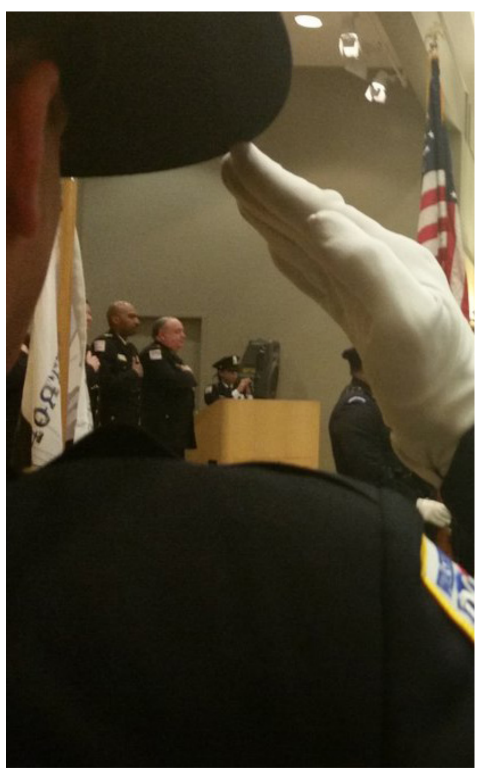
INVESTMENT SECTION



Report on Investment Activity

Prepared by Sheila Morgan-Johnson, Chief Investment Officer

Introduction

DCRB (or the "Board") manages and controls the Fund. The Board is charged by law with responsibility for investing these assets that support the District of Columbia Teachers' Retirement Plan and the District of Columbia Police Officers and Firefighters' Retirement Plan, which are defined benefit pension plans. The Board retains the services of an independent investment consultant who possesses specialized experience and resources in asset allocation, investment strategy, and investment manager selection. The Board's traditional investment managers acknowledge their fiduciary responsibility in writing. Investment managers are accorded full discretion within general and specific investment manager policy guidelines.

Investment Objectives and Policies

The Board targets investment returns that meet or exceed the actuarial investment return target at a level of risk commensurate with the target return and consistent with prudent investment practices. The current actuarial investment return target is 6.5%, net of investment management fees and administrative expenses. In addition to meeting or exceeding the actuarial return target over the long-term, a secondary return objective is to exceed the annualized total return of the Board's strategic asset allocation benchmark (the "Long-Term Policy Benchmark").

As of September 30, 2016, the Long-Term Policy Benchmark included the following components:

Asset Class	Performance Benchmark	Weight
Fixed Income	Fixed Income Benchmark[1]	27%
U.S. Equities	Russell 3000 Index	21%
International Developed Markets Equities	MSCI World Index ex-U.S. (net)	18%
Emerging Markets Equities	MSCI Emerging Markets Index (net)	9%
Absolute Return	3-Month LIBOR + 5%	10%
Private Equity	MSCI All-Country World Index+3% (quarter lag)	8%
Real Assets	CPI-U + 5.5%	7%
Total		**100%**

As a long-term investor, the Board believes that it can generate the highest risk-adjusted returns through a diversified portfolio with an emphasis on equity investments. Although equities are generally more volatile than other asset classes in the short-term, if properly diversified, they are expected to yield higher total returns over the Fund's multi-decade time horizon. In addition, while the Board generally believes in the value of active management, it utilizes lower-cost passive investment strategies (e.g., index funds) in more efficient markets where active managers have a lower likelihood of generating excess returns.

[1] The Fixed Income Benchmark is a composite of 49% BC U.S. Aggregate Index, 15% BC U.S. TIPS Index, 11% BC U.S. High-Yield Constrained Index, 11% CSFB Levered Loan Index; 7% BC Global Aggregate ex U.S. Index, and 7% JPM GBI-EM Global Diversified Index.

Report on Investment Activity

Fiscal Year 2016 Global Market Review

Most investor concerns from fiscal year 2015 continued into the early part of fiscal year 2016. They include: unresolved geopolitical issues, the slowdown of the Chinese economy, and falling commodity prices. Combined with sluggish economic growth, this uncertainty translated into another period of substantial volatility. In spite of this, the fiscal year produced strong returns across both debt and equity markets, in the U.S. and abroad.

The first fiscal quarter (October 1, 2015 through December 31, 2015) brought about a recovery from the market declines during the prior three months, with U.S. and international developed equity markets up 7.0% and 4.7%, respectively. The second fiscal quarter (January 1, 2016 through March 31, 2016) delivered another steep decline followed by a massive rally, with the U.S. and international developed equity markets being flat and emerging markets equities gaining 5.7%. There was no clear catalyst for the turnaround, although the European Central Bank announced further quantitative easing and the Federal Reserve indicated a delay in future rate increases, which investors turned into a “risk-on” event.

