

# Southfield Fire & Police Retirement System

## Investment Performance Analysis

September 30, 2014



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# Southfield Fire & Police Retirement System

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# GLOBAL CAPITAL MARKETS REVIEW

Periods Ending - 9/30/2014

## Quarterly Market Review

The U.S. economy showed signs of strength, with economic growth rebounding strongly in the second quarter to 4.6%. The unemployment rate has fallen from 6.7% in December to 5.9% in September, a level last seen in mid-2008. Inflation fell by 0.3% in the third quarter and is up 1.66% on a 1-year basis. Home prices, as measured by the S&P Case-Schiller 20-city Home Price Index advanced for the fifth straight month.

U.S. equities (S&P 500, +1.13%) finished slightly higher with a strong August offsetting losses in July and September. Large cap equities (Russell 1000, +0.65%) drastically outperformed small cap (Russell 2000, -7.36%) and micro-cap equities (Russell Micro Cap, -8.21%). Sector performance was mixed with five sectors posting positive returns and five posting negative returns. The strongest performing sectors were Health Care (+4.23%) and Technology (+3.77%). The weakest performers were the Energy (-8.66%) and Utilities (-4.68%) sectors.

The yield on the 10-Year U.S. Treasury was steady. Long-term bonds (Barclays U.S. Treasury Long, +2.69%) outperformed shorter-term bonds by a wide margin (Barclays U.S. Treasury 1-3 Years, 0.03%). Investment-grade bonds (Barclays U.S. Aggregate, +0.17%) outperformed lower credit quality High yield bonds (Barclays U.S. High Yield Corporate, -1.87%).

Global equity markets (MSCI ACWI x-U.S. -5.27%) finished lower as investors digested Europe's fiscal woes, the Continent's slowing economies, Russia and Ukraine relations and the referendum for political independence in Scotland. A strengthening U.S. dollar against the Euro and Yen continued to negatively impact U.S. investors returns in Pacific region equities (MSCI Pacific net -3.64%) and European equities (MSCI Europe net -7.00%). Emerging Markets (MSCI EM net -3.36%) continued to outperform developed markets (MSCI EAFE net -5.87%).

## U.S. Equity Market Indices

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Standard & Poor's 500	1.13	19.74	22.99	15.69	8.11
Russell 1000	0.65	19.03	23.24	15.90	8.46
Russell Mid Cap	-1.66	15.82	23.78	17.18	10.33
Russell 2000	-7.36	3.93	21.26	14.28	8.19
Russell Micro Cap	-8.21	2.79	22.77	13.60	6.36

## International Equity Market Indices

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
MSCI EAFE	-5.87	4.26	13.65	6.56	6.32
MSCI ACWI x-US	-5.20	5.22	12.26	6.48	7.53
MSCI Emerging Markets	-3.36	4.66	7.55	4.75	11.03

## Global Fixed Income Indices

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Barclays U.S. Aggregate	0.17	3.96	2.43	4.12	4.62
Barclays Corporate H-Y	-1.87	7.20	11.09	10.57	8.33
Barclays Global Agg x-US	-5.38	-0.81	0.14	1.68	4.16

## Other Indices

	<u>Quarter</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
NAREIT - Composite	-2.63	13.44	17.02	15.75	7.71
NCREIF Property Index	2.63	11.26	11.08	10.99	8.55
ML Convertible Bond	-1.66	14.18	17.29	12.66	7.62
Broad Consumer Price	-0.13	1.66	1.61	1.96	2.28
U.S. 91 Day Treasury Bill	0.01	0.05	0.07	0.10	1.59
HFRI FoF Composite	0.26	5.93	5.10	3.36	3.40

# CONCLUSIONS AND RECOMMENDATIONS

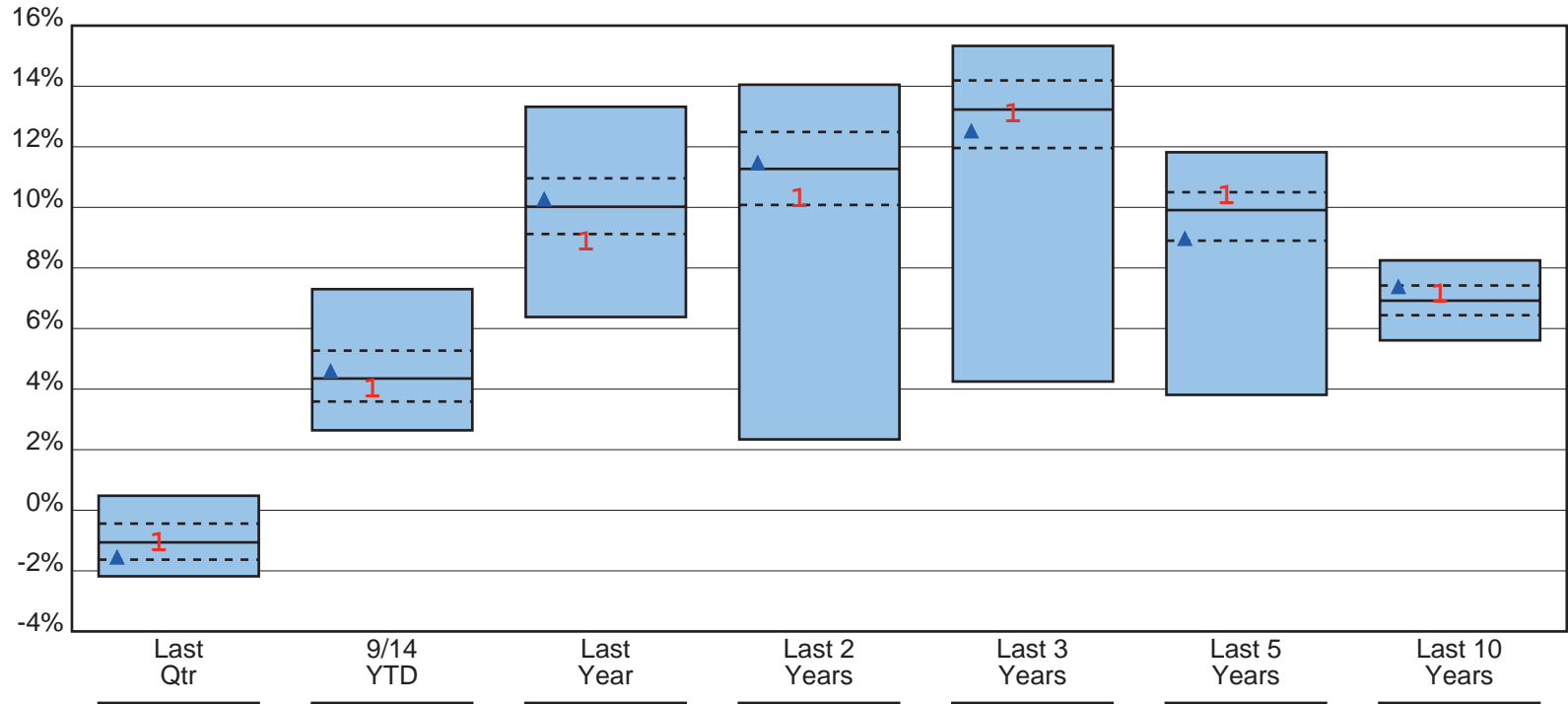
## Investment Performance Evaluation, Third Quarter 2014

1. Total Fund return of -1.57% slightly trailed the Policy Index primarily due to underperformance from Morgan Dempsey, WHV, and both fixed income managers.
2. Overall, Total Fund results were negative due to the sell-off among small- and mid-cap U.S. stocks combined with negative returns for international equity investors.
3. Long-term results (10 years) remain ahead of objectives, and continue to rank favorably among U.S. public employee retirement plans.
4. In the third quarter of probation (1/01/2014 - 12/31/2014), Orleans Capital lagged their benchmark by 3.43%. Orleans Capital lags their benchmark by 4.72% for the trailing three quarters.
5. Both Loomis Sayles (LCV equity) and Bradford & Marzec (fixed income) are on administrative probation due to loss of key personnel.
6. On 10/07/2013, a \$961,082.11 capital call for the JCR Capital Fund #3 was met from the Cash Account.
7. We did not detect any violations of investment policy or guidelines.
8. As of 11/05/2014, asset allocations are close to new policy targets.

## FUNDamental Facts

1. On August 25th the S&P 500 surpassed 2,000 for the first time, 16 years after reaching 1,000 for the first time. It took slightly less than 3 years for the index to go from 500 to 1,000.
2. There was \$37 billion raised in the U.S. IPO market in the third quarter, the most for any quarter since 1999.
3. Alibaba Group Holding's record-breaking IPO of \$22 billion was larger than all other IPOs in the quarter combined. This was the largest IPO in history, \$5 billion larger than the previous best, Visa (March 2008).
4. The U.S. government fiscal year ended September 30th with the federal government owing \$12.784 trillion to the public, approximately half to foreign governments. Total federal debt which includes money owed to other government accounts such as Social Security was \$17.823 trillion.
5. The government's full fiscal year deficit fell by 29% to \$483 billion from \$680 billion last year. This is the lowest deficit since 2008.

# Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of Total Fund Public Sponsors Periods Ending 9/14



Policy Index  
(effective 2Q14)

U.S. Equity	34%
Non-U.S. Equity	17%
U.S. Fixed Income	25%
Alternative Investments	10%
Real Estate	14%
Cash Equivalents	0%

5th Percentile  
25th Percentile  
Median  
75th Percentile  
95th Percentile

	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years
5th Percentile	0.48	7.30	13.32	14.05	15.33	11.82	8.25
25th Percentile	-0.44	5.27	10.96	12.49	14.19	10.50	7.42
Median	-1.06	4.35	10.02	11.27	13.23	9.91	6.92
75th Percentile	-1.63	3.59	9.12	10.08	11.96	8.90	6.44
95th Percentile	-2.18	2.64	6.38	2.34	4.25	3.81	5.61
▲ Total Fund	-1.57 (72)	4.57 (46)	10.25 (44)	11.45 (47)	12.50 (66)	8.95 (74)	7.36 (28)
1 Policy Index	-1.13 (56)	3.96 (63)	8.80 (78)	10.23 (71)	13.04 (56)	10.32 (30)	7.08 (40)

### Quarterly Variance Analysis:

Total Fund results slightly trailed the Policy Index due to underperformance from Morgan Dempsey, WHV, Bradford & Marzec, and the Loomis Sayles Full Discretion Fund.

Overall, Total Fund results were negative due to the sell-off among small- and mid-cap U.S. stocks combined with negative returns for international equity investors.

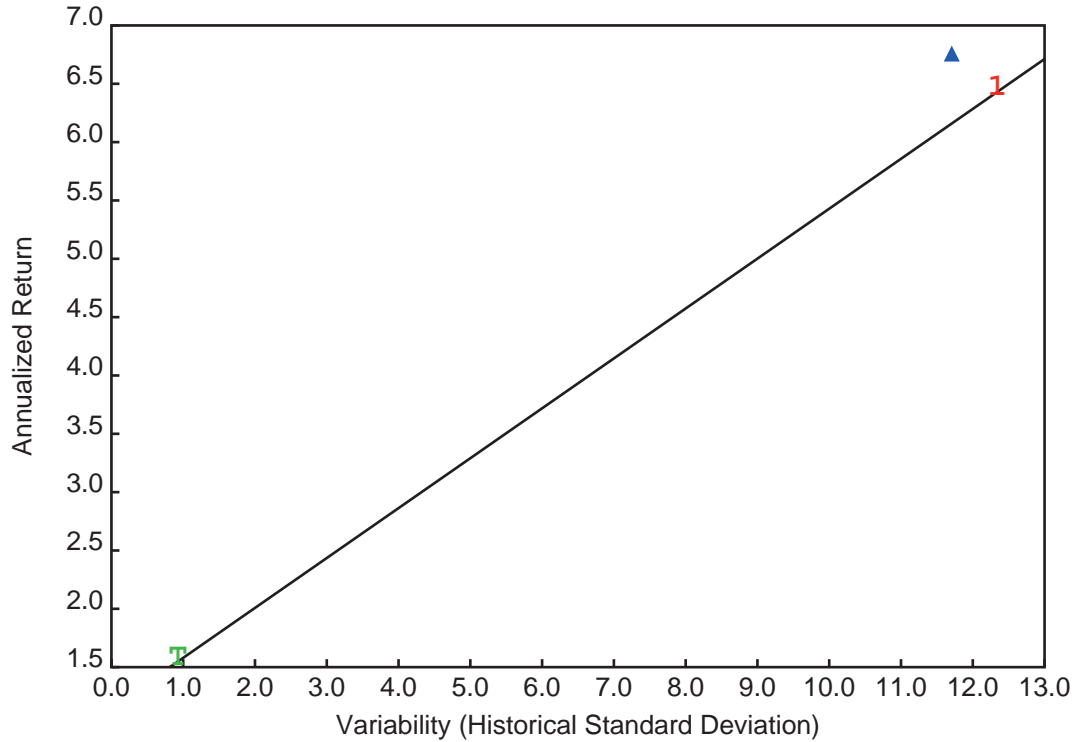
(Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

Returns for periods greater than one year are annualized.

## Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 12/04 to 9/14

Total Fund Annual Return: +6.75  
 Less: Annual Fee            -0.54  
 -----  
                                       +6.21

(Note: Annual Fee is an estimate that reflects only the custodial fees and the investment manager fees which are based upon their current target allocations. Does not include actuary, or other Plan-related fees)



	Annualized Return	Variability	Reward	Sharpe Ratio
▲ Total Fund	6.75	11.80	5.17	0.44
1 Policy Index	6.46	12.41	4.88	0.39
T 91-Day Treasury Bill	1.58	1.00	0.00	0.00

Longer-term Fund Performance vs. Objectives:  
 Total Fund results exceed expectations over the past 9.75 years.

Sharpe Ratio = Reward / Variability

Southfield Fire & Police Retirement System  
 Asset Allocation vs Target & Policy  
 Total Fund  
 As of 9/30/14

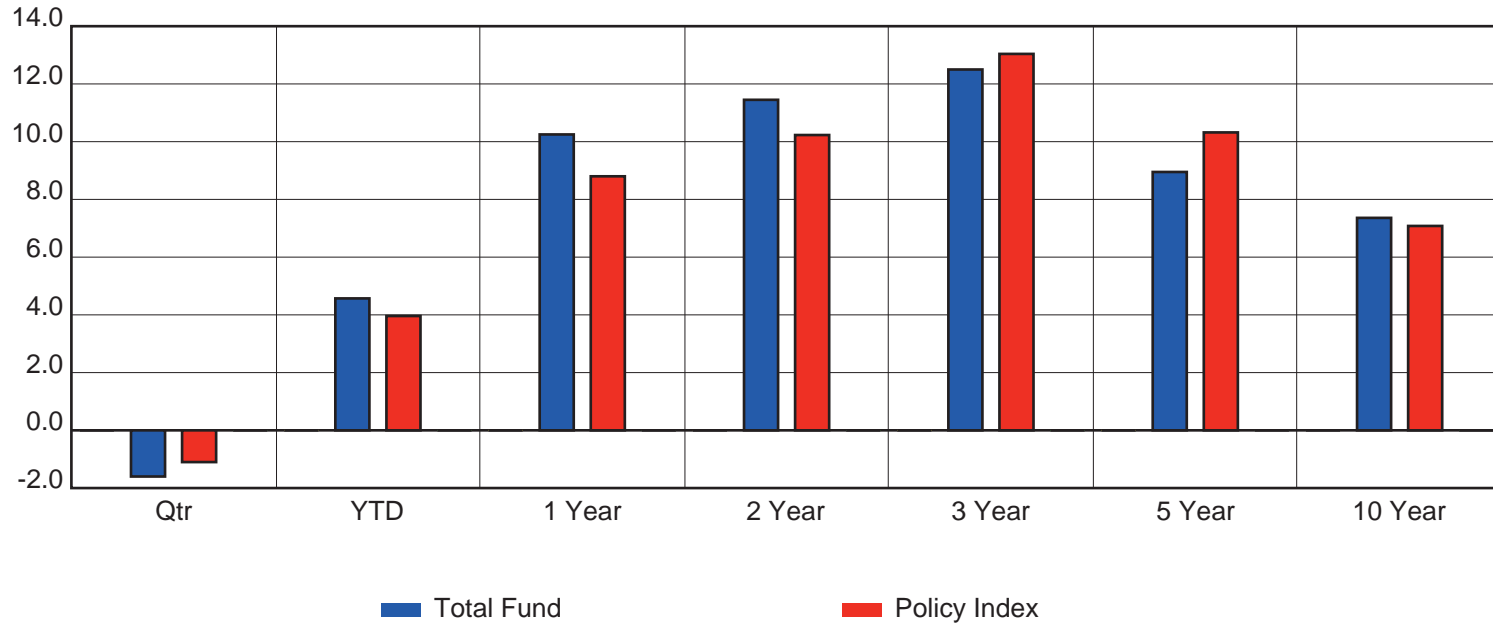
Manager	Market Value	Actual %	Target %	Policy %	Policy Range %
Loomis Sayles LC Value	16,640,394.34	8.41	8.00		
Orleans Capital Mgmt - Energy Opport	4,340,746.58	2.19	2.00		
NTGI S&P Midcap 400 - Lending	17,078,276.72	8.63	9.00		
LSIA Dividend Aristocrats	22,188,991.58	11.21	10.00		
Morgan Dempsey	9,378,994.61	4.74	5.00		
<b>Total Domestic Equity</b>	<b>69,627,403.83</b>	<b>35.18</b>	<b>34.00</b>	<b>34.00</b>	<b>30.00 - 70.00</b>
1607 Capital Partners	13,833,248.58	6.99	7.00		
WHV Investment Mgmt	9,672,394.88	4.89	5.00		
Brandes Emerging Mkts	6,175,766.00	3.12	3.00		
<b>Total International Equity</b>	<b>29,681,409.46</b>	<b>15.00</b>	<b>15.00</b>	<b>17.00</b>	<b>10.00 - 20.00</b>
Avignon - Mortgage Loan	3,420,000.00	1.73	0.00		
Loomis Sayles Full Discretion	26,336,714.30	13.31	12.50		
Bradford & Marzec	26,443,068.87	13.36	12.50		
<b>Total Domestic Fixed Income</b>	<b>56,199,783.17</b>	<b>28.39</b>	<b>25.00</b>	<b>25.00</b>	<b>20.00 - 50.00</b>
Cash Reserve Acct	1,327,954.12	0.67	0.00		
<b>Total Short Term</b>	<b>1,327,954.12</b>	<b>0.67</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00 - 1.00</b>
PRISA I	5,882,066.94	2.97	2.67		
PRISA II	4,019,108.60	2.03	2.67		
PRISA III	1,052,718.32	0.53	2.67		
Invesco International REIT	3,911,731.61	1.98	2.00		
JCR Capital Fund 2	3,795,405.47	1.92	3.00		
JCR Capital Fund 3	2,223,975.53	1.12	3.00		
<b>Total Real Estate</b>	<b>20,885,006.47</b>	<b>10.55</b>	<b>16.00</b>	<b>14.00</b>	<b>0.00 - 20.00</b>

Southfield Fire & Police Retirement System  
 Asset Allocation vs Target & Policy  
 Total Fund  
 As of 9/30/14

Manager	Market Value	Actual %	Target %	Policy %	Policy Range %
Nantucket Institutional	20,200,470.23	10.21	10.00		
<b>Total Hedge Fund</b>	<b>20,200,470.23</b>	<b>10.21</b>	<b>10.00</b>	<b>10.00</b>	<b>0.00 - 20.00</b>
<b>Total Fund</b>	<b>197,922,027.28</b>	<b>100.00</b>	<b>100.00</b>		



