

**Texas Permanent School Fund
Asset Allocation Mix - SBOE
September 30, 2016**

| <u>Asset Class</u> | <u>Portfolio</u> | <u>Book Value</u> | <u>Mix</u> | <u>Fair Value</u> | <u>Mix</u> |
|----------------------------|---------------------------------------|-------------------|---------------|-------------------|------------|
| Equity | Domestic Small-Mid Cap | \$1,085,600,288 | 4.37% | \$ 1,665,554,785 | 5.51% |
| | Domestic Large Cap | 3,040,573,879 | 12.23% | 5,811,198,690 | 19.22% |
| | Total Domestic Equity | 4,126,174,167 | 16.60% | 7,476,753,475 | 24.73% |
| | International Equity - Blackrock | 4,136,940,723 | 16.64% | 4,788,405,941 | 15.83% |
| | QMA Emerging Market Equity | 450,000,000 | 1.81% | 424,031,696 | 1.40% |
| | Navarro Emerging Market Equity | 440,000,000 | 1.77% | 496,928,815 | 1.64% |
| Total Public Market Equity | Total Emerging Market Equity | 890,000,000 | 3.58% | 920,960,511 | 3.04% |
| | | 9,153,114,890 | 36.82% | 13,186,119,927 | 43.60% |
| | | | | | |
| Fixed Income | Domestic Fixed Income | 3,898,994,870 | 15.68% | 4,001,702,217 | 13.23% |
| | Investec Emerging Market Debt | 754,853,882 | 3.04% | 688,550,053 | 2.28% |
| | Ashmore Emerging Market Debt | 745,963,073 | 3.00% | 686,119,513 | 2.27% |
| | Stone Harbor Emerging Market Debt | 746,299,556 | 3.00% | 655,692,542 | 2.17% |
| | Total Emerging Market Debt | 2,247,116,511 | 9.04% | 2,030,362,108 | 6.72% |
| | Total Fixed Income | 6,146,111,381 | 24.72% | 6,032,064,325 | 19.95% |
| Absolute Return | Raven 1 | 800,000,000 | 3.22% | 966,428,135 | 3.20% |
| | Raven 2 | 212,351,513 | 0.85% | 253,588,770 | 0.84% |
| | Raven 4 | 600,000,000 | 2.41% | 863,947,936 | 2.86% |
| | Raven 6 | 353,884,155 | 1.42% | 413,322,384 | 1.37% |
| | Raven 7 | 412,711,614 | 1.66% | 474,234,795 | 1.57% |
| | Raven 8 | 95,932,280 | 0.39% | 103,559,742 | 0.34% |
| | Total Absolute Return | 2,474,879,562 | 9.95% | 3,075,081,762 | 10.18% |
| Private Equity | Columbia NB Crossroads Fund L.P. | 369,548,253 | 1.49% | 508,772,510 | 1.68% |
| | Columbia NB Crossroads Fund II L.P. | 451,166,066 | 1.81% | 500,981,335 | 1.66% |
| | TPSF NB PE Program | 276,766,329 | 1.11% | 315,550,994 | 1.04% |
| | Columbia CS Fund, L.P. | 438,312,822 | 1.76% | 542,960,122 | 1.80% |
| Total Private Equity | 1,535,793,470 | 6.17% | 1,868,264,961 | 6.18% | |
| Real Estate | Direct Real Estate Investments | 1,717,316,928 | 6.91% | 2,105,678,304 | 6.96% |
| | Total Real Estate | 1,717,316,928 | 6.91% | 2,105,678,304 | 6.96% |
| Risk Parity | AQR Capital Management | 846,664,411 | 3.40% | 1,040,209,025 | 3.44% |
| | Bridgewater | 764,790,629 | 3.08% | 1,046,099,630 | 3.46% |
| | Total Risk Parity Strategies | 1,611,455,040 | 6.48% | 2,086,308,655 | 6.90% |
| Real Return | Real Return - TIPS | 923,948,998 | 3.72% | 943,449,010 | 3.12% |
| | Real Return Commodities - Terlingua 1 | 587,500,000 | 2.36% | 416,776,731 | 1.38% |
| | Real Return Commodities - Terlingua 2 | 575,000,000 | 2.31% | 384,947,015 | 1.27% |
| | Total Real Return | 2,086,448,998 | 8.39% | 1,745,172,756 | 5.77% |
| Total Unallocated Cash | | 142,606,557 | 0.56% | 142,606,557 | 0.46% |
| Fund Total | | 24,867,726,826 | 100.00% | 30,241,297,247 | 100.00% |

Notes: The asset classes include cash that has been allocated to the investment portfolios.
Exposure includes fair value of funded investments plus unfunded commitments.

Exposure: Total Private Equity Exposure and Percentage of Fund Total Fair Value 3,023,209,402 10.00%
Total Real Estate Exposure and Percentage of Fund Total Fair Value 2,673,812,589 8.84%

Current State Board of Education approved Strategic Asset Allocation Mix (approved July 22, 2016)

| | | | |
|--|--------|-------------------------|----------------|
| Large Cap U.S. Equity | 13.00% | Real Estate | 10.00% |
| Small/Mid Cap U.S. Equity | 5.00% | Risk Parity | 7.00% |
| Developed and Emerging Market International Large Cap Equity | 14.00% | Real Return-Commodities | 3.00% |
| Emerging Market Equity | 3.00% | Real Return-TIPS | 3.00% |
| Domestic Investment Grade Fixed Income | 12.00% | Absolute Return | 10.00% |
| Emerging Market Debt (LC) | 7.00% | Private Equity | 13.00% |
| | | | <u>100.00%</u> |