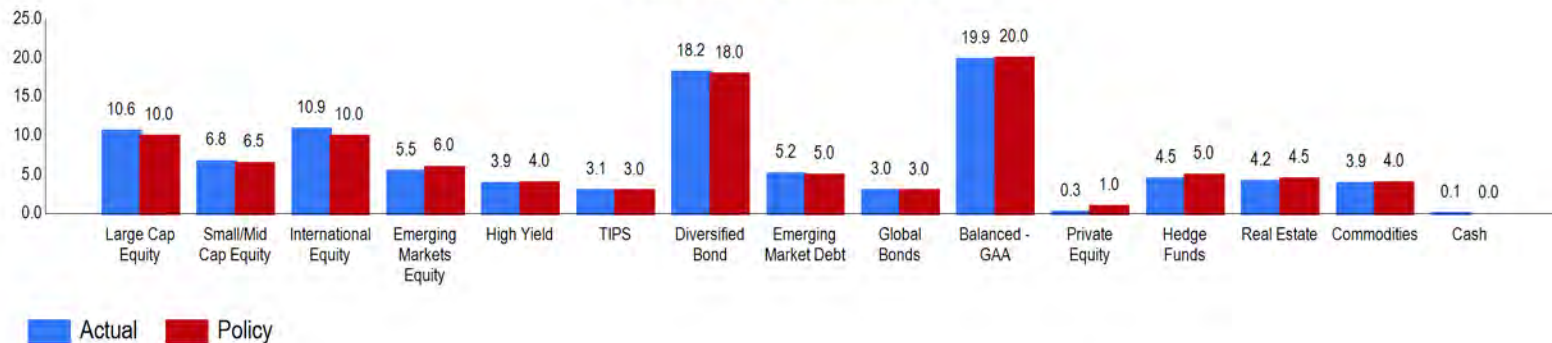
### 3 Years Ending September 30, 2013

|                     | Anlzd Ret | Rank | Anlzd Std Dev | Rank | Sharpe Ratio | Rank | Sortino Ratio RF | Rank |
|---------------------|-----------|------|---------------|------|--------------|------|------------------|------|
| Municipal Composite | 8.58%     | 67   | 7.58%         | 45   | 1.12         | 69   | 1.69             | 42   |
| Policy Index        | 7.26%     | 97   | 7.35%         | 37   | 0.98         | 91   | 1.44             | 76   |
| Allocation Index    | 7.50%     | 95   | 7.33%         | 36   | 1.02         | 88   | 1.49             | 72   |

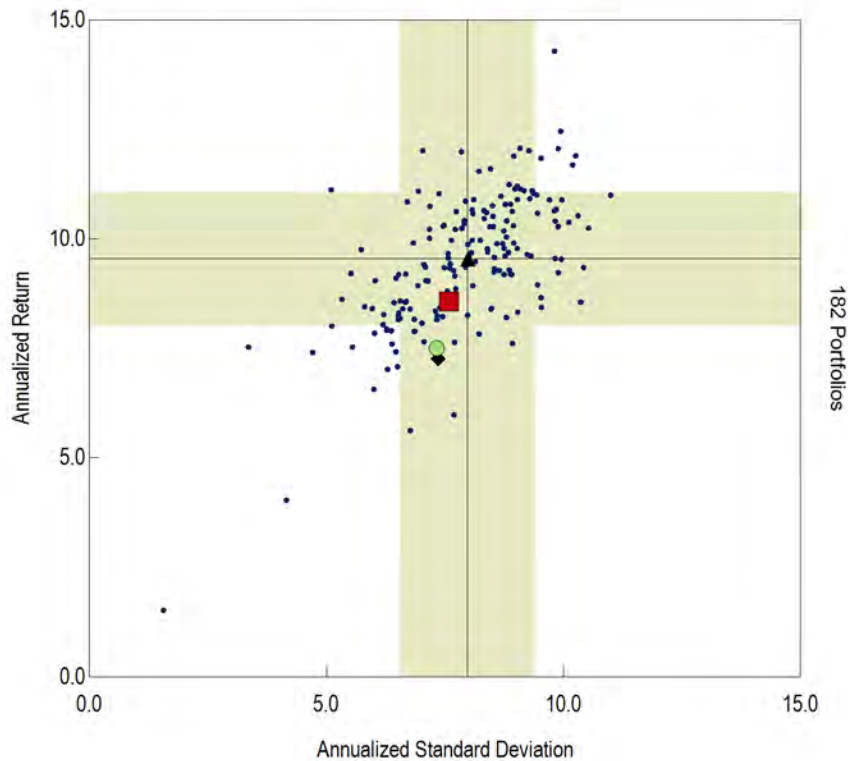
### 5 Years Ending September 30, 2013

|                     | Anlzd Ret | Rank | Anlzd Std Dev | Rank | Sharpe Ratio | Rank | Sortino Ratio RF | Rank |
|---------------------|-----------|------|---------------|------|--------------|------|------------------|------|
| Municipal Composite | 8.59%     | 27   | 12.45%        | 77   | 0.68         | 64   | 0.74             | 73   |
| Policy Index        | 6.75%     | 86   | 10.89%        | 46   | 0.61         | 80   | 0.72             | 76   |
| Allocation Index    | 7.17%     | 77   | 11.18%        | 49   | 0.63         | 73   | 0.75             | 71   |

### Actual vs Target Allocation (%)

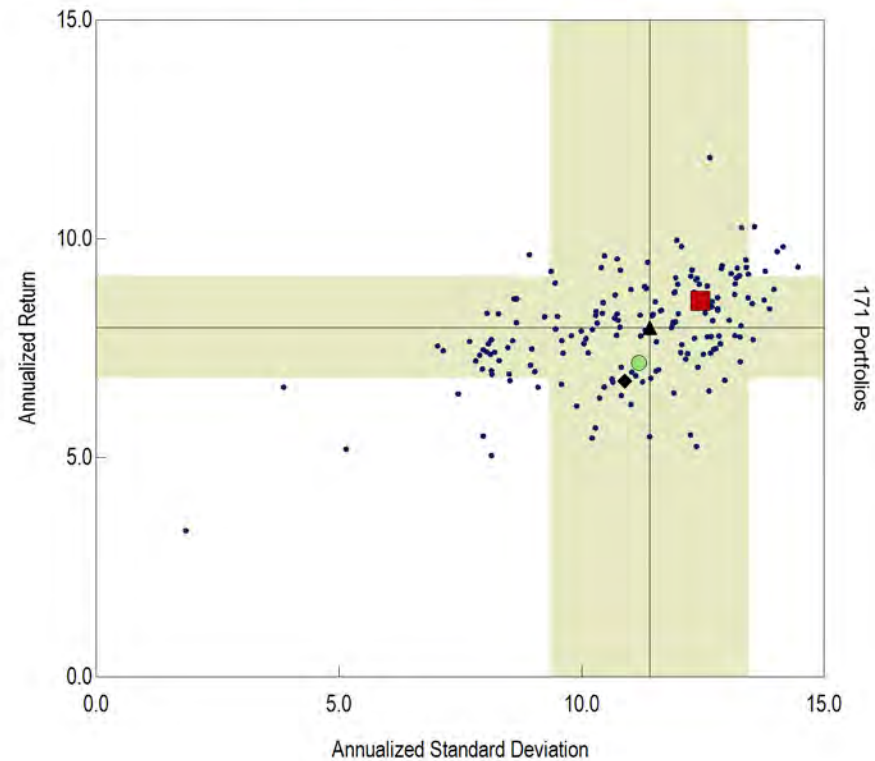


3 Years Ending September 30, 2013



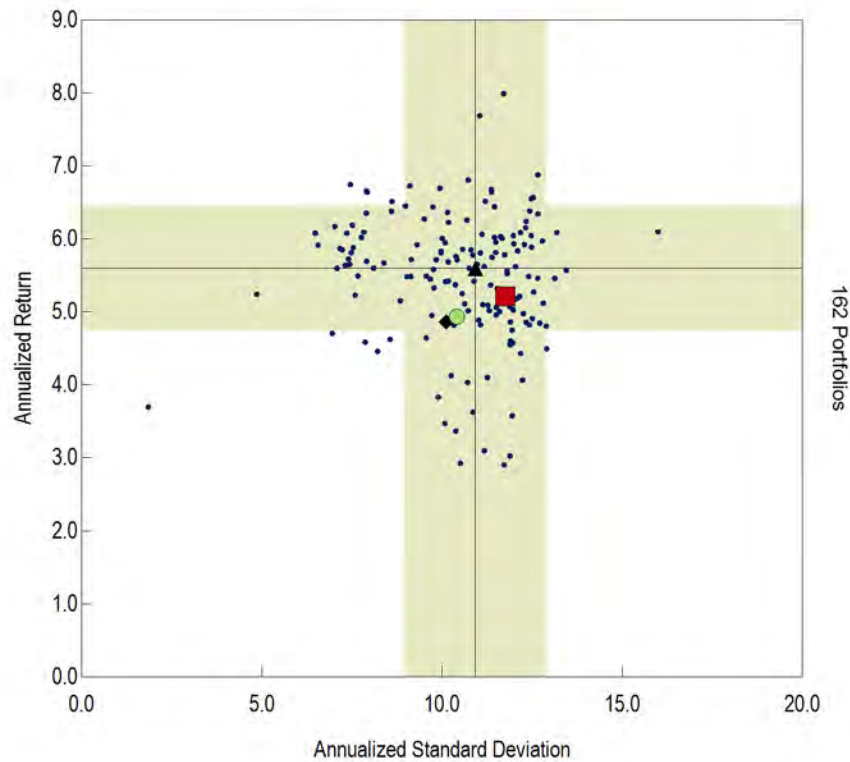
- Municipal Composite
- ◆ Policy Index
- Allocation Index
- ▲ Universe Median
- 68% Confidence Interval
- IFx Public DB Gross

5 Years Ending September 30, 2013



- Municipal Composite
- ◆ Policy Index
- Allocation Index
- ▲ Universe Median
- 68% Confidence Interval
- IFx Public DB Gross

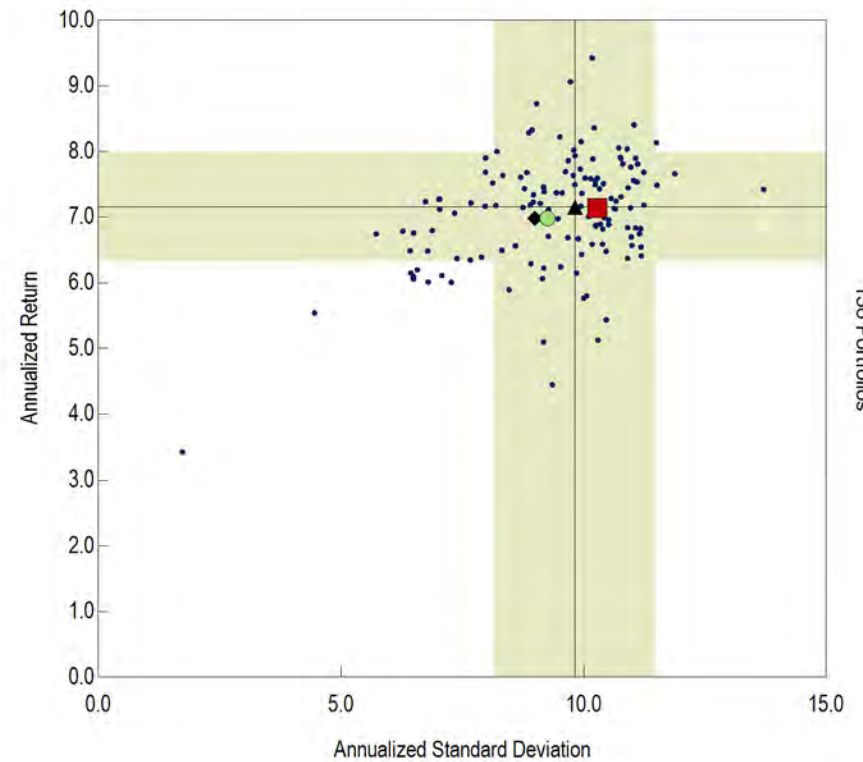
7 Years Ending September 30, 2013



162 Portfolios

- Municipal Composite
- ◆ Policy Index
- Allocation Index
- ▲ Universe Median
- 68% Confidence Interval
- IFx Public DB Gross

10 Years Ending September 30, 2013

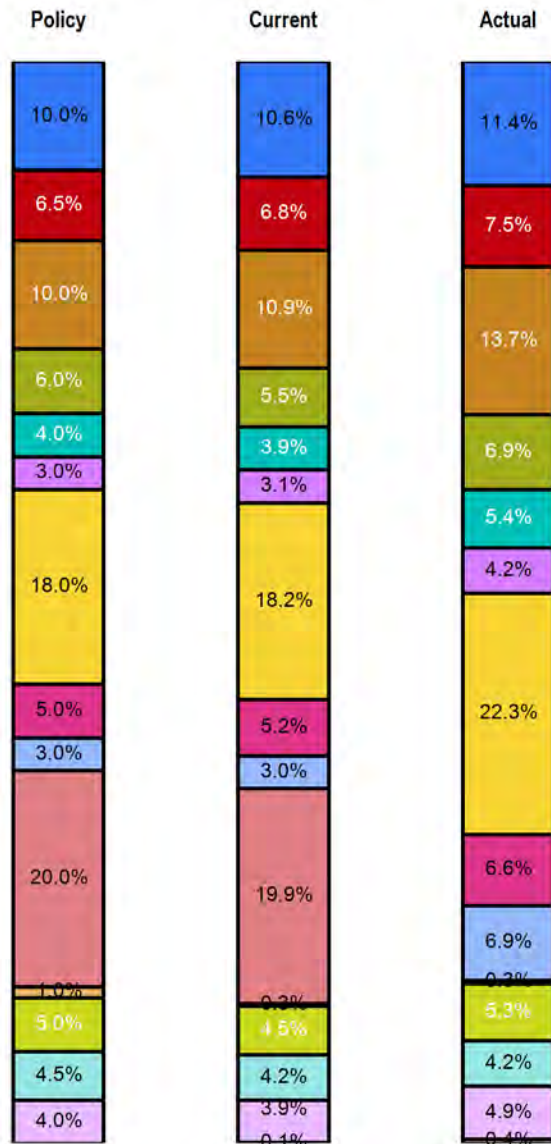


136 Portfolios

- Municipal Composite
- ◆ Policy Index
- Allocation Index
- ▲ Universe Median
- 68% Confidence Interval
- IFx Public DB Gross

