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September 8<sup>th</sup>, 2016

## Macomb Township Act 345 Retirement System

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## Today's Agenda

- Quarterly Overview
- Total Fund & Investment Manager Performance
- Asset Allocation Overview & Expenses

Section One

**MACOMB TOWNSHIP ACT 345 RETIREMENT SYSTEM**  
QUARTERLY OVERVIEW



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## Second Quarter 2016 Market Wrap-Up

- **The S&P 500 Index increased 2.5% for the quarter.** The Dow Jones Industrial Average increased 2.1% in the second quarter. The NASDAQ Composite Index was down 0.2% for the quarter.
- Eight of the 10 sectors within the S&P 500 generated positive returns in the second quarter of 2016. The top-performing sector was Energy, which was up 11.6%. Telecom rose 7.1% and was also among the top-performing sectors. The biggest laggards were Technology, which decreased 2.8%, and Consumer Discretionary, which fell 0.9%.
- **Value did better than Growth in the second quarter.** The Russell 1000 Growth Index rose 0.6%, while the Russell 1000 Value Index increased 4.6% for the quarter. The Russell Midcap Growth Index fell 2.0% for the quarter, while the Russell Midcap Value Index increased 4.8% for the quarter. The Russell 2000 Growth Index, a small-cap index, increased 3.2% for the quarter while its counterpart, the Russell 2000 Value Index increased 4.3% for the quarter.
- **In the second quarter, emerging markets (EM) generated positive returns while international developed regions were negative.** The MSCI EAFE Index (a benchmark for international developed markets) decreased 1.2% for U.S.-currency investors and 0.5% for local-currency investors, as the U.S. dollar strengthened in relation to the currencies of many nations in the index. The MSCI Emerging Markets Index increased 0.8% for U.S.-currency investors.
- **Commodities registered strong returns in the second quarter;** the Bloomberg Commodity Index increased 12.8%. For the quarter, gold posted a total return of 6.7%.
- **The Department of Commerce estimated that Gross Domestic Product increased at an annual rate of 1.1% in the first quarter of 2016,** in comparison to a 1.4% increase in the fourth quarter of 2015. Morgan Stanley & Co. economists forecast U.S. Real GDP will be 1.7% in 2016 and 1.6% in 2017.
- **The seasonally adjusted unemployment rate for May 2016 was 4.7%, showing a 0.3% decrease from its April level.** Employment increased in health care. Mining continued to lose jobs, and employment in information decreased due to a strike.. The number of unemployed declined by 484,000 to 7.4 million. The number of long-term unemployed (those jobless for 27 weeks or more) declined by 178,000 to 1.9 million in May. These individuals accounted for 25.1% of the unemployed.

## Second Quarter 2016 Market Wrap-Up (Con't)

- **Inflation remained low in the U.S.** According to the Bureau of Labor Statistics, the seasonally adjusted Consumer Price Index was 0.4% in April and increased 0.2% in May. Morgan Stanley & Co. economists forecast a 1.2% inflation rate for 2016 and 1.9% for 2017.
- **The bond market registered positive returns during the second quarter. The Barclays U.S. Aggregate Bond Index, a general measure of the bond market, increased 2.2% for the quarter.** Interest rates declined during the second quarter, as the yield on the 10-year U.S. Treasury note fell to a quarter-end 1.47% from 1.77% at the end of the 1Q 2016.
  - ❖ **Riskier parts of the bond market such as U.S. high yield debt increased in the second quarter. The Barclays Capital High Yield Index, a measure of lower-rated corporate bonds, rose 5.5%.**
  - ❖ Mortgage-backed securities also posted positive returns during the second quarter. The Barclays Capital Mortgage Backed Index increased 1.1% for the quarter.
  - ❖ The municipal bond market increased. As a result, the Barclays Capital Muni Index generated a 2.6% return for the quarter.
- **Private Equity Buyout:** Aggregate deal value totaled \$44 billion in 1Q 2016, which is down from \$101 billion in 1Q 2015. North American deal value declined to the lowest level since 1Q 2012. The number and value of exits were down y/y in 1Q 2016. There were 343 exits, combining for \$62 billion.
- **Venture Capital:** Both the number and value of venture capital deals increased y/y in 1Q 2016. The 2,408 deals accounted for \$34.3 billion while the number of deals outside of the North America increased y/y in 1Q 2016, the number of deals in North America decreased.
- **Real Estate:** 44 real estate funds raised \$21 billion in 1Q 2016 compared to 49 funds raising \$22 billion in 1Q 2015. Value-added and opportunistic strategies accounted for 16 and 15 of the funds, respectively. Real estate dry powder totaled \$230 billion at the end of 1Q 2016 compared to \$210 billion at the end of 2015.

