

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

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# **CAPITAL MARKET REVIEW**

**Third Quarter 2014**

# CAPITAL MARKET HEADLINES

## Currency Wars

Currency valuations played an important role in the capital markets this quarter, particularly for US. investors as the US Dollar appreciated versus all other major currencies.

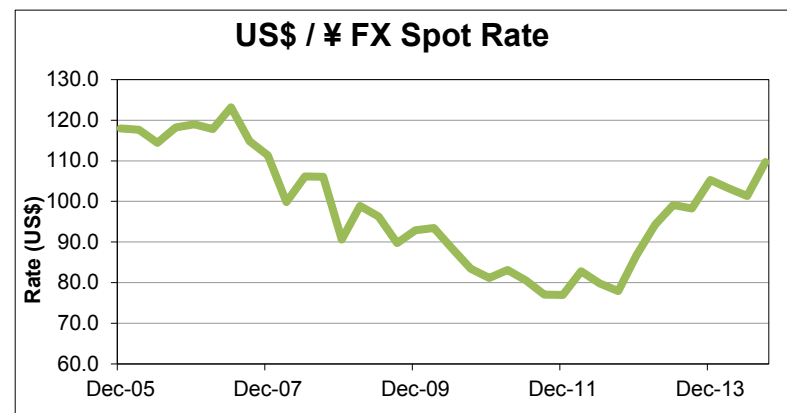
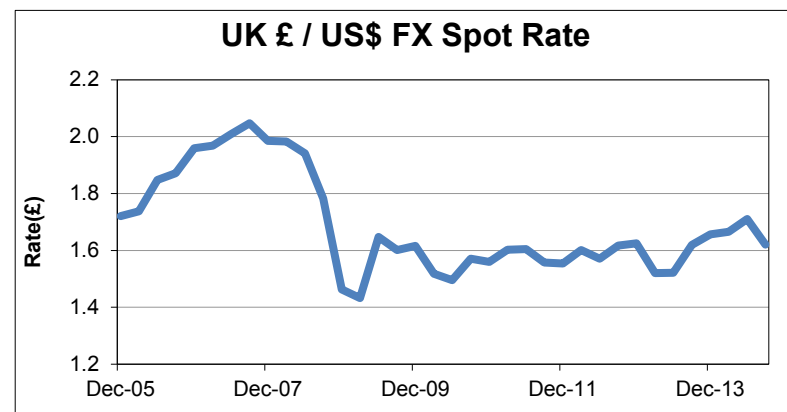
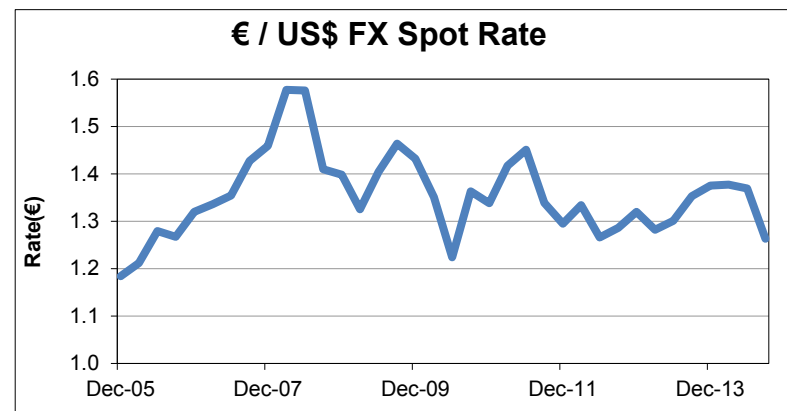
The value of a currency in the open market is based on supply/demand metrics. The primary factors influencing these metrics include: 1) inflation rates, 2) real interest rates, 3) current account balance, 4) political stability, 5) economic performance, and 6) public debt level. Some countries may choose to manipulate the currency markets, attempting to gain an economic or political advantage. An example is China's intervention into the currency markets, attempting to maintain a trading range for the Renminbi versus the US Dollar and other major currencies. In recent years countries have been accused of artificially weakening their currency to promote economic growth, triggering "Currency Wars".

**The Case for a Stronger Currency** - In theory a stronger currency is favorable. A strengthening currency implies a relatively strong economy with low/stable inflation rates and manageable national debt levels. Consumers benefit from the strong currency, reducing the relative cost of foreign goods and services (and travelling abroad). Corporations also benefit from lower import expenses and borrowing costs. Foreign investment is generally drawn to these countries, attracted by the economic prospects, inflation protection, and potential currency appreciation.

**The Case for a Weaker Currency** - In recent years several nations have pursued policies to weaken their currencies in an attempt to spur economic growth - stimulating exports (goods are less expensive for consumers with a stronger currency) and increasing domestic production. The political leaders and central bankers prefer the near term economic benefits of a weaker currency and accept the potential long term impact of higher inflation and interest rates.

Heavily indebted nations may profit from the higher inflation rates often associated with weaker currencies. As the currency is devalued by inflation, the fixed value of the principal will become relatively less expensive to repay.

*The graphs to the right depict the historical spot rate for the indicated currency pairs at the end of each quarter. The top two graphs depict the value of €1 and £1 in US \$; a falling line indicates the dollar is appreciating versus the other currency. The bottom graph illustrates the value of \$1 in Japanese Yen; a rising line indicates the dollar is appreciating versus the Yen. Note the strong appreciation of the US Dollar during the third quarter of 2014.*



Source: Reuters

# CAPITAL MARKET REVIEW

**Not So Fast:** Escalating geopolitical crises and disappointing economic data impacted the capital markets during the third quarter. The conflict between Russia and the Ukraine, US military action in Syria, protests in Hong Kong, and Scotland's referendum for independence threatened the global economic recovery. Additionally, Germany's economy showed signs of weakness, contracting during the second quarter; the Eurozone, in general, has struggled to generate meaningful economic growth.

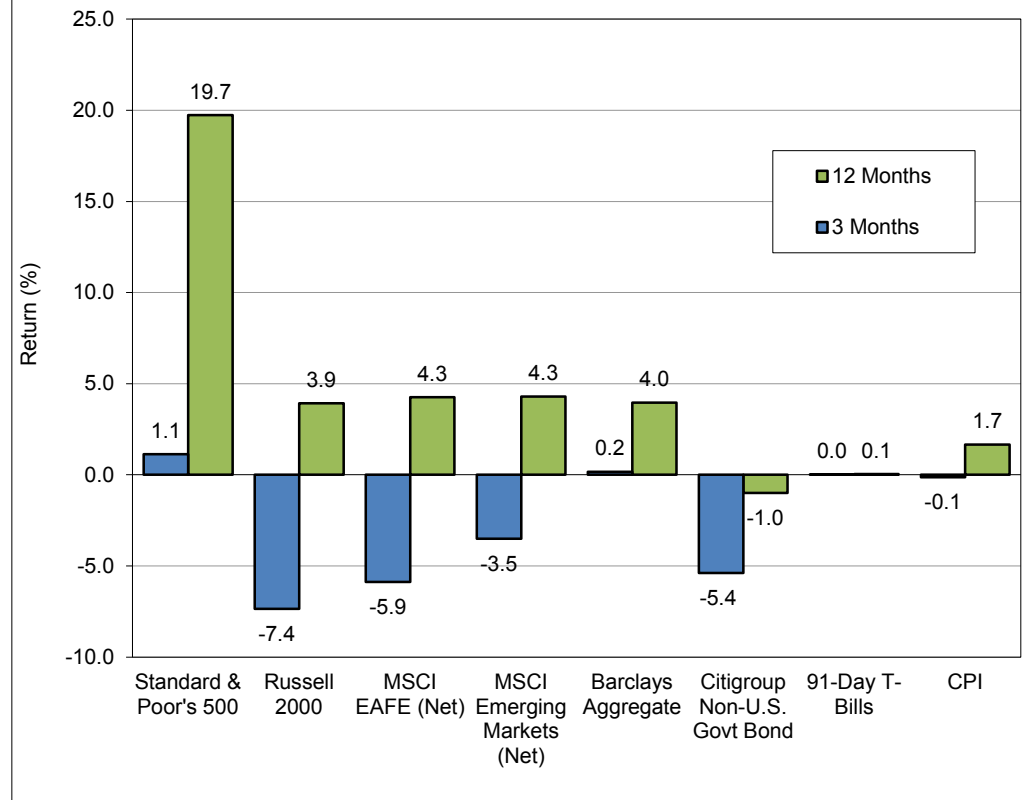
The major central banks continued on divergent paths this quarter, enacting monetary policies based on the economic conditions within their region. The European Central Bank reduced key interest rates and suggested asset purchases may be initiated in the near future to promote growth in continental Europe. The Bank of Japan maintained their accommodative policies to stimulate growth. The US Federal Reserve and the Bank of England have indicated rate hikes may be initiated in 2015 due to economic improvements in these nations.

Most major equity markets declined during the quarter due to weakening economic indicators around the globe. The US (large cap only), Switzerland (in local terms), Japan (in local terms), and select emerging markets were the exception, posting positive results. India and China were the standouts this quarter, returning 2.3% and 1.4% (in US \$), respectively. A strengthening dollar compounded losses in the international markets for US investors.

Fixed income outperformed equity in most markets this quarter. Interest rates tended to decline due to intervention by central banks, generating positive returns. The US fixed income market (as measured by the Barclays Aggregate) was one of the weaker performers. However, depreciating currencies turned gains into losses for US investors in the foreign fixed income markets.

During the quarter the U.S. Dollar appreciated by 5 to 8% versus nearly every major currency - Euro, Japanese Yen, U.K Pound, Swiss Franc, Australian Dollar, and Canadian Dollar.

**Global Market Performance**  
As of September 30, 2014



Source: Wilshire 9/30/2014

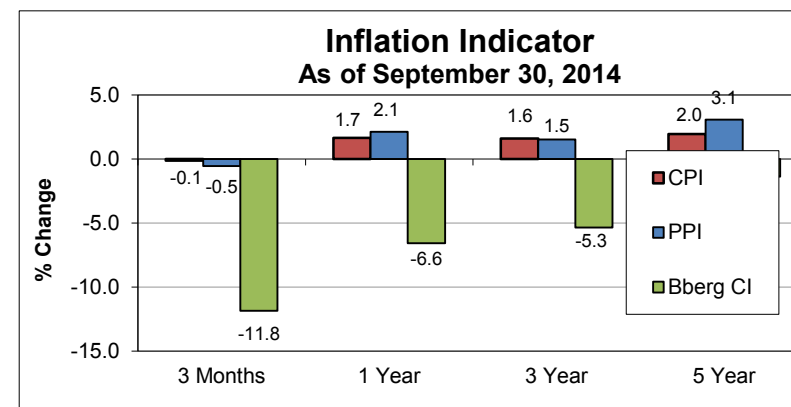
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# CAPITAL MARKET REVIEW

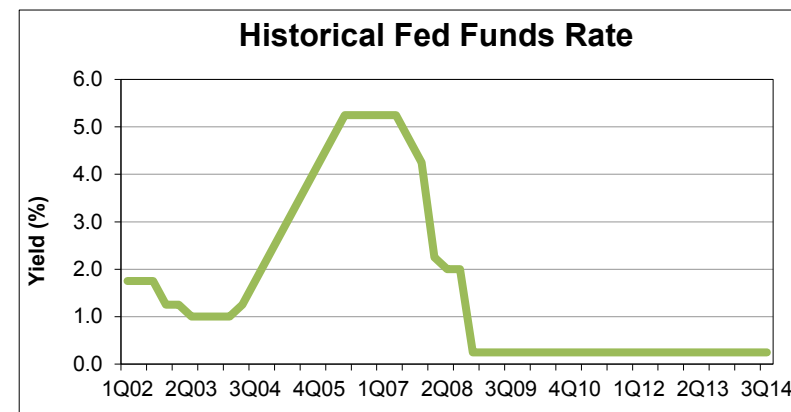
**Bouncing Back:** Economic growth bounced back from the -2.1% reading in the first quarter to register 4.6% in the second quarter and expectations are for GDP growth of 3% in the third quarter. The U.S. economy continues to improve, albeit with mixed readings. The Purchasing Managers Index for Manufacturing is well above 50, indicating expansion; durable goods orders and retail sales have been rising; unemployment is resting at 5.9% - 226,000 jobs, on average, have been created over the last few months. However, the housing recovery continues at a slow pace. Housing starts and building permits reside well below long-term averages and mortgage applications remain flat, due to higher credit standards at banks. Unfortunately, current headlines continue to overshadow the positive direction of the economy and as expectation remain for weaker than expect global growth.

Commodity indices were down in the third quarter led by the sell off in energy. An over supply and weaker global demand appeared to be the drivers of the sell off in oil. Agriculture and grains were bright spots in the quarter as they exhibited price increases. The CPI and PPI decline over the quarter, following commodity prices. Longer-term, core inflation expectations have risen, but the modest increase has not influenced the Fed to adjust its stance regarding the tightening of monetary policy at this time.

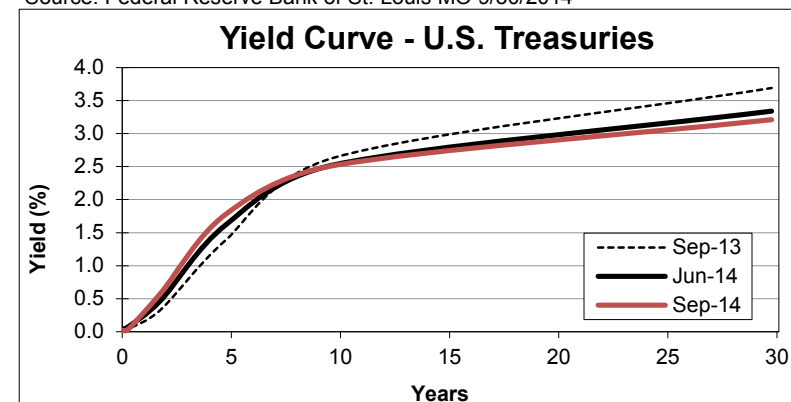
Interest rates ticked up in the intermediate years of the yield curve as the curve continued flattening. Often referred to as the "belly" of the curve, yields on the 5-Year and 7-Year U.S. Treasuries increased between 10 to 20 basis points. The 10-Year U.S. Treasury yield remained flat at 2.5% during the quarter and is down 52 basis points since the beginning of the year. The long-term 30-Year U.S. Treasury yield declined 12 basis points to 3.2% even as the economy rebounded. Current movement of yields along the curve signifies investors' skepticism regarding the sustainability and magnitude of economic growth. With the Fed Funds Rate anchored at zero, the Fed, as planned, has continued its measured reduction of asset purchases. However, the continued downward trajectory of the yield curve gives credence to the "lower for longer" philosophy against the consensus that rates have no where to go but up.



