

**SOUTHFIELD EMPLOYEE  
RETIREMENT SYSTEM  
PERFORMANCE REPORT  
PERIOD ENDING  
MARCH 31, 2015**

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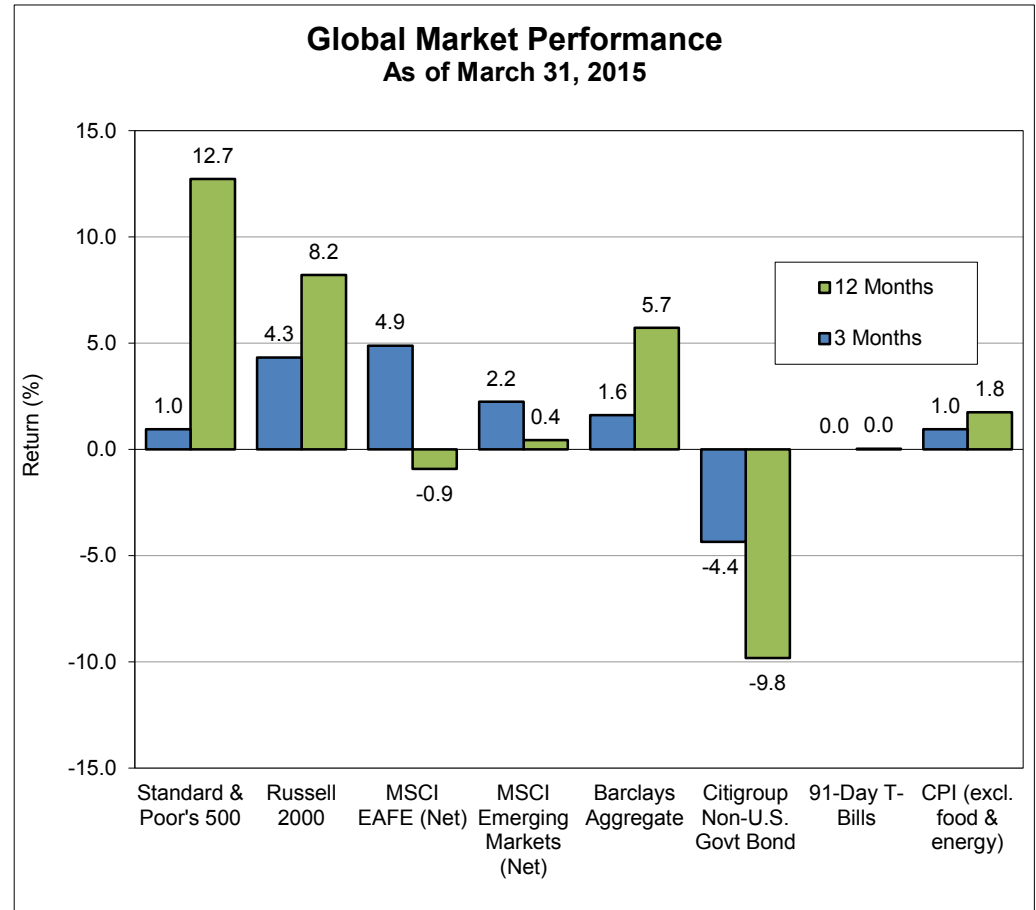
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# CAPITAL MARKET REVIEW

**Bring On The Volatility:** Global equity markets generated positive returns in what was a volatile quarter fueled by expectations surrounding central bank actions around the globe responding to economic malaise. Beset by deflationary concerns developed market countries have maintained their highly accommodative monetary policies despite talk of divergence. Coming off of weak performance in 2014 international equities led the way in the first quarter of 2015 behind renewed hope for measured success of stimulus programs undertaken in Europe and Japan. Japanese equities were among the standout performers with returns above 10%. In the U.S., comments by the Federal Reserve Chairperson after the March meeting of the Federal Open Market Committee (FOMC) created speculation about the timing of the first interest rate hike in 9 years. Consensus views among economists had the rate hike likely occurring this summer but the Fed Chair's comments, along with mixed economic data, might now be shifting the view toward the first rate hike likely occurring in the fall, which may have given a boost to equities. The S&P 500 Index, a proxy for large cap, reached new highs but still managed to trail the small cap Russell 2000 Index as earnings of large multinational companies were handicapped by the strength in the U.S. dollar. The capitulation in the timing of the U.S. rate increase may have also provided a respite from concerns surrounding the impact of increasing rates on capital flows and asset prices in emerging markets.

The continued search for selectively higher fixed income yields around the globe was once again challenging for U.S. investors as depreciating foreign currencies turned any gains in global fixed income markets into losses. Russian securities, which were in demand, were among the few exceptions to buck the trend. The U.S. fixed income market (as measured by the Barclays U.S. Aggregate Bond Index) ended the quarter in positive territory as the continued decline in yields generated moderate returns. With many sovereign 10-year bonds yielding below 1% the U.S. 10-year treasuries remained attractive hovering around 2%.



Source: Wilshire 3/31/2015

Indices are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. The inclusion of these indices is for informational purposes only and should not be used as the basis for making an investment decision.

For Institutional Investor Use Only

# U.S. EQUITY MARKET

Total Returns (%) - Periods Ending March 31, 2015				
	3 Months	1 Year	3 Years	5 Years
Standard & Poor's 500	0.95	12.73	16.11	14.47
Russell 1000	1.59	12.73	16.45	14.73
Russell 1000 Growth	3.84	16.09	16.34	15.63
Russell 1000 Value	(0.72)	9.33	16.44	13.75
Russell Midcap	3.95	13.68	18.10	16.16
Russell 2000	4.32	8.21	16.27	14.57
Russell 2000 Growth	6.63	12.06	17.74	16.58
Russell 2000 Value	1.98	4.43	14.79	12.54

S&P 500 Sector Performance				
	3 Months	1 Year	3 Years	5 Years
Energy	(2.85)	(11.11)	4.11	8.00
Materials	0.99	4.97	11.93	10.82
Industrials	(0.86)	8.73	16.65	14.51
Con. Discretionary	4.80	18.26	20.68	20.11
Con. Staples	0.99	16.53	15.74	15.00
Health Care	6.53	26.19	26.86	20.09
Financials	(2.05)	9.97	17.33	10.53
Info Technology	0.57	18.11	13.62	14.55
Telecommunications	1.54	4.09	10.55	12.75
Utilities	(5.17)	11.09	12.55	12.95

Sources: Wilshire 3/31/2015

Returns are annualized for periods greater than one year.

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**Happy Anniversary:** The S&P 500 ended the quarter up roughly 1% to mark the sixth anniversary of the current bull market. While the relatively flat return was far from stellar, especially after coming off the double digit return in 2014, it did mark the ninth consecutive quarter of positive returns. The broad index has generated a cumulative 248% return since it's low point back in March 2009. Subsequently, it's no surprise that volatility ramped up in the quarter as investors debate whether this bull market has any room left to run on the back of historically high margins and earnings in an economic environment beset with consistently slow growth and now void of quantitative easing.

Small Cap once again led the way generating a return over 4% as the strength of the U.S. dollar handicapped earnings of large and mega cap multinational companies; possibly benefitting flows into smaller cap stocks, which typically have less foreign currency exposure. Growth outperformed Value in the quarter with the Health Care sector generating good returns behind the performance of biotech stocks while Value continued to be dragged down by the weak performance of the Energy sector.

Health Care was the S&P 500 Index's standout sector for the quarter as mergers and acquisition activity heated up interest in biotech companies. The Utilities and Energy sectors were among the worst performing sectors. The potential impact of rising interest rates and lofty valuations continue to be a challenge for Utilities while the outlook for oil, amid weaker global demand, continues to facilitate downward price movement within Energy.

Looking at quality rankings, lower quality stocks outpaced higher quality stocks across all market capitalizations for the quarter, which was a reversal from 4Q14. Lower quality returns exceeded higher quality returns by an average of 1.5% across the market cap spectrum. In light of the renewed volatility the outperformance of lower quality stocks was somewhat surprising. The strong rebound in returns and risk appetite in the month of February was the likely culprit for the lower quality outperformance for the quarter.

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# U.S. FIXED INCOME MARKET

**They've Fallen and They Can't Get Up:** Longer term interest rates continued their decline in the face of mixed economic data and speculation as to when the Federal Reserve will raise the short-term Federal Funds Rate. Janet Yellen, the Federal Reserve Chair, announced in March that the Federal Open Market Committee (FOMC) removed the word "patient" in their statements regarding the potential timing of increasing rates, which led to a belief that the first interest rate hike in 9 years would occur at the FOMC's meeting in June. Ms. Yellen, however, made follow-up statements that the Fed would continue to be prudent in timing a rate increase that would primarily be dependent on economic data warranting such a rate move. Her statements appear to be facilitating the shifting of the consensus view with speculation that the rate increase may now come to pass in September rather than June. Bolstering those statements were the decline in manufacturing indexes, continued slack in labor markets (evidenced through the participation rate), and an expectation of a less than stellar GDP growth rate for the first quarter of 2015.

The treasury yield curve flattened in the quarter as yields declined across the curve. Yields were down more than 25 basis points in the middle of the curve (5 to 7 years). At quarter-end, 2-Year Treasury Notes yielded 0.56% (down 11 basis points from 12/31/14), 10-Year Treasury Bonds yielded 1.9% (down 23 basis points from 12/31/14), and 30-Year Treasury Bonds yielded 2.5% (down 21 basis points from 12/31/14).

The declining yields in treasuries generated modest returns in the quarter. The Barclays Long Government Index was again the best performing fixed income segment. Credit and mortgage returns were positive and TIPS managed to generate gains in the quarter as well despite the continuation of relatively low inflation. Within the credit sector, spreads remained flat relative to the previous quarter with the exception of single B paper, which tightened over 20 basis points.

Speculation abounds once again as to an increase in rates in 2015. But just like 2014, rates have, so far, continued their downward path. The flattening of the yield curve calls into question the pace of growth in the economy as well as inflation. Statements from the Fed, the existence of low, and in some cases even negative, yields around the globe, low inflation, and a strengthening dollar have so far combined to constrain yields in the U.S.

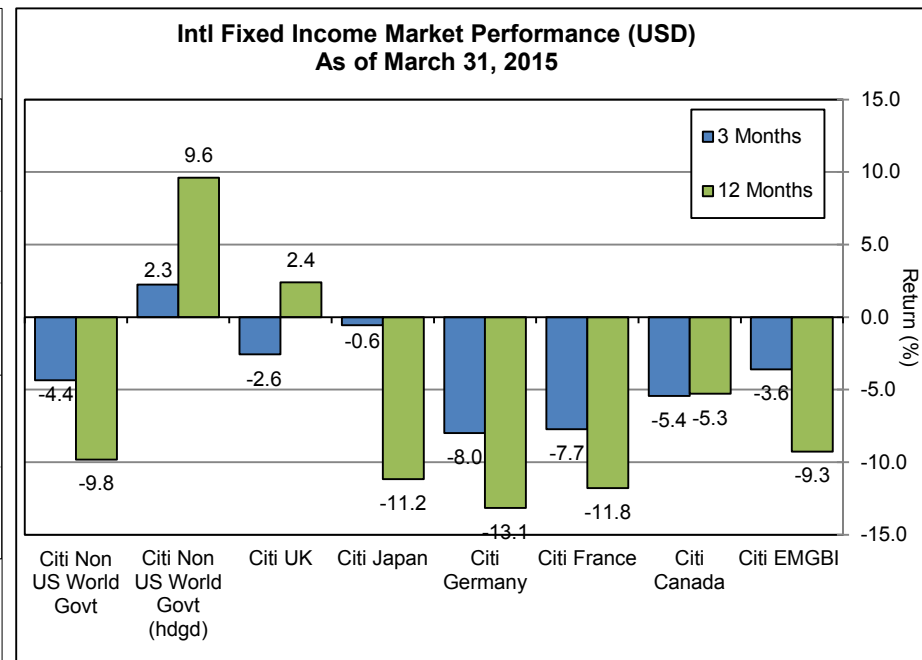
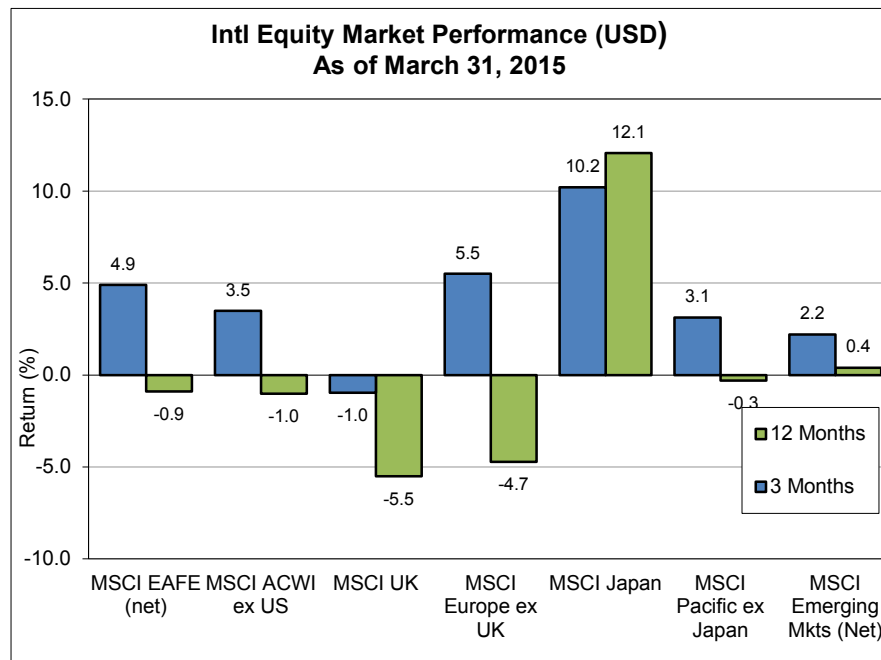
Total Returns (%) - Periods Ending March 31, 2015				
	3 Months	1 Year	3 Years	5 Years
Barclays 1-3 Yr. Govt	0.54	1.04	0.70	1.06
Barclays Intm G/C	1.45	3.58	2.31	3.52
Barclays Aggregate	1.61	5.72	3.10	4.41
Barclays G/C	1.84	5.86	3.35	4.75
Barclays Long Govt	3.89	21.03	7.60	10.49
Barclays Govt	1.60	5.22	2.32	3.80
Barclays Credit	2.16	6.74	4.88	6.23
Barclays Mortgage	1.06	5.53	2.54	3.63
Barclays High Yield	2.52	2.00	7.46	8.59
Barclays U.S TIPS	1.43	3.11	0.63	4.29
Returns are annualized for periods greater than one year.				
Credit Spreads (in basis points)				
	Dec-14	Mar-15	Change	10-Yr Avg.
Aaa	67	74	7	92
Aa	77	76	(1)	123
A	108	107	(1)	128
Baa	174	174	0	227
Ba	347	341	(6)	437
B	542	519	(23)	583
Caa	873	881	8	918
10 Year Treasury	2.17%	1.96%	-0.21%	---

Source: Barclays Capital 3/31/2015

Returns are annualized for periods greater than one year. Spreads based on yield-to-worst. Indices are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. The inclusion of these indices is for informational purposes only and should not be used as the basis for making an investment decision.

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# INTERNATIONAL MARKET



Indices are not investments, are not managed, and do not incur fees or expenses. It is not possible to invest in an index. The inclusion of these indices is for informational purposes only and should not be used as the basis for making an investment decision.

Source: MSCI, Citigroup 3/31/2015

**Stimulus, Stimulus and More Stimulus:** Developed Markets outperformed Emerging Markets, in general, in both equities and fixed income behind the monetary stimulus measures underway in Europe and Japan. Equity markets rebounded to generate solid returns but fixed income market returns were once again dragged into negative territory in U.S. dollar terms as the U.S. dollar continued to rise relative to most major currencies. The looser monetary policy expectations emanating from Europe and Japan could help to quiet fears regarding the impact of a pending increase in U.S. interest rates on capital flows within emerging markets and subsequent performance in the region.

The European Central Bank (ECB) embarked on its quantitative easing journey in March as it implemented its sovereign bond buying program. The program is scheduled to continue through September 2016 with monthly purchases of sovereign and asset-backed securities totalling \$60 billion euros per month. As was the case in the U.S., the program was implemented to kickstart the struggling economic recovery in the eurozone. The anemic global recovery has bared witness to extraordinarily low government bond yields as a slew of developed market countries have 10-year government bond yields below 1%; in Switzerland's case real yields are actually negative. In Asia, Japanese equities were the standout performer on the heels of data reflecting positive economic growth. In U.S. dollar terms, Japanese equities generated a 10% return for the quarter. The yen finished down against the dollar but inflation continued to be non-existent.