Following the “Brexit” (the United Kingdom’s withdrawal from the European Union) decision in June 2016, there was broad sell-off, but markets bounced back quickly to near pre-referendum levels. U.S. equity markets were up 2.5% while international developed and emerging markets were relatively flat. In addition, oil and gas prices continued to recover, benefitting energy and commodity stocks. The final quarter of the fiscal year (July 1, 2016 through September 30, 2016) delivered strong global equity returns, with U.S. equities finishing up 4.4%, international developed markets up 6.3%, and emerging markets equities up 9.0%. In a reversal to earlier quarters, investors once again embraced riskier assets.

In terms of cumulative returns for the fiscal year ending September 30, 2016, the Russell 3000 Index, which measures the performance of the 3,000 largest U.S. companies and represents approximately 98% of the U.S. equity market, rose by 15.0%. International developed equity markets, as measured by the MSCI World ex U.S. Index, increased by 7.2%, while emerging markets, as measured by the MSCI Emerging Markets Index, advanced 16.8%. The Barclays Capital U.S. Aggregate Bond Index, a broad measure of U.S. fixed income markets, rose by 5.2%, driven by a moderate decline in U.S. interest rates.

Fiscal Year 2016 Investment Results

As of September 30, 2016, the Fund’s total assets stood at $6.8 billion after the payment of all benefits and administrative expenses, an increase of approximately $645 million compared to the end of the prior fiscal year. The Fund generated a net return of 9.3%, underperforming the Interim Policy Benchmark (an appropriate comparison for periods of 5 years or less) by 0.8%. Since its inception in October 1982, the Fund has underperformed the Long-Term Policy Benchmark by roughly 1.0% per year, but has exceeded the actuarial return target by approximately 2.0% per year, net of fees.

Of the total underperformance during fiscal year 2016, 0.5% (71% of total) came from active manager underperformance, with the absolute return, high-yield fixed income, and developed international small-cap equity funds being the primary detractors. The remaining 0.2% (29% of total) underperformance was driven by the Fund’s asset allocation. Key detractors were overweight positions in international developed equities, fixed income, and cash.

Exhibit 1 shows the gross returns for the Fund and each asset class over the one, three, five, and ten-year time periods ending September 30, 2016. The returns were calculated by the Board’s custodial bank, The Northern Trust Company (“Northern Trust”) and are time-weighted returns computed in compliance with the CFA Institute’s Global Investment Performance Standards (GIPS). Benchmark returns for each asset class are presented below for relative performance comparison purposes.

Report on Investment Activity

Exhibit 1: Investment Performance (Gross of Fees)
as of September 30, 2016

Asset Class	1-Year	3-Year	5-Year	10-Year
Total Fund	**9.4%**	**4.5%**	**7.8%**	**4.6%**
Interim Policy Benchmark1	*10.1%*	*4.7%*	*7.7%*	*-*
Long-Term Policy Benchmark2	*-*	*-*	*8.1%*	*4.7%*
Cash and Cash Equivalents	**0.6%**	**0.5%**	**0.5%**	**1.3%**
3-month U.S. Treasury Bills	*0.3%*	*0.1%*	*0.1%*	*0.9%*
Fixed Income	**7.1%**	**2.5%**	**2.9%**	**4.4%**
Fixed Income Benchmark3	*7.9%*	*3.1%*	*2.8%*	*4.6%*
U.S. Equities	**14.6%**	**10.1%**	**16.5%**	**7.4%**
Russell 3000 Index	*15.0%*	*10.4%*	*16.4%*	*7.4%*
International Developed Markets Equities	**8.0%**	**1.5%**	**7.8%**	**3.2%**
MSCI World Index ex U.S.(net)	*7.2%*	*0.3%*	*6.9%*	*2.7%*
Emerging Markets Equities	**16.5%**	**-0.6%**	**3.1%**	**-**
MSCI Emerging Markets Index (net)	*16.8%*	*-0.6%*	*3.0%*	*-*
Absolute Return	**-5.8%**	**0.1%**	**0.8%**	**6.6%**
HFR Fund-Weighted Composite	*4.9%*	*3.2%*	*4.4%*	*-*
3-Month LIBOR+5%4	*-*	*-*	*3.3%*	*2.6%*
Private Equity	**0.4%**	**8.7%**	**8.2%**	**7.5%**
Cambridge Associates Global PE & VC Index5	*2.9%*	*11.7%*	*10.2%*	*-*
MSCI All Country World Index+3% (quarter lag)6	*-*	*-*	*8.5%*	*6.6%*
Real Assets	**13.7%**	**10.1%**	**-**	**-**
CPI+5.5%	*7.0%*	*6.5%*	*-*	*-*

[1] As of 9/30/16, the Interim Policy Benchmark is a composite of 23.9% Russell 3000 Index, 20.5% MSCI World Index ex U.S. (net), 10.3% MSCI Emerging Markets (net); 13.3% Barclays U.S. Aggregate Index, 3.4% Barclays U.S. Corporate High Yield Index, 3.3% Credit Suisse Leveraged Loan Index, 2.2% Barclays Global Aggregate ex US Index, 3.3% JPM GBI-EM Global Diversified Index, 4.7% Barclays U.S. TIPS Index, 4.0% HFR Fund-Weighted Composite, 4.5% Cambridge Associates Global Private Equity and Venture Capital Index, 2.2% FTSE EPRA NAREIT Global Index, 1.8% Cambridge Associates Real Estate Index, 0.7% Cambridge Associates Upstream Energy & Royalties and Private Equity Energy Index, 1.8% Cambridge Associates Infrastructure Index.

