

# FUND EVALUATION REPORT

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## San Jose Federated City Employees' Retirement System

Quarterly Review  
September 30, 2014



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**Meketa Investment Group has prepared this report on the basis of sources believed to be reliable. The data are based on matters as they are known as of the date of preparation of the report, and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available.**

**1. Executive Summary**

- Aggregate Plan Overview
- Manager Highlights
- Third Quarter Manager Summary

**2. Plan Summary**

**3. Plan Detail**

**4. Portfolio Reviews**

**5. Global Macroeconomic Outlook**

**6. Capital Markets Outlook**

**7. Corporate Update**

**8. Appendices**

- The World Markets in the Third Quarter of 2014
- Glossary and Notes

**Executive Summary**  
**As of September 30, 2014**

**The value of the San Jose Federated City Employees' Retirement System assets was \$2.126 billion on September 30, 2014, an increase of approximately \$34.9 million since the end of the previous quarter.**

- Net inflows during the third quarter totaled approximately \$68 million. In July 2014, the City of San Jose paid the annual contribution for fiscal year 2014 of approximately \$100 million, in one lump sum contribution.
- During the third quarter/fiscal year-to-date, the Fund's gross of fees performance, including the impact of the overlay, was -1.4%.
- During the third quarter, the Fund underperformed the Policy Benchmark by approximately 0.4%.
  - A primary driver of underperformance relative to the Policy Benchmark was Natural Resources. Natural Resources declined 7.8% during the quarter, compared to a positive 1.1% return for the benchmark, CPI-U+5%. Commodities also detracted from relative returns, as the asset class returned -9.1% for the System, compared to the Custom Risk Parity Commodity Benchmark return of -7.1%. Partially offsetting these negative contributors was outperformance within all other major asset classes relative to their respective benchmarks.
- The Board of Administration approved a new asset allocation for the Retirement System during August. The new asset allocation and updated policy and custom benchmarks will be reflected beginning on October reporting.

### Manager Highlights

- Vontobel Emerging Market Equity outperformed the MSCI Emerging Markets Index during the third quarter, returning -1.1% net of fees, compared to -3.5% for the benchmark. Primary contributors to the outperformance included strong stock selection in information technology, financials, and consumer staples. Vontobel's calendar year-to-date performance remains in the top decile of the emerging markets equity peer group.
- Cove Street Small Cap Value returned -6.7% for the quarter, net of fees, outperforming the Russell 2000 Value Index by 190 basis points. Since the strategy was funded in May 2014, it has outperformed the index by 410 basis points and the peer group by 210 basis points. Returns were boosted by holdings in Taminco and International Game Technology, both of which announced they were being taken over during the quarter.
- Aberdeen Frontier Markets returned 0.1% net of fees, compared to 1.5% for the MSCI Frontier Markets Index, in the third quarter. Lack of exposure to Kuwait, an overweight to Panama, and stock selection in Kenya were the primary detractors from relative performance.
- First Quadrant Risk Parity Commodities returned -11.5% for the third quarter, outperforming the broad commodities market by 0.3%, but underperforming the Custom Risk Parity Commodity Benchmark by 4.4%. The strategy returned 1.3% for the past year, or 7.9% higher than the broad commodities market, but underperformed the Custom Risk Parity Benchmark by 0.7%. Performance was largely driven by supply and demand issues idiosyncratic to each market.

Investment Manager	Asset Class	Changes/ Announcements	Performance Concerns	Meketa Recommendation	Comments
Artisan	Global Equity	Yes	---	Hold	Large cash position
Vontobel	Emerging Market Equity	Yes	---	Hold	Leadership changes
Aberdeen	Frontier Market Equity	---	---	---	
First Quadrant	Commodities	Yes	---	Hold	PM Departure
Credit Suisse	Commodities	---	---	---	
GSO	Private Debt	---	---	---	
Medley	Private Debt	---	---	---	
White Oak	Private Debt	---	---	---	

### Artisan

- Per account guidelines "Cash will not generally exceed seven percent (7%) of the value of the ACCOUNT. If cash exceeds seven percent (7%) on average over a two-month rolling period, MANAGER shall notify the SYSTEM and await further instructions from SYSTEM." The cash level in the account exceeded 7% (ranging from 11.5%-15.1%) during the entire reporting period. The System has not provided further instructions regarding the cash levels.

### Vontobel

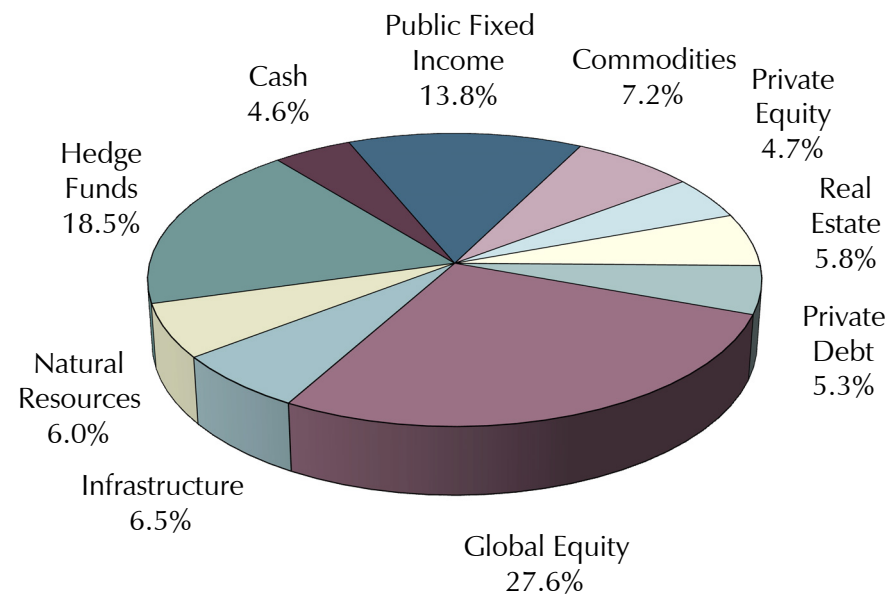
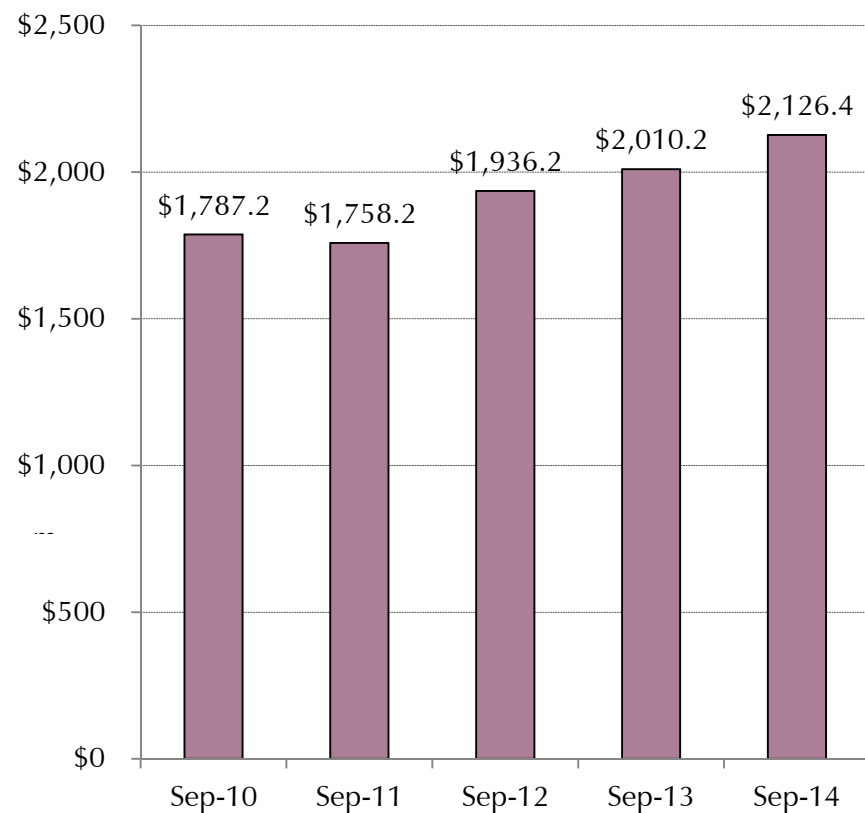
- Effective July 1, 2014, Heinrich Schlegel will become Chairman of the Board of Directors and will be succeeded by Rajiv Jain and Dr. Philipp Hensler (former head of distribution at Oppenheimer Funds), who will serve as Co-Chief Executive Officers. Rajiv Jain will maintain his responsibilities as Chief Investment Officer. Dr. Hensler will be responsible for all aspects of the business that are not directly related to investment management, including client service, operations, finance, legal, and compliance.

## First Quadrant

- Jesse Davis, portfolio manager of the firm's Balanced Risk Commodity (BRC) strategy, left the firm effective August 15, 2014. Since the outset of BRC, Mr. Ed Peters was the primary portfolio manager. The BRC fund was founded on the same principles that Mr. Peters used at previous firms and other risk oriented First Quadrant portfolios. Mr. Davis was elevated to the portfolio manager role in 2012, but Mr. Peters remained a key member of the firm and co-PM of the BRC strategy. Mr. Peters remains at First Quadrant and will continue to lead the strategy.



**Plan Summary**  
**As of September 30, 2014**



The diversification pie chart does not include the impact of the overlay.

## San Jose Federated City Employees' Retirement System

## Aggregate Assets Asset Summary as of 9/30/14

	Market Value 9/30/14 (\$ mm)	% of Retirement System	Russell Overlay Net Position <sup>1</sup> (%)	Adopted Sub-Asset Allocation (%)	Target Allocation (%)	Target Range (%)	Market Value 6/30/14 (\$ mm)
<b>Total Fund Aggregate</b>	<b>2,126.4</b>	<b>100.0</b>	<b>100.0</b>	<b>100</b>	<b>NA</b>	<b>NA</b>	<b>2,091.6</b>
Equity and Real Estate Assets	811.2	38.1	39.9	40	45	38-52	923.4
Global Equity <sup>2</sup>	587.1	27.6	29.4	26	NA	NA	700.7
Real Estate	123.9	5.8	5.7	5	NA	NA	122.9
Private Equity <sup>3</sup>	100.2	4.7	4.8	9	NA	NA	99.8
Hedge Funds Assets	393.1	18.5	18.3	25	25	20-30	378.1
Real Assets	418.8	19.7	20.1	20	20	15-25	437.8
Commodities	153.5	7.2	7.6	10	0	0	220.6
Infrastructure	137.9	6.5	6.5	5	0	0	111.9
Natural Resources	127.4	6.0	6.0	5	0	0	105.2
Fixed Income Assets	405.2	19.1	19.8	15	10	5-20	321.7
Public Fixed Income	292.5	13.8	14.3	10	NA	NA	197.6
Private Debt <sup>2</sup>	112.7	5.3	5.5	5	NA	NA	124.0
Cash <sup>4</sup>	98.2	4.6	1.9	0	NA	NA	30.6

<sup>1</sup> Data in the column titled "Russell Overlay Net Position" is provided by Russell Investments, and is based on data from the custodian.

<sup>2</sup> Global Equity includes \$0.3 million of residuals from terminated managers or previous transitions.

<sup>3</sup> Fair values are based on reported value as of 6/30/14, adjusted for cash flows through 9/30/14.

<sup>4</sup> Cash includes the cash account, cash equitized in the Russell Investments Overlay program, cash from private manager distributions, and residuals from the Terminated Manager Account.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/14

	Market Value 9/30/14 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/14 (\$ mm)
<b>Total Fund Aggregate</b>	<b>2,126.4</b>	<b>NA</b>	<b>100.0</b>	<b>NA</b>	<b>NA</b>	<b>2,091.6</b>
<b>Equity and Real Estate Assets</b>	<b>811.2</b>	<b>100.0</b>	<b>38.1</b>	<b>45</b>	<b>38-52</b>	<b>923.4</b>
<b>Global Equity<sup>1</sup></b>	<b>587.1</b>	<b>100.0</b>	<b>27.6</b>			<b>700.7</b>
Artisan Global Value	164.6	28.0	7.7			169.9
Vontobel Emerging Markets Equity	145.2	24.7	6.8			146.8
Northern Trust Russell 3000 Index <sup>2</sup>	136.8	23.3	6.4			182.0
Northern Trust MSCI EAFE Index-NL <sup>2</sup>	65.8	11.2	3.1			51.1
Cove Street Small Cap Value	30.1	5.1	1.4			32.2
Northern Trust EAFE Small Cap <sup>2</sup>	23.1	3.9	1.1			65.7
Aberdeen Frontier Markets	21.1	3.6	1.0			21.0
Eagle Small Cap Growth <sup>3</sup>	0.0	< 0.1	< 0.1			31.5

<sup>1</sup> Global Equity includes \$0.3 million of residuals from terminated manager and previous transactions.

<sup>2</sup> Market Value based on manager reported data because custodian reported NAV was not current.

<sup>3</sup> Eagle Small Cap Growth was terminated during September 2014.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/14

	Market Value 9/30/14 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/14 (\$ mm)
<b>Equity and Real Estate Assets (continued)</b>						
<b>Real Estate</b>	<b>123.9</b>	<b>100.0</b>	<b>5.8</b>			<b>122.9</b>
<b>Core Real Estate</b>	<b>74.4</b>	<b>60.1</b>	<b>3.5</b>			<b>72.2</b>
PRISA I	37.9	30.6	1.8			36.8
American Core Realty Fund, LLC	36.5	29.5	1.7			35.4
<b>Private Real Estate<sup>1</sup></b>	<b>49.5</b>	<b>39.9</b>	<b>2.3</b>			<b>50.7</b>
DRA Growth & Income Fund V	17.3	14.0	0.8			17.0
DRA Growth & Income Fund VII	14.9	12.0	0.7			15.5
DRA Growth & Income Fund VI	7.9	6.4	0.4			7.8
Fidelity Real Estate Growth Fund III, L.P.	6.0	4.8	0.3			8.3
GEAM Value Add Realty Partners, L.P.	2.1	1.7	< 0.1			2.0
DRA Growth & Income Fund VIII	1.3	1.1	< 0.1			0.0
<b>Private Equity<sup>1</sup></b>	<b>100.2</b>	<b>100.0</b>	<b>4.7</b>			<b>99.8</b>
Pantheon USA Fund VII	34.8	34.8	1.6			34.4
Pathway Private Equity Fund VIII	22.1	22.0	1.0			23.0
Pantheon Global Secondary Fund III	18.7	18.6	0.9			19.3
Partners Group Secondary 2011	12.5	12.5	0.6			11.0
Partners Group Secondary 2008	8.0	7.9	0.4			8.1
Great Hill Equity Partners IV	4.1	4.1	0.2			4.0

<sup>1</sup> Fair values are based on reported value as of 6/30/14, adjusted for cash flows through 9/30/14.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/14

	Market Value 9/30/14 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/14 (\$ mm)
<b>Hedge Funds Assets<sup>1</sup></b>	<b>393.1</b>	<b>100.0</b>	<b>18.5</b>	<b>25</b>	<b>20-30</b>	<b>378.1</b>
Claren Road Credit Fund	49.3	12.6	2.3			20.2
DE Shaw	36.6	9.3	1.7			35.4
Pine River Fund Ltd	34.4	8.8	1.6			33.5
Davidson Kempner Institutional Partners, L.P.	34.3	8.7	1.6			34.3
Arrowgrass International Fund Ltd	33.8	8.6	1.6			34.3
Hudson Bay Fund	31.7	8.1	1.5			31.8
Brevan Howard Multi-Strategy Fund Ltd	31.2	7.9	1.5			30.5
Senator Global Opportunity Offshore Fund	24.0	6.1	1.1			23.9
Horizon Portfolio I	22.6	5.8	1.1			22.0
Marshall Wace Eureka Fund	20.7	5.3	1.0			20.1
Sandler Plus Offshore Fund Ltd	20.7	5.3	1.0			20.3
Amici Offshore, Ltd.	19.9	5.1	0.9			21.0
BlueCrest	17.9	4.5	0.8			17.9
Kepos Alpha Fund	15.8	4.0	0.7			14.2
Global Ascent Ltd <sup>2</sup>	0.0	0.0	0.0			18.6

<sup>1</sup> Preliminary NAV and performance provided by Albourne.

<sup>2</sup> Global Ascent was terminated in August 2014.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Portfolio Roster as of 9/30/14

	Market Value 9/30/14 (\$ mm)	% of Asset Class	% of Retirement System	Target Allocation (%)	Target Range (%)	Market Value 6/30/14 (\$ mm)
<b>Real Assets</b>	<b>418.8</b>	<b>100.0</b>	<b>19.7</b>	<b>20</b>	<b>15-25</b>	<b>437.8</b>
<b>Commodities</b>	<b>153.5</b>	<b>100.0</b>	<b>7.2</b>			<b>220.6</b>
First Quadrant Risk Parity Commodity Index	80.7	52.6	3.8			91.2
CS Risk Parity Commodity Index	72.8	47.4	3.4			129.4
<b>Infrastructure</b>	<b>137.9</b>	<b>100.0</b>	<b>6.5</b>			<b>111.9</b>
SSgA Dow Jones Brookfield Infrastructure Index	137.9	100.0	6.5			111.9
<b>Natural Resources</b>	<b>127.4</b>	<b>100.0</b>	<b>6.0</b>			<b>105.2</b>
Northern Trust Global LargeMid NR	127.4	100.0	6.0			105.2
<b>Fixed Income Assets</b>	<b>405.2</b>	<b>100.0</b>	<b>19.1</b>	<b>10</b>	<b>5-20</b>	<b>321.7</b>
<b>Public Fixed Income</b>	<b>292.5</b>	<b>100.0</b>	<b>13.8</b>			<b>197.6</b>
Northern Trust 0-5 Year TIPS	150.3	51.4	7.1			102.5
Northern Trust Intermediate Gov't 1-10 Year <sup>1</sup>	142.2	48.6	6.7			95.2
<b>Private Debt<sup>2</sup></b>	<b>112.7</b>	<b>100.0</b>	<b>5.3</b>			<b>124.0</b>
Medley Opportunity Fund II	48.1	42.7	2.3			46.4
White Oak Direct Lending Account	40.6	36.1	1.9			46.7
GSO Direct Lending Account	24.0	21.3	1.1			30.9
<b>Cash<sup>3</sup></b>	<b>98.2</b>	<b>100.0</b>	<b>4.6</b>	<b>NA</b>	<b>NA</b>	<b>30.6</b>

<sup>1</sup> Market Value based on manager reported data because custodian reported NAV was not current.

<sup>2</sup> Fair values are based on reported values as of 6/30/14, adjusted for cash flows through 9/30/14.

<sup>3</sup> Cash includes the cash account, cash equitized in the Russell Investments Overlay program, cash from private manager distributions, and residuals from the Terminated Manager Account.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/14

	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate<sup>2</sup></b>	<b>-1.4</b>	<b>5.0</b>	<b>8.7</b>	<b>9.1</b>	<b>7.5</b>	<b>6.0</b>	<b>1/1/94</b>	<b>7.5</b>
<b>Net of Fees<sup>3</sup></b>	<b>-1.4</b>	<b>4.9</b>	<b>8.6</b>	<b>9.0</b>	<b>7.4</b>	<b>5.8</b>		<b>7.3</b>
<b>Total Fund Aggregate ex Overlay</b>	<b>-1.4</b>	<b>5.0</b>	<b>8.7</b>	<b>9.1</b>	<b>7.5</b>	<b>6.0</b>	<b>1/1/94</b>	<b>7.5</b>
<b>Net of Fees ex Overlay</b>	<b>-1.4</b>	<b>4.9</b>	<b>8.6</b>	<b>9.0</b>	<b>7.4</b>	<b>5.8</b>		<b>7.3</b>
<i>CPI (inflation)</i>	<i>-0.1</i>	<i>2.1</i>	<i>1.7</i>	<i>1.6</i>	<i>2.0</i>	<i>2.3</i>		<i>2.4</i>
<i>San Jose FCERS Policy Benchmark<sup>4</sup></i>	<i>-1.0</i>	<i>4.6</i>	<i>8.4</i>	<i>9.8</i>	<i>8.0</i>	<i>6.3</i>		<i>7.5</i>
<i>San Jose FCERS Custom Benchmark<sup>5</sup></i>	<i>-0.9</i>	<i>4.4</i>	<i>8.1</i>	<i>9.6</i>	<i>NA</i>	<i>NA</i>		<i>NA</i>
<i>Public Plans &gt; \$1 Billion Universe (Median)</i>	<i>-1.1</i>	<i>4.9</i>	<i>10.1</i>	<i>12.9</i>	<i>10.3</i>	<i>7.4</i>		<i>NA</i>

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> Represents performance which is gross of fees for public market managers and net of fees for private market managers.

<sup>3</sup> Beginning in July 2012, fees are accounted for on a cash basis. Previously, fees were accounted for on an accrual basis.

<sup>4</sup> Please see page 32 of the Plan Summary for composition of the San Jose FCERS Policy Benchmark.

<sup>5</sup> San Jose FCERS Custom Benchmark consists of the individual benchmarks that comprise the San Jose FCERS Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.





# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/14

	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate</b>								
<b>Equity and Real Estate Assets</b>	<b>-0.6</b>	<b>6.8</b>	<b>13.4</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>15.2</b>
Global Equity	-2.4	4.5	11.7	16.5	NA	NA	5/1/10	10.1
<i>MSCI ACWI IMI</i>	-2.8	3.2	10.7	16.7	10.3	7.6		9.6
Real Estate <sup>2</sup>	3.5	10.3	13.8	11.4	8.7	5.6	1/1/94	8.6
<i>NCREIF Property (lagged one qtr.)</i>	2.6	8.5	11.3	11.1	11.0	8.6		9.5
Private Equity <sup>3</sup>	5.9	17.3	22.5	12.9	14.3	NA	1/1/06	6.6
<i>Venture Economics PE Composite (lagged one qtr.)<sup>4</sup></i>	3.2	13.7	19.3	13.8	16.4	13.1		11.5
<b>Hedge Funds Assets<sup>5</sup></b>	<b>1.2</b>	<b>3.1</b>	<b>5.7</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>5.1</b>
<i>HFRI Fund of Funds Composite</i>	0.3	2.4	6.2	5.2	3.4	3.4		6.8
<b>Real Assets</b>	<b>-6.4</b>	<b>5.4</b>	<b>6.0</b>	<b>-1.1</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>0.9</b>
<i>Custom Risk Parity Commodity Benchmark<sup>6</sup></i>	-7.1	3.6	2.0	-1.9	NA	NA		NA
<i>DJ Brookfield Global Infrastructure Index</i>	-1.4	14.7	21.5	18.6	17.0	13.2		16.7
<i>S&amp;P Global Large MidCap Commodity and Resources</i>	-7.9	0.0	4.0	3.9	4.0	NA		2.2
<i>CPI (inflation) + 5%</i>	1.1	5.9	6.7	6.7	7.1	7.4		7.1

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.

<sup>3</sup> All manager returns are presented one quarter lagged.

<sup>4</sup> The Venture Economics Private Equity Index was discontinued recently. Cambridge Associates Private Equity benchmarks were used for 2Q14, pending an evaluation of the most appropriate benchmark for future use.

<sup>5</sup> Preliminary NAV and performance provided by Albourne.

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



	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Total Fund Aggregate (continued)</b>								
<b>Fixed Income Assets</b>	<b>-0.5</b>	<b>2.3</b>	<b>2.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>3.9</b>
Public Fixed Income	-0.7	0.9	0.3	2.0	4.2	5.0	1/1/94	5.9
<i>Barclays U.S. TIPS</i>	-2.0	3.7	1.6	1.3	4.5	4.6		NA
<i>Barclays U.S. TIPS 0-5 Years</i>	-1.4	0.4	0.2	0.6	2.2	3.2		NA
<i>Barclays Intermediate Gov't Bond Index</i>	0.0	1.6	1.1	0.9	2.5	3.7		4.9
Private Debt <sup>2</sup>	-0.1	4.9	7.9	10.2	NA	NA	12/1/10	7.2
<i>3 Month Libor + 5%</i>	1.3	3.9	5.3	5.4	5.3	7.1		5.4
<b>Russell Investments Overlay<sup>3</sup></b>	<b>-0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/11</b>	<b>0.1</b>

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> All manager returns are presented one quarter lagged.

<sup>3</sup> Overlay returns provided by Russell Investments.

# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/14

	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets</b>	<b>-0.6</b>	<b>6.8</b>	<b>13.4</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>15.2</b>
<b>Global Equity</b>	<b>-2.4</b>	<b>4.5</b>	<b>11.7</b>	<b>16.5</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>10.1</b>
Artisan Global Value	-3.1	3.0	12.3	22.7	NA	NA	3/1/11	15.2
Net of Fees	-3.2	2.6	11.9	22.1	NA	NA		14.6
<i>MSCI ACWI Value</i>	-2.9	3.9	11.3	16.3	9.1	6.8		7.2
<i>Peer Global Equity</i>	-2.8	3.1	10.9	18.9	12.2	9.2		10.3
<i>Peer Ranking (percentile)</i>	57	50	33	9	NA	NA		2
Vontobel Emerging Markets Equity	-0.9	9.3	9.7	NA	NA	NA	7/1/13	6.9
Net of Fees	-1.1	8.5	8.7	NA	NA	NA		6.0
<i>MSCI Emerging Markets</i>	-3.5	2.4	4.3	7.2	4.4	10.7		8.2
<i>Peer Emerging Markets</i>	-3.3	3.4	5.9	9.6	5.7	11.5		9.5
<i>Peer Ranking (percentile)</i>	12	5	14	NA	NA	NA		76
Northern Trust Russell 3000 Index	0.0	7.0	17.8	23.2	16.0	8.6	9/1/99	5.4
Net of Fees	0.0	7.0	17.8	23.1	15.9	8.5		5.4
<i>Russell 3000</i>	0.0	7.0	17.8	23.1	15.8	8.4		5.3
Northern Trust MSCI EAFE Index-NL	-5.9	-1.1	4.6	NA	NA	NA	11/1/12	14.1
Net of Fees	-5.9	-1.1	4.5	NA	NA	NA		14.1
<i>MSCI EAFE</i>	-5.9	-1.4	4.3	13.6	6.6	6.3		13.7

<sup>1</sup> Fiscal Year begins July 1.



	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets (continued)</b>								
Cove Street Small Cap Value	-6.5	NA	NA	NA	NA	NA	5/1/14	0.3
Net of Fees	-6.7	NA	NA	NA	NA	NA		0.2
<i>Russell 2000 Value</i>	-8.6	-4.7	4.1	20.6	13.0	7.3		-3.9
<i>Peer Small Cap Value</i>	-6.6	-2.0	7.7	23.2	15.7	9.4		-1.9
<i>Peer Ranking (percentile)</i>	46	NA	NA	NA	NA	NA		11
Northern Trust EAFE Small Cap	-7.8	-2.7	3.1	NA	NA	NA	11/1/12	15.8
Net of Fees	-7.8	-2.7	3.0	NA	NA	NA		15.8
<i>MSCI EAFE Small Cap</i>	-7.8	-2.7	3.0	14.5	8.9	8.0		15.7
Aberdeen Frontier Markets	0.4	5.6	NA	NA	NA	NA	12/1/13	6.5
Net of Fees	0.1	4.5	NA	NA	NA	NA		5.2
<i>MSCI Frontier Markets</i>	1.5	22.0	30.0	17.9	8.7	8.1		24.7
<i>MSCI Frontier Markets ex GCC</i>	0.5	9.4	18.3	14.5	6.4	7.5		9.7
<i>Peer Frontier Markets</i>	2.4	15.5	24.0	19.9	11.8	NA		19.7
<i>Peer Ranking (percentile)</i>	78	85	NA	NA	NA	NA		85

<sup>1</sup> Fiscal Year begins July 1.

	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets (continued)</b>								
<b>Real Estate<sup>2</sup></b>	<b>3.5</b>	<b>10.3</b>	<b>13.8</b>	<b>11.4</b>	<b>8.7</b>	<b>5.6</b>	<b>1/1/94</b>	<b>8.6</b>
<b>Core Real Estate</b>	<b>3.0</b>	<b>8.7</b>	<b>11.8</b>	<b>11.2</b>	<b>11.3</b>	<b>NA</b>	<b>7/1/09</b>	<b>8.9</b>
PRISA I	3.2	9.2	13.1	12.3	13.5	6.8	7/1/04	6.9
Net of Fees	3.0	8.5	12.2	11.4	12.4	5.7		5.9
<i>NCREIF ODCE Equal Weighted (net)</i>	3.2	8.3	11.5	11.2	11.1	5.8		5.9
American Core Realty Fund, LLC	3.4	9.7	12.5	12.1	10.9	NA	1/1/07	4.1
Net of Fees	3.1	8.9	11.4	11.0	9.8	NA		3.0
<i>NCREIF ODCE Equal Weighted (net)</i>	3.2	8.3	11.5	11.2	11.1	5.8		2.9

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.

	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets (continued)</b>								
<b>Private Real Estate<sup>2,3</sup></b>	<b>4.3</b>	<b>12.8</b>	<b>16.7</b>	<b>12.0</b>	<b>6.5</b>	<b>NA</b>	<b>7/1/09</b>	<b>1.4</b>
DRA Growth & Income Fund V	3.0	7.3	8.3	5.8	2.5	NA	1/1/06	2.3
<i>NCREIF Property (lagged one qtr.)</i>	2.6	8.5	11.3	11.1	11.0	8.6		7.0
DRA Growth & Income Fund VII	5.4	13.6	17.1	NA	NA	NA	4/1/12	16.0
<i>NCREIF Property (lagged one qtr.)</i>	2.6	8.5	11.3	11.1	11.0	8.6		11.0
DRA Growth & Income Fund VI	2.7	12.1	17.4	16.6	11.2	NA	1/1/08	5.8
<i>NCREIF Property (lagged one qtr.)</i>	2.6	8.5	11.3	11.1	11.0	8.6		4.4
Fidelity Real Estate Growth Fund III, L.P.	5.9	14.4	20.2	16.9	1.9	NA	1/1/08	-14.3
<i>NCREIF Property (lagged one qtr.)</i>	2.6	8.5	11.3	11.1	11.0	8.6		4.4
GEAM Value Add Realty Partners, L.P.	2.7	29.2	33.9	17.0	6.8	NA	1/1/07	-7.4
<i>NCREIF Property (lagged one qtr.)</i>	2.6	8.5	11.3	11.1	11.0	8.6		5.8

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> Returns are time-weighted and lagged. Meketa Investment Group recommends that the Trustees use dollar-weighted (IRR) returns as shown in the quarterly Private Markets report in order to evaluate private markets managers.

<sup>3</sup> Performance is net of fees.

# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/14

	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Equity and Real Estate Assets (continued)</b>								
<b>Private Equity<sup>2,3</sup></b>	<b>5.9</b>	<b>17.3</b>	<b>22.5</b>	<b>12.9</b>	<b>14.3</b>	<b>NA</b>	<b>1/1/06</b>	<b>6.6</b>
Pantheon USA Fund VII	6.6	19.0	25.1	15.0	14.9	NA	1/1/07	NA
Venture Economics PE Composite (lagged one qtr.) <sup>4</sup>	3.2	13.7	19.3	13.8	16.4	13.1		10.6
Pathway Private Equity Fund VIII	4.6	17.9	24.1	15.6	16.9	NA	8/1/04	NA
Venture Economics PE Composite (lagged one qtr.) <sup>4</sup>	3.2	13.7	19.3	13.8	16.4	13.1		13.3
Pantheon Global Secondary Fund III	3.6	10.0	10.5	3.1	6.9	NA	1/1/07	NA
Venture Economics PE Composite (lagged one qtr.) <sup>4</sup>	3.2	13.7	19.3	13.8	16.4	13.1		10.6
Partners Group Secondary 2011	12.6	23.8	32.1	NA	NA	NA	11/1/12	45.3
Venture Economics PE Composite (lagged one qtr.) <sup>4</sup>	3.2	13.7	19.3	13.8	16.4	13.1		18.9
Partners Group Secondary 2008	4.8	16.2	25.2	11.3	16.6	NA	12/1/08	NA
Venture Economics PE Composite (lagged one qtr.) <sup>4</sup>	3.2	13.7	19.3	13.8	16.4	13.1		9.8
Great Hill Equity Partners IV	3.0	20.1	24.7	33.9	22.6	NA	10/1/08	NA
Venture Economics PE Composite (lagged one qtr.) <sup>4</sup>	3.2	13.7	19.3	13.8	16.4	13.1		9.5

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> All manager returns are presented one quarter lagged.

<sup>3</sup> Returns are time-weighted and lagged. Meketa Investment Group recommends that the Trustees use dollar-weighted (IRR) returns as shown in the quarterly Private Markets report in order to evaluate private markets managers.

<sup>4</sup> The Venture Economics Private Equity Index was discontinued recently. Cambridge Associates Private Equity benchmarks were used for 2014, pending an evaluation of the most appropriate benchmark for future use.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/14

	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Hedge Funds Assets<sup>2</sup></b>	<b>1.2</b>	<b>3.1</b>	<b>5.7</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>5.1</b>
Claren Road Credit Fund	-1.8	0.7	2.0	NA	NA	NA	7/1/13	-0.5
<i>HFRI RV Fixed Income-Corporate Index</i>	-1.0	3.7	6.4	7.4	7.4	5.1		6.4
DE Shaw	3.4	13.4	16.5	NA	NA	NA	4/1/13	14.2
<i>HFRI Fund Weighted Composite Index</i>	-0.3	2.9	6.5	6.4	5.1	5.7		5.5
Pine River Fund Ltd	2.6	4.3	4.7	NA	NA	NA	1/1/13	8.2
<i>HFRI Relative Value Index</i>	0.2	5.0	7.5	7.9	7.6	6.6		6.9
Davidson Kempner Institutional Partners, L.P.	0.0	5.9	7.8	NA	NA	NA	2/1/13	8.4
<i>HFRI Event Driven Index</i>	-1.7	2.6	6.5	8.5	7.2	6.7		7.5
Arrowgrass International Fund Ltd	-1.6	1.3	3.5	NA	NA	NA	11/1/12	6.3
<i>HFRI Relative Value Index</i>	0.2	5.0	7.5	7.9	7.6	6.6		7.3
Hudson Bay Fund	-0.2	1.5	5.7	NA	NA	NA	8/1/13	4.9
<i>HFRI Relative Value Index</i>	0.2	5.0	7.5	7.9	7.6	6.6		7.3
Brevan Howard Multi-Strategy Fund Ltd	2.2	1.2	2.7	NA	NA	NA	12/1/12	2.1
<i>HFRI Macro Index</i>	2.2	3.2	5.1	0.3	1.3	4.5		2.1

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> Preliminary NAV and performance provided by Albourne.





	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Hedge Funds Assets<sup>2</sup> (continued)</b>								
Senator Global Opportunity Offshore Fund	0.4	4.1	10.9	NA	NA	NA	4/1/13	13.0
<i>HFRI Event Driven Index</i>	-1.7	2.6	6.5	8.5	7.2	6.7		7.4
Horizon Portfolio I	3.0	6.8	10.3	NA	NA	NA	7/1/13	10.4
<i>HFRI Equity Hedge (Long/Short Equity)</i>	-1.3	1.9	6.7	8.4	5.4	5.3		8.8
Sandler Plus Offshore Fund Ltd	2.0	-2.2	0.7	NA	NA	NA	5/1/13	2.5
<i>HFRI Equity Hedge (Long/Short Equity)</i>	-1.3	1.9	6.7	8.4	5.4	5.3		7.4
Marshall Wace Eureka Fund	2.9	NA	NA	NA	NA	NA	4/1/14	3.4
<i>HFRI Equity Hedge (Long/Short Equity)</i>	-1.3	1.9	6.7	8.4	5.4	5.3		0.8
Amici Offshore, Ltd.	-4.8	-2.4	1.5	NA	NA	NA	3/1/13	-0.2
<i>HFRI Equity Hedge (Long/Short Equity)</i>	-1.3	1.9	6.7	8.4	5.4	5.3		7.6
BlueCrest	-0.1	6.0	6.9	NA	NA	NA	4/1/13	-7.3
<i>Barclay BTOP50 Index</i>	3.7	3.9	7.2	0.1	0.5	3.6		1.8
Kepos Alpha Fund	11.4	11.9	13.2	NA	NA	NA	3/1/13	3.3
<i>HFRI Macro Systematic Diversified</i>	4.7	4.8	7.9	-0.8	1.2	7.0		2.2

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> Preliminary NAV and performance provided by Albourne.

# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/14

	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Real Assets</b>	<b>-6.4</b>	<b>5.4</b>	<b>6.0</b>	<b>-1.1</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>0.9</b>
<b>Commodities</b>	<b>-9.1</b>	<b>2.4</b>	<b>1.3</b>	<b>-4.2</b>	<b>NA</b>	<b>NA</b>	<b>5/1/10</b>	<b>-0.4</b>
First Quadrant Risk Parity Commodity Index <sup>2</sup>	-11.5	2.1	1.3	-6.5	NA	NA	4/1/11	-8.1
<i>Custom Risk Parity Commodity Benchmark<sup>3</sup></i>	-7.1	3.6	2.0	-1.9	NA	NA		-4.9
<i>Bloomberg Commodity Index</i>	-11.8	-5.6	-6.6	-5.4	-1.4	-2.1		-9.7
Credit Suisse Compound Risk Parity Commodity Index <sup>2</sup>	-6.8	3.2	1.9	-1.9	NA	NA	4/1/11	-4.8
<i>Custom Risk Parity Commodity Benchmark<sup>3</sup></i>	-7.1	3.6	2.0	-1.9	NA	NA		-4.9
<i>Bloomberg Commodity Index</i>	-11.8	-5.6	-6.6	-5.4	-1.4	-2.1		-9.7
<b>Infrastructure</b>	<b>-1.4</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>3/1/14</b>	<b>11.3</b>
SSgA Dow Jones Brookfield Infrastructure Index	-1.4	NA	NA	NA	NA	NA	3/1/14	11.3
Net of Fees	-1.4	NA	NA	NA	NA	NA		11.3
<i>DJ Brookfield Global Infrastructure Index</i>	-1.4	14.7	21.5	18.6	17.0	13.2		10.7
<b>Natural Resources</b>	<b>-7.8</b>	<b>0.2</b>	<b>4.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>11/1/12</b>	<b>-0.6</b>
Northern Trust Global Large MidCap Natural Resources	-7.8	0.2	4.0	NA	NA	NA	11/1/12	-0.6
Net of Fees	-7.8	0.1	3.9	NA	NA	NA		-0.7
<i>S&amp;P Global Large MidCap Commodity and Resources</i>	-7.9	0.0	4.0	3.9	4.0	NA		-0.8

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> Performance is net of fees.

<sup>3</sup> Custom Risk Parity Commodity Benchmark returns provided by Credit Suisse.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Performance as of 9/30/14

	Fiscal YR <sup>1</sup> / 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)	Performance Inception Date	Since Inception (%)
<b>Fixed Income Assets</b>	<b>-0.5</b>	<b>2.3</b>	<b>2.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>1/1/12</b>	<b>3.9</b>
<b>Public Fixed Income</b>	<b>-0.7</b>	<b>0.9</b>	<b>0.3</b>	<b>2.0</b>	<b>4.2</b>	<b>5.0</b>	<b>1/1/94</b>	<b>5.9</b>
Northern Trust 0-5 Year TIPS	-1.4	NA	NA	NA	NA	NA	7/1/14	-1.4
Net of Fees	-1.4	NA	NA	NA	NA	NA		-1.4
<i>Barclays U.S. TIPS 0-5 Years</i>	-1.4	0.4	0.2	0.6	2.2	3.2		-1.4
Northern Trust 1-10 Year Intermediate Government Bond Index	0.0	1.5	1.1	NA	NA	NA	10/1/12	0.1
Net of Fees	0.0	1.5	1.1	NA	NA	NA		0.1
<i>Barclays Intermediate Gov't Bond Index</i>	0.0	1.6	1.1	0.9	2.5	3.7		0.2
<b>Private Debt<sup>2</sup></b>	<b>-0.1</b>	<b>4.9</b>	<b>7.9</b>	<b>10.2</b>	<b>NA</b>	<b>NA</b>	<b>12/1/10</b>	<b>7.2</b>
Medley Opportunity Fund II	1.9	7.1	9.2	9.8	NA	NA	6/1/11	7.9
<i>3 Month Libor + 5%</i>	1.3	3.9	5.3	5.4	5.3	7.1		5.4
White Oak Direct Lending Account	-3.6	2.7	7.0	6.0	NA	NA	2/1/11	4.7
<i>3 Month Libor + 5%</i>	1.3	3.9	5.3	5.4	5.3	7.1		5.4
GSO Direct Lending Account	1.9	5.6	8.1	16.5	NA	NA	3/1/11	14.6
<i>3 Month Libor + 5%</i>	1.3	3.9	5.3	5.4	5.3	7.1		5.4

<sup>1</sup> Fiscal Year begins July 1.

<sup>2</sup> All manager returns are presented one quarter lagged.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Total Fund Aggregate<sup>1</sup></b>	<b>8.7</b>	<b>9.7</b>	<b>-1.5</b>	<b>13.0</b>	<b>19.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>
<b>Net of Fees<sup>2</sup></b>	<b>8.5</b>	<b>9.6</b>	<b>-1.6</b>	<b>12.8</b>	<b>19.1</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>
<b>Total Fund Aggregate ex Overlay</b>	<b>8.4</b>	<b>9.7</b>	<b>-1.4</b>	<b>13.0</b>	<b>19.4</b>	<b>-23.8</b>	<b>8.8</b>	<b>13.0</b>	<b>6.7</b>	<b>11.4</b>
<b>Net of Fees ex Overlay</b>	<b>8.3</b>	<b>9.6</b>	<b>-1.6</b>	<b>12.8</b>	<b>19.1</b>	<b>-24.0</b>	<b>8.5</b>	<b>12.7</b>	<b>6.4</b>	<b>11.1</b>
<i>CPI (inflation)</i>	<i>1.5</i>	<i>1.7</i>	<i>3.0</i>	<i>1.5</i>	<i>2.7</i>	<i>0.1</i>	<i>4.1</i>	<i>2.5</i>	<i>3.4</i>	<i>3.3</i>
<i>San Jose FCERS Policy Benchmark<sup>3</sup></i>	<i>11.2</i>	<i>9.4</i>	<i>-1.7</i>	<i>14.4</i>	<i>19.0</i>	<i>-22.8</i>	<i>8.2</i>	<i>13.5</i>	<i>6.7</i>	<i>10.8</i>
<i>San Jose FCERS Custom Benchmark<sup>4</sup></i>	<i>9.8</i>	<i>10.2</i>	<i>-2.6</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>
<i>Public Plans &gt; \$1 Billion Universe (Median)<sup>5</sup></i>	<i>15.2</i>	<i>13.4</i>	<i>0.7</i>	<i>12.5</i>	<i>19.4</i>	<i>-24.2</i>	<i>7.9</i>	<i>NA</i>	<i>NA</i>	<i>NA</i>

<sup>1</sup> Represents performance which is gross of fees for public market managers and net of fees for private market managers.

<sup>2</sup> Beginning in July 2012, fees are accounted for on a cash basis. Previously, fees were accounted for on an accrual basis.

<sup>3</sup> Please see page 32 of the Plan Summary for composition of the San Jose FCERS Policy Benchmark.

<sup>4</sup> San Jose FCERS Custom Benchmark consists of the individual benchmarks that comprise the San Jose FCERS Policy Benchmark weighted accordingly to actual allocations and re-adjusted monthly.

<sup>5</sup> Universe data provided by InvestMetrics.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Total Fund Aggregate</b>										
<b>Equity and Real Estate Assets</b>	<b>20.3</b>	<b>14.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Global Equity	22.1	16.0	-6.9	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI IMI</i>	23.6	16.4	-7.9	14.3	36.4	-42.3	11.2	20.9	11.5	16.4
Real Estate <sup>1</sup>	12.3	8.9	14.9	7.7	-37.7	-5.4	23.4	13.2	22.9	10.3
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
Private Equity <sup>2</sup>	14.6	9.5	15.6	10.9	-13.5	-4.0	15.5	-3.5	NA	NA
<i>Venture Economics PE Composite (lagged one qtr.)<sup>3</sup></i>	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
<b>Hedge Funds Assets</b>	<b>5.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>HFRI Fund of Funds Composite</i>	9.0	4.8	-5.7	5.7	11.5	-21.4	10.3	10.4	7.5	6.9
<b>Real Assets</b>	<b>-8.1</b>	<b>0.2</b>	<b>-6.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<i>Custom Risk Parity Commodity Benchmark<sup>4</sup></i>	-9.2	1.3	NA	NA	NA	NA	NA	NA	NA	NA
<i>DJ Brookfield Global Infrastructure Index</i>	15.9	16.0	13.7	12.5	34.2	-36.4	16.3	36.7	11.0	32.9
<i>S&amp;P Global Large MidCap Commodity and Resources</i>	-2.6	7.1	-12.9	19.5	57.8	-46.1	59.3	30.5	29.1	NA
<i>CPI (inflation) + 5%</i>	6.6	6.8	8.1	6.6	7.8	5.1	9.3	7.7	8.7	8.5

<sup>1</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.

<sup>2</sup> Returns are time-weighted and are shown beginning in July 2009. Meketa Investment Group recommends that the Trustees use dollar-weighted (IRR) returns as shown in the quarterly Private Markets report in order to evaluate private markets managers.

<sup>3</sup> The Venture Economics Private Equity Index was discontinued recently. Cambridge Associates Private Equity benchmarks were used for 2014, pending an evaluation of the most appropriate benchmark for future use.

<sup>4</sup> Custom Risk Parity Commodity Benchmark returns provided by Credit Suisse.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Fixed Income Assets</b>	<b>1.4</b>	<b>7.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Public Fixed Income	-2.2	5.4	8.7	7.2	15.9	-1.3	6.7	5.8	0.8	6.3
<i>Barclays U.S. TIPS</i>	-8.6	7.0	13.6	6.3	11.4	-2.4	11.6	0.4	2.8	8.5
<i>Barclays U.S. TIPS 0-5 Years</i>	-1.6	2.4	4.5	3.3	10.7	-2.0	9.8	2.6	1.6	5.0
<i>Barclays Intermediate Gov't Bond Index</i>	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	3.8	1.7	2.3
Private Debt <sup>1</sup>	9.2	10.8	2.8	NA	NA	NA	NA	NA	NA	NA
<i>3 Month Libor + 5%</i>	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5	6.5

<sup>1</sup> Returns are time-weighted. Meketa Investment Group recommends that the Trustees use dollar-weighted (IRR) returns as shown in the quarterly Private Markets report in order to evaluate private markets managers.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Equity and Real Estate Assets</b>	<b>20.3</b>	<b>14.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Global Equity</b>	<b>22.1</b>	<b>16.0</b>	<b>-6.9</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Artisan Global Value	33.6	20.8	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	32.8	20.2	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI ACWI Value</i>	22.4	15.6	-7.3	10.2	31.7	-41.5	6.7	25.6	10.8	19.1
Vontobel Emerging Markets Equity	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Emerging Markets</i>	-2.6	18.2	-18.4	18.9	78.5	-53.3	39.4	32.2	34.0	25.6
Northern Trust Russell 3000 Index	33.6	16.5	1.1	17.2	28.9	-37.3	5.3	15.8	6.2	12.0
Net of Fees	33.6	16.5	1.1	17.2	28.9	-37.3	5.2	15.8	6.2	12.0
<i>Russell 3000</i>	33.6	16.4	1.0	16.9	28.3	-37.3	5.1	15.7	6.1	11.9
Northern Trust MSCI EAFE Index-NL	23.2	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	23.1	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE</i>	22.8	17.3	-12.1	7.7	31.8	-43.4	11.2	26.3	13.5	20.2
Cove Street Small Cap Value	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Russell 2000 Value</i>	34.5	18.1	-5.5	24.5	20.6	-28.9	-9.8	23.5	4.7	22.2
Northern Trust EAFE Small Cap	29.5	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	29.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI EAFE Small Cap</i>	29.3	20.0	-15.9	22.0	46.8	-47.0	1.4	19.3	26.2	30.8



	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Equity and Real Estate Assets (continued)</b>										
Aberdeen Frontier Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>MSCI Frontier Markets</i>	25.9	8.9	-18.7	23.8	11.6	-54.1	41.9	-8.9	72.7	22.6
<i>MSCI Frontier Markets ex GCC</i>	23.6	16.6	-26.1	16.9	22.3	-56.6	35.0	62.2	20.2	26.8
<b>Real Estate<sup>1</sup></b>	<b>12.3</b>	<b>8.9</b>	<b>14.9</b>	<b>7.7</b>	<b>-37.7</b>	<b>-5.4</b>	<b>23.4</b>	<b>13.2</b>	<b>22.9</b>	<b>10.3</b>
<b>Core Real Estate</b>	<b>12.6</b>	<b>9.3</b>	<b>16.3</b>	<b>14.2</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
PRISA I	14.7	9.7	19.1	18.4	-34.2	-13.0	17.5	16.2	23.3	NA
Net of Fees	13.7	8.7	17.9	17.0	-34.9	-13.7	16.5	15.1	22.1	NA
<i>NCREIF ODCE Equal Weighted (net)</i>	12.4	9.9	15.0	15.1	-31.3	-11.1	15.0	15.1	19.0	11.5
American Core Realty Fund, LLC	12.4	11.3	15.1	11.2	-30.0	-5.3	17.3	NA	NA	NA
Net of Fees	11.3	10.2	13.8	10.1	-30.7	-6.3	16.2	NA	NA	NA
<i>NCREIF ODCE Equal Weighted (net)</i>	12.4	9.9	15.0	15.1	-31.3	-11.1	15.0	15.1	19.0	11.5

<sup>1</sup> All manager returns are presented one quarter lagged with the exception of the American Core Realty Fund and PRISA, which are not lagged.



# San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Equity and Real Estate Assets (continued)</b>										
<b>Private Real Estate<sup>1</sup></b>	<b>12.2</b>	<b>8.6</b>	<b>13.7</b>	<b>1.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
DRA Growth & Income Fund V	5.4	4.8	7.2	-1.0	-24.3	2.8	18.7	5.3	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
DRA Growth & Income Fund VII	14.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
DRA Growth & Income Fund VI	11.3	3.2	29.8	-0.1	-19.8	9.0	NA	NA	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
Fidelity Real Estate Growth Fund III, L.P.	16.5	14.7	9.6	38.3	-77.5	-32.6	NA	NA	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
GEAM Value Add Realty Partners, L.P.	23.9	15.2	10.6	5.0	-66.3	-22.2	-1.6	NA	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7
DRA Growth & Income Fund VIII	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>NCREIF Property (lagged one qtr.)</i>	11.0	10.7	14.3	13.1	-17.0	-6.5	15.8	16.8	20.2	14.7

<sup>1</sup> Performance is net of fees.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Equity and Real Estate Assets (continued)</b>										
<b>Private Equity<sup>1</sup></b>	<b>14.6</b>	<b>9.5</b>	<b>15.6</b>	<b>10.9</b>	<b>-13.5</b>	<b>-4.0</b>	<b>15.5</b>	<b>-3.5</b>	<b>NA</b>	<b>NA</b>
Pantheon USA Fund VII	16.9	11.1	14.5	7.1	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.) <sup>2</sup>	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Pathway Private Equity Fund VIII	19.1	12.0	15.8	16.8	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.) <sup>2</sup>	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Pantheon Global Secondary Fund III	4.3	0.9	11.6	5.4	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.) <sup>2</sup>	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Partners Group Secondary 2011	16.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.) <sup>2</sup>	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Partners Group Secondary 2008	15.1	6.0	24.5	20.1	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.) <sup>2</sup>	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9
Great Hill Equity Partners IV	29.6	17.8	43.3	7.4	NA	NA	NA	NA	NA	NA
Venture Economics PE Composite (lagged one qtr.) <sup>2</sup>	18.1	14.5	12.0	15.7	-6.6	-7.1	26.6	18.6	30.4	15.9

<sup>1</sup> Returns are time-weighted and are shown beginning in July 2009. Meketa Investment Group recommends that the Trustees use dollar-weighted (IRR) returns as shown in the quarterly Private Markets report in order to evaluate private markets managers.

<sup>2</sup> The Venture Economics Private Equity Index was discontinued recently. Cambridge Associates Private Equity benchmarks were used for 2Q14, pending an evaluation of the most appropriate benchmark for future use.



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Hedge Funds Assets</b>	<b>5.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Claren Road Credit Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI RV Fixed Income-Corporate Index</i>	5.7	11.0	0.8	11.8	30.7	-24.2	-0.7	10.8	5.3	10.5
DE Shaw	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Fund Weighted Composite Index</i>	9.1	6.4	-5.2	10.2	20.0	-19.0	10.0	12.9	9.3	9.0
Pine River Fund Ltd	10.1	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	7.1	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0	5.6
Davidson Kempner Institutional Partners, L.P.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Event Driven Index</i>	12.5	8.9	-3.3	11.9	25.1	-21.8	6.6	15.3	7.3	15.0
Arrowgrass International Fund Ltd	9.0	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	7.1	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0	5.6
Hudson Bay Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Relative Value Index</i>	7.1	10.6	0.2	11.4	25.8	-18.0	8.9	12.3	6.0	5.6
Brevan Howard Multi-Strategy Fund Ltd	1.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Macro Index</i>	-0.4	-0.1	-4.1	8.1	4.3	4.8	11.1	8.2	6.8	4.6
Senator Global Opportunity Offshore Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Event Driven Index</i>	12.5	8.9	-3.3	11.9	25.1	-21.8	6.6	15.3	7.3	15.0



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Hedge Funds Assets (continued)</b>										
Horizon Portfolio I	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6	7.7
Sandler Plus Offshore Fund Ltd	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6	7.7
Marshall Wace Eureka Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6	7.7
Amici Offshore, Ltd.	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Equity Hedge (Long/Short Equity)</i>	14.3	7.4	-8.4	10.5	24.6	-26.6	10.5	11.7	10.6	7.7
BlueCrest	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclay BTOP50 Index</i>	0.8	-1.8	-4.2	6.4	-4.8	13.6	7.6	5.6	2.8	0.9
Kepos Alpha Fund	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>HFRI Macro Systematic Diversified</i>	-0.9	-2.5	-3.5	9.8	-1.7	18.1	10.4	16.9	14.4	6.4



## San Jose Federated City Employees' Retirement System

## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Real Assets</b>	<b>-8.1</b>	<b>0.2</b>	<b>-6.5</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Commodities</b>	<b>-11.2</b>	<b>-1.3</b>	<b>-9.0</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
First Quadrant Risk Parity Commodity Index <sup>1</sup>	-13.6	-4.7	NA	NA	NA	NA	NA	NA	NA	NA
<i>Custom Risk Parity Commodity Benchmark</i> <sup>2</sup>	-9.2	1.3	NA	NA	NA	NA	NA	NA	NA	NA
<i>Bloomberg Commodity Index</i>	-9.5	-1.1	-13.4	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1
Credit Suisse Compound Risk Parity Commodity Index <sup>1</sup>	-8.8	1.6	NA	NA	NA	NA	NA	NA	NA	NA
<i>Custom Risk Parity Commodity Benchmark</i> <sup>2</sup>	-9.2	1.3	NA	NA	NA	NA	NA	NA	NA	NA
<i>Bloomberg Commodity Index</i>	-9.5	-1.1	-13.4	16.7	18.7	-36.6	11.1	-2.7	21.4	9.1
<b>Infrastructure</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
SSgA Dow Jones Brookfield Infrastructure Index	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>DJ Brookfield Global Infrastructure Index</i>	15.9	16.0	13.7	12.5	34.2	-36.4	16.3	36.7	11.0	32.9
<b>Natural Resources</b>	<b>-2.4</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Northern Trust Global Large MidCap Natural Resources	-2.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-2.4	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>S&amp;P Global Large MidCap Commodity and Resources</i>	-2.6	7.1	-12.9	19.5	57.8	-46.1	59.3	30.5	29.1	NA

<sup>1</sup> Performance is net of fees.

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



## San Jose Federated City Employees' Retirement System

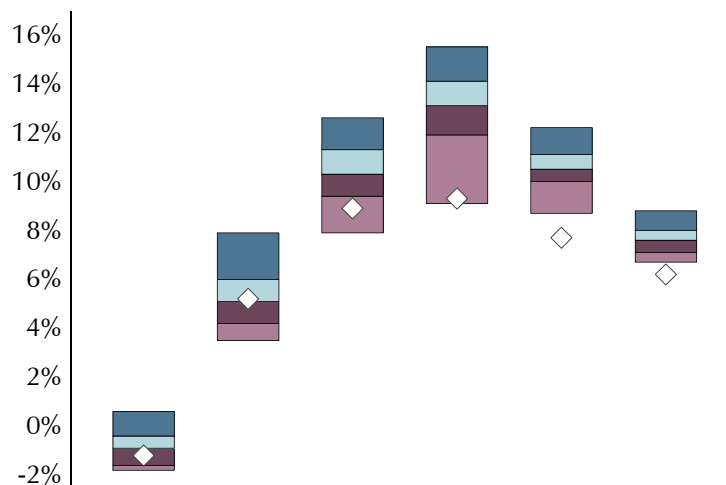
## Aggregate Assets Calendar Year Performance

	2013 (%)	2012 (%)	2011 (%)	2010 (%)	2009 (%)	2008 (%)	2007 (%)	2006 (%)	2005 (%)	2004 (%)
<b>Fixed Income Assets</b>	<b>1.4</b>	<b>7.1</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Public Fixed Income</b>	<b>-2.2</b>	<b>5.4</b>	<b>8.7</b>	<b>7.2</b>	<b>15.9</b>	<b>-1.3</b>	<b>6.7</b>	<b>5.8</b>	<b>0.8</b>	<b>6.3</b>
Northern Trust 0-5 Year TIPS	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays U.S. TIPS 0-5 Years</i>	-1.6	2.4	4.5	3.3	10.7	-2.0	9.8	2.6	1.6	5.0
Northern Trust 1-10 Year Intermediate Gov't Bond Index	-1.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net of Fees	-1.3	NA	NA	NA	NA	NA	NA	NA	NA	NA
<i>Barclays Intermediate Gov't Bond Index</i>	-1.2	1.7	6.1	5.0	-0.3	10.4	8.5	3.8	1.7	2.3
<b>Private Debt<sup>1</sup></b>	<b>9.2</b>	<b>10.8</b>	<b>2.8</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
Medley Opportunity Fund II	8.8	11.0	NA	NA	NA	NA	NA	NA	NA	NA
<i>3 Month Libor + 5%</i>	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5	6.5
White Oak Direct Lending Account	9.4	2.7	NA	NA	NA	NA	NA	NA	NA	NA
<i>3 Month Libor + 5%</i>	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5	6.5
GSO Direct Lending Account	8.4	16.2	NA	NA	NA	NA	NA	NA	NA	NA
<i>3 Month Libor + 5%</i>	5.3	5.5	5.3	5.3	5.9	8.7	10.7	10.5	8.5	6.5

<sup>1</sup> Returns are time-weighted. Meketa Investment Group recommends that the Trustees use dollar-weighted (IRR) returns as shown in the quarterly Private Markets report in order to evaluate private markets managers.



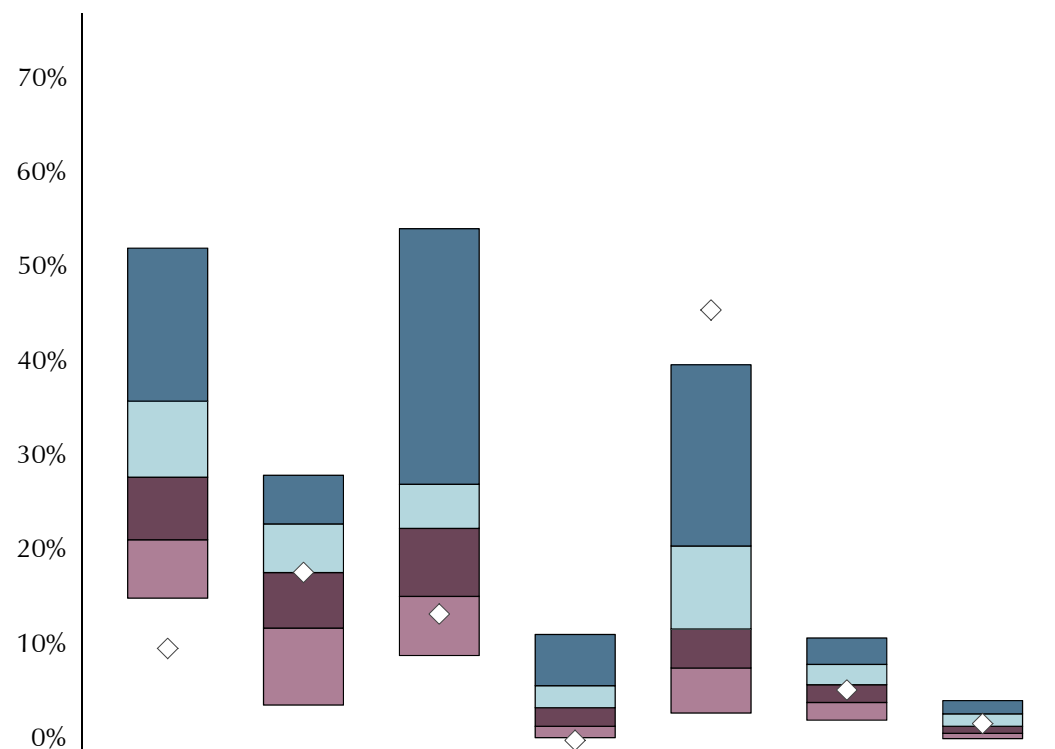
Total Fund Aggregate vs. Public Plans > \$1 Billion Universe<sup>1</sup>



	Fiscal YR/ 3Q14 (%)	Cal YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Total Fund Aggregate (gross of fees)</b>	<b>-1.4</b>	<b>5.0</b>	<b>8.7</b>	<b>9.1</b>	<b>7.5</b>	<b>6.0</b>
25th percentile	-0.6	5.8	11.1	13.9	10.9	7.8
Median	-1.1	4.9	10.1	12.9	10.3	7.4
75 Percentile	-1.8	4.0	9.2	11.7	9.8	6.9
Population	73	71	70	66	62	56

<sup>1</sup> Universe data provided by InvestMetrics. Returns are gross of fees.

Peer Asset Allocation Comparison vs. Public Plans > \$1 Billion Universe<sup>1,2</sup>



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
San Jose Allocation (Russell Overlay Net Position)	10.4	19.0	14.3	0.0	48.7	5.7	1.9
1 <sup>st</sup> Quartile	38.4	24.5	29.0	6.2	22.0	8.6	3.0
Median	29.8	19.0	24.0	3.7	12.6	6.3	1.6
3 <sup>rd</sup> Quartile	22.7	12.7	16.3	1.6	8.2	4.3	0.8
Population	57	55	56	32	38	32	30

<sup>1</sup> Universe data provided by InvestMetrics.

<sup>2</sup> Based on Russell Investments overlay net positions as of 9/30/14.



## San Jose Federated City Employees' Retirement System

## Policy Benchmark Description as of 9/30/14

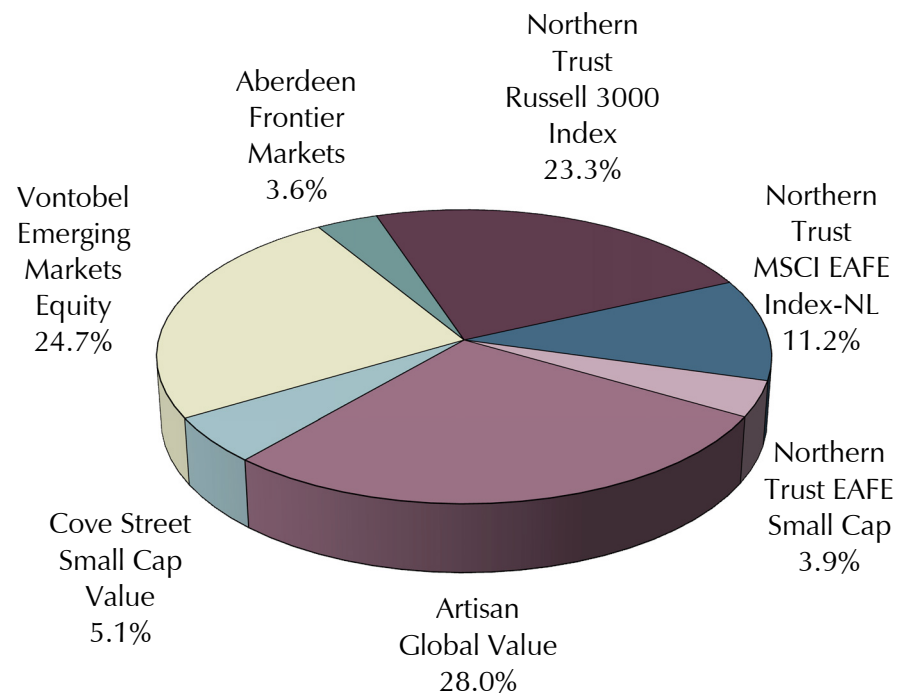
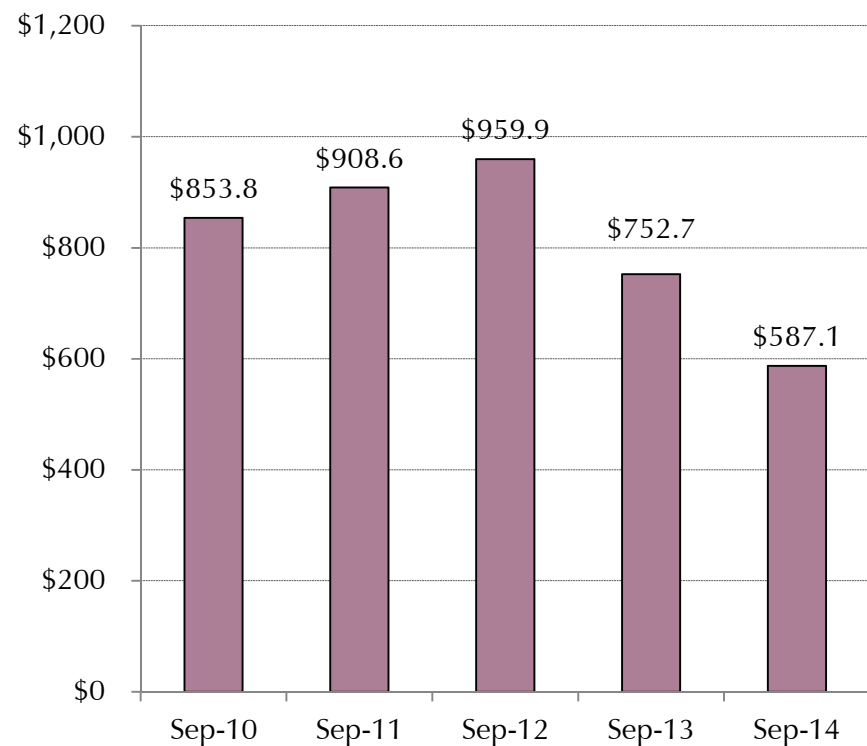
Time Period	Composition
1/1/2012-Present	31% MSCI ACWI IMI 9 Venture Economics Private Equity <sup>1</sup> 5 <i>NCREIF Property (lagged one qtr.)</i> (lagged one qtr.) 2.5 Barclays Intermediate Government 1.25 Barclays U.S. TIPS 1.25 Barclays U.S. TIPS 1-5 Years 5 3-Month LIBOR + 5% 10 Risk Parity Commodities 10 CPI-U + 5% 25 HFRI Fund of Funds Composite
4/1/2011-12/31/2011	16% MSCI ACWI 9 MSCI ACWI Value 5 MSCI Emerging Markets 5 MSCI EAFE Small Cap 3 MSCI EAFE Growth 3 Russell 3000 2.5 Russell 2000 Growth 2.5 Russell 2000 Value 7.5 Russell Investments Barclays U.S. TIPS 5 Barclays Intermediate Government 2.5 Barclays Long U.S. Credit 2.5 Merrill Lynch High Yield BB/B 2.5 CSFB Leveraged Loan 3 ML 300 Global Convertibles 5 HFRI Weighted Composite 5 <i>NCREIF Property (lagged one qtr.)</i> (lagged one qtr.) 6 Venture Economics Private Equity 8 Custom Risk Parity Benchmark 2 S&P Global Infrastructure 5 3-Month LIBOR + 5%

Time Period	Composition
4/1/2010-3/31/2011	16% MSCI ACWI 9 MSCI ACWI Value 5 MSCI Emerging Markets 5 MSCI EAFE Small Cap 3 MSCI EAFE Growth 3 Russell 3000 2.5 Russell 2000 Growth 2.5 Russell 2000 Value 7.5 Russell Investments Barclays U.S. TIPS 5 Barclays Intermediate Government 2.5 Barclays Long U.S. Credit 2.5 Merrill Lynch High Yield BB/B 2.5 CSFB Leveraged Loan 3 ML 300 Global Convertibles 5 HFRI Weighted Composite 5 <i>NCREIF Property (lagged one qtr.)</i> (lagged one qtr.) 6 Venture Economics Private Equity 8 Dow-Jones UBS Commodities 2 S&P Global Infrastructure 5 3-Month LIBOR + 5%
7/1/09 – 3/31/2010	34% Russell 1000 9 Russell 2000 29 Barclays Aggregate 7 S&P Citigroup WGBI 15 MSCI ACWI ex U.S. 6 <i>NCREIF Property (lagged one qtr.)</i> (lagged one qtr.)

<sup>1</sup> The Venture Economics Private Equity Index was discontinued recently. Cambridge Associates Private Equity benchmarks were used for 2014, pending an evaluation of the most appropriate benchmark for future use.