## Southfield Fire & Police Retirement System Performance Bar Chart Total Fund Periods Ending 9/30/14



	Qtr	YTD	1 Year	2 Year	3 Year	5 Year	10 Year
Total Return	-1.57	4.57	10.25	11.45	12.50	8.95	7.36
Policy Index	-1.13	3.96	8.80	10.23	13.04	10.32	7.08
Asset Growth (\$000)							
Beginning Market Value	203,273	196,215	188,240	176,511	167,850	186,432	194,597
Net Contributions & Withdrawals	-2,086	-7,089	-9,255	-18,860	-31,597	-61,837	-123,438
Gain/Loss + Income	-3,265	8,796	18,937	40,271	61,669	73,327	126,762
Ending Market Value	197,922	197,922	197,922	197,922	197,922	197,922	197,922

### Commission Recapture Program

<u>Broker</u>	<u>2002 thru 2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	Y-t-D <u>2014</u>	Current Quarter: <u>3Q2014</u>
Bank of New York *	\$83,102	\$9,820	\$9,338	\$6,458	\$5,200	\$2,796	\$2,050	\$410
Income to Fund	\$83,102	\$9,820	\$9,338	\$6,458	\$5,200	\$2,796	\$2,050	\$410

\* (formerly L, J&R)

\* Participants may include: Loomis Sayles, Fiduciary, WHV, and 1607 Capital

### Securities Lending Program (Northern Trust)

	<u>2002 thru 2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	Y-t-D <u>2014</u>	Current Quarter: <u>3Q2014</u>
Gross Income	\$391,093	\$69,727	\$62,080	\$97,838	\$98,488	\$110,349	\$91,169	\$30,216
Less: Program Fees	\$161,404	\$23,496	\$24,795	\$39,093	\$39,342	\$44,072	\$36,396	\$12,060
Income To Fund	\$229,689	\$46,231	\$37,285	\$58,745	\$59,146	\$66,277	\$54,773	\$18,156

## Southfield Fire & Police Retirement System Performance Summary Table Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs	Incept Date	Incept Ret
<b>LSIA Dividend Aristocrats</b>									
Total Return	1.17	6.48	16.55	19.60				6/30/12	20.20
S&P 500 Dividends Aristocrats	1.09	6.51	16.44	19.93				6/30/12	20.51
Variance	0.08	-0.03	0.11	-0.33				6/30/12	-0.31
Rank	22	82	86	52					
<b>Loomis Sayles LC Value</b>									
Total Return	0.21	7.30	19.35	22.54	25.49	14.83	10.03	6/30/95	9.86
Russell 1000 Value	-0.19	8.07	18.88	20.60	23.94	15.26	7.84	6/30/95	10.07
Variance	0.40	-0.77	0.46	1.95	1.56	-0.43	2.20	6/30/95	-0.21
Rank	28	51	23	25	24	67	15		
<b>NTGI S&amp;P Midcap 400 - Lending</b>									
Total Return	-3.98	2.97	11.75	18.56	21.85	16.16		6/30/09	19.42
S&P MidCap 400	-3.98	3.21	11.82	19.49	22.43	16.37		6/30/09	19.61
Variance	0.01	-0.24	-0.07	-0.93	-0.58	-0.21		6/30/09	-0.19
Rank	61	49	57	81	84	56			
<b>Morgan Dempsey</b>									
Total Return	-10.04							3/31/14	-8.62
40/60 R-2000-V / Russ-Micro	-8.36							3/31/14	-8.26
Variance	-1.68							3/31/14	-0.36
Rank	95								98

## Southfield Fire & Police Retirement System Performance Summary Table Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs	Incept Date	Incept Ret
<b>Orleans Capital Mgmt - Energy Opport</b>									
Total Return	-12.05	-1.49	1.02	10.66	12.98	9.90		9/30/08	15.84
S&P 500 Energy Index	-8.62	3.24	11.40	11.67	16.37	12.03		9/30/08	7.25
Variance	-3.43	-4.72	-10.38	-1.01	-3.39	-2.13		9/30/08	8.59
Rank	100	81	98	99	99	99			2
<b>1607 Capital Partners</b>									
Total Return	-4.48	2.00	7.29	12.53	13.64	9.99		6/30/06	6.98
MSCI ACWI x-US	-5.20	0.39	5.22	10.90	12.26	6.48		6/30/06	4.07
Variance	0.71	1.61	2.07	1.63	1.38	3.51		6/30/06	2.91
Rank	48	38	34	50	58	30			
<b>WHV Investment Mgmt</b>									
Total Return	-6.49	2.70	9.54	10.85	14.45	8.45		6/30/06	7.21
MSCI ACWI x-US	-5.20	0.39	5.22	10.90	12.26	6.48		6/30/06	4.07
Variance	-1.30	2.31	4.31	-0.05	2.19	1.97		6/30/06	3.14
Rank	82	31	21	63	46	49			
<b>Brandes Emerging Mkts</b>									
Total Return	-3.10							6/30/14	-3.10
MSCI Emerging Markets	-3.36							6/30/14	-3.36
Variance	0.26							6/30/14	0.26
Rank	43								43

## Southfield Fire & Police Retirement System Performance Summary Table Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs	Incept Date	Incept Ret
<b>Invesco International REIT</b>									
Total Return	-4.77	1.85	1.68	9.09	16.09	8.21		9/30/08	11.75
FTSE EPRA/NAREIT Global x-US	-5.61	1.44	1.12	8.09	14.72	8.34		9/30/08	7.68
Variance	0.85	0.40	0.57	1.00	1.37	-0.13		9/30/08	4.07
Rank	93	88	90	66	19	69			1
<b>Bradford &amp; Marzec</b>									
Total Return	-0.28	4.21	4.83					9/30/13	4.83
Barclays Intm Aggregate	0.03	2.88	2.74					9/30/13	2.74
Variance	-0.31	1.33	2.09					9/30/13	2.09
Rank	93	29	17						17
<b>Loomis Sayles Full Discretion</b>									
Total Return	-0.61	5.58	7.79					9/30/13	7.79
Barclays U.S. Aggregate	0.17	4.10	3.96					9/30/13	3.96
Variance	-0.77	1.48	3.83					9/30/13	3.83
Rank	92	10	2						2
<b>Avignon - Mortgage Loan</b>									
Total Return	0.00	0.00	0.00	0.00	-16.90	-7.59		9/30/07	-3.43
Citi 2yr Treasury +4%/yr	1.10	3.53	4.63	4.45	4.41	4.98			
Variance	-1.10	-3.53	-4.63	-4.45	-21.31	-12.58			
Rank	70	97	99	97	100	100			100

## Southfield Fire & Police Retirement System Performance Summary Table Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs	Incept Date	Incept Ret
<b>Nantucket Institutional</b>									
Total Return	0.83	6.80	11.10	11.52	10.69	8.36		6/30/08	5.03
HFRI Diversified FoF Index	0.38	2.38	6.42	6.38	5.16	3.55		6/30/08	0.90
Variance	0.46	4.41	4.68	5.14	5.53	4.81		6/30/08	4.13
Rank	32	10	9	4	13	4			
<b>PRISA Real Estate Composite</b>									
Total Return	3.47	9.93	14.37	13.44	13.04	13.80	6.55	6/30/93	7.53
NFI-ODCE	3.24	8.94	12.40	12.72	12.35	12.40	7.08	6/30/93	7.88
Variance	0.23	0.98	1.97	0.73	0.69	1.40	-0.53	6/30/93	-0.35
Rank	27	34	17	18	42	19	58		
<b>PRISA I</b>									
Total Return	3.17	9.17	13.12	12.96	12.35	13.51		12/31/05	5.08
NFI-ODCE	3.24	8.94	12.40	12.72	12.35	12.40		12/31/05	5.34
Variance	-0.07	0.23	0.73	0.24	0.01	1.11		12/31/05	-0.26
Rank	36	45	34	23	47	23			
<b>PRISA II</b>									
Total Return	3.41	10.55	15.82	14.25	14.51	15.41		12/31/05	4.08
NFI-ODCE	3.24	8.94	12.40	12.72	12.35	12.40		12/31/05	5.34
Variance	0.17	1.61	3.43	1.53	2.16	3.01		12/31/05	-1.26
Rank	28	32	10	15	32	14			

## Southfield Fire & Police Retirement System Performance Summary Table Periods Ending 9/30/14

Manager	1 Qtr	YTD	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs	Incept Date	Incept Ret
<b>PRISA III</b>									
Total Return	5.35	11.75	15.39					3/31/13	15.83
NFI-ODCE	3.24	8.94	12.40					3/31/13	13.48
Variance	2.11	2.80	2.99					3/31/13	2.35
Rank	12	28	12						
<b>Total Fund</b>									
Total Return	-1.57	4.57	10.25	11.45	12.50	8.95	7.36	12/31/88	7.79
Policy Index	-1.13	3.96	8.80	10.23	13.04	10.32	7.08	12/31/88	8.72
Variance	-0.44	0.61	1.45	1.22	-0.53	-1.37	0.28	12/31/88	-0.93
Rank	72	46	44	47	66	74	28		

## Southfield Fire & Police Retirement System Risk Statistic Summary Quarterly 3 Year Ending 9/30/14

Manager	Return	Standard Deviation	Tracking Error	R-Squared	Historical Beta	Historical Alpha	Information Ratio	Sharpe Ratio
<b>LSIA Dividend Aristocrats</b>	NA	NA	NA	NA	NA	NA	NA	NA
S&P 500 Dividends Aristocrats	NA	NA						
<b>Loomis Sayles LC Value</b>	25.49	10.91	2.02	0.97	1.07	-0.03	0.69	2.33
Russell 1000 Value	23.94	10.06						
<b>NTGI S&amp;P Midcap 400 - Lending</b>	21.85	12.60	0.98	0.99	1.01	-0.16	-0.50	1.73
S&P MidCap 400	22.43	12.44						
<b>Morgan Dempsey</b>	NA	NA	NA	NA	NA	NA	NA	NA
40/60 R-2000-V / Russ-Micro	NA	NA						
<b>Orleans Capital Mgmt - Energy Opport</b>	12.98	19.13	7.12	0.87	1.12	-1.12	-0.38	0.67
S&P 500 Energy Index	16.37	15.86						
<b>1607 Capital Partners</b>	13.64	12.30	2.09	0.97	1.04	0.20	0.62	1.10
MSCI ACWI x-US	12.26	11.66						
<b>WHV Investment Mgmt</b>	14.45	12.39	5.10	0.84	0.97	0.60	0.39	1.16
MSCI ACWI x-US	12.26	11.66						
<b>Brandes Emerging Mkts</b>	NA	NA	NA	NA	NA	NA	NA	NA
MSCI Emerging Markets	NA	NA						
<b>Invesco International REIT</b>	16.09	13.07	1.70	0.98	1.00	0.29	0.73	1.22
FTSE EPRA/NAREIT Global x-US	14.72	12.94						



## Southfield Fire & Police Retirement System Risk Statistic Summary Quarterly 3 Year Ending 9/30/14

Manager	Return	Standard Deviation	Tracking Error	R-Squared	Historical Beta	Historical Alpha	Information Ratio	Sharpe Ratio
<b>Bradford &amp; Marzec</b>	NA	NA	NA	NA	NA	NA	NA	NA
Barclays Intm Aggregate	NA	NA						
<b>Loomis Sayles Full Discretion</b>	NA	NA	NA	NA	NA	NA	NA	NA
Barclays U.S. Aggregate	NA	NA						
<b>Avignon - Mortgage Loan</b>	<b>-16.90</b>	24.86	24.93	0.07	<b>-28.56</b>	<b>-1.14</b>	<b>-0.69</b>	<b>-0.68</b>
Citi 2yr Treasury +4%/yr	4.41	0.22						
<b>Nantucket Institutional</b>	10.69	3.07	1.36	0.80	0.89	1.44	3.91	3.46
HFRI Diversified FoF Index	5.16	3.38						
<b>PRISA Real Estate Composite</b>	13.04	1.29	0.91	0.84	1.06	<b>-0.01</b>	0.70	10.02
NFI-ODCE	12.35	0.88						
<b>PRISA I</b>	12.35	1.30	0.95	0.81	1.01	<b>-0.02</b>	0.01	9.42
NFI-ODCE	12.35	0.88						
<b>PRISA II</b>	14.51	1.54	1.42	0.69	1.08	0.25	1.39	9.35
NFI-ODCE	12.35	0.88						
<b>PRISA III</b>	NA	NA	NA	NA	NA	NA	NA	NA
NFI-ODCE	NA	NA						
<b>Total Fund</b>	12.50	6.61	1.47	0.95	1.02	<b>-0.16</b>	<b>-0.32</b>	1.88
Policy Index	13.04	6.32						

# Southfield Fire & Police Retirement System

## Large Neutral Cumulative Performance Comparisons

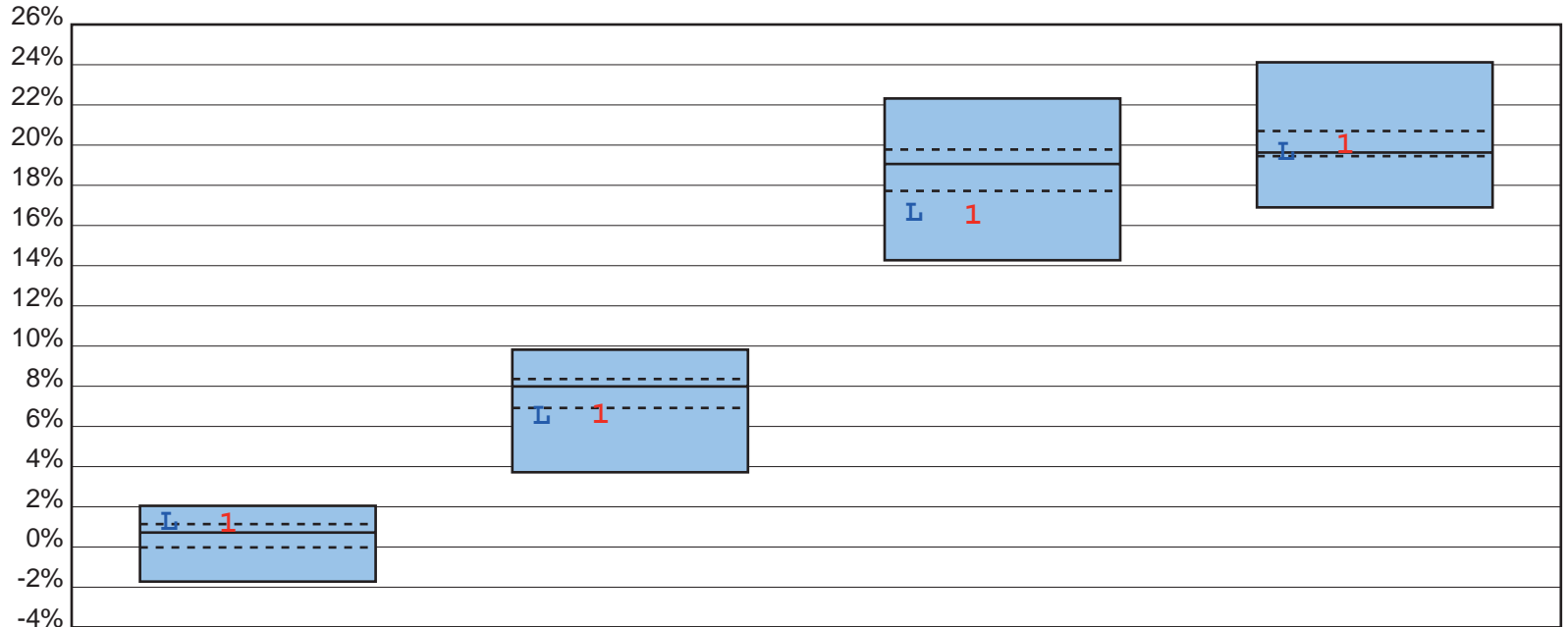
### Total Returns of Equity Portfolios

#### Periods Ending 9/14

Manager Biography:  
Hired in April 2012 with  
funding of \$14 million.

Fee schedule:  
First \$10mm 10 bps  
Next \$40mm 8 bps  
Next \$50mm 6 bps

Current Fee: 9 bps



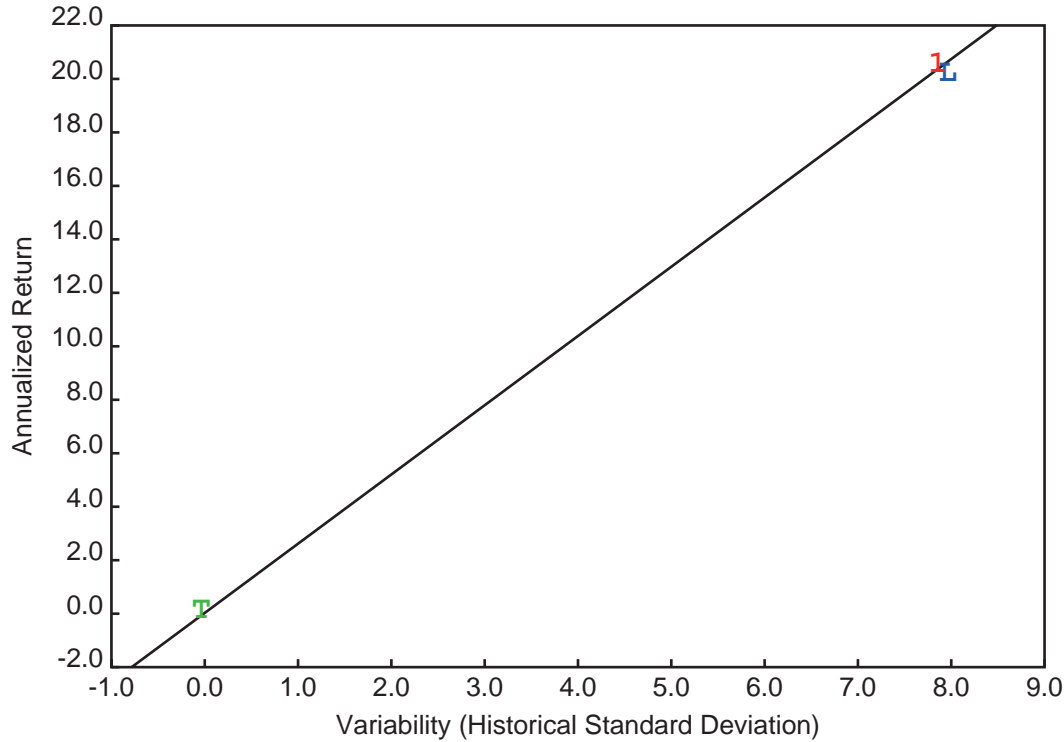
	Last Qtr	9/14 YTD	Last Year	Last 2 Years
5th Percentile	2.05	9.82	22.32	24.12
25th Percentile	1.14	8.36	19.78	20.70
Median	0.72	7.99	19.06	19.63
75th Percentile	-0.02	6.92	17.72	19.45
95th Percentile	-1.72	3.72	14.27	16.90
<b>L</b> LSIA Dividend Aristocrats	1.17 (22)	6.48 (82)	16.55 (86)	19.60 (52)
<b>1</b> S&P 500 Dividends Aristocrats	1.09 (42)	6.51 (82)	16.44 (87)	19.93 (41)

Quarterly Variance Analysis:  
Performance was in-line with the index.  
This index normally contains about 50 stocks.  
  
(Note: numbers in parentheses reflect actual peer group rankings. 1 = high; 99 = low)

Returns for periods greater than one year are annualized.

# Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 6/12 to 9/14

Manager Annual Return: +20.20  
 Less: Annual Fee -0.09  
 -----  
 +20.11  
  
 Less: Benchmark Return -20.51  
 -----  
 Net Value-added Result -0.40



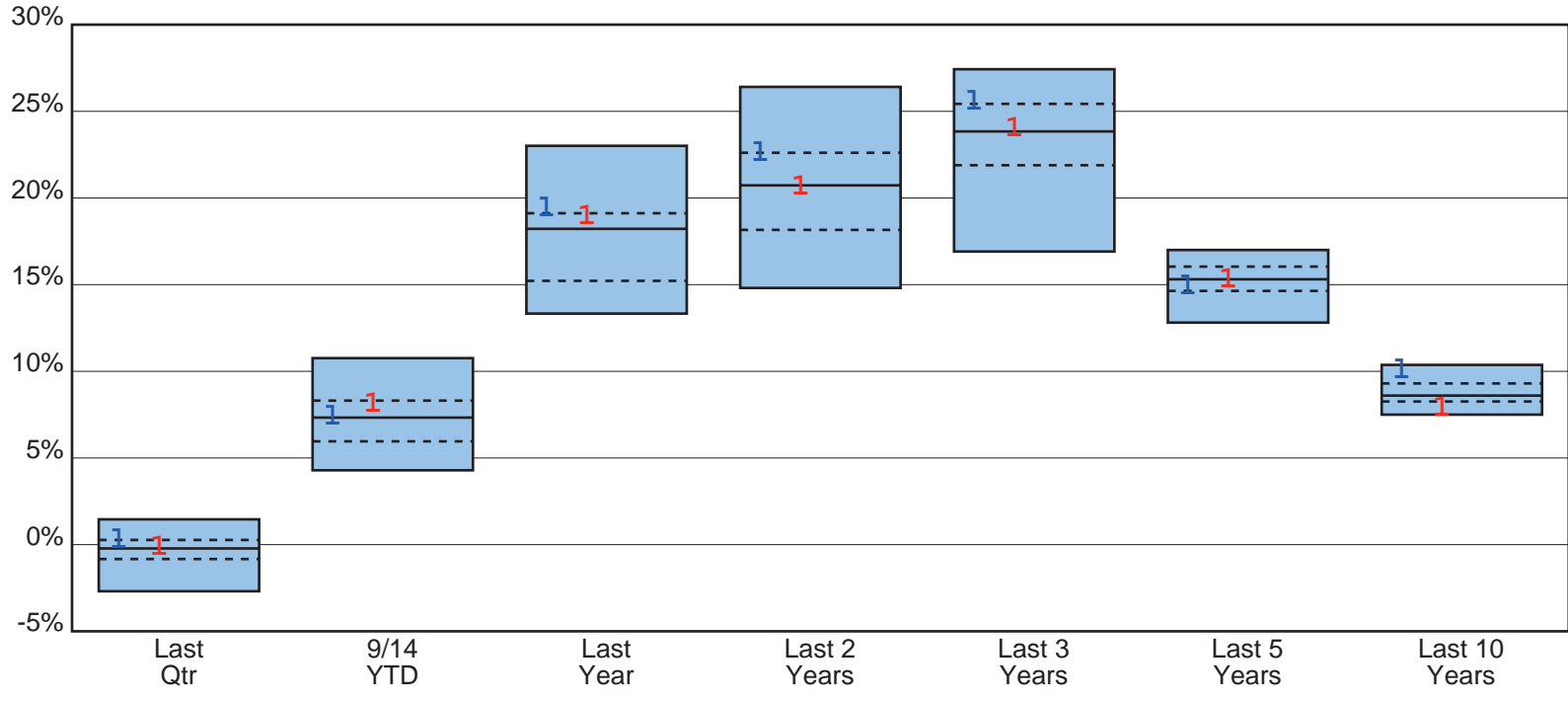
	Annualized Return	Variability	Reward	Sharpe Ratio
L LSIA Dividend Aristocrats	20.20	8.02	20.12	2.51
1 S&P 500 Dividends Aristocrats	20.51	7.91	20.43	2.58
T 91-Day Treasury Bill	0.08	0.02	0.00	0.00

Manager Performance vs. Objectives:  
 Index strategy meets expectations after 2.25 years.

Sharpe Ratio = Reward / Variability



# Southfield Fire & Police Retirement System Large Value Cumulative Performance Comparisons Total Returns of Equity Portfolios Periods Ending 9/14



**Manager Biography:**  
Loomis, Sayles hired in April 1995, with funding of \$12 mm. Added \$2.5mm in June 1998, and \$6.6mm in Dec. 1998. In Nov. 2000, \$18.3mm was transferred to NTGI Barra/S&P Value. In May 2002, \$15 mm was returned.

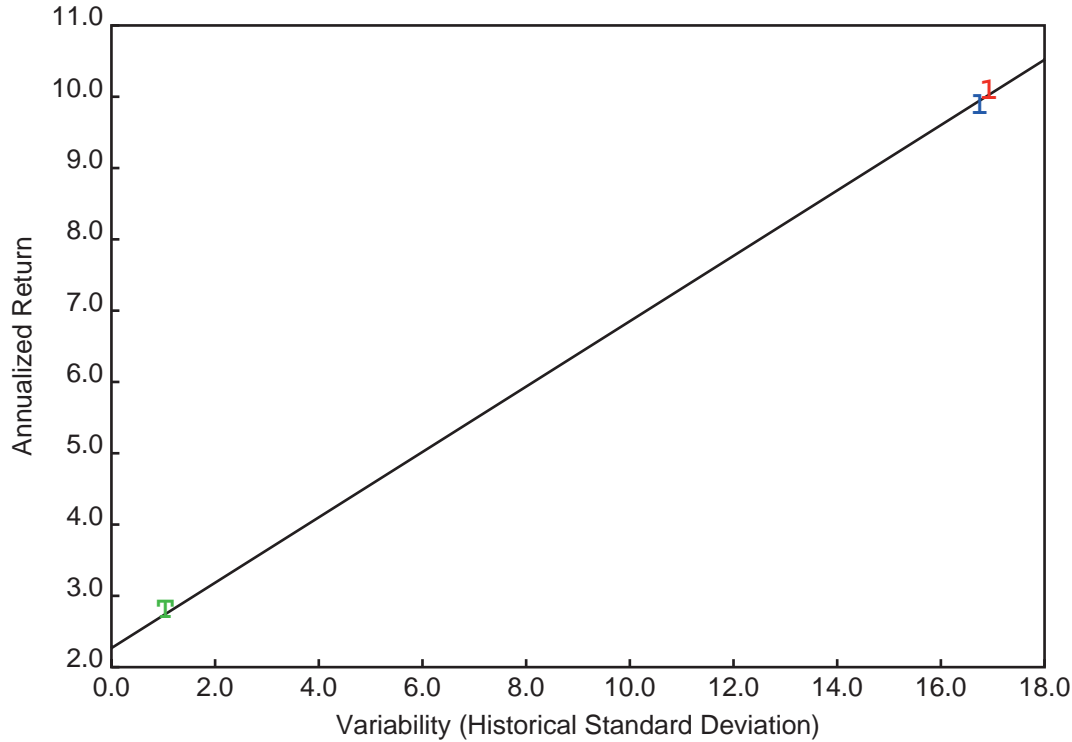
**Fee schedule:**  
First \$2 million 60bps  
Next \$20 million 50bps  
Next \$28 million 45bps  
Over \$50 million 40bps  
Minimum fee is \$10,000

	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years
5th Percentile	1.46	10.76	23.01	26.41	27.43	17.00	10.37
25th Percentile	0.27	8.31	19.12	22.61	25.43	16.04	9.30
Median	-0.22	7.33	18.22	20.73	23.84	15.31	8.60
75th Percentile	-0.83	5.96	15.22	18.16	21.89	14.64	8.26
95th Percentile	-2.69	4.29	13.33	14.81	16.91	12.81	7.50
<b>1</b> Loomis Sayles LC Value	0.21 (28)	7.30 (51)	19.35 (23)	22.54 (25)	25.49 (24)	14.83 (67)	10.03 (15)
<b>1</b> Russell 1000 Value	-0.19 (47)	8.07 (34)	18.88 (32)	20.60 (54)	23.94 (47)	15.26 (53)	7.84 (89)

**Quarterly Variance Analysis:**  
Outperformance is attributed to good stock selection in the Health Care and Materials sectors, as well as an underweight position in the poorly-performing Energy and Utilities sectors.  
Underperformance in 2Q12, 2Q11, and 3Q11, combined with poor results in 2010 are impacting 5-years results.  
(Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

# Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 6/95 to 9/14

Manager Annual Return: +9.86  
 Less: Annual Fee -0.50  
 -----  
 +9.36  
  
 Less: Benchmark Return -10.07  
 -----  
 Net Value-added Result -0.71



	Annualized Return	Variability	Reward	Sharpe Ratio
1 Loomis Sayles LC Value	9.86	16.85	7.07	0.42
1 Russell 1000 Value	10.07	17.02	7.28	0.43
T 91-Day Treasury Bill	2.79	1.14	0.00	0.00

**Manager Performance vs. Objectives:**  
 While portfolio manager trails expectations after 19.25 years, results for the past 10 years exceed expectations.

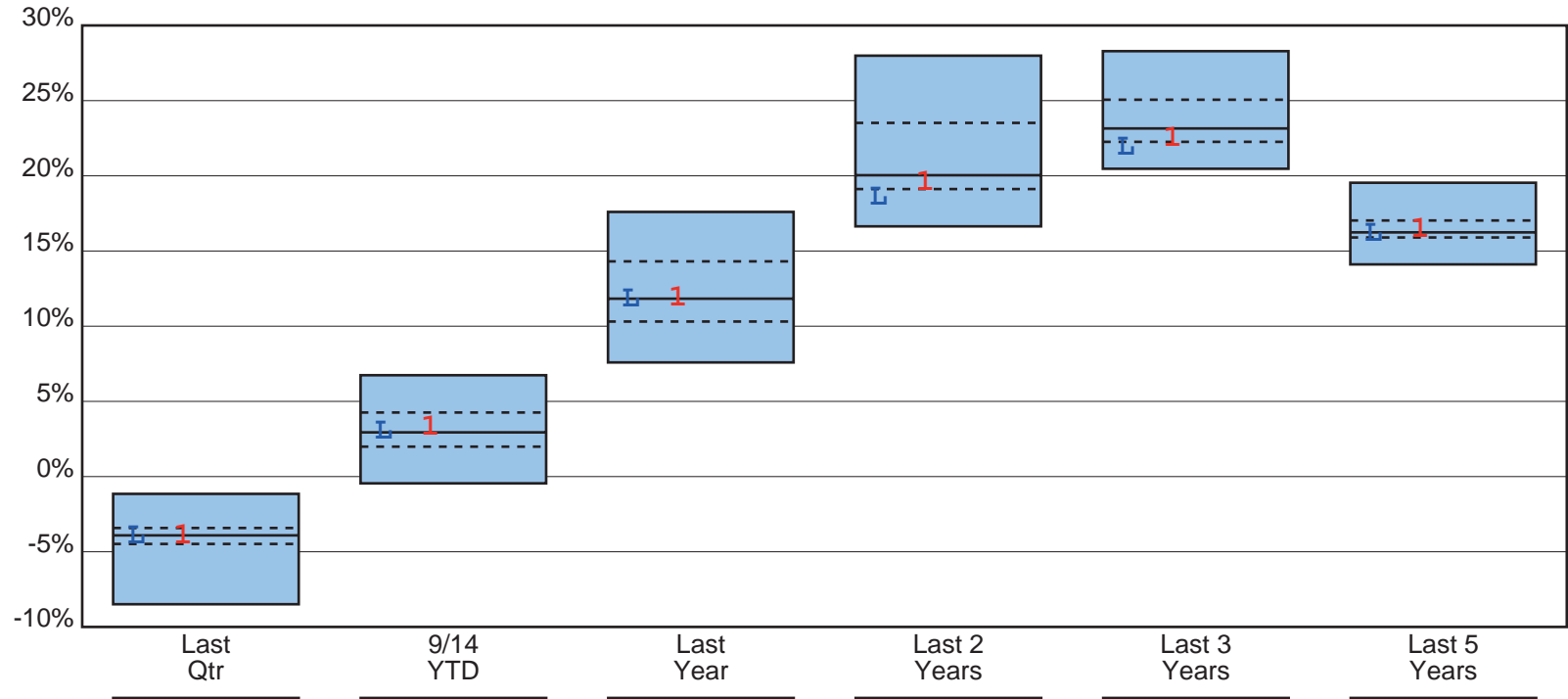
Sharpe Ratio = Reward / Variability

# Southfield Fire & Police Retirement System Midcap Neutral Cumulative Performance Comparisons Total Returns of Equity Portfolios Periods Ending 9/14

Manager Biography:  
Replaced the NTGI S&P  
Midcap 400 Enhanced Index  
on 4/09/2009.

The Enhanced Index fund  
was funded in October 2003  
with approximately \$19mm.

Fee schedule:  
First \$100 million 4bps  
Balance at 3bps



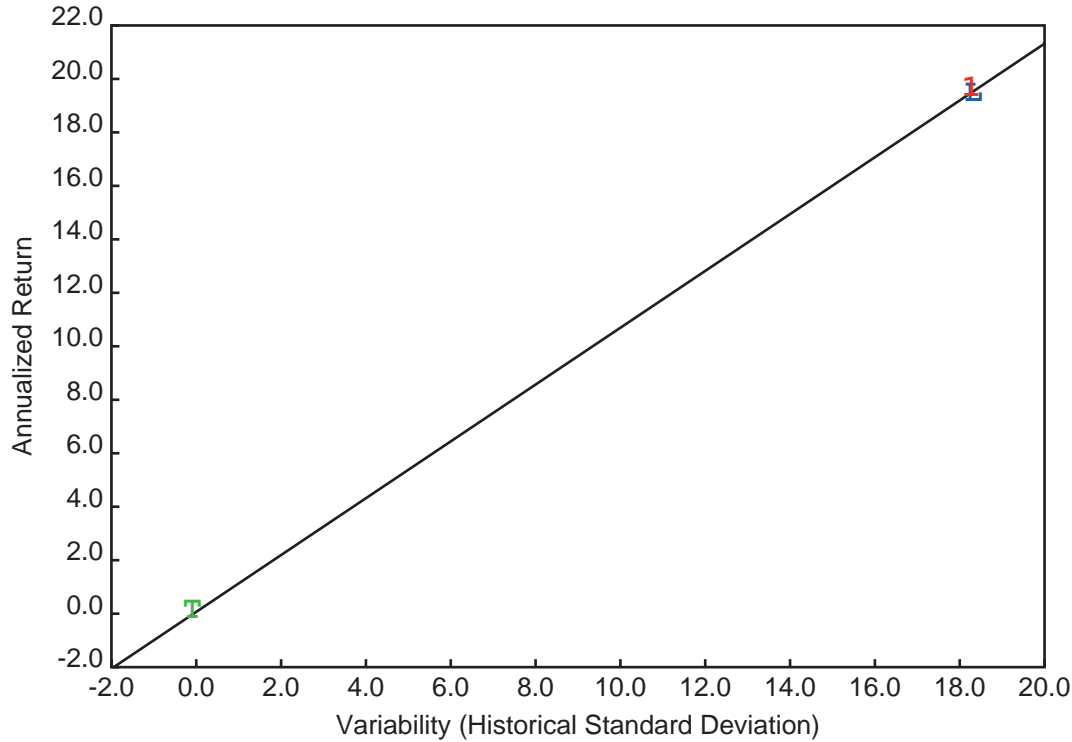
	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
5th Percentile	-1.15	6.74	17.60	27.99	28.29	19.54
25th Percentile	-3.42	4.26	14.31	23.52	25.06	17.03
Median	-3.91	2.94	11.83	20.04	23.15	16.24
75th Percentile	-4.48	1.99	10.31	19.12	22.26	15.90
95th Percentile	-8.49	-0.45	7.59	16.64	20.47	14.11
<b>L</b> NTGI S&P Midcap 400 - Lending	-3.98 (61)	2.97 (49)	11.75 (57)	18.56 (81)	21.85 (84)	16.16 (56)
<b>1</b> S&P MidCap 400	-3.98 (61)	3.21 (44)	11.82 (50)	19.49 (62)	22.43 (67)	16.37 (44)

This is a non-proprietary fund designed to approximate the risk and return of the S&P 400 Index. Any performance difference is generally the result of trading costs, and should be minimal. The fund and benchmark are rebalanced every December. The universe is comprised of equity managers classified as medium capitalization with yield and earnings characteristics tending to market-like levels. (Note: the numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

Returns for periods greater than one year are annualized.

## Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 6/09 to 9/14

Manager Annual Return: +19.42  
 Less: Annual Fee -0.04  
 -----  
 +19.38  
  
 Less: Benchmark Return -19.61  
 -----  
 Net Value-added Result -0.23



	Annualized Return	Variability	Reward	Sharpe Ratio
L NTGI S&P Midcap 400 - Lending	19.42	18.45	19.32	1.05
1 S&P MidCap 400	19.61	18.39	19.51	1.06
T 91-Day Treasury Bill	0.10	0.03	0.00	0.00

**Manager Performance vs. Objectives:**  
 This index fund strategy meets expectations after 5.25 years, excluding the 4Q12 variance due to rebalancing the total fund.

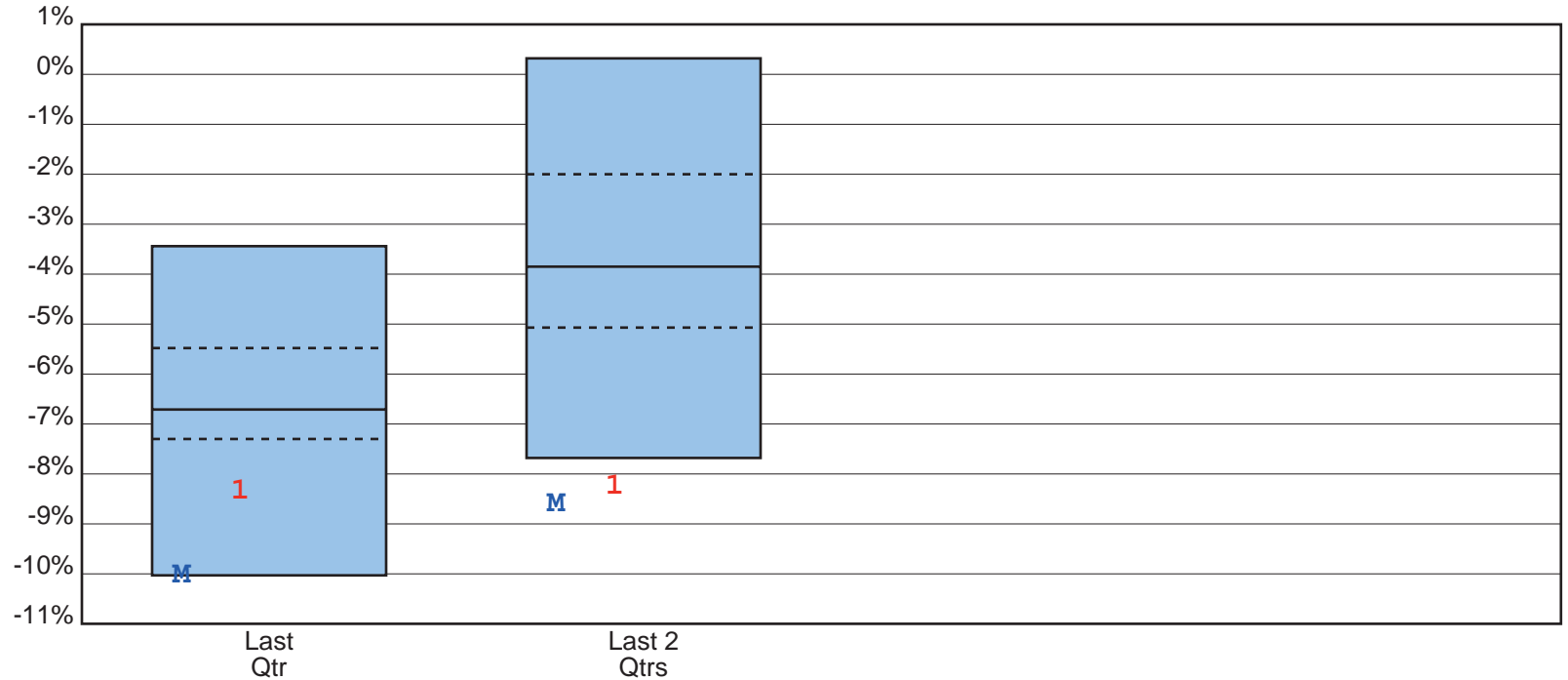
Sharpe Ratio = Reward / Variability

# Southfield Fire & Police Retirement System Small Neutral Cumulative Performance Comparisons Total Returns of Equity Portfolios Periods Ending 9/14

Manager Biography:  
Replaced Fiduciary Mgmt  
in March 2014 with funding  
of about \$10.8mm.

