Callan

Cook County Employees Annuity and Benefit Fund

Performance Summary

March 31, 2016

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General Market and Economic Conditions

The first quarter of 2016 revealed a dramatic tale of two halves, split nearly evenly between "risk off" and "risk on" sentiment. Falling commodity prices and broad-based concerns over global economic growth contributed to poor performance in both the equity and corporate bond markets, as well as a sharp rally in US Treasuries through mid-February. February 11th marked the intra-quarter low in US stocks, oil prices, high yield bonds and risk appetite. WTI crude oil prices hit a multi-year low of $26/barrel, down from $37 at year-end, before rallying nearly 50% to close the quarter at $38. The VIX Index, a measure of volatility, spiked to 28 on February 11th and fell throughout the remainder of the quarter to 14 as of 3/31. And, the 10-year Treasury hit 1.66% on February 11th, 61 bps below its 12/31 level. The S&P 500 suffered its worst start to a year ever, falling over 10% through February 11th only to rally 12% and close the quarter up 1.3%.

Citing concerns over global growth as well as less supportive conditions in the US, the FOMC elected to keep rates unchanged at the two meetings held during the quarter. Comments made by Fed Chair Janet Yellen that changes in monetary policy would be gradual were construed as dovish with markets quickly adjusting to a reduction in the number of anticipated rate hikes in 2016. As of 3/31, federal funds futures were pricing in only one rate hike in 2016, down from four at year-end. The Fed also trimmed its own expectations to two rate hikes for the year, down from four, and its real GDP forecast for 2016 down to 2.2% from 2.4%.

In spite of volatility in financial markets, US data revealed an economy that continued to chug along. Fourth quarter GDP was revised upward to 1.4% from an initial estimate of 0.7%, bolstered by consumer spending. The labor market also continued to improve with robust job growth and an improvement in the labor force participation rate to 63%, the highest level in two years. Unemployment ticked up slightly to 5% given the increase in the labor force. Inflation increased slightly more than expected in February (data released in March) with the CPI ex-food & energy up 0.3% in February and 2.3% year-over-year. Wages rose an encouraging 2.3% from a year earlier. Even the manufacturing sector showed signs of improvement at the end of the quarter with March's Institute for Supply Management Index, which measures US manufacturing activity, expanding for the first time since last summer.

Outside of the US, the news was bleaker. In January, the Bank of Japan shocked investors by cutting its benchmark rate to -0.1% in a continuation of its efforts to spur growth and inflation. And later in the quarter, Japan sold a 10-year bond with a negative yield (-0.02%) for the first time ever. In Europe, Sweden's central bank, the Riksbank, cut its main rate by 15 bps to -0.5% citing "weakening confidence" in achieving its 2% inflation goal. Roughly $7 trillion of government debt globally now yields less than 0%. The yield-to-maturity for the Barclays Global Treasury Index stood at 0.8% as of quarter-end, an all-time low. The yield on the Index ex-US was even more paltry, at 0.6%. Norway's central bank cut its key interest rate to an all-time low of 0.5% from 0.75%, and also raised the prospect of negative rates.

The European Central Bank also surprised investors in early March when it announced a handful of new measures aimed at battling deflation and bolstering the economy. The ECB cut three of its main interest rates, introduced a new loan program for banks with ultra-low rates, extended its monthly asset program from €60 bn to €80 bn and added high quality corporate bonds to the list of the assets it can buy. The Bank also reduced forecasts for inflation and growth; it expects inflation of just 0.1% this year; sharply lower than the 1% projected in December and far below its 2% target. And growth expectations in 2016 for the euro zone's nineteen countries were cut from 1.7% to 1.4%. The euro strengthened on the news, however, due to ECB President Draghi's remarks that rates would not likely fall further given concerns over the impact on European banks. Financials (both stocks and bonds) were hit especially hard given concerns about the impact of persistently low (or negative) interest rates on banks' earnings. In February, investors were spooked by rumors that Deutsche Bank was close to defaulting on its subordinated capital notes. The bank sought to quell solvency concerns by announcing a $5.4 billion debt repurchase plan.

