



INVESTMENT MANAGEMENT COMMITTEE



March 2014

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AND
INVESTMENT MANAGEMENT COMMITTEE**

*(Mr. Barth, Committee Chair; Mr. Colonna; Mr. Corpus; Mr. Kelly; & Ms. Sissney,
Committee Members)*

AGENDA

**March 27, 2014 – 8:30 a.m.
TRS East Building, 5th Floor, Boardroom**

1. Consider the approval of the proposed minutes of the December 12, 2013 committee meeting – Todd Barth.
2. Receive the annual Internal Public Markets review – Chi Chai, Janis Hydak, David DeStefano, and Shayne McGuire.
3. Receive the annual Trading Management Group review – Bernie Bozzelli, Jaime Llano, and Jared Morris.
4. Receive report on proxy votes for which TRS' outside advisor provided no recommendation – Janis Hydak and Tim Wei.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Investment Management Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Investment Management Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.



Minutes of the Investment Management Committee

December 12, 2013

The Investment Management Committee of the Board of Trustees of the Teacher Retirement System of Texas met on December 12, 2013 in the boardroom located on the Fifth Floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following committee members were present:

Todd Barth, Chair
Joe Colonna
David Corpus
David Kelly
Nanette Sissney

Others present:

Chris Moss, TRS Trustee
Anita Palmer, TRS Trustee
Dolores Ramirez, TRS Trustee
Brian Guthrie, TRS
Britt Harris, TRS
Ken Welch, TRS
Amy Barrett, TRS
Carolina de Onís, TRS
Jerry Albright, TRS
Thomas Albright, TRS
Jase Auby, TRS
Mohan Balachandran, TRS
Sylvia Bell, TRS
Grant Birdwell, TRS
Ronnie Bounds, TRS
Dan Herron, TRS

Janis Hydak, TRS
Dan Junell, TRS
Eric Lang, TRS
Lynn Lau, TRS
Scot Leith, TRS
Denise Lopez, TRS
Hugh Ohn, TRS
Mike Simmons, TRS
Sharon Toalson, TRS
Ann Fickel, Texas Classroom Teachers Association
Derly Rivera, Austin Retired Teachers Association
Dr. Keith Brown, Investment Advisor
Steven Huff, Fiduciary Counsel
Steve Voss, Hewitt EnnisKnupp
Brady O'Connell, Hewitt EnnisKnupp

Mr. Barth called the meeting to order at 8:50 a.m. A quorum of the committee was present.

1. Consider the approval of the proposed minutes of the September 12, 2013 committee meeting – Todd Barth.

On a motion by Mr. Colonna, the committee approved the minutes of the September 12, 2013 meeting as presented.

2. Review Risk Management and Strategies – Jase Auby.

Mr. Auby described the investment risk group, including its mandate, composition, functions, accomplishments, and priorities. He explained key risk signals, including the process for detecting and responding to a potential bubble. Responding to a question from Mr. Barth regarding the Chinese market, Mr. Auby stated that TRS allocated a small percentage of the portfolio to China. He noted that, although the Chinese market was a major contributor to global equity growth, as an emerging market it could be difficult to observe and penetrate. He confirmed for Mr. Kelly that the CUSUM tool would track the performance of a manager that had been terminated after receiving a “sell” rating. Per Mr. Barth’s request, Mr. Harris discussed currency hedging. Mr. Auby confirmed for Dr. Brown that the portfolio currently factored in the

cost of currency hedging in calculating investment returns. Mr. Auby presented the new political risk model as one of the 2013 priorities. He explained for Mr. Colonna that the political risk model indexed statistical compilations of qualitative opinions gathered by external researchers. He also provided an update on the status and performance of the research and development investment portfolios. Concerning the 2014 priority for quantifying the value of trust liquidity, Mr. Kelly and Mr. Auby discussed refining quantitative data to determine what premiums should be received for liquidity.

3. Review Strategic Asset Allocation/Stable Value and Tactical Asset Allocation – Mohan Balachandran.

Mr. Balachandran presented information about the asset allocation team. He described the strategic asset allocation group and its special opportunities initiative, the tactical asset allocation group, beta management group, and the market strategy development group. He said the key priority for 2014 would be the strategic asset allocation study. He presented the projected timeline for the study and stated that the final recommendation would be presented to the board in September 2014. Committee members generally concurred on the projected timeline.

Mr. Balachandran noted that in the slide "Strategic Asset Allocation – Current Situation" presented on page 6 of the committee meeting book, the GRS 30-year Asset Growth Rate should have read "4.1%" and the GRS 30-year Liability Growth Rate should have read "3.6%." In response to Mr. Barth's question about asset smoothing, Mr. Guthrie explained the related methodology used.

The meeting adjourned at 11:15 a.m.



Internal Active Management

Chi Kit Chai

Senior Managing Director

March 2014

Agenda

Overview

- TRS IMD Internal Active Management

Internal Actively Managed Equity Portfolios

- TRS Investment Division
- IPM Organizational Chart

Market Update

- Regional Returns
- Sector Returns
- Correlation

GBI Flagship

- Investment Results
- Competitive Landscape
- Region and Sector Positioning
- Top Holdings and Overweights
- Fundamental Characteristics
- Performance Attribution

GBI Gold

- Investment Results

GBI US High Quality

- Investment Results

Trust-wide Initiatives

IPM Timeline

Accomplishments and Priorities

Summary

Appendix

TRS IMD Internal Active Management

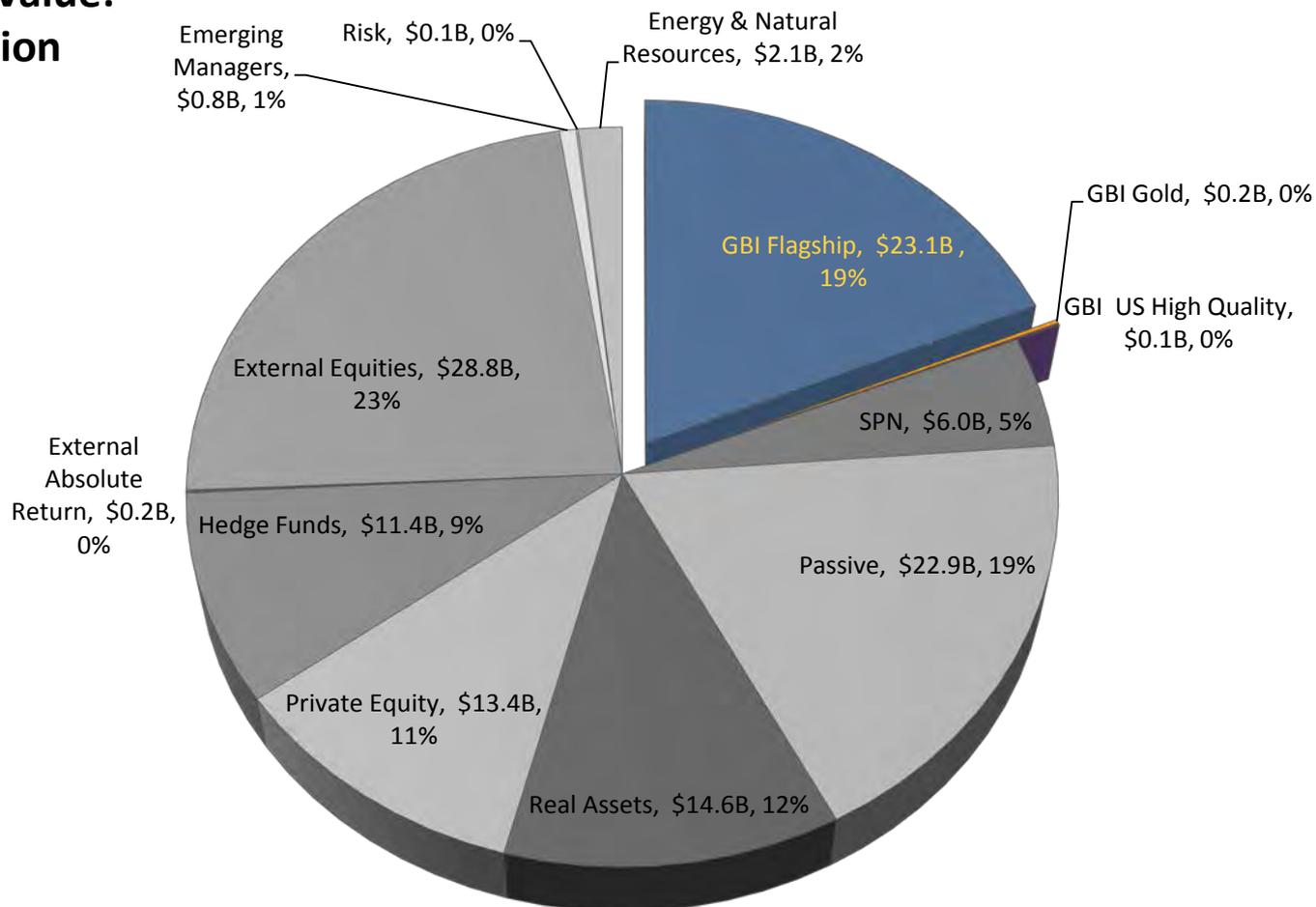
Overview

Internal Active Management							
<ul style="list-style-type: none"> • \$23 billion managed actively (19% of TRS Portfolio) • Experienced investment and trading teams 				<ul style="list-style-type: none"> • Well developed investment processes with effective risk management • Annual cost savings of almost \$100 million 			
Active Portfolios (managed by Internal Public Markets Team)							
Global Best Ideas (GBI)	AUM (\$M)	ALPHA				Tracking	Information
		1 Yr	3 Yrs	5 Yrs	ITD	Error	Ratio
Core	\$ 22,084	0.3%	0.4%	0.4%	0.6%	1.3%	0.43
Quant	1,015	5.5%	2.0%	-	2.6%	1.9%	1.37
Flagship	23,099	0.3%	0.3%	0.4%	0.6%	1.3%	0.43
Gold	198	-3.4%	-0.3%	-	-0.1%	3.4%	-0.04
US High Quality	102						
Total Internal Active	\$ 23,398						
GBI Flagship Portfolio Characteristics				GBI Flagship Factor Exposures			
Characteristics	Data	Factor		% of Risk			
Predicted Beta	1.0	Stock Specific		46			
Price/Earnings - Trailing	15.3x	Region/Currency		23			
Price/Earnings - Forward	14.6x	Volatility		18			
Price/Book	2.0x	Sector		9			
Dividend Yield	2.1%	Growth		2			
ROE	17.1%	Liquidity		1			
EPS Growth	12.5%	Momentum		1			
Debt/Capital	34.5%	Value		1			
Realized Tracking Error	130 bps	Size		0			
GBI Flagship Key Policies							
Benchmark: MSCI All-Country World				Target Alpha: 50 basis points			
Regions				Risk Ranges			
	BM Weight	<ul style="list-style-type: none"> - Tracking Error: 0 to 200 basis points - Regional Allocation: -3% to +3% - Sector Allocation: -3% to +3% 					
United States	49%						
Europe	25%						
Asia Ex Japan	8%						
Japan	8%						
Latin America & EMEA	4%						
Other	6%						
	100%						
				Research Portfolios (Unfunded)			
				Risk Premia			

Internal Public Markets

Investment Management Division as of December 31, 2013

Total Trust Value:
\$124 billion



Internal Public Markets

Organizational Chart

Chi Kit Chai, CFA

Management Committee

Macro/Quant Research

Janis Hydak, CFA

Mark Albert, CFA

Wayne Speer, CFA

Phillip Auth, CFA

Solomon Gold

Terri Krumnow

Monica Larson

Portfolio Management

David DeStefano, CFA

Ralph Linn, CFA

Patrick Cosgrove, CFA

Kay Cuclis

Mark Albert, CFA

Lee Carter

Fundamental Research

Shayne McGuire

Jeremy Aston

Stacey Peot, CFA

Rich Campbell, CFA

Marshall Reid, CFA

Mark Cassens, CFA

Corina Scoggins, CFA

Richard Garchitorena, CFA

KJ Van Ackeren, CFA

Marissa Hogan

John Watkins

Kevin Lincoln, CFA

Jackson Wu

GBI Flagship

GBI US High Quality

GBI Quant

GBI Core

GBI Gold

- 16 CFA Charterholders
- 15 Average Years of Experience
- 28 MBAs/Other Graduate Degrees

