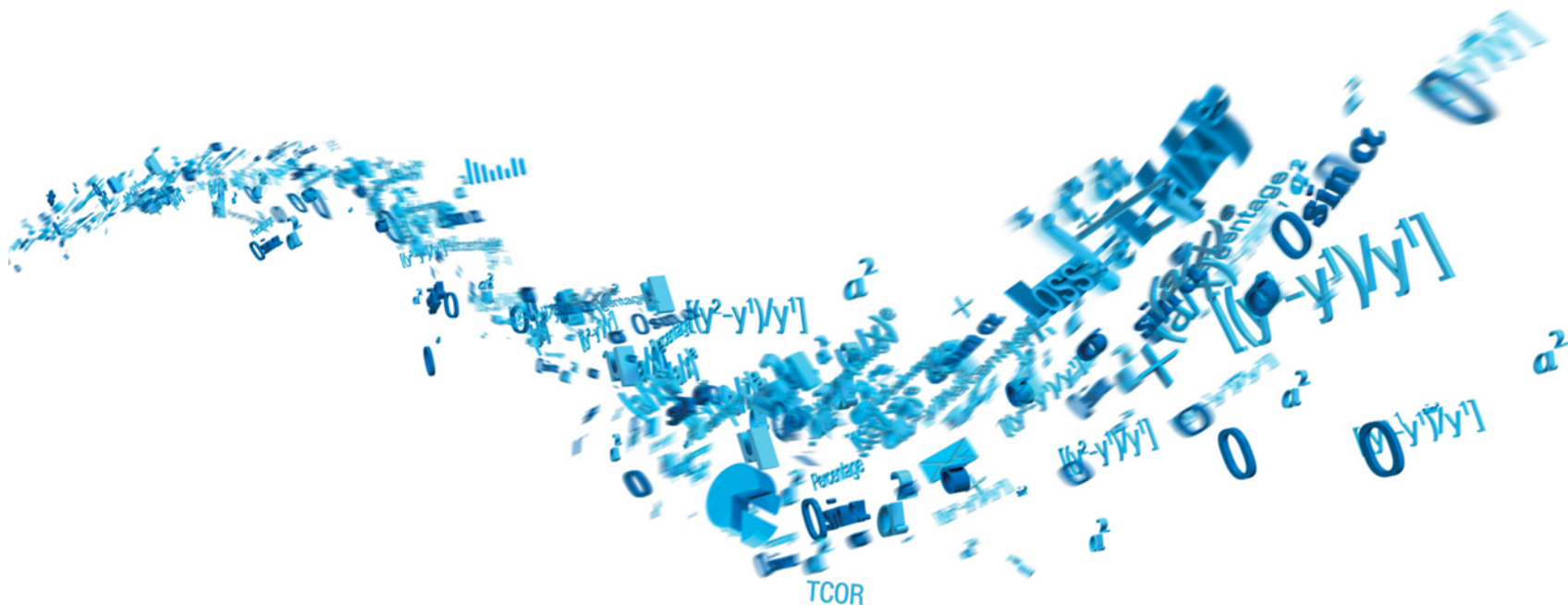




Nebraska Investment Council

Second Quarter 2019 Performance Review

As of June 30, 2019

Highlights

Total Assets by Asset Pool	
Total Defined Benefit Plan	\$12,780,251,756
Defined Cont. & Deferred Comp.	\$1,152,735,972
Total Cash Balance Benefit	\$2,227,926,307
OSERS	\$1,260,636,172
Hartford Options	\$31,841,261
College Savings Plan	\$4,799,587,175
State Farm CSP	\$588,047,434
Enable Savings Plan	\$9,513,607
Health Care Endowments	\$475,202,420
50/50 Endowments	\$939,327,447
Excess Liability Fund	\$68,996,299
In-House Trusts	\$9,307,586
Internal Short-Term Liquidity Pool	\$428,418,697
Operating Investment Pool (Internal Government/Corporate)	\$3,437,122,321
Time Deposit Open Account	\$40,501,376
Total	\$28,249,415,829

	Performance(%)					
	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years
Major Capital Markets						
Dow Jones U.S. Total Stock Market Index	4.1	18.7	8.9	14.0	10.1	14.7
MSCI AC World ex USA Index (Net)	3.0	13.6	1.3	9.4	2.2	6.5
Bloomberg Barclays Universal	3.1	6.5	8.1	2.8	3.2	4.4
CPI	0.8	2.0	1.6	2.0	1.5	1.7

As of June 30, 2019, aggregated assets totaled \$28,249,415,829, which represented an increase of approximately \$1.0 billion from the end of the previous quarter.