# Vermont Municipal Employees

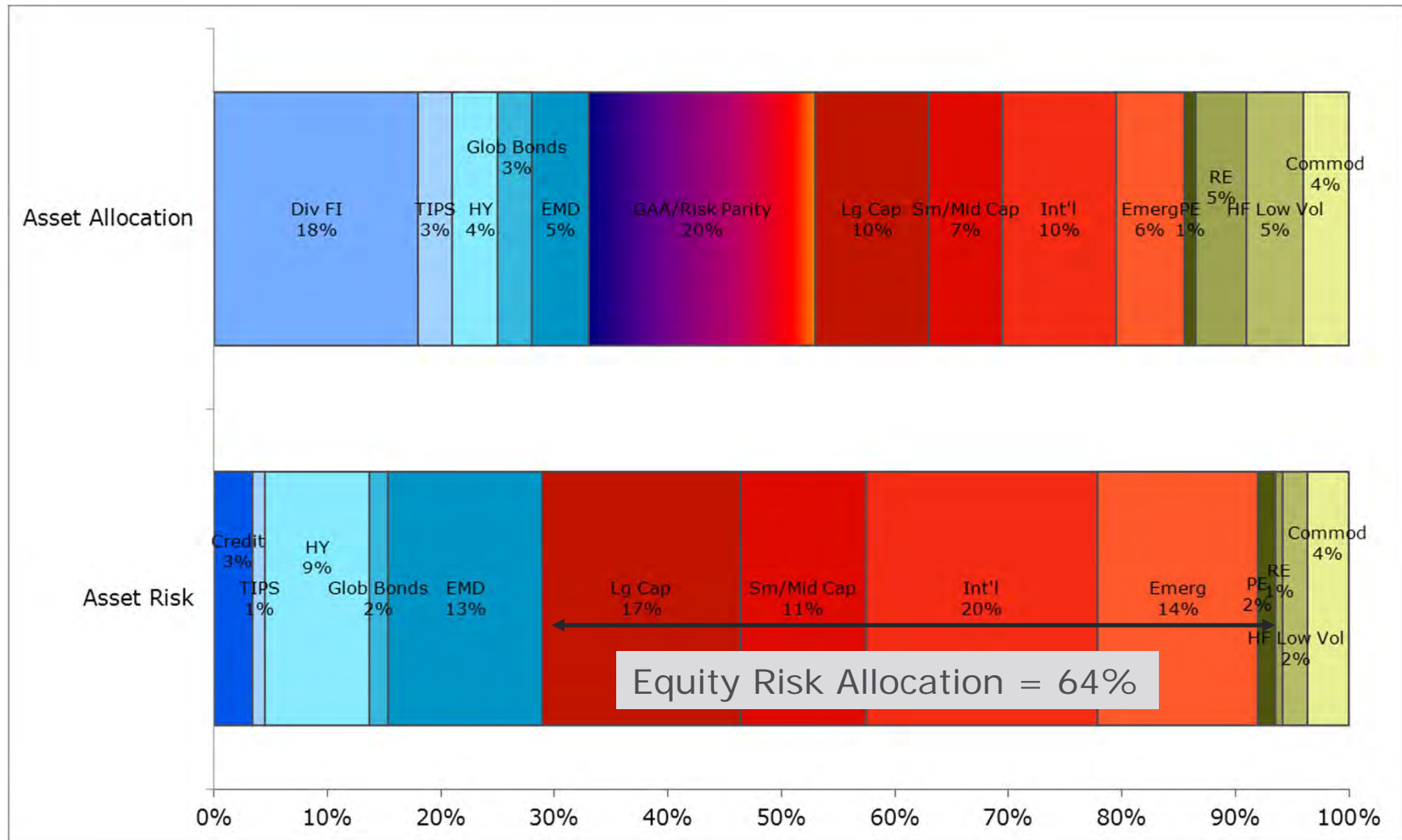
## Total Fund Asset Allocation vs. Policy Targets



### Asset Allocation vs. Target

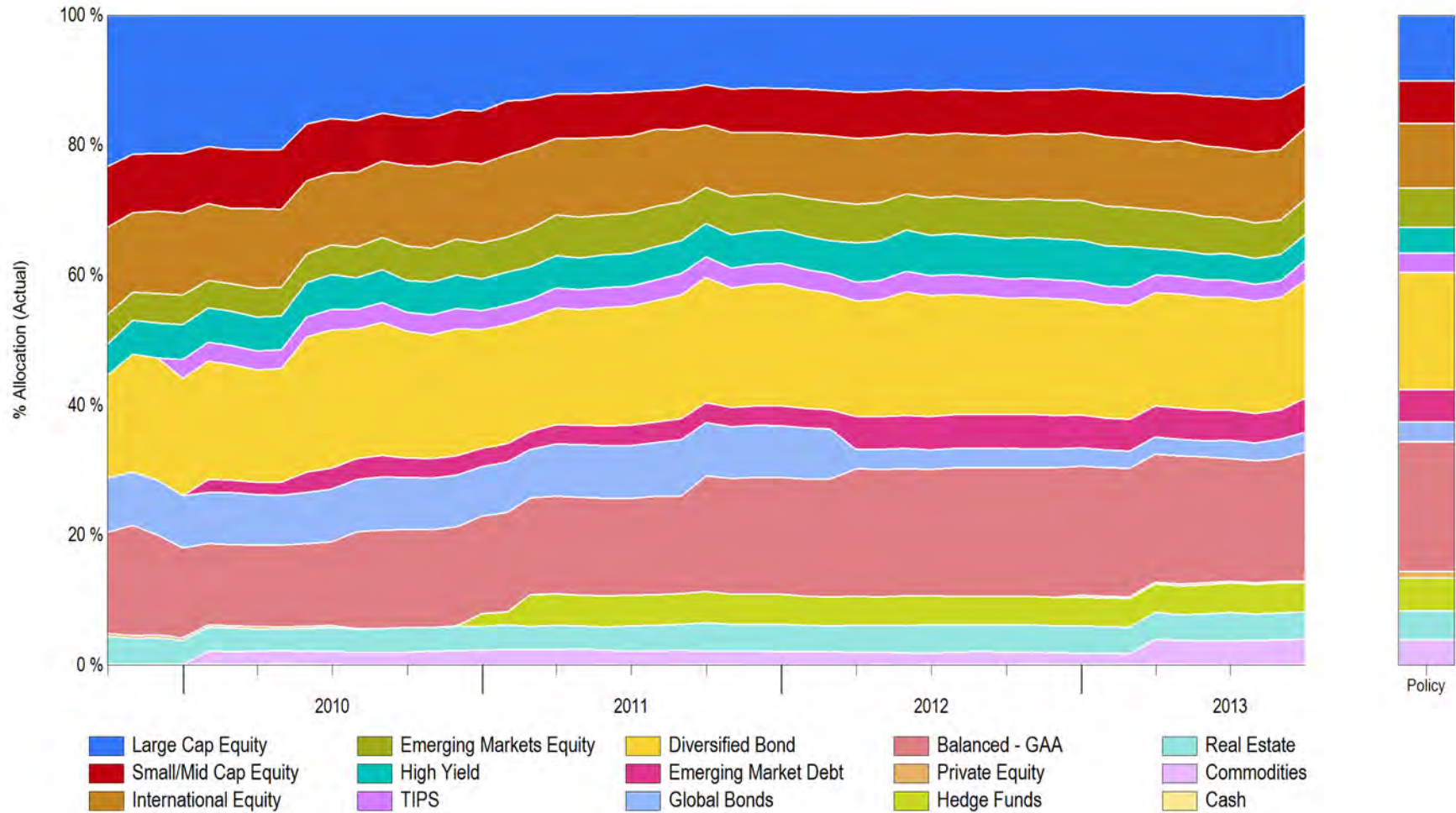
|                         | Current              | Policy        | Current       | Difference* |
|-------------------------|----------------------|---------------|---------------|-------------|
| Large Cap Equity        | \$49,961,578         | 10.0%         | 10.6%         | 0.6%        |
| Small/Mid Cap Equity    | \$31,821,818         | 6.5%          | 6.8%          | 0.3%        |
| International Equity    | \$51,370,183         | 10.0%         | 10.9%         | 0.9%        |
| Emerging Markets Equity | \$25,793,425         | 6.0%          | 5.5%          | -0.5%       |
| High Yield              | \$18,575,149         | 4.0%          | 3.9%          | -0.1%       |
| TIPS                    | \$14,464,237         | 3.0%          | 3.1%          | 0.1%        |
| Diversified Bond        | \$85,636,326         | 18.0%         | 18.2%         | 0.2%        |
| Emerging Market Debt    | \$24,535,330         | 5.0%          | 5.2%          | 0.2%        |
| Global Bonds            | \$14,213,489         | 3.0%          | 3.0%          | 0.0%        |
| Balanced - GAA          | \$93,674,366         | 20.0%         | 19.9%         | -0.1%       |
| Private Equity          | \$1,214,119          | 1.0%          | 0.3%          | -0.7%       |
| Hedge Funds             | \$21,150,637         | 5.0%          | 4.5%          | -0.5%       |
| Real Estate             | \$19,673,140         | 4.5%          | 4.2%          | -0.3%       |
| Commodities             | \$18,519,318         | 4.0%          | 3.9%          | -0.1%       |
| Cash                    | \$392,382            | --            | 0.1%          | 0.1%        |
| <b>Total</b>            | <b>\$470,995,497</b> | <b>100.0%</b> | <b>100.0%</b> |             |

\*Difference between Policy and Current Allocation





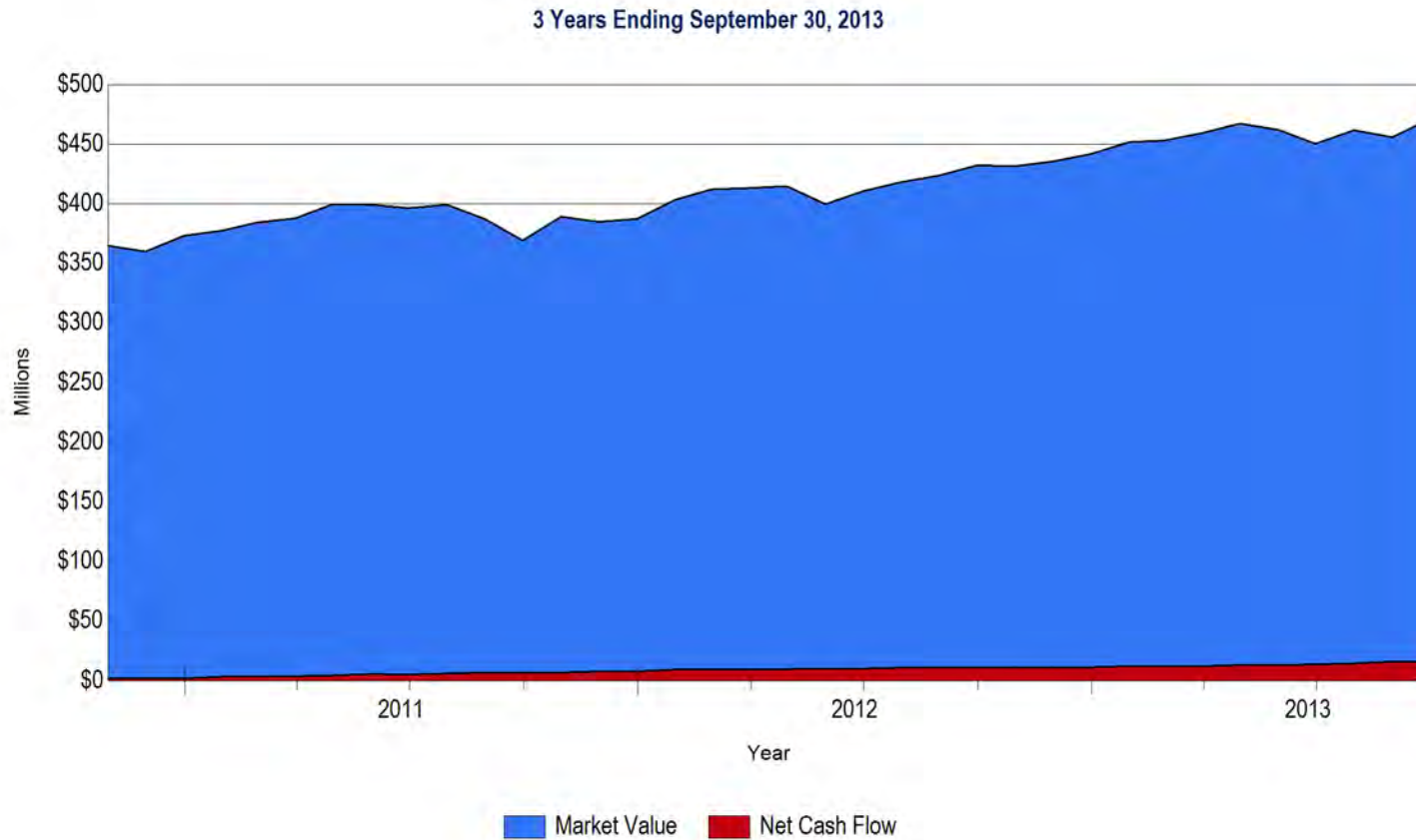
Asset Allocation History





# Vermont Municipal Employees

## Total Fund Asset Growth Summary



|                         | Last Three Months | Year-To-Date  | Fiscal Year-To-Date | One Year      | Three Years    |
|-------------------------|-------------------|---------------|---------------------|---------------|----------------|
| Beginning Market Value  | \$450,402,096     | \$441,872,094 | \$450,402,096       | \$432,316,924 | \$354,500,703  |
| - Withdrawals           | -\$19,342,385     | -\$31,350,317 | -\$19,342,385       | -\$37,201,713 | -\$220,860,840 |
| + Contributions         | \$21,575,686      | \$36,004,965  | \$21,575,686        | \$42,239,626  | \$236,817,546  |
| = Net Cash Flow         | \$2,233,301       | \$4,654,649   | \$2,233,301         | \$5,037,913   | \$15,956,706   |
| + Net Investment Change | \$18,360,100      | \$24,468,754  | \$18,360,100        | \$33,640,660  | \$100,538,088  |
| = Ending Market Value   | \$470,995,497     | \$470,995,497 | \$470,995,497       | \$470,995,497 | \$470,995,497  |

