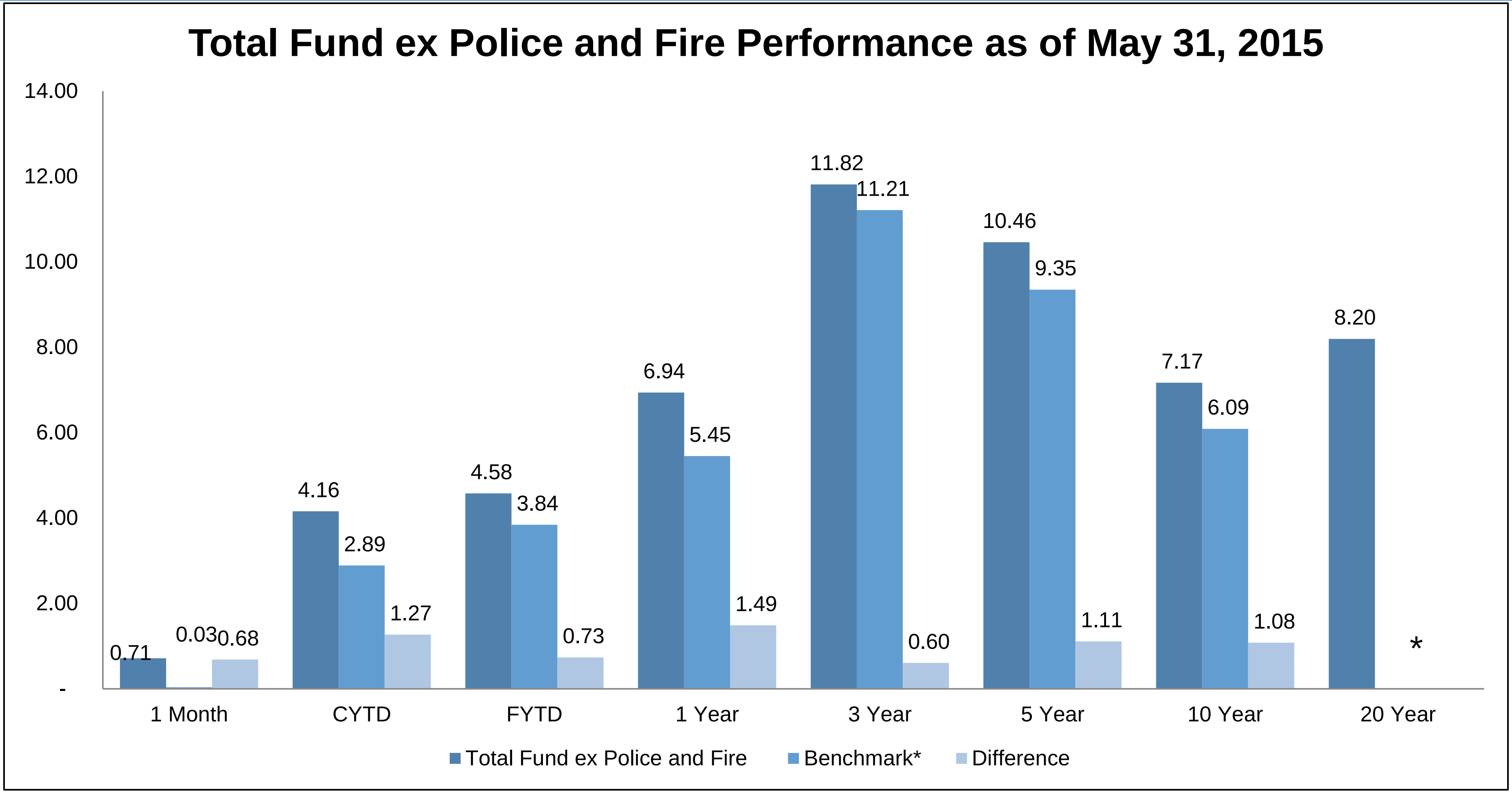
NEW JERSEY DIVISION OF INVESTMENT

Director's Report

July 22, 2015

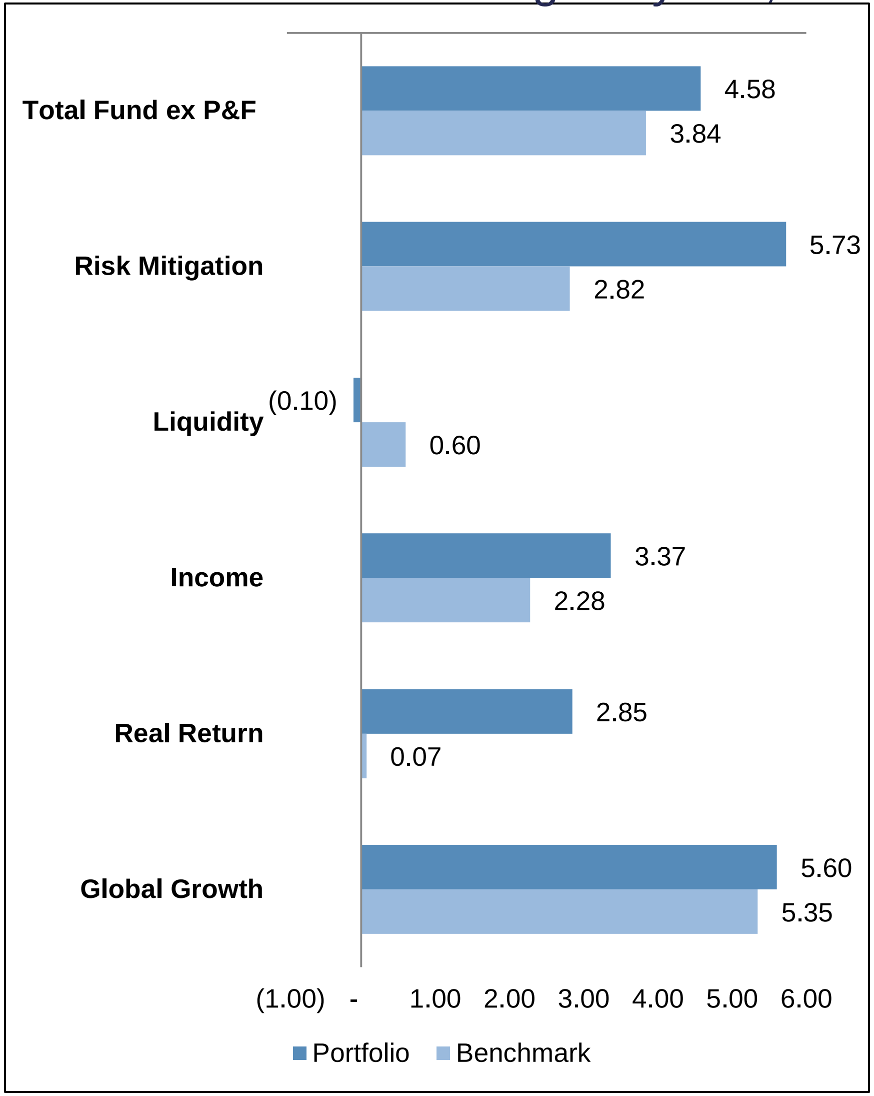
State Investment Council Meeting



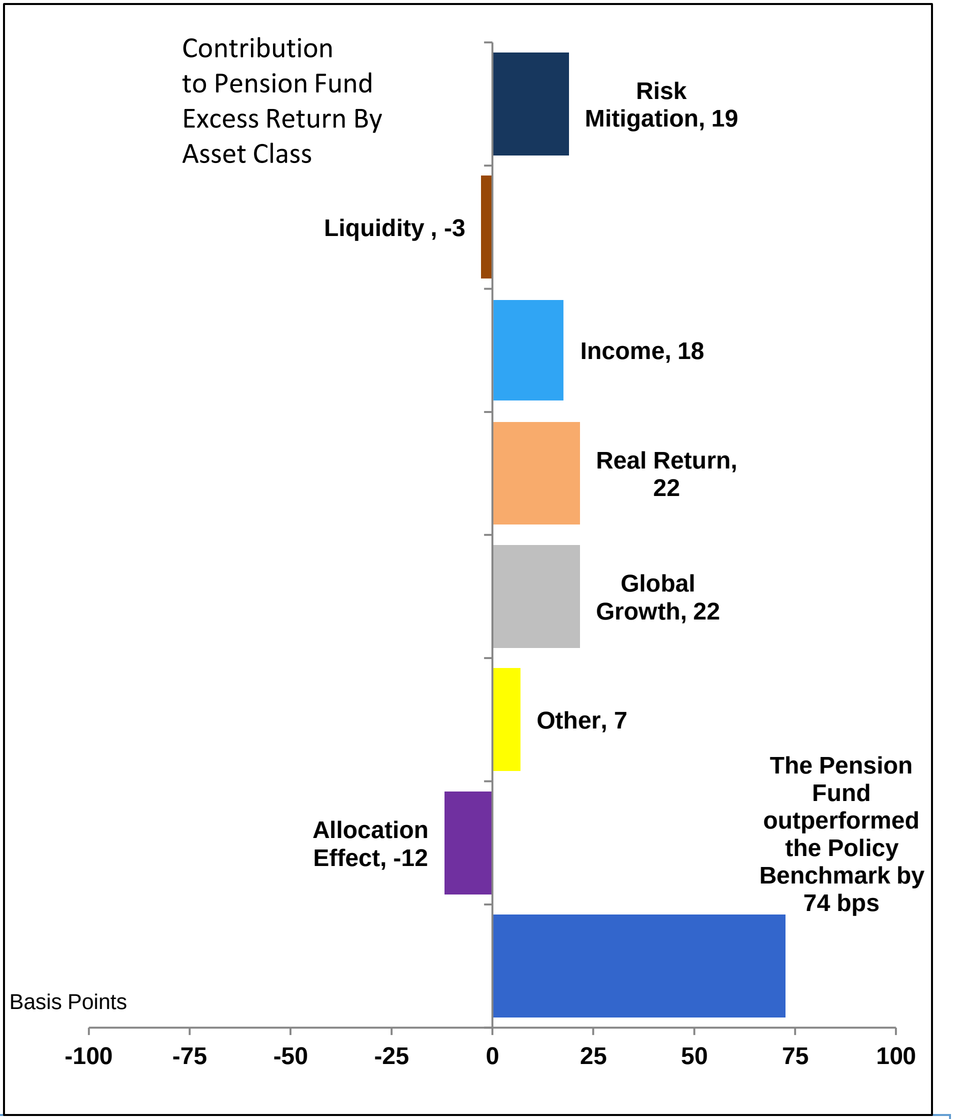
- The Total Fund ex Police and Fire Mortgages returned 0.71% in May, outperforming the benchmark by 68 bps
- Calendar Year to Date the Fund has returned 4.16% and Fiscal Year-to-Date the Fund has returned 4.58%
- **The Fund return is above the benchmark for all periods**
- **Total Plan assets as of May 31, 2015 were approximately $79.1 billion**

* Benchmark return not available for 20-Year period

Performance by Asset Class
Fiscal Year to Date through May 31st, 2015



Pension Fund Attribution vs. Benchmark
Fiscal Year to Date through May 31st, 2015



Allocation Effect indicates the effect of asset allocation bets, i.e. overweights or underweights vs. the target allocations
Cash Flow Effect reflects the impact of cash flows – i.e. money added to or taken from asset classes

Asset Allocation with Hedges as of June 30, 2015

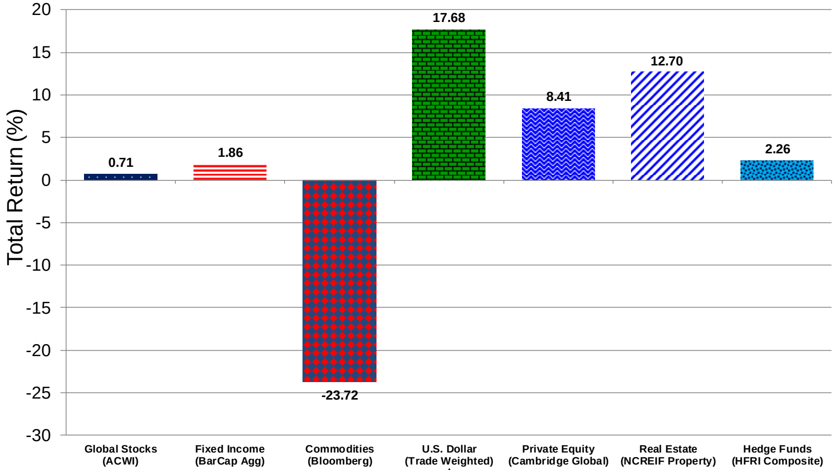
Line#	Asset Class	Current Assets Not Adjusted for Hedges ($ in millions)	Current Allocation Not Adjusted for Hedges	FY 2015 Target	Over/Under Weight 2015 Target (Hedge Adjusted)	FY 2016 Target	Over/Under Weight 2016 Target (Hedge Adjusted)	FY15 Long Term Target Range
1	**RISK MITIGATION**	**3,236**	**4.15%**	**4.00%**	**0.15%**	**5.00%**	**-0.85%**	**0-5%**
2	Absolute Return HFs	3,236	4.15%	4.00%	0.15%	5.00%	-0.85%	0-5%
3	**LIQUIDITY**	**7,357**	**9.44%**	**8.25%**	**1.19%**	**8.00%**	**1.44%**	**2-15%**
4	Cash Eqv/Short Term	4,741	6.08%	5.00%	1.08%	5.00%	1.08%	0-15%
5	TIPS	1,691	2.17%	1.50%	0.67%	1.50%	0.67%	0-10%
6	US Treasuries	923	1.19%	1.75%	-0.56%	1.50%	-0.31%	0-10%
7	**INCOME**	**16,459**	**21.11%**	**22.60%**	**-1.49%**	**21.75%**	**-0.64%**	**20-40%**
8	Investment Grade Credit	7,564	9.70%	10.00%	-0.30%	8.00%	1.70%	8-23%
9	High Yield	1,652	2.12%	2.00%	0.12%	2.00%	0.12%	0-8%
10	Global Diversified Credit	2,289	2.94%	3.50%	-0.56%	5.00%	-2.06%	0-7%
11	Credit-Oriented HFs	2,898	3.72%	4.00%	-0.28%	3.75%	-0.03%	0-6%
12	Debt-Related PE	755	0.97%	1.00%	-0.03%	1.00%	-0.03%	0-4%
13	Debt Related Real Estate	382	0.49%	1.00%	-0.51%	0.80%	-0.31%	1-4%
14	P&F Mortgage	919	1.18%	1.10%	0.08%	1.20%	-0.02%	--
15	**REAL RETURN**	**5,041**	**6.47%**	**7.25%**	**-0.78%**	**7.75%**	**-1.28%**	**3-12%**
16	Commodities	619	0.79%	1.00%	-0.22%	0.50%	0.28%	0-7%
17	Private Real Assets	1,210	1.55%	2.00%	-0.45%	2.00%	-0.45%	0-7%
18	Equity Related Real Estate [1]	3,212	4.12%	4.25%	-0.13%	5.25%	-1.13%	2-7%
19	**GLOBAL GROWTH**	**45,557**	**58.43%**	**57.90%**	**0.53%**	**57.50%**	**0.93%**	**45-65%**
20	US Equity	22,321	28.63%	27.25%	1.26%	26.00%	2.51%	15-35%
21	Non-US Dev Market Eq	9,051	11.61%	12.00%	-0.39%	13.25%	-1.64%	8-20%
22	Emerging Market Eq	4,435	5.69%	6.40%	-0.71%	6.50%	-0.81%	5-15%
23	Buyouts/Venture Cap [2]	6,330	8.12%	8.25%	-0.13%	8.00%	0.12%	4-10%
24	Equity-Oriented HFs	3,420	4.39%	4.00%	0.39%	3.75%	0.64%	0-8%
25	**OPPORTUNISTIC PE**	**201**	**0.26%**	**0.00%**	**0.00%**	**0.00%**	**0.26%**	0.00%
26	**OTHER**	**117**	**0.15%**	**0.00%**	**0.00%**	**0.00%**	**0.15%**	0.00%

[1] Current assets do not include receivables of $366 million related to Real Estate secondary sale
[2] Current assets do not include receivables of $48 related to Private Equity secondary sale
Based on preliminary values

Fiscal Year 2015
Capital Markets Review

FY15 Capital Markets Review By Quarter: Multi-Asset Class Returns

Fiscal Year 2015 Select Capital Market Returns [1]



(Returns in US$)

3Q14	4Q14	1Q15	2Q15	FY15
U.S. Dollar 6.74	U.S. Dollar 5.61	U.S. Dollar 6.16	Commodities 4.65	U.S. Dollar 17.68
Private Equity 4.72	Real Estate 2.63	Real Estate 3.04	Real Estate 3.57	Real Estate 12.70
Real Estate 2.91	Fixed Income 1.79	Global Stocks 2.31	Private Equity 1.54	Private Equity 8.41
Fixed Income 0.17	Global Stocks 0.41	Hedge Funds 2.22	Global Stocks 0.35	Hedge Funds 2.26
Hedge Funds -0.31	Hedge Funds 0.15	Private Equity 1.91	Hedge Funds 0.21	Fixed Income 1.86
Global Stocks -2.30	Private Equity 0.04	Fixed Income 1.61	U.S. Dollar -1.66	Global Stocks 0.71
Commodities -11.84	Commodities -12.10	Commodities -5.95	Fixed Income -1.68	Commodities -23.72

During FY15, divergent monetary policies and economic growth prospects resulted in outperformance for the U.S. Dollar versus other currencies. The strength of the dollar and slowing economic growth prospects adversely impacted global stock returns and, most notably, commodities. Alternative asset classes (Hedge Funds, Private Equity, Real Estate) outperformed global equities and fixed income.

Strong returns for the U.S. Dollar during the first three quarters of FY15 coincided with significant losses for commodities, while the trend reversed itself during the final quarter. Real Estate returns were favorable throughout FY15. Private Equity realized positive returns in each of the four quarters. Global Stocks earned modest positive returns in each of the subsequent three quarters after a first quarter decline to finish FY16 with a slightly positive return.

