

**SOUTHFIELD EMPLOYEE
RETIREMENT SYSTEM
PERFORMANCE REPORT
PERIOD ENDING
JUNE 30, 2014**

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CAPITAL MARKET REVIEW

Second Quarter 2014

CAPITAL MARKET HEADLINES

The Great Contradiction

Based on the recent performance of the equity and fixed income markets, the two asset classes appear to be forecasting a very different future for the economy. Generally equity markets rise during economic expansions and interest rates trend higher (causing bond values to fall). Conversely, interest rates decline during recessions (causing bond values to rise) and equities struggle. However, during the first six months of this year stocks and bonds have both appreciated.

The Equity Market

The U.S. equity market has been on a roll in 2014, building on the strong gains of 2013. January was difficult for stocks as investors assessed the impact of the Russia/Ukraine conflict and tapering by the Federal Reserve. However, the decline was brief and the equity market rebounded strongly in February. March and April provided modest gains; May and June generated stronger results (through June the S&P had returned 7.1%).

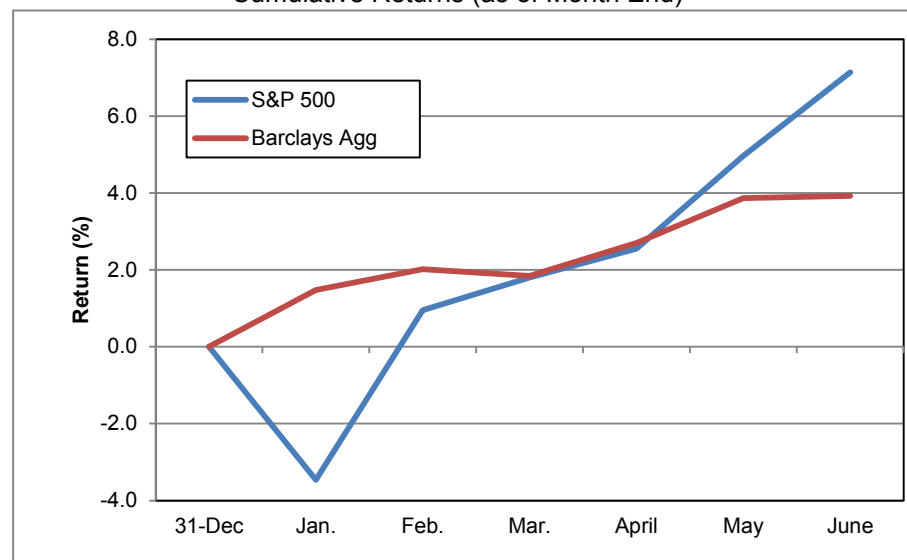
This performance implies equity investors are confident in the economic recovery. The bull market for stocks may also be attributed to the relative value of equities versus fixed income (bonds yields are near historic lows). These low yields have spurred investment in stocks and real estate, driving price higher after the credit crisis.

The Fixed Income Market

The U.S. fixed income market has surprised most investors in 2014. Last year yields trended higher and the broad fixed income market generated negative returns. Expectations were that this would continue into 2014, particularly as the Federal Reserve reduced their asset purchases. However, rates have declined for longer dated maturities, generating solid performance for bonds (through June the Barclays Aggregate had returned 3.9%).

The surprisingly strong results may be attributed to several factors. The U.S. fixed income market offers relatively high yields (risk adjusted) compared to other developed countries (YTM as of 6/30 for Citi World Government Bond Index components; Japan 0.6%, Germany 0.8%, France 1.0%, U.S. 1.3%, Spain 1.8%, Italy 2.0%, and U.K. 2.5%). A second factor may be the attraction of the U.S. dollar; other currencies (particularly the Euro and Japanese Yen) face depreciation pressures relative to the greenback in the near future due to stimulus efforts of their central banks. Another explanation may be that fixed income investors anticipate weaker economic growth in the coming quarters, causing the Federal Reserve to maintain their accommodative policies for longer than expected.

2014 Year To Date Performance
Cumulative Returns (as of Month End)



Sources: Standard & Poor's and Barclays

The Debate

The first quarter Gross Domestic Product (GDP) appeared weak at the time due to weather related issues across the country; the hope was for a sharp increase during the second quarter based on pent up demand. The GDP growth rate for Q1 is estimated at -2.9% (much worse than predicted) and Q2 is forecasted to be around 3.6%. This weak start to the first half of the year suggests that the economy will again fail to reach 3% growth.

Given the number of factors that influence the performance of these asset classes, it is difficult to forecast their future results. Both asset classes may be proved correct, depending on the time horizon. However, the uncertainty is best managed with diversification.

CAPITAL MARKET REVIEW

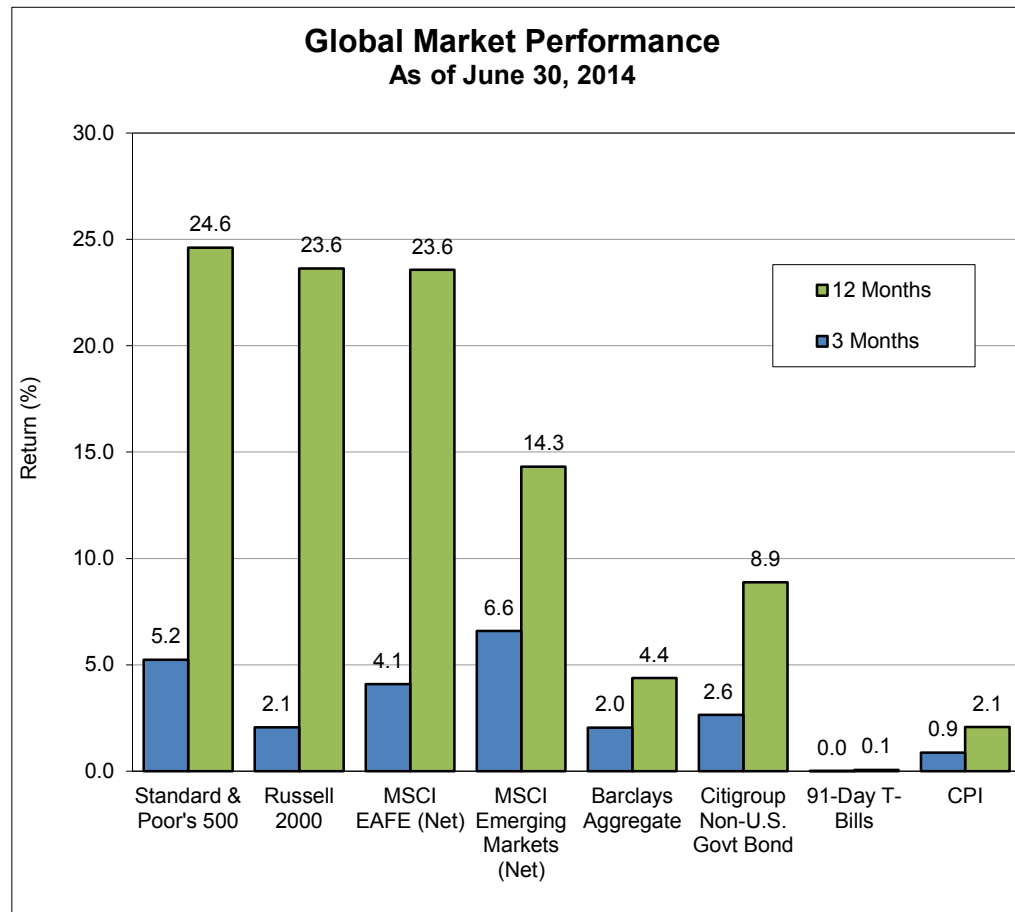
Two for the Money: For the second consecutive quarter, all major asset classes posted gains. The positive results were achieved in spite of disappointing economic data - the U.S. economy contracted during the 1st quarter, China's economy continued to decelerate, and Europe showed only marginal improvements. In the end, the old adage of not fighting the intentions of central banks proved true.

Monetary policies around the globe remained very supportive of economic growth during the quarter. The European Central Bank enacted a negative rate policy to ease tight credit conditions. The U.K. was the exception with the Bank of England warning of possible rate hikes in the near future. The U.S. Federal Reserve appeared to be somewhere between these two.

Equity markets continued to rise during the second quarter. The emerging markets posted the highest returns, led by India. Spain and Hong Kong were also top performers. The United States posted above average results as compared to the other major developed markets. The Asian equity markets tended to out perform their European counterparts.

Surprisingly, the fixed income markets also provided relatively attractive returns. Rates tended to decline for longer dated maturities, causing yield curves to flatten. Spreads continued to contract, enhancing returns. For the second consecutive quarter, most fixed income markets produced positive results and all of the major segments of the U.S. fixed income market were positive.

During the quarter the U.S. Dollar depreciated versus most major currencies (Japanese Yen, Australian Dollar, Canadian Dollar, and U.K. Pound) with the exception of the Euro.



Source: Wilshire 6/30/2014

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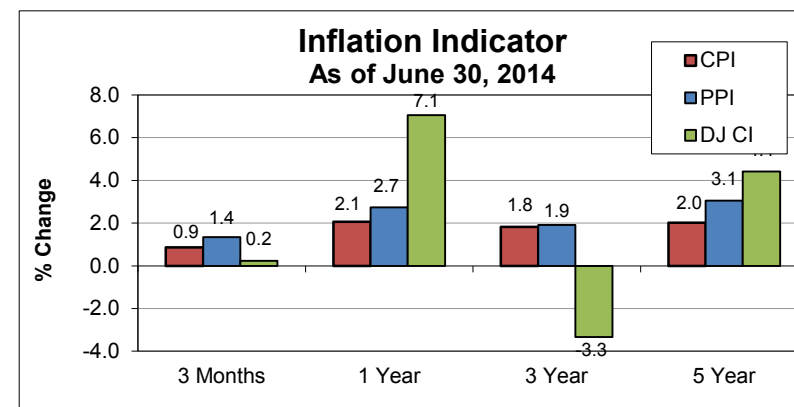
CAPITAL MARKET REVIEW

Do You Want to Build a Snowman? The U.S. economy was frozen during the first quarter - apparently only snowmen were being produced. The severe winter weather had a much greater impact on gross domestic product (GDP) than expected; analysts estimated that GDP would come in at a woeful 0.1%. The actual results were much worse, declining 2.9% and marking the first negative quarter in three years. The downward revision led many to wonder about the prospects for economic growth in 2014.

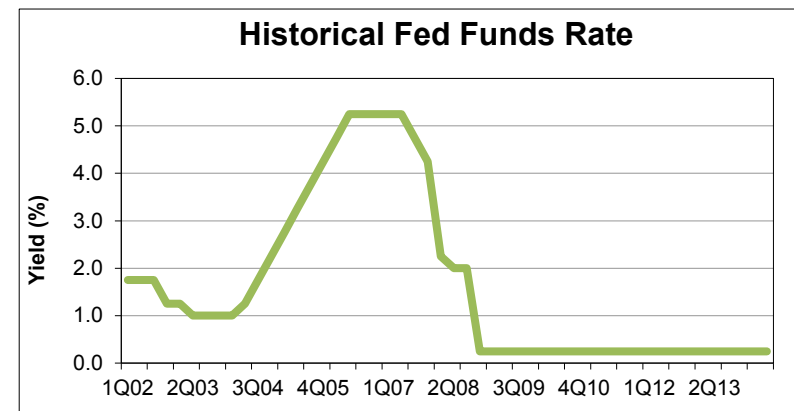
However, the first quarter may have been just a weather related aberration as several economic data points appear to be trending upward. The unemployment rate currently hovers around 6% (down significantly). The economy has added more than 8 million jobs since 2009, exceeding the number of jobs lost during the recession. Housing starts and home prices continued to trend higher (and are affordable with low mortgage rates). Capital goods orders are above their historical average and trending upward; investment by businesses is expected to pick up considerably during the second half. Inflation remains under control and the Federal Reserve is committed to keeping rates relatively low into 2015. At this point, the question is how much the economy will be able to recover after such a weak start to the year.

Commodities were flat during the second quarter after a strong start to the year. Performance varied across the difference components. Industrial and precious metals moved higher while agricultural commodities trended lower. The CPI and PPI continued to rise this quarter, moving the one-year results slightly over 2%. Longer-term, core inflation expectations have risen; however, the modest increase is not likely to dictate a change in monetary policy.