## Second Quarter 2016 Market Wrap-Up (Con't)

- **HFRX Equity Hedge Index: 2Q = -1.01%:** Equity Hedge managers posted negative returns for the quarter; managers generally retained capital in April and generated positive returns in May, but gave back those returns as Brexit created turmoil in June. A reversal in factors that hurt managers during 1Q rebounded in the early months of 2Q.
- **HFRX Event-Driven Index: 2Q = 4.53%:** Event Driven strategies were the best-performing group in 2Q; specifically, distressed credit and special situations posted strong quarters. Some managers took advantage of the spread tightening in high yield caused by a rebound in oil prices.
- **HFRX Macro/CTA Index: 2Q = -0.41%:** Following a poor month of May, Macro/CTA strategies had a strong June to finish the quarter slightly down. Managers benefitted from the volatility in currencies and rates created by Brexit.
- **HFRX Global Hedge Fund Index: 2Q = 1.07%:** Global hedge fund performance was modestly positive during the second quarter. Event Driven, Distressed, and other long/short equity strategies rebounded after a difficult 1Q, driving second quarter performance.

## Tactical Theme: BREXIT

- While the leave vote came as a surprise to most (including Morgan Stanley), we do not think it was as much of a surprise to the markets as some have suggested; after all, European equities underperformed global equities even before that Friday's sell-off; bond yields are negative in many countries and banking-related assets are in disarray.
- Unfortunately, BREXIT leaves more questions than answers as the actual exit will be messy and will take years; this means uncertainty (which markets detest) and likely means higher risk premiums (which at current levels, have rarely been higher).
- MS & Co. economists are rightly concerned that BREXIT could slow economic growth in Europe and globally as confidence wanes; they estimate a -0.3% impact on global GDP with most of that coming from Europe (-0.5%) and the UK (-1.0%).
- In a world where growth was already slow, this is concerning; however, we think the global economy will avoid recession as positive momentum has been building on the back of improving commodity prices, China's fiscal stimulus, and a weaker US dollar.
- After seeing price action on the trading day after the vote and how markets closed, we think equity prices could trend lower in all global markets, but not dramatically; specifically, we were very encouraged by the lack of systemic stress in markets; this suggests to us that BREXIT is more of a political risk rather than a financial one.
- While BREXIT creates increased uncertainty, we do not think we will see the kind of dislocation experienced during the 2008-2009 Financial Crisis or the European sovereign debt crisis in 2011-2012.
- The bottom line is that we expect BREXIT to produce some drag on the global economy, but we think it is unlikely to end the global expansion prematurely; policy will likely be used to offset some ill effects and asset prices will likely recover.

