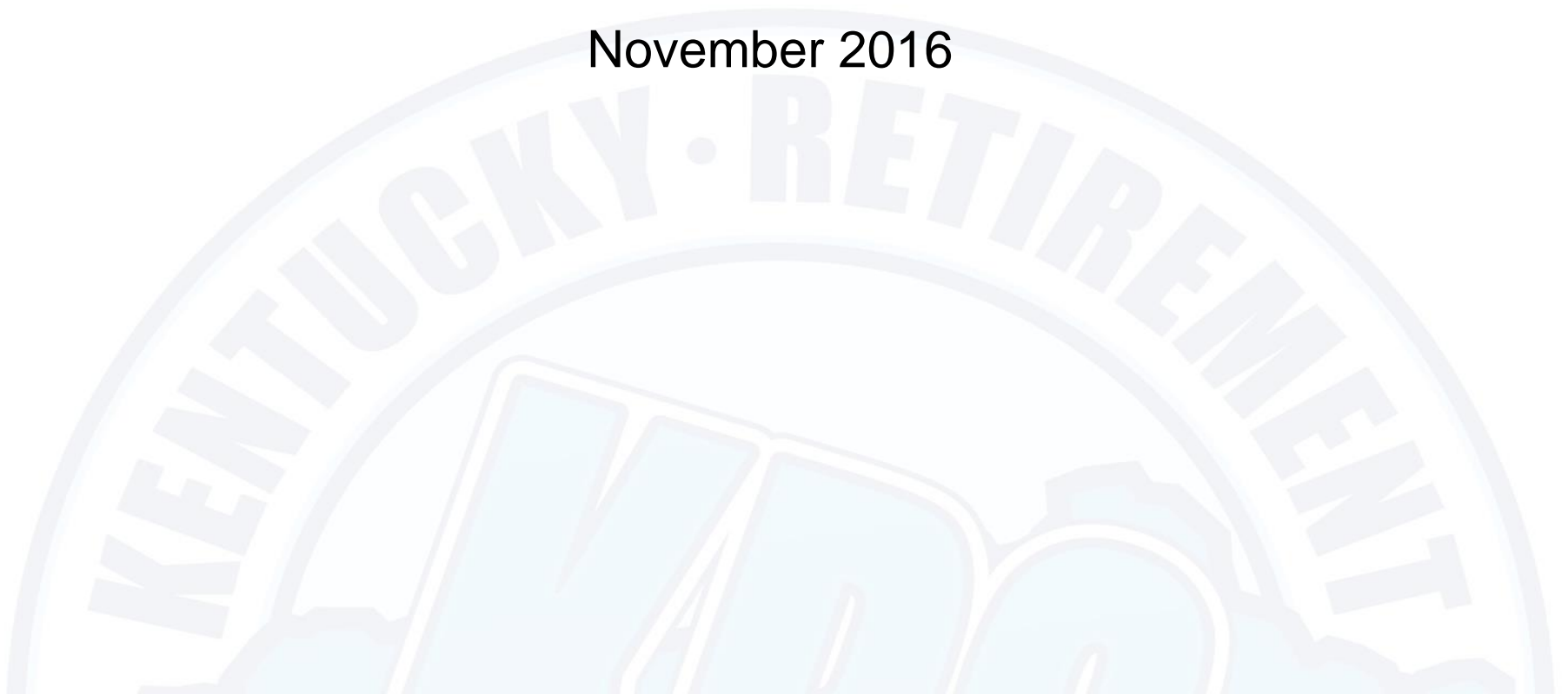




# Real Return Review

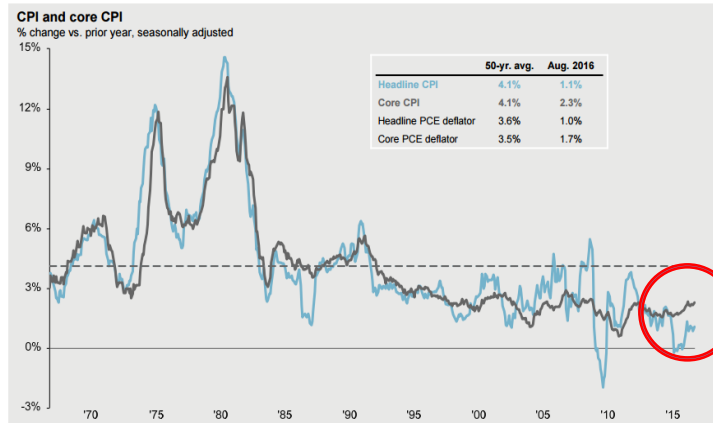
November 2016



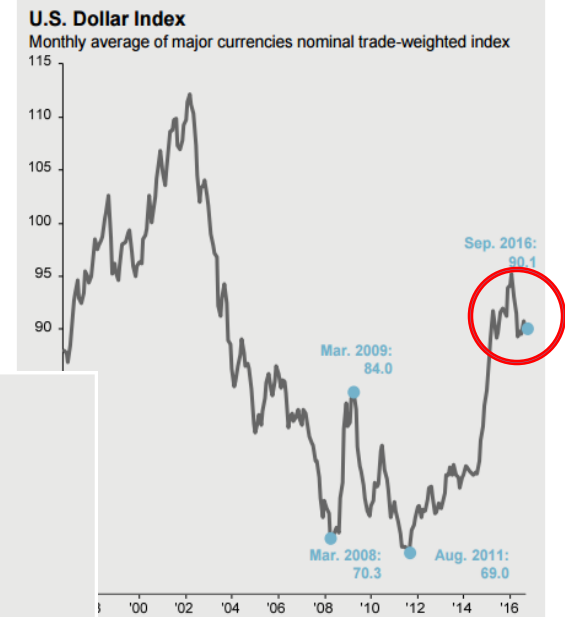


# Drivers of Real Return?

- CPI determined to stay low ?
- Oil – lower, longer ?
- Dollar strength – Fed raise?
- Full employment ?
- Low GDP expectations?



Source: BLS, FactSet, J.P. Morgan Asset Management.  
CPI used is CPI-U and values shown are % change vs. one year ago and reflect August 2016 CPI data. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.  
Guide to the Markets – U.S. Data are as of September 30, 2016.



J.P.Morgan

## CBO's Baseline assumptions

	2016	'17-'18	'19-'20	'21-'26
Real GDP growth	1.9%	2.3%	1.7%	1.9%
10-year Treasury	1.9%	2.4%	3.2%	3.6%
Headline inflation (CPI)	1.0%	2.3%	2.3%	2.4%
Unemployment	4.9%	4.5%	4.9%	4.9%

