

MEETING MATERIALS

Municipal Employees' Retirement System of Louisiana July 21, 2016



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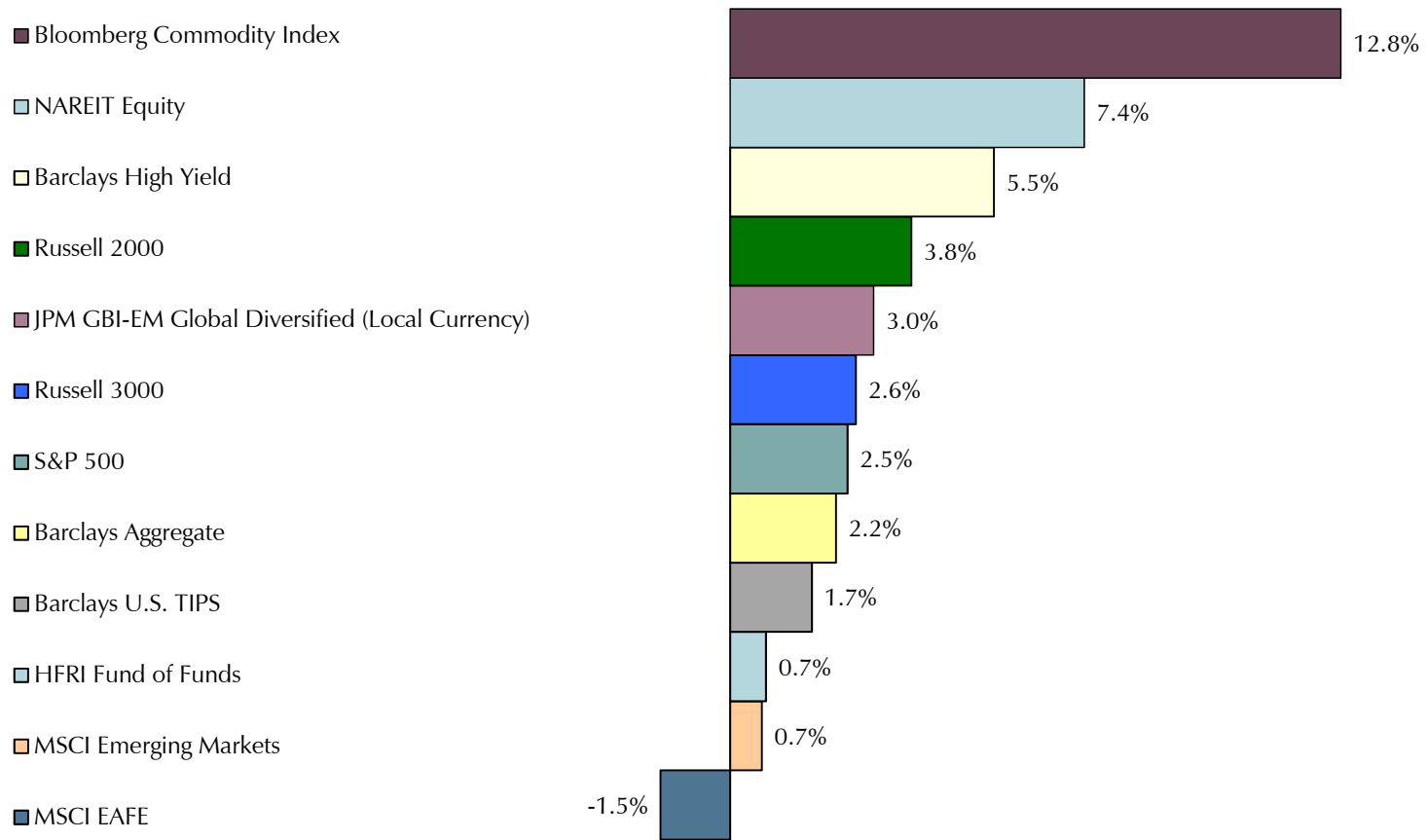
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- 1. Capital Markets Performance**
- 2. Preliminary Performance Update as of June 30, 2016**
- 3. TIPS Recommendation**
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The World Markets

Second Quarter of 2016

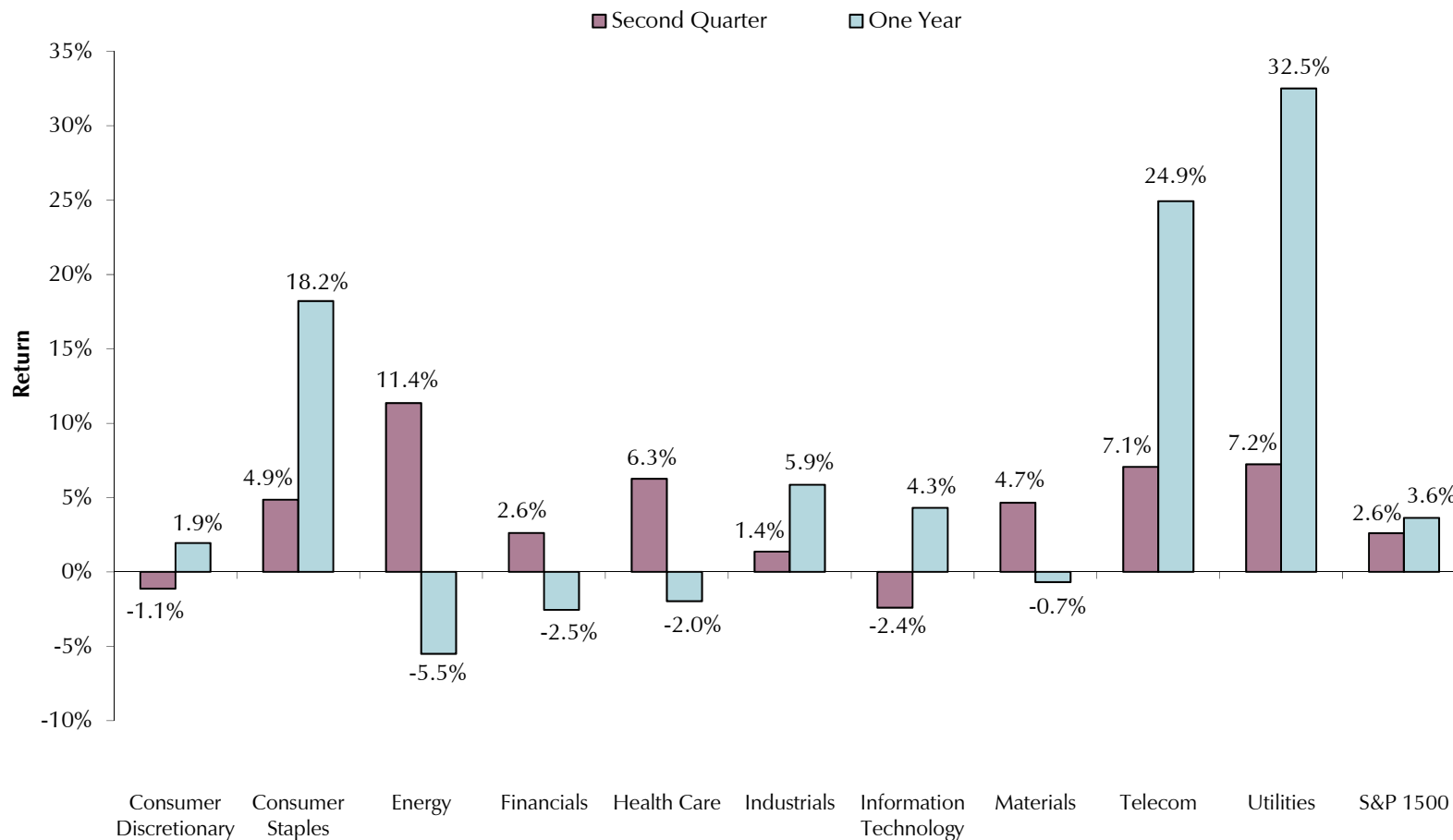
The World Markets
Second Quarter of 2016