[2] As of 9/30/16, the Long-Term Policy Benchmark is a composite of 21% Russell 3000 Index, 18% MSCI World Index ex U.S. (net), 9% MSCI Emerging Markets (net); 12% Barclays U.S. Aggregate Index, 3% Barclays U.S. Corporate High Yield Index, 3% Credit Suisse Leveraged Loan Index, 2% Barclays Global Aggregate ex US Index, 3% JPM GBI-EM Global Diversified Index, 4% Barclays U.S. TIPS Index, 10% 3-Month LIBOR+5%, 8% MSCI ACWI + 3%, 7% CPI + 5.5%.

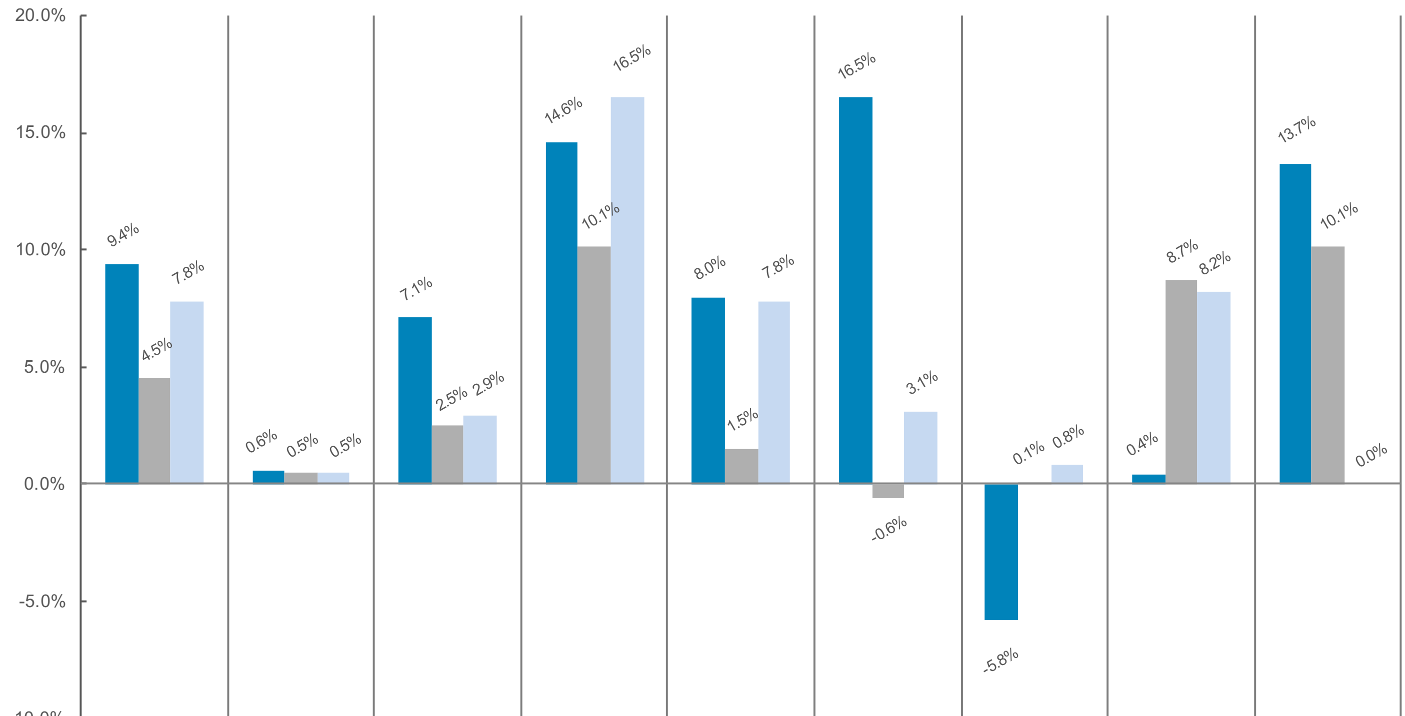
[3] The Fixed Income Benchmark is a composite of 49% Barclays U.S. Aggregate Index, 15% Barclays U.S. TIPS Index, 11% Barclays U.S. High-Yield Constrained Index, 11% Credit Suisse Levered Loan Index; 7% Barclays Global Aggregate ex U.S. Index, and 7% JPM GBI-EM Global Diversified Index.
[4] Prior to 9/30/13, 3-month LIBOR.
[5] Prior to 12/31/07, Cambridge Associates U.S. Private Equity & Venture Capital Index.
[6] Prior to 12/31/07, Russell 3000+3% (quarter lag).