# Index Returns

as of June 30<sup>th</sup>, 2016

Index	Annualized Returns Through June 30th, 2016							
	1 Quarter	YTD	1 year	3 years	5 years	8 years	10 years	Since 12/31/1999
S&P 500	2.46%	3.84%	3.99%	11.66%	12.10%	8.73%	7.42%	4.17%
Russell 1000 Growth	0.61%	1.36%	3.02%	13.07%	12.35%	9.54%	8.78%	2.43%
Russell 1000 Value	4.58%	6.30%	2.86%	9.87%	11.35%	7.86%	6.13%	6.14%
Russell Midcap Growth	1.56%	2.15%	-2.14%	10.52%	9.98%	8.69%	8.12%	4.65%
Russell Midcap Value	4.77%	8.87%	3.25%	11.00%	11.70%	9.66%	7.79%	9.98%
Russell 2000 Growth	3.24%	-1.59%	-10.75%	7.74%	8.51%	8.45%	7.14%	3.75%
Russell 2000 Value	4.31%	6.08%	-2.58%	6.36%	8.15%	7.75%	5.15%	9.14%
MSCI ACWI ex USA	-0.40%	-0.67%	-9.80%	1.62%	0.56%	0.39%	2.33%	2.98%
MSCI EAFE Index	-1.19%	-4.04%	-9.72%	2.52%	2.15%	0.84%	2.05%	2.42%
MSCI EM (EMERGING MARKETS)	0.80%	6.60%	-11.71%	-1.21%	-3.44%	-0.53%	3.88%	6.08%
Cambridge Private Equity Index**	2.00%	8.71%	8.71%	13.56%	13.13%	8.81%	11.70%	10.76%
HFRI ED: Distressed/Restructuring Index	5.63%	3.92%	-4.95%	0.24%	2.24%	3.18%	3.46%	7.12%
NCREIF ODCE (Core Real Estate)*	3.10%	3.10%	14.68%	13.96%	13.46%	4.47%	6.46%	8.40%
HFRI Fund of Funds Composite Index	0.75%	-2.40%	-5.23%	1.98%	1.67%	0.35%	1.60%	3.24%
BarclayHedge BTOP 50 Index*	2.16%	2.16%	-3.54%	3.97%	1.90%	1.92%	3.21%	4.74%
S&P GSCI Copper	-0.07%	3.24%	-15.38%	-9.65%	-12.18%	-6.91%	-2.97%	8.70%
S&P GSCI Crude Oil	18.88%	6.13%	-41.26%	-29.94%	-20.41%	-25.19%	-16.65%	-2.00%
S&P GSCI Gold	6.75%	24.34%	12.25%	2.19%	-3.04%	3.83%	7.11%	9.02%
Barclays U.S. Aggregate	2.21%	5.31%	6.00%	4.06%	3.76%	4.76%	5.13%	5.53%
Barclays Global Aggregate	2.89%	8.96%	8.87%	2.80%	1.77%	3.35%	4.40%	5.05%
BofA Merrill Lynch US High Yield	5.88%	9.32%	1.71%	4.18%	5.70%	8.16%	7.44%	6.88%
Morningstar Conservative Allocation	2.67%	4.42%	1.33%	3.76%	3.97%	4.37%	4.22%	3.88%
Morningstar Moderate Allocation	2.20%	3.11%	-0.20%	5.52%	5.82%	5.04%	4.72%	3.95%
Morningstar Aggressive Allocation	2.05%	2.63%	-2.02%	5.97%	5.91%	4.91%	4.70%	4.70%

## Quick Observations:

- 1) "Growth" has significantly out-performed "Value" over the recent years, but the shift to Value may be underway
- 2) Since the start of the Secular Bear in 12/31/1999, Value has out-performed Growth by a wide margin
- 3) Performance of M-Star Balanced Funds, whether Conservative or Aggressive, was essentially the same since SBM began on 12/31/1999

\*Denotes Returns Through 03/31/2016

\*\* Denotes Returns Through 12/31/15

Since Secular Bear Market started on 12/31/1999

Section Two

**MACOMB TOWNSHIP ACT 345 RETIREMENT SYSTEM**

PORTFOLIO PERFORMANCE

INVESTMENT MANAGER PERFORMANCE

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## Total Fund Returns

Performance Summary	Annualized Rates of Return							Inception	Inception Date
	Quarter	Fiscal YTD	1 Year	3 Years	5 Years	8 Years	10 Years		
<b>Overall Portfolio Return</b>	<b>2.2%</b>	<b>-3.2%</b>	<b>-3.2%</b>	<b>1.4%</b>	<b>0.9%</b>			<b>2.8%</b>	September 1, 2009
<i>Actuarial Assumption - 5%</i>	1.2%	5.0%	5.0%	5.0%	5.0%			5.0%	
<i>Morningstar Moderate Index</i>	2.2%	-0.2%	-0.2%	5.5%	5.8%			5.3%	

### Asset Allocation Summary

Fund	Current	Target
<i>PIMCO All Asset All Authority</i>	25.8%	25.0%
<i>FPA Crescent</i>	24.5%	25.0%
<i>First Eagle Global</i>	25.3%	25.0%
<i>IVY Asset</i>	24.3%	25.0%
<i>Cash</i>	<u>0.1%</u>	<u>0.0%</u>
	100.0%	100.0%

  

**Current Total Fund Allocation**

Fund	Current Allocation
PIMCO AAAA	25.8%
FPA Crescent	24.5%
First Eagle Global	25.3%
IVY Asset	24.3%
Cash	0.1%