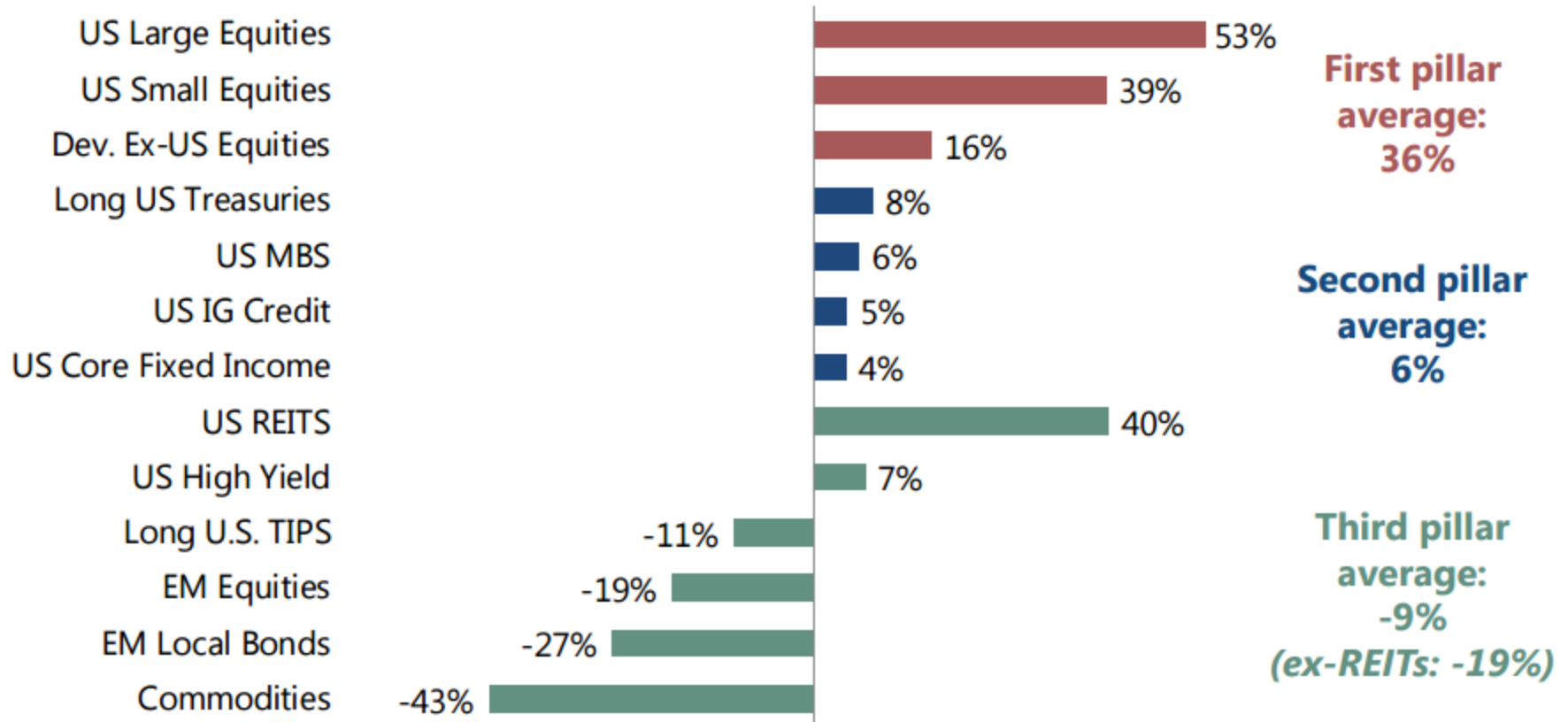
	Average (1958-YTD 2016)
Nominal yields	6.17%
Real yields	2.42%
Inflation	3.75%

Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department.  
2016 Federal Budget is based on the Congressional Budget Office (CBO) August 2016 Baseline Budget Forecast. Other spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement.  
Note: Years shown are fiscal years (Oct. 1 through Sep. 30).  
Guide to the Markets – U.S. Data are as of September 30, 2016.



# 2013-2015 (post “Taper Tantrum”) saw highly divergent returns: *U.S. equities gained but most other assets globally were flat or down*

Cumulative asset class returns: Jan '13 – Dec '15



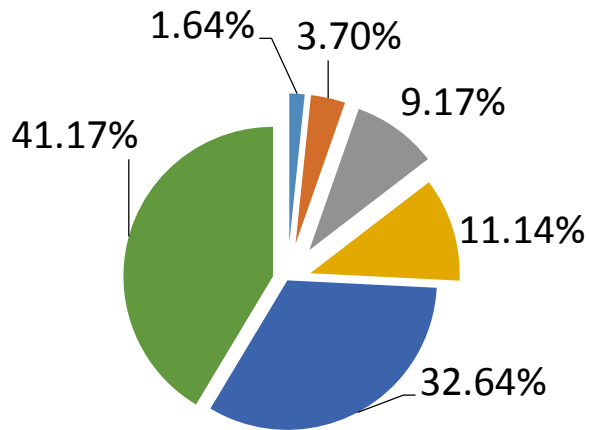
As of 31 December 2015  
SOURCE: PIMCO  
Refer to Appendix for additional index, and risk information.