## Plan Detail

## Global Equity Assets As of September 30, 2014



	Aggregate Global Equity 9/30/14	MSCI ACWI IMI 9/30/14
<b>Risk: (fifty-three months)</b>		
Annualized Return (%)	10.1	9.6
Standard Deviation (%)	16.0	16.8
Best Monthly Return (%)	10.5	10.8
Worst Monthly Return (%)	-9.4	-9.8
Beta	0.94	1.00
Correlation to Index	0.99	1.00
Correlation to Total Fund Return	0.97	NA
Sharpe Measure (risk-adjusted return)	0.63	0.57
Information Ratio	0.24	NA

	Aggregate Global Equity 9/30/14	MSCI ACWI IMI 9/30/14	Aggregate Global Equity 6/30/14
<b>Capitalization Structure:</b>			
Weighted Average Market Cap. (US\$ billion)	66.1	74.4	59.4
Median Market Cap. (US\$ billion)	1.7	1.4	1.8
Large (% over US\$20 billion)	61	62	55
Medium (% US\$3 billion to US\$20 billion)	27	28	27
Small (% under US\$3 billion)	12	10	18
<b>Fundamental Structure:</b>			
Price-Earnings Ratio	19	18	19
Price-Book Value Ratio	3.2	1.8	3.2
Dividend Yield (%)	2.1	2.4	2.0
Historical Earnings Growth Rate (%)	11	12	13
Projected Earnings Growth Rate (%)	12	12	13

<b>Diversification:</b>	<b>Aggregate Global Equity 9/30/14</b>	<b>MSCI ACWI IMI 9/30/14</b>	<b>Aggregate Global Equity 6/30/14</b>
Number of Holdings	5,765	8,507	5,775
% in 5 largest holdings	7	5	6
% in 10 largest holdings	12	7	11

<b>Largest Five Holdings:</b>	<b>% of Portfolio</b>	<b>Economic Sector</b>
Microsoft	1.6	Software & Services
Oracle	1.6	Software & Services
Johnson & Johnson	1.3	Pharmaceuticals & Biotech.
Bank of New York Mellon	1.3	Diversified Financials
British American Tobacco	1.2	Food, Beverage & Tobacco

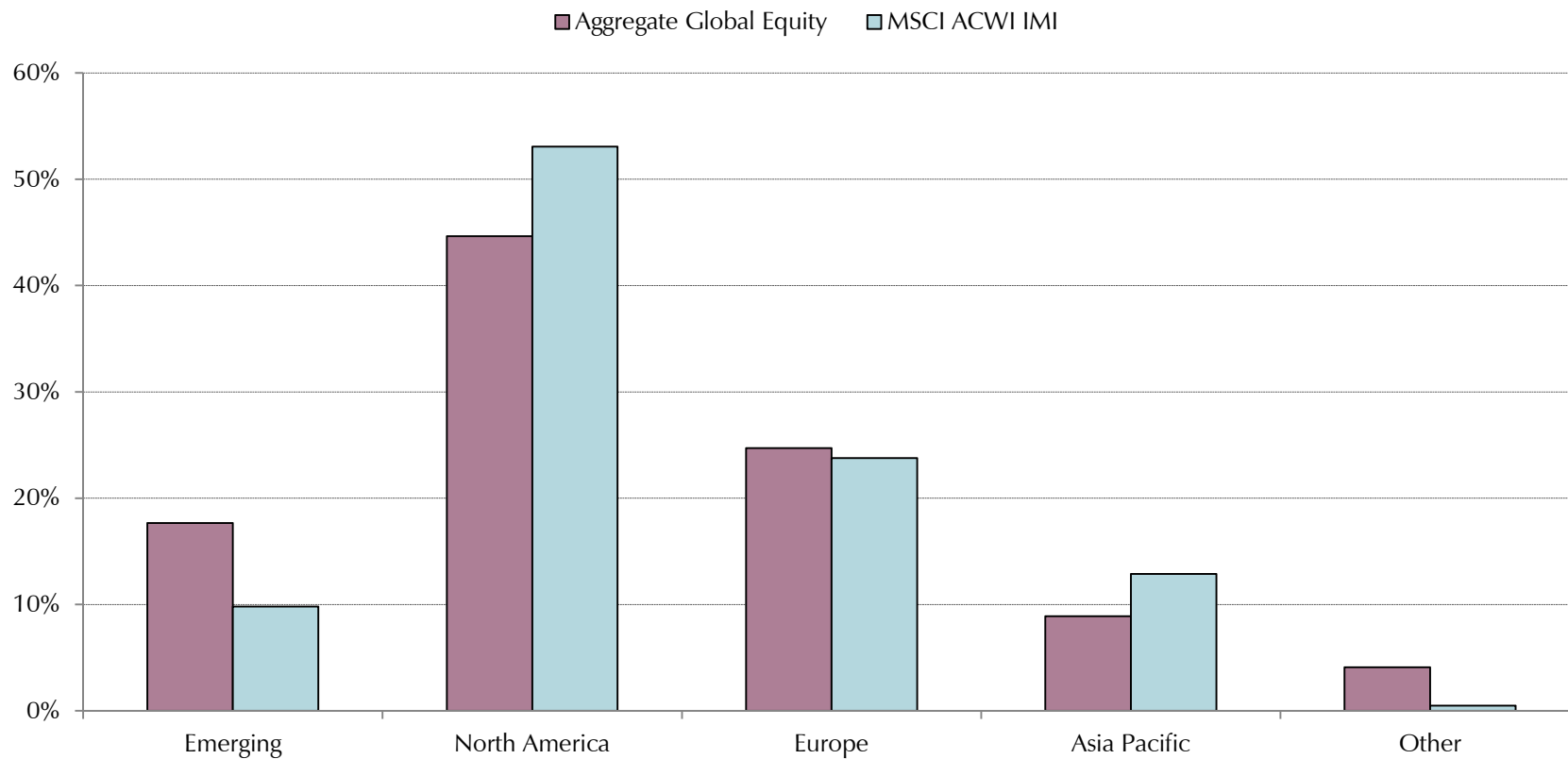
Sector Allocation (%):	Aggregate Global Equity 9/30/14	MSCI ACWI IMI 9/30/14	Aggregate Global Equity 6/30/14
Consumer Staples	15	9	15
Financials	27	22	24
Information Technology	18	13	17
Telecommunication Services	3	3	2
Utilities	2	3	2
Materials	4	6	4
Health Care	9	11	9
Consumer Discretionary	10	12	12
Industrials	8	11	10
Energy	5	9	6



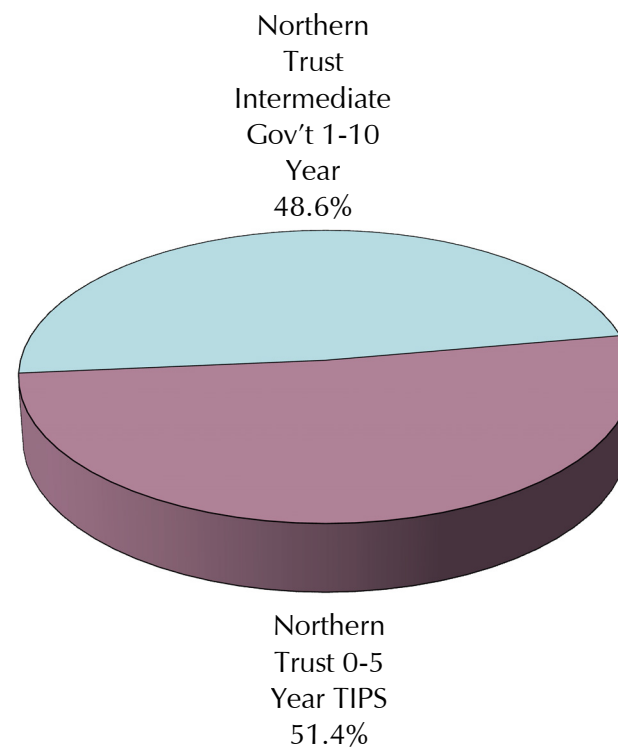
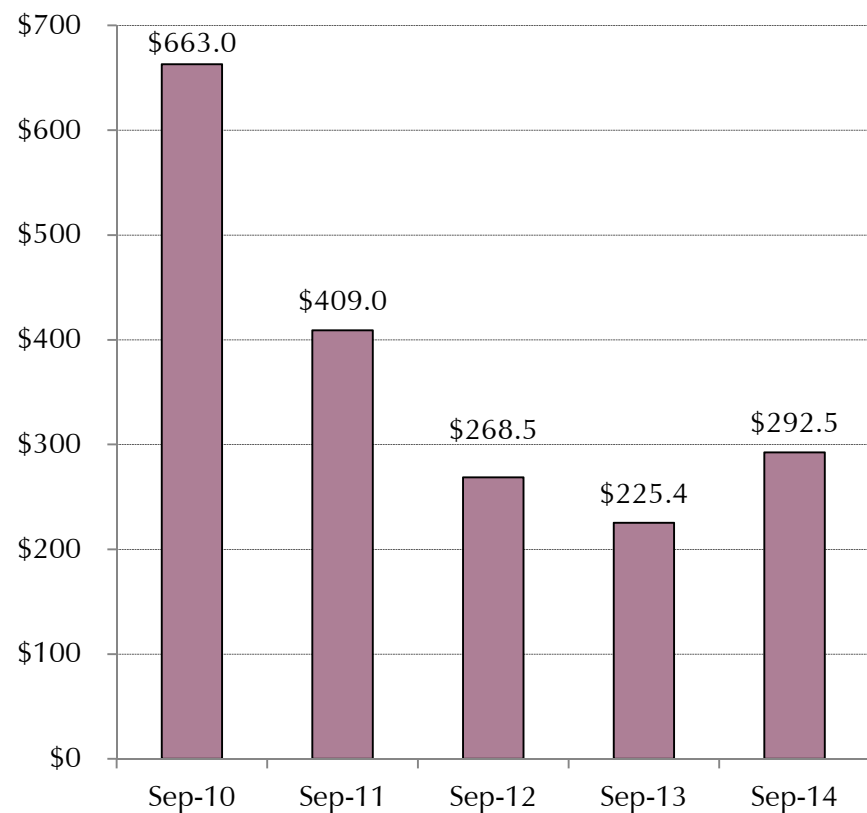
## San Jose Federated City Employees' Retirement System

## Global Equity Assets Country & Region Breakdown as of 9/30/14

	Aggregate Global Equity 9/30/14 (%)	MSCI ACWI IMI 9/30/14 (%)		Aggregate Global Equity 9/30/14 (%)	MSCI ACWI IMI 9/30/14 (%)
<b>North America</b>	<b>44.6</b>	<b>53.1</b>	<b>Emerging</b>	<b>17.7</b>	<b>9.8</b>
United States of America	43.9	49.3	India	5.8	0.8
<b>Europe</b>	<b>24.7</b>	<b>23.8</b>	Brazil	2.9	1.0
United Kingdom	10.9	6.7	Mexico	1.9	0.5
Switzerland	3.9	3.4	South Korea	1.4	1.6
Netherlands	1.7	1.7	Thailand	1.2	0.3
France	1.6	3.0	South Africa	1.1	0.8
Germany	1.3	2.9	Indonesia	1.0	0.3
Denmark	1.2	0.6	China	1.0	1.1
<b>Asia Pacific</b>	<b>8.9</b>	<b>12.9</b>	<b>Other</b>	<b>4.1</b>	<b>0.5</b>
Japan	4.2	7.6	Bermuda	1.3	0.2
Hong Kong	2.6	2.0			
Australia	1.2	2.6			

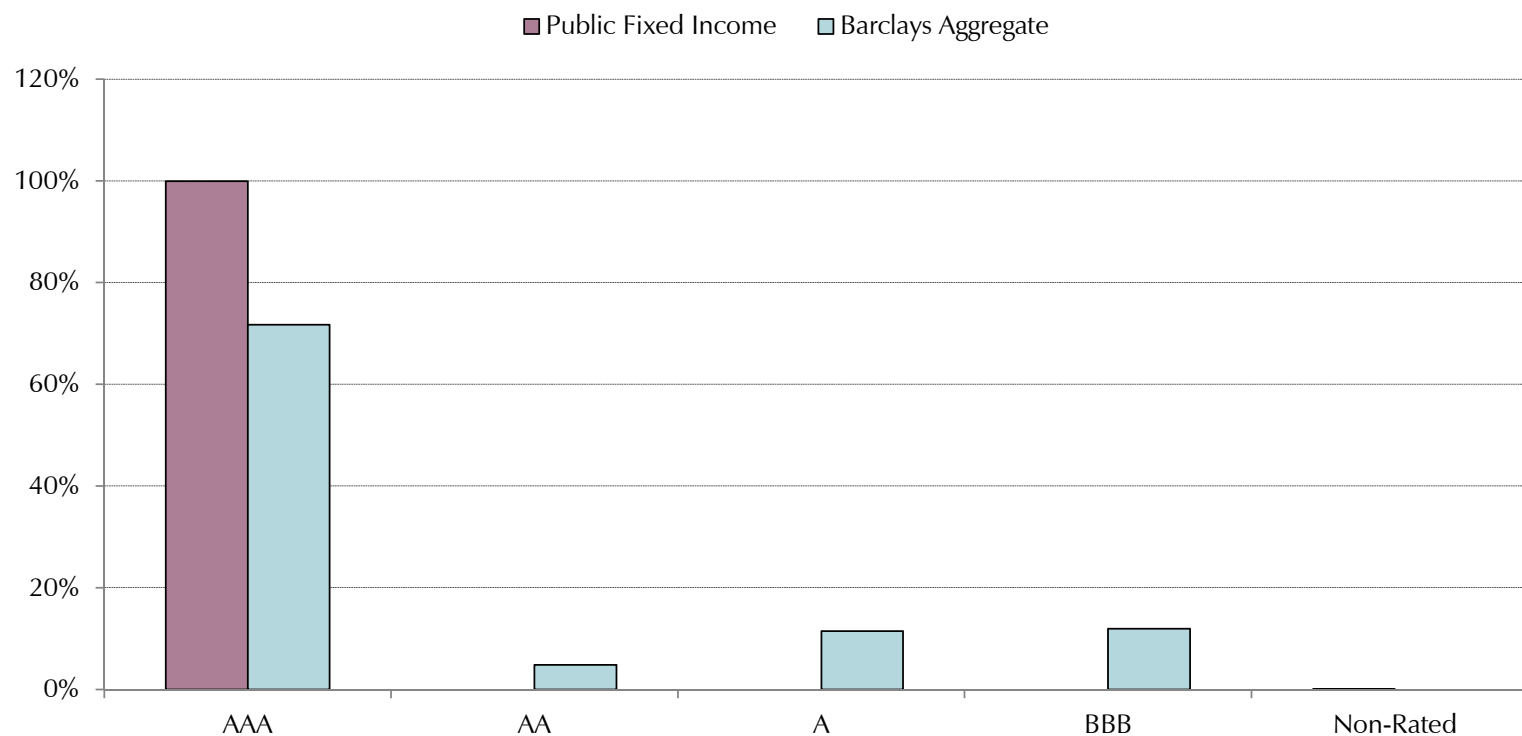


**Fixed Income Assets  
As of September 30, 2014**



Risk: (sixty months)	Aggregate Fixed Income 9/30/14	Barclays Aggregate 9/30/14
Annualized Return (%)	4.2	4.1
Standard Deviation (%)	2.7	2.9
Best Monthly Return (%)	2.2	1.6
Worst Monthly Return (%)	-1.3	-1.8
Beta	0.72	1.00
Correlation to Index	0.80	1.00
Correlation to Total Fund Return	0.22	NA
Sharpe Measure (risk-adjusted return)	1.56	1.37
Information Ratio	0.06	NA

Duration & Yield:	Aggregate Fixed Income 9/30/14	Barclays Aggregate 9/30/14	Aggregate Fixed Income 6/30/14
Average Effective Duration (years)	3.1	5.6	3.0
Yield to Maturity (%)	1.1	2.4	0.9



	Aggregate Fixed Income 9/30/14	Barclays Aggregate 9/30/14	Aggregate Fixed Income 6/30/14
<b>Market Allocation (%):</b>			
United States	100	91	100
Foreign (developed markets)	0	7	0
Foreign (emerging markets)	0	2	0
<b>Currency Allocation (%):</b>			
Non-U.S. Dollar Exposure	0	0	0
<b>Sector Allocation (%):</b>			
U.S. Treasury-Nominal	44	36	44
U.S. Treasury-TIPS	51	0	52
U.S. Agency	4	5	5
Mortgage Backed	0	29	0
Corporate	0	23	0
Bank Loans	0	0	0
Local & Provincial Government	0	1	0
Sovereign & Supranational	0	3	0
Commercial Mortgage Backed	0	2	0
Asset Backed	0	1	0
Cash Equivalent	0	0	0
Other	0	0	0

**Portfolio Reviews**  
**As of September 30, 2014**



## Global Equity Portfolio Reviews As of September 30, 2014

## San Jose Federated City Employees' Retirement System

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$164.6 million

**Portfolio Manager:** David Samra  
Dan O'Keefe

**Location:** San Francisco, California

**Inception Date:** 3/1/2011

**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.80% on first \$50 mm; 0.60% on next \$50 mm; 0.50% thereafter

### Liquidity Constraints:

Daily

### Strategy:

Artisan employs a bottom-up investment approach seeking to identify undervalued quality businesses that offer the potential for superior risk/reward outcomes. Artisan runs a somewhat concentrated portfolio of 40 to 60 stocks. They are benchmark-agnostic, and willing to have exposures that are materially different than the benchmark.

### Guidelines:

Benchmark = MSCI ACWI; Max. % per country other than U.S. = 35%; Max. % per industry = 25%; Max. % in debt securities = 10%; Max % outside developed markets = 10% above benchmark weighting

Performance (%):	3Q14	1 YR	3 YR	Since 3/1/11
<b>Artisan Global Value</b>	<b>-3.1</b>	<b>12.3</b>	<b>22.7</b>	<b>15.2</b>
<b>Net of Fees</b>	<b>-3.2</b>	<b>11.9</b>	<b>22.1</b>	<b>14.6</b>
MSCI ACWI Value	-2.9	11.3	16.3	7.2
Peer Global Equity	-2.8	10.9	18.9	10.3
Peer Ranking (percentile)	57	33	9	2

Risk: (forty-three months)	Standard Deviation	Beta	Sharpe Measure	Info. Ratio	Correlation to Index
<b>Artisan Global Value</b>	<b>13.1%</b>	<b>0.80</b>	<b>1.16</b>	<b>1.66</b>	<b>0.95</b>
MSCI ACWI Value	14.6	1.00	0.49	NA	1.00

## Artisan Global Value Portfolio Detail as of 9/30/14

	9/30/14		6/30/14	
Capitalization Structure:	Artisan Global Value	MSCI ACWI Value	Artisan Global Value	MSCI ACWI Value
Weighted Average Market Cap. (US\$ billion)	89.0	93.5	90.3	93.2
Median Market Cap. (US\$ billion)	27.8	8.0	32.0	8.4
Large (% over US\$20 billion)	81	75	80	75
Medium (% US\$3 billion to US\$20 billion)	19	24	20	24
Small (% under US\$3 billion)	1	1	0	1

### Fundamental Structure:

Price-Earnings Ratio	17	15	17	15
Price-Book Value Ratio	2.5	1.5	2.9	1.6
Dividend Yield (%)	1.9	3.3	1.8	3.3
Historical Earnings Growth Rate (%)	5	7	6	8
Projected Earnings Growth Rate (%)	9	8	10	8

### Sector Allocation (%):

Information Technology	29	8	28	7
Financials	36	31	32	30
Consumer Staples	9	8	11	7
Health Care	10	9	10	9
Consumer Discretionary	4	5	6	6
Industrials	5	8	6	8
Telecommunication Services	1	6	1	6
Materials	1	6	0	7
Utilities	0	6	0	6
Energy	4	13	5	14

### Diversification:

Number of Holdings	48	1,298	48	1,296
% in 5 largest holdings	22	9	21	8
% in 10 largest holdings	38	15	37	14

### Region Allocation (%):

North America	51	52	50	51
Europe	39	25	40	25
Emerging	4	10	4	10
Asia Pacific	3	12	3	12
Other	3	0	3	0

### Largest Five Holdings:

		Industry
Oracle	5.2	Software & Services
Bank of New York Mellon	4.4	Diversified Financials
Microsoft	4.3	Software & Services
Royal Bank of Scotland	4.1	Banks
Johnson & Johnson	3.6	Pharmaceuticals & Biotech.



## San Jose Federated City Employees' Retirement System

## Vontobel Emerging Markets Equity Portfolio Detail as of 9/30/14

**Mandate:** International Equities,  
Emerging Markets

**Active/Passive:** Active

**Market Value:** \$145.2 million

**Portfolio Manager:** Rajiv Jain

**Location:** New York, NY

**Inception Date:** 7/1/2013

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.95% on first \$150 mm; 0.85% thereafter

**Liquidity Constraints:**  
Daily

### Strategy:

Vontobel believes that long-term, stable, and superior earnings growth drives investment returns and risk-adjusted outperformance. Thus they seek to invest in businesses that are predictable (strong franchise, low capital intensity, shareholder oriented management, etc.), sustainable (ability to replicate or exceed past success in terms of growth, operating margins, ROE, ROA etc.), and are trading at an attractive margin of safety (to at least a 25% discount to their assessment of intrinsic value). They believe in building concentrated portfolios (50 to 90 stocks) of high conviction positions with little attention paid to the benchmark.

Performance (%):	3Q14	1 YR	Since 7/1/13
<b>Vontobel Emerging Markets Equity</b>	<b>-0.9</b>	<b>9.7</b>	<b>6.9</b>
<b>Net of Fees</b>	<b>-1.1</b>	<b>8.7</b>	<b>6.0</b>
MSCI Emerging Markets	-3.5	4.3	8.2
Peer Emerging Markets	-3.3	5.9	9.5
Peer Ranking (percentile)	12	14	76

	9/30/14		6/30/14	
	Vontobel Emerging Markets	MSCI Emerging Markets	Vontobel Emerging Markets	MSCI Emerging Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	36.9	34.8	37.3	36.6
Median Market Cap. (US\$ billion)	13.2	5.0	12.9	5.2
Large (% over US\$20 billion)	60	45	61	46
Medium (% US\$3 billion to US\$20 billion)	39	47	37	47
Small (% under US\$3 billion)	1	8	2	7

<b>Fundamental Structure:</b>				
Price-Earnings Ratio	23	14	22	16
Price-Book Value Ratio	5.9	1.6	5.8	1.7
Dividend Yield (%)	2.4	2.7	2.3	2.8
Historical Earnings Growth Rate (%)	21	12	21	13
Projected Earnings Growth Rate (%)	14	14	15	14

<b>Sector Allocation (%):</b>				
Consumer Staples	35	8	36	8
Financials	29	27	28	27
Health Care	2	2	2	2
Consumer Discretionary	9	9	10	9
Utilities	3	4	3	4
Telecommunication Services	5	8	4	7
Information Technology	13	17	12	17
Materials	3	8	4	9
Industrials	1	7	1	7
Energy	1	10	0	11

<b>Diversification:</b>				
Number of Holdings	76	834	78	835
% in 5 largest holdings	23	11	24	11
% in 10 largest holdings	37	16	38	16

<b>Region Allocation (%):</b>				
Asia Pacific	49	55	44	55
Latin America	23	19	25	19
Europe/MidEast/Africa	5	18	5	19
Other	23	8	26	8

<b>Largest Five Holdings:</b>		<b>Industry</b>
British American Tobacco	5.9	Food, Beverage & Tobacco
Housing Development Financial	4.9	Banks
ITC	4.5	Food, Beverage & Tobacco
HDFC Bank	4.3	Banks
SABMiller	3.4	Food, Beverage & Tobacco



## San Jose Federated City Employees' Retirement System

## Northern Trust Russell 3000 Index Portfolio Detail as of 9/30/14

**Mandate:** Domestic Equities  
**Active/Passive:** Passive  
**Market Value:** \$136.8 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 9/1/1999  
**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
 0.03% on all assets

**Liquidity Constraints:**  
 Daily

### Strategy:

The Northern Trust strategy seeks to replicate the return of the Russell 3000 Index. Northern Trust employs a proprietary process in combination with low-cost trade execution to accomplish this objective. To efficiently manage cash flows, Northern Trust seeks to maximize the liquidity of trade lists and match the relevant benchmark's systemic risk. The result is a portfolio that tightly tracks the index while incurring lower transaction costs.

Performance (%):	3Q14	1 YR	3 YR	5 YR	Since 9/1/99
Northern Trust Russell 3000 Index	0.0	17.8	23.2	16.0	5.4
Net of Fees	0.0	17.8	23.1	15.9	5.4
Russell 3000	0.0	17.8	23.1	15.8	5.3

	9/30/14		6/30/14	
Capitalization Structure:	NT Russell 3000	Russell 3000	NT Russell 3000	Russell 3000
Weighted Average Market Cap. (US\$ billion)	100.9	100.7	96.1	95.9
Median Market Cap. (US\$ billion)	1.8	1.4	2.0	1.5
Large (% over US\$20 billion)	69	68	67	67
Medium (% US\$3 billion to US\$20 billion)	24	24	26	25
Small (% under US\$3 billion)	7	8	7	8

### Fundamental Structure:

Price-Earnings Ratio	19	19	20	20
Price-Book Value Ratio	2.5	2.5	2.5	2.6
Dividend Yield (%)	1.9	1.9	1.9	1.8
Historical Earnings Growth Rate (%)	14	14	15	15
Projected Earnings Growth Rate (%)	12	12	12	12

### Sector Allocation (%):

Information Technology	19	19	18	18
Industrials	11	11	12	12
Consumer Discretionary	12	12	12	12
Materials	4	4	4	4
Consumer Staples	8	8	8	8
Telecommunication Services	2	2	2	2
Energy	9	9	10	10
Utilities	3	3	3	3
Financials	17	17	17	17
Health Care	13	14	13	13

### Diversification:

Number of Holdings	2,571	2,983	2,557	2,999
% in 5 largest holdings	9	9	9	9
% in 10 largest holdings	14	14	14	14

### Largest Ten Holdings:

		Industry
Apple	2.8	Technology Equipment
ExxonMobil	1.9	Energy
Microsoft	1.8	Software & Services
Johnson & Johnson	1.4	Pharmaceuticals & Biotech.
General Electric	1.2	Capital Goods
Berkshire Hathaway	1.2	Diversified Financials
Wells Fargo & Company	1.1	Banks
Procter & Gamble	1.0	Household Products
Chevron	1.0	Energy
JP Morgan Chase	1.0	Banks



## San Jose Federated City Employees' Retirement System

## Northern Trust MSCI EAFE Index-NL Portfolio Detail as of 9/30/14

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Passive

**Market Value:** \$65.8 million

**Portfolio Manager:** Team

**Location:** Chicago, Illinois

**Inception Date:** 11/1/2012

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

### Fee Schedule:

0.05% on all assets

### Liquidity Constraints:

Daily

### Strategy:

The Northern Trust MSCI EAFE Index strategy seeks to replicate the return of the MSCI EAFE index. Northern Trust employs a proprietary process in combination with low-cost trade execution to accomplish this objective. To efficiently manage cash flows, Northern Trust seeks to maximize the liquidity of trade lists and match the relevant benchmark's systemic risk. The result is a portfolio that tightly tracks the index while incurring lower transaction costs.

Performance (%):	3Q14	1 YR	Since 11/1/12
Northern Trust MSCI EAFE Index-NL	-5.9	4.6	14.1
Net of Fees	-5.9	4.5	14.1
MSCI EAFE	-5.9	4.3	13.7

	9/30/14		6/30/14	
Capitalization Structure:	Northern Trust EAFE	MSCI EAFE	Northern Trust EAFE	MSCI EAFE
Weighted Average Market Cap. (US\$ billion)	60.9	60.8	63.9	63.8
Median Market Cap. (US\$ billion)	8.8	8.7	9.5	9.4
Large (% over US\$20 billion)	69	69	69	69
Medium (% US\$3 billion to US\$20 billion)	30	31	30	30
Small (% under US\$3 billion)	1	1	1	1

### Fundamental Structure:

Price-Earnings Ratio	17	17	17	17
Price-Book Value Ratio	1.6	1.6	1.7	1.8
Dividend Yield (%)	3.0	3.0	3.0	3.0
Historical Earnings Growth Rate (%)	8	8	9	9
Projected Earnings Growth Rate (%)	10	10	10	10

### Sector Allocation (%):

Financials	26	26	25	25
Consumer Staples	11	11	11	11
Energy	7	7	7	7
Industrials	13	13	13	13
Consumer Discretionary	12	12	12	12
Information Technology	5	5	4	4
Utilities	4	4	4	4
Telecommunication Services	5	5	5	5
Health Care	11	11	11	11
Materials	7	8	8	8

### Diversification:

Number of Holdings	908	901	906	899
% in 5 largest holdings	8	8	7	7
% in 10 largest holdings	13	13	13	13

### Region Allocation (%):

North America	1	0	0	0
Europe	66	66	67	67
Asia Pacific	33	33	32	32
Emerging	0	0	0	0
Other	1	1	1	1

### Largest Five Holdings:

		Industry
Nestle	1.8	Food, Beverage & Tobacco
Novartis	1.7	Pharmaceuticals & Biotech.
Roche	1.6	Pharmaceuticals & Biotech.
HSBC	1.5	Banks
Toyota Motor	1.3	Automobiles & Components



## San Jose Federated City Employees' Retirement System

**Mandate:** Domestic Equities  
**Active/Passive:** Active  
**Market Value:** \$30.1 million  
**Portfolio Manager:** Jeffrey Bronchick  
**Location:** El Segundo, California  
**Inception Date:** 5/1/2014  
**Account Type:** Separately Managed

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.80% on all assets

**Liquidity Constraints:**  
Daily

### Strategy:

Cove Street Capital manages a fundamental, bottom-up research driven value portfolio of small capitalization companies. It is a relatively concentrated portfolio, usually consisting of between 30-40 companies. The strategy focuses on finding statistically cheap companies with high quality business models.

### Guidelines:

Maximum of 10% in non-U.S. issuers. Maximum 10% in preferred stock, convertibles or other equity equivalents. Maximum of 15% in single issuer. Maximum of 30% in any single industry. Maximum cash balance of 15%. Maximum 10% in illiquid securities.

Performance (%):	3Q14	Since 5/1/14
<b>Cove Street Small Cap Value</b>	<b>-6.5</b>	<b>0.3</b>
<b>Net of Fees</b>	<b>-6.7</b>	<b>0.2</b>
Russell 2000 Value	-8.6	-3.9
Peer Small Cap Value	-6.6	-1.9
Peer Ranking (percentile)	46	11

## Cove Street Small Cap Value Portfolio Detail as of 9/30/14

	9/30/14		6/30/14	
Capitalization Structure:	Cove Street SCV	Russell 2000 Value	Cove Street SCV	Russell 2000 Value
Weighted Average Market Cap. (US\$ billion)	1.2	1.5	1.4	1.6
Median Market Cap. (US\$ million)	618.7	593.7	706.8	652.7
Large (% over US\$20 billion)	0	0	0	0
Medium (% US\$3 billion to US\$20 billion)	15	6	18	10
Small (% under US\$3 billion)	85	94	82	90

### Fundamental Structure:

Price-Earnings Ratio	16	17	18	18
Price-Book Value Ratio	1.7	1.5	1.8	1.7
Dividend Yield (%)	0.9	2.1	0.9	1.9
Historical Earnings Growth Rate (%)	3	9	7	11
Projected Earnings Growth Rate (%)	16	13	19	13

### Sector Allocation (%):

Consumer Discretionary	23	11	24	11
Information Technology	18	10	19	10
Materials	12	5	8	5
Energy	9	6	10	8
Industrials	15	13	13	13
Telecommunication Services	0	1	0	1
Consumer Staples	0	3	0	3
Health Care	0	5	0	5
Utilities	0	6	0	7
Financials	24	40	25	38

### Diversification:

Number of Holdings	35	1,307	34	1,320
% in 5 largest holdings	26	2	28	2
% in 10 largest holdings	44	4	47	4

### Largest Ten Holdings:

		Industry
White Mountains Insurance	5.5	Insurance
Forestar Group	5.4	Real Estate
Taminco	5.2	Materials
Heritage Crystal Clean	5.0	Commercial Services
Azz	5.0	Capital Goods
Approach Resources	4.8	Energy
Chimera Investment	3.6	Real Estate
Cherokee	3.5	Consumer Durables
Hallmark Finl.Services	3.3	Insurance
Gp Strategies	3.1	Commercial Services



## San Jose Federated City Employees' Retirement System

**Mandate:** International Equities,  
Developed Markets

**Active/Passive:** Active

**Market Value:** \$23.1 million

**Portfolio Manager:** Team

**Location:** Chicago, Illinois

**Inception Date:** 11/1/2012

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
0.05% on all assets

**Liquidity Constraints:**  
Daily

### Strategy:

This Northern Trust EAFE Small Cap Index strategy seeks to replicate the returns of the MSCI EAFE Small Cap index, a proxy for developed market small cap equity performance (excluding the U.S. and Canada). The strategy provides broad diversification (there are 21 developed country indices within the index) at minimal expense.

Performance (%):	3Q14	1 YR	Since 11/1/12
Northern Trust EAFE Small Cap	-7.8	3.1	15.8
Net of Fees	-7.8	3.0	15.8
MSCI EAFE Small Cap	-7.8	3.0	15.7

## Northern Trust EAFE Small Cap Portfolio Detail as of 9/30/14

	9/30/14		6/30/14	
	Northern Trust EAFE Small Cap	MSCI EAFE Small Cap	Northern Trust EAFE Small Cap	MSCI EAFE Small Cap
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	2.2	2.2	2.3	2.3
Median Market Cap. (US\$ million)	896.0	896.2	949.6	951.5
Large (% over US\$20 billion)	0	0	0	0
Medium (% US\$3 billion to US\$20 billion)	24	24	27	27
Small (% under US\$3 billion)	76	76	73	73
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	16	16	17	17
Price-Book Value Ratio	1.3	1.3	1.5	1.5
Dividend Yield (%)	2.4	2.4	2.3	2.3
Historical Earnings Growth Rate (%)	12	12	12	12
Projected Earnings Growth Rate (%)	15	15	16	16
<b>Sector Allocation (%):</b>				
Materials	9	9	10	10
Telecommunication Services	1	1	1	1
Consumer Discretionary	18	18	18	18
Consumer Staples	6	6	6	6
Financials	22	22	21	21
Utilities	2	2	2	2
Industrials	23	23	23	23
Information Technology	9	9	9	9
Energy	4	4	4	4
Health Care	7	7	6	6
<b>Diversification:</b>				
Number of Holdings	2,170	2,163	2,182	2,181
% in 5 largest holdings	2	2	2	2
% in 10 largest holdings	3	3	3	3
<b>Region Allocation (%):</b>				
North America	0	0	0	0
Europe	57	57	58	58
Asia Pacific	41	41	40	40
Emerging	0	0	0	0
Other	2	2	2	2
<b>Largest Five Holdings:</b>				
Ashtead Group	0.5	Capital Goods		
Symrise	0.4	Materials		
Barratt Developments	0.3	Consumer Durables		
St.James's Place	0.3	Insurance		
Mondi	0.3	Materials		



## San Jose Federated City Employees' Retirement System

**Mandate:** International Equities,  
Frontier Markets

**Active/Passive:** Active

**Market Value:** \$21.1 million

**Portfolio Manager:** Devan Kaloo

**Location:** London, England

**Inception Date:** 12/1/2013

**Account Type:** Commingled Fund

	Value	Core	Growth
Large			
Medium			
Small			

**Fee Schedule:**  
1.50% on all assets

**Liquidity Constraints:**  
Monthly

### Strategy:

The objective of the Frontier Markets Equity Fund (for the purposes of this section, ("the Fund") is to achieve total return in excess of the MSCI Frontier Markets Index through investing in companies listed, domiciled or headquartered, or with a significant portion of their revenues, profits and/or assets derived from frontier economies.

