

# FUND EVALUATION REPORT

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## San Jose Federated Retiree Health Care 115 Trust

Quarterly Review  
September 30, 2013



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**1. Executive Summary**

- Aggregate Fund Overview
- Second Quarter Manager Summary

**2. Fund Summary**

**3. Fund Detail**

**4. Portfolio Reviews**

**5. Corporate Update**

**6. Appendices**

- The World Markets in the Third Quarter of 2013
- Glossary and Notes

**Executive Summary  
As of September 30, 2013**

**The value of the San Jose Federated Retiree Health Care Trust was \$63.7 million on September 30, 2013, up from \$43.2 million at the end of the previous quarter.**

- The increase in assets during the quarter was primarily due to the City's annual contribution of \$17.1 million in July 2013, as well as strong investment performance.
- At the end of the third quarter, all asset classes were within target ranges.
- Third quarter performance for the Health Care Trust was 5.7% net of fees, bringing the trailing one-year return to 9.3% net of fees.
- Performance for the Health Care Trust trailed the Policy Benchmark by 10 basis points during the third quarter. For the trailing one-year period, the Trust outperformed the Policy Benchmark by approximately 20 basis points.

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	Meketa Recommendation <sup>1</sup>	Comments
Vanguard					
Vanguard Developed Markets	Global Equity	Yes	---	Hold	Merging with another Vanguard Fund
Vanguard Emerging Markets	Global Equity	Yes	---	Hold	New benchmark / New share class
Vanguard Russell 3000	Global Equity	---	---	---	
Vanguard Total Bond Market	Fixed Income	---	---	---	
Vanguard TIPS	Fixed Income	---	---	---	
Credit Suisse	Real Assets	---	---	---	
First Quadrant	Real Assets	Yes	---	Hold	Personnel / Strategy changes

- Vanguard Developed Markets** – The Developed Markets Index Fund is merging with the Tax-Managed International Fund. Both funds share similar holdings and seek to track the same benchmark, the FTSE Developed ex North America Index. After the completion of the merger, the combined fund will take on the Developed Markets Index Fund name. The merger is expected to occur over the next several months.

<sup>1</sup> The Meketa Investment Group recommendations are based on organizational or resource changes at each manager.



- **Vanguard Emerging Markets** – Prior to January 10, 2013, the strategy tracked the MSCI Emerging Markets Index. From January 10, 2013 through July 3, 2013, the strategy tracked the FTSE Emerging Market Transition Index, a temporary index created to gradually move Vanguard from tracking the MSCI Emerging Markets Index to tracking the FTSE Emerging Markets Index. As of July 4, 2013, the strategy began tracking the FTSE Emerging Markets Index. Separately, the signal share class (in which San Jose is currently invested) will convert to the admiral share class in October 2014. Both share classes have the same fee schedule.
- **First Quadrant** – Effective September 1, 2013, Jim Tufts assumed the role of Chief Operating Officer from Curt Ketterer, Partner. Mr. Ketterer is on track with his planned retirement by end of 2013.

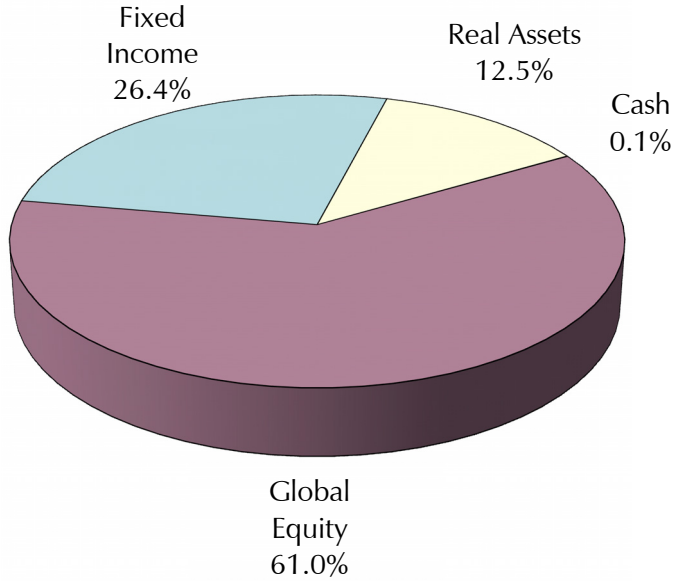
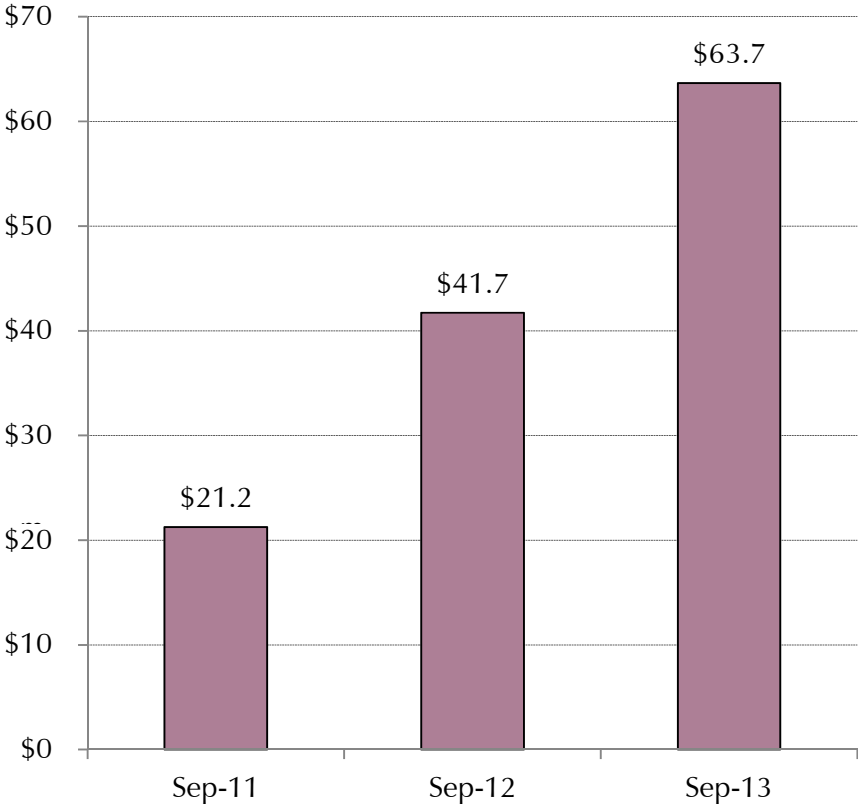
There were two changes to the strategy. The first change was an expansion of the universe traded from 20 to 28 commodity markets, and with the expansion, a reorganization of commodity sectors was needed as well. The purpose of the expansion was to capture a wider set of diversifying returns from the commodity asset class. It is a fundamental tenet of the strategy that a more diversified commodity portfolio provides a more stable and higher commodity return over business cycles, and this change was motivated by that principle.

The second change was the addition of an additional backward looking risk management methodology to complement the existing forward looking methodology embodied in First Quadrant's proprietary Market Risk Index (MRI). The MRI manages portfolio risk by identifying the current risk regime of the markets through evaluation of both macroeconomic and current market sentiment factors, and rebalancing the portfolio to maintain a stable risk level in the portfolio. The newly added secondary methodology adjusts the entire portfolio exposure up or down depending on how close achieved risk is to target risk. This secondary methodology is active approximately 20% of the time the MRI is active.

**Fund Summary**  
**As of September 30, 2013**

**San Jose Federated Retiree Health Care  
115 Trust**

**Aggregate Assets  
as of 9/30/13**





**San Jose Federated Retiree Health Care  
115 Trust**

**Aggregate Assets  
Asset Summary as of 9/30/13**

	<b>Market Value 9/30/13 (\$ mm)</b>	<b>% of Health Care Trust</b>	<b>Target Allocation (%)</b>	<b>Target Range (%)</b>	<b>Market Value 6/30/13 (\$ mm)</b>
<b>Total Fund Aggregate</b>	<b>63.7</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>43.2</b>
Global Equity	38.9	61.0	59	53-65	28.2
Fixed Income	16.8	26.4	28	23-33	10.7
Real Assets	8.0	12.5	13	8-18	4.2
Cash	0.0	< 0.1	0	0	0.1



San Jose Federated Retiree Health Care  
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Aggregate Assets  
Portfolio Roster as of 9/30/13

	Market Value 9/30/13 (\$ mm)	% of Asset Class	% of Health Care Trust	Target Allocation (%)	Target Range (%)	Market Value 6/30/13 (\$ mm)
<b>Total Fund Aggregate</b>	<b>63.7</b>	<b>NA</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>43.2</b>
<b>Global Equity</b>	<b>38.9</b>	<b>100.0</b>	<b>61.0</b>	<b>59</b>	<b>53-65</b>	<b>28.2</b>
Vanguard Developed Markets Index	18.0	46.3	28.3			12.7
Vanguard Russell 3000	17.0	43.7	26.7			13.0
Vanguard Emerging Markets Stock Index	3.9	10.0	6.1			2.4
<b>Fixed Income</b>	<b>16.8</b>	<b>100.0</b>	<b>26.4</b>	<b>28</b>	<b>23-33</b>	<b>10.7</b>
Vanguard Total Bond Market Index	9.6	56.9	15.0			6.3
Vanguard Inflation-Protected Securities	7.2	43.1	11.4			4.5
<b>Real Assets</b>	<b>8.0</b>	<b>100.0</b>	<b>12.5</b>	<b>13</b>	<b>8-18</b>	<b>4.2</b>
Credit Suisse Compound Risk Parity Commodity Index	5.9	74.3	9.3			2.2
First Quadrant Risk Parity Commodity Index	2.1	25.7	3.2			2.0
<b>Cash</b>	<b>0.0</b>	<b>100.0</b>	<b>&lt; 0.1</b>			<b>0.1</b>



**San Jose Federated Retiree Health Care  
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**Aggregate Assets  
Performance as of 9/30/13**

	Fiscal YR <sup>1</sup> / 3Q13 (%)	Cal YTD (%)	1 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate (net of fees)</b>	<b>5.7</b>	<b>6.9</b>	<b>9.3</b>	<b>7/1/11</b>	<b>6.8</b>
<i>CPI Medical Care (Inflation)</i>	0.9	2.2	2.4		3.1
<i>San Jose Healthcare Policy Benchmark<sup>2</sup></i>	5.8	7.1	9.1		5.4
<i>San Jose Healthcare Custom Benchmark<sup>3</sup></i>	5.8	7.7	9.8		7.4
Global Equity	8.5	15.5	20.4	12/1/11	18.3
<i>Global Equity HC Policy Benchmark<sup>4</sup></i>	8.6	16.2	20.4		18.2
<i>MSCI ACWI IMI</i>	8.3	15.2	18.6		17.2
Fixed Income	0.6	-4.1	-3.8	12/1/11	0.8
<i>Fixed Income HC Policy Benchmark<sup>5</sup></i>	0.6	-4.0	-3.6		1.0
<i>Barclays Aggregate</i>	0.6	-1.9	-1.7		1.8
<i>Barclays U.S. TIPS</i>	0.7	-6.7	-6.1		-0.1
Real Assets	3.8	-10.6	-14.0	8/1/11	-10.2
<i>Custom Risk Parity Benchmark<sup>6</sup></i>	4.1	-7.7	-10.5		-7.6
<i>Dow Jones-UBS Commodity U.S. Index</i>	2.1	-8.6	-14.4		-10.8

<sup>1</sup> Fiscal Year ends June 30.

<sup>2</sup> Policy Benchmark consists of 26.5% Russell 3000, 26.5% MSCI EAFE, 6% Emerging Markets, 16% Barclays Aggregate Float Adjusted, 12% Barclays U.S. TIPS, and 13% Custom Risk Parity Benchmark.

<sup>3</sup> Custom Benchmark consists of the individual benchmarks that comprise the Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

<sup>4</sup> Global Equity HC Policy Benchmark consists of 44.9% Russell 3000, 44.9% MSCI EAFE, and 10.2% MSCI Emerging Markets.

<sup>5</sup> Fixed Income HC Policy Benchmark consists of 57.1% Barclays Aggregate Float Adjusted, and 42.9% Barclays U.S. TIPS.

<sup>6</sup> Custom Risk Parity Benchmark returns provided by Credit Suisse.



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Aggregate Assets  
Performance as of 9/30/13

	Fiscal YR <sup>1</sup> / 3Q13 (%)	Cal YTD (%)	1 YR (%)	Performance Inception Date	Since Inception (%)
<b>Global Equity</b>	<b>8.5</b>	<b>15.5</b>	<b>20.4</b>	<b>12/1/11</b>	<b>18.3</b>
Vanguard Developed Markets Index <sup>2</sup>	11.7	15.5	24.2	12/1/11	17.4
<i>Vanguard Spliced Developed Markets Index<sup>3</sup></i>	<i>11.7</i>	<i>16.2</i>	<i>23.9</i>		<i>17.8</i>
Vanguard Russell 3000	6.3	21.2	21.5	12/1/11	21.1
<i>Russell 3000</i>	<i>6.3</i>	<i>21.3</i>	<i>21.6</i>		<i>21.2</i>
Vanguard Emerging Markets Stock Index <sup>2</sup>	4.8	-6.5	-0.1	12/1/11	4.0
<i>Vanguard Spliced Emerging Markets Index<sup>4</sup></i>	<i>4.3</i>	<i>-5.6</i>	<i>-0.4</i>		<i>5.4</i>
<b>Fixed Income</b>	<b>0.6</b>	<b>-4.1</b>	<b>-3.8</b>	<b>12/1/11</b>	<b>0.8</b>
Vanguard Total Bond Market Index	0.5	-1.9	-1.8	12/1/11	1.8
<i>Barclays Aggregate Float Adjusted Index</i>	<i>0.5</i>	<i>-1.9</i>	<i>-1.7</i>		<i>1.9</i>
Vanguard Inflation-Protected Securities	0.9	-6.8	-6.2	12/1/11	-0.1
<i>Barclays U.S. TIPS</i>	<i>0.7</i>	<i>-6.7</i>	<i>-6.1</i>		<i>-0.1</i>

<sup>1</sup> Fiscal Year ends June 30.