Note: All returns are time-weighted and gross of fees.

Report on Investment Activity

Exhibit 2: Historical Investment Performance

As of September 30, 2016

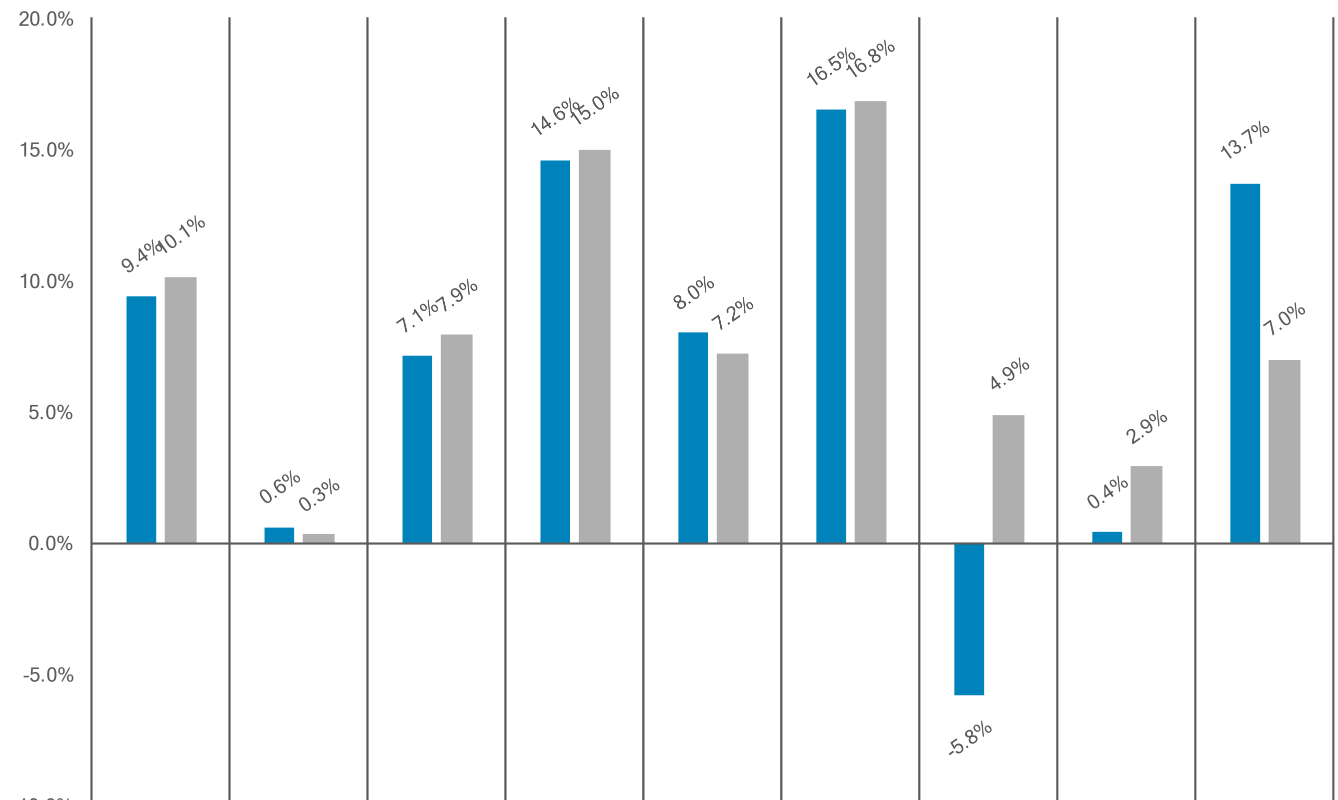


	Total Fund	Cash and Cash Equivalents	Fixed Income	U.S. Equities	International Developed Markets Equities	Emerging Markets Equities	Absolute Return	Private Equity	Real Assets
1-Year	9.4%	0.6%	7.1%	14.6%	8.0%	16.5%	-5.8%	0.4%	13.7%
3-Year	4.5%	0.5%	2.5%	10.1%	1.5%	-0.6%	0.1%	8.7%	10.1%
5-Year	7.8%	0.5%	2.9%	16.5%	7.8%	3.1%	0.8%	8.2%	0.0%

