

ALABAMA PACT

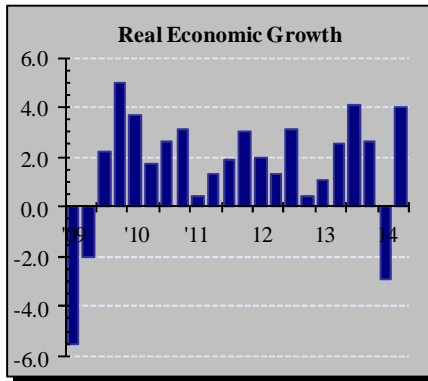
**PERFORMANCE REVIEW
JUNE 2014**



ECONOMIC ENVIRONMENT

A Welcome Spring

Coming on the heels of a 2.9% downturn in the first quarter's GDP, the second quarter's economic picture has brightened substantially. Estimated GDP growth of 4.0% this spring erased the winter downturn.



Signs of the improvement ranged from excellent job growth to further tapering of the Fed's quantitative easing program. Not only have we seen a constructive hint of inflation in higher metals and energy prices, but we've also seen housing prices continue to rise. Healthy consumer confidence numbers and manufacturing gains are further indicators of economic strength. Geopolitical problems in the Middle East and antagonism between Ukraine and Russia failed to dampen economic enthusiasm.

The 2nd quarter economic highlights were:

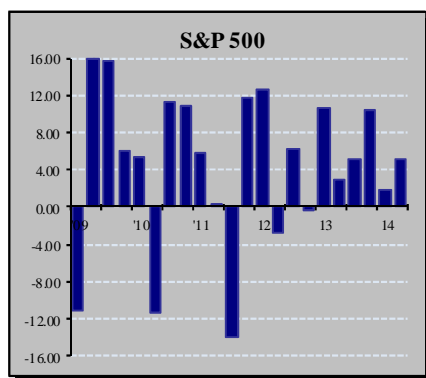
- GDP growth for the first quarter declined 2.9% after increasing 2.6% in the prior quarter. This decline was directly attributable to weather-related reductions in inventory and continued reductions in state and local government spending. Consumer purchases increased, but not significantly. Going forward, economists predict healthy GDP expansion for the rest of 2014 and 2015.
- Job gains, as reported by the Bureau of Labor Statistics, were 288,000 in June. For the quarter, gains averaged 272,000 per month. As a result, the unemployment rate dipped to 6.1%, close to the Fed's 6% interim goal. Another positive was the broad arc of the job gains, which spanned manufacturing, services, retail and health care. Still, the overall employment level remains at a relatively low 62.8% and the number of part-time workers rose to 7.5 million.

- Home prices in May rose 8.8%, year-over-year. All fifty states participated, with Hawaii and California enjoying the largest gains. May was the 27th consecutive month for such gains. Home prices are still 13.5% below their April 2006 peak.
- Manufacturing and service sector activity was very pronounced. The Institute of Supply Management reported the June manufacturing index at 55.3%, well above the 50% expansion threshold. New orders for the manufacturing sector were up 58.9%. Additionally, 15 of the 18 manufacturing industries experienced growth. Only chemical products, textiles and plastics contracted. The service sector reading was 56% in June, with new orders at 61.2%.
- As of June, the Conference Board's Consumer Confidence Index gained 3% in one month, rising to 85.2, its highest level in 5-½ years! The consumer survey indicates reasonable satisfaction as projected out for the next six-months. While relatively few workers expect their incomes to grow by yearend, still fewer expect an income decline. This report was yet another reflection of a growing economy.
- The DJ-UBS Commodity Index was little changed from the first quarter. Decreases in grain prices (-13%) and cotton (-21%) largely offset gains in metals (+9%) and energy (+4%). The dramatic price drops in grain and soft farm products was inversely correlated with excellent growing conditions. Gold demand drove metals, while uncertainty in Russia and a more robust world economy contributed to higher energy prices.
- CPI inflation has begun to reflect economic expansion. June's CPI increase was a moderate 2.1%, year over year, but is likely to rise further when Fed tapering ends in October. For the next three months, the Fed's mortgage and long maturity Treasury purchases will be \$35 Billion per month, down dramatically from the \$85 Billion initiated last year. Further, on June 17th, the Fed announced it would likely end the program altogether in October. Clearly, this news anticipates a growing economy and ongoing employment gains.

DOMESTIC EQUITY MARKET

Solid Performance across the Board

US stocks of all stripes advanced for the quarter. The bellwether S&P 500 returned 5.2%. The tech-oriented NASDAQ gained a similar 5.3%.



The DJIA's 2.8% trailed, reflecting a dearth of tech giants in that index. Large-cap and mid-cap names fared far better than smaller-sized companies; the Russell 1000 Index (5.1%) and Russell Mid-Cap Index (5.0%) performed well ahead of the Russell 2000 (2.0%). REITs were again the exception this quarter, as the quarterly NAREIT Index climbed 7.1% and 16.2%, year-

to-date. Results for the mid-cap and small-cap value style indices were moderately ahead of comparable growth index returns.

Every S&P sector was in the black for the quarter. Energy was the big winner (11.9%), reflecting armed clashes in Iraq and the Ukraine, with their potential to disrupt supplies. Utilities also performed well, adding 9.5%. This typically sleepy sector benefited from a series of announced takeovers, such as Exelon's acquisition of Pepco. Computer technology also rose 9.5%, buoyed by Apple's 20% price rise. The remaining sectors also posted gains, but in a more narrow range of 2.3% - 8.8%. Financials brought up the rear (2.3%), as the Federal government settled mortgage cases against the largest banks.

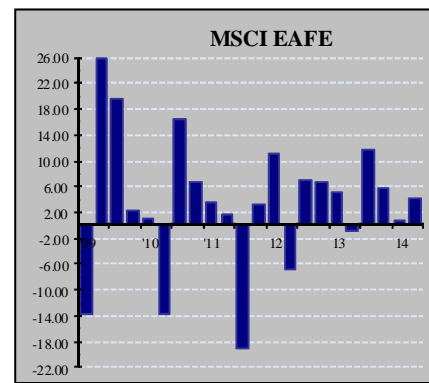
INTERNATIONAL EQUITIES

Developed Markets and EM Both Advanced

The MSCI EAFE developed markets returned a solid 4.3%. In a reversal from the prior quarter, results in the Far East dwarfed those in Europe. In the Pacific region, Japan performed surprisingly well (+6.7%); the gain was mainly because its economy grew faster than expected in the first quarter and Japanese consumers were indifferent to the 3% tax

increase on goods. Hong Kong also turned in excellent results (+8.3%), as its financial companies reported good profits. Singapore's political stability helped its stock market to advance 5.7%. However, Australia trailed the region, adding just 2.9%; the announcement of a tight federal budget for the next fiscal year contributed to the subpar return.

European countries (x-UK) didn't fare as well, adding only 2.6%. Investors in these markets were not impressed by the ECB's continued rate cutting in an effort to stimulate capital spending. France and Germany, the two largest member countries, added 2.4% and 2.3%,



respectively. Spain's improving economy surprised on the upside (+7.4%). However, Norway was the European winner (+10.8%), in sync with its oil-based economy. Three southern European countries were the laggards, after performing well in the first quarter: Ireland lost 9%; Portugal was down 1.9%; and Italy rose a marginal 0.3%. The UK market climbed 6.1%,

as investors took note of an ongoing turnaround after last year's recession.

An improving global economy, fewer political uncertainties and rising energy prices all helped emerging markets; the MSCI EM Index earned a healthy 6.7% after being in negative territory for the prior quarter. On a country-by-country basis, however, performance varied widely, from Turkey's positive 15.4% to Greece's 10.7% loss.

The BRIC Index, comprising Brazil, Russia, India and China, rose 8%. Brazil gained 7.7%, supported by higher energy prices. Russian stocks bounced back 10.8% after a 14.5% plunge in the first quarter. India was a star performer (+12.7%). The key to this market was the election of Narendra Modi, a pro-business candidate for Prime Minister. His victory fueled investor hopes for government reforms after decades of political gridlock. China's stock market added 5.7%; investors weighed government reforms and an effort to balance future growth in several

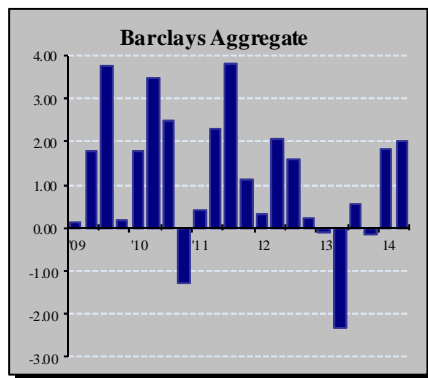
sectors against a slowing real estate market and lower than normal GDP growth.

Given its dominant weight in the EM Latin America Index, Mexico was an outstanding performer. The Mexican market returned 6.6%, benefiting from an improving economic picture in general and energy prices in particular. With the sole exception of Chile's underperformance, returns for the other Latin American countries were equivalent to those of Mexico. Finally, Greece dropped like a stone, losing 10.7%, as optimism turned to pessimism regarding progress toward economic reform. Nonetheless, Greece's market still managed to rise a spectacular 55% for the latest year.

BOND MARKET

Surprisingly Positive Results

Typically, a strong stock market would lead to a lack of interest in bonds, especially at currently low yields. It was a surprise, then, that



bonds were also in the black. If the 2nd quarter fixed income gains can be pinned on any specific factors, they would include: (1) a modest flight from global turmoil to the safety of US Treasuries; (2) the desire for yield that pushed investors into longer maturities and lower credit; (3) the diminished, but still ongoing Fed bond buying program; (4) quiescent inflation, thus far; and (5) the Fed's insistence that short rates won't budge for a while. The Barclays Aggregate Index returned 2.0%. Investment grade credits gained 2.7% and high yield/junk bonds were up 2.4%. Treasuries, comprising more than one-third of the Aggregate Index, gained 1.4%. However, issues with maturities beyond 20-years shot up 5.1%, as interest rates declined all along the yield curve.

Investment grade corporates, comprising 30% of the Aggregate Index returned 2.7%, besting the return from Treasuries. The higher yielding utility sector again was the top performer, earning 3.4%. Industrials added 2.8%, while financials gained 2.2%. A reduced supply of securitized residential mortgage debt brought in a 2.4% MBS return. Commercial mortgages (CMBS) added a lower 1.3%. Asset-backed instruments (ABS), e.g. credit card debt, provided a meager 0.8%, partly due to abundant supply.

Atypically, junk bonds (BA and below) returned less than BAA credits for several reasons: first, high yield returns had leaped ahead of higher quality for several years; second, low-to-high quality spreads have narrowed to near-historic lows; and finally, investors are beginning to look elsewhere for higher income.

EM bonds, a combination of sovereigns and corporates, earned 4.5%. South America had two of the best performers: Venezuela bonds scored a 15.9% return and Argentina 7.0%. Since both countries have major financial problems and depreciating currencies, these results indicated huge leaps of faith on the part of investors. The same story applied to Zambia, which rose 13%. All 70 countries in the EM Index registered positive returns.

CASH EQUIVALENTS

Nothing, Again









Treasuries maturing within one year offered investors essentially zero return yet again. The 3-month Treasury bill provided a paltry one basis point return. On a net of inflation basis, T-bill returns remain negative.

MARKET SUMMARY

ECONOMIC STATISTICS

	CURRENT QTR	LAST QTR
GDP	4.0	-2.9
Unemployment	6.1	6.7
CPI All Items Year/Year	2.10	1.50
Fed Funds Rate	0.25	0.25
Industrial Capacity	79.1	79.1
US Dollars per Euro	1.37	1.38

MAJOR INDEX QUARTER RETURNS

INDEX	PERFORMANCE
Russell 3000	4.9 
S&P 500	5.2 
Russell Mid	5.0 
Russell 2000	2.0 
MSCI EAFE	4.3 
MSCI Emg Mkts	6.7 
NCREIF ODCE	2.9 
Barclays Agg	2.0 
90 Day Tbills	0.0

EQUITY RETURN DISTRIBUTIONS

	QUARTER			TRAILING YEAR		
	VAL	COR	GRO	VAL	COR	GRO
LC	5.1	5.1	5.1	23.8	25.4	26.9
MC	5.6	5.0	4.4	27.7	26.9	26.0
SC	2.4	2.0	1.7	22.5	23.6	24.7

MARKET SUMMARY

- * The advance estimate from the BEA places GDP at 4%.
- * The unemployment rate dropped slightly to 6.1%.
- * CPI increased at a rate of 2.1% year over year.
- * Domestic equities posted stronger returns in Q2 than in Q1. Value stocks outperformed growth for mid and small cap sizes, while large cap stocks saw similar returns across styles.
- * The US Dollar strengthened slightly relative to the Euro.

INVESTMENT RETURN

As of June 30th, 2014, the Alabama PACT account was valued at \$171,484,487, representing an increase of \$1,752,236 from the March quarter's ending value of \$169,732,251. Last quarter, the Fund recorded net contributions equaling \$482,983 and net investment gains of \$1,269,253. Income receipts totaling \$1,109,775 plus net realized and unrealized capital gains of \$159,478 combined to produce the portfolio's net investment return.

Since December 2010, the portfolio has posted net withdrawals totaling \$331.4 million and posted net investment gains of \$42.9 million. For the period since December 2010, if the total account had earned a compounded nominal rate of 2.0% it would have been valued at \$148.9 million or \$22.6 million less than the actual value as of June 30th, 2014.

As the portfolio wound down its transition process, residual cash and security balances from many of its former managers remained. These balances will dissipate over time as they are liquidated. Because these residual balances were no longer managed actively, and because a meaningful comparative was not possible, individual performance for these small pieces was not presented in this report.

RELATIVE PERFORMANCE

Total Fund

For the second quarter, the portfolio returned 0.7%, which was 0.2% above the Policy Index's return of 0.5% and ranked in the 23rd percentile of the Short-Term Fixed Income universe. Over the trailing year, this portfolio returned 2.2%, which was 0.6% above the benchmark's 1.6% performance, ranking in the 36th percentile. Since December 2010, the account returned 3.6% on an annualized basis and ranked in the 2nd percentile. The Policy Index returned an annualized 1.9% over the same time frame.

Fixed Income

During the second quarter, the fixed income segment returned 0.8%, which was 0.4% less than the Intermediate Gov/Credit Index's return of 1.2% and ranked in the 18th percentile of the Short-Term Fixed Income universe. Over the trailing year, this segment's return was 2.3%, which was 0.6% less than the benchmark's 2.9% performance, ranking in the 36th percentile. Since December 2010, this component returned 3.7% annualized and ranked in the 2nd percentile. The Intermediate Gov/Credit returned an annualized 3.1% during the same time frame.

ASSET ALLOCATION

At the end of the second quarter, international equities comprised 0.0% of the total portfolio (\$74,138), while the portfolio's fixed income component totaled 96.0% (\$164.5 million) with cash & equivalents comprising the remaining 4.0% (\$6.9 million).

The total market value of the Alabama PACT Composite portfolio does not include the cash balance of \$13,432,896 that was in the Treasury Account on June 30th.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	-----Annualized-----	
				3 Years	Since 12/10
Total Gross/Fees	0.7	1.8	2.2	3.0	3.6
<i>SHORT-TERM FIXED RANK</i>	(23)	(28)	(36)	(4)	(2)
Total Net/Fees	0.7	1.6	2.0	2.9	3.4
POLICY INDEX	0.5	1.1	1.6	1.2	1.9
SHADOW INDEX	1.2	2.2	2.8	2.6	3.1
Fixed Income	0.8	1.8	2.3	3.1	3.7
<i>SHORT-TERM FIXED RANK</i>	(18)	(28)	(36)	(3)	(2)
INT GOV/CREDIT	1.2	2.2	2.9	2.8	3.1
1-3 YR GOV/CRED	0.3	0.7	1.1	1.0	1.2
BARCLAYS MBS	2.4	3.6	4.6	2.8	3.2
BARCLAYS AGG	2.0	3.8	4.4	3.7	3.9

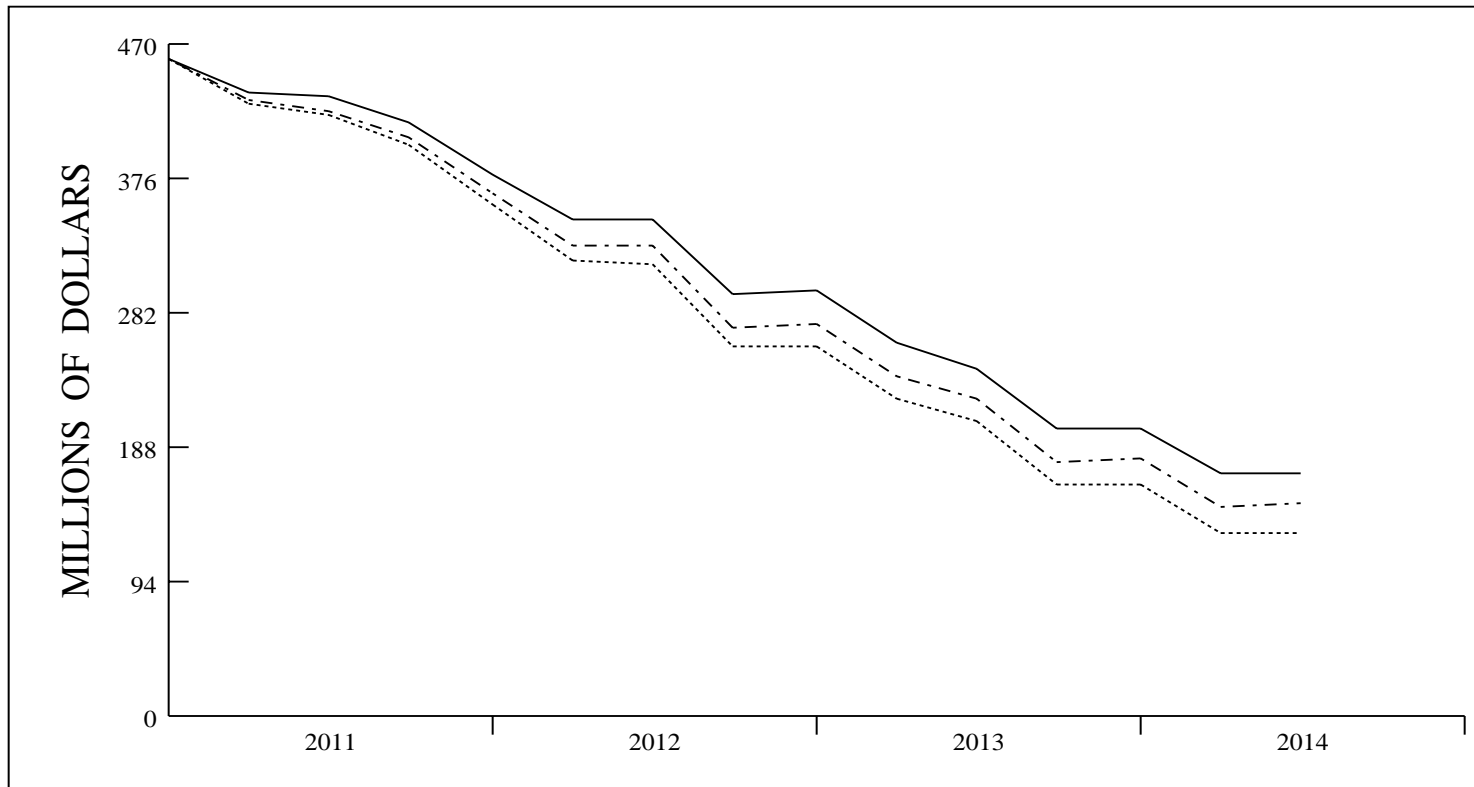
ASSET ALLOCATION

Int'l Equity	0.0%	\$ 74,138
Fixed Income	96.0%	164,545,648
Cash	4.0%	6,864,701
Total Portfolio	100.0%	\$ 171,484,487