The global equity markets continued to deliver positive returns in the second quarter despite the volatility of global trade negotiations. Equity markets were supported by prospects of looser monetary policy by major central banks and positive progress in the U.S.-China trade negotiations. More specifically, U.S. equities, as measured by the Dow Jones U.S. Total Stock Market Index, gained 4.1% during the second quarter. Non-U.S. equities continued to lag U.S. equities, returning 3.0% for the quarter, as measured by the MSCI AC World ex-U.S. Index.

The Barclays Universal Bond Index returned 3.1% in the second quarter as the yield curve shifted downwards. The Index has produced a strong return of 8.1% over the past year.

Performance by Asset Pool

	Allocation	Performance(%)							
	Market Value (\$)	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Defined Benefit Plan	12,780,251,756	3.2	11.8	6.7	9.5	6.8	10.1	9.0	07/01/1983
Policy Benchmark		3.5	13.1	7.2	9.4	6.5	9.9	9.1	
Total Cash Balance Benefit Plan	2,227,926,307	3.2	11.8	6.7	9.5	6.7	10.1	7.8	01/01/2003
Policy Benchmark		3.5	13.1	7.2	9.4	6.5	9.9	7.9	
OSERS	1,260,636,172	2.5	8.2	4.8	5.9	3.0	7.5	9.0	12/01/1989
Policy Index		3.2	9.6	7.4	8.8	5.7	9.3	N/A	
Health Care Endowments	475,202,420	3.5	12.0	6.6	9.5	6.7	10.4	6.7	01/01/2001
Health Care Policy		3.4	13.3	6.9	9.9	6.8	10.2	6.0	
50/50 Endowments	939,327,447	3.6	9.9	7.8	7.2	5.5	8.7	7.3	01/01/1996
50/50 Endowment Policy		3.4	11.2	7.7	7.7	5.9	8.6	6.9	
Excess Liability Fund	68,996,299	3.1	6.6	7.8	3.3	3.3	4.8	5.6	07/01/1997
Performance Benchmark		3.1	6.5	8.1	2.8	3.2	4.4	5.3	
Total OIP	3,874,104,784	2.0	4.1	6.0	1.8	2.3	2.6	3.9	01/01/1997
Policy Benchmark		2.3	4.3	6.2	1.8	2.2	2.9	3.8	
Aeronautics	6,671,796	3.1	5.5	8.0	1.4	2.7	3.2	6.0	01/01/1990
Blmbg. Barc. U.S. Treasury		3.0	5.2	7.2	1.3	2.5	3.0	5.6	
Agricultural Development	2,635,790	3.3	5.6	8.1	1.4	2.7	3.3	6.2	01/01/1989
Blmbg. Barc. U.S. Treasury		3.0	5.2	7.2	1.3	2.5	3.0	5.9	

*Only includes asset pools that have a total fund return. As such, Defined Contribution, Deferred Compensation, Hartford, College Savings Plans, and TDOA are not shown

The Health Care Endowments, 50/50 Endowments, Excess Liability Fund, Aeronautics, and Agricultural Development Fund outperformed or performed in-line with their respective benchmarks during the quarter while the Defined Benefit Plan, Cash Balance Benefit Plan, OSERS, and Total OIP lagged. The majority of the asset pools have matched or exceeded their policy benchmarks over the trailing three-, five-, and ten-year periods.

DB & Endowments – Actual vs. Policy Allocation

	Defined Benefit Plan				Cash Balance Benefit			
	Actual	Policy	Difference	Policy Ranges	Actual	Policy	Difference	Policy Ranges
U.S. Equity	27.9%	28.5%	-0.6%	23.5% - 33.5%	27.7%	28.5%	-0.8%	23.5% - 33.5%
Non-U.S. Equity	11.0%	11.5%	-0.5%	6.5% - 16.5%	11.0%	11.5%	-0.5%	6.5% - 16.5%
Global Equity	19.8%	19.0%	0.8%	14.0% - 24.0%	19.6%	19.0%	0.6%	14.0% - 24.0%
Fixed Income	29.2%	30.0%	-0.8%	25.0% - 35.0%	29.7%	30.0%	-0.3%	25.0% - 35.0%
Real Estate	6.5%	6.0%	0.5%	1.0% - 11.0%	6.4%	6.0%	0.4%	1.0% - 11.0%
Private Equity*	5.6%	5.0%	0.6%	0.0% - 10.0%	5.5%	5.0%	0.5%	0.0% - 10.0%

