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Vermont Pension Investment Committee

Fourth Quarter 2014 Investment Performance Analysis (Part I - Total Fund Performance)

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NEPC Update



Highlights of Fourth Quarter Happenings at NEPC

NEPC Research

Recent White Papers Posted

- *Improving Asset Allocation with Factor Analysis (November 2014)* - Mark Cintolo, CAIA, Research Consultant
- *Improving Governance Under an OCIO Structure (October 2014)* - Steven Charlton, CFA, Director of Consulting Services
- *NEPC 2014 Defined Contribution Plan & Fee Survey: What Plan Sponsors Are Doing Now (October 2014)* - Ross Bremen, CFA, Partner; Dan Beaton, Senior Analyst



Recent/Upcoming Events

- 2015 Market Outlook Webinar—January 22, 2015 at 3:00 PM EST
- NEPC’s 20th Annual Client Conference—May 19-20, 2015 in Boston at the Boston Convention & Exhibition Center (BCEC)

NEPC Gives Back

A team of NEPC employees participated in Movember once again this year. Movember is a global men’s health charity requiring each ‘Mo Bro’ to sport a well-groomed mustache during the entire month of November to raise funds and awareness for men’s prostate cancer, testicular cancer, and mental health. The team raised about \$20,000 this year and ranked #49 nationally! Additionally, NEPC employees participated in Lee National Denim Day once again this year and raised \$1,745. Lee National Denim Day is a fundraiser that takes place in October and was created by Lee Jeans to support the American Cancer Society’s breast cancer programs.

NEPC Client Recognitions

Several of NEPC’s clients were recognized by CIO Magazine recently. First, the October 2014 issue of CIO Magazine ranked the Power 100 CIOs, which included Tim Barrett, CIO of Texas Tech University System (#59), and Don Pierce, CIO of San Bernardino County Employees’ Retirement Association (#61). Next, several NEPC clients were nominated for the CIO 2014 Industry Innovation Awards. Additionally, NEPC’s client SBCERA was nominated for an Investor Intelligence Award in ‘Portfolio Design’.

Professional Staff Updates

- **New Partner:** Sean Ruhmann, Partner, Director of Real Assets Research
- **New Principals:** Jeffrey Mitchell, CFA, CAIA, Principal, Senior Consultant; Terri Sacramone, SPHR, Principal, Senior Human Resources Manager; and Michael Sullivan, Principal, Senior Consultant
- We are also please to announce that Daniel Hennessy has joined NEPC as a Senior Consultant located in our Redwood City, CA office. Daniel will be focusing on Taft-Hartley and Public Funds in the West.

2015 Observations & Actions



- **Rethink fixed income portfolio structure in light of current market environment**
 - Use of an unconstrained/multi-sector fixed income portfolio may provide sound diversification and enhanced liquidity
 - Examine if alternatives are available to traditional portfolio positions (e.g., combining cash and long treasuries vs. holding core bond portfolio)
- **Review inflation hedging allocations in light of recent market action**
 - Some areas have likely sold off more than is warranted
- **Consider market weight or slightly over-weighted target allocation to developed non-U.S. equity**
 - Consider reducing the risk of the position by allocating to a currency hedged portfolio or implementing a currency hedge overlay
- **Remain committed to emerging markets**
 - Establish (at least) a market weight long-term target allocation (equity and debt) and rebalance toward targets
 - High conviction, active managers will be essential for successful implementation

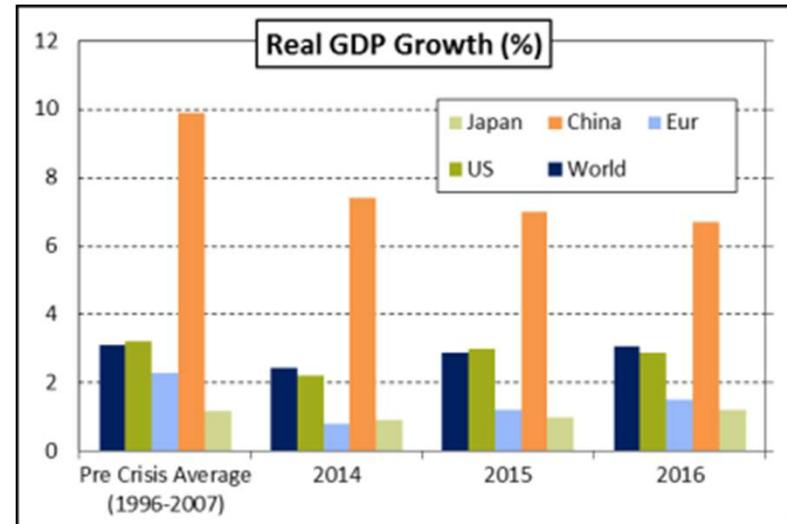
- **Protracted bull market, slow growth, and low interest rates persist**
 - Cautious optimism for US economy, but length and strength of rally warrants inquiry
 - Negative real interest rates have supported elevated valuations and low volatility
 - Investor complacency, coupled with lower liquidity, may leave market more vulnerable
- **Global monetary policies and capital markets continue to diverge**
 - The US successfully navigated the end of quantitative easing in 2014, while Europe pondered and Japan pursued further aggressive monetary policy
 - Regional equity market valuation divergence grew as US P/E ratios expanded
- **The US economy shows strength relative to other developed markets**
 - Improving labor markets, increasing confidence, and expected rise in interest rates are supportive of a stronger dollar, which has been a headwind for foreign exposures
 - Meaningful structural reform and continued aggressive monetary policy are required in Europe & Japan to propel assets higher
- **Fed rate hikes are on the horizon but markets expect a slow pace**
 - High US growth may spur accelerated hike, decoupling rates from market expectations
 - Fed tightening is a first step in a multi-year policy normalization process
- **Emerging Market fatigue tangible; low valuations cannot be ignored**
 - Short- and medium-term challenges camouflage long-term economic growth prospects
 - Plummeting energy prices have potential to create challenges for certain economies

- **Confirm alignment of portfolio positioning with long-term objectives**
 - Recognize investment program's tolerance to withstand short-term volatility
 - Some traditional approaches, such as core bonds, suboptimal in current environment
- **Balance desire for increased return with recognition of downside risks**
 - Barbell portfolio risk with defensive allocations to withstand range of outcomes
 - Shift judiciously across and within asset classes
 - Stretched liquid credit markets make equities relatively more attractive
 - Recognize potential for non-US developed markets to react to QE programs, both continued (Bank of Japan) and potential (European Central Bank)
- **Evaluate impact of expected US dollar strength on non-US allocations**
 - Consider strategic developed market currency hedging program to mitigate risk
 - Scrutinize allocation to and implementation within emerging markets
 - Attractive fundamentals and secular trends warrant market weight at a minimum
 - Challenging country specific conditions support pursuit of bold active management
- **Remain committed to high conviction active manager exposures**
 - Passive trends and market complacency may ignite dormant alpha opportunities
 - Use non-traditional strategies with reduced constraints across markets to capitalize
 - Global equity, tactical credit strategies, GAA, liquid alternative beta, global macro
- **Seek niche private strategies to mitigate challenge of high valuations**
 - Energy, European Real Estate, sector-focused growth equity, Asia-focused managers and select direct lending markets all provide compelling opportunities

5-7 Year Returns Commensurate with Growth; Near-Term Strength Can Persist

- **Global growth forecasts low but approaching pre-crisis levels with less reliance on China**

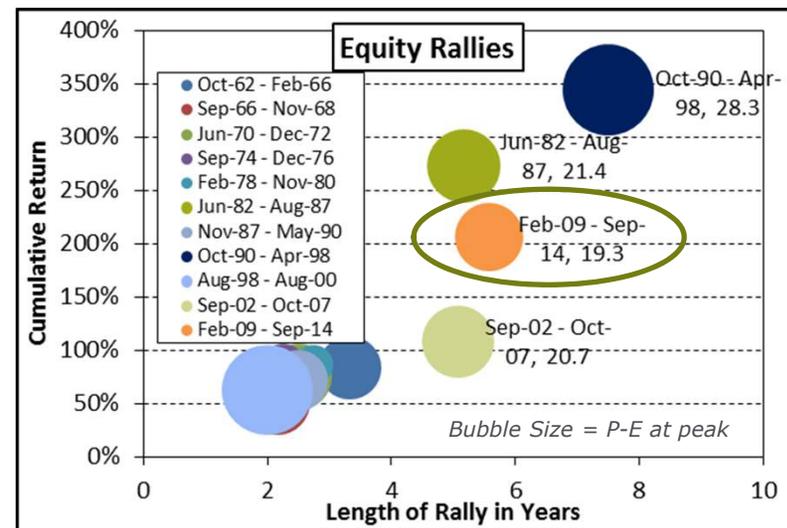
- Absolute figures projected to improve for the US and World
- Europe joins Japan as a drag on global growth
- China expectations compress but remain quite high



Source: Bloomberg as of 11/30

- **S&P rally unlikely to persist for another 5-7 years**

- Low-for-longer interest rates may provide near term support for higher valuations
- Tepid growth levels challenge ability to extend outsized returns over this horizon as stimulus wanes
- While perceived tail-ends of bull markets can be false signs, the current length and magnitude is only outpaced by '82-'87 and '90-'98

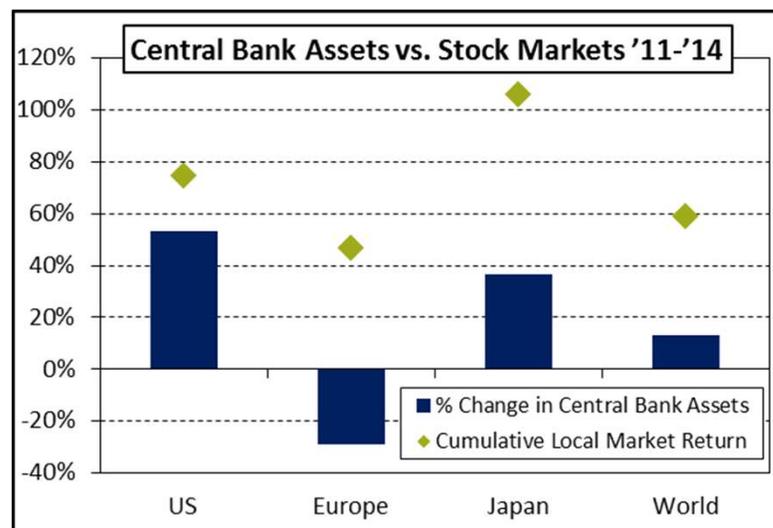


Source: Bloomberg and Shiller Data as of 9/30

Policy and Market Divergences Continue to Develop

- **Central bank stimulus has been a key driver of market returns**

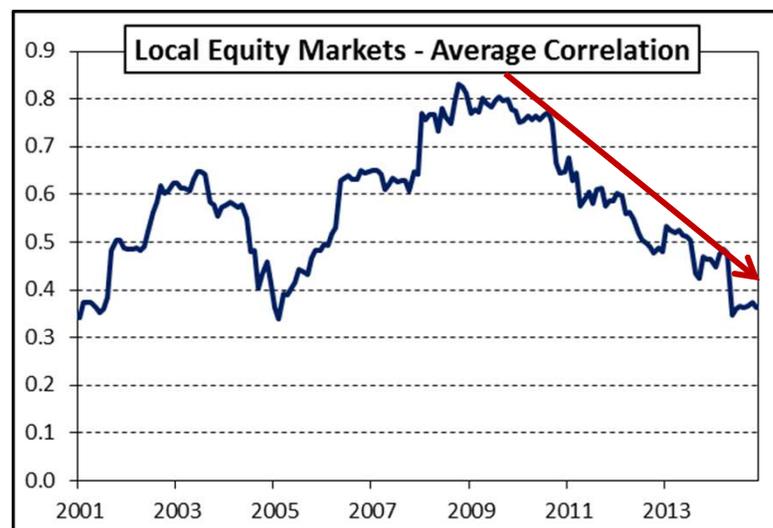
- Post crisis monetary policy was first highly stimulative, waned in 2010-2011, then resumed unevenly
- Greater stimulus led to strong *local* market returns
- Continued stimulus in Japan and Europe should be incorporated into outlook but hedging developed market currency exposure is prudent



Source: Bloomberg as of 11/30

- **Policy responses have been key driver of capital market results**

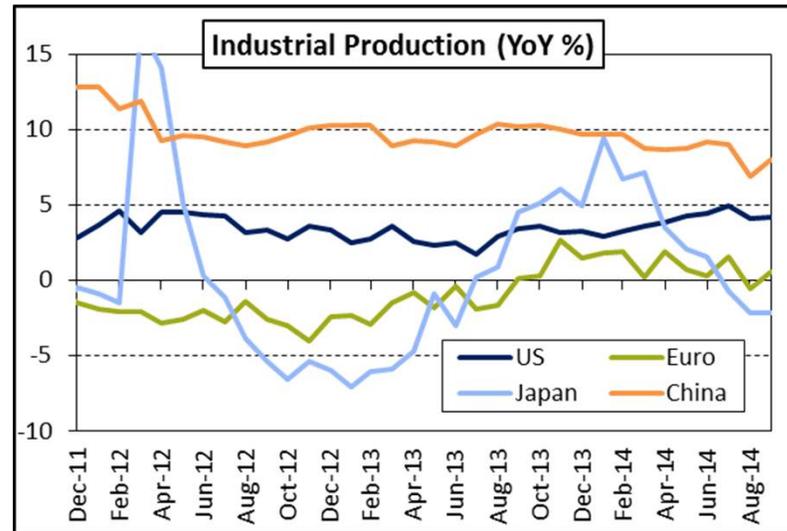
- Distinct economic environments across countries leads to differentiation in market returns
- Evolving monetary policies continue to diverge and likely lead to more independent capital market outcomes among countries



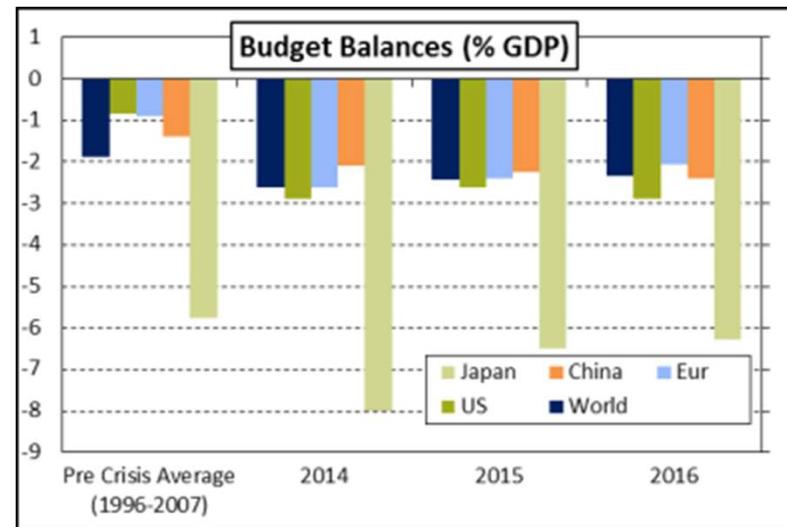
Source: Bloomberg as of 11/30 - Local indices consist of Australia, Europe, UK, Emerging Markets, Japan, New Zealand, US, and Canada

Conditions Present for Elevated Growth in US; Challenges Abroad

- **Fundamental growth prospects more attractive in US and China than Europe and Japan**
 - China continues to remain elevated
 - Euro zone may benefit from recent decline in the Euro and Oil
- **Confidence has improved in US due to a variety of factors**
 - Improved job market, decline in oil and low inflation
- **Fiscal situation is diverse but all major players remain more stimulative than recent history**
 - Japan attacking deflation from all angles; heightened fiscal spending in conjunction with monetary stimulus
 - Europe, notably, expected to further shrink deficits
 - Driven by Germany (not shown) which projects a surplus
 - European policy makers may need to do more



