

NEW JERSEY DIVISION OF INVESTMENT

Director's Report

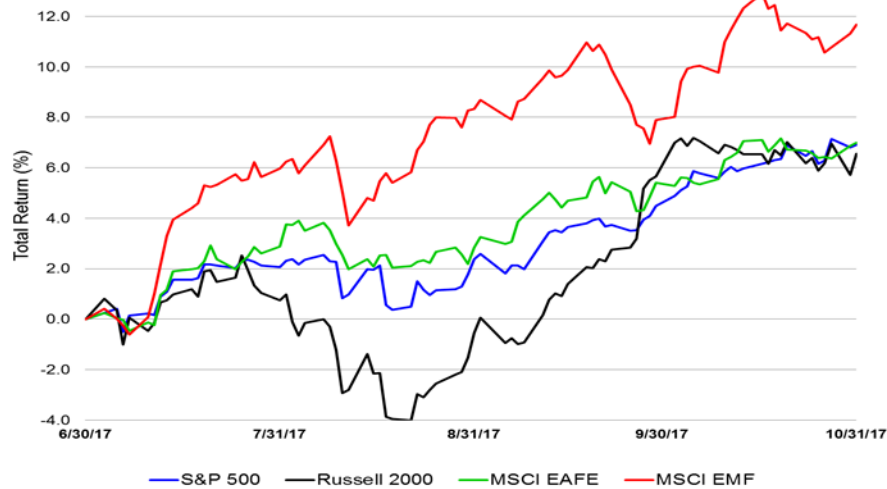
November 29, 2017

State Investment Council Meeting

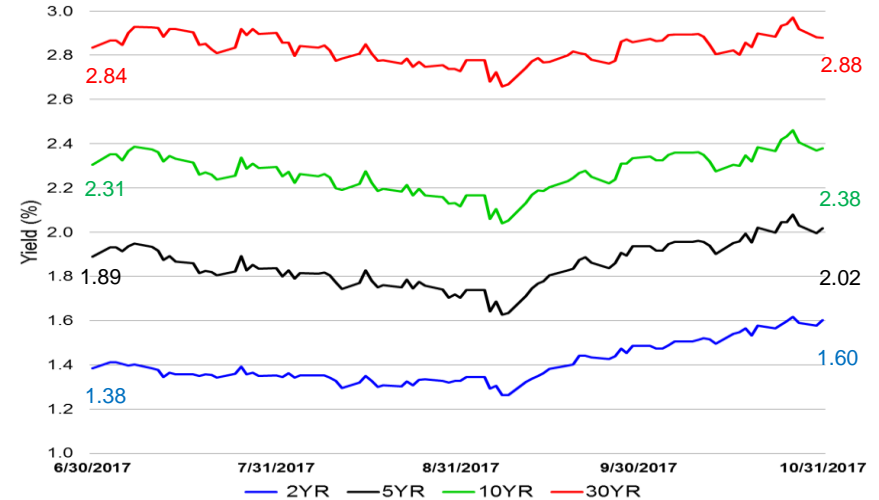
“The mission of the New Jersey Division of Investment is to achieve the best possible return at an acceptable level of risk using the highest fiduciary standards.”

Capital Markets Update (through October 31, 2017)

Fiscal Year 2018 Equity Market Returns



Fiscal Year 2018 U.S. Treasury Yields



	October 31, 2017	MTD %	FYTD %	CYTD %	1 Yr %	3 Yrs %	5 Yrs %	10 Yrs %	
Domestic Equity	S&P 500	2.33	6.92	16.91	23.62	10.76	15.17	7.52	1
	Russell 2000	0.85	6.57	11.88	27.82	10.11	14.49	7.62	2
International Equity	MSCI EAFE	1.52	7.01	21.78	23.44	6.08	8.53	1.10	3
	MSCI EMF	3.51	11.68	32.26	26.45	5.70	4.83	0.60	4
Bond	Barclays Agg	0.06	0.91	3.20	0.90	2.40	2.04	4.19	5
	Barclays HY	0.42	2.41	7.45	8.92	5.56	6.27	7.82	6
	Barclays US Tips	0.21	1.08	1.94	-0.11	1.40	-0.11	3.81	7
Commodity	Bloomberg	2.05	4.34	-1.52	1.52	-9.87	-9.60	-7.28	8
Real Estate	Bloomberg REIT	-0.10	1.00	6.36	8.62	7.46	10.36	6.12	9
Hedge Funds	HFRI Composite Index*	1.26	3.54	7.23	9.14	3.98	5.06	2.92	10

*Preliminary

Source: Bloomberg

Record Year for Global Equities

Monthly Returns for MSCI All Country World Index

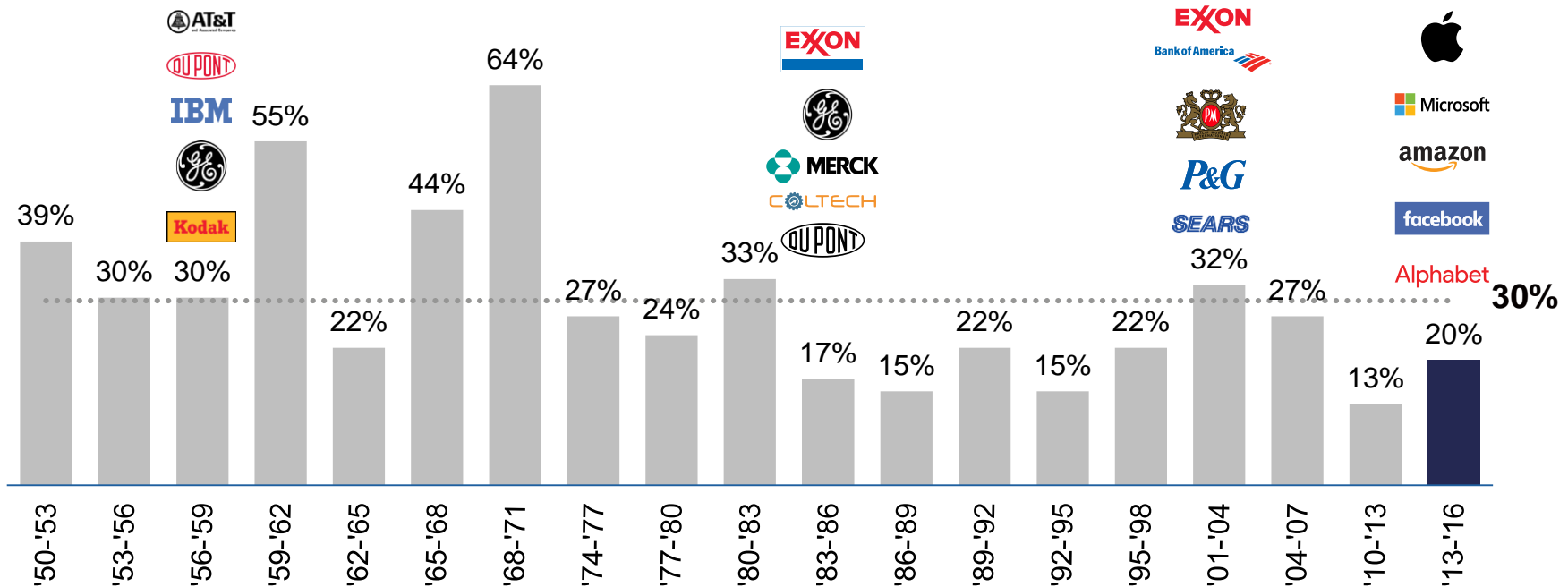
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2017	2.7%	2.6%	1.0%	1.4%	1.9%	0.3%	2.7%	0.2%	1.8%	2.0%		
2016	-6.1%	-0.9%	7.2%	1.3%	-0.2%	-0.8%	4.2%	0.1%	0.4%	-1.8%	0.6%	2.0%
2015	-1.6%	5.4%	-1.8%	2.7%	-0.4%	-2.5%	0.8%	-7.0%	-3.8%	7.8%	-1.0%	-1.9%
2014	-4.1%	4.6%	0.2%	0.7%	1.8%	1.7%	-1.3%	2.0%	-3.4%	0.6%	1.5%	-2.0%
2013	4.5%	-0.2%	1.6%	2.6%	-0.6%	-3.1%	4.7%	-2.3%	5.0%	3.9%	1.2%	1.6%
2012	5.7%	4.8%	0.4%	-1.4%	-9.3%	4.7%	1.3%	1.9%	2.9%	-0.8%	1.1%	2.1%
2011	1.5%	2.8%	-0.3%	3.9%	-2.5%	-1.7%	-1.7%	-7.5%	-9.7%	10.6%	-3.2%	-0.3%
2010	-4.4%	1.1%	6.2%	0.0%	-9.9%	-3.1%	8.0%	-3.7%	9.4%	3.5%	-2.4%	7.2%
2009	-8.6%	-10.0%	7.9%	11.5%	9.5%	-0.7%	8.7%	3.4%	4.4%	-1.6%	3.9%	2.0%
2008	-8.3%	0.1%	-1.7%	5.3%	1.2%	-8.3%	-2.7%	-2.4%	-12.7%	-19.9%	-6.8%	3.5%
2007	0.9%	-0.7%	1.8%	4.2%	2.7%	-0.4%	-1.6%	-0.5%	5.2%	3.8%	-4.6%	-1.2%
2006	4.9%	-0.3%	1.9%	3.2%	-4.2%	-0.2%	0.6%	2.4%	1.0%	3.7%	2.6%	2.1%
2005	-2.2%	3.3%	-2.4%	-2.4%	1.6%	0.9%	3.6%	0.6%	2.9%	-2.8%	3.5%	2.4%
2004	1.6%	1.7%	-0.8%	-2.5%	0.5%	1.9%	-3.3%	0.4%	1.9%	2.4%	5.3%	3.8%
2003	-3.0%	-2.0%	-0.7%	8.6%	5.5%	1.7%	2.1%	2.2%	0.5%	5.9%	1.4%	6.2%
2002	-2.8%	-0.9%	4.5%	-3.5%	-0.1%	-6.3%	-8.5%	0.1%	-11.1%	7.2%	5.3%	-4.9%
2001	2.5%	-8.5%	-6.9%	7.1%	-1.4%	-3.2%	-1.7%	-4.8%	-9.3%	2.1%	6.0%	0.9%
2000	-5.5%	0.2%	6.5%	-4.6%	-2.7%	3.3%	-3.0%	3.0%	-5.6%	-2.1%	-6.3%	1.6%
1999	1.9%	-2.6%	4.4%	4.2%	-3.7%	4.9%	-0.5%	-0.2%	-1.2%	4.9%	3.0%	8.2%
1998	2.1%	6.7%	4.1%	0.8%	-2.0%	1.7%	-0.1%	-14.2%	1.8%	9.0%	5.9%	4.5%
1997	1.5%	1.2%	-2.2%	3.0%	5.8%	5.0%	4.4%	-7.1%	5.2%	-6.1%	1.4%	1.2%
1996	2.1%	0.2%	1.4%	2.3%	-0.1%	0.4%	-3.9%	1.1%	3.5%	0.2%	5.2%	-1.6%
1995	-2.2%	0.9%	4.4%	3.4%	0.9%	-0.2%	4.7%	-2.4%	2.6%	-1.8%	3.0%	2.8%
1994	6.5%	-1.6%	-4.7%	2.5%	0.4%	-0.7%	2.0%	3.4%	-2.5%	2.4%	-4.5%	0.2%
1993	0.1%	2.2%	5.5%	4.3%	2.5%	-1.2%	1.9%	4.6%	-1.8%	2.8%	-5.4%	5.2%
1992	-1.7%	-1.7%	-4.7%	1.1%	3.6%	-3.8%	0.1%	2.0%	-1.1%	-2.7%	1.5%	0.7%
1991	3.5%	9.2%	-3.5%	1.1%	2.2%	-6.3%	4.6%	-0.4%	2.3%	1.5%	-4.5%	7.2%
1990	-4.8%	-4.4%	-6.4%	-1.5%	10.2%	-0.9%	0.8%	-9.6%	-10.7%	8.9%	-1.9%	1.9%
1989	3.4%	-0.8%	-0.7%	2.3%	-2.5%	-1.6%	11.1%	-2.5%	2.8%	-3.4%	3.8%	3.1%
1988	2.3%	5.6%	2.9%	1.1%	-2.1%	-0.3%	1.7%	-5.7%	4.1%	6.4%	3.2%	0.7%

Global Equities have produced positive performance in the first 10 months of the year for the first time in the 30 year history of the MSCI All Country World Index. Prior to 2017, the index has not had less than three negative months in any calendar year.

