

Callan

Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

Performance Summary

March 31, 2016

Ann Posey

Senior Vice President

John Jackson, CFA

Senior Vice President

Michael Joecken

Senior Vice President

Table of Contents

General Market & Economic Conditions	3
Forest Preserve Fund Commentary	7
Forest Preserve Fund Performance	7

Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
Performance Evaluation Executive Summary
First Quarter 2016

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

Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
Performance Evaluation Executive Summary
First Quarter 2016

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

Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
Performance Evaluation Executive Summary
First Quarter 2016

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.

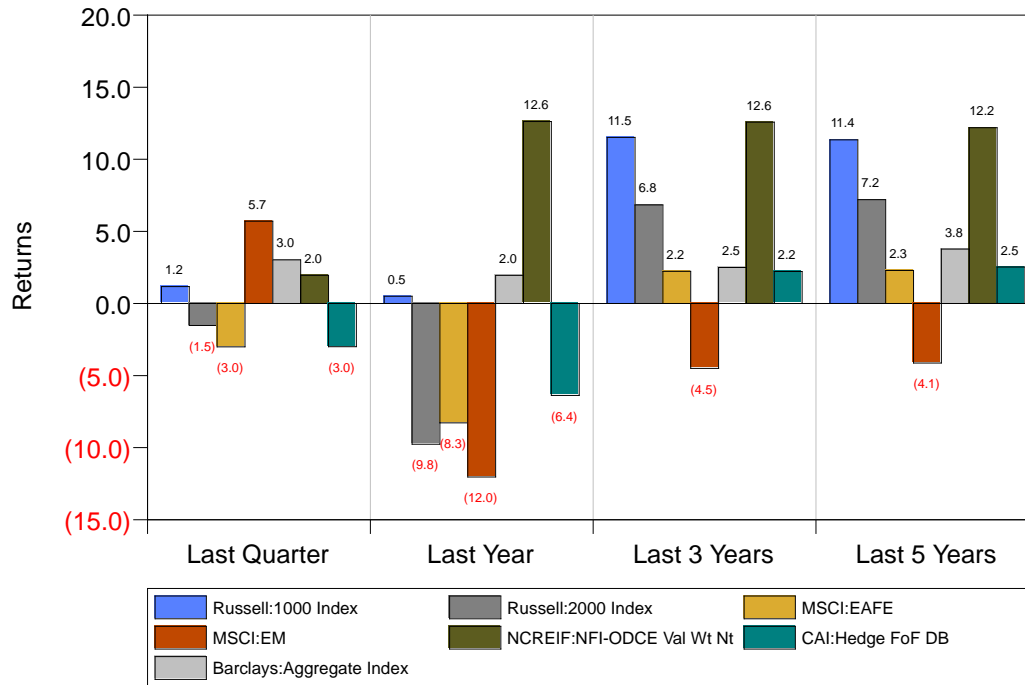
The US dollar weakened versus most currencies during the quarter, providing a tailwind to unhedged foreign bond returns. The yen gained 7% versus the dollar as investors sought its safe haven status. The euro was also stronger versus the dollar (+5%) on the back of Draghi's comments that rates were unlikely 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.

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.

Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
Performance Evaluation Executive Summary
First Quarter 2016