Global Regional Returns

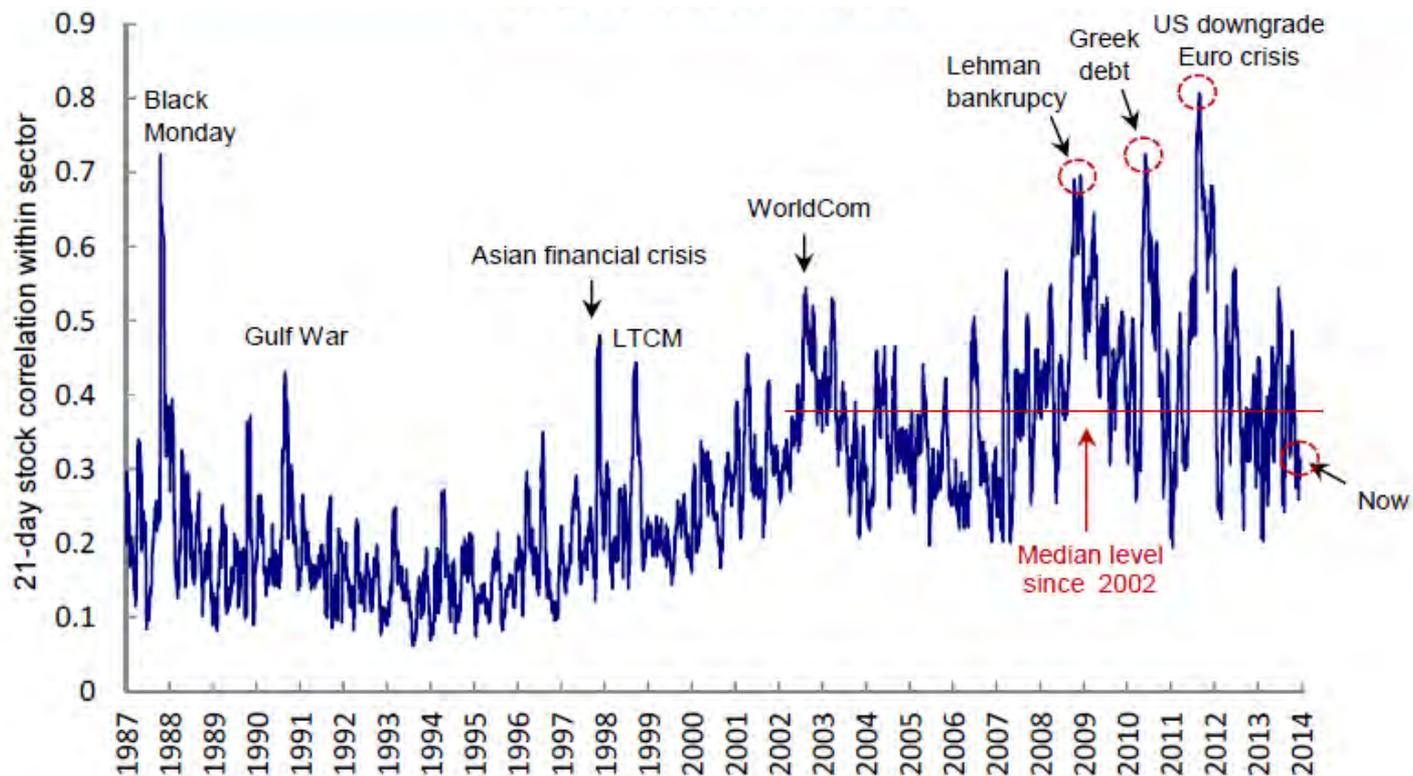
Rank	Annual						Annualized	
	2013	2012	2011	2010	2009	2008	3 Year	5 Year
1	United States 32%	Asia Ex JP 22%	United States 1%	Canada 20%	EMEA & LA 85%	Japan -29%	United States 15%	Australia 18%
2	Japan 27%	Australia 22%	MSCI -7%	Asia Ex JP 20%	Australia 76%	United States -38%	Europe 10%	United States 17%
3	Europe 25%	Europe 19%	Australia -11%	EMEA & LA 19%	Asia Ex JP 72%	MSCI -42%	MSCI 10%	Asia Ex JP 17%
4	MSCI 23%	MSCI 16%	Europe -11%	Japan 15%	Canada 56%	Canada -46%	Japan 6%	MSCI 15%
5	Canada 6%	United States 15%	Canada -13%	United States 15%	Europe 36%	Europe -46%	Australia 4%	Canada 14%
6	Australia 4%	EMEA & LA 14%	Japan -14%	Australia 15%	MSCI 35%	Australia -51%	Asia Ex JP 1%	Europe 13%
7	Asia Ex JP 3%	Canada 9%	Asia Ex JP -17%	MSCI 13%	United States 26%	Asia Ex JP -52%	Canada 0%	EMEA & LA 13%
8	EMEA & LA -10%	Japan 8%	EMEA & LA -20%	Europe 4%	Japan 6%	EMEA & LA -54%	EMEA & LA -6%	Japan 8%

Source: MSCI

Global Sector Returns

Rank	Annual						Annualized	
	2013	2012	2011	2010	2009	2008	3 Year	5 Year
1	Discretionary 36%	Financials 29%	Health Care 9%	Discretionary 25%	Materials 70%	Health Care -21%	Health Care 20%	Discretionary 23%
2	Health Care 36%	Discretionary 23%	Staples 8%	Industrials 24%	Technology 58%	Staples -24%	Discretionary 17%	Technology 20%
3	Industrials 29%	Health Care 18%	Telecom 0%	Materials 22%	Discretionary 44%	Utilities -30%	Staples 14%	Industrials 17%
4	Technology 27%	MSCI 16%	Energy -3%	Staples 14%	Financials 37%	Telecom -36%	Technology 12%	Health Care 16%
5	Telecom 24%	Industrials 16%	Technology -4%	MSCI 13%	MSCI 35%	MSCI -42%	Industrials 10%	Staples 16%
6	MSCI 23%	Technology 15%	Utilities -5%	Energy 12%	Energy 33%	Energy -42%	Telecom 10%	MSCI 15%
7	Financials 22%	Staples 15%	Discretionary -5%	Technology 11%	Industrials 29%	Discretionary -42%	MSCI 10%	Financials 13%
8	Staples 18%	Materials 11%	MSCI -7%	Telecom 11%	Staples 24%	Technology -45%	Financials 8%	Materials 12%
9	Energy 14%	Telecom 8%	Industrials -10%	Financials 6%	Health Care 19%	Industrials -45%	Energy 4%	Telecom 11%
10	Utilities 11%	Energy 2%	Financials -19%	Health Care 3%	Telecom 16%	Materials -52%	Utilities 3%	Energy 11%
11	Materials -1%	Utilities 2%	Materials -21%	Utilities 0%	Utilities 10%	Financials -54%	Materials -5%	Utilities 3%

US Stock Correlation is Low



Note: Shows 21-day stock correlation within sector, where the averages of all pair-wise stock correlations are calculated within GICS 10 sectors in Russell 1000 universe using 21-day total returns and these correlations are averaged over all GICS 10 sectors. Period of analysis is from 2 January 1987 through 24 December 2013.

GBI Flagship (Core Plus Quant)

Performance as of December 31, 2013

GBI FLAGSHIP

Year	AUM (\$ in billions)	Investment Return (%)	Alpha (bps)
2013	23.1	23.1	31
2012	20.4	16.8	65
2011	18.2	-7.3	7
2010	19.4	12.8	16
2009	16.7	35.4	77
2008	12.1	-41.5	72
2007 ¹	3.9	2.8	43

GBI CORE

Year	AUM (\$ in billions)	Investment Return (%)	Alpha (bps)
2013	22.1	23.1	16
2012	19.8	16.8	66
2011	17.6	-7.1	23
2010	19.0	12.8	9
2009	16.4	35.3	67
2008	12.1	-41.6	59
2007 ⁴	3.9	2.8	37

GBI FLAGSHIP

Annualized	Investment Return (%)	Alpha (bps)	Risk Metrics	
			Tracking Error ²	Information Ratio ³
1-Year	23.1	31	0.5%	0.6
3-Year	10.1	33	0.9%	0.4
5-Year	15.3	37	1.1%	0.3
Since Inception ¹	3.4	56	1.3%	0.4

GBI QUANT

Year	AUM (\$ in millions)	Investment Return (%)	Alpha (bps)
2013	1,015	28.2	545
2012	547	18.6	245
2011	250	-8.4	-101
2010	182	14.2	158
2009 ⁵	170	23.8	449