FAANG Dominance not Uncommon

% of Total Market Value Creation from Top Five Value Creators

% of S&P 500 Returns in Period

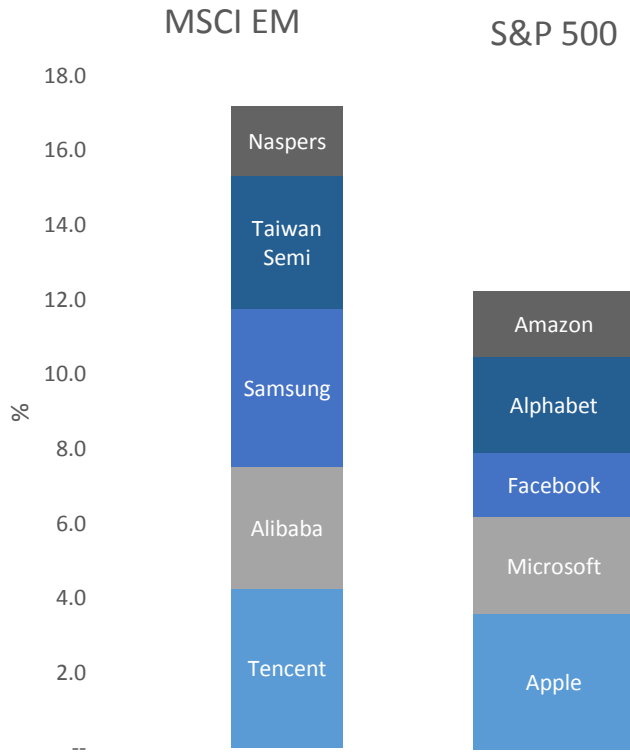


Note: Excludes the periods of 1968-1971, 1998-2001 and 2007-2010 which are not meaningful, given a negative or very small overall market return.
Source: BCG Analysis (August 2017)

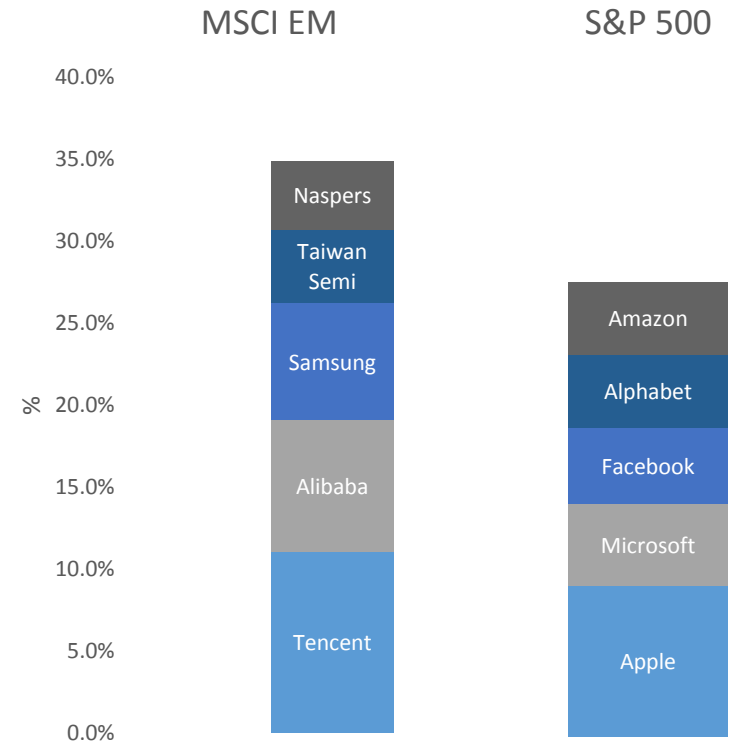
The FAANG stocks have outperformed the S&P 500 by about 30% over the last 12 months while five companies are responsible for 20% of the index's overall gains over the last several years. As shown in the chart above, it is not uncommon for a small group of companies to disproportionately drive market returns, however, it is unique for one industry to drive value creation.