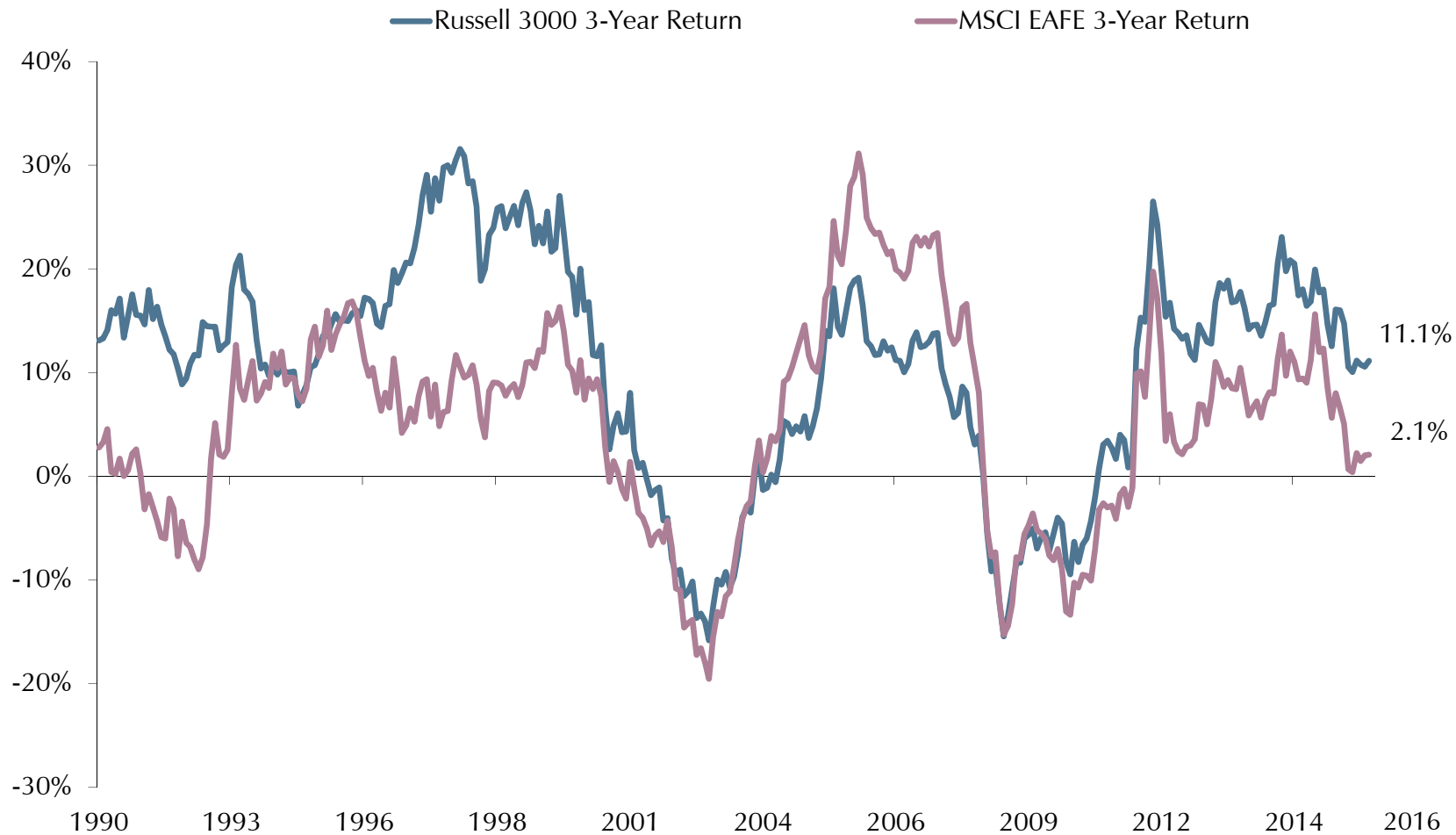
Index Returns

	2Q16 (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
Domestic Equity					
Russell 3000	2.6	2.1	11.1	11.6	7.4
Russell 1000	2.5	2.9	11.5	11.9	7.5
Russell 1000 Growth	0.6	3.0	13.1	12.3	8.8
Russell 1000 Value	4.6	2.9	9.9	11.4	6.1
Russell MidCap	3.2	0.6	10.8	10.9	8.1
Russell MidCap Growth	1.6	-2.1	10.5	10.0	8.1
Russell MidCap Value	4.8	3.2	11.0	11.7	7.8
Russell 2000	3.8	-6.7	7.1	8.4	6.2
Russell 2000 Growth	3.2	-10.8	7.7	8.5	7.1
Russell 2000 Value	4.3	-2.6	6.4	8.1	5.2
Foreign Equity					
MSCI ACWI (ex. U.S.)	-0.6	-10.2	1.2	0.1	1.9
MSCI EAFE	-1.5	-10.2	2.1	1.7	1.6
MSCI EAFE (local currency)	-0.7	-10.2	5.8	6.2	2.1
MSCI EAFE Small Cap	-2.6	-3.7	7.3	4.8	3.6
MSCI Emerging Markets	0.7	-12.1	-1.6	-3.8	3.5
MSCI Emerging Markets (local currency)	0.7	-7.7	3.7	2.0	5.7
Fixed Income					
Barclays Universal	2.5	5.8	4.2	4.0	5.3
Barclays Aggregate	2.2	6.0	4.1	3.8	5.1
Barclays U.S. TIPS	1.7	4.4	2.3	2.6	4.7
Barclays High Yield	5.5	1.6	4.2	5.8	7.6
JPMorgan GBI-EM Global Diversified (Local Currency)	3.0	2.0	-3.6	-2.2	5.7
Other					
NAREIT Equity	7.4	23.6	13.3	12.5	7.5
Bloomberg Commodity Index	12.8	-13.3	-10.6	-10.8	-5.6
HFRI Fund of Funds	0.7	-5.2	2.0	1.7	1.6

