



**State of North Carolina  
Retirement System  
Select Equity  
September 30, 2016**



## OakBrook Select Equity Strategy Third Quarter, 2016 Report

During the third quarter, the Select Equity Strategy returned 4.63% before fees, outperforming the 4.58% return of the Russell 1000 Growth Index. Since inception (April 29, 2016), the Select Equity Strategy has returned 6.62% before fees, outperforming the 6.19% return of the Russell 1000 Growth Index.

The US stock market indices reached record highs during July as investors responded enthusiastically to better than expected economic reports and corporate earnings. US stocks traded in a narrow range during the first four sessions of the month before breaking out to the upside on July 8. On that day, the report of much stronger than expected employment growth pushed the Russell 1000 Growth to a gain of 1.5%. Stocks trended higher for much of the remainder of the month, helped along by reports of better than expected earnings from several companies including **Alcoa**, **JP Morgan**, **Microsoft**, and **Morgan Stanley**. The Russell 1000 Growth returned 4.72% for the month overall. Select Equity benefitted from good stock selection, but it was not enough to overcome the performance drag of the Strategy's overall emphasis on stocks with stable returns as the market reached record highs during the second half of the month.

The US stock market was unusually calm during August, with the value of the S&P 500 changing less than 1% during each trading session of the month. The month began with valuations under pressure due to a sharp drop in crude oil prices and weaker than expected reports of income growth and car sales. By the close on August 2, the Russell 1000 Growth was down 0.4% for the month. Stocks began to climb back on August 3 after a sharp jump in crude oil prices stimulated a rally in Energy shares. The report of better than expected job growth propelled the Russell 1000 Growth to an all-time record high on August 5. Surging crude oil prices and energy stocks pushed the Russell 1000 Growth to further record highs on August 11 and 15, leaving the Index up 0.9% for the month overall at the August 15 close. Stocks trended lower for the remainder of the month with investors increasingly focused on the potential for an increase in the Fed Funds rate. The Russell 1000 Growth returned -0.50% for the month overall. Select Equity outperformed, benefiting from good stock selection.



September began with stocks on an upswing as weaker than expected economic reports reduced the odds of a Federal Reserve rate hike later in the month. By the close on September 7, the Russell 1000 Growth was up 0.9% for the month overall. On September 8, stocks came under pressure after the European Central Bank downplayed the need for additional quantitative easing. On September 9, US stocks dropped sharply after Boston Federal Reserve Bank President Rosengren warned that waiting too long to raise interest rates might cause the economy to overheat. By the close on the 9th, the Russell 1000 Growth was down 2.1% for the month overall. On September 12, the Russell 1000 Growth bounced back with a gain of more than 1.4% as Fed Governor Brainard urged prudence in removing monetary accommodation. These gains were largely erased on September 13 as Energy shares led the market lower following a drop in crude oil prices. On September 15, the US market began to rally back with **Apple** pulling the technology sector higher on strong demand for the iPhone 7. Stocks added additional gains after the Federal Reserve announced its decision to leave the Fed Funds rate unchanged on September 21. By the close on September 22, the Russell 1000 Growth was up 0.8% for the month overall. Oil price movements and shifting opinions regarding **Deutsche Bank's** stability contributed to market volatility during the remaining trading sessions of the month. After all of its gyrations, the Russell 1000 Growth Index finished with a return of 0.37% for the month overall. Although Select Equity benefited from good stock selection, it was not enough to overcome the drag associated with the Strategy's emphasis on stocks with stable returns.

During the quarter, OakBrook eliminated its position in **Agilent** and used the sale proceeds and available cash to augment the position in **Varian Medical Systems**. OakBrook also used available cash to purchase additional shares of **Gilead Sciences**.

Looking ahead, we expect the US economy will continue to grow at a modest pace. Based on recent statements from a number of Federal Reserve officials, it appears likely the Federal Reserve will increase the Fed Funds rate during the fourth quarter. US stock market returns are likely to remain volatile given continued uncertainty about the timing of an interest rate hike in the US, the US presidential election, and the path of crude oil prices. We expect Select Equity's emphasis on large cap stable stocks will provide a performance advantage in this environment.