Source: Bloomberg as of 11/30

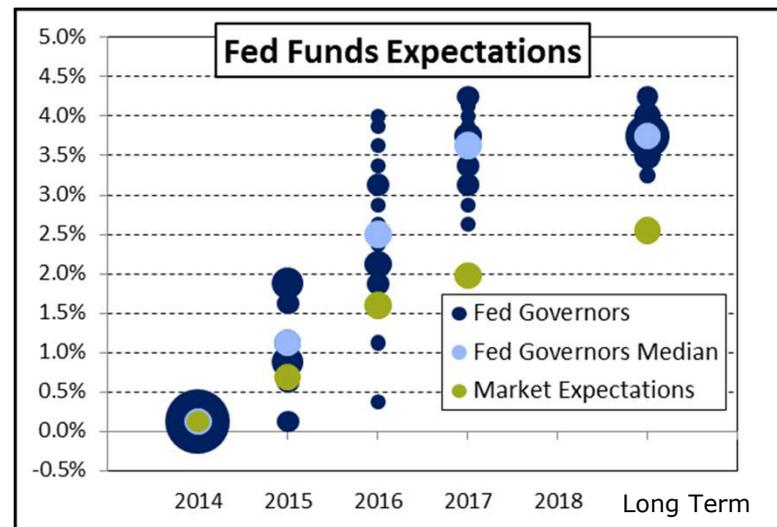


Source: Bloomberg as of 11/30

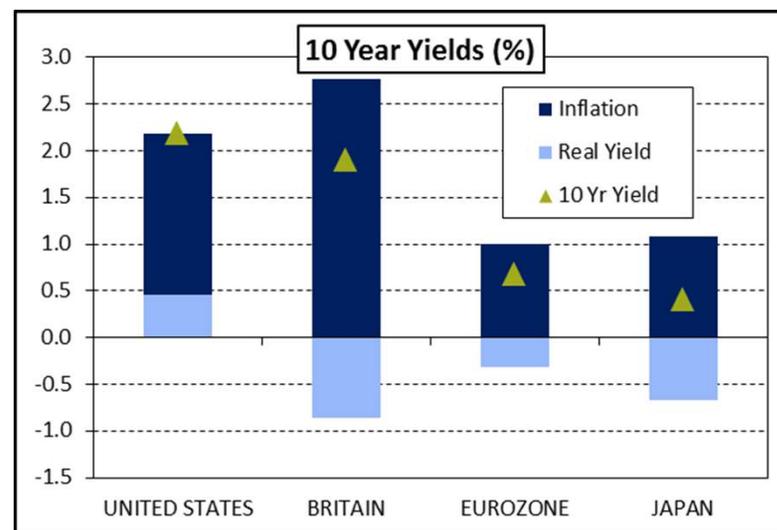
Fed Rate Hikes Expected in 2015; Timing and Pace Are Uncertain

- Fed governors (blue dots) project higher rates over the next few years**
 - Market expectations (green dots) are less ambitious with reality likely in-between
 - Upside surprise to pace or level of interest rates supportive of higher USD; negative for US risk assets

- Low real rates suppressed by central banks, squeeze expectations for future returns**
 - UK, Europe & Japan all with negative 10 year real yields
 - US bonds look relatively attractive in this context
 - Real rates moving lower toward peers is bullish for risk assets
 - Long-term normalized monetary policy could reverse the trend



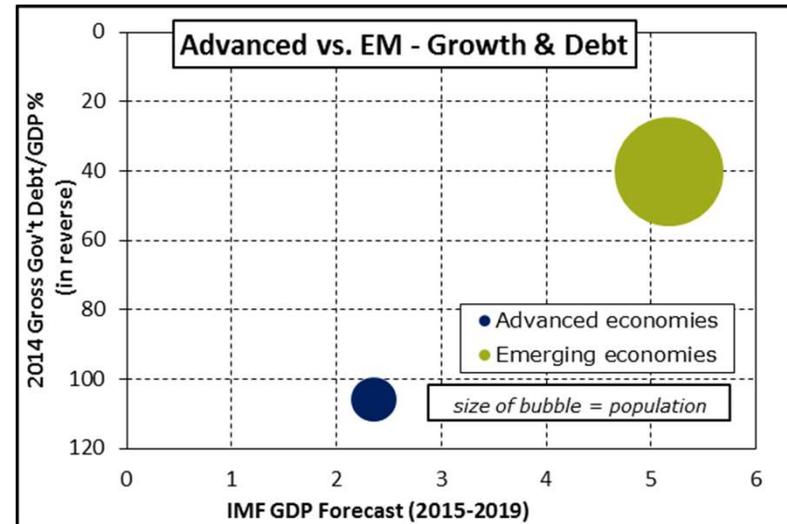
Source: Bloomberg and Federal Open Market Committee as of 11/30



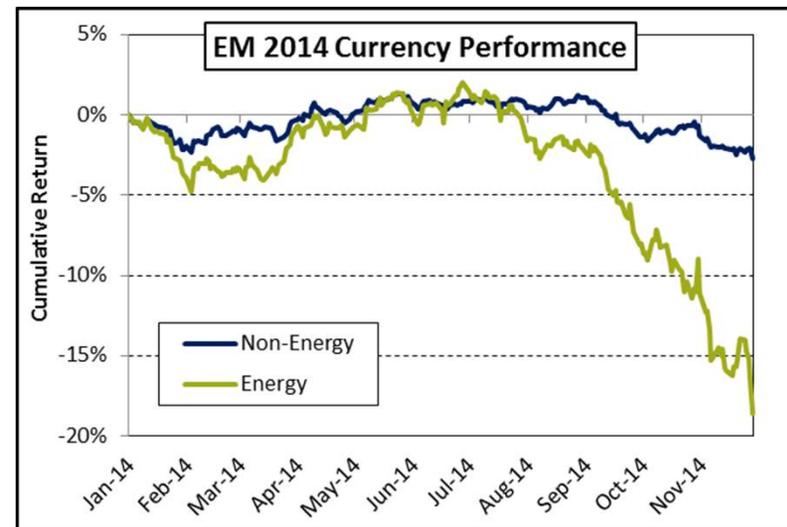
Source: Bloomberg as of 11/30

Structural Long-Term Positives of Emerging Markets Remain; So Do Idiosyncratic Risks

- **Emerging markets have higher growth and lower debt levels vs. developed markets**
 - Near term risks are present as both China and commodity cycle slows
 - Strong dollar will hurt some currencies but will also aid exporters, helping EM growth
- **Local currency debt offers a compelling yield but paired with heightened volatility**
- **Both exogenous and internal factors can drive major shifts across countries**
 - Drop in energy prices in 2014 is a recent structural shift that will have a major impact on certain countries
 - Venezuela, Nigeria, Russia and several frontier countries



Source: IMF as of 10/31



Source: Bloomberg as of 11/30

Investment Market Update: As of January 31, 2015

PERFORMANCE THROUGH 1/31/2015

Sector	Index	2008	2009	2010	2011	2012	2013	2014	JAN	YTD
Treasury STRIPS	Barclays US Strips 20+ Yr	59.5%	-36.0%	10.9%	58.5%	3.0%	-21.0%	46.4%	13.8%	13.8%
REITS	Wilshire US REIT	-39.2%	28.6%	28.6%	9.2%	17.6%	1.9%	31.8%	6.5%	6.5%
Long Govt/Credit	Barclays US Govt/Credit Long	8.4%	1.9%	10.2%	22.5%	8.8%	-8.8%	19.3%	6.4%	6.4%
Long Credit	Barclays US Long Credit	-3.9%	16.8%	10.7%	17.1%	12.7%	-6.6%	16.4%	5.2%	5.2%
Core Bonds	Barclays US Agg Bond	5.2%	5.9%	6.5%	7.8%	4.2%	-2.0%	6.0%	2.1%	2.1%
Muni Bonds	Barclays Municipal	-2.5%	12.9%	2.4%	10.7%	6.8%	-2.6%	9.1%	1.8%	1.8%
Interm Govt/Credit	Barclays US Govt/Credit Interm	5.1%	5.2%	5.9%	5.8%	3.9%	-0.9%	3.1%	1.7%	1.7%
Interm Core Bonds	Barclays US Agg Interm	4.9%	6.5%	6.1%	6.0%	3.6%	-1.0%	4.1%	1.4%	1.4%
Govt/Credit	Barclays Govt/Credit 1-5 Yr	5.1%	4.6%	4.1%	3.1%	2.2%	0.3%	1.4%	1.0%	1.0%
High Yield	Barclays US Corp HY	-26.2%	58.2%	15.1%	5.0%	15.8%	7.4%	2.5%	0.7%	0.7%
Emerging Equities	MSCI EM	-53.3%	78.5%	18.9%	-18.4%	18.2%	-2.6%	-2.2%	0.6%	0.6%
EMD USD	Barclays EM USD Agg	-14.7%	34.2%	12.8%	7.0%	17.9%	-4.1%	4.8%	0.5%	0.5%
Govt/Credit	Barclays US Govt/Credit 1-3 Yr	5.0%	3.8%	2.8%	1.6%	1.3%	0.6%	0.8%	0.5%	0.5%
Int'l Developed	MSCI EAFE	-43.4%	31.8%	7.8%	-12.1%	17.3%	22.8%	-4.9%	0.5%	0.5%
EMD Loc	JPM GBI EM Glob Div	-5.2%	22.0%	15.7%	-1.8%	16.8%	-9.0%	-5.7%	0.3%	0.3%
Global Bonds	Citi WGBI	10.9%	2.6%	5.2%	6.4%	1.6%	-4.0%	-0.5%	-0.3%	-0.3%
Diversified	Diversified*	-24.5%	24.1%	13.5%	1.3%	12.7%	17.6%	7.8%	-0.4%	-0.4%
Large Cap Growth	Russell 1000 Growth	-38.4%	37.2%	16.7%	2.6%	15.3%	33.5%	13.0%	-1.5%	-1.5%
SMID Cap	Russell 2500	-36.8%	34.4%	26.7%	-2.5%	17.9%	36.8%	7.1%	-2.0%	-2.0%
Small Cap Growth	Russell 2000 Growth	-38.5%	34.5%	29.1%	-2.9%	14.6%	43.3%	5.6%	-2.3%	-2.3%
Large Cap	Russell 1000	-37.6%	28.4%	16.1%	1.5%	16.4%	33.1%	13.2%	-2.7%	-2.7%
Large Cap	S&P 500	-37.0%	26.5%	15.1%	2.1%	16.0%	32.4%	13.7%	-3.0%	-3.0%
Small Cap	Russell 2000	-33.8%	27.2%	26.9%	-4.2%	16.3%	38.8%	4.9%	-3.2%	-3.2%
Commodities	Bloomberg Commodity	-35.6%	18.9%	16.8%	-13.3%	-1.1%	-9.5%	-17.0%	-3.3%	-3.3%
Large Cap Value	Russell 1000 Value	-36.8%	19.7%	15.5%	0.4%	17.5%	32.5%	13.5%	-4.0%	-4.0%
Small Cap Value	Russell 2000 Value	-28.9%	20.6%	24.5%	-5.5%	18.1%	34.5%	4.2%	-4.2%	-4.2%

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

Source: Morningstar Direct

State Employees' Retirement System



Vermont State Employees

Total Fund Performance Summary

	Market Value	3 Mo	Rank	Fiscal YTD	Rank	1 Yr	Rank	3 Yrs	Rank	5 Yrs	Rank
Employees Composite	\$1,647,505,034	-0.1%	95	-2.2%	97	4.4%	80	8.7%	88	8.6%	69
<i>Policy Index</i>		0.3%	93	-1.7%	95	3.5%	95	7.9%	95	7.1%	95
<i>Allocation Index</i>		0.4%	90	-1.7%	95	3.4%	95	7.9%	95	7.1%	95
<i>InvestorForce Public DB Gross Median</i>		1.9%		0.6%		5.8%		11.0%		9.2%	

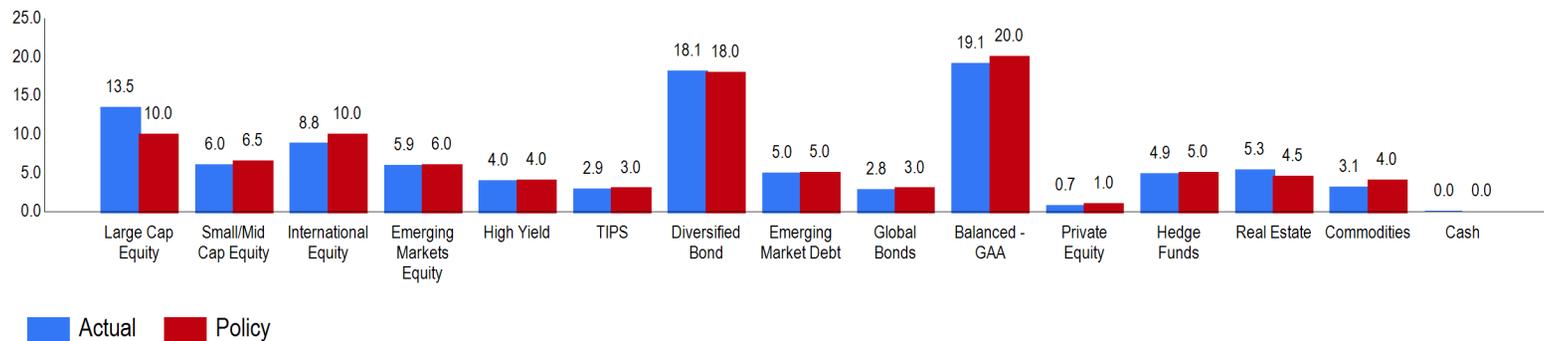
3 Years Ending December 31, 2014

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio RF	Rank
Employees Composite	8.69%	88	6.06%	51	1.43	95	2.38	77
Policy Index	7.91%	95	5.56%	29	1.41	97	2.08	96
Allocation Index	7.88%	95	5.66%	33	1.39	98	1.93	98

5 Years Ending December 31, 2014

	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Sharpe Ratio	Rank	Sortino Ratio RF	Rank
Employees Composite	8.57%	69	7.66%	43	1.11	68	1.77	57
Policy Index	7.15%	95	7.35%	35	0.96	93	1.56	87
Allocation Index	7.15%	95	7.54%	39	0.94	95	1.47	91

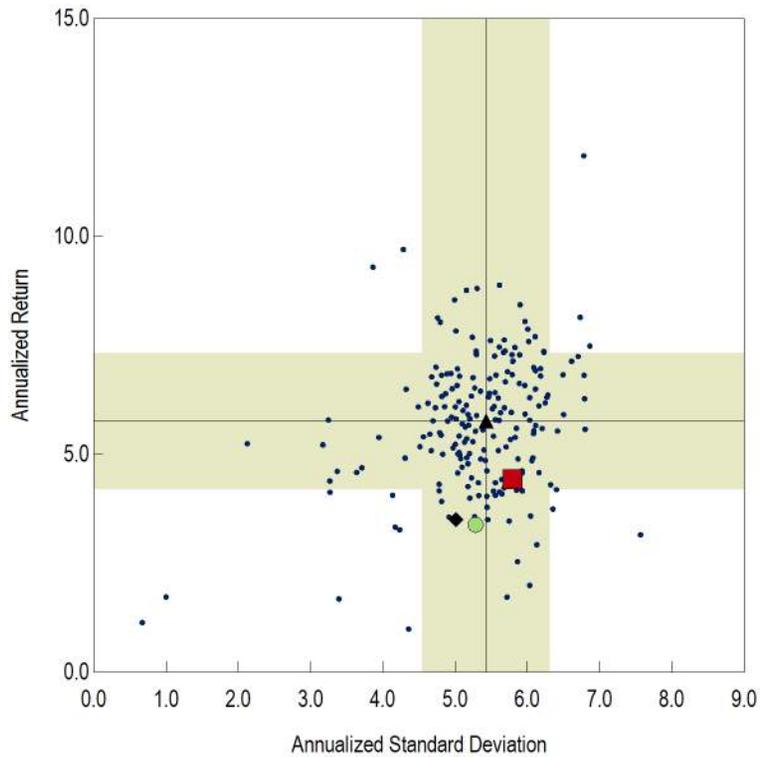
Actual vs Target Allocation (%)



