NEW JERSEY DIVISION OF INVESTMENT

Directors Report

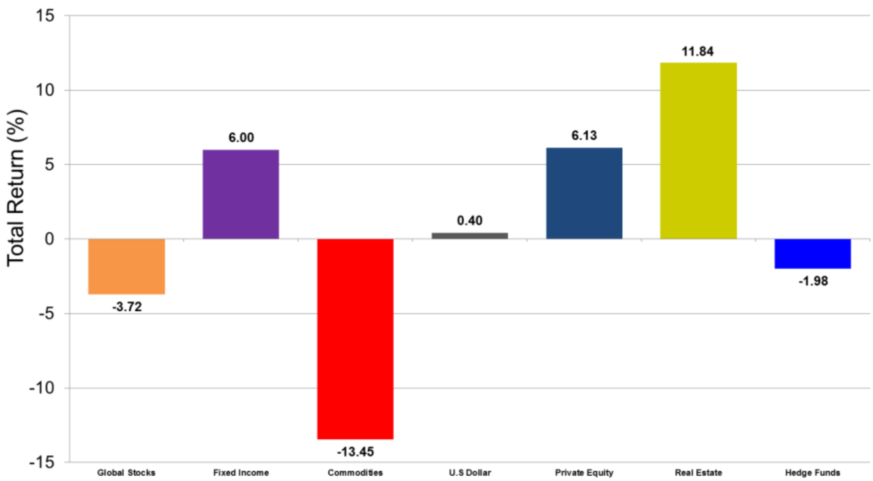
August 03, 2016

State Investment Council Meeting

"The mission of the New Jersey Division of Investment is to achieve the best possible return at an acceptable level of risk using the highest fiduciary standards."

FY16 Capital Markets Review By Quarter: Multi-Asset Class Returns

Fiscal Year 2016 Select Capital Market Returns (1)



(Returns in US$)

3Q15	4Q15	1Q16	2Q16	FY16
Private Equity 5.34	Global Stocks 5.03	Fixed Income 3.03	Commodities 12.71	Real Estate 11.84
Real Estate 3.14	Real Estate 3.09	Real Estate 2.91	Hedge Funds 2.25	Private Equity 6.13
U.S Dollar 2.80	U.S Dollar 1.55	Private Equity 1.58	Fixed Income 2.21	Fixed Income 6.00
Fixed Income 1.23	Hedge Funds 0.72	Commodities 0.34	Real Estate 2.21	U.S Dollar 0.40
Hedge Funds -4.23	Fixed Income -0.57	Global Stocks 0.24	Global Stocks 0.99	Hedge Funds -1.98
Global Stocks -9.45	Private Equity -1.53	Hedge Funds -0.61	Private Equity 0.60	Global Stocks -3.72
Commodities -14.48	Commodities -10.55	U.S Dollar -4.08	U.S Dollar 0.27	Commodities -13.45

During FY16, there was a sharp divergence in returns across major asset classes as Real Estate realized strong performance supported by favorable supply and demand dynamics and historically low interest rates while slowing global economic growth factors led to negative returns for Commodities (-13.45%) and Global Stocks (-3.72%). In this environment, Private Equity and Fixed Income performed well.

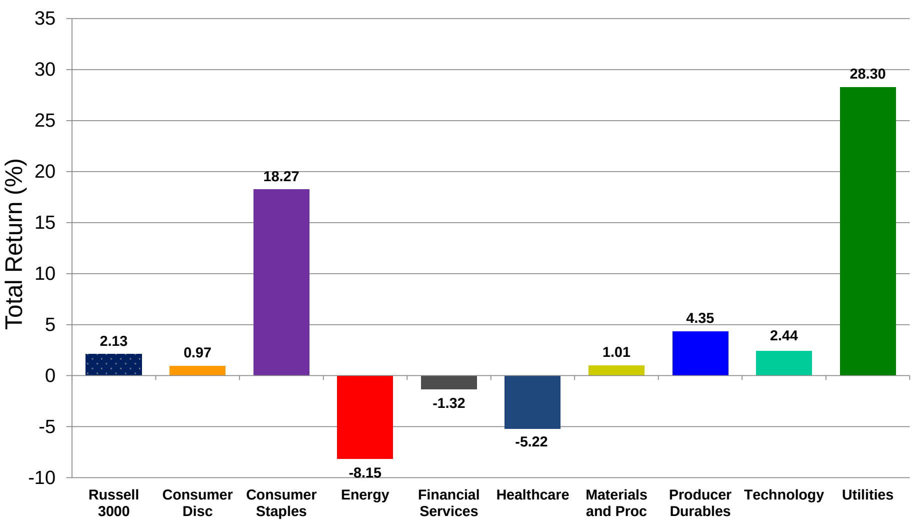
The worst performers in FY16 were also the most volatile. Commodities were the worst performer in two of the four quarters and the best performer during the June 2016 quarter as oil prices rebounded sharply from February 2016 lows. Global stocks were also volatile and rebounded sharply following the biggest two-day move for the VIX on record during the September 2015 quarter. In the meantime, Real Estate returns were consistently favorable in each of the four quarters during FY16.

During FY16, real estate and private equity realized strong returns. Commodities and global stocks experienced losses as global economic prospects weakened and volatility increased. Fixed Income realized favorable returns as monetary policy remained accommodative and investors favored higher quality securities.

(1) FY16 Private Equity and Real Estate returns are presented with a one quarter lag; Private Equity and Hedge Fund returns are as of July 27, 2016
Source: Barclays Capital, Bloomberg, Cambridge Associates, Hedge Fund Research, Inc., and National Council of Real Estate Investment Fiduciaries

FY16 Capital Markets Review By Quarter: US Equity Sector Returns

Fiscal Year 2016 Select Capital Market Returns



3Q15	4Q15	1Q16	2Q16	FY16
Utilities -0.27	Healthcare 8.81	Utilities 15.23	Energy 10.94	Utilities 28.30
Consumer Staples -0.54	Technology 8.57	Materials and Proc 5.70	Utilities 7.34	Consumer Staples 18.27
Consumer Disc -4.09	Materials and Proc 8.32	Consumer Staples 5.22	Healthcare 6.04	Producer Durables 4.35
Technology -5.29	Consumer Staples 7.72	Producer Durables 4.76	Consumer Staples 4.94	Technology 2.44
Financial Services -5.54	Producer Durables 6.99	Energy 3.13	Materials and Proc 4.70	Materials and Proc 1.01
Producer Durables -8.07	Financial Services 5.56	Consumer Disc 1.86	Financial Services 2.35	Consumer Disc 0.97
Healthcare -11.64	Consumer Disc 4.28	Technology 1.73	Producer Durables 1.28	Financial Services -1.32
Materials and Proc -15.74	Utilities 4.06	Financial Services -3.31	Consumer Disc -0.88	Healthcare -5.22
Energy -18.98	Energy -0.93	Healthcare -7.05	Technology -2.06	Energy -8.15

During FY16, the broad US Equity Market returned +2.13%. There was a wide dispersion of returns across the various equity sectors, with 36 percentage points separating the best performing sector (Utilities, +28.30%) and the worst performing sector (Energy, -8.15%). Healthcare (-5.22%) underperformed as returns were volatile ahead of an election year. There was also wide dispersion from a capitalization standpoint as large cap stocks outperformed small cap by over 10%.

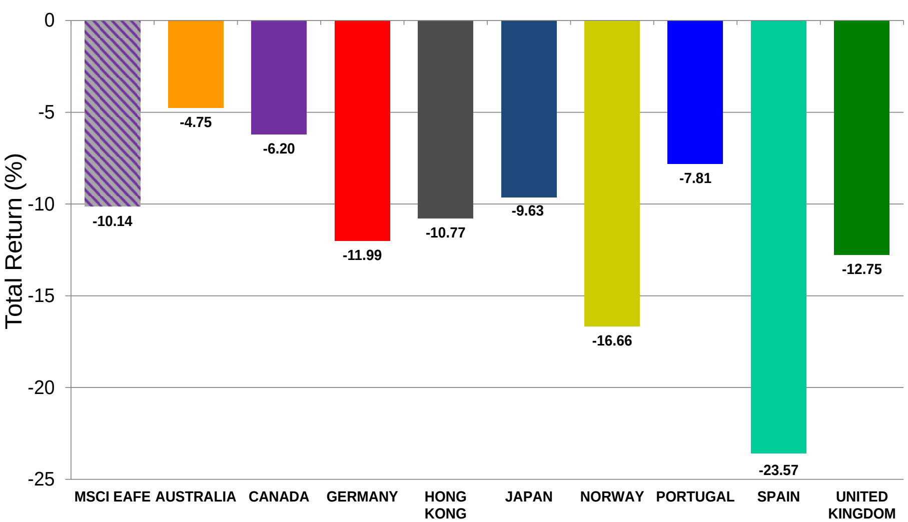
Utilities led all sectors in two of the four quarters, while Consumer Staples remained near the top throughout the year. Higher-yielding defensive sectors led performance on concerns about a global growth slowdown, Fed uncertainty, commodity price declines and finally Brexit. Energy was at the bottom in the first two quarters but rebounded as oil prices rose sharply from the February lows.

Within U.S. equities, sector selection played an important role throughout FY16. Investors rotated into higher-yielding defensive sectors as global growth concerns dominated equity markets for most of the year.

Source: Bloomberg

FY16 Capital Markets Review By Quarter: International Developed Market Equity Returns

Fiscal Year 2016 Select Capital Market Returns



(Returns in US$)

3Q15	4Q15	1Q16	2Q16	FY16
UNITED KINGDOM -10.11	AUSTRALIA 10.31	CANADA 10.42	CANADA 3.79	AUSTRALIA -4.75
GERMANY -10.82	JAPAN 8.97	PORTUGAL 3.08	NORWAY 2.14	CANADA -6.20
SPAIN -11.05	GERMANY 7.99	AUSTRALIA 1.61	HONG KONG 0.92	PORTUGAL -7.81
PORTUGAL -11.48	HONG KONG 6.01	NORWAY 1.33	AUSTRALIA 0.76	JAPAN -9.63
JAPAN -11.91	PORTUGAL 4.08	HONG KONG -0.55	JAPAN 0.52	HONG KONG -10.77
CANADA -14.09	UNITED KINGDOM 0.79	UNITED KINGDOM -2.16	UNITED KINGDOM -1.62	GERMANY -11.99
AUSTRALIA -15.67	NORWAY -0.04	GERMANY -3.06	PORTUGAL -2.94	UNITED KINGDOM -12.75
HONG KONG -16.16	SPAIN -2.70	SPAIN -4.24	GERMANY -5.77	NORWAY -16.66
NORWAY -19.48	CANADA -4.74	JAPAN -6.36	SPAIN -7.85	SPAIN -23.57

During FY16, International Developed Markets (EAFE) realized negative returns (-10.14%) with Japan, the U.K., and Germany representing the largest negative contributors. A stronger yen vs. the U.S. dollar (+19%) adversely impacted Japan's export-driven economy, while the Brexit referendum raised investor uncertainty regarding the U.K. Germany was also impacted by weaker export growth as the global economy faced greater uncertainty.

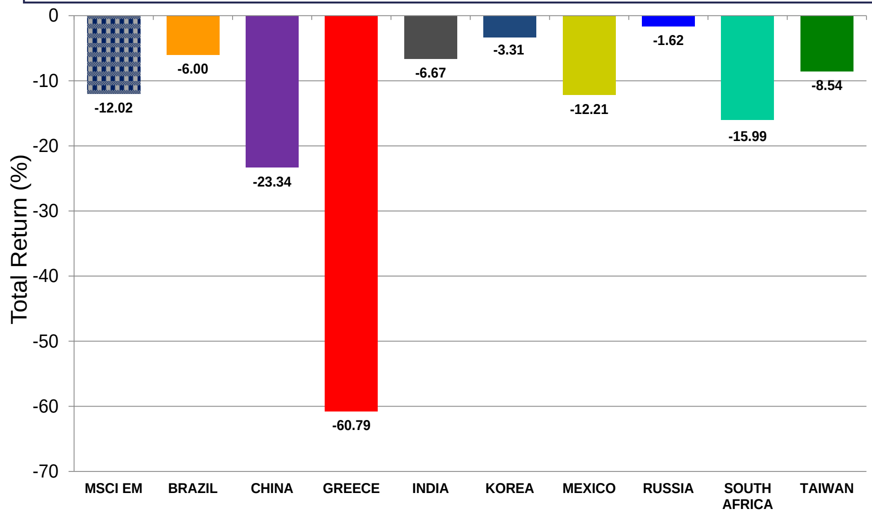
Australia and Canada outperformed on a relative basis, in part as a result of strong rebounds in industrial metals and energy-related commodities. Underperformance for Spain and the U.K. was driven primarily by a weak financial sector. Within Spain, Eurozone bank insolvency concerns adversely impacted returns while the effect of Brexit led to declines in the U.K.

During FY16, each of the major countries comprising the EAFE realized negative returns. Concerns of slowing demand from China, falling commodity prices, increasing concerns regarding the quality of capital at financial institutions, and the UK Brexit referendum all adversely impacted returns.