	Health Care Endowment				50/50 Endowment			
	Actual	Policy	Difference	Policy Ranges	Actual	Policy	Difference	Policy Ranges
U.S. Equity	26.1%	30.5%	-4.4%	25.5% - 35.5%	19.0%	19.0%	0.0%	14.0% - 24.0%
Non-U.S. Equity	11.8%	13.0%	-1.2%	8.0% - 18.0%	8.0%	8.0%	0.0%	3.0% - 13.0%
Global Equity	21.6%	21.5%	0.1%	16.5% - 26.5%	12.7%	13.0%	-0.3%	8.0% - 18.0%
Fixed Income	30.0%	25.0%	5.0%	20.0% - 30.0%	48.6%	50.0%	-1.4%	45.0% - 55.0%
Real Estate	4.6%	5.0%	-0.4%	0.0% - 10.0%	4.7%	5.0%	-0.3%	0.0% - 10.0%
Private Equity*	5.9%	5.0%	0.9%	0.0% - 10.0%	7.0%	5.0%	2.0%	0.0% - 10.0%

- The intermediate-term Private Equity policy allocation is 5% for the Defined Benefit and Cash Balance Benefit Plans.
- The long-term target allocation to Real Estate within the DB and CBB Plans is 7.5% and will be funded from U.S. Equity over time.

As of June 30, 2019, the actual asset class allocations within each portfolio were within permissible ranges. It should be noted that the U.S. equity allocation will serve as a source of funding for additional alternative investments within the DB and CBB Plans.

Asset Allocation & Performance

	Allocation		Performance(%)								
	Market Value \$	%	1 Quarter	Year To Date	FYTD	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Defined Benefit Plan	\$12,780,251,756	100.0	3.2 (38)	11.8 (25)	6.7 (28)	6.7 (28)	9.5 (14)	6.8 (6)	10.1 (5)	9.0	07/01/1983
Policy Benchmark			3.5 (22)	13.1 (6)	7.2 (18)	7.2 (18)	9.4 (17)	6.5 (14)	9.9 (9)	9.1	
Total U.S. Equity	\$3,562,667,240	27.9	4.1 (30)	18.4 (49)	8.5 (29)	8.5 (29)	13.8 (36)	10.1 (15)	14.8 (13)	9.8	07/01/1983
Dow Jones U.S. Total Stock Market			4.1 (28)	18.7 (45)	8.9 (26)	8.9 (26)	14.0 (27)	10.1 (15)	14.7 (21)	10.6	
Total Non-U.S. Equity	\$1,411,491,643	11.0	2.9 (66)	13.5 (75)	0.5 (69)	0.5 (69)	10.8 (10)	3.4 (26)	6.9 (85)	5.7	10/01/1991
MSCI All Country World ex-U.S. IMI*			2.7 (74)	13.3 (77)	0.3 (78)	0.3 (78)	9.2 (67)	2.2 (84)	6.7 (89)	5.9	
Total Global Equity	\$2,525,033,320	19.8	3.4 (56)	15.7 (54)	5.6 (47)	5.6 (47)	11.4 (43)	6.1 (50)	10.7 (55)	7.6 (28)	09/01/2005
MSCI All Country World IMI*			3.4 (59)	16.1 (52)	4.6 (54)	4.6 (54)	11.4 (42)	6.0 (52)	10.2 (63)	6.5 (53)	
Total Fixed Income	\$3,737,640,335	29.2	2.8 (58)	6.1 (67)	6.9 (54)	6.9 (54)	3.5 (35)	3.3 (38)	5.2 (39)	7.8	07/01/1983
Barclays Universal Bond Index*			3.1 (31)	6.5 (46)	8.1 (13)	8.1 (13)	2.8 (60)	3.2 (45)	4.4 (61)	7.8	
Total Real Estate	\$825,442,782	6.5	0.1	2.4	6.5	6.5	6.8	9.5	9.3	6.9	12/01/2004
Performance Benchmark			0.8	2.0	5.5	5.5	6.6	8.6	10.4	8.8	
Total Private Equity	\$709,412,670	5.6	5.2	7.3	15.9	15.9	16.2	13.4	13.9	4.9	09/01/2005
Dow Jones U.S. Total Stock Market + 3%			4.9	20.4	12.1	12.1	17.4	13.4	18.1	12.1	
Total Cash	\$8,563,766	0.1									