## Vermont Municipal Employees

### Total Fund Asset Growth Summary by Manager

|  | Quarter Ending September 30, 2013 |              |               |               |                       | Ending Market Value |
|--|-----------------------------------|--------------|---------------|---------------|-----------------------|---------------------|
|  | Beginning Market Value            | Withdrawals  | Contributions | Net Cash Flow | Net Investment Change |                     |
| Aberdeen                                     | \$25,196,755                      | \$0          | \$0           | \$0           | \$596,670             | \$25,793,425        |
| Acadian                                      | \$19,522,364                      | -\$1,100,000 | \$0           | -\$1,100,000  | \$1,974,832           | \$20,397,196        |
| Allianz Structured Alpha                     | \$10,596,888                      | \$0          | \$1,600,000   | \$1,600,000   | \$81,839              | \$12,278,727        |
| AQR Global Risk Premium                      | \$33,390,882                      | \$0          | \$3,200,000   | \$3,200,000   | \$771,756             | \$37,362,637        |
| BlackRock TIPS                               | \$11,875,871                      | \$0          | \$2,500,000   | \$2,500,000   | \$88,366              | \$14,464,237        |
| Champlain                                    | \$10,535,334                      | -\$700,000   | \$0           | -\$700,000    | \$906,851             | \$10,742,185        |
| GAM  | \$4,177,478                       | \$0          | \$0           | \$0           | \$46,541              | \$4,224,019         |
| Grosvenor                                    | \$8,160,837                       | \$0          | \$0           | \$0           | \$290,631             | \$8,451,468         |
| Harbourvest Dover VIII Fund                  | \$359,247                         | -\$13,493    | \$62,400      | \$48,907      | \$0                   | \$408,154           |
| Harbourvest Partners IX Buyout Fund          | \$453,680                         | \$0          | \$0           | \$0           | \$0                   | \$453,680           |
| Harbourvest Partners IX Credit Opportunities | \$83,920                          | \$0          | \$0           | \$0           | \$0                   | \$83,920            |
| Harbourvest Partners IX Venture Fund         | \$268,366                         | \$0          | \$0           | \$0           | \$0                   | \$268,366           |
| KDP  | \$4,420,323                       | \$0          | \$0           | \$0           | \$66,020              | \$4,486,343         |
| Mellon Global Expanded Alpha                 | \$8,759,274                       | \$0          | \$0           | \$0           | \$405,327             | \$9,164,601         |
| Mondrian                                     | \$19,175,701                      | -\$500,000   | \$0           | -\$500,000    | \$1,857,718           | \$20,533,419        |
| Mondrian GFI                                 | \$12,401,858                      | \$0          | \$1,500,000   | \$1,500,000   | \$311,631             | \$14,213,489        |
| Morgan Stanley Prime Property                | \$8,550,283                       | -\$28,720    | \$0           | -\$28,720     | \$359,372             | \$8,880,935         |
| Permal                                       | \$8,294,939                       | \$0          | \$0           | \$0           | \$180,211             | \$8,475,150         |
| PIMCO All Asset                              | \$25,831,172                      | -\$59,998    | \$2,300,000   | \$2,240,002   | \$816,773             | \$28,887,948        |
| PIMCO Core Plus                              | \$28,545,664                      | \$0          | \$1,900,000   | \$1,900,000   | \$146,407             | \$30,592,071        |
| PIMCO Unconstrained                          | \$28,900,356                      | \$0          | \$1,500,000   | \$1,500,000   | \$70,550              | \$30,470,906        |
| Post Advisory                                | \$13,740,743                      | \$0          | \$0           | \$0           | \$348,063             | \$14,088,807        |
| RREEF America REIT III                       | \$3,397,476                       | -\$701,605   | \$0           | -\$701,605    | \$126,615             | \$2,822,486         |
| Schroder                                     | \$16,552,970                      | \$0          | \$1,400,000   | \$1,400,000   | \$566,348             | \$18,519,318        |
| SSgA ACWI Ex US                              | \$9,476,752                       | \$0          | \$0           | \$0           | \$962,816             | \$10,439,568        |

## Vermont Municipal Employees

### Total Fund Asset Growth Summary by Manager

|                              | Quarter Ending September 30, 2013 |                      |                     |                    |                       | Ending Market Value  |
|------------------------------|-----------------------------------|----------------------|---------------------|--------------------|-----------------------|----------------------|
|                              | Beginning Market Value            | Withdrawals          | Contributions       | Net Cash Flow      | Net Investment Change |                      |
| SSgA Russell 2000 Growth     | \$10,628,432                      | -\$4,600,000         | \$0                 | -\$4,600,000       | \$1,344,342           | \$7,372,774          |
| SSgA S&P 400                 | \$3,033,284                       | \$0                  | \$0                 | \$0                | \$229,971             | \$3,263,255          |
| SSgA S&P 500 Cap-Wgt         | \$24,328,422                      | -\$3,000,000         | \$0                 | -\$3,000,000       | \$1,270,607           | \$22,599,029         |
| SSgA S&P 500 Equal-Wgt       | \$16,264,674                      | -\$3,900,000         | \$0                 | -\$3,900,000       | \$1,099,268           | \$13,463,942         |
| T. Rowe                      | \$16,124,845                      | -\$3,200,000         | \$0                 | -\$3,200,000       | \$973,762             | \$13,898,607         |
| Transwestern / Aslan III     | \$109,531                         | \$0                  | \$0                 | \$0                | \$0                   | \$109,531            |
| UBS Trumbull                 | \$7,655,165                       | -\$21,043            | \$21,043            | \$0                | \$205,022             | \$7,860,187          |
| Vermont Cash                 | \$217,665                         | -\$117,527           | \$292,243           | \$174,716          | \$0                   | \$392,382            |
| Wellington                   | \$10,952,488                      | -\$1,400,000         | \$0                 | -\$1,400,000       | \$891,116             | \$10,443,604         |
| Wellington DAS               | \$10,416,515                      | \$0                  | \$1,800,000         | \$1,800,000        | \$78,107              | \$12,294,622         |
| Wellington OIF               | \$17,162,907                      | \$0                  | \$0                 | \$0                | \$1,096,274           | \$18,259,181         |
| Wellington Opportunistic EMD | \$20,839,037                      | \$0                  | \$3,500,000         | \$3,500,000        | \$196,293             | \$24,535,330         |
| <b>Total</b>                 | <b>\$450,402,096</b>              | <b>-\$19,342,385</b> | <b>\$21,575,686</b> | <b>\$2,233,301</b> | <b>\$18,360,100</b>   | <b>\$470,995,497</b> |

# Vermont Municipal Employees

## Total Fund Performance Detail

|  | Market Value (\$)  | % of Portfolio | Policy %     | 2013 Q3 (%) | Rank      | YTD (%)     | Rank      | 1 Yr (%)    | Rank      | 3 Yrs (%)   | Rank      | 5 Yrs (%)   | Rank      |
|--|--------------------|----------------|--------------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|
| <b>Municipal Composite</b>                 | <b>470,995,497</b> | <b>100.0</b>   | <b>100.0</b> | <b>4.1</b>  | <b>80</b> | <b>5.5</b>  | <b>94</b> | <b>7.7</b>  | <b>92</b> | <b>8.6</b>  | <b>72</b> | <b>8.6</b>  | <b>29</b> |
| Policy Index                               |                    |                |              | 4.2         | 75        | 5.8         | 92        | 7.7         | 93        | 7.3         | 97        | 6.8         | 88        |
| Allocation Index                           |                    |                |              | 4.4         | 66        | 6.5         | 90        | 8.4         | 91        | 7.5         | 96        | 7.2         | 78        |
| IFx Public DB Gross Median                 |                    |                |              | 4.7         |           | 10.1        |           | 12.0        |           | 9.5         |           | 8.0         |           |
| <b>Large Cap Comp</b>                      | <b>49,961,578</b>  | <b>10.6</b>    | <b>10.0</b>  | <b>5.8</b>  | <b>58</b> | <b>21.2</b> | <b>49</b> | <b>21.9</b> | <b>44</b> | <b>16.8</b> | <b>39</b> | <b>12.1</b> | <b>21</b> |
| S&P 500                                    |                    |                |              | 5.2         | 70        | 19.8        | 68        | 19.3        | 69        | 16.3        | 48        | 10.0        | 60        |
| eA US Large Cap Equity Gross Median        |                    |                |              | 6.3         |           | 21.0        |           | 21.4        |           | 16.2        |           | 10.5        |           |
| T. Rowe                                    | 13,898,607         | 3.0            | 3.0          | 5.9         | 56        | 20.6        | 56        | 20.4        | 60        | 16.8        | 40        | 10.7        | 46        |
| SSgA S&P 500 Cap-Wgt                       | 22,599,029         | 4.8            | 4.0          | 5.2         | 70        | 19.8        | 68        | 19.4        | 69        | 16.3        | 48        | --          | --        |
| S&P 500                                    |                    |                |              | 5.2         | 70        | 19.8        | 68        | 19.3        | 69        | 16.3        | 48        | 10.0        | 60        |
| SSgA S&P 500 Equal-Wgt                     | 13,463,942         | 2.9            | 3.0          | 6.7         | 43        | 23.8        | 21        | 27.5        | 11        | 17.6        | 25        | 13.8        | 7         |
| S&P 500 Equal Weighted                     |                    |                |              | 6.7         | 42        | 23.9        | 19        | 27.4        | 11        | 17.7        | 23        | 13.8        | 8         |
| <b>Small/Mid Cap Comp</b>                  | <b>31,821,818</b>  | <b>6.8</b>     | <b>6.5</b>   | <b>9.6</b>  | <b>55</b> | <b>27.3</b> | <b>45</b> | <b>29.9</b> | <b>57</b> | <b>19.3</b> | <b>46</b> | <b>13.2</b> | <b>59</b> |
| Russell 2000                               |                    |                |              | 10.2        | 47        | 27.7        | 42        | 30.1        | 56        | 18.3        | 59        | 11.2        | 85        |
| eA US Small-Mid Cap Equity Gross Median    |                    |                |              | 9.9         |           | 26.7        |           | 30.5        |           | 19.0        |           | 13.7        |           |
| SSgA S&P 400                               | 3,263,255          | 0.7            | 0.5          | 7.6         | 74        | 23.4        | 62        | 27.9        | 50        | --          | --        | --          | --        |
| S&P 400 MidCap                             |                    |                |              | 7.5         | 74        | 23.2        | 64        | 27.7        | 52        | 17.5        | 52        | 13.1        | 59        |
| eA US Mid Cap Equity Gross Median          |                    |                |              | 8.6         |           | 24.8        |           | 27.8        |           | 17.5        |           | 13.4        |           |
| Champlain                                  | 10,742,185         | 2.3            | 2.0          | 8.6         | 50        | 27.0        | 29        | 28.6        | 38        | 18.7        | 34        | --          | --        |
| Russell 2500                               |                    |                |              | 9.1         | 45        | 25.9        | 39        | 29.8        | 30        | 18.4        | 36        | 12.7        | 64        |
| eA US Mid Cap Equity Gross Median          |                    |                |              | 8.6         |           | 24.8        |           | 27.8        |           | 17.5        |           | 13.4        |           |
| Wellington                                 | 10,443,604         | 2.2            | 2.0          | 8.2         | 64        | 23.8        | 72        | 28.8        | 68        | 19.6        | 38        | 13.8        | 38        |
| Russell 2000 Value                         |                    |                |              | 7.6         | 80        | 23.1        | 77        | 27.0        | 81        | 16.6        | 75        | 9.1         | 96        |
| eA US Small Cap Value Equity Gross Median  |                    |                |              | 8.7         |           | 26.3        |           | 31.0        |           | 18.7        |           | 12.9        |           |
| SSgA Russell 2000 Growth                   | 7,372,774          | 1.6            | 2.0          | 12.7        | 57        | 32.5        | 61        | 33.0        | 59        | 19.9        | 73        | 13.1        | 74        |
| Russell 2000 Growth                        |                    |                |              | 12.8        | 57        | 32.5        | 61        | 33.1        | 59        | 20.0        | 72        | 13.2        | 74        |
| eA US Small Cap Growth Equity Gross Median |                    |                |              | 13.2        |           | 34.0        |           | 34.0        |           | 21.5        |           | 14.7        |           |

Note: Returns are gross of manager fees. Results for periods longer than one year are annualized.