Emerging Markets Driven by the ANTTTS

Weight of Top 5 Index Names – 2017 YTD

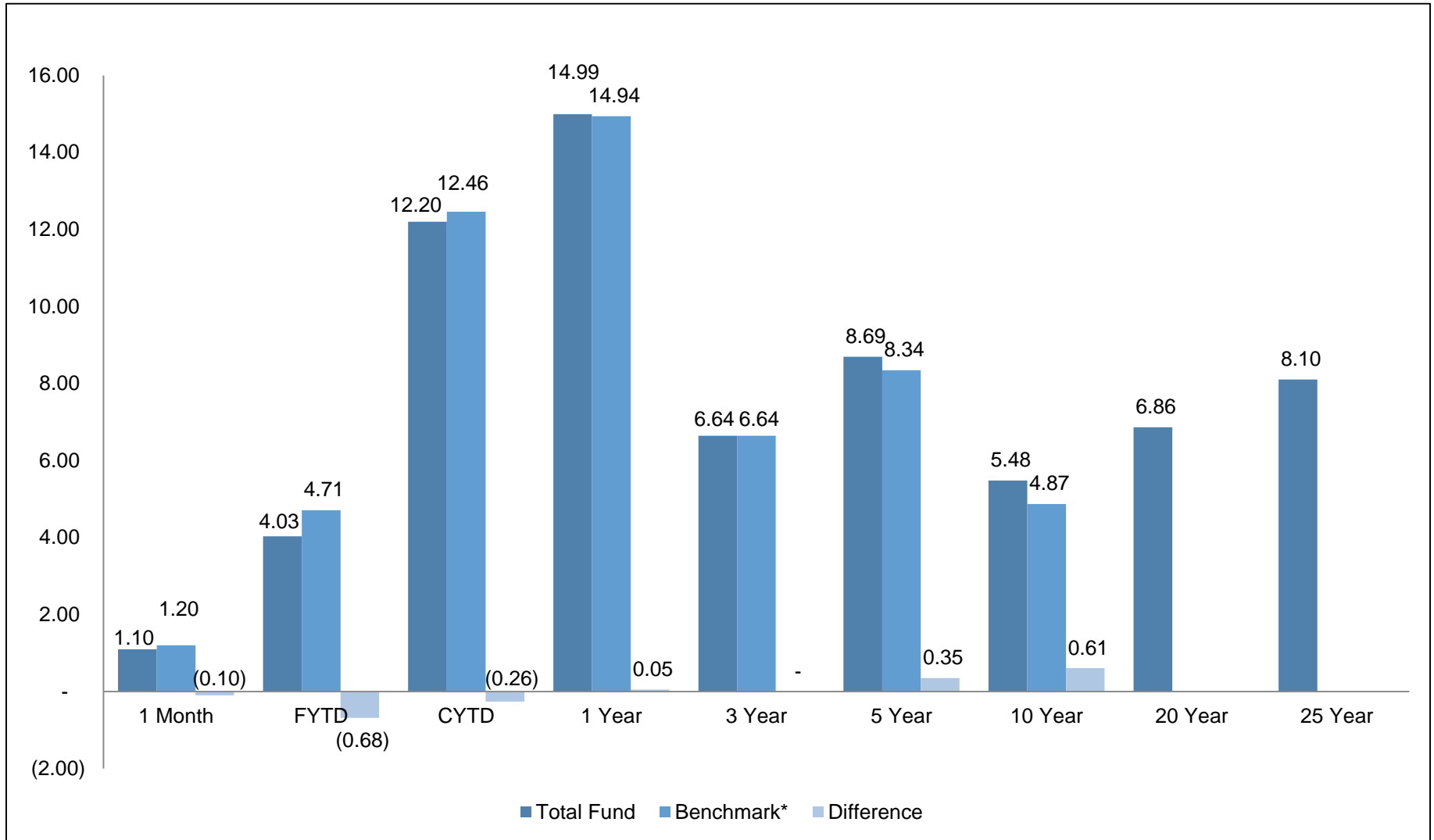


% Contribution to Index Return – 2017 YTD



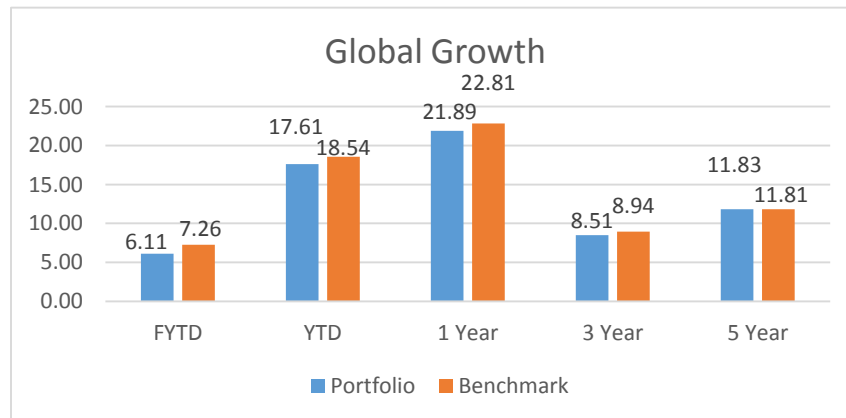
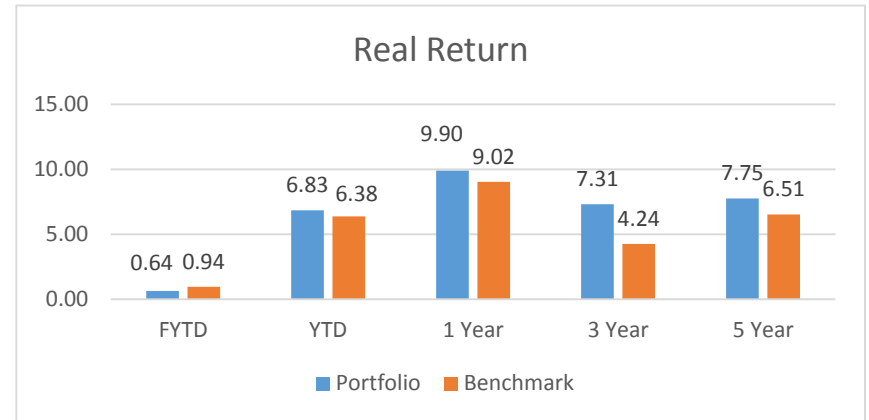
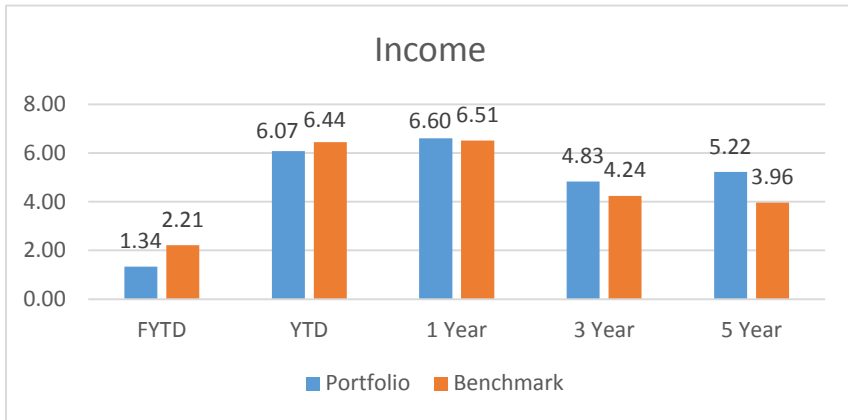
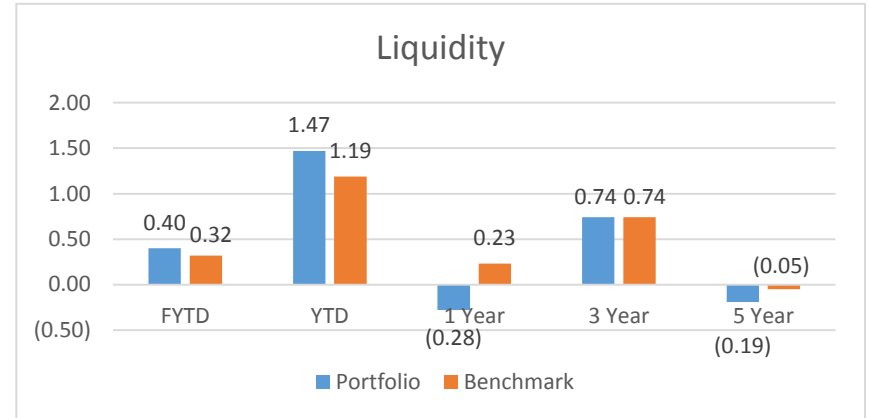
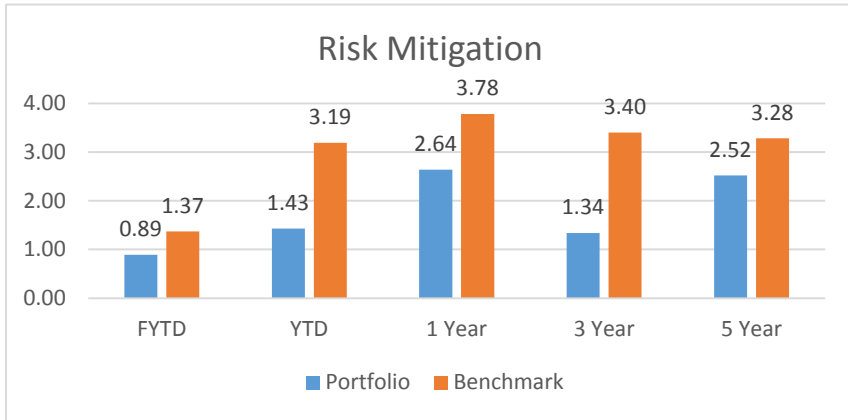
The impact of the top performing stocks in the emerging markets has been greater than the top performers in the U.S. The top 5 largest weights in the emerging markets index represent 17.2% of the index and are responsible for 35% of the index's gain year to date. This compares to the top five names in the S&P 500 that represent 12.5% of the index and have been responsible for 28% of the index's gain year to date.

Total Fund⁽¹⁾ Performance for Periods Ended October 31, 2017



(1) Pension Fund returns exclude Police and Fire Mortgage Program; Returns are unaudited as of 11/10/17

*Benchmark return not available for 20 and 25-year period



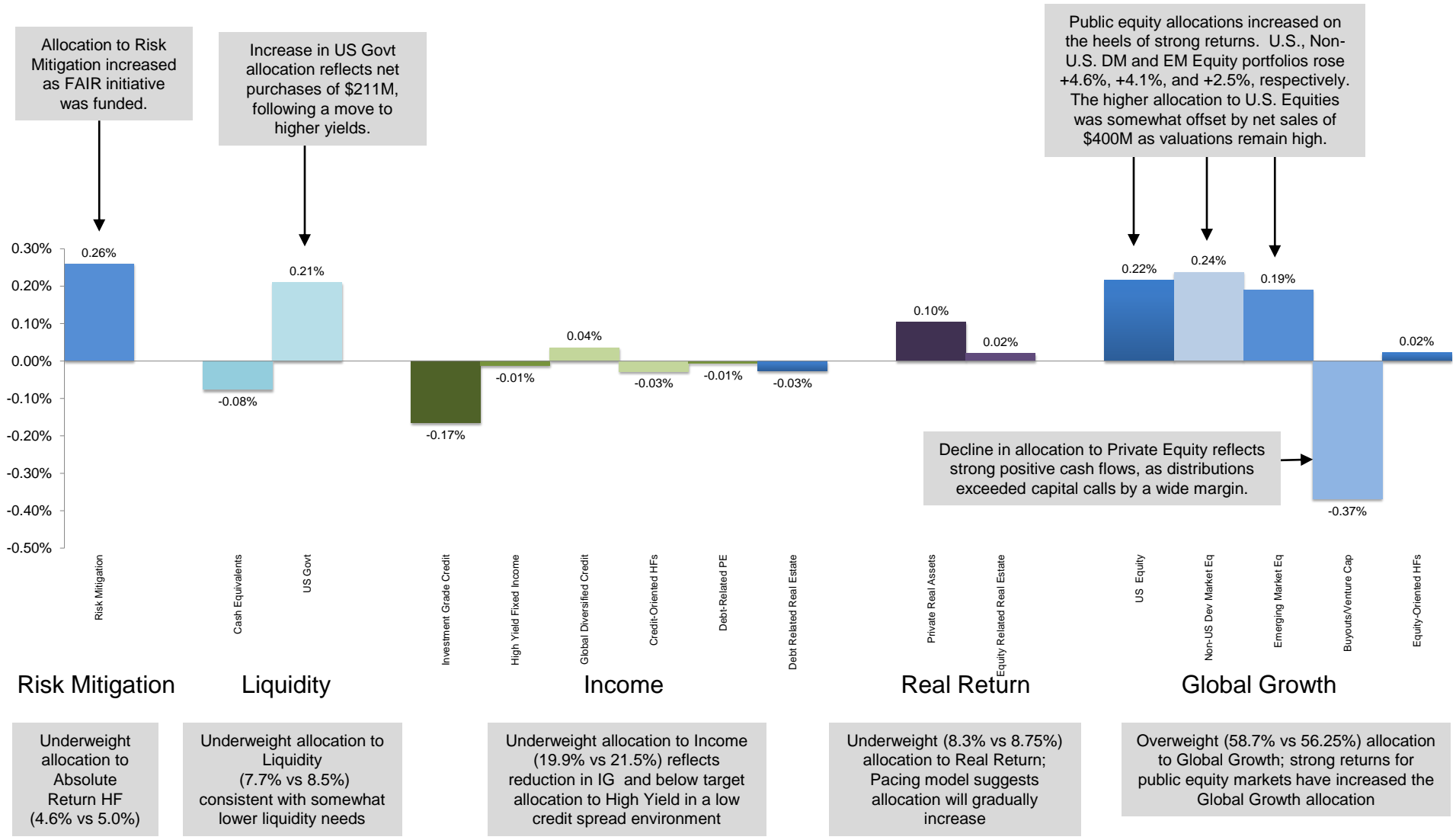
Asset Class	ASSET ALLOCATION ⁽¹⁾				PERFORMANCE (for periods ending October 31, 2017) ⁽²⁾								Long Term CMA
	As of October 31, 2017				FYTD		Calendar YTD		Trailing Twelve Months		Trailing Three Years		
	Mkt Value	Actual (%)	Target (%)	Difference	NJ	Bench	NJ	Bench	NJ	Bench	NJ	Bench	
RISK MITIGATION													
RISK MITIGATION STRATEGIES	3,487	4.57%	5.00%	-0.43%	0.89%	1.37%	1.43%	3.19%	2.64%	3.78%	1.34%	3.40%	
LIQUIDITY													
Cash Eqv & Short Term	3,504	4.59%	5.50%	-0.91%	0.48%	0.35%	1.02%	0.66%	1.22%	0.72%			1.00%
U.S. Government	2,396	3.14%	3.00%	0.14%	0.41%	0.26%	2.59%	2.14%	-1.30%	-0.69%	0.63%	1.66%	1.73%
TOTAL LIQUIDITY	5,900	7.73%	8.50%	-0.77%	0.40%	0.32%	1.47%	1.19%	-0.28%	0.23%	0.74%	0.74%	
INCOME													
Investment Grade Credit	7,188	9.42%	10.00%	-0.58%	1.18%	1.41%	3.90%	4.55%	1.75%	2.25%	3.07%	3.25%	3.54%
Public High Yield	1,474	1.93%	2.50%	-0.57%	2.68%	2.41%	7.72%	7.45%	9.42%	8.92%	5.72%	5.56%	6.49%
Global Diversified Credit	3,690	4.83%	5.00%	-0.17%	1.53%	2.41%	9.90%	7.45%	12.96%	8.92%	8.51%	5.56%	6.80%
Credit-Oriented HFs	1,735	2.27%	1.00%	1.27%	0.20%	1.77%	4.27%	6.97%	7.11%	9.24%	3.42%	2.80%	6.38%
Debt-Related PE	688	0.90%	2.00%	-1.10%	2.76%	4.35%	8.42%	10.67%	13.43%	14.31%	8.51%	8.54%	9.29%
Debt Related Real Estate	398	0.52%	1.00%	-0.48%	0.42%	4.62%	7.45%	6.23%	8.30%	6.72%	4.43%	5.70%	6.00%
TOTAL INCOME	15,173	19.87%	21.50%	-1.63%	1.34%	2.21%	6.07%	6.44%	6.60%	6.51%	4.83%	4.24%	
REAL RETURN													
Private Real Assets	2,154	2.82%	2.50%	0.32%	-1.07%	-0.40%	1.12%	9.83%	7.36%	14.34%	1.86%	-6.24%	9.56%
Commodities	7	0.01%	0.00%	0.01%	1.48%	4.72%	-1.69%	-0.79%	-1.05%	2.35%	-7.92%	-9.54%	4.28%
Equity Related Real Estate	4,181	5.48%	6.25%	-0.77%	1.46%	1.47%	9.91%	4.98%	11.74%	6.90%	12.14%	10.33%	8.09%
TOTAL REAL RETURN	6,342	8.31%	8.75%	-0.44%	0.64%	0.94%	6.83%	6.38%	9.90%	9.02%	7.31%	4.24%	
GLOBAL GROWTH													
US Equity	22,270	29.17%	30.00%	-0.83%	6.69%	6.82%	16.51%	16.30%	24.32%	23.76%	9.65%	10.81%	6.80%
Non-US Dev Market Eq	9,383	12.29%	11.50%	0.79%	7.27%	6.98%	21.90%	20.89%	23.14%	22.70%	5.87%	5.68%	7.28%
Emerging Market Eq	5,442	7.13%	6.50%	0.63%	10.55%	11.74%	30.37%	32.89%	24.26%	26.81%	4.60%	6.02%	8.60%
Buyouts/Venture Cap	6,820	8.93%	8.25%	0.68%	0.58%	5.87%	9.27%	13.28%	12.44%	17.78%	12.51%	9.28%	10.08%
Equity-Oriented HFs	888	1.16%	0.00%	1.16%	0.54%	3.55%	9.95%	9.40%	12.83%	11.06%	3.65%	5.62%	7.79%
TOTAL GLOBAL GROWTH	44,804	58.69%	56.25%	2.44%	6.11%	7.26%	17.61%	18.54%	21.89%	22.81%	8.51%	8.94%	
OTHER													
OPPORTUNISTIC PE	358	0.47%			3.18%		15.45%		18.91%		9.44%		
OTHER	280	0.37%											
TOTAL FUND ⁽³⁾	76,343	100.00%			4.03%	4.71%	12.20%	12.46%	14.99%	14.94%	6.64%	6.64%	
				S&P 500	6.92%		16.91%		23.62%		10.76%		
				Russell 2000	6.57%		11.88%		27.82%		10.11%		
				MSCI EAFE	7.01%		21.78%		23.44%		6.08%		
				MSCI EMF	11.68%		32.26%		26.45%		5.70%		
				Barclays Agg	0.91%		3.20%		0.90%		2.40%		
				Barclays HY	2.41%		7.45%		8.92%		5.56%		
				Bloomberg Commodities	4.34%		-1.52%		1.52%		-9.87%		
				Bloomberg REIT	1.00%		6.36%		8.62%		7.46%		
				HFRI	3.54%		7.23%		9.14%		3.98%		

¹ Current assets are based on preliminary values and do not include receivables of \$197 million primarily related to Real Estate secondary sale

² Unaudited and based on preliminary market values

³ Total Fund returns exclude Police & Fire Mortgage Program

Pension Fund Update: Change in Sector Allocation from September 1, 2017 – October 31, 2017



Recent shifts in sector allocations were the result of strong positive returns in public equity markets, increased purchases of U.S. government securities, and funding of the Division's FAIR initiative.