Report on Investment Activity

Exhibit 3: 1-Year Performance vs. Benchmark

As of September 30, 2016

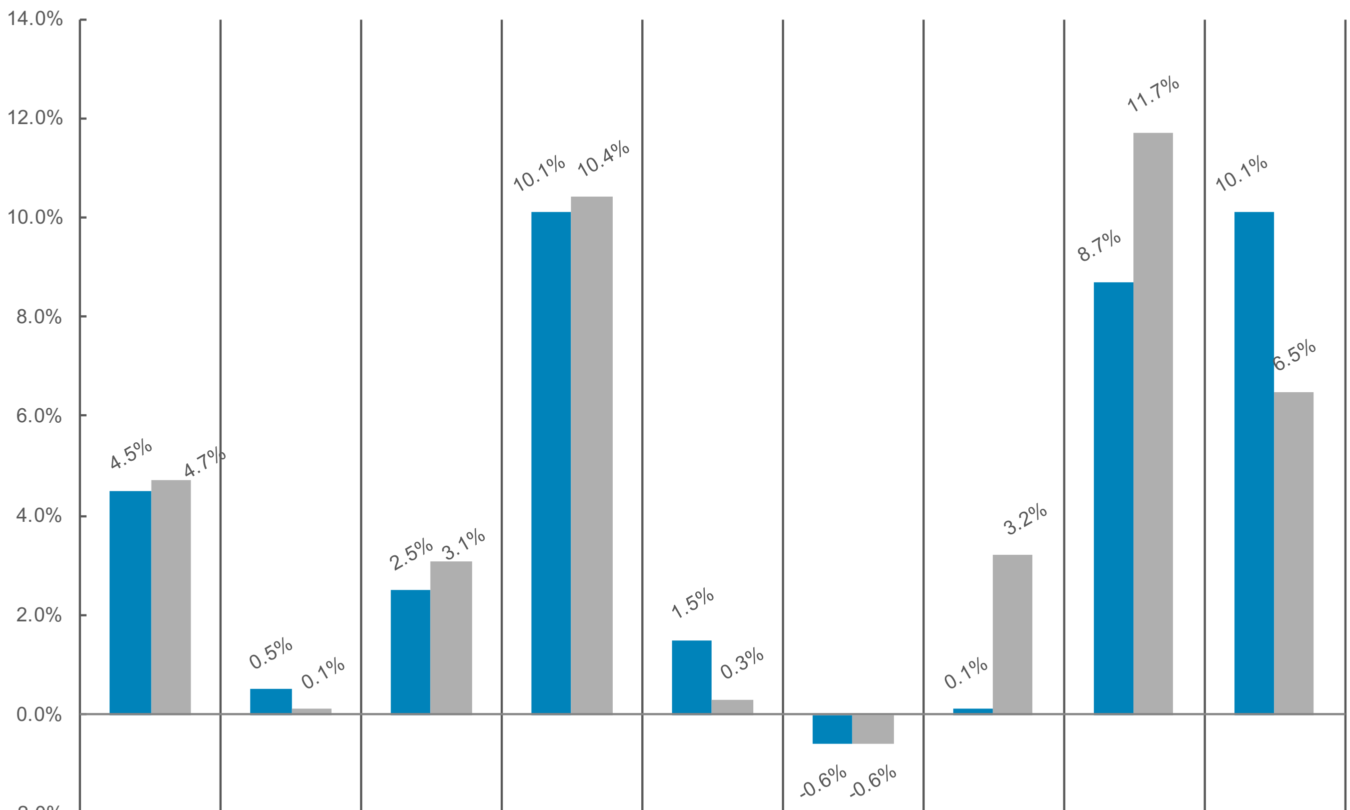


	Total Fund	Cash and Cash Equivalents	Fixed Income	U.S. Equities	International Developed Markets Equities	Emerging Markets Equities	Absolute Return	Private Equity	Real Assets
1-Year	9.4%	0.6%	7.1%	14.6%	8.0%	16.5%	-5.8%	0.4%	13.7%
Benchmark	10.1%	0.3%	7.9%	15.0%	7.2%	16.8%	4.9%	2.9%	7.0%