Source: Bloomberg

FY16 Capital Markets Review By Quarter: International Emerging Market Equity Returns

Fiscal Year 2016 Select Capital Market Returns



(Returns in US$)

3Q15	4Q15	1Q16	2Q16	FY16
INDIA -6.68	KOREA 4.92	BRAZIL 28.48	BRAZIL 13.90	RUSSIA -1.62
KOREA -11.65	CHINA 4.03	RUSSIA 15.74	RUSSIA 4.05	KOREA -3.31
MEXICO -11.98	TAIWAN 1.25	SOUTH AFRICA 13.87	INDIA 3.56	BRAZIL -6.00
RUSSIA -14.80	MEXICO -1.16	MEXICO 8.48	SOUTH AFRICA 1.19	INDIA -6.67
TAIWAN -17.05	INDIA -1.20	TAIWAN 7.91	TAIWAN 0.89	TAIWAN -8.54
SOUTH AFRICA -18.75	BRAZIL -3.28	KOREA 5.76	CHINA 0.09	MEXICO -12.21
CHINA -22.72	RUSSIA -4.13	INDIA -2.27	KOREA -1.38	SOUTH AFRICA -15.99
BRAZIL -33.60	SOUTH AFRICA -10.31	CHINA -4.80	MEXICO -7.01	CHINA -23.34
GREECE -35.77	GREECE -19.11	GREECE -12.30	GREECE -14.17	GREECE -60.79

During FY16, International Emerging Markets (EM) realized negative returns (-12.02%). The prospect of tighter U.S. monetary policy, an economic slowdown in China, political turmoil in South Africa, geopolitical tensions in the Middle East and weak commodity prices all adversely impacted returns. Greece (-60.79%) was the worst performing country as concerns regarding its ability to meet its debt obligations persisted.

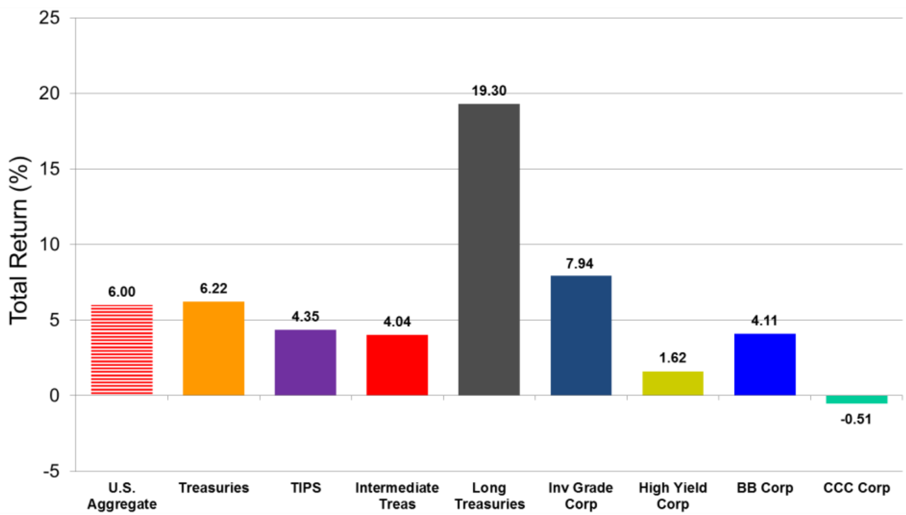
Improving economic fundamentals and stronger commodity prices in early 2016 helped Russia (-1.62%) outperform the broader EM market following weak returns in FY15 (-28%). A rally ahead of the impeachment of Brazil's president supported a strong recovery for Brazil. China (-23.34%) underperformed in the midst of a difficult economic reform path which included an unexpected currency devaluation last summer. Greece was the worst performing EM country in each of the four quarters during FY16.

International Emerging Market returns were adversely impacted by an economic slowdown in China that helped push commodity prices lower for the 1H of the fiscal year as well as divergent global monetary policies resulting in the first Federal Reserve interest rate hike since 2006

Source: Bloomberg

FY16 Capital Markets Review By Quarter: Fixed Income Returns

Fiscal Year 2016 Select Capital Market Returns



3Q15	4Q15	1Q16	2Q16	FY16
Long Treasuries 5.08	BB Corp -0.15	Long Treasuries 8.15	CCC Corp 11.83	Long Treasuries 19.30
Treasuries 1.76	Inv Grade Corp -0.58	TIPS 4.46	Long Treasuries 6.45	Inv Grade Corp 7.94
Intermediate Treas 1.24	TIPS -0.64	Inv Grade Corp 3.97	High Yield Corp 5.52	Treasuries 6.22
Inv Grade Corp 0.83	Intermediate Treas -0.86	BB Corp 3.86	BB Corp 3.60	TIPS 4.35
TIPS -1.15	Treasuries -0.94	CCC Corp 3.76	Inv Grade Corp 3.57	BB Corp 4.11
BB Corp -3.10	Long Treasuries -1.38	High Yield Corp 3.35	Treasuries 2.10	Intermediate Treas 4.04
High Yield Corp -4.86	High Yield Corp -2.07	Treasuries 3.20	TIPS 1.71	High Yield Corp 1.62
CCC Corp -7.29	CCC Corp -7.51	Intermediate Treas 2.35	Intermediate Treas 1.28	CCC Corp -0.51

During FY16, Fixed Income (US Aggregate) realized solid returns (+6.00%) in a declining interest rate environment. Longer duration and higher quality securities outperformed, with Long Treasuries returning +19.30%. Lower quality securities underperformed as CCC rated corporates realized negative returns (-0.51%), in part as a result of weak energy markets.

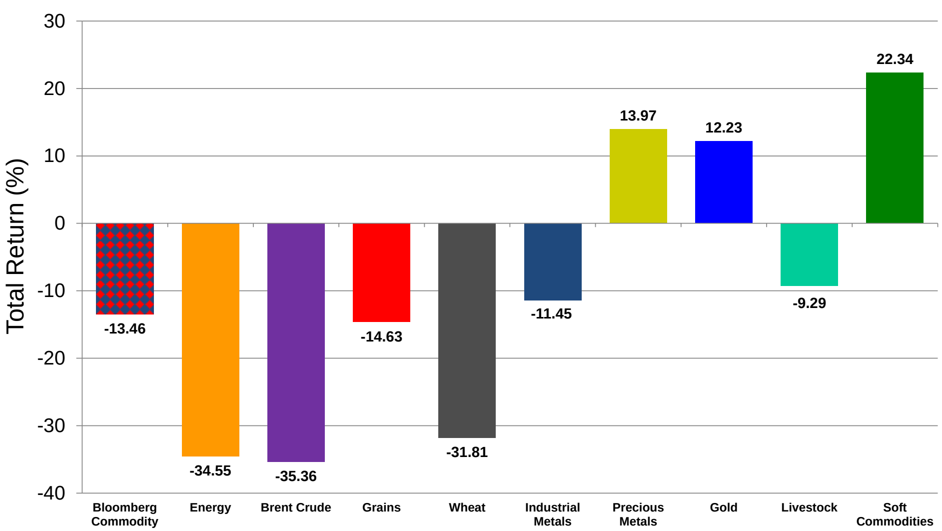
Long Treasuries (+19.30%) were the best performing sector of Fixed Income during two of the four quarters of FY16 as global monetary easing and a flight to safety in the midst of market uncertainty contributed to returns. During 4Q15, performance for BBs and CCCs illustrate the bifurcation in High Yield as BBs and CCCs occupied both the top and bottom spots, respectively. CCC Corp (-0.51%) rebounded to finish only modestly negative, as oil prices bottomed in February and rallied 84% off their lows through the end of the fiscal year.

During FY16, high quality and longer duration fixed income securities outperformed as continued global monetary policy accommodation and commodity price weakness and volatility led to strong demand in a “flight to quality”

Source: Barclays Capital

FY16 Capital Markets Review By Quarter: Commodities Returns

Fiscal Year 2016 Select Capital Market Returns



3Q15	4Q15	1Q16	2Q16	FY16
Gold -5.00	Soft Commodities 11.14	Gold 16.49	Soft Commodities 20.38	Soft Commodities 22.34
Livestock -5.38	Livestock -3.45	Precious Metals 15.29	Energy 20.27	Precious Metals 13.97
Precious Metals -5.55	Gold -4.97	Industrial Metals 2.29	Brent Crude 19.59	Gold 12.23
Soft Commodities -7.55	Precious Metals -5.02	Livestock 1.15	Precious Metals 10.24	Livestock -9.29
Industrial Metals -11.11	Grains -7.74	Grains 0.05	Grains 7.18	Industrial Metals -11.45
Grains -13.73	Industrial Metals -8.25	Wheat -0.11	Gold 6.75	Grains -14.63
Wheat -17.53	Wheat -8.88	Brent Crude -0.38	Industrial Metals 6.11	Wheat -31.81
Energy -22.35	Energy -22.73	Soft Commodities -1.05	Livestock -1.86	Energy -34.55
Brent Crude -26.29	Brent Crude -26.46	Energy -9.38	Wheat -9.22	Brent Crude -35.36

During FY16, Commodities (-13.46%) were broadly weaker, with a wide range of returns and volatile markets. This followed a period of pronounced weakness in virtually all commodity markets. Poor performance was led by Energy (-34.55%), while Soft Commodities (+22.34%) including coffee, cotton and sugar, realized strong returns.

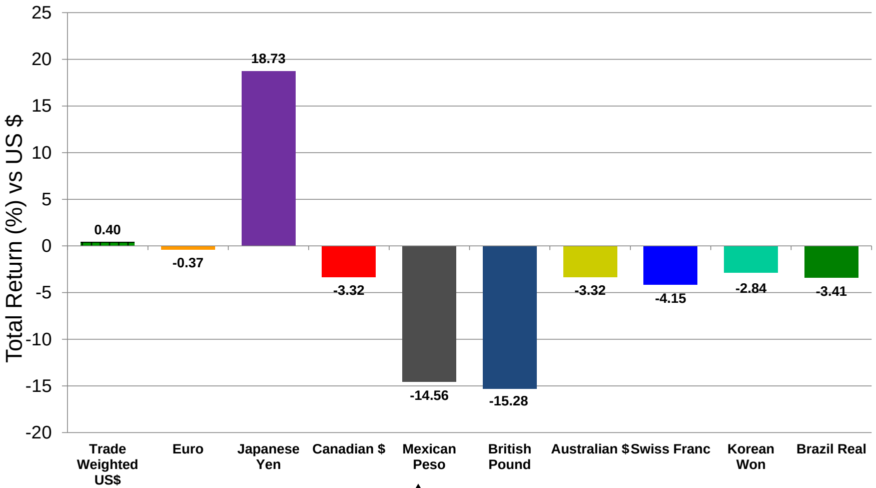
Favorable returns for precious metals (namely Gold and Silver) partly reflected a flight-to-quality in the midst of higher financial market, global economic and geopolitical volatility. Crude Oil (-35.36%) was the worst performer for two of the four quarters before rebounding sharply in February, with the February lows coinciding with an inflection point for global financial market returns.

Negative returns in the energy sector led to weak broader commodity returns and adversely impacted performance across key financial markets including global equities and high yield fixed income. There was a wide disparity of returns across commodities, with precious metals and soft commodities realizing strong returns.

Source: Bloomberg

FY16 Capital Markets Review By Quarter: Currency Returns

Fiscal Year 2016 Select Capital Market Returns



3Q15	4Q15	1Q16	2Q16	FY16
Japanese Yen 2.19	Australian $ 3.82	Brazil Real 10.26	Brazil Real 11.78	Japanese Yen 18.73
Euro 0.27	Korean Won 0.76	Japanese Yen 6.82	Japanese Yen 9.11	Euro -0.37
British Pound -3.72	Japanese Yen -0.31	Canadian $ 6.41	Canadian $ 0.61	Korean Won -2.84
Swiss Franc -3.88	Brazil Real -0.32	Australian $ 5.09	Korean Won -0.69	Australian $ -3.32
Korean Won -5.50	Mexican Peso -1.67	Euro 4.77	Swiss Franc -1.46	Canadian $ -3.32
Canadian $ -6.14	British Pound -2.59	Swiss Franc 4.21	Euro -2.41	Brazil Real -3.41
Mexican Peso -6.97	Euro -2.82	Korean Won 2.74	Australian $ -2.69	Swiss Franc -4.15
Australian $ -8.94	Swiss Franc -2.89	Mexican Peso -0.43	Mexican Peso -6.19	Mexican Peso -14.56
Brazil Real -21.38	Canadian $ -3.79	British Pound -2.55	British Pound -7.31	British Pound -15.28

During FY16, the U.S. Dollar peaked shortly after the Fed's first rate hike in nearly a decade in December 2015. The U.S. Dollar subsequently weakened, in part, as investors anticipated a more prolonged and gradual move towards less policy accommodation. Notwithstanding the BOJ's negative interest rate policy, the Yen was the best performing major currency relative to the U.S. Dollar. The British Pound was the worst performing currency as it moved to its weakest level in three decades in the wake of the Brexit referendum.

Currency volatility rose during FY16, driven by divergent global monetary policies, a wide range of geopolitical risks, uncertain global economic growth prospects, and sharp moves in commodities. On balance, most major currencies weakened versus the U.S. dollar, offset largely by strength in the Yen. The Mexican Peso was weak throughout FY16, mirroring overall weakness in emerging market currencies. The Brazilian Real was volatile as the currency rallied sharply in anticipation of the impeachment of Brazil's president.

