



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



OakBrook Select Equity Strategy Second Quarter, 2016 Report

From inception (April 30, 2016), through the end of the second quarter, the Select Equity Strategy returned 1.90% before fees, outperforming the 1.54% return of the Russell 1000 Growth Index.

During May, stocks registered gains in see-saw trading with the strongest rallies led by Energy and Technology shares. Concerns about foreign economies defined the first week of the month, with reports of weaker than expected factory activity in China and the UK triggering a global stock market sell off on May 3. By the May 5 close, the Russell 1000 Growth Index was down 0.66% for the month to date. On May 10, Energy shares led a 1.22% Russell 1000 Growth Index rally after crude oil prices rose more than 3%. However, the US stock market gave up most of these gains on May 11 as disappointing earnings from **Disney** and **Macy's** weighed on equity prices. By the May 13 close, the Russell 1000 Growth Index was once again down more 0.5% for the month to date. On May 16, Energy shares led a 1.04% Russell 1000 Growth Index rally after crude oil prices rose more than 4%. Once again, the US stock market could not sustain its gains as Federal Reserve Bank Presidents Lockhart and Williams both indicated that at least two hikes in the Fed Funds rate might be warranted in 2016. By the close on May 19, the Russell 1000 Growth Index was down 1.12% for the month to date. On May 20, Technology shares led a 0.68% Russell 1000 Growth rally after **Applied Materials** issued a better than expected sales forecast. Technology shares continued to lead the way as the Russell 1000 Growth gained more than 1.5% on May 24. On May 25, Energy shares led the Russell 1000 Growth advance of 0.51% as crude oil prices rose more than 2%, nearing \$50 per barrel. On May 27, the Financial sector led the US market higher and the Russell 1000 Growth Index to a gain of 0.48% after Federal Reserve Chair Yellen indicated that an increase in the Fed Funds rate would be appropriate in coming months. The Russell 1000 Growth Index returned 1.94% for the month overall. Select Equity trailed the Index due to Select's general emphasis on stocks with stable returns as well as weak performance from individual holdings such as **Caterpillar**, **Nike**, **Schlumberger**, and **Disney**.

During June, the US stock market rose and fell with shifting investor sentiment but ultimately finished the month very close to where it started. The month began with investors optimistic about prospects for economic growth. A steady global rally in equity and commodity prices pushed the Russell 1000 Growth Index to a gain of more than 1% by the close on June 8th. Sentiment turned more bearish on June 9, as investors began to focus on the upcoming UK Brexit referendum to decide whether or not Britain should exit the European Union (EU). By the June 15 close, the Russell 1000 Growth Index was down more than 1% for the month to date. In the wake of the June 16 murder of UK lawmaker Jo Cox by a Brexit supporter, UK polls shifted in favor of Britain remaining in the EU. Investors responded enthusiastically to the shift, pushing the Russell 1000 Growth Index to a gain of 0.31% for the month to date by the June 23 close. On June 24, investors woke to the surprising news that the Brexit referendum had passed. Uncertainty regarding precisely when and on what terms Britain would exit the EU triggered sharp



declines in equity and commodity prices around the world. By the close on June 27, the Russell 1000 Growth Index had declined more than 5% from its June 23 level. On June 28, stocks began to rally back on optimism that political leaders were committed to minimizing the fallout from Britain's eventual exit from the EU, along with the realization that the exit was likely to be more than two years in the future. Ending the month with a three day rally, the Index was able to recover the vast majority of its June 24 and June 27 losses. The Russell 1000 Growth Index returned -0.39% for the month overall. Select Equity outperformed, benefiting from good stock selection as well as investors' general preference for the strength and stability of Market Power companies in a volatile stock market environment.

Near the end of the quarter, OakBrook reduced its position in **Agilent** and used the sale proceeds and some cash to initiate a new position in **Varian Medical Systems**. The decision to reduce the Agilent position was based on its rich valuation. Varian Medical Systems is the global leader in production of radiation therapy systems and X-ray diagnostic imaging systems. Sales of its radiation therapy systems have been strong and are likely to remain so for at least the next decade due to the efficacy and cost efficiency of radiation therapy as a treatment for several types of cancer. However, recent sales of its X-ray imaging systems have disappointed, depressing Varian's stock price to an attractive entry point. The recently announced plan to spin off the X-ray imaging business will sharpen Varian's focus on its Market Power position in radiation therapy, further enhancing the attractiveness of the stock.