Report on Investment Activity

Exhibit 4: 3-Year Performance vs. Benchmark

As of September 30, 2016

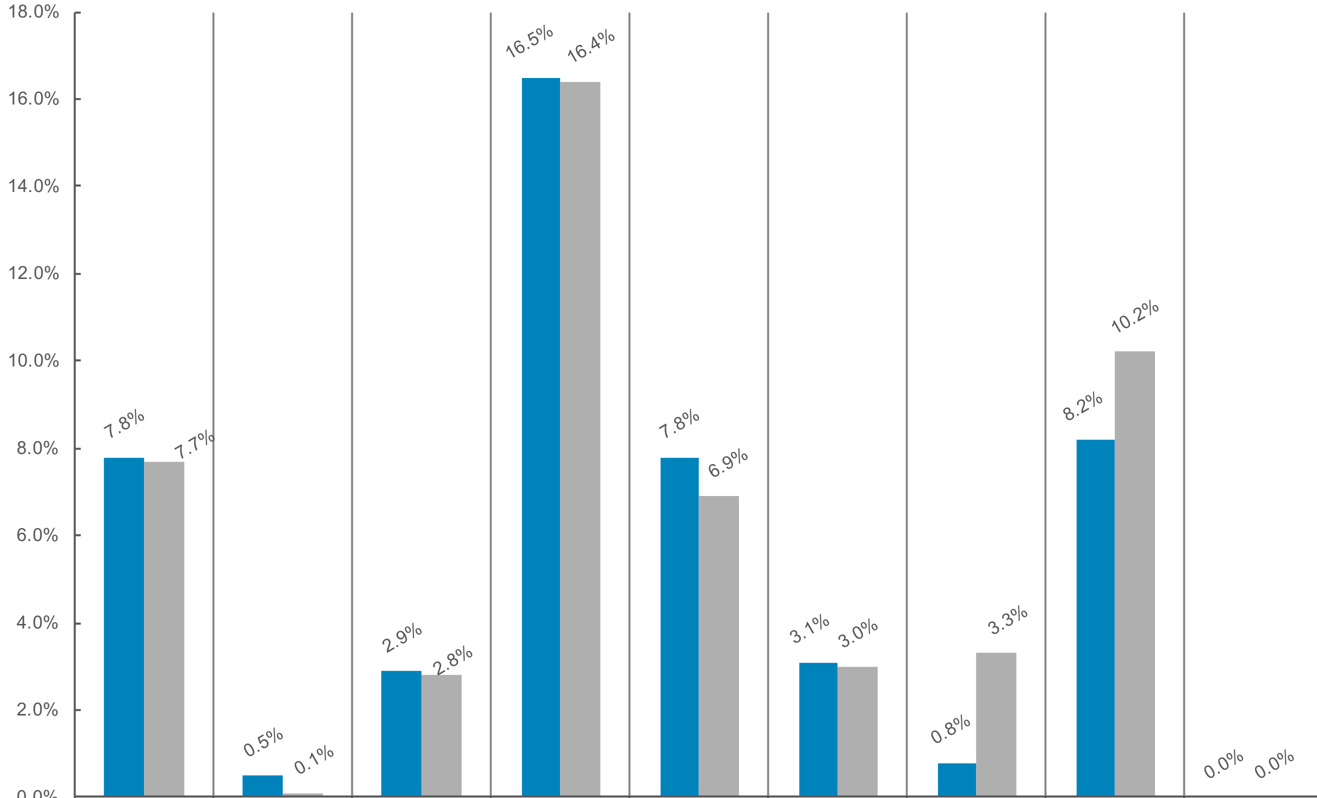


	Total Fund	Cash and Cash Equivalents	Fixed Income	U.S. Equities	International Developed Markets Equities	Emerging Markets Equities	Absolute Return	Private Equity	Real Assets
3-Year	4.5%	0.5%	2.5%	10.1%	1.5%	-0.6%	0.1%	8.7%	10.1%
Benchmark	4.7%	0.1%	3.1%	10.4%	0.3%	-0.6%	3.2%	11.7%	6.5%

Report on Investment Activity

Exhibit 5: 5-Year Performance vs. Benchmark

As of September 30, 2016



	Total Fund	Cash and Cash Equivalents	Fixed Income	U.S. Equities	International Developed Markets Equities	Emerging Markets Equities	Absolute Return	Private Equity	Real Assets
5-Year	7.8%	0.5%	2.9%	16.5%	7.8%	3.1%	0.8%	8.2%	0.0%
Benchmark	7.7%	0.1%	2.8%	16.4%	6.9%	3.0%	3.3%	10.2%	0.0%