Vermont State Employees

Total Fund Risk/Return

1 Year Ending December 31, 2014



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

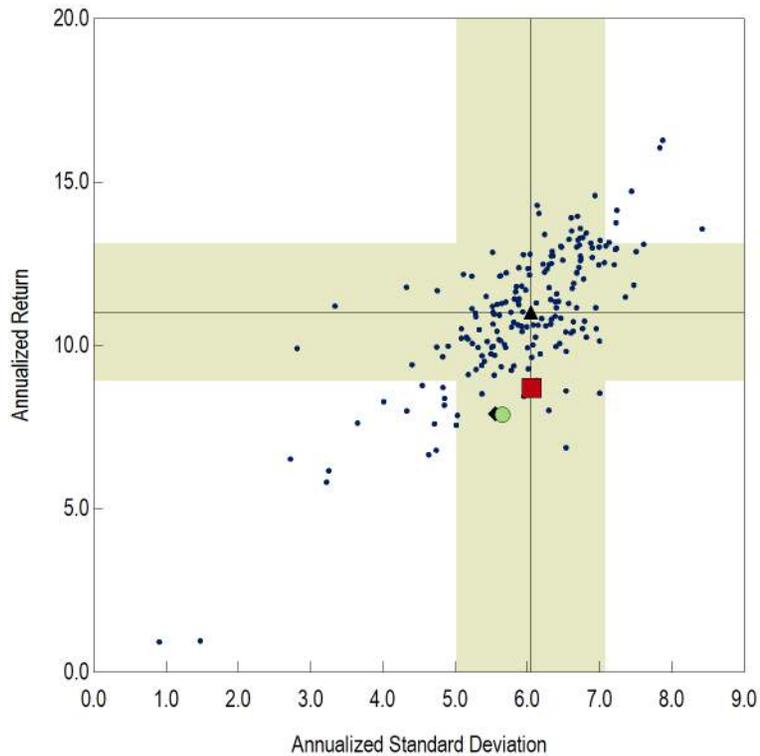
1 Year Ending December 31, 2014

	Anlzd Return	Anlzd Return Rank	Anlzd Standard Deviation	Anlzd Standard Deviation Rank	Sharpe Ratio	Sharpe Ratio Rank
Employees Composite	4.43%	80	5.79%	71	0.76	87
Policy Index	3.51%	95	5.01%	27	0.70	93
S&P 500	13.69%	1	8.26%	--	1.65	6
60% MSCI ACWI (Net)/40% CITI WGBI	2.35%	98	6.36%	94	0.37	99
Citi WGBI	-0.48%	--	4.50%	11	-0.11	--
MSCI ACWI	4.16%	87	8.79%	--	0.47	98
MSCI ACWI ex USA	-3.87%	--	10.05%	--	-0.39	--
InvestorForce Public DB Gross Median	5.77%	--	5.43%	--	1.09	--

Vermont State Employees

Total Fund Risk/Return

3 Years Ending December 31, 2014



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

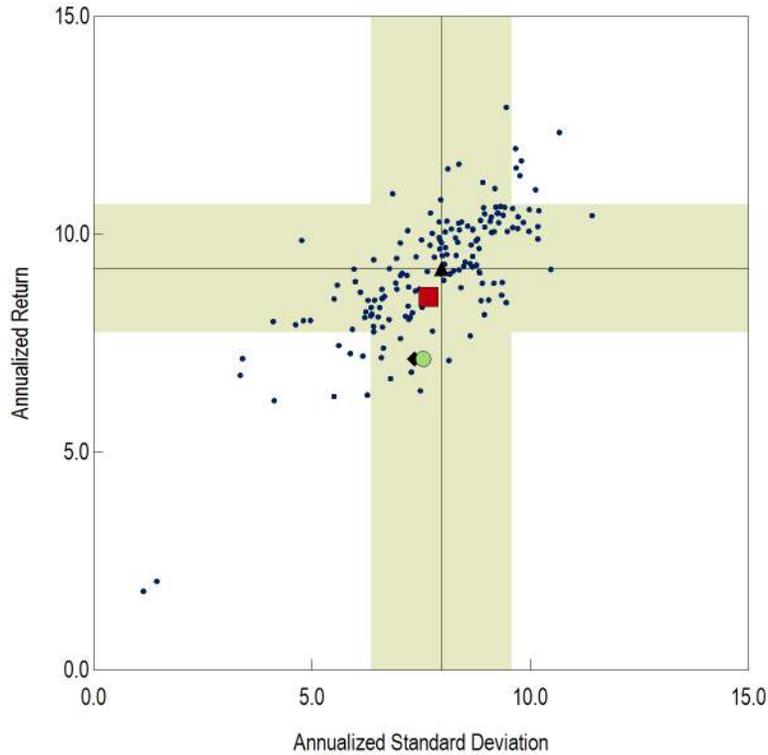
3 Years Ending December 31, 2014

	Anlzd Return	Anlzd Return Rank	Anlzd Standard Deviation	Anlzd Standard Deviation Rank	Sharpe Ratio	Sharpe Ratio Rank
Employees Composite	8.69%	88	6.06%	51	1.43	95
Policy Index	7.91%	95	5.56%	29	1.41	97
S&P 500	20.41%	1	9.10%	--	2.24	5
60% MSCI ACWI (Net)/40% CITI WGBI	7.96%	94	7.22%	95	1.10	99
Citi WGBI	-0.97%	--	4.34%	6	-0.24	--
MSCI ACWI	14.10%	3	10.64%	--	1.32	98
MSCI ACWI ex USA	9.00%	87	12.99%	--	0.69	--
InvestorForce Public DB Gross Median	11.02%	--	6.05%	--	1.84	--

Vermont State Employees

Total Fund Risk/Return

5 Years Ending December 31, 2014



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

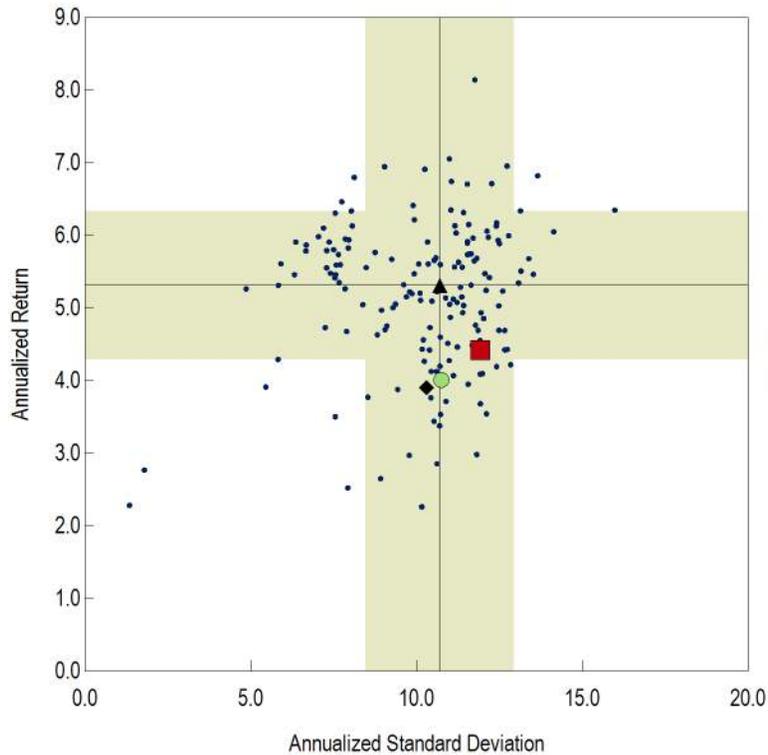
5 Years Ending December 31, 2014

	Anlzd Return	Anlzd Return Rank	Anlzd Standard Deviation	Anlzd Standard Deviation Rank	Sharpe Ratio	Sharpe Ratio Rank
Employees Composite	8.57%	69	7.66%	43	1.11	68
Policy Index	7.15%	95	7.35%	35	0.96	93
S&P 500	15.45%	1	13.00%	--	1.18	44
60% MSCI ACWI (Net)/40% CITI WGBI	6.35%	98	9.69%	92	0.65	--
Citi WGBI	1.67%	--	5.31%	6	0.30	--
MSCI ACWI	9.17%	53	14.57%	--	0.62	--
MSCI ACWI ex USA	4.43%	--	16.51%	--	0.26	--
InvestorForce Public DB Gross Median	9.22%	--	7.96%	--	1.16	--

Vermont State Employees

Total Fund Risk/Return

7 Years Ending December 31, 2014



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

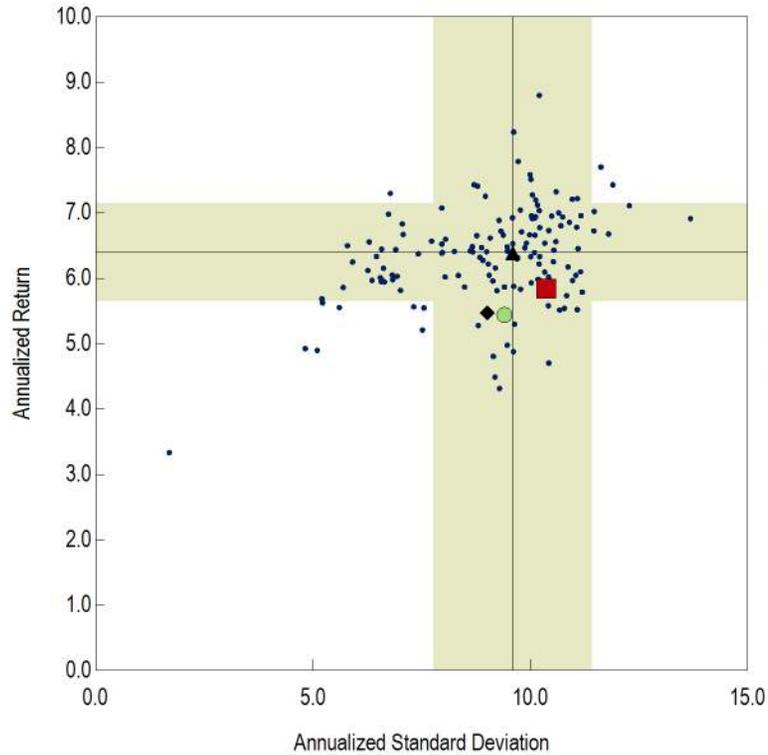
7 Years Ending December 31, 2014

	Anlzd Return	Anlzd Return Rank	Anlzd Standard Deviation	Anlzd Standard Deviation Rank	Sharpe Ratio	Sharpe Ratio Rank
Employees Composite	4.42%	80	11.92%	79	0.35	86
Policy Index	3.91%	89	10.29%	42	0.35	86
S&P 500	7.27%	1	16.82%	--	0.42	68
60% MSCI ACWI (Net)/40% CITI WGBI	3.27%	96	12.51%	91	0.24	99
Citi WGBI	3.07%	96	7.05%	7	0.40	73
MSCI ACWI	2.72%	98	18.90%	--	0.13	--
MSCI ACWI ex USA	-0.63%	--	21.26%	--	-0.04	--
InvestorForce Public DB Gross Median	5.32%	--	10.70%	--	0.48	--

Vermont State Employees

Total Fund Risk/Return

10 Years Ending December 31, 2014



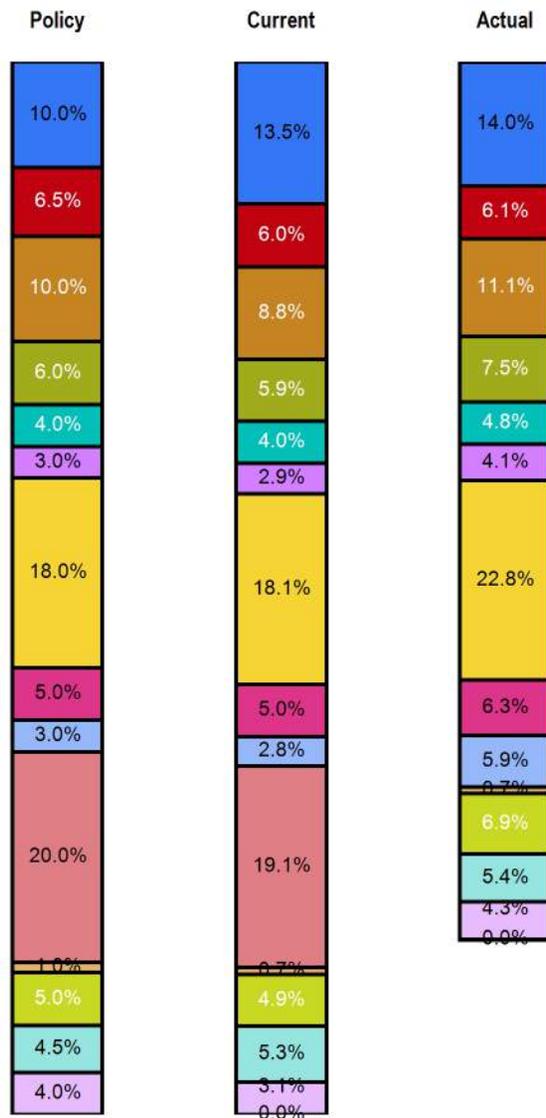
- Employees Composite
- ◆ Policy Index
- Allocation Index
- ▲ Universe Median
- 68% Confidence Interval
- InvestorForce Public DB Gross

10 Years Ending December 31, 2014

	Anlzd Return	Anlzd Return Rank	Anlzd Standard Deviation	Anlzd Standard Deviation Rank	Sharpe Ratio	Sharpe Ratio Rank
Employees Composite	5.84%	82	10.37%	76	0.43	89
Policy Index	5.47%	92	9.01%	38	0.45	82
S&P 500	7.67%	3	14.67%	--	0.43	89
60% MSCI ACWI (Net)/40% CITI WGBI	5.22%	94	10.92%	89	0.35	99
Citi WGBI	3.08%	--	6.61%	12	0.25	--
MSCI ACWI	6.09%	64	16.53%	--	0.28	--
MSCI ACWI ex USA	5.13%	94	18.83%	--	0.20	--
InvestorForce Public DB Gross Median	6.39%	--	9.59%	--	0.54	--