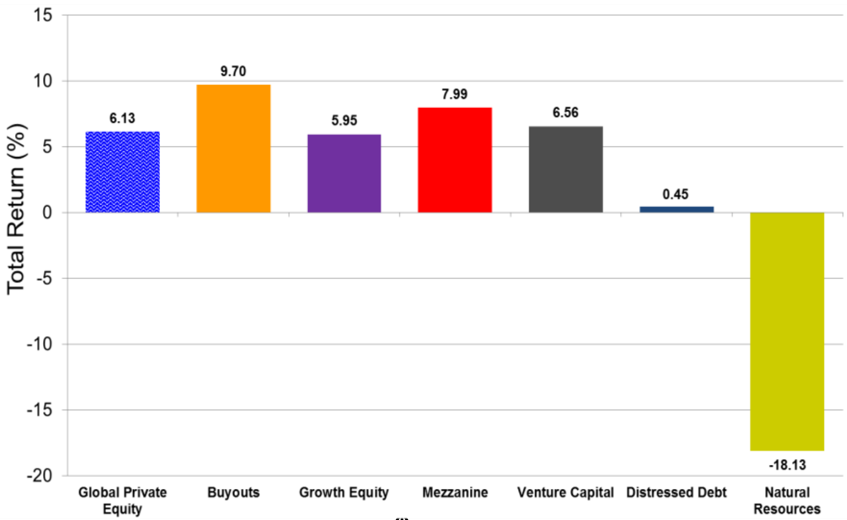
Currency markets were volatile throughout FY16, with most major currencies weakening relative to the U.S. dollar. The Japanese Yen was the notable exception, gaining nearly 29% during the fiscal year.

Source: Bloomberg

FY15 Capital Markets Review By Quarter: Private Equity Returns

Fiscal Year 2016 Select Capital Market Returns (1)

(Returns in US$)



2Q15	3Q15	4Q15	1Q16	FY16 (Q lag)
Venture Capital 6.90	Mezzanine 1.10	Growth Equity 3.34	Mezzanine 3.04	Buyouts 9.70
Growth Equity 5.81	Venture Capital -0.20	Buyouts 2.37	Buyouts 2.09	Mezzanine 7.99
Buyouts 5.54	Buyouts -0.67	Venture Capital 2.19	Distressed Debt 0.64	Venture Capital 6.56
Mezzanine 3.16	Distressed Debt -1.80	Mezzanine 0.54	Growth Equity -0.06	Growth Equity 5.95
Distressed Debt 1.80	Growth Equity -3.07	Distressed Debt -0.20	Natural Resources -1.89	Distressed Debt 0.45
Natural Resources -1.02	Natural Resources -8.21	Natural Resources -8.24	Venture Capital -2.42	Natural Resources -18.13

During FY16, Global Private Equity exhibited positive performance (+6.13%) led by Buyout strategies (+9.70%) and Mezzanine (+7.99%) which continues to exhibit consistent returns. Favorable returns were offset by weakness in Natural Resources (-18.13%), primarily due to volatility in the energy sector.

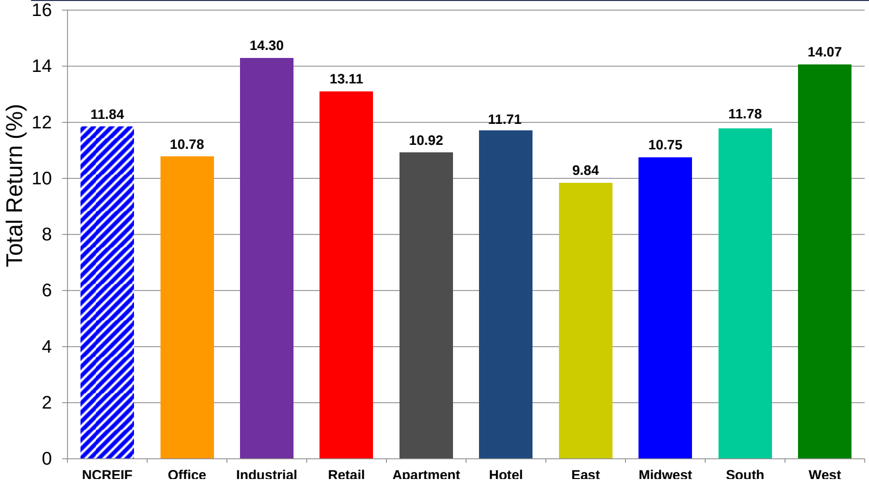
Mezzanine was the most consistent performer, but buyouts had higher overall performance supported by strong valuations, low borrowing costs, recapitalizations and M&A activity. Public market volatility in two quarters impacted Venture Capital, given reliance on IPOs to fuel valuations, and Growth as the outlook moderated. Weakness in the energy sector drove down Natural Resource returns and Distressed Debt.

During FY16, Global Private Equity experienced positive performance across most asset classes, with Buyouts benefiting from low interest rates and M&A activity. Venture Capital and Growth realized positive returns, moderated by the weaker IPO market and global growth outlook.

(1) FY16 Private Equity returns are presented with a one quarter lag; returns are preliminary as of July 27, 2016
Source: Cambridge Associates

FY15 Capital Markets Review By Quarter: Real Estate Returns

Fiscal Year 2016 Select Capital Market Returns (1)



2Q15	3Q15	4Q15	1Q16	FY16 (Q lag)
Industrial 3.78	Industrial 3.67	West 3.60	Industrial 2.96	Industrial 14.30
Hotel 3.54	West 3.59	Retail 3.46	Retail 2.96	West 14.07
West 3.44	Hotel 3.52	Industrial 3.19	West 2.75	Retail 13.11
Office 3.11	Retail 3.11	Hotel 3.03	South 2.21	South 11.78
South 3.07	South 3.05	South 2.96	Midwest 2.07	Hotel 11.71
Midwest 2.98	Office 2.97	Apartment 2.73	Apartment 1.87	Apartment 10.92
Retail 2.98	Apartment 2.92	Office 2.58	Office 1.72	Office 10.78
Apartment 2.98	Midwest 2.90	Midwest 2.41	East 1.66	Midwest 10.75
East 2.92	East 2.64	East 2.28	Hotel 1.16	East 9.84

On the heels of favorable returns during the prior fiscal year, Real Estate (+11.84%) returns remained strong across all property types and regions during FY16. Continued strong demand from both offshore and domestic investors, overall low levels of construction keeping supply balanced in many markets, renewed interest in income producing assets in a low growth economy, and attractive yields relative to other asset classes all supported strong returns for Real Estate.

Demand remains strong in major coastal markets, particularly in tech-driven markets in the West (e.g. San Francisco Bay Area, Silicon Valley, Seattle, Denver, Portland). Fundamentals remain strong, with positive net absorption and limited new supply in most property sectors. Strong returns in the industrial and retail sectors were driven by increasing rental rates and backed by a strong consumer base.

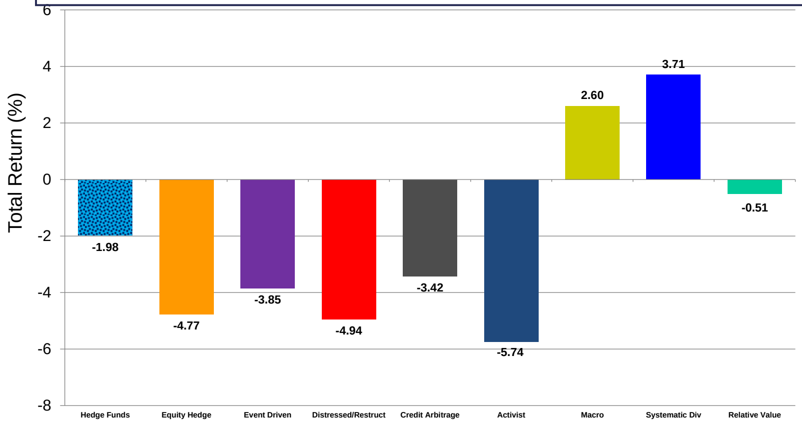
During FY16, Real Estate yields remained attractive relative to other asset classes and US real estate strengthened its position as a “safe haven” for global capital. This phenomenon has led to continued strong capital inflows and yield compression across most property types and geographic regions.

(1) FY16 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 2016 Select Capital Market Returns



3Q15	4Q15	1Q16	2Q16	FY16
Systematic Div 0.34	Activist 4.89	Systematic Div 3.02	Distressed/Restruct 5.63	Systematic Div 3.71
Macro -0.77	Equity Hedge 1.75	Macro 1.55	Credit Arbitrage 3.84	Macro 2.60
Relative Value -2.59	Macro -0.13	Credit Arbitrage -0.33	Relative Value 2.85	Relative Value -0.51
Credit Arbitrage -3.63	Relative Value -0.25	Relative Value -0.46	Event Driven 2.82	Credit Arbitrage -3.42
Distressed/Restruct -5.44	Event Driven -0.39	Event Driven -0.72	Macro 1.95	Event Driven -3.85
Event Driven -5.46	Systematic Div -1.08	Activist -1.59	Equity Hedge 1.58	Equity Hedge -4.77
Equity Hedge -6.27	Credit Arbitrage -3.16	Distressed/Restruct -1.61	Systematic Div 1.44	Distressed/Restruct -4.94
Activist -8.37	Distressed/Restruct -3.28	Equity Hedge -1.70	Activist -0.33	Activist -5.74

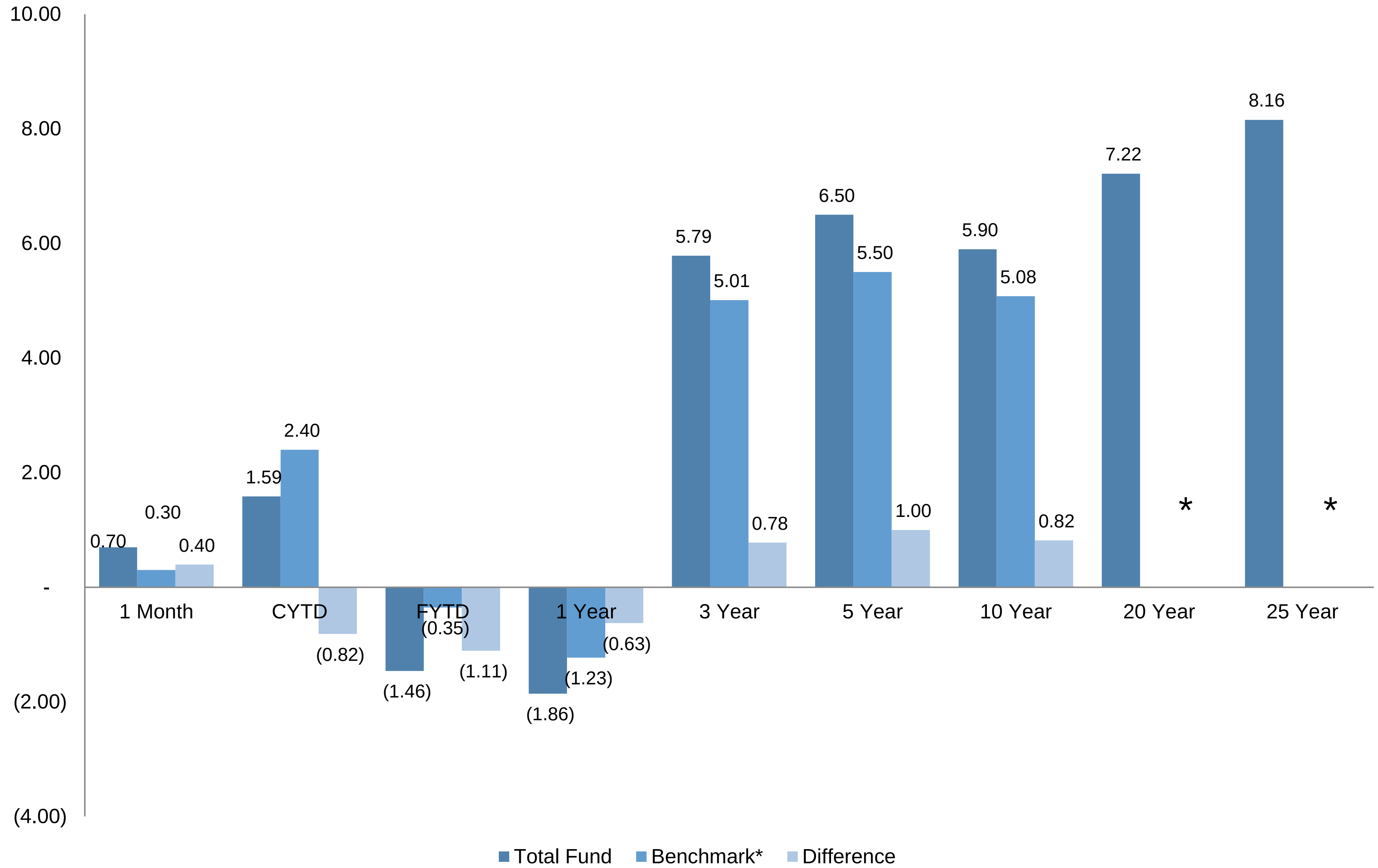
During FY16, Hedge Funds returned -1.98%. Concerns about weaker economic growth led to poor Equity Hedge (-4.77%) and Credit (-3.42%) returns. This and a slowdown in M&A activity hurt Event Driven (-3.85%) and Activist (-5.74%) strategies, while weaker energy and metals/mining prices weighed on Distressed. Favorable relative returns were realized by those strategies focused on downside risk protection, with Systematic (+3.02%) and Macro (+2.60%), realizing positive returns, benefitting from currency, fixed income and energy positioning.

Discretionary Macro and Systematic strategies performed well over most of the year, benefiting from being short materials, long global rates, and long US dollar. Equity and credit markets were weak during the first three quarters but reversed sharply upwards starting in late February, coinciding with strong upward momentum in commodities prices. This led to a rebound in hedge fund performance, especially Distressed/ Credit, Event Driven and Equity Hedge.

Most Hedge Fund strategies posed negative returns for the period, as concerns over slower economic growth and weaker materials prices dragged on equity and credit markets. Discretionary Macro and Systematic absolute return strategies realized positive returns and provided downside protection for investors.