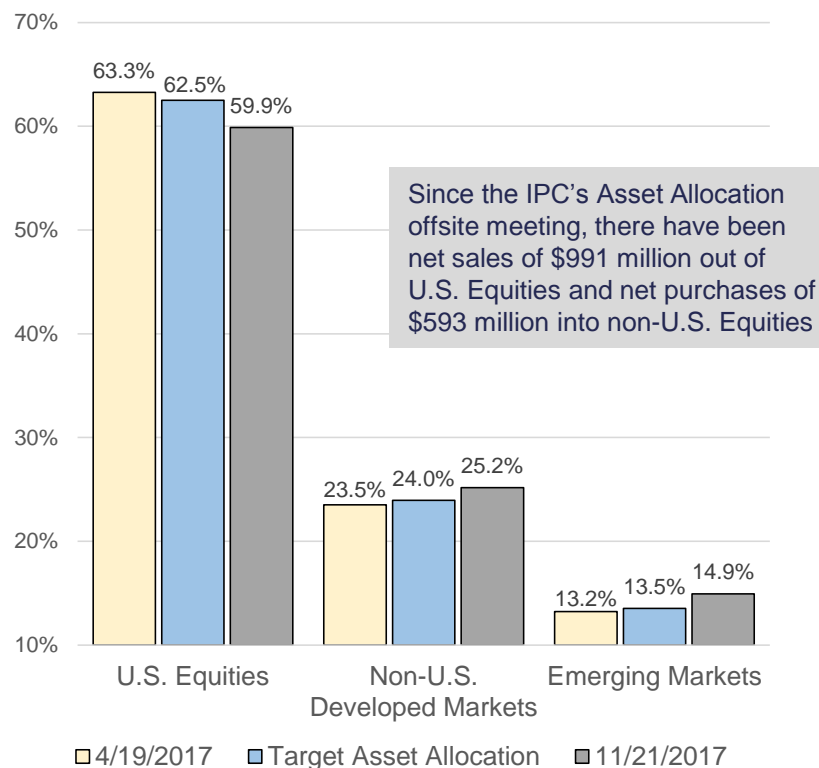
Global Equities: Current Investment Themes and Tactical Asset Allocation

The Division expects to maintain a pronounced home country bias within global equities, but may tilt the allocation somewhat in favor of non-U.S. equities relative to the targeted AA

- Non-U.S. equity valuations are viewed more constructively, particularly in light of more favorable earnings and economic growth potential within EM and an extended period of policy accommodation within DM
- any tilt would likely be modest, as risks remain elevated ahead of Brexit negotiations, continued pressure on the EU institution, elections in Germany, further deleveraging, and the eventual tapering of ECB monetary policy

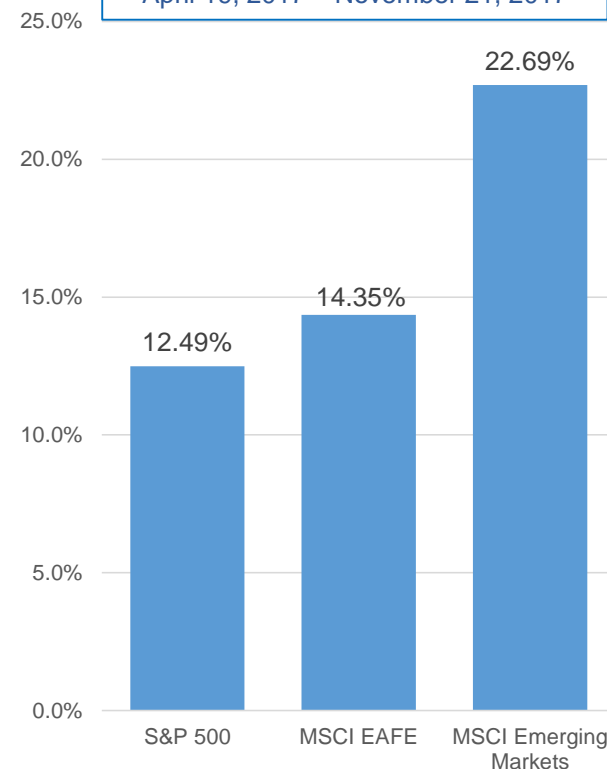
Asset Allocation Review
Investment Policy Committee Meeting
April 19, 2017

Global Equity Allocation



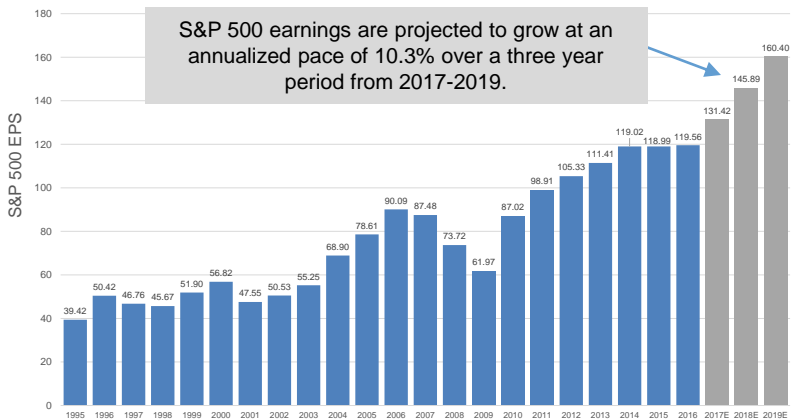
Global Equity Total Returns

April 19, 2017 – November 21, 2017

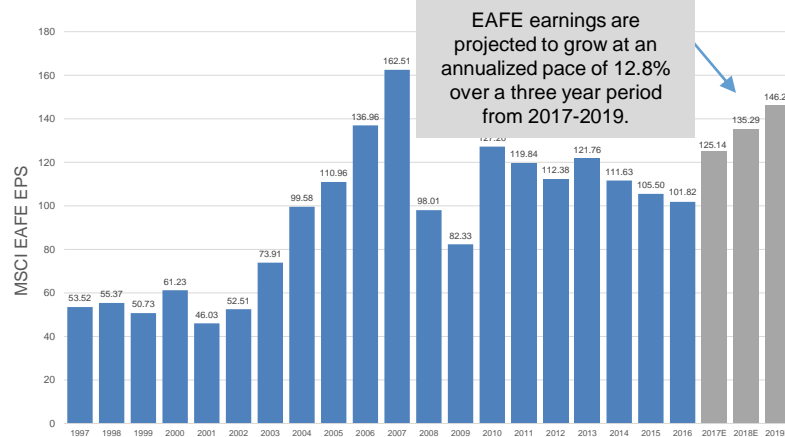


Global Equity Markets: Projected Earnings Per Share (EPS) Growth

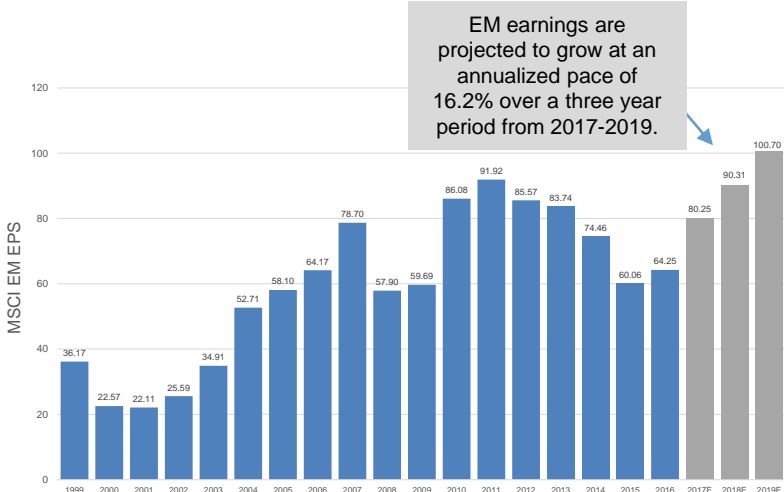
S&P 500 Earnings



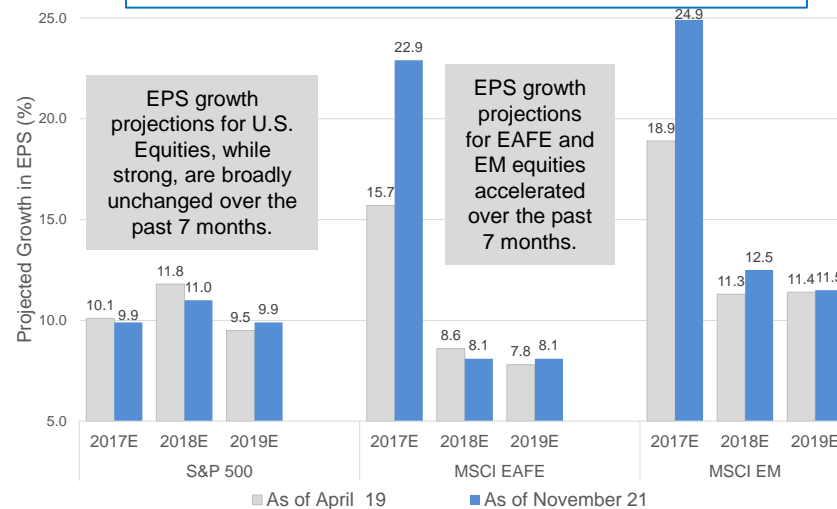
MSCI EAFE Earnings



MSCI Emerging Markets Earnings



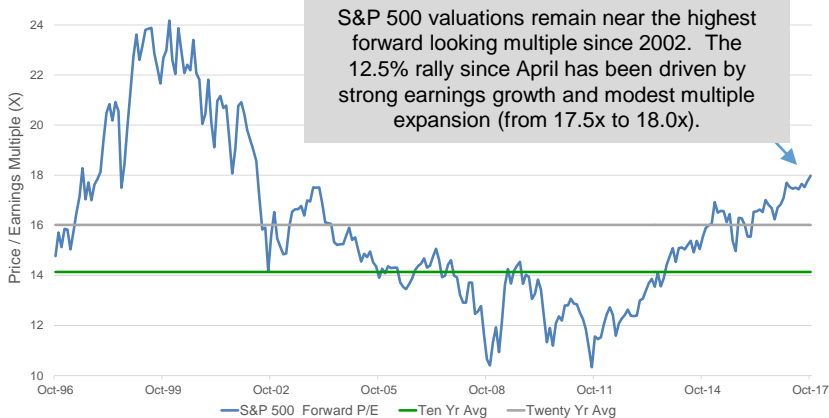
Change in Projected EPS Growth



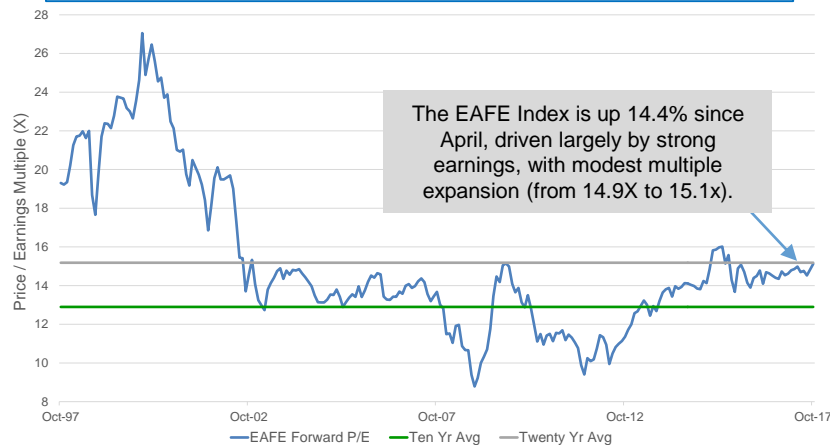
Strong global equity returns have been supported by favorable EPS growth. Over the past seven months, the rate of projected EPS growth in non-U.S. equities has outpaced already strong projections for U.S. equities.