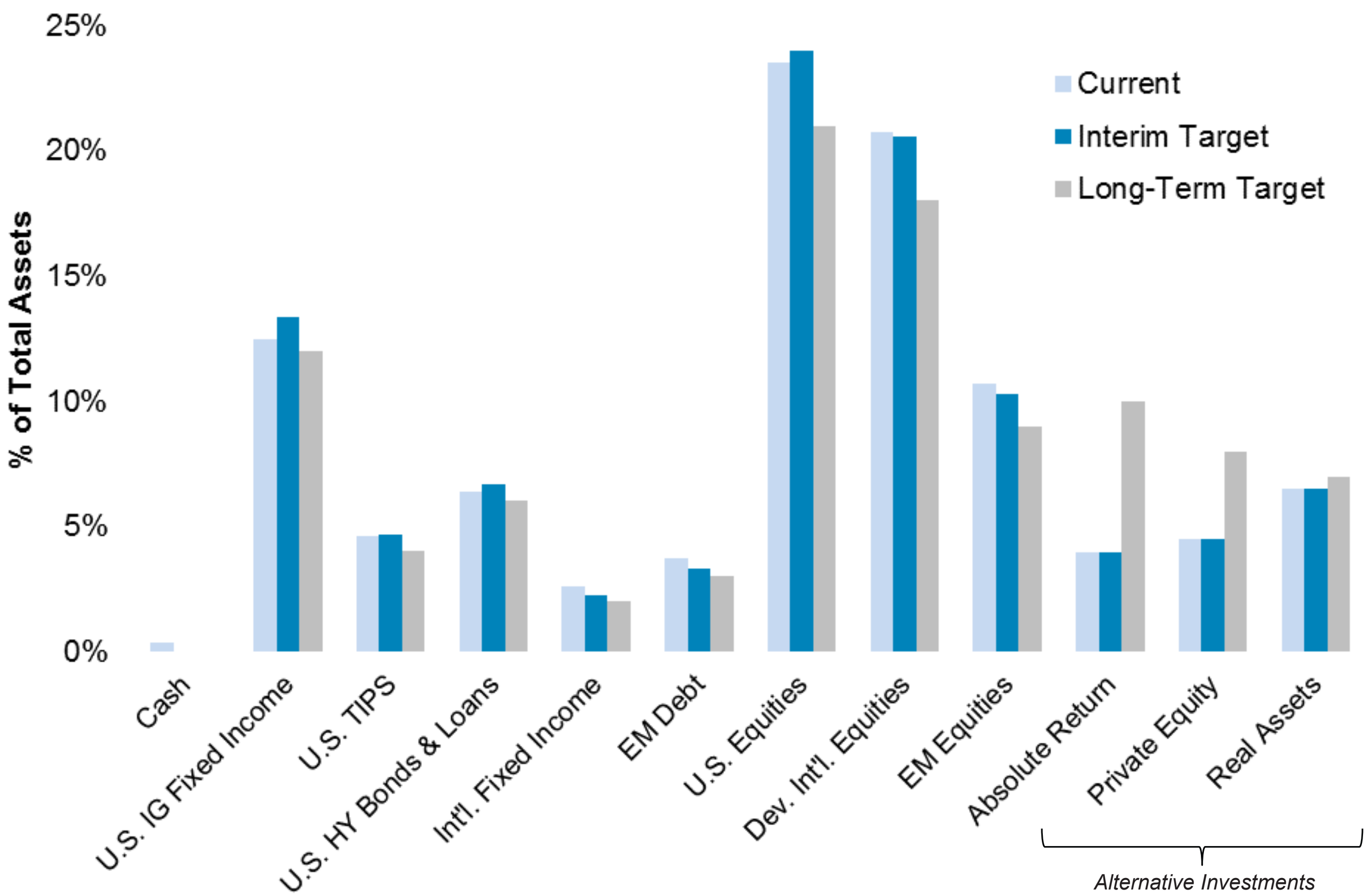
Report on Investment Activity

Asset Allocation

There were no changes to the strategic asset allocation during the fiscal year. In November 2016, the Board reviewed the asset allocation structure and approved new targets, with the primary changes being an increase in private equity and real assets targets and a decrease in the absolute return target.

The Interim Policy target distributes the underweight to alternative investments (absolute return, private equity, and real assets) across the traditional investments (fixed income and public equities) in line with the Fund's Long-Term Policy target. The Actual, Interim and Long-Term Policy allocations are shown in Exhibit 6

Exhibit 6: Actual, Interim Target and Policy Asset Allocations as of September 30, 2016



As of September 30, 2016, the Fund's asset classes were within their respective target allocation ranges with the exception of the Absolute Return program, which continued to be below the targeted minimum. As discussed, this underweight was re-allocated to fixed income and public equities.

The underweight in private equity is driven by a deliberate, measured pace of new commitments and a high volume of realizations from more mature funds over the last few years. The current underweight should moderate by 2020-22, as new funds draw down capital and mature funds reduce distributions. In the meantime, the Board is focused on a consistent pace of new commitments, subject to the availability of compelling opportunities, strong fit with the existing portfolio, and attractive market characteristics.

Report on Investment Activity

Other Updates

During fiscal year 2016, the Board completed the transition to a new custodial bank and investment consultant.

Northern Trust became the Board's new custodial bank on December 1, 2015. The decision to hire Northern Trust followed a thorough review of custody bank service providers during the prior fiscal year. There were no operational issues during the transition due to the collaboration of many parties, including the new and prior custodial banks, investment consultants, and DCRB staff.

Meketa Investment Group began serving as the Board's consultant across all asset classes on August 1, 2016. The Board hired Meketa as its general investment consultant (for public markets) in February 2010 and expanded the mandate to include alternative investments (absolute return, private equity, and real assets) last summer. Cliffwater's (the Board's prior alternative investments consultant) relationship with the Board ended July 31, 2016.

In addition, the Board enhanced diversification by hiring a new active manager, Beach Point Capital Management, to focus on U.S. bank loans. Within the alternative investments program, the Board committed a total of $195 million to nine new private equity and real assets limited partnerships, including funds focused on Canadian buyouts, U.S. growth equity and small buyouts, as well as opportunistic real estate investments in the U.S. and Western Europe.

Further, DCRB staff and consultant have continued the incorporation of the Environmental, Social, and Governance (ESG) policy, passed in November 2013, into the investment and operational due diligence process. This will continue to be a focus when evaluating prospective and existing investment managers in fiscal year 2017.

A second major initiative in fiscal year 2017 will be the implementation of a new strategic asset allocation, which was approved by the Board in November 2016, following the end of the last fiscal year.