# Vermont Municipal Employees

## Total Fund Performance Detail

|   | Market Value (\$) | % of Portfolio | Policy %    | 2013 Q3 (%) | Rank      | YTD (%)     | Rank      | 1 Yr (%)    | Rank      | 3 Yrs (%)  | Rank      | 5 Yrs (%)   | Rank      |
|---|-------------------|----------------|-------------|-------------|-----------|-------------|-----------|-------------|-----------|------------|-----------|-------------|-----------|
| <b>Int'l Equity Comp</b>                    | <b>51,370,183</b> | <b>10.9</b>    | <b>10.0</b> | <b>10.0</b> | <b>75</b> | <b>15.5</b> | <b>64</b> | <b>20.9</b> | <b>75</b> | <b>8.4</b> | <b>78</b> | <b>6.0</b>  | <b>87</b> |
| MSCI EAFE                                   |                   |                |             | 11.6        | 39        | 16.1        | 58        | 23.8        | 55        | 8.5        | 78        | 6.4         | 82        |
| eA All EAFE Equity Gross Median             |                   |                |             | 11.1        |           | 16.5        |           | 24.1        |           | 10.2       |           | 8.2         |           |
| Acadian                                     | 20,397,196        | 4.3            | 4.0         | 10.1        | 72        | 17.2        | 43        | 23.3        | 58        | 9.1        | 70        | 6.0         | 87        |
| Mondrian                                    | 20,533,419        | 4.4            | 4.0         | 9.7         | 81        | 16.5        | 51        | 20.6        | 76        | 8.6        | 76        | 6.2         | 84        |
| MSCI EAFE                                   |                   |                |             | 11.6        | 39        | 16.1        | 58        | 23.8        | 55        | 8.5        | 78        | 6.4         | 82        |
| SSgA ACWI Ex US                             | 10,439,568        | 2.2            | 2.0         | 10.2        | 46        | 10.3        | 74        | 16.8        | 77        | 6.2        | 89        | --          | --        |
| MSCI ACWI ex USA                            |                   |                |             | 10.1        | 49        | 10.0        | 75        | 16.5        | 82        | 5.9        | 92        | 6.3         | 84        |
| eA ACWI ex-US All Cap Equity Gross Median   |                   |                |             | 10.0        |           | 12.1        |           | 19.4        |           | 9.2        |           | 8.6         |           |
| <b>Emerging Market Comp</b>                 | <b>25,793,425</b> | <b>5.5</b>     | <b>6.0</b>  | <b>2.4</b>  | <b>85</b> | <b>-5.4</b> | <b>85</b> | <b>0.9</b>  | <b>79</b> | <b>--</b>  | <b>--</b> | <b>--</b>   | <b>--</b> |
| Aberdeen                                    | 25,793,425        | 5.5            | 6.0         | 2.4         | 85        | -5.4        | 85        | 0.9         | 79        | 4.2        | 13        | 13.8        | 8         |
| MSCI Emerging Markets                       |                   |                |             | 5.8         | 48        | -4.4        | 73        | 1.0         | 78        | -0.3       | 69        | 7.2         | 70        |
| eA Emg Mkts Equity Gross Median             |                   |                |             | 5.7         |           | -2.2        |           | 4.0         |           | 1.2        |           | 8.7         |           |
| <b>Diversified Fixed</b>                    | <b>85,636,326</b> | <b>18.2</b>    | <b>18.0</b> | <b>0.5</b>  | <b>72</b> | <b>-1.7</b> | <b>72</b> | <b>-1.0</b> | <b>68</b> | <b>4.2</b> | <b>39</b> | <b>7.8</b>  | <b>31</b> |
| Barclays Aggregate                          |                   |                |             | 0.6         | 64        | -1.9        | 78        | -1.7        | 82        | 2.9        | 68        | 5.4         | 66        |
| eA All US Fixed Inc Gross Median            |                   |                |             | 0.7         |           | -0.8        |           | -0.3        |           | 3.6        |           | 6.2         |           |
| Allianz Structured Alpha                    | 12,278,727        | 2.6            | 2.0         | 0.8         | 31        | -1.5        | 41        | -1.1        | 50        | 5.8        | 1         | 8.6         | 5         |
| Citigroup 10 Year Treasury                  |                   |                |             | -0.7        | 98        | -5.5        | 99        | -5.7        | 99        | 2.9        | 83        | 5.2         | 94        |
| PIMCO Core Plus                             | 30,592,071        | 6.5            | 6.5         | 0.5         | 73        | -1.9        | 74        | -1.4        | 65        | 3.7        | 43        | --          | --        |
| Barclays Aggregate                          |                   |                |             | 0.6         | 65        | -1.9        | 74        | -1.7        | 80        | 2.9        | 83        | 5.4         | 90        |
| PIMCO Unconstrained                         | 30,470,906        | 6.5            | 6.5         | 0.2         | 93        | -1.1        | 25        | -0.5        | 24        | --         | --        | --          | --        |
| 25% HY, 25% EMD, 50% BC Agg                 |                   |                |             | 1.1         | 3         | -1.9        | 75        | -0.2        | 17        | 5.1        | 3         | 8.7         | 5         |
| 3-Month Libor Total Return USD              |                   |                |             | 0.1         | 95        | 0.2         | 4         | 0.3         | 9         | 0.4        | 99        | 0.6         | 99        |
| Wellington DAS                              | 12,294,622        | 2.6            | 3.0         | 0.7         | 34        | -3.1        | 97        | -1.1        | 47        | 7.5        | 1         | 8.7         | 5         |
| Wellington Custom Benchmark                 |                   |                |             | -2.1        | 99        | -9.1        | 99        | -9.7        | 99        | 5.3        | 2         | 6.9         | 34        |
| <b>High Yield Comp</b>                      | <b>18,575,149</b> | <b>3.9</b>     | <b>4.0</b>  | <b>2.4</b>  | <b>40</b> | <b>4.6</b>  | <b>35</b> | <b>7.8</b>  | <b>37</b> | <b>9.4</b> | <b>48</b> | <b>11.4</b> | <b>76</b> |
| Barclays High Yield                         |                   |                |             | 2.3         | 54        | 3.7         | 61        | 7.1         | 53        | 9.2        | 57        | 13.5        | 19        |
| eA US High Yield Fixed Inc Gross Median     |                   |                |             | 2.3         |           | 4.1         |           | 7.3         |           | 9.3        |           | 12.3        |           |
| Post Advisory                               | 14,088,807        | 3.0            | 3.0         | 2.7         | 17        | 5.2         | 23        | 8.5         | 27        | 9.8        | 36        | 11.7        | 69        |
| KDP   | 4,486,343         | 1.0            | 1.0         | 1.5         | 96        | 2.1         | 95        | 4.7         | 93        | 7.8        | 92        | --          | --        |
| Barclays High Yield                         |                   |                |             | 2.3         | 54        | 3.7         | 61        | 7.1         | 53        | 9.2        | 57        | 13.5        | 19        |
| BofA Merrill Lynch US High Yield BB-B Rated |                   |                |             | 2.1         | 66        | 2.9         | 80        | 6.1         | 76        | 8.4        | 80        | 11.9        | 64        |

Wellington DAS Custom Benchmark tracked the BC Agg from 5/2002 through 2/2011, and the CG US Treasury STRIPS from 7/11 through present. The benchmark change coincided with the switch in collateral position.

# Vermont Municipal Employees

## Total Fund Performance Detail

|   | Market Value (\$) | % of Portfolio | Policy %   | 2013 Q3 (%) | Rank      | YTD (%)     | Rank      | 1 Yr (%)    | Rank      | 3 Yrs (%)  | Rank      | 5 Yrs (%)  | Rank      |
|---|-------------------|----------------|------------|-------------|-----------|-------------|-----------|-------------|-----------|------------|-----------|------------|-----------|
| <b>Global Fixed Income Comp</b>               | <b>14,213,489</b> | <b>3.0</b>     | <b>3.0</b> | <b>2.3</b>  | <b>48</b> | <b>-5.4</b> | <b>96</b> | <b>-8.1</b> | <b>99</b> | <b>1.4</b> | <b>93</b> | <b>6.3</b> | <b>60</b> |
| <i>Citi WGBI</i>                              |                   |                |            | 2.9         | 29        | -2.9        | 76        | -4.6        | 90        | 1.0        | 94        | 4.3        | 94        |
| <i>eA All Global Fixed Inc Gross Median</i>   |                   |                |            | 2.2         |           | -1.0        |           | 0.6         |           | 4.0        |           | 6.7        |           |
| Mondrian GFI                                  | 14,213,489        | 3.0            | 3.0        | 2.3         | 48        | -5.4        | 96        | -8.1        | 99        | 0.4        | 99        | 5.0        | 84        |
| <i>Citi WGBI</i>                              |                   |                |            | 2.9         | 29        | -2.9        | 76        | -4.6        | 90        | 1.0        | 94        | 4.3        | 94        |
| <b>Emerging Market Debt</b>                   | <b>24,535,330</b> | <b>5.2</b>     | <b>5.0</b> |             |           |             |           |             |           |            |           |            |           |
| Wellington Opportunistic EMD                  | 24,535,330        | 5.2            | 5.0        | 0.9         | 33        | -5.9        | 38        | -2.5        | 43        | 6.3        | 21        | --         | --        |
| <i>JP Morgan EMBI Global TR</i>               |                   |                |            | 0.9         | 35        | -7.4        | 71        | -4.3        | 81        | 5.3        | 47        | 9.9        | 58        |
| <i>eA All Emg Mkts Fixed Inc Gross Median</i> |                   |                |            | 0.6         |           | -6.6        |           | -3.0        |           | 5.1        |           | 10.3       |           |
| <b>TIPS</b>                                   | <b>14,464,237</b> | <b>3.1</b>     | <b>3.0</b> |             |           |             |           |             |           |            |           |            |           |
| BlackRock TIPS                                | 14,464,237        | 3.1            | 3.0        | 0.7         | --        | -6.8        | --        | -6.1        | --        | 4.0        | --        | --         | --        |
| <i>Barclays US TIPS</i>                       |                   |                |            | 0.7         | --        | -6.7        | --        | -6.1        | --        | 4.0        | --        | 5.3        | --        |
| <b>Total Real Estate</b>                      | <b>19,673,140</b> | <b>4.2</b>     | <b>4.5</b> |             |           |             |           |             |           |            |           |            |           |
| Morgan Stanley Prime Property                 | 8,880,935         | 1.9            | 2.0        | 4.3         | --        | 13.4        | --        | 16.6        | --        | 16.0       | --        | 1.3        | --        |
| UBS Trumbull                                  | 7,860,187         | 1.7            | 2.0        | 2.8         | --        | 8.0         | --        | 10.1        | --        | 11.7       | --        | 2.3        | --        |
| RREEF America REIT III                        | 2,822,486         | 0.6            | 0.5        | 4.7         | --        | 13.4        | --        | 15.7        | --        | 29.7       | --        | -9.9       | --        |
| Transwestern / Aslan III                      | 109,531           | 0.0            | 0.0        | 0.0         | --        | 43.6        | --        | 61.9        | --        | 5.6        | --        | -38.1      | --        |
| <i>NCREIF Property Index</i>                  |                   |                |            | 2.6         | --        | 8.2         | --        | 11.0        | --        | 12.7       | --        | 3.4        | --        |
| <i>NCREIF ODCE</i>                            |                   |                |            | 3.6         | --        | 10.4        | --        | 13.0        | --        | 14.3       | --        | 0.7        | --        |
| <b>Hedge Fund Comp</b>                        | <b>21,150,637</b> | <b>4.5</b>     | <b>5.0</b> | <b>2.5</b>  | <b>32</b> | <b>9.3</b>  | <b>25</b> | <b>12.2</b> | <b>20</b> | <b>--</b>  | <b>--</b> | <b>--</b>  | <b>--</b> |
| <i>eA HFN FOF - Multi-Strategy Net Median</i> |                   |                |            | 2.0         |           | 6.9         |           | 8.8         |           | 4.7        |           | 4.6        |           |
| Grosvenor                                     | 8,451,468         | 1.8            | 2.0        | 3.6         | 16        | 10.6        | 14        | 13.4        | 14        | --         | --        | --         | --        |
| GAM   | 4,224,019         | 0.9            | 1.0        | 1.1         | 72        | 9.2         | 26        | 11.7        | 26        | --         | --        | --         | --        |
| Permal  | 8,475,150         | 1.8            | 2.0        | 2.2         | 45        | 8.2         | 35        | 11.3        | 29        | --         | --        | --         | --        |
| <i>HFRI Fund of Funds Composite Index</i>     |                   |                |            | 1.6         | 59        | 5.1         | 72        | 6.4         | 73        | 2.5        | 78        | 1.9        | 79        |