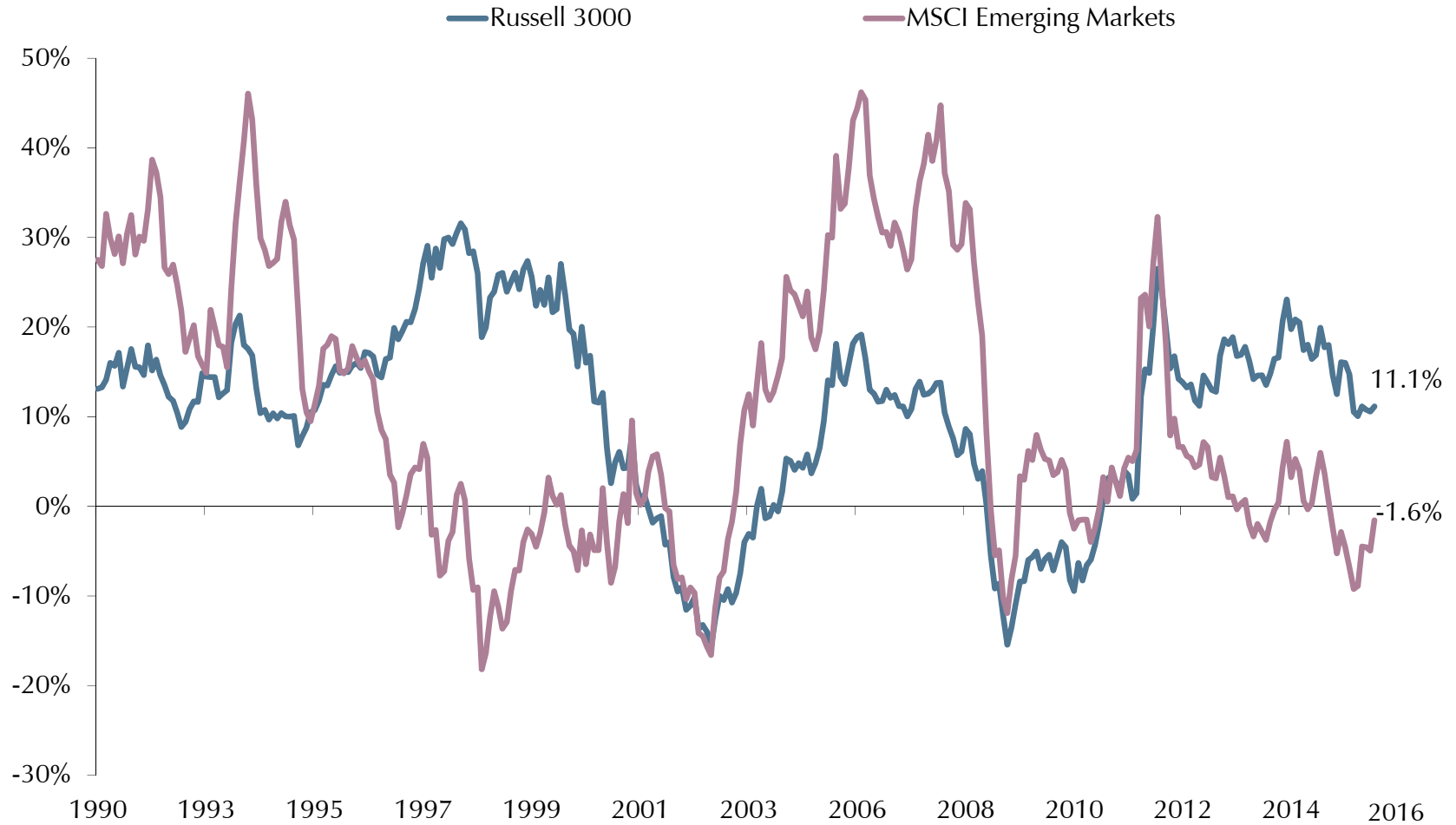
S&P Sector Returns



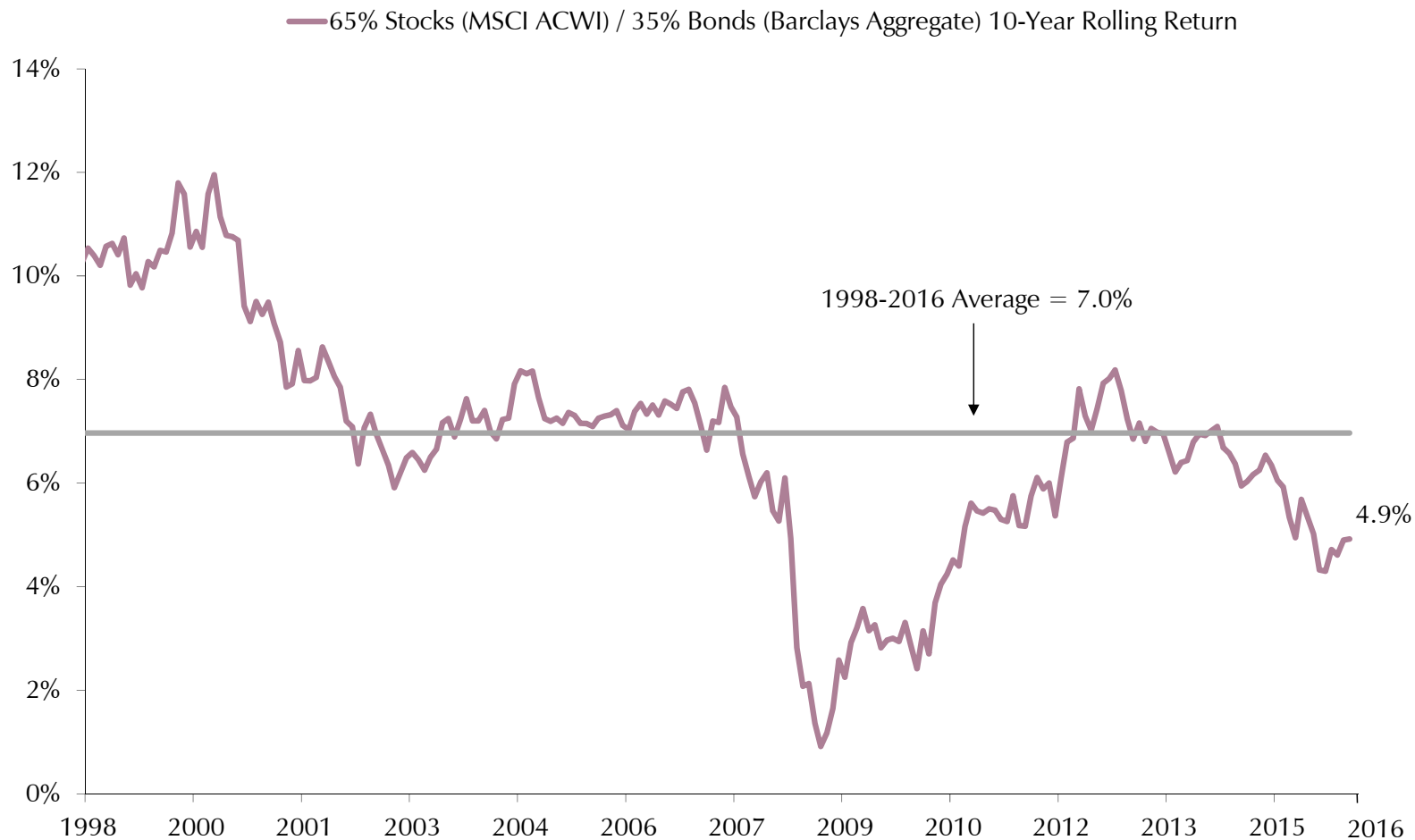
U.S. and Developed Market Foreign Equity Rolling Three-Year Returns



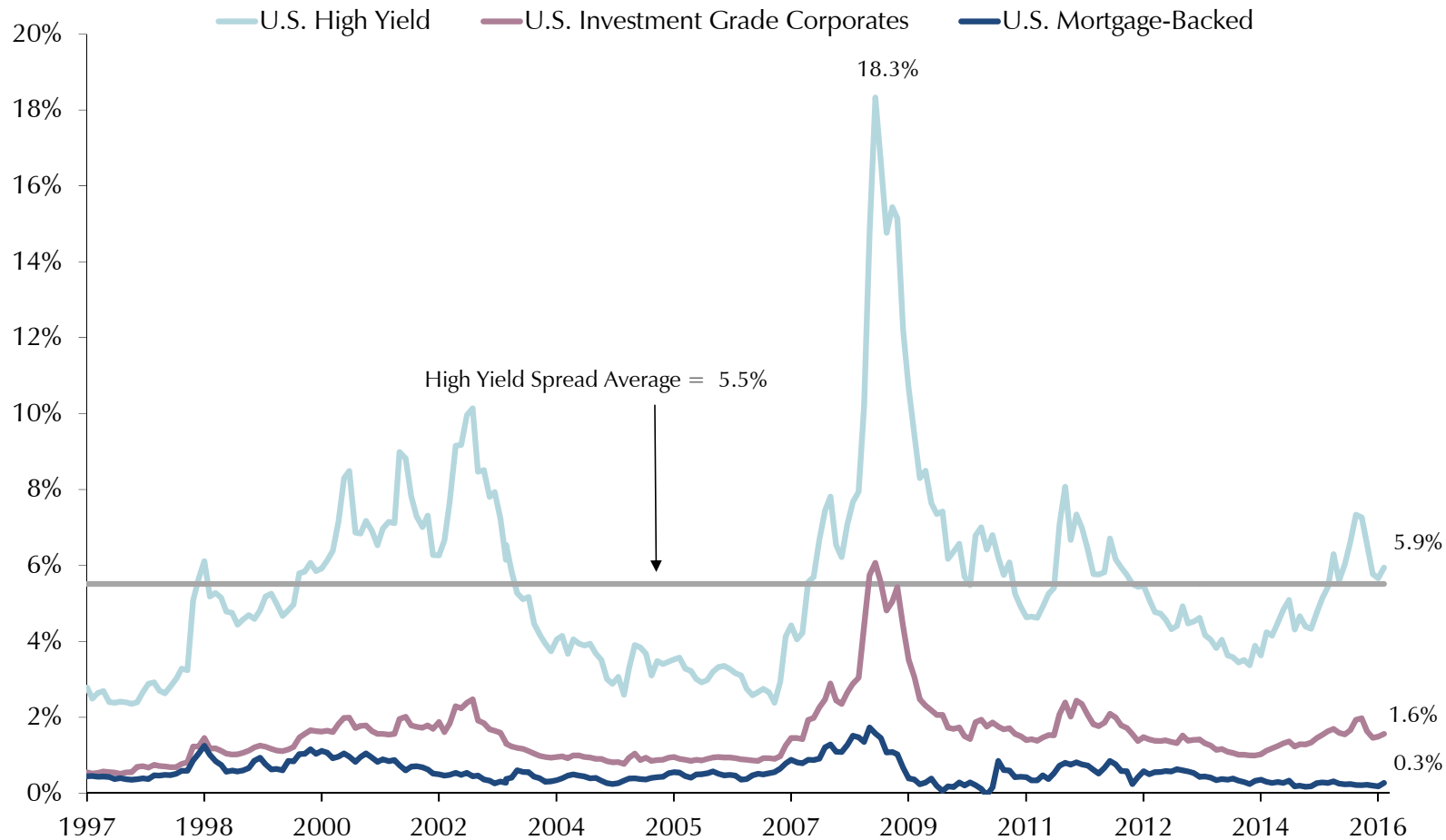
U.S. and Emerging Market Equity Rolling Three-Year Returns



Rolling Ten-Year Returns: 65% Stocks and 35% Bonds



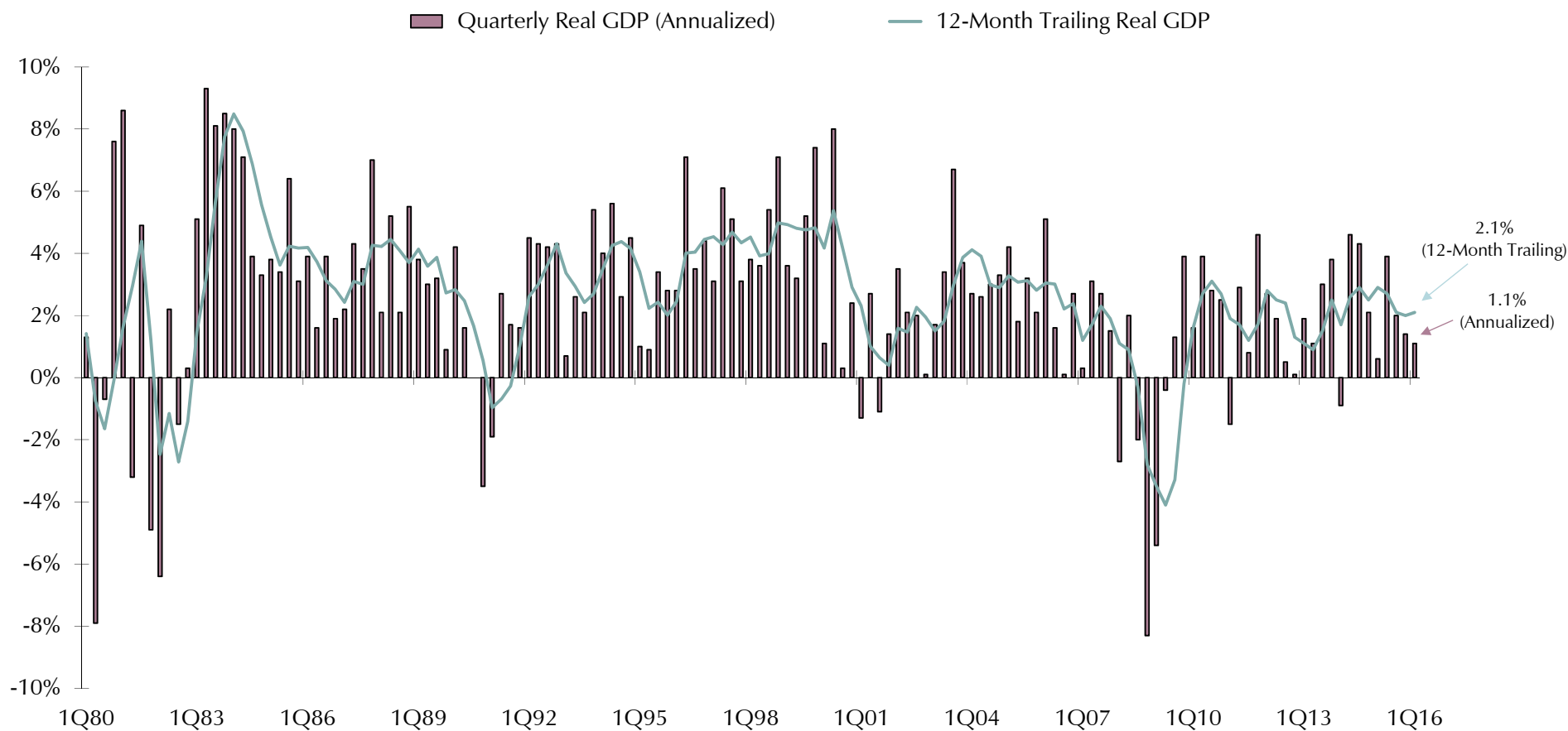
Credit Spreads vs. U.S. Treasury Bonds



¹ The median high yield spread was 5.1% from 1997-2016.