INVESTMENT RETURN

Market Value 3/2014	\$ 169,732,251
Contribs / Withdrawals	482,983
Income	1,109,775
Capital Gains / Losses	159,478
Market Value 6/2014	\$ 171,484,487

INVESTMENT GROWTH

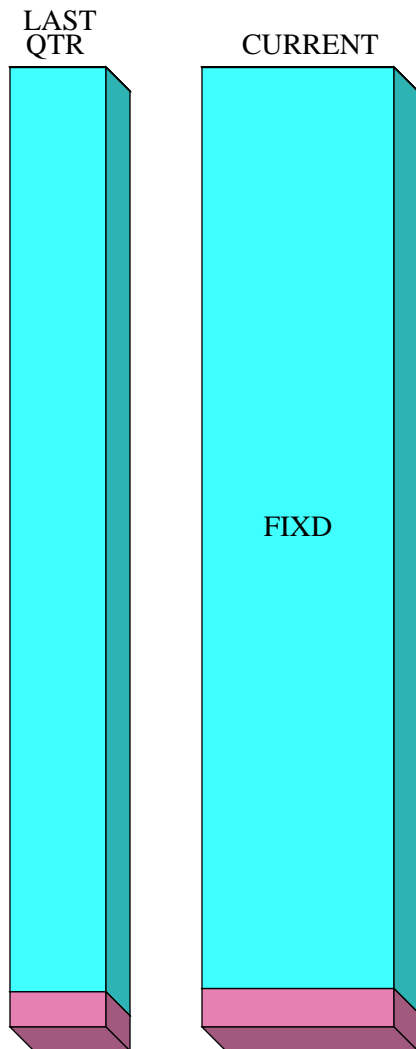


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

VALUE ASSUMING
 2.0% RETURN
 \$ 148,861,447

	LAST QUARTER	PERIOD 12/10 - 6/14
BEGINNING VALUE	\$ 169,732,251	\$ 459,991,904
NET CONTRIBUTIONS	482,983	-331,398,774
<u>INVESTMENT RETURN</u>	<u>1,269,253</u>	<u>42,891,432</u>
ENDING VALUE	\$ 171,484,487	\$ 171,484,487
INCOME	1,109,775	38,470,181
CAPITAL GAINS (LOSSES)	<u>159,478</u>	<u>4,421,247</u>
INVESTMENT RETURN	1,269,253	42,891,432

ASSET ALLOCATION



	<u>VALUE</u>	<u>PERCENT</u>
INTERNATIONAL EQUITY	\$ 74, 138	0.0%
FIXED INCOME	164, 545, 648	96.0%
CASH & EQUIVALENT	6, 864, 701	4.0%
<hr/>		
TOTAL FUND	<hr/> \$ 171, 484, 487	<hr/> 100.0%

MANAGER PERFORMANCE SUMMARY







Name	(Universe)	Quarter	FYTD	1 Year	3 Years	5 Years
Total Portfolio	(ST Fixed)	0.7 (23)	1.8 (28)	2.2 (36)	3.0 (4)	---- ----
<i>Policy Index</i>		<i>0.5 ----</i>	<i>1.1 ----</i>	<i>1.6 ----</i>	<i>1.2 ----</i>	<i>4.4 ----</i>
Mackay Shields	(Broad Fixed)	2.6 (28)	7.9 (24)	9.5 (22)	7.6 (24)	---- ----
<i>Barclays US MBS Index</i>		<i>2.4 ----</i>	<i>3.6 ----</i>	<i>4.6 ----</i>	<i>2.8 ----</i>	<i>3.9 ----</i>
Longfellow	(Int Fixed)	1.3 (56)	2.6 (58)	3.0 (77)	3.1 (62)	---- ----
Mackay Shields	(Int Fixed)	1.3 (63)	3.1 (33)	4.0 (32)	3.6 (33)	---- ----
<i>Intermediate Gov/Credit</i>		<i>1.2 ----</i>	<i>2.2 ----</i>	<i>2.9 ----</i>	<i>2.8 ----</i>	<i>4.1 ----</i>
Longfellow	(ST Fixed)	0.5 (51)	1.2 (50)	1.7 (55)	---- ----	---- ----
Mackay Shields	(ST Fixed)	0.5 (51)	1.1 (61)	1.6 (56)	---- ----	---- ----
<i>Barclays 1-3 Year Gov/Credit</i>		<i>0.3 ----</i>	<i>0.7 ----</i>	<i>1.1 ----</i>	<i>1.0 ----</i>	<i>1.7 ----</i>

MANAGER ALLOCATION SUMMARY







Prior Quarter Market Value	%	Fund Name	Style	Current Quarter Market Value	%
\$25,756	0.0	Acadian	(INEQ)	\$25,435	0.0
\$17,044	0.0	New Star	(INEQ)	\$16,931	0.0
\$31,420	0.0	Principal	(INEQ)	\$31,772	0.0
\$7,612,096	4.5	Mackay Shields	(FIXD)	\$7,333,727	4.3
\$250,647	0.1	Western Asset	(FIXD)	\$1,250	0.0
\$19,553,752	11.5	Longfellow	(IFIX)	\$19,816,122	11.6
\$19,571,992	11.5	Mackay Shields	(IFIX)	\$19,830,079	11.6
\$58,140,331	34.3	Longfellow	(STFX)	\$58,430,909	34.1
\$58,379,154	34.4	Mackay Shields	(STFX)	\$59,133,561	34.5
\$1,441,383	0.8	PACT Cash	(CASH)	\$1,596,468	0.9
\$4,708,676	2.8	Regions Lockbox	(CASH)	\$5,268,233	3.1

MANAGER VALUE ADDED

Most Recent Quarter

Manager	Benchmark	Value Added Vs. Benchmark
Mackay Shields	Barclays MBS	0.2 
Longfellow	Int Gov/Credit	0.1 
Mackay Shields	Int Gov/Credit	0.1 
Longfellow	1-3 Yr Gov/Cred	0.2 
Mackay Shields	1-3 Yr Gov/Cred	0.2 
Total Portfolio	Policy Index	0.2 

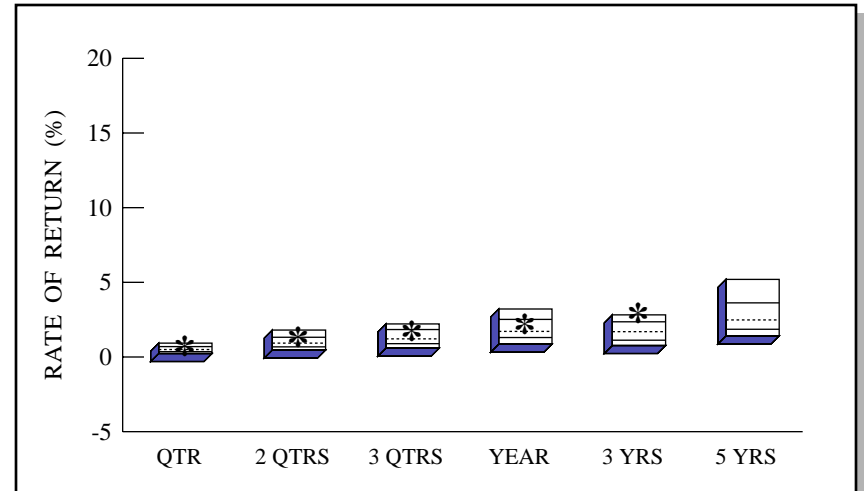
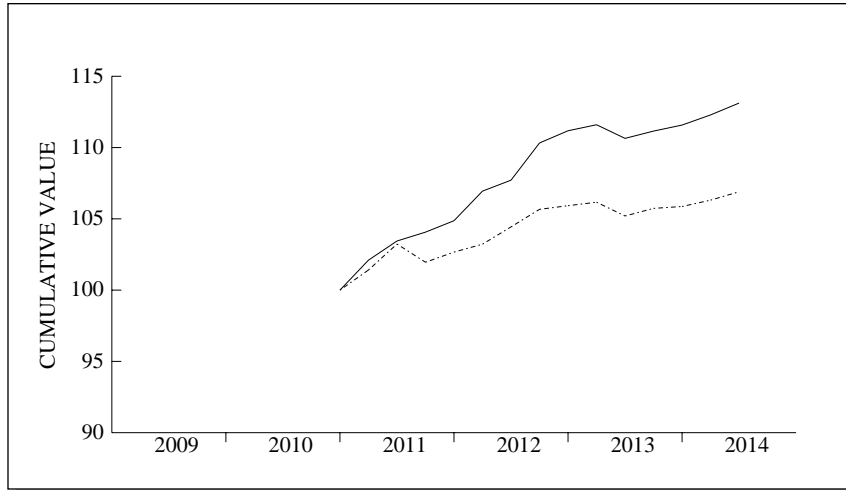
Trailing Twelve Months

Manager	Benchmark	Value Added Vs. Benchmark
Mackay Shields	Barclays MBS	4.9 
Longfellow	Int Gov/Credit	0.2 
Mackay Shields	Int Gov/Credit	1.2 
Longfellow	1-3 Yr Gov/Cred	0.5 
Mackay Shields	1-3 Yr Gov/Cred	0.5 
Total Portfolio	Policy Index	0.6 

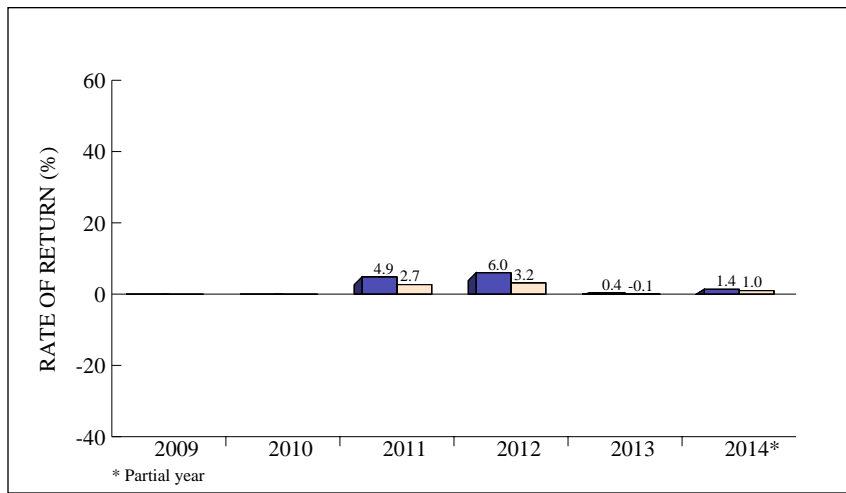
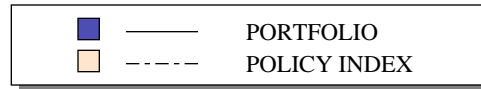
INVESTMENT RETURN SUMMARY - ONE QUARTER

Name	Quarter Total Return	Market Value March 31st, 2014	Net Cashflow	Net Investment Return	Market Value June 30th, 2014
Acadian (INEQ)	---	25,756	0	-321	25,435
New Star (INEQ)	---	17,044	0	-113	16,931
Principal (INEQ)	---	31,420	0	352	31,772
Mackay Shields (FIXD)	2.6	7,612,096	-465,921	187,552	7,333,727
Western Asset (FIXD)	---	250,647	-230,560	-18,837	1,250
Longfellow (ITFI)	1.3	19,553,752	0	262,370	19,816,122
Mackay Shields (ITFI)	1.3	19,571,992	0	258,087	19,830,079
Longfellow (STFI)	0.5	58,140,331	0	290,578	58,430,909
Mackay Shields (STFI)	0.5	58,379,154	465,921	288,486	59,133,561
PACT Cash (CASH)	---	1,441,383	154,533	552	1,596,468
Regions Lockbox (CASH)	---	4,708,676	559,010	547	5,268,233
Total Fund	0.7	169,732,251	482,983	1,269,253	171,484,487

TOTAL RETURN COMPARISONS



Short-Term Fixed Universe



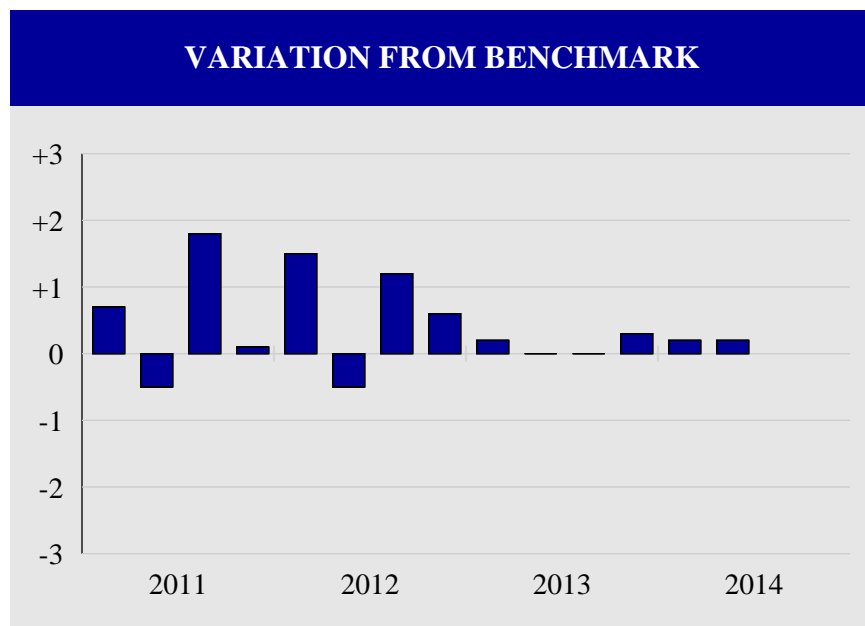
* Partial year

	QTR	2QTRS	3QTRS	YEAR	-----ANNUALIZED-----	
					3 YRS	5 YRS
RETURN	0.7	1.4	1.8	2.2	3.0	---
(RANK)	(23)	(20)	(28)	(36)	(4)	---
5TH %ILE	0.9	1.8	2.2	3.2	2.8	5.2
25TH %ILE	0.7	1.3	1.8	2.5	2.4	3.6
MEDIAN	0.5	0.9	1.2	1.7	1.7	2.5
75TH %ILE	0.4	0.7	0.9	1.3	1.1	1.9
95TH %ILE	0.2	0.5	0.6	0.9	0.8	1.4
Policy Index	0.5	1.0	1.1	1.6	1.2	4.4

Short-Term Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

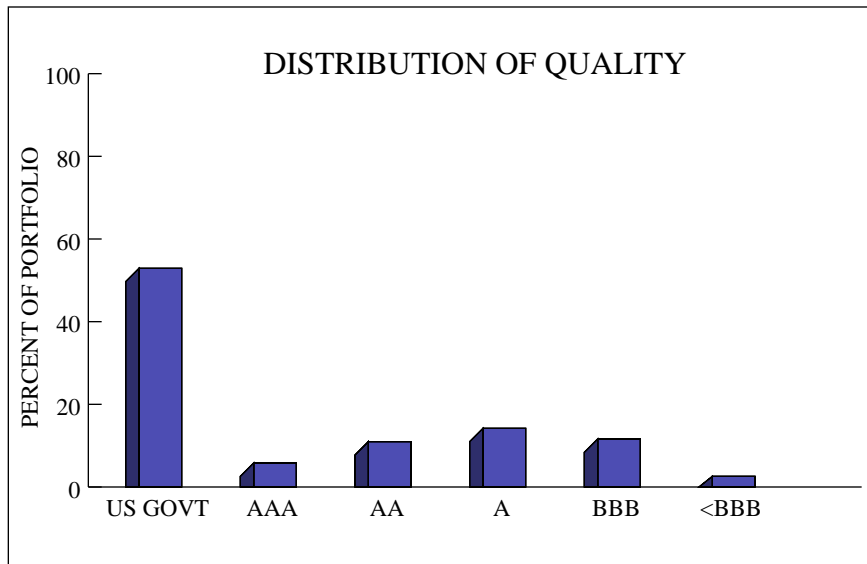
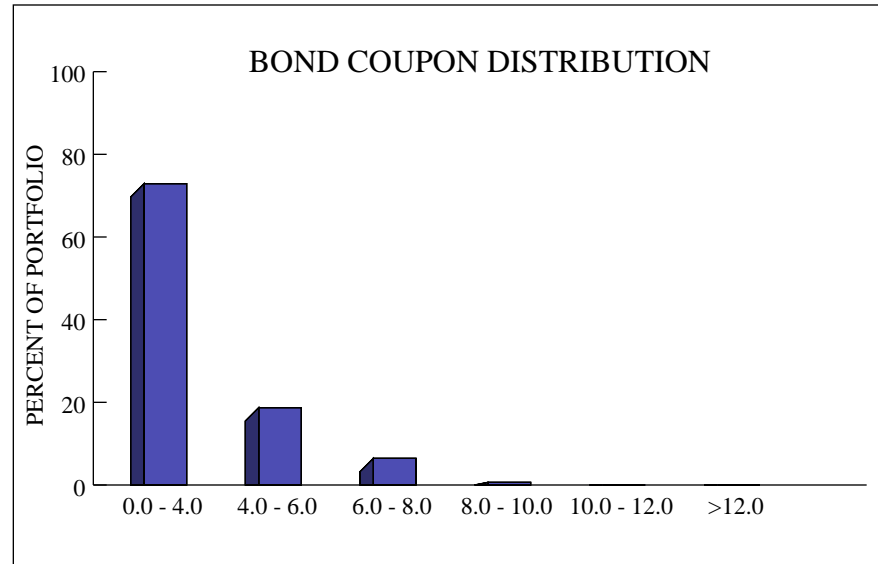
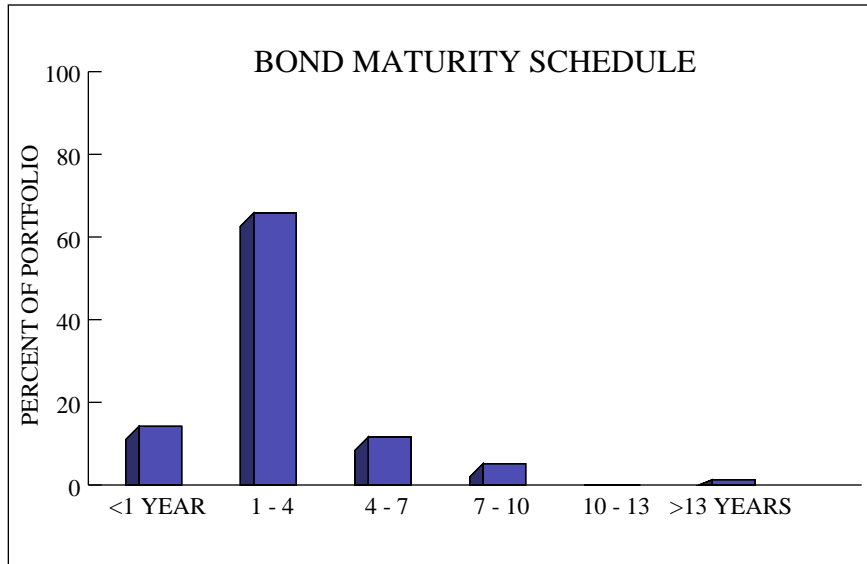
COMPARATIVE BENCHMARK: POLICY INDEX