Fee schedule:  
First \$25 million 110 bps  
Next \$25 million 100 bps  
Next \$30 million 95 bps

Current Fee is 110 bps



	Last Qtr	Last 2 Qtrs
5th Percentile	-3.44	0.32
25th Percentile	-5.48	-2.00
Median	-6.71	-3.85
75th Percentile	-7.30	-5.07
95th Percentile	-10.03	-7.68

<b>M</b> Morgan Dempsey	-10.04 (95)	-8.62 (98)
<b>1</b> 40/60 R-2000-V / Russ-Micro	-8.36 (87)	-8.26 (96)

**Quarterly Variance Analysis:**  
Underperformance is primarily attributed to poor sector allocation decisions, particularly an overweight position in the poorly-performing Energy sector and an underweight position in the positively-performing Consumer Staples sector.  
(Note: the numbers in parentheses reflect actual peer group rankings. 1=high; 99 low; however, there is no micro-cap stock manager universe)

Returns for periods greater than one year are annualized.



# Southfield Fire & Police Retirement System

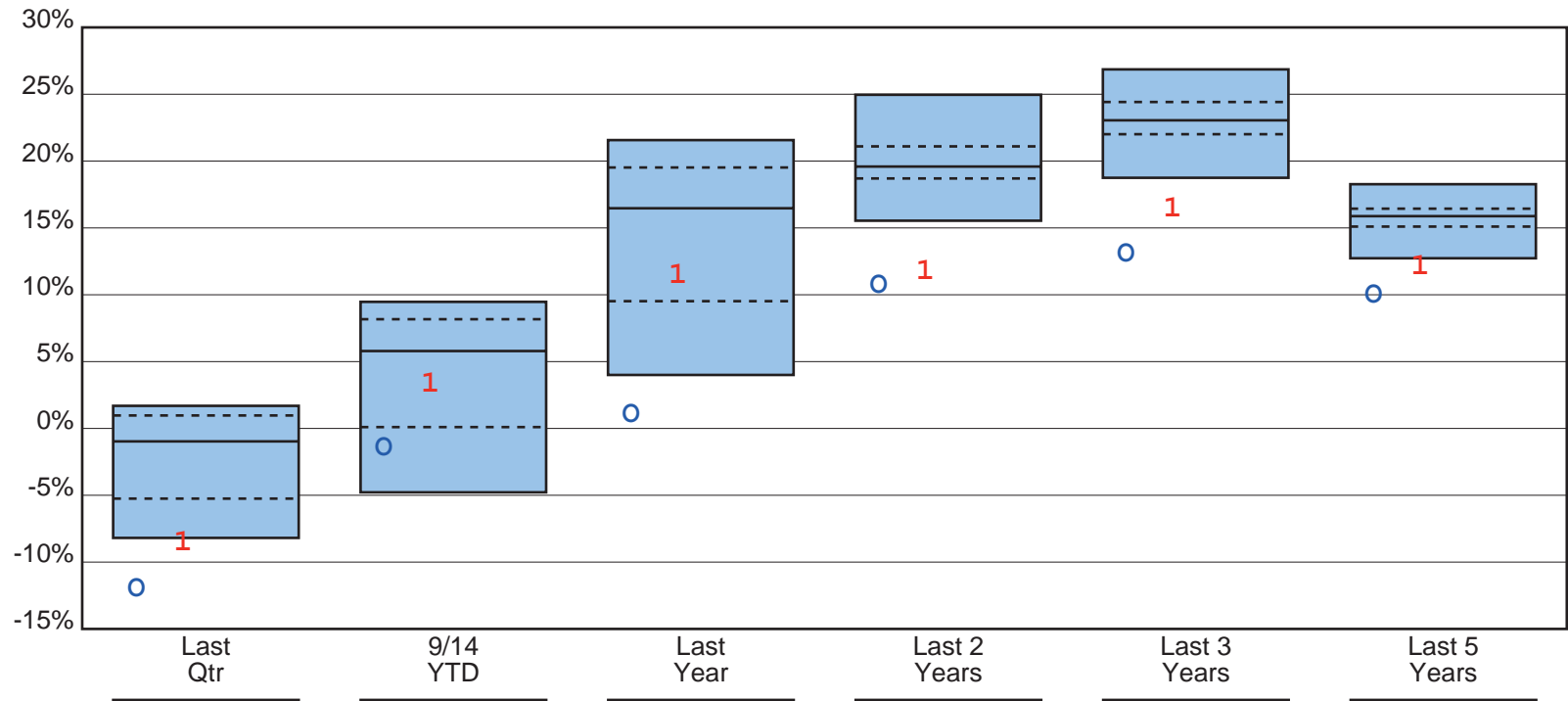
## All Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 9/14

Manager Biography:  
Orleans Capital funded with \$1mm on 10/1, 11/1, and 12/1/2008.

Fee schedule: 100 bps



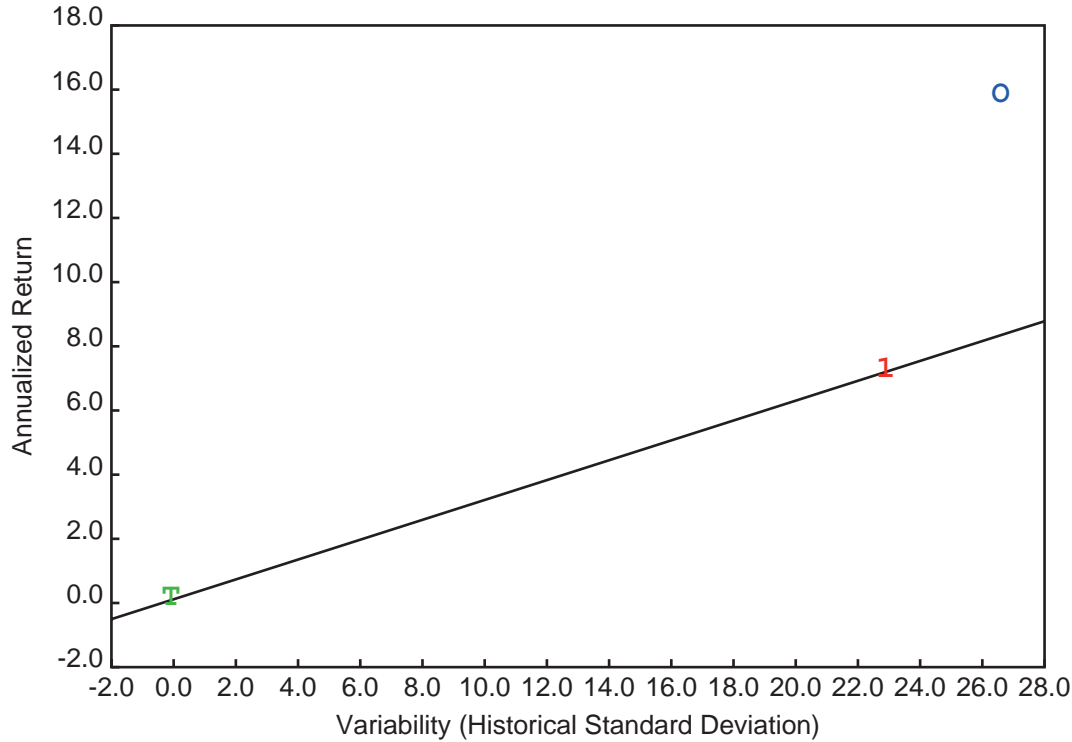
	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
5th Percentile	1.69	9.47	21.57	24.96	26.86	18.27
25th Percentile	0.97	8.17	19.52	21.10	24.42	16.44
Median	-0.97	5.79	16.47	19.59	23.05	15.88
75th Percentile	-5.25	0.10	9.52	18.70	22.01	15.10
95th Percentile	-8.19	-4.78	4.00	15.54	18.75	12.73

○ Orleans Capital Mgmt - Energy Opp	-12.05 (100)	-1.49 (81)	1.02 (98)	10.66 (99)	12.98 (99)	9.90 (99)
1 S&P 500 Energy Index	-8.62 (95)	3.24 (59)	11.40 (67)	11.67 (99)	16.37 (98)	12.03 (98)

**Quarterly Variance Analysis:**  
Underperformance is primarily attributed to the combination of poor stock selection and underweight exposure among Oil exploration and producers, as well as natural gas producers in North America. Schlumberger (-13.47%) and Baker Hughes (-12.40%) were leading detractors from results. (Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

## Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 9/08 to 9/14

Manager Annual Return: +15.84  
 Less: Annual Fee        -1.00  
 -----  
                              +14.84  
  
 Less: Benchmark Return   -7.25  
 -----  
 Net Value-added Result    +7.59

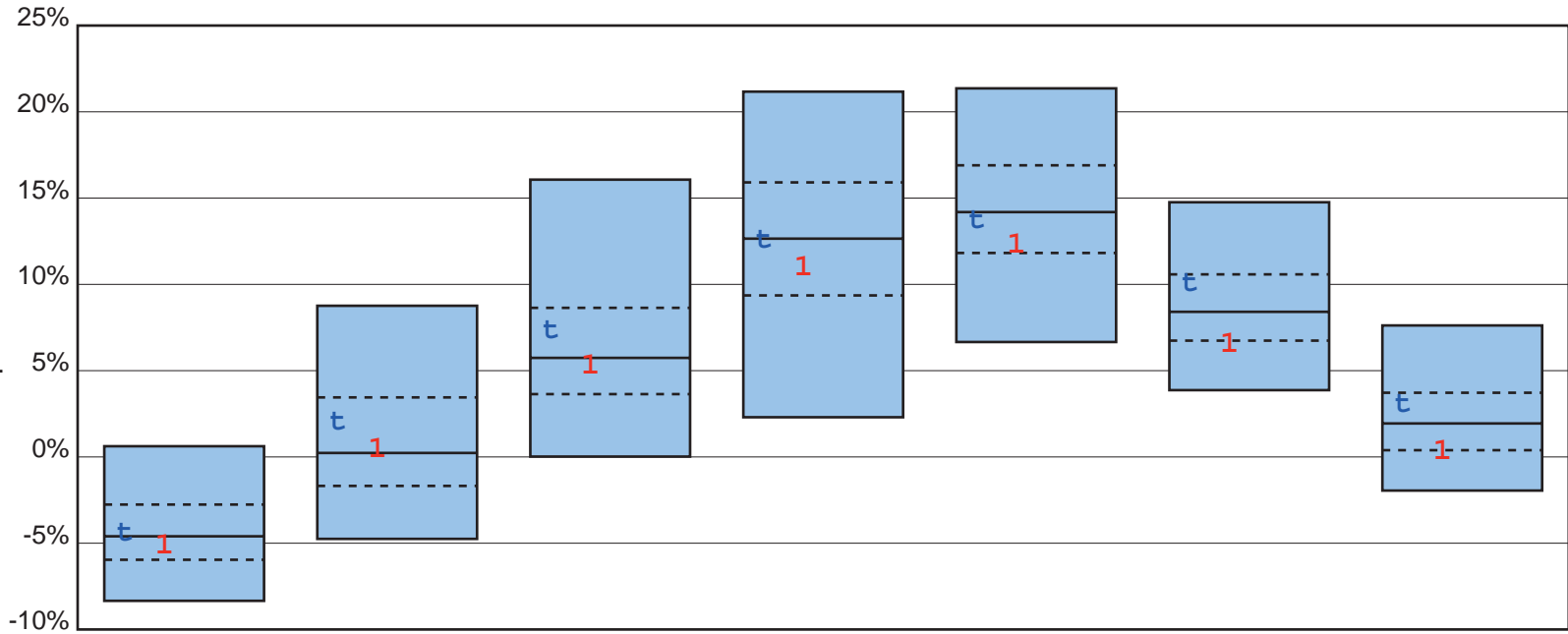


	Annualized Return	Variability	Reward	Sharpe Ratio
○ Orleans Capital Mgmt - Energy Opport	15.84	26.76	15.70	0.59
1 S&P 500 Energy Index	7.25	23.05	7.11	0.31
T 91-Day Treasury Bill	0.14	0.08	0.00	0.00

**Manager Performance vs. Objectives:**  
 Despite poor performance the last few years, portfolio manager exceeds expectations since inception (10/01/2008).

Sharpe Ratio = Reward / Variability

# Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of International Equity Portfolios Periods Ending 9/14



**Manager Biography:**  
Tattersall Advisory was hired to replace the Morgan Stanley Integrated Intn'l Equity Fund on July 14, 2006 with approximately \$10.6 million.

1607 replaced Tattersall in April 2008 because the portfolio management team went to 1607.

An additional \$5 million was transferred in at the end of 1Q07

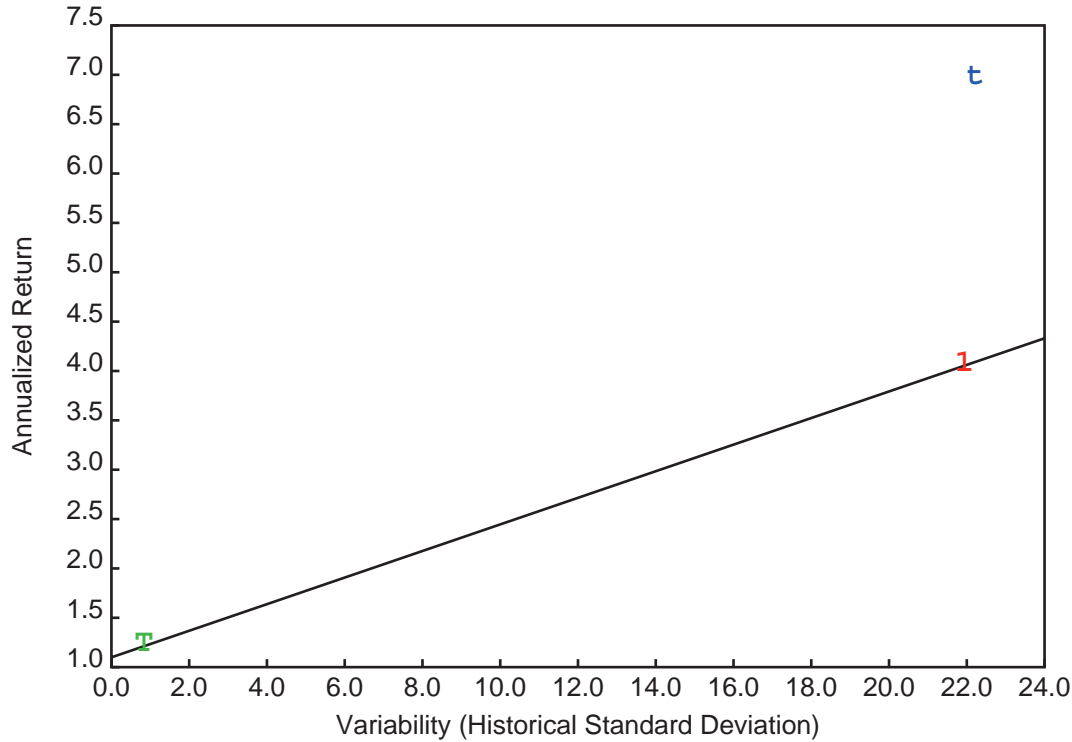
Fee schedule: 75 bps.  
(and internal expenses)

	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years
5th Percentile	0.62	8.76	16.07	21.17	21.36	14.76	7.62
25th Percentile	-2.76	3.45	8.64	15.91	16.90	10.58	3.72
Median	-4.60	0.23	5.74	12.65	14.19	8.41	1.94
75th Percentile	-5.96	-1.68	3.64	9.36	11.82	6.74	0.39
95th Percentile	-8.34	-4.75	0.02	2.30	6.66	3.87	-1.95
t 1607 Capital Partners	-4.48 (48)	2.00 (38)	7.29 (34)	12.53 (50)	13.64 (58)	9.99 (30)	3.01 (32)
1 MSCI ACWI x-US	-5.20 (58)	0.39 (48)	5.22 (54)	10.90 (62)	12.26 (71)	6.48 (78)	0.29 (76)

**Quarterly Variance Analysis:**  
 Outperformance is due to an underweight allocation to funds invested in Europe and an overweight allocation to funds invested in emerging markets.  
 The manager acknowledges differences in total portfolio valuation with the custodian on a quarter-to-quarter basis.  
 Exposure to emerging markets was approximately 23.3% of the portfolio.  
 At the end of the quarter, 1607 held 113 closed-end funds. The universe consists of about 315 funds.  
 (Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

# Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 6/06 to 9/14

Manager Annual Return: +6.98  
 Less: Annual Fee -0.75  
 Less: Global C/T Fees -0.10  
 (Custody/Transaction) -----  
 +6.13  
  
 Less: Benchmark Return -4.07  
 -----  
 Net Value-added Result +2.06

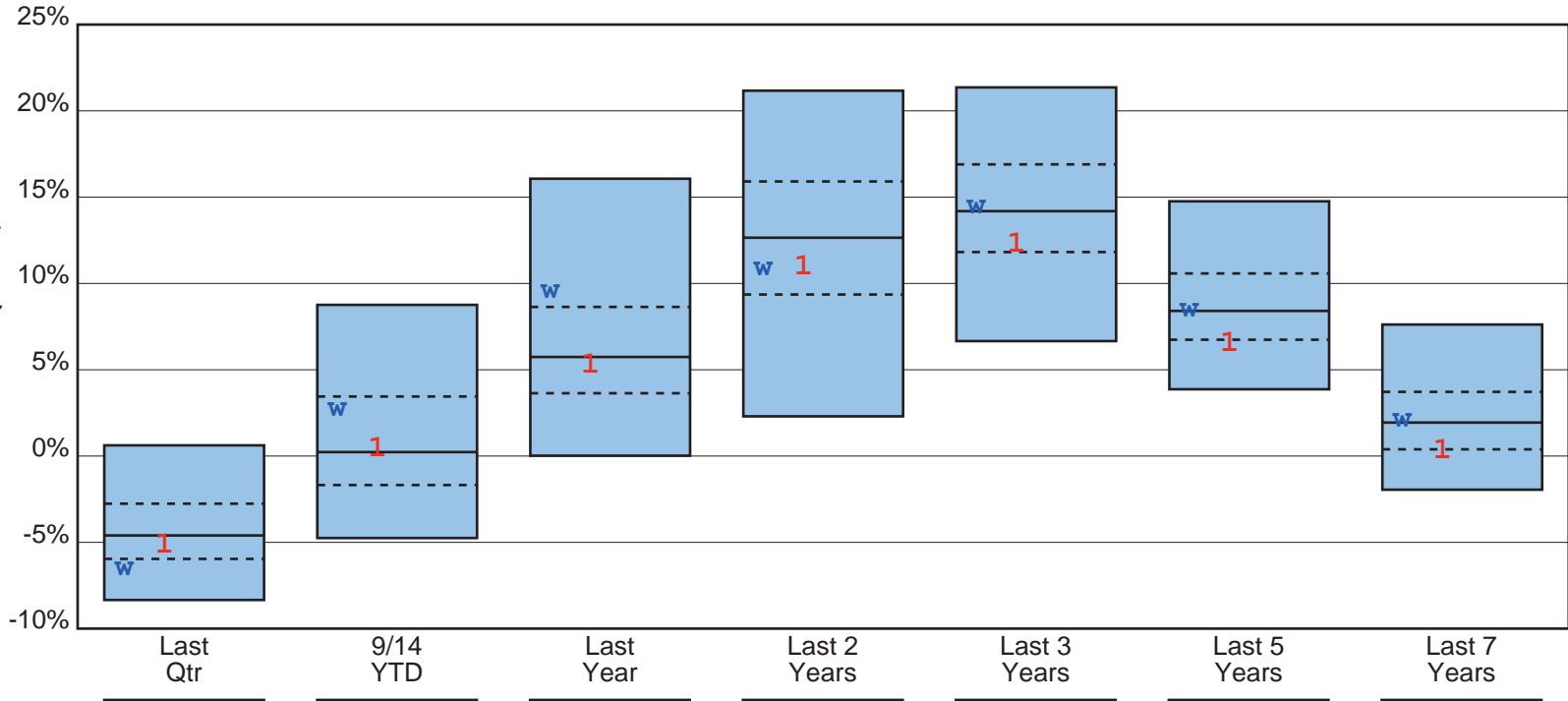


	Annualized Return	Variability	Reward	Sharpe Ratio
t 1607 Capital Partners	6.98	22.33	5.75	0.26
1 MSCI ACWI x-US	4.07	22.06	2.84	0.13
T 91-Day Treasury Bill	1.23	0.97	0.00	0.00

Manager Performance vs. Objectives:  
 Portfolio manager exceeds expectations after 8.25 years.