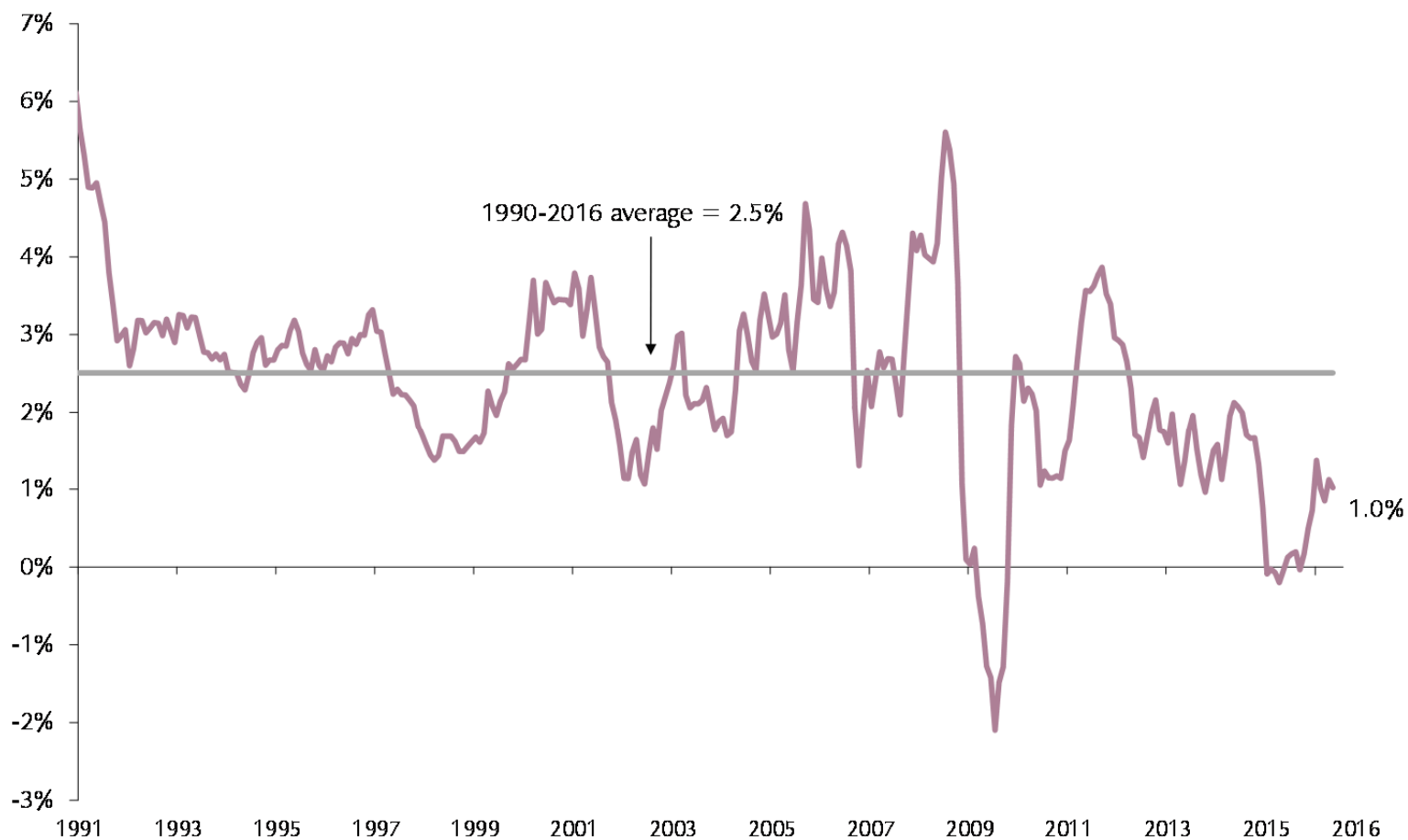
U.S. Real Gross Domestic Product (GDP) Growth¹



¹ Second quarter 2016 GDP data is not yet available. Data is as of the first quarter.



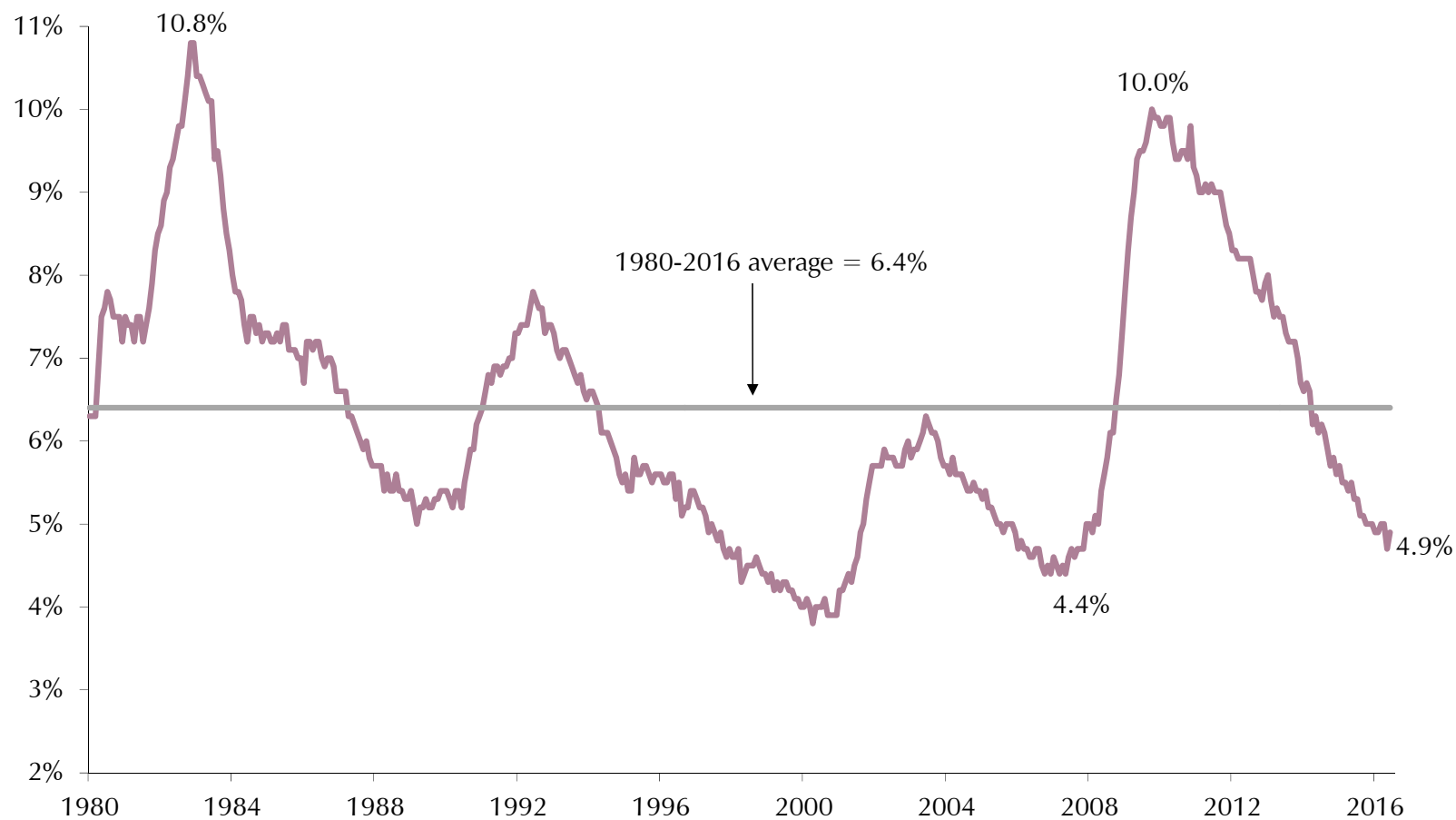
U.S. Inflation (CPI) Trailing Twelve Months¹



¹ Data is non-seasonally adjusted CPI, which may be volatile in the short-term. June 2016 CPI data is not yet available. Data is as of May 2016.



U.S. Unemployment¹



¹ Data is as of June 30, 2016.