# Real Return Allocations FY 2014-2015 - PENSION

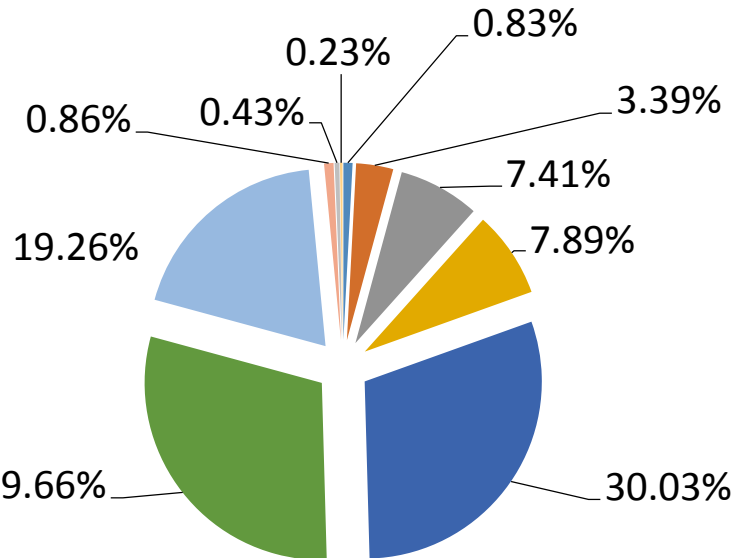
**June 2014 7.65% of PENSION**



**June 2015 9.67% of PENSION**



- Tenaska / Power
- AMERRA II / Ag Finance
- Magnetar MTP / Energy
- Tortoise Capital / MLP
- Internal TIPS / Inflation
- PIMCO All Asset / Multi Strat



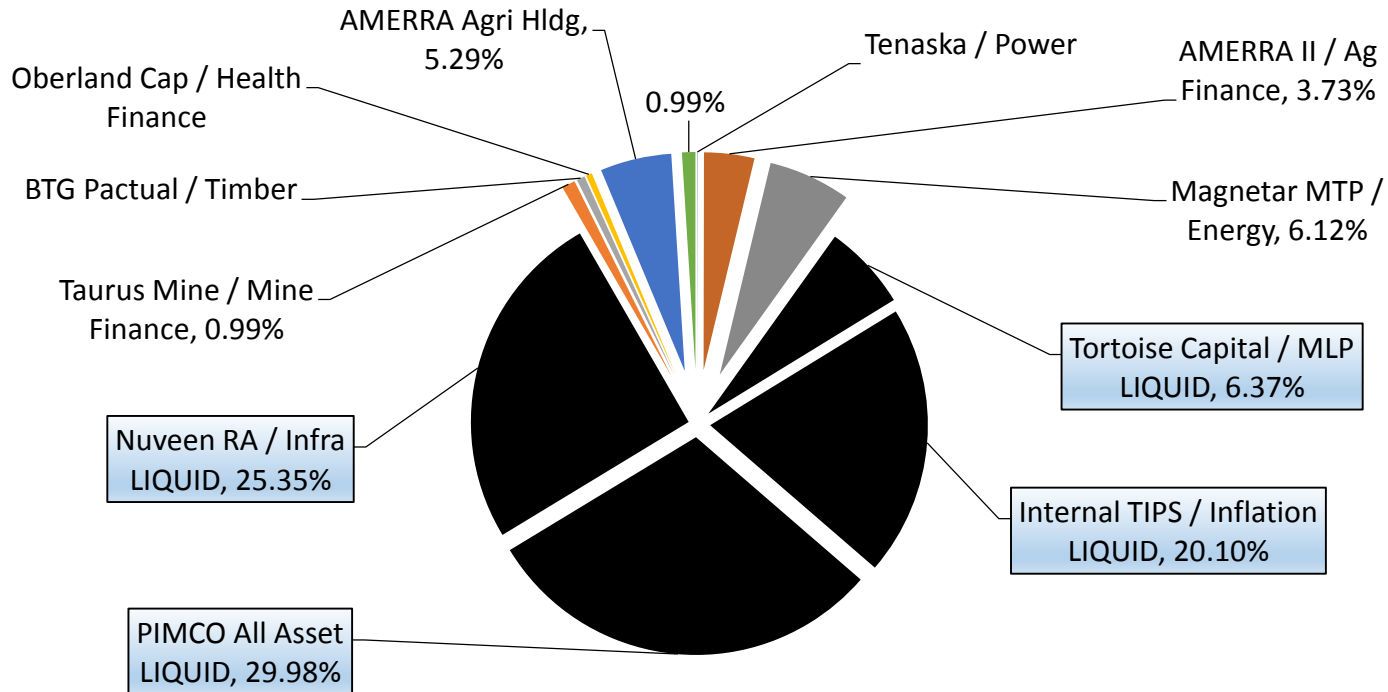
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- AMERRA II / Ag Finance
- Magnetar MTP / Energy
- Tortoise Capital / MLP
- Internal TIPS / Inflation
- PIMCO All Asset / Multi Strat
- Nuveen RA / MLP Infra
- Taurus Mine / Mine Finance
- BTG Pactual / Timber
- Oberland Cap / Health Finance