Source: Hedge Fund Research, Inc.as of July 27, 2016

Total Fund[1] Performance as of May 31, 2016



(1) Pension Fund return excludes Police and Fire Mortgage Program and is unaudited

*Benchmark return not available for 20 and 25-Year period

	ASSET ALLOCATION [1] As of May 31, 2016				PERFORMANCE (for periods ending May 31, 2016)[2] Calendar YTD		FYTD		Trailing Twelve Months		Trailing Three Years		
Asset Class	Mkt Value	Actual (%)	Target (%)	Difference	NJ	Bench	NJ	Bench	NJ	Bench	NJ	Bench	Long Term CMA
RISK MITIGATION													
Absolute Return HFs	3,325	4.65%	5.00%	-0.35%	-2.70%	1.35%	-2.21%	2.94%	-4.01%	3.21%	1.00%	3.11%	4.57%
TOTAL RISK MITIGATION	**3,325**	**4.65%**	**5.00%**	**-0.35%**	**-2.70%**	**1.35%**	**-2.21%**	**2.94%**	**-4.01%**	**3.21%**	**1.00%**	**3.11%**	
LIQUIDITY													
Cash Eqv	3,116	4.36%	5.00%	-0.64%	0.65%	0.11%	1.17%	0.15%	1.25%	0.16%	1.00%	0.08%	0.25%
Short Term	222	0.31%	0.00%	0.31%	0.10%	0.11%	0.59%	0.15%	0.54%	0.16%			
TIPS	1,508	2.11%	1.50%	0.61%	3.47%	4.28%	1.78%	2.36%	1.17%	1.24%	-0.19%	0.48%	1.98%
US Treasuries	841	1.18%	1.50%	-0.32%	3.19%	3.09%	3.93%	3.93%	3.57%	3.01%	0.84%	2.61%	1.43%
TOTAL LIQUIDITY	**5,687**	**7.95%**	**8.00%**	**-0.05%**	**1.87%**	**1.44%**	**1.80%**	**1.29%**	**1.63%**	**0.90%**	**0.19%**	**1.03%**	
INCOME													
Investment Grade Credit	6,166	8.62%	8.00%	0.62%	4.73%	5.14%	4.53%	5.16%	3.37%	3.32%	3.47%	2.72%	3.01%
Public High Yield	1,850	2.59%	2.00%	0.59%	7.34%	8.06%	1.56%	0.69%	0.33%	-0.81%	3.65%	2.95%	4.36%
Global Diversified Credit	2,731	3.82%	5.00%	-1.18%	2.75%	8.06%	1.57%	0.69%	1.59%	-0.81%	8.52%	2.95%	6.46%
Credit-Oriented HFs	2,577	3.60%	3.75%	-0.15%	0.03%	-0.26%	-3.24%	-7.13%	-3.03%	-6.61%	3.82%	0.74%	8.38%
Debt-Related PE	668	0.96%	1.00%	-0.04%	0.94%	-1.89%	0.73%	-5.23%	3.90%	-5.50%	10.30%	3.77%	9.09%
Debt Related Real Estate	479	0.67%	0.80%	-0.13%	2.50%	-7.87%	3.56%	-9.11%	5.33%	-8.00%			6.10%
P&F Mortgage	996	1.39%	1.20%	0.19%	1.54%		3.67%		1.75%		2.76%		
TOTAL INCOME	**15,487**	**21.65%**	**21.75%**	**-0.10%**	**3.56%**	**4.09%**	**2.03%**	**0.34%**	**1.56%**	**-0.73%**	**4.43%**	**2.01%**	
REAL RETURN													
Commodities	427	0.60%	0.50%	0.10%	6.85%	8.76%	-11.67%	-16.76%	-13.24%	-15.32%			4.30%
Private Real Assets	1,375	1.92%	2.00%	-0.08%	-6.28%	-9.03%	-9.08%	-17.91%	-6.96%	-20.33%			8.74%
Equity Related Real Estate	3,721	5.20%	5.25%	-0.05%	5.64%	3.11%	9.08%	10.47%	12.68%	13.95%	14.71%	12.93%	8.60%
TOTAL REAL RETURN	**5,523**	**7.72%**	**7.75%**	**-0.03%**	**2.55%**	**0.35%**	**2.07%**	**1.04%**	**4.57%**	**2.34%**	**7.18%**	**5.01%**	
GLOBAL GROWTH													
US Equity	19,931	27.86%	26.00%	1.86%	2.28%	3.91%	-1.06%	3.35%	-2.46%	1.50%	9.81%	10.92%	6.76%
Non-US Dev Market Eq	8,656	12.10%	13.25%	-1.15%	-0.18%	-0.08%	-6.89%	-7.10%	-9.67%	-9.73%	2.10%	1.72%	7.00%
Emerging Market Eq	3,275	4.58%	6.50%	-1.92%	3.86%	2.17%	-14.08%	-15.22%	-15.95%	-17.41%	-5.18%	-4.79%	8.40%
Buyouts/Venture Cap	6,666	9.32%	8.00%	1.32%	2.84%	0.49%	4.88%	2.92%	12.11%	5.66%	18.10%	12.52%	10.12%
Equity-Oriented HFs	2,504	3.50%	3.75%	-0.25%	-6.36%	-1.40%	-11.98%	-5.41%	-12.42%	-4.42%	3.17%	4.45%	8.04%
TOTAL GLOBAL GROWTH	**41,032**	**57.35%**	**57.50%**	**-0.15%**	**1.36%**	**2.16%**	**-3.30%**	**-1.56%**	**-3.88%**	**-2.80%**	**7.18%**	**6.47%**	
OTHER													
OPPORTUNISTIC PE	317	0.45%			-0.14%		-1.81%		1.25%				
OTHER	172	0.24%											
TOTAL FUND[3]	**71,542**	**100.00%**			**1.59%**	**2.40%**	**-1.46%**	**-0.35%**	**-1.86%**	**-1.23%**	**5.78%**	**5.01%**	

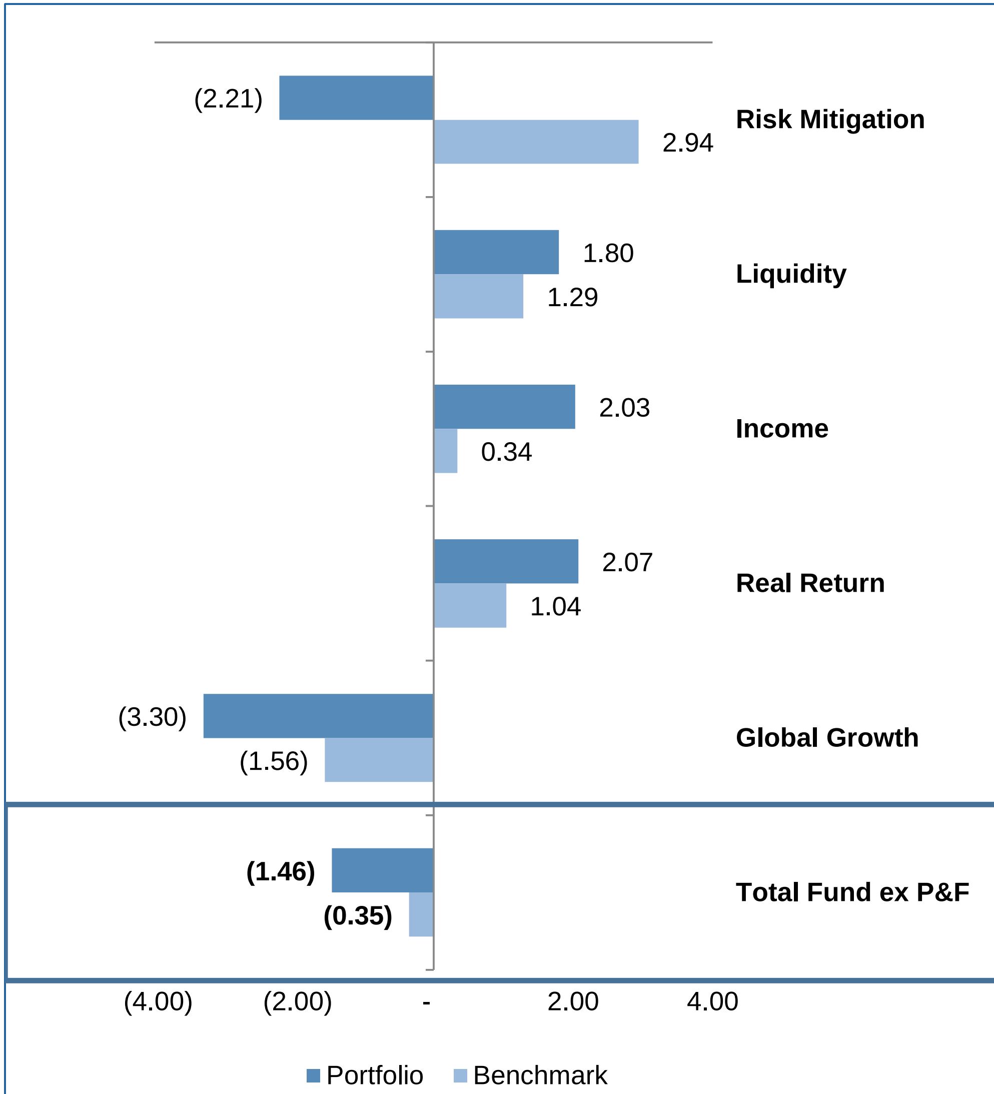
	Calendar YTD	FYTD	Trailing Twelve Months	Trailing Three Years
S&P 500	3.57%	3.71%	1.71%	11.05%
Russell 2000	2.27%	-6.68%	-5.98%	6.92%
MSCI EAFE	-1.10%	-7.04%	-9.68%	2.00%
MSCI EMF	2.32%	-15.43%	-17.63%	-4.91%
Barclays Agg	3.45%	4.13%	3.00%	2.91%
Barclays HY	8.06%	0.69%	-0.81%	2.95%
Bloomberg Commodities	8.63%	-16.90%	-15.46%	-13.23%
Bloomberg REIT	6.23%	16.26%	11.57%	10.04%
HFRI	0.80%	-2.77%	-3.97%	2.26%

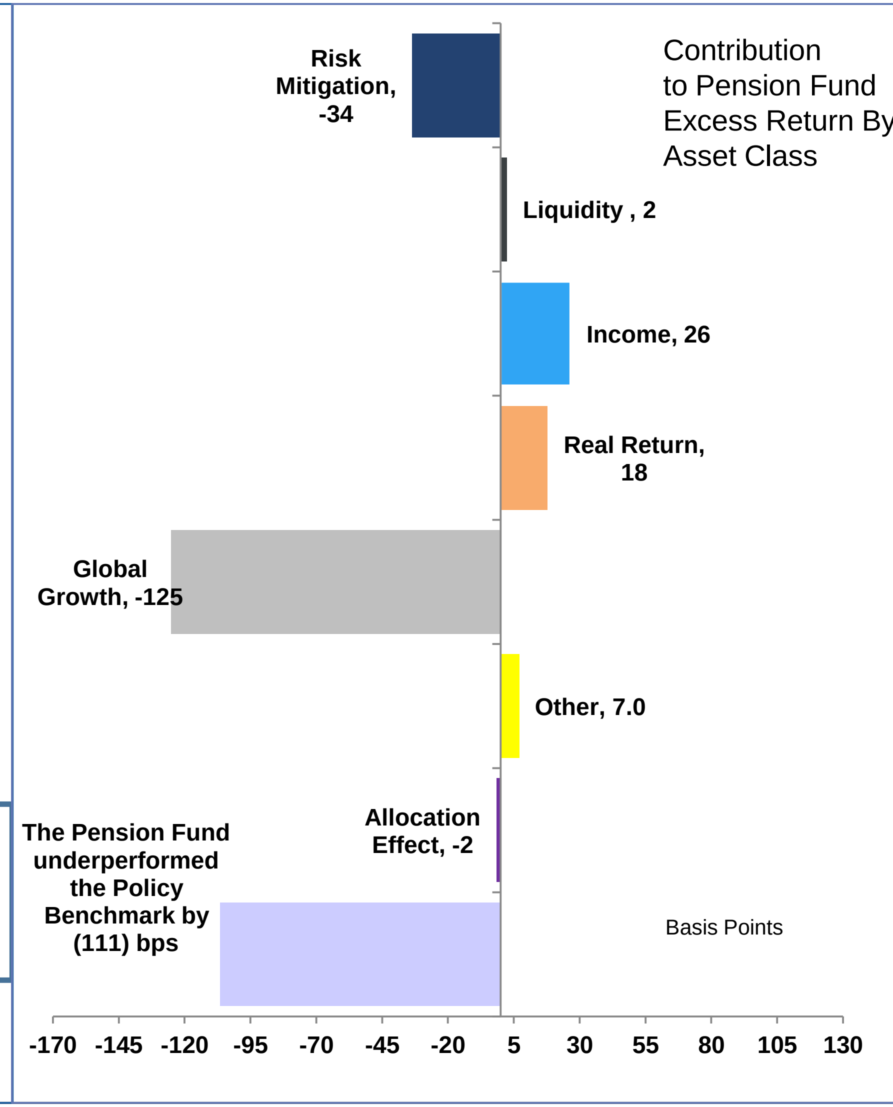
1 Current assets are based on preliminary values and do not include receivables of $300 million primarily related to Real Estate secondary sale