Total Quarters Observed	14
Quarters At or Above the Benchmark	12
Quarters Below the Benchmark	2
Batting Average	.857

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	2.1	1.4	0.7	2.1	1.4	0.7
6/11	1.3	1.8	-0.5	3.4	3.2	0.2
9/11	0.6	-1.2	1.8	4.1	2.0	2.1
12/11	0.8	0.7	0.1	4.9	2.7	2.2
3/12	2.0	0.5	1.5	6.9	3.2	3.7
6/12	0.7	1.2	-0.5	7.7	4.4	3.3
9/12	2.4	1.2	1.2	10.3	5.7	4.6
12/12	0.8	0.2	0.6	11.2	5.9	5.3
3/13	0.4	0.2	0.2	11.6	6.2	5.4
6/13	-0.9	-0.9	0.0	10.6	5.2	5.4
9/13	0.5	0.5	0.0	11.2	5.7	5.5
12/13	0.4	0.1	0.3	11.6	5.9	5.7
3/14	0.6	0.4	0.2	12.3	6.3	6.0
6/14	0.7	0.5	0.2	13.1	6.9	6.2

BOND CHARACTERISTICS



	PORTFOLIO	INT GOV/CREDIT
No. of Securities	334	4,834
Duration	2.28	3.89
YTM	1.73	1.49
Average Coupon	2.50	2.57
Avg Maturity / WAL	2.93	4.21
Average Quality	AAA-AA	USG-AAA

Alabama PACT Longfellow Intermediate

Portfolio Value:

19,816,122

<i>Guidelines</i>	<i>Limit</i>	<i>Portfolio</i>	<i>Compliance</i>
<i>Fixed:</i>			
Total market value invested in one issuer	5.0%	less than 5.0%	Yes
Holdings as a percentage of total issue outstanding	5.0%	less than 5.0%	Yes
Average duration must be within 20% of benchmark duration	80-120%	94.9%	Yes
All securities must be investment grade	100.0%	100.0%	Yes
Weighted Average Credit Quality	A	Aa2	Yes
Total market value percentage of MBS, CMBS, and CMO securities	20.0%	11.1%	Yes
ABS Security Limitation	10.0%	9.8%	Yes
Rule 144A security limitation	10.0%	9.3%	Yes
CBO Investments prohibited	0.0%	0.0%	Yes
Investments in Principal or Interest-Only CMOs prohibited	0.0%	0.0%	Yes
Investments in non US dollar denominated securities prohibited	0.0%	0.0%	Yes
Bullet Security maximum maturity limit (years)	10	less than 10	Yes

Alabama PACT Longfellow Short Term

Portfolio Value:

58,430,909

<i>Guidelines</i>	<i>Limit</i>	<i>Portfolio</i>	<i>Compliance</i>
<i>Fixed:</i>			
Total market value invested in one issuer	5.0%	less than 5.0%	Yes
Holdings as a percentage of total issue outstanding	5.0%	less than 5.0%	Yes
Average duration must be within 20% of benchmark duration	80-120%	91.7%	Yes
All securities must be investment grade	100.0%	100.0%	Yes
Weighted Average Credit Quality	A	Aa2	Yes
Total market value percentage of MBS, CMBS, and CMO securities	20.0%	13.7%	Yes
ABS Security Limitation	10.0%	9.8%	Yes
Rule 144A security limitation	10.0%	9.2%	Yes
CBO Investments prohibited	0.0%	0.0%	Yes
Investments in Principal or Interest-Only CMOs prohibited	0.0%	0.0%	Yes
Investments in non US dollar denominated securities prohibited	0.0%	0.0%	Yes
Bullet Security maximum maturity limit (years)	5	less than 5.25	Yes

Mackay Shields Intermediate**Portfolio Value:****19,830,079**

Guidelines	Limit	Portfolio	Compliance
<i>Fixed:</i>			
Total market value invested in one issuer	5.0%	2.3%	Yes
Holdings as percent of total issue outstanding	5.0%	0.1%	Yes
Average duration must be within 20% of benc	20.0%	3.6%	Yes
All securities must be investment grade	100.0%	100.0%	Yes
Weighted Average Credit Quality	A	A+	Yes
Total market value percentage of MBS, CMBS, and CMO securities	20.0%	0.4%	Yes
ABS Security Limitation	10.0%	0.0%	Yes
Rule 144A security limitation	10.0%	4.8%	Yes
CBO Investments prohibited	0.0%	0.0%	Yes
Investments in Principal or Interest-Only CMOs prohibited	0.0%	0.0%	Yes
Investments in Foreign Securities prohibited	0.0%	0.0%	Yes
Bullet Security maximum maturity limit (years)	10	0	Yes

Mackay Shields Short Term**Portfolio Value:****59,133,561**

Guidelines	Limit	Portfolio	Compliance
<i>Fixed:</i>			
Total market value invested in one issuer	5.0%	2.3%	Yes
Holdings as percent of total issue outstanding	5.0%	0.2%	Yes
Average duration must be within 20% of benc	20.0%	1.7%	Yes
All securities must be investment grade	100.0%	100.0%	Yes
Weighted Average Credit Quality	A	AA	Yes
Total market value percentage of MBS, CMBS, and CMO securities	20.0%	2.7%	Yes
ABS Security Limitation	10.0%	0.8%	Yes
Rule 144A security limitation	10.0%	4.2%	Yes
CBO Investments prohibited	0.0%	0.0%	Yes
Investments in Principal or Interest-Only CMOs prohibited	0.0%	0.0%	Yes
Investments in Foreign Securities prohibited	0.0%	0.0%	Yes
Bullet Security maximum maturity limit (years)	10	0	Yes

APPENDIX - MAJOR MARKET INDEX RETURNS

Domestic Equity	Style	QTR	FYTD	1 Year	3 years	5 Years
Russell 3000	Broad Equity	4.9	17.7	25.2	16.5	19.3
S&P 500	Large Cap Core	5.2	18.4	24.6	16.6	18.8
Russell 1000	Large Cap Core	5.1	18.3	25.4	16.6	19.3
Russell 1000 Growth	Large Cap Growth	5.1	17.4	26.9	16.3	19.2
Russell 1000 Value	Large Cap Value	5.1	19.1	23.8	16.9	19.2
Russell Mid Cap	Midcap	5.0	17.8	26.9	16.1	22.1
Russell Mid Cap Growth	Midcap Growth	4.4	15.3	26.0	14.5	21.2
Russell Mid Cap Value	Midcap Value	5.6	20.6	27.7	17.5	23.0
Russell 2000	Small Cap	2.0	12.2	23.6	14.6	20.2
Russell 2000 Growth	Small Cap Growth	1.7	10.6	24.7	14.5	20.5
Russell 2000 Value	Small Cap Value	2.4	13.9	22.5	14.6	19.9
International Equity	Style	QTR	FYTD	1 Year	3 years	5 Years
MSCI EAFE	Developed Markets Equity	4.3	11.2	24.1	8.6	12.3
MSCI EAFE Growth	Developed Markets Growth	3.7	9.3	20.8	8.1	12.6
MSCI EAFE Value	Developed Markets Value	5.0	13.1	27.5	9.1	11.9
MSCI All Country World Ex US	Foreign Equity	5.2	11.0	22.3	6.2	11.6
MSCI Emerging Markets	Emerging Markets Equity	6.7	8.3	14.7	-0.1	9.6
Domestic Fixed Income	Style	QTR	FYTD	1 Year	3 years	5 Years
Barclays Aggregate Index	Core Fixed Income	2.0	3.8	4.4	3.7	4.9
Barclays Gov/Credit	Gov/Credit	1.9	3.9	4.3	4.1	5.1
Barclays Capital Gov't Bond	Treasuries	1.3	2.0	2.1	2.9	3.5
Barclays Capital Credit Bond	Corporate Bonds	2.7	6.9	7.7	6.2	7.9
Intermediate Aggregate	Core Intermediate	1.6	2.7	3.5	2.8	4.2
Intermediate Gov/Credit	Gov / Credit Intermediate	1.2	2.2	2.9	2.8	4.1
ML/BoA 1-3 Year Treasury	Short Term Treasuries	0.3	0.5	0.8	0.5	1.1
CSFB High Yield	High Yield Bonds	2.4	9.2	11.8	9.4	13.7
Alternative Assets	Style	QTR	FYTD	1 Year	3 years	5 Years
Barclays Global Ex-US	International Treasuries	2.8	4.5	8.8	0.7	2.0
NCREIF NFI-ODCE Index	Real Estate	2.9	8.9	12.7	12.4	10.0
HFRI FOF Composite	Hedge Funds	1.6	5.9	7.7	3.3	3.9

APPENDIX - DISCLOSURES

* The Policy Index is a policy-weighted passive index that was constructed as follows:

For all periods through 9/30/2011:

14.0% Russell 3000	6.0% MSCI ACWI ex-US	27% Barclays Aggregate
53.0% Intermediate Duration Hybrid Index		

From 10/1/2011 through 9/30/2012:

75.0% Barclays Intermediate Gov/Credit	25.0% Barclays 1-3 Year Gov/Credit
--	------------------------------------

From 10/1/2012 through 9/30/2013:

50.0% Barclays Intermediate Gov/Credit	50.0% Barclays 1-3 Year Gov/Credit
--	------------------------------------

From 10/1/2013 through 9/30/2014:

25.0% Barclays Intermediate Gov/Credit	75.0% Barclays 1-3 Year Gov/Credit
--	------------------------------------

From 10/1/2014 through 9/30/2015:

100.0% Barclays 1-3 Year Gov/Credit

From 10/1/2015 through 9/30/2016:

100.0% Barclays 1-3 Year Gov/Credit

* The shadow index is a customized index that matches your portfolio's asset allocation on a quarterly basis.

This index was calculated using the following asset classes and corresponding benchmarks:

International Equity	MSCI All Country World Ex US
Fixed Income	Intermediate Gov/Credit
Cash & Equivalent	90 Day T Bill

* Dahab Associates utilizes data provided by a custodian and other vendors it believes are reliable. However, it cannot assume responsibility for errors and omissions therefrom.

* All returns were calculated on a time-weighted basis, and are gross of fees unless otherwise noted.

* All returns for periods greater than one year are annualized.

* All values are in US dollars.

ALABAMA PACT
MACKAY SHIELDS - CORE PLUS LIQUIDATION FUND
PERFORMANCE REVIEW
JUNE 2014

INVESTMENT RETURN

On June 30th, 2014, the Alabama PACT's Mackay Shields Core Plus Liquidation Fund was valued at \$7,333,727, which represented a decrease of \$278,369 relative to the March quarter's ending value of \$7,612,096. During the last three months, the account recorded withdrawals totaling \$465,921, which overshadowed the portfolio's net investment return of \$187,552. Total net investment return was the product of income receipts, which totaled \$154,480 and \$33,072 in net realized and unrealized capital gains.

Since December 2010, the account has posted net withdrawals totaling \$114.5 million and recorded net investment gains of \$8.1 million. For the period since December 2010, if the total account had earned a compounded nominal rate of 2.0% it would have been valued at \$1.0 million or \$6.3 million less than the actual value as of June 30th, 2014.

RELATIVE PERFORMANCE

During the second quarter, the Mackay Shields Core Plus Liquidation Fund gained 2.6%, which was 0.2% greater than the Barclays US MBS Index's return of 2.4% and ranked in the 28th percentile of the Broad Market Fixed Income universe. Over the trailing year, the portfolio returned 9.5%, which was 4.9% greater than the benchmark's 4.6% return, and ranked in the 22nd percentile. Since December 2010, the account returned 7.8% per annum and ranked in the 24th percentile. The Barclays US MBS Index returned an annualized 3.2% over the same time frame.

BOND ANALYSIS

At the end of the quarter, approximately 20% of the total bond portfolio was comprised of USG quality securities. Corporate securities, rated AAA through less than BBB made up the remainder, giving the portfolio an overall average quality rating of A-BBB. The average maturity of the portfolio was 6.0 years, less than the Barclays US MBS Index's 7.2-year maturity. The average coupon was 1.9%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	-----Annualized-----	
				3 Years	Since 12/10
Total Gross/Fees	2.6	7.9	9.5	7.6	7.8
<i>BROAD MARKET FIXED RANK</i>	(28)	(24)	(22)	(24)	(24)
Total Net/Fees	2.5	7.8	9.4	7.4	7.6
BARCLAYS MBS	2.4	3.6	4.6	2.8	3.2
Fixed Income	2.6	7.9	9.5	7.6	7.8
<i>BROAD MARKET FIXED RANK</i>	(28)	(24)	(22)	(24)	(24)
BARCLAYS MBS	2.4	3.6	4.6	2.8	3.2

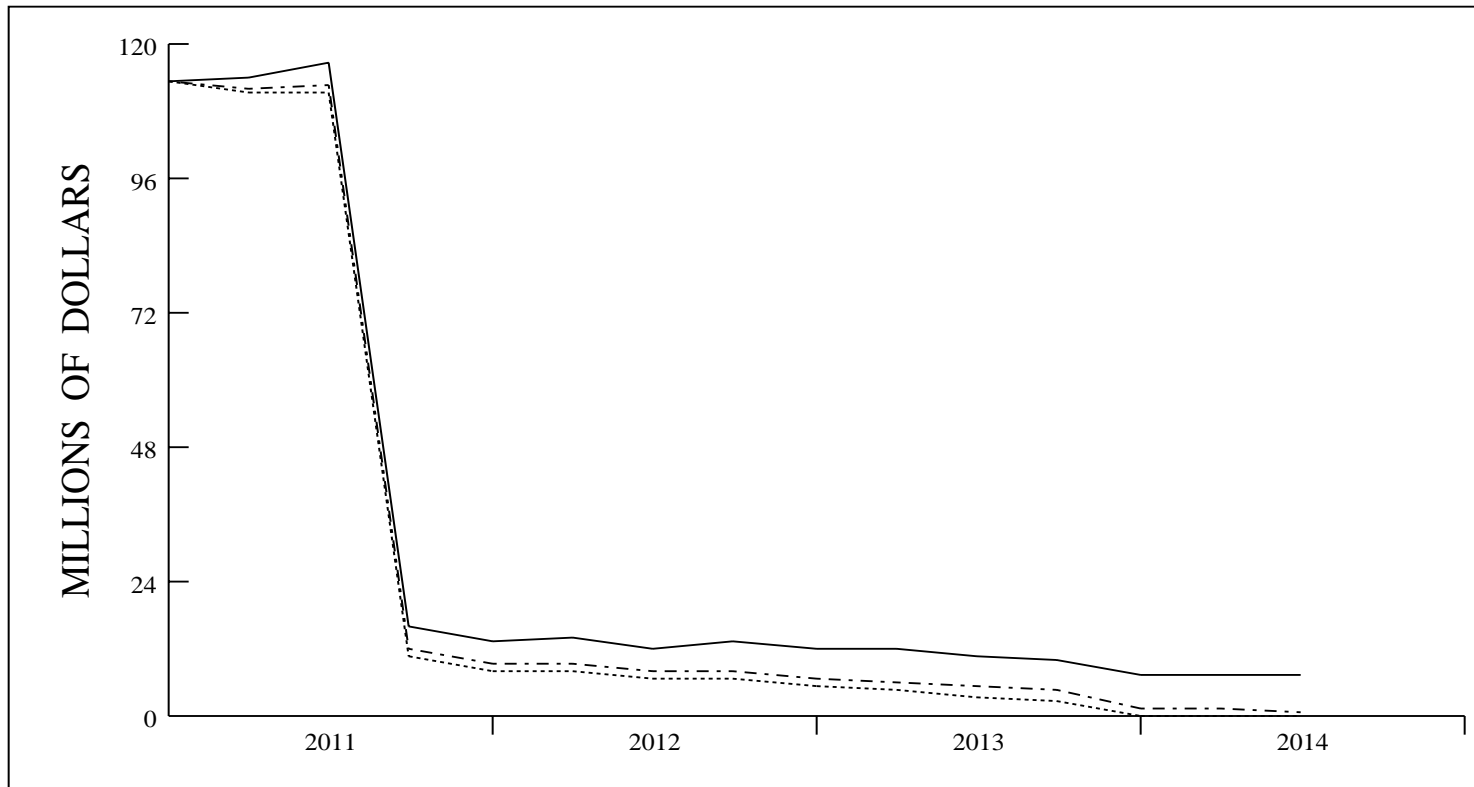
ASSET ALLOCATION

Fixed Income	100.0%	\$ 7,333,727
Total Portfolio	100.0%	\$ 7,333,727

INVESTMENT RETURN

Market Value 3/2014	\$ 7,612,096
Contribs / Withdrawals	-465,921
Income	154,480
Capital Gains / Losses	33,072
Market Value 6/2014	\$ 7,333,727