Global Equity Markets: Projected Earnings Per Share (EPS) Growth

S&P 500 Earnings



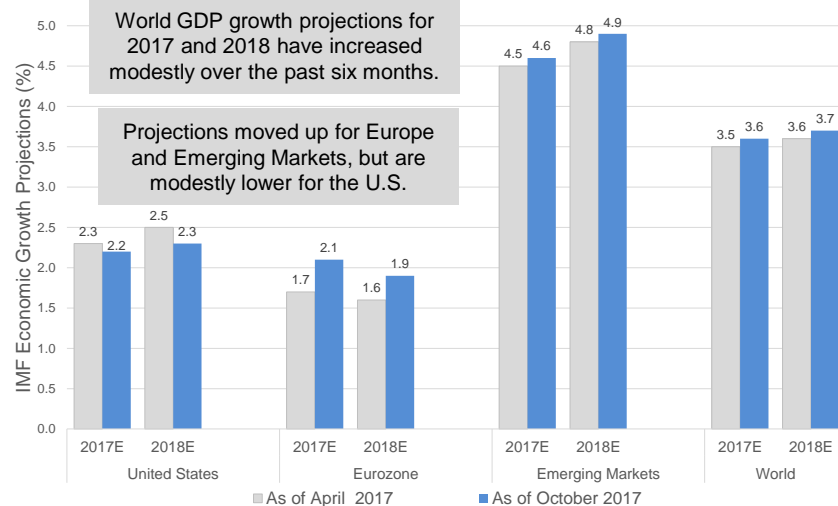
MSCI EAFE Earnings



MSCI Emerging Markets Earnings



Changes in Economic Growth Projections



While global equity returns have been strong since April, the dominant driver has been favorable earnings growth. Valuations have increased modestly over the same horizon.

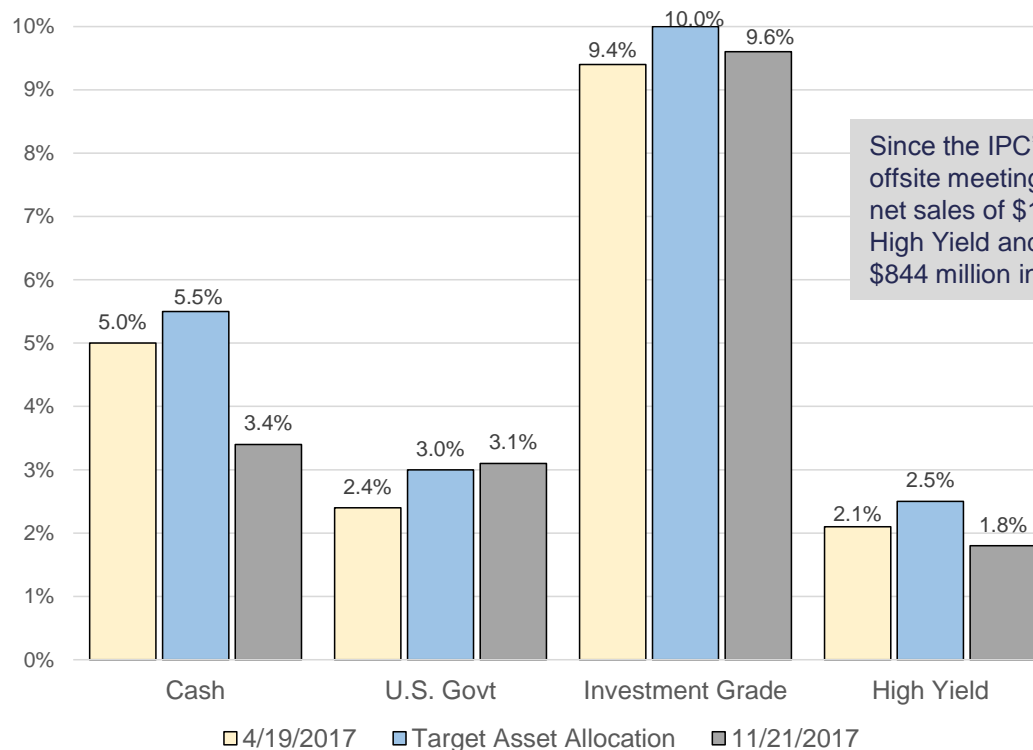
Fixed Income: Current Investment Themes and Tactical Asset Allocation

Following a period of strong returns driven by higher valuations and extraordinary monetary policy, the Division may tilt the Fund in favor of more conservative asset classes relative to the targeted AA

- while longer-term return prospects for fixed income are constrained by still low yields, the move to higher yields over the past nine months provides somewhat more attractive income prospects for an asset class with favorable defensive characteristics
- Quarterly pension payments and an improved cash flow outlook for the Fund also favors fixed income relative to an allocation to cash where the return prospects are more modest
- Allocations to investment grade and high yield credit are expected to be at or below the target allocation

Asset Allocation Review
Investment Policy Committee Meeting
April 19, 2017

Select Changes in Asset Allocation



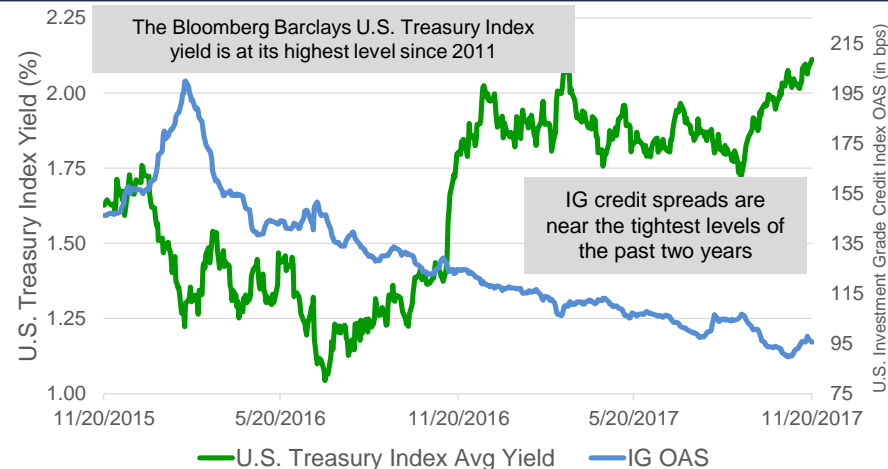
Since the IPC's Asset Allocation offsite meeting, there have been net sales of \$147 million out of High Yield and net purchases of \$844 million into U.S. Govt bonds

Global Fixed Income Yields Remain Low In An Historical Context

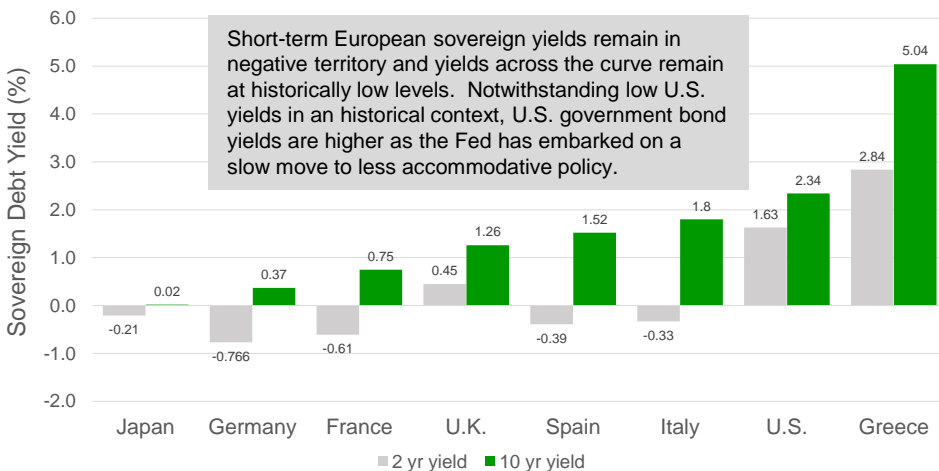
Long-Term Historical 10-Year Treasury Yields



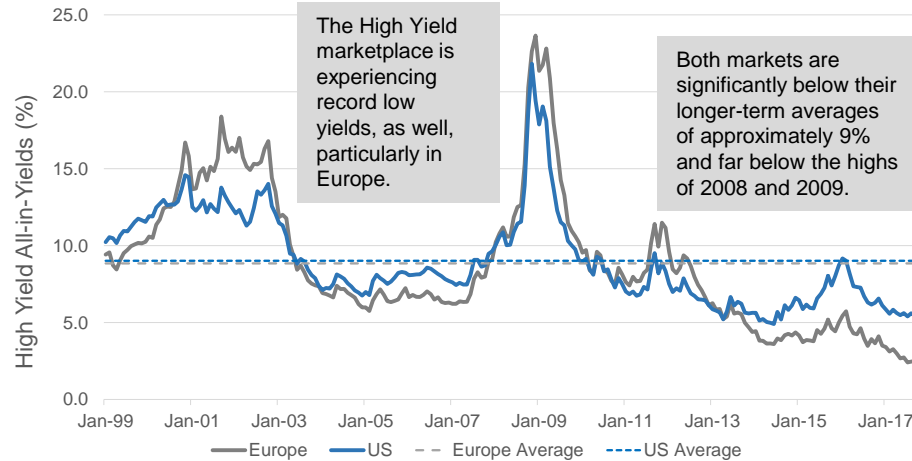
Treasury Index and Credit Spreads Over the Past Year