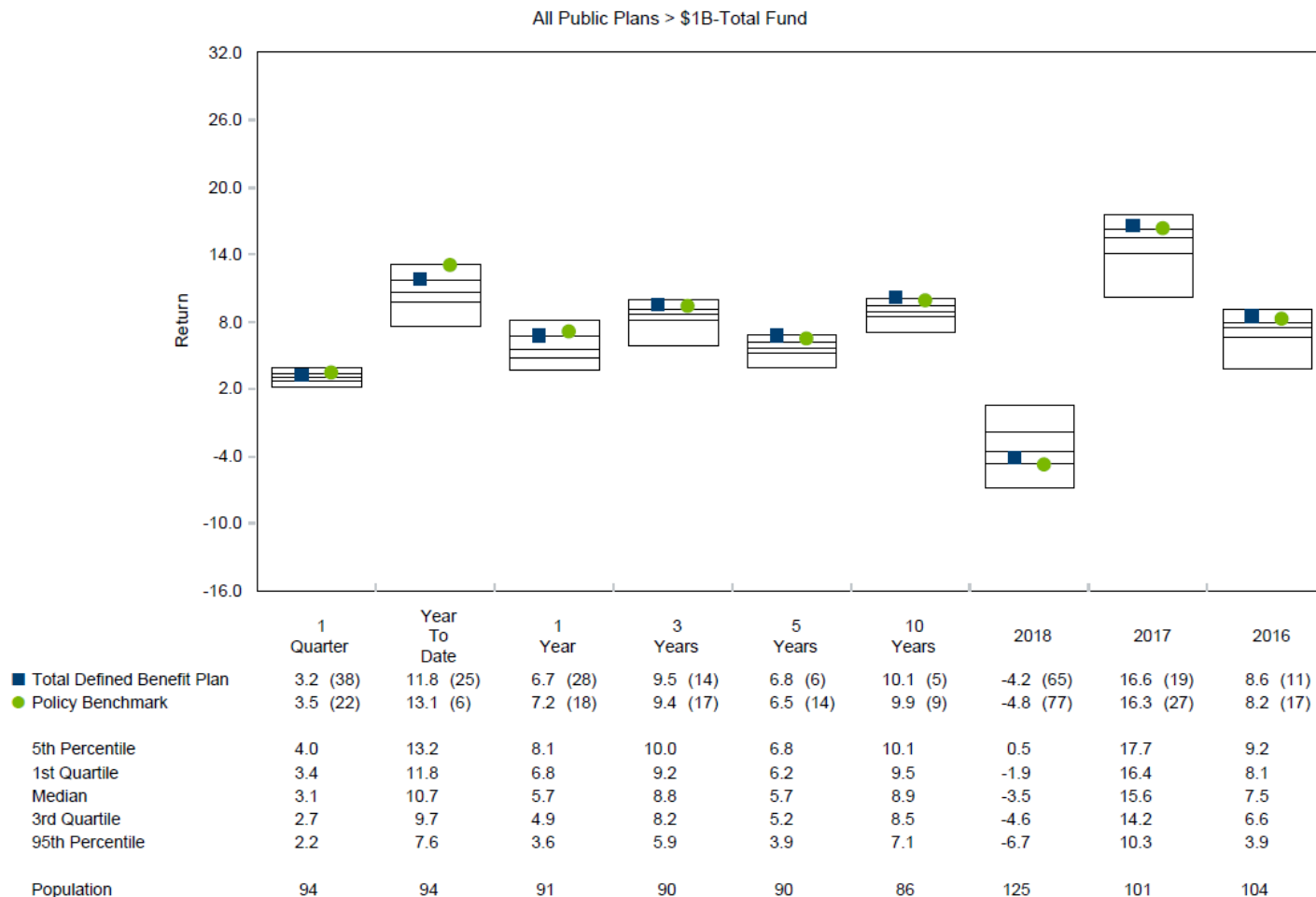
	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Cash Balance Benefit Plan	2,227,926,307	100.0	3.2 (38)	11.8 (26)	6.7 (28)	9.5 (16)	6.7 (6)	10.1 (5)	7.8 (26)	01/01/2003
Policy Benchmark			3.5 (22)	13.1 (6)	7.2 (18)	9.4 (17)	6.5 (14)	9.9 (9)	7.9 (22)	
Total U.S. Equity	617,394,203	27.7	4.1 (30)	18.4 (49)	8.5 (29)	13.8 (36)	10.1 (15)	14.8 (13)	10.1 (16)	01/01/2003
Dow Jones U.S. Total Stock Market			4.1 (28)	18.7 (45)	8.9 (26)	14.0 (27)	10.1 (15)	14.7 (21)	10.2 (13)	
Total Non-U.S. Equity	244,605,151	11.0	2.9 (66)	13.5 (75)	0.5 (69)	10.8 (10)	3.4 (26)	6.9 (85)	7.4 (84)	01/01/2003
MSCI All Country World ex-U.S. IMI*			2.7 (74)	13.3 (77)	0.3 (78)	9.2 (67)	2.2 (84)	6.7 (89)	8.1 (75)	
Total Global Equity	437,576,913	19.6	3.4 (56)	15.7 (54)	5.6 (47)	11.4 (43)	6.1 (50)	10.7 (55)	7.6 (28)	09/01/2005
MSCI All Country World IMI*			3.4 (59)	16.1 (52)	4.6 (54)	11.4 (42)	6.0 (52)	10.2 (63)	6.5 (53)	
Total Fixed Income	662,366,496	29.7	2.8 (59)	6.1 (68)	6.9 (57)	3.5 (36)	3.3 (39)	5.1 (42)	4.7 (57)	01/01/2003
Barclays Universal Bond Index*			3.1 (31)	6.5 (46)	8.1 (13)	2.8 (60)	3.2 (45)	4.4 (61)	4.5 (60)	
Total Real Estate	143,045,520	6.4	0.1	2.4	6.5	6.8	9.5	9.3	6.9	12/01/2004
Performance Benchmark			0.8	2.0	5.5	6.6	8.6	10.4	8.8	
Total Private Equity	122,938,024	5.5	5.2	7.3	15.9	16.2	13.4	13.9	4.9	09/01/2005
Dow Jones U.S. Total Stock Market + 3%			4.9	20.4	12.1	17.4	13.4	18.1	12.1	