In China, the government has introduced a variety of stimulus measures over the past few months to facilitate the easing of monetary policy to stave off the continued slowdown in the pace of economic growth. The sustainability of 7% GDP growth continues to be called into question as soft global demand negatively impacts countries that are net exporters. Beyond China, the weakness in commodity prices has continued to hinder economic activity, to varying degrees, in emerging market countries.

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# DISCLOSURE

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## Definitions:

**BC (Barclays Capital) Treasury** provides a measure of riskless return.

The **Dow Jones Industrial Averages** contains the stocks of 30 companies that are all major factors in their industries, and their stocks are widely held by individuals and institutional investors. As of December 31, 2008, The Dow® represented 27% of the float-adjusted market capitalization of the Dow Jones U.S. TSM Index, which provides near complete coverage of the U.S. stock market. The DJIA serves the same purpose today for which it was created in 1896 – to provide a clear, straightforward view of the stock market and, by extension, the U.S. economy.

The **S&P 500 Index** is a capitalization weighted index of the 500 largest publicly traded companies in the US and is widely accepted as the overall market proxy. It consists of 400 industrials, 40 utilities, 20 transportation stocks and 40 financial institutions issues when totaled covers approximately 75% of the US equities market.

The **Russell 3000 Index** measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 8% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 1000 Index** is composed of the 1000 largest companies in the Russell 3000 Index, which represents approximately 92% of the total market capitalization of the Russell 3000 Index. The average capitalization was approximately \$12.1 billion; the median market capitalization was approximately \$3.8 billion. The smallest company in the index had an approximate market capitalization of \$1350.8 million.

The **Russell Midcap Index** is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P MidCap 400** provides investors with a benchmark for mid-sized companies. The index covers over 7% of the U.S. equity market, and seeks to remain an accurate measure of mid-sized companies, reflecting the risk and return characteristics of the broader mid-cap universe on an on-going basis.

The **S&P SmallCap 600** covers approximately 3% of the domestic equities market. Measuring the small cap segment of the market that is typically renowned for poor trading liquidity and financial instability, the index is designed to be an efficient portfolio of companies that meet specific inclusion criteria to ensure that they are investable and financially viable.

The **Russell 3000 Growth Index** measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 3000 Value Index** measures the performance of the broad value segment of the U.S. equity universe. It includes those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index** measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 1000 Growth Index** is composed of those stocks in the Russell 1000 Index with greater than average growth orientation. The Russell Growth Index represents the universe of stocks from which most growth style money managers typically select.

The **Russell 1000 Value Index** is composed of those stocks in the Russell 1000 Index with less than average growth orientation. The Russell Value Index represents the universe of stocks from which most value style money managers typically select.

The **Barclays U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS, and CMBS. The U.S. Aggregate rolls up into other Barclays Capital flagship indices such as the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986, with index history backfilled to January 1, 1976.

The **Barclays Govt/Credit Index** is the non-securitized component of the U.S. Aggregate Index and was the first macro index launched by Barclays Capital. The U.S. Government/Credit Index includes Treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year), government-related issues (i.e., agency, sovereign, supranational, and local authority debt), and corporates. The U.S. Government/Credit Index was launched on January 1, 1979, with index history backfilled to 1973, and is a subset of the U.S. Aggregate Index.

The **Barclays U.S. Government Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The U.S. Government Index includes Treasuries (public obligations of the U.S. Treasury that have remaining maturities of more than one year) and U.S. agency debentures (publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The U.S. Government Index is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index.

# DISCLOSURE

The **Barclays US Credit Index** comprises the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities. The US Credit Index was called the US Corporate Investment Grade Index until July 2000, when it was renamed to reflect its inclusion of both corporate and non-corporate issuers. Index history is available back to 1973. The US Credit Index is a subset of the US Government/Credit Index and the US Aggregate Index.

The **Barclays Capital U.S. MBS (Mortgage) Index** measures the performance of investment grade fixed-rate mortgage-backed pass-through securities of GNMA, FNMA, and FHLMC.

The **Barclays U.S. Corporate High-Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt. It was created in 1986, with history backfilled to July 1, 1983. The U.S. Corporate High-Yield Index is part of the U.S. Universal and Global High-Yield Indices.

The **Barclays U.S. TIPS** is a part of the Barclays Capital family of global inflation linked bond indices, the Barclays Capital US Government Inflation-linked bond index (US TIPS) measures the performance of the TIPS market. TIPS form the largest component of the Barclays Capital Global Inflation-Linked Bond Index. Inflation-linked indices include only capital indexed bonds with a remaining maturity of one year or more.

The **Barclays US Treasury 1-3yr term index™** measures the performance of short term government bonds issued the US Treasury. The index includes 2-Year and 3-Notes. Term Indices are a new concept in bond indexing developed by Barclays Capital. They have very similar yield, duration and risk/return characteristics to standard maturity based indices but are more compact and more liquid. Term indices use a standard market capitalisation weighting methodology but include only bonds near to their original term rather than selecting all bonds in a maturity range.

The **Barclays Capital Long Government/Credit Index** measures the investment return of all medium and larger public issues of U.S. Treasury, agency, investment-grade corporate, and investment-grade international dollar-denominated bonds with maturities longer than 10 years. The average maturity is approximately 20 years.

The **MSCI EAFE Index(net)** (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. As of May 27, 2010 the MSCI EAFE Index consisted of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. The index includes reinvestment of dividends, net of foreign withholding taxes.

The **MSCI ACWI ex U.S. (net)** (All Country World Index excluding the United States) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. As of May 27, 2010 the MSCI ACWI ex. US consisted of 44 country indices comprising 23 developed and 21 emerging market country indices. The developed market country indices included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. The emerging market country indices included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

The index includes reinvestment of dividends, net of foreign withholding taxes.

The **MSCI United Kingdom Index** is a free float adjusted market capitalization index that is designed to measure large and mid cap United Kingdom equity market performance. The MSCI United Kingdom Index is member of the MSCI international equity index series and represents the United Kingdom's equity portion of the global benchmark MSCI ACWI (All Country World Index) Index.

The **MSCI Europe Index (net)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. As of June 2007, the MSCI Europe Index consisted of the following 16 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom. The index includes reinvestment of dividends, net of foreign withholding taxes.

**MSCI Europe ex UK Index (net)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe excluding the United Kingdom. As of June 2007, the MSCI Europe Index consisted of the following 15 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden and Switzerland. The index includes reinvestment of dividends, net of foreign withholding taxes.

The **MSCI Pacific Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in the Pacific region. As of June 2007, the MSCI Pacific Index consisted of the following 5 Developed Market countries: Australia, Hong Kong, Japan, New Zealand, and Singapore

**MSCI Pacific ex Japan Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the Far East, excluding Japan. As of March 2008 the MSCI Pacific ex Japan Index consisted of the following 9 developed and emerging market country indices: China, Hong Kong, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan, and Thailand.

The **MSCI Japan Index** is a free float adjusted market capitalization index that is designed to measure large and mid cap Japanese equity market performance. The MSCI Japan Index is member of the MSCI international equity index series and represents the Japanese equity portion of the global benchmark MSCI ACWI (All Country World Index) Index.

The **MSCI Emerging Markets Index (net)** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of May 27, 2010 the MSCI Emerging Markets Index consisted of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. The index includes reinvestment of dividends, net of foreign withholding taxes.

The **Citigroup World Government Bond Ex-US Index** measures the performance of developed countries' global fixed-income markets invested in debt issues of non-US governmental entities. The World Government Bond Index (WGBI) includes the 23 government bond markets of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Malaysia, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States prior to its exclusion.

**Citigroup World Government Bond Ex-US Index hedged** measures the performance of **The Citigroup World Government Bond Ex-US Index** and computing the monthly currency-hedged return by using a rolling one-month forward exchange contract as a hedging instrument.

**Citigroup UK Bond Index** includes the government bond markets of the United Kingdom and satisfies size, credit, and barriers-to-entry requirements.

**Citigroup Japan Bond Index** consists of the government bond market of Japan and satisfies size, credit, and barriers-to-entry requirements.

**Citigroup Germany Bond Index** consists of the government bond market of Germany and satisfies size, credit, and barriers-to-entry requirements.

**Citigroup France Bond Index** consists of the government bond market of France and satisfies size, credit, and barriers-to-entry requirements.

*Gray and Company - Capital Markets Review*

*March 31, 2015*

# DISCLOSURE

The **FTSE NAREIT US Real Estate Index** is calculated by FTSE International Limited (FTSE).

The **NCREIF Property Index** reports quarterly and annual returns consisting of income and appreciation components. The index is based on data collected from the voting members of NCREIF. Specific property-type indices include apartment, office, retail, R&D/Office and Warehouse.

**91-Day T-Bills** provide a measure of riskless return.

**Consumer Price Index** is a government-issued index of the retail prices of basic household goods and services.

**Producer Price Index** is an index maintained by the U.S. Bureau of Labor Statistics that tracks the price of wholesale goods and commodities.

The **Dow Jones UBS Commodity Index** measures collateralized returns from a diversified basket of 19 commodity futures contracts from sectors spanning energy, precious metals, industrial metals, grains and livestock.

Moody's Long-Term Obligation Ratings:

**Aaa** Obligations rated **Aaa** are judged to be of the highest quality, with minimal credit risk.

**Aa** Obligations rated **Aa** are judged to be of high quality and are subject to very low credit risk.

**A** Obligations rated **A** are considered upper-medium grade and are subject to low credit risk.

**Baa** Obligations rated **Baa** are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.

**Ba** Obligations rated **Ba** are judged to have speculative elements and are subject to substantial credit risk.

**B** Obligations rated **B** are considered speculative and are subject to high credit risk.

**Caa** Obligations rated **Caa** are judged to be of poor standing and are subject to very high credit risk.

**Ca** Obligations rated **Ca** are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

**C** Obligations rated **C** are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

**Standard Deviation** is often used by investors to measure the risk of a stock or a stock portfolio. The basic idea is that the standard deviation is a measure of volatility: the more a stock's returns vary from the stock's average return, the more volatile the stock.

**Treasuries:** Treasury Securities are debt financed securities issued by the U.S. government. There are three primary types of treasury securities. They are Treasury Bills, Treasury Notes and Treasury Bonds. Treasury Bills (a.k.a. T-bill) mature in one year or less. Treasury Bills are commonly issued with maturities dates of 91 days, 6 months, or 1 year. **91-Day T-Bills** provide a measure of riskless return. Treasury Notes (a.k.a. T-Note) mature between one and ten years. Treasury notes are commonly issued with maturities dates of 2, 3, 5 or 7 years. Treasury Bonds (a.k.a. T-Bond) are commonly issued with maturity dates of ten and thirty years.

The **federal funds target rate** is determined by a meeting of the members of the Federal Open Market Committee. The **federal funds rate** is the interest rate at which private depository institutions (mostly banks) lend balances (federal funds) at the Federal Reserve to other depository institutions, usually overnight. It is the interest rate banks charge each other for loans.

The **European Central Bank** (ECB) is the institution of the European Union (EU) which administers the monetary policy of the 17 EU Eurozone member states. It is thus one of the world's most important central banks. The bank was established by the Treaty of Amsterdam in 1998, and is headquartered in Frankfurt, Germany.

The **eurozone**, officially the **euro area**, is an economic and monetary union (EMU) of 17 European Union (EU) member states that have adopted the euro currency as their sole legal tender. It currently consists of Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain.

The **euro** (sign: €) is the official currency of the eurozone.

The **pound sterling** (sign: £), commonly called the **pound**, is the official currency of the United Kingdom.

## PORTFOLIO EVALUATION

- ♦ The Fund's total market value as of March 31, 2015 was \$116.86 million.
- ♦ The Fund returned 2.88% for the current quarter, and returned 5.91% for the last twelve months.

## INVESTMENT POLICY AND OBJECTIVES

- ♦ Provide a reasonably stable source of income sufficient to meet the benefit payments, spending needs and requirements of the Retirement System.
- ♦ Achieve the highest rate of total return possible within reasonable levels of risk and liquidity.
- ♦ Promote long term real growth of corpus.
- ♦ Preserve the purchasing power of Retirement System assets.

## PLAN RECONCILIATION

	<u>Current Quarter</u>
<b><u>Beginning Market Value</u></b>	<b>\$ 112,593,457</b>
Cash Flow In	1,811,424
Intrafund Transfer	
Cash Flow Out	(914,542)
<b>Net Cash Flow</b>	<b>896,882</b>
 <b>Investment Performance</b>	
Income	374,385
Asset Value Changes	3,001,261
<b>Gross Performance</b>	<b>3,375,646</b>
 <b><u>Ending Market Value</u></b>	<b><u>\$ 116,865,985</u></b>

## ACTION

♦

# Southfield Employee Retirement System

## Executive Summary Table

### Periods Ending March 31, 2015

FYTD - 6/30/14

Name	Value \$(000)	% of Fund	Periods Ending 3/31/15						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Total Fund	116,866	100.0	2.88	2.27	5.91	11.99	12.58	9.14	8.73
Policy Index			3.02	4.40	7.96	11.10	10.85	8.05	7.67
Domestic Equity Composite	64,491	55.2	2.97	3.69	8.24	16.18	15.95	9.98	9.54
Custom Equity Index			3.29	7.06	11.40	16.51	14.96	10.35	8.72
International Equity Composite	20,272	17.3	5.07	-3.36	0.67	9.94	6.57	1.88	
MSCI EAFE (Net)			4.88	-4.81	-0.92	9.02	6.16	1.55	
Fixed Income Composite	15,891	13.6	1.80	2.99	5.39	3.68	4.75	5.60	5.68
Barclays U.S. Aggregate			1.61	3.60	5.72	3.10	4.41	4.69	4.93
Real Estate Composite	8,491	7.3	1.30	6.83	8.99	7.23			
NCREIF Prop Index			3.57	9.53	12.71	11.46			
Timber Composite	2,868	2.5	0.73	0.66	-0.51				
NCREIF Timberland Index			1.75	9.46	10.64				
Cash Composite	4,853	4.2	0.18	0.36	0.84	0.36	0.26	0.43	1.52
91-Day Treasury Bill			0.00	0.02	0.03	0.07	0.09	0.26	1.48