Transwestern is as of June 30th

# Vermont Municipal Employees

## Total Fund Performance Detail

|  | Market Value (\$) | % of Portfolio | Policy %    | 2013 Q3 (%) | Rank      | YTD (%)    | Rank      | 1 Yr (%)   | Rank      | 3 Yrs (%)  | Rank      | 5 Yrs (%)  | Rank     |
|--|-------------------|----------------|-------------|-------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|----------|
| <b>GAA Comp</b>                              | <b>93,674,366</b> | <b>19.9</b>    | <b>20.0</b> | <b>3.6</b>  | <b>59</b> | <b>0.4</b> | <b>62</b> | <b>2.6</b> | <b>58</b> | <b>6.7</b> | <b>43</b> | <b>9.6</b> | <b>8</b> |
| <i>eA Global TAA Gross Median</i>            |                   |                |             | 3.9         |           | 2.4        |           | 3.7        |           | 5.6        |           | 7.9        |          |
| Mellon Global Expanded Alpha                 | 9,164,601         | 1.9            | 2.5         | 4.6         | 41        | 7.4        | 28        | 8.0        | 35        | 8.5        | 26        | 9.1        | 38       |
| <i>Mellon CF GEA Index</i>                   |                   |                |             | 6.8         | 5         | 4.7        | 40        | 7.4        | 36        | 4.9        | 54        | 5.9        | 72       |
| AQR Global Risk Premium                      | 37,362,637        | 7.9            | 8.0         | 2.3         | 76        | -3.7       | 85        | -2.0       | 84        | 7.3        | 37        | --         | --       |
| <i>60% MSCI World / 40% CITI WGBI</i>        |                   |                |             | 6.1         | 13        | 9.1        | 16        | 10.1       | 24        | 8.0        | 33        | 7.2        | 59       |
| PIMCO All Asset                              | 28,887,948        | 6.1            | 5.0         | 3.2         | 65        | 0.1        | 65        | 3.2        | 53        | 6.9        | 39        | 9.5        | 10       |
| <i>PIMCO All Asset Index</i>                 |                   |                |             | 1.3         | 87        | -0.8       | 69        | 0.0        | 68        | 5.1        | 53        | 6.9        | 60       |
| <i>CPI + 5%</i>                              |                   |                |             | 1.7         | 86        | 5.0        | 40        | 6.2        | 40        | 7.4        | 36        | 6.4        | 66       |
| Wellington OIF                               | 18,259,181        | 3.9            | 4.5         | 6.4         | 11        | 5.8        | 37        | 8.7        | 30        | 4.2        | 64        | 8.1        | 47       |
| <i>65% MSCI ACWI (Net) / 35% BC Agg</i>      |                   |                |             | 5.3         | 25        | 8.5        | 20        | 10.6       | 18        | 7.9        | 35        | 7.4        | 58       |
| <b>Commodities</b>                           | <b>18,519,318</b> | <b>3.9</b>     | <b>4.0</b>  |             |           |            |           |            |           |            |           |            |          |
| Schroder                                     | 18,519,318        | 3.9            | 4.0         | 3.4         | --        | -6.8       | --        | -12.3      | --        | 0.3        | --        | --         | --       |
| <i>Dow Jones-UBS Commodity Index TR</i>      |                   |                |             | 2.1         | --        | -8.6       | --        | -14.3      | --        | -3.2       | --        | -5.3       | --       |
| <i>eA Commodities Gross Median</i>           |                   |                |             | --          |           | --         |           | --         |           | --         |           | --         |          |
| <b>Cash</b>                                  | <b>392,382</b>    | <b>0.1</b>     | <b>0.0</b>  |             |           |            |           |            |           |            |           |            |          |
| Vermont Cash                                 | 392,382           | 0.1            | 0.0         | 0.0         | --        | 0.0        | --        | 0.0        | --        | 0.1        | --        | 0.3        | --       |
| <i>91 Day T-Bills</i>                        |                   |                |             | 0.0         | --        | 0.0        | --        | 0.1        | --        | 0.1        | --        | 0.1        | --       |
| <b>Private Equity</b>                        | <b>1,214,119</b>  | <b>0.3</b>     | <b>1.0</b>  |             |           |            |           |            |           |            |           |            |          |
| Harbourvest Partners IX Credit Opportunities | 83,920            | 0.0            |             |             |           |            |           |            |           |            |           |            |          |
| Harbourvest Partners IX Venture Fund         | 268,366           | 0.1            |             |             |           |            |           |            |           |            |           |            |          |
| Harbourvest Partners IX Buyout Fund          | 453,680           | 0.1            |             |             |           |            |           |            |           |            |           |            |          |
| Harbourvest Dover VIII Fund                  | 408,154           | 0.1            |             |             |           |            |           |            |           |            |           |            |          |
| <i>Cambridge Private Equity Index</i>        |                   |                |             |             |           |            |           |            |           |            |           |            |          |

Real Estate performance reported on a quarterly basis. NCREIF Property is available 25 days after quarter end

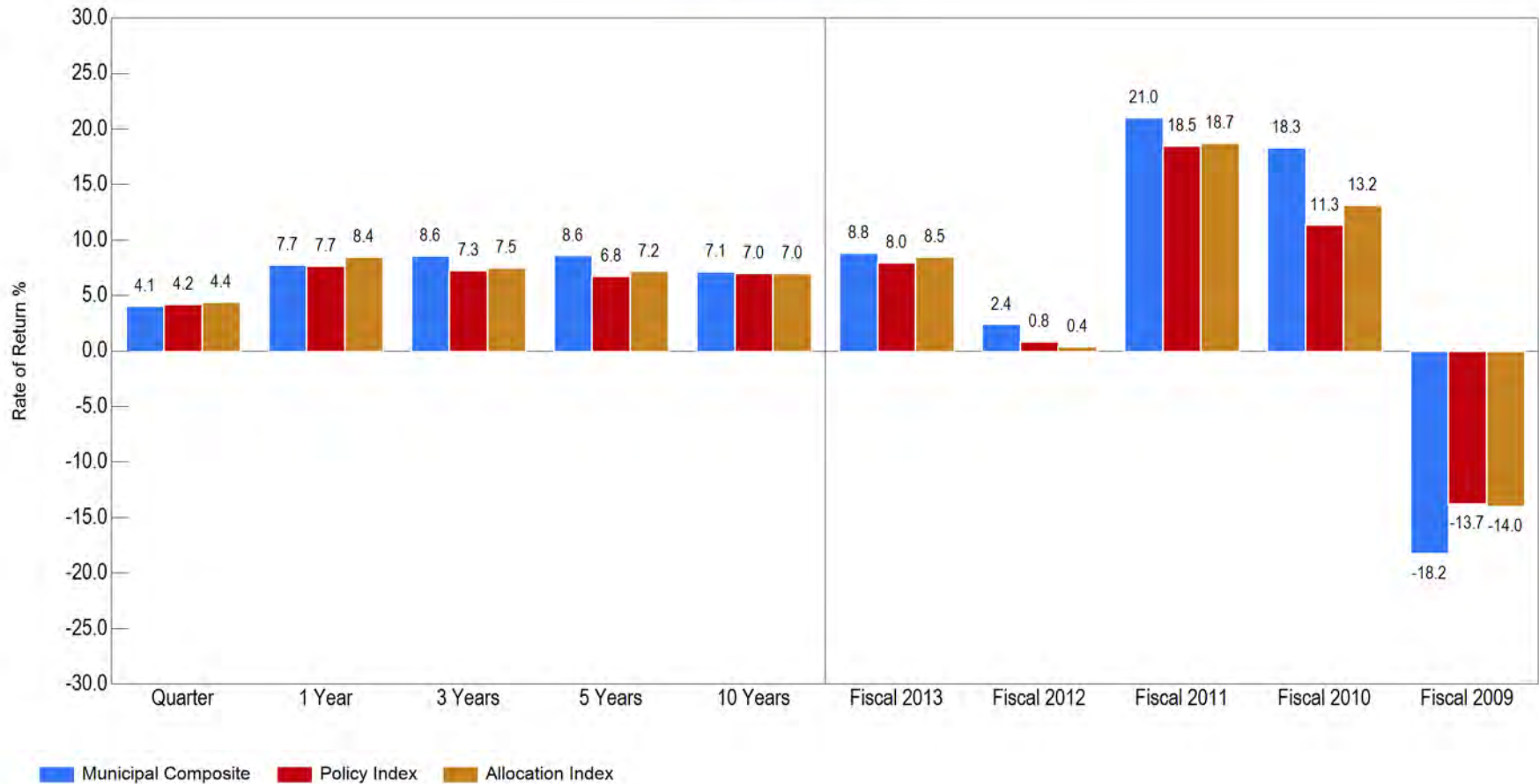
PIMCO All Asset Index: 40% BC Agg/ 30% TIPS/ 10% S&P500/ 10% BC HY/ 10% JPM EMBI+

Mellon CF GEA Index: 50% MSCI ACWI/ 25% CITI WGBI H/H/ 10% BC Global Inflation Linked H/H/ 5% BC US Intern. Credit/ 5% DJ-UBS Commodity/ 5% R2000

Harbourvest is as of June 30th, and has been cash adjust for capital call and disbursements