2 Unaudited

3 Total Fund Performance excludes Police & Fire Mortgage Program

Pension Fund Attribution vs. Benchmark
Fiscal Year through May 31st, 2016

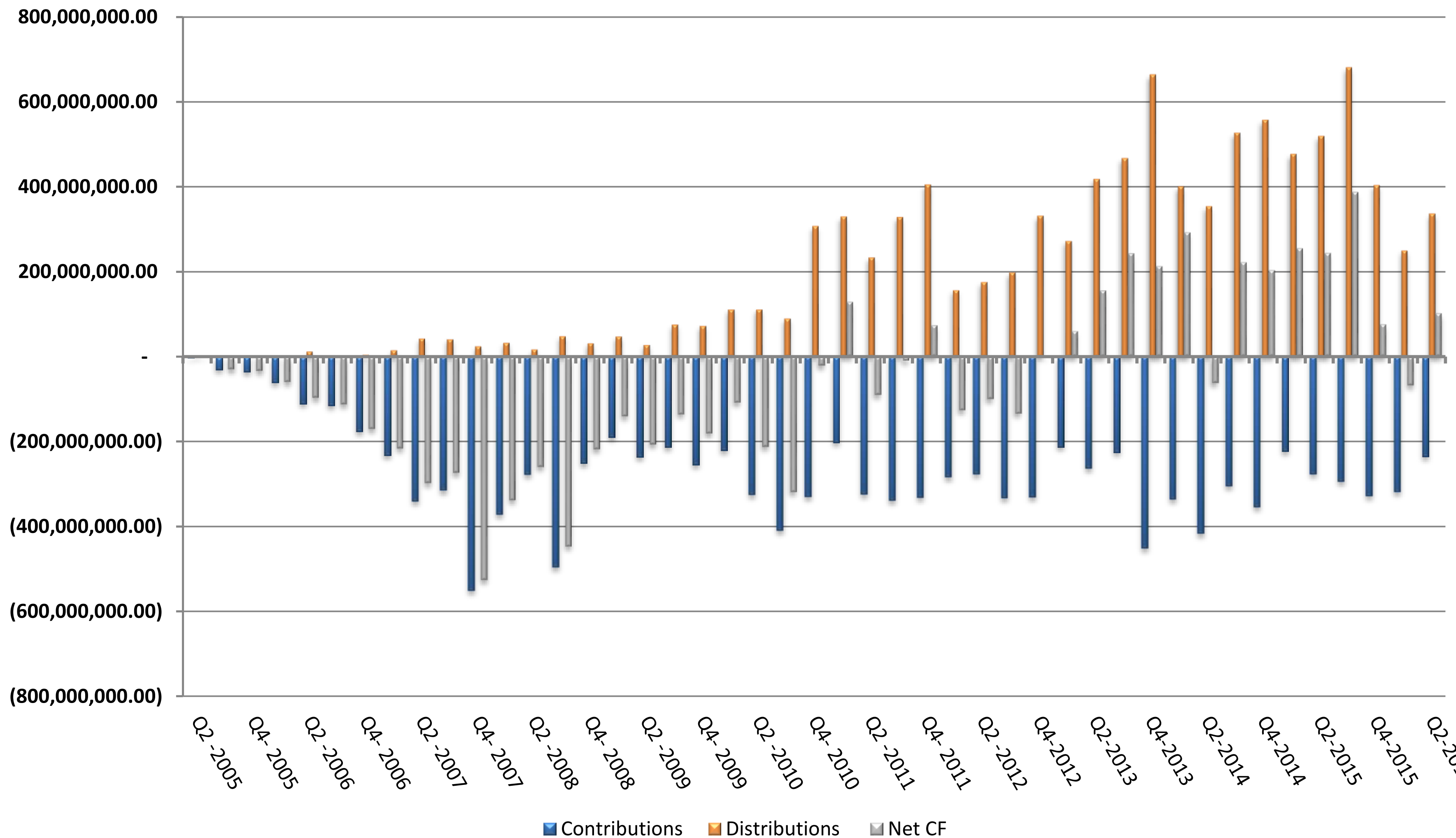




Allocation Effect indicates the effect of asset allocation bets, i.e. overweights or underweights vs. the target allocations

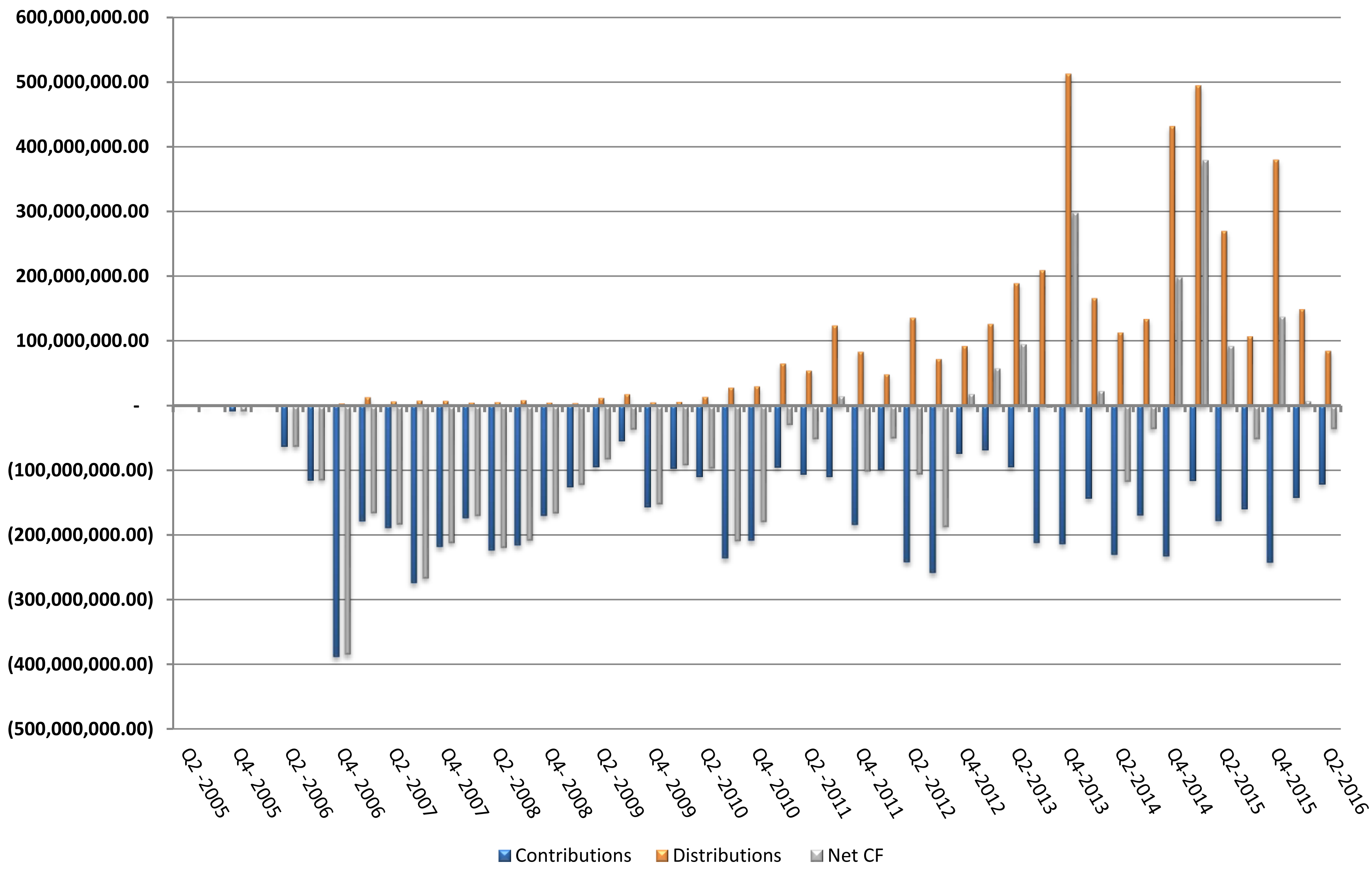
Private Equity Portfolio Cash Flows

The Private Equity portfolio continues to generate significant distributions as the second quarter of 2016 marked the 15th consecutive quarter in which distributions exceeded $200 million. The portfolio also generated positive net cash flow for the 13th time in the last 15 quarters. Among the most active General Partners from a distribution standpoint for the quarter were Vista and TPG. Since the beginning of 2013, the portfolio is cash flow positive by $2.3 billion.



Real Estate Portfolio Cash Flows

During the second quarter the Real Estate portfolio had $121 million of contributions and $85 million of distributions. Several funds that New Jersey recently committed to were active in calling capital during the quarter.



Alternative Investment Notifications

Laurion Capital Global Markets Fund Ltd.

On July 22, 2015, the Division presented an investment of up to $200 million in funds managed by Laurion Capital Management ("Laurion"): up to $100 million to Laurion Capital, L.P. ("Capital Fund") and up to $100 million to Laurion Capital Global Markets Fund Ltd. ("Global Markets Fund").

The Capital Fund is a multi-strategy fund, focused on volatility arbitrage and relative value strategies. The Global Markets Fund, which was an extension of the Capital Fund, isolated specific sub-strategies of the Capital Fund in order to employ a more directional approach with greater return potential and higher volatility.

In April 2016, Laurion notified Division staff that the Global Markets Fund would initiate an orderly wind down. As of April 30, 2016, the Division's NAV was $95.7 million, of which $93.8 million has been distributed to date. The remainder of the balance will be paid after final Fund audit.

Laurion will still continue to manage the Capital Fund.

Hedge Fund Redemptions

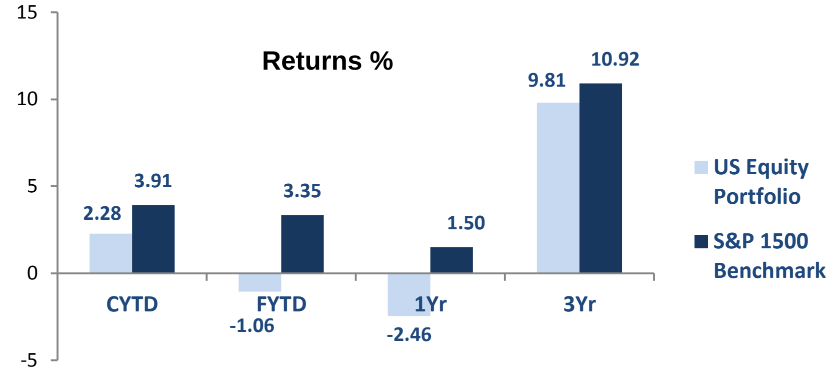
As part of the ongoing restructuring of the hedge fund portfolio, the Division has submitted the following redemptions:

Investment	Date	Amount	Type
Farallon Capital Institutional Investors LP	6/30/2016	97,192,314	Full
Visium Balanced Offshore Fund, Ltd	6/30/2016	125,220,697	Full
Pershing Square LP	6/30/2016	151,866,260	Full
Reservoir Strategic Partners Fund LP	6/30/2016	109,000,000	Partial
Lazard Rathmore Fund Ltd.	7/29/2016	166,446,600	Full

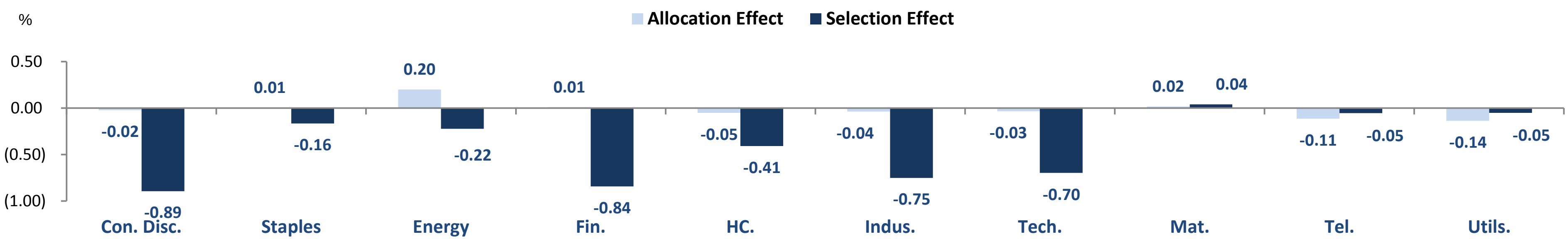
Purpose of Notification: The Division is notifying the SIC of these transactions under its Modification Procedures.