*Denotes a performance benchmark is a splice of more than one index. Descriptions can be found in the appendix of this report.

Note: The Total Fixed Income market value for the Cash Balance Benefit plan includes the CBB-GICS & Money Market.

The Defined Benefit Plan and the Cash Balance Benefit Plan underperformed the policy benchmark during the quarter. Negative relative performance was mainly driven by underperformance within the Fixed Income and Real Estate components. Total fund peer rankings are favorable across all longer trailing periods. The equity component of each Plan has been the main driver of absolute performance in recent years as well as over longer trailing periods.

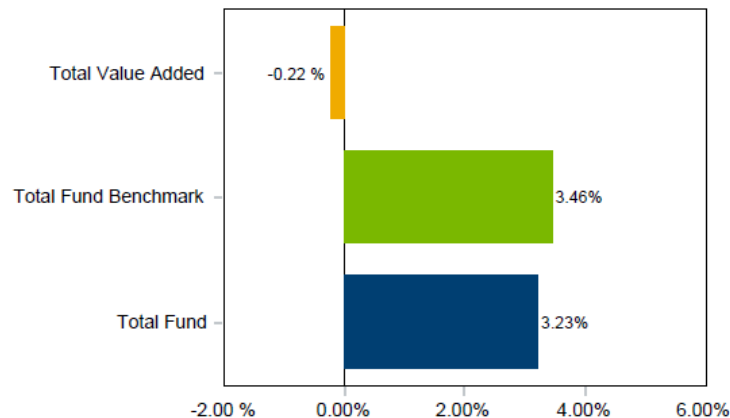
Plan Sponsor Peer Group Analysis



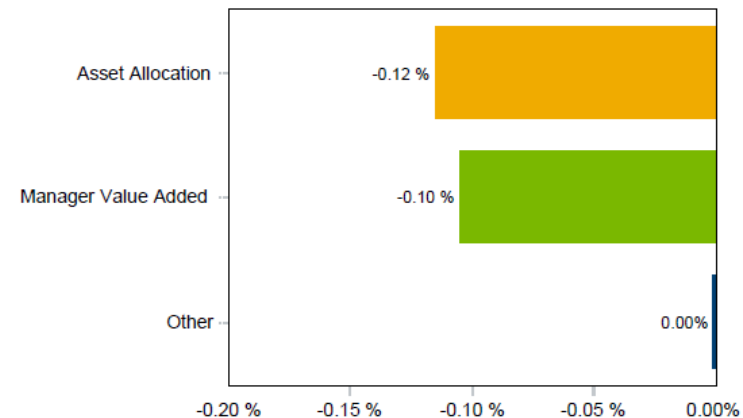
Universe rankings highlight that the Defined Benefit Plan outperformed the majority of its peers over the three-, five-, and ten-year periods. Over the trailing three-, five-, and ten-year periods, the DB Plan ranks in the 14th, 6th, and 5th percentile relative to peers. Furthermore, the Plan has exceeded its policy benchmark return over all longer-term trailing periods shown.