Vermont Municipal Employees  
**Total Fund Return Summary**

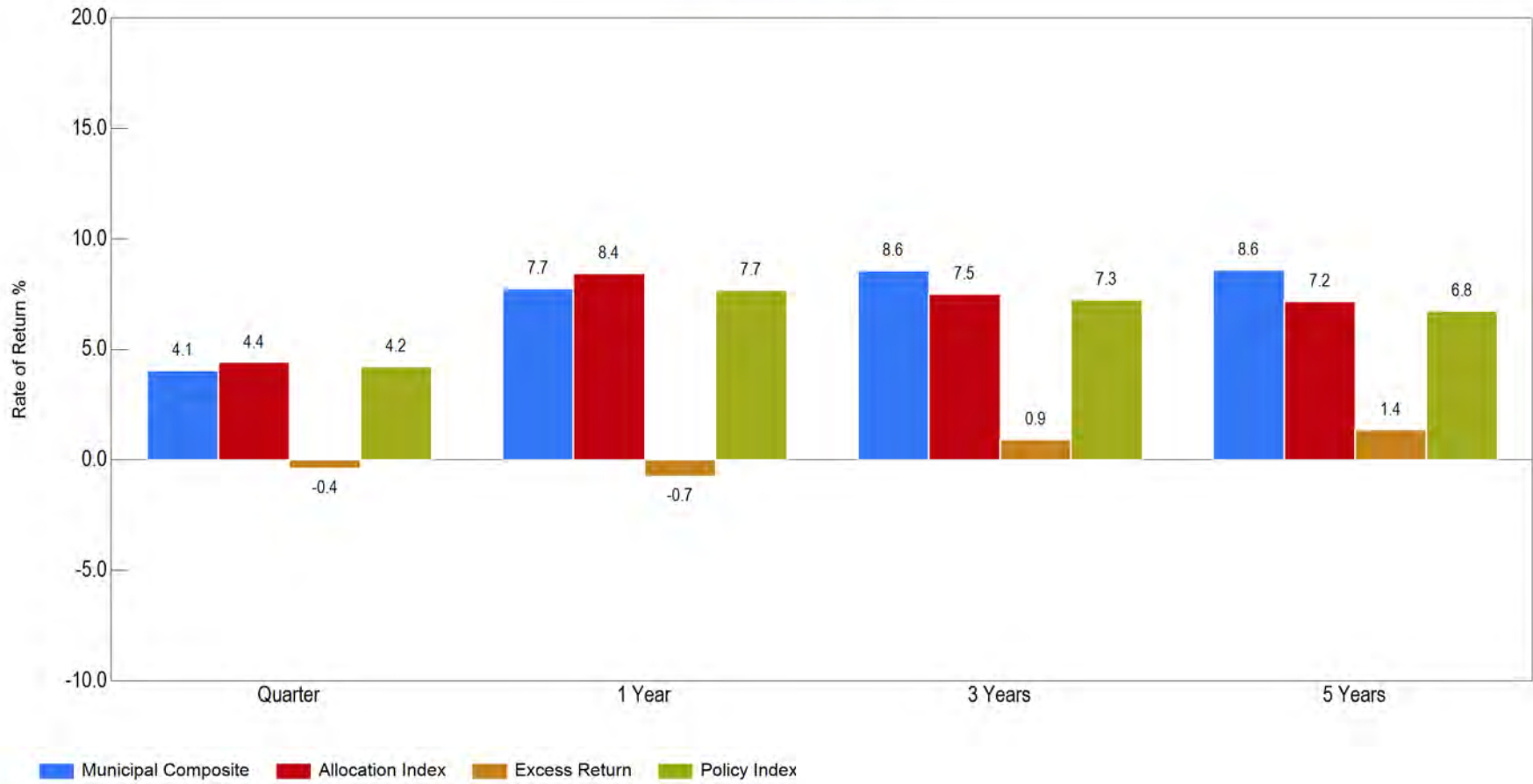
Return Summary Gross



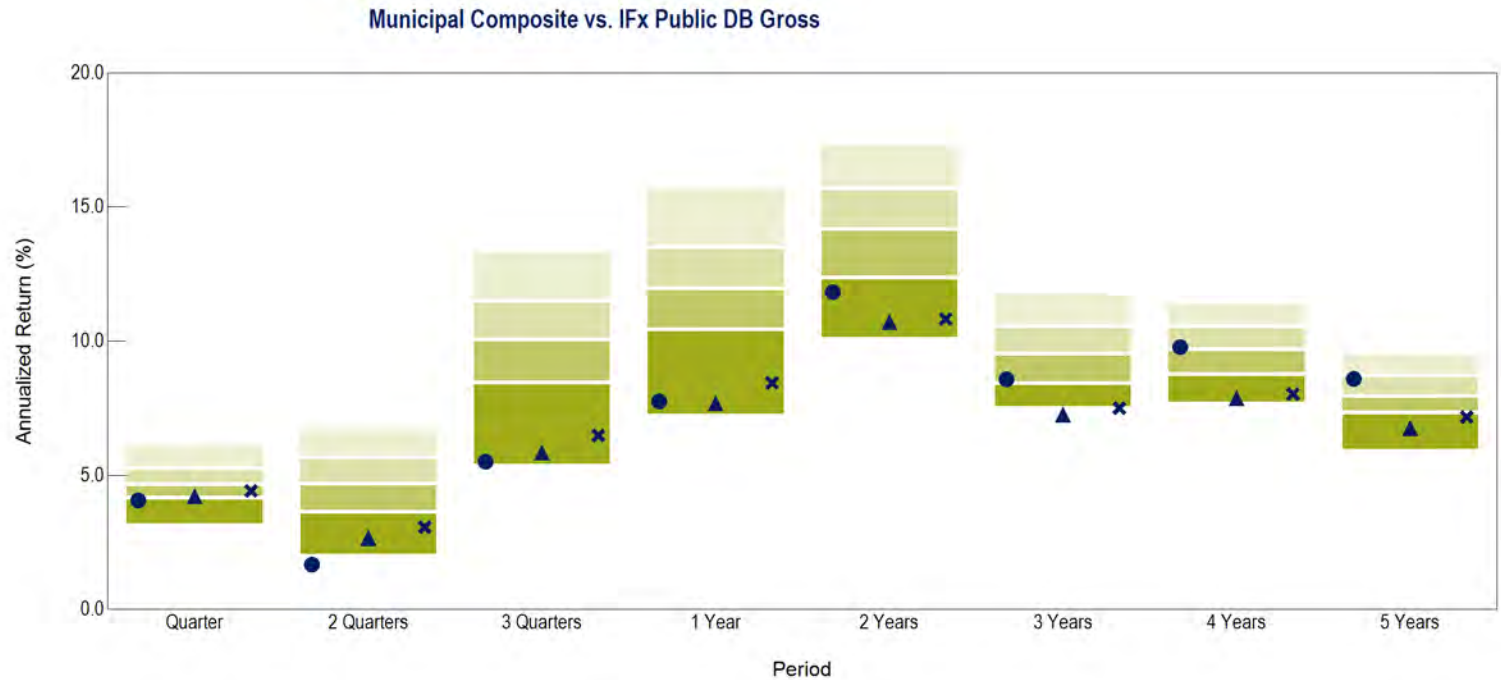


Vermont Municipal Employees  
**Total Fund Return Summary**

Return Summary Gross

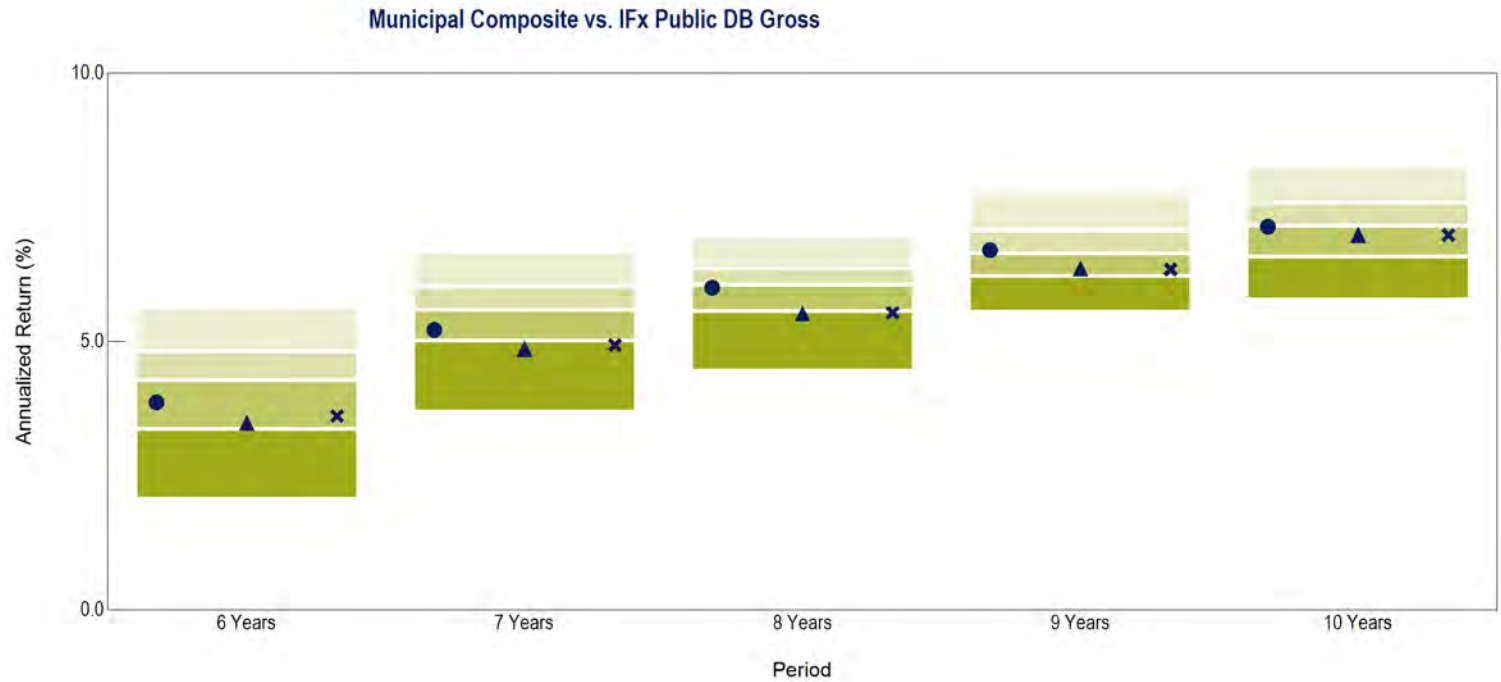


Total Fund Return Summary vs. Peer Universe



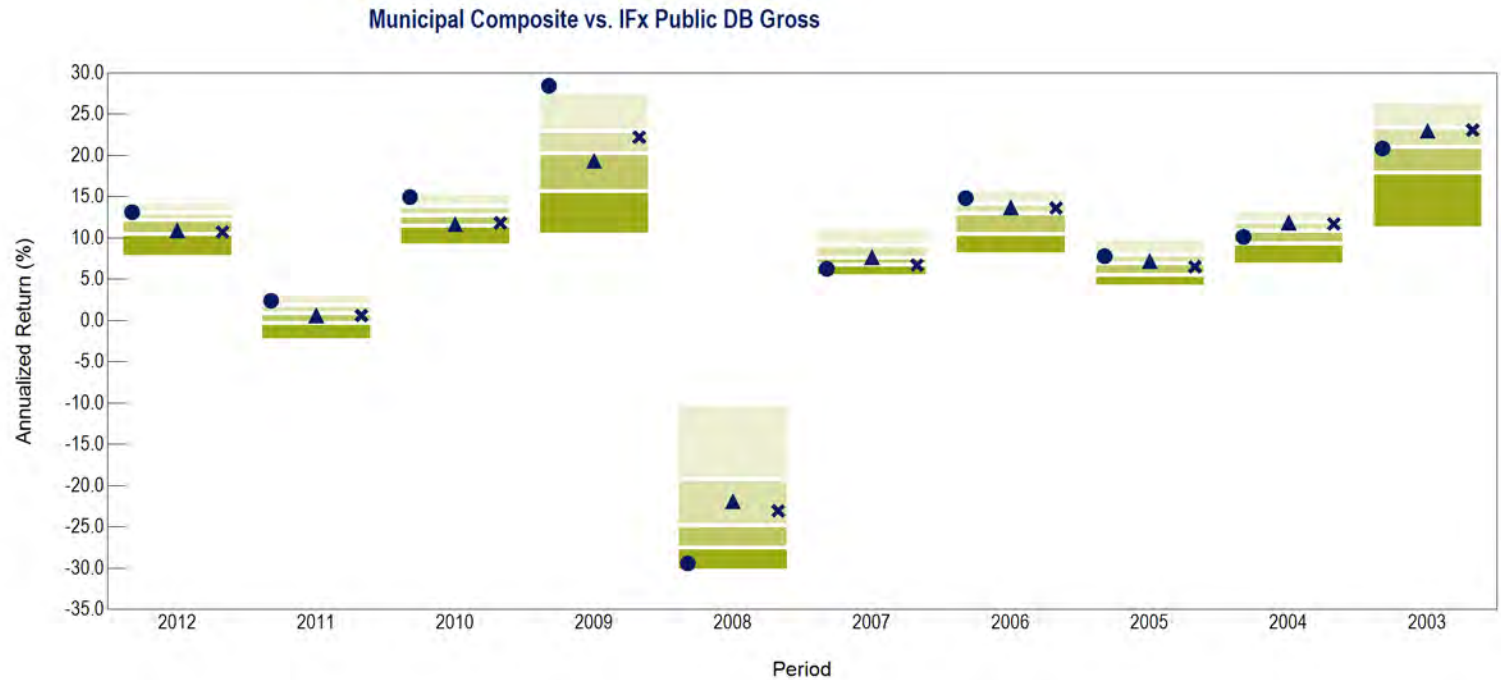
|                       | Return (Rank) |      | Return (Rank) |      | Return (Rank) |      | Return (Rank) |      | Return (Rank) |      | Return (Rank) |      | Return (Rank) |      |
|-----------------------|---------------|------|---------------|------|---------------|------|---------------|------|---------------|------|---------------|------|---------------|------|
| 5th Percentile        | 6.2           | (80) | 6.8           | (97) | 13.4          | (94) | 15.8          | (92) | 17.4          | (85) | 11.8          | (72) | 11.5          | (48) |
| 25th Percentile       | 5.3           | (75) | 5.7           | (89) | 11.5          | (92) | 13.5          | (93) | 15.7          | (93) | 10.6          | (97) | 10.6          | (93) |
| Median                | 4.7           | (66) | 4.7           | (84) | 10.1          | (90) | 12.0          | (91) | 14.2          | (93) | 9.5           | (96) | 9.7           | (88) |
| 75th Percentile       | 4.2           |      | 3.6           |      | 8.5           |      | 10.4          |      | 12.4          |      | 8.4           |      | 8.8           |      |
| 95th Percentile       | 3.1           |      | 2.0           |      | 5.4           |      | 7.2           |      | 10.1          |      | 7.5           |      | 7.7           |      |
| # of Portfolios       | 215           |      | 214           |      | 214           |      | 211           |      | 201           |      | 182           |      | 174           |      |
| ● Municipal Composite | 4.1           | (80) | 1.7           | (97) | 5.5           | (94) | 7.7           | (92) | 11.8          | (85) | 8.6           | (72) | 9.8           | (48) |
| ▲ Policy Index        | 4.2           | (75) | 2.7           | (89) | 5.8           | (92) | 7.7           | (93) | 10.7          | (93) | 7.3           | (97) | 7.9           | (93) |
| × Allocation Index    | 4.4           | (66) | 3.1           | (84) | 6.5           | (90) | 8.4           | (91) | 10.8          | (93) | 7.5           | (96) | 8.0           | (88) |

Total Fund Return Summary vs. Peer Universe



|                       | Return (Rank) |      |         |      |         |      |         |      |          |      |
|-----------------------|---------------|------|---------|------|---------|------|---------|------|----------|------|
|                       | 6 Years       |      | 7 Years |      | 8 Years |      | 9 Years |      | 10 Years |      |
| 5th Percentile        | 5.6           |      | 6.7     |      | 7.0     |      | 7.8     |      | 8.2      |      |
| 25th Percentile       | 4.8           |      | 6.0     |      | 6.4     |      | 7.1     |      | 7.6      |      |
| Median                | 4.3           |      | 5.6     |      | 6.1     |      | 6.6     |      | 7.2      |      |
| 75th Percentile       | 3.4           |      | 5.0     |      | 5.6     |      | 6.2     |      | 6.6      |      |
| 95th Percentile       | 2.1           |      | 3.7     |      | 4.5     |      | 5.6     |      | 5.8      |      |
| # of Portfolios       | 165           |      | 162     |      | 152     |      | 143     |      | 136      |      |
| ● Municipal Composite | 3.9           | (65) | 5.2     | (68) | 6.0     | (54) | 6.7     | (48) | 7.1      | (52) |
| ▲ Policy Index        | 3.5           | (74) | 4.9     | (81) | 5.5     | (79) | 6.4     | (66) | 7.0      | (59) |
| × Allocation Index    | 3.6           | (70) | 4.9     | (80) | 5.5     | (78) | 6.3     | (68) | 7.0      | (59) |

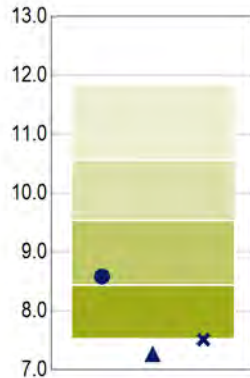
Total Fund Return Summary vs. Peer Universe



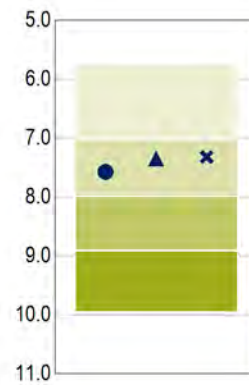
|                       | Return (Rank) |          |           |           |            |          |           |          |           |           |  |
|-----------------------|---------------|----------|-----------|-----------|------------|----------|-----------|----------|-----------|-----------|--|
|                       | 2012          | 2011     | 2010      | 2009      | 2008       | 2007     | 2006      | 2005     | 2004      | 2003      |  |
| 5th Percentile        | 14.3          | 3.4      | 15.5      | 27.6      | -10.2      | 11.1     | 15.8      | 9.9      | 13.2      | 26.5      |  |
| 25th Percentile       | 13.1          | 1.9      | 13.9      | 23.0      | -19.2      | 9.1      | 14.2      | 8.1      | 12.0      | 23.4      |  |
| Median                | 12.2          | 0.9      | 12.8      | 20.3      | -24.7      | 7.7      | 13.0      | 6.9      | 10.9      | 21.0      |  |
| 75th Percentile       | 10.5          | -0.3     | 11.5      | 15.7      | -27.4      | 6.8      | 10.5      | 5.5      | 9.4       | 17.9      |  |
| 95th Percentile       | 7.7           | -2.4     | 9.2       | 10.4      | -30.2      | 5.4      | 8.0       | 4.2      | 6.8       | 11.2      |  |
| # of Portfolios       | 192           | 162      | 154       | 152       | 149        | 146      | 136       | 131      | 125       | 119       |  |
| ● Municipal Composite | 13.1 (25)     | 2.4 (15) | 14.9 (12) | 28.4 (3)  | -29.4 (89) | 6.3 (85) | 14.8 (17) | 7.8 (32) | 10.1 (65) | 20.8 (55) |  |
| ▲ Policy Index        | 10.9 (71)     | 0.6 (62) | 11.7 (72) | 19.3 (55) | -21.9 (35) | 7.7 (51) | 13.7 (35) | 7.2 (47) | 11.9 (29) | 23.0 (30) |  |
| × Allocation Index    | 10.7 (73)     | 0.6 (62) | 11.8 (70) | 22.2 (29) | -23.0 (41) | 6.7 (79) | 13.6 (37) | 6.5 (57) | 11.7 (34) | 23.1 (30) |  |