# Southfield Employee Retirement System

## Executive Summary Table

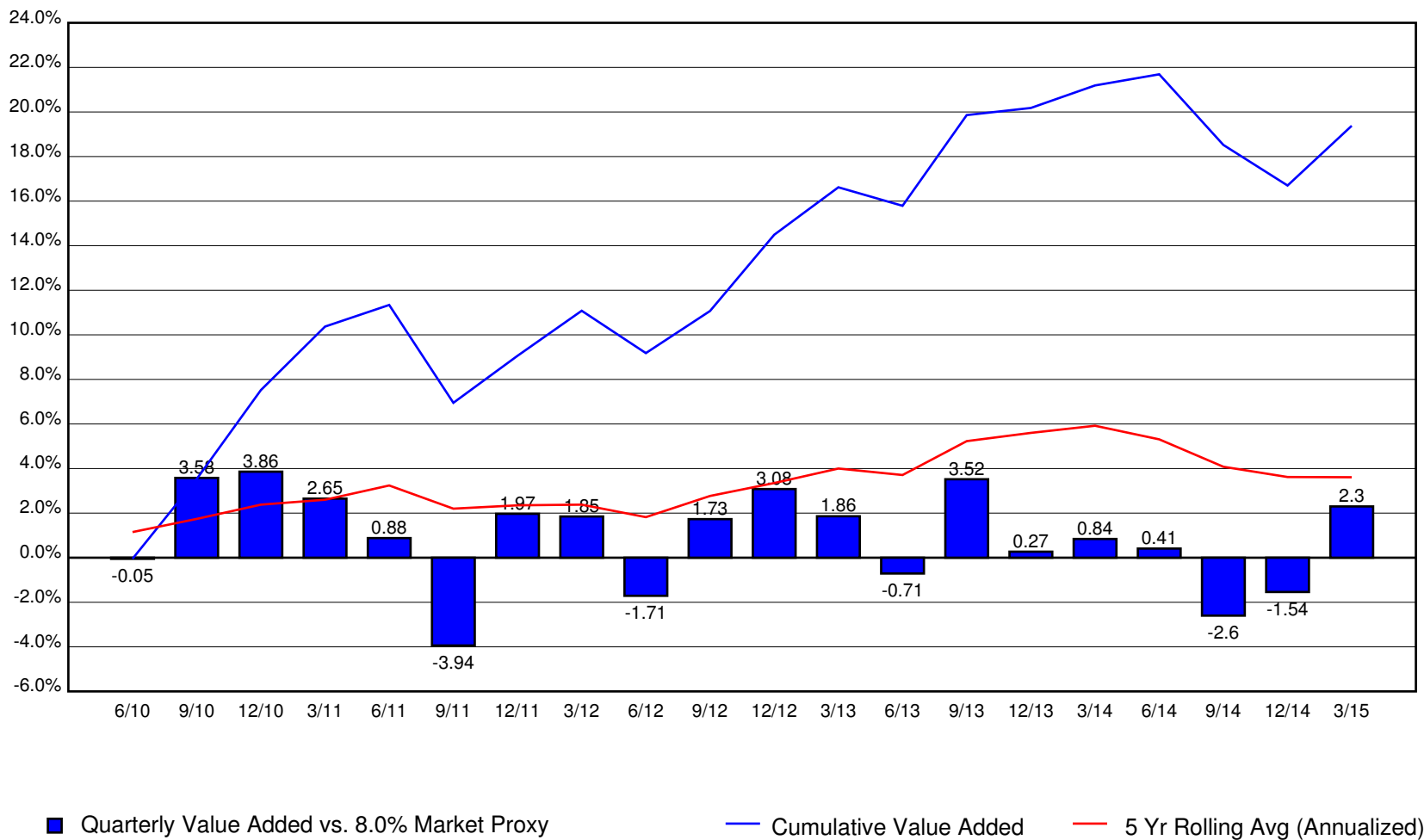
### Periods Ending March 31, 2015

Name	Value \$(000)	Periods Ending 3/31/15						
		Cur Qtr	1 Year	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Domestic Equity Composite	64,491	2.97	8.24	15.65	16.18	15.95	9.98	9.54
Custom Equity Index		3.29	11.40	16.84	16.51	14.96	10.35	8.72
World Asset Large Cap	27,596	0.97	12.74	17.14	16.12	14.50	8.98	
Standard & Poors 500		0.95	12.74	17.21	16.12	14.46	8.95	
Victory Capital Mid Cap	21,544	6.32	16.01	18.76	17.92	17.00	10.63	
S&P Midcap 400		5.31	12.19	16.63	17.03	15.72	11.75	
SouthernSun Small Cap	15,350	2.11	-7.11	9.26	13.59	18.67	13.39	
Russell 2000		4.32	8.21	16.25	16.27	14.56	10.47	
International Equity Composite	20,272	5.07	0.67	9.58	9.94	6.57	1.88	
MSCI EAFE (Net)		4.88	-0.92	7.93	9.02	6.16	1.55	
LSV Intl Equity	11,205	5.27	-2.11	9.23	10.45	6.90	2.11	
MSCI EAFE (Net)		4.88	-0.92	7.93	9.02	6.16	1.55	
WCM Focused Growth International	9,067	4.83	4.32	10.04	9.56			
MSCI EAFE (Net)		4.88	-0.92	7.93	9.02			
Fixed Income Composite	15,891	1.80	5.39	2.98	3.68	4.75	5.60	5.68
Barclays U.S. Aggregate		1.61	5.72	2.77	3.10	4.41	4.69	4.93
Pacific Fixed Income	15,891	1.80	5.66	2.93	3.45	4.46	5.16	5.37
Barclays US Aggregate		1.61	5.72	2.77	3.10	4.41	4.69	4.93

Southfield Employee Retirement System  
Executive Summary Table  
Periods Ending March 31, 2015

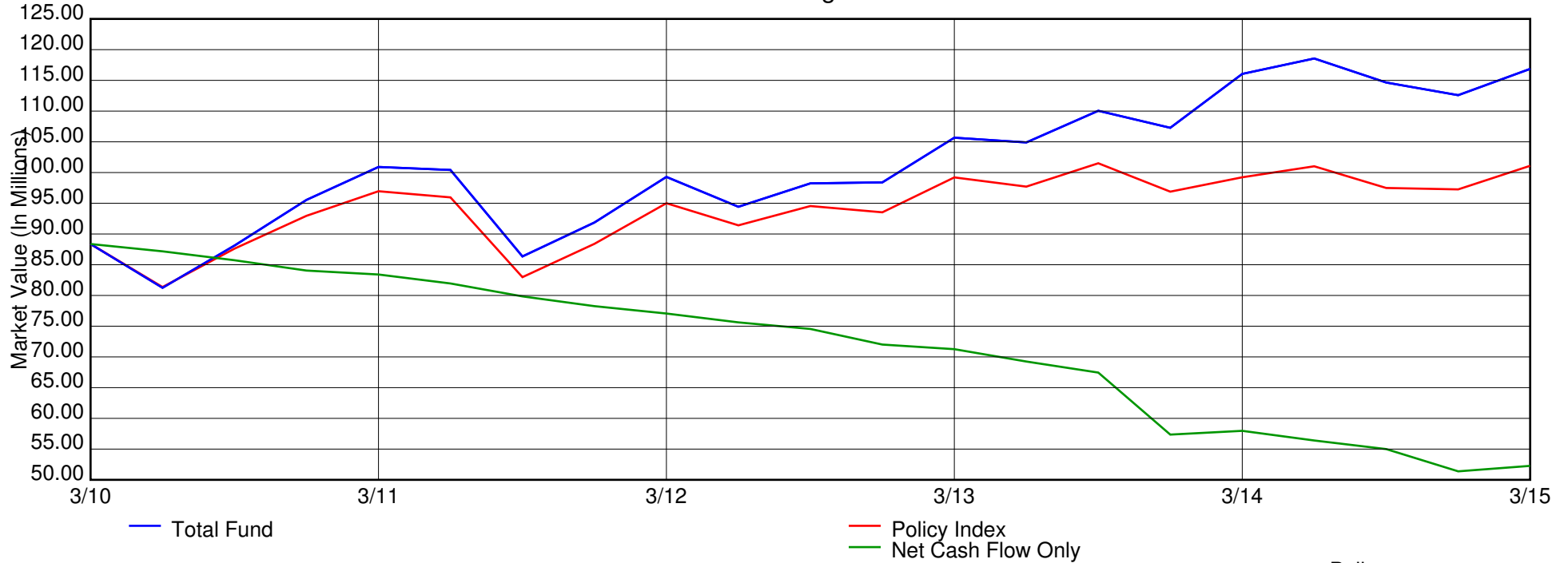
Name	Value \$(000)	Periods Ending 3/31/15						
		Cur Qtr	1 Year	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Real Estate Composite	8,491	1.30	8.99	10.21	7.23			
NCREIF Prop Index		3.57	12.71	11.94	11.46			
AEW Capital Management	5,038	2.24	10.04	11.79				
NCREIF ODCE Fund Index		3.39	13.45	13.61				
Bloomfield Capital Income Fund II	2,199							
NCREIF Prop Index								
Metropolitan Real Estate Fund	1,255	0.00	14.77	9.57	6.78			
NCREIF Prop Index		3.57	12.71	11.94	11.46			
Timber Composite	2,868	0.73	-0.51	5.45				
NCREIF Timberland Index		1.75	10.64	10.21				
RMK Timberland U.S. Fund	1,953	1.21	4.57	9.18				
NCREIF Timberland Index		1.75	10.64	10.21				
RMK Timberland Int'l Fund	915	0.00	-7.31	-4.30				
NCREIF Timberland Index		1.75	10.64	10.21				
Cash Composite	4,853	0.18	0.84	0.48	0.36	0.26	0.43	1.52
91-Day Treasury Bill		0.00	0.03	0.05	0.07	0.09	0.26	1.48
Cash Account	4,853	0.18	0.84	0.48	0.36	0.26	0.43	1.52
91-Day Treasury Bill		0.00	0.03	0.05	0.07	0.09	0.26	1.48

# Southfield Employee Retirement System Value Added Analysis Total Fund 5 Years Ending 3/15



# Southfield Employee Retirement System Sources of Portfolio Growth Total Fund

3/10 through 3/15



Period Ending	Beginning Value \$(000)	Net Cash Flow	Investment Increment	Ending Value \$(000)	Return	Unit Value	Policy Index Return
3/10				88,371		100.00	
6/10	88,371	-1,194	-5,925	81,252	-6.79	93.21	-6.62
9/10	81,252	-1,444	8,314	88,122	10.49	102.99	9.53
12/10	88,122	-1,686	9,117	95,554	10.60	113.90	8.10
3/11	95,554	-639	5,993	100,908	6.33	121.11	5.01
6/11	100,908	-1,461	974	100,421	0.96	122.27	0.48
9/11	100,421	-2,095	-11,971	86,355	-11.95	107.66	-11.47
12/11	86,355	-1,595	7,107	91,867	9.24	117.61	8.54

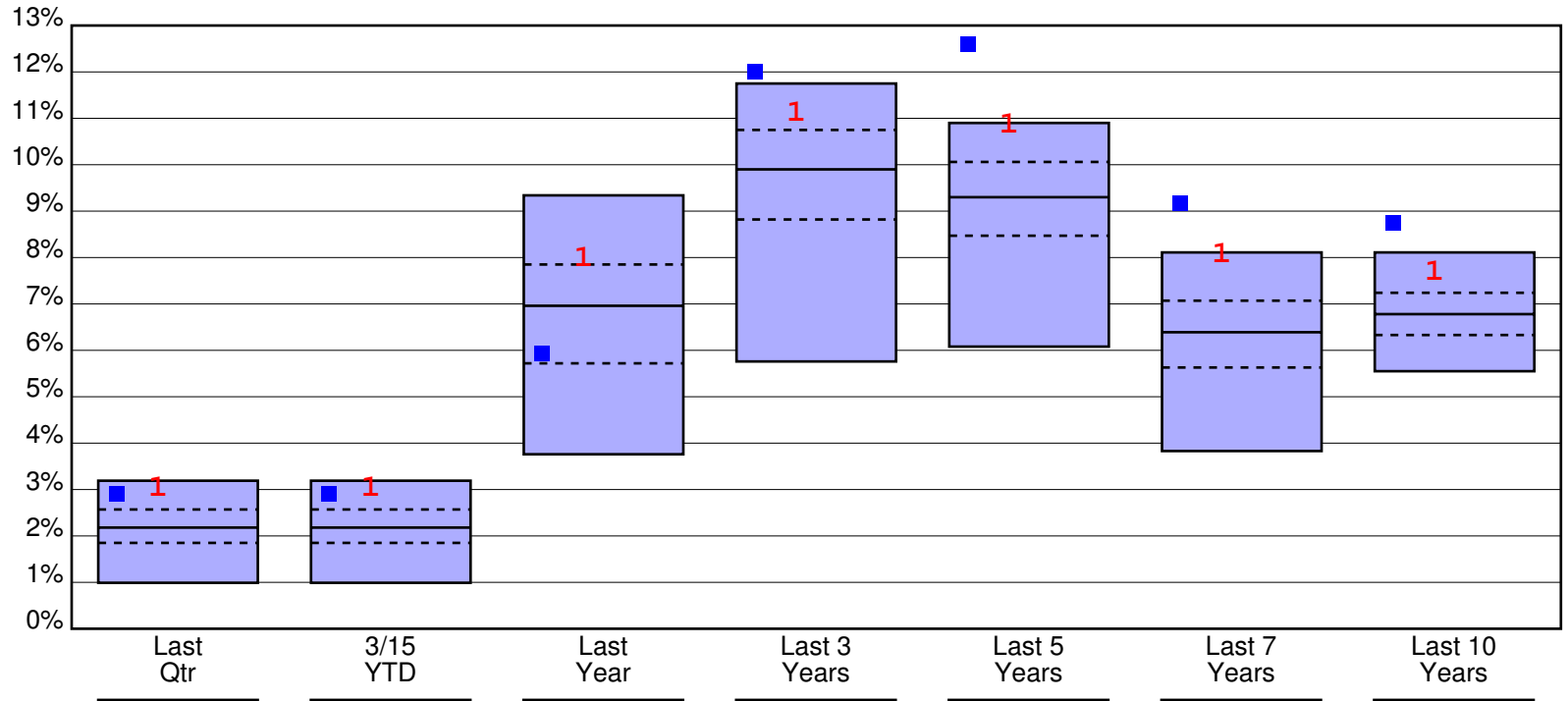
# Southfield Employee Retirement System

## Sources of Portfolio Growth

### Total Fund

Period Ending	Beginning Value \$(000)	Net Cash Flow	Investment Increment	Ending Value \$(000)	Return	Unit Value	Policy Index Return
3/12	91,867	-1,200	8,625	99,291	9.47	128.74	8.89
6/12	99,291	-1,441	-3,419	94,430	-3.31	124.48	-2.29
9/12	94,430	-1,069	4,874	98,236	5.21	130.97	4.63
12/12	98,236	-2,535	2,700	98,402	2.84	134.69	1.62
3/13	98,402	-756	8,020	105,666	8.28	145.83	6.92
6/13	105,666	-2,011	1,246	104,902	1.02	147.32	0.52
9/13	104,902	-1,794	6,945	110,053	6.75	157.26	5.78
12/13	110,053	-10,095	7,323	107,281	6.53	167.53	5.67
3/14	107,281	612	8,161	116,055	1.92	170.74	1.78
6/14	116,055	-1,566	4,076	118,564	3.56	176.81	3.41
9/14	118,564	-1,401	-2,512	114,651	-1.94	173.38	-2.12
12/14	114,651	-3,623	1,566	112,593	1.38	175.77	3.54
3/15	112,593	897	3,376	116,866	2.88	180.83	3.02
Total	88,371	-36,097	64,591	116,866	80.83	180.83	67.38

# Southfield Employee Retirement System Cumulative Performance Comparison Total Returns of Total Fund Public Sponsors Periods Ending 3/15



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

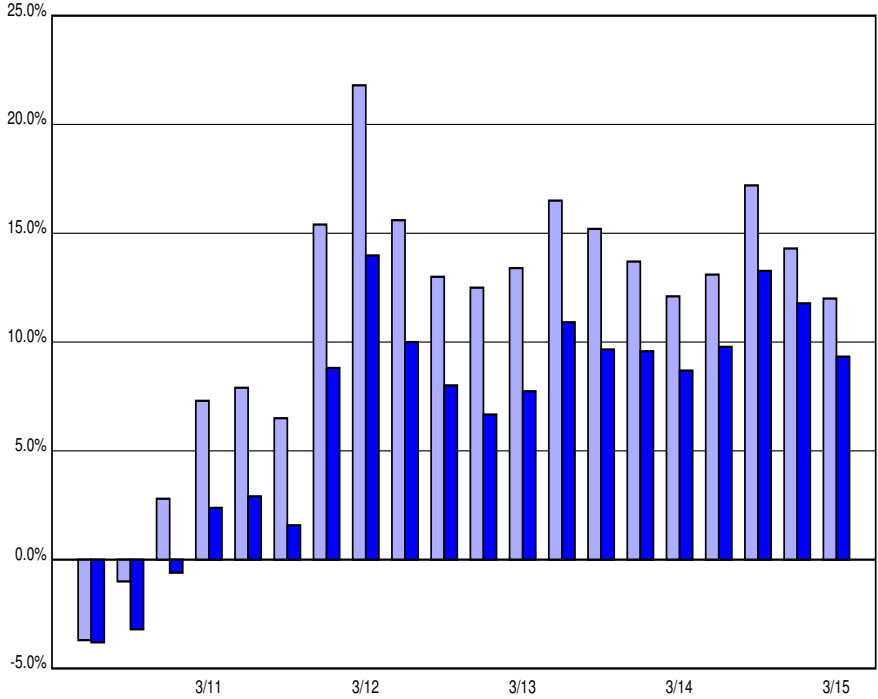
■ Total Fund  
1 Policy Index

	Last Qtr	3/15 YTD	Last Year	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
5th Percentile	3.19	3.19	9.34	11.75	10.90	8.11	8.11
25th Percentile	2.57	2.57	7.85	10.75	10.06	7.07	7.24
Median	2.18	2.18	6.96	9.90	9.30	6.39	6.78
75th Percentile	1.85	1.85	5.72	8.82	8.47	5.63	6.33
95th Percentile	0.99	0.99	3.76	5.76	6.08	3.83	5.55
Total Fund	2.88 (13)	2.88 (13)	5.91 (73)	11.99 (1)	12.58 (1)	9.14 (1)	8.73 (1)
Policy Index	3.02 (9)	3.02 (9)	7.96 (22)	11.10 (18)	10.85 (5)	8.05 (5)	7.67 (15)