## Total Fund Returns – July 2016

<b>CATEGORY</b>	<b>Current</b>	<b>Value on</b>	<b>Additions/</b>	<b>Net Invested</b>	<b>Value on</b>	<b>Change in</b>	<b>Return</b>
<b>Sub-Category</b>	<b>Percent of</b>	<b>6/30/2016</b>	<b>Withdrawals</b>	<b>Capital</b>	<b>7/31/2016</b>	<b>Value</b>	
<b>Name</b>	<b>Portfolio</b>						
<b>Fixed Income / Asset Allocation</b>							
First Eagle Global	25.5%	\$603,746	\$0	\$603,746	\$625,214	21,468	3.56%
Ivy Asset Strategy	24.2%	\$580,212	\$0	\$580,212	\$593,499	13,287	2.29%
FPA Crescent	24.6%	\$585,046	\$0	\$585,046	\$603,698	18,652	3.19%
PIMCO All Asset All Authority	25.6%	\$614,074	\$0	\$614,074	\$626,531	12,457	2.03%
<b>Sub-total</b>	<b>99.9%</b>	<b>\$2,383,078</b>	<b>\$0</b>	<b>\$2,383,078</b>	<b>\$2,448,942</b>	<b>65,864</b>	<b>2.76%</b>
<b>Cash</b>	<b>0.1%</b>	<b>\$1,270</b>	<b>\$0</b>	<b>\$1,270</b>	<b>\$1,270</b>	<b>0</b>	<b>0.00%</b>
<b>Total</b>	<b>100.0%</b>	<b>\$2,384,348</b>	<b>\$0</b>	<b>\$2,384,348</b>	<b>\$2,450,212</b>	<b>65,864</b>	<b>2.76%</b>

## Total Fund Returns – August 2016

CATEGORY	Current	Value on	Additions/	Net Invested	Value on	Change in	Return
Sub-Category	Percent of	7/31/2016	Withdrawals	Capital	8/31/2016	Value	
Name	Portfolio						
<b>Fixed Income / Asset Allocation</b>							
First Eagle Global	25.4%	\$625,214	\$0	\$625,214	\$624,884	-330	-0.05%
Ivy Asset Strategy	23.9%	\$593,499	\$0	\$593,499	\$587,409	-6,090	-1.03%
FPA Crescent	25.1%	\$603,698	\$0	\$603,698	\$616,957	13,259	2.20%
PIMCO All Asset All Authority	25.6%	\$626,531	\$0	\$626,531	\$628,730	2,199	0.35%
<b>Sub-total</b>	<b>100.0%</b>	<b>\$2,448,942</b>	<b>\$0</b>	<b>\$2,448,942</b>	<b>\$2,457,980</b>	<b>9,038</b>	<b>0.37%</b>
<b>Cash</b>	<b>0.0%</b>	<b>\$1,270</b>	<b>-\$1,250</b>	<b>\$20</b>	<b>\$20</b>	<b>0</b>	<b>0.00%</b>
<b>Total</b>	<b>100.0%</b>	<b>\$2,450,212</b>	<b>-\$1,250</b>	<b>\$2,448,962</b>	<b>\$2,458,000</b>	<b>9,038</b>	<b>0.37%</b>

## First Eagle Global A

		<u>Current Quarter</u>	<u>YTD 6/30/2016</u>	<u>Trailing 1 Year</u>	<u>Trailing 3 Years</u>	<u>Trailing 5 Years</u>	<u>Trailing 8 Years</u>	<u>Trailing 10 Years</u>	<u>Since Inception</u>	<u>Inception Date</u>
<b>Annualized Returns</b>	First Eagle Global A	3.20%	6.80%	3.96%	6.42%	6.06%	6.57%	6.93%		
	Account Rank	23	19	8	5	8	1	2		
	Morningstar World Allocation	2.15%	3.23%	-2.29%	2.80%	2.25%	2.16%	3.16%		
	Morningstar World	42	48	59	65	79	88	86		
		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Calendar Years</b>	First Eagle Global A	9.90%	-21.06%	22.91%	17.58%	-0.19%	12.46%	15.49%	2.94%	-0.93%
	Morningstar World Allocation	11.25%	-30.26%	24.20%	10.95%	-3.67%	10.18%	8.46%	1.50%	-4.28%