**Preliminary Performance Update
June 30, 2016**

Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 6/30/16

	Market Value 6/30/16 (\$ mm)	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 5/31/16 (\$ mm)
Aggregate Assets	776.1	100	NA	NA	778.9
Domestic Equity Assets	168.7	22	28	18-38	169.2
International Developed Equity Assets	36.3	5	12	7-17	36.2
International Emerging Market Equity Assets	47.0	6	10	5-15	44.9
Global Equity Assets	105.1	14	0	0-5	110.0
U.S. Core Bond Assets	45.9	6	18	8-28	45.1
Treasury Inflation Protected Securities	0.0	0	7	2-12	0.0
High Yield Bond Assets	35.2	5	5	0-10	34.6
Foreign Bond Assets	34.2	4	5	0-10	33.0
Core Real Estate Assets	14.9	2	4	0-8	14.6
Natural Resources Assets	47.8	6	3	0-6	47.8
Private Debt Assets	35.6	5	3	0-6	35.8
Infrastructure Assets	0.0	0	3	0-6	0.0
Private Equity Assets	52.2	7	2	0-4	52.7
Hedge Fund Assets	85.5	11	0	0-5	86.1
Non-Core Real Estate Assets	32.9	4	0	0-5	32.9
Cash	34.7	4	0	0-5	35.9



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 6/30/16

	Market Value 6/30/16 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 5/31/16 (\$ mm)
Total Retirement System Aggregate Assets ¹	776.1	NA	100	NA	NA	778.9
Domestic Equity Assets	168.7	100	22	28	18-38	169.2
Northern Trust S&P 500 Index	100.6	60	13			100.3
Barrow Hanley Small Cap Value	38.1	23	5			39.0
Northern Trust S&P 400 MidCap Index	30.1	18	4			29.9
International Developed Equity Assets	36.2	100	5	12	7-17	36.4
First Eagle International Value Equity	20.5	56	3			20.4
WCM Focused Growth International	15.9	44	2			15.8
International Emerging Market Equity Assets	44.9	100	6	10	5-15	46.6
Northern Trust MSCI Emerging Markets Index	26.5	56	3			25.5
Dimensional Emerging Markets Value	20.5	44	3			19.5
Global Equity Assets	110.0	100	14	0		108.0
Thornburg Global Opportunities	62.2	59	8			66.5
Kleinwort Benson Investors Water	42.8	41	6			43.5

¹ Green, yellow, red on the portfolio roster represents the liquidity profile of the asset, not the performance. Green, yellow, red in the performance section represents the relative performance of the asset to its benchmark.



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 6/30/16

	Market Value 6/30/16 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 5/31/16 (\$ mm)
U.S. Core Bond Assets	45.9	100	6	18	8-28	45.1
Northern Trust Barclays Aggregate Index	45.7	100	6			44.9
Internal Fixed Income Account	0.2	< 1	< 1			0.2
Treasury Inflation Protected Securities	0.0	100	0	7	2-12	0.0
High Yield Bond Assets	35.2	100	5	5	0-10	34.6
Loomis Sayles Multi-Sector Full Discretion	35.2	100	5			34.6
Foreign Bond Assets	34.2	100	4	5	0-10	33.0
Brandywine Global Opportunistic Fixed Income	34.2	100	4			33.0
Core Real Estate Assets	14.9	100	2	4	0-8	14.6
Sentinel Real Estate	14.9	100	2			14.6
Natural Resources Assets	47.8	100	6	3	0-6	47.8
Resource Environmental Solutions ¹	41.2	86	5			41.2
Timbervest Crossover Partners II ²	6.6	14	1			6.6

¹ Market value as of June 30, 2015 fiscal year audit, adjusted for subsequent cash flows through May 31, 2016.

² Market value as of June 30, 2016.



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 6/30/16

	Market Value 6/30/16 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 5/31/16 (\$ mm)
Private Debt Assets¹	35.6	100	5	3	0-6	35.8
Republic Business Credit ²	18.0	51	2			18.0
BlueBay Direct Lending Fund I	13.3	37	2			13.5
LEM Investors Real Estate Mezzanine ³	2.0	6	< 1			2.0
Franchise Equity Capital Partners III	1.4	4	< 1			1.4
Franchise Equity Capital Partners II	0.9	2	< 1			0.9
Infrastructure Assets	0.0	100	0	3	0-6	0.0
Private Equity Assets¹	52.2	100	7	2	0-4	52.7
Compass Island Investment Opportunities Fund A	22.6	43	3			22.6
Capital Spring Finance Company Franchise IV ²	13.3	25	2			13.3
Greenspring Crossover Ventures I	6.0	11	1			6.4
Whalehaven Fund Limited ²	5.0	10	1			5.0
Louisiana Fund I ⁴	2.1	4	< 1			2.1
Franchise Equity Capital Partners I	2.0	4	< 1			2.0
Louisiana Fund II ⁴	0.7	1	< 1			0.7
Entropy Ventures ²	0.6	1	< 1			0.6

¹ Market values as of December 31, 2015, adjusted for subsequent cash flows (where applicable) through May 31, 2016, unless otherwise noted.

² Market value as of June 30, 2015 fiscal year audit, adjusted for subsequent cash flows through May 31, 2016.

³ Market value of outstanding loan balance.



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Portfolio Roster as of 6/30/16

	Market Value 6/30/16 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 5/31/16 (\$ mm)
Hedge Fund Assets¹	85.5	100	11	0	0-5	86.1
Scoggin Worldwide Distressed	30.1	35	4			29.2
GMT - Bay Resource Partners Offshore Fund	20.3	24	3			21.1
GoldenTree Offshore Fund	12.7	15	2			12.8
Paulson Merger Arbitrage	11.5	13	1			12.1
GoldenTree Credit Opportunities	8.8	10	1			8.7
Argonaut Macro Partnership ²	2.2	3	< 1			2.2
Non-Core Real Estate Assets³	32.9	100	4	0	0-5	32.9
Bedico Creek Preserve ⁵	8.2	25	1			8.2
AEW Partners VII ⁵	6.1	19	1			5.7
AEW Partners VI ⁴	6.0	18	1			6.0
JPMorgan India Property	4.6	14	1			5.0
Gainesville Vision ⁵	4.2	13	1			4.2
Crow Holdings Realty Partners IV	2.4	7	< 1			2.4
Americus Real Estate Fund II	0.7	2	< 1			0.7

¹ Estimated value based on portfolio performance for the month of June, unless otherwise noted.

² Hedge Fund 10% "hold back" payable in April 2017 upon completion of Fund's 2016 audit.

³ Market value as of December 31, 2015 adjusted for subsequent cash flows through June 30, 2016, unless otherwise noted.

⁴ Market value as of June 30, 2015 fiscal year audit, adjusted for subsequent cash flows through May 31, 2016.



**Municipal Employees' Retirement System of
Louisiana**

**Aggregate Assets
Portfolio Roster as of 6/30/16**

	Market Value 6/30/16 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 5/31/16 (\$ mm)
Non-Core Real Estate Assets (continued)	32.9	100	4	0	0-5	32.9
MEREC I/Land Baron	0.4	1	< 1			0.4
AEW Partners V ¹	0.2	< 1	< 1			0.2
Cash	34.7	100	4	0	0-5	35.9

¹ Market value as of March 31, 2016, adjusted for subsequent cash flows through May 31, 2016.



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 6/30/16

	Jun (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Total Retirement System Aggregate¹	-0.2	2.4	-2.6	2.5	2.5	3.4	1/1/06	3.6
60% MSCI ACWI / 40% Barclays Universal Policy Benchmark ²	0.3	3.1	0.2	5.5	5.1	5.0		5.1
	0.4	3.3	-1.8	5.4	5.3	5.7		6.0
Domestic Equity	-0.3	4.0	-0.5	9.1	8.4	7.0	2/1/06	6.6
<i>Russell 3000</i>	0.2	3.6	2.1	11.1	11.6	7.4		7.1
Developed Equity	0.3	3.7	1.7	NA	NA	NA	5/31/15	-1.0
<i>MSCI EAFE</i>	-3.4	-4.4	-10.2	2.1	1.7	1.6		-11.4
Emerging Market Equity	4.6	7.2	-7.9	NA	NA	NA	12/31/13	-2.7
<i>MSCI Emerging Markets</i>	4.0	6.4	-12.1	-1.6	-3.8	3.5		-5.1
Global Equity	-4.5	-1.3	-9.3	7.4	5.9	5.2	2/1/06	5.2
<i>MSCI ACWI</i>	-0.6	1.2	-3.7	6.0	5.4	4.3		4.2
U.S. Core Bonds	1.8	5.1	7.0	1.3	NA	NA	4/30/13	1.4
<i>Barclays Aggregate</i>	1.8	5.3	6.0	4.1	3.8	5.1		3.0
Treasury Inflation Protected Securities	NA	NA	NA	NA	NA	NA		NA
<i>Barclays U.S. TIPS</i>	2.1	6.2	4.4	2.3	2.6	4.7		4.3
High Yield Bonds	1.7	7.2	1.4	5.1	NA	NA	4/30/13	3.3
<i>Barclays High Yield</i>	0.9	9.1	1.6	4.2	5.8	7.6		3.4

¹ Performance is presented net of fees throughout this entire report

² Policy benchmark performance is 50% equities (represented by 26% Russell 3000 index, 12% MSCI EAFE index, 12% MSCI EM index), 15% public fixed income (represented by performance of Barclays Universal) and 35% alternatives (represented by 7% HFRI Fund WC, 7% NCREIF Property Index, 7% S&P Global Natural Resources index, 7% Barclays High Yield index, 7% S&P 500 +3% index).