INVESTMENT GROWTH

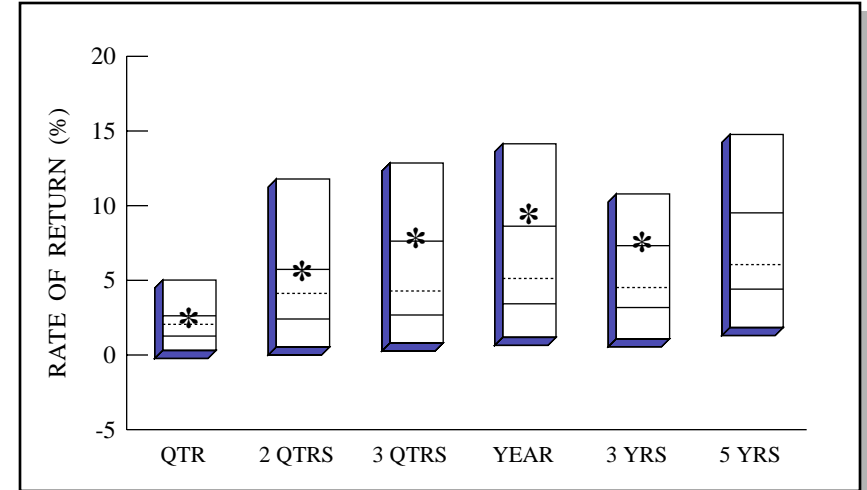
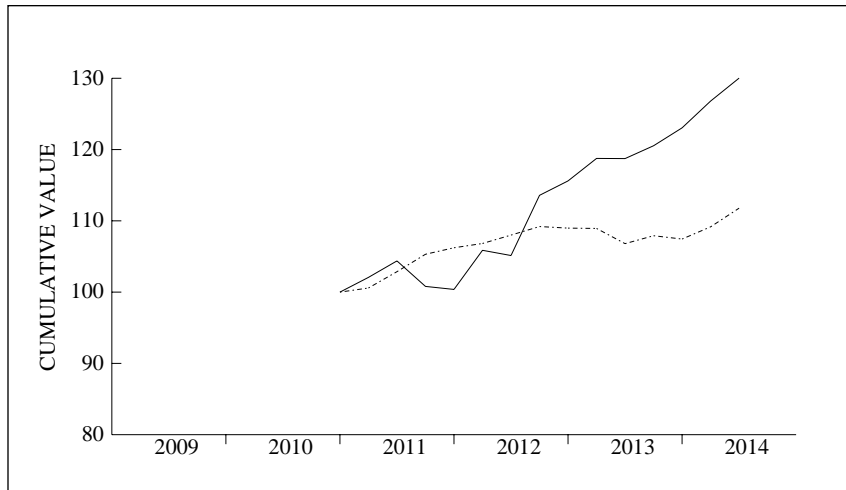


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

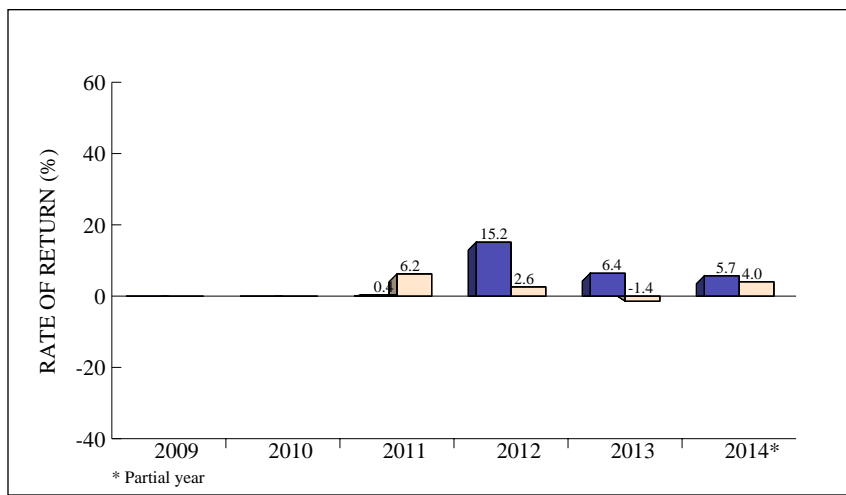
VALUE ASSUMING
 2.0% RETURN
 \$ 1,048,425

	LAST QUARTER	PERIOD 12/10 - 6/14
BEGINNING VALUE	\$ 7,612,096	\$ 113,708,562
NET CONTRIBUTIONS	-465,921	-114,458,386
INVESTMENT RETURN	187,552	8,083,549
ENDING VALUE	\$ 7,333,727	\$ 7,333,727
INCOME	154,480	7,606,372
CAPITAL GAINS (LOSSES)	33,072	477,177
INVESTMENT RETURN	187,552	8,083,549

TOTAL RETURN COMPARISONS



Broad Market Fixed Universe

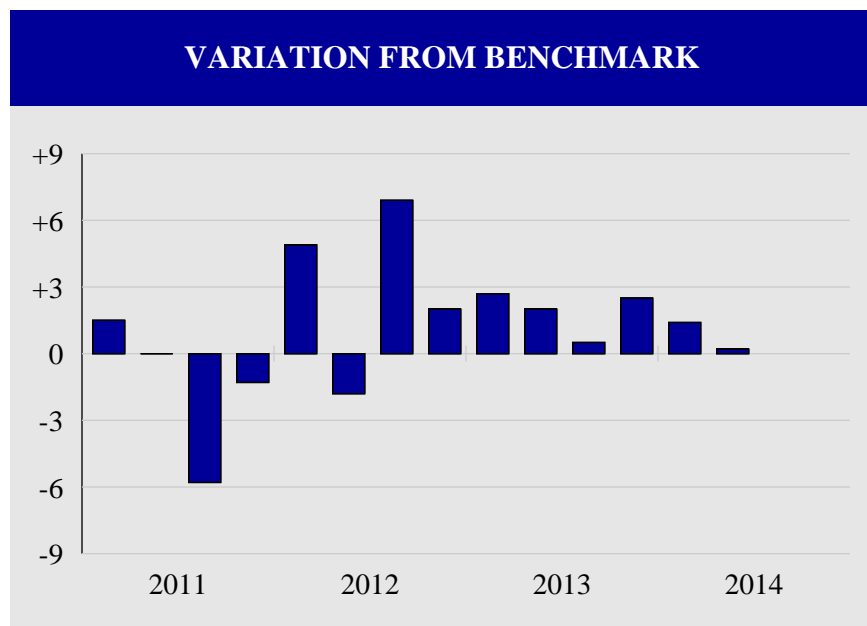


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	2.6	5.7	7.9	9.5	7.6	---
(RANK)	(28)	(26)	(24)	(22)	(24)	---
5TH %ILE	5.0	11.8	12.9	14.1	10.8	14.8
25TH %ILE	2.6	5.7	7.6	8.6	7.3	9.5
MEDIAN	2.1	4.1	4.3	5.1	4.5	6.1
75TH %ILE	1.3	2.4	2.7	3.4	3.2	4.4
95TH %ILE	0.3	0.5	0.8	1.2	1.1	1.8
MBS Idx	2.4	4.0	3.6	4.6	2.8	3.9

Broad Market Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

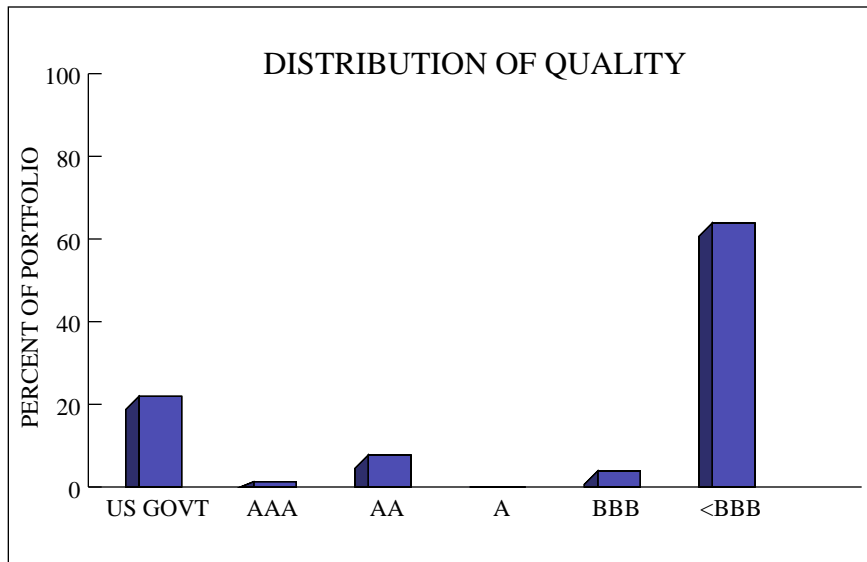
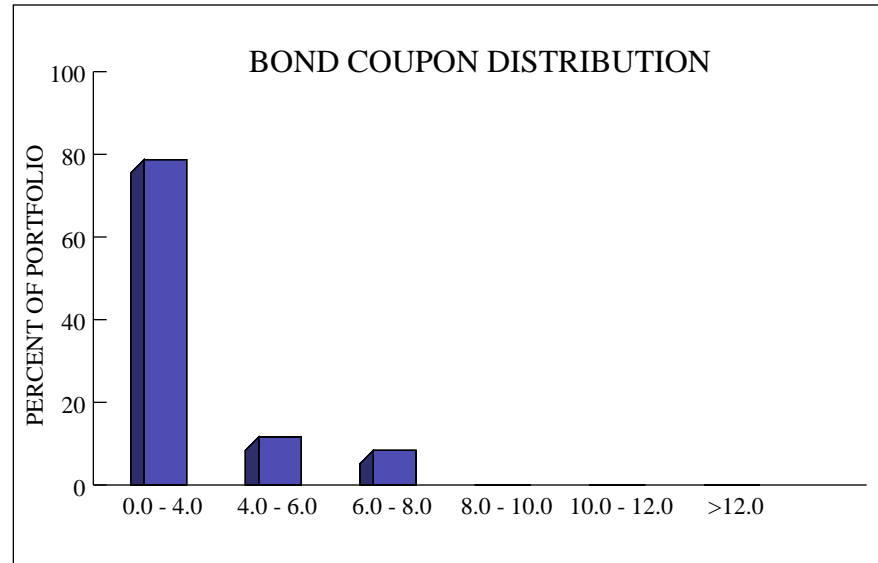
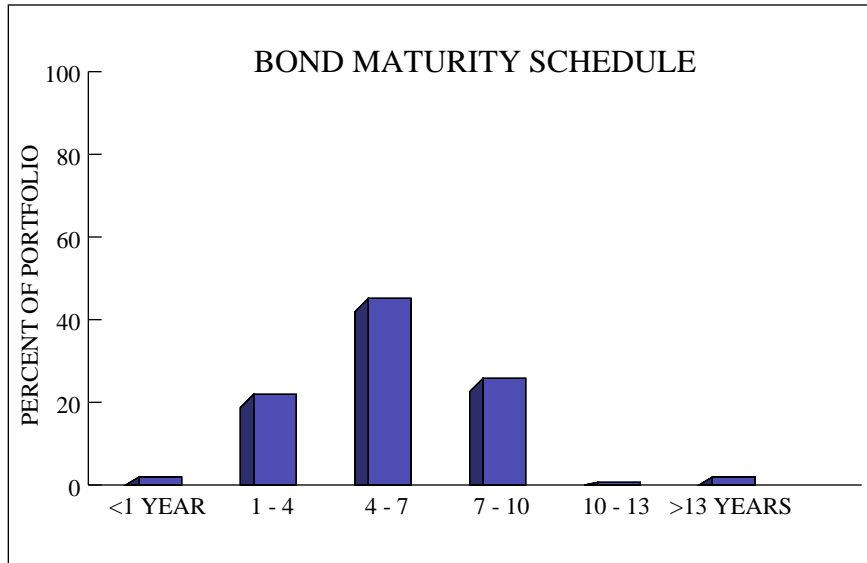
COMPARATIVE BENCHMARK: BARCLAYS US MBS INDEX



Total Quarters Observed	14
Quarters At or Above the Benchmark	11
Quarters Below the Benchmark	3
Batting Average	.786

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	2.1	0.6	1.5	2.1	0.6	1.5
6/11	2.3	2.3	0.0	4.4	2.9	1.5
9/11	-3.4	2.4	-5.8	0.8	5.3	-4.5
12/11	-0.4	0.9	-1.3	0.4	6.2	-5.8
3/12	5.5	0.6	4.9	5.9	6.8	-0.9
6/12	-0.7	1.1	-1.8	5.1	8.0	-2.9
9/12	8.0	1.1	6.9	13.6	9.2	4.4
12/12	1.8	-0.2	2.0	15.6	9.0	6.6
3/13	2.7	0.0	2.7	18.8	8.9	9.9
6/13	0.0	-2.0	2.0	18.7	6.8	11.9
9/13	1.5	1.0	0.5	20.5	7.9	12.6
12/13	2.1	-0.4	2.5	23.1	7.5	15.6
3/14	3.0	1.6	1.4	26.8	9.2	17.6
6/14	2.6	2.4	0.2	30.0	11.8	18.2

BOND CHARACTERISTICS



	PORTFOLIO	BC US MBS
No. of Securities	55	430
Duration	4.62	5.06
YTM	4.25	2.79
Average Coupon	1.87	3.85
Avg Maturity / WAL	5.98	7.19
Average Quality	A-BBB	US GOVT

ALABAMA PACT
LONGFELLOW - INTERMEDIATE
PERFORMANCE REVIEW
JUNE 2014

INVESTMENT RETURN

This account was fully invested on June 30th, 2014, the Alabama PACT's Longfellow Intermediate portfolio was valued at \$19,816,122, which represented an increase of \$262,370 over the March quarter's ending value of \$19,553,752. There were no contributions or withdrawals recorded to the account last quarter, making the fund's increase in value the product of net investment returns. Income receipts totaling \$169,279 plus net realized and unrealized capital gains of \$93,091 combined to produce last quarter's net investment return.

For the cumulative period since December 2010, the portfolio has posted net withdrawals totaling \$105.3 million and posted net investment gains totaling \$12.3 million. For the period since December 2010, if the total fund returned a compounded nominal rate of 2.0% it would have been worth \$12.9 million or \$6.9 million less than the actual value as of June 30th, 2014.

RELATIVE PERFORMANCE

During the second quarter, the Longfellow Intermediate portfolio returned 1.3%, which was 0.1% above the Intermediate Gov/Credit Index's return of 1.2% and ranked in the 56th percentile of the Intermediate Fixed Income universe. Over the trailing year, the portfolio returned 3.0%, which was 0.1% above the benchmark's 2.9% performance, ranking in the 77th percentile. Since December 2010, the portfolio returned 3.4% on an annualized basis and ranked in the 64th percentile. For comparison, the Intermediate Gov/Credit returned an annualized 3.1% over the same period.

BOND ANALYSIS

At the end of the quarter, USG rated securities comprised approximately 35% of the bond portfolio, while corporate securities, rated AAA through less than BBB, made up the remainder, giving the bond portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 5.2 years, longer than the Barclays Intermediate Gov/Credit Index's 4.2-year maturity. The average coupon was 4.2%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	-----Annualized-----	
				3 Years	Since 12/10
Total Gross/Fees	1.3	2.6	3.0	3.1	3.4
<i>INTERMEDIATE FIXED RANK</i>	(56)	(58)	(77)	(62)	(64)
Total Net/Fees	1.3	2.5	2.8	3.0	3.2
INT GOV/CREDIT	1.2	2.2	2.9	2.8	3.1
Fixed Income	1.3	2.6	3.0	3.1	3.4
<i>INTERMEDIATE FIXED RANK</i>	(56)	(58)	(77)	(62)	(64)
INT GOV/CREDIT	1.2	2.2	2.9	2.8	3.1

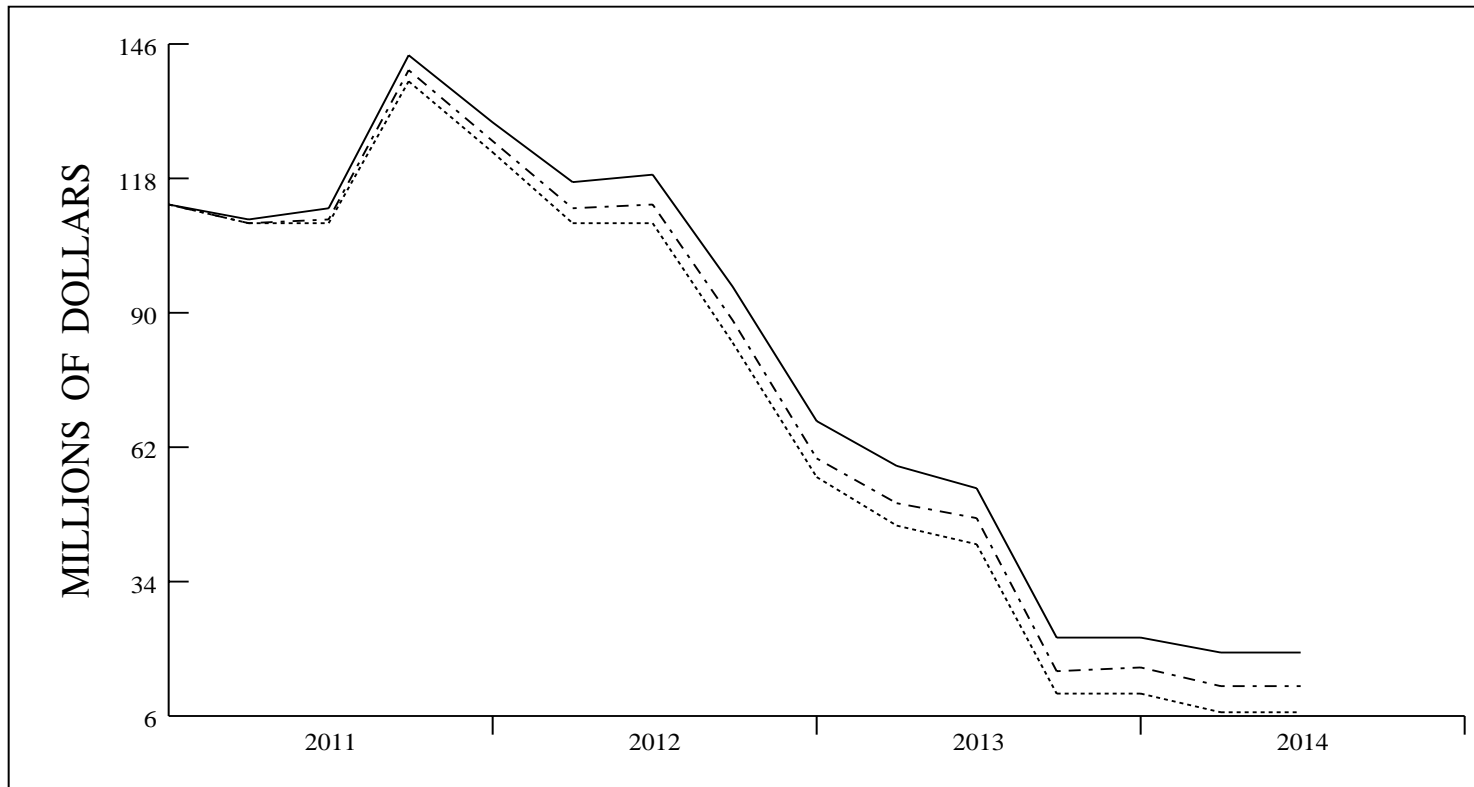
ASSET ALLOCATION

Fixed Income	100.0%	\$ 19,816,122
Total Portfolio	100.0%	\$ 19,816,122

INVESTMENT RETURN

Market Value 3/2014	\$ 19,553,752
Contribs / Withdrawals	0
Income	169,279
Capital Gains / Losses	93,091
Market Value 6/2014	\$ 19,816,122