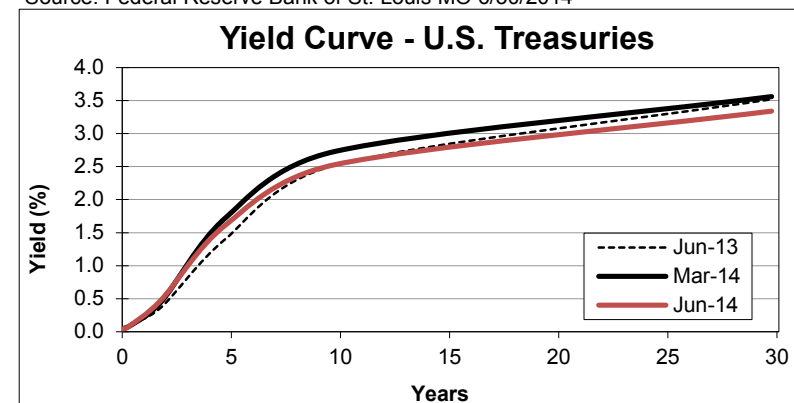
The yield curve continued its downward trajectory through the first half of the year. Interest rates ticked down at the long end of the curve, creating a flatter curve. The narrowing gap between short and long-term rates increases the level of concern over economic growth rates and higher inflation. The yields on the 5-Year, 10-Year, and 30-Year U.S. Treasuries declined between 11 to 22 basis points. The Fed Funds Rate remained anchored and fears of near-term rate increases subsided. The yield on the 10-Year U.S. Treasury ended the quarter at 2.53%, down 51 basis points since the beginning of the year. Although yields surprised to the downside, expectations remain that rates will plod higher, the economy will improve, and the Fed will continue its measured reduction of asset purchases.



Sources: Bureau of Labor Statistics, Wilshire, and Dow Jones 6/30/2014



Source: Federal Reserve Bank of St. Louis MO 6/30/2014



Source: Federal Reserve Bank of St. Louis, MO 6/30/2014

U.S. EQUITY MARKET

Total Returns (%) - Periods Ending June 30, 2014				
	3 Months	1 Year	3 Years	5 Years
Standard & Poor's 500	5.24	24.62	16.58	18.83
Russell 1000	5.12	25.37	16.63	19.25
Russell 1000 Growth	5.13	26.93	16.26	19.24
Russell 1000 Value	5.10	23.82	16.92	19.23
S&P MidCap 400	4.33	25.24	15.27	21.67
Russell Midcap	4.97	26.85	16.08	22.07
S&P SmallCap 600	2.07	25.52	16.81	21.97
Russell 2000	2.05	23.64	14.57	20.21
Russell 2000 Growth	1.72	24.73	14.48	20.49
Russell 2000 Value	2.38	22.54	14.64	19.88
S&P 500 Sector Performance				
	3 Months	1 Year	3 Years	5 Years
Energy	12.08	28.86	11.65	16.87
Materials	5.42	32.33	11.06	17.73
Industrials	3.85	28.56	15.85	22.34
Con. Discretionary	3.44	20.24	20.71	25.86
Con. Staples	4.66	15.30	15.71	17.39
Health Care	4.51	30.12	22.09	20.51
Financials	2.21	19.06	16.18	15.71
Info Technology	6.58	31.90	17.40	18.76
Telecommunications	3.77	5.11	11.02	15.16
Utilities	7.78	21.95	14.30	14.50

Sources: Wilshire 6/30/2014

Returns are annualized for periods greater than one year.

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Onward & Upward: With winter a not to distant memory, the U.S. equity markets continued their upward path, setting new record highs with the approach of summer. The S&P 500 ended the quarter up 5.2% and finished the first half of 2014 up 7.1% amid lower volatility. It was the sixth consecutive quarter of positive returns for the S&P 500.

Large Cap led the way in the second quarter of 2014; performance leadership has rotated up the market cap spectrum in recent quarters. Large Cap out performed Small Cap by over 300 basis points as relative valuations for Large Cap appear more attractive. Lower quality stocks again outpaced higher quality stocks across the market cap spectrum. Growth managed a mere 3 basis points advantage over Value within large caps; however, trailed by 66 basis points in small caps (based on Russell 1000 and 2000 style indices). The performance differential is partly attributed to sector weights. Value profited from more exposure to Utilities and Energy (two of the better performance sectors); Growth benefited from higher allocations to Information Technology and an under weight to Financials.

All 10 S&P 500 sectors ended the quarter with positive returns. Energy was the best performing sector during the quarter, returning 12.1%. The sector performed well, driven by rising oil and natural gas prices due to the escalating tensions in the Middle East and the Russia/Ukraine conflict. Financials was the worst performing sector. Banks, in general, were hindered by declining net interest margins as longer term rates declined during the quarter.

It's interesting to note that the Energy and Consumer Discretionary sectors have exhibited a role reversal so far in 2014. In 2013, the Consumer Discretionary sector returned 43% versus 25% for the Energy sector (one of the three lowest performing sectors).

U.S. FIXED INCOME MARKET

Same as Last Time: The first quarter rally in fixed income continued into the second quarter. Interest rates drifted lower along the longer end of the yield curve and spreads tightened. The various components of the bond market almost duplicated their performance from the first quarter. The rally continued despite the Federal Reserve's further reduction of their monthly fixed income purchases (quantitative easing).

Yields along the front end of the curve were nearly unchanged, anchored by the Federal Reserve's policies. Rates for longer dated securities (5 - 30 year issues) declined again. At quarter-end, the 2-Year Treasury Notes yielded 0.47% (up 3 basis points from 3/31/14), 10-Year Treasury Bonds yielded 2.53% (down 20 basis points from 3/31/14), and 30-Year Treasury Bonds yielded 3.34% (down 22 basis points from 3/31/14).

Declining yields drove longer dated issues (Treasuries) to strong gains during the quarter; the Barclays Long Government was the best performing fixed income segment for the second consecutive quarter. TIPS also generated strong results due to rising inflation concerns. Credit, High Yield, and Mortgages provided mid 2% returns as spreads continued to tighten during the quarter. Government issues trailed, returning 1.3%.

The rally in fixed income has occurred despite the reduction in quantitative easing efforts by the Federal Reserve (expectations are for new purchases to end this year) and guidance from the central bank that short-term rates may be raised in 2015. Fixed income investors are clearly less optimistic of the economic growth projections.

Total Returns (%) - Periods Ending June 30, 2014				
	3 Months	1 Year	3 Years	5 Years
Barclays 1-3 Yr. Govt	0.27	0.77	0.66	1.24
Barclays Intm G/C	1.23	2.86	2.83	4.09
Barclays Aggregate	2.04	4.37	3.67	4.85
Barclays G/C	1.92	4.28	4.08	5.09
Barclays Long Govt	4.73	6.44	8.70	7.41
Barclays Govt	1.34	2.08	2.88	3.46
Barclays Credit	2.71	7.44	5.88	7.65
Barclays Mortgage	2.41	4.66	2.80	3.92
Barclays High Yield	2.41	11.73	9.48	13.98
Barclays U.S TIPS	3.81	4.44	3.55	5.55
Returns are annualized for periods greater than one year.				
Credit Spreads (in basis points)				
	Mar-14	Jun-14	Change	10-Yr Avg.
Aaa	51	36	(15)	86
Aa	58	58	0	121
A	88	88	0	168
Baa	142	134	(8)	225
Ba	271	268	(3)	430
B	379	376	(3)	575
Caa	599	566	(33)	907
<hr/>				
10 Year Treasury	2.73%	2.53%	-0.20%	---

Source: Barclays Capital 6/30/2014

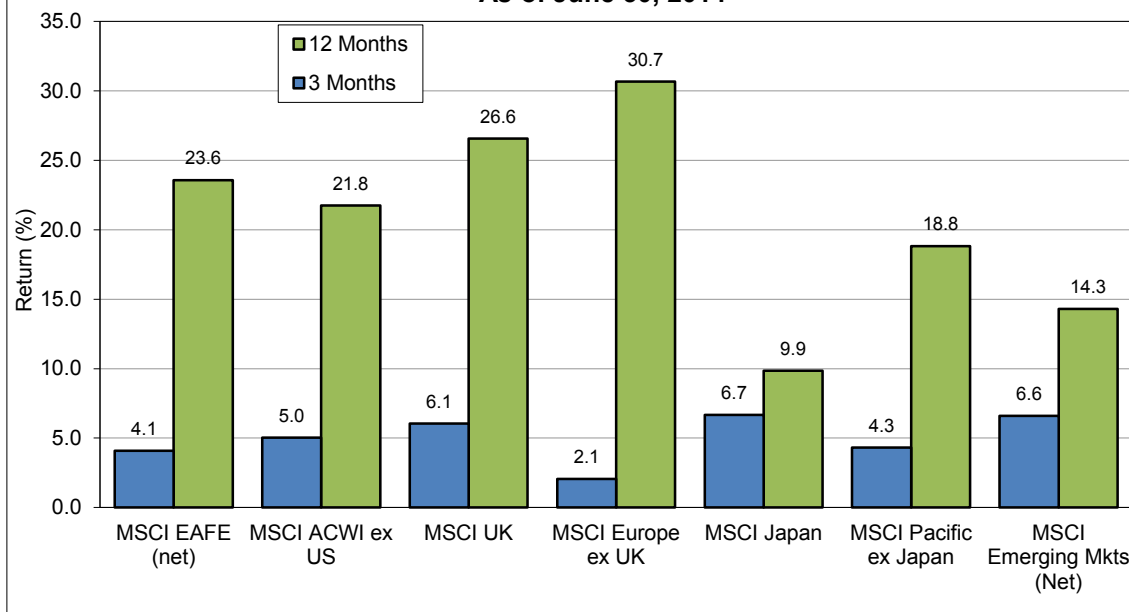
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INTERNATIONAL EQUITY MARKET

International Equity Market Performance (USD)

As of June 30, 2014



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MSCI Country Indices (Net) Three Months Ending June 30, 2014

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	1.7	2.4	(0.7)
Germany	1.7	2.3	(0.7)
Italy	(0.1)	0.5	(0.7)
Spain	7.2	7.9	(0.7)
Switzerland	2.1	2.5	(0.4)
UK	6.1	3.4	2.7
Europe Total	3.3	3.0	0.3
Australia	2.8	0.9	1.9
Hong Kong	8.3	8.2	0.1
Japan	6.7	4.9	1.7
Pacific Total	5.8	4.2	1.6
China	5.5	5.4	0.1
India	12.7	13.5	(0.8)
Brazil	7.5	5.0	2.5
Russia	10.7	7.9	2.8
Emerging Total	6.6	5.1	1.5

Source: MSCI 6/30/14

More Good News: Global equity markets generated returns in the low to mid single digit range in the second quarter. The Emerging Markets provided the best results after several quarters of negative returns; the rebound was based in part on the containment of geopolitical risks. Asia placed second due to solid returns from Japan and Hong Kong; however, the effectiveness of "Abenomics" is up for debate. Europe trailed, struggling with weak, but positive, economic growth.

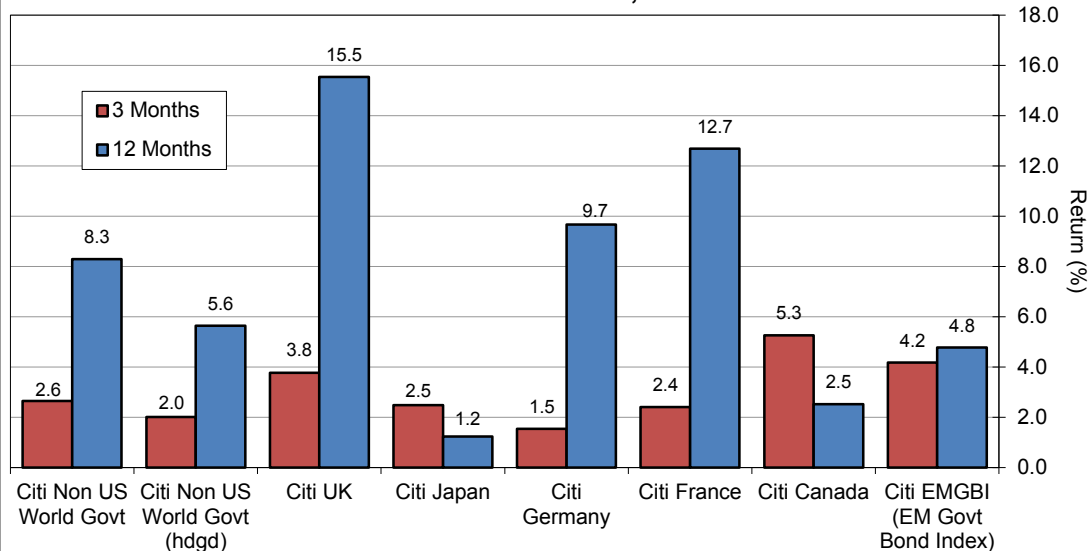
Developed Markets: Deflationary concerns surrounding the Eurozone provided the impetus for the European Central Bank (ECB) to lower the deposit rate into negative territory; essentially charging banks to hold their assets on deposit at the central bank. The ECB also revealed a plan to institute a new lending program. The central bank's latest actions are a strong sign of its commitment to accelerating economic growth as GDP currently comes in at a meager 0.2%. The U.K. had strong gains for the quarter behind continued economic improvement. PMI for manufacturing was up at 57.5 and employment, consumer spending, and construction figures were rising through the end of June.