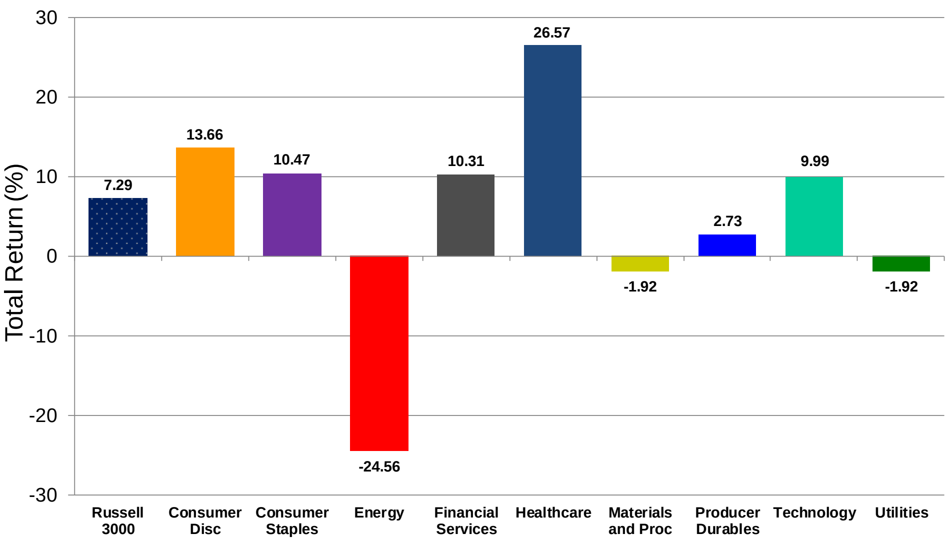
During FY15, alternative asset classes, led by real estate and private equity, outperformed global stocks and fixed income. Weak commodity markets and a strong U.S. Dollar mirrored each other and were byproducts of a slowing global economic outlook, heightened "event" risk, and highly accommodative global monetary policy.

(1) FY15 Private Equity and Real Estate returns are presented with a one quarter lag; Private Equity returns are preliminary as of July 17, 2015

Source: Barclays Capital, Bloomberg, Cambridge Associates, Hedge Fund Research, Inc., and National Council of Real Estate Investment Fiduciaries

FY15 Capital Markets Review By Quarter: US Equity Sector Returns

Fiscal Year 2015 Select Capital Market Returns



3Q14	4Q14	1Q15	2Q15	FY15
Healthcare 4.61	Consumer Disc 8.68	Healthcare 7.80	Healthcare 3.37	Healthcare 26.57
Technology 4.01	Healthcare 8.58	Consumer Disc 4.38	Financial Services 1.28	Consumer Disc 13.66
Consumer Staples 1.38	Financial Services 8.42	Materials and Proc 1.38	Consumer Disc 0.53	Consumer Staples 10.47
Financial Services 0.78	Consumer Staples 8.14	Technology 1.27	Technology -0.09	Financial Services 10.31
Consumer Disc -0.34	Producer Durables 7.19	Consumer Staples 1.25	Consumer Staples -0.48	Technology 9.99
Utilities -2.21	Utilities 5.93	Producer Durables 0.56	Materials and Proc -1.13	Producer Durables 2.73
Producer Durables -2.37	Technology 4.51	Financial Services -0.32	Energy -2.05	Utilities -1.92
Materials and Proc -2.69	Materials and Proc 0.30	Energy -2.20	Producer Durables -2.38	Materials and Proc -2.18
Energy -9.16	Energy -13.30	Utilities -2.20	Utilities -3.19	Energy -24.56

During FY15, the broad US Equity Market returned +7.29%. There was a wide dispersion of returns across the various equity sectors, with 50 percentage points separating the best performing sector (Healthcare, +26.57%) and the worst performing sector (Energy, -24.56%).

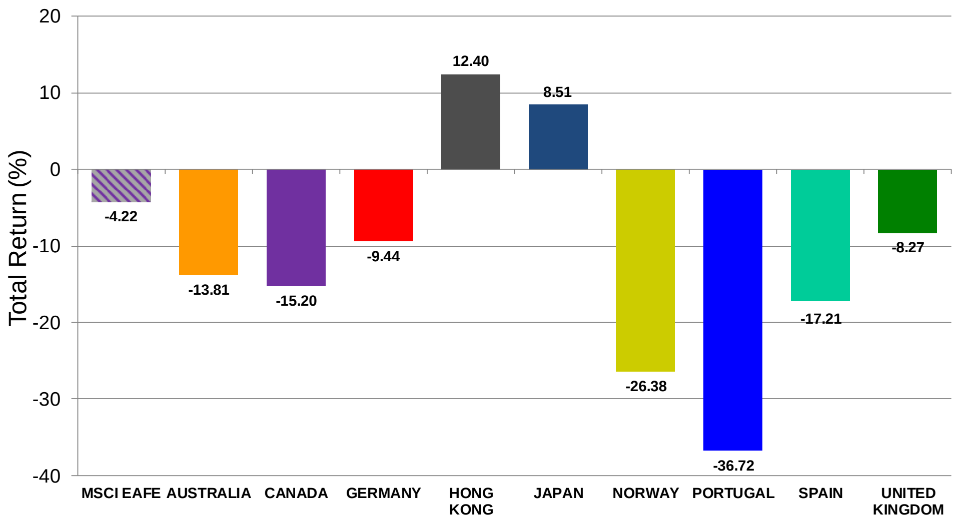
The best and worst performers were consistent during much of FY15. Healthcare led all sectors in three of the four quarters as investors sought safer haven investments supported by favorable pipeline and product development, while Energy was consistently at or near the bottom of the pack as the decline in oil and other commodities paid a toll on earnings and valuations throughout much of FY15.

Within U.S. equities, sector selection played an important role throughout FY15 as there was a wide disparity of returns amongst various sectors. The same best and worst performers were persistent throughout much of 2015.

Source: Bloomberg

FY15 Capital Markets Review By Quarter: International Developed Market Equity Returns

Fiscal Year 2015 Select Capital Market Returns



(Returns in US$)

3Q14	4Q14	1Q15	2Q15	FY15
JAPAN -2.29	HONG KONG 3.11	JAPAN 9.79	HONG KONG 5.57	HONG KONG 12.40
HONG KONG -2.58	GERMANY 0.10	GERMANY 7.66	NORWAY 3.70	JAPAN 8.51
CANADA -4.61	JAPAN -2.10	PORTUGAL 7.14	JAPAN 3.32	UNITED KINGDOM -8.27
UNITED KINGDOM -6.03	AUSTRALIA -3.71	HONG KONG 5.99	UNITED KINGDOM 2.99	GERMANY -9.44
SPAIN -7.50	UNITED KINGDOM -4.35	AUSTRALIA 3.04	PORTUGAL 2.21	AUSTRALIA -13.81
NORWAY -7.55	CANADA -4.78	NORWAY 1.50	CANADA -0.81	CANADA -15.20
AUSTRALIA -7.92	SPAIN -8.20	SPAIN -0.68	SPAIN -1.84	SPAIN -17.21
GERMANY -11.18	PORTUGAL -22.99	UNITED KINGDOM -0.90	GERMANY -5.39	NORWAY -26.38
PORTUGAL -24.97	NORWAY -24.34	CANADA -5.88	AUSTRALIA -5.65	PORTUGAL -36.72

During FY15, International Developed Markets (EAFE) realized negative returns (-4.22%), largely as a result of the strengthening U.S. dollar. In fact, 17 of the 21 countries comprising the EAFE realized positive local currency returns, while 14 of the 21 countries realized negative US$ returns.

Japan's strong returns (+8.51%) was in response to extraordinary monetary and fiscal stimulus, while Hong Kong (+12.40%) benefited, in part, from the massive rally in Chinese stocks. The worst performing country (Portugal -36.72%) realized sharp losses in the midst of increasing turmoil in peripheral Europe. Weak commodity markets adversely impacted returns in Australia, Canada and Norway.

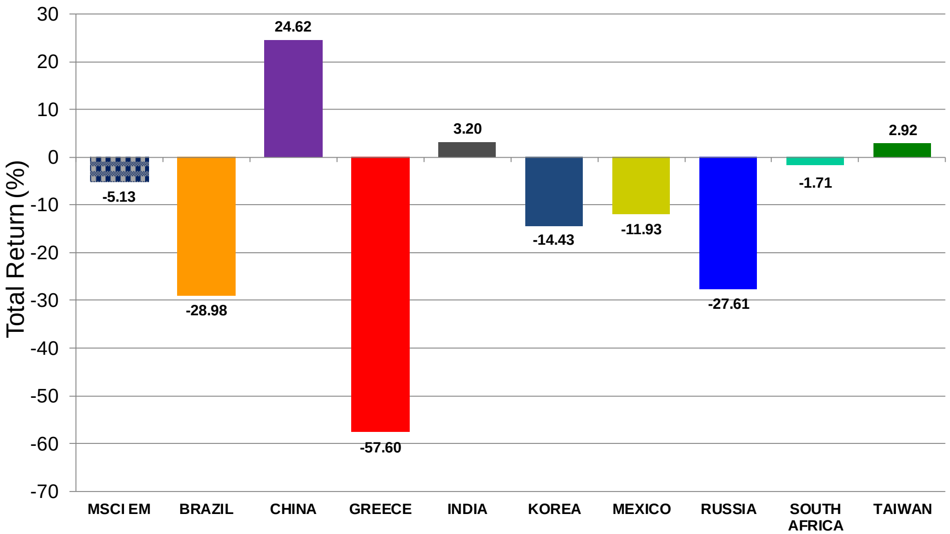
International Developed Market returns were adversely impacted by the strong US$ during FY15. Weakness in Germany, particularly during the first and last quarters of FY15, negatively impacted returns, while quantitative and qualitative easing supported favorable returns in Japan.

Source: Bloomberg

FY15 Capital Markets Review By Quarter: International Emerging Market Equity Returns

Fiscal Year 2015 Select Capital Market Returns

(Returns in US$)



3Q14	4Q14	1Q15	2Q15	FY15
MEXICO 2.06	CHINA 7.18	RUSSIA 18.61	RUSSIA 7.56	CHINA 24.62
INDIA 1.91	SOUTH AFRICA 3.07	CHINA 8.11	BRAZIL 6.96	INDIA 3.20
CHINA 1.43	TAIWAN 1.63	INDIA 6.03	CHINA 6.05	TAIWAN 2.92
TAIWAN -3.52	INDIA -0.59	TAIWAN 4.13	GREECE 5.41	SOUTH AFRICA -1.71
SOUTH AFRICA -6.69	KOREA -7.43	KOREA 4.10	TAIWAN 0.79	MEXICO -11.93
KOREA -7.54	MEXICO -12.26	SOUTH AFRICA 2.84	MEXICO 0.34	KOREA -14.43
BRAZIL -8.62	BRAZIL -14.87	MEXICO -1.95	SOUTH AFRICA -0.62	RUSSIA -27.61
RUSSIA -15.61	GREECE -28.77	BRAZIL -14.64	INDIA -3.93	BRAZIL -28.98
GREECE -20.01	RUSSIA -32.92	GREECE -29.41	KOREA -3.97	GREECE -57.60

During FY15, International Emerging Markets (EM) realized negative returns (-5.13%). Economic slowdown in China, weak commodity prices, geopolitical risks in Russia/Ukraine and the Middle East all adversely impacted returns. Weak commodity prices and a strong U.S. dollar also adversely impacted returns.

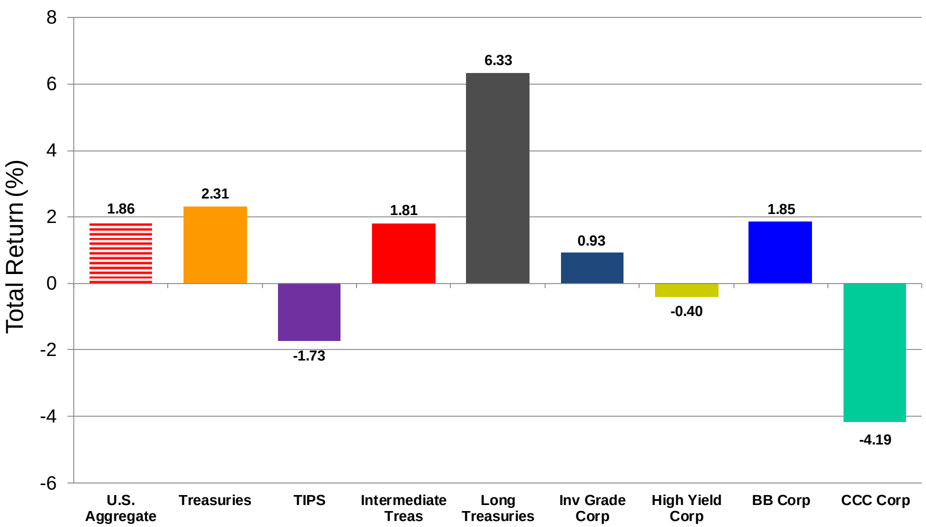
Investable markets in China (+24.62%) realized outsized returns as monetary stimulus and increased use of leverage drove prices higher. Weak commodity prices and geopolitical risk led to negative returns for Russia (-27.61%) and Brazil (-28.98%), the underperformance coinciding with the sharp drop in oil, partly offset by oil's modest rebound in the most recent quarter. Economic deterioration and little progress on fiscal reform or debt repayment spurred large losses in Greece (-57.60%).

International Emerging Market returns were adversely impacted by an economic slowdown in China that helped push commodity prices lower and by divergent global monetary policies that led to US$ strength.

Source: Bloomberg

FY15 Capital Markets Review By Quarter: Fixed Income Returns

Fiscal Year 2015 Select Capital Market Returns



3Q14	4Q14	1Q15	2Q15	FY15
Long Treasuries 2.69	Long Treasuries 8.62	Long Treasuries 3.96	CCC Corp 0.49	Long Treasuries 6.33
Treasuries 0.34	Treasuries 1.93	BB Corp 2.69	High Yield Corp 0.00	Treasuries 2.31
Intermediate Treas 0.02	Inv Grade Corp 1.76	High Yield Corp 2.52	BB Corp -0.37	BB Corp 1.85
Inv Grade Corp -0.03	Intermediate Treas 0.97	Inv Grade Corp 2.16	Intermediate Treas -0.47	Intermediate Treas 1.81
BB Corp -1.34	BB Corp 0.90	CCC Corp 2.01	TIPS -1.06	Inv Grade Corp 0.93
High Yield Corp -1.87	TIPS -0.03	Treasuries 1.64	Treasuries -1.58	High Yield Corp -0.40
TIPS -2.04	High Yield Corp -1.00	TIPS 1.42	Inv Grade Corp -2.88	TIPS -1.73
CCC Corp -2.74	CCC Corp -3.91	Intermediate Treas 1.28	Long Treasuries -8.30	CCC Corp -4.19

During FY15, Fixed Income (US Aggregate) realized modest returns (+1.86%) in a low interest rate environment. Treasuries (+2.31%) outperformed Investment Grade (+0.93%) and High Yield (-0.40%) corporate bonds, with the strongest performance realized by Long Treasuries (+6.33%)

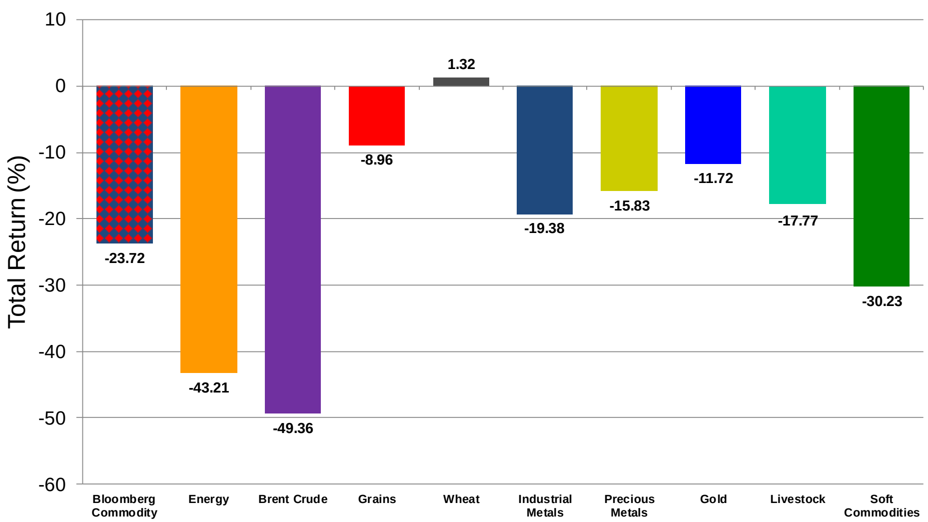
Long Treasuries (+6.33%) were the best performing sector of Fixed Income during the first three quarters of FY15 as global economic growth concerns and a flight to safety in the midst of market uncertainty contributed to returns. High Yield (-0.40%) rebounded to finish only modestly negatively, following poor performance during the first half partly in response to the weak energy sector. Lower rated securities most notably underperformed during the first half of FY15.

During FY15, the end of the Federal Reserve's quantitative easing program, along with expectations for less accommodative monetary policy and higher targeted interest rates were reflected in subpar fixed income returns.

Source: Barclays Capital

FY15 Capital Markets Review By Quarter: Commodities Returns

Fiscal Year 2015 Select Capital Market Returns



3Q14	4Q14	1Q15	2Q15	FY15
Livestock -2.23	Wheat 21.83	Precious Metals 1.30	Wheat 19.26	Wheat 1.32
Industrial Metals -4.12	Grains 16.65	Gold -0.23	Energy 10.92	Grains -8.96
Gold -8.44	Gold -2.34	Industrial Metals -5.32	Brent Crude 10.67	Gold -11.72
Soft Commodities -9.61	Precious Metals -3.89	Grains -8.19	Grains 10.20	Precious Metals -15.83
Precious Metals -11.28	Livestock -5.33	Energy -8.20	Soft Commodities 1.61	Livestock -17.77
Energy -12.07	Industrial Metals -6.21	Brent Crude -9.27	Gold -1.05	Industrial Metals -19.38
Brent Crude -15.66	Soft Commodities -11.97	Livestock -9.78	Livestock -1.52	Soft Commodities -30.23
Wheat -19.66	Energy -36.58	Wheat -13.20	Precious Metals -2.55	Energy -43.21
Grains -22.87	Brent Crude -40.20	Soft Commodities -13.71	Industrial Metals -5.31	Brent Crude -49.36

During FY15, Commodities realized poor returns (-23.72%), as a strong dollar and a weaker global economic outlook adversely impacted performance. Of the 22 commodities comprising the broader Bloomberg Index, only two (Wheat, +1.32% and Live Cattle, +1.88%) realized positive returns in FY15.