Notes

Benchmark is MSCI All Country World

¹Inception: December 2007

²Tracking Error: annualized standard deviation of monthly excess returns

³Information Ratio: annualized excess returns/tracking error

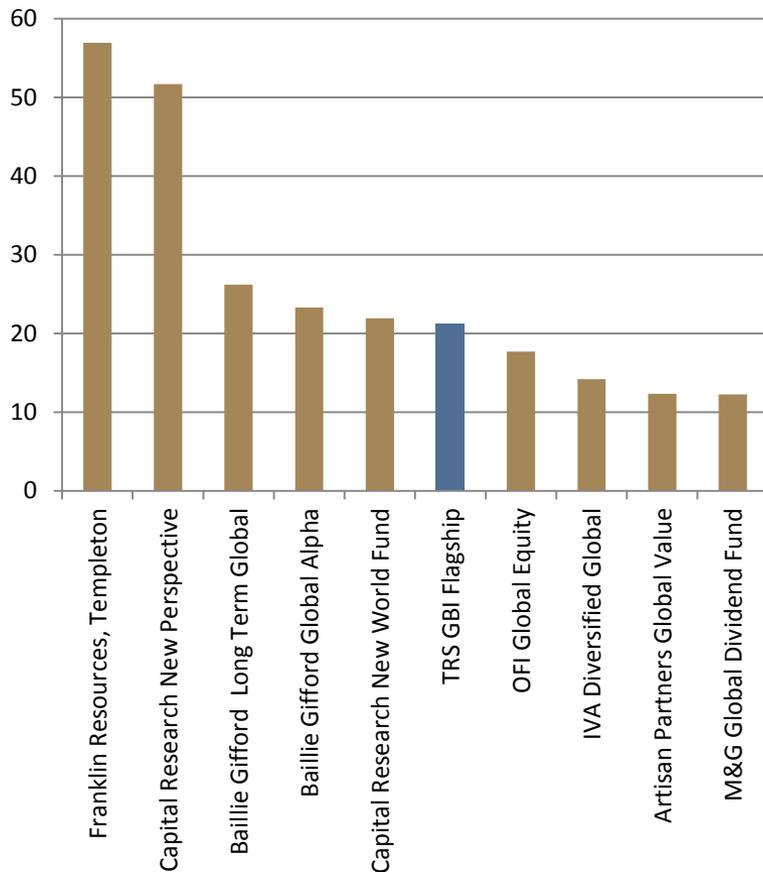
⁴Inception: December 2007

⁵Inception: June 2009



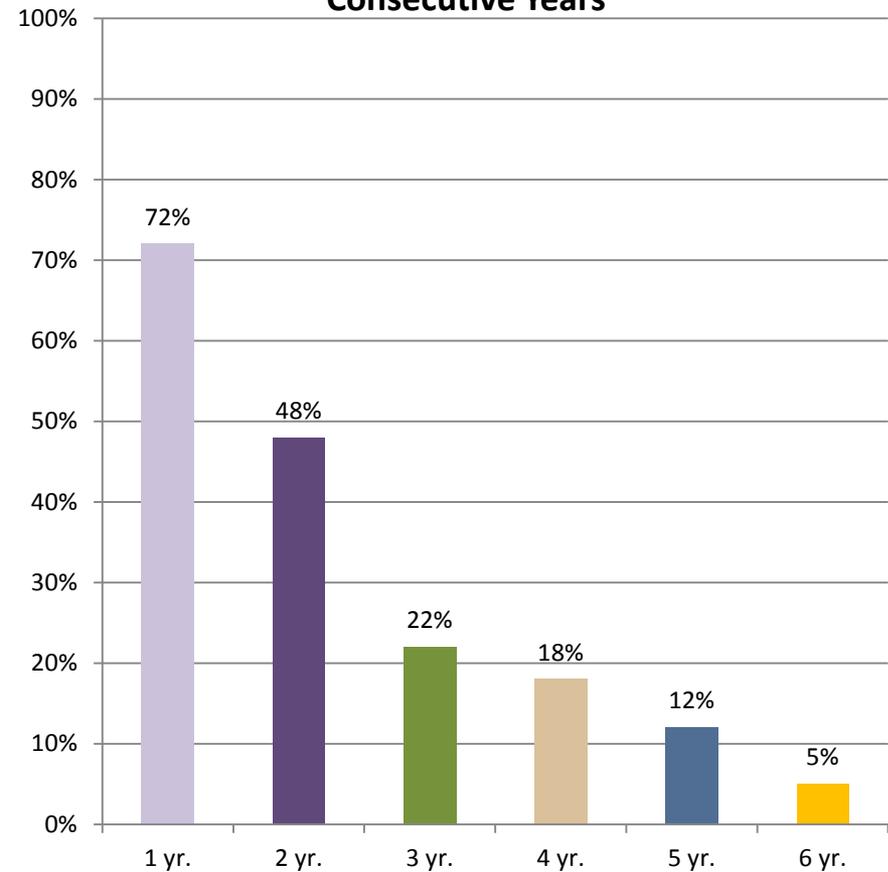
GBI Flagship Competitive Landscape

Ten Largest Actively Managed Global Funds, AUM (\$ Billions)



6th Largest Global Fund

Percentage of Global Equity Funds Outperforming Their Benchmarks in Consecutive Years



Only 5% have 6 Years of Consecutive Alpha



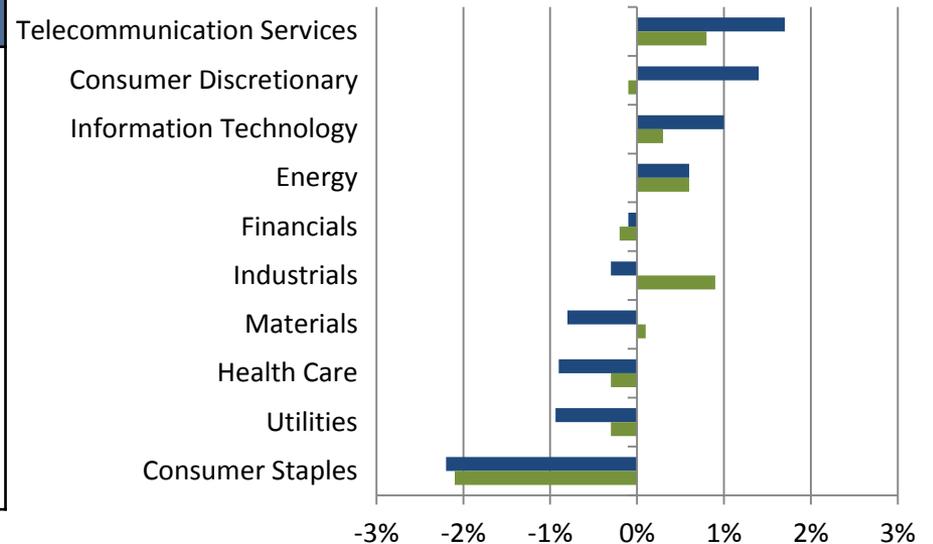
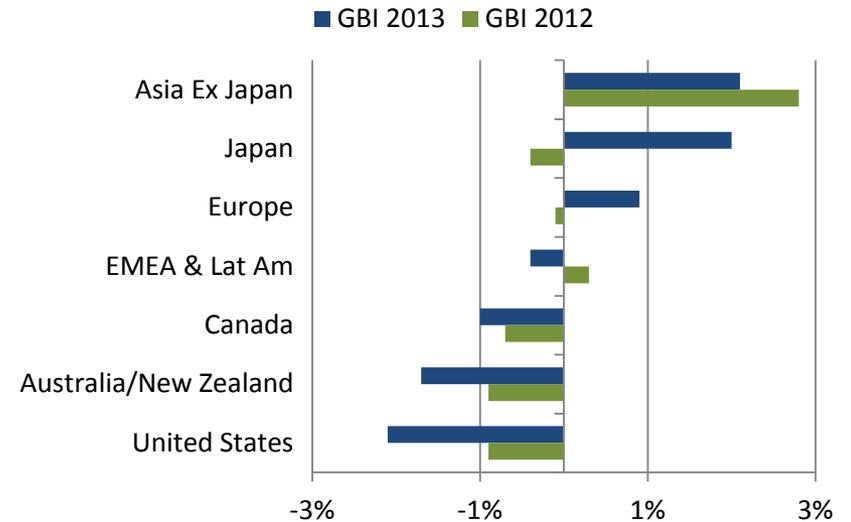
Source: eVestments

GBI Flagship

Positioning

Regions	GBI		Over/Under	
	2013	2012	2013	2012
Asia Ex Japan	10.4%	12.6%	2.1%	2.8%
Japan	9.8%	7.0%	2.0%	-0.4%
Europe	25.7%	24.1%	0.9%	-0.1%
EMEA & Lat Am	3.7%	5.7%	-0.4%	0.3%
Canada	2.7%	3.5%	-1.0%	-0.7%
Australia/New Zealand	1.1%	2.5%	-1.7%	-0.9%
United States	46.5%	44.7%	-2.1%	-0.9%

Sectors	GBI		Over/Under	
	2013	2012	2013	2012
Telecommunication Svcs.	5.8%	5.1%	1.7%	0.8%
Consumer Discretionary	13.3%	10.6%	1.4%	-0.1%
Information Technology	13.5%	12.4%	1.0%	0.3%
Energy	10.6%	11.2%	0.8%	0.6%
Financials	21.5%	21.0%	-0.1%	-0.2%
Industrials	10.6%	11.3%	-0.3%	0.9%
Materials	5.2%	7.7%	-0.8%	0.1%
Health Care	9.4%	9.0%	-0.9%	-0.3%
Utilities	2.2%	3.2%	-0.9%	-0.3%
Consumer Staples	7.6%	8.3%	-2.2%	-2.1%



GBI Flagship

Top Holdings and Overweights as of December 31, 2013

HOLDINGS

Company	Market Value (\$ in millions)	GBI (%)	Benchmark (%)	Difference
Apple	345.9	1.5	1.4	0.1
Google	234.8	1.0	0.9	0.2
Wells Fargo & Company	213.2	0.9	0.6	0.3
International Business Machines	212.9	0.9	0.5	0.4
Pfizer	192.3	0.8	0.6	0.3
Toyota Motor	185.8	0.8	0.5	0.3
General Electric	180.4	0.8	0.8	0.0
Exxon Mobil	179.6	0.8	1.2	-0.5
Vodafone Group	173.9	0.8	0.5	0.2
Roche Holding	172.1	0.7	0.6	0.2
Total	\$2,091.0	9.1	7.6	1.4

OVERWEIGHTS

Company	Market Value (\$ in millions)	Overweight (%)
BT Group	133.4	0.4
Unitedhealth Group	148.4	0.4
Metlife	130.8	0.4
Tyco International	107.9	0.4
Ameriprise Financial	109.0	0.4
Capital One Financial	121.3	0.4
Union Pacific	142.1	0.4
Gilead Sciences	164.9	0.4
Ace Limited	112.9	0.4
Valeo SA	95.3	0.4
Deutsche Telekom	121.6	0.4
The Boeing Company	151.0	0.4
International Business Machines	212.9	0.4
Total	\$1,751.5	5.2

GBI Flagship

Portfolio Characteristics as of December 31, 2013

	Portfolio Characteristics	GBI Flagship		MSCI ACWI	
		2013	2012	2013	2012
Valuation Metrics	Market Capitalization	\$87.9B	\$77.3B	\$86.5B	\$74.9B
	Price/Earnings – Trailing	15.3x	13.5x	15.7x	13.9x
	Price/Earnings – Forward	14.6x	12.6x	15.3x	13.1x
	Price/Book	2.0x	1.7x	2.0x	1.7x
	Dividend Yield	2.1%	2.7%	2.3%	2.8%
Quality Metrics	Estimated 3-5 Year EPS Growth	12.5%	11.3%	11.7%	10.6%
	Return on Equity	17.1%	18.0%	16.6%	17.6%
	Long-Term Debt/Capital	34.5%	31.5%	34.0%	32.6%
Risk Metrics	Beta	1.0	1.0	1.0	1.0

GBI Flagship

Performance Attribution and Risk

GBI Relative Performance and Risk

	2013	2012	2011	2010	2009	2008	2007	Cumulative	Annualized	
									3-Year	ITD
Alpha Attribution (bps)										
Stock	62	33	(7)	(10)	27	6	41	243	37	35
Region	(33)	37	5	21	49	17	1	116	(9)	16
Sector	2	(5)	9	5	1	49	1	33	5	5
Total	31	65	7	16	77	72	43	392	33	56
Risk Factors (%)										
Stock Specific	46%	46%	33%	32%	49%	53%	52%	43%	42%	43%
Region	23%	31%	34%	34%	14%	5%	7%	24%	29%	24%
Sector	9%	11%	21%	14%	12%	9%	5%	13%	14%	13%
Volatility	18%	4%	7%	12%	7%	2%	7%	8%	9%	8%
Momentum	1%	7%	4%	5%	13%	22%	13%	9%	4%	9%
Growth	2%	1%	0%	2%	3%	2%	3%	2%	1%	2%
Value	1%	-1%	0%	0%	0%	3%	6%	1%	0%	1%
Size	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%
Leverage	0%	1%	0%	0%	2%	3%	5%	1%	0%	1%
Liquidity	1%	1%	0%	1%	0%	0%	1%	0%	1%	0%
Total	100%									

GBI Gold

Performance as of December 31, 2013

GBI GOLD¹

Year	AUM (\$ in millions)	Investment Return (%)	Alpha (bps)
2013	198	-44.2	-341
2012	816	2.0	233
2011	705	-5.8	248
2010	491	35.3	57
2009 ²	266	5.2	-3

- Precious metals markets fell sharply in 2013, one of gold's worst years
- The Gold Allocation Committee was formed in June 2013, with five senior-level voting members, including the Chief Risk Officer
- \$242 million was sold out of the Gold Fund during 2013