Sources: Bureau of Labor Statistics, Wilshire, and Bloomberg 9/30/2014



Source: Federal Reserve Bank of St. Louis MO 9/30/2014



Source: Federal Reserve Bank of St. Louis, MO 9/30/2014

# U.S. EQUITY MARKET

Total Returns (%) - Periods Ending September 30, 2014				
	3 Months	1 Year	3 Years	5 Years
Standard & Poor's 500	1.13	19.74	22.99	15.69
Russell 1000	0.65	19.03	23.24	15.90
Russell 1000 Growth	1.49	19.15	22.45	16.51
Russell 1000 Value	(0.19)	18.88	23.94	15.03
S&P MidCap 400	(3.98)	11.82	22.43	16.37
Russell Midcap	(1.66)	15.82	23.78	17.18
S&P SmallCap 600	(6.73)	5.74	22.85	16.24
Russell 2000	(7.36)	3.93	21.26	14.28
Russell 2000 Growth	(6.13)	3.80	21.90	15.50
Russell 2000 Value	(8.58)	4.12	20.61	13.02
S&P 500 Sector Performance				
	3 Months	1 Year	3 Years	5 Years
Energy	(8.65)	11.96	16.98	12.59
Materials	0.52	20.61	21.94	13.39
Industrials	(1.08)	16.81	24.88	17.30
Con. Discretionary	0.27	11.81	26.54	21.57
Con. Staples	1.94	16.61	18.15	15.33
Health Care	5.40	28.39	28.71	19.59
Financials	2.33	18.45	27.65	11.20
Info Technology	4.76	29.55	22.40	16.17
Telecommunications	3.06	13.24	15.29	14.60
Utilities	(3.96)	16.91	12.20	12.23

Sources: Wilshire 9/30/2014

Returns are annualized for periods greater than one year.

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**Low Throttle:** The S&P 500 ended the quarter up a mere 1.1% and volatility increased. While the third quarter marked the seventh consecutive quarter of positive returns for the S&P 500, many of the other major market indices ended the quarter in the red. Investors treaded lightly where risk assets were concerned against the backdrop of mixed economic data, QE wind down, Middle East tensions, and fear of an Ebola outbreak.

Large Cap once again led the way in the third quarter of 2014 as performance leadership continued to rotate up the market cap spectrum. Large Cap outperformed Small Cap by over 800 basis points, driven by attractive relative valuations and their perceived safety within the equity market. Growth led the way over Value across all market caps. The performance differential can be attributed to sector weights; Growth benefited from higher allocations to Information Technology and Health Care, while Value was negatively impacted by greater exposures to Energy and Utilities (two of the worst performing sectors). Higher quality stocks outpaced lower quality stocks across all market capitalizations, particularly among Small Cap Value stocks, where higher quality outperformed lower quality by 250 basis points.

Health Care was the best performing sector during the quarter, returning 5.5%. The defensive sector performed well amid the heightened volatility. Pharmaceuticals and biotechnology were top contributors to performance. Energy went from the top performing sector in the second quarter (+12.1%) to the worst performing sector in the third quarter (-8.7%). The weak performance of the sector is attributed to the decline in oil prices, stemming from growing supply and weaker demand.

Year-to-date, Large Cap, Value, and Health Care lead the way among their respective market caps, style, and sectors.

## U.S. FIXED INCOME MARKET

**Shifting Gears:** Leadership in the fixed income market shifted from riskier issues to safer securities during the third quarter. The change coincided with the sell off in equities as the global markets re-priced assets under a slowing global economy. After two quarters of strong performance to start the year, the broad fixed income market (as measured by the Barclays US Aggregate) posted a marginal gain for the quarter.

During the quarter the front end of the yield curve steepened (0 to 5 years) while the back end of the curve flattened (5 - 30 years). At quarter-end, the 2-Year Treasury Notes yielded 0.58% (up 11 basis points from 6/30/14), 10-Year Treasury Bonds yielded 2.52% (down 1 basis points from 6/30/14), and 30-Year Treasury Bonds yielded 3.21% (down 13 basis points from 6/30/14).

Declining yields for longer dated issues (Treasuries) generated strong gains during the quarter for the Barclays Long Government Index; this index was the best performing fixed income segment for the third consecutive quarter. Government and Mortgages posted slight gains; Credit declined three (3) basis point - the only investment grade component to suffer a loss. High Yield and TIPS were the big losers with both falling approximately 2%.

The fixed income rally of 2014 downshifted during the third quarter due to growing evidence of a slowing global economy. In spite of the Federal Reserve's reduction in quantitative easing efforts, the central bank continues to promote their accommodative monetary policies - low rates for as long as necessary. Their position may be aided by the strengthening dollar, which lessens inflationary pressures. Fixed income investors appear to understand the Fed's intentions, forecasting stable to lower rates for an extended period of time, as evidenced by the shifts to the yield curve this quarter.

Total Returns (%) - Periods Ending September 30, 2014				
	3 Months	1 Year	3 Years	5 Years
Barclays 1-3 Yr. Govt	0.03	0.52	0.51	1.07
Barclays Intm G/C	(0.03)	2.20	2.01	3.42
Barclays Aggregate	0.17	3.96	2.43	4.12
Barclays G/C	0.17	4.08	2.54	4.27
Barclays Long Govt	2.63	11.60	2.08	6.99
Barclays Govt	0.32	2.28	1.06	3.11
Barclays Credit	(0.03)	6.64	4.82	6.10
Barclays Mortgage	0.18	3.78	2.07	3.48
Barclays High Yield	(1.87)	7.20	11.09	10.57
Barclays U.S TIPS	(2.04)	1.59	1.34	4.48
Returns are annualized for periods greater than one year.				
Credit Spreads (in basis points)				
	Jun-14	Sep-14	Change	10-Yr Avg.
Aaa	36	60	24	92
Aa	58	69	11	122
A	88	99	11	163
Baa	134	147	13	224
Ba	268	331	63	431
B	376	466	90	573
Caa	566	720	154	902
<hr/>				
10 Year Treasury	2.53%	2.52%	-0.01%	---

Source: Barclays Capital 9/30/2014

Returns are annualized for periods greater than one year.

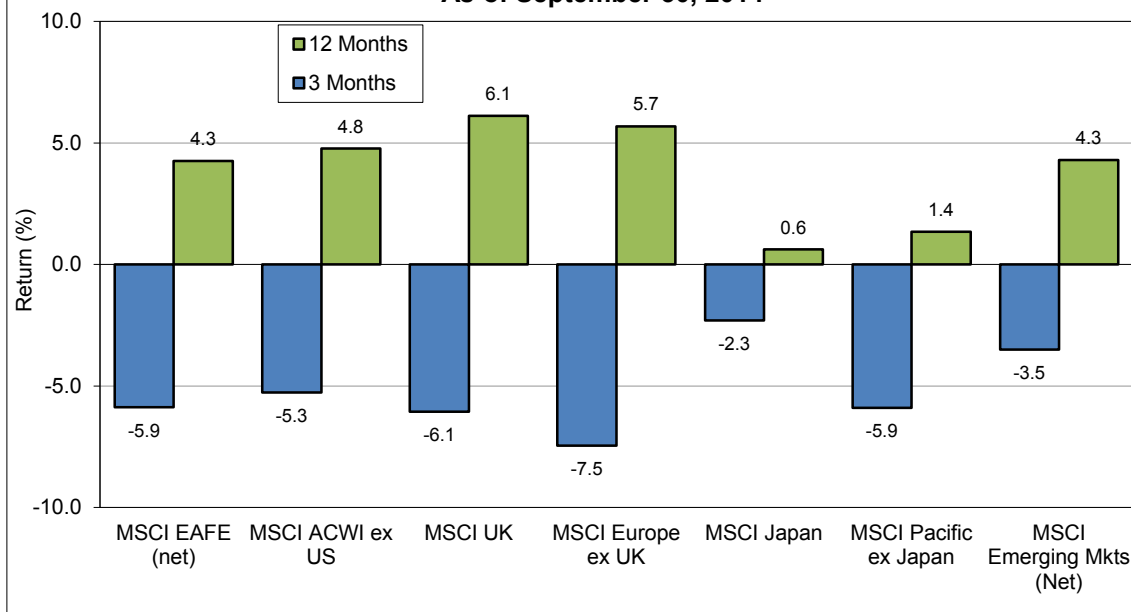
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# INTERNATIONAL EQUITY MARKET

## International Equity Market Performance (USD)

As of September 30, 2014



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

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	(8.4)	(0.7)	(7.7)
Germany	(11.2)	(3.7)	(7.5)
Italy	(8.7)	(1.1)	(7.7)
Spain	(7.5)	0.3	(7.8)
Switzerland	(4.4)	3.0	(7.4)
UK	(6.1)	(0.9)	(5.1)
<b>Europe Total</b>	<b>(7.0)</b>	<b>(0.2)</b>	<b>(6.8)</b>
Australia	(7.9)	(0.7)	(7.2)
Hong Kong	(2.6)	(2.4)	(0.2)
Japan	(2.3)	5.8	(8.1)
<b>Pacific Total</b>	<b>(3.6)</b>	<b>3.2</b>	<b>(6.9)</b>
China	1.4	1.6	(0.2)
India	2.3	5.1	(2.8)
Brazil	(8.6)	1.6	(10.2)
Russia	(15.4)	(4.7)	(10.7)
<b>Emerging Total</b>	<b>(3.5)</b>	<b>0.6</b>	<b>(4.1)</b>

Source: MSCI 9/30/14

**Weakened Prospects:** International equity markets declined during the quarter, driven by weaker growth prospects in Europe and Emerging Markets. Eurozone economic growth remained flat and inflation metrics declined, sparking deflationary concerns; Emerging Markets contended with lower commodity prices and U.S. monetary policy.

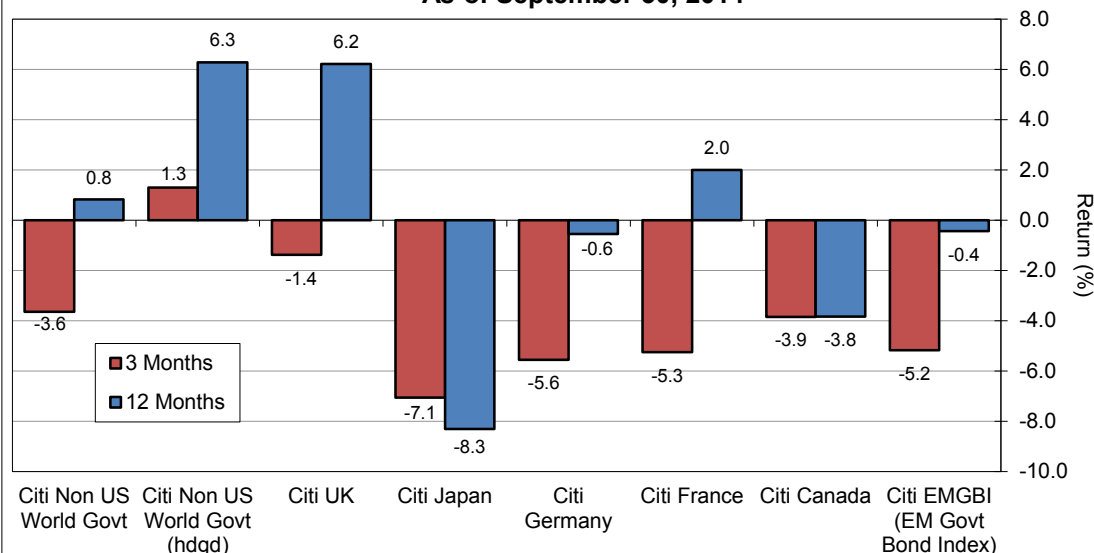
**Developed Markets:** Deflationary concerns remained the topic du jour in the Eurozone. A drop in the inflation rate to 0.3%, which is significantly below the 2% target, led the ECB to cut its primary lending rate. Growth rate estimates for the region for the remainder of the year come in below 1% and the unemployment rate remains high (over 11%). Germany surprisingly led the decline in Eurozone equity markets. In the U.K. equity markets generated negative returns as well. Investors seem to have ignored improving economic data and the resolution to the Scottish campaign for independence. Investors weighed the impact of rising prices for homes and the potential for a housing bubble; the situation may be exacerbated by stagnant wages and easy credit.

In Asia, Japanese equity markets posted the strongest returns (in local currency). After absorption of the recent tax hike, positive corporate earnings reports contributed to market performance. A weakened currency helped the nation's exporters. Japan is standing by its stimulus measures and will certainly be mindful of growth prior to the next round of tax increases, slated for next year. Lower commodity prices hurt Australian markets. In Hong Kong the equity markets appeared to be impacted by protest over electoral reform.

**Emerging Markets:** EM equities returned to negative territory in the third quarter. Commodity prices and slower growth expectations were among the culprits. China and India were bright spots, generating positive returns in both local currency and US\$. In China the markets reacted favorably to stimulus measures and private ownership reforms; in India GDP was better than expected and boosted the markets. Russian equity markets declined 15%, suffering from the tensions in the Ukraine and subsequent sanctions. The Brazilian economy contracted in the second quarter, driving stocks down 9% in the third quarter.

# INTERNATIONAL BOND MARKET

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



**Citigroup World Government Bond Indices**  
Three Months Ending September 30, 2014

	Return USD (%)	Return Local Currency (%)	Currency Effect (%)
France	(5.3)	2.7	(7.9)
Germany	(5.6)	2.4	(7.9)
Ireland	(4.8)	3.2	(8.0)
Italy	(4.8)	3.2	(8.0)
Netherlands	(5.2)	2.8	(8.0)
Spain	(4.4)	3.6	(8.0)
Sweden	(5.1)	2.3	(7.4)
Switzerland	(6.5)	0.7	(7.2)
UK	(1.4)	4.0	(5.4)
<b>European WGBI</b>	<b>(4.5)</b>	<b>3.1</b>	<b>(7.6)</b>
Japan	(7.1)	0.6	(7.7)
Australia	(6.3)	1.0	(7.4)
Canada	(3.9)	0.9	(4.7)

Source: The Yield Book 9/30/2014

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**Dollar Trumps Market Returns:** The global fixed income markets posted solid gains (in local currencies) during the third quarter of 2014. However, the U.S. Dollar appreciated 5% to 8% versus all major currencies; the currency effect (a negative for U.S. investors) more than offset the gains in the fixed income market.

The European Central Bank (ECB) lowered their lending rate (to 0.05%) and indicated that additional monetary stimulus (potentially asset purchases) may be necessary to promote economic growth throughout the region. The central bank's intentions drove yields lower (yields on German 2-Year Bunds went negative) and credit spreads contracted, generating strong returns (in Euros) across the Euro-based fixed income markets for the quarter. This quarter the Euro fell 8% versus the dollar.