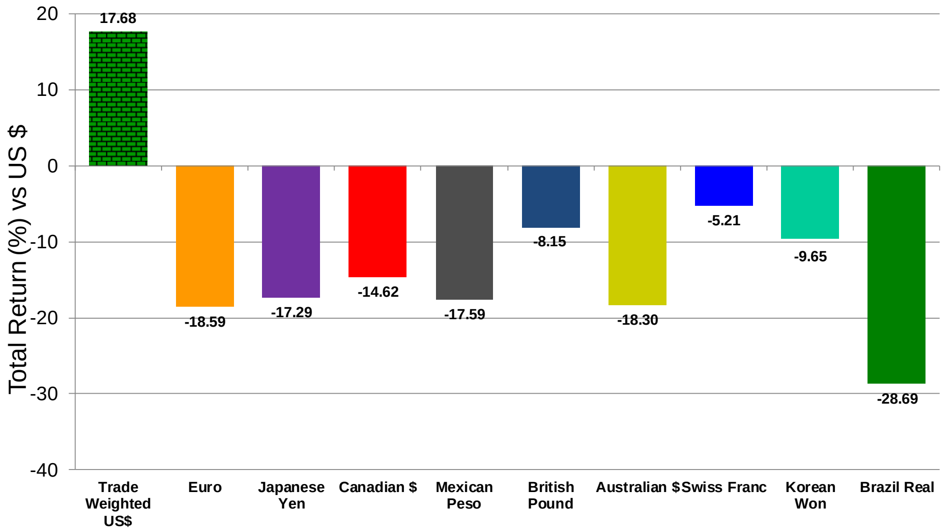
Crude Oil had strongly negative returns (-49.32%) as production remained high while demand softened, with a decline of 40% during 4Q14 largely in response to OPEC's decision to maintain its level of production. Gold (-11.72%) outperformed on a relative basis as the impact of the strong dollar was partially offset by a flight to quality in the midst of heightened geopolitical risk and longer-term concerns related to a global move to increase monetary policy accommodation.

Poor returns across commodities resulted from global economic weakness, in particular, slowing demand from Europe and China, as well as broad disinflation and U.S. dollar strength.

Source: Bloomberg

FY15 Capital Markets Review By Quarter: Currency Returns

Fiscal Year 2015 Select Capital Market Returns



3Q14	4Q14	1Q15	2Q15	FY15
Mexican Peso -3.41	Korean Won -3.24	Swiss Franc 2.25	British Pound 6.03	Swiss Franc -5.21
Korean Won -4.40	Canadian $ -3.66	Japanese Yen -0.37	Swiss Franc 3.95	British Pound -8.15
Canadian $ -4.71	British Pound -3.92	Korean Won -1.38	Euro 3.88	Korean Won -9.65
British Pound -5.22	Swiss Franc -3.95	Mexican Peso -3.32	Brazil Real 3.01	Canadian $ -14.62
Swiss Franc -7.14	Euro -4.22	British Pound -4.87	Canadian $ 1.51	Japanese Yen -17.29
Australian $ -7.27	Australian $ -6.54	Australian $ -6.95	Australian $ 1.31	Mexican Peso -17.59
Japanese Yen -7.59	Brazil Real -7.75	Canadian $ -8.38	Korean Won -0.97	Australian $ -18.30
Euro -7.75	Japanese Yen -8.39	Euro -11.30	Japanese Yen -1.93	Euro -18.59
Brazil Real -9.47	Mexican Peso -9.00	Brazil Real -17.10	Mexican Peso -3.02	Brazil Real -28.69

During FY15, the U.S. Dollar (+17.68%) outperformed all major currencies as the end of quantitative easing and the expectation of more restrictive monetary policy going forward diverged from a trend toward global easing.

All major currencies realized negative returns versus the U.S. Dollar in each of the first two quarters of FY15. Overall, the Swiss Franc was the best performing currency relative to the U.S. Dollar, realizing a positive return in each of the two most recent quarters, following the Swiss Central Bank's decision to end its peg to the Euro. Positive returns for the British Pound and Euro during the most recent quarter coincided with improving European economic growth prospects relative to the U.S.

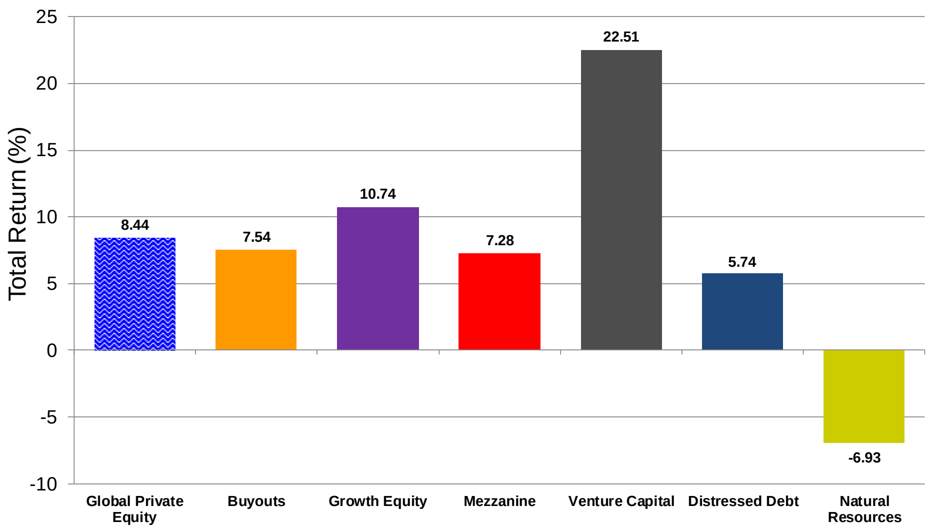
The strong U.S. Dollar throughout FY15 favored U.S. equities and represented a headwind for International Stocks and Commodities.

Source: Bloomberg

FY15 Capital Markets Review By Quarter: Private Equity Returns

Fiscal Year 2015 Select Capital Market Returns (1)

(Returns in US$)



2Q14	3Q14	4Q14	1Q15	FY15 (Q lag)
Natural Resources 8.63	Mezzanine 2.63	Venture Capital 11.72	Venture Capital 3.87	Venture Capital 22.51
Buyouts 4.78	Venture Capital 2.09	Buyouts 2.32	Growth Equity 3.07	Growth Equity 10.74
Growth Equity 4.47	Growth Equity 1.89	Mezzanine 1.90	Distressed Debt 1.50	Buyouts 7.54
Distressed Debt 3.45	Distressed Debt 0.55	Growth Equity 0.94	Buyouts 1.27	Mezzanine 7.28
Venture Capital 3.41	Natural Resources -0.49	Distressed Debt 0.21	Mezzanine -0.14	Distressed Debt 5.74
Mezzanine 2.73	Buyouts -0.95	Natural Resources -11.44	Natural Resources -2.68	Natural Resources -6.93

During FY 2015, Global Private Equity exhibited strong returns (+8.44%). Performance was solid across most strategies with Venture Capital (+22.51%) leading the way. Natural Resources (-6.93%) realized negative returns, largely as a result of energy-related investments.

Venture Capital was the best performing sector for the most recent two quarters, supported by favorable valuations and continued expansion in the number of companies financed. Growth Equity and Buyouts also benefited from low interest rates, rising valuations and strong exit markets. The impact of declining oil prices during 4Q14 had a pronounced impact on Natural Resources.

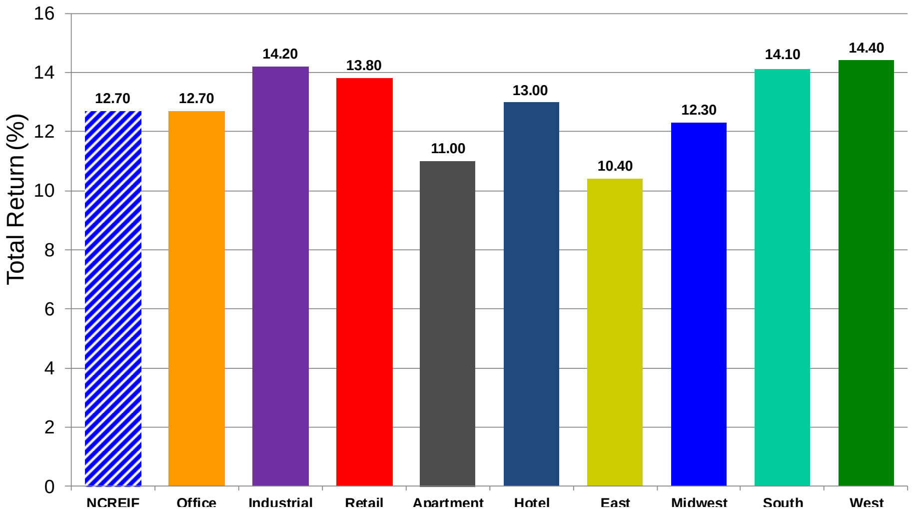
During FY15, Global Private Equity realized favorable returns across most asset classes, most notably Venture Capital, as valuations rose. Buyouts benefited from the favorable low interest rate and M&A environment.

(1) FY15 Private Equity returns are presented with a one quarter lag; returns are preliminary as of July 17, 2015

Source: Cambridge Associates

FY15 Capital Markets Review By Quarter: Real Estate Returns

Fiscal Year 2015 Select Capital Market Returns [(1)]



2Q14	3Q14	4Q14	1Q15	FY15 (Q lag)
West 3.35	West 2.95	Hotel 4.31	Retail 4.93	West 14.40
Industrial 3.26	Hotel 2.93	Industrial 3.87	South 4.22	Industrial 14.20
Retail 3.22	Industrial 2.92	West 3.54	West 3.82	South 14.10
South 3.20	Office 2.78	South 3.21	Industrial 3.47	Retail 13.80
Office 2.93	South 2.75	Office 3.09	Midwest 3.35	Hotel 13.00
Midwest 2.79	Midwest 2.62	Midwest 2.98	Office 3.30	Office 12.70
Hotel 2.63	Apartment 2.53	Apartment 2.77	East 2.99	Midwest 12.30
Apartment 2.41	Retail 2.33	Retail 2.69	Apartment 2.85	Apartment 11.00
East 2.30	East 2.24	East 2.45	Hotel 2.52	East 10.40

During FY15, Real Estate (+12.70%) realized strong returns as capitalization rates moved lower across all major property classes and geographical regions.

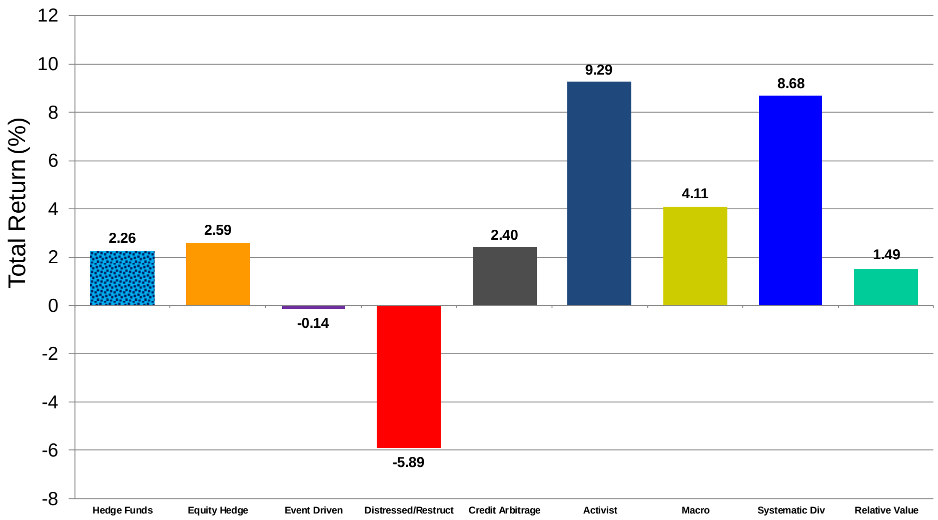
Demand was strongest in major coastal markets, particularly in tech-driven markets in the West (e.g. San Francisco Bay Area, Silicon Valley, Seattle, Denver). Fundamentals remain strong, with positive net absorption and limited new supply in most property sectors. Strong returns in the industrial market were driven by increasing rental rates and high valuations paid for several large portfolios.

During FY15, Real Estate yields remained attractive relative to other asset classes, leading to continued strong capital inflows and yield compression across property types and geographic regions.

(1) FY15 Real Estate returns are presented with a one quarter lag
Source: National Council of Real Estate Investment Fiduciaries

FY15 Capital Markets Review By Quarter: Hedge Fund Returns

Fiscal Year 2015 Select Capital Market Returns



3Q14	4Q14	1Q15	2Q15	FY15
Systematic Div 4.59	Systematic Div 5.71	Systematic Div 4.79	Equity Hedge 2.01	Activist 9.29
Macro 2.19	Activist 2.67	Activist 3.58	Activist 1.92	Systematic Div 8.68
Activist 0.83	Macro 2.29	Macro 3.29	Credit Arbitrage 1.76	Macro 4.11
Credit Arbitrage 0.49	Equity Hedge -0.04	Equity Hedge 1.99	Event Driven 1.28	Equity Hedge 2.59
Relative Value 0.16	Credit Arbitrage -0.39	Relative Value 1.82	Relative Value 0.42	Credit Arbitrage 2.40
Equity Hedge -1.36	Relative Value -0.90	Event Driven 1.78	Distressed/Restruct -0.18	Relative Value 1.49
Event Driven -1.72	Event Driven -1.43	Distressed/Restruct 0.83	Macro -3.58	Event Driven -0.14
Distressed/Restruct -2.77	Distressed/Restruct -3.82	Credit Arbitrage 0.54	Systematic Div -6.20	Distressed/Restruct -5.89

During FY15, Hedge Fund Markets returned +2.26%. The environment for corporate restructurings and M&A supported by high levels of balance sheet cash provided opportunities for Activist funds, which was the best performing strategy (+9.29%). Distressed Strategies performed poorly (-5.89%) as riskier credits were adversely impacted by lower energy prices and higher default rates.

Discretionary Macro and Systematic strategies outperformed for the first three quarters, however strong momentum trends reversed in the last quarter. Managers who were positioned long the US dollar and long global rates gave back some gains. Additionally, surprise moves in the commodity sector also detracted from performance. After negative performance for both Event Driven and Equity Oriented strategies during the first half, positive second half performance was mostly driven by US focused managers within the Healthcare space. Managers also benefitted from short exposure to energy.

During FY15, Hedge Funds performed modestly exhibiting varying returns across strategies. Activist strategies outperformed in a positive environment for corporate restructurings. Favorable currency and commodity strategies led to strong returns for Systematic Diversified strategies.

Source: Hedge Fund Research, Inc.

Current Key Investment Themes

Key Investment Themes

- **Following a two-month reversal of key investment trends that ended in mid-May, the U.S. dollar has strengthened, oil has resumed its price decline, and U.S. equity markets have outperformed global markets**
  - more favorable U.S. growth prospects have coincided with domestic equity outperformance, as the U.S. equity market has seen generally flat returns over the past two months versus negative global equity returns
  - following significant Price/Earnings multiple expansion in recent years that has supported strong returns, earnings and economic growth prospects will likely be the key determinant for returns in FY16
  - contagion concerns regarding Greece and volatility in the Chinese market exchange adversely impacted global equity returns, but highly accommodative ECB and BOJ monetary policies may support equity markets going forward

The Fund is currently overweight U.S. equities
As part of the FY16 Annual Investment Plan (AIP), the Fund is gradually reducing its home country bias

- **The Fed has signaled its expectation that the first tightening cycle in nearly a decade will commence in 2015**
  - U.S. Treasury rates have risen in recent months as the market anticipates less policy accommodation
  - financial markets may be broadly more volatile as uncertainty regarding the timing, pace and magnitude of tightening remains
  - notwithstanding the move to somewhat higher rates, yields remain low in an historical context and the Fund has maintained a below duration profile

We expect to move to a more neutral duration profile over time as U.S. rates move higher

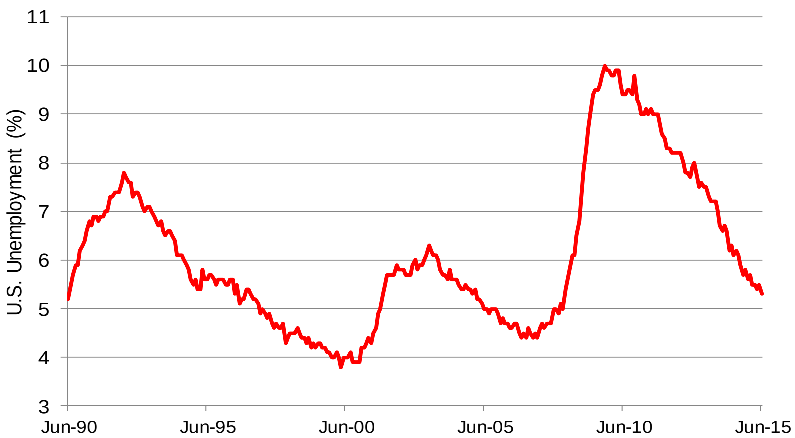
- **Valuations in public markets have moved higher in recent years, suggesting a somewhat more defensive investment allocation is warranted**
  - pronounced moves in currency and commodity markets throughout the first half of 2015 support our view that Risk Mitigation strategies may add value in the current investment environment
  - the sharp correction in the Shanghai stock market may be a harbinger of increasing volatility

Consistent with the FY16 AIP, we will seek to increase our allocation to Risk Mitigation
We are currently maintaining an overweight Liquidity position

Update on the U.S. Economy: Interest Rates Are Likely to Rise As Growth Prospects Improve

"If the economy evolves as we expect, economic conditions likely would make it appropriate at some point this year to raise the federal funds rate target." - Fed Reserve Chair Dr. Janet Yellen, July 15, 2015

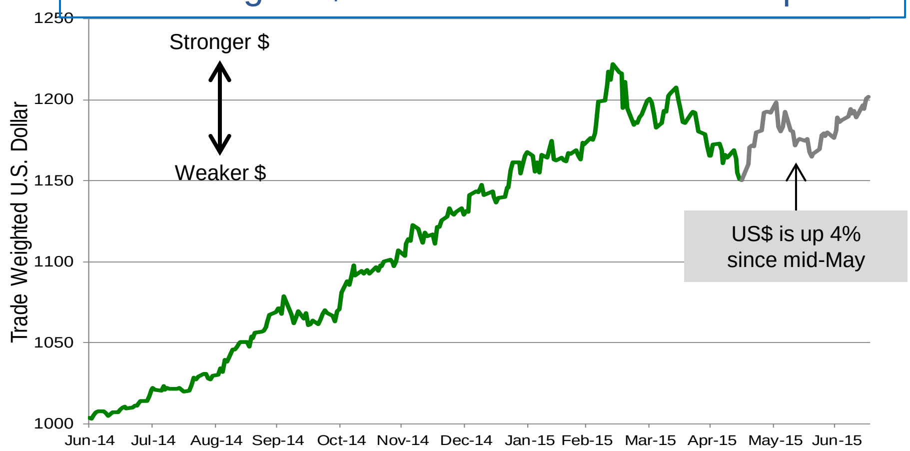
An Improving U.S. Labor Market Bodes Well for Growth



The U.S. economy appears poised to rebound from its decline (-0.2%) during the March quarter, as the labor market outlook continues to improve. In its Monetary Policy Report (released July 15), the Federal Reserve cited continued improvement in the labor market, including "a solid pace" of job creation, further declines in the unemployment rate, and a "roughly flat" labor force participation rate that "likely represents cyclical improvement" as a key factor in its assessment that the targeted Fed Funds rate will likely move higher in 2015. **In June, the unemployment rate declined to 5.3%** and 223k new jobs were created, while wage growth remained stagnant.