	<u>Current Quarter</u>	<u>Since Inception</u>		<u>Measure</u>	<u>Fund</u>	<u>Benchmark</u>
<b>Cash Flow Summary</b>	Beginning Market Value		<b>8-Year Quant Data</b>	<i>Return</i>	6.57%	2.16%
	Contributions/Withdrawals			<i>Standard Dev. (Volatility)</i>	12.75%	12.94%
	Net Invested Capital			<i>Sharpe Ratio</i>	0.50	0.15
	Gains/Losses			<i>Beta</i>	0.96	1.00
	Ending Market Value			<i>Alpha</i>	4.41%	NMF
					<i>Up Capture</i>	129%
				<i>Down Capture</i>	86%	100%

<b>Manager Description</b>	The investment philosophy is rooted in the teachings of Benjamin Graham and Warren Buffett, believing that the market persistently fails to recognize a company's intrinsic value. The fund is opportunistic and can invest in gold, bonds, cash and currency forwards, as well as all market cap ranges so it will not closely track its index. The fundamental research process has remained constant since the inception of the Global Value team's first fund. The team looks for opportunities in companies that have temporarily disappointed investors; industries in turmoil or out of favor; and countries in economic downturns or overlooked by the market. The team stresses the importance of attempting to avoid the permanent impairment of capital. They feel that: 1) Cash is the residual of a disciplined investment approach and may provide deferred purchasing power during windows of market distress; and, 2) Gold may serve as a potential hedge against unforeseen, extreme outcomes. They have the flexibility to hold gold bullion or gold mining securities, depending on where they feel they can purchase gold more cheaply	<b>Latest Manager Update</b>

## FPA Crescent

		Current Quarter	YTD 6/30/2016	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Trailing 8 Years	Trailing 10 Years	Since Inception	Inception Date
Annualized Returns	FPA Crescent	0.39%	0.19%	-1.87%	4.95%	6.68%	6.13%	6.53%		
	Account Rank	97	95	79	75	39	33	16		
	Morningstar Allocation--50% to 70% Equity	2.20%	3.11%	-0.20%	5.52%	5.82%	5.04%	4.72%		
	Morningstar Allocation--50%	36	42	49	61	59	69	72		
		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Calendar Years	FPA Crescent	6.84%	-20.55%	28.37%	12.04%	3.02%	10.33%	21.95%	6.64%	-2.06%
	Morningstar Allocation--50% to 70% Equi	5.92%	-28.19%	24.04%	11.73%	-0.40%	11.85%	16.10%	5.83%	-1.98%

	Current Quarter	Since Inception		Measure	Fund	Benchmark
Cash Flow Summary	Beginning Market Value		8-Year Quant Data	Return	6.13%	5.04%
	Contributions/Withdrawals			Standard Dev. (Volatility)	12.18%	12.40%
	Net Invested Capital			Sharpe Ratio	0.49	0.39
	Gains/Losses			Beta	0.96	1.00
	Ending Market Value			Alpha	1.26%	NMF
				Up Capture	103%	100%
			Down Capture	91%	100%	

Manager Description	<p>FPA Crescent is a value-oriented, risk-managed equity portfolio, with multi-asset class capabilities. The portfolio manager, Steve Romick, is a seasoned manager with decidedly non-benchmark approach. He applies the same valuation discipline across all asset classes, incorporating corporate debt, real estate, and other assets, including a current position in farmland. He will not invest without a big margin of safety, nor without an expectation of equity-like return potential. As such, the fund at times will own substantial sums of cash, and will also short, albeit only for hedging in the past rather than speculation. The fund will also invest aggressively at times of market stress, leaning into difficult markets and selling profits when markets are trending strongly upward.</p>	Latest Manager Update
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## PIMCO All Asset All Authority

		<u>Current Quarter</u>	<u>YTD 6/30/2016</u>	<u>Trailing 1 Year</u>	<u>Trailing 3 Years</u>	<u>Trailing 5 Years</u>	<u>Trailing 8 Years</u>	<u>Trailing 10 Years</u>	<u>Since Inception</u>	<u>Inception Date</u>
Annualized Returns	PIMCO All Asset All Authority Inst	4.55%	10.36%	-2.06%	-1.37%	0.84%	3.32%	4.50%		
	Account Rank	20	6	49	88	80	47	28		
	Morningstar Tactical Allocation	2.36%	3.49%	-2.51%	2.27%	2.29%	2.60%	2.95%		
	Morningstar Tactical Allocation	49	42	53	63	65	67	80		
		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Calendar Years	PIMCO All Asset All Authority Inst	9.99%	-6.93%	19.35%	10.67%	3.01%	17.66%	-5.47%	-2.35%	-11.73%
	Morningstar Tactical Allocation	6.30%	-24.90%	19.57%	12.43%	-2.91%	9.28%	8.47%	2.74%	-5.88%