First Quarter 2016 Market Performance

Equities commenced the quarter on very weak footing with many indices down more than 5%, and some as much as 10%, in the month of January. The weakness continued through mid-February at which point the S&P 500 staged a strong rally through quarter-end. Despite the weak start, the S&P rose 1.3% in the first quarter. Mid and small caps were more volatile and while the Russell Midcap rose off its lows to a gain of more than 2%, small caps remained in the red at quarter-end (R2000: -1.5%). Value outperformed growth across capitalization with the largest difference coming from the lower end of the capitalization spectrum.

Corporate profits fell as a strong dollar and falling oil prices hurt earnings. Fourth quarter after-tax corporate profits fell about 8% and dropped roughly 3% for the full year, the first decline since 2008. The most notable dispersion in equity performance came from high quality (+6.3%) versus low quality (-0.0%) as measured by S&P. Value outperformed growth across small, mid and large caps but by the largest margin in small caps (R2000V: +1.7%; R2000G: -4.7%). From a sector perspective, Financials (-5.1%) and Health Care (-5.5%) performed the worst while the defensive Telecom (+16.6%) and Utilities (+15.6%) sectors performed the best. REITs performed well (NAREIT Equity: +6.0) while MLPs continued on a downward trajectory (Alerian MLP: -4.2%). The Index has lost nearly one-third of its value over the past year and peak-to-trough the decline approached the losses experienced in the Great Financial Crisis.

Foreign equities followed a similar path as their domestic counterparts; however, most broad indices failed to fully recover and posted declines for the quarter. A weaker dollar helped to mitigate the underperformance of developed markets (MSCI EAFE Local: -6.4%; US$: -3.0%). Emerging markets was the notable exception and rallied about 20% from its January nadir to finish with a nearly 6% gain (MSCI EM US$: +5.8%). Brazil (+28.6%) and Russia (+15.8%) were star performers among emerging markets countries (both in US dollar terms).

US Treasuries posted their best first quarter return since 2008 as yields dropped nearly 50 bps from year-end in a volatile quarter marked by heightened uncertainty over global economic growth. The Barclays US Treasury Index returned 3.2% for the quarter. Investment grade and high yield corporate bonds see-sawed, drastically underperforming in January and early February before rebounding with oil and stocks through quarter-end. Investment grade Financials, hurt by worries over persistent low / negative interest rates, underperformed like-duration Treasuries by nearly 100 bps for the quarter while Industrials, buoyed by a rebound in commodity prices, outperformed by 70 bps. The Barclays High Yield Index returned 3.4% for the quarter, but was down 5% through February 11th.

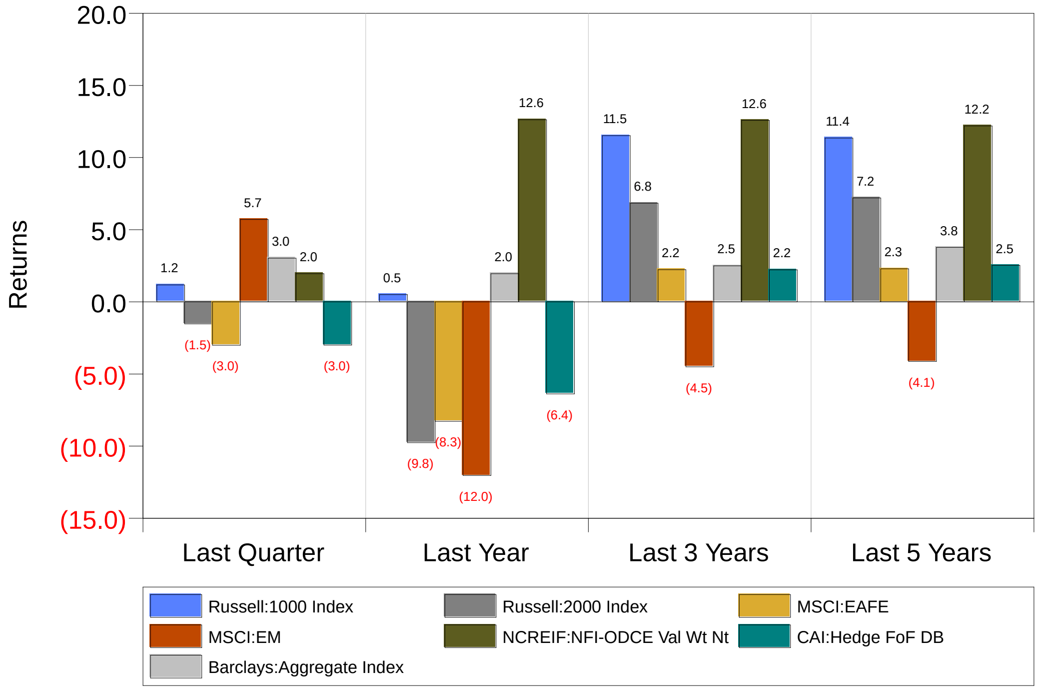
The US dollar weakened versus most currencies during the quarter, providing a tailwind to unhedged foreign bond returns. The yen gained 7% versus the dollar as investors sought its safe haven status. The euro was also stronger versus the dollar (+5%) on the back of Draghi's comments that rates were unlikely to fall further. The notable exception was the pound (-3%), where worries over a potential Brexit put pressure on the currency. Interest rates also fell across developed markets, further bolstering returns. The JPM Non-US GBI was up 9.1% for the quarter (+4.3% on a hedged basis) while the Barclays Global Aggregate returned 5.9% (+3.3% hedged). On an unhedged basis, returns approached 10% for many countries, including Japan which was up nearly 12% on the back of falling rates combined with yen strength. Emerging markets bonds rebounded in the first quarter with the bulk of the returns coming in late February and March as commodity prices stabilized and risk appetite returned. The hard currency JPM EMBI Global Diversified Index returned 5.0% while the local currency JPM GBI-EM Global Diversified soared 11.0%. Brazil was the top performer in both indices as investors were cheered by prospects for an impeachment of President Dilma Rousseff and a new government that could bring better days for the beleaguered country.