Improving U.S. growth prospects, along with market anticipation of an impending rate hike, has helped strengthen the dollar. **Over the past two months, the dollar has risen more than 4% versus a trade-weighted basket of currencies.** Dollar strength has resulted in more favorable returns for U.S. investments versus global equities, but dollar strength has also had a disinflationary impact on the U.S. economy. According to the Fed, core inflation has "remained relatively low… partly restrained by declines in the prices of non-energy imported goods." An expected pick-up in inflation is a prerequisite for a higher targeted Fed Funds rate.

The Strong US$ Has Favored Domestic Equities

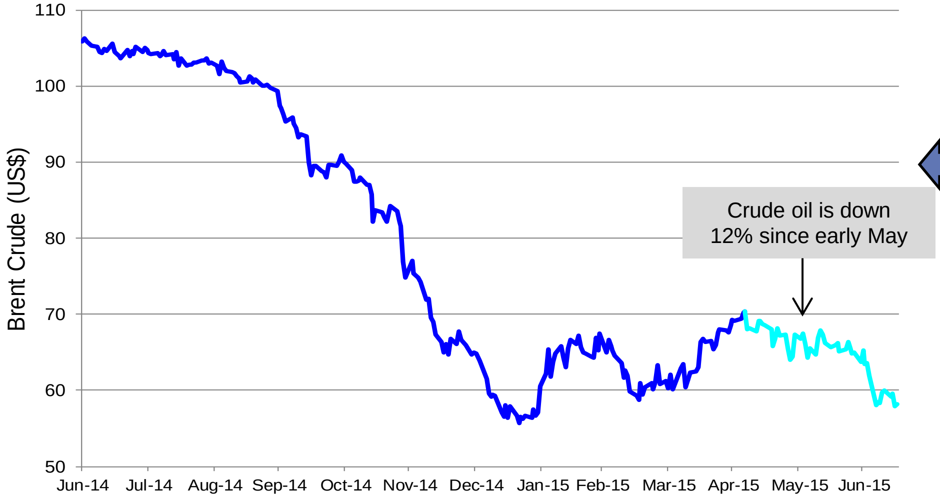


The gradual improvement in the U.S. economic outlook may provide fundamental support for U.S. equities, while less accommodative monetary policy is likely to be a headwind for fixed income over time

Source: Bloomberg

Lower Oil Could Support U.S. Economic Growth While Earnings Growth is Key For U.S. Stocks

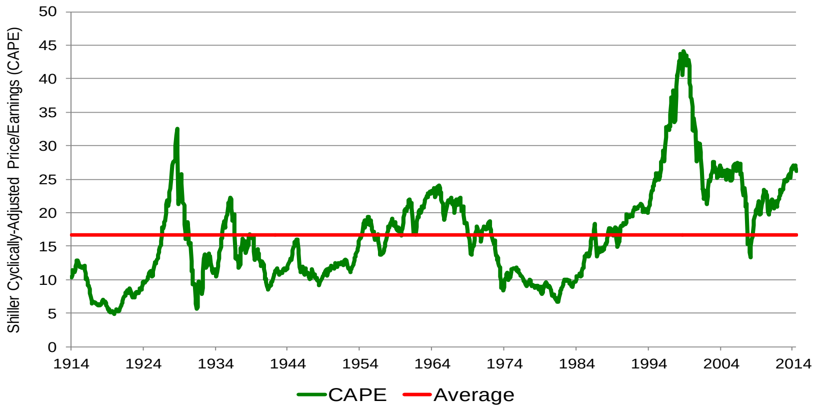
The Decline in Oil May Buoy Growth and Dampen Inflation



Global economic growth should also find support in lower energy prices. During the Organization of the Petroleum Exporting Countries (OPEC) meeting in early June, OPEC repeated its November 2014 decision to maintain its current output target, an apparent strategy to allow a temporary reduction in oil prices to drive out higher cost producers. **Crude oil dropped more than 12% over the past two months in response to broader concerns regarding a global economic slowdown and OPEC's decision to maintain current production levels, in conjunction with the aforementioned strength in the US$.** Lower energy prices should dampen inflation and help support the Fed's initiative to undertake a more gradual approach to tightening policy.

A sustained rally in U.S. equities has been supported by extraordinary policy accommodation in recent years. The measured move to a more restrictive stance may impact equity market valuations. The Federal Reserve has noted that the valuation of some sectors of the U.S. equity market "appear stretched relative to historical norms." One such valuation measure is the Shiller Price/Earnings Multiple which considers longer-term average earnings to smooth for cyclicality. The multiple now stands at 26X, or more than 50% above its long term average of less than 17X. Since further multiple expansion seems less likely, earnings growth may be a more important component of equity returns in the near term.

The Shiller Price/Earnings Multiple Appears High

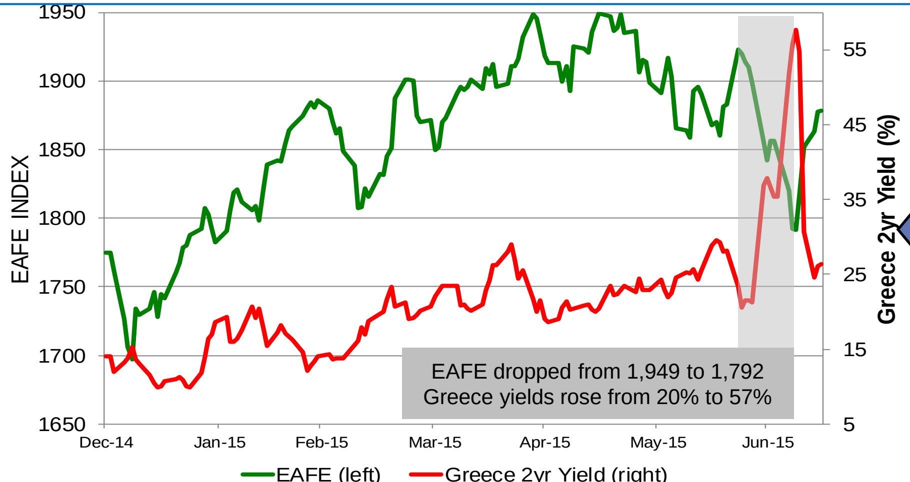


The decline in oil should stimulate consumer spending and broader economic growth, as well as allow the Fed to adopt a gradual pace in its move to higher rates. At current valuations, FY16 equity returns will likely be more dependent on earnings growth.

Source: Bloomberg & Yale University

Update on Global Markets: Heightened Uncertainty in Greece and China Have Impacted Returns

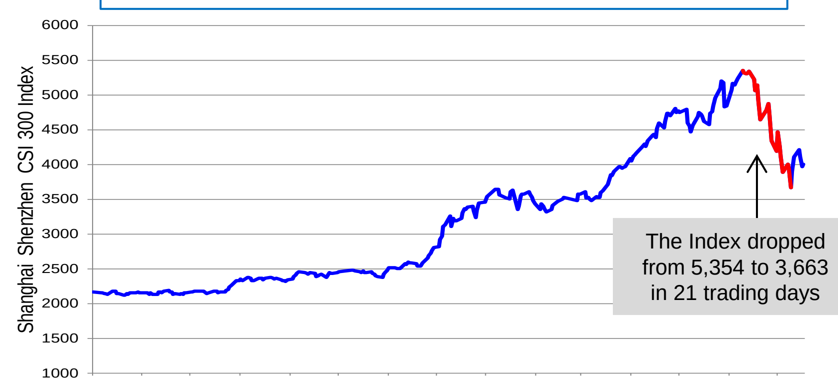
The Adverse Impact of a Protracted Resolution for Greece



Extended negotiations between Greece and its creditors, including a missed IMF payment, an historic Greek referendum vote against further austerity measures that was reversed by its chief proponent (Prime Minister Tsipras) during subsequent negotiations, a dramatic legislative approval of such measures, and EU approval of a bridge loan, took a toll on global equity markets. **Fears of contagion and the adverse impact of the strong dollar led to a 7% drop in European equities over a 2 ½ week period.** As of this writing, it now appears more likely that Greece will prevail in securing a new bailout, thus avoiding contagion risk for the broader EU. Looking forward, the ECB's quantitative easing program remains in place and should promote stability and provide economic stimulus.

Following a massive equity rally that resulted in gains of 160% for China's mainland stock market in just over a year, **the Shanghai Stock exchange subsequently lost nearly 1/3 of its value in less than a month.** The selloff was sustained despite extraordinary steps taken by Chinese authorities to boost equity prices, including suspending IPOs, freezing trading on nearly half of all listed stocks, and forbidding company executives from trading shares for a six month period. The actions taken may be deemed inconsistent with free market principles and may therefore call into question the degree to which Chinese shares will be added to global indices as the Shanghai market becomes more open to foreign investment.

The Shanghai Stock Market Correction



The Fund is modestly underweight its FY16 AIP allocation to International Developed Markets and Emerging Markets in the midst of poor global equity returns resulting from divisive Greek negotiations with creditors and a sharp correction in Chinese equities. Looking ahead, supportive monetary and fiscal policies should improve the fundamental backdrop for Europe and Japan.

Source: Bloomberg

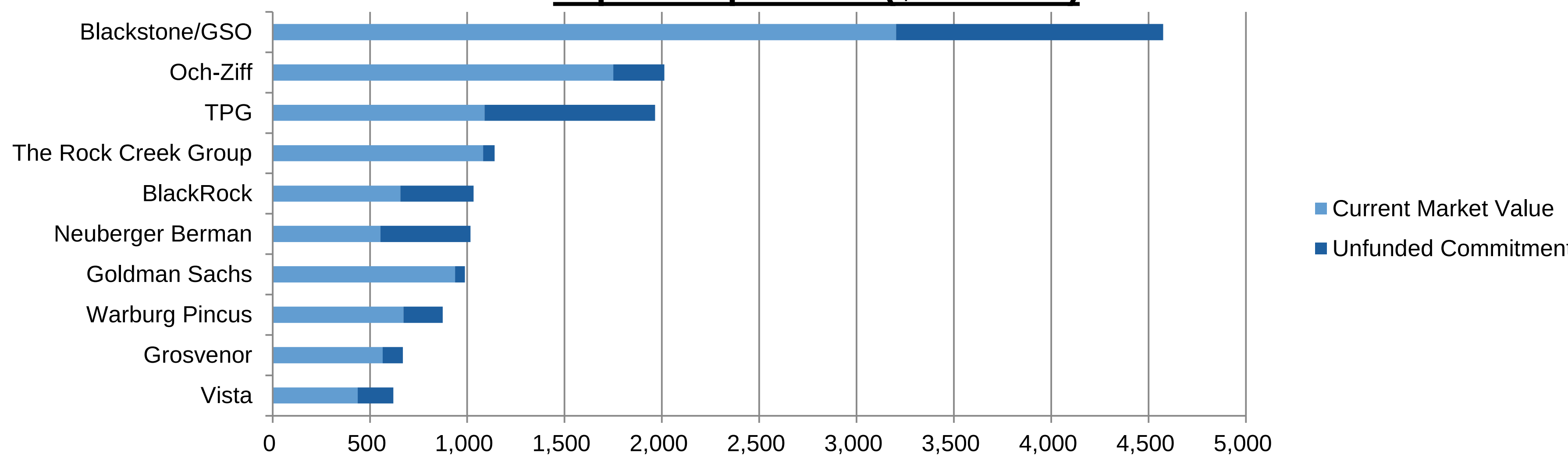
Alternative Investment Program Overview

NJDOI Alternative Investment Program

Asset Class	Committed	Contributions	Unfunded	Distributions	Market Value	Total Value (MV + Distributions)	Multiple of Invested Capital
Private Equity	12,604,119,811	10,297,496,273	3,858,812,623	7,307,536,763	7,215,024,358	14,522,561,121	1.41
Real Estate	5,928,555,173	4,264,426,952	2,053,228,664	2,739,693,923	2,980,629,702	5,720,323,625	1.34
Hedge Funds	9,035,000,000	8,801,694,862	785,312,474	1,436,534,429	9,977,700,163	11,414,234,592	1.30
Real Assets	2,575,000,000	2,219,130,598	655,441,424	613,598,570	1,535,158,310	2,148,756,880	0.97
Global Diversified Credit	2,714,382,674	2,054,909,881	631,928,464	784,574,827	2,315,865,406	3,100,440,233	1.51
Opportunistic	450,000,000	216,940,431	254,778,617	50,389,685	197,152,628	247,542,313	1.14
TOTAL	**33,307,057,658**	**27,854,598,998**	**8,239,502,266**	**12,932,328,197**	**24,221,530,567**	**37,153,858,764**	**1.33**

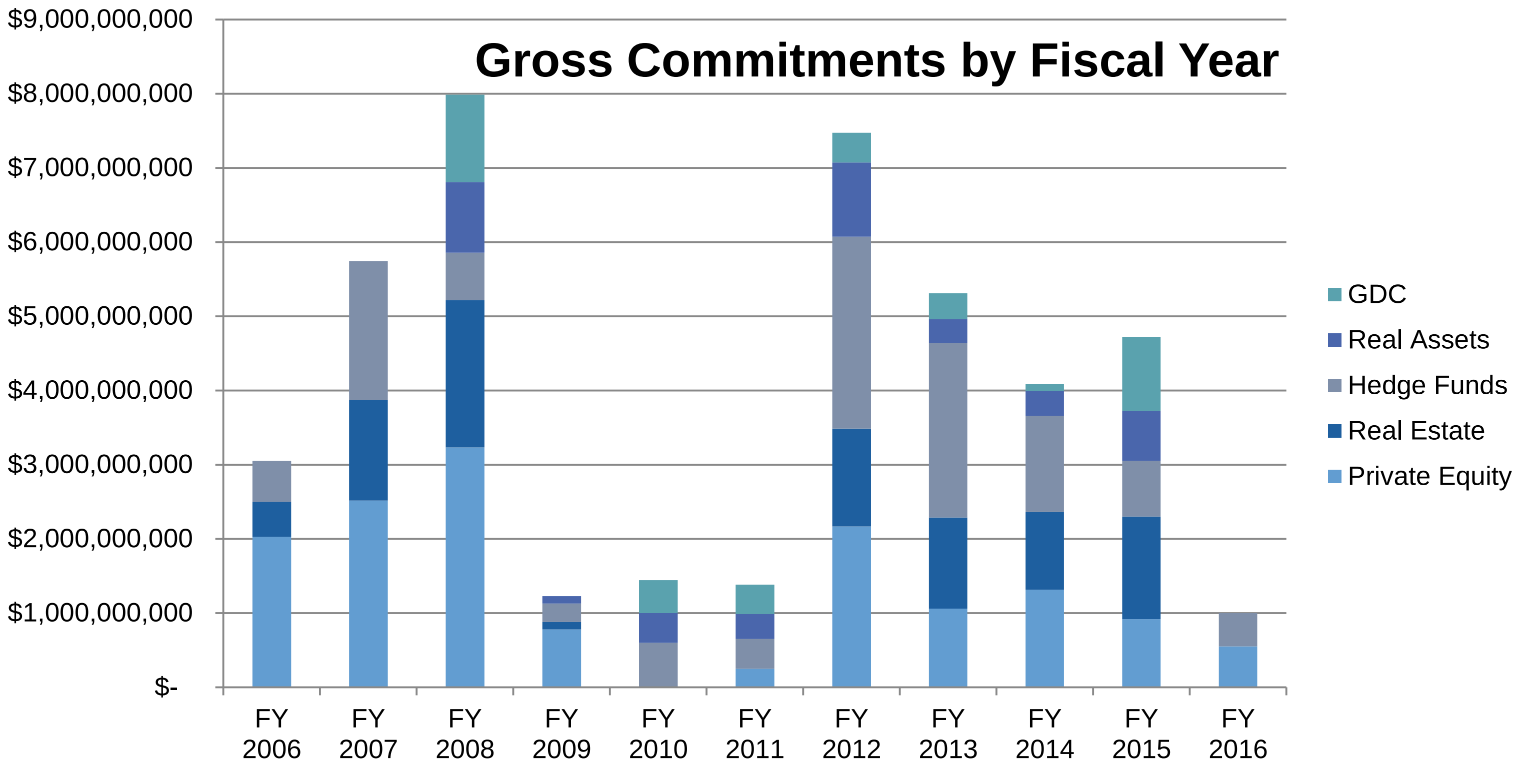
Asset Allocation as of 5/31/15	% of Total	FY 2015 Target	Over/Under FY15 Target	FY 2016 Target	Over/Under FY16 Target
Private Equity	9.25%	9.25%	0.00%	9.00%	0.25%
Real Estate	4.59%	5.25%	-0.66%	6.05%	-1.46%
Hedge Funds	12.54%	12.00%	0.54%	12.50%	0.04%
Real Assets	1.50%	2.00%	-0.50%	2.00%	-0.50%
Global Diversified Credit	2.97%	3.50%	-0.53%	5.00%	-2.03%
TOTAL	**30.84%**	**32.00%**	**-1.16%**	**34.55%**	**-3.71%**