Investment Returns for Periods Ended March 31, 2016



2007 2008 2009 2010 2011 2012 2013 2014 2015 1 Qtr. 2016

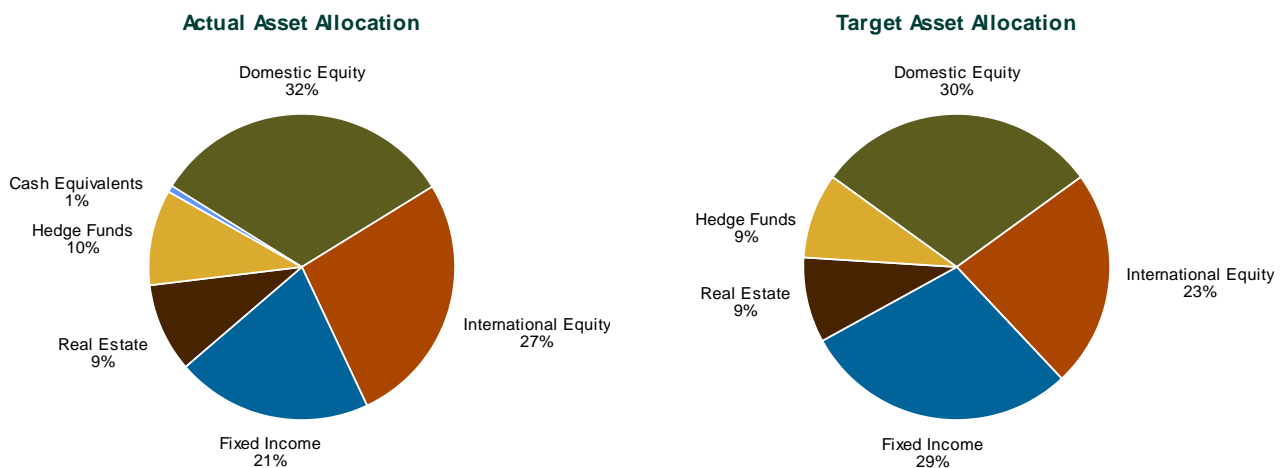
MSCI:EM	BC Aggregate	MSCI:EM	Russell:2000 Index	NCREIF:NFI-ODCE Eq Wt Net	MSCI:EM	Russell:2000 Index	Russell:1000 Index	NCREIF:NFI-ODCE Eq Wt Net	MSCI:EM
39.4%	5.2%	78.5%	26.9%	15.0%	18.2%	38.8%	13.2%	14.2%	5.7%
Cambridge:PE Index	NCREIF:NFI-ODCE Eq Wt Net	MSCI:EAFE	Cambridge:PE Index	Cambridge:PE Index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

Forest Preserve Fund Commentary

Asset Allocation

The fund value at the end of March was \$188.83 million; representing a net reduction of \$881.78 thousand from the prior quarter end. Investments returned \$1.13 million for the quarter while net cash outflows to fund benefit payments were \$2.01 million.

Currently, the fund assets are overweight to public equities and hedge funds, while fixed income is underweighted.



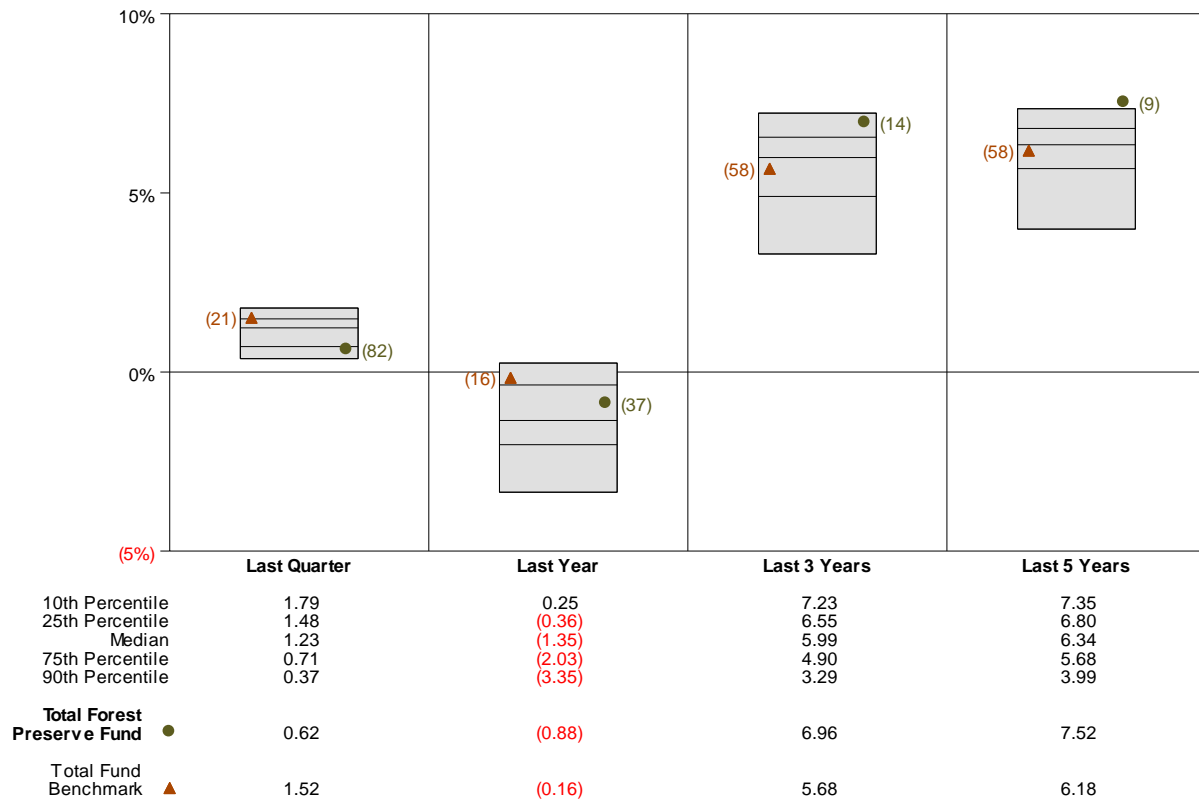
Forest Preserve Fund Performance vs. Target