INVESTMENT GROWTH

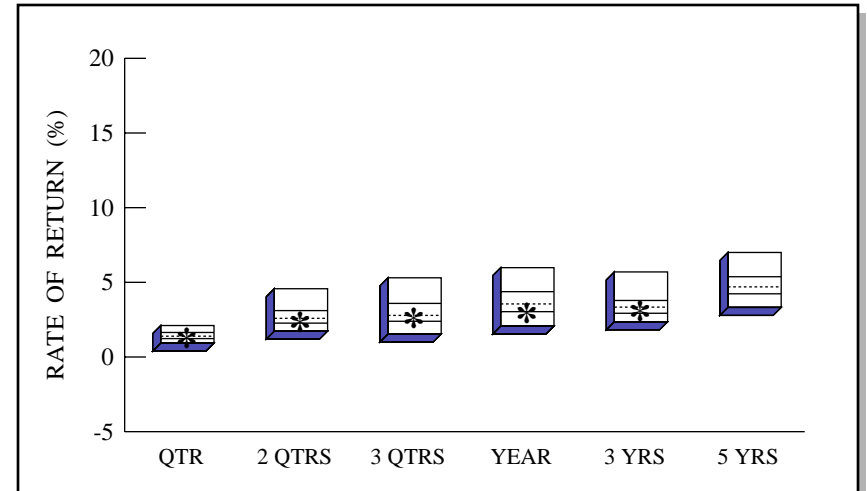
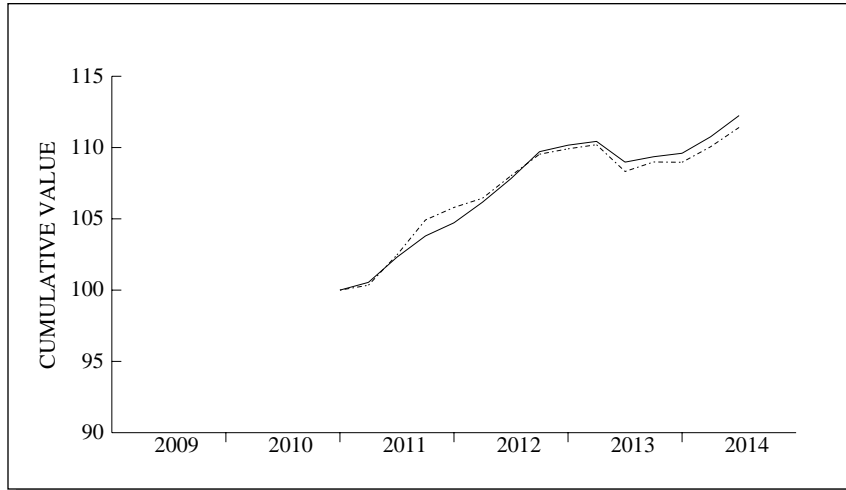


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

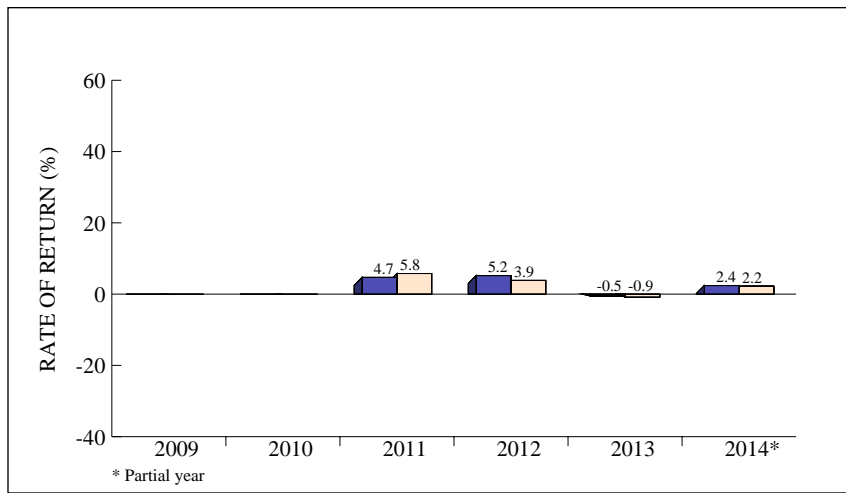
VALUE ASSUMING
 2.0% RETURN
 \$ 12,892,346

	LAST QUARTER	PERIOD 12/10 - 6/14
BEGINNING VALUE	\$ 19,553,752	\$ 112,861,155
NET CONTRIBUTIONS	0	-105,318,893
<u>INVESTMENT RETURN</u>	<u>262,370</u>	<u>12,273,863</u>
ENDING VALUE	\$ 19,816,122	\$ 19,816,122
INCOME	169,279	11,179,372
CAPITAL GAINS (LOSSES)	<u>93,091</u>	<u>1,094,491</u>
INVESTMENT RETURN	262,370	12,273,863

TOTAL RETURN COMPARISONS



Intermediate Fixed Universe

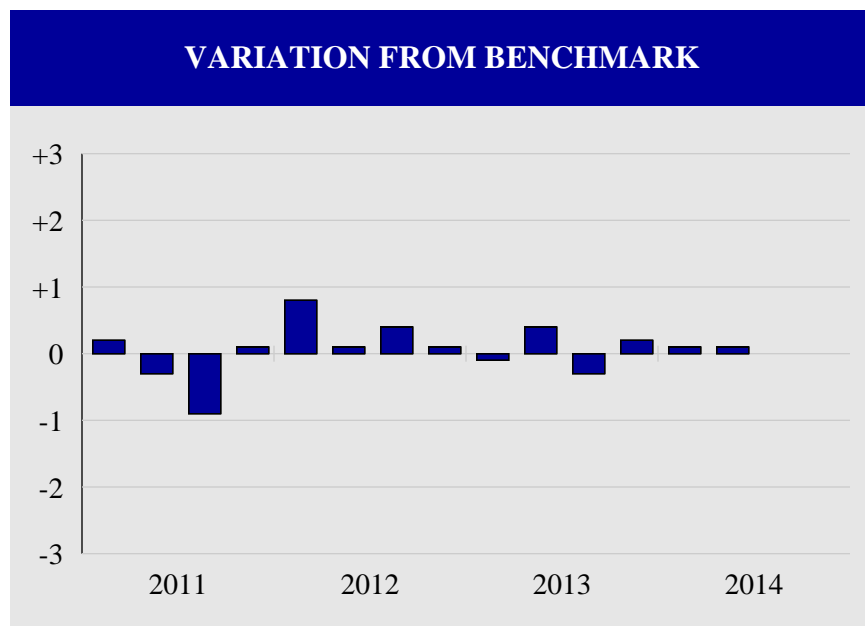


	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	1.3	2.4	2.6	3.0	3.1	----
(RANK)	(56)	(67)	(58)	(77)	(62)	----
5TH %ILE	2.1	4.6	5.3	6.0	5.7	7.0
25TH %ILE	1.6	3.1	3.6	4.4	3.8	5.4
MEDIAN	1.4	2.6	2.8	3.6	3.3	4.7
75TH %ILE	1.2	2.3	2.4	3.0	2.9	4.2
95TH %ILE	0.9	1.7	1.5	2.1	2.4	3.3
Int G/C	1.2	2.2	2.2	2.9	2.8	4.1

Intermediate Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

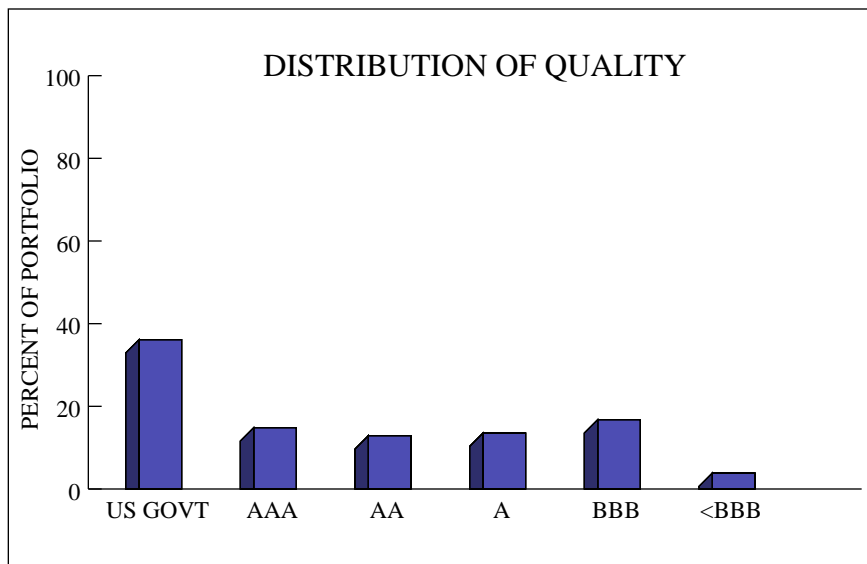
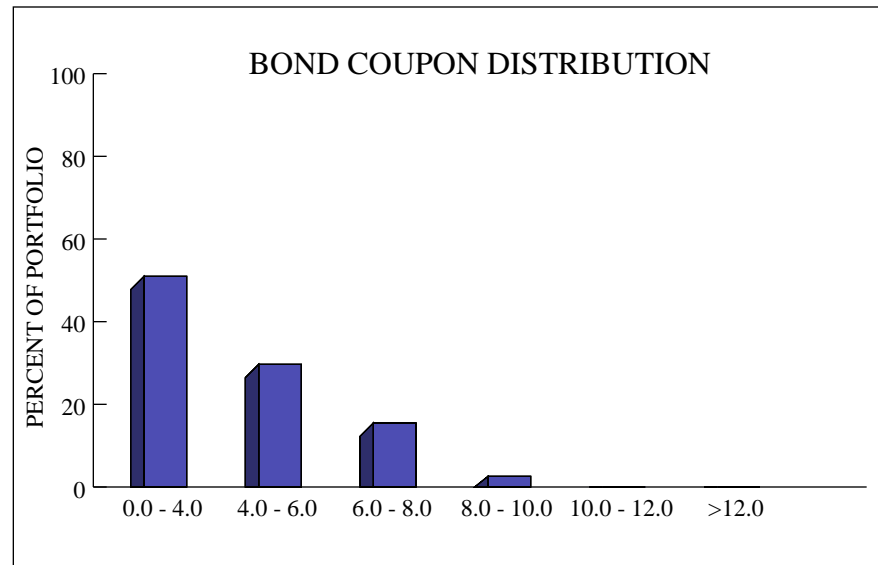
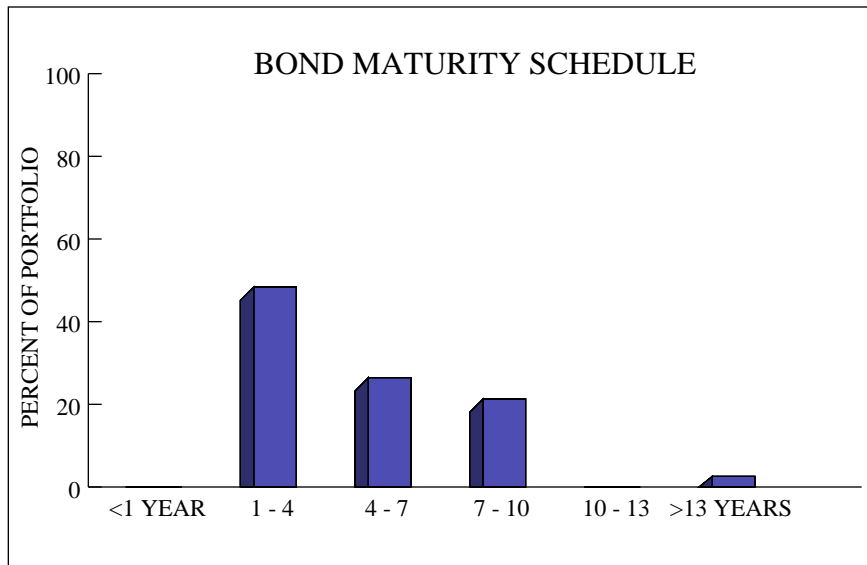
COMPARATIVE BENCHMARK: INTERMEDIATE GOV/CREDIT



Total Quarters Observed	14
Quarters At or Above the Benchmark	10
Quarters Below the Benchmark	4
Batting Average	.714

RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	0.5	0.3	0.2	0.5	0.3	0.2
6/11	1.8	2.1	-0.3	2.3	2.5	-0.2
9/11	1.5	2.4	-0.9	3.8	4.9	-1.1
12/11	0.9	0.8	0.1	4.7	5.8	-1.1
3/12	1.4	0.6	0.8	6.2	6.4	-0.2
6/12	1.6	1.5	0.1	7.8	8.0	-0.2
9/12	1.8	1.4	0.4	9.7	9.5	0.2
12/12	0.4	0.3	0.1	10.2	9.9	0.3
3/13	0.2	0.3	-0.1	10.4	10.2	0.2
6/13	-1.3	-1.7	0.4	9.0	8.3	0.7
9/13	0.3	0.6	-0.3	9.4	9.0	0.4
12/13	0.2	0.0	0.2	9.6	9.0	0.6
3/14	1.1	1.0	0.1	10.8	10.1	0.7
6/14	1.3	1.2	0.1	12.2	11.4	0.8

BOND CHARACTERISTICS



	PORTFOLIO	INT GOV/CREDIT
No. of Securities	46	4,834
Duration	3.78	3.89
YTM	1.86	1.49
Average Coupon	4.20	2.57
Avg Maturity / WAL	5.15	4.21
Average Quality	AAA-AA	USG-AAA

ALABAMA PACT
MACKAY SHIELDS - INTERMEDIATE FUND
PERFORMANCE REVIEW
JUNE 2014

INVESTMENT RETURN

On June 30th, 2014, the Alabama PACT's Mackay Shields Intermediate Fund was valued at \$19,830,079, representing an increase of \$258,087 over the March quarter's ending value of \$19,571,992. There were no net contributions or withdrawals recorded to the portfolio last quarter, making the fund's increase in value the direct result of net investment returns. The portfolio's net investment return figure was comprised of income receipts totaling \$107,775 and net realized and unrealized capital gains of \$150,312.

For the cumulative period since December 2010, the portfolio has recorded net withdrawals totaling \$107.4 million and posted \$13.7 million in net investment gains. Since December 2010, if the total portfolio had earned a compounded nominal rate of 2.0% it would have been valued at \$11.4 million or \$8.4 million less than the actual value as of June 30th, 2014.

RELATIVE PERFORMANCE

For the second quarter, the Mackay Shields Intermediate Fund returned 1.3%, which was 0.1% above the Intermediate Gov/Credit Index's return of 1.2% and ranked in the 63rd percentile of the Intermediate Fixed Income universe. Over the trailing twelve-month period, this portfolio returned 4.0%, which was 1.1% greater than the benchmark's 2.9% performance, ranking in the 32nd percentile. Since December 2010, the portfolio returned 4.0% per annum and ranked in the 32nd percentile. The Intermediate Gov/Credit returned an annualized 3.1% over the same time frame.

BOND ANALYSIS

At the end of the quarter, USG rated securities comprised nearly 55% of the bond portfolio, while corporate securities, rated AA through BBB, comprised the remainder, giving the portfolio an overall average quality rating of AAA-AA. The average maturity of the portfolio was 3.9 years, less than the Barclays Intermediate Gov/Credit Index's 4.2-year maturity. The average coupon was 2.5%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	-----Annualized-----	
				3 Years	Since 12/10
Total Gross/Fees	1.3	3.1	4.0	3.6	4.0
<i>INTERMEDIATE FIXED RANK</i>	(63)	(33)	(32)	(33)	(32)
Total Net/Fees	1.3	3.0	3.9	3.5	3.8
INT GOV/CREDIT	1.2	2.2	2.9	2.8	3.1
Fixed Income	1.3	3.1	4.0	3.6	4.0
<i>INTERMEDIATE FIXED RANK</i>	(63)	(33)	(32)	(33)	(32)
INT GOV/CREDIT	1.2	2.2	2.9	2.8	3.1

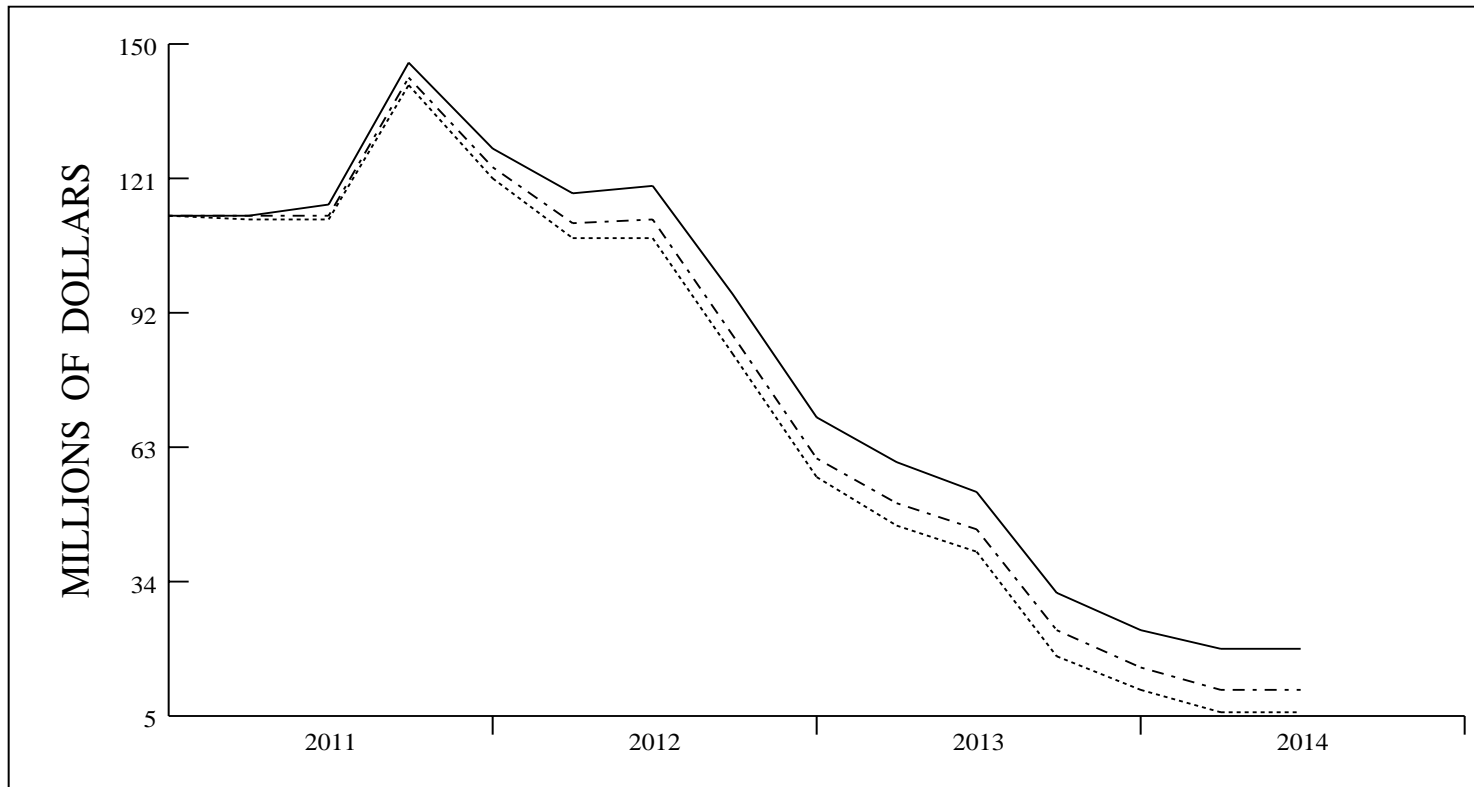
ASSET ALLOCATION

Fixed Income	100.0%	\$ 19,830,079
Total Portfolio	100.0%	\$ 19,830,079

INVESTMENT RETURN

Market Value 3/2014	\$ 19,571,992
Contribs / Withdrawals	0
Income	107,775
Capital Gains / Losses	150,312
Market Value 6/2014	\$ 19,830,079