Vermont State Employees

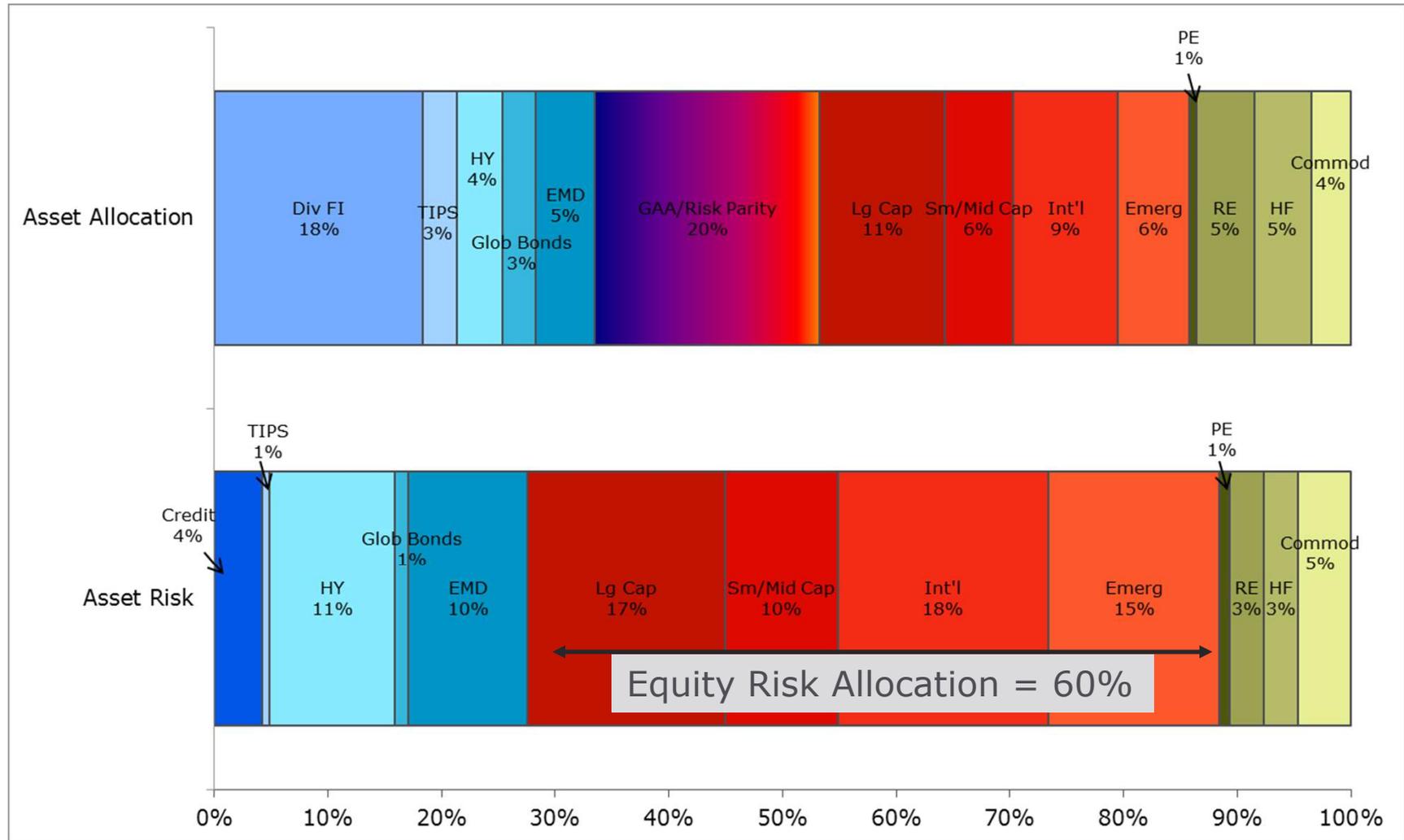
Total Fund Asset Allocation vs. Policy Targets



Asset Allocation vs. Target

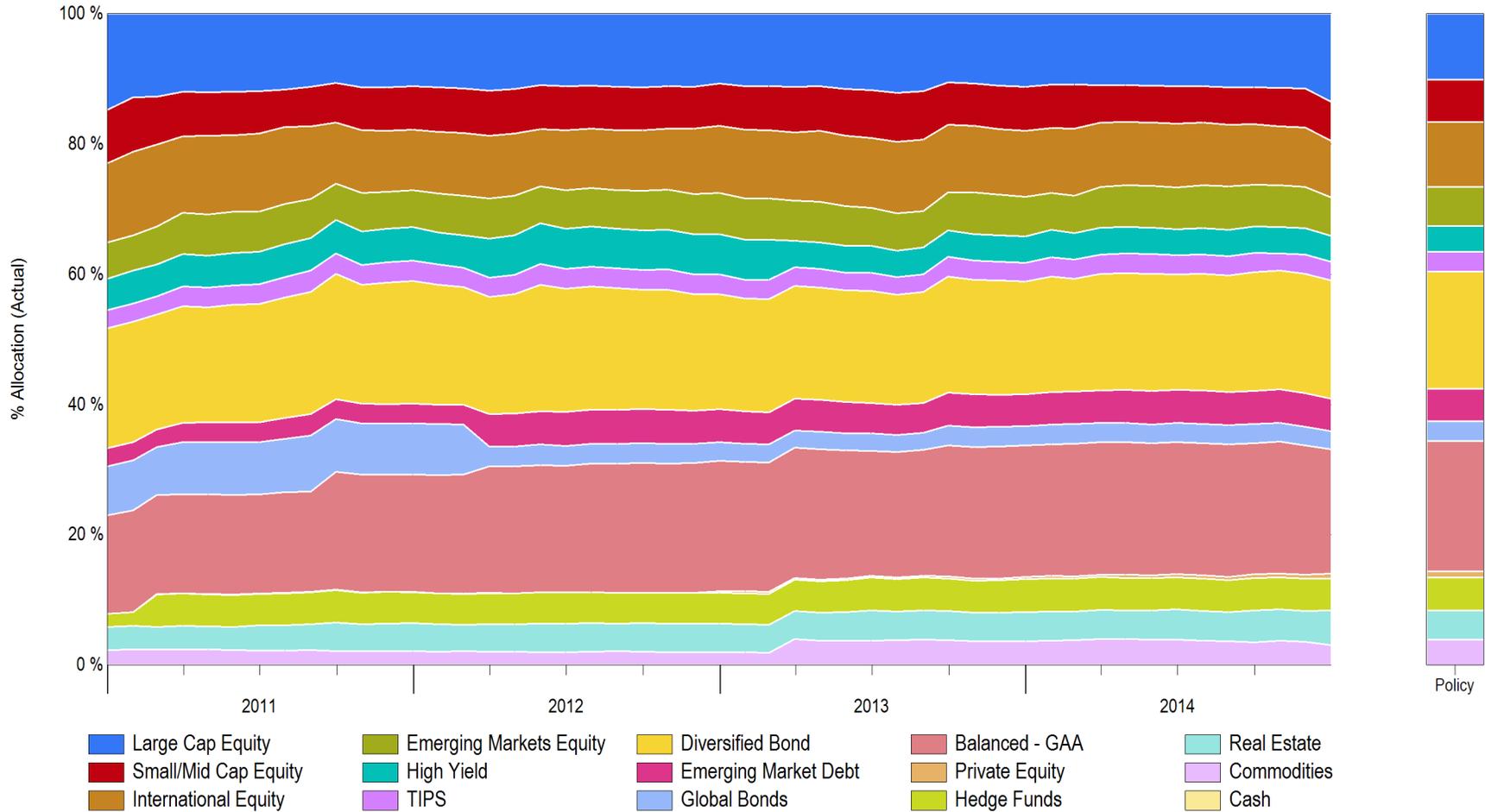
	Current	Policy	Current	Difference*
Large Cap Equity	\$221,624,450	10.0%	13.5%	3.5%
Small/Mid Cap Equity	\$98,697,877	6.5%	6.0%	-0.5%
International Equity	\$144,526,438	10.0%	8.8%	-1.2%
Emerging Markets Equity	\$97,094,912	6.0%	5.9%	-0.1%
High Yield	\$65,184,678	4.0%	4.0%	0.0%
TIPS	\$47,886,982	3.0%	2.9%	-0.1%
Diversified Bond	\$298,993,604	18.0%	18.1%	0.1%
Emerging Market Debt	\$81,722,551	5.0%	5.0%	0.0%
Global Bonds	\$45,996,198	3.0%	2.8%	-0.2%
Balanced - GAA	\$314,933,394	20.0%	19.1%	-0.9%
Private Equity	\$11,713,988	1.0%	0.7%	-0.3%
Hedge Funds	\$80,530,333	5.0%	4.9%	-0.1%
Real Estate	\$87,599,386	4.5%	5.3%	0.8%
Commodities	\$50,946,551	4.0%	3.1%	-0.9%
Cash	\$53,692	--	0.0%	0.0%
Total	\$1,647,505,034	100.0%	100.0%	

*Difference between Policy and Current Allocation



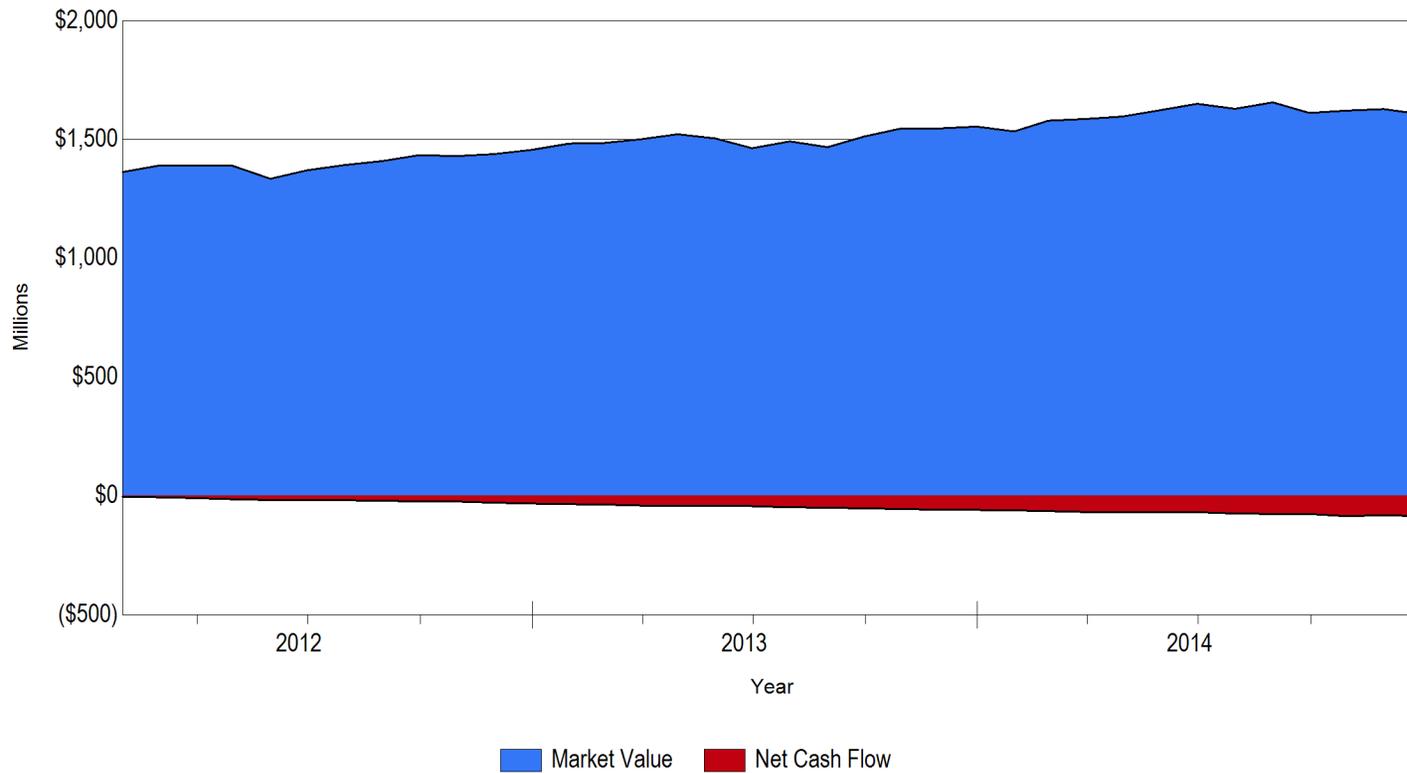
Total Fund Asset Allocation History

Asset Allocation History



Total Fund Asset Growth Summary

3 Years Ending December 31, 2014



	Last Three Months	Fiscal Year-To-Date	One Year	Three Years
Beginning Market Value	\$1,611,661,732	\$1,650,586,256	\$1,554,748,707	\$1,317,260,709
- Withdrawals	-\$66,567,734	-\$76,797,712	-\$119,159,638	-\$422,905,671
+ Contributions	\$56,752,024	\$59,169,766	\$92,237,822	\$336,851,061
= Net Cash Flow	-\$9,815,710	-\$17,627,947	-\$26,921,816	-\$86,054,610
+ Net Investment Change	\$4,109,421	-\$27,002,866	\$78,128,552	\$374,749,344
= Ending Market Value	\$1,605,955,443	\$1,605,955,443	\$1,605,955,443	\$1,605,955,443

Vermont State Employees

Total Fund Asset Growth Summary by Manager

	Quarter Ending December 31, 2014					Ending Market Value
	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	
Aberdeen	\$102,483,635	-\$199,102	\$199,102	\$0	-\$5,388,723	\$97,094,912
Acadian	\$60,114,173	-\$74,894	\$74,894	\$0	-\$1,686,824	\$58,427,348
Allianz Structured Alpha	\$41,069,477	-\$194,807	\$0	-\$194,807	\$2,122,774	\$42,997,445
AQR Global Risk Premium	\$132,613,982	-\$6,632,508	\$132,508	-\$6,500,000	-\$2,052,538	\$124,061,445
BlackRock TIPS	\$47,926,074	-\$6,509,309	\$6,509,309	\$0	-\$39,092	\$47,886,982
Champlain	\$32,643,687	-\$66,331	\$66,331	\$0	\$1,656,726	\$34,300,413
GAM	\$15,984,657	\$0	\$0	\$0	-\$35,634	\$15,949,023
Grosvenor	\$32,680,638	\$0	\$0	\$0	\$171,903	\$32,852,541
Guggenheim	\$49,912,068	-\$61,281	\$61,281	\$0	-\$771,843	\$49,140,225
Harbourvest Dover VIII Fund	\$3,673,467	\$0	\$1,012,125	\$1,012,125	\$252,351	\$4,937,944
Harbourvest Partners IX Buyout Fund	\$2,618,717	\$0	\$439,640	\$439,640	\$143,544	\$3,201,902
Harbourvest Partners IX Credit Opportunities	\$430,801	\$0	\$128,209	\$128,209	\$19,898	\$578,908
Harbourvest Partners IX Venture Fund	\$2,456,761	-\$124,497	\$338,183	\$213,685	\$111,074	\$2,781,520
HIPEP VII	--	\$0	\$213,714	\$213,714	\$0	\$213,714
KDP	\$16,093,626	-\$25,218	\$25,218	\$0	-\$49,172	\$16,044,453
Mellon Dynamic Growth	\$32,807,355	-\$55,019	\$55,019	\$0	\$1,733,975	\$34,541,330
Mondrian	\$65,783,127	-\$62,115	\$62,115	\$0	-\$2,899,846	\$62,883,281
Mondrian GFI	\$46,811,072	-\$36,819	\$36,819	\$0	-\$814,874	\$45,996,198
Morgan Stanley Prime Property	\$34,587,323	\$0	\$0	\$0	\$4,628,604	\$39,215,927
Permal	\$32,086,542	\$0	\$0	\$0	-\$357,772	\$31,728,769
PIMCO All Asset	\$96,655,711	-\$213,447	\$0	-\$213,447	-\$2,590,024	\$93,852,241
PIMCO Core Plus	\$105,931,406	-\$75,694	\$75,694	\$0	\$1,697,412	\$107,628,818
PIMCO Unconstrained	\$106,108,066	-\$156,221	\$156,221	\$0	-\$68,625	\$106,039,441
RREEF America REIT III	\$8,132,350	-\$298,065	\$0	-\$298,065	\$848,366	\$8,682,651
Schroder	\$56,258,527	\$0	\$6,500,000	\$6,500,000	-\$11,811,976	\$50,946,551