In Asia, the Japanese equity market posted decent returns. Economic growth was revised upward while the economy absorbs the consumption tax hike initiated in April. Japan continues to maintain its stimulative measures, attempting to increase inflation. However, the recent tax hikes are expected to negatively impact future retail sales and GDP growth.

Emerging Markets: EM equities rebounded in the second quarter, providing a respite to the negative returns generated in 2013 and during the first quarter of 2014. EM equities outpaced developed market equities with a return of 6.6%, led by solid performance in India and Russia. The outcome of national elections in India spurred performance in their equity market; the Russian equity market rebounded from a first quarter sell off. Chinese equities achieved moderate returns as well, but investors are concerned with the slowing economic growth and the threat of a credit bubble. China's growth prospects continue to hinge on global trade as well as fiscal and monetary policy.

INTERNATIONAL BOND MARKET

Intl Fixed Income Market Performance (USD)
As of June 30, 2014



Citigroup World Government Bond Indices
Three Months Ending June 30, 2014

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	2.4	3.1	(0.7)
Germany	1.5	2.2	(0.7)
Ireland	3.6	4.2	(0.7)
Italy	2.8	3.5	(0.7)
Netherlands	2.0	2.6	(0.7)
Spain	2.6	3.3	(0.7)
Sweden	(0.4)	2.7	(3.1)
Switzerland	0.5	0.9	(0.4)
UK	3.8	1.2	2.6
European WGBI	2.5	2.8	(0.2)
Japan	2.5	0.8	1.7
Australia	5.5	3.6	1.9
Canada	5.3	1.6	3.7

Source: The Yield Book 6/30/2014

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More Gains: The major central banks maintained very accommodative policies during the quarter, attempting to stimulate global economic growth. Rates trended lower during the quarter due to weaker than expected Q1 growth data and led to positive results for most fixed income investors.

The European Central Bank reduced rates on short-term deposits, dropping interest rates into negative territory (a first for central banks). This initiative should encourage greater lending from banks, easing credit conditions and promoting economic growth. Spreads contracted between the higher and lower credit quality countries again. Declining rates and compressing spreads generated positive returns across Europe. The Euro depreciated versus the dollar this quarter.

The Bank of England maintained their accommodative policies to promote economic growth. However, the central bank intimated that rate hikes may occur sooner than currently expected by the market, making the U.K. the first country to raise rates. Even with the warning, the bond market posted decent gains. The Pound Sterling appreciated versus the dollar.

The Bank of Japan continued their quantitative easing efforts during the quarter, attempting to stimulate domestic demand and foreign exports. The fixed income market returned 0.8% (in local terms); though low in absolute terms, the return was generated with 10-year government bond rates near 0.6%. The Yen appreciated versus the dollar for a second consecutive quarter.

The emerging markets posted some of the strongest returns among the global fixed income markets during the second quarter. These markets continued to recover from their 2013 sell off and benefited from improving global economic growth expectations. Prudent monetary policies and strong currency reserves will aid many of these nations as they continue to develop, although results will vary greatly from country to country.

SELECTED INDEX RETURNS - PERIODS ENDING JUNE 30, 2014

	Quarter	One Year	Three Years	Five Years	Ten Years
US EQUITIES					
Dow Jones Industrial Average	2.8 %	15.6	13.6	17.8	7.6
Standard & Poors 500	5.2	24.6	16.6	18.8	7.8
Russell 3000	4.9	25.2	16.5	19.3	8.2
S&P MidCap 400	4.3	25.2	15.3	21.7	10.5
Russell Mid-Cap	5.0	26.9	16.1	22.1	10.4
S&P SmallCap 600	2.1	25.5	16.8	22.0	9.9
Russell 2000	2.1	23.6	14.6	20.2	8.7
Growth Stocks - Russell 3000 Growth	4.9	26.7	16.1	19.3	8.3
Value Stocks - Russell 3000 Value	4.9	23.7	16.7	19.3	8.0

US FIXED INCOME					
Barclays 1 - 3 Year Government	0.3 %	0.8	0.7	1.2	2.7
Barclays Intm Govt/Credit	1.2	2.9	2.8	4.1	4.3
Barclays Aggregate	2.0	4.4	3.7	4.9	4.9
Barclays Govt/Credit	1.9	4.3	4.1	5.1	4.9
Barclays Long Government	4.7	6.4	8.7	7.4	7.2
Barclays Government	1.3	2.1	2.9	3.5	4.4
Barclays Credit	2.7	7.4	5.9	7.7	5.9
Barclays Mortgage	2.4	4.7	2.8	3.9	4.9
Barclays High Yield	2.4	11.7	9.5	14.0	9.1
Barclays U.S TIPS	3.8	4.4	3.6	5.6	5.3
ML All Investment Grade Convertible Index					

INTERNATIONAL (Measured in US Dollars)					
MSCI EAFE (Net)	4.1 %	23.6	8.1	11.8	6.9
MSCI ACWI ex U.S. (Net)	5.0	21.8	5.7	11.1	7.7
MSCI Europe (Net)	3.3	29.3	8.7	13.0	7.5
MSCI Pacific (Net)	5.8	13.1	7.1	9.6	5.8
MSCI Emerging Markets (Net)	6.6	14.3	(0.4)	9.2	11.9
Citigroup Non-U.S. Govt Bond	2.6	8.9	1.0	3.6	4.9

REAL ESTATE					
NAREIT Index	7.0 %	13.7	12.0	22.9	8.9
NCREIF Property Index	2.9 %				

OTHER					
91-Day T-Bills	0.0 %	0.1	0.1	0.1	1.6
Consumer Price Index (percent change)	0.9	2.1	1.8	2.0	2.3
Producer Price Index (percent change)	1.4	2.7	1.9	3.1	3.1

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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 **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 **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 **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.

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 **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 **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.

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

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 June 30, 2014 was \$118.56 million.
- ♦ The Fund returned 3.56% for the current quarter, and returned 20.02% 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>
<u>Beginning Market Value</u>	\$ 116,054,688
Cash Flow In	912,640
Intrafund Transfer	
Cash Flow Out	(2,478,732)
Net Cash Flow	(1,566,092)
 Investment Performance	
Income	395,455
Asset Value Changes	3,680,265
Gross Performance	4,075,720
 <u>Ending Market Value</u>	<u>\$ 118,564,317</u>

ACTION

♦

Southfield Employee Retirement System

Executive Summary Table

Periods Ending June 30, 2014

FYTD - 6/30/13

Name	Value \$(000)	% of Fund	Periods Ending 6/30/14						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Total Fund	118,564	100.0	3.56	20.02	20.02	13.08	17.05	7.80	9.08
Policy Index			3.41	17.64	17.64	11.18	14.70	6.40	7.89
Allocation Index			3.24	3.24	18.39	11.56	14.87		
Domestic Equity Composite	62,442	52.7	4.38	25.86	25.86	16.89	21.73	7.37	9.71
Custom Equity Index			4.06	24.58	24.58	15.66	20.18	7.16	8.49
Allocation Index			3.92	3.92	23.64	14.65	18.79		
International Equity Composite	21,037	17.7	4.17	25.27	25.27	8.22	12.08	0.39	
MSCI EAFE (Net)			4.09	23.57	23.57	8.10	11.77	0.97	
Allocation Index			4.03	4.03	23.19	7.86	11.62		
Fixed Income Composite	20,828	17.6	2.33	5.53	5.53	4.10	5.72	6.53	5.76
Barclays U.S. Aggregate			2.04	4.37	4.37	3.67	4.85	5.35	4.93
Allocation Index			2.03	2.03	4.29	3.62	4.79		
Real Estate Composite	5,629	4.7	2.02	9.90	9.90				
NCREIF Prop Index			2.91	11.21	11.21				
Allocation Index			2.91	2.91	11.21				
Timber Composite	2,283	1.9	-1.16	7.66	7.66				
NCREIF Timberland Index			1.08	9.94	9.94				
Allocation Index			-1.16	-1.16	7.66				
Cash Composite	6,344	5.4	0.48	0.59	0.59	0.25	0.21	0.83	1.60
91-Day Treasury Bill			0.01	0.06	0.06	0.07	0.11	0.72	1.63
Allocation Index			0.01	0.01	0.04	0.04	0.08		

Southfield Employee Retirement System

Executive Summary Table

Periods Ending June 30, 2014

Name	Value \$(000)	Periods Ending 6/30/14						
		Cur Qtr	1 Year	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Domestic Equity Composite	62,442	4.38	25.86	25.86	16.89	21.73	7.37	9.71
Custom Equity Index		4.06	24.58	23.83	15.66	20.18	7.16	8.49
World Asset Large Cap	25,766	5.24	24.48	22.58	16.59	18.88	6.20	
Standard & Poors 500		5.24	24.62	22.59	16.58	18.83	6.16	
Munder Capital Mid Cap	19,350	3.62	23.47	23.63	14.65	21.03		
S&P Midcap 400		4.33	25.24	25.21	15.27	21.67		
SouthernSun Small Cap	17,326	3.99	30.36	33.03	21.06	30.23		
Russell 2000		2.05	23.64	23.92	14.57	20.21		
International Equity Composite	21,037	4.17	25.27	21.99	8.22	12.08	0.39	
MSCI EAFE (Net)		4.09	23.57	21.07	8.10	11.77	0.97	
LSV Intl Equity	11,977	4.64	28.64	25.28	9.96	13.16	1.08	
MSCI EAFE (Net)		4.09	23.57	21.07	8.10	11.77	0.97	
WCM Focused Growth International	9,060	3.55	21.12	18.42				
MSCI EAFE (Net)		4.09	23.57	21.07				
Fixed Income Composite	20,828	2.33	5.53	3.05	4.10	5.72	6.53	5.76
Barclays U.S. Aggregate		2.04	4.37	1.81	3.67	4.85	5.35	4.93
Pacific Fixed Income	19,611	2.35	5.28	2.59	3.76	5.13	6.04	5.43
Barclays US Aggregate		2.04	4.37	1.81	3.67	4.85	5.35	4.93
MacKay Shields High Yield	1,217	2.00	10.60	10.11	9.26	12.18		
Credit Suisse High Yld		2.41	11.81	10.49	9.41	13.75		

Southfield Employee Retirement System
Executive Summary Table
Periods Ending June 30, 2014