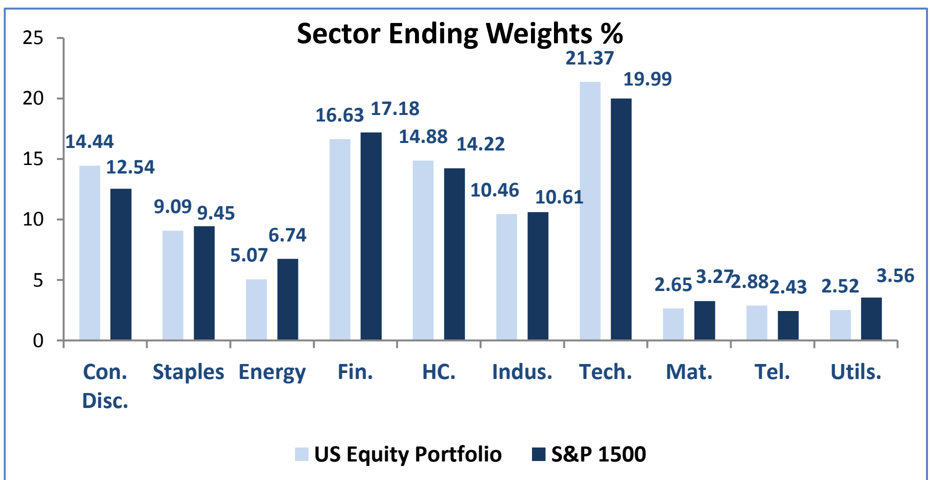
Performance Appendix

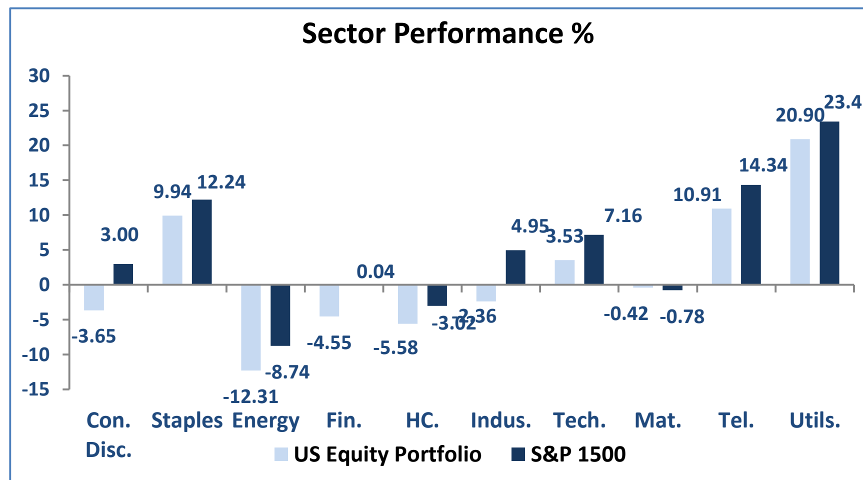
For the fiscal year through May 31st, the U.S. Equity Portfolio returned -1.06% versus the Benchmark return of 3.35%. A sharp rise in volatility characterized this time period, which included the S&P 500 experiencing the worst quarterly return in 4 years (quarter ending Sept. 2015). The calendar year started with a fall of 8% for the S&P 500 (through Feb. 5th) following a sharp decline in Chinese markets and oil prices. As concerns eased regarding China, a rally ensued in February as the USD reversed its upward move and oil prices rebounded, led by cyclical reflation stocks in the Energy, Materials and Industrials sectors where investment sentiment had been bearish. Yet, the S&P 500 gains fiscal-year–to-date have been fueled by flows into the defensive sectors Telecom, Staples and Utilities (pricing pressures and political risk weighed on Health Care). These aforementioned sectors are where active managers had been underweight; such positioning, in addition to the market's advance being led by a narrow group of stocks and rising correlation among stocks, have limited the opportunity for active managers to add value. Although the market rose in May (up 4%), the challenge of alpha generation remains - 1Q'16 turned out to be the worst for active fund manager performance in almost 20 years and it appears such difficulty has continued into 2Q'16*. While the NJ US Equity portfolio has lagged its benchmark fiscal-year-to-date, relative returns have improved with the portfolio is outperforming the S&P 1500 by 138 bps since the February market lows.



Portfolio Sector Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	-1.06%	Benchmark Return:	3.35%	Excess Return:	-4.41%

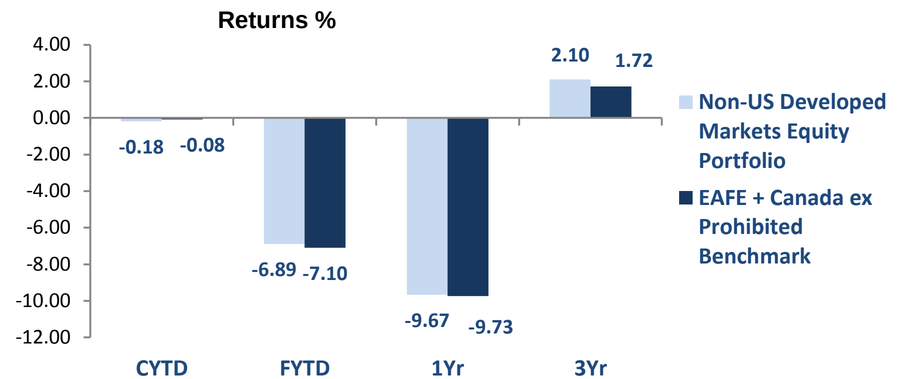




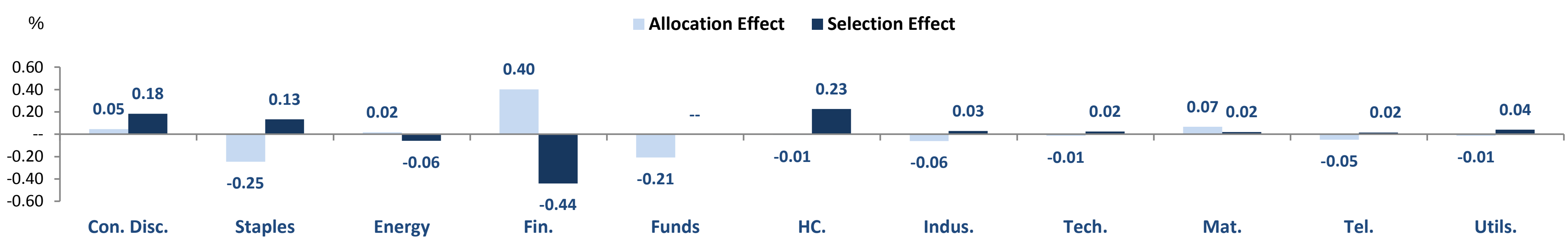


Source: State Street, Factset. *Bank of America ML

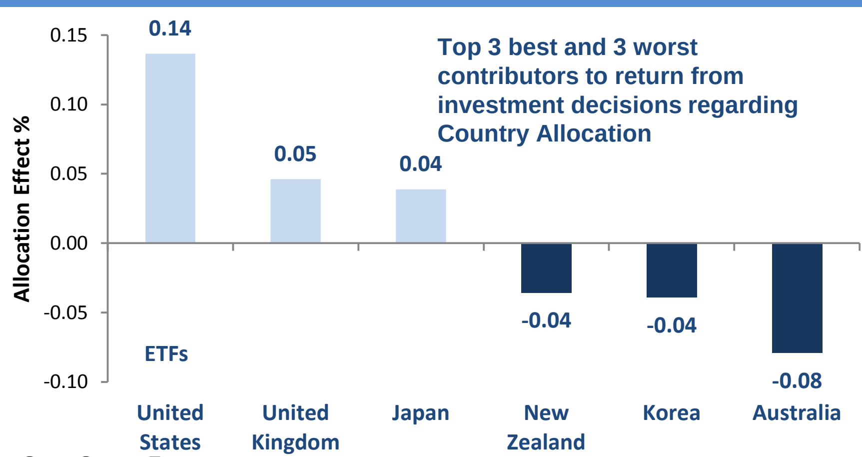
For the fiscal year through May 31st, the Non-US Developed Markets Equity Portfolio returned -6.89% versus the Benchmark return of -7.10%. In the first half of the fiscal year, economic growth concerns in China, a collapse in energy prices, and divergent global monetary policies led to heightened market volatility and periods of sharp market declines. A muted ECB policy response in December and the BOJ's failed attempt to weaken the yen by adopting a negative interest rate policy in January caused markets to again correct before rebounding in February. At the end of April, the USD reversed its downward trend on speculation that the Fed could begin raising rates in June. This move caused the USD to rise vs. the euro and the yen, providing support to Eurozone and Japanese markets in May, while receding Brexit fears was a positive for UK equities. Within the NJ portfolio, drivers of performance included stock selection in Healthcare (the largest sector overweight), Consumer Discretionary and Staples. The underweight allocation to Financials added value, although security selection detracted (UK-based financials impacted by Brexit risk). The position in an EAFE minimum volatility ETF (reflected in US country allocation) also performed well amid rising market uncertainty.

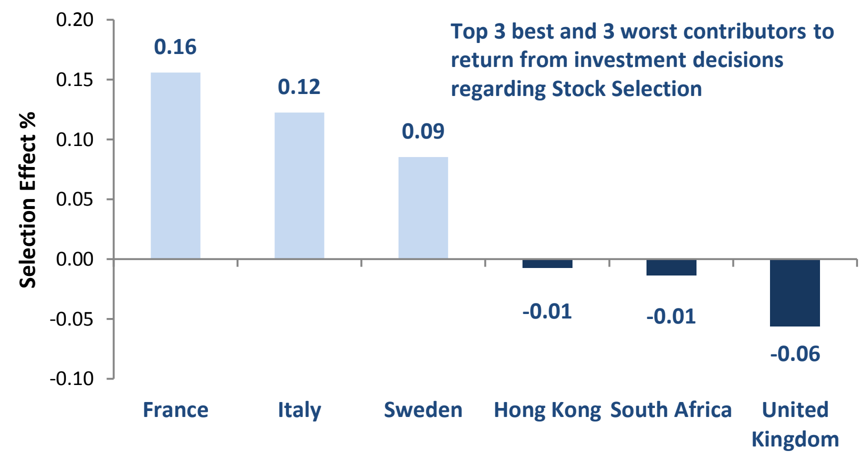


Portfolio Sector Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	-6.89%	Benchmark Return:	-7.10%	Excess Return:	+0.21%



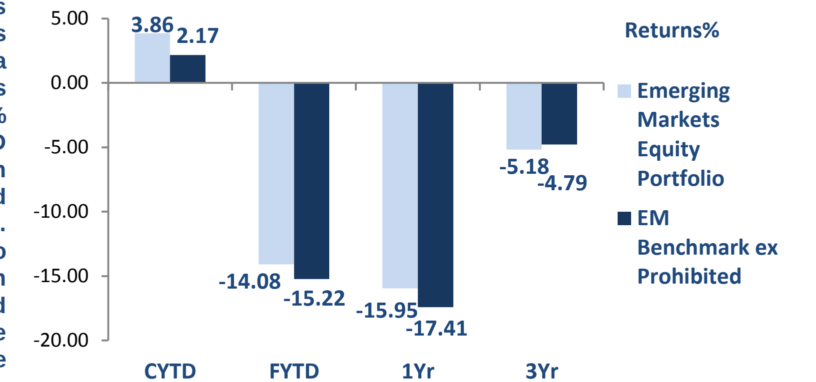
Portfolio Country Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	-6.89%	Benchmark Return:	-7.10%	Excess Return:	+0.21%



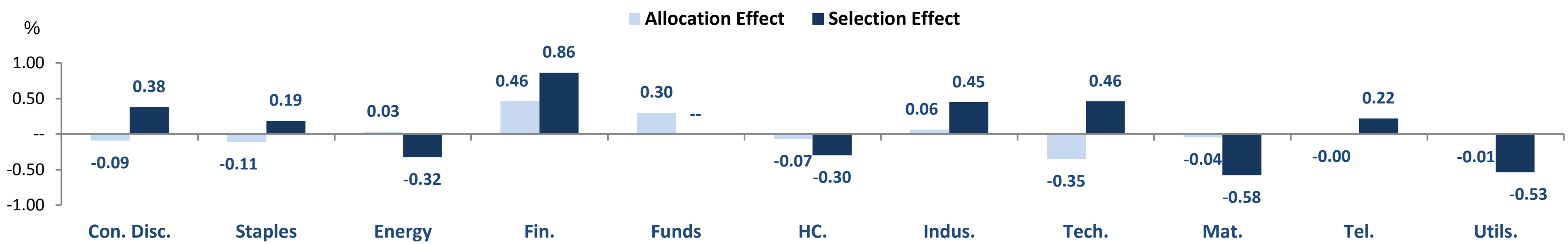


Source: State Street, Factset

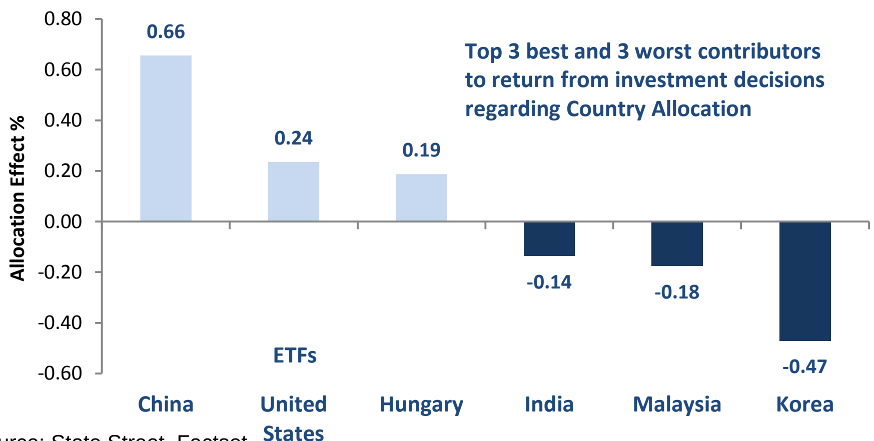
For the fiscal year through May 31st, the Emerging Markets Equity portfolio returned -14.08% versus the Benchmark return of -15.22%. The summer months were challenging for the Emerging Markets as weaker China economic data, an unexpected Chinese currency devaluation, falling oil prices, and a possible rising US interest rate trajectory led to significant declines. While the Emerging Markets rebounded 10% from the 2015 low of August 24th through October, the MSCI EM Index then fell 6.2% toward the end of 2015. In 2016, Emerging Markets rallied sharply from February lows as the USD weakened, China's economic growth prospects improved, and oil rebounded. In May the USD began to rise, negatively impacting the Emerging Markets return (-4%) especially for Brazil, which had performed strongly in 2016 ahead of the impeachment of its president which occurred in the month. The driver of performance for the NJ EM portfolio continued to be the underweight allocation to China (MSCI China Index returned -25% FYTD), which is reflected in the strong sector selection return stemming from an overweight in outperforming Chinese Consumer Discretionary stocks and an underweight in underperforming Chinese Industrial and Financial stocks. Offsetting the portfolio's outperformance was the underweight to Korea, as Korea realized favorable returns vs. the Benchmark during this time period.