INVESTMENT GROWTH

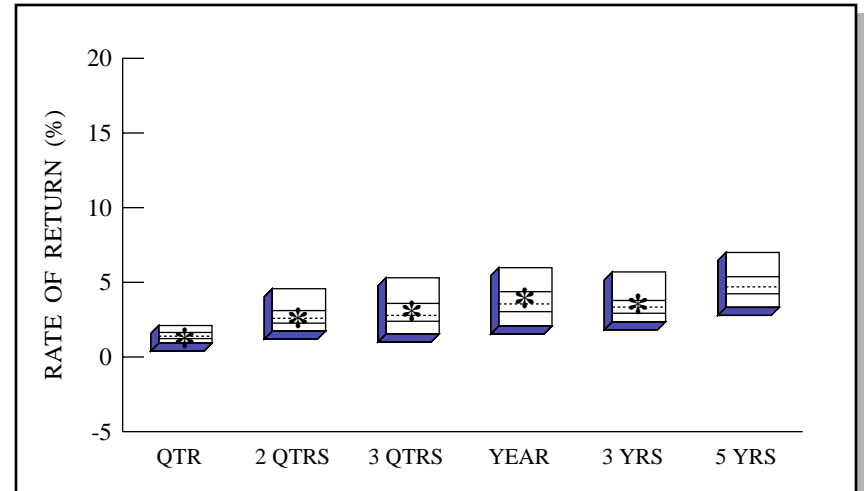
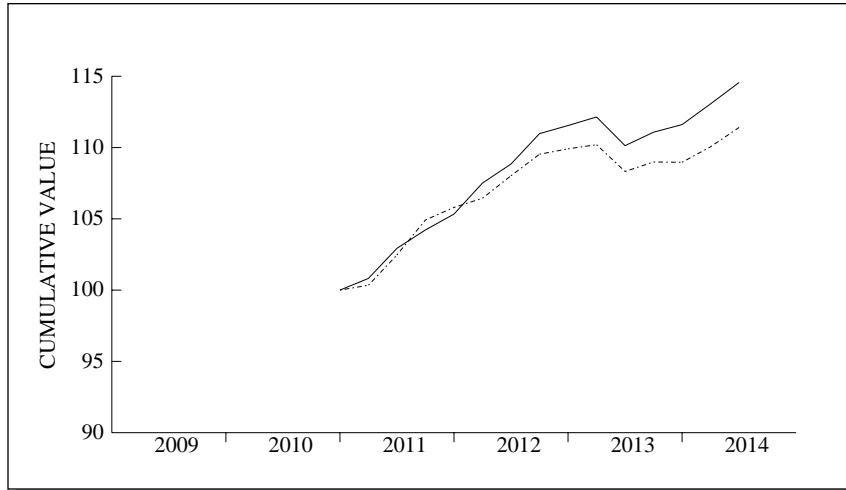


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

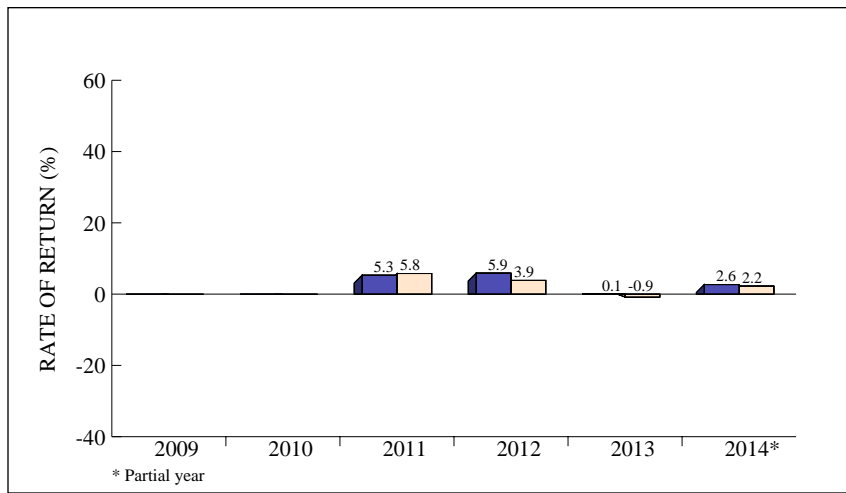
VALUE ASSUMING
 2.0% RETURN
 \$ 11,427,116

	LAST QUARTER	PERIOD 12/10 - 6/14
BEGINNING VALUE	\$ 19,571,992	\$ 113,487,326
NET CONTRIBUTIONS	0	-107,356,349
<u>INVESTMENT RETURN</u>	<u>258,087</u>	<u>13,699,097</u>
ENDING VALUE	\$ 19,830,079	\$ 19,830,079
INCOME	107,775	9,731,481
<u>CAPITAL GAINS (LOSSES)</u>	<u>150,312</u>	<u>3,967,616</u>
INVESTMENT RETURN	258,087	13,699,097

TOTAL RETURN COMPARISONS



Intermediate Fixed Universe



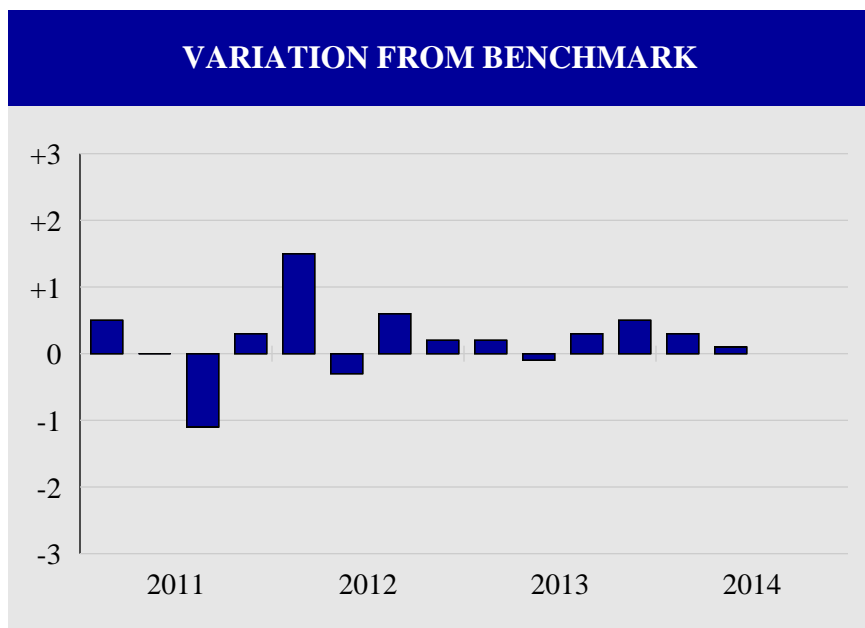
* Partial year

	QTR	2QTRS	3QTRS	YEAR	3 YRS	5 YRS
RETURN	1.3	2.6	3.1	4.0	3.6	----
(RANK)	(63)	(48)	(33)	(32)	(33)	----
5TH %ILE	2.1	4.6	5.3	6.0	5.7	7.0
25TH %ILE	1.6	3.1	3.6	4.4	3.8	5.4
MEDIAN	1.4	2.6	2.8	3.6	3.3	4.7
75TH %ILE	1.2	2.3	2.4	3.0	2.9	4.2
95TH %ILE	0.9	1.7	1.5	2.1	2.4	3.3
Int G/C	1.2	2.2	2.2	2.9	2.8	4.1

Intermediate Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

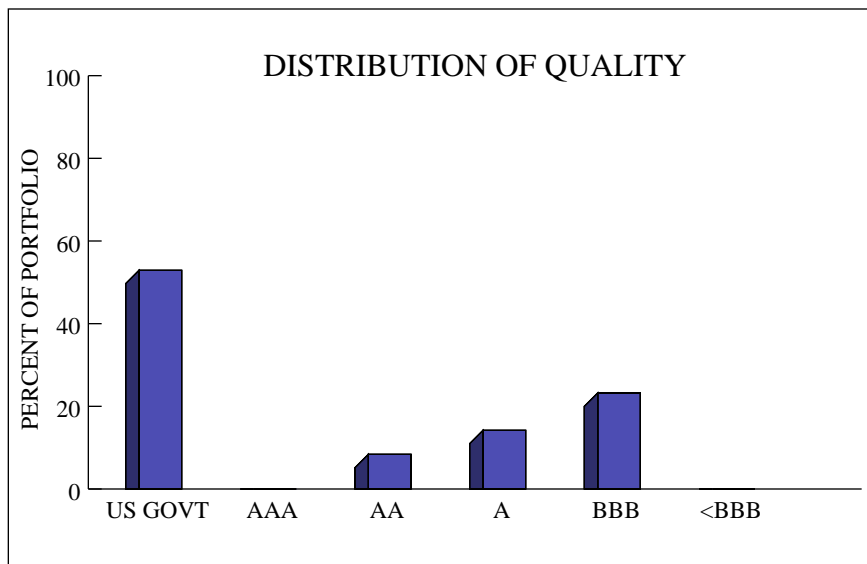
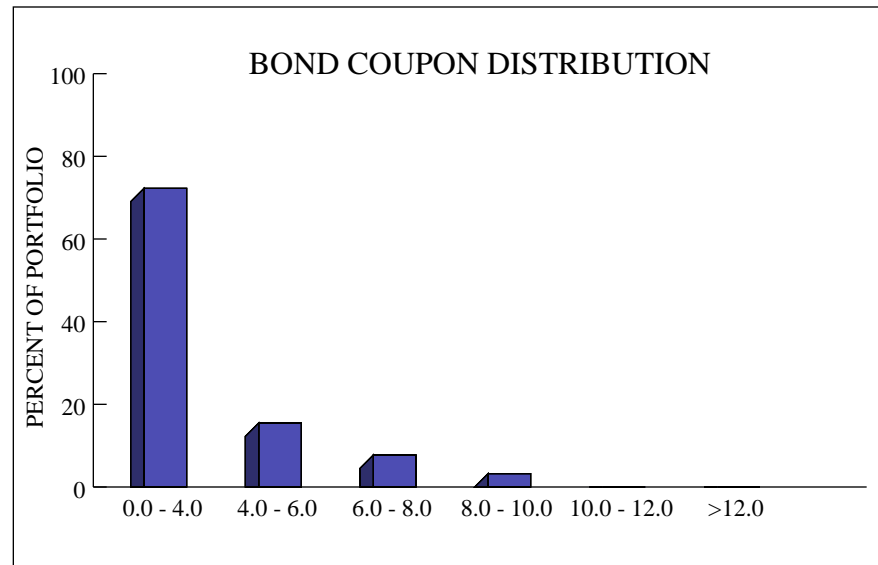
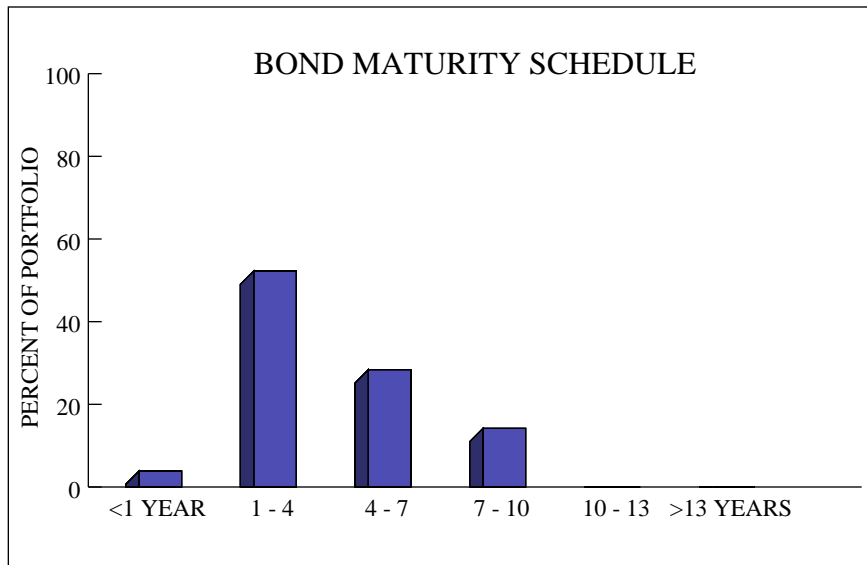
COMPARATIVE BENCHMARK: INTERMEDIATE GOV/CREDIT



RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
3/11	0.8	0.3	0.5	0.8	0.3	0.5
6/11	2.1	2.1	0.0	2.9	2.5	0.4
9/11	1.3	2.4	-1.1	4.2	4.9	-0.7
12/11	1.1	0.8	0.3	5.3	5.8	-0.5
3/12	2.1	0.6	1.5	7.5	6.4	1.1
6/12	1.2	1.5	-0.3	8.8	8.0	0.8
9/12	2.0	1.4	0.6	11.0	9.5	1.5
12/12	0.5	0.3	0.2	11.5	9.9	1.6
3/13	0.5	0.3	0.2	12.1	10.2	1.9
6/13	-1.8	-1.7	-0.1	10.1	8.3	1.8
9/13	0.9	0.6	0.3	11.1	9.0	2.1
12/13	0.5	0.0	0.5	11.6	9.0	2.6
3/14	1.3	1.0	0.3	13.1	10.1	3.0
6/14	1.3	1.2	0.1	14.6	11.4	3.2

Total Quarters Observed	14
Quarters At or Above the Benchmark	11
Quarters Below the Benchmark	3
Batting Average	.786

BOND CHARACTERISTICS



	PORTFOLIO	INT GOV/CREDIT
No. of Securities	56	4,834
Duration	3.56	3.89
YTM	1.62	1.49
Average Coupon	2.48	2.57
Avg Maturity / WAL	3.86	4.21
Average Quality	AAA-AA	USG-AAA

ALABAMA PACT
LONGFELLOW - SHORT TERM
PERFORMANCE REVIEW
JUNE 2014

INVESTMENT RETURN

On June 30th, 2014, the Alabama PACT's Longfellow Short Term account was valued at \$58,430,909, a \$290,578 increase from the March quarter's ending value of \$58,140,331. There were no contributions or withdrawals recorded to the account last quarter, making the fund's increase in value the product of net investment returns. The fund's net investment return was a result of \$384,322 in income receipts and \$93,744 in net realized and unrealized capital losses.

For the cumulative period since September 2011, the portfolio has posted net contributions totaling \$16.5 million, and has recorded net investment gains of \$2.0 million. For the period since September 2011, if the fund had earned a compounded nominal rate of 2.0% it would have been valued at \$59.3 million or \$834,103 more than its actual value as of June 30th, 2014.

RELATIVE PERFORMANCE

For the second quarter, the Longfellow Short Term portfolio gained 0.5%, which was 0.2% greater than the Barclays 1-3 Year Gov/Credit Index's return of 0.3% and ranked in the 51st percentile of the Short-Term Fixed Income universe. Over the trailing year, this portfolio returned 1.7%, which was 0.6% above the benchmark's 1.1% return, ranking in the 55th percentile. Since September 2011, the portfolio returned 1.5% annualized and ranked in the 56th percentile. For comparison, the Barclays 1-3 Year Gov/Credit returned an annualized 1.0% over the same period.

BOND ANALYSIS

At the end of the quarter, USG rated securities comprised nearly 60% of the bond portfolio, while corporate securities, rated AAA through BBB, made up the remainder, giving the portfolio an overall average quality rating of AAA. The average maturity of the portfolio was 2.6 years, longer than the Barclays 1-3 Year Gov/Credit Index's 2.0-year maturity. The average coupon was 2.8%.