Top 10 Exposures ($ millions)



Note: The information above is as of 5/31/15

Alternative Investment Program



FY 2016 Alternative Investment Pacing

Private Equity	Target	FYTD*
Private Equity	$1,500	$550
Real Estate	$500	$0
Hedge Funds	N/A	$450
Real Assets	$400	$0
Global Diversified Credit	N/A	$0
TOTAL	**$2,400**	**$1,000**

FY 2016 Commitments*

Private Equity	Amount (millions)
AIP Capital Fund VI	$200
Excellere III	$50
GoldenTree Distressed	$300
Hedge Funds	
Laurion Funds	$200
Stone Milliner	$250

*Includes investments being recommended at this meeting

Private Equity Portfolio Overview

	May 31, 2015
# of Partnerships	102
Capital Committed	12,604,119,811
Unfunded Capital	3,858,812,623
Contributions	10,297,496,273
Distributions	7,307,536,763
% of Funded Capital Distributed	71%
Market Value	**7,215,024,358**
Total Value (MV + Distributions)	**14,522,561,121**
Total Value Multiple	**1.41**

Performance Overview (as of 3/31/15)*

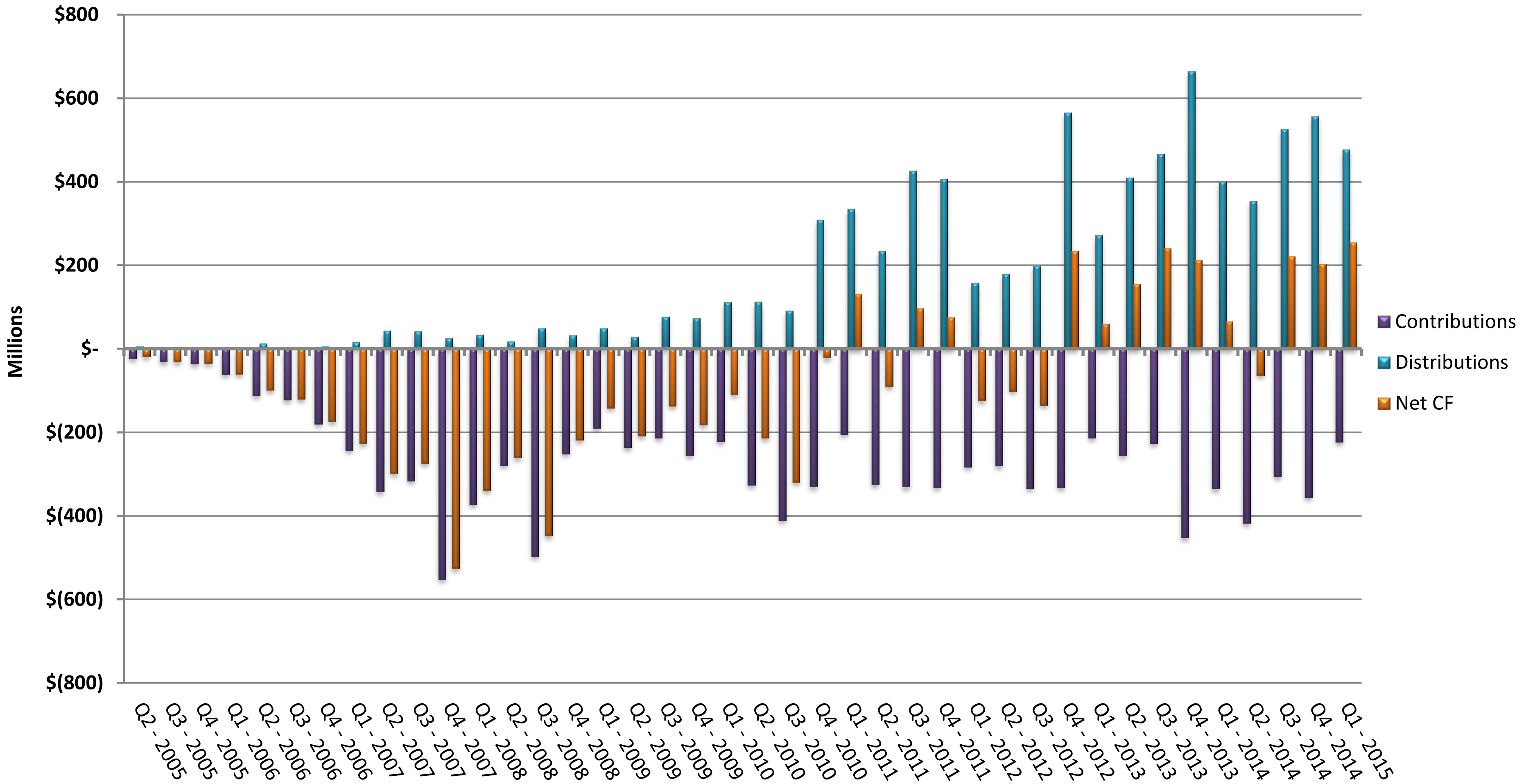
	1 Year	3 Year	5 Year	Inception
Program IRR	17.97	17.57	16.19	11.10
Cambridge Benchmark IRR[1]	9.11	13.28	14.65	12.70
Value Add	***8.86***	***4.29***	***1.54***	***-1.60***
MSCI ACWI net PME IRR[2]	5.51	10.77	9.09	6.12
Value Add	***12.46***	***6.80***	***7.10***	***4.98***

* Performance Overview, including Benchmark and PME Analysis, was completed by the Division's Private Equity consultant, SIS, utilizing 3/31/15 Market Values and Cash Flows.

1. The Cambridge Benchmark is the Global Private Equity and Venture Capital based on preliminary data as of 3/31/15.
2. MSCI ACWI net PME (PME IRR is calculated by taking each contribution and distribution and buying and selling, respectively, the index on the actual day the cash flows occurs.)

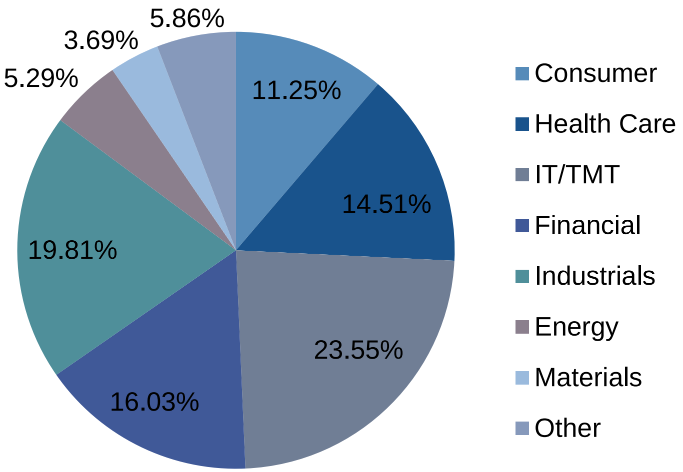
Private Equity Cash Flows Since Inception

The Private Equity Portfolio has produced positive net cash flows for three consecutive quarters and for nine of the last ten quarters. Over the last ten quarters, the portfolio has produced $1.6 billion of net distributions. The positive net cash flow of $255 million in 1Q15 was the largest in the history of the program. Among the biggest drivers of net distributions for the quarter was Blackstone TAC Opps' sale of portfolio company Milestone, resulting in an IRR of 76% and a 2.9x multiple. The Division's separate account with BlackRock also contributed to the strong positive cash flow with $69 million of distributions for the quarter.

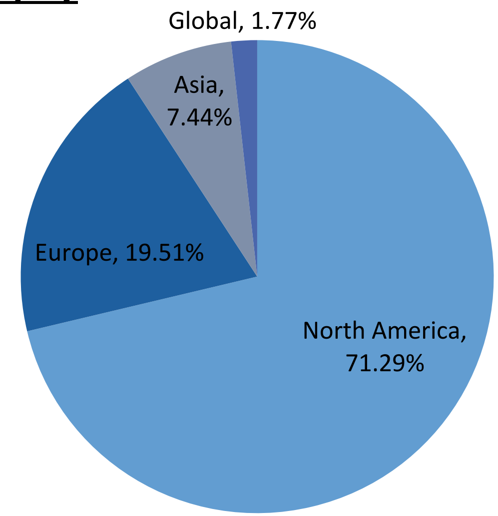


Private Equity Snapshot – Exposures by Market Value

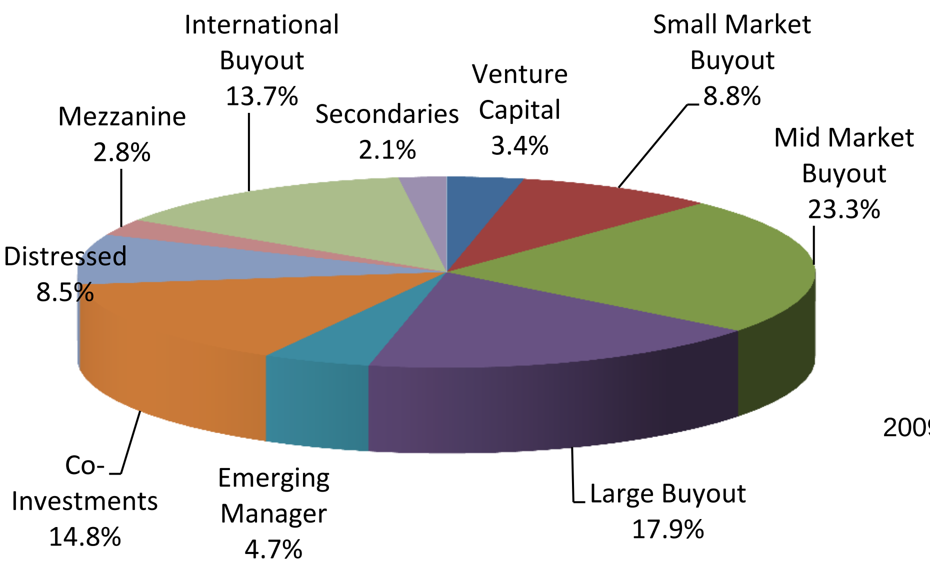
Industry



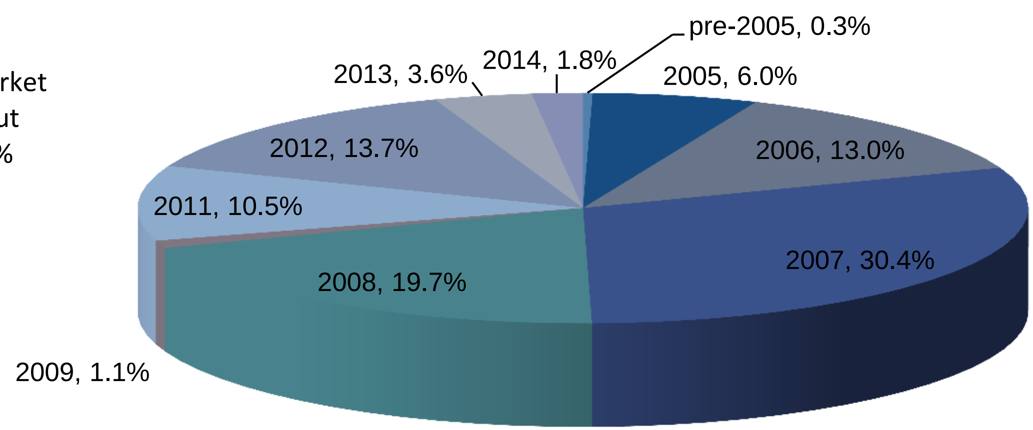
Geography



Sub Asset Class Exposure



Vintage Year Exposure



Note: The information above is as of most recently available data

Real Estate Portfolio Overview

	May 31, 2015
# of Partnerships	42
Capital Committed	5,928,555,173
Unfunded Capital	2,053,228,664
Contributions	4,264,426,952
Distributions	2,739,693,923
% of Funded Capital Distributed	64%
Market Value	**2,980,629,702**
Total Value (MV + Distributions)	**5,720,323,625**
Total Value Multiple	**1.34**

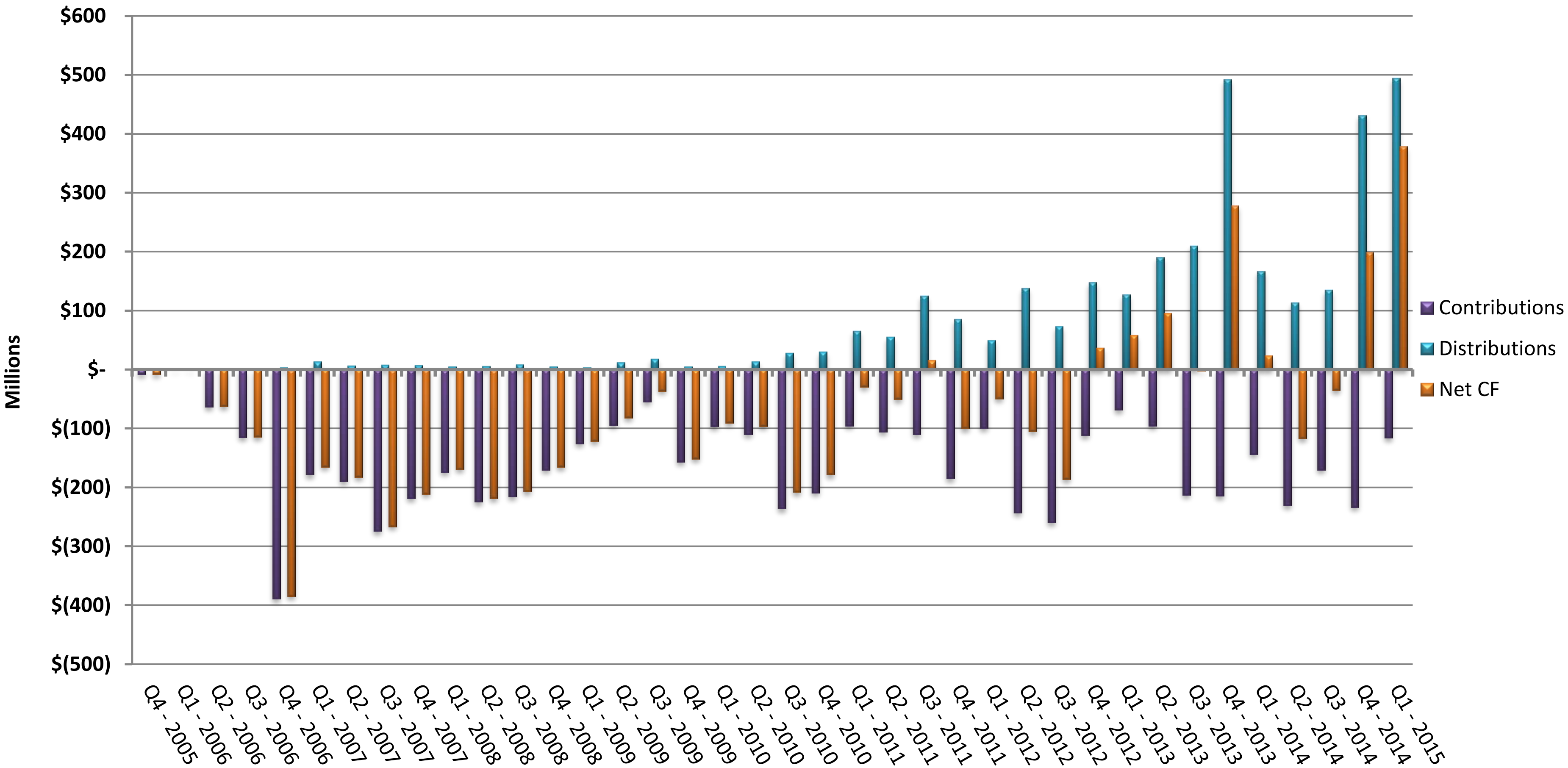
Performance Overview (as of 3/31/15)*

	1 Year	3 Year	5 Year	Since Inception
Total Portfolio (Net)	16.22%	15.22%	15.02%	3.76%
NCREIF ODCE Index (Net)	12.40%	11.60%	13.44%	4.92%
Value Add	3.82%	3.62%	1.58%	-1.16%

* Note: Performance of the Division's total Real Estate program calculated by the Division's Real Estate consultant, RVK, on a time-weighted basis versus the relevant index, as of 3/31/15.

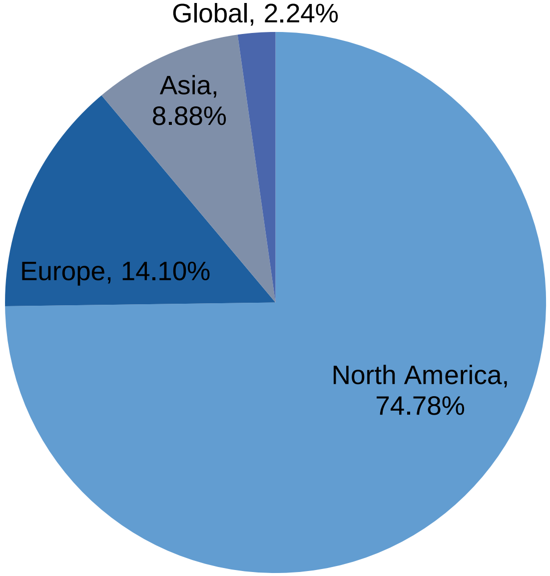
Real Estate Cash Flows Since Inception

The Real Estate Portfolio has produced positive net cash flows for two consecutive quarters and for seven of the last ten quarters. Over the last ten quarters, the portfolio has produced $900 million of net distributions. The positive net cash flow of $379 million in 1Q15 was the largest in the history of the program and was driven by redemptions from CT High Grade Partners II and AEW Core Property Trust. Various Blackstone Real Estate funds were also active sellers, distributing nearly $100 million back to New Jersey during the quarter. Included in the Blackstone distributions was the RE Partners VII sale of IndCore Properties, which generated a gross IRR of 41% and a gross multiple of 2.4x.