Notes

¹Custom Benchmark

²Inception: October 2009



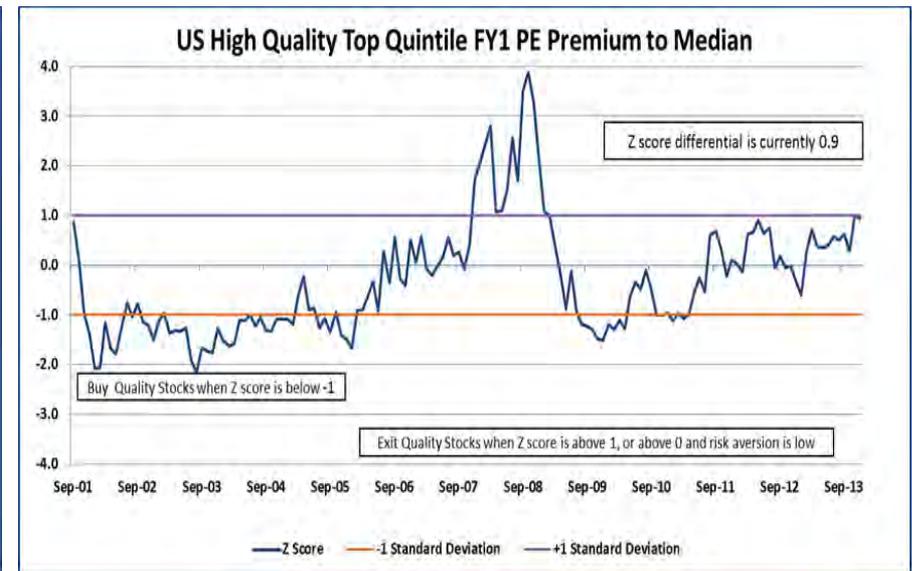
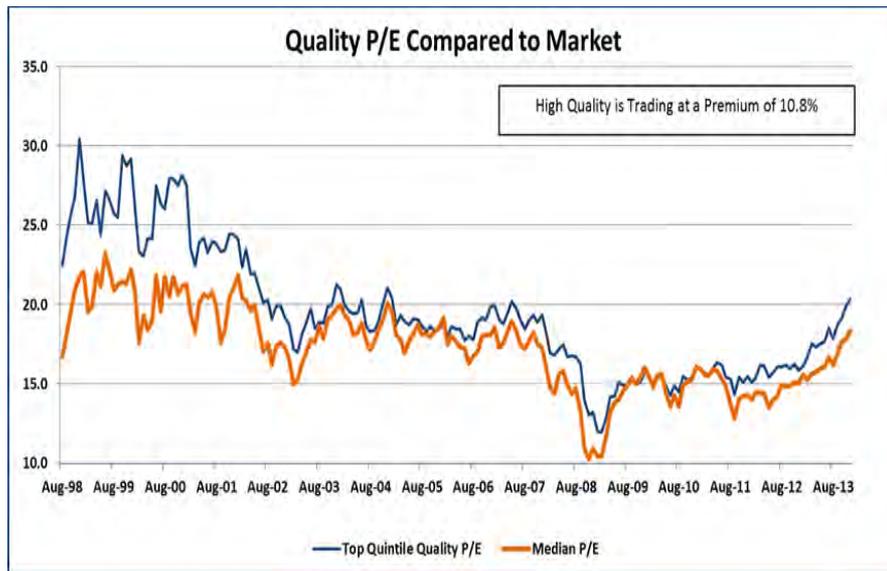
GBI US High Quality

Performance as of December 31, 2013

GBI US HIGH QUALITY

Year	AUM (\$ in millions)	Investment Return (%)
2013	102	31.3
2012	99	17.3
2011 ¹	100	-4.8

- Performance since inception has been in line with peers
- Outperformed four out of five peers in 2013



Notes

¹Inception: July 2011

Trust-wide Portfolios and Initiatives

Funded R&D portfolios

US High Quality: collaborative project with Asset Allocation and External Public Markets

- Defined the quality factor: Return on Equity (ROE), Gross margin, Intangible Assets as a percent of total assets (proxy for franchise value), and Beta to bond spread returns (Core – High Yield)
- Created quant portfolio that best expresses the TRS Quality factor
- Launched July 1, 2011, at \$100 million
- Benchmark: MSCI USA

Low Vol With Overlay: collaborative project with the Risk Group

- Combined Low Vol Factor Portfolio with Put Selling Risk Premium
- Optimized Quantitative portfolio
- Launched January 1, 2013, at \$100 million
- Benchmark: MSCI USA

Paper portfolio

Alternative Risk Premia – Equity Names:

collaborative project with Asset Allocation, part of the larger Alternative Risk Premia Multi-strategy

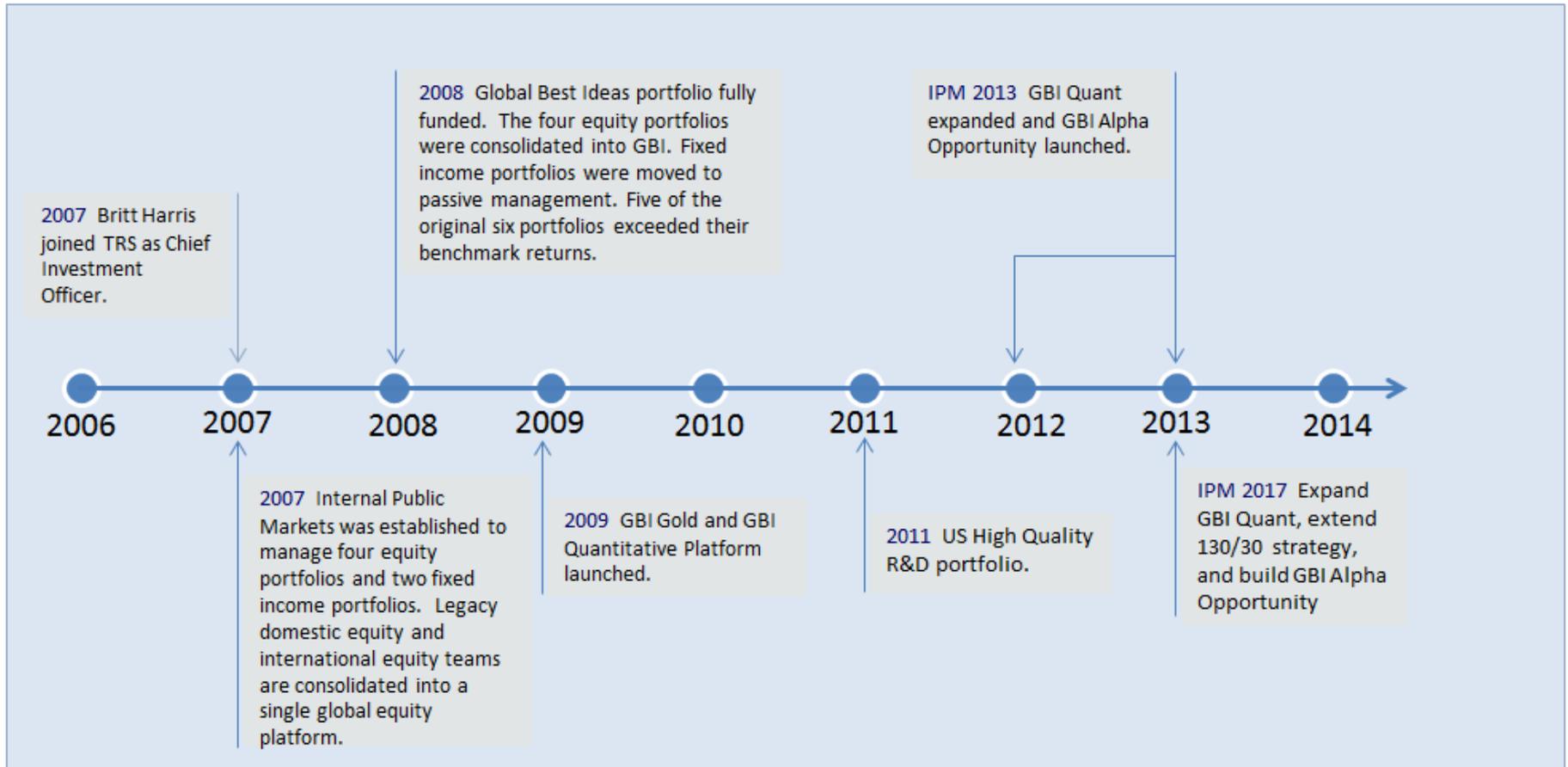
- Created a long short equity portfolio of alternative risk premia: Value, Momentum, and Quality
- Launched in paper form October 1, 2013
- Benchmark: MSCI World

Research

Selection Alpha: collaborative project with Asset Allocation, External Public Markets, and Strategic Partnership Research

- Began project to create a long only portfolio that combines the active weights of External US Large Cap Managers
- Benchmark: MSCI USA

IPM Timeline



IPM Accomplishments and Priorities

2013 Accomplishments



Developed a road map for the GBI 2017 vision



Expanded the Quant platform to \$1 billion in size



Developed a process for the GBI Alpha Opportunity platform



Launched a 130/30 R&D US REIT Strategy



Developed an IPM Bulletin to keep the IMD informed about GBI positioning



Researched and reported on Deleveraging and asset class performance



Researched and reported on China

2014 Priorities



Strengthen the relationship with GBI Alpha Opportunity deal sourcing partners



Execute Quant platform expansion according to IPM 2017 goals



Extend the 130/30 strategy to other sectors and/or regions of GBI



Coordinate with Asset Allocation on Selection Alpha portfolios



Develop an analyst training and valuation program to transition early stage career investment professionals to mid-career



Define, develop and launch a next-generation leadership program within IPM



Streamline critical processes – 20% team productivity increase, modify email system – 50% reduction in non-critical emails, streamline research expenses – 20% savings on current research expenses

Summary

Internal Active Equity Portfolio Management

- GBI has produced alpha for six consecutive years
 - Annualized alpha since inception of 56 basis points (above 50 basis points target)
 - GBI has fulfilled its role in the overall strategy of the Fund
 - GBI Quant has produced 262 basis points of alpha since inception and is growing in size
- Other Internal Portfolios have met Trust goals
 - Gold: providing diversification
 - US High Quality: tactical and providing diversification
- Collaboration across the IMD is effective and increasing
- IPM 2017 Plan is on track
 - GBI Quant expansion is underway
 - GBI Alpha Opportunity platform is up and running

APPENDIX

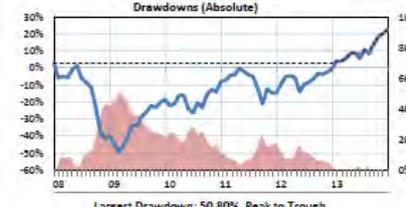
GBI Flagship STAR Report



GBI Flagship vs. MS ACWI FREE (NET)

Statistical Tracking And Reporting (STAR) Report

Monthly Data from 12/07 to 12/13



Performance by Period (Inception: 12/31/07)

Period	Portfolio	B'mark	VFB	T.E.	I.R.
3-month	7.54%	7.31%	0.23%		
YTD	23.11%	22.80%	0.31%	0.54%	0.57
1-year	23.11%	22.80%	0.31%	0.54%	0.57
2-year	19.90%	19.42%	0.48%	0.56%	0.87
3-year	10.06%	9.73%	0.33%	0.90%	0.36
5-year	15.29%	14.92%	0.37%	1.14%	0.32
10-year	N/A	N/A	N/A	N/A	N/A
Inception	3.40%	2.84%	0.55%	1.30%	0.42

Performance by Year:

Year	Portfolio	B'mark	Excess
Start Date: 2007	2.82%	2.39%	0.43%
12/31/07	(41.49%)	(42.21%)	0.72%
2008	35.40%	34.63%	0.77%
2009	12.83%	12.67%	0.16%
2010	(7.27%)	(7.35%)	0.07%
2011	16.78%	16.13%	0.65%
2012	23.11%	22.80%	0.31%
2013			

Valuation Model

Overall Performance (Since Inception 12/31/07)

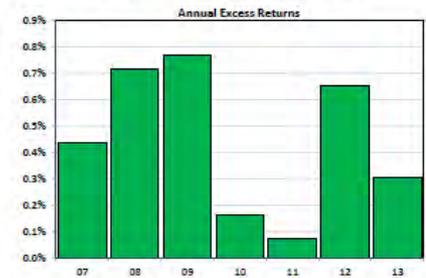
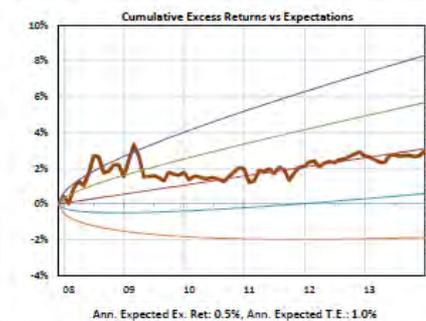
Cumulative Performance:		Periods	
Portfolio	22.5%	73	
Benchmark	18.6%	R-Squared	99.6%
Excess Return	3.9%	Tracking Error	1.3%