Performance (%):	3Q14	Since 12/1/13
<b>Aberdeen Frontier Markets</b>	<b>0.4</b>	<b>6.5</b>
<b>Net of Fees</b>	<b>0.1</b>	<b>5.2</b>
MSCI Frontier Markets	1.5	24.7
MSCI Frontier Markets ex GCC	0.5	9.7
Peer Frontier Markets	2.4	19.7
Peer Ranking (percentile)	78	85

## Aberdeen Frontier Markets Portfolio Detail as of 9/30/14

	9/30/14		6/30/14	
	Aberdeen Frontier Markets	MSCI Frontier Markets	Aberdeen Frontier Markets	MSCI Frontier Markets
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	5.9	5.8	6.0	5.6
Median Market Cap. (US\$ billion)	2.1	1.8	2.1	1.7
Large (% over US\$20 billion)	9	1	9	1
Medium (% US\$3 billion to US\$20 billion)	39	55	43	58
Small (% under US\$3 billion)	52	44	47	41
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	21	14	18	12
Price-Book Value Ratio	3.6	1.8	3.4	1.8
Dividend Yield (%)	2.8	3.5	2.8	3.5
Historical Earnings Growth Rate (%)	13	8	12	8
Projected Earnings Growth Rate (%)	16	16	17	15
<b>Sector Allocation (%):</b>				
Consumer Staples	30	10	31	11
Industrials	10	4	12	3
Health Care	8	3	8	3
Information Technology	3	0	3	0
Consumer Discretionary	2	1	2	1
Utilities	0	0	0	0
Energy	9	11	8	11
Materials	1	6	2	6
Telecommunication Services	9	15	8	15
Financials	27	50	25	50
<b>Diversification:</b>				
Number of Holdings	41	126	41	126
% in 5 largest holdings	23	24	22	24
% in 10 largest holdings	42	35	42	35
<b>Region Allocation (%):</b>				
Asia	17	15	16	14
Europe & CIS	6	12	7	12
Americas	0	8	0	8
Africa	32	32	32	32
Middle East	8	34	8	34
Emerging	13	0	13	0
Other	23	0	24	0
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
Nestle Foods Nigeria	4.8	Food, Beverage & Tobacco		
Tenaris	4.7	Energy		
John Keells Holdings	4.5	Capital Goods		
BankMuscat	4.3	Banks		
MTN Group	4.3	Telecom Services		





## Real Assets Portfolio Reviews As of September 30, 2014

## San Jose Federated City Employees' Retirement System

## CS Risk Parity Commodity Index Portfolio Detail as of 9/30/14

**Mandate:** Commodity  
**Active/Passive:** Active  
**Market Value:** \$72.8 million  
**Portfolio Manager:** Christopher Burton  
**Location:** New York, New York  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled Fund

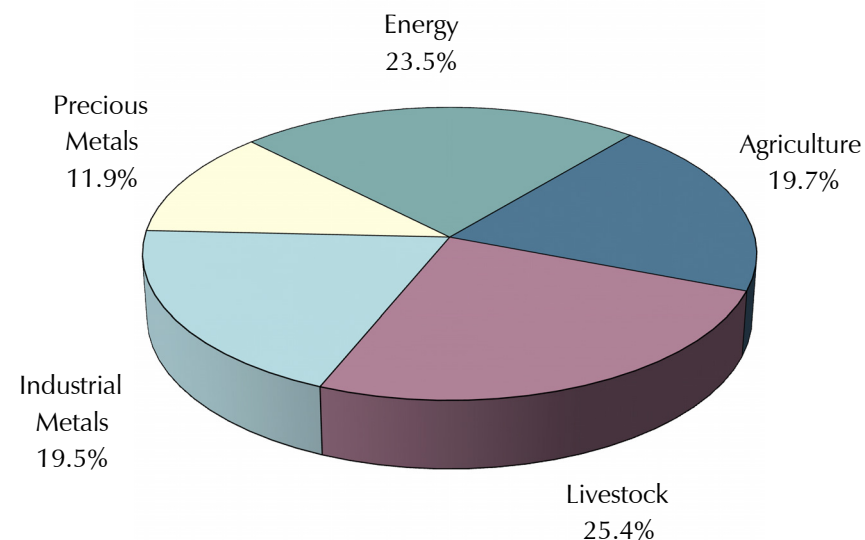
**Fee Schedule:**  
 0.42% on first \$100 mm; 0.37% thereafter

**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.

Performance (%):	3Q14	1 YR	3 YR	Since 4/1/11
<b>Credit Suisse Compound Risk Parity Commodity Index</b>	<b>-6.8</b>	<b>1.9</b>	<b>-1.9</b>	<b>-4.8</b>
Custom Risk Parity Commodity Benchmark <sup>1</sup>	-7.1	2.0	-1.9	-4.9
Bloomberg Commodity Index	-11.8	-6.6	-5.4	-9.7

**Current Allocation:**



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



## San Jose Federated City Employees' Retirement System

## First Quadrant Risk Parity Commodity Index Portfolio Detail as of 9/30/14

**Mandate:** Commodity (net of fees)  
**Active/Passive:** Active  
**Market Value:** \$80.7 million  
**Portfolio Manager:** Team  
**Location:** Pasadena, California  
**Inception Date:** 4/1/2011  
**Account Type:** Commingled Fund

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

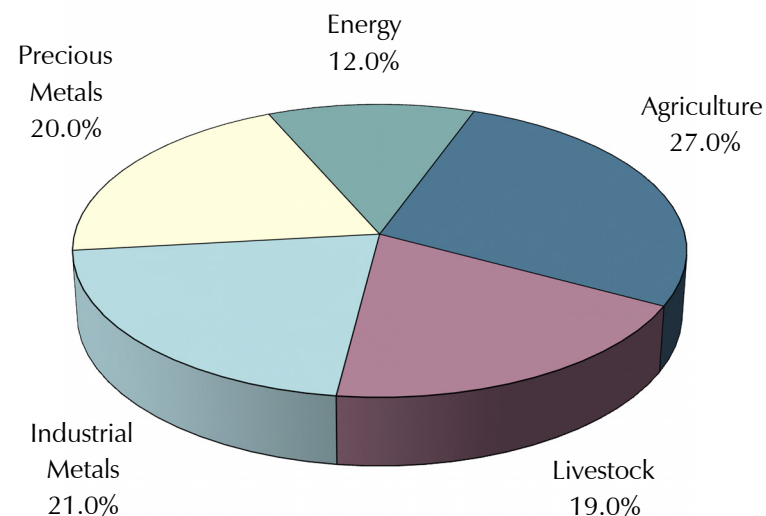
**Liquidity Constraints:**  
 Daily

### 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.

Performance (%):	3Q14	1 YR	3 YR	Since 4/1/11
<b>First Quadrant Risk Parity Commodity Index</b>	<b>-11.5</b>	<b>1.3</b>	<b>-6.5</b>	<b>-8.1</b>
Custom Risk Parity Commodity Benchmark <sup>1</sup>	-7.1	2.0	-1.9	-4.9
Bloomberg Commodity Index	-11.8	-6.6	-5.4	-9.7

### Current Allocation:



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

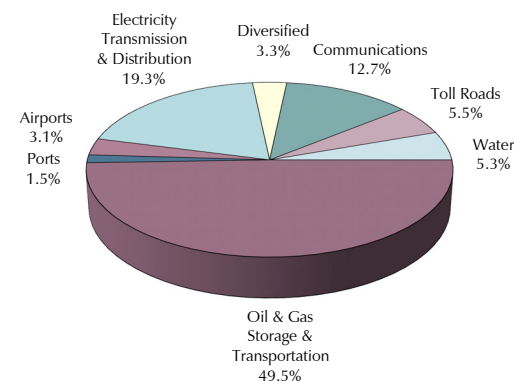


## San Jose Federated City Employees' Retirement System

## SSgA Dow Jones Brookfield Infrastructure Index Portfolio Detail as of 9/30/14

<b>Strategy:</b>	Infrastructure
<b>Market Value:</b>	\$137.9 million
<b>Portfolio Manager:</b>	Team
<b>Location:</b>	Boston, Massachusetts
<b>Inception Date:</b>	3/1/2014
<b>Account Type:</b>	Separately Managed
<b>Liquidity Constraints:</b>	Daily
<b>Fee Schedule:</b>	0.15% on first \$50 mm; 0.10% on next \$50 mm; 0.07% thereafter; Minimum annual fee of \$105,000.
<b>Guidelines:</b>	Investment Manager will not seek the Index exposure where securities are traded in the following countries: China, Brazil, United Arab Emirates, and Russia. The country restrictions do not apply to American Depositary Receipts (ADRs) or Global Depositary Receipts (GDRs) that provide exposure to these countries.

### Index Sectors:



Performance (%):	3Q14	Since 3/1/14
SSgA Dow Jones Brookfield Infrastructure Index	-1.4	11.3
Net of Fees	-1.4	11.3
DJ Brookfield Global Infrastructure Index	-1.4	10.7

Country Allocation:	Portfolio Allocation (%)
<b>United States</b>	<b>48.3</b>
<b>International Developed Markets</b>	<b>51.2</b>
Canada	15.4
United Kingdom	10.4
Hong Kong	5.0
Spain	4.3
Australia	3.8
Italy	3.7
Japan	2.4
Luxembourg	2.0
France	2.0

Country Allocation:	Portfolio Allocation (%)
<b>International Developed Markets (continued)</b>	
Singapore	0.5
Netherlands	0.5
Germany	0.4
New Zealand	0.4
Switzerland	0.3
Belgium	0.2
<b>Emerging Markets</b>	<b>0.5</b>
Mexico	0.0
China	0.5
Brazil	0.0

**Investment Strategy:** The SSgA Dow Jones Brookfield Infrastructure Index aims to measure the stock performance of companies worldwide whose primary business is the ownership and operation of (rather than service of) infrastructure assets. To be included in the index, a company must have more than 70% of estimated cash flows (based on publicly available information) derived from the following infrastructure sectors: airports, toll roads, ports, communications, electricity transmission & distribution, oil & gas storage & transportation, and water.



## San Jose Federated City Employees' Retirement System

## Northern Trust Global LargeMid NR Portfolio Detail as of 9/30/14

**Mandate:** Natural Resources  
**Active/Passive:** Passive  
**Market Value:** \$127.4 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 11/1/2012  
**Account Type:** Separately Managed

**Fee Schedule:**  
 0.05% on all assets

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 This Northern Trust Global Large MidCap Natural Resources Index seeks an investment return that approximates the performance of the S&P Global LargeMidCap Commodity and Resources Index. The index has equal exposure to three major natural resources industries: energy, materials, and agriculture.

Performance (%):	3Q14	1 YR	Since 11/1/12
Northern Trust Global Large MidCap Natural Resources	-7.8	4.0	-0.6
Net of Fees	-7.8	3.9	-0.7
S&P Global Large MidCap Commodity and Resources	-7.9	4.0	-0.8

	9/30/14		6/30/14	
	Northern Trust Global NR	S&P Global Large MidCap Comm & Res	Northern Trust Global NR	S&P Global Large MidCap Comm & Res
<b>Capitalization Structure:</b>				
Weighted Average Market Cap. (US\$ billion)	68.3	68.1	74.8	74.5
Median Market Cap. (US\$ billion)	9.2	9.0	10.9	10.4
Large (% over US\$20 billion)	69	69	72	71
Medium (% US\$3 billion to US\$20 billion)	28	28	26	27
Small (% under US\$3 billion)	2	2	2	2
<b>Fundamental Structure:</b>				
Price-Earnings Ratio	15	15	16	16
Price-Book Value Ratio	1.7	1.7	2.0	2.0
Dividend Yield (%)	2.9	2.9	2.8	2.8
Historical Earnings Growth Rate (%)	8	9	9	9
Projected Earnings Growth Rate (%)	10	10	9	9
<b>Sector Allocation (%):</b>				
Consumer Staples	10	9	8	8
Energy	33	33	34	33
Consumer Discretionary	0	0	0	0
Financials	0	0	0	0
Health Care	0	0	0	0
Industrials	0	0	0	0
Information Technology	0	0	0	0
Telecommunication Services	0	0	0	0
Utilities	0	0	0	0
Materials	57	57	58	58
<b>Diversification:</b>				
Number of Holdings	206	210	207	210
% in 5 largest holdings	27	27	27	27
% in 10 largest holdings	43	43	43	42
<b>Region Allocation (%):</b>				
North America	52	52	51	50
Europe	27	27	27	27
Asia Pacific	10	10	11	11
Emerging	10	11	10	11
Other	1	1	1	1
<b>Largest Five Holdings:</b>				
		<b>Industry</b>		
Monsanto	8.1	Materials		
ExxonMobil	5.1	Energy		
BHP Billiton	4.9	Materials		
Archer-Daniels	4.5	Food, Beverage & Tobacco		
Syngenta	4.1	Materials		



## Fixed Income Portfolio Reviews As of September 30, 2014

## San Jose Federated City Employees' Retirement System

**Mandate:** TIPS  
**Active/Passive:** Passive  
**Market Value:** \$150.3 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 7/1/2014  
**Account Type:** Separately Managed

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
 0.05% on all assets

**Liquidity Constraints:**  
 Daily

**Strategy:**  
 The Northern Trust TIPS index strategy seeks to track the risk and return characteristics of the Barclays U.S. 0-5 Year TIPS Index. The Index represents the Treasury Inflation-Protected Securities segment of the U.S. fixed income market. The strategy provides the desired exposure using quantitative techniques to maintain neutrality relative to index exposures while avoiding excessive transactions costs.

**Guidelines:**  
 The portfolio will have a weighted average duration that will approximate the duration of the Barclays U.S. 0-5 Year TIPS Index.

Performance (%):	3Q14	Since 7/1/14
Northern Trust TIPS 0-5 Years	-1.4	-1.4
Net of Fees	-1.4	-1.4
Barclays U.S. TIPS 0-5 Years	-1.4	-1.4

## Northern Trust TIPS 0-5 Year Portfolio Detail as of 9/30/14

	9/30/14		6/30/14	
	Northern Trust TIPS 0-5 Years	Barclays U.S. TIPS 0-5 Years	Northern Trust TIPS 0-5 Years	Barclays U.S. TIPS 0-5 Years
<b>Duration &amp; Yield:</b>				
Average Effective Duration (years)	2.5	2.1	2.5	1.7
Yield to Maturity (%) <sup>1</sup>	1.0	1.3	0.8	0.9
<b>Quality Structure (%):</b>				
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
<b>Sector Allocation (%):</b>				
U.S. Treasury-Nominal	0	0	0	0
U.S. Treasury-TIPS	100	100	100	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	0	0
<b>Market Allocation (%):</b>				
United States	100	100	100	100
Foreign (developed markets)	0	0	0	0
Foreign (emerging markets)	0	0	0	0
<b>Currency Allocation (%):</b>				
Non-U.S. Dollar Exposure	0	0	0	0

<sup>1</sup> This figure is an estimated yield-to-maturity (YTM) for the fund. It is calculated by adding the trailing 12-month inflation adjustment to the "real" (i.e., before inflation) YTM of the fund. Adding the 12-month inflation adjustment allows the fund's yield to be more directly comparable to those of other bond funds. Investors should recognize that the actual YTM will depend upon the level of inflation experienced going forward.



## San Jose Federated City Employees' Retirement System

## Northern Trust Intermediate Gov't 1-10 Year Portfolio Detail as of 9/30/14

**Mandate:** Fixed Income  
**Active/Passive:** Passive  
**Market Value:** \$142.2 million  
**Portfolio Manager:** Team  
**Location:** Chicago, Illinois  
**Inception Date:** 10/1/2012  
**Account Type:** Commingled Fund

	Short	Int.	Long
High			
Medium			
Low			

**Fee Schedule:**  
 0.05% on all assets

**Liquidity Constraints:**  
 Daily

### Strategy:

The Northern Trust 1-10 Year Intermediate Government Bond Index Fund seeks to hold a portfolio representative of the intermediate government securities sector of the United States bond and debt market, as characterized by the Barclays Capital Intermediate Government Bond Index.

Performance (%):	3Q14	1 YR	Since 10/1/12
<b>Northern Trust 1-10 Year Intermediate Government Bond Index</b>	<b>0.0</b>	<b>1.1</b>	<b>0.1</b>
<b>Net of Fees</b>	<b>0.0</b>	<b>1.1</b>	<b>0.1</b>
Barclays Intermediate Gov't Bond Index	0.0	1.1	0.2

	9/30/14		6/30/14	
Duration & Yield:	NTGI Int Gov't 1-10 yr	Barclays IT Gov't	NTGI Int Gov't 1-10 yr	Barclays IT Gov't
Average Effective Duration (years)	3.6	3.6	3.6	3.6
Yield to Maturity (%)	1.3	1.3	1.1	1.1
Quality Structure (%):				
Average Quality	AAA	AAA	AAA	AAA
AAA (includes Treasuries and Agencies)	100	97	100	97
AA	0	3	0	3
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	91	91	90	90
U.S. Treasury-TIPS	0	0	0	0
U.S. Agency	9	9	10	10
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	0	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





# **Global Macroeconomic Outlook**

## **September 2014**

## Global Economic Outlook

**Looking toward 2015, economic growth is projected to be higher than in 2014, but lower than previously forecasted.**

- Despite stable growth in the U.S., the IMF tempered its world growth estimates for 2015 from 4.0% to 3.8% due to weakness in Europe and Japan, and in several emerging economies. Geopolitical tensions, including the conflict in Iraq and in Ukraine, are also cited as potential headwinds to global growth.
- In developed economies, the U.S. recovery has shown signs of strengthening, with improvements in growth and the labor market, while in Europe growth remains weak, with the risk of another recession.
- Divergent results are projected in emerging economies with growth forecasted to decelerate in China, Russia, and Brazil, and improve in India.
- Excluding Japan, near-term global inflation is projected to trail the ten-year average, as continued monetary stimulus from major central banks has not led to inflationary pressures.

	Real GDP (%)			Inflation (%)		
	IMF 2014 Forecast	IMF 2015 Forecast	Actual 10 Years Average	IMF 2014 Forecast	IMF 2015 Forecast	Actual 10 Years Average
World	3.3	3.8	4.1	3.8	3.9	4.3
U.S.	2.2	3.1	1.7	2.0	2.1	2.4
European Union	1.4	1.8	1.2	0.7	1.1	2.3
Japan	0.9	0.8	0.8	2.7	2.0	-0.1
China	7.4	7.1	10.2	2.3	2.5	3.1
Emerging Markets ( ex. China)	3.0	3.9	5.3	7.1	7.1	7.5

Source: IMF. Represents October 2014 projections. "Actual 10 Years Average" represents data from 2004 to 2013.

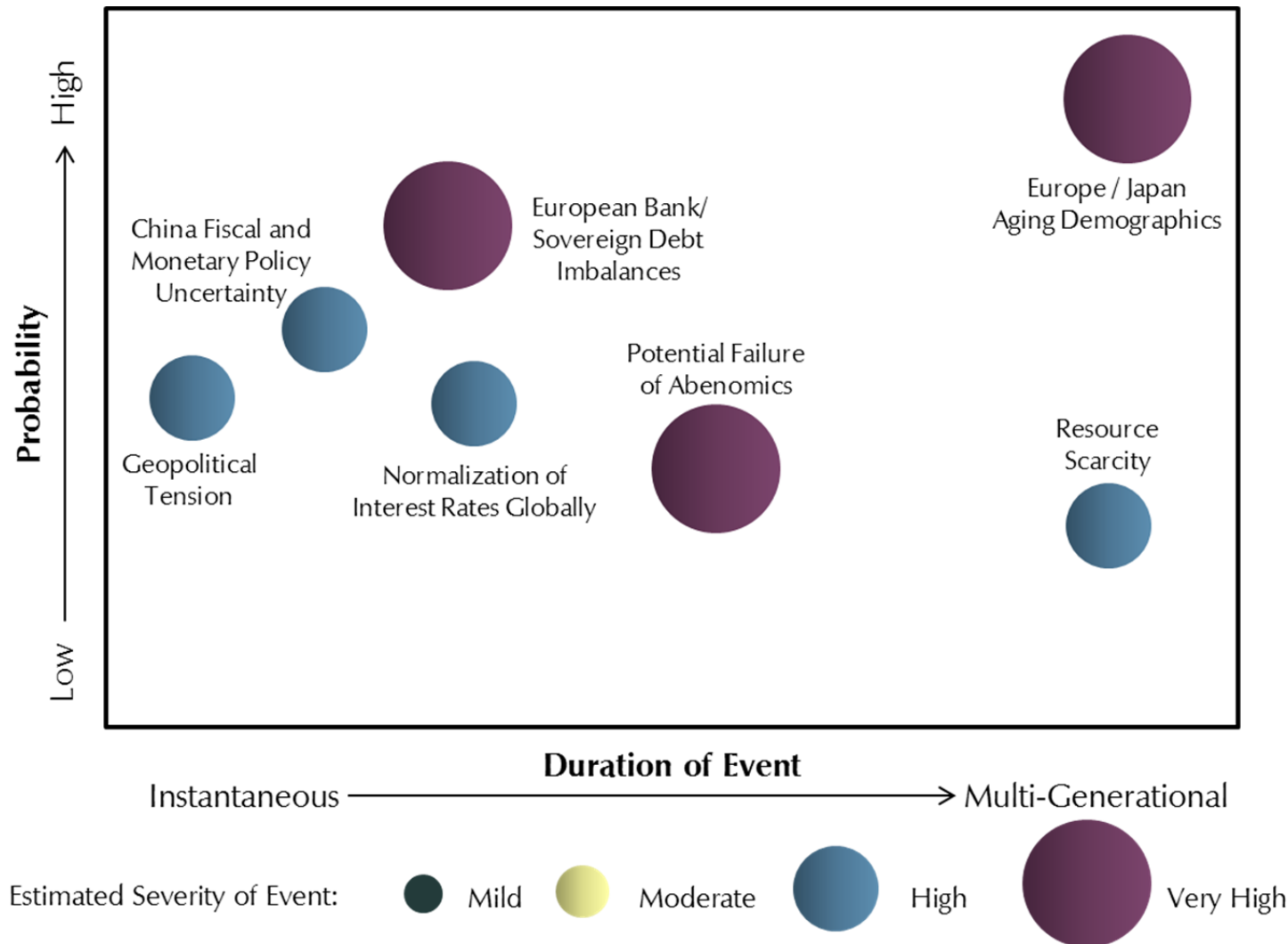
### Global Economic Outlook, Continued

**The U.S. Federal Reserve ended its bond buying program in October, while in Europe further monetary stimulus is likely, in light of deflationary pressures. Continued fiscal and monetary stimulus is likely in Japan.**

- In September, the U.S. Federal Reserve reaffirmed its commitment to maintain its low interest rate policy for a “considerable time” after the end of its bond buying program (i.e., quantitative easing). The Fed also emphasized that the first increase of the federal funds rate would be driven by data as opposed to a set calendar time.
- In Scotland, a majority of voters rejected a historic referendum vote in September to separate from the U.K. and form its own nation. The 85% turnout for the referendum vote was unprecedented, with 55% voting against independence.
- In an attempt to prevent low inflation levels from disrupting the eurozone’s already weak economy, the European Central Bank (ECB) further reduced interest rates and announced an asset purchase program (i.e., quantitative easing). The ECB specifically reduced its key interest rate from 0.10% to 0.05% and moved its bank deposit rate further into negative territory from -0.1% to -0.2%, the latter an attempt to encourage banks to lend surplus reserves.
- Growth in Japan contracted dramatically in the second quarter (7.1% on an annualized basis), due in part to the consumption tax increase in April weighing heavily on consumption. If the decline in growth is not short-term in nature, further stimulative measures may be considered in addition to the historic measures already in place.
- Geopolitical tensions including the war against the Islamic State, the civil war in Syria, and tensions between Russia and Ukraine could be disruptive particularly to energy and other commodity markets.

**Several issues remain of primary concern: 1) the risk of a recession and deflation in Europe and Japan; 2) the diminishing effectiveness of monetary policy globally; 3) divergent growth in emerging economies; and 4) increased geopolitical tensions.**

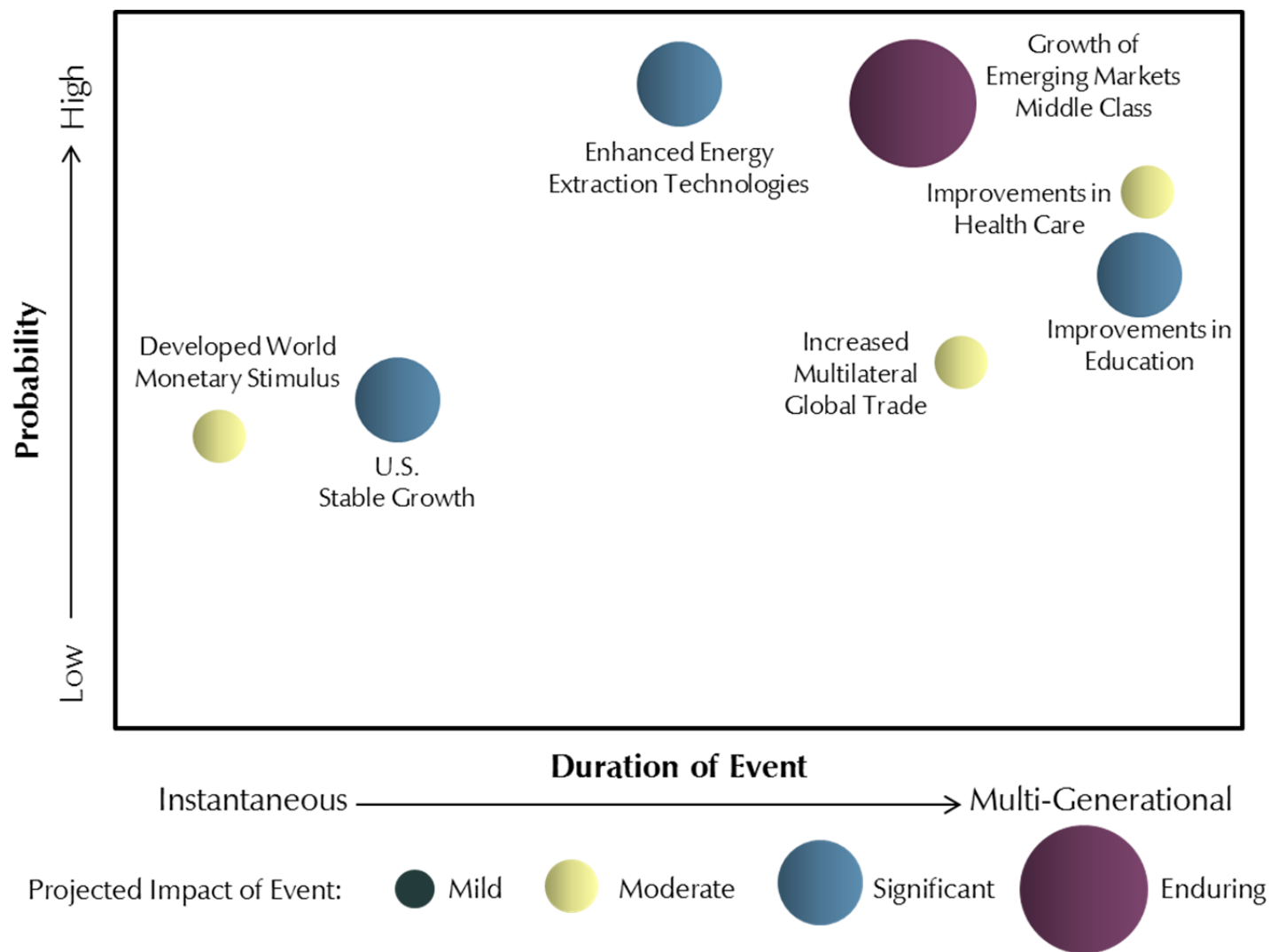
### Macroeconomic Risk Matrix



## Macroeconomic Risk Overviews

<b>European Bank/Sovereign Debt Imbalances</b>	The crisis is rooted in structural issues in the Euro-zone related to the combination of a single currency (euro) combined with 17 fiscal authorities. Several negative outcomes are possible from the sovereign debt crisis, including sequential sovereign default, a break-up of the euro, bank failures, political regime change, and rapid de-leveraging/deflation.
<b>Potential Failure of Abenomics</b>	Japan has embarked on a historic stimulus program, commonly referred to as “Abenomics” in an effort to fight its decades of deflation. The plan includes monetary, fiscal, and structural components. If Japan overshoots with its policies, or dramatically changes them unexpectedly, it could prove to be very disruptive to markets and growth.
<b>Europe/Japan Aging Demographics</b>	In Japan and Europe birth rates have declined, resulting in populations becoming older and smaller relative to the rest of the world. These demographic trends will have a negative long-term impact on GDP growth and fiscal budgets, amplifying debt problems.
<b>Geopolitical Tension</b>	Tensions have increased in Iraq as the Islamic State of Iraq and Syria (ISIS), a radical offshoot of al-Qaeda, seized large oil producing areas in the north, creating a revenue stream going forward and causing volatility in the energy market. Recently, U.S.-led air attacks began against ISIS in both Iraq and Syria. An escalation in the circumstances in Iraq could prove to be disruptive to energy and commodity markets. There also remain other unresolved geopolitical issues including tensions between Russia and Ukraine, China’s maritime expansion, the civil war in Syria, and the conflict between Israel and Hamas.
<b>China Fiscal and Monetary Policy Uncertainty</b>	A lot of China’s recent growth was fueled by debt, particularly in the “shadow banking” sector. One of the focuses of the new leadership regime in China has been to transition the country from a model of debt-fuelled growth to a model of consumption based growth. This transition process could prove to be difficult in the short-term, as the targeted rate of debt growth could weigh heavily on economic growth.
<b>Normalization of Interest Rates Globally</b>	After the Global Financial Crisis, the developed world, particularly the U.S., injected massive amounts of liquidity into the financial system in an effort to prevent depression-like declines in economic activity. Additionally, the world’s central banks reduced short-term interest rates to record lows. Once monetary stimulus is withdrawn, it is likely that interest rates will normalize and weigh on growth globally, particularly in emerging markets.
<b>Resource Scarcity</b>	The increasing world population, urbanization, and a growing middle class, particularly in emerging economies, could all lead to a scarcity of resources going forward, including food, water, land, energy, and minerals. As demand continues to grow and supply declines, it is possible that commodity prices will skyrocket, hurting the living standards of many and increasing the risk of geopolitical conflicts.

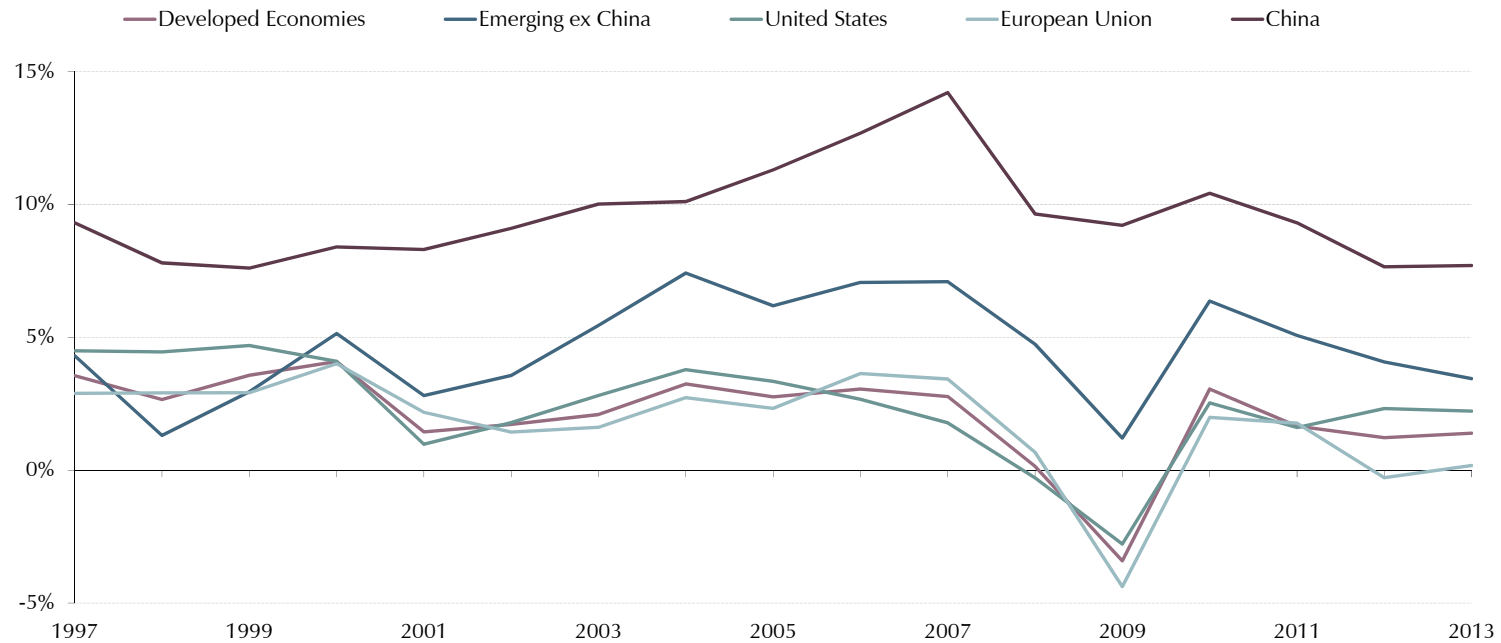
### Positive Macroeconomic Trends Matrix



**Positive Macroeconomic Trends Overviews**

<b>U.S. Stable Growth</b>	The U.S. economy has shown signs of improvement with GDP growth improving and unemployment declining. Continued stabilization in the world's largest economy should lead to improvements in employment and growth domestically, as well as increased demand for goods and services from abroad.
<b>Growth of Emerging Markets Middle Class</b>	In emerging economies, the size of the middle class is projected to grow significantly over the next twenty years. The growing middle class in the emerging economies should increase consumption globally, which in turn will drive GDP growth and create jobs.
<b>Increased Multilateral Global Trade</b>	The pace of globalization has accelerated, particularly in emerging economies. Increased trade and investment, as well as access to foreign capital and export markets for corporations, should lead to lower costs, higher efficiencies, and higher global growth.
<b>Improvements in Education/Healthcare</b>	Literacy rates and average life spans have increased globally, particularly in the emerging economies. Higher literacy rates will likely be a driver of future growth, as the ability to read helps people learn new skills and improve existing skills. When people live longer it increases incentives to make long-term investments in human capital (i.e., education and training), resulting in a more productive work force and ultimately more growth.
<b>Enhanced Energy Extraction Technologies</b>	Hydraulic fracturing (i.e., fracking) technologies have allowed large new supplies of natural gas and oil to be extracted from shale rocks, predominantly in the U.S. The large new supply of natural gas has decreased U.S. prices to levels considerably below the rest of the world. Going forward, it is likely that other countries will work to improve their fracking technologies, further increasing the supply of oil and gas globally.
<b>Developed World Monetary Stimulus</b>	Developed market central banks have embarked on a massive monetary stimulus campaign in the aftermath of the Global Financial Crisis. The U.S., European, and Japanese central banks continue to maintain interest rates at record lows. Japan has embarked on an unprecedented asset purchase program (quantitative easing), while the U.S. recently ended its bond buying program. Going forward, if central banks continue to provide liquidity and keep interest rates low this should stimulate growth.

### Global Real Gross Domestic Product (GDP) Growth

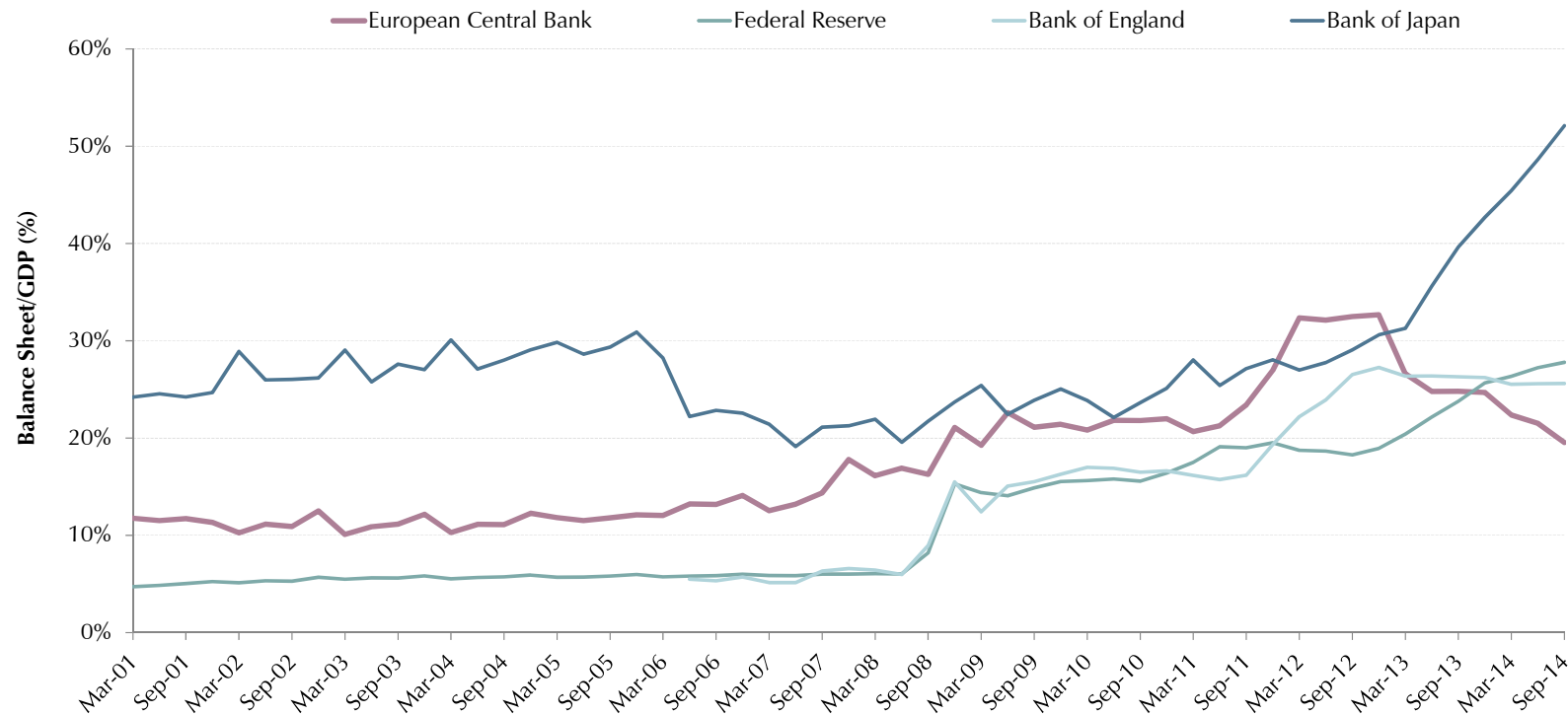


Source: IMF.