Real estate outperformed the broader equity market in the first quarter, a challenging and volatile period for stocks. U.S. REITS as measured by the FTSE NAREIT Equity rallied for a 6.0% return as rate-hike expectations eased and commercial real estate fundamentals remained generally healthy. Private real estate was not immune to the effects of volatility as transaction volume was down some 20% year over year, and bidder pools thinned. The first quarter return of 1.95% for the NCREIF Open End Diversified Core Equity Index (Net) (NFI-ODCE Net) was the lowest quarterly return since 2010; however, from vacancy to rent growth, all the major sectors continue to show improvement. Despite the headwinds as investors have rebalanced away from real estate, the double digit returns over the last one-, three-, and five- year periods have led other asset classes.

Private equity had a moderate start to the year as reported by *Private Equity Analyst* with first- quarter commitments totaling $53.1 billion with 177 new partnerships. The number of funds increased 20% from the 1Q 2015, but the dollar volume dropped by 5%. According to *Buyouts* newsletter, the investment pace by funds into companies in the first quarter dropped 32% from the prior year. According to other sources, new investments into venture capital decreased in the first quarter compared to the same period a year earlier. Regarding exits, steep declines were reported for the quarter. M&A exits were down 27% year over year and the announced value was declined 53% according to *Buyouts* reports. According to Callan, the median return for the All Private Equity universe returned 0.2% for the quarter (Source: Thomson/Cambridge, lagged one quarter).

Hedge funds provided mixed results (through February 29; March returns not yet available). Macro was the only strategy to produce a positive return (+2.5%) with Market Neutral (-0.3%), Relative Value (-2.2%), Event Driven (-3.7%), and Equity L/S (-4.9%) all losing money. All, however, fared better than the -5.1% return for the S&P 500 through Feb 29. Early indications of March results indicate that hedge funds did not keep pace in the recovery and will trail both stocks and bonds and show negative results for the 1st quarter.