Vermont State Employees

Total Fund Asset Growth Summary by Manager

	Quarter Ending December 31, 2014					Ending Market Value
	Beginning Market Value	Withdrawals	Contributions	Net Cash Flow	Net Investment Change	
Siguler Guff	\$4,787,103	\$0	\$975,283	\$975,283	-\$6,785	\$5,755,601
SSgA ACWI Ex US	\$24,140,076	-\$4,357	\$4,357	\$0	-\$924,267	\$23,215,809
SSgA Russell 2000 Growth	\$19,842,728	-\$4,535	\$4,535	\$0	\$1,999,187	\$21,841,914
SSgA S&P 400	\$7,925,864	-\$1,597	\$1,597	\$0	\$511,728	\$8,437,591
SSgA S&P 500 Cap-Wgt	\$83,905,777	-\$3,106,401	\$38,852,128	\$35,745,728	\$6,784,399	\$126,435,903
SSgA S&P 500 Equal-Wgt	\$48,802,472	-\$7,181	\$7,181	\$0	\$2,946,575	\$51,749,046
T. Rowe	\$49,868,103	-\$47,790,740	\$45,012	-\$47,745,728	-\$232,465	\$1,889,910
Transwestern / Aslan III	\$346,659	\$0	\$0	\$0	\$0	\$346,659
UBS Trumbull	\$29,982,065	-\$89,461	\$0	-\$89,461	\$3,705,944	\$33,598,548
Vermont Cash	\$56,280	-\$717,333	\$714,745	-\$2,588	\$0	\$53,692
Wellington	\$30,449,353	-\$60,802	\$60,802	\$0	\$3,668,606	\$34,117,959
Wellington DAS	\$40,120,441	\$0	\$0	\$0	\$2,207,459	\$42,327,900
Wellington OIF	\$63,056,871	\$0	\$0	\$0	-\$578,492	\$62,478,379
Wellington Opportunistic EMD	\$82,514,698	\$0	\$0	\$0	-\$792,147	\$81,722,551
Total	\$1,611,661,732	-\$66,567,734	\$56,752,024	-\$9,815,710	\$4,109,421	\$1,605,955,443

Vermont State Employees

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank
Employees Composite	1,647,505,034	100.0	100.0	-0.1	95	-2.2	97	4.4	80	8.7	88	8.6	69
<i>Policy Index</i>				0.3	93	-1.7	95	3.5	95	7.9	95	7.1	95
<i>Allocation Index</i>				0.4	90	-1.7	95	3.4	95	7.9	95	7.1	95
<i>InvestorForce Public DB Gross Median</i>				1.9		0.6		5.8		11.0		9.2	
US Equity	320,322,327	19.4	--	6.3	37	5.2	37	11.7	40	--	--	--	--
<i>Russell 3000</i>				5.2	55	5.3	36	12.6	33	20.5	47	15.6	58
<i>eA All US Equity Gross Median</i>				5.5		4.0		10.3		20.3		16.0	
Large Cap Comp	221,624,450	13.5	10.0	5.2	39	5.8	45	13.7	35	21.1	37	16.2	31
<i>S&P 500</i>				4.9	47	6.1	38	13.7	35	20.4	50	15.5	45
<i>eA US Large Cap Equity Gross Median</i>				4.8		5.4		12.5		20.4		15.2	
T. Rowe	43,439,501	2.6	3.0	4.9	47	5.6	48	13.1	44	20.9	43	15.4	46
SSgA S&P 500 Cap-Wgt	126,435,903	7.7	4.0	5.0	46	6.2	37	13.7	34	20.5	49	--	--
<i>S&P 500</i>				4.9	47	6.1	38	13.7	35	20.4	50	15.5	45
SSgA S&P 500 Equal-Wgt	51,749,046	3.1	3.0	6.0	21	5.4	51	14.4	25	22.3	23	17.4	11
<i>S&P 500 Equal Weighted</i>				6.1	20	5.4	51	14.5	24	22.4	22	17.4	11
Small/Mid Cap Comp	98,697,877	6.0	6.5	8.6	14	4.0	21	8.0	36	19.9	45	17.2	38
<i>Russell 2000</i>				9.7	7	1.7	51	4.9	64	19.2	53	15.5	69
<i>eA US Small-Mid Cap Equity Gross Median</i>				6.5		1.9		6.5		19.3		16.3	
SSgA S&P 400	8,437,591	0.5	0.5	6.4	35	2.1	66	9.7	49	20.1	52	--	--
<i>S&P 400 MidCap</i>				6.3	35	2.1	66	9.8	49	20.0	52	16.5	51
<i>eA US Mid Cap Equity Gross Median</i>				5.7		3.3		9.3		20.2		16.6	
Champlain	34,300,413	2.1	2.0	5.1	61	3.1	53	9.1	54	19.7	57	16.9	43
<i>Russell 2500</i>				6.8	27	1.1	80	7.1	71	20.0	52	16.4	54
<i>eA US Mid Cap Equity Gross Median</i>				5.7		3.3		9.3		20.2		16.6	
Wellington	34,117,959	2.1	2.0	12.0	3	5.9	1	8.0	27	19.4	59	17.3	30
<i>Russell 2000 Value</i>				9.4	22	0.0	52	4.2	68	18.3	67	14.3	78
<i>eA US Small Cap Value Equity Gross Median</i>				7.4		0.2		5.8		19.8		16.2	
SSgA Russell 2000 Growth	21,841,914	1.3	2.0	10.1	27	3.3	44	5.6	33	20.2	48	16.8	65
<i>Russell 2000 Growth</i>				10.1	27	3.3	44	5.6	32	20.1	48	16.8	65
<i>eA US Small Cap Growth Equity Gross Median</i>				8.5		2.8		3.9		20.0		17.7	

Fiscal Year End is 6/30

Report is Gross of manager fees, except where otherwise noted.

Vermont State Employees

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank
Int'l Equity Comp	144,526,438	8.8	10.0	-3.7	71	-10.1	78	-2.3	31	11.3	73	6.5	69
MSCI EAFE				-3.6	68	-9.2	68	-4.9	70	11.1	77	5.3	88
eA All EAFE Equity Gross Median				-2.7		-8.3		-3.7		12.8		7.3	
Acadian	58,427,348	3.5	4.0	-2.8	53	-10.5	83	-2.7	36	13.1	46	7.6	46
Mondrian	62,883,281	3.8	4.0	-4.4	83	-10.1	79	-1.6	25	10.2	87	6.0	77
MSCI EAFE				-3.6	68	-9.2	68	-4.9	70	11.1	77	5.3	88
SSgA ACWI Ex US	23,215,809	1.4	2.0	-3.8	84	-8.9	78	-3.6	62	9.3	88	--	--
MSCI ACWI ex USA				-3.9	85	-8.9	78	-3.9	66	9.0	90	4.4	97
eA ACWI ex-US All Cap Equity Gross Median				-1.6		-6.7		-2.0		11.7		7.6	
Emerging Market Comp	97,094,912	5.9	6.0	-5.3	78	-8.5	80	-1.1	59	--	--	--	--
Aberdeen	97,094,912	5.9	6.0	-5.3	78	-8.5	80	-1.1	59	5.6	61	6.3	20
MSCI Emerging Markets				-4.5	67	-7.8	72	-2.2	74	4.0	80	1.8	76
eA Emg Mkts Equity Gross Median				-3.6		-6.6		-0.1		6.3		3.6	
US Fixed Income	412,065,264	25.0	--	1.3	37	1.2	41	6.1	30	--	--	--	--
Barclays Aggregate				1.8	19	2.0	23	6.0	33	2.7	65	4.4	59
eA All US Fixed Inc Gross Median				0.8		0.9		4.2		3.5		5.0	
Diversified Fixed	298,993,604	18.1	18.0	2.0	12	2.5	13	7.3	18	4.0	44	6.0	35
Barclays Aggregate				1.8	19	2.0	23	6.0	33	2.7	65	4.4	59
eA All US Fixed Inc Gross Median				0.8		0.9		4.2		3.5		5.0	
Allianz Structured Alpha	42,997,445	2.6	2.0	5.2	1	7.7	1	17.3	1	9.3	1	9.6	1
Citigroup 10 Year Treasury				3.6	1	4.3	1	10.7	1	2.1	96	6.1	11
PIMCO Core Plus	107,628,818	6.5	6.5	1.6	49	1.4	75	5.4	75	3.4	53	5.3	33
Barclays Aggregate				1.8	29	2.0	36	6.0	52	2.7	83	4.4	80
PIMCO Unconstrained	106,039,441	6.4	6.5	-0.1	99	0.3	98	3.0	95	2.0	97	--	--
25% HY, 25% EMD, 50% BC Agg				0.2	99	-0.6	99	5.0	83	4.8	9	6.3	9
3-Month Libor Total Return USD				0.1	99	0.1	99	0.2	99	0.3	99	0.3	99
Wellington DAS	42,327,900	2.6	3.0	5.5	1	5.7	1	14.0	1	5.9	4	8.7	1
Wellington Custom Benchmark				4.2	1	5.2	1	13.3	1	3.1	66	6.6	5

Allianz is Net of Fees from inception to Q3 2012, and Grossed up quarterly since.

Wellington DAS is Net of Fees

Vermont State Employees

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank
High Yield Comp	65,184,678	4.0	4.0	-1.2	65	-1.6	31	2.9	43	8.3	52	8.9	57
Barclays High Yield				-1.0	57	-2.9	59	2.5	52	8.4	50	9.0	52
eA US High Yield Fixed Inc Gross Median				-0.8		-2.6		2.5		8.4		9.1	
KDP	16,044,453	1.0	1.0	-0.3	34	-1.6	30	2.8	44	6.8	86	7.7	91
Barclays High Yield				-1.0	57	-2.9	59	2.5	52	8.4	50	9.0	52
BofA Merrill Lynch US High Yield BB-B Rated				-0.4	36	-2.0	37	3.5	27	8.1	57	8.8	61
Guggenheim	49,140,225	3.0	3.0	-1.5	71	-1.7	32	2.9	43	--	--	--	--
Barclays High Yield				-1.0	57	-2.9	59	2.5	52	8.4	50	9.0	52
eA US High Yield Fixed Inc Gross Median				-0.8		-2.6		2.5		8.4		9.1	
TIPS	47,886,982	2.9	3.0										
BlackRock TIPS	47,886,982	2.9	3.0	-0.1	--	-2.2	--	3.5	--	0.4	--	4.1	--
Barclays US TIPS				0.0	--	-2.1	--	3.6	--	0.4	--	4.1	--
Global Fixed Income Comp	45,996,198	2.8	3.0	-1.7	73	-4.5	73	-0.7	85	-1.1	99	2.8	85
Citi WGBI				-1.5	69	-5.2	79	-0.5	82	-1.0	98	1.7	96
eA All Global Fixed Inc Gross Median				-0.7		-2.7		2.5		4.7		5.2	
Mondrian GFI	45,996,198	2.8	3.0	-1.7	73	-4.5	73	-0.7	85	-1.6	99	1.8	95
Citi WGBI				-1.5	69	-5.2	79	-0.5	82	-1.0	98	1.7	96
Emerging Market Debt	81,722,551	5.0	5.0										
Wellington Opportunistic EMD	81,722,551	5.0	5.0	-1.0	15	-2.8	29	6.1	20	6.4	27	8.1	19
JP Morgan EMBI Global TR				-1.6	25	-3.3	32	5.5	27	5.3	45	7.3	41
eA All Emg Mkts Fixed Inc Gross Median				-3.5		-6.0		1.8		4.9		6.6	
Total Real Estate	87,599,386	5.3	4.5										
Morgan Stanley Prime Property	39,215,927	2.4	2.0	4.5	--	8.7	--	15.4	--	15.2	--	15.6	--
UBS Trumbull	33,598,548	2.0	2.0	3.0	--	6.3	--	11.6	--	10.7	--	12.4	--
RREEF America REIT III	8,682,651	0.5	0.5	2.5	--	8.3	--	27.7	--	22.7	--	25.6	--
Transwestern / Aslan III	346,659	0.0	0.0	0.0	--	-3.8	--	2.0	--	20.4	--	-2.1	--
NCREIF Property Index				3.0	--	5.7	--	11.8	--	11.1	--	12.1	--
NCREIF ODCE				3.3	--	6.6	--	12.5	--	12.4	--	13.9	--
Siguler Guff	5,755,601	0.3		-0.1	--	5.3	--	--	--	--	--	--	--

Wellington Opportunistic EMD is Net of manager fees
Real Estate is as of Q3 2014

Vermont State Employees

Total Fund Performance Detail

	Market Value (\$)	% of Portfolio	Policy %	3 Mo (%)	Rank	Fiscal YTD (%)	Rank	1 Yr (%)	Rank	3 Yrs (%)	Rank	5 Yrs (%)	Rank
Hedge Fund Comp	80,530,333	4.9	5.0	-0.3	68	-0.8	70	2.4	60	8.5	35	--	--
<i>eV Alt Fund of Funds - Multi-Strategy Median</i>				0.5		0.2		3.0		6.8		4.6	
Grosvenor	32,852,541	2.0	2.0	0.5	49	0.5	46	3.4	44	8.9	30	--	--
GAM	15,949,023	1.0	1.0	-0.2	67	-0.3	63	1.6	68	7.8	39	--	--
Permal	31,728,769	1.9	2.0	-1.1	79	-2.3	84	1.8	66	8.3	36	--	--
<i>HFRI Fund of Funds Composite Index</i>				0.9	42	1.2	40	3.3	44	5.7	66	3.3	72
GAA Comp	314,933,394	19.1	20.0	-1.1	66	-3.8	67	4.8	32	7.6	44	8.2	25
<i>eA Global TAA Gross Median</i>				0.3		-1.1		2.7		7.1		5.9	
Mellon Dynamic Growth	34,541,330	2.1	2.5	5.3	1	7.2	1	6.8	12	10.1	15	9.3	16
<i>Mellon Dynamic Growth Benchmark</i>				0.0	53	-2.0	56	3.5	43	8.3	38	6.6	42
AQR Global Risk Premium	124,061,445	7.5	8.0	-1.6	74	-5.0	73	8.3	5	7.2	48	10.5	10
<i>60% MSCI World / 40% CITI WGBI</i>				0.1	52	-2.7	59	3.1	45	9.1	28	7.3	32
PIMCO All Asset	93,852,241	5.7	5.0	-2.7	81	-5.3	74	1.7	70	6.4	57	7.4	31
<i>PIMCO All Asset Index</i>				0.7	49	-0.1	41	4.9	30	4.4	67	5.8	52
<i>CPI + 5% (Seasonally Adjusted)</i>				0.6	49	1.8	21	5.7	21	6.4	57	6.7	41
Wellington OIF	62,478,379	3.8	4.5	-0.9	64	-4.2	71	1.5	71	9.2	28	5.7	54
<i>65% MSCI ACWI (Net) / 35% BC Agg</i>				0.9	48	-0.6	47	4.9	30	10.1	15	7.8	29
Commodities	50,946,551	3.1	4.0										
Schroder	50,946,551	3.1	4.0	-19.1	--	-28.5	--	-23.6	--	-11.1	--	-5.2	--
<i>Bloomberg Commodity Index</i>				-12.1	--	-22.5	--	-17.0	--	-9.4	--	-5.5	--
Cash	53,692	0.0	0.0										
Vermont Cash	53,692	0.0		0.0	--	0.0	--	0.0	--	0.0	--	0.1	--
<i>91 Day T-Bills</i>				0.0	--	0.0	--	0.0	--	0.0	--	0.1	--
Private Equity	11,713,988	0.7	1.0										
Harbourvest Partners IX Credit Opportunities	578,908	0.0											
Harbourvest Partners IX Venture Fund	2,781,520	0.2											
Harbourvest Partners IX Buyout Fund	3,201,902	0.2											
Harbourvest Dover VIII Fund	4,937,944	0.3											
HIPEP VII	213,714	0.0											