The fund has finished ahead of its benchmark returns and finished in the top quartile of its peer universe over the last three- and five-year periods. Over these periods, the Forest Preserve Fund has generated annualized returns of 6.96% and 7.52%, respectively. Active management in the domestic equity and hedge fund asset class has provided the largest contribution to total fund outperformance over the five-year period.

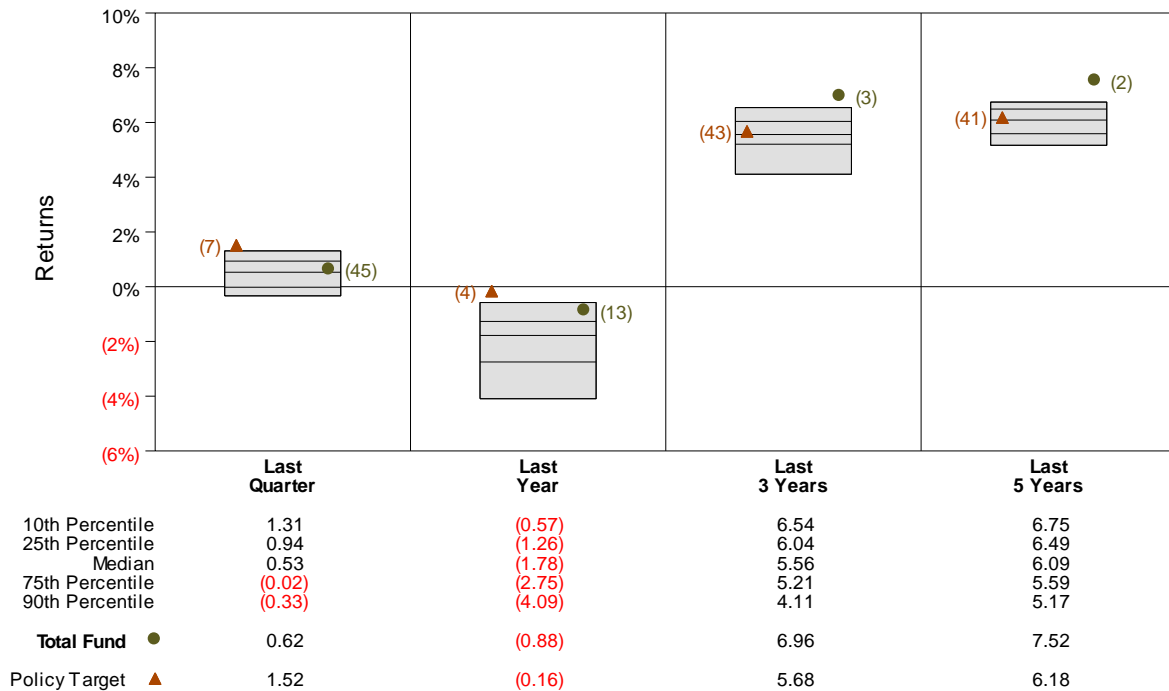
During the volatile first quarter, the fund generated a positive return of 0.62%. The fund trailed its benchmark and peers due to the small cap exposure within domestic equities and active manager underperformance in aggregate. The fund generated a +0.62% return for the quarter and returned -0.88% for the last annualized period and outperformed 73% of its peers during the period.

Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
Performance Evaluation Executive Summary
First Quarter 2016

Table 1.0
Performance vs Public Fund - Mid (100mm-1B) (Gross)



Asset Allocation Adjusted Ranking



Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
Performance Evaluation Executive Summary
First Quarter 2016

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	\$61,103,944	32.36%	0.22%	(1.35%)	11.48%	11.09%
Domestic Equity Benchmark	-	-	1.07%	(0.98%)	10.76%	10.88%
Total International Equity	\$50,608,388	26.80%	0.16%	(4.03%)	5.56%	6.36%
International Equity Benchmark	-	-	(0.38%)	(9.19%)	0.32%	0.31%
Fixed Income	\$39,031,845	20.67%	3.04%	2.16%	2.59%	3.73%
Fixed Income Benchmark	-	-	3.03%	1.96%	2.50%	3.67%
**Real Estate	\$17,705,449	9.38%	2.63%	2.83%	7.66%	11.65%
NFI-ODCE Value Weight Net	-	-	1.95%	12.62%	12.59%	12.20%
**Hedge Funds	\$19,065,861	10.10%	(3.42%)	(1.48%)	5.83%	-
LIBOR + 4%	-	-	1.14%	4.40%	4.30%	-
HFRI Fund of Funds Index	-	-	(3.08%)	(5.70%)	1.76%	1.29%
Cash Equivalents	\$1,313,513	0.70%	0.12%	0.24%	0.16%	0.15%
3-month Treasury Bill	-	-	0.07%	0.12%	0.07%	0.08%
Total Forest Preserve Fund	\$188,829,001	100.00%	0.62%	(0.88%)	6.96%	7.52%
Total Fund Benchmark	-	-	1.52%	(0.16%)	5.68%	6.18%

**Represents trailing data.

Table 1.1 illustrates the fund's asset class performance versus associated benchmarks. The fund's domestic equity allocation, trailed in part due to its 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%. Longer term, the domestic equity allocation has exceeded the benchmark returns.

The fund's international equity allocation has outperformed the composite passive index for all the periods measured above. In the past five years, the international equity allocation exceeded the passive benchmark index by over 6.00% per annum.

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.

Real estate has been the best performing asset class over the last five years with annual returns in excess of 11.6%. The real estate allocation is comprised of investments in public real estate securities (REITS) and private real estate. The REIT allocation has added significantly in the last quarter, but lagged the private market allocation over longer periods. The private real estate portfolio contains core, income producing real estate.

Forest Preserve District Employees' Annuity & Benefit Fund of Cook County
Performance Evaluation Executive Summary
First Quarter 2016

The fund's hedge fund allocation trailed its absolute return benchmark for the last quarter and year, but exceeded the benchmark by over 1.50% annually over the last three years, and significantly outdistanced hedge fund peers as measured by the HFRI Fund of Funds Index.

Notes and Observations

The fund continued its diversification with the funding of an additional open-ended core real estate fund in December of last year.

Notes

1. **Total Fund Benchmark:** Blend of asset class benchmarks at policy weights. First Quarter 2016 benchmark: 29.0% Barclays Aggregate Index, 9.0% Russell 2500 Index, 21.0% S&P 500, 23.0% MSCI ACWI ex US, 9.0% Libor-3 Month+4.0%, and 9.0% NFI-ODCE Value Weight Net.
2. **Domestic Equity Benchmark:** Blend of 25.0% S&P 500, 5.0% Russell 2000 Value, 7.5% Russell 1000 Growth, and 7.5% Russell 1000 Value through 12/31/12; Blend of 21.0% S&P 500 and 9.0% Russell 2500 thereafter.
3. **Fixed Income Benchmark:** Blend of 30.0% Barclays Aggregate, 10% Barclays Gov/Credit Intermediate through 12/31/2012; Barclays Aggregate thereafter.