<sup>2</sup> Vanguard international equity strategies may temporarily differ from the benchmark due to fair value pricing. Fair value pricing is an adjustment made to prices in the index after the markets close for securities that trade on foreign exchanges.

<sup>3</sup> MSCI EAFE Index through April 16, 2013; FTSE Developed ex North America Index thereafter.

<sup>4</sup> The Vanguard Spliced Emerging Markets Index is comprised of the MSCI Emerging Markets Index through January 9, 2013, the FTSE Emerging Transition Index from January 10, 2013 through July 3, 2013, and the FTSE Emerging Index thereafter.



**San Jose Federated Retiree Health Care  
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**Aggregate Assets  
Performance as of 9/30/13**

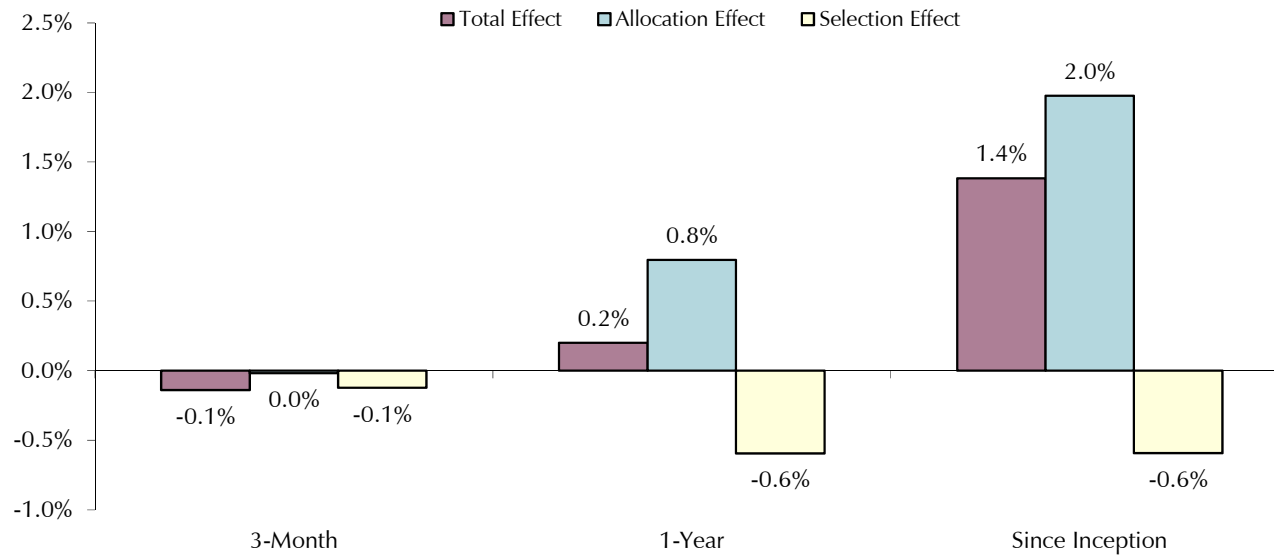
	<b>Fiscal YR<sup>1</sup>/ 3Q13 (%)</b>	<b>Cal YTD (%)</b>	<b>1 YR (%)</b>	<b>Performance Inception Date</b>	<b>Since Inception (%)</b>
<b>Real Assets</b>	<b>3.8</b>	<b>-10.6</b>	<b>-14.0</b>	<b>8/1/11</b>	<b>-10.2</b>
Credit Suisse Compound Risk Parity Commodity Index	4.2	-7.7	-10.4	8/1/11	-7.3
<i>Custom Risk Parity Benchmark<sup>2</sup></i>	4.1	-7.7	-10.5		-7.6
<i>Dow Jones-UBS Commodity U.S. Index</i>	2.1	-8.6	-14.4		-10.8
First Quadrant Risk Parity Commodity Index	4.2	-12.9	-17.2	8/1/11	-12.9
<i>Custom Risk Parity Benchmark<sup>2</sup></i>	4.1	-7.7	-10.5		-7.6
<i>Dow Jones-UBS Commodity U.S. Index</i>	2.1	-8.6	-14.4		-10.8

<sup>1</sup> Fiscal Year ends June 30.

<sup>2</sup> Custom Risk Parity Benchmark returns provided by Credit Suisse.



Performance Attribution: Total Fund vs. Policy Benchmark  
as of 9/30/13

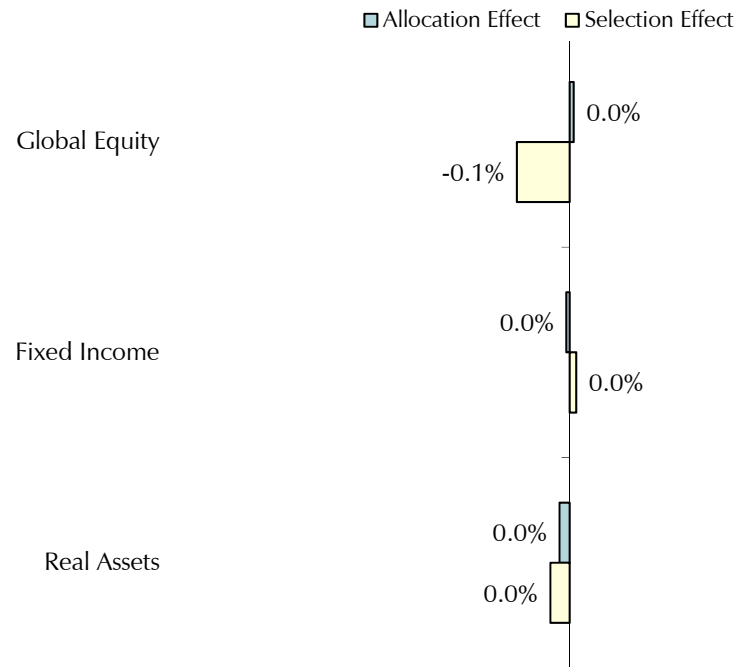


**Total Effect:** The total effect is the difference between the performance of the total fund and the return for the policy benchmark. The total effect is calculated by adding the allocation effect and the selection effect.

**Allocation Effect:** The allocation effect measures the impact of over- and under-weighting the fund allocations compared to the target allocations. The allocation effect is calculated by subtracting the Policy Benchmark return from the Custom Benchmark return.

**Selection Effect:** The selection effect measures the contribution of active management. For this analysis, the interaction effect, which measures the combined impact of selection and allocation, is included in the selection effect. Therefore, the selection effect is calculated by subtracting the Custom Benchmark return from the Total Fund return.

**Performance Attribution (Total Fund): Asset Class vs. Policy Benchmark**  
as of 9/30/13  
**3Q13**



**Allocation Effect:** The allocation effect measures the impact of over- and under-weighting the fund allocations compared to the target allocations at the Total Fund level. The allocation effect is calculated by subtracting the asset class benchmark return from the asset class custom benchmark return.

**Selection Effect:** The selection effect measures the contribution of active management at the Total Fund level. For this analysis, the interaction effect, which measures the combined impact of selection and allocation, is included in the selection effect. Therefore, the selection effect is calculated by subtracting the asset class custom benchmark return from the asset class contribution to the Total Fund return.

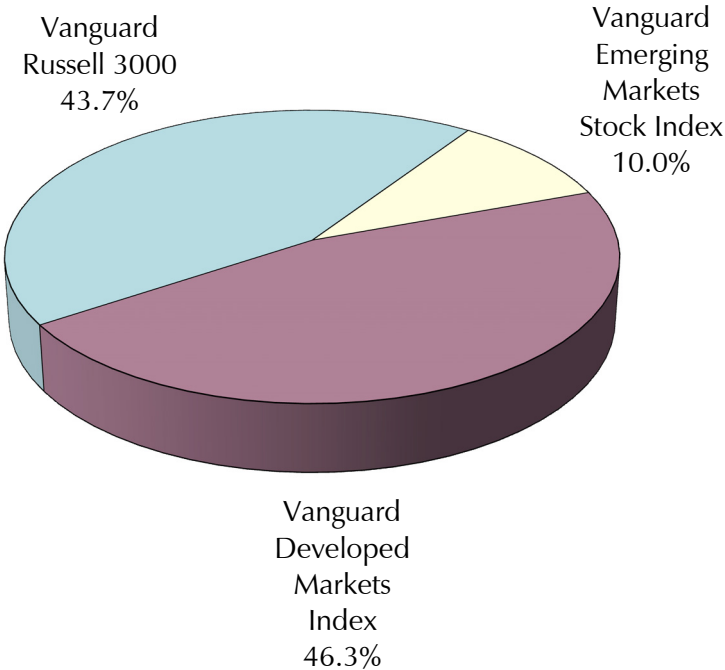
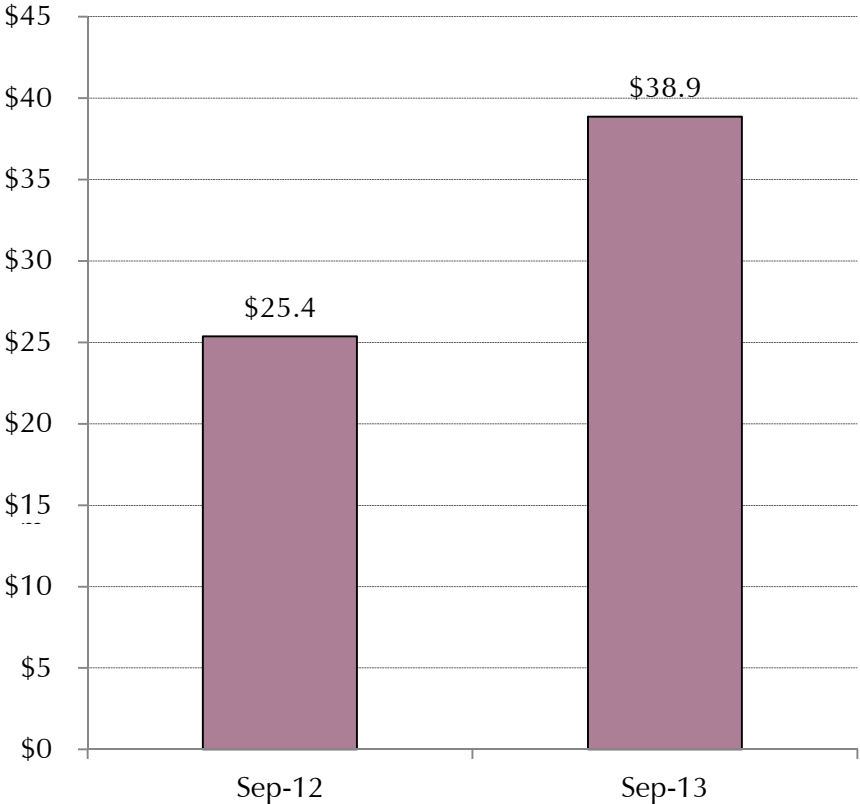
## Fund Detail

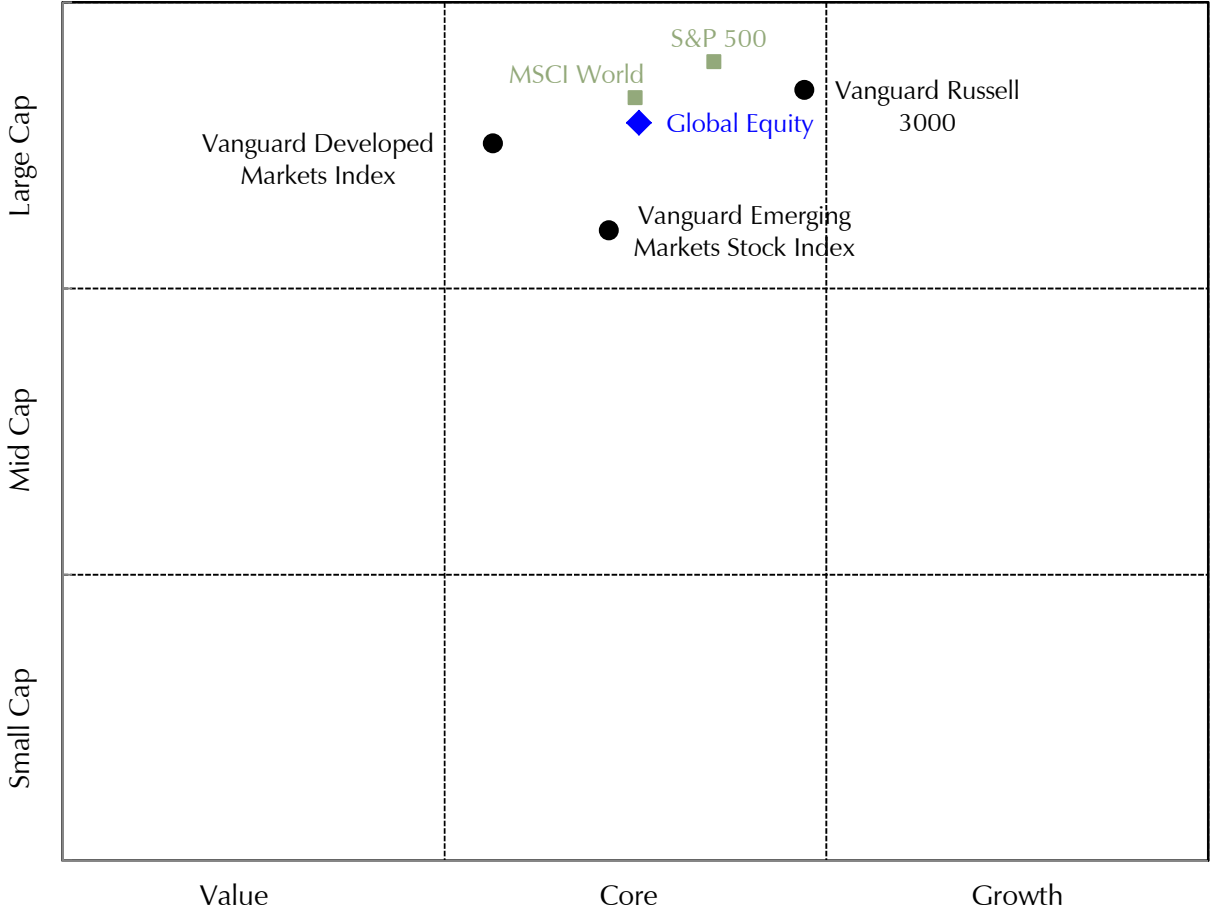


**Global Equity Assets  
As of September 30, 2013**

**San Jose Federated Retiree Health Care  
115 Trust**

**Global Equity Assets  
as of 9/30/13**





**San Jose Federated Retiree Health Care  
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**Global Equity Assets  
Characteristics as of 9/30/13**