# Southfield Employee Retirement System

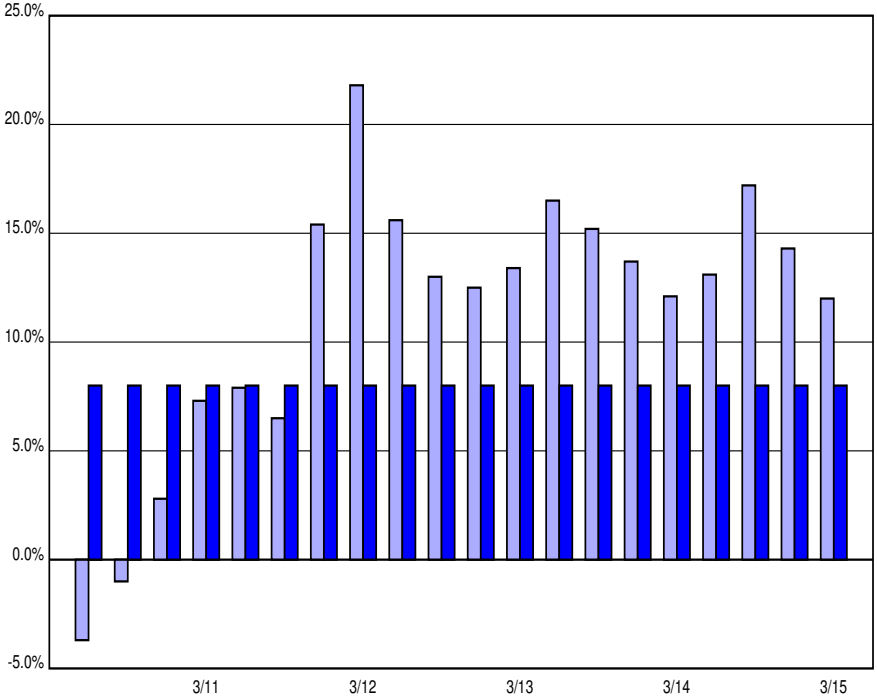
## March 31, 2015

Total Fund  
Performance Consistency  
3-Yr Rolling Periods



■ Total Return      ■ 8.0% Market Proxy

Total Fund  
Performance Consistency  
3-Yr Rolling Periods

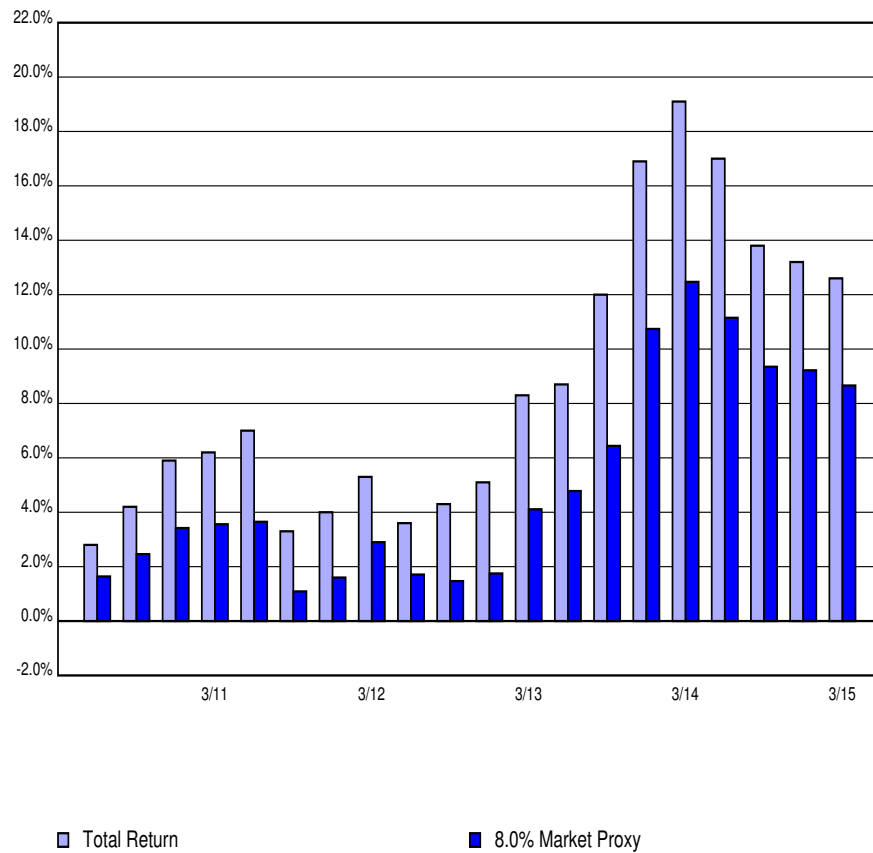


■ Total Return      ■ 8.0% Target Rate of Return

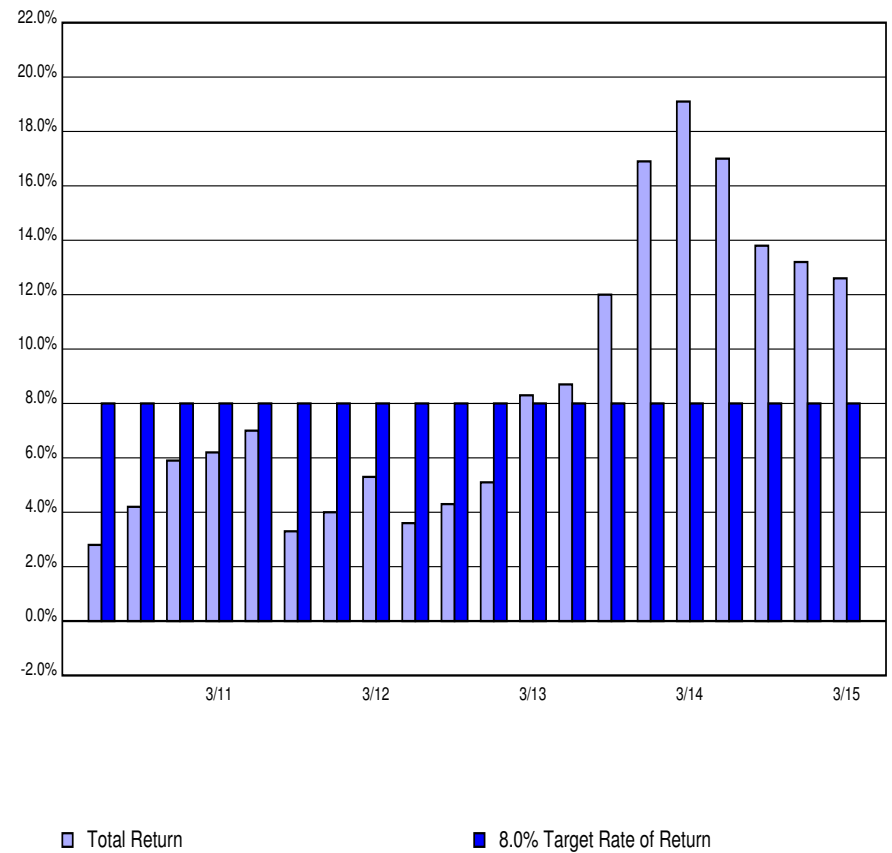
# Southfield Employee Retirement System

## March 31, 2015

Total Fund  
Performance Consistency  
5-Yr Rolling Periods



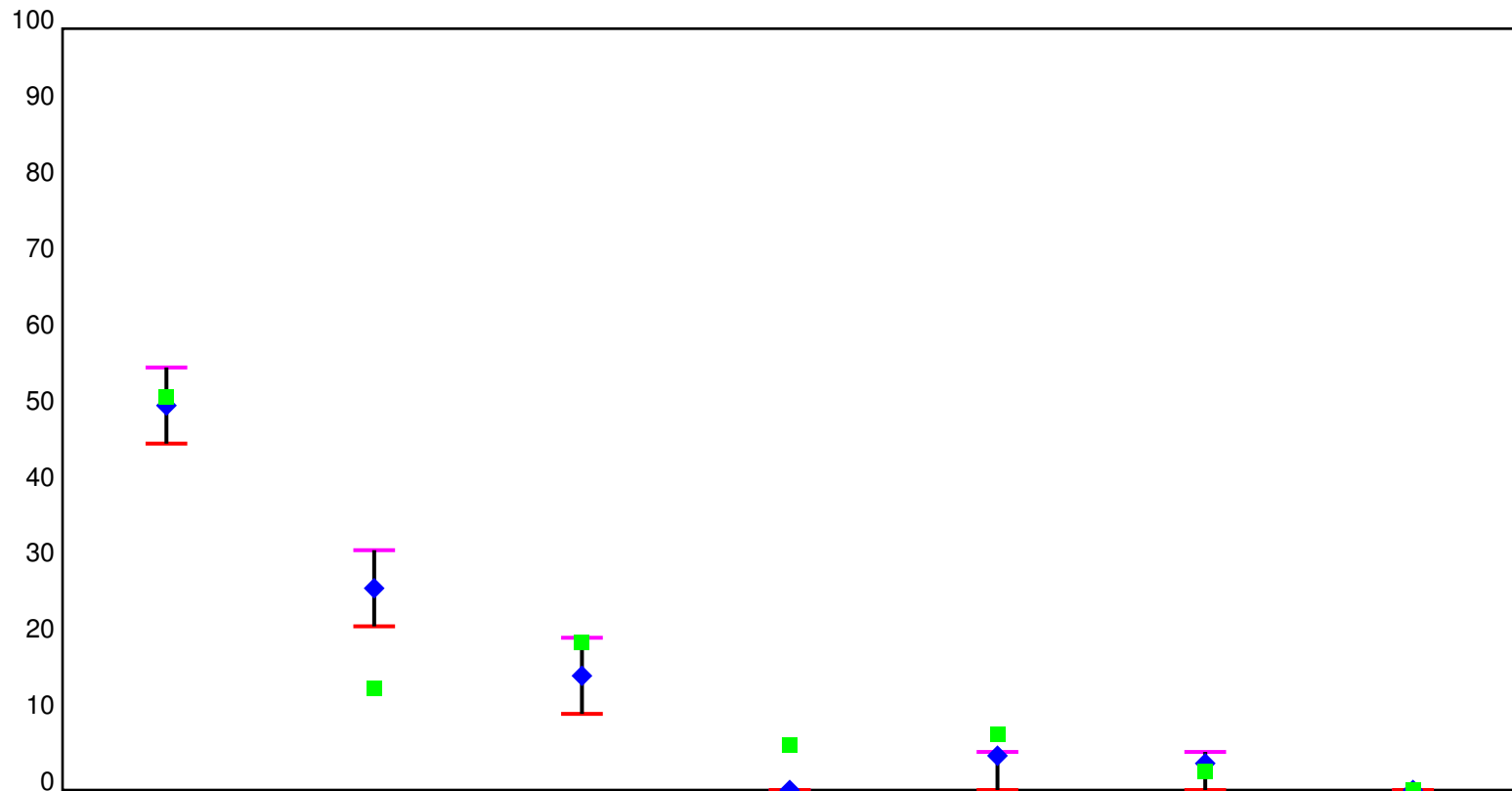
Total Fund  
Performance Consistency  
5-Yr Rolling Periods



# Southfield Employee Retirement System

## Asset Allocation vs Policy Graph

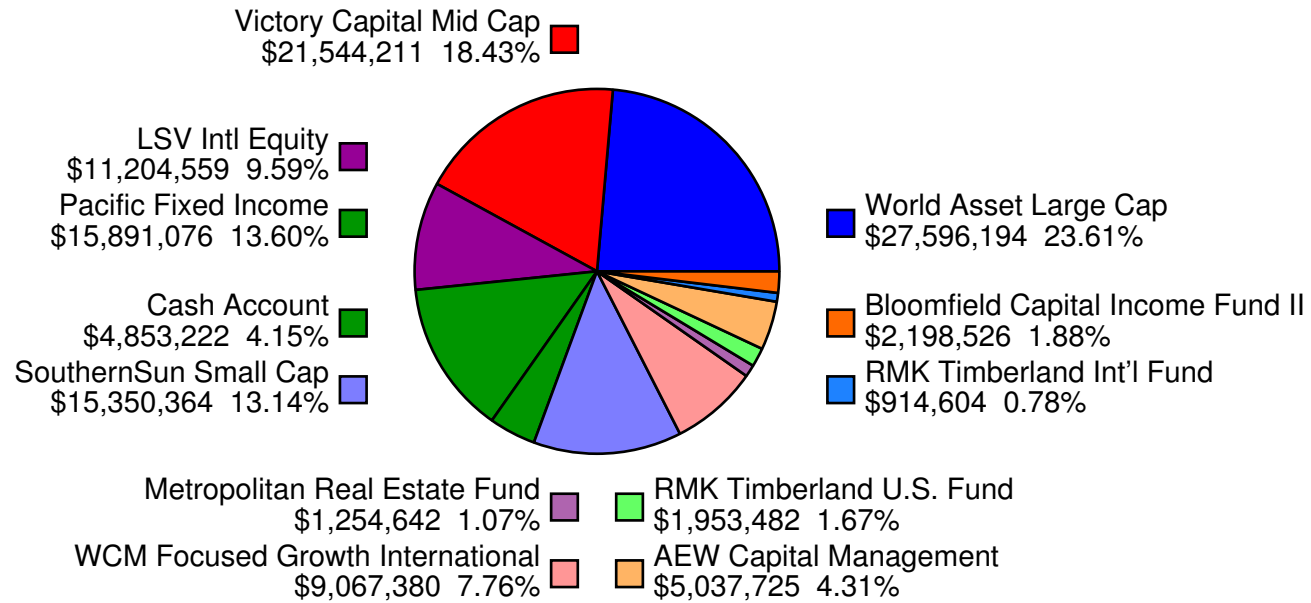
Total Fund  
As of March 31, 2015



Legend	Domestic Equities	Domestic Fixed	International Equities	Cash	Real Estate	Special Investments	Other
Policy	50.5	26.5	15.0	0.0	4.5	3.5	0.0
Min	45.5	21.5	10.0	0.0	0.0	0.0	0.0
Max	55.5	31.5	20.0	0.0	5.0	5.0	0.0
Actual	51.6	13.3	19.3	6.0	7.3	2.5	0.0

# Southfield Employee Retirement System Total Fund Allocation By Manager Total Fund

March 31, 2015      \$116,865,985



## MARKET SECTOR DIVERSIFICATION

		<u>EQUITIES</u>		
		<i>Style</i>		
		Growth	Core	Value
<b>C A P I T A L I Z A T I O N</b>	<b>Domestic</b>	<b>Large</b>	WAM	
		<b>Medium</b>	Munder	
		<b>Small</b>	Southernsun	
		<b>Venture Capital</b>		
<b>International</b>		<b>Large</b>	LSV WCM	
		<b>Small</b>		
		<b>Direct Real Estate</b>	Metropolitan AEW	Bloom field
		<b>Timberland</b>	RMK Global RMK Global FIS	

		<u>FIXED INCOME</u>		
		<i>Style</i>		
		Rate	Maturity Differential	Core Sector Allocation
<b>Domestic</b>	<b>U.S. Gov't</b>			Pacific
	<b>Mortgage</b>			Pacific
	<b>Asset Backed</b>			Pacific
	<b>Corporate</b>			Pacific
	<b>Foreign / Yankee</b>			
	<b>High Yield</b>			MacKay
		<b>Gov't</b>		
		<b>Corporate</b>		

# Southfield Employee Retirement System

## March 31, 2015

Performance Summary Table  
Periods Ending 3/31/15

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
World Asset Large Cap							
Total Return	0.97	5.94	12.74	17.14	16.12	14.50	
Total Return (Net of Fees)	0.95	5.89	12.65	17.04	16.02	14.43	
Standard & Poors 500	0.95	5.93	12.74	17.21	16.12	14.46	
Variance	0.02	0.01	0.00	-0.08	0.00	0.03	

### WORLD ASSET MANAGEMENT

#### S&P 500 Index Fund

#### Commingled Fund

#### OBJECTIVE

Replicate the return of the S&P 500 Index.

