MPERS
Serving those who keep us safe.

CIO INVESTMENT REPORT
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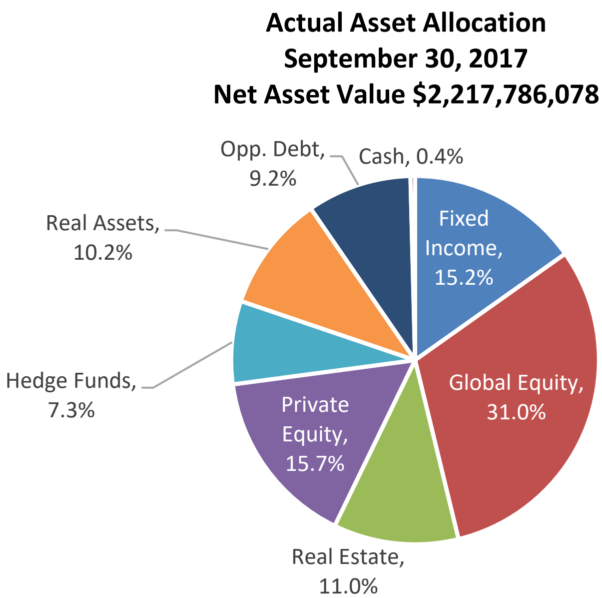
Chief Investment Officer
MPERS Board Meeting – November 16, 2017

3rd Quarter 2017 Investment Performance Report

NEPC will present MPERS' 2017 3rd quarter 2017 performance report. A high level summary of the report is provided below.

Big Picture Perspective on Investment Performance:



1-year Return:	11.53%
Benchmark:	11.07%
Excess Return:	0.46%
3-year Return:	7.10%
Benchmark:	6.78%
Excess Return:	0.32%
5-year Return:	9.69%
Benchmark:	8.42%
Excess Return:	1.47%
10-year Return:	5.34%
Benchmark:	5.30%
Excess Return:	0.04%

- Fiscal year 2017 is off to a great start as MPERS' investment portfolio generated an 3.16% return for the quarter. Global equities were up 5.2% this quarter, and are now up over 18.6% over the past year.

- Equities are not the only asset class enjoying good performance, as the "risk on" rally has boosted market values across all major asset classes. For the first time in recent memory, every single asset class has a positive performance across all measurement periods.

- Longer term performance remains strong relative to policy benchmarks and the peer universe, as MPERS' three, five, and ten year returns rank in the 22nd, 5th, and 42nd percentile of the public fund peer universe. MPERS' continues to maintain a lower risk profile than 74% of our peer group (with risk measured by standard deviation of returns over the past ten year period).

- Equity markets continue to grind higher and set new highs since September 30th, pushing MPERS' fiscal year 2018 performance up to an estimated 4% (July 1st to November 9th).

- The current positioning of the portfolio is detailed on the following page.

Current Asset Allocation Overview / Positioning Relative to Targets

The largest deviation from the targeted asset allocation is the underweight to fixed income, where interest rates continue to feel artificially low given the upturn in global economies. President Trump's nomination of Jerome Powell as the next Federal Reserve Chairman suggests the Fed will continue the current path of gradually raising rates. We have opted not to rebalance any of the equity market gains to this point, so the equity allocation continues to drift higher with the strong market performance. While I am still concerned over equity valuations, the markets are very resilient today and would likely trade even higher with the passage of any tax reform.

As of November 9, 2017, each of the respective asset class allocations are within the permissible ranges. We are essentially fully invested at this point, as MPERS' cash balance stands at $15.2 million (0.7% of assets) and will be drawn down even further throughout the month of November. The current allocation relative to policy targets, along with additional comments on the positioning of the portfolio, is provided below.