	<b>Aggregate Global Equity 9/30/13</b>	<b>MSCI ACWI IMI 9/30/13</b>	<b>Aggregate Global Equity 6/30/13</b>
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	66.2	64.8	64.8
Median Market Cap. (US\$ billion)	2.6	1.3	2.5
Large (% over US\$10 billion)	77	73	76
Medium (% US\$2 billion to US\$10 billion)	19	20	20
Small (% under US\$2 billion)	4	7	4
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	21	21	20
Price-Book Value Ratio	3.6	3.7	3.5
Dividend Yield (%)	2.5	2.5	2.7
Historical Earnings Growth Rate (%)	10	10	9
Projected Earnings Growth Rate (%)	12	12	11

**San Jose Federated Retiree Health Care  
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**Global Equity Assets  
Diversification as of 9/30/13**

<b>Diversification:</b>	<b>Aggregate Global Equity 9/30/13</b>	<b>MSCI ACWI IMI 9/30/13</b>	<b>Aggregate Global Equity 6/30/13</b>
Number of Holdings	5,262	8,403	5,236
% in 5 largest holdings	4	4	4
% in 10 largest holdings	7	7	7

**Largest Five Holdings:**

	<b>% of Portfolio</b>	<b>Economic Sector</b>
Apple	1.0	Technology Equipment
ExxonMobil	0.9	Energy
Nestle	0.8	Food, Beverage & Tobacco
HSBC	0.7	Banks
Roche Holding	0.6	Pharmaceuticals & Biotech.

**San Jose Federated Retiree Health Care  
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**Global Equity Assets  
Sector Allocation as of 9/30/13**

<b>Sector Allocation (%):</b>	<b>Aggregate Global Equity 9/30/13</b>	<b>MSCI ACWI IMI 9/30/13</b>	<b>Aggregate Global Equity 6/30/13</b>
Consumer Staples	10	9	10
Financials	22	22	22
Telecommunication Services	4	4	4
Utilities	3	3	4
Health Care	10	10	10
Industrials	12	12	12
Materials	7	7	6
Consumer Discretionary	12	12	12
Energy	9	9	8
Information Technology	12	12	12

San Jose Federated Retiree Health Care  
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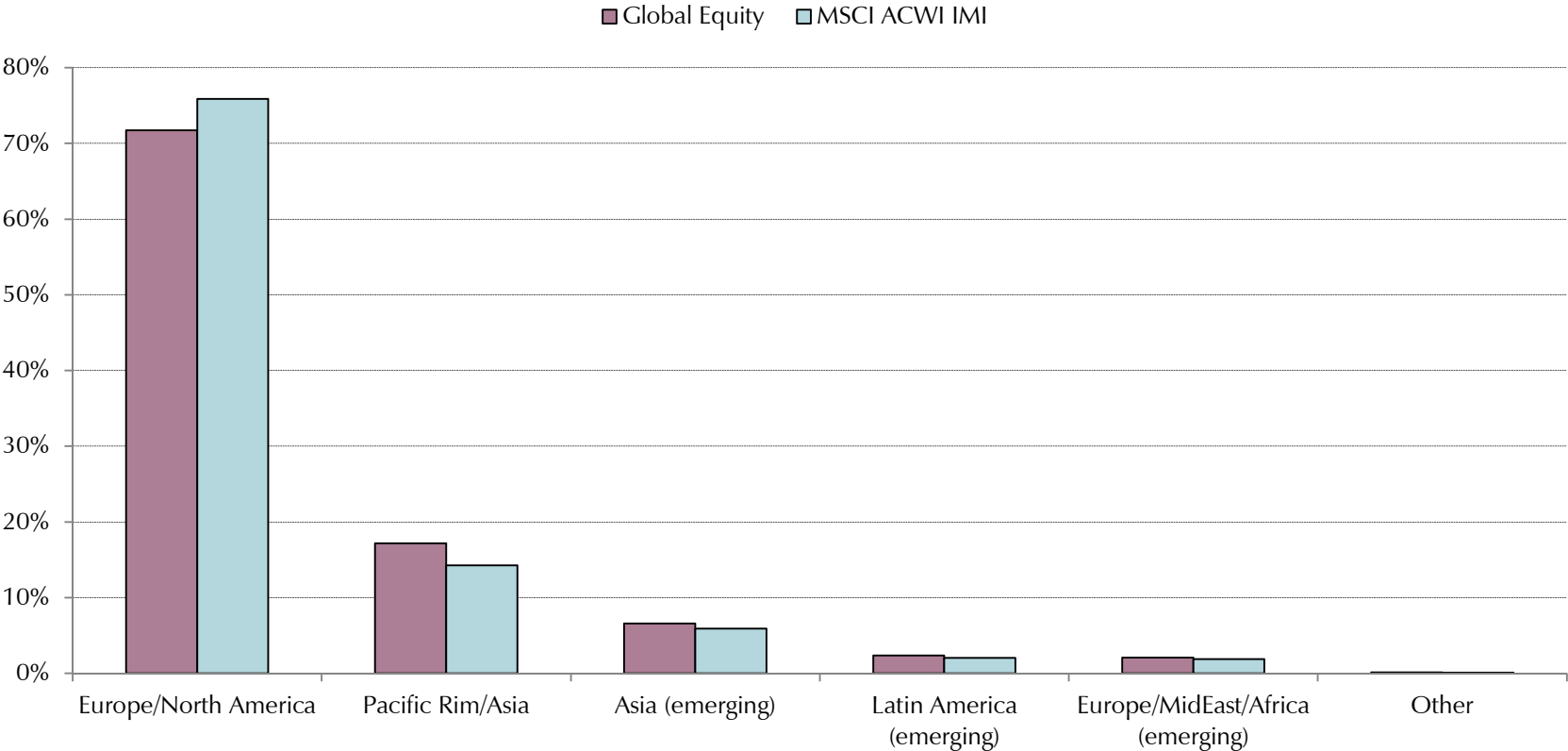
Global Equity Assets  
Country & Region Breakdown as of 9/30/13

	Aggregate Global Equity 9/30/13 (%)	MSCI ACWI IMI 9/30/13 (%)		Aggregate Global Equity 9/30/13 (%)	MSCI ACWI IMI 9/30/13 (%)
<b>Europe/North America</b>	<b>71.7</b>	<b>75.9</b>	<b>Asia (emerging)</b>	<b>6.6</b>	<b>5.9</b>
United Kingdom	8.9	7.8	South Korea	2.0	1.8
France	4.0	3.2	China	1.3	1.0
Switzerland	3.9	3.1	Taiwan	1.3	1.4
Germany	3.7	3.1	<b>Latin America (emerging)</b>	<b>2.3</b>	<b>2.0</b>
Netherlands	1.8	1.4	Brazil	1.5	1.2
Spain	1.4	1.1	<b>Europe/MidEast/Africa (emerging)</b>	<b>2.1</b>	<b>1.9</b>
Sweden	1.4	1.2	<b>Other</b>	<b>0.1</b>	<b>0.1</b>
United States	43.7	48.3			
<b>Pacific Rim/Asia</b>	<b>17.1</b>	<b>14.3</b>			
Japan	10.1	8.3			
Australia	3.6	2.9			
Hong Kong	2.4	2.1			



San Jose Federated Retiree Health Care  
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Global Equity Assets  
Region Breakdown as of 9/30/13

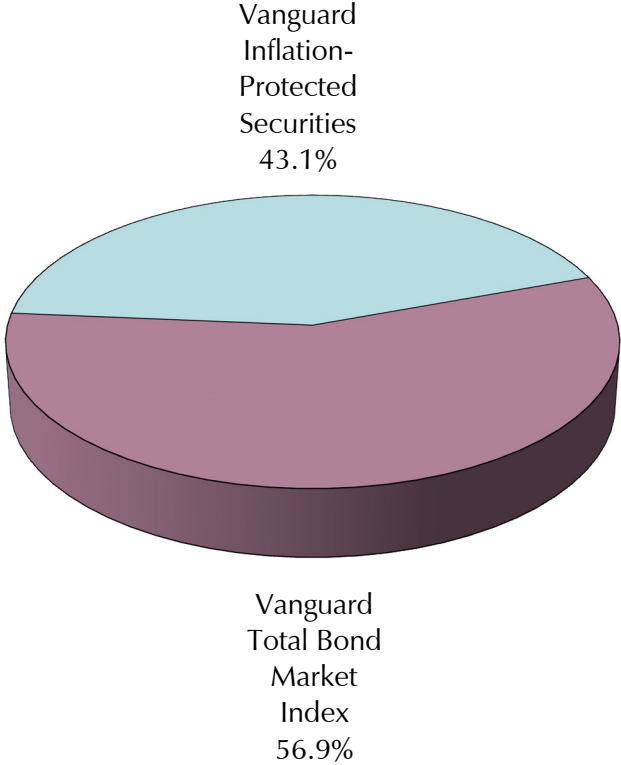
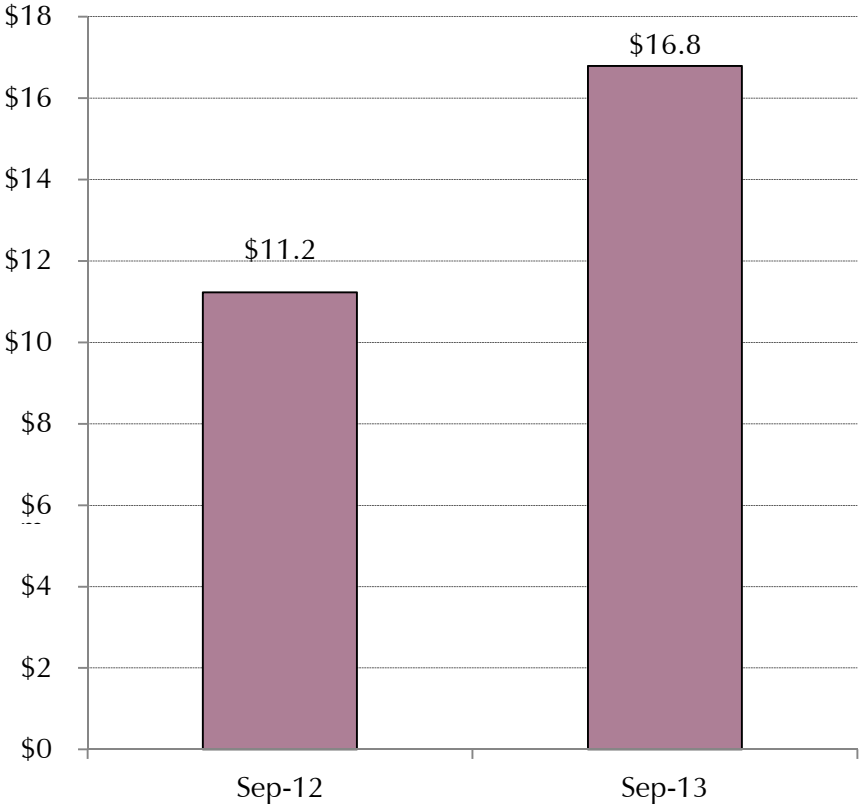