#### STRATEGY

The manager attempts to hold an index weight in each all of the securities of the underlying index (WAM cannot invest in Comerica).

The S&P 500 is comprised of large cap stocks as selected by Standard & Poors.

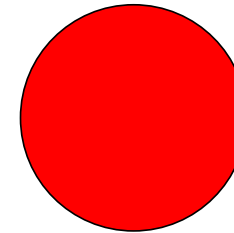
#### FEE SCHEDULE:

10 bps on the first \$5M  
8 bps on the next \$20M  
6 bps on the next \$25M

### Asset Allocation World Asset Large Cap

March 31, 2015 \$27,596,194

Domestic Equity  
\$27,596,194 100.00%



### CONCLUSIONS/RECOMMENDATIONS

World Asset Management S&P 500 Index Fund performed in line with the S&P 500 Index, during the 1st Quarter 2015, placing them in the 62nd percentile of the Large Cap Core Universe.

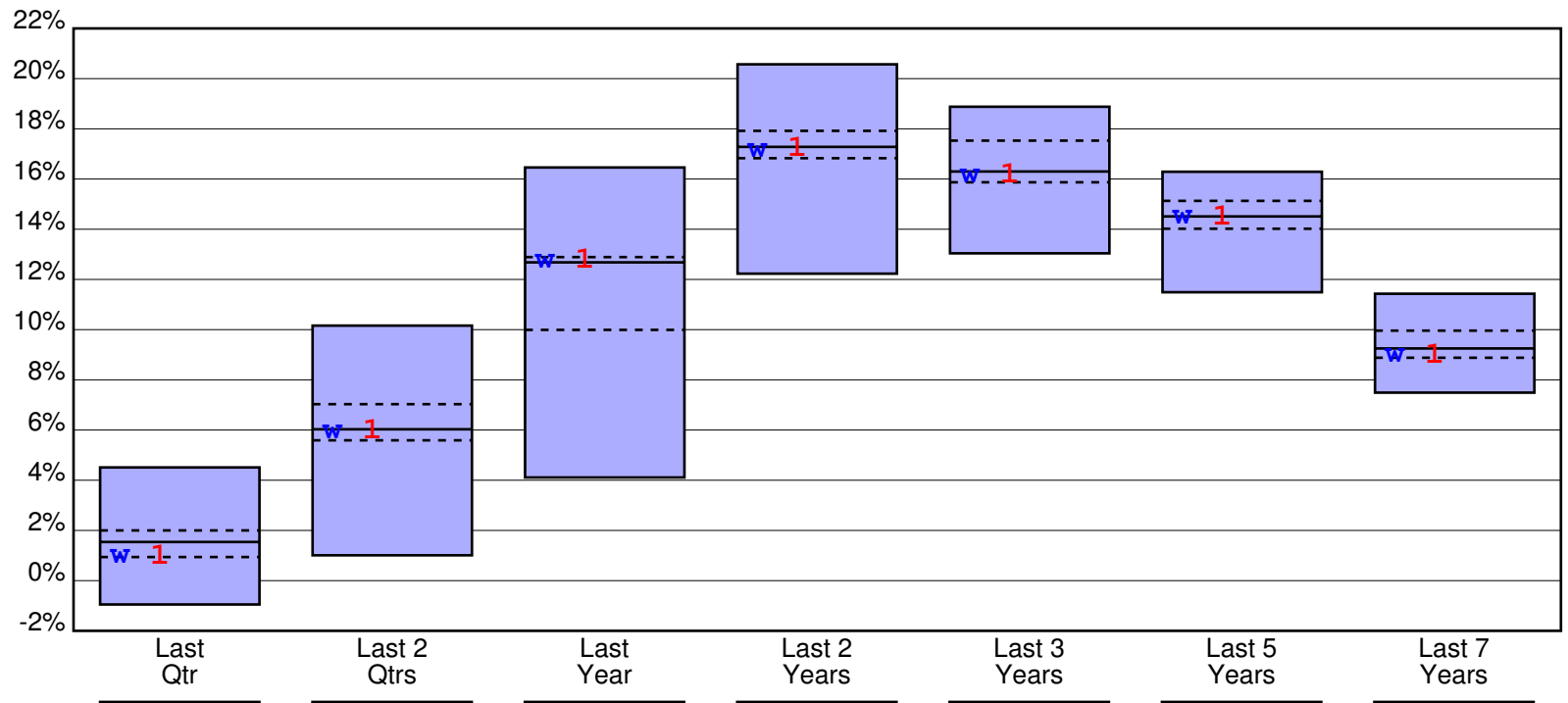
Over the longer 5-yr period, the manager has out performed the S&P 500 Index and placed in the 53rd percentile of their peer group.

# Southfield Employee Retirement System

## Large Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 3/15



5th Percentile	4.51	10.16	16.46	20.57	18.88	16.29	11.43
25th Percentile	2.00	7.03	12.89	17.92	17.53	15.13	9.96
Median	1.54	6.03	12.68	17.28	16.30	14.51	9.25
75th Percentile	0.94	5.59	9.99	16.83	15.87	14.02	8.88
95th Percentile	-0.95	1.01	4.11	12.23	13.04	11.49	7.49
<b>w</b> World Asset Large Cap	0.97 (62)	5.94 (59)	12.74 (39)	17.14 (70)	16.12 (62)	14.50 (53)	8.98 (70)
<b>1</b> Standard & Poors 500	0.95 (71)	5.93 (61)	12.74 (39)	17.21 (58)	16.12 (62)	14.46 (61)	8.95 (71)

# Southfield Employee Retirement System

## March 31, 2015

Performance Summary Table  
Periods Ending 3/31/15

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Victory Capital Mid Cap							
Total Return	6.32	12.68	16.01	18.76	17.92	17.00	
Total Return (Net of Fees)	6.12	12.26	15.15	17.89	17.05	16.14	
S&P Midcap 400	5.31	12.00	12.19	16.63	17.03	15.72	
Variance	1.01	0.68	3.82	2.12	0.89	1.28	

### VICTORY CAPITAL MANAGEMENT Mid-Capitalization Core Growth Separately Managed Account

#### OBJECTIVE

Out perform the S&P MidCap 400 Index and rank in the top 50% of the mid cap neutral universe over a full market cycle (approximately 5 years).

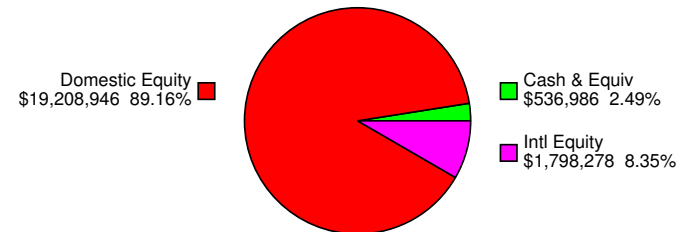
#### STRATEGY

The manager utilizes multi-factor screens to identify companies with attracted earnings growth, capital efficiency, and valuation characteristics. The manager employs fundamental research to assess a company's business model, competitive advantages, and corporate management. Securities are evaluated for relative valuation, technical analysis, sentiment, and other key drives.

#### FEE SCHEDULE:

75 bps on the first \$25M  
65 bps on the next \$25M  
55 bps on the next \$50M  
45 bps over \$100M

Asset Allocation  
Victory Capital Mid Cap  
March 31, 2015 \$21,544,211



#### CONCLUSIONS/RECOMMENDATIONS

Victory Mid Cap Core Growth out performed the S&P Midcap 400 Index by 101 bps during the 1st Quarter 2015, placing them in the 9th percentile of the Mid Cap Core Universe.

Over the longer 5-year time period the manager has out performed the S&P Midcap 400 Index and has placed in the 14th percentile of their peer group.

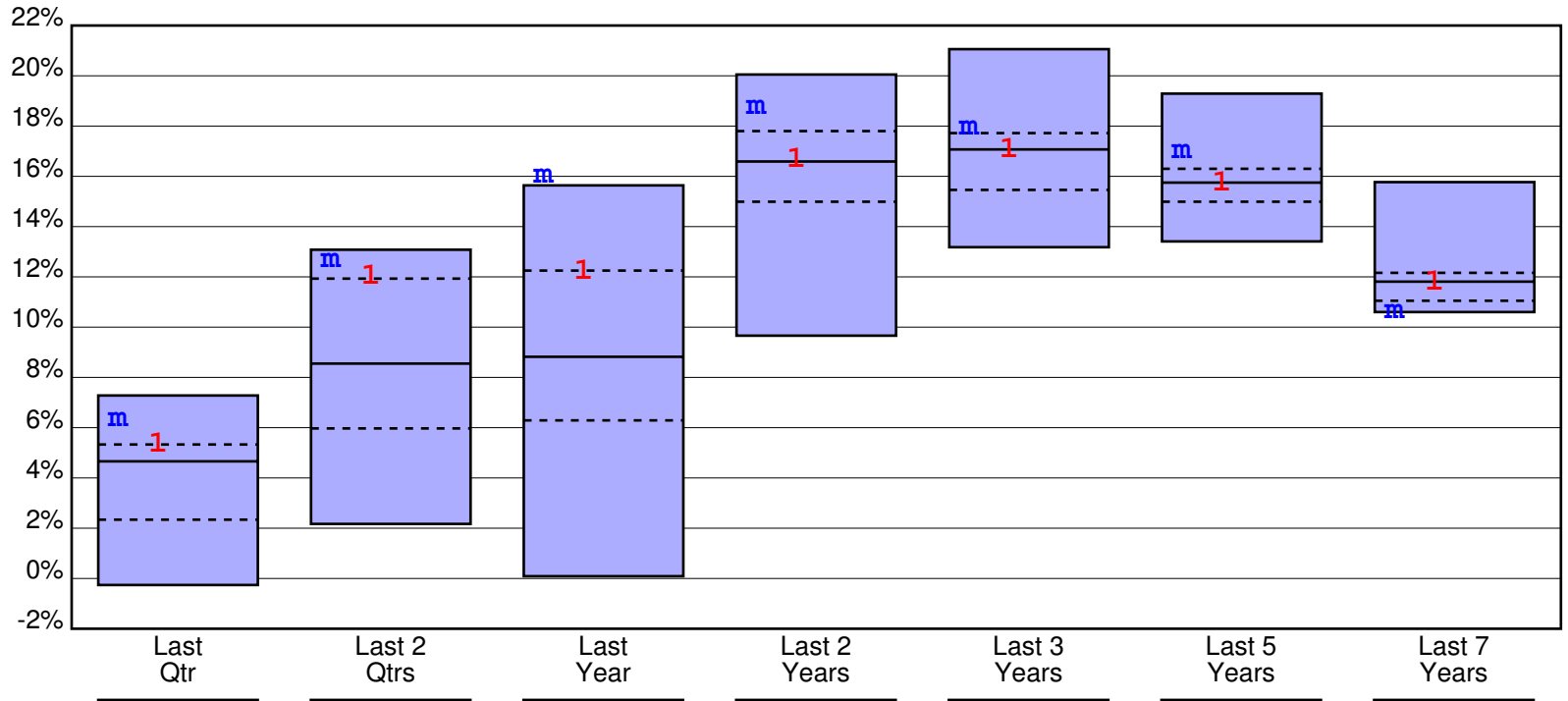
**\*Munder was acquired by Victory.**

# Southfield Employee Retirement System

## Midcap Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 3/15



	Last Qtr	Last 2 Qtrs	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years
5th Percentile	7.28	13.08	15.64	20.05	21.06	19.29	15.77
25th Percentile	5.33	11.93	12.25	17.80	17.72	16.30	12.16
Median	4.66	8.55	8.82	16.59	17.07	15.75	11.81
75th Percentile	2.34	5.97	6.29	14.99	15.46	14.99	11.05
95th Percentile	-0.26	2.17	0.09	9.66	13.18	13.41	10.60
<b>m</b> Victory Capital Mid Cap	6.32 (9)	12.68 (7)	16.01 (3)	18.76 (12)	17.92 (20)	17.00 (14)	10.63 (91)
<b>1</b> S&P Midcap 400	5.31 (34)	12.00 (22)	12.19 (26)	16.63 (48)	17.03 (53)	15.72 (50)	11.75 (53)

# Southfield Employee Retirement System

## Equity Summary Statistics

### Victory Capital Mid Cap

#### Period Ending 3/15

	Portfolio	S&P Midcap 400	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	84	370	Skyworks Solutions I	588,659	2.84	35.39
Equity Market Value	19,208,946		Biomarin Pharmaceuti	442,401	2.13	37.85
Average Capitalization \$(000)	12,860,900	5,428,132	Sba Communications C	427,415	2.06	5.72
Median Capitalization \$(000)	8,835,161	3,962,696	Affiliated Managers	418,821	2.02	1.20
Equity Segment Yield	0.96	1.50	Nisource Inc	407,376	1.96	4.70
Equity Segment P/E - Average	21.35	25.25	Cooper Cos Inc	402,953	1.94	15.65
Equity Segment P/E - Median	23.01	22.07	L Brands Inc	396,018	1.91	11.95
Equity Segment Beta	1.13	1.17	Lincoln Natl Corp In	392,165	1.89	-0.01
Price/Book Ratio	2.91	2.48	Invesco Ltd	384,993	1.86	1.07
Debt/Equity Ratio	51.74	55.05	Church & Dwight Inc	358,764	1.73	8.83
Five Year Earnings Growth	14.57	12.10				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	4.80	4.06	1.17	-0.17	0.06	-0.04	0.02
Materials	8.06	7.42	2.21	2.10	0.01	-0.02	-0.01
Industrials	14.02	15.16	-0.12	6.15	-0.88	-0.01	-0.89
Consumer Discretionary	16.75	13.69	5.01	4.41	0.10	-0.03	0.07
Consumer Staples	4.53	3.43	15.21	7.93	0.33	0.03	0.36
Health Care	12.84	10.32	15.33	13.93	0.18	0.22	0.39
Financials	19.67	23.50	1.58	4.99	-0.67	0.02	-0.65
Information Technology	13.28	17.38	16.59	6.22	1.38	-0.03	1.34
Telecom. Services	2.00	0.15	5.72	-0.84	0.13	-0.12	0.02
Utilities	4.05	4.88	-1.03	-5.13	0.17	0.09	0.25
	100.00	100.00	6.30	5.40	0.81	0.10	0.90

Stock Selection Return Attribution

[ Portfolio Market Value Sector Percentage ] \* [ Portfolio Sector Return - Index Sector Return ]

Sector Selection Return Attribution

[ Portfolio Sector Percentage - Index Sector Percentage ] \* [ Index Sector Return - Index Total Return ]

Trading Effect -0.07%

[ Actual Return 6.23% ] - [ Buy Hold Return 6.30% ]

# Southfield Employee Retirement System

## March 31, 2015

Performance Summary Table  
Periods Ending 3/31/15

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SouthernSun Small Cap							
Total Return	2.11	-2.10	-7.11	9.26	13.59	18.67	
Total Return (Net of Fees)	1.84	-2.62	-8.05	8.23	12.51	17.55	
Russell 2000	4.32	14.46	8.21	16.25	16.27	14.56	
Variance	-2.20	-16.57	-15.32	-7.00	-2.68	4.11	

### SOUTHERNSUN ASSET MANAGEMENT

#### Small Cap

#### Separately Managed Account

#### OBJECTIVE

Out perform the Russell 2000 Index and rank in the top 50% of the small cap core universe over a full market cycle (approximately 5 years).

To exceed the reward/risk ratio of the benchmark index and consistently generate positive alpha.

#### STRATEGY

Pinpoint attractively valued companies based on a proprietary calculation and analysis of a company's discretionary cash flow.

Analyze company's enterprise value, P/E and P/B ratios, and "break-up" value; and focus on companies with at least a minimal rate of organic growth (3-6%).

Bottom-up analysis of niche-dominant businesses with financial flexibility and uniquely-suited management teams.

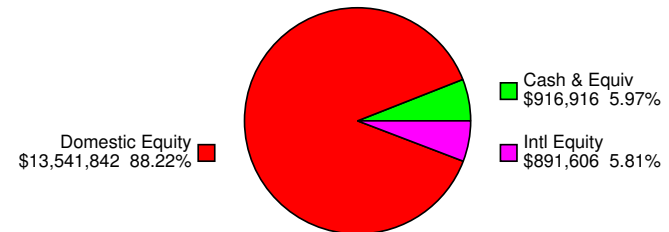
#### FEE SCHEDULE:

100 bps on the first \$15M

85 bps over \$15M

Asset Allocation  
SouthernSun Small Cap

March 31, 2015 \$15,350,364



#### CONCLUSIONS/RECOMMENDATIONS

SouthernSun under performed the Russell 2000 Index by 220 bps during the 1st Quarter 2015, placing them in the 87th percentile of the Small Cap Core Universe.