Sharpe Ratio = Reward / Variability

# Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of International Equity Portfolios Periods Ending 9/14



**Manager Biography:**  
Wentworth, Hauser & Violich was hired to replace the Morgan Stanley Integrated International Equity Fund on July 14, 2006 with approximately \$10.6 million.

An additional \$5 million was transferred in at the end of 1Q07

**Fee schedule:**  
100 bps first \$10 million  
80 bps thereafter

**Current Fee:** 92 bps

	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years
5th Percentile	0.62	8.76	16.07	21.17	21.36	14.76	7.62
25th Percentile	-2.76	3.45	8.64	15.91	16.90	10.58	3.72
Median	-4.60	0.23	5.74	12.65	14.19	8.41	1.94
75th Percentile	-5.96	-1.68	3.64	9.36	11.82	6.74	0.39
95th Percentile	-8.34	-4.75	0.02	2.30	6.66	3.87	-1.95
<b>w</b> WHV Investment Mgmt	-6.49 (82)	2.70 (31)	9.54 (21)	10.85 (63)	14.45 (46)	8.45 (49)	2.11 (46)
<b>1</b> MSCI ACWI x-US	-5.20 (58)	0.39 (48)	5.22 (54)	10.90 (62)	12.26 (71)	6.48 (78)	0.29 (76)

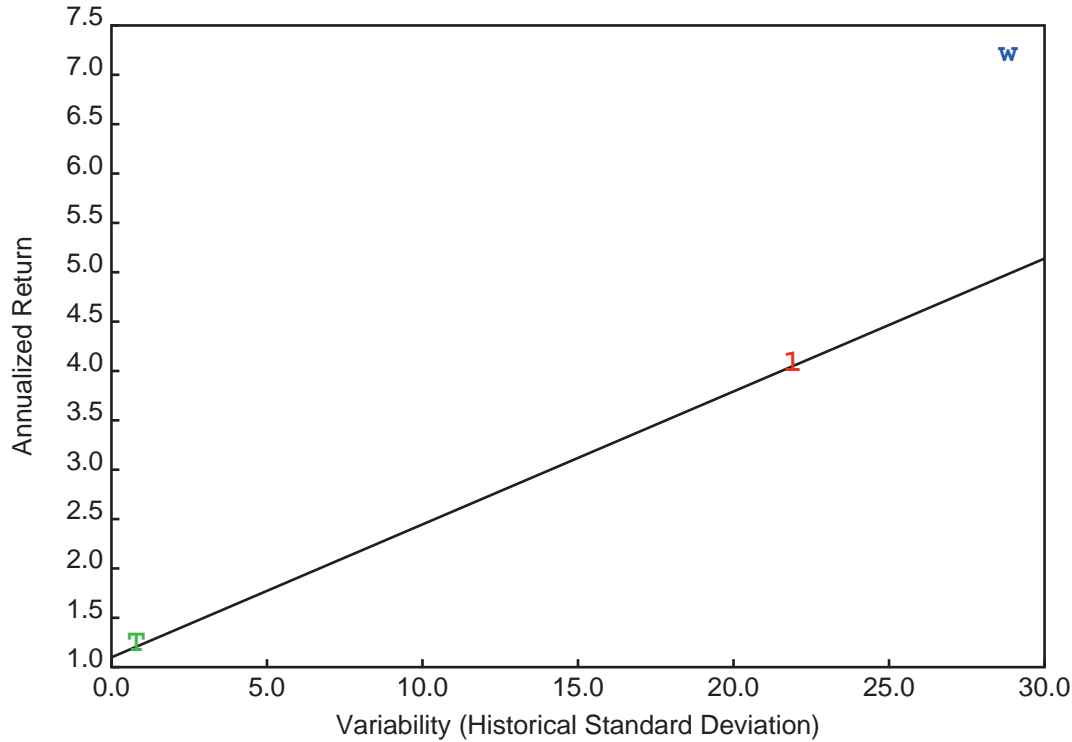
**Quarterly Variance Analysis:**

Underperformance is primarily attributed to the manager's strategy which emphasizes an overweight position in the Energy sector, which performed poorly during the quarter.

(Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

# Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 6/06 to 9/14

Manager Annual Return: +7.21  
 Less: Annual Fee -0.92  
 -----  
 +6.29  
  
 Less: Benchmark Return -4.07  
 -----  
 Net Value-added Result +2.22



	Annualized Return	Variability	Reward	Sharpe Ratio
w WHV Investment Mgmt	7.21	28.99	5.98	0.21
1 MSCI ACWI x-US	4.07	22.06	2.84	0.13
T 91-Day Treasury Bill	1.23	0.97	0.00	0.00

Manager Performance vs. Objectives:  
 Despite poor short-term results, portfolio manager exceeds expectations after 8.25 years.

Sharpe Ratio = Reward / Variability

## Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of Emerging Markets Portfolios Periods Ending 9/14

Manager Biography:  
Hired in May 2014 with  
funding of \$6 million.

Current Fee is 95 bps



5th Percentile	4.73
25th Percentile	-1.51
Median	-3.40
75th Percentile	-4.30
95th Percentile	-6.09

<b>B</b> Brandes Emerging Mkts	-3.10 (43)
<b>1</b> MSCI Emerging Markets	-3.36 (49)

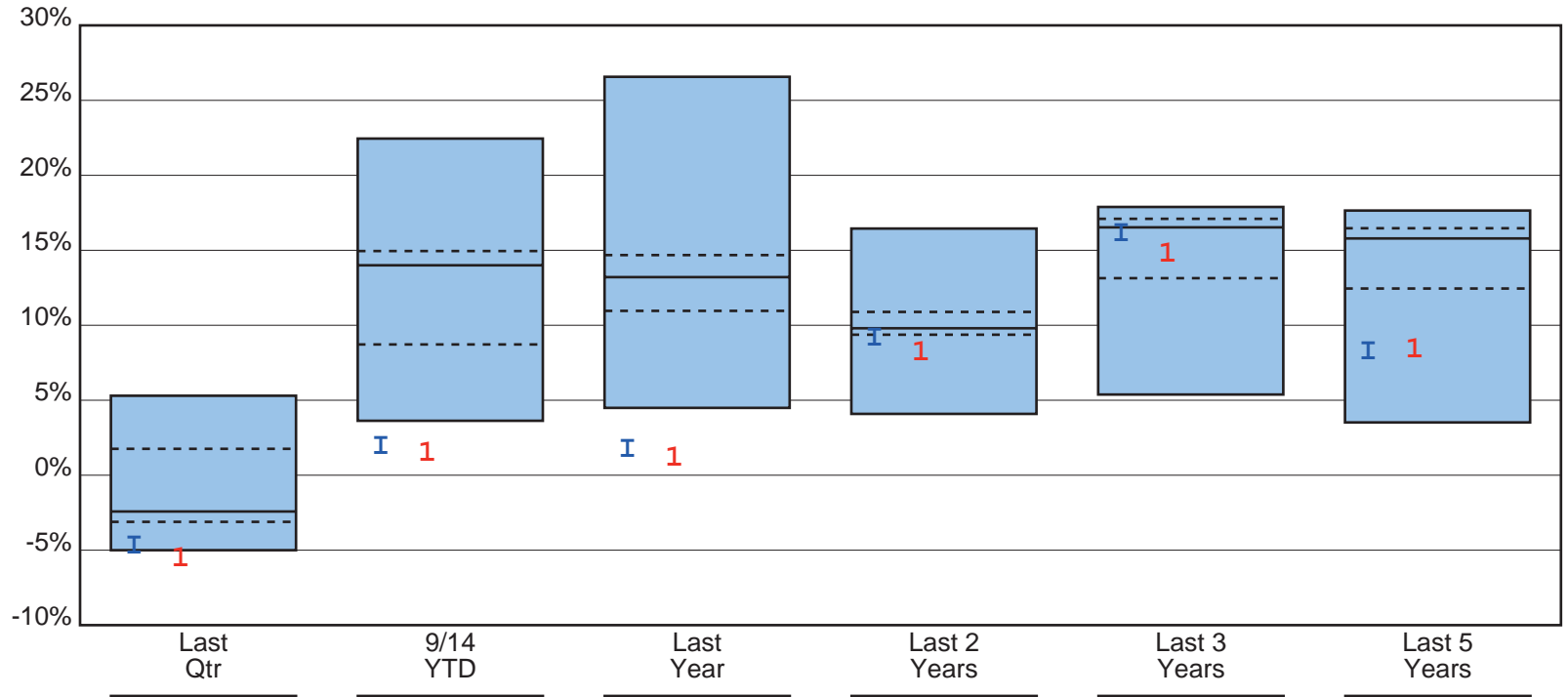
### Quarterly Variance Analysis:

Result shown (-3.10%) is due to Northern Trust (the custodian) providing an incorrect valuation for 6/30 and 9/30/2014. ASPS corrected Northern Trust's valuation of \$6,805,176 for 9/30 to \$6,175,766, which is the manager's valuation. Calculated result since inception matches the manager's stated result (+2.94%) for the time period (5/01 - 9/30/2014). The manager reported a result of -5.73% for 3Q14 which trailed the benchmark due to poor stock selection in Banks, Electric Utilities, and Automobiles. An overweight exposure to Russia and Turkey further detracted from results. (Note: the numbers in parentheses reflect actual peer group rankings. 1=high; 99 low)

# Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of Public REIT Portfolios Periods Ending 9/14

Manager Biography:  
INVESCO International REIT  
funded with \$1mm on 10/1,  
11/1, and 12/1/2008.

Fee Schedule:  
80 bps on first \$100mm



	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
5th Percentile	5.30	22.45	26.57	16.45	17.89	17.65
25th Percentile	1.76	14.95	14.68	10.89	17.10	16.47
Median	-2.42	14.00	13.21	9.80	16.53	15.79
75th Percentile	-3.11	8.72	10.96	9.37	13.14	12.45
95th Percentile	-5.00	3.63	4.49	4.09	5.38	3.52
<b>I</b> Invesco International REIT	-4.77 (93)	1.85 (97)	1.68 (97)	9.09 (83)	16.09 (58)	8.21 (91)
<b>1</b> FTSE EPRA/NAREIT Global x-US	-5.61 (97)	1.44 (99)	1.12 (99)	8.09 (91)	14.72 (68)	8.34 (91)

### Quarterly Variance Analysis:

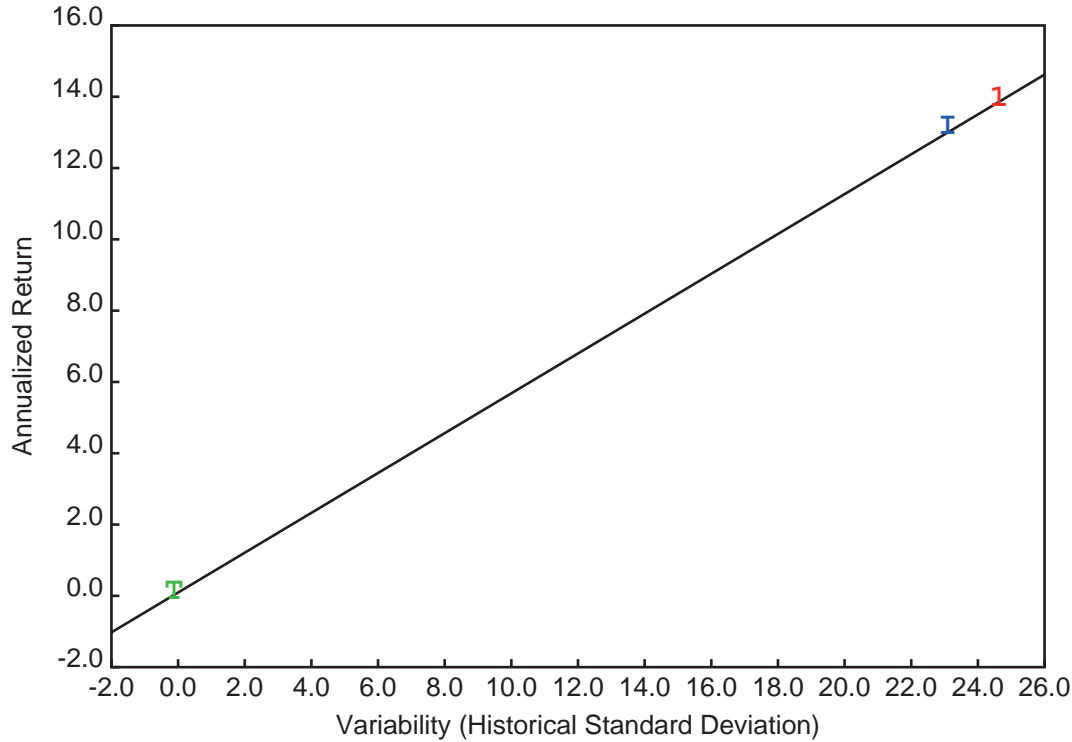
Outperformance is primarily attributed to good stock selection in Canada, Hong Kong, Germany, France, and Australia.

(Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)



## Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 12/08 to 9/14

Manager Annual Return: +13.14  
 Less: Annual Fee -0.80  
 -----  
 +12.34  
  
 Less: Benchmark Return -13.94  
 -----  
 Net Value-added Result -1.60



	Annualized Return	Variability	Reward	Sharpe Ratio
I Invesco International REIT	13.14	23.25	13.03	0.56
1 FTSE EPRA/NAREIT Global	13.94	24.78	13.83	0.56
T 91-Day Treasury Bill	0.11	0.03	0.00	0.00

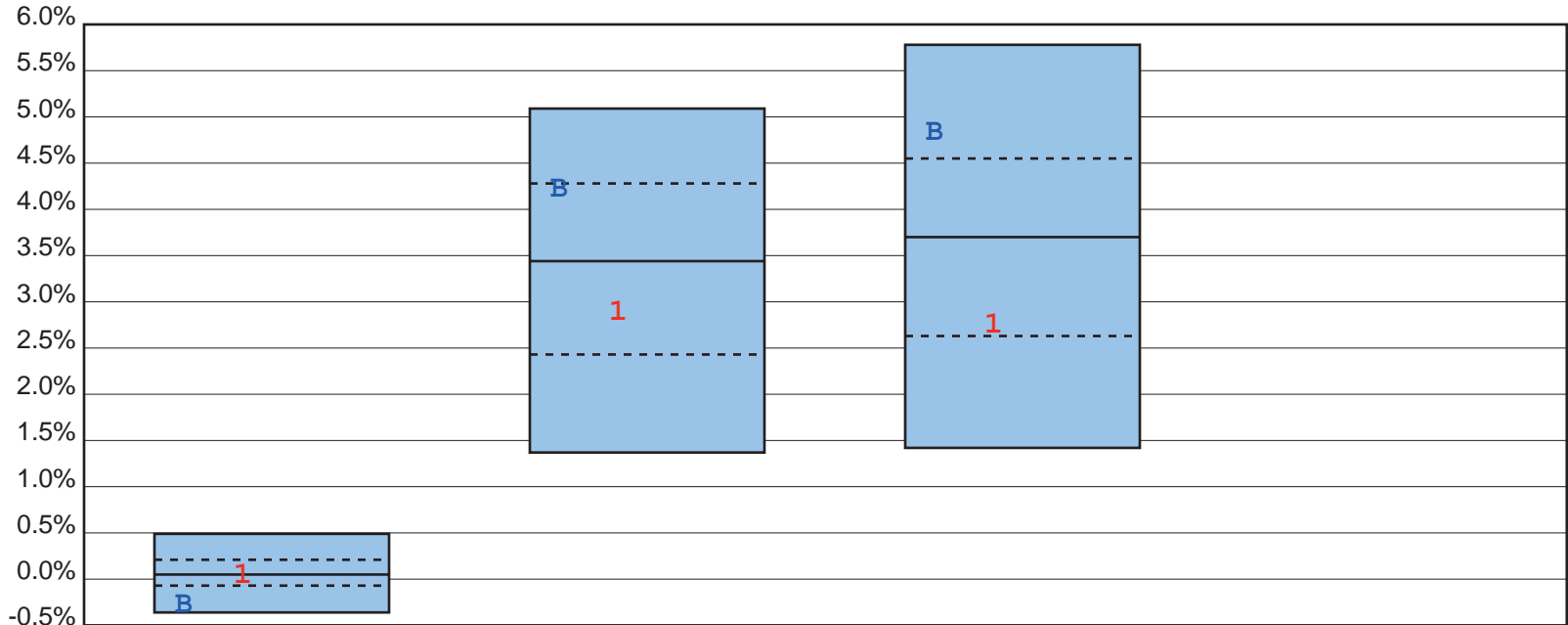
Manager Performance vs. Objectives:  
 Portfolio manager is close to expectations after 5.75 years.

Sharpe Ratio = Reward / Variability

# Southfield Fire & Police Retirement System Intermediate Term Cumulative Performance Comparisons Total Returns of Fixed Income Portfolios Periods Ending 9/14

Manager Biography:  
Hired in August 2013 with  
funding of about \$25 million.

Current fee is 32 bps  
(for first \$50mm)



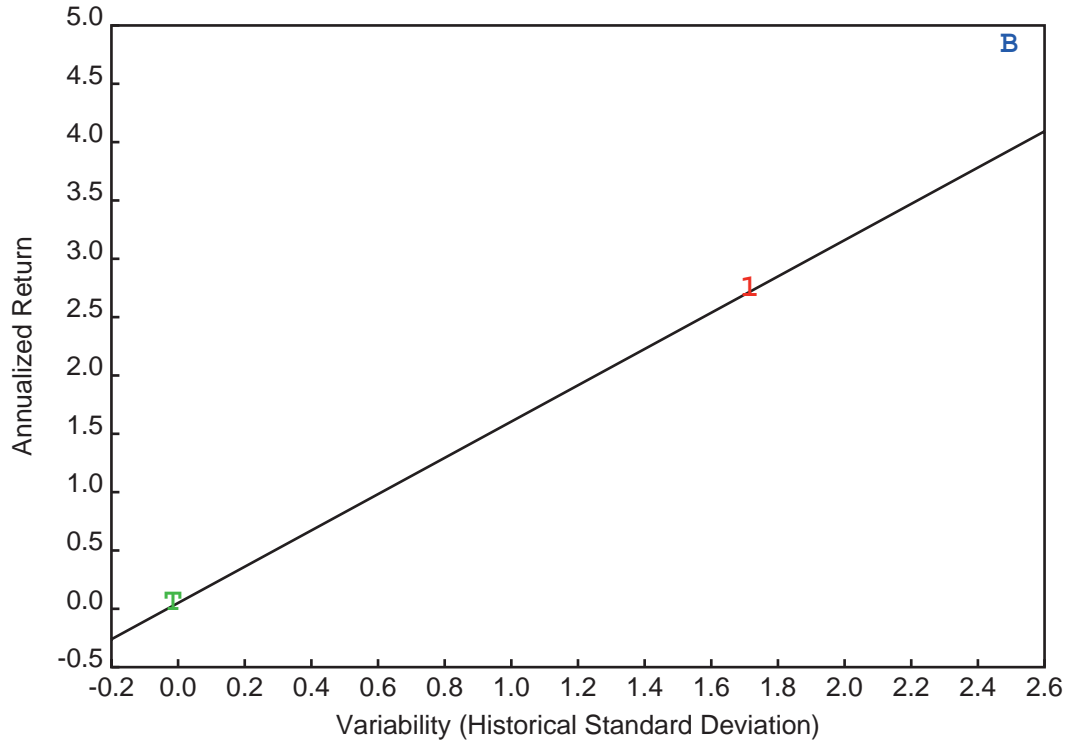
	Last Qtr	9/14 YTD	Last Year
5th Percentile	0.49	5.09	5.78
25th Percentile	0.21	4.28	4.55
Median	0.05	3.44	3.70
75th Percentile	-0.07	2.43	2.63
95th Percentile	-0.36	1.37	1.42

<b>B</b> Bradford & Marzec	-0.28 (93)	4.21 (29)	4.83 (17)
<b>1</b> Barclays Intm Aggregate	0.03 (54)	2.88 (66)	2.74 (71)

**Quarterly Variance Analysis:**  
Underperformance is attributed to securities selection among investment-grade corporate bonds.  
Exposure to high-yield bonds further detracted from results.  
  