OakBrook Investments, LLC  
**PORTFOLIO ACTIVITY SUMMARY**  
*State of North Carolina Retirement System*  
*From 06-30-16 to 09-30-16*

Portfolio Value on 06-30-16	22,008,311.09
Contributions	0.00
Withdrawals	-31,525.45
Realized Gains	22,011.97
Unrealized Gains	749,643.02
Interest	222.28
Dividends	246,490.75
Portfolio Value on 09-30-16	22,995,153.66

OakBrook Investments, LLC  
**TWR FOR SELECTED PERIODS**  
**ANNUALIZED**  
**GROSS OF FEES**  
*State of North Carolina Retirement System*  
*September 30, 2016*

	<u>Month To Date</u>	<u>Quarter To Date</u>	<u>Inception To Date</u>
Portfolio	0.17	4.63	6.62
Russell 1000 Growth	0.37	4.58	6.19
S&P 500 Index	0.02	3.85	5.99



OakBrook Investments, LLC  
**PERFORMANCE HISTORY**  
**GROSS OF FEES**

*State of North Carolina Retirement System*

*From 04-29-16 to 09-30-16*

Time Period	Percent Return Per Period			Cumulative TWR Basis = 100		
	Portfolio	Russell 1000 Growth	S&P 500 Index	Portfolio	Russell 1000 Growth	S&P 500 Index
04-29-2016				100.00	100.00	100.00
04-29-2016 to 04-30-2016	0.00	0.00	0.00	100.00	100.00	100.00
04-30-2016 to 05-31-2016	0.46	1.94	1.80	100.46	101.94	101.80
05-31-2016 to 06-30-2016	1.43	-0.39	0.26	101.90	101.54	102.06
06-30-2016 to 07-31-2016	2.87	4.72	3.69	104.83	106.33	105.82
07-31-2016 to 08-31-2016	1.54	-0.50	0.14	106.44	105.81	105.97
08-31-2016 to 09-30-2016	0.17	0.37	0.02	106.62	106.19	105.99



OakBrook Investments, LLC  
**PORTFOLIO SUMMARY**  
*State of North Carolina Retirement System*  
 September 30, 2016

<u>Security Type</u>	<u>Total Cost</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Cur. Yield</u>	<u>Est. Annual Income</u>
<b>Equities</b>					
<b>COMMON STOCK</b>					
Energy	834,188.02	825,720.00	3.6	2.5	21,000.00
Industrials	4,366,363.90	4,248,423.00	18.5	2.6	111,728.00
Consumer Discretionary	2,926,463.06	2,694,699.69	11.7	1.5	46,095.68
Consumer Staples	3,124,186.53	3,329,662.80	14.5	2.5	82,070.60
Health Care	5,491,819.42	5,743,862.00	25.0	1.9	108,308.00
Financials	901,247.48	1,013,844.00	4.4	2.3	23,280.00
Information Technology	4,329,042.80	4,897,298.00	21.3	1.6	77,012.00
<b>COMMON STOCK</b>	<b>21,973,311.21</b>	<b>22,753,509.49</b>	<b>98.9</b>	<b>2.0</b>	<b>469,494.28</b>
	21,973,311.21	22,753,509.49	98.9	2.0	469,494.28
<b>Cash and Equiv.</b>					
<b>CASH AND EQUIVALENTS</b>	<b>241,644.17</b>	<b>241,644.17</b>	<b>1.1</b>	<b>0.0</b>	<b>0.00</b>
	241,644.17	241,644.17	1.1	0.0	0.00
<b>TOTAL PORTFOLIO</b>	<b>22,214,955.38</b>	<b>22,995,153.66</b>	<b>100.0</b>	<b>2.0</b>	<b>469,494.28</b>



OakBrook Investments, LLC  
**PORTFOLIO APPRAISAL**  
*State of North Carolina Retirement System*  
 September 30, 2016