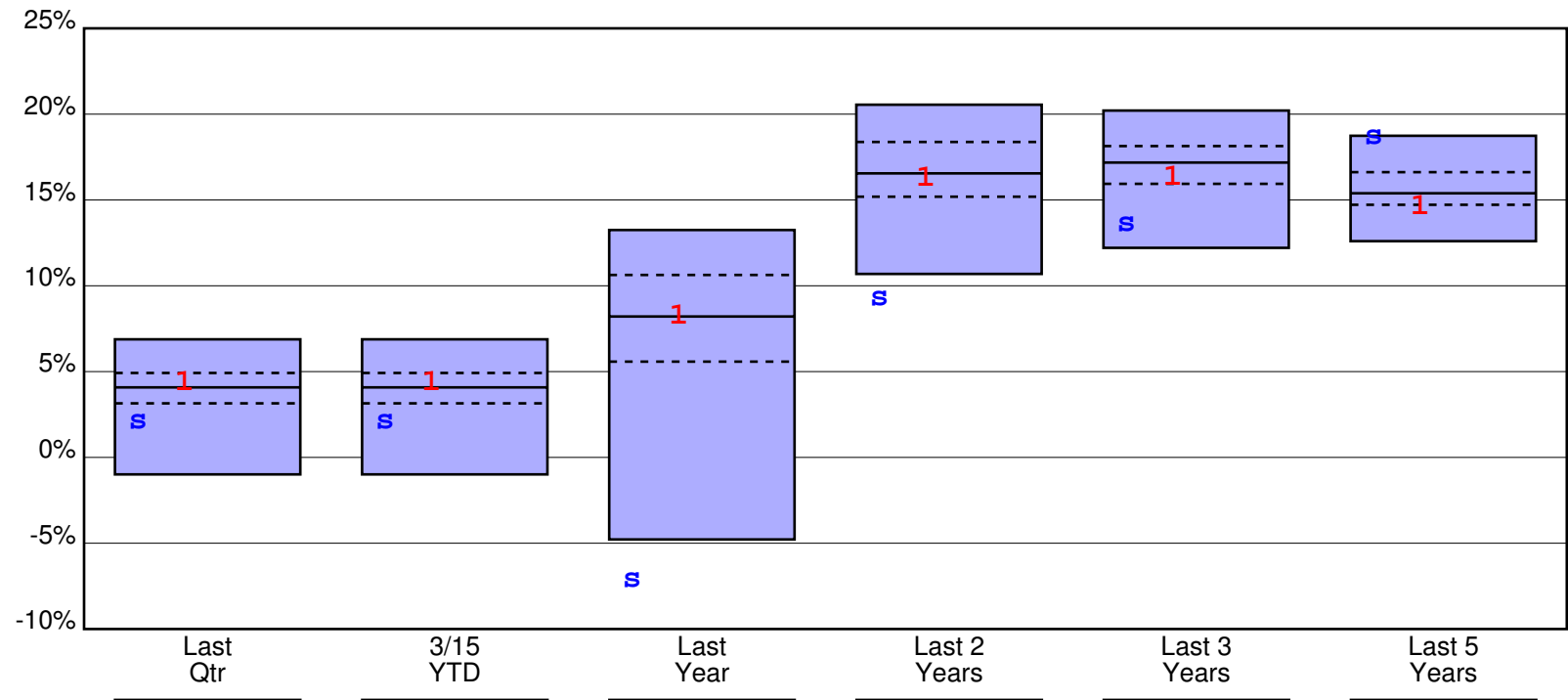
SouthernSun has out performed the Russell 2000 Index and has ranked in the top 7% of their peer group over a 5-year time period.

# Southfield Employee Retirement System

## Small Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 3/15



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

	Last Qtr	3/15 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
5th Percentile	6.88	6.88	13.25	20.55	20.21	18.74
25th Percentile	4.92	4.92	10.63	18.38	18.14	16.62
Median	4.08	4.08	8.21	16.55	17.18	15.39
75th Percentile	3.15	3.15	5.58	15.19	15.94	14.72
95th Percentile	-0.99	-0.99	-4.78	10.69	12.21	12.60
<b>S</b> SouthernSun Small Cap	2.11 (87)	2.11 (87)	-7.11 (98)	9.26 (99)	13.59 (90)	18.67 (7)
<b>1</b> Russell 2000	4.32 (39)	4.32 (39)	8.21 (50)	16.25 (59)	16.27 (70)	14.56 (78)

# Southfield Employee Retirement System

## Equity Summary Statistics

### SouthernSun Small Cap

#### Period Ending 3/15

	Portfolio	Russell 2000	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	25	1,998	Chicago Bridge & Iro	891,606	6.18	17.52
Equity Market Value	13,541,842		Centene Corp Del	854,289	5.92	36.14
Average Capitalization \$(000)	3,377,424	2,113,987	Iconix Brand Group I	843,097	5.84	-0.36
Median Capitalization \$(000)	2,768,843	751,164	Brinks Co	780,548	5.41	13.68
Equity Segment Yield	0.98	1.29	AGCO Corp	756,285	5.24	5.66
Equity Segment P/E - Average	27.45	40.74	Hill Rom Hldgs Inc	752,150	5.21	7.77
Equity Segment P/E - Median	15.96	16.88	Fresh Mkt Inc	723,392	5.01	-1.36
Equity Segment Beta	1.44	1.22	Diebold Inc	716,469	4.96	3.19
Price/Book Ratio	1.88	2.22	Darling Intl Inc	690,063	4.78	-22.85
Debt/Equity Ratio	57.76	50.57	Thor Inds Inc	626,727	4.34	13.14
Five Year Earnings Growth	10.95	8.90				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	3.63	3.49	-23.07	-0.62	-0.82	-0.01	-0.82
Materials	6.87	4.55	-20.35	0.77	-1.45	-0.08	-1.53
Industrials	31.06	13.84	9.22	2.45	2.10	-0.29	1.81
Consumer Discretionary	16.53	13.81	10.30	5.17	0.85	0.03	0.88
Consumer Staples	13.80	3.35	-11.55	0.19	-1.62	-0.41	-2.03
Health Care	14.94	14.84	19.74	12.10	1.14	0.01	1.15
Financials	3.59	24.32	-2.18	1.53	-0.13	0.54	0.41
Information Technology	5.53	17.45	3.19	5.09	-0.11	-0.11	-0.22
Telecom. Services	0.00	0.77		-0.59	0.00	0.04	0.04
Utilities	4.05	3.57	-10.27	0.85	-0.45	-0.02	-0.47
	100.00	100.00	3.37	4.15	-0.48	-0.30	-0.78

Stock Selection Return Attribution

[ Portfolio Market Value Sector Percentage ] \* [ Portfolio Sector Return - Index Sector Return ]

Sector Selection Return Attribution

[ Portfolio Sector Percentage - Index Sector Percentage ] \* [ Index Sector Return - Index Total Return ]

Trading Effect -2.23%

[ Actual Return 1.14% ] - [ Buy Hold Return 3.37% ]

# Southfield Employee Retirement System

## March 31, 2015

Performance Summary Table  
Periods Ending 3/31/15

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
LSV Intl Equity							
Total Return	5.27	0.12	-2.11	9.23	10.45	6.90	
Total Return (Net of Fees)	5.20	-0.14	-2.72	8.50	9.69	6.34	
MSCI EAFE (Net)	4.88	1.13	-0.92	7.93	9.02	6.16	
Variance	0.39	-1.01	-1.19	1.30	1.43	0.74	

### LSV ASSET MANAGEMENT

#### International Large Cap Value Equity Commingled Fund

#### OBJECTIVE

Out perform the MSCI EAFE Index and rank in the top 40% of the international equity universe over a full market cycle (approximately 5 years).

#### STRATEGY

The manager utilizes a quantitative approach, ranking the broad universe of stocks on a combination of value and momentum factors. The manager seeks to invest in approximately 130 stocks with the most attractive characteristics within their strict risk parameters to control the portfolios tracking error. The portfolio will be broadly diversified across industry groups and fully invested.

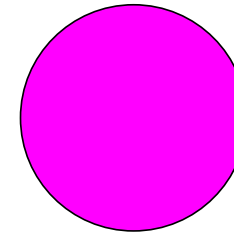
#### FEE SCHEDULE:

75 bps on the first \$25M  
65 bps on the next \$25M

### Asset Allocation LSV Intl Equity

March 31, 2015 \$11,204,559

Intl Equity  
\$11,204,559 100.00%

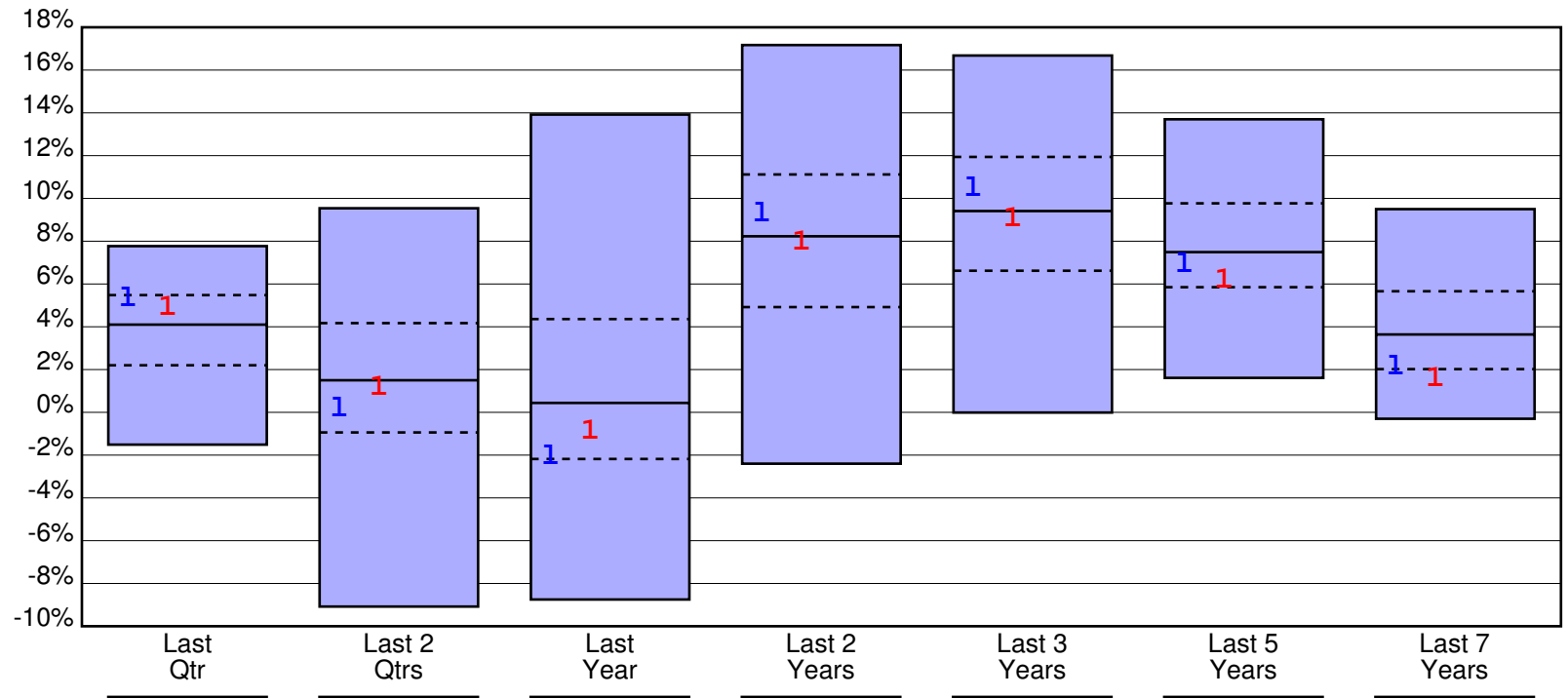


### CONCLUSIONS/RECOMMENDATIONS

LSV Int'l Equity out performed the MSCI EAFE (Net) Index by 39 bps during the 1st Quarter 2015, placing them in the 29th percentile of the International Equity Universe.

Over the longer 5-yr period, the manager has out performed the MSCI EAFE (Net) and has placed in the 59th percentile of their peer group.

# Southfield Employee Retirement System Cumulative Performance Comparison Total Returns of International Equity Portfolios Periods Ending 3/15



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

Last Qtr	7.77	9.54	13.92	17.17	16.68	13.70	9.50
Last 2 Qtrs	5.48	4.17	4.36	11.12	11.94	9.77	5.66
Last Year	4.10	1.50	0.44	8.23	9.41	7.49	3.64
Last 2 Years	2.20	-0.94	-2.18	4.92	6.62	5.85	2.02
Last 3 Years	-1.51	-9.08	-8.75	-2.40	-0.01	1.61	-0.30

1 LSV Intl Equity  
1 MSCI EAFE (Net)

Last Qtr	5.27 (29)	0.12 (62)	-2.11 (74)	9.23 (41)	10.45 (37)	6.90 (59)	2.11 (73)
Last 2 Qtrs	4.88 (37)	1.13 (55)	-0.92 (64)	7.93 (53)	9.02 (55)	6.16 (70)	1.55 (81)

# Southfield Employee Retirement System

## March 31, 2015

Performance Summary Table  
Periods Ending 3/31/15

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
WCM Focused Growth International							
Total Return	4.83	5.00	4.32	10.04	9.56		
Total Return (Net of Fees)	4.64	4.58	3.44	9.10	8.61		
MSCI EAFE (Net)	4.88	1.13	-0.92	7.93	9.02		
Variance	-0.05	3.87	5.24	2.12	0.54		

### WCM INVESTMENT MANAGEMENT

#### WCM Focused Growth International

#### Separately Managed Account

#### MSCI EAFE Net

#### OBJECTIVE

Out perform the MSCI EAFE Net Index and rank in the top 40% of the international equity universe over a full market cycle (approximately 5 years).

#### STRATEGY

WCM is an active manager and utilizes a fundamental bottom-up strategy. WCM structures their portfolios distinct from the market indices. As a result their portfolio is limited to 20-30 companies. WCM seeks non-US domiciled quality growth businesses with superior growth prospects, high returns on invested capital and low or no debt. WCM is sensitive to valuation and will avoid companies with limited or spotty histories. The Investment Strategy Group concentrates its efforts on large established multinationals, with a primary emphasis in the large cap space. WCM focuses its attention on conventional growth sectors like technology, consumer discretionary & staples and healthcare.