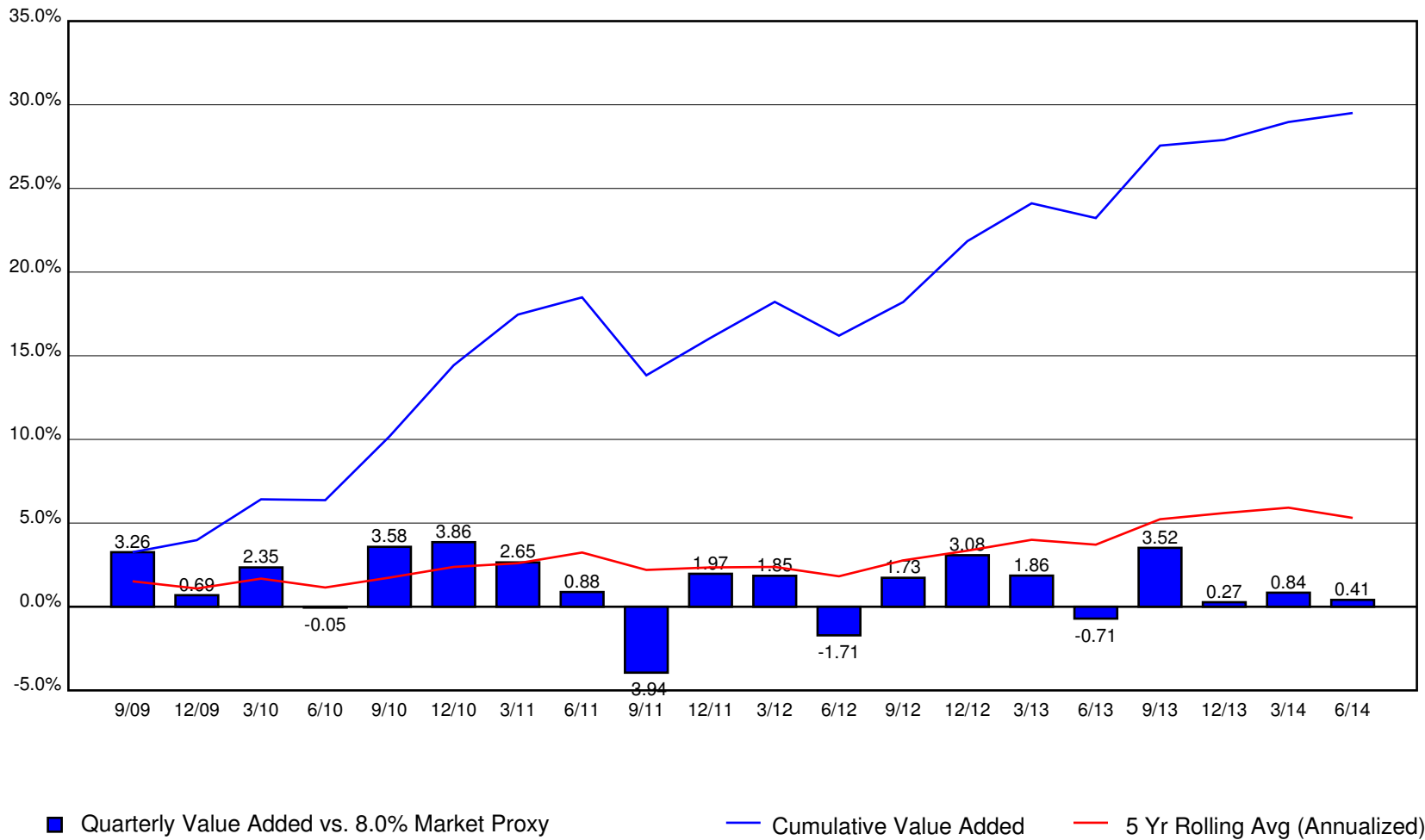
Name	Value \$(000)	Periods Ending 6/30/14						
		Cur Qtr	1 Year	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Real Estate Composite	5,629	2.02	9.90	7.43				
NCREIF Prop Index		2.91	11.21	10.97				
Metropolitan Real Estate Fund	946	0.00	4.07	3.00				
NCREIF Prop Index		2.91	11.21	10.97				
AEW Capital Management	4,683	2.41	11.42					
NCREIF ODCE Fund Index		2.93	12.74					
Timber Composite	2,283	-1.16	7.66					
NCREIF Timberland Index		1.08	9.94					
RMK Timberland U.S. Fund	1,322	-0.03	11.54					
NCREIF Timberland Index		1.08	9.94					
RMK Timberland Int'l Fund	961	-2.66	1.33					
NCREIF Timberland Index		1.08	9.94					
Cash Composite	6,344	0.48	0.59	0.35	0.25	0.21	0.83	1.60
91-Day Treasury Bill		0.01	0.06	0.08	0.07	0.11	0.72	1.63
Cash Account	6,344	0.48	0.59	0.35	0.25	0.21	0.83	1.62
Citigroup 3-month T-Bill		0.01	0.04	0.06	0.05	0.08	0.64	1.54

Southfield Employee Retirement System

Value Added Analysis

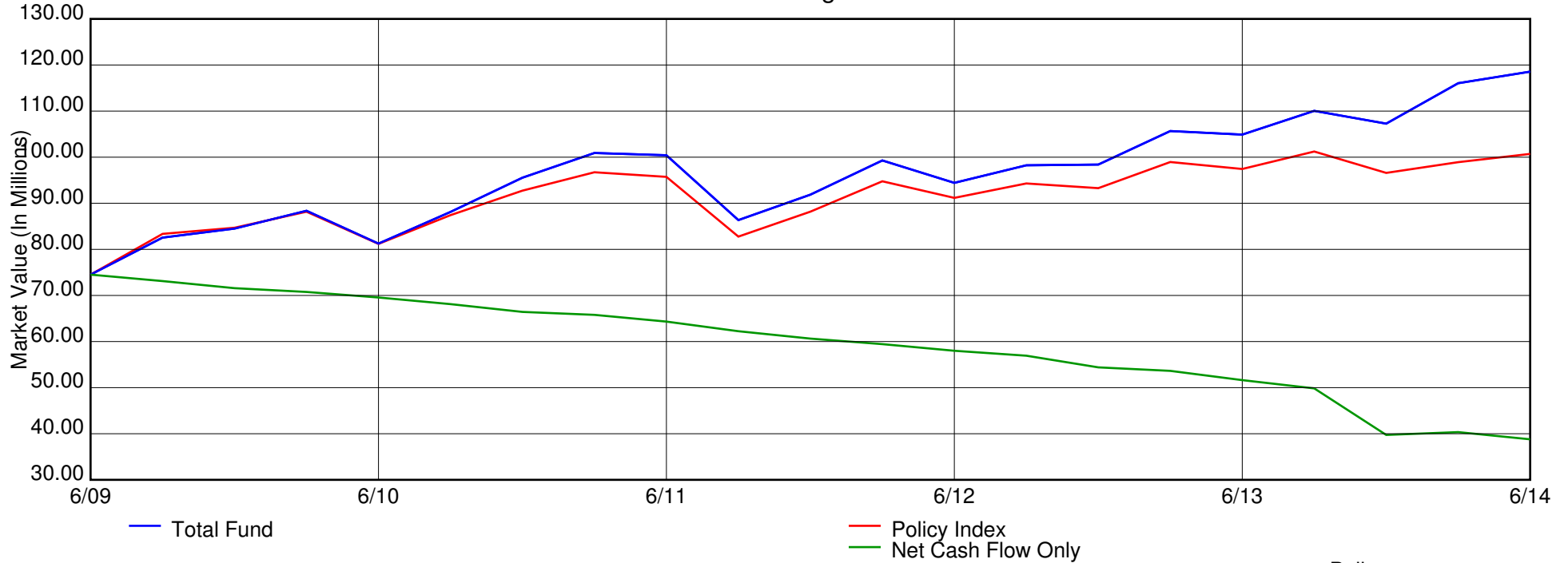
Total Fund

5 Years Ending 6/14



Southfield Employee Retirement System Sources of Portfolio Growth Total Fund

6/09 through 6/14



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
6/11	100,908	-1,461	974	100,421	0.96	151.92	0.48
9/11	100,421	-2,095	-11,971	86,355	-11.95	133.77	-11.47
12/11	86,355	-1,595	7,107	91,867	9.24	146.13	8.54
3/12	91,867	-1,200	8,625	99,291	9.47	159.96	8.89
6/12	99,291	-1,441	-3,419	94,430	-3.31	154.67	-2.29
9/12	94,430	-1,069	4,874	98,236	5.21	162.73	4.63
12/12	98,236	-2,535	2,700	98,402	2.84	167.35	1.62
3/13	98,402	-756	8,020	105,666	8.28	181.20	6.92
6/13	105,666	-2,011	1,246	104,902	1.02	183.04	0.52
9/13	104,902	-1,794	6,945	110,053	6.75	195.39	5.78
12/13	110,053	-10,095	7,323	107,281	6.53	208.15	5.67
3/14	107,281	612	8,161	116,055	1.92	212.14	1.78
6/14	116,055	-1,566	4,076	118,564	3.56	219.69	3.41
Total	74,518	-35,730	79,777	118,564	119.69	219.69	98.57

MARKET SECTOR DIVERSIFICATION

<u>EQUITIES</u>					<u>FIXED INCOME</u>				
C A P I T A L I Z A T I O N	Domestic	Style			Domestic	Style			
		Growth	Core	Value		Rate	Maturity Differential	Core	Sector Allocation
		Large		WAM		U.S. Gov't		Pacific	
		Medium	Munder			Mortgage		Pacific	
		Small		Southernsun		Asset Backed		Pacific	
	International	Venture Capital				Corporate		Pacific	
		Large		LSV WCM		Foreign / Yankee			
		Small				High Yield		MacKay	
		Direct Real Estate	Metropolitan	AEW		Gov't			
		Timberland	RMK Global	RMK Global FIS		Corporate			

Southfield Employee Retirement System

June 30, 2014

Performance Summary Table
Periods Ending 6/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
World Asset Large Cap							
Total Return	5.24	7.12	24.48	22.58	16.59	18.88	
Total Return (Net of Fees)	5.22	7.07	24.37	22.48	16.50	18.82	
Standard & Poors 500	5.24	7.14	24.62	22.59	16.58	18.83	
Variance	-0.00	-0.02	-0.14	-0.01	0.01	0.05	

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

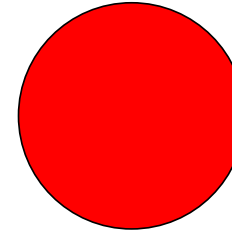
8 bps on the next \$20M

6 bps on the next \$25M

Asset Allocation World Asset Large Cap

June 30, 2014 \$25,765,858

Domestic Equity
\$25,765,858 100.00%



CONCLUSIONS/RECOMMENDATIONS

World Asset Management S&P 500 Index Fund performed in line with the S&P 500 Index, during the 2nd Quarter 2014, placing them in the 25th percentile of the Large Cap Core Universe.

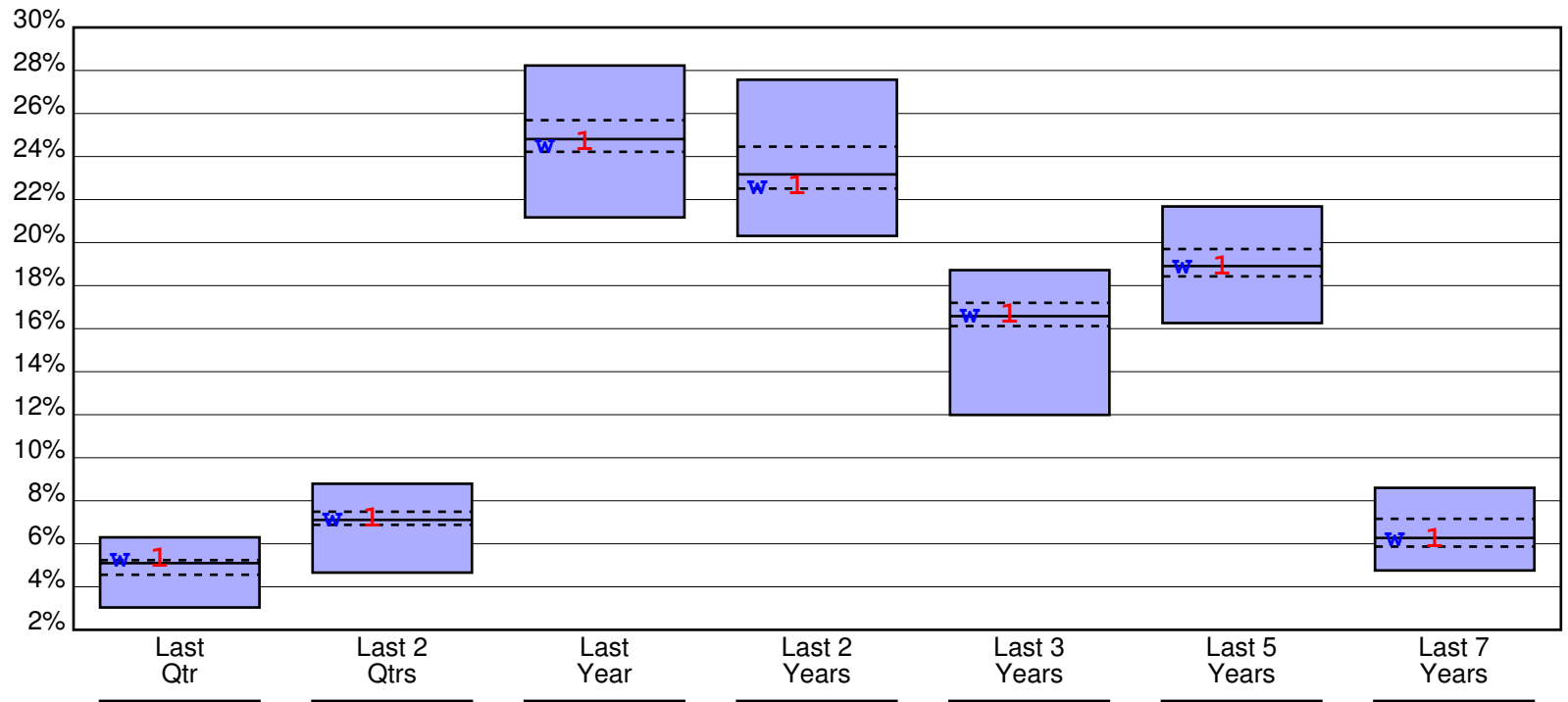
Over the longer 5-yr period, the manager has out performed the S&P 500 Index and placed in the 53rd percentile of their peer group.