- Since the post Global Financial Crisis recovery, real GDP growth has slowed globally with emerging economies continuing to grow at a faster pace than developed economies.
- China's growth has declined from double-digit levels, but it remains well above that of other emerging economies. The planned transition to a consumption-based growth model from the current investment-focused model could further weigh on China's growth in the short-term.



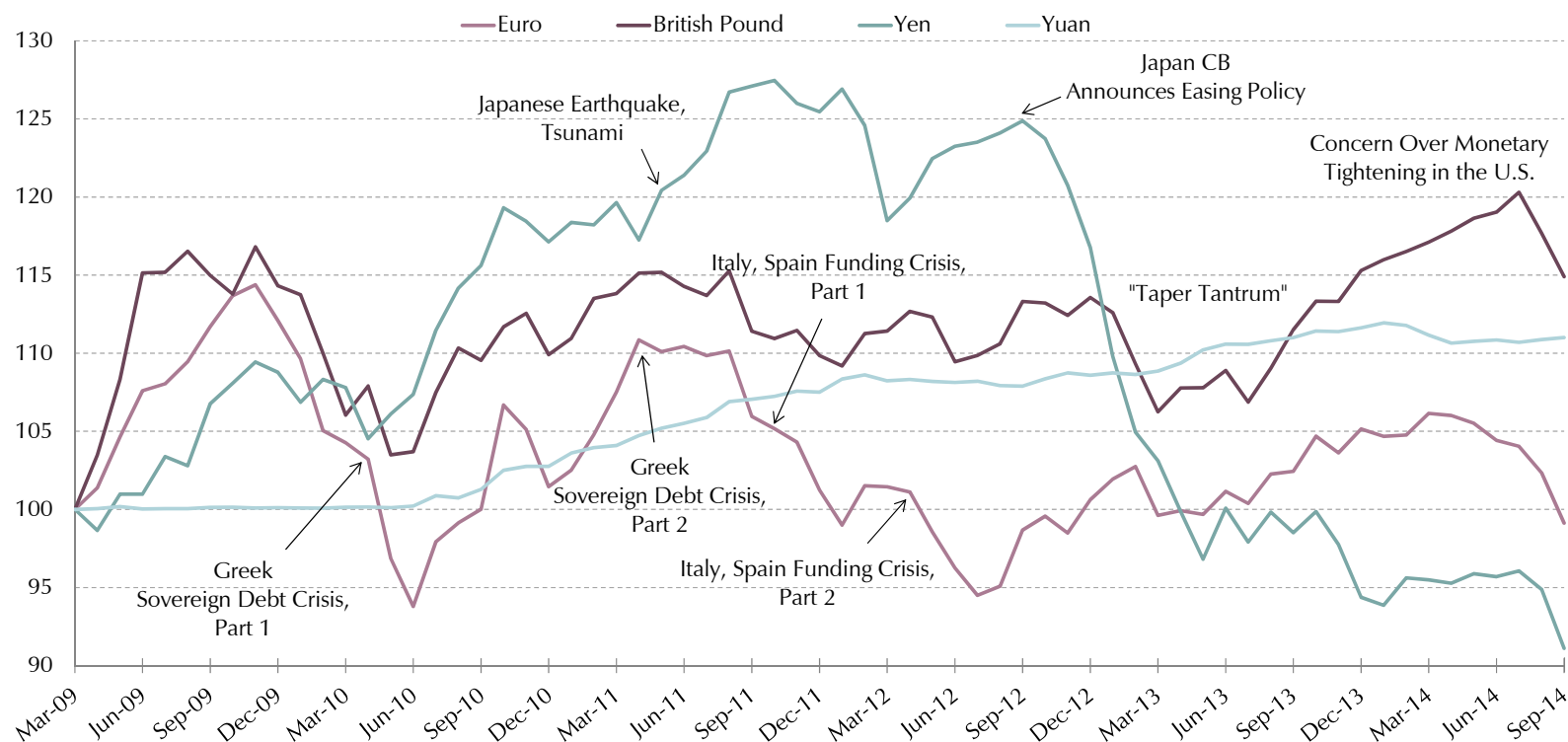
### Central Bank Balance Sheets as a Percentage of GDP



Source: Bloomberg, IMF. Data is as of September 30, 2014.

- The world's major central banks have expanded their balance sheets to historic levels in an effort to stimulate growth.
- Growth remains weak in Europe and Japan despite the stimulative efforts, leading to concerns over slowing growth globally.

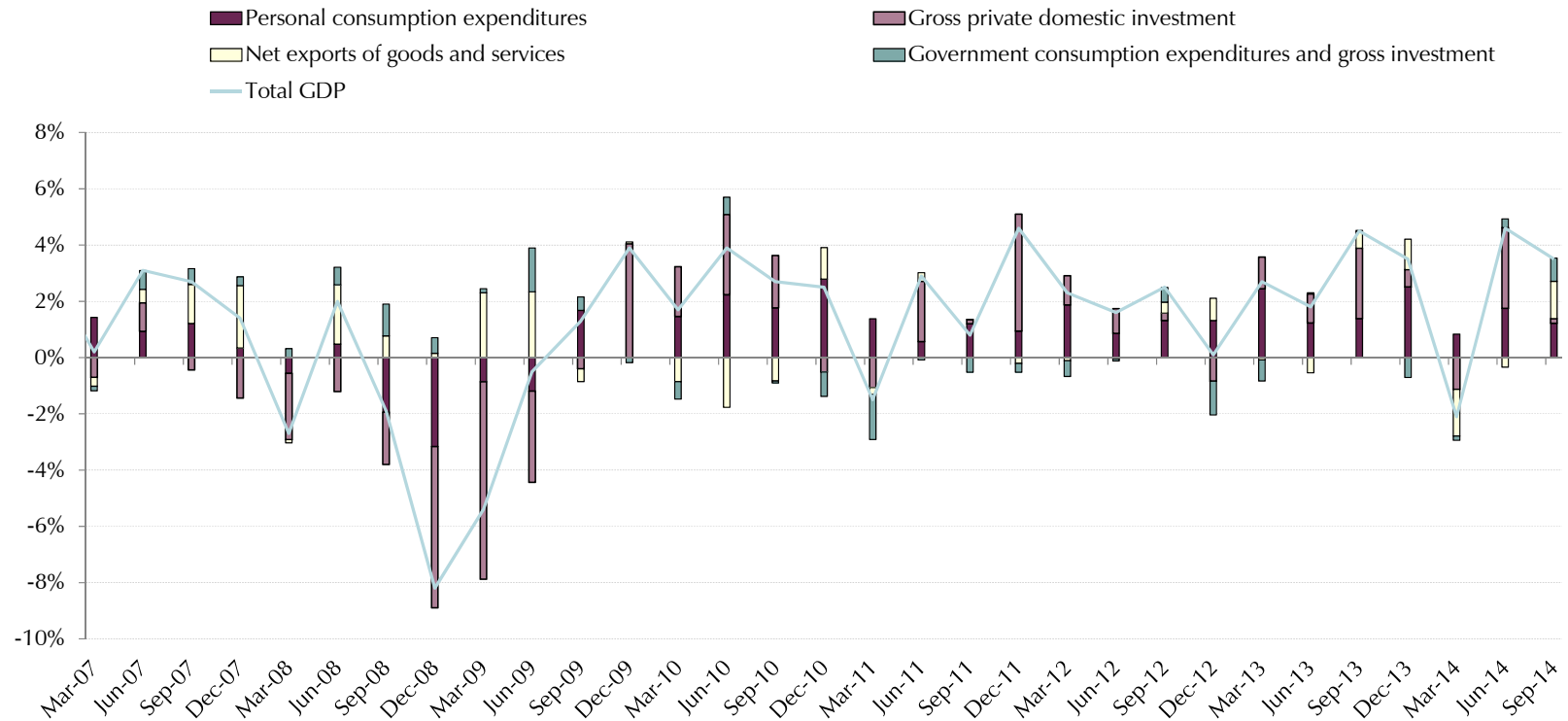
### Major Currency Values vs. U.S. Dollar



Source: OANDA. Data is as of September 30, 2014. Data assumes a March 2009 base value of 100 for the Euro, Yen, and Yuan versus the U.S. Dollar.

- Recently, the U.S. dollar strengthened against most major currencies due in part to slowing growth abroad and speculation that the Federal Reserve will begin to raise rates in 2015.
- Going forward, a strong dollar could weigh on the Federal Reserve's efforts to stimulate growth and increase prices as U.S. exports become more expensive.

## U.S. Real Gross Domestic Product (GDP) Growth<sup>1</sup>

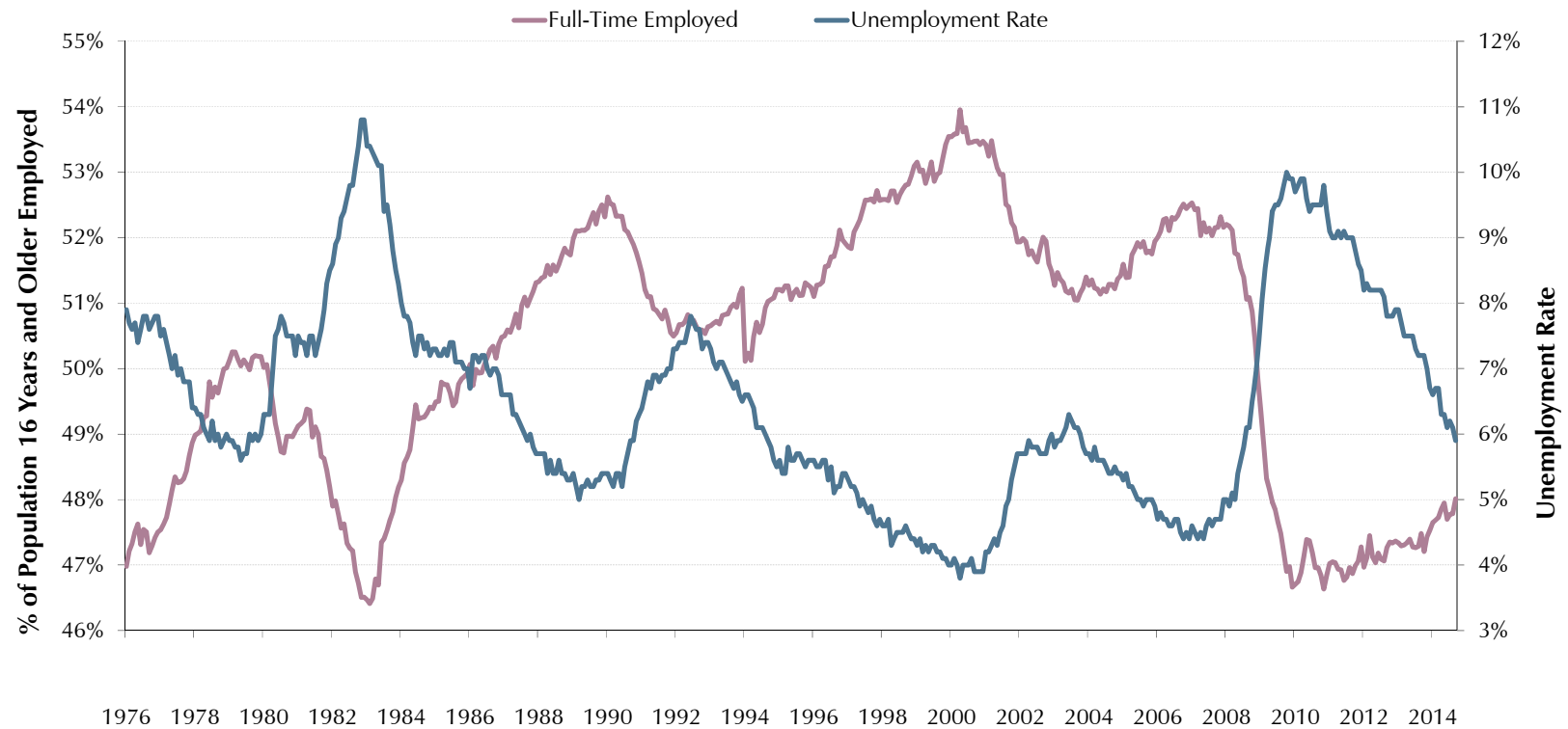


Source: U.S. Bureau of Economic Analysis. Data is as of September 30, 2014.

- GDP in the U.S. expanded at an annualized rate of 3.5% in the third quarter, down from the 4.6% level of the prior quarter, but above the 3.0% projected by economists.
- Net exports and personal consumption contributed 1.3% and 1.2%, respectively, to third quarter growth.

<sup>1</sup> Represents quarterly real GDP annualized.

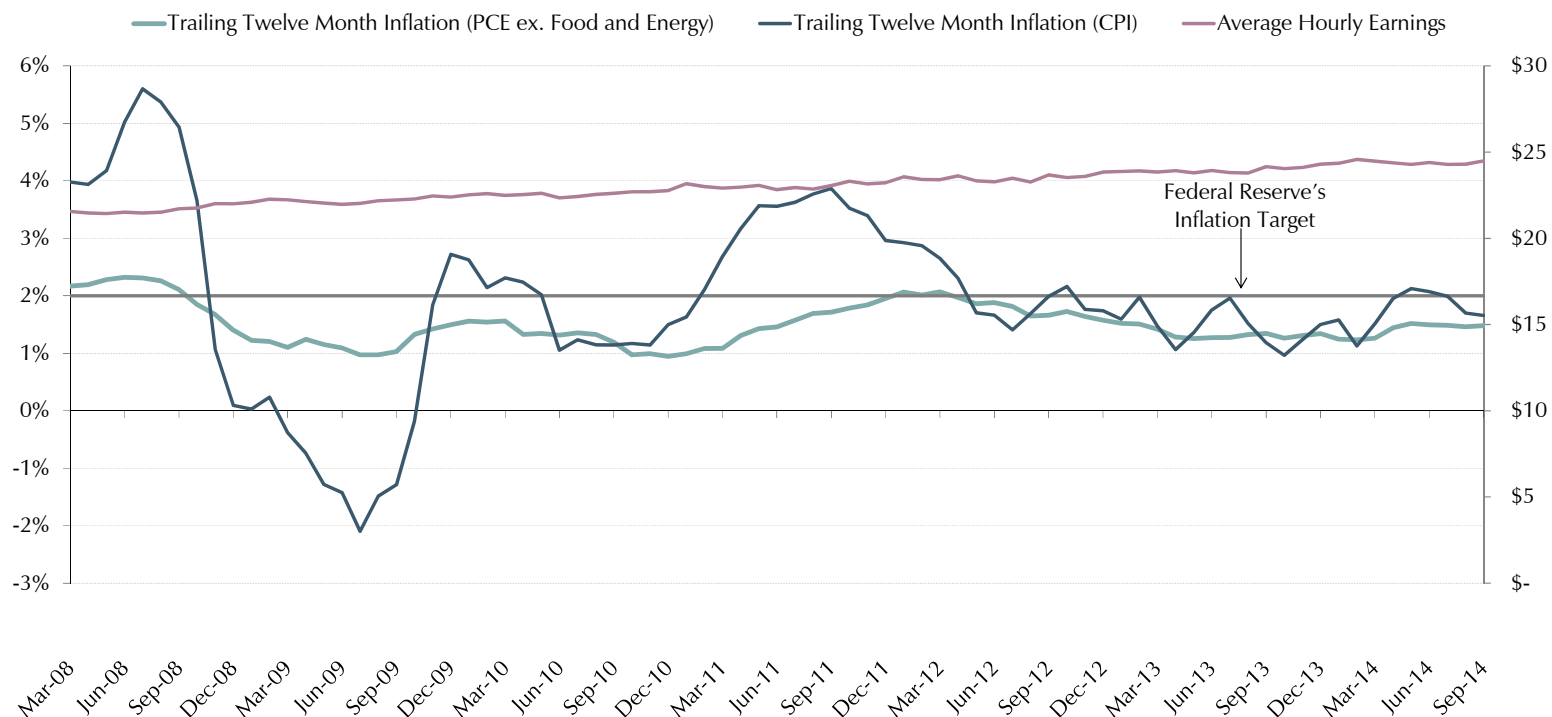
## U.S. Employment



Source: Bureau of Labor Statistics. Data is as of September 30, 2014.

- The U.S. unemployment rate continues to decline, reaching 5.9% in September. Despite the recent improvements in the labor market, the percentage of the population that is employed remains below 50%.
- Improvements in the U.S. economy could increase the unemployment rate, as those currently not looking for work return to the job market and are included in the unemployment calculation.

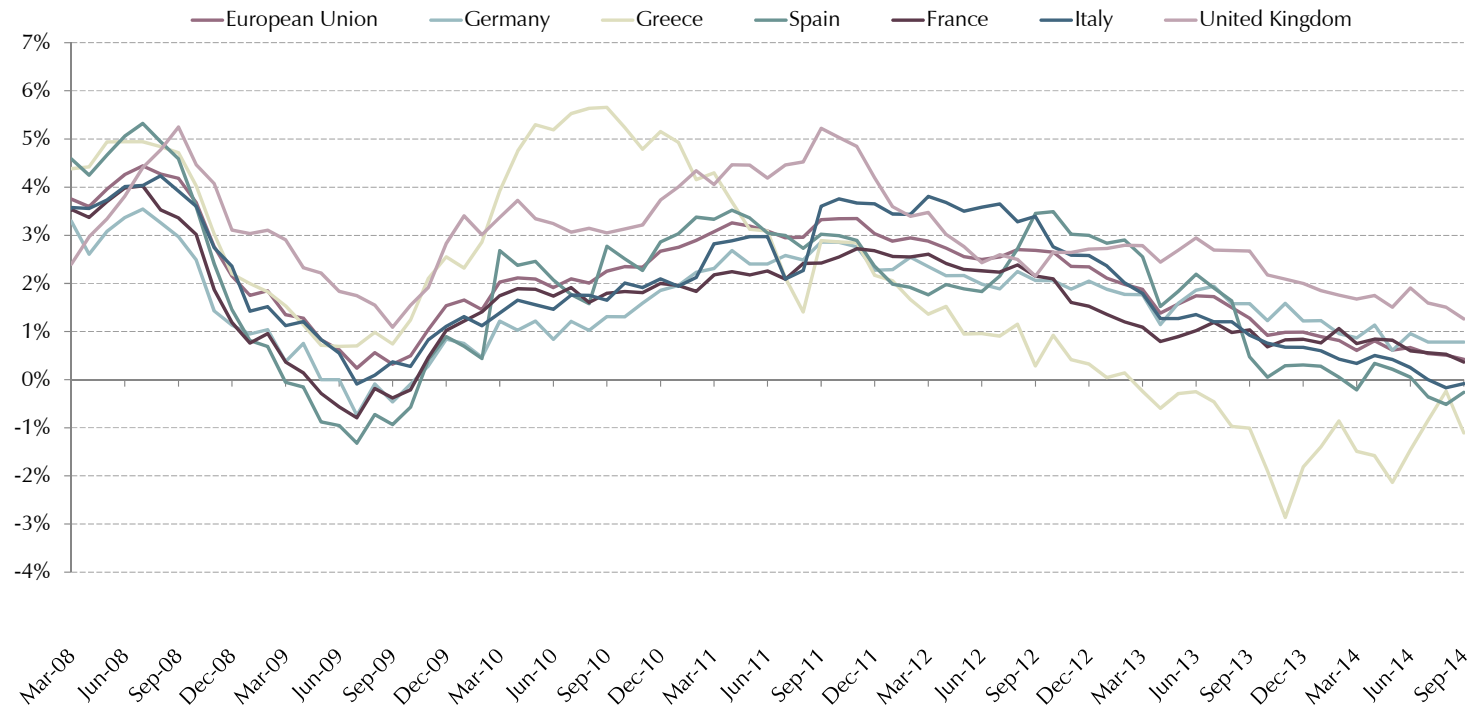
## U.S. Inflation



Source: U.S. Bureau of Economic Analysis, Bureau of Labor Statistics. Data is as of September 30, 2014.

- The U.S. Federal Reserve's preferred measure of inflation remains below its tolerance level (1.5% versus 2.0%) allowing for flexibility in their monetary policy, if needed.
- When including food and energy, prices recently declined due mainly to falling energy prices.

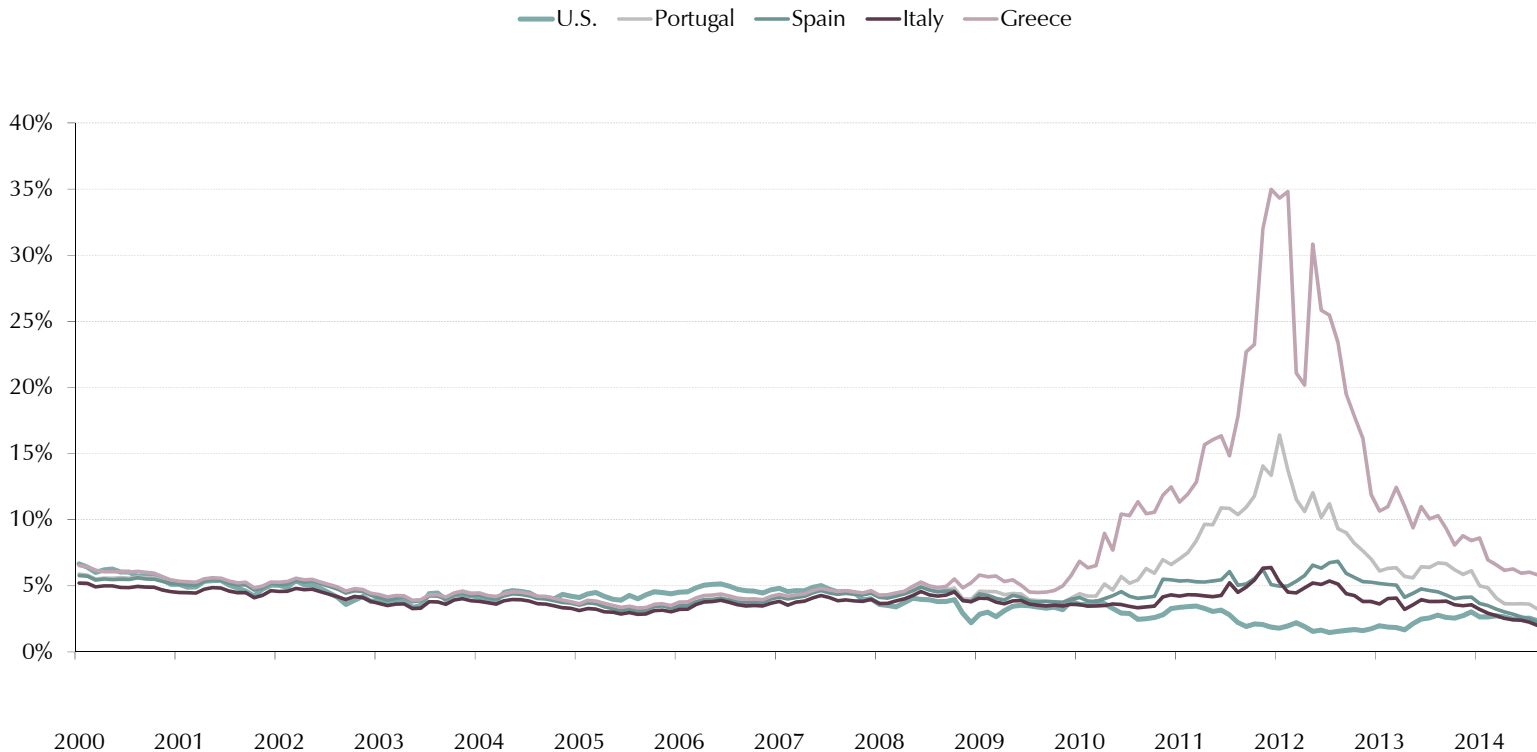
### European Inflation



Source: Eurostat. Data is as of September 30, 2014.

- In Europe, deflationary pressures continue; inflation measures in Greece, Spain, and Italy are below 0%.
- The risk of deflation in the region led to the European Central Bank (ECB) recently implementing further monetary stimulus.

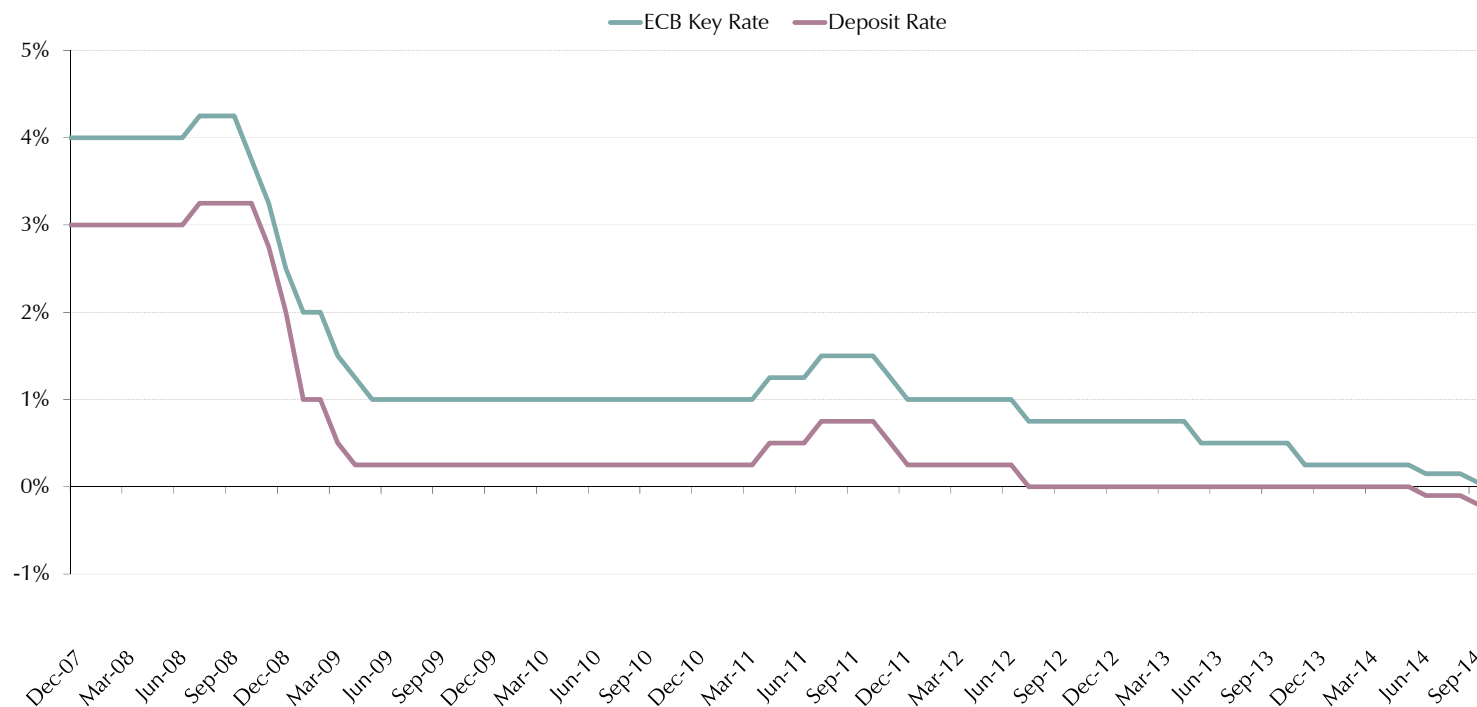
### 10-Year Government Bond Yields



Source: Bloomberg. Data is as of September 30, 2014.

- Despite continued economic sluggishness and financial risk, bond yields on peripheral European countries have declined to levels close to the U.S.
- In Greece, yields declined from their peak of close to 35% to 6.6%, a level only 4.1% above the U.S.

## European Interest Rates

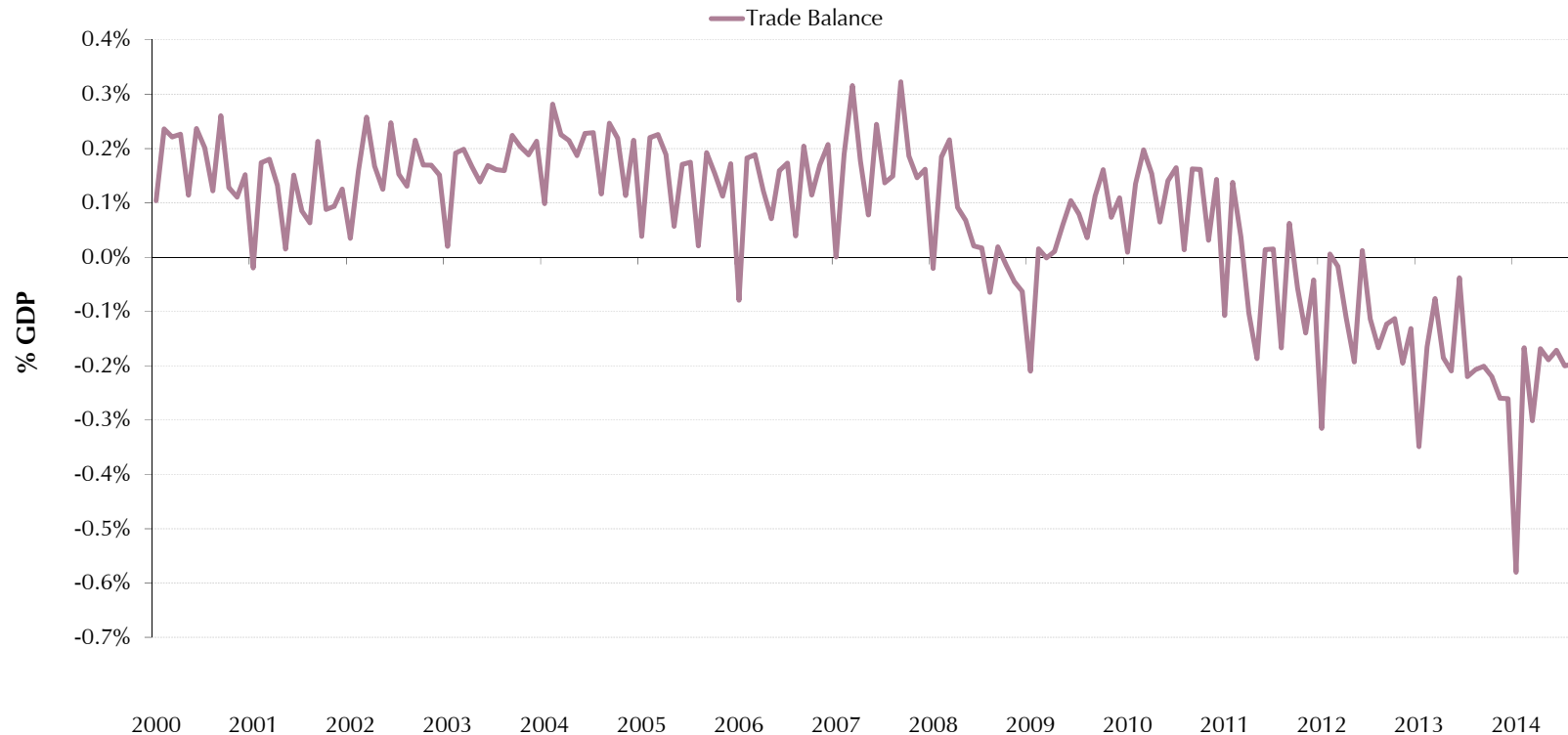


Source: Bloomberg. Data is as of September 30, 2014.

- As the risk of deflation persists, the European Central Bank (ECB) recently announced it would further reduce interest rates and began a private sector asset purchase program that includes asset-backed securities.
- Additionally, the ECB also dropped its bank deposit rate further into negative territory applying more pressure to banks to lend their surplus reserves.
- If deflationary pressures persist and growth remains low, it is likely that the ECB will introduce further monetary stimulus.



### Japanese Trade Deficit



Source: Bloomberg, Cabinet Office Japan. Trade Deficit data is as of September 30, 2014 and GDP data is as of June 30, 2014.

- Japan continues to run a trade deficit, despite the weakening of the yen by historic monetary stimulus.
- The continued need to import energy after the Fukushima nuclear disaster and weak export demand have weighed on Japan's trade balance.

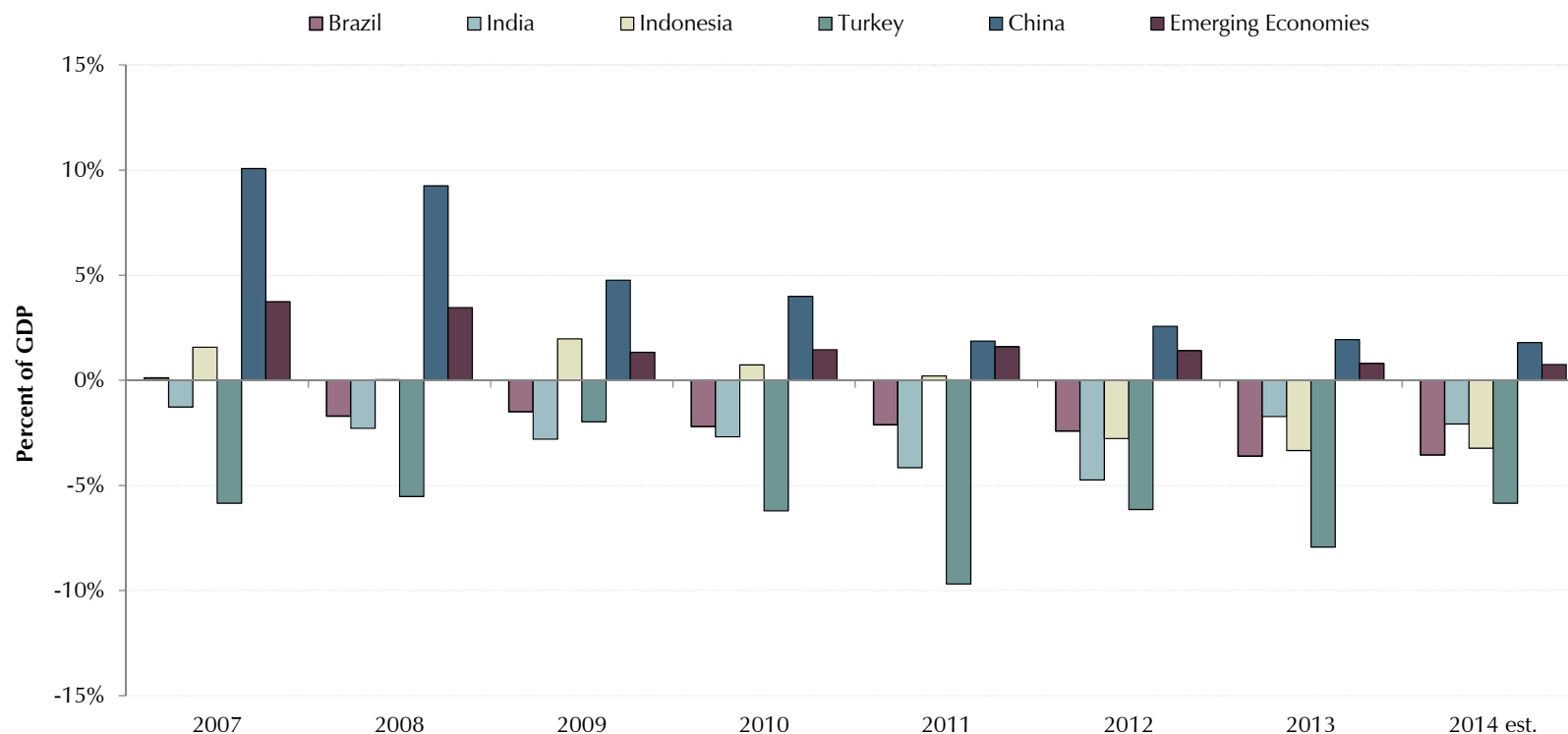
### Government Debt as a % of GDP



Source: IMF.