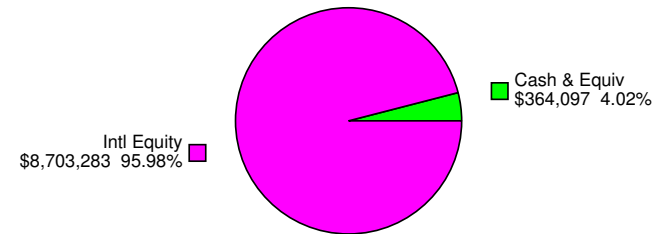
#### FEE SCHEDULE:

1.00% on all assets

### Asset Allocation

#### WCM Focused Growth International

March 31, 2015 \$9,067,380

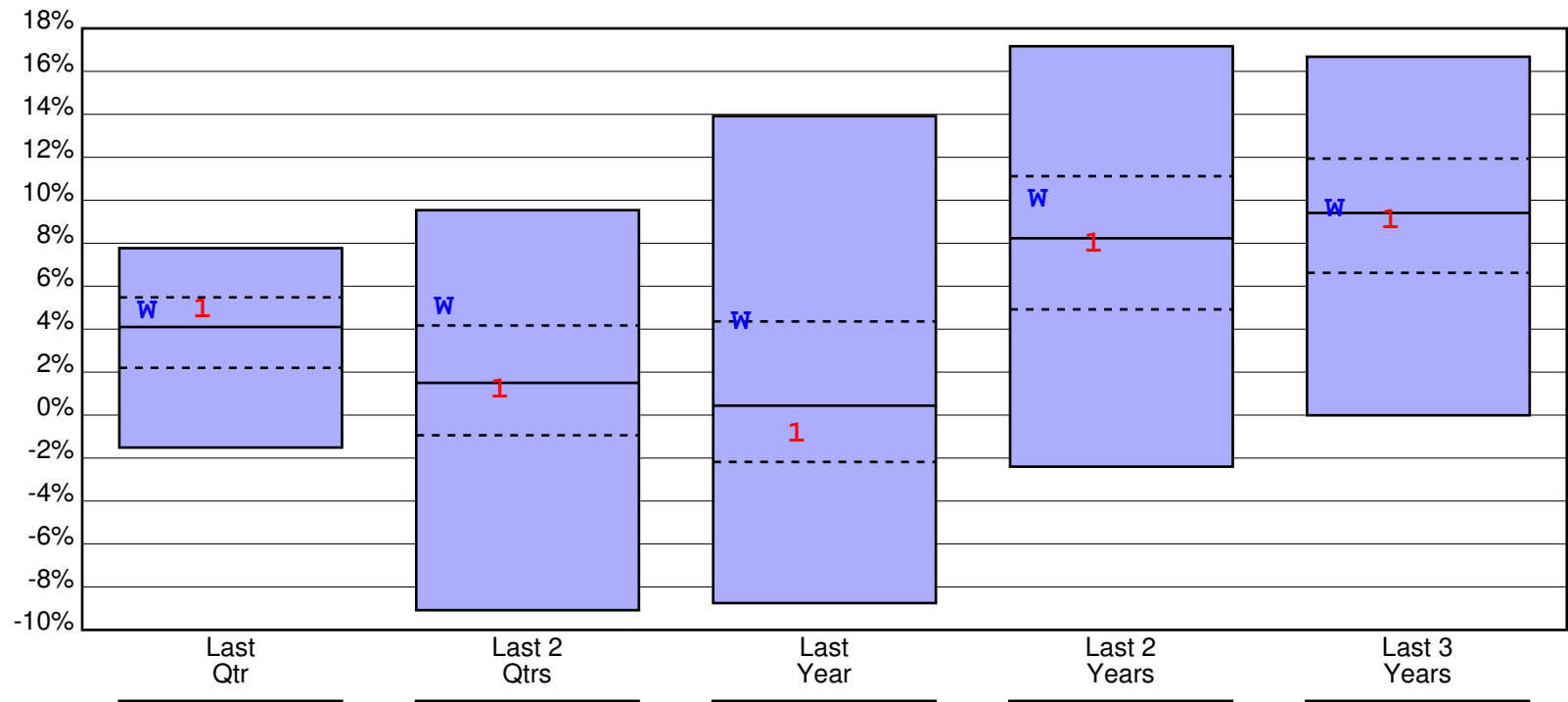


#### CONCLUSIONS/RECOMMENDATIONS

WCM under performed the MSCI EAFE Net by 5 bps in the 1st Quarter 2015, placing them in the 37th percentile of their peer group.

Over the longer 3-yr period, the manager has out performed the MSCI EAFE (Net) and has placed in the 48th percentile of their peer group.

# Southfield Employee Retirement System Cumulative Performance Comparison Total Returns of International Equity Portfolios Periods Ending 3/15



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

	Last Qtr	Last 2 Qtrs	Last Year	Last 2 Years	Last 3 Years
5th Percentile	7.77	9.54	13.92	17.17	16.68
25th Percentile	5.48	4.17	4.36	11.12	11.94
Median	4.10	1.50	0.44	8.23	9.41
75th Percentile	2.20	-0.94	-2.18	4.92	6.62
95th Percentile	-1.51	-9.08	-8.75	-2.40	-0.01
<b>W</b> WCM Focused Growth International	4.83 (37)	5.00 (18)	4.32 (25)	10.04 (34)	9.56 (48)
<b>I</b> MSCI EAFE (Net)	4.88 (37)	1.13 (55)	-0.92 (64)	7.93 (53)	9.02 (55)

# Southfield Employee Retirement System

## Global Equity Summary Statistics

### WCM Focused Growth International

#### Period Ending 3/15

	Portfolio	MSCI EAFE (Net)	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	28	910	Taiwan Semiconductor	554,363	6.38	4.92
Equity Market Value	8,703,283		Tencent Hldgs Ltd	418,952	4.83	30.74
Average Capitalization \$(000)	54,659,661	58,850,448	Ace Ltd	410,618	4.73	-2.38
Median Capitalization \$(000)	26,656,351	9,074,531	Lazard Ltd	404,838	4.66	7.86
Equity Segment Yield	1.30	2.92	Chr Hansen Hldg A/S	398,604	4.59	2.81
Equity Segment P/E - Average	24.04	18.48	Novo-Nordisk As	397,489	4.58	27.61
Equity Segment P/E - Median	24.31	20.45	Asml Holding N V	382,702	4.41	-6.31
Equity Segment Beta	0.93	1.00	Sensata Technologies	381,181	4.39	9.62
Price/Book Ratio	4.20	1.87	Canadian Pac Ry Ltd	370,333	4.27	-5.04
Debt/Equity Ratio	39.97	85.88	Perrigo Co Pcl	357,588	4.12	-0.88
Five Year Earnings Growth	13.76	16.11				
Five Year Dividend Growth	6.15	7.11				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	3.01	5.69	-12.72	-4.52	-0.25	0.26	0.01
Materials	3.49	7.56	9.06	3.54	0.19	0.06	0.25
Industrials	26.07	12.57	3.71	6.16	-0.64	0.15	-0.49
Consumer Discretionary	7.24	12.45	7.70	8.20	-0.04	-0.16	-0.20
Consumer Staples	20.25	11.10	1.78	4.80	-0.61	-0.02	-0.63
Health Care	10.26	11.01	15.05	9.98	0.52	-0.04	0.48
Financials	9.59	25.92	2.50	5.01	-0.24	0.01	-0.24
Information Technology	20.08	4.81	5.80	7.13	-0.27	0.32	0.05
Telecom. Services	0.00	5.01		2.92	0.00	0.11	0.11
Utilities	0.00	3.88		-4.75	0.00	0.38	0.38
	100.00	100.00	4.77	5.04	-1.33	1.06	-0.27

Stock Selection Return Attribution

[ Portfolio Market Value Sector Percentage ] \* [ Portfolio Sector Return - Index Sector Return ]

Sector Selection Return Attribution

[ Portfolio Sector Percentage - Index Sector Percentage ] \* [ Index Sector Return - Index Total Return ]

Trading Effect 0.18%

[ Actual Return 4.95% ] - [ Buy Hold Return 4.77% ]

# Southfield Employee Retirement System

## March 31, 2015

Performance Summary Table  
Periods Ending 3/31/15

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Pacific Fixed Income							
Total Return	1.80	3.08	5.66	2.93	3.45	4.46	5.37
Total Return (Net of Fees)	1.72	2.92	5.33	2.62	3.11	4.13	5.04
Barclays US Aggregate	1.61	3.43	5.72	2.77	3.10	4.41	4.93
Variance	0.20	-0.35	-0.06	0.16	0.35	0.05	0.44

### PACIFIC INCOME ADVISORS Core Fixed Income Portfolio Separately Managed Account

#### OBJECTIVE

Out perform the Barclays US Aggregate Index and rank in the top 40% of the core fixed income universe over a full market cycle (approximately 5 years).

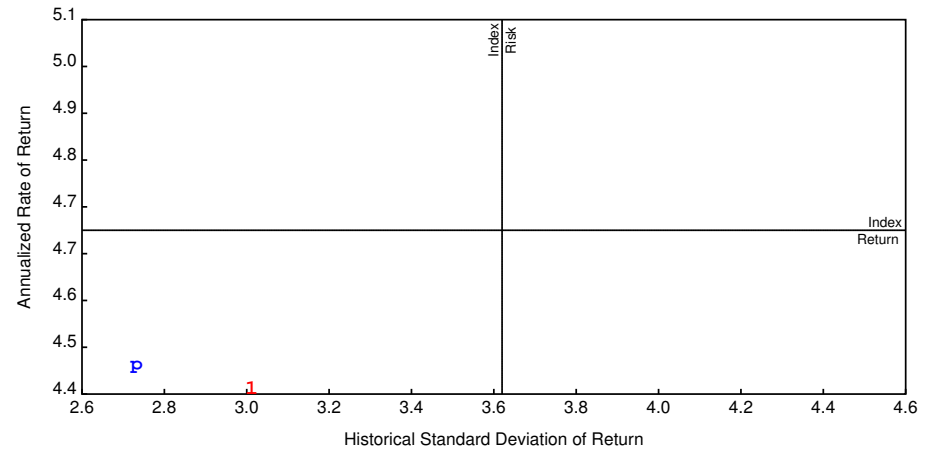
#### STRATEGY

The manager utilizes sector rotation to identify securities with the potential to benefit from declines in relative yields. Treasuries are selected based on portfolio optimization (barbell/bullet strategies). Corporates are selected based on fundamental research and proprietary analysis. Mortgages are selected based on quantitative analysis.

#### FEE SCHEDULE:

30 bps on all assets

Return vs Risk  
Total Returns



	Annualized Return	Standard Deviation
P Pacific Fixed Income	4.46	2.74
I Barclays US Aggregate	4.41	3.02
Barclays Govt/Credit	4.75	3.62

### CONCLUSIONS/RECOMMENDATIONS

Pacific Core Fixed Income out performed the Barclays US Aggregate Index by 20 bps, during the 1st Quarter 2015, placing them in the 37th percentile of the Core Fixed Income Universe.

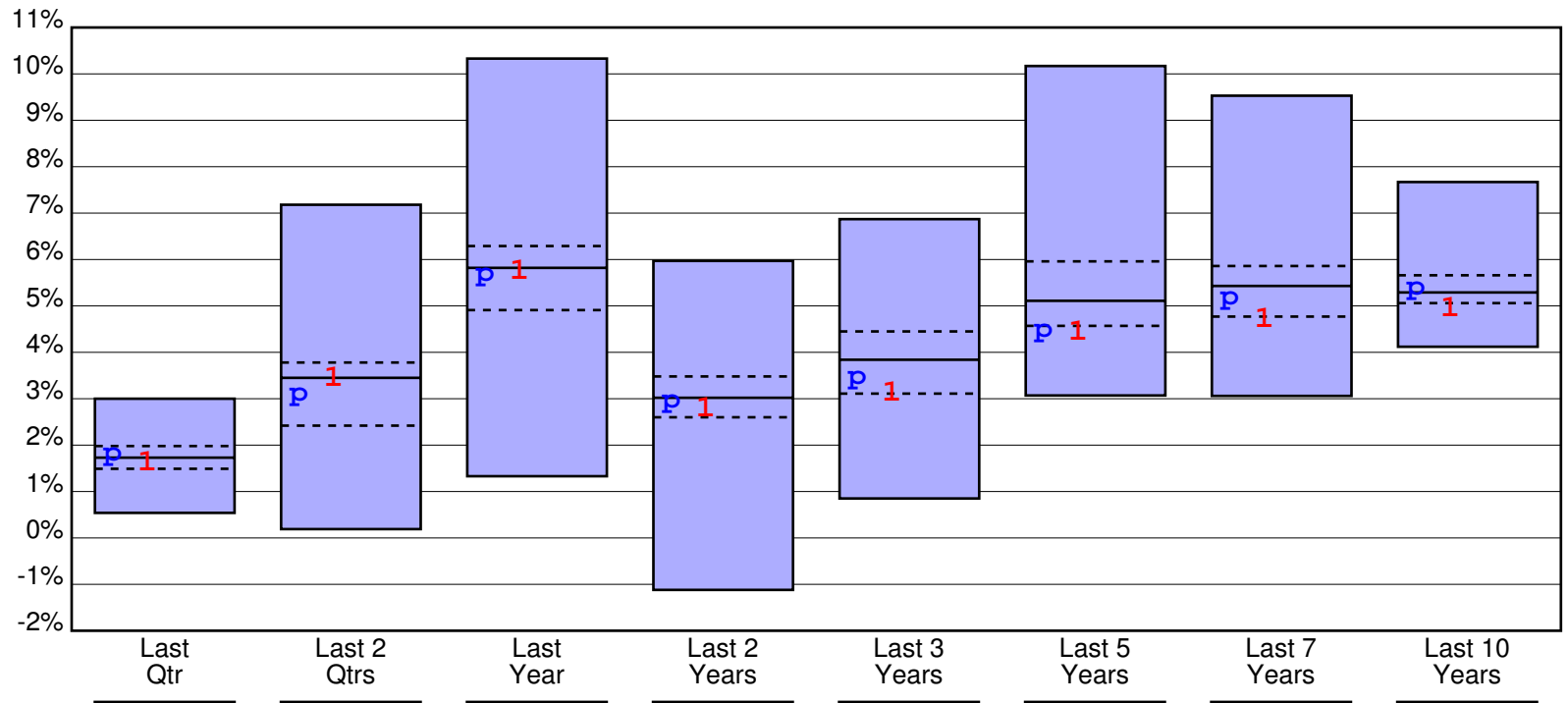
Over the longer 5 and 10-yr periods, the manager has out performed the Barclays US Aggregate Index.

# Southfield Employee Retirement System

## Fixed Income Core Cumulative Performance Comparisons

### Total Returns of Fixed Income Portfolios

#### Periods Ending 3/15



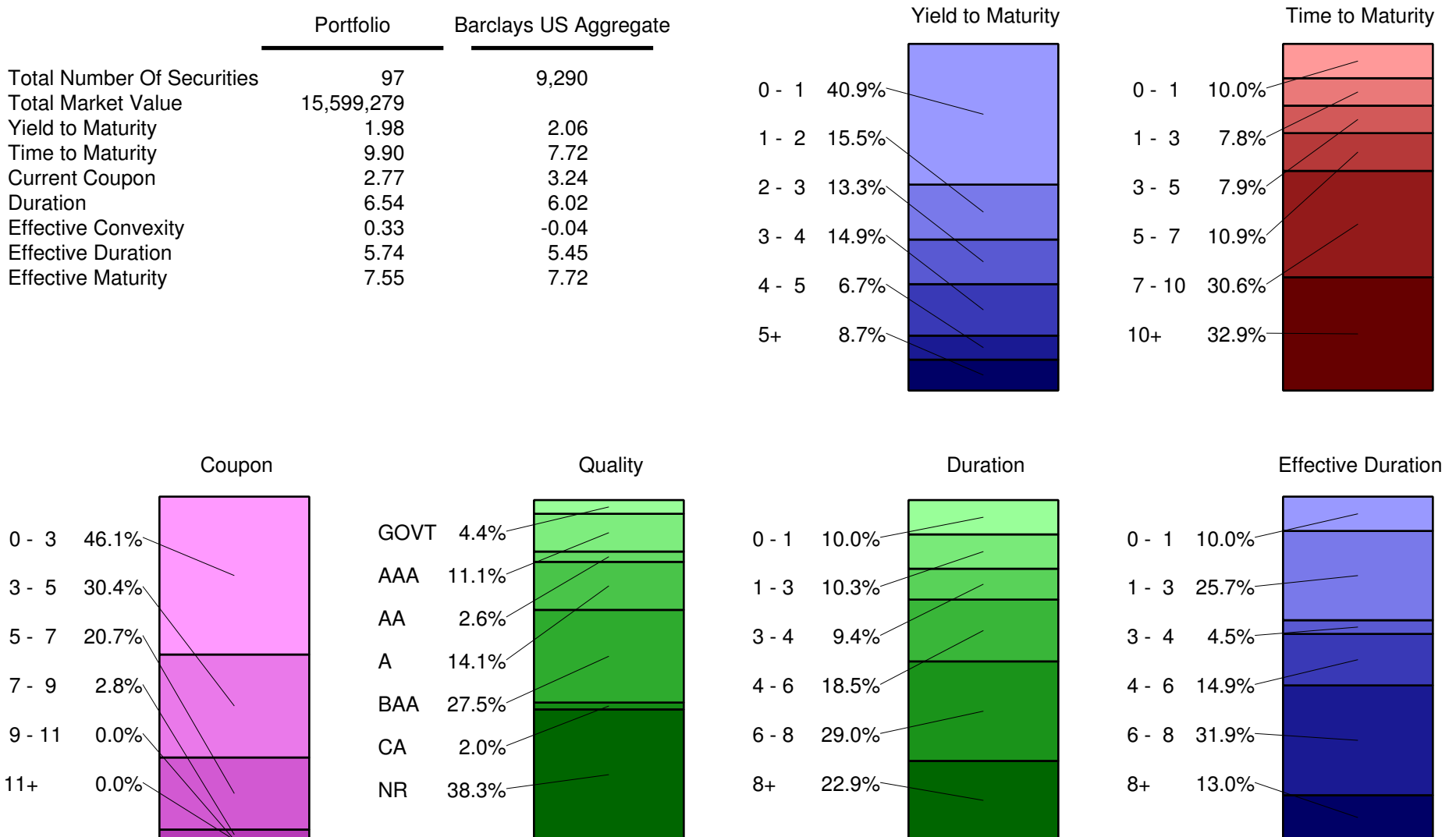
5th Percentile  
25th Percentile  
Median  
75th Percentile  
95th Percentile

Last Qtr	Last 2 Qtrs	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
3.00	7.18	10.33	5.97	6.87	10.17	9.53	7.67
1.98	3.78	6.29	3.48	4.45	5.96	5.86	5.66
1.73	3.45	5.82	3.02	3.84	5.11	5.43	5.29
1.49	2.42	4.91	2.60	3.11	4.57	4.77	5.06
0.54	0.19	1.33	-1.12	0.85	3.07	3.06	4.12
Pacific Fixed Income 1.80 (37)	3.08 (66)	5.66 (57)	2.93 (52)	3.45 (59)	4.46 (80)	5.16 (56)	5.37 (46)
Barclays US Aggregate 1.61 (59)	3.43 (52)	5.72 (53)	2.77 (56)	3.10 (75)	4.41 (82)	4.69 (75)	4.93 (81)

# Southfield Employee Retirement System

## Fixed Income, Mortgage and Municipals Summary Statistics

### Pacific Fixed Income Quarter Ending 3/15



# Southfield Employee Retirement System

## March 31, 2015

Performance Summary Table  
Periods Ending 3/31/15

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
AEW Capital Management							
Total Return	2.24	5.46	10.04	11.79			
Total Return (Net of Fees)	1.96	4.87	8.82	10.51			
NCREIF ODCE Fund Index	3.39	6.76	13.45	13.61			
Variance	-1.15	-1.30	-3.41	-1.82			

### AEW CAPITAL MANAGEMENT

#### AEW Core Property Trust

#### Open-Ended Commingled Real Estate Fund

#### OBJECTIVE

The manager is expected to rank in the top 50% versus their respective peer group. The manager is expected to outperform the NFI-ODCE Index on a net a fee basis.