<u>Quantity</u>	<u>Security</u>	<u>Unit Cost</u>	<u>Total Cost</u>	<u>Price</u>	<u>Market Value</u>	<u>Pct. Assets</u>	<u>Cur. Yield</u>
<b>COMMON STOCK</b>							
1,100.0000	Alphabet Inc. Class C	689.95	758,946.00	777.29	855,019.00	3.7	0.0
7,700.0000	Amgen, Inc.	158.16	1,217,803.93	166.81	1,284,437.00	5.6	2.4
18,300.0000	Autodesk, Inc.	59.41	1,087,173.40	72.33	1,323,639.00	5.8	0.0
11,400.0000	Automatic Data Processing	89.08	1,015,479.87	88.20	1,005,480.00	4.4	2.4
9,700.0000	CME Group	92.91	901,247.48	104.52	1,013,844.00	4.4	2.3
10,100.0000	Caterpillar Inc.	76.87	776,435.00	88.77	896,577.00	3.9	3.5
40,300.0000	General Electric Company	30.80	1,241,351.50	29.62	1,193,686.00	5.2	3.1
13,700.0000	Gilead Sciences, Inc.	92.21	1,263,344.91	79.12	1,083,944.00	4.7	2.4
17,298.0000	Johnson Controls International	50.40	871,814.82	46.53	804,875.94	3.5	1.7
11,515.0000	McCormick & Company, Inc.	96.12	1,106,777.07	99.92	1,150,578.80	5.0	1.7
13,400.0000	Medtronic, Plc	80.91	1,084,178.98	86.40	1,157,760.00	5.0	2.0
15,600.0000	Merck & Co., Inc.	55.90	872,101.17	62.41	973,596.00	4.2	2.9
17,375.0000	NIKE, Inc.	56.37	979,476.98	52.65	914,793.75	4.0	1.2
11,700.0000	PepsiCo, Inc.	102.98	1,204,865.97	108.77	1,272,609.00	5.5	2.8
12,700.0000	QUALCOMM, Inc.	52.32	664,431.75	68.50	869,950.00	3.8	3.1
10,500.0000	Schlumberger Limited	79.45	834,188.02	78.64	825,720.00	3.6	2.5
5,200.0000	Stericycle, Inc.	117.39	610,412.97	80.14	416,728.00	1.8	0.0
10,100.0000	The Procter & Gamble Company	80.45	812,543.49	89.75	906,475.00	3.9	3.0
10,500.0000	The Walt Disney Company	102.40	1,075,171.26	92.86	975,030.00	4.2	1.5
40,500.0000	The Western Union Co.	19.83	803,011.78	20.82	843,210.00	3.7	3.1
7,700.0000	United Parcel Service, Inc.	105.10	809,293.95	109.36	842,072.00	3.7	2.9
12,500.0000	Varian Medical Systems, Inc.	84.35	1,054,390.43	99.53	1,244,125.00	5.4	0.0
4,000.0000	W.W. Grainger, Inc.	232.22	928,870.48	224.84	899,360.00	3.9	2.2
			21,973,311.21		22,753,509.49	98.9	2.0
<b>CASH AND EQUIVALENTS</b>							
	Cash		205,281.72		205,281.72	0.9	0.0
	Dividends Receivable		36,362.45		36,362.45	0.2	0.0
			241,644.17		241,644.17	1.1	0.0
<b>TOTAL PORTFOLIO</b>			<b>22,214,955.38</b>		<b>22,995,153.66</b>	<b>100.0</b>	<b>2.0</b>