**Fixed Income Assets  
As of September 30, 2013**

San Jose Federated Retiree Health Care  
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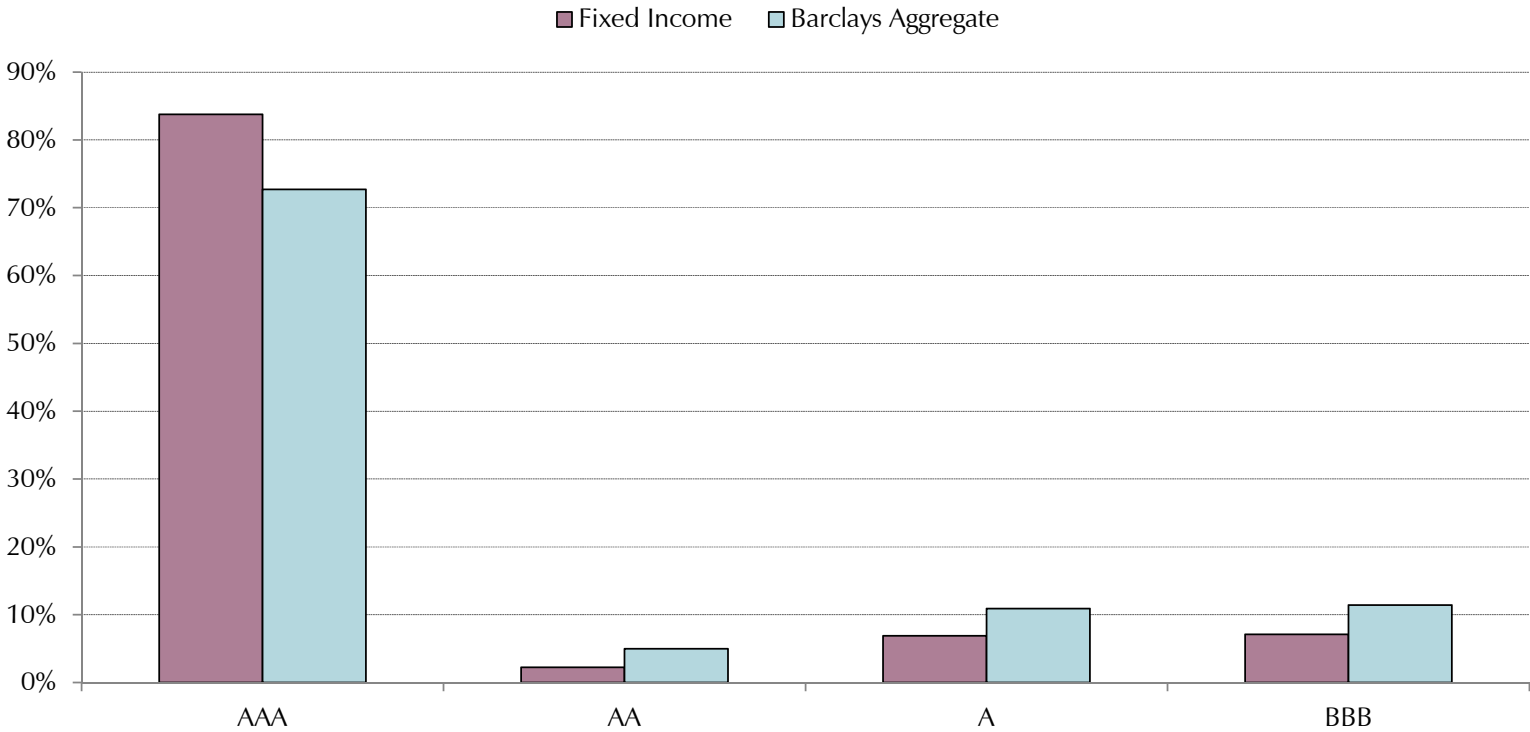
Fixed Income Assets  
as of 9/30/13



**San Jose Federated Retiree Health Care  
115 Trust**

**Fixed Income Assets  
Characteristics as of 9/30/13**

<b>Duration &amp; Yield:</b>	<b>Aggregate Fixed Income 9/30/13</b>	<b>Barclays Aggregate 9/30/13</b>	<b>Aggregate Fixed Income 6/30/13</b>
Average Effective Duration (years)	5.5	5.6	5.5
Yield to Maturity (%)	2.3	2.4	2.3



**San Jose Federated Retiree Health Care  
115 Trust**

**Fixed Income Assets  
Diversification as of 9/30/13**

	<b>Aggregate Fixed Income 9/30/13</b>	<b>Barclays Aggregate 9/30/13</b>	<b>Aggregate Fixed Income 6/30/13</b>
<b>Market Allocation (%):</b>			
United States	95	91	95
Foreign (developed markets)	3	5	3
Foreign (emerging markets)	2	4	1
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	0	0	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	24	36	23
U.S. Treasury-TIPS	42	0	41
U.S. Agency	2	6	2
Mortgage Backed	13	29	15
Corporate	14	22	13
Bank Loans	0	0	0
Local & Provincial Government	0	1	0
Sovereign & Supranational	4	3	4
Commercial Mortgage Backed	1	2	1
Asset Backed	0	0	0
Cash Equivalent	0	0	0
Other	0	0	0

**Portfolio Reviews  
As of September 30, 2013**

**Global Equity Portfolio Reviews  
As of September 30, 2013**

## San Jose Federated Retiree Health Care 115 Trust

## Vanguard Developed Markets Index Portfolio Detail as of 9/30/13

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$18.0 million  
**Portfolio Manager:** Duane Kelly & Michael Perre  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 12/1/2011  
**Account Type:** Mutual Fund (VIDMX)

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.07% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The Vanguard Developed Markets Index Fund seeks to track the performance of the MSCI EAFE index, which measures the investment return of stocks issued by companies located in the major markets of Europe and the Pacific Region. The fund employs a passive management investment approach by investing all, or substantially all, of its assets in the common stocks included in the MSCI EAFE index.

Performance (%):	3Q13	1 YR	Since 12/1/11
<b>Vanguard Developed Markets Index</b>	<b>11.7</b>	<b>24.2</b>	<b>17.4</b>
Vanguard Spliced Developed Markets Benchmark <sup>1</sup>	11.7	23.9	17.8

	9/30/13		6/30/13	
<b>Capitalization Structure:</b>	Vanguard Developed Markets	MSCI EAFE	Vanguard Developed Markets	MSCI EAFE
Weighted Average Market Cap. (US\$ billion)	57.1	59.5	52.5	54.5
Median Market Cap. (US\$ billion)	5.7	8.4	5.2	7.6
Large (% over US\$10 billion)	80	84	77	81
Medium (% US\$2 billion to US\$10 billion)	19	16	21	19
Small (% under US\$2 billion)	1	0	2	0
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	20	20	19	19
Price-Book Value Ratio	2.8	3.0	2.8	2.9
Dividend Yield (%)	2.9	3.1	3.2	3.3
Historical Earnings Growth Rate (%)	6	6	5	5
Projected Earnings Growth Rate (%)	11	11	11	11
<b>Sector Allocation (%):</b>				
Information Technology	6	4	6	5
Industrials	13	13	13	12
Consumer Discretionary	12	12	12	12
Materials	9	8	8	8
Utilities	4	4	4	4
Consumer Staples	11	11	12	12
Energy	7	7	7	7
Telecommunication Services	5	5	5	5
Health Care	9	10	10	11
Financials	25	25	24	25
<b>Diversification:</b>				
Number of Holdings	1,351	907	1,348	907
% in 5 largest holdings	7	8	7	8
% in 10 largest holdings	12	13	13	14
<b>Region Allocation (%):</b>				
Americas	0	0	0	0
Europe	60	65	59	64
Pacific Rim	35	35	36	36
Other	4	0	4	0
<b>Largest Five Holdings:</b>	<b>Industry</b>			
Nestle	1.7	Food, Beverage & Tobacco		
HSBC	1.5	Banks		
Roche Holding	1.4	Pharmaceuticals & Biotech.		
Novartis	1.3	Pharmaceuticals & Biotech.		
Toyota Motor	1.2	Automobiles & Components		

<sup>1</sup> MSCI EAFE Index through April 16, 2013; FTSE Developed ex North America Index thereafter.



## San Jose Federated Retiree Health Care 115 Trust

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$17.0 million  
**Portfolio Manager:** Team  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 12/1/2011  
**Account Type:** Mutual Fund (VRTTX)

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.08% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
Vanguard Russell 3000 Index Fund seeks to track the investment performance of the Russell 3000 index, an unmanaged benchmark representing the broad U.S. equity market. The fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the index, holding each stock in approximately the same proportion as its weighting within the index. Vanguard's Quantitative Equity Group manages the fund.

Performance (%):	3Q13	1 YR	Since 12/1/11
<b>Vanguard Russell 3000</b>	<b>6.3</b>	<b>21.5</b>	<b>21.1</b>
Russell 3000	6.3	21.6	21.2

## Vanguard Russell 3000 Portfolio Detail as of 9/30/13

	9/30/13		6/30/13	
	Vanguard Russell 3000	Russell 3000	Vanguard Russell 3000	Russell 3000
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	84.0	84.1	83.7	84.6
Median Market Cap. (US\$ billion)	1.3	1.3	1.2	1.2
Large (% over US\$10 billion)	77	77	76	76
Medium (% US\$2 billion to US\$10 billion)	17	17	18	17
Small (% under US\$2 billion)	6	6	6	6
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	23	23	22	22
Price-Book Value Ratio	4.5	4.5	4.1	4.1
Dividend Yield (%)	2.0	2.0	2.1	2.1
Historical Earnings Growth Rate (%)	13	13	12	12
Projected Earnings Growth Rate (%)	12	12	12	11
<b>Sector Allocation (%):</b>				
Health Care	13	13	12	12
Materials	4	4	4	4
Energy	9	9	9	10
Utilities	3	3	3	3
Telecommunication Services	2	2	2	3
Consumer Staples	9	9	9	9
Consumer Discretionary	13	13	13	13
Industrials	11	11	11	11
Financials	17	17	18	18
Information Technology	18	18	17	17
<b>Diversification:</b>				
Number of Holdings	3,007	2,965	2,986	2,923
% in 5 largest holdings	8	8	9	9
% in 10 largest holdings	14	14	15	15
<b>Region Allocation (%):</b>				
Europe/North America	100	100	100	100
Europe/MidEast/Africa (emerging)	0	0	0	0
<b>Largest Five Holdings:</b>				
			<b>Industry</b>	
Apple	2.4		Technology Equipment	
ExxonMobil	2.0		Energy	
Microsoft	1.5		Software & Services	
General Electric	1.3		Capital Goods	
Johnson & Johnson	1.3		Pharmaceuticals & Biotech.	





## San Jose Federated Retiree Health Care 115 Trust

## Vanguard Emerging Markets Stock Index Portfolio Detail as of 9/30/13

**Mandate:** Global Equities  
**Active/Passive:** Passive  
**Market Value:** \$3.9 million  
**Portfolio Manager:** Duane Kelly & Michael Perre  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 12/1/2011  
**Account Type:** Mutual Fund (VERSX)

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.18% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The Vanguard Emerging Markets Stock Index strategy seeks to replicate the characteristics and returns of the MSCI Emerging Markets index, a broad index of stocks issued by companies located in emerging markets around the world.

Performance (%):	3Q13	1 YR	Since 12/1/11
Vanguard Emerging Markets Stock Index	4.8	-0.1	4.0
Vanguard Spliced Emerging Markets Index <sup>1</sup>	4.3	-0.4	5.4

	9/30/13		6/30/13	
	Vanguard EM Index	MSCI Emerging Markets	Vanguard EM Index	MSCI Emerging Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	30.3	35.9	27.6	32.7
Median Market Cap. (US\$ billion)	4.0	4.4	3.9	4.2
Large (% over US\$10 billion)	63	64	62	63
Medium (% US\$2 billion to US\$10 billion)	32	32	33	32
Small (% under US\$2 billion)	5	3	5	4
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	18	18	18	18
Price-Book Value Ratio	3.4	3.1	3.3	3.1
Dividend Yield (%)	3.0	2.6	3.2	2.9
Historical Earnings Growth Rate (%)	12	13	12	14
Projected Earnings Growth Rate (%)	13	13	13	12
<b>Sector Allocation (%):</b>				
Financials	30	27	29	28
Energy	14	12	13	11
Telecommunication Services	9	7	9	8
Consumer Staples	9	9	10	9
Utilities	4	3	4	3
Materials	10	10	10	10
Health Care	2	1	2	1
Industrials	6	6	6	6
Consumer Discretionary	7	9	7	8
Information Technology	11	15	11	15
<b>Diversification:</b>				
Number of Holdings	904	818	928	820
% in 5 largest holdings	8	11	8	11
% in 10 largest holdings	14	17	14	16
<b>Region Allocation (%):</b>				
Asia	46	53	49	54
Latin America	24	20	24	20
Europe, Middle East and Africa	21	18	18	17
Other	10	9	9	9
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
China Mobile	1.8	Telecom Services		
China Con.Bank	1.8	Banks		
Indl.& Coml.Bk.Of China	1.6	Banks		
Tencent Holdings	1.5	Software & Services		
Taiwan Semiconductor	1.3	Semiconductors		

<sup>1</sup> The Vanguard Spliced Emerging Markets Index is comprised of the MSCI Emerging Markets Index through January 9, 2013, the FTSE Emerging Transition Index from January 10, 2013 through July 3, 2013, and the FTSE Emerging Index thereafter.



**Fixed Income Portfolio Reviews  
As of September 30, 2013**

## San Jose Federated Retiree Health Care 115 Trust

## Vanguard Total Bond Market Index Portfolio Detail as of 9/30/13

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$9.6 million  
**Portfolio Manager:** Gregory Davis, CFA  
 Kenneth Volpert, CFA  
 Gregory Davis, CFA  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 12/1/2011  
**Account Type:** Mutual Fund (VBTIX)

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.07% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The Vanguard Total Bond Market Index portfolio is structured to mirror the Barclays U.S. Aggregate index, a broad basket consisting mainly of U.S. government, mortgage-backed, and investment-grade corporate fixed income securities. Vanguard passively manages the strategy using index sampling to create an intermediate-duration portfolio that provides moderate income while maintaining high credit quality.