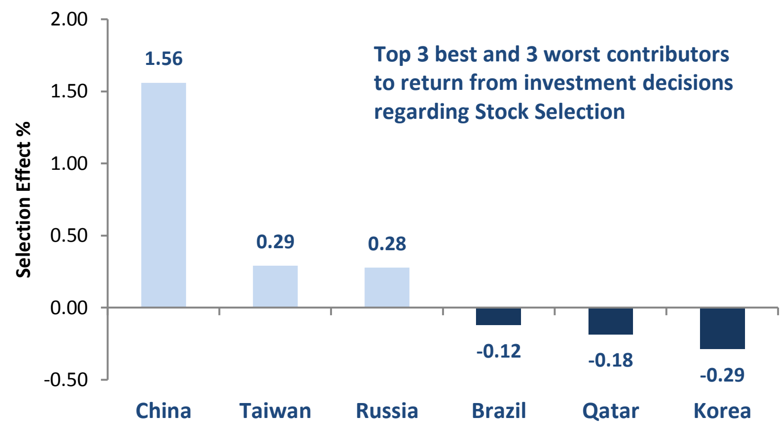


Portfolio Sector Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	-14.08%	Benchmark Return:	-15.22 %	Excess Return:	+1.14%



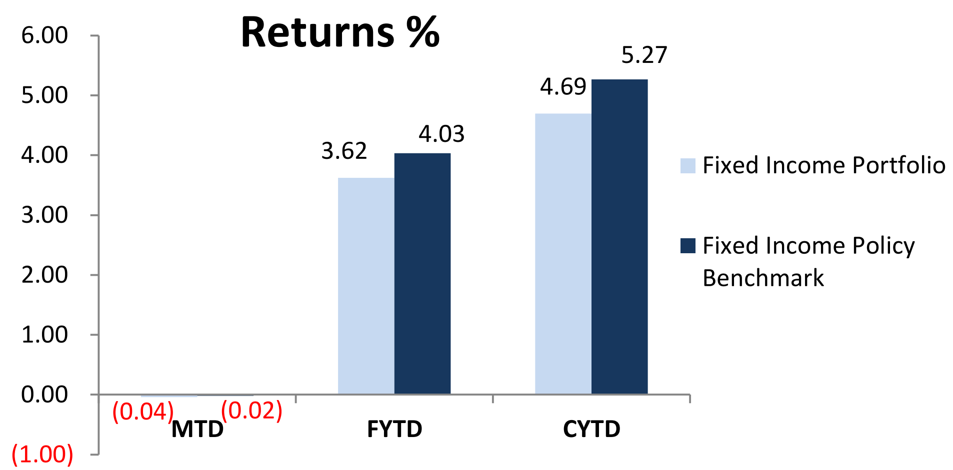
Portfolio Country Attribution FYTD% - Breakdown of Excess Return:	Portfolio Return:	-14.08%	Benchmark Return:	-15.22%	Excess Return:	+1.14%



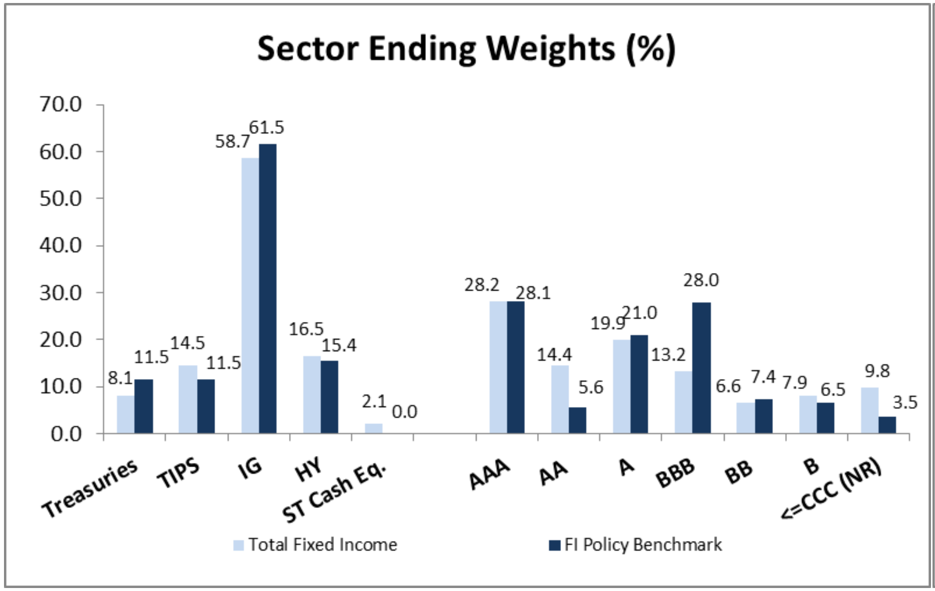


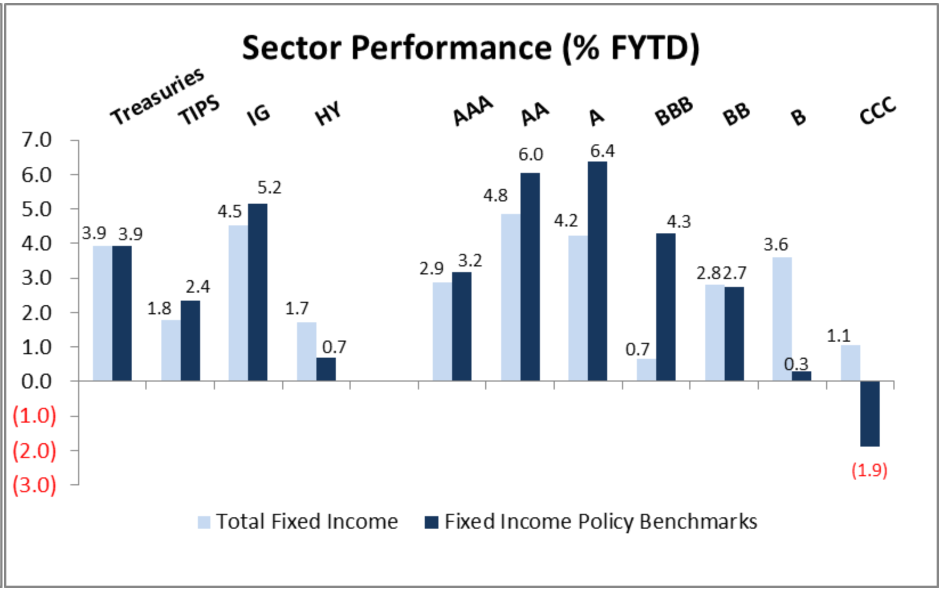
Source: State Street, Factset

For the fiscal year to date, the US Fixed Income portfolio returned 3.62% versus the benchmark return of 4.03%. Relative returns were adversely impacted by a below benchmark duration profile in a strong fixed income environment. FYTD, the yield curve has flattened as the two-year Treasury yield rose 23 basis points while five, ten and thirty-year yields declined 28, 51 and 48 basis points, respectively. In this environment, the underweight duration profile in the Investment Grade Credit (IG) portfolio and the Treasury Inflation-Protected Security (TIPS) portfolio both underperformed their respective benchmarks. Within IG, fallen angels (investment grade bonds downgraded to high yield) were also a drag on returns. Favorable sector and quality selection within the High Yield portfolio somewhat offset the impact of fallen angels and duration within the IG and TIPS portfolios. The High Yield portfolio is underweight the energy sector that has underperformed as commodities have been weak while the portfolio is over overweight higher quality securities that outperformed.

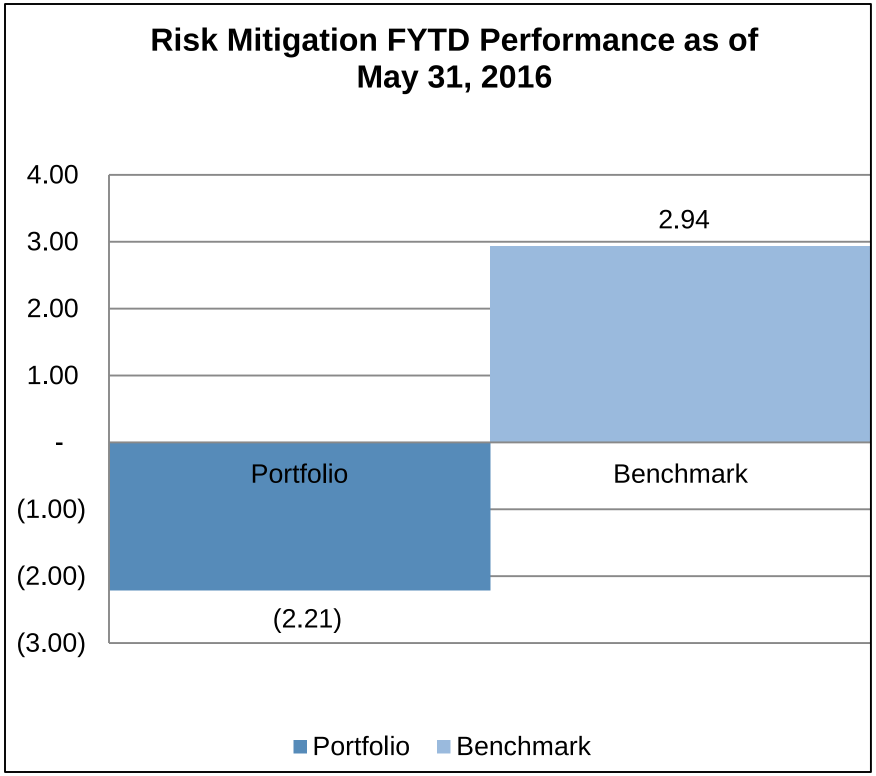


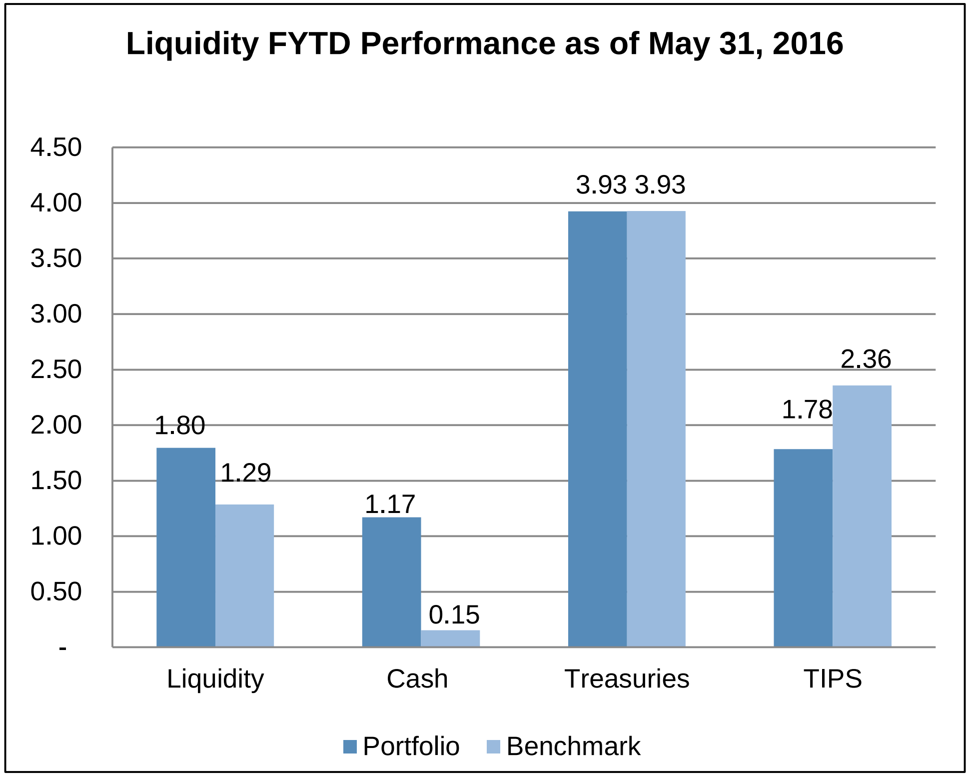
Portfolio Sector Attribution – Weights and Performance