In England the economy continued to show signs of improvement. At the current pace of economic expansion, fixed income investors are targeting rate hikes by the Bank of England during the first quarter of 2015. In spite of possible rate increases, the U.K. fixed income market was a top performer (in

Pound Sterling). This quarter the Pound Sterling depreciated 5.4% versus the dollar.

The Bank of Japan continued their quantitative easing efforts during the quarter, attempting to stimulate domestic demand and foreign exports. The rally continued in the fixed income market, returning 0.6% (in Yen). The relatively low return was generated in a low yielding market; the 5-year bond yields under 0.2%, the 10-year bond yields under 0.6%, and the 30-year bond yields under 1.7% (yields as of 9/30/14; Financial Times). This quarter the Yen weakened 7.6% versus the dollar.

The emerging markets were among the weakest performers, returning 0.6% in local terms (as measured by the Citi EMGBI). These debt markets were impacted by the sell off in high yield securities during the summer; however, their higher income structure helped offset principal losses. The strengthening dollar reduced returns for U.S. investors by approximately 6% during the quarter.

## SELECTED INDEX RETURNS - PERIODS ENDING SEPTEMBER 30, 2014

	Quarter	One Year	Three Years	Five Years	Ten Years
<b>US EQUITIES</b>					
Dow Jones Industrial Average	1.9 %	15.3	19.0	14.8	8.2
Standard & Poors 500	1.1	19.7	23.0	15.7	8.1
Russell 3000	0.0	17.8	23.1	15.8	8.4
S&P MidCap 400	(4.0)	11.8	22.4	16.4	10.3
Russell Mid-Cap	(1.7)	15.8	23.8	17.2	10.3
S&P SmallCap 600	(6.7)	5.7	22.9	16.2	9.3
Russell 2000	(7.4)	3.9	21.3	14.3	8.2
Growth Stocks - Russell 3000 Growth	0.9	17.9	22.4	16.4	9.0
Value Stocks - Russell 3000 Value	(0.9)	17.7	23.7	15.1	7.8

<b>US FIXED INCOME</b>					
Barclays 1 - 3 Year Government	0.0 %	0.5	0.5	1.1	2.6
Barclays Intm Govt/Credit	(0.0)	2.2	2.0	3.4	4.1
Barclays Aggregate	0.2	4.0	2.4	4.1	4.6
Barclays Govt/Credit	0.2	4.1	2.5	4.3	4.6
Barclays Long Government	2.6	11.6	2.1	7.0	6.8
Barclays Government	0.3	2.3	1.1	3.1	4.1
Barclays Credit	(0.0)	6.6	4.8	6.1	5.4
Barclays Mortgage	0.2	3.8	2.1	3.5	4.7
Barclays High Yield	(1.9)	7.2	11.1	10.6	8.3
Barclays U.S TIPS	(2.0)	1.6	1.3	4.5	4.6
ML All Investment Grade Convertible Index					

<b>INTERNATIONAL (Measured in US Dollars)</b>					
MSCI EAFE (Net)	(5.9) %	4.3	13.7	6.6	6.3
MSCI ACWI ex U.S. (Net)	(5.3)	4.8	11.8	6.0	7.1
MSCI Europe (Net)	(7.0)	5.8	15.5	6.9	6.6
MSCI Pacific (Net)	(3.6)	0.9	10.3	6.1	5.8
MSCI Emerging Markets (Net)	(3.5)	4.3	7.2	4.4	10.7
Citigroup Non-U.S. Govt Bond	(5.4)	(1.0)	(1.1)	1.0	4.0

<b>REAL ESTATE</b>					
NAREIT Index	(2.6) %	13.4	17.0	15.8	7.7
NCREIF Property Index	%				

<b>OTHER</b>					
91-Day T-Bills	0.0 %	0.1	0.1	0.1	1.6
Consumer Price Index (percent change)	(0.1)	1.7	1.6	2.0	2.3
Producer Price Index (percent change)	(0.5)	2.1	1.5	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 September 30, 2014 was \$114.44 million.
- ♦ The Fund returned -2.12% for the current quarter, and returned 10.05% 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>\$ 118,564,317</b>
Cash Flow In	1,033,244
Intrafund Transfer	
Cash Flow Out	(2,591,584)
<b>Net Cash Flow</b>	<b>(1,558,340)</b>
 <b>Investment Performance</b>	
Income	351,992
Asset Value Changes	(2,923,404)
<b>Gross Performance</b>	<b>(2,571,412)</b>
 <b><u>Ending Market Value</u></b>	<b><u>\$ 114,434,565</u></b>

### ACTION

♦

# Southfield Employee Retirement System

## Executive Summary Table

### Periods Ending September 30, 2014

FYTD - 6/30/14

Name	Value \$(000)	% of Fund	Periods Ending 9/30/14						
			Cur Qtr	FYTD	1 Year	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Total Fund	114,435	100.0	-2.12	-2.12	10.05	17.14	13.77	7.23	8.98
Policy Index			-2.12	-2.12	8.86	14.97	11.29	5.93	7.70
Domestic Equity Composite	61,010	53.3	-2.16	-2.16	14.08	23.63	17.42	6.88	9.84
Custom Equity Index			-2.88	-2.88	12.68	22.38	15.58	6.76	8.38
International Equity Composite	19,863	17.4	-5.48	-5.48	6.41	13.79	6.47	-0.27	
MSCI EAFE (Net)			-5.87	-5.87	4.26	13.65	6.56	-0.20	
Fixed Income Composite	19,398	17.0	0.04	0.04	4.96	3.27	4.85	6.07	5.47
Barclays U.S. Aggregate			0.17	0.17	3.96	2.43	4.12	4.95	4.62
Real Estate Composite	5,775	5.0	2.37	2.37	9.55				
NCREIF Prop Index			2.63	2.63	11.26				
Timber Composite	2,304	2.0	0.94	0.94	2.54				
NCREIF Timberland Index			1.47	1.47	10.40				
Cash Composite	6,084	5.3	0.07	0.07	0.64	0.27	0.21	0.66	1.57
91-Day Treasury Bill			0.01	0.01	0.05	0.07	0.10	0.53	1.59

Custom Index = 40% S&P500;32% S&P MidCap400; 28% R2000



# Southfield Employee Retirement System

## Executive Summary Table

### Periods Ending September 30, 2014

Name	Value \$(000)	Periods Ending 9/30/14						
		Cur Qtr	1 Year	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Domestic Equity Composite	61,010	-2.16	14.08	20.88	23.63	17.42	6.88	9.84
Custom Equity Index		-2.88	12.68	18.67	22.38	15.58	6.76	8.38
World Asset Large Cap	26,053	1.13	19.61	19.49	23.00	15.73	6.06	
Standard & Poors 500		1.13	19.74	19.54	22.99	15.69	6.02	
Munder Capital Mid Cap	19,189	-0.64	13.97	20.49	22.16	17.20	6.99	
S&P Midcap 400		-3.98	11.82	19.49	22.43	16.37	8.08	
SouthernSun Small Cap	15,767	-8.76	6.23	22.66	26.46	23.86		
Russell 2000		-7.36	3.93	16.26	21.26	14.28		
International Equity Composite	19,863	-5.48	6.41	14.91	13.79	6.47	-0.27	
MSCI EAFE (Net)		-5.87	4.26	13.60	13.65	6.56	-0.20	
LSV Intl Equity	11,191	-6.57	6.00	16.15	15.18	7.25	0.25	
MSCI EAFE (Net)		-5.87	4.26	13.60	13.65	6.56	-0.20	
WCM Focused Growth International	8,672	-4.05	6.95	13.75				
MSCI EAFE (Net)		-5.87	4.26	13.60				
Fixed Income Composite	19,398	0.04	4.96	1.92	3.27	4.85	6.07	5.47
Barclays U.S. Aggregate		0.17	3.96	1.10	2.43	4.12	4.95	4.62
Pacific Fixed Income	18,202	0.16	4.90	1.60	2.85	4.41	5.61	5.14
Barclays US Aggregate		0.17	3.96	1.10	2.43	4.12	4.95	4.62
MacKay Shields High Yield	1,196	-1.71	6.52	6.88	9.87	9.47		
Credit Suisse High Yld		-1.94	7.08	7.15	10.62	10.35		

Custom Index = 40% S&P500;32% S&P MidCap400; 28% R2000

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

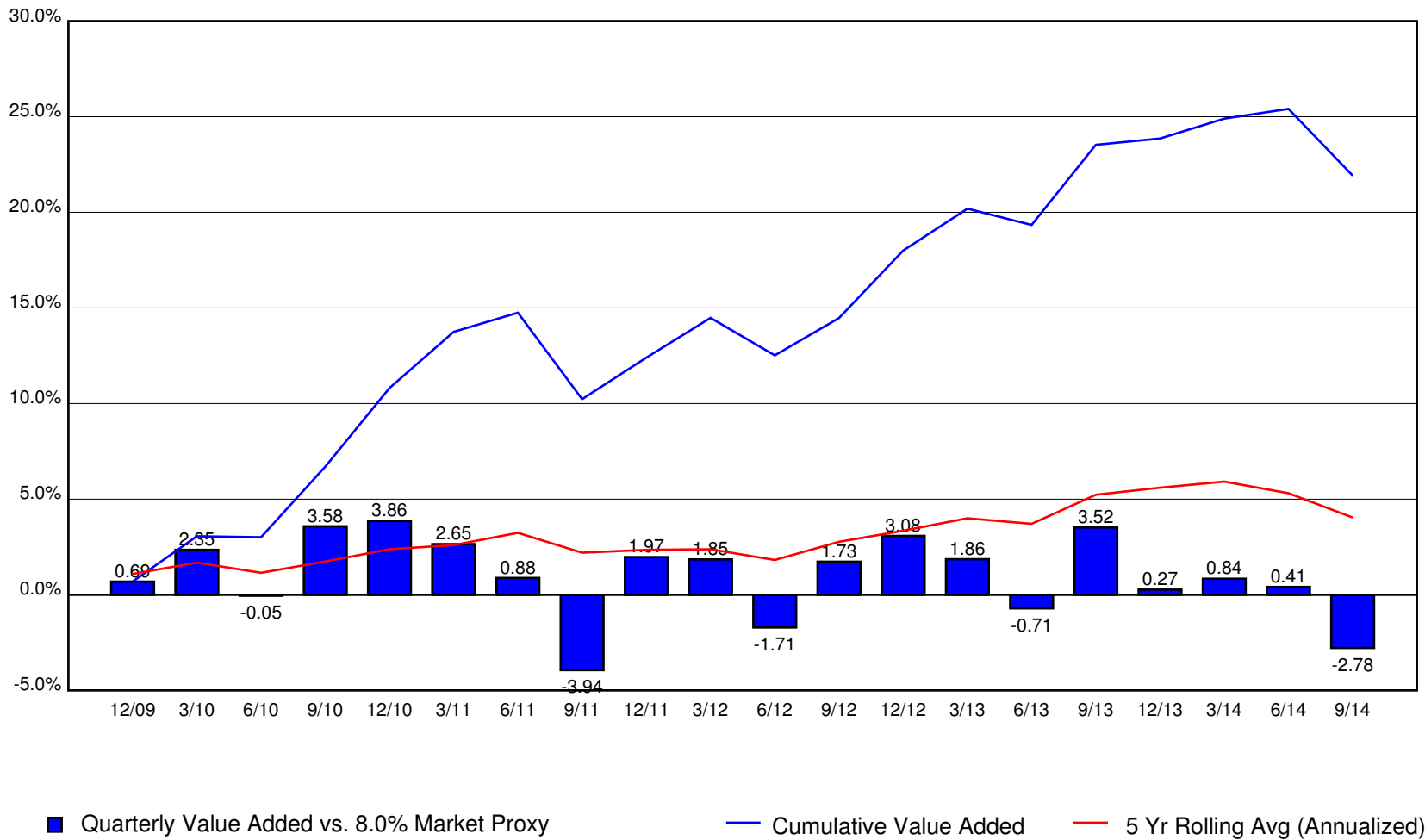
Name	Value \$(000)	Periods Ending 9/30/14						
		Cur Qtr	1 Year	2 Yrs	3 Yrs	5 Yrs	7 Yrs	10 Yrs
Real Estate Composite	5,775	2.37	9.55	8.69				
NCREIF Prop Index		2.63	11.26	11.13				
Metropolitan Real Estate Fund	972	0.00	5.22	4.46				
NCREIF Prop Index		2.63	11.26	11.13				
AEW Capital Management	4,804	1.89	9.88					
NCREIF ODCE Fund Index		3.24	12.40					
Timber Composite	2,304	0.94	2.54	6.59				
NCREIF Timberland Index		1.47	10.40	10.04				
RMK Timberland U.S. Fund	1,322	0.00	1.98	8.69				
NCREIF Timberland Index		1.47	10.40	10.04				
RMK Timberland Int'l Fund	982	2.22	3.58					
NCREIF Timberland Index		1.47	10.40					
Cash Composite	6,084	0.07	0.64	0.37	0.27	0.21	0.66	1.57
91-Day Treasury Bill		0.01	0.05	0.07	0.07	0.10	0.53	1.59
Cash Account	6,084	0.07	0.64	0.37	0.27	0.21	0.66	1.59
91-Day Treasury Bill		0.01	0.05	0.07	0.07	0.10	0.53	1.59