Performance (%):	3Q13	1 YR	Since 12/1/11
<b>Vanguard Total Bond Market Index</b>	<b>0.5</b>	<b>-1.8</b>	<b>1.8</b>
Barclays Aggregate Float Adjusted Index	0.5	-1.7	1.9

	9/30/13		6/30/13	
	Vanguard Bond Mkt Index	Barclays Agg Float Adjusted Index	Vanguard Bond Mkt Index	Barclays Agg Float Adjusted Index
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	5.5	5.5	5.5	5.5
Yield to Maturity (%)	2.3	2.3	2.3	2.3
<b>Quality Structure (%):</b>				
Average Quality	AA+	AA+	AA+	AA+
AAA (includes Treasuries and Agencies)	71	70	73	71
AA	4	5	4	5
A	12	12	12	12
BBB	12	12	12	12
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	40	39	40	39
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	4	6	4	6
Mortgage Backed	22	23	25	24
Corporate	24	24	23	23
Bank Loans	0	0	0	0
Local & Provincial Government	0	1	0	1
Sovereign & Supranational	7	3	6	3
Commercial Mortgage Backed	2	2	2	2
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	0	0
<b>Market Allocation (%):</b>				
United States	91	90	92	91
Foreign (developed markets)	6	6	6	5
Foreign (emerging markets)	4	4	2	4
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0



## San Jose Federated Retiree Health Care 115 Trust

## Vanguard Inflation-Protected Securities Portfolio Detail as of 9/30/13

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$7.2 million  
**Portfolio Manager:** John Hollyer, CFA  
**Location:** Valley Forge, Pennsylvania  
**Inception Date:** 12/1/2011  
**Account Type:** Mutual Fund (VAIPX)

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
0.10% on all assets

**Liquidity Constraints:**  
Daily

**Strategy:**  
The Vanguard Inflation-Protected Securities strategy seeks long-term returns that exceed inflation by investing at least 80% of its assets in high-quality inflation-indexed bonds. These securities, primarily issued by the U.S. Treasury, government agencies, and domestic corporations, automatically adjust their principal and interest payments over time in response to changes in inflation.

Performance (%):	3Q13	1 YR	Since 12/1/11
<b>Vanguard Inflation-Protected Securities</b>	<b>0.9</b>	<b>-6.2</b>	<b>-0.1</b>
Barclays U.S. TIPS	0.7	-6.1	-0.1

Quality Structure (%):	9/30/13		6/30/13	
	Vanguard TIPS Index	Barclays TIPS	Vanguard TIPS Index	Barclays TIPS
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	100	100	100
AA	0	0	0	0
A	0	0	0	0
BBB	0	0	0	0
BB	0	0	0	0
B	0	0	0	0
Below B	0	0	0	0
Non-Rated	0	0	0	0

Sector Allocation (%):				
U.S. Treasury-Nominal	2	0	0	0
U.S. Treasury-TIPS	98	100	99	100
U.S. Agency	0	0	0	0
Mortgage Backed	0	0	0	0
Corporate	0	0	0	0
Bank Loans	0	0	0	0
Local & Provincial Government	0	0	0	0
Sovereign & Supranational	0	0	0	0
Commercial Mortgage Backed	0	0	0	0
Asset Backed	0	0	0	0
Cash Equivalent	0	0	0	0
Other	0	0	1	0

Market Allocation (%):				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0

Currency Allocation (%):				
Non-U.S. Dollar Exposure	0	0	0	0



**Real Assets Portfolio Reviews  
As of September 30, 2013**

# San Jose Federated Retiree Health Care 115 Trust

# Credit Suisse Compound Risk Parity Commodity Index Portfolio Detail as of 9/30/13

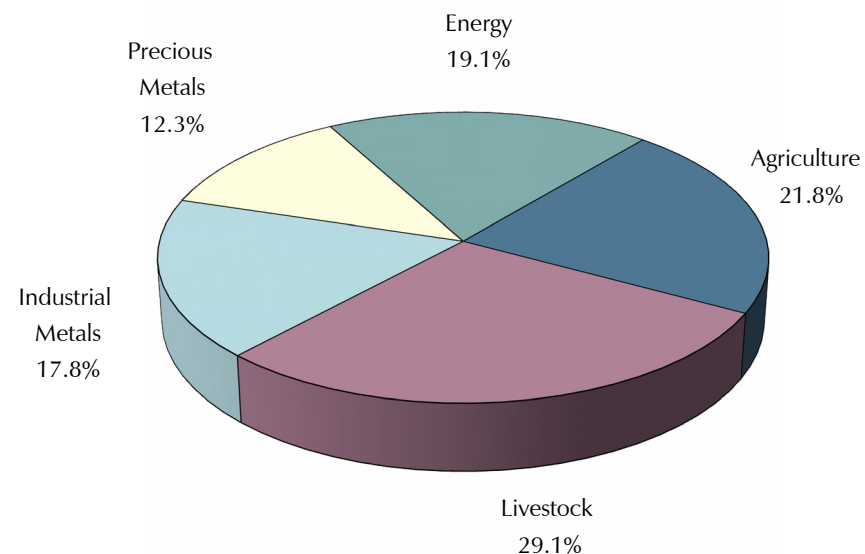
**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$5.9 million  
**Portfolio Manager:** Christopher Burton  
**Location:** New York, New York  
**Inception Date:** 8/1/2011  
**Account Type:** Commingled Fund

**Fee Schedule:**  
 0.42% on first \$100 mm; 0.37% thereafter

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 Credit Suisse Asset Management (CSAM) seeks to provide a commodity-based investment return with reduced risk, measured by standard deviation, versus traditional commodity indices. The team aims to capture the spot return of commodities while employing active management techniques to exploit commodity market inefficiencies. The commodities team at CSAM utilizes futures to replicate the risk-based index. The portfolio consists of five commodity complexes (energy, industrial metals, precious metals, agriculture, and livestock) and 24 commodities included in the S&P- Goldman Sachs Commodities Index. CSAM allocates 20% of capital to each of the commodity complexes. Within each commodity complex, the strategy equal weights the specific commodities. The portfolio is rebalanced on a monthly basis. Active strategies used by CSAM seek to exploit the time period (roll date) the fund purchases commodities, using a quantitative and qualitative assessment. Collateral for the fund is actively managed and invested in U.S. Treasuries and agency securities.

**Current Allocation:**



Performance (%):	3Q13	1 YR	Since 8/1/11
<b>Credit Suisse Compound Risk Parity Commodity Index</b>	<b>4.2</b>	<b>-10.4</b>	<b>-7.3</b>
Custom Risk Parity Benchmark <sup>1</sup>	4.1	-10.5	-7.6
Dow Jones-UBS Commodity U.S. Index	2.1	-14.4	-10.8

<sup>1</sup> Custom Risk Parity Benchmark returns provided by Credit Suisse.



# San Jose Federated Retiree Health Care 115 Trust

# First Quadrant Risk Parity Commodity Index Portfolio Detail as of 9/30/13

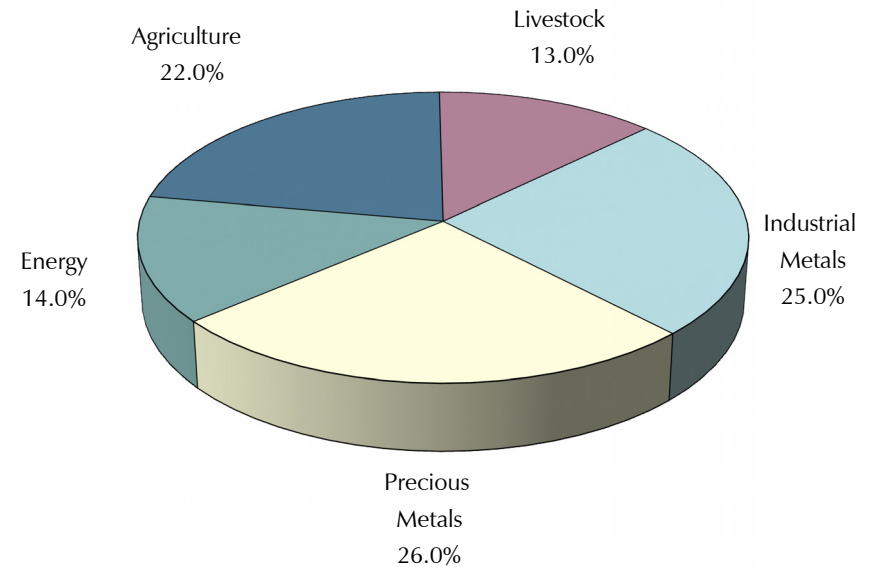
**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$2.1 million  
**Portfolio Manager:** Team  
**Location:** Pasadena, California  
**Inception Date:** 8/1/2011  
**Account Type:** Commingled Fund

**Fee Schedule:**  
 0.35% on all assets

**Liquidity Constraints:**  
 Monthly

**Strategy:**  
 First Quadrant believes that there are inherent flaws to commodity indices, and they seek to produce a strategy which providing investors a higher correlation to inflation over the long run. First Quadrant utilizes futures and swaps to gain exposure to five commodity complexes, representing twenty specific commodities, and targets 20% risk to each of the commodity complexes. The complexes are energy, industrial metals, precious metals, agriculture, and livestock. The firm employs a quantitative methodology and uses risk as the weighting for each commodity product, making adjustments to the allocations depending upon the perceived volatility environment (high risk, low risk, or moderate risk). The firm will modify the investment exposure based upon the predicted environment ranging from 88% (in a high volatility environment) to 146% (in a low volatility environment). Collateral for the portfolio is actively managed and invested in U.S. Treasuries and agency securities.

**Current Allocation:**



Performance (%)	3Q13	1 YR	Since 8/1/11
<b>First Quadrant Risk Parity Commodity Index</b>	<b>4.2</b>	<b>-17.2</b>	<b>-12.9</b>
Custom Risk Parity Benchmark <sup>1</sup>	4.1	-10.5	-7.6
Dow Jones-UBS Commodity U.S. Index	2.1	-14.4	-10.8

<sup>1</sup> Custom Risk Parity Benchmark returns provided by Credit Suisse.

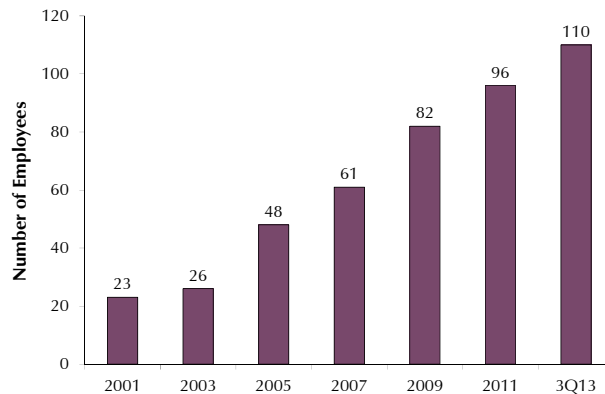


# **Meketa Investment Group Corporate Update**



- Staff of 110, including 68 investment professionals and 24 CFA Charterholders
- 90 clients, with over 175 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Miami, and San Diego
- Clients have aggregate assets of over \$600 billion
  - Over \$20 billion in assets committed to alternative investments
    - Private Equity
    - Infrastructure
    - Natural Resources
    - Real Estate
    - Hedge Funds
    - Commodities

Employee Growth



Client Growth



Meketa Investment Group is proud to work for 3.2 million American families everyday



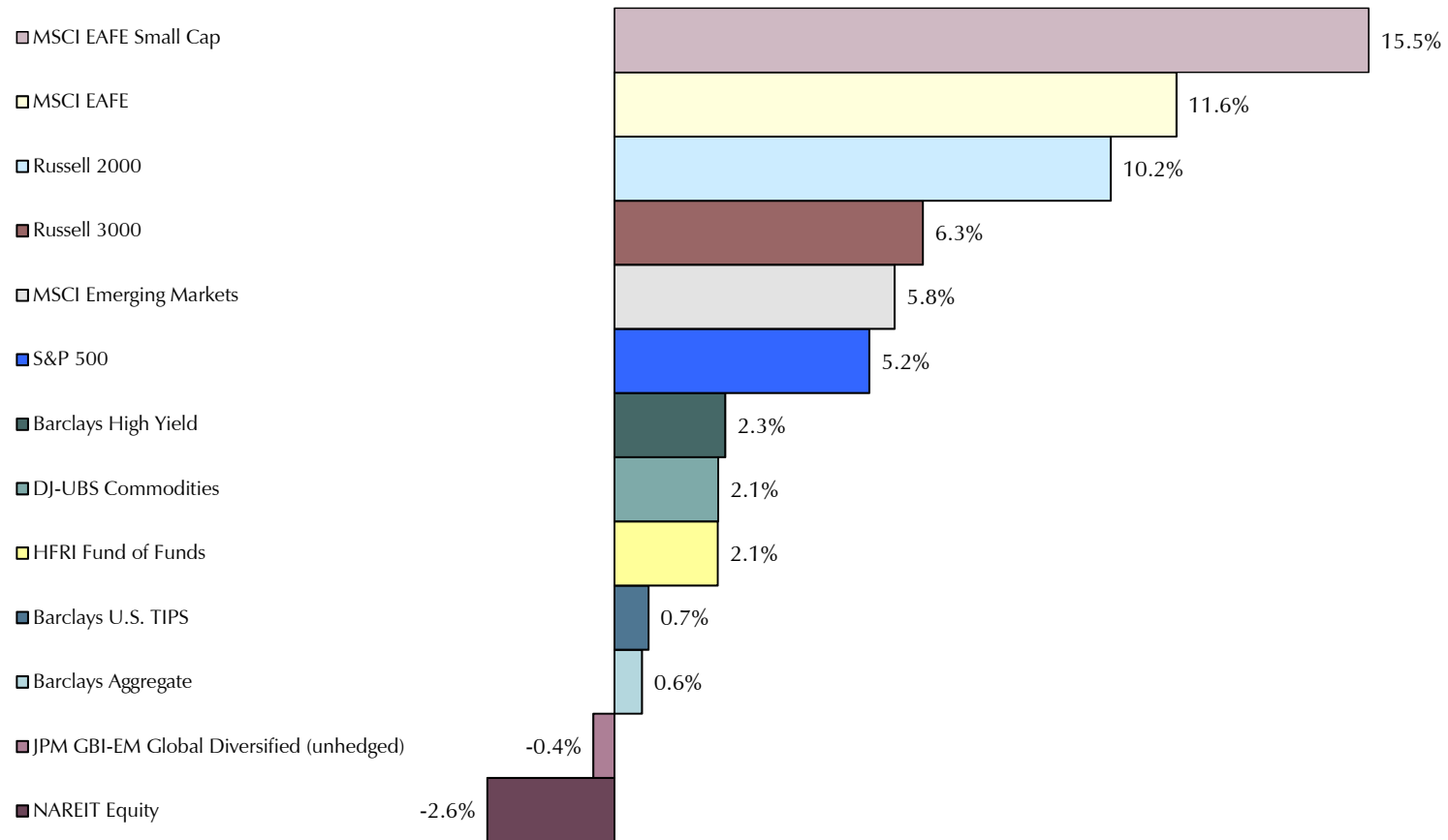
**Asset Classes Followed Intensively by Meketa Investment Group**