EXECUTIVE SUMMARY**PERFORMANCE SUMMARY**

	Quarter	FYTD	1 Year	-----Annualized-----	
				3 Years	Since 09/11
Total Gross/Fees	0.5	1.2	1.7	----	1.5
<i>SHORT-TERM FIXED RANK</i>	(51)	(50)	(55)	----	(56)
Total Net/Fees	0.5	1.1	1.5	----	1.3
1-3 YR GOV/CRED	0.3	0.7	1.1	1.0	1.0
Fixed Income	0.5	1.2	1.7	----	1.5
<i>SHORT-TERM FIXED RANK</i>	(51)	(50)	(55)	----	(56)
1-3 YR GOV/CRED	0.3	0.7	1.1	1.0	1.0

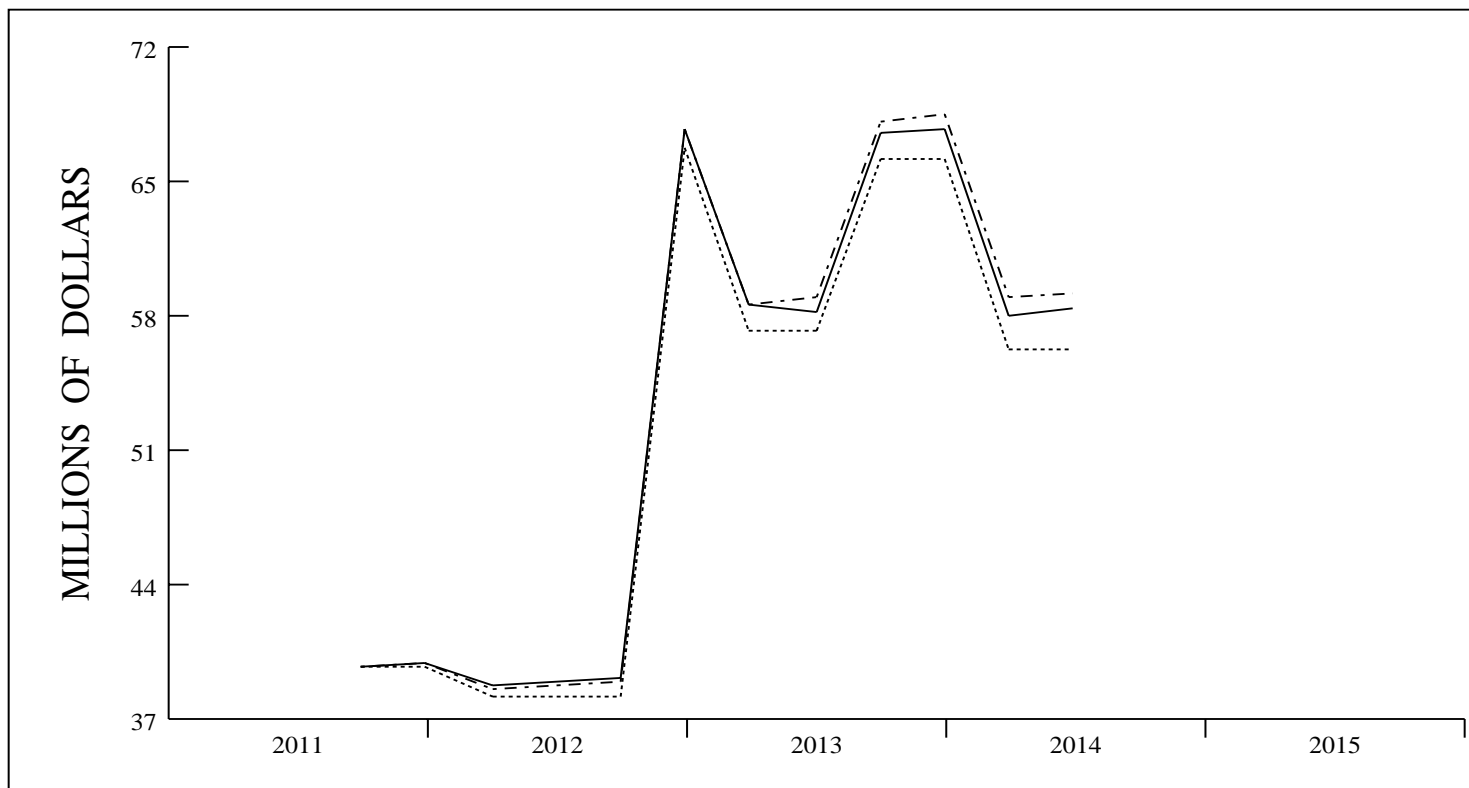
ASSET ALLOCATION

Fixed Income	100.0%	\$ 58,430,909
Total Portfolio	100.0%	\$ 58,430,909

INVESTMENT RETURN

Market Value 3/2014	\$ 58,140,331
Contribs / Withdrawals	0
Income	384,322
Capital Gains / Losses	- 93,744
Market Value 6/2014	\$ 58,430,909

INVESTMENT GROWTH

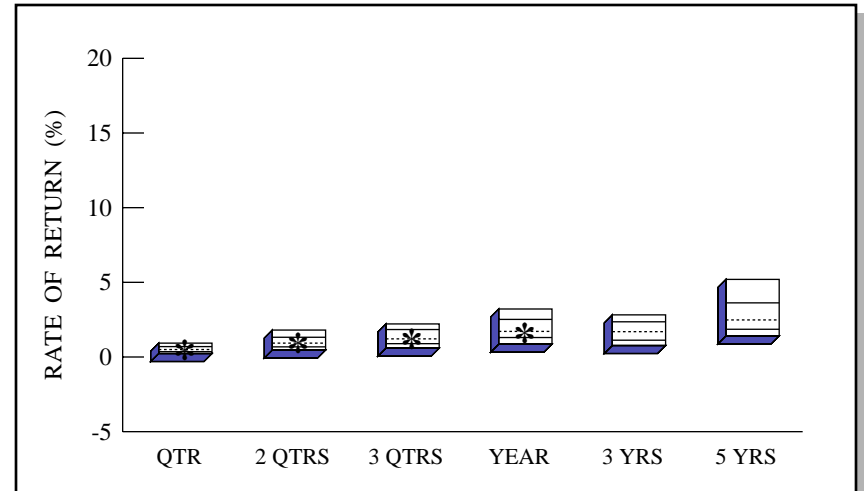
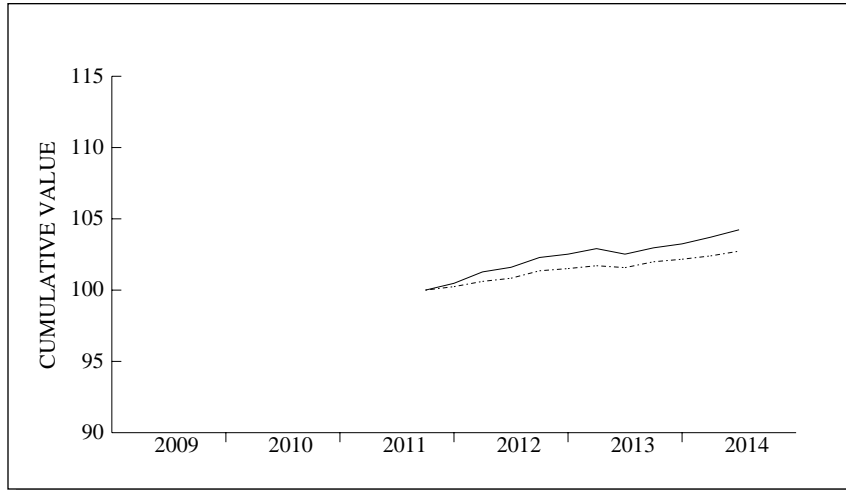


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

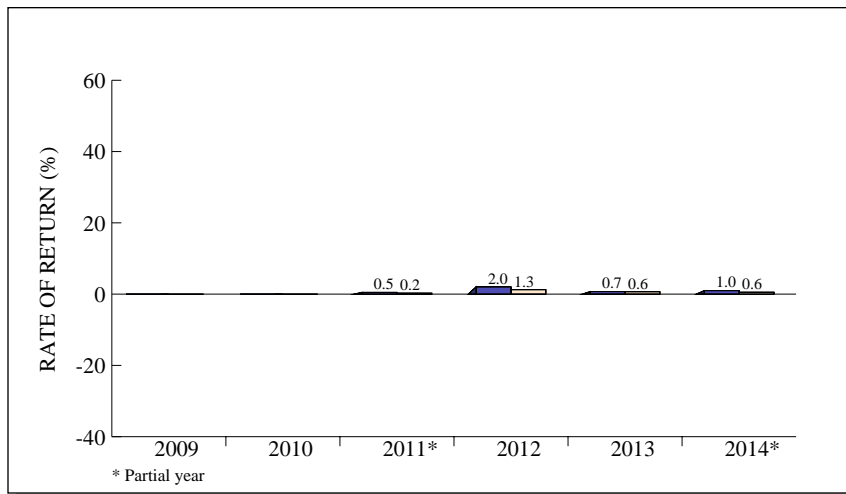
VALUE ASSUMING
 2.0% RETURN
 \$ 59,265,012

	LAST QUARTER	PERIOD 9/11 - 6/14
BEGINNING VALUE	\$ 58,140,331	\$ 39,896,277
NET CONTRIBUTIONS	0	16,511,931
INVESTMENT RETURN	290,578	2,022,700
ENDING VALUE	\$ 58,430,909	\$ 58,430,909
INCOME	384,322	4,376,238
CAPITAL GAINS (LOSSES)	-93,744	-2,353,538
INVESTMENT RETURN	290,578	2,022,700

TOTAL RETURN COMPARISONS



Short-Term Fixed Universe

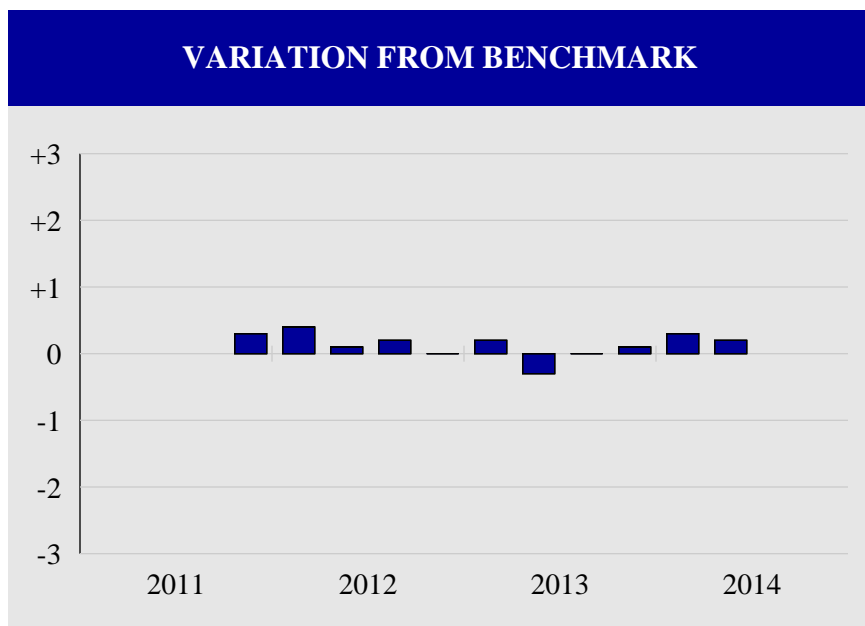


	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	-----ANNUALIZED-----	
					<u>3 YRS</u>	<u>5 YRS</u>
RETURN	0.5	1.0	1.2	1.7	----	----
(RANK)	(51)	(46)	(50)	(55)	----	----
5TH %ILE	0.9	1.8	2.2	3.2	2.8	5.2
25TH %ILE	0.7	1.3	1.8	2.5	2.4	3.6
MEDIAN	0.5	0.9	1.2	1.7	1.7	2.5
75TH %ILE	0.4	0.7	0.9	1.3	1.1	1.9
95TH %ILE	0.2	0.5	0.6	0.9	0.8	1.4
<i>1-3 Yr G/C</i>	<i>0.3</i>	<i>0.6</i>	<i>0.7</i>	<i>1.1</i>	<i>1.0</i>	<i>1.7</i>

Short-Term Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

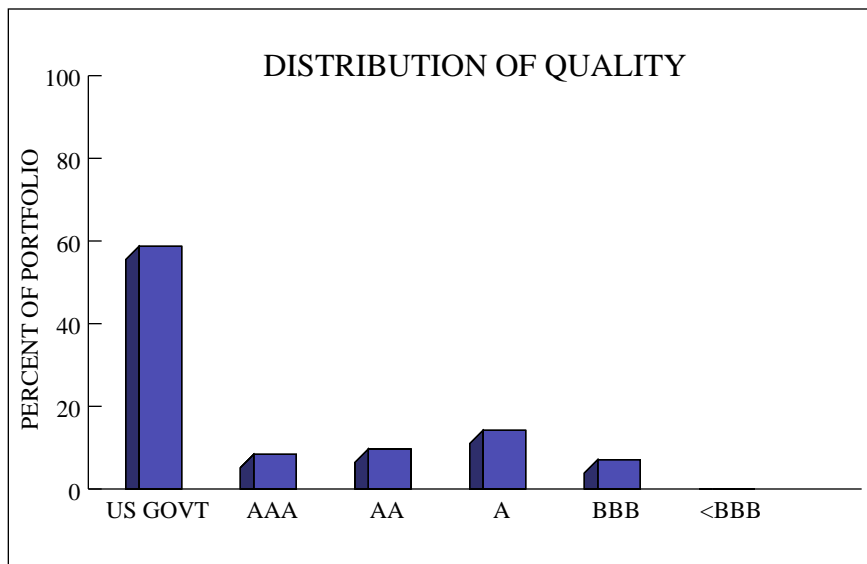
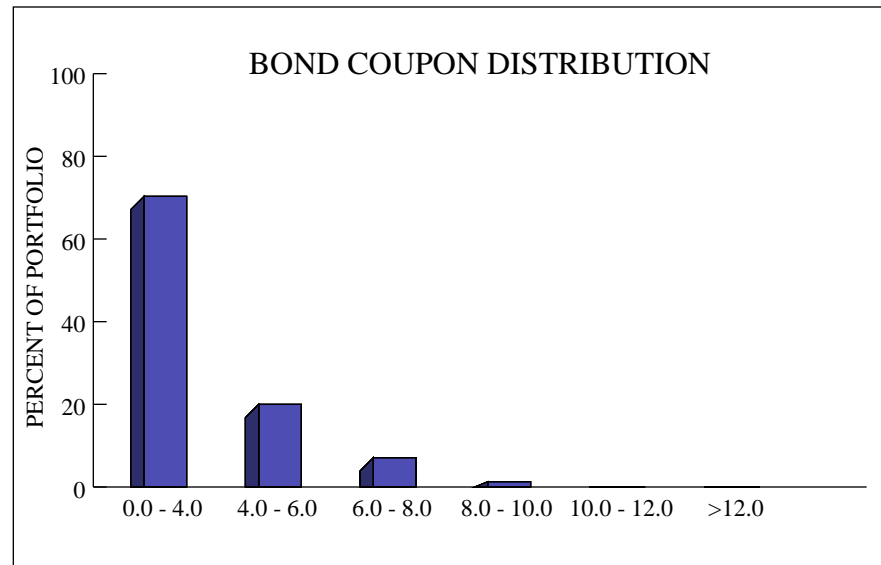
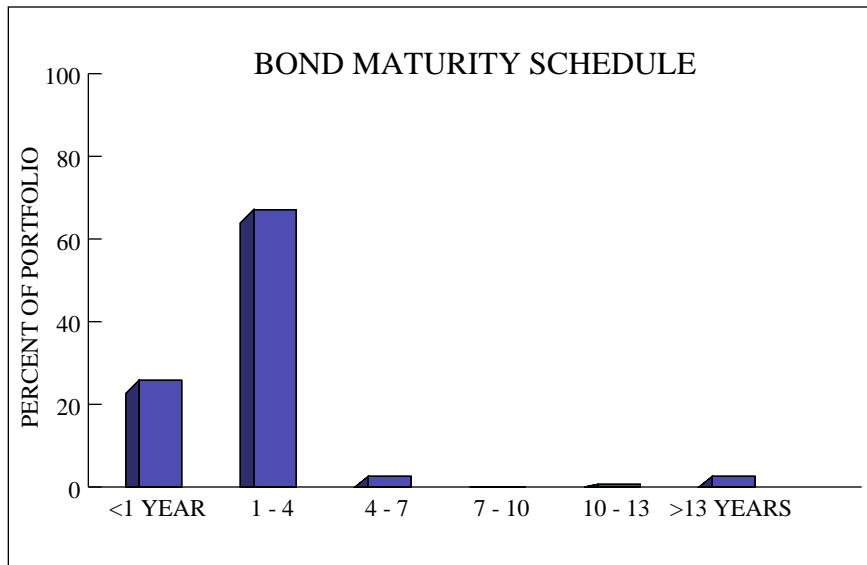
COMPARATIVE BENCHMARK: BARCLAYS 1-3 YEAR GOV/CREDIT



RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
12/11	0.5	0.2	0.3	0.5	0.2	0.3
3/12	0.8	0.4	0.4	1.3	0.6	0.7
6/12	0.3	0.2	0.1	1.6	0.8	0.8
9/12	0.7	0.5	0.2	2.3	1.4	0.9
12/12	0.2	0.2	0.0	2.5	1.5	1.0
3/13	0.4	0.2	0.2	2.9	1.7	1.2
6/13	-0.4	-0.1	-0.3	2.5	1.6	0.9
9/13	0.4	0.4	0.0	3.0	2.0	1.0
12/13	0.3	0.2	0.1	3.2	2.2	1.0
3/14	0.5	0.2	0.3	3.7	2.4	1.3
6/14	0.5	0.3	0.2	4.2	2.7	1.5

Total Quarters Observed	11
Quarters At or Above the Benchmark	10
Quarters Below the Benchmark	1
Batting Average	.909

BOND CHARACTERISTICS



	PORTFOLIO	BC 1-3 GC
No. of Securities	117	1,541
Duration	1.71	1.95
YTM	2.52	0.61
Average Coupon	2.84	1.96
Avg Maturity / WAL	2.57	2.00
Average Quality	AAA	USG-AAA

ALABAMA PACT
MACKAY SHIELDS - SHORT TERM FUND
PERFORMANCE REVIEW
JUNE 2014

INVESTMENT RETURN

On June 30th, 2014, the Alabama PACT's Mackay Shields Short Term Fund was valued at \$59,133,561, an increase of \$754,407 over the March ending value of \$58,379,154. Over the last three months, the fund recorded net contributions totaling \$465,921 and net investment gains of \$288,486. The fund's net investment return was a product of \$293,372 in income receipts and \$4,886 in net realized and unrealized capital losses.

Since September 2011, the portfolio has posted net contributions totaling \$6.7 million, and has recorded net investment gains totaling \$2.8 million. Since September 2011, if the total portfolio had returned a compounded nominal rate of 2.0% it would have been worth \$59.3 million or \$204,169 more than the actual value as of June 30th, 2014.

RELATIVE PERFORMANCE

For the second quarter, the Mackay Shields Short Term Fund returned 0.5%, which was 0.2% greater than the Barclays 1-3 Year Gov/Credit Index's return of 0.3% and ranked in the 51st percentile of the Short-Term Fixed Income universe. Over the trailing twelve-month period, the portfolio returned 1.6%, which was 0.5% greater than the benchmark's 1.1% return, and ranked in the 56th percentile. Since September 2011, the portfolio returned 2.0% per annum and ranked in the 38th percentile. The Barclays 1-3 Year Gov/Credit returned an annualized 1.0% over the same period.

BOND ANALYSIS

At the end of the quarter, approximately 55% of the total bond portfolio was comprised of USG quality securities. The remainder of the portfolio consisted of corporate securities, rated AAA through BBB, giving the portfolio an overall average quality rating of AAA. The average maturity of the portfolio was 1.9 years, less than the Barclays 1-3 Year Gov/Credit Index's 2.0-year maturity. The average coupon was 1.7%.