**Addition of Infrastructure,  
Mining, Timber and Health**



# Real Return Allocations Sept. 2016 - INSURANCE

**8.30% of PENSION**



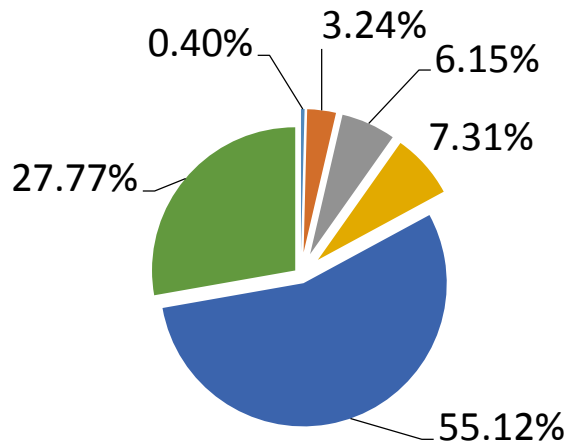
- Tenaska / Power
- AMERRA II / Ag Finance
- Magnetar MTP / Energy
- Tortoise Capital / MLP LIQUID
- Internal TIPS / Inflation LIQUID
- PIMCO All Asset LIQUID
- Nuveen RA / Infra LIQUID
- Taurus Mine / Mine Finance
- BTG Pactual / Timber
- Oberland Cap / Health Finance
- AMERRA Agri Hldg
- Magnetar EOF II

# Real Return Allocations FY 2014-2015 - INSURANCE

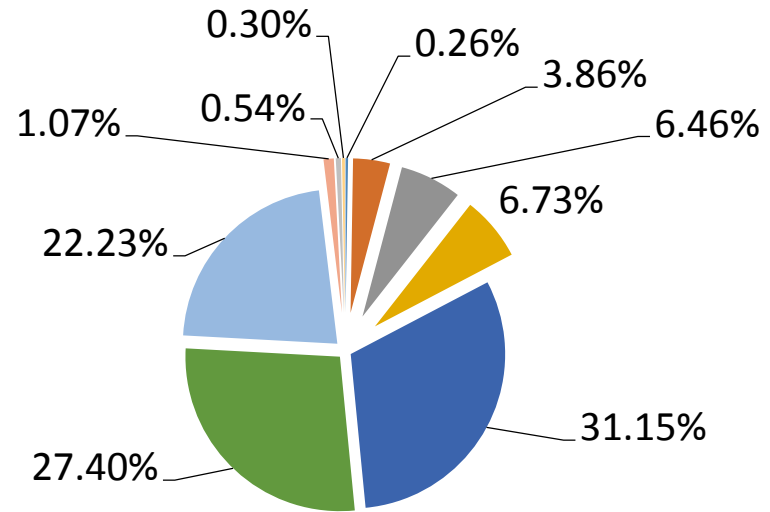
June 2014 10.17% of INSURANCE



June 2015 9.34% of INSURANCE



- Tenaska / Power
- AMERRA II / Ag Finance
- Magnetar MTP / Energy
- Tortoise Capital / MLP
- Internal TIPS / Inflation
- PIMCO All Asset / Multi Strat