Domestic Equities	International Equities	Private Equity	Real Assets	Fixed Income	Hedge Funds
<ul style="list-style-type: none"> <li>- Passive</li> <li>- Enhanced Index</li> <li>- Large Cap</li> <li>- Midcap</li> <li>- Small Cap</li> <li>- Microcap</li> <li>- 130/30</li> </ul>	<ul style="list-style-type: none"> <li>- Large Cap Developed</li> <li>- Small Cap Developed</li> <li>- Emerging Markets</li> <li>- Frontier Markets</li> </ul>	<ul style="list-style-type: none"> <li>- Buyouts</li> <li>- Venture Capital</li> <li>- Private Debt</li> <li>- Special Situations</li> <li>- Secondaries</li> <li>- Fund of Funds</li> </ul>	<ul style="list-style-type: none"> <li>- Public REITs</li> <li>- Core Real Estate</li> <li>- Value Added Real Estate</li> <li>- Opportunistic Real Estate</li> <li>- Infrastructure</li> <li>- Timber</li> <li>- Natural Resources</li> <li>- Commodities</li> </ul>	<ul style="list-style-type: none"> <li>- Short-Term</li> <li>- Core</li> <li>- Core Plus</li> <li>- TIPS</li> <li>- High Yield</li> <li>- Bank Loans</li> <li>- Distressed</li> <li>- Global</li> <li>- Emerging Markets</li> </ul>	<ul style="list-style-type: none"> <li>- Long/Short Equity</li> <li>- Event Driven</li> <li>- Relative Value</li> <li>- Fixed Income Arbitrage</li> <li>- Multi Strategy</li> <li>- Market Neutral</li> <li>- Global Macro</li> <li>- Fund of Funds</li> <li>- Portable Alpha</li> </ul>

# Appendices

## The World Markets Third Quarter of 2013

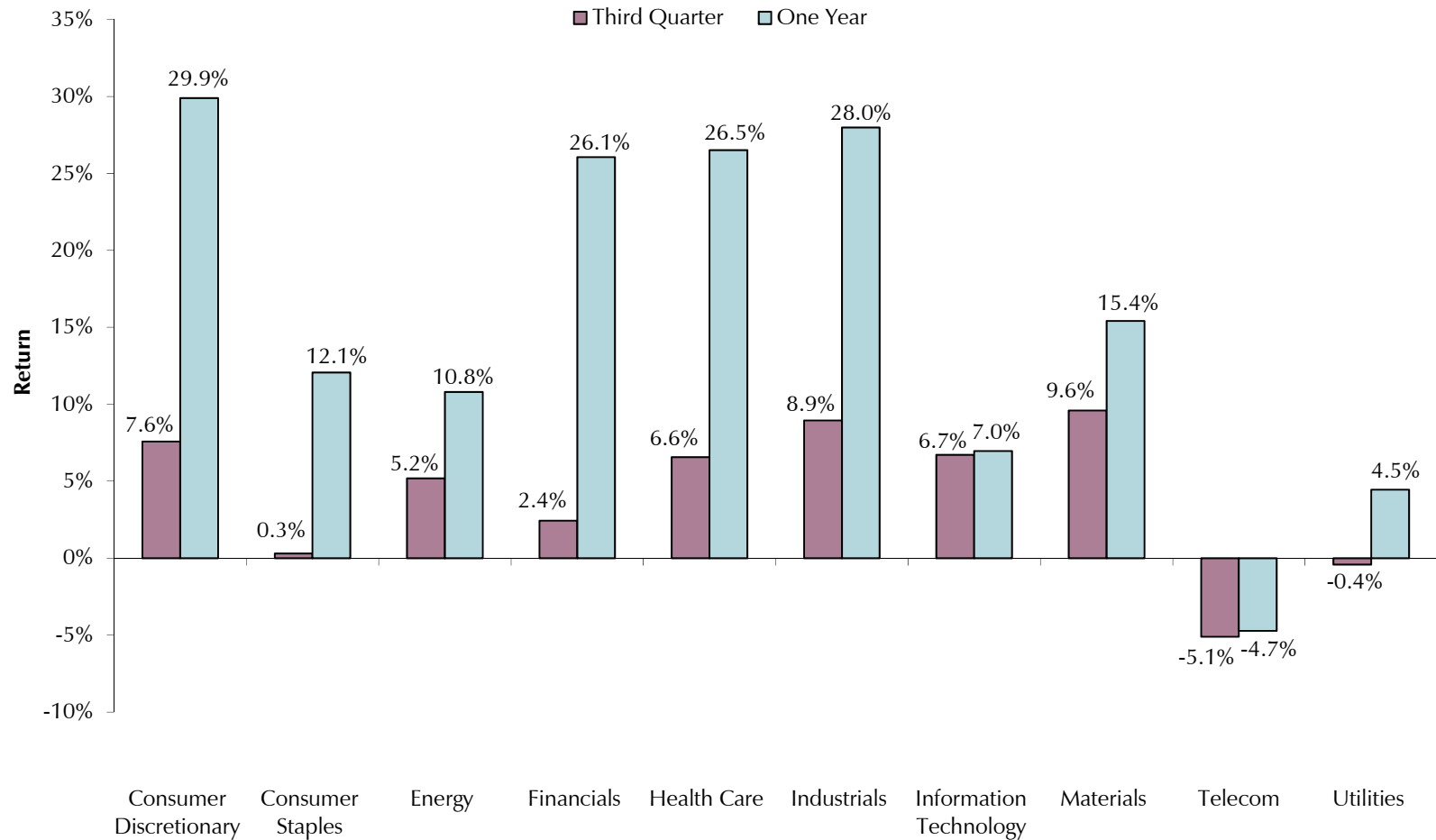
The World Markets  
Third Quarter of 2013



Index Returns

	3Q13 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>						
Russell 3000	6.3	21.3	21.6	16.8	10.6	8.1
Russell 1000	6.0	20.8	20.9	16.6	10.5	8.0
Russell 1000 Growth	8.1	20.9	19.3	16.9	12.1	7.8
Russell 1000 Value	3.9	20.5	22.3	16.2	8.9	8.0
Russell MidCap	7.7	24.3	27.9	17.5	13.0	10.8
Russell MidCap Growth	9.3	25.4	27.5	17.7	13.9	10.2
Russell MidCap Value	5.9	22.9	27.8	17.3	11.9	10.9
Russell 2000	10.2	27.7	30.1	18.3	11.2	9.6
Russell 2000 Growth	12.8	32.5	33.1	20.0	13.2	9.9
Russell 2000 Value	7.6	23.1	27.0	16.6	9.1	9.3
<b>Foreign Equity</b>						
MSCI ACWI (ex. U.S.)	10.1	10.0	16.5	5.9	6.3	8.8
MSCI EAFE	11.6	16.1	23.8	8.5	6.4	8.0
MSCI EAFE (local currency)	7.5	19.3	28.3	9.1	5.5	6.3
MSCI EAFE Small Cap	15.5	22.1	29.4	11.3	11.4	10.3
MSCI Emerging Markets	5.8	-4.4	1.0	-0.3	7.2	12.8
MSCI Emerging Markets (local currency)	5.6	0.5	5.8	2.7	8.2	12.5
<b>Fixed Income</b>						
Barclays Universal	0.7	-1.6	-1.0	3.4	5.9	4.9
Barclays Aggregate	0.6	-1.9	-1.7	2.9	5.4	4.6
Barclays U.S. TIPS	0.7	-6.7	-6.1	4.0	5.3	5.2
Barclays High Yield	2.3	3.7	7.1	9.2	13.5	8.9
JPMorgan GBI-EM Global Diversified (unhedged)	-0.4	-7.6	-3.7	1.8	7.3	10.1
<b>Other</b>						
NAREIT Equity	-2.6	3.0	6.2	12.8	6.0	9.7
DJ-UBS Commodities	2.1	-8.6	-14.4	-3.2	-5.4	1.0
HFRI Fund of Funds	2.1	5.6	6.9	2.6	2.0	3.4

S&P Sector Returns



S&P 500 Earnings Per Share<sup>1</sup>

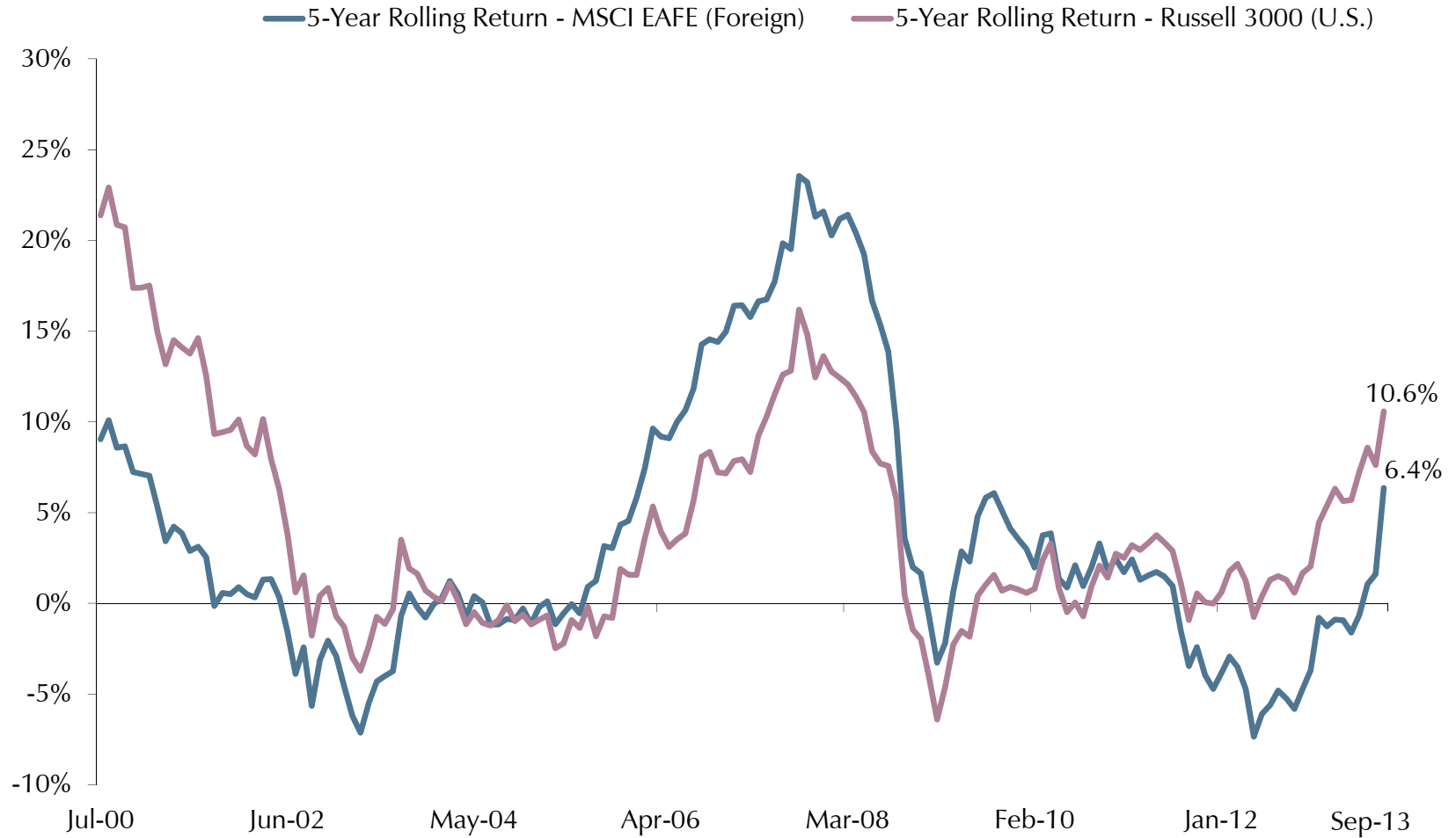


<sup>1</sup> The September 30, 2013 number is based on the approximately 92% of S&P 500 companies that reported earnings to date.