Southfield Employee Retirement System

Large Neutral Cumulative Performance Comparisons

Total Returns of Equity Portfolios

Periods Ending 6/14



5th Percentile	6.30	8.79	28.23	27.57	18.72	21.68	8.60
25th Percentile	5.24	7.49	25.69	24.46	17.20	19.70	7.16
Median	5.10	7.11	24.81	23.17	16.58	18.91	6.27
75th Percentile	4.56	6.88	24.22	22.51	16.12	18.43	5.87
95th Percentile	3.04	4.66	21.17	20.31	11.99	16.26	4.76
w World Asset Large Cap	5.24 (25)	7.12 (48)	24.48 (70)	22.58 (66)	16.59 (48)	18.88 (53)	6.20 (59)
1 Standard & Poors 500	5.24 (25)	7.14 (44)	24.62 (56)	22.59 (65)	16.58 (50)	18.83 (63)	6.16 (65)

Southfield Employee Retirement System

June 30, 2014

Performance Summary Table
Periods Ending 6/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Munder Capital Mid Cap							
Total Return	3.62	5.75	23.47	23.63	14.65	21.03	
Total Return (Net of Fees)	3.42	5.35	22.58	22.72	13.80	20.15	
S&P Midcap 400	4.33	7.50	25.24	25.21	15.27	21.67	
Variance	-0.71	-1.75	-1.77	-1.59	-0.62	-0.64	

MUNDER 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).

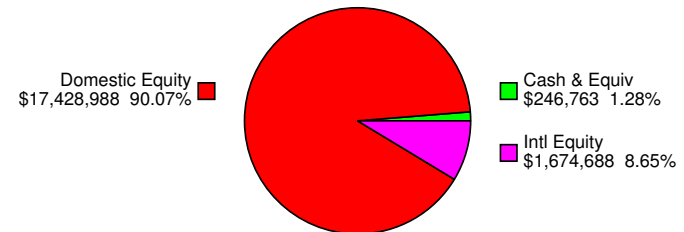
STRATEGY

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
Munder Capital Mid Cap
June 30, 2014 \$19,350,439



CONCLUSIONS/RECOMMENDATIONS

Munder Mid Cap Core Growth under performed the S&P Midcap 400 Index by 71 bps during the 2nd Quarter 2014, placing them in the 80th percentile of the Mid Cap Core Universe.

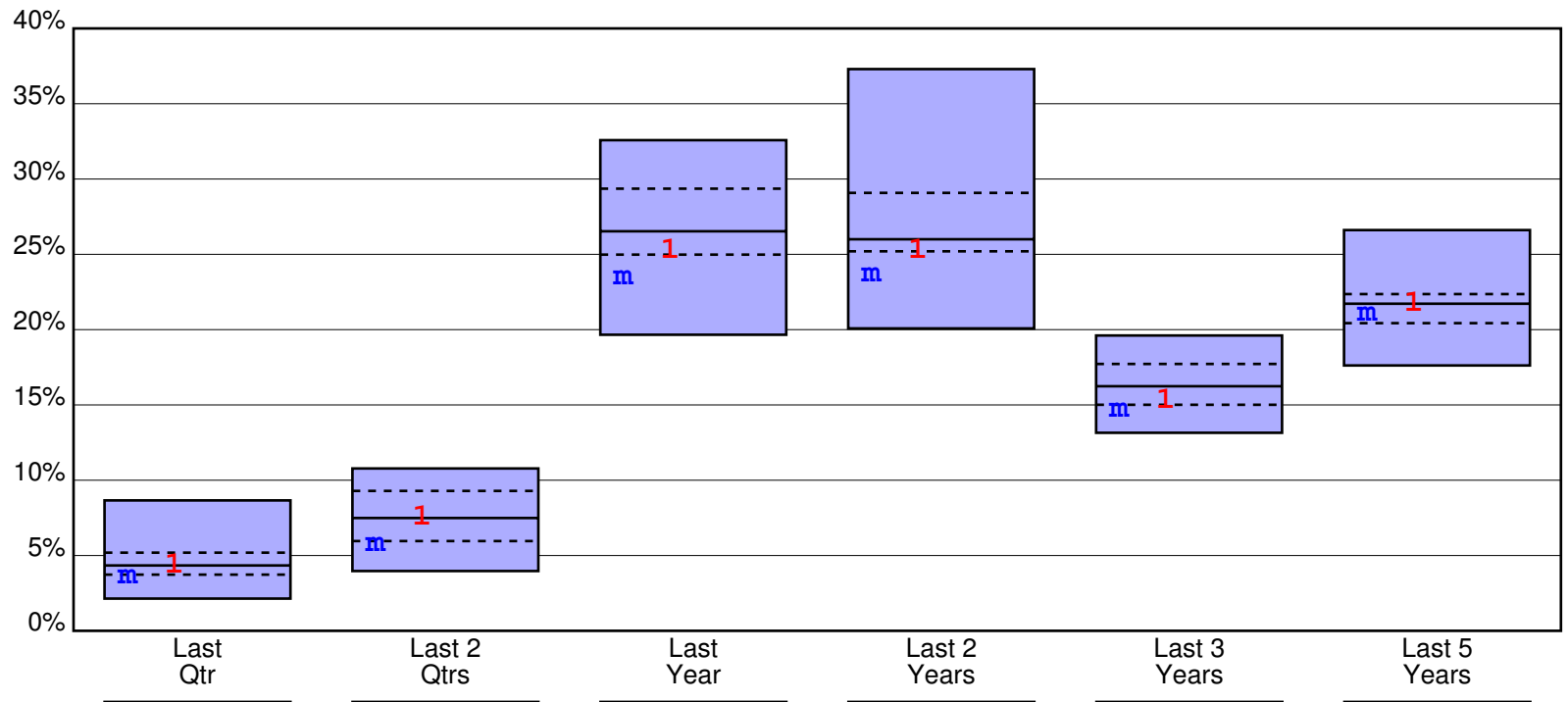
Over the longer 3-year time period the manager has under performed the S&P Midcap 400 Index and has placed in the 79th percentile of their peer group.

Southfield Employee Retirement System

Midcap Neutral Cumulative Performance Comparisons

Total Returns of Equity Portfolios

Periods Ending 6/14



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
8.66	10.78	32.58	37.30	19.61	26.61
5.19	9.29	29.36	29.08	17.72	22.36
4.34	7.49	26.53	26.00	16.24	21.72
3.73	5.96	24.98	25.20	15.01	20.43
2.14	3.97	19.66	20.08	13.15	17.62
m Munder Capital Mid Cap 3.62 (80)	5.75 (75)	23.47 (84)	23.63 (89)	14.65 (79)	21.03 (61)
1 S&P Midcap 400 4.33 (54)	7.50 (49)	25.24 (69)	25.21 (73)	15.27 (62)	21.67 (50)

Southfield Employee Retirement System

Equity Summary Statistics

Munder Capital Mid Cap

Period Ending 6/14

	Portfolio	S&P Midcap 400	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	83	400	Affiliated Managers	400,530	2.10	2.67
Equity Market Value	17,428,988		Nisource Inc	370,780	1.94	11.49
Average Capitalization \$(000)	11,113,230	5,198,688	Sba Communications C	363,165	1.90	12.47
Median Capitalization \$(000)	8,438,196	3,921,927	Invesco Ltd	362,400	1.90	2.74
Equity Segment Yield	0.97	1.39	Skyworks Solutions I	353,139	1.85	25.49
Equity Segment P/E - Average	23.92	26.04	Lincoln Natl Corp In	335,646	1.76	1.86
Equity Segment P/E - Median	24.48	22.51	Airgas Inc	307,671	1.61	2.78
Equity Segment Beta	1.12	1.19	Concho Res Inc	303,450	1.59	17.96
Price/Book Ratio	2.95	2.46	Borg-Warner Automoti	299,874	1.57	6.27
Debt/Equity Ratio	53.35	52.36	Liberty Media Corp D	295,912	1.55	4.55
Five Year Earnings Growth	14.80	11.27				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	7.16	5.93	8.01	9.25	-0.09	0.06	-0.03
Materials	7.57	7.20	5.94	3.50	0.19	-0.00	0.18
Industrials	14.34	16.70	6.11	4.69	0.20	-0.00	0.20
Consumer Discretionary	17.03	13.47	2.04	2.07	-0.01	-0.09	-0.10
Consumer Staples	4.00	3.25	0.44	11.01	-0.42	0.05	-0.37
Health Care	11.64	9.45	-1.97	5.54	-0.87	0.02	-0.85
Financials	18.64	23.08	1.65	3.75	-0.39	0.04	-0.35
Information Technology	13.74	15.79	7.31	3.44	0.53	0.02	0.56
Telecom. Services	1.69	0.45	12.47	18.26	-0.10	0.17	0.07
Utilities	4.19	4.68	5.82	7.82	-0.08	-0.02	-0.10
	100.00	100.00	3.80	4.60	-1.04	0.25	-0.80

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 -0.01%

[Actual Return 3.80%] - [Buy Hold Return 3.80%]

Southfield Employee Retirement System

June 30, 2014

Performance Summary Table
Periods Ending 6/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SouthernSun Small Cap							
Total Return	3.99	7.11	30.36	33.03	21.06	30.23	
Total Return (Net of Fees)	3.74	6.58	29.23	31.81	19.94	29.02	
Russell 2000	2.05	3.19	23.64	23.92	14.57	20.21	
Variance	1.95	3.93	6.72	9.11	6.50	10.02	

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:

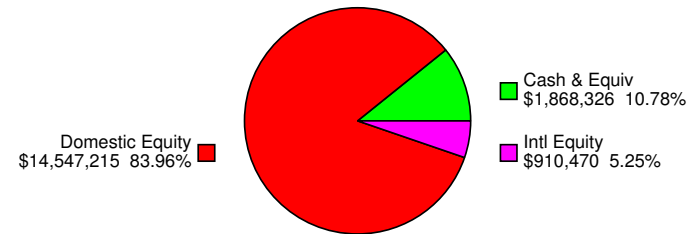
100 bps on the first \$15M

85 bps over \$15M

Asset Allocation

SouthernSun Small Cap

June 30, 2014 \$17,326,011



CONCLUSIONS/RECOMMENDATIONS

SouthernSun out performed the Russell 2000 Index by 195 bps during the 2nd Quarter 2014, placing them in the 22nd percentile of the Small Cap Core Universe.