- Although emerging market investment returns have recently trailed those of U.S. markets, the long-term growth thesis remains intact.
- Lower debt levels, along with a growing middle class and higher ratios of working age people, should help bolster emerging economy growth.

## Current Account Balances



Source: IMF.

- In a similar fashion to last year's "taper tantrum" emerging economies recently experienced capital outflows and weaker currencies due in part to expectations that the U.S. Federal Reserve will begin to tighten monetary policy.
- Capital outflows have particularly hurt countries with current account deficits. India has been a bright spot with its current account deficit recently improving and its currency strengthening as exports increased and the government imposed several tax hikes on gold imports.

## Summary

**Going forward, four primary concerns face the global economy: 1) the risk of a recession and deflation in Europe and Japan; 2) the diminishing effectiveness of monetary policy globally; 3) divergent growth in emerging economies; 4) increased geopolitical tensions.**

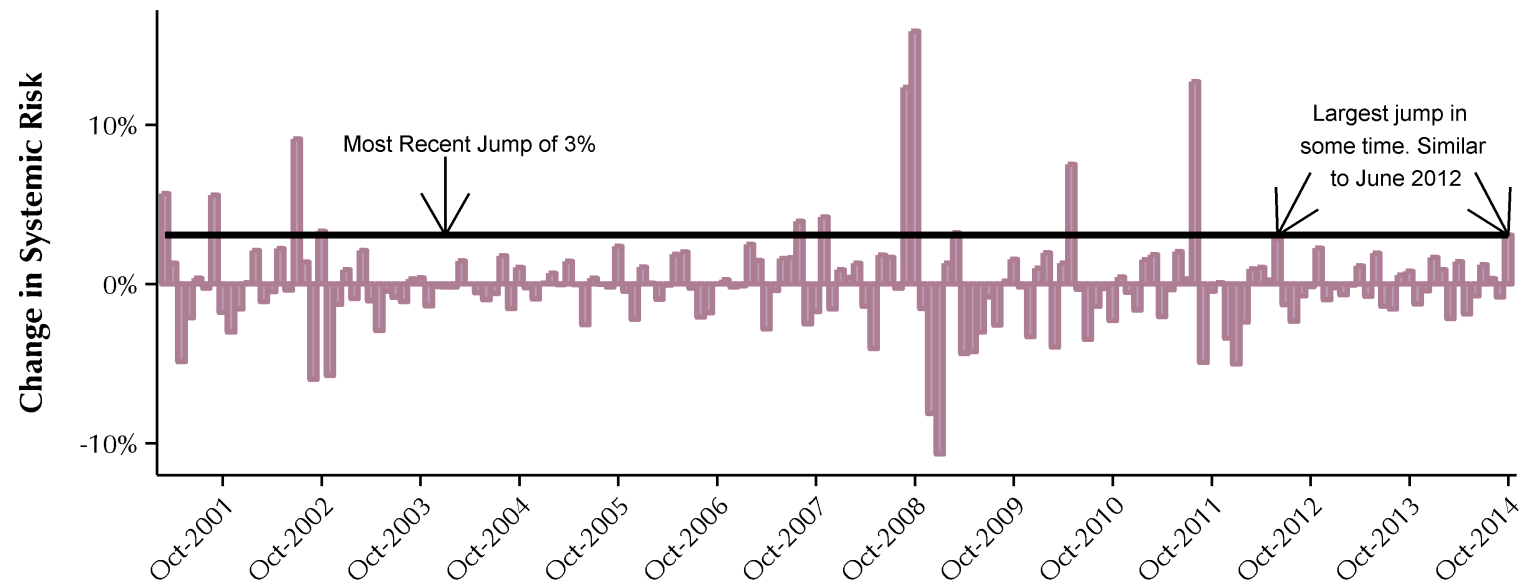
- Growth remains sluggish in both Europe and Japan with the risk of deflation remaining. A prolonged slowdown in these major economies could weigh heavily on global demand and be disruptive to markets and growth.
- The world's major central banks, including the U.S., Japan, and Europe, have all implemented historic monetary stimulus, reducing interest rates to close to 0% and injecting large scale stimulus into banks through quantitative easing. In light of recent measures, central banks are left with few tools to combat another major decline in growth.
- Growth in emerging economies could vary dramatically going forward. China's growth has recently slowed as it transitions from an investment based growth model to a consumption based growth model. Alternatively, India has been a bright spot in the emerging economies with its current account deficit declining, and currency strengthening, in light of recent government measures.
- If the situation in Iraq continues to deteriorate it could be disruptive to energy markets and weigh on growth. Other issues that remain unresolved include the conflict between Ukraine and Russia, the civil war in Syria, and China's maritime expansion plans.

## Capital Markets Outlook

### Capital Markets Outlook<sup>1</sup>

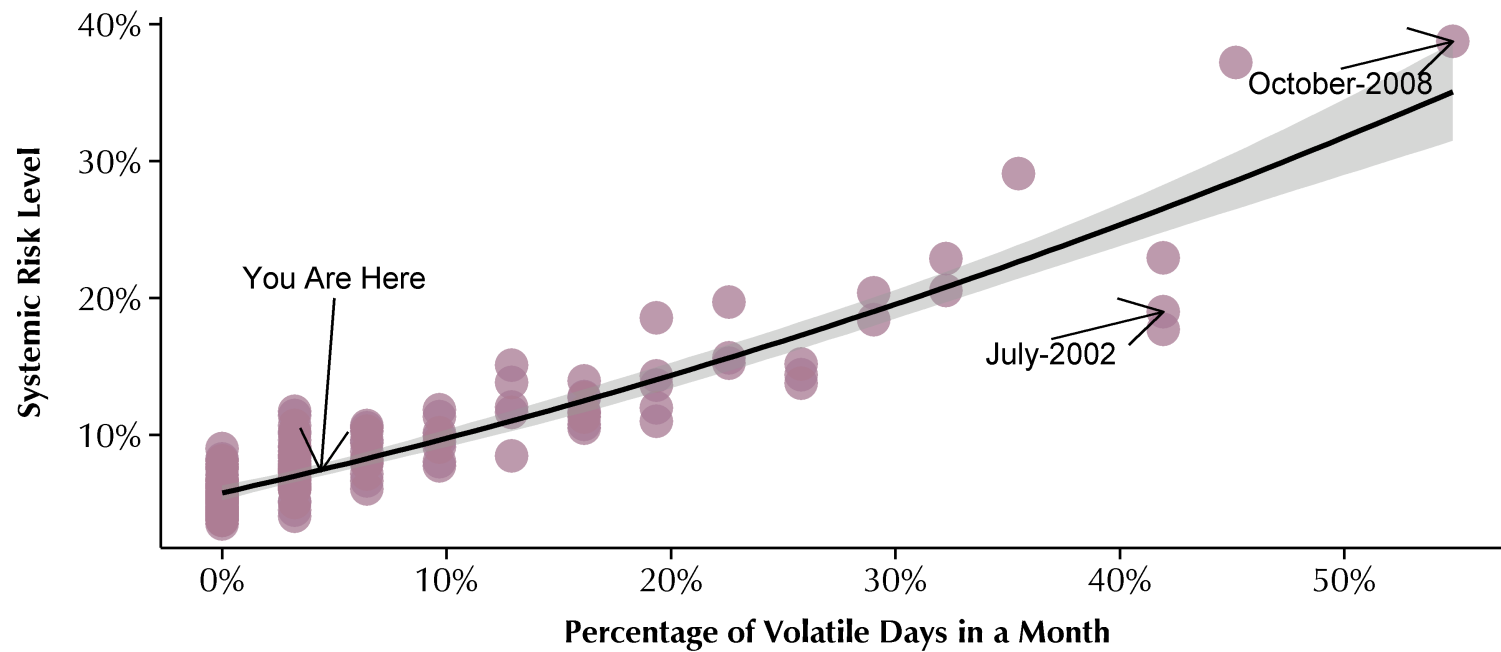
- Investors are faced with three primary issues in the near-term: 1) historically low bond yields, 2) the potential for a transition into a rising rate environment, and 3) the potential for deteriorating corporate earnings.
  - The price of the U.S. stock market relative to ten-year average earnings increased slightly from the beginning of the year, remaining above its historical average (28.7x versus 21.6x).
    - Small cap domestic stocks are now priced in a reasonable range relative to large cap stocks.
  - Developed international and emerging market stocks are trading at lower valuations than U.S. stocks.
    - Sovereign debt issues and weak economic growth in Europe, and a cyclical slowdown in emerging economies, are weighing down valuations.
  - Measures of market risk jumped recently after a sustained market lull. Although the levels of risk remain low on a historical basis current levels of market leverage and low liquidity are cause for heightened concern.
    - In particular, the monetary policy changes by central banks are having a meaningful impact on most markets.
  - At the end of September, the spreads for both high yield corporate bonds (4.2% versus 5.5%) and investment grade bonds (1.1% versus 1.5%) were below their long-term averages.
  - At 2.5%, the yield on the ten-year Treasury remained far below its post-WWII average of 5.7%.
  - Low yields on fixed income instruments are likely to push long-term investors further out on the risk spectrum as they seek to achieve their target returns, while short-term investors may look to cash for safety.

<sup>1</sup> Sources: Thomson Reuters, U.S. Treasury, Standard & Poor's. Data is as of September 30, 2014.

Changes in Systemic Risk<sup>1</sup>

- Recently, Systemic Risk or volatility that affects assets across markets (system wide) has jumped. This jump is similar in size to the spike witnessed in June of 2012.
- Although this spike is large, recent Systemic Risk changes have been very low and jumps of this size are not uncommon.

<sup>1</sup> Source: Meketa Investment Group, as of October 17, 2014.

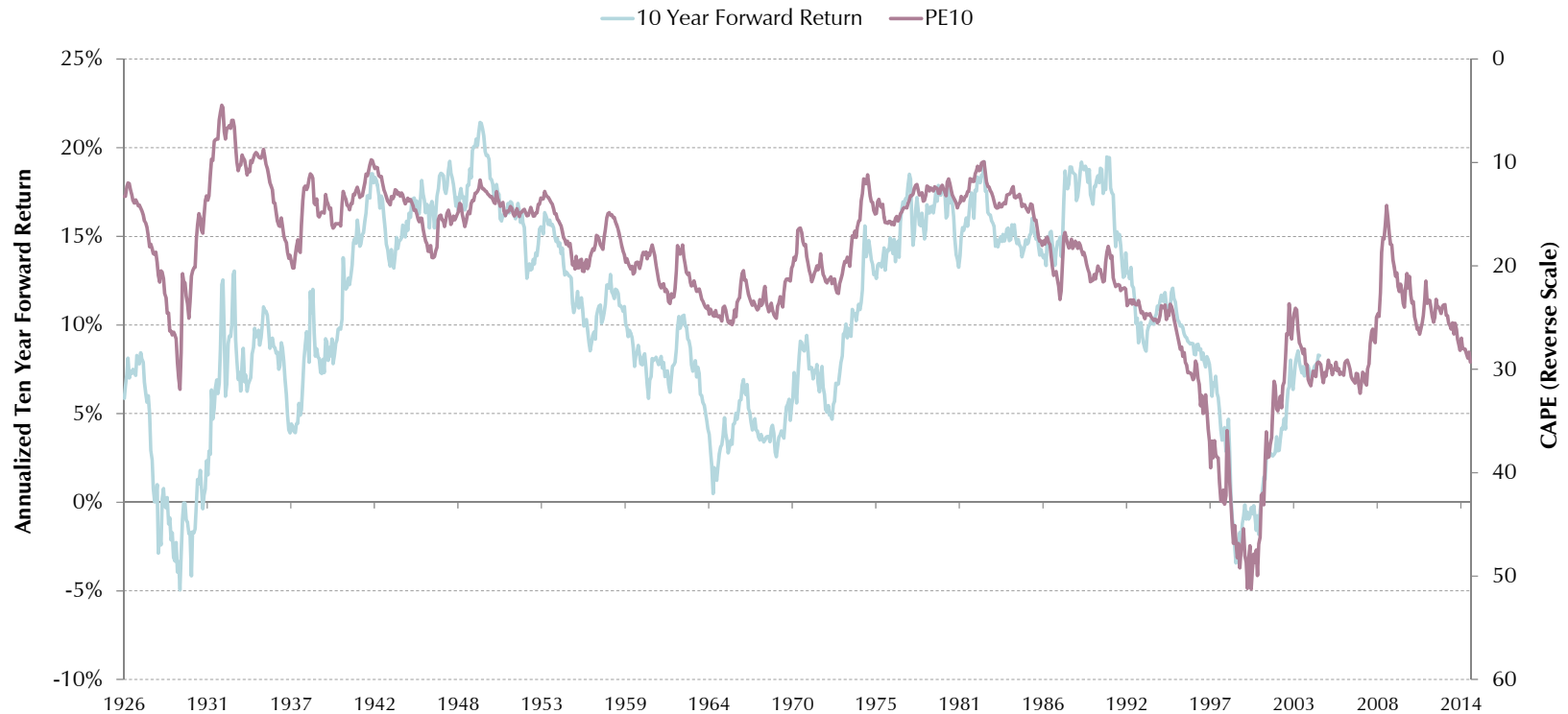
**Systemic Risk and Volatile Market Days<sup>1</sup>**

- Systemic Risk is important because the more risk contagion that exist between assets the more likely it is that markets will experience a volatile day.
- Despite the recent jump in Systemic Risk overall levels remain very low and there is not enough evidence yet to suggest that a period of sustained market volatility is ahead.

<sup>1</sup> Source: Meketa Investment Group, as of October 17, 2014. Volatile days are defined as the top 10 percent of realized turbulence which is a multivariate distance between asset returns.

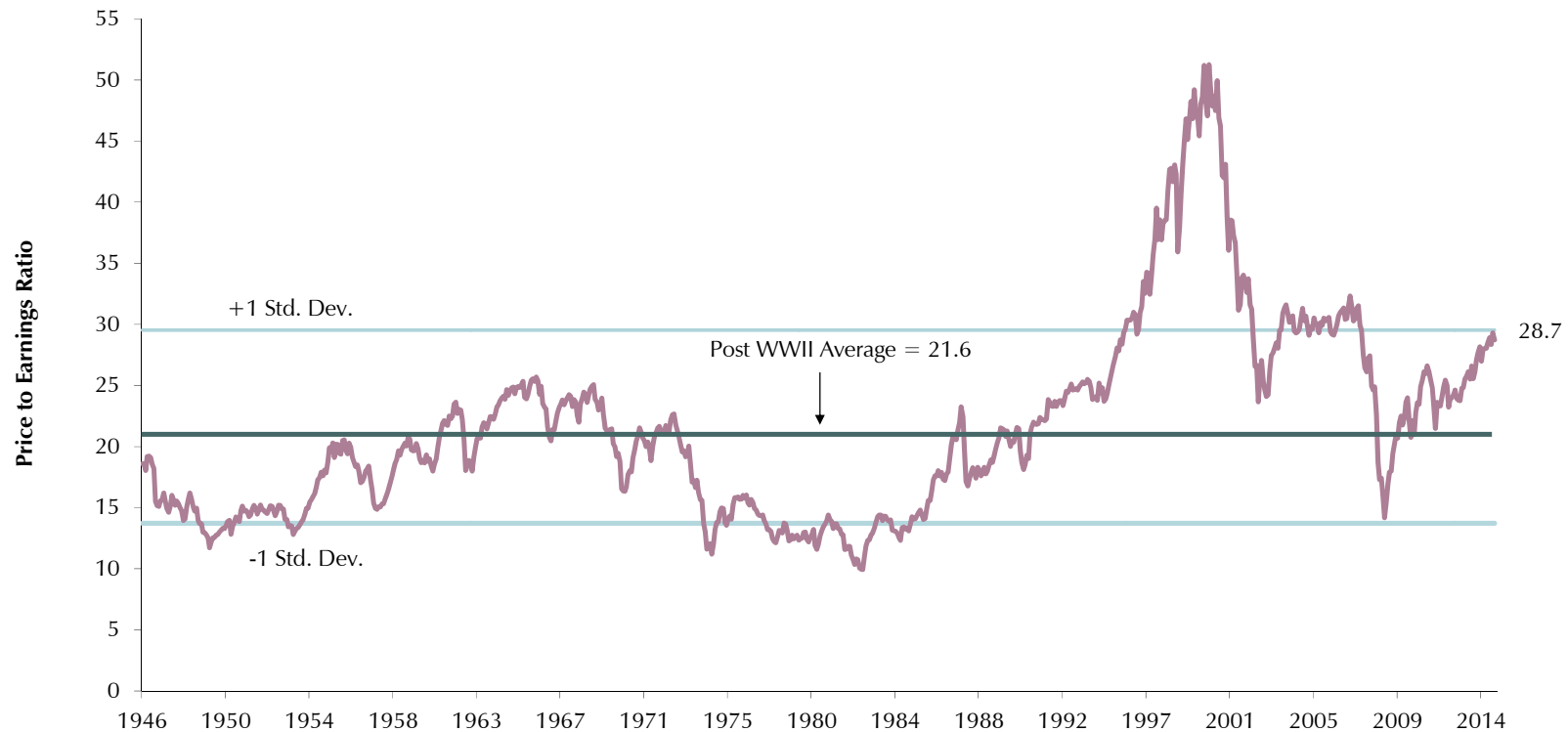


### The U.S. Cyclically Adjusted P/E<sup>1</sup> and Long Term Equity Returns



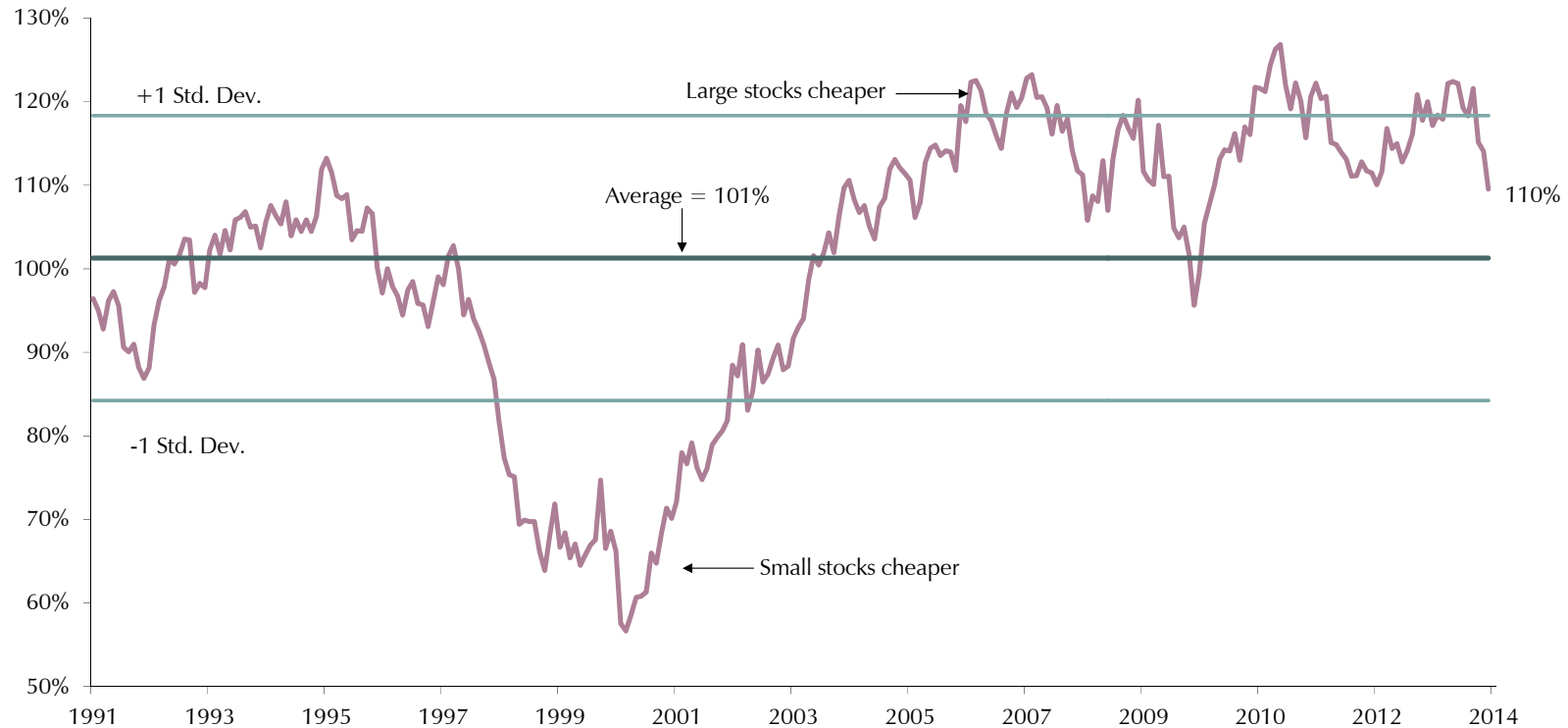
- One of the most powerful predictors of long term equity returns has been the Cyclically Adjusted Price to Earnings Ratio (CAPE).
- This fundamentally driven measure is highly correlated with future returns which are shown in the chart above using the CAPE metric on a reverse scale.

<sup>1</sup> Source: PE data are from Robert Shiller's website from 1926 - 1946; S&P and Thomson Reuters 1946 - present. S&P 500 equity returns are from Morningstar Direct for the entire period. Data is from January 31, 1926 to September 30, 2014.

U.S. Equity Cyclically Adjusted P/E<sup>1</sup>

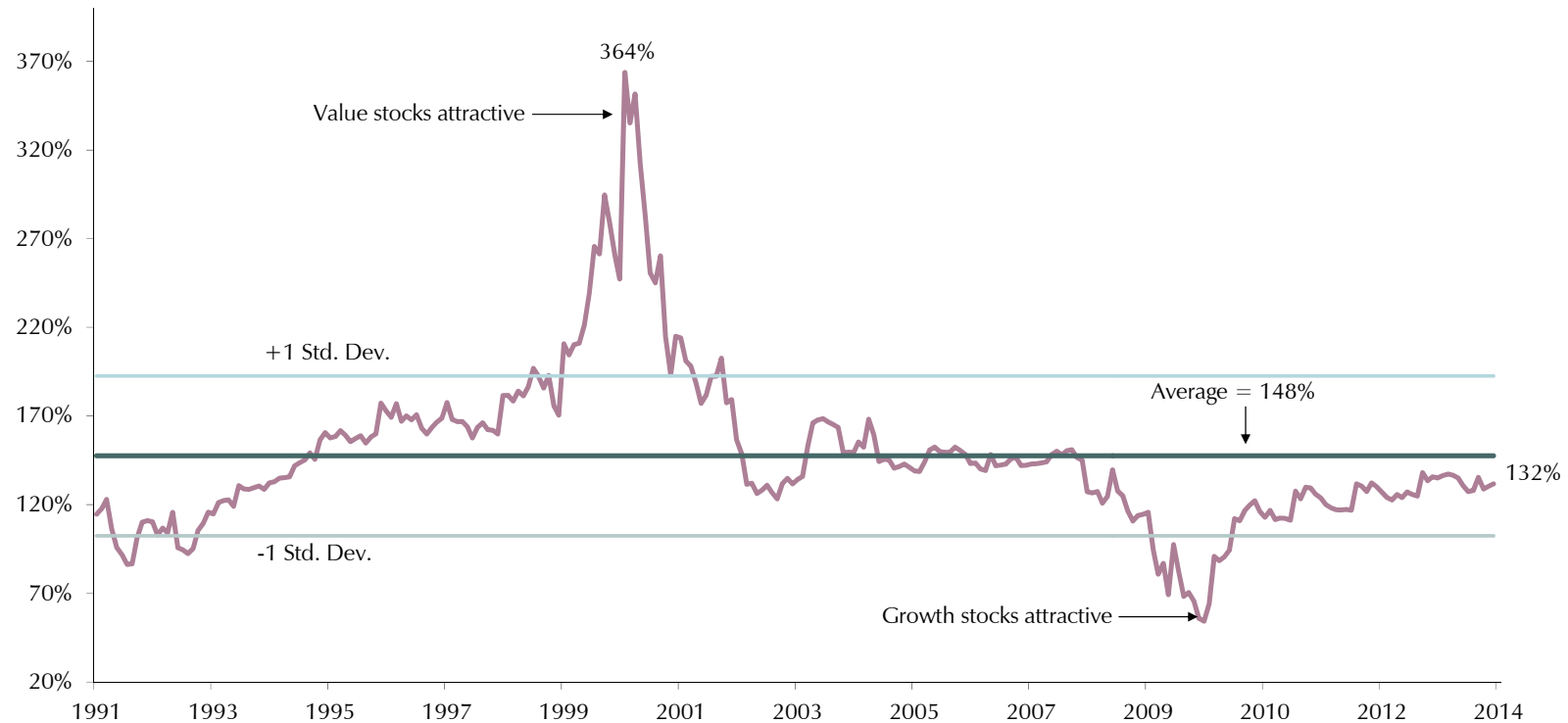
- The cyclically adjusted P/E ratio for the S&P 500 finished September at 28.7x, above its post-WWII average of 21.6x.
- Recent strong performance has driven this valuation measure well past its long-term average. While still not at extreme levels, it is not likely that this type of price appreciation can continue indefinitely.

<sup>1</sup> Source: Standard & Poor's. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is from January 31, 1946 to September 30, 2014.

Small Cap P/E vs. Large Cap P/E<sup>1</sup>

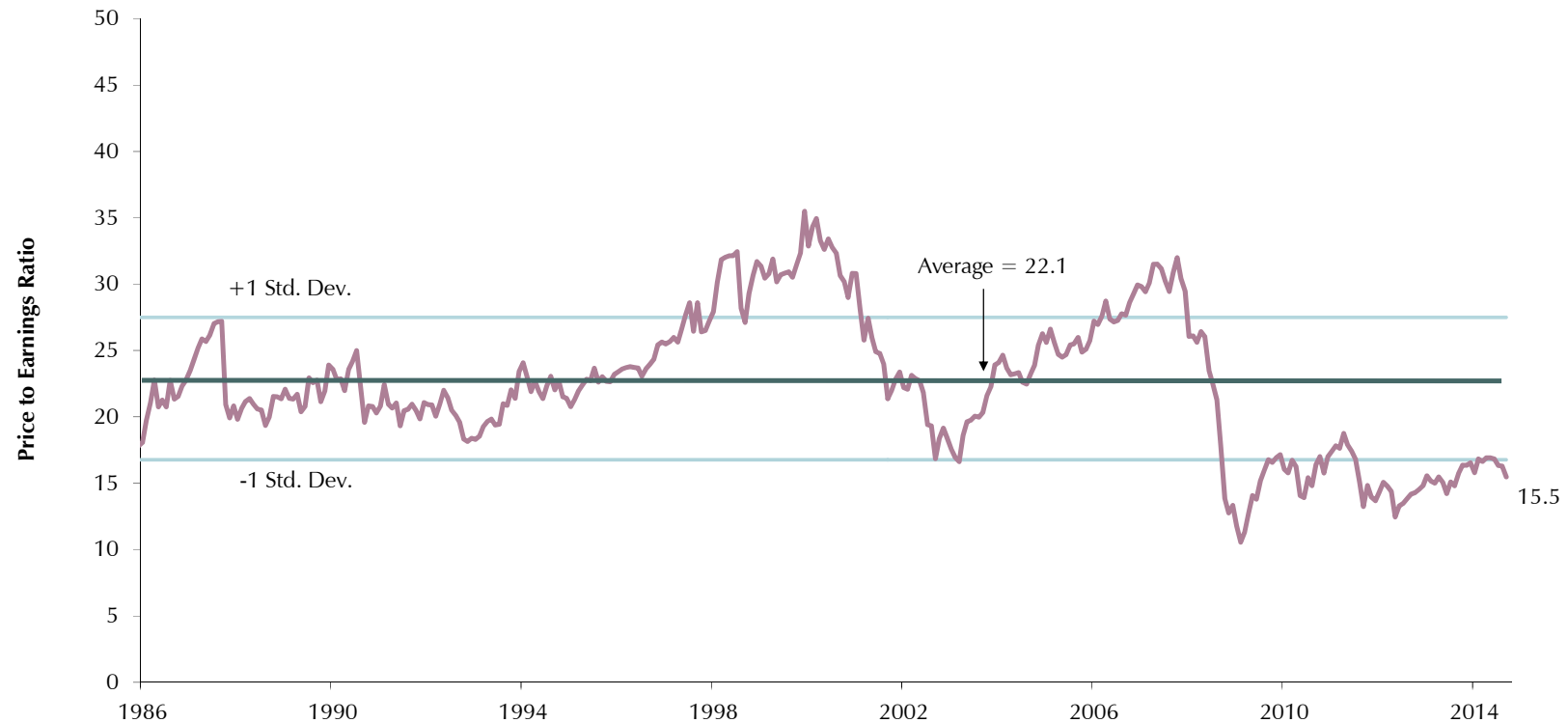
- The P/E ratio of small cap stocks (Russell 2000) relative to large cap stocks (Russell 1000) has recently fallen into a more reasonable range as the price of small cap stocks fell during the most recent bout of market volatility.

<sup>1</sup> Source: Russell Investments. Earnings figures represent 12-month "as reported" earnings. Data is as of September 30, 2014.

Growth P/E vs. Value P/E<sup>1</sup>

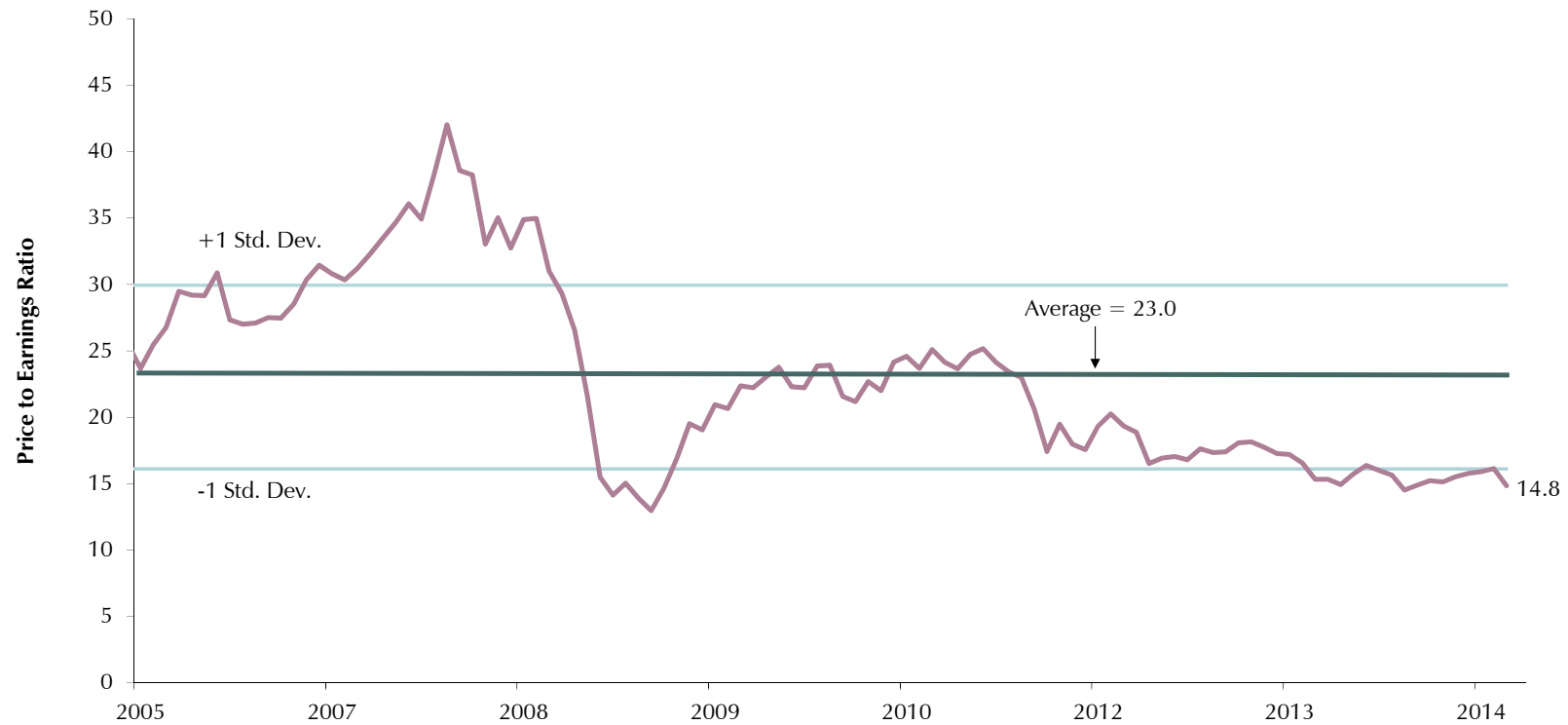
- The P/E ratio of growth stocks (Russell 3000 Growth) relative to value stocks (Russell 3000 Value) finished September at 132%, well above its level four years prior, but still below its long-term average.
- Of note, the long-term average was sharply influenced by the technology bubble of the late 1990s.

<sup>1</sup> Source: Russell Investments. Earnings figures represent 12-month "as reported" earnings. Data is as of September 30, 2014.

Developed International Equity Cyclically Adjusted P/E<sup>1</sup>

- Valuations (for the MSCI EAFE (ex-Japan) remain approximately one standard deviation cheaper than their historical average.
- Sovereign debt concerns and the slow-to-negative pace of economic growth in Europe likely account for the low valuation levels.

<sup>1</sup> Source: MSCI and Thomson Reuters. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of September 30, 2014.