Looking ahead, we expect the US economy will be able to overcome the drag of a weak global economy and continue to grow at a modest pace. Recognizing the challenging global environment, the US Federal Reserve has further reduced the number of expected 2016 increases in the Fed Funds rate from two to at most one. US stock market returns are likely to remain volatile given continued uncertainty about China, crude oil prices, and Britain's exit from the European Union. The US presidential election also has the potential to move markets. 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 05-31-16 to 06-30-16

Portfolio Value on 05-31-16	17,190,846.05
Contributions	4,341,251.58
Withdrawals	0.00
Realized Gains	100,447.83
Unrealized Gains	328,855.70
Interest	62.43
Dividends	46,847.50
Portfolio Value on 06-30-16	22,008,311.09

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

	Month To Date	Inception To Date
Account	1.43	1.90
Russell 1000 Growth	-0.39	1.54
S&P 500 Index	0.26	2.06



OakBrook Investments, LLC
PERFORMANCE HISTORY
GROSS OF FEES

State of North Carolina Retirement System

From 04-30-16 to 06-30-16

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
04-30-2016				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
Date to Date						
04-30-2016 to 06-30-2016	1.90	1.54	2.06			



OakBrook Investments, LLC
PORTFOLIO SUMMARY
State of North Carolina Retirement System
June 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>
Equities					
COMMON STOCK					
Energy	834,188.02	830,340.00	3.8	2.5	21,000.00
Industrials	2,827,080.45	2,863,769.00	13.0	3.2	92,208.00
Consumer Discretionary	3,855,333.54	3,811,392.00	17.3	1.8	69,562.00
Consumer Staples	3,124,186.53	3,322,970.05	15.1	2.5	82,070.60
Health Care	5,919,670.97	5,812,205.00	26.4	1.9	108,290.00
Financials	901,247.48	944,780.00	4.3	2.5	23,280.00
Information Technology	4,329,042.80	4,256,519.00	19.3	1.8	77,012.00
COMMON STOCK	<u>21,790,749.79</u>	<u>21,841,975.05</u>	<u>99.2</u>	<u>2.2</u>	<u>473,422.60</u>
	21,790,749.79	21,841,975.05	99.2	2.2	473,422.60
Cash and Equiv.					
CASH AND EQUIVALENTS	<u>166,336.04</u>	<u>166,336.04</u>	<u>0.8</u>	<u>0.0</u>	<u>0.00</u>
	166,336.04	166,336.04	0.8	0.0	0.00
TOTAL PORTFOLIO	21,957,085.83	22,008,311.09	100.0	2.2	473,422.60



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

Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Cur. Yield
COMMON STOCK							
6,500.0000	Agilent Technologies Inc.	41.18	267,670.00	44.36	288,340.00	1.3	1.0
1,100.0000	Alphabet Inc. Class C	689.95	758,946.00	692.10	761,310.00	3.5	0.0
7,700.0000	Amgen, Inc.	158.16	1,217,803.93	152.15	1,171,555.00	5.3	2.6
18,300.0000	Autodesk, Inc.	59.41	1,087,173.40	54.14	990,762.00	4.5	0.0
11,400.0000	Automatic Data Processing	89.08	1,015,479.87	91.87	1,047,318.00	4.8	2.3
9,700.0000	CME Group	92.91	901,247.48	97.40	944,780.00	4.3	2.5
10,100.0000	Caterpillar Inc.	76.87	776,435.00	75.81	765,681.00	3.5	4.1
40,300.0000	General Electric Company	30.80	1,241,351.50	31.48	1,268,644.00	5.8	2.9
12,100.0000	Gilead Sciences, Inc.	93.71	1,133,856.91	83.42	1,009,382.00	4.6	2.3
20,700.0000	Johnson Controls, Inc.	42.12	871,814.82	44.26	916,182.00	4.2	2.6
11,515.0000	McCormick & Company, Inc.	96.12	1,106,777.07	106.67	1,228,305.05	5.6	1.6
13,400.0000	Medtronic, Plc	80.91	1,084,178.98	86.77	1,162,718.00	5.3	2.0
15,600.0000	Merck & Co., Inc.	55.90	872,101.17	57.61	898,716.00	4.1	3.2
17,375.0000	NIKE, Inc.	56.37	979,476.98	55.20	959,100.00	4.4	1.2
11,700.0000	PepsiCo, Inc.	102.98	1,204,865.97	105.94	1,239,498.00	5.6	2.8
12,700.0000	QUALCOMM, Inc.	52.32	664,431.75	53.57	680,339.00	3.1	4.0
10,500.0000	Schlumberger Limited	79.45	834,188.02	79.08	830,340.00	3.8	2.5
5,200.0000	Stericycle, Inc.	117.39	610,412.97	104.12	541,424.00	2.5	0.0
10,100.0000	The Procter & Gamble Company	80.45	812,543.49	84.67	855,167.00	3.9	3.2
10,500.0000	The Walt Disney Company	102.40	1,075,171.26	97.82	1,027,110.00	4.7	1.5
40,500.0000	The Western Union Co.	19.83	803,011.78	19.18	776,790.00	3.5	3.3
7,700.0000	United Parcel Service, Inc.	105.10	809,293.95	107.72	829,444.00	3.8	2.9
9,000.0000	Varian Medical Systems, Inc.	81.52	733,647.01	82.23	740,070.00	3.4	0.0
4,000.0000	W.W. Grainger, Inc.	232.22	928,870.48	227.25	909,000.00	4.1	2.1
			21,790,749.79		21,841,975.05	99.2	2.2
CASH AND EQUIVALENTS							
	Cash		136,632.11		136,632.11	0.6	0.0
	Dividends Receivable		29,703.93		29,703.93	0.1	0.0
			166,336.04		166,336.04	0.8	0.0
TOTAL PORTFOLIO			21,957,085.83		22,008,311.09	100.0	2.2