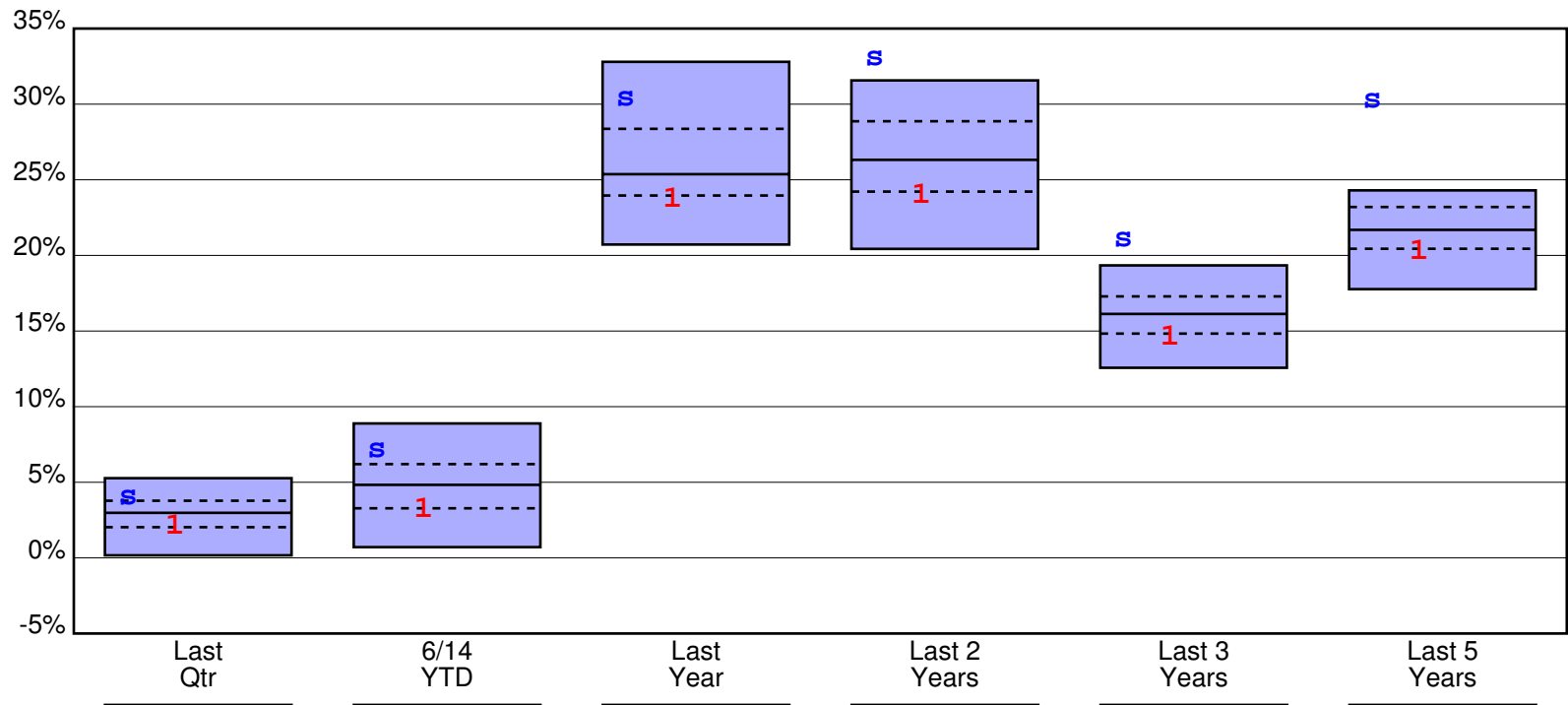
Longer-term, SouthernSun has out performed the Russell 2000 Index and has ranked at the top of of their peer group over a 5-year time period.

Southfield Employee Retirement System

Small Neutral Cumulative Performance Comparisons

Total Returns of Equity Portfolios

Periods Ending 6/14



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

	Last Qtr	6/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
5th Percentile	5.27	8.89	32.80	31.57	19.34	24.30
25th Percentile	3.78	6.20	28.37	28.87	17.29	23.20
Median	2.98	4.83	25.37	26.32	16.13	21.69
75th Percentile	2.03	3.28	23.96	24.22	14.83	20.44
95th Percentile	0.17	0.71	20.72	20.43	12.57	17.77
S SouthernSun Small Cap	3.99 (22)	7.11 (13)	30.36 (8)	33.03 (2)	21.06 (1)	30.23 (1)
1 Russell 2000	2.05 (74)	3.19 (77)	23.64 (80)	23.92 (81)	14.57 (81)	20.21 (81)

Southfield Employee Retirement System

Equity Summary Statistics

SouthernSun Small Cap

Period Ending 6/14

	Portfolio	Russell 2000	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	21	1,971	Centene Corp Del	978,393	6.33	21.46
Equity Market Value	14,547,215		Carbo Ceramics Inc	955,544	6.18	11.94
Average Capitalization \$(000)	3,839,162	1,777,044	Iconix Brand Group I	954,342	6.18	9.35
Median Capitalization \$(000)	3,162,045	733,964	Diebold Inc	949,217	6.14	1.48
Equity Segment Yield	1.02	1.21	Darling Intl Inc	936,425	6.06	4.40
Equity Segment P/E - Average	24.24	49.72	Chicago Bridge & Iro	910,470	5.89	-21.67
Equity Segment P/E - Median	23.38	16.86	Trinity Inds Inc	907,190	5.87	21.60
Equity Segment Beta	1.35	1.25	Sanderson Farms Inc	894,240	5.79	24.13
Price/Book Ratio	2.37	2.24	AGCO Corp	857,355	5.55	2.13
Debt/Equity Ratio	51.04	46.86	Hill Rom Hldgs Inc	839,540	5.43	8.12
Five Year Earnings Growth	10.42	9.52				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	7.24	5.66	11.94	11.26	0.05	0.14	0.19
Materials	8.57	4.85	1.91	1.84	0.01	-0.01	-0.00
Industrials	34.64	14.46	0.84	0.21	0.22	-0.38	-0.16
Consumer Discretionary	17.99	13.02	0.08	1.20	-0.20	-0.04	-0.25
Consumer Staples	10.95	3.68	13.20	1.09	1.33	-0.07	1.25
Health Care	10.33	13.58	14.65	0.99	1.41	0.04	1.45
Financials	0.00	23.19		1.88	0.00	0.05	0.05
Information Technology	6.38	17.73	1.48	1.78	-0.02	0.04	0.02
Telecom. Services	0.00	0.71		-3.09	0.00	0.04	0.04
Utilities	3.89	3.11	6.98	8.95	-0.08	0.05	-0.02
	100.00	100.00	4.66	2.09	2.72	-0.15	2.57

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 1.78%

[Actual Return 6.44%] - [Buy Hold Return 4.66%]

Southfield Employee Retirement System

June 30, 2014

Performance Summary Table
Periods Ending 6/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
LSV Intl Equity							
Total Return	4.64	6.00	28.64	25.28	9.96	13.16	
Total Return (Net of Fees)	4.45	5.62	27.72	24.39	9.17	12.67	
MSCI EAFE (Net)	4.09	4.78	23.57	21.07	8.10	11.77	
Variance	0.56	1.23	5.07	4.21	1.86	1.39	

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:

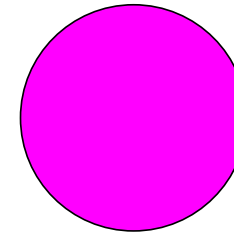
75 bps on the first \$25M
65 bps on the next \$25M

Asset Allocation

LSV Intl Equity

June 30, 2014 \$11,977,382

Intl Equity
\$11,977,382 100.00%

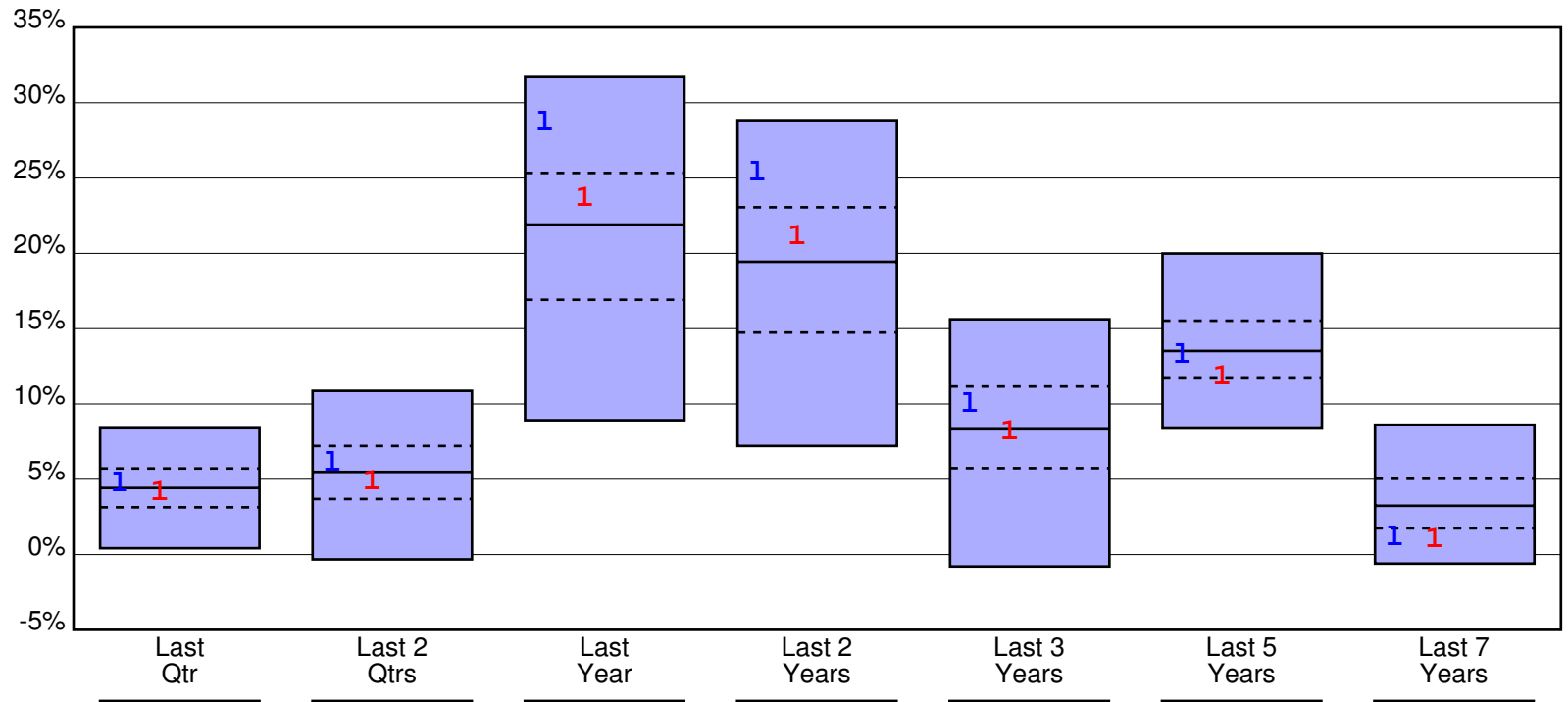


CONCLUSIONS/RECOMMENDATIONS

LSV Int'l Equity out performed the MSCI EAFE (Net) Index by 56 bps during the 2nd Quarter 2014, placing them in the 45th 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 55th percentile of their peer group.

Southfield Employee Retirement System Cumulative Performance Comparison Total Returns of International Equity Portfolios Periods Ending 6/14



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
5th Percentile	8.39	10.87	31.70	28.84	15.62	19.99	8.62
25th Percentile	5.72	7.21	25.34	23.06	11.16	15.53	5.03
Median	4.42	5.49	21.91	19.44	8.32	13.52	3.24
75th Percentile	3.14	3.69	16.92	14.74	5.74	11.70	1.74
95th Percentile	0.42	-0.32	8.92	7.21	-0.79	8.37	-0.60
LSV Intl Equity (45)	4.64 (45)	6.00 (40)	28.64 (12)	25.28 (14)	9.96 (34)	13.16 (55)	1.08 (84)
MSCI EAFE (Net) (58)	4.09 (58)	4.78 (60)	23.57 (36)	21.07 (37)	8.10 (52)	11.77 (73)	0.97 (86)

Southfield Employee Retirement System

June 30, 2014

Performance Summary Table
Periods Ending 6/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
WCM Focused Growth International							
Total Return	3.55	4.75	21.12	18.42			
Total Return (Net of Fees)	3.32	4.28	20.06	17.38			
MSCI EAFE (Net)	4.09	4.78	23.57	21.07			
Variance	-0.54	-0.03	-2.45	-2.65			

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.