Harbourvest is based on preliminary Q4 Capital Account Statement

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

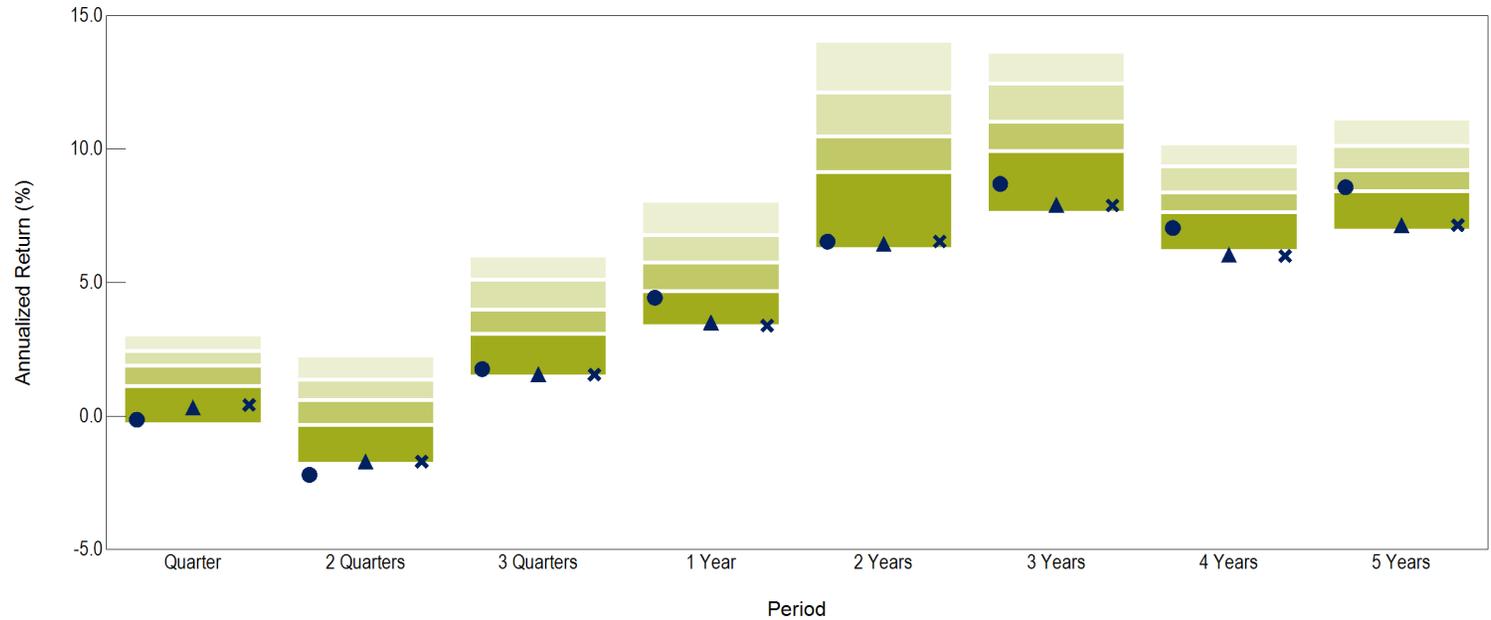
Mellon Dynamic Growth Benchmark: 60% MSCI All Country World Index IMI/ 40% Citigroup GDP Weighted

Hedge Fund Comp and Commodities are Net of Manager Fees

Wellington OIF is Net of Manager Fees

Total Fund Return Summary vs. Peer Universe

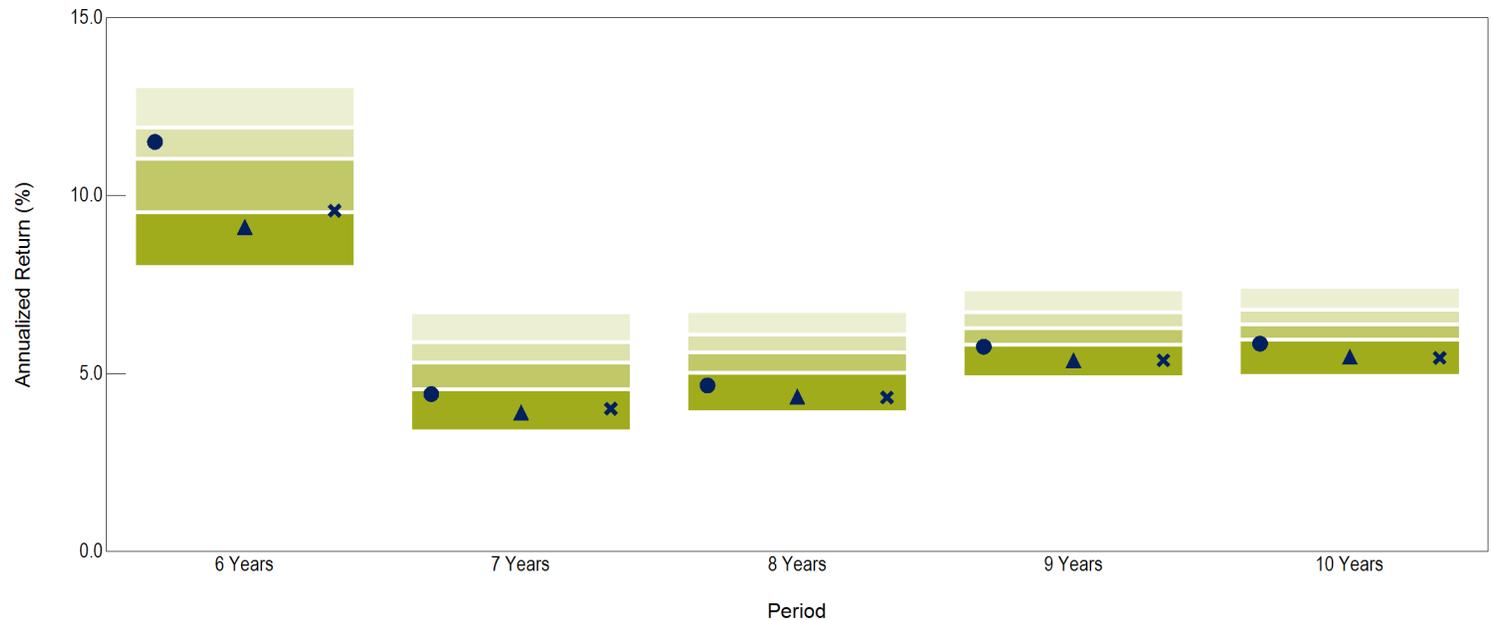
Employees Composite vs. InvestorForce Public DB Gross



	Return (Rank)															
5th Percentile	3.0	2.3	6.0	8.0	14.0	13.6	10.2	11.1								
25th Percentile	2.4	1.4	5.1	6.8	12.1	12.5	9.4	10.1								
Median	1.9	0.6	4.0	5.8	10.5	11.0	8.4	9.2								
75th Percentile	1.1	-0.3	3.1	4.7	9.2	9.9	7.6	8.4								
95th Percentile	-0.3	-1.8	1.5	3.4	6.3	7.6	6.2	7.0								
# of Portfolios	215	212	211	206	202	194	176	169								
● Employees Composite	-0.1	(95)	-2.2	(97)	1.8	(94)	4.4	(80)	6.5	(94)	8.7	(88)	7.0	(88)	8.6	(69)
▲ Policy Index	0.3	(93)	-1.7	(95)	1.6	(95)	3.5	(95)	6.4	(94)	7.9	(95)	6.0	(97)	7.1	(95)
× Allocation Index	0.4	(90)	-1.7	(95)	1.6	(95)	3.4	(95)	6.5	(94)	7.9	(95)	6.0	(97)	7.1	(95)

Total Fund Return Summary vs. Peer Universe

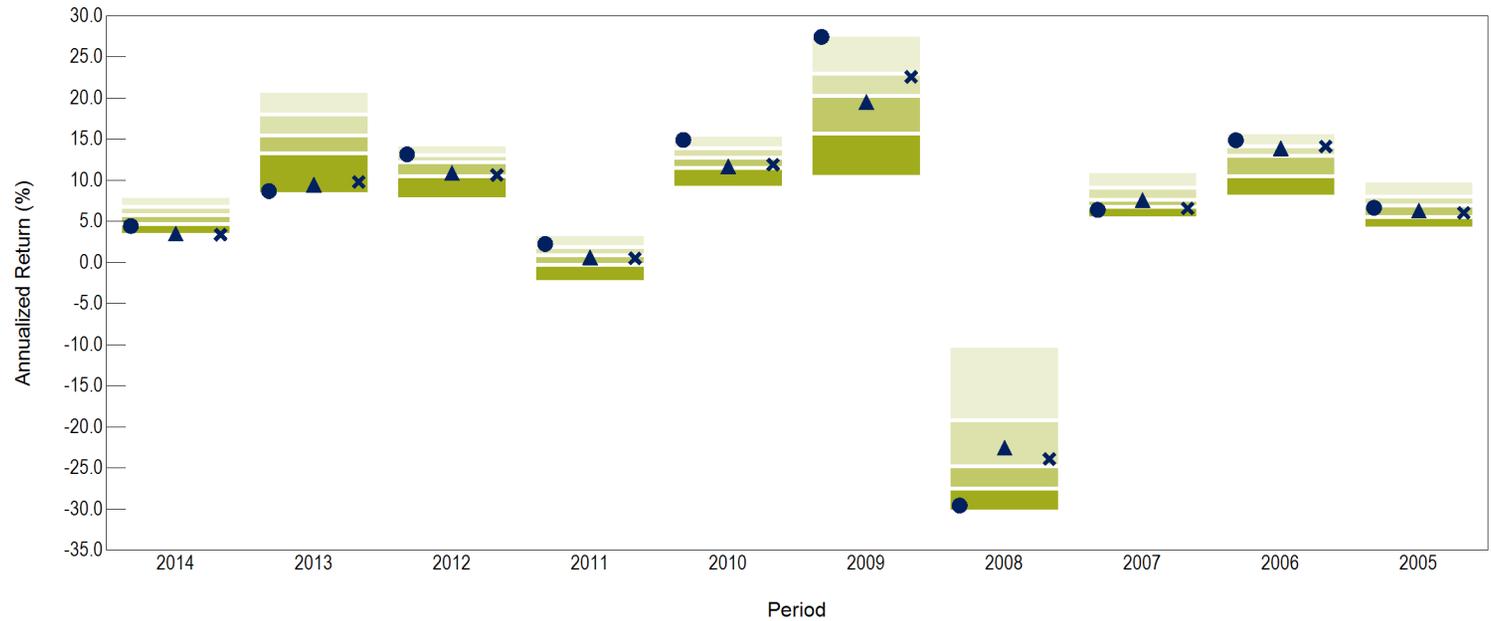
Employees Composite vs. InvestorForce Public DB Gross



	Return (Rank)									
5th Percentile	13.1		6.7		6.7		7.4		7.4	
25th Percentile	11.9		5.9		6.1		6.7		6.8	
Median	11.0		5.3		5.6		6.3		6.4	
75th Percentile	9.5		4.6		5.0		5.8		6.0	
95th Percentile	8.0		3.4		3.9		4.9		4.9	
# of Portfolios	166		162		154		150		145	
● Employees Composite	11.5	(40)	4.4	(80)	4.7	(85)	5.8	(80)	5.8	(82)
▲ Policy Index	9.1	(82)	3.9	(89)	4.4	(90)	5.4	(90)	5.5	(92)
× Allocation Index	9.6	(74)	4.0	(88)	4.3	(91)	5.4	(90)	5.4	(92)

Total Fund Return Summary vs. Peer Universe

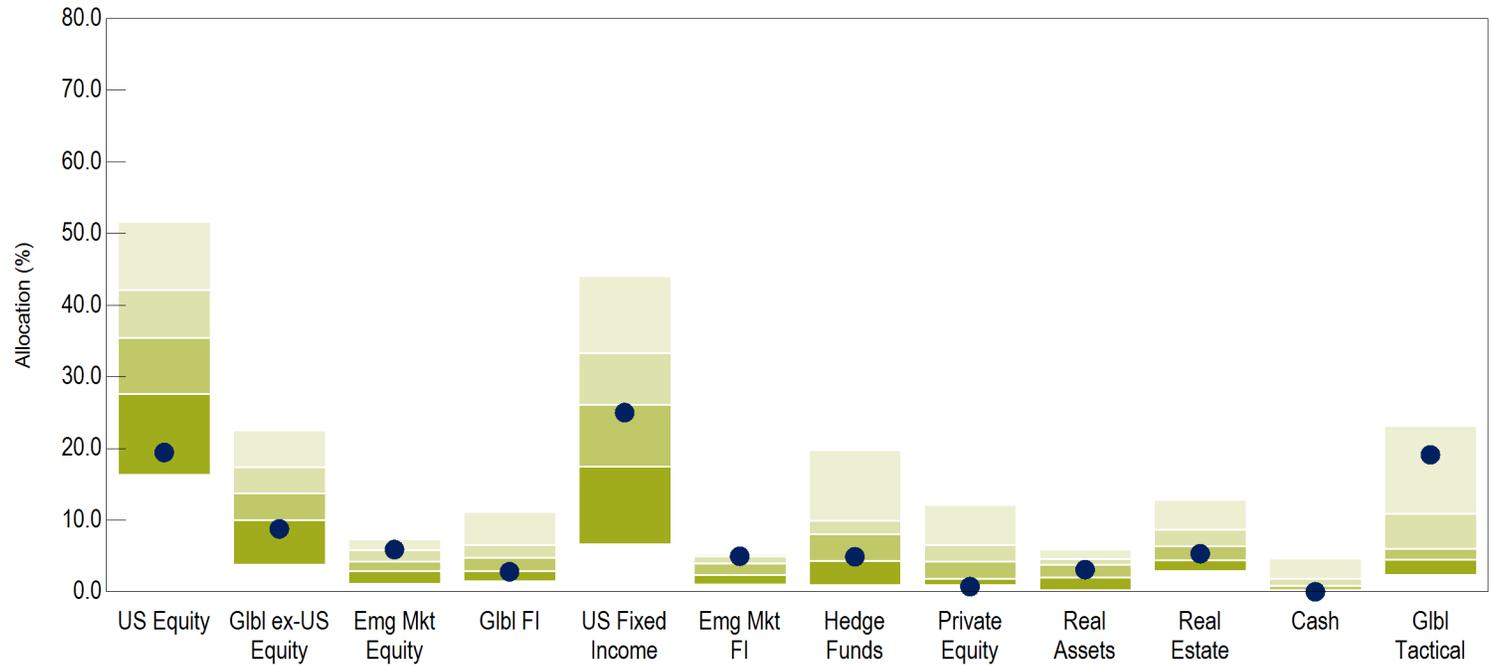
Employees Composite vs. InvestorForce Public DB Gross



	Return (Rank)										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	
5th Percentile	8.0	20.8	14.3	3.4	15.5	27.6	-10.2	11.1	15.8	9.9	
25th Percentile	6.8	18.0	13.1	1.9	13.9	23.0	-19.2	9.1	14.2	8.1	
Median	5.8	15.5	12.2	0.9	12.8	20.3	-24.7	7.7	13.0	6.9	
75th Percentile	4.7	13.3	10.5	-0.3	11.5	15.7	-27.4	6.8	10.5	5.5	
95th Percentile	3.4	8.4	7.7	-2.4	9.2	10.4	-30.2	5.4	8.0	4.2	
# of Portfolios	206	212	192	162	154	152	149	146	136	131	
● Employees Composite	4.4 (80)	8.7 (94)	13.1 (24)	2.2 (17)	14.9 (12)	27.4 (6)	-29.6 (90)	6.4 (81)	14.9 (16)	6.6 (56)	
▲ Policy Index	3.5 (95)	9.5 (92)	10.9 (71)	0.6 (62)	11.7 (72)	19.5 (53)	-22.5 (39)	7.6 (52)	13.9 (31)	6.3 (59)	
× Allocation Index	3.4 (95)	9.8 (91)	10.6 (74)	0.5 (63)	11.9 (69)	22.6 (26)	-23.9 (46)	6.6 (79)	14.1 (27)	6.0 (66)	