Emerging Market Equity Cyclically Adjusted P/E<sup>1</sup>

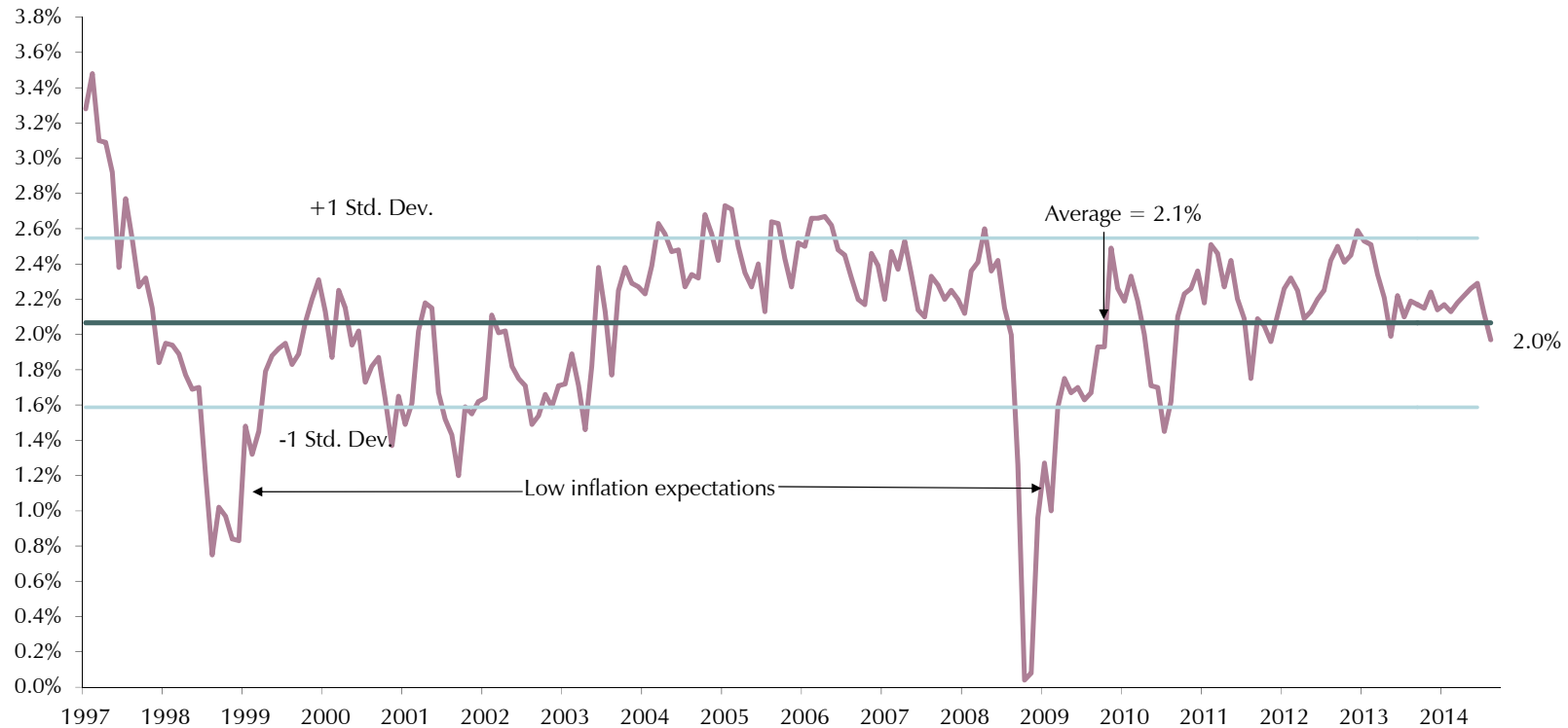
- Emerging market equities (MSCI Emerging Markets) are priced more than one standard deviation below their (brief) historical average.
- By this metric, emerging market equities are trading at a much lower valuation than U.S. equities, and at a slightly lower valuation than non-U.S. developed market equities.

<sup>1</sup> Source: MSCI and Thomson Reuters. Earnings figures represent the average of monthly "as reported" earnings over the previous ten years. Data is as of September 30, 2014.

**Ten-Year Treasury Yields<sup>1</sup>**

- Ten-year Treasury yields were 2.5% at the end of September, meaningfully above their level at the end of 2012, but well below their post-WWII average.
- The decision from the Federal Reserve to begin “tapering” off quantitative easing was one of the causes of the increase in rates.

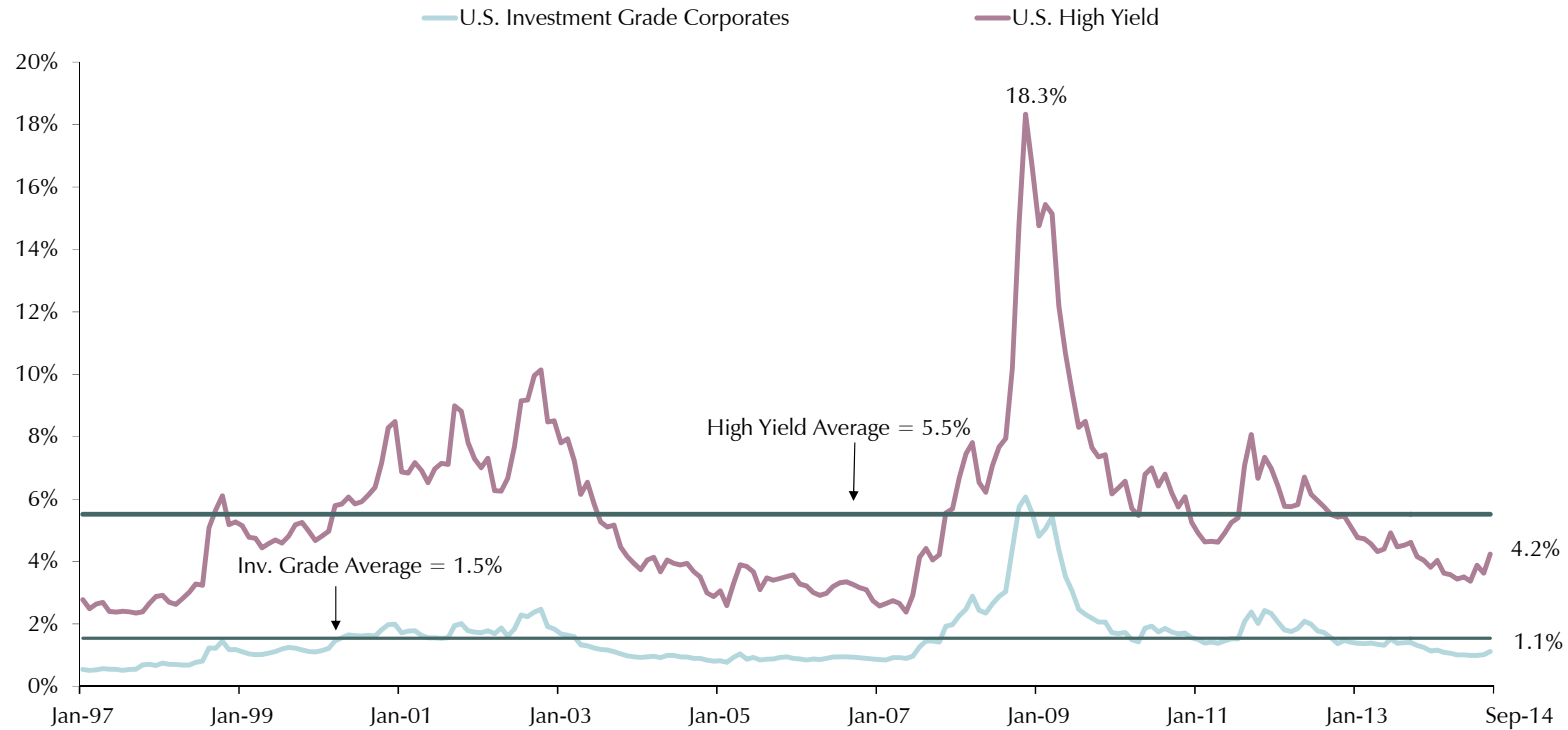
<sup>1</sup> Source: U.S. Treasury. Data is as of September 30, 2014.

**Ten-Year Breakeven Inflation<sup>1</sup>**

- Breakeven (or expected) inflation, the difference between the nominal yield on a ten-year Treasury and the real yield on a ten-year TIPS, has just fallen below its long term average.
- The most recent inflation rate year over year was 1.7%. This means actual inflation has been 0.3% below the ten-year breakeven inflation rate.

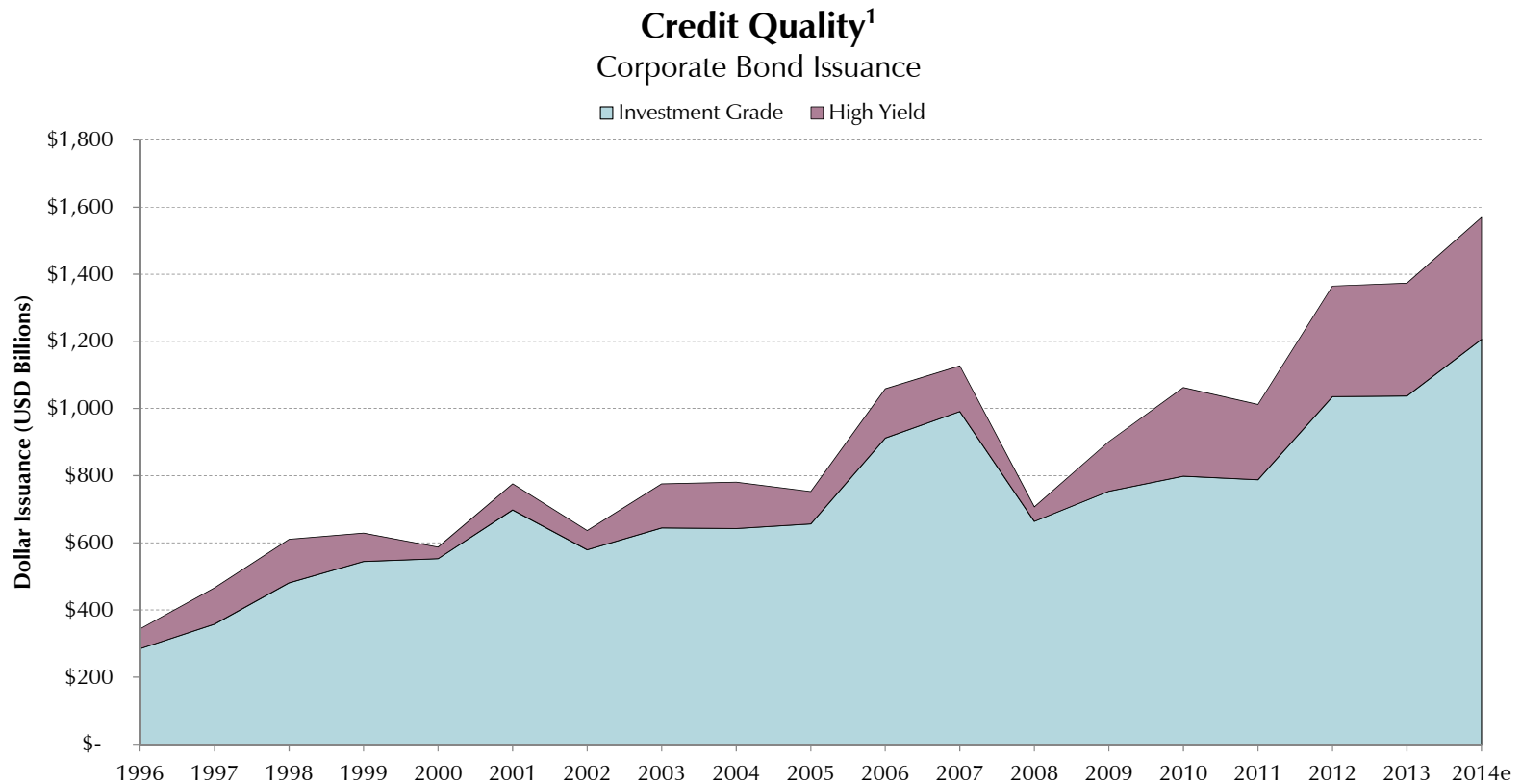
<sup>1</sup> Source: U.S. Treasury and Federal Reserve. Data is as of September 30, 2014 for TIPS and Treasuries. Inflation is measured by the Consumer Price Index (CPI-U) for which the most recent data point is from September 30, 2014.



Credit Spreads<sup>1</sup>

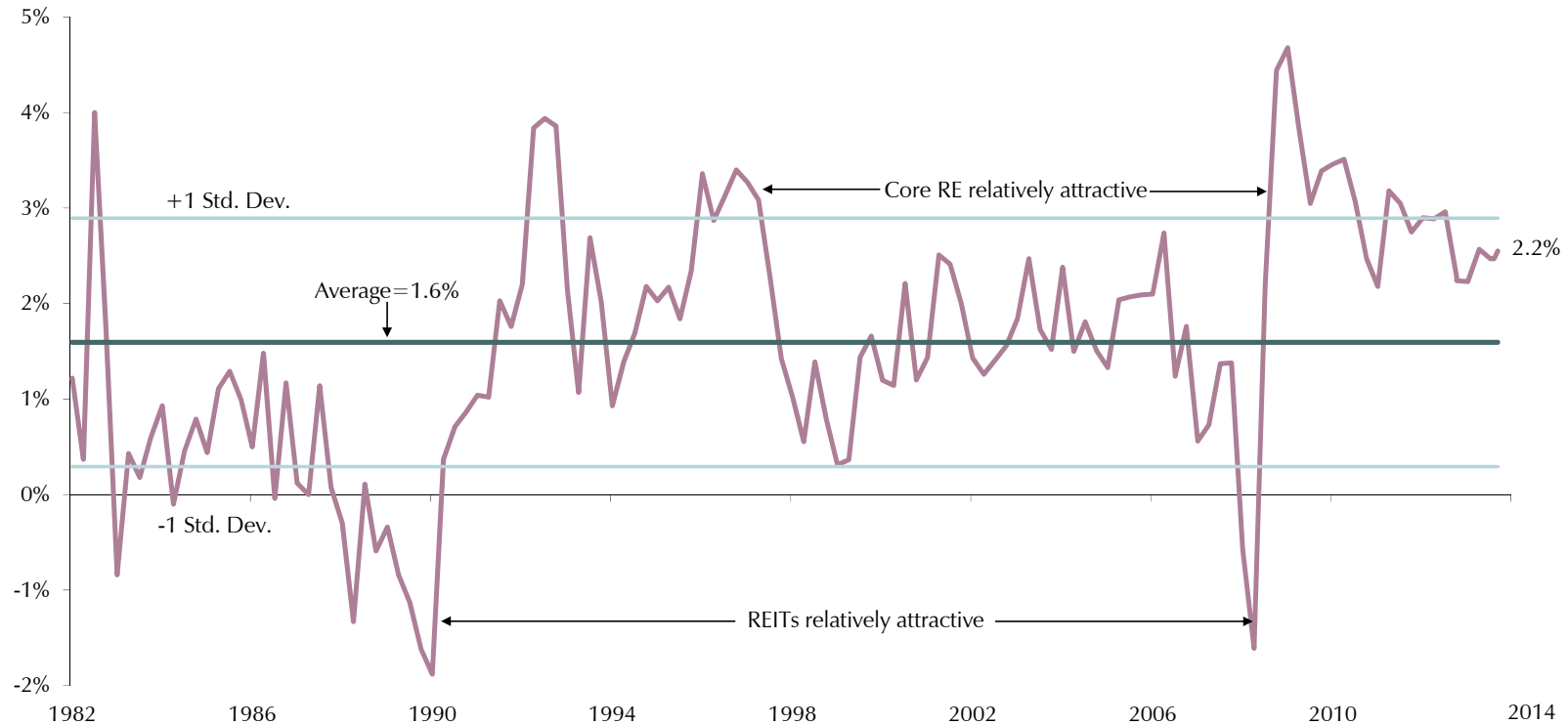
- Credit spreads (versus U.S. Treasury bonds) for both high yield and investment grade corporate bonds finished September below their respective historical averages.
- The recent jump in market risk caused a widening in spreads, especially within high yield. However, spreads remain near their historical lows.

<sup>1</sup> Source: Barclays Capital. High Yield is proxied by the Barclays High Yield index and Investment Grade Corporates are proxied by the Barclays U.S. Corporate Investment Grade index. Data is as of September 30, 2014.



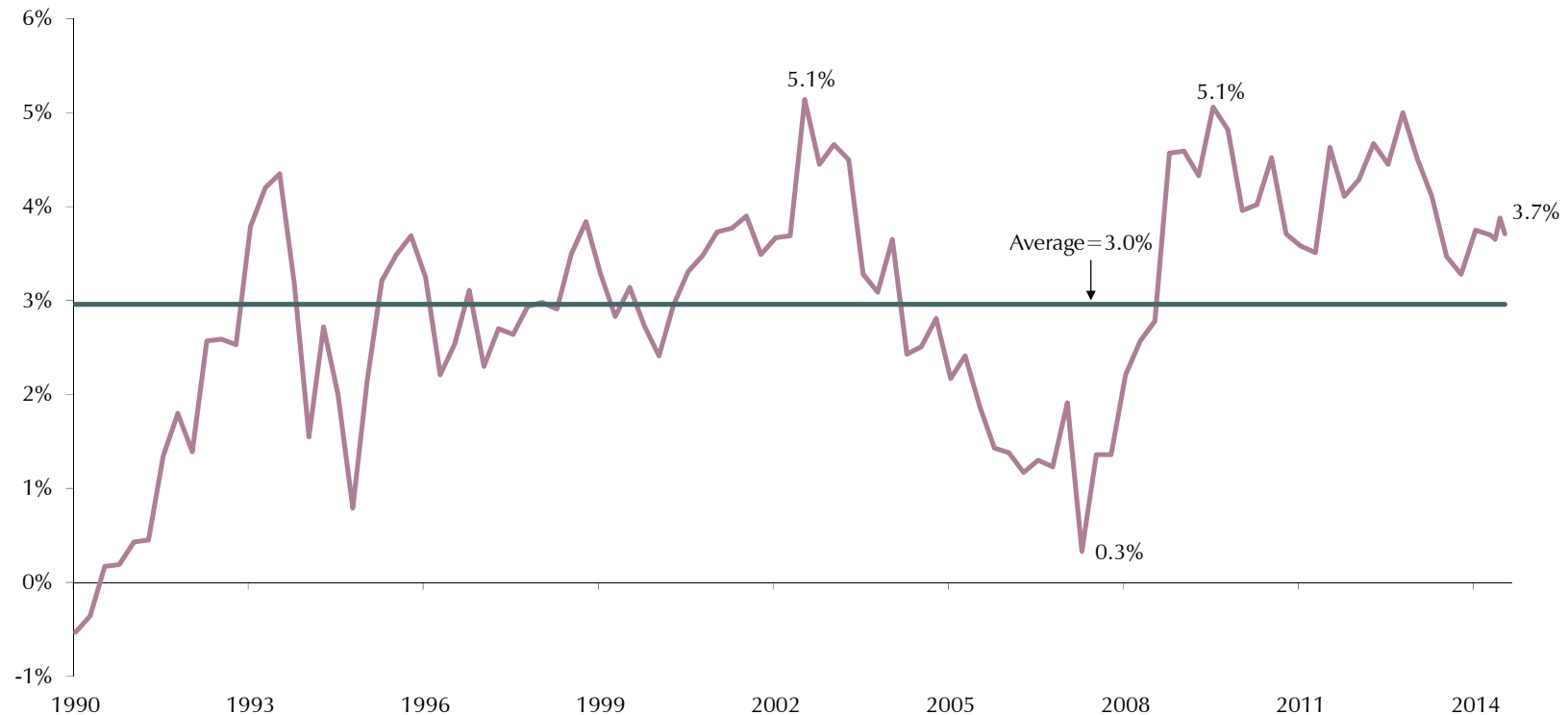
- The chart above shows that High Yield Bond Issuance has grown much faster than Investment Grade Bond Issuance in recent years. The current proportion of High Yield Issuance is near historic highs.
- With rates near historic lows companies have increased their bond issuance with lower quality issues increasing at a faster rate the average quality of bonds is on the decline.

<sup>1</sup> Source: SIFMA research. Data is as of September 30, 2014.

Core Real Estate vs. REITs<sup>1</sup>

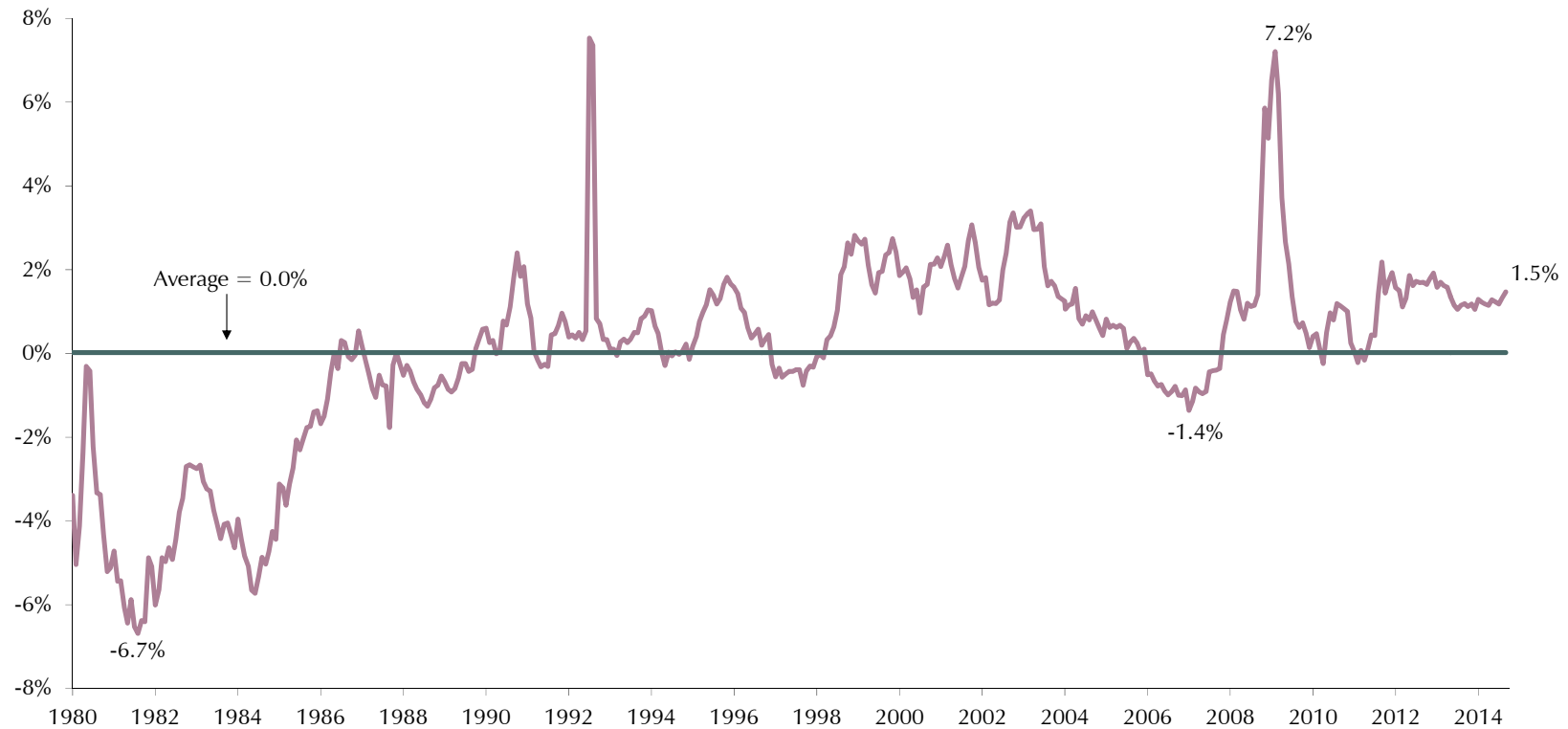
- At the end of September, the spread between core real estate cap rates and REIT yields was 2.2%, which continues on a downward trend toward its long-term average.
- REITs were yielding 4.0% at the end of September, well below the 10.1% level of early 2009.

<sup>1</sup> Sources: Thomson Reuters and NCREIF. Core Real Estate is proxied by the transaction-based cap rate for the NCREIF NPI index and REITs are proxied by the yield for the NAREIT Equity index. NPI transactional capitalization rates are calculated on a quarterly basis and lagged in their release. Data is as of June 30, 2014, for the NCREIF NPI and September 30, 2014, for the NAREIT Equity index.

Core Real Estate Spread vs. Ten-Year Treasury<sup>1</sup>

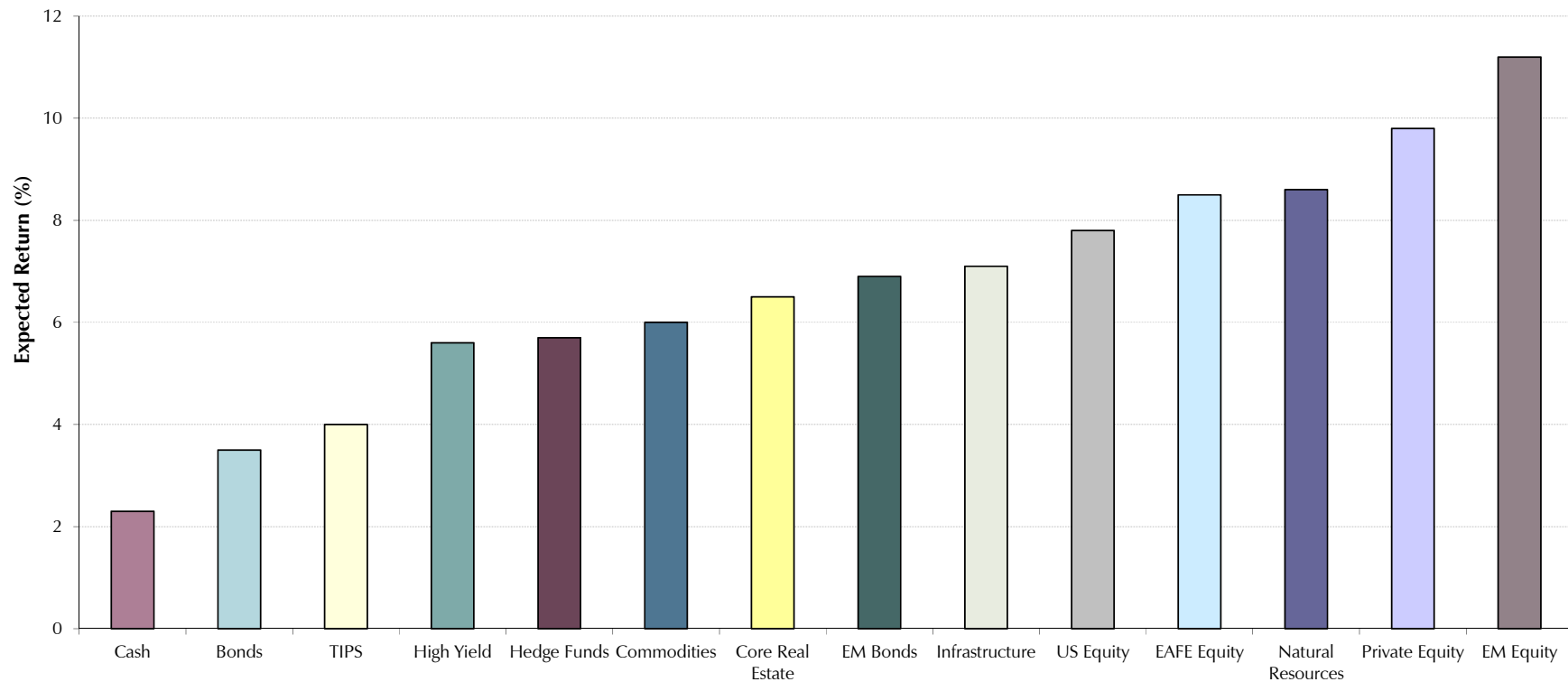
- At 3.7%, the difference between the 6.2% cap rate for core real estate and the 2.5% yield for the ten-year Treasury remains elevated but has come down substantially toward the long term average.
- Still, the absolute level of core real estate cap rates is near a historical low.

<sup>1</sup> Source: NCREIF, U.S. Treasury. NPI transactional capitalization rates are calculated on a quarterly basis. The September 30, 2014 NCREIF NPI data is not yet available. Data is as of June 30, 2014, for the NCREIF NPI and September 30, 2014, for the ten-year Treasury.

**REITs Dividend Yield Spread vs. Ten-Year Treasury<sup>1</sup>**

- REIT yield spreads were 1.5% at the end of September. As the recovery in the real estate market continues, this spread is trending closer to its long term average.
- As with core real estate, the absolute level of REIT dividend yields is near a historical low.

<sup>1</sup> Source: NAREIT, U.S. Treasury. REITs are proxied by the yield for the NAREIT Equity index. Data is as of September 30, 2014.

**Long-Term Outlook<sup>1</sup>**

- Based on Meketa Investment Group's long term expectations, only a handful of asset classes are priced to produce returns above 8% per year. All of these asset classes incorporate a high degree of volatility.

<sup>1</sup> Twenty-year expected returns based upon Meketa Investment Group's 2014 Annual Asset Study.

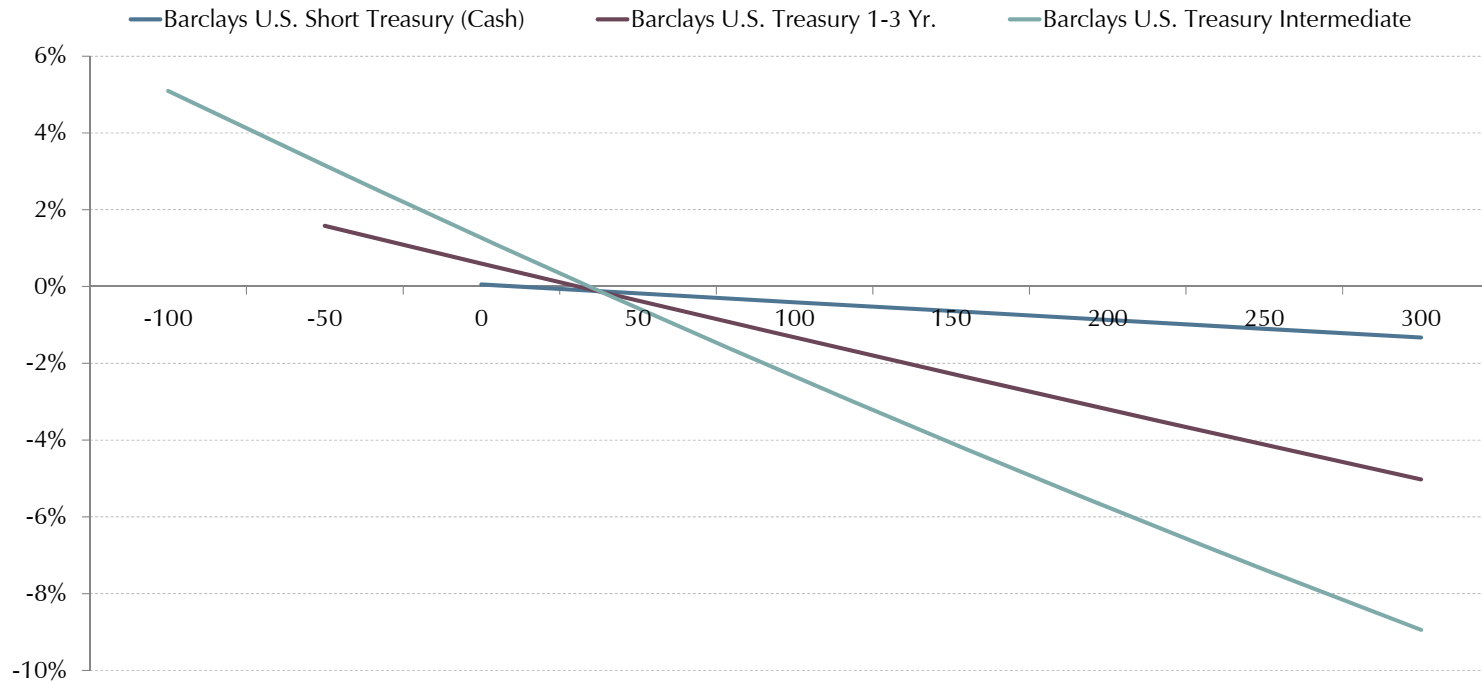
### Total Return Comparison of Barclays U.S. Aggregate Minus Barclays U.S. TIPS<sup>1</sup>

		Changes In Rates (bps)				
		-100	-50	0	50	100
Inflation Rate Scenarios	4.0%	-4.35%	-3.20%	-2.28%	-1.60%	-1.15%
	3.0%	-3.35%	-2.20%	-1.28%	-0.60%	-0.15%
	2.0%	-2.35%	-1.20%	-0.28%	0.40%	0.85%
	1.0%	-1.35%	-0.20%	0.72%	1.40%	1.85%
	0.0%	-0.35%	0.80%	1.72%	2.40%	2.85%

### Total Return Scenario: 100 bps Rate Increase and 2% Inflation

Total Return Over Longer Holding Periods	1 Year	3 Year	5 Year	7 Year	10 Year
Barclays U.S. Aggregate	-3.23%	1.02%	1.89%	2.26%	2.54%
Barclays U.S. Treasury U.S. TIPS	-4.08%	0.92%	1.95%	2.39%	2.72%

<sup>1</sup> Data is as of September 30, 2014 via Barclays, Bloomberg, and Thomson Reuters.

Total Return Given Changes in Interest Rates (bps)<sup>1</sup>

	Total Return for Given Changes in Interest Rates (bps)									Statistics	
	-100	-50	0	50	100	150	200	250	300	Duration	YTW
Barclays U.S. Short Treasury (Cash)			0.1%	-0.2%	-0.4%	-0.6%	-0.9%	-1.1%	-1.3%	0.46	0.05%
Barclays U.S. Treasury 1-3 Yr.		1.6%	0.6%	-0.4%	-1.3%	-2.3%	-3.2%	-4.1%	-5.0%	1.95	0.60%
Barclays U.S. Treasury Intermediate	5.1%	3.2%	1.3%	-0.6%	-2.3%	-4.1%	-5.8%	-7.4%	-8.9%	3.72	1.27%
Barclays U.S. Treasury Long	21.7%	11.9%	3.1%	-4.8%	-11.7%	-17.7%	-22.7%	-26.7%	-29.9%	16.68	3.08%

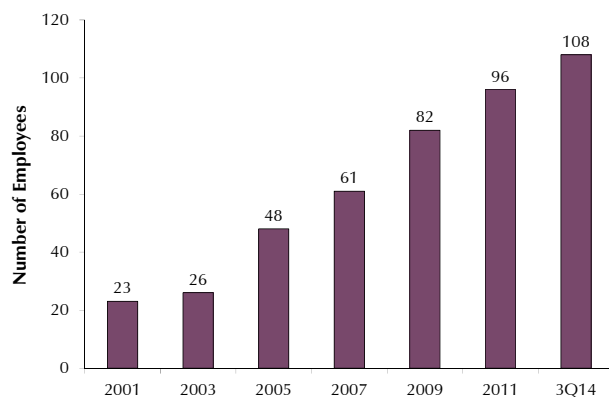
<sup>1</sup> Data represents the expected total return from a given change in interest rates (shown in basis points) over a 12-month period assuming a parallel shift in rates. Data is as of September 30, 2014 via Barclays and Thomson Reuters.