Annualized Performance:

	Portfolio	B'mark	Diff	Ex. Ret.	Risk Free
Return	3.40%	2.84%	0.55%	0.48%	0.42%
St. Dev.	19.76%	20.02%	(0.26%)	1.30%	0.24%
Best Month	11.10%	11.80%	(0.71%)	0.95%	0.38%
Worst Month	(19.47%)	(19.82%)	0.35%	(1.14%)	(0.01%)
Skew	(0.75)	(0.74)		-0.19	
Kurtosis	1.19	1.23		1.49	
Best 12 Mths	55.62%	58.12%			
Worst 12 Mths	(46.77%)	(48.21%)			
Up Capture	64.53%	64.56%			
Down Capture	(42.98%)	(43.69%)			

Risk Summary:

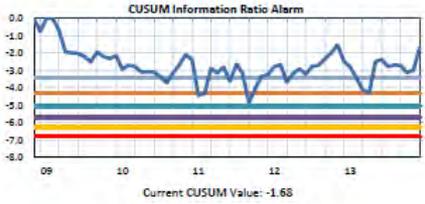
	Info. Ratio	Sharpe	0.15	Hit Rt Up	49%
M2 Premium	3.43%	Treynor	0.03	Hit Rt Dn	66%
Beta	0.99	Sortino	0.13	Hit Rt Tot	56%
Jensen's alpha	0.59%	5% hVar	(0.62%)		



GBI Flagship vs. MS ACWI FREE (NET)

Statistical Tracking And Reporting (STAR) Report

Monthly Data from 12/07 to 12/13

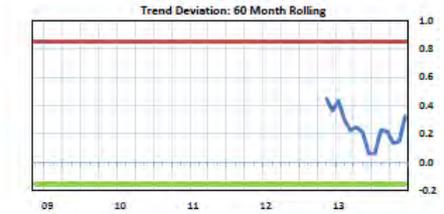


Hit Rate Analysis:

	Periods	Hit Rate	Avg Ex Ret
Benchmark Up	41	48.8%	(0.00%)
Benchmark Down	32	65.6%	0.10%
All Periods	73	56.2%	0.04%

Hit Rate During Various Environments:

Value/ Growth	Value	Neutral	Growth
Outperf.			Outperf.
Periods	19	37	17
Hit Rate	26.3%	56.8%	88.2%
Avg Ex Ret	(0.21%)	0.02%	0.37%
Sm Value/ Sm Growth	Value	Neutral	Growth
Outperf.			Outperf.
Periods	17	40	16
Hit Rate	41.2%	55.0%	75.0%
Avg Ex Ret	(0.10%)	(0.02%)	0.35%
Equity Size	Large	Neutral	Small
Outperf.			Outperf.
Periods	14	33	26
Hit Rate	42.9%	66.7%	50.0%
Avg Ex Ret	0.00%	0.07%	0.02%
Core/ High Yield	Core	Neutral	High Yield
Outperf.			Outperf.
Periods	16	24	33
Hit Rate	56.3%	54.2%	57.6%
Avg Ex Ret	0.13%	0.02%	0.01%



US/ Intl Bonds	US	Neutral	Global
Outperf.			Outperf.
Periods	21	30	22
Hit Rate	61.9%	50.0%	59.1%
Avg Ex Ret	0.05%	0.02%	0.06%
Stocks/ Bonds	Stocks	Neutral	Bonds
Outperf.			Outperf.
Periods	38	9	26
Hit Rate	52.6%	66.7%	57.7%
Avg Ex Ret	(0.00%)	0.03%	0.11%
US/ Intl Stocks	US	Neutral	Intl.
Outperf.			Outperf.
Periods	29	22	22
Hit Rate	55.2%	68.2%	45.5%
Avg Ex Ret	(0.05%)	0.23%	(0.03%)



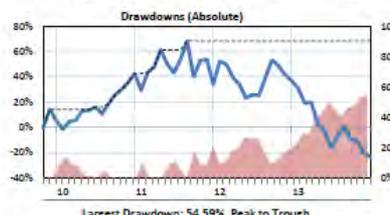
GBI Gold Fund STAR Report



Gold Fund vs. Gold Fund Benchmark

Statistical Tracking And Reporting (STAR) Report

Monthly Data from 10/09 to 12/13



Performance by Period (Inception: 10/31/09)

Period	Portfolio	B'mark	VFB	T.E.	I.R.
3-month	(15.82%)	(9.93%)	(5.89%)		
YTD	(44.18%)	(40.76%)	(3.42%)		
1-year	(44.18%)	(40.76%)	(3.42%)	5.76%	(0.59)
2-year	(24.55%)	(23.16%)	(1.38%)	4.48%	(0.31)
3-year	(18.76%)	(18.49%)	(0.27%)	4.10%	(0.07)
5-year	N/A	N/A	N/A	N/A	N/A
10-year	N/A	N/A	N/A	N/A	N/A
Inception	(6.16%)	(6.03%)	(0.13%)	3.44%	(0.04)

Performance by Year:

Year	Portfolio	B'mark	Excess
Start Date: 2009	5.19%	5.21%	(0.03%)
10/31/09	35.30%	34.73%	0.57%
2011	(5.82%)	(8.27%)	2.45%
End Date: 2012	1.99%	(0.33%)	2.32%
12/31/13	(44.18%)	(40.76%)	(3.42%)

CUSUM ALARM

Valuation Model

Overall Performance (Since Inception 10/31/09)

Cumulative Performance:

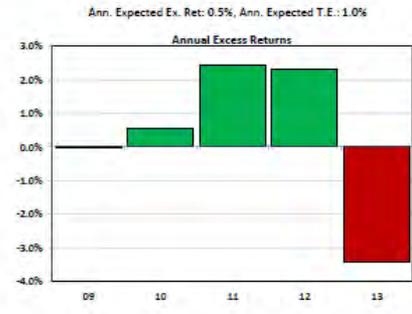
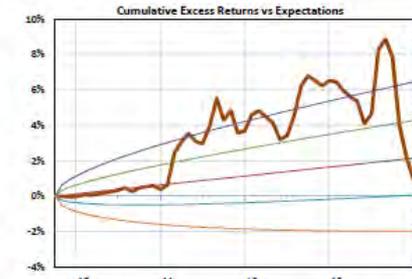
Portfolio	(23.7%)	Periods	51
Benchmark	(23.2%)	R-Squared	96.7%
Excess Return	(0.5%)	Tracking Error	3.4%

Annualized Performance:

	Portfolio	B'mark	Diff	Ex. Ret.	Risk Free
Return	(6.16%)	(6.03%)	(0.13%)	0.22%	0.08%
St. Dev.	27.45%	25.81%	1.64%	3.44%	0.02%
Best Month	15.00%	15.03%	(0.04%)	3.47%	0.02%
Worst Month	(16.88%)	(15.71%)	(1.17%)	(3.62%)	(0.01%)
Skew	(0.03)	(0.12)	-0.11		
Kurtosis	(0.82)	(0.72)	5.14		
Best 12 Mths	42.49%	38.08%			
Worst 12 Mths	(44.18%)	(41.22%)			
Up Capture	103.95%	97.41%			
Down Capture	(58.15%)	(56.58%)			

Risk Summary:

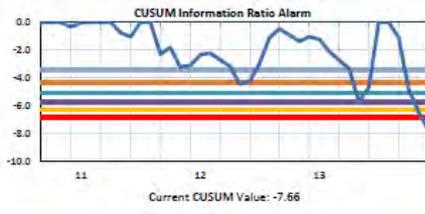
Info. Ratio	(0.04)	Sharpe	(0.23)	Hit Rt Up	73%
M2 Premium	-5.79%	Treynor	(0.06)	Hit Rt Dn	36%
Beta	1.06	Sortino	(0.23)	Hit Rt Tot	55%
Jensen's alpha	0.21%	5% hVar	(1.23%)		



Gold Fund vs. Gold Fund Benchmark

Statistical Tracking And Reporting (STAR) Report

Monthly Data from 10/09 to 12/13

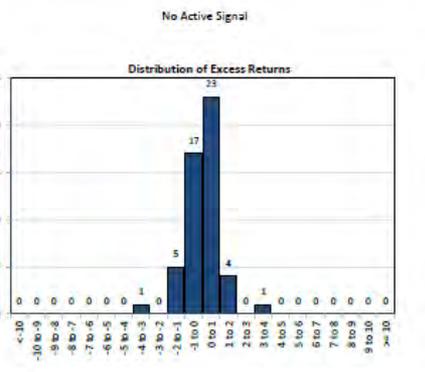


Hit Rate Analysis:

	Periods	Hit Rate	Avg Ex Ret
Benchmark Up	26	73.1%	0.31%
Benchmark Down	25	36.0%	(0.28%)
All Periods	51	54.9%	0.02%

Hit Rate During Various Environments:

Value/ Growth	Value	Neutral	Growth
Periods	10	30	11
Hit Rate	50.0%	56.7%	54.5%
Avg Ex Ret	(0.19%)	0.05%	0.15%
Sm Value/ Sm Growth	Value	Neutral	Growth
Periods	7	34	10
Hit Rate	42.9%	55.9%	60.0%
Avg Ex Ret	0.20%	0.07%	(0.27%)
Equity Size	Large	Neutral	Small
Periods	9	25	17
Hit Rate	44.4%	48.0%	70.6%
Avg Ex Ret	(0.12%)	0.00%	0.01%
Core/ High Yield	Core	Neutral	High Yield
Periods	8	20	23
Hit Rate	37.5%	40.0%	73.9%
Avg Ex Ret	0.08%	(0.13%)	0.14%



US/ Intl Bonds	US	Neutral	Global
Periods	15	22	14
Hit Rate	46.7%	54.5%	64.3%
Avg Ex Ret	(0.36%)	0.39%	(0.12%)
Stocks/ Bonds	Stocks	Neutral	Bonds
Periods	30	6	15
Hit Rate	60.0%	66.7%	40.0%
Avg Ex Ret	(0.03%)	0.19%	0.06%
US/ Intl Stocks	US	Neutral	Intl
Periods	22	15	14
Hit Rate	40.9%	66.7%	64.3%
Avg Ex Ret	(0.26%)	0.17%	0.31%





Trading Annual Review

Bernie Bozzelli
Senior Director
March 2014

Agenda

- Mandate
- Team Profile
- Who We Serve
- Trading Partner Network
- Broker Certification
- Equity Trading Performance
- Special Topic: Foreign Exchange Benchmarking
- Corporate Action Opportunities
- Futures Rolls
- 2013 Priorities Update
- 2014 Priorities
- Appendix

Trading Mandate



Implementation

- Outperformed the median equity trading desk by six basis points in 2013, retaining \$18.2 million of TRS alpha which placed TRS in the first quartile versus our peer universe. TRS trading has placed in the first quartile in four of the last five years
 - Global execution across multiple asset classes including equities, futures, forwards, foreign exchange, and CDX
 - Manage a global network of 47 brokerage firms
 - Monitor key variables that contribute to trading include volatility, liquidity, and market structure
 - Multi-asset execution totaled \$249 billion for 2013 including \$32 billion in Equities, \$176 billion in Futures/Derivatives and \$41 billion in Foreign Exchange
-



Index Management

- Passive Management
 - Approximately \$2 billion in Large Cap Value, Large Cap Growth, Small Cap, EAFE+Canada, and Emerging Markets
 - Benchmark indices are fully replicated in the portfolio in real-time to achieve tight tracking error and in-line performance
-