Total Fund Attribution

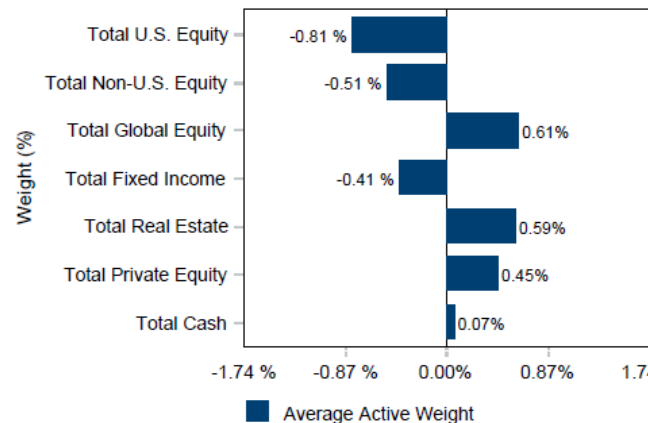
Total Fund Performance



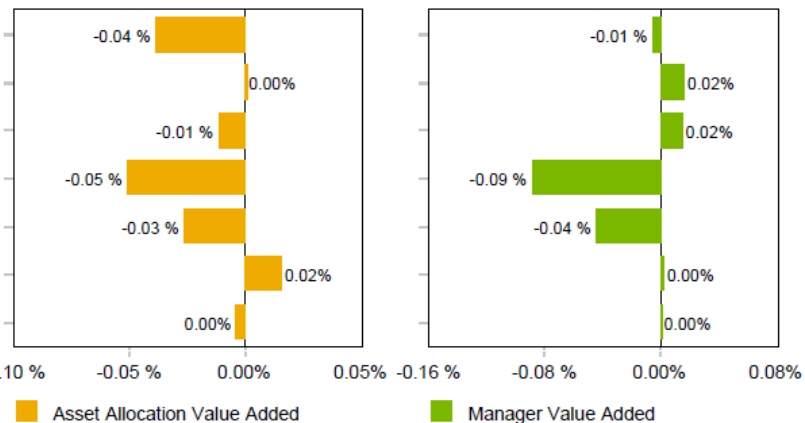
Total Value Added:-0.22 %



Total Asset Allocation:-0.12 %



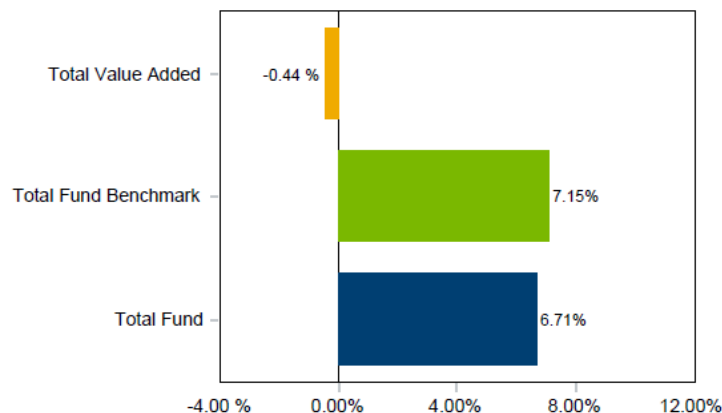
Total Manager Value Added:-0.10 %



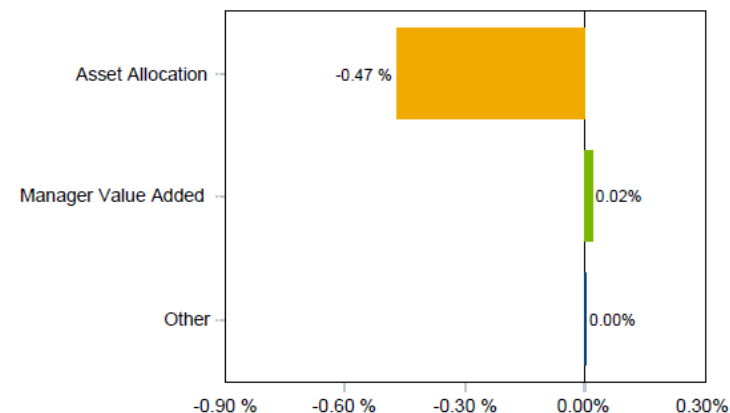
During the second quarter, the Plan's active managers detracted 0.10% (net-of-fees) from performance while overweight and underweight asset class positions also had a modestly negative impact in aggregate, detracting 0.12% from total portfolio performance. The (non-tactical) timing of cash flows had no impact during the quarter.