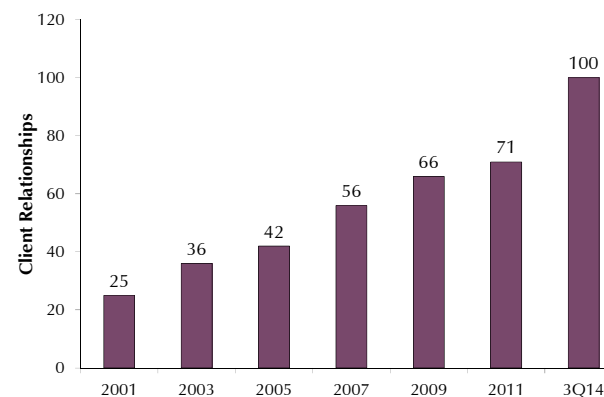
## **Meketa Investment Group Corporate Update**

- Staff of 108, including 65 investment professionals and 24 CFA Charterholders
- 100 clients, with over 180 funds throughout the United States
- Significant investment in staff and resources
- Offices in Boston, Miami, Portland (OR), San Diego, and London
- Clients have aggregate assets of over \$700 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 4.9 million American families everyday**

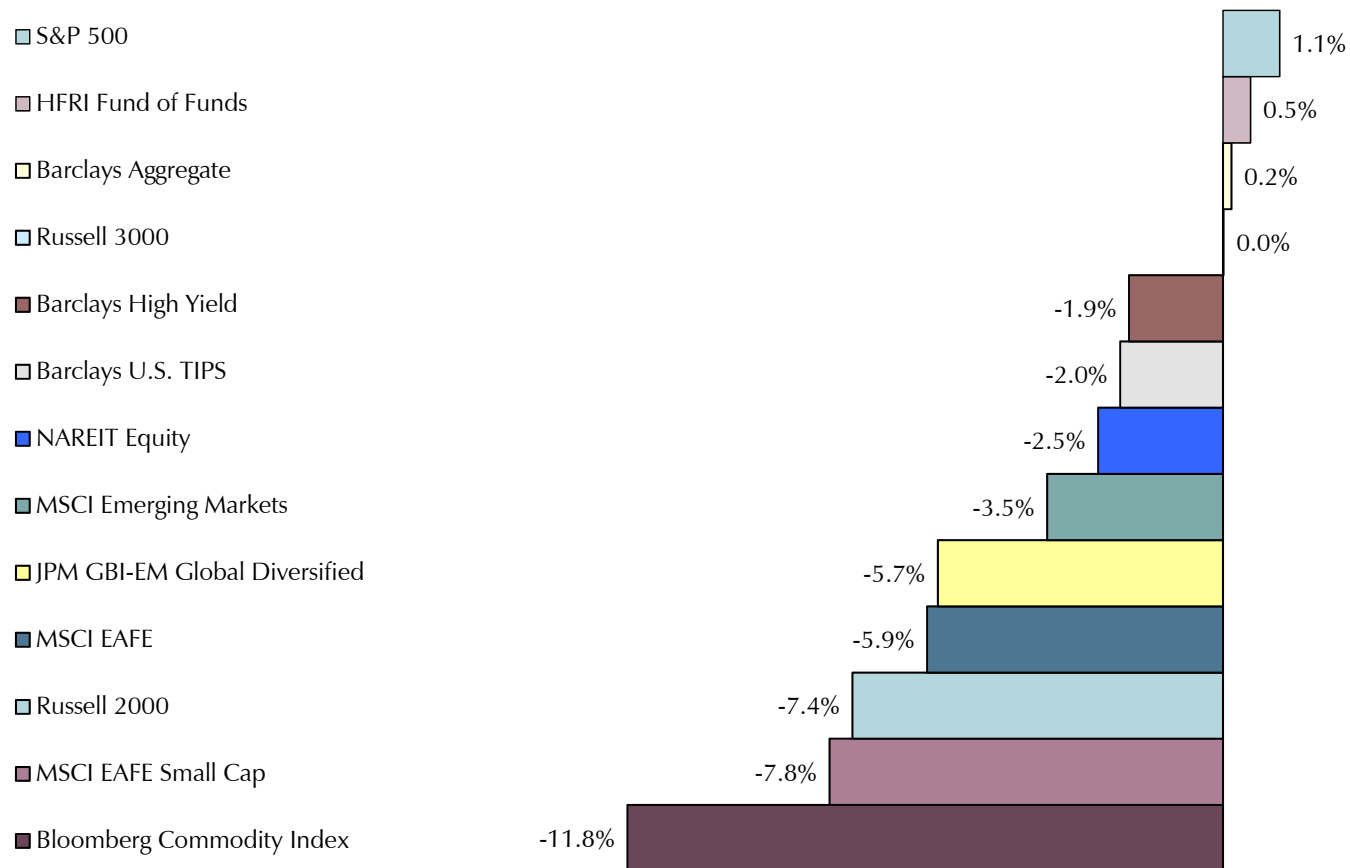
**Asset Classes Followed Intensively by Meketa Investment Group**

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 2014

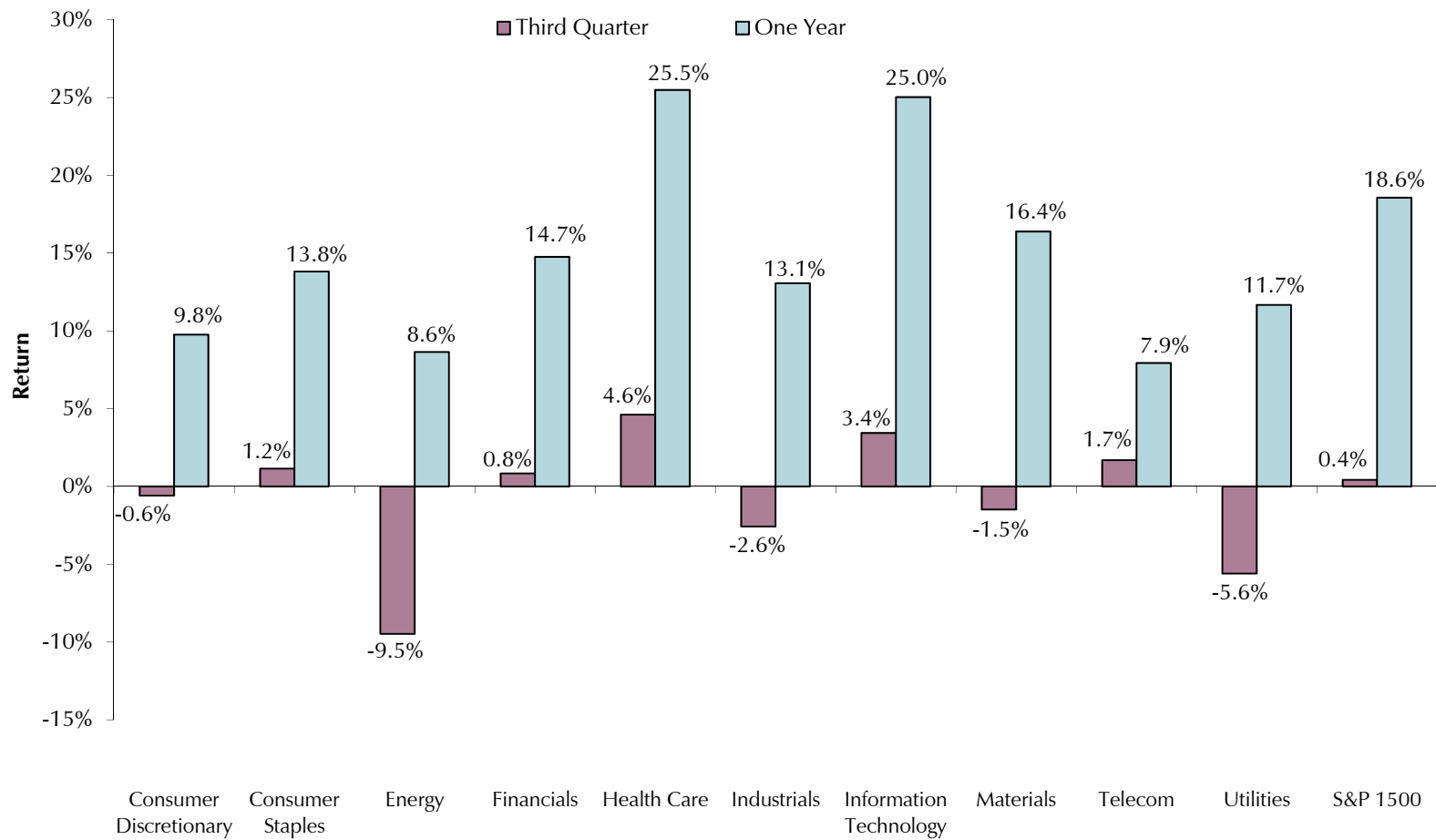
The World Markets  
Third Quarter of 2014



## Index Returns

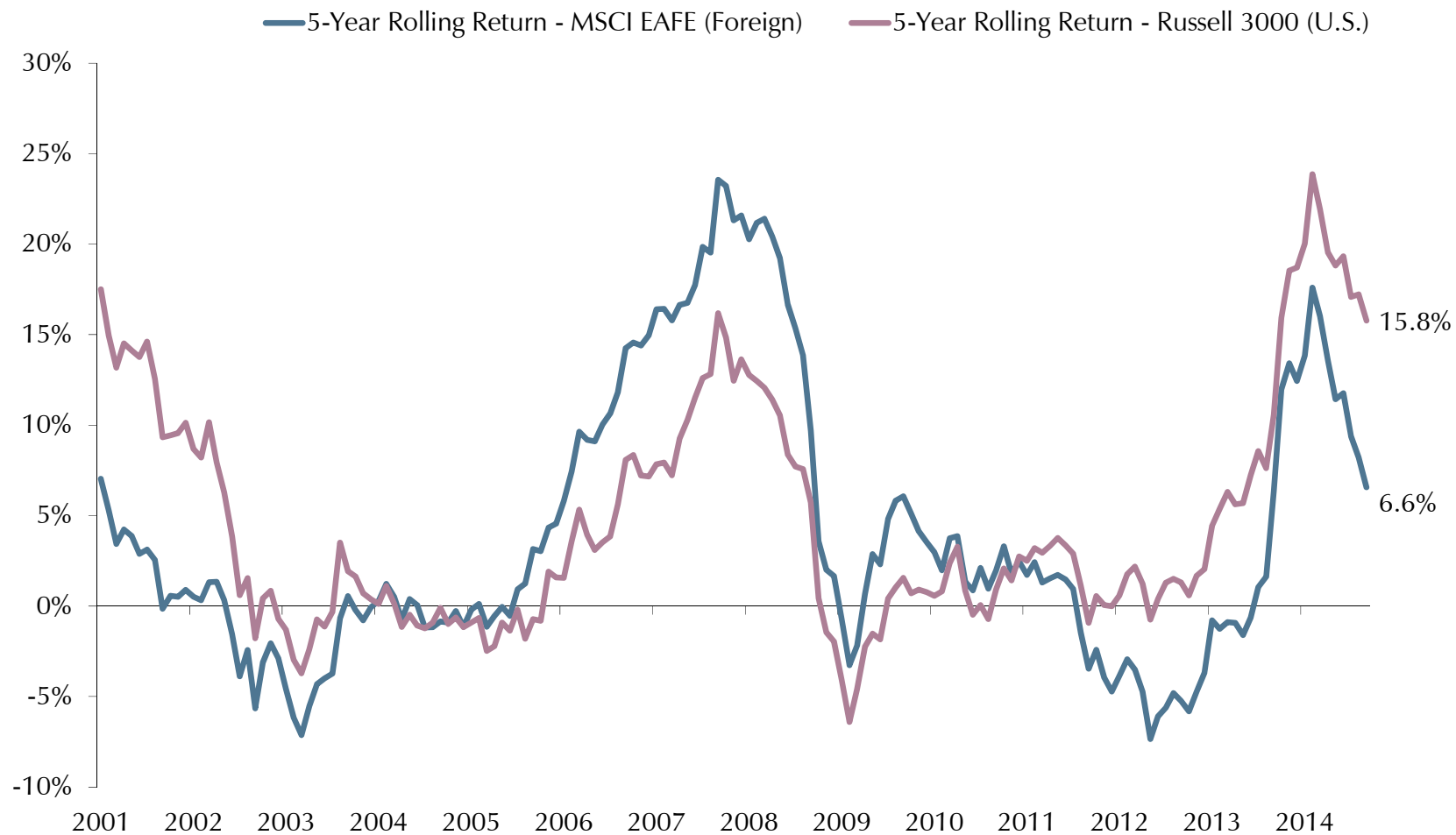
	3Q14 (%)	YTD (%)	1 YR (%)	3 YR (%)	5 YR (%)	10 YR (%)
<b>Domestic Equity</b>						
Russell 3000	0.0	7.0	17.8	23.1	15.8	8.4
Russell 1000	0.7	8.0	19.0	23.2	15.9	8.5
Russell 1000 Growth	1.5	7.9	19.1	22.4	16.5	8.9
Russell 1000 Value	-0.2	8.1	18.9	23.9	15.3	7.8
Russell MidCap	-1.7	6.9	15.8	23.8	17.2	10.3
Russell MidCap Growth	-0.7	5.7	14.4	22.7	17.1	10.2
Russell MidCap Value	-2.6	8.2	17.5	24.7	17.2	10.2
Russell 2000	-7.4	-4.4	3.9	21.3	14.3	8.2
Russell 2000 Growth	-6.1	-4.0	3.8	21.9	15.5	9.0
Russell 2000 Value	-8.6	-4.7	4.1	20.6	13.0	7.3
<b>Foreign Equity</b>						
MSCI ACWI (ex. U.S.)	-5.3	0.0	4.8	11.8	6.0	7.1
MSCI EAFE	-5.9	-1.4	4.3	13.6	6.6	6.3
MSCI EAFE (local currency)	0.9	4.1	10.7	17.3	8.1	5.9
MSCI EAFE Small Cap	-7.8	-2.7	3.0	14.5	8.9	8.0
MSCI Emerging Markets	-3.5	2.4	4.3	7.2	4.4	10.7
MSCI Emerging Markets (local currency)	0.6	5.2	8.3	10.1	6.3	10.9
<b>Fixed Income</b>						
Barclays Universal	0.0	4.2	4.4	3.2	4.7	4.9
Barclays Aggregate	0.2	4.1	4.0	2.4	4.1	4.6
Barclays U.S. TIPS	-2.0	3.7	1.6	1.3	4.5	4.6
Barclays High Yield	-1.9	3.5	7.2	11.1	10.6	8.3
JPMorgan GBI-EM Global Diversified	-5.7	0.0	-1.5	2.2	4.4	8.8
<b>Other</b>						
NAREIT Equity	-2.5	13.4	13.2	17.2	16.2	8.5
Bloomberg Commodity Index	-11.8	-5.6	-6.6	-5.4	-1.4	-2.1
HFRI Fund of Funds	0.5	2.7	6.4	5.3	3.5	3.5

### S&P Sector Returns

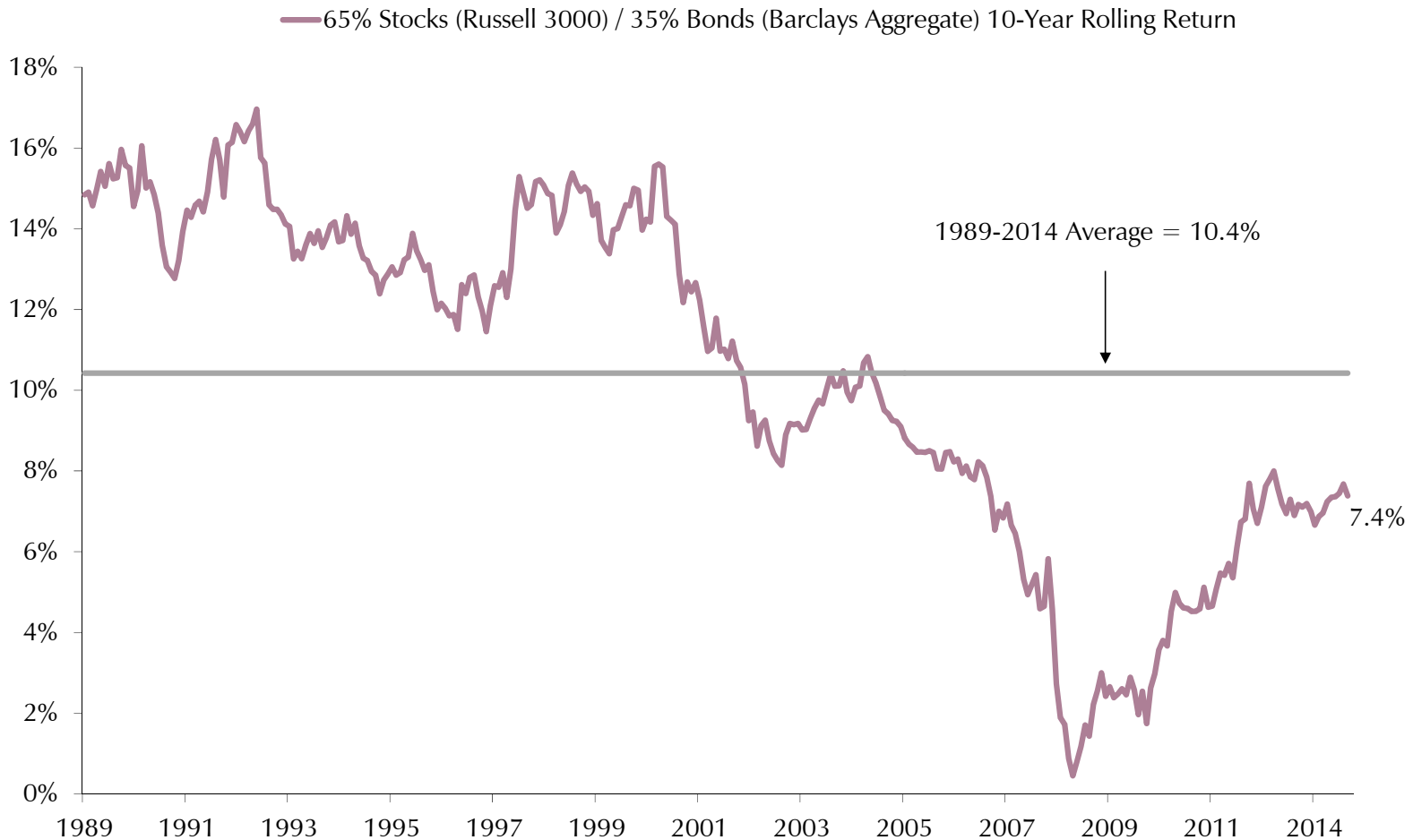




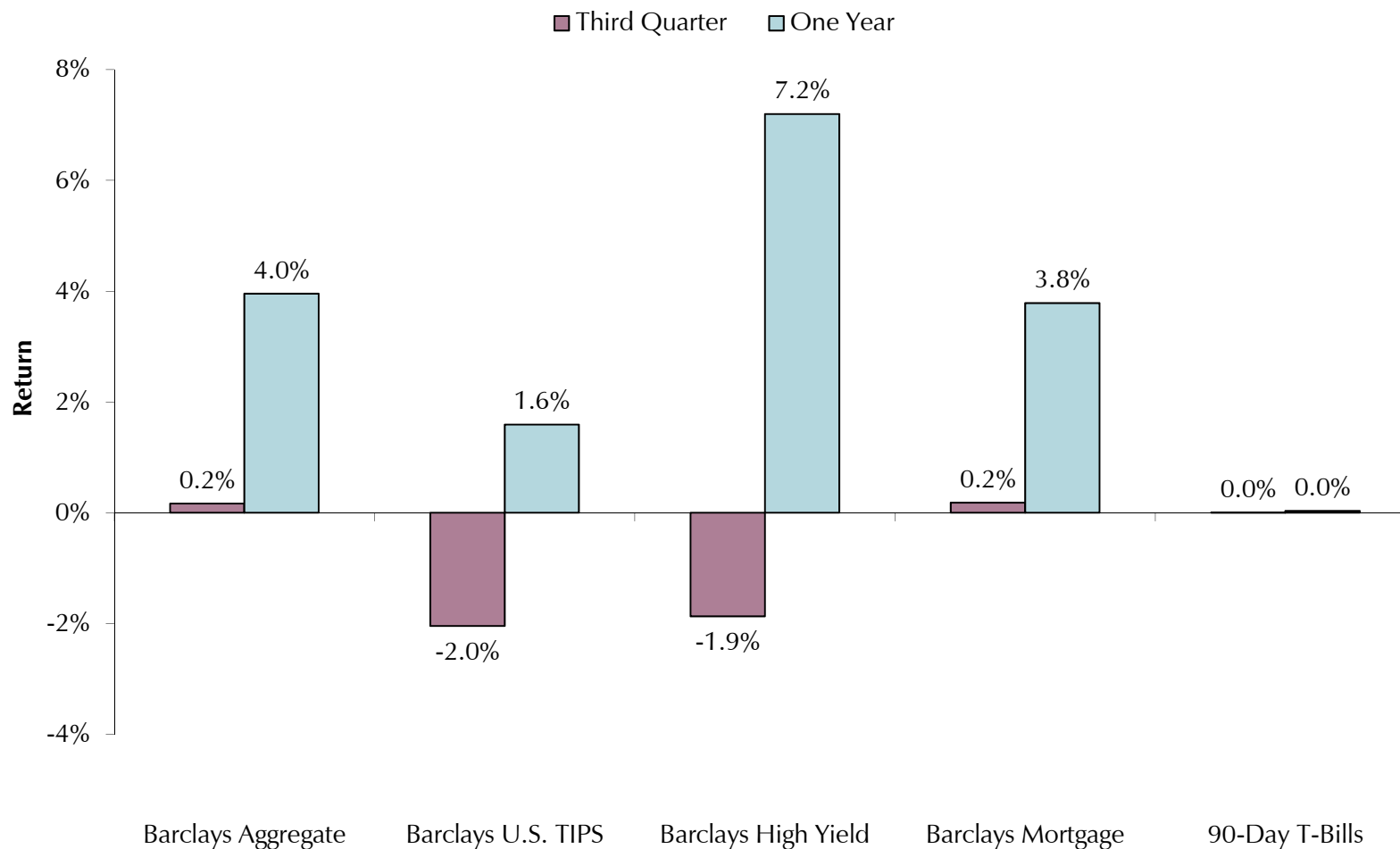
### Equity Markets



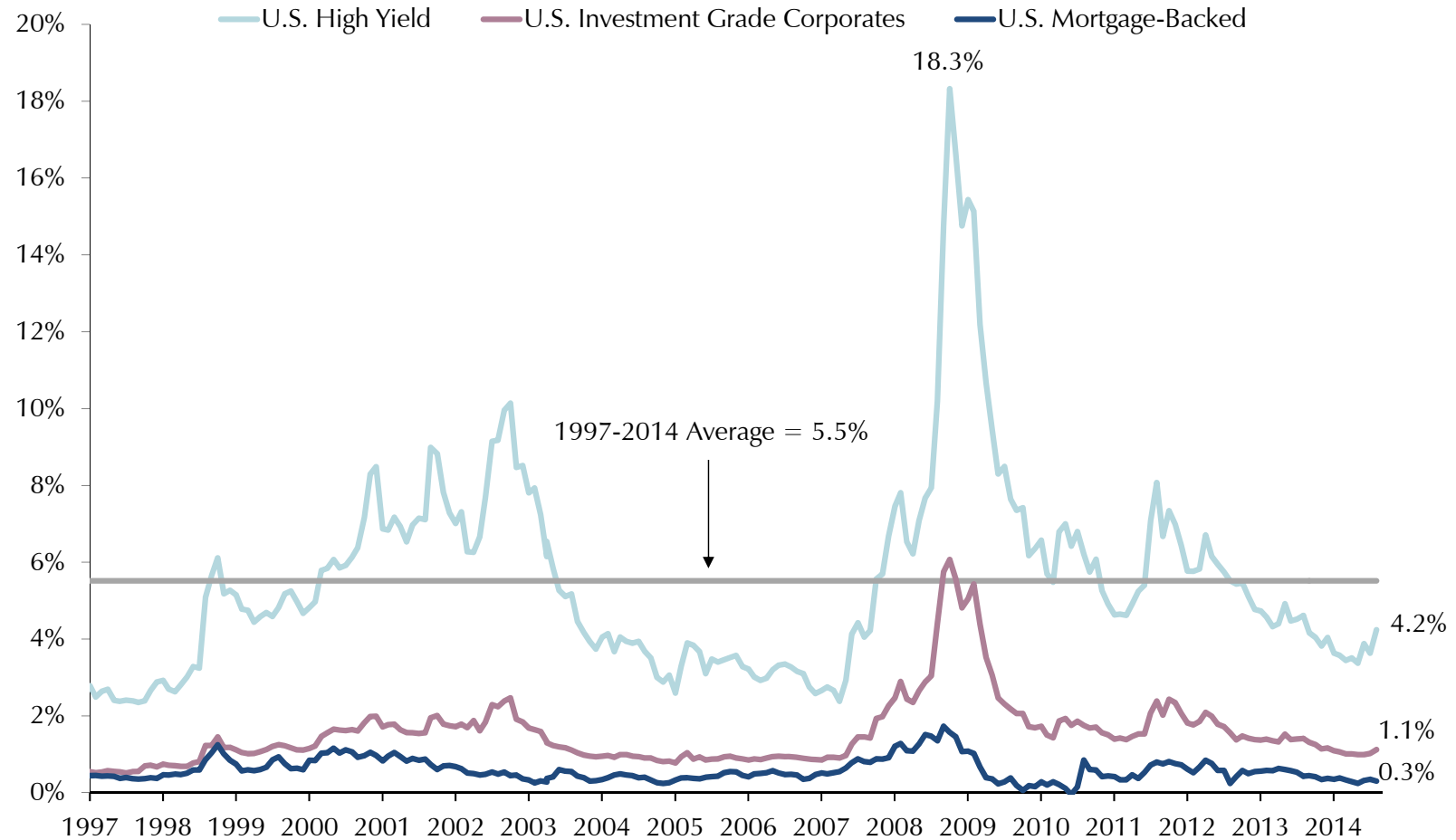
### Rolling Ten-Year Returns: 65% Stocks and 35% Bonds



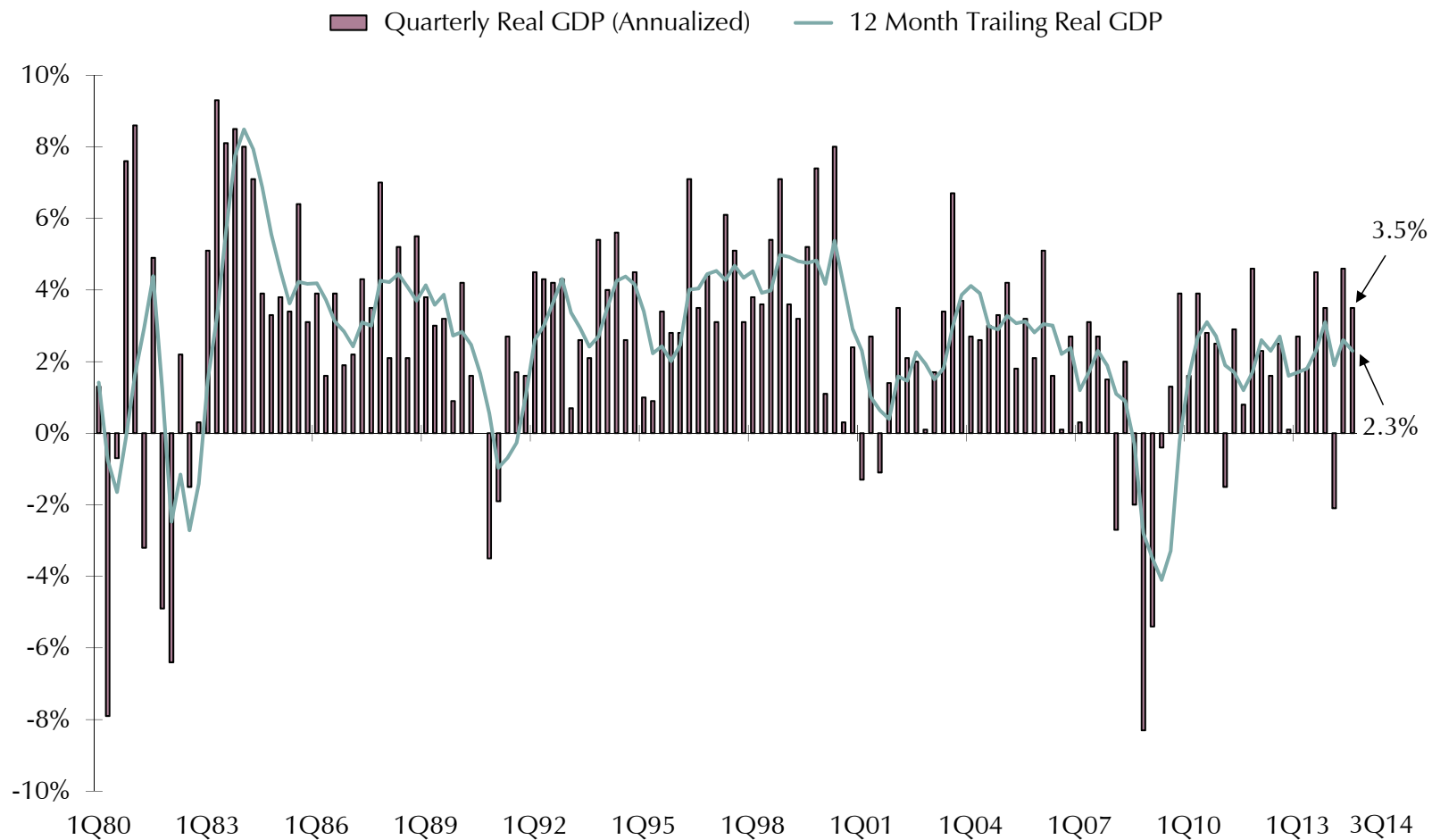
### U.S. Fixed Income Markets



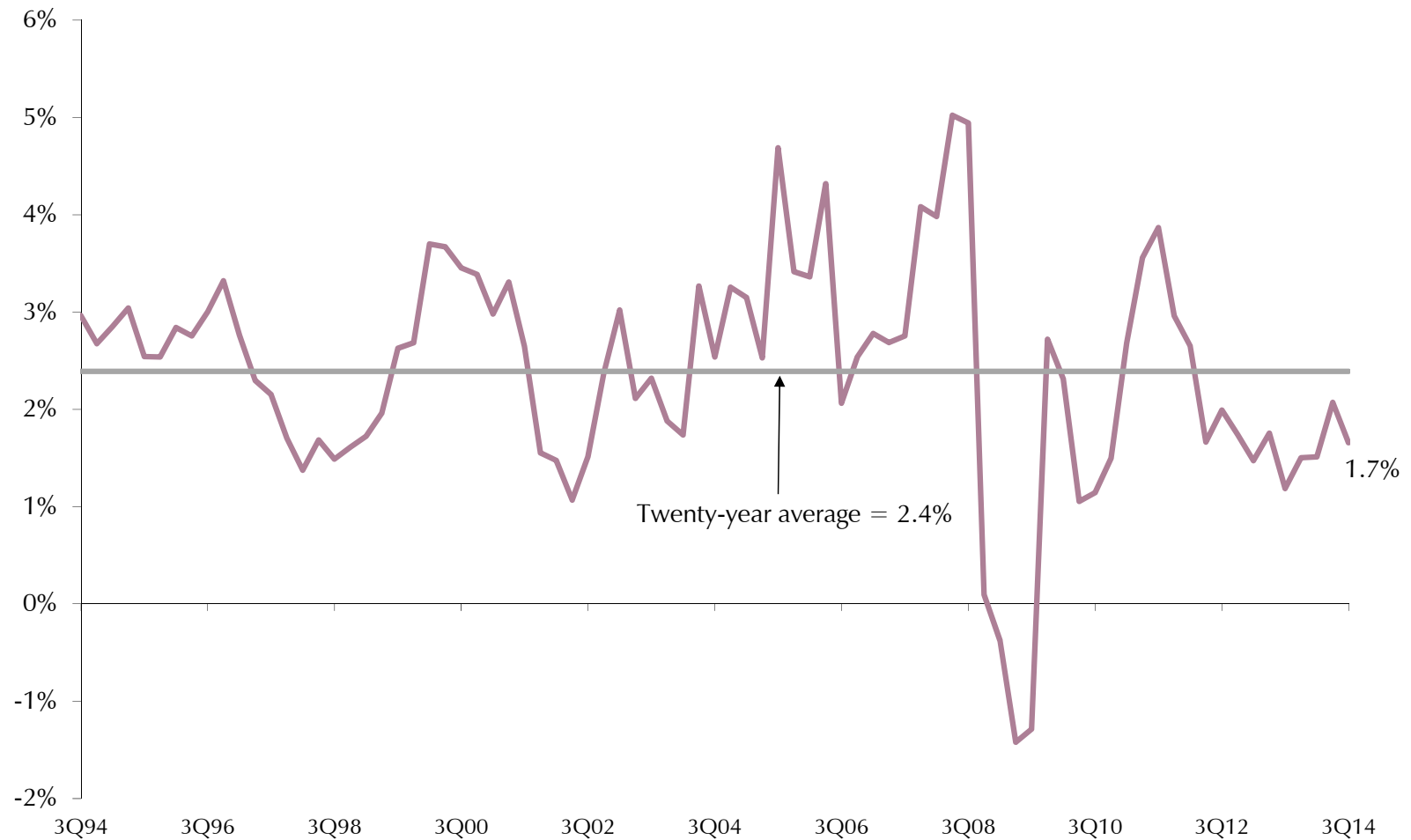
### Credit Spreads vs. U.S. Treasury Bonds



### Real Gross Domestic Product (GDP) Growth

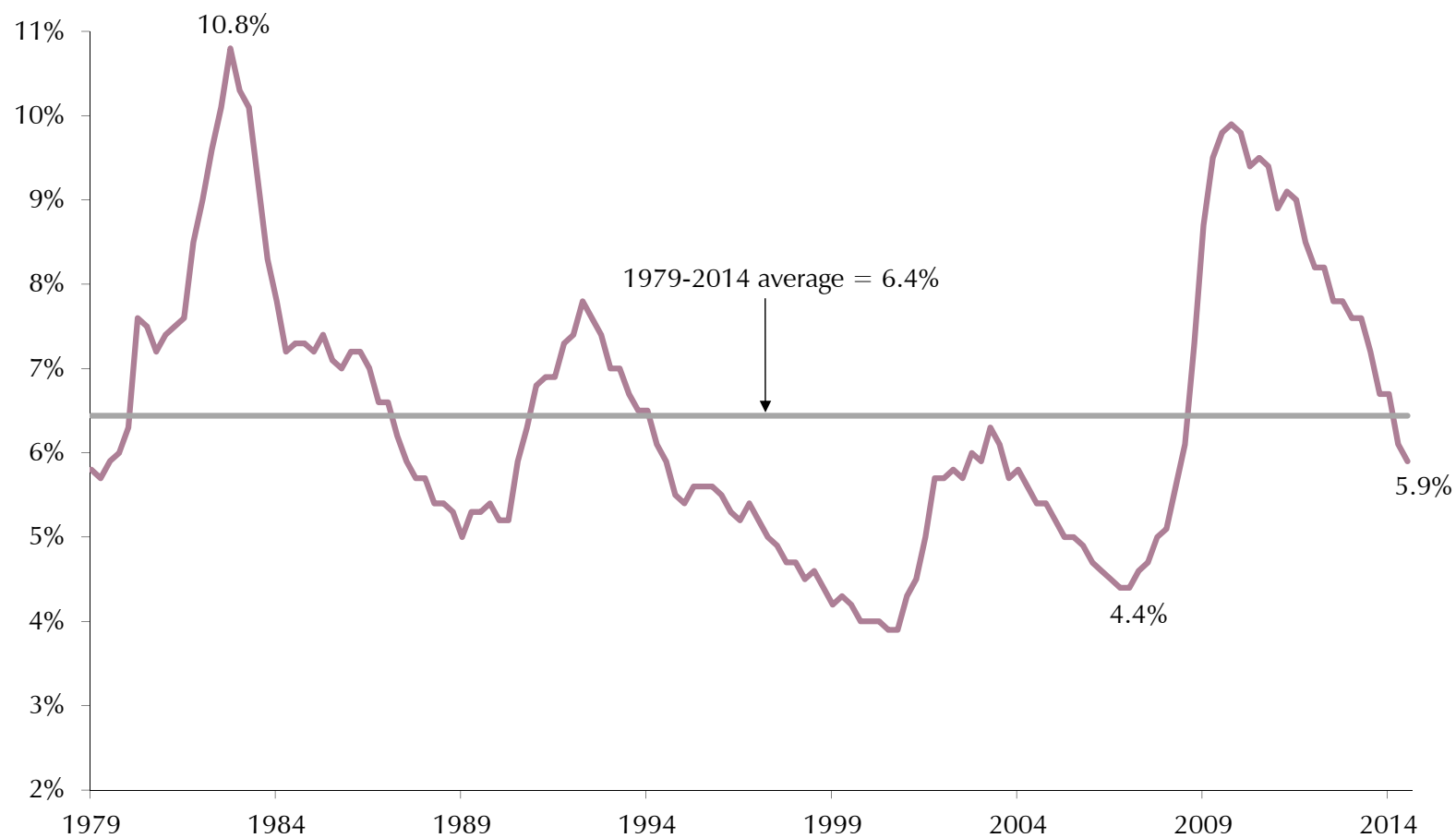


**U.S. Inflation (CPI)  
Trailing Twelve Months<sup>1</sup>**



<sup>1</sup> Data is non-seasonally adjusted CPI, which may be volatile in the short-term.

### U.S. Unemployment



## Glossary and Notes As of September 30, 2014



**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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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.