# Southfield Employee Retirement System

## Value Added Analysis

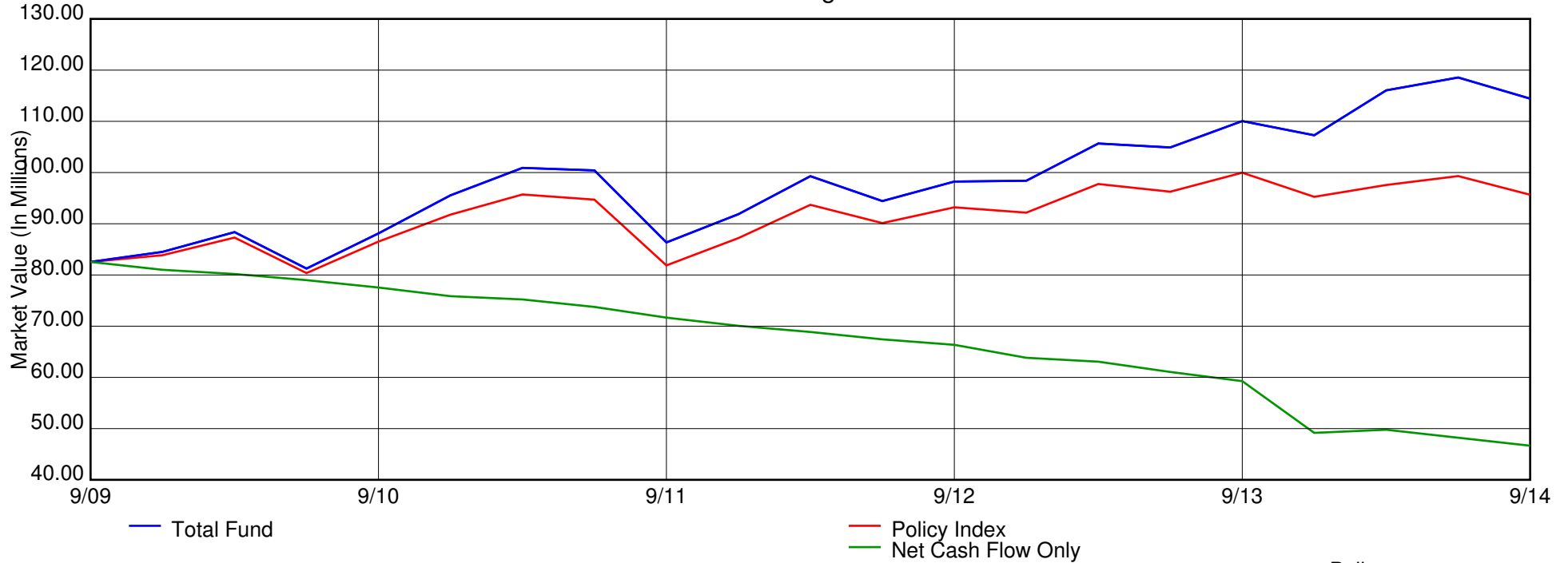
### Total Fund

### 5 Years Ending 9/14



# Southfield Employee Retirement System Sources of Portfolio Growth Total Fund

9/09 through 9/14



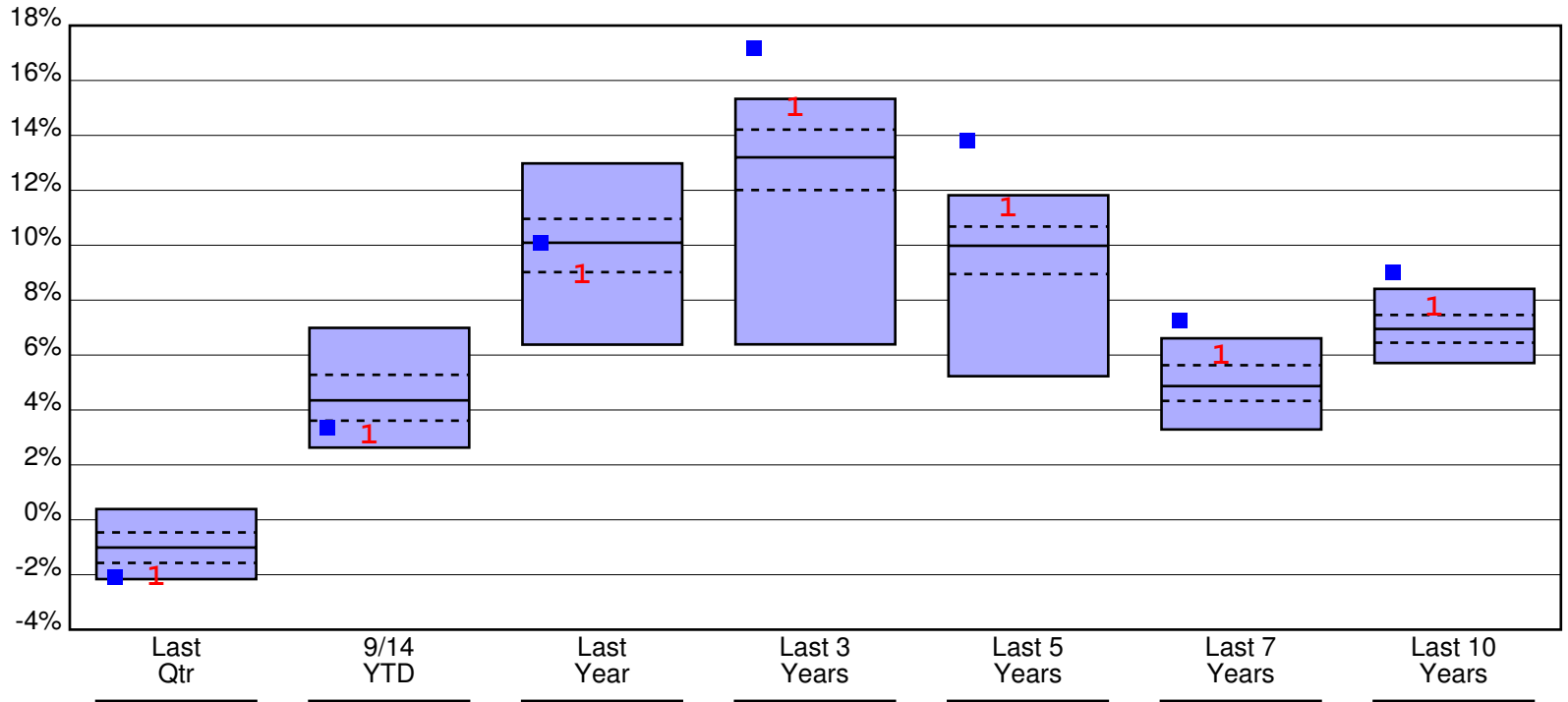
# Southfield Employee Retirement System

## 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
9/11	100,421	-2,095	-11,971	86,355	-11.95	118.58	-11.47
12/11	86,355	-1,595	7,107	91,867	9.24	129.54	8.54
3/12	91,867	-1,200	8,625	99,291	9.47	141.80	8.89
6/12	99,291	-1,441	-3,419	94,430	-3.31	137.11	-2.29
9/12	94,430	-1,069	4,874	98,236	5.21	144.26	4.63
12/12	98,236	-2,535	2,700	98,402	2.84	148.35	1.62
3/13	98,402	-756	8,020	105,666	8.28	160.63	6.92
6/13	105,666	-2,011	1,246	104,902	1.02	162.26	0.52
9/13	104,902	-1,794	6,945	110,053	6.75	173.21	5.78
12/13	110,053	-10,095	7,323	107,281	6.53	184.53	5.67
3/14	107,281	612	8,161	116,055	1.92	188.06	1.78
6/14	116,055	-1,566	4,076	118,564	3.56	194.75	3.41
9/14	118,564	-1,558	-2,571	114,435	-2.12	190.62	-2.12
Total	82,554	-35,893	67,774	114,435	90.62	190.62	70.70

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



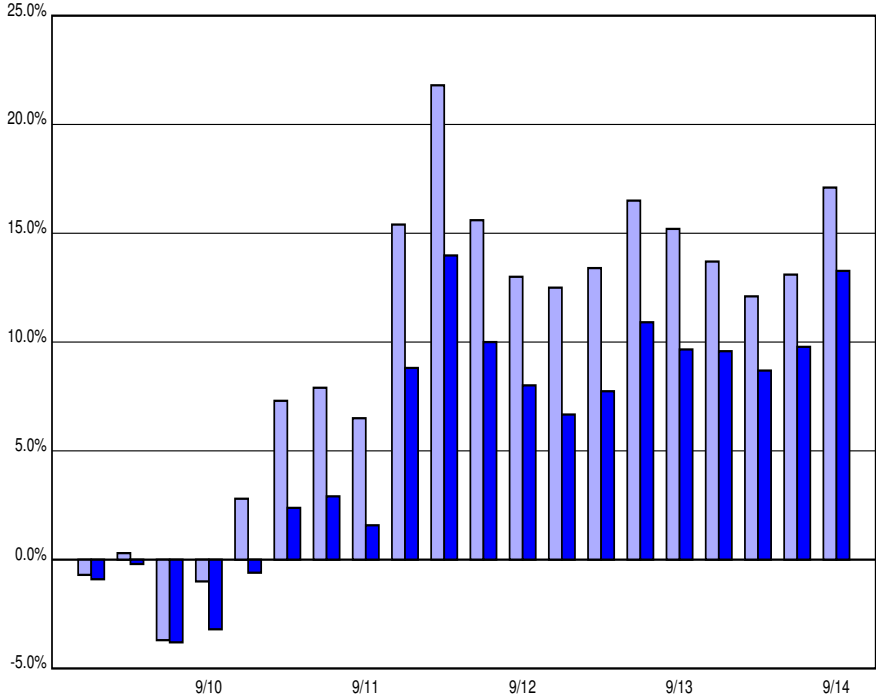
5th Percentile  
25th Percentile  
Median  
75th Percentile  
95th Percentile

■ Total Fund	-2.12 (93)	3.30 (82)	10.05 (51)	17.14 (1)	13.77 (1)	7.23 (1)	8.98 (1)
1 Policy Index	-2.12 (93)	3.02 (87)	8.86 (76)	14.97 (10)	11.29 (10)	5.93 (13)	7.70 (18)