OakBrook Investments, LLC

## DATE TO DATE GAINS AND LOSSES

### State of North Carolina Retirement System

From 08-31-16 to 09-30-16

Security	08-31-16 Market Value	Additions Withdrawals	09-30-16 Market Value	09-30-16 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
COMMON STOCK								
Alphabet Inc. Class C	843,755.00	0.00	855,019.00	758,946.00	0.00	0.00	96,073.00	11,264.00
Amgen, Inc.	1,309,462.00	0.00	1,284,437.00	1,217,803.93	0.00	0.00	66,633.07	-25,025.00
Autodesk, Inc.	1,233,420.00	0.00	1,323,639.00	1,087,173.40	0.00	0.00	236,465.60	90,219.00
Automatic Data Processing	1,023,834.00	-6,042.00	1,005,480.00	1,015,479.87	0.00	0.00	-9,999.87	-18,354.00
CME Group	1,050,995.00	-5,820.00	1,013,844.00	901,247.48	0.00	0.00	112,596.52	-37,151.00
Caterpillar Inc.	827,695.00	0.00	896,577.00	776,435.00	0.00	0.00	120,142.00	68,882.00
General Electric Company	1,258,972.00	-9,269.00	1,193,686.00	1,241,351.50	0.00	0.00	-47,665.50	-65,286.00
Gilead Sciences, Inc.	1,073,806.00	-6,439.00	1,083,944.00	1,263,344.91	0.00	0.00	-179,400.91	10,138.00
Johnson Controls International	0.00	822,173.90	804,875.94	871,814.82	0.00	0.00	-66,938.88	-17,342.55
Johnson Controls, Inc.	908,316.00	-940,815.00	0.00	0.00	0.00	0.00	0.00	-86,097.51
McCormick & Company, Inc.	1,174,069.40	0.00	1,150,578.80	1,106,777.07	0.00	0.00	43,801.73	-23,490.60
Medtronic, Plc	1,166,202.00	-5,762.00	1,157,760.00	1,084,178.98	0.00	0.00	73,581.02	-8,442.00
Merck & Co., Inc.	979,524.00	-7,176.00	973,596.00	872,101.17	0.00	0.00	101,494.83	-5,928.00
NIKE, Inc.	1,001,495.00	-2,780.00	914,793.75	979,476.98	0.00	0.00	-64,683.23	-86,701.25
PepsiCo, Inc.	1,248,975.00	0.00	1,272,609.00	1,204,865.97	0.00	0.00	67,743.03	23,634.00
QUALCOMM, Inc.	800,989.00	0.00	869,950.00	664,431.75	0.00	0.00	205,518.25	68,961.00
Schlumberger Limited	829,500.00	-5,250.00	825,720.00	834,188.02	0.00	0.00	-8,468.02	-3,780.00
Stericycle, Inc.	447,096.00	0.00	416,728.00	610,412.97	0.00	0.00	-193,684.97	-30,368.00
The Procter & Gamble Company	881,831.00	0.00	906,475.00	812,543.49	0.00	0.00	93,931.51	24,644.00
The Walt Disney Company	991,830.00	0.00	975,030.00	1,075,171.26	0.00	0.00	-100,141.26	-16,800.00
The Western Union Co.	871,560.00	-6,480.00	843,210.00	803,011.78	0.00	0.00	40,198.22	-28,350.00
United Parcel Service, Inc.	840,994.00	0.00	842,072.00	809,293.95	0.00	0.00	32,778.05	1,078.00
Varian Medical Systems, Inc.	1,201,625.00	0.00	1,244,125.00	1,054,390.43	0.00	0.00	189,734.57	42,500.00
W.W. Grainger, Inc.	922,640.00	0.00	899,360.00	928,870.48	0.00	0.00	-29,510.48	-23,280.00
	22,888,585.40		22,753,509.49	21,973,311.21	0.00	0.00	780,198.28	-135,075.91
CASH AND EQUIVALENTS								
Cash	71,237.88	133,959.90	205,281.72	205,281.72				
Dividends Receivable	28,188.70	8,173.75	36,362.45	36,362.45				
	99,426.58		241,644.17	241,644.17				
TOTAL PORTFOLIO	22,988,011.98		22,995,153.66	22,214,955.38	0.00	0.00	780,198.28	-135,075.91





OakBrook Investments, LLC  
**FUNDAMENTAL DATA**  
*State of North Carolina Retirement System*  
 September 30, 2016