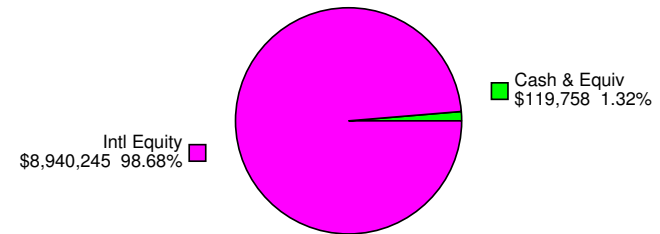
FEE SCHEDULE:

1.00% on all assets

Asset Allocation

WCM Focused Growth International

June 30, 2014 \$9,060,003

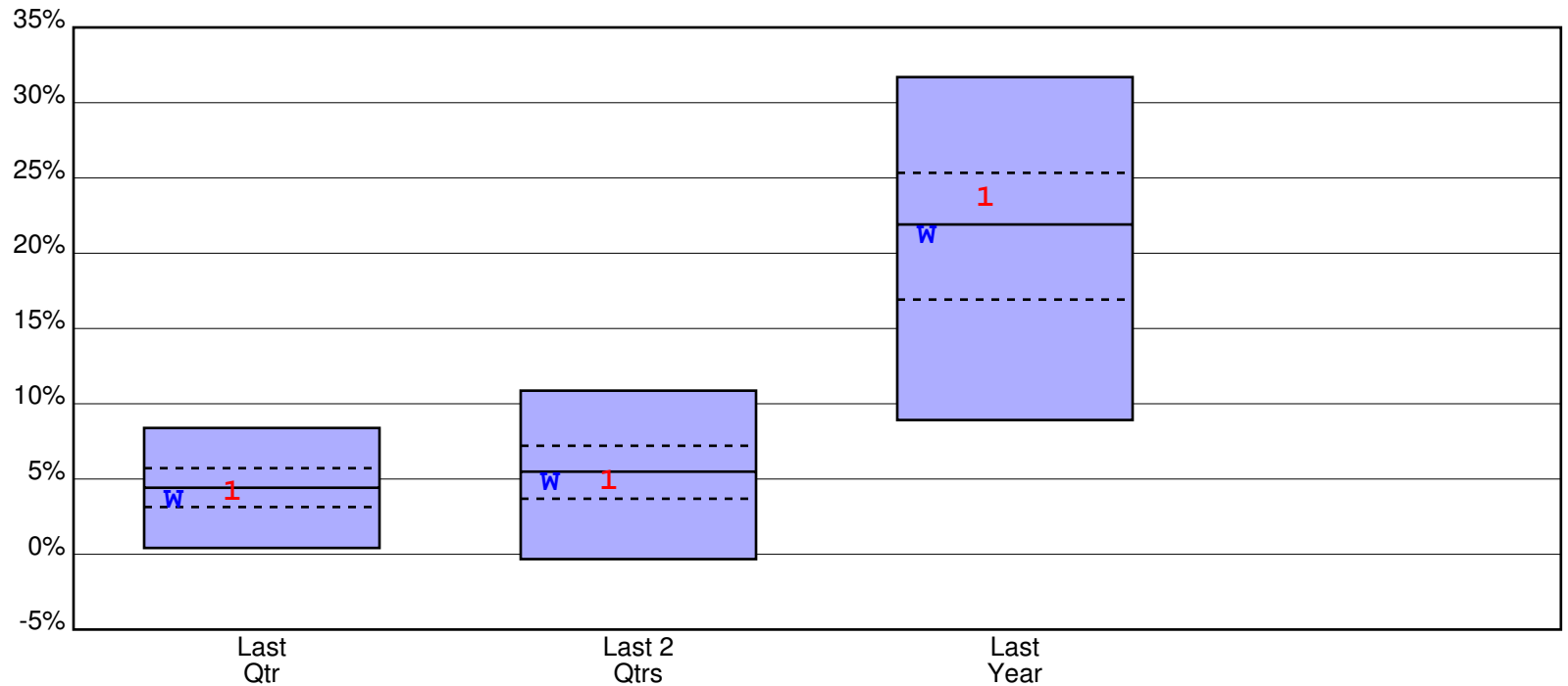


CONCLUSIONS/RECOMMENDATIONS

WCM under performed the MSCI EAFE Net by 54 bps in the 2nd Quarter 2014, placing them in the 66th percentile of their peer group.

Over the longer 1-yr period, the manager has under performed the MSCI EAFE (Net) and has placed in the 56th percentile of their peer group.

Southfield Employee Retirement System Cumulative Performance Comparison Total Returns of International Equity Portfolios Periods Ending 6/14



5th Percentile	8.39	10.87	31.70
25th Percentile	5.72	7.21	25.34
Median	4.42	5.49	21.91
75th Percentile	3.14	3.69	16.92
95th Percentile	0.42	-0.32	8.92
W WCM Focused Growth International	3.55 (66)	4.75 (61)	21.12 (56)
1 MSCI EAFE (Net)	4.09 (58)	4.78 (60)	23.57 (36)

Southfield Employee Retirement System
Global Equity Summary Statistics
WCM Focused Growth International
Period Ending 6/14

	Portfolio		MSCI EAFE (Net)	Ten Best Performers	Quarterly Ret
Total Number Of Securities	29		899	Covidien Plc	22.97
Equity Market Value	8,940,245			Canadian Pac Ry Ltd	20.63
Average Capitalization \$(000)	44,081,684		63,815,739	Yandex N V	18.05
Median Capitalization \$(000)	18,725,868		9,420,895	Canadian Natl Ry Co	16.08
Equity Segment Yield	1.28		3.13	Sysmex Corp	15.57
Equity Segment P/E - Average	26.19		17.43	Wal Mart De Mexico S	15.56
Equity Segment P/E - Median	29.10		17.87	Novozymes A/S	14.40
Equity Segment Beta	0.74		1.00	Tencent Hldgs Ltd	10.53
Price/Book Ratio	2.46		1.68	Lazard Ltd	10.16
Debt/Equity Ratio	53.16		86.15	Sensata Technologies	9.71
Five Year Earnings Growth	14.54		15.47		
Five Year Dividend Growth	6.06		6.87		
Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret	Ten Worst Performers	Quarterly Ret
Taiwan Semiconductor	505,018	5.64	6.84	Asos Plc	-41.85
Canadian Pac Ry Ltd	451,944	5.05	20.63	Core Laboratories N	-15.62
Novo-Nordisk As	442,500	4.95	1.18	Arm Hldgs Plc	-10.96
Covidien Plc	428,806	4.79	22.97	Svenska Cellulosa Ak	-10.31
Canadian Natl Ry Co	423,280	4.73	16.08	Sun Art Retail Group	-7.07
Lazard Ltd	396,909	4.44	10.16	Perrigo Co Pcl	-5.68
Ace Ltd	381,927	4.27	4.68	Shoprite Hldgs Ltd	-4.27
Asml Holding N V	353,307	3.95	1.65	Fanuc Ltd Japan	-3.00
Novozymes A/S	351,276	3.93	14.40	Sgs Societe Gen De S	-2.92
Nestle S A	351,068	3.92	6.02	Jeronimo Martins Sgp	-0.51

Southfield Employee Retirement System

June 30, 2014

Performance Summary Table
Periods Ending 6/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Pacific Fixed Income							
Total Return	2.35	4.54	5.28	2.59	3.76	5.13	5.43
Total Return (Net of Fees)	2.27	4.38	4.96	2.23	3.42	4.80	5.10
Barclays US Aggregate	2.04	3.93	4.37	1.81	3.67	4.85	4.93
Variance	0.30	0.62	0.91	0.78	0.09	0.28	0.49

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).

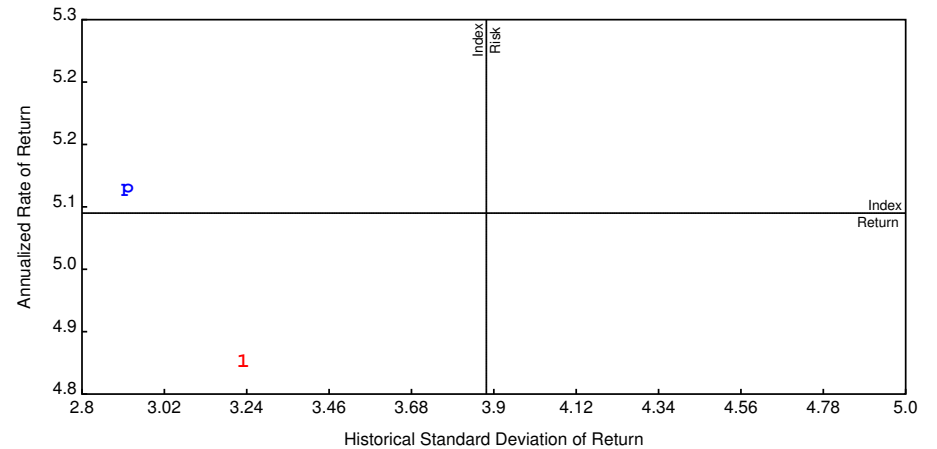
STRATEGY

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	5.13	2.93
1 Barclays US Aggregate	4.85	3.24
Barclays Govt/Credit	5.09	3.88

CONCLUSIONS/RECOMMENDATIONS

Pacific Core Fixed Income out performed the Barclays US Aggregate Index by 30 bps during the 2nd Quarter 2014, placing them in the 36th percentile of the Core Fixed Income Universe.

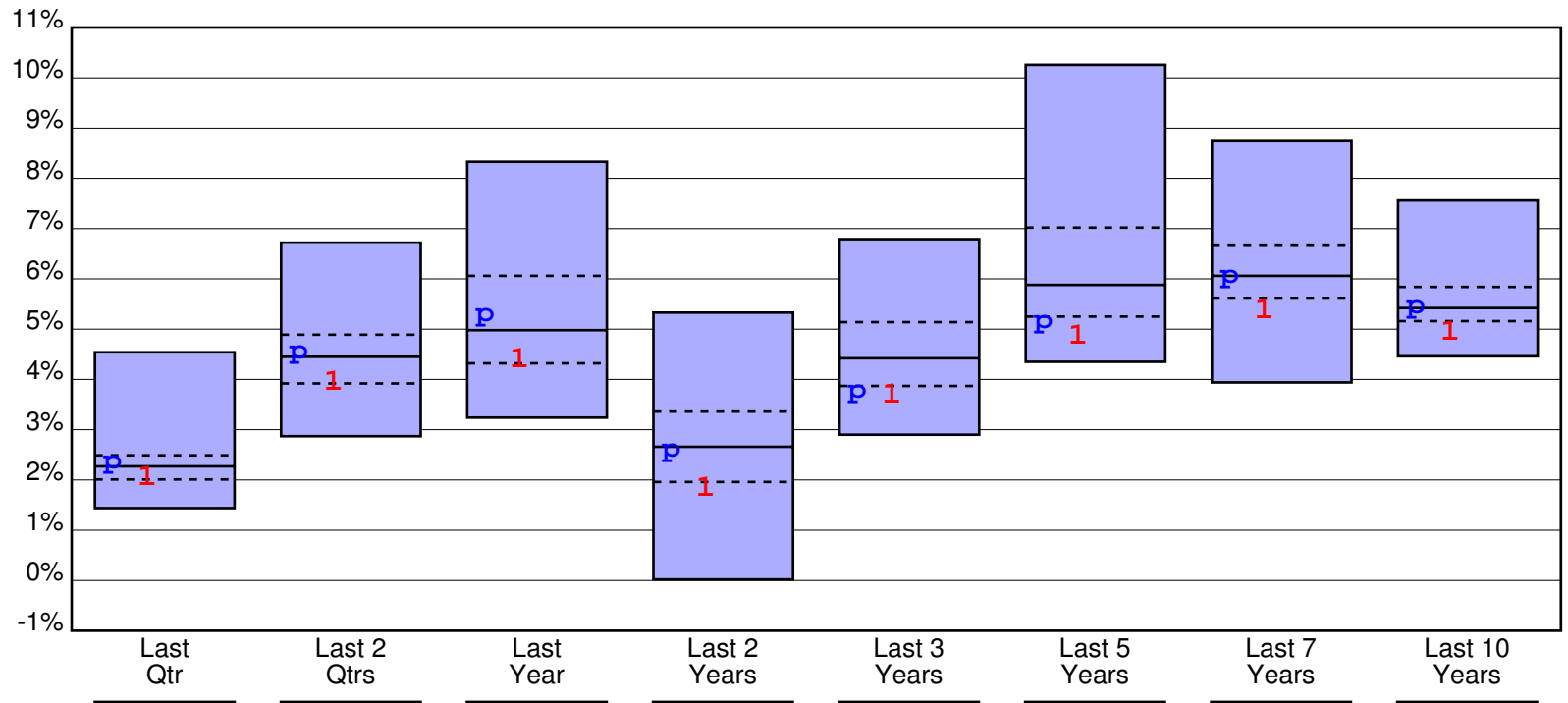
Over the longer 5 and 10-yr periods, the manager has out performed the Barclays US Aggregate Index.