# Southfield Employee Retirement System

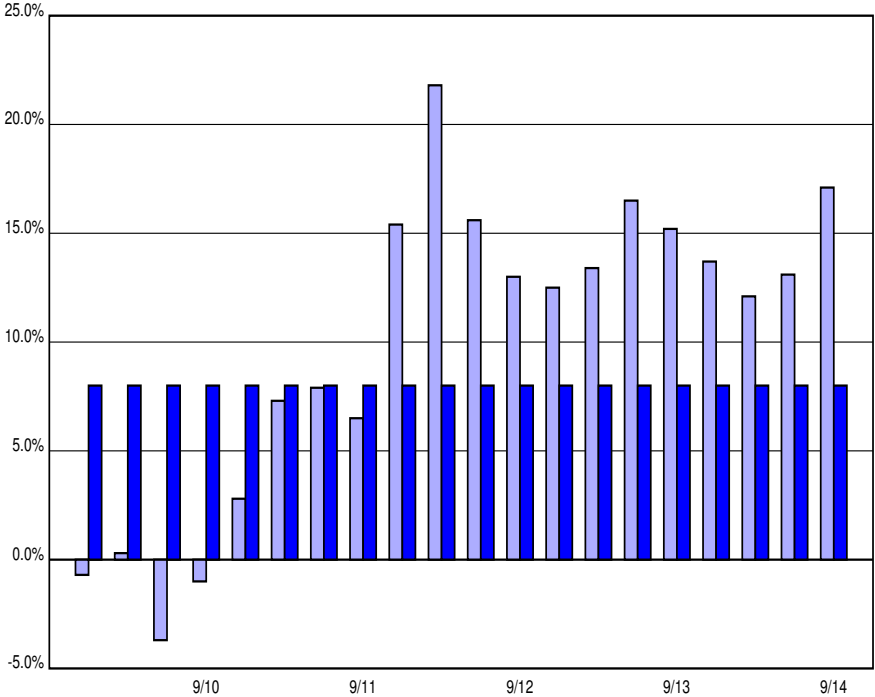
## September 30, 2014

Total Fund  
Performance Consistency  
3-Yr Rolling Periods



■ Total Return      ■ 8.0% Market Proxy

Total Fund  
Performance Consistency  
3-Yr Rolling Periods

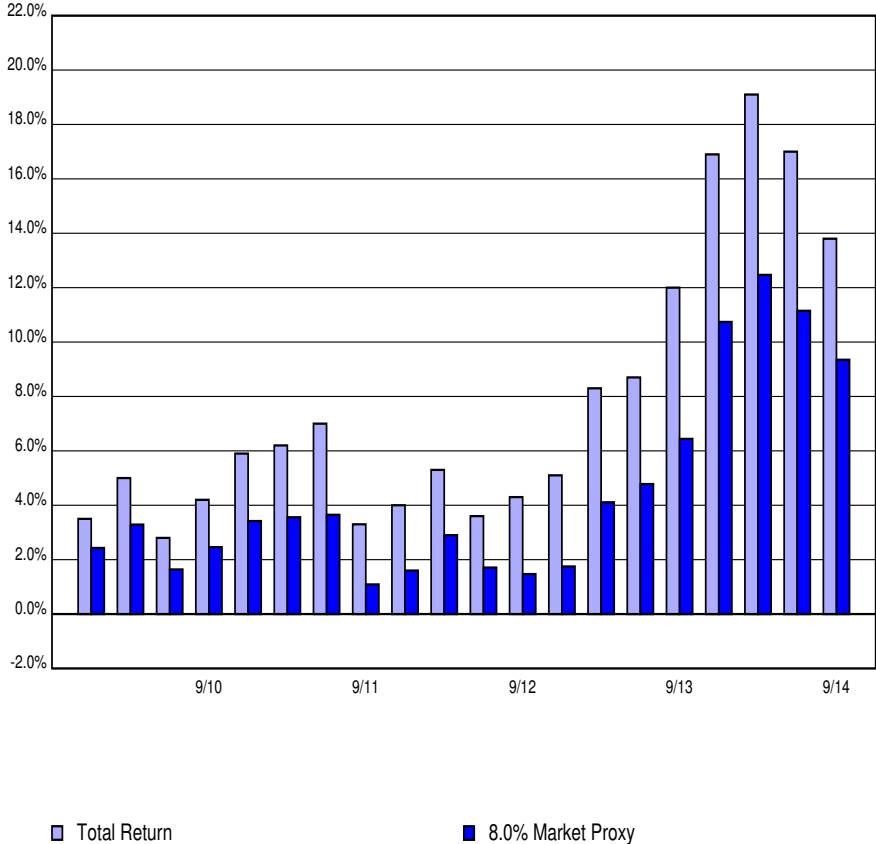


■ Total Return      ■ 8.0% Target Rate of Return

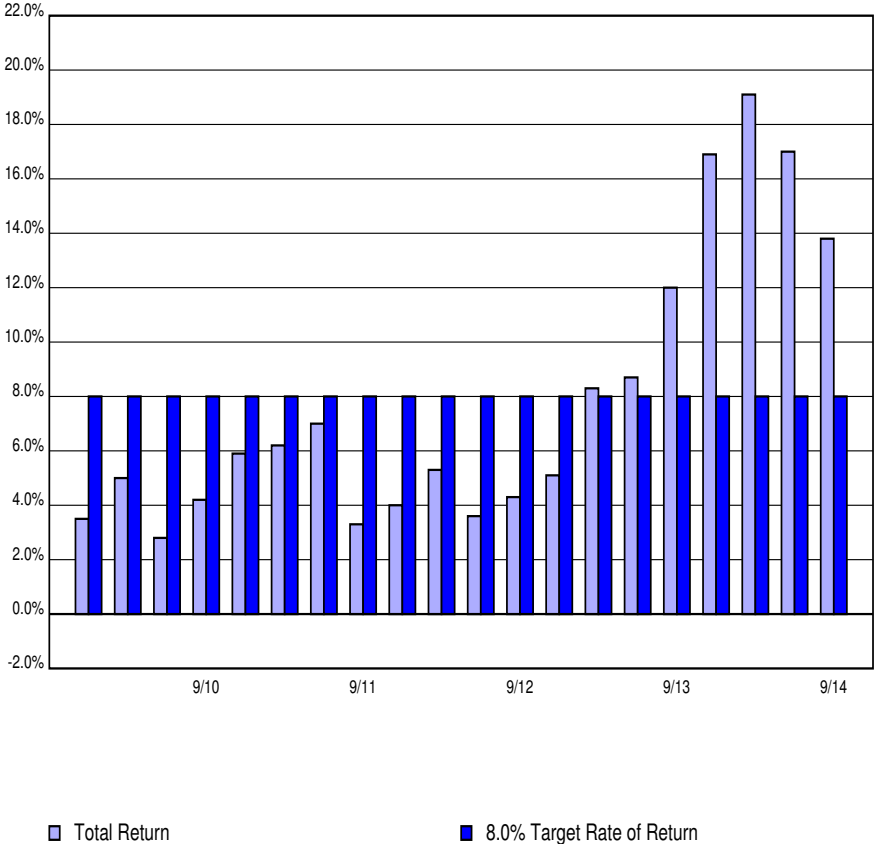
# Southfield Employee Retirement System

## September 30, 2014

Total Fund  
Performance Consistency  
5-Yr Rolling Periods



Total Fund  
Performance Consistency  
5-Yr Rolling Periods



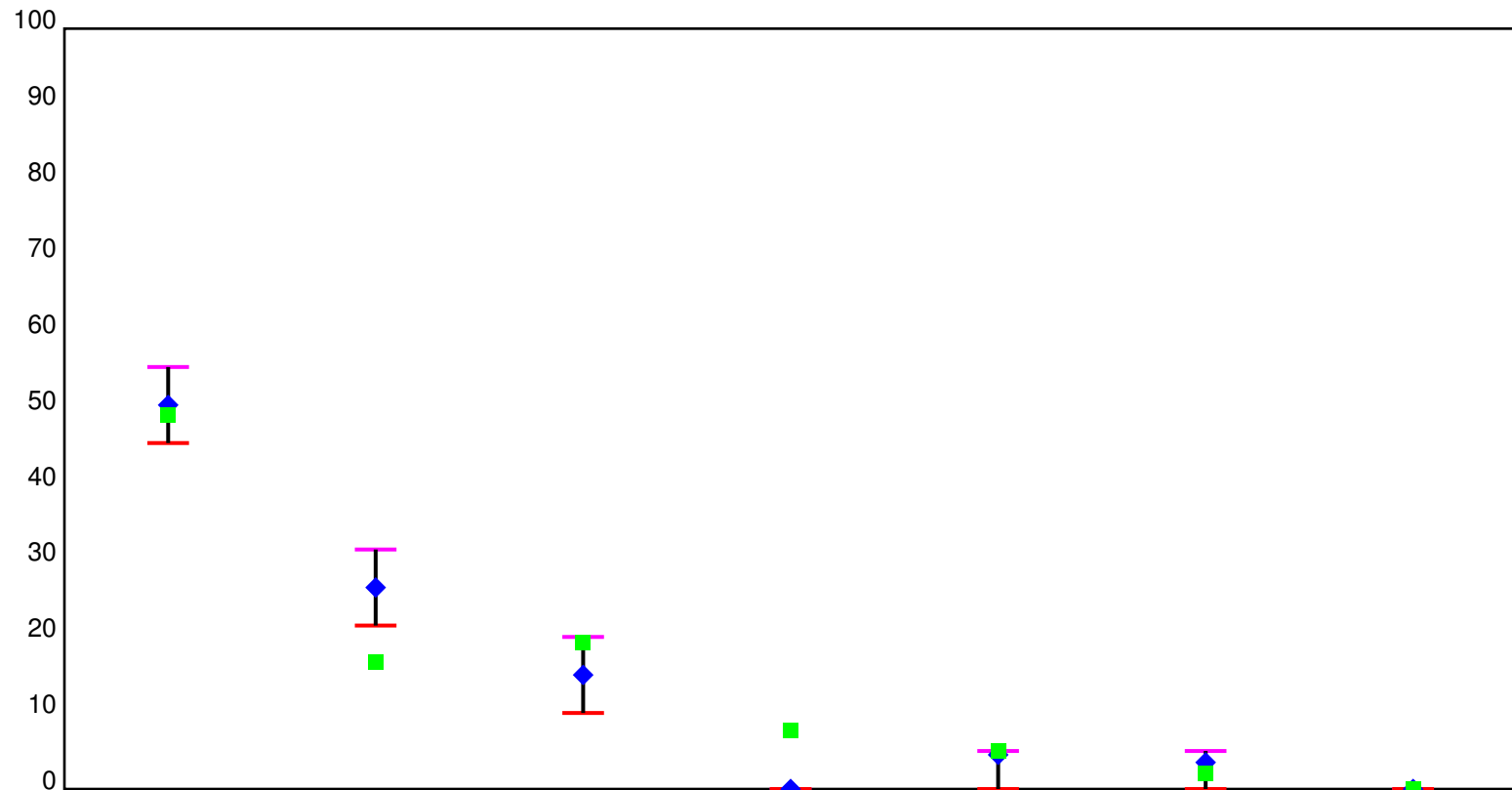


# Southfield Employee Retirement System

## Asset Allocation vs Policy Graph

### Total Fund

As of September 30, 2014

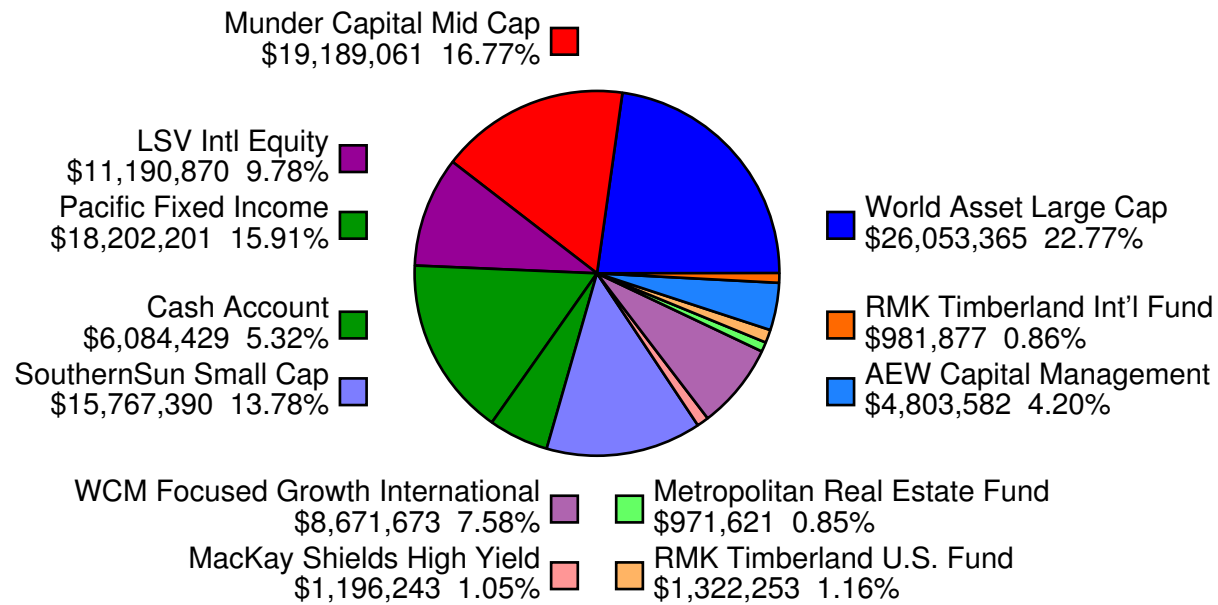


Legend	Domestic Equities	Domestic Fixed	International Equities	Cash	Real Estate	Special Investments	Other
Policy	50.5	26.5	15.0	0.0	4.5	3.5	0.0
Min	45.5	21.5	10.0	0.0	0.0	0.0	0.0
Max	55.5	31.5	20.0	0.0	5.0	5.0	0.0
Actual	49.2	16.7	19.3	7.7	5.0	2.0	0.0

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

September 30, 2014

\$114,434,565



## 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>	Large	WAM	
		Medium	Munder	
		Small	Southernsun	
		Venture Capital		
<b>International</b>		Large	LSV WCM	
		Small		
		Direct Real Estate	Metropolitan AEW	
		Timberland	RMK Global RMK Global FIS	

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

# Southfield Employee Retirement System

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
World Asset Large Cap							
Total Return	1.13	6.43	19.61	19.49	23.00	15.73	
Total Return (Net of Fees)	1.11	6.38	19.51	19.39	22.90	15.67	
Standard & Poors 500	1.13	6.43	19.74	19.54	22.99	15.69	
Variance	0.00	-0.00	-0.13	-0.05	0.01	0.04	

### 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.

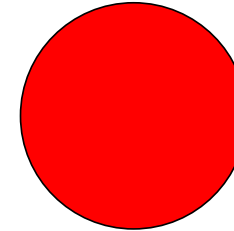
#### FEE SCHEDULE:

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

### Asset Allocation World Asset Large Cap

September 30, 2014 \$26,053,365

Domestic Equity  
\$26,053,365 100.00%



### CONCLUSIONS/RECOMMENDATIONS

World Asset Management S&P 500 Index Fund performed in line with the S&P 500 Index, during the 3rd Quarter 2014, placing them in the 35th percentile of the Large Cap Core Universe.

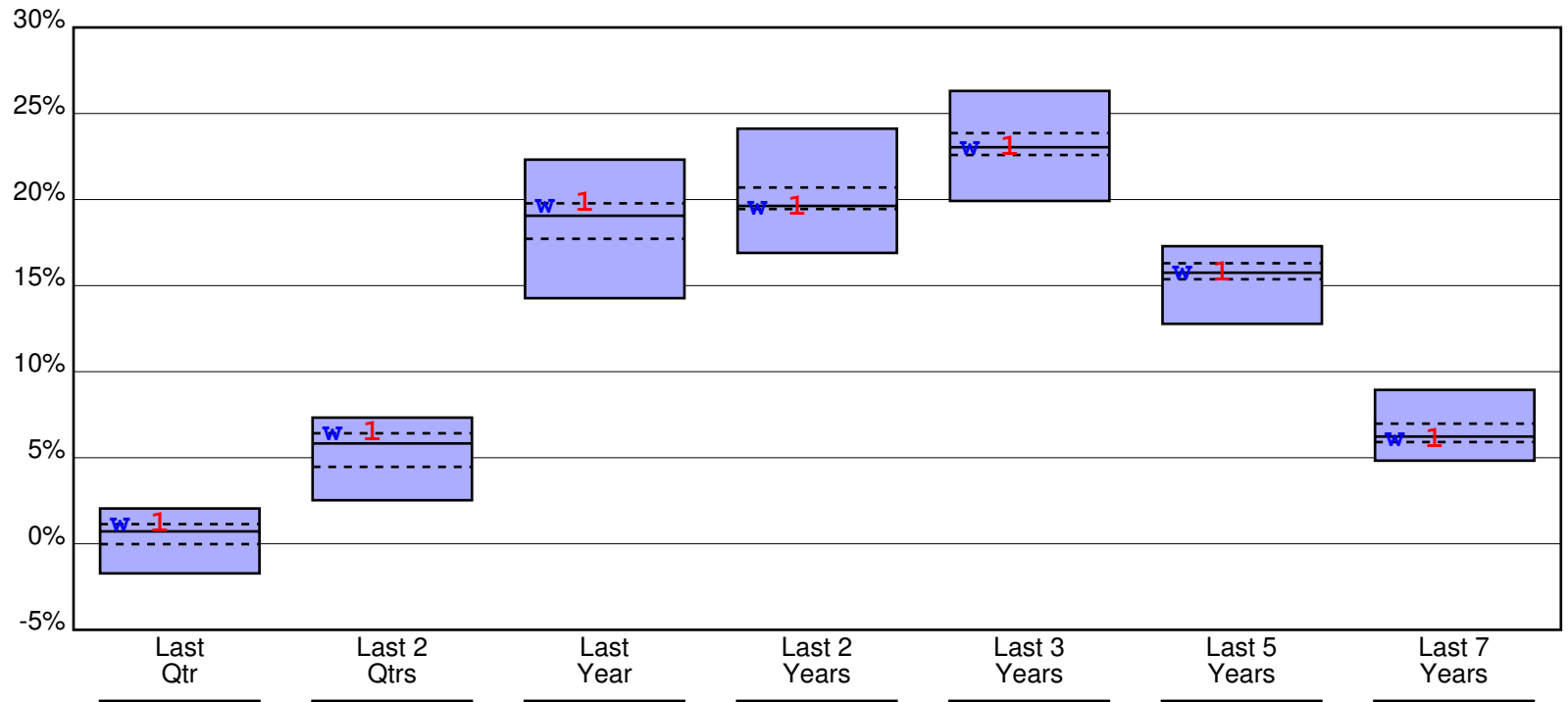
Over the longer 5-yr period, the manager has out performed the S&P 500 Index and placed in the 57th percentile of their peer group.

# Southfield Employee Retirement System

## Large Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 9/14



5th Percentile	2.05	7.33	22.32	24.12	26.31	17.29	8.94
25th Percentile	1.14	6.42	19.78	20.70	23.86	16.30	6.98
Median	0.72	5.83	19.06	19.63	23.04	15.75	6.23
75th Percentile	-0.02	4.47	17.72	19.45	22.59	15.37	5.91
95th Percentile	-1.72	2.53	14.27	16.90	19.92	12.78	4.83
<b>w</b> World Asset Large Cap	1.13 (35)	6.43 (22)	19.61 (42)	19.49 (72)	23.00 (56)	15.73 (57)	6.06 (66)
<b>1</b> Standard & Poors 500	1.13 (35)	6.43 (22)	19.74 (29)	19.54 (63)	22.99 (59)	15.69 (66)	6.02 (72)

# Southfield Employee Retirement System

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Munder Capital Mid Cap							
Total Return	-0.64	2.96	13.97	20.49	22.16	17.20	
Total Return (Net of Fees)	-0.82	2.57	13.14	19.60	21.27	16.34	
S&P Midcap 400	-3.98	0.17	11.82	19.49	22.43	16.37	
Variance	3.35	2.78	2.15	1.00	-0.28	0.83	

### 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).

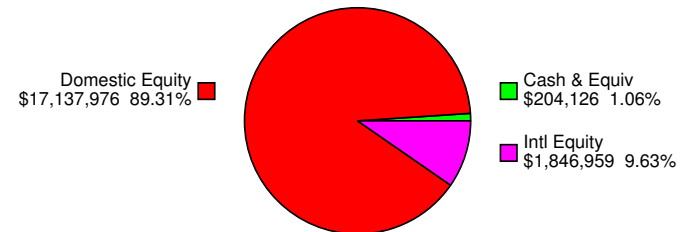
#### STRATEGY

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  
September 30, 2014 \$19,189,061



#### CONCLUSIONS/RECOMMENDATIONS

Munder Mid Cap Core Growth out performed the S&P Midcap 400 Index by 335 bps during the 3rd Quarter 2014, placing them in the 2nd percentile of the Mid Cap Core Universe.