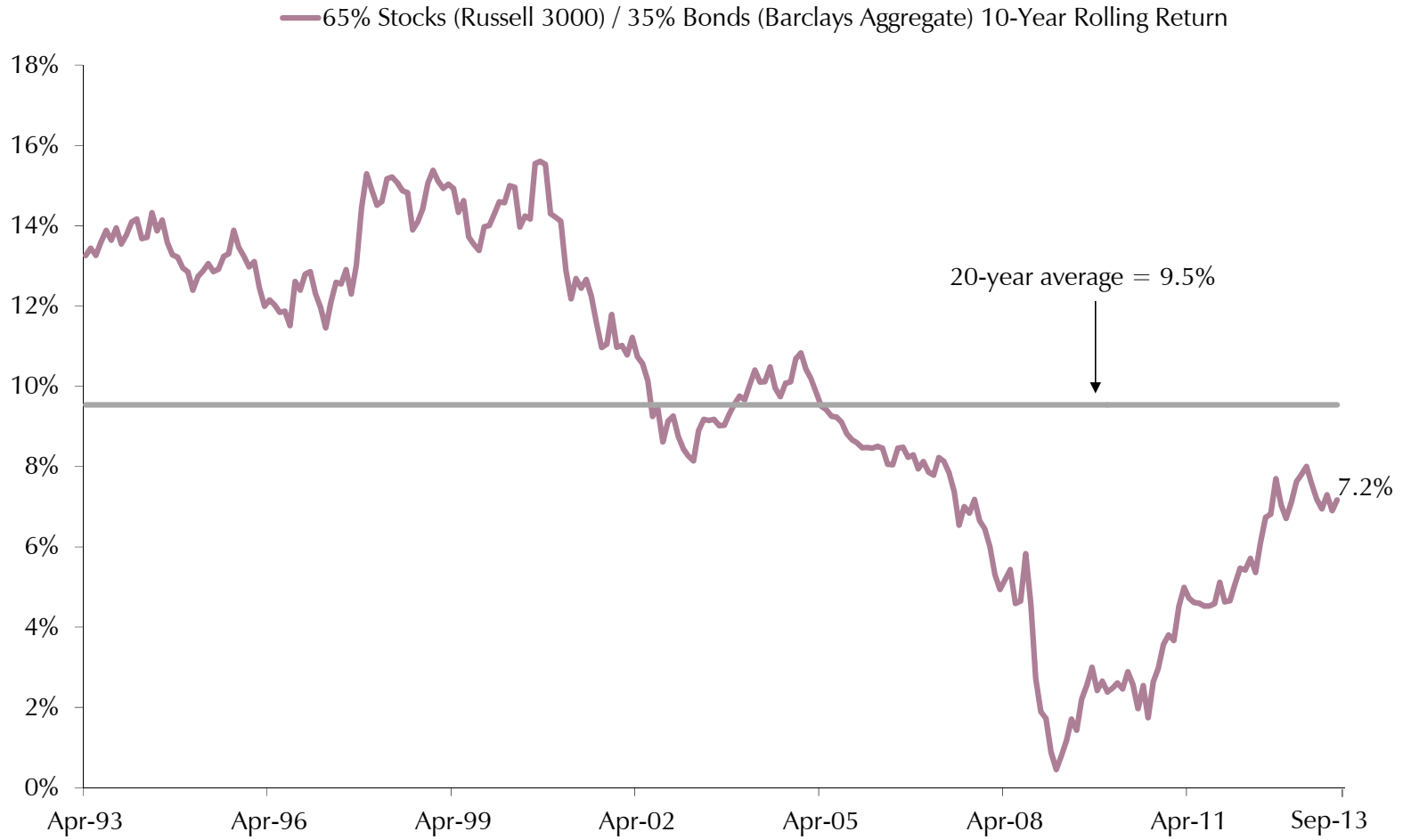




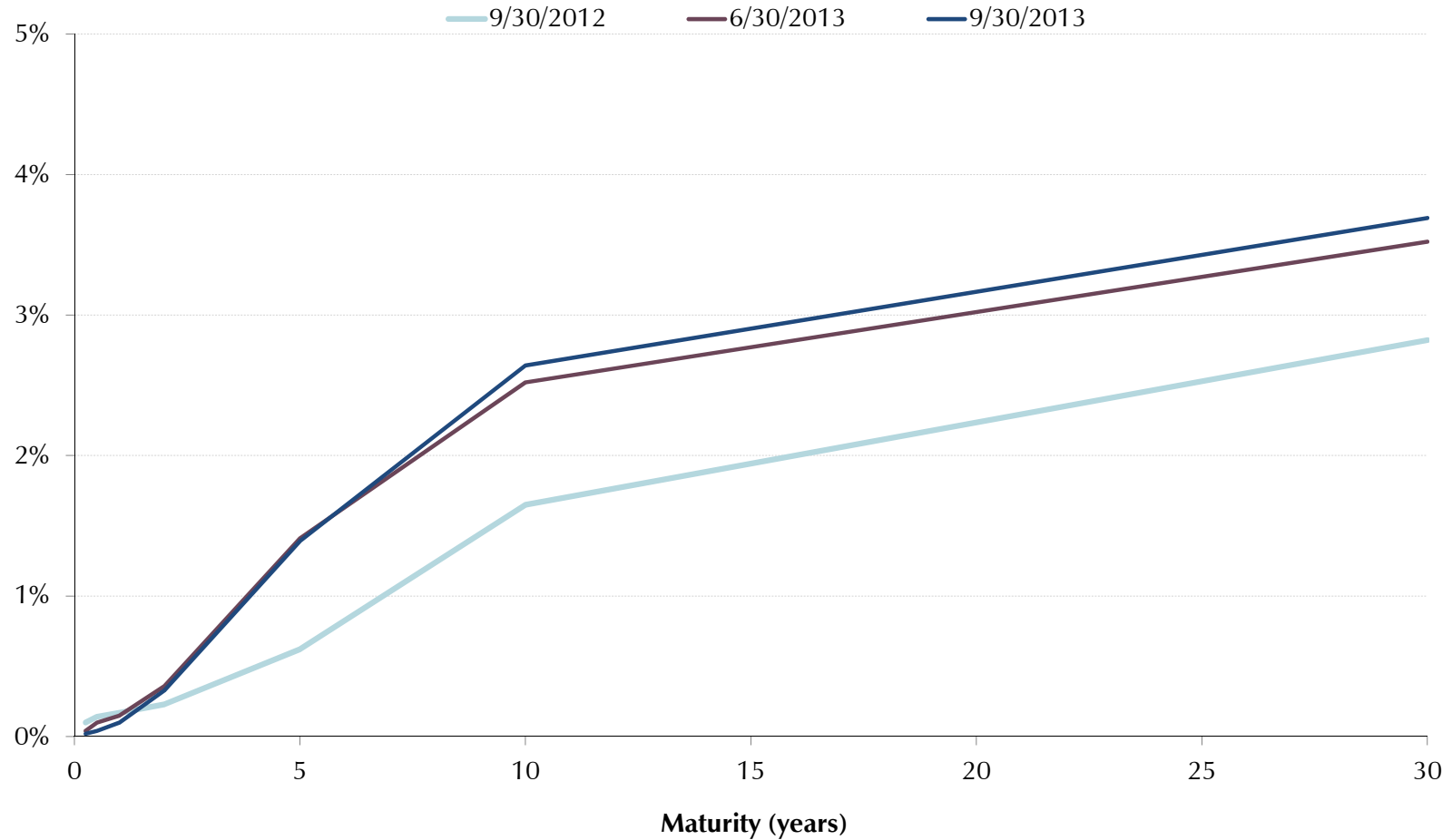
Equity Markets



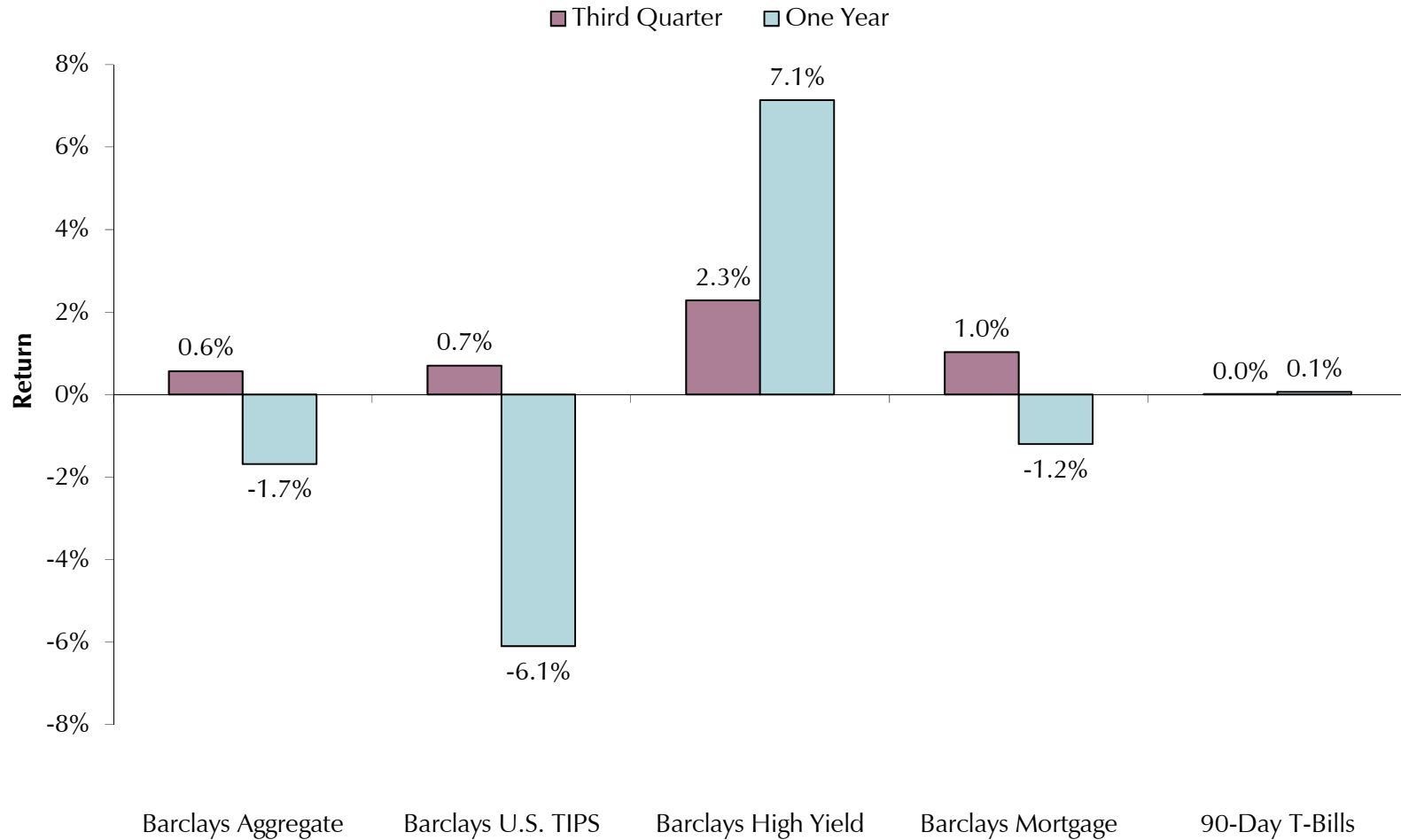
**Rolling Ten-Year Returns: 65% Stocks and 35% Bonds**