EXECUTIVE SUMMARY

PERFORMANCE SUMMARY

				-----Annualized-----	
	Quarter	FYTD	1 Year	3 Years	Since 09/11
Total Gross/Fees	0.5	1.1	1.6	----	2.0
<i>SHORT-TERM FIXED RANK</i>	(51)	(61)	(56)	----	(38)
Total Net/Fees	0.5	1.0	1.4	----	1.9
1-3 YR GOV/CRED	0.3	0.7	1.1	1.0	1.0
Fixed Income	0.5	1.1	1.6	----	2.0
<i>SHORT-TERM FIXED RANK</i>	(51)	(61)	(56)	----	(38)
1-3 YR GOV/CRED	0.3	0.7	1.1	1.0	1.0

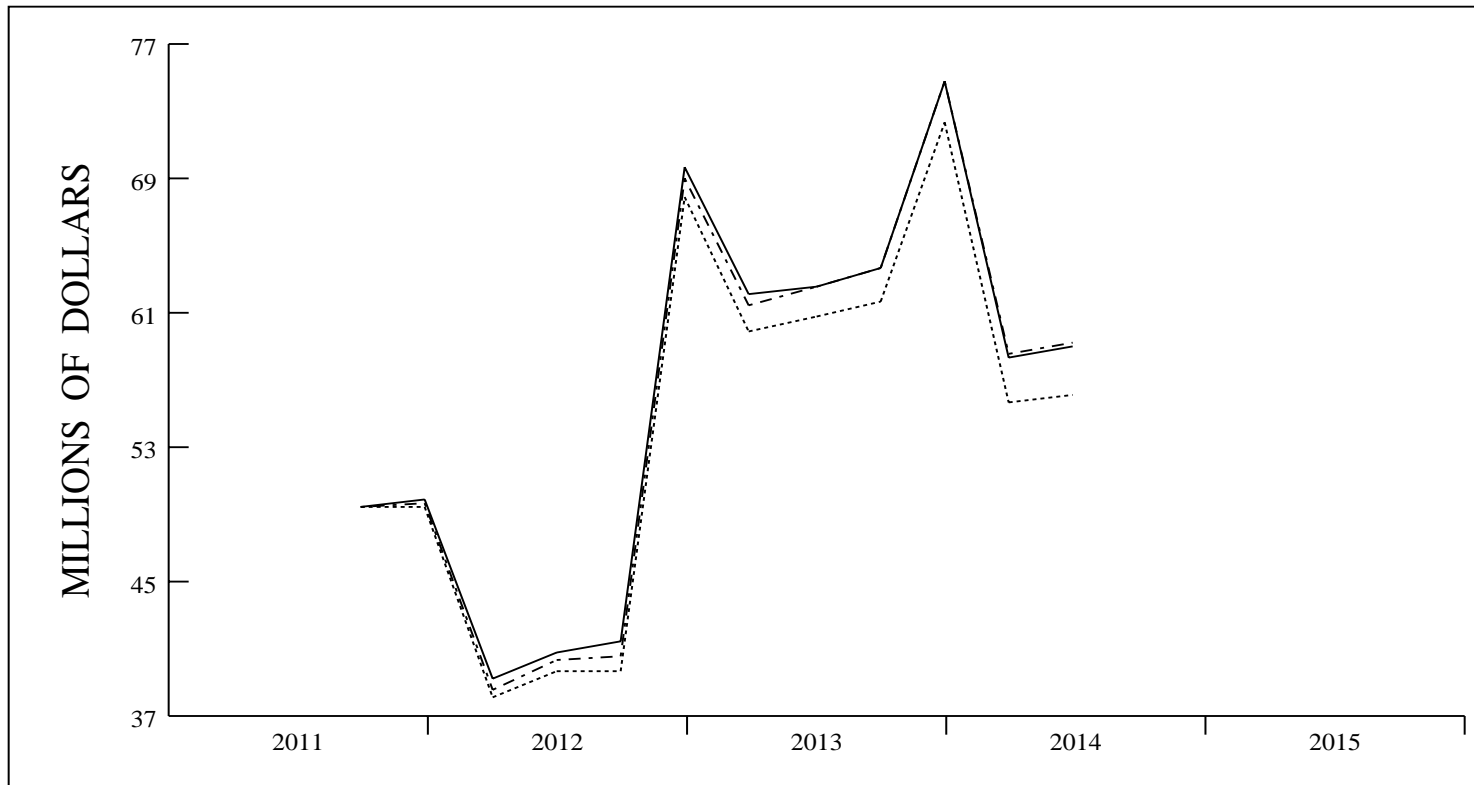
ASSET ALLOCATION

Fixed Income	100.0%	\$ 59,133,561
Total Portfolio	100.0%	\$ 59,133,561

INVESTMENT RETURN

Market Value 3/2014	\$ 58,379,154
Contribs / Withdrawals	465,921
Income	293,372
Capital Gains / Losses	-4,886
Market Value 6/2014	\$ 59,133,561

INVESTMENT GROWTH

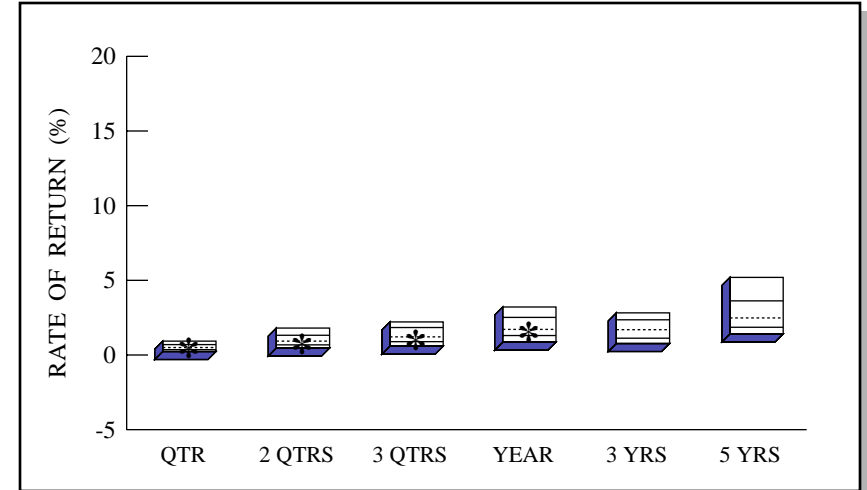
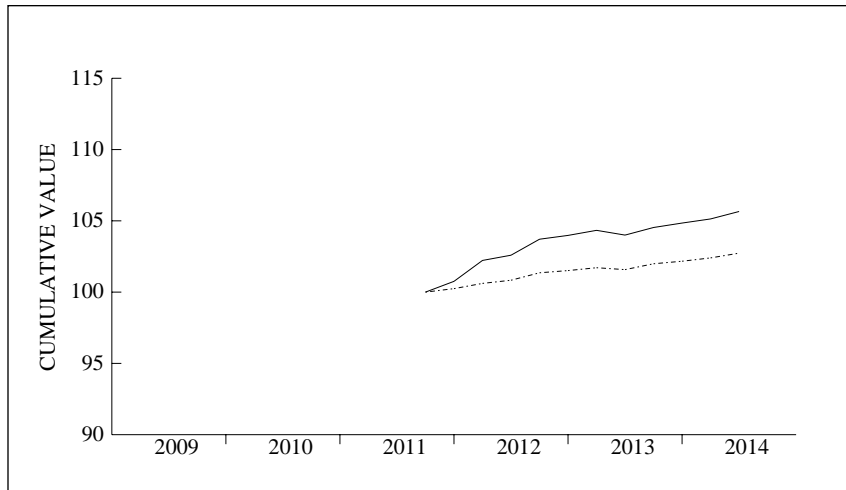


— ACTUAL RETURN
 - - - 2.0%
 . . . 0.0%

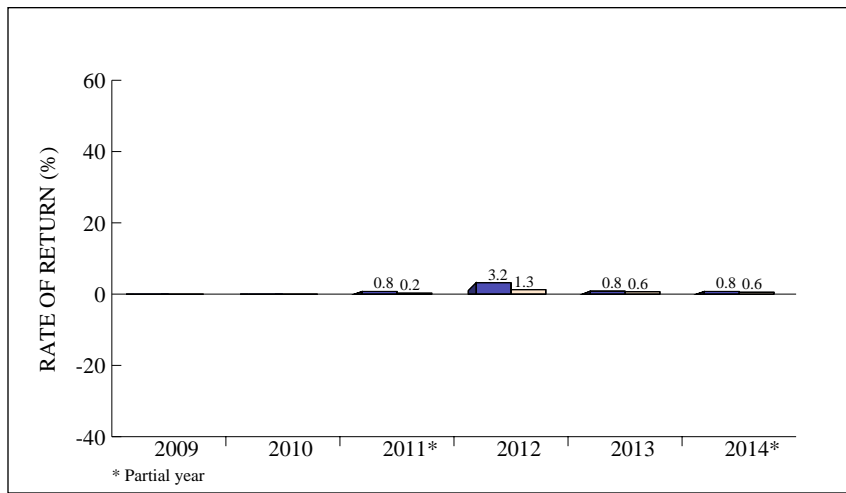
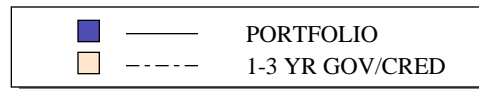
VALUE ASSUMING
 2.0% RETURN
 \$ 59,337,730

	LAST QUARTER	PERIOD 9/11 - 6/14
BEGINNING VALUE	\$ 58,379,154	\$ 49,587,366
NET CONTRIBUTIONS	465,921	6,743,185
INVESTMENT RETURN	288,486	2,803,008
ENDING VALUE	\$ 59,133,561	\$ 59,133,561
INCOME	293,372	4,068,438
CAPITAL GAINS (LOSSES)	- 4,886	- 1,265,430
INVESTMENT RETURN	288,486	2,803,008

TOTAL RETURN COMPARISONS



Short-Term Fixed Universe

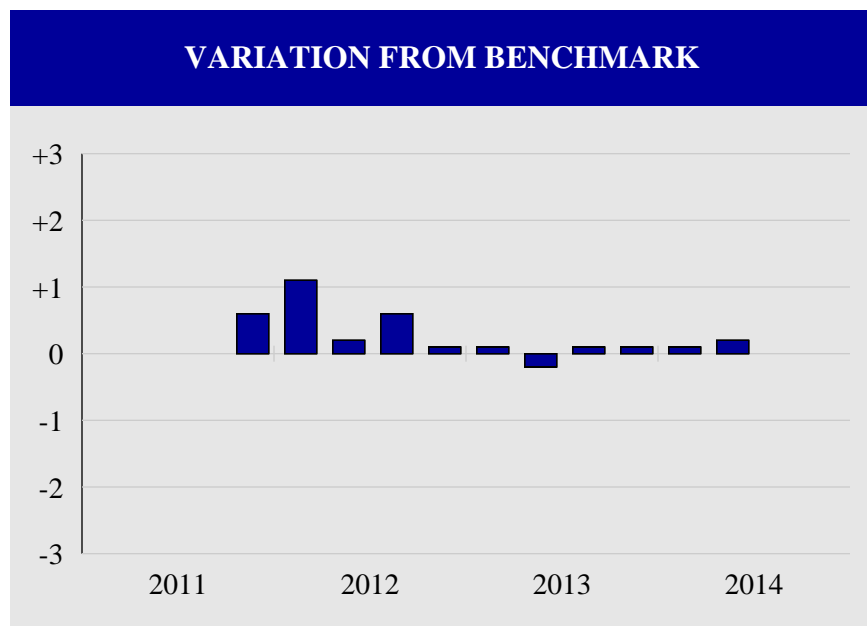


	<u>QTR</u>	<u>2QTRS</u>	<u>3QTRS</u>	<u>YEAR</u>	-----ANNUALIZED-----	
					<u>3 YRS</u>	<u>5 YRS</u>
RETURN	0.5	0.8	1.1	1.6	----	----
(RANK)	(51)	(65)	(61)	(56)	----	----
5TH %ILE	0.9	1.8	2.2	3.2	2.8	5.2
25TH %ILE	0.7	1.3	1.8	2.5	2.4	3.6
MEDIAN	0.5	0.9	1.2	1.7	1.7	2.5
75TH %ILE	0.4	0.7	0.9	1.3	1.1	1.9
95TH %ILE	0.2	0.5	0.6	0.9	0.8	1.4
<i>1-3 Yr G/C</i>	<i>0.3</i>	<i>0.6</i>	<i>0.7</i>	<i>1.1</i>	<i>1.0</i>	<i>1.7</i>

Short-Term Fixed Universe

TOTAL PORTFOLIO QUARTERLY PERFORMANCE SUMMARY

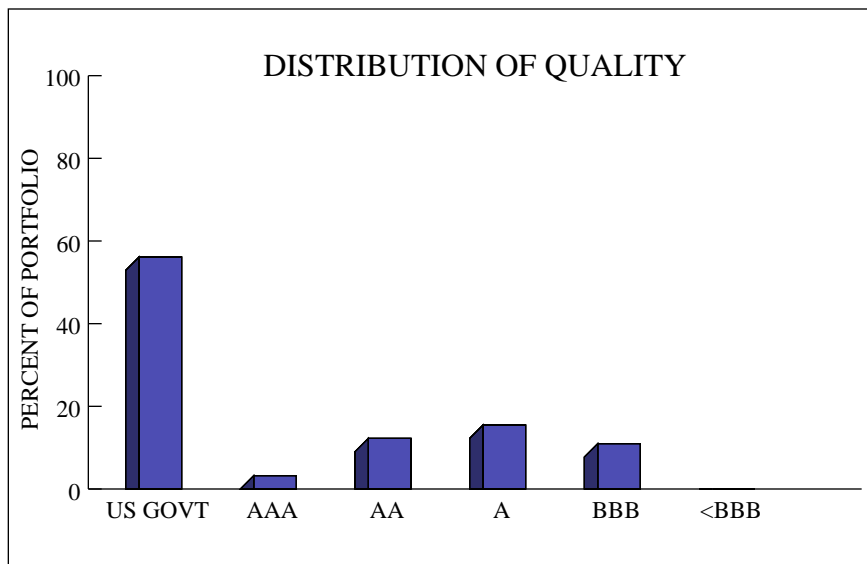
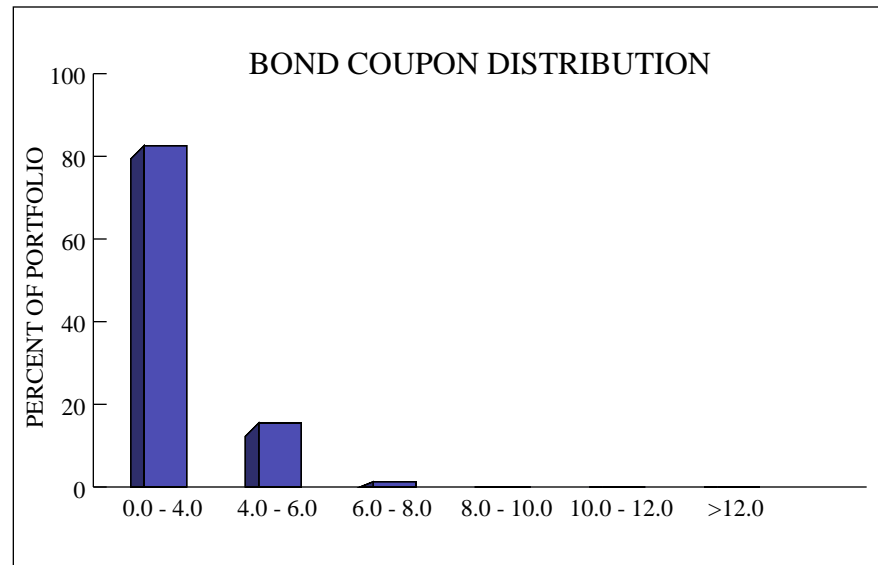
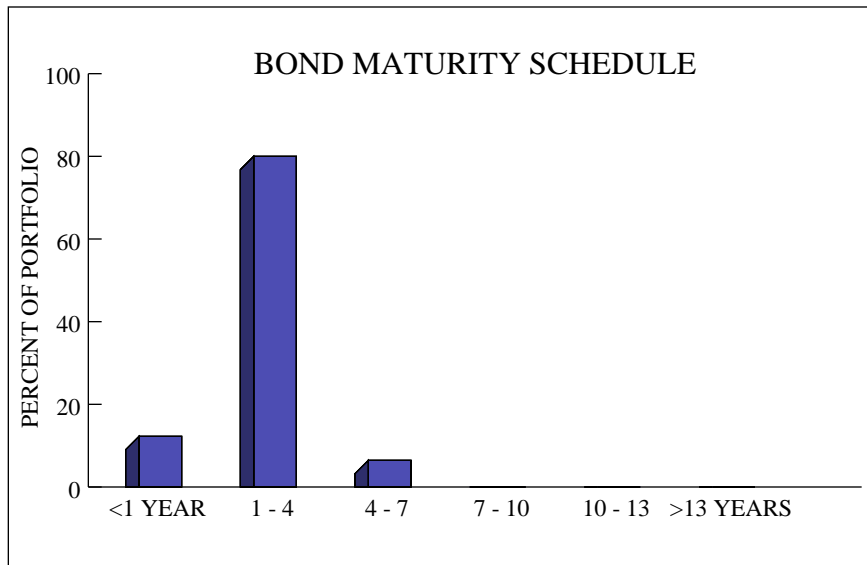
COMPARATIVE BENCHMARK: BARCLAYS 1-3 YEAR GOV/CREDIT



RATES OF RETURN						
Date	Portfolio	Bench	Diff	-----Cumulative-----		
				Portfolio	Bench	Diff
12/11	0.8	0.2	0.6	0.8	0.2	0.6
3/12	1.5	0.4	1.1	2.2	0.6	1.6
6/12	0.4	0.2	0.2	2.6	0.8	1.8
9/12	1.1	0.5	0.6	3.7	1.4	2.3
12/12	0.3	0.2	0.1	4.0	1.5	2.5
3/13	0.3	0.2	0.1	4.3	1.7	2.6
6/13	-0.3	-0.1	-0.2	4.0	1.6	2.4
9/13	0.5	0.4	0.1	4.5	2.0	2.5
12/13	0.3	0.2	0.1	4.8	2.2	2.6
3/14	0.3	0.2	0.1	5.1	2.4	2.7
6/14	0.5	0.3	0.2	5.7	2.7	3.0

Total Quarters Observed	11
Quarters At or Above the Benchmark	10
Quarters Below the Benchmark	1
Batting Average	.909

BOND CHARACTERISTICS



	PORTFOLIO	BC 1-3 GC
No. of Securities	76	1,541
Duration	1.65	1.95
YTM	0.69	0.61
Average Coupon	1.67	1.96
Avg Maturity / WAL	1.85	2.00
Average Quality	AAA	USG-AAA