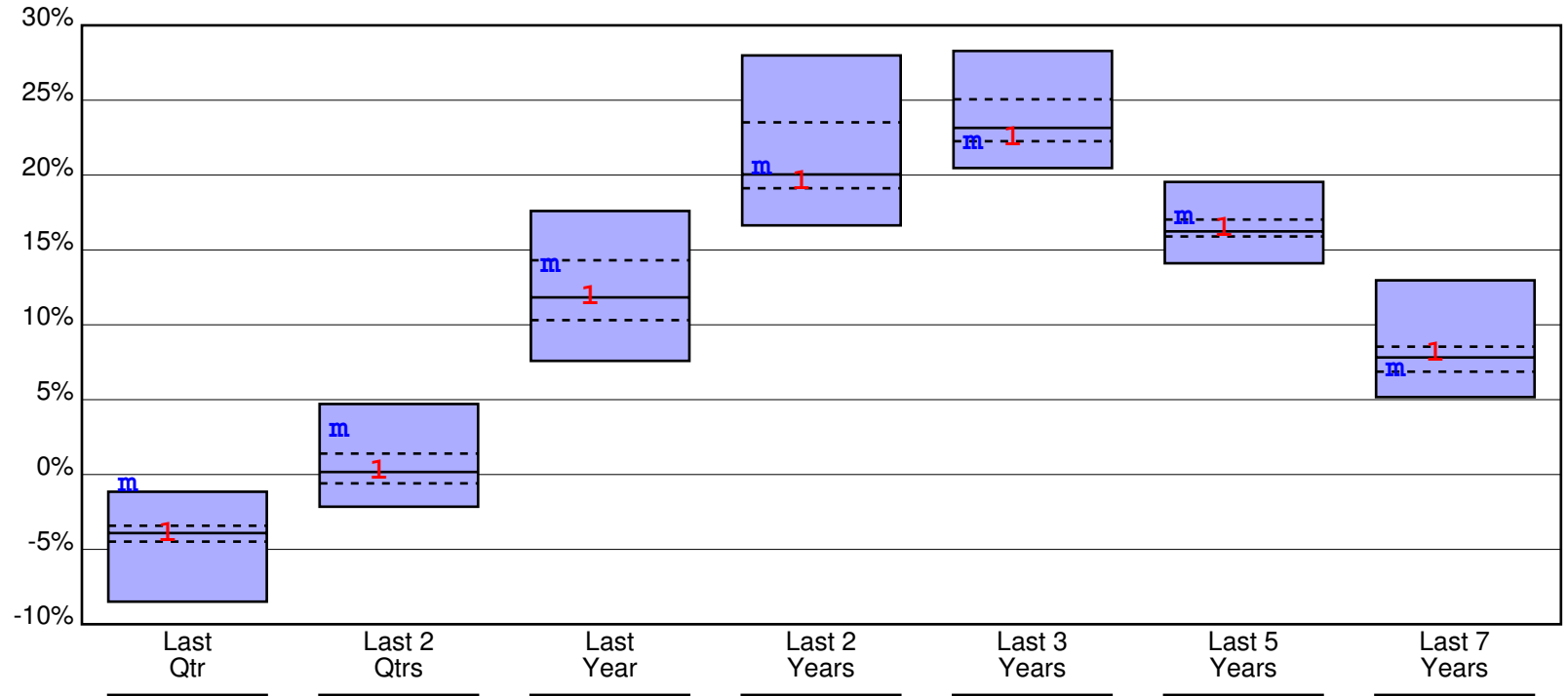
Over the longer 5-year time period the manager has out performed the S&P Midcap 400 Index and has placed in the 23rd percentile of their peer group.

# Southfield Employee Retirement System

## Midcap Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 9/14



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
-1.15	4.71	17.60	27.99	28.29	19.54	12.97
-3.42	1.40	14.31	23.52	25.06	17.03	8.54
-3.91	0.17	11.83	20.04	23.15	16.24	7.82
-4.48	-0.59	10.31	19.12	22.26	15.90	6.87
-8.49	-2.15	7.59	16.64	20.47	14.11	5.17
-0.64 (2)	2.96 (15)	13.97 (32)	20.49 (43)	22.16 (75)	17.20 (23)	6.99 (67)
-3.98 (61)	0.17 (51)	11.82 (50)	19.49 (62)	22.43 (67)	16.37 (44)	8.08 (45)

**m** Munder Capital Mid Cap  
**1** S&P Midcap 400

# Southfield Employee Retirement System

## Equity Summary Statistics

### Munder Capital Mid Cap

#### Period Ending 9/14

	Portfolio	S&P Midcap 400	Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret
Total Number Of Securities	83	400	Skyworks Solutions I	436,536	2.34	23.88
Equity Market Value	17,137,976		Sba Communications C	404,785	2.17	8.41
Average Capitalization \$(000)	11,629,260	4,997,966	Affiliated Managers	390,702	2.10	-2.45
Median Capitalization \$(000)	8,742,585	3,578,009	Invesco Ltd	382,956	2.06	5.24
Equity Segment Yield	1.07	1.49	Nisource Inc	378,041	2.03	4.87
Equity Segment P/E - Average	21.48	25.43	Lincoln Natl Corp In	365,684	1.96	4.48
Equity Segment P/E - Median	21.66	20.66	Airgas Inc	323,651	1.74	2.11
Equity Segment Beta	1.16	1.19	Lyondellbasell Indus	320,547	1.72	11.97
Price/Book Ratio	2.84	2.32	Church & Dwight Inc	294,672	1.58	0.77
Debt/Equity Ratio	57.34	52.64	Radian Group Inc	293,756	1.58	-3.70
Five Year Earnings Growth	14.63	10.82				

GICS Sectors	Weight		Return		Selection		
	Portfolio	Index	Portfolio	Index	Stock	Sector	Total
Energy	7.64	5.27	-13.48	-11.20	-0.17	-0.17	-0.34
Materials	7.86	7.69	0.54	-6.78	0.58	-0.00	0.57
Industrials	16.13	17.06	-2.51	-6.19	0.59	0.02	0.61
Consumer Discretionary	16.80	13.07	-2.30	-1.69	-0.10	0.09	-0.01
Consumer Staples	3.89	3.48	13.77	-1.02	0.58	0.01	0.59
Health Care	10.92	9.55	3.42	2.12	0.14	0.08	0.23
Financials	17.67	22.05	-0.84	-3.58	0.49	-0.02	0.46
Information Technology	13.11	16.46	1.07	-3.74	0.63	-0.01	0.62
Telecom. Services	1.90	0.50	8.41	-0.26	0.16	0.05	0.22
Utilities	4.08	4.86	-1.76	-8.93	0.29	0.04	0.33
	100.00	100.00	-0.79	-4.06	3.18	0.09	3.28

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 0.59%

[ Actual Return -0.20% ] - [ Buy Hold Return -0.79% ]



# Southfield Employee Retirement System

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
SouthernSun Small Cap							
Total Return	-8.76	-5.12	6.23	22.66	26.46	23.86	
Total Return (Net of Fees)	-8.98	-5.58	5.31	21.54	25.28	22.70	
Russell 2000	-7.36	-5.46	3.93	16.26	21.26	14.28	
Variance	-1.40	0.35	2.30	6.40	5.20	9.58	

### 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%).

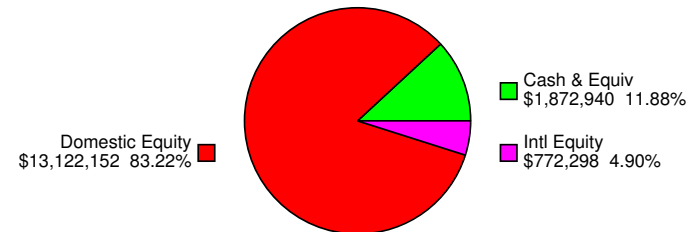
Bottom-up analysis of niche-dominant businesses with financial flexibility and uniquely-suited management teams.

#### FEE SCHEDULE:

100 bps on the first \$15M

85 bps over \$15M

Asset Allocation  
SouthernSun Small Cap  
September 30, 2014 \$15,767,390



#### CONCLUSIONS/RECOMMENDATIONS

SouthernSun under performed the Russell 2000 Index by 140 bps during the 3rd Quarter 2014, placing them in the 90th percentile of the Small Cap Core Universe.

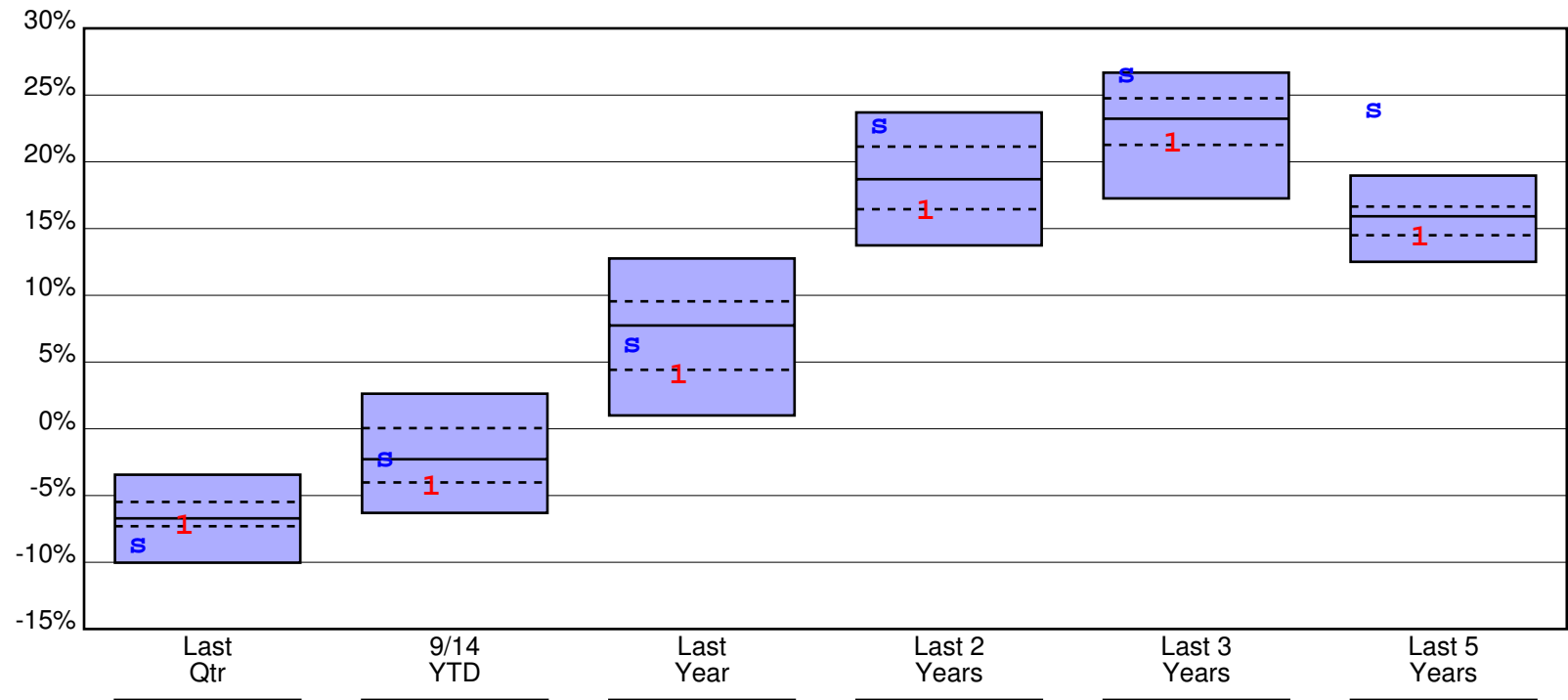
Longer-term, SouthernSun has out performed the Russell 2000 Index and has ranked at the top of of their peer group over a 5-year time period.

# Southfield Employee Retirement System

## Small Neutral Cumulative Performance Comparisons

### Total Returns of Equity Portfolios

#### Periods Ending 9/14



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

Period	Last Qtr	9/14 YTD	Last Year	Last 2 Years	Last 3 Years	Last 5 Years
5th Percentile	-3.44	2.63	12.76	23.70	26.68	18.97
25th Percentile	-5.48	0.05	9.55	21.14	24.76	16.65
Median	-6.71	-2.28	7.74	18.70	23.23	15.92
75th Percentile	-7.30	-4.02	4.42	16.45	21.27	14.50
95th Percentile	-10.03	-6.30	1.00	13.74	17.26	12.51
<b>S</b> SouthernSun Small Cap	-8.76 (90)	-2.27 (49)	6.23 (59)	22.66 (9)	26.46 (5)	23.86 (1)
<b>1</b> Russell 2000	-7.36 (77)	-4.41 (80)	3.93 (83)	16.26 (79)	21.26 (75)	14.28 (83)

# Southfield Employee Retirement System

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
LSV Intl Equity							
Total Return	-6.57	-2.23	6.00	16.15	15.18	7.25	
Total Return (Net of Fees)	-6.74	-2.59	5.23	15.31	14.35	6.74	
MSCI EAFE (Net)	-5.87	-2.03	4.26	13.60	13.65	6.56	
Variance	-0.69	-0.20	1.74	2.55	1.53	0.69	

### 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:

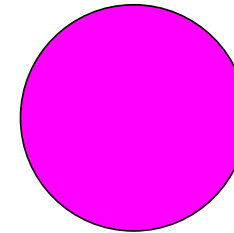
75 bps on the first \$25M  
65 bps on the next \$25M