#### STRATEGY

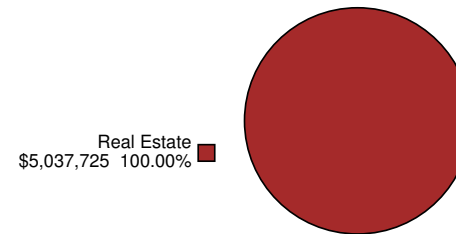
The fund's strategy is to target top-tier markets with a focus on larger, highly-liquid markets that have high barriers to entry and strong long-term market fundamentals. The fund seeks well-leased assets with durable income and above-average growth potential from a combination of below market in-place leases, diversified employment base and strong market fundamentals. The fund emphasizes a bi-coastal investment strategy in markets which meet their key research-driven principles and markets where AEW has an operating history. The fund targets acquisitions with a going-in cost at or below today's replacement cost. The leverage at the fund level is limited to 30% LTV and no single investment can exceed 25% of the Fund's NAV.

#### FEE SCHEDULE

110 bps on all assets

### Asset Allocation AEW Capital Management

March 31, 2015 \$5,037,725



### CONCLUSIONS/RECOMMENDATIONS

AEW Capital under performed the NCREIF ODCE by 115 bps during 1st Quarter 2015.

# Southfield Employee Retirement System

## March 31, 2015

Performance Summary Table  
Periods Ending 3/31/15

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Bloomfield Capital Income Fund II							
Total Return							
Total Return (Net of Fees)							
NCREIF Prop Index							

### BLOOMFIELD REAL ESTATE BLOOMFIELD CAPITAL INCOME FUND II

#### OBJECTIVE

The manager is expected to provide an attractive absolute rate of return (in excess of 9%).

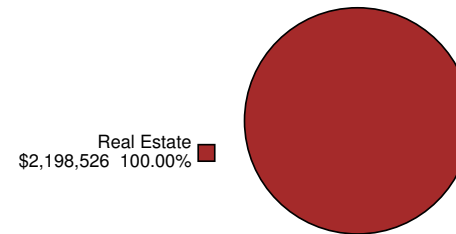
#### STRATEGY

The Bloomfield Capital Income Fund II is a real estate opportunity fund focused on two primary strategies: 1) Originating senior secured, high yield, interim and bridge loans on income producing real estate in the U.S.; and 2) Acquiring a diverse portfolio of commercial mortgage loans, deeds of trust, and other real estate related opportunistic investments. The Fund's objective is to build a diverse portfolio of senior, secured mortgages providing investors with consistent income and superior risk-adjusted returns. Bloomfield Capital targets a double-digit yield on secure, risk-mitigated investments. The portfolio management team implements conservative underwriting techniques to provide a margin of safety (loan to value and debt coverage metrics based on current market conditions).

#### FEE SCHEDULE

Asset Allocation  
Bloomfield Capital Income Fund II

March 31, 2015 \$2,198,526



#### CONCLUSIONS/RECOMMENDATIONS

Bloomfield Capital Income Fund II was funded on 01/02/2015.

# Southfield Employee Retirement System

## March 31, 2015

### Internal Rate of Return Table Metropolitan Real Estate Fund

#### **METROPOLITAN REAL ESTATE MREP VI REAL ESTATE FUND OF FUNDS**

#### **OBJECTIVE**

The manager is expected to rank in the top 50% versus their respective peer group over the life of the fund.  
Manager is expected to outperform the NCREIF Property Index.

#### **STRATEGY**

Invest in a diversified portfolio of private real estate funds or other investment vehicles with direct or indirect exposure to real estate. The manager invests in funds with exposure to office, retail, industrial, multi-family, and other types of properties located primarily in the United States. The manager selects value-added and opportunistic funds with superior performance track records. The manager diversifies the strategy across property types, geographic markets, managers, and strategies.

#### **FEE SCHEDULE**

1.35% on the first \$5,000,000  
1.00% on the next \$20,000,000

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
12/11		105,000	0	1,188	0	0	106,188	1.13	NA
3/12	106,188	24,000	0	-29,711	0	0	100,477	-26.44	NA
6/12	100,477	52,000	0	0	0	0	152,477	-23.50	NA
9/12	152,477	132,000	0	-13,695	0	0	270,782	-27.78	NA
12/12	270,782	66,000	0	-69,519	0	0	267,263	-53.01	-52.53
3/13	267,263	106,000	0	78,876	0	0	452,139	-13.94	-11.23
6/13	452,139	135,000	0	2,419	0	0	589,558	-10.92	-7.37
9/13	589,558	82,000	18,000	10,213	0	0	663,771	-6.19	-3.56
12/13	663,771	104,000	18,000	-86,000	0	0	663,771	-27.13	-14.55
3/14	663,771	0	0	171,637	0	0	835,408	16.12	6.84
6/14	835,408	111,000	0	25,213	0	0	971,621	20.63	7.76
9/14	971,621	157,000	0	27,206	0	0	1,155,827	24.82	8.36
12/14	1,155,827	0	0	98,815	0	0	1,254,642	42.72	12.53
3/15	1,254,642	0	0	0	0	0	1,254,642	39.75	10.81
Total		1,074,000	36,000	216,642	0	0	1,254,642	39.75	10.81

# Southfield Employee Retirement System

## March 31, 2015

### RMK Global Timberland Resources U.S Fund Global Alternative Investment

#### OBJECTIVE

To out perform the NCREIF Timberland Index net of fees over the life of the fund (12 to 15 years).

#### STRATEGY

The portfolio manager team develops an investment strategy for the Fund based on the current environment and market forecasts for timberlands and related end-products. RMK utilizes industry contacts to identify attractive acquisition targets that achieve the Fund's investment strategy. Prior to purchasing a tract of land, the team performs rigorous due diligence and develops an asset ( forest) management plan. The portfolio managers and asset managers actively manage the investment, evaluating the benefits of harvesting the forests, letting the trees further mature, or selling the timberland. The manager will diversify the portfolio by growth stage/maturity of the forests, geographic locations (50% U.S exposure/50% International exposure), and species.

#### FEE SCHEDULE:

Management Fee: U. S. Fund = 100 bps, Int'l Fund = 125 bps

Performance Fee: U.S 20% ( 6% Hurdle), Int'l Fund= 20% ( 10% Hurdle)

Internal Rate of Return Table  
RMK Timberland U.S. Fund

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
9/12		1,129,814	0	0	0	0	1,129,814	0.00	NA
12/12	1,129,814	0	0	0	0	0	1,129,814	0.00	NA
3/13	1,129,814	0	0	41,430	0	0	1,171,244	4.15	NA
6/13	1,171,244	0	0	14,176	0	0	1,185,420	5.37	NA
9/13	1,185,420	0	0	111,169	0	0	1,296,589	15.84	13.70
12/13	1,296,589	0	0	0	0	0	1,296,589	15.63	10.96
3/14	1,296,589	0	0	26,069	0	0	1,322,658	17.93	10.55
6/14	1,322,658	0	0	-405	0	0	1,322,253	17.77	9.03
9/14	1,322,253	0	0	31,867	0	0	1,354,120	20.62	9.13
12/14	1,354,120	0	0	12,355	0	0	1,366,475	21.67	8.53
3/15	1,366,475	570,186	0	16,821	0	0	1,953,482	23.13	8.19
Total		1,700,000	0	253,482	0	0	1,953,482	23.13	8.19

# Southfield Employee Retirement System

## March 31, 2015

Internal Rate of Return Table  
RMK Timberland Int'l Fund

### RMK Global Timberland Resources Fund Global FIS (Int'l) Alternative Investment

#### OBJECTIVE

To out perform the NCREIF Timberland Index net of fees over the life of the fund (12 to 15 years).

#### STRATEGY

The portfolio manager team develops an investment strategy for the Fund based on the current environment and market forecasts for timberlands and related end-products. RMK utilizes industry contacts to identify attractive acquisition targets that achieve the Fund's investment strategy. Prior to purchasing a tract of land, the team performs rigorous due diligence and develops an asset (forest) management plan. The portfolio managers and asset managers actively manage the investment, evaluating the benefits of harvesting the forests, letting the trees further mature, or selling the timberland. The manager will diversify the portfolio by growth stage/maturity of the forests, geographic locations (50% U.S exposure/50% International exposure), and species.

#### FEE SCHEDULE:

Management Fee: U. S. Fund= 100 bps, Int'l Fund= 125 bps

Performance Fee: U.S 20% ( 6% Hurdle), Int'l Fund= 20% ( 10% Hurdle)

Quarter Ending	Beginning Value	Contribution	Distribution	Appreciation	Expenses	Investment Fees	Ending Value	Cumulative IRR	Annualized IRR
3/13	0	498,196	0	-8,120	0	0	490,075	-1.63	NA
6/13	490,075	502,853	0	-44,998	0	0	947,930	-7.57	NA
9/13	947,930	0	0	0	0	0	947,930	-6.61	NA
12/13	947,930	0	0	38,854	0	0	986,784	-1.67	NA
3/14	986,784	0	0	0	0	0	986,784	-1.62	-1.30
6/14	986,784	0	0	-26,273	0	0	960,511	-4.49	-3.03
9/14	960,511	0	0	21,367	0	0	981,877	-2.09	-1.20
12/14	981,877	0	0	-67,273	0	0	914,604	-9.30	-4.77
3/15	914,604	0	0	0	0	0	914,604	-9.23	-4.22
Total		1,001,049	0	-86,445	0	0	914,604	-9.23	-4.22

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## DEFINITION OF INDICES

### APPENDIX A

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#### ASSET ALLOCATION

#### TARGET

Domestic Equity	50.5 %
International Equity	15.0 %
Fixed Income	26.5 %
Real Estate	4.5 %
Special Investments	3.5 %

#### Indices used to calculate target and actual benchmarks:

LargeCap Equity	S & P 500
MidCap Core Equity	S&P Midcap 400
SmallCap Equity	Russell 2000
International Equity	MSCI EAFE
Fixed Income	Barclays US Aggregate Bond Index
Real Estate	NCREIF ODCE Index
Cash & Cash Equivalents	Citigroup 3-Month TBill

#### COMPOSITE MEDIAN MANAGER

A composite of median manager returns for each asset class weighted by the Target Asset Mix.

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## DEFINITION OF UNIVERSES

### APPENDIX B

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**US Balanced Universe** consists of balanced composites which utilize both equity and fixed income securities within a relatively stable asset allocation structure. These are balanced, separately managed, fully discretionary, tax-free portfolios whose asset allocation is not actively managed.

The **Broad Equity Manager Universe** is composed of domestic equity composites utilizing either a growth managers who emphasizes on earnings growth-historic earnings growth, future earnings estimates and earnings surprise or a value managers who are bias towards stocks which are out of favor or believed to be severely undervalued-low Price/Earnings, low Price/Book and a strong balance sheet. The universe may utilize a combination of both styles and covers a broad range of market capitalizations.

The **Mid-Large Cap Growth Equity Manager Universe** is composed of equity composites for which the investment process emphasizes earnings growth which includes historic earnings growth, future earnings estimates and earnings surprise. Small capitalization managers are excluded.

The **Mid-Large Cap Value Equity Manager Universe** is composed of equity composites emphasizing a bias towards stocks which are out of favor or believed to be severely undervalued-low Price/Earnings, low Price/Book and a strong balance sheet. Small capitalization managers are excluded.

The **Small Cap Equity Manager Universe** is comprised of an equity composite where the investment process focuses on companies of capitalizations under \$500 million. The universe may utilize a combination of both growth and value style of investment process.

The **International Equity Manager Universe** is an equity composite for which the investment process emphasizes securities of non-US based companies.

The **Fixed Income Manager Universe** is composed of fixed income composites for which the investment process emphasizes either interest rate forecasting (adjusting portfolio's duration), market analysis (sector analysis, issues selection or yield curve analysis) or active core (tied to a benchmark) management. Intermediate, short-term and high yield managers are excluded.

The **Intermediate Fixed Income Manager Universe** is composed of fixed income composites whose investment process emphasizes either active core (tied to a benchmark) management, interest rate forecasting (adjusting portfolios' duration), or market analysis (sector analysis, issue selection, or yield curve analysis) with average portfolio durations in the 3-4 year range. High yield managers are excluded.

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## DEFINITION OF COMMON TERMS

### APPENDIX C

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**Alpha** is a measure of risk-adjusted return which reveals the manager's success (positive alpha) or lack of success (negative alpha) in selecting securities and timing the market. Alpha is the difference between the actual performance of the fund and the performance which should have been achieved given the market's performance and the fund's risk posture.

**Beta** is a measure of the volatility of the fund relative to an index. Funds which are equally volatile as the index will have a beta of 1.00; funds which are half as volatile will have a beta of 0.50; etc. Beta also roughly represents the return on the fund which has typically accompanied a 1 percent move in the market index. The beta coefficient reflects that component of the fund's total risk which cannot be reduced by further diversification.

The **Relative Risk/Reward Ratio** is a measure of risk adjusted return relative to the market's risk adjusted return. It is calculated by first dividing the manager's return for the period by the manager's standard deviation for the period. This quotient is then divided by the quotient of the market's return for the period divided by the market's standard deviation for the period. The measure represents the manager's rate of return per unit of risk relative to the market's rate of return per unit of risk. A ratio above 1.0 indicates positive relative performance and a ratio below 1.0 indicates a negative relative performance.

**R-Squared ( $R^2$ )** is a statistical measure of fund diversification relative to an index. Diversification can be gauged by calculating the portion of the variation in the fund's returns which is attributable to market movements. A completely diversified fund will be perfectly correlated with the market index and will have an R-squared of 100 percent. A non-diversified fund will behave independently of the market and will have an R-squared of 0 percent. An R-squared of 90 percent denotes that 90 percent of the risk is market-related, and 10 percent is unique to the fund.

**Standard Deviation** is a measure of volatility showing how widely dispersed or tightly bunched a set of returns are around their average return. Standard deviations presented in this report are based on quarterly returns and are annualized, unless otherwise indicated.

The **Style** is a description of the investment strategy used to determine the investment decisions within an asset class.

A **Universe** is a group of comparable investment styles. A Broad Universe, such as Broad Equity, refers to all styles in the Equity asset class. Style specific Universes such as Pure Small Cap, includes only styles with a high correlation to a Small Cap index and low correlation to a Large Cap index.