OakBrook Investments, LLC
DATE TO DATE GAINS AND LOSSES
State of North Carolina Retirement System
From 05-31-16 to 06-30-16

Security	05-31-16 Market Value	Additions Withdrawals	06-30-16 Market Value	06-30-16 Cost Basis	Realized Gain or Loss		Unrealized Gain or Loss	
					Cost	Market	Cost	Market
COMMON STOCK								
Agilent Technologies Inc.	793,897.00	-488,833.04	288,340.00	267,670.00	43,042.54	-7,825.46	20,670.00	-9,945.00
Alphabet Inc. Class C	662,148.00	137,028.00	761,310.00	758,946.00	0.00	0.00	2,364.00	-37,866.00
Amgen, Inc.	947,700.00	254,443.93	1,171,555.00	1,217,803.93	0.00	0.00	-46,248.93	-30,588.93
Autodesk, Inc.	833,261.00	209,296.40	990,762.00	1,087,173.40	0.00	0.00	-96,411.40	-51,795.40
Automatic Data Processing	799,344.00	199,846.87	1,047,318.00	1,015,479.87	0.00	0.00	31,838.13	43,304.13
CME Group	743,964.00	194,979.48	944,780.00	901,247.48	0.00	0.00	43,532.52	1,276.52
Caterpillar Inc.	587,331.00	146,660.00	765,681.00	776,435.00	0.00	0.00	-10,754.00	31,690.00
General Electric Company	961,314.00	251,417.50	1,268,644.00	1,241,351.50	0.00	0.00	27,292.50	48,598.50
Gilead Sciences, Inc.	818,364.00	217,638.91	1,009,382.00	1,133,856.91	0.00	0.00	-124,474.91	-31,038.91
Johnson Controls, Inc.	688,740.00	213,338.82	916,182.00	871,814.82	0.00	0.00	44,367.18	9,579.18
McCormick & Company, Inc.	902,751.00	222,089.58	1,228,305.05	1,106,777.07	16,346.49	10,411.60	121,527.98	93,052.87
Medtronic, Plc	845,040.00	246,488.98	1,162,718.00	1,084,178.98	0.00	0.00	78,539.02	71,189.02
Merck & Co., Inc.	691,998.00	180,841.17	898,716.00	872,101.17	0.00	0.00	26,614.83	20,218.83
NIKE, Inc.	750,992.00	187,860.05	959,100.00	979,476.98	-6,703.07	-436.62	-20,376.98	18,508.57
PepsiCo, Inc.	971,232.00	209,129.97	1,239,498.00	1,204,865.97	0.00	0.00	34,632.03	51,912.03
QUALCOMM, Inc.	560,184.00	132,705.75	680,339.00	664,431.75	0.00	0.00	15,907.25	-12,550.75
Schlumberger Limited	625,660.00	179,992.02	830,340.00	834,188.02	0.00	0.00	-3,848.02	24,687.98
Stericycle, Inc.	401,759.00	111,278.97	541,424.00	610,412.97	0.00	0.00	-68,988.97	28,386.03
The Procter & Gamble Company	664,528.00	158,511.49	855,167.00	812,543.49	0.00	0.00	42,623.51	32,127.51
The Walt Disney Company	813,604.00	222,125.26	1,027,110.00	1,075,171.26	0.00	0.00	-48,061.26	-8,619.26
The Western Union Co.	620,455.00	156,079.78	776,790.00	803,011.78	0.00	0.00	-26,221.78	-4,848.78
United Parcel Service, Inc.	639,158.00	158,851.95	829,444.00	809,293.95	0.00	0.00	20,150.05	31,434.05
Varian Medical Systems, Inc.	0.00	733,647.01	740,070.00	733,647.01	0.00	0.00	6,422.99	6,422.99
W.W. Grainger, Inc.	707,885.00	197,394.48	909,000.00	928,870.48	0.00	0.00	-19,870.48	3,720.52
	17,031,309.00		21,841,975.05	21,790,749.79	52,685.96	2,149.52	51,225.26	328,855.70
EXCHANGE TRADED FUNDS								
iShares Russell 1000 Growth Index	0.00	-98,298.31	0.00	0.00	98,298.31	98,298.31	0.00	0.00
	0.00		0.00	0.00	98,298.31	98,298.31	0.00	0.00
CASH AND EQUIVALENTS								
Cash	135,357.89	1,211.79	136,632.11	136,632.11				
Dividends Receivable	24,179.16	5,524.77	29,703.93	29,703.93				
	159,537.05		166,336.04	166,336.04				
TOTAL PORTFOLIO	17,190,846.05		22,008,311.09	21,957,085.83	150,984.27	100,447.83	51,225.26	328,855.70