Southfield Employee Retirement System

Fixed Income Core Cumulative Performance Comparisons

Total Returns of Fixed Income Portfolios

Periods Ending 6/14



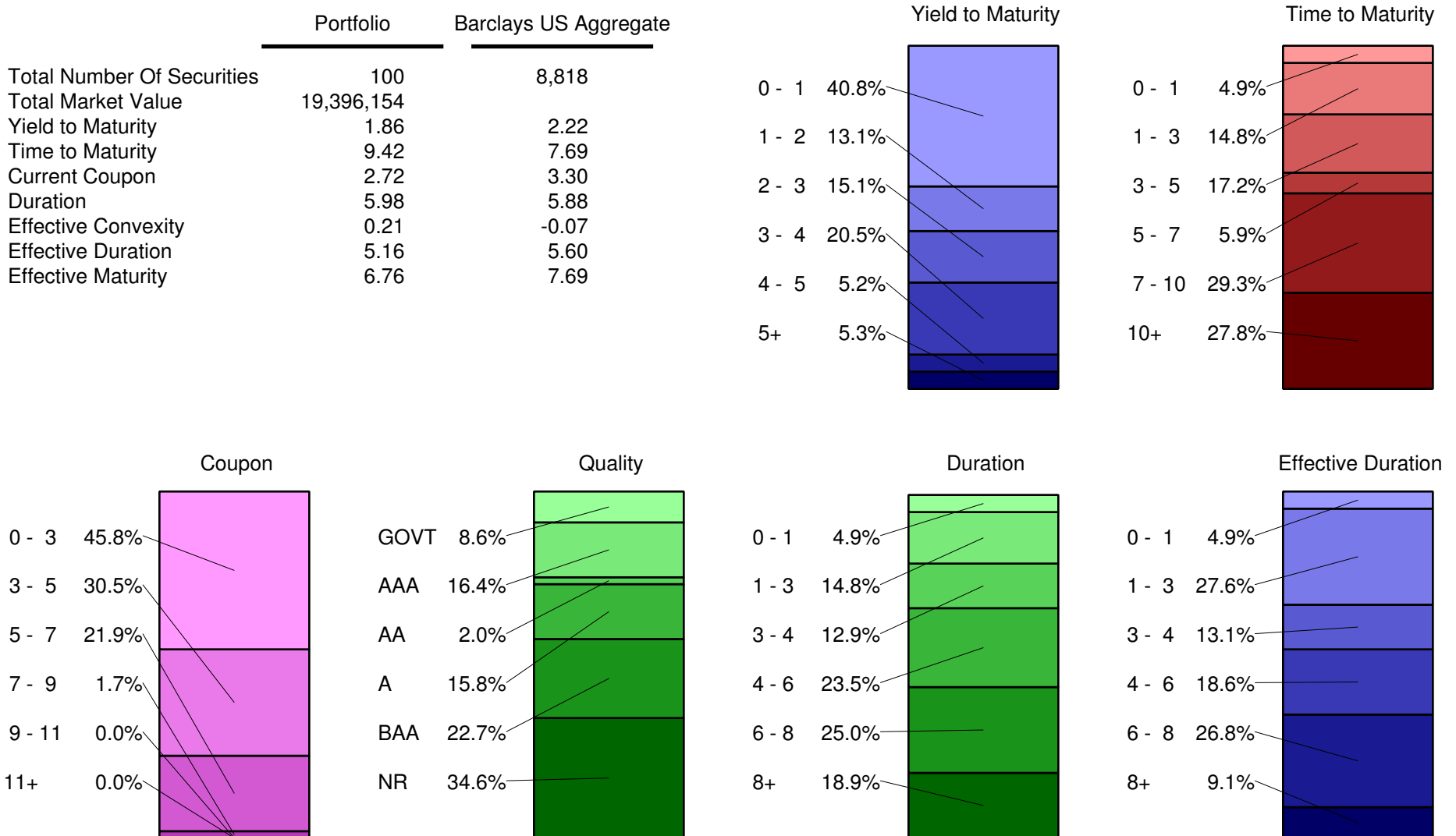
5th Percentile
25th Percentile
Median
75th Percentile
95th Percentile

	Last Qtr	Last 2 Qtrs	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
5th Percentile	4.54	6.72	8.33	5.33	6.79	10.26	8.74	7.56
25th Percentile	2.49	4.89	6.06	3.36	5.14	7.02	6.66	5.84
Median	2.27	4.45	4.98	2.66	4.42	5.88	6.06	5.42
75th Percentile	2.01	3.92	4.32	1.96	3.87	5.25	5.61	5.16
95th Percentile	1.44	2.87	3.24	0.02	2.90	4.35	3.94	4.46
P Pacific Fixed Income	2.35 (36)	4.54 (37)	5.28 (47)	2.59 (53)	3.76 (79)	5.13 (79)	6.04 (52)	5.43 (47)
1 Barclays US Aggregate	2.04 (73)	3.93 (70)	4.37 (73)	1.81 (81)	3.67 (81)	4.85 (84)	5.35 (92)	4.93 (90)

Southfield Employee Retirement System

Fixed Income, Mortgage and Municipals Summary Statistics

Pacific Fixed Income Quarter Ending 6/14



Southfield Employee Retirement System

June 30, 2014

Performance Summary Table
Periods Ending 6/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
MacKay Shields High Yield							
Total Return	2.00	5.17	10.60	10.11	9.26	12.18	
Total Return (Net of Fees)	1.88	4.91	10.04	9.54	8.73	11.60	
Credit Suisse High Yld	2.41	5.55	11.81	10.49	9.41	13.75	
Variance	-0.41	-0.39	-1.21	-0.37	-0.15	-1.57	

MacKay Shields High Yield Corporate Bond Series High Yield Statutory Trust Commingled Fund

OBJECTIVE

To out perform the Credit Suisse High Yield Index.

STRATEGY

MacKay Shields believes that the high yield asset class is first and foremost about risk control. Their strategy focuses on credits that generate increasing cash flow, contain strong asset coverage and whose management is committed to paying down debt. Emphasis is placed on current income, while minimizing risk to principal and locating capital appreciation catalysts.

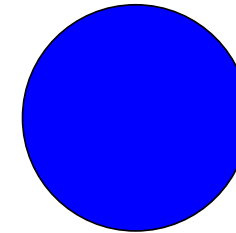
FEE SCHEDULE:

50 bps on all assets

Asset Allocation MacKay Shields High Yield

June 30, 2014 \$1,217,111

Domestic Fixed
\$1,217,111 100.00%



CONCLUSIONS/RECOMMENDATIONS

MacKay Shields High Yield under performed the Credit Suisse HY Index by 41 bps during the 2nd Quarter 2014, placing them in the 76th percentile of the High Yield Universe.

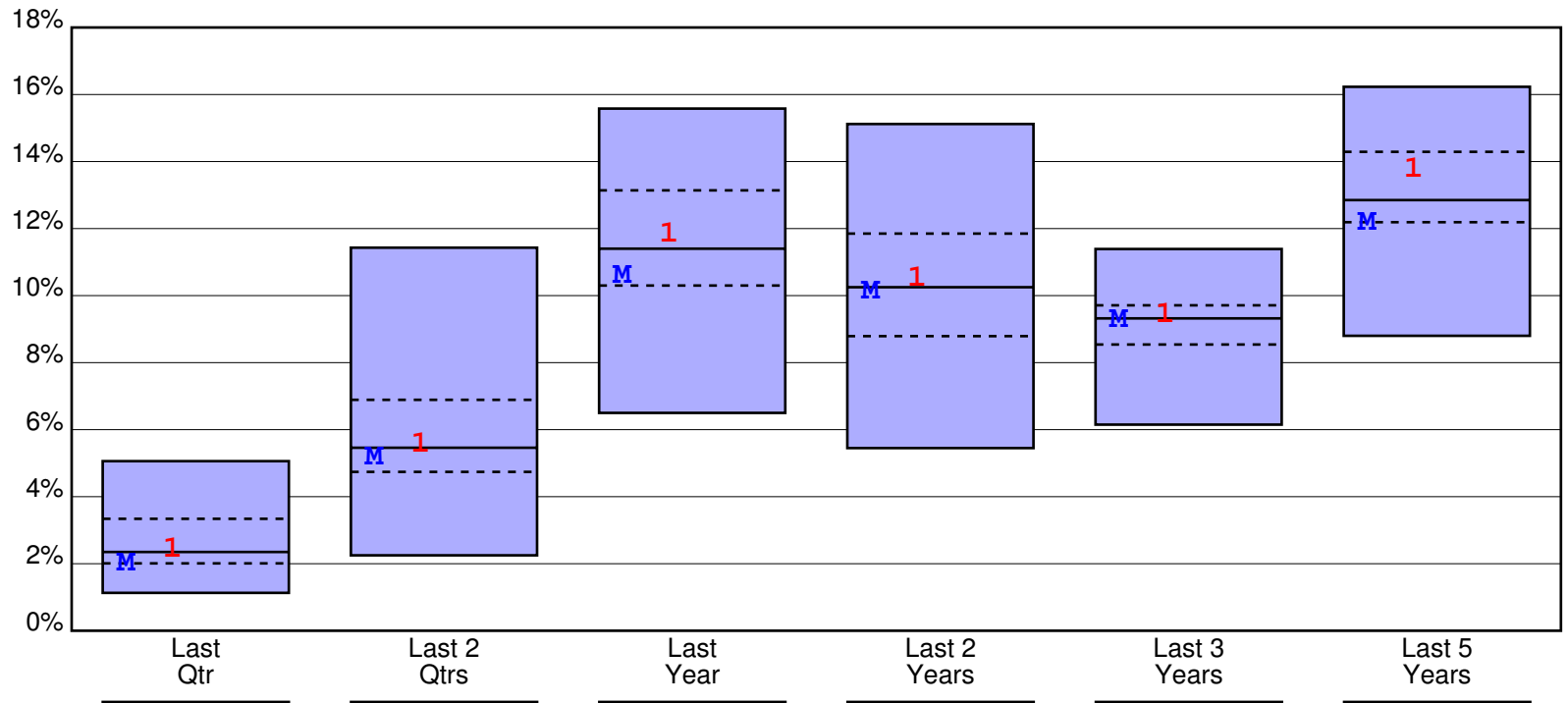
Over the longer 3-year period, the manager has under performed the Credit Suisse HY Index and has ranked below the median of their peer group universe.

Southfield Employee Retirement System

High Yield Cumulative Performance Comparisons

Total Returns of Fixed Income Portfolios

Periods Ending 6/14



5th Percentile	5.06	11.43	15.58	15.12	11.39	16.23
25th Percentile	3.34	6.89	13.14	11.85	9.71	14.29
Median	2.35	5.46	11.40	10.25	9.32	12.85
75th Percentile	2.01	4.74	10.30	8.79	8.54	12.19
95th Percentile	1.13	2.25	6.50	5.45	6.15	8.80
M MacKay Shields High Yield	2.00 (76)	5.17 (64)	10.60 (67)	10.11 (51)	9.26 (57)	12.18 (75)
1 Credit Suisse High Yld	2.41 (48)	5.55 (46)	11.81 (45)	10.49 (48)	9.41 (42)	13.75 (35)

Southfield Employee Retirement System

June 30, 2014

Performance Summary Table
Periods Ending 6/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
AEW Capital Management							
Total Return	2.41	5.26	11.42				
Total Return (Net of Fees)	2.12	4.61	10.12				
NCREIF ODCE Fund Index	2.93	5.52	12.74				
Variance	-0.52	-0.27	-1.32				

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.

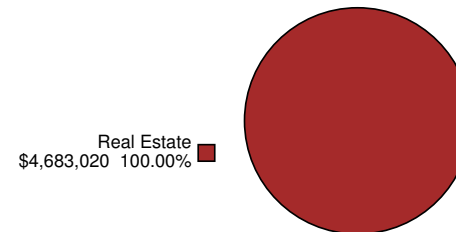
FEE SCHEDULE

110 bps on all assets

Asset Allocation

AEW Capital Management

June 30, 2014 \$4,683,020



CONCLUSIONS/RECOMMENDATIONS

AEW Capital under performed the NCREIF ODCE by 52 bps during 2nd Quarter 2014.

Southfield Employee Retirement System

June 30, 2014

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	0	0	0	946,408	14.77	5.64
Total		917,000	36,000	65,408	0	0	946,408	14.77	5.64

Southfield Employee Retirement System

June 30, 2014

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

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)

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
Total		1,129,814	0	192,439	0	0	1,322,253	17.77	9.03

Southfield Employee Retirement System

June 30, 2014

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
Total		1,001,049	0	-40,538	0	0	960,511	-4.49	-3.03

DEFINITION OF INDICES

APPENDIX A

ASSET ALLOCATION	TARGET
Large Cap Equity	20.0 %
Mid Cap Equity	20.0 %
Small Cap Equity	15.0 %
International Equity	15.0 %
Fixed Income	30.0 %
Cash & Cash Equivalents	0.0 %

Indices used to calculate target and actual benchmarks:

LargeCap Equity	S & P 500
MidCap Core Equity	Russell Midcap
MidCap Growth Equity	S&P Midcap 400
SmallCap Equity	Russell 2000
International Equity	MSCI EAFE
Fixed Income	Barclays US Aggregate Bond 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.

DEFINITION OF UNIVERSES

APPENDIX B

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.

DEFINITION OF COMMON TERMS

APPENDIX C

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.