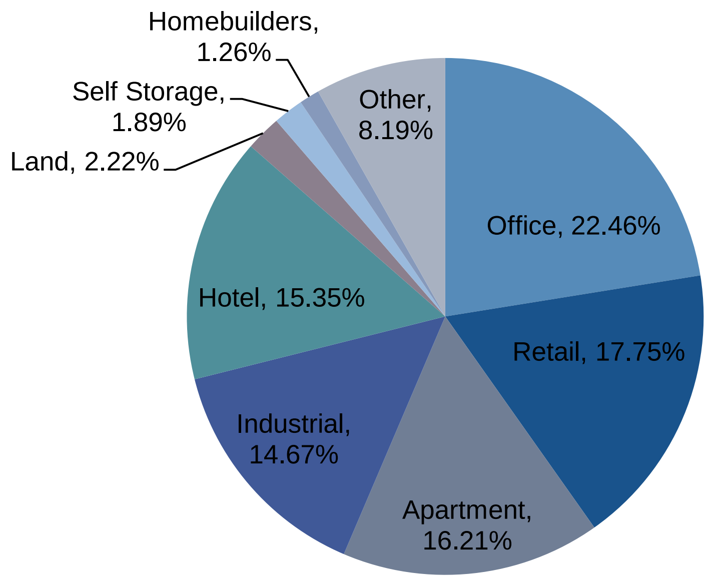


Real Estate Snapshot – Exposures by Market Value

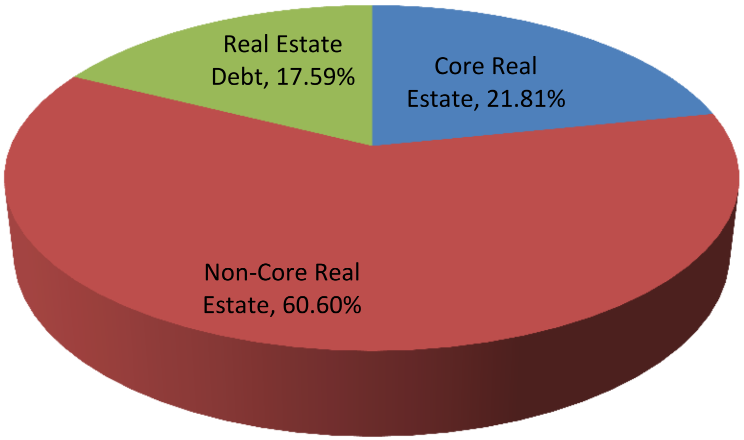
Geography



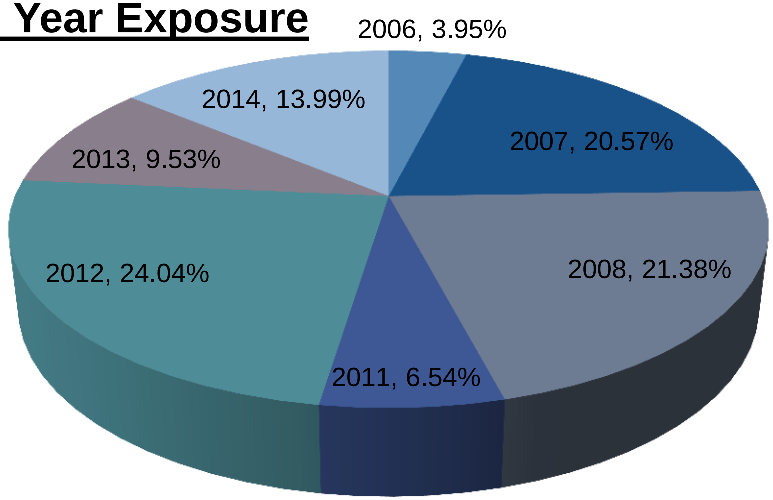
Property Type



Strategy



Vintage Year Exposure



Note: The information above is as of most recently available data.

State Investment Council

Notifications

Alternative Investment Notifications

Archipelago Partners Redemption

The Division has submitted to redeem its full interest in Archipelago Partners, L.P. ("Archipelago" or the "Fund") for July 1, 2015 ($110.4 mm NAV as of 5/31/15).

Archipelago is an investment vehicle which invests in a number of equity long/short hedge funds managed by Wellington. The Division initially committed $150 million to Archipelago in June 2006, with the investment being funded in two tranches during the year. Including prior redemptions totaling $150 million, Archipelago has been successful, yielding a net 1.74x multiple and 7.13% annualized return since inception in June 2006 through 4/30/15.

Rationale: While the Division's Hedge Fund program was being established in early 2006, staff identified and invested in various well-known, established multi-strategy hedge fund managers, in an attempt to create a portfolio of diversified hedge fund strategies. As the Division's hedge fund program continued to diversify and evolve over time, the need for a multi-manager platform became limited, and the Division has redeemed partial interests over time. Given that the Division has and continues to identify specialists within equity-oriented strategies with limited beta exposures, the Division has submitted its notice of full redemption.

Arden Garden State NJ Fund LP Redemption

The Division has submitted to redeem its full interest in Arden Garden State NJ Fund LP ("Arden" or the "Fund") for September 30, 2015 ($522.1mm NAV as of 5/31/15). The Division previously submitted a redemption for $100 million for June 30, 2015.

The Division initially committed $100 million with Arden in June 2006, investing in their commingled fund of funds which provided broad exposure to many hedge funds strategies. During 2011 and 2012, the Division committed an additional $400 million to Arden to address the Division's underweighting to Absolute Return hedge funds, while restructuring the account to attain more attractive fee arrangements and further customize the Fund with access to closed managers with preferential terms.

Rationale: Arden has experienced a high level of turnover among its investment professionals. Specifically the individuals primarily responsible for constructing and managing the Division's portfolio have recently left the firm. The Division has concerns about the stability of the firm going forward. Therefore, the Division has submitted its notice of full redemption from Arden.

Purpose of Notification:

The Division is notifying the SIC of these transactions under its Modifications Procedures.

FY16 Policy Benchmark Review

Asset Class	FY 2015 Policy Benchmark Weight	FY 2016 Targeted Asset Allocation	FY 2016 Policy Benchmark Component
RISK MITIGATION	**4.00%**	**5.00%**	
Absolute Return HFs	4.00%	5.00%	91-day T-Bills +300 bps
LIQUIDITY	**8.25%**	**8.00%**	
Cash Equivalents	5.00%	5.00%	91-day T-Bills
TIPS	1.50%	1.50%	BarCap US TIPS Index
US Treasuries	1.75%	1.50%	BarCap US Treasury Index
INCOME	**22.60%**	**21.75%**	
Investment Grade Credit	10.00%	8.00%	BarCap US Credit Index
High Yield	2.00%	2.00%	BarCap Corp High Yield Index
Global Diversified Credit	3.50%	5.00%	BarCap Corp High Yield Index
Credit-Oriented HFs	4.00%	3.75%	50% HFRI Distressed Restructuring/50% HFRI Credit Arbitrage (one-month lag)
Debt-Related PE	1.00%	1.00%	BarCap Corp High Yield Index (one-quarter lag) + 300 bps
Debt Related Real Estate	1.00%	0.80%	Barclays CMBS 2.0 Baa + 100 bps (one-quarter lag) (1)
P&F Mortgage	1.10%	1.20%	**BarCap US Treasury, 1-3 year Index** (2)
REAL RETURN	**7.25%**	**7.75%**	
Commodities	1.00%	0.50%	Bloomberg Commodities Index
Private Real Assets	2.00%	2.00%	CA Energy Upst & Royalties & PE (one quarter lag) (1)
Equity Related Real Estate	4.25%	5.25%	NCREIF ODCE (one-quarter lag)
GLOBAL GROWTH	**57.90%**	**57.50%**	
US Equity	27.25%	26.00%	S&P 1500
Non-US Dev Market Eq	12.00%	13.25%	MSCI EAFE + Canada (ex-prohibited)
Emerging Market Eq	6.40%	6.50%	MSCI Emerging Markets (ex-prohibited)
Buyouts/Venture Cap	8.25%	8.00%	Cambridge PE (one-quarter lag)
Equity-Oriented HFs	4.00%	3.75%	50% HFRI Equity Hedge/50% HFRI ED Activist (one month lag)
TOTAL	**100.00%**	**100.00%**	

The Policy Benchmark is the weighted average return of the components, with the weights determined by the Council's targeted asset allocation. All FY 16 components except the benchmark for the P&F Mortgage (1.2% of benchmark) are unchanged versus FY15.

(1) The policy benchmark components for Debt Related Real Estate and Private Real Assets did not change from FY15 to FY16. Both are denoted in red to highlight and correct an error printed in the May 27, 2015 State Investment Council presentation entitled *Fiscal Year 2016 Annual Investment Plan (AIP) Recommendation*.

(2) The policy benchmark component for P&F Mortgage changed from FY15 (BarCap US Credit Index) to FY16 (BarCap US Treasury, 1-3 year Index)

Appendix

NJDOI Updates (5/1/15 through 6/30/15)

US Equity

- Net sales of $287 million for the period. Overweight relative to its FY15 target declined from approximately 150 bps including hedges to 126 bps. Begin FY16 approximately 250 bps above the target allocation
- Trimmed exposure to utilities due to the expectation of rising interest rates. In addition, the overweight to consumer staples was reduced based on the high valuations

International Equity

- The Non-US Developed Markets portfolio was a net buyer of approximately $730 million in an effort to move closer to FY16 target allocation. Finished the year 39 bps underweight relative to the FY15 target and 164 bps underweight relative to the FY16 target
  - The Developed Optimized portfolio executed an $850 million trade program to rebalance its region, country, and sector weights; a net $407 million was added
  - In the Developed ETF portfolio increased exposure by approximately $300 million
- The Emerging Market portfolio was a net buyer of approximately $56 million, moving the allocation to 71 bps underweight to its fiscal 2015 target and 81 bps underweight relative to the FY16 target
- Two Euro and one Yen currency futures contracts were rolled forward, while two Pound currency futures contracts were closed

Fixed Income

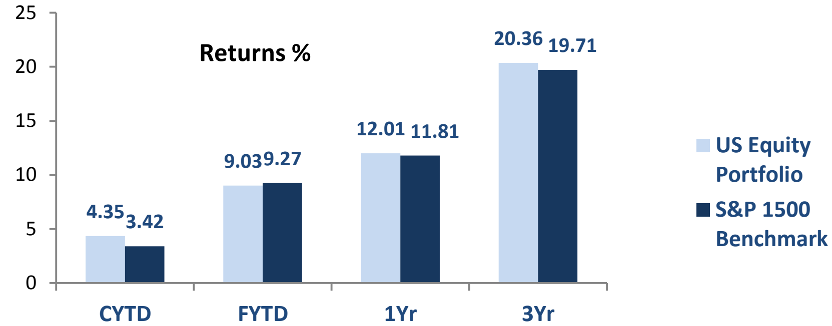
- Net purchaser of approximately $531 million of investment grade bonds for the period
  - Net sales of $43 million in corporates and net buys of $574 million of Treasuries and TIPS
- Within Investment Grade Credit, finished the year 30 bps underweight relative to the fiscal 2015 target and 170 bps overweight relative to the FY16 target
- Increased allocation to Short Term Cash Equivalent account from 90 bps to 102 bps. YTW for account improved from 0.84% at start of period to 1.63% at end of the period
- Increased High Yield exposure by $50 million, primarily through higher quality and short term issues
- Duration stands at 5.2 years (ex cash) vs benchmark duration of 6.0 years. When factoring in cash, duration stands at 4.5 years

Cash Flows

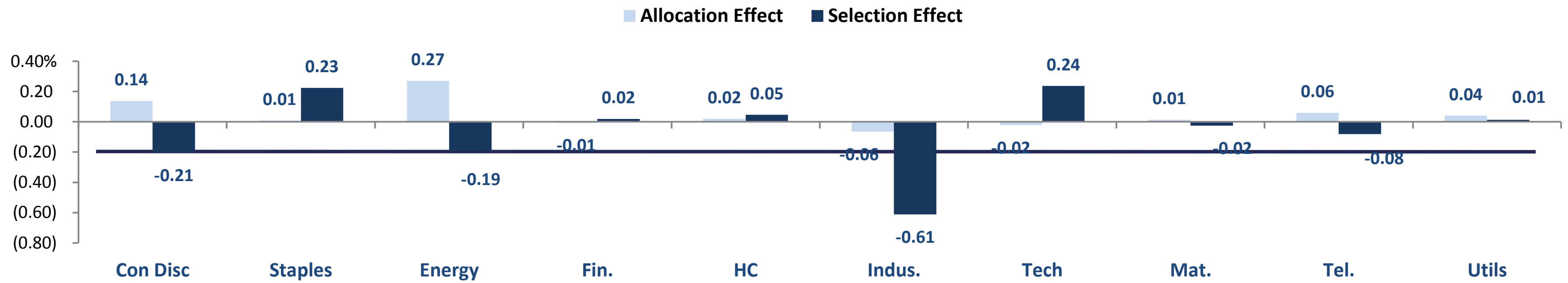
- Received $892.6 million from the State for the FY15 Pension Payment on 6/30/15

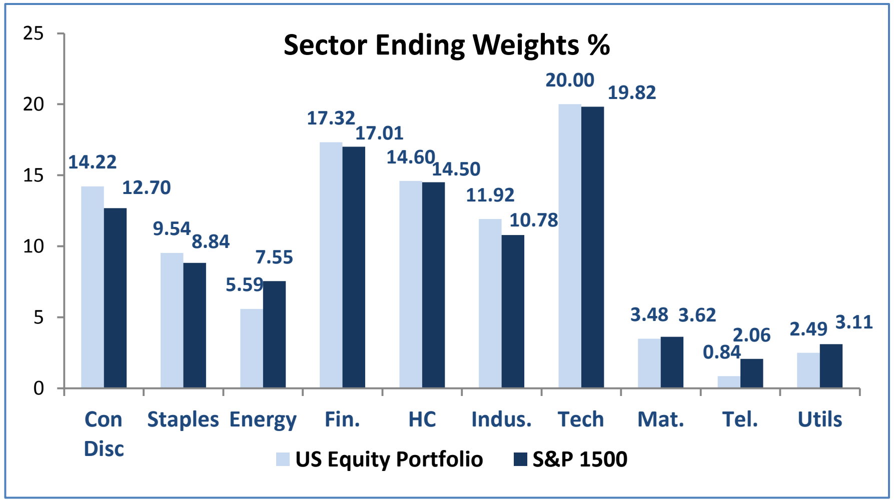
U.S. EQUITY PORTFOLIO – AS OF MAY 31ST 2015

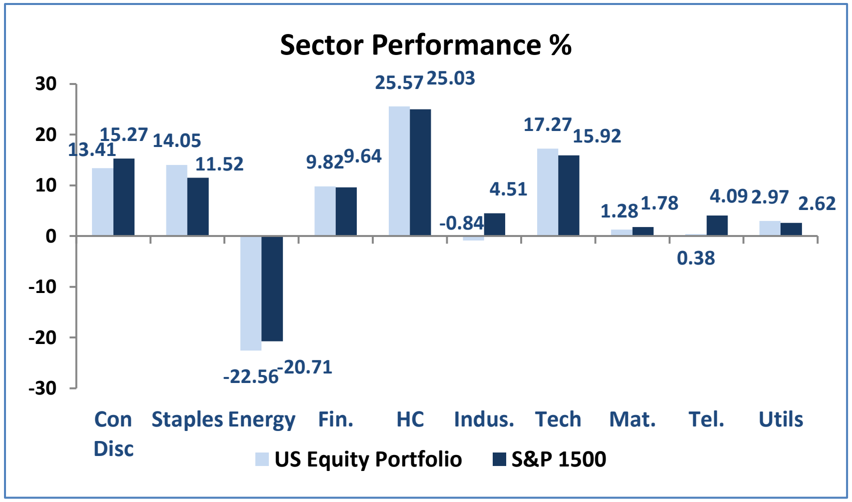
For the fiscal year to date, the US Equity Portfolio returned 9.03% versus the Benchmark return of 9.27%. Relative performance was negatively impacted by the effect of oil price volatility on commodity-related industrial stocks and an underweight exposure to certain hospitality/restaurant stocks. Positive contribution to returns came from favorable stock selection within Technology. Currently, stock selection and sector allocation remain challenging for active managers as factors and styles that worked in 2014 appear to have stalled or have been inconsistent in performance. More recently, the U.S. Equity Portfolio has managed to negotiate this difficult investment environment with a focus on stocks exhibiting defensive, high quality, and growth characteristics. Calendar year to date, the Portfolio has outperformed the Benchmark by almost 100 basis points.