Investment Returns for Periods Ended March 31, 2016



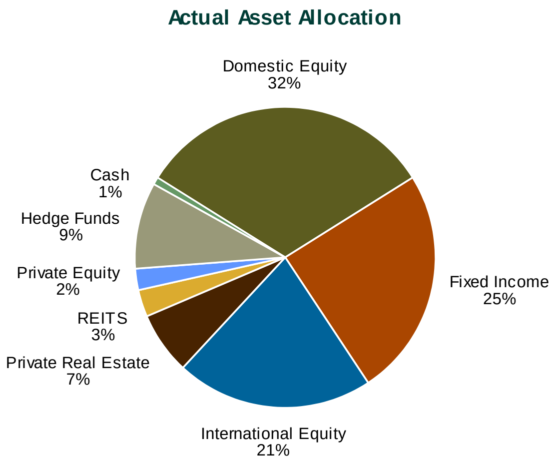
2007	2008	2009	2010	2011	2012	2013	2014	2015	1 Qtr. 2016
MSCI:EM 39.4%	BC Aggregate 5.2%	MSCI:EM 78.5%	Russell:2000 Index 26.9%	NCREIF:NFI-ODCE Eq Wt Net 15.0%	MSCI:EM 18.2%	Russell:2000 Index 38.8%	Russell:1000 Index 13.2%	NCREIF:NFI-ODCE Eq Wt Net 14.2%	MSCI:EM 5.7%
Cambridge:PE Index 17.7%	NCREIF:NFI-ODCE Eq Wt Net (11.1%)	MSCI:EAFE 31.8%	Cambridge:PE Index 19.4%	Cambridge:PE Index 11.0%	MSCI:EAFE 17.3%	Russell:1000 Index 33.1%	Cambridge:PE Index 12.7%	Cambridge:PE Index 6.7%	BC Aggregate 3.0%
NCREIF:NFI-ODCE Eq Wt Net 15.0%	CAI:Hedge FoF DB (21.0%)	Russell:1000 Index 28.4%	MSCI:EM 18.9%	BC Aggregate 7.8%	Russell:1000 Index 16.4%	MSCI:EAFE 22.8%	NCREIF:NFI-ODCE Eq Wt Net 11.4%	Russell:1000 Index 0.9%	NCREIF:NFI-ODCE Eq Wt Net 2.2%
MSCI:EAFE 11.2%	Cambridge:PE Index (22.4%)	Russell:2000 Index 27.2%	Russell:1000 Index 16.1%	Russell:1000 Index 1.5%	Russell:2000 Index 16.3%	Cambridge:PE Index 22.3%	BC Aggregate 6.0%	BC Aggregate 0.5%	Russell:1000 Index 1.2%
CAI:Hedge FoF DB 10.0%	Russell:2000 Index (33.8%)	Cambridge:PE Index 14.0%	NCREIF:NFI-ODCE Eq Wt Net 15.1%	CAI:Hedge FoF DB (3.4%)	Cambridge:PE Index 13.3%	NCREIF:NFI-ODCE Eq Wt Net 12.4%	Russell:2000 Index 4.9%	CAI:Hedge FoF DB (0.2%)	Russell:2000 Index (1.5%)
BC Aggregate 7.0%	Russell:1000 Index (37.6%)	CAI:Hedge FoF DB 13.1%	MSCI:EAFE 7.8%	Russell:2000 Index (4.2%)	NCREIF:NFI-ODCE Eq Wt Net 9.9%	CAI:Hedge FoF DB 10.8%	CAI:Hedge FoF DB 3.4%	MSCI:EAFE (0.8%)	CAI:Hedge FoF DB (3.0%)
Russell:1000 Index 5.8%	MSCI:EAFE (43.4%)	BC Aggregate 5.9%	BC Aggregate 6.5%	MSCI:EAFE (12.1%)	CAI:Hedge FoF DB 6.6%	BC Aggregate (2.0%)	MSCI:EM (2.2%)	Russell:2000 Index (4.4%)	MSCI:EAFE (3.0%)
Russell:2000 Index (1.6%)	MSCI:EM (53.3%)	NCREIF:NFI-ODCE Eq Wt Net (31.3%)	CAI:Hedge FoF DB 6.1%	MSCI:EM (18.4%)	BC Aggregate 4.2%	MSCI:EM (2.6%)	MSCI:EAFE (4.9%)	MSCI:EM (14.9%)	**Private Equity not yet**