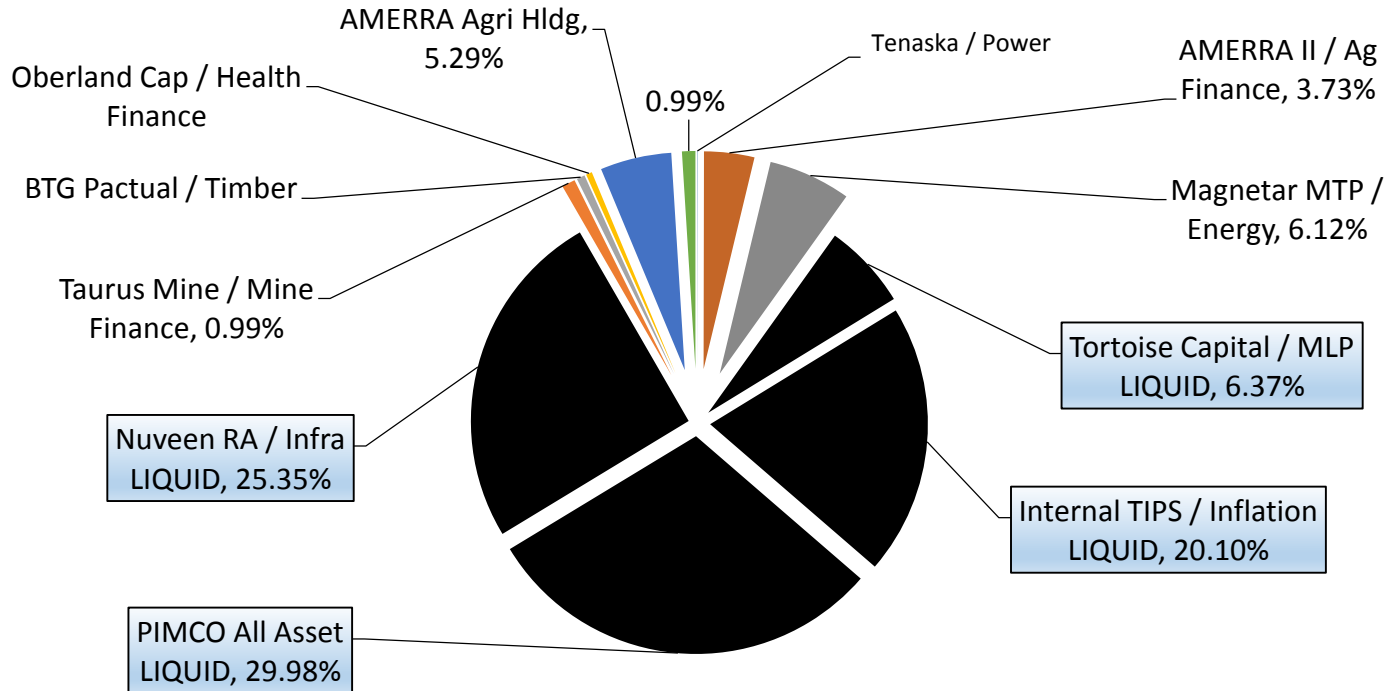
- Tenaska / Power
- AMERRA II / Ag Finance
- Magnetar MTP / Energy
- Tortoise Capital / MLP
- Internal TIPS / Inflation
- PIMCO All Asset / Multi Strat
- Nuveen RA / MLP Infra
- Taurus Mine / Mine Finance
- BTG Pactual / Timber
- Oberland Cap / Health Finance

Addition of Infrastructure,  
Mining, Timber and Health



# Real Return Allocations Sept. 2016 - INSURANCE

## 8.23% of INSURANCE



- Tenaska / Power
- AMERRA II / Ag Finance
- Magnetar MTP / Energy
- Tortoise Capital / MLP LIQUID
- Internal TIPS / Inflation LIQUID
- PIMCO All Asset LIQUID
- Nuveen RA / Infra LIQUID
- Taurus Mine / Mine Finance
- BTG Pactual / Timber
- Oberland Cap / Health Finance
- AMERRA Agri Hldg
- Magnetar EOF II