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 6/30/16

	Jun 2016 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Total Retirement System Aggregate¹ (continued)	-0.2	2.4	-2.6	2.5	2.5	3.4	1/1/06	3.6
Foreign Bonds	3.7	10.3	4.9	2.3	NA	NA	4/30/13	0.6
<i>Barclays Global Aggregate</i>	2.9	9.0	8.9	2.8	1.8	4.4		1.7
Core Real Estate	2.2	3.8	11.2	12.3	NA	NA	4/30/13	12.8
<i>NCREIF ODCE Equal Weighted (net)</i>	NA	2.2	9.1	13.1	12.6	12.2		5.2
Natural Resources	NA	0.1	-1.1	0.1	NA	NA	4/30/13	1.5
<i>S&P North American Natural Resources Sector Index</i>	3.6	19.6	-5.6	-2.2	-3.2	2.0		-3.6
Private Debt	NA	1.1	4.6	7.3	NA	NA	4/30/13	5.4
<i>Barclays High Yield + 2%</i>	0.5	9.5	3.1	6.0	7.8	9.5		5.2
Infrastructure	NA	NA	NA	NA	NA	NA		NA
<i>S&P Global Infrastructure Index</i>	3.1	14.1	3.7	8.7	6.0	NA		NA
Private Equity	NA	5.4	5.2	-12.5	-9.9	NA	2/1/08	-3.3
<i>S&P 500 + 3%</i>	1.1	5.5	7.2	15.0	15.4	10.6		10.6
Hedge Funds	-0.6	-1.4	-7.8	-0.2	0.4	2.3	4/1/06	2.4
<i>HFRI Fund of Funds Composite</i>	-0.3	-2.4	-5.2	2.0	1.7	1.6		1.5
Non-Core Real Estate	-0.4	1.9	-5.0	3.5	7.0	2.5	2/1/06	2.7
<i>NCREIF Property</i>	NA	2.2	8.4	11.8	11.9	12.0		7.6

¹ Performance is presented net of fees throughout this entire report



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 6/30/16

	Jun 2016 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Total Retirement System Aggregate¹	-0.2	2.4	-2.6	2.5	2.5	3.4	1/1/06	3.6
60% MSCI ACWI / 40% Barclays Universal Policy Benchmark ²	0.3 0.4	3.1 3.3	0.2 -1.8	5.5 5.4	5.1 5.3	5.0 5.7		5.1 6.0
Domestic Equity	-0.3	4.0	-0.5	9.1	8.4	7.0	2/1/06	6.6
Northern Trust S&P 500 Index	0.3	3.8	4.0	NA	NA	NA	12/1/13	8.2
S&P 500	0.3	3.8	4.0	11.7	12.1	7.4		8.2
Peer Large Cap Core	-0.3	1.9	-0.5	9.6	10.3	6.4		5.7
Peer Ranking (percentile)	27	18	17	NA	NA	NA		14
Barrow Hanley Small Cap Value	-2.4	3.5	-6.3	6.9	7.4	7.8	1/1/06	8.7
Russell 2000 Value	0.3	6.1	-2.6	6.4	8.1	5.2		5.9
Peer Small Cap Value	-0.5	4.1	-4.2	6.7	8.3	6.0		6.5
Peer Ranking (percentile)	95	59	76	42	66	7		1
Northern Trust S&P 400 MidCap Index	0.4	7.9	1.3	NA	NA	NA	12/1/13	7.1
S&P MidCap	0.4	7.9	1.3	10.5	10.5	8.6		7.1
Peer MidCap Core	-0.6	3.3	-3.3	8.7	9.0	6.9		4.2
Peer Ranking (percentile)	26	9	20	NA	NA	NA		20

¹ Performance is presented net of fees throughout this entire report.

² Policy benchmark performance is 50% equities (represented by 26% Russell 3000 index, 12% MSCI EAFE index, 12% MSCI EM index), 15% public fixed income (represented by performance of Barclays Universal) and 35% alternatives (represented by 7% HFRI Fund WC, 7% NCREIF Property Index, 7% S&P Global Natural Resources index, 7% Barclays High Yield index, 7% S&P 500 +3% index).



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 6/30/16

	Jun 2016 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Developed Equity	0.3	3.7	1.7	NA	NA	NA	5/31/15	-1.0
First Eagle International Value Equity	0.2	4.8	1.2	NA	NA	NA	5/1/14	1.1
<i>MSCI EAFE</i>	-3.4	-4.4	-10.2	2.1	1.7	1.6		-5.6
<i>Peer International Value</i>	-3.6	-4.0	-11.6	0.7	0.2	1.0		-7.0
<i>Peer Ranking (percentile)</i>	7	3	1	NA	NA	NA		1
WCM Focused Growth International	0.5	2.2	2.2	NA	NA	NA	6/1/14	2.7
<i>MSCI ACWI (ex. U.S.)</i>	-1.5	-1.0	-10.2	1.2	0.1	1.9		-6.7
<i>Peer International Growth</i>	-1.8	-1.8	-8.3	3.3	2.5	3.0		-3.8
<i>Peer Ranking (percentile)</i>	8	8	1	NA	NA	NA		2
Emerging Market Equity	4.6	7.2	-7.9	NA	NA	NA	12/31/13	-2.7
Northern Trust MSCI Emerging Markets Index-	3.9	NA	NA	NA	NA	NA	6/1/16	3.9
<i>MSCI Emerging Markets</i>	4.0	6.4	-12.1	-1.6	-3.8	3.5		4.1
<i>Peer Emerging Markets</i>	4.1	6.9	-8.4	-0.2	-2.0	4.6		5.2
Dimensional Emerging Markets Value	5.5	10.3	-11.8	NA	NA	NA	11/1/13	-6.9
<i>MSCI Emerging Markets</i>	4.0	6.4	-12.1	-1.6	-3.8	3.5		-5.5
<i>Peer Emerging Markets</i>	4.0	6.2	-9.9	-1.4	-3.1	3.3		-5.0
<i>Peer Ranking (percentile)</i>	6	14	71	NA	NA	NA		82



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 6/30/16

	Jun 2016 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Global Equity	-4.5	-1.3	-9.3	7.4	5.9	5.2	2/1/06	5.2
Thornburg Global Opportunities	-6.5	-7.6	-13.7	9.8	8.3	NA	8/1/06	7.4
<i>MSCI ACWI</i>	-0.6	1.2	-3.7	6.0	5.4	4.3		4.2
<i>Peer Global Equity</i>	-1.5	-0.9	-6.0	6.0	5.7	4.5		4.5
<i>Peer Ranking (percentile)</i>	99	95	96	4	11	NA		6
Kleinwort Benson Investors Water	-1.5	10.0	-1.6	4.5	7.3	NA	9/1/07	3.1
<i>MSCI ACWI</i>	-0.6	1.2	-3.7	6.0	5.4	4.3		2.4
<i>S-Network Global Water Index NR</i>	2.5	15.1	12.8	12.8	9.1	NA		4.9
<i>Peer Global Equity</i>	-1.5	-0.9	-6.0	6.0	5.7	4.5		2.8
<i>Peer Ranking (percentile)</i>	50	1	22	69	24	NA		39
U.S. Core Bonds	1.8	5.1	7.0	1.3	NA	NA	4/30/13	1.4
Northern Trust Barclays Aggregate Index-NL	1.8	5.3	NA	NA	NA	NA	12/31/15	5.0
<i>Barclays Aggregate</i>	1.8	5.3	6.0	4.1	3.8	5.1		5.0
Internal Fixed Income Account	2.1	4.5	6.8	1.2	2.0	4.8	3/1/06	4.6
<i>Barclays Aggregate</i>	1.8	5.3	6.0	4.1	3.8	5.1		4.9



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 6/30/16

	Jun 2016 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Treasury Inflation Protected Securities	NA	NA	NA	NA	NA	NA		NA
<i>Barclays U.S. TIPS</i>	2.1	6.2	4.4	2.3	2.6	4.7		4.3
High Yield Bonds	1.7	7.2	1.4	5.1	NA	NA	4/30/13	3.3
Loomis Sayles Multi-Sector Full Discretion	1.6	7.0	0.9	4.5	5.5	7.7	1/1/06	7.5
<i>Barclays Gov't/Credit</i>	2.2	6.2	6.7	4.2	4.1	5.2		4.9
<i>Barclays High Yield</i>	0.9	9.1	1.6	4.2	5.8	7.6		7.5
<i>Peer Core Plus</i>	0.7	6.6	0.0	3.3	4.8	6.3		6.2
<i>Peer Ranking (percentile)</i>	5	42	30	5	16	3		3
Foreign Bonds	3.7	10.3	4.9	2.3	NA	NA	4/30/13	0.6
Brandywine Global Opportunistic Fixed Income	3.7	10.3	4.9	2.3	4.0	6.3	1/1/06	6.3
<i>Barclays Global Aggregate</i>	2.9	9.0	8.9	2.8	1.8	4.4		4.4
<i>Peer Global Fixed Income</i>	2.2	7.1	6.0	2.1	1.4	4.1		4.1
<i>Peer Ranking (percentile)</i>	6	19	60	37	11	1		1
Core Real Estate	2.2	3.8	11.2	12.3	NA	NA	4/30/13	12.8
Sentinel Real Estate	NA	3.8	11.2	12.3	17.6	6.1	3/1/06	6.3
<i>NCREIF Property</i>	NA	2.2	8.4	11.8	11.9	12.0		7.8
<i>NCREIF ODCE Equal Weighted (net)</i>	NA	2.2	9.1	13.1	12.6	12.2		5.4
Natural Resources	0.0	0.1	-1.1	0.1	NA	NA	4/30/13	1.5
<i>S&P North American Natural Resources Sector Index</i>	3.6	19.6	-5.6	-2.2	-3.2	2.0		-3.6