Current Sovereign Debt Yields



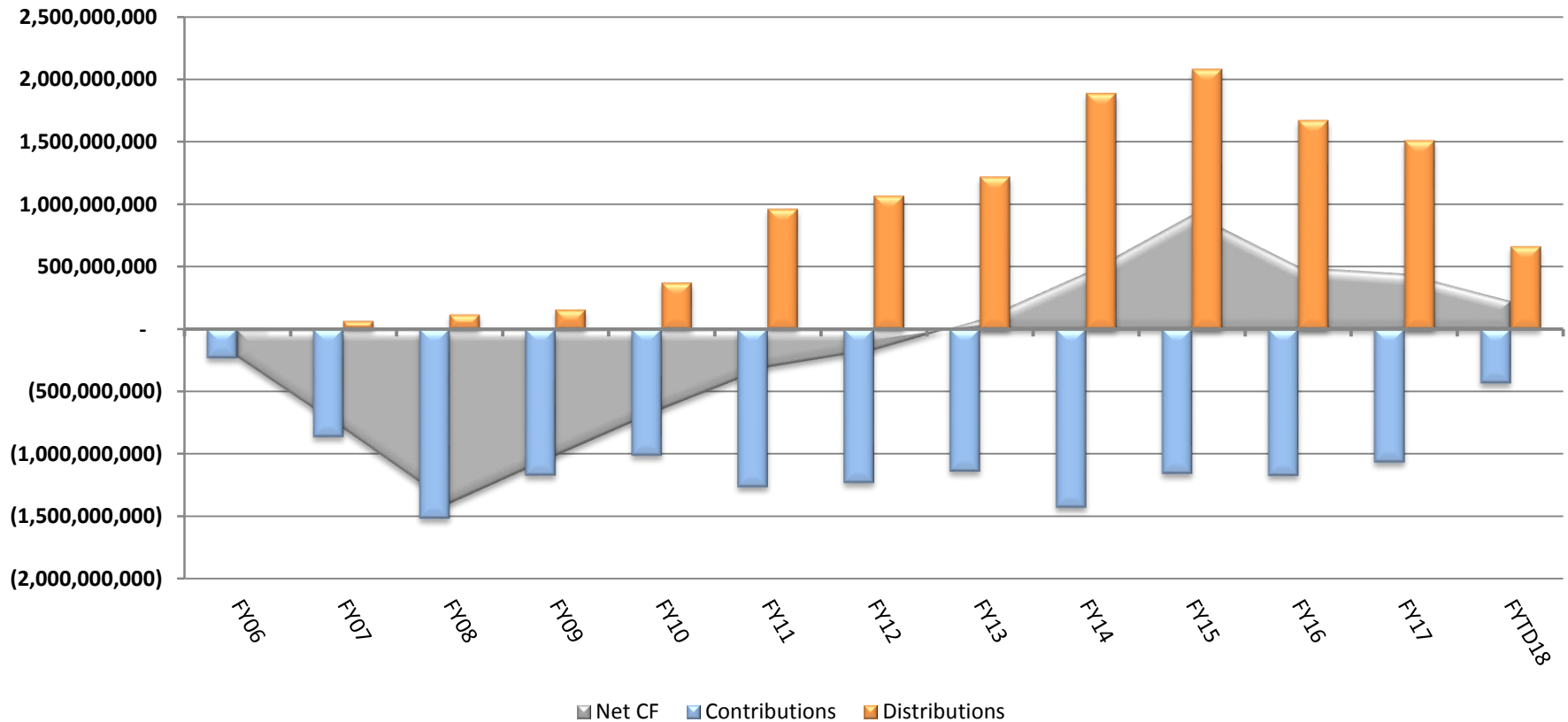
Historical Yields in the High Yield Market



While global bond yields remain low in an historical context, Treasury rates are at their highest levels of the past six years. In contrast, credit spreads are near the tightest levels of the past two years.

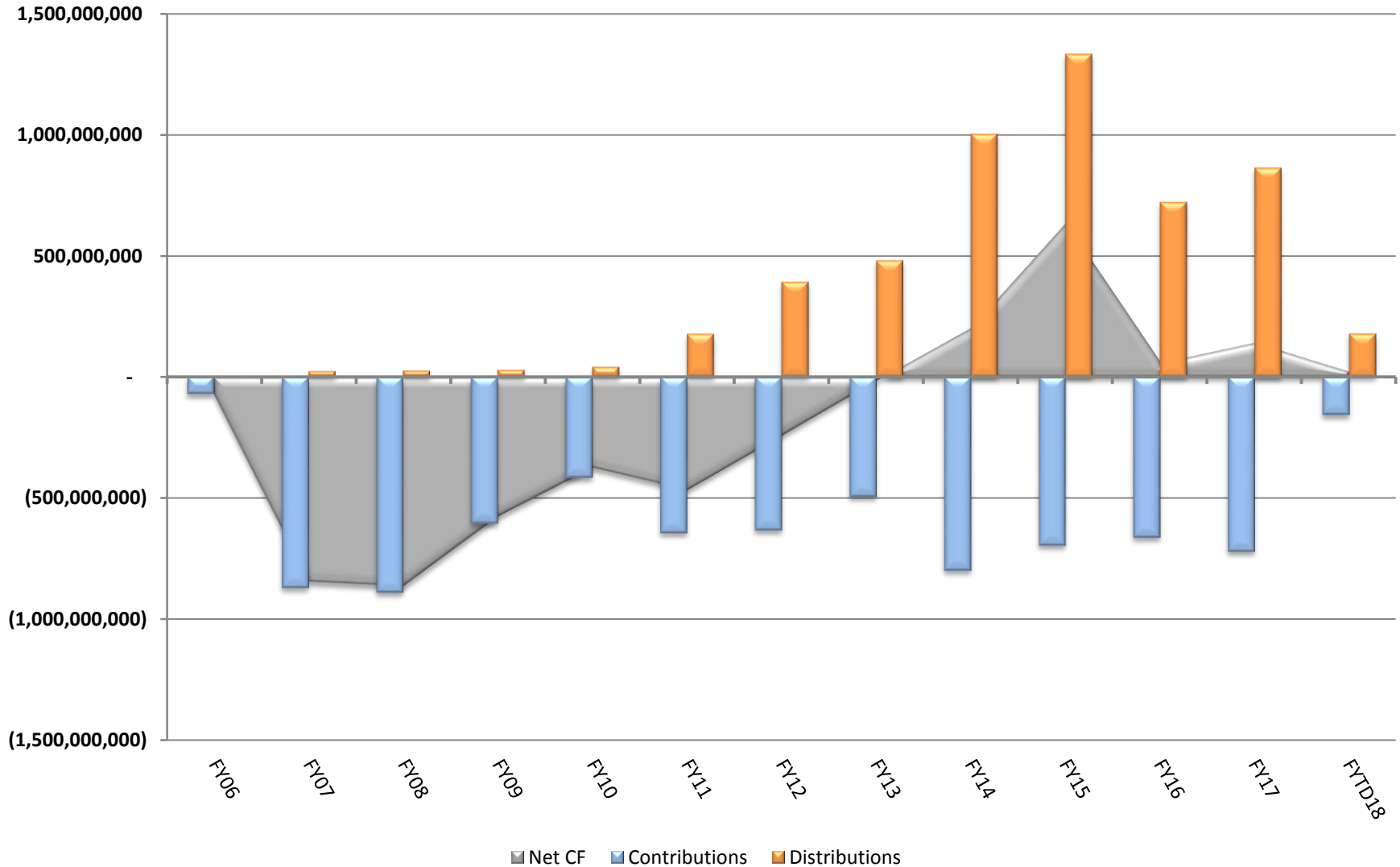
The Private Equity portfolio continues to generate significant distributions as the third quarter of 2017 marked the 20th consecutive quarter in which distributions exceeded \$200 million. The portfolio also generated positive net cash flow for the 18th time in the last 20 quarters. The \$662.7 million in distributions received was the third highest quarterly distribution amount in the history of the program and the \$225.9 million of positive net cash flow was the most since the third quarter of 2015. Capital call activity also picked up in the quarter, marking the highest amount since the fourth quarter of 2013. Since the start of Fiscal Year 2013, the portfolio is cash flow positive by \$2.6 billion.

Private Equity Cash Flows Since Inception



During the third quarter of 2017, the Real Estate portfolio was cash flow positive by \$23 million with \$158 million of contributions and \$181 million of distributions. Since the start of Fiscal Year 2014, the portfolio is cash flow positive by \$1.1 billion.

Real Estate Cash Flows Since Inception



Noteworthy Developments

Monthly Lottery Enterprise Contributions: Lottery transferred \$72 million and \$75 million to Common Pension Fund L for the September and October payments, respectively. The fiscal year to date payments are shown below.

Common L - Contribution from Lottery		Allocation by Fund		
		TPA	PERS	P&F
Percentage of Allocation:		77.78%	21.02%	1.20%
8/7/2017	\$ 79,000,000.00	\$ 61,446,200.00	\$ 16,605,800.00	\$ 948,000.00
9/8/2017	101,000,000.00	78,557,800.00	21,230,200.00	1,212,000.00
10/5/2017	72,000,000.00	56,001,600.00	15,134,400.00	864,000.00
11/8/2017	75,000,000.00	58,335,000.00	15,765,000.00	900,000.00
	<u>327,000,000.00</u>	<u>254,340,600.00</u>	<u>68,735,400.00</u>	<u>3,924,000.00</u>

Alternative Investment Notification: Excellere Capital Fund III

Background: In 2015, the Division committed \$40 million to Excellere Capital Fund III, a lower mid-market private equity fund. The Fund is managed by Excellere Capital Management LLC (Excellere), an investment firm co-founded by David Kessenich and Robert Martin.

Modification: In September 2017, Excellere notified the Division that Robert Martin had passed away and that David Kessenich had become the sole managing member of Excellere. In October 2017, Excellere asked the Division to consent to this change of control, as well as the intended admission of Matthew C. Hicks, Bradford Cornell, Ryan Glaws and Patrick O'Keefe as additional members of the Manager effective January 1, 2018.

Impact on New Jersey: The Division believes that the change of control of Excellere from both David Kessenich and Robert Martin to David Kessenich alone will not have a significant impact on the investment strategy or expected return of the Fund.

Alternative Investment Notification: Prologis European Property Fund II

Background: In September 2013, the Division committed €140 million (\$183,329,350 funded) to Prologis European Property Fund II (PEPF II), an open-ended fund with limited liquidity which is currently the Division's 4th largest private real estate investment.

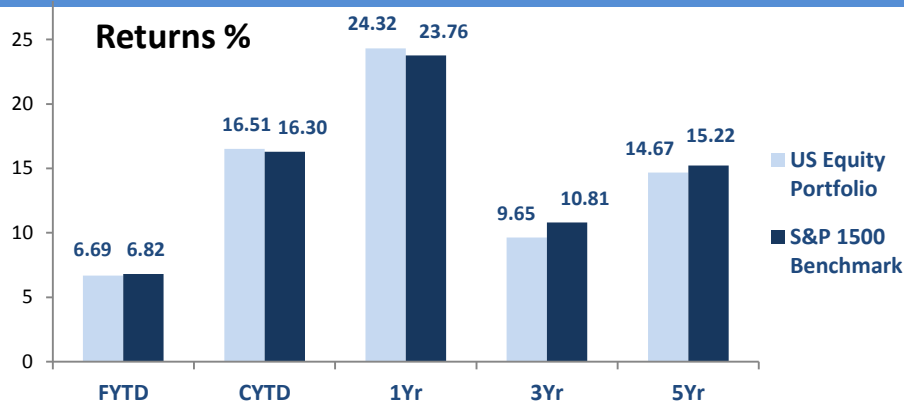
Modification: In May 2017, Prologis proposed merging two of its funds, PEPF II and Prologis Targeted European Logistics Fund (PTELF), creating the largest open-ended European logistics fund, with enhanced liquidity for investors, a more diversified portfolio and the potential for a credit rating upgrade and lower borrowing costs. Over 95 percent of the investors in each fund approved the merger, including the Division. After the merger, PEPF II was renamed Prologis European Logistics Fund (PELF).

Impact on New Jersey: The merger was structured so that the Division was able to maintain its favorable management and incentive fees. As an investor in PELF, the pension fund benefits from the increased liquidity and the fund's lower borrowing costs (the fund benefited from a post-merger credit rating upgrade from S&P and outlook upgrade from Moody's).