Municipal Composite vs. IFx Public DB Gross  
3 Years

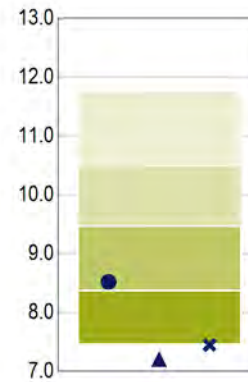
Anlzd Return



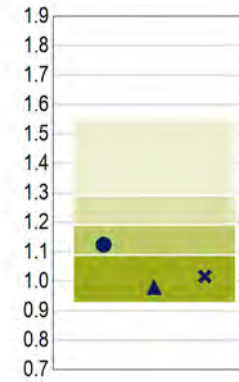
Anlzd Standard Deviation



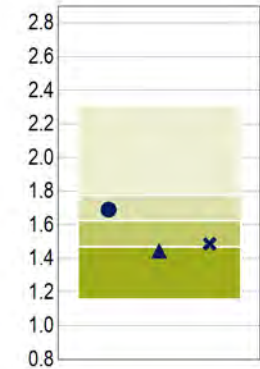
Ann Excess RF Return



Sharpe Ratio



Sortino Ratio RF



|                       |       |
|-----------------------|-------|
| ● Municipal Composite |       |
| Value                 | 8.58  |
| %tile                 | 72    |
| ▲ Policy Index        |       |
| Value                 | 7.26  |
| %tile                 | 97    |
| × Allocation Index    |       |
| Value                 | 7.50  |
| %tile                 | 96    |
| Universe              |       |
| 5th %tile             | 11.84 |
| 25th %tile            | 10.57 |
| Median                | 9.54  |
| 75th %tile            | 8.44  |
| 95th %tile            | 7.53  |

|                       |      |
|-----------------------|------|
| ● Municipal Composite |      |
| Value                 | 7.58 |
| %tile                 | 40   |
| ▲ Policy Index        |      |
| Value                 | 7.35 |
| %tile                 | 33   |
| × Allocation Index    |      |
| Value                 | 7.33 |
| %tile                 | 32   |
| Universe              |      |
| 5th %tile             | 5.74 |
| 25th %tile            | 7.02 |
| Median                | 7.98 |
| 75th %tile            | 8.90 |
| 95th %tile            | 9.95 |

|                       |       |
|-----------------------|-------|
| ● Municipal Composite |       |
| Value                 | 8.51  |
| %tile                 | 72    |
| ▲ Policy Index        |       |
| Value                 | 7.20  |
| %tile                 | 97    |
| × Allocation Index    |       |
| Value                 | 7.44  |
| %tile                 | 96    |
| Universe              |       |
| 5th %tile             | 11.77 |
| 25th %tile            | 10.50 |
| Median                | 9.48  |
| 75th %tile            | 8.38  |
| 95th %tile            | 7.46  |

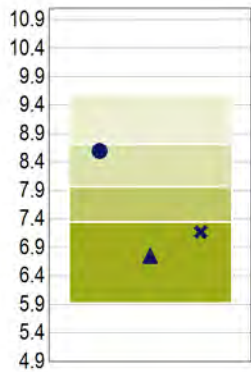
|                       |      |
|-----------------------|------|
| ● Municipal Composite |      |
| Value                 | 1.12 |
| %tile                 | 69   |
| ▲ Policy Index        |      |
| Value                 | 0.98 |
| %tile                 | 91   |
| × Allocation Index    |      |
| Value                 | 1.02 |
| %tile                 | 89   |
| Universe              |      |
| 5th %tile             | 1.55 |
| 25th %tile            | 1.29 |
| Median                | 1.19 |
| 75th %tile            | 1.09 |
| 95th %tile            | 0.93 |

|                       |      |
|-----------------------|------|
| ● Municipal Composite |      |
| Value                 | 1.69 |
| %tile                 | 40   |
| ▲ Policy Index        |      |
| Value                 | 1.44 |
| %tile                 | 78   |
| × Allocation Index    |      |
| Value                 | 1.49 |
| %tile                 | 73   |
| Universe              |      |
| 5th %tile             | 2.31 |
| 25th %tile            | 1.78 |
| Median                | 1.63 |
| 75th %tile            | 1.47 |
| 95th %tile            | 1.16 |

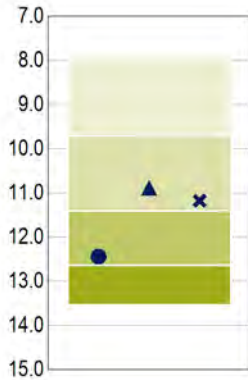


Municipal Composite vs. I/Fx Public DB Gross  
5 Years

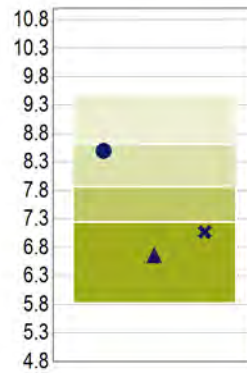
Anlzd Return



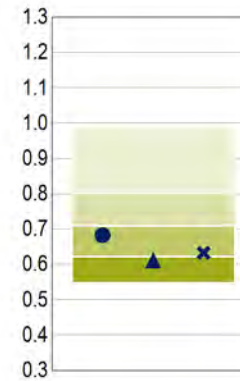
Anlzd Standard Deviation



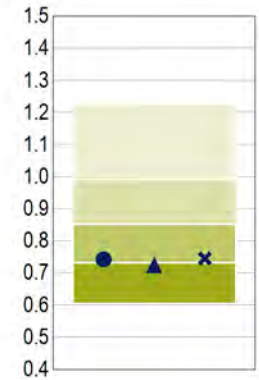
Ann Excess RF Return



Sharpe Ratio



Sortino Ratio RF



|                       |      |
|-----------------------|------|
| ● Municipal Composite |      |
| Value                 | 8.59 |
| %tile                 | 29   |
| ▲ Policy Index        |      |
| Value                 | 6.75 |
| %tile                 | 88   |
| × Allocation Index    |      |
| Value                 | 7.17 |
| %tile                 | 78   |
| Universe              |      |
| 5th %tile             | 9.58 |
| 25th %tile            | 8.73 |
| Median                | 7.98 |
| 75th %tile            | 7.35 |
| 95th %tile            | 5.93 |

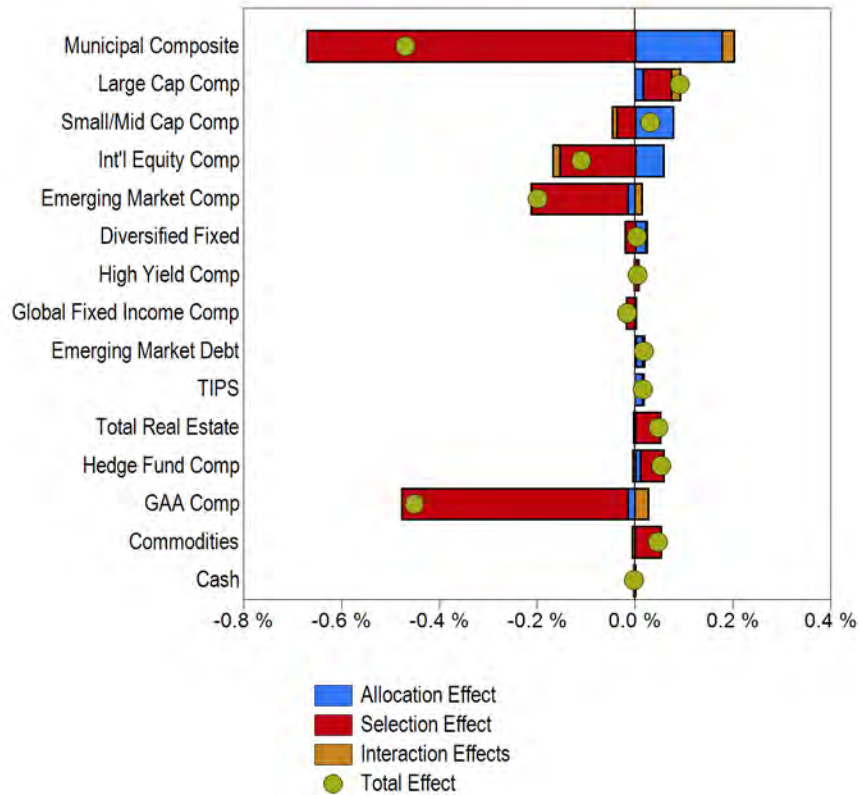
|                       |       |
|-----------------------|-------|
| ● Municipal Composite |       |
| Value                 | 12.45 |
| %tile                 | 72    |
| ▲ Policy Index        |       |
| Value                 | 10.89 |
| %tile                 | 43    |
| × Allocation Index    |       |
| Value                 | 11.18 |
| %tile                 | 46    |
| Universe              |       |
| 5th %tile             | 7.93  |
| 25th %tile            | 9.70  |
| Median                | 11.40 |
| 75th %tile            | 12.63 |
| 95th %tile            | 13.52 |

|                       |      |
|-----------------------|------|
| ● Municipal Composite |      |
| Value                 | 8.49 |
| %tile                 | 29   |
| ▲ Policy Index        |      |
| Value                 | 6.66 |
| %tile                 | 88   |
| × Allocation Index    |      |
| Value                 | 7.07 |
| %tile                 | 78   |
| Universe              |      |
| 5th %tile             | 9.48 |
| 25th %tile            | 8.63 |
| Median                | 7.88 |
| 75th %tile            | 7.26 |
| 95th %tile            | 5.83 |

|                       |      |
|-----------------------|------|
| ● Municipal Composite |      |
| Value                 | 0.68 |
| %tile                 | 61   |
| ▲ Policy Index        |      |
| Value                 | 0.61 |
| %tile                 | 80   |
| × Allocation Index    |      |
| Value                 | 0.63 |
| %tile                 | 73   |
| Universe              |      |
| 5th %tile             | 0.99 |
| 25th %tile            | 0.80 |
| Median                | 0.71 |
| 75th %tile            | 0.62 |
| 95th %tile            | 0.55 |

|                       |      |
|-----------------------|------|
| ● Municipal Composite |      |
| Value                 | 0.74 |
| %tile                 | 73   |
| ▲ Policy Index        |      |
| Value                 | 0.72 |
| %tile                 | 77   |
| × Allocation Index    |      |
| Value                 | 0.75 |
| %tile                 | 71   |
| Universe              |      |
| 5th %tile             | 1.23 |
| 25th %tile            | 0.99 |
| Median                | 0.85 |
| 75th %tile            | 0.73 |
| 95th %tile            | 0.61 |

Attribution Effects Relative to Policy Index  
3 Months Ending September 30, 2013

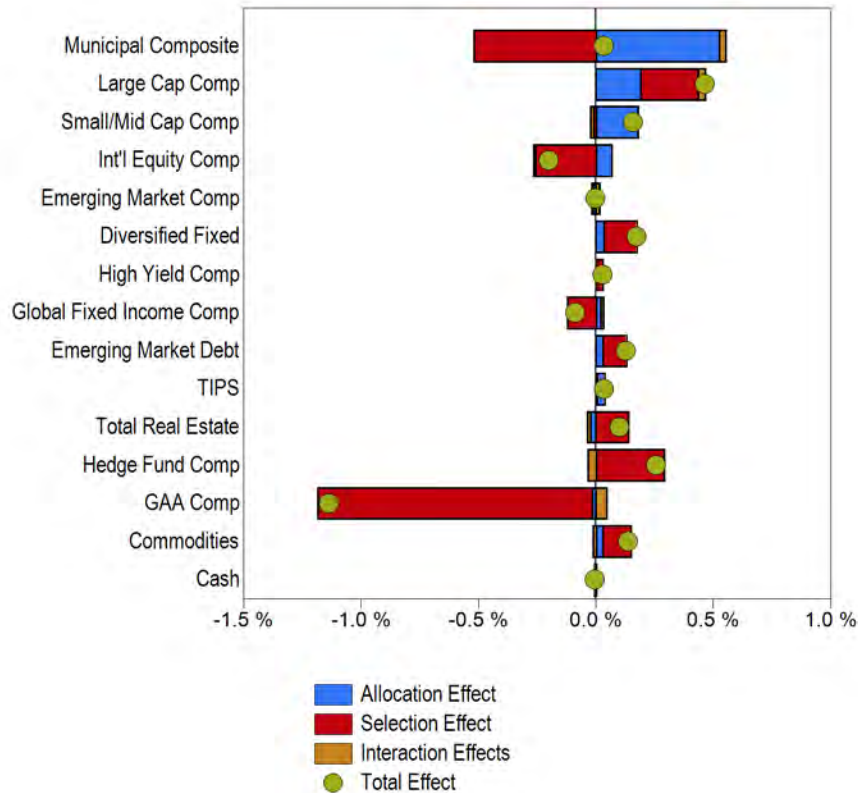


Attribution Summary  
3 Months Ending September 30, 2013

|                          | Wtd. Actual Return | Wtd. Index Return | Excess Return | Selection Effect | Allocation Effect | Interaction Effects | Total Effects |
|--------------------------|--------------------|-------------------|---------------|------------------|-------------------|---------------------|---------------|
| Large Cap Comp           | 5.8%               | 5.2%              | 0.6%          | 0.1%             | 0.0%              | 0.0%                | 0.1%          |
| Small/Mid Cap Comp       | 9.6%               | 10.2%             | -0.6%         | 0.0%             | 0.1%              | 0.0%                | 0.0%          |
| Int'l Equity Comp        | 10.0%              | 11.6%             | -1.6%         | -0.2%            | 0.1%              | 0.0%                | -0.1%         |
| Emerging Market Comp     | 2.4%               | 5.8%              | -3.4%         | -0.2%            | 0.0%              | 0.0%                | -0.2%         |
| Diversified Fixed        | 0.5%               | 0.6%              | -0.1%         | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| High Yield Comp          | 2.4%               | 2.3%              | 0.2%          | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| Global Fixed Income Comp | 2.3%               | 2.9%              | -0.6%         | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| Emerging Market Debt     | 0.9%               | 0.9%              | 0.1%          | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| TIPS                     | 0.7%               | 0.7%              | 0.0%          | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| Total Real Estate        | 3.7%               | 2.6%              | 1.1%          | 0.1%             | 0.0%              | 0.0%                | 0.0%          |
| Hedge Fund Comp          | 2.5%               | 1.6%              | 0.9%          | 0.0%             | 0.0%              | 0.0%                | 0.1%          |
| GAA Comp                 | 3.6%               | 5.9%              | -2.3%         | -0.5%            | 0.0%              | 0.0%                | -0.5%         |
| Commodities              | 3.4%               | 2.1%              | 1.3%          | 0.1%             | 0.0%              | 0.0%                | 0.0%          |
| Cash                     | 0.0%               | 0.0%              | 0.0%          | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| <b>Total</b>             | <b>4.1%</b>        | <b>4.5%</b>       | <b>-0.4%</b>  | <b>-0.7%</b>     | <b>0.2%</b>       | <b>0.0%</b>         | <b>-0.5%</b>  |

Note: Plan attribution calculations are returns based and the results shown reflect the composites shown. As a result, the total returns shown may vary from the calculated returns shown on the performance report. The target return shown for each composite is a custom index, based on aggregated policy indices. This policy index asset weights the underlying policy indices of each option in the plan and the respective benchmark. The allocation, selection, and interaction effects are calculated using the custom index described above along with the policy or target weight of each composite. May not add up due to rounding.