Municipal Employees' Retirement System of Louisiana

Aggregate Assets Performance as of 6/30/16

	Jun 2016 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Private Debt	NA	1.1	4.6	7.3	NA	NA	4/30/13	5.4
<i>Barclays High Yield + 2%</i>	0.5	9.5	3.1	6.0	7.8	9.5		5.2
Infrastructure	NA	NA	NA	NA	NA	NA		NA
<i>S&P Global Infrastructure Index</i>	3.1	14.1	3.7	8.7	6.0	NA		NA
Private Equity	NA	5.4	5.2	-12.5	-9.9	NA	2/1/08	-3.3
<i>S&P 500 + 3%</i>	1.1	5.5	7.2	15.0	15.4	10.6		10.6
Hedge Funds	-0.6	-1.4	-7.8	-0.2	0.4	2.3	4/1/06	2.4
Scoggin Worldwide Distressed	3.2	9.3	-2.7	1.3	3.0	6.2	3/1/06	6.4
<i>HFRI Event Driven Index</i>	-0.4	1.9	-4.0	1.9	2.7	3.9		4.1
<i>HFRI ED Distressed / Restructuring</i>	0.7	3.9	-4.9	0.2	2.2	3.5		3.8
<i>Barclays High Yield</i>	0.9	9.1	1.6	4.2	5.8	7.6		7.4
GMT - Bay Resource Partners Offshore Fund	-4.1	-3.8	-5.4	4.3	3.8	NA	10/1/08	9.5
<i>HFRI Equity Hedge (Long/Short Equity)</i>	-0.3	-0.1	-4.8	3.1	2.3	3.0		4.1
<i>Russell 3000</i>	0.2	3.6	2.1	11.1	11.6	7.4		10.3
GoldenTree Offshore Fund	-1.0	1.8	-1.5	7.2	7.0	7.9	3/1/06	8.0
<i>HFRI Event Driven Index</i>	-0.4	1.9	-4.0	1.9	2.7	3.9		4.1
<i>Barclays High Yield</i>	0.9	9.1	1.6	4.2	5.8	7.6		7.4
Paulson Merger Arbitrage	-4.6	-22.0	-30.6	NA	NA	NA	10/1/13	-8.1
<i>HFRI ED Merger Arbitrage</i>	0.1	0.5	0.8	2.9	2.5	3.7		2.5



**Municipal Employees' Retirement System of
Louisiana**

**Aggregate Assets
Performance as of 6/30/16**

	Jun 2016 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Inception Date	Since Inception (%)
Hedge Funds (continued)	-0.6	-1.4	-7.8	-0.2	0.4	2.3	4/1/06	2.4
GoldenTree Credit Opportunities	0.6	7.2	-0.3	3.4	4.7	5.9	3/1/06	6.2
HFRI Event Driven Index	-0.4	1.9	-4.0	1.9	2.7	3.9		4.1
Barclays High Yield	0.9	9.1	1.6	4.2	5.8	7.6		7.4
Non-Core Real Estate	-0.4	1.9	-5.0	3.5	7.0	2.5	2/1/06	2.7
NCREIF Property	NA	2.2	8.4	11.8	11.9	12.0		7.7



Treasury Inflation Protected Securities (TIPS) Recommendation

Asset Class Description

- TIPS are inflation-linked bonds issued by the U.S. Treasury.
- Investors receive an explicit coupon plus a variable adjustment based on the rate of inflation.
- Unlike nominal “traditional” bonds, TIPS offer investors a guaranteed return over inflation if held to maturity.

Pros:

- Backed by the U.S. Treasury – 100% investment grade
- Valuable diversification - negatively correlated with equities
- Performs well in a rising inflation environment or if higher inflation is perceived
- Immunization for retirement systems that coffer COLAs linked to inflation
- Daily liquidity and price transparency

Cons:

- Will underperform nominal Treasuries during periods of perceived deflation

Return History:

As of March 31, 2016	1Q16	1-Year Return	3-Year Return	5-Year Return	10-Year Return	Since 3/1/97	Standard Deviation	Sharpe Ratio	Correlation
Barclays US TIPS	4.5	1.5	-0.7	3.0	4.6	5.7	6.0	0.6	1.00
S&P 500	1.3	1.8	11.8	11.6	7.0	7.1	16.8	0.3	0.02
Barclays Aggregate	3.0	2.0	2.5	3.8	4.9	5.5	3.6	0.9	0.76

- The Retirement System adopted an asset allocation policy with a seven percent allocation to TIPS.
- Currently¹ 153 of Meketa Investment Group's clients' funds have an allocation to TIPS strategy.
- TIPS is an efficient asset class where it is challenging for active management to add value after fees. Most of our clients use an index fund benchmarked to the U.S. Barclays TIPS index
- The majority of Meketa Investment Group clients that are invested in the asset class use passive strategies. 137 out of the 153 are invested in passive TIPS strategies (nearly 90%).
- We reviewed managers and vehicles that were capable of accommodating the Fund's investment needs that had the following characteristics:
 - Institutional quality management firm
 - Daily liquidity
 - Low cost
 - Passive approach

¹ Data as of 3/31/16. Total number of funds across the firm was 227.

TIPS Index Provider Review

	Blackrock	Northern Trust	Vanguard
Location	New York	Chicago	Malvern, PA
Fund Name	US Treasury Inflation Protected Securities Non-Lendable Fund	Northern Trust Collective Index Fund - NL	Vanguard Inflation-Protected Securities Fund Institutional Shares
Product Assets	\$4.2 billion	\$2.0 billion	\$7.9 billion
Proposed Vehicle Type	Commingled Fund	Commingled Fund	Mutual Fund (VIPIX)
Share Class	Institutional	Institutional	Institutional
Strategy Benchmark	Barclays U.S. TIPS Index	Barclays U.S. TIPS Index	Barclays U.S. TIPS Index
Liquidity	Daily	Daily	Daily
Yield to Maturity	1.5%	1.5%	1.5%
% Investment Grade	100%	100%	100%
Fee Schedule	4.5 bps on all assets	4.0 bps on all assets	7.0 bps on all assets
Fee on a \$50 mm portfolio	\$22,500	\$20,000	\$35,000
Trailing Returns:			
1Q16	4.5%	4.5%	4.6%
1-year	1.5%	1.5%	1.6%
3-years	-0.7%	-0.7%	-0.7%
5-years	3.0%	3.0%	3.0%

Recommendation

- We recommended the Retirement System utilize the low cost commingled product offered by Northern Trust.
- This is consistent with the decision to use Northern Trust for the Retirement System's other passive exposure (S&P 400, S&P 500 and Barclays Aggregate Index).
- Typically it is operationally more efficient, and often cheaper, for retirement systems to utilize the passive funds managed by their custodian bank.
- We recommend initiating the allocation with \$30 million. This is slightly over half of the seven percent asset allocation target the Retirement System has for the asset class.

Rebalance Recommendations

Current Exposure vs. New Asset Allocation Targets

	Actual Allocation 6/30/16	Asset Allocation Target	Required Change	Expected Actions
Total Public Equities	47	50	+3	
Domestic Equity	22	28	+6	Rebalancing, no new searches
Developed Market Equity (Non-U.S.)	5	12	+7	Rebalancing, no new searches
Emerging Market Equity	6	10	+4	Search replacement for Vontobel
Global Equity	14	0	-14	Rebalance out of existing managers
Total Public Fixed Income	15	35	+20	
U.S. Core Bonds	6	18	+12	Rebalancing, no new searches
TIPS	0	7	+7	New strategy needed
High Yield	5	5	---	Rebalancing, update Loomis product
Foreign Bonds	4	5	+1	Rebalancing, no new searches
Total Alternatives	35	15	-20	
Core Real Estate	2	4	+2	Rebalancing, use non-core RE distributions
Non-core Real Estate	4	0	-4	Self liquidating and/or seek secondary buyers
Natural Resources	6	3	-3	Self liquidating and/or seek secondary buyers
Infrastructure	0	3	+3	Search needed – Open End Fund
Hedge Funds	11	0	-11	Liquidation in process
Private Equity	7	2	-5	Self liquidating and/or seek secondary buyers
Private Debt	5	3	-2	Self liquidating and/or seek secondary buyers
Cash	4	0	-4	

Hedge Fund Redemption Detail

	Current Investment (6/30/16)	Termination Status	Proceeds Received as of 6/30/16	Expected Time Frame ¹
Argonaut Macro Partnership	2.2	Liquidated	\$19.5 mm received 4/2016	Balance payable in April 2017 after Fund's 2016 Audit
GoldenTree Credit Opportunities	8.8	Partially Liquidated	\$10.4 mm received 4/2016	Approximately \$7.9mm expected in late July 2016. Balance payable in April 2017 after Fund's 2016 Audit
GoldenTree Offshore Fund	12.7	Partially Liquidated	\$9.6 mm received 5/2016	Approximately \$7.1 mm expected in late July 2016. Approximately \$800,000 expected in in April 2017 after Fund's 2016 Audit. Additional side-pocket of approximately \$4.8 mm could take up to 24 months.
GMT - Bay Resource Partners	20.3	Submitted	\$0	Approximately \$18.3 mm expected in mid July 2016. Balance payable in April 2017 after Fund's 2016 Audit
Paulson Merger Arbitrage	11.5	Submitted	\$0	Approximately \$10.4 mm expected in mid July 2016. Balance payable in April 2017 after Fund's 2016 Audit
Scoggin Worldwide Distressed	30.1	Submitted	\$0	First distribution expected to be approximately \$7.5 mm in October 2016. Proceeds, excluding hold back, payable approximately 25%, per quarter.
Totals	\$85.5 mm	All in progress	\$39.5 mm	

¹ All hedge funds which MERS is currently invested are limited partnerships. Limited partnerships will "holdback" any portion of a full redemption, typically between 5% and 10% of the investors value at the termination date. The limited partnership is then audited and funds are released. Holdbacks are not invested in securities, rather cash or cash equivalents, depending upon the limited partnership documentation requirements. No fund level gating mechanism are evaluated in this assessment. Expected cash proceeds are based on percentage of most recent NAVs and are not guaranteed pay outs.