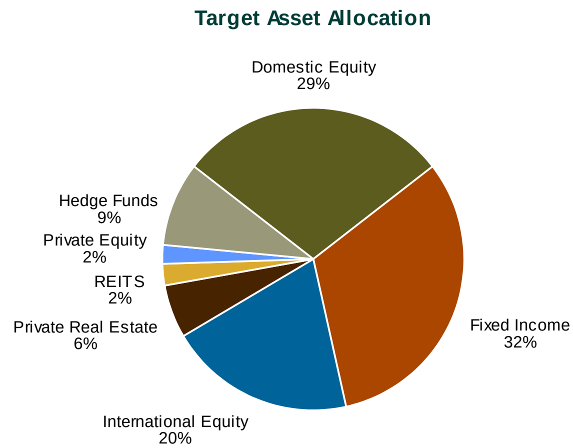
Cook County Fund Commentary

Asset Allocation

The fund value at the end of March was $8.42 billion, representing a net reduction of $23.27 million from the prior quarter end. Investments returned $57.57 million for the quarter while net outflows to fund benefit payments were $80.84 million.

Currently, assets are overweight to public equities and real estate, with an underweight to fixed income. The fund continued its progress toward its target allocation to private equity with a net investment of approximately $28.1 million in the first quarter.





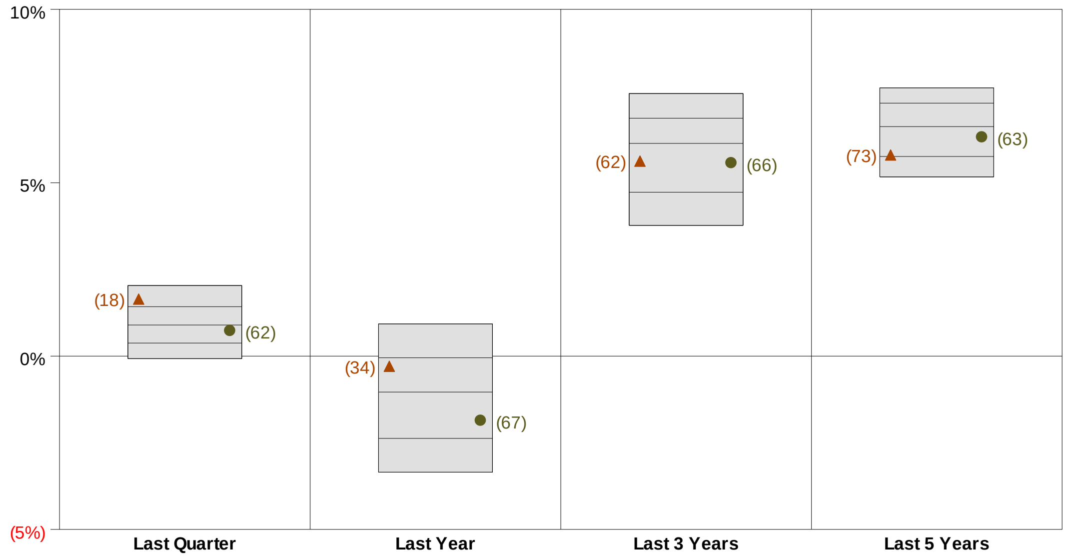
Cook County Fund Performance vs. Target

The fund has finished in line or exceeded its benchmark over the last three- and five-year periods. Over these periods, the Cook County Fund has generated annualized returns of 5.55% and 6.29%, respectively. Active management in international equity and an overweight in U.S. equity has provided the largest contribution to outperformance over the five-year period.

During the volatile first quarter, the fund generated a positive 0.62%. The fund trailed its benchmark and peers during the most recent quarter due to an underweight to fixed income, a small cap bias in its equity exposure, and active manager underperformance. The fund returned -1.88% for the last annualized period.