	<u>Current Quarter</u>	<u>Since Inception</u>		<u>Measure</u>	<u>Fund</u>	<u>Benchmark</u>
Cash Flow Summary	Beginning Market Value		8-Year Quant Data	<i>Return</i>	3.32%	2.60%
	Contributions/Withdrawals			<i>Standard Dev. (Volatility)</i>	9.53%	10.81%
	Net Invested Capital			<i>Sharpe Ratio</i>	0.33	0.22
	Gains/Losses			<i>Beta</i>	0.66	1.00
	Ending Market Value			<i>Alpha</i>	1.59%	NMF
				<i>Up Capture</i>	76%	100%
			<i>Down Capture</i>	63%	100%	

Manager Description	By actively investing in both traditional and alternative asset classes, this fund seeks to protect purchasing power, pursue growth potential and diversify key risks across a range of market environments. The fund seeks high real returns (returns above inflation), consistent with its secondary benchmark of CPI +6.5% over a full market cycle. By emphasizing assets with a positive correlation to inflation, the fund aims to meaningfully enhance investors' long-term purchasing power, regardless if inflation is rising, stable or falling. By emphasizing assets other than core U.S. stocks and bonds, the fund may serve as a diversifying "third pillar" to support return potential and risk mitigation efforts. These diversifying characteristics may be enhanced through the use of modest leverage and shorting, to amplify or reduce targeted portfolio exposures.	Latest Manager Update
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## Ivy Asset Strategy A

		Current Quarter	YTD 6/30/2016	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Trailing 8 Years	Trailing 10 Years	Since Inception	Inception Date
Annualized Returns	Ivy Asset Strategy A	0.62%	-4.47%	-12.54%	-0.04%	1.27%	1.79%	5.32%		
	Account Rank	84	99	99	94	86	92	27		
	Morningstar Allocation--50% to 70% Equity	2.20%	3.11%	-0.20%	5.52%	5.82%	5.04%	4.72%		
	Morningstar Allocation--50% to 70%	38	44	27	16	13	19	44		
		<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Calendar Years	Ivy Asset Strategy A	41.31%	-25.90%	23.81%	9.77%	-7.68%	19.33%	24.32%	-5.02%	-8.41%
	Morningstar Allocation--50% to 70% Equity	5.92%	-28.19%	24.04%	11.73%	-0.40%	11.85%	16.10%	5.83%	-1.98%

	Current Quarter	Since Inception		Measure	Fund	Benchmark
Cash Flow Summary	Beginning Market Value		8-Year Quant Data	Return	1.79%	5.04%
	Contributions/Withdrawals			Standard Dev. (Volatility)	14.92%	11.27%
	Net Invested Capital			Sharpe Ratio	0.11	0.43
	Gains/Losses			Beta	1.09	1.00
	Ending Market Value			Alpha	-3.08%	NMF
					Up Capture	95%
				Down Capture	129%	100%

Manager Description	The investment seeks to provide total return. The fund seeks to achieve its objective by allocating its assets primarily among stocks, bonds and short-term instruments of issuers in markets around the globe, as well as in derivative instruments, precious metals and investments with exposure to various foreign currencies. It may invest in U.S. and foreign securities; the fund may invest up to 100% of its total assets in foreign securities, including issuers located in and/or generating revenue from emerging markets.	Latest Manager Update
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**Section Three**

**MACOMB TOWNSHIP ACT 345 RETIREMENT SYSTEM**

**ASSET ALLOCATION OVERVIEW  
MUTUAL FUND INTERNAL EXPENSES  
RECOMMENDATIONS**

**Graystone  
Consulting<sup>SM</sup>**

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## Current Asset Allocation

CATEGORY		AA Study	Current	Target	Current	Adjustment	Actions
Sub-Category		Percent of	Percent of	Amount	Amount		
Name		Portfolio	Portfolio				
Marketable Traditional	<b>Global / Multi-Asset Equity/Balanced</b>						
	PIMCO All Asset All Authority	25.0%	25.8%	\$ 596,087	\$ 614,074	\$ (17,987)	
	FPA Crescent	25.0%	24.5%	\$ 596,087	\$ 585,046	\$ 11,041	
	First Eagle Global	25.0%	25.3%	\$ 596,087	\$ 603,747	\$ (7,660)	
	IVY Asset	25.0%	24.3%	\$ 596,087	\$ 580,212	\$ 15,875	
	<b>Cash</b>	0.0%	0.1%	\$ -	\$ 1,269	\$ (1,269)	
	<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>\$ 2,384,348</b>	<b>\$ 2,384,348</b>		