Market Intelligence

- Collaborate across the division to provide implementation solutions. Work with Asset Allocation, IPM and EPU to develop optimal implementation strategies
 - Examples include assessing the market impact of a trade, transition management between external managers, short-term technical model to aid in the timing of execution, Foreign Exchange (FX) hedging analysis, Options Analysis, Credit Default Swaps (CDX), and value added analysis of Corporate Actions
 - Developed a systematic framework allowing TRS to invest directly in commodity futures
 - Commission Management
-

Trading Team



Bernie Bozzelli, CFA
Senior Director
MPA, Accounting, UT Austin
19 years TRS



Jaime Llano
US Equity, Futures and Currency
BS, Finance, UT Austin
MBA, Finance, St. Edwards
9 years TRS
15 years experience



Demetrius Pope
Global Equity - Europe
BBA, Sam Houston
7 years TRS
13 years experience



Jared Morris, CFA
US Equity and Futures
BBA, Accounting, Texas A&M
MS, Finance, Texas A&M
3 years TRS
8 years experience



Scott Moore
Global Equity - Asia
MBA, Thunderbird University
10 years TRS
36 years experience



Steve Peterson
US Equity and Fixed Income
MBA, California Lutheran University
6 years TRS
19 years experience

3 MBA's
2 CFA's
1 Masters of Accounting
1 MS, Finance
20 Years Average Experience



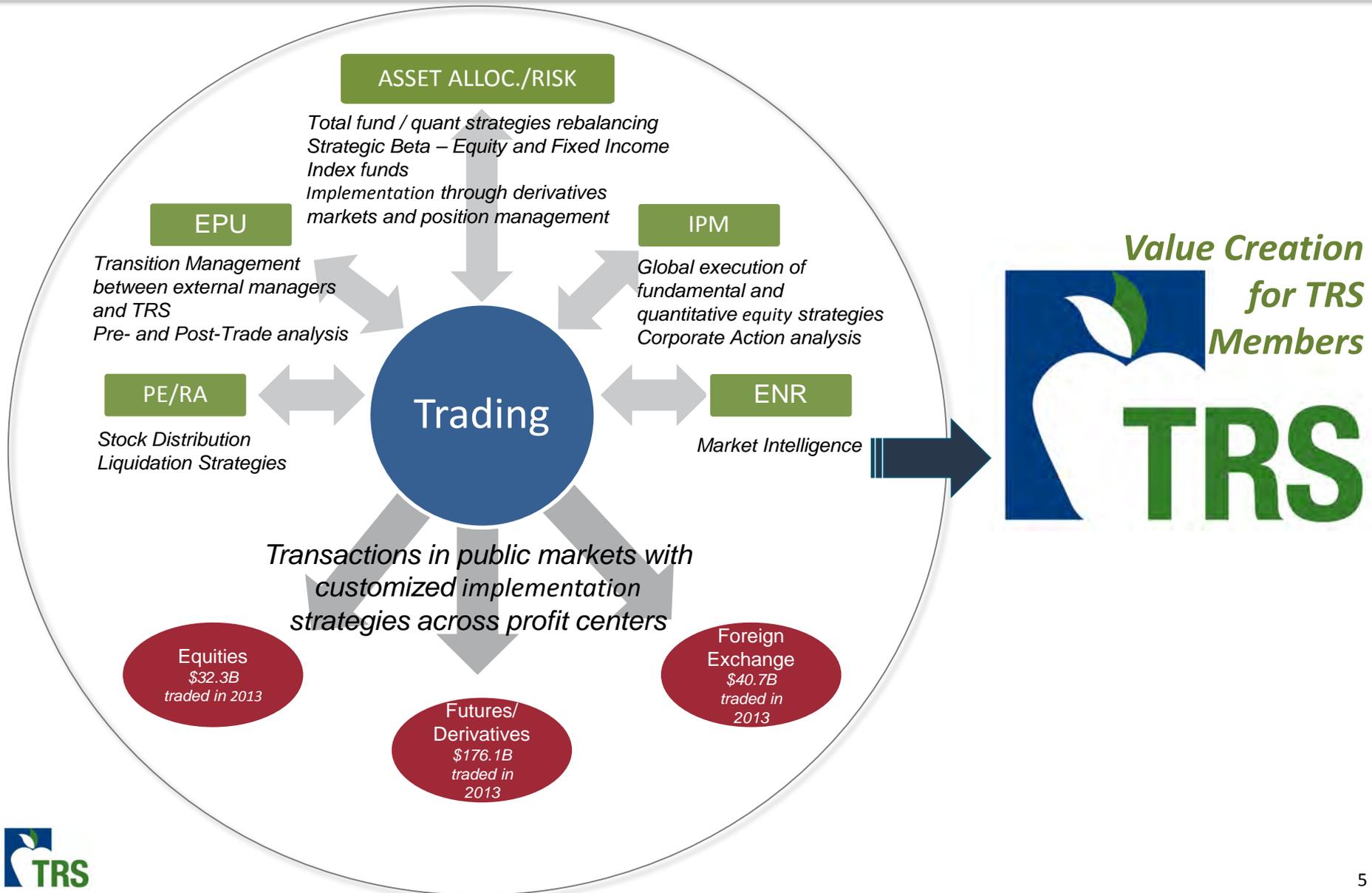
Pat Barker
Trading Analyst
25 years TRS
37 years experience



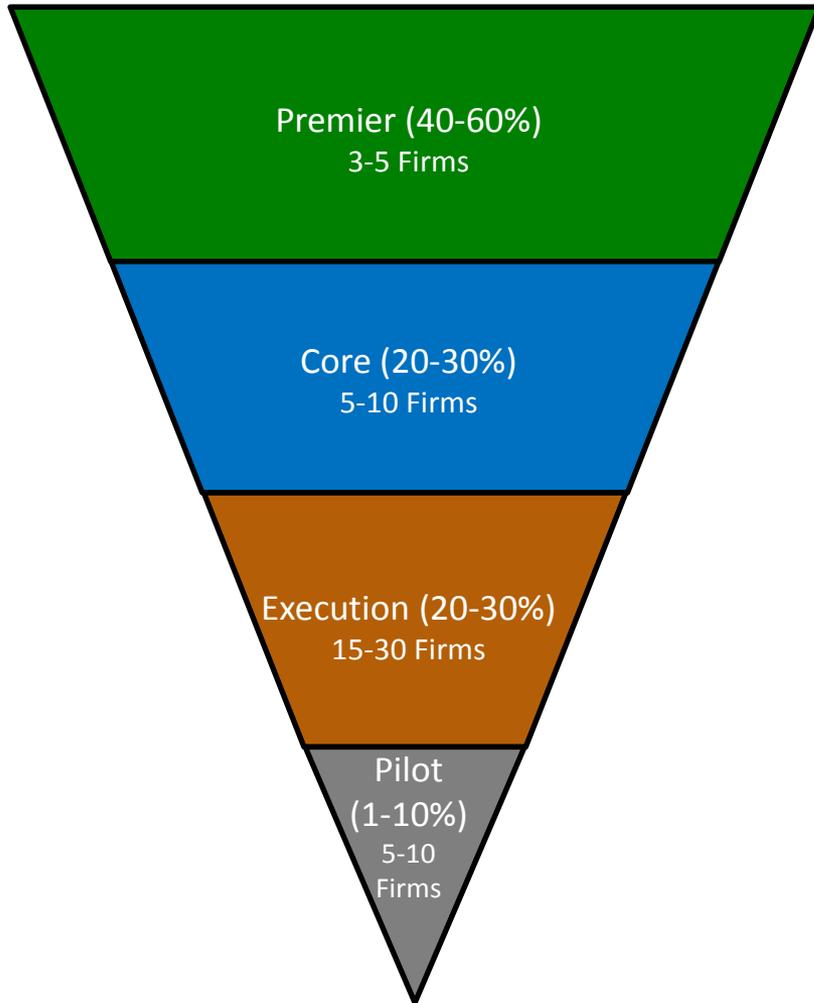
Babette Ruiz
Team Support
3 years TRS
16 years experience

Who We Serve

Cross-Divisional Collaboration



Trading Partner Network



4 Firms

- Deliver focused and high capacity relationships globally and across all asset classes
- Highly integrated with TRS trading, risk management, administrative systems, etc.
- Leading providers of investment services – TRS is a preferred client, receiving the highest level of service available

6 Firms

- Well established firms with overall world class global services capabilities
- World renowned for research and technology
- Best-of-breed product process development

28 Firms

- Includes firms who have a specialty in finding liquidity for hard-to-trade names or firms who have a niche in electronic trading
- Firms who have a core competency of trading internationally in particular regions are also included

9 Firms

- All newly approved firms doing business with TRS

Broker Certification Process

Phase 1 - Certification Process for New Firms



If acceptable, then ...

Phase 2 - Broker added to Pilot Program



Equity Trading Performance

	1Q13	2Q13	3Q13	4Q13	2013	2012
TRs Performance vs. Post Trade Ace (bps)	9	8	15	-10	2	5
Median Desk Performance vs. Post Trade Ace (bps)	-3	-4	-4	-4	-4	-3
TRs vs. Median Desk (bps)	12	12	19	-6	6	8
TRs vs. Median Desk (\$ in millions)	\$7.8	\$6.9	\$10.3	-\$6.8	\$18.2	\$29.3
1st Quartile Desk Performance vs. Post Trade Ace (bps)	2	1	2	1	2	3
TRs vs. 1st Quartile Desk (bps)	7	7	13	-11	0	2
TRs Quartile Placement	1st	1st	1st	3rd	1st	1st

**Source: ITG/Plexus*

- The total equity trading cost for 2013 includes \$45 million in market impact (16 bps) and \$39.3 million in commissions and fees (12 bps)
- How is trading measured?
 - Consistently outperformed the peer median and has placed in the first quartile in four of the last five years
 - Every order is measured versus the order arrival price and adjusted by ITG/Plexus' Post Trade Ace benchmark in order to account for current market conditions
 - Trading's benchmark-adjusted performance is then compared to the benchmark-adjusted performance of its peers



**ITG/Plexus is the leading independent transaction cost provider. Their client base entails the largest peer universe compared to their competitors.*

Special Topic

Foreign Exchange Benchmarking

Foreign Exchange (FX) Dealers manipulate a global wide used FX benchmark

In the last 6 months, reports have shown bank dealers suspected of colluding to manipulate the “Fix”, which is a global wide benchmark used by many institutional investors. This rate is marked at 4pm London time

Background

Global Equity indices utilize the Fix to value international holdings. Therefore, investment institutions trade around this benchmark to minimize their tracking error. However, the costs can be much higher than trading at other times

Who uses the Fix and why

- MSCI, FTSE, JPMorgan Bond Indices and Central Banks
- Valuation purposes
- \$3.6 trillion in funds that track international Indices

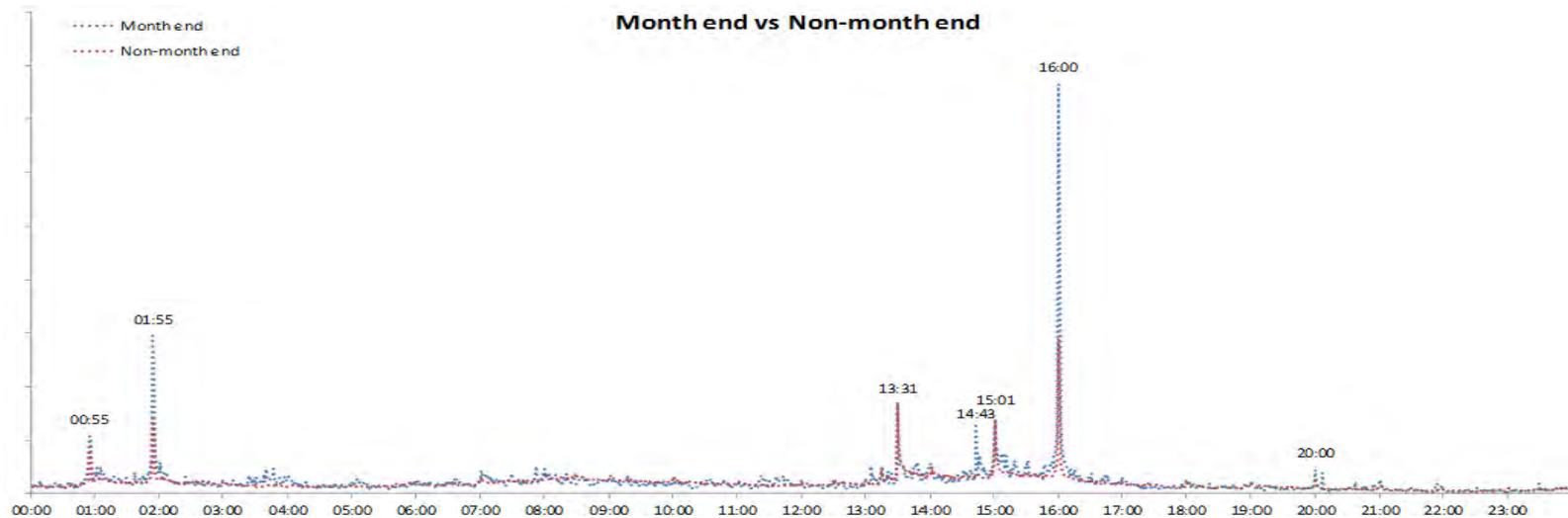
How is the FX market changing?