Investment Activity Summary

During fiscal year 2016, the Board implemented the following investment service provider changes:

Additions:
- Beach Point Capital Management – *Bank Loans*
- Northern Trust – *Custodial Bank*
- Meketa Investment Group – *Investment Consultant*

Terminations:
- Cliffwater – *Alternative Investments Consultant*
- State Street Bank and Trust – *Custodial Bank*

Report on Investment Activity

List of Largest Holdings

Top 10 Fixed Income Holdings (Dollar amounts in thousands)						
Rank	Security Name	Moody's Quality Rating	Par Value	Interest Rate (%)	Maturity Date	Fair Value
1	HRG GROUP INC	Caa1	$ 10,929	7.75	01/15/2022	$ 11,325
2	FORESIGHT ENERGY LLC / FORESIGHT	n/a	$ 10,795	10.00	08/15/2021	$ 9,689
3	AF BORROWER LLC TERM LOAN (SECOND LIEN)	n/a	$ 8,100	0.00	12/15/2022	$ 7,989
4	GENOA HEALTHCARE GROUP LLC TERM LOAN	Caa1	$ 7,060	0.00	04/28/2023	$ 7,060
5	ASURION, LLC (FKA ASURION CORPORATION)	Caa1	$ 7,050	0.00	03/03/2021	$ 6,995
6	RCN TELECOM SVCS LLC / RCN CAP	Caa1	$ 6,510	8.50	08/15/2020	$ 6,941
7	REAL ALLOY HLDG INC	B3	$ 6,470	10.00	01/15/2019	$ 6,535
8	CENTURY ALUM CO SR SECD NT	B3	$ 6,870	7.50	06/01/2021	$ 6,320
9	ANCESTRY COM HLDGS LLC	WR	$ 6,110	9.63	10/15/2018	$ 6,186
10	HEARTLAND DENTAL PLAN INC SECOND LIEN	Caa2	$ 6,140	0.00	06/21/2019	$ 5,987

Top 10 Public Equity Holdings (Dollar in thousands)			
Rank	Security Name	Shares	Market Value
1	Visa Inc.	$ 141,300	$ 11,686
2	Facebook, Inc.	88,100	11,301
3	Amazon.com, Inc.	9,800	8,206
4	Salesforce.com, Inc.	112,700	8,039
5	The Priceline Group Inc.	5,100	7,505
6	Alibaba Group Holding Limited	64,200	6,792
7	Alphabet Inc.	7,700	6,191
8	Adobe Systems Incorporated	51,700	5,612
9	IBERIABANK Corporation	73,842	4,956
10	Belden Inc.	70,108	4,837

A complete list of portfolio holdings is available upon request.

Report on Investment Activity

Schedule of Fees and Commissions

During fiscal year 2016, the Board paid the following fees and commissions:

Expense Category	Amount (Dollars in thousands)	Percent of Fund
Investment Managers*	$ 11,811,259	0.174%
Investment Consultants	1,017,272	0.015
Investment Administrative Expense	1,051,263	0.016
Investment Custodian	275,138	0.004
Brokerage Commissions**	847,098	0.012
Total	**$ 15,002,029**	**0.221%**

** Includes fees paid to traditional investment managers only. Traditional investment managers are those that invest primarily in public equity and fixed income securities.*

*** Includes separate account and commingled fund relationships.*

Total	Total Shares Traded	Total Commission (Dollar Value)	Commission (Costs Per Share)	Commission (Basis Points)	Number of Trades	Trade Value (Dollars in millions)
Channing Capital Management	2,102,100	$ -63,611	-3	-9	373	$ 68
Sands Capital Management	779,789	-14,259	-1.8	-2	232	79
Copper Rock International	32,329,095	-276,921	-0.9	-13	3,005	211
LSV Emerging Markets	39,828,062	-16,444	0	-6	1,968	29
Northern Trust R3000	64,597,544	-108,085	-0.2	-1	31,579	1,936
Northern Truest Global REIT	556,136	-2,740	-0.5	-2	2,197	16
Altrinsic	7,850,662	-116,189	-1.5	-15	407	78
State Street Global Advisors-CAD	467,157	-2,750	-0.6	-3	666	11
State Street Global Advisors-EAFE	30,129,345	-61,959	-0.2	-2	8,549	249
State Street Global Advisors-EM	191,874,834	-184,140	-0.1	-6	10,121	324
Total	**370,514,724**	**$ (847,098)**	**-0.2**	**-3**	**59,097**	**$ 3,002**

Report on Investment Activity

Investment Summary
(Dollar amounts in thousands)

Asset Class	Fair Value	% of Fund
Cash and Cash Equivalents	$ 29,597	0.4%
Fixed Income	2,014,480	29.7%
U.S. Equities	1,592,679	23.5%
International Developed Markets Equities	1,403,989	20.7%
Emerging Markets Equities	725,123	10.7%
Absolute Return	269,804	4.0%
Private Equity	303,045	4.5%
Real Assets	440,136	6.5%
Total	**$ 6,778,853**	**100.0%**