## Mutual Fund Fee Schedule: As of June 30<sup>th</sup>, 2016

<u>Allocation %</u> <u>As of 06/30/16</u>	<u>Mutual Fund</u>	<u>\$ Value</u>	<u>Expense Ratio</u>	<u>Quarterly Amount Paid</u>
25.75%	PIMCO All Asset All Authority	\$614,074	1.68%	\$2,579.11
25.32%	First Eagle Global	\$603,747	1.11%	\$1,675.40
24.33%	Ivy Asset Strategy	\$580,212	0.96%	\$1,392.51
24.54%	FPA Crescent	\$585,046	1.23%	\$1,799.02
0.05%	Cash	\$1,269	0.00%	\$0.00
100%				
<b>Average Weighted Expense Ratio</b>		<b>\$2,384,348</b>		<b>\$7,446.03</b>

*The above expenses are estimated based on the dollar values at the end of the period and should be treated as approximations only*

*Graystone Quarterly Consulting Fee of \$1,250 or \$5,000 annually*

## Recommendations

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### **Recent Developments:**

- We placed Ivy Asset Strategy on Watch at the last meeting due to investment manager changes within the firm
- We recommend terminating IVY Asset Strategy and replacing them with Wells Fargo Asset Allocation Fund (next page)

## Wells Fargo Asset Allocation Fund

	Current Quarter	YTD 6/30/2016	Trailing 1 Year	Trailing 3 Years	Trailing 5 Years	Trailing 8 Years	Trailing 10 Years	Since Inception	Inception Date	
Annualized Returns	Wells Fargo Absolute Return A	0.69%	0.69%	-4.96%	0.59%	2.87%	4.38%	5.01%		
	Account Rank	83	82	81	90	67	40	41		
	Morningstar World Allocation	2.15%	3.23%	-2.29%	2.80%	2.25%	2.16%	3.16%		
	Morningstar World	42	48	59	65	79	88	86		
		2007	2008	2009	2010	2011	2012	2013	2014	2015
Calendar Years	Wells Fargo Absolute Return A	11.24%	-11.26%	20.61%	4.87%	3.82%	9.18%	9.65%	0.44%	-4.91%
	Morningstar World Allocation	11.25%	-30.26%	24.20%	10.95%	-3.67%	10.18%	8.46%	1.50%	-4.28%

	Current Quarter	Since Inception		Measure	Fund	Benchmark
Cash Flow Summary	Beginning Market Value		8-Year Quant Data	Return	4.38%	2.16%
	Contributions/Withdrawals			Standard Dev. (Volatility)	7.56%	12.94%
	Net Invested Capital			Sharpe Ratio	0.56	0.15
	Gains/Losses			Beta	0.52	1.00
	Ending Market Value			Alpha	2.99%	NMF
			Up Capture	73%	100%	
			Down Capture	47%	100%	

Manager Description	<p>The fund is tied to GMO's Benchmark-Free Fund. GMO Benchmark Free is the full expression of GMO's asset allocation views globally. GMO (Grantham, Mayo and van Otterloo) is a global investment firm with a broad set of institutional capabilities across asset classes. The manager will patiently miss out on short-term gains if there is a perception of overvaluation, often vindicated through a full cycle. The fund aims to beat inflation by 5% annually, with a 5%-10% annual standard deviation. The team running this fund is also responsible for GMO's well-known 7 year asset class forecasts, which are derived from their views that asset classes mean revert to their long-run averages. The voice of the firm is still Jeremy Grantham, however Ben Inker is the primary team member responsible for the portfolio and much of the underlying asset allocation work. The team's asset class calls have largely been on point during the past two decades, including prior to 2008 when the manager (Grantham) pronounced what they felt was the world's first truly global asset bubble, as well as their call to "reinvest when terrified" in March 2009.</p>	Latest Manager Update
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