Total Fund Allocation vs. Peer Universe

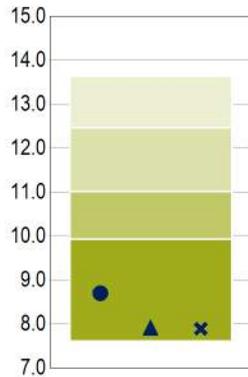
Total Plan Allocation vs. InvestorForce Public DB Gross
As of December 31, 2014



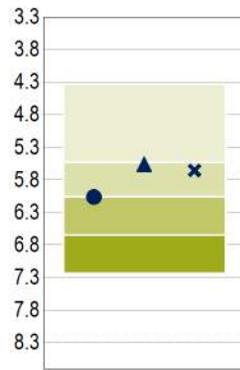
	Allocation (Rank)												
5th Percentile	51.7	22.6	7.3	11.1	44.1	5.3	19.8	12.1	5.9	12.8	4.7	23.1	--
25th Percentile	42.2	17.4	5.9	6.6	33.4	5.0	10.0	6.6	4.6	8.8	1.9	10.9	--
Median	35.6	13.8	4.3	4.8	26.1	4.1	8.1	4.3	3.8	6.5	1.0	6.1	--
75th Percentile	27.7	10.1	2.9	3.0	17.5	2.4	4.4	1.9	2.0	4.5	0.3	4.5	--
95th Percentile	16.4	3.9	1.2	1.5	6.7	1.1	1.0	1.0	0.3	3.0	0.0	2.4	--
# of Portfolios	199	191	67	47	174	32	67	68	39	131	183	68	--
● Employees Composite	19.4 (91)	8.8 (86)	5.9 (26)	2.8 (84)	25.0 (54)	5.0 (28)	4.9 (69)	0.7 (98)	3.1 (56)	5.3 (66)	0.0 (94)	19.1 (11)	--

Employees Composite vs. IFx Public DB Gross
3 Years

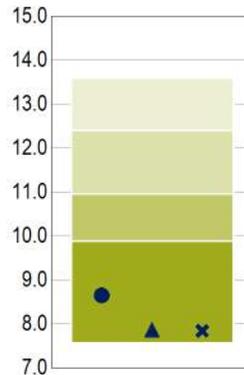
Anlzd Return



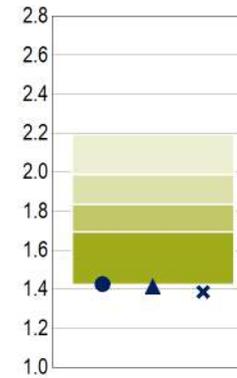
Anlzd Standard Deviation



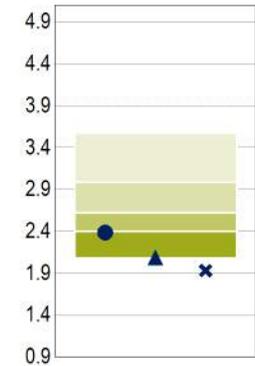
Ann Excess RF Return



Sharpe Ratio



Sortino Ratio RF



● Employees Composite	
Value	8.69
%tile	88
▲ Policy Index	
Value	7.91
%tile	95
✕ Allocation Index	
Value	7.88
%tile	95
Universe	
5th %tile	13.64
25th %tile	12.47
Median	11.02
75th %tile	9.94
95th %tile	7.62

● Employees Composite	
Value	6.06
%tile	51
▲ Policy Index	
Value	5.56
%tile	29
✕ Allocation Index	
Value	5.66
%tile	33
Universe	
5th %tile	4.33
25th %tile	5.52
Median	6.05
75th %tile	6.64
95th %tile	7.23

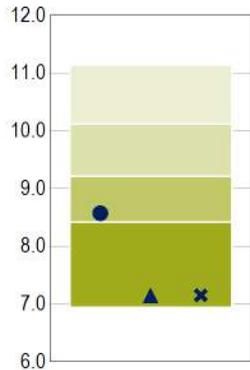
● Employees Composite	
Value	8.64
%tile	88
▲ Policy Index	
Value	7.86
%tile	95
✕ Allocation Index	
Value	7.83
%tile	95
Universe	
5th %tile	13.59
25th %tile	12.42
Median	10.97
75th %tile	9.89
95th %tile	7.57

● Employees Composite	
Value	1.43
%tile	95
▲ Policy Index	
Value	1.41
%tile	97
✕ Allocation Index	
Value	1.39
%tile	98
Universe	
5th %tile	2.19
25th %tile	1.99
Median	1.84
75th %tile	1.70
95th %tile	1.42

● Employees Composite	
Value	2.38
%tile	77
▲ Policy Index	
Value	2.08
%tile	96
✕ Allocation Index	
Value	1.93
%tile	98
Universe	
5th %tile	3.57
25th %tile	2.99
Median	2.62
75th %tile	2.40
95th %tile	2.09

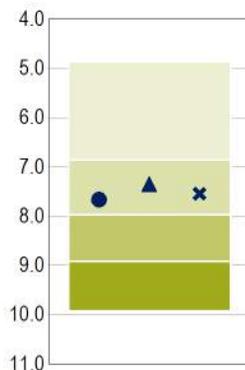
Employees Composite vs. IFx Public DB Gross
5 Years

Anlzd Return



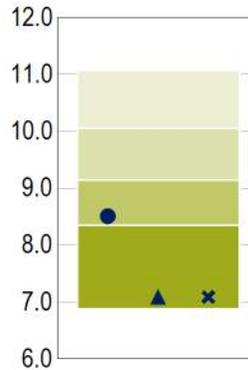
● Employees Composite	
Value	8.57
%tile	69
▲ Policy Index	
Value	7.15
%tile	95
✕ Allocation Index	
Value	7.15
%tile	95
Universe	
5th %tile	11.14
25th %tile	10.13
Median	9.22
75th %tile	8.42
95th %tile	6.95

Anlzd Standard Deviation



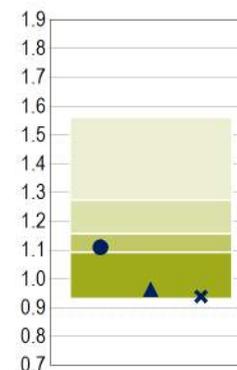
● Employees Composite	
Value	7.66
%tile	43
▲ Policy Index	
Value	7.35
%tile	35
✕ Allocation Index	
Value	7.54
%tile	39
Universe	
5th %tile	4.86
25th %tile	6.84
Median	7.96
75th %tile	8.91
95th %tile	9.92

Ann Excess RF Return



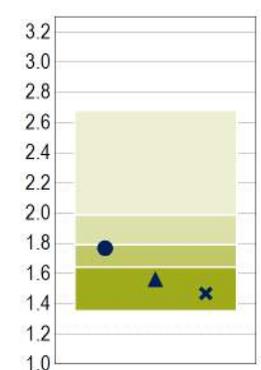
● Employees Composite	
Value	8.51
%tile	69
▲ Policy Index	
Value	7.08
%tile	95
✕ Allocation Index	
Value	7.08
%tile	95
Universe	
5th %tile	11.08
25th %tile	10.07
Median	9.16
75th %tile	8.36
95th %tile	6.89

Sharpe Ratio



● Employees Composite	
Value	1.11
%tile	68
▲ Policy Index	
Value	0.96
%tile	93
✕ Allocation Index	
Value	0.94
%tile	95
Universe	
5th %tile	1.56
25th %tile	1.28
Median	1.16
75th %tile	1.10
95th %tile	0.93

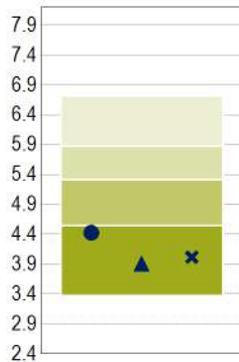
Sortino Ratio RF



● Employees Composite	
Value	1.77
%tile	57
▲ Policy Index	
Value	1.56
%tile	87
✕ Allocation Index	
Value	1.47
%tile	91
Universe	
5th %tile	2.68
25th %tile	1.99
Median	1.79
75th %tile	1.65
95th %tile	1.36

Employees Composite vs. IFx Public DB Gross
7 Years

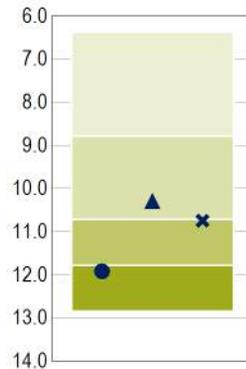
Anlzd Return



● Employees Composite	
Value	4.42
%tile	80
▲ Policy Index	
Value	3.91
%tile	89
✕ Allocation Index	
Value	4.01
%tile	88

Universe	
5th %tile	6.71
25th %tile	5.88
Median	5.32
75th %tile	4.56
95th %tile	3.38

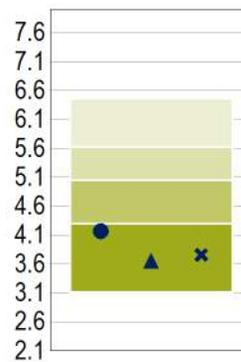
Anlzd Standard Deviation



● Employees Composite	
Value	11.92
%tile	79
▲ Policy Index	
Value	10.29
%tile	42
✕ Allocation Index	
Value	10.75
%tile	53

Universe	
5th %tile	6.37
25th %tile	8.77
Median	10.70
75th %tile	11.77
95th %tile	12.83

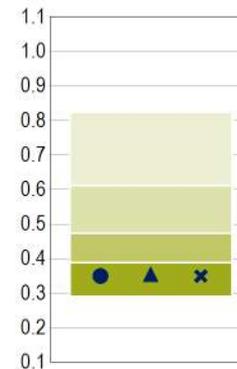
Ann Excess RF Return



● Employees Composite	
Value	4.17
%tile	80
▲ Policy Index	
Value	3.65
%tile	89
✕ Allocation Index	
Value	3.76
%tile	88

Universe	
5th %tile	6.46
25th %tile	5.63
Median	5.06
75th %tile	4.30
95th %tile	3.13

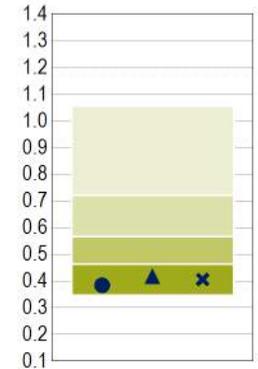
Sharpe Ratio



● Employees Composite	
Value	0.35
%tile	86
▲ Policy Index	
Value	0.35
%tile	86
✕ Allocation Index	
Value	0.35
%tile	86

Universe	
5th %tile	0.82
25th %tile	0.61
Median	0.48
75th %tile	0.39
95th %tile	0.29

Sortino Ratio RF

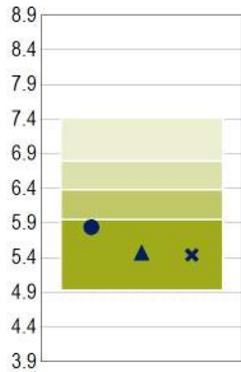


● Employees Composite	
Value	0.38
%tile	90
▲ Policy Index	
Value	0.42
%tile	84
✕ Allocation Index	
Value	0.41
%tile	85

Universe	
5th %tile	1.05
25th %tile	0.72
Median	0.57
75th %tile	0.47
95th %tile	0.35

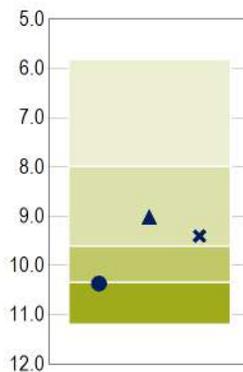
Employees Composite vs. IFx Public DB Gross
10 Years

Anlzd Return



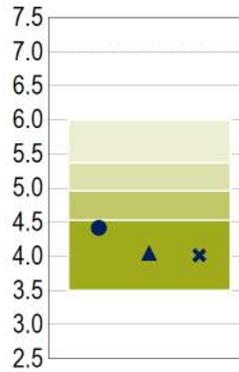
● Employees Composite	
Value	5.84
%tile	82
▲ Policy Index	
Value	5.47
%tile	92
✕ Allocation Index	
Value	5.44
%tile	92
Universe	
5th %tile	7.42
25th %tile	6.80
Median	6.39
75th %tile	5.96
95th %tile	4.93

Anlzd Standard Deviation



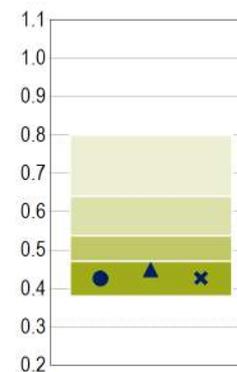
● Employees Composite	
Value	10.37
%tile	76
▲ Policy Index	
Value	9.01
%tile	38
✕ Allocation Index	
Value	9.40
%tile	46
Universe	
5th %tile	5.82
25th %tile	7.98
Median	9.59
75th %tile	10.33
95th %tile	11.19

Ann Excess RF Return



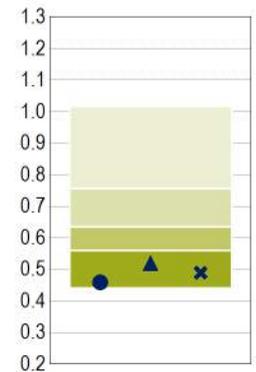
● Employees Composite	
Value	4.42
%tile	82
▲ Policy Index	
Value	4.05
%tile	92
✕ Allocation Index	
Value	4.01
%tile	92
Universe	
5th %tile	6.00
25th %tile	5.38
Median	4.97
75th %tile	4.53
95th %tile	3.51

Sharpe Ratio



● Employees Composite	
Value	0.43
%tile	89
▲ Policy Index	
Value	0.45
%tile	82
✕ Allocation Index	
Value	0.43
%tile	88
Universe	
5th %tile	0.80
25th %tile	0.64
Median	0.54
75th %tile	0.47
95th %tile	0.38