#### Asset Allocation

#### LSV Intl Equity

September 30, 2014 \$11,190,870

Intl Equity  
\$11,190,870 100.00%

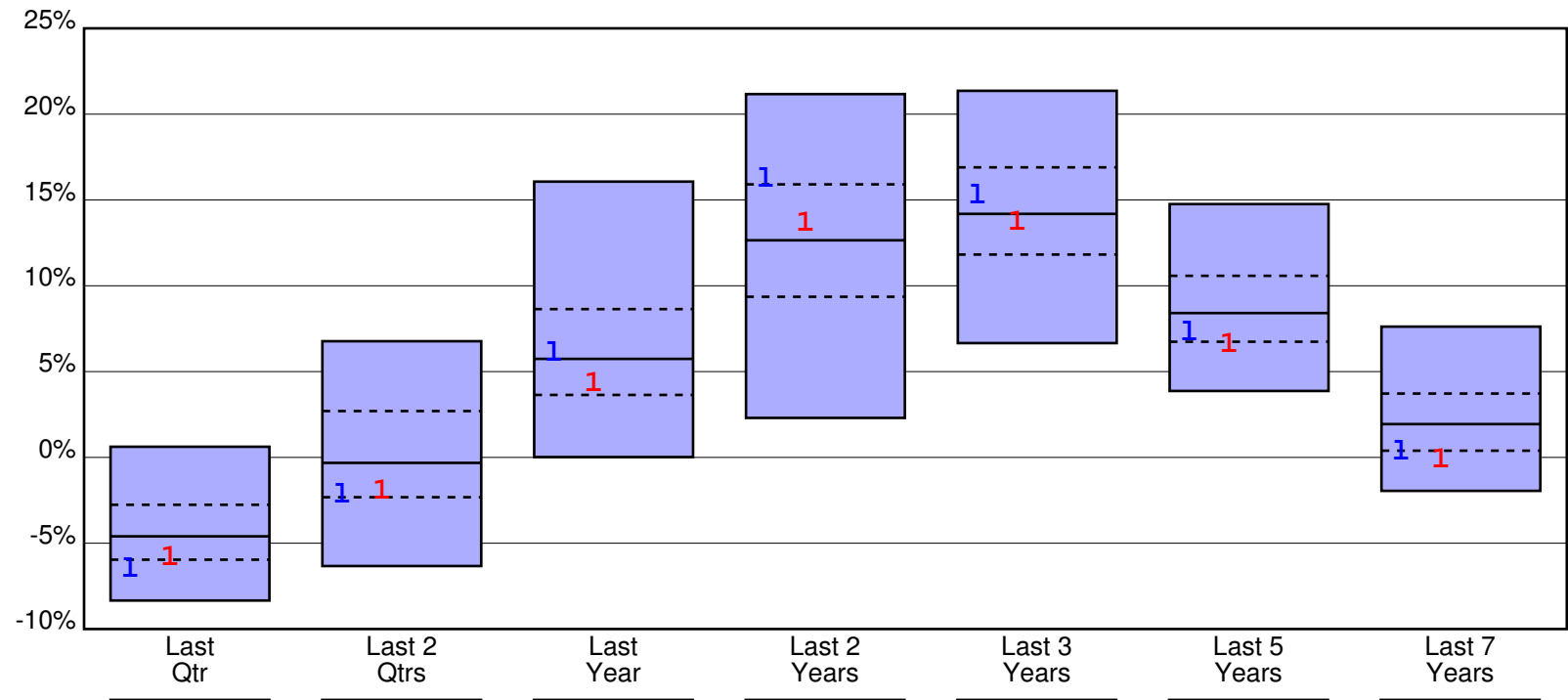


#### CONCLUSIONS/RECOMMENDATIONS

LSV Int'l Equity under performed the MSCI EAFE (Net) Index by 69 bps during the 3rd Quarter 2014, placing them in the 83rd 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 65th percentile of their peer group.

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



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	0.62	6.77	16.07	21.17	21.36	14.76	7.62
25th Percentile	-2.76	2.70	8.64	15.91	16.90	10.58	3.72
Median	-4.60	-0.32	5.74	12.65	14.19	8.41	1.94
75th Percentile	-5.96	-2.32	3.64	9.36	11.82	6.74	0.39
95th Percentile	-8.34	-6.33	0.02	2.30	6.66	3.87	-1.95
1 LSV Intl Equity	-6.57 (83)	-2.23 (74)	6.00 (46)	16.15 (22)	15.18 (37)	7.25 (65)	0.25 (77)
1 MSCI EAFE (Net)	-5.87 (72)	-2.03 (71)	4.26 (68)	13.60 (42)	13.65 (58)	6.56 (77)	-0.20 (84)

# Southfield Employee Retirement System

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
WCM Focused Growth International							
Total Return	-4.05	-0.64	6.95	13.75			
Total Return (Net of Fees)	-4.26	-1.08	6.02	12.76			
MSCI EAFE (Net)	-5.87	-2.03	4.26	13.60			
Variance	1.83	1.38	2.70	0.15			

### 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.

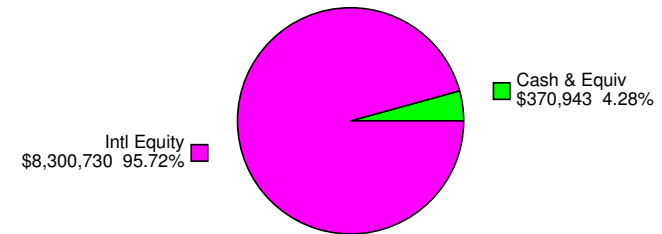
#### FEE SCHEDULE:

1.00% on all assets

### Asset Allocation

#### WCM Focused Growth International

September 30, 2014 \$8,671,673

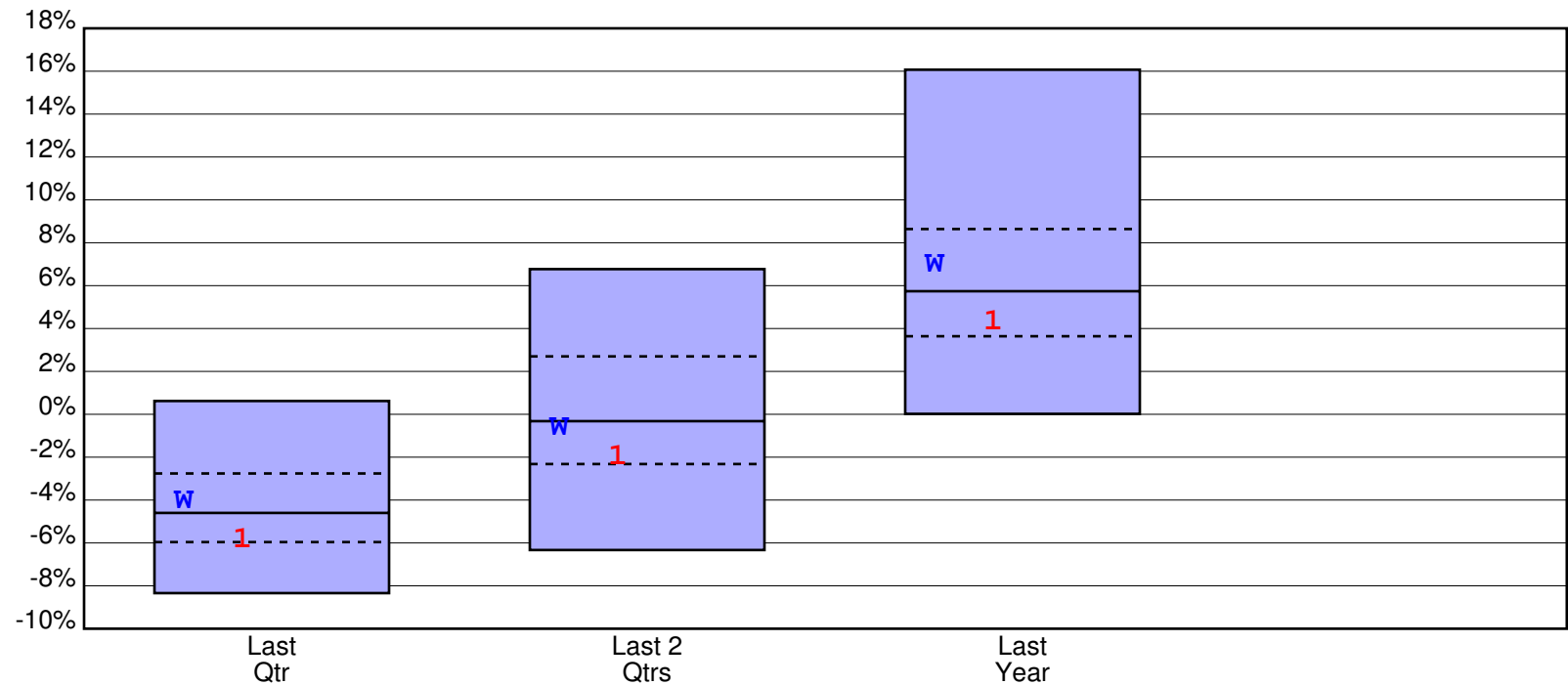


### CONCLUSIONS/RECOMMENDATIONS

WCM out performed the MSCI EAFE Net by 183 bps in the 3rd Quarter 2014, placing them in the 41st percentile of their peer group.

Over the longer 1-yr period, the manager has out performed the MSCI EAFE (Net) and has placed in the 37th percentile of their peer group.

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



5th Percentile	0.62	6.77	16.07
25th Percentile	-2.76	2.70	8.64
Median	-4.60	-0.32	5.74
75th Percentile	-5.96	-2.32	3.64
95th Percentile	-8.34	-6.33	0.02
<b>W</b> WCM Focused Growth International	-4.05 (41)	-0.64 (54)	6.95 (37)
<b>1</b> MSCI EAFE (Net)	-5.87 (72)	-2.03 (71)	4.26 (68)

Southfield Employee Retirement System  
Global Equity Summary Statistics  
WCM Focused Growth International  
Period Ending 9/14

	Portfolio		MSCI EAFE (Net)	Ten Best Performers	Quarterly Ret
Total Number Of Securities	28		901	Canadian Pac Ry Ltd	14.72
Equity Market Value	8,300,730			Canadian Natl Ry Co	9.48
Average Capitalization \$(000)	48,697,680		60,856,680	Sysmex Corp	7.29
Median Capitalization \$(000)	18,314,825		8,731,363	Asml Holding N V	5.95
Equity Segment Yield	1.40		3.16	Fanuc Ltd Japan	4.93
Equity Segment P/E - Average	24.49		17.26	Perrigo Co Pcl	3.11
Equity Segment P/E - Median	24.14		17.72	Novo-Nordisk As	3.10
Equity Segment Beta	0.78		1.00	Ace Ltd	2.39
Price/Book Ratio	2.23		1.70	Reckitt Benckiser PI	0.46
Debt/Equity Ratio	51.88		85.91	Lazard Ltd	-1.10
Five Year Earnings Growth	14.55		16.03		
Five Year Dividend Growth	6.56		7.05		
Ten Largest Holdings	Mkt Value	% of Port	Quarterly Ret	Ten Worst Performers	Quarterly Ret
Canadian Pac Ry Ltd	517,638	6.25	14.72	Jeronimo Martins Sgp	-33.59
Taiwan Semiconductor	476,450	5.75	-3.99	Yandex N V	-22.01
Canadian Natl Ry Co	461,950	5.57	9.48	Lvmh Moet Hennessy L	-16.04
Lazard Ltd	390,289	4.71	-1.10	Shoprite Hldgs Ltd	-14.07
Ace Ltd	386,236	4.66	2.39	Novozymes A/S	-14.02
Asml Holding N V	374,330	4.52	5.95	Sgs Societe Gen De S	-13.72
Reckitt Benckiser PI	361,364	4.36	0.46	Core Laboratories N	-12.13
Novo-Nordisk As	354,531	4.28	3.10	Industria De Diseno	-11.63
Nestle S A	332,808	4.02	-5.20	Chr Hansen Hldg A/S	-8.87
Tencent Hldgs Ltd	327,300	3.95	-2.95	Svenska Cellulosa Ak	-8.66

# Southfield Employee Retirement System

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
Pacific Fixed Income							
Total Return	0.16	2.51	4.90	1.60	2.85	4.41	5.14
Total Return (Net of Fees)	0.08	2.35	4.58	1.25	2.51	4.08	4.81
Barclays US Aggregate	0.17	2.21	3.96	1.10	2.43	4.12	4.62
Variance	-0.01	0.29	0.94	0.50	0.41	0.29	0.52

### 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).

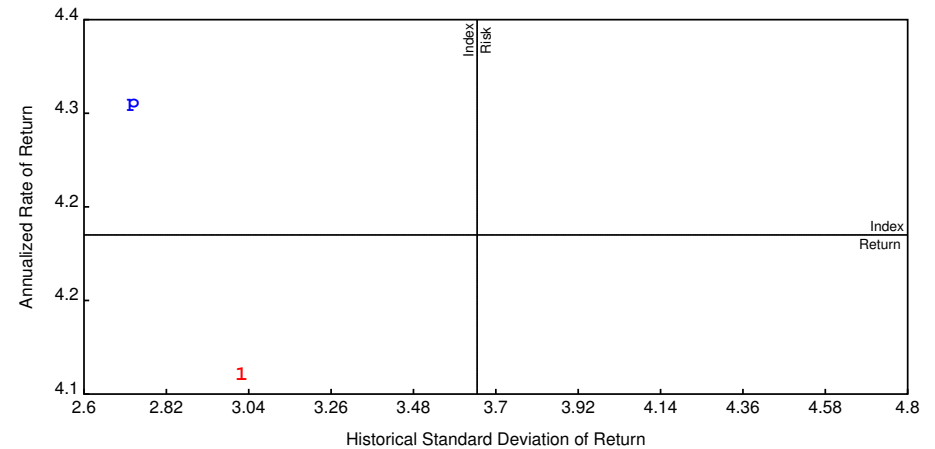
#### STRATEGY

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	4.41	2.74
1 Barclays US Aggregate	4.12	3.03
Barclays Govt/Credit	4.27	3.65

### CONCLUSIONS/RECOMMENDATIONS

Pacific Core Fixed Income performed in line with the Barclays US Aggregate Index during the 3rd Quarter 2014, placing them in the 50th 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.