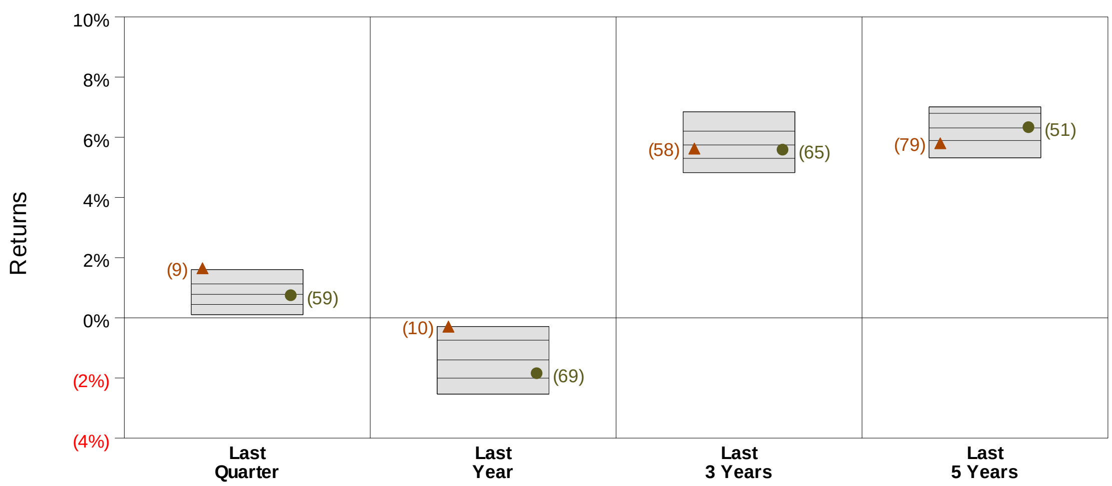
Cook County Employees' and Officers' Annuity & Benefit Fund
Performance Evaluation Executive Summary
First Quarter 2016

Table 1.0
Performance vs Public Fund - Large (>1B) (Gross)



	Last Quarter	Last Year	Last 3 Years	Last 5 Years
10th Percentile	2.04	0.93	7.57	7.74
25th Percentile	1.42	(0.05)	6.86	7.29
Median	0.90	(1.04)	6.13	6.62
75th Percentile	0.38	(2.37)	4.73	5.76
90th Percentile	(0.07)	(3.35)	3.77	5.17
Total Cook County Fund ●	0.71	(1.88)	5.55	6.29
Total Fund Benchmark ▲	1.65	(0.29)	5.63	5.80

Asset Allocation Adjusted Ranking



	Last Quarter	Last Year	Last 3 Years	Last 5 Years
10th Percentile	1.60	(0.29)	6.85	7.01
25th Percentile	1.13	(0.74)	6.20	6.80
Median	0.78	(1.40)	5.75	6.31
75th Percentile	0.44	(2.01)	5.30	5.89
90th Percentile	0.10	(2.54)	4.83	5.32
Total Fund ●	0.71	(1.88)	5.55	6.29
Policy Target ▲	1.65	(0.29)	5.63	5.80

Table 1.1
Asset Class Performance vs. Target

	Market Value $(Dollars)	Ending Weight	Last Quarter	Last Year	Last 3 Years	Last 5 Years
Domestic Equity	**$2,717,050,090**	**32.25%**	**0.42%**	**(3.79%)**	**9.83%**	**9.74%**
Domestic Equity Benchmark (2)	-	-	0.97%	(0.34%)	11.15%	10.74%
International Equity	**$1,786,442,451**	**21.21%**	**(0.11%)**	**(4.73%)**	**2.61%**	**2.95%**
International Equity Benchmark (3)	-	-	(0.38%)	(9.19%)	0.32%	0.16%
Fixed Income	**$2,068,374,896**	**24.55%**	**2.72%**	**0.84%**	**1.92%**	**3.81%**
Fixed Income Benchmark (4)	-	-	3.03%	1.96%	2.50%	3.83%
REITS	**$245,704,031**	**2.92%**	**4.82%**	**1.97%**	**8.11%**	**-**
NAREIT Equity Index	-	-	6.00%	4.43%	10.47%	11.89%
****Private Real Estate**	**$566,892,488**	**6.73%**	**1.37%**	**12.07%**	**12.35%**	**12.90%**
NFI-ODCE Value Weight Net	-	-	1.95%	12.62%	12.59%	12.20%
****Private Equity**	**$189,724,735**	**2.25%**	**1.32%**	**(1.27%)**	**8.85%**	**6.60%**
****Hedge Funds**	**$780,308,980**	**9.26%**	**(3.24%)**	**(2.84%)**	**4.19%**	**-**
LIBOR + 4%	-	-	1.14%	4.40%	4.30%	4.34%
HFRI Fund of Funds Index	-	-	(3.08%)	(5.70%)	1.76%	1.29%
Cash Equivalents	**$69,792,163**	**0.83%**	**0.11%**	**0.25%**	**0.19%**	**0.17%**
3-month Treasury Bill	-	-	0.07%	0.12%	0.07%	0.08%
Total Cook County Fund	**$8,424,537,640**	**100.00%**	**0.71%**	**(1.88%)**	**5.55%**	**6.29%**
Total Fund Bencmark (1)	-	-	1.65%	(0.29%)	5.63%	5.80%