Total Fund Attribution

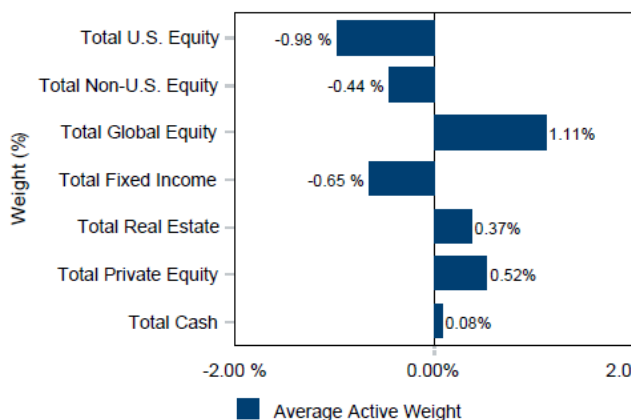
Total Fund Performance



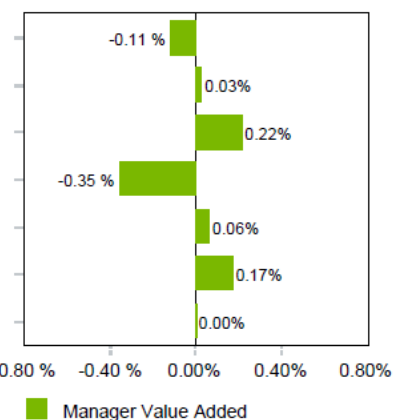
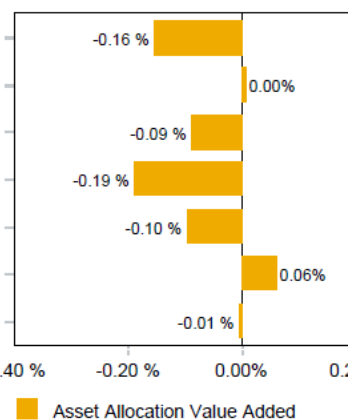
Total Value Added:-0.44 %



Total Asset Allocation:-0.47 %



Total Manager Value Added:0.02%



The Plan's active managers added 0.02% (net-of-fees) to performance over the one-year period. The Plan's overweight and underweight asset class positions detracted 0.47% from relative performance over the past year. The (non-tactical) timing of cash flows had no impact during the one-year period on the Fund's overall return.

Asset Allocation & Performance

	Allocation		Performance(%)							
	Market Value (\$)	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date
Total Defined Cont. & Deferred Comp.	1,152,735,972	100.0								
DFA Small Cap	56,090,199	4.9	1.9	14.6	-5.5	9.8	6.1	14.0	9.1	01/01/2001
Russell 2000 Index			2.1	17.0	-3.3	12.3	7.1	13.4	8.0	
Russell 1000 Growth Index Fund	74,058,579	6.4	4.6	21.5	11.4	17.9	13.3	16.3	5.9	10/01/1999
Russell 1000 Growth Index			4.6	21.5	11.6	18.1	13.4	16.3	5.8	
Russell 1000 Value Index Fund	44,108,430	3.8	3.9	16.3	8.5	10.3	7.5	13.3	7.0	10/01/1999
Russell 1000 Value Index			3.8	16.2	8.5	10.2	7.5	13.2	7.0	
U.S. Equity Index Fund	206,172,873	17.9	4.3	18.6	10.4	14.2	10.7	14.8	7.4	01/01/1998
S&P 500 Index			4.3	18.5	10.4	14.2	10.7	14.7	7.3	
BlackRock All-Country World ex-U.S. Index Fund	32,694,699	2.8	3.1	13.8	1.5	9.5	2.3	6.6	5.3	07/01/2005
MSCI AC World ex USA Index (Net)			3.0	13.6	1.3	9.4	2.2	6.5	5.1	
U.S. Debt Index Fund	18,001,952	1.6	3.1	6.1	7.9	2.3	3.0	3.9	5.0	01/01/1998
Blmbg. Barc. U.S. Aggregate			3.1	6.1	7.9	2.3	2.9	3.9	4.9	
T. Rowe Stable Value	128,022,458	11.1	0.5	1.1	2.1	1.9	1.8	2.2	4.2	01/01/1997
Performance Benchmark			0.6	1.2	2.4	2.1	2.0	2.2	3.3	
SSgA STIF	10,007,515	0.9	0.6	1.3	2.4	1.5	1.0	0.6	2.2	01/01/1998
Barclays 90-Day T-Bill Index			0.6	1.3	2.3	1.4	0.9	0.5	2.1	
Conservative Premixed	52,332,104	4.5	2.9	8.1	6.6	5.1	4.2	5.9	5.0	10/01/1999
Conservative Policy			3.0	8.2	7.0	4.9	4.1	5.7	4.7	
Moderate Premixed	415,059,417	36.0	3.4	11.4	7.0	7.7	5.8	8.7	5.9	10/01/1999
Moderate Policy			3.5	11.8	7.6	7.8	5.9	8.6	5.8	
Aggressive Premixed	95,779,529	8.3	3.5	14.1	6.5	10.2	7.1	11.0	6.3	10/01/1999
Aggressive Policy			3.6	14.6	7.1	10.4	7.2	10.8	6.2	
Investor Select Fund	20,408,217	1.8	3.8	14.4	7.9	8.8	6.3	10.3	7.1	10/01/2005
Performance Benchmark			3.4	14.0	7.3	9.0	6.4	10.0	6.7	

The Fund options offered to participants span the risk / return spectrum, which is consistent with best practices.