(Note: numbers in parentheses reflect actual peer rankings. 1 = high: 99 = low)

## Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 9/13 to 9/14

Manager Annual Return: +4.83  
 Less: Annual Fee -0.32  
 -----  
 +4.51  
  
 Less: Benchmark Return -2.74  
 -----  
 Net Value-added Result +1.77



	Annualized Return	Variability	Reward	Sharpe Ratio
<b>B</b> Bradford & Marzec	4.83	2.51	4.78	1.91
<b>1</b> Barclays Intm Aggregate	2.74	1.73	2.70	1.56
<b>T</b> 91-Day Treasury Bill	0.05	0.00	0.00	0.00

Manager Performance vs. Objectives:  
 Portfolio manager exceeds expectations after 1 year.

Sharpe Ratio = Reward / Variability

# Southfield Fire & Police Retirement System

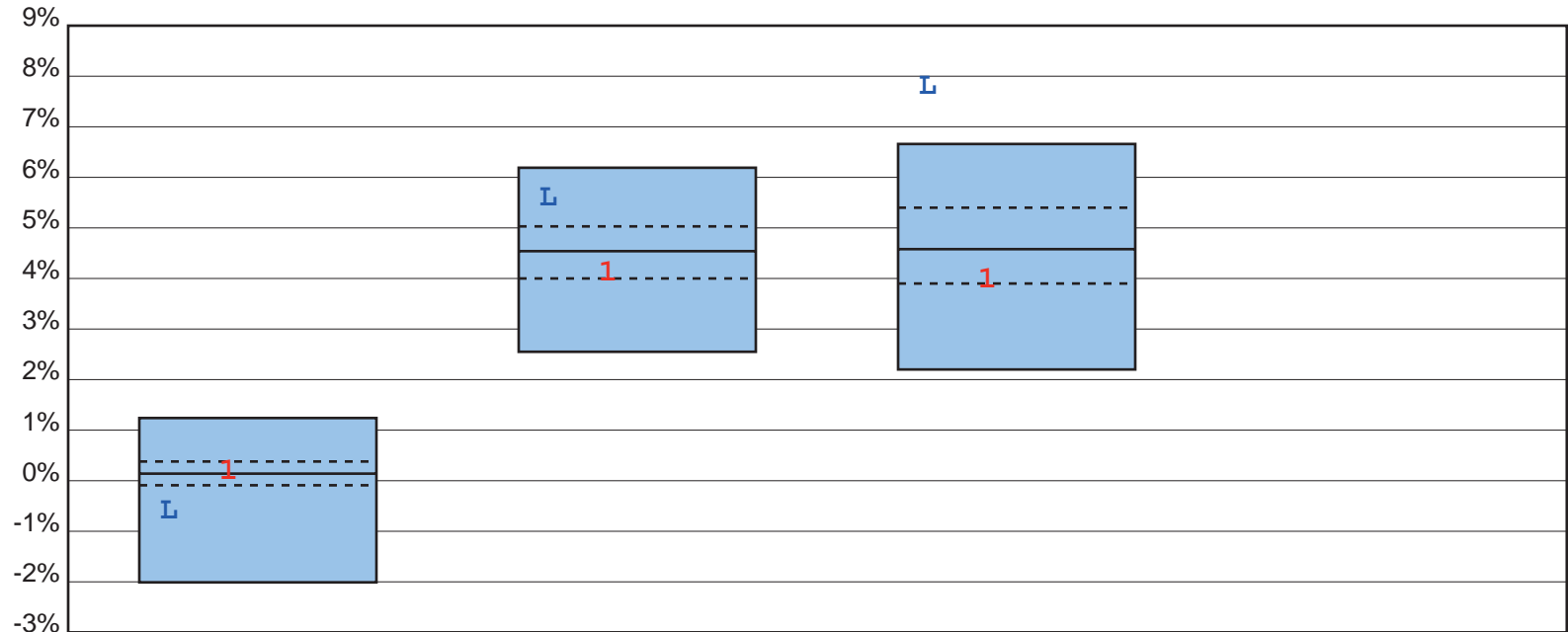
## Fixed Income Core Cumulative Performance Comparisons

### Total Returns of Fixed Income Portfolios

#### Periods Ending 9/14

Manager Biography:  
Hired in August 2013 with  
funding of about \$15mm.

Internal expense ratio  
is 42 bps.

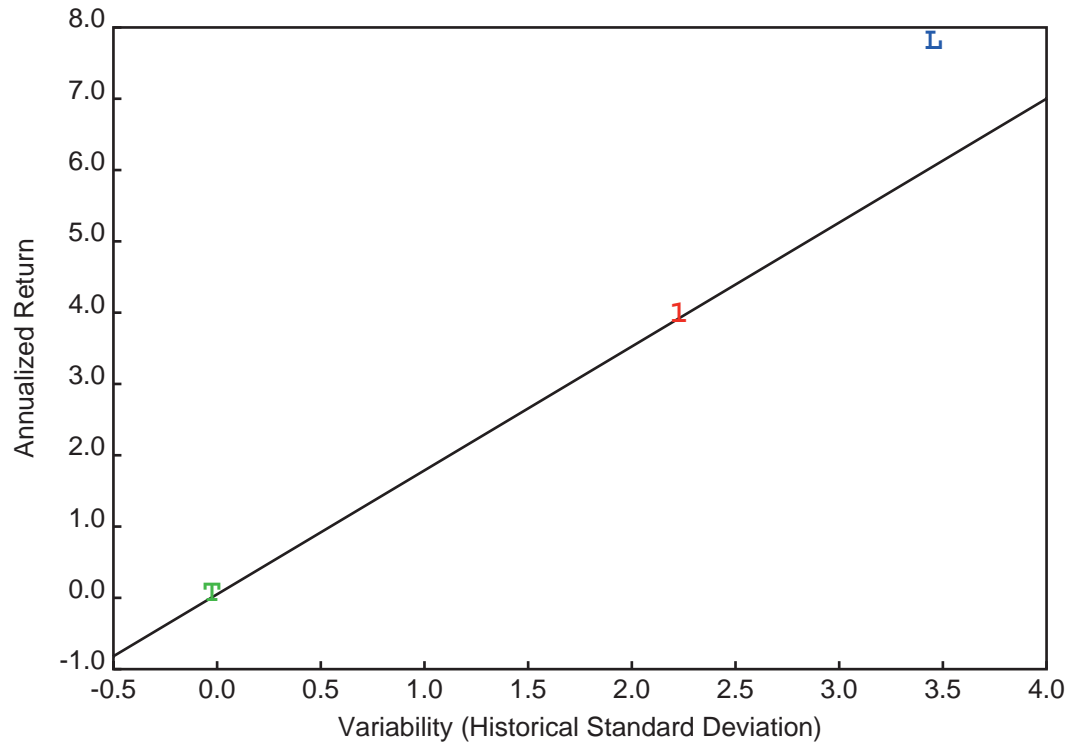


	Last Qtr	9/14 YTD	Last Year
5th Percentile	1.24	6.19	6.66
25th Percentile	0.38	5.03	5.40
Median	0.14	4.54	4.58
75th Percentile	-0.09	4.00	3.90
95th Percentile	-2.01	2.55	2.20
<b>L</b> Loomis Sayles Full Discretion	-0.61 (92)	5.58 (10)	7.79 (2)
<b>1</b> Barclays U.S. Aggregate	0.17 (44)	4.10 (71)	3.96 (73)

**Quarterly Variance Analysis:**  
Underperformance is primarily attributed to the outside-of-benchmark exposure to high-yield bonds, non-U.S. bonds, and convertible bonds, which were negatively impacted by investors' flight to quality.  
  
(Note: the numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

## Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 9/13 to 9/14

Manager Annual Return: +7.79  
 Less: Annual Fee -0.42  
 -----  
 +7.37  
  
 Less: Benchmark Return -3.96  
 -----  
 Net Value-added Result +3.41

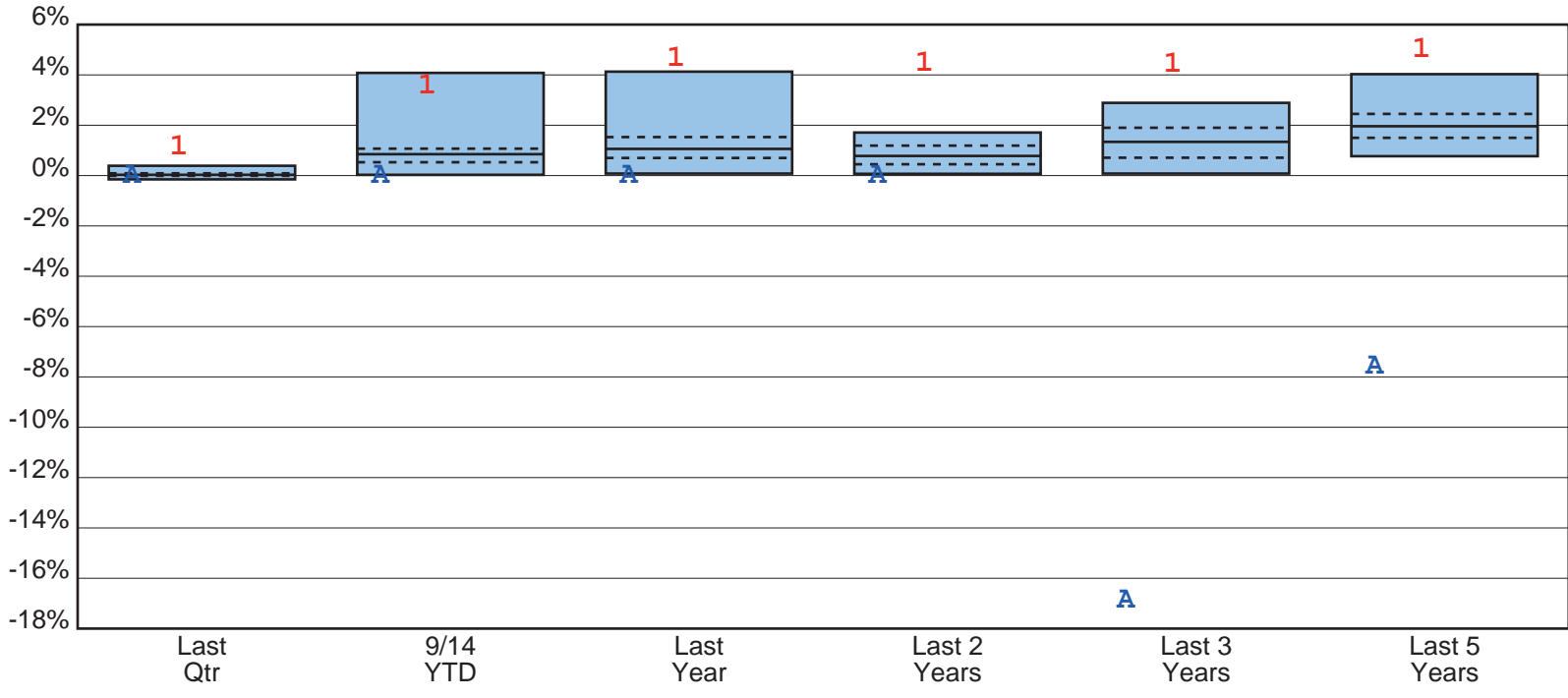


	Annualized Return	Variability	Reward	Sharpe Ratio
<b>L</b> Loomis Sayles Full Discretion	7.79	3.48	7.74	2.23
<b>1</b> Barclays U.S. Aggregate	3.96	2.25	3.91	1.74
<b>T</b> 91-Day Treasury Bill	0.05	0.00	0.00	0.00

**Manager Performance vs. Objectives:**  
 Portfolio manager exceeds expectations after 1 year.

Sharpe Ratio = Reward / Variability

## Southfield Fire & Police Retirement System Short Term Cumulative Performance Comparisons Total Returns of Fixed Income Portfolios Periods Ending 9/14



\$6 million loan to Avignon was made in October 2007.

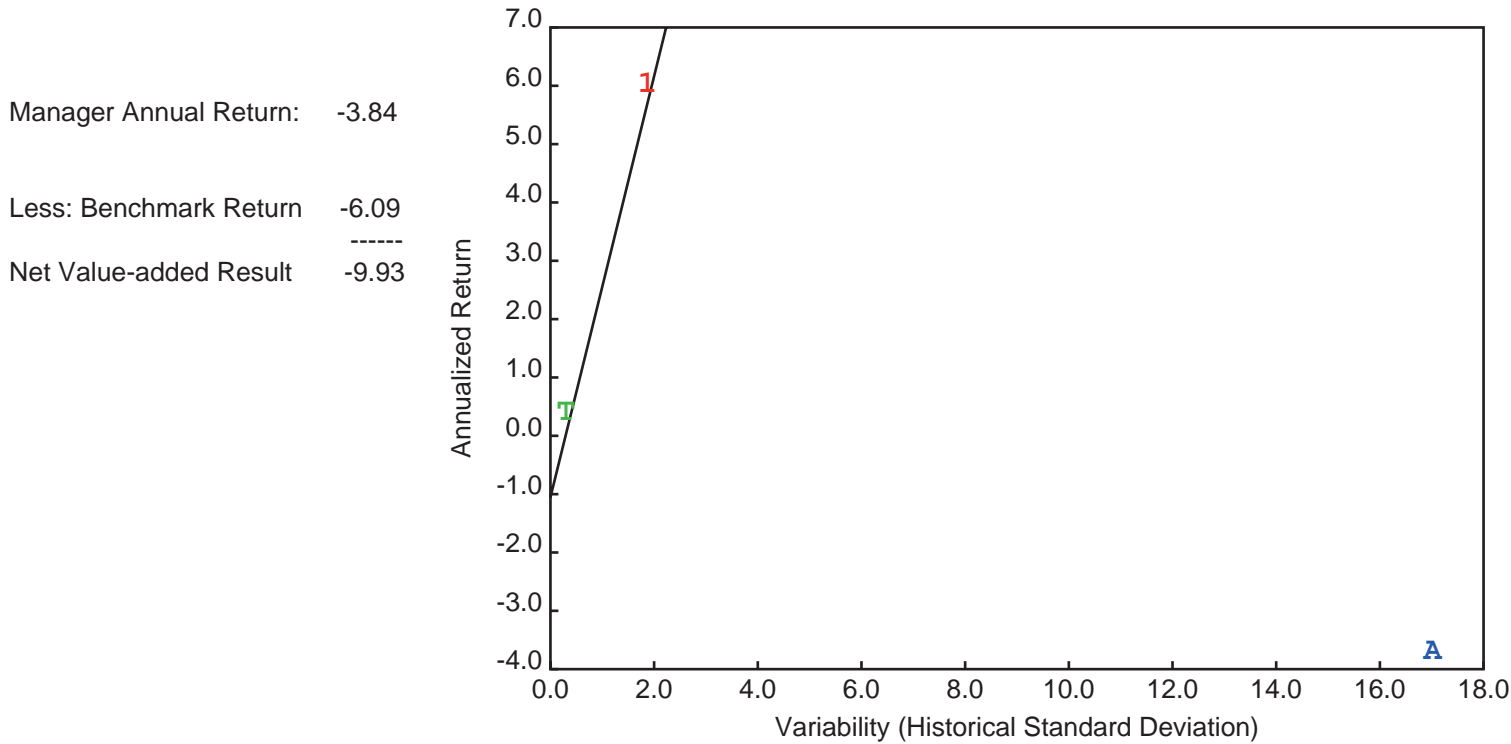
5th Percentile  
25th Percentile  
Median  
75th Percentile  
95th Percentile

	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
5th Percentile	0.39	4.08	4.13	1.71	2.89	4.03
25th Percentile	0.09	1.07	1.53	1.19	1.90	2.45
Median	0.03	0.85	1.06	0.78	1.34	1.96
75th Percentile	-0.01	0.53	0.70	0.45	0.71	1.50
95th Percentile	-0.15	0.03	0.08	0.07	0.08	0.77
<b>A</b> Avignon - Mortgage Loan	0.00 (70)	0.00 (97)	0.00 (99)	0.00 (97)	-16.90 (100)	-7.59 (100)
<b>1</b> Citi 2yr Treasury +4%/yr	1.10 (1)	3.53 (5)	4.63 (1)	4.45 (1)	4.41 (1)	4.98 (1)

**Quarterly Variance Analysis:**  
 Loan generated no income during the quarter, with the last payment made on 10/01/2011, and \$1,901,333.33 of interest payments since inception (November 2007).  
 A write-down of \$2.58 million was taken on 9/30/2012.  
 Book value is \$3.42 million. The properties are listed for sale.  
 (Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

Returns for periods greater than one year are annualized.

## Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 12/07 to 9/14



	Annualized Return	Variability	Reward	Sharpe Ratio
A Avignon - Mortgage Loan	-3.70	17.12	-4.10	-0.24
1 Citi 2yr Treasury +4%/yr	6.02	1.96	5.63	2.87
T 91-Day Treasury Bill	0.39	0.40	0.00	0.00

Manager Performance vs. Objectives:

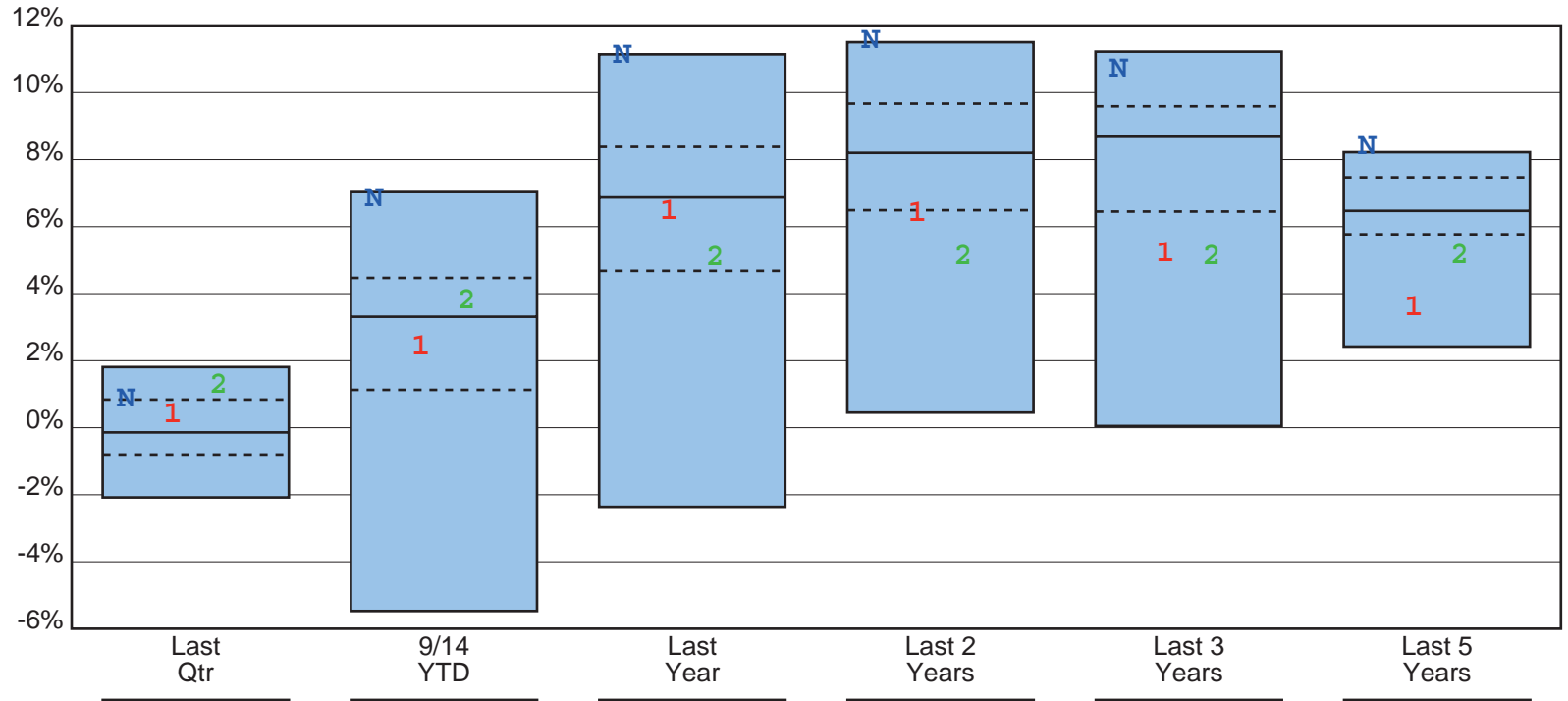
Sharpe Ratio = Reward / Variability

# Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of Fund of Funds Hedge Funds Periods Ending 9/14

Manager Biography:  
Funded with \$2 million  
in June 2008.

An additional \$670,000 was  
invested on 4/01/2010.

Fee Schedule: 100 bps  
10% incentive fee;  
subject to high water mark,  
and investors receiving  
10% return first



	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
5th Percentile	1.81	7.03	11.14	11.50	11.22	8.22
25th Percentile	0.84	4.47	8.38	9.67	9.59	7.47
Median	-0.14	3.31	6.87	8.20	8.68	6.47
75th Percentile	-0.80	1.13	4.68	6.49	6.45	5.77
95th Percentile	-2.08	-5.47	-2.36	0.45	0.05	2.42
<b>N</b> Nantucket Institutional	0.83 (32)	6.80 (10)	11.10 (9)	11.52 (4)	10.69 (13)	8.36 (4)
<b>1</b> HFRI Diversified FoF Index	0.38 (40)	2.38 (61)	6.42 (58)	6.38 (77)	5.16 (86)	3.55 (94)
<b>2</b> 91-Day Treasury Bill +5%/yr	1.26 (17)	3.78 (39)	5.05 (71)	5.07 (86)	5.07 (86)	5.10 (85)

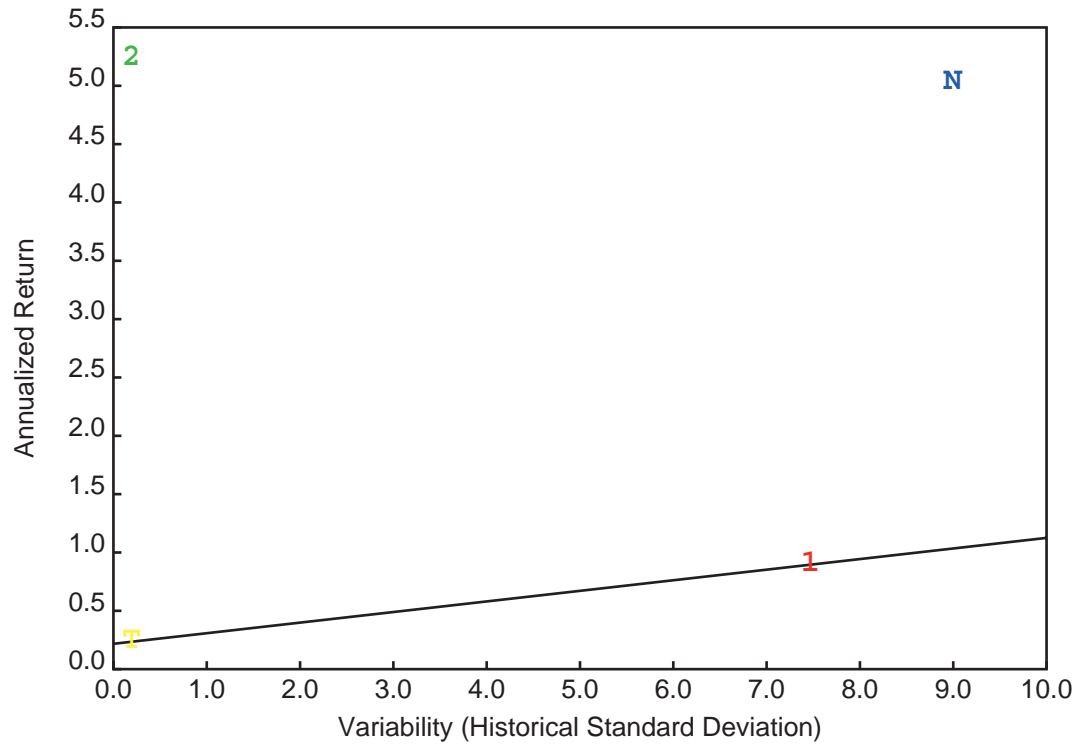
**Quarterly Variance Analysis:**  
 Outperformance is primarily attributed to strong results from Multi-Strategy managers.  
 Three of the five strategy allocations posted positive returns for the quarter.  
 The peer group rankings should not be emphasized as the peer group is new and still evolving.  
 (Note: numbers in parentheses reflect actual peer rankings. 1 = high: 99 = low)

Returns for periods greater than one year are annualized.



## Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 6/08 to 9/14

Manager Annual Return: +5.03  
 Less: Annual Fee -1.00  
 -----  
 +4.03  
  
 Less: Benchmark Return -0.90  
 -----  
 Net Value-added Result +3.13



	Annualized Return	Variability	Reward	Sharpe Ratio
N Nantucket Institutional	5.03	9.05	4.79	0.53
1 HFRI Diversified FoF Index	0.90	7.52	0.67	0.09
2 91-Day Treasury Bill +5%/yr	5.24	0.25	5.00	19.92
T 91-Day Treasury Bill	0.24	0.25	0.00	0.00

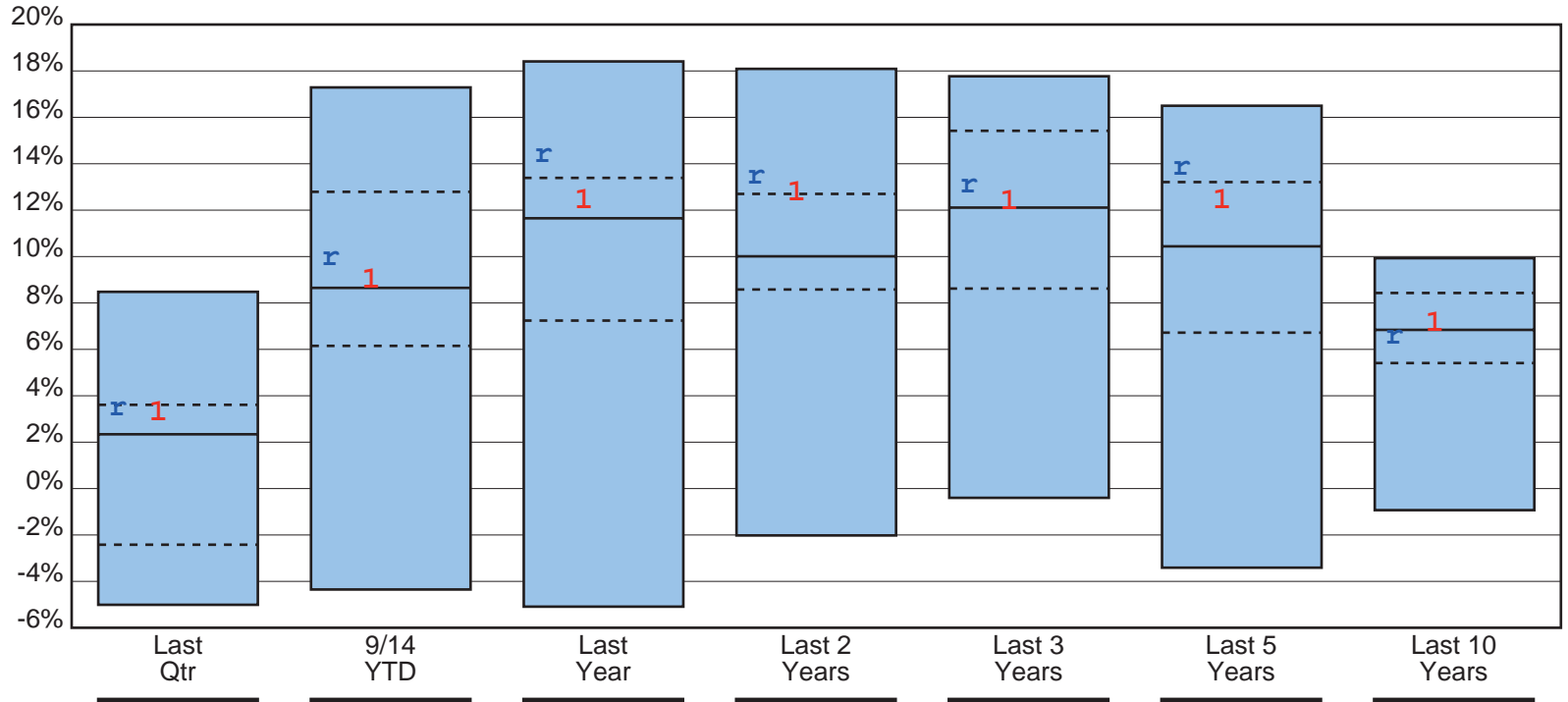
Manager Performance vs. Objectives:  
 Portfolio manager exceeds expectations after 6.25 years.

Sharpe Ratio = Reward / Variability

# Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of Real Estate Portfolios Periods Ending 9/14

Manager Biography:  
Equity Line (12/87)  
\$0.1 mm  
PRISA I (12/90 & 12/98)  
\$7.5 mm  
PRISA II (02/05)  
\$2.2mm from PRISA I

Benchmark transitioned to  
the NFI-ODCE in 3Q07



5th Percentile  
25th Percentile  
Median  
75th Percentile  
95th Percentile

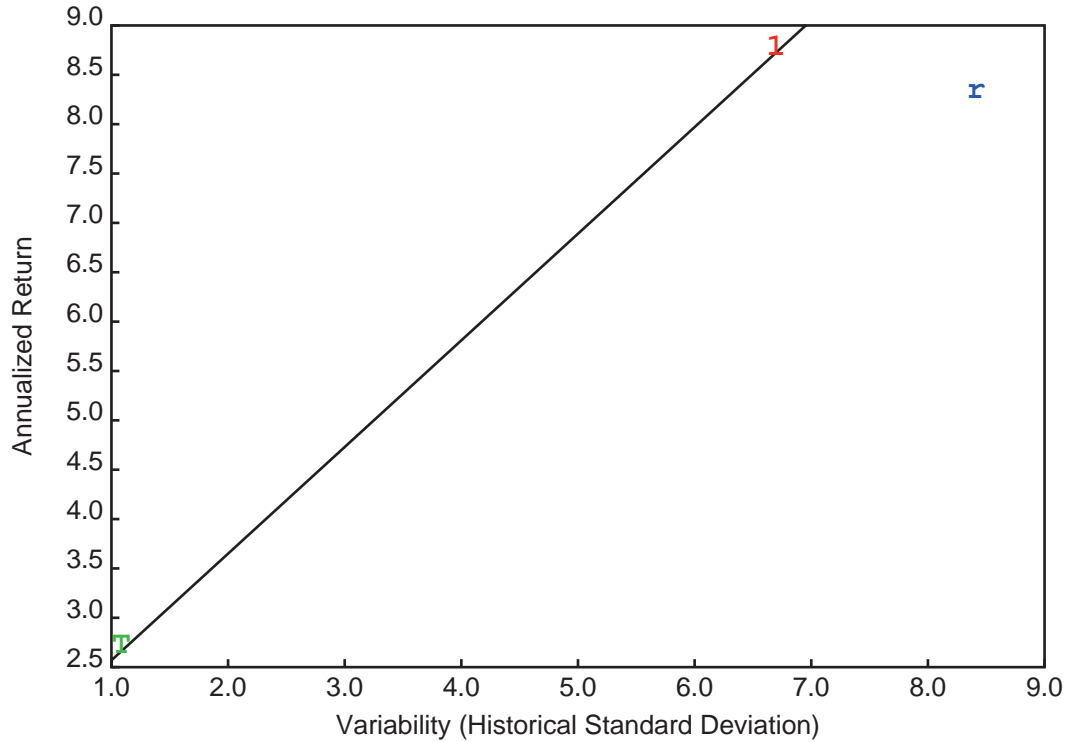
	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 10 Years
5th Percentile	8.48	17.29	18.41	18.09	17.77	16.50	9.93
25th Percentile	3.61	12.79	13.39	12.70	15.42	13.21	8.43
Median	2.34	8.65	11.65	10.01	12.11	10.44	6.84
75th Percentile	-2.42	6.15	7.24	8.58	8.62	6.72	5.41
95th Percentile	-5.01	-4.35	-5.09	-2.02	-0.40	-3.41	-0.93
<b>r</b> PRISA Real Estate Composite	3.47 (27)	9.93 (34)	14.37 (17)	13.44 (18)	13.04 (42)	13.80 (19)	6.55 (58)
<b>1</b> NFI-ODCE	3.24 (33)	8.94 (46)	12.40 (43)	12.72 (24)	12.35 (47)	12.40 (32)	7.08 (48)

Returns for periods greater than one year are annualized.

# Southfield Fire & Police Retirement System Quarterly Total Return Market Line Analysis Periods from 12/95 to 9/14

Managers Annual Return: +8.26  
 Less: (approx) Annual Fee -0.82  
 -----  
 +7.44

Less: Benchmark Return -8.63  
 -----  
 Net Value-added Result -1.19



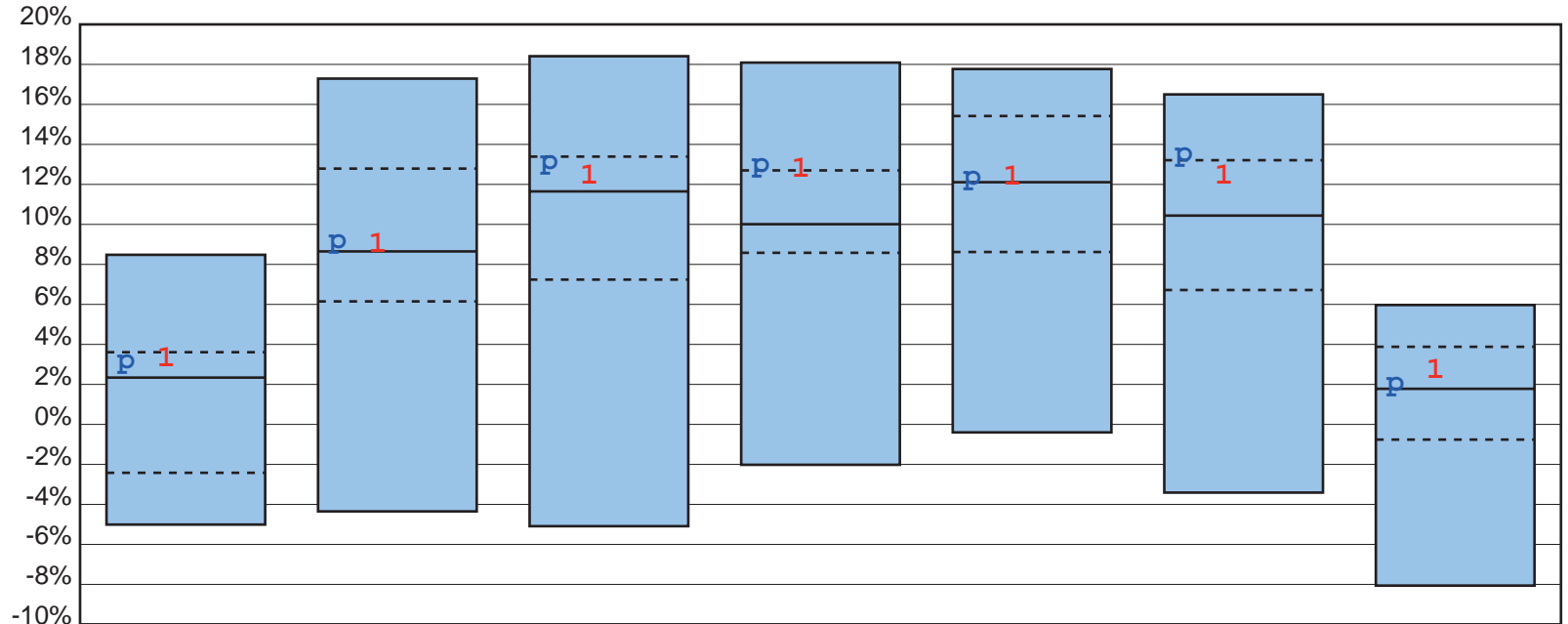
	Annualized Return	Variability	Reward	Sharpe Ratio
r PRISA Real Estate Composite	8.34	8.46	5.63	0.67
1 NFI-ODCE	8.77	6.74	6.06	0.90
T 91-Day Treasury Bill	2.71	1.13	0.00	0.00

Sharpe Ratio = Reward / Variability



# Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of Real Estate Portfolios Periods Ending 9/14

Fee Schedule:  
75 bps first \$10mm  
65 bps next \$15mm  
6% incentive fee of distributed cash flow;  
Max Fee of 120 bps  
  
Current Fee is 75 bps

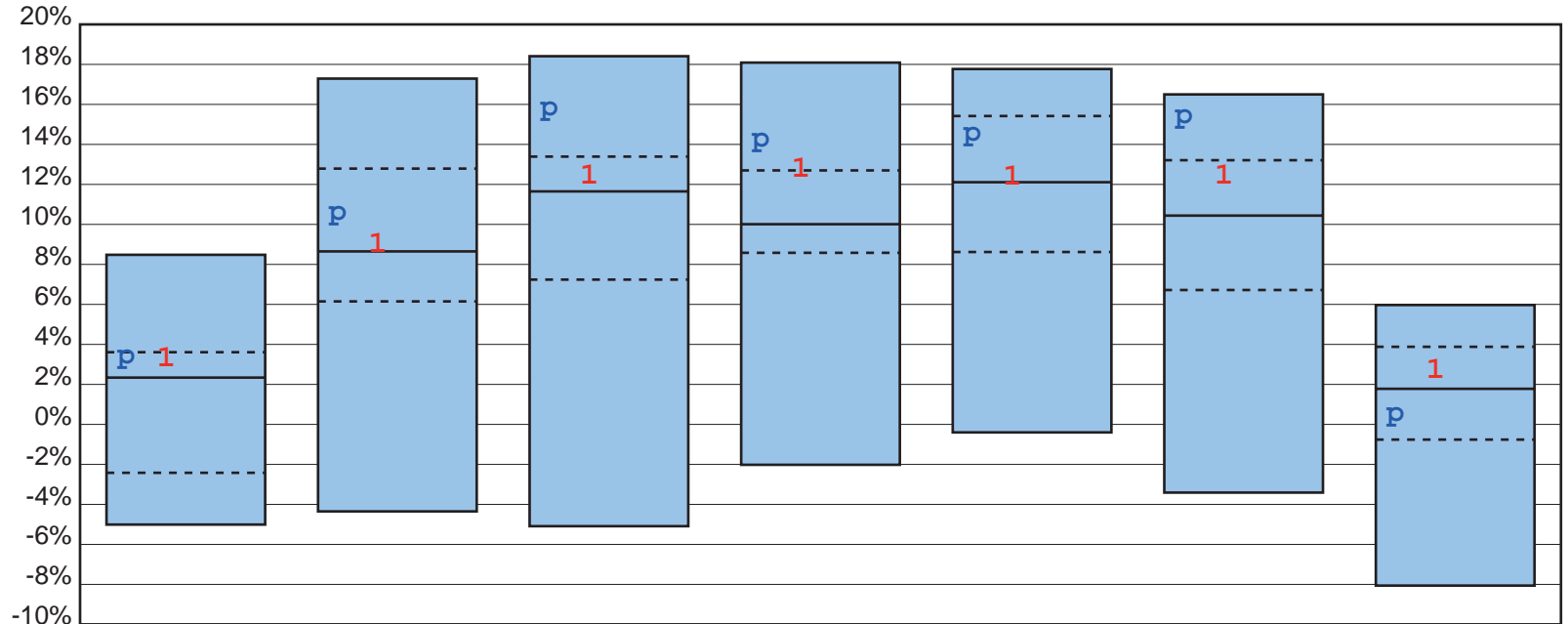


	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years
5th Percentile	8.48	17.29	18.41	18.09	17.77	16.50	5.97
25th Percentile	3.61	12.79	13.39	12.70	15.42	13.21	3.88
Median	2.34	8.65	11.65	10.01	12.11	10.44	1.78
75th Percentile	-2.42	6.15	7.24	8.58	8.62	6.72	-0.76
95th Percentile	-5.01	-4.35	-5.09	-2.02	-0.40	-3.41	-8.06
<b>p</b> PRISA I	3.17 (36)	9.17 (45)	13.12 (34)	12.96 (23)	12.35 (47)	13.51 (23)	2.04 (44)
<b>1</b> NFI-ODCE	3.24 (33)	8.94 (46)	12.40 (43)	12.72 (24)	12.35 (47)	12.40 (32)	2.64 (38)

Quarterly Variance Analysis:  
PRISA I provided a 1.31% income return and 1.86% appreciation return.  
Appreciation was strongest in Office properties, accounting for 53% of the Fund's appreciation.  
  
(Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

# Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of Real Estate Portfolios Periods Ending 9/14

Fee Schedule: 85 bps  
6% incentive fee of distributed cash flow;  
Max Fee of 130 bps  
  
Current Fee is 85 bps



	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years
5th Percentile	8.48	17.29	18.41	18.09	17.77	16.50	5.97
25th Percentile	3.61	12.79	13.39	12.70	15.42	13.21	3.88
Median	2.34	8.65	11.65	10.01	12.11	10.44	1.78
75th Percentile	-2.42	6.15	7.24	8.58	8.62	6.72	-0.76
95th Percentile	-5.01	-4.35	-5.09	-2.02	-0.40	-3.41	-8.06
<b>p</b> PRISA II	3.41 (28)	10.55 (32)	15.82 (10)	14.25 (15)	14.51 (32)	15.41 (14)	0.50 (68)
<b>1</b> NFI-ODCE	3.24 (33)	8.94 (46)	12.40 (43)	12.72 (24)	12.35 (47)	12.40 (32)	2.64 (38)

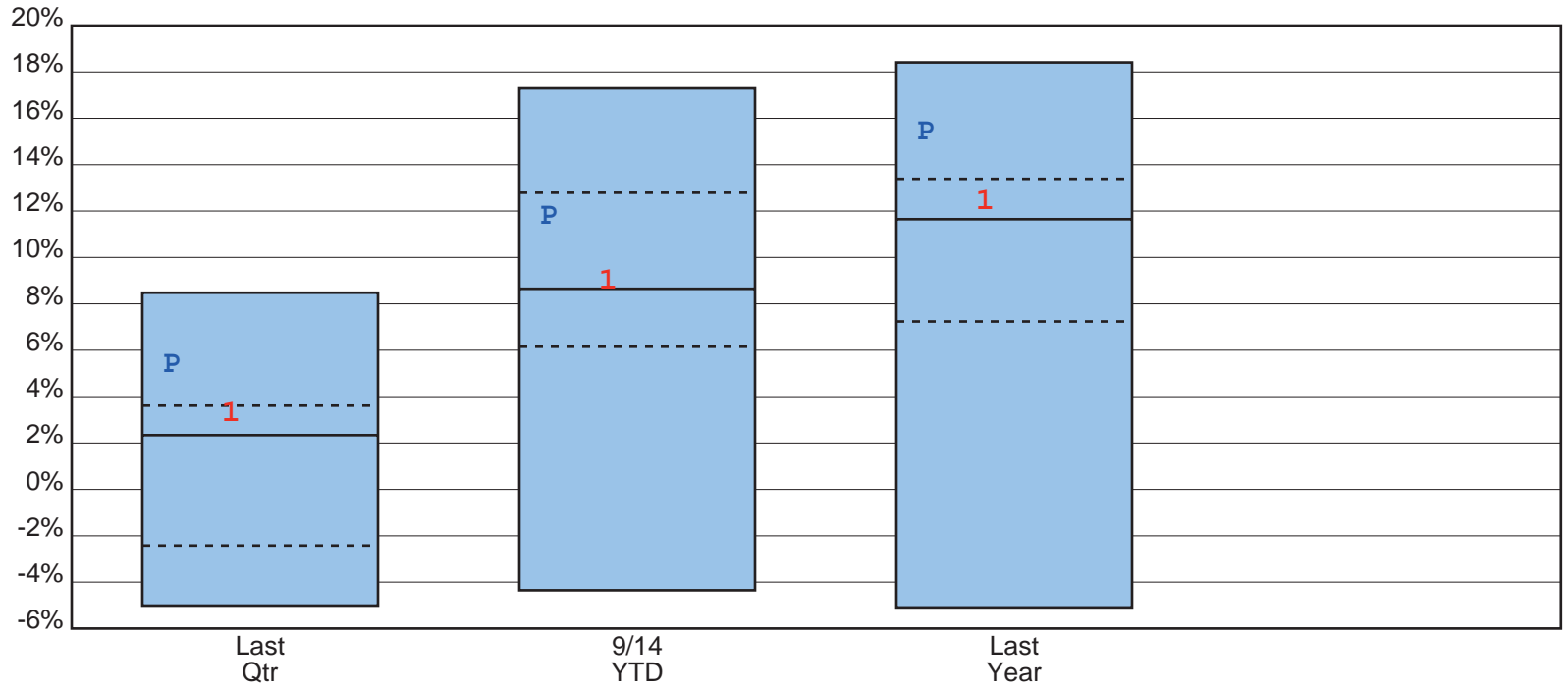
Quarterly Variance Analysis:  
PRISA II provided a 1.17% income return and 2.24% appreciation return.  
Appreciation was strongest in Office properties, accounting for 58% of the Fund's appreciation.  
  
(Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

Returns for periods greater than one year are annualized.

# Southfield Fire & Police Retirement System Cumulative Performance Comparison Total Returns of Real Estate Portfolios Periods Ending 9/14

Fee Schedule: 110 bps  
7.5% incentive fee of distributed cash flow;  
Max Fee of 180 bps

Current Fee is 110 bps



5th Percentile  
25th Percentile  
Median  
75th Percentile  
95th Percentile

8.48  
3.61  
2.34  
-2.42  
-5.01

17.29  
12.79  
8.65  
6.15  
-4.35

18.41  
13.39  
11.65  
7.24  
-5.09

**P** PRISA III  
**1** NFI-ODCE

5.35 (12)  
3.24 (33)

11.75 (28)  
8.94 (46)

15.39 (12)  
12.40 (43)

Quarterly Variance Analysis:  
PRISA III provided a 1.36% income return and 3.99% appreciation return.  
Appreciation was strongest in Apartment and Office properties, respectively accounting for 69% and 17% of the Fund's appreciation.  
(Note: numbers in parentheses reflect the actual peer group rankings. 1 = high; 99 = low)

Returns for periods greater than one year are annualized.

**Southfield Fire & Police Retirement System**  
**Summary of Alternative Investments**  
**Period Ending: June 30, 2014**  
**(One Quarter in Arrears)**

	Vintage Year	Committed Capital	Called Capital	% Called	Distributions			Fair Mkt Value <sup>1</sup>	Total Mkt Value <sup>2</sup>	Dist. Multiple <sup>3</sup>	MoCC <sup>4</sup>	IRR <sup>5</sup>
					Return of Capital	Income	Total					
JCR Capital - JCR Fund II	2012	\$5,000,000	\$4,244,471	85%	\$955,290	\$470,643	\$1,425,933	\$3,423,930	\$4,849,863	0.33	1.11	N/A
JCR Capital - JCR Fund III	2014	\$10,000,000	\$1,430,565	14%	\$0	\$0	\$0	\$1,392,126	\$1,392,126	0.00	0.89	N/A
<b>Total</b>												

Quarterly Analysis:

Target IRR (net) for the life of JCR CRE Finance Fund II is 15%. The expected life for JCR Fund II is through February 2017. \$1,146,184.10 of capital was called during the quarter. No distributions were made during the quarter. JCR Fund II has made 19 investments. 5 investments have been fully realized with the following IRR and multiple for each (in order of realization date): 17.6% and 1.17x; 23.9% and 1.27x; 28.4% and 1.33x; 29.4% and 1.29x; 50.4% and 1.47x. The remaining investments are currently meeting or exceeding JCR's pro forma business plans.

Target IRR (net) for the life of JCR CRE Finance Fund III is 15%. The expected life for JCR Fund III is 5 years from the Final Closing, which is anticipated to occur in 2015. \$1,430,564.78 of capital was called during the quarter. No distributions were made during the quarter. JCR Fund III has made three investments. The decline in Fair Market Value is attributed to current investments being held at cost and a portion of the called capital allocated to payment of management fees and expenses.

**Fees**

JCR CRE Finance Fund II

Management Fee: 1.5% per annum on Committed Capital during the investment period. 1.5% per annum on unreturned, Called Capital thereafter.  
 Incentive Fee: 20% after a 9% annual non-compounding Preferred Return and return of all Called Capital.

JCR CRE Finance Fund III

Management Fee: 1.5% per annum on Committed Capital during the investment period. 1.5% per annum on unreturned, Called Capital thereafter.  
 Incentive Fee: 20% after a 9% annual non-compounding Preferred Return and return of all Called Capital.

<sup>1</sup>Fair Market Value represents all Called Capital plus Net Income or Loss less Capital Distributions

<sup>2</sup>Total Market Value is the sum of Total Distributions and Fair Market Value of unrealized investments

<sup>3</sup>Distribution Multiple - measure of Total Distributions paid to the investor relative to the total Called Capital (Realized Return)

<sup>4</sup>Multiple of Called Capital - measure of the Total Distributions paid to investors plus the Fair Market Value of the unrealized investments relative to total Called Capital (Total Return)

<sup>5</sup>Internal Rate of Return (IRR) will not be calculated until the conclusion of the investment period (typically 2-3 years from the vintage year) for each fund

<sup>6</sup>Fair Market Value is net of management fees, partnership expenses and carried interest.

Note: Distribution Multiple and Multiple of Called Capital are net of all fees and expenses

# Southfield Fire & Police Retirement System

## About This Report

The Board of Trustees of the Southfield Fire and Police Retirement System retained Asset Strategies Portfolio Services, Inc. to evaluate the performance of the external investment managers. LS Investment Advisors, Northern Trust Global Advisors, Loomis Sayles & Company, Morgan Dempsey, Orleans Capital, 1607 Capital, Brandes, INVESCO, WHV Investment Management, Bradford & Marzec, Nantucket, Prudential Real Estate Investors, and JCR Capital are the investment managers.

Northern Trust invests the Plan's cash and holds various commingled investment funds.

This report was prepared using data compiled from the monthly custodial statements provided by the Northern Trust Company. Asset Strategies does not warrant the accuracy of data provided to us by others, but does attempt to obtain and utilize reliable information.

This report contains analysis of both the total fund and the individual managers' performance over various time periods. The returns calculated by investment managers will occasionally differ (albeit slightly) from the returns calculated by Asset Strategies. This difference is generally explained by any one or a combination of the following: a) managers account for securities purchases, sales, and cash flows on a mid-month basis, while Asset Strategies accounts for transactions on the date of occurrence, b) the pricing sources used by the managers are different from the sources used by the custodian, c) managers report purchases and sales on a trade date basis, while custodial banks generally report on a settlement date basis, d) managers and custodians differ in their method and timing in accounting for accrued income.

Performance for periods greater than one year is annualized and gross-of-fees, unless stated otherwise. Prior investment results are not a guarantee of future performance.



# Southfield Fire & Police Retirement System

## Investment Policy Summary

(amended March 2014)

### Investment Objectives:

- \*To earn an average annual return of 7.75% over rolling five-year periods.
- \*To earn an average annual, real return of 3.75% after inflation over rolling five-year periods.
- \*To meet the assumed actuarial rate of return with a high-degree of probability.
- \*To rank in the 50th percentile over twelve month rolling periods and in the 40th percentile over rolling five-year periods, among public employee retirement funds.

### Managers' Objectives:

- \*To exceed their performance return standard with equal or less risk over all three-year periods.

### Asset Allocation Policy:

<u>Asset Class</u>	<u>Target</u>	<u>Ranges</u>
U.S. Equities	34%	35-70%
Non-U.S. Equities	17%	10-20%
Global Fixed Income	25%	20-50%
Real Estate	14%	0-20%
Alternative Investments	10%	0-20%
Cash Equivalents	0%	0-1%

### Equity Portfolios:

- \*No more than 5% of the portfolio may be invested in the stock of any one company.
- \*No more than 10% of the portfolio may be invested in ADRs.

### Fixed Income Portfolios:

- \*No more than 5% of the portfolio may be invested with one issuer, except for U.S. Treasury and Agency securities.
- \*No more than 15% of the portfolio in below investment grade.
- \*No more than 30% of total assets in non-U.S. dollar denominated securities. At least 75% of any non-U.S. currency exposure must be hedged. May invest beyond the 30% limit in Yankee and Euro issues.

### Other Portfolio Guidelines:

- \*Managers are expected to be fully invested at all times. However, they may raise cash if this is deemed appropriate under the circumstances.
- \*Leveraging the portfolio is prohibited.
- \*Derivative contracts only as permitted
- \*Additional investment policies and guidelines are contained in the formal Statement Investment Policies, Procedures, and Objectives.
- \*All investment managers should follow State of Michigan laws governing the investment of public retirement plan assets.

# GLOSSARY

<b>Policy Index:</b>	the expected performance result each period, calculated using the asset mix targets x the market index returns
<b>Manager Peer Group:</b>	a relative performance benchmark consisting of a group of managers with similar investment styles, philosophies, and processes
<b>Risk:</b>	the variation of a portfolio's returns around its average return over the specified period (standard deviation)
<b>Blue-Chip Stocks:</b>	generally large stable companies that have consistent earnings and usually have long-term growth potential the Dow Jones Industrial Average of 30 stocks is considered a blue chip index
<b>Cyclical Stocks:</b>	generally stocks whose prices and earnings fluctuate with the business cycle examples include automotive manufacturers, steel producers, and textile operations
<b>"Large Cap" Stocks: (Large-Capitalization)</b>	stocks of companies with a market capitalization (the total value of a company's outstanding stock) of more than \$12 billion generally stocks that make up the Dow Jones Industrial Average, the S&P 500, and the Russell 1000
<b>"Mid Cap" Stocks: (Medium-Capitalization)</b>	stocks of companies with a market capitalization (the total value of a company's outstanding stock) of between \$2 and 12 billion generally stocks that make up the S&P 400 and the Russell 2500
<b>"Small Cap" Stocks: (Small-Capitalization)</b>	stocks of companies with a market capitalization (the total value of a company's outstanding stock) of less than \$2 billion generally stocks that make up the S&P 600 and the Russell 2000
<b>Growth Stocks:</b>	stocks of companies that have experienced above-average earnings growth and are expected to continue such growth these stocks often sell at high P/E ratios ... examples include high-tech, healthcare, and financial services companies
<b>Value Stocks:</b>	stocks that are undervalued on a historical basis ... typically characterized by low P/E ratios and higher than average (dividend) yields
<u>Equity Sector Composition:</u>	
<b>Energy:</b>	energy equipment and services and oil/gas explorations, manufacture, and distribution industries
<b>Materials:</b>	chemicals, construction materials, containers & packaging, metals & mining, and paper & forest products industries
<b>Consumer Discretionary:</b>	automobiles and components, consumer durables and apparel, hotels/restaurants and leisure, media, and retail industries
<b>Consumer Staples:</b>	food and drug retailing, food/beverage and tobacco, and household/personal products industries
<b>Healthcare:</b>	healthcare equipment and services, pharmaceuticals, and biotech industries
<b>Financials:</b>	banks, diversified financials, insurance, and real estate industries
<b>Information Technology:</b>	software and services, computer hardware, and networking equipment industries
<b>Telecommunications:</b>	diversified hard-wire and wireless telecommunications and services industries
<b>Utilities:</b>	electric, gas, water, nuclear, and multi-utilities industries
<u>Fixed Income Sector Composition:</u>	
<b>Corporate:</b>	debt obligations of corporations secured by collateral and/or the creditworthiness of the issuing corporation sub-sectors include Finance, Industrial, Transportation, Utilities, CBO's, and Asset-backed
<b>Mortgage-backed:</b>	securities backed by public and private mortgage pools ... investors receive the monthly mortgage payments less any administrative fees, including interest, principal, and prepayments on the mortgage pool ... these instruments are typically issued by a federal or governmental agency
<b>Treasuries:</b>	debt obligations of the U.S. government secured by its full faith and credit issued at various schedules and maturities
<b>Maturity:</b>	date when the principal or stated value of a fixed income security becomes due and payable in full to the bondholder(s)
<b>Yield:</b>	the return to a bondholder who holds a bond security under it matures
<b>Yield-to-Maturity:</b>	the internal rate of return on a bond bought at the current price and held to maturity ... this assumes that coupon income is reinvested at the Y-t-M

## GLOSSARY (continued)

### Risk Measure and Risk Statistics Summary Exhibits:

<b>Historical Beta:</b>	a measure of the volatility of the portfolio in comparison to its benchmark ... also considered to be a measure of the systematic risk of a portfolio
<b>Historical Alpha:</b>	the excess return of the portfolio relative to the return of its benchmark (due to the manager's security and/or sector selections)
<b>R-Squared:</b>	a measure that represents the percentage of a portfolio's movement that can be explained by movement in its benchmark index
<b>Standard Deviation:</b>	a statistical measure of portfolio risk ... it reflects the average deviation of the observations from their historical mean
<b>Tracking Error:</b>	the divergence between the price behavior of the portfolio and the price behavior of its benchmark
<b>Sharpe Ratio:</b>	a risk-adjusted measure of performance ... the higher, the better the portfolio's return gained per unit of risk taken
<b>Treynor Ratio:</b>	measures the excess return per unit of systematic "market" risk taken in a portfolio
<b>Information Ratio:</b>	measures the excess return per unit of residual "non-market" (specific to the manager) risk in a portfolio
<b>Residual Risk:</b>	the unsystematic, firm-specific, or diversifiable risk of a security or portfolio
<b>Downside Risk:</b>	differentiates between "good" risk (upside volatility) and "bad" risk (downside volatility)
<b>Up Market Capture Ratio:</b>	the percentage of the total market movement achieved by the manager during a period in which the benchmark performance increases
<b>Down Market Capture Ratio:</b>	the percentage of the total market movement achieved by the manager during a period in which the benchmark performance decreases
<b>Batting Average:</b>	a measure that represents an investment manager's ability to meet or beat an index