Attribution Effects Relative to Policy Index  
1 Year Ending September 30, 2013



Attribution Summary  
1 Year Ending September 30, 2013

|                          | Wtd. Actual Return | Wtd. Index Return | Excess Return | Selection Effect | Allocation Effect | Interaction Effects | Total Effects |
|--------------------------|--------------------|-------------------|---------------|------------------|-------------------|---------------------|---------------|
| Large Cap Comp           | 21.9%              | 19.3%             | 2.5%          | 0.2%             | 0.2%              | 0.0%                | 0.5%          |
| Small/Mid Cap Comp       | 29.9%              | 30.1%             | -0.1%         | 0.0%             | 0.2%              | 0.0%                | 0.2%          |
| Int'l Equity Comp        | 20.9%              | 23.8%             | -2.9%         | -0.3%            | 0.1%              | 0.0%                | -0.2%         |
| Emerging Market Comp     | 0.9%               | 1.0%              | -0.1%         | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| Diversified Fixed        | -1.0%              | -1.7%             | 0.7%          | 0.1%             | 0.0%              | 0.0%                | 0.2%          |
| High Yield Comp          | 7.8%               | 7.1%              | 0.7%          | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| Global Fixed Income Comp | -8.1%              | -4.6%             | -3.5%         | -0.1%            | 0.0%              | 0.0%                | -0.1%         |
| Emerging Market Debt     | -2.5%              | -4.3%             | 1.8%          | 0.1%             | 0.0%              | 0.0%                | 0.1%          |
| TIPS                     | -6.1%              | -6.1%             | 0.0%          | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| Total Real Estate        | 14.0%              | 11.0%             | 3.0%          | 0.1%             | 0.0%              | 0.0%                | 0.1%          |
| Hedge Fund Comp          | 12.2%              | 6.4%              | 5.8%          | 0.3%             | 0.0%              | 0.0%                | 0.3%          |
| GAA Comp                 | 2.6%               | 8.4%              | -5.7%         | -1.2%            | 0.0%              | 0.0%                | -1.1%         |
| Commodities              | -12.2%             | -14.3%            | 2.1%          | 0.1%             | 0.0%              | 0.0%                | 0.1%          |
| Cash                     | 0.0%               | 0.1%              | 0.0%          | 0.0%             | 0.0%              | 0.0%                | 0.0%          |
| <b>Total</b>             | <b>7.7%</b>        | <b>7.6%</b>       | <b>0.1%</b>   | <b>-0.5%</b>     | <b>0.5%</b>       | <b>0.0%</b>         | <b>0.0%</b>   |

Note: Plan attribution calculations are returns based and the results shown reflect the composites shown. As a result, the total returns shown may vary from the calculated returns shown on the performance report. The target return shown for each composite is a custom index, based on aggregated policy indices. This policy index asset weights the underlying policy indices of each option in the plan and the respective benchmark. The allocation, selection, and interaction effects are calculated using the custom index described above along with the policy or target weight of each composite. May not add up due to rounding.



# Vermont Municipal Employees

## Total Fund Risk Statistics

3 Years Ending September 30, 2013

|                                    | % of Tot | Anlzd Ret | Rank | Anlzd Std Dev | Rank | Anlzd AJ | Rank | Sharpe Ratio | Rank | Sortino Ratio RF | Rank | Tracking Error | Rank |
|------------------------------------|----------|-----------|------|---------------|------|----------|------|--------------|------|------------------|------|----------------|------|
| Municipal Composite                | 100.00%  | 8.58%     | 72   | 7.58%         | 40   | 1.13%    | 14   | 1.12         | 69   | 1.69             | 40   | 0.77%          | 7    |
| Policy Index                       | --       | 7.26%     | 97   | 7.35%         | 33   | 0.00%    | 52   | 0.98         | 91   | 1.44             | 78   | 0.00%          | 1    |
| Large Cap Comp                     | 10.61%   | 16.78%    | 39   | 13.21%        | 50   | -0.49%   | 48   | 1.27         | 44   | 1.87             | 41   | 1.14%          | 1    |
| S&P 500                            | --       | 16.27%    | 48   | 12.41%        | 30   | 0.00%    | 42   | 1.31         | 36   | 2.01             | 31   | 0.00%          | 1    |
| Small/Mid Cap Comp                 | 6.76%    | 19.30%    | 46   | 15.70%        | 36   | 2.65%    | 44   | 1.23         | 41   | 1.78             | 32   | 2.31%          | 1    |
| Russell 2000                       | --       | 18.29%    | 59   | 17.14%        | 70   | 0.00%    | 72   | 1.06         | 68   | 1.56             | 55   | 0.00%          | 1    |
| Int'l Equity Comp                  | 10.91%   | 8.43%     | 78   | 16.00%        | 22   | 0.65%    | 72   | 0.52         | 70   | 0.74             | 69   | 2.15%          | 8    |
| MSCI EAFE                          | --       | 8.47%     | 78   | 17.35%        | 59   | 0.00%    | 82   | 0.48         | 81   | 0.71             | 74   | 0.00%          | 1    |
| Emerging Market Comp               | 5.48%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| MSCI Emerging Markets              | --       | -0.33%    | 69   | 19.65%        | 57   | 0.00%    | 69   | -0.02        | 69   | -0.03            | 69   | 0.00%          | 1    |
| Diversified Fixed                  | 18.18%   | 4.16%     | 39   | 3.37%         | 64   | 1.15%    | 42   | 1.22         | 58   | 1.71             | 59   | 1.61%          | 37   |
| Barclays Aggregate                 | --       | 2.86%     | 68   | 2.82%         | 49   | 0.00%    | 84   | 0.99         | 77   | 1.38             | 80   | 0.00%          | 1    |
| High Yield Comp                    | 3.94%    | 9.43%     | 48   | 5.64%         | 25   | 1.68%    | 29   | 1.66         | 27   | 2.41             | 35   | 1.30%          | 51   |
| Barclays High Yield                | --       | 9.19%     | 57   | 6.63%         | 68   | 0.00%    | 73   | 1.38         | 73   | 2.07             | 71   | 0.00%          | 1    |
| Global Fixed Income Comp           | 3.02%    | 1.36%     | 93   | 5.96%         | 53   | 0.32%    | 95   | 0.22         | 94   | 0.34             | 90   | 2.01%          | 11   |
| Citi WGBI                          | --       | 1.02%     | 94   | 5.50%         | 41   | 0.00%    | 96   | 0.17         | 96   | 0.22             | 96   | 0.00%          | 1    |
| Emerging Market Debt               | 5.21%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| JP Morgan EMBI Global TR           | --       | 5.32%     | 47   | 7.88%         | 20   | 0.00%    | 43   | 0.67         | 41   | 0.89             | 31   | 0.00%          | 1    |
| TIPS                               | 3.07%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| Barclays US TIPS                   | --       | 4.02%     | 54   | 5.67%         | 81   | 0.00%    | 83   | 0.70         | 84   | 0.86             | 63   | 0.00%          | 1    |
| Total Real Estate                  | 4.18%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| NCREIF Property Index              | --       | 12.67%    | --   | 5.19%         | --   | 0.00%    | --   | 2.43         | --   | 1,068.40         | --   | 0.00%          | --   |
| Hedge Fund Comp                    | 4.49%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| HFRI Fund of Funds Composite Index | --       | 2.45%     | 78   | 4.21%         | 40   | 0.00%    | 78   | 0.57         | 75   | 0.79             | 73   | 0.00%          | 1    |
| GAA Comp                           | 19.89%   | 6.69%     | 43   | 8.95%         | 42   | 0.92%    | 43   | 0.74         | 42   | 1.06             | 41   | 3.35%          | 12   |
| 60% MSCI ACWI (Net)/40% CITI WGBI  | --       | 6.69%     | 43   | 9.78%         | 60   | 0.00%    | 54   | 0.68         | 47   | 0.97             | 43   | 0.00%          | 1    |
| Commodities                        | 3.93%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| Dow Jones-UBS Commodity Index TR   | --       | -3.16%    | --   | 16.44%        | --   | 0.00%    | --   | -0.20        | --   | -0.27            | --   | 0.00%          | --   |
| Cash                               | 0.08%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| 91 Day T-Bills                     | --       | 0.06%     | --   | 0.01%         | --   | 0.00%    | --   | 0.00         | --   | --               | --   | 0.00%          | --   |

# Vermont Municipal Employees

## Total Fund Risk Statistics

5 Years Ending September 30, 2013

|                                    | % of Tot | Anlzd Ret | Rank | Anlzd Std Dev | Rank | Anlzd AJ | Rank | Sharpe Ratio | Rank | Sortino Ratio RF | Rank | Tracking Error | Rank |
|------------------------------------|----------|-----------|------|---------------|------|----------|------|--------------|------|------------------|------|----------------|------|
| Municipal Composite                | 100.00%  | 8.59%     | 29   | 12.45%        | 72   | 0.97%    | 37   | 0.68         | 61   | 0.74             | 73   | 2.34%          | 70   |
| Policy Index                       | --       | 6.75%     | 88   | 10.89%        | 43   | 0.00%    | 83   | 0.61         | 80   | 0.72             | 77   | 0.00%          | 1    |
| Large Cap Comp                     | 10.61%   | 12.11%    | 21   | 19.88%        | 82   | 1.16%    | 41   | 0.60         | 39   | 0.74             | 46   | 2.63%          | 9    |
| S&P 500                            | --       | 10.02%    | 60   | 18.08%        | 45   | 0.00%    | 62   | 0.55         | 58   | 0.70             | 57   | 0.00%          | 1    |
| Small/Mid Cap Comp                 | 6.76%    | 13.25%    | 59   | 22.44%        | 59   | 2.87%    | 65   | 0.59         | 63   | 0.75             | 60   | 2.80%          | 1    |
| Russell 2000                       | --       | 11.15%    | 85   | 24.01%        | 82   | 0.00%    | 92   | 0.46         | 90   | 0.61             | 84   | 0.00%          | 1    |
| Int'l Equity Comp                  | 10.91%   | 5.97%     | 87   | 20.75%        | 19   | 0.04%    | 86   | 0.28         | 85   | 0.37             | 84   | 2.31%          | 6    |
| MSCI EAFE                          | --       | 6.35%     | 82   | 22.16%        | 53   | 0.00%    | 86   | 0.28         | 85   | 0.38             | 80   | 0.00%          | 1    |
| Emerging Market Comp               | 5.48%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| MSCI Emerging Markets              | --       | 7.23%     | 70   | 26.35%        | 50   | 0.00%    | 69   | 0.27         | 70   | 0.37             | 65   | 0.00%          | 1    |
| Diversified Fixed                  | 18.18%   | 7.83%     | 31   | 5.90%         | 72   | 1.62%    | 53   | 1.31         | 73   | 1.24             | 81   | 4.17%          | 69   |
| Barclays Aggregate                 | --       | 5.41%     | 66   | 3.66%         | 46   | 0.00%    | 88   | 1.45         | 63   | 2.18             | 53   | 0.00%          | 1    |
| High Yield Comp                    | 3.94%    | 11.42%    | 76   | 9.80%         | 20   | 1.81%    | 34   | 1.15         | 32   | 0.87             | 75   | 4.78%          | 69   |
| Barclays High Yield                | --       | 13.53%    | 19   | 13.28%        | 88   | 0.00%    | 84   | 1.01         | 78   | 0.91             | 67   | 0.00%          | 1    |
| Global Fixed Income Comp           | 3.02%    | 6.30%     | 60   | 8.34%         | 57   | 2.10%    | 71   | 0.74         | 67   | 1.12             | 49   | 3.95%          | 30   |
| Citi WGBI                          | --       | 4.25%     | 94   | 7.43%         | 38   | 0.00%    | 96   | 0.56         | 90   | 0.80             | 76   | 0.00%          | 1    |
| Emerging Market Debt               | 5.21%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| JP Morgan EMBI Global TR           | --       | 9.95%     | 58   | 10.80%        | 8    | 0.00%    | 30   | 0.91         | 23   | 0.77             | 22   | 0.00%          | 1    |
| TIPS                               | 3.07%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| Barclays US TIPS                   | --       | 5.31%     | 70   | 7.40%         | 66   | 0.00%    | 83   | 0.70         | 86   | 0.72             | 78   | 0.00%          | 1    |
| Total Real Estate                  | 4.18%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| NCREIF Property Index              | --       | 3.35%     | --   | 7.83%         | --   | 0.00%    | --   | 0.42         | --   | 0.51             | --   | 0.00%          | --   |
| Hedge Fund Comp                    | 4.49%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| HFRI Fund of Funds Composite Index | --       | 1.92%     | 79   | 5.29%         | 35   | 0.00%    | 82   | 0.34         | 79   | 0.37             | 79   | 0.00%          | 1    |
| GAA Comp                           | 19.89%   | 9.61%     | 8    | 12.65%        | 52   | 3.62%    | 30   | 0.75         | 28   | 0.83             | 37   | 4.14%          | 20   |
| 60% MSCI ACWI (Net)/40% CITI WGBI  | --       | 6.77%     | 61   | 13.62%        | 66   | 0.00%    | 74   | 0.49         | 66   | 0.64             | 61   | 0.00%          | 1    |
| Commodities                        | 3.93%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| Dow Jones-UBS Commodity Index TR   | --       | -5.29%    | --   | 19.17%        | --   | 0.00%    | --   | -0.28        | --   | -0.35            | --   | 0.00%          | --   |
| Cash                               | 0.08%    | --        | --   | --            | --   | --       | --   | --           | --   | --               | --   | --             | --   |
| 91 Day T-Bills                     | --       | 0.10%     | --   | 0.03%         | --   | 0.00%    | --   | 0.00         | --   | --               | --   | 0.00%          | --   |