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

Security	Price	Annual Dividend	Yield	Latest 4 Qtr. PE	Latest 4 Qtr. EPS	Latest Annual Book Value	Latest Annual Price/Book	Beta
COMMON STOCK								
Agilent Technologies Inc.	44.36	0.460	1.0	29.6	1.50	12.81	3.5	1.14
Alphabet Inc. Class C	692.10	0.000	0.0	28.5	24.32	179.92	3.8	1.22
Amgen, Inc.	152.15	4.000	2.6	15.9	9.54	38.18	4.0	1.25
Autodesk, Inc.	54.14	0.000	0.0	N M	-0.91	6.39	8.5	1.37
Automatic Data Processing	91.87	2.120	2.3	29.5	3.12	9.87	9.3	1.03
CME Group	97.40	2.400	2.5	24.4	4.00	61.80	1.6	0.96
Caterpillar Inc.	75.81	3.080	4.1	23.0	3.30	26.85	2.8	1.24
General Electric Company	31.48	0.920	2.9	31.8	0.99	9.91	3.2	1.04
Gilead Sciences, Inc.	83.42	1.880	2.3	7.1	11.83	9.94	8.4	0.96
Johnson Controls, Inc.	44.26	1.160	2.6	12.2	3.64	15.40	2.9	1.28
McCormick & Company, Inc.	106.67	1.720	1.6	30.3	3.52	13.84	7.7	0.77
Medtronic, Plc	86.77	1.720	2.0	25.7	3.38	37.21	2.3	0.95
Merck & Co., Inc.	57.61	1.840	3.2	26.3	2.19	15.82	3.6	0.89
NIKE, Inc.	55.20	0.640	1.2	25.6	2.16	7.28	7.6	0.95
PepsiCo, Inc.	105.94	3.010	2.8	22.7	4.68	7.66	13.8	0.76
QUALCOMM, Inc.	53.57	2.120	4.0	16.3	3.28	20.21	2.7	1.19
Schlumberger Limited	79.08	2.000	2.5	31.3	2.53	28.24	2.8	1.09
Stericycle, Inc.	104.12	0.000	0.0	24.8	4.20	24.01	4.3	0.70
The Procter & Gamble Company	84.67	2.678	3.2	25.8	3.28	21.84	3.9	0.74
The Walt Disney Company	97.82	1.420	1.5	17.4	5.64	25.96	3.8	1.03
The Western Union Co.	19.18	0.640	3.3	11.6	1.65	2.52	7.6	1.08
United Parcel Service, Inc.	107.72	3.120	2.9	18.9	5.70	2.78	38.8	0.84
Varian Medical Systems, Inc.	82.23	0.000	0.0	19.5	4.22	17.69	4.6	0.76
W.W. Grainger, Inc.	227.25	4.880	2.1	19.0	11.93	36.97	6.1	0.88
COMMON STOCK Average			2.2	22.5	4.97	25.42	6.7	1.00
OVERALL AVERAGE			2.2	22.5	4.97	25.42	6.7	1.00