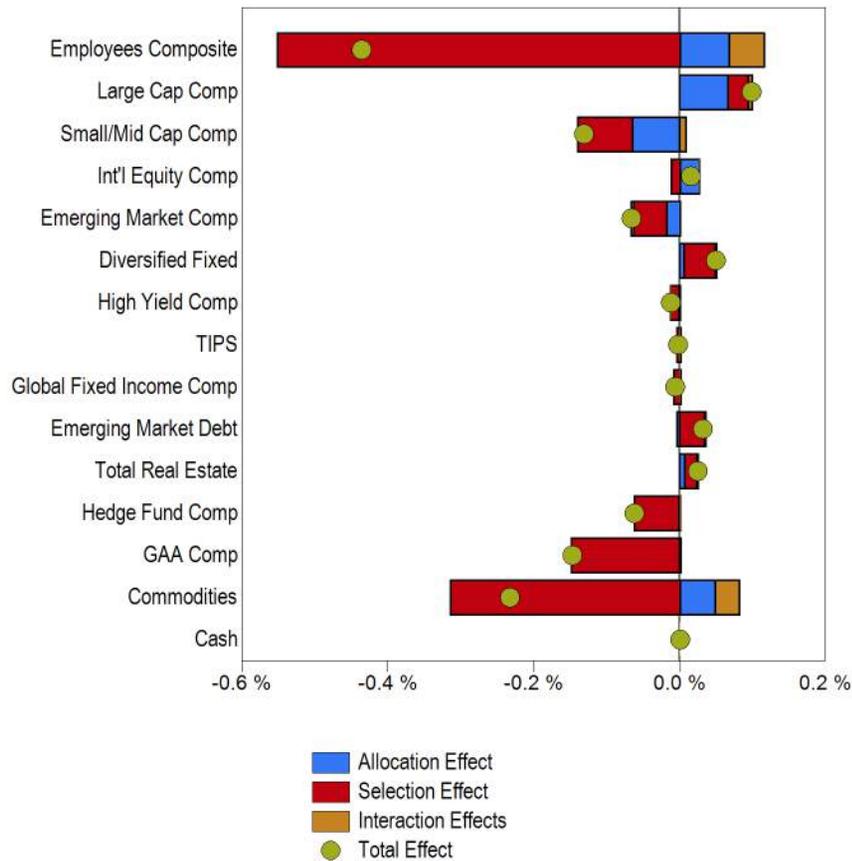
Sortino Ratio RF



● Employees Composite	
Value	0.46
%tile	93
▲ Policy Index	
Value	0.52
%tile	83
✕ Allocation Index	
Value	0.49
%tile	89
Universe	
5th %tile	1.02
25th %tile	0.76
Median	0.64
75th %tile	0.56
95th %tile	0.44

Total Fund Attribution Analysis

Attribution Effects Relative to Policy Index
3 Months Ending December 31, 2014



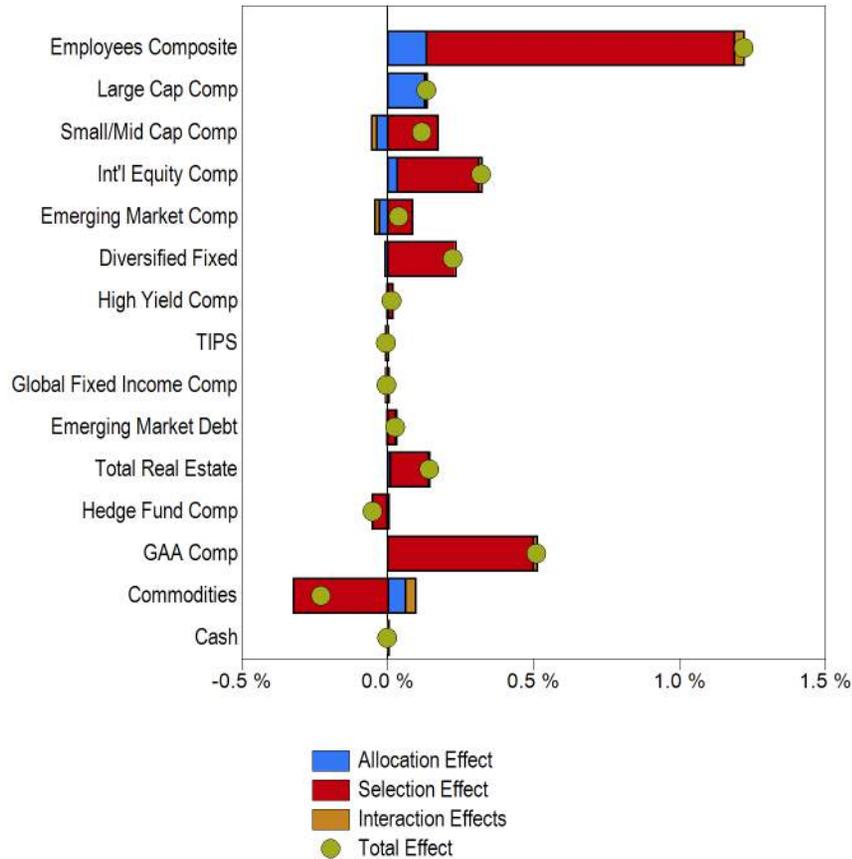
Attribution Summary
3 Months Ending December 31, 2014

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Large Cap Comp	5.2%	4.9%	0.3%	0.0%	0.1%	0.0%	0.1%
Small/Mid Cap Comp	8.6%	9.7%	-1.1%	-0.1%	-0.1%	0.0%	-0.1%
Int'l Equity Comp	-3.7%	-3.6%	-0.1%	0.0%	0.0%	0.0%	0.0%
Emerging Market Comp	-5.3%	-4.5%	-0.8%	0.0%	0.0%	0.0%	-0.1%
Diversified Fixed	2.0%	1.8%	0.2%	0.0%	0.0%	0.0%	0.0%
High Yield Comp	-1.2%	-1.0%	-0.2%	0.0%	0.0%	0.0%	0.0%
TIPS	-0.1%	0.0%	-0.1%	0.0%	0.0%	0.0%	0.0%
Global Fixed Income Comp	-1.7%	-1.5%	-0.3%	0.0%	0.0%	0.0%	0.0%
Emerging Market Debt	-1.0%	-1.6%	0.7%	0.0%	0.0%	0.0%	0.0%
Total Real Estate	3.4%	3.0%	0.4%	0.0%	0.0%	0.0%	0.0%
Hedge Fund Comp	-0.3%	0.9%	-1.2%	-0.1%	0.0%	0.0%	-0.1%
GAA Comp	-1.1%	-0.3%	-0.7%	-0.1%	0.0%	0.0%	-0.1%
Commodities	-19.1%	-12.1%	-7.0%	-0.3%	0.0%	0.0%	-0.2%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	-0.2%	0.2%	-0.4%	-0.6%	0.1%	0.0%	-0.4%

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

Total Fund Attribution Analysis

Attribution Effects Relative to Policy Index
1 Year Ending December 31, 2014



Attribution Summary
1 Year Ending December 31, 2014

	Wtd. Actual Return	Wtd. Index Return	Excess Return	Selection Effect	Allocation Effect	Interaction Effects	Total Effects
Large Cap Comp	13.7%	13.7%	0.0%	0.0%	0.1%	0.0%	0.1%
Small/Mid Cap Comp	8.0%	4.9%	3.1%	0.2%	0.0%	0.0%	0.1%
Int'l Equity Comp	-2.3%	-4.9%	2.6%	0.3%	0.0%	0.0%	0.3%
Emerging Market Comp	-1.1%	-2.2%	1.1%	0.1%	0.0%	0.0%	0.0%
Diversified Fixed	7.3%	6.0%	1.3%	0.2%	0.0%	0.0%	0.2%
High Yield Comp	2.9%	2.5%	0.4%	0.0%	0.0%	0.0%	0.0%
TIPS	3.5%	3.6%	-0.1%	0.0%	0.0%	0.0%	0.0%
Global Fixed Income Comp	-0.7%	-0.5%	-0.2%	0.0%	0.0%	0.0%	0.0%
Emerging Market Debt	6.1%	5.5%	0.6%	0.0%	0.0%	0.0%	0.0%
Total Real Estate	14.9%	11.8%	3.1%	0.1%	0.0%	0.0%	0.1%
Hedge Fund Comp	2.4%	3.3%	-1.0%	0.0%	0.0%	0.0%	-0.1%
GAA Comp	4.8%	2.3%	2.5%	0.5%	0.0%	0.0%	0.5%
Commodities	-23.6%	-17.0%	-6.6%	-0.3%	0.1%	0.0%	-0.2%
Cash	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total	4.3%	3.1%	1.3%	1.1%	0.1%	0.0%	1.2%

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

Vermont State Employees

Total Fund Risk Statistics

3 Years Ending December 31, 2014

	% of Tot	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Anlzd AJ	Rank	Sharpe Ratio	Rank	Sortino Ratio RF	Rank	Tracking Error	Rank
Employees Composite	100.00%	8.69%	88	6.06%	51	0.14%	52	1.43	95	2.38	77	0.90%	37
Policy Index	--	7.91%	95	5.56%	29	0.00%	58	1.41	97	2.08	96	0.00%	1
US Equity	19.44%	20.72%	44	9.98%	32	-0.78%	45	2.07	31	3.38	19	1.52%	3
Russell 3000	--	20.51%	47	9.42%	20	0.00%	36	2.17	23	3.31	22	0.00%	1
Large Cap Comp	13.45%	21.11%	37	9.36%	31	0.21%	36	2.25	25	3.28	31	0.84%	1
S&P 500	--	20.41%	50	9.10%	23	0.00%	41	2.24	27	3.32	28	0.00%	1
Small/Mid Cap Comp	5.99%	19.88%	45	11.79%	44	3.17%	61	1.68	46	3.09	22	2.86%	1
Russell 2000	--	19.21%	53	13.31%	83	0.00%	87	1.44	77	2.44	60	0.00%	1
Int'l Equity Comp	8.77%	11.27%	73	12.76%	50	0.73%	75	0.88	74	1.16	70	2.17%	11
MSCI EAFE	--	11.06%	77	13.21%	72	0.00%	85	0.83	83	1.12	77	0.00%	1
Emerging Market Comp	5.89%	5.58%	61	15.62%	73	1.60%	62	0.35	66	0.49	62	4.54%	61
MSCI Emerging Markets	--	4.05%	80	15.21%	62	0.00%	81	0.26	81	0.37	78	0.00%	1
US Fixed Income	25.01%	4.46%	40	3.23%	68	1.38%	42	1.36	58	1.69	63	1.05%	24
Barclays Aggregate	--	2.66%	65	2.67%	52	0.00%	87	0.98	84	1.39	81	0.00%	1
Diversified Fixed	18.15%	4.04%	44	3.28%	69	0.87%	55	1.21	68	1.69	63	0.97%	21
Barclays Aggregate	--	2.66%	65	2.67%	52	0.00%	87	0.98	84	1.39	81	0.00%	1
High Yield Comp	3.96%	8.34%	52	3.73%	17	1.64%	18	2.23	17	3.52	28	1.28%	66
Barclays High Yield	--	8.43%	50	4.56%	57	0.00%	62	1.84	56	3.06	55	0.00%	1
TIPS	2.91%	0.38%	68	5.24%	80	-0.06%	69	0.06	70	0.08	69	0.12%	5
Barclays US TIPS	--	0.44%	61	5.22%	78	0.00%	61	0.07	61	0.09	60	0.00%	1
Global Fixed Income Comp	2.79%	-1.13%	99	4.71%	58	-0.16%	99	-0.25	99	-0.42	99	1.79%	11
Citi WGBI	--	-0.97%	98	4.34%	46	0.00%	98	-0.24	99	-0.33	99	0.00%	1
Emerging Market Debt	4.96%	6.45%	27	7.32%	28	1.43%	28	0.87	26	1.21	31	1.17%	7
JP Morgan EMBI Global TR	--	5.33%	45	7.70%	37	0.00%	47	0.69	45	1.05	39	0.00%	1
Total Real Estate	5.32%	14.37%	--	5.80%	--	0.18%	--	2.47	--	1,701.35	--	1.73%	--
NCREIF Property Index	--	11.11%	--	4.44%	--	0.00%	--	2.49	--	1,314.12	--	0.00%	--
Hedge Fund Comp	4.89%	8.47%	35	3.53%	31	2.60%	30	2.39	21	6.09	10	1.28%	3
HFRI Fund of Funds Composite Index	--	5.67%	66	3.18%	21	0.00%	62	1.77	49	3.44	39	0.00%	1
GAA Comp	19.12%	7.64%	44	7.69%	57	-0.12%	60	0.99	53	1.33	51	3.10%	32
60% MSCI ACWI (Net)/40% CITI WGBI	--	7.96%	40	7.22%	49	0.00%	59	1.10	49	1.47	46	0.00%	1
Commodities	3.09%	-11.06%	--	13.55%	--	-1.52%	--	-0.82	--	-1.17	--	4.39%	--

Vermont State Employees

Total Fund Risk Statistics

5 Years Ending December 31, 2014

	% of Tot	Anlzd Ret	Rank	Anlzd Std Dev	Rank	Anlzd AJ	Rank	Sharpe Ratio	Rank	Sortino Ratio RF	Rank	Tracking Error	Rank
Employees Composite	100.00%	8.57%	69	7.66%	43	1.17%	11	1.11	68	1.77	57	0.91%	23
Policy Index	--	7.15%	95	7.35%	35	0.00%	62	0.96	93	1.56	87	0.00%	1
US Equity	19.44%	--	--	--	--	--	--	--	--	--	--	--	--
Russell 3000	--	15.63%	58	13.55%	29	0.00%	46	1.15	35	1.82	38	0.00%	1
Large Cap Comp	13.45%	16.19%	31	13.63%	50	0.02%	43	1.18	36	1.83	41	1.11%	1
S&P 500	--	15.45%	45	13.00%	29	0.00%	44	1.18	36	1.88	35	0.00%	1
Small/Mid Cap Comp	5.99%	17.21%	38	15.81%	36	3.65%	37	1.08	35	1.87	26	3.09%	1
Russell 2000	--	15.55%	69	17.98%	80	0.00%	88	0.86	82	1.42	73	0.00%	1
Int'l Equity Comp	8.77%	6.47%	69	15.65%	22	1.51%	64	0.41	62	0.61	58	2.23%	10
MSCI EAFE	--	5.33%	88	16.73%	56	0.00%	88	0.32	87	0.48	87	0.00%	1
Emerging Market Comp	5.89%	--	--	--	--	--	--	--	--	--	--	--	--
MSCI Emerging Markets	--	1.78%	76	18.55%	53	0.00%	77	0.09	76	0.14	75	0.00%	1
US Fixed Income	25.01%	--	--	--	--	--	--	--	--	--	--	--	--
Barclays Aggregate	--	4.45%	59	2.69%	47	0.00%	85	1.63	64	2.53	61	0.00%	1
Diversified Fixed	18.15%	6.02%	35	3.27%	65	1.21%	42	1.82	46	2.88	41	1.52%	34
Barclays Aggregate	--	4.45%	59	2.69%	47	0.00%	85	1.63	64	2.53	61	0.00%	1
High Yield Comp	3.96%	8.90%	57	5.16%	18	1.61%	22	1.71	20	2.51	36	1.52%	64
Barclays High Yield	--	9.03%	52	6.30%	63	0.00%	69	1.42	66	2.19	64	0.00%	1
TIPS	2.91%	--	--	--	--	--	--	--	--	--	--	--	--
Barclays US TIPS	--	4.11%	59	5.12%	73	0.00%	74	0.79	69	1.03	51	0.00%	1
Global Fixed Income Comp	2.79%	2.83%	85	5.64%	58	1.19%	85	0.49	84	0.80	73	2.12%	15
Citi WGBI	--	1.67%	96	5.31%	47	0.00%	97	0.30	95	0.42	95	0.00%	1
Emerging Market Debt	4.96%	--	--	--	--	--	--	--	--	--	--	--	--
JP Morgan EMBI Global TR	--	7.27%	41	7.31%	13	0.00%	38	0.99	29	1.42	27	0.00%	1
Total Real Estate	5.32%	--	--	--	--	--	--	--	--	--	--	--	--
NCREIF Property Index	--	12.13%	--	5.02%	--	0.00%	--	2.41	--	901.16	--	0.00%	--
Hedge Fund Comp	4.89%	--	--	--	--	--	--	--	--	--	--	--	--
HFRI Fund of Funds Composite Index	--	3.29%	72	4.02%	25	0.00%	63	0.80	56	1.14	56	0.00%	1
GAA Comp	19.12%	8.20%	25	8.45%	42	3.07%	36	0.96	37	1.40	43	3.72%	26
60% MSCI ACWI (Net)/40% CITI WGBI	--	6.35%	43	9.69%	65	0.00%	73	0.65	63	0.97	63	0.00%	1
Commodities	3.09%	--	--	--	--	--	--	--	--	--	--	--	--