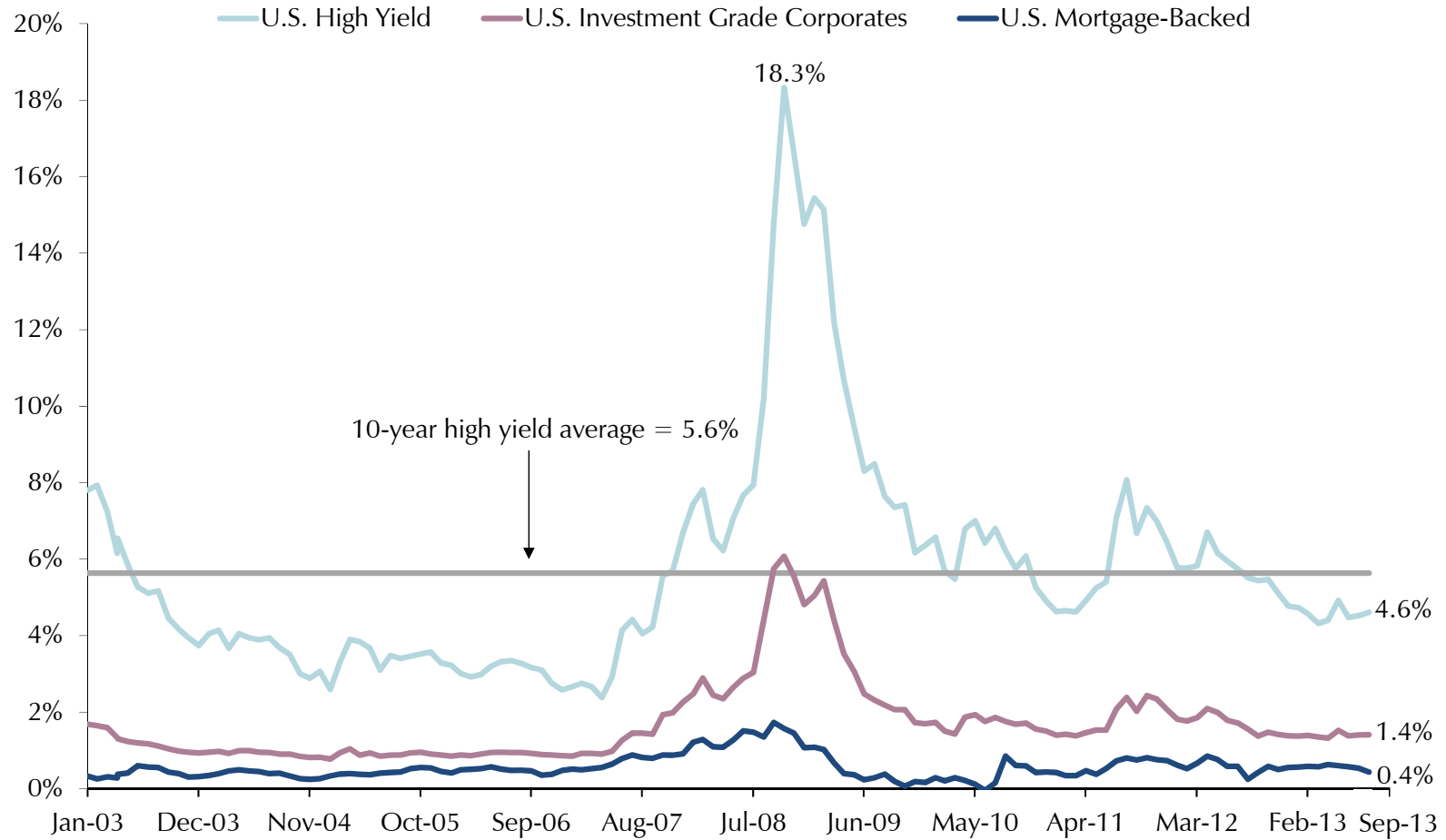
Treasury Yields



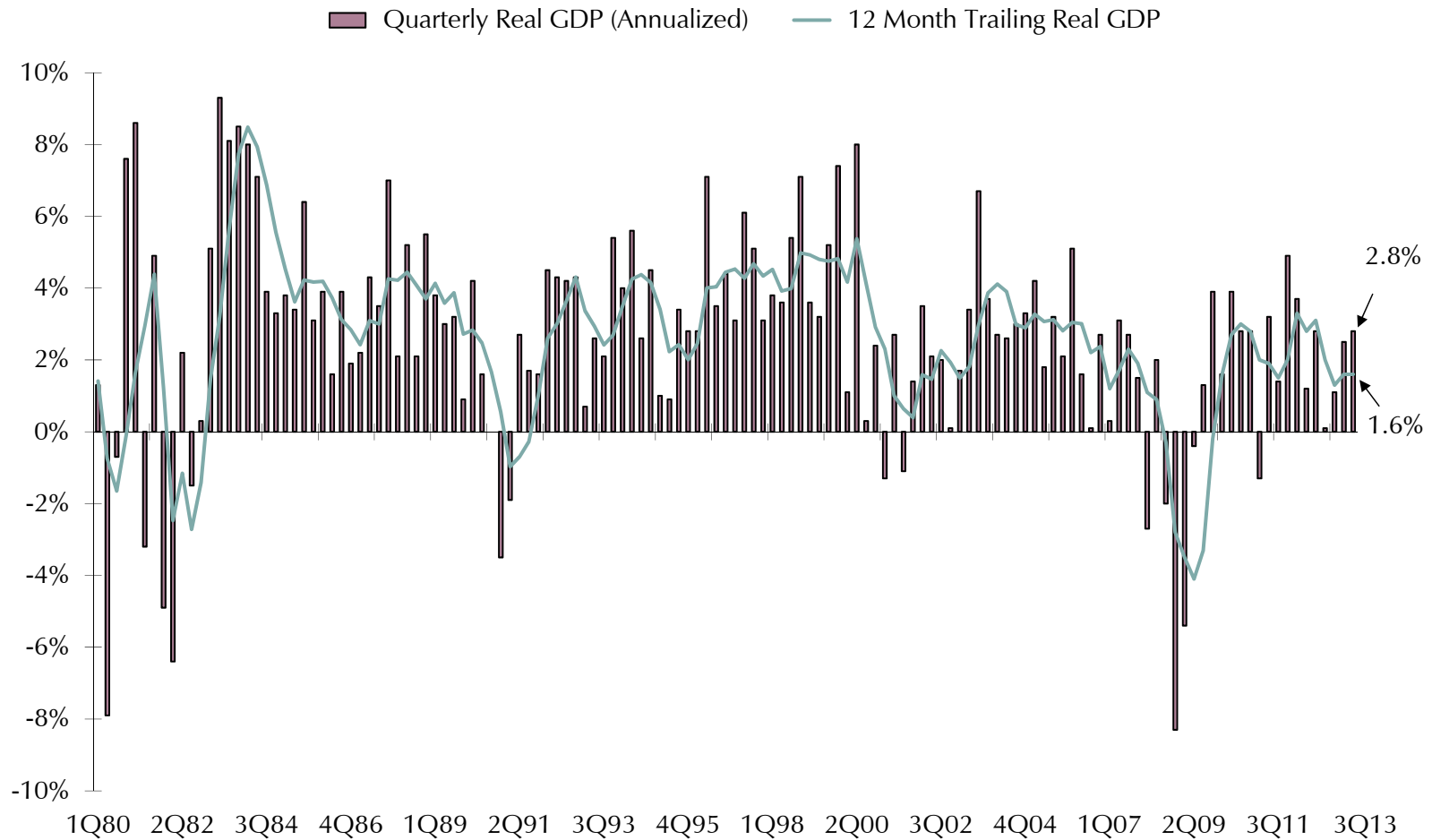
U.S. Fixed Income Markets



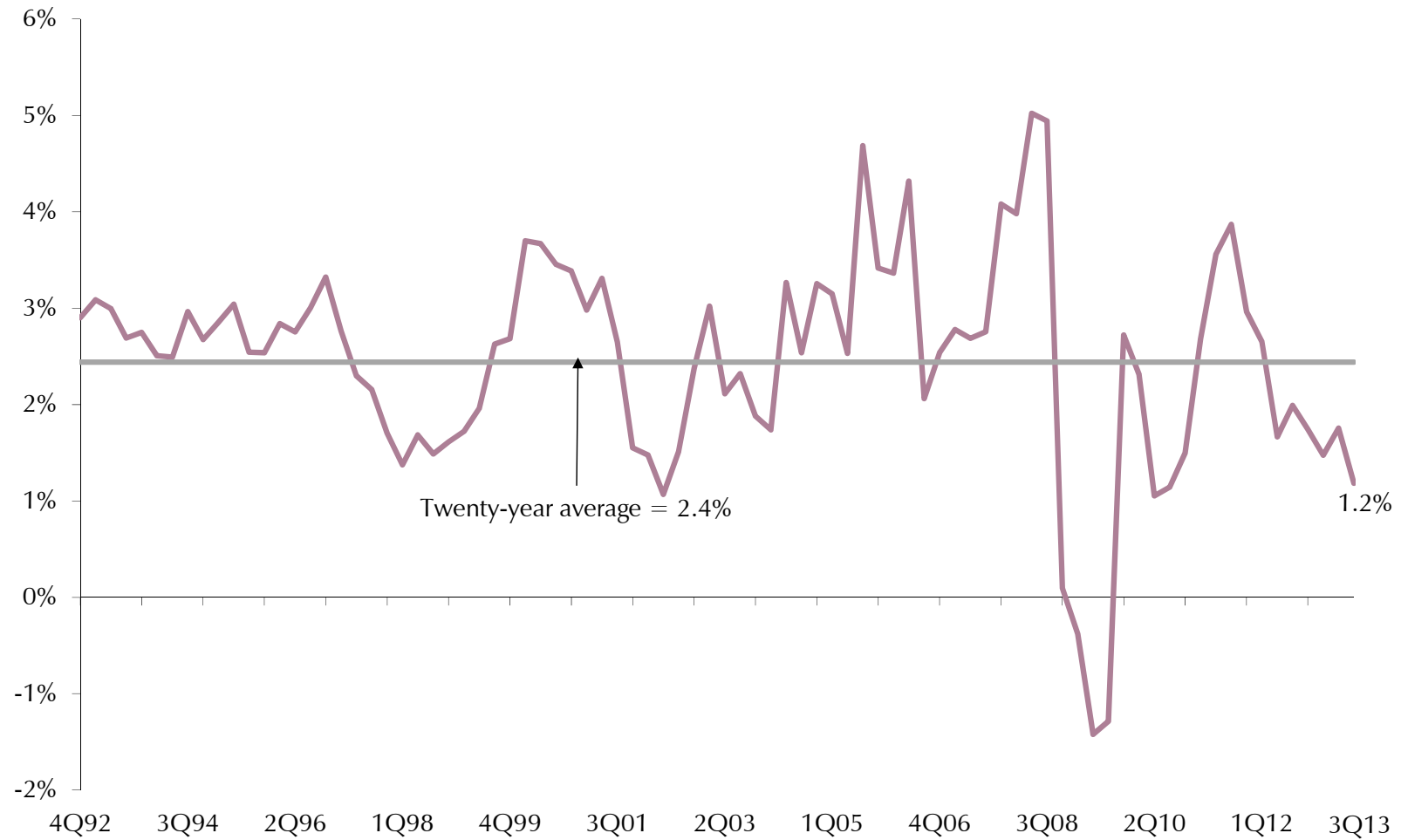
Credit Spreads vs. U.S. Treasury Bonds



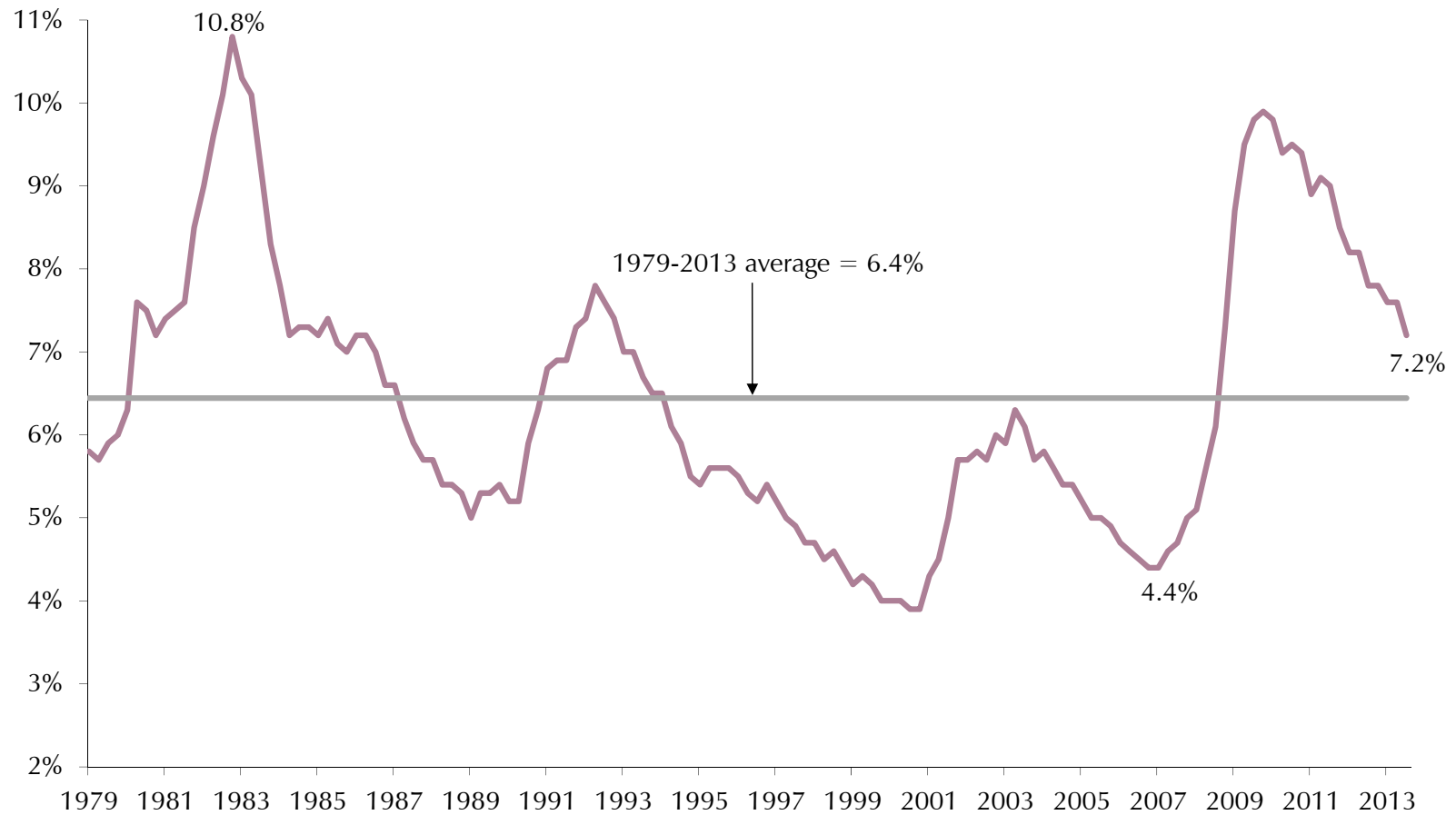
### Real Gross Domestic Product (GDP) Growth



**U.S. Inflation (CPI)  
Trailing Twelve Months**



### U.S. Unemployment





**Glossary and Notes  
As of September 30, 2013**

**Credit Risk:** Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

**Duration:** Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

**Information Ratio:** This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

**Market Capitalization:** For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

**Market Weighted:** Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

**Maturity:** The date on which a loan, bond, mortgage or other debt/security becomes due and is to be paid off.

**Prepayment Risk:** The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

**Price-Book Value (P/B) Ratio:** The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

**Price-Earnings (P/E) Ratio:** A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit

above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

**Quality Rating:** The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

**Sharpe Ratio:** A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

**Standard Deviation:** A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

**STIF Account:** Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

**Style:** The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

**Yield to Maturity:** The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = 1\% \text{ pro rata, plus } 5.26\% \text{ (current yield)} = 6.26\% \text{ (yield to maturity)}$$

Sources: [Investment Terminology](#), International Foundation of Employee Benefit Plans, 1999.  
[The Handbook of Fixed Income Securities](#), Fabozzi, Frank J., 1991.

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