Portfolio Sector Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	9.03%	Benchmark Return:	9.27%	Excess Return:	-0.24%



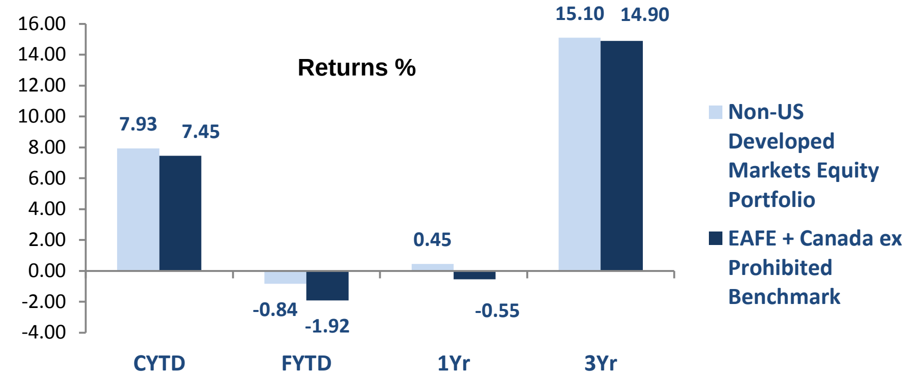




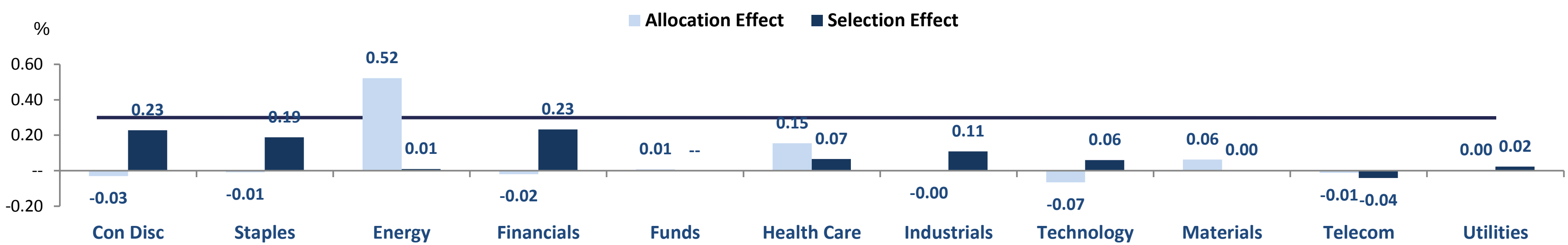
Source: State Street, Factset

NON-US DEVELOPED MARKETS EQUITY PORTFOLIO – AS OF MAY 31ST 2015 IN USD

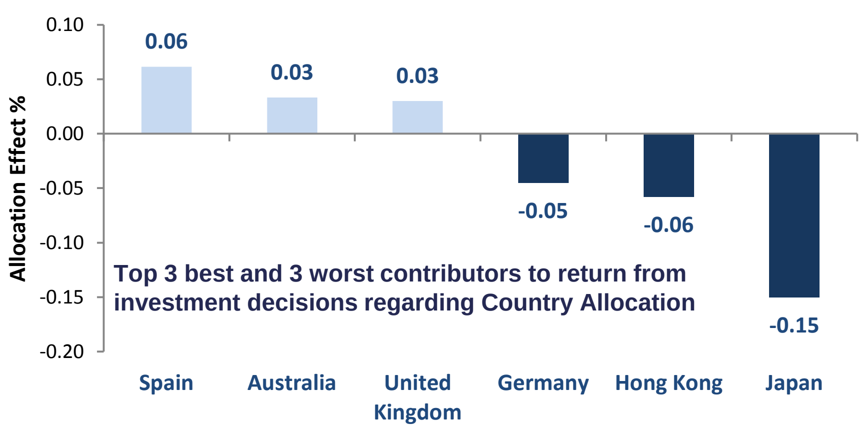
For the fiscal year to date, the Non-US Developed Markets Equity Portfolio returned -0.84% versus the Benchmark return of -1.92%. The outperformance was driven by a strategic move to underweight Canada in response to this market's sensitivity to oil prices. Good stock selection in Japan and France also added value. The move to mitigate the impact of oil exposure in the portfolio was also reflected in the underweight allocation to the Energy Sector, which resulted in Energy being the largest positive contributor to Sector Allocation Effect. Stock selection within the Consumer Discretionary and Financials sectors also positively contributed to the portfolio's outperformance.

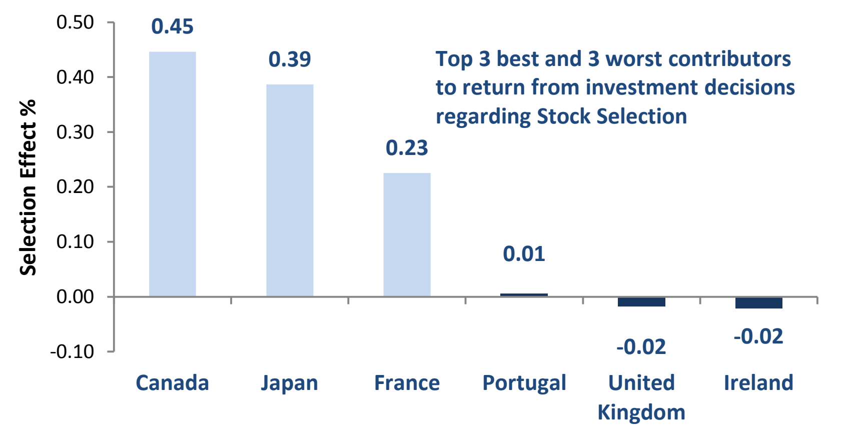


Portfolio Sector Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	-0.84%	Benchmark Return:	-1.92 %	Excess Return:	+1.07%



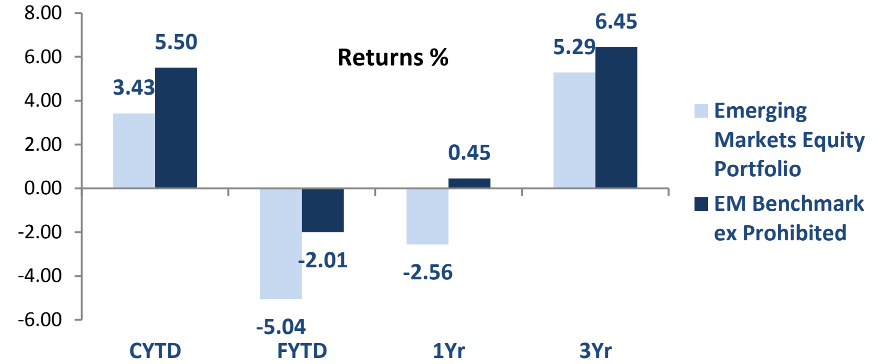
Portfolio Country Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	-0.84%	Benchmark Return:	-1.92%	Excess Return:	+1.07%



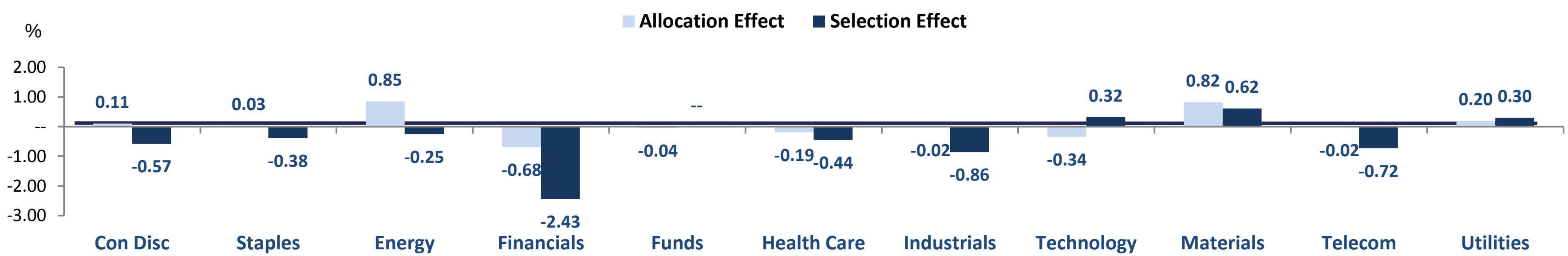


Source: State Street, Factset

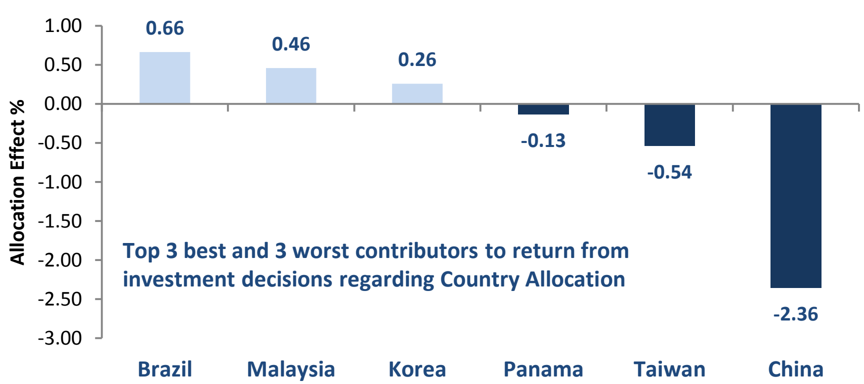
For the fiscal year to date, the Emerging Markets Equity portfolio returned -5.04% versus the Benchmark return of -2.01%. Global geopolitical turmoil combined with volatile oil prices, diverging monetary policies of central banks, and a stronger US dollar all presented a challenging investment environment for the Emerging Markets. The largest negative impact to portfolio performance resulted from having an underweight to China, whose markets experienced a strong rally during the fiscal year, along with stock selection in Russia and within the Financials sector. Positive contributions to performance resulted from the underweight positions in Brazil, Malaysia and Korea as well as underweight positions in Materials and Energy.

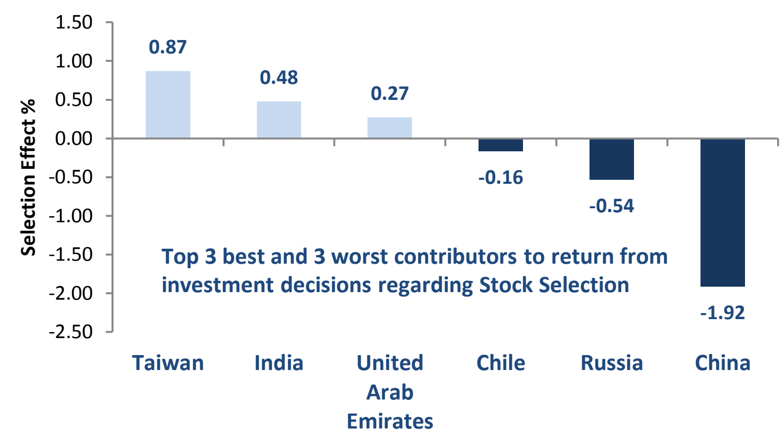


Portfolio Sector Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	-5.04%	Benchmark Return:	2.01%	Excess Return:	-3.03%



Portfolio Country Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	-5.04%	Benchmark Return:	2.01%	Excess Return:	-3.03%

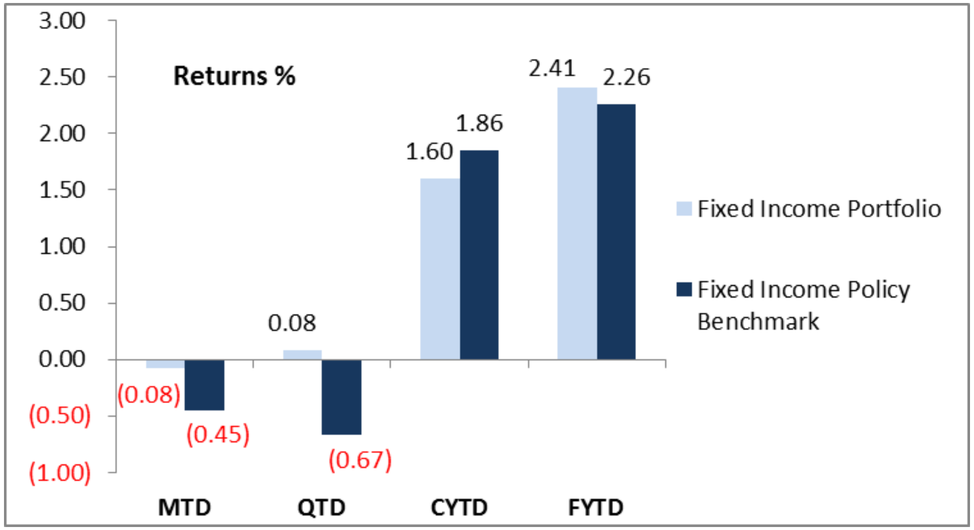




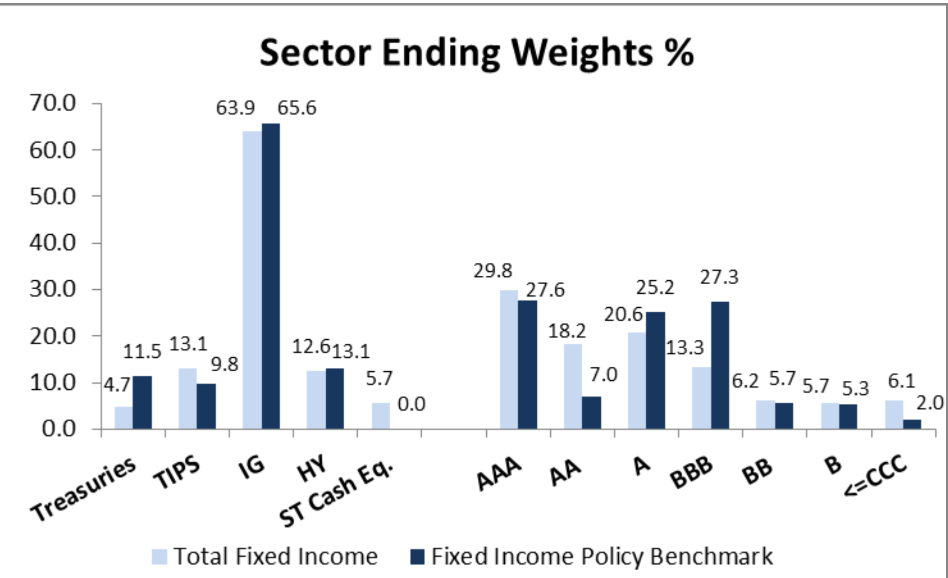
Source: State Street, Factset

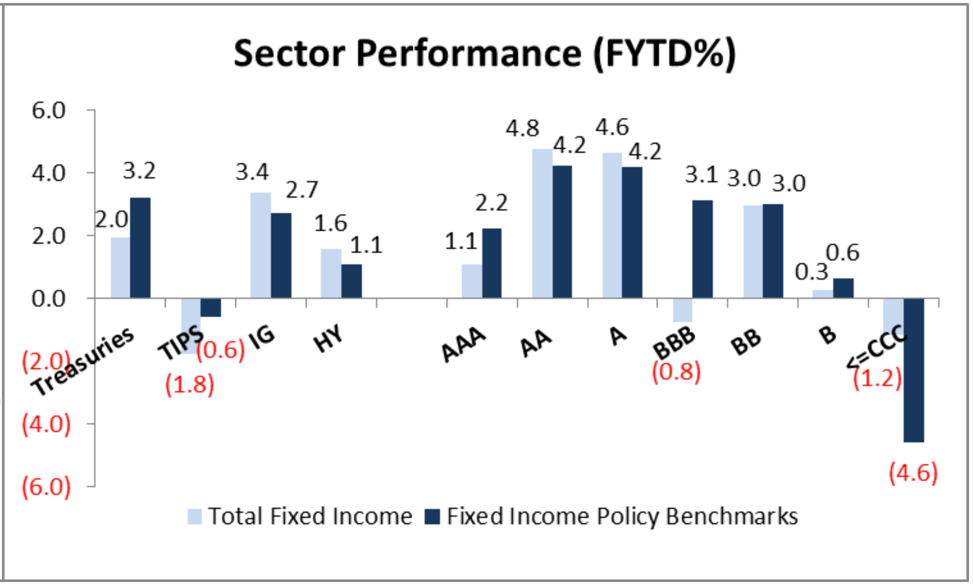
DOMESTIC FIXED INCOME PORTFOLIO – AS OF MAY 31ST 2015

For the fiscal year to date, the US Fixed Income portfolio returned +2.41% versus the Benchmark return of +2.26%. Strong relative returns within the Investment Grade (IG) sector (+3.38% versus +2.73%) and High Yield (HY) sector (+1.58% versus +1.11%) drove total outperformance of 15 basis points. Within IG, the Fund's overweight position to higher quality securities added value as AA corporates outperformed BBB corporates by 186 basis points on a duration-adjusted basis. Within HY, strong security selection added value. Favorable returns were somewhat offset by the Fund's underweight position in Treasuries, which were the best performing sector of the fixed income market, outperforming IG by 49 basis points (+3.22% versus +2.73%). The Fund's shorter Treasury duration profile also negatively impacted returns for the fiscal year as five, ten and thirty-year bonds declined 15, 41 and 48 basis points, respectively. This positioning has beneficial more recently.

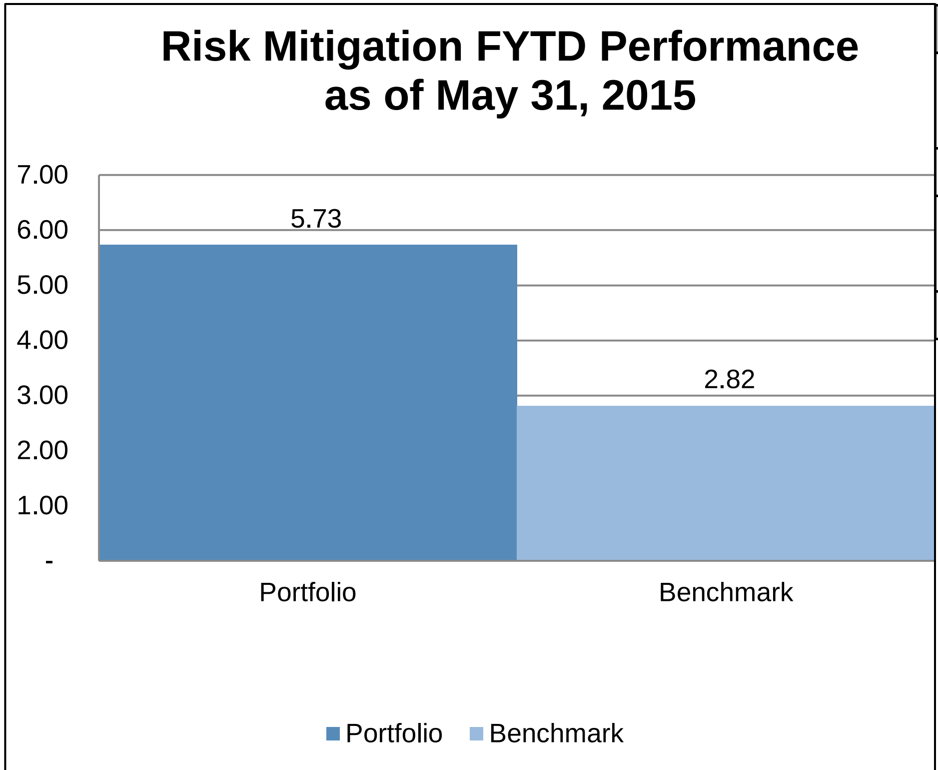


Portfolio Sector Attribution – Weights and Performance





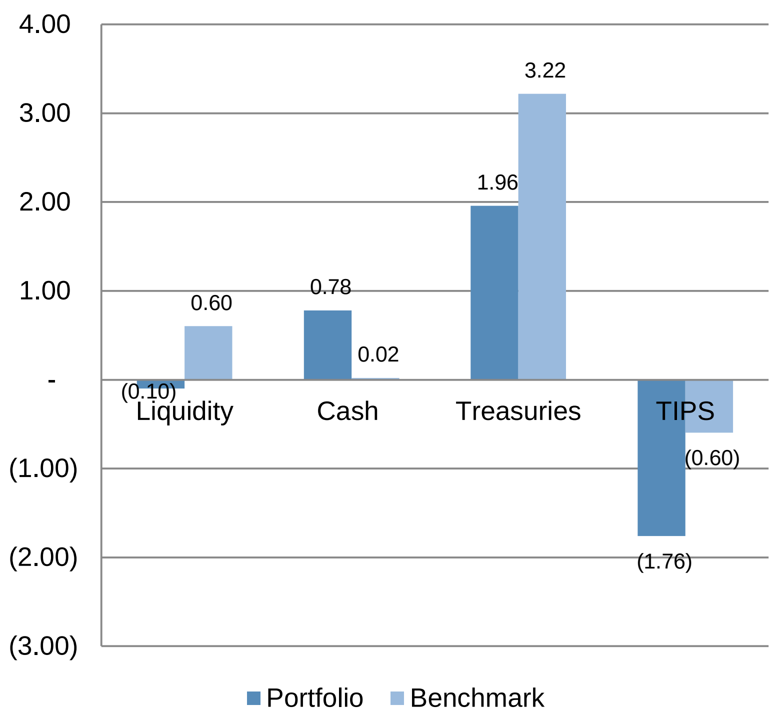
Source: State Street and FactSet



Returns as of May 31, 2015	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
Absolute Return Hedge Funds	(0.36)	3.18	5.73	6.81	3.59	4.36
T-Bill + 300 BP	0.25	1.25	2.82	3.07	3.07	3.08
Difference	*(0.60)*	*1.93*	*2.91*	*3.74*	*0.53*	*1.28*
Total Risk Mitigation	**(0.36)**	**3.18**	**5.73**	**6.81**	**3.59**	**4.36**
T-Bill + 300 BP	0.25	1.25	2.82	3.07	3.07	3.08
Difference	*(0.60)*	*1.93*	*2.91*	*3.74*	*0.53*	*1.28*