Cash Position

	Amount (\$mm)
Balance as of June 30, 2016	\$34.7
Expected proceeds from GMT - Bay Resource Partners	18.3
Expected proceeds from Paulson Merger Arbitrage	10.4
Expected proceeds from GoldenTree Offshore Fund	7.1
Expected proceeds from GoldenTree Credit Opportunities	7.9
<u>Estimated</u> Balance as of July 30, 2016	\$78.4

- A significant cash balance that is accumulating from the hedge fund redemptions can be redeployed into underweight asset classes.

Rebalance Recommendation Number One

From	To	Amount (\$ mm)	Purpose
Cash	TIPS	\$30.0	Move closer to Asset Allocation Target
Cash	Northern Trust Barclays Aggregate Index	\$30.0	Move closer to Asset Allocation Target
Cash	Northern Trust S&P 500 Index	\$10.0	Move closer to Asset Allocation Target

- The rebalance recommendations all move the Retirement System closer to target weights.
- TIPS and U.S. Core bonds are the most underweight asset classes and can move approximately four percentage points closer to target by reinvesting some of the cash proceeds received from the hedge funds liquidations.
- Since two of the liquidated hedge funds held U.S. equity securities we recommend allocating a portion of the proceeds into U.S. equities (currently six percentage points below target).

Rebalance Recommendation Number Two

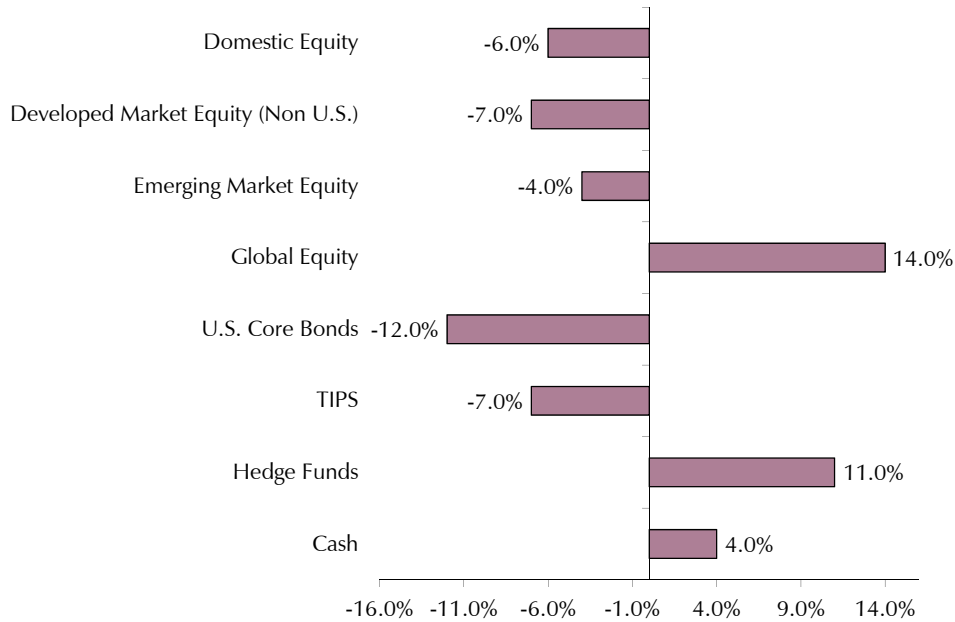
From	To	Amount (\$ mm)	Purpose
Thornburg Global Opportunities	Northern Trust S&P 400 MidCap Index (\$20.0 mm) First Eagle International Value (\$10.0 mm)	\$35.0	Move closer to Asset Allocation Targets
Kleinwort Benson Investors Water	WCM Focused Growth International (\$10.0 mm) Northern Trust MSCI Emerging Markets Index (\$10.0 mm) Dimensional Emerging Markets Value (\$10.0 mm)	\$25.0	Move closer to Asset Allocation Targets

- This rebalance recommendation liquidates slightly more than half of the global equity exposure (which has a zero percent target).
- We recommend distributing the proceeds across the existing equity managers, approximately pro-rata based on the degree each asset class is underweight its target.
- The recommendation will result in four asset classes each moving approximately half way closer to each respective target weight.

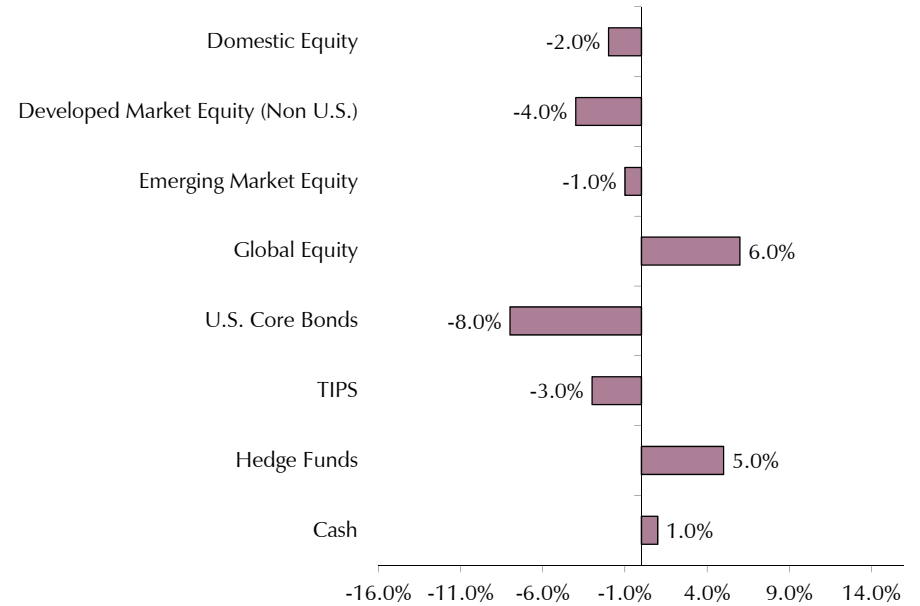
Estimated Prospective Exposure after Rebalance (select asset classes)

	Target (%)	Allocation 6/30/16 (%)	Rebalance (%)	Estimated Exposure (%)
Domestic Equity	28	22	+4	26
Developed Market Equity (Non-U.S.)	12	5	+3	8
Emerging Market Equity	10	6	+3	9
Global Equity	0	14	-8	6
U.S. Core Bonds	18	6	+4	10
TIPS	7	0	+4	4
Cash	0	10	-9	1

Select Asset Weights vs. Target as of 6/30/16



Projected Asset Weight vs. Target after Rebalance



- The rebalance significantly reduces the largest overweight asset classes.
- The rebalance increases exposure to five underweight asset classes.

Disclaimer, Glossary, and Notes
As of June 30, 2016

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In general, the valuation numbers presented in this report are prepared by the custodian bank for listed securities, and by the fund manager or appropriate General Partner in the case of unlisted securities. The data used in the market comparison sections of this report are sourced from various databases. These data are continuously updated and are subject to change.

This report does not contain all the information necessary to fully evaluate the potential risks of any of the investments described herein. Because of inherent uncertainties involved in the valuations of investments that are not publicly traded, any estimated fair values shown in this report may differ significantly from the values that would have been used had a ready market for the underlying securities existed, and the differences could be material. Note that for unlisted securities the valuations may be lagged by one or more calendar quarters, or may reflect original cost.

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In some cases Meketa Investment Group assists the Trustees in handling capital calls or asset transfers among investment managers. In these cases we do not make any representations as to the managers' use of the funds, but do confirm that the capital called or transferred is within the amounts authorized by the Trustees.

Credit Risk: Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

Duration: Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

Information Ratio: This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

Market Capitalization: For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

Market Weighted: Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

Maturity: The date on which a loan, bond, mortgage or other debt/security becomes due and is to be paid off.

Prepayment Risk: The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

Price-Book Value (P/B) Ratio: The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

Price-Earnings (P/E) Ratio: A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit

above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

Quality Rating: The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

Sharpe Ratio: A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard Deviation: A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

STIF Account: Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

Style: The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

Yield to Maturity: The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = 1\% \text{ pro rata, plus } 5.26\% \text{ (current yield)} = 6.26\% \text{ (yield to maturity)}$$

Sources: [Investment Terminology](#), International Foundation of Employee Benefit Plans, 1999.
[The Handbook of Fixed Income Securities](#), Fabozzi, Frank J., 1991.

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.