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 06-01-16 To 06-30-16

Trade Date	Settle Date	Quantity	Security	Unit Price	Amount
PURCHASES					
06-29-2016	07-05-2016	200.0000	Alphabet Inc. Class C	685.14	137,028.00
06-29-2016	07-05-2016	1,700.0000	Amgen, Inc.	149.67	254,443.93
06-29-2016	07-05-2016	4,000.0000	Autodesk, Inc.	52.32	209,296.40
06-29-2016	07-05-2016	2,300.0000	Automatic Data Processing	88.99	204,669.87
06-29-2016	07-05-2016	2,100.0000	CME Group	95.02	199,539.48
06-29-2016	07-05-2016	2,000.0000	Caterpillar Inc.	73.33	146,660.00
06-29-2016	07-05-2016	8,500.0000	General Electric Company	30.44	258,731.50
06-29-2016	07-05-2016	2,700.0000	Gilead Sciences, Inc.	82.24	222,056.91
06-29-2016	07-05-2016	5,100.0000	Johnson Controls, Inc.	42.72	217,862.82
06-29-2016	07-05-2016	2,900.0000	Medtronic, Plc	85.00	246,488.98
06-29-2016	07-05-2016	3,300.0000	Merck & Co., Inc.	56.51	186,499.17
06-29-2016	07-05-2016	2,100.0000	PepsiCo, Inc.	103.03	216,353.97
06-29-2016	07-05-2016	2,500.0000	QUALCOMM, Inc.	53.08	132,705.75
06-29-2016	07-05-2016	2,300.0000	Schlumberger Limited	78.26	179,992.02
06-29-2016	07-05-2016	1,100.0000	Stericycle, Inc.	101.16	111,278.97
06-29-2016	07-05-2016	1,900.0000	The Procter & Gamble Company	83.43	158,511.49
06-29-2016	07-05-2016	2,300.0000	The Walt Disney Company	96.58	222,125.26
06-29-2016	07-05-2016	8,600.0000	The Western Union Co.	18.74	161,183.78
06-29-2016	07-05-2016	1,500.0000	United Parcel Service, Inc.	105.90	158,851.95
06-23-2016	06-28-2016	2,900.0000	Varian Medical Systems, Inc.	84.00	243,595.36
06-24-2016	06-29-2016	400.0000	Varian Medical Systems, Inc.	80.71	32,284.88
06-29-2016	07-05-2016	2,600.0000	Varian Medical Systems, Inc.	79.69	207,200.24
06-29-2016	07-05-2016	1,600.0000	Varian Medical Systems, Inc.	80.26	128,408.48
06-30-2016	07-06-2016	1,500.0000	Varian Medical Systems, Inc.	81.44	122,158.05
06-29-2016	07-05-2016	900.0000	W.W. Grainger, Inc.	219.33	197,394.48
					4,555,321.74
SALES					
06-23-2016	06-28-2016	5,000.0000	Agilent Technologies Inc.	46.52	232,616.92
06-24-2016	06-29-2016	400.0000	Agilent Technologies Inc.	44.55	17,819.25
06-29-2016	07-05-2016	2,800.0000	Agilent Technologies Inc.	43.76	122,516.08
06-30-2016	07-06-2016	2,600.0000	Agilent Technologies Inc.	44.17	114,834.29
06-29-2016	07-05-2016	2,400.0000	McCormick & Company, Inc.	102.93	247,025.17
06-29-2016	07-05-2016	2,800.0000	NIKE, Inc.	53.98	151,140.70
06-29-2016	07-05-2016	36,800.0000	iShares Russell 1000 Growth Index	98.62	3,629,258.31
					4,515,210.72



OakBrook Investments, LLC

COMMISSION PURPOSE

State of North Carolina Retirement System

From 06-01-16 to 06-30-16

	<u>Commission Amount</u>	<u>Avg. Commission Per Share</u>	<u>Percent of Total Commission</u>
Capital Institutional Services			
General Trading	<u>1,026.00</u>	<u>0.010</u>	<u>85.6 %</u>
Subtotal	1,026.00	0.010	85.6 %
Liquidnet Quantitative Trading Services			
General Trading	<u>172.00</u>	<u>0.010</u>	<u>14.4 %</u>
Subtotal	172.00	0.010	14.4 %
TOTAL	1,198.00	0.010	100 %



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.