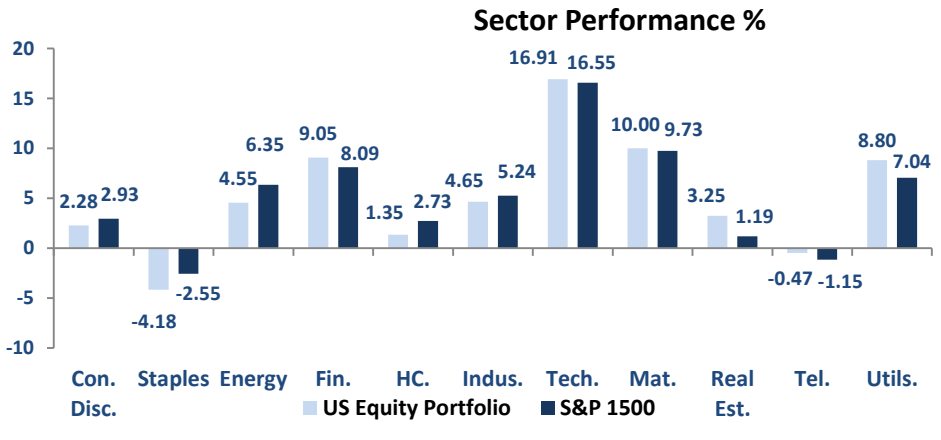
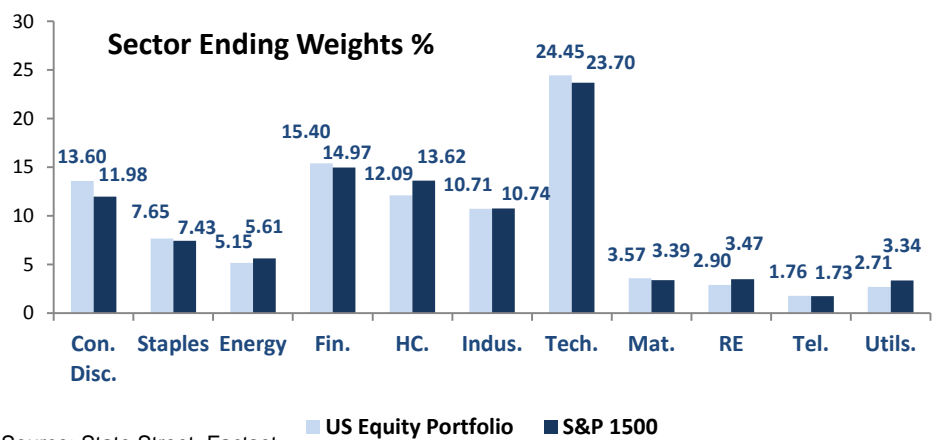
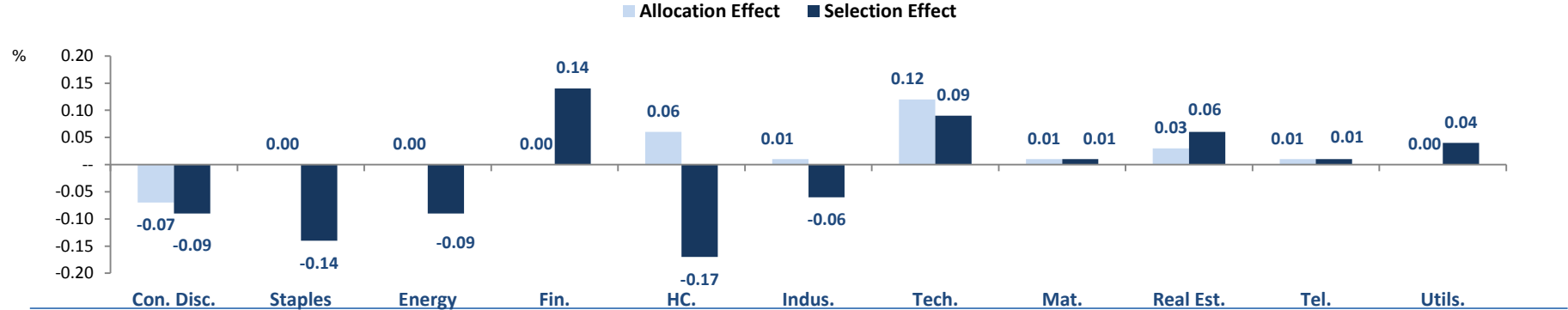
Purpose of Notifications: The Division is notifying the SIC of these modifications under its Modification Procedures.

Performance Appendix

During the fiscal 2017 year-to-date time period, the 6.69% return for the U.S. equities portfolio modestly trailed the S&P 1500 benchmark by 13 basis points. The U.S. economy weathered the impact of Hurricanes Harvey and Irma, posting solid initial GDP growth of 3.0% in the third quarter. Political uncertainty remains, with tax reform being formulated in Congress. Meanwhile, the favorable earnings backdrop for the U.S. markets remained in place. Third quarter corporate earnings came in better than expected, posting 7% year-over-year growth, its 5th consecutive quarter of positive earnings growth. Information technology was the best performing sector, increasing 16.55% fiscal year-to-date, followed by materials' return of 9.73%. Consumer staples and telecommunications were the laggards.



Portfolio Sector Attribution FYTD% - Breakdown of Excess Return:					
Portfolio Return:	+6.69%	Benchmark Return:	+6.82%	Excess Return:	-.13%

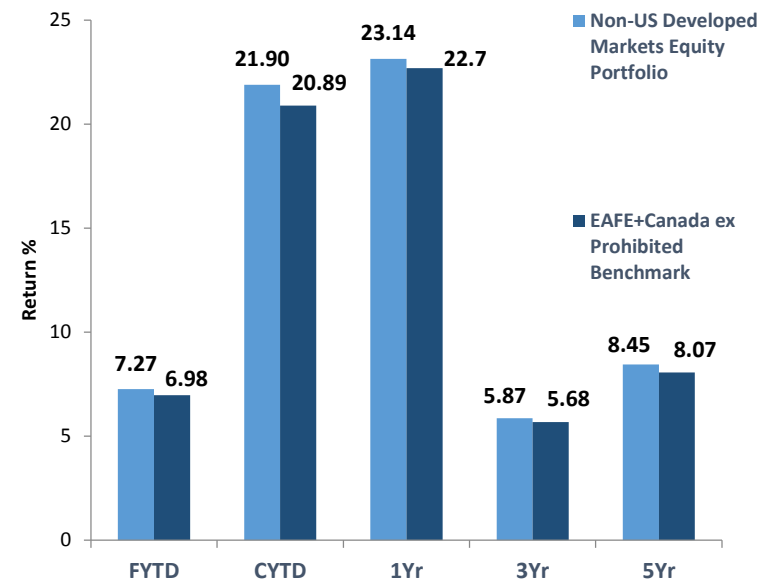


Source: State Street, Factset

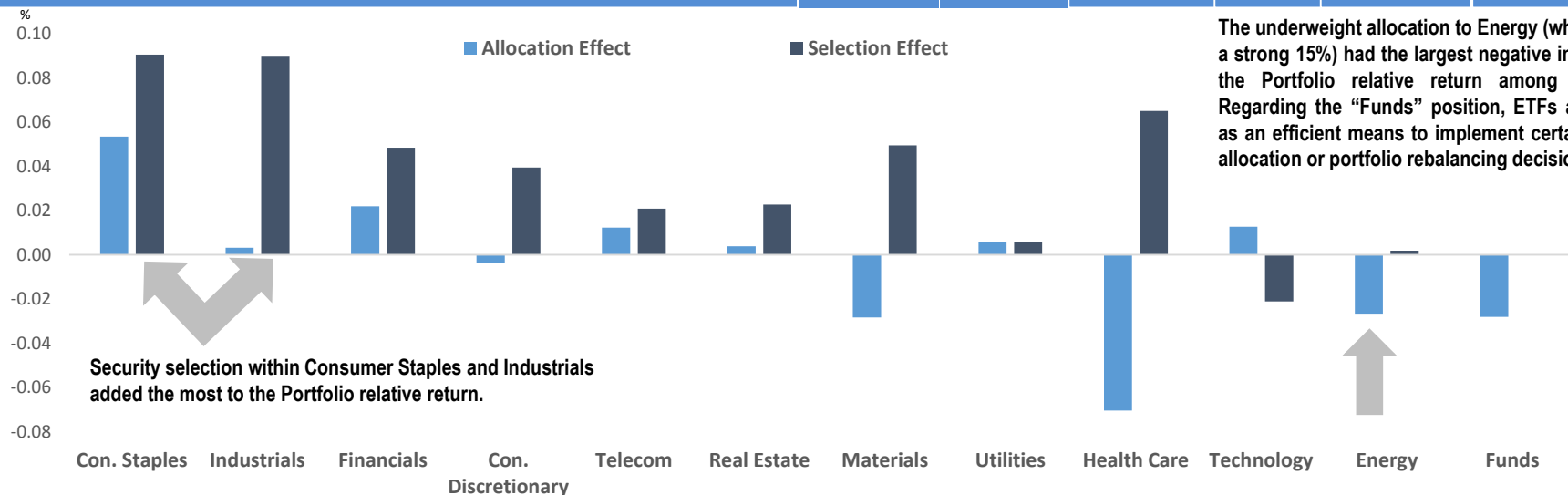
For the fiscal year through October 31st, the Non-US Developed Markets Equity Portfolio returned 7.27% versus the Benchmark return of 6.98%. Positive economic data continued to support optimism for the global outlook and the international markets, which have been performing strongly compared to the US: Year-to-date, the Non-US Developed Markets (EAFE + Canada) posted a strong 21.34% total return vs. 16.91% for the S&P 500.

The recent period was dominated by central bank policy events and an unexpected rise in European and Japanese political risk. Markets remained resilient as the US Fed moved decisively toward interest rate normalization, the Bank of England signaled a possible interest rate hike, and the European Central Bank (ECB) announced its QE tapering scheme. The Fed’s hawkish tone and the ECB remaining overall accommodative helped to reverse a declining US dollar, further providing support for the international markets. From its September low through October 31st, the US dollar rose 5% vs. the yen and 3% vs. the euro, causing the Eurozone market to advance 6.28% in local currency and 2.94% in US dollar terms, while the Japanese market posted a local return of 11.77% vs. 6.06% in US dollar terms. Despite uncertainty over the outcome of a parliamentary election called by Japan’s Prime Minister Abe in a bid to solidify his power, Japanese markets ended October at the highest levels in 25 years.

The Portfolio’s out-of-benchmark allocation to International Small Cap continued to be the largest contributor to performance with a total return of 8.88% vs 6.98% for Non-US Developed Equity. From a sector perspective, adding the greatest value to relative returns was security selection in Consumer Staples and Industrials. Detracting the most from Portfolio performance was an underweight allocation to Energy, which had the best performance among sectors (up 14.74%) as oil prices continued to advance from the summer low (up 28%).



Portfolio Sector Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	+7.27%	Benchmark Return:	+6.98%	Excess Return:	+0.29%
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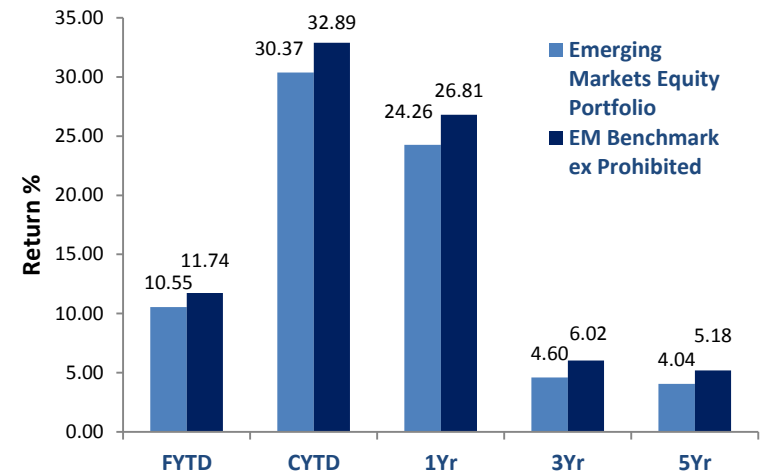


The underweight allocation to Energy (which rose a strong 15%) had the largest negative impact on the Portfolio relative return among sectors. Regarding the “Funds” position, ETFs are used as an efficient means to implement certain asset allocation or portfolio rebalancing decisions.