- Investors are moving away from focusing the majority of their flow at the Fix
- Russell Investment Group is advising its clients to avoid the Fix where possible
- Banks are no longer sharing client flow

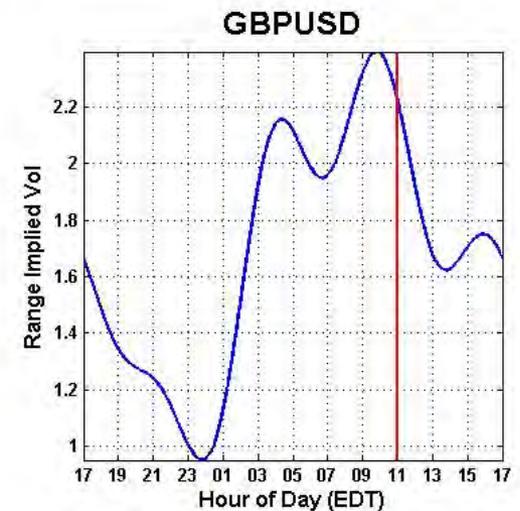
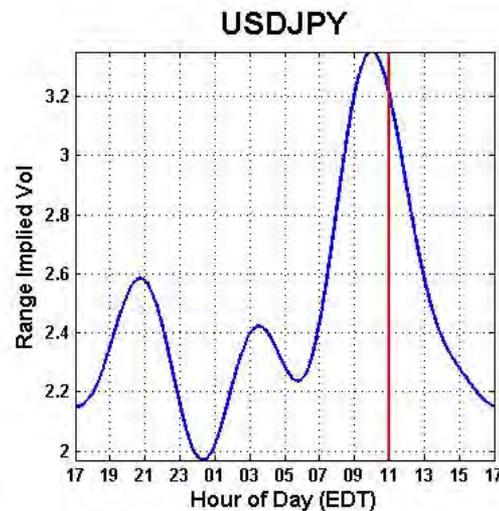
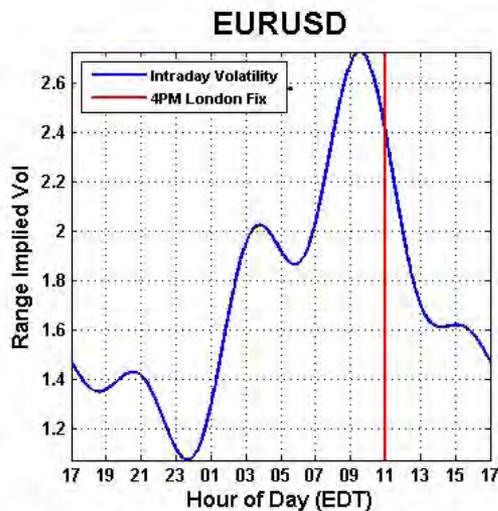
How does this issue impact TRS?

Many years ago, TRS Trading identified that the price action around this benchmark was not beneficial to the fund. TRS avoids this problem by executing their FX trades at points with high liquidity and non-event periods

Foreign Exchange Volatility at 4pm London Fix



Source: MS QSI/EBS



Source: TD OAS Estimates



Special Topic: Corporate Action Opportunities

Pfizer Inc. (PFE) Spinoff of Zoetis Inc. (ZTS)

- **Unique Situation** – In May 2013, PFE announced a spinoff of ZTS and offered a 10% discount, subject to proration, to PFE shareholders willing to tender their shares away for shares of ZTS
- **TRS Position** – TRS was in the advantaged position of already being a long holder of both PFE and ZTS
- **The Trade** – Liquidate TRS position in ZTS and replace it with ZTS shares at a 10% discount by tendering shares of PFE
- **Execution** – Trade was implemented successfully and **\$656,090** of relative value was created

Relative Value for Passive: \$34,181

	<i>Shares</i>	<i>Price</i>	<i>Value</i>
<i>PFE Shares Tendered</i>	14,491	\$27.81	-\$402,850
<i>ZTS Shares Received</i>	14,343	\$30.46	\$437,031
<i>Profit/Loss</i>			\$34,181

Relative Value for IPM: \$621,909

	<i>Value</i>
<i>Funds Received From ZTS Sells</i>	\$9,281,049
<i>Less Value of PFE Tendered Away</i>	-\$8,310,921
<i>Less Change in Starting/Ending ZTS Position</i>	-\$348,219
<i>Profit/Loss</i>	\$621,910

ZTS Sells

	<i>Date</i>	<i>Shares</i>	<i>Price</i>	<i>Value</i>
	17-Jun	100,000	\$31.11	\$3,110,620
	18-Jun	100,000	\$31.15	\$3,114,990
	19-Jun	98,300	\$31.08	\$3,055,439
Total		298,300	\$31.11	\$9,281,049

PFE Tendered

	<i>Shares</i>	<i>Price</i>	<i>Value Tendered</i>
<i>PFE Shares Tendered</i>	298,825	\$27.81	-\$8,310,921

ZTS Starting/Ending Position Difference

	<i>Shares</i>	<i>Price</i>	<i>Value</i>
<i>Starting ZTS Shares</i>	298,300	\$30.46	-\$9,086,218
<i>Ending ZTS Shares</i>	286,868	\$30.46	\$8,737,999
<i>Difference</i>	-11,432	\$30.46	-\$348,219

Special Topic: Corporate Action Special Situations

Kinder Morgan Inc. (KMI) Warrants

- Trade value add through collaboration with Asset Allocation

Proposed Trade		
	Current Price	
KMI/WS	\$4.06	
	Shares	Cash Flow
Initial Bought Shares	10,000,000	-\$26,954,843
Sold Shares	(5,108,624)	\$27,003,141
Additional Bought Shares	308,624	-\$1,389,795
Remaining Original Capital at Risk	5,200,000	-\$341,497
Current Value of Shares	5,200,000	\$21,112,000
Gain		\$20,770,503
Return		80.03%
	Shares	Est. Cash Flow
Remaining Proposed Sale	-	\$0
Resulting Capital at Risk	5,200,000	\$341,497
Resulting Average Price/Share	5,200,000	\$0.07
% of Original Investment		1.32%

Trade History						
As Of	Account	B/S	Qty	Price	Comm	Price + Comm.
06/04/12	RAEQUITY	B	29,440	2.34	\$0	\$68,890
06/04/12	RAEQUITY	B	113,896	2.3402	\$569	\$267,108
06/05/12	RAEQUITY	B	888,105	2.3828	\$4,431	\$2,098,120
06/08/12	RAEQUITY	B	2,539,850	2.2609	\$12,899	\$5,755,046
06/07/12	RAEQUITY	B	884,928	2.3082	\$4,425	\$2,047,016
07/19/12	RAEQUITY	B	943,318	2.6664	\$4,717	\$2,519,980
07/20/12	RAEQUITY	B	150,000	2.68	\$3,000	\$405,000
07/20/12	RAEQUITY	B	56,882	2.6731	\$1,134	\$152,851
07/23/12	RAEQUITY	B	200,000	2.6427	\$1,000	\$529,540
07/24/12	RAEQUITY	B	750,000	2.7053	\$3,750	\$2,032,725
07/26/12	RAEQUITY	B	200,000	2.7249	\$1,000	\$545,980
07/27/12	RAEQUITY	B	76,177	2.7741	\$381	\$211,704
07/27/12	RAEQUITY	B	42,000	2.89	\$420	\$121,800
07/30/12	RAEQUITY	B	447,396	2.9127	\$2,237	\$1,305,387
07/31/12	RAEQUITY	B	529,933	2.947	\$2,650	\$1,584,383
08/01/12	RAEQUITY	B	1,387,183	2.95	\$8,938	\$4,099,126
08/02/12	RAEQUITY	B	217,311	2.9	\$1,087	\$631,289
08/03/12	RAEQUITY	B	545,782	2.925	\$2,729	\$1,599,141
08/24/13	RAEQUITY	B	108,624	4.441	\$3,530	\$485,929
09/17/13	RAEQUITY	B	200,000	4.50933	\$2,000	\$903,866
			10,308,624		\$58,695	\$27,344,638



As Of	Account	B/S	Qty	Price	Comm	Sale - Commission
04/18/13	RAEQUITY	S	100,000	5.3	\$1,000	\$529,000
04/19/13	RAEQUITY	S	250,000	5.404	\$2,500	\$1,348,500
04/19/13	RAEQUITY	S	50,000	5.4108	\$375	\$270,155
04/22/13	RAEQUITY	S	5,914	5.45	\$44	\$32,187
04/22/13	RAEQUITY	S	40,000	5.45	\$400	\$217,600
04/23/13	RAEQUITY	S	57,291	5.511	\$430	\$315,301
04/23/13	RAEQUITY	S	100,000	5.5003	\$1,000	\$549,030
04/24/13	RAEQUITY	S	350,000	5.5529	\$3,500	\$1,940,015
04/24/13	RAEQUITY	S	625,000	5.608	\$4,888	\$3,500,312
04/24/13	RAEQUITY	S	200,000	5.5977	\$1,500	\$1,118,040
04/25/13	RAEQUITY	S	216,000	5.55	\$2,160	\$1,196,840
04/28/13	RAEQUITY	S	505,795	5.5198	\$3,793	\$2,788,094
08/29/13	RAEQUITY	S	608,624	5.2171	\$8,086	\$3,189,166
9/03/13	RAEQUITY	S	135,600	5.3131	\$1,356	\$719,100
9/04/13	RAEQUITY	S	200,000	5.185	\$2,000	\$1,035,000
9/05/13	RAEQUITY	S	380,088	5.07459	\$3,801	\$1,823,898
9/06/13	RAEQUITY	S	150,000	5.2	\$1,500	\$778,500
9/13/13	RAEQUITY	S	500,000	5	\$5,000	\$2,495,000
10/07/13	RAEQUITY	S	89,000	4.8	\$890	\$426,310
10/08/13	RAEQUITY	S	19,200	4.75	\$192	\$91,008
10/11/13	RAEQUITY	S	8,580	4.8	\$86	\$41,002
10/15/13	RAEQUITY	S	105,200	4.7857	\$1,051	\$502,405
10/16/13	RAEQUITY	S	432,352	4.9085231	\$4,324	\$2,117,077
			5,108,624		\$47,475	\$27,003,141