<b>Security</b>	<b>Price</b>	<b>Annual Dividend</b>	<b>Yield</b>	<b>Latest 4 Qtr. PE</b>	<b>Latest 4 Qtr. EPS</b>	<b>Latest Annual Book Value</b>	<b>Latest Annual Price/Book</b>	<b>Beta</b>
<b>COMMON STOCK</b>								
Alphabet Inc. Class C	777.29	0.000	0.0	29.5	26.35	186.20	4.2	1.20
Amgen, Inc.	166.81	4.000	2.4	17.0	9.80	40.24	4.1	1.27
Autodesk, Inc.	72.33	0.000	0.0	N M	-1.10	6.00	12.1	1.36
Automatic Data Processing	88.20	2.120	2.4	27.0	3.26	9.84	9.0	1.07
CME Group	104.52	2.400	2.3	25.3	4.13	62.45	1.7	0.94
Caterpillar Inc.	88.77	3.080	3.5	28.5	3.12	26.16	3.4	1.23
General Electric Company	29.62	0.920	3.1	31.3	0.95	9.48	3.1	1.06
Gilead Sciences, Inc.	79.12	1.880	2.4	6.7	11.74	11.67	6.8	0.97
Johnson Controls International	46.53	1.160	2.5	19.3	2.41	10.69	4.4	1.02
McCormick & Company, Inc.	99.92	1.720	1.7	27.0	3.70	15.28	6.5	0.77
Medtronic, Plc	86.40	1.720	2.0	25.6	3.38	36.78	2.3	0.96
Merck & Co., Inc.	62.41	1.840	2.9	26.3	2.37	15.68	4.0	0.88
NIKE, Inc.	52.65	0.640	1.2	23.7	2.22	7.25	7.3	1.01
PepsiCo, Inc.	108.77	3.010	2.8	23.0	4.74	8.75	12.4	0.77
QUALCOMM, Inc.	68.50	2.120	3.1	19.7	3.47	20.81	3.3	1.20
Schlumberger Limited	78.64	2.000	2.5	54.5	1.44	30.63	2.6	1.07
Stericycle, Inc.	80.14	0.000	0.0	21.0	3.82	24.18	3.3	0.72
The Procter & Gamble Company	89.75	2.678	3.0	23.8	3.77	20.74	4.3	0.76
The Walt Disney Company	92.86	1.420	1.5	16.0	5.81	26.00	3.6	1.02
The Western Union Co.	20.82	0.640	3.1	12.4	1.68	2.69	7.7	1.09
United Parcel Service, Inc.	109.36	3.120	2.9	18.9	5.78	2.99	36.6	0.82
Varian Medical Systems, Inc.	99.53	0.000	0.0	23.2	4.29	17.90	5.6	0.79
W.W. Grainger, Inc.	224.84	4.880	2.2	19.8	11.34	35.32	6.4	0.88
COMMON STOCK Average			2.1	23.5	5.05	26.27	6.7	1.00
<b>OVERALL AVERAGE</b>			<b>2.1</b>	<b>23.5</b>	<b>5.05</b>	<b>26.27</b>	<b>6.7</b>	<b>1.00</b>

A NM in the PE column indicates that a PE is not meaningful.



OakBrook Investments, LLC  
**PURCHASE AND SALE**  
*State of North Carolina Retirement System*  
*From 09-01-16 To 09-30-16*

<b>Trade Date</b>	<b>Settle Date</b>	<b>Quantity</b>	<b>Security</b>	<b>Unit Price</b>	<b>Amount</b>
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No transactions this period

OakBrook Investments, LLC  
**COMMISSION PURPOSE**  
*State of North Carolina Retirement System*  
*From 09-01-16 to 09-30-16*

<b>Commission Amount</b>	<b>Avg. Commission Per Share</b>	<b>Percent of Total Commission</b>
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No commissions this period



OakBrook urges our clients to compare information provided in its statement with those from your custodian.  
If you are not receiving a custodial statement, please notify OakBrook.