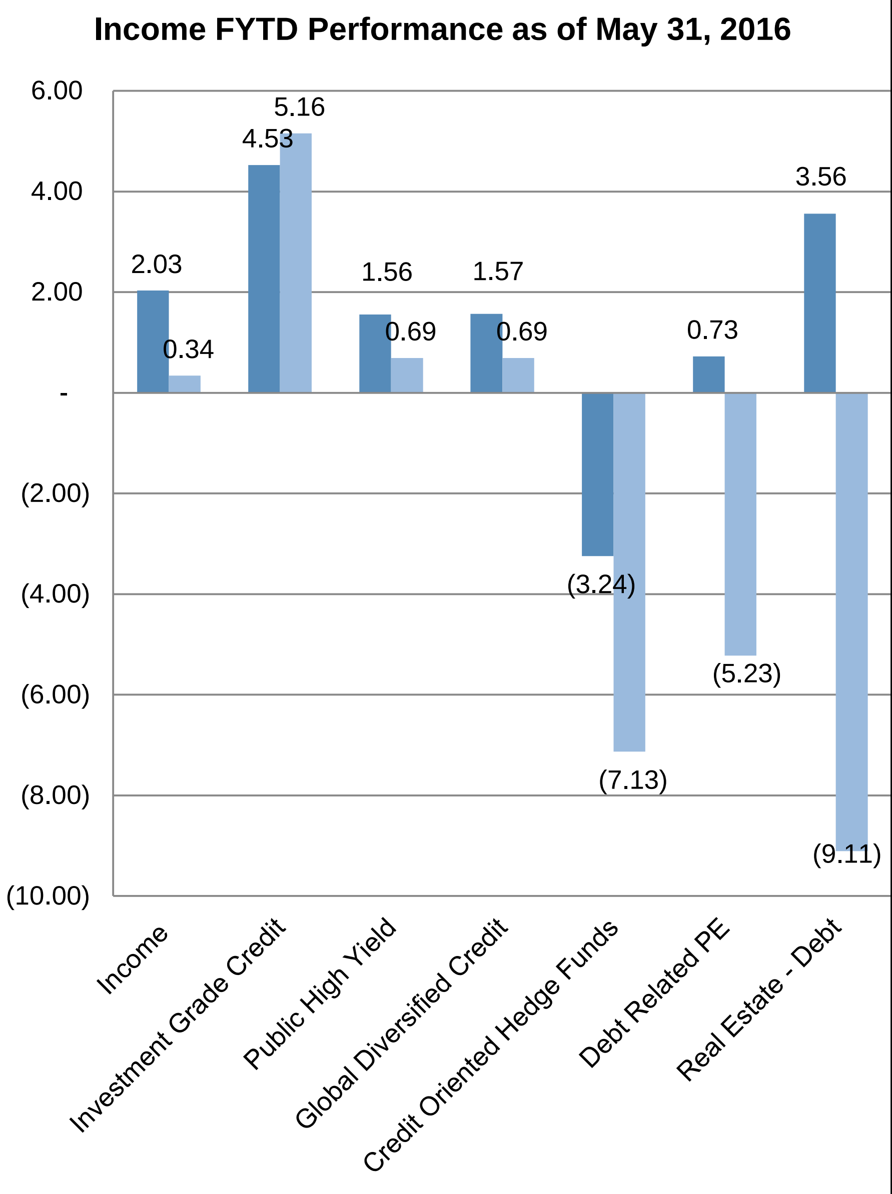
Source: State Street and FactSet





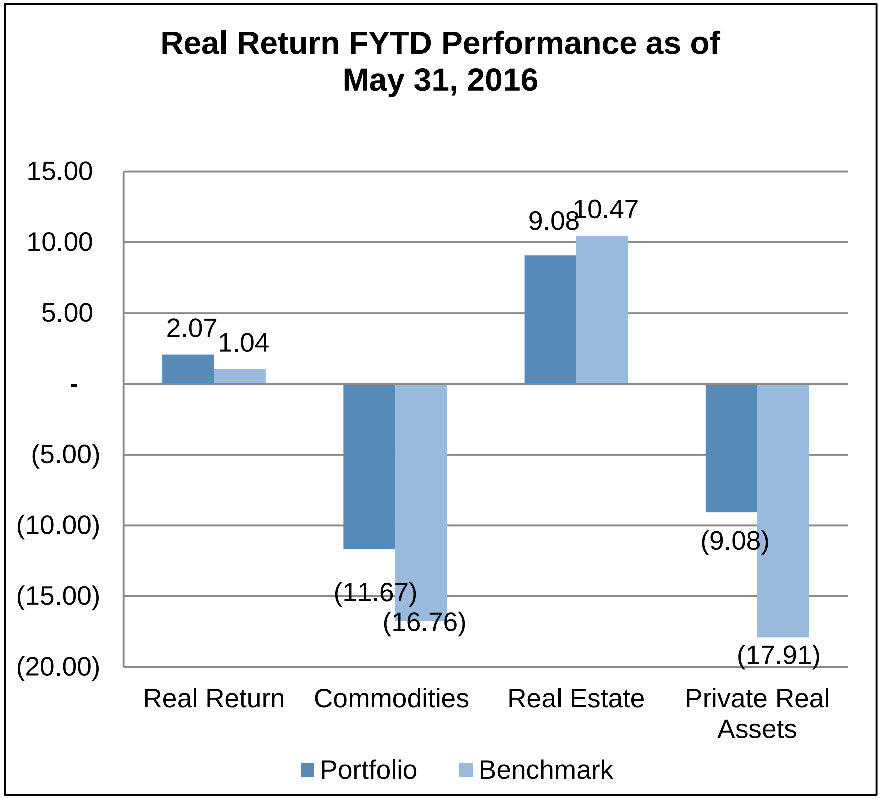
Returns as of May 31, 2016	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
Absolute Return Hedge Funds	(0.55)	(2.70)	(2.21)	(4.01)	1.26	1.00
T-Bill + 300 BP	0.25	1.35	2.94	3.21	3.14	3.11
Difference	*(0.81)*	*(4.05)*	*(5.15)*	*(7.21)*	*(1.88)*	*(2.12)*
Total Risk Mitigation	**(0.55)**	**(2.70)**	**(2.21)**	**(4.01)**	**1.26**	**1.00**
T-Bill + 300 BP	0.25	1.35	2.94	3.21	3.14	3.11
Difference	*(0.81)*	*(4.05)*	*(5.15)*	*(7.21)*	*(1.88)*	*(2.12)*

Returns as of May 31, 2016	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
Cash Equivalents	0.20	0.65	1.17	1.25	1.04	1.00
91 day treasury bill	0.01	0.11	0.15	0.16	0.09	0.08
Difference	*0.19*	*0.54*	*1.02*	*1.09*	*0.95*	*0.92*
US Treasuries	(0.13)	3.19	3.93	3.57	2.72	0.84
Custom Benchmark	(0.00)	3.09	3.93	3.01	3.03	2.61
Difference	*(0.13)*	*0.09*	*(0.00)*	*0.56*	*(0.31)*	*(1.77)*
TIPS	(0.57)	3.47	1.78	1.17	(0.14)	(0.19)
Custom Tips Benchmark	(0.76)	4.28	2.36	1.24	0.48	0.48
Difference	*0.19*	*(0.81)*	*(0.57)*	*(0.07)*	*(0.62)*	*(0.68)*
Total Liquidity	**(0.06)**	**1.87**	**1.80**	**1.63**	**0.81**	**0.19**
Benchmark	(0.14)	1.44	1.29	0.90	0.82	1.03
Difference	*0.07*	*0.43*	*0.51*	*0.73*	*(0.01)*	*(0.84)*

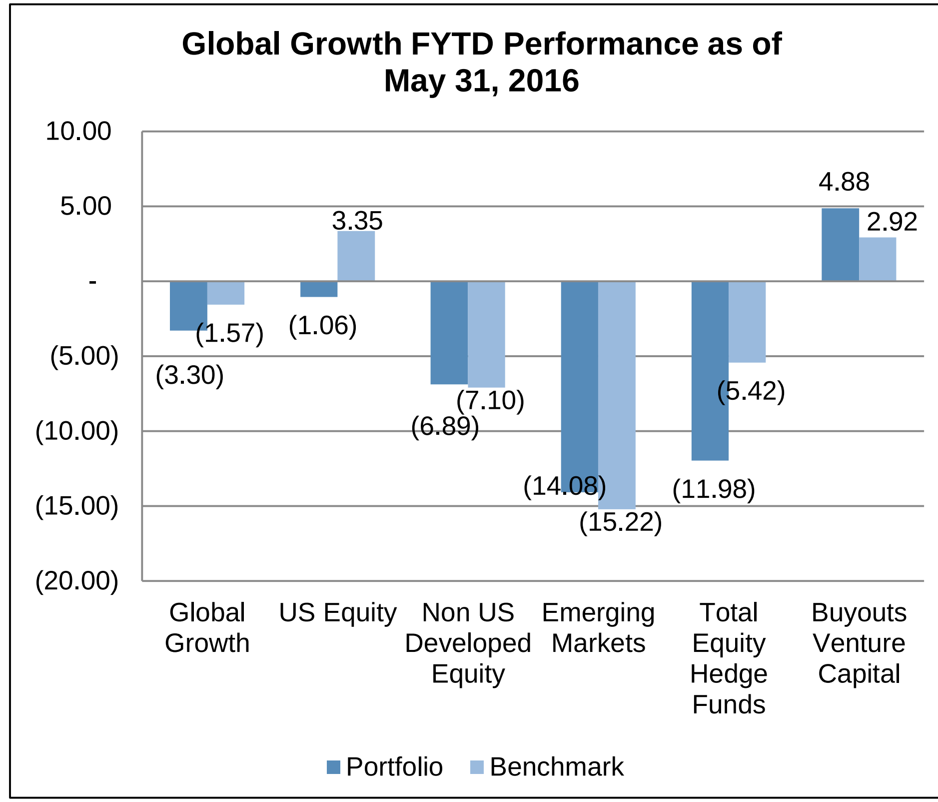


*Reported on a 1 month lag

Returns as of May 31, 2016	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
High Grade	(0.10)	4.73	4.53	3.37	3.44	3.47
Custom IGC Benchmark	(0.04)	5.14	5.16	3.32	3.04	2.72
Difference	*(0.06)*	*(0.41)*	*(0.63)*	*0.05*	*0.39*	*0.75*
Public High Yield	0.61	7.34	1.56	0.33	1.43	3.65
Barclays Corp High Yield (Daily)	0.62	8.06	0.69	(0.81)	0.56	2.95
Difference	*(0.01)*	*(0.72)*	*0.87*	*1.13*	*0.86*	*0.70*
Global Diversified Credit	2.75	2.75	1.57	1.59	4.86	8.52
Barclays Corp High Yield (Daily)	0.62	8.06	0.69	(0.81)	0.56	2.95
Difference	*2.14*	*(5.32)*	*0.88*	*2.40*	*4.30*	*5.57*
Credit-Oriented Hedge Funds	2.10	0.03	(3.24)	(3.03)	0.18	3.82
Custom Benchmark	2.76	(0.25)	(7.13)	(6.60)	(3.35)	0.75
Difference	*(0.66)*	*0.28*	*3.89*	*3.58*	*3.52*	*3.07*
Debt-Related Private Equity	(0.10)	0.94	0.73	3.90	6.49	10.30
BarCap Corp HY (1 Qtr lag) + 300 bps	0.82	(1.89)	(5.23)	(5.50)	0.05	3.77
Difference	*(0.92)*	*2.82*	*5.95*	*9.40*	*6.43*	*6.54*
Real Estate-Debt	1.28	2.50	3.56	5.33	7.94	
Barclays CMBS 2.0 Baa + 100 (Qtr lag)	(0.86)	(7.87)	(9.11)	(8.00)	2.71	
Difference	*2.14*	*10.38*	*12.67*	*13.33*	*5.24*	
Total Income	**0.96**	**3.56**	**2.03**	**1.56**	**3.09**	**4.43**
Benchmark	0.66	4.09	0.34	(0.73)	0.94	2.01
Difference	*0.29*	*(0.53)*	*1.69*	*2.29*	*2.15*	*2.42*



Returns as of May 31, 2016	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
Private Real Assets	(1.62)	(6.28)	(9.08)	(6.96)		
CA Energy Upst & Royalties & PE Lagged Daily	-	(9.03)	(17.91)	(20.33)		
Difference	*(1.62)*	*2.76*	*8.83*	*13.37*		
Commodities	*5.14*	*6.85*	*(11.67)*	*(13.24)*		
Bloomberg Commodity Index Total Return	*(0.19)*	*8.76*	*(16.76)*	*(15.32)*		
Difference	*5.33*	*(1.91)*	*5.09*	*2.08*		
Real Return Real Estate	1.75	5.64	9.08	12.68	14.14	14.71
Real Estate Index	-	3.11	10.47	13.95	12.70	12.93
Difference	*1.75*	*2.54*	*(1.39)*	*(1.28)*	*1.44*	*1.78*
Total Real Return	**1.14**	**2.55**	**2.07**	**4.57**	**5.58**	**7.18**
Benchmark	(0.01)	0.35	1.04	2.34	2.18	5.01
Difference	*1.14*	*2.20*	*1.03*	*2.23*	*3.40*	*2.18*



Returns as of May 31, 2016	1 Month	CYTD	FYTD	1 Year	2 Year	3 Year
Domestic Equity	2.05	2.28	(1.06)	(2.46)	4.53	9.81
S&P 1500 Super Composite (Daily)	1.83	3.91	3.35	1.50	6.53	10.92
Difference	*0.22*	*(1.63)*	*(4.41)*	*(3.96)*	*(2.01)*	*(1.11)*
Non-US Dev Market Eq	(0.54)	(0.18)	(6.89)	(9.67)	(4.74)	2.10
NJDI ex Iran& Sudan EAFE + Canada	(1.10)	(0.08)	(7.10)	(9.73)	(5.25)	1.72
Difference	*0.55*	*(0.11)*	*0.22*	*0.07*	*0.51*	*0.38*
Emerging Market Eq	(3.02)	3.86	(14.08)	(15.95)	(9.50)	(5.18)
NJDI Iran + Sudan Free EM Index	(3.61)	2.17	(15.22)	(17.41)	(8.92)	(4.79)
Difference	*0.60*	*1.68*	*1.14*	*1.46*	*(0.59)*	*(0.39)*
Total Equity Oriented Hedge Funds	1.14	(6.36)	(11.98)	(12.42)	(1.92)	3.17
Custom Benchmark	1.29	(1.41)	(5.42)	(4.43)	1.97	4.45
Difference	*(0.15)*	*(4.95)*	*(6.56)*	*(7.99)*	*(3.89)*	*(1.28)*
Buyouts-Venture Capital	0.24	2.84	4.88	12.11	15.37	18.10
Cambridge Associates PE 1 Qtr Lag	-	0.49	2.92	5.66	8.36	12.52
Difference	*0.24*	*2.35*	*1.96*	*6.45*	*7.00*	*5.58*
Total Global Growth	**0.72**	**1.36**	**(3.30)**	**(3.88)**	**2.20**	**7.18**
Benchmark	0.25	2.16	1.569	(2.80)	2.31	6.47
Difference	*0.47*	*(0.80)*	*(4.87)*	*(1.08)*	*(0.11)*	*0.71*