- The Risk Mitigation return is composed largely of the returns of Absolute Return Hedge Funds. The returns are generally reported on a one month lag for direct funds and one to two months for fund of funds
- The Absolute Return Hedge Funds as a group have returned 5.73% FYTD and 6.81% for the trailing one-year period
- Investments in systematic macro funds, discretionary macro funds, and a low net exposure equity fund have driven the strong performance FYTD
- The Risk Mitigation asset class has outperformed the benchmark over a 1, 2, and 3 year period

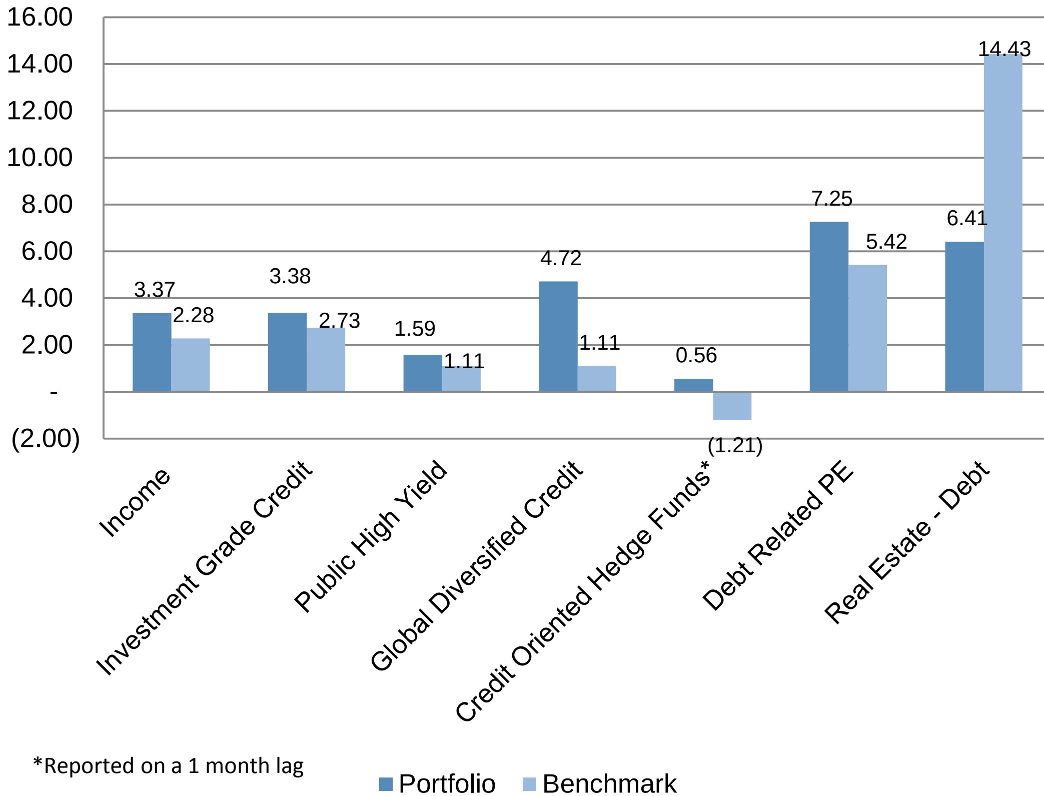
Liquidity FYTD Performance as of May 31, 2015



Returns as of May 31, 2015	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
Cash Equivalents	0.06	0.43	0.78	0.84	0.88	1.62
91 day treasury bill	0.00	0.01	0.02	0.03	0.04	0.07
Difference	*0.06*	*0.42*	*0.76*	*0.81*	*0.84*	*1.56*
US Treasuries	0.09	1.24	1.96	1.89	(0.49)	(1.36)
Custom Benchmark	(0.18)	0.92	3.22	3.05	2.41	0.77
Difference	*0.27*	*0.32*	*(1.26)*	*(1.16)*	*(2.90)*	*(2.13)*
TIPS	(0.44)	1.50	(1.76)	(1.43)	(0.87)	(1.18)
Custom Tips Benchmark	(0.92)	1.23	(0.60)	(0.29)	0.11	(1.27)
Difference	*0.48*	*0.26*	*(1.16)*	*(1.15)*	*(0.98)*	*0.10*
Total Liquidity	**(0.03)**	**0.72**	**(0.10)**	**(0.01)**	**(0.53)**	**(0.31)**
Benchmark	(0.20)	0.44	0.60	0.74	1.10	(0.02)
Difference	*0.18*	*0.29*	*(0.70)*	*(0.75)*	*(1.62)*	*(0.29)*

- The Liquidity portfolio has underperformed the benchmark by 70 basis points FYTD as the Treasuries and TIPs portfolios have each underperformed their respective benchmarks. Both portfolios have suffered from having a shorter duration than the benchmark, although this positioning benefited both portfolios in May.
- An overweight to TIPs and an underweight to nominal Treasuries and Cash has also detracted from performance FYTD
- Over the trailing three years, the Liquidity portfolio has underperformed the benchmark by 29 bps, as outperformance by Cash and TIPS has not fully offset underperformance of the Treasury portfolio

Income FYTD Performance as of May 31, 2015

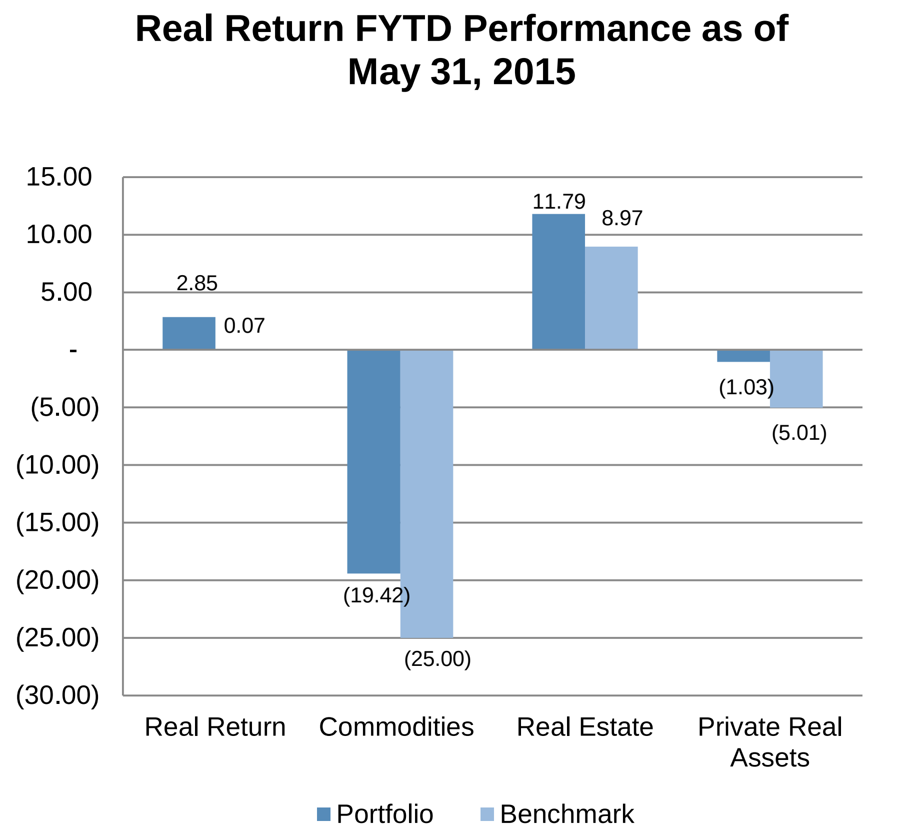


*Reported on a 1 month lag

Returns as of May 31, 2015	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
High Grade	(0.15)	1.57	3.38	3.51	3.52	3.41
Custom IGC Benchmark	(0.58)	0.98	2.73	2.77	2.42	2.99
Difference	*0.43*	*0.59*	*0.66*	*0.74*	*1.10*	*0.42*
Public High Yield	0.45	4.27	1.59	2.54	5.35	8.50
Barclays Corp High Yield (Daily)	0.30	4.07	1.11	1.95	4.88	8.10
Difference	*0.15*	*0.19*	*0.49*	*0.58*	*0.47*	*0.40*
Global Diversified Credit	1.35	2.94	4.72	8.23	12.16	14.19
Barclays Corp High Yield (Daily)	0.30	4.07	1.11	1.95	4.88	8.10
Difference	*1.04*	*(1.14)*	*3.61*	*6.28*	*7.27*	*6.09*
Credit-Oriented Hedge Funds	0.98	1.87	0.56	3.48	7.42	9.20
Custom Benchmark	1.06	0.84	(1.23)	(0.46)	5.09	7.17
Difference	*(0.08)*	*1.03*	*1.79*	*3.94*	*2.33*	*2.03*
Debt-Related Private Equity	3.52	5.15	7.25	9.14	13.65	15.37
BarCap Corp HY (1 Qtr lag) + 300 bps	2.66	3.32	5.42	5.93	8.73	10.83
Difference	*0.86*	*1.83*	*1.83*	*3.21*	*4.92*	*4.54*
Real Estate-Debt	0.97	4.84	6.41	10.62		
Barclays CMBS 2.0 Baa + 100 (Qtr lag)	(0.19)	6.64	14.43	14.66		
Difference	*1.16*	*(1.81)*	*(8.01)*	*(4.04)*		
Total Income	**0.55**	**2.43**	**3.37**	**4.64**	**5.89**	**6.34**
Benchmark	0.09	2.08	2.28	2.64	3.40	4.91
Difference	*0.45*	*0.36*	*1.09*	*2.00*	*2.48*	*1.44*

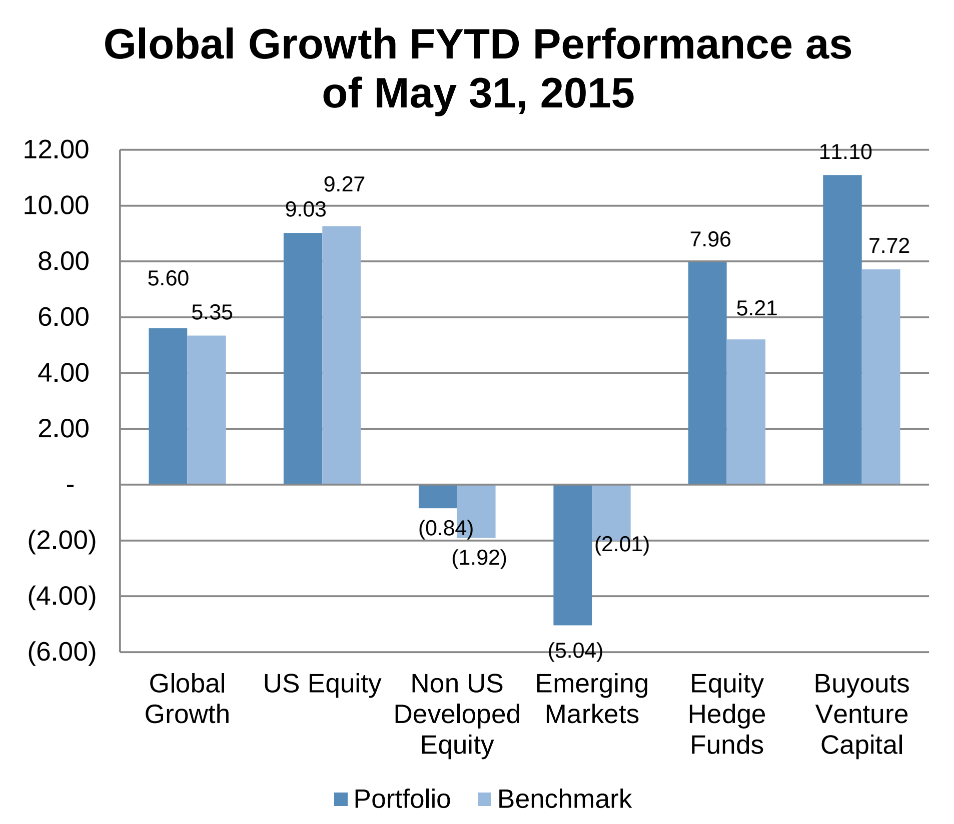
- The Income portfolio has outperformed by 109 basis points FYTD and is ahead over all other periods
- The Investment Grade Credit portfolio has outperformed the benchmark FYTD as the portfolio has lower-beta, higher quality securities. The portfolio is ahead of the benchmark for all periods
- Both Public High Yield and Global Diversified Credit have outperformed over all periods FYTD and longer.
- Credit Oriented Hedge Funds and Debt Related PE have outperformed for all periods greater than one month
- While the Real Estate Debt portfolio has trailed the benchmark over all periods, returns have been strong on an absolute basis

*Reported on a one month lag.
** Reported on a one quarter lag



Returns as of May 31, 2015	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
Private Real Assets	0.21	(3.31)	(1.03)			
CA Energy Upst & Royalties & PE Lagged Daily	-	(12.66)	(5.01)			
Difference	*0.21*	*9.35*	*3.98*			
Commodities	*3.68*	*(3.37)*	*(19.42)*			
Bloomberg Commodity Index Total Return	*(2.70)*	*(3.23)*	*(25.00)*			
Difference	*6.38*	*(0.14)*	*5.58*			
Real Return Real Estate	1.89	7.90	11.79	15.63	15.74	15.76
Real Estate Index	-	3.03	8.97	11.46	12.42	11.78
Difference	*1.89*	*4.87*	*2.82*	*4.17*	*3.32*	*3.98*
Total Real Return	**1.71**	**3.63**	**2.85**	**6.60**	**8.51**	**8.67**
Benchmark	(0.37)	(2.11)	0.07	2.02	6.36	8.12
Difference	*2.07*	*5.74*	*2.77*	*4.58*	*2.15*	*0.54*

- The Real Return portfolio has outperformed by 277 basis points FYTD as all segments of the portfolio have outperformed their respective benchmarks
- The Private Real Asset portfolio which has returned -1.03% vs -5.01% for the benchmark
- Commodities are down significantly fiscal year to date, although the portfolio has outperformed the benchmark by 558 bps
- The Real Estate portfolio continues to perform well and is ahead of the benchmark for all periods shown FYTD and longer



Returns as of May 31, 2015	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
Domestic Equity	1.59	4.35	9.03	12.01	16.51	20.36
S&P 1500 Super Composite (Daily)	1.33	3.42	9.27	11.81	15.95	19.71
Difference	*0.26*	*0.94*	*(0.24)*	*0.20*	*0.56*	*0.64*
Non-US Dev Market Eq	(0.29)	7.93	(0.84)	0.45	8.55	15.10
NJDI ex Iran& Sudan EAFE + Canada	(0.81)	7.45	(1.92)	(0.55)	7.98	14.90
Difference	*0.52*	*0.47*	*1.07*	*1.00*	*0.57*	*0.20*
Emerging Market Eq	(3.51)	3.43	(5.04)	(2.56)	0.71	5.29
NJDI Iran + Sudan Free EM Index	(3.94)	5.50	(2.01)	0.45	2.23	6.45
Difference	*0.43*	*(2.08)*	*(3.03)*	*(3.01)*	*(1.52)*	*(1.16)*
Total Equity Oriented Hedge Funds	0.79	6.07	7.96	9.84	11.97	11.09
Custom Benchmark	0.58	4.13	5.20	7.10	9.09	7.83
Difference	*0.20*	*1.94*	*2.77*	*2.73*	*2.88*	*3.26*
Buyouts-Venture Capital	2.69	6.93	11.10	18.72	21.21	18.02
Cambridge Associates PE 1 Qtr Lag	-	0.83	7.72	11.09	16.10	15.46
Difference	*2.69*	*6.11*	*3.38*	*7.63*	*5.11*	*2.56*
Total Global Growth	**0.80**	**5.40**	**5.60**	**8.66**	**13.18**	**16.57**
Benchmark	0.07	4.26	5.34	7.69	11.43	16.31
Difference	*0.73*	*1.14*	*0.26*	*0.97*	*1.75*	*0.26*

- The Global Growth portfolio has outperformed the benchmark by 26 basis points FYTD and is ahead of the benchmark for all periods
- The Domestic Equity portfolio trails the benchmark by 24 bps fiscal year to date and is ahead of the benchmark by 64 bps for the trailing three years
- The Developed Market Non-US equity portfolio is ahead of the benchmark for all periods
- The Emerging Markets portfolio trails the benchmark by 303 basis points FYTD as the Adviser portfolios have underperformed by 384 basis points while the ETF portfolio underperformed by 122 basis points
- Equity Oriented Hedge Funds are ahead of the benchmarks for all periods
- The Private Equity portfolio has outperformed the benchmark for all periods shown and is the best performing segment of the portfolio for the 1- and 2-year periods

*Reported on a one month lag