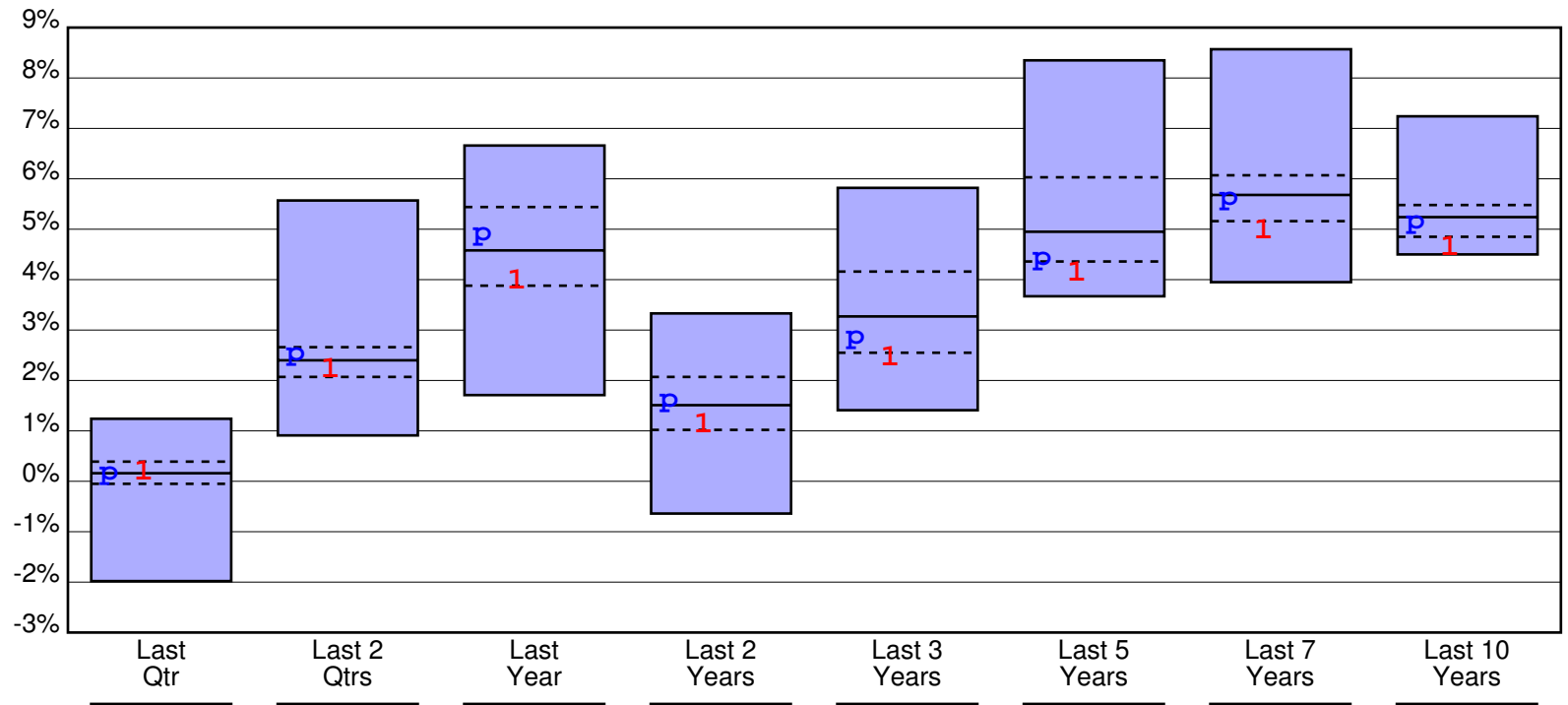


# Southfield Employee Retirement System

## Fixed Income Core Cumulative Performance Comparisons

### Total Returns of Fixed Income Portfolios

#### Periods Ending 9/14



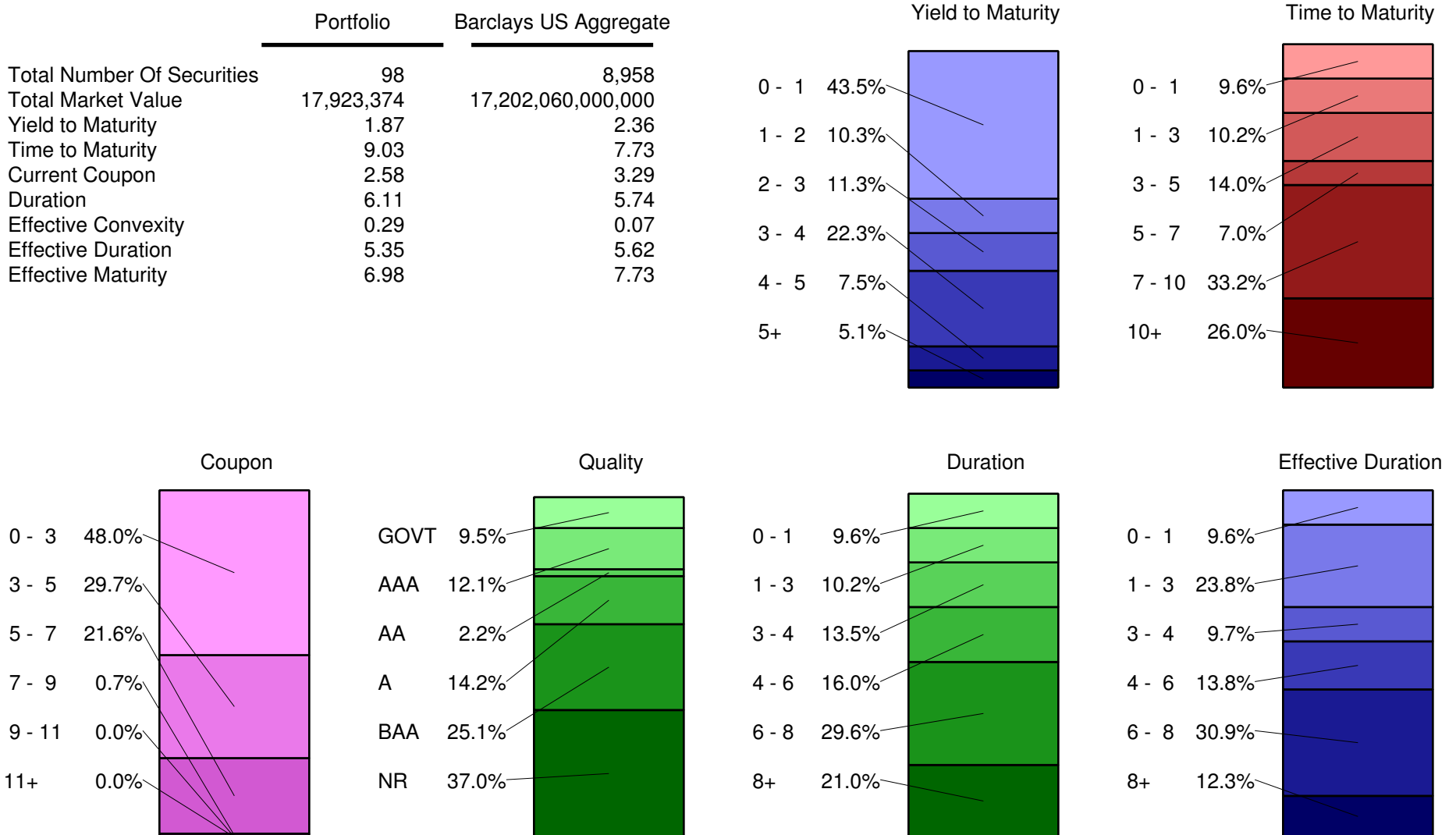
5th Percentile  
25th Percentile  
Median  
75th Percentile  
95th Percentile

Last Qtr	Last 2 Qtrs	Last Year	Last 2 Years	Last 3 Years	Last 5 Years	Last 7 Years	Last 10 Years
1.24	5.57	6.66	3.33	5.82	8.35	8.57	7.24
0.39	2.66	5.44	2.07	4.16	6.03	6.07	5.48
0.16	2.40	4.58	1.51	3.27	4.95	5.68	5.24
-0.05	2.07	3.88	1.02	2.55	4.36	5.16	4.85
-1.98	0.91	1.71	-0.64	1.41	3.67	3.95	4.50
Pacific Fixed Income 0.16 (50)	2.51 (33)	4.90 (33)	1.60 (46)	2.85 (66)	4.41 (70)	5.61 (56)	5.14 (52)
Barclays US Aggregate 0.17 (48)	2.21 (65)	3.96 (72)	1.10 (73)	2.43 (77)	4.12 (84)	4.95 (85)	4.62 (91)

# Southfield Employee Retirement System

## Fixed Income, Mortgage and Municipals Summary Statistics

### Pacific Fixed Income Quarter Ending 9/14



# Southfield Employee Retirement System

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
MacKay Shields High Yield							
Total Return	-1.71	0.25	6.52	6.88	9.87	9.47	
Total Return (Net of Fees)	-1.84	0.00	5.99	6.32	9.34	8.91	
Credit Suisse High Yld	-1.94	0.42	7.08	7.15	10.62	10.35	
Variance	0.23	-0.17	-0.56	-0.27	-0.75	-0.88	

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

#### OBJECTIVE

To out perform the Credit Suisse High Yield Index.

#### STRATEGY

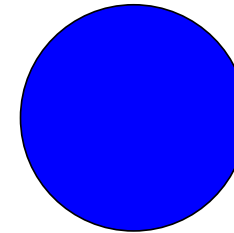
MacKay Shields believes that the high yield asset class is first and foremost about risk control. Their strategy focuses on credits that generate increasing cash flow, contain strong asset coverage and whose management is committed to paying down debt. Emphasis is placed on current income, while minimizing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

#### FEE SCHEDULE:

50 bps on all assets

Asset Allocation  
MacKay Shields High Yield  
September 30, 2014 \$1,196,243

Domestic Fixed  
\$1,196,243 100.00%



#### CONCLUSIONS/RECOMMENDATIONS

MacKay Shields High Yield out performed the Credit Suisse HY Index by 23 bps during the 3rd Quarter 2014, placing them in the 53rd percentile of the High Yield Universe.

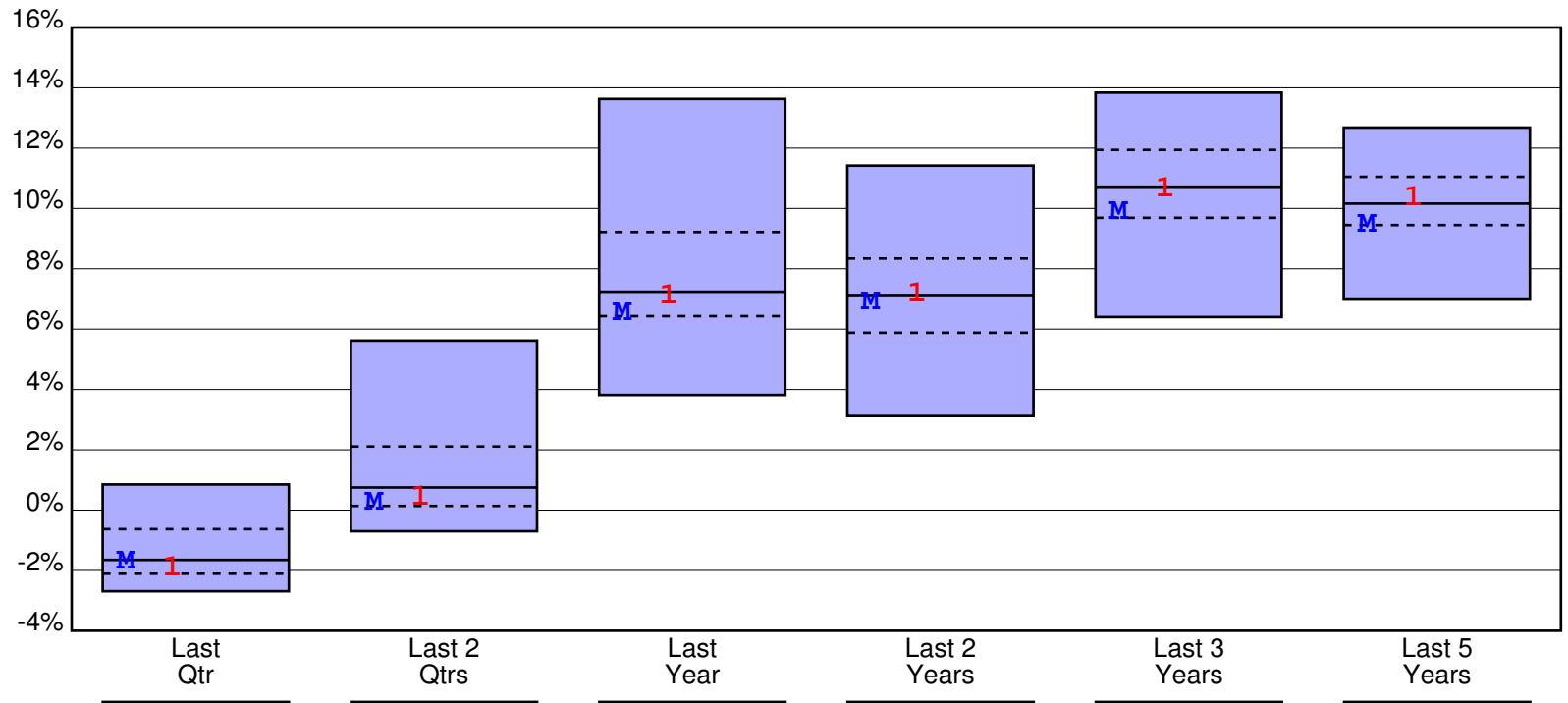
Over the longer 5-year period, the manager has under performed the Credit Suisse HY Index and has ranked below the median of their peer group universe.

# Southfield Employee Retirement System

## High Yield Cumulative Performance Comparisons

### Total Returns of Fixed Income Portfolios

#### Periods Ending 9/14



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
0.85	5.62	13.63	11.42	13.84	12.68
-0.63	2.11	9.22	8.34	11.94	11.05
-1.65	0.75	7.24	7.13	10.72	10.16
-2.11	0.14	6.43	5.88	9.69	9.45
-2.69	-0.70	3.82	3.12	6.40	6.98
-1.71 (53)	0.25 (73)	6.52 (73)	6.88 (55)	9.87 (71)	9.47 (73)
-1.94 (71)	0.42 (66)	7.08 (53)	7.15 (47)	10.62 (51)	10.35 (44)

**M** MacKay Shields High Yield  
**1** Credit Suisse High Yld

# Southfield Employee Retirement System

## September 30, 2014

Performance Summary Table  
Periods Ending 9/30/14

Manager	1 Qtr	2 Qtrs	1 Year	2 Yrs	3 Yrs	5 Yrs	10 Yrs
AEW Capital Management							
Total Return	1.89	4.34	9.88				
Total Return (Net of Fees)	1.61	3.76	8.59				
NCREIF ODCE Fund Index	3.24	6.26	12.40				
Variance	-1.35	-1.92	-2.52				

### 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.

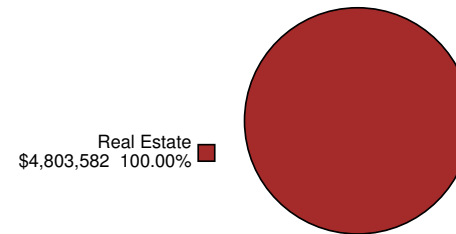
#### STRATEGY

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  
September 30, 2014 \$4,803,582



#### CONCLUSIONS/RECOMMENDATIONS

AEW Capital under performed the NCREIF ODCE by 135 bps during 3rd Quarter 2014.

# Southfield Employee Retirement System

## September 30, 2014

### 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

Internal Rate of Return Table  
Metropolitan Real Estate Fund

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	0	0	0	0	0	971,621	18.94	6.48
Total		917,000	36,000	90,621	0	0	971,621	18.94	6.48

# Southfield Employee Retirement System

## September 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
9/14	1,322,253	0	0	0	0	0	1,322,253	17.68	7.89
Total		1,129,814	0	192,439	0	0	1,322,253	17.68	7.89

# Southfield Employee Retirement System

## September 30, 2014

Internal Rate of Return Table  
RMK Timberland Int'l Fund

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
Total		1,001,049	0	-19,172	0	0	981,877	-2.09	-1.20

### 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)



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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.