**Represents trailing data.

Table 1.1 illustrates the fund's asset class performance versus associated benchmarks. The fund's domestic equity allocation which includes funds committed, but not yet called for private equity investment, trailed in part due to the structural overweight to smaller cap securities in an environment where small cap equities significantly underperformed large cap securities. For example, in the last year, the Russell 1000 Index, a large cap equity index, generated a return of 0.51% while the Russell 2000 Index, a small cap equity index, returned -9.76%.

Cook County's international equity allocation has outperformed the composite passive index for the periods measured above. In the past five years, Cook County's international equity allocation exceeded the passive benchmark index by over 2.7% annualized. Diversifying strategies such as non-U.S. small cap has been additive while emerging markets exposure has detracted.

In the last five years, the fixed income allocation posted a similar return to the Barclays Aggregate Index which is comprised of U.S. investment grade securities. In recent periods, the fixed income allocation has trailed this index due to core plus strategies that include non-U.S. fixed income securities and high yield issues. These strategies have underperformed in the short term.

Private real estate has been the best performing asset class over the last one, three and five years with returns in excess of 12% annualized for each respective period. The real estate allocation is comprised of investments in public real estate securities (REITS) and private real estate. The REIT allocation trailed its benchmark due in large part to active management which represents approximately 30% of the REIT allocation. The private real estate portfolio contains primarily core, income producing real estate, and a small allocation to non-core, closed end funds. The non-core funds were funded during the quarter and over the past year. The final properties in the farmland partnership were sold during the quarter.

Presently, the private equity program is pursuing a fund-of-funds approach. The current investment of 2.25% is below its target allocation of 6%. Funds committed, but waiting investment have been invested in public equities. During the quarter, approximately $28.09 million was invested in this asset class.

The fund's hedge fund allocation trailed its absolute return benchmark for the recent periods, but performed more favorably versus its industry peers as measured by the HFRI Fund-of-Funds Index. Despite a difficult year, the hedge fund allocation finished in line with its benchmark over the last three years and significantly outperformed industry peers.

Notes and Observations

The fund continued rebalancing activity with the recent wind down of an agriculture real estate fund, successfully selling 16 U.S. farmland properties and realizing approximately $30 million in net proceeds. Additionally, the fund submitted a redemption request from a hedge fund-of-funds manager as they have chosen to cease operations. Redemption proceeds are expected to begin in April. Finally, one of the fund's domestic equity emerging managers was purchased by a non-emerging manager firm, and the transaction closed during the first quarter.

Notes

1. **Total Fund Benchmark:** Blend of asset class benchmarks at policy weights. The Domestic Equity and Private Equity policy weights are adjusted such that the uninvested Private Equity assets are allocated to Domestic Equity, and thus Private Equity reflects the invested capital. First Quarter 2016 benchmark: 32.0% Barclays Aggregate Index, 29.0% Russell 3000 Index, 20.0% MSCI ACWI ex US, 9.0% Libor-3 Month+4.0%, 5.7% NFI-ODCE Value Weight Net, 2.3% NAREIT Equity Index and 2.0% Private Equity.

2. **Domestic Equity Benchmark:** Blend of 17% S&P 500, 7% Russell 2000 Value, 7% Russell Mid Cap Growth, 6% Russell 1000 Growth, and 6% Russell 1000 Value through 9/31/2011; Russell 3000 thereafter.

3. **International Benchmark:** 12% MSCI ACWI ex-US, 3% Global ex US under $2 billion through 9/30/2011; then 17% MSCI ACWI ex-US, 3% Global ex US under $2 billion through 12/31/12; MSCI ACWI ex-US thereafter.

4. **Fixed Income Benchmark:** Blend of 25% Barclays Aggregate, 5% Barclays US TIPs Index, 10% Barclays Gov/Credit Intermediate through 12/31/2012; Barclays Aggregate thereafter.