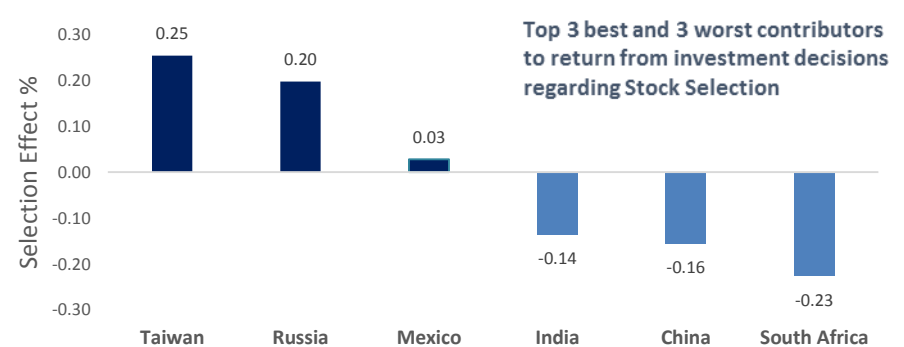
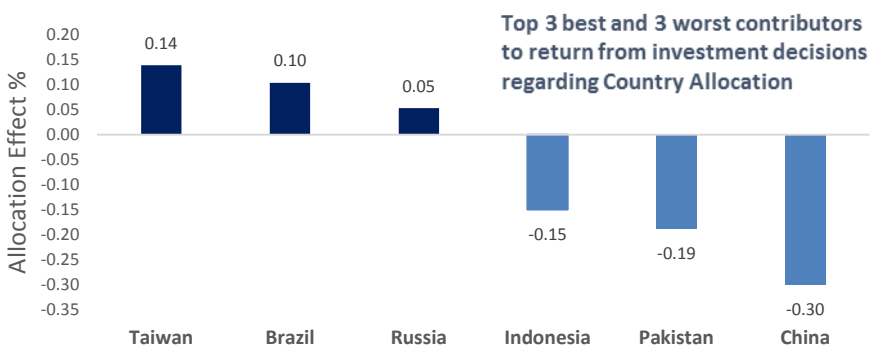
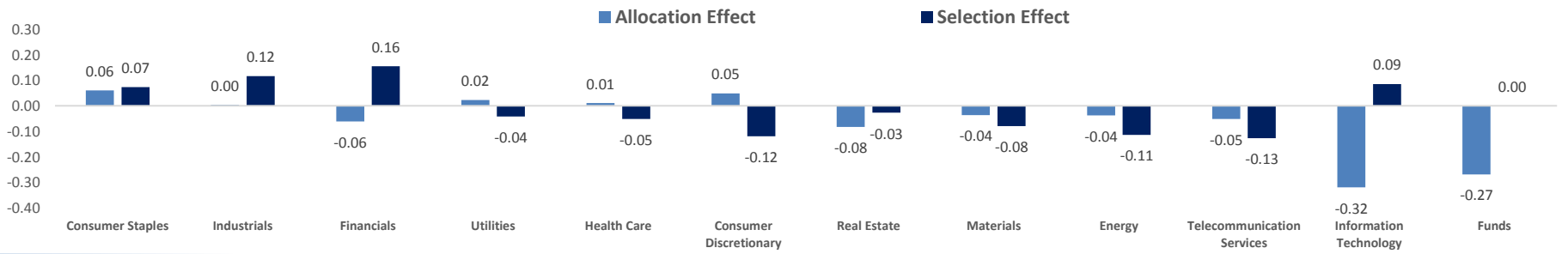
Security selection within Consumer Staples and Industrials added the most to the Portfolio relative return.

Ongoing strength in global growth was supportive of emerging markets in October, as equities rebounded from a slightly negative return in September and the MSCI Emerging Markets Index advanced 3.51%. The economic backdrop of rising interest rates and softness in the US Dollar remains encouraging, while the European Central Bank extended quantitative easing through September 2018 and reduced the pace of bond purchases. Chinese macroeconomic data remained supportive and crude oil prices continued to rise.

The Emerging Market Equity Portfolio returned 2.79% in October pushing the FYTD returns to 10.55% versus the Benchmark return of 11.74%. The portfolio benefitted from strong overall performance in Taiwan as technology stocks registered strong gains, coinciding with an investment environment that favored growth stocks. An overweight to Brazil positively contributed to performance as equities advanced on renewed reform expectations and continued economic recovery from the worst recession on record. An underweight allocation to China, as well as stock selection in that country, detracted from performance as stocks advanced over the past two months, despite rising debt risk and continued signs of an economic slowdown. An overweight to Russia combined with strong stock selection positively impacted performance as stocks advanced in tandem with crude prices. From a sector perspective, the underweight allocation to Consumer Staples improved performance, as cyclical stocks were favored over defensive ones. The underweight to Information Technology detracted the most from performance. Stock selection aided performance the most in Industrials and Financials, while it detracted the most from performance in Energy and Telecommunication Services.



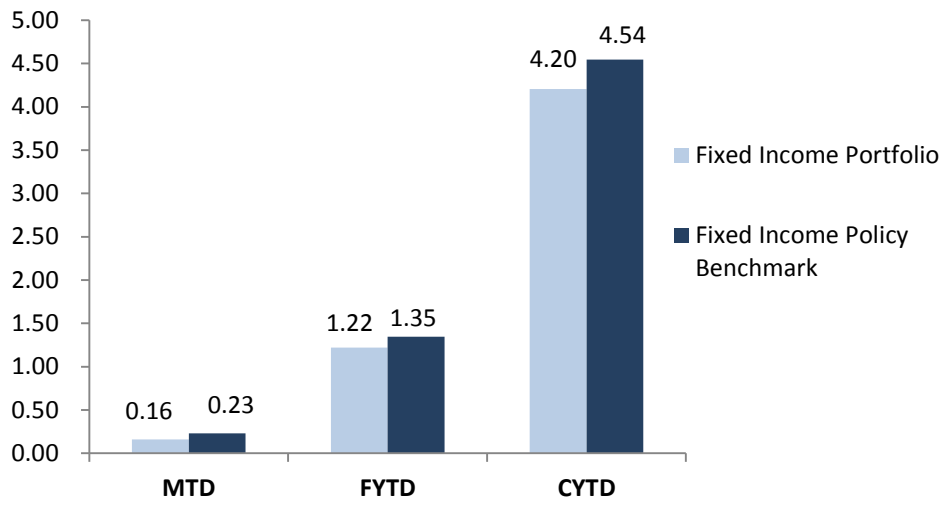
Portfolio Sector Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	+10.55%	Benchmark Return:	+11.74%	Excess Return:	(1.19%)
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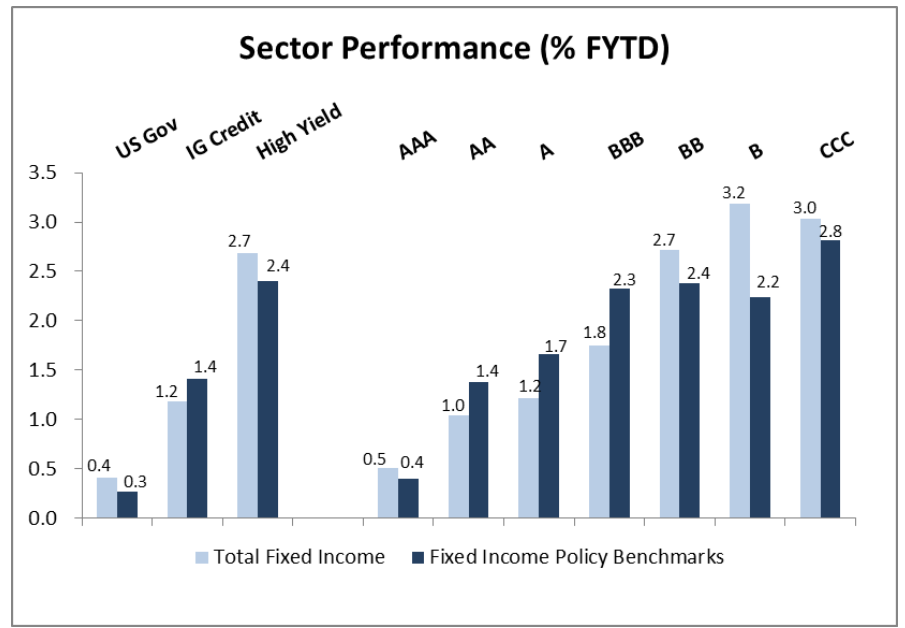
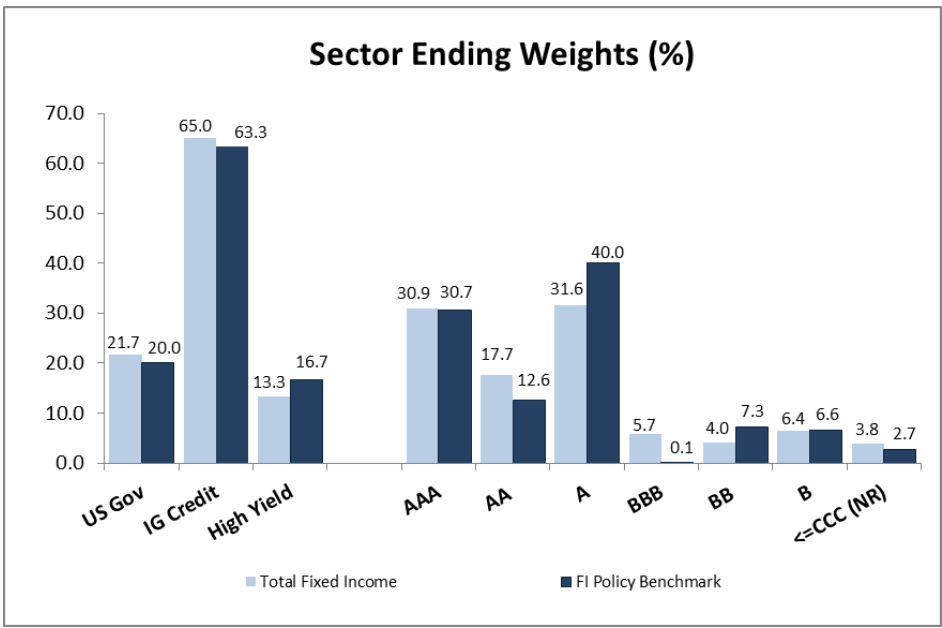
Source: State Street, Factset

For FY18 year-to-date performance, the US Fixed Income portfolio returned 1.22% versus the benchmark return of 1.35%. Relative returns were negatively impacted by an underweight allocation to High Yield and a bias toward high quality short-dated securities within Investment Grade Credit. Through October 31st, the Barclays High Yield, Custom IG Credit and US Government Benchmarks returned 2.41%, 1.41% and 0.26%, respectively. With the Treasury curve flattening and credit spreads tightening, long-dated lower quality securities have outperformed since the start of the fiscal year. Within the US Government portfolio, a modest allocation to TIPS has led to relative outperformance versus the nominal Treasury benchmark. The High Yield Portfolio has outperformed its benchmark by 28 basis points fiscal year-to-date as industry selection has been the main driver of positive relative returns.

Returns %



Portfolio Sector Attribution – Weights and Performance



Source: State Street and FactSet