OSERS – Summary of Transition Activity During 2Q

	Allocation as of 12/31/16 (%)	Allocation as of 12/31/17 (%)	Allocation as of 12/31/18 (%)	Allocation as of 3/31/19 (%)	Allocation as of 6/30/19 (%)	Transition Year 3 Target	Long-Term Target Asset Allocation
U.S. Equity	13.4%	20.0%	18.7%	19.9%	19.7%	21.0%	27.0%
Non-U.S. Equity	--	9.6	8.6	9.2	9.3	9.0	11.5
Global Equity	18.5	13.4	13.1	13.2	13.0	14.5	19.0
Fixed Income (Core)	11.5	24.0	27.0	26.7	26.2	25.0	21.5
Fixed Income (RS)	--	--	--	--	--	--	8.5
Hedge Funds	9.1	2.4	1.0	0.7	0.7	30.5	--
Real Assets	14.9	3.4	3.6	3.1	3.0		--
Real Estate	21.1	15.8	15.5	15.2	15.8		7.5
Private Equity	10.3	11.2	12.5	12.0	12.4		5.0
Cash	1.4	--	--	--	--	--	--
Total Fund	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

- OSERS finished 2Q reasonably close to the “Transition Year 3 Target” allocation
 - OSERS was overweight fixed income at the expense of equities owing to market moves over the past ≈9 months
 - As of 6/30/2019, ≈31.9% of the portfolio remained invested in legacy illiquid assets
- Effectively all of what can be liquidated (without incurring a meaningful haircut) has already been liquidated; further transition activity towards target weightings is likely to be driven by distributions from the legacy illiquid managers
- It will be several years before the Long-Term Target allocation is reached

The table above summarizes OSERS' transition activity / progress towards its long-term target allocation since the beginning of 2017.

Defined Benefit & Cash Balance Benefit Fees

Manager	Assets (\$ in dollars)	Total Fee (\$ in dollars)	Total Fee (bps)
DFA – U.S. Small Cap	\$395,088,922	\$1,382,811	35
BlackRock Russell 1000 Index	\$3,784,972,520	\$510,971	1
BlackRock ACWI ex-U.S. IMI	\$1,655,147,953	\$1,013,089	6
Arrowstreet	\$1,016,629,543	\$4,358,203	43
MFS Global Equity	\$969,910,291	\$3,665,978	38
Dodge & Cox	\$646,636,706	\$4,009,148	62
Wellington Global Equity	\$328,175,038	\$2,433,138	74
BlackRock Core Plus	\$610,520,008	\$1,035,520	17
PIMCO Total Return	\$802,538,881	\$1,839,265	23
BlackRock Bond Index	\$677,438,745	\$135,488	2
Wellington Global	\$491,135,283	\$1,326,065	27
Loomis Sayles Multi-Sector Full Discretion	\$255,309,518	\$765,929	30
Loomis Sayles Bank Loans	\$383,412,859	\$1,583,651	41
Franklin Templeton	\$402,367,433	\$1,658,286	41
Neuberger Berman	\$682,208,717	\$1,091,534	16
Total RE ¹	\$968,488,303	\$10,708,730	111
Total PE ²	\$832,350,693	\$11,419,105	137
Residual Manager Value	\$97,282,884	\$0	--
Annual Fee Paid to Nebraska Investment Council	--	\$1,448,566	1
Total DB/CBB	\$14,999,614,297	\$50,385,477	34

1. Total Fee (in dollars) of trailing 12-month period as of 3/31/2019.
2. Total Fee (in dollars) of trailing 12-month period as of 3/31/2019.

Fees remain extremely competitive for both the Defined Benefit Plan and the Cash Balance Plan. The total fee as of June 30, 2019, is 34 basis points (0.34%) annually.

Fee Schedule**

	Market Value As of 06/30/2019 \$000	% of Portfolio	Estimated Annual Fee \$000	Estimated Annual Fee (%)
Total Defined Cont. & Deferred Comp.	1,152,736	100.00	973	0.08
DFA Small Cap	56,090	4.87	208	0.37
Russell 1000 Growth Index Fund	74,059	6.42	15	0.02
Russell 1000 Value Index Fund	44,108	3.83	9	0.02
U.S. Equity Index Fund	206,173	17.89	31	0.02
BlackRock All-Country World ex-U.S. Index Fund	32,695	2.84	33	0.10
U.S. Debt Index Fund	18,002	1.56	5	0.03
T. Rowe Stable Value	128,022	11.11	256	0.20
SSgA STIF	10,008	0.87	-	0.00
Conservative Premixed	52,332	4.54	31	0.06
Moderate Premixed	415,059	36.01	249	0.06
Aggressive Premixed	95,780	8.31	67	0.07
Investor Select Fund	20,408	1.77	69	0.34

** In addition to the fees listed above, \$123,890 (~1 bp on assets) in annual fees are paid to the Nebraska Investment Council.

The fees for the funds within the DC Plans are extremely favorable, ranging from 0.02% to 0.37% per annum. The DFA Small Cap Fund fee is 0.37%, which ranks very favorably relative to other active small cap managers.

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