Average Sales Price \$5.295

2014 Priority

Futures Rolls

GOAL – Generate alpha for fund by achieving superior prices during the “rolling” of futures contracts

- **Futures Roll** – The “rolling” of a futures contract is an ongoing function in the normal course of business. It occurs from the need to move out of an expiring futures contract and into the next, most liquid contract, in order to maintain a constant level of exposure. The “roll” itself is the spread in price between two futures contracts with the same underlying but different expiration dates
- **Supply/Demand** – A major reason movements in the price spread between an expiring contract and next most liquid futures contract occur is because of imbalances between the total size of long and short positions engaged in “rolling” their positions to maintain exposure
- **Alpha** – Source of projected \$3 million alpha to come from enhancing the quality of an ongoing process that occurs in the normal course of business. In 2013, TRS traded over \$61 billion in rolls

Example: Chart of December-January S&P 500 Roll



2014 Priority

Futures Rolls

- **How to Accomplish Goal** – The strategy for achieving the stated goal is to maximize the value of knowledge and experience available from TRS trading relationships through creating a system to efficiently aggregate and measure views on timing and execution of “rolling” futures. These relationships consist of experienced professionals whose opinions are uniquely valuable as they are engaged in the markets and trade a majority of volume

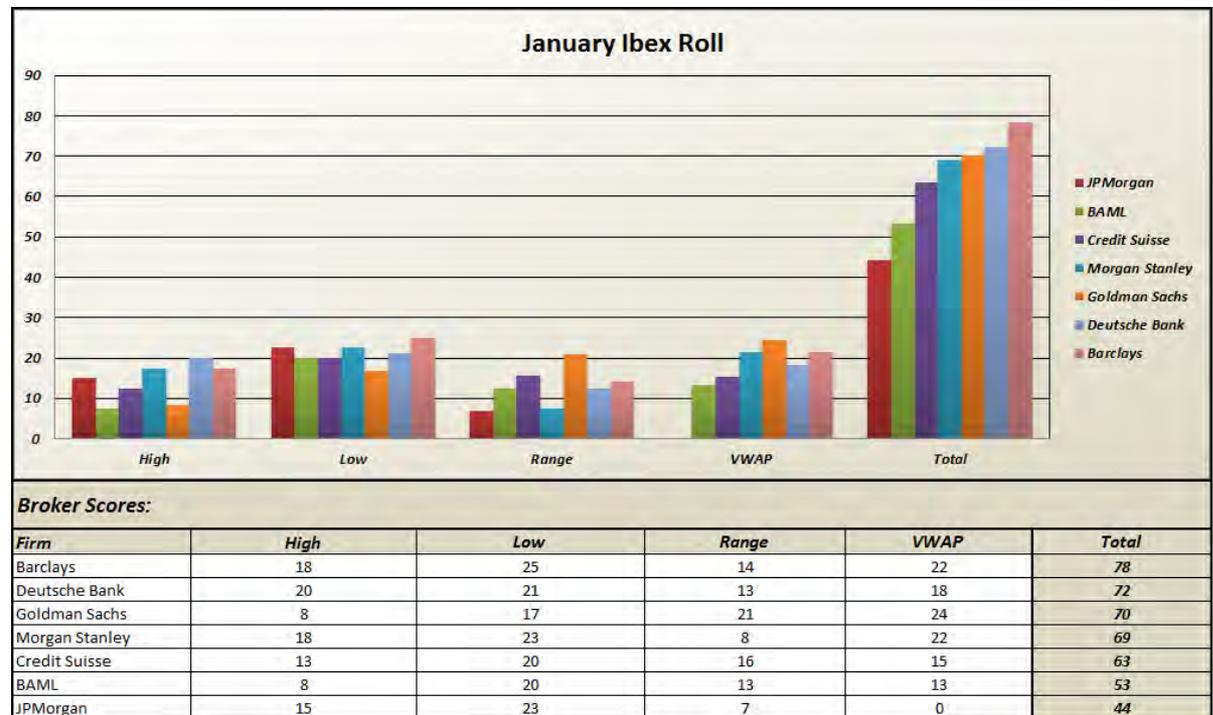
- **How to Measure Success:**

Trading Relationships –

Success can be measured through providing a standardized template and scoring system to evaluate effectiveness of opinions

TRS - Success can be measured by comparing executed prices to the average market price over the time period in which the most liquid days of the roll occur

Example: Scoring for January Ibox Roll



2013 Priorities

#	Priority	Objective
1	<i>Commission Restructure</i>	<ul style="list-style-type: none"> Generated \$3.3 million in savings through reduced commission rates on Derivatives Enhanced commission restructure throughout trading operation, focusing on futures and related products, Market On Close “MOC” orders, and algorithmic trading to lower cost Optimized commission schedule to reduce costs while generating appropriate levels of CSA to meet obligations
2	<i>Advance Electronic Futures & FX Trading</i>	<ul style="list-style-type: none"> Implemented Bloomberg Tradebook platform to enhance the level of direct market interaction over futures trades Executed at a lower overall commission rate
3	<i>Enhance Management of Treasuries/TIPS Index Fund in collaboration with Asset Allocation</i>	<ul style="list-style-type: none"> Developed a “Texas Way” analytic system for risk management, valuation and monitoring of Long Treasuries and TIPS Leveraged TRS’ network of investors to enhance internal fixed income capabilities
4	<i>Re-Branding</i>	<ul style="list-style-type: none"> Expanded understanding of the role and functions of the Trading group across the IMD through enhanced reporting and quarterly “Lunch & Learns” Conducted four Lunch & Learns on Transition Management and Passive Index Replication, The US Yield Curve – It’s More Than Just a Line, Foreign Exchange, and Futures Significantly improved and enhanced trade related reporting. See appendix for Trading Activity Report and Broker Report Card

2014 Priorities

#	Priority	Objective
1	<i>Process Map/Cross Training</i>	<ul style="list-style-type: none"> • Develop detailed process maps for each major function of the Trading. Then, develop a rotational program where each trader will perform another trader's responsibilities for a set period of time • Process Improvement as part of the Division-wide 20% mandate: Doing what we do better
2	<i>Futures Roll/Spread Trading Strategies</i>	<ul style="list-style-type: none"> • Develop a systematic framework to evaluate quarterly/monthly future roll/spreads and develop trading strategies based on that analysis. Each month/quarter we will gather spread/roll outlooks from each of our executing brokers and monitor performance versus actual market spreads. We will use this collected information to help develop our trading strategy associated with rolling future positions • Cost Savings: Our goal with this priority is to improve our execution with future rolls. We will analyze our roll/spread cost versus the average cost (VWAP) for each individual roll
3	<i>Modify Email System</i>	<ul style="list-style-type: none"> • 50% reduction in non-critical emails

APPENDIX

Technical Analysis

Technical Analysis by Scott Moore

CHART OF THE WEEK



As was reported last week, as the weekly stops were raised on most ETF's in the matrix, the likelihood of sell triggers was becoming more and more likely. That likelihood developed in a number of issues, large cap value and growth, small cap, consumer discretionary and consumer staples all signaled to step aside or at least hedge positions until each makes a determination which direction the next major move will be. Gold, GLD, exhibited a bit of upside excitement, but more positive work needs to be done to feel comfortable on the longer-term long side. TLT, the 20yr bond ETF, is now positive on the weekly and daily signals and continues to show signs of upside life there. Financials and Healthcare remain positive. The S&P 500 weekly chart to the left remains with strong upside momentum, per the condition of the Williams% indicator on the lower section. Should that break below the horizontal red line, expect a period of consolidation/correction, however all remains positive currently.

SCOTT'S SIGNALS

Asset Class	ETF	Daily	Weekly	Monthly
Large Cap Value	WD	Buy	Sell	Buy
	Level for Signal Change	93.6	94.58	84.76
Large Cap Growth	WFG	Buy	Sell	Buy
	Level for Signal Change	85.57	86.12	76.06
US Smallcap	WMC	Buy	Sell	Buy
	Level for Signal Change	115.56	116.43	103
EAFE + CAD	VEA	Buy	Buy	Buy
	Level for Signal Change	41.38	40.86	38.84
EM	EEM	Sell	Sell	Sell
	Level for Signal Change	40.31	41.85	43.91
Treasuries	TLT	Buy	Buy	Sell
	Level for Signal Change	103.93	101.17	108.73
High Yield	HYG	Buy	Buy	Buy
	Level for Signal Change	93.61	92.67	91.06
TIPS	TIP	Sell	Buy	Sell
	Level for Signal Change	11.31	109.68	113.54
Oil	USO	Buy	Sell	Sell
	Level for Signal Change	33.26	35.83	37.59
Gold	GLD	Sell	Buy	Sell
	Level for Signal Change	121.02	114.46	131.44
REITs	VNQ	Buy	Buy	Sell
	Level for Signal Change	66.15	64.05	71.13

Sector	ETF	Daily	Weekly	Monthly
Consumer Discretionary	XLV	Sell	Sell	Buy
	Level for Signal Change	65.92	65.64	58.45
Consumer Staples	XLP	Sell	Sell	Buy
	Level for Signal Change	42.54	43.07	39.56
Energy	XLE	Buy	Sell	Buy
	Level for Signal Change	85.47	88.54	81.31
Financials	XLF	Buy	Buy	Buy
	Level for Signal Change	21.88	21.66	19.48
Healthcare	XLV	Sell	Buy	Buy
	Level for Signal Change	56.79	54.95	49.58
Industrials	XLI	Buy	Sell	Buy
	Level for Signal Change	51.7	52.32	45.09
Info Tech	XLK	Buy	Sell	Buy
	Level for Signal Change	35.67	36.05	31.38
Materials	XLB	Buy	Sell	Buy
	Level for Signal Change	45.67	46.22	41.08
Utilities	XLU	Buy	Buy	Sell
	Level for Signal Change	37.76	37.27	39.61



To: Investment Management Committee of the Board of Trustees
From: Janis Hydak, Chair of the Proxy Committee
Copies: Board of Trustees
Brian Guthrie, Executive Director
Britt Harris, Chief Investment Officer
Date: March 19, 2014
Re: Exception Report for Vote on Proxy Items for which ISS Did Not Provide Recommendations

The TRS Proxy Voting Policy requires the Proxy Committee to report “exception votes” to the Board when a proxy item is voted for which the independent advisory service does not provide a recommendation. The report must document (1) the exception votes, (2) the reasons supporting each vote, (3) the number of shares voted, and (4) the date of each corporate meeting at which exception votes were cast. Such an exception vote will occur in March 2014. The details regarding that vote follow.

Exception Votes

Meeting For Preferred Shareholders of Banco Bradesco S.A.

Item 1. Elect Director Nominated by Preferred Shareholders

Item 2. Elect Fiscal Council Member(s) Nominated by Preferred Shareholders

Special Meeting Date: March 10, 2014

Shares Voted: 2,659,787

TRS Vote Instruction: FOR both Items 1 and 2



Rationale

Banco Bradesco, a Brazilian entity in which TRS held shares on the record date, is holding a separate meeting for preferred shareholders to vote on items for which they have voting rights. A separate meeting is a new process for Banco Bradesco. The new process allows preferred shareholders to present the names of their nominees up to the time of or at the meeting. ISS did not provide a recommendation because they did not have names of any nominees for director or the fiscal council prior to the date when international investors had to submit their voting instructions.

The Proxy Committee decided to vote for both items for the following reasons. TRS' primary interest in Banco Bradesco is that of a preferred shareholder. Brazilian law allows preferred shareholders to appoint one member to the board of directors and to the fiscal council, respectively, in a separate election. Candidates presented by preferred shareholders are generally independent nominees. Without independence from management, the board may be unwilling or unable to effectively set company strategy and scrutinize performance or executive compensation. Hence, the independence of directors tends to promote the interests of shareholders. The same reasoning applies to the fiscal council—independent nominees promote effective corporate governance.